

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
Third Quarter 2005**

First Time Buyers Report

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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.

This survey relating to First time Buyers was validly completed by 401 ARLA member letting agents during August 2005.

3. RESULTS

The main 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.

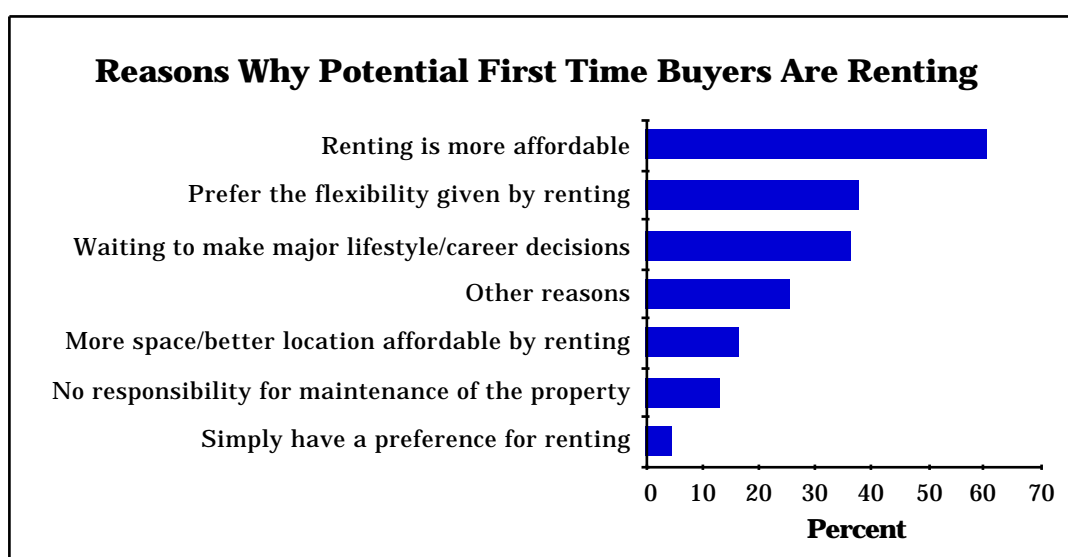
It would appear that ARLA members believe that the most common reason why potential First Time Buyers are choosing to rent properties rather than buy them is that renting is a more affordable option with more than six out of ten respondents (61%) saying this is so in their experience.

Two other factors make up a clear second division of reasons and these are that they prefer the flexibility given by renting (38%) and that they are waiting to make major lifestyle and/or career change decisions (36%).

The reason which least respondents considered had a bearing on the decision to rent rather than buy was that they simply prefer renting to buying (5%).

| Reasons for Renting | Percent of Respondents (%) | | | |
|-------------------------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Renting is more affordable | 54.8 | 61.4 | 63.5 | 60.6 |
| Prefer flexibility of renting | 39.8 | 40.4 | 34.3 | 38.2 |
| More can be afforded by renting | 12.9 | 16.4 | 19.0 | 16.5 |
| Waiting to make life/career changes | 37.6 | 30.4 | 42.3 | 36.2 |
| Simply prefer renting | 4.3 | 5.8 | 4.4 | 5.0 |
| No maintenance responsibility | 10.8 | 11.7 | 17.5 | 13.5 |
| Other reasons | 21.5 | 29.8 | 22.6 | 25.4 |
| Base: All respondents | (93) | (171) | (137) | (401) |

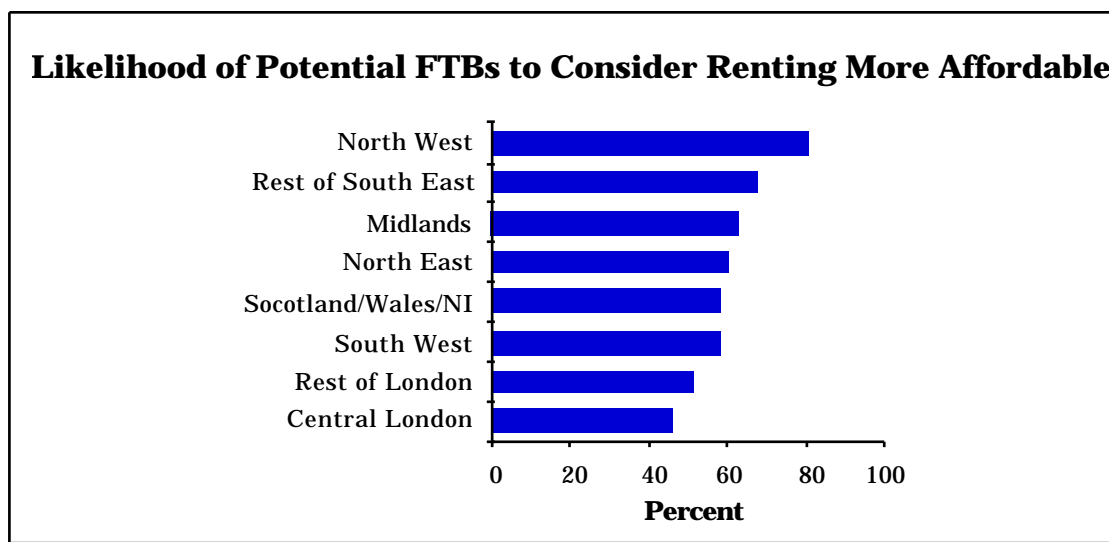
As between the three broad geographic regions, it appears that renting being more affordable is less of an issue in Central London and more of an issue in the Rest of the UK, something which seems to run contrary to the fact that house prices in the South East (and central London in particular) are much higher than elsewhere in the UK.



Looking at differences in perceptions of respondents based on the number of new tenancies signed up in the last three months indicates that those with a wider sphere of experience (as determined by the number of tenants dealt with in the recent past) are more likely to think that affordability is an issue and that people who are waiting to make major life changes have an impact.

| Reasons for Renting | Percent of Respondents (%) | | | |
|--------------------------------------|---|-----------------|----------------|--------------------|
| | Number of New Tenancies Up to 10 | 11 to 20 | Over 20 | All Numbers |
| Renting is more affordable | 57.5 | 54.9 | 64.7 | 60.9 |
| Prefer flexibility of renting | 31.5 | 42.2 | 37.9 | 37.8 |
| More can be afforded by renting | 16.4 | 14.7 | 17.4 | 16.5 |
| Waiting to make life/career changes | 26.0 | 40.2 | 37.5 | 36.1 |
| Simply prefer renting | 2.7 | 6.9 | 4.9 | 5.0 |
| No maintenance responsibility | 12.3 | 14.7 | 12.9 | 13.3 |
| Other reasons | 20.5 | 25.5 | 27.2 | 25.6 |
| Base: All giving number of tenancies | (73) | (102) | (224) | (399) |

When the results from this question are broken down at a more detailed regional level, although the numbers of respondents for some regions are quite small, it becomes apparent that, generally speaking, respondents in the north of the country are more likely to think potential First Time Buyers are being put off by the cost of buying. However, there is an exception to this which is that respondents in the South East are the second most likely to think affordability is the problem.



The 102 respondents who gave reasons other than those listed as to why First Time Buyers were renting instead of buying mentioned 18 different things but of these only 6 were mentioned by more than two respondents:

- Waiting for prices to fall 30 (8%)
- Can't afford to buy 16 (4%)
- Haven't got enough deposit 13 (3%)
- Nervous about interest rates 9 (2%)
- Not earning enough to cover mortgage required 9 (2%)
- Unsure about housing market 8 (2%)