

Prepared for

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

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

**ARLA Members Survey  
of the  
Buy to Let Sector  
  
Second Quarter 2006**

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## **CONTENTS**

	<b>Page</b>
1. INTRODUCTION & BACKGROUND	3
2. METHODOLOGY	4
3. SUMMARY	5
4. RESULTS	7

## 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 1,656 letting offices of ARLA members in May 2006 and 470 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 overall average capital asset value of rented houses has risen by 0.3% over the last three months as a result of a rises of 2.4% in Prime Central London and 4.5% in the Rest of the South East. In contrast, the average value for the Rest of the UK fell by 11.0%.
- Over the same period the average value of rented flats throughout the country rose by 2.7%, again as a result of increases in Prime Central London (7.6%) and the Rest of the South East (3.9%) with prices of flats in the Rest of the UK falling by 8.5%.
- The average weighted rental returns for both houses and flats have both risen compared with three months ago, from 5.0% to 5.2% in the case of houses and from 5.2% to 5.3% for flats.
- On balance ARLA members report increased achievable rent levels over the last six months on all types of rented property with a much higher proportion this quarter (47% compared with 37% in February) saying that this is the case in Prime Central London. There was also an increase for the Rest of the South East whilst the figure for the Rest of the UK was virtually unchanged
- The balance between the supply of and demand for rented residential properties has continued to improve, particularly for members in the Rest of the South East with more than a third (35%) of these now saying there are more tenants than there are properties available for them, a figure which is up from 28% three months ago.
- Nearly three out of ten ARLA members (28%) now say that landlords are currently buying more properties, a figure which is up sharply from 17% in the first quarter and which compares with only 14% who say landlords are currently selling properties.
- Compared with the first quarter, the average void period is down slightly from 3.9 weeks to 3.8 weeks (27 days) reflecting slight decreases in Prime Central London and the Rest of the UK.
- The average number of new tenancies signed up in the second quarter of 2006 was 31.4, up a little from 30.5 in the first quarter as a result of seasonal factors.
- ARLA members' offices find they are now showing an average of 5.5 prospective tenants round a property before it is let, a figure which is down from 5.7 three months ago.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property, at 52%, is unchanged compared with the first quarter.
- The average number of purely investment properties which are managed by ARLA members' offices is down compared with three months ago from 109 to 105 properties, reversing the increase seen in the first quarter.

- More than half of ARLA members' offices' let properties (55%) are let under full management but more than a quarter (27%) are let on an introduction only basis.
- The vast majority of tenancies (85%) are Assured Shorthold Tenancies although for those managing properties in Prime Central London, the average is just 66% with three out of ten (30%) of their tenancies being non-Housing Act (company lets).
- On average, tenants remain in the same property for a period of 15.8 months and when tenancies are ended, in the majority of cases (83%) it is the tenant who initiates the ending of the tenancy.
- On average, over the last three months, ARLA members' offices have signed up 9 clients who are landlords new to the rented residential property market but have lost 3 landlord clients who have either died, retired or left the market for other reasons.

## 4. RESULTS

The following sections detail the results of the survey for the second quarter of 2006. 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.

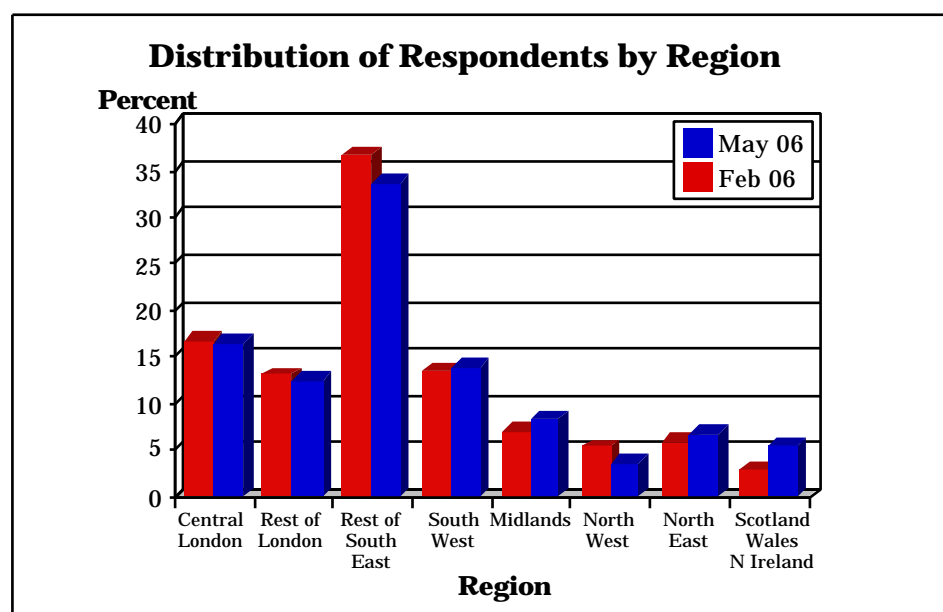
### 4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for more than six out of ten respondents (62%).

After the South East, the South West with 14% was the region with the most respondents.

Region	Percent of Respondents (%)		
	Nov 05	Feb 06	May 06
Central London	17.1	16.7	16.4
Rest of London ( <i>inside M25</i> )	12.1	12.9	12.3
South East ( <i>excl. London</i> )	36.7	36.6	33.6
South West	10.8	13.3	13.8
Midlands	8.2	6.8	8.3
North West	5.4	5.2	3.6
North East	6.7	5.9	6.6
Scotland/Wales/NI	3.3	2.7	5.3
Base: All respondents	(463)	(443)	(470)

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



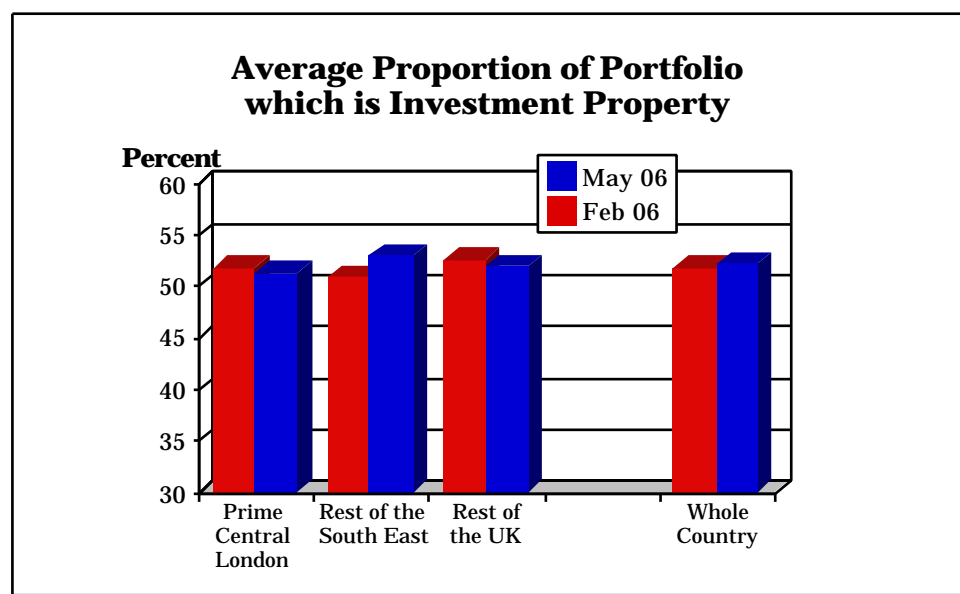
## 4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents (83%) said that more than a quarter of their portfolio is investment property with more than half (55%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for only one in twenty offices (5%).

Analysis of the responses to this question reveals that, on average, investment properties account for 52% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	1.1	-	0.4
Up to 10%	6.3	3.3	4.0	4.3
11% to 25%	10.8	8.8	15.8	11.9
26% to 50%	26.1	30.2	25.4	27.4
51% to 75%	38.7	39.0	29.9	35.5
Over 75%	17.1	17.6	23.7	19.8
Not stated	0.9	-	1.1	0.6
Base: All respondents	(111)	(182)	(177)	(470)

For offices managing properties in Prime Central London, investment properties appear to make up a very slightly smaller proportion of their portfolios with the average being 51% compared with 53% for the Rest of the South East and 52% for the Rest of the UK.



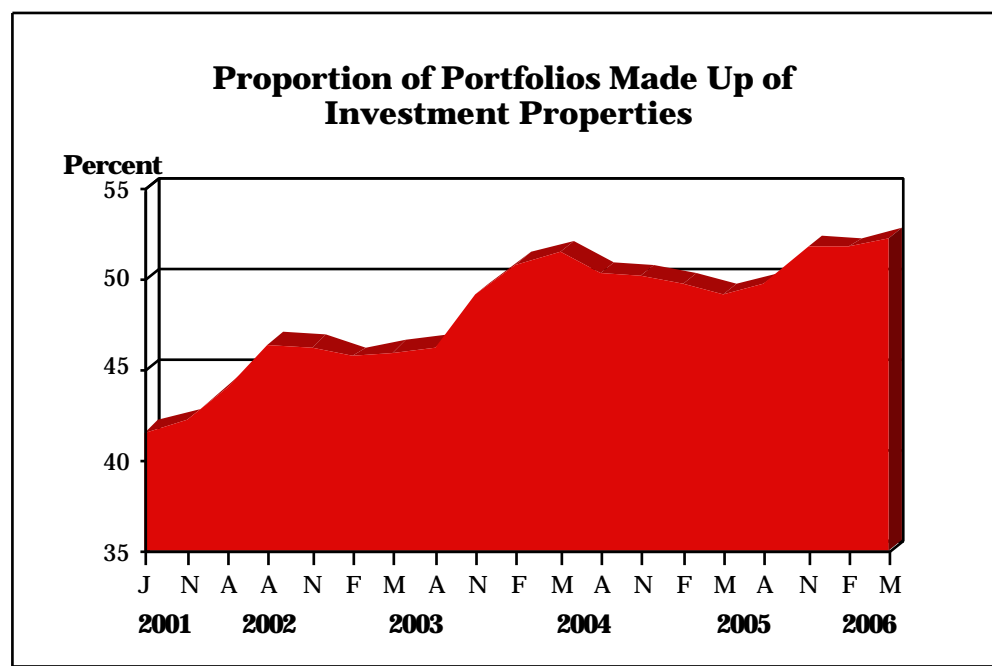
Compared with the last survey in February, the average proportion of portfolios which are in the form of investment property is virtually unchanged at 52% although the figure for the Rest of the South East has risen from 51% to 53%.

<b>Geographic Region</b>	<b>Average Proportion of Portfolio (%)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	53.5	52.2	51.7	51.2
South East	47.6	51.1	50.9	52.8
Rest of UK	49.9	52.2	52.5	52.0
All Regions	49.7	51.7	51.6	52.1
Base: All respondents	(436)	(463)	(443)	(470)

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.

At the end of 2004 the figure levelled off again before slowly reducing during the first half of 2005.

However, both surveys for the second half of 2005 showed the figure was on the increase again and the results from this survey suggest that the upward trend is continuing.



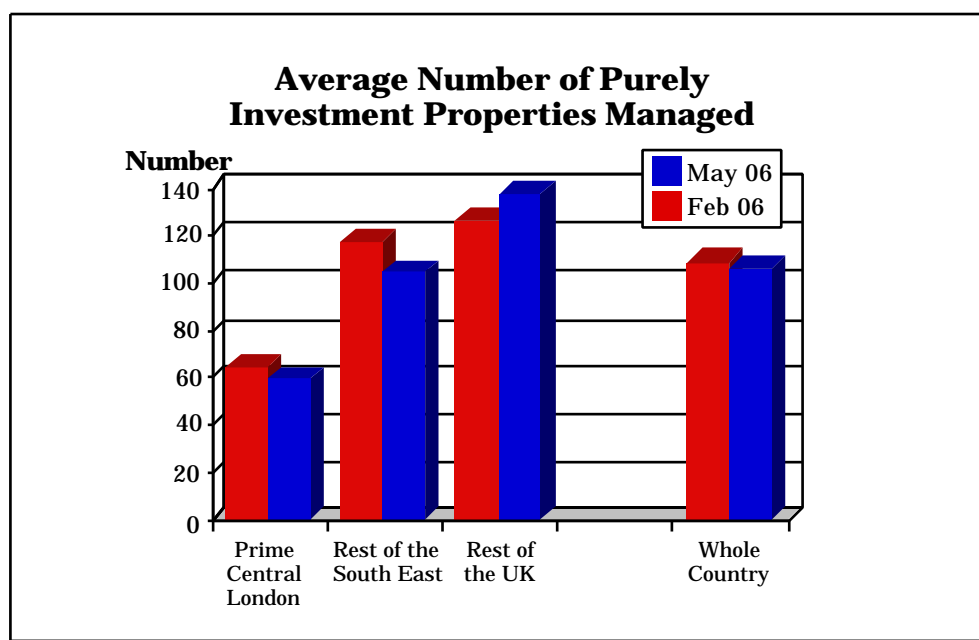
### 4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of purely investment properties with more than three out of ten (32%) 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 purely investment properties managed by ARLA offices is currently 105.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	9.0	3.3	2.3	4.3
6 to 10	8.1	6.0	6.2	6.6
11 to 20	11.7	8.2	8.5	9.1
21 to 50	26.1	22.5	20.9	22.8
51 to 100	17.1	25.3	22.6	22.3
Over 100	23.4	31.3	38.4	32.1
Not stated	4.5	3.3	1.1	2.8
Base: All respondents	(111)	(182)	(177)	(470)

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, 104 for the Rest of the South East and 138 for the Rest of the UK.



Compared with three months ago, the average number of properties managed is down from 109 to 105, reversing the increase seen in February.

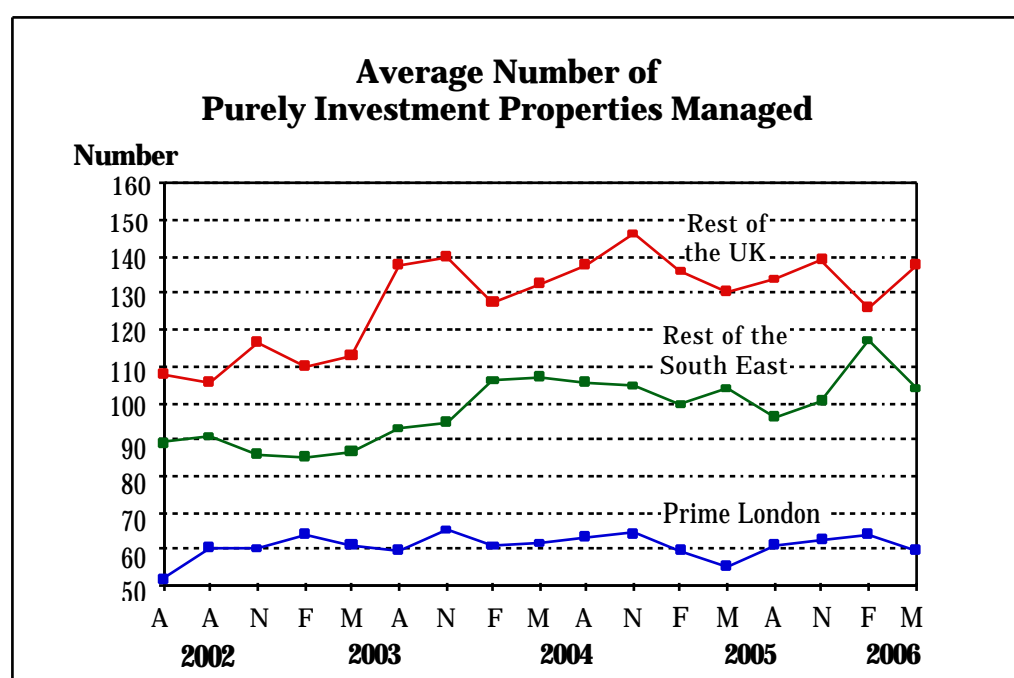
Within this there has been considerably greater movement in the figures for two of the three broad regional areas with the figure for the Rest of the UK increasing quite sharply and the figure for the Rest of the South East decreasing equally sharply. The figure for Prime Central London is little changed by comparison. However, it should be remembered that these regional figures are subject to some fluctuation quarter by quarter.

Geographic Region	Average Number of Properties			
	Aug 05	Nov 05	Feb 06	May 06
Prime Central London	61.2	62.7	63.9	59.7
South East	96.0	100.9	117.2	103.8
Rest of UK	133.7	139.2	125.9	137.5
All Regions	100.9	104.9	108.6	105.4
Base: All respondents	(436)	(463)	(443)	(470)

Having said that, as can be seen from the chart below, the average number of properties managed by ARLA members in the Rest of the UK, having increased over the medium term from 106 properties in April 2002 to 146 properties by the end of 2004, has on the whole been declining since then despite this latest increase.

The average for the Rest of the South East showed a sharp upward trend in 2003 before levelling off in 2004 and there was a gentle downward trend after that but results from the last few surveys suggest that the figure is on the increase again even though there was quite a sharp decrease this quarter.

For Prime Central London the figure has been relatively steady at an average of between 60 and 65 properties for some time despite occasionally moving a little outside this band.



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

##### **Houses**

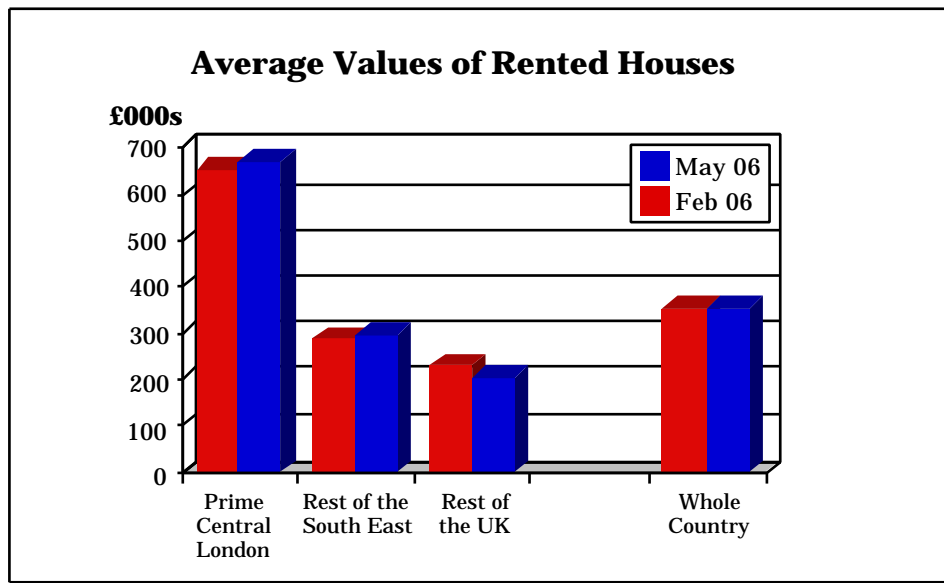
Two thirds of respondents (66%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only one in a hundred offices (1%) said the average was below £100,000 but for one in ten respondents (10%), the average in their area was in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented house of £351,500.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	-	-	-
£75,001 to £100,000	-	-	2.8	1.1
£100,001 to £150,000	-	4.9	29.4	13.0
£150,001 to £200,000	0.9	28.6	33.9	24.0
£200,001 to £350,000	10.8	45.6	24.3	29.4
£350,001 to £500,000	26.1	12.6	3.4	12.3
£500,001 to £750,000	20.7	2.7	1.1	6.4
Over £ 750,000	36.0	3.8	0.6	10.2
Not stated	5.4	1.6	4.5	3.6
Base: All respondents	(111)	(182)	(177)	(470)

There are big differences between the values of rented houses in the different regional areas with the average for Prime Central London being more than two thirds of a million pounds (£668,300) compared with less than half that figure (£295,800) in the Rest of the South East and just £201,600 in the Rest of the UK.

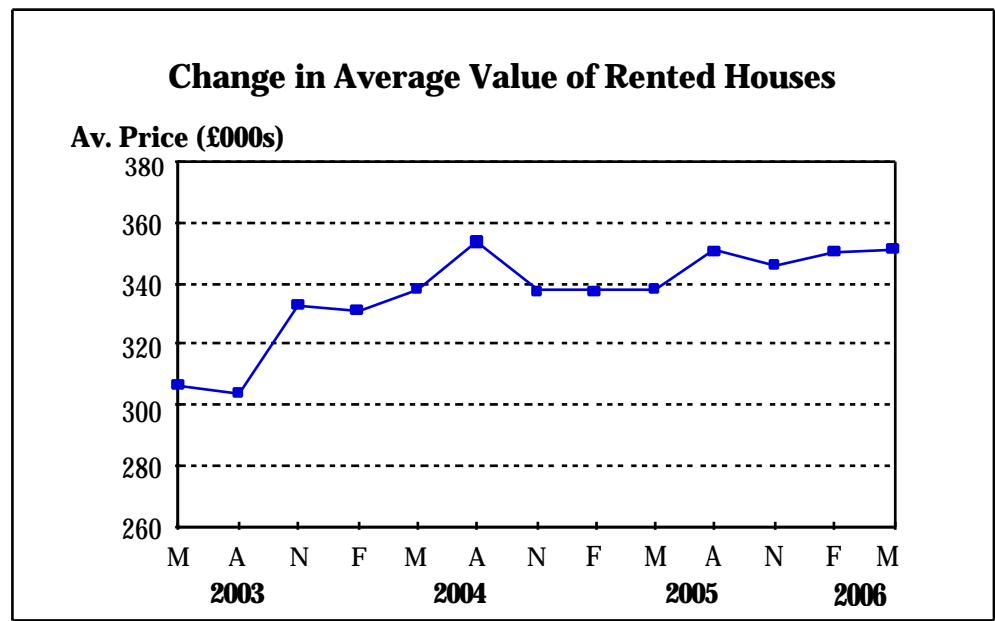


Compared with the last survey, the overall weighted average value of rented houses has risen by 0.3% from £350,500 to £351,500.

<b>Geographic Region</b>	<b>Average Value of Rented Houses (000s)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	673.4	681.0	652.4	668.3
South East	291.1	278.6	283.1	295.8
Rest of UK	202.3	197.4	226.4	201.6
All Regions (weighted)	350.9	345.6	350.5	351.5
Base: All respondents	(436)	(463)	(443)	(470)

The average price of a rented house in Prime Central London has risen by 2.4% whilst that for the Rest of the South East is up by 4.5%. The average for the Rest of the UK, however, is down sharply by 11.0% but this fall follows a large rise three months ago.

As can be seen from the chart below, between May 2003 and August 2004 the average value of a rented house increased by 16% from £306,100 to £353,800 but has been fairly steady since then.



## Flats

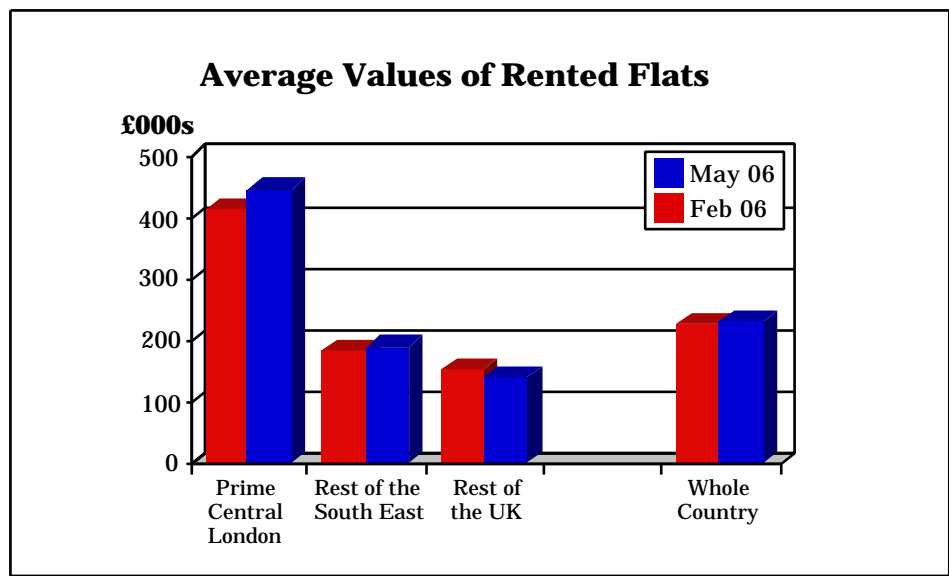
Nearly seven out of ten respondents (68%) said that the average value of a rented flat in their area was between £100,000 and £350,000, a similar figure to that which applied to houses.

However, a much higher proportion of ARLA offices amounting to 11% said the average value of a rented flat in their area was below £100,000 whilst only 2.6% 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 £231,200.

Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	1.1	1.1	0.9
£75,001 to £100,000	-	4.9	20.3	9.6
£100,001 to £150,000	1.8	28.6	42.4	27.4
£150,001 to £200,000	9.9	37.4	22.6	25.3
£200,001 to £350,000	31.5	17.0	4.5	15.7
£350,001 to £500,000	27.9	2.7	1.1	8.1
£500,001 to £750,000	17.1	1.6	-	4.7
Over £ 750,000	10.8	-	-	2.6
Not stated	0.9	6.6	7.9	5.7
Base: All respondents	(111)	(182)	(177)	(470)

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 £444,100 compared with £187,100 in the Rest of South East and £139,100 in the Rest of the UK.

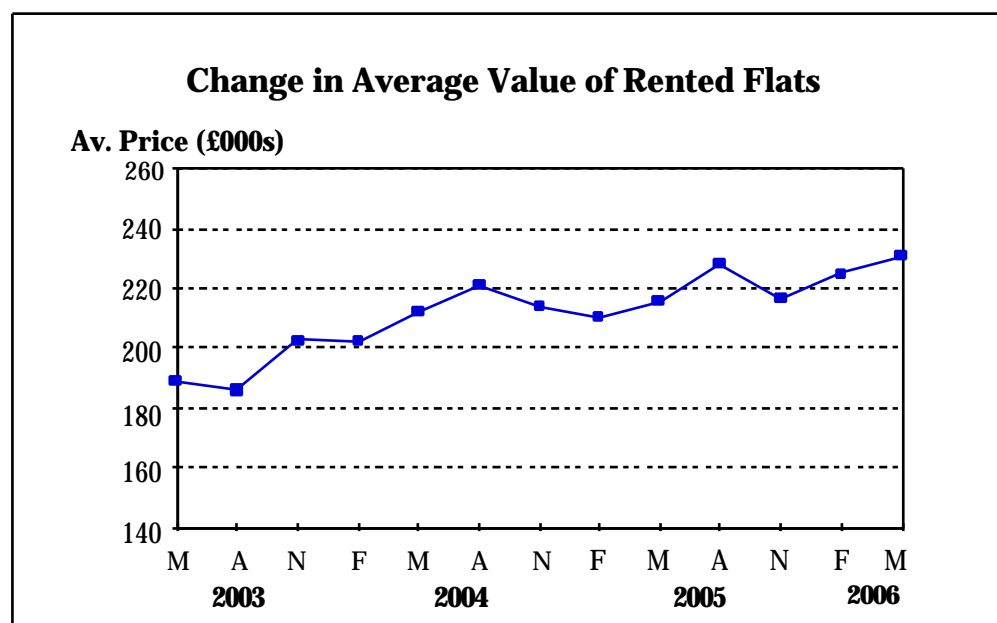


Compared with three months ago, the overall weighted average value of a rented flat has risen by 2.7% from £225,100 to £231,200.

<b>Geographic Region</b>	<b>Average Value of Rented Flats (000s)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	434.2	405.8	412.6	444.1
South East	180.4	178.8	180.0	187.1
Rest of UK	146.6	133.4	152.1	139.1
All Regions (weighted)	228.5	216.8	225.1	231.2
Base: All respondents	(436)	(463)	(443)	(470)

Within that overall change, the average value of rented flats in Prime Central London has risen sharply by 7.6% whilst the average for the Rest of the South East has risen by 3.9%. In contrast, the average for the Rest of the UK has fallen by 8.5% although this fall follows a big increase three months ago.

As can be seen from the chart below, over the last three years, the average value of a rented flat has increased by 22% from £189,100 to £231,200 despite the occasional temporary downturn.



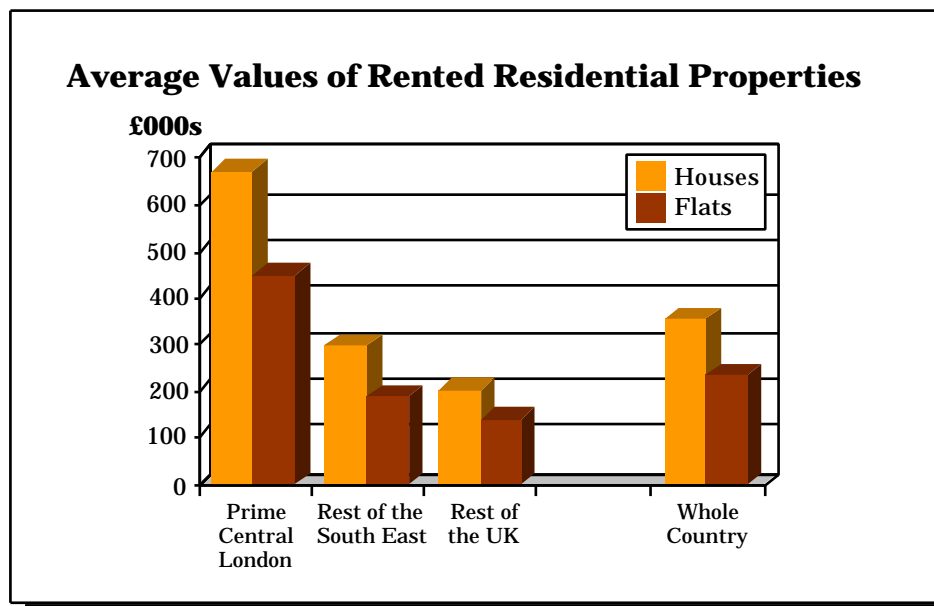
## Summary

As was to be expected, average values of rented houses are much higher than those of rented flats with the figure for houses in the Rest of the South East being 58% higher than that for flats.

There is also a big difference between the values of houses and flats in the rest of the country although the difference is a little less marked for the Rest of the UK than for Prime Central London.

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	668.3	444.1
South East	295.8	187.1
Rest of UK	201.6	139.1
All Regions (weighted)	351.5	231.2

Base: All respondents (470)



#### 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 all respondents (55%) saying that this applies to their area.

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

<b>Average Return</b>	<b>Percent of Respondents (%)</b>			
	<b>Prime London</b>	<b>Rest of SE</b>	<b>Rest of UK</b>	<b>All Regions</b>
Less than 4%	9.0	14.3	7.3	10.4
4% to 5%	60.4	51.6	54.8	54.9
6%	10.8	10.4	16.4	12.8
7%	1.8	6.0	5.1	4.7
8%	4.5	5.5	1.7	3.8
9% to 10%	1.8	2.7	4.5	3.2
11% to 12%	1.8	-	2.3	1.3
12% to 15%	0.9	-	-	0.2
Over 15%	-	2.2	1.1	1.3
Not stated	9.0	7.1	6.8	7.4
Base: All respondents	(111)	(182)	(177)	(470)

There is some difference in rates of return between the three broad geographic areas with the average for Prime Central London (5.0%) being the lowest and that for the Rest of the UK (5.4%) being the highest.

<b>Geographic Region</b>	<b>Average Rental Return (%)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	4.7	5.0	4.8	5.0
South East	4.9	4.9	5.0	5.2
Rest of UK	4.9	4.9	5.0	5.4
All Regions (weighted)	4.9	4.9	5.0	5.2
Base: All respondents	(436)	(463)	(443)	(470)

Compared with three months ago, the overall average weighted rental return on houses is up from 5.0% to 5.2%.

The average rental return on houses in Prime Central London has risen from 4.8% to 5.0%, reversing the change seen in February whilst the averages for the Rest of the South East (up from 5.0% to 5.2%) and the Rest of the UK (up from 5.0% to 5.4%) have both built on the smaller increase seen then.

## **Flats**

A rental return of between 4% and 5% also appears to be the norm for rented flats with more than half of respondents (51%) saying that this applies to their area.

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

<b>Average Return</b>	<b>Percent of Respondents (%)</b>			
	<b>Prime London</b>	<b>Rest of SE</b>	<b>Rest of UK</b>	<b>All Regions</b>
Less than 4%	5.4	7.1	11.3	8.3
4% to 5%	55.0	47.8	50.8	50.6
6%	22.5	23.1	16.4	20.4
7%	4.5	7.1	3.4	5.1
8%	1.8	3.8	3.4	3.2
9% to 10%	4.5	1.1	3.4	2.8
11% to 12%	0.9	1.1	1.7	1.3
12% to 15%	0.9	-	-	0.2
Over 15%	-	1.1	1.1	0.9
Not stated	4.5	7.7	8.5	7.2
Base: All respondents	(111)	(182)	(177)	(470)

There is little differences in the rates of return for rented flats between the different geographical areas, with the averages for Prime Central London and the Rest of the South East both being 5.3% whilst that for the Rest of the UK is 5.2%.

<b>Geographic Region</b>	<b>Average Rental Return (%)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	5.0	5.2	5.1	5.3
South East	5.1	5.1	5.4	5.3
Rest of UK	5.1	4.9	5.0	5.2
All Regions (weighted)	5.1	5.1	5.2	5.3
Base: All respondents	(436)	(463)	(443)	(470)

Compared with the last survey in February, the overall weighted average rental return on flats is again up a little, this time from 5.2% to 5.3%.

Within this, the average for Prime Central London is up from 5.1% to 5.3%. The average for the Rest of the UK is also up, from 5.0% to 5.2%, but that for the Rest of the South East is down a little from 5.4% to 5.3%.

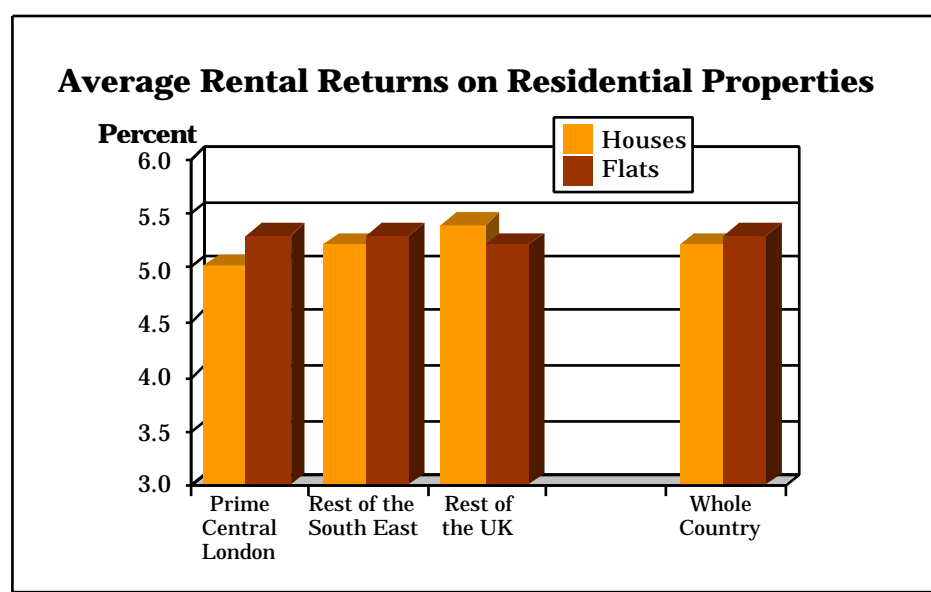
## Summary

Average rental returns for houses are now lower in Prime Central London than elsewhere in the country whilst, at the other end of the scale, average rental returns for flats are highest in both Prime Central London and the Rest of the South East.

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

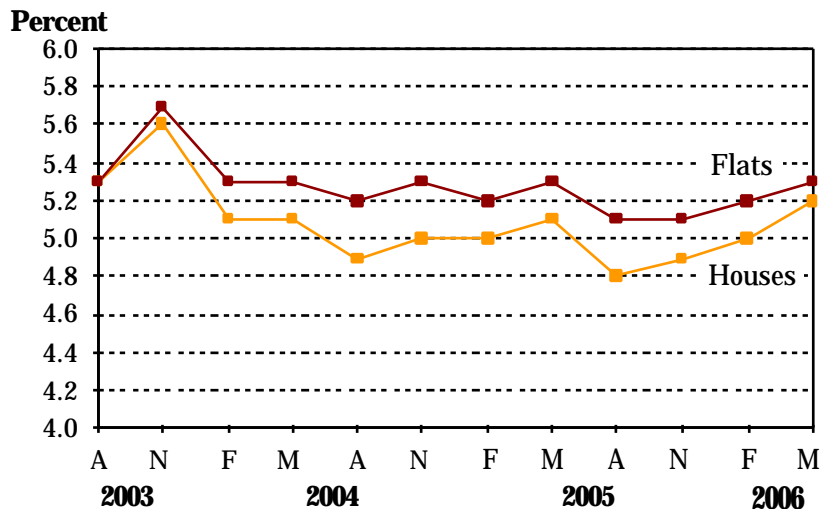
Base: All respondents (470)

Overall, flats appear to earn a slightly higher gross return than do houses although this does not seem to apply in the Rest of the UK where reported average returns on houses are better than those available on flats.



As can be seen in the chart below, after quite a long period of declining average rental returns, the averages for both houses and flats turned upwards in the autumn of last year and now appear to be on a rising trend.

### Change in Average Rental Return



## Average Rents

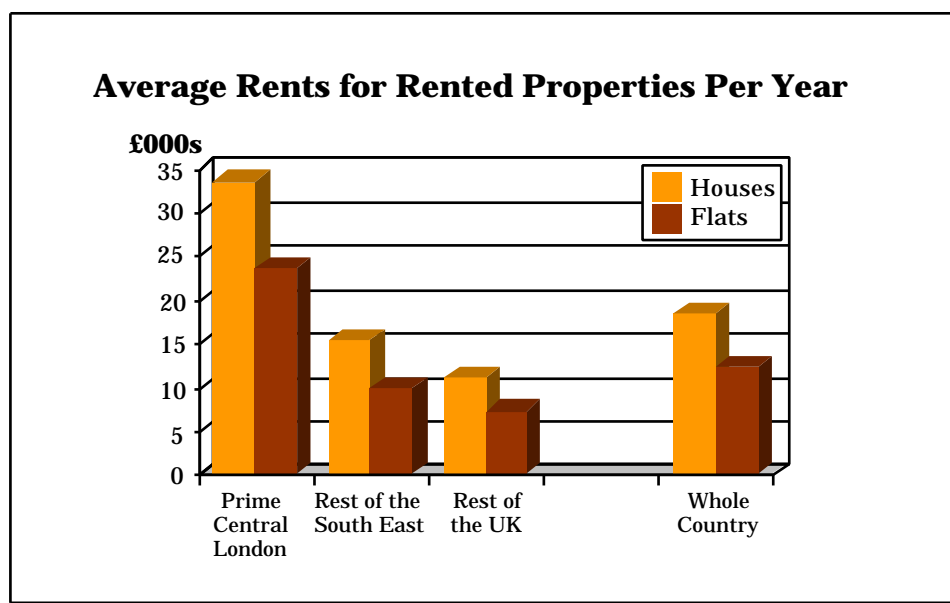
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	643	2,785	33.4	453	1,961	23.5
South East	296	1,282	15.4	191	826	9.9
Rest of UK	209	907	10.9	139	603	7.2
All Regions (weighted)	353	1,529	18.3	234	1,015	12.2

Base: All respondents (470)

In the case of the Rest of the South East, the average rent of a house is almost half as much again (55% higher) as the average rent for a flat.

There are also marked differences in Prime Central London and the Rest of the UK, where average house rents are 42% and 51% higher respectively than average flat rents.



Further analysis of the responses to this question enables average rents to be derived for each of the geographic regions included in the survey and these are shown in the table below.

However, it should be noted that the number of respondents for some of the regions is relatively small with the smallest number (17) being for the North West.

<b>Geographic Region</b>	<b>Average Rents</b>					
	<b>HOUSES</b>			<b>FLATS</b>		
	<b>Week</b>	<b>Month</b>	<b>Year</b>	<b>Week</b>	<b>Month</b>	<b>Year</b>
	<b>(£)</b>	<b>(£)</b>	<b>(£000)</b>	<b>(£)</b>	<b>(£)</b>	<b>(£000)</b>
Prime Central London	643	2,785	33.4	453	1,961	23.5
Rest of London	426	1,846	22.2	292	1,264	15.2
Rest of South East	264	1,143	13.7	171	739	8.9
South West	224	969	11.6	141	613	7.4
Midlands	178	770	9.2	121	523	6.3
North West	254	1,100	13.2	187	811	9.7
North East	201	869	10.4	148	640	7.7
Scotland/Wales/NI	178	773	9.3	121	524	6.3

Base: All respondents (470)

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

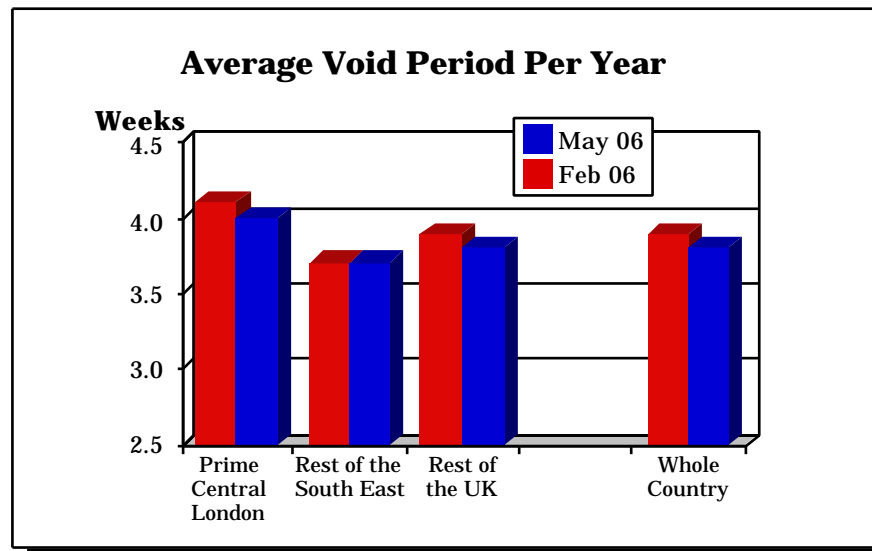
Average void periods for rented residential properties tend to be quite short with almost two thirds of ARLA members' offices (66%) reporting averages of 4 weeks or less per year and, in addition, a quarter (25%) say the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 3.8 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	12.6	4.9	9.6	8.5
2 to 4 weeks	46.8	64.8	55.9	57.2
5 to 6 weeks	24.3	23.6	27.1	25.1
7 to 8 weeks	12.6	4.4	6.8	7.2
More than 8 weeks	-	-	-	-
Don't know	1.8	1.1	-	0.9
Not stated	1.8	1.1	0.6	1.1
Base: All respondents	(111)	(182)	(177)	(470)

Respondents with properties in Prime Central London experience a slightly higher void rate than average at 4.0 weeks (28 days) per year.

The average void period for the Rest of the South East is 3.7 weeks (26 days) and that for the Rest of the UK is 3.9 weeks (27 days) per year.

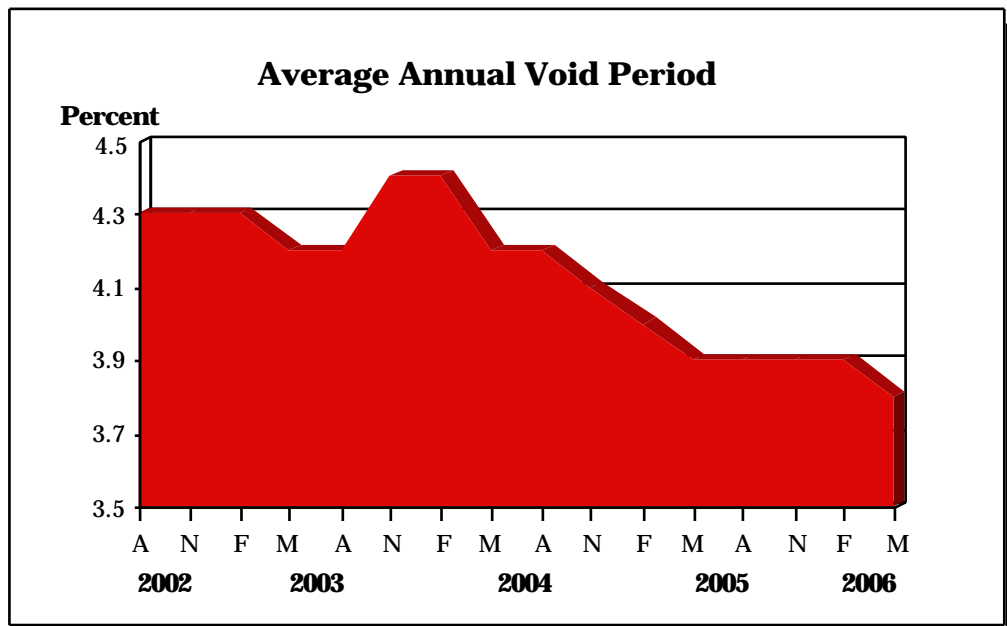


Compared with three months ago, the average void period for the country as a whole has fallen from 3.9 weeks to 3.8 weeks.

This overall static position is reflected in the figures for each of the broad geographic areas with the average void period for the Rest of the South East unchanged at 3.7 weeks and the averages for Prime Central London

and the Rest of the UK down only slightly (from 4.1 weeks to 4.0 weeks and from 3.9 weeks to 3.8 weeks respectively per year).

<b>Geographic Region</b>	<b>Average Void Period (weeks)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	4.3	4.1	4.1	4.0
South East	3.7	3.8	3.7	3.7
Rest of UK	3.8	3.8	3.9	3.8
All Regions	3.9	3.9	3.9	3.8
Base: All respondents	(436)	(463)	(443)	(470)



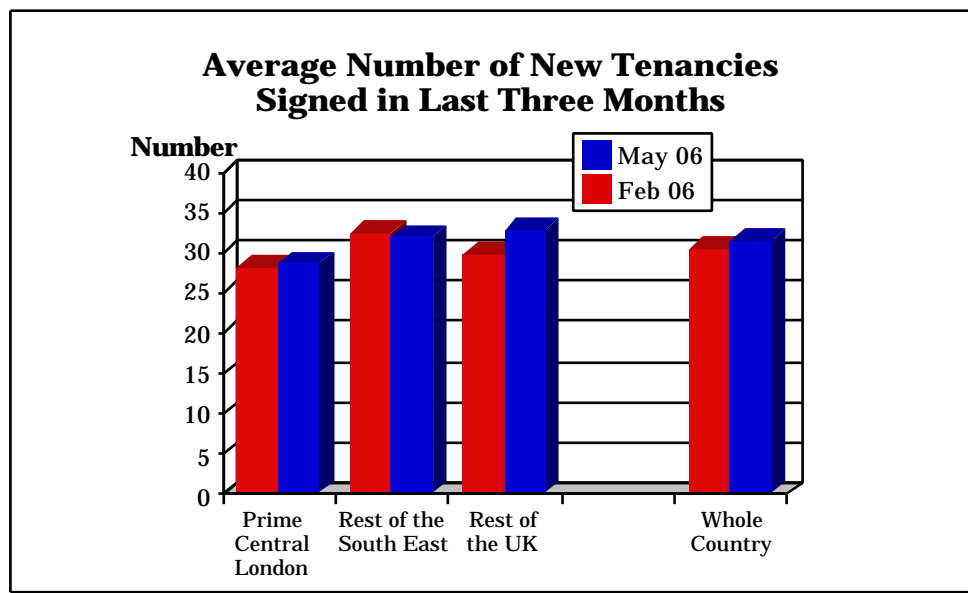
**4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)**

Eight out of ten ARLA members' offices (80%) have signed up more than 10 new tenancies (other than renewals) in the last three months with more than half (54%) having signed up more than 20 and nearly two out of ten (18%) more than 50.

Analysis of these results reveals that, on average, ARLA members' offices have each 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	-	-	-	-
Up to 5	3.6	4.4	6.2	4.9
6 to 10	13.5	18.7	11.3	14.7
11 to 20	29.7	24.7	26.0	26.4
21 to 50	41.4	31.9	36.2	35.7
Over 50	10.8	20.3	19.8	17.9
Not stated	0.9	0.0	0.6	0.4
Base: All respondents	(111)	(182)	(177)	(470)

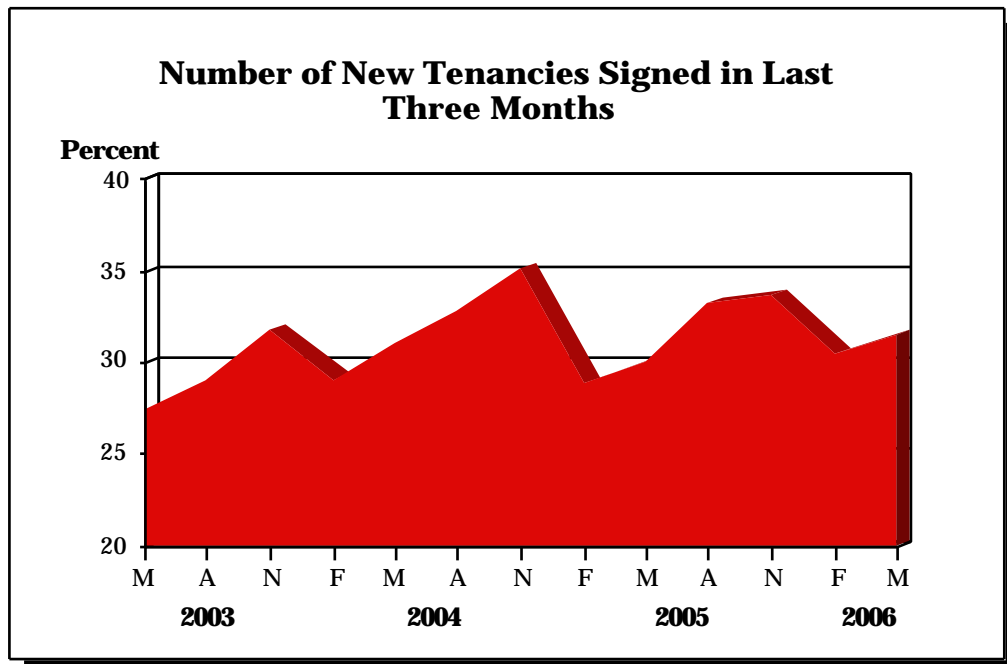
Offices managing properties in Prime Central London have fared less well than those in the Rest of the South East and those the Rest of the UK with the average figures being 29 for Prime Central London compared with 32 for the Rest of the South East and 33 for the Rest of the UK.



Compared with the last survey, there has been a small rise in the average number of new tenancies signed up in the preceding three months from 30.5 to 31.4. This increase is largely accounted for by the increase for the Rest of the UK (from 30 to 33) with the numbers for the Rest of the South East and Prime Central London changing very little.

<b>Geographic Region</b>	<b>Number of New Tenancies</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	28.0	34.3	28.2	28.7
South East	33.2	32.2	32.4	31.8
Rest of UK	36.7	35.1	29.8	32.8
All Regions	33.2	33.7	30.5	31.4
Base: All respondents	(436)	(463)	(443)	(470)

As can be seen from the chart below, the improvement seen this quarter appears to be seasonal with increases in the average number of new tenancies occurring in the second quarter of each of the last three years.



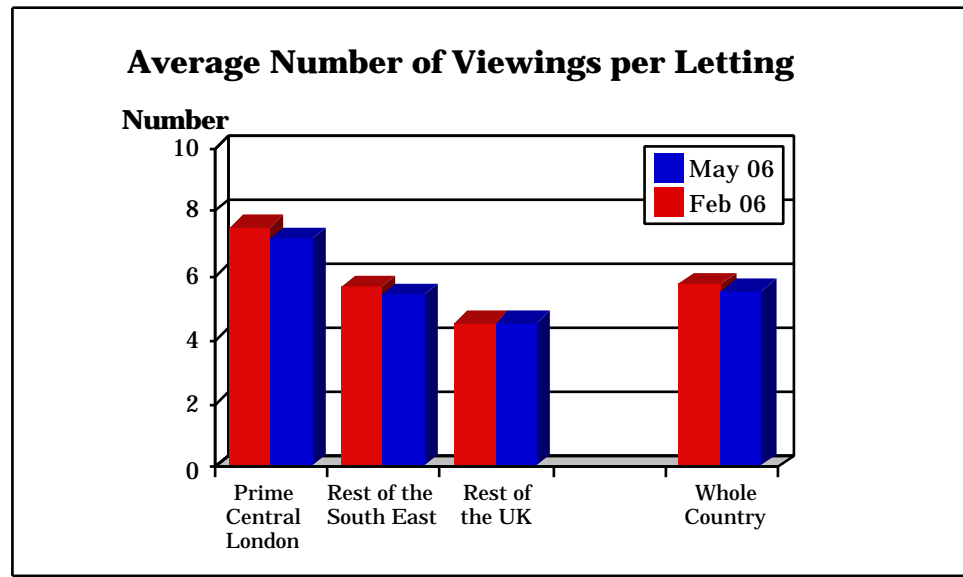
#### 4.8 Number of Viewings Per Letting (Q.10)

Nearly half of all ARLA members' offices (46%) have to deal with an average of 4 or 5 viewings of a property before it is let, and for more than three out of ten offices (31%), the average number of viewings per letting is 6 or more.

Analysis of these figures produces an overall average of 5.5 viewings per letting.

Number of Viewings per Letting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
One	-	1.1	-	0.4
2 or 3	8.1	19.2	32.2	21.5
4 or 5	34.2	50.0	50.3	46.4
6 to 10	45.9	25.3	16.9	27.0
11 to 20	9.9	4.4	0.6	4.3
Over 20	-	-	-	-
Not stated	1.8	-	-	0.4
Base: All respondents	(111)	(182)	(177)	(470)

On average, ARLA members in Prime Central London have to show considerably more prospective tenants round a property (7.1) before it is let than do their counterparts in the Rest of the South East (5.4) or the Rest of the UK (4.5).



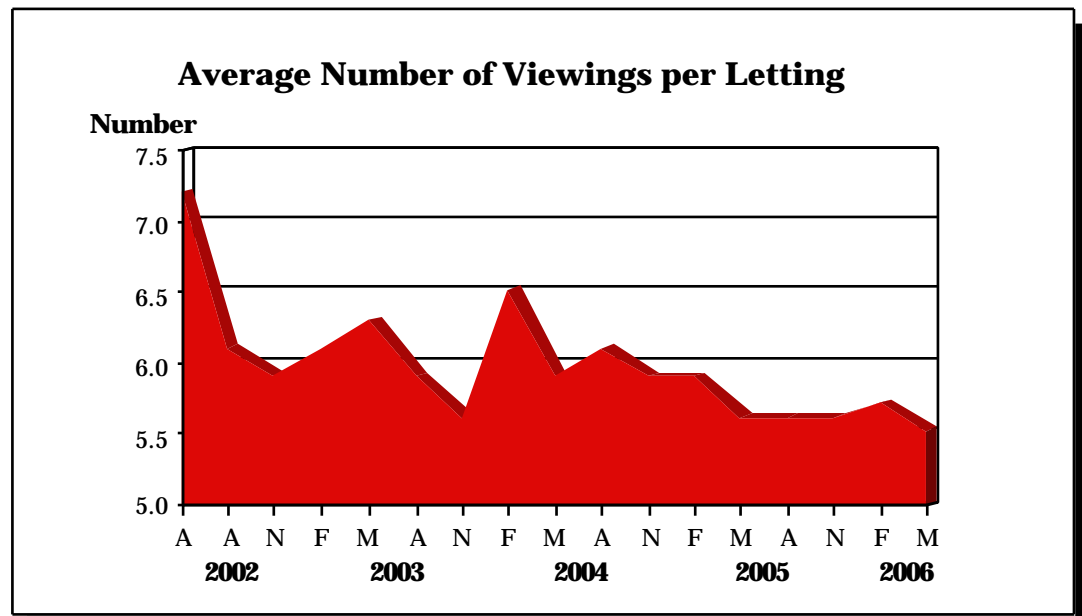
Compared with the last survey in February, the overall average number of viewings per letting is down from 5.7 to 5.5.

This reduction is largely accounted for by the reduction in the average number for those managing properties in Prime Central London (down from 7.5 to 7.1) although the figure for the Rest of the South East also fell

(from 5.6 to 5.4). In the Rest of the UK, the average number of viewings per letting was unchanged.

<b>Geographic Region</b>	<b>Average Number of Viewings per Letting (%)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	7.8	7.6	7.5	7.1
South East	5.3	5.3	5.6	5.4
Rest of UK	4.6	4.6	4.5	4.5
All Regions	5.6	5.6	5.7	5.5
Base: All respondents	(436)	(463)	(443)	(470)

As the chart below shows, the overall average number of viewings per letting has been falling fairly steadily over the last two years.



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

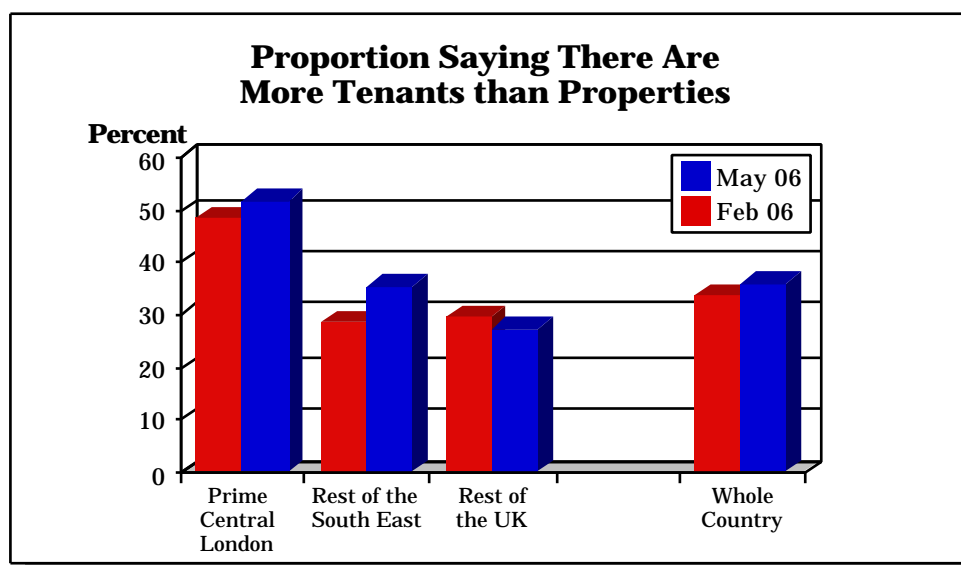
More than a third of ARLA members' offices (36%) say that there are currently more tenants than there are properties available for them.

This compares with a smaller proportion (34%) who believe that there are more rented residential properties available than there are tenants to fill them. However, almost three out of ten (29%) believe that supply of, and demand for, rented residential properties is in balance.

These figures suggest that, overall, the demand for and supply of rented residential properties is fairly 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	9.9	11.0	8.5	9.8
Few more props than tenants	14.4	22.0	33.3	24.5
Equal nos of props & tenants	24.3	30.8	31.1	29.4
Few more tenants than props	27.0	16.5	13.6	17.9
Lot more tenants than props	24.3	18.7	13.6	18.1
Not stated	-	1.1	0.0	0.4
Base: All respondents	(111)	(182)	(177)	(470)

Once again, Prime Central London has highest proportion of respondents saying that there are more tenants than properties (51%) with the figures for the Rest of the South East and the Rest of the UK being 35% and 27% respectively.



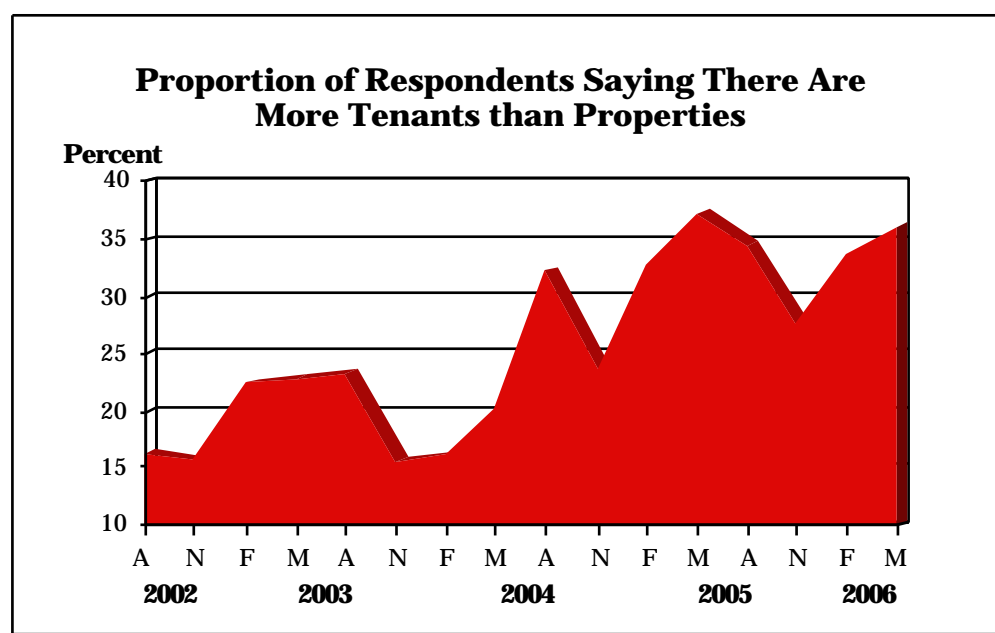
Compared with three months ago, there has been another improvement for Prime Central London with the proportion of respondents saying there are more tenants than properties rising from 48% to 51%. However, the Rest of the South East saw a much bigger improvement with the figure

for that area rising from 28% to 35%. Meanwhile, the Rest of the UK experienced a decline from 29% to 27%.

Overall, 36% of respondents to this survey (up from 34% three months ago) said there were more tenants than properties suggesting that the situation with regard to the balance of supply and demand has improved somewhat since February.

<b>Geographic Region</b>	<b>Proportion Saying There Are More Tenants than Properties (%)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	33.0	32.4	48.2	51.3
South East	35.2	26.2	28.4	35.2
Rest of UK	34.5	25.3	29.3	27.2
All Regions	34.4	27.4	33.7	36.0
Base: All respondents	(436)	(463)	(443)	(470)

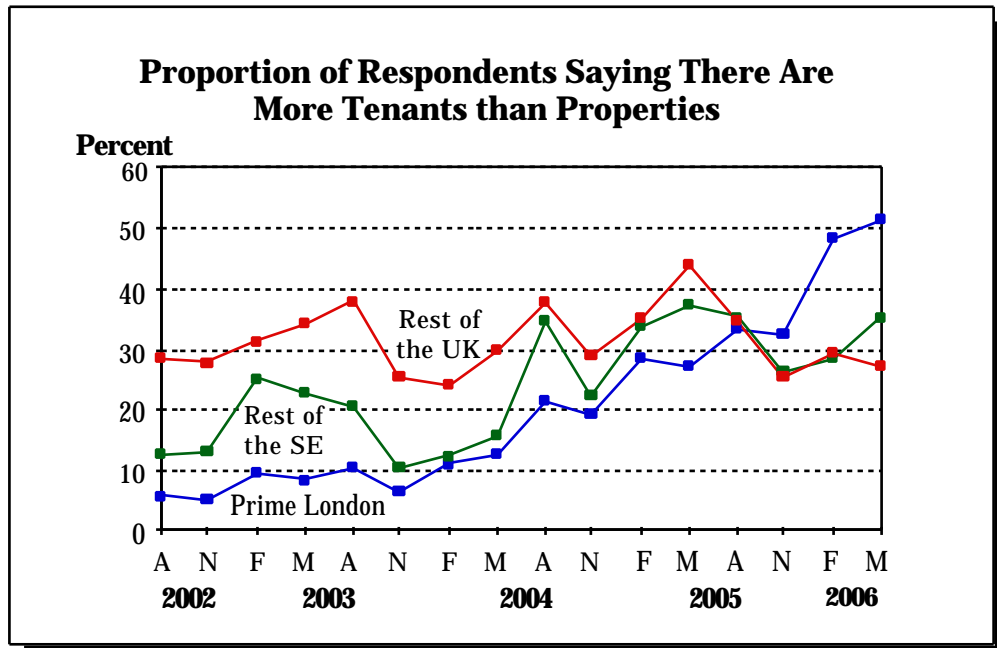
As the chart below shows, the proportion of respondents saying that there are more tenants than properties is now at an historically high level, in fact the second highest level since this question was first asked nearly four years ago.



Looking at changes for each of the broad geographic areas over the last three and a half years, as can be seen from the chart below, the most dramatic turnaround has taken place in Prime Central London where the proportion of respondents saying that there are more tenants than there are properties available for them has risen tenfold, from a low of 5% in the last quarter of 2002 to a high of 51% in the second quarter of 2006.

In the Rest of the South East, the figure has also risen but not as dramatically, growing more than threefold from a low of 10% in the last quarter of 2003 to the present figure of 35%.

In the Rest of the UK, on the other hand, the figure has remained relatively steady at between 30% and 40% although it has strayed outside this band from time to time.

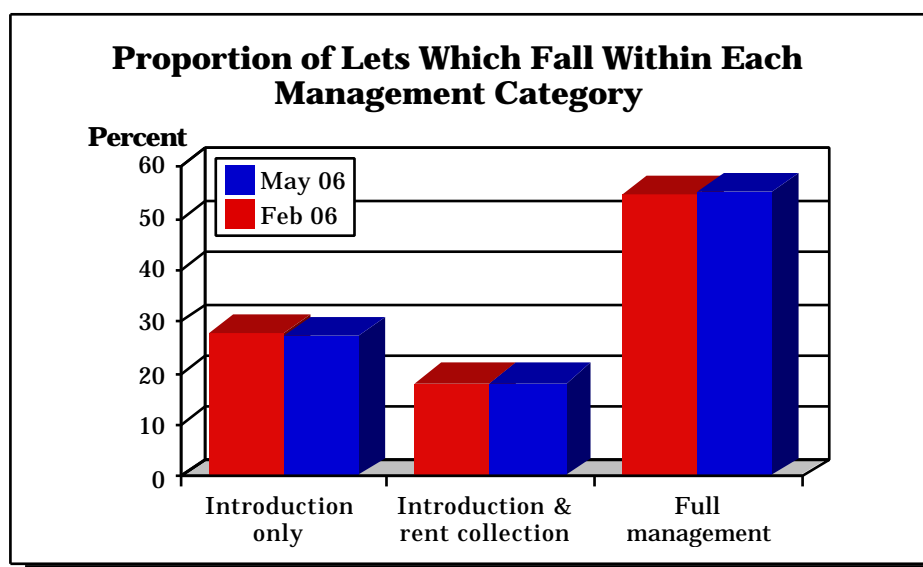


#### 4.10 Proportion of Lets Within Each Management Category (Q.12)

On average, more than half of all properties let by ARLA members' offices (55%) are let on a full management basis. This compares with more than a quarter (27%) being on an introduction only basis and nearly two out of ten (18%) being on the basis of introduction and rent collection.

Management Category	Average Proportion of Lets (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Introduction Only	32.9	28.8	21.3	26.9
Intro. & Rent Collection	31.4	17.3	10.6	18.1
Full Management	35.7	53.9	68.1	55.0
Base: All respondents	(111)	(182)	(177)	(470)

Looking at differences between the three regional areas, offices managing properties in Prime Central London are much less likely than their counterparts in the rest of the country to be letting under full management (36% compared with 54% for the Rest of the South East and 68% for the Rest of the UK).



Compared with three months ago, there has been hardly any change in the proportions of lets which are of each type.

Management Category	Average Proportion of Lets (%)		
	Nov 05	Feb 06	May 06
Introduction Only	27.2	27.5	26.9
Introduction & Rent Collection	16.3	18.1	18.1
Full Management	56.5	54.4	55.0
Base: All respondents	(463)	(443)	(470)

#### 4.11 Change in Achievable Rent Levels Over Last 6 Months (Q.13)

##### *All Regions*

In the case of each of the listed property types, between 29% and 44% believe that achievable rent levels have increased over the last six months whilst only between 6% and 11% believe they have fallen.

<b>Response</b>	<b>Percent of Respondents (%)</b>					
	<b>Det House</b>	<b>Semi House</b>	<b>Terr House</b>	<b>Conv Flat</b>	<b>PB Flat</b>	<b>Studio Flat</b>
Increased a lot	2.8	2.1	3.0	2.6	4.3	1.5
Increased a little	34.3	40.4	40.2	36.6	39.8	27.9
Stayed the same	40.2	41.1	45.7	46.0	41.1	50.9
Decreased a little	9.4	7.4	5.7	6.6	9.6	7.4
Decreased a lot	1.5	0.2	0.2	0.6	1.3	0.9
Don't know	11.3	8.1	4.5	7.0	3.4	10.9
Not stated	0.6	0.6	0.6	0.6	0.6	0.6

Base: All respondents (470)

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

##### *Prime Central London*

Within the overall figures, there is a bigger spread between property types in Prime Central London with between 34% and 60% 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, the spread is similar to that for the whole country, albeit slightly lower with between 3% and 10% saying they think this is the case.

<b>Response</b>	<b>Percent of Respondents (%)</b>					
	<b>Det House</b>	<b>Semi House</b>	<b>Terr House</b>	<b>Conv Flat</b>	<b>PB Flat</b>	<b>Studio Flat</b>
Increased a lot	5.4	4.5	5.4	5.4	8.1	3.6
Increased a little	28.8	34.2	44.1	51.4	51.4	38.7
Stayed the same	24.3	28.8	36.0	36.0	30.6	43.2
Decreased a little	9.0	8.1	8.1	2.7	5.4	4.5
Decreased a lot	0.9	-	-	-	0.9	-
Don't know	30.6	23.4	5.4	3.6	2.7	9.0
Not stated	0.9	0.9	0.9	0.9	0.9	0.9

Base: All respondents (111)

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 converted and purpose built flats.

### *Rest of the South East*

With regard to the Rest of the South East, the picture is a little less positive with between 25% and 40% of respondents saying that achievable rent levels have increased compared with between 4% and 12% saying they have decreased.

<b>Response</b>	<b>Percent of Respondents (%)</b>					
	<b>Det House</b>	<b>Semi House</b>	<b>Terr House</b>	<b>Conv Flat</b>	<b>PB Flat</b>	<b>Studio Flat</b>
Increased a lot	1.6	0.5	1.1	1.1	0.5	0.0
Increased a little	33.0	37.4	36.8	31.3	39.6	25.3
Stayed the same	46.7	50.0	53.8	52.2	47.3	54.4
Decreased a little	9.3	8.2	3.3	7.7	8.2	8.2
Decreased a lot	2.2	0.5	0.5	0.5	1.6	0.5
Don't know	6.6	2.7	3.8	6.6	2.2	11.0
Not stated	0.5	0.5	0.5	0.5	0.5	0.5

Base: All respondents (182)

Nevertheless, these figures tend to suggest that rent levels in the South East have also increased significantly in the last six months.

### *Rest of the UK*

For the Rest of the UK, the position is very similar to that for the whole country with many more respondents saying that achievable rent levels have increased than say they have decreased.

Between 25% and 50% of offices say that achievable rent levels for each type of property have increased whilst only between 7% and 15% believe rent levels have decreased over the last six months.

<b>Response</b>	<b>Percent of Respondents (%)</b>					
	<b>Det House</b>	<b>Semi House</b>	<b>Terr House</b>	<b>Conv Flat</b>	<b>PB Flat</b>	<b>Studio Flat</b>
Increased a lot	2.3	2.3	3.4	2.3	5.6	1.7
Increased a little	39.0	47.5	41.2	32.8	32.8	23.7
Decreased a little	9.6	6.2	6.8	7.9	13.6	8.5
Decreased a lot	1.1	0.0	-	1.1	1.1	1.7
Don't know	4.0	4.0	4.5	9.6	5.1	11.9
Not stated	0.6	0.6	0.6	0.6	0.6	0.6

Base: All respondents (177)

As with the other geographical areas, it appears from these figures that achievable rent levels in the Rest of the UK have increased significantly 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.

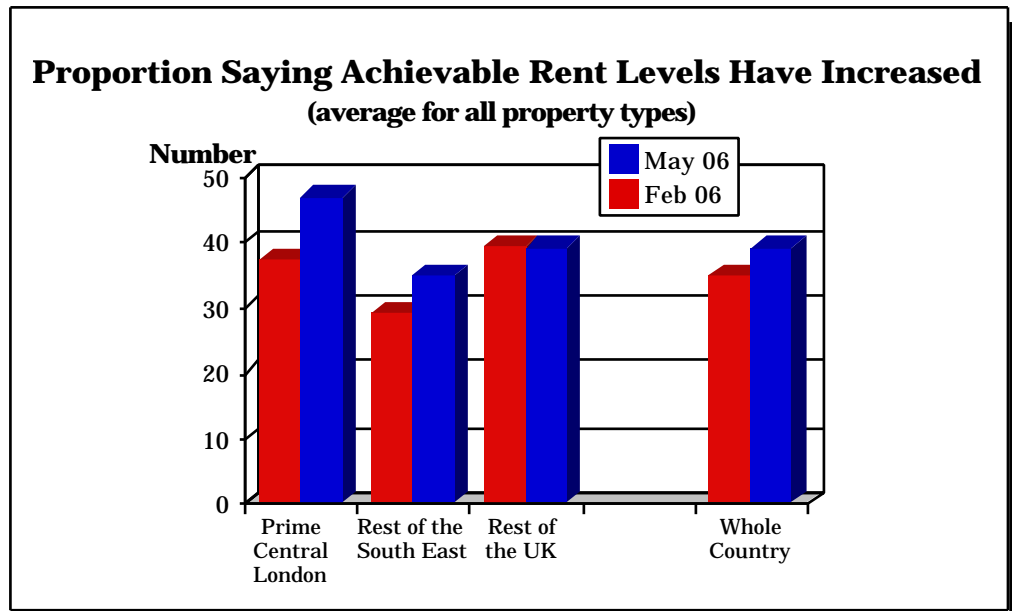
Geographic Region	Percent Saying Achievable Rents Have Increased (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	34.2	38.7	49.5	56.8	59.5	42.3
Rest of the South East	34.6	37.9	37.9	32.4	40.1	25.3
Rest of the UK	41.2	49.7	44.6	35.0	38.4	25.4
All regions	37.0	42.6	43.2	39.1	44.0	29.4

Base: All respondents (470)

Compared with three months ago, there has been an increase in the average proportion of respondents saying achievable rents across all property types have increased from 35% to 39%.

As between the geographic regions, the average proportion of respondents saying achievable rents across all property types have increased for Prime Central London is again up sharply from 37% to 47%.

The remainder of the country has seen less of an improvement with the average for the Rest of the South East rising from 29% to 35% and that for the Rest of the UK remaining unchanged at 39%.



Having been fairly settled at around 32% until the last quarter of 2005, the figure for the proportion of respondents saying that there are more tenants than there are properties available for them has risen significantly in both of the last two quarters and now stands at 39%.

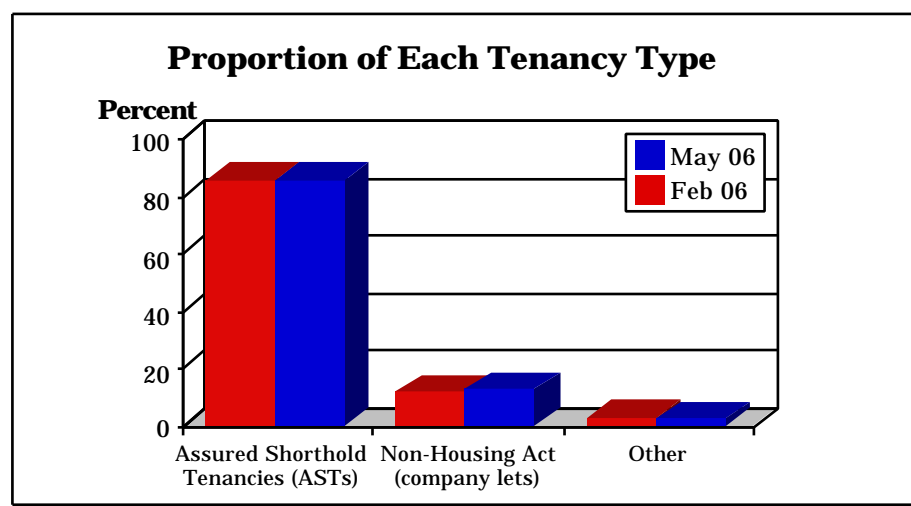
<b>Geographic Region</b>	<b>Percent Saying Achievable Rents Have Increased (%)</b>		
	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Prime Central London	29.5	37.3	46.8
Rest of the South East	27.7	29.2	34.7
Rest of the UK	37.7	39.3	39.1
All regions	31.6	34.7	39.2
Base: All respondents	(463)	(443)	(470)

#### 4.12 Type of Tenancy (Q.14)

By far the majority of tenancies (85%) are Assured Shorthold Tenancies (ASTs) with only a little over one in ten (12%) being non-Housing Act tenancies and less than one in forty (2.3%) being of other types.

<b>Geographic Region</b>	<b>Proportion of Tenancies of Each Type (%)</b>		
	<b>Assured Shorthold Tenancies (ASTs)</b>	<b>Non-Housing Act (company lets)</b>	<b>Other</b>
Prime Central London	65.8	30.2	4.1
South East	89.8	8.4	1.8
Rest of UK	92.7	5.6	1.7
All Regions	85.4	12.3	2.3

Base: All respondents (470)



As one might expect, Prime Central London differs from the rest of the country in that less than a third of tenancies (66%) are ASTs with three out of ten (30%) being non-Housing Act tenancies.

Compared with when this question was last asked a year ago, there has been very little change in the proportions of each tenancy type.

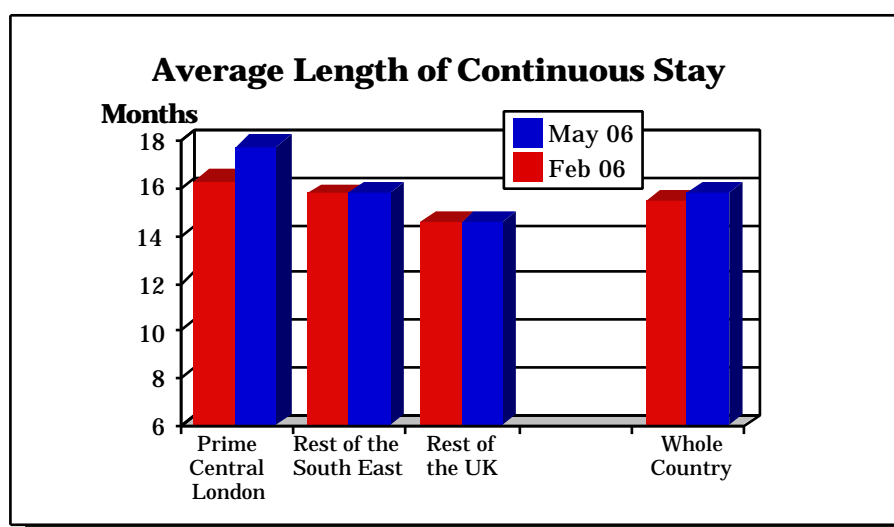
<b>Tenancy Type</b>	<b>Average Proportion of Tenancies (%)</b>		
	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Assured shorthold tenancies	86.9	85.5	85.4
Non-Housing Act (company lets)	10.9	11.8	12.3
Other types of tenancy	2.2	2.7	2.3
Base: All respondents	(502)	(443)	(470)

#### 4.13 Average Length of Continuous Stay in Property (Q.15)

Three quarters of tenants (75%) remain in the same property for between 10 and 18 months. Based on these figures, tenants tend to stay in the same property for an average of 15.8 months.

Average Length of Continuous Stay	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
6 to 9 months	0.9	4.9	6.2	4.5
10 to 12 months	17.1	24.2	29.4	24.5
13 to 18 months	48.6	51.6	49.2	50.0
19 to 24 months	27.0	14.3	6.8	14.5
More than 24 months	6.3	4.4	5.6	5.3
Don't know	-	-	1.7	0.6
Not stated	-	0.5	1.1	0.6
Base: All respondents	(111)	(182)	(177)	(470)

The average time a tenant stays in the same property is longest for Prime Central London at 17.8 months compared with 15.8 months for the Rest of the South East and 14.6 months for the Rest of the UK.



Compared with the last survey, there has been little change in these figures although the average for Prime Central London has increased from 16.3 months to 17.8 months.

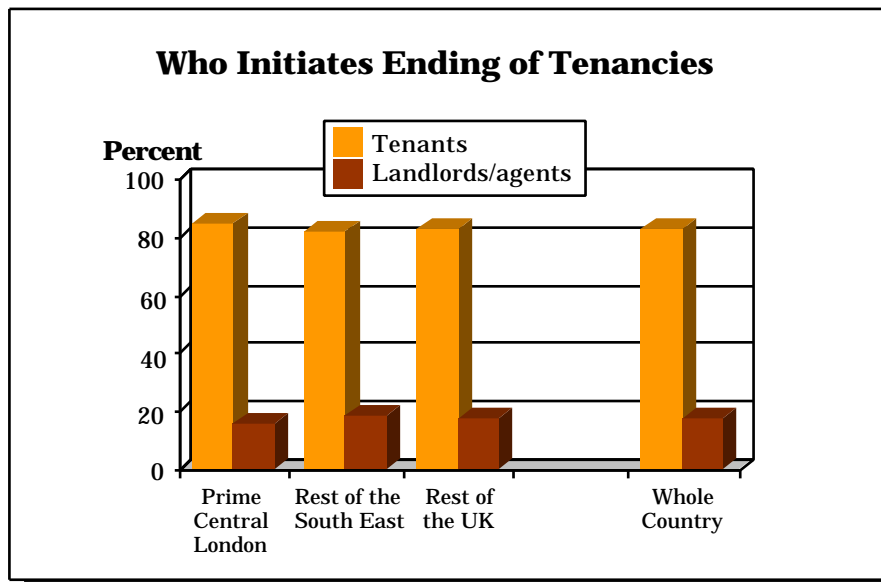
Geographic Region	Average Continuous Stay (months)			
	Aug 05	Nov 05	Feb 06	May 06
Prime Central London	16.3	16.8	16.3	17.8
South East	14.7	15.6	15.7	15.8
Rest of UK	13.8	14.4	14.6	14.6
All Regions	14.7	15.5	15.5	15.8
Base: All respondents	(436)	(463)	(443)	(470)

#### 4.14 Who Initiates Ending of Tenancies (Q.16)

It would appear that in the vast majority of cases, it is the tenant who initiates the ending of a tenancy with, on average, respondents saying that more than eight out of ten tenancies (83%) are ended by the tenant.

Initiator of End of Tenancy	Average Proportion of Tenancies (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Tenant	84.3	82.3	83.1	83.1
Landlord/agent	15.7	17.7	16.9	16.9
Base: All respondents	(111)	(182)	(177)	(470)

There is very little difference in the propensity for tenants to initiate the ending of a tenancy as between the three broad geographic regions.



Compared with three months ago, there has been little change in the responses to this question with the proportion of tenancies being ended by the tenant decreasing only slightly from 84% to 83%.

Initiator of End of Tenancy	Proportion of Tenancies (%)		
	Nov 05	Feb 06	May 06
Tenant	84.9	84.4	83.1
Landlord/agent	15.1	15.6	16.9
Base: All respondents	(463)	(443)	(470)

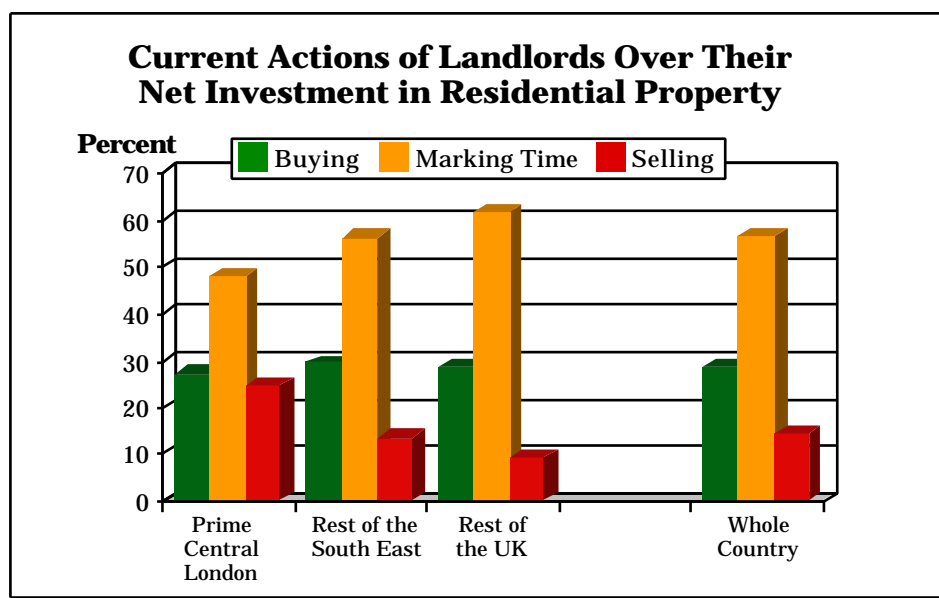
#### 4.15 How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.17)

Getting on for six out of ten ARLA members' offices (56%) think that residential landlords are currently marking time with regard to their net investment in residential property.

However, whilst more than one in ten respondents (14%) think landlords are decreasing their net investment by selling properties, twice as many (28%) think they are increasing their net investment by buying more properties.

How Landlords Are Currently Acting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Buying	27.0	29.1	28.2	28.3
Marking time	47.7	56.0	61.6	56.2
Selling	24.3	13.2	9.0	14.3
Not stated	0.9	1.6	1.1	1.3
Base: All respondents	(111)	(182)	(177)	(470)

Geographically, respondents who manage properties in Prime Central London are slightly less likely to think that landlords are buying property (27%) and those in the rest of the South East are slightly more likely to believe this to be the case (29%) with respondents in the Rest of the UK in between the two (28%).

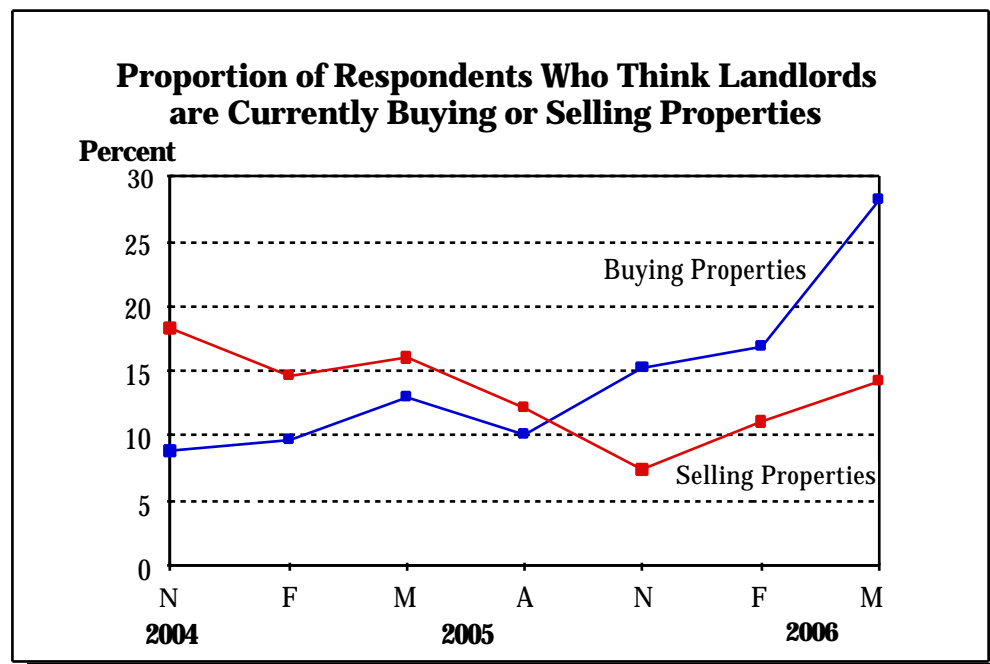


Compared with three months ago, there has been a big increase in the proportion of respondents who think landlords are currently buying more properties (up from 17% to 28%)

However, there has also been an increase, albeit much smaller, in the proportion saying landlords are selling (up from 11% to 14%) with the proportion saying landlords are marking time falling from 70% to 56%.

<b>How Currently Acting</b>	<b>Percent of Respondents (%)</b>			
	<b>Aug 05</b>	<b>Nov 05</b>	<b>Feb 06</b>	<b>May 06</b>
Buying	10.1	15.3	16.9	28.3
Marking time	73.9	75.6	70.0	56.2
Selling	12.2	7.3	11.1	14.3
Not stated	3.9	1.7	2.0	1.3
Base: All respondents	(436)	(463)	(443)	(470)

As the graph below shows, during the autumn of last year, the relationship between the proportion believing that landlords are buying properties and the proportion believing they are selling properties reversed with those saying landlords are now buying exceeding, by a wide margin, those saying they are selling.



#### 4.16 **Number of Landlords Leaving & Joining the Rented Residential Market (Q.18 & Q.19)**

##### *Number of Landlords Leaving the Market*

Almost a quarter of respondents (24%) said that none of their landlord clients had left the rented residential market in the last three months.

However, the majority had lost some clients as a result of death, retirement or leaving the market for other reasons with 14% having lost 6 or more clients in this way.

Analysis of the results from this question shows that, on average, ARLA members' offices have lost 3.3 landlord clients.

<b>Number Leaving</b>	<b>Percent of Respondents (%)</b>			
	<b>Prime London</b>	<b>Rest of SE</b>	<b>Rest of UK</b>	<b>All Regions</b>
None	33.3	20.3	22.6	24.3
One	14.4	15.4	11.3	13.6
2 or 3	25.2	31.9	27.1	28.5
4 or 5	16.2	15.4	21.5	17.9
6 to 10	7.2	10.4	11.3	10.0
11 to 20	1.8	3.8	2.8	3.0
Over 20	-	1.6	1.7	1.3
Not stated	1.8	1.1	1.7	1.5
<b>Average (no.)</b>	<b>2.4</b>	<b>3.5</b>	<b>3.6</b>	<b>3.3</b>
Base: All respondents	(111)	(182)	(177)	(470)

Respondents managing properties in Prime Central London were least likely to have landlord clients who had left the rented residential property market with an average of 2.4 compared with 3.5 and 3.6 for the Rest of the South East and the Rest of the UK respectively.

##### *Number of Landlords Leaving the Market*

Only a few respondents (4%) said that they had not acquired any clients in the last three months who were landlords new to the rented residential property market.

Compared with this, one in ten ARLA members' offices (10%) had acquired more than 20 such new clients and more than half (52%) had taken on more than 6 new landlords.

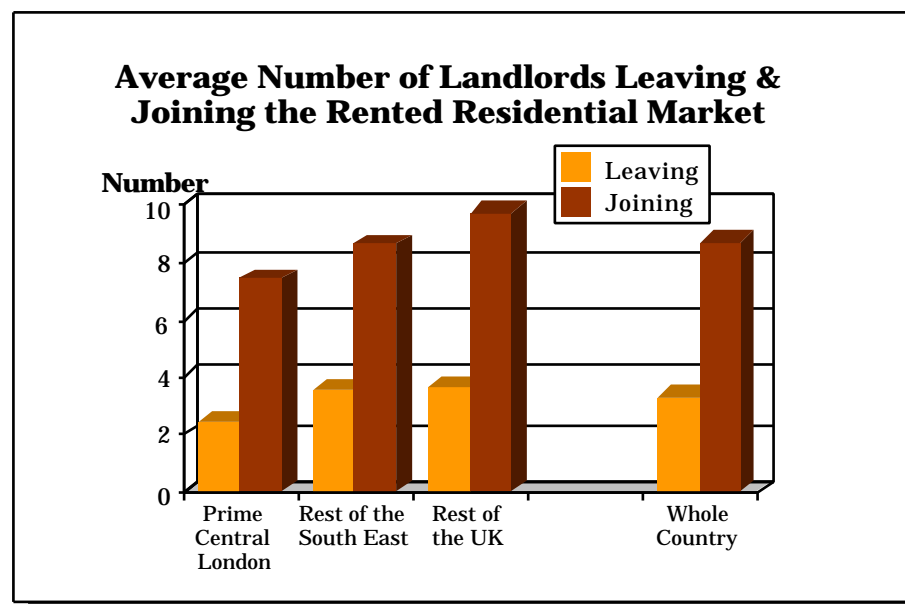
Analysis of these figures shows that in the last three months, on average, ARLA members' offices have acquired 8.7 clients who are new to the rented residential property market.

Number Joining	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	4.5	3.3	3.4	3.6
One	2.7	3.3	1.1	2.3
2 or 3	27.0	18.7	14.7	19.1
4 or 5	20.7	24.7	21.5	22.6
6 to 10	26.1	22.5	24.9	24.3
11 to 20	8.1	17.6	21.5	16.8
Over 20	9.0	9.9	11.9	10.4
Not stated	1.8	-	1.1	0.9
<b>Average (no.)</b>	<b>7.4</b>	<b>8.6</b>	<b>9.7</b>	<b>8.7</b>
Base: All respondents	(111)	(182)	(177)	(470)

As with landlords leaving the market, respondents managing properties in Prime Central London were least likely to have acquired landlord clients who were new to the rented residential property market with an average of 7.4 compared with 8.6 and 9.7 for the Rest of the South East and the Rest of the UK respectively.

### Summary

The chart below shows the comparison between the number of residential landlords leaving the market and the number of new residential landlords arriving in the market.



From this it is clear that there are many more new residential landlords arriving in the market than there are existing landlords leaving it (3.3 leaving compared with 8.7 arriving).

Although we have no evidence to support the view, it seems likely that many of those leaving the market (especially through death or retirement) had substantial portfolios whilst most of those arriving will probably have just acquired their first rented residential property.

<b>Geographic Region</b>	<b>Average Number</b>	
	<b>Leaving the Market</b>	<b>Joining the Market</b>
Prime Central London	2.4	7.4
South East	3.5	8.6
Rest of UK	3.6	9.7
All Regions	3.3	8.7

Base: All respondents (470)

# Questionnaire