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

Report

Third Quarter 2005

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CONTENTS

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 1,507 letting offices of ARLA members in August 2005 and 436 validly completed questionnaires were returned by the due date. These responses were input to our research analysis software and tables of data produced on which this report is based.

3. SUMMARY

- The average capital asset value of rented houses has increased quite sharply over the last three months by 3.8% overall as a result of increases in all regions but most particularly in the Rest of the South East where prices rose by 5.1%. Over the same period the average value of rented flats also rose throughout the country with a large increase of 12.9% in reported average prices of rented flats in Prime Central London following an 18 month period during which prices changed very little.

- The average weighted rental return on a house has fallen slightly from 5.0% to 4.9% compared with May whilst the average rental return on a flat is down from 5.3% to 5.1%. However, this decline should be seen in the context of a substantial rise in average property values.

- Despite the slight fall in overall average rental returns noted above, on balance ARLA members report increased rent levels over the last six months throughout the country.

- The average void period is unchanged at 27 days compared with the second quarter of 2005 and this stable position applies throughout the UK.

- The average number of purely investment properties which are managed by ARLA members' offices is down slightly at 80 properties compared with 81 properties three months ago.

- A healthy balance between the supply of and demand for rented residential properties is reported for the UK as a whole. More than a third (34%) of all ARLA offices reported more tenants than properties available for them, down a little from 37% three months ago. This compares favourably with only 37% reporting more properties than tenants.

- The average number of new tenancies signed up in the third quarter of 2005 was 33, up quite shaply from 30 in the second quarter of the year.

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

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

- ARLA members believe that most residential landlords (74%) continue to mark time with regard to their net investment in residential property with the remainder being split fairly equally between those who are selling properties and those who are buying.

4. RESULTS

The following sections detail the results of the survey for the third quarter of 2005. The regional breakdown of results splits the South East into two component parts - London & South East based respondents who manage properties in Prime Central London and the Rest of the South East.

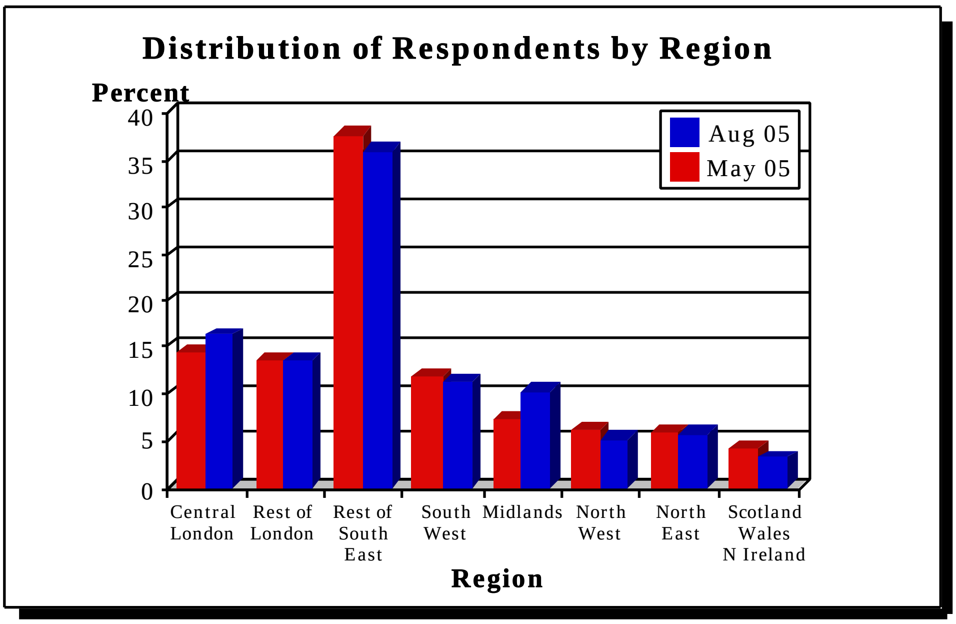
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for nearly two thirds (65%) of all respondents.

After the South East, the South West with 11% and the Midlands with 10%, were the regions with the most respondents.

Region	**Percent of Respondents (%)**		
	Feb 05	**May 05**	**Aug 05**
Central London	13.9	14.3	16.1
Rest of London *(inside M25)*	13.7	13.5	13.5
South East *(excl. London)*	39.2	37.6	35.8
South West	11.6	11.7	11.0
Midlands	7.4	7.2	10.1
North West	5.2	5.9	5.0
North East	5.6	5.7	5.5
Scotland/Wales/NI	3.4	4.1	3.0
Base: All respondents	(502)	(489)	(436)

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



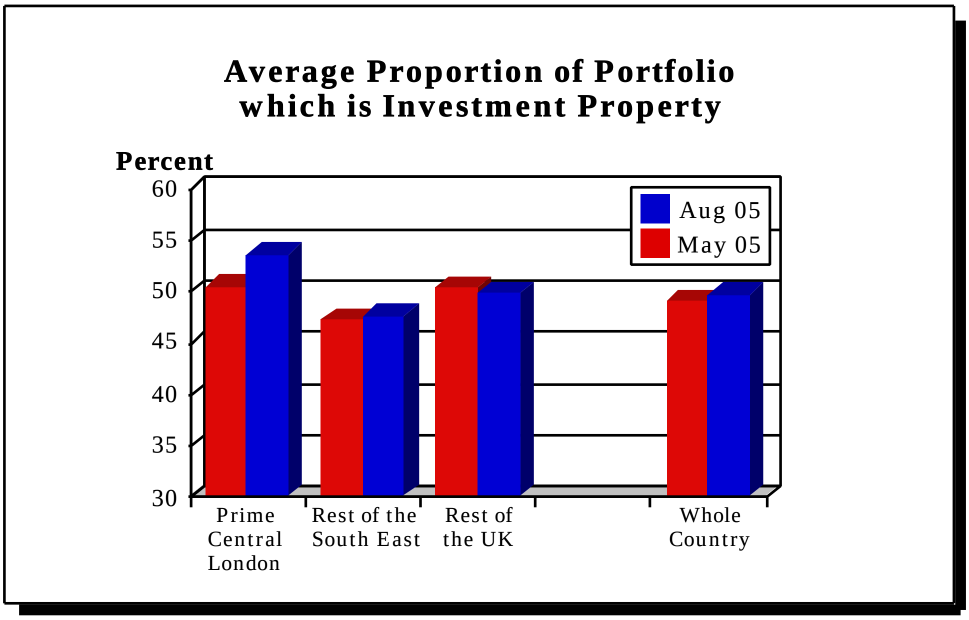
4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents (81%) said that more than a quarter of their portfolio is investment property with more than half (53%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for little more than one in twenty offices (5.5%).

Analysis of the responses to this question reveals that, on average, investment properties account for 50% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	-	0.7	0.2
Up to 10%	2.1	5.3	7.3	5.3
11% to 25%	11.3	14.9	9.9	12.4
26% to 50%	25.8	27.7	31.1	28.4
51% to 75%	38.1	38.8	27.2	34.6
Over 75%	21.6	12.2	23.2	18.1
Not stated	1.0	1.1	0.7	0.9
Base: All respondents	(97)	(188)	(151)	(436)

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 54% for those managing properties in Prime Central London and 50% for the Rest of the UK.



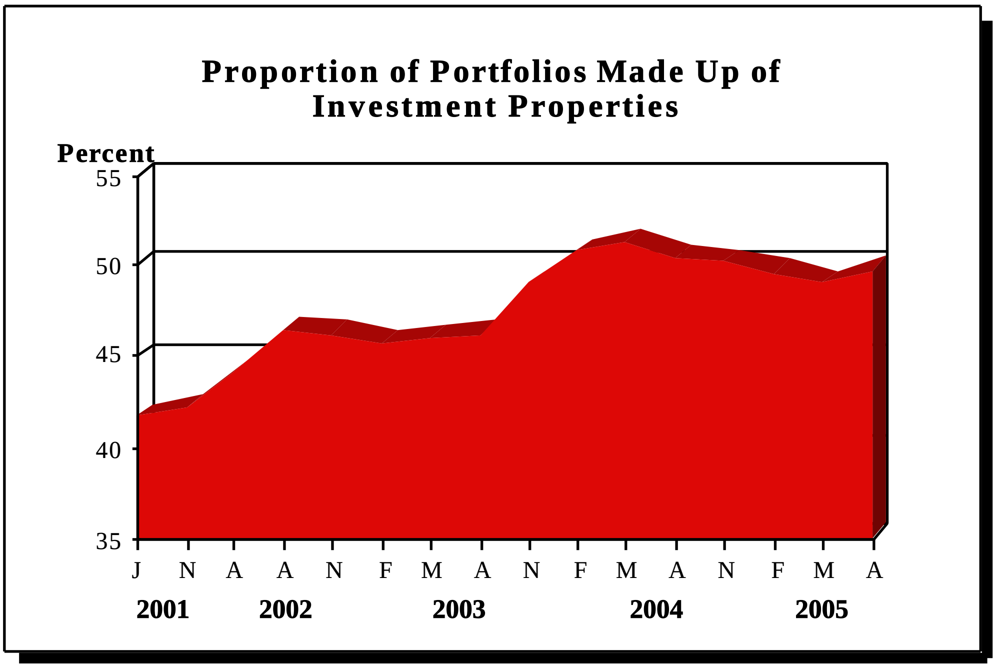
Compared with the last survey in May, the average proportion of portfolios which are in the form of investment property is up slightly at 50%, entirely as a result of a rise in the figure for Prime Central London from 50% to 54%.

Geographic Region	Average Proportion of Portfolio (%)			
	Nov 04	Feb 05	May 05	Aug 05
Prime Central London	52.3	52.5	50.4	53.5
South East	47.6	48.0	47.3	47.6
Rest of UK	51.6	49.7	50.3	49.9
All Regions	50.1	49.6	49.0	49.7
Base: All respondents	(486)	(502)	(489)	(436)

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, the latest results show the first increase in the figure for more than a year and may herald a change to this downward trend.



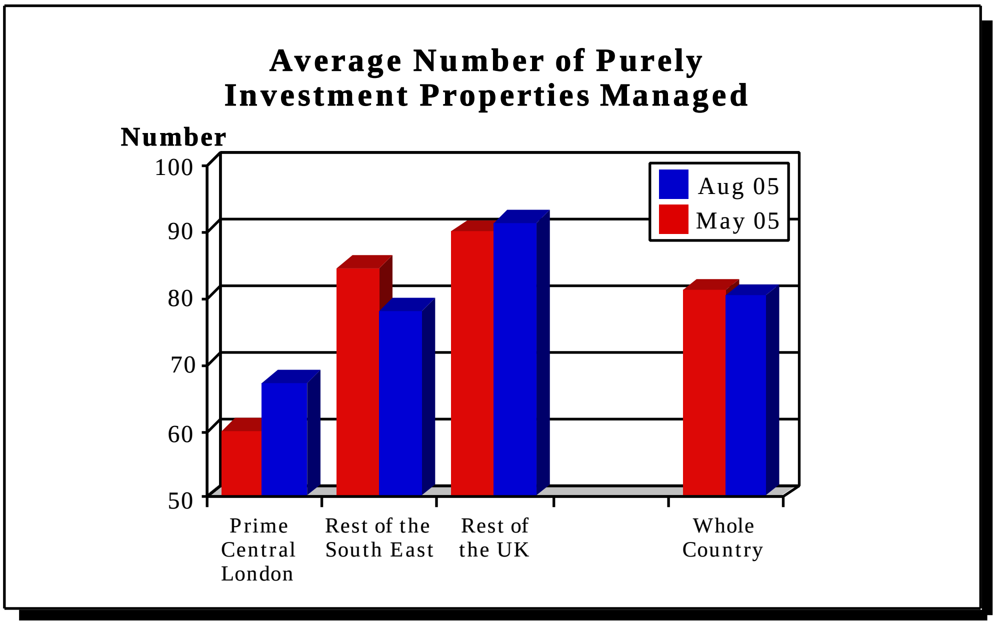
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with three out of ten (30%) saying that they manage over a hundred properties and more than three-quarters (76%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of properties managed by ARLA offices is currently 80.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	4.1	2.7	3.3	3.2
6 to 10	12.4	6.9	4.6	7.3
11 to 20	11.3	11.2	10.6	11.0
21 to 50	27.8	21.3	17.9	21.6
51 to 100	19.6	26.6	23.8	24.1
Over 100	22.7	27.7	37.1	29.8
Not stated	2.1	3.7	2.6	3.0
Base: All respondents	(97)	(188)	(151)	(436)

Offices in Prime Central London tend to manage considerably fewer properties on average than their counterparts elsewhere in the country with the average numbers being 67 for Prime Central London, 78 for the Rest of the South East and 91 for the Rest of the UK.



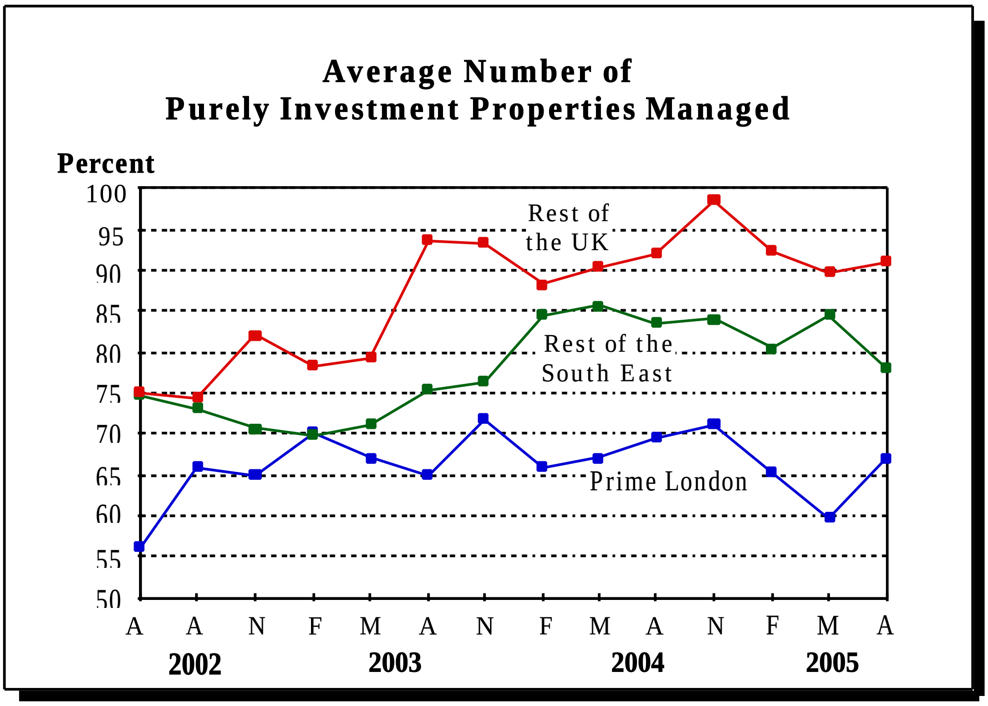
Compared with three months ago, the average number of properties managed is down slightly from 81 to 80. However, within this, there has been an increase in the average for Prime Central London (from 60 to 67) and for the Rest of the UK (from 90 to 91), whilst the average for the rest of the South East fell from 85 to 78. It should be remembered, however, that these regional figures are subject to some fluctuation quarter by quarter and these latest changes do little more than reverse the changes seen in May.

Geographic Region	**Average Number of Properties (%)**			
	Nov 04	**Feb 05**	**May 05**	**Aug 05**
Prime Central London	71.0	65.2	59.8	66.9
South East	84.1	80.4	84.5	78.1
Rest of UK	98.6	92.2	89.7	91.1
All Regions	86.0	80.8	80.9	80.1
Base: All respondents	(486)	(502)	(489)	(436)

Nevertheless, as can be seen from the chart below, the average number of properties managed by ARLA members in the Rest of the UK has increased over the medium term from 75 properties three years ago to 90 properties now.

The average for the Rest of the South East showed a sharp upward trend in 2003 before levelling off in 2004 and there has been a gentle downward trend since then.

For Prime Central London the figure has been relatively steady at an average of between 65 and 70 properties for some time despite occasionally moving a little outside this band.



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

Houses

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

Less than one in a hundred offices said the average was below £100,000 whilst for more than one in ten respondents (11%) said 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 £350,900.

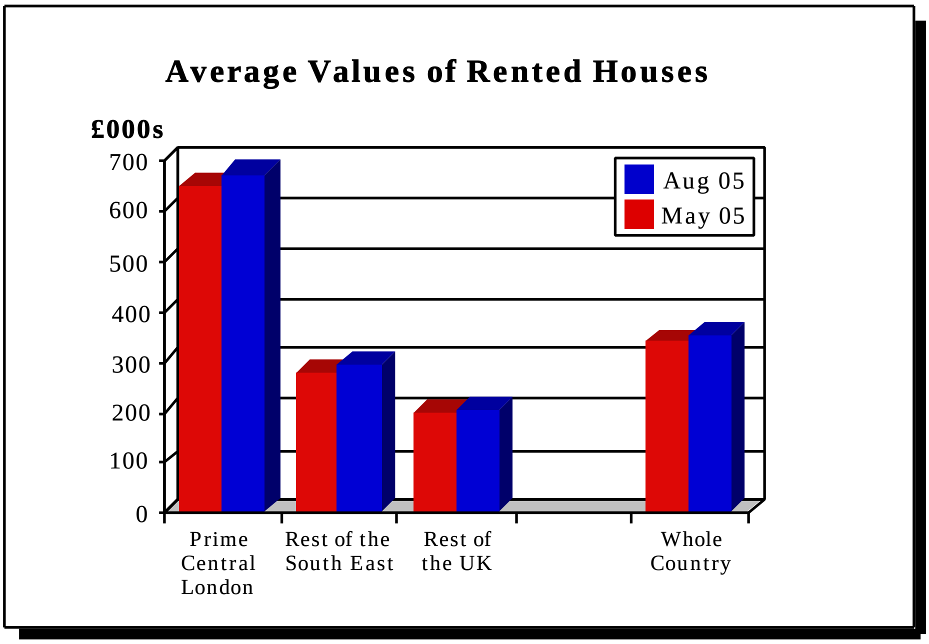
Average Value of Houses	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Up to £75,000	-	-	-	-
£75,001 to £100,000	-	0.5	2.0	0.9
£100,001 to £150,000	2.1	14.4	27.8	16.3
£150,001 to £200,000	-	23.9	43.0	25.2
£200,001 to £350,000	18.6	37.8	20.5	27.5
£350,001 to £500,000	16.5	12.2	2.0	9.6
£500,001 to £750,000	17.5	4.8	1.3	6.4
Over £750,000	41.2	3.7	1.3	11.2
Not stated	4.1	2.7	2.0	2.8
Base: All respondents	(97)	(188)	(151)	(436)

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 (£673,400) compared with less than half that figure, £291,100, in the Rest of the South East and just £202,300 in the Rest of the UK.

Compared with the last survey, the overall weighted average value of rented houses has risen by 3.8% from £338,100 to £350,900.

Geographic Region	**Average Value of Rented Houses (000s)**			
	Nov 04	**Feb 05**	**May 05**	**Aug 05**
Prime Central London	666.1	651.1	649.5	673.4
South East	274.4	278.4	276.9	291.1
Rest of UK	189.7	194.8	199.2	202.3
All Regions (weighted)	337.8	337.7	338.1	350.9
Base: All respondents	(486)	(502)	(489)	(436)

The average price of a rented house in Prime Central London has risen by 3.7% whilst that for the Rest of the South East is up by 5.1% and that for the Rest of the UK by 1.6%.


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

Flats

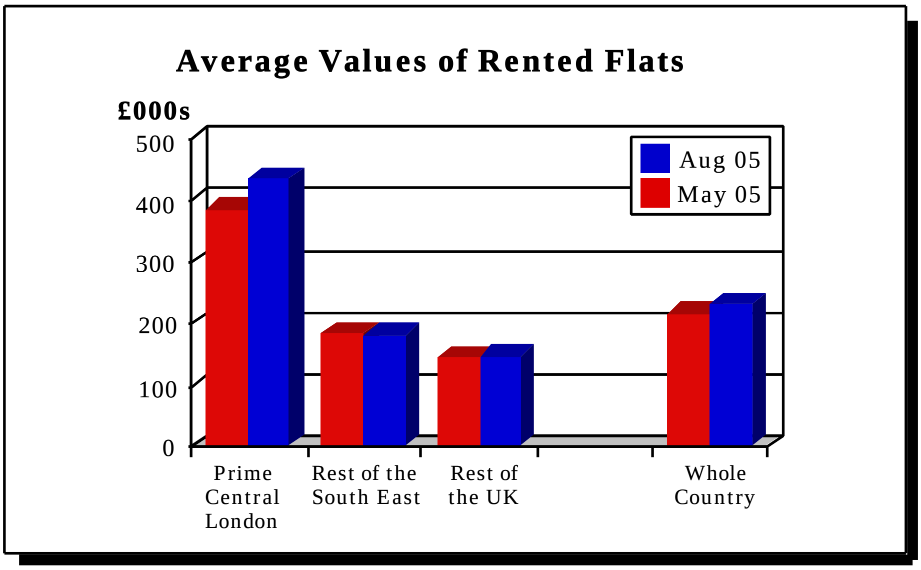
Nearly two thirds of respondents (65%) said that the average value of a rented flat in their area was between £100,000 and £350,000, a similar figure to that which applied to houses.

However, a higher proportion of ARLA offices amounting to 13% said the average value of a rented flat in their area was below £100,000 whilst only 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 £228,500.

Average Value of Flats	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Up to £75,000	-	1.6	0.7	0.9
£75,001 to £100,000	1.0	10.6	21.2	12.2
£100,001 to £150,000	2.1	31.4	40.4	28.0
£150,001 to £200,000	7.2	31.4	24.5	23.6
£200,001 to £350,000	30.9	12.2	3.3	13.3
£350,001 to £500,000	25.8	4.3	0.7	7.8
£500,001 to £750,000	23.7	1.1	0.7	6.0
Over £750,000	6.2	0.5	0.7	1.8
Not stated	3.1	6.9	7.9	6.4
Base: All respondents	(97)	(188)	(151)	(436)

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 £434,200 compared with £180,400 in the Rest of South East and £146,600 in the Rest of the UK.

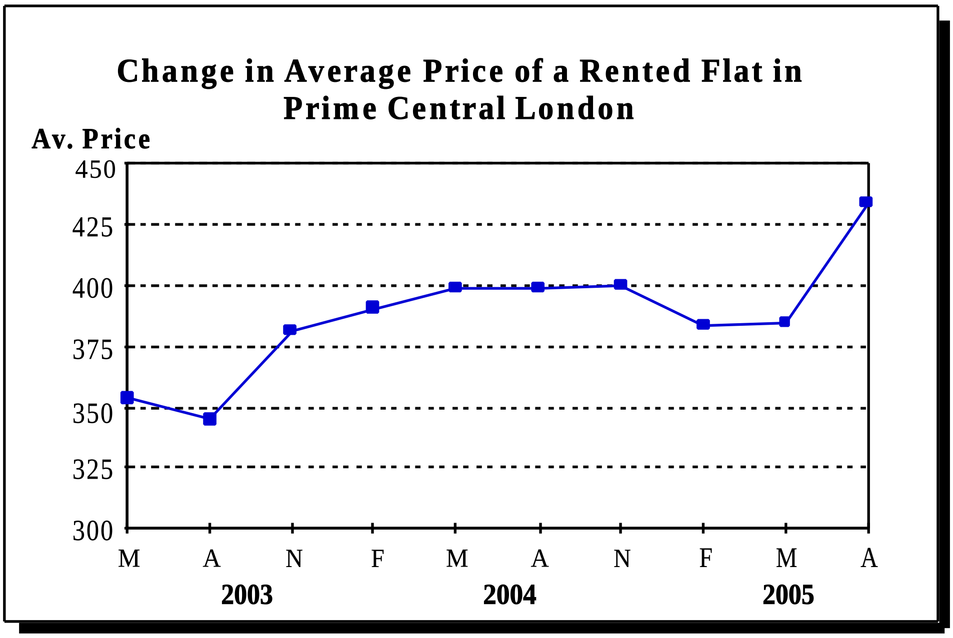


Compared with three months ago, the overall weighted average value of a rented flat has risen by 5.8% from £216,000 to £228,500.

Geographic Region	Average Value of Rented Flats (000s)			
	Nov 04	Feb 05	May 05	Aug 05
Prime Central London	400.1	383.8	384.6	434.2
South East	176.5	176.7	182.8	180.4
Rest of UK	131.0	132.1	140.7	146.6
All Regions (weighted)	213.6	210.3	216.0	228.5
Base: All respondents	(486)	(502)	(489)	(436)

Within that overall change, the average value of rented flats in Prime Central London has risen by a huge 12.9% whilst the average for the Rest of the South East has fallen by 1.3% and the average for the Rest of the UK is up by 4.2%.

as can be seen from the chart below, the large increase in the average price for Prime Central London flats comes after an 18 month period of stagnation when prices changed very little.



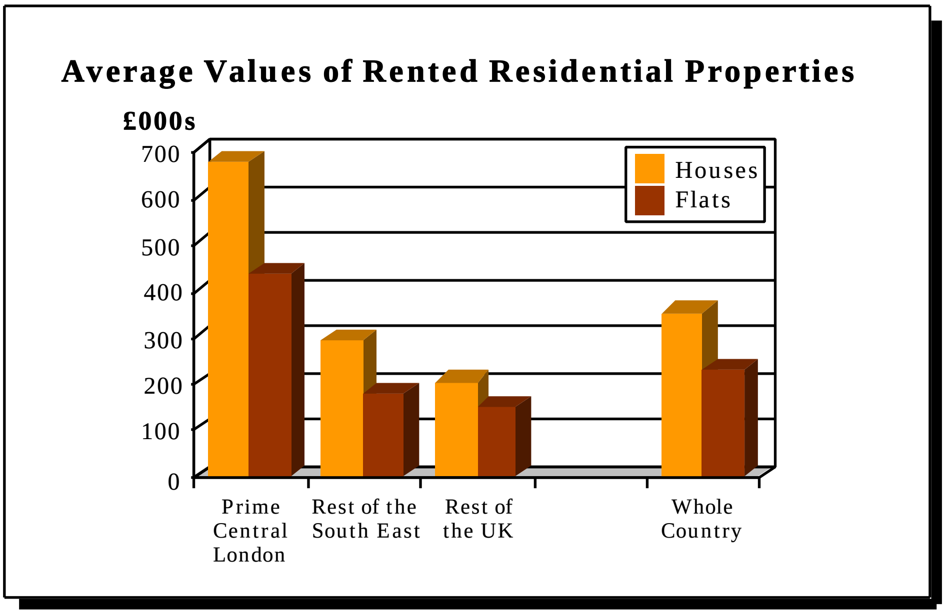
Summary

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 55% 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	673.4	434.2
South East	291.1	180.4
Rest of UK	202.3	146.6
All Regions (weighted)	350.9	228.5

Base: All respondents (436)



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 nearly six out of ten respondents (58%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented houses of 4.9%.

Average Return	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Less than 4%	10.3	14.9	11.9	12.8
4% to 5%	60.8	58.5	55.6	58.0
6%	12.4	8.5	14.6	11.5
7%	4.1	5.3	4.6	4.8
8%	1.0	3.2	2.6	2.5
9% to 10%	-	2.1	2.6	1.8
11% to 12%	1.0	1.1	0.7	0.9
12% to 15%	-	-	-	-
Over 15%	-	1.1	0.7	0.7
Not stated	10.3	5.3	6.6	6.9
Base: All respondents	(97)	(188)	(151)	(436)

There is a difference in rates of return between Prime Central London and the rest of the country, with the average for Prime Central London being 4.7% compared with 4.9% for both the Rest of the South East and the Rest of the UK.

Geographic Region	**Average Rental Return (%)**			
	Nov 04	**Feb 05**	**May 05**	**Aug 05**
Prime Central London	4.6	4.8	4.9	4.7
South East	5.2	4.9	4.9	4.9
Rest of UK	5.1	5.1	5.3	4.9
All Regions (weighted)	5.0	4.9	5.0	4.9
Base: All respondents	(486)	(502)	(489)	(436)

Compared with three months ago, the average rental return on houses has fallen slightly from 5.0% to 4.9%.

Within this overall change, the average rental return on houses in Prime Central London has fallen from 4.9% to 4.7%, whilst the average for the Rest of the South East is unchanged at 4.9% and that for the Rest of the UK is down sharply from 5.3% to 4.9%.

Flats

A rental return of between 4% and 5% also appears to be the norm for rented flats with more than half of respondents (54%) saying that this applies to their area.

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

Average Return	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Less than 4%	3.1	8.0	11.9	8.3
4% to 5%	61.9	54.8	47.7	53.9
6%	19.6	18.6	21.2	19.7
7%	2.1	3.7	6.0	4.1
8%	3.1	2.7	2.0	2.5
9% to 10%	1.0	2.1	2.6	2.1
11% to 12%	1.0	1.1	0.7	0.9
12% to 15%	-	-	-	-
Over 15%	-	0.5	0.7	0.5
Not stated	8.2	8.5	7.3	8.0
Base: All respondents	(97)	(188)	(151)	(436)

There are slight differences in the rates of return for rented flats between the different geographical areas, with the average for Prime Central London being 5.0% whilst that for the rest of the country is 5.1%.

Geographic Region	**Average Rental Return (%)**			
	Nov 04	**Feb 05**	**May 05**	**Aug 05**
Prime Central London	5.0	5.2	5.2	5.0
South East	5.4	5.2	5.1	5.1
Rest of UK	5.3	5.3	5.5	5.1
All Regions (weighted)	5.3	5.2	5.3	5.1
Base: All respondents	(486)	(502)	(489)	(436)

Compared with the last survey in May, the overall weighted average rental return on flats has fallen from 5.3% to 5.1%, and this is the result of falls in the averages for Prime Central London and the Rest of the UK (from 5.2% to 5.0% and from 5.5 to 5.1 respectively).

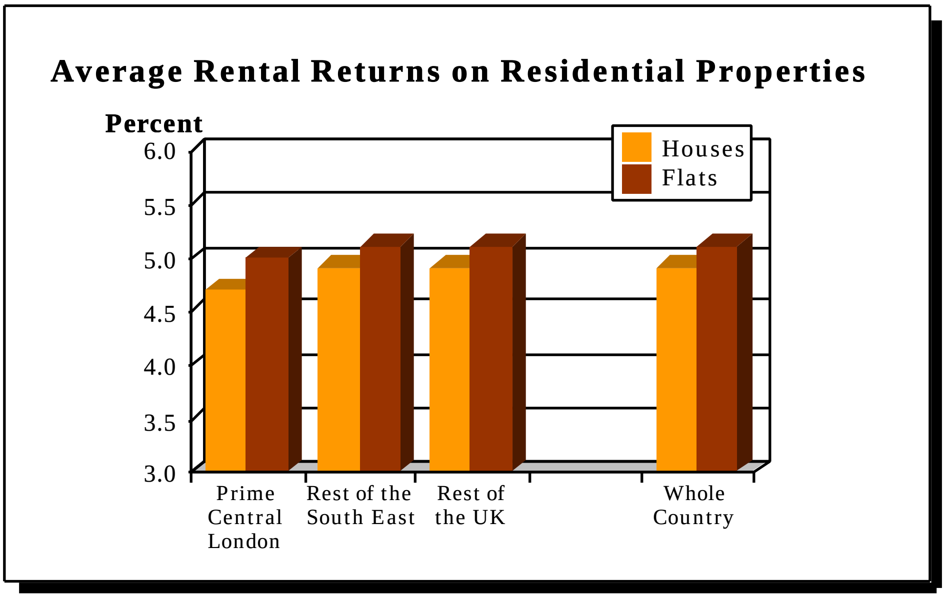
Summary

Average rental returns for both houses and flats are lower in Prime Central London than elsewhere in the country.

Geographic Region	**Average Rental Return (%) Houses**	**Flats**
Prime Central London	4.7	5.0
South East	4.9	5.1
Rest of UK	4.9	5.1
All Regions (weighted)	4.9	5.1

Base: All respondents (436)

Overall, flats appear to earn a higher gross return than do houses with the average for flats being 5.1% compared with 4.9% for houses and this better performance for flats applies across the whole country.



The decreases in average rental returns for this quarter must be seen in the context of significant rises in average prices of rented houses and flats. Inevitably, this tends to push down average rates of return unless rents are increased by an equal percentage.

Average Rents

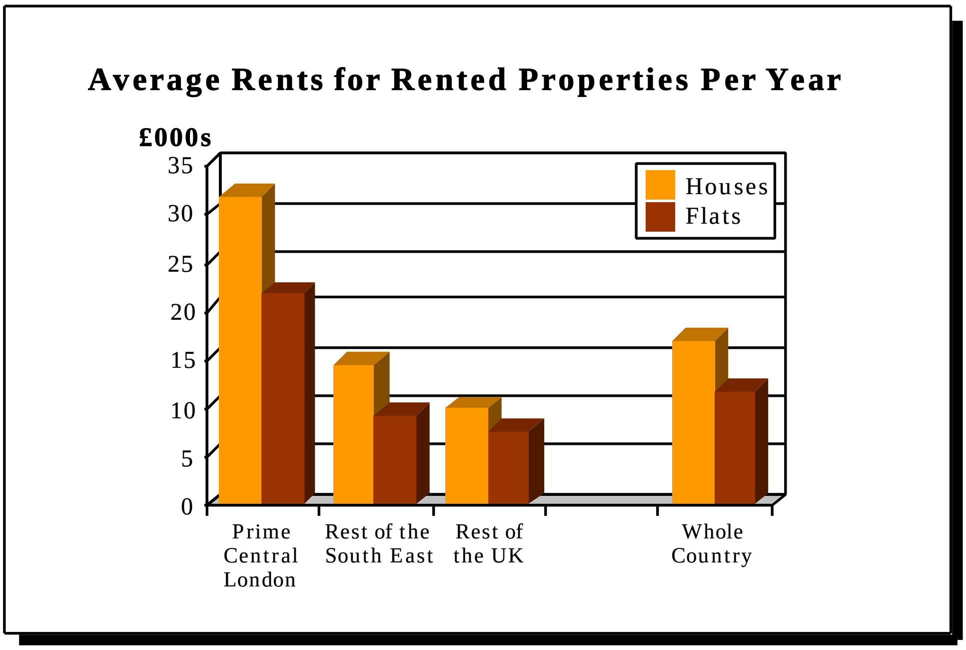
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

Geographic Region	Average Rents HOUSES Week (£)	Month (£)	Year (£000)	FLATS Week (£)	Month (£)	Year (£000)
Prime Central London	609	2,637	31.6	418	1,809	21.7
South East	274	1,189	14.3	177	767	9.2
Rest of UK	191	826	9.9	144	623	7.5
All Regions (weighted)	324	1,404	16.8	224	971	11.7

Base: All respondents (436)

In the case of Prime Central London the average rent of a house is nearly half as much again (46%) as the average rent for a flat.

There are also marked differences in the Rest of the South East and the Rest of the UK, where the average house rents are 55% and 33% respectively higher than the average flat rent.



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

However, it should be noted that the number of respondents for some of the regions is relatively small with the smallest number (13) being for Scotland, Wales and Northern Ireland.

Geographic Region	Average Rents HOUSES Week (£)	Month (£)	Year (£000)	FLATS Week (£)	Month (£)	Year (£000)
Prime Central London	609	2,637	31.6	417	1,809	21.7
Rest of London	390	1,692	20.3	232	1,005	12.1
Rest of South East	249	1,080	13.0	163	705	8.5
South West	215	932	11.2	168	729	8.8
Midlands	175	757	9.1	122	527	6.3
North West	216	937	11.2	164	712	8.5
North East	158	686	8.2	124	539	6.5
Scotland/Wales/NI	150	650	7.8	103	444	5.3

Base: All respondents (436)

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

Average void periods for rented residential properties tend to be quite short with two thirds of ARLA members' offices (67%) reporting averages of 4 weeks or less per year and, in addition, nearly a quarter (23%) say the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 3.9 weeks (27 days) per year.

Average Void Period	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Less than 2 weeks	9.3	10.6	7.9	9.4
2 to 4 weeks	42.3	60.1	63.6	57.3
5 to 6 weeks	37.1	20.2	18.5	23.4
7 to 8 weeks	9.3	6.9	7.3	7.6
More than 8 weeks	1.0	1.1	2.0	1.4
Don't know	1.0	0.5	0.7	0.7
Not stated	-	0.5	-	0.2
Base: All respondents	(97)	(188)	(151)	(436)

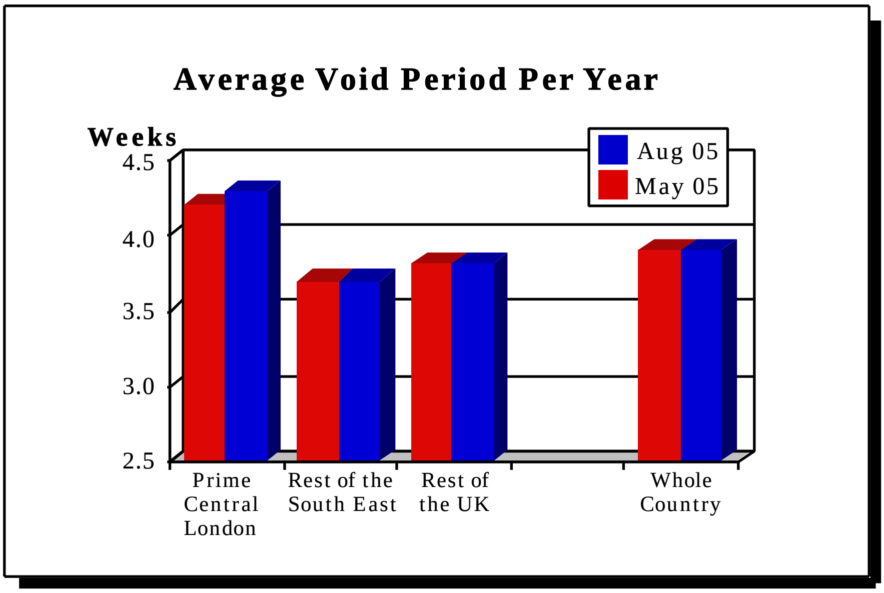
Respondents with properties in Prime Central London experience a higher void rate than average at 4.3 weeks (30 days) per year.

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

Compared with three months ago, the average void period for the country as a whole is unchanged at 3.9 weeks (27 days).

Geographic Region	**Average Void Period (weeks)**			
	Nov 04	**Feb 05**	**May 05**	**Aug 05**
Prime Central London	4.9	4.6	4.2	4.3
South East	4.0	3.9	3.7	3.7
Rest of UK	3.8	3.6	3.8	3.8
All Regions	4.1	4.0	3.9	3.9
Base: All respondents	(486)	(502)	(489)	(436)

Within this overall change, the average void period for Prime Central London has risen a little from 4.2 weeks (29 days) to 4.3 weeks (30 days) with the average figures for the Rest of the South East and the Rest of the UK remaining unchanged at 3.7 weeks (26 days) and 3.8 weeks (27 days) per year respectively.



Average Void Period Per Year
Weeks
4.5
4.0
3.5
3.0
2.5
Aug 05
May 05
Prime Central London
Rest of the South East
Rest of the UK
Whole Country

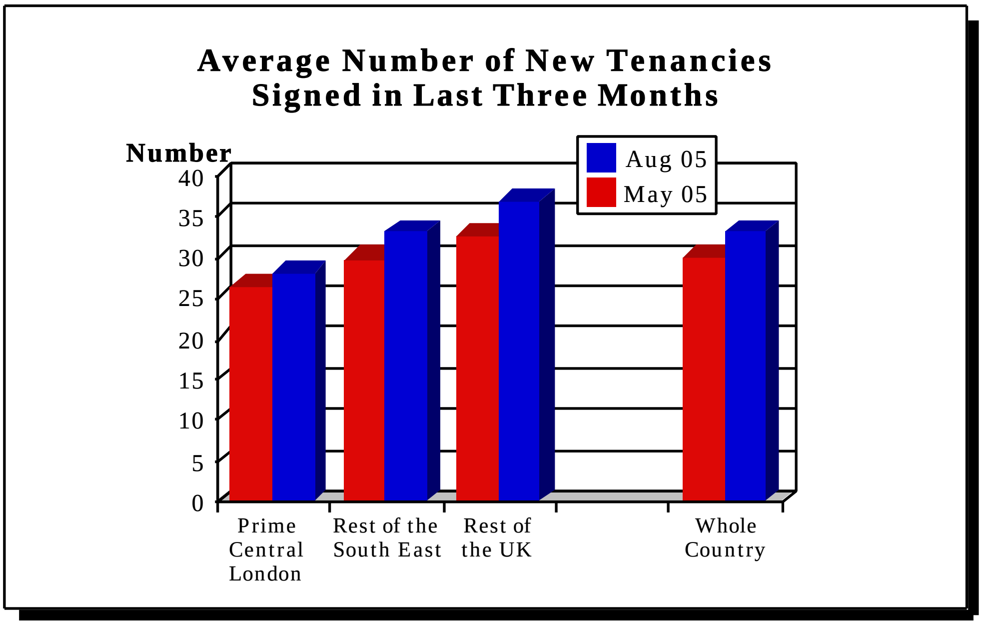
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

Well over half of ARLA members' offices (57%) have signed up more than 20 new tenancies (other than renewals) in the last three months with more than a third (36%) having signed up between 21 and 50 and more than two out of ten (21%) having signed up more than 50 new tenancies in the last three months.

Analysis of these results reveals that, on average, ARLA members' offices have each signed up 33 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	0.5	-	0.2
Up to 5	6.2	5.9	6.6	6.2
6 to 10	14.4	12.8	7.9	11.5
11 to 20	28.9	24.5	23.8	25.2
21 to 50	39.2	35.1	33.8	35.6
Over 50	11.3	21.3	26.5	20.9
Not stated	-	-	1.3	0.5
Base: All respondents	(97)	(188)	(151)	(436)

Offices managing properties in Prime Central London and, to a lesser extent, those in the Rest of the South East have fared a little worse than the Rest of the UK with the average figures being 28 for Prime Central London and 33 for the Rest of the South East compared with 37 for the Rest of the UK.

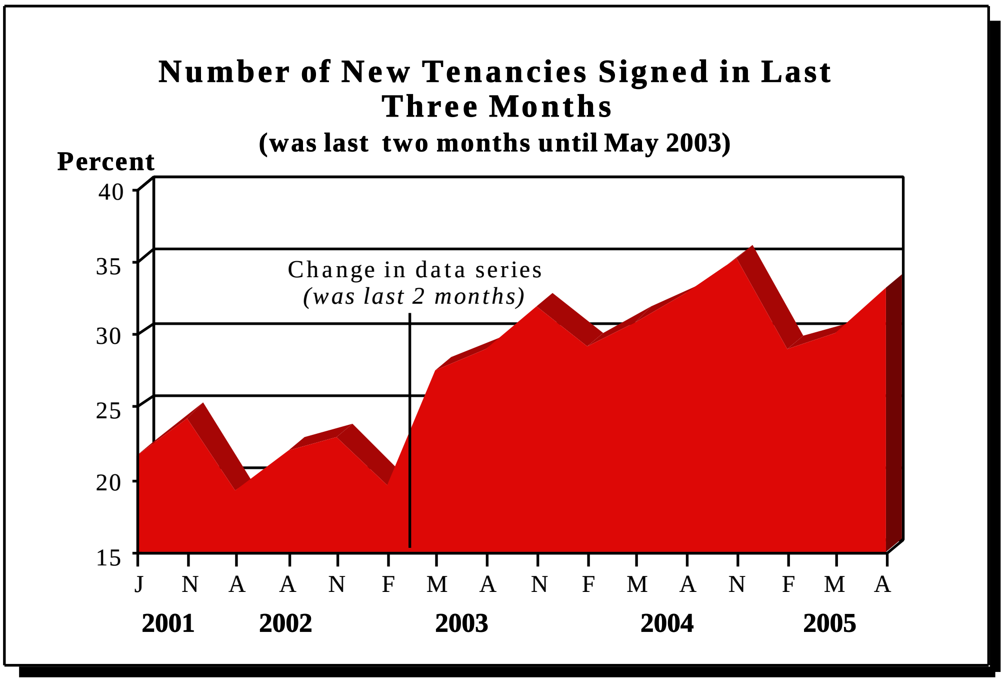


Compared with the last survey, there has been an overall rise in the average number of tenancies signed up in the preceding three months from 30 to 33 and this increase has been reflected in each of the three broad geographic areas to a greater or lesser extent.

Geographic Region	**Number of New Tenancies**			
	Nov 04	**Feb 05**	**May 05**	**Aug 05**
Prime Central London	31.9	27.3	26.3	28.0
South East	35.3	27.7	29.8	33.2
Rest of UK	37.0	31.6	32.6	36.7
All Regions	35.1	28.9	30.0	33.2
Base: All respondents	(486)	(502)	(489)	(436)

As can be seen from the chart below, from the middle of 2003, there was a steady increase in the average number of tenancies (not renewals) being signed but at the beginning of 2005 this was followed by a sharp downward turn in the figure.

However, a small increase three months ago heralded a return to the long term upward trend and this has been confirmed by this quarter's results.



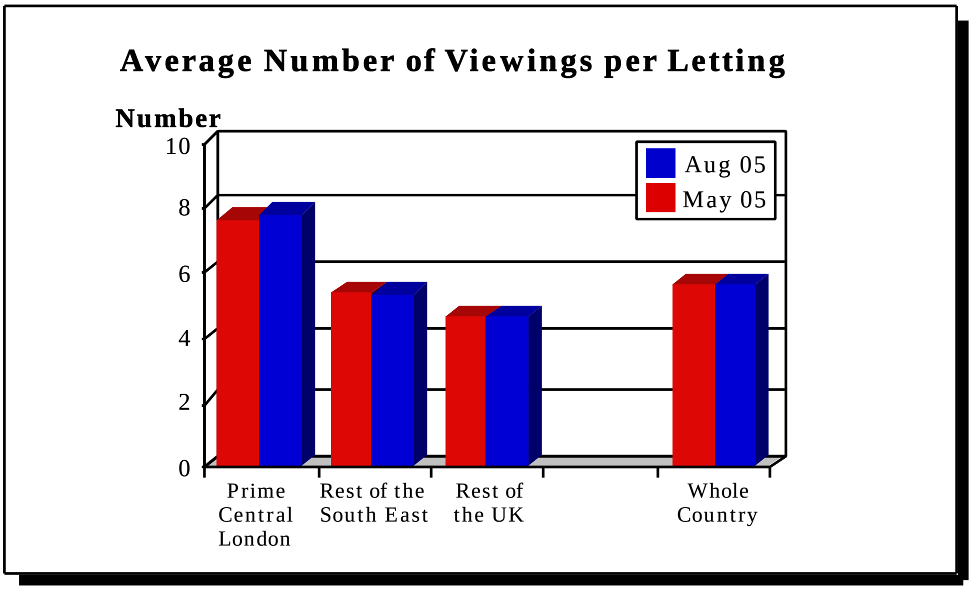
4.8 **Number of Viewings Per Letting (Q.10)**

Getting on for half of ARLA members' offices (46%) have to deal with an average of 4 or 5 viewings of a property before it is let, and for nearly a third of offices (32%), the average number of viewings per letting is 6 or more.

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

Number of Viewings per Letting	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
1	-	-	-	-
2 or 3	5.2	20.7	33.8	21.8
4 or 5	35.1	52.7	44.4	45.9
6 to 10	44.3	23.4	21.9	27.5
11 to 20	14.4	2.7	-	4.4
Over 20	1.0	0.5	-	0.5
Not stated	-	-	-	-
Base: All respondents	(97)	(188)	(151)	(436)

On average, ARLA members in Prime Central London have to show many more prospective tenants round a property (7.8) before it is let as do their counterparts in the Rest of the South East (5.3) or the Rest of the UK (4.6).

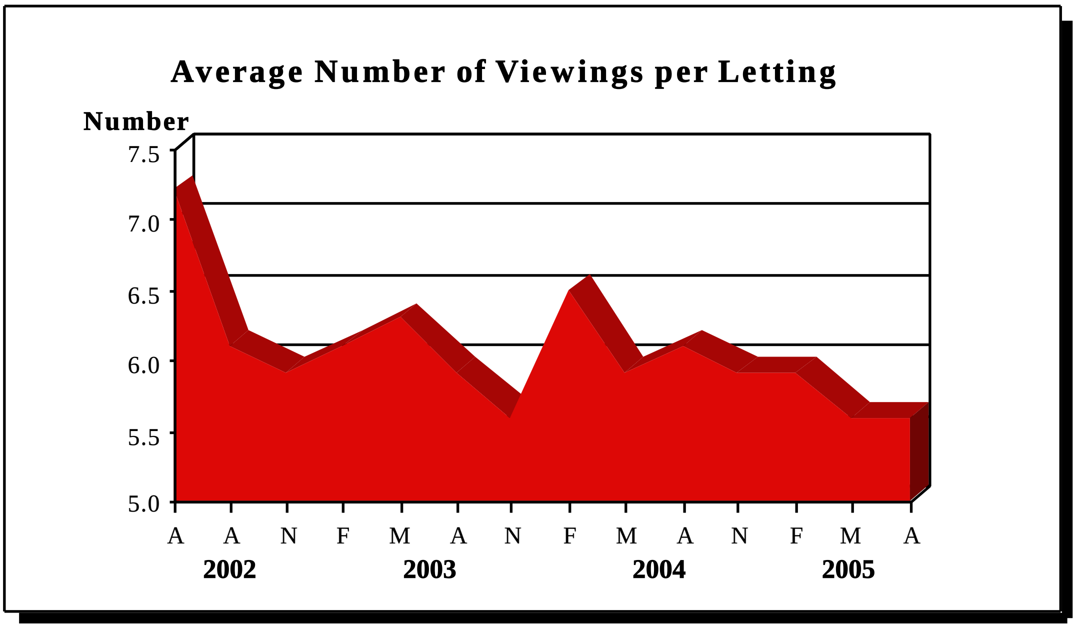


Compared with the last survey in May, the overall average number of viewings per letting is unchanged at 5.6%.

This static picture is reflected in the figures for the broad geographic regions used in this report with the average number of viewings per letting for Prime Central London properties increasing only a little whilst that for the Rest of the South East fell marginally and that for the Rest of the UK remained unchanged.

Geographic Region	Average Number of Viewings per Letting (%) Nov 04	Feb 05	May 05	Aug 05
Prime Central London	8.4	8.5	7.6	7.8
South East	5.4	5.3	5.4	5.3
Rest of UK	4.7	4.8	4.6	4.6
All Regions	5.9	5.9	5.6	5.6
Base: All respondents	(486)	(502)	(489)	(436)

As the chart below shows, the overall average number of viewings per letting has been fairly steady over the last three years at between 5.5 and 6.5 and this has continued with this survey although the figure has now been drifting downwards for more than a year.



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

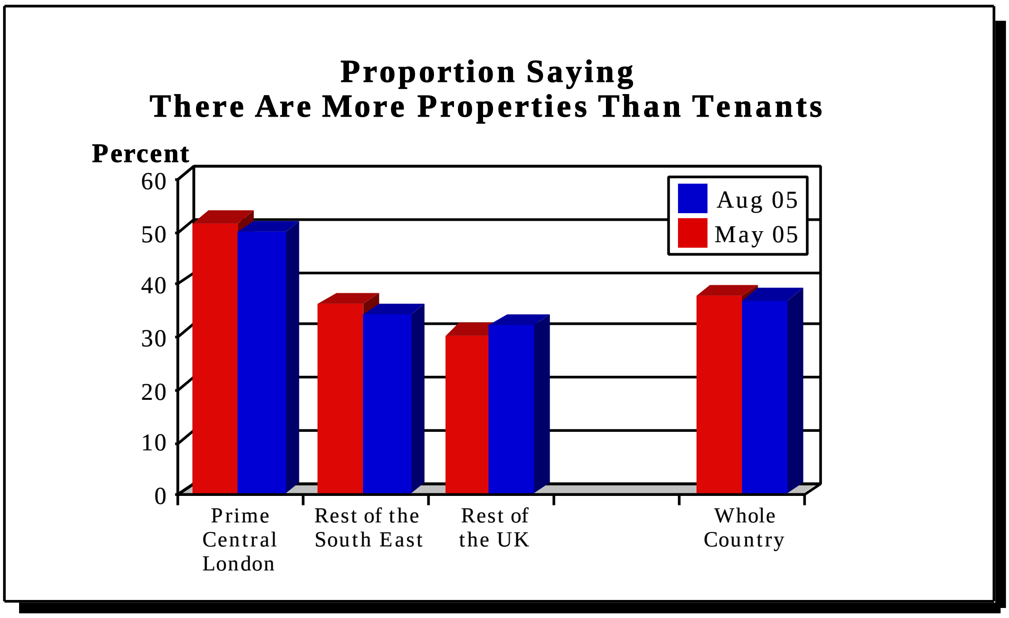
More than a third of ten ARLA members' offices (34%) say that there are currently more tenants than there are properties available for them.

However, a larger proportion (37%) now believe that there are more rented residential properties available than there are tenants to fill them whilst almost three out of ten (29%) believe that supply of, and demand for, rented residential properties is in balance.

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

Balance of Supply and Demand	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Lot more props than tenants	21.6	11.7	8.6	12.8
Few more props than tenants	27.8	22.3	23.2	23.9
Equal nos of props & tenants	17.5	30.9	33.8	28.9
Lot more tenants than props	14.4	17.6	17.9	17.0
Few more tenants than props	18.6	17.6	16.6	17.4
Not stated	-	-	-	-
Base: All respondents	(97)	(188)	(151)	(436)

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

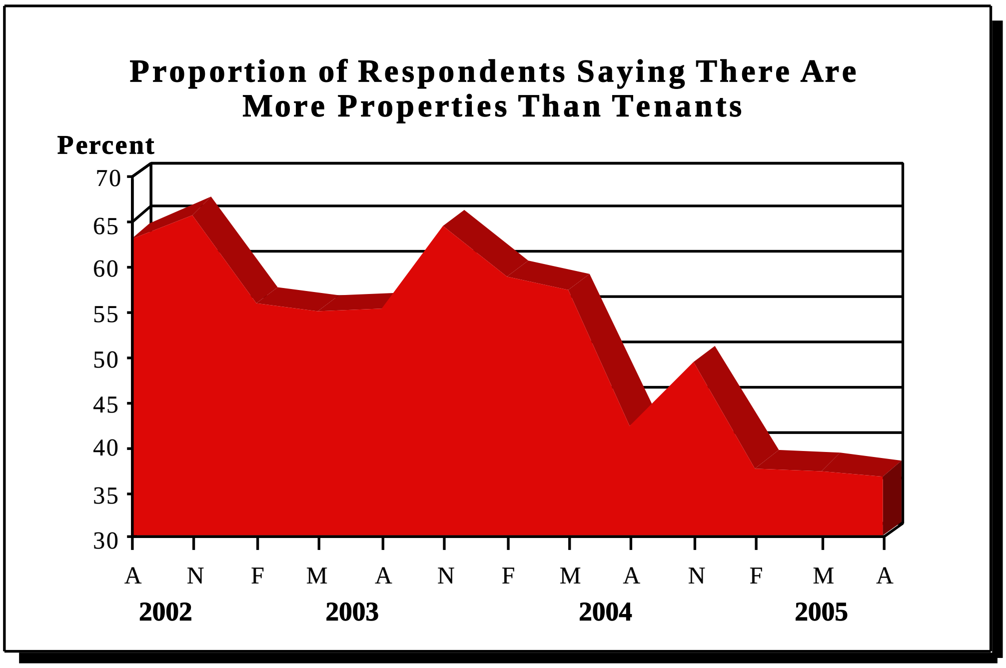


Overall, a slightly reduced 37% of respondents to this survey said there were more properties than tenants suggesting that the situation with regard to the balance of supply and demand has remained stable over the last three months.

Geographic Region	Proportion Saying There Are More Properties than Tenants (%) Nov 04	Feb 05	May 05	Aug 05
Prime Central London	62.6	50.0	51.4	49.4
South East	51.5	37.3	36.2	34.0
Rest of UK	37.7	30.1	30.2	31.8
All Regions	49.4	37.8	37.4	36.7
Base: All respondents	(486)	(502)	(489)	(436)

As the chart below shows, the slightly reduced figure for this quarter comes after a similar fall in the figure three months ago and continues the trend seen since November 2003 with reductions in the proportion of respondents reporting an oversupply of properties.

In fact over the last two years, the figure has fallen by nearly half from nearly 65% in November 2003 to just 37% now.



4.10 **Change in Achievable Rent Levels Over Last 6 Months (Q.12)**

All Regions

In the case of each of the listed property types, between 26% and 40% believe that achievable rent levels have increased over the last six months, whilst only between 10% and 15% believe they have fallen.

Response	**Percent of Respondents (%)**					
	Det House	**Semi House**	**Terr House**	**Conv Flat**	**PB Flat**	**Studio Flat**
Increased a lot	1.6	3.0	3.0	1.4	2.8	1.1
Increased a little	26.1	30.3	33.5	33.3	36.9	24.8
Stayed the same	45.6	45.2	47.9	45.9	42.9	51.8
Decreased a little	11.5	10.1	8.9	11.0	12.6	8.9
Decreased a lot	3.0	1.1	1.1	0.2	1.6	0.9
Don't know	11.2	9.4	4.4	7.3	2.3	11.5
Not stated	0.9	0.9	1.1	0.9	0.9	0.9

Base: All respondents (436)

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

Prime Central London

Within the overall figures, the situation in Prime Central London is similar to the country as a whole with between 22% and 44% of offices saying that achievable rent levels for each type of property have risen.

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, a similar proportion to the whole country (between 6% and 12%) say they think this is the case.

Response	**Percent of Respondents (%)**					
	Det House	**Semi House**	**Terr House**	**Conv Flat**	**PB Flat**	**Studio Flat**
Increased a lot	1.0	2.1	4.1	0.0	2.1	3.1
Increased a little	20.6	23.7	27.8	44.3	42.3	29.9
Stayed the same	28.9	30.9	46.4	41.2	40.2	47.4
Decreased a little	9.3	11.3	9.3	8.2	10.3	6.2
Decreased a lot	3.1	1.0	1.0	-	2.1	-
Don't know	36.1	29.9	10.3	5.2	2.1	12.4
Not stated	1.0	1.0	1.0	1.0	1.0	1.0

Base: All respondents (97)

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

Rest of the South East

With regard to the Rest of the South East, the picture is a little less positive with between 23% and 36% of respondents saying that achievable rent levels have increased compared with between 8% and 18% saying they have decreased.

Response	**Percent of Respondents (%)** Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.6	2.7	3.2	2.7	3.7	0.0
Increased a little	27.1	31.4	30.3	26.6	31.9	22.9
Stayed the same	47.3	48.9	51.1	50.0	48.9	56.9
Decreased a little	14.4	11.2	10.6	12.2	11.7	7.4
Decreased a lot	3.7	1.1	0.5	-	0.5	1.1
Don't know	5.3	4.3	3.2	8.0	2.7	11.2
Not stated	0.5	0.5	1.1	0.5	0.5	0.5

Base: All respondents (188)

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

Rest of the UK

For the Rest of the UK, the position is similar to the other areas with more respondents saying that achievable rent levels have increased than say they have decreased.

Between 25% and 43% of offices say that achievable rent levels for each type of property have increased whilst only between 9% and 18% believe rent levels have decreased over the last six months.

Response	**Percent of Respondents (%)** Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	2.0	4.0	2.0	0.7	2.0	1.3
Increased a little	28.5	33.1	41.1	34.4	39.7	23.8
Stayed the same	54.3	49.7	45.0	43.7	37.1	48.3
Decreased a little	9.3	7.9	6.6	11.3	15.2	12.6
Decreased a lot	2.0	1.3	2.0	0.7	2.6	1.3
Don't know	2.6	2.6	2.0	7.9	2.0	11.3
Not stated	1.3	1.3	1.3	1.3	1.3	1.3

Base: All respondents (151)

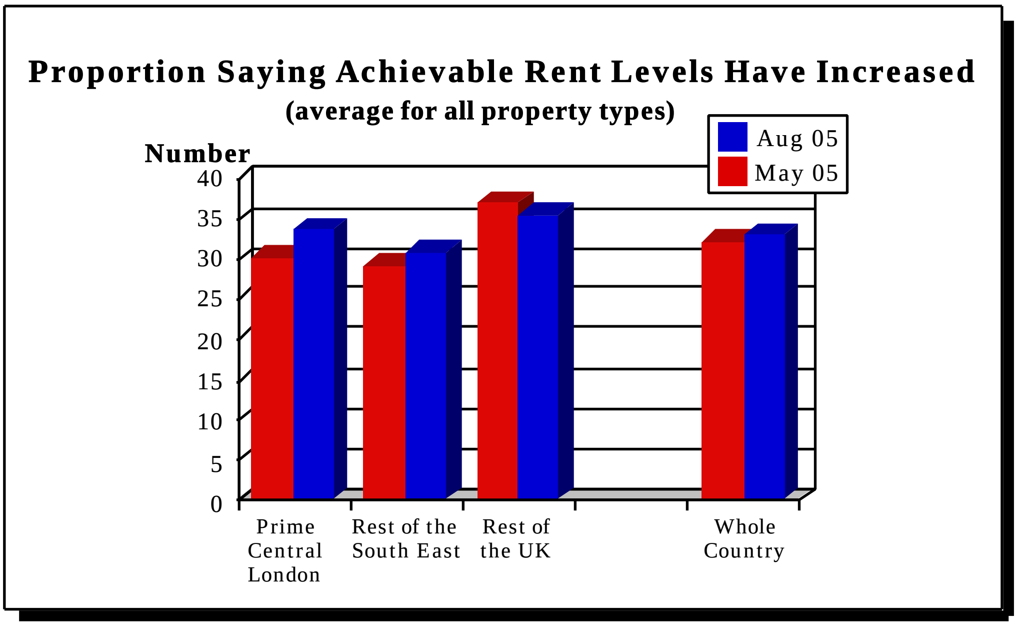
It appears from these figures that achievable rent levels in the Rest of the UK have increase over the last six months.

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	21.6	25.8	32.0	44.3	44.3	33.0
Rest of the South East	28.7	34.0	33.5	29.3	35.6	22.9
Rest of the UK	30.5	37.1	43.0	35.1	41.7	25.2
All regions	27.8	33.3	36.5	34.6	39.7	25.9

Base: All respondents (436)



Compared with three months ago, there has been a small improvement in the average proportion of respondents saying achievable rents across all property types have increased from 32% to 33%.

As between the geographic regions, the average proportion of respondents saying achievable rents across all property types have increased for Prime Central London is up from 30% to 34% whilst the average for the Rest of the South East has also risen, from 29% to 31%. However, the average for the Rest of the UK has fallen from 37% to 35%.

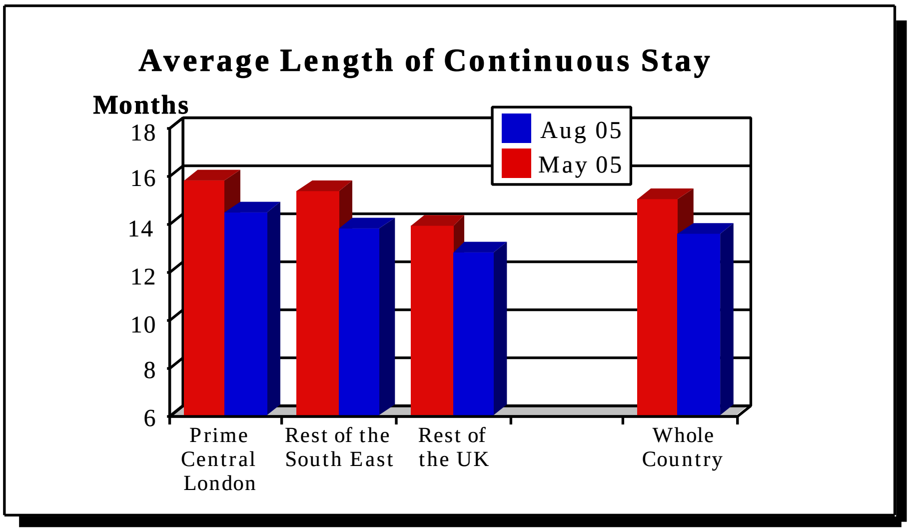
4.11 Average Length of Continuous Stay in Property (Q.13)

Nine out of ten tenants (90%) 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 13.6 months.

Average Length of Continuous Stay	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
6 to 9 months	1.0	6.9	11.3	7.1
10 to 12 months	18.6	34.6	41.1	33.3
13 to 18 months	76.3	55.3	45.7	56.7
19 to 24 months	2.1	2.7	1.3	2.1
More than 24 months	-	0.5	-	0.2
Don't know	2.1	-	0.7	0.7
Not stated	-	-	-	-
Base: All respondents	(97)	(188)	(151)	(436)

The average time a tenant stays in the same property is longest for Prime Central London at 14.5 months compared with 13.8 months for the Rest of the South East and 12.8 months for the Rest of the UK.

Geographic Region	Average Continuous Stay (months)		
	Feb 05	May 05	Aug 05
Prime Central London	16.7	15.8	14.5
South East	15.1	15.4	13.8
Rest of UK	13.5	13.9	12.8
All Regions	14.9	15.0	13.6
Base: All respondents	(502)	(489)	(436)



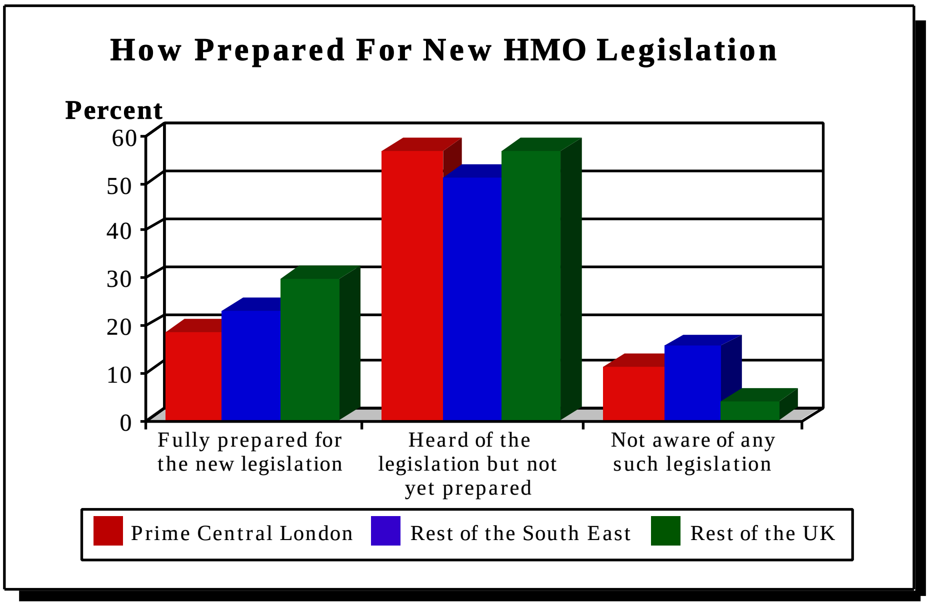
Compared with the last survey, the overall average length of tenant's continuous stay in the same property is down from 15.0 to 13.6 months.

4.12 **Preparedness For New Legislation Covering HMOs (Q.14)**

Almost a quarter of respondents (24%) said that they were fully prepared for the new legislation relating to Houses in Multiple Occupation (HMOs) but a majority (54%) siad that although they had heard of it, they were not yet prepared. More than one in ten (11%) were unaware of any impending legislation in this area.

Level of Preparedness	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Fully prepared	18.6	22.9	29.8	24.3
Heard of it but not yet prepared	56.7	51.1	57.0	54.4
Not aware	11.3	15.4	4.0	10.6
Not stated	13.4	10.6	9.3	10.8
Base: All respondents	(97)	(188)	(151)	(436)

More than one in ten respondents (11%) failed to answer this question and it is clear from notes written on questionnaires that this is most likely to have been because they do not operate within the HMO market.



Respondents in the Rest of the UK appear to be those who are most prepared for the new legislation with three out of ten (30%) being fully prepared compared with just 19% of those managing properties in Prime Central at the other end of the scale.

4.13 **Will New Legislation Make You/Your Landlords Consider Withdrawing From HMO Market (Q.15)**

Again, 11% of respondents failed to answer this question, probably for the same reason as they did not answer the previous question.

Nevertheless, nearly a third (32%) said they felt that they and/or their landlords would probably consider withdrawing from the HMO market as a result of the new legislation whilst only 18% disagreed. Almost four out of ten respondents (39%) were unsure whether or not the legislation would have an effect.

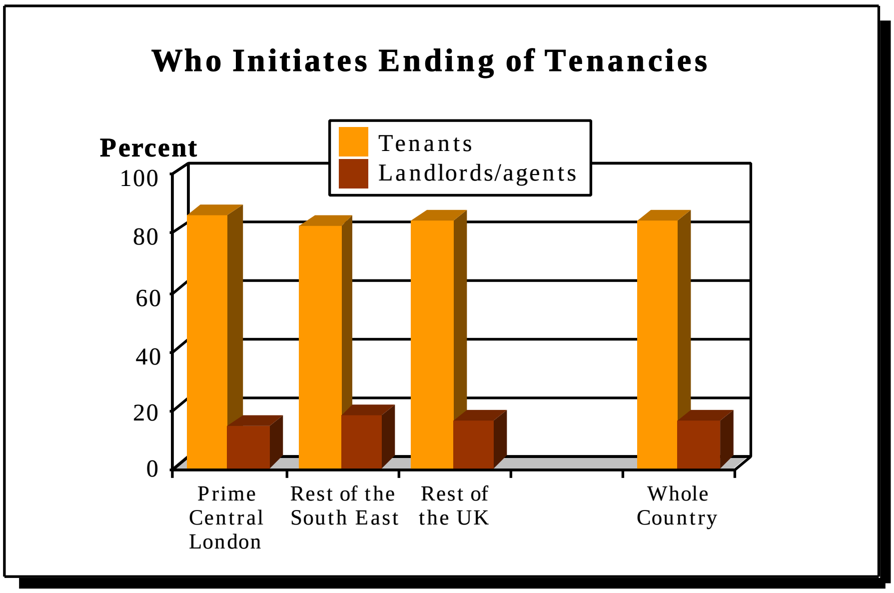
Level of Awareness	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Yes	24.7	33.0	34.4	31.7
No	23.7	16.0	17.2	18.1
Not sure/don't know	38.1	41.5	37.7	39.4
Not stated	13.4	9.6	10.6	10.8
Base: All respondents	(97)	(188)	(151)	(436)

Respondents in the Rest of the UK were the ones most likely to think the legislation would make them/their landlords consider withdrawing with 34% of them saying this was the case compared with 33% of those from the Rest of the South East and just 25% of those managing properties in Prime Central London.

4.14 **Who Initiates Ending of Tenancies (Q.17)**

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 (84%) 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	86.3	82.1	84.7	83.9
Landlord/agent	13.7	17.9	15.3	16.1
Base: All respondents	(97)	(188)	(151)	(436)



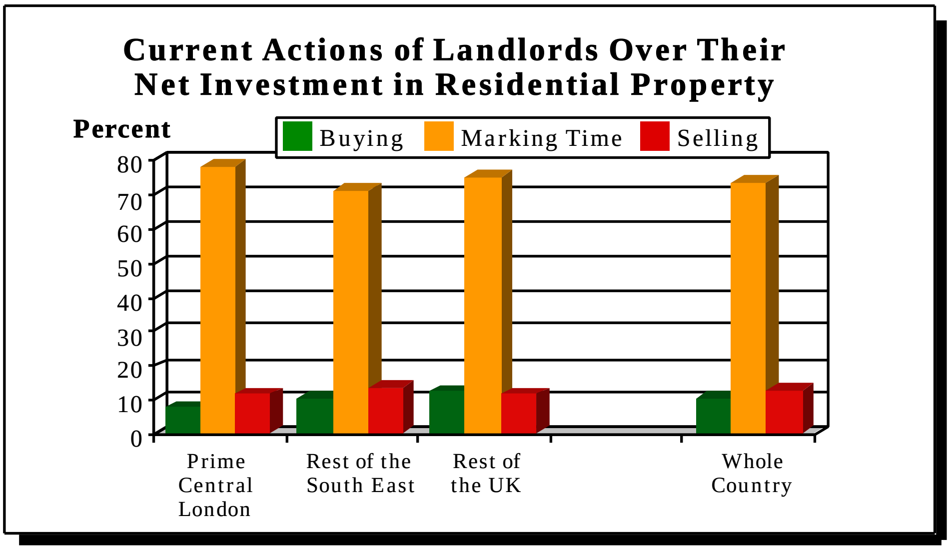
There is very little difference in the propensity for tenants to initiate the ending of a tenancy as between the three geographical regions although tenants are more likely than average to end a tenancy in Prime Central London and less so in the Rest of the South East

4.15 **How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.18)**

Almost three quarters of ARLA members' offices (74%) think that residential landlords are currently marking time with regard to their net investment in residential property.

Whilst one in ten respondents (10%) thinks they are increasing their net investment by buying more properties, slightly more (12%) think they are decreasing their net investment by selling properties.

How Landlords Are Currently Acting	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Buying	7.2	10.1	11.9	10.1
Marking time	78.4	70.7	74.8	73.9
Selling	11.3	13.3	11.3	12.2
Not stated	3.1	5.9	2.0	3.9
Base: All respondents	(97)	(188)	(151)	(436)



Geographically, there is little difference on this question although offices in the Rest of the South East are most likely to think that residential landlords are decreasing their investment (13% compared with 11% for both Prime Central London and the Rest of the UK).

Respondents in the Rest of the UK, on the other hand, are the ones most likely to think residential landlords in their area are increasing their net investment (12% compared with 10% for the Rest of the South East and 7% for Prime Central London).

Overall, therefore, it would appear that most residential landlords are biding their time and that those who are selling properties are pretty much balanced out by those who are buying.