

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**

Second Quarter 2004

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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 approximately 1,300 letting offices of ARLA members in May 2004 and 451 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 values of both rented houses and rented flats have risen substantially over the last three months with values outside the South East of the country showing particularly large increases of 12% for houses and 14% for flats.
- The average weighted rental return on a rented house is unchanged compared with March whilst the average rental return on a rented flat has fallen a little from 5.4% to 5.3%.
- The average void period has fallen from 31 days per year to 29 days per year compared with the first quarter of 2004.
- The average number of purely investment properties which are managed by ARLA members offices is now 83, up a little from 81 properties in March.
- There remains an over supply of rented residential property. However, whilst 57% of ARLA members' offices report that there are more properties than tenants, this figure is down from 59% three months ago and this is the second fall in the figure in a row.
- ARLA members' offices find they are now showing an average of 5.9 prospective tenants round a property before it is let, a figure which is down from 6.5 three months ago.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property is unchanged at 51% compared with the first quarter of the year.
- The average number of new tenancies signed up in the second quarter of 2004 was 31, up from 29 in the first quarter.

4. RESULTS

The following sections detail the results of the survey for the second quarter of 2004. 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.

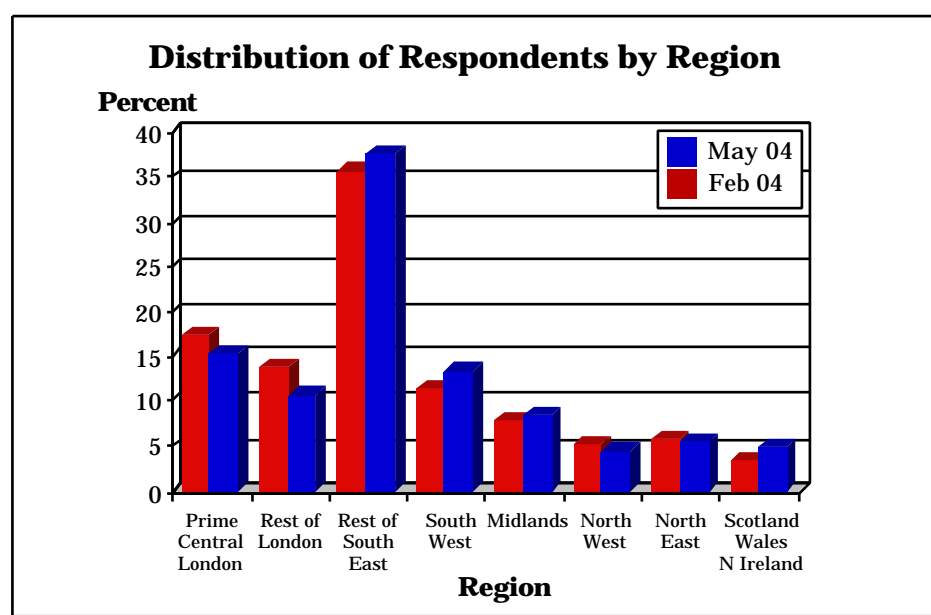
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for nearly two thirds (64%) of all respondents.

After the South East, the South West with 13% and the Midlands with 8%, were the regions with the most respondents.

Region	Percent of Respondents (%)		
	Nov 03	Feb 04	May 04
Central London	10.5	17.2	15.3
Rest of London (<i>inside M25</i>)	8.6	13.8	10.6
South East (<i>excl. London</i>)	42.2	35.7	37.7
South West	12.4	11.3	13.3
Midlands	7.9	7.9	8.4
North West	6.8	5.1	4.4
North East	6.3	5.7	5.3
Scotland/Wales/NI	5.4	3.4	4.9
Base: All respondents	(429)	(471)	(451)

Compared with the February 2004 survey, the proportion of respondents from London has decreased whilst the proportions from all other regions except the North West and the North East have risen.



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

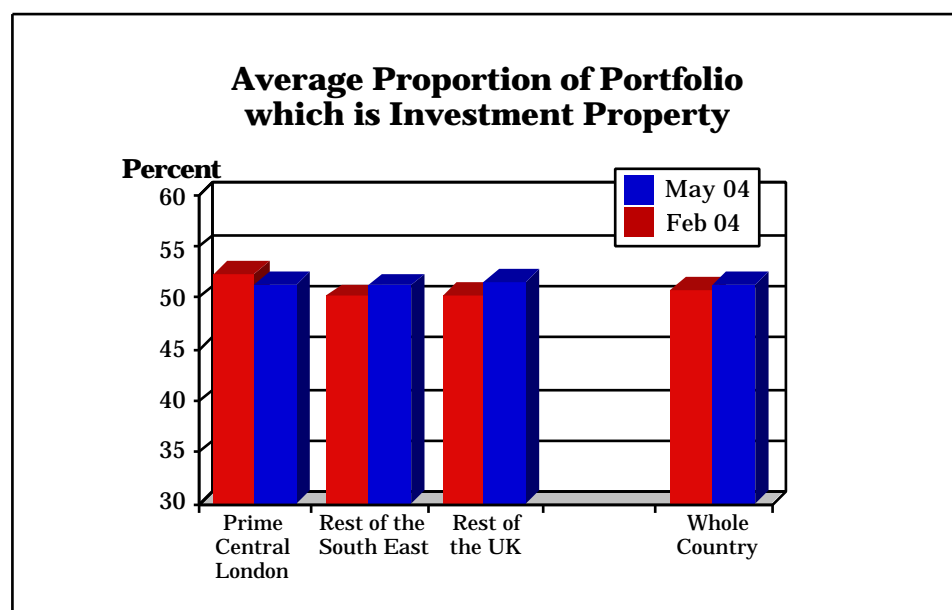
Most respondents' (84%) said that more than a quarter of their portfolio is investment property with more than five out of ten (54%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for just 4% of offices.

Analysis of the responses to this question reveals that, on average, investment properties account for 51.3% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	-	-	-
Up to 10%	5.8	3.3	4.3	4.2
11% to 25%	12.5	9.3	11.0	10.6
26% to 50%	26.0	31.1	31.1	29.9
51% to 75%	30.8	36.6	32.9	33.9
Over 75%	24.0	18.0	20.7	20.4
Not stated	1.0	1.6	-	0.9
Base: All respondents	(104)	(183)	(164)	(451)

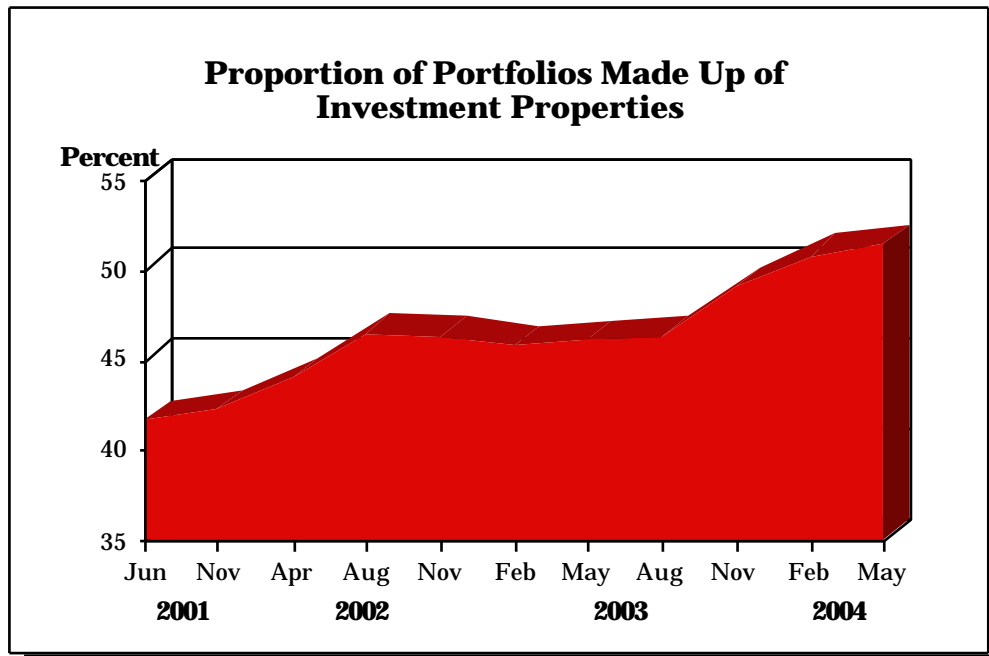
There is virtually no difference between the average proportions for Prime Central London and the rest of the country with the averages being 51.3% in the case of Prime Central London compared to 51.2% for the Rest of the South East and 51.5% for the Rest of the UK.

Compared with the last survey in February, the average proportion of portfolios which are in the form of investment property has risen very slightly from 50.7% to 51.3%.



Geographic Region	Average Proportion of Portfolio (%)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	49.4	53.5	52.3	51.3
South East	44.8	49.2	50.0	51.2
Rest of UK	45.5	47.0	50.3	51.5
All Regions	46.2	49.0	50.7	51.3
Base: All respondents	(450)	(429)	(471)	(451)

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, is now on the increase although the results from this survey suggest that the figure may be about to level off again.



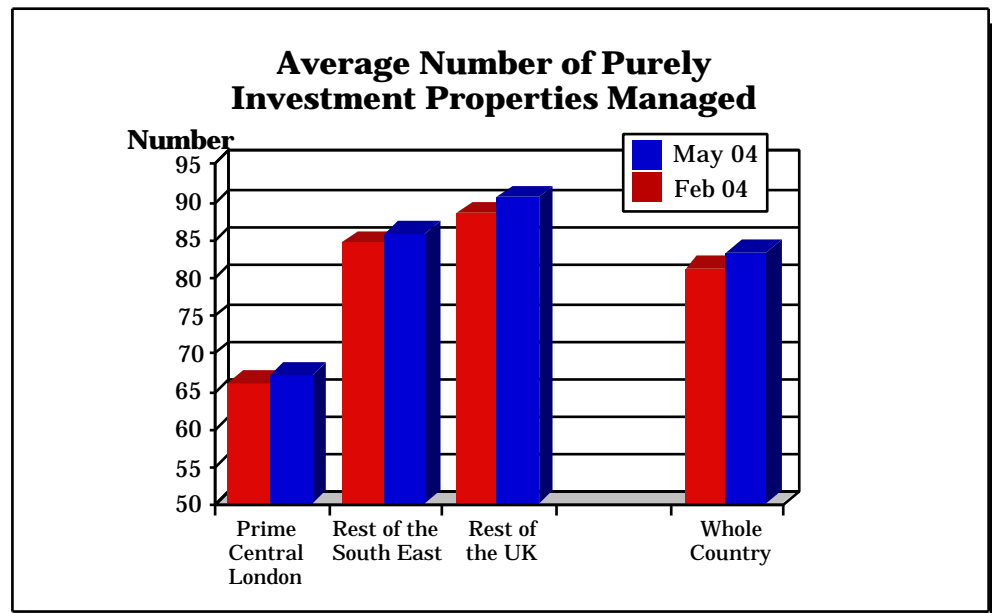
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with more than three out of ten (32%) saying that they manage over a hundred and nearly eight out of ten (78%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of properties managed by ARLA offices is currently 83.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	1.9	2.7	3.0	2.7
6 to 10	10.6	2.2	1.8	4.0
11 to 20	16.3	11.5	11.0	12.4
21 to 50	24.0	25.7	24.4	24.8
51 to 100	22.1	21.9	21.3	21.7
Over 100	22.1	33.3	36.6	31.9
Not stated	2.9	2.7	1.8	2.4
Base: All respondents	(104)	(183)	(164)	(451)

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 67 for Prime Central London, 86 for the Rest of the South East and 90 for the Rest of the UK.



Compared with the last survey in February, the average number of properties managed has risen from 81 to 83. The average figures for all of the broad regional areas rose with the biggest increase being for the Rest of the UK which saw its figure rise from 88 to 90 properties.

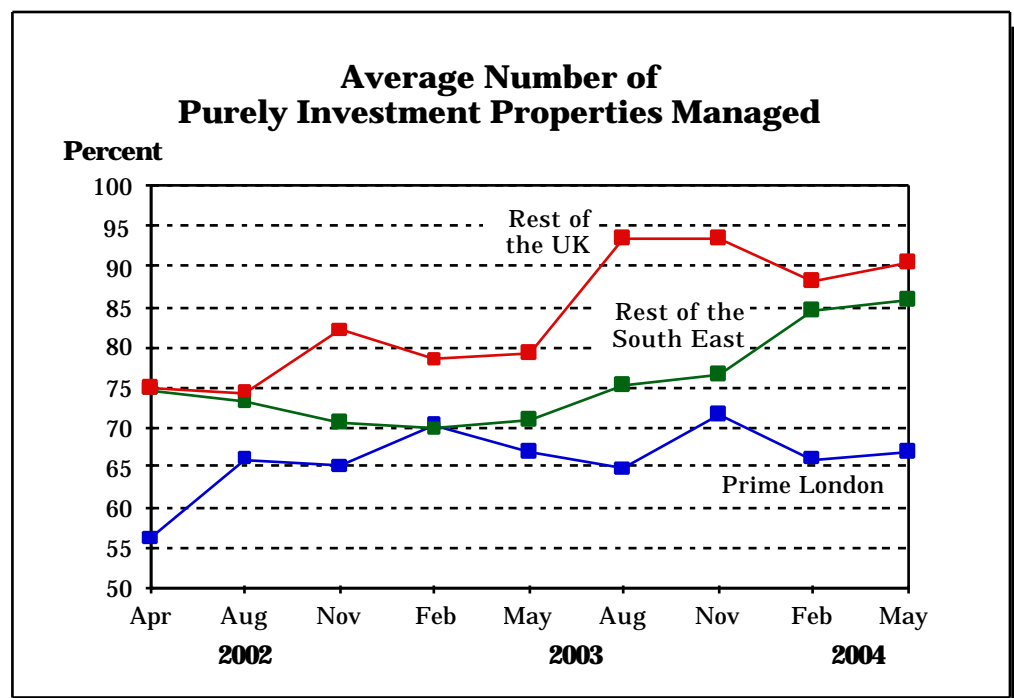
Geographic Region	Average Number of Properties (%)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	64.9	71.7	66.1	67.0
South East	75.4	76.5	84.5	85.7
Rest of UK	93.6	93.4	88.3	90.4
All Regions	78.2	82.5	81.1	83.1
Base: All respondents	(450)	(429)	(471)	(451)

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 90 properties now.

The average for the Rest of the South East has also shown a sharp upward trend over the last eighteen months, rising from an average of 70 properties to 86 properties.

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



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

Houses

Two thirds of respondents (66%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only a few ARLA offices (less than 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 £338,000.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	-	1.2	0.4
£75,001 to £100,000	-	1.6	7.3	3.3
£100,001 to £150,000	1.9	10.4	31.7	16.2
£150,001 to £200,000	3.8	31.7	29.9	24.6
£200,001 to £350,000	15.4	36.1	20.1	25.5
£350,001 to £500,000	16.3	13.1	5.5	11.1
£500,001 to £750,000	22.1	4.4	0.6	7.1
Over £ 750,000	39.4	2.2	0.6	10.2
Not stated	1.0	0.5	3.0	1.6
Base: All respondents	(104)	(183)	(164)	(451)

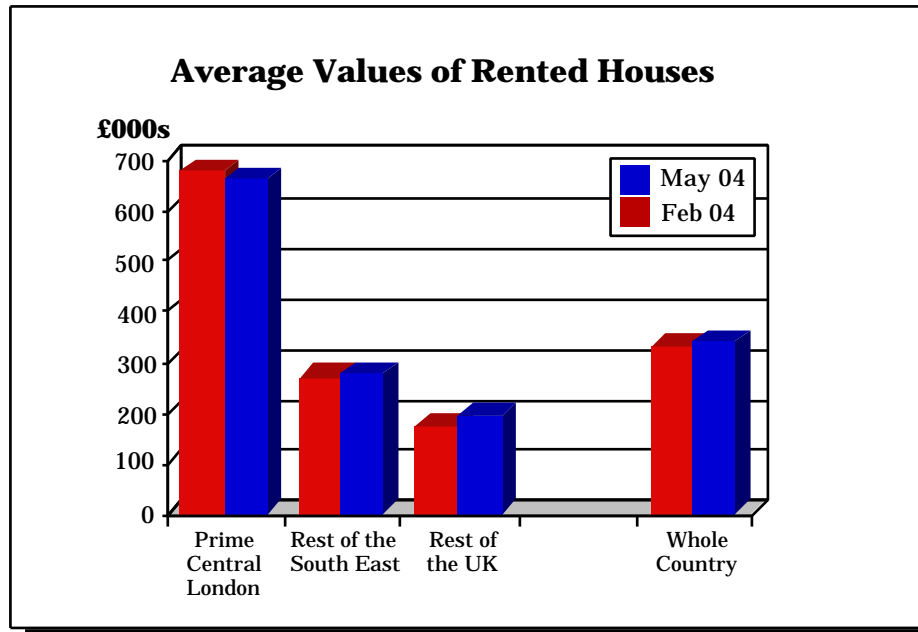
There are big differences between the values of rented houses in the different regional areas with the average for Prime Central London being almost two thirds of a million pounds (£659,700) compared with less than half that figure, £275,500, in the Rest of South East and just £193,400 in the Rest of the UK.

Compared with the last survey, the overall weighted average value of rented houses has increased by 2.0% from £331,300 to £338,000.

Geographic Region	Average Value of Rented Houses (000s)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	613.1	677.0	675.0	659.7
South East	253.1	270.0	268.0	275.5
Rest of UK	152.2	172.3	172.2	193.4
All Regions (weighted)	303.7	332.6	331.3	338.0
Base: All respondents	(450)	(429)	(471)	(451)

Within that overall change, 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 2.8% and that for the Rest of the UK by a whopping 12.3% (from £172,200 to £193,400).



Flats

Nearly two thirds of respondents (65%) said that the average value of a rented flat in their area was between £100,000 and £350,000, virtually the same figure as applied to houses. However, in the case of flats the figures were skewed towards the bottom end of that range whilst those for houses were skewed towards the top end.

Also, a higher proportion of ARLA offices amounting to one in twenty-five (4%) said the average value of a rented flat in their area was below £75,000 whilst less than 1% 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 £211,800.

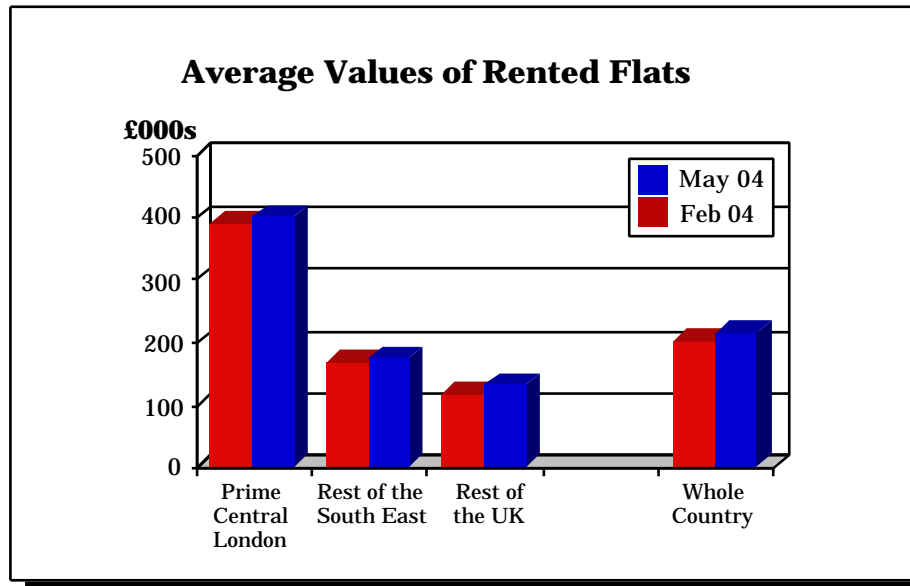
Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	1.6	9.1	4.0
£75,001 to £100,000	2.9	8.7	25.6	13.5
£100,001 to £150,000	4.8	35.5	34.8	28.2
£150,001 to £200,000	7.7	31.7	17.1	20.8
£200,001 to £350,000	30.8	14.2	7.3	15.5
£350,001 to £500,000	21.2	3.3	1.2	6.7
£500,001 to £750,000	24.0	0.5	-	5.8
Over £ 750,000	2.9	-	-	0.7
Not stated	5.8	4.4	4.9	4.9
Base: All respondents	(104)	(183)	(164)	(451)

As was the case 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 £398,600 compared with £172,300 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 increased quite substantially by 4.7% from £202,400 to £211,800.

Geographic Region	Average Value of Rented Flats (000s)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	344.6	381.5	390.2	398.6
South East	161.5	169.8	167.4	172.3
Rest of UK	105.7	120.0	115.9	132.1
All Regions (weighted)	185.7	202.7	202.4	211.8
Base: All respondents	(450)	(429)	(471)	(451)

Within that overall change, the average value of rented flats in Prime Central London has increased by 2.2% whilst the average for the Rest of the South East has increased by 2.9% and the average for the Rest of the UK by 14.0%.



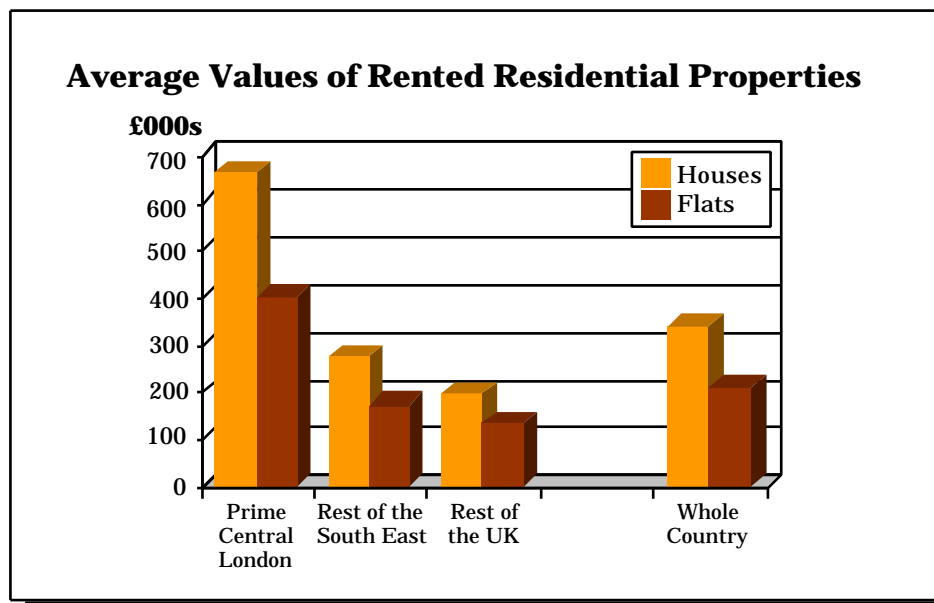
Summary

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 more than half as much again as that for flats.

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

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	659.7	398.6
South East	275.5	172.3
Rest of UK	193.4	132.1
All Regions (weighted)	338.0	211.8

Base: All respondents (451)



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

Houses

According to ARLA members' offices, a rental return of between 4% and 6% is the norm for rented houses with more than seven out of ten respondents (72%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented houses of 5.1%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	19.2	6.6	4.9	8.9
4% to 5%	54.8	59.0	52.4	55.7
6%	9.6	16.4	20.7	16.4
7%	1.9	5.5	7.3	5.3
8%	6.7	3.3	3.0	4.0
9% to 10%	1.9	2.7	4.9	3.3
11% to 12%	-	0.5	0.6	0.4
12% to 15%	-	-	-	-
Over 15%	1.0	0.5	-	0.4
Not stated	4.8	5.5	6.1	5.5
Base: All respondents	(104)	(183)	(164)	(451)

There are substantial differences in rates of return as between the different geographical areas with the average for Prime Central London being 4.7% compared with 5.1% for the Rest of the South East and 5.3% elsewhere in the UK.

Geographic Region	Average Rental Return (%)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	4.8	4.6	4.6	4.7
South East	5.2	5.4	5.0	5.1
Rest of UK	5.9	6.1	5.6	5.3
All Regions (weighted)	5.3	5.4	5.1	5.1
Base: All respondents	(450)	(429)	(471)	(451)

Compared with three months ago, the average rental return on houses in Prime Central London has increased slightly as has the average for the Rest of the South East. However, the average for the Rest of the UK has fallen quite sharply from 5.6% to 5.3%.

Flats

A rental return of between 4% and 6% also appears to be the norm for rented flats with almost seven out of ten respondents (69%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented flats of 5.3%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	7.7	6.0	6.7	6.7
4% to 5%	57.7	52.5	40.9	49.4
6%	18.3	18.0	23.2	20.0
7%	2.9	6.6	7.9	6.2
8%	1.9	4.4	4.3	3.8
9% to 10%	3.8	1.6	4.9	3.3
11% to 12%	-	1.1	0.6	0.7
12% to 15%	-	-	-	-
Over 15%	1.0	0.5	-	0.4
Not stated	6.7	9.3	11.6	9.5
Base: All respondents	(104)	(183)	(164)	(451)

As with houses there is again some difference in rates of return for rented flats as between the different geographical areas with the average for Prime Central London being 5.1% compared with 5.3% for the Rest of the South East and 5.4% elsewhere in the UK.

Geographic Region	Average Rental Return (%)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	5.0	5.1	5.0	5.1
South East	5.4	5.5	5.3	5.3
Rest of UK	5.4	6.2	5.7	5.4
All Regions (weighted)	5.3	5.6	5.4	5.3
Base: All respondents	(450)	(429)	(471)	(451)

Compared with the last survey in February, the overall weighted average rental return on flats has fallen a little from 5.4% to 5.3%.

However, the average for Prime Central London rose slightly, from 5.0% to 5.1% whilst that for the Rest of the South East remained unchanged at 5.3% and that for the Rest of the UK fell, again quite sharply, from 5.7% to 5.4%.

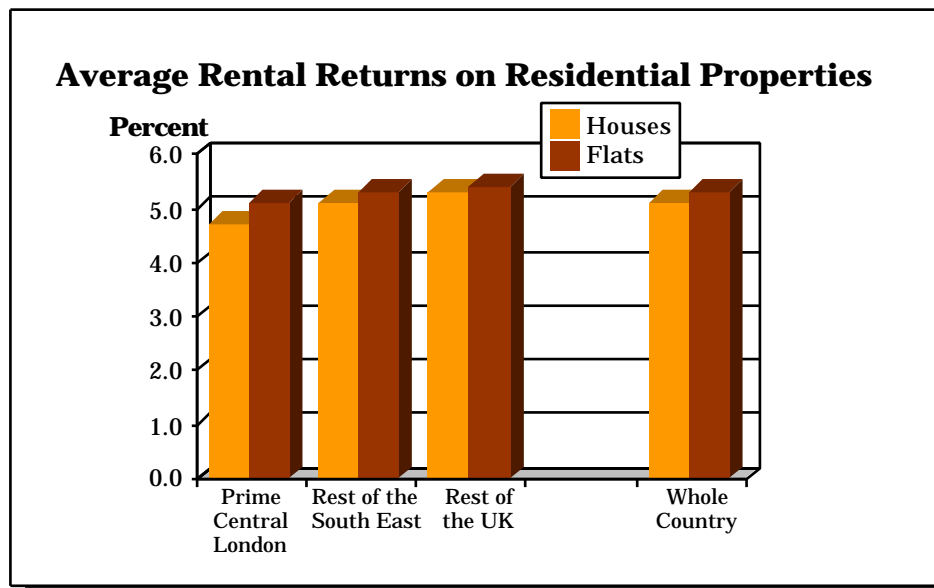
Summary

Whilst average rental returns for both houses and flats are lower in Prime Central London than elsewhere in the UK and average rental returns being achieved on both houses and flats in the Rest of the South East are lower than those in the Rest of the UK, there has been some compression of the difference over the last three months which is almost certainly the result of the sharp increase in property values in the Rest of the UK.

Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	4.7	5.1
South East	5.1	5.3
Rest of UK	5.3	5.4
All Regions (weighted)	5.1	5.3

Base: All respondents (451)

Flats appear to earn a higher gross return than do houses with the average for flats being 5.3% compared with 5.1% for houses.



Average Rents

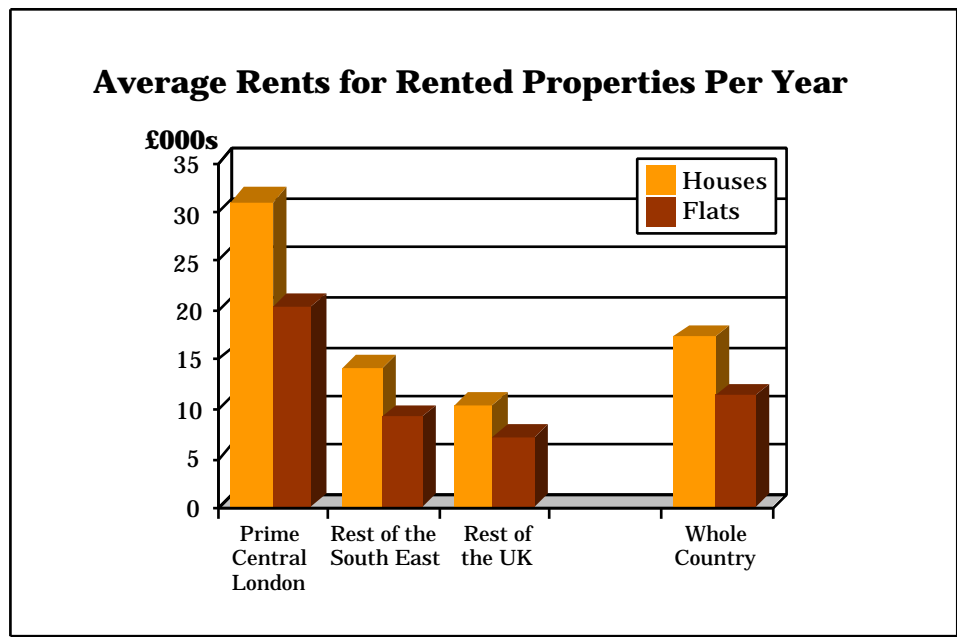
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	596	2,584	31.0	391	1,694	20.3
South East	270	1,171	14.1	176	761	9.1
Rest of UK	197	854	10.3	137	594	7.1
All Regions (weighted)	330	1,429	17.1	215	933	11.2

Base: All respondents (451)

In the case of both Prime Central London and the Rest of the South East, the average rent of a house is more than half as much again as the average rent for a flat.

Whilst there is also a marked difference in the Rest of the UK, the average house rent is only 44% 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 (22) being for Scotland, Wales and Northern Ireland.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	596	2,584	31.0	391	1,694	20.3
Rest of London	445	1,929	23.2	263	1,138	13.7
Rest of South East	248	1,077	12.9	161	697	8.4
South West	221	958	11.5	150	650	7.8
Midlands	181	783	9.4	123	534	6.4
North West	184	799	9.6	161	696	8.4
North East	178	773	9.3	123	532	6.4
Scotland/Wales/NI	171	740	8.9	117	509	6.1

Base: All respondents (451)

4.6 Average Void Period Per Year (Q.8)

Average void periods for rented residential properties tend to be quite short with nearly six out of ten ARLA members' offices (58%) reporting averages of 4 weeks or less per year and nearly a further three out of ten (29%) saying the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 4.2 weeks (29 days) per year.

Average Void Period	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 2 weeks	1.9	5.5	5.5	4.7
2 to 4 weeks	48.1	55.7	54.9	53.7
5 to 6 weeks	33.7	24.6	30.5	28.8
7 to 8 weeks	12.5	10.4	5.5	9.1
More than 8 weeks	3.8	1.6	2.4	2.4
Don't know	-	-	1.2	0.4
Not stated	-	2.2	-	0.9
Base: All respondents	(104)	(183)	(164)	(451)

Respondents with properties in Prime Central London experience a higher void rate than average at 4.7 weeks (33 days) per year.

The average void periods for the Rest of the South East and for the Rest of the UK are both 4.1 weeks (29 days) per year.

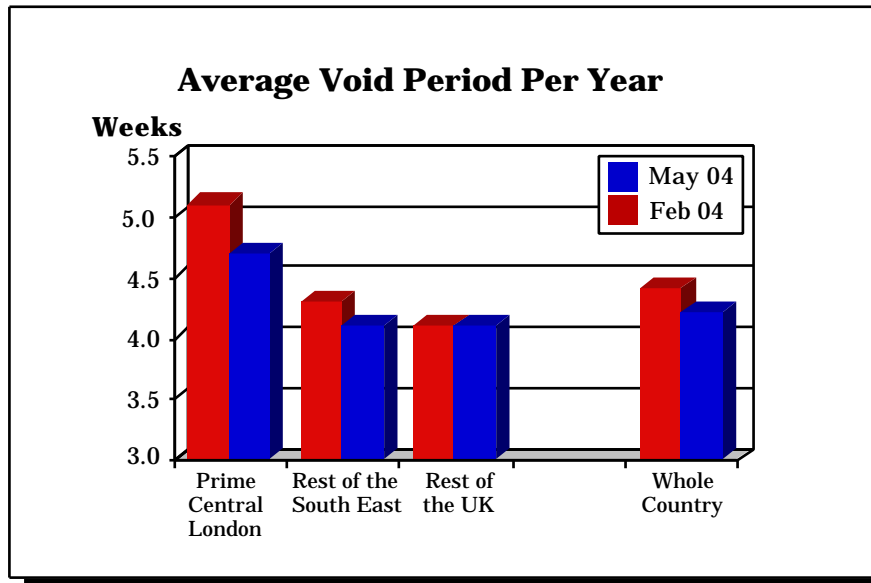
Compared with February the average void period for Prime Central London has again fallen substantially, this time from 5.1 weeks (36 days) to 4.7 weeks (33 days) and is now at it's lowest level since these surveys began three years ago.

The average figure for the Rest of the South East also fell, although not by as much as the average for Prime Central London, falling from 4.3 weeks (30 days) to 4.1 weeks (29 days).

The average for the Rest of the UK was unchanged at 4.1 weeks (29 days).

Geographic Region	Average Void Period (weeks)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	5.1	5.7	5.1	4.7
South East	4.0	4.2	4.3	4.1
Rest of UK	3.8	4.1	4.1	4.1
All Regions	4.2	4.4	4.4	4.2
Base: All respondents	(450)	(429)	(471)	(451)

The result of these changes was a reduction in the overall void period for the country as a whole from 4.4 weeks (31 days) to 4.2 weeks (29 days).



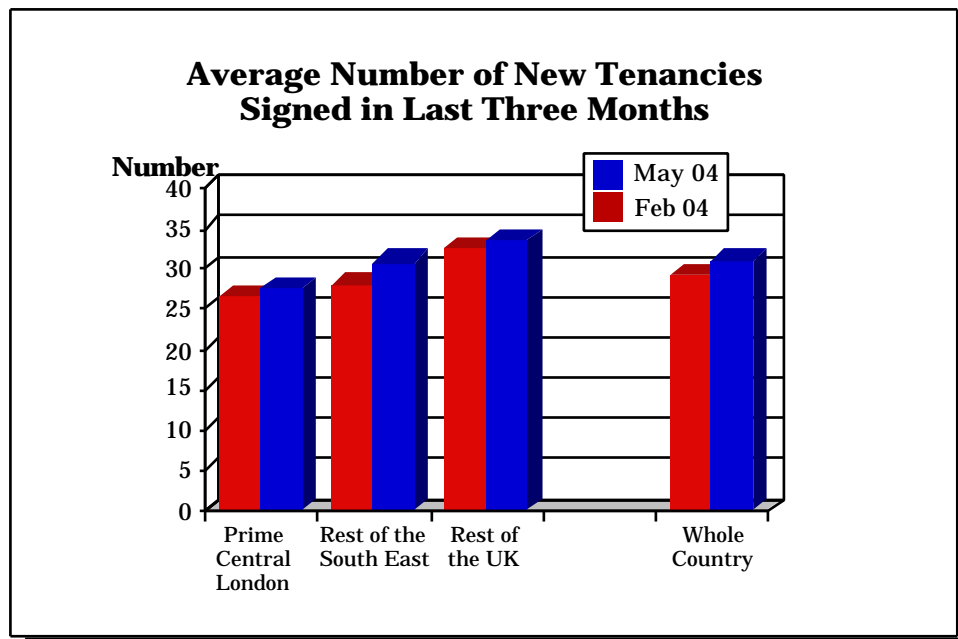
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

Six out of ten offices (60%) have signed up between 11 and 50 new tenancies (other than renewals) in the last three months with nearly a third (32%) having signed up between 21 and 50. However, nearly two out of ten respondents (18%) say their offices have 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 31 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	0.5	-	0.2
Up to 5	6.7	3.3	4.3	4.4
6 to 10	15.4	20.2	12.2	16.2
11 to 20	30.8	23.0	31.1	27.7
21 to 50	35.6	33.9	28.7	32.4
Over 50	11.5	17.5	23.2	18.2
Not stated	-	1.6	0.6	0.9
Base: All respondents	(104)	(183)	(164)	(451)

Offices managing properties in Prime Central London appear to have fared a little worse than those in the other two areas with the average figures being 27 for Prime Central London compared to 31 for the Rest of the South East and 34 for the Rest of the UK.



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

across the whole country but most noticeably in the Rest of the South East where the figure rose from 28 to 31.

Geographic Region	Number of New Tenancies			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	25.8	31.6	26.4	27.3
South East	28.6	29.5	28.0	30.7
Rest of UK	32.3	34.7	32.3	33.5
All Regions	29.0	31.8	29.1	30.9
Base: All respondents	(450)	(429)	(471)	(451)

4.8 Proportions of Different Property Types in Portfolios (Q.13)

This question sought to determine the composition of ARLA members' offices portfolios in terms of the types of properties of which they are comprised.

Summary

For the country as a whole, the most prevalent type of property held in the portfolios of ARLA members' offices appears to be purpose built flats with 16% saying that more than half of their properties are of this type compared with, at the other end of the scale, less than 1% saying that more than half of their properties are studio flats.

Proportion of Portfolio	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
NONE	14.0	9.1	5.1	10.0	4.7	27.9
Up to 10%	50.3	32.4	26.6	35.7	22.0	58.5
11% to 25%	20.8	36.8	35.5	22.0	28.2	6.0
26% to 50%	5.3	13.3	22.2	16.9	24.4	1.3
51% to 75%	2.2	2.4	3.8	8.0	10.2	0.2
76% to 90%	1.6	0.2	0.9	2.0	3.8	-
Over 90%	0.2	0.2	0.2	0.2	1.6	0.2
Don't know	2.4	2.4	2.7	2.2	2.2	2.2
Not stated	3.1	3.1	3.1	3.1	3.1	3.5

Base: All respondents (451)

The table and graph below show the calculated average proportion of each type of property included in the portfolios of ARLA members' offices for each of the three geographic areas as well as for the whole of the UK.

Geographic Region	Average Proportion of Portfolio (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	7.0	8.4	13.9	35.3	29.0	6.4
Rest of the South East	12.1	15.2	21.3	16.4	29.9	5.1
Rest of the UK	14.2	21.4	23.2	13.2	23.8	4.2
All regions	11.7	15.8	20.2	19.7	27.5	5.1

Base: All respondents (451)

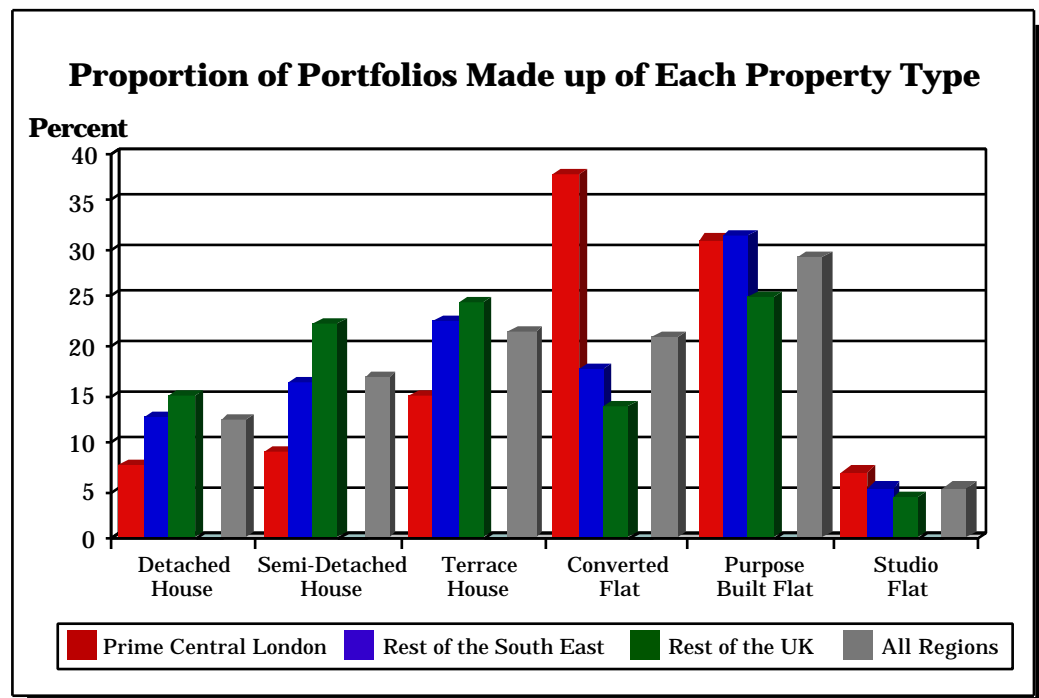
These figures confirm that the most popular type of property overall is purpose built flats (28%) followed by terraced houses and converted flats (20% each) with the least popular property type being studio flats (5%).

However, the picture in the different geographical areas varies quite considerably. Flats in converted houses and purpose built flats are,

by a wide margin, the most popular property types in Prime Central London (35% and 29% respectively), pushing terraced houses at only 15% into third place.

In the Rest of the South East, it is purpose built flats which predominate (30%) but terraced houses at 21% are the second most popular pushing flats in converted houses into third place with just 16%.

In the Rest of the UK, purpose built flats (24%) just edge terraced houses (23%) into second place and semi-detached houses (21%) into third place.



Looking at the proportions of houses of all types compared with the proportions of flats of all types shows that in Prime Central London the split is 29% houses and 71% flats compared with 59% houses and 41% flats, in the Rest of the UK, and more balanced proportions, 49% houses and 51% flats, in the Rest of the South East

The houses/flats split figures for Prime Central London are virtually unchanged compared with the February survey whilst those for the Rest of the South East a slight skew towards flats compared with a 50:50 split three months ago and those for the Rest of the UK show a slightly reduced skew towards houses.

4.9 Change in Achievable Rent Levels Over Last 6 Months (Q.14)

All Regions

In the case of each of the six listed property types, around a quarter of ARLA members' offices (between 21% and 28%) believe that achievable rent levels have increased over the last six months whilst around three out of ten, ranging from 27% to 35% in all cases other than studio flats (21%) believe they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.3	1.8	2.9	1.6	2.0	0.4
Increased a little	22.2	23.9	25.5	23.9	26.2	20.8
Stayed the same	32.6	38.1	39.9	36.8	33.3	37.9
Decreased a little	24.2	23.5	23.1	26.8	30.8	18.0
Decreased a lot	8.4	4.2	4.0	2.4	3.8	2.7
Don't know	7.1	4.4	0.9	4.2	1.1	12.4
Not stated	4.2	4.0	3.8	4.2	2.9	7.8

Base: All respondents (451)

These figures tend to suggest that, on average, achievable rent levels may have decreased slightly over the past six months.

Prime Central London

The situation in Prime Central London is clearly much more pessimistic than for the country as a whole with only between 12% and 18% of offices saying that achievable rent levels for each type of property have increased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.9	1.0	1.0	0.0	0.0	1.0
Increased a little	13.5	13.5	17.3	17.3	17.3	10.6
Stayed the same	19.2	27.9	35.6	40.4	36.5	44.2
Decreased a little	27.9	28.8	35.6	33.7	34.6	22.1
Decreased a lot	9.6	6.7	3.8	4.8	6.7	4.8
Don't know	22.1	15.4	1.0	1.0	3.8	12.5
Not stated	5.8	6.7	5.8	2.9	1.0	4.8

Base: All respondents (104)

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, a much higher proportion (between 27% and 41%) say they think rent levels have decreased.

Rest of the South East

With regard to the Rest of the South East, the picture is a little better with between 16% and 27% of respondents saying that achievable rent levels have increased compared with between 21% and 41% saying they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.1	0.5	1.6	0.5	1.6	0.5
Increased a little	15.3	20.8	21.3	21.9	25.1	21.9
Stayed the same	37.2	38.3	38.8	33.3	28.4	33.9
Decreased a little	28.4	31.1	29.0	33.3	38.3	18.6
Decreased a lot	10.9	4.4	4.9	1.6	2.2	2.7
Don't know	3.3	1.6	1.1	4.9	0.0	12.0
Not stated	3.8	3.3	3.3	4.4	4.4	10.4

Base: All respondents (183)

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

Rest of the UK

For the Rest of the UK, the outlook is much brighter with considerably more respondents saying that achievable rent levels have increased than say they have decreased.

Between 34% and 41% of offices say that achievable rent levels for each type of property (other than studio flats at 26%) have increased whilst only between 12% and 24% believe rent levels have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.2	3.7	5.5	3.7	3.7	0.0
Increased a little	35.4	34.1	35.4	30.5	32.9	26.2
Stayed the same	36.0	44.5	43.9	38.4	36.6	38.4
Decreased a little	17.1	11.6	8.5	15.2	20.1	14.6
Decreased a lot	4.9	2.4	3.0	1.8	3.7	1.2
Don't know	1.8	0.6	0.6	5.5	0.6	12.8
Not stated	3.7	3.0	3.0	4.9	2.4	6.7

Base: All respondents (164)

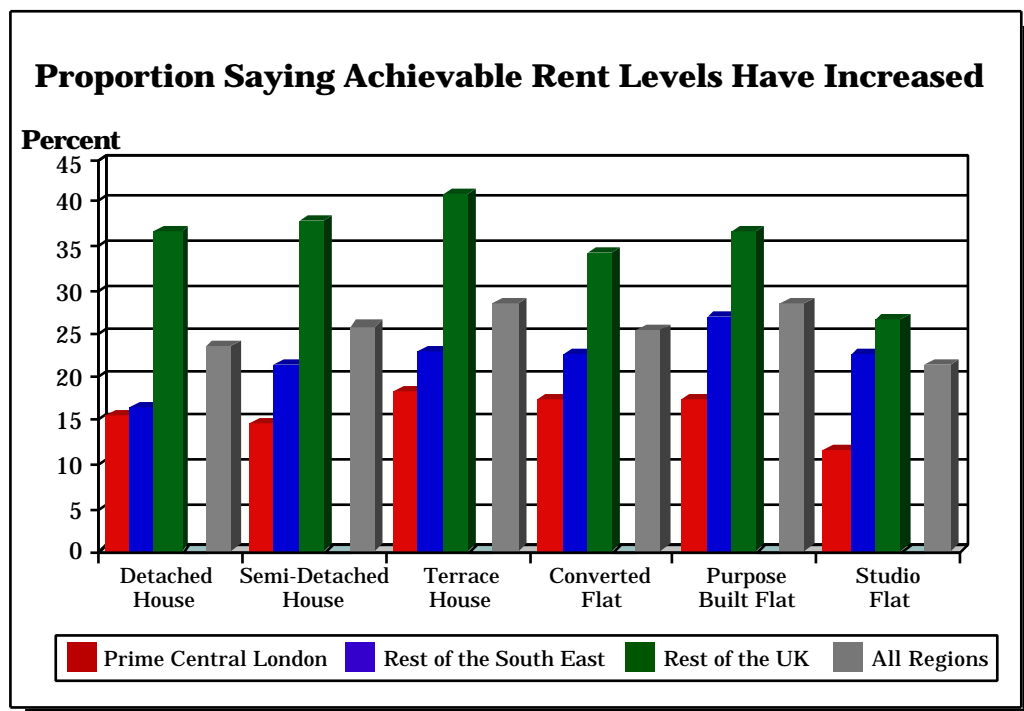
It appears from these figures that achievable rent levels in the Rest of the UK have increased over the last six months.

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	15.4	14.4	18.3	17.3	17.3	11.5
Rest of the South East	16.4	21.3	23.0	22.4	26.8	22.4
Rest of the UK	36.6	37.8	40.9	34.1	36.6	26.2
All regions	23.5	25.7	28.4	25.5	28.2	21.3

Base: All respondents (451)



Compared with three months ago, there has clearly been a big improvement in Prime Central London where the average proportion of respondents saying achievable rents across all property types have increased has doubled from 8% to 16%.

Whilst there has also been some improvement for the rest of the South East and the Rest of the UK, the increases in their averages (from 20% to 22% and from 34% to 35% respectively) are quite small, suggesting that the position outside Prime Central London has remained broadly stable over the last three months.

4.10 Balance of Supply & Demand in Rented Residential Property Sector (Q.15)

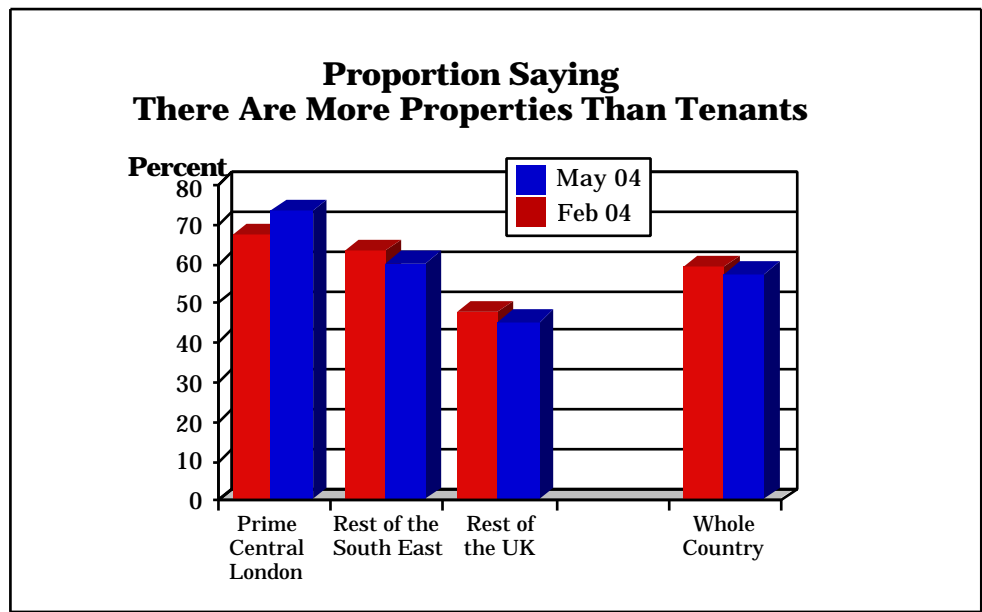
Almost six out of ten ARLA members' offices (57%) believe that there are more rented residential properties available than there are tenants to fill them.

More than two out of ten (21%) believe that supply of, and demand for, rented residential properties is in balance whilst 20% say that there are more tenants than there are properties available for them.

These figures suggest that, both overall and for each geographical area, there are more properties available than there are tenants to fill them.

Balance of Supply and Demand	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Lot more props than tenants	31.7	27.9	19.5	25.7
Few more props than tenants	41.3	31.7	25.6	31.7
Equal nos of props & tenants	14.4	23.0	23.2	21.1
Lot more tenants than props	4.8	8.7	16.5	10.6
Few more tenants than props	7.7	7.1	13.4	9.5
Not stated	-	1.6	1.8	1.3
Base: All respondents	(104)	(183)	(164)	(451)

However, there is clearly a much more severe situation of over supply in the south of the country with 73% of respondents managing properties in Prime Central London saying there are more properties than tenants and 60% of those in the Rest of the South East saying so compared with just 45% for the Rest of the UK.



Overall, 57% of respondents to this survey said there were more properties than tenants compared with a figure of 59% in February, suggesting that situation with regard to the balance of supply and demand has improved slightly over the last three months.

Geographic Region	Proportion Saying There Are More Properties than Tenants (%)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	77.4	87.7	67.2	73.0
South East	55.0	70.7	62.9	59.6
Rest of UK	37.2	47.6	47.5	45.1
All Regions	55.3	64.4	58.8	57.4
Base: All respondents	(450)	(429)	(471)	(451)

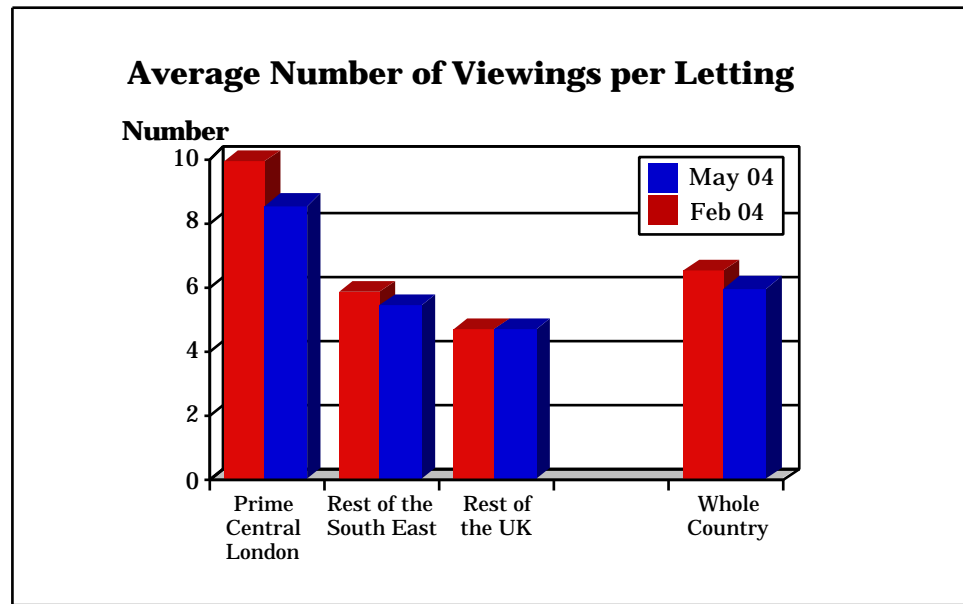
4.11 Number of Viewings Per Letting (Q.16)

More than four out of ten ARLA members' offices (43%) have to deal with an average of 4 or 5 viewings of a property before it is let and for more than a third (35%), 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	-	1.6	0.6	0.9
2 or 3	6.7	19.1	28.7	19.7
4 or 5	24.0	50.3	47.6	43.2
6 to 10	48.1	24.6	20.7	28.6
11 to 20	20.2	2.2	0.6	5.8
Over 20	1.0	1.1	-	0.7
Not stated	-	1.1	1.8	1.1
Base: All respondents	(104)	(183)	(164)	(451)

On average, ARLA members in Prime Central London have to show nearly twice as many prospective tenants round a property (8.5) before it is let as do their counterparts in the Rest of the South East (5.4) or the Rest of the UK (4.7).



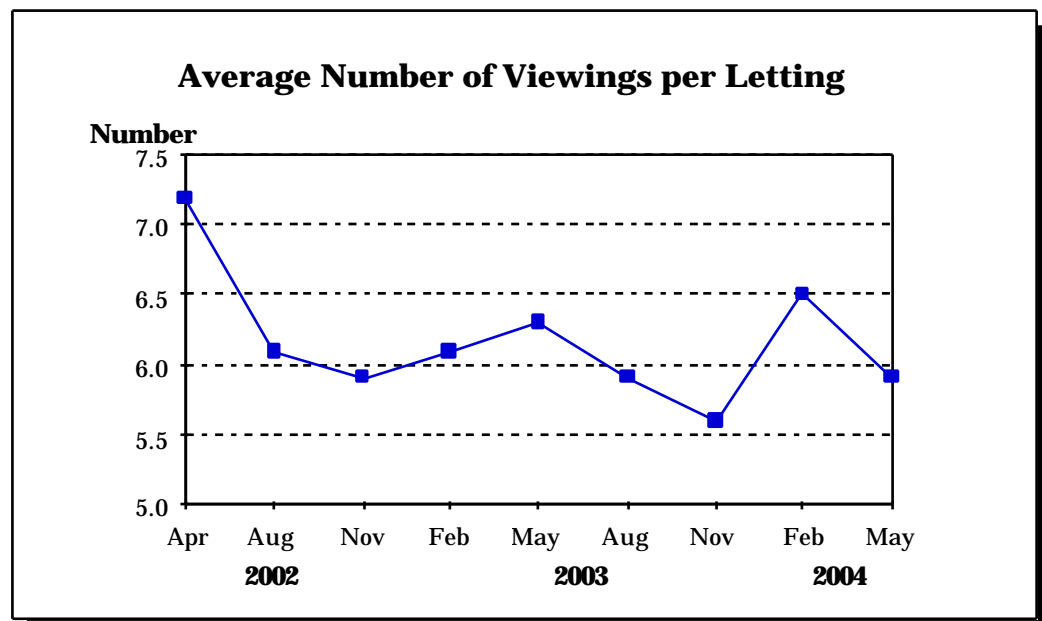
Compared with the February survey, the overall average number of viewings per letting is down from 6.5 to 5.9.

Within this overall change, the average number for Prime Central London properties has decreased from 9.9 to 8.5 and the figure for the

Rest of the South East has fallen from 5.8 to 5.4 whilst that for the Rest of the UK is unchanged at 4.7 viewings per letting.

Geographic Region	Average Number of Viewings per Letting (%)			
	Aug 03	Nov 03	Feb 04	May 04
Prime Central London	9.1	9.3	9.9	8.5
South East	5.3	5.4	5.8	5.4
Rest of UK	4.3	4.4	4.7	4.7
All Regions	5.9	5.6	6.5	5.9
Base: All respondents	(450)	(429)	(471)	(451)

As the chart below shows, the overall average number of viewings per letting increased sharply in the first quarter of this year after a period during which it fell from 7.2 to 5.6, suggesting that it had become more difficult to secure new tenants. Although the average figure for this survey is well down on the figure three months ago, it is still higher than it was six months ago.



Looking at the figures over the last three years, apart from the big drop seen in August 2002, the figure, whilst fluctuating from quarter to quarter has remained fairly stable at around 6 viewings per letting.