

Prepared for

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

**Birmingham Midshires
GMAC Residential Funding
NatWest Mortgage Services
Paragon Mortgages
Standard Life Bank
The Mortgage Business**

**ARLA Survey
of
Residential Landlords**

June 2003

Prepared by

**O M Carey Jones
5 Henshaw Lane, Yeadon, Leeds, LS19 7RW
Telephone: 0113 250 6411**

CONTENTS

	Page
1. INTRODUCTION & BACKGROUND	5
2. METHODOLOGY	6
3. RESULTS	7
3.1 Where do you currently live? (Q.1)	7
3.2 Which age bracket do you fit into? (Q.3)	8
3.3 How long ago did you first become a (Buy to Let) residential investment landlord? (Q.4)	9
3.4 When did you acquire your last or most recent (Buy to Let) residential investment property? (Q.5)	10
3.5 Do you expect/anticipate that you will acquire further (Buy to Let) investment properties during the next 12 months? (Q.6)	11
3.6 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)	12
3.7 In relation to where you personally live, where, generally, is your entire property portfolio located? (Q.8)	13
3.8 How many properties do you own, what is the overall value of your portfolio and what proportion of that value is made up of loans? (Q.9, 16 & 17)	14
3.9 What is the average number of adult tenants you have per property in the relevant areas? (Q.12)	15
3.10 Please illustrate what different types of tenants you have in your properties in the	16

3.11	What is your personal experience of achievable rent levels on your properties over the last 18 months in the relevant areas? 4)	17
3.12	What are the average void periods, either before initial letting or between tenancies on your properties over the last 18 months, in the relevant areas (Q.15)	18
3.13	Where you have a mortgage loan(s) on your (Buy to Let) investment properties please indicate which type of repayment basis it is (Q.18)	19
3.14	Where you have a mortgage loan(s) on your (Buy to Let) investment properties please indicate which type of product you have (Q.19)	20
3.15	From what source do you usually fund the deposit needed to acquire successive (Buy to Let) investment property (Q.20)	21
3.16	If you have more than 5 (Buy to Let) residential investment properties, what type of mortgage lender do you use? (Q.23)	22
3.17	How often do you formally review product rates and then remortgage your (Buy to Let) residential investment properties? (Q.24)	23
3.18	Over the last two years, have you disposed of stocks and shares to specifically invest in residential investment properties? (Q.25)	24
3.19	In the next two years, do you anticipate disposing of your residential investment properties and moving back/into stocks and shares? (Q.26)	25
3.20	Taking into account income and expenditure across your portfolio what would you estimate to be your average net % return/yield? (Q.27)	26

3.21	Do you use a letting agent to help identify suitable potential residential properties, prior to acquisition? (Q.28)	27
3.22	With regard to the letting of your properties, do you prefer to make use of a local agent? (Q.29)	28
3.23	With regard to the management of your properties, do you prefer to make use of a local agent (Q.30)	29
3.24	Where you do use a letting and/or management agent, how important is it that they are part of a regulated organisation such as ARLA? (Q.31)	30

1. INTRODUCTION & BACKGROUND

Early in 2003, ARLA established a survey of residential landlords on its Internet Web site with a view to canvassing the opinions of landlords on a number of topics. The survey ran for three months and this report contains the results of that research.

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 34 questions.

The questions were devised by ARLA and include 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 519 people went through the process of answering some or all of these 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.

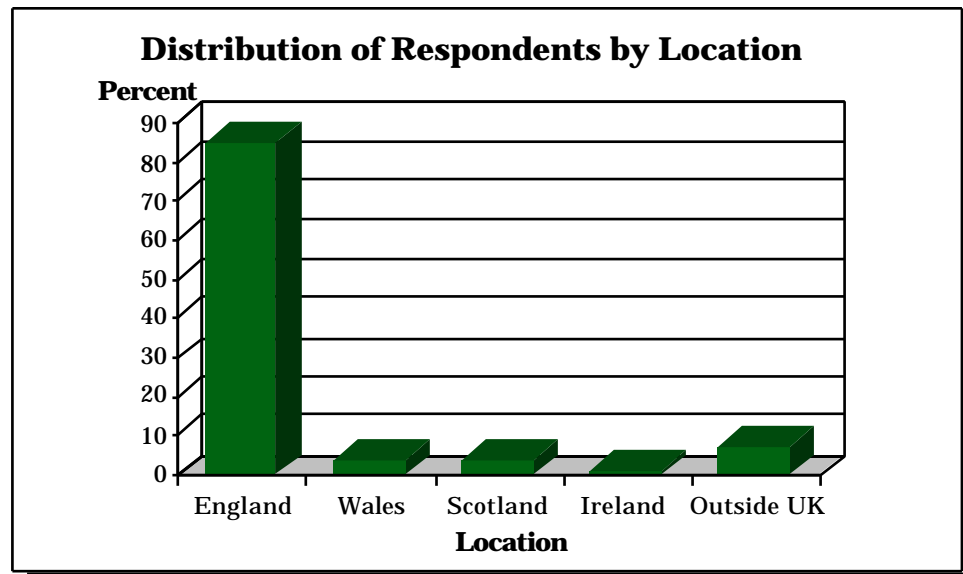
Results from questions 10, 11, 16 and 17 are not included as no data is available for these questions.

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

The vast majority of respondents to the survey (85%) were from England with less than one in twenty coming from any of the other countries in the UK. However, one respondent in fifteen (6.7%) was living outside the UK at the time they completed the questionnaire.

Location	Percent of Respondents (%)
England	84.9
Wales	3.7
Scotland	3.7
Ireland	1.0
Outside UK	6.7

Base: All answering (404)



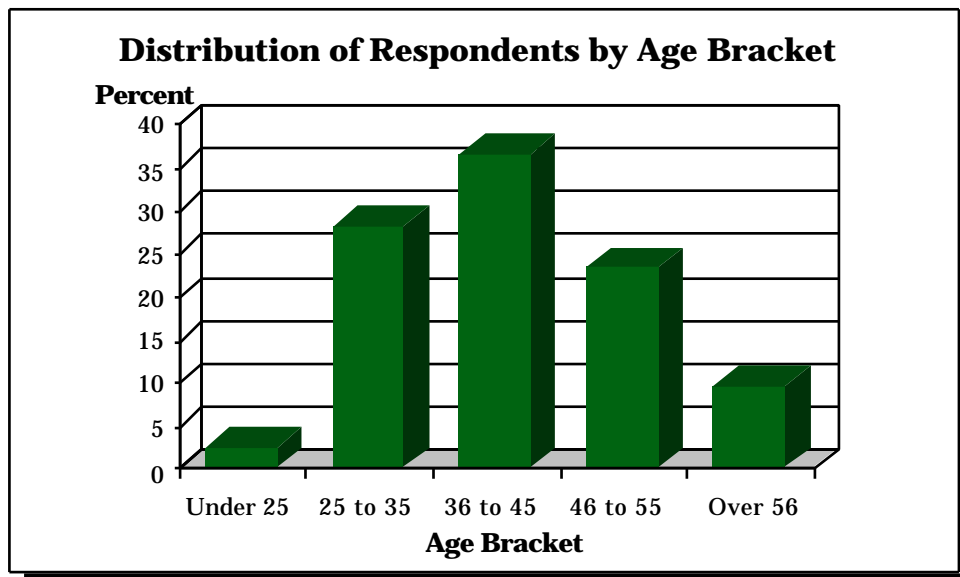
3.2 Which age bracket do you fit into? (Q.3)

Nearly nine out of ten respondents (88%) were aged between 25 and 55 with the biggest age group (37%) being those aged between 36 and 45.

Only one in ten respondents (10%) were aged over 56 and even fewer, one in forty (2.5%) was under 25.

Age Bracket	Percent of Respondents (%)
Under 25	2.5
25 to 35	28.3
36 to 45	36.5
46 to 55	23.3
Over 56	9.5

Base: All answering (400)



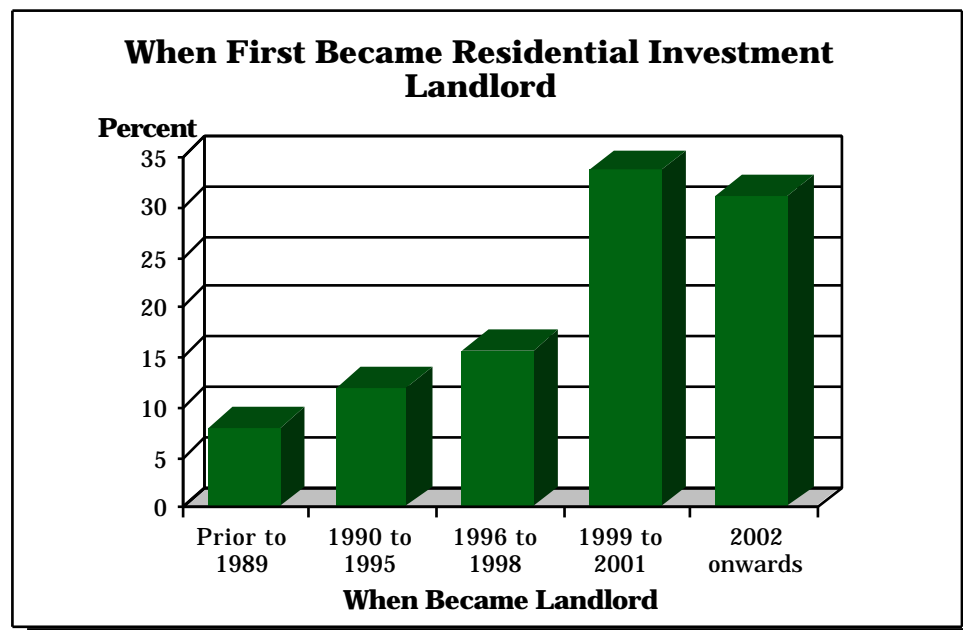
3.3 How long ago did you first become a (Buy to Let) residential investment landlord? (Q.4)

Nearly two thirds of respondents (65%) had become residential investment landlords quite recently with more than three out of ten having done so within the last eighteen months.

Only a small minority of less than one in twelve (8%) had been residential investment landlords for more than 15 years.

When Became Landlord	Percent of Respondents (%)
Prior to 1989	7.9
1990 to 1995	12.0
1996 to 1998	15.5
1999 to 2001	33.5
2002 onwards	31.1

Base: All answering (367)



3.4 When did you acquire your last or most recent (Buy to Let) residential investment property? (Q.5)

Almost seven out of ten respondents (69%) had acquired their most recently purchased property since the beginning of 2002 with most of the rest, another 22%, having done so in 1999, 2000 or 2001 suggesting that even those who have been landlords for many years remain active in the market for residential property.

Year of Last Purchase	Percent of Respondents (%)
Prior to 1989	2.2
1990 to 1995	2.2
1996 to 1998	5.2
1999 to 2001	21.9
2002 onwards	68.6

Base: All answering (366)



3.5 Do you expect/anticipate that you will acquire further (Buy to Let) investment properties during the next 12 months? (Q.6)

More than seven out of ten respondents (71%) said they expected to acquire further Buy to Let properties in the next 12 months.

However, that still leaves nearly three out of ten who feel that their portfolios are complete, at least for the time being.

Will Acquire in Next 12 Months	Percent of Respondents (%)
Yes	71.1
No	28.9
Base: All answering	(367)

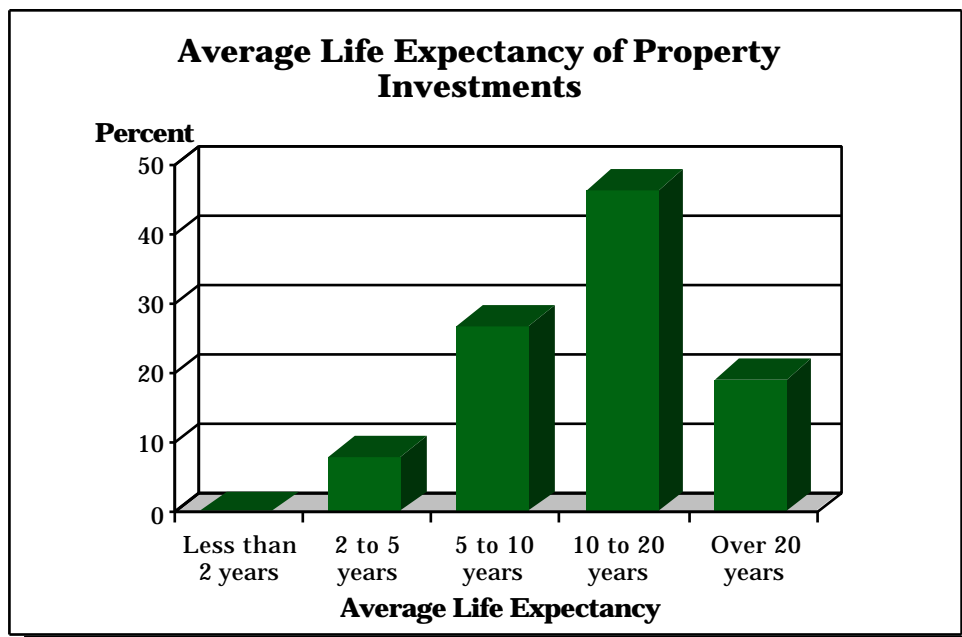
3.6 From original acquisition time, what do you expect to be the average 'life expectancy' of your property investment, before you liquidate your property assets? (Q.7)

Clearly most respondents see themselves continuing as landlords over the long term with nearly two out of ten (19%) saying they see the average life expectancy of their property investment to be more than 20 years and nearly two thirds (66%) saying more than 10 years.

Average Life Expectancy	Percent of Respondents (%)
Less than 2 years	-
2 to 5 years	7.7
5 to 10 years	26.8
10 to 20 years	46.6
Over 20 years	18.9

Base: All answering (365)

Simple analysis of the responses to this question reveals that the overall average life expectancy of respondents' investment in property is 14.9 years.



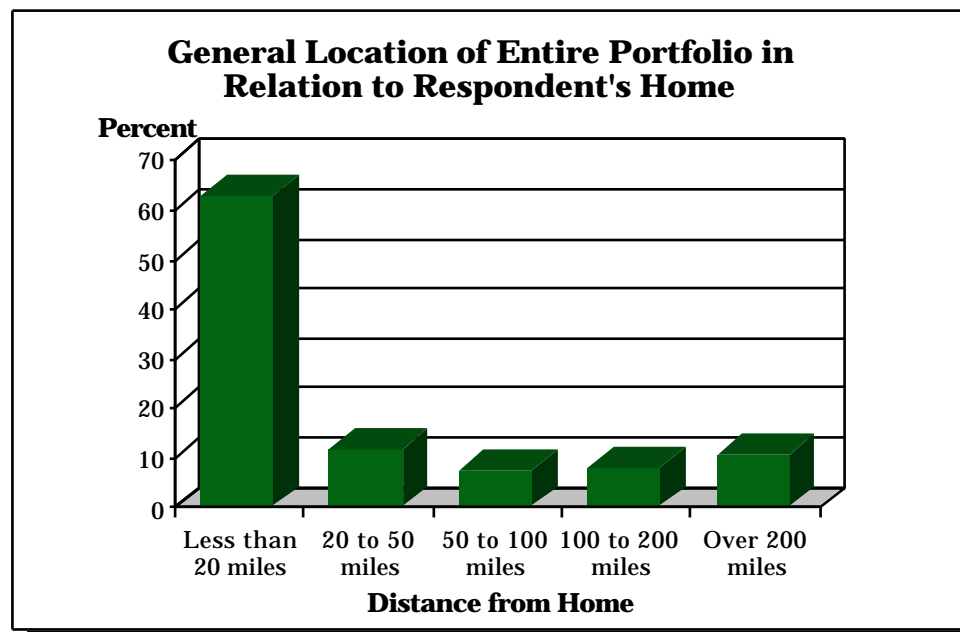
3.7 In relation to where you personally live, where, generally, is your entire property portfolio located? (Q.8)

For more than six out of ten respondents (62%) all of their investment in property is made within 20 miles of where they live.

Perhaps surprisingly, however, more than one in ten respondents (11%) claimed to own property more than 200 miles from where they lived.

Distance From Home	Percent of Respondents (%)
Within less than 20 miles	62.4
Between 20 & 50 miles	11.6
Between 50 & 100 miles	7.5
Between 100 & 200 miles	7.7
Over 200 miles away	10.8

Base: All answering (362)



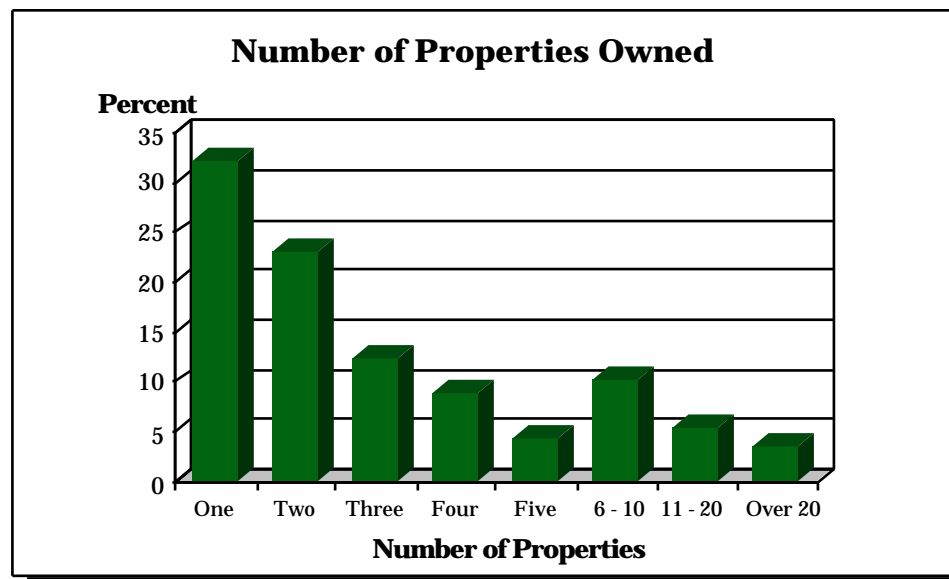
3.8 How many properties do you own, what is the overall value of your portfolio and what proportion of that value is made up of loans? (Q.9, 16 & 17)

The majority of respondents (55%) had only one or two properties in their portfolios although a significant minority of nearly one in ten (9%) had more than ten properties in theirs.

Analysis of these results shows that the average size of respondents' portfolios was 5.8 properties.

Number of Properties	Percent of Respondents (%)
One	32.3
Two	23.1
Three	12.4
Four	8.9
Five	4.3
6 to 10	10.1
11 to 20	5.5
More than 20	3.5

Base: All answering (347)



Furthermore, analysis of the 116 responses to question 17 reveals that the average value of those respondents' portfolios was £897,000 with the size of individual portfolios ranging from £30,000 to £15 million.

Also, analysis of the 240 responses to question 16 shows that the

average loan to value of those respondents' portfolios was 54%.

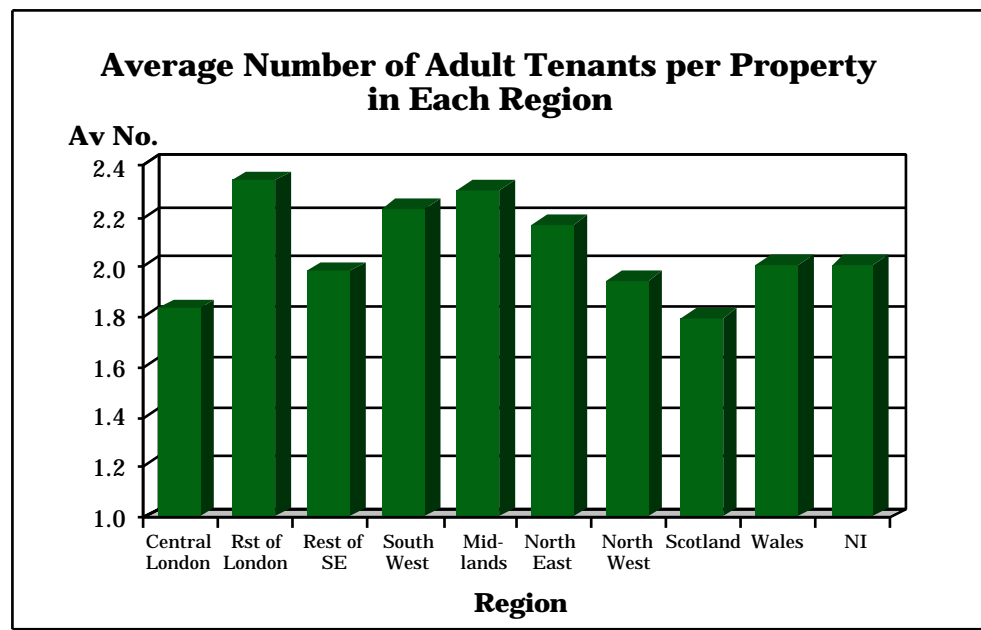
3.9 What is the average number of adult tenants you have per property in the relevant areas? (Q.12)

Central London is the region with the highest proportion of respondents (34%) saying that on average they have only one adult tenant per property. Conversely, the South West is the region with the lowest proportion of respondents claiming this (14%).

Region	Percent of Respondents Saying each Average Number of Adult Tenants (%)					
	1	2	3	4	5	5+
Central London	34.1	53.7	7.3	4.9	-	-
Rest of London (inside M25)	25.5	47.1	13.7	7.8	-	5.9
South East (excl. London)	26.7	57.3	8.0	8.0	-	-
South West	13.9	66.7	11.1	5.6	-	2.8
Midlands	18.6	51.2	18.6	9.3	-	2.3
North East	27.0	56.8	5.4	-	8.1	2.7
North West	32.7	57.1	6.1	-	-	4.1
Scotland	21.4	78.6	-	-	-	-
Wales	-	100.0	-	-	-	-
Northern Ireland	-	100.0	-	-	-	-
All Regions	24.6	58.3	9.1	5.0	0.8	2.2

Base: All answering (362)

Analysis of these figures shows that, on average, Scotland is the region with the lowest number of adult tenants per property at 1.79 compared with 1.83 for Central London, 1.94 for the North West and 1.97 for the South East (excluding London).



At the other end of the scale, the highest number of adult tenants per property was found in the Rest of London (2.33) followed by the Midlands (2.30), the South West (2.22) and the North East (2.16).

3.10 Please illustrate what different types of tenants you have in your properties in the relevant areas (Q.13)

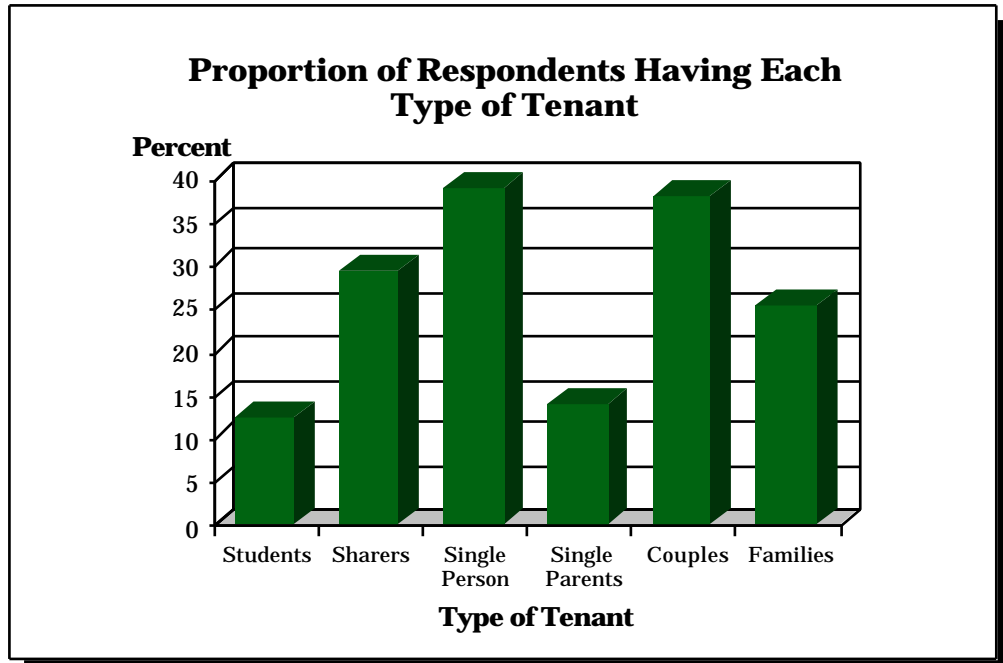
The Rest of London (inside the M25 but excluding Central London) is the region with the highest proportion of respondents (20%) saying they have at least some tenants who are students.

Sharers seem to be much more prevalent in the South of the country whilst single parent tenants are much more likely to be found amongst the tenants of respondents in the North.

Region	Percent of Respondents Saying They Have Tenants of Each Type (%)					
	Students	Sharers	Single Person	Single Parents	Couples	Families
Central London	2.9	37.1	42.9	2.9	37.1	8.6
Rest of London (inside M25)	20.0	38.0	32.0	8.0	36.0	20.0
South East (excl. London)	9.6	30.1	46.6	16.4	37.0	30.1
South West	11.1	36.1	38.9	8.3	44.4	36.1
Midlands	17.1	31.7	39.0	17.1	31.7	31.7
North East	17.1	20.0	34.3	25.7	45.7	25.7
North West	13.3	24.4	40.0	24.4	33.3	20.0
Scotland	15.4	15.4	46.2	7.7	53.8	7.7
Wales	-	-	23.1	-	38.5	46.2
Northern Ireland	-	33.3	-	-	33.3	33.3
All Regions	12.5	29.4	39.0	14.0	38.1	25.3

Base: All answering (344)

Looking at the country as a whole, single people are the most common type of tenant with almost four out of ten respondents (39%) saying they have such people as tenants whilst students and single parents appear to be the least popular type of tenant.



3.11 What is your personal experience of achievable rent levels on your properties over the last 18 months in the relevant areas? (Q.14)

Overall, in their personal experience, roughly twice as many respondents believe achievable rent levels have risen over the last eighteen months as believe they have fallen (31% compared with 16%).

Region	Percent of Respondents (%)		
	Gone Up	Gone Down	Stayed the Same
Central London	12.1	39.4	48.5
Rest of London (inside M25)	24.5	30.2	45.3
South East (excl. London)	41.4	15.7	42.9
South West	26.5	17.6	55.9
Midlands	35.7	9.5	54.8
North East	44.1	-	55.9
North West	28.3	6.5	65.2
Scotland	15.4	7.7	76.9
Wales	23.1	15.4	61.5
Northern Ireland	33.3	-	66.7
All Regions	30.5	16.4	53.1

Base: All answering (341)

The region which seems to have had the most positive experience over the last year and a half is the North East with 44% saying achievable rent levels have risen and none saying they have fallen.

Conversely, the region which seems to have fared worst is Central London with only 12% claiming to have seen achievable rent levels rising compared with 39% saying they have fallen.

Proportion of Respondents Saying Achievable Rent Levels Have Gone Up in the Last 18 months



3.12 What are the average void periods, either before initial letting or between tenancies on your properties over the last 18 months, in the relevant areas (Q.15)

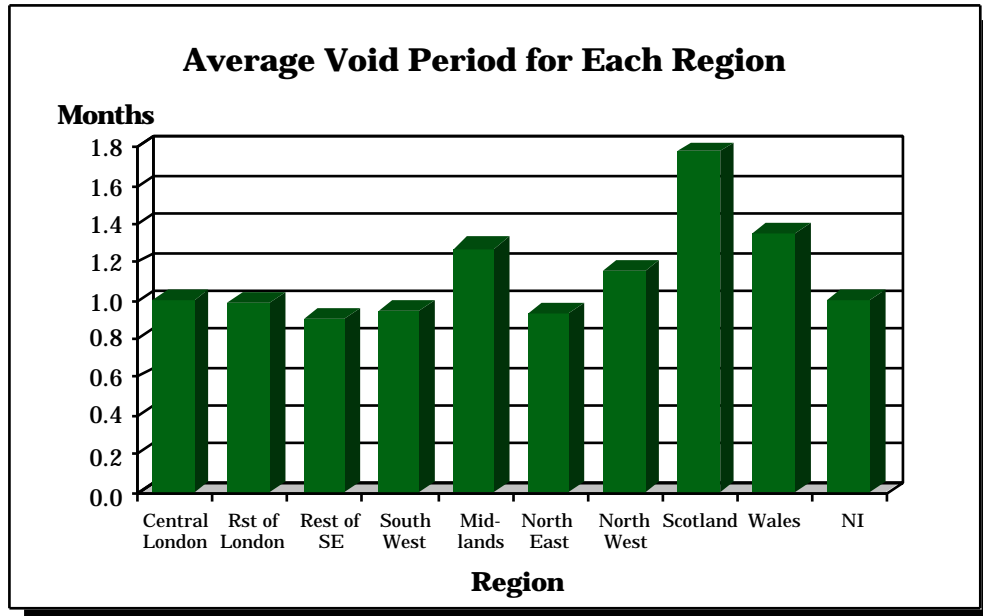
Average void periods seem fairly consistent across most regions with the exceptions being Scotland, Wales and the Midlands all of which have higher than average proportions of respondents (31%, 15% and 21% respectively) saying that average void periods were in excess of two months.

Region	Percent of Respondents Saying each Average Number of Adult Tenants (%)			
	Less than 1 Month	1 to 2 Months	2 to 3 Months	More than 3 Months
Central London	65.7	22.9	8.6	2.9
Rest of London (inside M25)	68.6	23.5	2.0	5.9
South East (excl. London)	73.5	17.6	5.9	2.9
South West	69.7	21.2	6.1	3.0
Midlands	51.3	28.2	15.4	5.1
North East	77.1	11.4	5.7	5.7
North West	61.9	26.2	2.4	9.5
Scotland	38.5	30.8	7.7	23.1
Wales	30.8	53.8	15.4	-
Northern Ireland	50.0	50.0	-	-
All Regions	64.6	23.4	6.6	5.4

Base: All answering (333)

Simple analysis of these figures reveals that the average void period across the whole of the UK is 1.06 months.

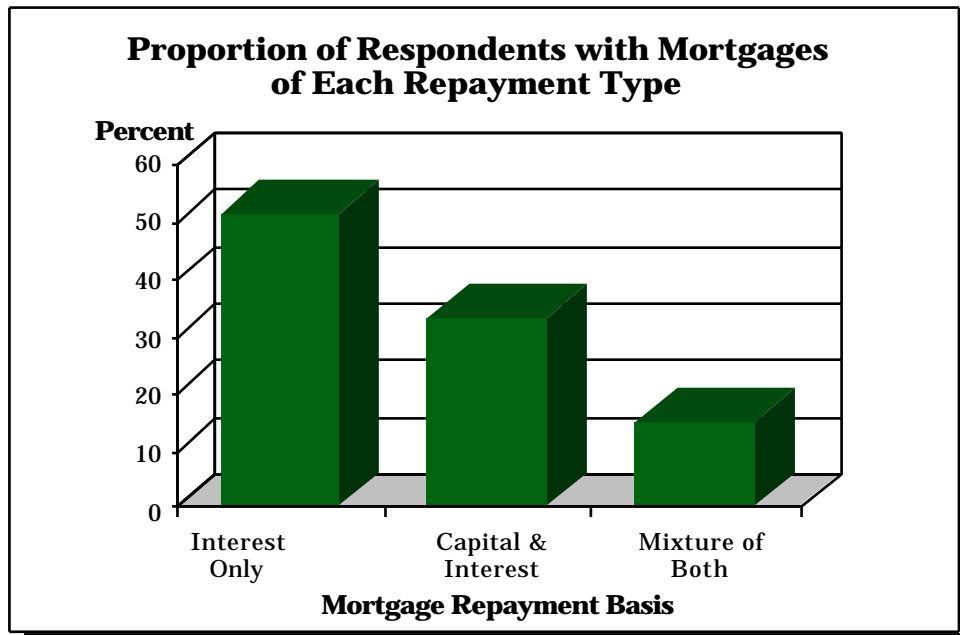
However, the figure varies for the regions between 0.90 months in the Rest of the South East and 1.77 months in Scotland.



3.13 Where you have a mortgage loan(s) on your (Buy to Let) investment properties please indicate which type of repayment basis it is (Q.18)

More than half of all respondents answering this question (52%) said that the mortgages on their Buy to Let properties were interest only mortgages compared with a third (33%) who had capital & interest repayment mortgages and just 15% who had a mixture of both types.

Mortgage Repayment Type	Percent of Respondents (%)
Interest only	51.7
Capital & interest repayment	33.2
A mixture of both	15.1
Base: All answering	(259)

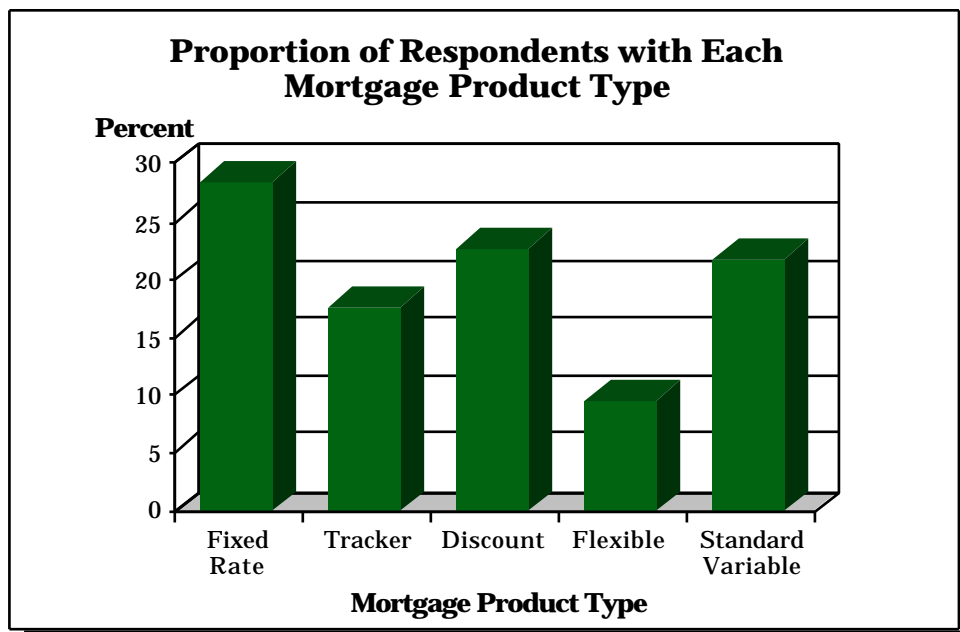


3.14 Where you have a mortgage loan(s) on your (Buy to Let) investment properties please indicate which type of product you have (Q.19)

The most popular mortgage product amongst residential investment landlords was the fixed rate mortgage which accounted for nearly three out of ten respondents (28%) compared with nearly a quarter (23%) for tracker mortgages and more than two out of ten respondents (22%) with standard variable rate mortgages.

Least popular product type amongst respondents seems to be Flexible mortgages with only one in ten respondents (10%) claiming to have these.

Mortgage Product Type	Percent of Respondents (%)
Fixed rate	28.4
Tracker	17.6
Discount	22.7
Flexible	9.6
Standard variable	21.8
Base: All answering	(335)



3.15 From what source do you usually fund the deposit needed to acquire successive (Buy to Let) investment property (Q.20)

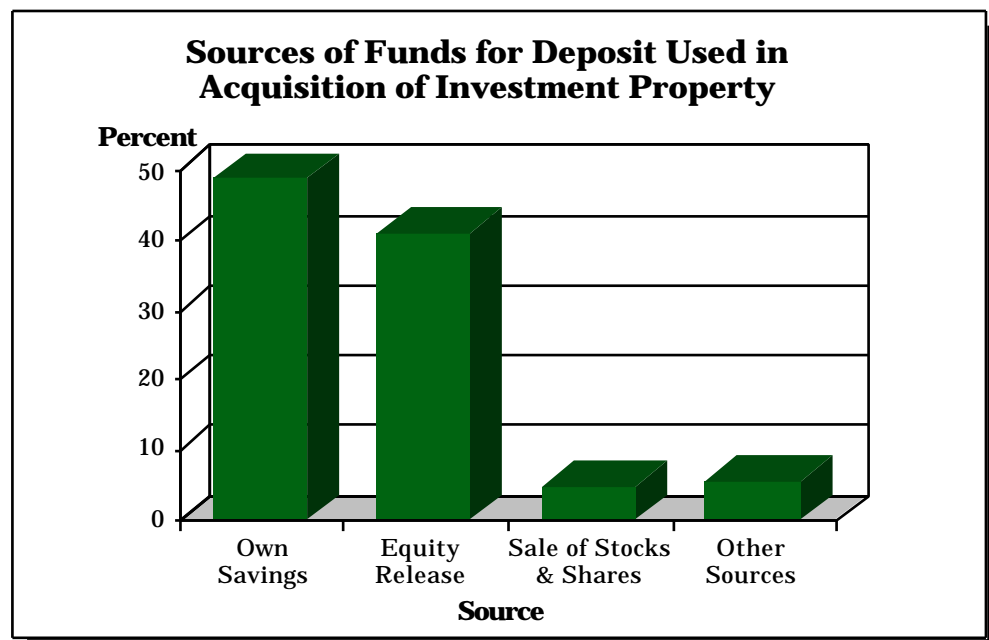
Almost half of respondents answering this question (49%) said that the money for the deposit on their investment property purchases came from their own savings.

More than a further four out of ten (41%) claimed to fund deposits from equity released from other properties in their portfolio.

Only one in twenty respondents (5%) said that they usually sold stocks & shares to fund the deposits on their purchases.

Source of Funds	Percent of Respondents (%)
Use of own savings	48.9
Equity release from other property	41.0
Sale of stocks & shares	4.7
Other	5.4

Base: All answering (278)

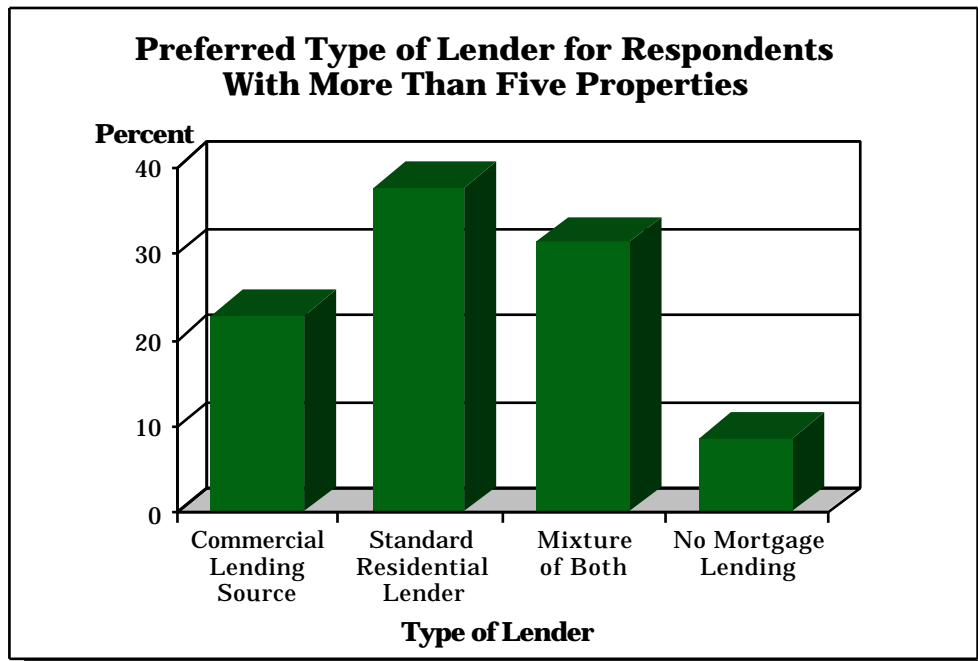


3.16 If you have more than 5 (Buy to Let) residential investment properties, what type of mortgage lender do you use? (Q.23)

Only 93 respondents answered this question making it the one with the least amount of data in the survey. This presumably reflects the proportion of respondents with more than 5 properties.

Nevertheless, nearly four out of ten of those who did answer the question (38%) said they used standard residential lenders to fund their residential investment properties whilst more than three out of ten (31%) said they used a mixture of commercial and residential lenders.

Type of Lender	Percent of Respondents (%)
Commercial lending source	22.6
Standard residential lender	37.6
Mixture of both	31.2
No mortgage borrowing	8.6
Base: All answering	(93)



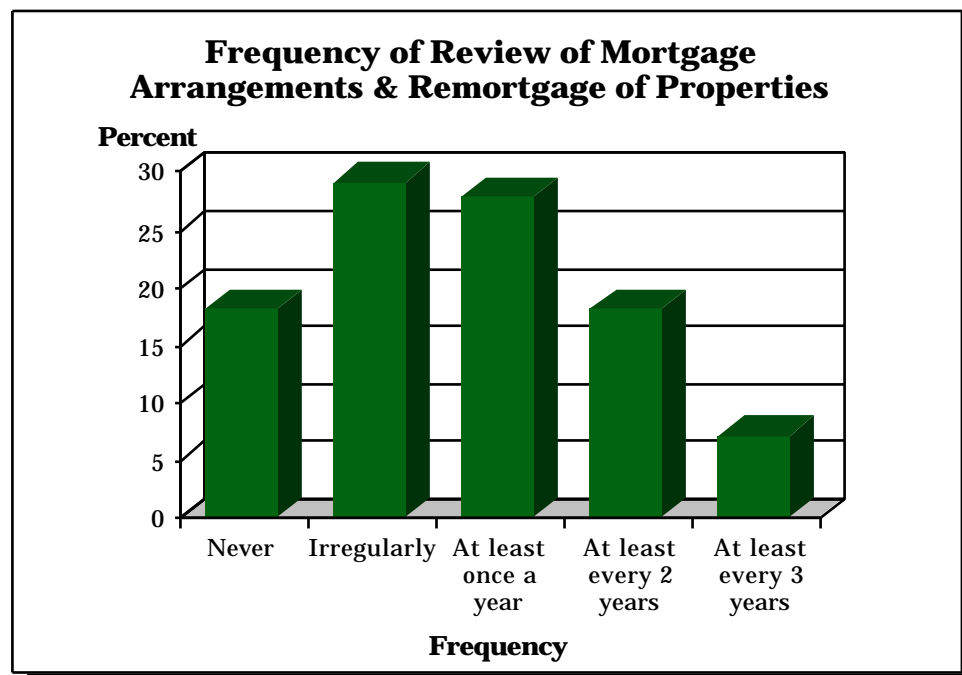
3.17 How often do you formally review product rates and then remortgage your (Buy to Let) residential investment properties? (Q.24)

Amazingly nearly two out of ten respondents (18%) said they never reviewed product rates and then remortgaged their residential investment properties and nearly a further three out of ten (29%) said they did so only irregularly.

However, nearly another three out of ten (28%) said they did so at least once a year.

Frequency of Review	Percent of Respondents (%)
Never	18.0
Irregularly	28.9
At least once a year	27.8
At least every two years	18.0
At least every three years	7.1

Base: All answering (266)



3.18 Over the last two years, have you disposed of stocks and shares to specifically invest in residential investment properties? (Q.25)

The vast majority of respondents to this question (78%) said they had not disposed of stocks & shares over the last two years specifically in order to invest in residential investment properties.

Response	Percent of Respondents (%)
Yes	22.2
No	77.8
Base: All answering	(275)

3.19 In the next two years, do you anticipate disposing of your residential investment properties and moving back/into stocks and shares? (Q.26)

Hardly any respondents answering this question (one in twenty five or 4%) said they anticipated disposing of their residential investment properties during the next two years and moving back/into stocks & shares.

Response	Percent of Respondents (%)
Yes	4.0
No	96.0
Base: All answering	(275)

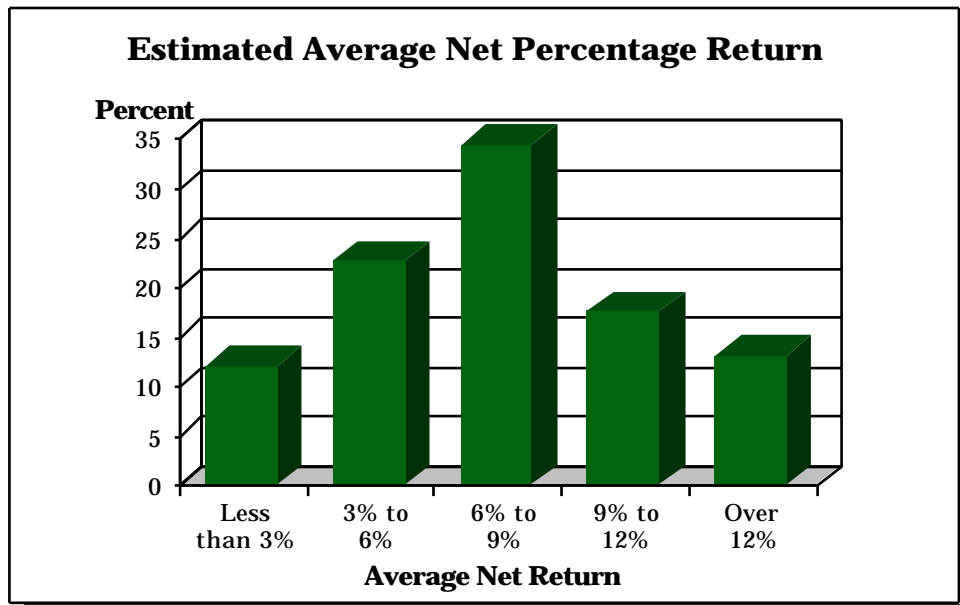
3.20 Taking into account income and expenditure across your portfolio what would you estimate to be your average net % return/yield? (Q.27)

More than a third of respondents who answered this question (34%) said that they estimated their average net percentage return or yield to be between 6% and 9%.

The distribution of responses either side of this middle point was fairly even with the result that the overall average estimated rate of return was 7.7%

Estimated Net Return	Percent of Respondents (%)
Less than 3%	12.1
Between 3% and 6%	22.7
Between 6% and 9%	34.4
Between 9% and 12%	17.6
Over 12%	13.2

Base: All answering (273)

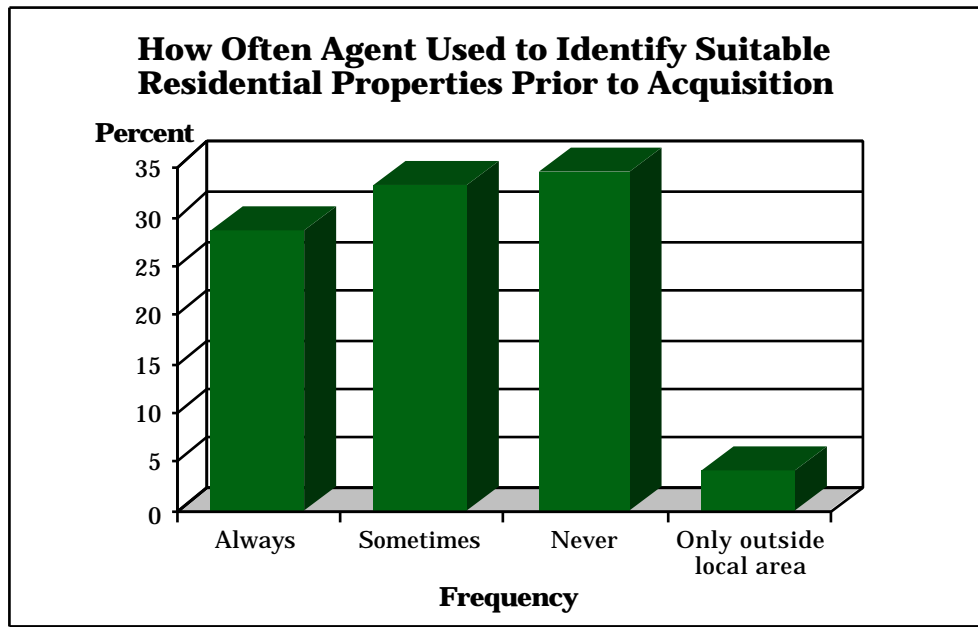


3.21 Do you use a letting agent to help identify suitable potential residential properties, prior to acquisition? (Q.28)

Roughly equal proportions of respondents said they either always, sometimes or never used a letting agent to help identify suitable potential residential properties before buying them.

However, at 34%, the highest proportion said they never did whilst a smaller proportion (28%) said they always did.

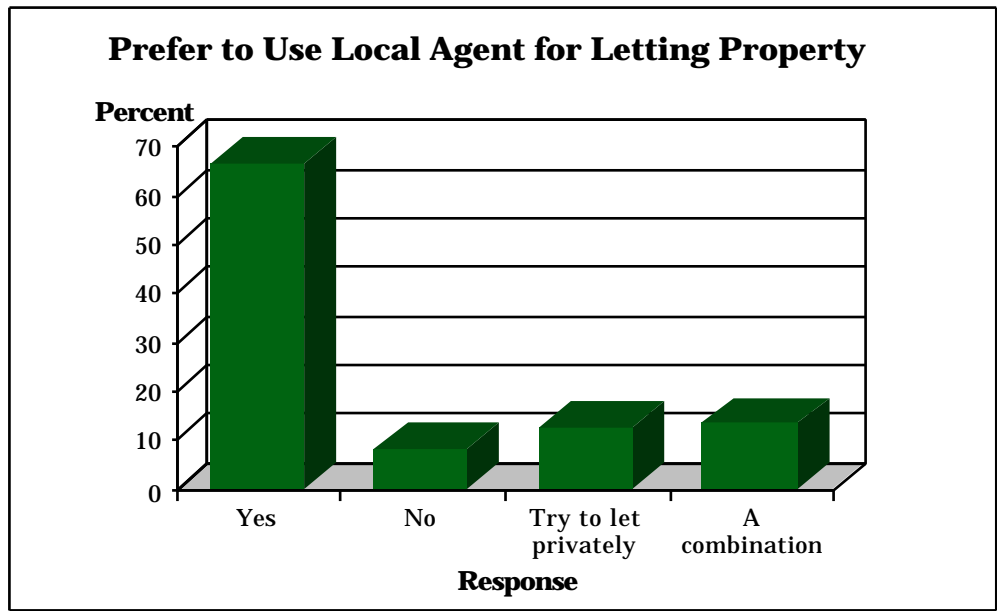
Frequency of Use of Agent	Percent of Respondents (%)
Always	28.4
Sometimes	33.2
Never	34.3
Only outside my local area	4.1



3.22 With regard to the letting of your properties, do you prefer to make use of a local agent? (Q.29)

Almost two thirds of respondents (66%) said they preferred to use a local agent to handle the letting of their properties with only 8% saying they did not and only one in eight (12.5%) saying they preferred to try to let them privately.

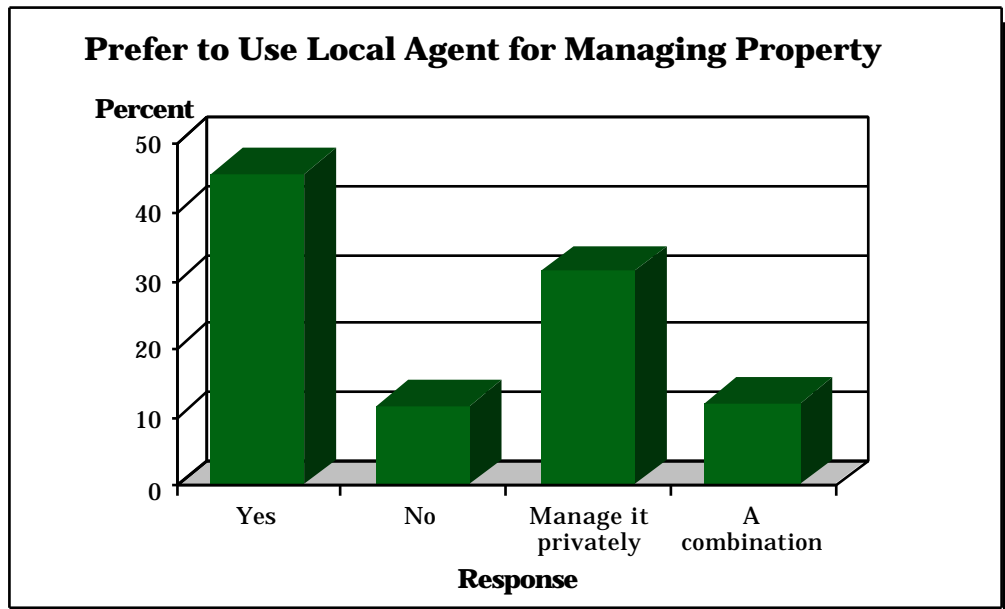
Response	Percent of Respondents (%)
Yes	66.3
No	8.1
Try to let privately	12.5
A combination	13.2
Base: All answering	(273)



3.23 With regard to the management of your properties, do you prefer to make use of a local agent (Q.30)

Getting on for half of all respondents to this question (46%) said that they prefer to use a local agent to handle the management of their properties although a significant minority of more than three out of ten (31%) prefer to manage them privately.

Response	Percent of Respondents (%)
Yes	45.6
No	11.4
Manage it privately	31.3
A combination	11.8
Base: All answering	(272)



3.24 Where you do use a letting and/or management agent, how important is it that they are part of a regulated organisation such as ARLA? (Q.31)

Seven out of ten respondents (70%) said that when using a letting and/or management agent, it was either important or very important that the agent should be a member of a regulated organisation such as ARLA.

Roughly half of the remainder (13%) said they did not use an agent leaving only 16% who said that it was not important whether the agent they used was a member of a regulated organisation such as ARLA or not.

Level of Importance	Percent of Respondents (%)
Don't use an agent	13.3
Very important	37.1
Important	33.3
Not important	16.3

Base: All answering (264)

