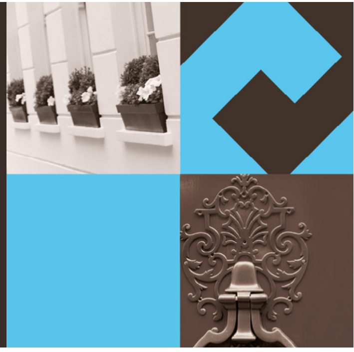
TURNBULL

MONTHLY MARKET BULLETIN

NOVEMBER 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".

While financial markets across the globe remain precariously balanced, it is little surprise that some caution is beginning to spread through the prime residential market of Central London. As a result, residential price growth in Prime Central London has softened slightly over recent months.

However, as we reported last month, the popularity and acknowledged safety offered by residential property in the Prime Central London market remains intact and international demand is still strong. While growth rates may have slowed for prime property, they are still in excess of those seen in other mainstream markets both inside and outside the Capital.

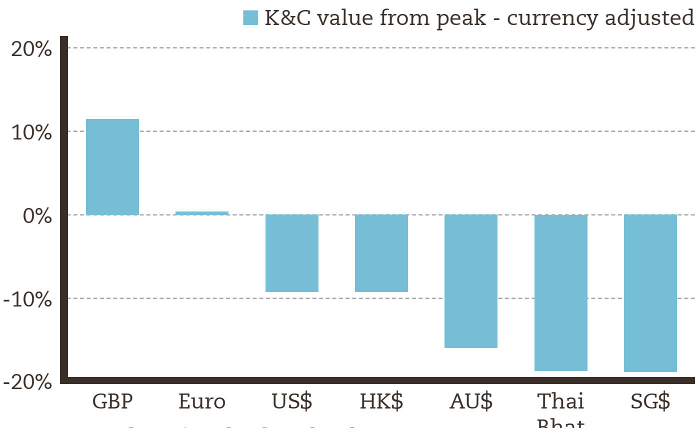
The strength of demand from overseas purchasers is in some part due to the weakness of Sterling over the last few years. Comparing current average property values in London's most prime borough, Kensington & Chelsea, to the previous peak shows the value that is still very much evident in the market when adjusting for the different currencies. A domestic purchaser buying today would find prices 10% higher than they were back in 2008, while purchasers from Thailand or Singapore would be able to buy at a 19% discount to three years ago.

The outperformance of Central London residential property compared to other asset classes has provided security and encouragement to investors, both domestic and overseas. With investors recognising these long-term investment opportunities they are looking to hold properties for longer (35% of landlords in the latest ARLA report stated that they intended to hold their properties for over 20 years). There is a renewed risk therefore to the already depleted stock levels. In the past year the number of properties available within central London was 12% lower than the level available in the previous 12 months. The very top end of the market has become even further constrained with 33% fewer properties for sale. With an already limited bank of potential properties in land-strapped Central London, further restrictions could prove problematic for future purchasers. At the same time, however, a shortage of supply is likely to support future price growth.

Earlier in the summer, EC Harris reported that some 9,000 new prime residential development units worth £21 billion are set to be built within London over the next nine years. They suggest that this potential surge in new development activity within Central London is likely to peak in 2014/15 as the current backlog comes to fruition. With new operators entering the market in order to cash in on a potentially lucrative product they highlight the need for caution and remind that current demand levels should not be taken for granted. This will be an interesting market to watch over the next few years.

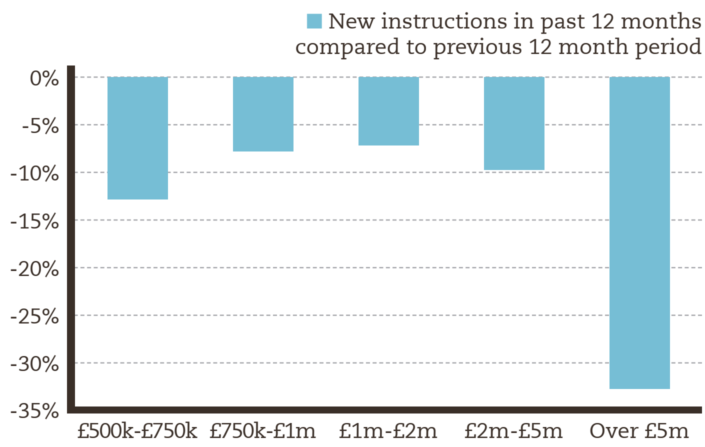
"We are finding that the low volume of supply is holding prices firm and in some instances prices are still increasing as can be demonstrated by the number of transactions that have broken through the £4,000 per sq ft barrier. Most of these transactions are concentrated in the new blocks, which provide a high level of amenities like security, porterage and parking, as well as lateral living space." Johnny Turnbull

K&C VALUES FROM PEAK - CURRENCY ADJUSTED



Source: Land Reg/Bank of England

STOCK LEVELS REMAIN CONSTRAINED



Source: Lonres/Dataloft

TURNBULL

Q3 2011 sales in Central London

While growth in average sales prices has slowed in recent months, the past year has seen overall growth of 13.4% in average values in Central London, with a 9.3% increase in the average £per square foot value achieved. Furthermore, in the third quarter of 2011, property sales achieved an average of 97.6% of the asking price, up from 96% in the same quarter last year.

Despite the uncertainty, we have still seen some significant sales in the third quarter. These include:

- a Wilton Crescent house selling for £42m, which is equivalent to a little over £4,000 per sq ft.
- a newly refurbished flat in Rutland Gate which achieved £4,032 per sq ft.
- a high up flat in The Knightsbridge of 6,830 sq ft has sold for £37.5m, equivalent to £5,491 per sq ft.
- a second floor apartment in Montrose Place has sold for in excess of £4,000 per s qft.

TABLE OF Q3 2011 SALES BY AREA OF CENTRAL LONDON

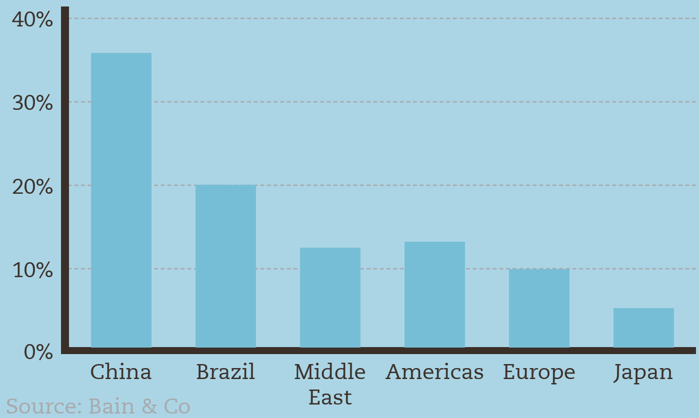
Q3 2011	Ave value	No. of sales	Ave £psf	Ave rental per week
Chelsea/S Ken	£1,755,415	222	£1,325	£834
Kensington	£1,991,097	65	£1,333	£900
St Johns Wood/ Regents Park	£1,555,911	57	£949	£749
Mayfair	£4,307,360	35	£1,673	£1,100
Knightsbridge	£4,901,517	29	£2,023	£1,310
Notting Hill	£1,807,679	39	£1,158	£715
Belgravia	£3,402,174	72	£1,608	£1,174
Central London (% difference from Q3 2010)	13.4%	24.4%	9.3%	5.2%

Luxury spending continues to be resilient

Despite tough economic conditions, the outlook for the luxury goods industry is more positive now than it was in the Spring, according to the latest Worldwide Luxury Goods Market Survey by Bain & Co. Bain now expect luxury goods sales to rise by 10% in 2011, an increase on the previous forecast of 8% which was made in May. As a result sales are expected to reach $191 billion.

Developing market growth remains particularly notable with a 34% increase in luxury sales in China over the year, although the Americas along with Western Europe are also experiencing strong growth in luxury sales.

FORECASTS FOR CHANGE IN LUXURY SPENDING OVER 2011



Source: Bain & Co

LATEST ANNUAL GROWTH IN AVERAGE SALES VALUES

England & Wales	London	Westminster	Kensington & Chelsea
-2.6%	2.7%	8.7%	11.2%

Source: Land Registry

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£165,650	0.4%	0.8%
HBOS	£161,132	-0.5%	-0.7%
DCLG	£208,476	0.4%	-1.3%
LandReg	£162,109	-0.3%	-2.5%
Rightmove	£239,672	2.8%	1.2%

KEY HOUSING MARKET STATISTICS

	Latest data	Quarterly growth	Annual growth
Mortgage approvals	50,967	4.6%	8.4%
Resi. transactions	66,000	-1.0%	-12.0%
Gross mortgage lend	12.2bn	8.2%	8.0%
Inflation	5.2%	na	na
Base rate	0.5%	na	na

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