

Prepared for

**The Association of Residential Letting Agents  
& the ARLA Group of Buy to Let Mortgage Lenders:**

**Bank of Ireland Mortgages  
Cheltenham & Gloucester  
GMAC Residential Funding  
Mortgage Express  
NatWest  
Paragon Mortgages**

**ARLA Members Survey  
of the  
Buy to Let sector**

**First Quarter 2008**

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## 1. **INTRODUCTION & BACKGROUND**

The mortgage lenders who make up the ARLA group of buy to let mortgage lenders are keen to ensure that the service they provide to ARLA members is relevant to their needs and takes account of the specific and unique requirements of residential letting agents and their investor landlords.

In order to help achieve this, ARLA has commissioned research to ensure that the ARLA group of buy to let mortgage lenders are kept up to date with agents' requirements and concerns as they change with economic conditions, hopes and fears.

The research is conducted by Owen Carey Jones who specialises in the UK mortgage market and currently conducts several regular quarterly surveys of residential landlords and financial advisers on behalf of a number of clients.

## **2. METHODOLOGY**

Having considered the objectives of this project, it was decided that the most appropriate method to use was postal questionnaires.

Questionnaires were sent to 2,075 letting offices of ARLA members in February 2008 and 439 validly completed questionnaires were returned by the due date. These responses were input to our research analysis software and tables of data produced on which this report is based.

### 3. SUMMARY

- The overall average capital asset value of rented houses has fallen by 4.5% over the last three months as a result of a fall of 10.3% for those managing properties in Prime Central London. The average value of rented houses in the Rest of the South East was unchanged and in the Rest of the UK the average values of rented houses increased by 3.2%.
- Over the same period the average value of rented flats throughout the country fell by 3.6% as a result of falls of 5.9% in Prime Central London and 5.2% in the Rest of the South East. Conversely, the average value of rented flats in the Rest of the UK rose by 5.0%.
- Average weighted rental returns for houses are up from 4.8% to 5.0% compared with three months ago, reversing the change seen then, whilst the equivalent figure for flats is up from 4.9% to 5.0%, also reversing the earlier change.
- On balance ARLA members report increased achievable rent levels over the last six months on all types of rented property but with a lower proportion saying this was the case in Prime Central London (65% compared with 72% three months ago) although in the Rest of the South East the proportion was up from 52% to 62% and in the Rest of the UK the figure was almost unchanged at 44%.
- The demand for rented residential properties has continued to outstrip supply, particularly for members in the Rest of the South East with almost six out of ten of these (59%, up from 57% three months ago) now saying there are more tenants than there are properties available for them. Meanwhile, the proportion of members managing properties in Prime Central London who say there are more tenants than properties has fallen (from 64% to 52%) but the proportion of those in the Rest of the UK who say this has remained constant at 38%. Overall, despite the recent falls, the proportion saying there are more tenants than properties available for them is still at its third highest level since this question was first asked more than five years ago.
- Less than one in thirteen ARLA members (7%) say that landlords are currently buying more properties, a figure which is down from 11% in the fourth quarter of 2007 and the proportion who now say landlords are currently selling properties has risen from 16% to 19%, with the result that the proportion saying landlords are marking time has dropped from 71% to 69%.
- Compared with the fourth quarter of 2007, the average void period is unchanged at 3.4 weeks (24 days) and the average number of new tenancies signed up in the preceding three months was 32, down from 36 three months ago as a result of seasonal factors.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property has fallen slightly from 53% to 52% compared with the fourth quarter of 2007 but the average number of purely investment properties which are managed by ARLA members' offices has risen from 110 to 114 properties.

- On average, ARLA members say that tenants remain in the same property for a period of 16.1 months, a figure which is unchanged compared with three months ago.
- Overall, respondents say that 20% of their lettings are to immigrants with 16% being to immigrants from EU countries and immigrant tenants are most likely to be encountered by those managing properties in Prime Central London and least likely to be encountered by those in the Rest of the UK.
- Two thirds of ARLA members (66%) say that it is either impossible, very difficult or quite difficult to obtain references on immigrants from new EU member states although this is much less likely to be the case for those managing properties in Prime Central London.
- On average, ARLA members believe that 37% of landlords (up from 35% three months ago) are unaware of tenancy deposit protection but in the case of tenants, this figure rises to 55% (up from 51%).
- According to ARLA members, two thirds of landlords (66%, down from 69% three months ago) are members of the Tenancy Deposit Scheme (supported by ARLA, the NAEA and RICS) with only a few having joined other tenancy deposit protection organisations. However, they also believe that 8% of landlords (up from 6% three months ago) are unaware of the need to join one of these organisations.

## 4. RESULTS

The following sections detail the results of the survey for the first quarter of 2008. The regional breakdown of results splits the South East into two component parts - London & South East based respondents who manage properties in Prime Central London and the Rest of the South East.

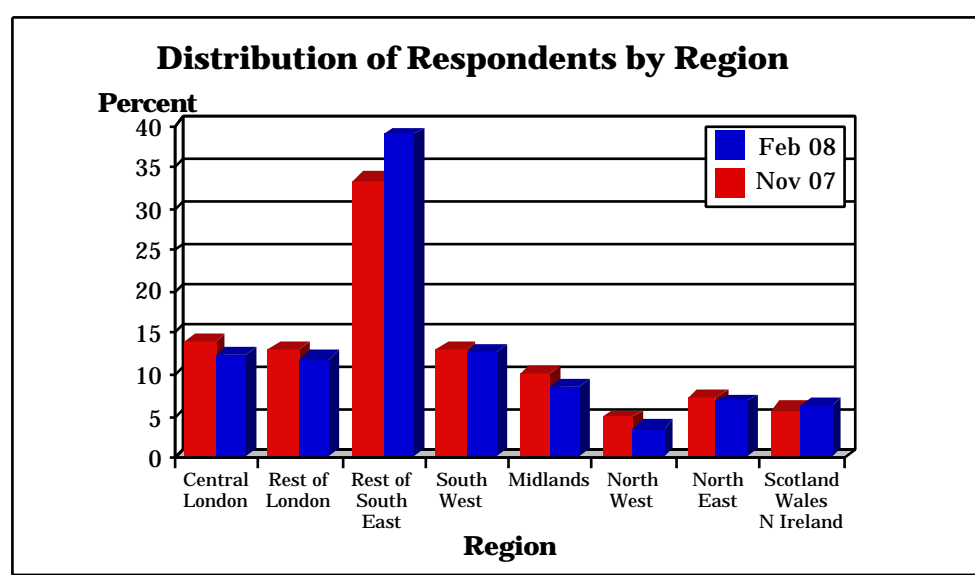
### 4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for more than six out of ten respondents (63%).

After the South East, the South West with 13% was the region with the most respondents.

| Region                               | Percent of Respondents (%) |        |        |
|--------------------------------------|----------------------------|--------|--------|
|                                      | Aug 07                     | Nov 07 | Feb 08 |
| Central London                       | 13.8                       | 13.9   | 12.3   |
| Rest of London ( <i>inside M25</i> ) | 11.7                       | 12.8   | 11.8   |
| South East ( <i>excl. London</i> )   | 33.9                       | 33.3   | 38.7   |
| South West                           | 14.5                       | 12.8   | 12.5   |
| Midlands                             | 8.9                        | 9.9    | 8.4    |
| North West                           | 3.2                        | 4.6    | 3.4    |
| North East                           | 7.3                        | 7.2    | 6.6    |
| Scotland/Wales/NI                    | 6.7                        | 5.6    | 6.2    |
| Base: All respondents                | (463)                      | (517)  | (439)  |

Compared with the November survey, there has been little change in the regional breakdown of respondents with the main difference being that there were more respondents from the South East.



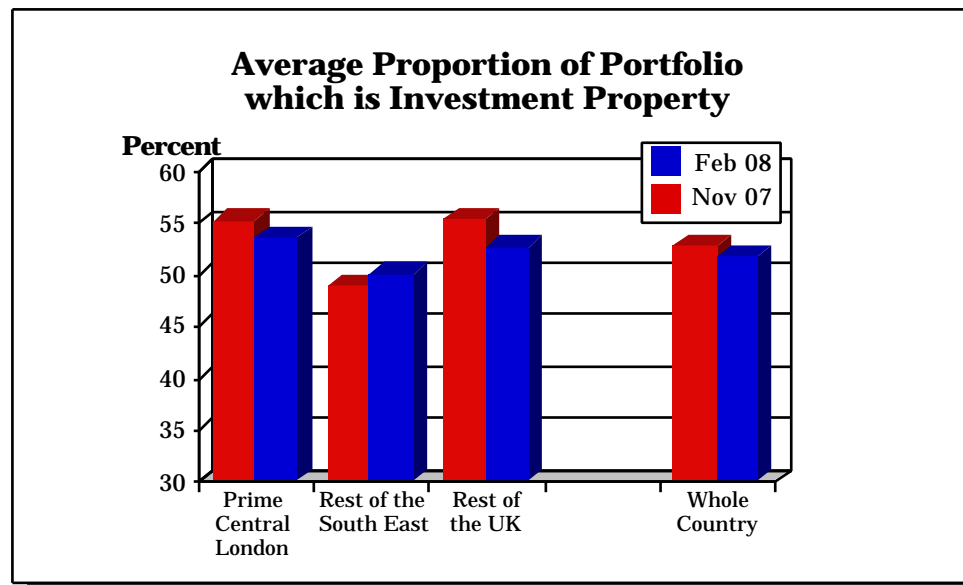
#### 4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents (80%) said that more than a quarter of their portfolio is investment property with more than two out of ten (21%) saying that more than three quarters of theirs is investment property. Investment properties comprise a tenth or less of their portfolio for just one in fourteen offices (7%).

Analysis of the responses to this question reveals that, on average, investment properties account for 52% of ARLA member offices' portfolios.

| Proportion of Portfolio | Percent of Respondents (%) |            |            |             |
|-------------------------|----------------------------|------------|------------|-------------|
|                         | Prime London               | Rest of SE | Rest of UK | All Regions |
| None                    | 2.1                        | 0.6        | 0.6        | 0.9         |
| Up to 10%               | 8.3                        | 6.7        | 4.9        | 6.4         |
| 11% to 25%              | 8.3                        | 12.8       | 14.7       | 12.5        |
| 26% to 50%              | 22.9                       | 27.2       | 23.3       | 24.8        |
| 51% to 75%              | 32.3                       | 36.1       | 33.7       | 34.4        |
| Over 75%                | 26.0                       | 16.7       | 22.7       | 21.0        |
| Not stated              | -                          | -          | -          | -           |
| Base: All respondents   | (96)                       | (180)      | (163)      | (439)       |

For offices in the Rest of the South East, investment properties appear to make up a smaller proportion of their portfolios with the average being 50% compared with 53% for offices managing properties in Prime Central London and for those in the Rest of the UK.



Compared with the last survey in November, the average proportion of portfolios which are in the form of investment property is marginally down, from 53% to 52%, as a result of decreases for Prime Central London and the Rest of the UK.

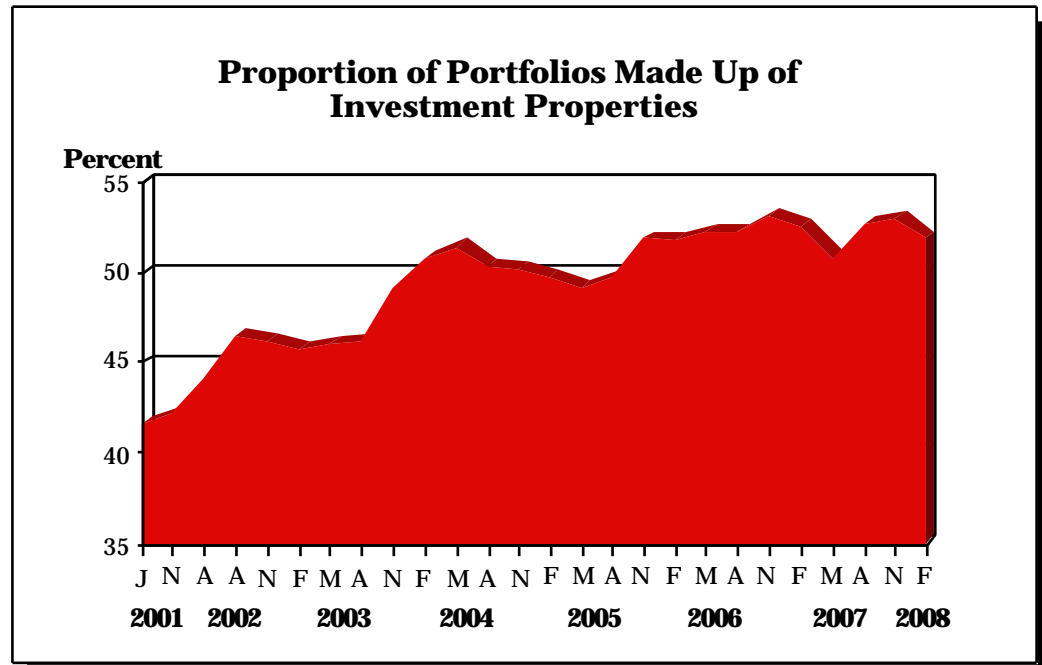
| <b>Geographic Region</b> | <b>Average Proportion of Portfolio (%)</b> |               |               |               |
|--------------------------|--|---------------|---------------|---------------|
|                          | <b>May 07</b>                              | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 52.3                                       | 56.9          | 55.1          | 53.4          |
| South East               | 47.0                                       | 51.1          | 48.9          | 49.9          |
| Rest of UK               | 53.6                                       | 51.9          | 55.3          | 52.5          |
| All Regions              | 50.7                                       | 52.6          | 52.8          | 51.7          |
| Base: All respondents    | (463)                                      | (463)         | (517)         | (439)         |

As can be seen from the chart below, the proportion of respondents' portfolios which is made up of investment property, having levelled off for a period of a year from mid-2002 to mid-2003, rose sharply between mid-2003 and mid-2004.

At the end of 2004 the figure levelled off again before slowly reducing during the first half of 2005.

However, both surveys for the second half of 2005 showed the figure was on the increase again and during 2006 this upward trend continued.

Surveys for the first two quarters of 2007 saw falls in the overall average figure but overall, during the last 12 months, the figure has been fairly steady at between 50% and 52%.



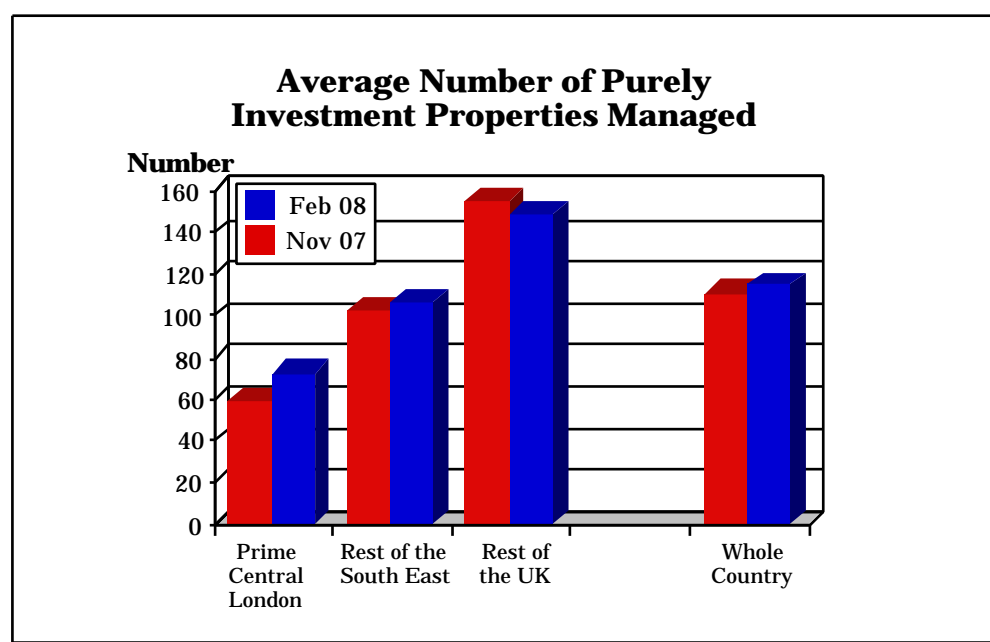
### 4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of purely investment properties with more than a third (36%) saying that they manage over a hundred properties and almost eight out of ten (79%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of purely investment properties managed by ARLA offices is currently 114.

| Number of Properties  | Percent of Respondents (%) |            |            |             |
|-----------------------|----------------------------|------------|------------|-------------|
|                       | Prime London               | Rest of SE | Rest of UK | All Regions |
| Up to 5               | 6.3                        | 1.7        | 4.3        | 3.6         |
| 6 to 10               | 8.3                        | 9.4        | 3.1        | 6.8         |
| 11 to 20              | 9.4                        | 8.9        | 7.4        | 8.4         |
| 21 to 50              | 18.8                       | 23.9       | 16.6       | 20.0        |
| 51 to 100             | 26.0                       | 19.4       | 26.4       | 23.5        |
| Over 100              | 29.2                       | 33.9       | 41.7       | 35.8        |
| Not stated            | 2.1                        | 2.8        | 0.6        | 1.8         |
| Base: All respondents | (96)                       | (180)      | (163)      | (439)       |

Offices managing properties in Prime Central London tend to manage considerably fewer properties on average than their counterparts elsewhere in the country with the average numbers being 72 for Prime Central London, 106 for the Rest of the South East and 148 for the Rest of the UK.



Compared with three months ago, the average number of properties managed is up from 110 to 114 properties mainly as a result of the increase in the average for Prime Central London. The average for the

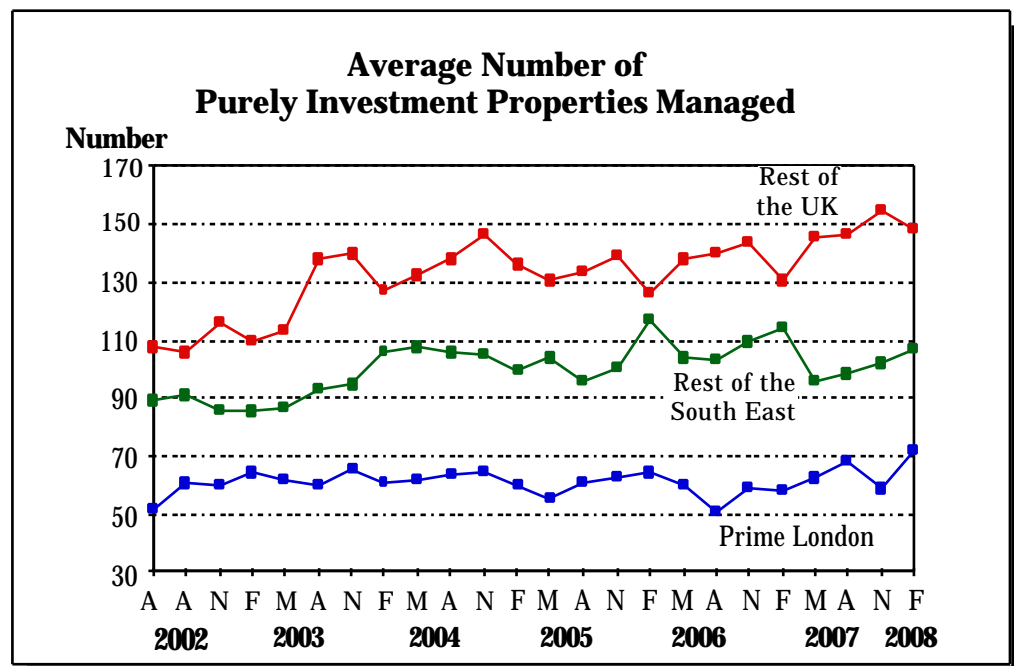
Rest of the South East also went up but not by anywhere near as much and that for the Rest of the UK was down.

| Geographic Region     | Average Number of Properties |        |        |        |
|-----------------------|------------------------------|--------|--------|--------|
|                       | May 07                       | Aug 07 | Nov 07 | Feb 08 |
| Prime Central London  | 62.4                         | 68.1   | 58.7   | 72.0   |
| South East            | 95.9                         | 97.9   | 102.0  | 106.4  |
| Rest of UK            | 145.7                        | 146.4  | 154.8  | 148.0  |
| All Regions           | 105.6                        | 109.9  | 110.2  | 114.1  |
| Base: All respondents | (463)                        | (463)  | (517)  | (439)  |

As can be seen from the chart below, the average number of properties managed by ARLA members in the Rest of the UK, having risen rapidly during 2002 and 2003, stayed in the range 130 to 150 properties until mid 2007 since when it appears to have hit a rising trend again.

For Prime Central London the figure has been relatively steady at an average of between 60 and 70 properties for some time despite occasionally moving outside this range as on this occasion. In fact the figure for this quarter is the highest ever seen for Prime Central London.

The average for the Rest of the South East evidenced a slight rising trend until the beginning of 2006, since when it has been declining although each decline seems to be followed by a period of recovery and the declines may, therefore, have a seasonal element to them although there doesn't seem to be any evidence of this in other parts of the country.



#### 4.4 Average Value of Rented Residential Properties (Q.6)

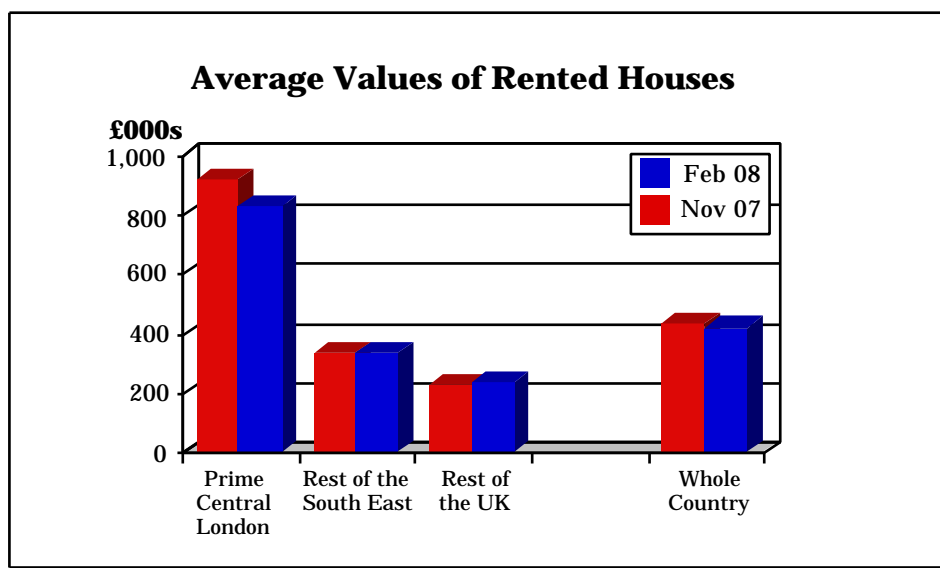
##### **Houses**

More than half of respondents (53%) say that the average value of a rented house in their area is between £150,000 and £350,000.

Only one in two hundred offices (0.5%) say the average is below £100,000 but for around one in fifteen respondents (7%), the average in their area is in excess of £1 million.

Analysis of these figures gives an overall weighted average value for a rented house of £417,400.

| Average Value of Houses | Percent of Respondents (%) |            |            |             |
|-------------------------|----------------------------|------------|------------|-------------|
|                         | Prime London               | Rest of SE | Rest of UK | All Regions |
| Up to £100,000          | -                          | 0.6        | 0.6        | 0.5         |
| £100,001 to £150,000    | -                          | 1.7        | 18.4       | 7.5         |
| £150,001 to £200,000    | 1.0                        | 26.7       | 40.5       | 26.2        |
| £200,001 to £350,000    | 11.5                       | 33.9       | 28.8       | 27.1        |
| £350,001 to £500,000    | 20.8                       | 23.9       | 7.4        | 17.1        |
| £500,001 to £750,000    | 20.8                       | 6.1        | 1.2        | 7.5         |
| £750,001 to £1 Million  | 13.5                       | 3.9        | 1.2        | 5.0         |
| Over £1 Million         | 27.1                       | 1.1        | 0.6        | 6.6         |
| Not stated              | 5.2                        | 2.2        | 1.2        | 2.5         |
| Base: All respondents   | (96)                       | (180)      | (163)      | (439)       |



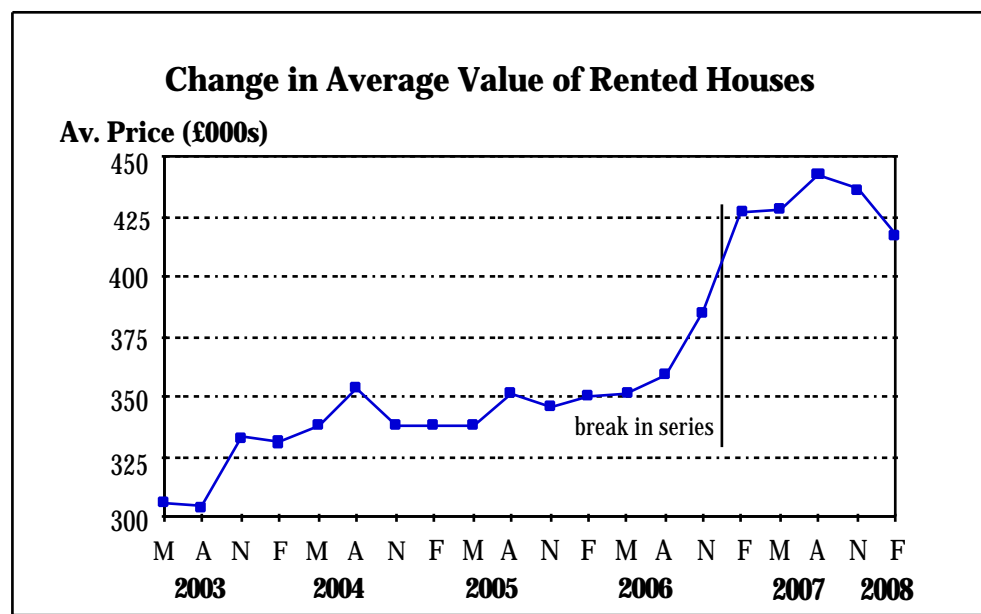
There are big differences between the values of rented houses in the different regional areas with the average for Prime Central London being over three quarters of a million pounds (£819,500) compared with less than half of that figure (£340,300) in the Rest of the South East and less than a third of it (£235,400) in the Rest of the UK.

Compared with the last survey, the overall weighted average value of rented houses has fallen by 4.5% from £436,900 to £417,400.

| <b>Geographic Region</b> | <b>Average Value of Rented Houses (000s)</b> |               |               |               |
|--------------------------|--|---------------|---------------|---------------|
|                          | <b>May 07</b>                                | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 885.0  | 887.6         | 913.3         | 819.5         |
| South East               | 335.0  | 359.0         | 340.3         | 340.3         |
| Rest of UK               | 229.9  | 238.8         | 228.0         | 235.4         |
| All Regions (weighted)   | 428.6  | 442.6         | 436.9         | 417.4         |
| Base: All respondents    | (463)  | (463)         | (517)         | (439)         |

Within this overall change, the average price of a rented house in Prime Central London has fallen quite sharply by 10.3% whilst that for the Rest of the South East is unchanged and the average for the Rest of the UK is up by 3.2%.

As can be seen from the chart below, between May 2003 and August 2004 the average value of a rented house increased by 16% from £306,100 to £353,800 and, after stabilising for a couple of years, continued rising until the summer of last year, since when it has experienced two successive falls, something we have not seen before.



## Flats

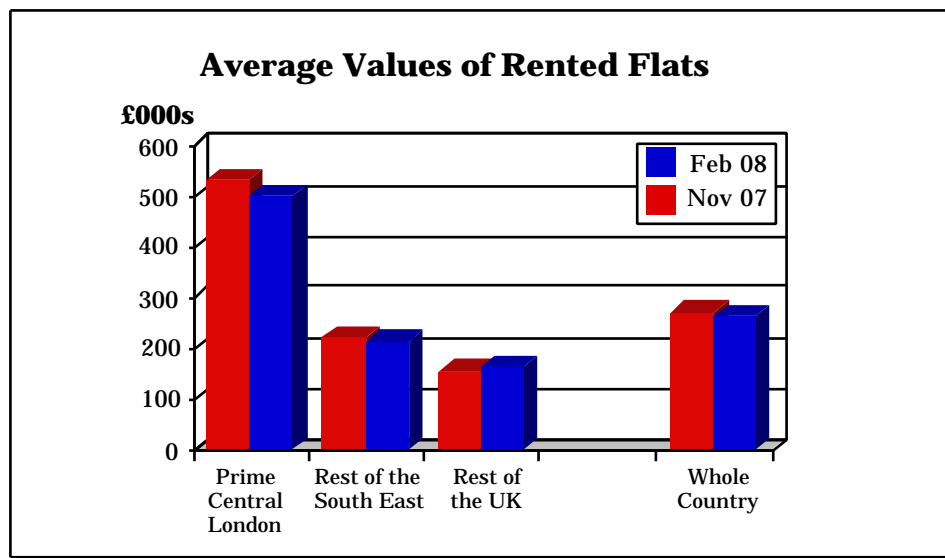
More than half of respondents (52%) say that the average value of a rented flat in their area is between £100,000 and £200,000.

However, one in twenty five respondents (4%), say the average value of a rented flat in their area is below £100,000 compared with less than one in fifty (1.6%) who say the average value is in excess of £1 million.

Analysis of these figures gives an overall weighted average value for a rented flat of £263,000.

| Average Value of Flats | Percent of Respondents (%) |            |            |             |
|------------------------|----------------------------|------------|------------|-------------|
|                        | Prime London               | Rest of SE | Rest of UK | All Regions |
| Up to £100,000         | -                          | 1.7        | 8.6        | 3.9         |
| £100,001 to £150,000   | 1.0                        | 23.3       | 44.8       | 26.4        |
| £150,001 to £200,000   | 10.4                       | 31.7       | 28.8       | 26.0        |
| £200,001 to £350,000   | 28.1                       | 29.4       | 9.2        | 21.6        |
| £350,001 to £500,000   | 27.1                       | 3.3        | 1.2        | 7.7         |
| £500,001 to £750,000   | 11.5                       | 1.1        | 0.6        | 3.2         |
| £750,001 to £1 Million | 9.4                        | 0.6        | 0.6        | 2.5         |
| Over £1 Million        | 7.3                        | -          | -          | 1.6         |
| Not stated             | 5.2                        | 8.9        | 6.1        | 7.1         |
| Base: All respondents  | (96)                       | (180)      | (163)      | (439)       |

As with rented houses, there are big differences between the values of rented flats in the different regional areas with the average for Prime Central London being more than half a million pounds (£501,100) compared with £211,600 in the Rest of South East and just £162,600 in the Rest of the UK.

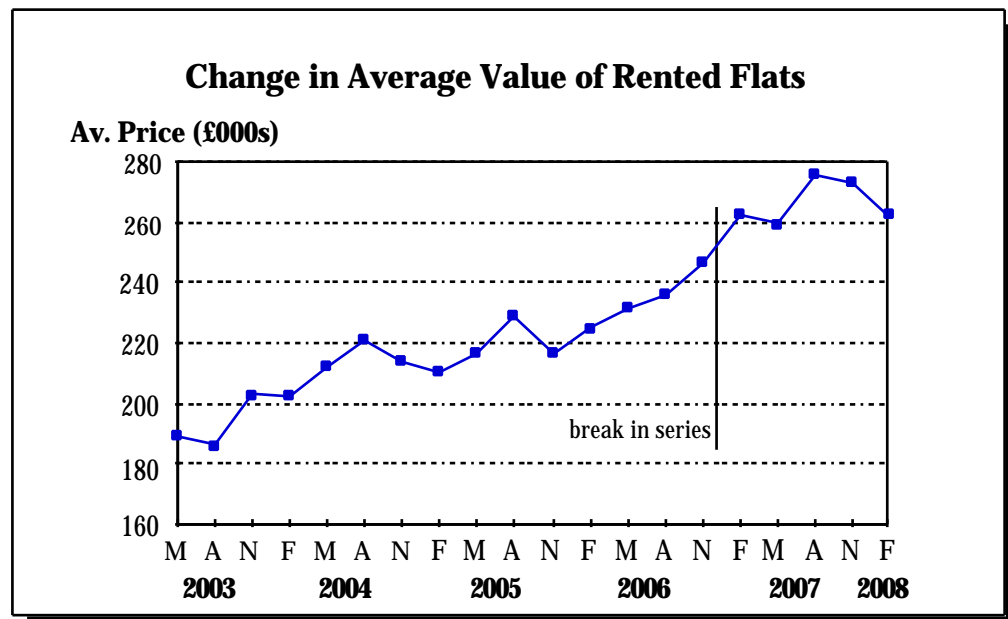


Compared with three months ago, the overall weighted average value of a rented flat has fallen by 3.6% from £272,700 to £263,000.

| <b>Geographic Region</b> | <b>Average Value of Rented Flats (000s)</b> |               |               |               |
|--------------------------|---|---------------|---------------|---------------|
|                          | <b>May 07</b>                               | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 501.0                                       | 534.8         | 532.4         | 501.1         |
| South East               | 210.5                                       | 228.4         | 223.2         | 211.6         |
| Rest of UK               | 153.0                                       | 155.7         | 154.8         | 162.6         |
| All Regions (weighted)   | 259.3                                       | 275.8         | 272.7         | 263.0         |
| Base: All respondents    | (463)                                       | (463)         | (517)         | (439)         |

Within that overall change, the average value of rented flats in Prime Central London has fallen by 5.9% whilst that for the Rest of the South East has fallen by 5.2%. Conversely, the average price of a rented flat in the Rest of the UK has risen by 5.0%.

As can be seen from the chart below, over the last four years, the average value of a rented flat had increased by 46% from £189,100 in the second quarter of 2003 to £275,800 despite the occasional temporary downturn. However, the last two quarters, as was the case with houses, have seen two successive falls. The only other time that this happened with the values of flats was in the winter of 2004/2005.



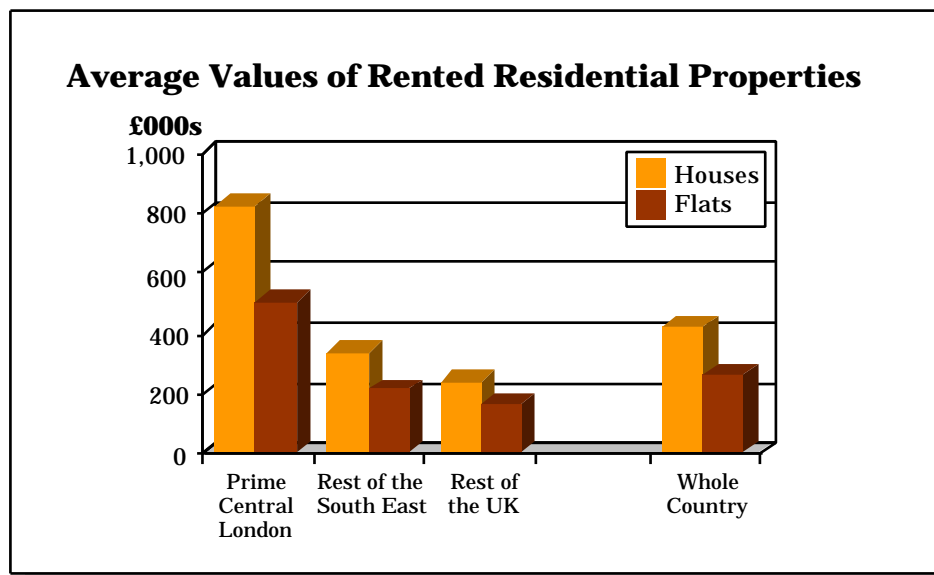
## Summary

As was to be expected, average values of rented houses are much higher than those of rented flats with the figure for houses in Prime Central London being 64% higher than that for flats.

There is also a big difference between the values of houses and flats in the rest of the country although the difference is a little less marked at 61% for the Rest of the South East and 45% for the Rest of the UK.

| Geographic Region      | Average Value of Properties (000s) |       |
|------------------------|------------------------------------|-------|
|                        | Houses                             | Flats |
| Prime Central London   | 819.5                              | 501.1 |
| South East             | 340.3                              | 211.6 |
| Rest of UK             | 235.4                              | 162.6 |
| All Regions (weighted) | 417.4                              | 263.0 |

Base: All respondents (439)



Compared with November 2007, in the case of both houses and flats, there have been further falls in the overall values of rented properties but this has been most prominent in Prime Central London and whilst prices of flats in the Rest of the South East have also fallen, prices for both rented houses and rented flats in the rest of the UK have increased over the last three months.

## 4.5 Average Rental Return on Rented Residential Property (Q.7)

### **Houses**

According to ARLA members' offices, a rental return of between 4% and 5% is the norm for rented houses with more than half of all respondents (51%) saying that this applies to their area. Analysis of these results reveals a weighted average rental return on rented houses of 5.0%.

| <b>Average Return</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                       | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| Less than 4%          | 12.5                              | 18.3              | 15.3              | 15.9               |
| 4% to 5%              | 50.0                              | 50.6              | 50.9              | 50.6               |
| 6%                    | 13.5                              | 16.1              | 16.6              | 15.7               |
| 7%                    | 4.2                               | 3.9               | 6.1               | 4.8                |
| 8%                    | 6.3                               | 1.7               | 3.7               | 3.4                |
| 9% to 10%             | 3.1                               | 2.8               | 1.2               | 2.3                |
| 11% to 12%            | 1.0                               | 1.1               | 1.2               | 1.1                |
| 12% to 15%            | 2.1                               | -                 | 0.6               | 0.7                |
| Over 15%              | -                                 | 1.1               | 0.6               | 0.7                |
| Not stated            | 7.3                               | 4.4               | 3.7               | 4.8                |
| Base: All respondents | (96)                              | (180)             | (163)             | (439)              |

There is some difference in rates of return between the three broad geographic areas with the average for Prime Central London now being the highest at 5.2% compared with 4.8% for the Rest of the South East and 5.0% the Rest of the UK.

| <b>Geographic Region</b> | <b>Average Rental Return (%)</b> |               |               |               |
|--------------------------|----------------------------------|---------------|---------------|---------------|
|                          | <b>May 07</b>                    | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 4.7                              | 4.8           | 4.3           | 5.2           |
| South East               | 4.8                              | 5.0           | 4.9           | 4.8           |
| Rest of UK               | 5.0                              | 5.0           | 4.9           | 5.0           |
| All Regions (weighted)   | 4.8                              | 5.0           | 4.8           | 5.0           |
| Base: All respondents    | (463)                            | (463)         | (517)         | (439)         |

Compared with three months ago, the overall average weighted rental return on houses is up from 4.8% to 5.0%, reversing the change seen then.

The average rental return on houses in Prime Central London is up sharply from 4.3% to 5.2% whilst the average rental return on houses in the Rest of the South East has fallen slightly from 4.9% to 4.8% and, for the Rest of the UK, average rental returns on houses are up slightly from 4.9% to 5.0%.

The large rise in the average rental return for Prime Central London is almost certainly the result of that area seeing a 10% fall in house values compared with stagnant prices in the Rest of the South East and a rise of 3% in the Rest of the UK.

## **Flats**

A rental return of between 4% and 5% also appears to be the norm for rented flats with more than half of respondents (54%) saying that this applies to their area. Analysis of these results reveals a weighted average rental return on rented flats of 5.0%.

| <b>Average Return</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                       | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| Less than 4%          | 7.3                               | 11.7              | 12.3              | 10.9               |
| 4% to 5%              | 49.0                              | 55.0              | 55.8              | 54.0               |
| 6%                    | 17.7                              | 17.2              | 15.3              | 16.6               |
| 7%                    | 7.3                               | 4.4               | 2.5               | 4.3                |
| 8%                    | 6.3                               | 0.6               | 3.1               | 2.7                |
| 9% to 10%             | -                                 | 1.7               | 2.5               | 1.6                |
| 11% to 12%            | 2.1                               | 1.1               | 0.6               | 1.1                |
| 12% to 15%            | 1.0                               | -                 | -                 | 0.2                |
| Over 15%              | -                                 | 1.1               | 0.6               | 0.7                |
| Not stated            | 9.4                               | 7.2               | 7.4               | 7.7                |
| Base: All respondents | (96)                              | (180)             | (163)             | (439)              |

There is some difference in the rates of return for rented flats between the different geographical areas, with the average for Prime Central London, at 5.3%, being the highest and that for the Rest of the UK, at 4.9%, being the lowest.

| <b>Geographic Region</b> | <b>Average Rental Return (%)</b> |               |               |               |
|--------------------------|----------------------------------|---------------|---------------|---------------|
|                          | <b>May 07</b>                    | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 5.1                              | 5.1           | 4.7           | 5.3           |
| South East               | 4.9                              | 4.9           | 5.0           | 5.0           |
| Rest of UK               | 5.0                              | 5.0           | 4.8           | 4.9           |
| All Regions (weighted)   | 5.0                              | 5.0           | 4.9           | 5.0           |
| Base: All respondents    | (463)                            | (463)         | (517)         | (439)         |

Compared with the last survey in November, the overall weighted average rental return on flats is up slightly from 4.9% to 5.0%.

Within this overall change, the average for Prime Central London rose sharply from 4.7% to 5.3% whilst that for the Rest of the South East remained unchanged at 5.0% and that for the Rest of the UK rose slightly from 4.8% to 4.9%.

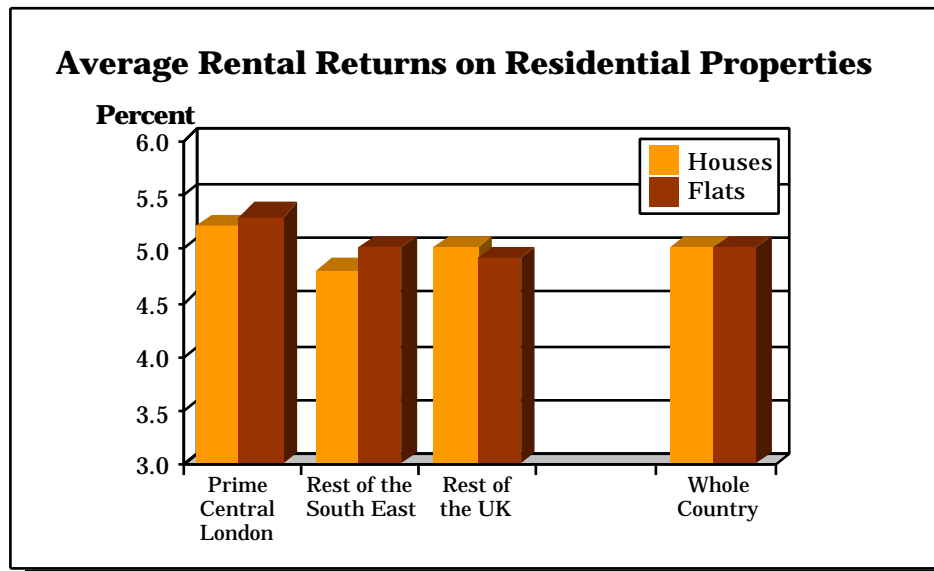
The big increase for Prime Central London can be explained, at least partially, by the 6% fall in the average value of a rented flat but the average value of a flat in the Rest of the South East fell by 5% without any resultant increase in the average rental return.

## Summary

The lowest rental returns are currently being earned on houses in the Rest of the South East (4.8%) whilst, at the other end of the scale, average rental returns are highest for flats in Prime Central London (5.3%).

| Geographic Region      | Average Rental Return (%) |       |
|------------------------|---------------------------|-------|
|                        | Houses                    | Flats |
| Prime Central London   | 5.2                       | 5.3   |
| South East             | 4.8                       | 5.0   |
| Rest of UK             | 5.0                       | 4.9   |
| All Regions (weighted) | 5.0                       | 5.0   |

Base: All respondents (439)



Overall, flats appear to earn a slightly higher gross return in Prime Central London and in the Rest of the South East than do houses but this does not seem to apply to the Rest of the UK where returns on houses are slightly higher.

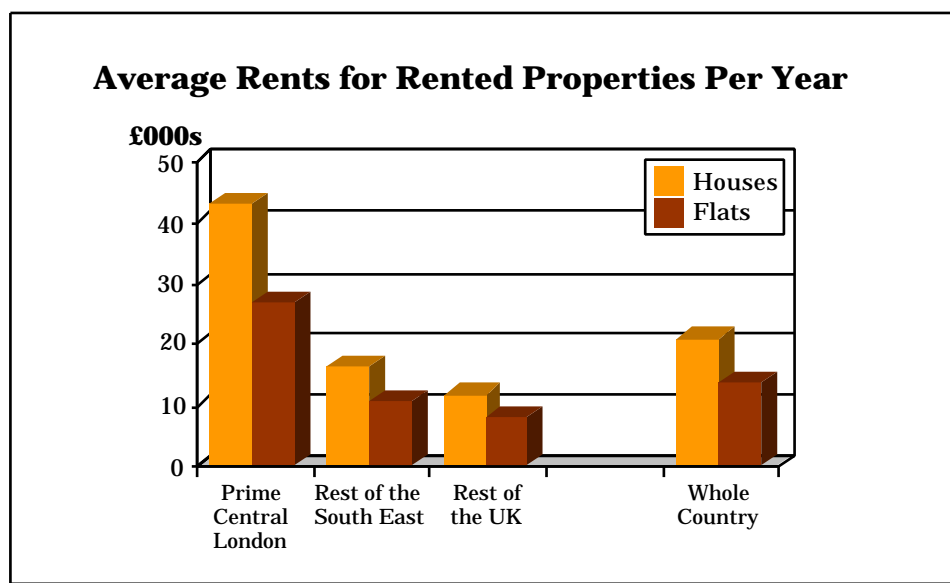
## Average Rents

The table below shows the average rents being received by landlords based on the average rental returns and average property values quoted above.

| Geographic Region      | Average Rents - Feb 08 |           |             |          |           |             |
|------------------------|------------------------|-----------|-------------|----------|-----------|-------------|
|                        | HOUSES                 |           |             | FLATS    |           |             |
|                        | Week (£)               | Month (£) | Year (£000) | Week (£) | Month (£) | Year (£000) |
| Prime Central London   | 820                    | 3,551     | 42.6        | 511      | 2,213     | 26.6        |
| South East             | 314                    | 1,361     | 16.3        | 203      | 882       | 10.6        |
| Rest of UK             | 226                    | 981       | 11.8        | 153      | 664       | 8.0         |
| All Regions (weighted) | 403                    | 1,747     | 21.0        | 259      | 1,120     | 13.4        |

Base: All respondents (439)

In the case of all the broad geographic regions, the average rent of a house is around half as much again as the average rent for a flat (between 48% and 61% higher).



Compared with three months ago, weighted average rents for houses are up by 4% as a result of increases of 9% for respondents managing properties in Prime Central London and 5% for the Rest of the UK. In the Rest of the South East average rents for houses fell by 2%.

Average rents for flats are also up overall but only by 2% again as a result of increases for Prime Central London and the Rest of the UK.

For respondents managing properties in Prime Central London, average rents for flats rose by 6% compared with a rise of 7% for the Rest of the UK and a fall of 5% for the Rest of the South East.

| <b>Geographic Region</b> | <b>Average Rents - Nov 07</b> |              |               |              |              |               |
|--------------------------|-------------------------------|--------------|---------------|--------------|--------------|---------------|
|                          | <b>HOUSES</b>                 |              |               | <b>FLATS</b> |              |               |
|                          | <b>Week</b>                   | <b>Month</b> | <b>Year</b>   | <b>Week</b>  | <b>Month</b> | <b>Year</b>   |
|                          | <b>(£)</b>                    | <b>(£)</b>   | <b>(£000)</b> | <b>(£)</b>   | <b>(£)</b>   | <b>(£000)</b> |
| Prime Central London     | 755                           | 3,273        | 39.3          | 481          | 2,085        | 25.0          |
| South East               | 321                           | 1,390        | 16.7          | 215          | 930          | 11.2          |
| Rest of UK               | 215                           | 931          | 11.2          | 143          | 619          | 7.4           |
| All Regions (weighted)   | 387                           | 1,677        | 20.1          | 255          | 1,105        | 13.3          |

Base: All respondents (517)

Further analysis of the responses to this question enables average rents to be derived for each of the geographic regions included in the survey and these are shown for this quarter and last quarter in the tables below.

However, it should be noted that the number of respondents for some of the regions is relatively small with the smallest number (15) being for the North West.

| <b>Geographic Region</b> | <b>Average Rents - Feb 08</b> |              |               |              |              |               |
|--------------------------|-------------------------------|--------------|---------------|--------------|--------------|---------------|
|                          | <b>HOUSES</b>                 |              |               | <b>FLATS</b> |              |               |
|                          | <b>Week</b>                   | <b>Month</b> | <b>Year</b>   | <b>Week</b>  | <b>Month</b> | <b>Year</b>   |
|                          | <b>(£)</b>                    | <b>(£)</b>   | <b>(£000)</b> | <b>(£)</b>   | <b>(£)</b>   | <b>(£000)</b> |
| Prime Central London     | 820                           | 3,551        | 42.6          | 511          | 2,213        | 26.6          |
| Rest of London           | 420                           | 1,820        | 21.8          | 298          | 1,291        | 15.5          |
| Rest of South East       | 300                           | 1,298        | 15.6          | 187          | 810          | 9.7           |
| South West               | 296                           | 1,284        | 15.4          | 189          | 821          | 9.8           |
| Midlands                 | 170                           | 738          | 8.9           | 126          | 547          | 6.6           |
| North West               | 196                           | 848          | 10.2          | 157          | 678          | 8.1           |
| North East               | 202                           | 874          | 10.5          | 128          | 555          | 6.7           |
| Scotland/Wales/NI        | 189                           | 818          | 9.8           | 134          | 581          | 7.0           |

Base: All respondents (439)

| <b>Geographic Region</b> | <b>Average Rents - Nov 07</b> |              |               |              |              |               |
|--------------------------|-------------------------------|--------------|---------------|--------------|--------------|---------------|
|                          | <b>HOUSES</b>                 |              |               | <b>FLATS</b> |              |               |
|                          | <b>Week</b>                   | <b>Month</b> | <b>Year</b>   | <b>Week</b>  | <b>Month</b> | <b>Year</b>   |
|                          | <b>(£)</b>                    | <b>(£)</b>   | <b>(£000)</b> | <b>(£)</b>   | <b>(£)</b>   | <b>(£000)</b> |
| Prime Central London     | 755                           | 3,273        | 39.3          | 481          | 2,085        | 25.0          |
| Rest of London           | 434                           | 1,879        | 22.5          | 286          | 1,238        | 14.9          |
| Rest of South East       | 295                           | 1,278        | 15.3          | 195          | 846          | 10.2          |
| South West               | 234                           | 1,014        | 12.2          | 152          | 659          | 7.9           |
| Midlands                 | 193                           | 835          | 10.0          | 127          | 550          | 6.6           |
| North West               | 218                           | 947          | 11.4          | 172          | 744          | 8.9           |
| North East               | 210                           | 909          | 10.9          | 125          | 541          | 6.5           |
| Scotland/Wales/NI        | 202                           | 874          | 10.5          | 146          | 631          | 7.6           |

Base: All respondents (517)

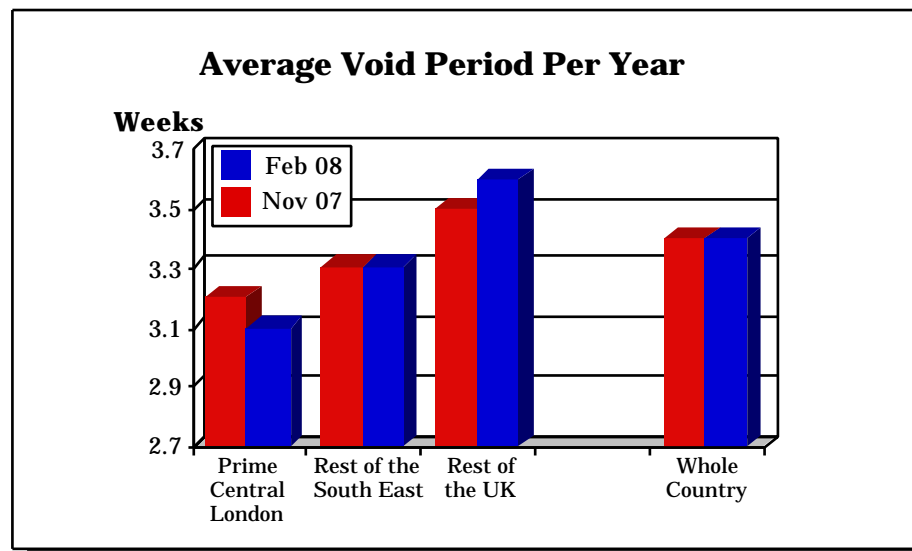
#### 4.6 Average Void Period Per Year (Q.8)

Average void periods for rented residential properties tend to be quite short with almost three quarters of ARLA members' offices (74%) reporting averages of 4 weeks or less per year and, in addition, more than two out of ten (21%) saying the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 3.4 weeks (24 days) per year.

| Average Void Period   | Percent of Respondents (%) |            |            |             |
|-----------------------|----------------------------|------------|------------|-------------|
|                       | Prime London               | Rest of SE | Rest of UK | All Regions |
| Less than 2 weeks     | 25.0                       | 17.2       | 14.1       | 17.8        |
| 2 to 4 weeks          | 51.0                       | 58.9       | 56.4       | 56.3        |
| 5 to 6 weeks          | 19.8                       | 17.8       | 23.9       | 20.5        |
| 7 to 8 weeks          | 3.1                        | 2.8        | 5.5        | 3.9         |
| More than 8 weeks     | -                          | 1.1        | -          | 0.5         |
| Don't know            | -                          | 1.1        | -          | 0.5         |
| Not stated            | 1.0                        | 1.1        | -          | 0.7         |
| Base: All respondents | (96)                       | (180)      | (163)      | (439)       |

Respondents from the Rest of the UK experience a higher average void period than the other geographical areas at 3.6 weeks (25 days) with the average for the Rest of the South East being 3.3 weeks (23 days) and that for Prime Central London being 3.1 weeks (22 days).

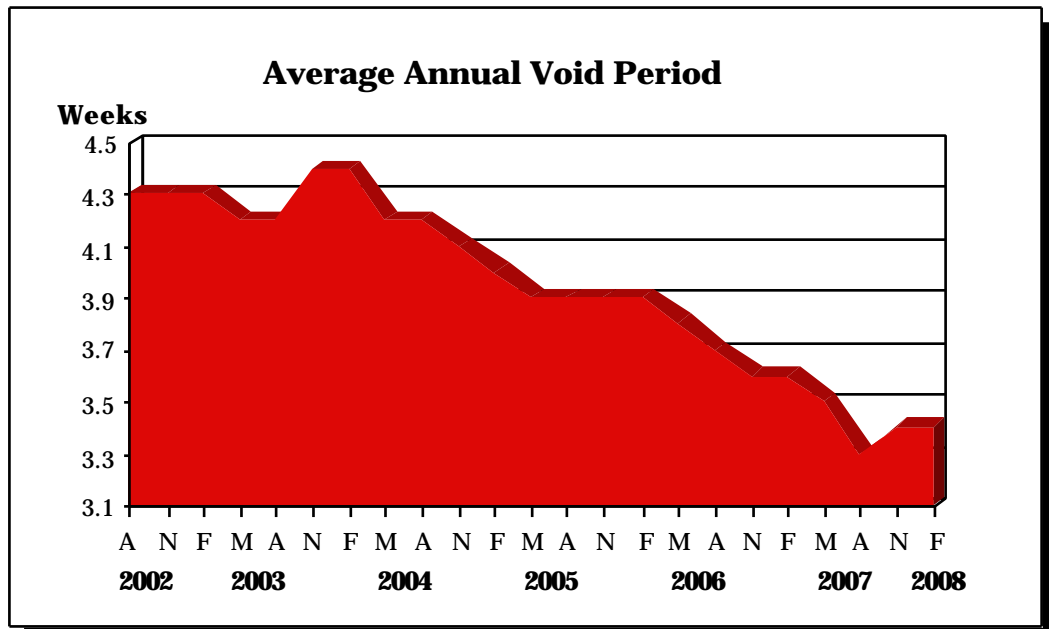


Compared with three months ago, the average void period for the whole country is unchanged at 3.4 weeks (24 days).

There are some differences in the figures for each of the broad geographic areas with that for the Rest of the UK rising slightly, that for Prime Central London falling slightly and that for the Rest of the South East remaining unchanged.

| <b>Geographic Region</b> | <b>Average Void Period (weeks)</b> |               |               |               |
|--------------------------|------------------------------------|---------------|---------------|---------------|
|                          | <b>May 07</b>                      | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 3.3                                | 3.2           | 3.2           | 3.1           |
| South East               | 3.4                                | 3.3           | 3.3           | 3.3           |
| Rest of UK               | 3.7                                | 3.4           | 3.5           | 3.6           |
| All Regions              | 3.5                                | 3.3           | 3.4           | 3.4           |
| Base: All respondents    | (463)                              | (463)         | (517)         | (439)         |

As can be seen from the chart below, the average void period has been declining for some time and has fallen by a quarter from a high of 4.4 weeks (31 days) per year in the winter of 2003/2004 to 3.3 weeks (23 days) six months ago. Over the last six months, the average void rate seems to have stabilised at 3.4 weeks (24 days).



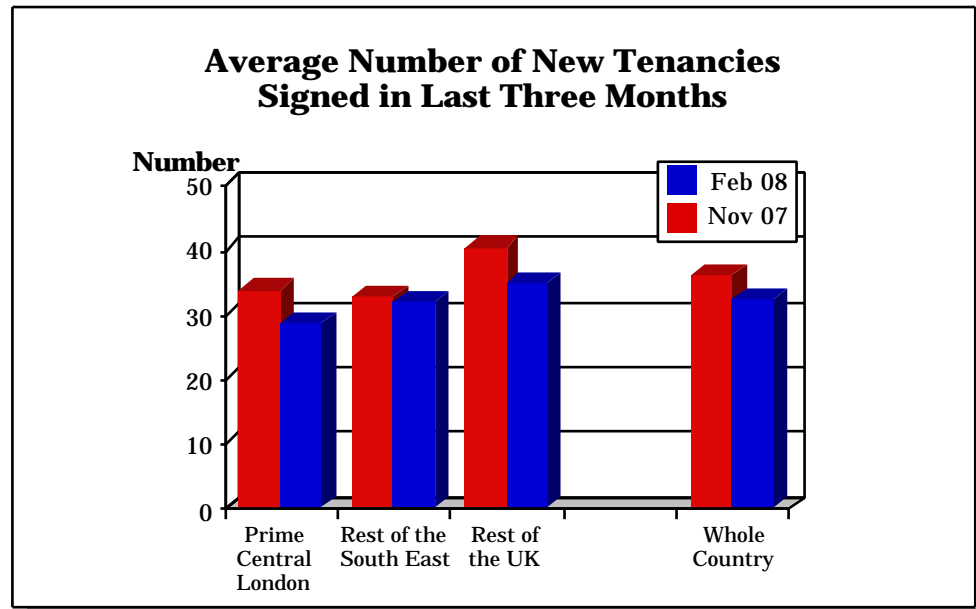
**4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)**

More than three quarters of ARLA members' offices (77%) have signed up more than 10 new tenancies (other than renewals) in the last three months with more than half (54%) having signed up more than 20 and more than two out of ten (21%) more than 50.

Analysis of these results reveals that, on average, ARLA members' offices have each signed up 32 new tenancies in the last three months.

| Number of Tenancies   | Percent of Respondents (%) |            |            |             |
|-----------------------|----------------------------|------------|------------|-------------|
|                       | Prime London               | Rest of SE | Rest of UK | All Regions |
| None                  | -                          | 0.6        | -          | 0.2         |
| Up to 5               | 4.2                        | 5.0        | 8.0        | 5.9         |
| 6 to 10               | 15.6                       | 20.6       | 12.3       | 16.4        |
| 11 to 20              | 24.0                       | 24.4       | 22.1       | 23.5        |
| 21 to 50              | 46.9                       | 27.2       | 31.9       | 33.3        |
| Over 50               | 9.4                        | 22.2       | 25.2       | 20.5        |
| Not stated            | -                          | -          | 0.6        | 0.2         |
| Base: All respondents | (96)                       | (180)      | (163)      | (439)       |

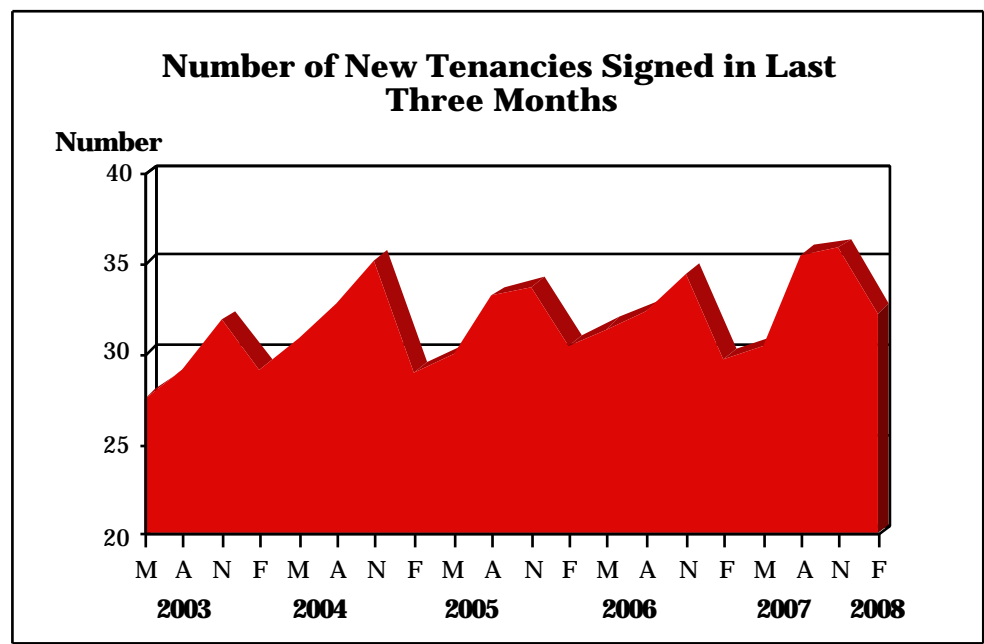
Offices managing properties in Prime Central London and in the Rest of the South East have fared less well than those in the Rest of the UK with the average figures being 29 for Prime Central London and 32 for the Rest of the South East compared with 35 for the Rest of the UK.



Compared with the last survey, there has been a decrease in the average number of new tenancies signed up in the preceding three months from 36 to 32. This decrease is reflected in decreases for all of the broad geographic areas but the declines have been greatest for Prime Central London and the Rest of the UK..

| <b>Geographic Region</b> | <b>Number of New Tenancies</b> |               |               |               |
|--------------------------|--------------------------------|---------------|---------------|---------------|
|                          | <b>May 07</b>                  | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 26.1                           | 31.4          | 33.6          | 28.5          |
| South East               | 30.6                           | 33.5          | 32.6          | 31.8          |
| Rest of UK               | 33.1                           | 39.1          | 40.1          | 34.8          |
| All Regions              | 30.5                           | 35.4          | 35.8          | 32.2          |
| Base: All respondents    | (463)                          | (463)         | (517)         | (439)         |

As can be seen from the chart below, the fall seen this quarter appears to be seasonal with similar falls in the average number of new tenancies occurring in the first quarter for each of the last five years.



**4.8 Balance of Supply & Demand in Rented Residential Property Sector (Q.10)**

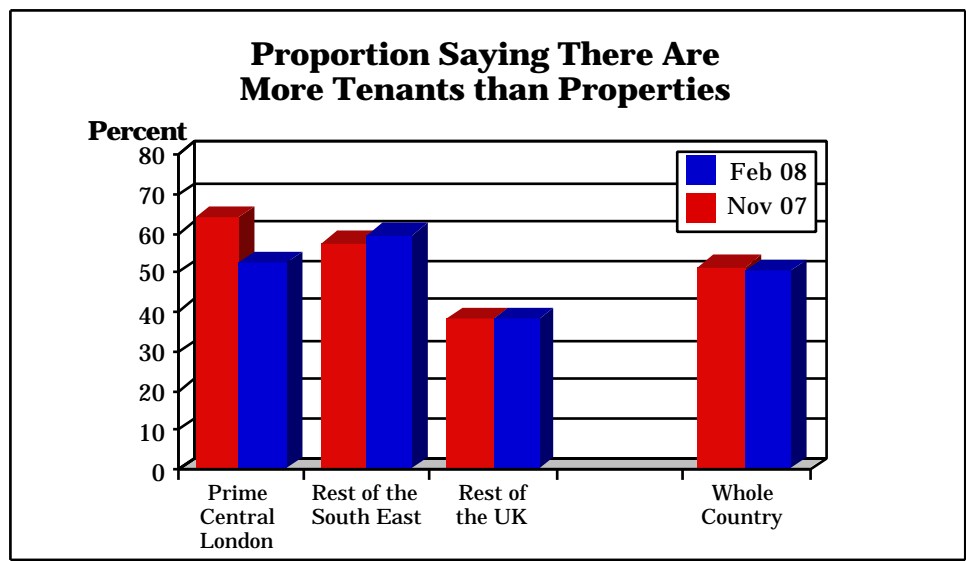
Half of ARLA members' offices (50%) say that there are currently more tenants than there are properties available for them.

This compares with less than half as many (22%) who believe that there are more residential properties available for rent than there are tenants to fill them. However, nearly three out of ten (28%) believe that supply of, and demand for, rented residential properties is in balance.

These figures suggest that, overall, the demand for and supply of rented residential properties is fairly well balanced although demand is still outstripping supply in most places.

| <b>Balance of Supply and Demand</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|-------------------------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                                     | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| Lot more props than tenants         | 3.1                               | 4.4               | 7.4               | 5.2                |
| Few more props than tenants         | 15.6                              | 13.9              | 20.9              | 16.9               |
| Equal nos of props & tenants        | 28.1                              | 22.2              | 33.7              | 27.8               |
| Lot more tenants than props         | 27.1                              | 29.4              | 14.7              | 23.5               |
| Few more tenants than props         | 25.0                              | 30.0              | 23.3              | 26.4               |
| Not stated                          | 1.0                               | -                 | -                 | 0.2                |
| Base: All respondents               | (96)                              | (180)             | (163)             | (439)              |

On this occasion, the Rest of the South East had the highest proportion of respondents saying that there were more tenants than properties (59%) with the comparative figure for Prime Central London being 52% and that for the Rest of the UK being 38%.



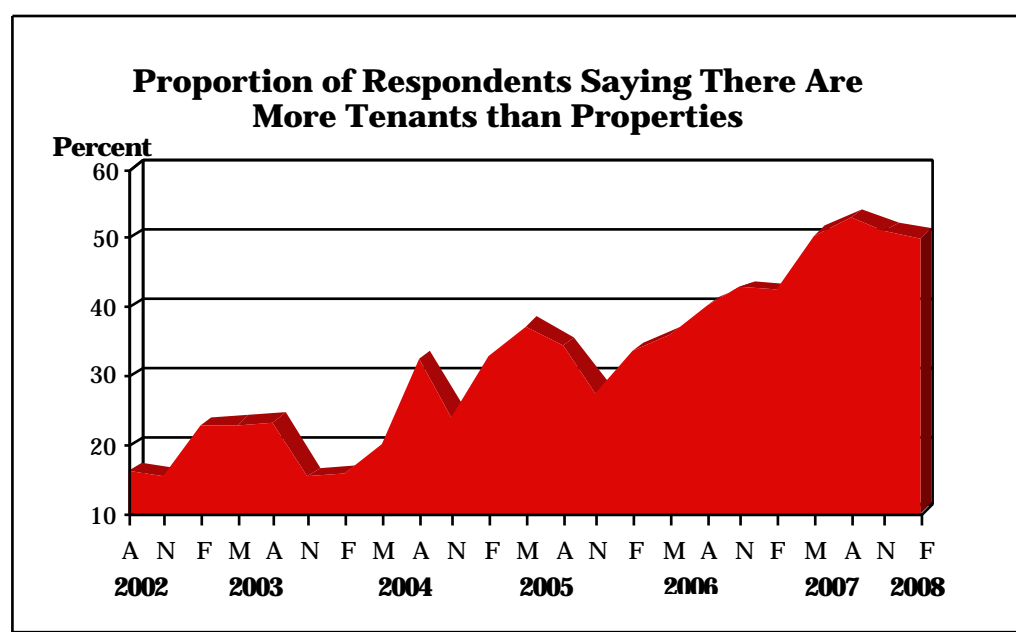
Compared with three months ago, there has been a slight overall decline with the proportion of respondents saying there are more tenants than properties falling from 51% to 50% suggesting that the situation with

regard to the balance of supply and demand has remained at its historically high level.

There is some divergence from this decline in the overall proportion saying there are more tenants than properties for each of the three main geographic areas with the proportion for those managing properties in Prime Central London falling sharply from 64% to 52%. That for the Rest of the UK remained stable at 38% over the same period but that for the Rest of the South East rose a little from 57% to 59%.

| <b>Geographic Region</b> | <b>Proportion Saying There Are More Tenants than Properties (%)</b> |               |               |               |
|--------------------------|---|---------------|---------------|---------------|
|                          | <b>May 07</b>   | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 72.0  | 64.8          | 63.6          | 52.1          |
| South East               | 51.9  | 57.1          | 57.1          | 59.4          |
| Rest of UK               | 35.1  | 43.6          | 38.2          | 38.0          |
| All Regions              | 50.3  | 53.1          | 50.9          | 49.9          |
| Base: All respondents    | (463)   | (463)         | (517)         | (439)         |

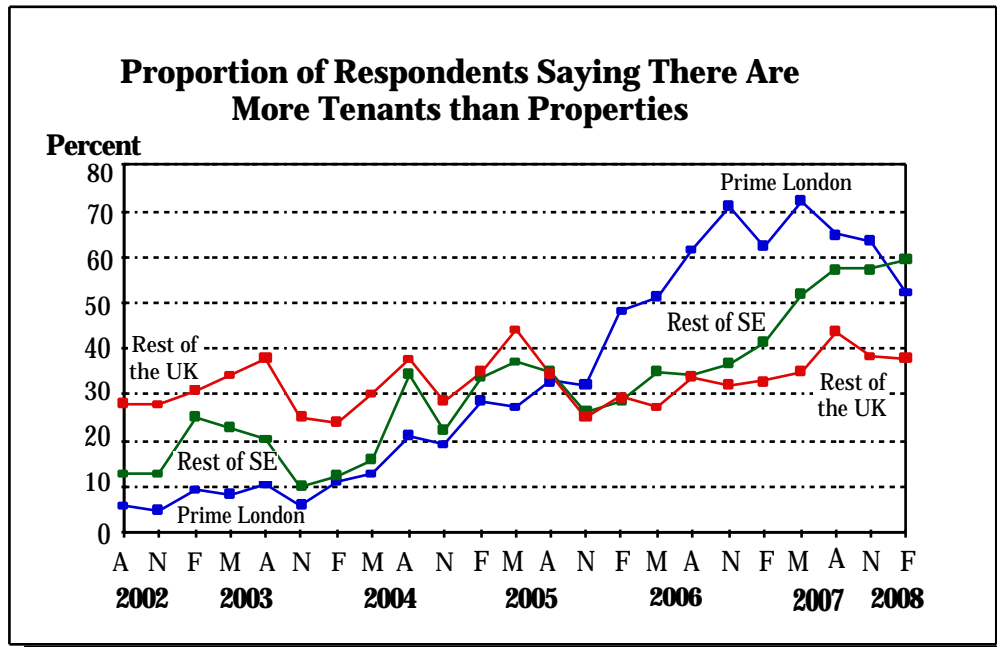
As the chart below shows, despite the small decline this quarter, the proportion of respondents saying that there are more tenants than properties is still at its third highest level since this question was first asked more than five years ago.



Looking at changes for each of the broad geographic areas over the last five years, as can be seen from the chart below, the most dramatic turnaround has taken place in Prime Central London where the proportion of respondents saying that there are more tenants than there are properties available for them rose massively, from a low of 6% in the last quarter of 2002 to 72% in the second quarter of 2007 since when it has fallen back quite sharply to 52%.

In the Rest of the South East, the figure has also risen but not as dramatically, growing nearly sixfold from a low of 10% in the last quarter of 2003 to the present figure of 59%.

In the Rest of the UK, on the other hand, the figure has remained relatively steady at between 30% and 40% although it has strayed outside this band from time to time.

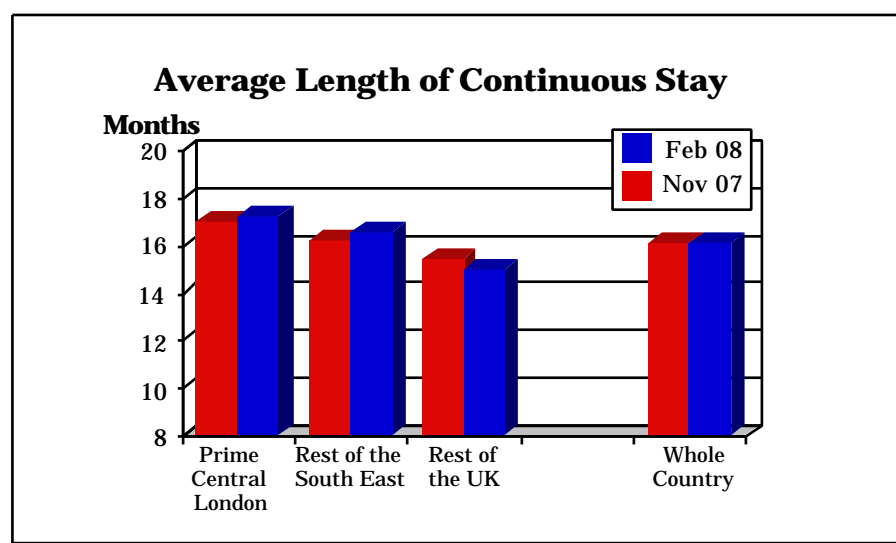


#### 4.9 Average Length of Continuous Stay in Property (Q.11)

More than seven out of ten tenants (72%) remain in the same property for between 10 and 18 months. Based on these figures, tenants tend to stay in the same property for an average of 16.1 months.

| Average Length of Continuous Stay | Percent of Respondents (%) |            |            |             |
|-----------------------------------|----------------------------|------------|------------|-------------|
|                                   | Prime London               | Rest of SE | Rest of UK | All Regions |
| 6 to 9 months                     | 1.0                        | 2.2        | 4.3        | 2.7         |
| 10 to 12 months                   | 14.6                       | 18.9       | 32.5       | 23.0        |
| 13 to 18 months                   | 51.0                       | 50.6       | 45.4       | 48.7        |
| 19 to 24 months                   | 30.2                       | 23.3       | 11.7       | 20.5        |
| More than 24 months               | 3.1                        | 3.9        | 4.9        | 4.1         |
| Don't know                        | -                          | 1.1        | 1.2        | 0.9         |
| Not stated                        | -                          | -          | -          | -           |
| Base: All respondents             | (96)                       | (180)      | (163)      | (439)       |

The average time a tenant stays in the same property is longest for Prime Central London at 17.2 months compared with 16.6 months for the Rest of the South East and 14.9 months for the Rest of the UK.

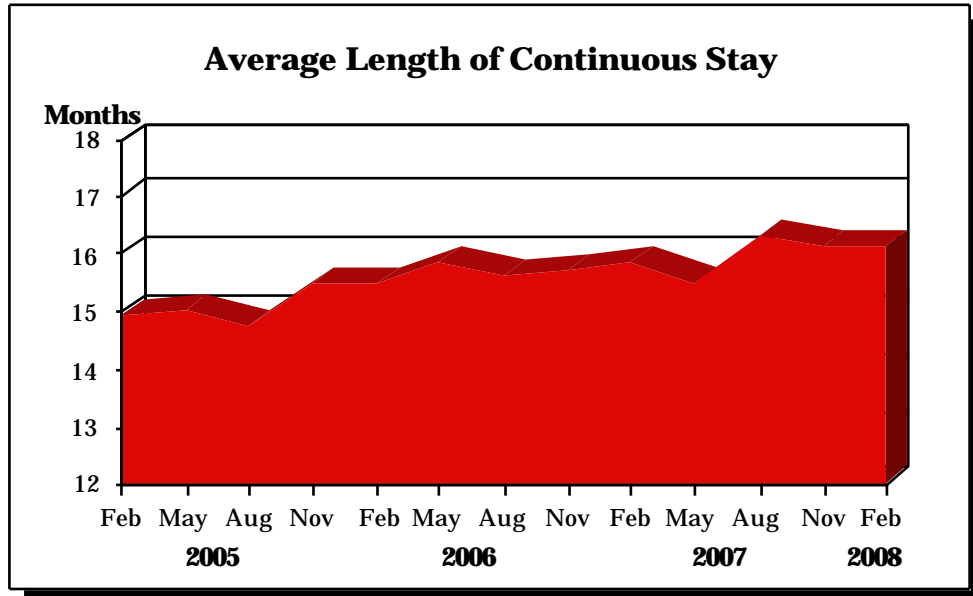


| Geographic Region     | Average Continuous Stay (months) |        |        |        |
|-----------------------|----------------------------------|--------|--------|--------|
|                       | May 07                           | Aug 07 | Nov 07 | Feb 08 |
| Prime Central London  | 17.7                             | 17.7   | 17.0   | 17.2   |
| South East            | 15.2                             | 16.5   | 16.2   | 16.6   |
| Rest of UK            | 14.6                             | 15.4   | 15.4   | 14.9   |
| All Regions           | 15.5                             | 16.3   | 16.1   | 16.1   |
| Base: All respondents | (463)                            | (463)  | (517)  | (439)  |

Compared with the last survey, there have been increases in the averages for Prime Central London (from 17.0 to 17.2 months) and for

the Rest of the South East (from 16.2 to 16.6 months) with the average for the Rest of the UK falling from 15.4 to 14.9 months.

As can be seen from the chart below, the average length of stay in a property has not changed much over the last two and a half years although it has risen slightly. On this occasion the overall average was unchanged at 16.1 months.



#### 4.10 Change in Achievable Rent Levels Over Last 6 Months (Q.12)

##### *All Regions*

In the case of each of the listed property types, between 47% and 61% of ARLA members' offices believe that achievable rent levels have increased over the last six months whilst only between 3% and 9% believe they have fallen.

| <b>Response</b>    | <b>Percent of Respondents (%)</b> |                   |                   |                  |                |                    |
|--------------------|-----------------------------------|-------------------|-------------------|------------------|----------------|--------------------|
|                    | <b>Det House</b>                  | <b>Semi House</b> | <b>Terr House</b> | <b>Conv Flat</b> | <b>PB Flat</b> | <b>Studio Flat</b> |
| Increased a lot    | 5.2                               | 5.9               | 6.4               | 8.0              | 9.6            | 8.4                |
| Increased a little | 49.0                              | 53.1              | 54.4              | 48.1             | 47.6           | 39.0               |
| Stayed the same    | 28.5                              | 30.3              | 29.6              | 28.5             | 26.7           | 32.6               |
| Decreased a little | 5.5                               | 3.0               | 2.7               | 6.4              | 8.4            | 4.3                |
| Decreased a lot    | 1.6                               | 0.2               | 0.5               | 0.2              | 0.7            | 1.1                |
| Don't know         | 8.0                               | 5.2               | 4.1               | 6.6              | 4.8            | 12.3               |
| Not stated         | 2.3                               | 2.3               | 2.3               | 2.3              | 2.3            | 2.3                |

Base: All respondents (439)

These figures tend to suggest that, on average, achievable rent levels have increased significantly over the past six months.

##### *Prime Central London*

Within the overall figures, there is a bigger spread between property types in Prime Central London with between 46% and 75% saying that achievable rent levels for each type of property have risen.

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, the spread is smaller and at a lower level than for the whole country with between 1% and 4% saying they think this is the case.

| <b>Response</b>    | <b>Percent of Respondents (%)</b> |                   |                   |                  |                |                    |
|--------------------|-----------------------------------|-------------------|-------------------|------------------|----------------|--------------------|
|                    | <b>Det House</b>                  | <b>Semi House</b> | <b>Terr House</b> | <b>Conv Flat</b> | <b>PB Flat</b> | <b>Studio Flat</b> |
| Increased a lot    | 13.5                              | 16.7              | 18.8              | 20.8             | 19.8           | 19.8               |
| Increased a little | 32.3                              | 40.6              | 46.9              | 54.2             | 55.2           | 50.0               |
| Stayed the same    | 18.8                              | 17.7              | 17.7              | 11.5             | 13.5           | 16.7               |
| Decreased a little | 4.2                               | 1.0               | -                 | 1.0              | 2.1            | -                  |
| Decreased a lot    | -                                 | -                 | 1.0               | 1.0              | 1.0            | 1.0                |
| Don't know         | 25.0                              | 17.7              | 9.4               | 5.2              | 2.1            | 6.3                |
| Not stated         | 6.3                               | 6.3               | 6.3               | 6.3              | 6.3            | 6.3                |

Base: All respondents (96)

It would appear from these figures that, on average, achievable rent levels in Prime Central London have increased very significantly over the past six months.

### *Rest of the South East*

With regard to the Rest of the South East, the picture is close to the overall average for the whole country with between 51% and 67% of respondents saying that achievable rent levels have increased compared with between 3% and 9% saying they have decreased.

| <b>Response</b>    | <b>Percent of Respondents (%)</b> |                   |                   |                  |                |                    |
|--------------------|-----------------------------------|-------------------|-------------------|------------------|----------------|--------------------|
|                    | <b>Det House</b>                  | <b>Semi House</b> | <b>Terr House</b> | <b>Conv Flat</b> | <b>PB Flat</b> | <b>Studio Flat</b> |
| Increased a lot    | 2.8                               | 4.4               | 3.3               | 7.2              | 11.1           | 8.3                |
| Increased a little | 61.1                              | 62.2              | 63.9              | 51.1             | 53.9           | 42.8               |
| Stayed the same    | 22.2                              | 25.0              | 25.0              | 28.9             | 22.2           | 30.0               |
| Decreased a little | 6.1                               | 3.9               | 2.8               | 3.9              | 5.6            | 2.2                |
| Decreased a lot    | 3.3                               | 0.6               | 0.6               | -                | 1.1            | 1.1                |
| Don't know         | 3.3                               | 2.8               | 3.3               | 7.8              | 5.0            | 14.4               |
| Not stated         | 1.1                               | 1.1               | 1.1               | 1.1              | 1.1            | 1.1                |

Base: All respondents (180)

These figures tend to suggest that rent levels in the South East have also increased significantly in the last six months.

### *Rest of the UK*

For the Rest of the UK, the position, whilst still being strongly positive, is the least positive. Nevertheless, many more respondents say that achievable rent levels have increased than say they have decreased.

Between 30% and 52% of offices say that achievable rent levels for each type of property have increased whilst only between 3% and 15% believe rent levels have decreased over the last six months.

| <b>Response</b>    | <b>Percent of Respondents (%)</b> |                   |                   |                  |                |                    |
|--------------------|-----------------------------------|-------------------|-------------------|------------------|----------------|--------------------|
|                    | <b>Det House</b>                  | <b>Semi House</b> | <b>Terr House</b> | <b>Conv Flat</b> | <b>PB Flat</b> | <b>Studio Flat</b> |
| Increased a lot    | 3.1                               | 1.2               | 2.5               | 1.2              | 1.8            | 1.8                |
| Increased a little | 45.4                              | 50.3              | 48.5              | 41.1             | 36.2           | 28.2               |
| Stayed the same    | 41.1                              | 43.6              | 41.7              | 38.0             | 39.3           | 44.8               |
| Decreased a little | 5.5                               | 3.1               | 4.3               | 12.3             | 15.3           | 9.2                |
| Decreased a lot    | 0.6                               | -                 | -                 | -                | -              | 1.2                |
| Don't know         | 3.1                               | 0.6               | 1.8               | 6.1              | 6.1            | 13.5               |
| Not stated         | 1.2                               | 1.2               | 1.2               | 1.2              | 1.2            | 1.2                |

Base: All respondents (163)

As with the other geographical areas, it appears from these figures that achievable rent levels in the Rest of the UK have increased significantly over the last six months.

## Summary

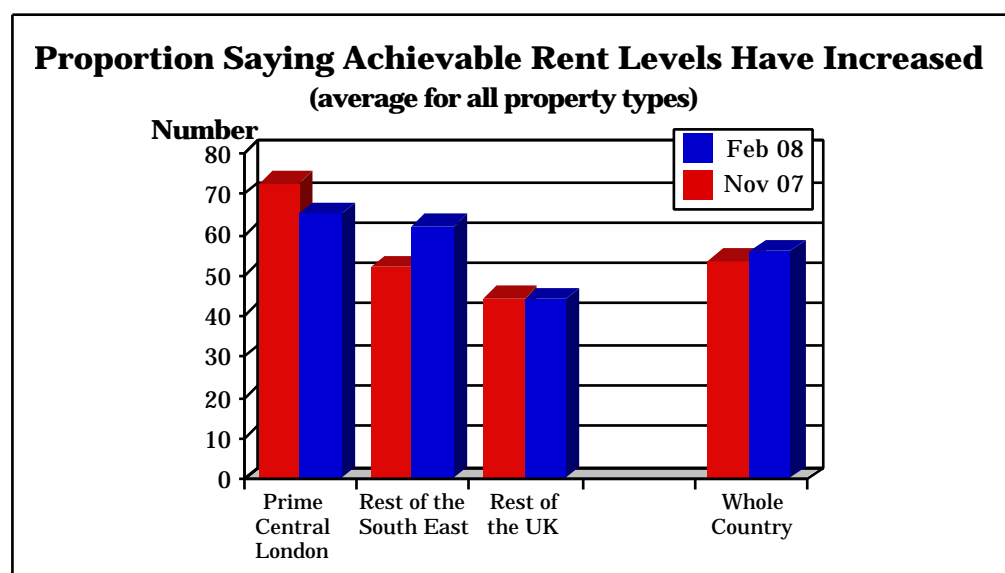
The table and chart below show the proportion of ARLA members' offices from each geographical area who say they believe achievable rent levels have increased for each type of property.

| Geographic Region      | Percent Saying Achievable Rents Levels Have Increased (%) |            |            |           |         |             |
|------------------------|---|------------|------------|-----------|---------|-------------|
|                        | Det House   | Semi House | Terr House | Conv Flat | PB Flat | Studio Flat |
| Prime Central London   | 45.8  | 57.3       | 65.6       | 75.0      | 75.0    | 69.8        |
| Rest of the South East | 63.9  | 66.7       | 67.2       | 58.3      | 65.0    | 51.1        |
| Rest of the UK         | 48.5  | 51.5       | 50.9       | 42.3      | 38.0    | 30.1        |
| All regions            | 54.2  | 59.0       | 60.8       | 56.0      | 57.2    | 47.4        |

Base: All respondents (439)

Compared with three months ago, the average proportion of respondents saying achievable rents across all property types have increased has risen from 53% to 56%.

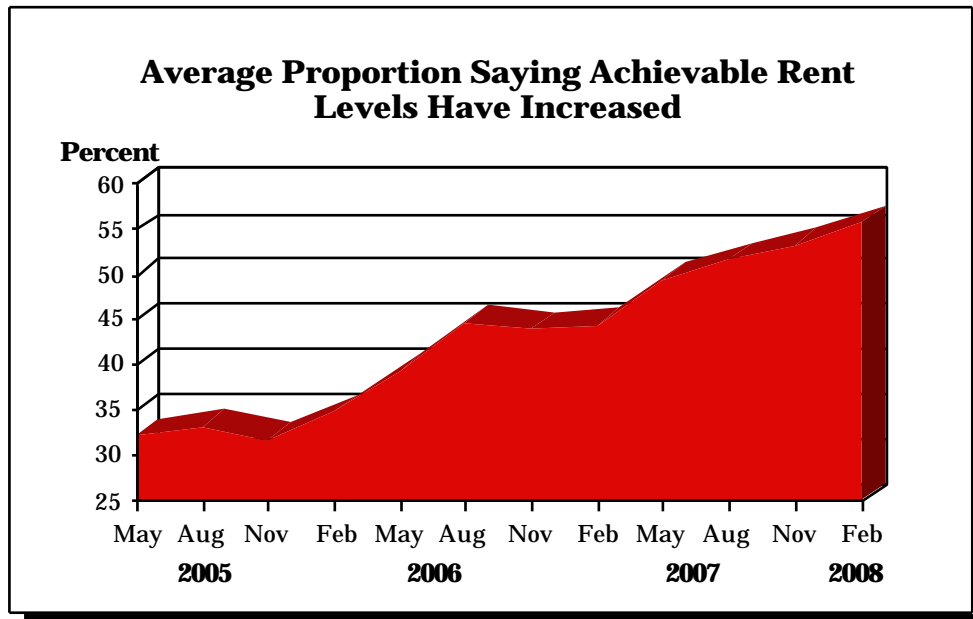
As between the geographic regions, the average proportion of respondents saying achievable rent levels across all property types have increased for Prime Central London is down from 72% to 65%. The average for the Rest of the UK is also down but only very slightly, from 44.3% to 43.6% whilst that for the Rest of the South East is up quite sharply from 52% to 62%.



Having been fairly settled at around 32% until the last quarter of 2005, the figure for the overall average proportion of respondents saying that achievable rent levels have risen increased significantly for most of 2006.

Over the winter of 2006/2007, the proportion saying that achievable rent levels had increased stabilised but the last four surveys have again seen an increase in the proportion saying achievable rent levels have increased and the figure has now reached another all time high.

| <b>Geographic Region</b> | <b>Percent Saying Achievable Rents Have Increased (%)</b> |               |               |               |
|--------------------------|---|---------------|---------------|---------------|
|                          | <b>May 07</b>   | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Prime Central London     | 67.4  | 66.7          | 72.4          | 64.8          |
| Rest of the South East   | 48.5  | 53.1          | 51.8          | 62.0          |
| Rest of the UK           | 39.3  | 42.6          | 44.3          | 43.6          |
| All regions              | 49.5  | 51.5          | 53.1          | 55.8          |
| Base: All respondents    | (463)   | (463)         | (517)         | (439)         |



#### 4.11 **Proportion of Lettings to Immigrants, Overall and From EU Countries (Q.13)**

##### *Overall*

In terms of the proportion of all their lettings which are to immigrants, for almost one in ten ARLA members' offices (9%), none of their lettings are to such people.

Nevertheless, for most, some of their lettings are to immigrants with more than a third of respondents (35%) saying that in the case of their office, the proportion is up to 10%.

| <b>Proportion of Lettings</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|-------------------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                               | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| None                          | 13.5                              | 7.2               | 7.4               | 8.7                |
| Up to 10%                     | 19.8                              | 33.9              | 44.8              | 34.9               |
| 11% to 25%                    | 16.7                              | 26.7              | 26.4              | 24.4               |
| 26% to 50%                    | 18.8                              | 16.7              | 14.1              | 16.2               |
| 51% to 75%                    | 15.6                              | 7.8               | 2.5               | 7.5                |
| 76% to 90%                    | 4.2                               | 3.3               | -                 | 2.3                |
| Over 90%                      | -                                 | -                 | -                 | -                  |
| Not stated                    | 11.5                              | 4.4               | 4.9               | 6.2                |
| Base: All respondents         | (96)                              | (180)             | (163)             | (439)              |

Simple statistical analysis of the results from this question reveals that the average proportion of all respondents' lettings which are to immigrants is 20%.

Respondents managing properties in Prime Central London are most likely to have tenants who are immigrants with the average being 28% compared with an average of 21% for the Rest of the South East and 15% for the Rest of the UK.

##### *From EU Countries*

With regard to the proportion of all their lettings which are to immigrants from EU countries, for one in thirteen ARLA members' offices (8%), none of their lettings are to such people.

Nevertheless, as was the case overall, for most respondents, some of their lettings are to immigrants from EU countries with four out of ten respondents (39%) saying that in the case of their office, the proportion is up to 10%.

Analysis of the results from this question reveals that the average proportion of all respondents' lettings which are to immigrants from EU countries is 16%.

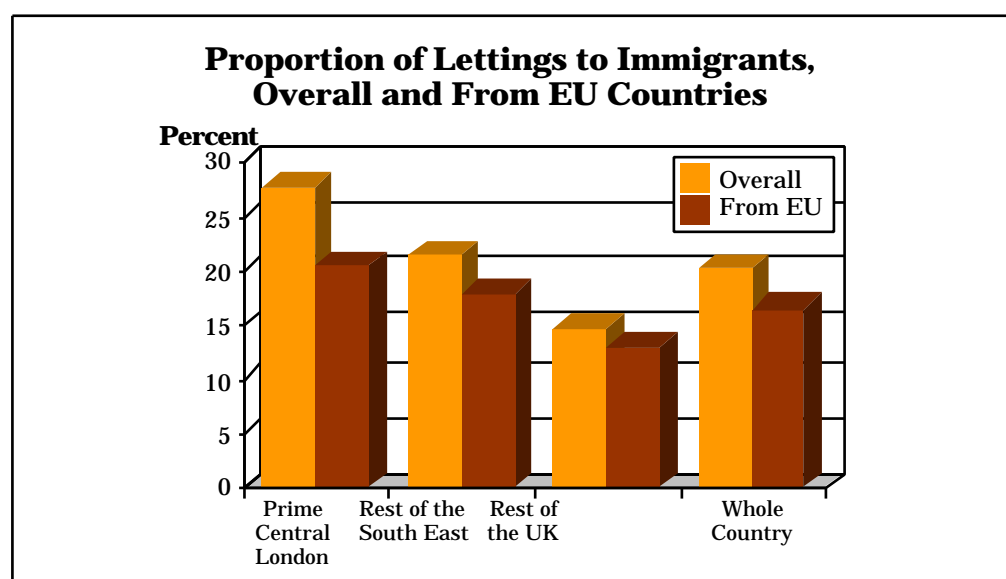
| Proportion of Lettings | Percent of Respondents (%) |            |            |             |
|------------------------|----------------------------|------------|------------|-------------|
|                        | Prime London               | Rest of SE | Rest of UK | All Regions |
| None                   | 12.5                       | 6.1        | 6.7        | 7.7         |
| Up to 10%              | 24.0                       | 37.2       | 49.7       | 39.0        |
| 11% to 25%             | 20.8                       | 26.7       | 24.5       | 24.6        |
| 26% to 50%             | 16.7                       | 14.4       | 10.4       | 13.4        |
| 51% to 75%             | 7.3                        | 3.9        | 1.8        | 3.9         |
| 76% to 90%             | 1.0                        | 1.7        | -          | 0.9         |
| Over 90%               | -                          | -          | -          | -           |
| Not stated             | 17.7                       | 10.0       | 6.7        | 10.5        |
| Base: All respondents  | (96)                       | (180)      | (163)      | (439)       |

Respondents managing properties in Prime Central London are again most likely to have tenants who are immigrants from EU countries with the average being 20% compared with an average of 18% for the Rest of the South East and 13% for the Rest of the UK.

### Summary

Looking at the results from this question, it is clear that immigrant tenants (both overall and just those from EU countries) are most likely to be found in Prime Central London but they are also more likely to be found in the Rest of the South East than elsewhere in the country.

| Category              | Average Proportion of Lettings (%) |            |            |             |
|-----------------------|------------------------------------|------------|------------|-------------|
|                       | Prime London                       | Rest of SE | Rest of UK | All Regions |
| Overall               | 27.6                               | 21.4       | 14.6       | 20.1        |
| From EU countries     | 20.3                               | 17.8       | 12.9       | 16.4        |
| Base: All respondents | (96)                               | (180)      | (163)      | (439)       |



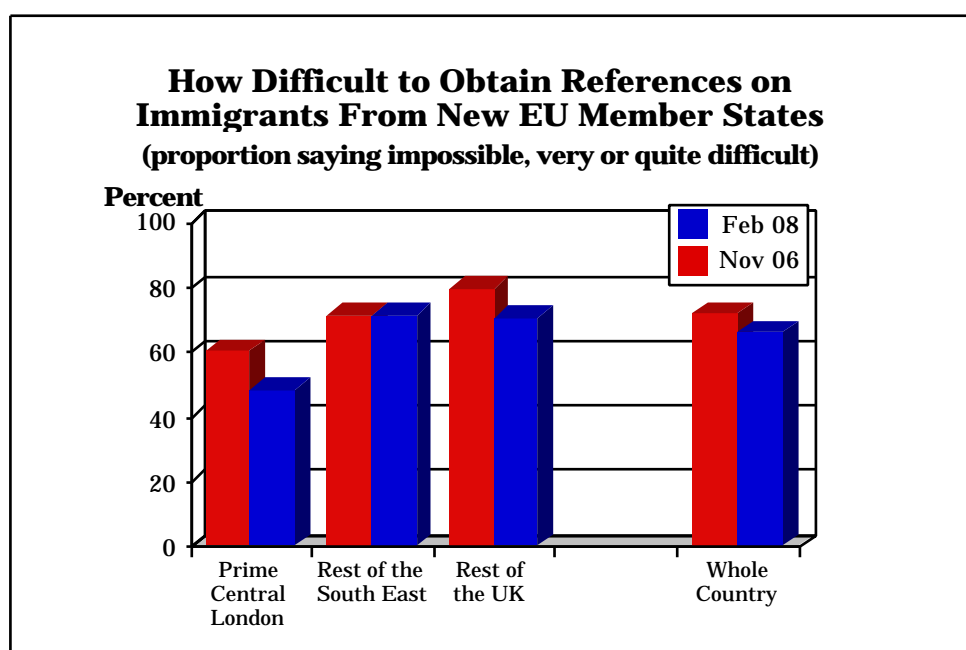
#### 4.12 How Difficult to Obtain References on Immigrants From New EU Member States (Q.14)

One in twenty respondents (5%) said that it was impossible to get references on prospective tenants who are immigrants from new EU member states but more (19%) say it is either very or quite easy. The majority (66%), however, consider it to be at least quite difficult to obtain such references.

| How Difficult         | Percent of Respondents (%) |            |            |             |
|-----------------------|----------------------------|------------|------------|-------------|
|                       | Prime London               | Rest of SE | Rest of UK | All Regions |
| Impossible            | 3.1                        | 5.0        | 5.5        | 4.8         |
| Very difficult        | 12.5                       | 22.2       | 27.6       | 22.1        |
| Quite difficult       | 32.3                       | 44.4       | 37.4       | 39.2        |
| Quite easy            | 21.9                       | 16.1       | 17.8       | 18.0        |
| Very easy             | 1.0                        | 0.6        | 0.6        | 0.7         |
| Don't know            | 18.8                       | 10.0       | 7.4        | 10.9        |
| Not stated            | 10.4                       | 1.7        | 3.7        | 4.3         |
| Base: All respondents | (96)                       | (180)      | (163)      | (439)       |

Geographically, respondents who manage properties in Prime Central London are much more likely not to have a view about the difficulty of obtaining references on immigrants (19% compared with 10% for the Rest of the South East and 7% for the Rest of the UK).

Apart from this, the main difference between the regions is that respondents from the Rest of the UK are more likely to say that they find it either impossible or very difficult to obtain such references (33% compared with 27% for the Rest of the South East and 16% for Prime Central London).



Compared with the last time this question was asked more than a year ago in November 2006, respondents managing properties in Prime Central London and those in the Rest of the UK now seem to find it easier to obtain references on immigrants from new EU member states with the proportions saying they find it impossible, very difficult or quite difficult falling from 60% to 48% in the case of Prime Central London and from 80% to 71% in the case of the Rest of the UK.

Respondents from the Rest of the South East, on the other hand seem to having about the same amount of difficulty as they were a year ago.

| <b>Geographic Region</b> | <b>Percent Saying Impossible, Very or Quite Difficult (%)</b> |               |
|--------------------------|---|---------------|
|                          | <b>Nov 06</b>   | <b>Feb 08</b> |
| Prime Central London     | 60.2  | 47.9          |
| Rest of the South East   | 71.0  | 71.6          |
| Rest of the UK           | 79.8  | 70.5          |
| All Regions              | 71.8  | 66.1          |
| Base: All respondents    | (372)   | (439)         |

#### 4.13 **Proportion of Landlords and Tenants Who Are Aware of Tenancy Deposit Protection (Q.15)**

##### *Landlords*

The majority of respondents (67%) believe that more than half of landlords are aware of tenancy deposit protection with only 12% believing that less than a quarter are aware of it.

Analysis of these figures reveals that, on average, respondents believe that nearly two thirds of landlords (63%) are aware of tenancy deposit protection.

| <b>Proportion</b>     | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                       | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| None                  | 1.0                               | 0.6               | 0.6               | 0.7                |
| Up to 10%             | 2.1                               | 3.9               | 3.7               | 3.4                |
| 11% to 25%            | 9.4                               | 7.8               | 7.4               | 8.0                |
| 26% to 50%            | 21.9                              | 15.6              | 18.4              | 18.0               |
| 51% to 75%            | 26.0                              | 22.2              | 27.0              | 24.8               |
| 76% to 90%            | 19.8                              | 27.2              | 20.9              | 23.2               |
| Over 90%              | 13.5                              | 22.2              | 19.0              | 19.1               |
| Not stated            | 6.3                               | 0.6               | 3.1               | 2.7                |
| Base: All respondents | (96)                              | (180)             | (163)             | (439)              |

Looking at differences between the three geographic areas, it appears that landlords in the Rest of the South East are a little more likely to be aware of tenancy deposit protection with the average for respondents from that area being 66% compared with 63% for the Rest of the UK and 60% for Prime Central London.

##### *Tenants*

Respondents were fairly well spread across the range of responses to this question in terms of whether they thought tenants were aware of tenancy deposit protection, with 57% believing that less than half of tenants were aware of it compared to 38% who thought that more than half were aware of it.

Analysis of these figures reveals that, on average, respondents think that less than half of tenants (45%) are currently aware of tenancy deposit protection.

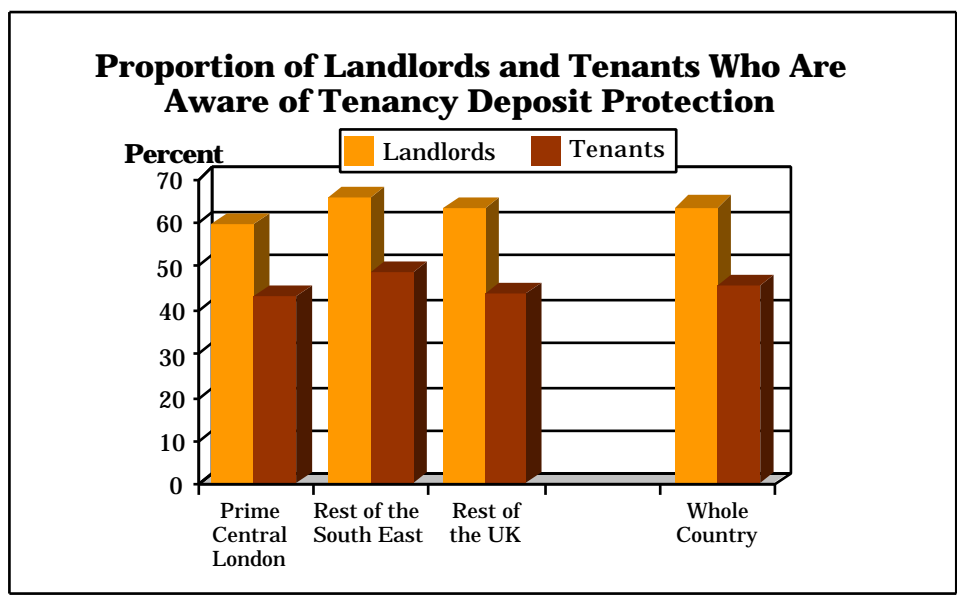
Looking at differences between the three geographic areas, it appears that tenants in the Rest of the South East are more likely to be aware of tenancy deposit protection with the average for respondents from that area being 48% compared with 43% for both Prime Central London and the Rest of the UK.

| <b>Proportion</b>     | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                       | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| None                  | -                                 | 2.8               | 2.5               | 2.1                |
| Up to 10%             | 12.5                              | 11.1              | 10.4              | 11.2               |
| 11% to 25%            | 21.9                              | 14.4              | 17.2              | 17.1               |
| 26% to 50%            | 24.0                              | 25.0              | 30.1              | 26.7               |
| 51% to 75%            | 16.7                              | 18.3              | 14.1              | 16.4               |
| 76% to 90%            | 11.5                              | 13.9              | 12.9              | 13.0               |
| Over 90%              | 6.3                               | 12.2              | 6.1               | 8.7                |
| Not stated            | 7.3                               | 2.2               | 6.7               | 5.0                |
| Base: All respondents | (96)                              | (180)             | (163)             | (439)              |

*Summary*

It would appear from responses to this question that, according to ARLA members' perceptions, there is a considerable lack of awareness of tenancy deposit protection amongst landlords and tenants with more than half of tenants (55%) and more than a third of landlords (37%) being unaware of it.

| <b>Landlords/Tenants</b> | <b>Percent of Landlords/Tenants Aware (%)</b> |                   |                   |                    |
|--------------------------|---|-------------------|-------------------|--------------------|
|                          | <b>Prime London</b>                           | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| Landlords                | 59.5  | 65.6              | 62.8              | 63.3               |
| Tenants                  | 42.7  | 48.4              | 43.4              | 45.4               |
| Base: All respondents    | (96)  | (180)             | (163)             | (439)              |



Compared with the results from the last survey three months ago, there appears to have been a slight decrease in awareness of tenancy deposit

protection with the proportion of landlords aware of it falling from 65% to 63% and the proportion of tenants aware of it falling from 49% to 45%. However, it should be noted that these changes simply reverse the changes seen three months ago and are probably not significant.

Nevertheless, according to ARLA members, it would appear that substantial minorities of both landlords and tenants continue to be unaware of the legislation.

| <b>Landlords/<br/>Tenants</b> | <b>Percent of Landlords/Tenants Aware (%)</b> |               |               |               |
|-------------------------------|---|---------------|---------------|---------------|
|                               | <b>May 07</b>                                 | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Landlords                     | 54.5  | 62.9          | 64.6          | 63.3          |
| Tenants                       | 35.4  | 46.0          | 49.1          | 45.4          |
| Base: All respondents         | (463)   | (463)         | (517)         | (439)         |

#### 4.15 **Proportion of Landlords Who Have Joined Each Tenancy Deposit Protection Organisation (Q.16)**

This question sought to determine ARLA members' estimation of the proportions of landlords who had joined or been signed up for each of the main tenancy deposit protection organisations.

However, it is clear from many responses that a relatively high proportion had little idea of the answer to this question and more than one in six did not answer it. A further proportion clearly answered the question in terms of the landlords they had dealings with rather than the market as a whole and we believe that this has tended to inflate the figures for membership of the Tenancy Deposit Scheme supported by ARLA, NAEA & RICS.

For these reasons, the results from this question need to be treated with a degree of caution.

Nevertheless, those respondents who did answer the question provide some pointers to the actual situation regarding membership of tenancy deposit protection organisations.

##### *Tenancy Deposit Scheme (supported by ARLA, NAEA & RICS)*

Nearly half of ARLA members' offices (48%) said that they thought more than half of landlords had joined the Tenancy Deposit Scheme.

Analysis of the responses to this question suggests that, overall, two thirds of landlords (66%) have joined this organisation.

| <b>Proportion of Landlords</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|--------------------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                                | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| None                           | 10.4                              | 11.7              | 14.7              | 12.5               |
| Up to 10%                      | 9.4                               | 5.0               | 6.1               | 6.4                |
| 11% to 25%                     | 5.2                               | 2.2               | 3.1               | 3.2                |
| 26% to 50%                     | 8.3                               | 4.4               | 6.7               | 6.2                |
| 51% to 75%                     | 6.3                               | 8.9               | 8.6               | 8.2                |
| 76% to 90%                     | 16.7                              | 14.4              | 12.9              | 14.4               |
| Over 90%                       | 15.6                              | 30.6              | 24.5              | 25.1               |
| Don't know                     | 5.2                               | 7.8               | 5.5               | 6.4                |
| Not stated                     | 22.9                              | 15.0              | 17.8              | 17.8               |
| Base: All respondents          | (96)                              | (180)             | (163)             | (439)              |

It would appear that landlords in the Rest of the South East are more likely than their counterparts in the rest of the country to have joined this organisation with 71% having done so compared with 65% of those in the Rest of the UK and 58% of those in Prime Central London.

*Tenancy Deposit Solutions (run through the NLA)*

Nearly half of ARLA members' offices (46%) said that they thought no landlords had joined Tenancy Deposit Solutions which is run through the National Landlords Association.

Nevertheless, analysis of the responses to this question suggests that, overall, 6% of landlords have joined this organisation.

| <b>Proportion of Landlords</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|--------------------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                                | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| None                           | 39.6                              | 46.1              | 49.7              | 46.0               |
| Up to 10%                      | 12.5                              | 18.3              | 16.6              | 16.4               |
| 11% to 25%                     | 11.5                              | 4.4               | 3.1               | 5.5                |
| 26% to 50%                     | 3.1                               | 1.7               | 3.1               | 2.5                |
| 51% to 75%                     | -                                 | 1.7               | -                 | 0.7                |
| 76% to 90%                     | -                                 | 0.6               | -                 | 0.2                |
| Over 90%                       | -                                 | 1.1               | -                 | 0.5                |
| Don't know                     | 10.4                              | 11.1              | 9.8               | 10.5               |
| Not stated                     | 22.9                              | 15.0              | 17.8              | 17.8               |
| Base: All respondents          | (96)                              | (180)             | (163)             | (439)              |

It would appear that landlords in the Rest of the South East are more likely than their counterparts in the rest of the country to have joined this organisation with 8% having done so compared with 7% of those in Prime Central London and 4% of those in the Rest of the UK.

*Tenancy Deposit Protection Service (the custodial scheme)*

Nearly four out of ten ARLA members' offices (38%) said that they thought no landlords had joined the Tenancy Deposit Protection Service (the custodial scheme).

Again, analysis of the responses to this question suggests that, overall, one in seven landlords (15%) have joined this organisation.

| <b>Proportion of Landlords</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|--------------------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                                | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| None                           | 32.3                              | 42.8              | 36.8              | 38.3               |
| Up to 10%                      | 9.4                               | 20.6              | 14.1              | 15.7               |
| 11% to 25%                     | 11.5                              | 5.0               | 8.0               | 7.5                |
| 26% to 50%                     | 3.1                               | 5.6               | 6.7               | 5.5                |
| 51% to 75%                     | 5.2                               | 1.7               | 1.8               | 2.5                |
| 76% to 90%                     | 1.0                               | 2.2               | 1.8               | 1.8                |
| Over 90%                       | 3.1                               | 0.6               | 3.7               | 2.3                |
| Don't know                     | 11.5                              | 6.7               | 9.2               | 8.7                |
| Not stated                     | 22.9                              | 15.0              | 17.8              | 17.8               |
| Base: All respondents          | (96)                              | (180)             | (163)             | (439)              |

It would appear that landlords in Prime Central London are the ones most likely to have joined this organisation with 19% having done so compared with 17% of those in the Rest of the UK and 11% of those in the Rest of the South East.

### *Don't Take Deposits*

More than half of ARLA members' offices (55%) said that they thought all landlords took deposits from tenants and analysis of the responses to this question suggests that, overall, only one in twenty landlords (5%) don't take deposits and therefore do not need to join a scheme.

| <b>Proportion of Landlords</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|--------------------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                                | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| None                           | 44.8                              | 60.6              | 54.6              | 54.9               |
| Up to 10%                      | 11.5                              | 7.8               | 8.6               | 8.9                |
| 11% to 25%                     | -                                 | -                 | 2.5               | 0.9                |
| 26% to 50%                     | 1.0                               | 1.1               | -                 | 0.7                |
| 51% to 75%                     | -                                 | -                 | -                 | -                  |
| 76% to 90%                     | 2.1                               | -                 | 1.2               | 0.9                |
| Over 90%                       | 2.1                               | 2.2               | -                 | 1.4                |
| Don't know                     | 15.6                              | 13.3              | 15.3              | 14.6               |
| Not stated                     | 22.9                              | 15.0              | 17.8              | 17.8               |
| Base: All respondents          | (96)                              | (180)             | (163)             | (439)              |

Landlords in Prime Central London seem to be least likely to take tenancy deposits with, on average, 9% not doing so compared with 5% for the Rest of the South East and 3% for the Rest of the UK .

### *Unaware of Need to Join a Scheme*

Half of ARLA members' offices (50%) said that they didn't believe that any landlords were unaware of the need to join a tenancy deposit protection organisation but analysis of the responses to this question suggests that, overall, around one in twelve landlords (8%) are currently unaware of the need to join a scheme.

| <b>Proportion of Landlords</b> | <b>Percent of Respondents (%)</b> |                   |                   |                    |
|--------------------------------|-----------------------------------|-------------------|-------------------|--------------------|
|                                | <b>Prime London</b>               | <b>Rest of SE</b> | <b>Rest of UK</b> | <b>All Regions</b> |
| None                           | 45.8                              | 55.0              | 46.6              | 49.9               |
| Up to 10%                      | 7.3                               | 6.7               | 11.0              | 8.4                |
| 11% to 25%                     | 4.2                               | 6.1               | 4.9               | 5.2                |
| 26% to 50%                     | 3.1                               | 2.8               | 3.1               | 3.0                |
| 51% to 75%                     | 1.0                               | -                 | 1.8               | 0.9                |
| 76% to 90%                     | 2.1                               | 1.1               | 1.2               | 1.4                |
| Over 90%                       | -                                 | 0.6               | 1.2               | 0.7                |
| Don't know                     | 13.5                              | 12.8              | 12.3              | 12.8               |
| Not stated                     | 22.9                              | 15.0              | 17.8              | 17.8               |
| Base: All respondents          | (96)                              | (180)             | (163)             | (439)              |

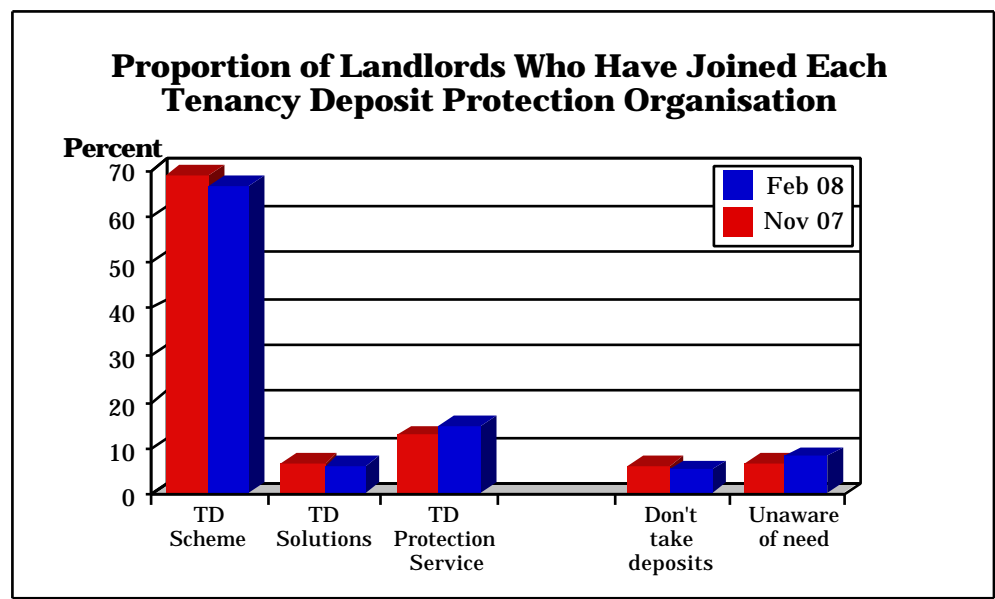
It would appear that landlords in the Rest of the UK are the ones most likely to be unaware of the need to join a tenancy deposit scheme with one in ten (10%) being unaware of the need compared with one in twelve (8%) in Prime Central London and more than one in twenty (6%) in the Rest of the South East.

### Summary

The results from this question suggest that landlords have tended to join the Tenancy Deposit Scheme (supported by ARLA, the NAEA & RICS) rather than one of the other schemes, but see the note of caution above regarding this.

| Scheme Joined         | Average Proportion of Landlords (%) |            |            |             |
|-----------------------|-------------------------------------|------------|------------|-------------|
|                       | Prime London                        | Rest of SE | Rest of UK | All Regions |
| TD Scheme             | 58.2                                | 71.2       | 65.3       | 66.4        |
| TD Solutions          | 6.5                                 | 7.5        | 4.1        | 6.0         |
| TD Protection Service | 18.5                                | 10.7       | 17.4       | 14.7        |
| Don't take deposits   | 8.5                                 | 4.6        | 3.3        | 4.9         |
| Unaware of need       | 8.3                                 | 6.1        | 9.9        | 7.9         |
| Base: All respondents | (96)                                | (180)      | (163)      | (439)       |

There appears to still be a significant minority of landlords (8%) who are unaware of the need to join a tenancy deposit protection organisation and this figure has increased (from 6% to 8%) in the last three months. Apart from this the only noticeable changes compared with the survey in November are a decrease (from 69% to 66%) in the proportion signed up to the Tenancy Deposit Scheme and an increase (from 13% to 15%) in the proportion signed up to the Tenancy Deposit Protection Service.



| <b>Scheme<br/>Joined</b> | <b>Average Proportion of Landlords (%)</b> |               |               |               |
|--------------------------|--|---------------|---------------|---------------|
|                          | <b>May 07</b>                              | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| TD Scheme                | 57.4                                       | 66.6          | 68.6          | 66.4          |
| TD Solutions             | 7.2  | 7.1           | 6.5           | 6.0           |
| TD Protection Service    | 11.9                                       | 12.9          | 12.6          | 14.7          |
| Don't take deposits      | 7.7  | 5.7           | 6.0           | 4.9           |
| Unaware of need          | 15.7                                       | 7.7           | 6.3           | 7.9           |
| Base: All respondents    | (463)                                      | (463)         | (517)         | (439)         |

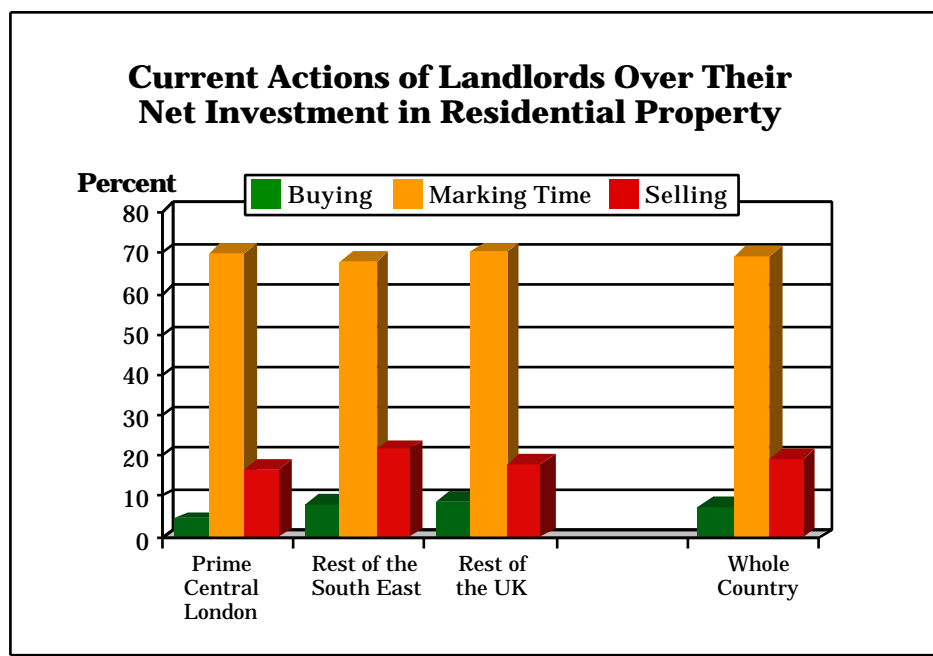
#### 4.16 How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.18)

More than seven out of ten ARLA members' offices (69%) think that residential landlords are currently marking time with regard to their net investment in residential property.

However, almost two out of ten respondents (19%) think landlords are decreasing their net investment by selling properties, a figure which compares with just 7% who think landlords are increasing their net investment by buying more properties.

| How Landlords Are Currently Acting | Percent of Respondents (%) |            |            |             |
|------------------------------------|----------------------------|------------|------------|-------------|
|                                    | Prime London               | Rest of SE | Rest of UK | All Regions |
| Buying                             | 4.2                        | 7.8        | 8.6        | 7.3         |
| Marking time                       | 69.8                       | 67.8       | 69.9       | 69.0        |
| Selling                            | 16.7                       | 21.7       | 17.8       | 19.1        |
| Not stated                         | 9.4                        | 2.8        | 3.7        | 4.6         |
| Base: All respondents              | (96)                       | (180)      | (163)      | (439)       |

Geographically, it would appear from responses to this question that landlords in all areas are more likely to be selling properties than they are to be buying properties.



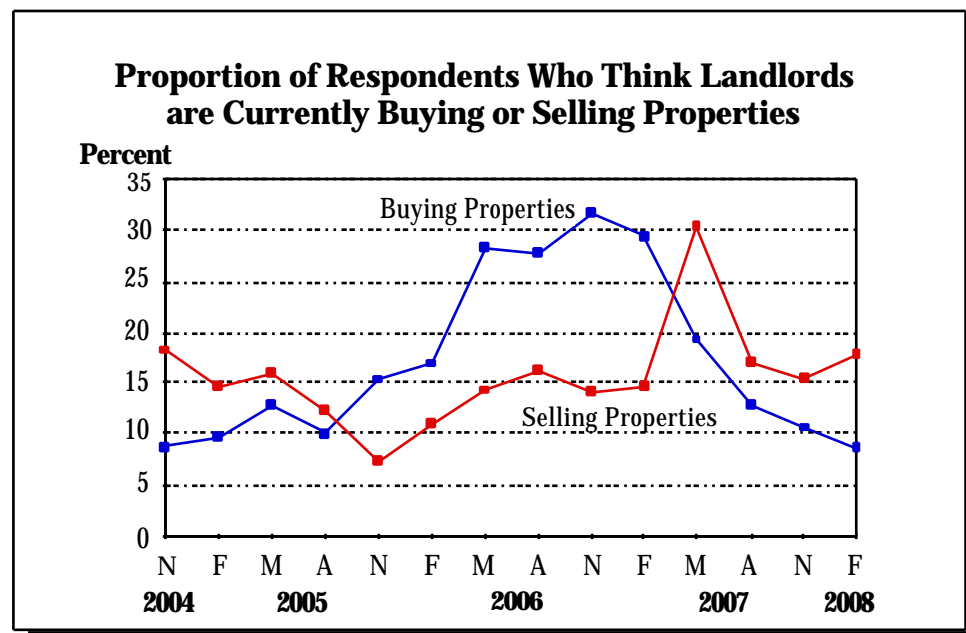
Compared with three months ago, there has been a significant change with the proportion of respondents who think landlords are buying properties falling from 11% to 7% whilst the proportion saying they think landlords are selling properties rising from 16% to 19%.

| <b>How Currently Acting</b> | <b>Percent of Respondents (%)</b> |               |               |               |
|-----------------------------|-----------------------------------|---------------|---------------|---------------|
|                             | <b>May 07</b>                     | <b>Aug 07</b> | <b>Nov 07</b> | <b>Feb 08</b> |
| Buying                      | 19.2                              | 16.0          | 10.6          | 7.3           |
| Marking time                | 43.8                              | 58.5          | 71.0          | 69.0          |
| Selling                     | 30.5                              | 21.2          | 15.5          | 19.1          |
| Not stated                  | 6.5                               | 5.3           | 2.9           | 4.6           |
| Base: All respondents       | (463)                             | (463)         | (517)         | (439)         |

As the graph below shows, during the autumn of 2005, the relationship between the proportion believing that landlords are buying properties and the proportion believing they are selling properties reversed.

However, the results from the last four quarters' surveys show that this has reversed again with more landlords now selling properties than are buying them.

As can be seen from the graph below, the situation now is very similar to that which pertained at the end of 2004 before the proportion of landlords selling properties decreased rapidly in 2005.



# Questionnaire