

Prepared for

**The Association of Residential Letting Agents
& the ARLA Panel of Mortgage Lenders:**

**Birmingham Midshires
GMAC Residential Funding
NatWest Mortgage Services
Paragon Mortgages
The Mortgage Business**

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

First Quarter 2005

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1. **INTRODUCTION & BACKGROUND**

The mortgage lenders who make up the ARLA panel of 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 ARLA panel 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 1,469 letting offices of ARLA members in February 2005 and 502 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 average capital asset value of rented houses has remained stable over the last three months with values outside Prime Central London showing rises of 1.5% and 2.7% (Rest of the South East and Rest of the UK respectively) although values in Prime Central London fell by 2.3% over the same period. The average value of rented flats, however, has fallen by 1.7% over the last three months with most of the decline being the result of a fall of 4.1% in the Prime Central London average. Average flat prices in the rest of the country rose slightly.
- The average weighted rental return on a rented house has fallen from 5.0% to 4.9% compared with December whilst the average rental return on a rented flat is down from 5.3% to 5.2%. However, in the case of rented flats, this change, once again, merely reverses the change seen three months earlier. Within this fairly static picture, there has been a significant improvement in the average rental returns available in Prime Central London with those in the Rest of the South East declining marginally and those in the Rest of the UK remaining stable.
- Despite the small decline in average rental returns, ARLA members report increased achievable rent levels over the last six months.
- The average void period has fallen from 29 days to 28 days compared with the fourth quarter of 2004.
- The average number of purely investment properties which are managed by ARLA members' offices is down from 86 to 81 properties compared with three months ago.
- A third (33%) of all ARLA offices report more tenants than properties available for them, a figure which is up from 23% three months ago and this is the highest level reached since the question was first asked nearly three years ago.
- On the other hand, the average number of new tenancies signed up in the first quarter of 2005 was 28, down from 35 in the fourth quarter of 2004.
- ARLA members' offices find they are showing an unchanged average of 5.9 prospective tenants round a property before it is let.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property, at 50%, is unchanged compared with the fourth quarter of 2004.
- ARLA members believe that, whilst most residential landlords are marking time with regard to their net investment in residential property, overall, there continues to be a small disinvestment in residential property being undertaken by residential landlords.

4. RESULTS

The following sections detail the results of the survey for the first quarter of 2005. 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.

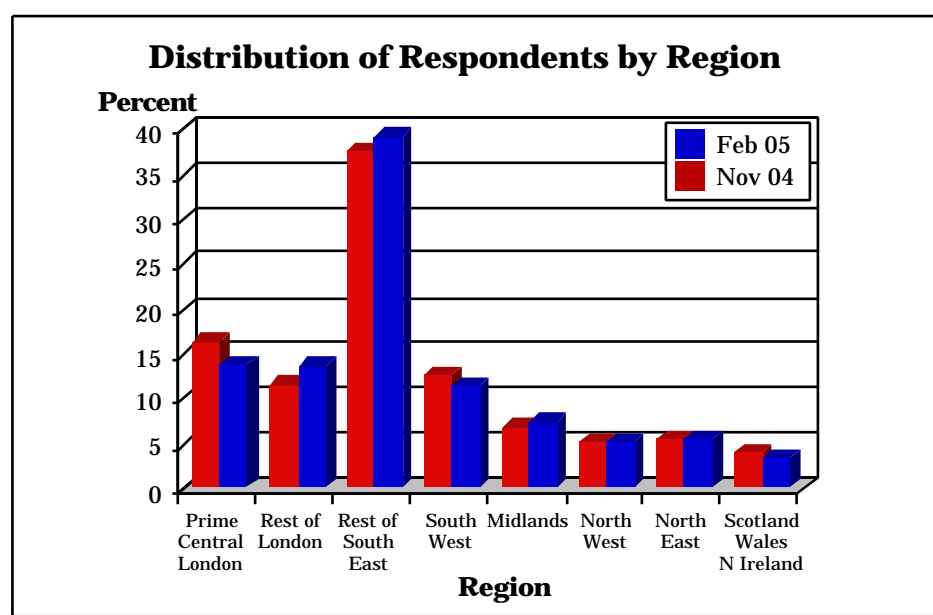
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for two thirds (67%) of all respondents.

After the South East, the South West with 12% and the Midlands with 7%, were the regions with the most respondents.

Region	Percent of Respondents (%)		
	Aug 04	Nov 04	Feb 05
Central London	17.3	16.3	13.9
Rest of London (<i>inside M25</i>)	12.9	11.7	13.7
South East (<i>excl. London</i>)	34.1	37.7	39.2
South West	12.9	12.6	11.6
Midlands	7.5	6.8	7.4
North West	6.5	5.3	5.2
North East	5.1	5.6	5.6
Scotland/Wales/NI	3.7	4.1	3.4
Base: All respondents	(428)	(486)	(502)

Compared with the November 2004 survey, there has been little change in the regional breakdown of respondents although there were fewer respondents from Central London and more from the Rest of London and the Rest of the South East.



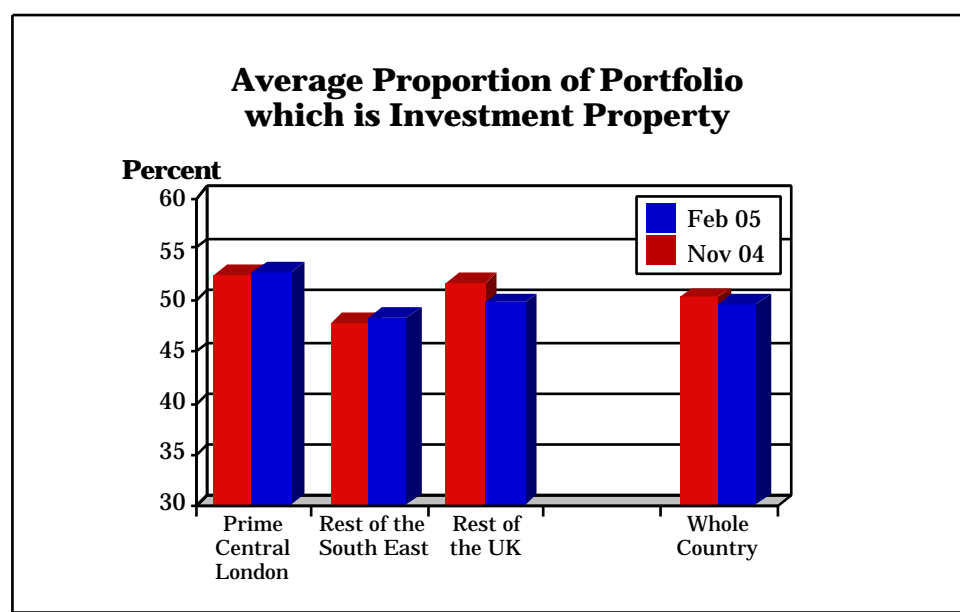
4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents' (81%) said that more than a quarter of their portfolio is investment property with more than five out of ten (52%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for less than one in twenty offices (4.6%).

Analysis of the responses to this question reveals that, on average, investment properties account for 50% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	0.9	-	0.4
Up to 10%	2.6	3.2	6.6	4.2
11% to 25%	15.5	15.0	10.2	13.5
26% to 50%	24.1	31.4	28.9	28.9
51% to 75%	35.3	35.0	34.9	35.1
Over 75%	22.4	14.1	18.1	17.3
Not stated	-	0.5	1.2	0.6
Base: All respondents	(116)	(220)	(166)	(502)

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 48% compared with 53% for those managing properties in Prime Central London and 50% for those in the Rest of the UK.

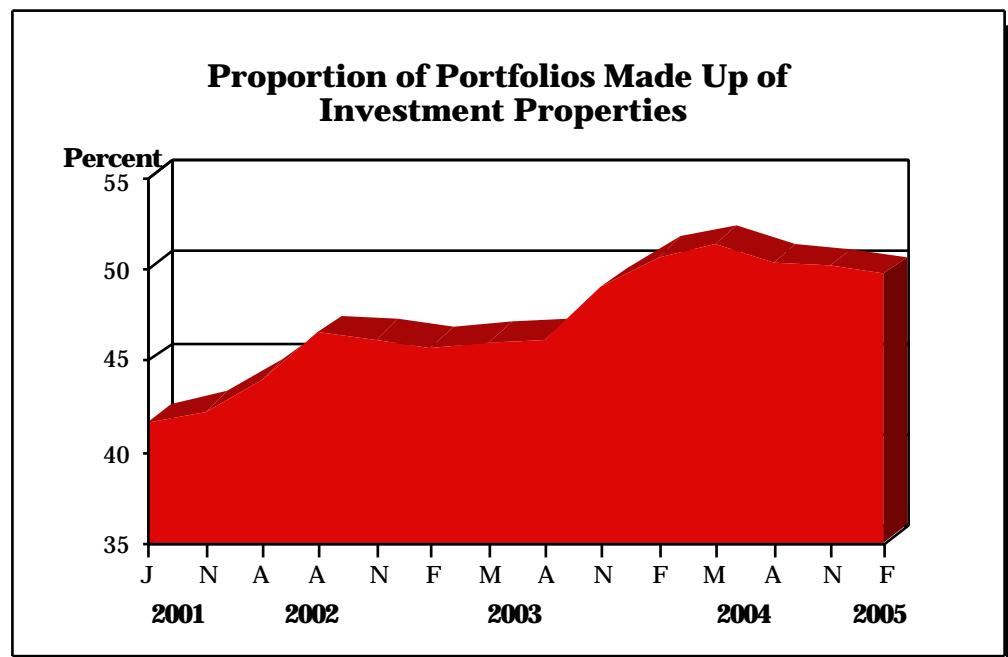


Compared with the last survey in November, the average proportion of portfolios which are in the form of investment property is virtually

unchanged at 50% and there has also been little change in the figures for each of the broad geographical areas although the average for the Rest of the UK has fallen from 52% to 50%.

Geographic Region	Average Proportion of Portfolio (%)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	51.3	54.5	52.3	52.5
South East	51.2	48.3	47.6	48.0
Rest of UK	51.5	49.6	51.6	49.7
All Regions	51.3	50.3	50.1	49.6
Base: All respondents	(451)	(428)	(486)	(502)

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 before rising sharply between mid-2003 and mid-2004, levelled off again at the end of 2004 and the trend has now turned downwards.



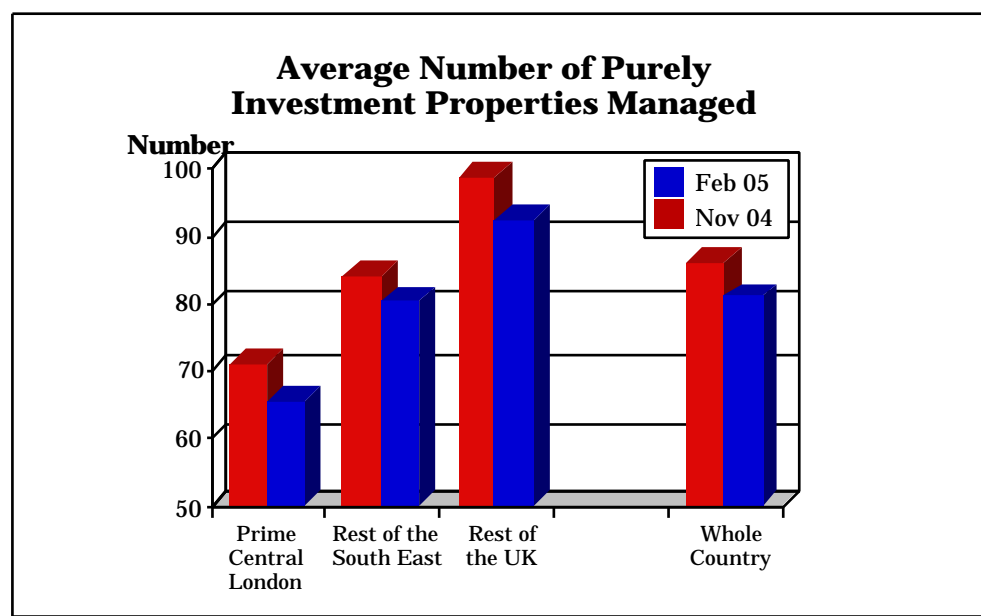
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with more than three out of ten (31%) saying that they manage over a hundred properties and more than three-quarters (77%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of properties managed by ARLA offices is currently 81.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	0.9	2.7	3.6	2.6
6 to 10	12.1	4.1	4.2	6.0
11 to 20	19.8	11.4	9.0	12.5
21 to 50	25.0	25.5	22.3	24.3
51 to 100	19.8	23.6	21.7	22.1
Over 100	21.6	29.5	38.0	30.5
Not stated	0.9	3.2	1.2	2.0
Base: All respondents	(116)	(220)	(166)	(502)

Offices in Prime Central London tend to manage considerably fewer properties on average than their counterparts elsewhere in the country with the average numbers being 65 for Prime Central London, 80 for the Rest of the South East and 92 for the Rest of the UK.



Compared with the last survey in November, the average number of properties managed is down from 86 to 81 and this is reflected in falls in the average number of properties for all the broad geographical areas.

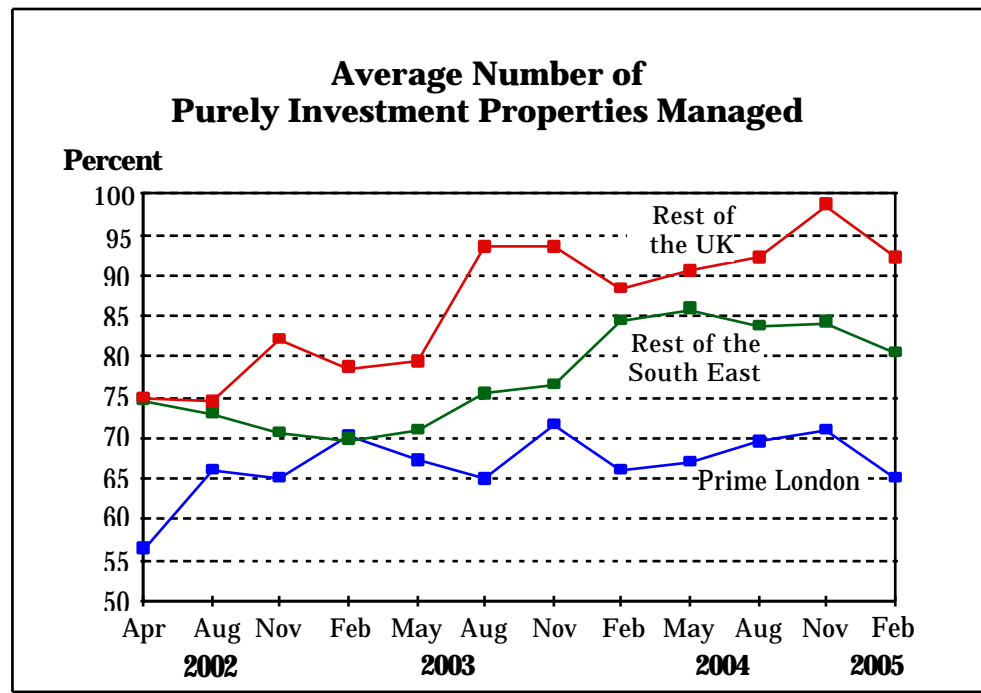
Geographic Region	Average Number of Properties (%)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	67.0	69.6	71.0	65.2
South East	85.7	83.7	84.1	80.4
Rest of UK	90.4	92.1	98.6	92.2
All Regions	83.1	83.2	86.0	80.8
Base: All respondents	(451)	(428)	(486)	(502)

Looking at the chart below, it can be seen that these figures are subject to quite a high degree of fluctuation.

Nevertheless, the average number of properties managed by ARLA members in the Rest of the UK has increased over the medium term from 75 properties two years ago to 92 properties now.

The average for the Rest of the South East showed a sharp upward trend in 2003 before levelling off at around 85 properties and now appears to be declining gently.

For Prime Central London the figures have been relatively steady at an average of between 65 and 70 properties for some time.



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

Houses

Two thirds of respondents (67%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only a few ARLA offices (1%) said the average in their area was below £75,000 whilst for one in ten respondents (10%) the average was in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented house of £337,700.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	0.9	0.5	1.8	1.0
£75,001 to £100,000	-	0.5	4.2	1.6
£100,001 to £150,000	-	8.2	31.9	14.1
£150,001 to £200,000	3.4	33.6	34.9	27.1
£200,001 to £350,000	10.3	37.3	21.1	25.7
£350,001 to £500,000	26.7	9.1	4.2	11.6
£500,001 to £750,000	20.7	4.1	-	6.6
Over £ 750,000	36.2	3.2	1.2	10.2
Not stated	1.7	3.6	0.6	2.2
Base: All respondents	(116)	(220)	(166)	(502)

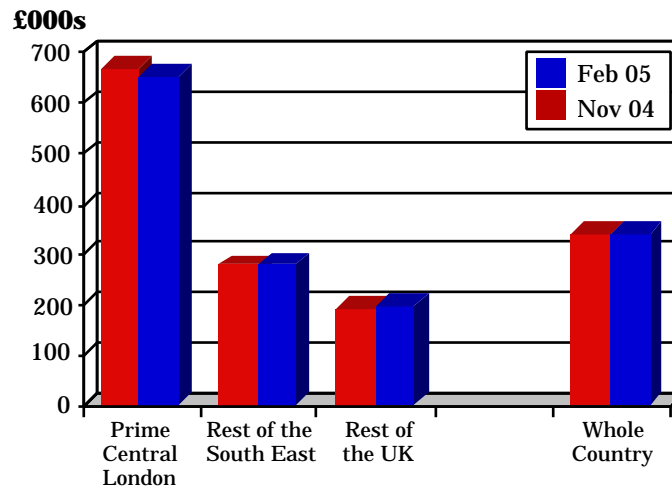
There are big differences between the values of rented houses in the different regional areas with the average for Prime Central London being nearly two thirds of a million pounds (£651,100) compared with less than half that figure, £278,400, in the Rest of South East and just £194,800 in the Rest of the UK.

Compared with the last survey, the overall weighted average value of rented houses is virtually unchanged at £337,700.

Geographic Region	Average Value of Rented Houses (000s)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	659.7	665.0	666.1	651.1
South East	275.5	294.9	274.4	278.4
Rest of UK	193.4	211.9	189.7	194.8
All Regions (weighted)	338.0	353.8	337.8	337.7
Base: All respondents	(451)	(428)	(486)	(502)

The average price of a house in Prime Central London has fallen by 2.3% whilst that for the Rest of the South East has risen by 1.5% and that for the Rest of the UK is up by 2.7%.

Average Values of Rented Houses



Flats

Almost two thirds of respondents (66%) said that the average value of a rented flat in their area was between £100,000 and £350,000, almost the same figure as applied to houses.

However, a higher proportion of ARLA offices amounting to 3% said the average value of a rented flat in their area was below £75,000 whilst only 1.2% said the average value was in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented flat of £210,300.

Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	0.9	1.8	6.0	3.0
£75,001 to £100,000	0.9	9.1	25.9	12.7
£100,001 to £150,000	6.0	32.3	31.3	25.9
£150,001 to £200,000	7.8	32.3	29.5	25.7
£200,001 to £350,000	34.5	12.7	3.0	14.5
£350,001 to £500,000	28.4	3.6	0.6	8.4
£500,001 to £750,000	12.9	1.4	-	3.6
Over £ 750,000	5.2	-	-	1.2
Not stated	3.4	6.8	3.6	5.0
Base: All respondents	(116)	(220)	(166)	(502)

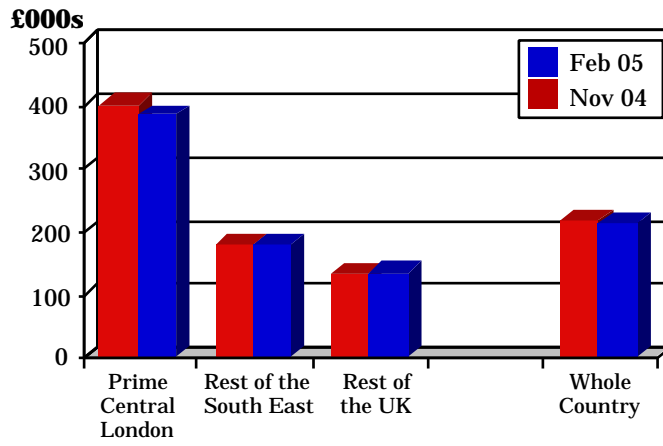
As with rented houses, there are big differences between the values of rented flats in the different regional areas with the average for Prime Central London being £383,800 compared with £176,700 in the Rest of South East and £132,100 in the Rest of the UK.

Compared with three months ago, the overall weighted average value of a rented flat has fallen by 1.6% from £213,600 to £210,300.

Geographic Region	Average Value of Rented Flats (000s)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	398.6	398.8	400.1	383.8
South East	172.3	185.0	176.5	176.7
Rest of UK	132.1	142.8	131.0	132.1
All Regions (weighted)	211.8	220.9	213.6	210.3
Base: All respondents	(451)	(428)	(486)	(502)

Within that overall change, the average value of rented flats in Prime Central London has fallen by 4.1% whilst the average for the Rest of the South East has risen by 0.1% and the average for the Rest of the UK has risen by 0.8%.

Average Values of Rented Flats



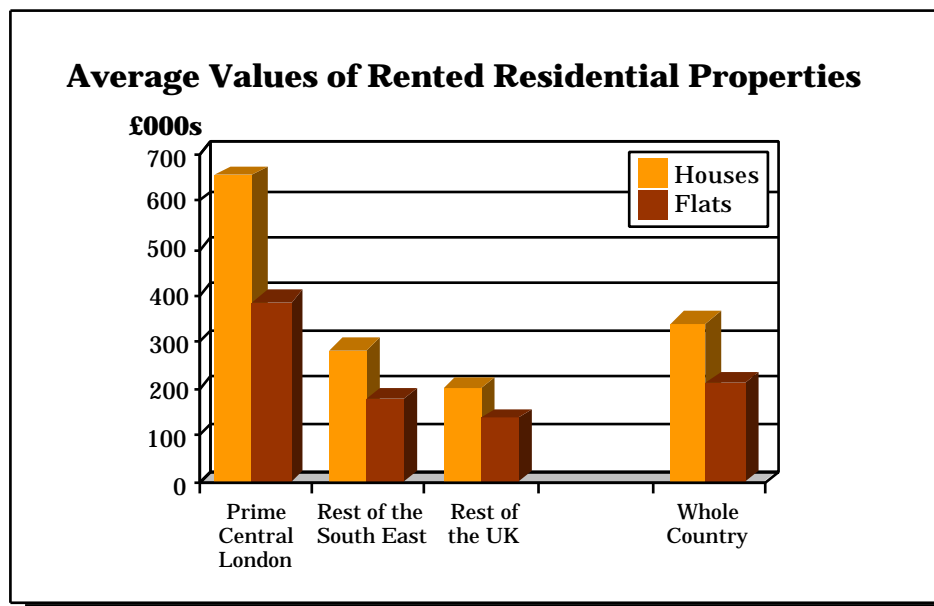
Summary

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 70% higher than that for flats.

Whilst there is also a big difference between the values of houses and flats in the rest of the country, the difference is a little less marked than it is in Prime Central London.

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	651.1	383.8
South East	278.4	176.7
Rest of UK	194.8	132.1
All Regions (weighted)	337.7	210.3

Base: All respondents (502)



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 respondents (54%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented houses of 4.9%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	21.6	11.4	11.4	13.7
4% to 5%	46.6	56.4	56.0	54.0
6%	14.7	15.5	12.7	14.3
7%	1.7	4.5	7.8	5.0
8%	4.3	1.8	2.4	2.6
9% to 10%	3.4	1.4	2.4	2.2
11% to 12%	1.7	-	2.4	1.2
12% to 15%	-	-	0.6	0.2
Over 15%	0.9	1.4	0.6	1.0
Not stated	5.2	7.7	3.6	5.8
Base: All respondents	(116)	(220)	(166)	(502)

There are small differences in rates of return between the different geographical areas with the average for Prime Central London being 4.8% compared with 4.9% for the Rest of the South East and 5.1% elsewhere in the UK.

Geographic Region	Average Rental Return (%)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	4.7	4.7	4.6	4.8
South East	5.1	4.9	5.2	4.9
Rest of UK	5.3	5.2	5.1	5.1
All Regions (weighted)	5.1	5.0	5.0	4.9
Base: All respondents	(451)	(428)	(486)	(502)

Compared with three months ago, the average rental return on houses in Prime Central London has risen (from 4.6% to 4.8%), whilst the average for the Rest of the South East has fallen substantially from 5.2% to 4.9%. The average rental return for the Rest of the UK is unchanged at 5.1%.

Overall, the average rental return on houses has fallen a little from 5.0% to 4.9%.

Flats

A rental return of between 4% and 5% also appears to be the norm for rented flats with more than half of respondents (53%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented flats of 5.2%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	6.9	5.9	9.0	7.2
4% to 5%	58.6	52.7	50.0	53.2
6%	13.8	21.4	21.1	19.5
7%	6.0	5.5	4.2	5.2
8%	2.6	3.2	2.4	2.8
9% to 10%	4.3	0.9	3.0	2.4
11% to 12%	0.9	-	1.8	0.8
12% to 15%	-	-	0.6	0.2
Over 15%	0.9	1.4	0.6	1.0
Not stated	6.0	9.1	7.2	7.8
Base: All respondents	(116)	(220)	(166)	(502)

There are slight differences in the rates of return for rented flats between the different geographical areas, with the average for both Prime Central London and the Rest of the South East being 5.2% compared with 5.3% elsewhere in the UK.

Geographic Region	Average Rental Return (%)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	5.1	5.0	5.0	5.2
South East	5.3	5.2	5.4	5.2
Rest of UK	5.4	5.3	5.3	5.3
All Regions (weighted)	5.3	5.2	5.3	5.2
Base: All respondents	(451)	(428)	(486)	(502)

Compared with the last survey in November, the overall weighted average rental return on flats has fallen a little from 5.3% to 5.2% and this is the result of a fall from 5.4% to 5.2% for the Rest of the South East outweighing the increased average for Prime Central London (up from 5.0% to 5.2%). The average return for flats in the Rest of the UK was unchanged at 5.3%.

Summary

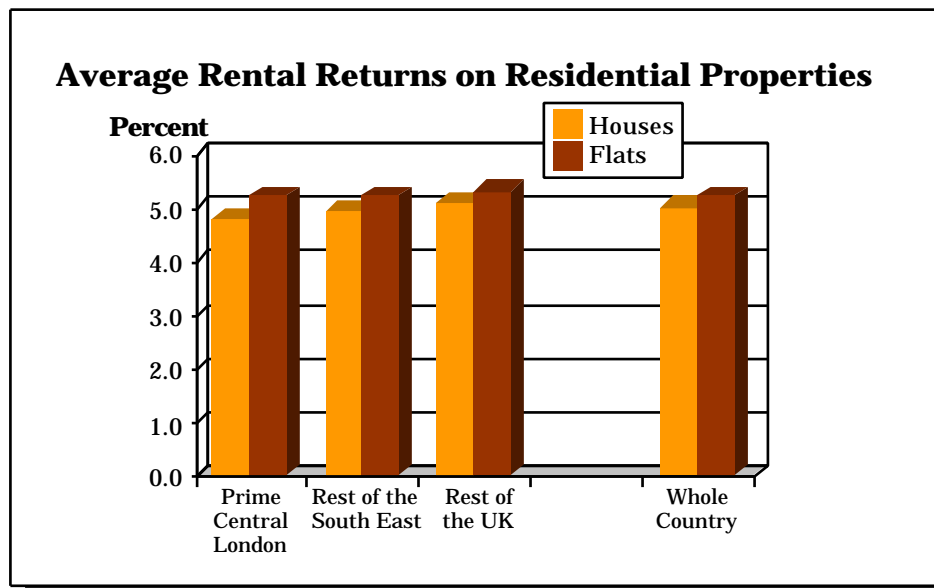
Average rental returns for both houses and flats are lower in London and the South East than in the Rest of the UK.

The average rental returns being achieved on flats is very similar across all regions, whereas there is more difference with houses.

Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	4.8	5.2
South East	4.9	5.2
Rest of UK	5.1	5.3
All Regions (weighted)	5.0	5.2

Base: All respondents (502)

Overall, flats appear to earn a higher gross return than do houses with the average for flats being 5.2% compared with 5.0% for houses and this better performance for flats applies across the whole country.



Average Rents

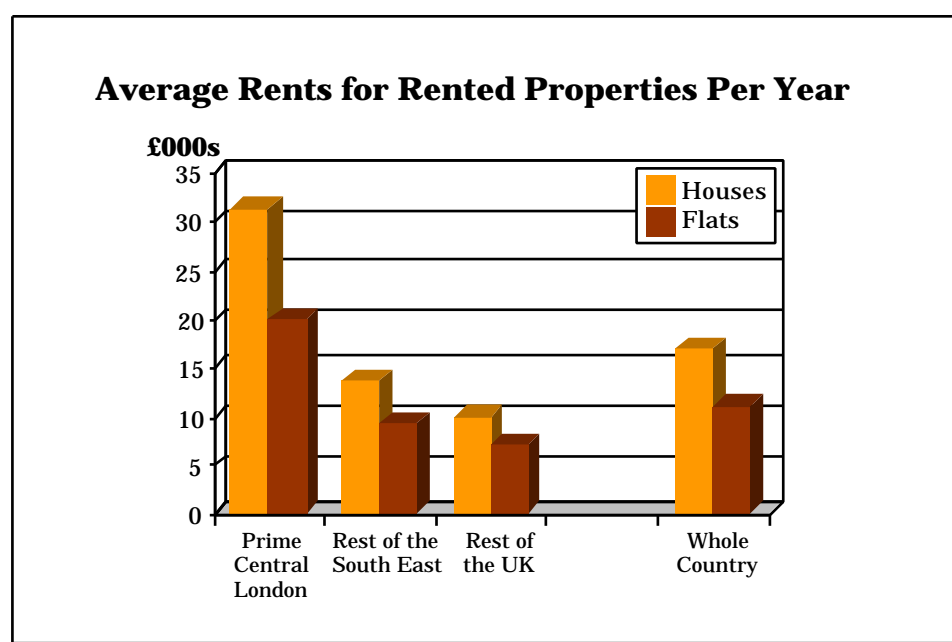
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	601	2,604	31.3	384	1,663	20.0
South East	262	1,137	13.6	177	766	9.2
Rest of UK	191	828	9.9	135	583	7.0
All Regions (weighted)	325	1,407	16.9	210	911	10.9

Base: All respondents (502)

In the case of Prime Central London the average rent of a house is more than half as much again (57%) as the average rent for a flat.

There are also marked differences in the Rest of the South East and the Rest of the UK, where the average house rents are (48% and 42% respectively) higher than the average flat rent.



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 in the table below.

However, it should be noted that the number of respondents for some of the regions is relatively small with the smallest number (17) being for Scotland, Wales and Northern Ireland.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	601	2,604	31.3	384	1,663	20.0
Rest of London	326	1,412	16.9	245	1,061	12.7
Rest of South East	261	1,131	13.6	167	723	8.7
South West	220	954	11.4	138	599	7.2
Midlands	169	732	8.8	116	503	6.0
North West	197	852	10.2	152	659	7.9
North East	159	690	8.3	132	570	6.8
Scotland/Wales/NI	167	723	8.7	123	532	6.4

Base: All respondents (502)

4.6 Average Void Period Per Year (Q.8)

Average void periods for rented residential properties tend to be quite short with more than six out of ten ARLA members' offices (63%) reporting averages of 4 weeks or less per year and in addition more than a quarter (27%) say the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 4.0 weeks (28 days) per year.

Average Void Period	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 2 weeks	7.8	5.5	7.2	6.6
2 to 4 weeks	37.1	58.6	66.9	56.4
5 to 6 weeks	37.9	28.2	17.5	26.9
7 to 8 weeks	12.9	5.9	6.0	7.6
More than 8 weeks	1.7	0.9	0.6	1.0
Don't know	1.7	0.9	0.6	1.0
Not stated	0.9	-	1.2	0.6
Base: All respondents	(116)	(220)	(166)	(502)

Respondents with properties in Prime Central London experience a higher void rate than average at 4.6 weeks (32 days) per year.

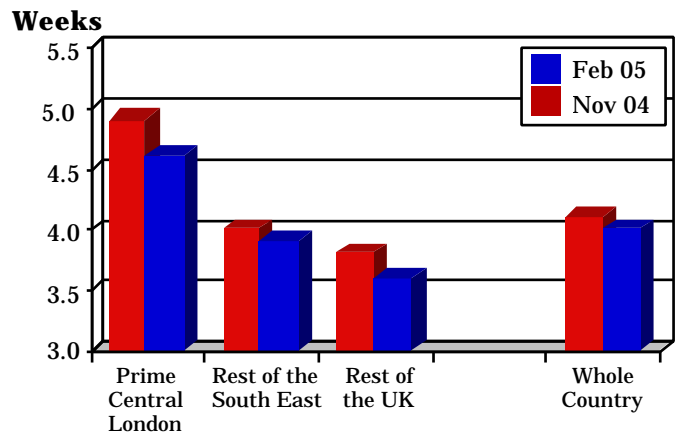
The average void period for the Rest of the South East is 3.9 weeks (27 days) and for the Rest of the UK it is 3.6 weeks (25 days) per year.

Compared with November , the average void period for the country as a whole has fallen a little from 4.1 weeks to 4.0 weeks (28 days).

Geographic Region	Average Void Period (weeks)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	4.7	5.1	4.9	4.6
South East	4.1	4.0	4.0	3.9
Rest of UK	4.1	3.8	3.8	3.6
All Regions	4.2	4.2	4.1	4.0
Base: All respondents	(451)	(428)	(486)	(502)

Within this overall change, the average void period for Prime Central London has fallen from 4.9 to 4.6 weeks (32 days) and the average figure for the Rest of the South East has fallen, from 4.0 to 3.9 weeks (27 days). The figure for the Rest of the UK is also down, from 3.8 to 3.6 (25 days) per year.

Average Void Period Per Year



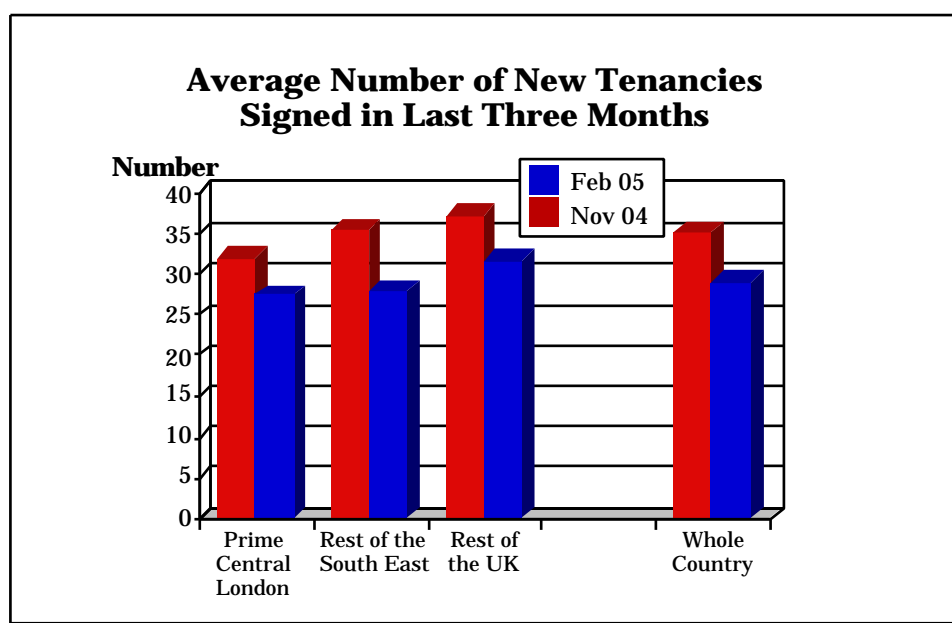
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

Getting on for half of ARLA members' offices (46%) have signed up more than 20 new tenancies (other than renewals) in the last three months with three out of ten (30%) having signed up between 21 and 50 and around one in six (16%) having signed up more than 50 new tenancies in the last three months.

Analysis of these results reveals that, on average, ARLA members' offices have signed up 29 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	-	-	-
Up to 5	1.7	5.5	5.4	4.6
6 to 10	18.1	20.5	16.3	18.5
11 to 20	33.6	31.4	26.5	30.3
21 to 50	33.6	26.8	31.3	29.9
Over 50	11.2	15.5	19.9	15.9
Not stated	1.7	0.5	0.6	0.8
Base: All respondents	(116)	(220)	(166)	(502)

Offices managing properties in Prime Central London and those in the Rest of the South East appear to have fared a little worse than the Rest of the UK with the average figures being 27 for Prime Central London and 28 for the Rest of the South East compared with 32 for the Rest of the UK.

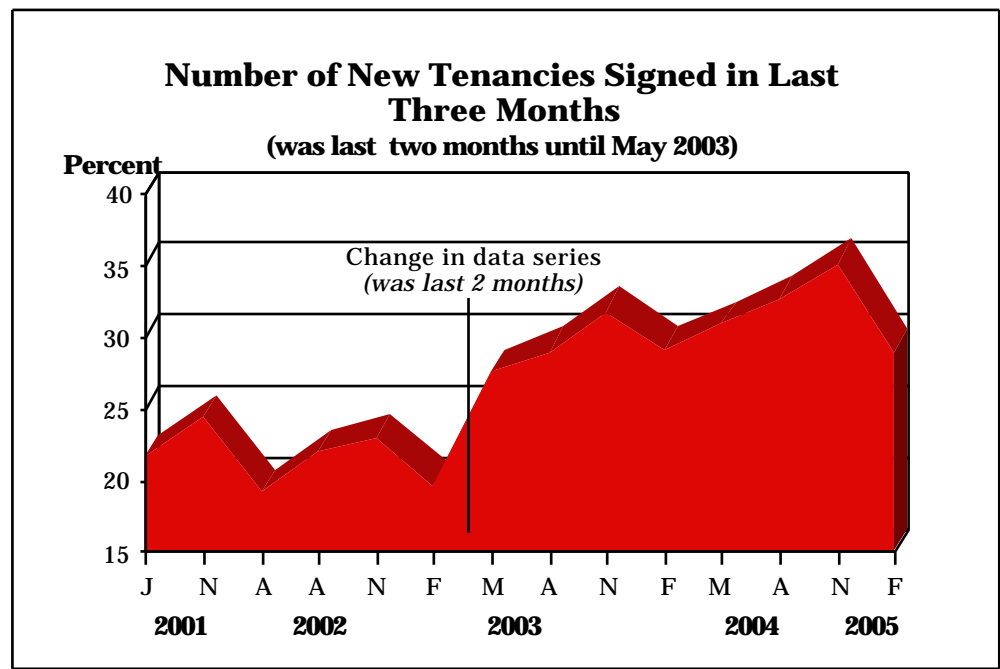


Compared with three months ago, there has been a fall in the average number of tenancies signed up in the preceding three months

across the whole country with the largest fall being from 35 to 28 for the Rest of the South East.

Geographic Region	Number of New Tenancies			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	27.3	29.5	31.9	27.3
South East	30.7	32.1	35.3	27.7
Rest of UK	33.5	35.5	37.0	31.6
All Regions	30.9	32.7	35.1	28.9
Base: All respondents	(451)	(428)	(486)	(502)

As can be seen from the chart below, since the middle of 2003, there had been a steady increase in the average number of tenancies (not renewals) being signed, but there was a sharp downward turn in the figure for this quarter which may herald a change from the long term upward trend.



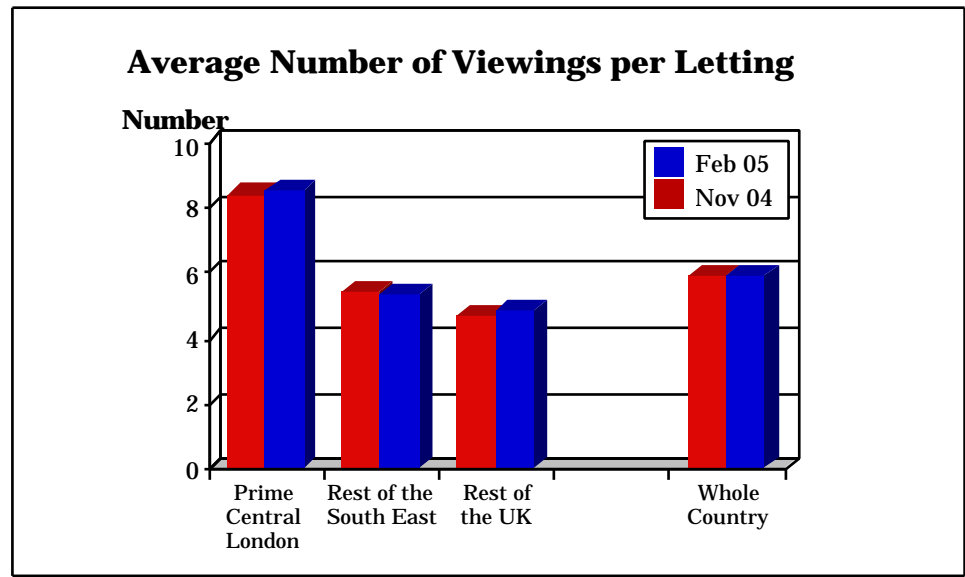
4.8 Number of Viewings Per Letting (Q.10)

Getting on for half of ARLA members' offices (46%) have to deal with an average of 4 or 5 viewings of a property before it is let, and for more than a third of offices (34%), the average number of viewings per letting is 6 or more.

Analysis of these figures produces an overall average of 5.9 viewings per letting.

Number of Viewings per Letting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
1	-	0.9	-	0.4
2 or 3	2.6	20.5	30.1	19.5
4 or 5	29.3	50.0	51.2	45.6
6 to 10	46.6	25.0	15.1	26.7
11 to 20	19.8	3.6	3.6	7.4
Over 20	0.9	-	-	0.2
Not stated	0.9	-	-	0.2
Base: All respondents	(116)	(220)	(166)	(502)

On average, ARLA members in Prime Central London have to show many more prospective tenants round a property (8.5) before it is let as do their counterparts in the Rest of the South East (5.3) or the Rest of the UK (4.8).



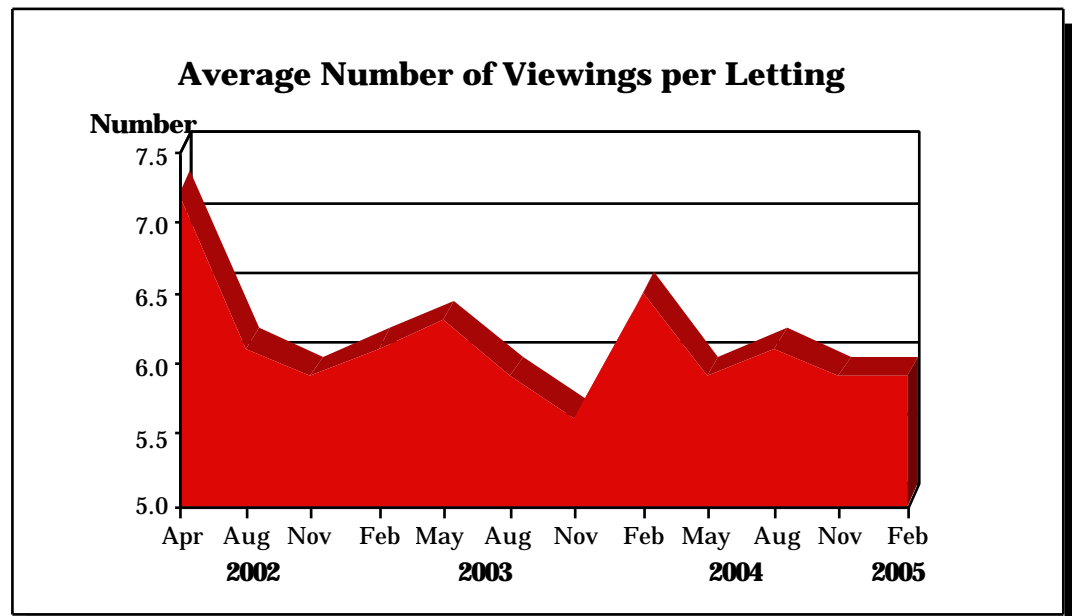
Compared with the November survey, the overall average number of viewings per letting is unchanged at 5.9.

Within that, the average number for Prime Central London properties has risen slightly, from 8.4 to 8.5, whilst the figure for the Rest of the South East has fallen, from 5.4 to 5.3 and that for the

Rest of the UK has risen a little, from 4.7 to 4.8 viewings per letting.

Geographic Region	Average Number of Viewings per Letting (%)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	8.5	8.9	8.4	8.5
South East	5.4	5.3	5.4	5.3
Rest of UK	4.7	4.9	4.7	4.8
All Regions	5.9	6.1	5.9	5.9
Base: All respondents	(451)	(428)	(486)	(502)

As the chart below shows, the overall average number of viewings per letting has been fairly steady over the last three years at between 5.5 and 6.5 and this has continued with this survey.



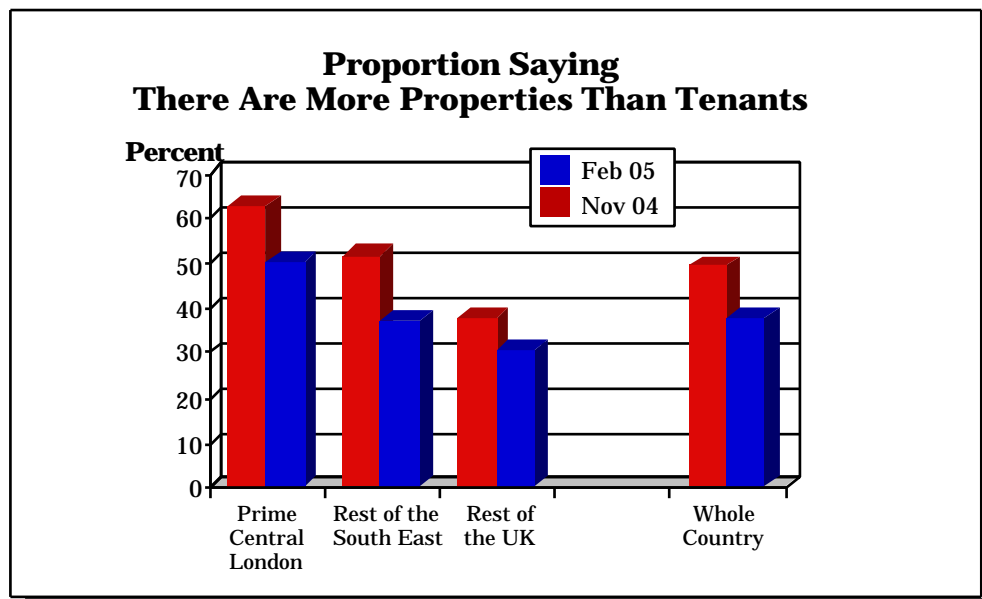
4.9 Balance of Supply & Demand in Rented Residential Property Sector (Q.11)

A third of ARLA members' offices (33%) say that there are currently more tenants than there are properties available for them.

However, nearly three out of ten (28%) believe that supply of, and demand for, rented residential properties is in balance and nearly four out of ten (38%) now believe that there are more rented residential properties available than there are tenants to fill them.

These figures indicate that, outside London and the South East, there are more tenants than properties available for them. In the South East the availability of tenants and properties is broadly in balance whilst in Prime Central London, there remains a marked over-supply of properties with the overall result being a slight over-supply of properties in the country as a whole.

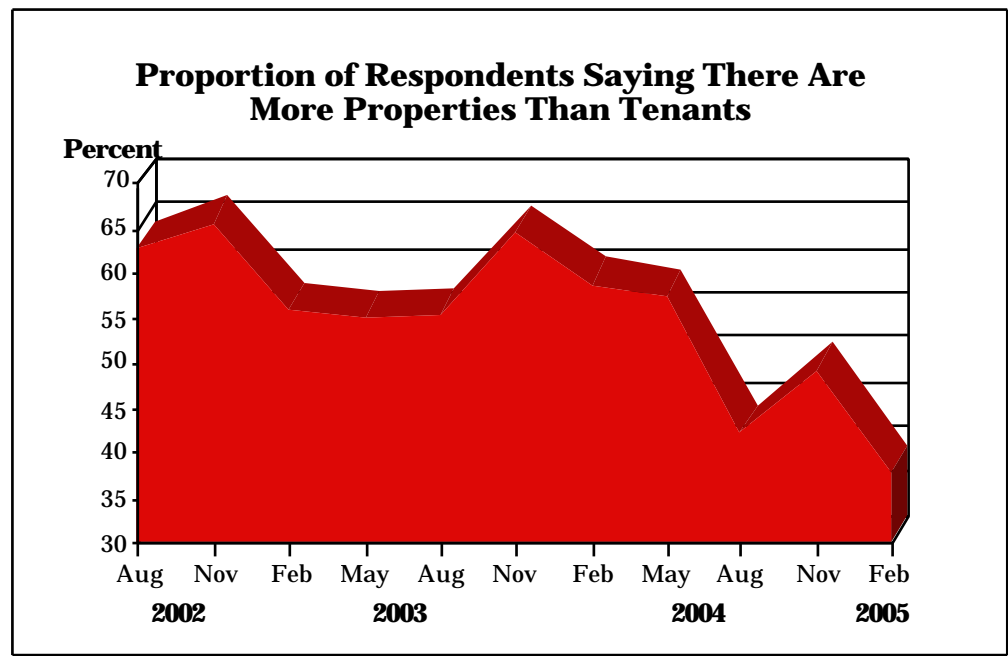
Balance of Supply and Demand	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Lot more props than tenants	21.6	12.3	10.8	13.9
Few more props than tenants	28.4	25.0	19.3	23.9
Equal nos of props & tenants	19.8	28.2	33.7	28.1
Lot more tenants than props	6.9	12.7	16.9	12.7
Few more tenants than props	21.6	20.9	18.1	20.1
Not stated	1.7	0.9	1.2	1.2
Base: All respondents	(116)	(220)	(166)	(502)



Overall, 38% of respondents to this survey said there were more properties than tenants compared with a figure of 49% in November, suggesting that the situation with regard to the balance of supply and demand has improved considerably over the last three months.

Geographic Region	Proportion Saying There Are More Properties than Tenants (%)			
	May 04	Aug 04	Nov 04	Feb 05
Prime Central London	73.0	56.5	62.6	50.0
South East	59.6	39.3	51.5	37.3
Rest of UK	45.1	35.7	37.7	30.1
All Regions	57.4	42.3	49.4	37.8
Base: All respondents	(451)	(428)	(486)	(502)

As the chart below shows, the reduced figure for this quarter comes after a big rise in the figure three months ago but continues the trend seen since November 2003 of reductions in the proportion of respondents reporting an oversupply of properties.



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 24% and 33% believe that achievable rent levels have increased over the last six months, whilst between 11% and 21% believe they have fallen.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.4	1.4	2.0	1.8	1.0	1.2
Increased a little	23.9	28.5	31.1	29.3	31.9	22.9
Stayed the same	45.4	48.6	48.4	47.6	45.2	51.2
Decreased a little	16.1	12.5	12.7	13.5	16.9	8.6
Decreased a lot	4.4	2.0	1.2	0.6	0.4	2.0
Don't know	8.0	5.4	2.8	4.6	2.6	11.6
Not stated	1.8	1.6	1.8	2.6	2.0	2.6

Base: All respondents (502)

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

Prime Central London

Within the overall figures, the situation in Prime Central London is also positive with between 19% and 44% of offices saying that achievable rent levels for each type of property have increased.

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, a similar proportion to the whole country (between 9% and 18%) say they think this is the case.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.9	1.7	1.7	2.6	0.9	-
Increased a little	18.1	17.2	25.0	41.4	32.8	23.3
Stayed the same	36.2	47.4	49.1	41.4	44.8	54.3
Decreased a little	12.9	12.1	15.5	9.5	17.2	7.8
Decreased a lot	4.3	3.4	2.6	0.9	-	0.9
Don't know	25.0	15.5	3.4	1.7	1.7	11.2
Not stated	2.6	2.6	2.6	2.6	2.6	2.6

Base: All respondents (116)

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

Rest of the South East

With regard to the Rest of the South East, the picture is similar to the country as a whole with between 20% and 31% of respondents saying that achievable rent levels have increased compared with between 12% and 28% saying they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	-	0.9	0.9	0.9	0.5	0.9
Increased a little	23.2	26.4	27.3	23.2	30.5	19.1
Stayed the same	42.3	48.6	49.5	45.9	44.5	50.5
Decreased a little	22.7	17.3	15.9	17.7	19.1	9.1
Decreased a lot	5.5	2.3	1.4	0.9	0.9	3.2
Don't know	4.1	2.7	3.2	7.7	1.8	13.6
Not stated	2.3	1.8	1.8	3.6	2.7	3.6

Base: All respondents (220)

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

Rest of the UK

For the Rest of the UK, the position is even better than for other areas with many more respondents saying that achievable rent levels have increased than say they have decreased.

Between 30% and 44% of offices say that achievable rent levels for each type of property have increased whilst only between 7% and 14% believe rent levels have decreased over the last six months.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.6	1.8	3.6	2.4	1.8	2.4
Increased a little	28.9	39.2	40.4	28.9	33.1	27.7
Stayed the same	56.0	49.4	46.4	54.2	46.4	50.0
Decreased a little	9.6	6.6	6.6	10.8	13.9	8.4
Decreased a lot	3.0	0.6	-	-	-	1.2
Don't know	1.2	1.8	1.8	2.4	4.2	9.0
Not stated	0.6	0.6	1.2	1.2	0.6	1.2

Base: All respondents (166)

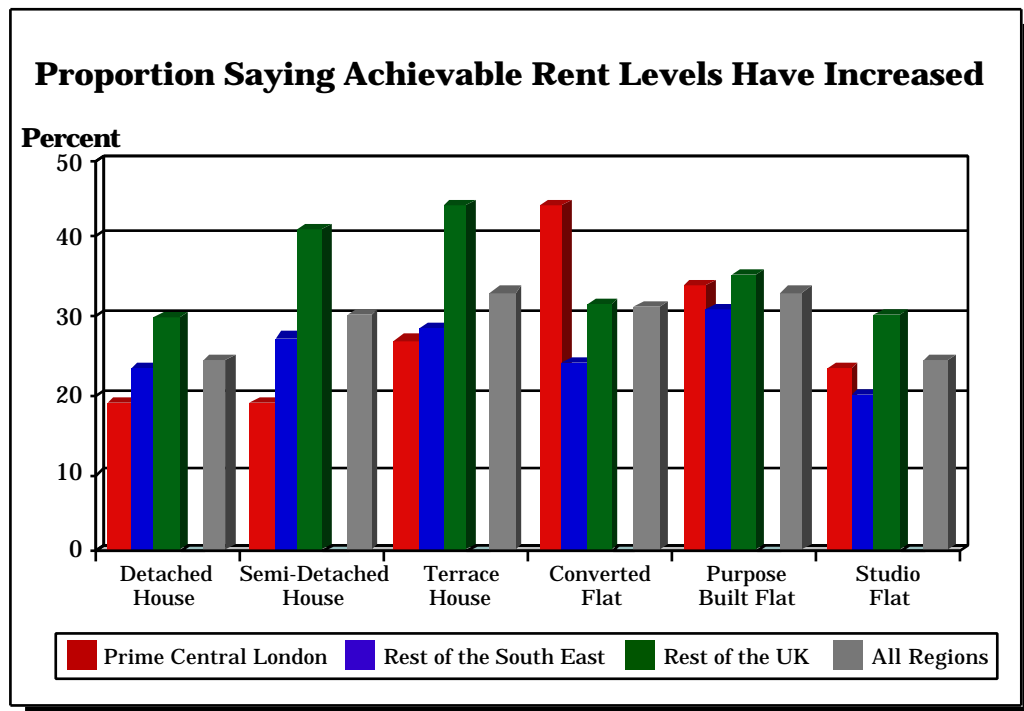
It appears from these figures that achievable rent levels in the Rest of the UK have increased quite sharply over the last six months.

Summary

The table and graph below show the proportion of respondents from each geographical area who said they believed achievable rents had increased for each type of property.

Geographic Region	Percent Saying Achievable Rents Have Increased (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	19.0	19.0	26.7	44.0	33.6	23.3
Rest of the South East	23.2	27.3	28.2	24.1	30.9	20.0
Rest of the UK	29.5	41.0	44.0	31.3	34.9	30.1
All regions	24.3	29.9	33.1	31.1	32.9	24.1

Base: All respondents (502)



Compared with three months ago, there has clearly been a substantial improvement in Prime Central London where the average proportion of respondents saying achievable rents across all property types have increased has risen from 24% to 28%.

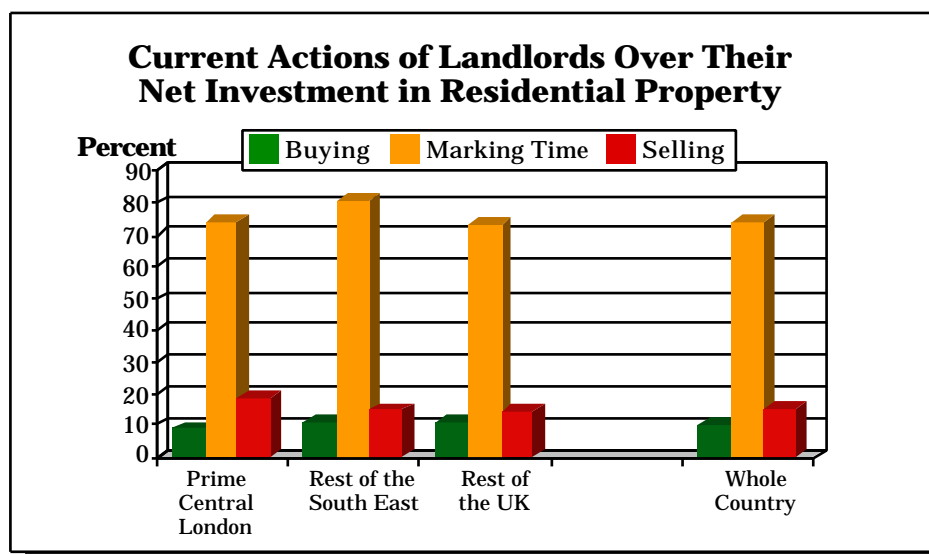
The average for the Rest of the South East has also risen from 21% to 26% whilst that for the Rest of the UK has declined a little from 37% to 35%.

4.11 How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.17)

Almost three-quarters of ARLA members' offices (74%) think that residential landlords are currently marking time with regard to their net investment in residential property.

Whilst one in ten (10%) think they are increasing their net investment by buying more properties, more (15%) think they are decreasing their net investment by selling properties.

How Landlords Are Currently Acting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Buying	8.7	10.3	10.8	9.8
Marking time	73.9	80.4	72.5	73.7
Selling	18.3	14.7	13.8	14.7
Not stated	-	2.5	2.4	1.8
Base: All respondents	(116)	(220)	(166)	(502)



Geographically, there is little difference on this question although offices in Prime Central London are most likely to think that residential landlords are decreasing their investment (18% compared with 15% for the Rest of the South East and 14% for the Rest of the UK).

Respondents in the Rest of the UK, on the other hand, are most likely to think residential landlords in their area are increasing their net investment (11% compared with 10% for the Rest of the South East and 9% for Prime Central London).

Overall, therefore, it would appear that most residential landlords are biding their time but also that there is, overall, a small net disinvestment in residential property taking place amongst landlords.

Questionnaire