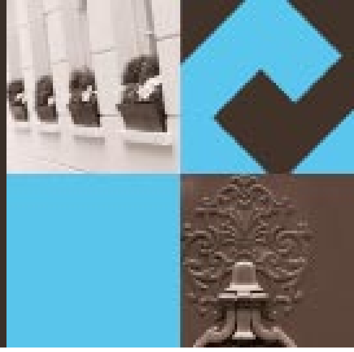
TURNBULL

MONTHLY MARKET BULLETIN

MARCH 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".

As spring gets under way, the UK housing market remains fairly sluggish. According to the latest Nationwide House Price index, house prices rose by 0.3% in February to leave values 0.1% lower than in the same month of 2010. However, the underlying trend monitor which measures three month on three month growth showed prices relatively flat at -0.1% in February. Asking prices tracked by Rightmove rose by 3.1% in February, although this perhaps says more about vendors expectations than any improved market conditions.

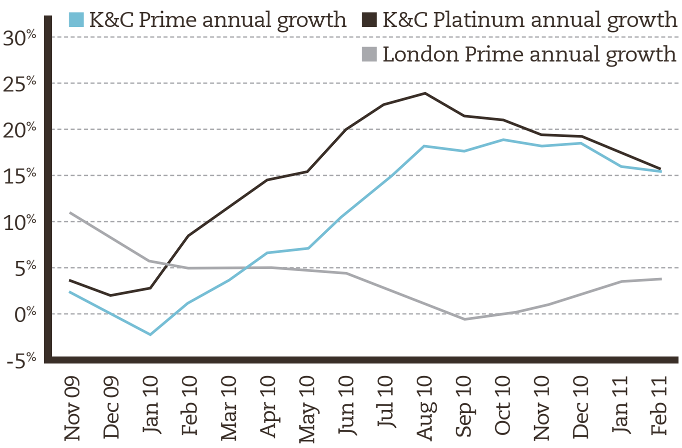
With supply levels beginning to stabilise and lending levels unlikely to increase significantly, low transaction levels and small price movements are likely to determine the general profile of the UK housing market over 2011. This sentiment is echoed by the latest RICS survey which highlights employment prospects alongside a shortage of mortgage finance impacting on the key indicators of market activity at the beginning of this year, particularly transaction levels. However the increasing geographical disparities witnessed in 2010 look set to continue. The January RICS survey highlights a very clear regional pattern continuing to emerge: London shows the greatest level of price resilience, while in much of the North and Midlands the market remains under greater pressure.

This market polarisation was particularly pronounced in the prime central London market in 2010 – price rises bucked the national trend as supply levels failed to keep up with increased demand for the best properties. Demand came particularly from overseas as well as from some domestic City purchasers.

However, mixed messages are starting to emerge about the state of the Prime Central London market. For example, latest Land Registry data shows that prices in Kensington and Chelsea fell by 2.0% in January against an overall rise of 1.6% across London. This takes year-on-year growth across the borough to 7.7%, down from 13.2% at the end of 2010. Furthermore, the Prime Location index for Central London reported a weak start to 2011, with the top 10% of properties by value in Kensington and Chelsea falling slightly in the first two months of the year. An opposing picture from certain commentators suggests that prices of properties in central London have continued their momentum from the end of 2010 with further increases in the first two months of 2011.

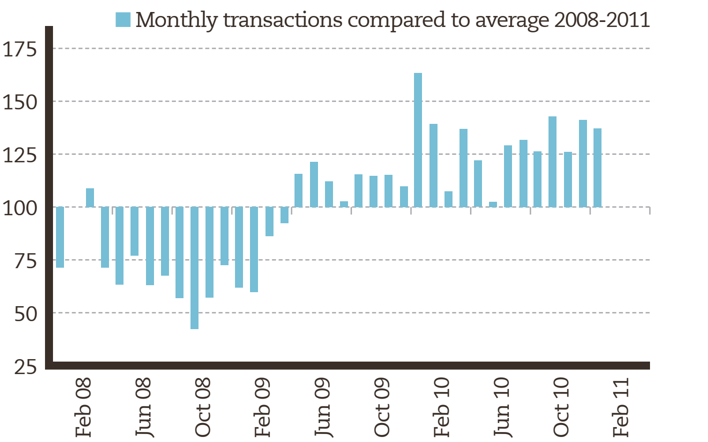
What is clear is that there is still strong demand for residential property in Central London with supply remaining constrained in the most desirable locations. The recovery in transaction levels has continued into 2011, with January and February seeing above average sales levels compared with the last three years. The stamp duty changes due at the beginning of April, whereby properties selling over £1m will be subject to 5% tax instead of the current 4% rate, will undoubtedly have encouraged some buyers as well as vendors into the late winter and early spring market. As a result, we may see transaction levels weaken for a time in May and June.

OUTPERFORMANCE OF TOP END BEGINNING TO SLOW



Source: Prime Location

TRANSACTION LEVELS OVER £2M CONTINUE TO RECOVER



Source: Lonres

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Recent political instability in emerging economies has once again highlighted the attractiveness and security of the Prime Central London residential market.

The 'safe haven' appeal of London as an investment choice is not to be underestimated, with prospects of continued international demand and long term capital growth well documented. Indeed, the latest PWC report on European investment choices highlights London as one of the top investment picks for residential property across Europe, describing the capital as 'a country in its own right'. The same report also highlighted the attractiveness of London residential apartments compared to other types of property. According to the FT, the UK Home Office will shortly propose changes to investor visas for high net worth individuals. Under the proposals, investors bringing in £10m would qualify for permanent residency within two years. All of this will undoubtedly support the Prime Central London market.

There is still further encouragement. Along with international and City demand, we have recently seen an increased level of interest from buy-to-let (BTL) investment purchasers. While the availability of mortgage products remains heavily constrained by historic standards, as at March 2011 there were 48% more BTL mortgage products available than at the same time last year - compared with an increase of 21% for residential mortgage products as a whole. This new availability is unlikely to result in a significant increase in BTL purchases in other parts of the UK, but the strong rental market in central London and higher equity levels has encouraged some investors back into the market. Cautious buyers, the resurgence in corporate tenants and improved employment prospects have all boosted demand for rental accommodation which, along with a lack of supply over 2010, has pushed up rents in Central London.

With international demand for residential accommodation showing no signs of abating and some signs of recovery in the BTL market, in tandem with continued constrained levels of supply, price growth is likely as the year progresses. House prices within Central London have historically been much more volatile than the rest of the UK and so it is not surprising, given current uncertainties, that the significant price increases seen in 2010 have eased back somewhat. However, even if prices are showing a short term 'blip', the long term prospects for Central London remain healthy, with London property continuing to be perceived as a relatively attractive investment opportunity.

	Sales over £2m	Avg asking price achieved	£/sqft sales over £2m
Belgravia, Mayfair	20	95.9%	£1,905
Chelsea	19	97.9%	£1,591
South Kensington	20	98.9%	£1,517
Notting Hill, Holland Park	21	97.3%	£1,354
St Johns Wood, Regents Park	17	96.2%	£1,392

Source: Lonres (Jan/Feb 2011 data)

LATEST ANNUAL GROWTH IN AVERAGE VALUES

England & Wales	London	Westminster	Kensington & Chelsea
-0.9%	2.4%	4.7%	7.7%

Source: Land Registry

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£161,183	0.3%	-0.1%
HBOS	£164,173	0.8%	-2.4%
DCLG	£208,148	0.5%	3.8%
LandReg	£163,177	0.2%	-0.9%
Rightmove	£230,030	3.1%	0.3%

KEY HOUSING MARKET STATISTICS

	Latest data	Monthly growth	Annual growth
Mortgage approvals	45,723	7.0%	-4.7%
Resi. transactions	71,000	-1.4%	7.6%
Gross mortgage lend	£9.2bn	-13.0%	5.0%
Inflation	4.00%	na	na
Base rate	0.5%	na	na

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