TURNBULL

MONTHLY MARKET BULLETIN
May 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.

32% Sales in Prime Central London over £1500 per sqft so far in 2012

£72 MILLION threshold for inclusion in the top 1,000 richest UK residents

62 properties sold in central London for in excess of £5 million so far this year

The dust has now started to settle after the Budget and while there is some evidence of an increase in the number of vendors just over the £2 million threshold reducing their asking prices, as yet, confidence and demand for property in London remains strong.

In addition, it's important to remember that the UK is not the only country to be tightening up on tax regimes, with the election of Francois Hollande in France suggesting higher rates of income tax for high earners across the Channel. However, with the Euro to Sterling exchange rate weakening, European buyers will be spending more to purchase in London. Those buying with Dollar pegged currencies continue to benefit from favourable exhange rates, with prime London prices still 13% lower than if bought in Dollars in 2008.

Land Registry report annual price growth of 10.8% and 12.8% in the prime Boroughs of Kensington & Chelsea and Westminster over the past year with both rising by 0.7% in the past month alone. Meanwhile, prices across the UK fell by 0.6% in April.

Before the ink was even dry on the Budget, new figures had suggested that the UK had fallen back into recession, superseding the Office for Budget Responsibility figure of 0.3% growth for Q1 2012. As a result, the outlook for the whole of 2012 has been revised downward with the CBI now expecting just 0.6% growth over the year. In London things do not seem so gloomy. Oxford Economics expect the economy there to grow by 1.5% in 2012, outperforming most of Europe's key cities. Looking further ahead they also see London in a much better position than many other European cities with growth of 2.4% in 2013 and an average 3.8% each year between 2014 and 2016.

The Sunday Times Rich List recently reported a 4.7% increase in the total wealth of the UK's richest 1,000 residents. There has been a clear link in recent years between increased wealth and the rise in £ per square foot values achieved for properties in central London.

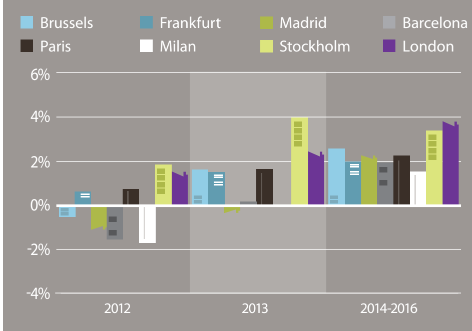
London, top of the world

The latest Global Financial Centres Index, recently published by the Z/Yen Group has once again placed London as the world's leading financial centre ahead of New York and Hong Kong while the ratings for Chinese cities Shanghai, Beijing and Shenzhen have all declined over the past year.

While tax issues continue to raise concern amongst financial businesses operating within the capital, the maintaining of London's position will further buoy confidence in its ability to overcome the financial crisis which has affected confidence in other weaker economies across Europe.

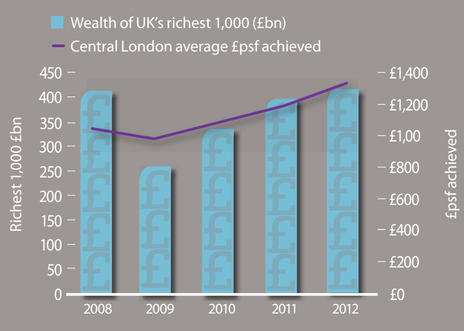
London's house prices also compare favourably to those in other economies. According to Knight Frank, annual price growth of 12% in London has comfortably outperformed that of Hong Kong (4.6%), New York (3.1%), Paris (-3.0%), and also Dubai (-3.0%).

GDP growth forecasts in large European cities



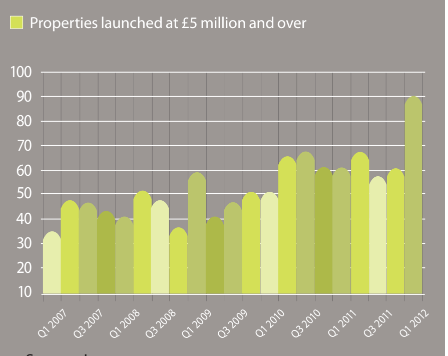
Source: Oxford Economics

Wealth of UK's richest vs average £per sq ft achieved in central London



Source: Sunday Times, Lonres

Increase in supply over £5 million in central London



Source: Lonres

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THE MARKET OVER £5 MILLION

The top end of the prime London housing market continues to see high levels of buyer activity. The market over £5 million remains particularly buoyant, with new instructions and sales having increased significantly so far this year.

In the first three months of the year an average of 20.6 properties per month were sold in central London for in excess of £5 million. This equates to an additional five sales per month when compared with the same period in both 2011 and 2007 when fifteen homes over £5 million were sold each month.

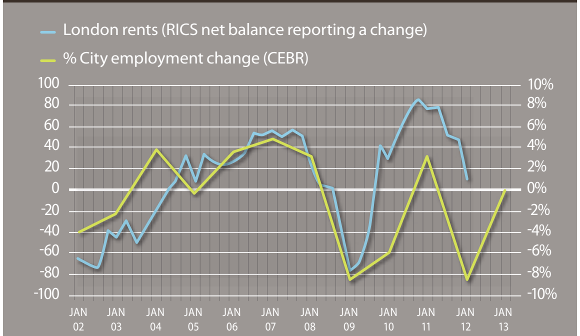
With demand at this level outstripping supply, the best homes are commanding significant £ per square foot premiums. Properties sold so far this year at over £5 million commanded a 74% premium over less expensive properties (under £5 million), meaning buyers were spending an additional £968 per square foot. Strong demand and record prices are encouraging more vendors to bring properties to the market.

So far this year 8.5% of properties launched for sale in central London have been priced at over £5 million, with an average of 33 new properties in excess of this figure coming onto the market each month in 2012.

Of those properties marketed in 2012 for in excess of £5 million, 85% are located in just three postcode areas. The highest concentration is within SW1 with 43% of all £5 million + homes, followed by SW7 at 23% and W1 at just shy of 20%.

There is still a great deal of international demand at the top end of the market. According to a recent report by Knight Frank, the year-on-year change in visits for the three months to April shows that, while French searches in the sub-£1m sector have dropped off over the past year (down 14%), interest in the £5m+ bracket has surged (up 30%).

Close ties between City jobs and rental growth



Source: CEBR / RICS

CONSULTATION ON BASEMENT EXTENSIONS

As we discussed in March, subterranean development within Kensington and Chelsea is becoming an increasingly popular way of gaining more space within residences. The increase in popularity has also coincided with a rise in planning concerns and the RB of Kensington & Chelsea are currently carrying out a consultation which looks at whether any change in policy is required. The consultation period will end on Friday 8th June.

Focus on the rental market

After a strong couple of years in the residential rental market of central London, 2012 has been much quieter so far with lower levels of demand and some falls in rents. In the two years from mid-2009, strong demand coupled with an ever decreasing bank of available rental properties resulted in overall growth of 25% in rental values. However, weaker employment prospects in the City as the global economy deteriorated over 2011 put the brakes on both demand and growth. Figures from CEBR suggests that 27,000 City jobs were lost over 2011 and from mid-2011 to date we have seen average falls in rents across central parts of -7%.

Future prospects for the sector are closely linked to the London and global economy and the outlook for the jobs market. The CEBR do not envisage a net fall in jobs in the City over 2012 while Oxford Economics expect financial and insurance services in the City to shed some jobs over 2012 as a result of recession in the Eurozone. In the medium term, however, they expect London to benefit as investors gain confidence with the City's financial services industry bouncing back in 2013.

While the short term prospects for the rental market may seem bleak, it is not all doom and gloom. London takes centre stage over the coming months with the Jubilee celebrations and Olympic Games and there will no doubt be some boost to demand as a result. In the longer term, London's positioning as a global city with its well-regarded financial and business sector mean that once economic conditions improve, it is in a strong position to take advantage and we would expect the rental market to benefit from that.

Comparison of national indices

	AVG HOUSE PRICE	MONTHLY GROWTH	ANNUAL GROWTH
Nationwide	£162,712	0.6%	0.9%
HBOS	£160,118	-0.5%	-1.6%
DCLG	£206,523	0.6%	0.2%
LandReg	£161,588	0.1%	-0.6%
Rightmove	£236,939	1.6%	2.2%

Key housing market statistics

	LATEST DATA	QUARTERLY GROWTH	ANNUAL GROWTH
M'ge Approvals	58,728	9.6%	29.7%
Resi. trans	81,000	9.0%	14.1%
Gross mtg	£12.8bn	6.6%	9.2%
Inflation	3.4%	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

-0.6%	0.7%	12.8%	10.8%
ENGLAND & WALES	LONDON	WESTMINSTER	KENSINGTON & CHELSEA

Source: Land Registry

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