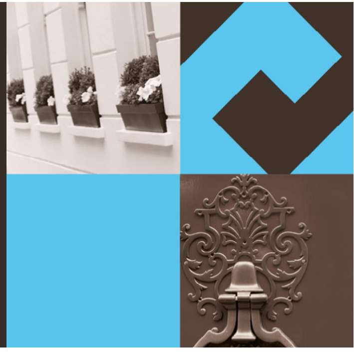
TURNBULL

MONTHLY MARKET BULLETIN

SEPTEMBER 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".

Summer 2011 will most likely not be one remembered for any glorious long hot sunny days but more likely as one of riots, fears of recession across Europe and the US, and renewed turmoil across the world financial markets resulting in widespread stock market falls. The question now is how prime London property will fare in the wake of a somewhat eventful summer; is it still such a safe investment for the world's wealthy?

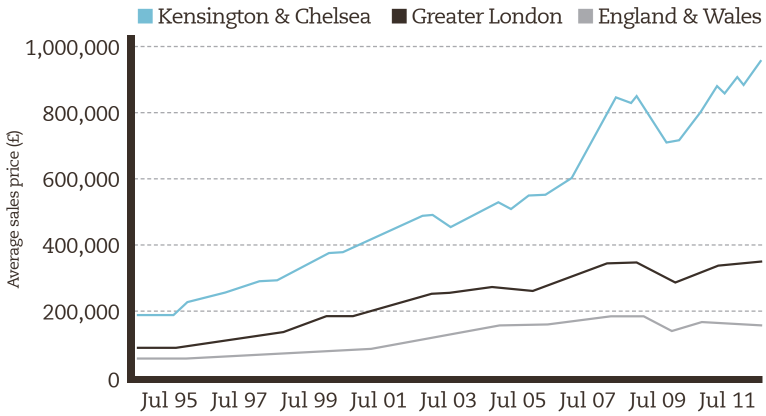
Since the market trough in February 2009, values in Kensington & Chelsea have risen by 34.5% with average values now some 12.5% higher than they were at the peak of the market in mid-2008. Strong demand coupled with an ever dwindling supply of properties for sale has pushed up values by 10.4% in the past 12 months. Transaction levels are also holding up well in Central London with some price brackets (ie at the top of the market) seeing transactions in the past 12 months exceeding those of 2007. This is in stark contrast to the national average where values have fallen -2.2% in the past 12 months and are still 11% off their peak level, with transactions being only half the level of 2007. It is easy to see how the Central London market remains in a world of its own.

The latest RICS housing market survey results once again show London standing out from the rest of the country. London was the only region to report a positive net balance for house prices and also reported the strongest level of new buyer enquiries, significantly outperforming national trends. Furthermore, the long term investment performance is proven with returns for residential property in Central London over the past 10 years being 9.4%, outperforming those achieved for commercial property and other asset classes.

The rebounding in wealth across the worlds richest has been influential in the significant amount of growth seen in prime Central London values since the beginning of 2009 as wealthy international buyers looked to the capital as a safe haven for investment. Indeed, as the collective wealth of HNWIs grew by nearly 10% in 2010, so the total amount invested in central London property rose by 43%. The continued momentum in the market has pushed the total value of sales in the first half of 2011 up by 19% compared to the same period in 2010 and, as yet, buyers remain unperturbed by instability in the financial markets. With buyers now back from their summer holidays we have not experienced any let up in demand and even over the last month there have been some significant deals done between £35m and £45m in Mayfair, Belgravia and Knightsbridge. A recent study conducted by the Deloitte Center for Financial Services forecasts that the total wealth of millionaire households within 25 selected world economies will increase from $92 trillion in 2011 to $202 trillion in 2020 (a 120% increase).

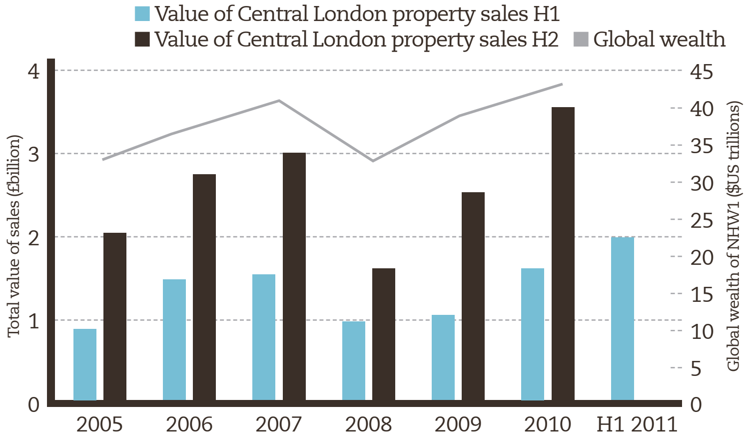
We believe that the prime residential property market of central London brings together a unique set of characteristics which set it apart both from a regional perspective for domestic purchasers but also on the world stage. These features combined support the long term outlook for the market. The next few months will be crucial in determining the next phase of the economic cycle and some caution is likely to be evident. That said, while London maintains its world-leading position and investors are searching for a safe hold for their wealth, prime London property could well benefit from apprehension in other markets and countries.

AVERAGE SALES PRICES IN K&C BACK OVER PEAK LEVELS



Source: Land Registry

WEALTH VS INVESTMENT IN CENTRAL LONDON PROPERTY



Source: Lonres/Merill Lynch/Cap Gemini

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

TURNBULL

Strong demand for houses is once again widening the premium paid over flats. However, a specific and growing demand for lateral living at the top end of the market has accelerated price growth and reversed the trend for the largest properties.

As we have highlighted, demand for property in Central London remains strong. Houses have been particularly in demand which, while stock levels remain constrained, means that the premium between houses and flats has once again widened. The average premium achieved in the first half of 2011 in Central London (in £per square foot) was 29%. Furthermore, in the first half of 2011 the number of sales over £2m in prime London has been the highest since 2007, a 50% increase over the same period in 2010.

Strong demand for houses has been part of the trend towards larger, and often more expensive properties. Whilst domestic buyers at the upper end of the prime London housing market still on the whole gravitate towards period townhouses, many overseas buyers are more attracted to lateral living. With much of London prime housing stock being houses, mansion blocks and period conversions, lateral spaces in prime areas of the capital remain scarce. This scarcity and subsequent competition between buyers, as experienced at the upper end of the prime house market, has accelerated price growth, with buyers having to pay significant premiums for larger flats in prime London.

This has meant that prices per square foot for larger flats now exceed those of houses in many of London's prime addresses; a phenomenon not only confined to the new build trophy developments but also in the second hand market. Therefore, in the first half of 2011, in prime Central London flats over 2,000 square feet actually achieved a 10% premium over large houses.

LATEST ANNUAL GROWTH IN AVERAGE SALES VALUES

England & Wales	London	Westminster	Kensington & Chelsea
-2.1%	1.3%	6.6%	10.4%

Source: Land Registry

PREMIUM PAID FOR HOUSES OVER FLATS IN H1 2011 BY SIZE

Source: Lonres/Dataloft

Under-supply of new homes to push up prices by 21% in next five years

The National Housing Federation recently warned that there could be a housing market crisis due to a chronic under-supply of new homes. They forecast that average house prices in England will rise by 21.3% over the next five years.

As buying homes becomes increasingly out of reach, the Federation expects home ownership levels to fall to 63.8% by 2021 which is the lowest level since the mid-1980s. In London the figure is expected to be just 44%. With many turning to the rented sector, average rents in the private sector are forecast to increase sharply by 19.8% over the next five years fuelled by high demand and a shortage of properties. Oxford Economics predict that will mean rents will increase on average in England from £486 a month in 2011 to £582 a month in 2016, meaning tenants will be paying £1,152 more a year in total.

COMPARISON OF NATIONAL INDICES

	Avg house price	Monthly growth	Annual growth
Nationwide	£165,914	-0.6%	0.3%
HBOS	£161,743	-1.2%	-2.6%
DCLG	£204,981	0.6%	-2.0%
LandReg	£163,049	1.3%	-2.1%
Rightmove	£231,543	-2.1%	-0.3%

KEY HOUSING MARKET STATISTICS

	Latest data	Quarterly growth	Annual growth
Mortgage approvals	48,421	1.7%	0.3%
Resi. transactions	73,000	5.8%	-2.7%
Gross mortgage lend	11.2bn	-0.6%	-3.1%
Inflation	4.4%	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

Date of publication 13th September 2011