

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 Survey  
of  
Residential Investment Landlords**

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1. **INTRODUCTION & BACKGROUND**

ARLA surveys residential landlords through its Internet website with a view to canvassing the opinions of residential landlords on a number of topics.

During the fourth quarter of 2004, ARLA conducted the fourth survey of the year. This survey ran for one month from mid-November to mid-December.

## 2. **METHODOLOGY**

The method by which the data for this research was collected was through visitors to ARLA's web site taking the opportunity presented to complete an on-line questionnaire which included 11 questions.

The questions were devised by ARLA and included questions which were aimed at getting a better understanding of the profile of residential landlords and also at understanding better their views and opinions.

During the period when the questionnaire was available for completion, a total of 309 people went through the process of answering some or all of the questions. These responses were analysed by the software running the survey and tables of data were produced on which this report is based.

### 3. RESULTS

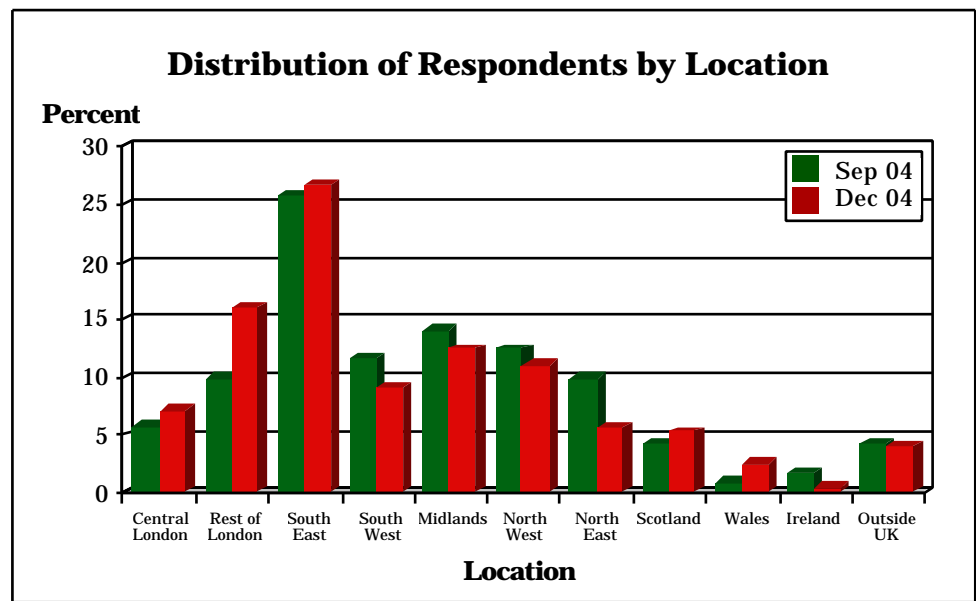
The following sections detail the results of the ARLA Web Site survey of residential landlords conducted between mid-November and mid-December 2004.

#### 3.1 Where do you live? (Q.1)

Half of all respondents to the survey (50%) were from the South East of England (including London) with nearly a quarter (23%) being from London itself. The Midlands was the region producing the next highest proportion of respondents (12%) followed by the North West (11%) and the South West (9%).

Only 7% of respondents were from either Scotland, Wales or Northern Ireland but one respondent in twenty five (4%) was living outside the UK at the time they completed the questionnaire.

Location	Percent of Respondents (%)		
	Jun 04	Sep 04	Dec 04
Central London	6.0	5.8	7.1
Rest of London ( <i>within M25</i> )	14.7	9.9	16.0
South East ( <i>outside M25</i> )	23.4	25.6	26.6
South West	10.6	11.6	9.2
Midlands	15.6	14.0	12.4
North West	12.4	12.4	11.0
North East	5.0	9.9	5.7
Scotland	3.7	4.1	5.3
Wales	3.2	0.8	2.5
Ireland	1.4	1.7	0.4
Outside UK	4.1	4.1	3.9
Base: All answering	(229)	(121)	(282)



Compared with the third quarter survey, there is little difference in the composition of the sample by geographic region with the main difference being a much higher proportion from London (up from 16% to 23%) and fewer from the North East, the South West, the Midlands and the North West.

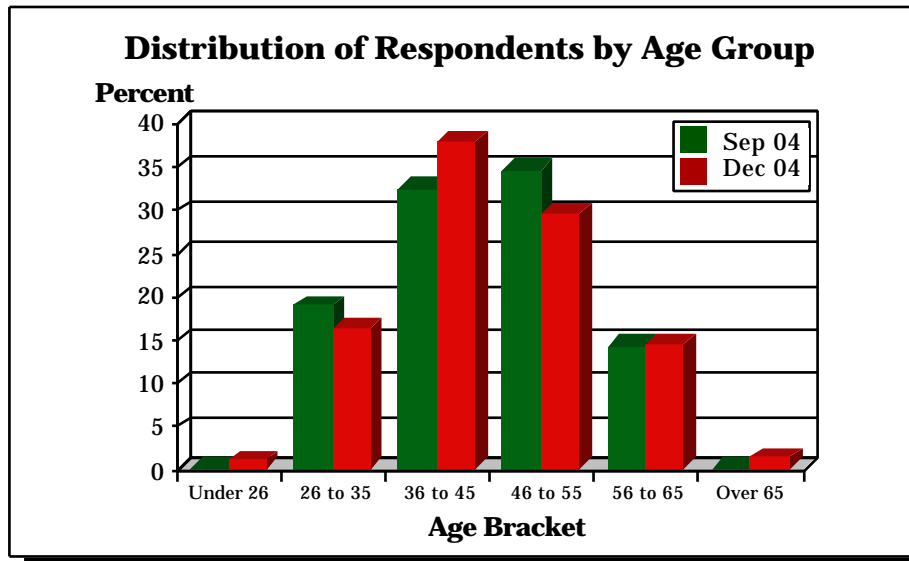
### 3.2 How old are you? (Q.2)

Two thirds of respondents (67%) were aged between 36 and 55 with the biggest age group (38%) being those aged between 36 and 45.

However, one in six respondents (16%) were aged over 56 whilst a tiny 1% were under 26 on this occasion.

Age Group	Percent of Respondents (%)		
	Jun 04	Sep 04	Dec 04
Under 26	2.2	-	1.0
26 to 35	19.7	18.9	16.3
36 to 45	34.9	32.3	37.7
46 to 55	31.4	34.6	29.3
56 to 65	10.0	14.2	14.3
Over 65	1.7	-	1.3
Base: All answering	(229)	(127)	(300)

Analysis of the results from this question reveals that the average age of respondents to the survey was 44 years, a figure which is unchanged compared with the last survey three months ago.



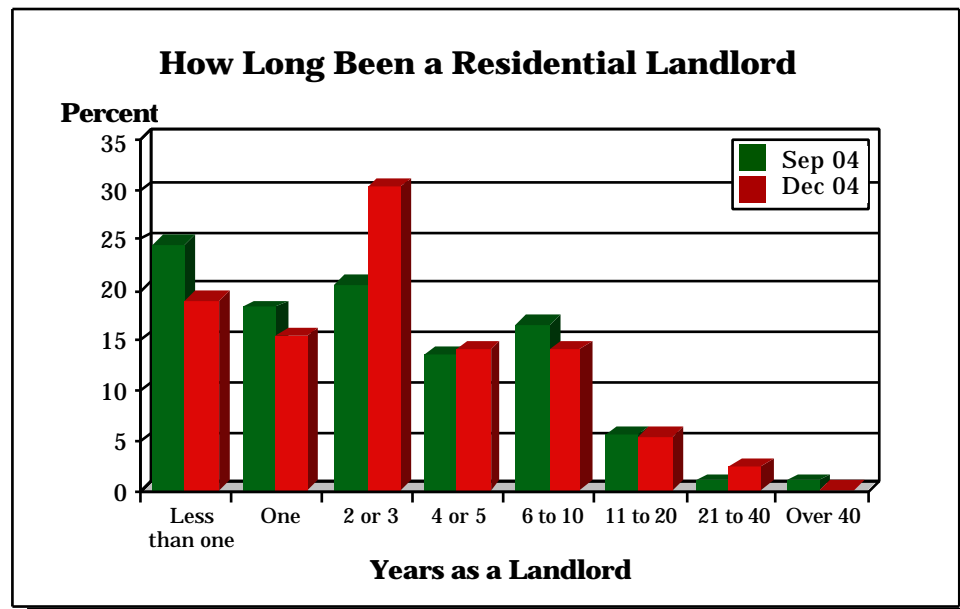
**3.3 For how many years have you been a residential landlord? (Q.3)**

Almost two out of ten respondents (19%) had been residential landlords for less than a year with another 15% having been landlords for only one year.

Only a small minority of less than one in ten respondents (8%) had been residential landlords for more than 10 years.

Years as a Landlord	Percent of Respondents (%)		
	Jun 04	Sep 04	Dec 04
Less than one	28.1	24.4	19.0
One	13.2	18.1	15.3
2 or 3	22.8	20.5	30.2
4 or 5	12.7	13.4	13.9
6 to 10	13.6	16.5	13.9
11 to 20	8.8	5.5	5.4
21 to 40	0.9	0.8	2.4
Over 40	-	0.8	-
Base: All answering	(228)	(127)	(295)

Simple analysis of these figures indicates that the average time for which respondents had been residential landlords was 4.3 years a figure which is up a little from the average of 4.2 years in the last survey.



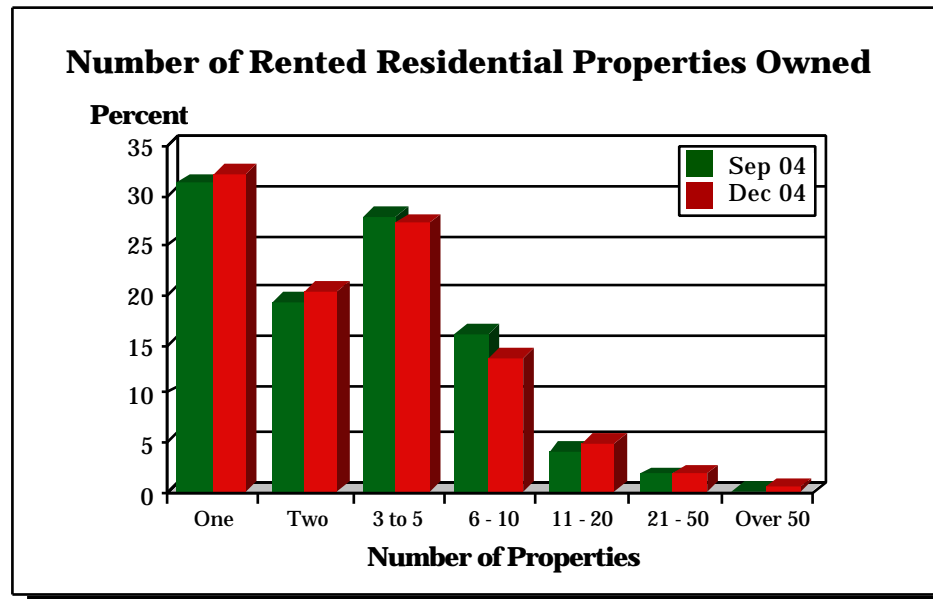
**3.4 How many rented residential properties do you currently have in your portfolio? (Q.4)**

More than half of all respondents (53%) had only one or two properties in their portfolios although a significant minority of around one in fifteen (7%) had more than ten properties in theirs.

Number of Properties	Percent of Respondents (%)		
	Jun 04	Sep 04	Dec 04
One	33.8	31.2	32.3
Two	20.2	19.2	20.3
3 to 5	26.8	28.0	27.1
6 to 10	13.2	16.0	13.4
11 to 20	4.8	4.0	4.8
21 to 50	1.3	1.6	1.7
Over 50	-	-	0.3

Base: All answering (228) (125) (291)

Analysis of these results shows that the average size of respondents' portfolios was 4.5 properties a figure which is up from the average of 4.3 properties three months ago.



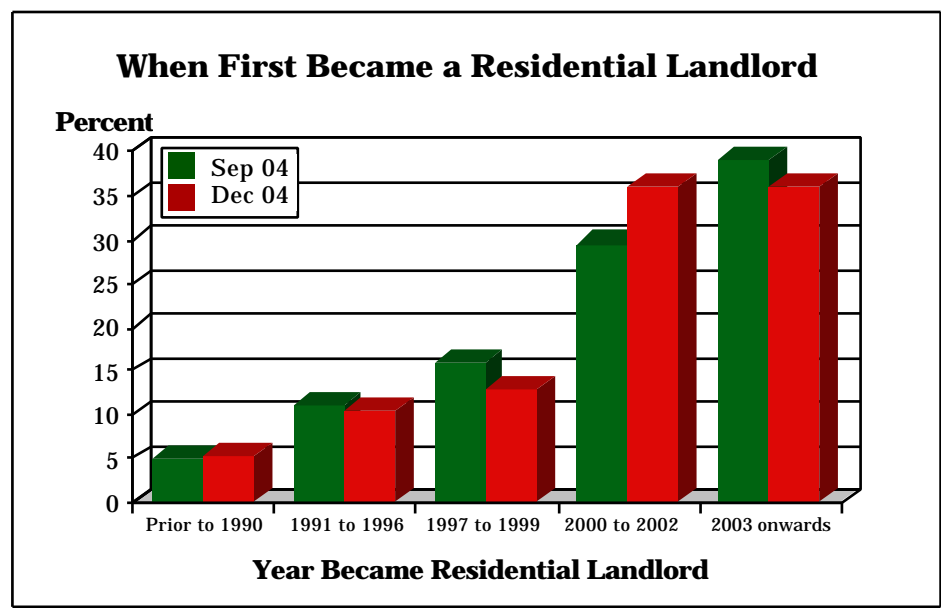
**3.5 How long ago did you first become a (Buy to Let) residential investment landlord? (Q.5)**

More than seven out of ten respondents to this survey (72%) had become residential landlords since the beginning of 2000 with more than a third (36%) having done so since the beginning of 2003.

Only a small minority of one in twenty respondents (5%) had become residential landlords prior to 1990.

<b>When Became a Landlord</b>	<b>Percent of Respondents (%)</b>		
	<b>Jun 04</b>	<b>Sep 04</b>	<b>Dec 04</b>
Prior to 1990	6.6	4.8	5.2
1991 to 1996	15.0	11.1	10.3
1997 to 1999	11.5	15.9	12.8
2000 to 2002	30.1	29.4	35.9
2003 onwards	36.7	38.9	35.9
Base: All answering	(226)	(126)	(290)

Compared with three months ago, there was little change in the profile of respondents according to when they first became landlords although more had done so between 2000 and 2002 and fewer had done so between 1997 and 1999 or since the beginning of 2003.

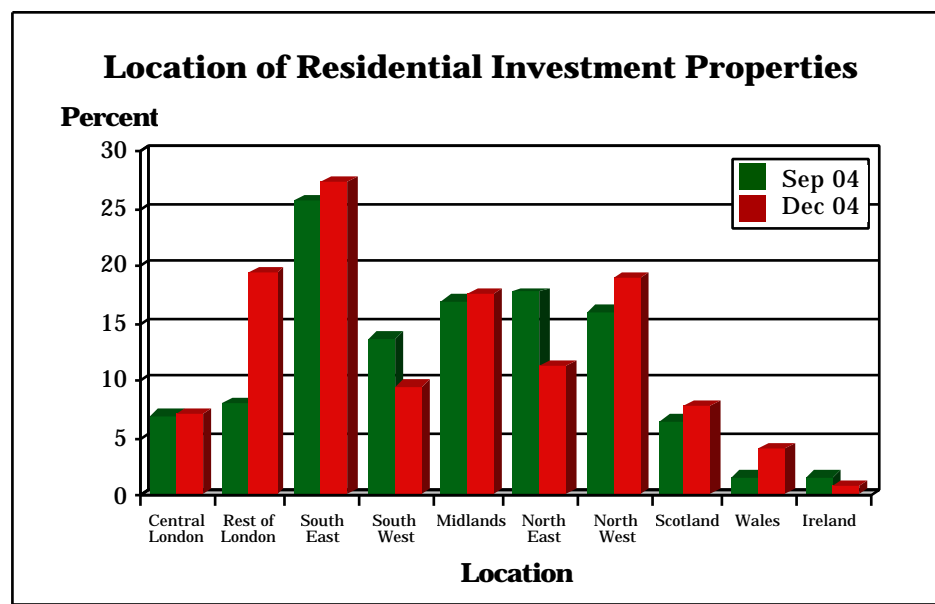


### 3.6 Where are your residential investment properties located? (Q.6)

More than half of all respondents (54%) said that they had properties in the South East with more than a quarter (26%) saying they had properties in London.

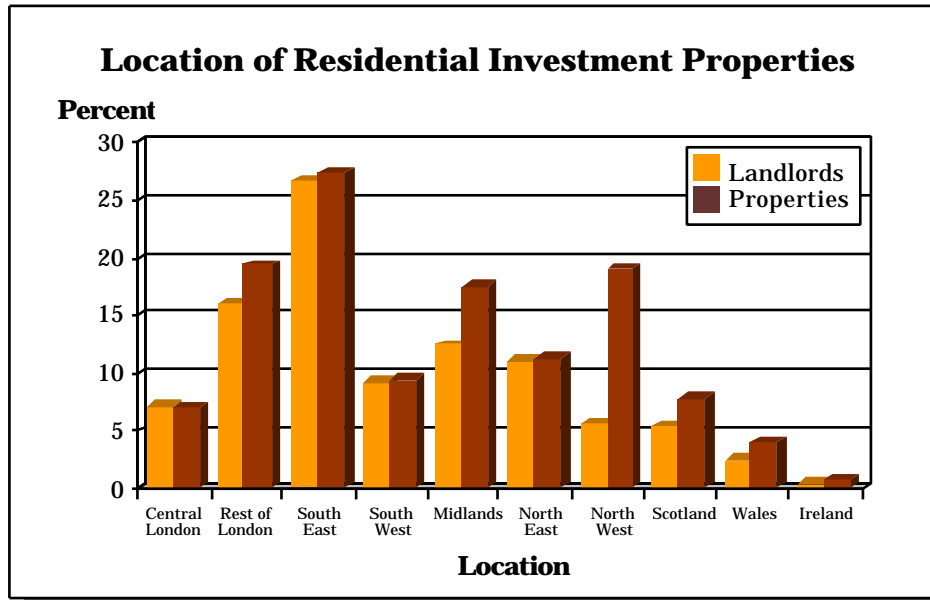
Location	Percent of Respondents (%)		
	Jun 04	Sep 04	Dec 04
Central London	7.5	6.8	7.0
Rest of London ( <i>inside M25</i> )	14.6	8.0	19.3
South East ( <i>outside M25</i> )	24.8	25.6	27.4
South West	13.3	13.6	9.5
Midlands	17.3	16.8	17.5
North West	20.4	16.0	11.2
North East	11.9	17.6	18.9
Scotland	4.0	6.4	7.7
Wales	4.9	1.6	3.9
Ireland	1.8	1.6	0.7
Base: All answering	(226)	(125)	(285)

Compared with three months ago, the biggest differences were that there were far more respondents with properties in London (excluding central London) and in the North West with fewer respondents having properties in the North East and the South West.



Comparing the distribution of properties with the distribution of landlords shows that a much higher proportion of landlords say they have properties in the North West than actually live in that part of the country (19% compared with 6%), something which also applies, but to a lesser extent, to the Midlands, London (excluding central London), Scotland and Wales. For the rest of the country, the proportions roughly match.

Location	Percent of Landlords & Properties (%)	
	Landlords	Properties
Central London	7.1	7.0
Rest of London ( <i>inside M25</i> )	16.0	19.3
South East ( <i>outside M25</i> )	26.6	27.4
South West	9.2	9.5
Midlands	12.4	17.5
North East	11.0	11.2
North West	5.7	18.9
Scotland	5.3	7.7
Wales	2.5	3.9
Ireland	0.4	0.7
Base: All answering	(282)	(285)



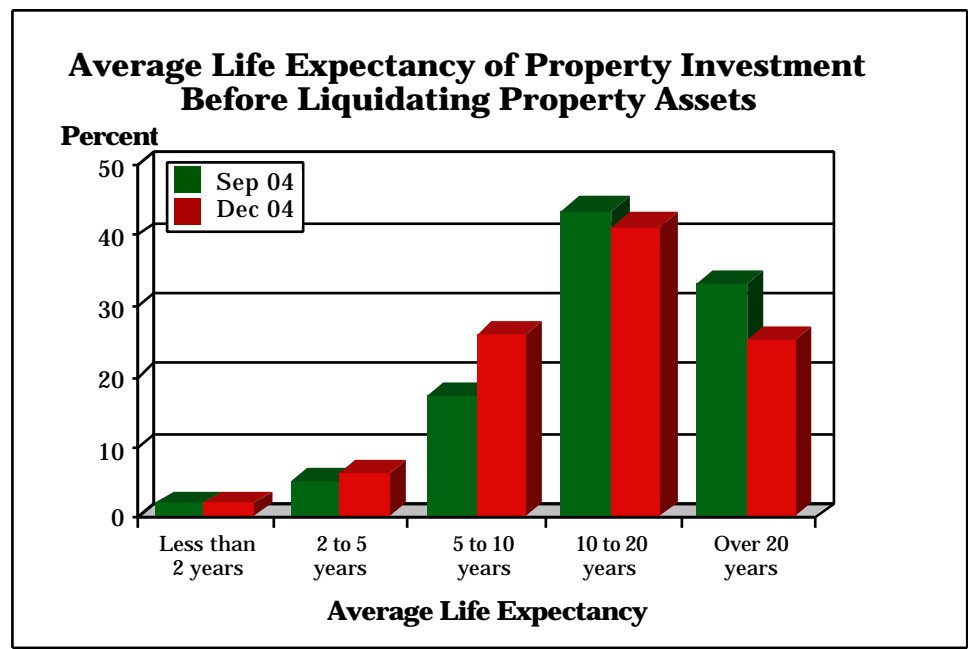
**3.7 From original acquisition time, what do you expect to be the average life expectancy of your property investment, before you liquidate your property assets? (Q.7)**

Clearly the vast majority of residential landlords are in the business for the long term with two thirds (67%) saying that the average life expectancy of their property investments is more than 10 years.

In fact very few (7.6%) see their investment as being for 5 years or less and only a tiny 1.7% see it as being very short term (less than 2 years).

<b>Average Life Expectancy</b>	<b>Percent of Respondents (%)</b>		
	<b>Jun 04</b>	<b>Sep 04</b>	<b>Dec 04</b>
Less than 2 years	1.3	1.6	1.7
2 to 5 years	6.2	4.8	5.9
5 to 10 years	25.6	16.9	25.9
10 to 20 years	45.4	43.5	41.4
Over 20 years	21.6	33.1	25.2
Base: All answering	(227)	(124)	(290)

Simple analysis of these results reveals that the average life expectancy of their property investments for all respondents is 17 years, a figure which is down a little from 18 years in the last survey three months ago.



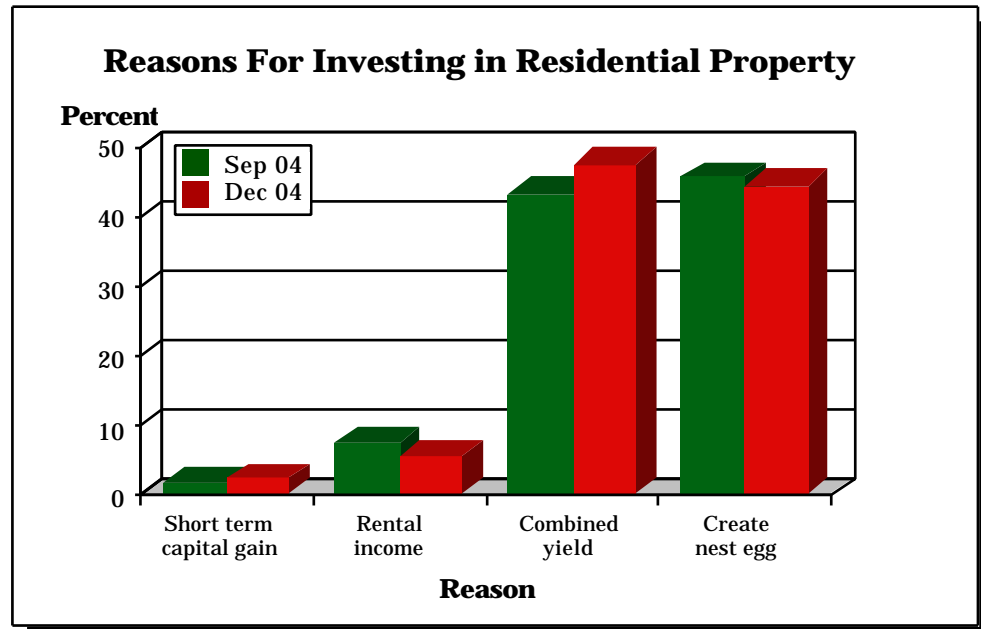
**3.8 Why did you first decide to invest in residential property? (Q.8)**

Most residential landlords are split fairly evenly between those who became residential landlords in order to achieve a combined yield from rental income and capital appreciation (48%) and those who did so in order to create a nest egg for their long term future (45%).

A little over one in twenty respondents (5.5%) said they became landlords in order to obtain a stream of rental income and a mere one in fifty (2.1%) said they did so in order to make a short term capital gain over a period of less than 5 years.

Reason	Percent of Respondents (%)	
	Sep 04	Dec 04
Short term capital gain (less than 5 years)	1.6	2.1
Rental income	7.4	5.5
Combined yield from rental income & capital appreciation	43.4	47.8
Create nest egg for long term future	45.8	44.6
Base: All answering	(122)	(289)

The results from this question are very little changed compared with three months ago.



**3.9 If house prices were to fall, would you sell your residential property investments? (Q.9)**

Almost nine out of ten respondents to this question (89%) said they would not sell their residential property investments if house prices were to fall with only 3% saying they would and about one in twelve (8%) being unsure whether they would or not.

<b>Response</b>	<b>Percent of Respondents (%)</b>		
	<b>Jun 04</b>	<b>Sep 04</b>	<b>Dec 04</b>
Yes	2.7	-	2.9
No	86.8	97.5	89.1
Don't know	10.5	2.5	8.0
Base: All answering	(220)	(122)	(274)

Compared with three months ago, respondents were, on average a little less sure about keeping their residential property investments if house prices were to fall.

**3.10 Approximately what proportions of all your tenants fall into each of the categories shown? (Q.10)**

There is a huge variation in the level of non-response to individual elements of this question which is almost certainly because many respondents do not respond to a particular element if they have no tenants falling into that category.

With this survey, therefore, the basis of the calculation of the average proportions of tenants which fall into each category has been changed. Instead of excluding all non-responses and calculating the average based on those answering, the average figures have been calculated on the assumption that non-responses have occurred where respondents did not have any tenants in a particular category and have therefore been taken to be a “None” answer. This presents a better estimate of the average proportions falling into each category. Historical figures have also been recalculated on this basis.

In that context, more than three quarters of respondents’ tenants (76%) fall into the category of being employed people with all other categories comprising a much smaller proportion of tenants.

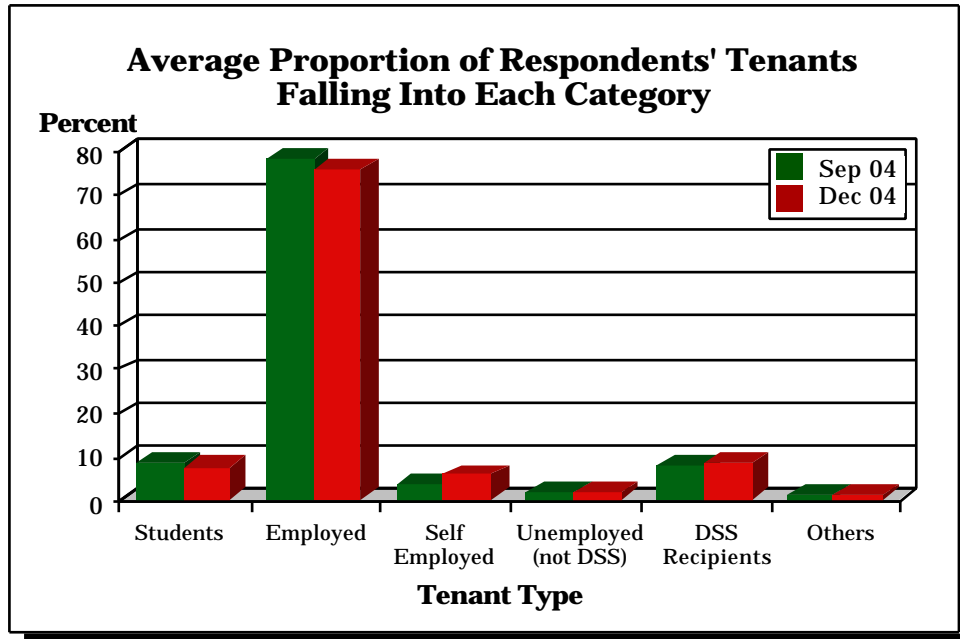
Nevertheless, a significant proportion of tenants, in both cases, is made up of those receiving DSS support (9%) and students (8%).

Only 6% of tenants are self employed people whilst hardly any (1.6%) are unemployed and not receiving DSS support.

<b>Proportion</b>	<b>Percent of Respondents Saying Proportion of Their Tenants Who Are of Each Type (%)</b>					
	<b>Students</b>	<b>Employed</b>	<b>Self Employed</b>	<b>Unemployed (not DSS)</b>	<b>DSS Recipients</b>	<b>Others</b>
None 28.8	1.9	20.7	26.9	22.7	23.6	
Up to 10%	5.2	2.3	5.8	1.9	5.5	2.3
11% to 25%	2.9	4.2	2.6	0.3	2.9	1.0
26% to 50%	4.9	13.9	2.6	0.6	7.4	0.6
51% to 75%	1.0	8.1	1.0	0.3	2.3	0.3
76% to 90%	1.3	6.5	1.0	0.3	0.6	0.3
Over 90%	1.0	12.0	0.6	0.3	-	-
All 1.6	39.5	1.3	-	1.9	-	-
Not stated	53.4	11.7	64.4	69.3	56.6	71.8
<b>Average</b>	<b>7.7</b>	<b>75.7</b>	<b>5.7</b>	<b>1.3</b>	<b>8.5</b>	<b>1.1</b>

Base: All respondents (309)

Compared with three months ago, there has been little change in the profile of respondents’ tenants although there was a higher proportion of self-employed people this time (up from 3% to 6%).



Employment Category	Percent of Respondents (%)		
	Jun 04	Sep 04	Dec 04
Students	8.4	8.7	7.7
Employed	76.6	78.0	75.7
Self employed	3.9	3.2	5.7
Unemployed	2.2	1.3	1.3
Receiving DSS	7.4	7.8	8.5
Other	1.5	1.0	1.1
Base: All respondents	(240)	(138)	(309)

**3.11 Do you expect/anticipate that you will acquire further (Buy to Let) investment properties during the next 12 months? (Q.11)**

Getting on for six out of ten respondents (57%) said that they expected to acquire further Buy to Let investment properties during the next 12 months with less than half as many (23%) saying they did not.

A further two out of ten landlords (20%) were unsure whether they would acquire further properties in the next year or not.

<b>Response</b>	<b>Percent of Respondents (%)</b>		
	<b>Jun 04</b>	<b>Sep 04</b>	<b>Dec 04</b>
Yes	58.7	58.9	57.0
No	21.3	25.0	23.4
Don't know	20.0	16.1	19.6
Base: All answering	(220)	(122)	(291)

There was a lower proportion of respondents who said they would be acquiring further properties in the next 12 months this time (down from 59% to 57%) but also fewer who thought they would definitely not be doing so (down from 25% to 23%) with a commensurate increase in those who were unsure whether they would or not (up from 16% to 20%).