

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
Report**

Third Quarter 2006

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1. **INTRODUCTION & BACKGROUND**

The mortgage lenders who make up the ARLA panel of lenders are keen to ensure that the service they provide to ARLA members is relevant to their needs and takes account of the specific and unique requirements of residential letting agents and their investor landlords.

In order to help achieve this, ARLA has commissioned research to ensure that ARLA panel lenders are kept up to date with agents' requirements and concerns as they change with economic conditions, hopes and fears.

The research is conducted by Owen Carey Jones who specialises in the UK mortgage market and currently conducts several regular quarterly surveys of residential landlords and financial advisers on behalf of a number of clients.

2. METHODOLOGY

Having considered the objectives of this project, it was decided that the most appropriate method to use was postal questionnaires.

Questionnaires were sent to 1,721 letting offices of ARLA members in August 2006 and 451 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 2.1% over the last three months as a result of rises of 3.5% in Prime Central London and 2.3% in the Rest of the South East. In contrast, the average value for the Rest of the UK fell by 1.6%.
- Over the same period the average value of rented flats throughout the country rose by 1.9%, again as a result of increases in Prime Central London (3.6%) and the Rest of the South East (2.0%) with prices of flats in the Rest of the UK falling by 2.1%.
- The average weighted rental returns for both houses and flats have both fallen compared with three months ago, from 5.2% to 4.9% in the case of houses and from 5.3% to 5.1% 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 (56% compared with 47% in May) saying that this is the case in Prime Central London. There was also a substantial increase for the Rest of the South East whilst the figure for the Rest of the UK was little changed
- The balance between the supply of and demand for rented residential properties has continued to improve, particularly for members managing properties in Prime Central London with more than six out of ten of these (61%) now saying there are more tenants than there are properties available for them, a figure which is up from 51% three months ago. The proportion of members in the Rest of the UK who say there are more tenants than properties is also up (from 27% to 34%) whilst the proportion of those in the Rest of the South East who say this is down slightly from 35% to 34%.
- Nearly three out of ten ARLA members (28%) say that landlords are currently buying more properties, a figure which is virtually unchanged compared with the second quarter and which compares with only 16% who say landlords are currently selling properties.
- Compared with the first quarter, the average void period is again down slightly, from 3.8 weeks to 3.7 weeks (26 days) reflecting decreases in Prime Central London and the Rest of the South East.
- The average number of new tenancies signed up in the third quarter of 2006 was 32.3, up a little from 31.4 in the second quarter largely as a result of seasonal factors although the long term trend is for this figure to increase slowly.
- ARLA members' offices find that they are now showing an average of 5.4 prospective tenants round a property before it is let, a figure which is down slightly from 5.5 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 second quarter of the year.

- The average number of purely investment properties which are managed by ARLA members' offices is down a little compared with three months ago from 105 to 103 properties.
- More than half of ARLA members' offices' let properties (56%) are let under full management but more than a quarter (26%) are let on an introduction only basis. There has been hardly any change in these figures over the last three months.
- The vast majority of tenancies (84%) are Assured Shorthold Tenancies although for those managing properties in Prime Central London, the average is just 63% with almost three out of ten (29%) of their tenancies being non-Housing Act (company lets). Again, these figures have changed little compared with those from the second quarter.
- On average, ARLA members say that tenants remain in the same property for a period of 15.6 months, a figure which is down slightly from 15.8 months in May.
- ARLA members' offices employ an average of 1.5 men and 3.7 women who are involved with residential lettings for at least half of their work time. Compared with two years ago, when this question was last asked, there has been little change in either the average number of employees involved in this work or the breakdown between male and female staff.
- The average age of tenants living in properties managed by ARLA members' offices is 35 years with the ages of the bulk of tenants (67%) falling between 23 and 40 years.

4. RESULTS

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

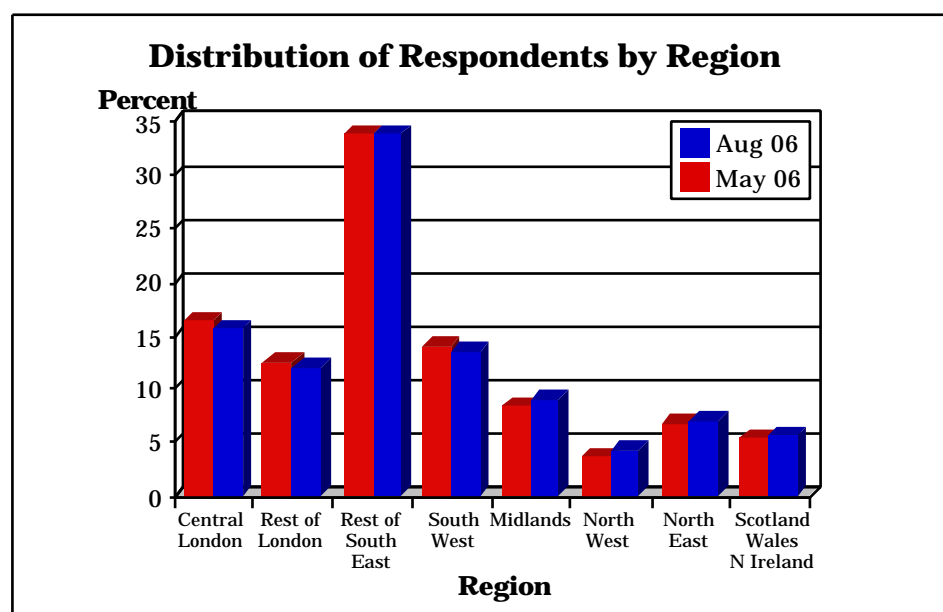
4.1 Geographic Location (Q.1)

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 (61%).

After the South East, the South West with 13% was the region with the most respondents.

Region	Percent of Respondents (%)		
	Feb 06	May 06	Aug 06
Central London	16.7	16.4	15.7
Rest of London (<i>inside M25</i>)	12.9	12.3	11.8
South East (<i>excl. London</i>)	36.6	33.6	33.7
South West	13.3	13.8	13.3
Midlands	6.8	8.3	8.9
North West	5.2	3.6	4.2
North East	5.9	6.6	6.9
Scotland/Wales/NI	2.7	5.3	5.5
Base: All respondents	(443)	(470)	(451)

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



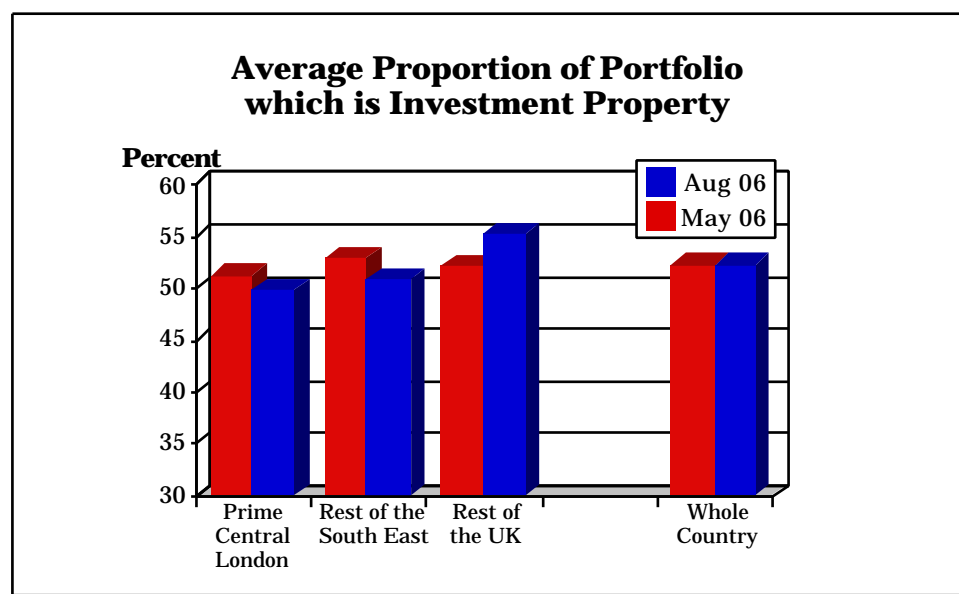
4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents (84%) said that more than a quarter of their portfolio is investment property with nearly six out of ten (57%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for only about one in twenty offices (5.3%).

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	1.0	0.0	0.0	0.2
Up to 10%	5.0	4.6	5.7	5.1
11% to 25%	10.9	8.0	9.7	9.3
26% to 50%	27.7	32.6	21.1	27.1
51% to 75%	41.6	37.1	39.4	39.0
Over 75%	12.9	15.4	23.4	18.0
Not stated	1.0	2.3	0.6	1.3
Base: All respondents	(101)	(175)	(175)	(451)

For offices managing properties in Prime Central London, investment properties appear to make up a slightly smaller proportion of their portfolios with the average being 50% compared with 51% for the Rest of the South East and 55% for the Rest of the UK.



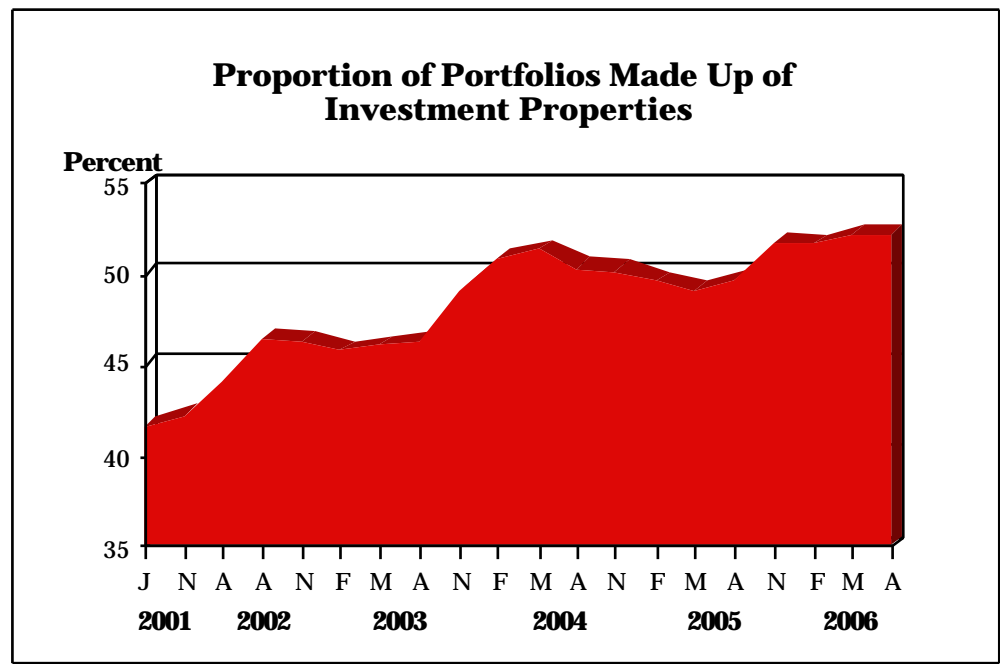
Compared with the last survey in May, the average proportion of portfolios which are in the form of investment property is unchanged at 52% although the figure for the Rest of the UK has risen from 52% to 55%.

Geographic Region	Average Proportion of Portfolio (%)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	52.2	51.7	51.2	49.8
South East	51.1	50.9	52.8	50.6
Rest of UK	52.2	52.5	52.0	55.1
All Regions	51.7	51.6	52.1	52.1
Base: All respondents	(463)	(443)	(470)	(451)

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, despite producing an unchanged average, suggest that the upward trend is probably continuing.



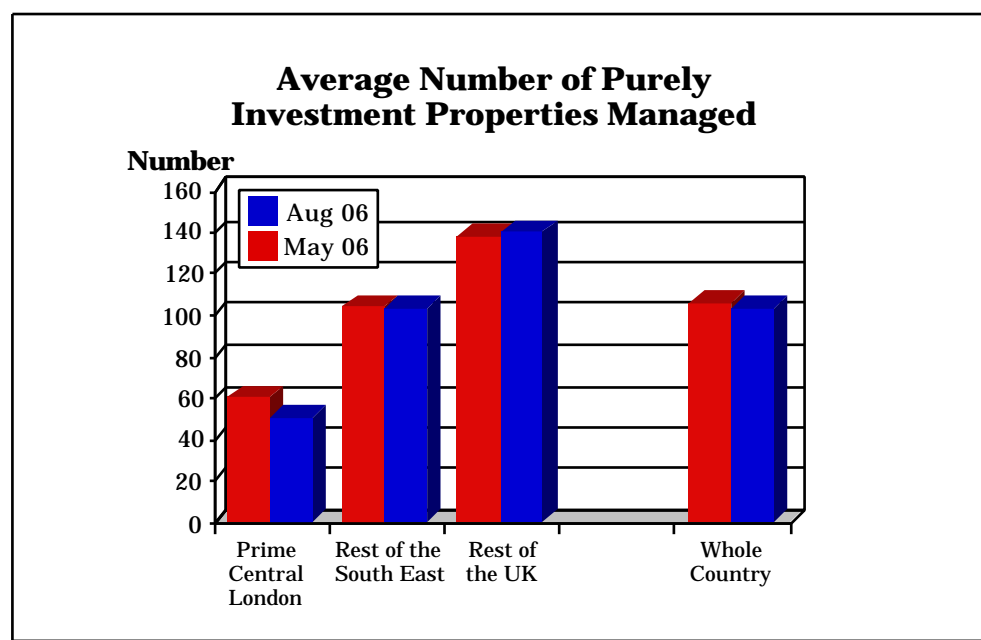
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of purely investment properties with more than three out of ten (31%) saying that they manage over a hundred properties and three quarters (75%) 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 103.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	7.9	3.4	4.0	4.7
6 to 10	15.8	4.6	4.6	7.1
11 to 20	18.8	9.1	7.4	10.6
21 to 50	20.8	21.7	17.7	20.0
51 to 100	16.8	28.0	24.0	23.9
Over 100	17.8	30.3	39.4	31.0
Not stated	2.0	2.9	2.9	2.7
Base: All respondents	(101)	(175)	(175)	(451)

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 51 for Prime Central London, 103 for the Rest of the South East and 140 for the Rest of the UK.



Compared with three months ago, the average number of properties managed is down a little, for the second time in a row, this time from 105 to 103 properties.

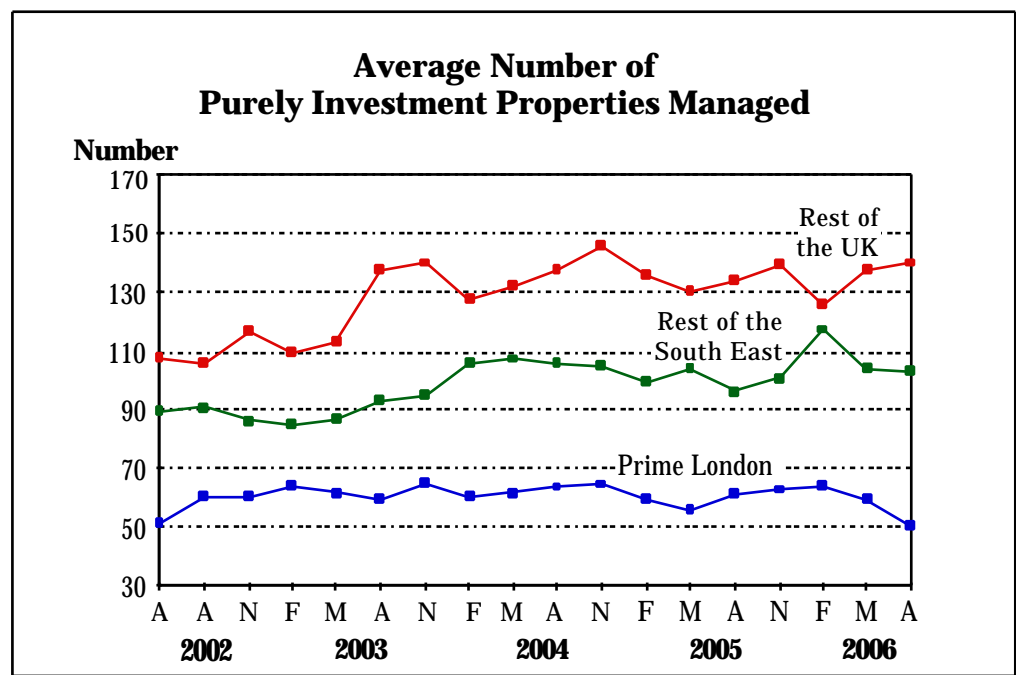
Within this relatively static overall position there has been considerably greater movement in the figures for Prime Central London where the average number of properties dropped from 60 to 51.

Geographic Region	Average Number of Properties			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	62.7	63.9	59.7	50.8
South East	100.9	117.2	103.8	103.1
Rest of UK	139.2	125.9	137.5	140.1
All Regions	104.9	108.6	105.4	103.2
Base: All respondents	(463)	(443)	(470)	(451)

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 before declining for 18 months, now appears to be rising again.

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. However, the results from the last few surveys suggest that the figure is on the increase again even though there was quite a sharp decrease three months ago.

For Prime Central London the figure had been relatively steady at an average of between 60 and 65 properties for some time despite occasionally moving a little outside this band. however, the average from this survey is the lowest seen since this question was first asked more than four years ago.



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

Houses

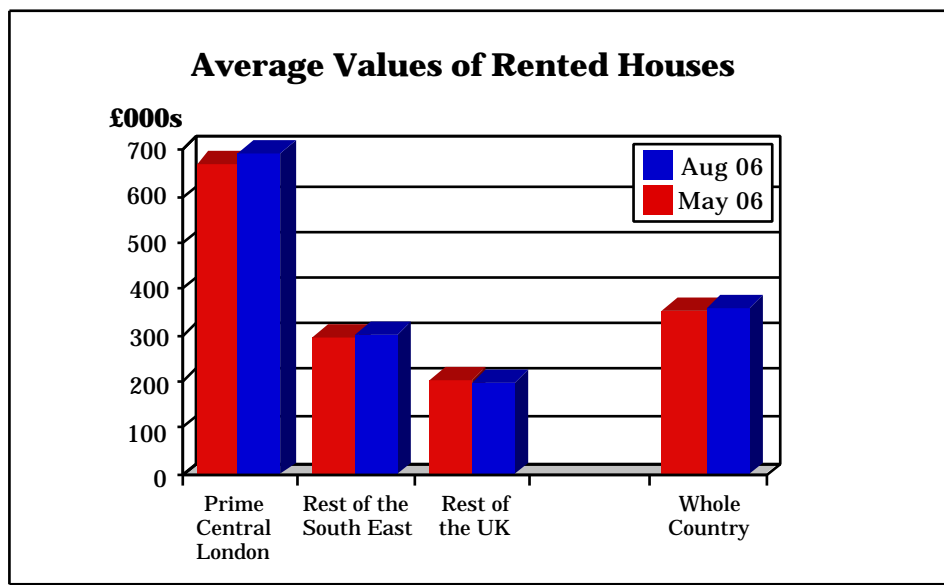
Two thirds of respondents (66%) say that the average value of a rented house in their area is between £100,000 and £350,000.

Only less than one in fifty offices (1.8%) say the average is below £100,000 but for more than one in ten respondents (11%), the average in their area is in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented house of £358,900.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	-	0.6	0.2
£75,001 to £100,000	-	0.6	3.4	1.6
£100,001 to £150,000	-	5.7	26.9	12.6
£150,001 to £200,000	3.0	31.4	41.7	29.0
£200,001 to £350,000	11.9	36.6	20.6	24.8
£350,001 to £500,000	15.8	15.4	2.9	10.6
£500,001 to £750,000	26.7	4.6	1.7	8.4
Over £ 750,000	40.6	4.0	0.6	10.9
Not stated	2.0	1.7	1.7	1.8
Base: All respondents	(101)	(175)	(175)	(451)

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 (£691,900) compared with less than half that figure (£302,500) in the Rest of the South East and just £198,400 in the Rest of the UK.

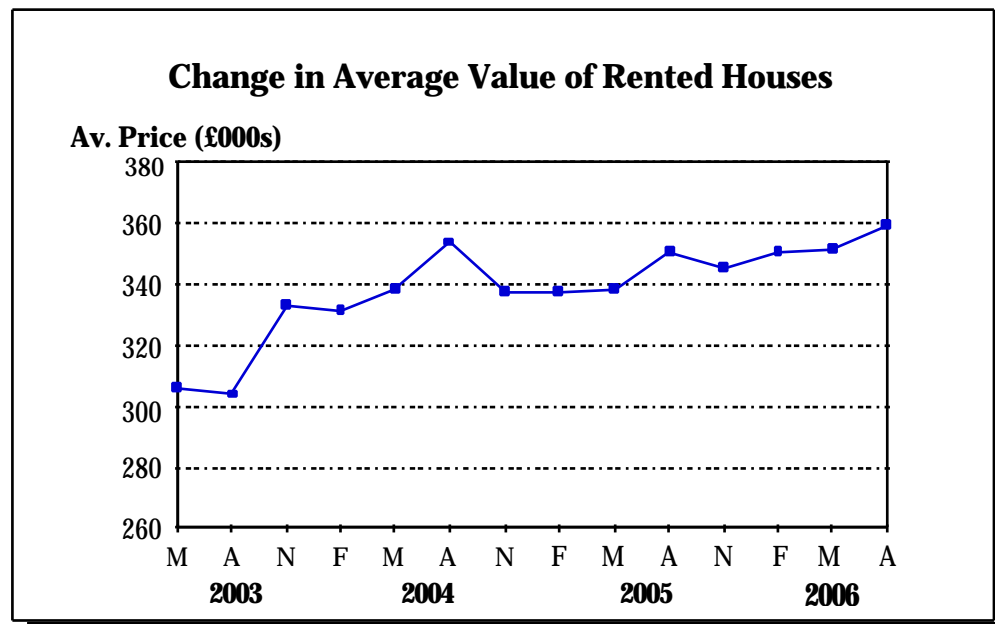


Compared with the last survey, the overall weighted average value of rented houses has risen by 2.1% from £351,500 to £358,900.

Geographic Region	Average Value of Rented Houses (000s)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	681.0	652.4	668.3	691.9
South East	278.6	283.1	295.8	302.5
Rest of UK	197.4	226.4	201.6	198.4
All Regions (weighted)	345.6	350.5	351.5	358.9
Base: All respondents	(463)	(443)	(470)	(451)

The average price of a rented house in Prime Central London has risen by 3.5% whilst that for the Rest of the South East is up by 2.3%. The average for the Rest of the UK, however, is down by 1.6%.

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 and, after stabilising for about a year, has been rising fairly steadily since the end of last year.



Flats

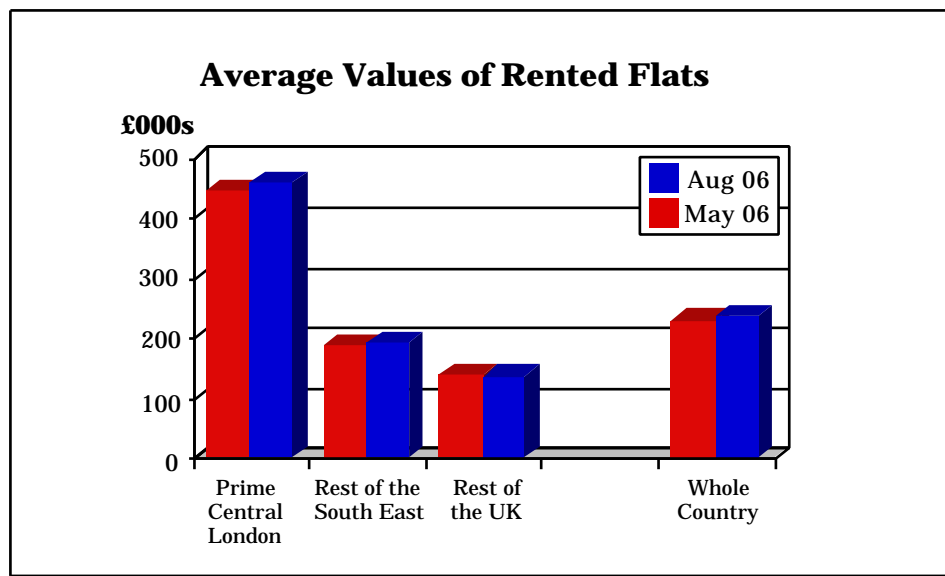
Almost two thirds of respondents (66%) say that the average value of a rented flat in their area is between £100,000 and £350,000, an almost identical figure to that which applies to houses.

However, a much higher proportion of ARLA offices, amounting to 12%, say the average value of a rented flat in their area is below £100,000 whilst only 2.7% say the average value is in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented flat of £235,600.

Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	0.6	4.6	2.0
£75,001 to £100,000	1.0	7.4	17.1	9.8
£100,001 to £150,000	3.0	25.1	40.0	25.9
£150,001 to £200,000	5.9	40.6	22.9	25.9
£200,001 to £350,000	27.7	14.9	5.7	14.2
£350,001 to £500,000	26.7	4.0	-	7.5
£500,001 to £750,000	19.8	1.1	-	4.9
Over £ 750,000	10.9	0.6	-	2.7
Not stated	5.0	5.7	9.7	7.1
Base: All respondents	(101)	(175)	(175)	(451)

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 £460,300 compared with £190,800 in the Rest of South East and £136,200 in the Rest of the UK.

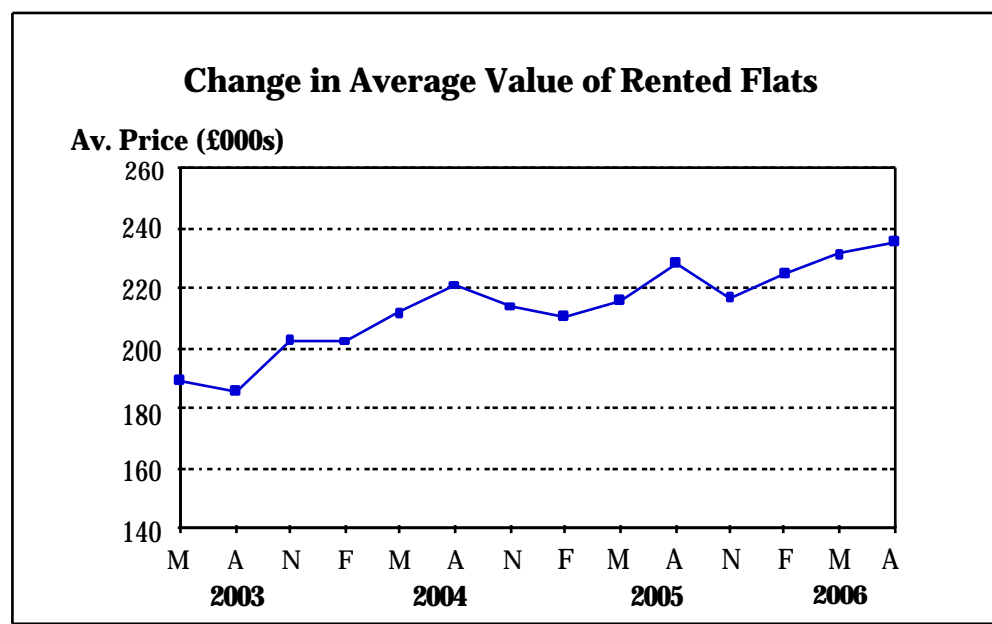


Compared with three months ago, the overall weighted average value of a rented flat has risen by 1.9% from £231,200 to £235,600.

Geographic Region	Average Value of Rented Flats (000s)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	405.8	412.6	444.1	460.3
South East	178.8	180.0	187.1	190.8
Rest of UK	133.4	152.1	139.1	136.2
All Regions (weighted)	216.8	225.1	231.2	235.6
Base: All respondents	(463)	(443)	(470)	(451)

Within that overall change, the average value of rented flats in Prime Central London has risen by 3.6% whilst the average for the Rest of the South East has risen by 2.0%. In contrast, the average for the Rest of the UK has fallen by 2.1%.

As can be seen from the chart below, over the last three years, the average value of a rented flat has increased by 25% from £189,100 to £235,600 despite the occasional temporary downturn.



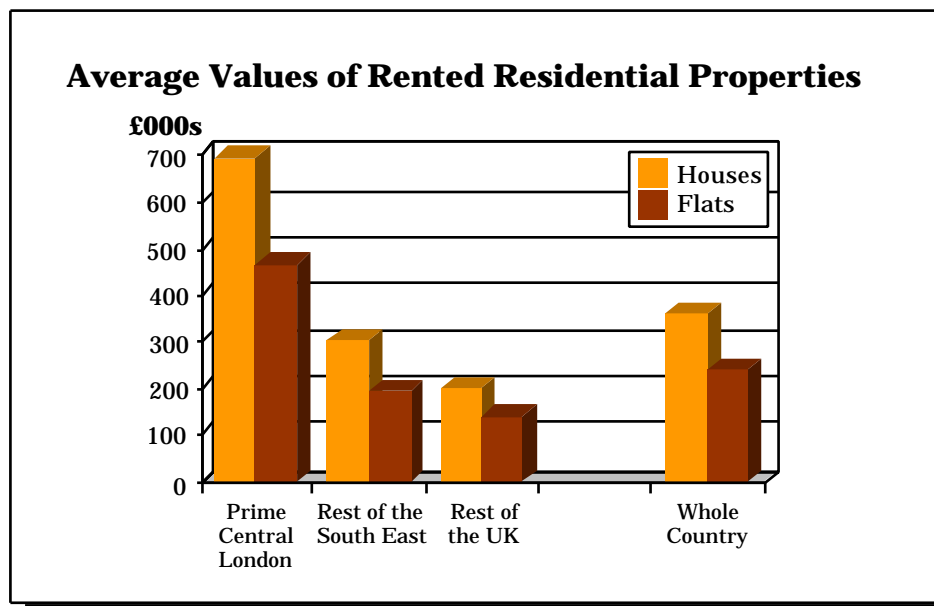
Summary

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 59% 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 (46% higher) than for Prime Central London (50% higher).

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	691.9	460.3
South East	302.5	190.8
Rest of UK	198.4	136.2
All Regions (weighted)	358.9	235.6

Base: All respondents (451)



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 (53%) 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%	19.8	13.1	11.4	14.0
4% to 5%	55.4	53.7	50.3	52.8
6%	7.9	16.0	13.7	13.3
7%	2.0	5.7	4.0	4.2
8%	2.0	2.3	5.7	3.5
9% to 10%	3.0	2.3	4.6	3.3
11% to 12%	2.0	0.6	2.3	1.6
12% to 15%	1.0	-	-	0.2
Over 15%	-	-	1.1	0.4
Not stated	6.9	6.3	6.9	6.7
Base: All respondents	(101)	(175)	(175)	(451)

There is some difference in rates of return between the three broad geographic areas with the average for Prime Central London (4.6%) being the lowest and that for the Rest of the UK (5.3%) being the highest.

Geographic Region	Average Rental Return (%)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	5.0	4.8	5.0	4.6
South East	4.9	5.0	5.2	4.8
Rest of UK	4.9	5.0	5.4	5.3
All Regions (weighted)	4.9	5.0	5.2	4.9
Base: All respondents	(463)	(443)	(470)	(451)

Compared with three months ago, the overall average weighted rental return on houses is down quite sharply from 5.2% to 4.9%.

The average rental return on houses in Prime Central London has fallen from 5.0% to 4.6% whilst that for the Rest of the South East is down from 5.2% to 4.8%. The average for the Rest of the UK has also fallen but by much less, from 5.4% to 5.3%.

Flats

A rental return of between 4% and 5% also appears to be the norm for rented flats with more than half of respondents (52%) 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%	9.9	9.7	8.6	9.3
4% to 5%	62.4	49.7	48.0	51.9
6%	7.9	22.9	16.0	16.9
7%	1.0	5.7	6.3	4.9
8%	3.0	2.3	4.0	3.1
9% to 10%	5.0	-	3.4	2.4
11% to 12%	1.0	0.6	1.7	1.1
12% to 15%	1.0	-	-	0.2
Over 15%	-	-	1.1	0.4
Not stated	8.9	9.1	10.9	9.8
Base: All respondents	(101)	(175)	(175)	(451)

There is some difference 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 being similar (5.0% and 4.9% respectively) but that for the Rest of the UK is substantially higher at 5.4%.

Geographic Region	Average Rental Return (%)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	5.2	5.1	5.3	5.0
South East	5.1	5.4	5.3	4.9
Rest of UK	4.9	5.0	5.2	5.4
All Regions (weighted)	5.1	5.2	5.3	5.1
Base: All respondents	(463)	(443)	(470)	(451)

Compared with the last survey in May, the overall weighted average rental return on flats is down from 5.3% to 5.1%.

Within this, the averages for Prime Central London and the Rest of the South East have both declined whilst that for the Rest of the UK has risen.

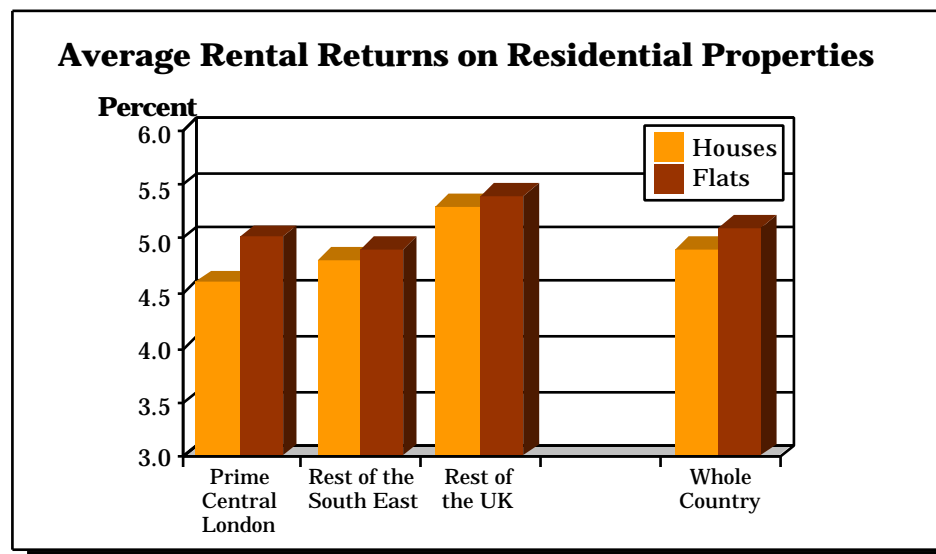
Summary

The lowest rental returns are currently being earned on houses in Prime Central London (4.6%) whilst, at the other end of the scale, average rental returns are highest for flats in the Rest of the UK (5.4%).

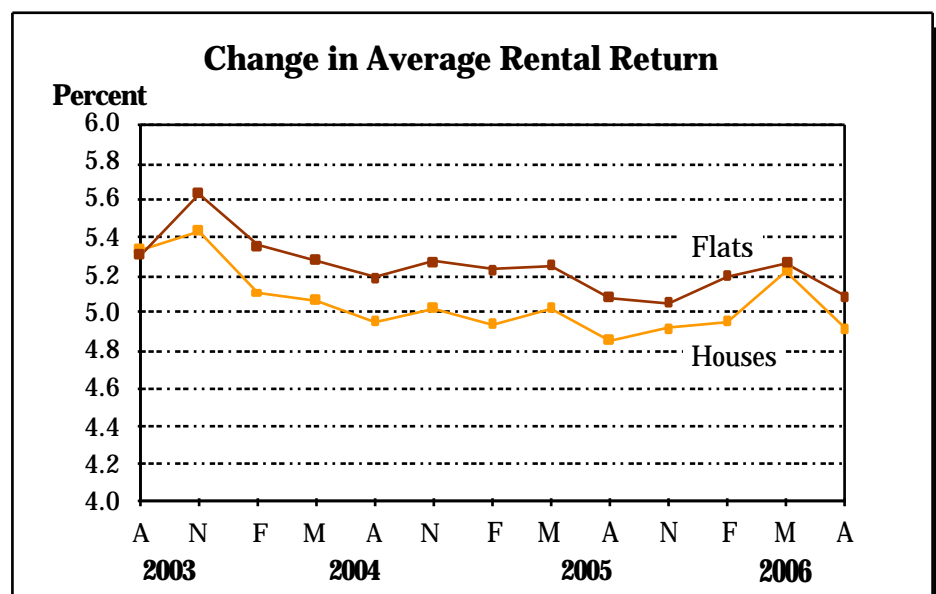
Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	4.6	5.0
South East	4.8	4.9
Rest of UK	5.3	5.4
All Regions (weighted)	4.9	5.1

Base: All respondents (451)

Overall, flats appear to earn a slightly higher gross return than do houses particularly in Prime Central London.



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. However, the results from this latest survey tend to suggest that the long term downward trend may be about to reassert itself.



Average Rents

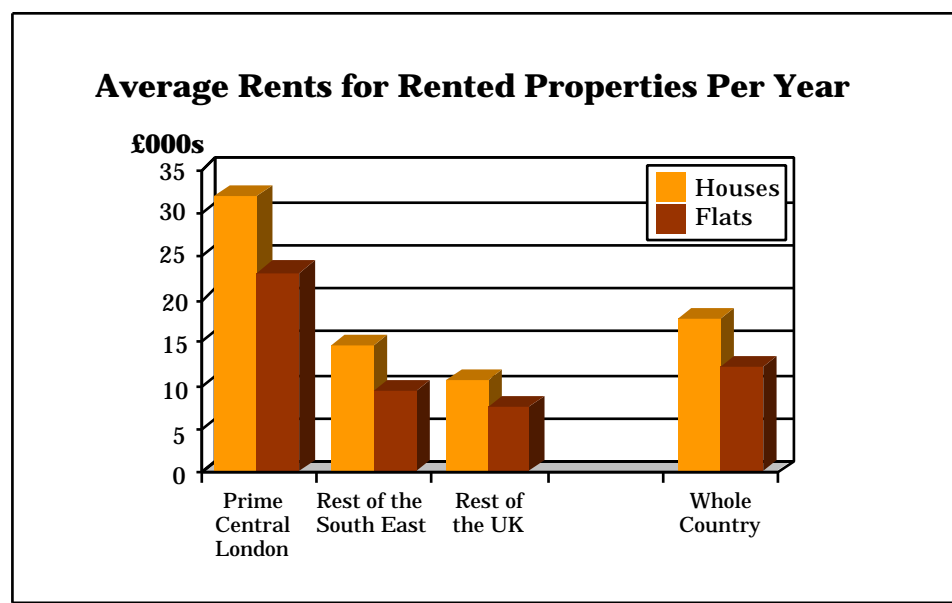
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	612	2,652	31.8	443	1,918	23.0
South East	279	1,210	14.5	180	779	9.3
Rest of UK	202	876	10.5	141	613	7.4
All Regions (weighted)	340	1,471	17.7	231	999	12.0

Base: All respondents (451)

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

There are also marked differences in Prime Central London and the Rest of the UK, where average house rents are 38% and 43% 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 (19) being for the North West.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	612	2,652	31.8	443	1,918	23.0
Rest of London	303	1,311	15.7	262	1,136	13.6
Rest of South East	271	1,175	14.1	157	681	8.2
South West	235	1,018	12.2	164	711	8.5
Midlands	173	748	9.0	119	515	6.2
North West	179	777	9.3	129	558	6.7
North East	215	930	11.2	139	602	7.2
Scotland/Wales/NI	178	770	9.2	137	593	7.1

Base: All respondents (451)

4.6 Average Void Period Per Year (Q.8)

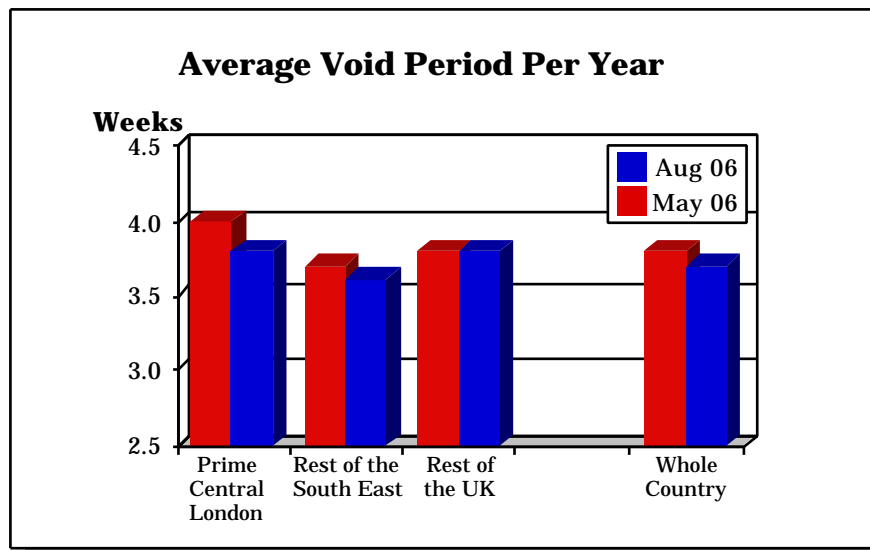
Average void periods for rented residential properties tend to be quite short with nearly two thirds of ARLA members' offices (65%) reporting averages of 4 weeks or less per year and, in addition, more than a quarter (28%) say the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 3.7 weeks (26 days) per year.

Average Void Period	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 2 weeks	13.9	10.9	12.0	12.0
2 to 4 weeks	44.6	60.6	51.4	53.4
5 to 6 weeks	34.7	22.3	29.7	27.9
7 to 8 weeks	3.0	5.1	4.6	4.4
More than 8 weeks	1.0	0.6	0.6	0.7
Don't know	3.0	-	1.1	1.1
Not stated	-	0.6	0.6	0.4
Base: All respondents	(101)	(175)	(175)	(451)

Respondents with properties in Prime Central London and the Rest of the UK experience a slightly higher void rate than average at 3.8 weeks (27 days) per year.

Compared with that, the average void period for the Rest of the South East is below average at 3.6 weeks (25 days).



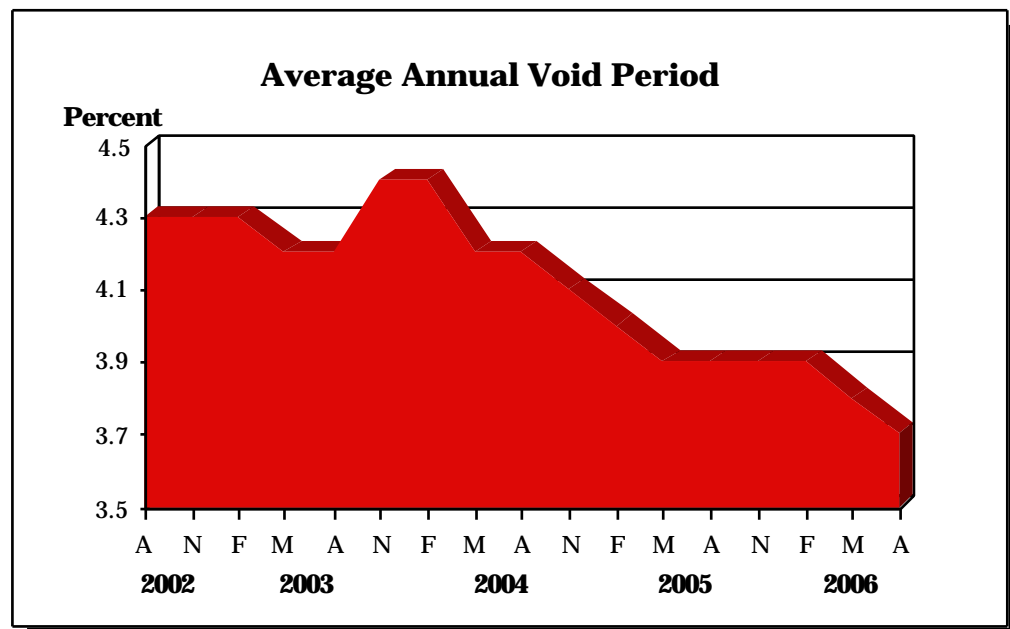
Compared with three months ago, the average void period for the whole country has again fallen slightly, this time from 3.8 weeks to 3.7 weeks.

This overall relatively static position is reflected in the figures for each of the broad geographic areas although the average void period for the Rest

of the South East has fallen from 3.7 weeks to 3.6 weeks and that for Prime Central London from 4.0 weeks to 3.8 weeks per year.

Geographic Region	Average Void Period (weeks)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	4.1	4.1	4.0	3.8
South East	3.8	3.7	3.7	3.6
Rest of UK	3.8	3.9	3.8	3.8
All Regions	3.9	3.9	3.8	3.7
Base: All respondents	(463)	(443)	(470)	(451)

As can be seen from the chart below, whilst this quarter's decrease is small, the average has been declining for some time and has now fallen by 16% from a high of 4.4 weeks (31 days) per year in the winter of 2003/2004 to 3.7 weeks (26 days) now.



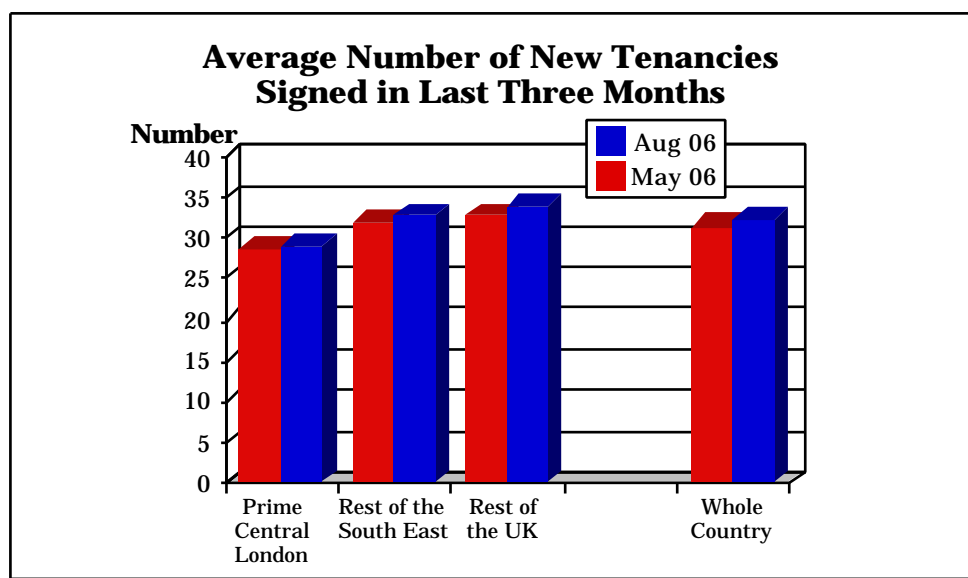
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

Eight out of ten ARLA members' offices (81%) have signed up more than 10 new tenancies (other than renewals) in the last three months with almost six out of ten (59%) 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 32 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	2.0	6.9	9.7	6.9
6 to 10	12.9	14.9	8.0	11.8
11 to 20	29.7	17.1	22.9	22.2
21 to 50	44.6	42.3	37.1	40.8
Over 50	9.9	18.3	21.7	17.7
Not stated	1.0	0.6	0.6	0.7
Base: All respondents	(101)	(175)	(175)	(451)

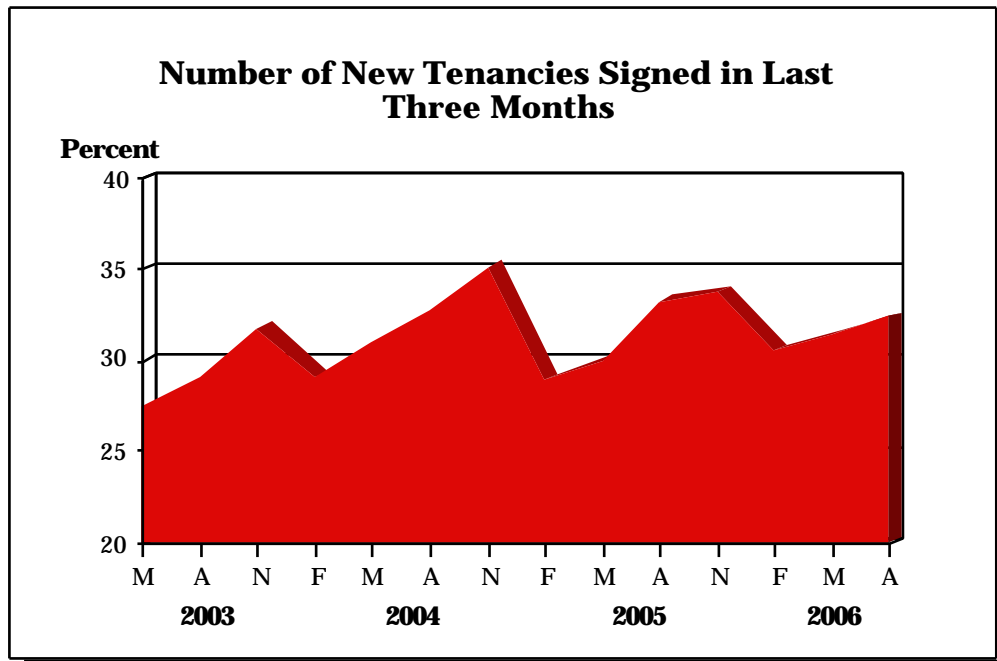
Offices managing properties in Prime Central London have fared less well than those in the Rest of the South East and those the Rest of the UK with the average figures being 29 for Prime Central London compared with 33 for the Rest of the South East and 34 for the Rest of the UK.



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 31 to 32. This increase is accounted for by the increase for the Rest of the UK (up from 33 to 34) and the Rest of the South East (up from 32 to 33) with the numbers for Prime Central London changing very little.

Geographic Region	Number of New Tenancies			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	34.3	28.2	28.7	29.0
South East	32.2	32.4	31.8	32.7
Rest of UK	35.1	29.8	32.8	33.9
All Regions	33.7	30.5	31.4	32.3
Base: All respondents	(463)	(443)	(470)	(451)

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 for each of the last three years. However, having said that, there does appear to be a gentle upward trend in the average.

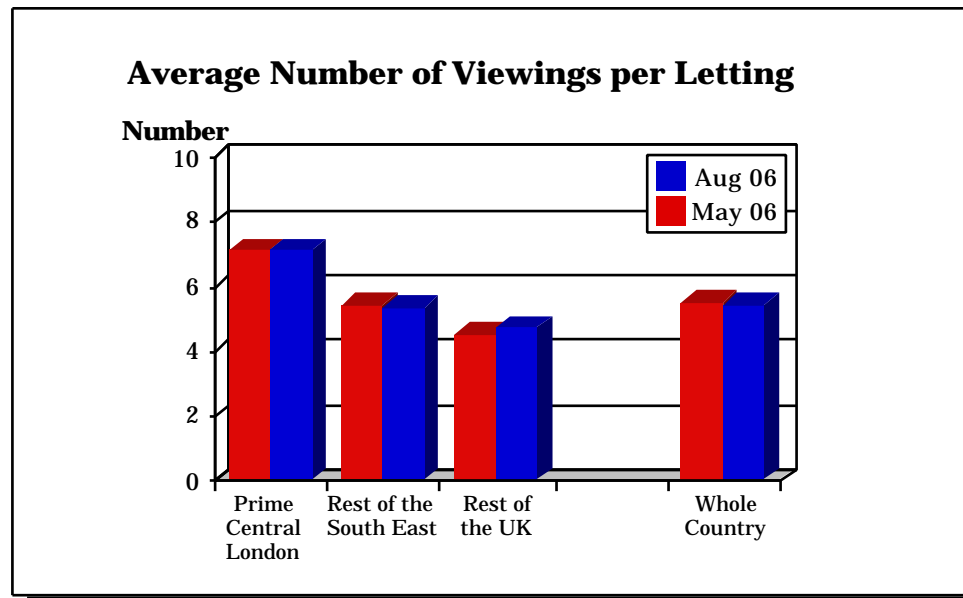


4.8 Number of Viewings Per Letting (Q.10)

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 5.4 viewings per letting.

Number of Viewings per Letting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
One	-	-	-	-
2 or 3	7.9	22.9	32.6	23.3
4 or 5	35.6	49.7	47.4	45.7
6 to 10	44.6	24.0	17.7	26.2
11 to 20	10.9	3.4	1.7	4.4
Over 20	-	-	-	-
Not stated	1.0	-	0.6	0.4
Base: All respondents	(101)	(175)	(175)	(451)

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 (5.3) or the Rest of the UK (4.7).

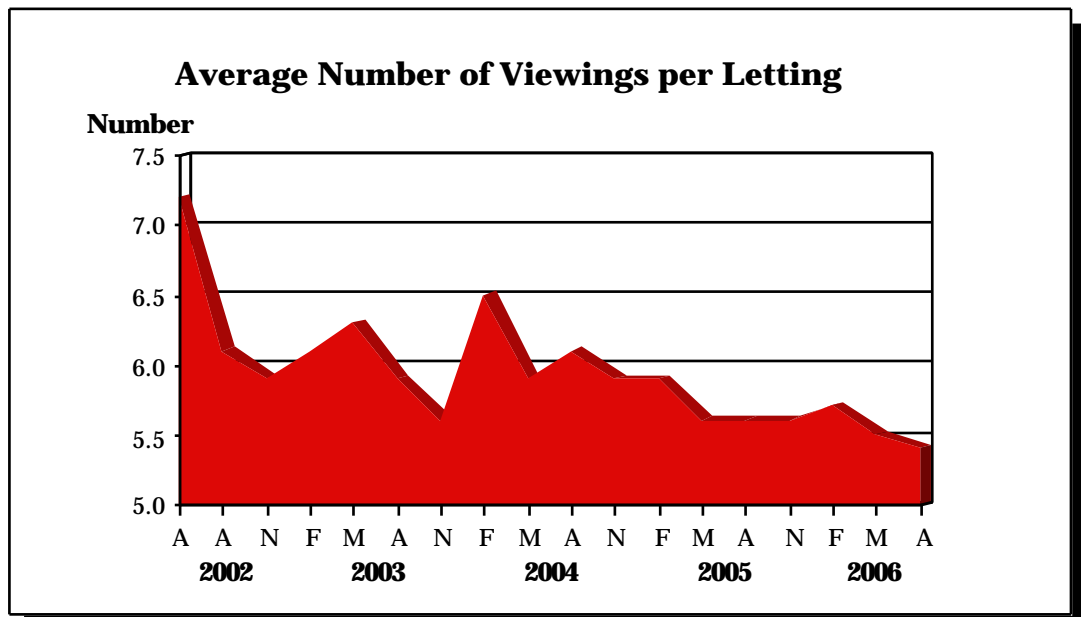


Compared with the last survey in May, the overall average number of viewings per letting is down a little from 5.5 to 5.4.

This reduction is accounted for by the reduction in the average number for those in the Rest of the South East (down from 5.4 to 5.3) with the figure for the Rest of the UK rising (from 4.5 to 4.7) and that for Prime Central London remaining unchanged at 7.1 viewings per letting.

Geographic Region	Average Number of Viewings per Letting (%)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	7.6	7.5	7.1	7.1
South East	5.3	5.6	5.4	5.3
Rest of UK	4.6	4.5	4.5	4.7
All Regions	5.6	5.7	5.5	5.4
Base: All respondents	(463)	(443)	(470)	(451)

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



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

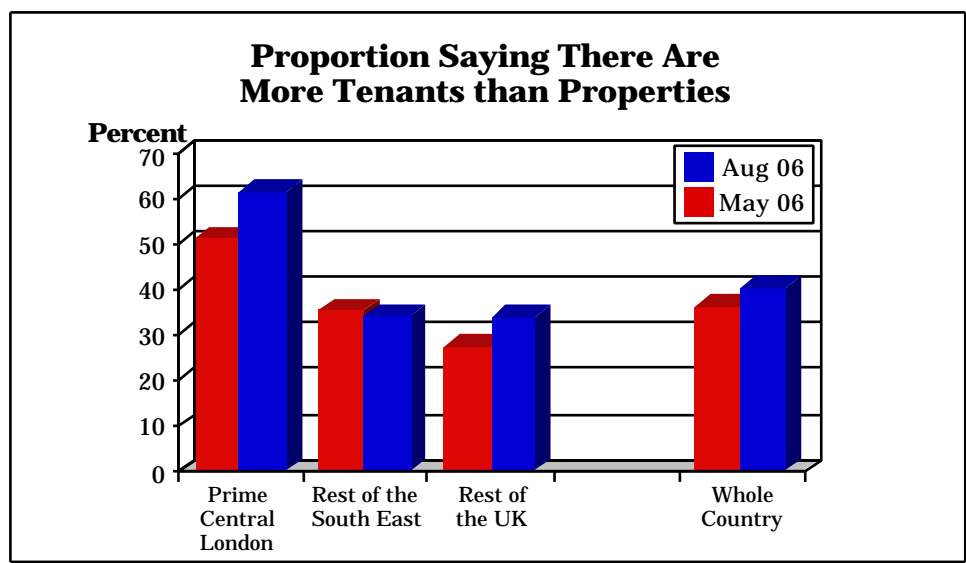
Four out of ten ARLA members' offices (40%) say that there are currently more tenants than there are properties available for them.

This compares with a smaller proportion (30%) who believe that there are more rented residential properties available than there are tenants to fill them. However, three out of ten (30%) 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 although demand may be outstripping supply in some places.

Balance of Supply and Demand	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Lot more props than tenants	5.0	6.3	9.1	7.1
Few more props than tenants	17.8	22.9	24.6	22.4
Equal nos of props & tenants	14.9	36.6	30.9	29.5
Lot more tenants than props	33.7	17.1	16.6	20.6
Few more tenants than props	27.7	17.1	17.1	19.5
Not stated	1.0	-	1.7	0.9
Base: All respondents	(101)	(175)	(175)	(451)

Once again, Prime Central London has the highest proportion of respondents saying that there are more tenants than properties (61%) with the comparative figures for both the Rest of the South East and the Rest of the UK being 34%.



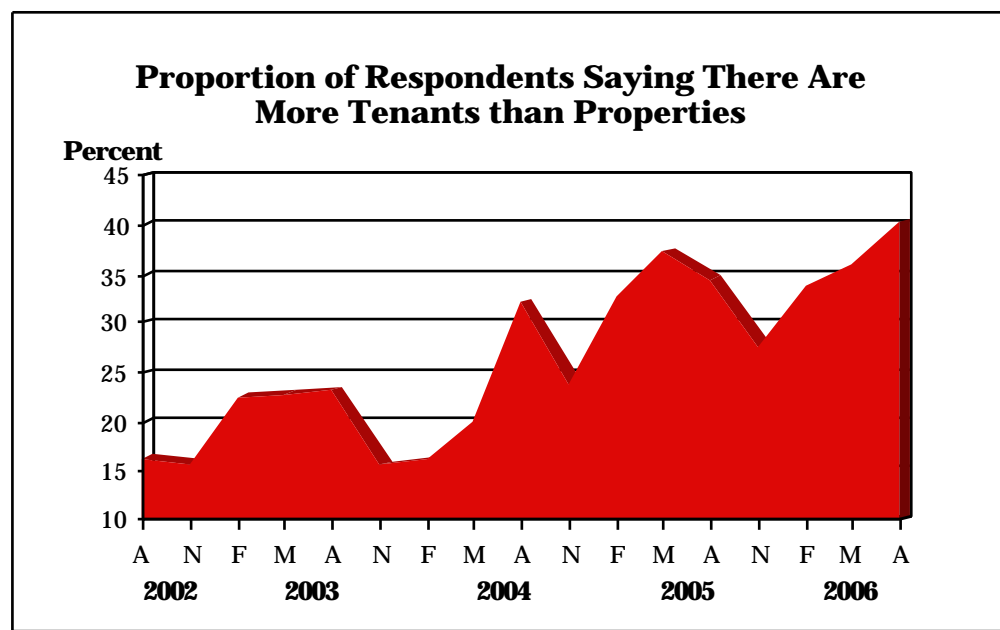
Compared with three months ago, there has been a big improvement for Prime Central London with the proportion of respondents saying there are more tenants than properties rising from 51% to 61%. The Rest of the

UK also experienced a big improvement from 27% to 34% whilst the Rest of the South East saw a decline in its fortunes with the figure for that region falling slightly from 35% to 34%.

Overall, four out of ten respondents to this survey (40%, up from 36% three months ago) said there were more tenants than properties suggesting that the situation with regard to the balance of supply and demand has continued to improve since May.

Geographic Region	Proportion Saying There Are More Tenants than Properties (%)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	32.4	48.2	51.3	61.4
South East	26.2	28.4	35.2	34.2
Rest of UK	25.3	29.3	27.2	33.7
All Regions	27.4	33.7	36.0	40.1
Base: All respondents	(463)	(443)	(470)	(451)

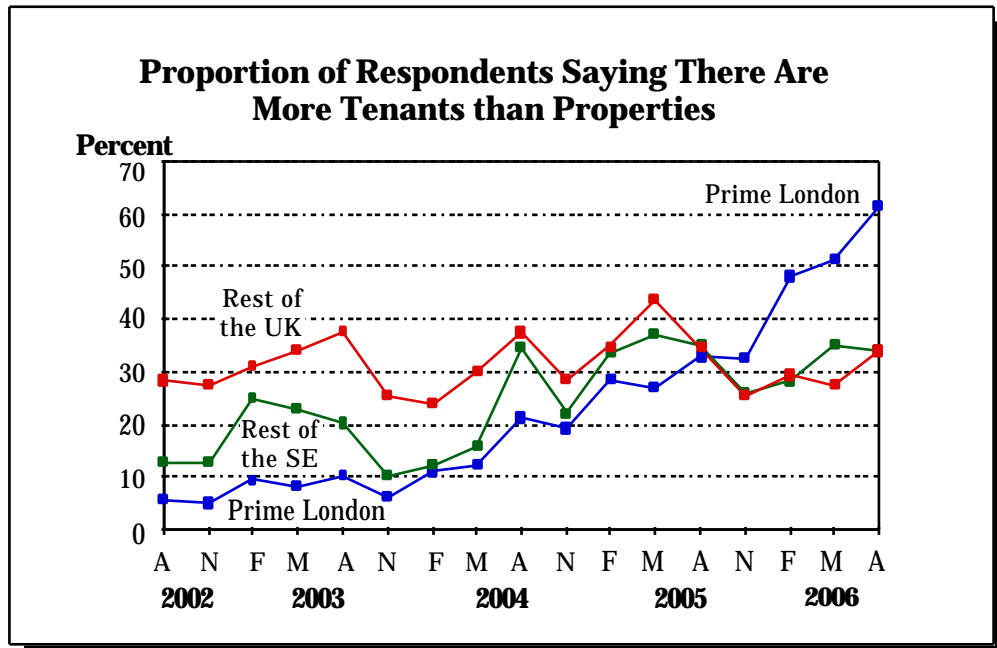
As the chart below shows, the proportion of respondents saying that there are more tenants than properties is now at an historically high level, in fact the highest level since this question was first asked four years ago.



Looking at changes for each of the broad geographic areas over the last four 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 twelvefold, from a low of 5% in the last quarter of 2002 to a high of 61% in the third 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 34%.

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.

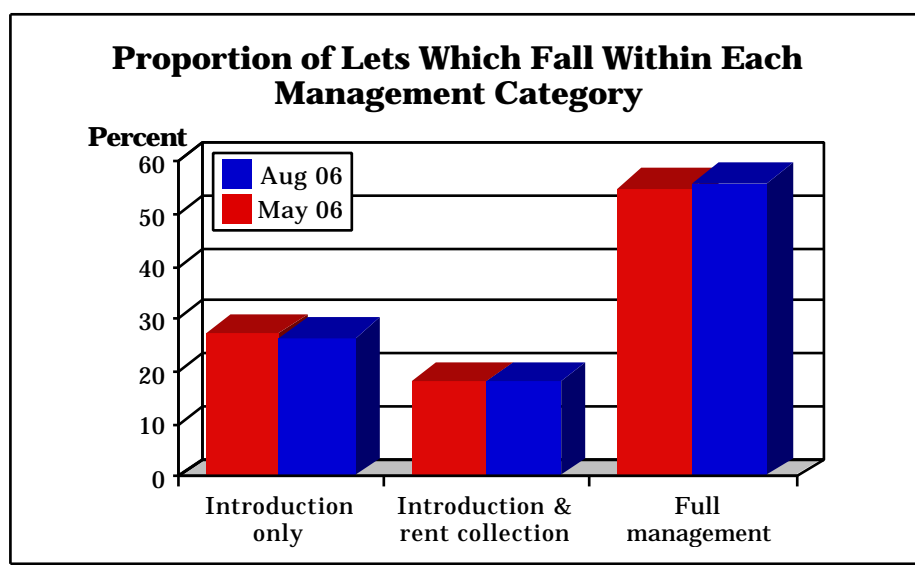


4.10 Proportion of Lets Within Each Management Category (Q.12)

On average, more than half of all properties let by ARLA members' offices (56%) are let on a full management basis. This compares with more than a quarter (26%) 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	32.2	29.1	20.3	26.3
Intro. & Rent Collection	32.2	16.1	11.8	18.0
Full Management	35.7	54.8	67.9	55.7
Base: All respondents	(101)	(175)	(175)	(451)

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 55% 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 (%)		
	Feb 06	May 06	Aug 06
Introduction Only	27.5	26.9	26.3
Introduction & Rent Collection	18.1	18.1	18.0
Full Management	54.4	55.0	55.7
Base: All respondents	(443)	(470)	(451)

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 37% and 49% believe that achievable rent levels have increased over the last six months whilst only between 4% and 12% believe they have fallen.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	2.7	1.6	2.4	2.7	4.2	1.1
Increased a little	37.0	44.1	46.1	44.3	45.0	36.1
Stayed the same	42.8	42.1	41.5	39.2	35.0	41.2
Decreased a little	5.8	3.8	4.4	6.2	10.4	6.0
Decreased a lot	1.3	0.4	0.9	0.2	1.1	0.7
Don't know	9.5	7.1	3.8	6.4	3.3	14.0
Not stated	0.9	0.9	0.9	0.9	0.9	0.9

Base: All respondents (451)

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 42% and 67% 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 smaller than for the whole country with between 3% and 5% saying 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	5.9	4.0	6.9	7.9	8.9	2.0
Increased a little	35.6	46.5	55.4	59.4	54.5	48.5
Stayed the same	22.8	23.8	26.7	25.7	28.7	34.7
Decreased a little	5.0	4.0	5.0	3.0	4.0	2.0
Decreased a lot	-	-	-	-	-	-
Don't know	28.7	19.8	4.0	2.0	2.0	10.9
Not stated	2.0	2.0	2.0	2.0	2.0	2.0

Base: All respondents (101)

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

Rest of the South East

With regard to the Rest of the South East, the picture is a little less positive with between 35% and 50% of respondents saying that achievable rent levels have increased compared with between 4% and 9% saying they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.7	0.6	0.6	0.6	2.3	1.7
Increased a little	38.9	42.9	42.3	41.1	47.4	33.1
Stayed the same	47.4	48.6	49.7	45.1	38.9	46.3
Decreased a little	5.7	2.9	1.7	6.9	7.4	3.4
Decreased a lot	1.1	0.6	1.1	-	1.1	-
Don't know	4.6	4.0	4.0	5.7	2.3	14.9
Not stated	0.6	0.6	0.6	0.6	0.6	0.6

Base: All respondents (175)

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 32% and 46% of offices say that achievable rent levels for each type of property have increased whilst only between 5% and 19% 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	1.7	1.1	1.7	1.7	3.4	-
Increased a little	36.0	44.0	44.6	38.9	37.1	32.0
Stayed the same	49.7	46.3	41.7	41.1	34.9	40.0
Decreased a little	6.3	4.6	6.9	7.4	17.1	10.9
Decreased a lot	2.3	0.6	1.1	0.6	1.7	1.7
Don't know	3.4	2.9	3.4	9.7	5.1	14.9
Not stated	0.6	0.6	0.6	0.6	0.6	0.6

Base: All respondents (175)

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 say they believe achievable rents had increased for each type of property.

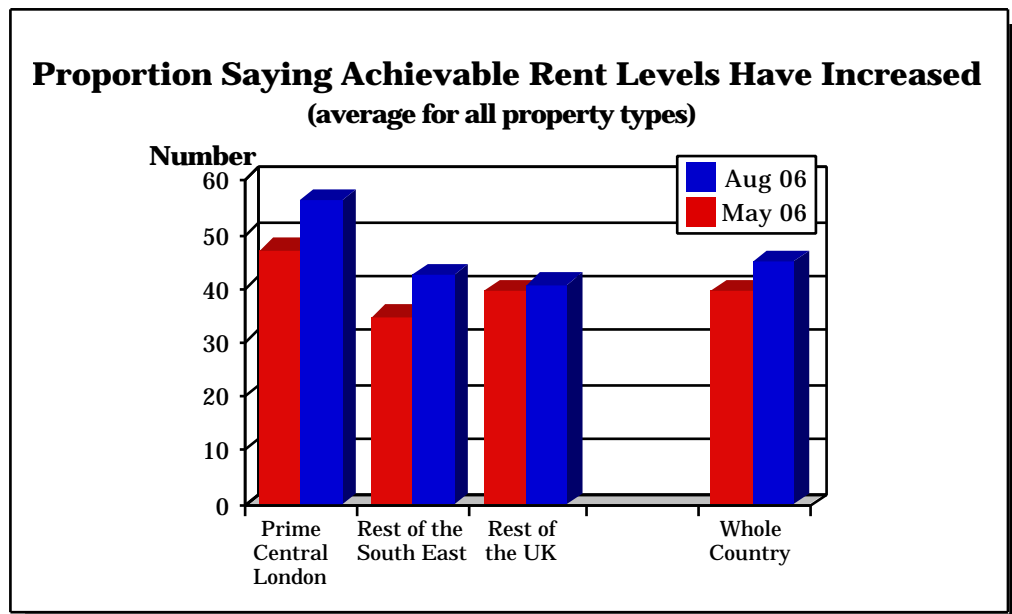
Geographic Region	Percent Saying Achievable Rents Have Increased (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	41.6	50.5	62.4	67.3	63.4	50.5
Rest of the South East	40.6	43.4	42.9	41.7	49.7	34.9
Rest of the UK	37.7	45.1	46.3	40.6	40.6	32.0
All regions	39.7	45.7	48.6	47.0	49.2	37.3

Base: All respondents (451)

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 39% to 45%.

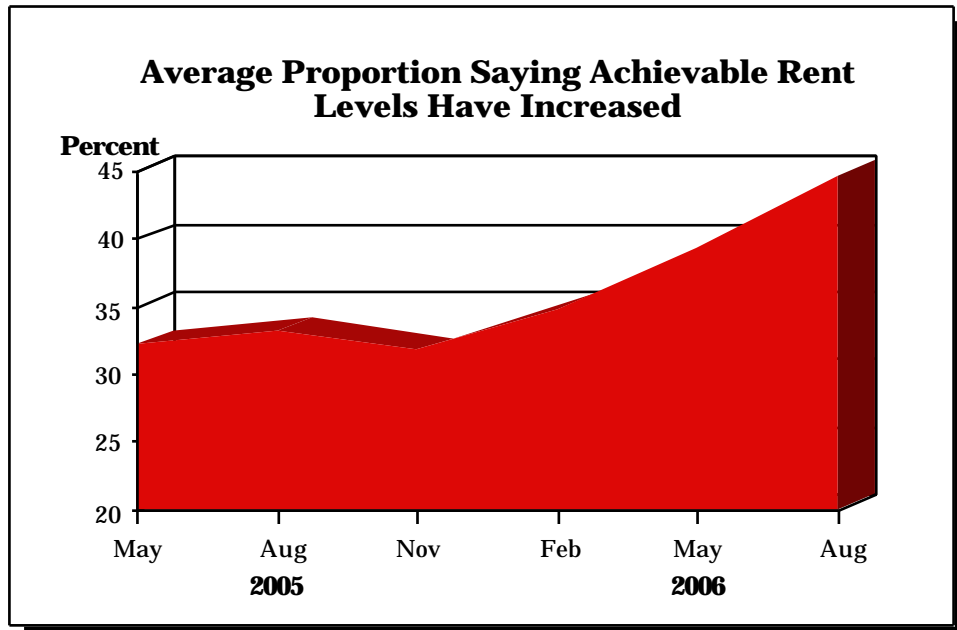
As between the geographic regions, the average proportion of respondents saying achievable rents across all property types have increased for Prime Central London is again up sharply from 47% to 56%.

The remainder of the country has seen less of an improvement with the average for the Rest of the South East rising from 35% to 42% and that for the Rest of the UK rising only slightly from 39% to 40%.



Having been fairly settled at around 32% until the last quarter of 2005, the figure for the proportion of respondents saying that achievable rent levels have risen has increased significantly in each of the last three quarters and now stands at 45%.

Geographic Region	Percent Saying Achievable Rents Have Increased (%)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	29.5	37.3	46.8	55.9
Rest of the South East	27.7	29.2	34.7	42.2
Rest of the UK	37.7	39.3	39.1	40.4
All regions	31.6	34.7	39.2	44.6
Base: All respondents	(463)	(443)	(470)	(451)

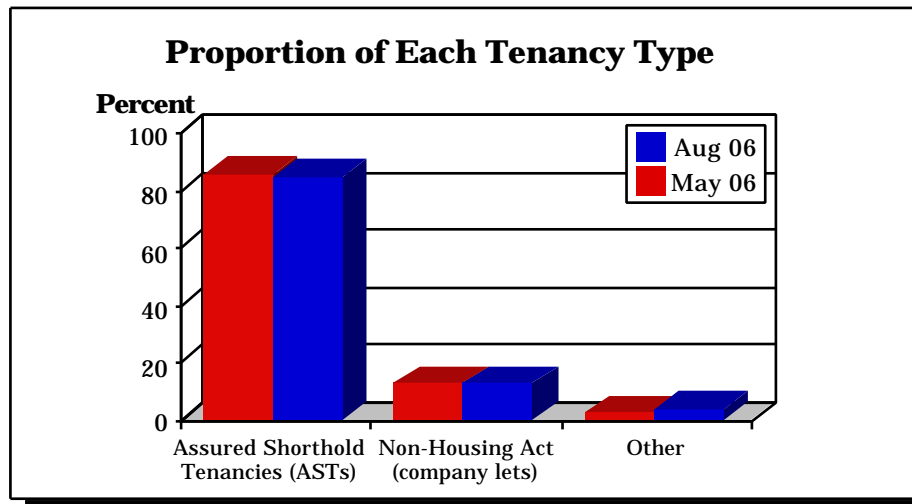


4.12 Type of Tenancy (Q.14)

By far the majority of tenancies (84%) are Assured Shorthold Tenancies (ASTs) with only one in eight (12%) being non-Housing Act tenancies and little more than one in thirty (3.4%) being of other types.

Geographic Region	Proportion of Tenancies of Each Type (%)		
	Assured Shorthold Tenancies (ASTs)	Non-Housing Act (company lets)	Other
Prime Central London	63.2	29.1	7.7
South East	88.1	9.4	2.6
Rest of UK	92.5	5.7	1.7
All Regions	84.4	12.3	3.4

Base: All respondents (451)



As one might expect, Prime Central London differs from the rest of the country in that less than a third of tenancies (63%) are ASTs with almost three out of ten (29%) being non-Housing Act tenancies.

Compared with three months ago, there has been very little change in the proportions of each tenancy type.

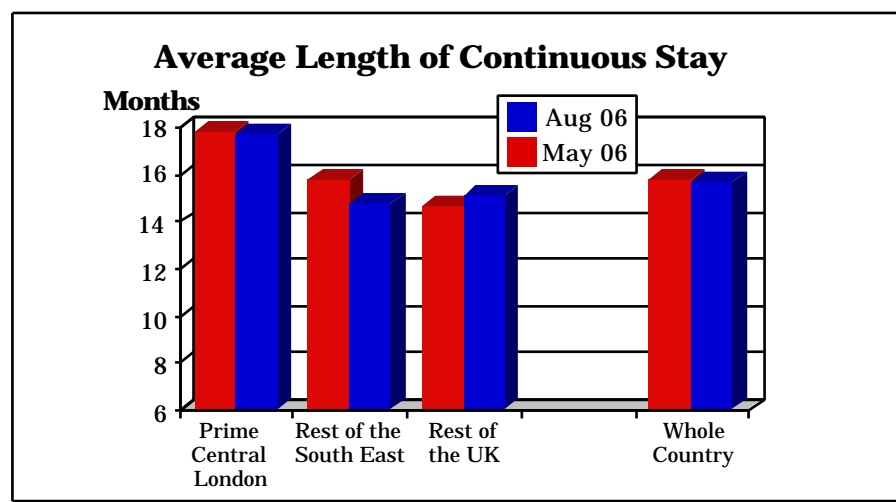
Tenancy Type	Average Proportion of Tenancies (%)			
	Nov 05	Feb 06	May 06	Aug 06
Assured shorthold tenancies	86.9	85.5	85.4	84.4
Non-Housing Act (co. lets)	10.9	11.8	12.3	12.3
Other types of tenancy	2.2	2.7	2.3	3.4
Base: All respondents	(502)	(443)	(470)	(451)

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

More than seven out of ten tenants (72%) 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 15.6 months.

Average Length of Continuous Stay	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
6 to 9 months	2.0	5.1	5.7	4.7
10 to 12 months	18.8	29.1	27.4	26.2
13 to 18 months	39.6	48.0	48.0	46.1
19 to 24 months	32.7	12.6	10.3	16.2
More than 24 months	5.9	3.4	5.7	4.9
Don't know	-	1.1	2.3	1.3
Not stated	1.0	0.6	0.6	0.7
Base: All respondents	(101)	(175)	(175)	(451)

The average time a tenant stays in the same property is longest for Prime Central London at 17.7 months compared with 14.8 months for the Rest of the South East and 15.1 months for the Rest of the UK.



Compared with the last survey, there has been little change in these figures although the average for the Rest of the South East has fallen a little from 15.8 months to 14.8 months and that for the rest of the UK has increased marginally.

Geographic Region	Average Continuous Stay (months)			
	Nov 05	Feb 06	May 06	Aug 06
Prime Central London	16.8	16.3	17.8	17.7
South East	15.6	15.7	15.8	14.8
Rest of UK	14.4	14.6	14.6	15.1
All Regions	15.5	15.5	15.8	15.6
Base: All respondents	(463)	(443)	(470)	(451)

4.14 Ages of Tenants (Q.16)

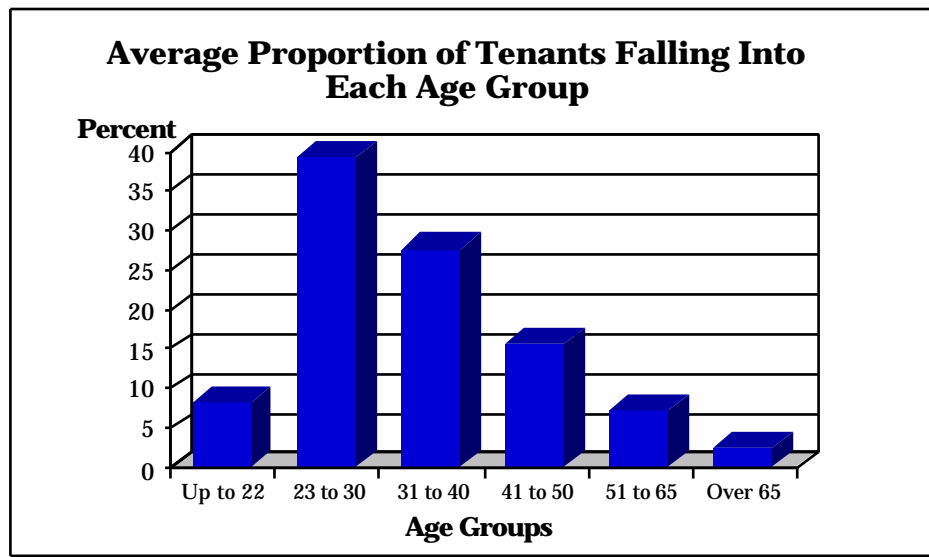
Two thirds of tenants (67%) are aged between 23 and 40 with the largest proportion (39%) falling into the 23 to 30 age band.

Nevertheless, one in twelve (8%) is younger than this and one in ten (10%) is aged over 50.

Analysis of the responses to this question reveal that the average age of tenants living in properties managed by ARLA members' offices is 35.

Age Group	Average Proportion of Tenants (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 22	4.6	9.6	9.3	8.3
23 to 30	40.0	40.0	37.3	39.0
31 to 40	29.5	27.9	25.9	27.5
41 to 50	17.7	14.3	15.6	15.6
51 to 65	6.4	6.2	8.4	7.1
Over 65	1.8	2.0	3.5	2.5
Base: All respondents	(101)	(175)	(175)	(451)

There is very little difference between the average ages of tenants as between the three broad geographic areas with the average for Prime Central London being 35 years, that for the Rest of the South East being 34 years and that for the Rest of the UK being 35 years.



4.15 Number of Staff Involved With Residential Lettings (Q.17)

Male

A third of ARLA members' offices (33%) do not employ any male staff who are involved with residential lettings for at least half of their work time and a further 48% employ only one or two.

Analysis of the figures below shows that, on average, 1.6 male members of staff per office are involved in residential lettings.

Number of Staff	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
One	30.7	36.0	27.4	31.5
Two	12.9	20.0	14.9	16.4
Three	8.9	6.9	8.6	8.0
4 or 5	8.9	6.9	8.0	7.8
6 to 10	3.0	1.7	1.7	2.0
More than 10	2.0	0.6	1.7	1.3
Not stated	33.7	28.0	37.7	33.0
Base: All respondents	(101)	(175)	(175)	(451)

Geographically, there are some differences in the average numbers of male staff involved with residential lettings with the figure for Prime Central London being 1.8 compared with 1.5 for the Rest of the South East and 1.6 for the Rest of the UK.

Female

Fewer than one in ten ARLA members' offices (7%) do not employ any female staff who are involved with residential lettings for at least half of their work time with most (68%) employing between two and five.

Analysis of the figures below shows that, on average, 3.7 female members of staff per office are involved in residential lettings.

Number of Staff	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
One	12.9	9.1	14.9	12.2
Two	23.8	24.6	16.6	21.3
Three	21.8	22.3	20.6	21.5
4 or 5	21.8	25.7	26.3	25.1
6 to 10	7.9	10.9	7.4	8.9
More than 10	5.0	4.0	4.6	4.4
Not stated	6.9	3.4	9.7	6.7
Base: All respondents	(101)	(175)	(175)	(451)

Geographically, there is again little difference in the average numbers of female staff involved with residential lettings with the figures for Prime Central London and the Rest of the UK both being 3.6 compared with 3.9 for the Rest of the South East.

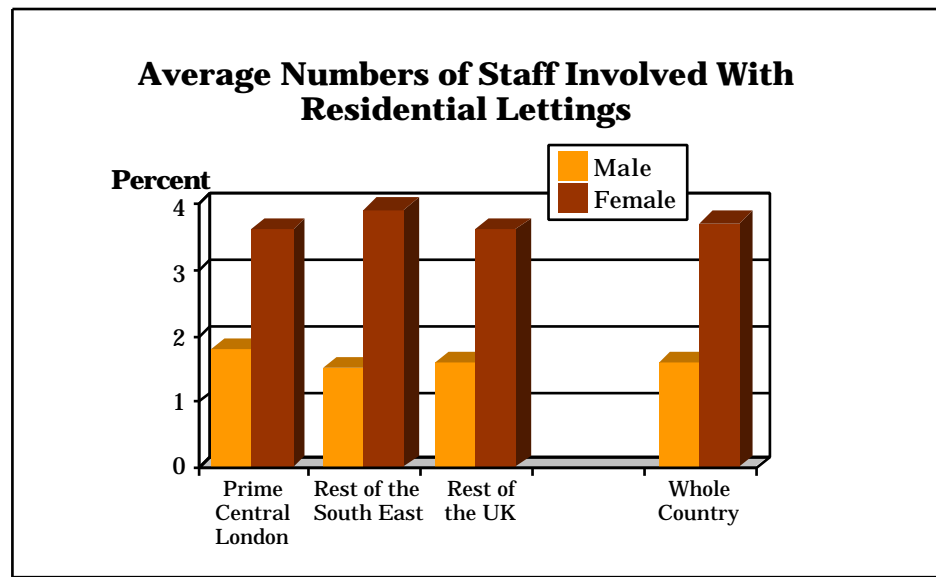
Summary

Looking at the numbers of staff employed overall (including both male and female staff) the average number of people per office employed by ARLA members' offices who are involved in residential lettings is 5.3.

Geographic Region	Average Number of Staff		
	Males	Females	Total
Prime Central London	1.8	3.6	5.4
South East	1.5	3.9	5.4
Rest of UK	1.6	3.6	5.2
All Regions	1.6	3.7	5.3

Base: All respondents (451)

The regional differences on this question are very small with offices managing properties in Prime Central London and the Rest of the South East having, on average, 5.4 members of staff involved in residential lettings for at least half of their work time compared with 5.2 staff for offices in the Rest of the UK.



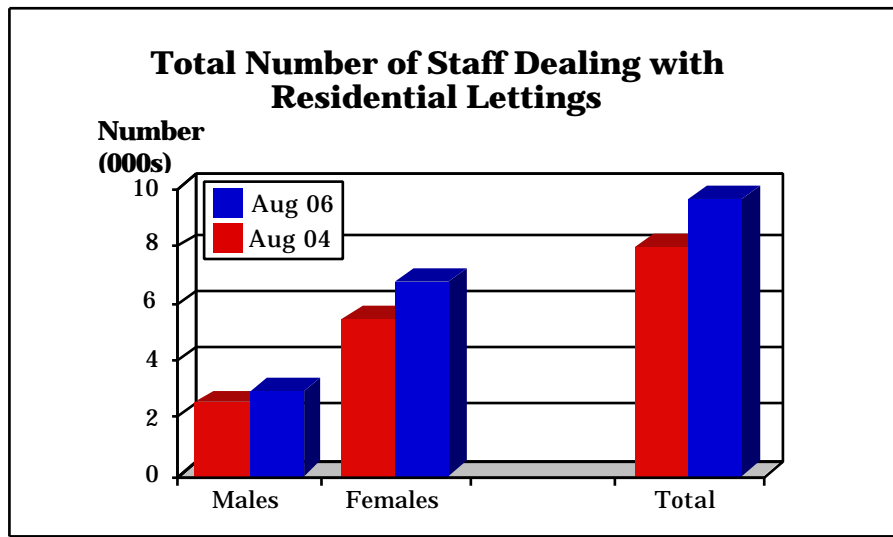
Based on the total number of offices run by ARLA members, which currently stands at 1,810 offices, the total number of staff employed by them who are involved with residential lettings for at least half of their work time is 9,593 comprising 2,896 men and 6,697 women.

Compared with when this question was last asked two years ago, there has been little change either in the number of employees per office (down

from 5.4 to 5.3) or in the breakdown between male and female staff with females comprising 70% of the total now compared with 69% two years ago.

However, the increase in the total number of ARLA members' offices during this period (from 1,480 to 1,810) means that the total number of people employed in this capacity by ARLA members has risen from 7,884 to 9,593 which is an increase of 22%.

Sex	Total No. of Staff Dealing With Residential Lettings	
	Aug 04	Aug 06
Males	2,482	2,896
Females	5,402	6,697
Total	7,884	9,593
Base: All respondents	(428)	(451)



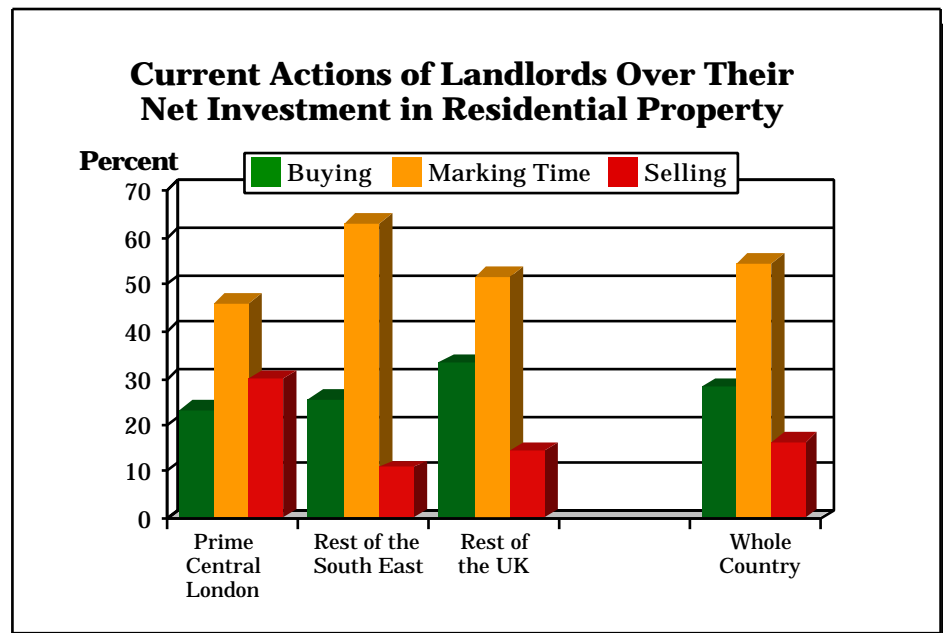
4.16 How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.18)

More than half of ARLA members' offices (55%) think that residential landlords are currently marking time with regard to their net investment in residential property.

However, whilst around one in six respondents (16%) think landlords are decreasing their net investment by selling properties, far more (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	22.8	25.1	33.1	27.7
Marking time	45.5	62.9	51.4	54.5
Selling	29.7	10.3	14.3	16.2
Not stated	2.0	1.7	1.1	1.6
Base: All respondents	(101)	(175)	(175)	(451)

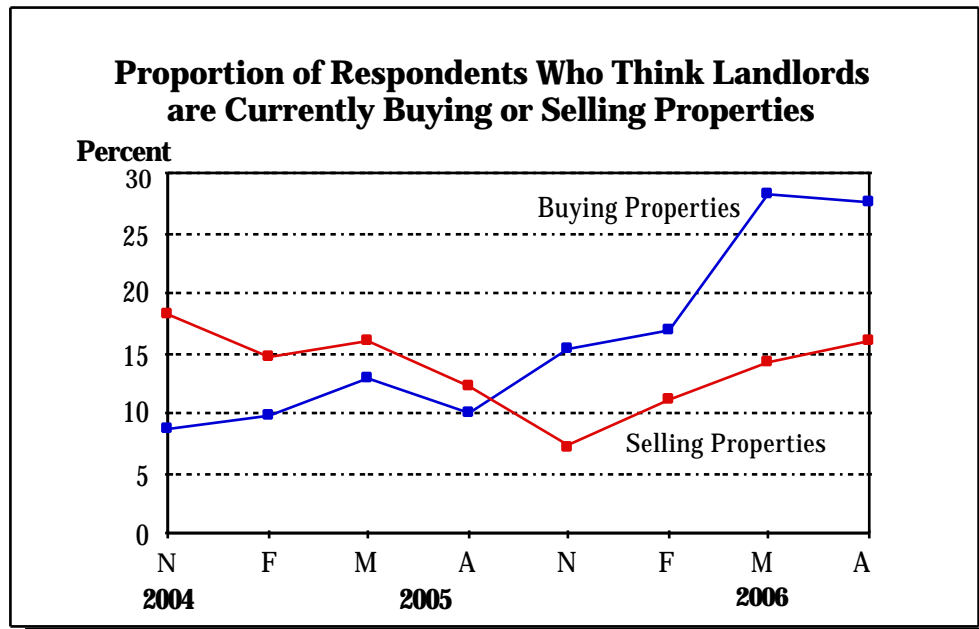
Geographically, respondents who manage properties in Prime Central London are less likely to think that landlords are buying property (23%) and those in the Rest of the UK are more likely to believe this to be the case (33%) with respondents in the Rest of the South East sitting in between the two (25%).



Compared with three months ago, there has been virtually no change in the proportion of respondents who think landlords are currently buying more properties but there has been an increase in the proportion saying landlords are selling (up from 14% to 16%) with the proportion saying landlords are marking time falling from 56% to 55%.

How Currently Acting	Percent of Respondents (%)			
	Nov 05	Feb 06	May 06	Aug 06
Buying	15.3	16.9	28.3	27.7
Marking time	75.6	70.0	56.2	54.5
Selling	7.3	11.1	14.3	16.2
Not stated	1.7	2.0	1.3	1.6
Base: All respondents	(463)	(443)	(470)	(451)

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 buying now exceeding, by a wide margin, those saying they are selling.



Questionnaire