



RECARIOUS

THE BREXIT EFFECT: WHAT IS THE GREATEST EXTERNAL THREAT TO REAL ESTATE OVER THE NEXT 12 MONTHS? SECTOR SENTIMENT ON 28 JUNE 2016 (AND 19 AUGUST 2016)

Global economic slowdown



97% (71%)

Brexit



87% (53%)

US presidential elections



53% (51%)

Terrorism



37%



More than £50,000 plus a £10,000 bonus is the average take-home for property personnel these days, the highest it has been since 2009. But will the upward trajectory continue? Janie Manzoori-Stamford reports

Property's average pay packet has surpassed £50,000 for the first time in seven years while the average bonus has ballooned to £10,202, 43% higher than last year. This year, the Estates Gazette Salary Survey shows some of the biggest spikes in

average salaries and bonuses. Much of the bump in earnings stems from a stellar year for UK property investment in 2015, when volumes totalled more than £70bn. The 8.6% increase in average salary to £53,884 this year is a new record for the property industry and the

BUT POSITIVE

China

(42%)



36% (31%)

Cyber security



24% (16%)

Climate change



23% (13%)

SALARIES: THE HIGHLIGHTS

43%

INCREASE IN AVERAGE BONUS

£10,202

VALUE OF AVERAGE BONUS

64%

RECEIVED AN ANNUAL BONUS

£53,884

AVERAGE SALARY

8.6%

RISE IN AVERAGE SALARY

74%

RECEIVED A PAY INCREASE AT
LAST SALARY REVIEW

76%

EXPECT A PAY INCREASE AT
NEXT SALARY REVIEW

average bonus has surpassed the £10,000 mark for the first time since 2008.

But the figures reflect more than the strength of 2015's investment market. It reflects a market struggling with a lack of skill. Christopher Mackenzie, UK managing director of Cobalt Recruitment, explains: "There continues to be a shortage of top tier talent, so those that are on the

move are able to demand more."

According to Phillippa Prongué, managing director (South) of Kier Property, the property industry's skills shortage has also led pay hikes to be used as a staff retention device.

"Good-quality people with 10 to 15 years' experience are very difficult to find," she says. "We are trying very hard to find them and they are simply not there. Pay rises are what we need to retain good people and get good people in."

The greatest increase in pay this year was commanded by women, with their average salary rising by 5.5% to

£44,813, compared to the 2.2% growth to £56,494 picked up by their male counterparts. This has helped to narrow the gender pay gap by three percentage points this year to 23%. While it is a move in the right direction, the difference in average salary between the sexes remains cavernous.

"I see no reason why women should be paid less," says

"The sorry jump in race discrimination reflects a combination of fear and ignorance with a reaction to world events"

Prongué. "Everything should just be based on performance."

Is this wrong likely to be righted soon? Perhaps. Gender pay gap reporting continues to loom on the horizon, having been deferred from starting this month to April 2017, subject to parliamentary approval.

"The impending threat of gender pay regulations has been massively reported to business leaders and HR directors, whose inboxes have been bulging with e-mails from lawyers and others for a long time now with regard to their duties under the new draft regulations," says Chris Keates Lewis, HR and operations

director at Tuffin Ferraby Taylor. "So awareness has been well and truly raised to generate the right reward behaviour. Happily, this is likely to continue and increase."

Another headline figure in recent years has been the proportion of property people who feel they have been discriminated against in the workplace. This year saw a decrease from 21% to 18%. But

discrimination on the grounds of gender, age and race increased across the board, with race seeing the most marked rise, reaching 20% from 13% a year earlier.

"The Brexit vote was reported as being heavily steered by immigration concerns," says Keates Lewis.

"The sorry jump in race discrimination perhaps reflects a combination of fear and ignorance with a reaction to world events."

In better news, the proportion of respondents that reported discrimination on the basis of sexuality fell to 4%, three percentage points down on 2015.

AS AN EMPLOYEE, HAS THE EU REFERENDUM RESULT...



The brexit effect

Brexit might still be the word on everyone's lips. But one thing the 2016 Estates Gazette Salary Survey clearly demonstrates is what a difference eight weeks make when it comes to soothing initial knee-jerk sentiment.

The survey, which questioned more than 1,500 people, was launched on 28 June, four days after Britain's decision to leave the EU and amid the political and economic fallout that saw the pound plunge to a 30-year low.

It was unsurprising to see industry sentiment had shifted from a general state of quiet caution ahead of the referendum to almost full-blown panic. Some 97% of respondents cited a global economic slowdown as the biggest threat to real estate over the next 12 months, while 87% said Brexit would prove most perilous.

But when presented with the same set of questions two months later, the level of concern fell to 71% and 53% respectively.

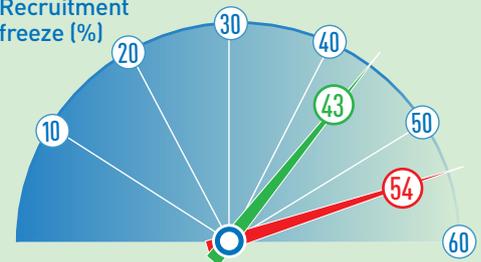
"The referendum result came as a surprise to most people, as the majority of the working population voted to remain. As a result, the property industry predicted doom, gloom and, above all, uncertainty," says Christopher Mackenzie, UK managing director of Cobalt Recruitment. "But eight weeks later it became clear that not a lot had changed beyond a swift and

AS AN EMPLOYER, HAS THE EU REFERENDUM RESULT MADE ANY OF THE FOLLOWING MORE LIKELY?

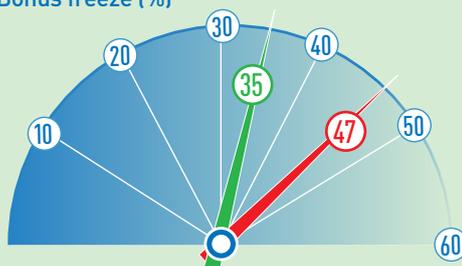
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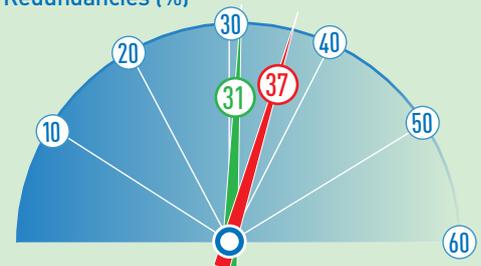
Recruitment freeze (%)



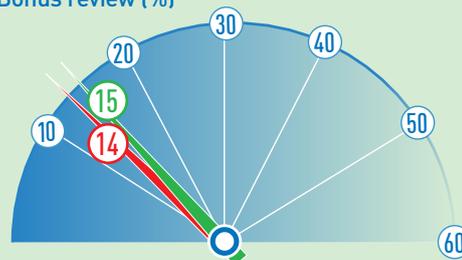
Bonus freeze (%)



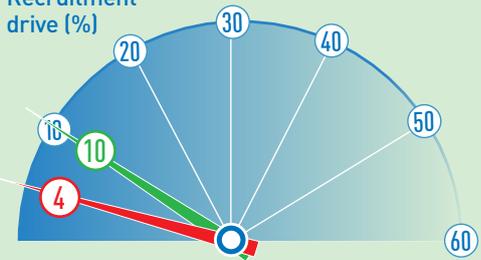
Redundancies (%)



Bonus review (%)



Recruitment drive (%)



decisive change of leadership. So people are a bit more reassured, even if still a little wary."

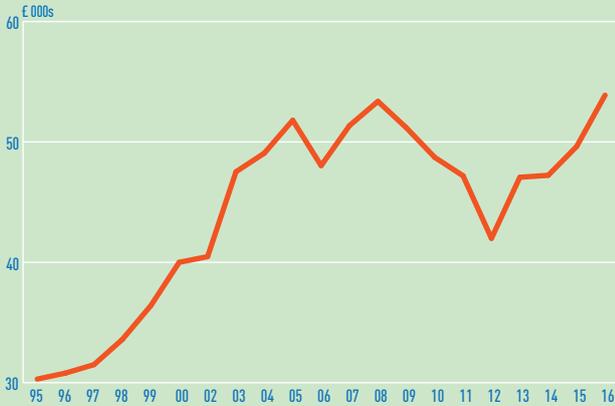
Chris Keates Lewis, HR and operations director at Tuffin

Ferraby Taylor, agrees: "Although David Cameron's disappearing act was initially a concern, the rapid installation of a relatively sensible team in Downing Street with an

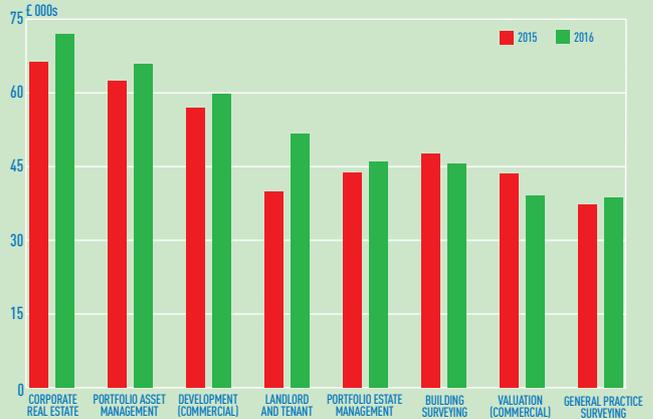
intelligent and calm chancellor of the exchequer diminished the panic factor and a managed approach to potential change started to filter through."

The inevitable bonus spike

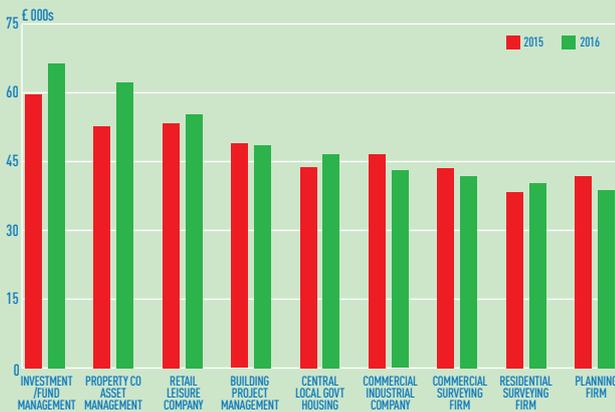
CHANGE IN AVERAGE SALARY



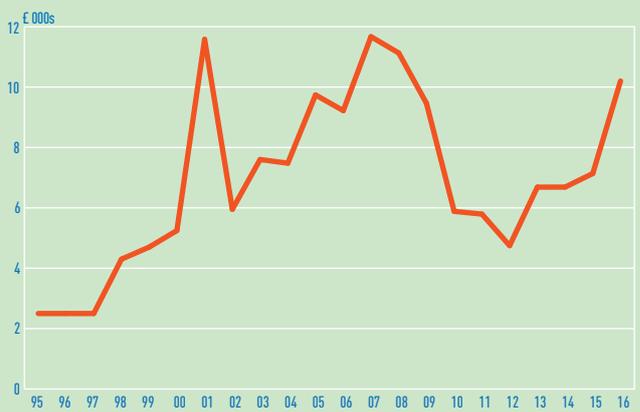
AVERAGE CURRENT SALARY BY AREA OF WORK



AVERAGE CURRENT SALARY BY MAIN ACTIVITY OF ORGANISATION



CHANGE IN AVERAGE BONUS



The £70.1bn of transactions achieved by the UK property market in 2015 suggests the 43% spike in average bonus was somewhat inevitable.

“The rises in salaries and particularly bonuses are a reflection of the investment cycle that occurred last year,” says Christopher Mackenzie, UK managing director of Cobalt Recruitment.

“Salaries are rising on the back of that and bonuses are a reward for that activity.”

Corporate real estate was once again the top earner by area of work, with an average

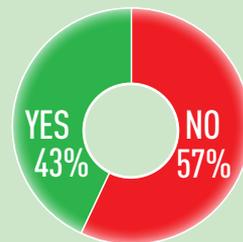
salary of £71,892, an 8.3% increase on 2015 figures, while the landlord and tenant section of the market saw the sharpest upturn, with an increase of 29.5% to £51,698.

But of particular surprise was the fall in average salary at commercial surveying firms, down by 3.7% to £41,896 because, according to Mackenzie, surveyors are so frequently in demand.

“That said, it is becoming increasingly hard for practices to make a decent profit on their work,” he adds.

“Personnel costs are going

EXPECTATIONS OF A GUARANTEED BONUS AS PART OF BENEFITS PACKAGE



48%
FEE EARNERS IN 2016

36%
NO BONUS IN 2016

FOR THE FIRST TIME SINCE 2009, THE AVERAGE SALARY EXCEEDS

£50,000

up as it becomes harder to keep candidates on the consultancy side. At the same time, the fees for work have been cut down as the competition has increased. “So making any profit in this context is hard. Maybe practices simply cannot keep increasing salaries and need to return to sustainable levels in line with their fee income.”

Midlands leads regions

While London unsurprisingly blazed a trail, with average salaries rising by 5.7% to £57,756, the Midlands was the best-performing region.

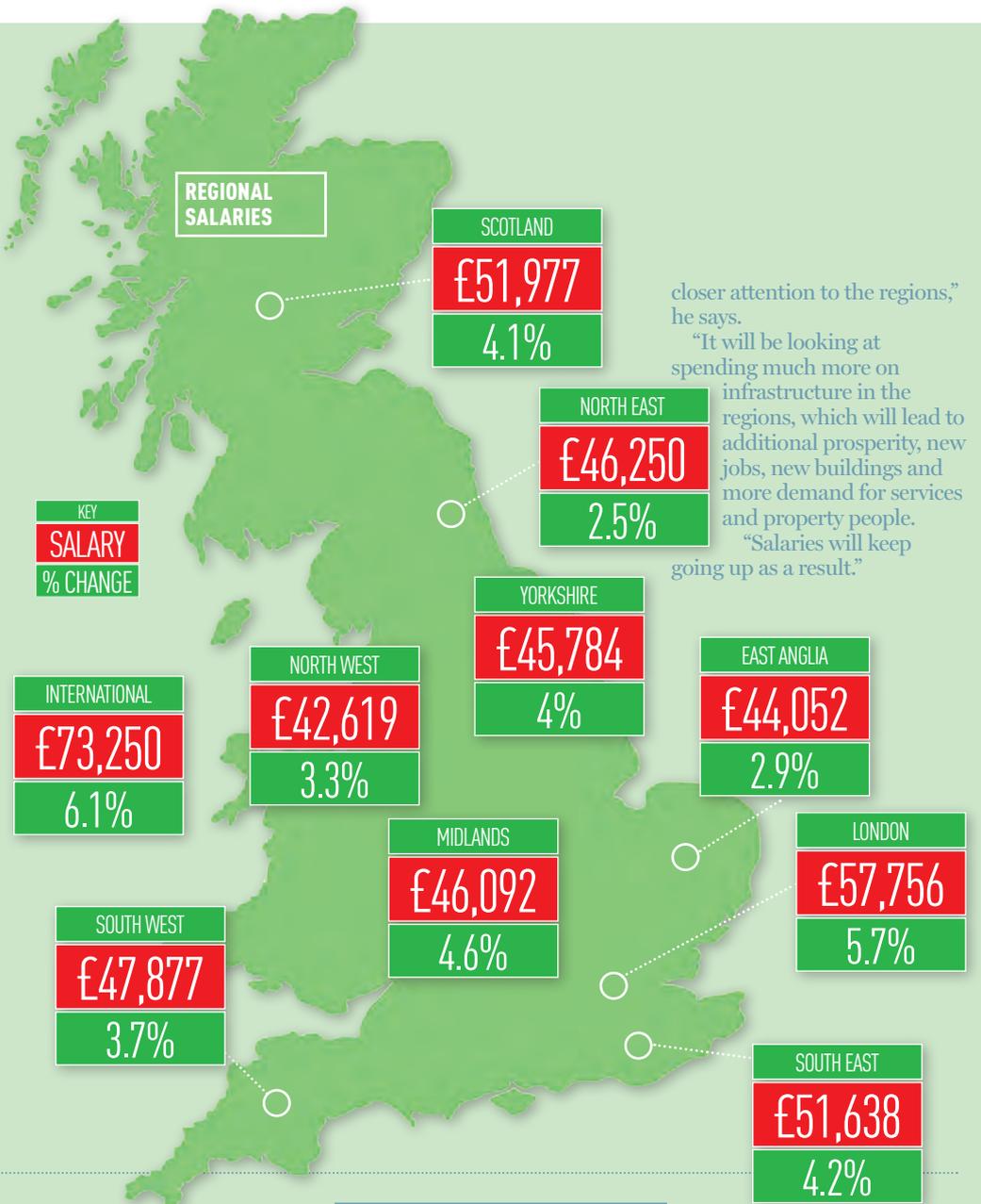
The average salary in central England rose by 4.6% to £46,092.

Rupert Young, development director at Nurton Developments, says that investor attention has increased in the nine big regional cities over the past 12 to 18 months – more so than in the past five years.

“That is probably set to continue as a direct result of Brexit, partly because investors feel the capital is getting very expensive and it is hard to get value for money, and partly because regional cities are improving and they feel they can get more bang for their buck,” he says.

And it looks unlikely to be a temporary trend, adds Young.

“The government has realised it needs to pay much



closer attention to the regions,” he says.

“It will be looking at spending much more on infrastructure in the regions, which will lead to additional prosperity, new jobs, new buildings and more demand for services and property people. “Salaries will keep going up as a result.”

Fees edge towards record

The average value of fees earned hit £190,515 pa (2015: £183,106) according to this year’s survey, almost reaching the 10-year high of £192,900 set in 2009.

It will be a welcome

Average fees per annum 2012-2016

| | |
|------|----------|
| 2012 | £147,512 |
| 2013 | £181,341 |
| 2014 | £172,798 |
| 2015 | £183,106 |
| 2016 | £190,515 |

continuation of the upward trajectory that was restarted last year, following the dip to £172,798 in 2014.

Heather Macleod, senior customer insight manager at Reed Business Insight, says the 2016 findings are a reflection of the level of success the commercial property industry enjoyed in 2015.

“The proportion of those earning fees also rose by 4%, and those earning fees in excess of £300,000 increased from 21% to 24% over the past 12 months,” she says.

“But it could be worth bearing in mind that 2009 was

VALUE OF FEES EARNED PER ANNUM



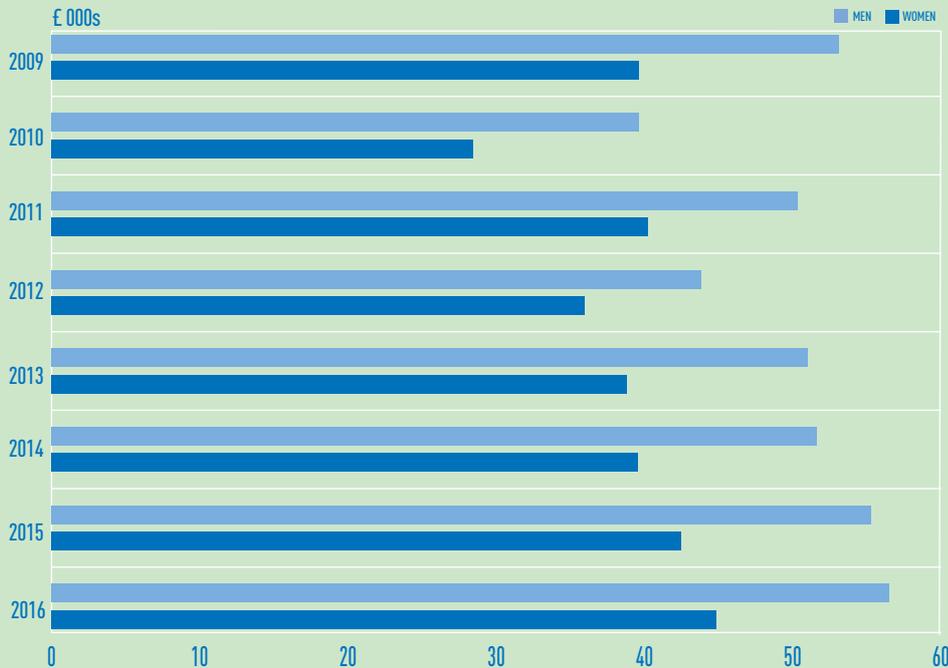
the last year such high levels were recorded before the impact of the 2008 recession was felt.

“While the main message to

come out of this year’s survey is of boom, clouds appear to be gathering on the horizon, despite concerns over Brexit beginning to subside.”

Pay and discrimination

AVERAGE SALARY BY GENDER 2009-2016



GENDER PAY GAP 2009-2016



The gender pay gap has narrowed to 23%. It is not quite a record low – that was 20% back in 2012 – but an ongoing move in the right direction.

Another positive message to come out of this year's salary survey is the reduction in sexuality-based discrimination, which fell by three percentage points to 4% this year.

But this year also saw a rise in discrimination based upon gender, age and, most markedly, race.

These figures, according to David Mann, partner at Tuffin Ferraby Taylor and co-founder of Freehold, the property industry's LGBT networking forum, should concern all business leaders.

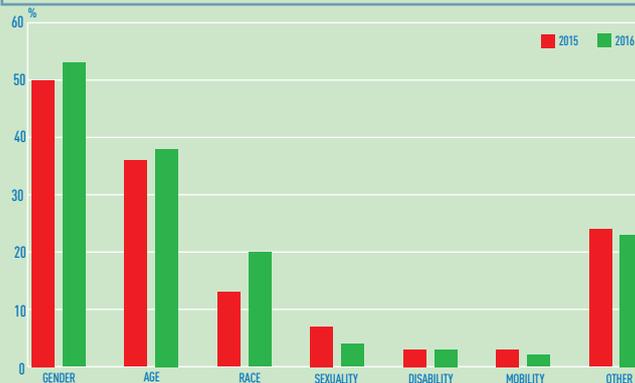
He says: "Many firms have taken concrete steps to think about their welcome and offer, and – I hope – we can see the benefits of a more open attitude to sexuality coming through in these figures."

"But all discrimination needs to be stamped out. If the army can have a 'zero tolerance' regime, why can't

AVERAGE SALARY BY GENDER 2016



REASONS FOR DISCRIMINATION



the property industry? It may be that more people are now willing to come forward and say, 'This is not OK; I am being treated badly.'

"It could also show that beneath the success story of increases in bonuses and pay, there is a dark underbelly where colour and gender still affect an individual's ability to succeed.

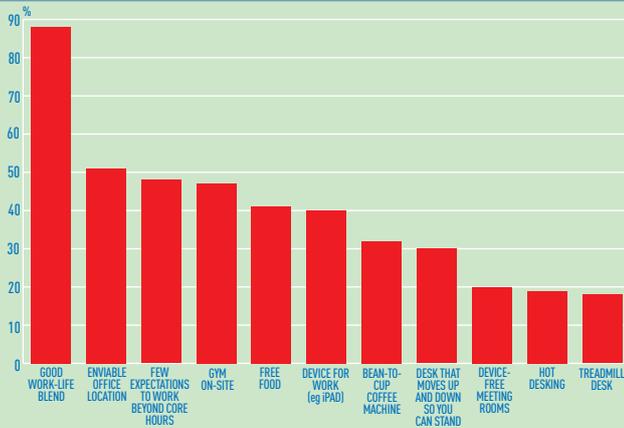
"It may be that, as an industry, we need a more joined-up and radical approach to dealing with this issue."

WORKERS WHO FEEL THEY HAVE BEEN DISCRIMINATED AGAINST

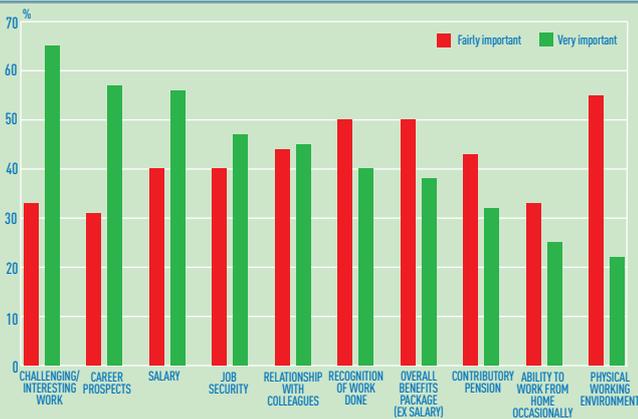
21%
2015

18%
2016

IMPORTANT ELEMENTS IN YOUR OFFICE



IMPORTANT ELEMENTS OF YOUR JOB



The workplace is evolving



The workplace needs to provide a place of community, collaboration and wellbeing, says Hilary Jeffery, regional director, AECOM

Four generations are working side by side for the first time, and this is an important factor in how the workplace needs to evolve.

Evidence suggests the millennial generation is ambitious, demanding and their expectations of their employer are high. Salary and bonuses will not become less of a priority, but instead will be coupled with changing expectations for other aspects of their experience of work.

Perhaps the most significant shift here is the need to employ the 'whole person'. Millennials often see no boundary between work and 'life'. They see their

workplace as an extension of their home life and an enabler of wellbeing and a healthy lifestyle. They expect to use the workplace to socialise, be mentally stimulated and to feed ambitions. This means the workplace needs to provide a place of community, collaboration and wellbeing.

But we would argue that these demands are not just the preserve of millennials. As work becomes more complex, people from across all generations will have shifting expectations. The property industry needs to be ready to respond to all of these if it is to attract the best talent.

Pleasing the millennials



The younger generation may want office toys and good coffee, but money is still the big factor, says Christopher Mackenzie, UK managing director, Cobalt Recruitment

After Brexit, the next biggest talking point seems to be what "demanding" millennials want in their office and how they behave in the workplace. Is this fair? Or is it simply a sign of an evolving UK working environment? Is the younger generation making the suggestions and dragging long-standing employees into the 21st century? And furthermore, is this a negative?

What was seen as revolutionary and funky a few years ago is now the norm and even the expectation. Sit/stand or

almost certainly going to multiply this.

But when it comes down to negotiating a new role and the package on offer, would a candidate value a company iPad to do work on the move and a desk that helps stretch their back over an extra 15% in their bank account? In Cobalt's experience, the reality is no. The finances still drive the bargaining. The extras have become an expectation, not a perk. But if the organisation does not have those extras, will the candidate still accept the job? From what we have seen, yes they will.

"What was seen as revolutionary and funky a few years ago is now the norm and even the expectation. Sit/stand or treadmill desks, on-site gyms and computer games have become commonplace"

treadmill desks, on-site gyms and computer games have become commonplace in a number of offices, alongside free fruit and better coffee machines.

It is an interesting development, especially when you consider that once upon a time a move from individual offices to large open workspaces was deemed innovative. Who knows what to expect next? And can a value be placed on these initiatives?

Yes, the latest gadgets and gizmos can attract new employees and could even help retain some existing ones. Just moving office location gives a fresh impetus to a business, so a move and an upgrade is

So what do millennials want at work? Is it a nice big bean bag and an open-plan office with a fully equipped kitchen and ping pong table? Yes it is. But they also want the most competitive financial package they can get. And it is important to note that the older generation want the same office environment that millennials talk about; they are just not as vocal about it.

Maybe it is just the march of progress. Newer people to any industry will generally have fresher ideas than those who have worked in it for 20 years. But while a bean-to-cup coffee machine might be expected, hard cash remains the most important factor when it comes to the crunch.