

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**

Fourth 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 1,437 letting offices of ARLA members in November 2004 and 486 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 fallen substantially over the last three months with values outside Prime Central London showing falls of 7% and 11% for houses (Rest of the South East and Rest of the UK respectively) and 5% and 8% for flats (Rest of the South East and Rest of the UK respectively). In contrast, Prime Central London properties increased in value by 0.2% for houses and 0.3% for flats. It should be noted, however, that the falls in values outside Prime Central London seen this time simply reverse the rises seen three months ago.
- The average weighted rental return on a rented house is unchanged at 5.0% compared with September whilst the average rental return on a rented flat has risen from 5.2% to 5.3% but, again, this merely reverses the change seen three months ago. However, within this fairly static picture, there has been a significant improvement in the average rental returns available in the Rest of the South East for all types of property.
- The average void period is unchanged compared with the third quarter of 2004 at 29 days per year.
- The average number of purely investment properties which are managed by ARLA members offices is up from 83 to 86 properties compared with three months ago.
- Nearly a quarter (23%) of all ARLA offices report more tenants than properties available for them, down from 32% three months ago. However, this fall follows a big increase three months ago and this quarter's figure is the second highest since the question was first asked nearly three years ago.
- Conversely, the average number of new tenancies signed up in the fourth quarter of 2004 was 35, up from 33 in the third quarter, continuing the rising trend experienced since the first quarter.
- 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 6.1 three months ago.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property, at 50%, is unchanged compared with the third quarter of the year.
- ARLA members believe that, whilst most residential landlords are marking time with regard to their net investment in residential property, they also believe that, overall, there is currently a small disinvestment in residential property being undertaken by residential landlords.

4. RESULTS

The following sections detail the results of the survey for the fourth 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.

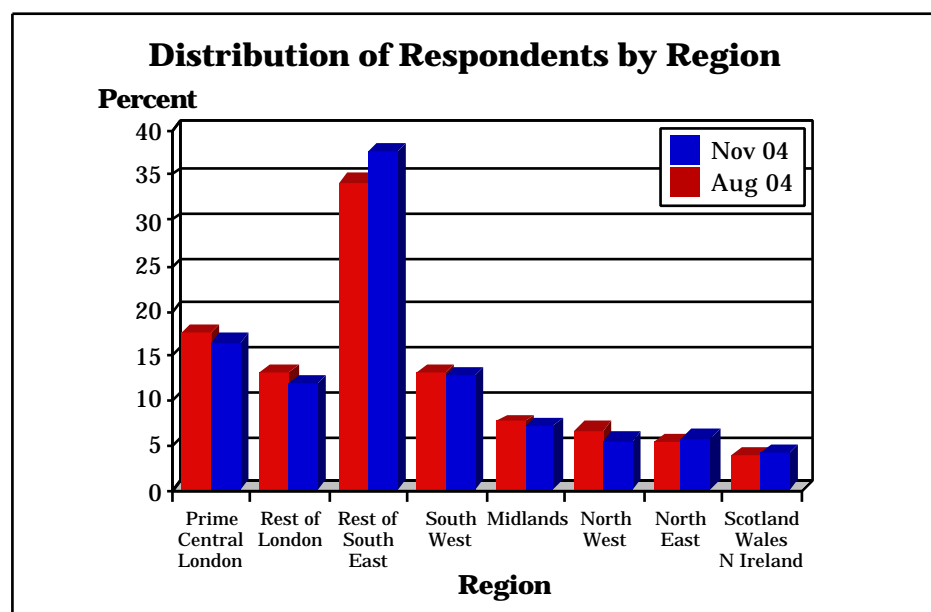
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for two thirds (66%) of all respondents.

After the South East, the South West with 13% and the Midlands with 7%, were the regions with the most respondents.

Region	Percent of Respondents (%)		
	May 04	Aug 04	Nov 04
Central London	15.3	17.3	16.3
Rest of London (<i>inside M25</i>)	10.6	12.9	11.7
South East (<i>excl. London</i>)	37.7	34.1	37.7
South West	13.3	12.9	12.6
Midlands	8.4	7.5	6.8
North West	4.4	6.5	5.3
North East	5.3	5.1	5.6
Scotland/Wales/NI	4.9	3.7	4.1
Base: All respondents	(451)	(428)	(486)

Compared with the August 2004 survey, there has been very little change in the regional breakdown of respondents.



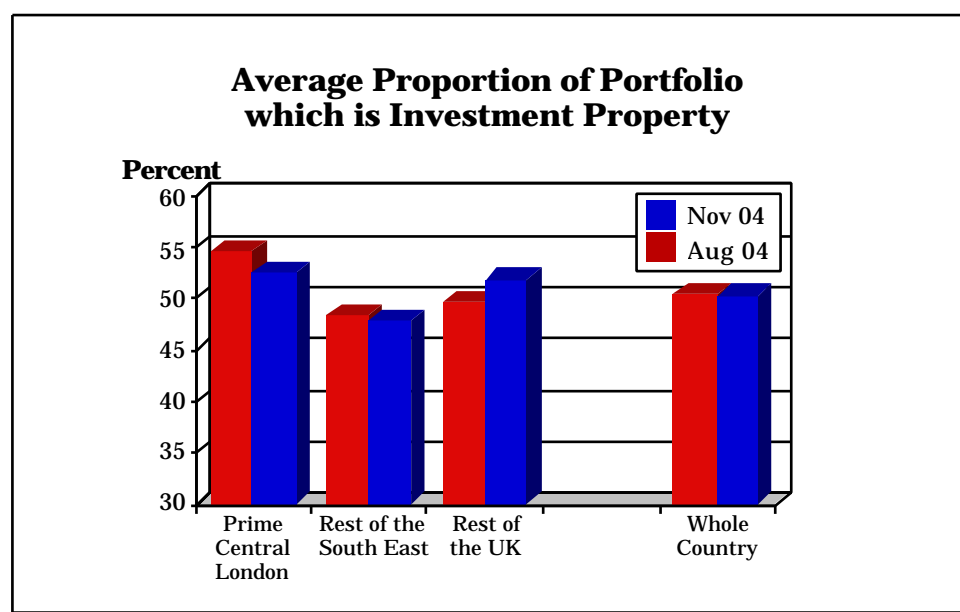
4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents' (82%) 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 less than one in twenty (4.5%) of offices.

Analysis of the responses to this question reveals that, on average, investment properties account for 50.1% 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%	5.2	4.4	3.6	4.3
11% to 25%	11.3	13.7	12.6	12.8
26% to 50%	25.2	30.4	25.7	27.6
51% to 75%	37.4	38.2	34.1	36.6
Over 75%	20.9	11.8	22.2	17.5
Not stated	-	1.5	1.2	1.0
Base: All respondents	(115)	(204)	(167)	(486)

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 52% both for those managing properties in Prime Central London and for those in the Rest of the UK.

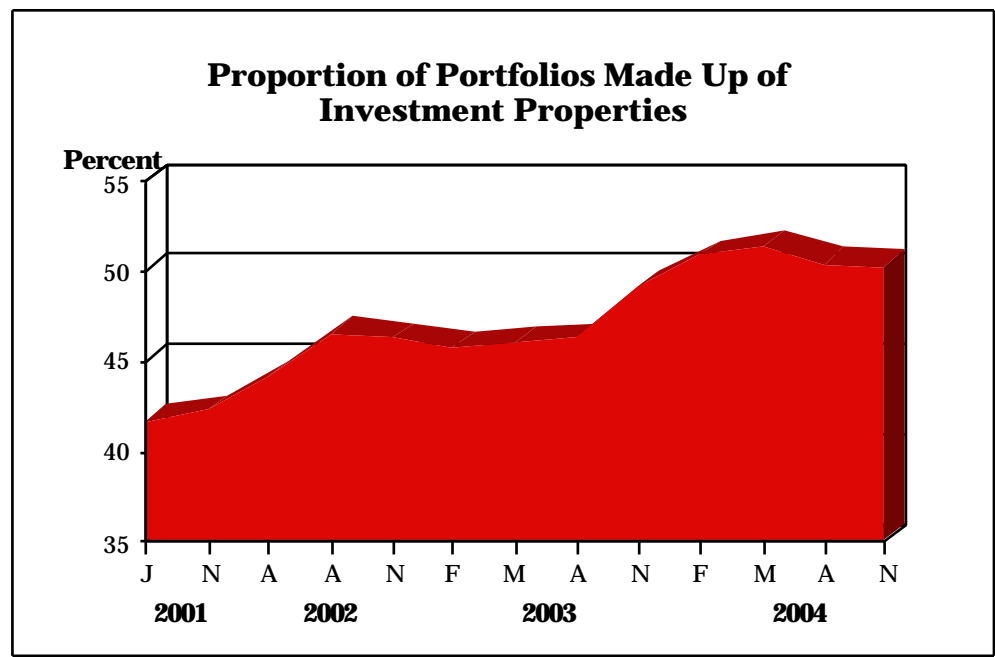


Compared with the last survey in August, the average proportion of portfolios which are in the form of investment property is virtually

unchanged, having fallen only marginally from 50.3% to 50.1%. There has also been little change in the figures for each of the broad geographical areas although the figure for Prime Central London fell from 55% to 52% whilst that for the Rest of the UK rose from 50% to 52%.

Geographic Region	Average Proportion of Portfolio (%)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	52.3	51.3	54.5	52.3
South East	50.0	51.2	48.3	47.6
Rest of UK	50.3	51.5	49.6	51.6
All Regions	50.7	51.3	50.3	50.1
Base: All respondents	(471)	(451)	(428)	(486)

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, has now levelled off again and may even have turned downwards. However, the results from at least one more survey are required to confirm whether or not this is the case.



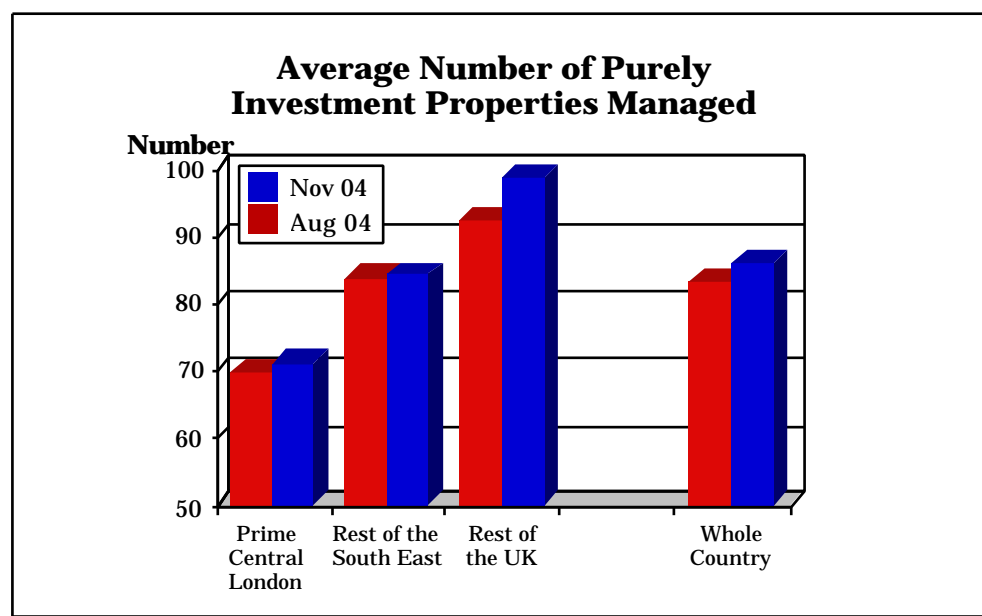
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with more than a third (34%) saying that they manage over a hundred and eight out of ten (80%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of properties managed by ARLA offices is currently 86.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	7.0	2.0	1.8	3.1
6 to 10	10.4	4.4	3.6	5.6
11 to 20	12.2	10.3	7.8	9.9
21 to 50	25.2	24.0	22.2	23.7
51 to 100	18.3	24.0	22.8	22.2
Over 100	26.1	31.9	41.3	33.7
Not stated	0.9	3.4	0.6	1.9
Base: All respondents	(115)	(204)	(167)	(486)

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 71 for Prime Central London, 84 for the Rest of the South East and 99 for the Rest of the UK.



Compared with the last survey in August, the average number of properties managed is up from 83 to 86 and this is largely the result of a big increase for the Rest of the UK, the average figure for which rose from 92 to 99 properties.

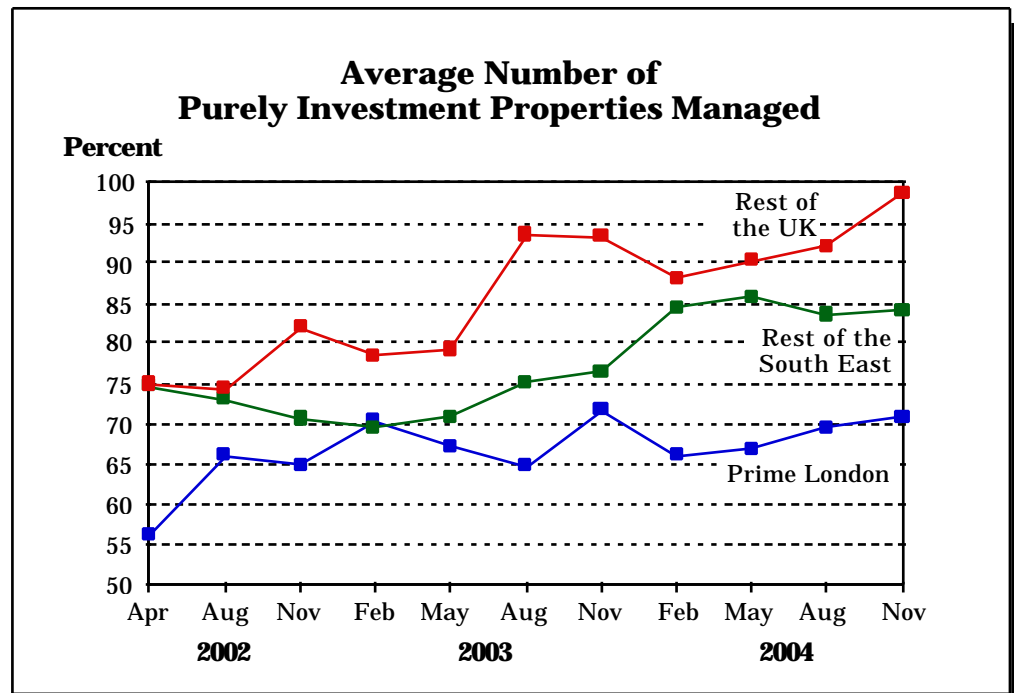
Geographic Region	Average Number of Properties (%)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	66.1	67.0	69.6	71.0
South East	84.5	85.7	83.7	84.1
Rest of UK	88.3	90.4	92.1	98.6
All Regions	81.1	83.1	83.2	86.0
Base: All respondents	(471)	(451)	(428)	(486)

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 99 properties now.

The average for the Rest of the South East showed a sharp upward trend in 2003 but this has now levelled off at around 84 properties.

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 (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 £337,800.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	-	0.6	0.2
£75,001 to £100,000	-	-	4.8	1.6
£100,001 to £150,000	-	9.8	31.7	15.0
£150,001 to £200,000	7.0	35.8	35.9	29.0
£200,001 to £350,000	11.3	33.8	17.4	22.8
£350,001 to £500,000	18.3	8.8	6.0	10.1
£500,001 to £750,000	20.0	5.4	0.6	7.2
Over £ 750,000	39.1	2.5	-	10.3
Not stated	4.3	3.9	3.0	3.7
Base: All respondents	(115)	(204)	(167)	(486)

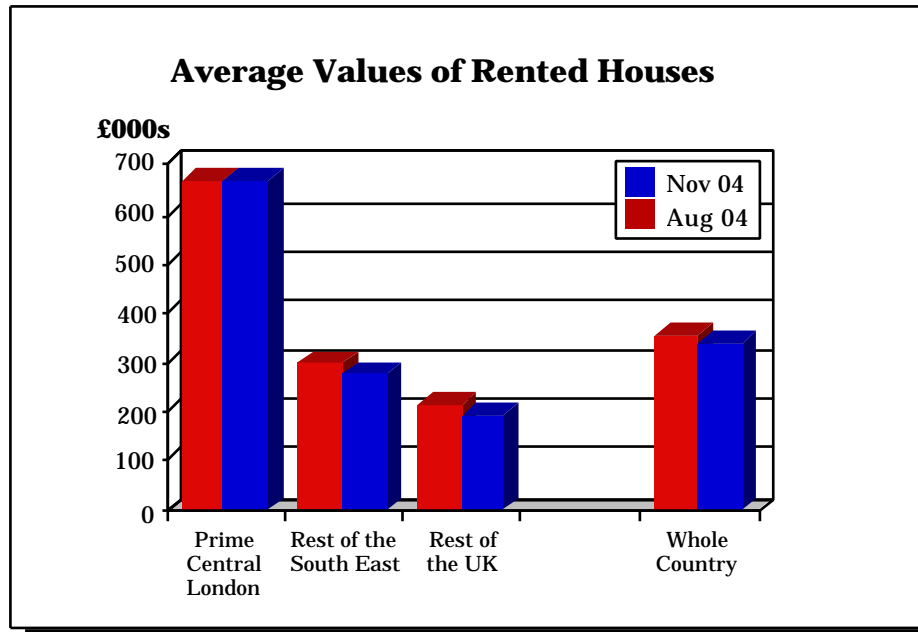
There are big differences between the values of rented houses in the different regional areas with the average for Prime Central London being two thirds of a million pounds (£666,100) compared with less than half that figure, £274,400, in the Rest of South East and just £189,700 in the Rest of the UK.

Compared with the last survey, the overall weighted average value of rented houses has fallen by 4.5% from £353,800 to £337,800 wiping out the increase seen three months ago.

Geographic Region	Average Value of Rented Houses (000s)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	675.0	659.7	665.0	666.1
South East	268.0	275.5	294.9	274.4
Rest of UK	172.2	193.4	211.9	189.7
All Regions (weighted)	331.3	338.0	353.8	337.8
Base: All respondents	(471)	(451)	(428)	(486)

Within that overall change, the average price of a house in Prime Central London is virtually unchanged, rising by just 0.2% whilst that

for the Rest of the South East has fallen by 7.0% and that for the Rest of the UK by 10.5%.



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, almost the same figure as applied to houses.

However, a higher proportion of ARLA offices amounting to 2% 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 £213,600.

Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	-	6.0	2.1
£75,001 to £100,000	0.9	8.3	27.5	13.2
£100,001 to £150,000	6.1	35.3	32.9	27.6
£150,001 to £200,000	7.8	35.3	19.2	23.3
£200,001 to £350,000	30.4	11.8	4.8	13.8
£350,001 to £500,000	24.3	2.5	1.2	7.2
£500,001 to £750,000	19.1	1.0	-	4.9
Over £ 750,000	4.3	0.5	-	1.2
Not stated	7.0	5.4	8.4	6.8
Base: All respondents	(115)	(204)	(167)	(486)

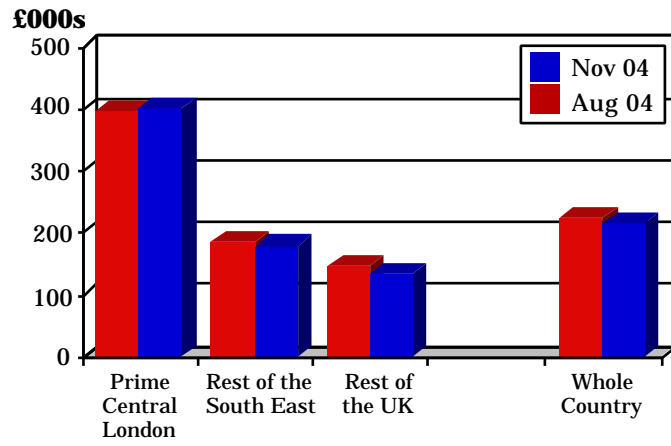
As with rented houses, there are big differences between the values of rented flats in the different regional areas with the average for Prime Central London being £400,100 compared with £176,500 in the Rest of South East and £131,000 in the Rest of the UK.

Compared with three months ago, the overall weighted average value of a rented flat has fallen by 3.3% from £220,900 to £213,600.

Geographic Region	Average Value of Rented Flats (000s)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	390.2	398.6	398.8	400.1
South East	167.4	172.3	185.0	176.5
Rest of UK	115.9	132.1	142.8	131.0
All Regions (weighted)	202.4	211.8	220.9	213.6
Base: All respondents	(471)	(451)	(428)	(486)

Within that overall change, the weighted average value of rented flats in Prime Central London has increased by 0.3% whilst the average for the Rest of the South East has fallen by 4.6% and the average for the Rest of the UK has fallen by 8.3%.

Average Values of Rented Flats



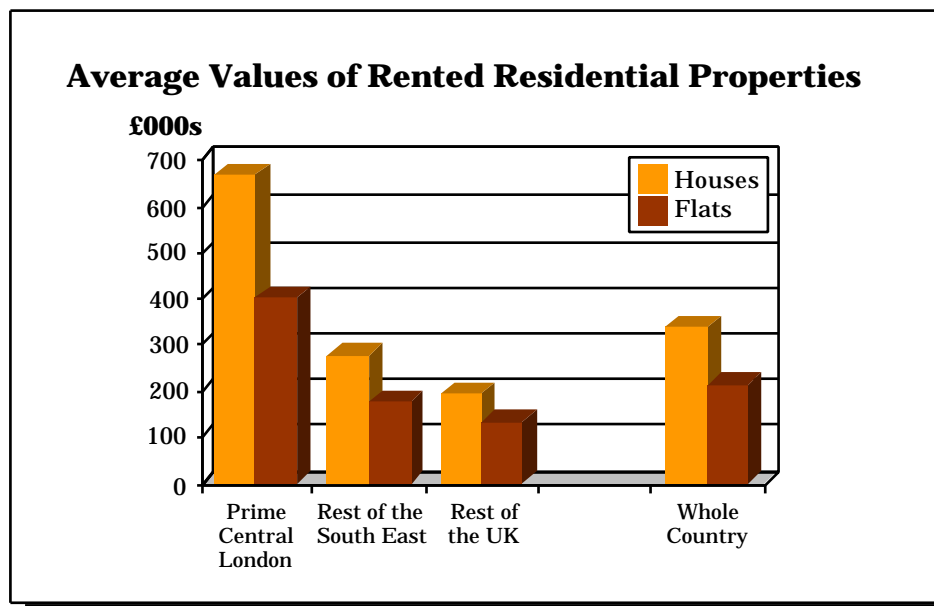
Summary

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 66% 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	666.1	400.1
South East	274.4	176.5
Rest of UK	189.7	131.0
All Regions (weighted)	337.8	213.6

Base: All respondents (486)



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 (56%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented houses of 5.0%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	15.7	9.3	10.2	11.1
4% to 5%	56.5	56.9	55.1	56.2
6%	12.2	12.7	13.8	13.0
7%	2.6	6.4	7.2	5.8
8%	5.2	2.0	3.0	3.1
9% to 10%	0.9	2.5	3.0	2.3
11% to 12%	-	1.5	0.6	0.8
12% to 15%	-	0.5	0.6	0.4
Over 15%	-	1.0	0.6	0.6
Not stated	7.0	7.4	6.0	6.8
Base: All respondents	(115)	(204)	(167)	(486)

There are substantial differences in rates of return as between the different geographical areas with the average for Prime Central London being 4.6% compared with 5.2% for the Rest of the South East and 5.1% elsewhere in the UK.

Geographic Region	Average Rental Return (%)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	4.6	4.7	4.7	4.6
South East	5.0	5.1	4.9	5.2
Rest of UK	5.6	5.3	5.2	5.1
All Regions (weighted)	5.1	5.1	5.0	5.0
Base: All respondents	(471)	(451)	(428)	(486)

Compared with three months ago, the average rental return on houses in Prime Central London and the Rest of the UK have fallen slightly (from 4.7% to 4.6% and from 5.2% to 5.1% respectively) whilst the average for the Rest of the South East has risen substantially from 4.9% to 5.2%.

Flats

A slightly better rental return of between 4% and 6% appears to be the norm for rented flats with seven out of ten respondents (70%) 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%	5.2	5.4	8.4	6.4
4% to 5%	59.1	46.6	48.5	50.2
6%	19.1	22.1	19.2	20.4
7%	7.0	7.8	4.8	6.6
8%	2.6	4.4	3.6	3.7
9% to 10%	1.7	2.0	1.2	1.6
11% to 12%	-	-	1.8	0.6
12% to 15%	-	0.5	0.6	0.4
Over 15%	-	1.0	1.2	0.8
Not stated	5.2	10.3	10.8	9.3
Base: All respondents	(115)	(204)	(167)	(486)

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 5.0% compared with 5.4% for the Rest of the South East and 5.3% elsewhere in the UK.

Geographic Region	Average Rental Return (%)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	5.0	5.1	5.0	5.0
South East	5.3	5.3	5.2	5.4
Rest of UK	5.7	5.4	5.3	5.3
All Regions (weighted)	5.4	5.3	5.2	5.3
Base: All respondents	(471)	(451)	(428)	(486)

Compared with the last survey in August, the overall weighted average rental return on flats has risen a little from 5.2% to 5.3% and this is entirely the result of an increase from 5.2% to 5.4% for the Rest of the South East with the averages for Prime Central London and the Rest of the UK being unchanged.

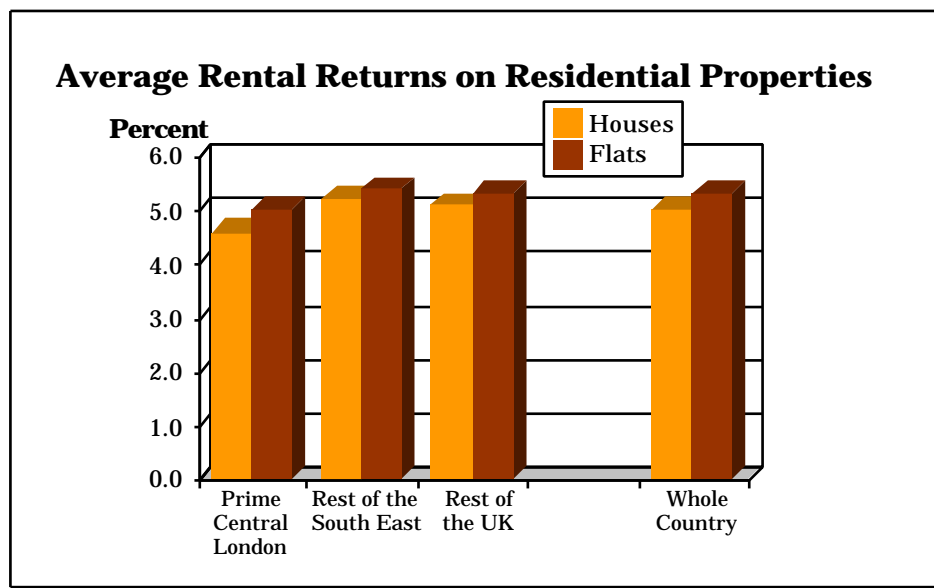
Summary

Whilst average rental returns for both houses and flats are lower in Prime Central London than elsewhere in the UK, average rental returns being achieved on both houses and flats in the Rest of the South East are now not only higher than those in Prime Central London but are also higher than those being achieved in the Rest of the UK.

Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	4.6	5.0
South East	5.2	5.4
Rest of UK	5.1	5.3
All Regions (weighted)	5.0	5.3

Base: All respondents (486)

Overall, flats appear to earn a higher gross return than do houses with the average for flats being 5.3% compared with 5.0% for houses.



Average Rents

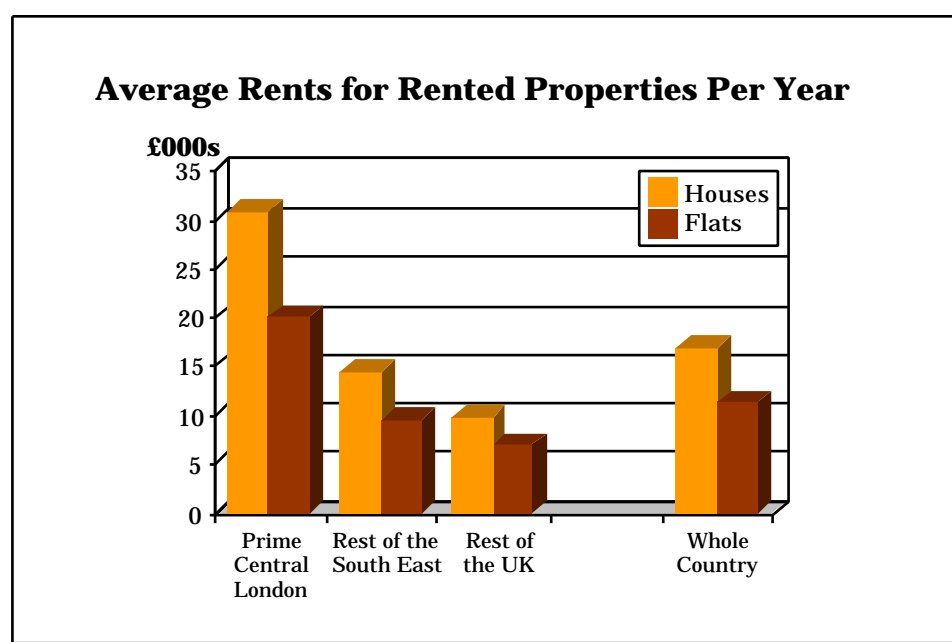
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	589	2,553	30.6	385	1,667	20.0
South East	274	1,189	14.3	183	794	9.5
Rest of UK	186	806	9.7	134	579	6.9
All Regions (weighted)	325	1,407	16.9	218	944	11.3

Base: All respondents (486)

In the case of both Prime Central London and the Rest of the South East, the average rent of a house is 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 39% 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	589	2,553	30.6	385	1,667	20.0
Rest of London	423	1,833	22.0	328	1,423	17.1
Rest of South East	246	1,067	12.8	161	697	8.4
South West	198	859	10.3	141	610	7.3
Midlands	154	669	8.0	116	502	6.0
North West	235	1,019	12.2	195	844	10.1
North East	170	737	8.8	124	538	6.5
Scotland/Wales/NI	182	788	9.5	103	444	5.3

Base: All respondents (486)

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 (62%) reporting averages of 4 weeks or less per year and a further quarter (25%) saying the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 4.1 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	3.5	6.9	5.4	5.6
2 to 4 weeks	40.0	59.3	64.7	56.6
5 to 6 weeks	32.2	23.0	23.4	25.3
7 to 8 weeks	15.7	6.4	5.4	8.2
More than 8 weeks	5.2	3.4	0.6	2.9
Don't know	3.5	1.0	0.6	1.4
Not stated	-	-	-	-
Base: All respondents	(115)	(204)	(167)	(486)

Respondents with properties in Prime Central London experience a higher void rate than average at 4.9 weeks (34 days) per year.

The average void period for the Rest of the South East is 4.0 weeks (28 days) and for the Rest of the UK it is 3.8 weeks (27 days) per year.

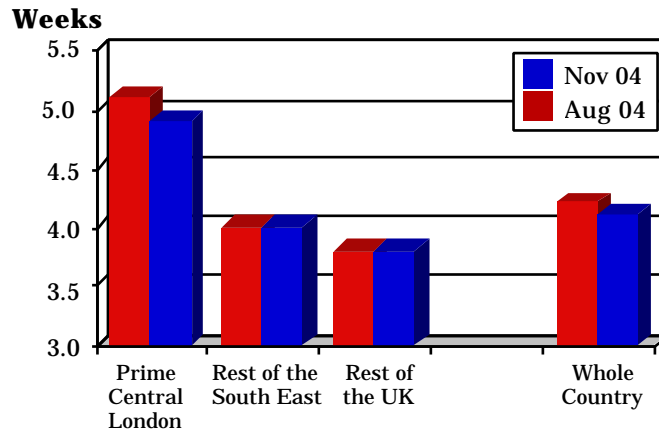
Compared with August the average void period for Prime Central London has fallen from 5.1 to 4.9 weeks (34 days).

The average figures for the Rest of the South East and the Rest of the UK, on the other hand, are unchanged compared with three months ago.

Geographic Region	Average Void Period (weeks)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	5.1	4.7	5.1	4.9
South East	4.3	4.1	4.0	4.0
Rest of UK	4.1	4.1	3.8	3.8
All Regions	4.4	4.2	4.2	4.1
Base: All respondents	(471)	(451)	(428)	(486)

The average void period for the country as a whole has fallen a little over the last three months from 4.2 weeks to 4.1 weeks (29 days).

Average Void Period Per Year



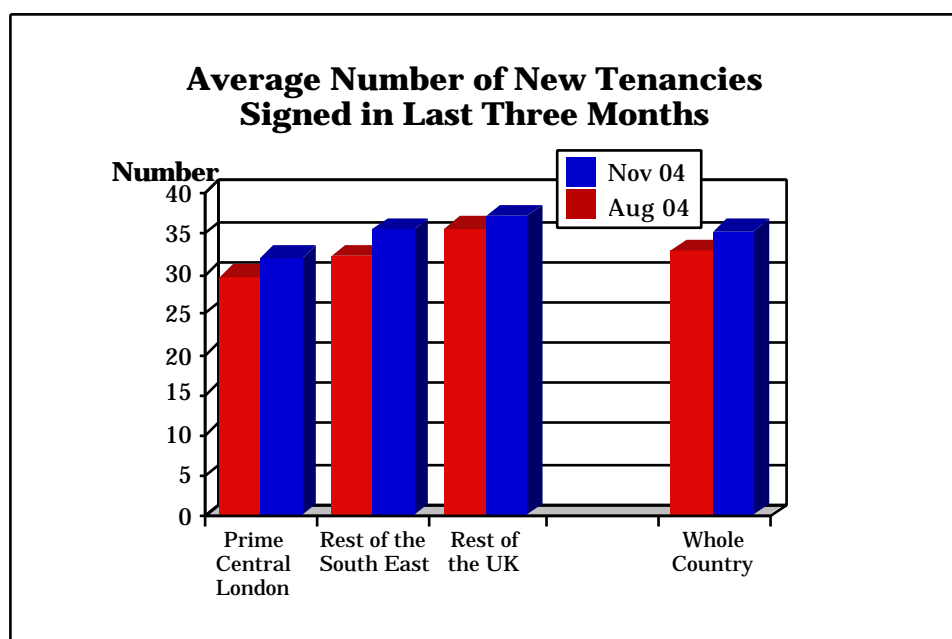
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

Six out of ten of ARLA members' offices (60%) have signed up more than 20 new tenancies (other than renewals) in the last three months with more than a third (37%) having signed up between 21 and 50 and nearly a quarter (23%) 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 35 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	4.3	6.4	4.8	5.3
6 to 10	11.3	10.8	7.8	9.9
11 to 20	27.0	21.1	26.3	24.3
21 to 50	40.0	36.8	34.1	36.6
Over 50	16.5	23.5	26.9	23.0
Not stated	0.9	1.5	-	0.8
Base: All respondents	(115)	(204)	(167)	(486)

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 32 for Prime Central London compared to 35 for the Rest of the South East and 37 for the Rest of the UK.

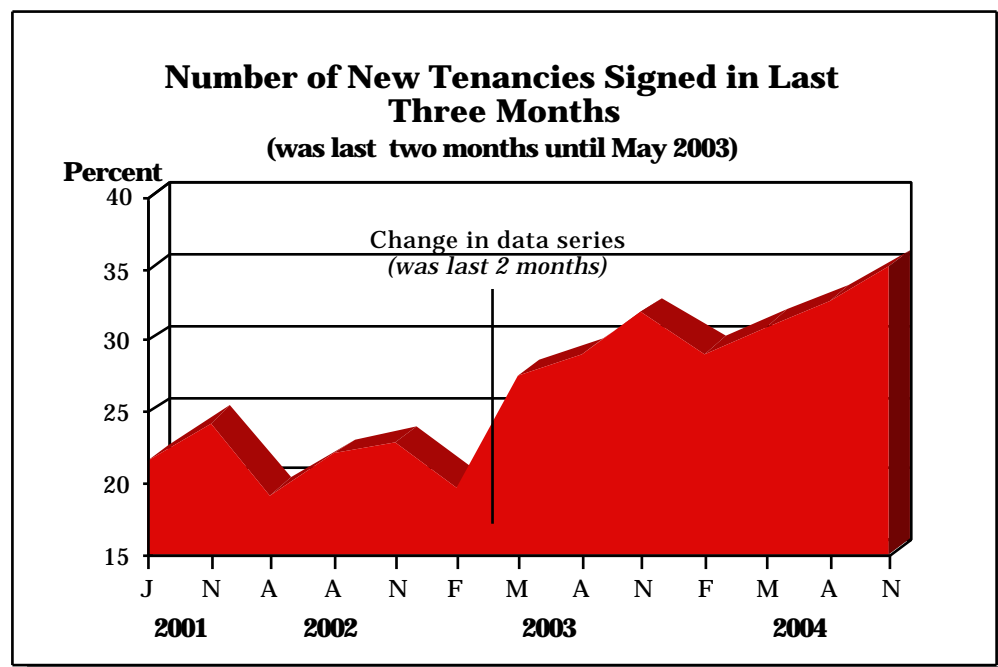


Compared with three months ago, there has been an increase in the average number of tenancies signed up in the preceding three months

across the whole country with the largest increase being from 32 to 35 for the Rest of the South East.

Geographic Region	Number of New Tenancies			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	26.4	27.3	29.5	31.9
South East	28.0	30.7	32.1	35.3
Rest of UK	32.3	33.5	35.5	37.0
All Regions	29.1	30.9	32.7	35.1
Base: All respondents	(471)	(451)	(428)	(486)

As can be seen from the chart below, since the middle of 2003, there has been a steady increase in the average number of tenancies (not renewals) being signed.



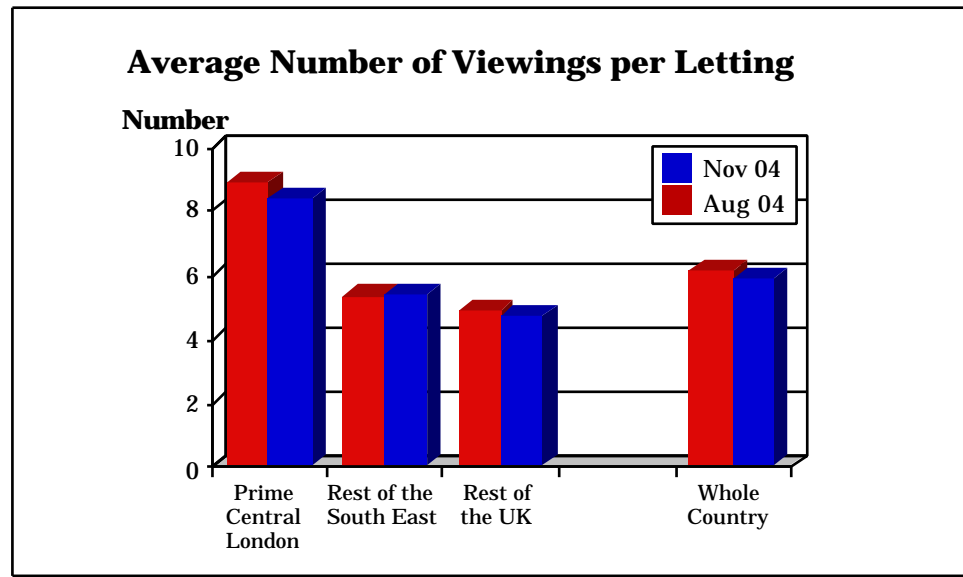
4.8 Number of Viewings Per Letting (Q.10)

More than four out of ten 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 5.9 viewings per letting.

Number of Viewings per Letting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
1	-	0.5	1.2	0.6
2 or 3	8.7	22.5	28.7	21.4
4 or 5	26.1	49.5	51.5	44.7
6 to 10	44.3	24.0	16.2	26.1
11 to 20	18.3	2.5	2.4	6.2
Over 20	1.7	1.0	-	0.8
Not stated	0.9	-	-	0.2
Base: All respondents	(115)	(204)	(167)	(486)

On average, ARLA members in Prime Central London have to show nearly twice as many prospective tenants round a property (8.4) 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).



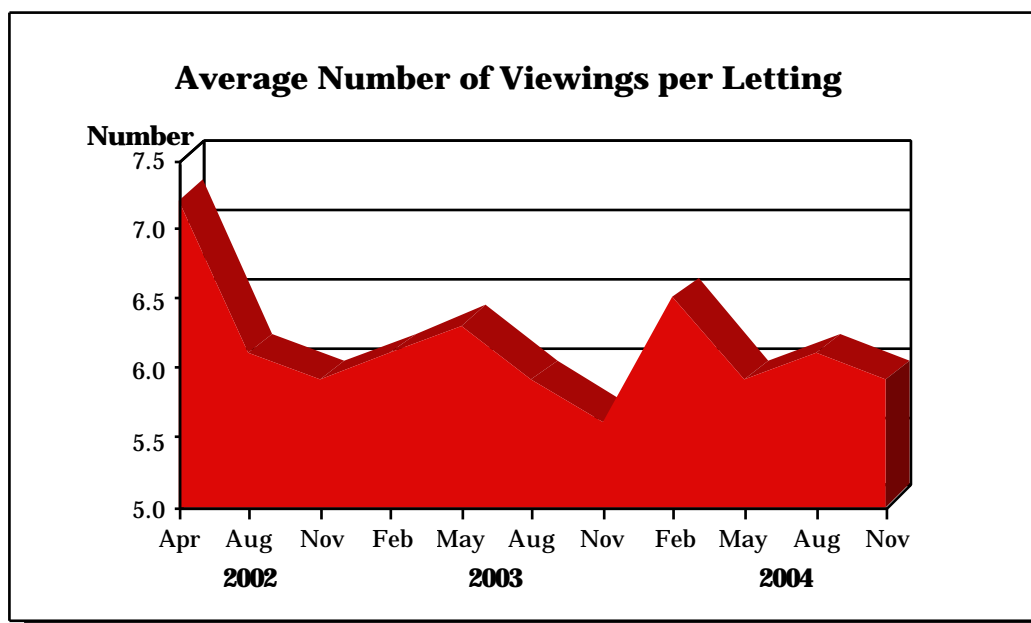
Compared with the August survey, the overall average number of viewings per letting is down from 6.1 to 5.9, reversing the change seen three months ago.

Within this overall change, the average number for Prime Central London properties has fallen from 8.9 to 8.4 whilst the figure for the

Rest of the UK has also fallen, from 4.9 to 4.7 whilst that for the Rest of the South East has risen a little, from 5.3 to 5.4 viewings per letting. Again these changes do little more than reverse the changes seen in August.

Geographic Region	Average Number of Viewings per Letting (%)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	9.9	8.5	8.9	8.4
South East	5.8	5.4	5.3	5.4
Rest of UK	4.7	4.7	4.9	4.7
All Regions	6.5	5.9	6.1	5.9
Base: All respondents	(471)	(451)	(428)	(486)

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



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

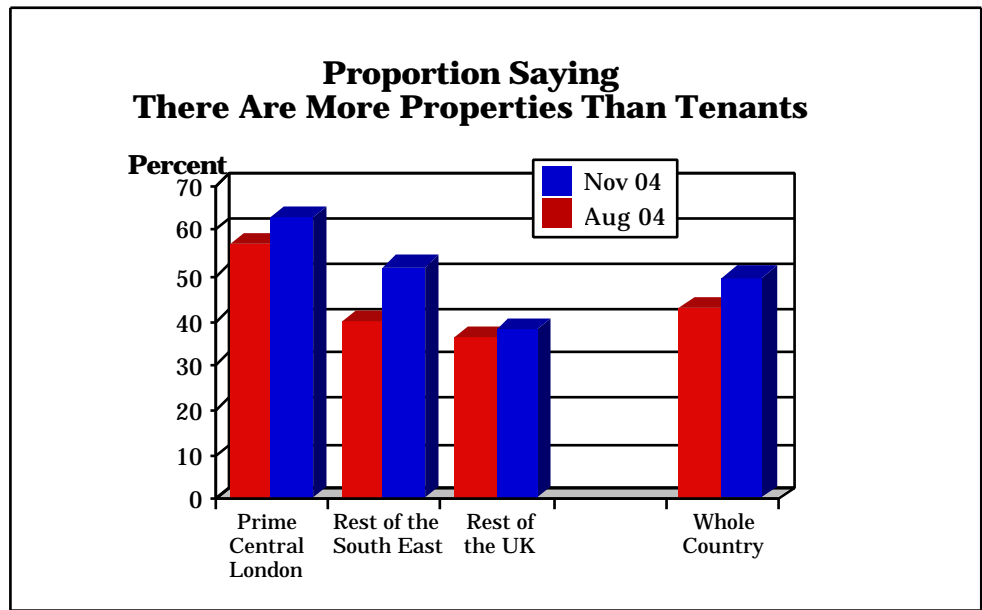
Almost half of ARLA members' offices (49%) believe that there are now more rented residential properties available than there are tenants to fill them.

However, more than a quarter (26%) believe that supply of, and demand for, rented residential properties is in balance and almost another quarter (24%) now 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	26.1	16.7	11.4	17.1
Few more props than tenants	36.5	34.8	26.3	32.3
Equal nos of props & tenants	18.3	25.5	32.9	26.3
Lot more tenants than props	1.7	7.4	12.6	7.8
Few more tenants than props	17.4	14.7	16.2	15.8
Not stated	-	1.0	0.6	0.6
Base: All respondents	(115)	(204)	(167)	(486)

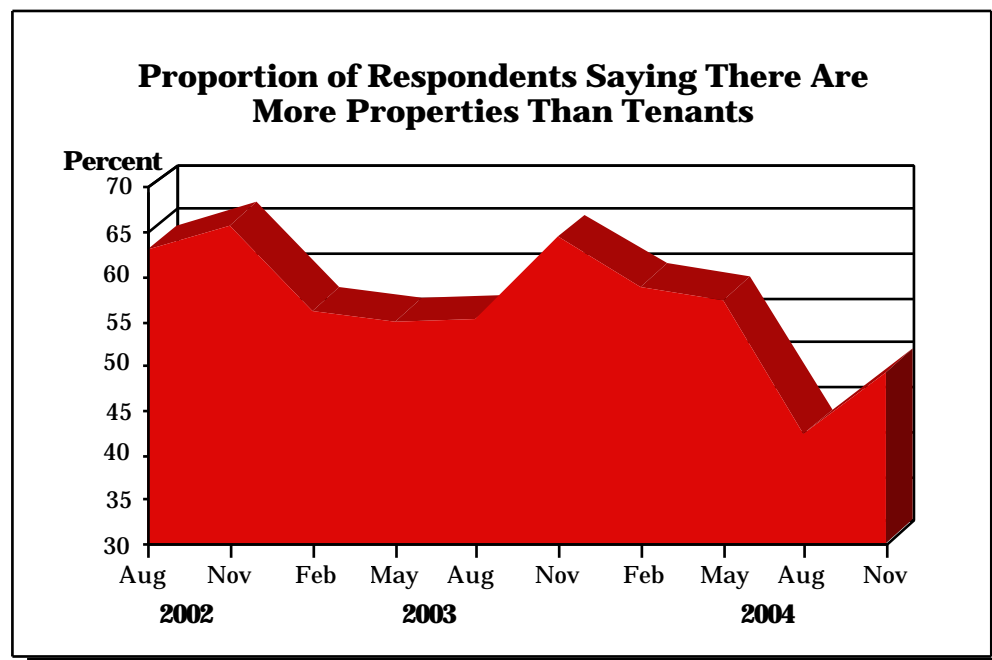
However, there is clearly a much more severe situation of over supply in London with 63% of respondents managing properties in Prime Central London saying there are more properties than tenants compared with 52% of those in the Rest of the South East saying so and 38% of those in the Rest of the UK.



Overall, 49% of respondents to this survey said there were more properties than tenants compared with a figure of 42% in August, suggesting that situation with regard to the balance of supply and demand has deteriorated somewhat over the last three months.

Geographic Region	Proportion Saying There Are More Properties than Tenants (%)			
	Feb 04	May 04	Aug 04	Nov 04
Prime Central London	67.2	73.0	56.5	62.6
South East	62.9	59.6	39.3	51.5
Rest of UK	47.5	45.1	35.7	37.7
All Regions	58.8	57.4	42.3	49.4
Base: All respondents	(471)	(451)	(428)	(486)

However, as the chart below shows, the increased figure for this quarter comes after a big fall in the figure three months ago and is still well below the figure which has pertained for most of the last three years.



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 23% and 32% believe that achievable rent levels have increased over the last six months whilst around two out of ten, ranging from 14% to 25%, believe they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.0	1.6	1.2	1.6	1.9	1.6
Increased a little	22.0	24.1	27.0	27.4	30.2	22.6
Stayed the same	40.5	45.7	49.2	49.6	45.5	47.7
Decreased a little	20.2	16.9	16.0	13.4	15.6	12.3
Decreased a lot	4.9	1.2	0.8	1.4	2.3	1.6
Don't know	7.8	6.4	2.5	3.3	1.9	10.3
Not stated	3.5	4.1	3.3	3.3	2.7	3.7

Base: All respondents (486)

These figures tend to suggest that, on average, achievable rent levels have probably changed little over the past six months.

Prime Central London

The situation in Prime Central London is only slightly less positive than for the country as a whole with between 16% and 31% 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	1.7	0.9	0.9	1.7	0.9	2.6
Increased a little	14.8	16.5	18.3	27.8	29.6	25.2
Stayed the same	26.1	36.5	47.0	45.2	42.6	41.7
Decreased a little	16.5	15.7	19.1	17.4	16.5	11.3
Decreased a lot	7.8	2.6	3.5	1.7	3.5	3.5
Don't know	25.2	19.1	5.2	0.9	2.6	10.4
Not stated	7.8	8.7	6.1	5.2	4.3	5.2

Base: All respondents (115)

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, a similar proportion to the whole country (between 15% and 24%) say they think rent levels have decreased.

Rest of the South East

With regard to the Rest of the South East, the picture is again similar to the country as a whole with between 18% and 25% of respondents saying that achievable rent levels have increased compared with between 13% and 34% saying they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.5	0.5	1.0	1.5	2.0	2.0
Increased a little	18.6	20.1	20.6	20.6	23.0	15.7
Stayed the same	39.7	47.5	53.9	56.9	53.4	51.5
Decreased a little	27.9	23.0	20.1	12.3	15.2	14.7
Decreased a lot	5.9	1.5	0.0	1.0	2.0	1.5
Don't know	3.9	3.9	1.5	4.9	2.0	11.8
Not stated	3.4	3.4	2.9	2.9	2.5	2.9

Base: All respondents (204)

These figures tend to suggest that rent levels in the South East have changed 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 30% and 43% of offices say that achievable rent levels for each type of property have increased whilst only between 9% and 17% 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	3.6	1.8	1.8	2.4	0.6
Increased a little	31.1	34.1	40.7	35.3	39.5	29.3
Stayed the same	51.5	49.7	44.9	43.7	37.7	47.3
Decreased a little	13.2	10.2	9.0	12.0	15.6	10.2
Decreased a lot	1.8	0.0	0.0	1.8	1.8	0.6
Don't know	0.6	0.6	1.8	3.0	1.2	8.4
Not stated	0.6	1.8	1.8	2.4	1.8	3.6

Base: All respondents (167)

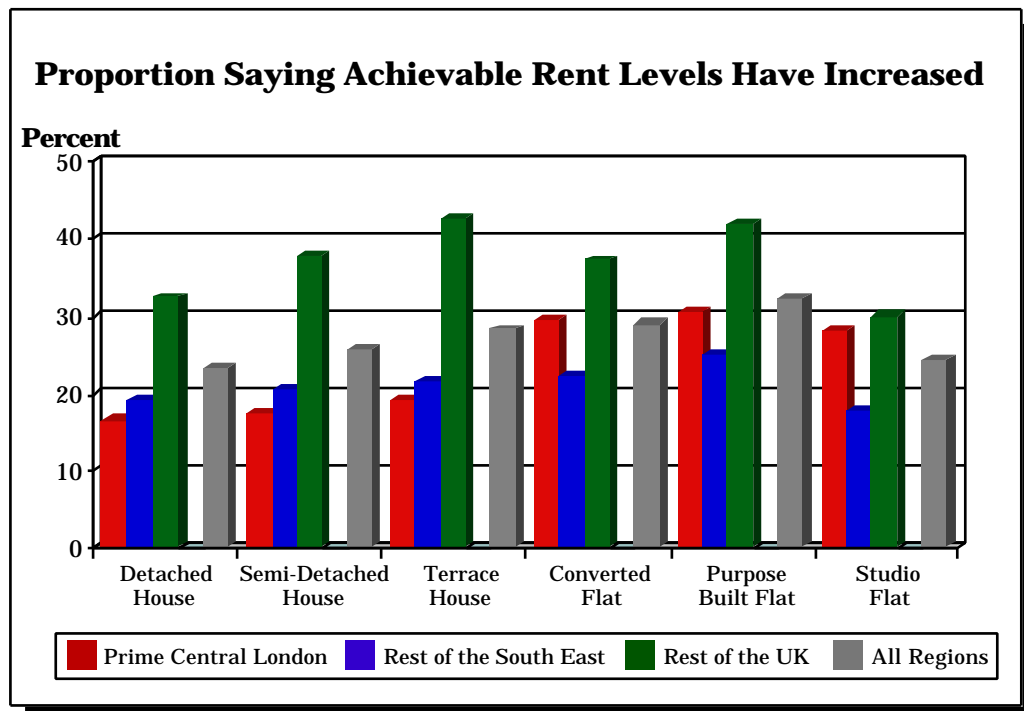
It appears from these figures that achievable rent levels in the Rest of the UK have increased over the last six months.

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	16.5	17.4	19.1	29.6	30.4	27.8
Rest of the South East	19.1	20.6	21.6	22.1	25.0	17.6
Rest of the UK	32.3	37.7	42.5	37.1	41.9	29.9
All regions	23.0	25.7	28.2	29.0	32.1	24.3

Base: All respondents (486)



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 17% to 24%.

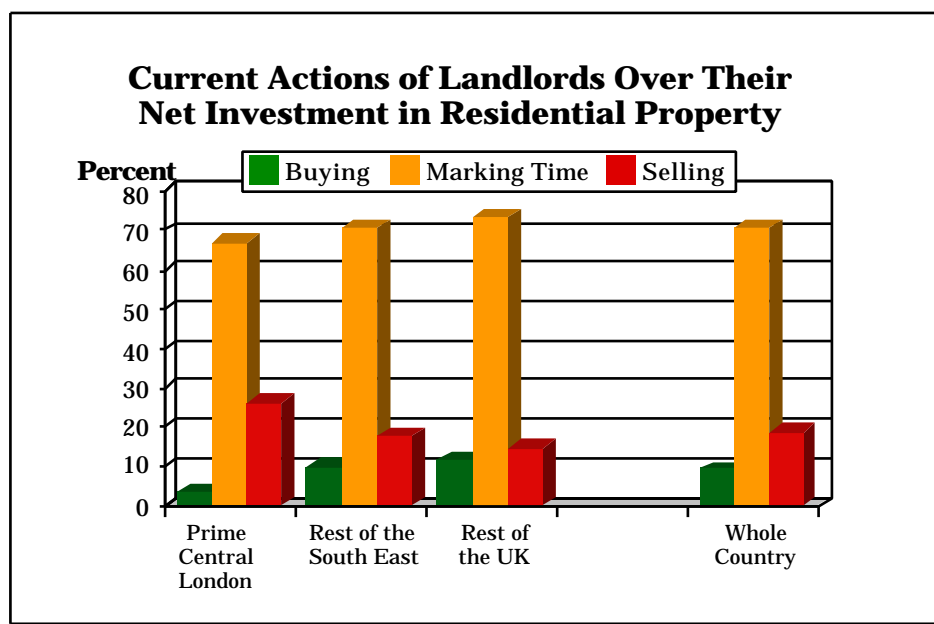
The average for the Rest of the South East is unchanged at 21% whilst that for the Rest of the UK has declined from 40% to 37%, suggesting that the position outside London has remained broadly stable over the last three months.

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

Seven out of ten ARLA members' offices (70%) think that residential landlords are currently marking time with regard to their net investment in residential property.

However, almost one in ten (9%) are actually increasing their net investment by buying more properties whilst twice as many (18%) 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	3.5	9.8	11.4	8.8
Marking time	67.0	70.1	73.1	70.4
Selling	26.1	17.2	14.4	18.3
Not stated	3.5	2.9	1.2	2.5
Base: All respondents	(115)	(204)	(167)	(486)



Geographically, there was little difference on this question although offices in Prime Central London are most likely to think that residential landlords are decreasing their investment (26% compared with 17% for the Rest of the South East and 14% for the Rest of the UK) whilst those in the Rest of the UK 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 4% for the Rest of the UK).

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

Questionnaire