

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  
of the  
Buy to Let Sector**

**Fourth 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 1,523 letting offices of ARLA members in November 2005 and 463 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. SUMMARY**

- The average capital asset value of rented houses has fallen by 1.5% overall over the last three months as a result of falls in the Rest of the South East and the Rest of the UK whilst average values for Prime Central London rose marginally. Over the same period the average value of rented flats throughout the country declined with the largest fall being 9.0% for the Rest of the UK.
- The average weighted rental returns for both houses and flats have remained unchanged at 4.9% and 5.1% respectively compared with August.
- Despite the static position with regard to average rental returns noted above, on balance ARLA members report increased achievable rent levels over the last six months throughout the country and particularly in Prime Central London and the Rest of the UK.
- The average void period is unchanged at 27 days compared with the third quarter of 2005 and this stable position applies in the Rest of the South East and the Rest of the UK with the average for Prime Central London having come down a little.
- The average number of purely investment properties which are managed by ARLA members' offices is up compared with three months ago from 101 properties to 105 properties.
- The balance between the supply of and demand for rented residential properties has deteriorated a little overall although the situation for offices managing properties in Prime Central London has continued to improve.
- The average number of new tenancies signed up in the fourth quarter of 2005 was 34, up slightly from 33 in the third quarter of the year.
- ARLA members' offices find they are now showing an average of 5.6 prospective tenants round a property before it is let, a figure which is unchanged compared with three months ago.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property, at 52%, is up from 50% in the third quarter of 2005.
- More than twice as many ARLA members now say that landlords are buying more properties than say they are selling properties (15% compared 7%) indicating a marked change in sentiment amongst some landlords. However, most (76%) believe that residential landlords continue to mark time with regard to their net investment in residential property.

## 4. RESULTS

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

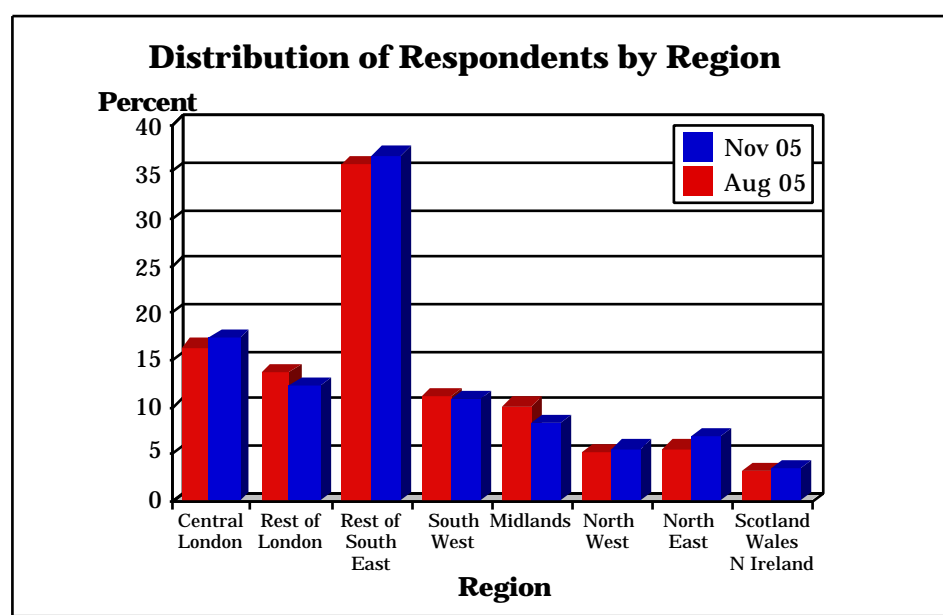
### 4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for almost two thirds (66%) of all respondents.

After the South East, the South West with 11% and the Midlands with 8% were the regions with the most respondents.

Region	Percent of Respondents (%)		
	May 05	Aug 05	Nov 05
Central London	14.3	16.1	17.1
Rest of London ( <i>inside M25</i> )	13.5	13.5	12.1
South East ( <i>excl. London</i> )	37.6	35.8	36.7
South West	11.7	11.0	10.8
Midlands	7.2	10.1	8.2
North West	5.9	5.0	5.4
North East	5.7	5.5	6.7
Scotland/Wales/NI	4.1	3.0	3.3
Base: All respondents	(489)	(436)	(463)

Compared with the August 2005 survey, there has been little change in the regional breakdown of respondents although there were slightly fewer respondents from the Midlands and the Rest of London and slightly more from Central London, the Rest of the South East and the North East.



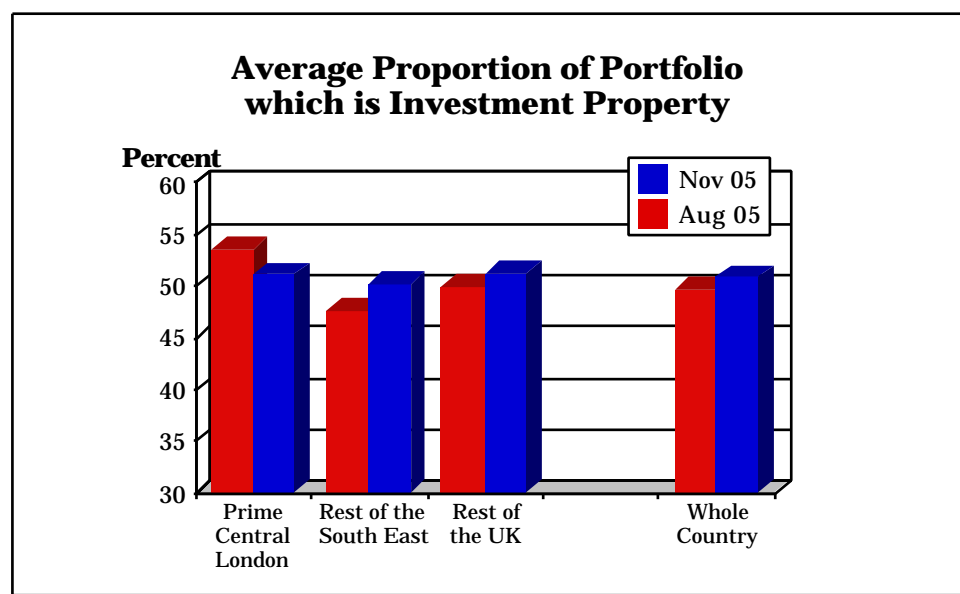
## 4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

Most respondents (81%) said that more than a quarter of their portfolio is investment property with nearly six out of ten (57%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for only one in twenty offices (5%).

Analysis of the responses to this question reveals that, on average, investment properties account for 52% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	-	-	-
Up to 10%	4.4	4.7	5.7	5.0
11% to 25%	14.9	13.6	11.4	13.2
26% to 50%	21.9	24.6	24.7	24.0
51% to 75%	35.1	40.8	36.7	38.0
Over 75%	21.9	15.7	20.3	18.8
Not stated	1.8	0.5	1.3	1.1
Base: All respondents	(114)	(191)	(158)	(463)

For offices in the Rest of the South East, investment properties appear to make up a very slightly smaller proportion of their portfolios with the average being 51% compared with 52% for those managing properties in Prime Central London and for the Rest of the UK.



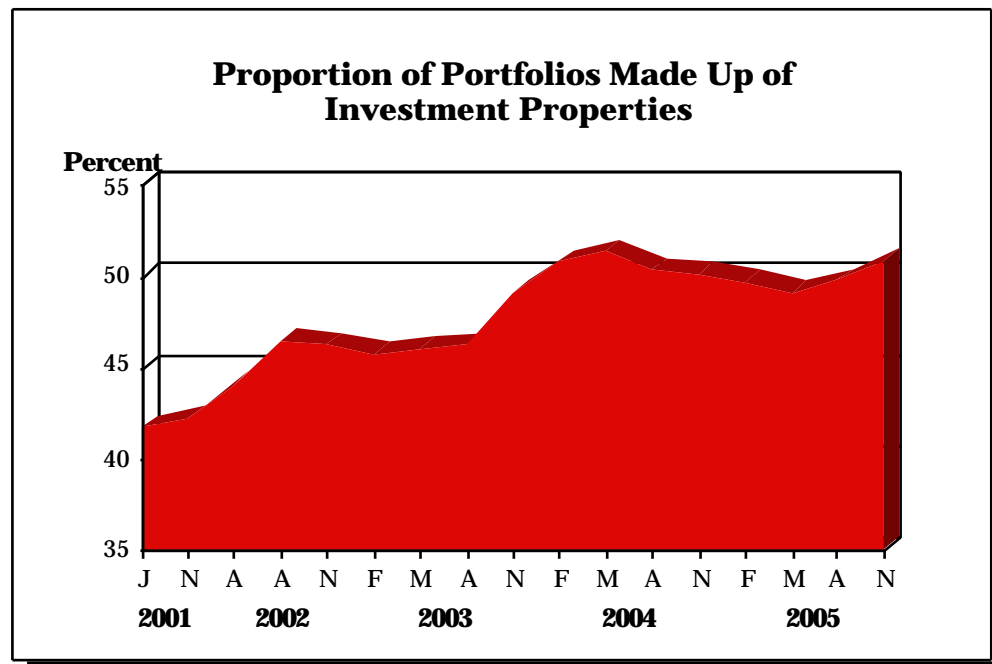
Compared with the last survey in August, the average proportion of portfolios which are in the form of investment property is up slightly at 52% as a result of a rise in the figures for the Rest of the South East (from 48% to 51%) and the Rest of the UK (from 50% to 52%).

<b>Geographic Region</b>	<b>Average Proportion of Portfolio (%)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	52.5	50.4	53.5	52.2
South East	48.0	47.3	47.6	51.1
Rest of UK	49.7	50.3	49.9	52.2
All Regions	49.6	49.0	49.7	51.7
Base: All respondents	(502)	(489)	(436)	(463)

As can be seen from the chart below, the proportion of respondents' portfolios which is made up of investment property, having levelled off for a period of a year from mid-2002 to mid-2003, rose sharply between mid-2003 and mid-2004.

At the end of 2004 the figure levelled off again before slowly reducing during the first half of 2005.

However, both surveys for the second half of 2005 indicate that the downward trend has now ended and the average is now rising again.



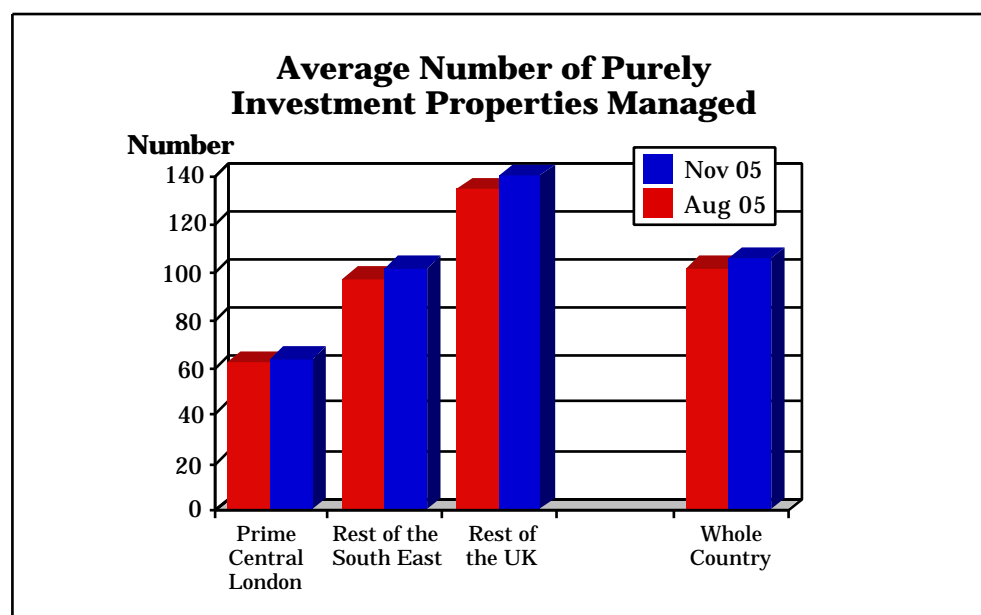
### 4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with almost a third (32%) saying that they manage over a hundred properties and more than three-quarters (77%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of properties managed by ARLA offices is currently 105.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	7.0	1.6	1.3	2.8
6 to 10	8.8	6.3	7.0	7.1
11 to 20	16.7	13.6	8.2	12.5
21 to 50	21.1	23.6	24.1	23.1
51 to 100	20.2	24.6	20.3	22.0
Over 100	24.6	29.8	39.2	31.7
Not stated	1.8	0.5	-	0.6
Base: All respondents	(114)	(191)	(158)	(463)

Offices in Prime Central London tend to manage considerably fewer properties on average than their counterparts elsewhere in the country with the average numbers being 63 for Prime Central London, 101 for the Rest of the South East and 139 for the Rest of the UK.



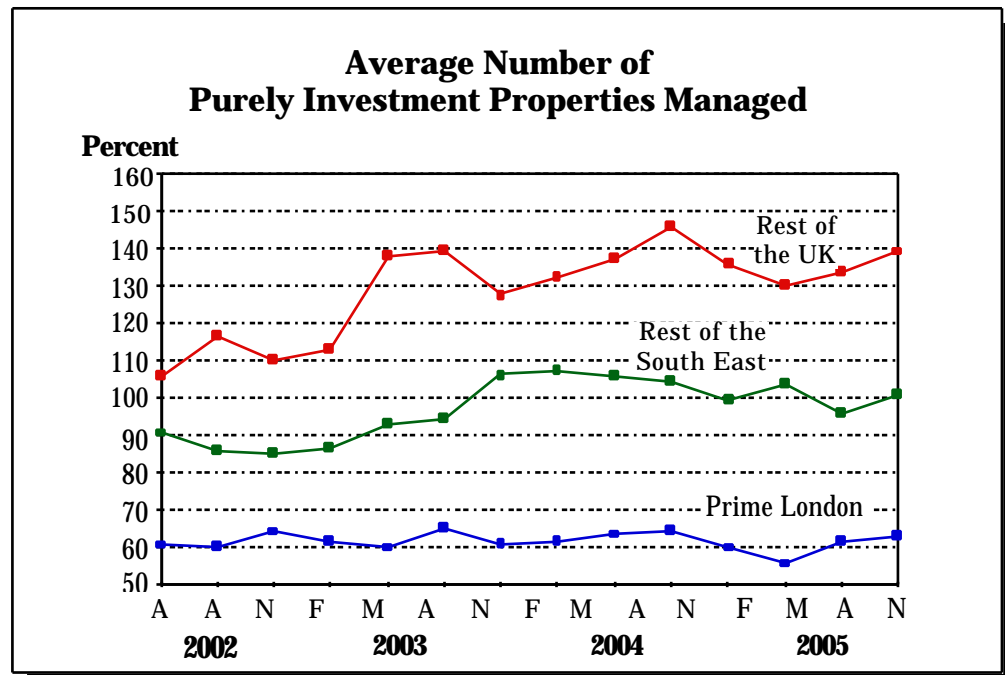
Compared with three months ago, the average number of properties managed is up from 101 to 105 and this increase is reflected in the figures for all the three broad regional areas. It should be remembered, however, that these regional figures are subject to some fluctuation quarter by quarter.

Geographic Region	Average Number of Properties (%)			
	Feb 05	May 05	Aug 05	Nov 05
Prime Central London	59.8	55.4	61.2	62.7
South East	99.6	103.7	96.0	100.9
Rest of UK	135.9	130.5	133.7	139.2
All Regions	102.2	101.2	100.9	104.9
Base: All respondents	(502)	(489)	(436)	(463)

Nevertheless, as can be seen from the chart below, the average number of properties managed by ARLA members in the Rest of the UK has increased over the medium term from 106 properties in April 2002 to 139 properties now.

The average for the Rest of the South East showed a sharp upward trend in 2003 before levelling off in 2004 and there has been a gentle downward trend since then.

For Prime Central London the figure has been relatively steady at an average of around 60 properties for some time despite occasionally moving a little outside this band.



The calculations of average numbers of investment properties managed have been modified from this quarter to reflect the differing proportions of properties in the over 100 band for each regional area and the impact this has on the overall and regional averages. For consistency, all the historic figures shown above have been adjusted using the new calculation parameters.

#### 4.4 Average Value of Rented Residential Properties (Q.6)

##### **Houses**

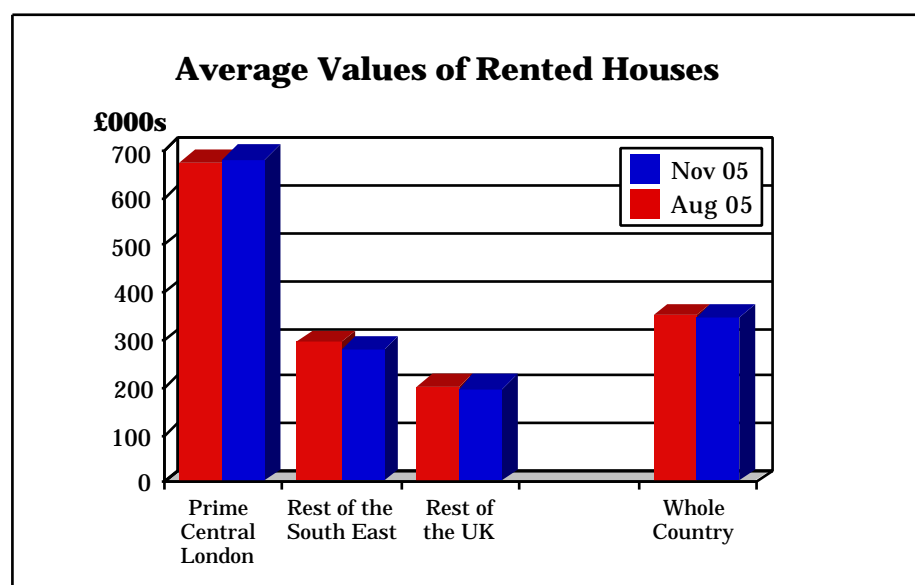
Nearly two thirds of respondents (65%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only one in fifty offices (2%) said the average was below £100,000 whilst for more than one in ten respondents (11%) said the average in their area was in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented house of £345,600.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	-	1.3	0.4
£75,001 to £100,000	-	-	5.1	1.7
£100,001 to £150,000	0.9	9.9	31.0	14.9
£150,001 to £200,000	1.8	28.8	27.8	21.8
£200,001 to £350,000	11.4	40.8	26.6	28.7
£350,001 to £500,000	23.7	11.5	4.4	12.1
£500,001 to £750,000	19.3	3.1	1.3	6.5
Over £ 750,000	41.2	2.6	-	11.2
Not stated	1.8	3.1	2.5	2.6
Base: All respondents	(114)	(191)	(158)	(463)

There are big differences between the values of rented houses in the different regional areas with the average for Prime Central London being more than two thirds of a million pounds (£681,000) compared with less than half that figure, £278,600, in the Rest of the South East and just £197,400 in the Rest of the UK.

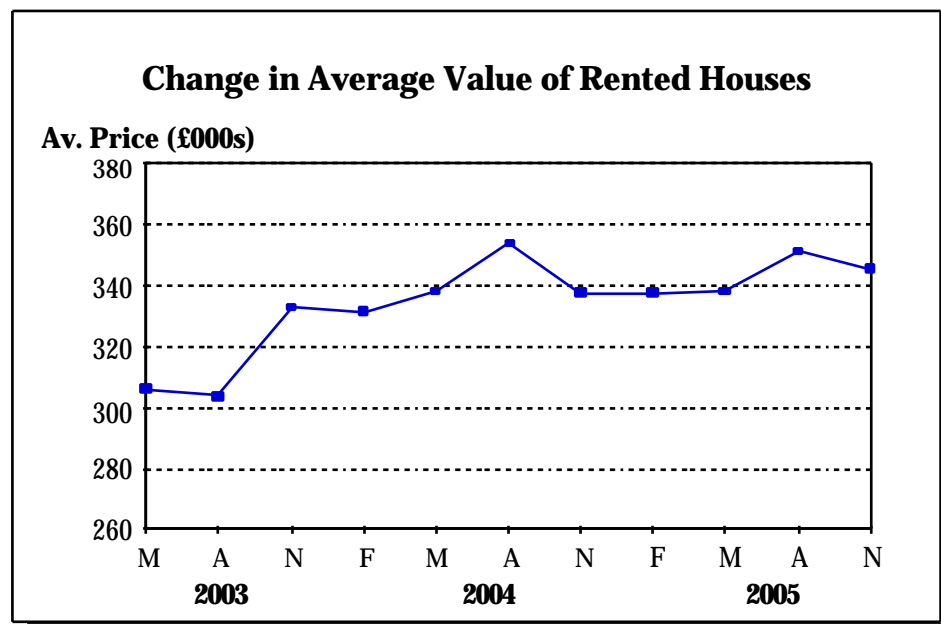


Compared with the last survey, the overall weighted average value of rented houses has fallen by 1.5% from £350,900 to £345,600.

<b>Geographic Region</b>	<b>Average Value of Rented Houses (000s)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	651.1	649.5	673.4	681.0
South East	278.4	276.9	291.1	278.6
Rest of UK	194.8	199.2	202.3	197.4
All Regions (weighted)	337.7	338.1	350.9	345.6
Base: All respondents	(502)	(489)	(436)	(463)

The average price of a rented house in Prime Central London has risen by 1.1% whilst that for the Rest of the South East is down by 4.3% and that for the Rest of the UK is down by 2.4%.

As can be seen from the chart below, between May 2003 and August 2004 the average value of a rented house increased by 16% from £306,100 to £353,800 and has been fairly stable since then.



## Flats

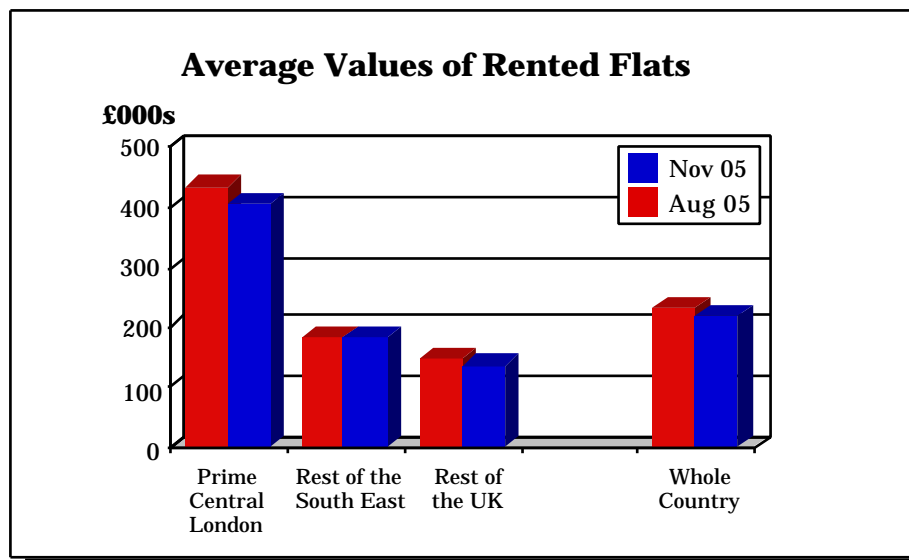
Nearly two thirds of respondents (65%) said that the average value of a rented flat in their area was between £100,000 and £350,000, the same figure as was the case with houses.

However, a much higher proportion of ARLA offices amounting to 15% said the average value of a rented flat in their area was below £100,000 whilst only 1% said the average value was in excess of £750,000.

Analysis of these figures gives an overall weighted average value for a rented flat of £216,800.

Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	-	1.6	6.3	2.8
£75,001 to £100,000	-	8.4	24.7	11.9
£100,001 to £150,000	2.6	32.5	31.6	24.8
£150,001 to £200,000	8.8	34.0	24.7	24.6
£200,001 to £350,000	32.5	13.1	5.1	15.1
£350,001 to £500,000	28.9	2.6	0.6	8.4
£500,001 to £750,000	17.5	2.1	-	5.2
Over £ 750,000	4.4	-	-	1.1
Not stated	5.3	5.8	7.0	6.0
Base: All respondents	(114)	(191)	(158)	(463)

As with rented houses, there are big differences between the values of rented flats in the different regional areas with the average for Prime Central London being £405,800 compared with £178,800 in the Rest of South East and £133,400 in the Rest of the UK.

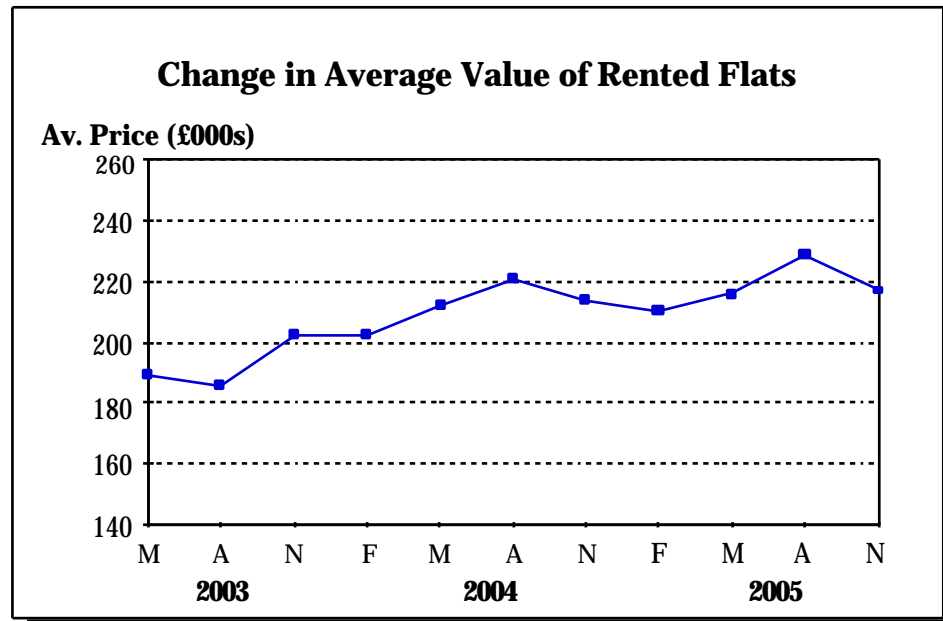


Compared with three months ago, the overall weighted average value of a rented flat has fallen by 5.1% from £228,500 to £216,800.

<b>Geographic Region</b>	<b>Average Value of Rented Flats (000s)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	383.8	384.6	434.2	405.8
South East	176.7	182.8	180.4	178.8
Rest of UK	132.1	140.7	146.6	133.4
All Regions (weighted)	210.3	216.0	228.5	216.8
Base: All respondents	(502)	(489)	(436)	(463)

Within that overall change, the average value of rented flats in Prime Central London has fallen by 6.5% after a big increase three months ago whilst the average for the Rest of the South East has fallen marginally by 0.9% and the average for the Rest of the UK by a whopping 9.0%, after a substantial increase during the summer.

As can be seen from the chart below, over the last three years, the average value of a rented flat has increased by 15% from £189,100 to £216,800 despite the occasional temporary downturn.



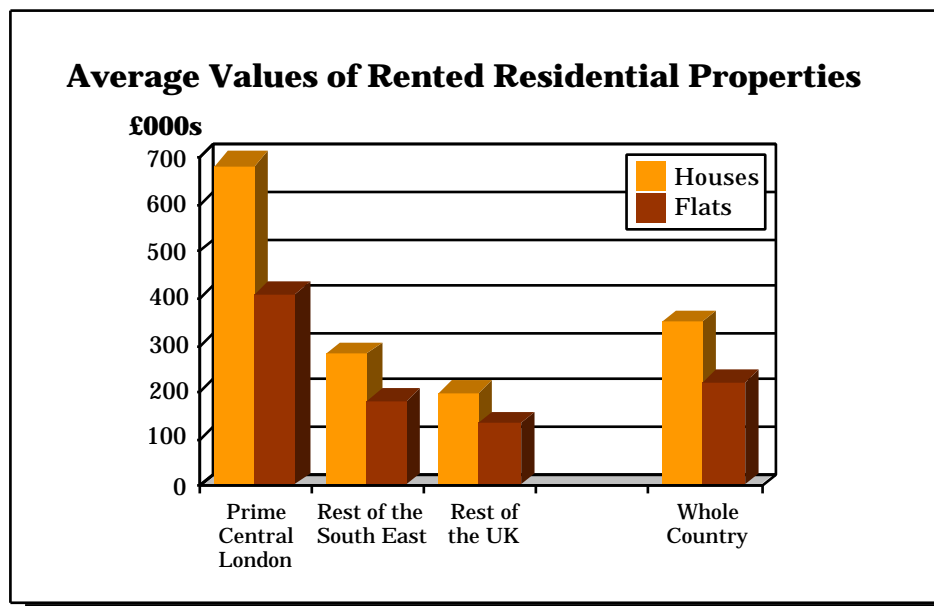
## Summary

As was to be expected, average values of rented houses are much higher than those of rented flats with the figure for houses in Prime Central London being 68% higher than that for flats.

Whilst there is also a big difference between the values of houses and flats in the rest of the country, the difference is less marked than it is in Prime Central London.

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	681.0	405.8
South East	278.6	178.8
Rest of UK	197.4	133.4
All Regions (weighted)	345.6	216.8

Base: All respondents (463)



#### 4.5 Average Rental Return on Rented Residential Property (Q.7)

##### **Houses**

According to ARLA members' offices, a rental return of between 4% and 5% is the norm for rented houses with more than half of all respondents (54%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented houses of 4.9%.

<b>Average Return</b>	<b>Percent of Respondents (%)</b>			
	<b>Prime London</b>	<b>Rest of SE</b>	<b>Rest of UK</b>	<b>All Regions</b>
Less than 4%	17.5	13.1	15.8	15.1
4% to 5%	52.6	55.0	55.1	54.4
6%	12.3	11.5	12.0	11.9
7%	4.4	4.7	6.3	5.2
8%	-	4.7	1.9	2.6
9% to 10%	4.4	2.6	1.3	2.6
11% to 12%	2.6	0.5	0.6	1.1
12% to 15%	0.9	-	1.3	0.6
Over 15%	0.9	0.5	0.6	0.6
Not stated	4.4	7.3	5.1	5.8
Base: All respondents	(114)	(191)	(158)	(463)

There is very little difference in rates of return between the three broad geographic areas, with the average for Prime Central London being 5.0% compared with 4.9% for both the Rest of the South East and the Rest of the UK.

<b>Geographic Region</b>	<b>Average Rental Return (%)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	4.8	4.9	4.7	5.0
South East	4.9	4.9	4.9	4.9
Rest of UK	5.1	5.3	4.9	4.9
All Regions (weighted)	4.9	5.0	4.9	4.9
Base: All respondents	(502)	(489)	(436)	(463)

Compared with three months ago, the average weighted rental return on houses is almost unchanged at 4.9% (using two decimal places, the average is up very slightly from 4.85% to 4.91% as a result of the increase in Prime Central London).

Within that fairly static position, the average rental return on houses in Prime Central London has risen from 4.7% to 5.0%, whilst the averages for the Rest of the South East and the Rest of the UK are unchanged at 4.9%.

## **Flats**

A rental return of between 4% and 5% also appears to be the norm for rented flats with more than half of respondents (52%) saying that this applies to their area.

Analysis of these results reveals a weighted average rental return on rented flats of 5.1%.

<b>Average Return</b>	<b>Percent of Respondents (%)</b>			
	<b>Prime London</b>	<b>Rest of SE</b>	<b>Rest of UK</b>	<b>All Regions</b>
Less than 4%	7.0	7.3	19.6	11.4
4% to 5%	59.6	55.5	41.8	51.8
6%	15.8	17.8	17.1	17.1
7%	6.1	4.2	6.3	5.4
8%	2.6	2.1	3.2	2.6
9% to 10%	3.5	2.1	1.3	2.2
11% to 12%	0.9	0.5	0.6	0.6
12% to 15%	-	-	1.3	0.4
Over 15%	0.9	1.0	0.6	0.9
Not stated	3.5	9.4	8.2	7.6
Base: All respondents	(114)	(191)	(158)	(463)

There are slight differences in the rates of return for rented flats between the different geographical areas, with the average for Prime Central London being 5.2% whilst that for the Rest of the South East is 5.1% and that for the Rest of the UK is 4.9%.

<b>Geographic Region</b>	<b>Average Rental Return (%)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	5.2	5.2	5.0	5.2
South East	5.2	5.1	5.1	5.1
Rest of UK	5.3	5.5	5.1	4.9
All Regions (weighted)	5.2	5.3	5.1	5.1
Base: All respondents	(502)	(489)	(436)	(463)

Compared with the last survey in August, the overall weighted average rental return on flats is unchanged at 5.1%.

However, the average for Prime Central London is up from 5.0% to 5.2% whilst that for the Rest of the UK is down from 5.1% to 4.9% and that for the Rest of the South East is unchanged.

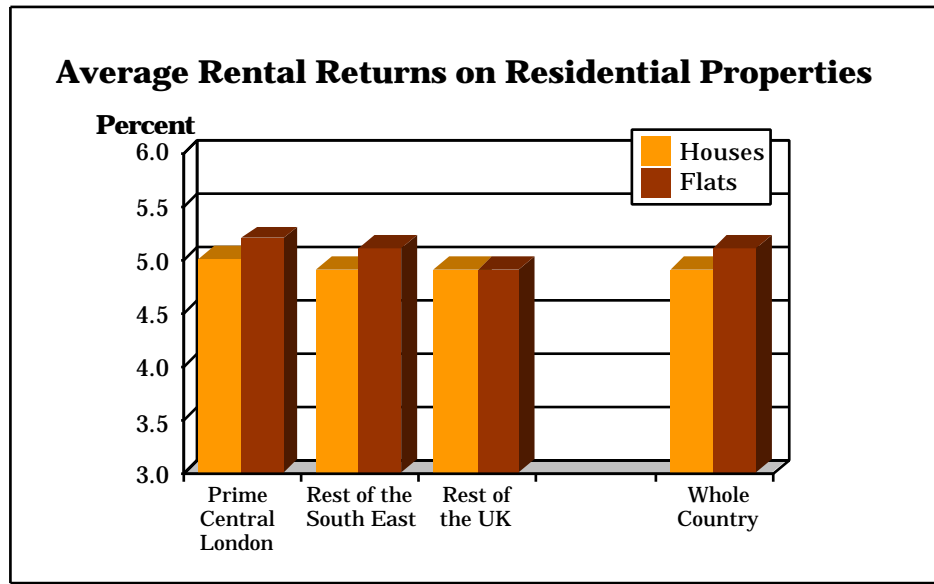
## Summary

Average rental returns for both houses and flats are now slightly higher in Prime Central London than elsewhere in the country.

Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	5.0	5.2
South East	4.9	5.1
Rest of UK	4.9	4.9
All Regions (weighted)	4.9	5.1

Base: All respondents (463)

Overall, flats in London and the South East appear to earn a higher gross return than do houses although this does not seem to apply in the Rest of the UK.



## Average Rents

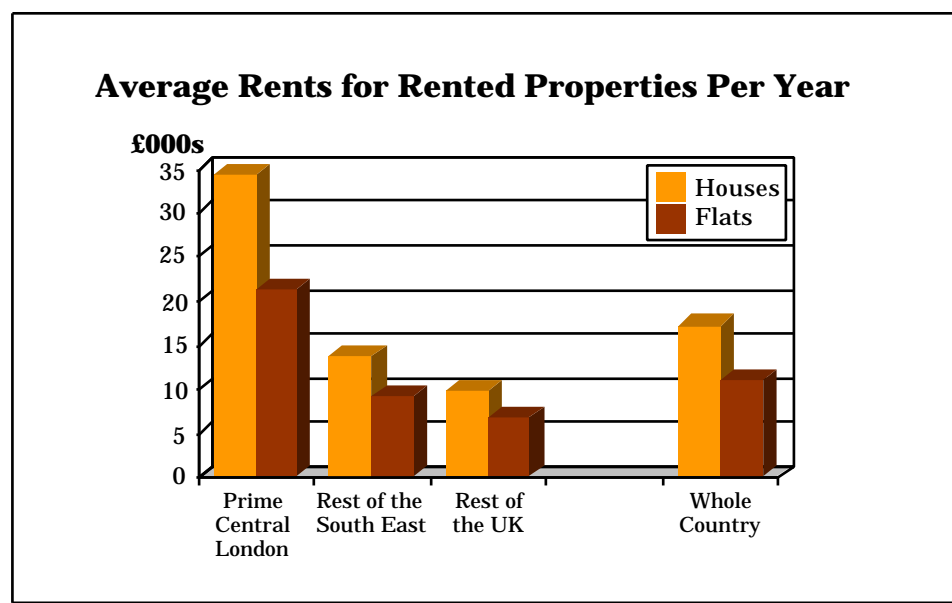
The table below shows the average rents being received by landlords based on the average rental returns and average property prices quoted above.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	655	2,838	34.1	406	1,758	21.1
South East	263	1,138	13.7	175	760	9.1
Rest of UK	186	806	9.7	126	545	6.5
All Regions (weighted)	327	1,418	17.0	211	913	11.0

Base: All respondents (463)

In the case of Prime Central London the average rent of a house is more than half as much again (61%) as the average rent for a flat.

There are also marked differences in the Rest of the South East and the Rest of the UK, where average house rents are 50% and 48% respectively higher than average flat rents.



Further analysis of the responses to this question enables average rents to be derived for each of the geographic regions included in the survey and these are shown in the table below.

However, it should be noted that the number of respondents for some of the regions is relatively small with the smallest number (20) being for Scotland, Wales and Northern Ireland.

<b>Geographic Region</b>	<b>Average Rents</b>					
	<b>HOUSES</b>			<b>FLATS</b>		
	<b>Week (£)</b>	<b>Month (£)</b>	<b>Year (£000)</b>	<b>Week (£)</b>	<b>Month (£)</b>	<b>Year (£000)</b>
Prime Central London	655	2,838	34.1	406	1,758	21.1
Rest of London	266	1,152	13.8	261	1,132	13.6
Rest of South East	264	1,143	13.7	158	683	8.2
South West	192	832	10.0	124	536	6.4
Midlands	175	758	9.1	112	483	5.8
North West	200	868	10.4	153	662	7.9
North East	150	650	7.8	112	485	5.8
Scotland/Wales/NI	168	729	8.7	129	557	6.7

Base: All respondents (463)

#### 4.6 Average Void Period Per Year (Q.8)

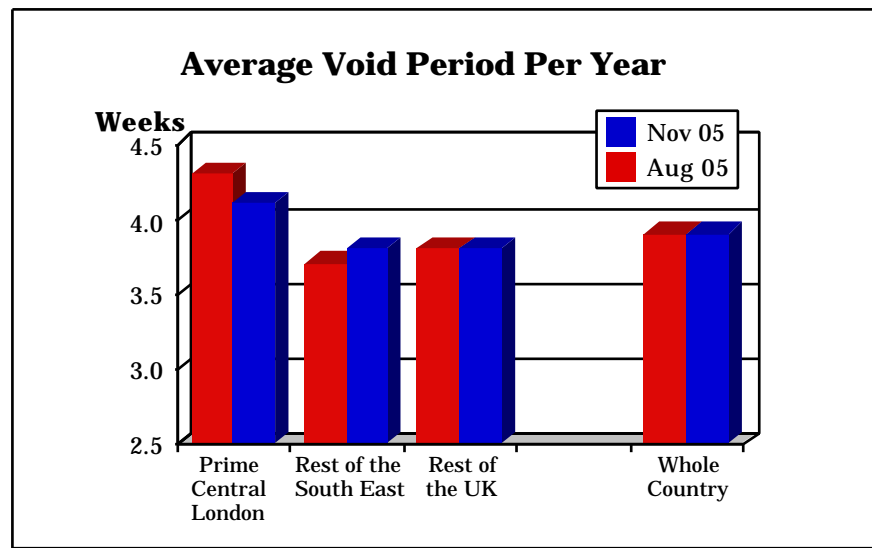
Average void periods for rented residential properties tend to be quite short with more than six out of ten ARLA members' offices (64%) reporting averages of 4 weeks or less per year and, in addition, more than a quarter (23%) say the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 3.9 weeks (27 days) per year.

Average Void Period	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 2 weeks	7.9	10.5	7.0	8.6
2 to 4 weeks	49.1	56.5	57.6	55.1
5 to 6 weeks	25.4	24.6	28.5	26.1
7 to 8 weeks	13.2	5.2	3.2	6.5
More than 8 weeks	0.0	2.1	0.6	1.1
Don't know	2.6	0.5	1.9	1.5
Not stated	1.8	0.5	1.3	1.1
Base: All respondents	(114)	(191)	(158)	(463)

Respondents with properties in Prime Central London experience a higher void rate than average at 4.1 weeks (29 days) per year.

The average void period for the Rest of the South East and the Rest of the UK is 3.8 weeks (27 days) per year.



Compared with three months ago, the average void period for the country as a whole is unchanged at 3.9 weeks (27 days).

Within this overall change, the average void period for Prime Central London has fallen from 4.3 weeks (30 days) to 4.1 weeks (29 days) with

the average for the Rest of the South East rising from 3.7 weeks (26 days) to 3.8 weeks (27 days). For the Rest of the UK the average was unchanged at 3.8 weeks (27 days) per year.

<b>Geographic Region</b>	<b>Average Void Period (weeks)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	4.6	4.2	4.3	4.1
South East	3.9	3.7	3.7	3.8
Rest of UK	3.6	3.8	3.8	3.8
All Regions	4.0	3.9	3.9	3.9
Base: All respondents	(502)	(489)	(436)	(463)

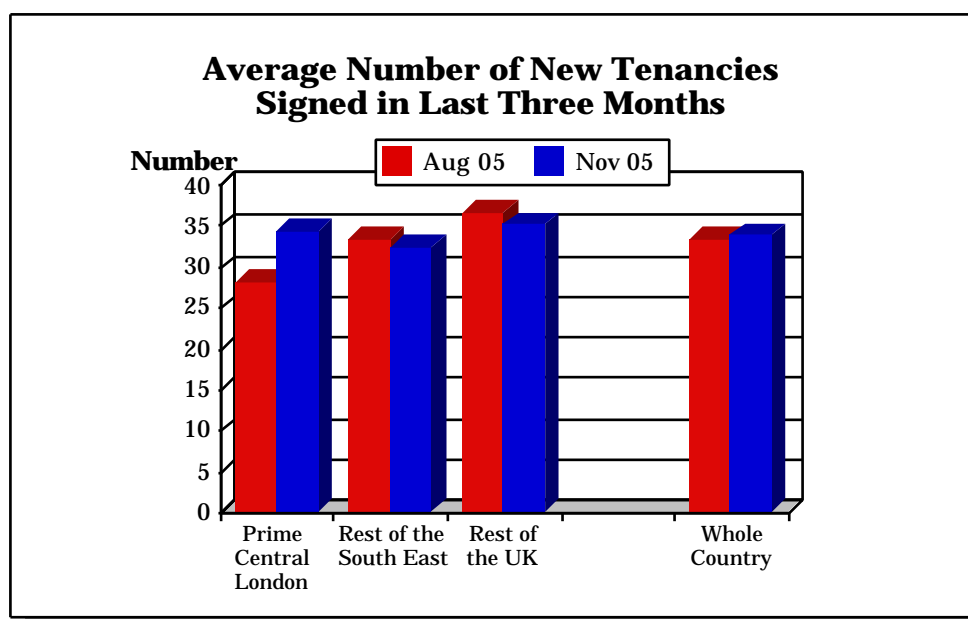
**4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)**

Nearly six out of ten ARLA members' offices (58%) have signed up more than 20 new tenancies (other than renewals) in the last three months with more than two out of ten (21%) having signed up more than 50 new tenancies in the last three months.

Analysis of these results reveals that, on average, ARLA members' offices have each signed up 34 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	0.5	-	0.2
Up to 5	4.4	6.3	5.7	5.6
6 to 10	11.4	12.0	9.5	11.0
11 to 20	23.7	27.2	22.2	24.6
21 to 50	39.5	34.0	39.9	37.4
Over 50	21.1	19.9	22.2	21.0
Not stated	-	-	0.6	0.2
Base: All respondents	(114)	(191)	(158)	(463)

Offices in the Rest of the South East have fared worse than those the Rest of the UK and, to a lesser extent, those managing properties in Prime Central London with the average figures being 32 for the Rest of the South East compared with 34 for Prime Central London and 35 for the Rest of the UK.



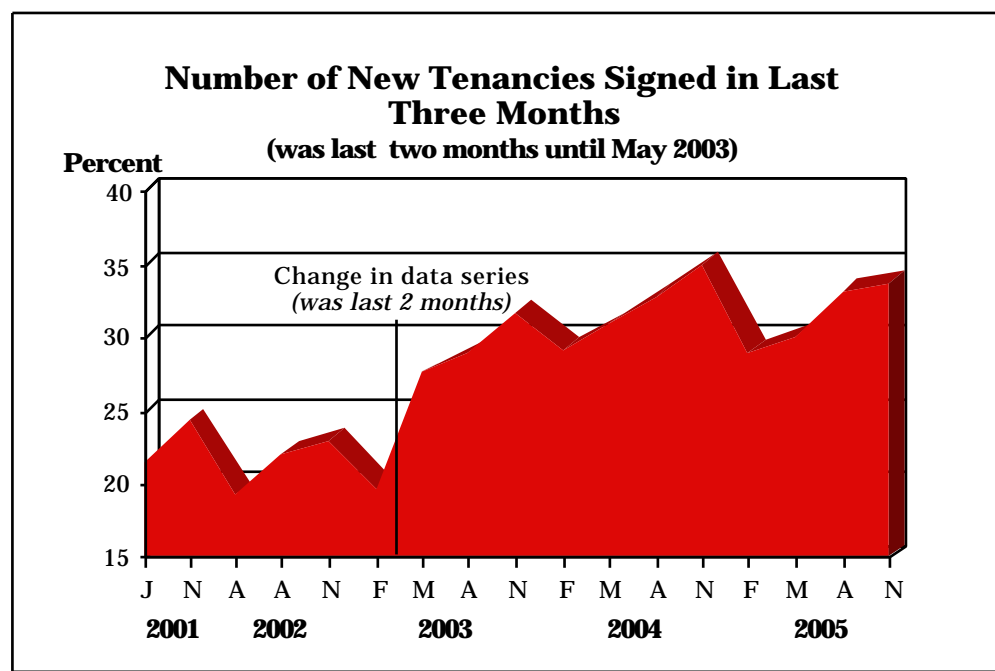
Compared with the last survey, there has been a small overall rise in the average number of tenancies signed up in the preceding three months from 33 to 34. This increase is entirely accounted for a large increase

from 28 to 34 for Prime Central London with the numbers for the other two areas declining.

<b>Geographic Region</b>	<b>Number of New Tenancies</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	27.3	26.3	28.0	34.3
South East	27.7	29.8	33.2	32.2
Rest of UK	31.6	32.6	36.7	35.1
All Regions	28.9	30.0	33.2	33.7
Base: All respondents	(502)	(489)	(436)	(463)

As can be seen from the chart below, from the middle of 2003, there was a steady increase in the average number of tenancies (not renewals) being signed but at the beginning of 2005 this was followed by a sharp downturn in the figure.

However, three successive increases have restored the long term upward trend even though the current figure is a little below the peak of 35 seen a year ago.



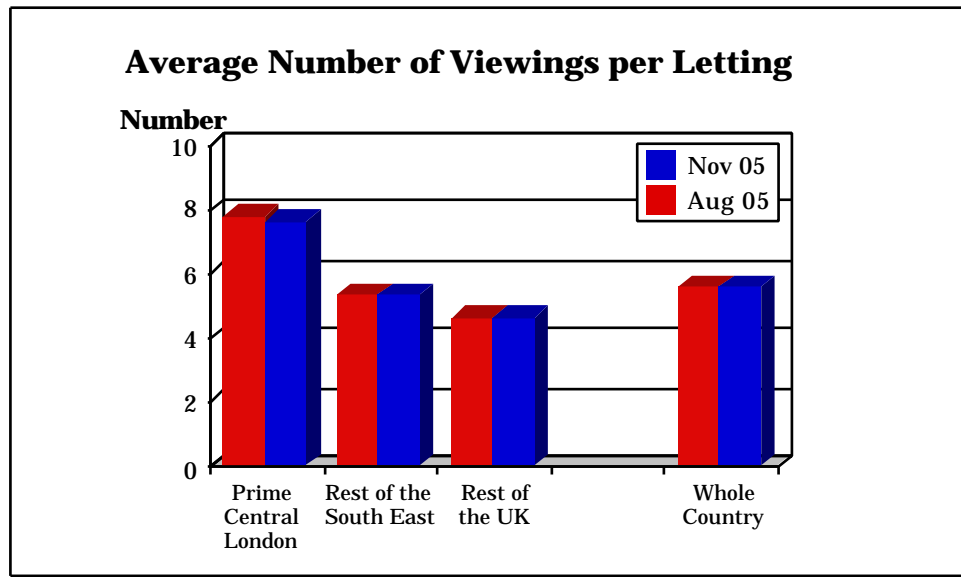
#### 4.8 Number of Viewings Per Letting (Q.10)

Getting on for half of ARLA members' offices (45%) have to deal with an average of 4 or 5 viewings of a property before it is let, and for nearly a third of offices (32%), the average number of viewings per letting is 6 or more.

Analysis of these figures produces an overall average of 5.6 viewings per letting.

Number of Viewings per Letting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
1	-	-	2.5	0.9
2 or 3	5.3	24.6	31.0	22.0
4 or 5	37.7	48.7	44.3	44.5
6 to 10	43.9	23.6	21.5	27.9
11 to 20	10.5	2.6	0.6	3.9
Over 20	1.8	0.5	-	0.6
Not stated	0.9	-	-	0.2
Base: All respondents	(114)	(191)	(158)	(463)

On average, ARLA members in Prime Central London have to show many more prospective tenants round a property (7.6) before it is let than do their counterparts in the Rest of the South East (5.3) or the Rest of the UK (4.6).



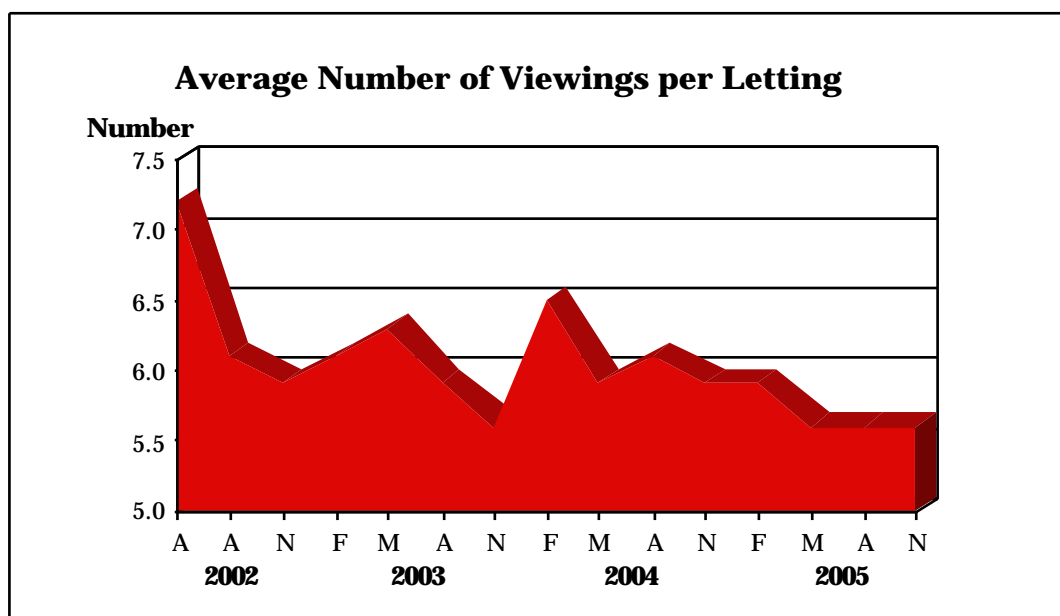
Compared with the last survey in August, the overall average number of viewings per letting is unchanged at 5.6%.

This static picture is reflected in the figures for the broad geographic regions used in this report although the average number of viewings per letting for those managing properties in Prime Central London fell a little

whilst those for the Rest of the South East and the Rest of the UK remained unchanged at 5.3 and 4.6 respectively.

<b>Geographic Region</b>	<b>Average Number of Viewings per Letting (%)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	8.5	7.6	7.8	7.6
South East	5.3	5.4	5.3	5.3
Rest of UK	4.8	4.6	4.6	4.6
All Regions	5.9	5.6	5.6	5.6
Base: All respondents	(502)	(489)	(436)	(463)

As the chart below shows, the overall average number of viewings per letting has been fairly steady over the last three years at between 5.5 and 6.5 although the figure does appear to have declined a little over the last year or so.



#### 4.9 Balance of Supply & Demand in Rented Residential Property Sector (Q.11)

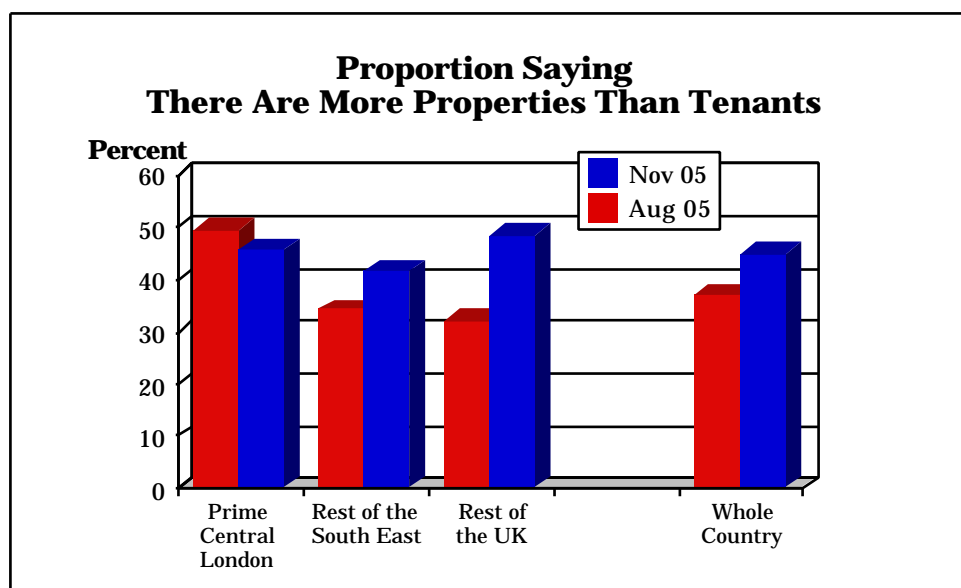
More than a quarter of ARLA members' offices (27%) say that there are currently more tenants than there are properties available for them.

However, a larger proportion (45%) now believe that there are more rented residential properties available than there are tenants to fill them whilst more than a quarter (27%) believe that supply of, and demand for, rented residential properties is in balance.

These figures indicate that, overall, the demand for and supply of rented residential properties is fairly well balanced.

Balance of Supply and Demand	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Lot more props than tenants	16.7	12.6	12.7	13.6
Few more props than tenants	28.9	28.8	35.4	31.1
Equal nos of props & tenants	20.2	32.5	25.9	27.2
Few more tenants than props	17.5	15.2	10.1	14.0
Lot more tenants than props	14.9	11.0	15.2	13.4
Not stated	1.8	0.0	0.6	0.6
Not stated	-	-	-	-
Base: All respondents	(114)	(191)	(158)	(463)

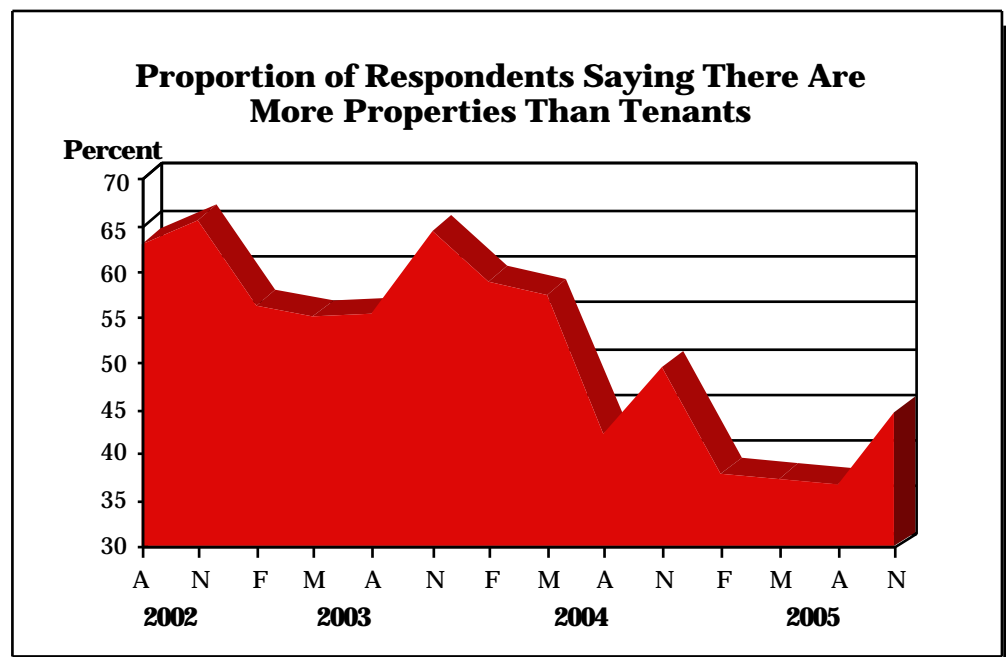
Much of the difference between Prime Central London and the rest, of the country in terms of balance of supply and demand has been eroded over the last three months as a result of a decline in the proportion saying there are more properties than tenants in Prime Central London (down from 49% to 46%) and increases for the Rest of the South East (from 34% to 41%) and the rest of the UK (from 34% to 48%).



Overall, 45% of respondents to this survey (up from 37% three months ago) said there were more properties than tenants suggesting that the situation with regard to the balance of supply and demand has declined a little since August.

<b>Geographic Region</b>	<b>Proportion Saying There Are More Properties than Tenants (%)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Prime Central London	50.0	51.4	49.4	45.6
South East	37.3	36.2	34.0	41.4
Rest of UK	30.1	30.2	31.8	48.1
All Regions	37.8	37.4	36.7	44.7
Base: All respondents	(502)	(489)	(436)	(463)

As the chart below shows, however, the proportion of respondents saying that there are more properties than tenants is still at an historically low level despite the quite substantial increase seen this time. The figure has fallen from a high of 66% three years ago to just 45% now.

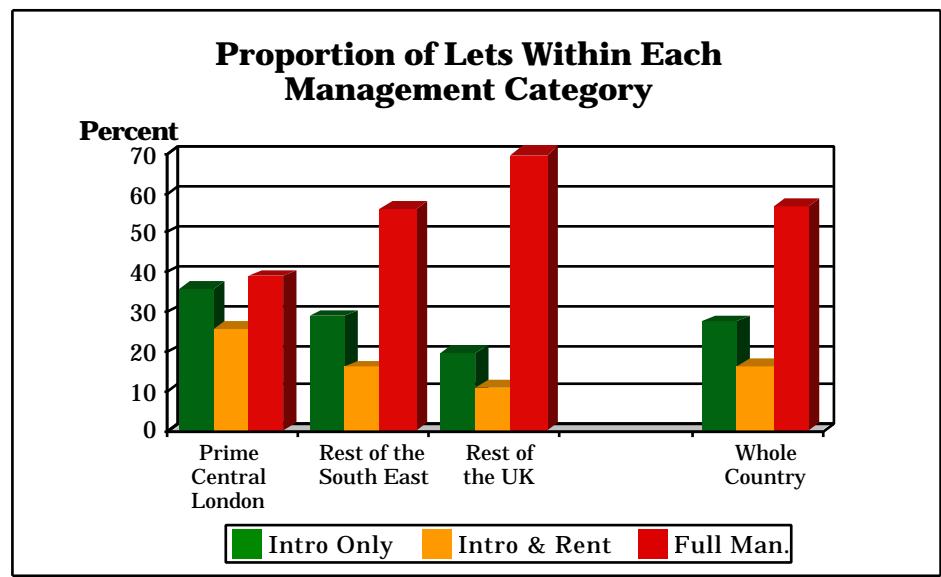


#### 4.10 Proportion of Lets Within Each Management Category (Q.12)

On average, getting on for six out of ten properties let by ARLA members' offices (57%) are let on a full management basis. This compares with more than a quarter (27%) being on an introduction only basis and 16% being on the basis of introduction and rent collection.

Management Category	Average Proportion of Lets (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Introduction Only	36.0	28.5	19.5	27.2
Intro & Rent Collection	25.2	15.7	10.9	16.3
Full Management	38.8	55.8	69.6	56.5
Base: All respondents	(114)	(191)	(158)	(463)

Looking at differences between the three regional areas, offices managing properties in Prime Central London are much less likely than their counterparts in the rest of the country to be letting under full management (39% compared with 56% for the Rest of the South East and 70% for the Rest of the UK).



#### 4.11 Change in Achievable Rent Levels Over Last 6 Months (Q.13)

##### *All Regions*

In the case of each of the listed property types, between 27% and 35% believe that achievable rent levels have increased over the last six months whilst only between 11% and 20% believe they have fallen.

<b>Response</b>	<b>Percent of Respondents (%)</b>					
	<b>Det House</b>	<b>Semi House</b>	<b>Terr House</b>	<b>Conv Flat</b>	<b>PB Flat</b>	<b>Studio Flat</b>
Increased a lot	2.4	1.9	1.7	1.5	1.3	2.8
Increased a little	26.6	30.0	33.3	31.1	32.4	24.4
Stayed the same	38.0	42.5	45.1	46.0	46.0	47.9
Decreased a little	14.9	13.6	13.8	14.7	14.5	9.9
Decreased a lot	5.2	1.7	0.6	0.6	1.3	1.1
Don't know	12.1	9.3	4.5	5.2	3.5	13.0
Not stated	0.9	0.9	0.9	0.9	1.1	0.9

Base: All respondents (463)

These figures tend to suggest that, on average, achievable rent levels have increased substantially over the past six months.

##### *Prime Central London*

Within the overall figures, there is a much bigger spread between property types in Prime Central London with between 18% and 43% saying that achievable rent levels for each type of property have risen.

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, the spread is similar to that for the whole country with between 8% and 18% saying they think this is the case.

<b>Response</b>	<b>Percent of Respondents (%)</b>					
	<b>Det House</b>	<b>Semi House</b>	<b>Terr House</b>	<b>Conv Flat</b>	<b>PB Flat</b>	<b>Studio Flat</b>
Increased a lot	3.5	2.6	2.6	2.6	1.8	6.1
Increased a little	14.9	17.5	22.8	40.4	36.0	26.3
Stayed the same	30.7	35.1	45.6	39.5	46.5	49.1
Decreased a little	9.6	13.2	16.7	14.9	11.4	7.9
Decreased a lot	6.1	3.5	0.9	-	0.9	-
Don't know	33.3	26.3	9.6	0.9	0.9	8.8
Not stated	1.8	1.8	1.8	1.8	2.6	1.8

Base: All respondents (114)

It would appear from these figures that, on average, achievable rent levels in Prime Central London have increased significantly over the past six months, particularly with regard to flats.

### *Rest of the South East*

With regard to the Rest of the South East, the picture is a little less positive with between 22% and 32% of respondents saying that achievable rent levels have increased compared with between 9% and 25% saying they have decreased.

<b>Response</b>	<b>Percent of Respondents (%)</b>					
	<b>Det House</b>	<b>Semi House</b>	<b>Terr House</b>	<b>Conv Flat</b>	<b>PB Flat</b>	<b>Studio Flat</b>
Increased a lot	2.1	1.6	0.5	0.5	0.5	1.0
Increased a little	24.1	28.3	31.9	25.1	29.8	20.9
Stayed the same	39.8	48.2	46.6	50.3	50.8	50.3
Decreased a little	18.3	14.7	15.7	14.7	12.6	8.4
Decreased a lot	6.8	1.6	0.5	0.5	0.5	1.0
Don't know	7.9	4.7	3.7	7.9	4.7	17.3
Not stated	1.0	1.0	1.0	1.0	1.0	1.0

Base: All respondents (191)

Nevertheless, these figures tend to suggest that rent levels in the South East have increased a little in the last six months.

### *Rest of the UK*

For the Rest of the UK, the position is not dissimilar to that in Prime Central London with more respondents saying that achievable rent levels have increased than say they have decreased.

Between 30% and 45% of offices say that achievable rent levels for each type of property have increased whilst only between 10% and 22% believe rent levels have decreased over the last six months.

<b>Response</b>	<b>Percent of Respondents (%)</b>					
	<b>Det House</b>	<b>Semi House</b>	<b>Terr House</b>	<b>Conv Flat</b>	<b>PB Flat</b>	<b>Studio Flat</b>
Increased a lot	1.9	1.9	2.5	1.9	1.9	2.5
Increased a little	38.0	41.1	42.4	31.6	32.9	27.2
Stayed the same	41.1	41.1	43.0	45.6	39.9	44.3
Decreased a little	14.6	12.7	9.5	14.6	19.0	13.3
Decreased a lot	2.5	0.6	0.6	1.3	2.5	1.9
Don't know	1.9	2.5	1.9	5.1	3.8	10.8
Not stated	-	-	-	-	-	-

Base: All respondents (158)

It appears from these figures that achievable rent levels in the Rest of the UK have increased significantly over the last six months.

## Summary

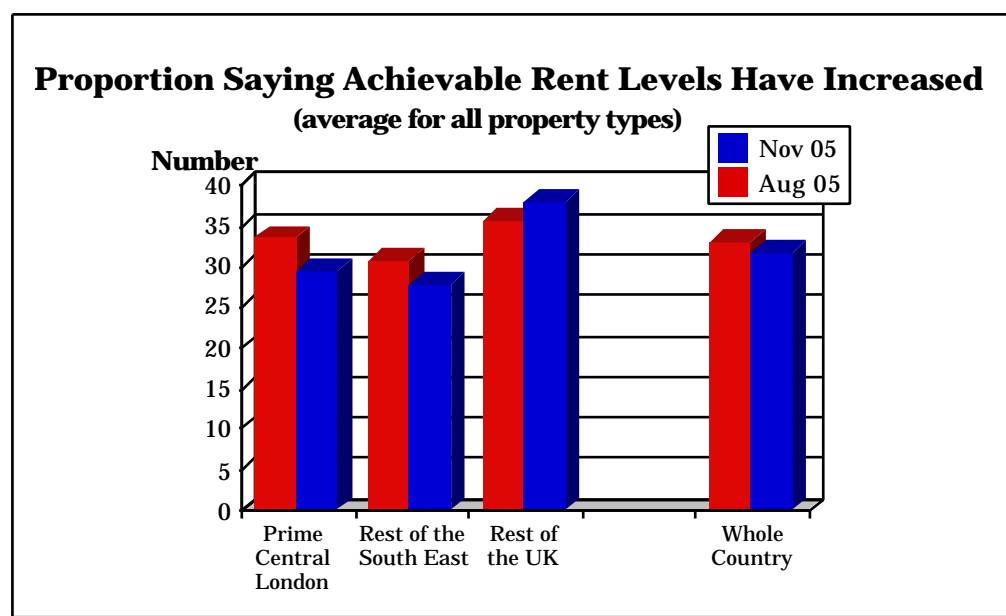
The table and graph below show the proportion of respondents from each geographical area who said they believed achievable rents had increased for each type of property.

Geographic Region	Percent Saying Achievable Rents Have Increased (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	18.4	20.2	25.4	43.0	37.7	32.5
Rest of the South East	26.2	29.8	32.5	25.7	30.4	22.0
Rest of the UK	39.9	43.0	44.9	33.5	34.8	29.7
All regions	28.9	32.0	35.0	32.6	33.7	27.2

Base: All respondents (436)

Compared with three months ago, there has been a slight decline in the average proportion of respondents saying achievable rents across all property types have increased from 33% to 32%.

As between the geographic regions, the average proportion of respondents saying achievable rents across all property types have increased for Prime Central London is down from 34% to 30% whilst the average for the Rest of the South East is also down, from 31% to 28%. However, the average for the Rest of the UK has risen from 35% to 38%. It should be noted that these changes do little more than reverse the changes seen three months ago and are probably not significant.



#### 4.12 Proportion of Let Properties Which Are Houses in Multiple Occupation (Q.14)

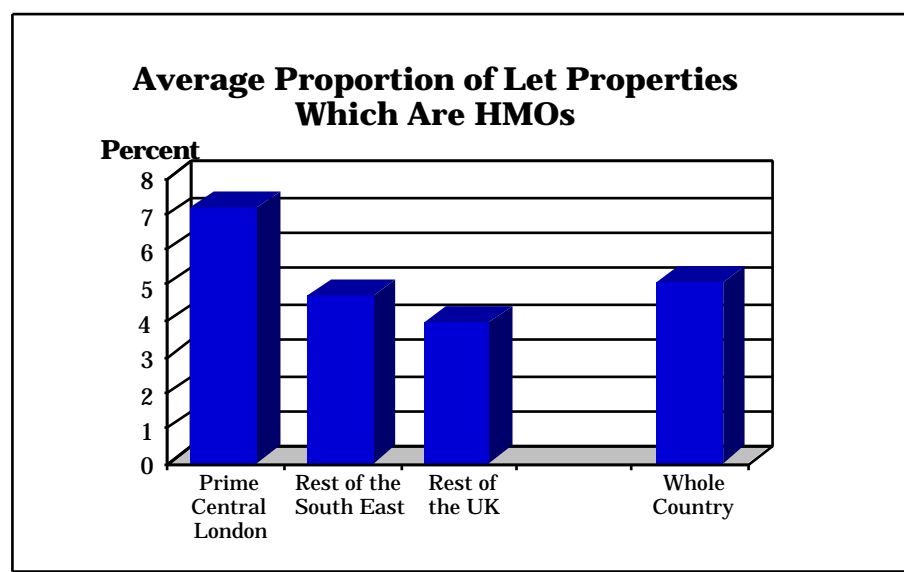
More than half of all respondents (54%) said that none of the properties they let were Houses in Multiple Occupation (HMOs). More than a further third (35%) said that less than a tenth of their lets were HMOs.

Based on these figures, one in twenty properties let by ARLA members' offices are HMOs and for those that have any at all, the average proportion of their portfolios which are HMOs is 11%.

Proportion of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	55.3	53.9	52.5	53.8
Up to 10%	25.4	37.2	40.5	35.4
11% to 25%	10.5	5.2	4.4	6.3
26% to 50%	6.1	1.6	1.9	2.8
51% to 75%	2.6	0.5	0.6	1.1
76% to 99%	-	1.0	-	0.4
All	-	-	-	-
Not stated	-	0.5	-	0.2
Base: All respondents	(114)	(191)	(158)	(463)

There is little difference between the broad geographic areas with regard to the proportions who have any HMOs on their books.

However, amongst those who do have let properties which are HMOs, offices which manage properties in Prime Central London are likely to have nearly twice as many HMOs, with an average of 16% of their properties being of this type compared with 10% for the Rest of the South East and just 8% for the Rest of the UK.



<b>Geographic Region</b>	<b>Average Proportion of Properties (%) Nov 05</b>
Prime Central London	16.0
South East	10.2
Rest of UK	8.3
All Regions	10.9

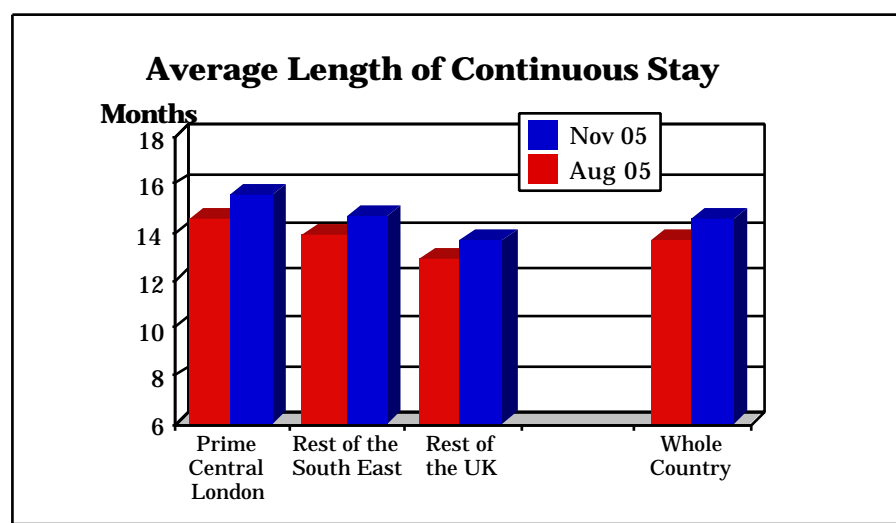
Base: All with some HMOs (varies)

#### 4.13 Average Length of Continuous Stay in Property (Q.15)

Almost nine out of ten tenants (89%) remain in the same property for between 10 and 18 months. Based on these figures, tenants tend to stay in the same property for an average of 14.5 months.

Average Length of Continuous Stay	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
6 to 9 months	0.9	4.2	11.4	5.8
10 to 12 months	20.2	25.1	37.3	28.1
13 to 18 months	73.7	63.9	47.5	60.7
19 to 24 months	5.3	6.8	3.8	5.4
More than 24 months	-	-	-	-
Don't know	-	-	-	-
Not stated	-	-	-	-
Base: All respondents	(114)	(191)	(158)	(463)

The average time a tenant stays in the same property is longest for Prime Central London at 15.5 months compared with 14.6 months for the Rest of the South East and 13.6 months for the Rest of the UK.



Compared with the last survey, the overall average length of tenant's continuous stay in the same property is up from 13.6 to 14.5 months.

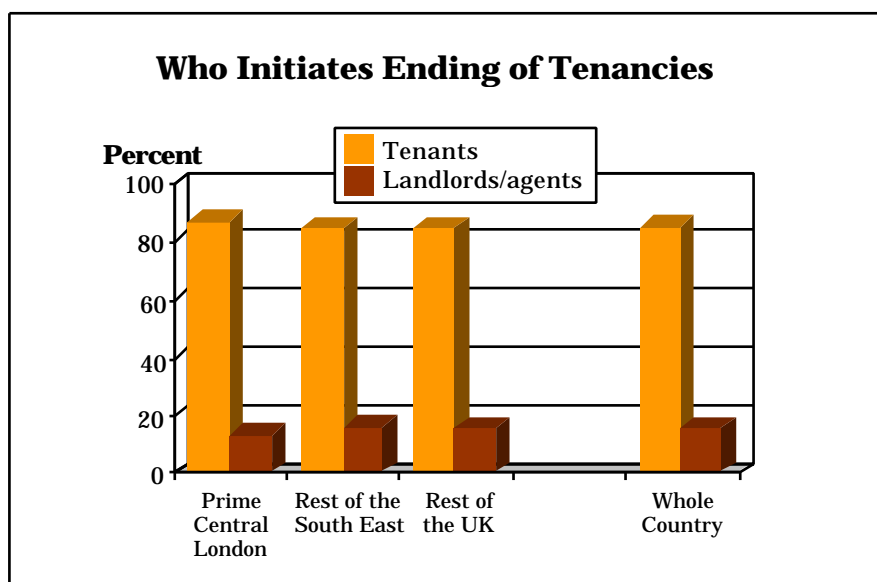
Geographic Region	Average Continuous Stay (months)			
	Feb 05	May 05	Aug 05	Nov 05
Prime Central London	16.7	15.8	14.5	15.5
South East	15.1	15.4	13.8	14.6
Rest of UK	13.5	13.9	12.8	13.6
All Regions	14.9	15.0	13.6	14.5
Base: All respondents	(502)	(489)	(436)	(463)

#### 4.14 Who Initiates Ending of Tenancies (Q.16)

It would appear that in the vast majority of cases, it is the tenant who initiates the ending of a tenancy with, on average, respondents saying that seventeen out of twenty tenancies (85%) are ended by the tenant.

Initiator of End of Tenancy	Average Proportion of Tenancies (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Tenant	86.8	84.2	84.4	84.9
Landlord/agent	13.2	15.8	15.6	15.1
Base: All respondents	(114)	(191)	(158)	(463)

There is very little difference in the propensity for tenants to initiate the ending of a tenancy as between the three broad geographic regions although tenants are more likely than average to end a tenancy in Prime Central London.



Compared with three months ago, there has been little change in the responses to this question with the proportion of tenancies being ended by the tenant increasing only slightly from 84% to 85%.

Initiator of End of Tenancy	Proportion of Tenancies (%)	
	Aug 05	Nov 05
Tenant	83.9	84.9
Landlord/agent	16.1	15.1
Base: All respondents	(436)	(463)

**4.15 How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.17)**

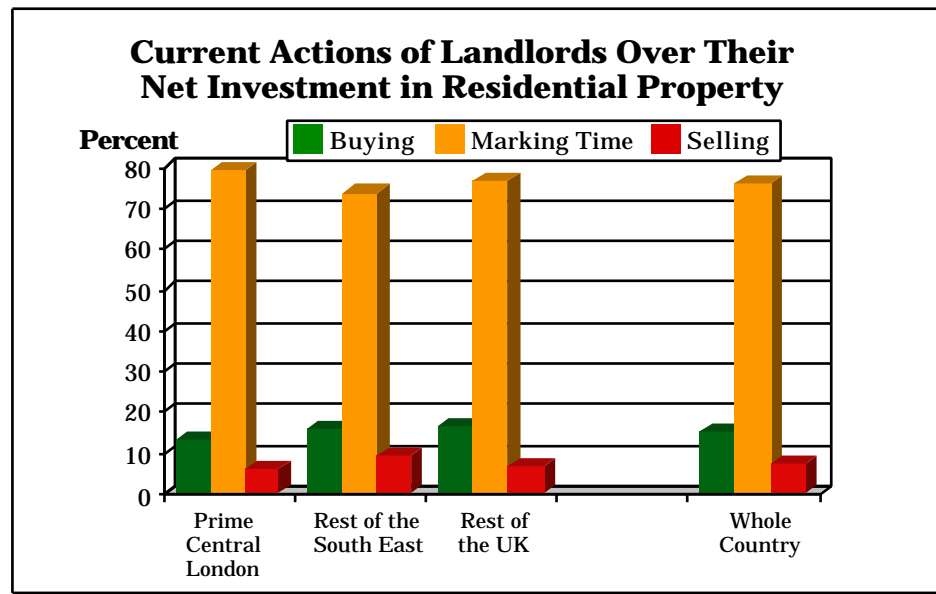
More than three quarters of ARLA members' offices (76%) think that residential landlords are currently marking time with regard to their net investment in residential property.

Whilst 7% of respondents think landlords are decreasing their net investment by selling properties, more than twice as many (15%) think they are increasing their net investment by buying more properties.

<b>How Landlords Are Currently Acting</b>	<b>Percent of Respondents (%)</b>			
	<b>Prime London</b>	<b>Rest of SE</b>	<b>Rest of UK</b>	<b>All Regions</b>
Buying	13.2	15.7	16.5	15.3
Marking time	78.9	73.3	75.9	75.6
Selling	6.1	8.9	6.3	7.3
Not stated	1.8	2.1	1.3	1.7
Base: All respondents	(114)	(191)	(158)	(463)

Geographically, there is little difference on this question although offices in the Rest of the South East are most likely to think that residential landlords are decreasing their investment (9% compared with 6% for both Prime Central London and the Rest of the UK).

Respondents in the Rest of the UK, on the other hand, are the ones most likely to think residential landlords in their area are increasing their net investment (17% compared with 16% for the Rest of the South East and 13% for Prime Central London).



Compared with three months ago, there has been a marked upturn in the proportion of respondents who think landlords are currently buying more properties (up from 10% to 15%) and a corresponding fall in the

proportion saying landlords are selling (down from 12% to 7%) suggesting that the mood has changed quite significantly. In fact the net position has changed from a net 11% selling properties to a net 8% buying more properties.

<b>How Currently Acting</b>	<b>Percent of Respondents (%)</b>			
	<b>Feb 05</b>	<b>May 05</b>	<b>Aug 05</b>	<b>Nov 05</b>
Buying	9.8	12.9	10.1	15.3
Marking time	73.7	67.1	73.9	75.6
Selling	14.7	16.0	12.2	7.3
Not stated	1.8	4.1	3.9	1.7
Base: All respondents	(502)	(489)	(436)	(463)

Overall, therefore, it would appear that most residential landlords are biding their time but significantly more are now investing in more properties than are reducing their investment by selling properties.

#### 4.16 Basis of Answers to Questionnaire (Q.18)

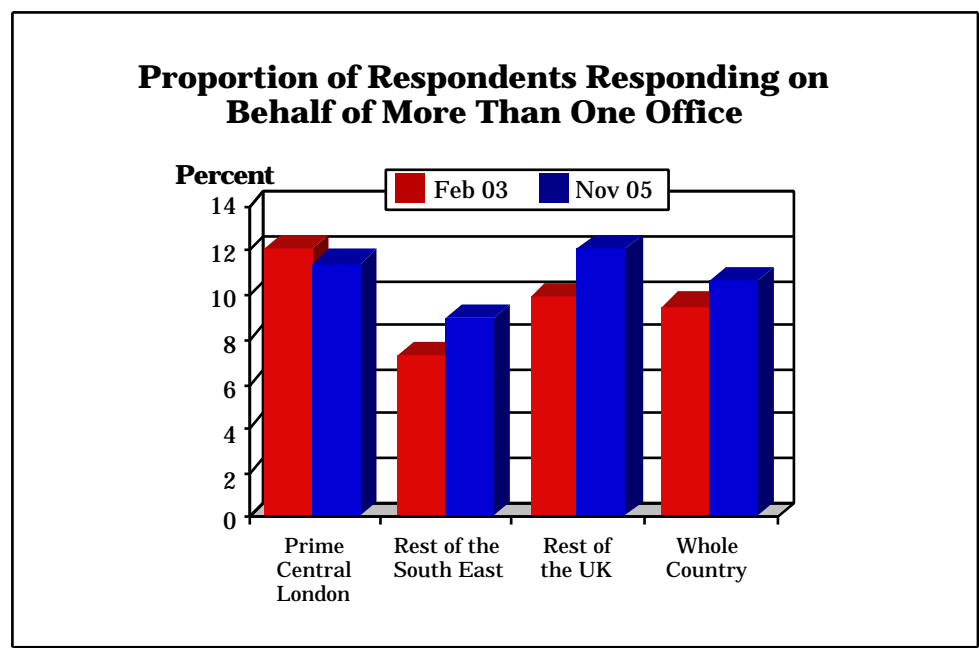
More than a third of respondents (35%) were answering the questionnaire on behalf of a single office firm but the highest proportion, more than half (54%), were doing so on behalf of a single office of a multi-office firm. Almost nine out of ten responses (89%), therefore, relate to the business of a single office.

For those 49 respondents who were responding on behalf of more than one office, 31 said they were answering on behalf of five offices or less and 9 said they were responding on behalf of more than five offices. However, 9 did not say how many offices were included in their response.

For those answering on behalf of more than one office (and who said on behalf of how many offices they were responding), the average number on which responses were based was 5 offices, up from 4 in February 2003, the last time this question was asked.

Basis of Responses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Single office firm	31.6	36.1	36.7	35.2
Single office of multi-firm	57.0	55.0	51.3	54.2
Group of offices/Multi-office firm	11.4	8.9	12.0	10.6
Not stated	-	-	-	-
Base: All respondents	(114)	(191)	(158)	(463)

Respondents in the Rest of the South East are least likely to be answering on behalf of more than one office whilst those in the Rest of the UK are most likely to be doing so.



Compared with February 2003, there were slightly more responses from people who were responding on behalf of more than one office (10.6% compared with 9.4%).

<b>Geographic Region</b>	<b>Average Proportion Responding on Behalf of More Than One Office (%)</b>			
	<b>Aug 02</b>	<b>Nov 02</b>	<b>Feb 03</b>	<b>Nov 05</b>
Prime Central London	9.8	12.0	12.0	11.4
South East	10.7	10.5	7.2	8.9
Rest of UK	11.2	12.1	9.9	12.0
All Regions	10.6	11.4	9.4	10.6
Base: All respondents	(509)	(535)	(519)	(463)

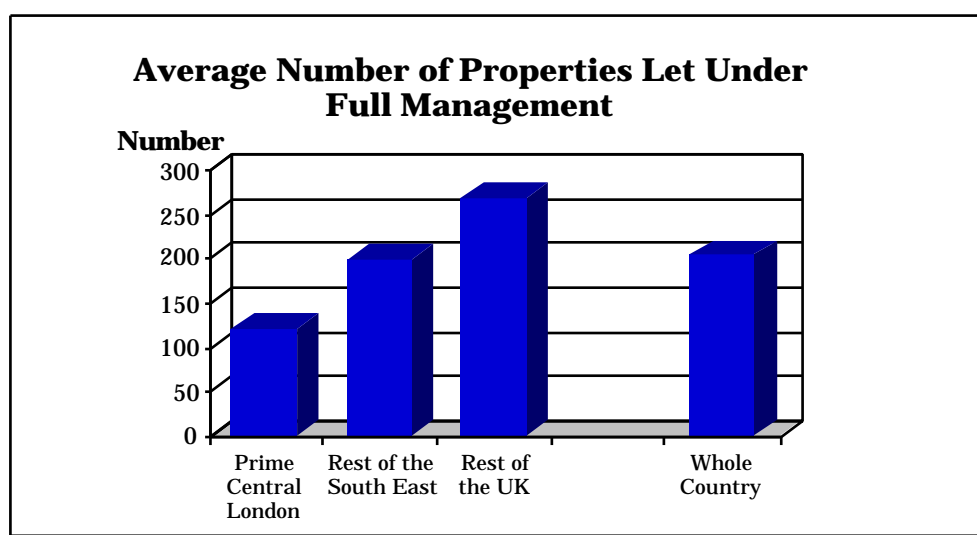
#### 4.17 Number of Properties Let Under full Management (Q.19)

On average, each ARLA member's office has 203 properties let under full management making a total of more than 85,000 properties for all respondents.

Geographic Region	Numbers of Properties	
	Averages	Totals
Prime Central London	121	12,304
South East	198	34,535
Rest of UK	268	38,266
All Regions	203	85,105

Base: All answering (419)

Offices letting properties in Prime Central London have the fewest properties let under full management at 121 compared with 198 for the Rest of the South East and 268 for the Rest of the UK.



On the basis that 56.5% of all lets are let under full management (from Q.12) this suggests that overall, ARLA members offices have an average of around 360 properties in their portfolios. This figure is confirmed by the results from Q.4 and Q.5. That is:

$$51.7\% \text{ of } 360 = 186 \text{ investment properties}$$

$$56.5\% \text{ of } 186 = 105 \text{ investment properties managed}$$

#### ***Estimated Aggregate Total***

On the assumption that this survey is representative of all 1,523 ARLA members' offices, these figures mean that, in total across the whole of the UK, ARLA members let approximately 310,000 properties under full management.