



South Kensington Kensington Knightsbridge & Chelsea



National average annual house prices fell this much in July 2011.



Transactions in London were 9% lower in the first five months of 2011 than in 2010.



Achieved prices in K&C as a whole in June 2011 were this much above peak.



Notting Hill sales in the last 12 months were 72% of those in 2007.

"Investment buyers still provide significant momentum to the market in Notting Hill, a fact reflected in the sales values we are achieving. Our rental team has also benefited from increased house prices with higher levels of activity "

Alex Thompson, Notting Hill

The second half of 2011 started with renewed economic crises as fears rose of another recession in Europe and the US and stock markets saw record levels of volatility. As investors look to safeguard their holdings, the question now is whether the enthusiasm for prime London property will continue.

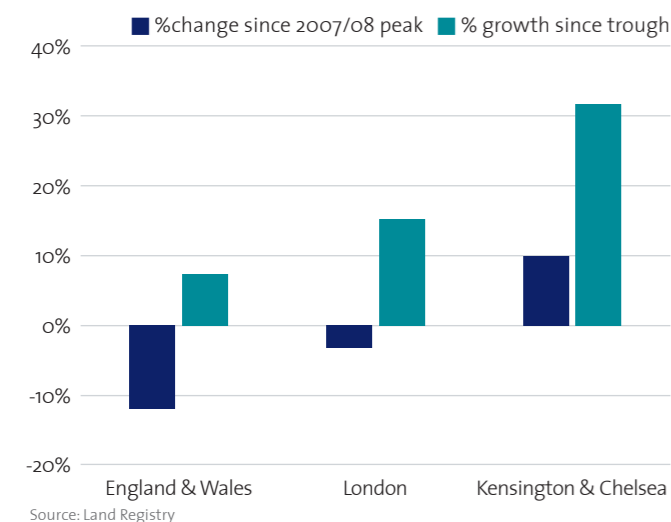
With London as a notable exception, the past months have seen relatively small movements in average residential property values recorded, with prices drifting down modestly.

According to the Land Registry, London remains the only region in England to have recorded growth (0.8%) over the last year and, within that, prime areas have significantly outperformed.

Since the trough of the market, average values across Kensington & Chelsea have increased by 31.3%, compared to 6.1% nationally. Current average sales values across Kensington & Chelsea are now some 9.6% higher than the previous peak while nationally average prices remain 12% below peak.

Wealthy international buyers have looked to prime central London as a safe haven for investment as economic conditions deteriorated elsewhere. A strengthening global wealth provided a further boost. The 2011 World Wealth Report reported that, globally, the population of HNWIs* grew by 8.3% in 2010 to 10.9m with their collective financial wealth increasing by 9.7% to reach US\$42.7 trillion.

K&C has outperformed both London and England & Wales



*High Net Worth Individuals (HNWI) are defined (in the Merrill Lynch/Capgemini World Wealth Report) as those who hold at least US\$1m in financial assets

Rightmove state 70% of property brought to market during 2011 remains unsold, yet in prime central London properties are still selling quickly.



The chart below illustrates properties instructed in 2011 in prime central London which sold within one month of being marketed as a proportion of all properties marketed and sold in 2011.

The increased spending power of the super-wealthy has also been reflected in the demand for luxury items such as art; Sotheby's recently reported record figures for the first half of 2011.

Low stock levels continue to be a central theme of the central London and Notting Hill market. In Q2 2011 new instructions across central London over £500k were down 27% on the same quarter of 2010.

Transaction levels remain subdued across the country. The volume of sales recorded nationally over the past 12 months is still half of what they were during 2007, and in London as a whole transaction levels are 56% of 2007 levels. In central London, where strong international demand has boosted sales, despite low stock levels, transaction levels have improved. In the past 12 months sales recorded in Notting Hill were 71.5% of those of 2007.

Demand for houses in Notting Hill has been particularly strong in our office so far this year with

some deals being agreed in under a week. Consequently, average £/square foot values achieved for houses have also risen considerably more than for flats.

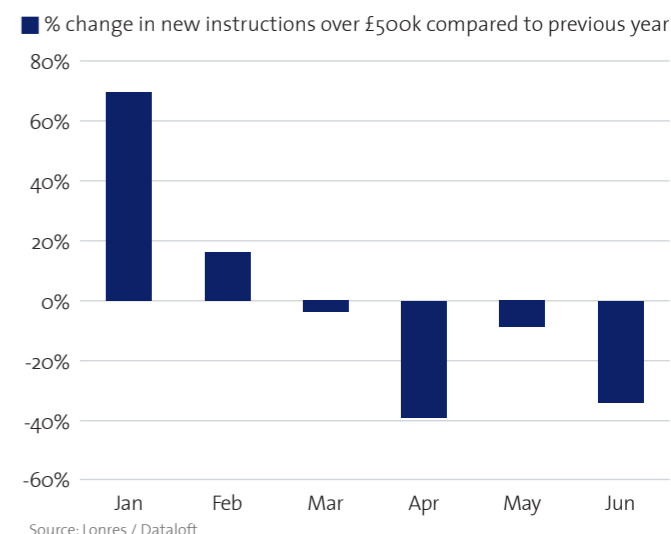
In Notting Hill we are witnessing a distinction between good quality, well-located prime stock (particularly houses) selling at a premium to 2007 values and other properties which are more price sensitive.

Despite an increase in transactions and a strong first half of 2011, a slowdown in growth and uncertain economic conditions means that realistic valuations remain as important as ever as we move into the autumn, particularly those considered less prime. Vendors tempted to overprice property will waste their one opportunity to launch fresh to market effectively.

The economic environment across the UK remains subdued. The Bank of England noted in its August Inflation Report that the Eurozone represents a key source of potential vulnerability for the future.

As life returns to normal after the summer, it will be interesting to see whether wealth from all parts of the globe continues to flow into prime London property. As the various economic crises unfolded in different parts of the

Supply levels remain depressed



world, Chancellor Osborne emphasised the 'safe haven' status of the UK at a time of 'sovereign debt turmoil'.

We believe that the security of investment offered by Central London will continue to attract demand for prime residential property, both from overseas and domestic buyers who recognise the long-term investment opportunities. Although stock market volatility has in the past undermined confidence in property, at present it appears to underpin it. This is true for both investors and owner occupiers, with the latter forming an important part of our applicant base despite the uncertainty being seen in the financial markets.

Winkworth market indicators

- Properties available for sale in the three months to August are down by 13.6% compared to the previous three months and by 8% compared to a year ago.*
- Sales in the year to date have achieved an average 98.6% of asking price
- Strong demand for houses has pushed up the average £/sq ft value sold by our office in 2011 by 19.5% compared to the same period in 2010, whilst selling prices of flats have risen 7.4%
- In Q2 2011 rents have been agreed at an average of 97.6% of marketed price
- The proportion of properties rented for above £600 p/week in the three months to August has risen by 21% compared to a year ago*

Source: Winkworth
*Data for the offices of Notting Hill South Kensington, Kensington, Knightsbridge & Chelsea

Average sales prices in K&C are now 9.6% over 2007 peak values

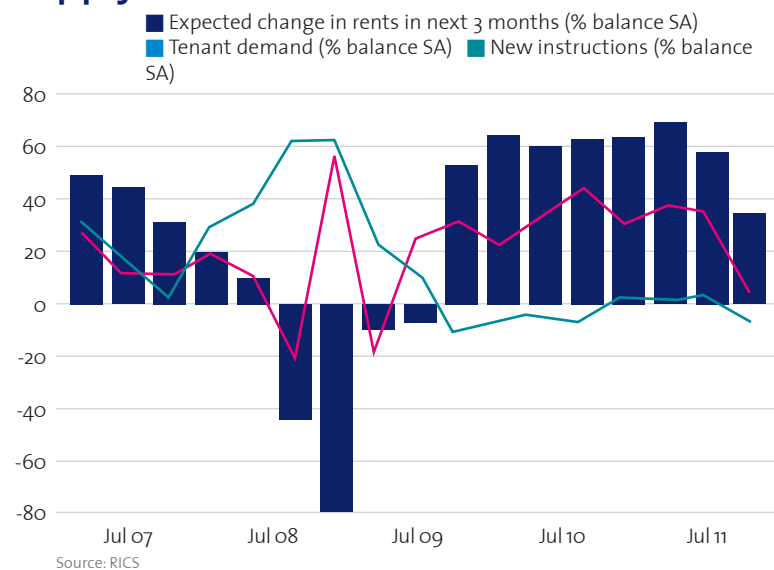
Lettings

With house prices remaining high and the restrictive nature of the mortgage market, more households are choosing to rent. Oxford Economics recently forecast that 60% of Londoners will be living in rented accommodation by 2025. They are also predicting that average rental values will increase by nearly 20% over the next five years.

With economic uncertainties prevailing and interest rates remaining very low, property has been the preferred investment vehicle for many. This is reflected in the UK mortgage market where 32,000 buy-to-let loans, worth £3.5 bn, were taken out in the second quarter of the year, the highest number and value since the last quarter of 2008.

In Notting Hill a severe shortage of stock has precipitated a big increase in rental values, particularly over the last year. Over the summer months this imbalance in supply and demand has been less pronounced and there has been an increase in the amount of stock available. With this in mind landlords need to be realistic about pricing.

Supply and demand remain unbalanced



Economic and housing market factsheet

	House	Apartment
South Kensington	£1,786,555	£948,071
Knightsbridge	£2,911,806	£845,298
Kensington	£1,631,777	£595,362
Notting Hill	£1,474,914	£769,549

Source: Land Registry - average of house prices in 2010

	Latest Data	2011 forecast	2012 forecast*
GDP	0.5% (Q1)	1.3%	2.0%
Inflation (CPI)	4.4% (Jul)	4.5%	2.2%
Bank Base rate	0.5% (Aug)	0.6%	1.2%
Av. earnings	2.1% (Jun)	2.6%	3.0%

Source: ONS, Bank of England, HM Treasury

*Average of independent forecasts

	Latest monthly data	Monthly Growth	Annual growth
Mtg approvals	48,421	4.3%	0.3%
Transactions	73,000	7.4%	-2.7%
Gross mtg lending	£11.2bn	-0.6%	-3.0%

Source: Bank of England, HMRC

About Winkworth

Winkworth is a leading franchisor of residential real estate agencies and is listed on the London Stock Exchange.

Established in Mayfair in 1835, Winkworth has a pre-eminent position in the mid to upper segments of the central London residential sales and lettings markets. In total, the company operates from over 80 offices in the UK, France and Portugal having doubled in size in recent years.



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