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Cash isn't king for bonus recipients

There has been much talk and speculation about the effect the headline grabbing £14bn bonus figures paid in the last financial year will have on the property market, but it's important to look at these figures more closely, according to London property search company, Sourcing Property, who act for a number of banking clients.

Jo Eccles, Director of Sourcing Property (www.sourcingproperty.co.uk), explains: "Over recent years, smaller proportions of bonuses have been paid in cash - typically, approximately one third of the bonus amount is cash, and that's after tax. For example, from a £1m bonus, £500,000 will be taken in tax, and usually, two thirds will be paid in shares, so the actual cash sum will be approximately £166,000. The two thirds paid in shares can generally only be cashed in over a three year period and some banks are increasing this to five years, meaning that people don't tend to receive huge one-off lump sums anymore. With European and UK bank shares depressed, the banker clients we're representing aren't cashing in their vested shares to buy property, as they don't want to realise those losses.

"One of our Credit Suisse clients, for example, is sitting on quite a lot of stock but has opted to buy a more modest property, as Credit Suisse shares are down 17% this year and he'd rather hold on to them in the hope of them rising, rather than cashing in at the current low level. This decision is quite common with other banking clients of ours."

Whilst bankers and city clients are still prominent in the market place (approximately 60% of Sourcing Property's clients are in the financial sector), they are being cautious, with another wave of redundancies happening at the moment – for example, Goldman Sachs is cutting approximately 10% of its global workforce. Jo adds: "Many of our city buyers are being sensible and focusing on buying good quality properties which would be easy to liquidate if they need to. We shouldn't forget that banks are still being strict with their lending criteria too, so those who aren't buying property with cash are still finding it hard to secure finance, even if they are in a stable, well paid job. One of our JP Morgan clients recently complained that although she is in the top 1% of earners in the UK, she's still seen as high risk by estate agents and sellers as she's not paying 100% cash, which so many overseas buyers are.

"For those city clients who are buying, budgets tend to be approximately £900,000 - £1.3m for a two bedroom, two bathroom flat. Banking clients at this level are typically those who have been renting and haven't yet bought anywhere, so they're purchasing at a much higher level than the average first time buyer. They tend to be in their early thirties, and male clients are either buying for themselves or with a

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girlfriend, whereas our female clients buying at this level are usually single and purchasing for themselves. Our slightly older banking clients are typically mid thirties to early forties, usually recently married or in a serious relationship and factoring in having children over the next 2 – 5 years. Their budgets usually range from around £2m - £3.5m. Nearly all are getting mortgages to take advantage of the low borrowing costs and they're also opting for flexible mortgage products which allow them to pay down the mortgage at any time, rather than facing early repayment penalties.

"In terms of areas, these buyers usually have a strong preference for a particular area and they tend to stay loyal to that area. There is usually a divide between North and South of Hyde Park/Kensington Gardens. European bankers tend to favour the more traditionally prime areas such as SW3 (Chelsea), SW7 (South Kensington) and W11 (Notting Hill), whereas UK buyers often favour slightly less well known/commercial areas such as Bayswater, Lancaster Gate and Marylebone."

For further information call 020 7244 4485 or go to www.sourcingproperty.co.uk

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Editor's notes

Sourcing Property is an independent London property search company which focuses on the mid market price bracket: £350,000 - £3million.

The company was established by property expert, Jo Eccles, in 2006 and has won a number of awards including *'Best Property Finder, London'* at the 2008 and 2009 Daily Mail Property Awards.

Jo Eccles frequently comments on the London property market in the national press and on TV, appearing as the property and relocation expert on *London Tonight*, *BBC News*, *BBC2's Daily Politics* programme and *ITV's Homes & Property* series.

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