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 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 1498 letting offices of ARLA members in May 2005 and 489 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 although values in Prime Central London and the Rest of the South East showed small falls of 0.2% and 0.5% respectively whilst values in the Rest of the UK rose by 2.3%. Over the same period the average value of rented flats rose throughout the country, by 2.7% overall, but most of this increase was the result of a 6.5% rise in the Rest of the UK and a 3.5% rise in the Rest of the South East with flat prices in Prime Central London rising by only 0.2%.

- The average weighted rental return on a rented house has risen from 4.9% to 5.1% compared with February whilst the average rental return on a rented flat is up from 5.2% to 5.3%. Within this change, there has been a noticeable improvement in the average rental returns available in the Rest of the UK for both houses and flats with those in Prime Central London and the Rest of the South East remaining largely stable.

- Alongside the rise in average rental returns noted above, on balance ARLA members report increased achievable rent levels over the last six months throughout the country but particularly in the Rest of the UK.

- The average void period has fallen from 28 days to 27 days compared with the first quarter of 2005 with Prime Central London showed the largest decrease in void periods and the Rest of the UK actually seeing a rise in average void periods.

- The average number of purely investment properties which are managed by ARLA members' offices is unchanged from three months ago at 81 properties.

- Over a third (37%) of all ARLA offices report more tenants than properties available for them, a figure which is yet again a new record since this question was first asked three years ago, surpassing the previous record of 33% recorded three months ago and suggesting a substantial strengthening of demand for rented properties.

- The average number of new tenancies signed up in the second quarter of 2005 was 30, up from 29 in the first quarter of the year.

- ARLA members' offices find they are now showing an average of 5.6 prospective tenants round a property before it is let, a figure which is down from 5.9 three months ago.

- The average proportion of ARLA members' offices' portfolios which are made up of investment property, at 49%, is down marginally compared with 50% in the first quarter of 2005.

- ARLA members believe that, whilst most residential landlords continue to mark 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 second 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.

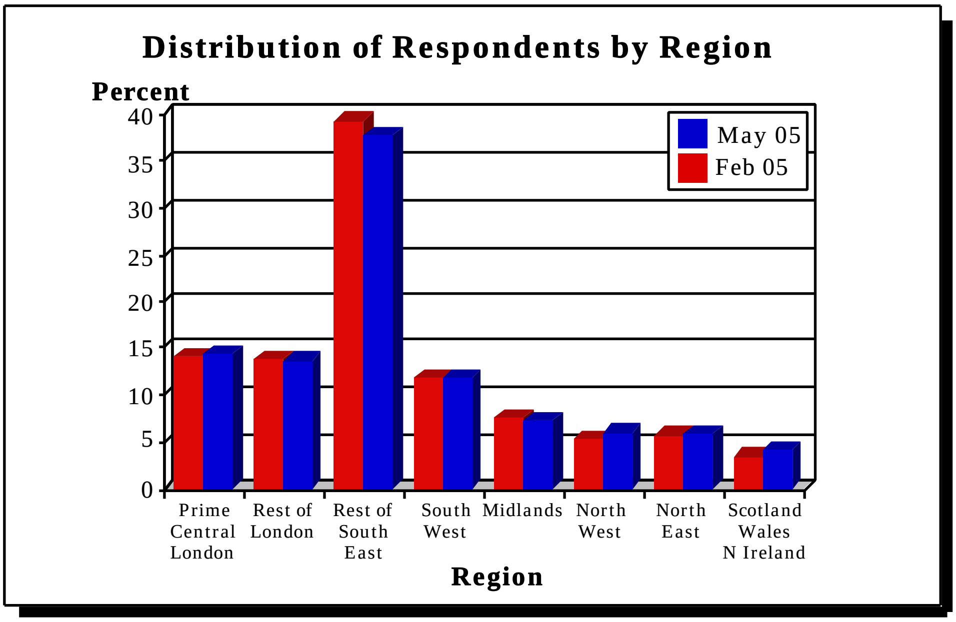
### 4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for nearly two thirds (65%) 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 (%)** | | |
|---|---|---|---|
| | **Nov 04** | **Feb 05** | **May 05** |
| Central London | 16.3 | 13.9 | 14.3 |
| Rest of London *(inside M25)* | 11.7 | 13.7 | 13.5 |
| South East *(excl. London)* | 37.7 | 39.2 | 37.6 |
| South West | 12.6 | 11.6 | 11.7 |
| Midlands | 6.8 | 7.4 | 7.2 |
| North West | 5.3 | 5.2 | 5.9 |
| North East | 5.6 | 5.6 | 5.7 |
| Scotland/Wales/NI | 4.1 | 3.4 | 4.1 |
| Base: All respondents | (486) | (502) | (489) |

Compared with the February 2005 survey, there has been little change in the regional breakdown of respondents although there were fewer respondents from the Rest of the South East and more from the North West and Scotland, Wales & Northern Ireland.



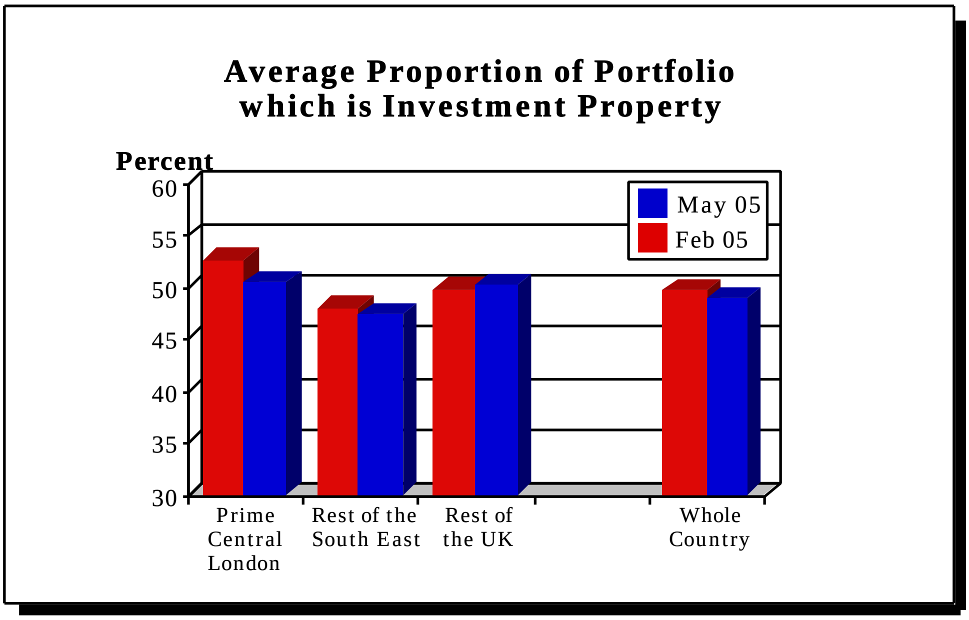
## 4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents' (83%) said that more than a quarter of their portfolio is investment property with more than five out of ten (51%) 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 (4.3%).

Analysis of the responses to this question reveals that, on average, investment properties account for 49% of ARLA member offices' portfolios.

| **Proportion of Portfolio** | **Percent of Respondents (%)** | | | |
|---|---|---|---|---|
| | **Prime London** | **Rest of SE** | **Rest of UK** | **All Regions** |
| None | - | - | 0.6 | 0.2 |
| Up to 10% | 2.8 | 4.7 | 4.1 | 4.1 |
| 11% to 25% | 15.0 | 10.3 | 11.8 | 11.9 |
| 26% to 50% | 26.2 | 38.0 | 30.2 | 32.7 |
| 51% to 75% | 38.3 | 36.6 | 33.7 | 36.0 |
| Over 75% | 16.8 | 9.9 | 18.9 | 14.5 |
| Not stated | 0.9 | 0.5 | 0.6 | 0.6 |
| Base: All respondents | (107) | (213) | (169) | (489) |

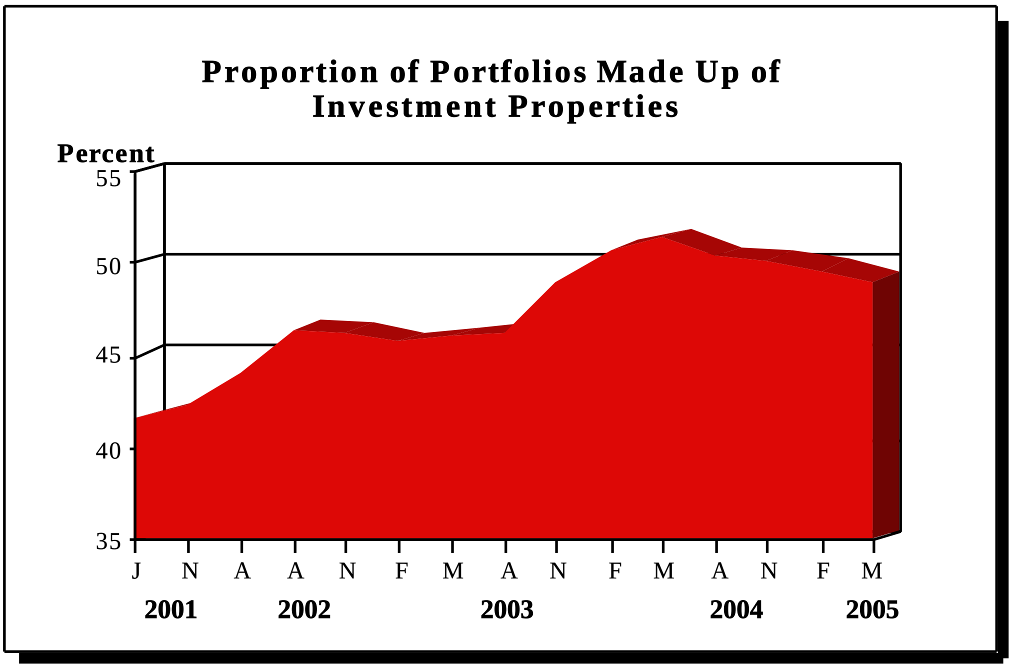
For offices in the Rest of the South East, investment properties appear to make up a smaller proportion of their portfolios with the average being 47% compared with 50% for those managing properties in Prime Central London and for the Rest of the UK.




Compared with the last survey in February, the average proportion of portfolios which are in the form of investment property is slightly down at 49% as a result mainly of a fall in the figures for Prime Central London from 53% to 50%.

| Geographic Region | Average Proportion of Portfolio (%) | | | |
|---|---|---|---|---|
| | Aug 04 | Nov 04 | Feb 05 | May 05 |
| Prime Central London | 54.5 | 52.3 | 52.5 | 50.4 |
| South East | 48.3 | 47.6 | 48.0 | 47.3 |
| Rest of UK | 49.6 | 51.6 | 49.7 | 50.3 |
| All Regions | 50.3 | 50.1 | 49.6 | 49.0 |
| Base: All respondents | (428) | (486) | (502) | (489) |

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 before levelling off again at the end of 2004 and the trend has since been for a slowly reducing proportion.



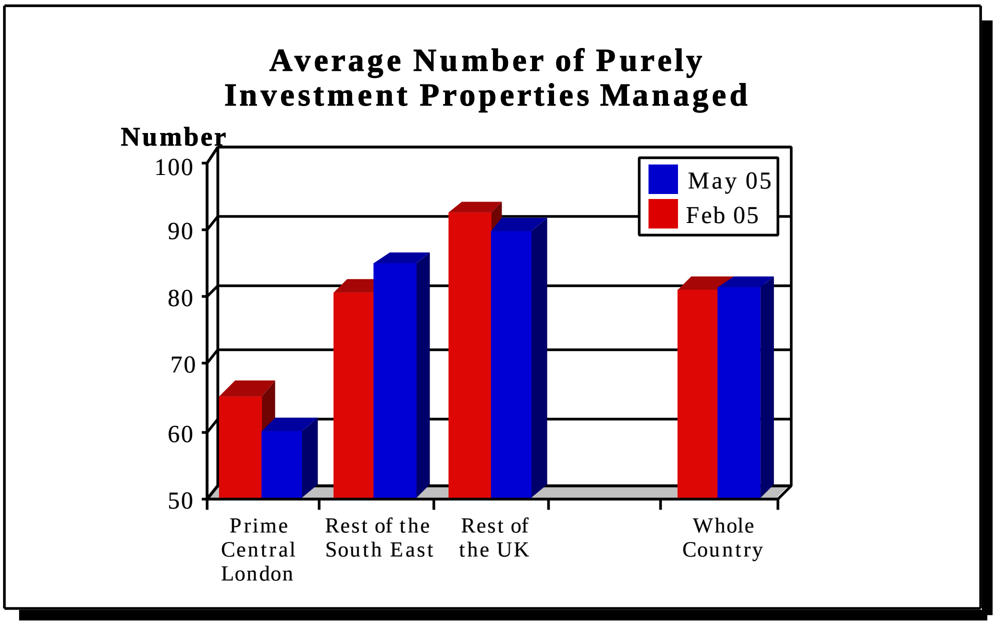
### 4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with nearly three out of ten (29%) 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 | 3.7 | 0.9 | 1.8 | 1.8 |
| 6 to 10 | 10.3 | 5.2 | 5.9 | 6.5 |
| 11 to 20 | 16.8 | 10.8 | 9.5 | 11.7 |
| 21 to 50 | 22.4 | 19.2 | 22.5 | 21.1 |
| 51 to 100 | 23.4 | 31.9 | 23.7 | 27.2 |
| Over 100 | 17.8 | 29.6 | 35.5 | 29.0 |
| Not stated | 5.6 | 2.3 | 1.2 | 2.7 |
| Base: All respondents | (107) | (213) | (169) | (489) |

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 60 for Prime Central London, 85 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 is unchanged at 81. However, within this, there has been a fall in the average for Prime Central London (from 65 to 60) and for the Rest of the UK (from 92 to 90), whilst there has been an increase in the average for the rest of the South East (from 80 to 85)

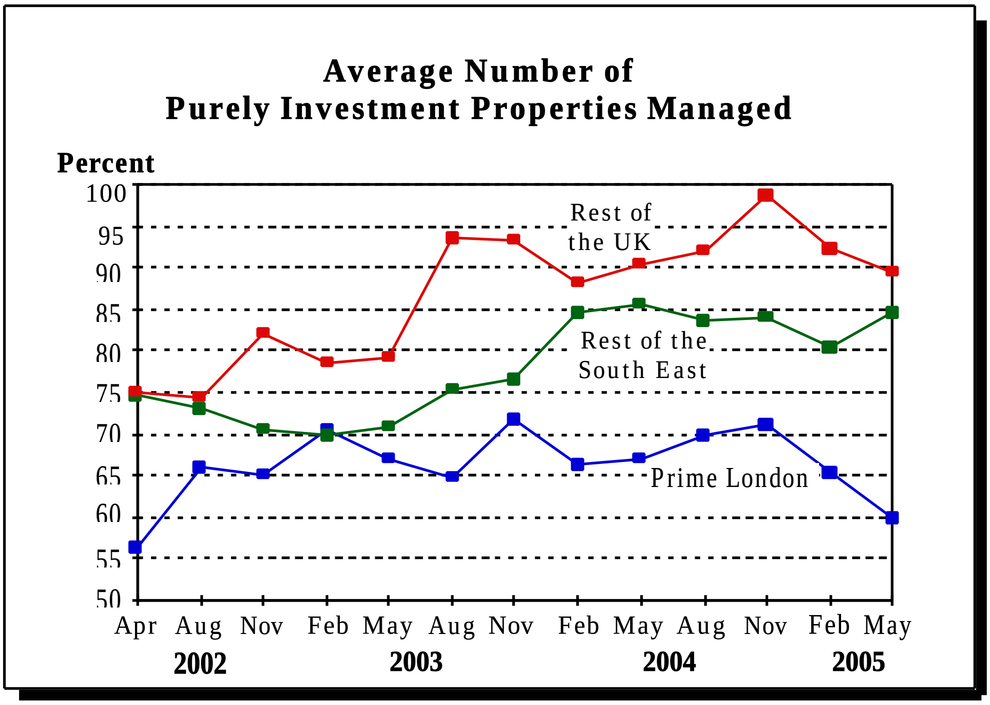
| Geographic Region | Average Number of Properties (%) Aug 04 | Nov 04 | Feb 05 | May 05 |
|---|---|---|---|---|
| Prime Central London | 69.6 | 71.0 | 65.2 | 59.8 |
| South East | 83.7 | 84.1 | 80.4 | 84.5 |
| Rest of UK | 92.1 | 98.6 | 92.2 | 89.7 |
| All Regions | 83.2 | 86.0 | 80.8 | 80.9 |
| Base: All respondents | (428) | (486) | (502) | (489) |

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 showed a sharp upward trend in 2003 before levelling off at between 80 and 85 properties.

For Prime Central London the figure has been relatively steady at an average of between 65 and 70 properties for some time but has now dropped to 60, its lowest level since April 2002.



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

### *Houses*

Almost seven out of ten respondents (69%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only a few ARLA offices (0.2%) 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 £338,100.

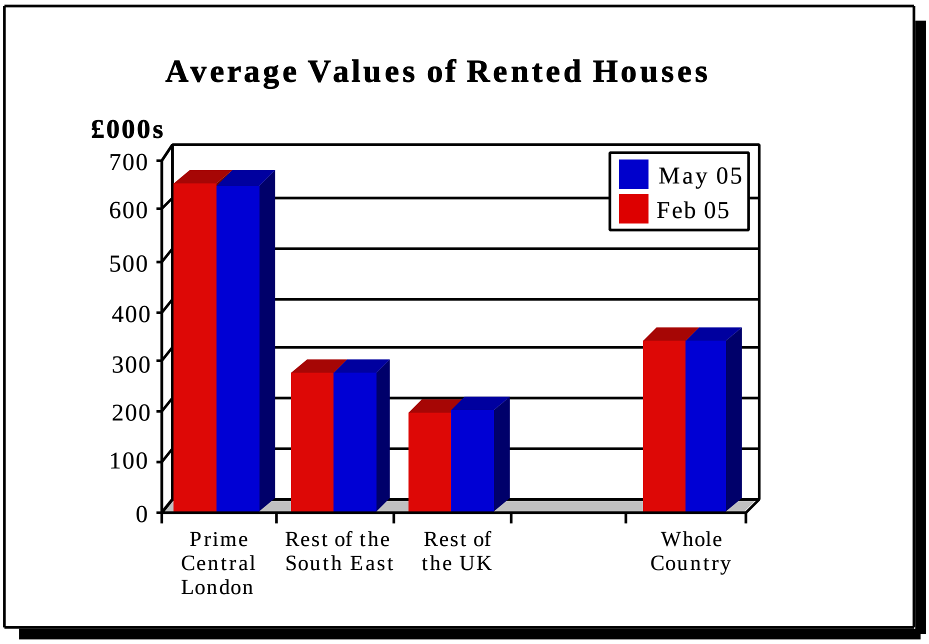
| **Average Value of Houses** | **Percent of Respondents (%)** | | | |
|---|---|---|---|---|
| | **Prime London** | **Rest of SE** | **Rest of UK** | **All Regions** |
| Up to £75,000 | 0.9 | - | - | 0.2 |
| £75,001 to £100,000 | - | 0.9 | 5.3 | 2.2 |
| £100,001 to £150,000 | - | 9.4 | 28.4 | 13.9 |
| £150,001 to £200,000 | 0.9 | 34.7 | 36.1 | 27.8 |
| £200,001 to £350,000 | 17.8 | 36.2 | 20.7 | 26.8 |
| £350,001 to £500,000 | 22.4 | 7.0 | 3.6 | 9.2 |
| £500,001 to £750,000 | 16.8 | 5.2 | 0.6 | 6.1 |
| Over £ 750,000 | 37.4 | 3.3 | 1.2 | 10.0 |
| Not stated | 3.7 | 3.3 | 4.1 | 3.7 |
| Base: All respondents | (107) | (213) | (169) | (489) |

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 (£649,500) compared with less than half that figure, £276,900, in the Rest of the South East and just £199,200 in the Rest of the UK.

Compared with the last survey, the overall weighted average value of rented houses is virtually unchanged at £338,100.

| **Geographic Region** | **Average Value of Rented Houses (000s)** | | | |
|---|---|---|---|---|
| | **Aug 04** | **Nov 04** | **Feb 05** | **May 05** |
| Prime Central London | 665.0 | 666.1 | 651.1 | 649.5 |
| South East | 294.9 | 274.4 | 278.4 | 276.9 |
| Rest of UK | 211.9 | 189.7 | 194.8 | 199.2 |
| All Regions (weighted) | 353.8 | 337.8 | 337.7 | 338.1 |
| Base: All respondents | (428) | (486) | (502) | (489) |

The average price of a house in Prime Central London has fallen by 0.2% whilst that for the Rest of the South East has fallen by 0.5%. However, in contrast, the average price for the Rest of the UK has risen by 2.3%.


Average Values of Rented Houses
£000s
700
600
500
400
300
200
100
0
May 05
Feb 05
Prime Central London
Rest of the South East
Rest of the UK
Whole Country

### *Flats*

Two thirds of respondents (67%) 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% 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 £216,000.

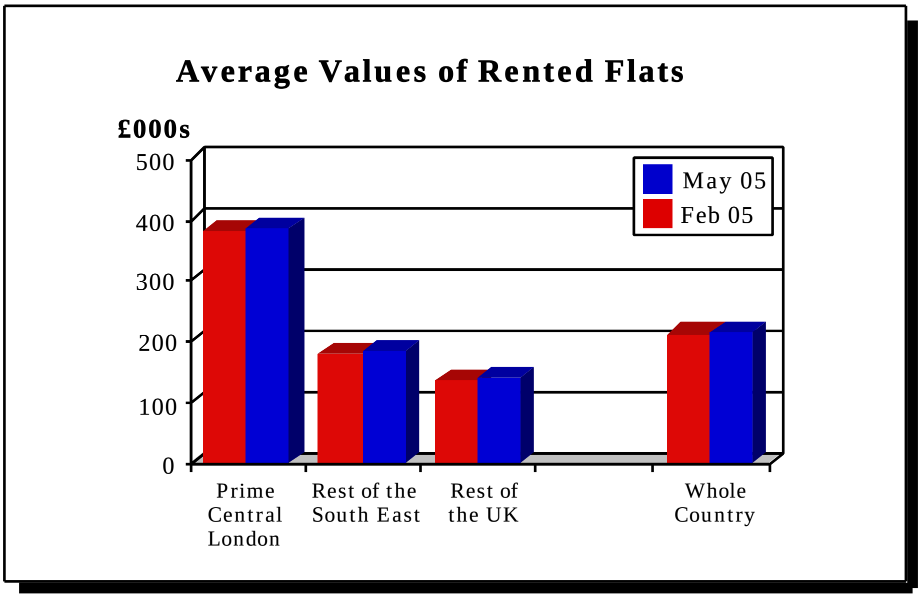
| **Average Value of Flats** | **Percent of Respondents (%)** | | | |
|---|---|---|---|---|
| | **Prime London** | **Rest of SE** | **Rest of UK** | **All Regions** |
| Up to £75,000 | 0.9 | 2.3 | 5.3 | 3.1 |
| £75,001 to £100,000 | - | 5.2 | 20.1 | 9.2 |
| £100,001 to £150,000 | 4.7 | 37.6 | 36.7 | 30.1 |
| £150,001 to £200,000 | 10.3 | 26.8 | 20.7 | 21.1 |
| £200,001 to £350,000 | 31.8 | 15.5 | 5.9 | 15.7 |
| £350,001 to £500,000 | 23.4 | 2.3 | 1.2 | 6.5 |
| £500,001 to £750,000 | 18.7 | 0.9 | 0.6 | 4.7 |
| Over £ 750,000 | 2.8 | 0.9 | - | 1.0 |
| Not stated | 7.5 | 8.5 | 9.5 | 8.6 |
| Base: All respondents | (107) | (213) | (169) | (489) |

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 £384,600 compared with £182,800 in the Rest of South East and £140,700 in the Rest of the UK.

Compared with three months ago, the overall weighted average value of a rented flat has risen by 2.7% from £210,300 to £216,000.

| **Geographic Region** | **Average Value of Rented Flats (000s)** | | | |
|---|---|---|---|---|
| | **Aug 04** | **Nov 04** | **Feb 05** | **May 05** |
| Prime Central London | 398.8 | 400.1 | 383.8 | 384.6 |
| South East | 185.0 | 176.5 | 176.7 | 182.8 |
| Rest of UK | 142.8 | 131.0 | 132.1 | 140.7 |
| All Regions (weighted) | 220.9 | 213.6 | 210.3 | 216.0 |
| Base: All respondents | (428) | (486) | (502) | (489) |

Within that overall change, the average value of rented flats in Prime Central London has risen by 0.2% whilst the average for the Rest of the South East has risen by 3.5% and the average for the Rest of the UK by 6.5%.


Average Values of Rented Flats
£000s
500
400
300
200
100
0
May 05
Feb 05
Prime Central London
Rest of the South East
Rest of the UK
Whole Country

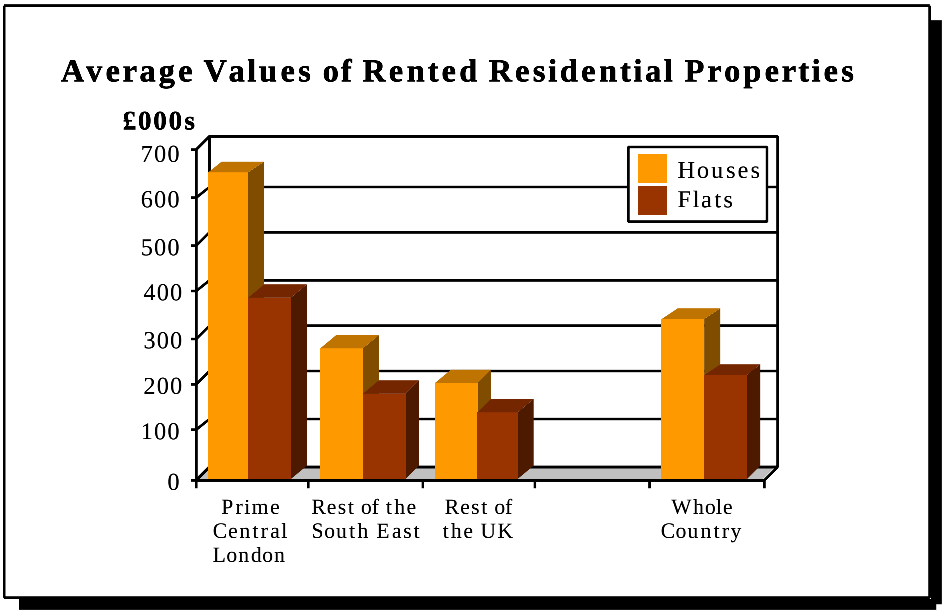
***Summary***

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 69% 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 (489)



## 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 half of respondents (50%) 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% | 13.1 | 13.1 | 10.7 | 12.3 |
| 4% to 5% | 56.1 | 50.2 | 46.7 | 50.3 |
| 6% | 13.1 | 17.4 | 18.3 | 16.8 |
| 7% | 3.7 | 7.0 | 5.9 | 5.9 |
| 8% | 2.8 | 1.9 | 3.6 | 2.7 |
| 9% to 10% | 1.9 | 1.4 | 3.0 | 2.0 |
| 11% to 12% | 1.9 | 1.4 | 1.2 | 1.4 |
| 12% to 15% | 0.9 | 0.0 | 0.6 | 0.4 |
| Over 15% | 0.0 | 0.5 | 1.2 | 0.6 |
| Not stated | 6.5 | 7.0 | 8.9 | 7.6 |
| Base: All respondents | (107) | (213) | (169) | (489) |

There is a differences in rates of return between the South East and the Rest of the UK, with the averages for Prime Central London and the Rest of the South East both being 4.9% compared with 5.3% elsewhere in the UK.

| **Geographic Region** | **Average Rental Return (%)** | | | |
|---|---|---|---|---|
| | **Aug 04** | **Nov 04** | **Feb 05** | **May 05** |
| Prime Central London | 4.7 | 4.6 | 4.8 | 4.9 |
| South East | 4.9 | 5.2 | 4.9 | 4.9 |
| Rest of UK | 5.2 | 5.1 | 5.1 | 5.3 |
| All Regions (weighted) | 5.0 | 5.0 | 4.9 | 5.1 |
| Base: All respondents | (428) | (486) | (502) | (489) |

Compared with three months ago, the average rental return on houses has risen from 4.9% to 5.1%.

Within this overall change, the average rental return on houses in Prime Central London has risen from 4.8% to 4.9%, whilst the average for the Rest of the South East is unchanged at 4.9% and the average for the Rest of the UK is up from 5.1% to 5.3%.

### *Flats*

A rental return of between 4% and 5% also appears to be the norm for rented flats with nearly half of respondents (48%) 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% | 4.7 | 10.8 | 8.3 | 8.6 |
| 4% to 5% | 58.9 | 46.5 | 43.2 | 48.1 |
| 6% | 14.0 | 19.7 | 19.5 | 18.4 |
| 7% | 5.6 | 6.1 | 7.1 | 6.3 |
| 8% | 3.7 | 2.8 | 5.9 | 4.1 |
| 9% to 10% | 1.9 | 2.8 | 3.0 | 2.7 |
| 11% to 12% | 1.9 | 0.5 | 1.8 | 1.2 |
| 12% to 15% | 0.9 | - | - | 0.2 |
| Over 15% | - | 0.5 | 1.2 | 0.6 |
| Not stated | 8.4 | 10.3 | 10.1 | 9.8 |
| Base: All respondents | (107) | (213) | (169) | (489) |

There are slight differences in the rates of return for rented flats between the different geographical areas, with the average for Prime Central London being 5.2%, that for the Rest of the South East being 5.1% and the average for the Rest of the UK being 5.5%.

| **Geographic Region** | **Average Rental Return (%)** | | | |
|---|---|---|---|---|
| | **Aug 04** | **Nov 04** | **Feb 05** | **May 05** |
| Prime Central London | 5.0 | 5.0 | 5.2 | 5.2 |
| South East | 5.2 | 5.4 | 5.2 | 5.1 |
| Rest of UK | 5.3 | 5.3 | 5.3 | 5.5 |
| All Regions (weighted) | 5.2 | 5.3 | 5.2 | 5.3 |
| Base: All respondents | (428) | (486) | (502) | (489) |

Compared with the last survey in February, the overall weighted average rental return on flats has risen a little from 5.2% to 5.3%, and this is the result of a rise from 5.3% to 5.5% for the Rest of the UK outweighing the decreased average for the Rest of the South East (down from 5.2% to 5.1%) and the stable situation in Prime Central London.

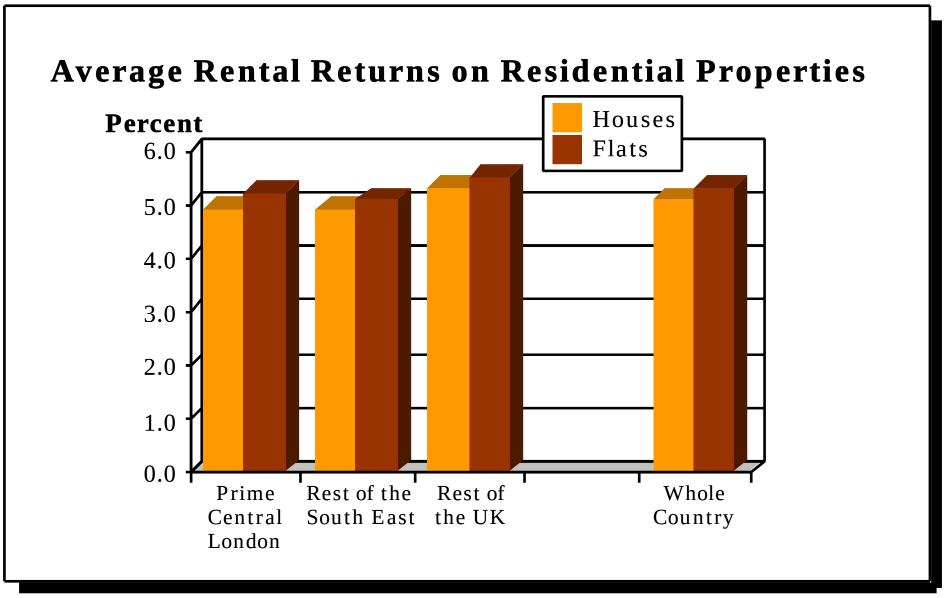
***Summary***

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

| Geographic Region | Average Rental Return (%) Houses | Flats |
|---|---|---|
| Prime Central London | 4.9 | 5.2 |
| South East | 4.9 | 5.1 |
| Rest of UK | 5.3 | 5.5 |
| All Regions (weighted) | 5.1 | 5.3 |

Base: All respondents (489)

Overall, 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 and this better performance for flats applies across the whole country.



### *Average Rents*

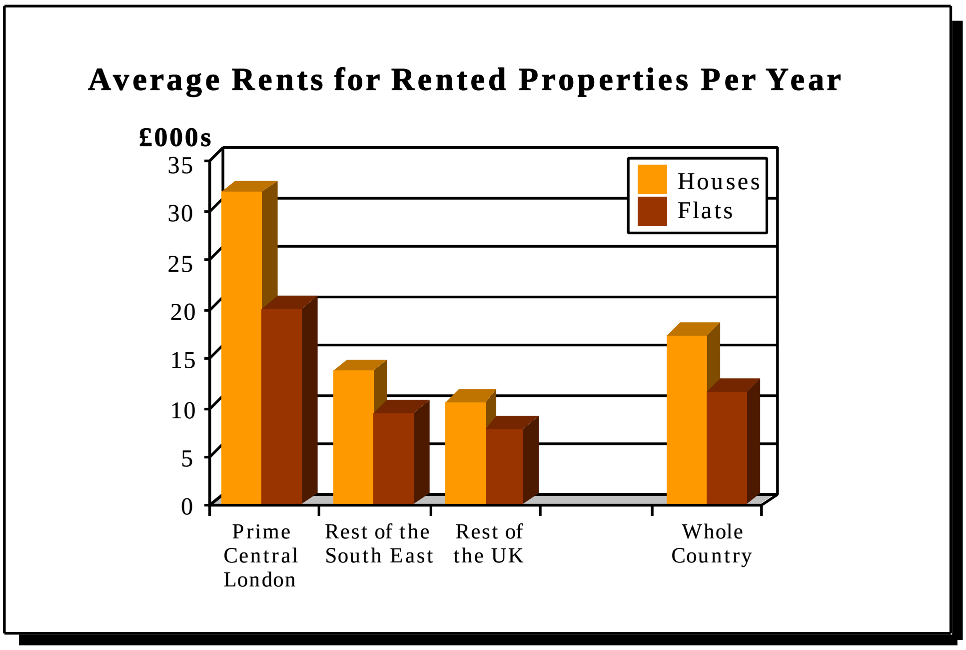
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

| **Geographic Region** | **Average Rents** | | | | | |
|---|---|---|---|---|---|---|
| | **HOUSES** | | | **FLATS** | | |
| | **Week (£)** | **Month (£)** | **Year (£000)** | **Week (£)** | **Month (£)** | **Year (£000)** |
| Prime Central London | 612 | 2,652 | 31.8 | 385 | 1,667 | 20.0 |
| South East | 261 | 1,131 | 13.6 | 179 | 777 | 9.3 |
| Rest of UK | 203 | 880 | 10.6 | 149 | 645 | 7.7 |
| All Regions (weighted) | 332 | 1,437 | 17.2 | 220 | 954 | 11.4 |

Base: All respondents (489)

In the case of Prime Central London the average rent of a house is more than half as much again (59%) 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 (46% and 36% 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 (20) being for Scotland, Wales and Northern Ireland.

| Geographic Region | Average Rents | | | | | |
|---|---|---|---|---|---|---|
| | HOUSES | | | FLATS | | |
| | Week (£) | Month (£) | Year (£000) | Week (£) | Month (£) | Year (£000) |
| Prime Central London | 612 | 2,652 | 31.8 | 385 | 1,667 | 20.0 |
| Rest of London | 341 | 1,478 | 17.7 | 315 | 1,366 | 16.4 |
| Rest of South East | 233 | 1,011 | 12.1 | 157 | 682 | 8.2 |
| South West | 239 | 1,037 | 12.4 | 168 | 727 | 8.7 |
| Midlands | 183 | 794 | 9.5 | 127 | 550 | 6.6 |
| North West | 198 | 859 | 10.3 | 165 | 715 | 8.6 |
| North East | 191 | 827 | 9.9 | 153 | 661 | 7.9 |
| Scotland/Wales/NI | 153 | 664 | 8.0 | 120 | 522 | 6.3 |

Base: All respondents (489)

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

Average void periods for rented residential properties tend to be quite short with nearly two thirds of ARLA members' offices (64%) 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 3.9 weeks (27 days) per year.

| Average Void Period | Percent of Respondents (%) | | | |
|---|---|---|---|---|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Less than 2 weeks | 8.4 | 9.9 | 7.7 | 8.8 |
| 2 to 4 weeks | 44.9 | 58.7 | 58.6 | 55.6 |
| 5 to 6 weeks | 35.5 | 23.0 | 27.2 | 27.2 |
| 7 to 8 weeks | 7.5 | 8.0 | 3.0 | 6.1 |
| More than 8 weeks | 1.9 | - | 1.8 | 1.0 |
| Don't know | 1.9 | 0.5 | 1.8 | 1.2 |
| Not stated | - | - | - | - |
| Base: All respondents | (107) | (213) | (169) | (489) |

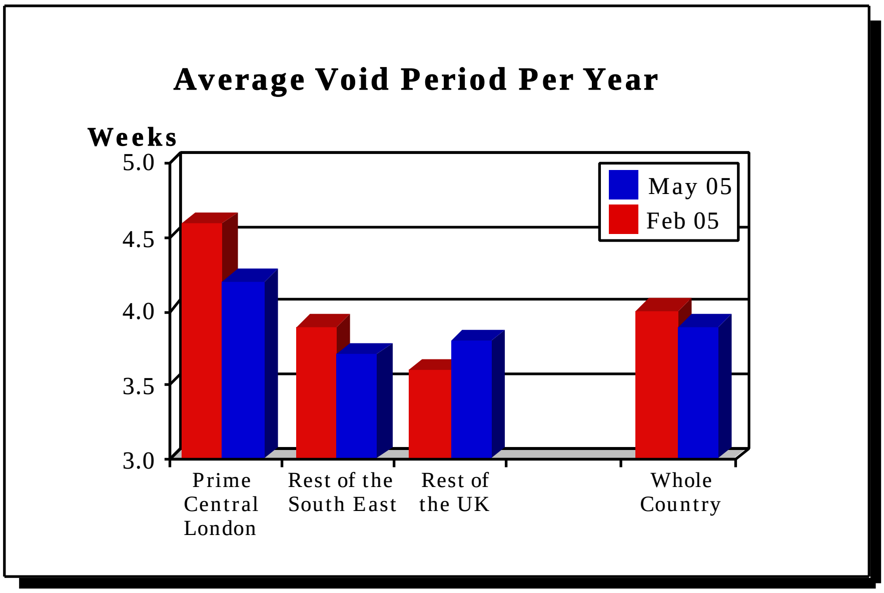
Respondents with properties in Prime Central London experience a higher void rate than average at 4.2 weeks (29 days) per year.

The average void period for the Rest of the South East is 3.7 weeks (26 days) and for the Rest of the UK is 3.8 weeks (27 days) per year.

Compared with February, the average void period for the country as a whole has fallen a little from 4.0 weeks (28 days) to 3.9 weeks (27 days).

| Geographic Region | Average Void Period (weeks) | | | |
|---|---|---|---|---|
| | Aug 04 | Nov 04 | Feb 05 | May 05 |
| Prime Central London | 5.1 | 4.9 | 4.6 | 4.2 |
| South East | 4.0 | 4.0 | 3.9 | 3.7 |
| Rest of UK | 3.8 | 3.8 | 3.6 | 3.8 |
| All Regions | 4.2 | 4.1 | 4.0 | 3.9 |
| Base: All respondents | (428) | (486) | (502) | (489) |

Within this overall change, the average void period for Prime Central London has fallen from 4.6 weeks (32 days) to 4.2 weeks (29 days) and the average figure for the Rest of the South East has fallen from 3.9 weeks (27 days) to 3.7 weeks (26 days). The figure for the Rest of the UK is up, from 3.6 weeks (25 days) to 3.8 weeks (27 days) per year.


Average Void Period Per Year
Weeks
5.0
4.5
4.0
3.5
3.0
May 05
Feb 05
Prime Central London
Rest of the South East
Rest of the UK
Whole Country

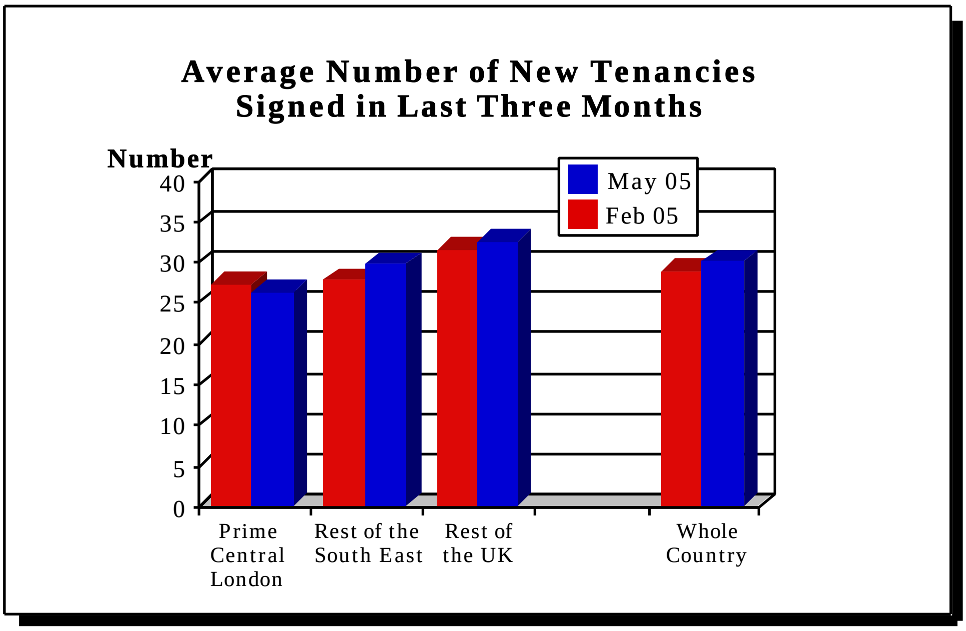
## 4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

More than half of ARLA members' offices (52%) have signed up more than 20 new tenancies (other than renewals) in the last three months with getting on for four out of ten (37%) having signed up between 21 and 50 and around one in seven (15%) 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 each signed up 30 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 | 8.4 | 6.1 | 5.3 | 6.3 |
| 6 to 10 | 10.3 | 14.1 | 11.8 | 12.5 |
| 11 to 20 | 31.8 | 28.6 | 27.2 | 28.8 |
| 21 to 50 | 42.1 | 35.7 | 34.3 | 36.6 |
| Over 50 | 7.5 | 15.5 | 20.1 | 15.3 |
| Not stated | - | - | 0.6 | 0.2 |
| Base: All respondents | (107) | (213) | (169) | (489) |

Offices managing properties in Prime Central London and those in the Rest of the South East have fared a little worse than the Rest of the UK with the average figures being 26 for Prime Central London and 30 for the Rest of the South East compared with 33 for the Rest of the UK.

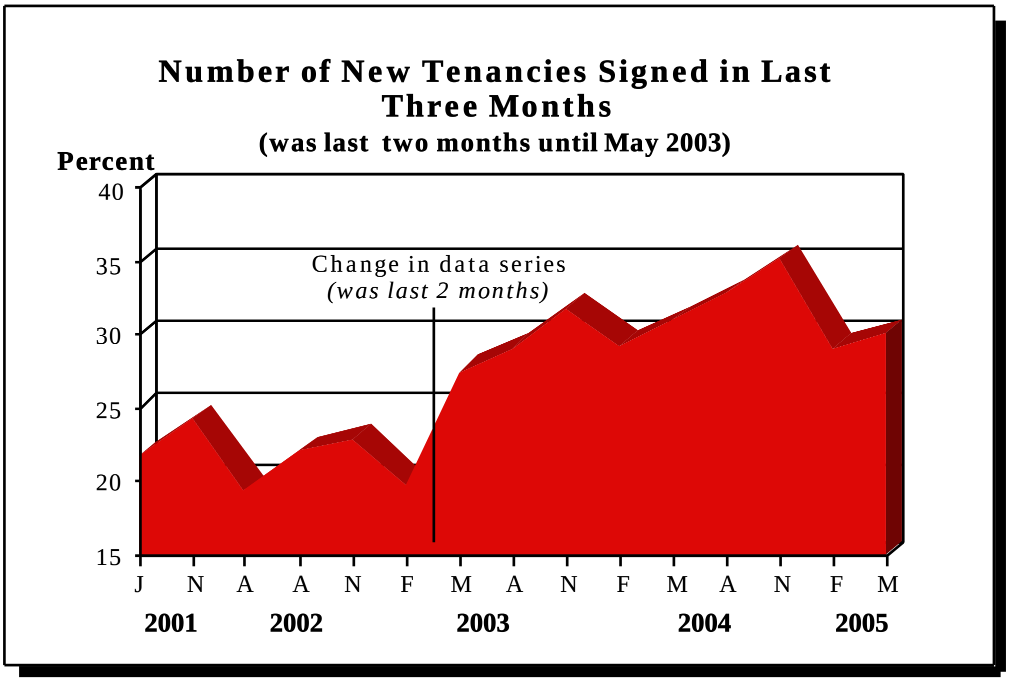



Compared with the last survey, there has been an overall rise in the average number of tenancies signed up in the preceding three months from 29 to 30.

Within this, the figure for the Rest of the South East rose from 28 to 30 and the average for the Rest of the UK rose from 32 to 33 whilst in Prime Central London, the average number of tenancies signed up fell from 27 to 26.

| **Geographic Region** | **Number of New Tenancies** | | | |
|---|---|---|---|---|
| | **Aug 04** | **Nov 04** | **Feb 05** | **May 05** |
| Prime Central London | 29.5 | 31.9 | 27.3 | 26.3 |
| South East | 32.1 | 35.3 | 27.7 | 29.8 |
| Rest of UK | 35.5 | 37.0 | 31.6 | 32.6 |
| All Regions | 32.7 | 35.1 | 28.9 | 30.0 |
| Base: All respondents | (428) | (486) | (502) | (489) |

As can be seen from the chart below, from the middle of 2003, there was a steady increase in the average number of tenancies (not renewals) being signed but at the beginning of 2005 there was a sharp downward turn in the figure. The small increase this time may signal a return to the long term trend although there is still some way to go before the big fall in the first quarter is recovered.



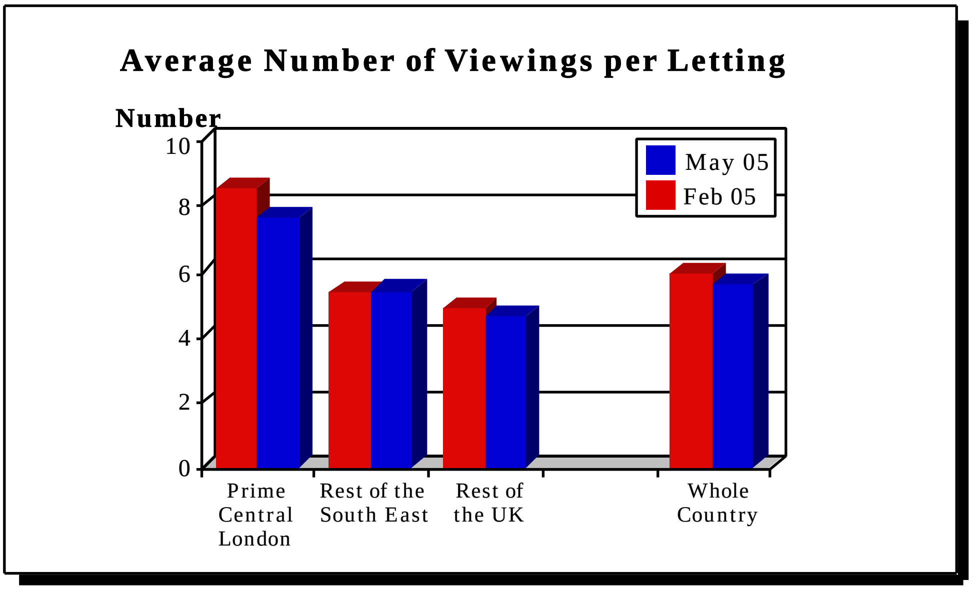
## 4.8 Number of Viewings Per Letting (Q.10)

Getting on for half of ARLA members' offices (45%) have to deal with an average of 4 or 5 viewings of a property before it is let, and for a third of offices (33%), the average number of viewings per letting is 6 or more.

Analysis of these figures produces an overall average of 5.6 viewings per letting.

| **Number of Viewings per Letting** | **Percent of Respondents (%)** | | | |
|---|---|---|---|---|
| | **Prime London** | **Rest of SE** | **Rest of UK** | **All Regions** |
| 1 | 0.9 | 0.9 | 0.6 | 0.8 |
| 2 or 3 | 6.5 | 19.7 | 32.0 | 21.1 |
| 4 or 5 | 30.8 | 49.8 | 48.5 | 45.2 |
| 6 to 10 | 48.6 | 25.8 | 17.8 | 28.0 |
| 11 to 20 | 12.1 | 2.3 | 1.2 | 4.1 |
| Over 20 | 0.9 | 0.5 | - | 0.4 |
| Not stated | - | 0.9 | - | 0.4 |
| Base: All respondents | (107) | (213) | (169) | (489) |

On average, ARLA members in Prime Central London have to show many more prospective tenants round a property (7.6) before it is let as do their counterparts in the Rest of the South East (5.4) or the Rest of the UK (4.6).

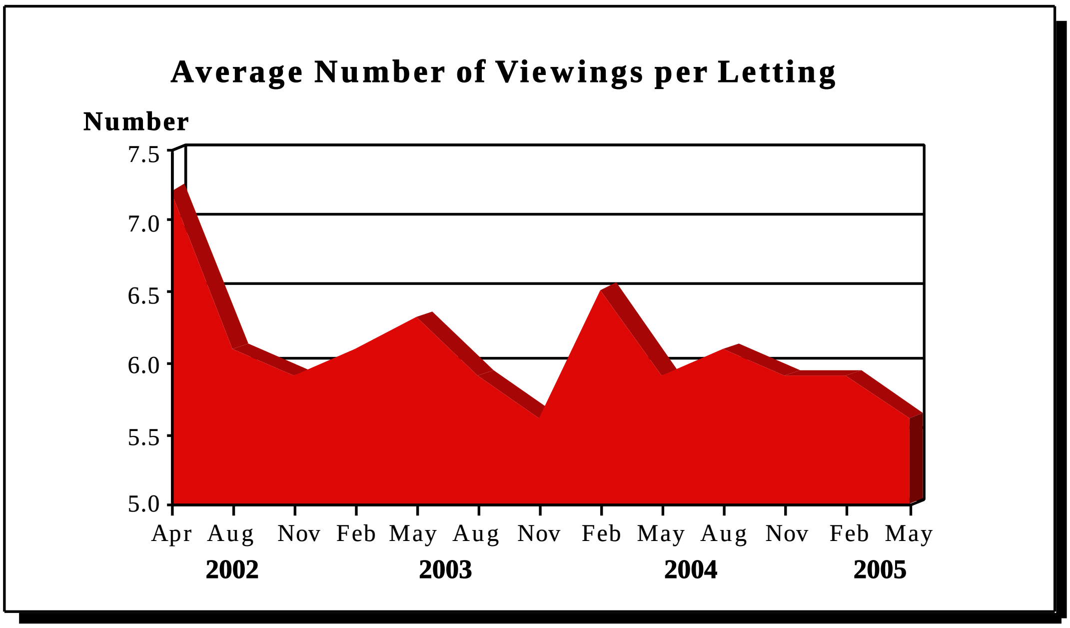



Compared with the February survey, the overall average number of viewings per letting is down from 5.9 to 5.6.

Within that, the average number of viewings per letting for Prime Central London properties has fallen quite sharply from 8.5 to 7.6 whilst the figure for the Rest of the South East has risen slightly, from 5.3 to 5.4 and that for the Rest of the UK has fallen, from 4.8 to 4.6.

| Geographic Region | Average Number of Viewings per Letting (%) Aug 04 | Nov 04 | Feb 05 | May 05 |
|---|---|---|---|---|
| Prime Central London | 8.9 | 8.4 | 8.5 | 7.6 |
| South East | 5.3 | 5.4 | 5.3 | 5.4 |
| Rest of UK | 4.9 | 4.7 | 4.8 | 4.6 |
| All Regions | 6.1 | 5.9 | 5.9 | 5.6 |
| Base: All respondents | (428) | (486) | (502) | (489) |

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 although there does now appear to be a downward trend emerging.



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

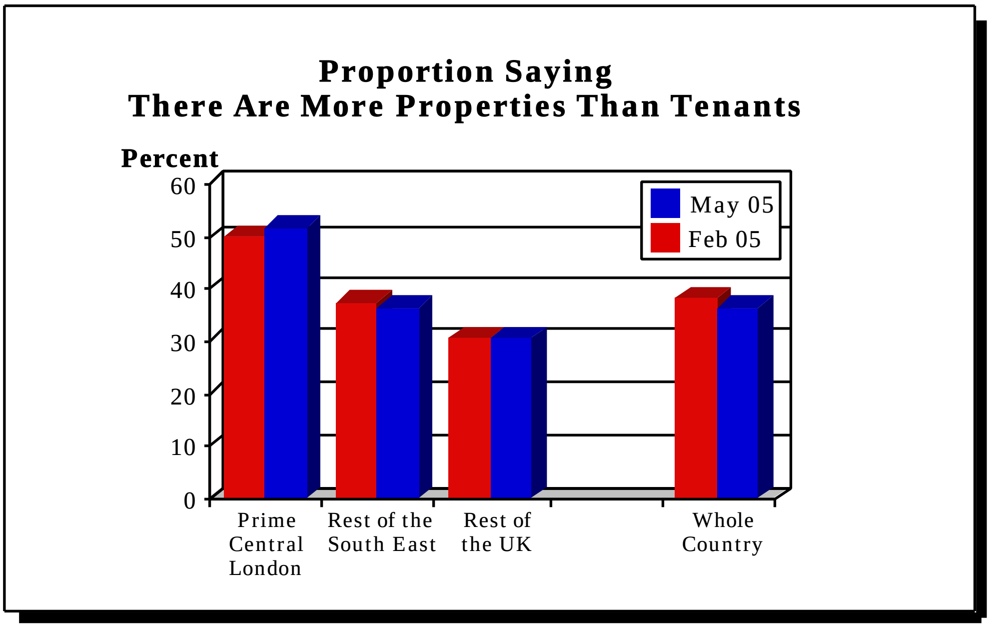
Getting on for four out of ten ARLA members' offices (37%) say that there are currently more tenants than there are properties available for them.

However, the same proportion (37%) now believe that there are more rented residential properties available than there are tenants to fill them whilst a quarter (25%) believe that supply of, and demand for, rented residential properties is in balance.

These figures indicate that, overall, the demand for and supply of rented residential properties is quite well balanced.

| **Balance of Supply and Demand** | **Percent of Respondents (%)** Prime London | Rest of SE | Rest of UK | All Regions |
|---|---|---|---|---|
| Lot more props than tenants | 17.8 | 8.5 | 8.9 | 10.6 |
| Few more props than tenants | 33.6 | 27.7 | 21.3 | 26.8 |
| Equal nos of props & tenants | 21.5 | 26.3 | 26.0 | 25.2 |
| Lot more tenants than props | 14.0 | 16.9 | 22.5 | 18.2 |
| Few more tenants than props | 13.1 | 20.2 | 21.3 | 19.0 |
| Not stated | - | 0.5 | - | 0.2 |
| Base: All respondents | (107) | (213) | (169) | (489) |

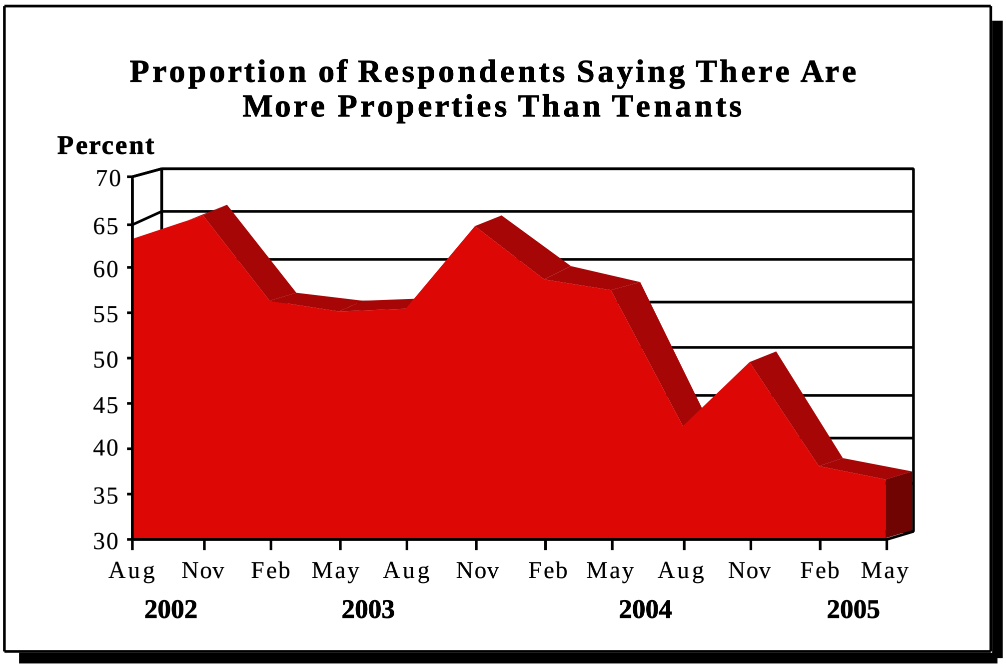
However, outside London and the South East, demand is outstripping supply and there are more tenants than there are properties available for them. In the South East, on the other hand, the availability of tenants and the supply of properties is broadly in balance whilst in Prime Central London, there remains a marked over-supply of properties.



Overall, 36% of respondents to this survey said there were more properties than tenants compared with a figure of 38% in February, suggesting that the 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 04 | Nov 04 | Feb 05 | May 05 |
| Prime Central London | 56.5 | 62.6 | 50.0 | 51.4 |
| South East | 39.3 | 51.5 | 37.3 | 36.2 |
| Rest of UK | 35.7 | 37.7 | 30.1 | 30.2 |
| All Regions | 42.3 | 49.4 | 37.8 | 36.4 |
| Base: All respondents | (428) | (486) | (502) | (489) |

As the chart below shows, the reduced figure for this quarter comes after a big fall in the figure three months ago and 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 26% and 38% believe that achievable rent levels have increased over the last six months, whilst only between 11% and 17% believe they have fallen.

| Response | Percent of Respondents (%) | | | | | |
|---|---|---|---|---|---|---|
| | Det House | Semi House | Terr House | Conv Flat | PB Flat | Studio Flat |
| Increased a lot | 1.0 | 1.6 | 2.0 | 1.2 | 1.8 | 1.4 |
| Increased a little | 28.2 | 29.9 | 32.1 | 32.3 | 36.2 | 24.1 |
| Stayed the same | 42.1 | 45.6 | 46.4 | 46.2 | 39.5 | 47.4 |
| Decreased a little | 13.7 | 11.0 | 10.2 | 12.3 | 16.0 | 10.4 |
| Decreased a lot | 2.7 | 1.0 | 1.2 | 0.4 | 0.8 | 0.6 |
| Don't know | 9.4 | 8.0 | 5.1 | 4.7 | 2.9 | 12.7 |
| Not stated | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 3.3 |

Base: All respondents (489)

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 similar to the country as a whole with between 22% and 41% of offices 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, a similar proportion to the whole country (between 8% and 21%) 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 | 1.9 | 0.9 |
| Increased a little | 22.4 | 24.3 | 26.2 | 39.3 | 39.3 | 25.2 |
| Stayed the same | 26.2 | 28.0 | 41.1 | 45.8 | 39.3 | 49.5 |
| Decreased a little | 12.1 | 15.9 | 13.1 | 8.4 | 13.1 | 7.5 |
| Decreased a lot | 7.5 | 4.7 | 4.7 | - | - | 0.9 |
| Don't know | 28.0 | 23.4 | 11.2 | 1.9 | 2.8 | 11.2 |
| Not stated | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 4.7 |

Base: All respondents (107)

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

*Rest of the South East*

With regard to the Rest of the South East, the picture is a little less positive with between 22% and 33% of respondents saying that achievable rent levels have increased compared with between 13% and 21% saying they have decreased.

| **Response** | **Det House** | **Semi House** | **Terr House** | **Conv Flat** | **PB Flat** | **Studio Flat** |
|---|---|---|---|---|---|---|
| | **Percent of Respondents (%)** | | | | | |
| Increased a lot | 0.9 | 0.9 | 1.4 | 1.9 | 1.9 | 2.3 |
| Increased a little | 28.6 | 29.1 | 30.0 | 26.8 | 31.5 | 19.2 |
| Stayed the same | 44.6 | 51.2 | 51.6 | 47.4 | 41.3 | 46.5 |
| Decreased a little | 17.8 | 13.6 | 12.7 | 16.9 | 19.7 | 14.1 |
| Decreased a lot | 2.3 | - | - | 0.5 | 1.4 | 0.9 |
| Don't know | 4.2 | 3.8 | 2.8 | 5.2 | 2.8 | 15.5 |
| Not stated | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |

Base: All respondents (213)

Nevertheless, these figures tend to suggest that rent levels in the South East have increased 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 43% of offices say that achievable rent levels for each type of property have increased whilst only between 5% and 14% believe rent levels have decreased over the last six months.

| **Response** | **Det House** | **Semi House** | **Terr House** | **Conv Flat** | **PB Flat** | **Studio Flat** |
|---|---|---|---|---|---|---|
| | **Percent of Respondents (%)** | | | | | |
| Increased a lot | 1.8 | 3.6 | 4.1 | 0.6 | 1.8 | 0.6 |
| Increased a little | 31.4 | 34.3 | 38.5 | 34.9 | 40.2 | 29.6 |
| Stayed the same | 49.1 | 49.7 | 43.2 | 45.0 | 37.3 | 47.3 |
| Decreased a little | 9.5 | 4.7 | 5.3 | 8.9 | 13.0 | 7.7 |
| Decreased a lot | - | - | 0.6 | 0.6 | 0.6 | - |
| Don't know | 4.1 | 3.6 | 4.1 | 5.9 | 3.0 | 10.1 |
| Not stated | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4. 7 |

Base: All respondents (169)

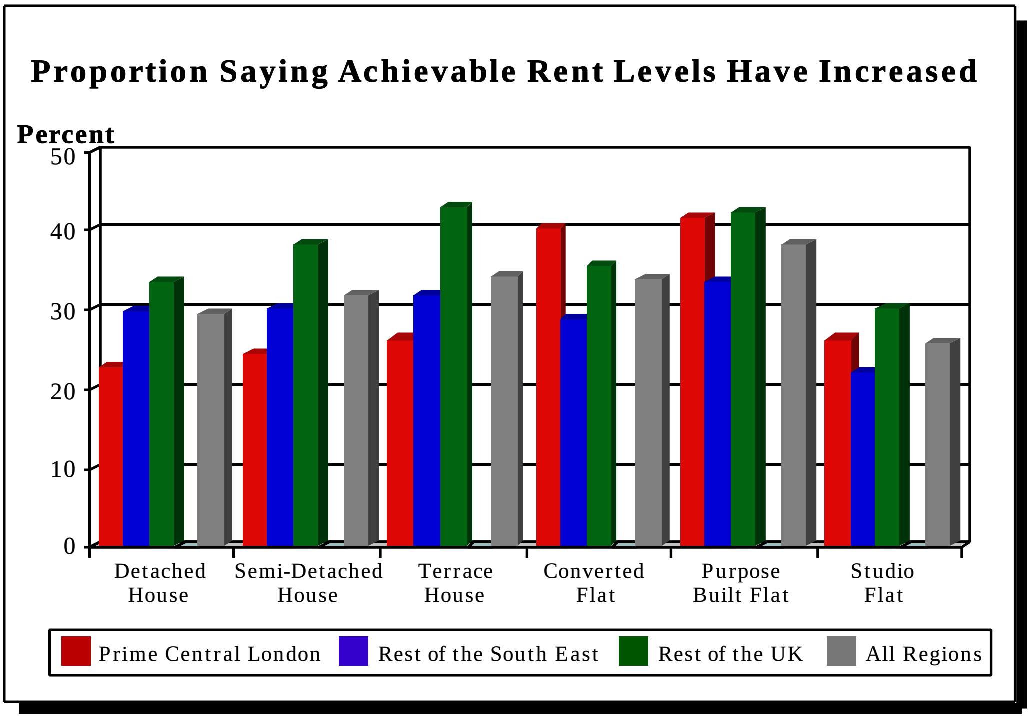
It appears from these figures that achievable rent levels in the Rest of the UK have increased quite sharply over the last six months.

*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 | 22.4 | 24.3 | 26.2 | 40.2 | 41.1 | 26.2 |
| Rest of the South East | 29.6 | 30.0 | 31.5 | 28.6 | 33.3 | 21.6 |
| Rest of the UK | 33.1 | 37.9 | 42.6 | 35.5 | 42.0 | 30.2 |
| All regions | 29.2 | 31.5 | 34.2 | 33.5 | 38.0 | 25.6 |

Base: All respondents (489)




Compared with three months ago, there has been an improvement in the average proportion of respondents saying achievable rents across all property types have increased from 29% to 32%.

As for the geographic regions, the average proportion of respondents saying achievable rents across all property types have increased for Prime Central London is up from 28% to 30%. the average for the Rest of the South East has also risen, from 26% to 29%, as has that for the Rest of the UK which has risen from 35% to 37%.

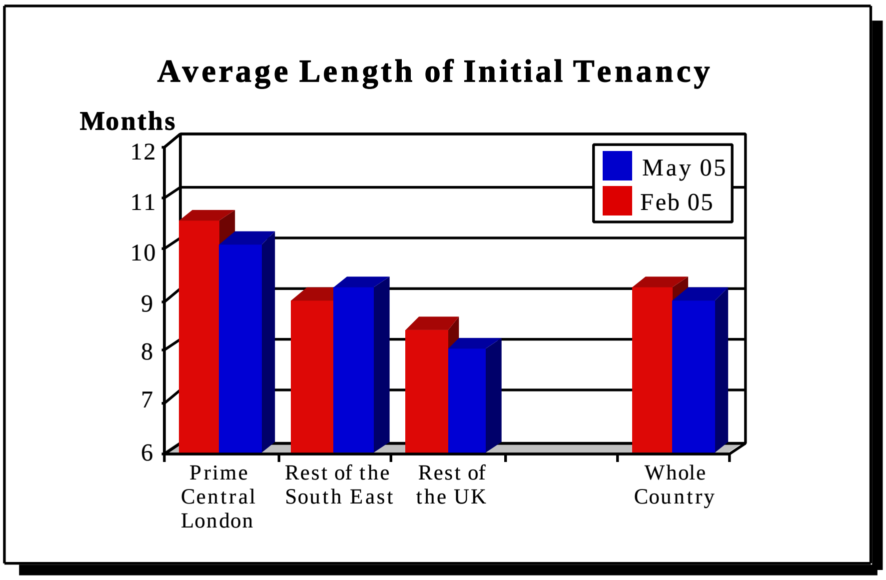
## 4.11 Average Length of Initial Fixed Term Tenancy (Q.13)

The vast majority of new tenancies (94%) are for 12 months or less. Based on these figures, the average length of an initial fixed term tenancy is 9.0 months.

| Average Length of Initial Tenancy | Percent of Respondents (%) Prime London | Rest of SE | Rest of UK | All Regions |
|---|---|---|---|---|
| 6 to 9 months | 21.5 | 53.5 | 77.5 | 54.8 |
| 10 to 12 months | 72.0 | 41.3 | 16.0 | 39.3 |
| 13 to 18 months | 0.9 | 3.8 | 1.8 | 2.5 |
| 19 to 24 months | - | - | - | - |
| More than 24 months | 0.9 | - | - | 0.2 |
| Don't know/not sure | 0.9 | - | - | 0.2 |
| Not stated | 3.7 | 1.4 | 4.7 | 3.1 |
| Base: All respondents | (107) | (213) | (169) | (489) |

New tenancies in Prime Central London tend to be for longer periods, averaging 10.1 months compared with 9.2 months for the Rest of the South East and 8.0 months for the Rest of the UK.

| Geographic Region | Average Initial Tenancy (months) Feb 05 | May 05 |
|---|---|---|
| Prime Central London | 10.5 | 10.1 |
| South East | 9.0 | 9.2 |
| Rest of UK | 8.4 | 8.0 |
| All Regions | 9.2 | 9.0 |
| Base: All respondents | (502) | (489) |



Compared with the last survey the overall average length of initial fixed term tenancies is down from 9.2 months to 9.0 months. The averages were also down for Prime Central London (from 10.5 to 10.1) and for the Rest of the UK (from 8.4 to 8.0), whilst the average for the Rest of the South East was up from 9.0 to 9.2 months.

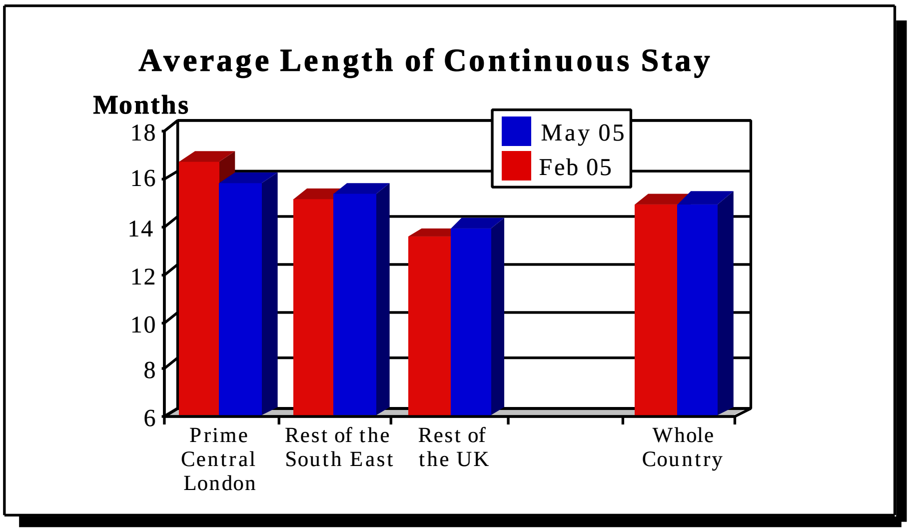
## 4.12 Average Length of Continuous Stay in Property (Q.14)

Almost three quarters of tenants (74%) remain in the same property for between 10 and 18 months. Whilst the overall average length of a new tenancy, as seen from the previous question, is 9 months, based on these figures, tenants tend to stay in the same property for an average of 15 months.

| **Average Length of Continuous Stay** | **Percent of Respondents (%)** | | | |
|---|---|---|---|---|
| | **Prime London** | **Rest of SE** | **Rest of UK** | **All Regions** |
| 6 to 9 months | 3.7 | 4.2 | 4.1 | 4.1 |
| 10 to 12 months | 18.7 | 19.7 | 42.0 | 27.2 |
| 13 to 18 months | 39.3 | 55.9 | 40.2 | 46.8 |
| 19 to 24 months | 29.0 | 15.5 | 6.5 | 15.3 |
| More than 24 months | 2.8 | 2.8 | 3.6 | 3.1 |
| Don't know/not sure | 2.8 | - | - | 0.6 |
| Not stated | 3.7 | 1.9 | 3.6 | 2.9 |
| Base: All respondents | (107) | (213) | (169) | (489) |

As with the averages for initial terms, the average time a tenant stays in the same property is longest for Prime Central London at 15.8 months compared with 15.4 months for the Rest of the South East and 13.9 months for the Rest of the UK.

| **Geographic Region** | **Average Continuous Stay (months)** | |
|---|---|---|
| | **Feb 05** | **May 05** |
| Prime Central London | 16.7 | 15.8 |
| South East | 15.1 | 15.4 |
| Rest of UK | 13.5 | 13.9 |
| All Regions | 14.9 | 15.0 |
| Base: All respondents | (502) | (489) |



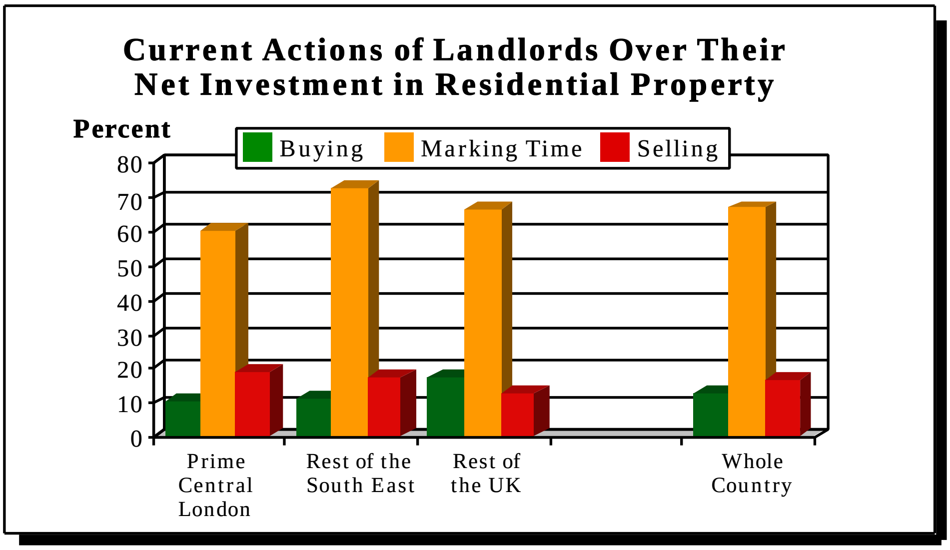
Compared with the last survey the overall average length of tenants continuous stay in the same property is up slightly from 14.9 to 15.0 months. As for the individual geographic regions, the averages for the Rest of the South East and the Rest of the UK were up slightly compared with February whilst the average for Prime Central London was down from 16.7 months to 15.8 months.

4.13 **How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.16)**

Two thirds of ARLA members' offices (67%) think that residential landlords are currently marking time with regard to their net investment in residential property.

Whilst nearly one in eight respondents (13%) think they are increasing their net investment by buying more properties, a few more (16%) 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 | 10.4 | 10.8 | 17.4 | 12.9 |
| Marking time | 60.0 | 72.5 | 66.5 | 67.1 |
| Selling | 19.1 | 17.2 | 12.6 | 16.0 |
| Not stated | 3.5 | 3.9 | 4.8 | 4.1 |
| Base: All respondents | (107) | (213) | (169) | (489) |




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 (19% compared with 17% for the Rest of the South East and 13% 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 (17% compared with 11% for the Rest of the South East and 10% 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.