TURNBULL

MONTHLY MARKET BULLETIN

JUNE 2011

ALL ABOUT TURNBULL

"The Turnbull partnership is a proudly independent firm, headed by Johnny Turnbull, one of the most respected buying advisors in the London market. Turnbull sets the standard for the acquisition of exceptional property in Prime Central London 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".

House prices in prime London have forged ahead over the past 18 months, however a period of self-regulation now seems to have begun. Although activity remains strong, slower price growth could be good news for a market which was in danger of overheating.

For more than a year residential prices in Central London, and in particular the most prime properties, have once again detached themselves from the rest of the market. By the middle of 2010 according to Primelocation annual growth in values for the top properties in Kensington & Chelsea had climbed over 24%. In Central London, overseas purchasers rushed to secure property, with low stock levels and competition pushing up prices for the best properties. At the same time the rest of the UK languished behind, plagued by the effects of the aftermath of the recession. Nationally prices rose by just 1% in 2010. As we progressed into Spring of 2011, the momentum in the Capital continued with London further outperforming the rest of the country in terms of both price growth and transaction levels, with some record pricing levels being achieved.

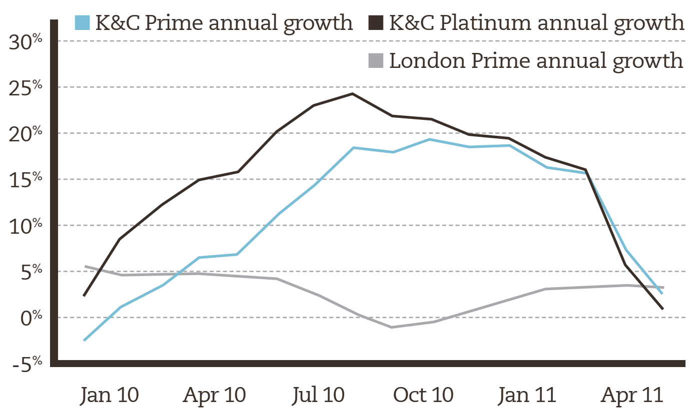
In principle if transaction levels are low then monitoring of house prices becomes more challenging. Nonetheless, both the Land Registry and Primelocation indices have reported considerably lower growth in central parts of London in the last two months. For those properties in Kensington & Chelsea which were seeing 24% growth less than a year ago falls in the past few months have left annual growth at just 0.6%. This begs the question of whether the tide is turning, has the bubble burst?

We at Turnbull don't believe this is the case. The Central London market is historically more volatile than the rest of the UK, however the fundamentals of the London market remain strong. Given turbulence in the Middle East and elsewhere, London is even more attractive for overseas investment and demand remains robust, certainly in contrast to the rest of the UK. Outside of London house prices are at best static and at worst falling with the regions experiencing transaction levels at around half of what they were in 2007. In London activity remains high and for example transaction levels in Kensington & Chelsea over the past 12 months were more than 70% of the level reached in 2007.

Consistent with the above, at a domestic level the London economy continues to outperform the other regions of the UK and as the jobs market has strengthened so has the level of domestic demand for property. However, UK buyers are not immune from the circulating glut of bad news regarding either the stagnation of the UK economy, or our weak housing market and associated poor confidence and it is inevitable that some caution will exist among buyers. At the same time April's RICS Housing Market Survey showed London to be the only region where surveyors are seeing rising rather than falling prices, newly agreed sales are highest among the regions and the prospects for price growth in the next three months remains strongest.

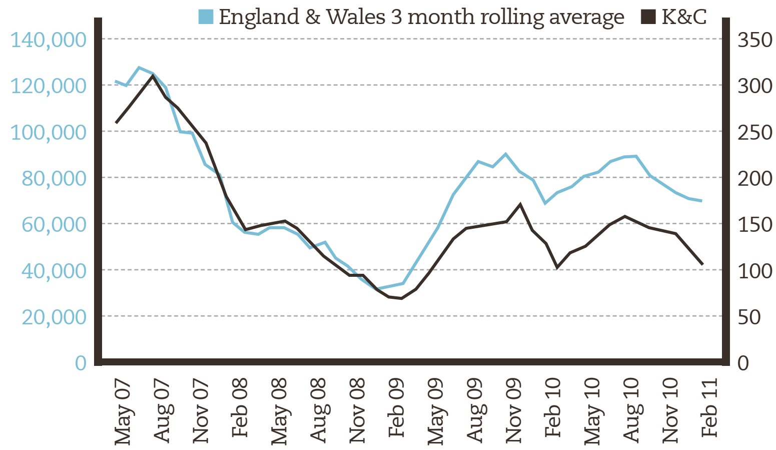
In summary the outlook for London remains sound and we actually believe that a period of slower house price growth will take the heat out of a market which did have the potential to overshoot. With continued demand and low supply levels we still expect the Central London market to outperform the rest of the UK both over the remainder of 2011 and also in the longer term.

LOWER PRICE GROWTH IN CENTRAL LONDON...



Source: Primelocation

... BUT TRANSACTION ACTIVITY REMAINS STRONG



Source: Land Registry

T 020 7866 6055 **M** 07970 262080 **W** turnbullproperty.com

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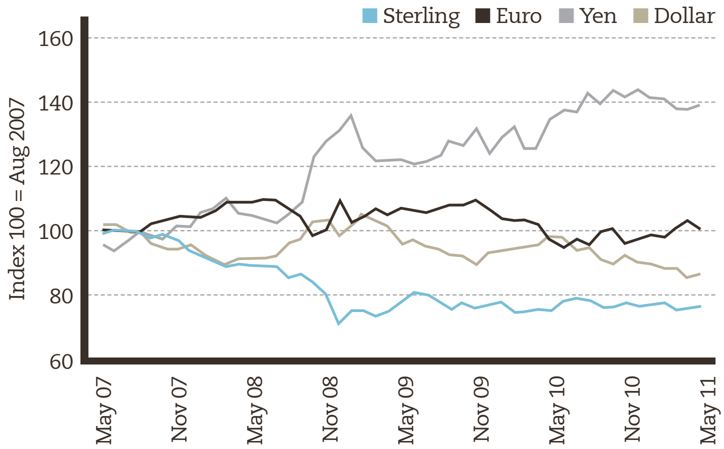
Favourable exchange rate provides boost

The relative depreciation of Sterling following the financial markets crisis augmented demand for Central London properties from overseas investors. Despite some improvement in Sterling in early 2009 and the rise in prices over the past 18 months, residential property remains relatively 'cheap'. Coupled with continued political unrest in the Middle East and rising inflation in Asia, the weakness in Sterling will continue to make residential property in Central London an attractive option for overseas investors.

INTERNATIONAL EFFECTIVE EXCHANGE RATES



Source: Bank of England

Significant pricing levels still being achieved

In the year to date, sales of houses over £2m in central London achieved an average value of £1,552 per square foot compared to an average of £1,791 for flats. According to Lonres the highest flat £ per square foot achieved so far this year was £3,751 for a five bedroom flat on Montrose Place in SW1X; the highest house value was £3,227 for a four bedroom house on Egerton Terrace in SW3. We are also aware that off-market sales have taken place above these levels.

AVERAGE £PSF FOR SALES OVER £2M IN YEAR TO DATE

Area	Flat	House	All Property
Belgravia	£2,089	£1,786	£1,975
Chelsea	£1,611	£1,653	£1,641
Knightsbridge	£1,888	£1,530	£1,737
Marylebone	£1,316	£1,164	£1,250
Mayfair	£1,951	£1,727	£1,883
Pimlico	£1,010	£827	£858
South Kensington	£1,346	£1,459	£1,434
Westminster	£1,321	£1,086	£1,233
Central London	£1,791	£1,552	£1,666

Source: Lonres

Confidence growing in the luxury goods market

We highlighted last month news from the Sunday Times Rich List that global wealth is increasing and the total value of the super-rich is back to near peak levels. This increased wealth is already leading to increased spending in the luxury goods market. The latest update to the Bain Luxury Goods Worldwide Market Study forecasts annual growth of 8% in the luxury goods industry over 2011, worth a total of $267bn this year. This surpasses its value at the last peak of the market before the financial crisis.

LATEST ANNUAL GROWTH IN AVERAGE VALUES

England & Wales	London	Westminster	Kensington & Chelsea
-1.3%	5.0%	2.7%	6.0%

Source: Land Registry

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£167,208	0.3%	-1.2%
HBOS	£160,519	0.1%	-4.2%
DCLG	£205,565	1.2%	0.9%
LandReg	£163,083	0.8%	-1.3%
Rightmove	£238,874	1.3%	0.7%

KEY HOUSING MARKET STATISTICS

	Latest data	Quarterly growth	Annual growth
Mortgage approvals	45,166	-1.5%	-0.1%
Resi. transactions	68,000	-4.2%	-8.1%
Gross mortgage lend	£11.1bn	-1.8%	-3.5%
Inflation	4.5%	na	na
Base rate	0.5%	na	na

T 020 7866 6055 **M** 07970 262080
E paul@turnbullproperty.com **W** turnbullproperty.com
84 Brook Street, London W1K 5EH

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