

The Daily Telegraph

Property in London: Bonus boys bloody but unbowed

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£2 billion is a lot less than £5.5 billion - but it's still a lot. Cheryl Markosky asks what this year's City bonuses will do to the market

This time last year, City traders were ploughing £5.5 billion of bonus money into the property market - buying up penthouses and country piles, and helping to push house prices into the stratosphere. This year, post- credit crunch and Northern Rock, it's a different story - there's going to be a mere £2 billion spent on property, if the experts have got their predictions right.



Safe bet: prime spots like this Belgravia penthouse will remain popular with bonus buyers

So where will the money be going? Who's buying what and where, and how will it affect the market?

Bonus payouts will be down from £8.8 billion to £7 billion this year, according to figures from Savills. "Last year, we estimated 60 per cent of bonus money went into property," explains Lucian Cook, Savills' head of research, "and this year we believe about 30 per cent will go into real estate - around £2 billion compared to last year's £5.5 billion."

Although bonuses are down, City executives are gearing up to spend money on their existing homes and investment property in the capital.

"We may not be seeing the same record bonus figures, but nonetheless, millions will be paid out," says Nick Goble from Winkworth in south-west London. "There definitely are wealthy

individuals around with bonus money to put into good family homes and buy-to-let property."

Despite nerves being rattled by the recent credit crunch in America and the Northern Rock fiasco here in the UK, top performers will be paid handsomely, so their banks can hold onto them.

This week, one 32-year-old researcher at Merrill Lynch, who prefers to remain anonymous, will be called into his boss's office to discover the size of his bonus. So confident is he in his own abilities that he put in an offer on a £2 million four-storey townhouse in Connaught Village a few months ago. His current home - a two-bedroom penthouse at Tea Trade Wharf in Shad Thames - is for sale at £1.295 million with Cluttons Tower Bridge (020 7407 3669) and Foxtons (020 7133 7777). **Central London property search agent Jo Eccles from Sourcing Property, who helped our Merrill Lynch bonus boy find his Connaught Village house, says that although some banks had major write-downs in 2007, some, like Goldman Sachs, have had a phenomenal year.**

"We have even had enquiries from clients who have bonus money left over from last year," adds Eccles. "They didn't find the right property then but are ready to buy now."

Telegraph columnist Ed Mead, a director of Douglas & Gordon in Chelsea, says bonus buys are flagged up as an important part of the sales market. He believes the impact can be exaggerated - we all like to hear sexy stories of those with wads of money buying expensive pads on the river or Georgian houses in Mayfair - and bonus cash is just part of the mix.

"Unusually, I sold two flats in the £1.5-to-£2 million bracket to bonus buyers before Christmas, and with the slowdown in the capital, bonus money could have a greater effect proportionally on the market this year," says Mead. This year's swing to a buyers' market could appeal to bonus buyers, adds Mead.

"In 2007, everyone was rushing into a feeding frenzy of sealed bids, while this year, it is more relaxed. City buyers don't like being put under pressure or competing and they will go for the best they can afford, whether it is in Chelsea or Wandsworth."

Not all City executives are being handed fat envelopes, however. "Some are getting share options instead," according to Richard Barber of W A Ellis. Many are being less conspicuous with their cash, having been advised to play down their millions, with others receiving little or nothing at all.

Shirley Humphreys from Harrods Estates, says: "With everything a bit unsettled, the trend towards buying a country cottage or a ski chalet is shifting to a safer plan of clearing debts and sticking to tried and tested areas in the capital."

Areas like Kensington, Knightsbridge, Chelsea and Mayfair are likely to benefit, while buyers might be more circumspect about placing their hard-earned cash in up and coming sectors.

Since they're down on last year, bonuses are perceived as harder to earn, hence the "flight to quality", argues Peter Young from John D Wood. "With uncertainty in the market, bonus boys are telling their wives to get their chequebooks out only for something that will easily re-sell, not a cheaper place near a Tube or on a main road."