

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

Source & Tenure of Property in the Residential Rental Market

First Quarter 2005

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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 1,469 letting offices of ARLA members in February 2005 and 502 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. RESULTS

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

3.1 Average Length of Initial Fixed Term Tenancy

The vast majority of new tenancies (96%) are for 12 months or less. Based on these figures, the average length of an initial fixed term tenancy is 9.2 months.

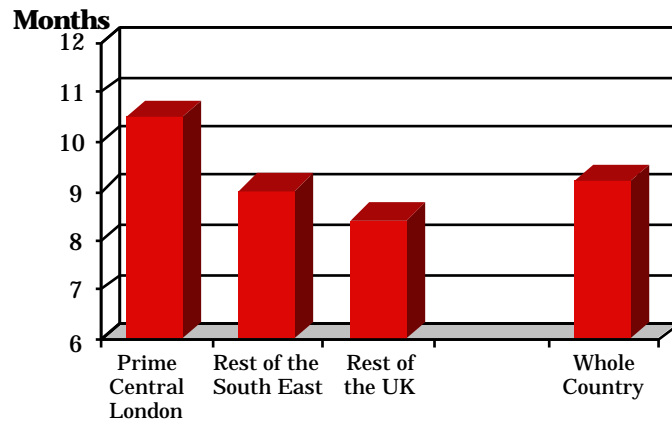
Average Length of Initial Tenancy	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
6 to 9 months	29.3	58.2	75.9	57.4
10 to 12 months	65.5	37.7	19.9	38.2
13 to 18 months	4.3	1.4	2.4	2.4
19 to 24 months	0.9	0.5	-	0.4
More than 24 months	-	0.5	-	0.2
Don't know/not sure	-	-	-	-
Not stated	-	1.8	1.8	1.4
Base: All respondents	(116)	(220)	(166)	(502)

New tenancies in Prime Central London tend to be for longer periods, averaging 10.5 months compared with 9.0 months for the Rest of the South East and 8.4 months for the Rest of the UK.

Geographic Region	Average Initial Tenancy (months) Feb 05
Prime Central London	10.5
South East	9.0
Rest of UK	8.4
All Regions	9.2
Base: All respondents	(502)

Compared with the last time this question was asked three years ago in March 2002, the overall average length of initial fixed term tenancies is down from 9.8 months to 9.2 months. However, the response bands for the question were changed for this survey and figures are not directly comparable.

Average Length of Initial Tenancy



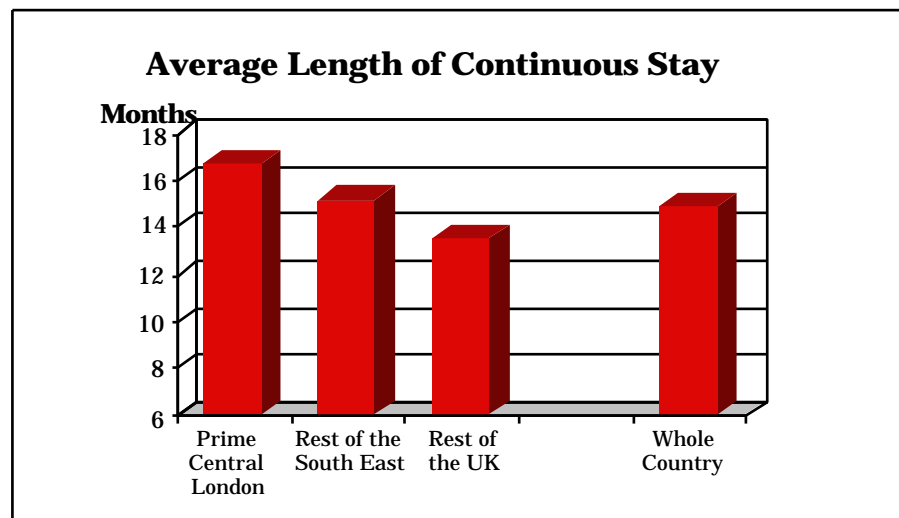
3.2 Average Length of Continuous Stay in Property

More than three quarters of tenants (77%) remain in the same property for between 10 and 18 months. Whilst the overall average length of a new tenancy is 9.2 months, tenants tend to stay in the same property for an average of 14.9 months.

Average Length of Continuous Stay	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
6 to 9 months	5.2	4.5	3.6	4.4
10 to 12 months	20.7	27.7	47.0	32.5
13 to 18 months	44.8	48.6	38.0	44.2
19 to 24 months	25.0	14.1	6.6	14.1
More than 24 months	4.3	3.2	1.8	3.0
Don't know/not sure	-	0.5	1.2	0.6
Not stated	-	1.4	1.8	1.2
Base: All respondents	(116)	(220)	(166)	(502)

As with the averages for initial terms, the average time a tenant stays in the same property is longest for Prime Central London at 16.7 months compared with 15.1 months for the Rest of the South East and 13.5 months for the Rest of the UK.

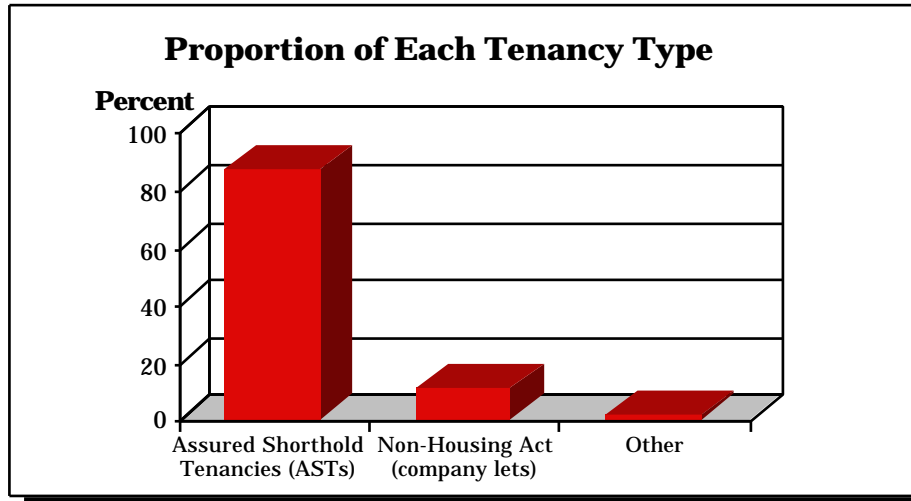
Geographic Region	Average Continuous Stay (months) Feb 05
Prime Central London	16.7
South East	15.1
Rest of UK	13.5
All Regions	14.9
Base: All respondents	(502)



Again, compared with the last time this question was asked three years ago, the overall average length of tenants continuous stay in the same property is down, from 16.1 months to 14.9 months. as with the previous question, the response bands for this question were changed and figures are, therefore not directly comparable.

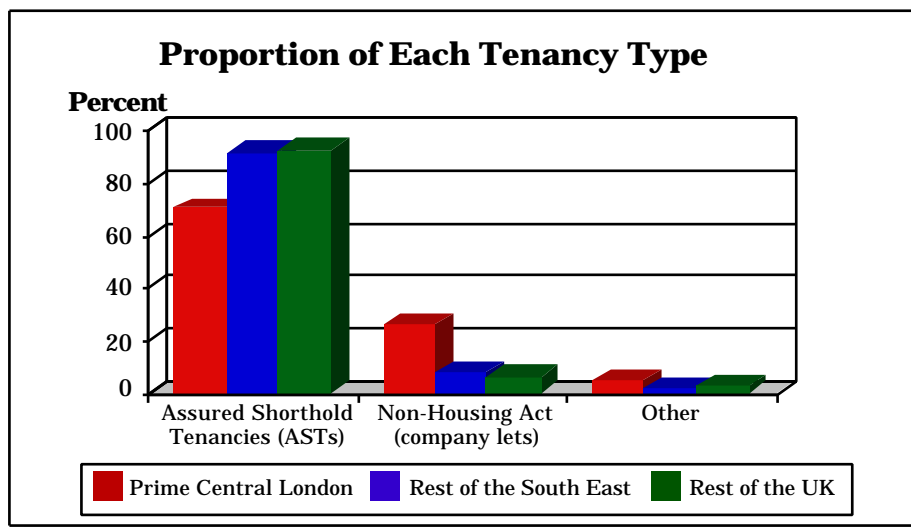
3.3 Type of Tenancy

By far the majority of tenancies (87%) are Assured Shorthold Tenancies (ASTs) with only a little over one in ten (11%) being non-Housing Act tenancies and less than one in forty (2.2%) 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	69.8	25.8	4.4
Rest of the South East	91.4	7.4	1.2
Rest of the UK	92.1	5.9	2.1
All regions	86.9	10.9	2.2

Base: All respondents (502)

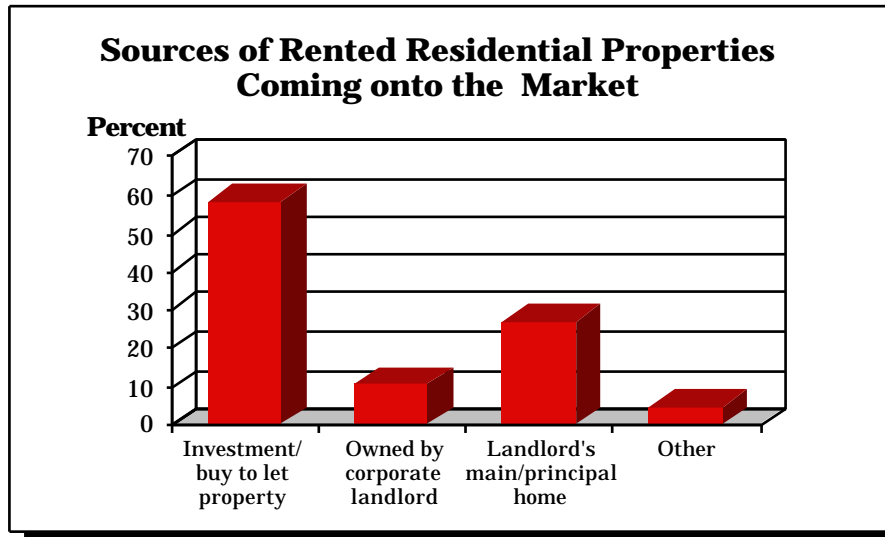


As one might expect, Prime Central London differs from the rest of the country in that only seven out of ten tenancies (70%) are ASTs with more than a quarter (26%) being non-Housing Act tenancies.

3.4 Sources of Rented Residential Properties Coming onto the Market

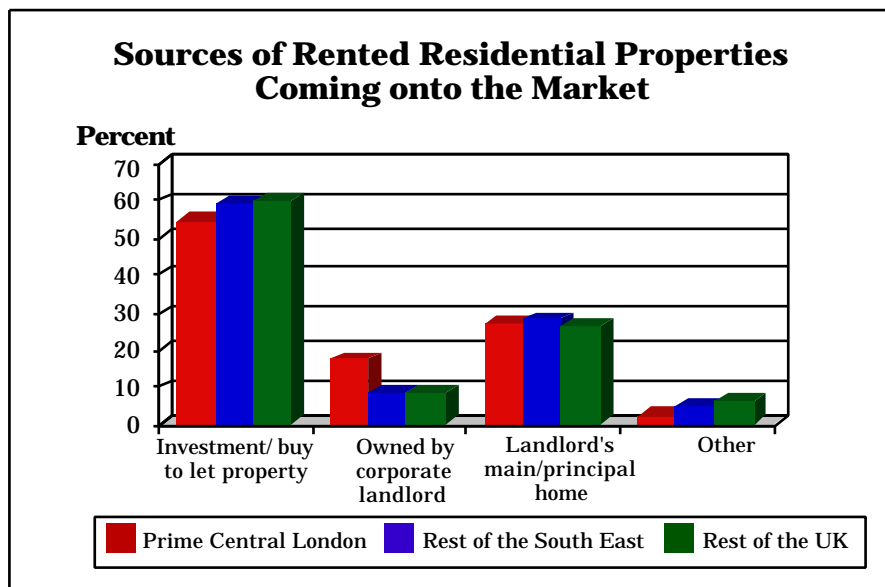
The majority of rented residential properties (58%) arrive on the market as a result of an investment in buy to let property.

Only a little over one in ten (11%) is put on the rental market by a corporate landlord but more than a quarter (27%) are the landlord's former main or principal home.



Geographic Region	Source of Property Coming onto Market (%)			
	Investment/BTL properties	Corporate Landlord	Landlord's Main Home	Other
Prime Central London	54.1	17.0	26.7	2.1
Rest of the South East	59.0	8.5	28.0	4.5
Rest of the UK	59.6	8.6	25.7	6.2
All regions	58.1	10.5	27.0	4.5

Base: All respondents (502)



The main difference on this question between the broad geographic areas used in this report are that twice as many new rented residential properties in Prime Central London are put onto the rental market by corporate landlords (17% compared with 8.5% for the Rest of the South East and 8.6% for the Rest of the UK).