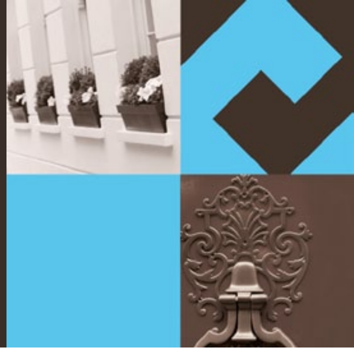


TURNBULL

MONTHLY MARKET BULLETIN

JULY 2011

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 market 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 an unsurpassed expertise and knowledge of the market, to ensure we meet the highly personal and exacting needs of each client".

As we move into the second half of the year, it would appear that the heat has been taken out of the top end of London's housing market. However, with international demand still very high and supply remaining restrained it is still expected to outperform the rest of the market.

Most commentators are fairly clear that the UK is struggling to rise from the aftermath of recession and the country is clearly feeling the effects of spending cuts, low employment rates, increases in the cost of living and fragility in the economy. The fall in households' real disposable last year was the biggest since 1977.

Low confidence has taken its toll on house prices which have seen little or no growth so far in 2011. At the end of May 2011, the Nationwide reported average national prices were -1.2% below the level they were a year ago. Transaction levels across England and Wales are weaker still with sales in the year to March 2011 just half the total seen in the peak year of 2007.

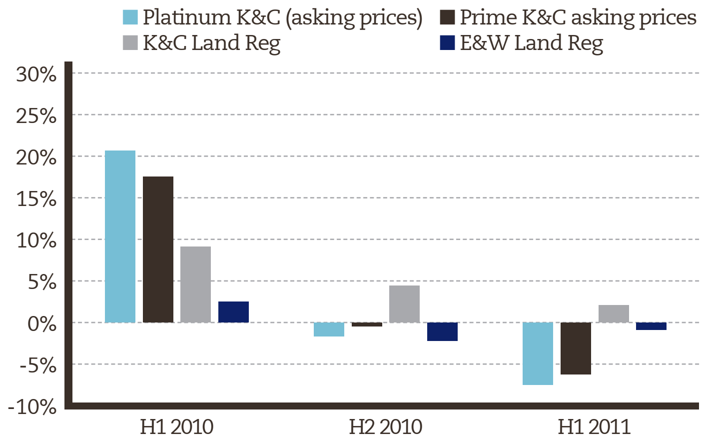
The prime Central London market has been operating somewhat in a bubble now for the past 18 months and has proven much more resilient than the rest of the country. Prices rose strongly over 2010, particularly in the upper price brackets as overseas buyers looked to London as a safe haven and the resultant competition pushed up prices. Although there are mixed messages emerging from the various London-based indices, it seems that more moderate (and arguably more sustainable) price growth has been experienced in recent months with some falls in asking prices being reported for the most prime properties in central areas.

According to Primelocation, the top 10% of properties in the Kensington and Chelsea market (by value) have seen asking prices falling by -2.2% in June and by -9.4% over the past 12 months. This may seen alarming at first glance (particularly as Primelocation were reporting an increase in asking prices of 15.8% in February) but we would suggest that this is partly a function of the volatile nature of the Prime Central London market and even greater volatility in asking prices. These figures likely hide the variation which exists within the market as we are also aware of some very high prices being achieved with some sales exceeding asking price. In the past month, sales over £1m in Central London have achieved an average of 97.8% of asking price with prices averaging £1,510 per sq ft.

The highest value transaction recorded in the past month (on a £psf basis) was at Egerton Gardens, SW3 where a 3 bedroom flat achieved over £2,800 per sq ft. However, at Turnbull we are also aware of properties transacting in Belgravia at just over £4000 per sq ft.

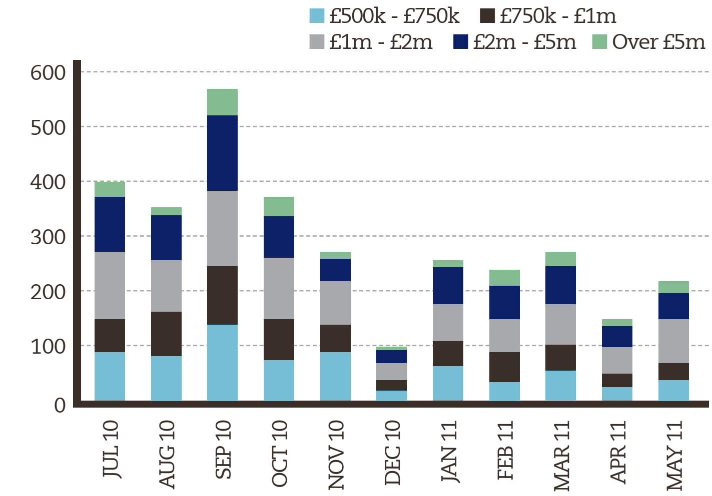
Supply constraints remain a central theme of the London market at present, something that would also affect asking price data at the very top end of the market. Over the past year, although September 2010 saw some increase in instructions to the market, there has since been a downward trend in the level of new stock. The holidays and good weather in April 2011 resulted in a particularly low month for new instructions which has also filtered through into May which has not seen any significant pick up.

CHANGE IN ASKING PRICES AND SALES VALUES



Source: Primelocation, Land Registry

NEW INSTRUCTIONS IN CENTRAL LONDON REMAIN LOW



Source: Lonres

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Increased price inflation for the super wealthy

The retail sector is displaying similar trends to prime residential property with luxury goods in strong demand while high street brands are failing. Just like with top end properties, international demand is strong for luxury retail items, in particular from Chinese and Middle Eastern buyers.

Along with an increase in wealth, the latest Stonehage Affluent Luxury Living Index (SALLI) has further added to the news we have highlighted over recent months regarding the increased spending power of the super-rich.

The index reported that the prices of typical luxury goods for Ultra High Net Worth (UHNW) individuals based in London increased by an average 6% in the 12 months to April 2011, a significant increase on the previous year.

This significant rise suggests that confidence is being restored and that this is translating into an increase in spending. The figures have also no doubt been further boosted by the increased number of foreigners who have been attracted into London.

The consumables category showed the strongest rise of 18% over the year boosted in particular by a 27% increase in the wine index which tracks the price of fine wine. High auction prices for art were the driver of a 10.3% increase in the culture and entertainment category while the investments of passion category, which includes luxury cars, rose by 4.7% over the year.

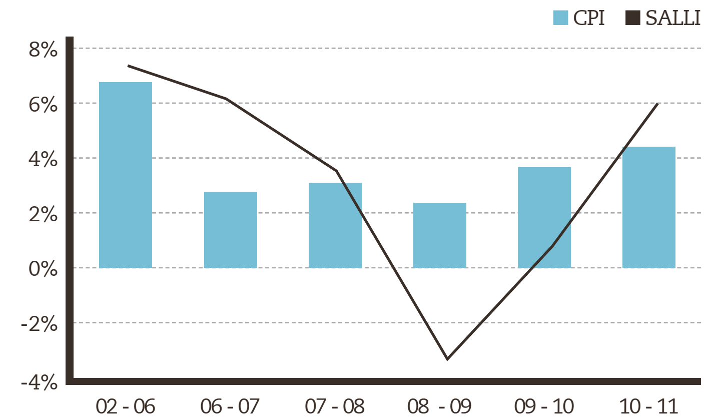
The appetite for luxury doesn't seem to be abating. The Chinese luxury sector is forecast to double to $15 billion by 2014, while the British market is set to grow from £6bn to £9.4bn by the end of 2015.

LATEST ANNUAL GROWTH IN AVERAGE SALES VALUES

England & Wales	London	Westminster	Kensington & Chelsea
-2.2%	2.9%	2.0%	6.2%

Source: Land Registry

PRICE CHANGE PER SPENDING CATEGORY OF LUXURY GOODS



Source: SALLI

Global wealth surpasses 2007 level

The 2011 World Wealth Report which has just been published is further evidence of the increased wealth of the super-rich. Globally, the population of HNWIs grew by 8.3% in 2010 to 10.9 million. Their collective financial wealth grew by 9.7% to reach US$42.7 trillion which surpasses the pre-crisis peak of 2007.

While still showing healthy signs of growth, these rates are more moderate than in 2009 where a strong rebound from the losses of 2008 resulted in a 17.1% rise in the population of HNWIs and an 18.9% increase in their collective wealth.

Furthermore, the ultra wealthy are getting even richer. The global population of ultra-HNWIs (those with investable assets over $30m) grew by 10.2% in 2010 with growth in their collective value of 11.5%. Ultra-HNWIs now account for 36.1% of global HNWI wealth while comprising just 0.9% of their population.

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£168,205	0.0%	-1.1%
HBOS	£163,049	1.2%	-3.5%
DCLG	£204,439	-1.1%	0.9%
LandReg	£163,083	0.8%	-1.3%
Rightmove	£240,394	0.6%	1.1%

KEY HOUSING MARKET STATISTICS

	Latest data	Quarterly growth	Annual growth
Mortgage approvals	45,940	-1.4%	-7.2%
Resi. transactions	68,000	-4.2%	-8.1%
Gross mortgage lend	£11.3bn	-1.5%	-6.6%
Inflation	4.5%	na	na
Base rate	0.5%	na	na

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