

TURNBULL

MONTHLY MARKET BULLETIN
June 2012

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.

T Transaction levels have been slightly higher than average over the course of May in central London, according to Lonres, accounting for 24% of sales in the first five months compared to an average of 22% over the previous five years. Looking ahead to the summer, we anticipate that we will have unseasonably high activity levels due to the combination of Ramadan falling earlier than usual and increased numbers of internationals in London for the Olympics, who may then be tempted into looking at properties whilst they are here.

Prices achieved for homes in the two prime London boroughs of Westminster and Kensington & Chelsea continue to increase despite the gloomy economic backdrop. In the 12 months to the end of April 2012, average house prices increased by 11.9% and 11.6% respectively in these areas, according to the Land Registry.

Continuing turmoil in the Eurozone and mounting evidence that the UK's double-dip

recession is deeper than originally thought, even with the relatively upbeat results for the service sector, the Bank of England has announced two new stimulus packages. The idea is to increase liquidity by making money more accessible for banks and businesses. A minimum of £5 billion per month will be available to banks as part of the Extended Collateral Term Repo (ECTR). In addition, Funding for Lending aims to provide longer term money to banks who must then show an increase in lending to businesses and householders to secure further funding. The details are yet to be finalised but it is hoped that this will help kickstart the economy.

Accessibility to Canary Wharf will be just as important as it is to the City for buyers employed in London's banking sector. Research conducted by the Financial Times suggests that Canary Wharf will soon become Europe's largest employer of bankers. After JP Morgan's transfer of 8,000 of its 11,000 London employees to its new European HQ, Canary Wharf will employ 44,500 bankers compared to 43,000 in the City.

50%

more transactions above £5m in central London in May 2012 compared to May 2011

£20-25 MILLION

expected for Constable's 'The Lock' painting at Christies on July 3rd

£1 TRILLION

value of London's residential market as estimated by Primelocation.com

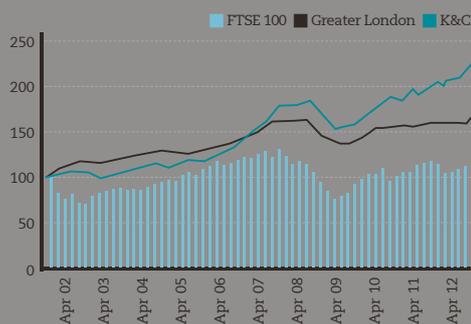
Overseas demand

The Eurozone faces weekly, if not daily, challenges to keep its single currency intact with efforts of ministers largely focused on Greece and Spain. In these turbulent times, wealthy individuals from these member states are becoming an increasing source of demand for the prime London property market.

In our experience, the fundamentals of the market are still viewed as being very strong and the Capital is consistently seen as a great place to live.

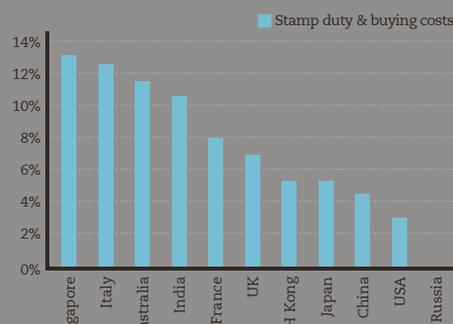
The new 7% stamp duty levy for homes priced in excess of £2 million is unlikely to deter overseas buyers, as the total cost of buying at the top end of the market is often higher within their home countries and other overseas property hotspots (e.g., France, Italy, India, Singapore and Australia). Wealth protection and locating the whole family are the main drivers of current overseas demand.

Central London property as a profitable investment



Source: Land Registry, FTSE (April 2002 = 100)

Stamp duty and buying costs: an international comparison

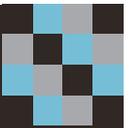


Stamp duty and other buying costs for homes £2m+

Price reductions for available properties by area and price band



Source: Lonres



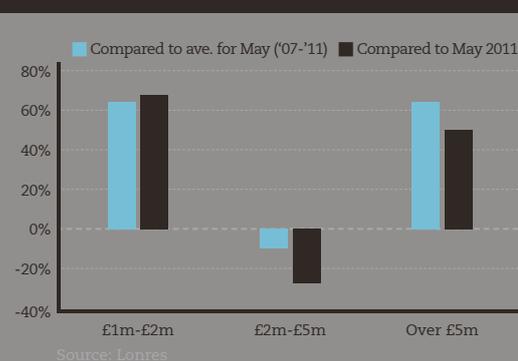
ACTIVITY AT THE TOP END OF THE MARKET

The number of sales achieving prices of £1m plus in May is up compared to both the average for that month over the previous five years and in May 2011. Although sales in May this year are significantly higher than was achieved last year in the £1m to £2m price band and the £5m+ price band, there has been a noticeable fall in activity levels in the £2m to £5m price band. This is likely to be in part due to the price re-adjustments by vendors and shifts in demand, as a result of the new additional Stamp Duty charges for properties above £2m.

In the last six to eight weeks in our area there have been some key pieces of evidence that the market is still performing well, including:

- H** a newly refurbished house in Belgravia achieving £3,750 per sq ft. This was a new high for this address.
- H** a flat in Lowndes Square has been sold for £15m, equating to £4,100 per sq ft.
- H** a newly refurbished family house in Notting Hill, backing onto one of the communal gardens, has recently achieved in excess of £22m. The equivalent to £3,400 per sq ft.
- H** a Knightsbridge mews house has recently sold, prior to it being formally marketed, at a price in excess of £3,200 per sq ft, which is unusual in the house market.
- H** continued success in the sale of the multi-unit scheme at Grosvenor Crescent where sales values have been achieved in the £3,700 - £4,000 per sq ft bracket.
- H** only eight units remain at the Candy's One Hyde Park building, all of which are second floor or below, indicating the market is still strong in this sector.

Sales activity in May is up compared to 5 year average



COST OF LIVING FALLS

London is currently ranked as the 25th most expensive city in the world for ex-pats to live, according to recent research by Mercer. It has fallen 7 places from last year suggesting that despite rising house prices and inflation, the Capital of the UK has become a cheaper place to live relative to other major world cities. This is based on cost analysis of over 200 different household expenditure items, including housing, transport, food, clothing, household goods and entertainment.

UPDATE ON TAXES INTRODUCED IN THE BUDGET

On the 31st May the UK Government published its consultation paper on the annual charge proposed for residential properties valued over £2m owned by certain 'non-natural' persons and the extension of capital gains tax on the disposal of residential property by non-resident companies.

With regard to the annual charge, the charging structure is proposed to be as follows. It will be indexed to CPI and updated in April each year:

- £2m to £5m: £15,000
- £5m to £10m: £35,000
- £10m to £20m: £70,000
- £20m+: £140,000

Source: Budget 2012 Policy Costings

The aim of the capital gains tax extension is to support the annual charge by creating a further deterrent to enveloping and to create more equal tax treatment between UK residents and non-residents.

The consultation will be open for 12 weeks and will close on the 23rd August 2012. After the consultation has closed, the Government will consider all the responses and continue to engage with stakeholders. Draft legislation will be published for consultation in the autumn and introduced in the Finance Bill 2013.

We continue to monitor the situation closely. Although at this point the 15% levy appears to be becoming more accepted as the price to be paid for gaining a London address, it is still early days.

Comparison of national indices

	AVG HOUSE PRICE	MONTHLY GROWTH	ANNUAL GROWTH
Nationwide	£166,022	0.3%	-0.7%
HBOS	£160,914	0.5%	-0.2%
DCLG	£225,283	-0.1%	-0.4%
LandReg	£160,417	-0.2%	-1.0%
Rightmove	£243,759	0.0%	2.0%

Key housing market statistics

	LATEST DATA	QUARTERLY GROWTH	ANNUAL GROWTH
M'ge Approvals	51,823	-11.6%	12.4%
Resi. trans	72,000	1.7%	2.9%
Gross mtg	£11.5bn	-8.3%	2.6%
Inflation	3.0%	n/a	n/a
Base rate	0.5%	n/a	n/a

Latest annual growth in average sales values



Source: Bank of England, HMRC, ONS

Source: Land Registry

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