



SHERBORNE REVIEW

Regional property market focus 2010

Knight Frank

Now is an extremely good time for people thinking of selling their houses to take advantage of increasing demand and low levels of stock in the Dorset and South Somerset area

New prospective buyers	↓	-42%
Viewings	↑	39%
Sales	↓	-3%

All figures Jan-Nov 2009 v Jan-Nov 2008

LOCAL MARKET OVERVIEW

Knight Frank's Sherborne office has emerged from the credit crunch as the area's leading prime property agent and expects to consolidate this position further during 2010.

Now is definitely the time to put your house on the market if you are thinking about selling sometime over the next 12 months. Most prospective purchasers appear confident that we have reached the bottom of the market in terms of prices and this was reflected in a 39% increase in viewings for the Sherborne office in 2009.

Low levels of stock, however, mean that many buyers remain frustrated and we expect to see continued strong demand in 2010. On the supply side, with a General Election likely to be called for May or June vendors should act early in 2010 to avoid the inevitable lull in the market.

Although prices overall were 5% lower in Q4 2009 than a year earlier, the Dorset and South Somerset area witnessed a return to positive growth in Q4 2009, recording a 1.7% price rise over the three months. The best-in-class properties in premier locations, particularly those within good school catchments, of which there are many in the Dorset and South Somerset area, continue to out perform the average.

The past 18 months have been extremely difficult. In such a challenging environment, we believe that the quality of our service and depth of knowledge has helped consolidate our position as the area's leading prime property agent.

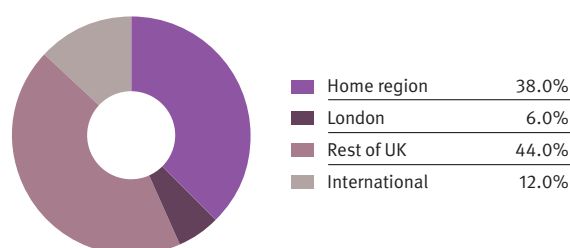
Unlike some of our competitors we know that the credit crunch has made our business stronger and better able to serve our clients. Realistic pricing now more than ever is critical in order to attract and create competition from purchasers.

In 2009 over 60% of buyers came from outside the Dorset and South Somerset region, a large proportion from London and the south east. With this in mind we have continued to invest in our global network of offices and our award winning website. This means that the properties

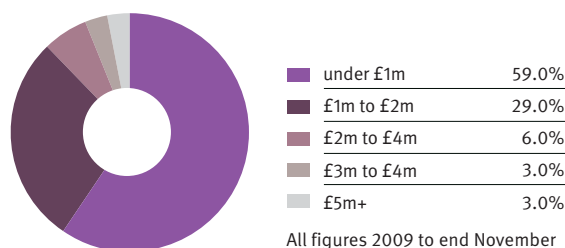
we sell are seen by hundreds of thousands of prospective wealthy buyers across the globe. This global exposure is vital for anybody selling a property in this area since nearly 15% of our buyers come from overseas.

Our level of commitment to our clients, however, remains the same whether the property we are selling is worth £5m or £500,000. Whether you own a cottage or a castle, as a Knight Frank client you will receive the highest level of service and advice.

Where our buyers come from



Sales by price band



NATIONAL COUNTRY HOUSE MARKET

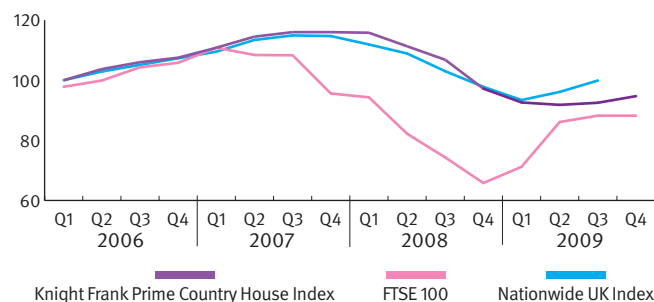
The price of prime country properties is now showing positive growth in all locations across the UK as demand outstrips supply.

Average prices for the best country properties increased by 2.3% in the final three months of 2009, the first significant quarterly increase since the autumn of 2007. Values overall are now just 2.6% below the levels seen at the end of 2008, but a number of locations, especially in the Home Counties, saw prices increase last year.

The impact of the resurgent London residential property market has had, unsurprisingly, the biggest knock-on effect in the areas surrounding the capital. Average values rose 3.1% across our Home Counties offices in the final quarter of 2008 and increased by 5% during the second half of the year, giving total annual growth of 1.4%.

Even the north of England and Scotland, where the recovery has been more muted until now, saw a 0.5% rise in average prices at the end of the year, although houses are still worth 11% less than at the beginning of the year.

Investment performance 2009



Apart from a general increase in consumer confidence as the UK slowly drags itself out of recession and continuing low interest rates, the market recovery has been led by a sharp imbalance between supply and demand. The number of potential purchasers registering with Knight Frank has increased significantly while the number of properties for sale continues to fall.

PRIME LONDON

Buyers coming out of London continue to underpin the prime country house market. Strong sales and price results in central London mean that a special frisson of activity is being offered to the country market in 2010.

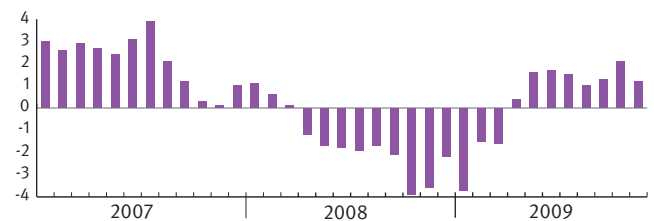
The prime London market saw a dramatic turnaround last year. With a weak pound attracting international buyers and low interest rates prompting many to take the plunge, sales volumes rose by 40% year-on-year. Weak supply helped drive prices higher – by almost 10% in the nine months to December.

London's economy is playing its traditional market-leading role – heading the UK's nascent recovery. Despite its current unpopularity and attempts to dent its power by the taxman, the City is again creating wealth that is being poured into the Capital's housing market. There are several obstacles that London's housing market will need to navigate during 2010: the election, tax rises, and potentially rising interest rates. However, the one lesson to take from last year is that demand for accommodation in London is very wide and very deep – the supply of country buyers coming out of London will continue to flow this year.

Our offices in London include:

- ◆ Belgravia
- ◆ Canary Wharf
- ◆ Chelsea
- ◆ Hampstead
- ◆ Kensington
- ◆ Knightsbridge
- ◆ Fulham
- ◆ Mayfair
- ◆ Marylebone
- ◆ Notting Hill
- ◆ Richmond
- ◆ Riverside
- ◆ St John's Wood
- ◆ Wandsworth
- ◆ Wapping
- ◆ Wimbledon

Knight Frank Prime Central London Index, monthly price change 2007-2009

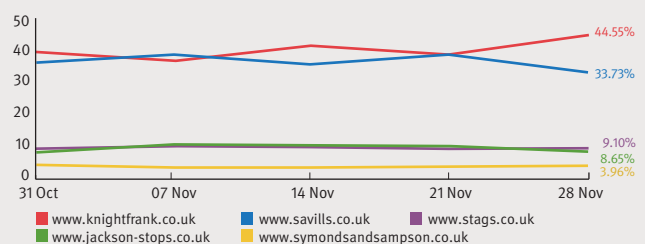


WORLD'S BEST PROPERTY WEBSITE

Our award winning website opens your property to the world.

Industry statistics show that over 74% of those looking for a new house start their search on the web. This is why we have developed our ground-breaking Global Residential Search facility, which is now live on KnightFrank.co.uk, the most visited UK estate-agency website. The Global Residential Search was voted the World's Best Real Estate Agency Website*.

Knight Frank vs local competition 2009 (%)



Source: hitwise

KNIGHT FRANK FINANCE

Knight Frank Finance is here to help you secure the best deal.

The past six months have seen modest improvements in the number of mortgage deals approved, but seeking professional advice is still the best route to the best deal.

The High Street mortgage market continues to remain in a state of turmoil. While stock markets have managed to rally over the past few months, only about 20% of the High Street banks are actively lending and, of those, even less are lending above 75% loan to value.

Many potential first-time buyers and re-mortgagers are finding it very difficult to satisfy the criteria currently laid down by the banks, and securing a good interest rate can be extremely tough.

At Knight Frank Finance, we work hard to help you achieve the best possible terms in these tough times. By continually evaluating which

banks are lending, we have developed a very successful approach to securing the best deals despite the conditions. Our aim is to build an intimate understanding of your long-term goals, and act as both a trusted advisor and a confidante, not just at the moment of your transaction, but on an ongoing basis. By looking carefully at your full financial position, we can find the best source for you to borrow from. Often private banks or foreign lenders are providing superior terms to the High Street, and we have made it our business to know the right people at over 50 of these institutions.

Choosing Knight Frank Finance provides you with the access to some of the very best minds in financial services. Our high-calibre professional consultants, all experts in their respective fields, have been handpicked from the industry. If you feel we could help improve your financial position, we would be delighted to hear from you.

Contact: Justin Cook 020 7268 2589
justin.cook@knightfrankfinance.com www.knightfrankfinance.co.uk

A SELECTION OF PROPERTIES SOLD IN 2009



Broad Oak Farm, Sturminster Newton

House with a self-contained annexe and wonderful amenity land with far reaching views



Buddlewall, Hawkchurch

Immaculately converted house in a rural location on the Devon/Dorset border



College Green Farm, Parbrook

Within easy driving access of Millfield school



Colliston House, Canford Cliffs

A very large garden in a sought after location



Court Farm House, Purse Caundle

Prime village with a wonderful rural view



Fydells, Sherborne

Small detached town house with private parking



The Old Farmhouse, Alhampton

Excellent village house with easy access to Castle Cary station



Pipers Cottage, Throop

Traditional thatched English cottage in a small hamlet



Swineham Farm, Wareham

A rare find with easy access to Wareham and surrounded by private lakes



The Dower House, Compton Durville

Archetypal English village house sold within five weeks



Wick Hill Barn, Milborne Wick

Elevated position above a stunning hamlet and close to Sherborne



The Old Rectory, Church Knowle

The Isle of Purbeck is a much sought after location with good access to Bournemouth and Poole

Your local team



Michael de Pelet, FRICS
Sherborne



Simon Barker, MRICS
Sherborne



Edward Cunningham
London



Edward Thomson
London

Please contact either:

Michael de Pelet, Simon Barker,
Edward Cunningham or Edward Thomson

Sherborne Office

15 Cheap Street, Sherborne, Dorset DT9 3PU
+44 (0)1935 812236
sherborne@knightfrank.com

Country Department

55 Baker Street, London W1U 8AN
+44(0)20 7629 8171
country.houses@knightfrank.com