

Prepared for

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

**ARLA Members Survey
of the
Buy to Let Sector**

First Quarter 2004

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1. **INTRODUCTION & BACKGROUND**

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

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

The research is conducted by Owen Carey Jones who specialises in the UK mortgage market and currently conducts several regular quarterly surveys of 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 approximately 1,300 letting offices of ARLA members in February 2004 and 471 validly completed questionnaires were returned by the due date of the end of February. These responses were input to our research analysis software and tables of data produced on which this report is based.

3. **SUMMARY**

- The average capital asset values of both rented houses and rented flats have remained stable over the last three months.
- The average weighted rental return on a rented house has fallen from 5.4% to 5.1% since December 2003 whilst the average rental return on a rented flat has fallen from 5.6% to 5.4%.
- The average void period is unchanged at 31 days per year compared with the last quarter of 2003.
- The average number of purely investment properties which are managed by ARLA members offices is now 81, down a little from 83 properties in December.
- There remains an over supply of rented residential property. However, whilst 59% of ARLA members' offices report that there are more properties than tenants, this figure is down from 64% three months ago and there appears to have been a significant improvement in the situation in Prime Central London.
- ARLA members' offices find they are now showing an average of 6.5 prospective tenants round a property before it is let, a figure which is up from 5.6 three months ago.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property has risen from 49% to 51% over the last quarter.
- The average number of new tenancies signed up in the first quarter of 2004 was 29, down from 32 in the fourth quarter of 2003.

4. RESULTS

The following sections detail the results of the survey for the first quarter of 2004. The regional breakdown of results splits the South East into two component parts - London based respondents who manage properties in Prime Central London and the Rest of the South East.

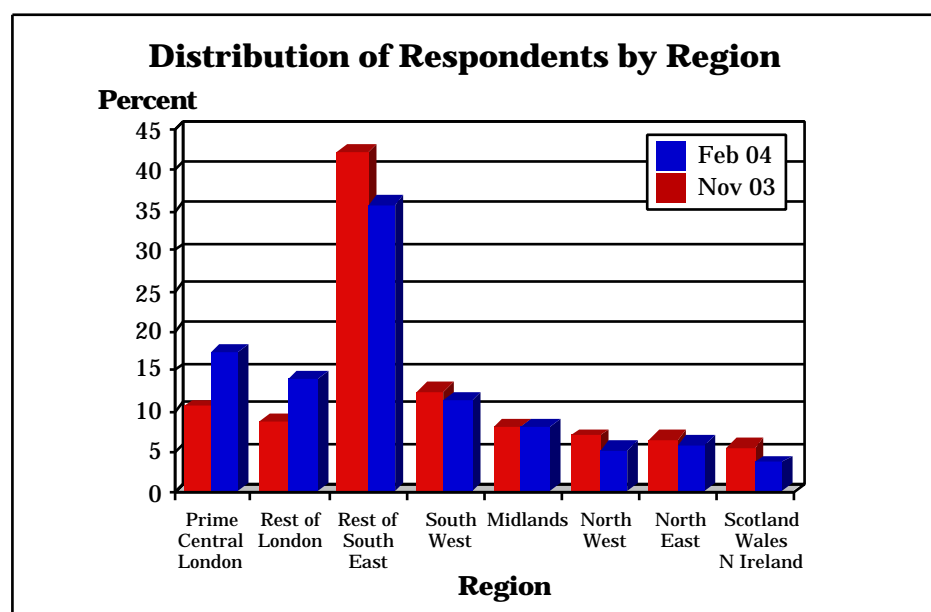
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for two thirds (67%) of all respondents.

After the South East, the South West with 11% and the Midlands with 8%, were the regions with the most respondents.

Region	Percent of Respondents (%)		
	Aug 03	Nov 03	Feb 04
Central London	15.1	10.5	17.2
Rest of London (<i>inside M25</i>)	14.4	8.6	13.8
South East (<i>excl. London</i>)	40.0	42.2	35.7
South West	9.3	12.4	11.3
Midlands	9.6	7.9	7.9
North West	4.0	6.8	5.1
North East	4.0	6.3	5.7
Scotland/Wales/NI	3.6	5.4	3.4
Base: All respondents	(450)	(429)	(471)

Compared with the November 2003 survey, the proportion of respondents from London has increased whilst the proportions from all other regions except the Midlands have fallen. Without doubt this is due to the postal strike which took place in London during the last survey.



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

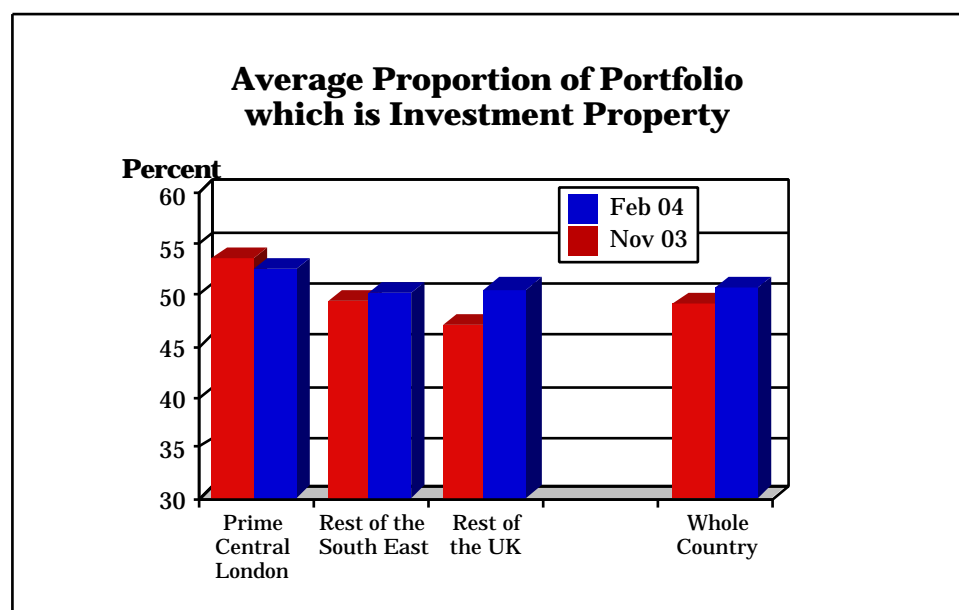
Most respondents' (82%) said that more than a quarter of their portfolio is investment property with more than five out of ten (54%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for just 4% of offices.

Analysis of the responses to this question reveals that, on average, investment properties account for 51% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	0.5	-	0.2
Up to 10%	1.7	3.6	6.3	4.0
11% to 25%	16.0	10.3	10.8	11.9
26% to 50%	23.5	29.9	29.1	28.0
51% to 75%	36.1	37.1	31.0	34.8
Over 75%	21.8	16.5	21.5	19.5
Not stated	0.8	2.1	1.3	1.5
Base: All respondents	(119)	(194)	(158)	(471)

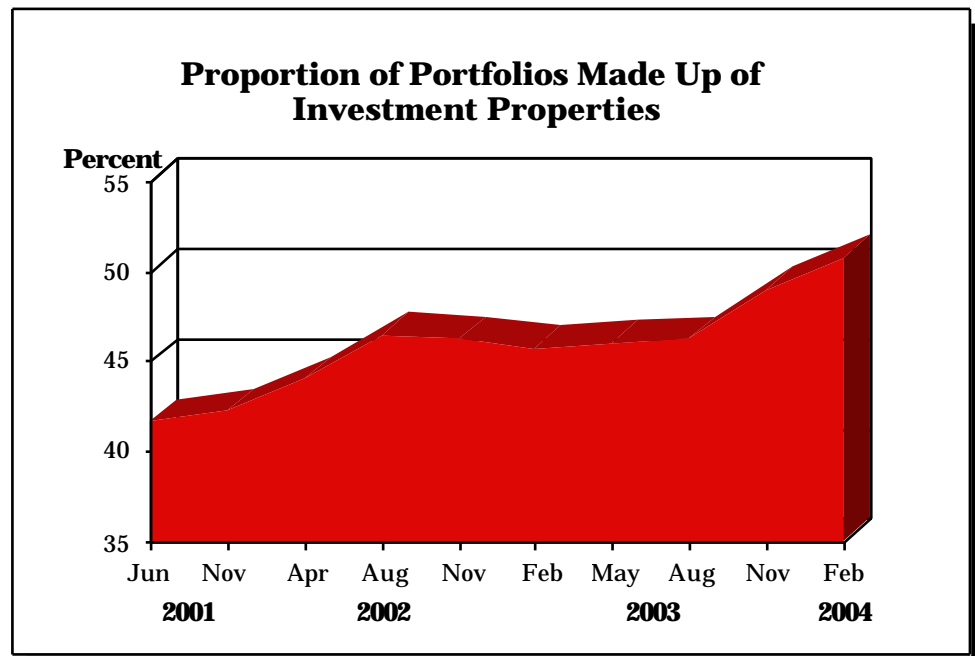
There is some difference between the average proportions for Prime Central London and the rest of the country with the averages being 52% in the case of Prime Central London compared to 50% for both the Rest of the South East and the Rest of the UK.

Compared with the last survey in November, the average proportion of portfolios which are in the form of investment property has risen from 49% to 51%.



Geographic Region	Average Proportion of Portfolio (%)			
	May 03	Aug 03	Nov 03	Feb 04
Prime Central London	50.9	49.4	53.5	52.3
South East	44.0	44.8	49.2	50.0
Rest of UK	44.5	45.5	47.0	50.3
All Regions	46.0	46.2	49.0	50.7
Base: All respondents	(464)	(450)	(429)	(471)

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, is now on the increase again.



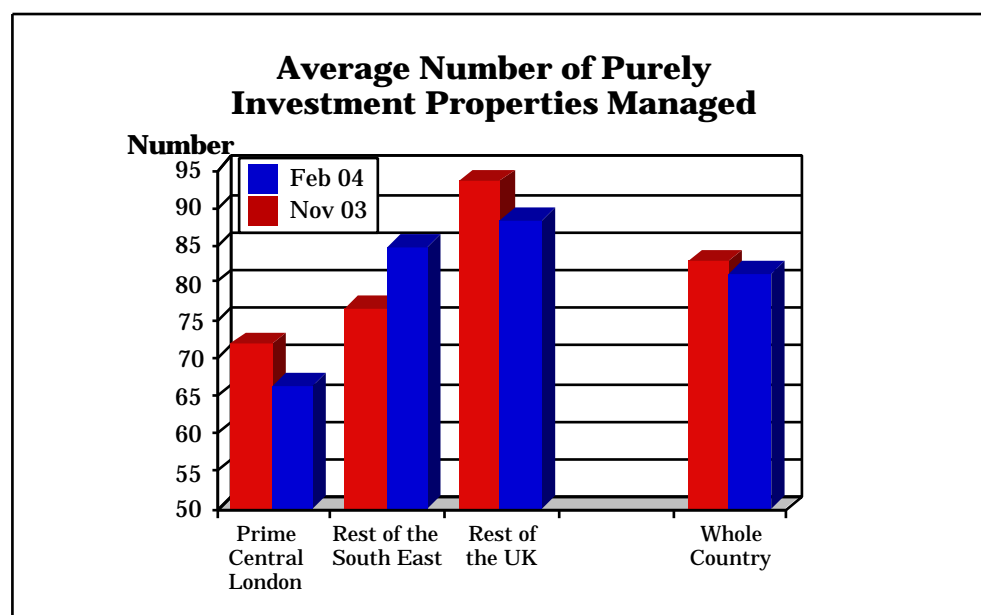
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with three out of ten (30%) saying that they manage over a hundred and nearly eight out of ten (78%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of properties managed by ARLA offices is currently 81.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	3.4	4.1	3.2	3.6
6 to 10	6.7	3.6	3.2	4.2
11 to 20	15.1	11.3	8.2	11.3
21 to 50	25.2	24.2	24.1	24.4
51 to 100	23.5	21.6	24.7	23.1
Over 100	21.0	33.0	34.2	30.4
Not stated	5.0	2.1	2.5	3.0
Base: All respondents	(119)	(194)	(158)	(471)

Offices in Prime Central London tend to manage fewer properties on average than their counterparts elsewhere in the country with the average numbers being 66 for Prime Central London, 85 for the Rest of the South East and 88 for the Rest of the UK.



Compared with the last survey in November, the average number of properties managed has fallen from 83 to 81. Whilst the Rest of the South East excluding London saw quite a big increase in the average number of properties managed, the figures for both Prime Central London and the Rest of the UK fell.

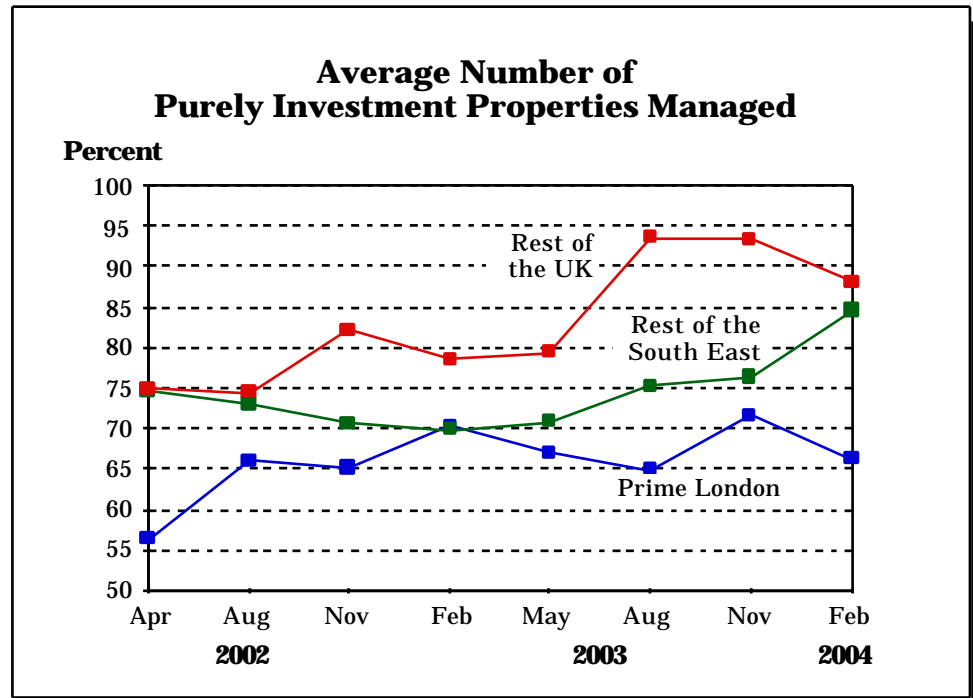
Geographic Region	Average Number of Properties (%)			
	May 03	Aug 03	Nov 03	Feb 04
Prime Central London	67.1	64.9	71.7	66.1
South East	70.9	75.4	76.5	84.5
Rest of UK	79.3	93.6	93.4	88.3
All Regions	72.6	78.2	82.5	81.1
Base: All respondents	(464)	(450)	(429)	(471)

Looking at the chart below, it can be seen that these figures are subject to quite a high degree of fluctuation.

Nevertheless, despite a downturn this time, the average number of properties managed by ARLA members in the Rest of the UK appears to have increased over the medium term from 75 properties to around 90 properties.

The average for the Rest of the South East has shown a sharp upward trend over the last year, rising from an average of 70 properties a year ago to 85 properties now.

For Prime Central London the figures have been relatively steady at an average of between 65 and 70 properties.



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

Houses

More than six out of ten respondents (62%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only a few ARLA offices (1%) said the average in their area was below £75,000 whilst for more than one in ten respondents (11%) the average was in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented house of £331,300.

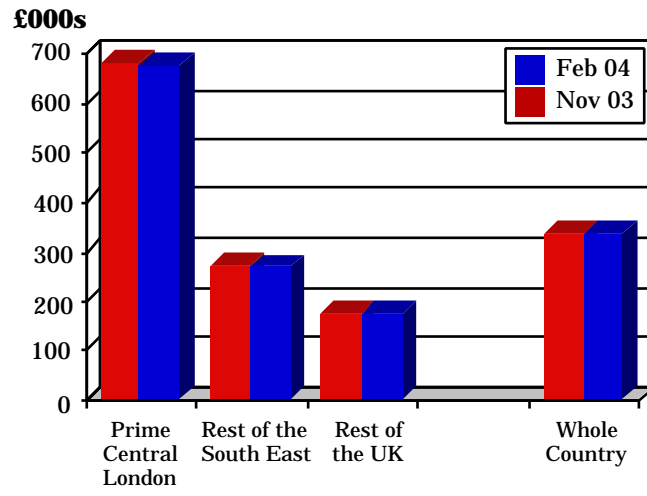
Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	-	3.2	1.1
£75,001 to £100,000	-	1.0	12.7	4.7
£100,001 to £150,000	0.8	14.9	27.8	15.7
£150,001 to £200,000	2.5	28.9	33.5	23.8
£200,001 to £350,000	12.6	34.0	15.8	22.5
£350,001 to £500,000	22.7	10.8	1.9	10.8
£500,001 to £750,000	13.4	6.7	1.3	6.6
Over £ 750,000	40.3	1.0	-	10.6
Not stated	7.6	2.6	3.8	4.2
Base: All respondents	(119)	(194)	(158)	(471)

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 (£675,000) compared with less than half that figure, £268,000, in the Rest of South East and just £172,200 in the Rest of the UK.

Compared with the last survey, the average values of rented houses are virtually unchanged.

Geographic Region	Average Value of Rented Houses (000s)			
	May 03	Aug 03	Nov 03	Feb 04
Prime Central London	620.3	613.1	677.0	675.0
South East	240.0	253.1	270.0	268.0
Rest of UK	171.6	152.2	172.3	172.2
All Regions (weighted)	306.1	303.7	332.6	331.3
Base: All respondents	(464)	(450)	(429)	(471)

Average Values of Rented Houses



Flats

Six out of ten respondents (60%) said that the average value of a rented flat in their area was between £100,000 and £350,000, a slightly lower figure than applied to houses.

Also, a higher proportion of ARLA offices amounting to more one in twenty (5.9%) said the average value of a rented flat in their area was below £75,000 whilst only around the same proportion (6.5%) said the average was in excess of £500,000.

Analysis of these figures gives an overall weighted average value for a rented flat of £202,400.

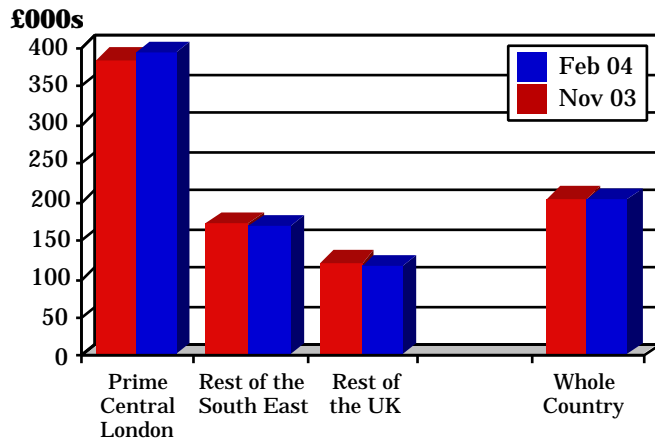
Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	2.1	15.2	5.9
£75,001 to £100,000	0.8	11.9	23.4	13.0
£100,001 to £150,000	3.4	33.5	32.3	25.5
£150,001 to £200,000	10.1	27.3	16.5	19.3
£200,001 to £350,000	31.9	14.9	2.5	15.1
£350,001 to £500,000	18.5	0.5	-	4.9
£500,001 to £750,000	22.7	0.5	-	5.9
Over £ 750,000	1.7	0.5	-	0.6
Not stated	10.9	8.8	10.1	9.8
Base: All respondents	(119)	(194)	(158)	(471)

Again, as was the case 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 £390,200 compared with £167,400 in the Rest of South East and £115,900 in the Rest of the UK.

Geographic Region	Average Value of Rented Flats (000s)			
	May 03	Aug 03	Nov 03	Feb 04
Prime Central London	353.7	344.6	381.5	390.2
South East	155.6	161.5	169.8	167.4
Rest of UK	117.0	105.7	120.0	115.9
All Regions (weighted)	189.1	185.7	202.7	202.4
Base: All respondents	(464)	(450)	(429)	(471)

Compared with the last survey, the average value of rented flats in Prime Central London have increased by 2.3% whilst the average for the Rest of the South East has fallen by 1.4% and for the Rest of the UK by 3.4% resulting in a fall in the overall average for the whole country of just 0.2%.

Average Values of Rented Flats



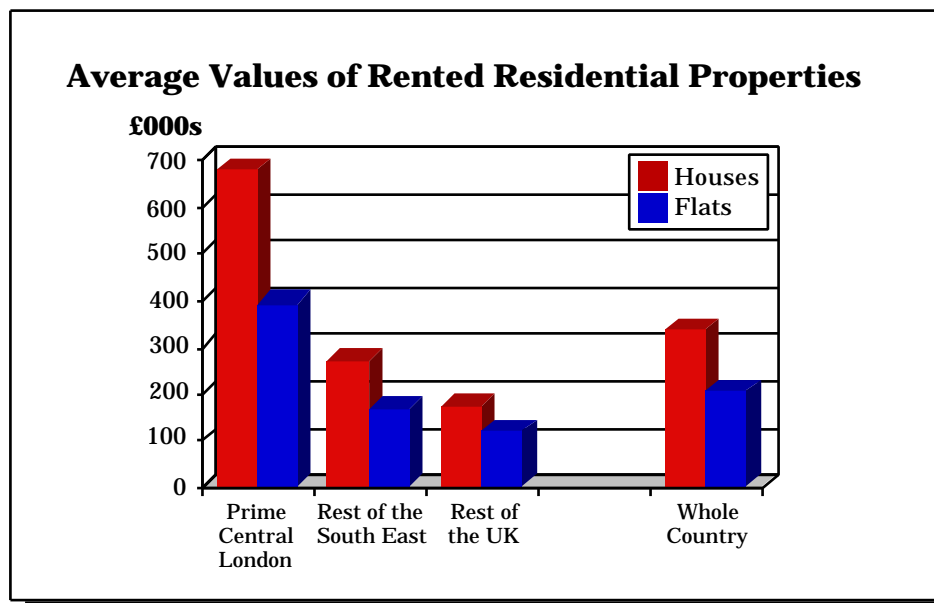
Summary

As was to be expected, average values of rented houses are much higher than those of rented flats with the figure for houses in Prime Central London being nearly twice that for flats.

Whilst there is still a big difference between the values of houses and flats in the rest of the country, the difference is less marked than it is for Prime Central London.

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	675.0	390.2
South East	268.0	167.4
Rest of UK	172.2	115.9
All Regions (weighted)	331.3	202.4

Base: All respondents (471)



4.5 Average Rental Return on Rented Residential Property (Q.7)

For the August 2003 survey the question which had been included in previous surveys about the average rental return on rented residential property was split between the average for rented houses and the average for rented flats and this has continued since then.

Houses

According to ARLA members' offices, a rental return of between 4% and 6% is the norm for rented houses with almost seven out of ten respondents (69%) saying that this applies to their area.

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

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	14.3	10.8	8.9	11.0
4% to 5%	60.5	51.0	43.0	50.7
6%	11.8	21.6	20.3	18.7
7%	2.5	6.2	15.2	8.3
8%	1.7	1.5	3.8	2.3
9% to 10%	0.8	2.6	2.5	2.1
11% to 12%	-	-	1.3	0.4
12% to 15%	-	0.5	-	0.2
Over 15%	0.8	0.5	1.9	1.1
Not stated	7.6	5.2	3.2	5.1
Base: All respondents	(119)	(194)	(158)	(471)

There are substantial differences in rates of return as between the different geographical areas with the average for Prime Central London being 4.6% compared with 5.0% for the Rest of the South East and 5.6% elsewhere in the UK.

Geographic Region	Average Rental Return (%)		
	Aug 03	Nov 03	Feb 04
Prime Central London	4.8	4.6	4.6
South East	5.2	5.4	5.0
Rest of UK	5.9	6.1	5.6
All Regions (weighted)	5.3	5.4	5.1
Base: All respondents	(450)	(429)	(471)

Compared with three months ago, the average rental return on houses in Prime Central London is unchanged whilst the averages for the Rest of the South East and the Rest of the UK have both fallen.

Flats

A rental return of between 4% and 6% also appears to be the norm for rented flats with more than seven out of ten respondents (71%) saying that this applies to their area.

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

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	7.6	5.2	8.2	6.8
4% to 5%	57.1	42.8	34.8	43.7
6%	19.3	30.9	29.1	27.4
7%	5.0	5.2	11.4	7.2
8%	0.8	3.1	4.4	3.0
9% to 10%	0.8	2.6	2.5	2.1
11% to 12%	-	-	1.3	0.4
12% to 15%	-	-	0.6	0.2
Over 15%	-	-	1.3	0.4
Not stated	9.2	10.3	6.3	8.7
Base: All respondents	(119)	(194)	(158)	(471)

As with houses there is again some difference in rates of return for rented flats as between the different geographical areas with the average for Prime Central London being 5.0% compared with 5.3% for the Rest of the South East and 5.7% elsewhere in the UK.

Geographic Region	Average Rental Return (%)		
	Aug 03	Nov 03	Feb 04
Prime Central London	5.0	5.1	5.0
South East	5.4	5.5	5.3
Rest of UK	5.4	6.2	5.7
All Regions (weighted)	5.3	5.6	5.4
Base: All respondents	(450)	(429)	(471)

Compared with the last survey in November, rental returns on flats across the whole country appear to have fallen with the overall average down from 5.6% to 5.4%.

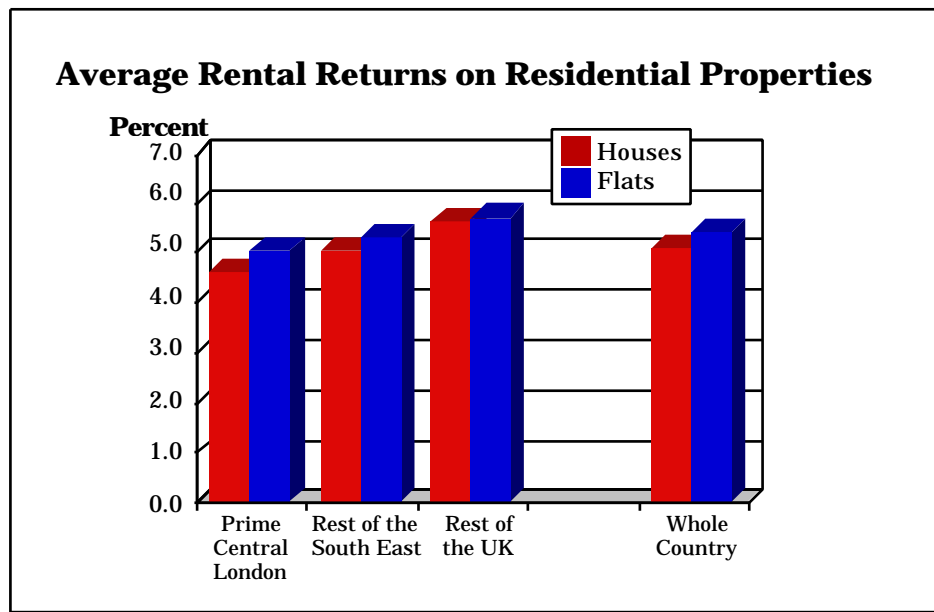
Summary

Average rental returns for both houses and flats are significantly lower in Prime Central London than elsewhere in the UK, whilst the rental returns being achieved on both houses and flats in the Rest of the South East are significantly lower than those in the Rest of the UK.

Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	4.6	5.0
South East	5.0	5.3
Rest of UK	5.6	5.7
All Regions (weighted)	5.1	5.4

Base: All respondents (471)

Flats appear to earn a higher gross return than do houses with the average for flats being 5.3% compared with 5.1% for houses.



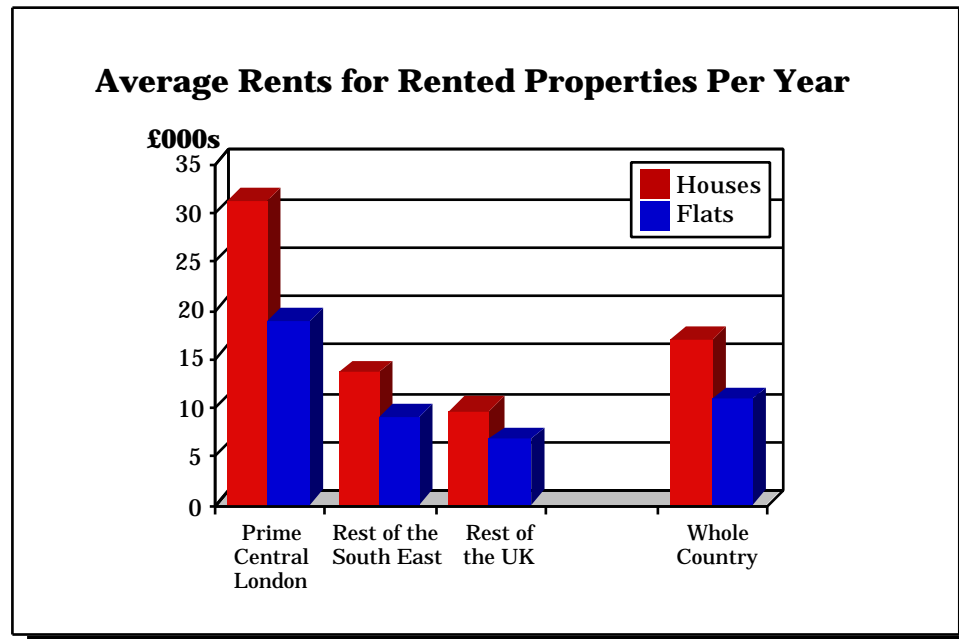
Average Rents

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

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	597	2,588	31.1	375	1,626	19.5
South East	258	1,117	13.4	171	739	8.9
Rest of UK	185	804	9.6	127	551	6.6
All (weighted)	325	1,410	16.9	209	904	10.9

Base: All respondents (471)

Whilst there is still a big difference between the average rents of houses and flats in the rest of the country, the difference is less marked than it is for Prime Central London where the average rent for a house is £2,588 per month, 59% more than for a flat which has an average rent of £1,626 in Prime Central London.



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 (16) being for Scotland, Wales and Northern Ireland.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week	Month	Year	Week	Month	Year
	(£)	(£)	(£000)	(£)	(£)	(£000)
Prime Central London	597	2,588	31.1	375	1,626	19.5
Rest of London	360	1,560	18.7	221	959	11.5
Rest of South East	238	1,030	12.4	157	682	8.2
South West	194	840	10.1	130	565	6.8
Midlands	173	748	9.0	123	533	6.4
North West	204	884	10.6	151	655	7.9
North East	188	814	9.8	129	560	6.7
Scotland/Wales/NI	151	653	7.8	102	440	5.3

Base: All respondents (471)

4.6 Average Void Period Per Year (Q.8)

Average void periods for rented residential properties tend to be quite short with nearly six out of ten ARLA members' offices (57%) reporting averages of 4 weeks or less per year and nearly a further three out of ten (29%) saying the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 4.4 weeks (31 days) per year.

Average Void Period	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 2 weeks	1.7	6.2	3.8	4.2
2 to 4 weeks	42.0	51.0	62.0	52.4
5 to 6 weeks	31.9	29.9	25.9	29.1
7 to 8 weeks	13.4	9.8	5.7	9.3
More than 8 weeks	6.7	2.6	1.9	3.4
Don't know	2.5	0.5	0.6	1.1
Not stated	1.7	-	-	0.4
Base: All respondents	(119)	(194)	(158)	(471)

Respondents with properties in Prime Central London experience a higher void rate than average at 5.1 weeks (36 days) per year.

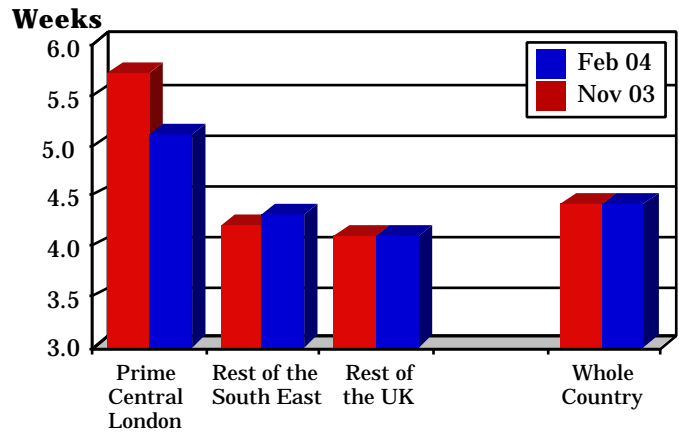
The average void periods for the Rest of the South East and for the Rest of the UK are 4.3 and 4.1 weeks (30 days and 29 days) respectively per year.

Compared with November the average void period for Prime Central London appears to have dropped substantially. However, the fall has merely returned the figure to its previous level and it is likely therefore that the increase last time was a blip resulting from the postal strike in the London area.

The average figures for the Rest of the South East and the Rest of the UK are little changed compared with three months ago although the figure for the Rest of the South East has increased a little in keeping with the trend over the last year.

Geographic Region	Average Void Period (weeks)			
	May 03	Aug 03	Nov 03	Feb 04
Prime Central London	5.1	5.1	5.7	5.1
South East	3.8	4.0	4.2	4.3
Rest of UK	4.1	3.8	4.1	4.1
All Regions	4.2	4.2	4.4	4.4
Base: All respondents	(464)	(450)	(429)	(471)

Average Void Period Per Year



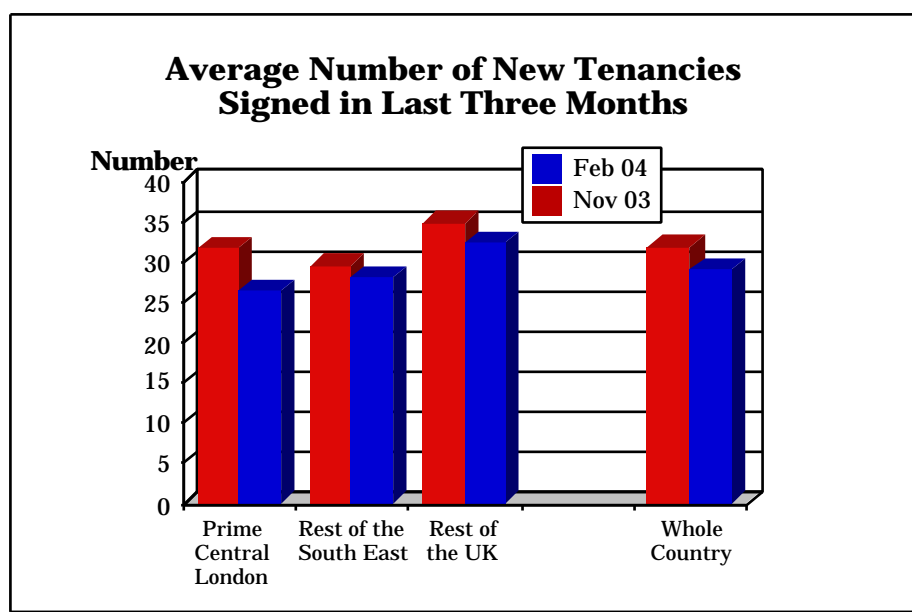
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

Two thirds of offices (67%) have signed up between 11 and 50 new tenancies (other than renewals) in the last three months with nearly a third (32%) having signed up between 21 and 50. However, 15% of respondents say their offices have signed up more than 50 new tenancies in the last three months.

Analysis of these results reveals that, on average, ARLA members' offices have signed up 29 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	1.0	0.6	0.6
Up to 5	2.5	4.6	7.6	5.1
6 to 10	14.3	10.3	12.7	12.1
11 to 20	35.3	39.2	27.8	34.4
21 to 50	39.5	30.9	28.5	32.3
Over 50	7.6	13.4	22.2	14.9
Not stated	0.8	0.5	0.6	0.6
Base: All respondents	(119)	(194)	(158)	(471)

Offices managing properties in Prime Central London appear to have fared a little worse than those in the other two areas with the average figures being 26 for Prime Central London compared to 28 for the Rest of the South East and 32 for the Rest of the UK.



Compared with three months ago, there has been a decrease in the average number of tenancies signed up in the last three months across the whole country but most noticeably in Prime Central

London, although as this change reverses the one seen in November, it is likely to have been caused by the postal strike last year.

Geographic Region	Number of New Tenancies			
	May 03	Aug 03	Nov 03	Feb 04
Prime Central London	25.0	25.8	31.6	26.4
South East	28.4	28.6	29.5	28.0
Rest of UK	28.6	32.3	34.7	32.3
All Regions	27.5	29.0	31.8	29.1
Base: All respondents	(464)	(450)	(429)	(471)

4.8 Proportions of Different Property Types in Portfolios (Q.13)

This question sought to determine the composition of ARLA members' offices portfolios in terms of the types of properties of which they are comprised.

Summary

For the country as a whole, the most prevalent type of property held in the portfolios of ARLA members' offices appears to be purpose built flats with 17% saying that more than half of their properties are of this type compared with, at the other end of the scale, less than 1% saying that more than half of their properties are studio flats.

Proportion of Portfolio	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
NONE	12.7	6.8	3.0	6.8	0.8	20.4
Up to 10%	49.5	29.9	23.6	34.8	20.8	57.5
11% to 25%	20.2	36.7	36.1	21.4	25.5	6.2
26% to 50%	6.4	14.0	24.4	18.7	28.7	2.3
51% to 75%	3.2	4.0	5.3	7.0	11.0	0.4
76% to 90%	0.8	0.6	1.1	2.1	4.0	-
Over 90%	-	-	0.2	0.6	2.3	-
Don't know	3.2	2.8	2.5	3.0	2.3	5.3
Not stated	4.0	5.1	3.8	5.5	4.5	7.9

Base: All respondents (471)

The table and graph below show the calculated average proportion of each type of property included in the portfolios of ARLA members' offices for each of the three geographic areas as well as for the whole of the UK.

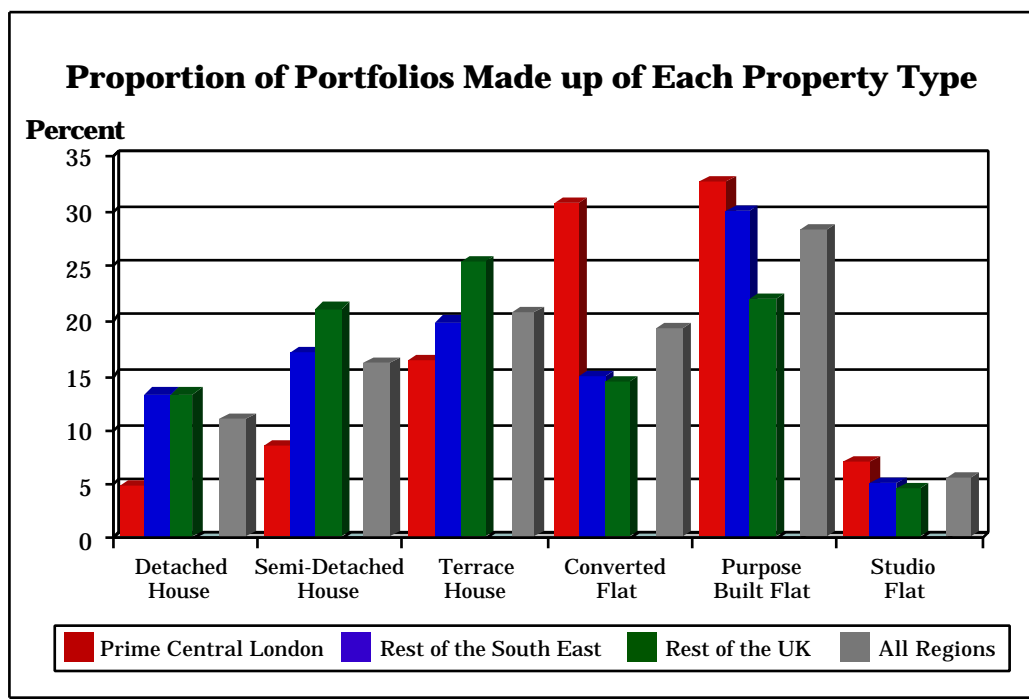
Geographic Region	Average Proportion of Portfolio (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	4.8	8.6	16.3	30.8	32.7	6.9
Rest of the South East	13.1	17.1	19.8	14.9	30.1	5.0
Rest of the UK	13.1	20.9	25.3	14.2	22.0	4.4
All regions	10.8	16.0	20.5	19.1	28.1	5.4

Base: All respondents (471)

These figures confirm that the most popular type of property overall is purpose built flats (28%) followed by terraced houses (21%) and converted flats (19%), with the least popular property type being studio flats (5%).

However, the picture in the different geographical areas varies quite considerably. Purpose built flats and flats in converted houses are

the most popular property types in Prime Central London (33% and 31% respectively), pushing terraced houses at only 16% into third place. In the Rest of the South East, it is again purpose built flats which predominate (30%) but terraced houses at 20% edge converted flats into third place with 15%. In the Rest of the UK, terraced houses (25%) beat purpose built flats (22%) into second place.



Looking at the proportions of houses of all types compared with the proportions of flats of all types shows that in Prime Central London the split is 30% houses and 70% flats compared with more balanced proportions, 59% houses and 41% flats, in the Rest of the UK, and an exact balance of 50% houses and 50% flats in the Rest of the South East

The figures for Prime Central London are unchanged compared with the November survey whilst those for the Rest of the UK are a little less balanced. Those for the Rest of the South East, however are more balanced than they were three months ago with an exact 50:50 split between houses and flats this time.

4.9 Change in Achievable Rent Levels Over Last 6 Months (Q.14)

All Regions

In the case of each of the six listed property types, around two out of ten ARLA members' offices (between 17% and 25%) believe that achievable rent levels have increased over the last six months whilst around three out of ten, ranging from 27% to 31% in all cases other than studio flats (18%) and detached houses (38%), believe they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.1	1.5	1.7	0.8	1.3	0.4
Increased a little	17.8	20.8	23.1	21.7	24.0	17.0
Stayed the same	29.7	36.1	40.8	42.3	39.7	42.5
Decreased a little	26.8	24.4	22.9	23.4	25.5	16.1
Decreased a lot	11.3	6.6	5.9	3.4	5.7	1.9
Don't know	10.6	7.9	3.8	5.5	1.7	16.1
Not stated	2.8	2.8	1.7	3.0	2.1	5.9

Base: All respondents (471)

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

Prime Central London

The situation in Prime Central London is clearly much more pessimistic than for the country as a whole with only between 3% and 14% of offices saying that achievable rent levels for each type of property have increased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	-	-	0.8	-	0.8	-
Increased a little	3.4	2.5	5.0	14.3	13.4	8.4
Stayed the same	18.5	26.1	34.5	38.7	38.7	47.9
Decreased a little	27.7	31.1	36.1	35.3	34.5	27.7
Decreased a lot	16.0	14.3	16.0	8.4	10.9	5.9
Don't know	27.7	21.0	4.2	2.5	0.8	5.9
Not stated	6.7	5.0	3.4	0.8	0.8	4.2

Base: All respondents (119)

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, a much higher proportion (between 34% to 52%) say they think rent levels have decreased.

Rest of the South East

With regard to the Rest of the South East, the picture is a little better with between 16% and 25% of respondents saying that achievable rent levels have increased compared with between 15% and 35% (with the sole exception of detached houses at 48%) saying they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.5	1.0	1.5	1.5	1.5	0.5
Increased a little	15.5	17.5	22.7	18.6	23.7	18.0
Stayed the same	27.3	39.7	43.3	45.4	40.2	42.3
Decreased a little	35.1	29.9	25.8	24.7	27.8	14.4
Decreased a lot	12.9	4.6	2.1	1.5	4.1	1.0
Don't know	6.7	4.6	4.1	5.7	1.5	19.1
Not stated	2.1	2.6	0.5	2.6	1.0	4.6

Base: All respondents (194)

These figures tend to suggest that rent levels in the South East have remained broadly stable following a decline in the third quarter of 2003.

Rest of the UK

For the Rest of the UK, the outlook is much brighter with considerably more respondents saying that achievable rent levels have increased than say they have decreased.

Between 32% and 42% of offices say that achievable rent levels for each type of property (other than studio flats at 23%) have increased whilst only between 10% and 22% believe rent levels have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	2.5	3.2	2.5	0.6	1.3	0.6
Increased a little	31.6	38.6	37.3	31.0	32.3	22.2
Stayed the same	41.1	39.2	42.4	41.1	39.9	38.6
Decreased a little	15.8	12.7	9.5	12.7	15.8	9.5
Decreased a lot	5.7	3.2	3.2	1.9	3.8	0.0
Don't know	2.5	1.9	3.2	7.6	2.5	20.3
Not stated	0.6	1.3	1.9	5.1	4.4	8.9

Base: All respondents (158)

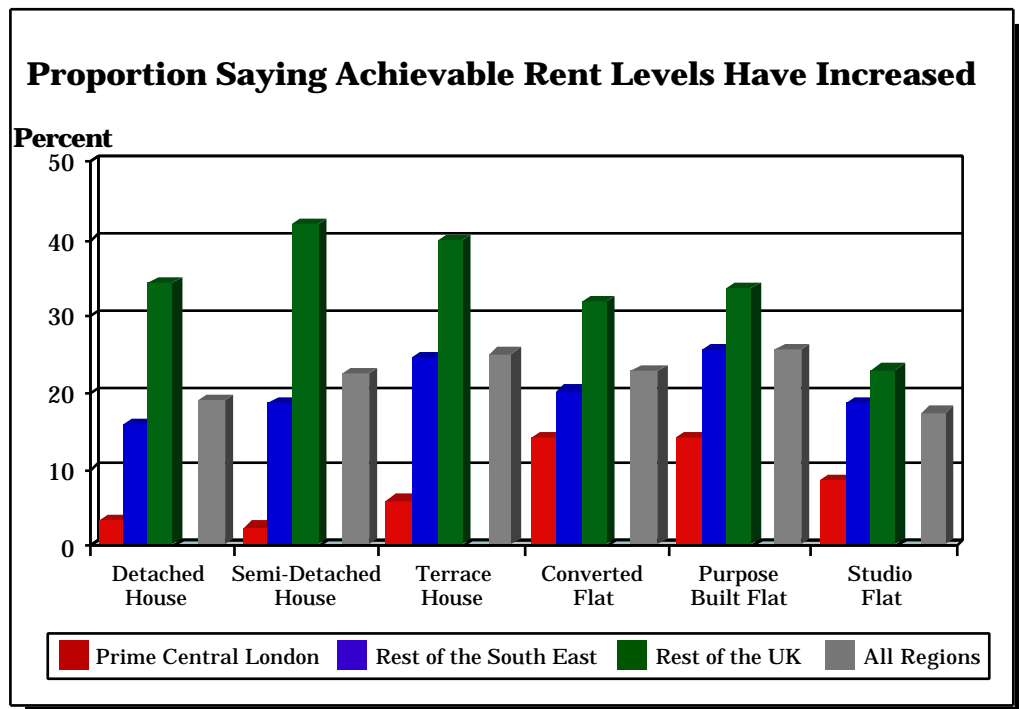
It appears from these figures that achievable rent levels in the Rest of the UK have continued to increase over the last three months.

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	3.4	2.5	5.9	14.3	14.3	8.4
Rest of the South East	16.0	18.6	24.2	20.1	25.3	18.6
Rest of the UK	34.2	41.8	39.9	31.6	33.5	22.8
All regions	18.9	22.3	24.8	22.5	25.3	17.4

Base: All respondents (471)



4.10 Balance of Supply & Demand in Rented Residential Property Sector (Q.15)

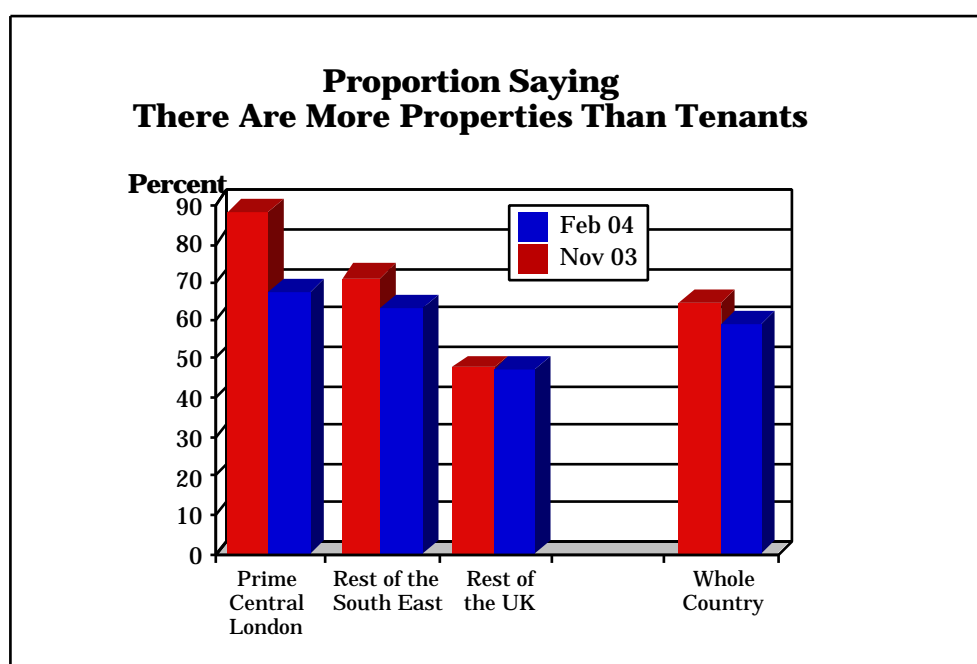
Almost six out of ten ARLA members' offices (59%) believe that there are more rented residential properties available than there are tenants to fill them.

Almost a quarter (24%) believe that supply of, and demand for, rented residential properties is in balance whilst 16% say that there are more tenants than there are properties available for them.

These figures suggest that, both overall and for each geographical area, there are more properties available than there are tenants to fill them.

Balance of Supply and Demand	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Lot more props than tenants	35.3	28.9	16.5	26.3
Few more props than tenants	31.9	34.0	31.0	32.5
Equal nos of props & tenants	20.2	23.7	27.8	24.2
Lot more tenants than props	3.4	4.1	10.1	5.9
Few more tenants than props	7.6	8.2	13.9	10.0
Not stated	1.7	1.0	0.6	1.1
Base: All respondents	(119)	(194)	(158)	(471)

However, there is clearly a much more severe situation of over supply in the south of the country with 67% of respondents managing properties in Prime Central London saying there are more properties than tenants and 63% of those in the Rest of the South East saying so compared with just 48% for the Rest of the UK.



Overall, 59% of respondents to this survey said there were more properties than tenants compared with a figure of 64% in November, suggesting that situation with regard to the balance of supply and demand has improved considerably over the last three months. However, as this change restores the overall figure to a more normal level, it may be that the London postal strike affected the results last time.

Geographic Region	Proportion Saying There Are More Properties than Tenants (%)			
	May 03	Aug 03	Nov 03	Feb 04
Prime Central London	79.6	77.4	87.7	67.2
South East	50.8	55.0	70.7	62.9
Rest of UK	40.1	37.2	47.6	47.5
All Regions	55.0	55.3	64.4	58.8
Base: All respondents	(464)	(450)	(429)	(471)

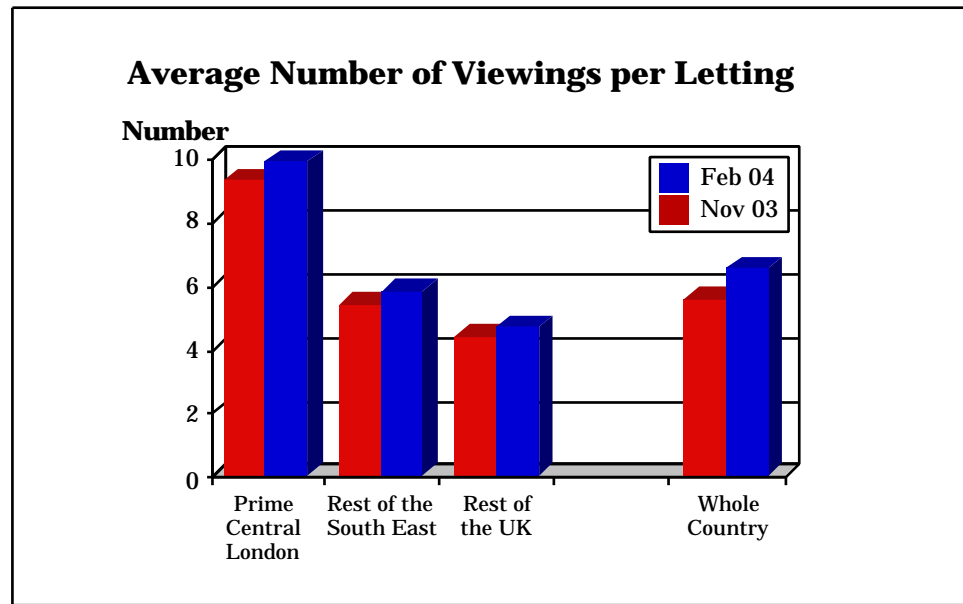
4.11 Number of Viewings Per Letting (Q.16)

Nearly four out of ten ARLA members' offices (38%) have to deal with an average of 4 or 5 viewings of a property before it is let and for a similar proportion (39%), the average number of viewings per letting is 6 or more.

Analysis of these figures produces an overall average of 6.5 viewings per letting.

Number of Viewings per Letting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
1	-	1.0	0.6	0.6
2 or 3	5.0	18.0	36.7	21.0
4 or 5	21.8	45.9	41.8	38.4
6 to 10	41.2	28.9	17.7	28.2
11 to 20	26.9	4.6	1.9	9.3
Over 20	4.2	0.5	0.6	1.5
Not stated	0.8	1.0	0.6	0.8
Base: All respondents	(119)	(194)	(158)	(471)

On average, ARLA members in Prime Central London have to show nearly twice as many prospective tenants round a property (9.9) before it is let as do their counterparts in the Rest of the South East (5.8) or the Rest of the UK (4.7).



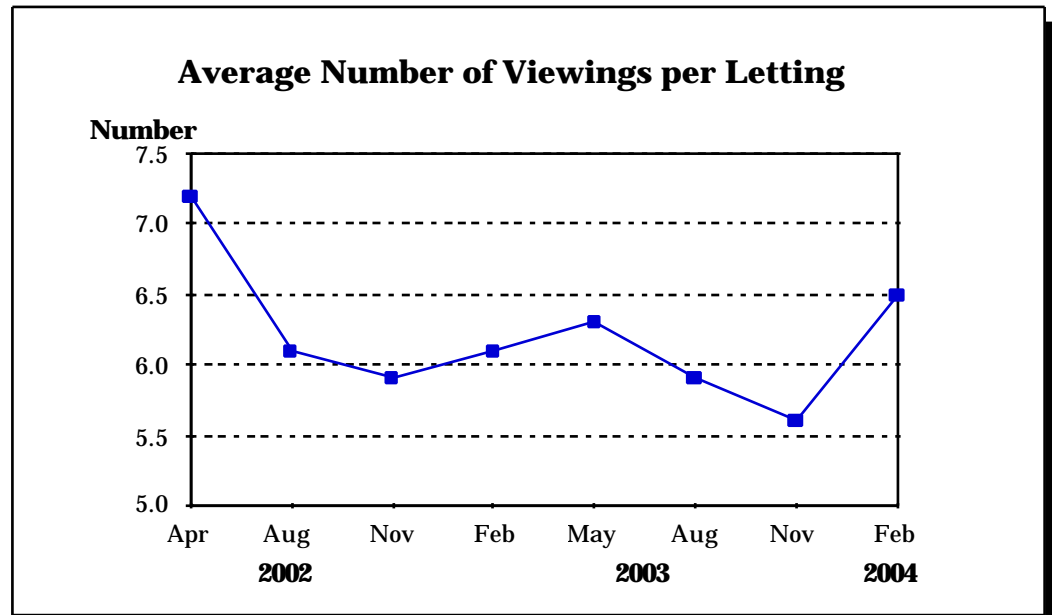
Compared with the November 2003 survey, the overall average number of viewings per letting is up from 5.6 to 6.5.

Within this overall change, the average number for Prime Central London properties has increased from 9.3 to 9.9 and the figure for the

Rest of the South East has risen from 5.4 to 5.8 whilst that for the Rest of the UK has gone up from 4.4 to 4.7 viewings per letting.

Geographic Region	Average Number of Viewings per Letting (%)			
	May 03	Aug 03	Nov 03	Feb 04
Prime Central London	10.0	9.1	9.3	9.9
South East	5.4	5.3	5.4	5.8
Rest of UK	4.3	4.3	4.4	4.7
All Regions	6.3	5.9	5.6	6.5
Base: All respondents	(464)	(450)	(429)	(471)

As the chart below shows, the overall average number of viewings per letting increased sharply in the first quarter of this year after a period during which it fell from 7.2 to 5.6, suggesting that it has become more difficult to secure new tenants.



Questionnaire