TURNBULL

MONTHLY MARKET BULLETIN
January 2013

All about Turnbull

The Turnbull partnership is a proudly independent firm, headed by **Johnny Turnbull**, one of the most respected buying advisors in both the London and international markets. Turnbull sets the standard for the acquisition of exceptional property in Prime Central London, as well as principal destinations anywhere in the world, and acts solely for private clients. Our select team combines their resources, contacts and broad experience with unsurpassed expertise and knowledge of the market, to ensure we meet the highly personal and exacting needs of each client.

9.9%
Increase in £per square foot values in Prime Central London in 2012

£8.3 BILLION
total value of properties sold in Prime London in 2012

41
sales per month in prime London properties for over £5 million in 2012

2012 began with scepticism over the ability of many of the world's economies to weather the financial storm. Many economists and forecasters were concerned about the health and on-going existence of the Eurozone, the effect of fiscal reforms in the US surrounding the upcoming election and the ability for the Chinese economy to continue to drive demand for key world commodities.

However, the world did not end (as per the predictions of the Mayan calendar which signaled the end of civilisation as we know it) and, although economic challenges remain, there is light at the end of the tunnel.

Globally, the return to growth does look set to be a longer path than some had initially expected. In October the IMF cut its forecast for many world economies, with the UK economic forecast being downgraded from 1.4% to 1.1% for 2013.

For London, 2012 brought much to celebrate; and not just for sports fans and royalists. London's residential property market actually benefited from policy changes in the Eurozone such as Francois Hollande's much publicised wealth tax and political unrest in other countries and international demand remained strong.

The UK national housing market saw small but positive growth in average prices, with growth of 0.9% in the 12 months to November. Low interest rates and a shortage in supply helped support values in many areas. Although national growth looks very low when compared to London (5.9%), and especially the prime boroughs, the UK outperformed many of it's European neighbours, with price falls of -1% seen in France and -12% in Ireland.

Forecasts for UK house prices this year range from a pessimistic -5% from Capital Economics, to +2% from the RICS. A return to higher growth levels is not expected until 2014.

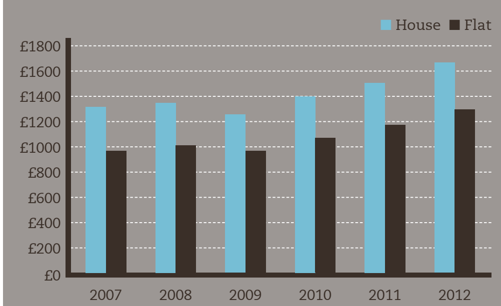
Overseas advantage

Overseas buyers have continued to flock to London over the past year. Whilst the motivations for owning a home in the Capital are many and varied, exchange rates continue to play a part in the buying decisions of many people coming in from abroad.

For buyers purchasing with sterling, prices in Kensington & Chelsea have increased by 32% in the last five years, adding an additional £266,000 to the average house price. For overseas nationals, only those buying with Rubles will have to contend with similar price rises (30%). Euro buyers will have to pay an additional 14%, with both US$ and HK$ purchasers paying just 4% over 2007 levels.

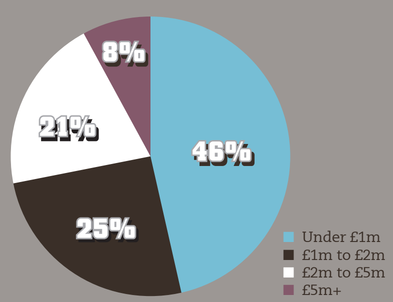
The real winners in exchange rate terms are Singaporeans. The change in the value of the Singapore dollar against sterling means prices are 13% lower than those seen in 2007.

Average £ per square foot - Prime Central London

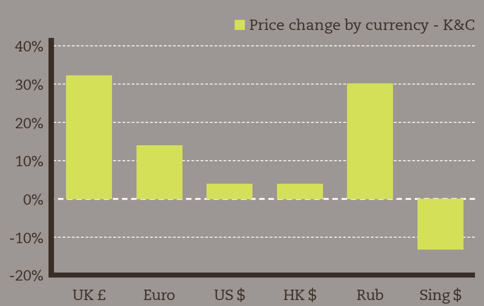


Source: Land Registry

Sales by price band - Prime Central London 2012



Difference in price in K&C 2007 vs. 2012



Source: Landreg/Dataloft

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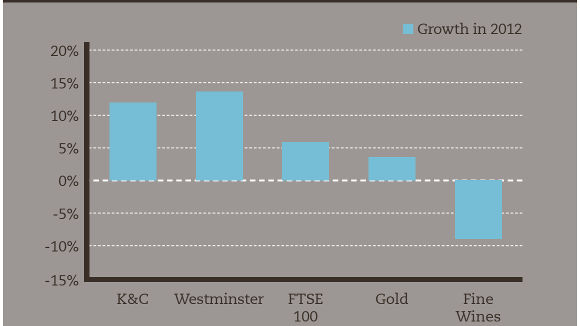
PRIME MARKET PERFORMANCE

Despite the best efforts of the coalition to temper demand for high value homes, 2012 saw prices within prime London continue to rise. Year-on-year average £ per square foot values in central London rose by 9.9%. The introduction of the 7% stamp duty band for homes over £2 million has restricted sales activity between £2 million and £5 million. Sales within this price bracket were down 18% on 2011, compared with 7% across all price bands. Many buyers looking around the £2 million mark are mortgage reliant and therefore the additional 2% purchase tax is, for some, a significant barrier. We have seen an increase in purchases below the £2 million threshold, with an average of 99 sales per month for between £1 million and £2 million from April to December, up 9% on the same period in 2011.

With good news on the abolition of the proposed 'Mansion Tax' and further clarity over additional costs for those buying homes 'offshore', December was a particularly busy month. The year-end saw agents operating in Belgravia complete on a number of deals between £15 million and £30 million. Whilst these deals were agreed before the announcements in December, the clarity which the Finance Bill brought meant buyers were keen to get deals agreed on properties under offer. Many prime London agents are reporting robust performance over the course of 2012. Whilst transactions were lower, the increase in top end deals proportionally has meant that many had a very good year indeed.

Despite strong growth over the course of 2012, the consensus amongst those agents forecasting prime London price growth shows prices plateauing in 2013. Savills, Knight Frank and Hamptons are all forecasting 0% growth in 2013, with Carter Jonas and Chesterton Humberts both forecasting up to 5% growth over the course of the year. Last year shortage of stock played an important role in pushing up prices of homes that did sell, however it also meant a number of buyers were frustrated by the choice of properties on offer. We hope that 2013 will see an increase in stock reaching the market to satisfy demand for homes in prime areas of London, giving both greater choice and also greater bargaining power for those looking to buy.

Performance of prime London as an asset class



Source: Land Registry

PROPERTY ASSETS

As well as bring a fantastic place to live, prime London has fared well as an investment over the last 12 months.

Prices across Westminster and Kensington & Chelsea increased by 13.9% and 12.1% respectively in the last year outperforming Gold, the FTSE 100 and fine wines.

Lending on property

As we start the new year more positive news is emerging from the lending market. Base rates remain at an historic low of 0.5%, with few forecasters expecting an increase in 2013. Mortgage approvals hit a 10-month high in November, a further sign that the Bank of England's funding for lending scheme is playing a part in increasing both availability and take up of loans for property purchase.

Mortgage lending over the course of 2012 exceeded expectations, with the Council of Mortgage Lenders forecasting 825,000 transactions over the course of the year. Recent figures from the CML suggest transactions in 2012 will be 930,000, 12.7% above expectations, with gross mortgage lending of £143 billion.

Looking ahead the CML expects transactions to increase by 20,000 to 950,000 in 2013, with gross lending of £156 billion.

Sales to first time buyers in 2012 increased to its highest level in five years according to the Halifax. The number of first time buyers increased by 12% over the course of the year totaling 216,000 in 2012 compared with 193,000 in 2011.

Loan to value ratios for first time buyers remained at an average of 80% over the past year. Recent figures from the Council of Mortgage Lenders suggest the bank of mum and dad continues to play an important role, with 65% of first timers receiving help from their parents in 2012 compared with 31% in 2005.

Comparison of national indices

	AVG HOUSE PRICE	MONTHLY GROWTH	ANNUAL GROWTH
Nationwide	£162,262	-0.1%	-1.0%
HBOS	£163,845	1.3%	2.6%
DCLG	£232,000	0.4%	2.1%
LandReg	£161,490	-0.1%	0.9%
Rightmove	£228,989	-3.3%	1.4%

Key housing market statistics

	LATEST DATA	QUARTERLY GROWTH	ANNUAL GROWTH
M'ge Approvals	54,036	12.1%	3.2%
Resi. trans	80,000	3.5%	5.3%
Gross mtg	£11.7bn	2.7%	-4.5%
Inflation	2.7%	n/a	n/a
Base rate	0.5%	n/a	n/a

Source: Bank of England, HMRC, ONS

Latest annual growth in average sales values

Source: Land Registry

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