

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 Survey
of
Residential Investment Landlords**

June 2006

Prepared by

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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 second quarter of 2006, ARLA conducted the second survey of the year. This survey ran during the month of May.

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 16 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 343 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

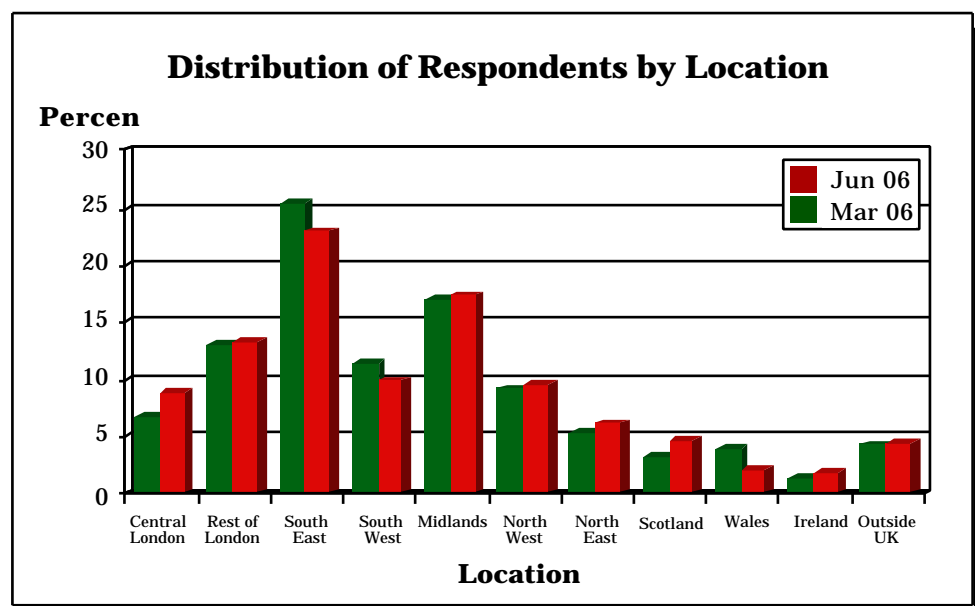
The following sections detail the results of the ARLA Web Site survey of residential landlords conducted during the month of May 2006.

3.1 Where do you live? (Q.1)

More than four out of ten respondents to the survey (45%) were from the South East of England (including London) with more than two out of ten (22%) being from London itself. The Midlands was the region producing the next highest proportion of respondents with 17% coming from that region.

A further 10% of respondents were from the South West and 9% were from the North West. More than one in twenty five respondents (4.4%) were living outside the UK at the time they completed the questionnaire.

Location	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
Central London	6.6	6.7	8.8
Rest of London (<i>within M25</i>)	13.3	13.0	13.1
South East (<i>outside M25</i>)	24.0	25.3	22.9
South West	7.1	11.2	9.8
Midlands	17.3	16.8	17.2
North West	7.7	9.1	9.4
North East	7.7	5.3	6.1
Scotland	7.7	3.2	4.7
Wales	2.0	3.9	2.0
Ireland	0.6	1.4	1.7
Outside UK	6.1	4.2	4.4
Base: All answering	(196)	(285)	(297)



Compared with the last quarter's survey, there are some differences in the composition of the sample by geographic region with noticeably fewer respondents from South East, the South West and Wales and noticeably more from the Central London and Scotland.

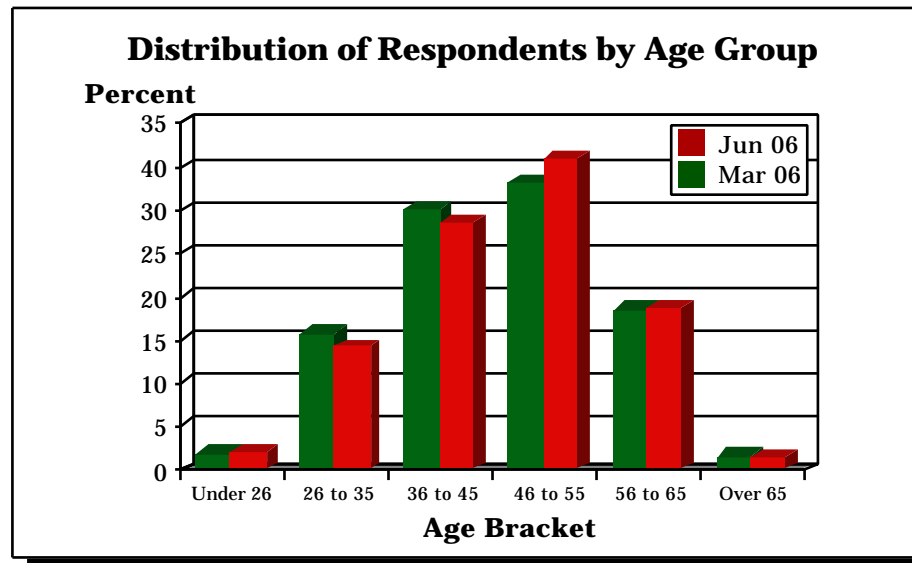
3.2 How old are you? (Q.2)

More than a third of respondents (36%) were aged between 46 and 55 with nearly another three out of ten (28%) being aged between 36 and 45.

Two out of ten respondents (20%) were aged over 55 whilst almost one in six (16%) were under 36 on this occasion.

Age Group	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
Under 26	2.0	1.7	1.9
26 to 35	18.8	15.6	14.1
36 to 45	32.2	29.9	28.4
46 to 55	33.2	33.0	35.8
56 to 65	12.4	18.4	18.5
Over 65	1.5	1.4	1.3
Base: All answering	(202)	(294)	(313)

Analysis of the results from this question reveals that the average age of respondents to the survey was 46 years, a figure which is up a little from 45 years three months ago.



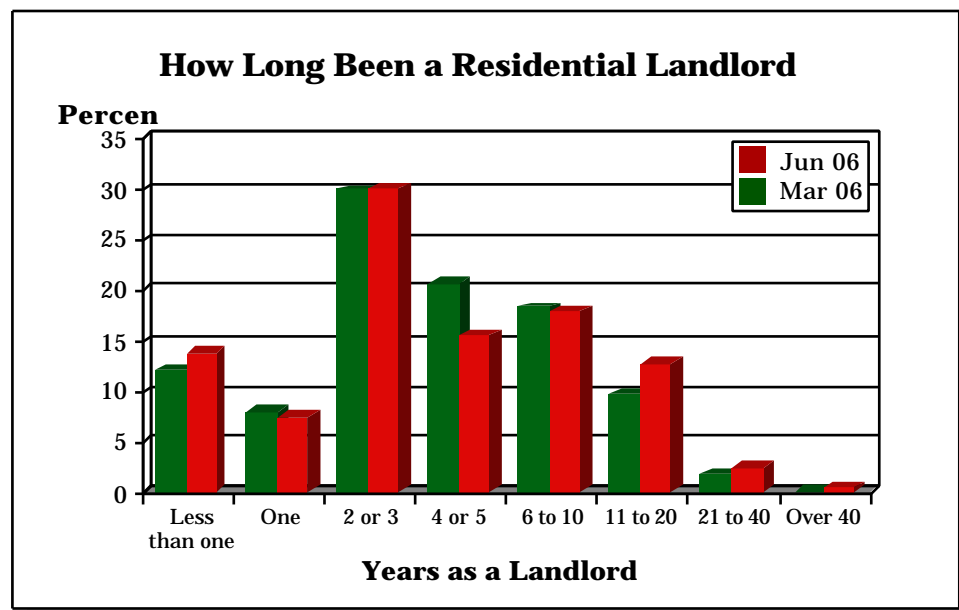
3.3 For how many years have you been a residential landlord? (Q.3)

Almost one in seven respondents (14%) had been residential landlords for less than a year with another 7% having been landlords for only one year.

At the other end of the scale, only a tiny minority of a little more than one in forty respondents (2.7%) had been residential landlords for more than 20 years.

Years as a Landlord	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
Less than one	13.3	12.0	13.8
One	9.2	7.9	7.4
2 or 3	34.7	29.9	30.0
4 or 5	18.9	20.6	15.5
6 to 10	12.8	18.2	17.8
11 to 20	9.7	9.6	12.8
21 to 40	1.5	1.7	2.4
Over 40	-	-	0.3
Base: All answering	(196)	(291)	(297)

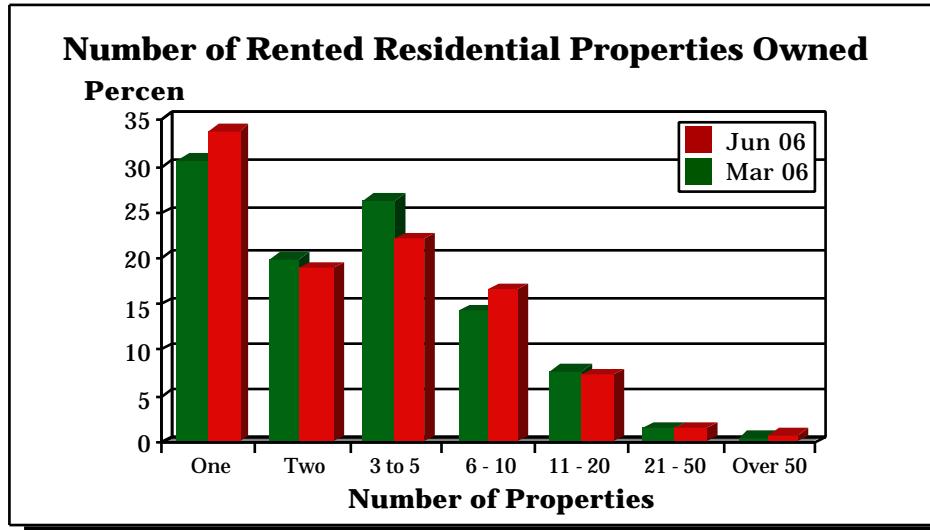
Simple analysis of these figures indicates that the average time for which respondents had been residential landlords was 5.8 years, a figure which is up from 5.2 years three months ago.



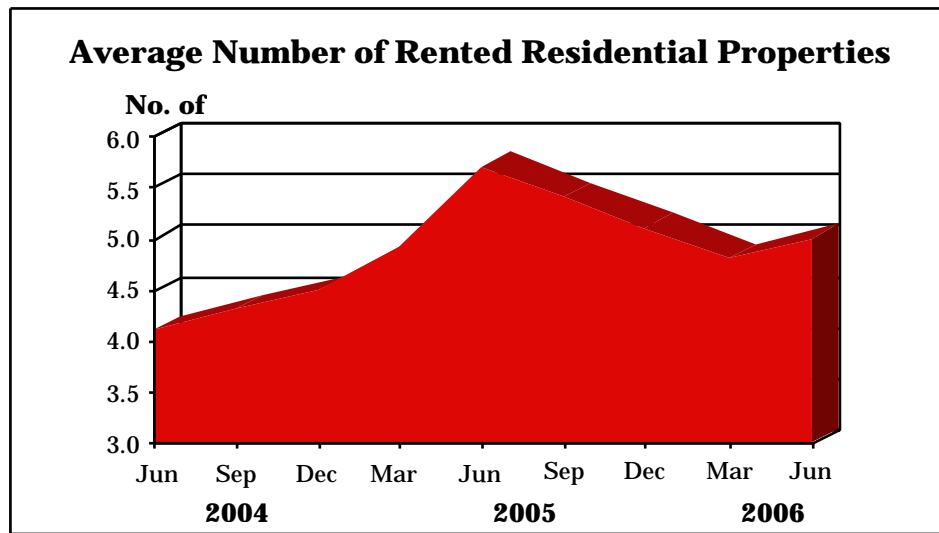
3.4 How many rented residential properties do you currently have in your portfolio? (Q.4)

More than half of all respondents (53%) had only one or two properties in their portfolios although a significant minority of almost one in ten (9%) had more than ten properties in theirs.

Number of Properties	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
One	27.0	30.6	33.7
Two	20.9	19.9	18.9
3 to 5	29.6	26.1	21.9
6 to 10	13.3	14.1	16.5
11 to 20	6.6	7.6	7.1
21 to 50	2.0	1.4	1.3
Over 50	0.5	0.3	0.7
Base: All answering	(196)	(291)	(297)



Analysis of these results shows that the average size of respondents' portfolios was 5.0 properties, up from an average of 4.8 properties three months ago but this change does no more than reverse the change seen then and is probably not significant.



As can be seen from the chart above, over the year to June 2005, the average number of properties in landlords' portfolios rose by 40%, from 4.1 to 5.7 properties before falling back to 4.8 properties by the Spring of this year. Whether this latest increase in the average marks a return to the upward trend remains to be seen.

3.5 In the next 12 months, do you expect to sell some or all of your let residential properties? If, YES, why? (Q.5 & Q.6)

More than eight out of ten respondents to this survey (82%) said that they did NOT expect to sell some or all of their let residential properties in the next 12 months.

Nevertheless, a significant minority of nearly one in eight respondents (12%) said they did have such expectations with just 6% being unsure whether they would be selling any properties or not.

Response	Percent of Respondents (%)
	Jun 06
Yes	12.1
No	81.8
Don't know	6.1
Base: All answering	(297)

The following question, Q.7 asked, of those who had said that they did expect to sell some or all of their let residential properties, why that was their intention.

The only offered options were retiring or other reason and only 5 respondents out of 36 gave retiring as the reason for selling let residential properties within the next 12 months with the rest saying there was some other reason.

Amongst the other reasons given the only two to be given by more than three respondents were: to raise capital/realise gain (11 mentions) and poor return (5 mentions).

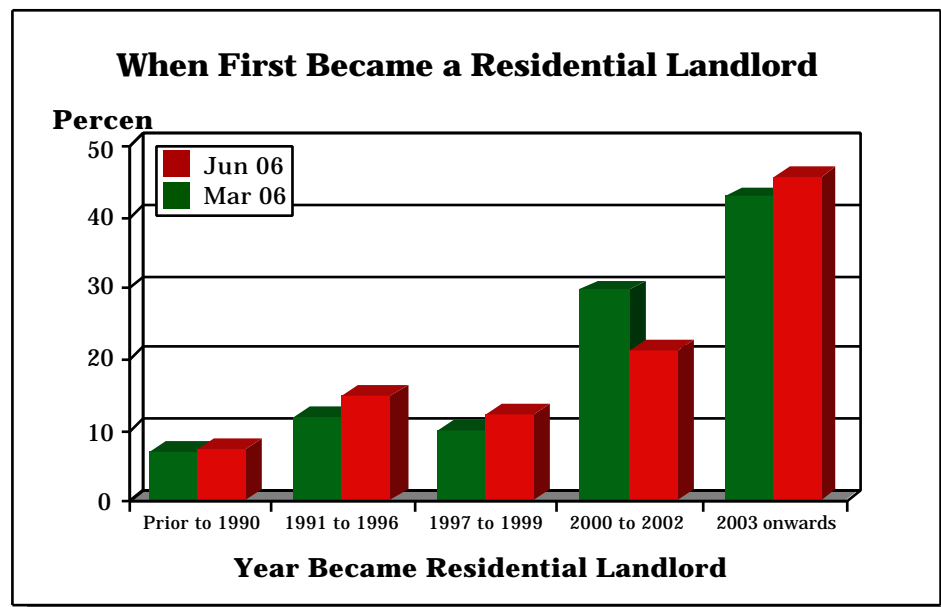
3.6 How long ago did you first become a (Buy to Let) residential investment landlord? (Q.7)

Two thirds of respondents to this survey (66%) had become residential landlords since the beginning of 2000 with getting on for half (45%) having done so since the beginning of 2003.

Only a small minority of one in fourteen respondents (7%) had first become residential landlords earlier than 1990.

When Became a Landlord	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
Prior to 1990	4.6	6.7	7.1
1991 to 1996	11.3	11.6	14.6
1997 to 1999	12.9	9.8	11.9
2000 to 2002	30.9	29.5	21.0
2003 onwards	40.2	42.5	45.4
Base: All answering	(194)	(285)	(295)

Compared with three months ago, there were some changes with fewer respondents who first became landlords between 2000 and 2002 and slightly more for each of the other periods.

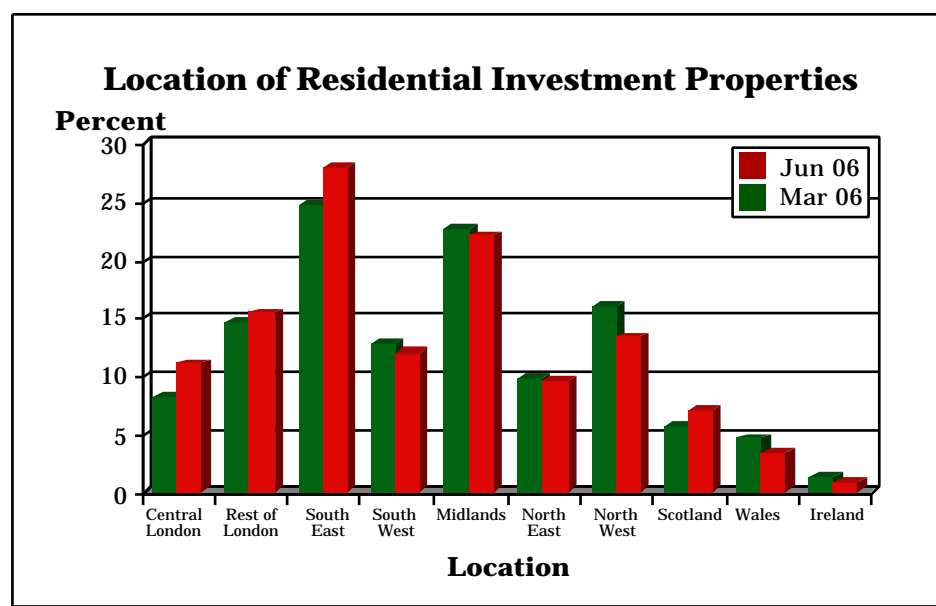


3.7 Where are your residential investment properties located? (Q.8)

More than half of all respondents (54%) said that they had properties in the South East with more than a quarter (27%) saying they had properties in London.

Location	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
Central London	7.0	8.2	11.0
Rest of London (<i>inside M25</i>)	16.1	14.5	15.5
South East (<i>outside M25</i>)	22.8	24.8	27.8
South West	9.3	12.8	12.0
Midlands	23.3	22.7	22.0
North East	14.5	9.9	9.6
North West	11.9	16.0	13.4
Scotland	9.3	5.7	7.2
Wales	2.6	4.6	4.6
Ireland	0.5	1.4	1.4
Base: All answering	(193)	(282)	(291)

Compared with three months ago, the biggest differences are that there were fewer respondents with properties in the North West and more respondents with properties in the Central London and the South East.



Comparing the distribution of properties with the distribution of landlords shows that a much higher proportion of landlords say they have properties in the South East, the Midlands, the North East, the North West and Scotland than actually live in that part of the country.

This also applies, but to a lesser extent, to most of the other regions suggesting that it is not at all uncommon for landlords to have properties in more than one region.

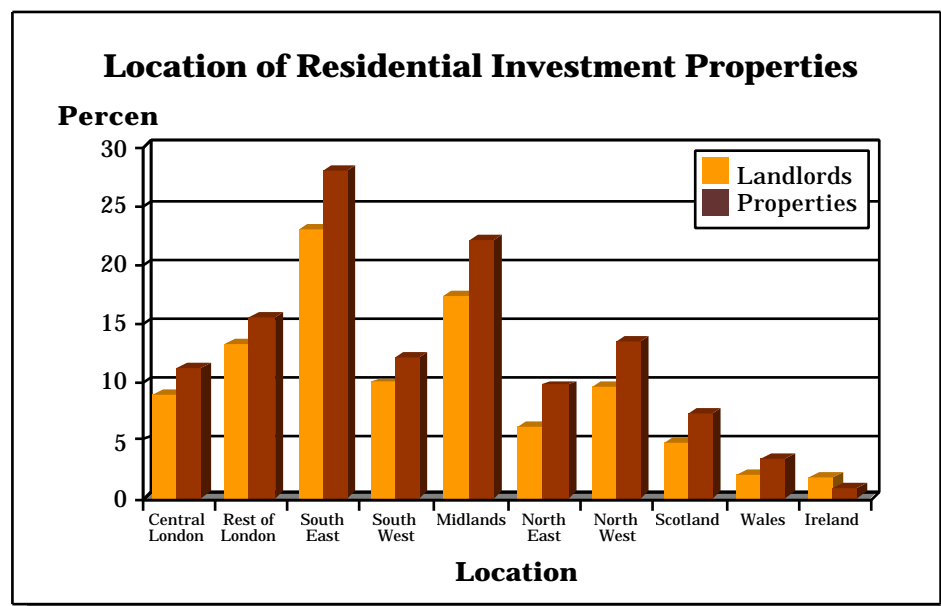
Taking the North of the country as a whole from the Midlands to Scotland, it can be seen that many landlords who have properties in the North of the country actually live in the South with 52% of landlords having properties in the North but only 37% of them living there.

However, the same could be said of the South with 66% of respondents saying they had properties in the South of the country but only 55% of them saying they lived there.

Location **Percent of Landlords & Properties (%)**
Landlords Properties

Central London	8.8	11.0
Rest of London (<i>inside M25</i>)	13.1	15.5
South East (<i>outside M25</i>)	22.9	27.8
South West	9.8	12.0
Midlands	17.2	22.0
North East	9.4	9.6
North West	6.1	13.4
Scotland	4.7	7.2
Wales	2.0	3.4
Ireland	1.7	1.0

Base: All answering (297) (291)



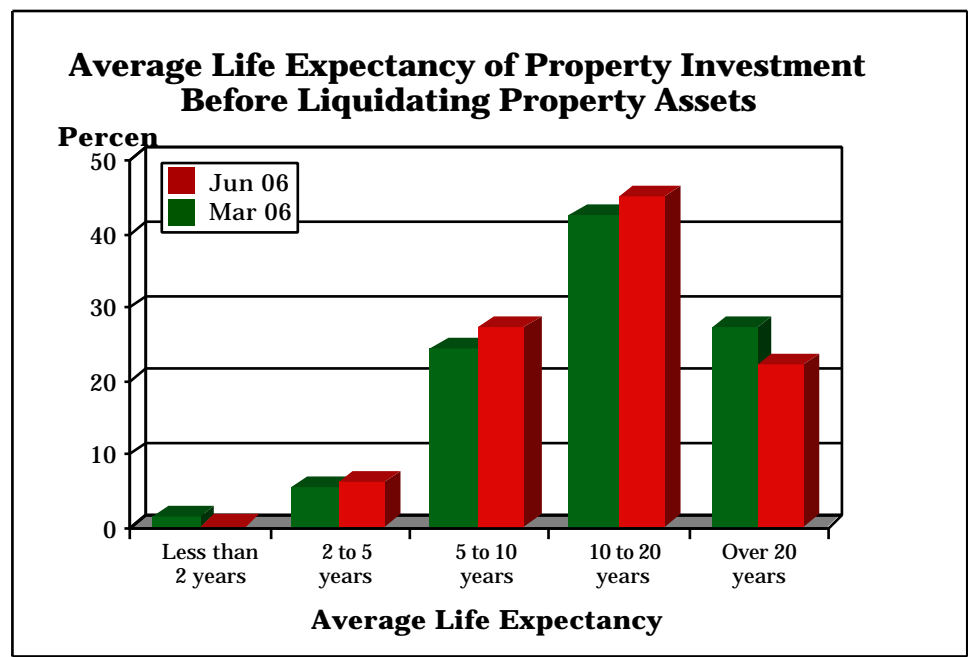
3.8 From original acquisition time, what do you expect to be the average life expectancy of your property investment, before you liquidate your property assets? (Q.9)

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, only a little more than one in twenty landlords (6.1%) see their investment as being for 5 years or less and, on this occasion, none saw it as being very short term (i.e. less than 2 years).

Average Life Expectancy	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
Less than 2 years	3.1	1.1	-
2 to 5 years	6.3	5.3	6.1
5 to 10 years	30.2	24.3	27.0
10 to 20 years	38.0	42.3	45.1
Over 20 years	22.4	27.1	21.8
Base: All answering	(192)	(284)	(293)

Simple analysis of these results reveals that the average life expectancy of their property investments for all respondents is 16.2 years, a figure which is down from 17.0 years in the last survey three months ago. However, once again, this change does little more than reverse the change seen then and is unlikely to be significant.



3.9 Why did you first decide to invest in residential property? (Q.10)

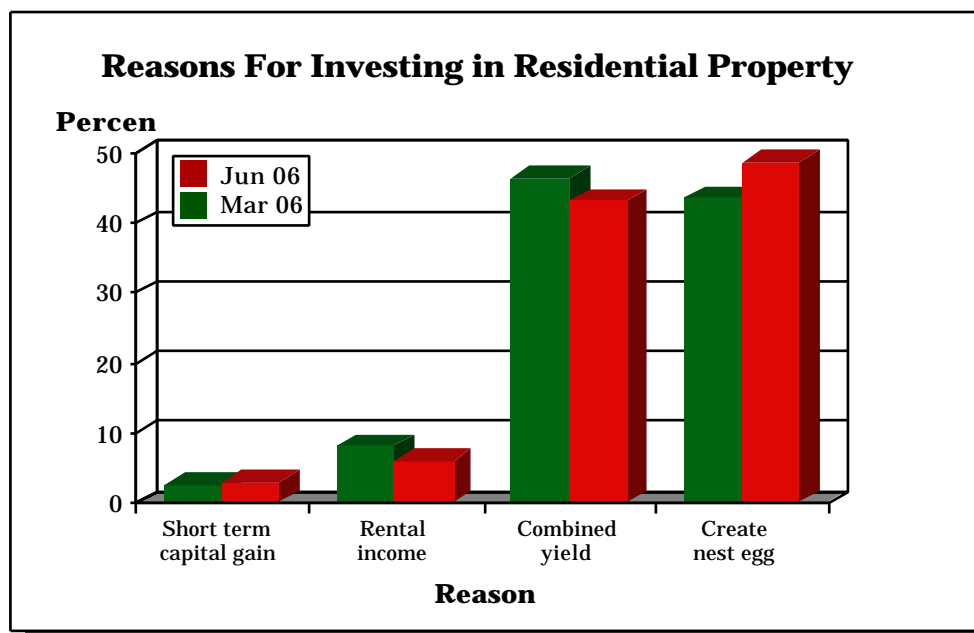
Most residential landlords are split between those who became residential landlords in order to achieve a combined yield from rental income and capital appreciation (43%) and those who did so in order to create a nest egg for their long term future (49%).

More than one in twenty respondents (6%) said they became landlords in order to obtain a stream of rental income whilst only a little more than one in forty (2.7%) 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	
	Mar 06	Jun 06
Short term capital gain (less than 5 years)	2.5	2.7
Rental income	7.8	5.8
Combined yield from rental income & capital appreciation	46.3	43.0
Create nest egg for long term future	43.5	48.5
Base: All answering	(283)	(291)

Compared with three months ago, fewer respondents said they had become landlords in order to achieve a combined yield from rental income and capital appreciation (43% compared with 46% in March) whilst more said they had done so in order to create a nest egg for the future (up from 44% to 49%).

These changes are within the normal range of fluctuation for this question and are probably not significant.



3.10 If house prices were to fall, would you sell your residential property investments? (Q.11)

Getting on for nine out of ten respondents to this question (87%) said they would not sell their residential property investments if house prices were to fall with more than another one in ten (12%) being unsure whether they would or not.

Only a tiny minority of 1.5% said that they would sell their residential property investments if house prices were to fall.

Response	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
Yes	4.1	1.4	1.5
No	88.7	89.4	86.7
Don't know	7.2	9.2	11.6
Base: All answering	(194)	(282)	(293)

Compared with three months ago, respondents were, on average, a little less certain that they would not sell their residential property investments if house prices were to fall.

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

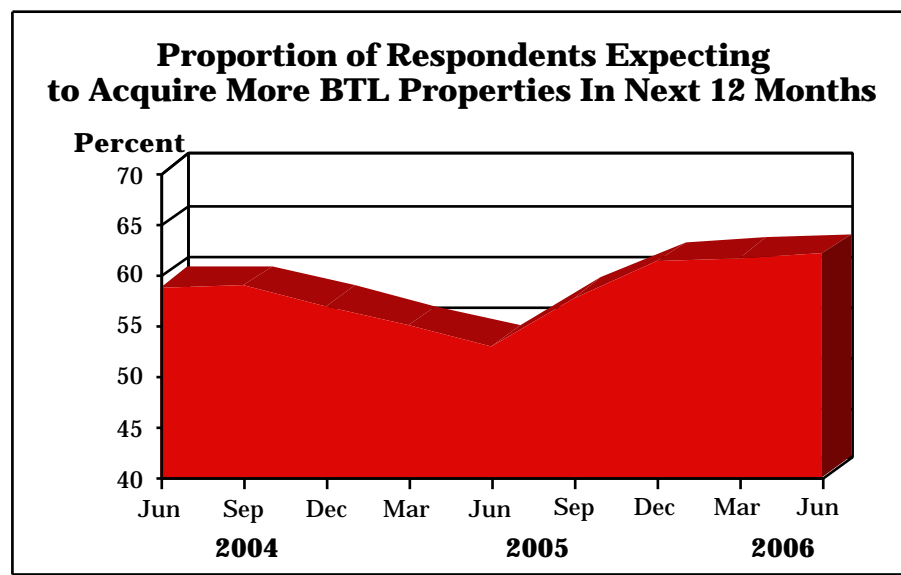
More than six out of ten respondents (62%) said that they expected to acquire further Buy to Let investment properties during the next 12 months but getting on for two out of ten (17%) said that they did not.

In addition, more than two out of ten landlords (21%) were unsure whether or not they would acquire further properties in the next year.

Response	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
Yes	61.3	61.7	62.1
No	26.8	22.3	17.1
Don't know	11.9	16.0	20.8
Base: All answering	(194)	(282)	(293)

for the second time in a row, there was a lower proportion of respondents who said they would not be acquiring further properties in the next 12 months this time (down from 22% to 17%) but the proportion saying they would was little changed with the proportion who were unsure increasing (from (16% to 21%) to take up the slack.

As the chart below shows, having declined for a year between June 2004 and June 2005, the proportion of respondents expecting to acquire further BTL properties in the next 12 months has risen for the last four quarters although the increase in the last two has been relatively small.

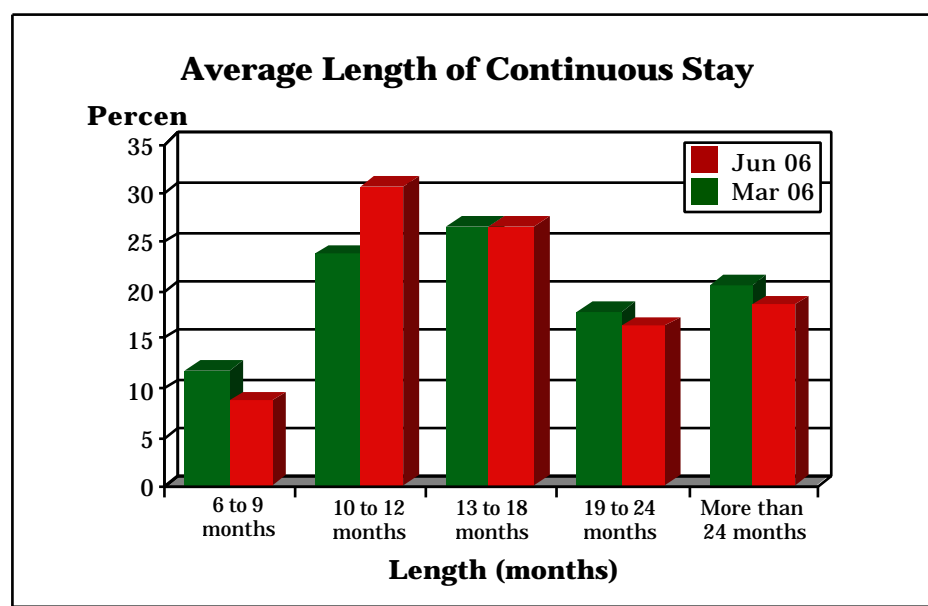


3.12 Irrespective of the length of any initial fixed term, on average how long are the same tenants staying continuously in the same property? (Q.13)

Nearly six out of ten respondents (57%) said the average length of a tenant's continuous stay in the same property was between ten and eighteen months. However, nearly two out of ten (18%) said the average stay was more than two years whilst only half as many (9%) said the average stay was less than ten months.

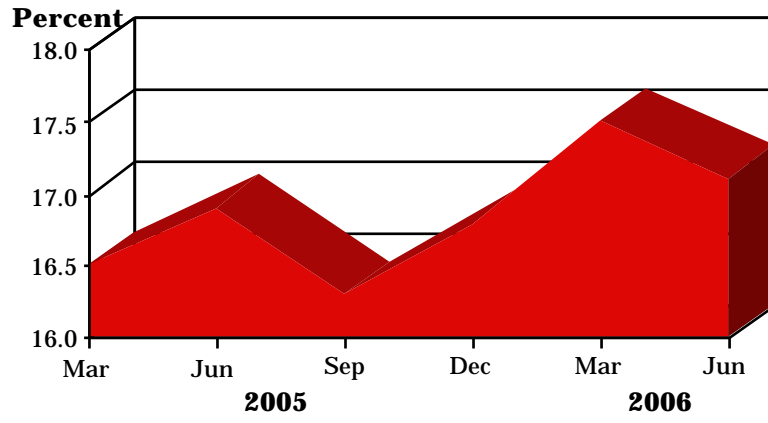
Length of Fixed Term Tenancy	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
6 to 9 months	14.0	11.7	8.5
10 to 12 months	24.7	23.5	30.5
13 to 18 months	26.4	26.5	26.5
19 to 24 months	18.0	17.8	16.2
More than 24 months	16.9	20.5	18.4
Base: All answering	(192)	(278)	(291)

Analysis of these figures shows that the average length of a tenant's continuous stay in the same property is 17.1 months.



Compared with the last survey, the average length of time that tenants stay in the same property is down slightly from 17.5 to 17.1 months but, as can be seen from the chart below, this reduction comes after two quarters of quite large increases and the figure remains at an historically high level.

Average Length of Time During Which Tenants Stay in the Same Property



3.13 **Approximately, what proportion of your lets fall into each of the following categories? (Q.14)**

Most respondents tended to have either all or none of their properties in each management category.

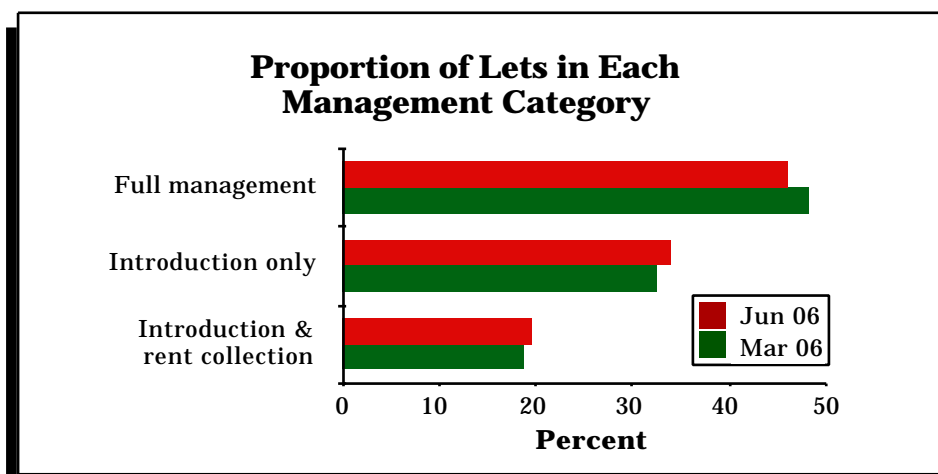
Proportion of Lets	Percent of Respondents Mar 06 (%)		
	Introduction only	Intro & Rent collection	Full management
None	36.3	55.4	22.0
Up to 10%	7.4	5.9	4.5
11% to 25%	1.5	5.0	3.6
26% to 50%	7.4	8.9	4.9
51% to 75%	4.4	2.0	3.1
76% to 90%	5.2	1.0	1.3
Over 90%	37.8	21.8	60.5
Base: All answering	(135)	(101)	(223)

Analysis of the responses to this question indicates that getting on for half of all respondents' let properties (46%) are let under full management compared with slightly more than a third (34%) being let on an introduction only basis and two out of ten (20%) on an introduction and rent collection basis.

Response	Average Proportion of Lets (%)		
	Dec 05	Mar 06	Jun 06
Introduction only	32.7	32.6	33.9
Introduction & rent collection	20.4	18.9	19.9
Full management	46.9	48.4	46.2

Base: All answering (varies)

Compared with three months ago, there has been little change although slightly fewer properties are now let under full management (46% compared with 48%) with slightly more being let on an introduction and rent collection basis (20% compared with 19%) and on an introduction only basis (34% compared with 33%). Once again, however, these changes do little more than reverse the changes seen last time.



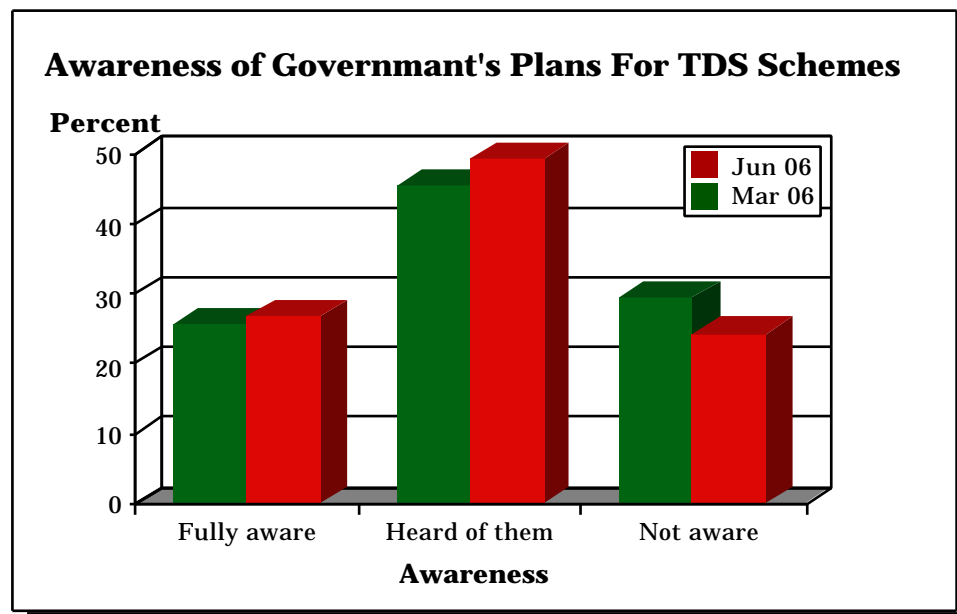
3.14 Do you know what plans the Government has with regard to the introduction of Tenancy Deposit Schemes? (Q.15)

Nearly three quarters of respondents (73%) are not fully aware of the Government's plans with regard to the introduction of Tenancy Deposit Schemes with only a little more than a quarter (27%) saying that they are fully aware of them.

On the other hand, almost half (49%) have heard of the plans but don't know the details. Less than a quarter (24%) say they are not aware of the plans at all.

Response	Percent of Respondents (%)	
	Mar 06	Jun 06
Yes, I am fully aware	25.4	26.7
I have heard of them, but don't know details	45.2	49.3
Not aware	29.4	24.0
Base: All answering	(279)	(288)

Compared with three months ago, more respondents had at least heard of the Government's TDS plans (up from 71% to 73%) and the proportion who said they were not aware at all was down from 29% to 24%.



3.15 **What proportion of properties you let are Houses in Multiple Occupation (HMOs), i.e. houses occupied by 3 or more unrelated tenants? (Q.16)**

Only a minority of landlords (17%) have any let properties which are Houses in Multiple Occupation (HMOs) although there are a few (6%) who, say that all of their let properties are HMOs.

Simple analysis of these figures reveals that for respondents to this survey, the average proportion of their properties which are HMOs is 9%. However, amongst those who have any such properties at all, the average proportion is much higher at 54%.

Proportion of Properties	Percent of Respondents (%)		
	Dec 05	Mar 06	Jun 06
None	83.7	84.2	82.6
1% to 10%	4.7	3.6	3.5
11% to 25%	1.6	0.7	3.5
26% to 50%	2.6	4.0	2.8
51% to 75%	2.1	1.8	1.0
76% to 99%	1.1	1.1	0.3
All	4.2	4.7	5.9
Base: All answering	(201)	(278)	(288)

Compared with the last survey three months ago, there has been little change and the average proportion of let properties which are HMOs remains at 9% although the average for those who have any HMOs at all has fallen from 54% to 50%.

