

Prepared for

**The Association of Residential Letting Agents
& the ARLA Group of Buy to Let Mortgage Lenders:**

**Bank of Ireland Mortgages
Cheltenham & Gloucester
GMAC Residential Funding
Mortgage Express
NatWest
Paragon Mortgages**

**ARLA Survey
of
Residential Investment Landlords**

June 2007

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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 2007, ARLA conducted the second survey of the year. This survey ran during the months of May and June.

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 21 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 261 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

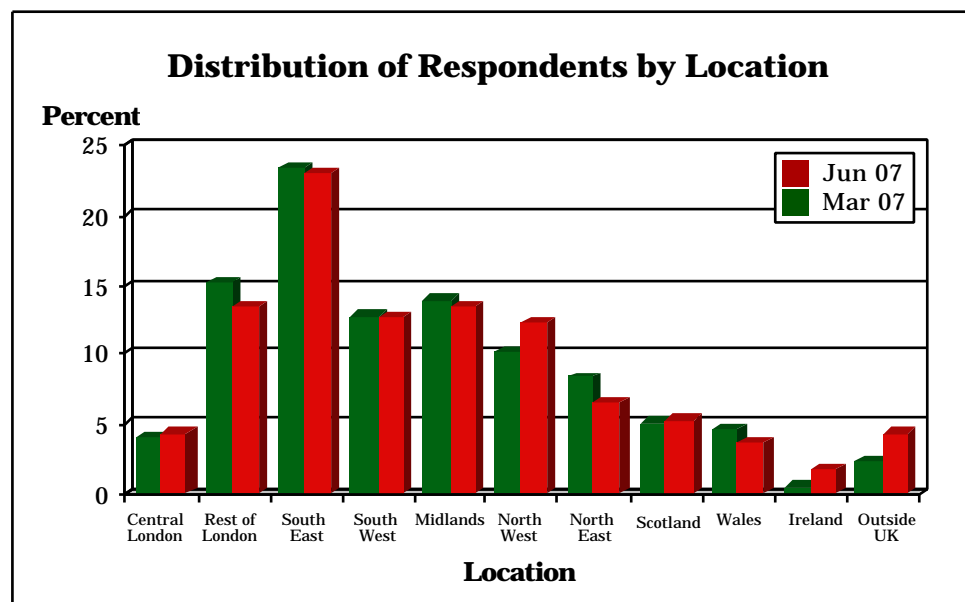
The following sections detail the results of the ARLA Web Site survey of residential landlords conducted during the months of May & June 2007.

3.1 Where do you live? (Q.1)

More than four out of ten respondents to the survey (41%) were from the South East of England (including London) with nearly two out of ten (18%) being from London itself. The Midlands was the region producing the next highest proportion of respondents (13%).

Almost another 13% of respondents were from the South West and 12% were from the North West. Less than one in twenty respondents (4%) were living outside the UK when they completed the questionnaire.

Location	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Central London	3.9	4.1	4.3
Rest of London (<i>within M25</i>)	14.3	15.1	13.4
South East (<i>outside M25</i>)	26.1	23.4	22.9
South West	11.7	12.8	12.6
Midlands	13.5	13.8	13.4
North West	10.0	10.1	12.1
North East	7.0	8.3	6.5
Scotland	7.8	5.0	5.2
Wales	3.0	4.6	3.5
Ireland	0.9	0.5	1.7
Outside UK	1.7	2.3	4.3
Base: All answering	(252)	(218)	(231)



Compared with the last quarter's survey, there are one or two differences in the composition of the sample by geographic region with fewer respondents from London outside the M25, the North East and Wales and more from the North West, Ireland and from outside the UK.

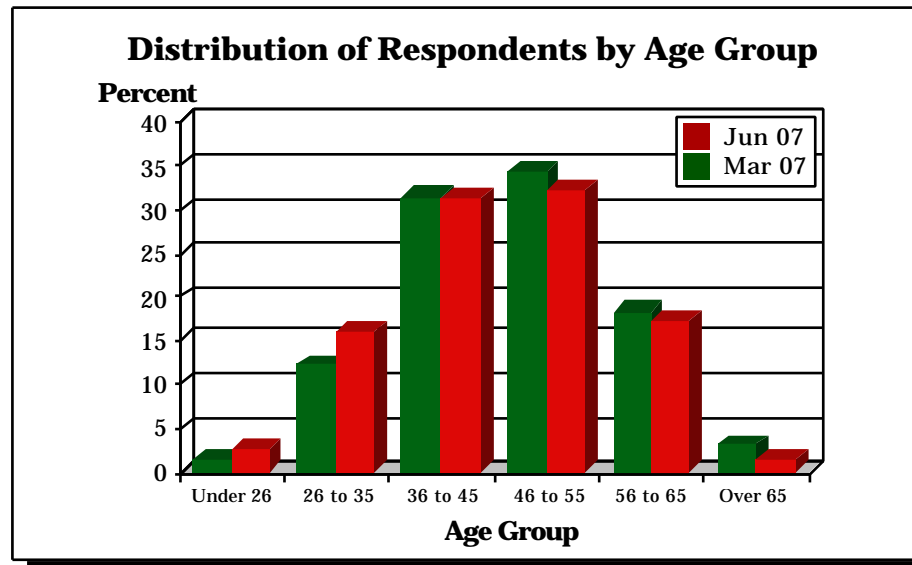
3.2 How old are you? (Q.2)

Nearly a third of respondents (32%) were aged between 46 and 55 with more than another three out of ten (31%) being aged between 36 and 45.

Almost two out of ten respondents (19%) were aged over 55 with the same proportion being under 36 on this occasion.

Age Group	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Under 26	2.0	1.3	2.6
26 to 35	9.9	12.1	15.9
36 to 45	35.2	31.2	31.0
46 to 55	33.6	34.2	31.9
56 to 65	17.8	18.2	17.2
Over 65	1.6	3.0	1.3
Base: All answering	(253)	(231)	(232)

Analysis of the results from this question reveals that the average age of respondents to the survey was 45.0 years, a figure which is down from 46.5 years three months ago.



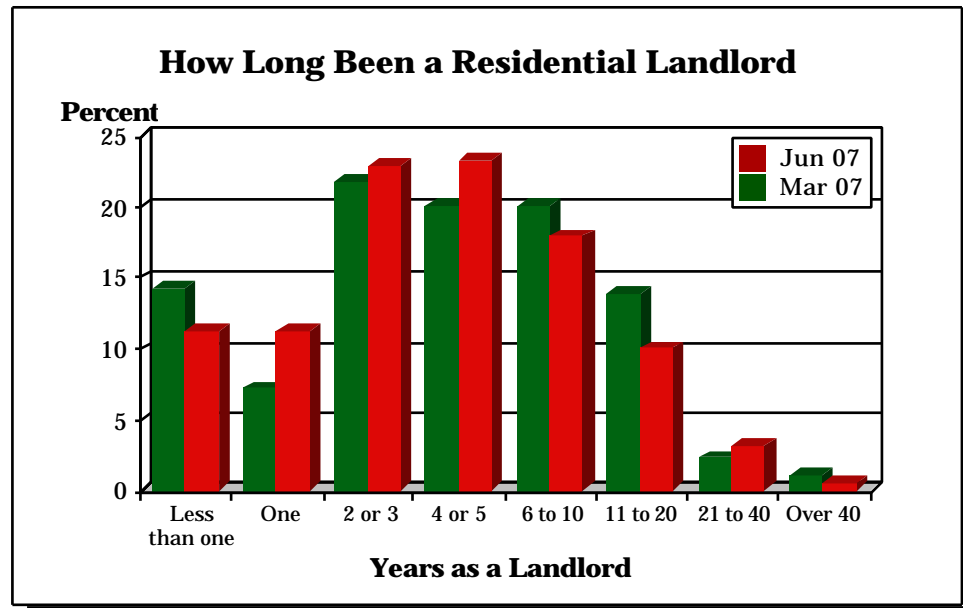
3.3 For how many years have you been a residential landlord? (Q.3)

More than two out of ten respondents (22%) had been residential landlords for one year or less whilst 13% had been residential landlords for more than 10 years.

However, the majority of nearly two thirds (64%) had been residential landlords for between 2 and 10 years.

Years as a Landlord	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Less than one	20.1	14.2	11.2
One	8.2	7.1	11.2
2 or 3	26.2	21.8	22.9
4 or 5	16.4	20.0	23.3
6 to 10	14.8	20.0	17.9
11 to 20	11.9	13.8	9.9
21 to 40	2.5	2.2	3.1
Over 40	-	0.9	0.4
Base: All answering	(244)	(225)	(223)

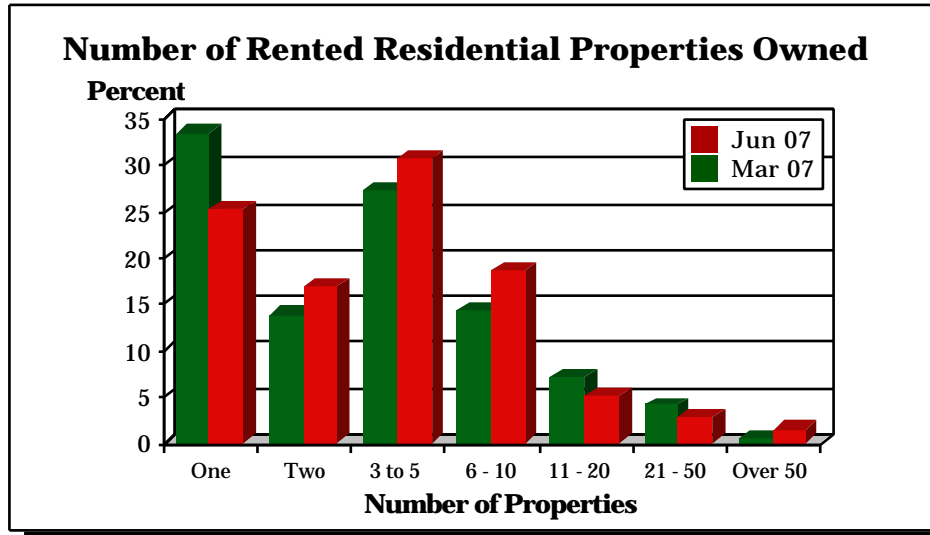
Simple analysis of these figures indicates that the average time for which respondents had been residential landlords was 5.9 years, a figure which is down a little from 6.4 years three months ago.



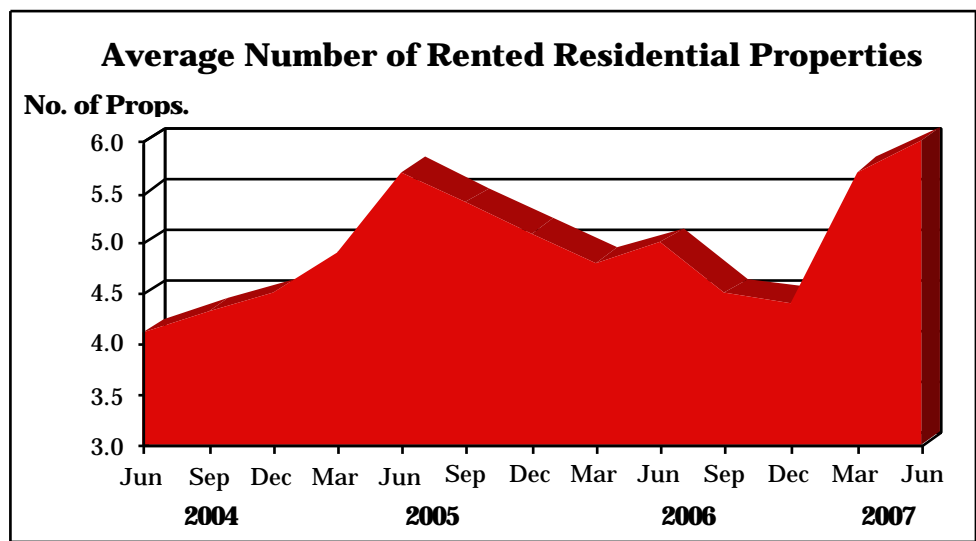
3.4 How many rented residential properties do you currently have in your portfolio? (Q.4)

More than four out of ten of all respondents (42%) had only one or two properties in their portfolios whilst almost one in ten (9%) had more than ten properties in theirs.

Number of Properties	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
One	35.8	33.3	25.2
Two	21.8	13.8	16.7
3 to 5	27.2	27.1	30.6
6 to 10	9.5	14.2	18.5
11 to 20	2.9	7.1	5.0
21 to 50	2.1	4.0	2.7
Over 50	0.8	0.4	1.4
Base: All answering	(243)	(225)	(222)



Analysis of these results shows that the average size of respondents' portfolios was 6.0 properties, up from an average of 5.7 properties three months ago.



As can be seen from the chart above, over the year to June 2005, the average number of properties in respondents' portfolios rose by 40%, from 4.1 to 5.7 properties before falling back to 4.4 properties by the end of last year. The large increase seen three months ago took the average number of properties to its highest ever level of 5.7 properties and the increase this quarter has resulted in another record high at 6.0 properties.

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)

Almost eight out of ten respondents to this survey (79%) 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 one in eight respondents (13%) said they did have such expectations with almost another one in ten (10%) being unsure whether they would be selling any properties or not in the next 12 months.

Response	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Yes	8.6	12.4	12.6
No	81.9	77.8	78.5
Don't know	9.5	9.8	9.0
Base: All answering	(243)	(225)	(223)

Compared with three months ago, there has been very little change in the responses to this question.

The following question (Q.6) 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”. Only 2 respondents out of 28 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 ones to be given by more than two respondents were: to raise capital/realise gain (12 mentions), poor return (5 mentions) and to purchase other properties (4 mentions).

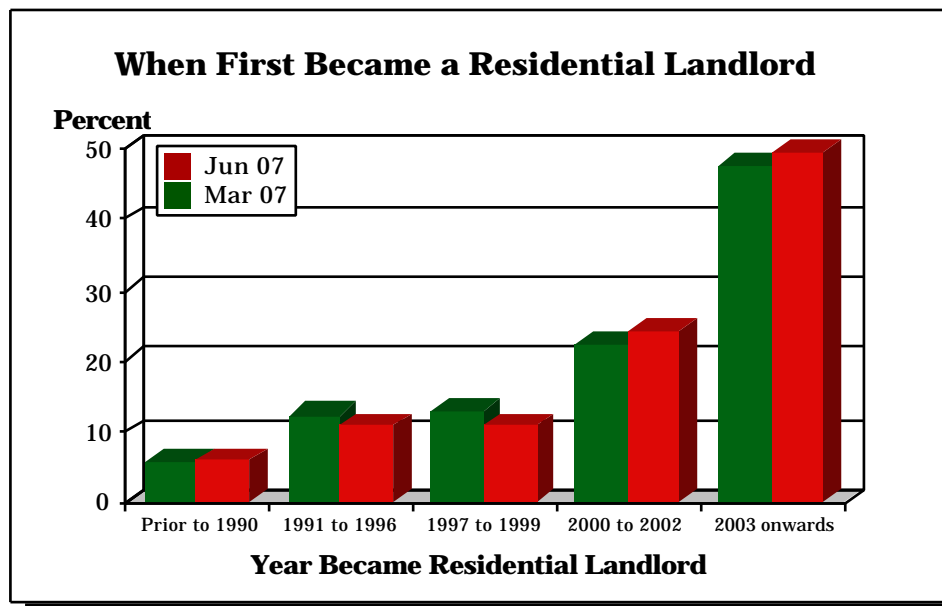
3.6 How long ago did you first become a (Buy to Let) residential investment landlord? (Q.7)

Almost three quarters of respondents to this survey (74%) had become residential landlords since the beginning of 2000 with half (50%) having done so since the beginning of 2003.

Only a small minority of a little more than one in twenty respondents (5.5%) had first become residential landlords earlier than 1990.

When Became a Landlord	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Prior to 1990	4.6	5.4	5.5
1991 to 1996	11.7	12.2	10.5
1997 to 1999	9.2	12.7	10.5
2000 to 2002	23.3	22.2	24.1
2003 onwards	51.3	47.5	49.5
Base: All answering	(240)	(221)	(220)

Compared with three months ago, there was little change in the results from this question although there were a few more respondents in the post 2000 categories and few less in the 1991 to 1999 categories.

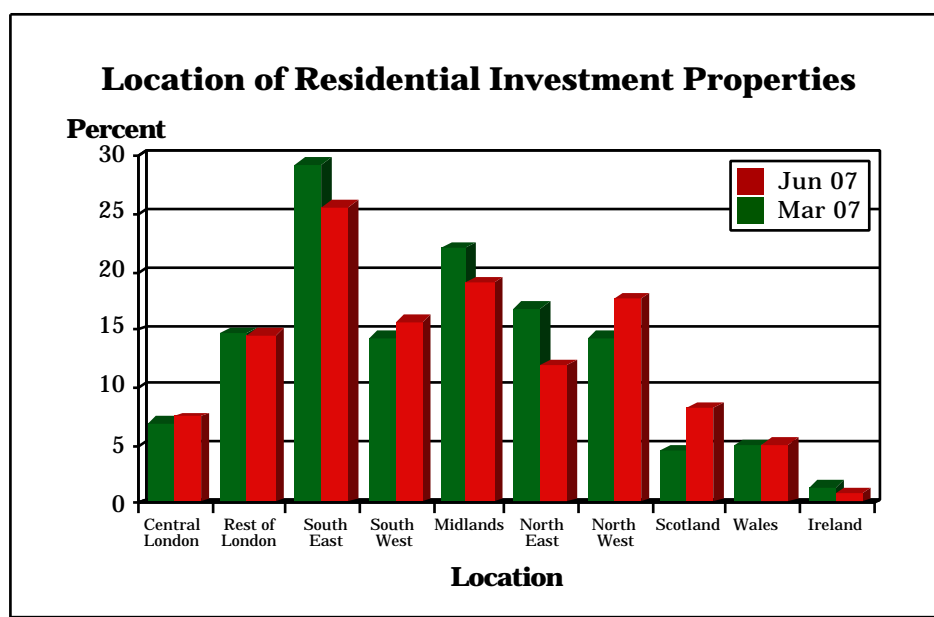


3.7 **Where are your residential investment properties located? (Q.8)**

Nearly half of all respondents (47%) said that they had properties in the South East (including London) with more than two out of ten (22%) saying they had properties in London itself.

Location	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Central London	7.5	6.8	7.4
Rest of London (<i>inside M25</i>)	13.4	14.6	14.4
South East (<i>outside M25</i>)	27.6	29.2	25.5
South West	11.7	14.2	15.7
Midlands	18.0	21.9	19.0
North East	14.6	16.9	12.0
North West	12.6	14.2	17.6
Scotland	9.6	4.6	8.3
Wales	2.5	5.0	5.1
Ireland	1.3	1.4	0.9
Base: All answering	(239)	(219)	(216)

Compared with three months ago, there were fewer respondents with properties in the South East (excluding London), the Midlands and the North East but more respondents with properties in the South West, the North West and Scotland.



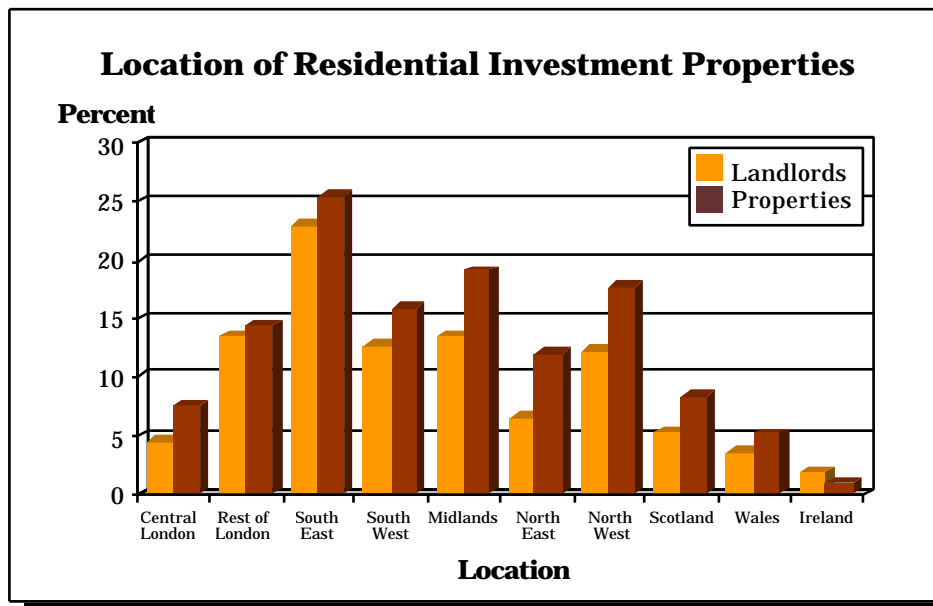
Comparing the distribution of properties with the distribution of respondents shows that a higher proportion of landlords said they had properties in every region except Ireland than actually lived in that part of the country.

However, the biggest differences are found in the Midlands, the North East and the North West suggesting that there are more landlords based in the south of the country who own rented properties in the North than vice versa.

Location **Percent of Landlords & Properties - Jun 07 (%)**

	Landlords	Properties
Central London	4.3	7.4
Rest of London (<i>inside M25</i>)	13.4	14.4
South East (<i>outside M25</i>)	22.9	25.5
South West	12.6	15.7
Midlands	13.4	19.0
North East	6.5	12.0
North West	12.1	17.6
Scotland	5.2	8.3
Wales	3.5	5.1
Ireland	1.7	0.9

Base: All answering (219) (216)



3.8 What proportion of the residential properties you have bought are of each type? (Q.9)

Respondents to this survey were most likely to have bought properties in good condition than any of the other types listed with more than four out of ten respondents (41%) saying that more than three quarters of the properties they had bought were of this type.

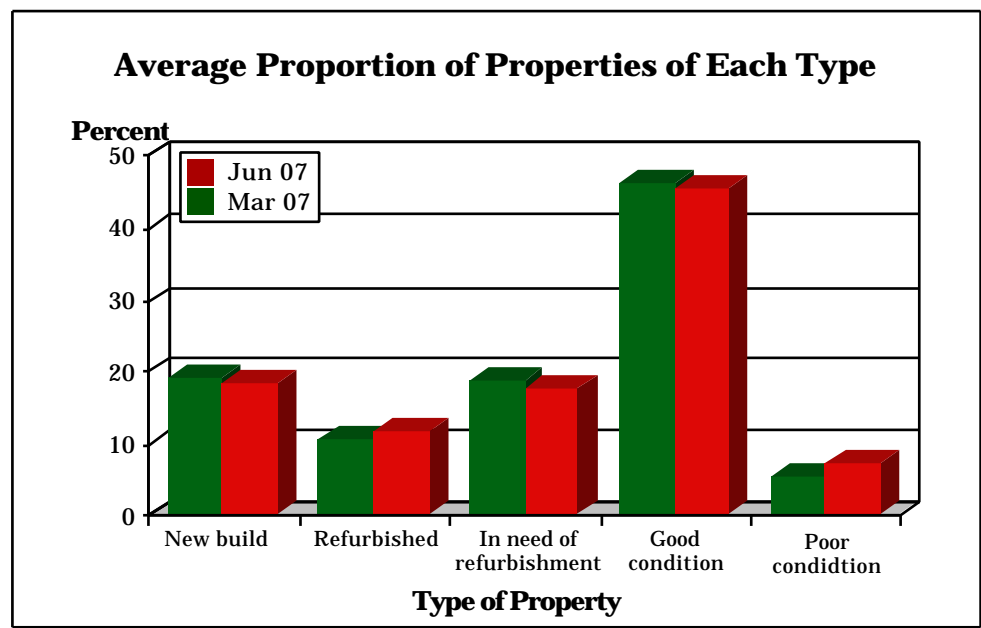
Proportion of Properties	Percent of Respondents - Jun 07 (%)				
	New build	Refurbished	In need of refurb.	Good cond.	Poor cond.
None	67.4	77.1	62.5	32.3	85.4
Up to 25%	7.8	7.8	11.7	9.3	4.9
26% to 50%	6.8	3.4	11.7	11.7	2.9
51% to 75%	4.9	3.4	2.9	5.8	1.9
Over 75%	13.1	8.3	11.2	40.9	4.9

Base: All answering (205)

Analysis of these responses reveals that the most popular type of property with landlords has been those in good condition with, on average, nearly half of properties bought (45%) being of that type. Next most popular have been new builds (18%) and properties in need of refurbishment (18%). Least likely to have been bought by landlords are refurbished properties (12%) and properties in poor condition (7%).

Type of Property	Average Percent of Properties (%)	
	Mar 07	Jun 07
New build	19.1	18.2
Refurbished	10.6	11.7
In need of refurbishment	18.6	17.6
Good condition	46.1	45.3
Poor condition	5.5	7.2

Base: All answering (212) (205)



Compared with three months ago, there has been very little change in the average proportions of each type of property which have been bought by respondents.

3.9 What proportion of the residential properties you have bought fall into each age band? (Q.10)

Respondents have tended to favour properties aged between 51 and 100 years with 22% saying that more than three quarters of the properties they have bought have been of this age. Next most popular with landlords are new properties up to ten years old with 19% of respondents saying more than three quarters of their purchases have been of this age.

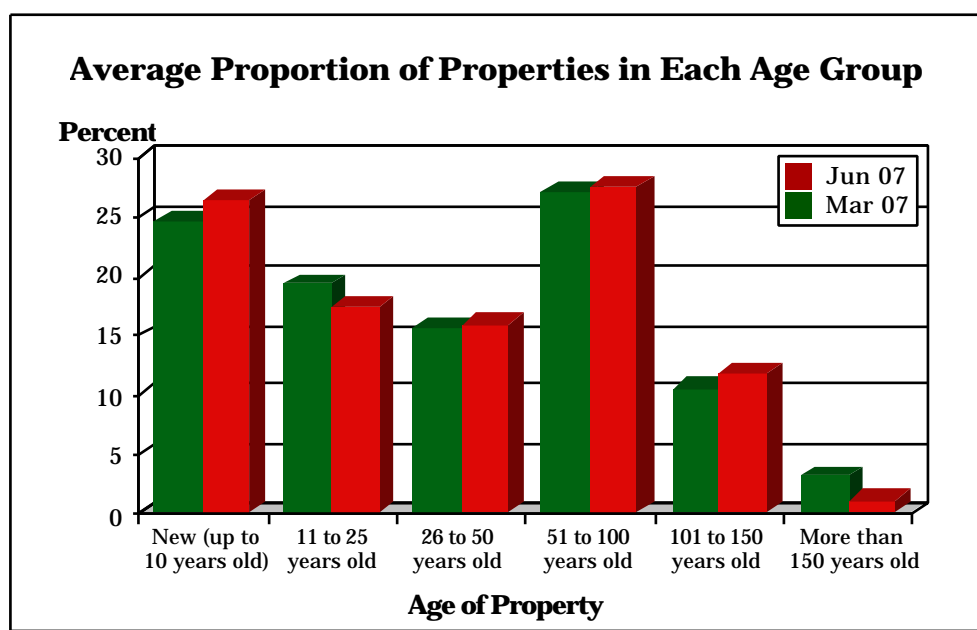
Proportion of Properties	Percent of Respondents - Jun 07 (%)					
	New (up to 10)	11 to 25	26 to 50	51 to 100	101 to 150	Over 150
None	54.5	66.7	67.3	53.4	76.1	97.8
Up to 25%	9.4	8.9	10.5	11.1	6.7	1.1
26% to 50%	9.4	8.3	8.3	6.7	6.7	0.0
51% to 75%	7.8	4.4	2.8	7.2	3.3	0.0
Over 75%	18.9	11.7	11.1	21.6	7.2	1.1

Base: All answering (186)

Analysis of these responses reveals that the most popular property ages with landlords have been those between 51 and 100 years old (28%) and those which are up to ten years old (26%). Least likely to have been bought by landlords are properties more than 150 years old (1%).

Age of Property	Average Percent of Properties (%)	
	Mar 07	Jun 07
New (up to 10 years old)	24.6	26.3
11 to 25 years old	19.3	17.3
26 to 50 years old	15.5	16.0
51 to 100 years old	27.0	27.5
101 to 150 years old	10.4	11.8
More than 150 years old	3.1	1.1

Base: All answering (186) (180)



Compared with the survey in March, there has been little change in the average proportions of properties purchased by respondents which fall into each age group.

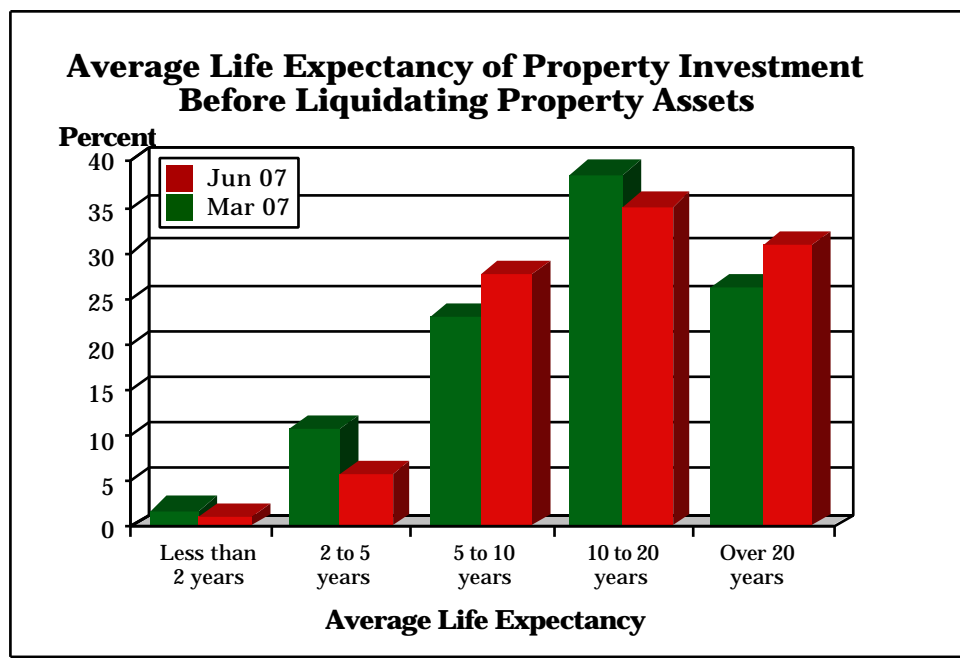
3.10 From original acquisition time, what do you expect to be the average life expectancy of your property investment, before you liquidate your property assets? (Q.11)

Clearly the vast majority of residential landlords are in the business for the long term with almost two thirds (66%) saying that the average life expectancy of their property investments is more than 10 years.

In fact, only one in fifteen landlords (7%) see their investment as being for 5 years or less and hardly any (less than 1%) see it as being very short term (i.e. less than 2 years).

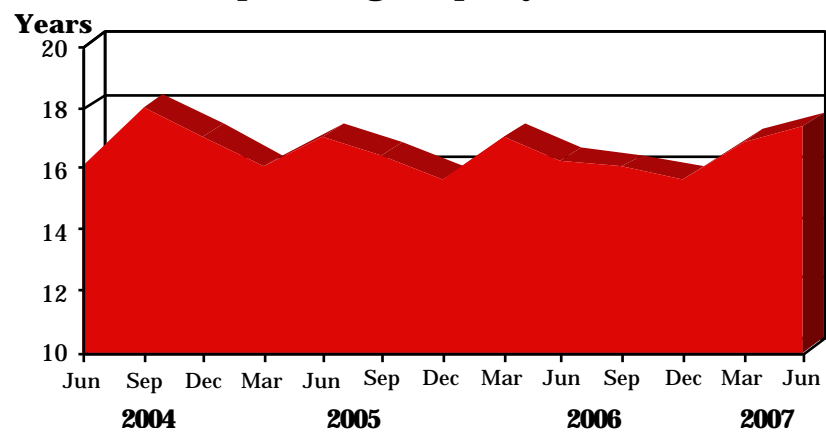
Average Life Expectancy	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Less than 2 years	0.4	1.8	0.9
2 to 5 years	9.7	10.6	5.7
5 to 10 years	33.3	22.9	27.5
10 to 20 years	34.2	38.5	35.1
Over 20 years	22.4	26.1	30.8
Base: All answering	(237)	(218)	(211)

Simple analysis of these results reveals that the average life expectancy of their property investments for all respondents is 17.3 years, a figure which is up from 16.8 years in the last survey three months ago.



As can be seen from the chart below, the average life expectancy of respondents' property investments had been declining slowly until the beginning of this year but the results from both surveys in 2007 suggest that this trend has now halted and the average life expectancy appears to be moving upwards, reaching its second highest ever figure with this survey.

Average Life Expectancy of Property Investment Before Liquidating Property Assets



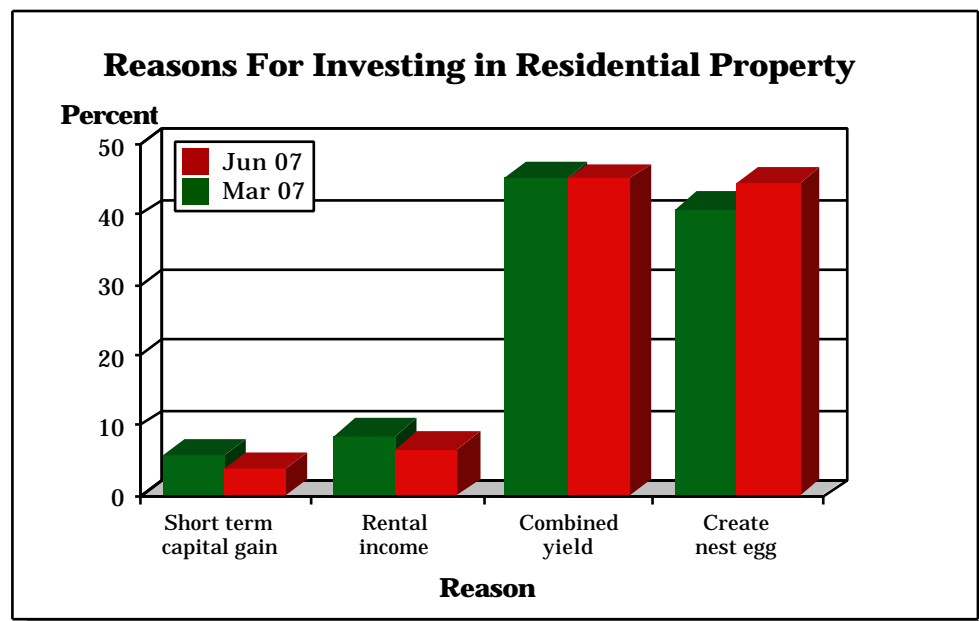
3.11 Why did you first decide to invest in residential property? (Q.12)

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

However, one in fifteen respondents (7%) said they became landlords in order to obtain a stream of rental income whilst less than one in twenty five (3.8%) 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 07	Jun 07
Short term capital gain (less than 5 years)	5.5	3.8
Rental income	8.3	6.6
Combined yield from rental income & capital appreciation	45.2	45.0
Create nest egg for long term future	41.0	44.5
Base: All answering	(217)	(211)

Compared with three months ago, more respondents said they had become landlords in order to create a nest egg for the future (45% compared with 41% in March) whilst fewer said they had done so in order to make a short term capital gain (down from 5.5% to 3.8%) or to obtain a stream of rental income (down from 8.3% to 6.6%) but these changes do little more than reverse the changes seen three months ago and are unlikely to be significant.



3.12 **Do you see your involvement in property rental as a form of disciplined savings programme rather than a straightforward capital investment? (Q.13)**

Almost half of respondents (49%) weren't sure whether or not they saw their involvement in property rental as a form disciplined savings programme rather than a straightforward capital investment suggesting that it was probably something they had not really thought about.

The other half of respondents were equally divided between those who said they did see their involvement as a form of disciplined savings and those who did not.

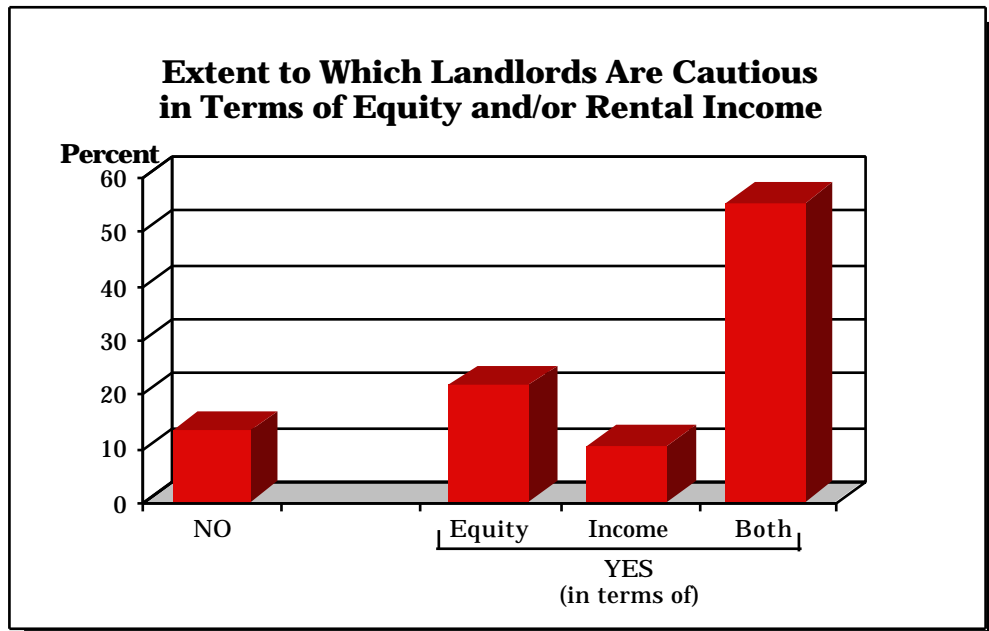
Response	Percent of Respondents (%)
	Jun 07
Yes	25.2
No	25.7
Not sure	49.0
Base: All answering	(210)

3.13 Do you tend to be cautious, giving yourself a cushion in terms of equity and/or rental income? (Q.14)

The vast majority of respondents (87%) said that they did tend to be cautious, giving themselves a cushion in terms of equity and/or rental income with most (55%) saying they did so in terms of both.

However, where respondents said they gave themselves a cushion in terms of only one or other of equity and rental income, twice as many said they gave themselves a cushion only in terms of equity (22%) as said they did so only in terms of rental income (11%).

Response	Percent of Respondents (%)
	Jun 07
No	12.9
Yes - in terms of equity	21.5
Yes - in terms of income	10.5
Yes - in terms of both	55.0
Base: All answering	(209)



3.14 If house prices were to fall, would you sell your residential property investments? (Q.15)

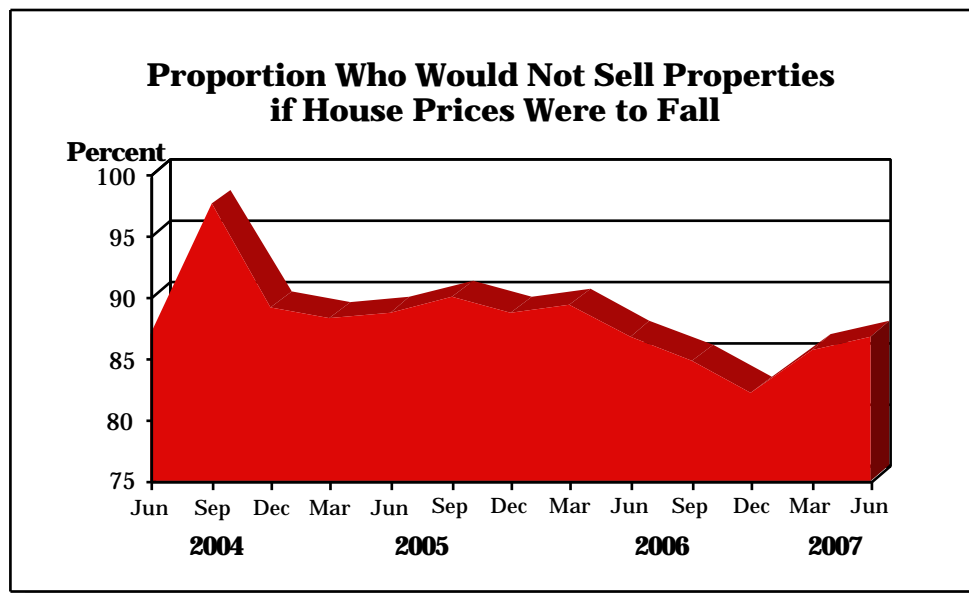
More than seventeen out of twenty respondents to this question (87%) said they would not sell their residential property investments if house prices were to fall with another 11% being unsure whether they would or not.

Only a small minority of a little more than one in forty (2.9%) said that they would sell their residential property investments if house prices were to fall.

Response	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Yes	2.1	2.3	2.9
No	82.2	85.6	86.7
Don't know	15.7	12.0	10.5
Base: All answering	(236)	(216)	(210)

Compared with three months ago, respondents were, on average, a little more likely to say that they would not sell if house prices were to fall.

As can be seen from the chart below, having declined from a high of 98% in September 2004 to a low of 82% in December 2006, the last two quarters have seen a strengthening of resolve on the part of landlords not to sell their properties if house prices were to fall.



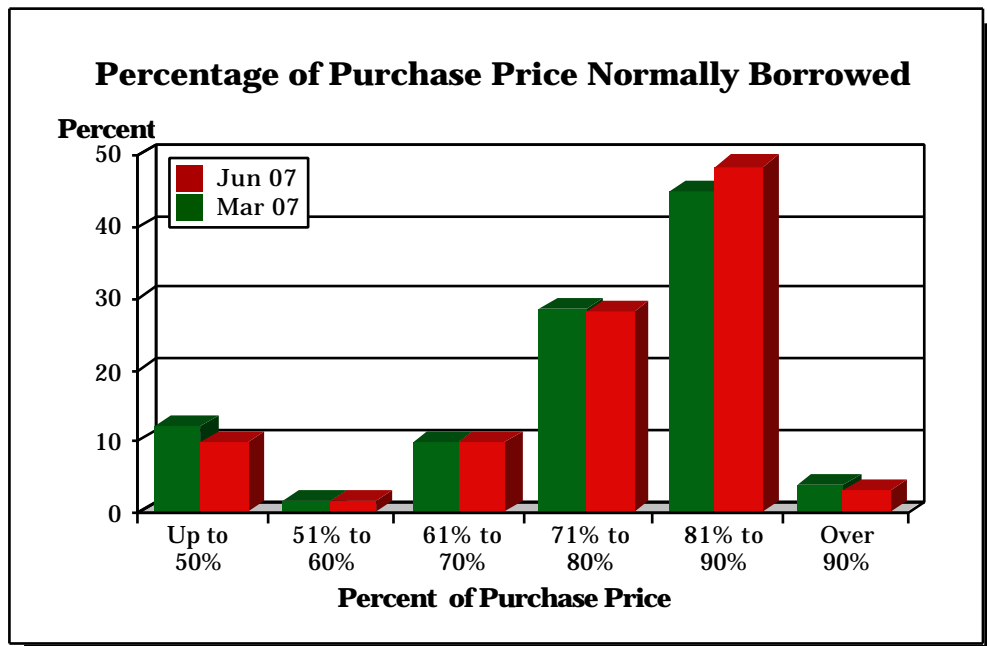
3.15 What percentage of the purchase price of a buy to let property do you normally borrow from a lender? (Q.16)

The majority of respondents (76%) said that they normally borrow between 71% and 90% of the purchase price of a buy to let property. Nevertheless, a sizeable minority of one in ten respondents (10%) said they normally borrow less than half of the purchase price.

Analysis of these figures reveals that the average proportion of the purchase price of a buy to let acquisition is 75%.

Percent of Purchase Price	Percent of Respondents (%)	
	Mar 07	Jun 07
Up to 50%	12.1	9.7
51% to 60%	1.4	1.4
61% to 70%	9.8	9.7
71% to 80%	28.4	28.0
81% to 90%	44.7	48.3
Over 90%	3.7	2.9
Base: All answering	(215)	(207)

Compared with three months ago, the average proportion of the purchase price of a buy to let property which respondents normally borrow is up a little from 73% to 75%.



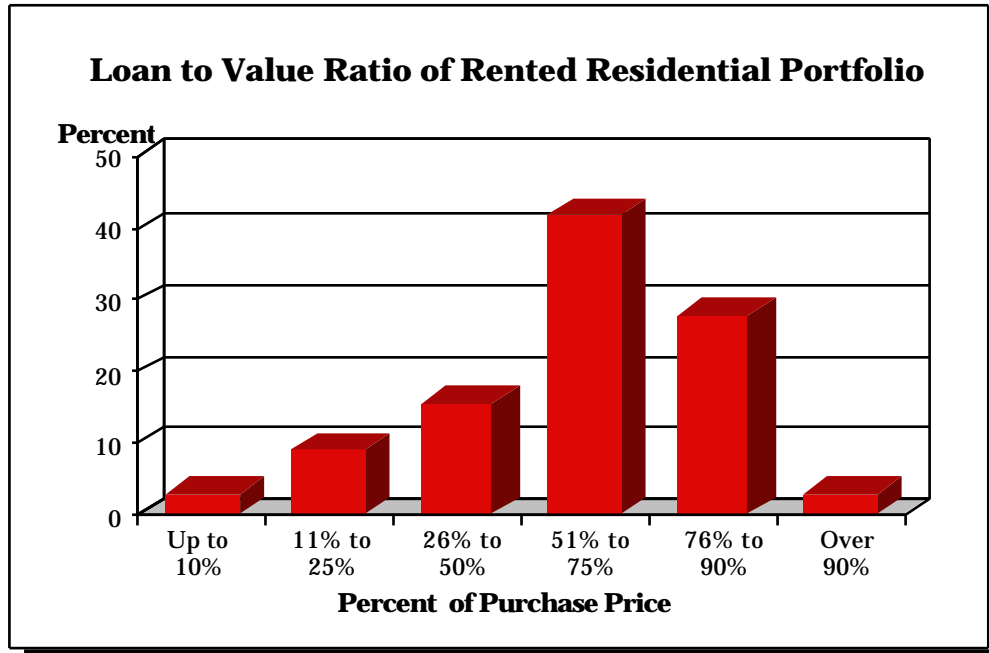
3.16 What is the approximate overall loan to value ratio of your rented residential portfolio? (Q.17)

More than four out of ten respondents (42%) said that the approximate overall loan to value ratio of their rented residential portfolio was between 51% and 75%.

Loan to Value Ratio	Percent of Respondents (%) Jun 07
Up to 10%	2.9
11% to 25%	9.2
26% to 50%	15.5
51% to 75%	41.7
76% to 90%	27.7
Over 90%	2.9

Base: All answering (215)

Analysis of these figures reveals that the average loan to value ratio of respondents' portfolios is 60%.



3.17 Do you expect/anticipate that you will acquire further (Buy to Let) investment properties during the next 12 months? (Q.18)

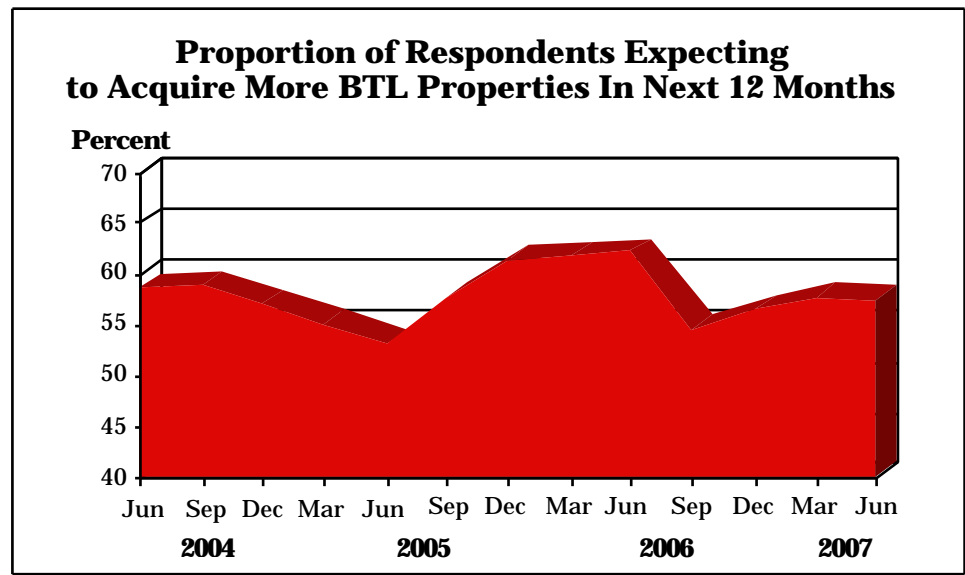
Nearly six out of ten respondents (58%) said that they expected to acquire further Buy to Let investment properties during the next 12 months but a quarter (25%) said that they did not.

In addition, nearly two out of ten landlords (18%) were unsure whether or not they would acquire further properties in the next year.

Response	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
Yes	56.5	57.7	57.5
No	24.1	23.5	24.6
Don't know	19.4	18.8	17.9
Base: All answering	(237)	(213)	(207)

Compared with three months ago, there has been very little change in these figures although the proportion saying they will not acquire further buy to let property in the next 12 months has risen a little.

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 rose for the next four quarters. The substantial downturn seen nine months ago returned the figure to its former level but the results from the last three quarters tend to suggest that the proportion is now rising again despite being virtually unchanged this time.



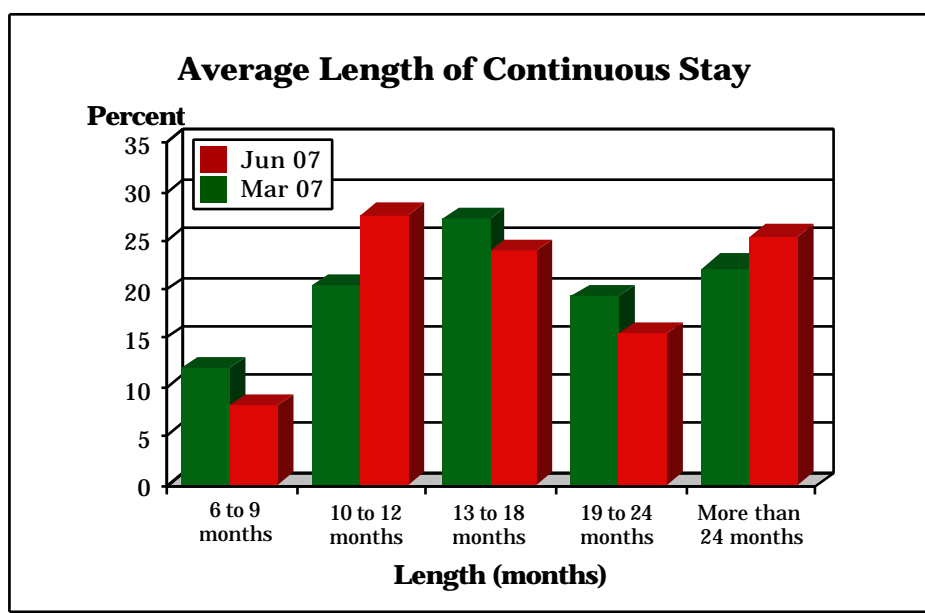
3.18 Irrespective of the length of any initial fixed term, on average how long are the same tenants staying continuously in the same property? (Q.19)

Almost a quarter of respondents (24%) said the average length of a tenant's continuous stay in the same property was between 13 and 18 months.

Although more than a third (35%) said the average stay was 12 months or less, more (41%) said that it was longer than 18 months.

Length of Fixed Term Tenancy	Percent of Respondents (%)		
	Dec 06	Mar 07	Jun 07
6 to 9 months	7.8	11.8	7.9
10 to 12 months	29.9	20.1	27.5
13 to 18 months	26.5	27.0	23.8
19 to 24 months	17.2	19.1	15.3
More than 24 months	18.6	22.1	25.4
Base: All answering	(234)	(214)	(208)

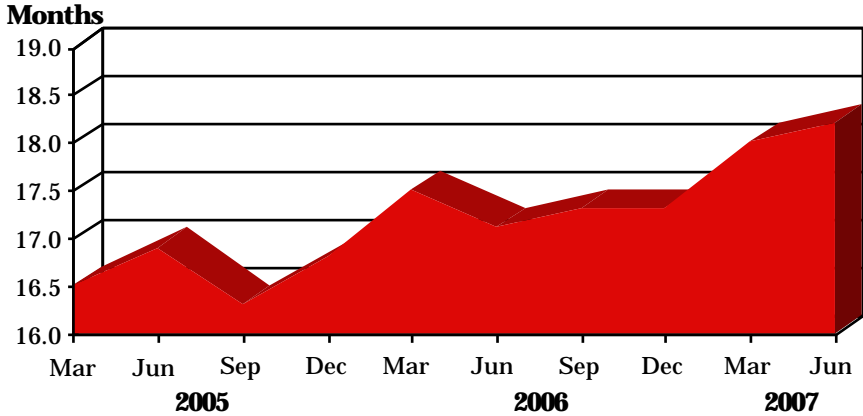
Analysis of these figures shows that the average length of a tenant's continuous stay in the same property is 18.2 months.



Compared with the last survey in March, the average length of time that tenants stay in the same property is up slightly from 18.0 months to 18.2 months.

As can be seen from the chart below, over the last year, this figure has been on a rising trend and has now reached its highest level since this question was first asked two years ago in the first quarter of 2005.

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



3.19 **Are you aware of tenancy deposit protection? (Q.20)**

The vast majority of respondents amounting to more than nine out of ten (91%) said that they were aware of tenancy deposit protection.

However, this still leaves almost one in ten (9%) who are unaware of these provisions.

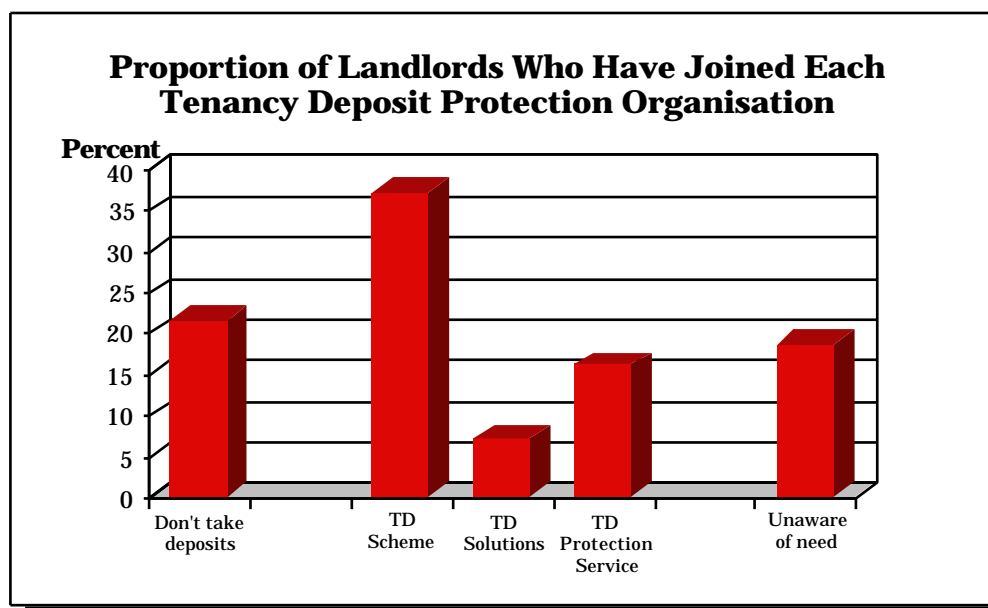
Response	Percent of Respondents (%)
	Jun 07
Yes	90.8
No	9.2
Base: All answering	(206)

3.20 Which of the different tenancy deposit protection schemes have you actively signed up for/applied to join? (Q.21)

More than two out of ten respondents (22%) said they did not take deposits whilst almost a further two out of ten (19%) said they were unaware of any need to join a tenancy deposit protection scheme.

Of those who did take deposits and were aware that they needed to be a member of a scheme, the highest proportion amounting to nearly four out of ten of the whole sample (37%) said they were members of the Tenancy Deposit Scheme (supported by ARLA, the NAEA and RICS) with less than half as many (16%) being members of the Tenancy Deposit Protection Scheme (the custodial scheme) and even fewer (7%) being members of Tenancy Deposit Solutions (run through the NLA).

Scheme Joined	Percent of Respondents (%) Jun 07
Don't take deposits	21.5
Tenancy Deposit Scheme	37.0
Tenancy Deposit Solutions	7.0
Tenancy Deposit Protection Scheme	16.0
Not aware of need to join	18.5
Base: All answering	(200)



3.21 How do you feel about tenancy deposit protection? (Q.22)

Respondents tended to feel either indifferent (41%) or negative (36%) towards tenancy deposit protection with only a minority of less than a quarter (24%) saying they felt positive about it.

How Feel	Percent of Respondents (%) Jun 07
Positive	23.5
Negative	35.8
Indifferent	40.7

Base: All answering (204)

