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

4th 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 November 2003 and 429 validly completed questionnaires were returned by the due date of the end of November. These responses were input to our research analysis software and tables of data produced on which this report is based.

It should be noted that, as a result of the postal strike in London, some questionnaires sent to ARLA member offices in South West London were not delivered until after the closing date for the receipt of responses. Consequently the proportion of respondents for Prime Central London is substantially lower than usual.

3. SUMMARY

- The average values of a both rented houses and rented flats have increased over the last three months, in the case of houses by 9.5% from an average of £303,700 to £332,600 and in the case of flats by 9.1% from £185,700 to £202,700.

- The average weighted rental return on a rented house has increased from 5.3% to 5.4% since August whilst the average rental return on a rented flat has risen a little more, from 5.3% to 5.6%.

- The average void period is now 31 days, up from 29 days three months ago.

- The average number of purely investment properties which are managed by ARLA members offices is now 83, up from 78 properties in August.

- There remains an over supply of rented residential property. 64% of ARLA members' offices report that there are more properties than tenants. The position is most severe in Prime Central London.

- 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 down from 5.9 three months ago.

- The average proportion of ARLA members' offices' portfolios which are made up of investment property has risen from 46% to 49% over the last three months.

- The average number of new tenancies signed up in the fourth quarter was 31.8, up from 29.0 in the third quarter and 27.5 in the second.

4. **RESULTS**

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

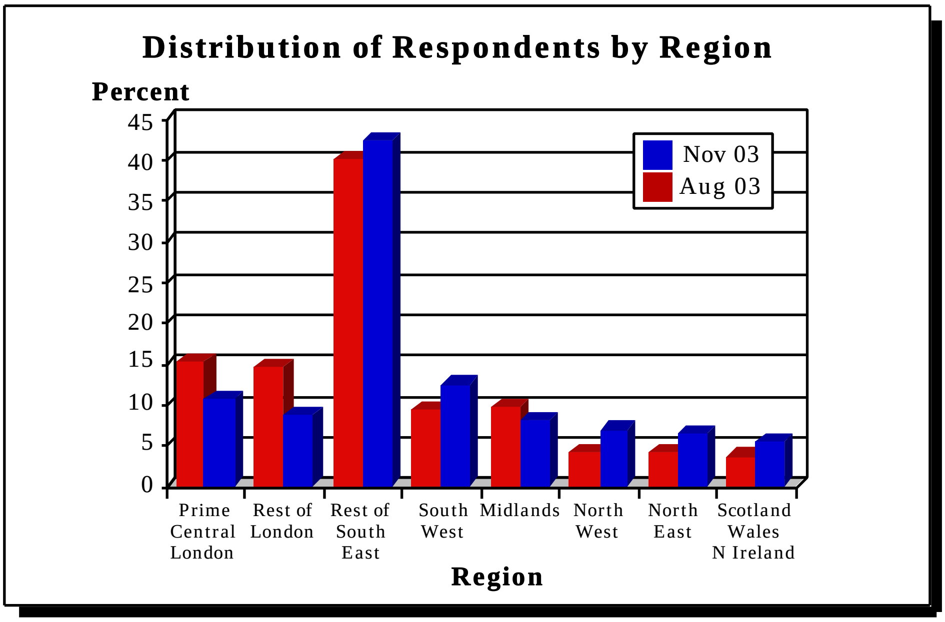
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for more than six out of ten (61%) of all respondents.

After the South East, the South West with 12% and the Midlands with 8%, were the regions with the most respondents.

Region	**Percent of Respondents (%)**		
	May 03	**Aug 03**	**Nov 03**
Central London	16.8	15.1	10.5
Rest of London *(inside M25)*	13.1	14.4	8.6
South East *(excl. London)*	37.3	40.0	42.2
South West	11.6	9.3	12.4
Midlands	7.8	9.6	7.9
North West	5.4	4.0	6.8
North East	5.0	4.0	6.3
Scotland/Wales/NI	3.0	3.6	5.4
Base: All respondents	(464)	(450)	(429)

Compared with the August 2003 survey, the proportion of respondents from London has decreased whilst the proportions from the North and Scotland, Wales and Northern Ireland have risen. Without doubt this is due to the postal strike in London



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

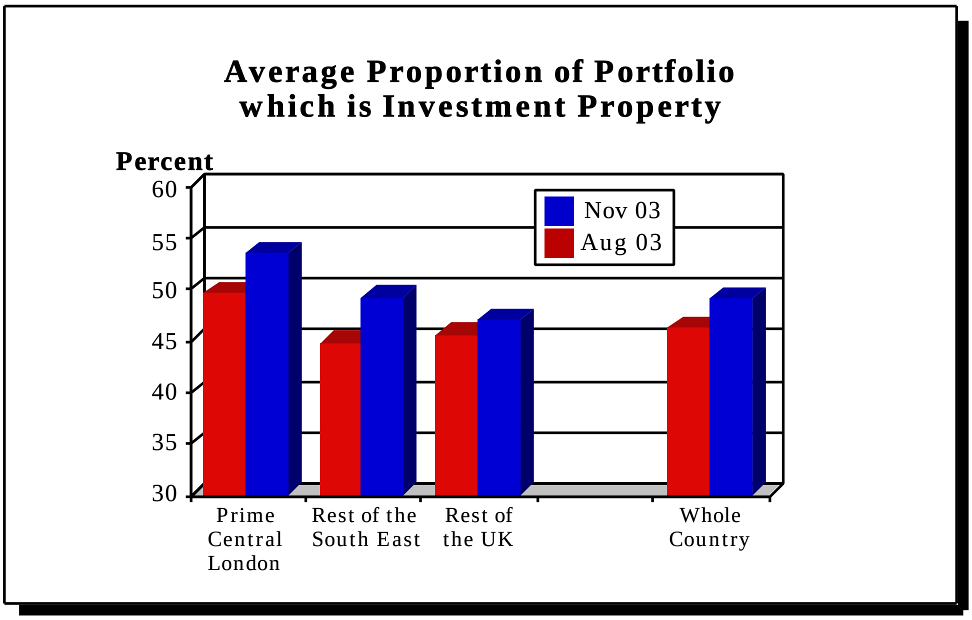
Most respondents' (80%) said that more than a quarter of their portfolio is investment property with more than half (51%) saying that more than half is investment property. Investment properties comprise a tenth or less of their portfolio for just 5% of offices.

Analysis of the responses to this question reveals that, on average, investment properties account for 49% of ARLA member offices' portfolios.

Proportion of Portfolio	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
None	-	1.5	-	0.7
Up to 10%	1.5	3.5	5.4	4.0
11% to 25%	10.8	13.6	15.7	14.0
26% to 50%	29.2	28.8	30.7	29.6
51% to 75%	38.5	35.4	28.9	33.3
Over 75%	20.0	16.7	17.5	17.5
Not stated	-	0.5	1.8	0.9
Base: All respondents	(65)	(198)	(166)	(429)

There is some difference between the average proportions for Prime Central London and the rest of the country with the averages being 54% in the case of Prime Central London compared to 49% for the Rest of the South East and 47% 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 has risen from 46% to 49%.



Geographic Region	**Average Proportion of Portfolio (%)**			
	Feb 03	**May 03**	**Aug 03**	**Nov 03**
Prime Central London	51.1	50.9	49.4	53.5
South East	43.8	44.0	44.8	49.2
Rest of UK	43.3	44.5	45.5	47.0
All Regions	45.7	46.0	46.2	49.0
Base: All respondents	(519)	(464)	(450)	(429)

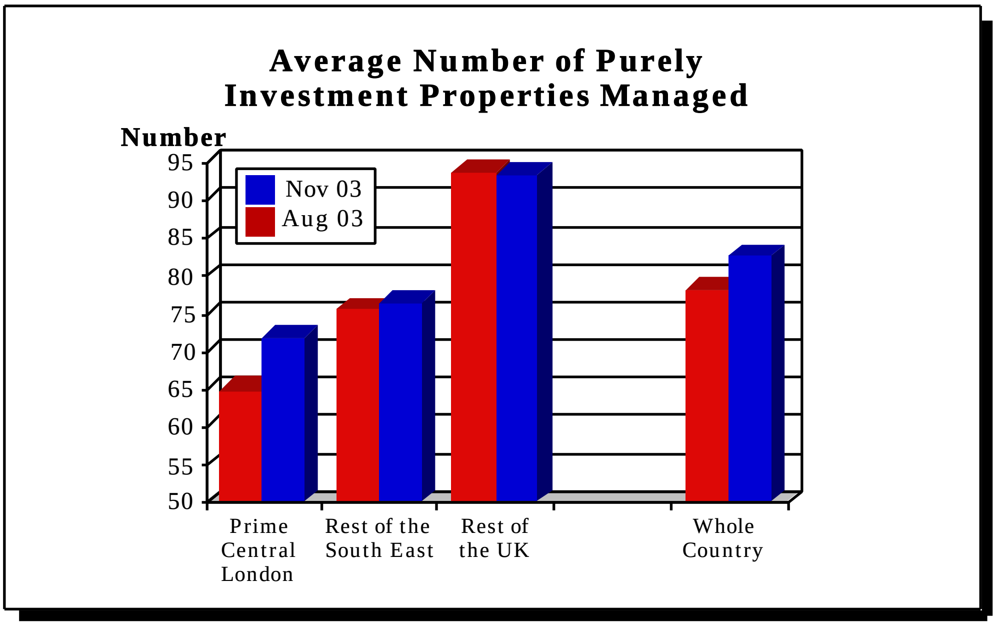
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of properties with a third (33%) saying that they manage over a hundred and more than three quarters (76%) managing in excess of 20 properties.

Analysis of these responses shows that the average number of properties managed by ARLA offices is currently 83.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	1.5	1.5	1.8	1.6
6 to 10	3.1	4.0	4.8	4.2
11 to 20	21.5	17.2	9.6	15.0
21 to 50	24.6	23.7	23.5	23.8
51 to 100	18.5	22.2	16.9	19.6
Over 100	26.2	27.8	40.4	32.5
Not stated	4.6	3.0	3.0	3.3
Base: All respondents	(65)	(198)	(166)	(429)

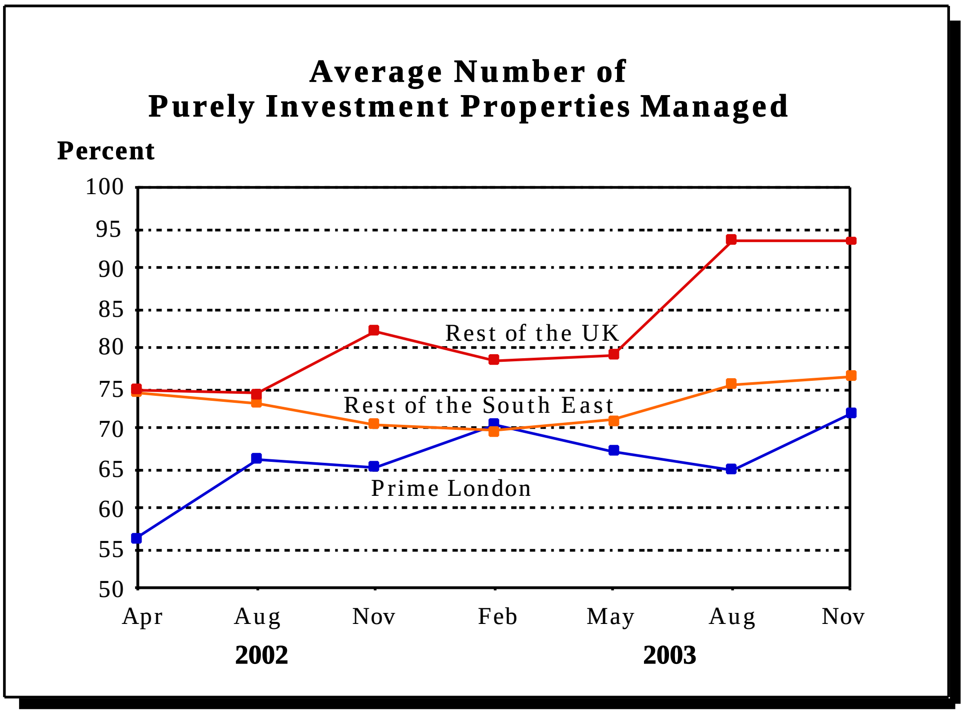
Offices in Prime Central London and the Rest of the South East tend to manage fewer properties on average than their counterparts in the Rest of the UK with the average numbers being 72 for Prime Central London, 77 for the Rest of the South East and 93 for the Rest of the UK.



Compared with the last survey in August, the average number of properties managed has risen from 78 to 83. Whilst the rest of the South East excluding London saw a slight increase in the average number of properties managed, it was Prime Central London that posted the larger increase, from 65 to 72. However, this increase may be the result of the lack of respondents from South west London.

Geographic Region	**Average Number of Properties (%)**			
	Feb 03	**May 03**	**Aug 03**	**Nov 03**
Prime Central London	70.3	67.1	64.9	71.7
South East	69.7	70.9	75.4	76.5
Rest of UK	78.5	79.3	93.6	93.4
All Regions	72.6	72.6	78.2	82.5
Base: All respondents	(519)	(464)	(450)	(429)

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, although fairly stable, has shown a gradual upward trend during 2003 and that for Prime Central London, having decreased a little during 2003 has exhibited a rise in the final quarter (but see note of caution above).



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

Houses

Two thirds of respondents (66%) said that the average value of a rented house in their area was between £100,000 and £350,000.

Only a few ARLA offices (2%) said the average in their area was below £75,000 whilst for nearly one in ten respondents (8%) the average was in excess of £750,000.

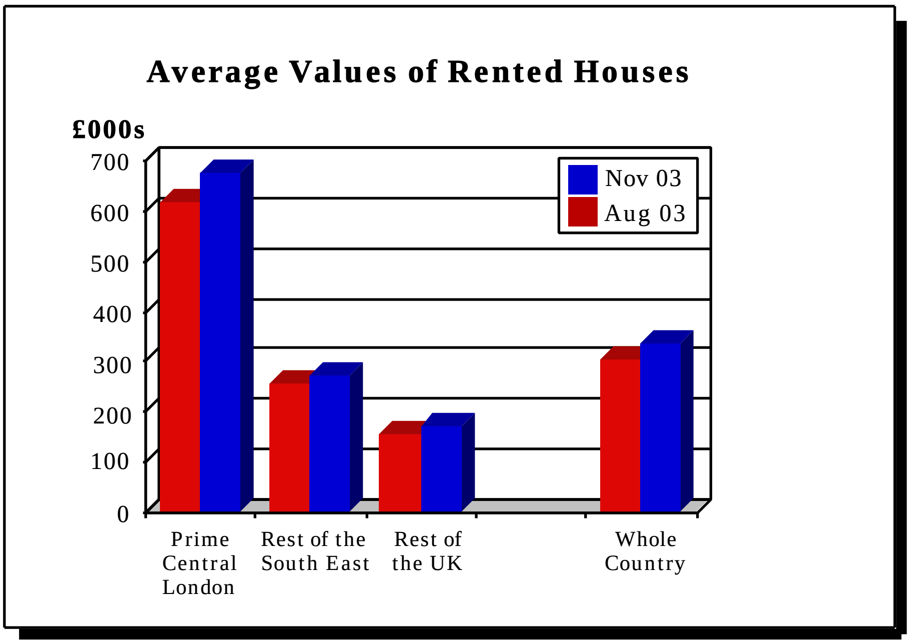
Analysis of these figures gives an overall weighted average value for a rented house of £332,600.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £75,000	1.5	-	4.2	1.9
£75,001 to £100,000	-	1.5	14.5	6.3
£100,001 to £150,000	1.5	19.2	29.5	20.5
£150,001 to £200,000	4.6	24.7	28.9	23.3
£200,001 to £350,000	10.8	33.8	12.7	22.1
£350,001 to £500,000	18.5	8.1	4.8	8.4
£500,001 to £750,000	15.4	7.1	1.2	6.1
Over £ 750,000	43.1	2.0	-	7.5
Not stated	4.6	3.5	4.2	4.0
Base: All respondents	(65)	(198)	(166)	(429)

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 (£677,000) compared with less than half that figure, £270,000, in the Rest of South East and just £172,300 in the Rest of the UK.

Compared with the last survey, the average values of rented houses have increased across all areas of the UK with the greatest increase being seen in Prime Central London where the average value of a rented house has risen from £613,100 to £677,000.

Geographic Region	Average Value of Rented Houses (000s)		
	May 03	Aug 03	Nov 03
Prime Central London	620.3	613.1	677.0
South East	240.0	253.1	270.0
Rest of UK	171.6	152.2	172.3
All Regions (weighted)	306.1	303.7	332.6
Base: All respondents	(464)	(450)	(429)


Average Values of Rented Houses
£000s
700
600
500
400
300
200
100
0
Nov 03
Aug 03
Prime Central London
Rest of the South East
Rest of the UK
Whole Country

Flats

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, a lower figure than applied to houses.

Also, a higher proportion of ARLA offices amounting to nearly one in ten (7%) said the average value of a rented flat in their area was below £75,000 whilst only one in twenty respondents (4%) said the average was in excess of £500,000.

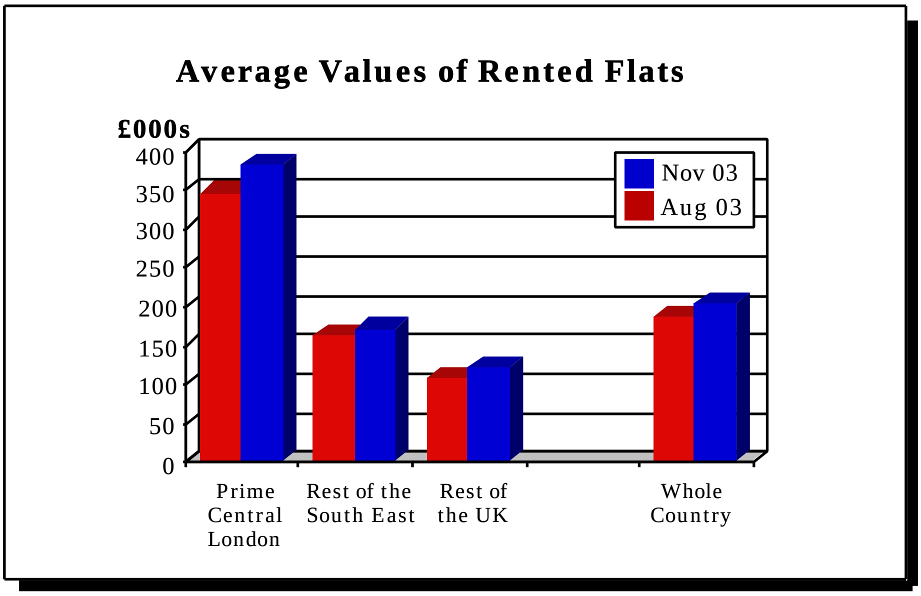
Analysis of these figures gives an overall weighted average value for a rented flat of £202,700.

Average Value of Flats	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Up to £75,000	1.5	3.0	14.5	7.2
£75,001 to £100,000	3.1	11.6	26.5	16.1
£100,001 to £150,000	3.1	28.3	28.3	24.5
£150,001 to £200,000	13.8	32.3	16.3	23.3
£200,001 to £350,000	18.5	13.1	5.4	11.0
£350,001 to £500,000	27.7	1.5	-	4.9
£500,001 to £750,000	20.0	0.5	-	3.3
Over £ 750,000	1.5	0.5	-	0.5
Not stated	10.8	9.1	9.0	9.3
Base: All respondents	(65)	(198)	(166)	(429)

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 £381,500 compared with £169,800 in the Rest of South East and £120,000 in the Rest of the UK.

Geographic Region	**Average Value of Rented Flats (000s)**		
	May 03	**Aug 03**	**Nov 03**
Prime Central London	353.7	344.6	381.5
South East	155.6	161.5	169.8
Rest of UK	117.0	105.7	120.0
All Regions (weighted)	189.1	185.7	202.7
Base: All respondents	(464)	(450)	(429)

Compared with the last survey, the average values of rented flats in all areas of the UK appear to have risen.



Average Values of Rented Flats
£000s
400
350
300
250
200
150
100
50
0
Nov 03
Aug 03
Prime Central London
Rest of the South East
Rest of the UK
Whole Country

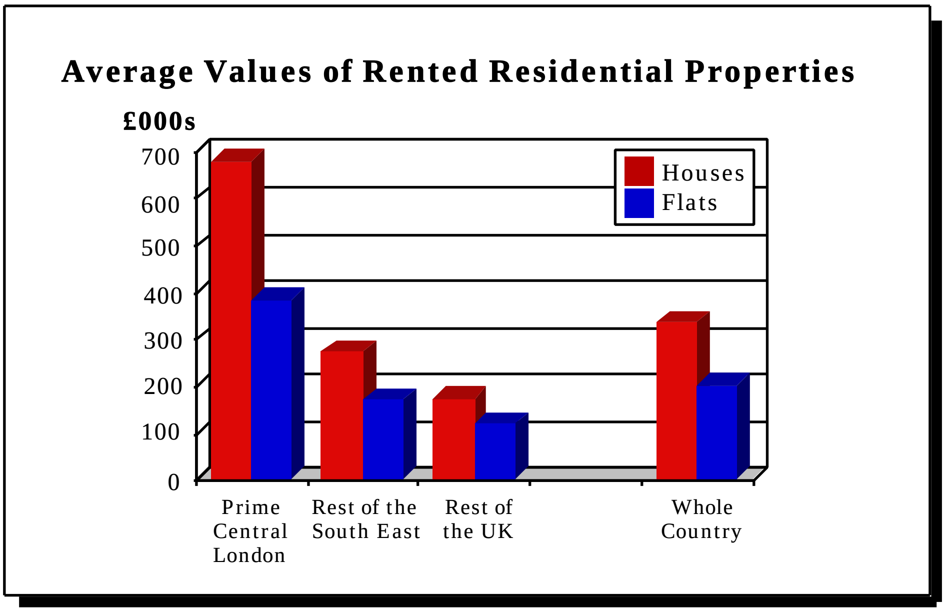
Summary

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	677.0	381.5
South East	270.0	169.8
Rest of UK	172.3	120.0
All Regions	332.6	202.7

Base: All respondents (429)



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

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

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 5.4%.

Average Return	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Less than 4%	-	7.6	5.4	5.7
4% to 5%	70.4	47.0	37.3	46.2
6%	3.7	26.8	22.3	22.0
7%	9.3	5.1	15.1	9.6
8%	5.6	3.5	6.6	5.0
9% to 10%	3.7	2.5	6.0	4.1
11% to 12%	-	0.5	0.6	0.5
12% to 15%	-	1.5	1.2	1.2
Over 15%	-	0.5	1.8	1.0
Not stated	7.4	5.1	3.6	4.8
Base: All respondents	(65)	(198)	(166)	(429)

There are substantial differences in rates of return as between the different geographical areas with the average for Prime Central London being 4.6% compared with 5.4% for the Rest of the South East and 6.1% elsewhere in the UK.

Geographic Region	**Average Rental Return (%)**	
	Aug 03	**Nov 03**
Prime Central London	4.8	4.6
South East	5.2	5.4
Rest of UK	5.9	6.1
All Regions (weighted)	5.3	5.4
Base: All respondents	(450)	(429)

Compared with three months ago, the average rental return on houses in Prime Central London is down whilst the averages for the Rest of the South East and the Rest of the UK have both risen.

Flats

A rental return of between 4% and 6% also appears to be the norm for rented flats 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 flats of 5.6%.

Average Return	Percent of Respondents (%) Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	3.7	4.5	3.6	4.1
4% to 5%	64.8	44.9	31.9	42.3
6%	27.8	23.7	27.7	25.8
7%	5.6	11.1	12.7	11.0
8%	5.6	2.5	7.8	5.0
9% to 10%	-	3.0	4.8	3.3
11% to 12%	-	1.0	1.8	1.2
12% to 15%	-	0.5	1.2	0.7
Over 15%	-	0.5	1.2	0.7
Not stated	13.0	8.1	7.2	8.4
Base: All respondents	(65)	(198)	(166)	(429)

As with houses there is again some difference in rates of return for rented flats as between the different geographical areas with the average for Prime Central London being 5.1% compared with 5.5% for the Rest of the South East and 6.2% elsewhere in the UK.

Geographic Region	Average Rental Return (%) Aug 03	Nov 03
Prime Central London	5.0	5.1
South East	5.4	5.5
Rest of UK	5.4	6.2
All Regions (weighted)	5.3	5.6
Base: All respondents	(450)	(429)

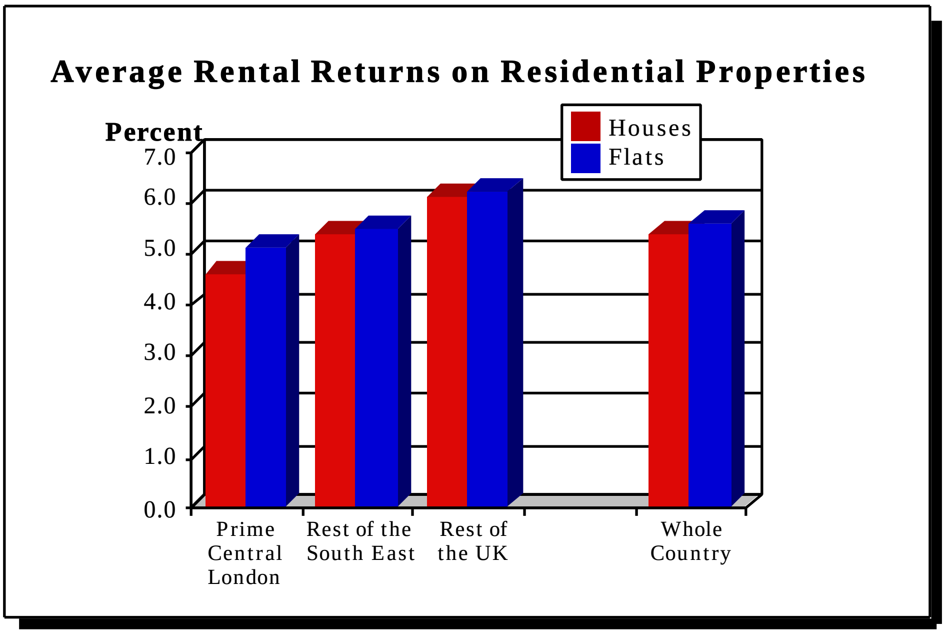
Compared with the last survey in August, rental returns on flats in Prime Central London and the Rest of the South East have remained fairly stable whilst those for the Rest of the UK have increased quite sharply from 5.4% to 6.2%.

Summary

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

Geographic Region	**Average Rental Return (%)** Houses	Flats
Prime Central London	4.6	5.1
South East	5.4	5.5
Rest of UK	6.1	6.2
All Regions (weighted)	5.4	5.6

Base: All respondents (429)



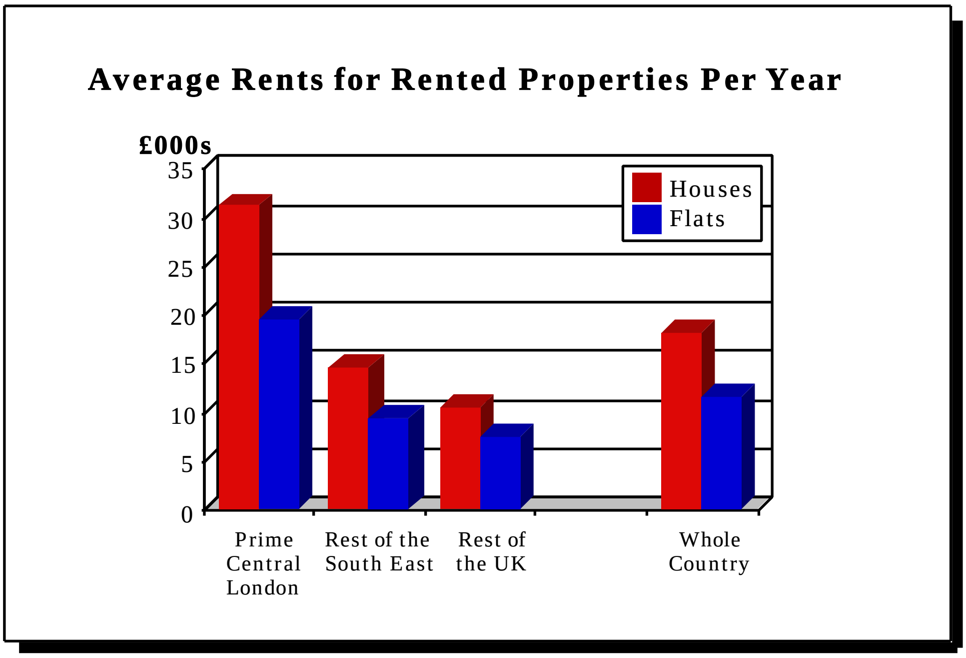
Average Rents

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 Week (£)	Month (£)	Year (£000)	FLATS Week (£)	Month (£)	Year (£000)
Prime Central London	599	2,595	31.1	374	1,621	19.5
South East	280	1,215	14.6	180	778	9.3
Rest of UK	202	876	10.5	143	620	7.4
All (weighted)	348	1,510	18.1	222	963	11.6

Base: All respondents (429)

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 where the average rent for a house is £2,595 per month, 60% more than for a flat which has an average rent of £1,621 in Prime Central London.



Further ana;ysis 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 respoindent for some of the regions is relatively small with the smallest number (23) being for Scotland, Wales and Northern Ireland.

Geographic Region	Average Rents					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	599	2,595	31.1	374	1,621	19.5
Rest of London	439	1,902	22.8	240	1,042	12.5
Rest of South East	281	1,219	14.6	177	767	9.2
South West	218	945	11.3	148	639	7.7
Midlands	202	877	10.5	135	586	7.0
North West	200	867	10.4	166	719	8.6
North East	181	785	9.4	137	596	7.1
Scotland/Wales/NI	165	715	8.6	121	522	6.3

Base: All respondents (429)

4.6 **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 (54%) reporting averages of 4 weeks or less per year and more than a further three out of ten (31%) saying the average is between 5 and 6 weeks.

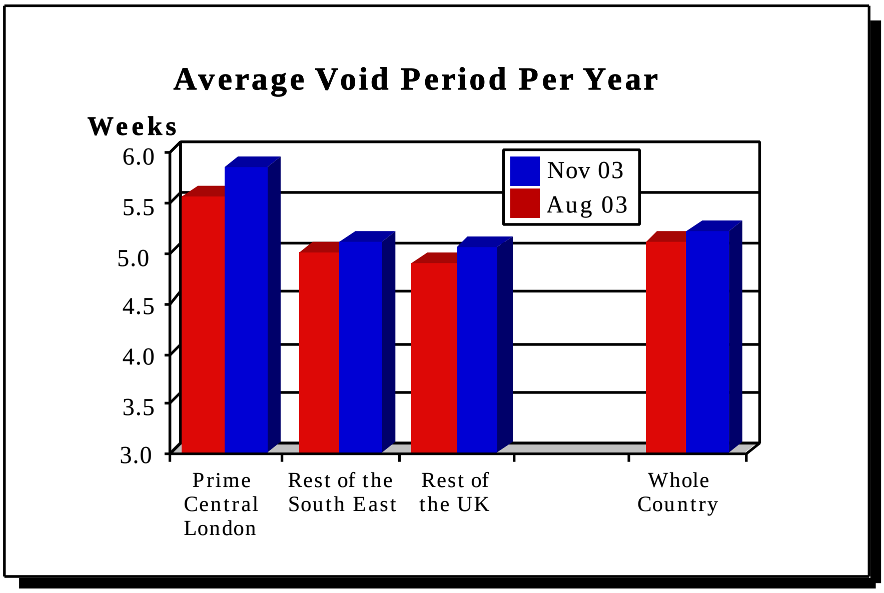
These figures indicate an overall average void rate of 4.4 weeks (31 days) per year.

Average Void Period	**Percent of Respondents (%)**			
	Prime London	**Rest of SE**	**Rest of UK**	**All Regions**
Less than 2 weeks	-	10.1	6.0	7.0
2 to 4 weeks	33.8	47.5	52.4	47.3
5 to 6 weeks	33.8	29.3	30.7	30.5
7 to 8 weeks	21.5	10.1	9.0	11.4
More than 8 weeks	10.8	2.0	0.6	2.8
Don't know	-	1.0	1.2	0.9
Not stated	-	-	-	-
Base: All respondents	(65)	(198)	(166)	(429)

Respondents with properties in Prime Central London experience a higher void rate than average at 5.7 weeks (40 days) per year.

The average void periods for the Rest of the South East and for the Rest of the UK are 4.2 and 4.1 weeks (29 days) respectively per year.

Compared with August the average void periods for all the geographical areas have increased. This is reflected in the overall average void period which has risen from 4.2 weeks (29 days) to 4.4 weeks (31 days).



Geographic Region	**Average Void Period (weeks)**			
	Feb 03	**May 03**	**Aug 03**	**Nov 03**
Prime Central London	5.2	5.1	5.1	5.7
South East	4.0	3.8	4.0	4.2
Rest of UK	4.0	4.1	3.8	4.1
All Regions	4.3	4.2	4.2	4.4
Base: All respondents	(519)	(464)	(450)	(429)

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

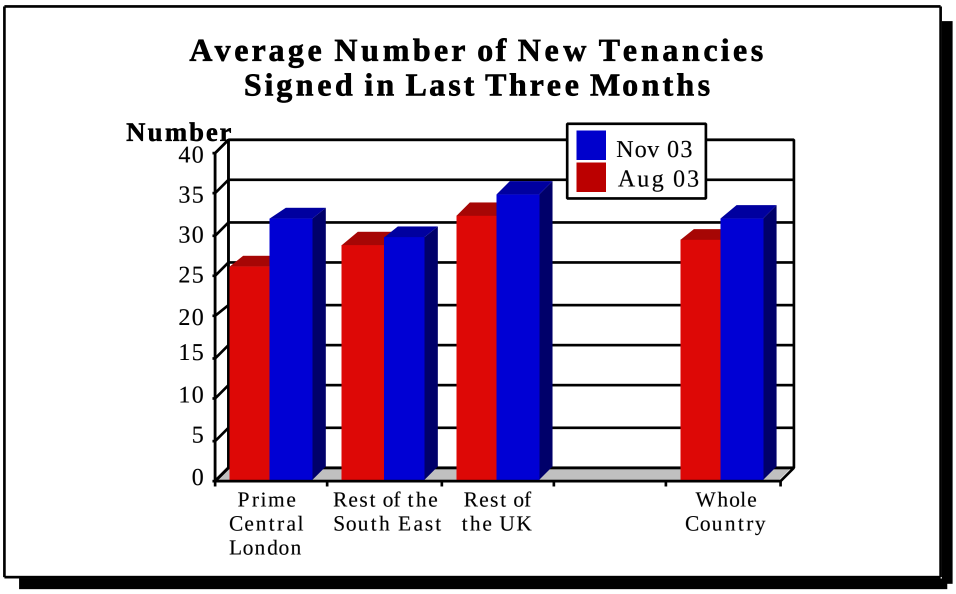
Nearly two thirds of offices (65%) have signed up between 11 and 50 new tenancies (other than renewals) in the last three months with more than a third (35%) having signed up between 21 and 50. However, nearly one in twenty (18%) of respondents say they have signed up more than 50 new tenancies in the last three months.

Analysis of these results reveals that, on average, ARLA members' offices have signed up 32 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	1.0	0.6	0.7
Up to 5	3.1	7.1	3.6	5.1
6 to 10	12.3	10.6	9.6	10.5
11 to 20	20.0	31.8	30.7	29.6
21 to 50	50.8	33.3	31.3	35.2
Over 50	12.3	15.7	24.1	18.4
Not stated	1.5	0.5	-	0.5
Base: All respondents	(65)	(198)	(166)	(429)

Offices managing properties in the Rest of the South East appear to have fared a little worse than those in the other two areas with the average figures being 30 for the Rest of the South East compared to 32 for Prime Central London and 35 for the Rest of the UK.

Compared with three months ago, there has been an increase in the average number of tenancies signed up in the last three months across the whole country but most noticeably in Prime Central London.



Geographic Region	**Number of New Tenancies**		
	May 03	**Aug 03**	**Nov 03**
Prime Central London	25.0	25.8	31.6
South East	28.4	28.6	29.5
Rest of UK	28.6	32.3	34.7
All Regions	27.5	29.0	31.8
Base: All respondents	(464)	(450)	(429)

4.8 Proportions of Different Property Types in Portfolios (Q.13)

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 14% saying that more than half of their properties are of this type compared with, at the other end of the scale, just 1% 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	7.2	3.7	2.8	7.9	1.6	21.2
Up to 10%	47.3	25.6	24.5	38.2	25.4	54.5
11% to 25%	24.5	42.4	34.3	18.2	24.5	7.0
26% to 50%	10.7	17.5	22.4	15.9	26.8	3.3
51% to 75%	2.6	2.6	5.6	6.1	8.2	0.7
76% to 90%	1.2	-	1.6	1.9	4.2	0.2
Over 90%	0.7	-	0.2	0.2	1.9	0.2
Don't know	5.8	8.2	8.6	11.7	7.5	12.8

Base: All respondents (429)

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.

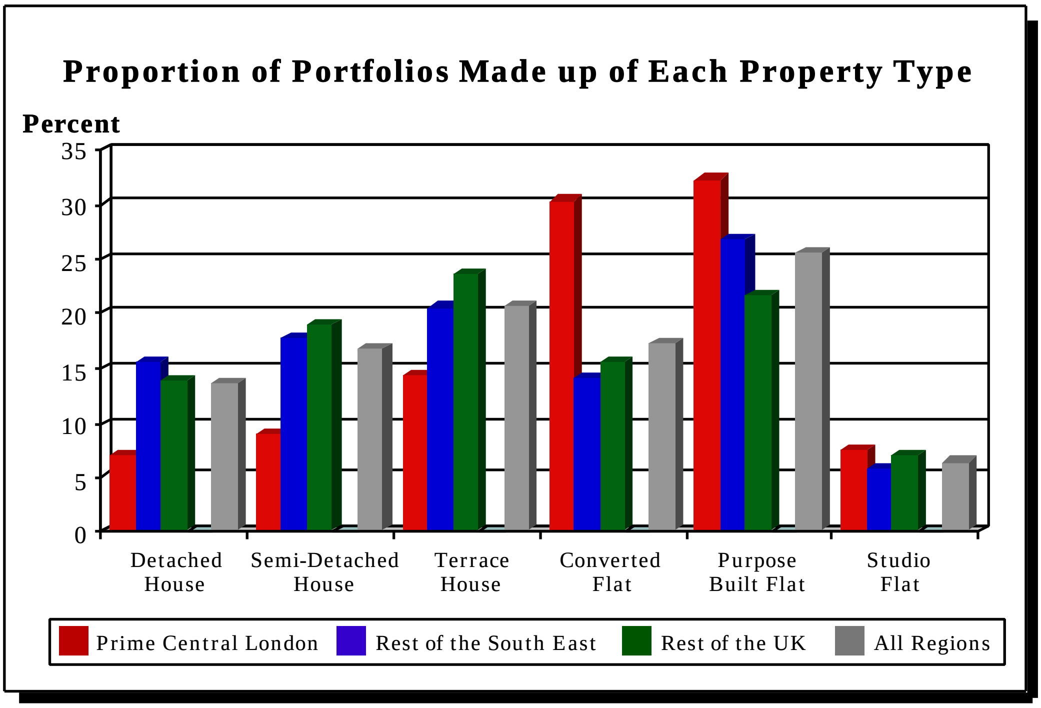
Geographic Region	Average Proportion of Portfolio (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	6.9	8.9	14.3	30.3	32.3	7.3
Rest of the South East	15.5	17.8	20.4	14.0	26.7	5.6
Rest of the UK	13.8	18.9	23.5	15.5	21.5	6.8
All regions	13.5	16.8	20.6	17.2	25.6	6.3

Base: All respondents (429)

These figures confirm that the most popular type of property overall is purpose built flats (26%) followed by terraced houses (21%) and converted flats (17%), with the least popular property type being studio flats (6%).

However, the picture in the different geographical areas varies quite considerably. Purpose built flats and flats in converted houses are the most popular property types in Prime Central London (32% and

30% respectively), pushing terraced houses at only 14% into third place. In the Rest of the South East, it is again purpose built flats which predominate (27%) but terraced houses at 20% edge converted flats into third place with 14%. In the Rest of the UK, terraced houses (24%) beat purpose built flats (22%) into second 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 30% houses and 70% flats compared with more balanced proportions, 56% houses and 44% flats, in the Rest of the UK, and similarly, 54% houses and 46% flats in the Rest of the South East

The figures for Prime Central London and the Rest of the South East are little changed from the August survey, but those for the Rest of the UK show a more even split with 56% houses and 44% flats compared with 61% houses and 39% flats in the August survey.

4.9 Change in Achievable Rent Levels Over Last 6 Months (Q.14)

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 30% to 35% in all cases other than studio flats (19%) and detached houses (44%), believe they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.9	2.1	2.3	2.6	2.6	1.6
Increased a little	20.7	26.6	25.6	19.1	24.2	17.9
Stayed the same	25.2	28.4	35.4	36.8	33.8	40.3
Decreased a little	24.2	26.1	24.2	25.4	28.7	14.9
Decreased a lot	19.8	9.1	5.6	4.2	6.1	3.7
Don't know	8.9	7.5	6.5	11.7	4.4	21.2
Not stated	0.2	0.2	0.2	0.2	0.2	0.2

Base: All respondents (429)

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 12% of offices saying that achievable rent levels for each type of property have increased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	-	-	-	-	1.5	1.5
Increased a little	6.2	9.2	7.7	9.2	10.8	6.2
Stayed the same	18.5	23.1	26.2	35.4	30.8	41.5
Decreased a little	12.3	23.1	35.4	41.5	36.9	24.6
Decreased a lot	30.8	18.5	18.5	9.2	13.8	9.2
Don't know	32.3	26.2	12.3	4.6	6.2	16.9
Not stated	-	-	-	-	-	-

Base: All respondents (65)

With regard to the proportions who think achievable rent levels in Prime Central London have decreased, there is a big difference between the type of property with detached houses faring particularly badly (63%) and flats holding up well (14% to 26%).

Rest of the South East

With regard to the Rest of the South East, the picture is better with broadly similar proportions of respondents saying that achievable rent levels have increased (between 11% and 21%) as say they have decreased (between 9% and 33%).

Response	**Det House**	**Semi House**	**Terr House**	**Conv Flat**	**PB Flat**	**Studio Flat**
	Percent of Respondents (%)					
Increased a lot	-	1.0	1.0	1.5	2.0	0.5
Increased a little	11.1	17.2	19.2	13.6	18.7	14.6
Stayed the same	21.7	28.8	38.4	37.4	35.9	41.4
Decreased a little	34.3	36.9	30.3	29.8	34.8	17.7
Decreased a lot	26.8	11.1	4.5	3.0	5.1	2.0
Don't know	6.1	5.1	6.6	14.6	3.5	23.7
Not stated	-	-	-	-	-	-

Base: All respondents (198)

These figures tend to suggest that rent levels in the South East have stabilised following the decline seen in the third quarter of the year.

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 30% and 49% of offices say that achievable rent levels for each type of property have increased whilst only between 6% and 23% believe rent levels have decreased.

Response	**Det House**	**Semi House**	**Terr House**	**Conv Flat**	**PB Flat**	**Studio Flat**
	Percent of Respondents (%)					
Increased a lot	2.4	4.2	4.8	4.8	3.6	3.0
Increased a little	38.0	44.6	40.4	29.5	36.1	26.5
Stayed the same	31.9	30.1	35.5	36.7	32.5	38.6
Decreased a little	16.9	14.5	12.7	13.9	18.1	7.8
Decreased a lot	7.2	3.0	1.8	3.6	4.2	3.6
Don't know	3.0	3.0	4.2	10.8	4.8	19.9
Not stated	0.6	0.6	0.6	0.6	0.6	0.6

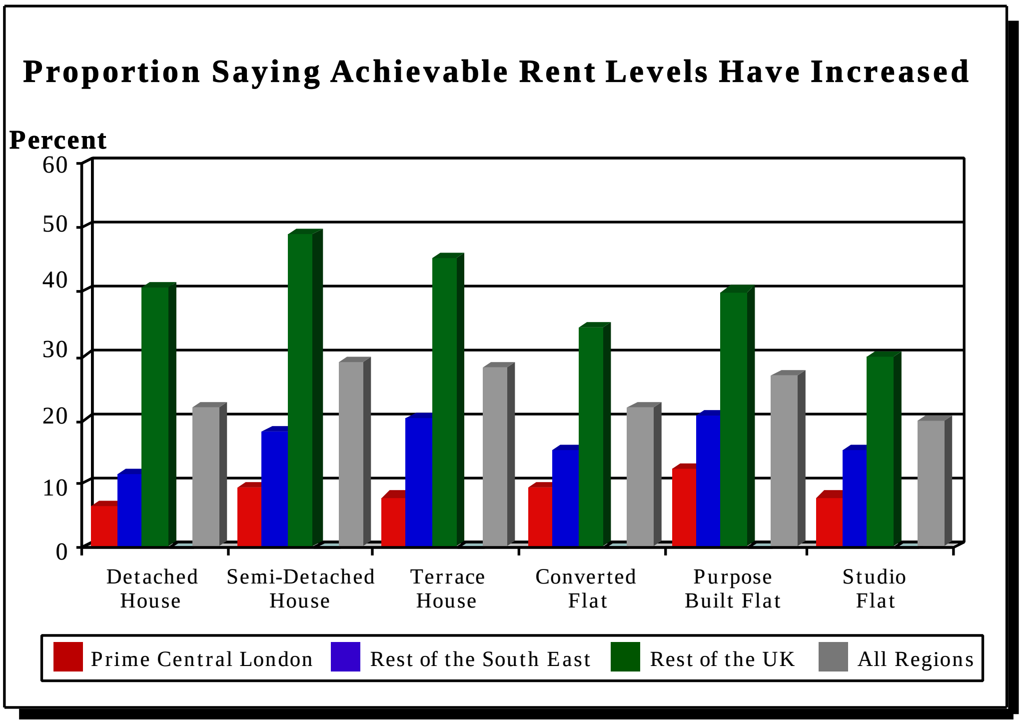
Base: All respondents (166)

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	6.2	9.2	7.7	9.2	12.3	7.7
Rest of the South East	11.1	18.2	20.2	15.2	20.7	15.2
Rest of the UK	40.4	48.8	45.2	34.3	39.8	29.5
All regions	21.7	28.7	28.0	21.7	26.8	19.6
Base: All respondents	(429)					



4.10 Balance of Supply & Demand in Rented Residential Property Sector (Q.15)

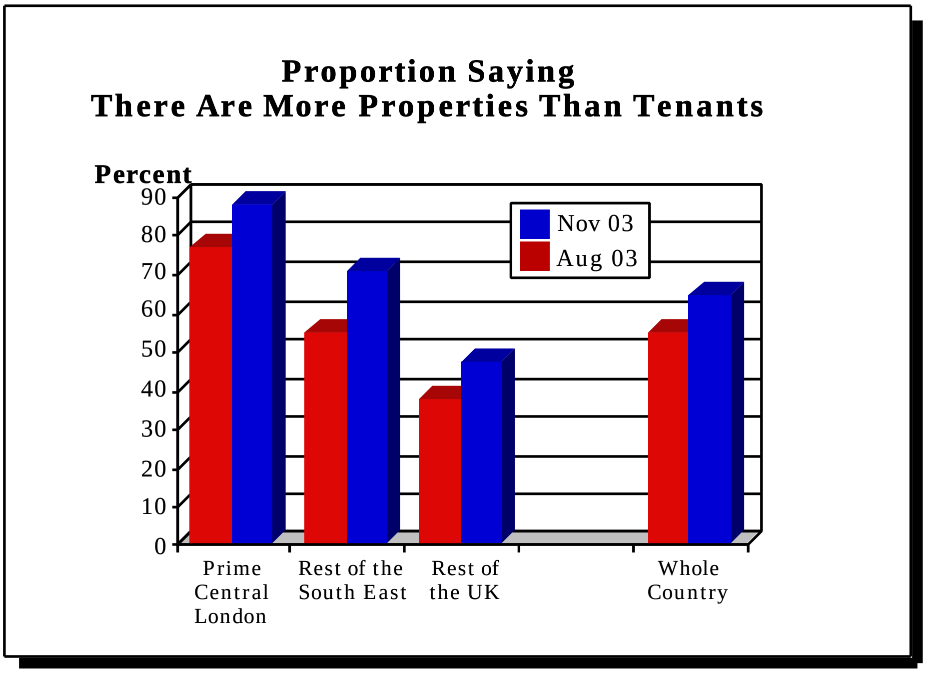
Nearly two thirds of ARLA members' offices (64%) believe that there are more rented residential properties available than there are tenants to fill them.

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 (19% and 15% 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	52.3	37.4	18.1	32.2
Few more props than tenants	35.4	33.3	29.5	32.2
Equal nos of props & tenants	6.2	18.2	25.9	19.3
Lot more tenants than props	1.5	5.6	15.1	8.6
Few more tenants than props	4.6	4.5	10.2	6.8
Not stated	-	1.0	1.2	0.9
Base: All respondents	(65)	(198)	(166)	(429)

However, there is clearly a much more severe situation of over supply in Prime Central London where 88% of respondents said there were more properties than tenants compared with 71% for the Rest of the South East and 48% for the Rest of the UK.



In this survey, 64% of respondents said there were more properties than tenants compared with a figure of 55% in August, suggesting that situation with regard to the balance of supply and demand has worsened considerably over the last three months.

Geographic Region	**Proportion Saying There Are More Properties than Tenants (%)**			
	Feb 03	**May 03**	**Aug 03**	**Nov 03**
Prime Central London	78.6	79.6	77.4	87.7
South East	54.3	50.8	55.0	70.7
Rest of UK	37.3	40.1	37.2	47.6
All Regions	56.1	55.0	55.3	64.4
Base: All respondents	(519)	(464)	(450)	(429)

Furthermore, this deterioration is spread across the whole of the country with all of the broad geographical areas suffering.

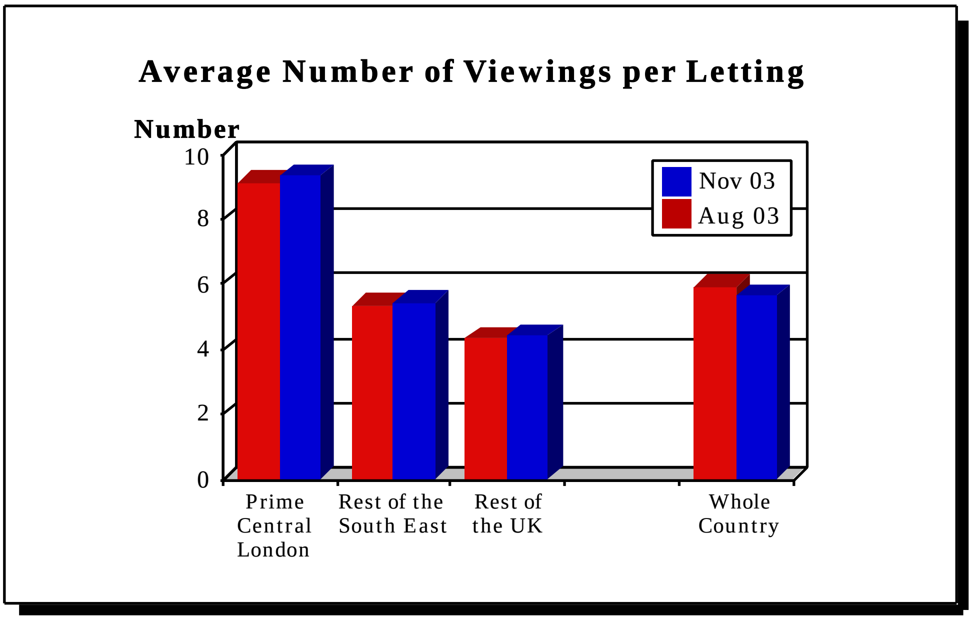
4.11 **Number of Viewings Per Letting (Q.16)**

Getting on for half of ARLA members' offices (44%) have to deal with an average of 4 or 5 viewings of a property before it is let and for more than three out of ten offices (31%), 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
11	-	0.5	1.8	0.9
2 or 3	6.2	19.7	35.5	23.8
4 or 5	15.4	48.5	48.8	43.6
6 to 10	53.8	28.3	11.4	25.6
11 to 20	20.0	2.5	2.4	5.1
Over 20	3.1	-	-	0.5
Not stated	1.5	0.5	-	0.5
Base: All respondents	(65)	(198)	(166)	(429)

On average, ARLA members in Prime Central London have to show nearly twice as many prospective tenants round a property (9.3) before it is let as do their counterparts in the Rest of the South East (5.4) or the Rest of the UK (4.4).



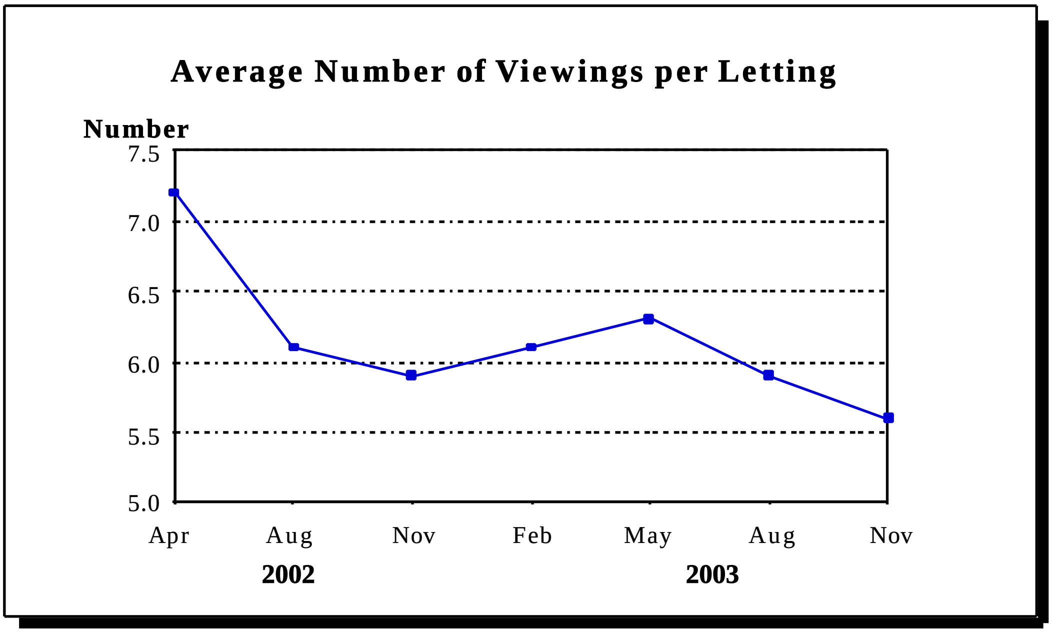
Compared with the August 2003 survey, the overall average number of viewings per letting is down from 5.9 to 5.6.

Within this overall change, the average number for Prime Central London properties has increased from 9.1 to 9.3 and the figure for the

Rest of the South East has risen from 5.3 to 5.4 whilst that for the Rest of the UK has gone up from 4.3 to 4.4 viewings per letting.

Geographic Region	**Average Number of Viewings per Letting (%)**			
	Feb 03	**May 03**	**Aug 03**	**Nov 03**
Prime Central London	9.1	10.0	9.1	9.3
South East	5.3	5.4	5.3	5.4
Rest of UK	4.3	4.3	4.3	4.4
All Regions	6.1	6.3	5.9	5.6
Base: All respondents	(519)	(464)	(450)	(429)

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 now returned to its long term downward trend.



Questionnaire