

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**

3rd Quarter 2003

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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 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 approximately 1,250 letting offices of ARLA members in August 2003 and 450 validly completed questionnaires were returned by the due date of the end of August. These responses were input to our research analysis software and tables of data produced on which this report is based.

3. RESULTS

The following sections detail the results of the survey for the third quarter of 2003. The regional breakdown of results splits the South East into two component parts - London based respondents who manage properties in Prime Central London and the Rest of the South East.

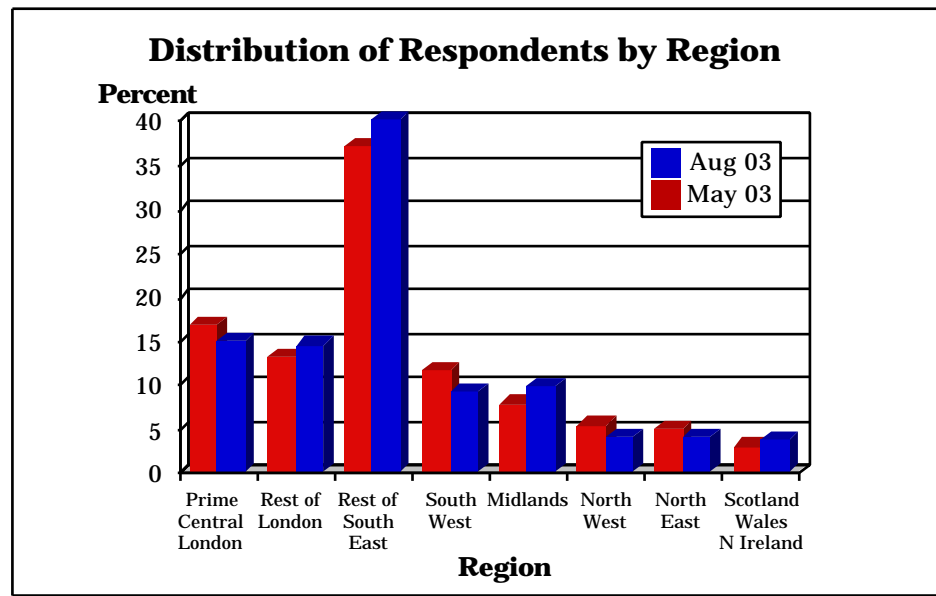
3.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for seven out of ten (70%) of all respondents.

After the South East, the Midlands with 10% and the South West with 9%, were the regions with the most respondents.

Region	Percent of Respondents (%)		
	Feb 03	May 03	Aug 03
Central London	17.4	16.8	15.1
Rest of London (<i>inside M25</i>)	13.3	13.1	14.4
South East (<i>excl. London</i>)	38.4	37.3	40.0
South West	11.2	11.6	9.3
Midlands	6.6	7.8	9.6
North West	4.6	5.4	4.0
North East	5.0	5.0	4.0
Scotland/Wales/NI	3.5	3.0	3.6
Base: All respondents	(519)	(464)	(450)

Compared with the May 2003 survey, these figures have changed very little.



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

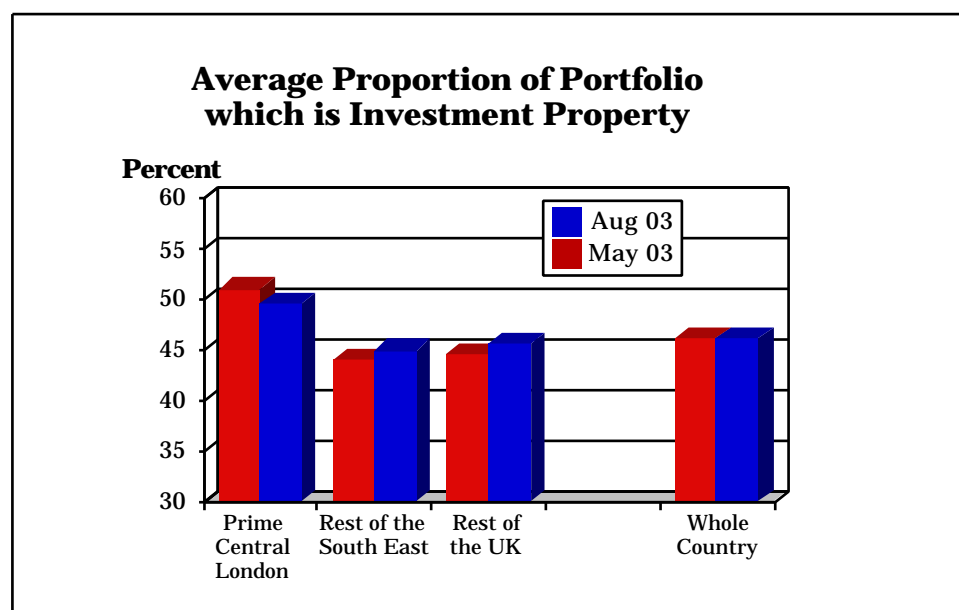
Most agents offices (75%) say that more than 25% of their portfolio is investment property with more than four out of ten (46%) saying that over 50% of their portfolio is investment property. Investment properties comprise 10% or less of their portfolio for just 6% of offices.

Analysis of the responses to this question reveals that, on average, investment properties account for 46% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	0.5	-	0.2
Up to 10%	3.5	5.6	6.6	5.3
11% to 25%	17.4	18.2	19.7	18.4
26% to 50%	29.6	31.3	24.8	28.9
51% to 75%	21.7	29.3	33.6	28.7
Over 75%	26.1	13.6	13.9	16.9
Not stated	1.7	1.5	1.5	1.6
Base: All respondents	(115)	(198)	(137)	(450)

There is some difference between the average proportions for Prime Central London and the rest of the country with the averages being 49% in the case of Prime Central London compared with 45% for the Rest of the South East and 46% for the Rest of the UK.

Compared with the last survey in May 2003, the average proportion of portfolios which are in the form of investment property is unchanged at 46%.



Geographic Region	Average Proportion of Portfolio (%)			
	Nov 02	Feb 03	May 03	Aug 03
Prime Central London	51.9	51.1	50.9	49.4
South East	43.8	43.8	44.0	44.8
Rest of UK	44.5	43.3	44.5	45.5
All Regions	46.2	45.7	46.0	46.2
Base: All respondents	(535)	(519)	(464)	(450)

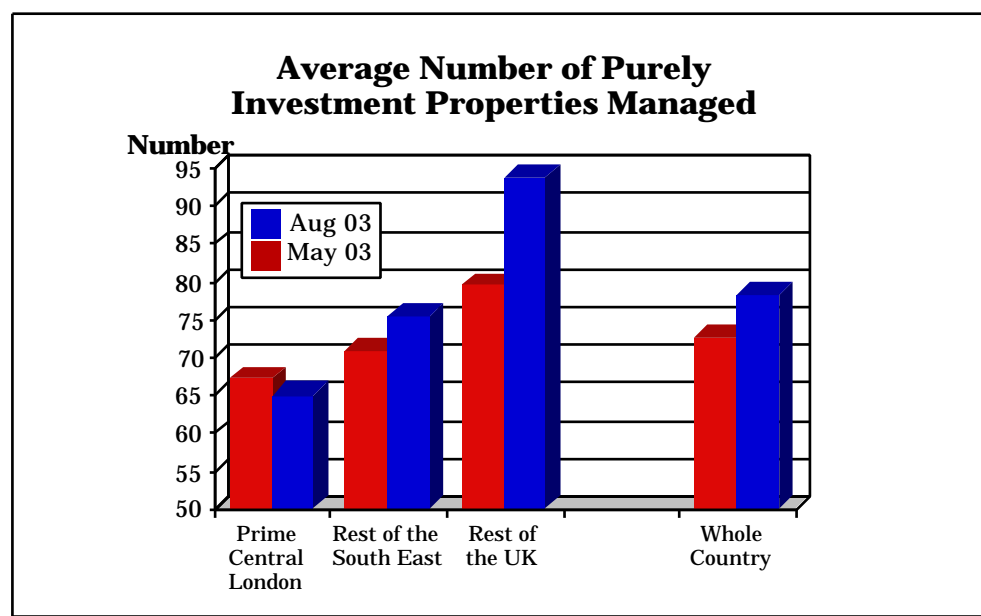
3.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with nearly three out of ten (29%) saying that they manage over a hundred and nearly three quarters (74%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of properties managed by ARLA offices is currently 78.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	5.2	2.0	1.5	2.7
6 to 10	5.2	6.1	5.1	5.6
11 to 20	20.0	15.2	13.9	16.0
21 to 50	24.3	26.8	18.2	23.6
51 to 100	21.7	20.7	22.6	21.6
Over 100	20.9	27.3	38.7	29.1
Not stated	2.6	2.0	-	1.6
Base: All respondents	(115)	(198)	(137)	(450)

Offices in Prime Central London and the Rest of the South East tend to manage fewer properties on average than their counterparts in the Rest of the UK with the average numbers being 65 for Prime Central London, 75 for the Rest of the South East and 94 for the Rest of the UK.

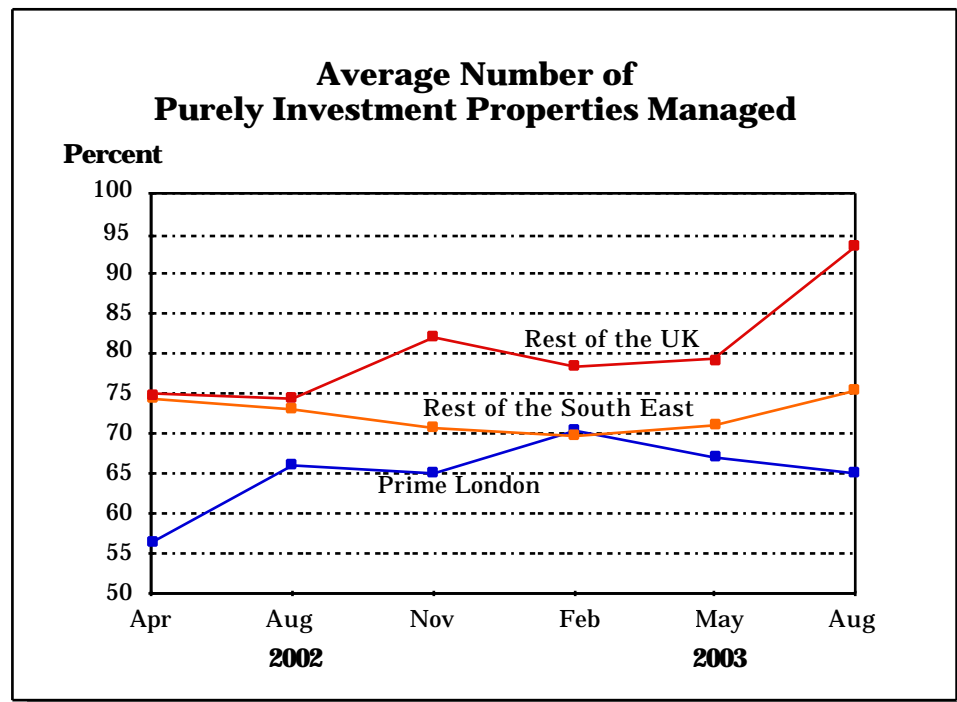


Compared with the last survey in May, the average number of properties managed has risen from 73 to 78 despite a decrease in the average for Prime Central London. Whilst the rest of the South East excluding London saw an increase in the average number of

properties managed, it was the Rest of the UK that posted the larger increase, from 79 to 94.

Geographic Region	Average Number of Properties (%)			
	Nov 02	Feb 03	May 03	Aug 03
Prime Central London	65.1	70.3	67.1	64.9
South East	70.6	69.7	70.9	75.4
Rest of UK	82.1	78.5	79.3	93.6
All Regions	72.9	72.6	72.6	78.2
Base: All respondents	(535)	(519)	(464)	(450)

Looking at the chart below it can be seen that these figures are subject to quite a high degree of fluctuation. Nevertheless, the average number of properties managed by ARLA members in the Rest of the UK appears to have increased over the medium term whilst that for the Rest of the South East has remained broadly stable and that for Prime Central London, having increased in 2002, has declined during this year.



3.4 Average Value of Rented Residential Properties (Q.6)

In May, the question which had been included in previous surveys about the average value of a rented property was split between the average value of a rented House and the average value of a rented Flat. At the top end of the scale, the response bands were also extended.

As a consequence, comparisons in this report can only be made with the May survey.

Houses

Six out of ten of respondents (60%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only a few ARLA offices (3%) said the average in their area was below £75,000 whilst for nearly one in ten respondents (9%) the average was in excess of £750,000.

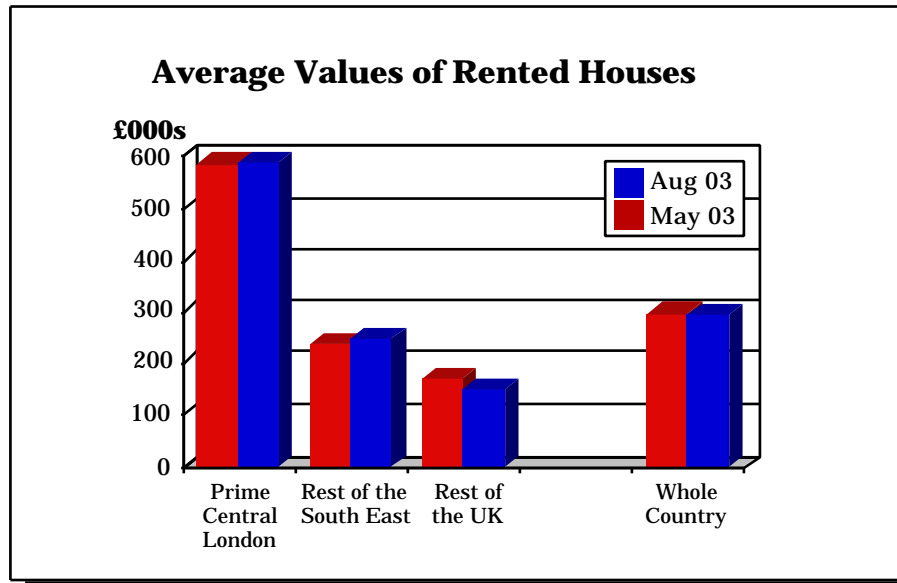
Analysis of these figures gives an overall weighted average value for a rented house of £293,200.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	0.0	0.5	8.0	2.7
£75,001 to £100,000	0.9	4.0	16.8	7.1
£100,001 to £150,000	0.9	12.6	38.0	17.3
£150,001 to £200,000	8.7	30.3	19.7	21.6
£200,001 to £350,000	13.0	32.8	10.9	21.1
£350,001 to £500,000	19.1	13.6	2.9	11.8
£500,001 to £750,000	20.9	2.5	0.7	6.7
Over £ 750,000	32.2	1.0	0.0	8.7
Not stated	4.3	2.5	2.9	3.1
Base: All respondents	(115)	(198)	(137)	(450)

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 half a million pounds (£586,400) compared with less than half that figure, £246,700, in the Rest of South East and just £147,700 in the Rest of the UK.

Compared with the last survey, the average values of rented houses have changed very little, although there has been a slight increase in the Rest of the South East and conversely a slight decrease in the Rest of the UK.

Geographic Region	Average Value of Rented Houses (000s)	
	May 03	Aug 03
Prime Central London	585.0	586.4
South East	234.9	246.7
Rest of UK	169.3	147.7
All Regions (weighted)	294.9	293.2
Base: All respondents	(464)	(450)



Flats

As was the case with rented houses, almost six out of ten respondents (59%) said that the average value of a rented flat in their area was between £100,000 and £350,000.

However, a higher proportion of ARLA offices amounting to nearly one in ten (8%) said the average value of a rented flat in their area was below £75,000 whilst only one in twenty respondents (5%) said the average was in excess of £500,000.

Analysis of these figures gives an overall weighted average value for a rented flat of £168,100.

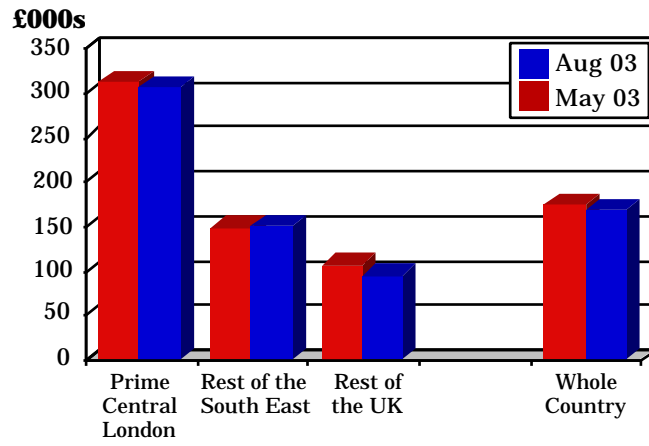
Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	0.9	4.0	20.4	8.2
£75,001 to £100,000	1.7	11.6	27.7	14.0
£100,001 to £150,000	7.8	37.9	30.7	28.0
£150,001 to £200,000	11.3	24.7	8.0	16.2
£200,001 to £350,000	32.2	12.6	2.9	14.7
£350,001 to £500,000	19.1	1.0	-	5.3
£500,001 to £750,000	13.9	0.5	-	3.8
Over £ 750,000	1.7	0.5	-	0.7
Not stated	11.3	7.1	10.2	9.1
Base: All respondents	(115)	(198)	(137)	(450)

Again, as was the case 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 £305,700 compared with £150,100 in the Rest of South East and £94,900 in the Rest of the UK.

Geographic Region	Average Value of Rented Flats (000s)	
	May 03	Aug 03
Prime Central London	313.4	305.7
South East	147.4	150.1
Rest of UK	106.3	94.9
All Regions (weighted)	172.5	168.1
Base: All respondents	(464)	(450)

Compared with the last survey, the average values of rented flats in both Prime Central London and the Rest of the UK appear to have fallen whilst the average for the Rest of the South East has increased a little.

Average Values of Rented Flats



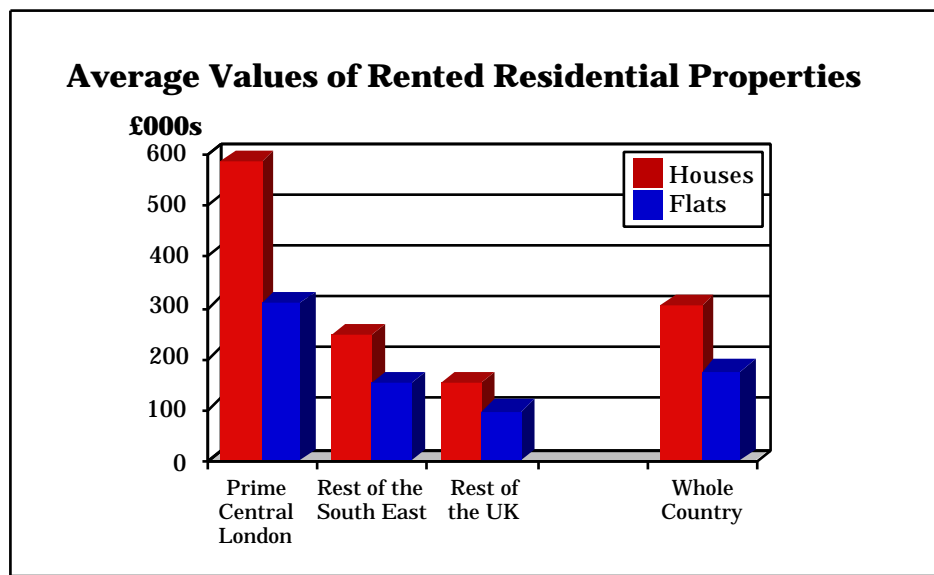
Summary

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 nearly twice that for flats.

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

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	586.4	305.7
South East	246.7	150.1
Rest of UK	147.7	94.9
All Regions	293.2	168.1

Base: All respondents (450)



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

In order to provide better definition of average rental returns on rented residential property, for this survey the question which has been included in previous surveys about the average rental return on rented residential property was split between the average rental return on rented houses and the average rental return on rented flats.

As a consequence, comparisons with previous surveys cannot be made in this report.

Houses

According to ARLA members' offices, a rental return of between 4% and 6% is the norm for rented houses with more than two thirds of respondents (68%) saying that this applies to their area.

Analysis of these results reveals a weighted average perceived rental return on rented houses of 5.3%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	16.5	7.6	5.1	9.1
4% to 5%	53.9	52.5	38.0	48.4
6%	12.2	19.7	24.8	19.3
7%	4.3	5.6	12.4	7.3
8%	1.7	5.1	8.0	5.1
9% to 10%	3.5	2.0	5.1	3.3
11% to 12%	-	1.5	1.5	1.1
12% to 15%	-	-	-	-
Over 15%	0.9	-	0.7	0.4
Not stated	7.0	6.1	4.4	5.8
Base: All respondents	(115)	(198)	(137)	(450)

There are substantial differences in rates of return as between the different geographical areas with the average for Prime Central London being 4.8% compared with 5.2% for the Rest of the South East and 5.9% elsewhere in the UK.

Geographic Region	Average Rental Return (%) Aug 03
Prime Central London	4.8
South East	5.2
Rest of UK	5.9
All Regions (weighted)	5.3
Base: All respondents	(450)

Flats

According to ARLA members' offices, a rental return of between 4% and 6% is also the norm for rented flats with more than two thirds of respondents (67%) saying that this applies to their area.

Analysis of these results reveals a weighted average perceived rental return on rented flats of 5.3%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	5.2	3.5	3.6	4.0
4% to 5%	48.7	46.0	32.8	42.7
6%	23.5	24.2	24.1	24.0
7%	5.2	8.6	13.1	9.1
8%	1.7	6.6	6.6	5.3
9% to 10%	-	2.0	4.4	2.2
11% to 12%	2.6	1.0	0.7	1.3
12% to 15%	-	-	1.5	0.4
Over 15%	0.9	-	-	0.2
Not stated	12.2	8.1	13.1	10.7
Base: All respondents	(115)	(198)	(137)	(450)

There is again some difference in rates of return for rented flats as between the different geographical areas although it is less marked than with rented houses with the average for Prime Central London being 5.0% compared with 5.4% for both the Rest of the South East and elsewhere in the UK.

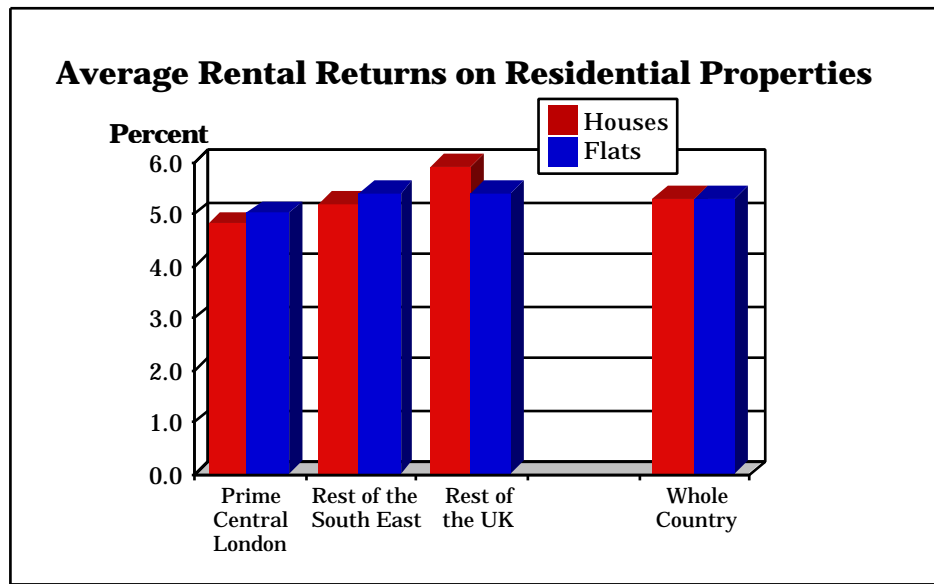
Geographic Region	Average Rental Return (%) Aug 03
Prime Central London	5.0
South East	5.4
Rest of UK	5.4
All Regions (weighted)	5.3
Base: All respondents	(450)

Summary

Average rental returns for both houses and flats are significantly lower in Prime Central London than elsewhere in the UK. However, whilst the rental returns being achieved on houses in the South East are lower than those in the Rest of the UK, the returns achievable on flats are the same for both these broad geographic regions.

Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	4.8	5.0
South East	5.2	5.4
Rest of UK	5.9	5.4
All Regions (weighted)	5.3	5.3

Base: All respondents (450)



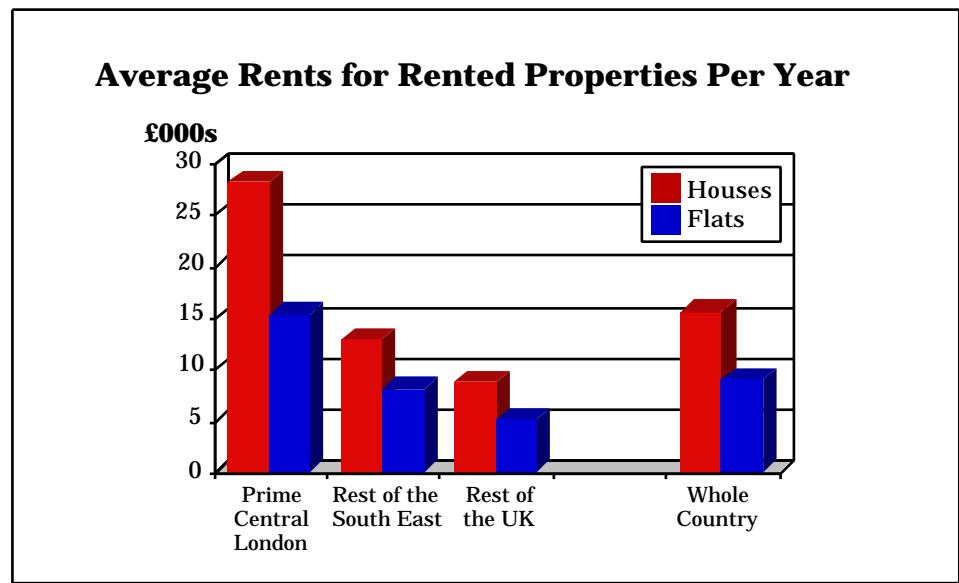
Average Rents

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	541	2,346	28.1	294	1,274	15.3
South East	247	1,069	12.8	156	675	8.1
Rest of UK	168	726	8.7	99	427	5.1
All (weighted)	301	1,304	15.7	172	743	8.9

Base: All respondents (450)

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



3.6 Average Void Period Per Year (Q.8)

Average void periods for rented residential properties tend to be quite short with more than half of ARLA members' offices (57%) reporting averages of 4 weeks or less per year and nearly a further third (31%) saying the average is between 5 and 6 weeks.

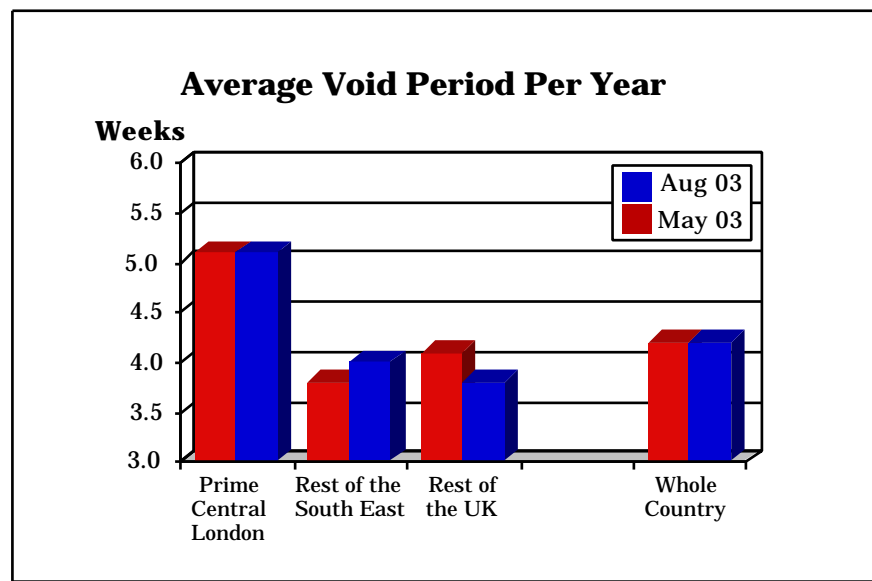
These figures indicate an overall average void rate of 4.2 weeks (29 days) per year.

Average Void Period	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 2 weeks	4.3	10.6	8.8	8.4
2 to 4 weeks	34.8	50.0	56.9	48.2
5 to 6 weeks	39.1	30.3	25.5	31.1
7 to 8 weeks	10.4	6.6	6.6	7.6
More than 8 weeks	8.7	1.5	0.7	3.1
Don't know	2.6	1.0	1.5	1.6
Not stated	-	-	-	-
Base: All respondents	(115)	(198)	(137)	(450)

Respondents with properties in Prime Central London experience a higher void rate than average at 5.1 weeks (36 days) per year.

The average void period for the Rest of the South East is 4.0 weeks (28 days) per year (28 days) compared with 3.8 weeks (27 days) for the Rest of the UK.

Compared with May, the overall average void period is exactly the same at 4.2 weeks (29 days) but this hides an increase for the Rest of the South East and a decrease for the Rest of the UK. The void period for Prime Central London is unchanged.



Geographic Region	Average Void Period (weeks)			
	Nov 02	Feb 03	May 03	Aug 03
Prime Central London	5.0	5.2	5.1	5.1
South East	4.1	4.0	3.8	4.0
Rest of UK	4.0	4.0	4.1	3.8
All Regions	4.3	4.3	4.2	4.2
Base: All respondents	(535)	(519)	(464)	(450)

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

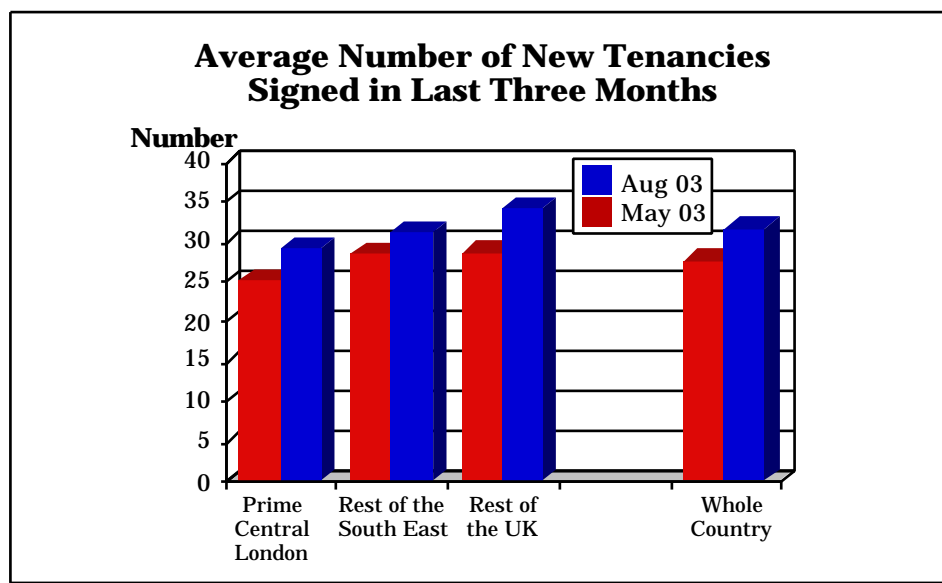
Nearly two thirds of offices (64%) have signed up between 11 and 50 new tenancies (other than renewals) in the last three months with a third (33%) having signed up between 21 and 50. 15% of respondents say they have signed up more than 50 new tenancies in the last three months.

Analysis of these results reveals that, on average, ARLA members' offices have signed up 29 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	-	0.7	0.2
Up to 5	5.2	5.6	5.8	5.6
6 to 10	22.6	14.1	10.2	15.1
11 to 20	25.2	34.8	30.7	31.1
21 to 50	38.3	29.8	32.1	32.7
Over 50	8.7	15.2	20.4	15.1
Not stated	-	0.5	-	0.2
Base: All respondents	(115)	(198)	(137)	(450)

Offices managing properties in Prime Central London appear to have fared a little worse than those in the rest of the UK with the average figures being 26 for Prime Central London compared with 29 for the Rest of the South East and 32 for the Rest of the UK.

Compared with three months ago, there has been an increase on the average number of tenancies signed up in the last three months across the whole country.



Geographic Region	Number of New Tenancies	
	May 03	Aug 03
Prime Central London	25.0	25.8
South East	28.4	28.6
Rest of UK	28.6	32.3
All Regions	27.5	29.0
Base: All respondents	(464)	(450)

3.8 Proportions of Different Property Types in Portfolios (Q.15)

This question sought to determine the composition of ARLA members' offices portfolios in terms of the types of properties of which they are comprised.

Summary

For the country as a whole, the most prevalent type of property held in the portfolios of ARLA members' offices appears to be purpose built flats with 15% saying that more than half of their properties are of this type compared with, at the other end of the scale, just 0.7% saying that more than half of their properties are studio flats.

Proportion of Portfolio	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
NONE	10.0	5.8	3.1	6.9	0.9	18.4
Up to 10%	49.3	29.1	22.9	33.1	22.4	60.4
11% to 25%	23.1	41.1	36.7	21.8	29.6	8.9
26% to 50%	7.1	14.0	22.4	19.3	25.1	2.0
51% to 75%	2.2	2.9	6.0	6.9	9.3	0.7
76% to 90%	0.9	0.2	1.6	1.8	3.8	-
Over 90%	0.4	0.2	0.4	0.7	2.0	-
Don't know	6.9	6.7	6.9	9.6	6.9	9.3
Not stated	-	-	-	-	-	0.2

Base: All respondents (450)

The table and graph below show the calculated average proportion of each type of property included in the portfolios of ARLA members' offices for each of the three geographic areas as well as for the whole of the UK.

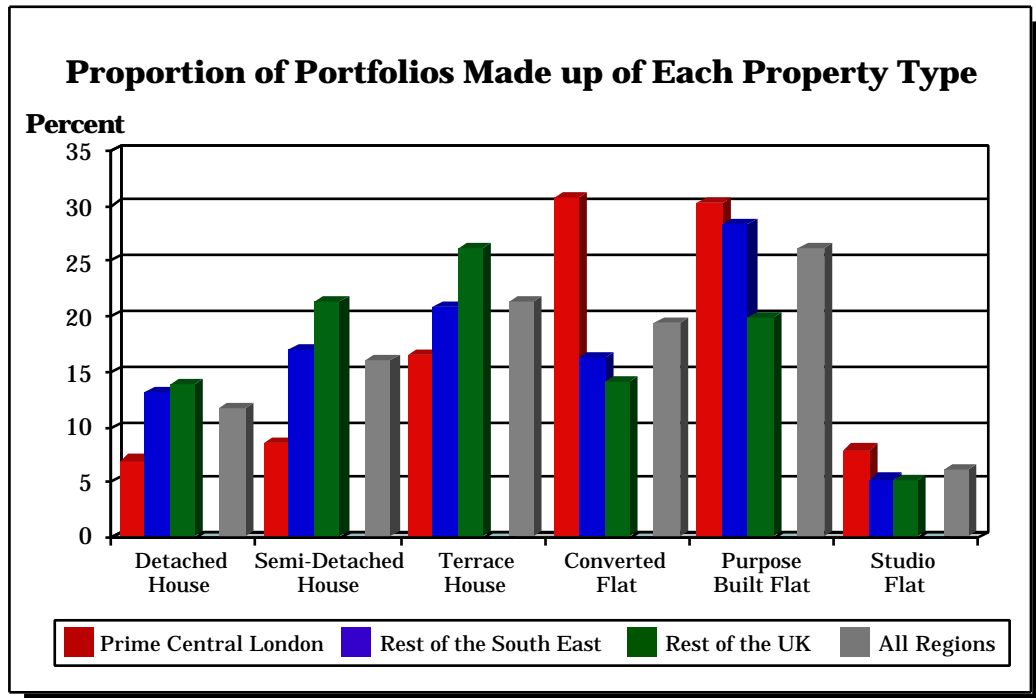
Geographic Region	Average Proportion of Portfolio (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	6.8	8.4	16.4	30.6	30.2	7.7
Rest of the South East	13.1	16.7	20.7	16.1	28.3	5.1
Rest of the UK	13.7	21.2	26.2	14.0	19.8	5.1
All regions	11.6	15.9	21.1	19.4	26.2	5.9

Base: All respondents (450)

These figures confirm that the most popular type of property overall is purpose built flats (26%) followed by terraced houses (21%) and converted flats (19%), with the least popular property type being studio flats (6%).

However, the picture in the different geographical areas varies quite considerably. Flats in converted houses are the most popular property type in Prime Central London (31%), edging purpose built

flats (30%) into second place. In the Rest of the South East, it is purpose built flats which predominate (28%) but in the Rest of the UK, terraced houses (26%) and semi detached houses (21%) beat purpose built flats (20%) into third place.



Looking at the proportions of houses of all types compared with the proportions of flats of all types shows that in Prime Central London the split is 31% houses and 69% flats compared with, at the other end of the scale, 61% houses and 39% flats in the Rest of the UK. The picture for the Rest of the South East falls between these two with nearly equal proportions of each (51% houses and 49% flats).

These figures are little changed from those seen in the May survey.

3.9 Change in Achievable Rent Levels Over Last 6 Months (Q.16)

All Regions

In the case of each of the six listed property types, around a quarter of ARLA members' offices (between 20% and 30%) believe that achievable rent levels have increased over the last six months whilst around a third – ranging from 27% to 36% in all cases other than studio flats (25%) and detached houses (43%) – believe they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	2.7	3.8	2.7	2.0	2.9	1.3
Increased a little	18.9	23.1	27.6	25.3	26.7	19.1
Stayed the same	24.2	28.2	32.9	32.4	32.2	37.3
Decreased a little	26.7	28.4	23.8	27.8	27.1	21.1
Decreased a lot	16.7	8.0	7.1	4.4	6.9	3.6
Don't know	10.9	8.4	6.0	8.0	4.2	17.6
Not stated	-	-	-	-	-	-

Base: All respondents (450)

These figures tend to suggest that, on average, achievable rent levels have decreased a little over the past six months.

Prime Central London

The situation in Prime Central London is clearly much more pessimistic than for the country as a whole with only between 6% and 11% of offices saying that achievable rent levels for each type of property have increased whilst between 50% and 60%, in every case, believe rent levels have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	-	0.9	1.7	1.7	1.7	-
Increased a little	6.1	6.1	7.8	9.6	9.6	9.6
Stayed the same	13.9	20.0	27.8	26.1	24.3	27.8
Decreased a little	29.6	30.4	34.8	46.1	43.5	40.0
Decreased a lot	21.7	20.0	19.1	11.3	16.5	9.6
Don't know	28.7	22.6	8.7	5.2	4.3	13.0
Not stated	-	-	-	-	-	-

Base: All respondents (115)

These figures clearly indicate that there is a continuing sizeable downturn in achievable rent levels for Prime Central London.

Rest of the South East

With regard to the Rest of the South East, the picture is better but there are still many more respondents saying that achievable rent levels have decreased (between 20% and 54%) than saying they have increased (between 16% and 29%).

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	1.5	2.0	1.5	1.0	1.5	1.5
Increased a little	14.6	21.2	26.3	25.3	27.8	18.2
Stayed the same	23.2	27.8	32.8	32.8	34.3	41.4
Decreased a little	32.3	37.9	28.3	27.8	28.8	18.2
Decreased a lot	21.7	6.1	5.1	3.0	4.0	1.5
Don't know	6.6	5.1	6.1	10.1	3.5	19.2
Not stated	-	-	-	-	-	-

Base: All respondents (198)

Again these figures indicate that some decline in achievable rent levels has taken place in the South East of the country.

Rest of the UK

For the Rest of the UK, the outlook is much brighter with considerably more respondents saying that achievable rent levels have increased than say they have decreased.

Between 31% and 51% of offices say that achievable rent levels for each type of property have increased whilst only between 8% and 21% believe rent levels have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	6.6	8.8	5.1	3.6	5.8	2.2
Increased a little	35.8	40.1	46.0	38.7	39.4	28.5
Stayed the same	34.3	35.8	37.2	37.2	35.8	39.4
Decreased a little	16.1	13.1	8.0	12.4	10.9	9.5
Decreased a lot	5.1	0.7	-	0.7	2.9	1.5
Don't know	2.2	1.5	3.6	7.3	5.1	19.0
Not stated	-	-	-	-	-	-

Base: All respondents (137)

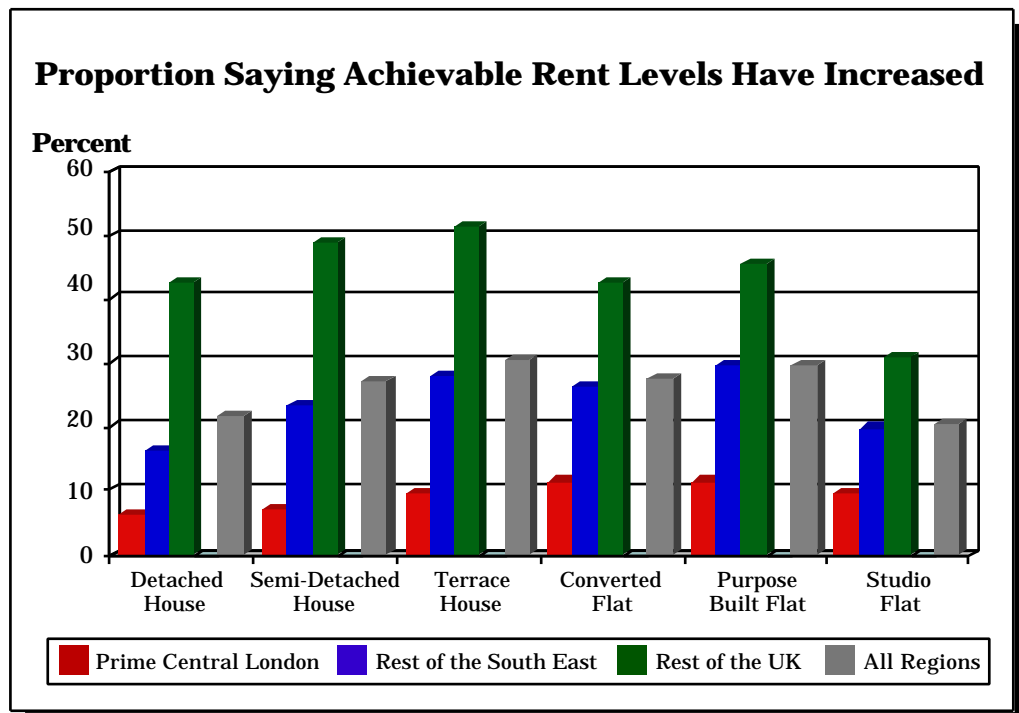
It appears from these figures that achievable rent levels in the Rest of the UK have continued to increase over the last six months.

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	6.1	7.0	9.6	11.3	11.3	9.6
Rest of the South East	16.2	23.2	27.8	26.3	29.3	19.7
Rest of the UK	42.3	48.9	51.1	42.3	45.3	30.7
All regions	21.6	26.9	30.2	27.3	29.6	20.4

Base: All respondents (450)



3.10 Balance of Supply & Demand in Rented Residential Property Sector (Q.17)

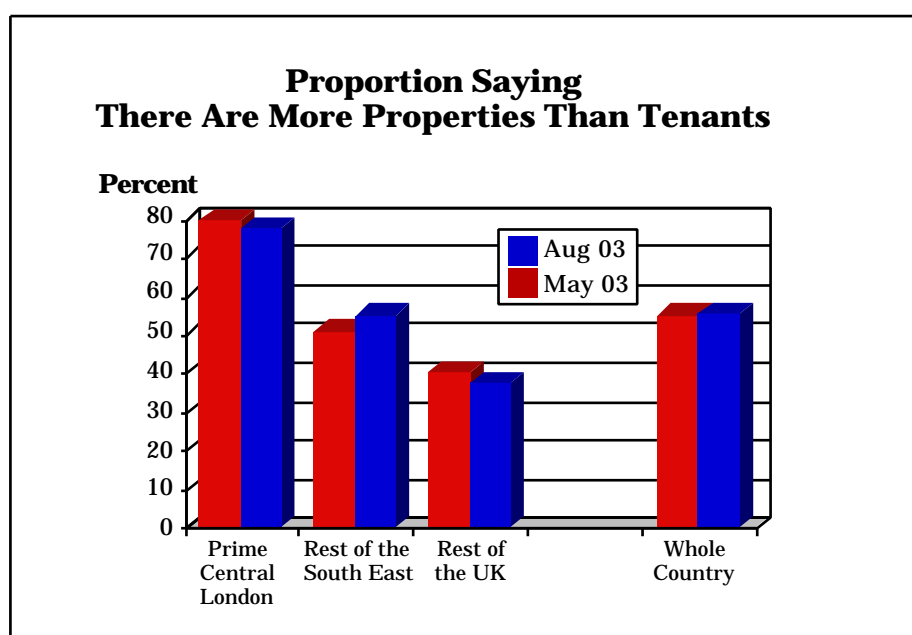
More than half of ARLA members' offices (55%) believe that there are more rented residential properties available than there are tenants to fill them.

Roughly equal proportions believe that supply of, and demand for, rented residential properties is in balance or that there are more tenants than there are properties available for them (21% and 23% respectively).

These figures suggest that, both overall and for each geographical area, there are more properties available than there are tenants to fill them.

Balance of Supply and Demand	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Lot more props than tenants	50.4	24.2	8.0	26.0
Few more props than tenants	27.0	30.8	29.2	29.3
Equal nos of props & tenants	10.4	24.2	24.1	20.7
Lot more tenants than props	3.5	9.1	17.5	10.2
Few more tenants than props	7.0	11.1	20.4	12.9
Not stated	1.7	0.5	0.7	0.9
Base: All respondents	(115)	(198)	(137)	(450)

However, there is clearly a much more severe situation of over supply in Prime Central London where 77% of respondents said there were more properties than tenants compared with 55% for the Rest of the South East and 37% for the Rest of the UK.



In this survey, 55.3% of respondents said there were more properties than tenants compared with a figure of 55.0% in May, suggesting that there has not really been any noticeable change over the last three months in the situation with regard to the balance of supply and demand.

Geographic Region	Proportion Saying There Are More Properties than Tenants (%)			
	Nov 02	Feb 03	May 03	Aug 03
Prime Central London	84.5	78.6	79.6	77.4
South East	68.2	54.3	50.8	55.0
Rest of UK	46.8	37.3	40.1	37.2
All Regions	65.6	56.1	55.0	55.3
Base: All respondents	(535)	(519)	(464)	(450)

However, this overall stagnant situation hides an apparent improvement in both Prime Central London and the Rest of the UK whilst the situation has worsened in the South East of the country

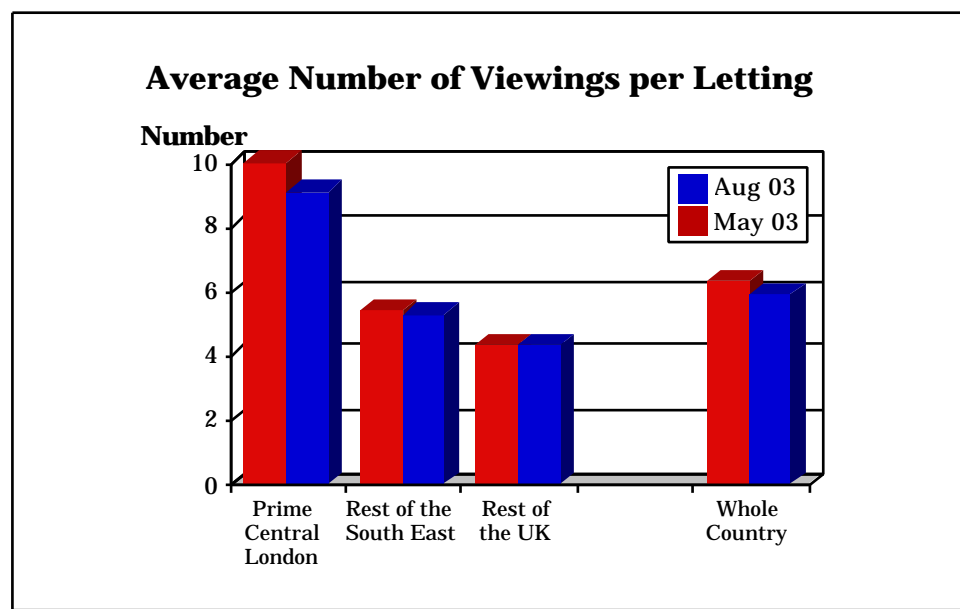
3.11 Number of Viewings Per Letting (Q.18)

Almost four out of ten ARLA members' offices (39%) have to deal with an average of 4 or 5 viewings of a property before it is let and for more than a third of offices (34%), the average number of viewings per letting is 6 or more.

Analysis of these figures produces an overall average of 5.9 viewings per letting.

Number of Viewings per Letting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
1	-	-	0.7	0.2
2 or 3	6.1	26.8	42.3	26.2
4 or 5	25.2	44.9	42.3	39.1
6 to 10	44.3	23.2	11.7	25.1
11 to 20	20.0	3.5	2.2	7.3
Over 20	3.5	0.5	-	1.1
Not stated	0.9	1.0	0.7	0.9
Base: All respondents	(115)	(198)	(137)	(450)

On average, ARLA members in Prime Central London have to show nearly twice as many prospective tenants round a property (9.1) before it is let as do their counterparts in the Rest of the South East (5.3) or the Rest of the UK (4.3).



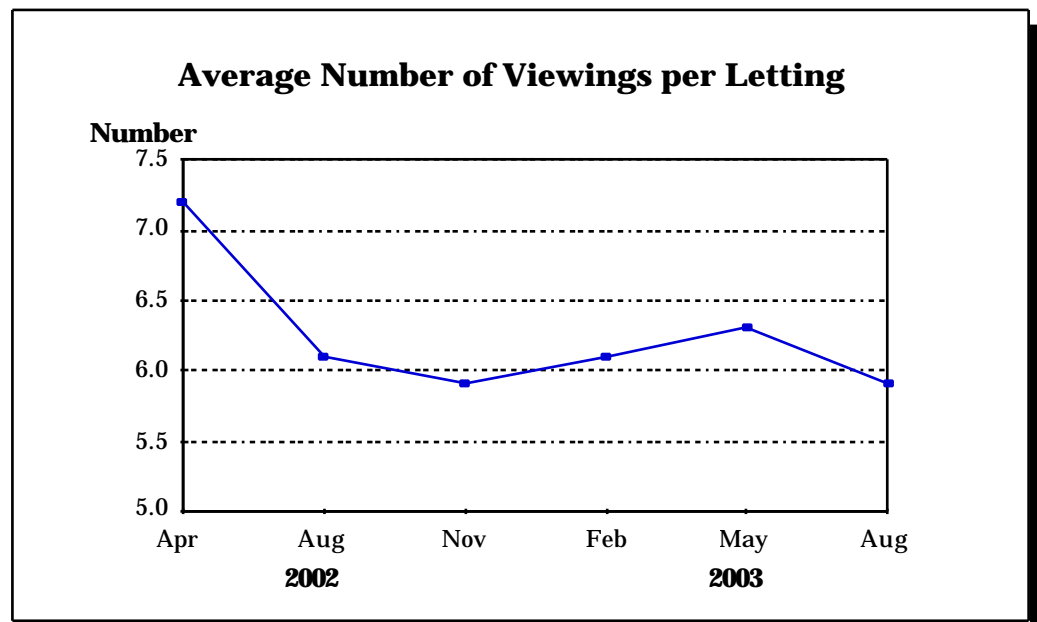
Compared with the May 2003 survey, the overall average number of viewings per letting is down from 6.3 to 5.9.

Within this overall change, the average number for Prime Central London properties has decreased from 10.0 to 9.1, back to the level

seen in the first quarter of this year and the figure for the Rest of the South East has dropped from 5.4 to 5.3 whilst that for the Rest of the UK is again unchanged at 4.3 viewings per letting.

Geographic Region	Average Number of Viewings per Letting (%)			
	Nov 02	Feb 03	May 03	Aug 03
Prime Central London	9.0	9.1	10.0	9.1
South East	5.1	5.3	5.4	5.3
Rest of UK	4.3	4.3	4.3	4.3
All Regions	5.9	6.1	6.3	5.9
Base: All respondents	(535)	(519)	(464)	(450)

As the chart below shows, the overall average number of viewings per letting, having decreased during 2002, turned upwards at the beginning of 2003 but has reduced over the last 3 months.



Questionnaire