

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 Survey  
of  
Residential Landlords**

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## 1. **INTRODUCTION & BACKGROUND**

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

## **2. METHODOLOGY**

The method by which the data for this research was collected was through visitors to ARLA's web site taking the opportunity presented to complete an on-line questionnaire which included 12 questions.

The questions were devised by ARLA and included questions which were aimed at getting a better understanding of the profile of residential landlords and also at understanding better their views and opinions.

During the period when the questionnaire was available for completion, a total of 578 people went through the process of answering some or all of these questions. These responses were analysed by the software running the survey and tables of data were produced on which this report is based.

### 3. RESULTS

The following sections detail the results of the ARLA Web Site survey of residential landlords conducted between December 2003 and February 2004.

Results from questions 11 and 12 have not been analysed but are included as appendices to the report.

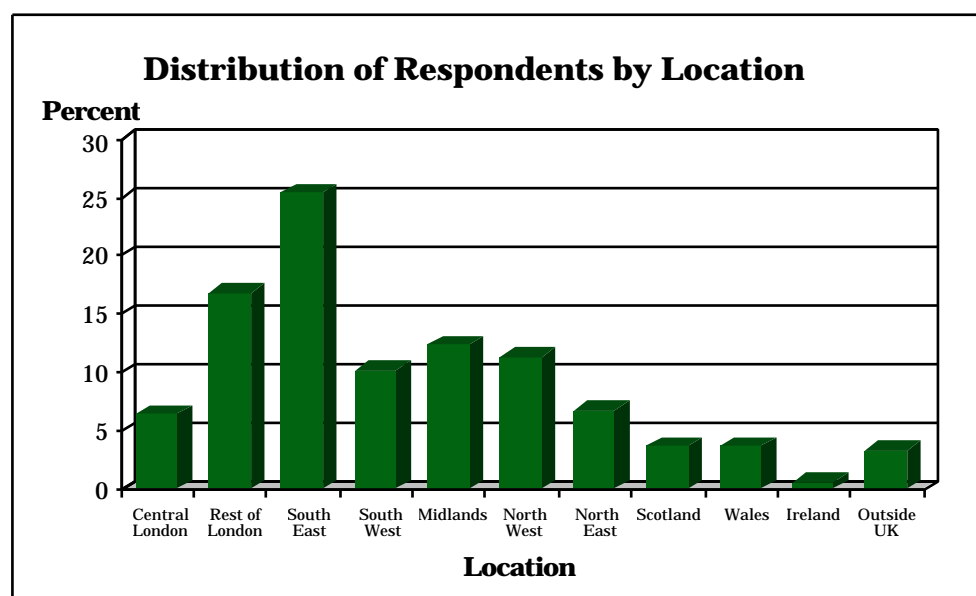
#### 3.1 Where do you live? (Q.1)

Nearly half of respondents to the survey (48%) were from the South East of England (including London) with nearly a quarter (23%) being from London itself. Roughly equal proportions were from the South West, the Midlands and the North West.

Only 8% were from either Scotland, Wales or Northern Ireland but one respondent in thirty (3.3%) was living outside the UK at the time they completed the questionnaire.

<b>Location</b>	<b>Percent of Respondents (%)</b>
Central London	6.4
Rest of London ( <i>within M25</i> )	16.7
South East ( <i>excl. London</i> )	25.3
South West	10.1
Midlands	12.3
North West	11.2
North East	6.8
Scotland	3.7
Wales	3.7
Ireland	0.6
Outside UK	3.3

Base: All answering (545)



### 3.2 How old are you? (Q.2)

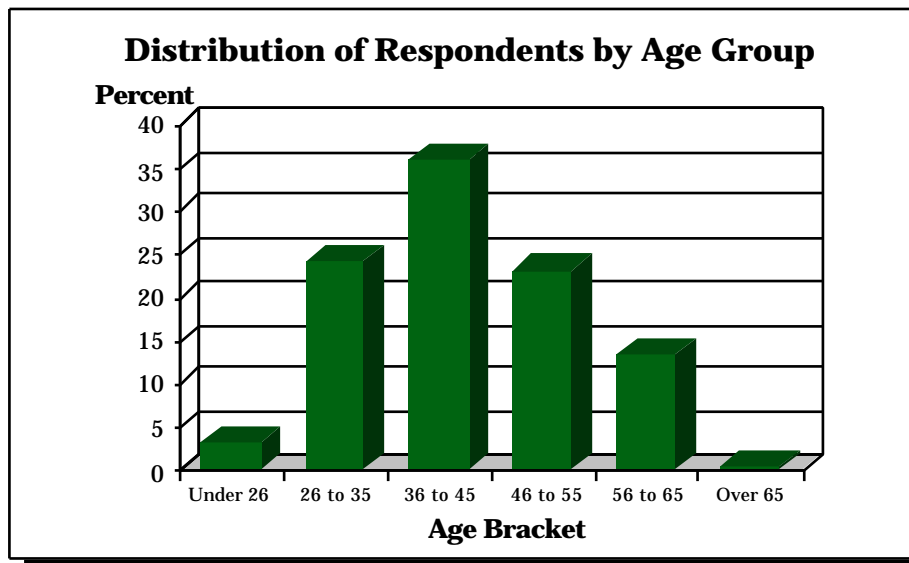
More than eight out of ten respondents (83%) were aged between 26 and 55 with the biggest age group (36%) being those aged between 36 and 45.

Around one in seven respondents (14%) were aged over 56 but less than one in thirty (3.1%) was under 26.

<b>Age Group</b>	<b>Percent of Respondents (%)</b>
Under 26	3.1
26 to 35	24.1
36 to 45	35.9
46 to 55	23.0
56 to 65	13.3
Over 65	0.6

Base: All answering (543)

Analysis of the results from this question reveals that the average age of respondents to the survey was 42 years.



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

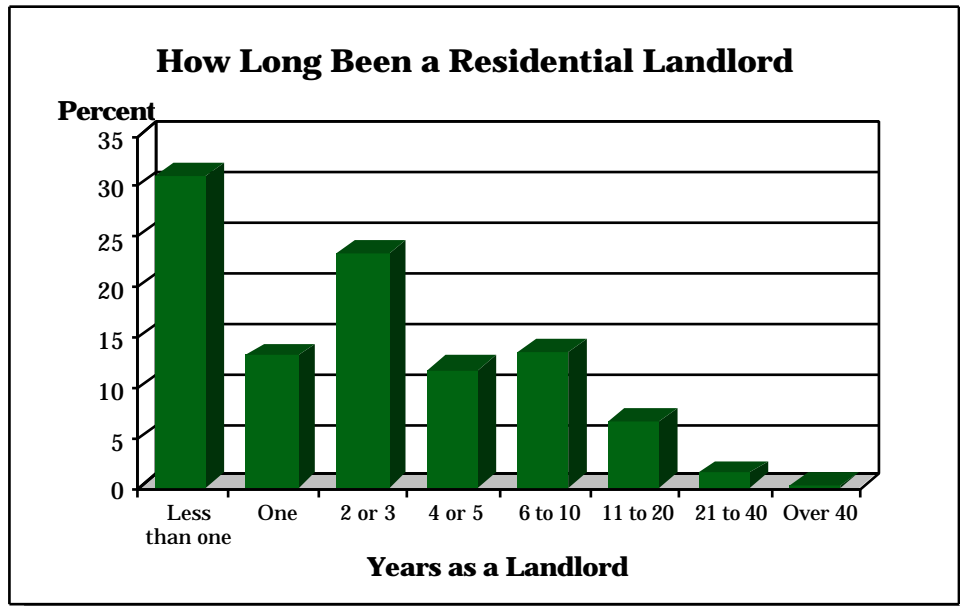
More than three out of ten respondents (31%) had been residential landlords for less than a year with another 13% having been landlords for only a year.

Only a small minority of about one in twelve respondents (8%) had been residential landlords for more than 10 years.

<b>Years as a Landlord</b>	<b>Percent of Respondents (%)</b>
Less than one	30.9
One	13.0
2 or 3	23.1
4 or 5	11.6
6 to 10	13.4
11 to 20	6.5
21 to 40	1.3
Over 40	0.2

Base: All answering (524)

Simple analysis of these figures indicates that the average time for which respondents had been residential landlords was 3.9 years.



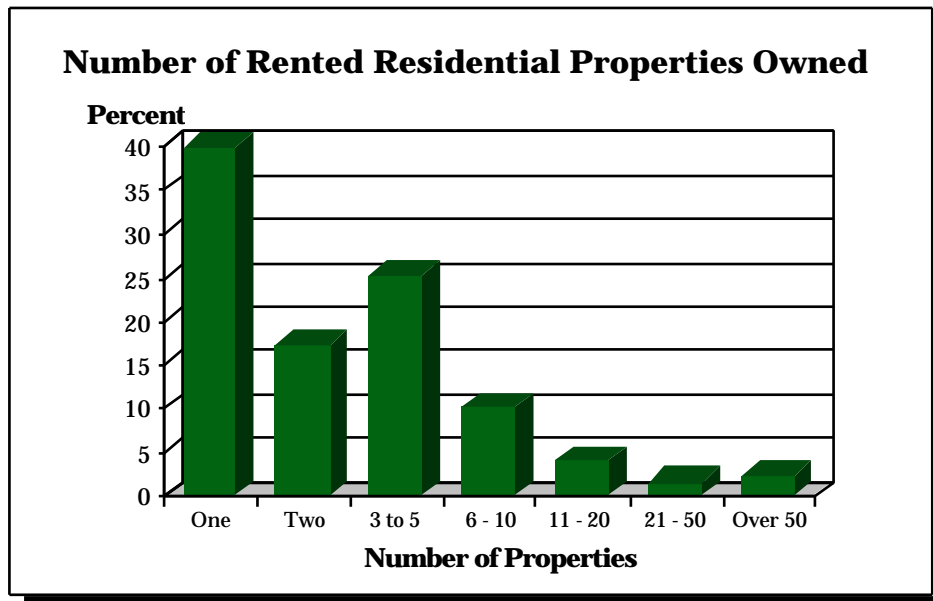
**3.4 How many rented residential properties do you currently have in your portfolio? (Q.4)**

The majority of respondents (57%) had only one or two properties in their portfolios although a significant minority of around one in thirteen (7.8%) had more than ten properties in theirs.

<b>Number of Properties</b>	<b>Percent of Respondents (%)</b>
One	39.7
Two	17.1
3 to 5	25.2
6 to 10	10.0
11 to 20	4.0
21 to 50	1.5
Over 50	2.3

Base: All answering (519)

Analysis of these results shows that the average size of respondents' portfolios was 5.5 properties.



**3.5 What is the average loan to value ratio of your rented residential property(s)? (Q.5)**

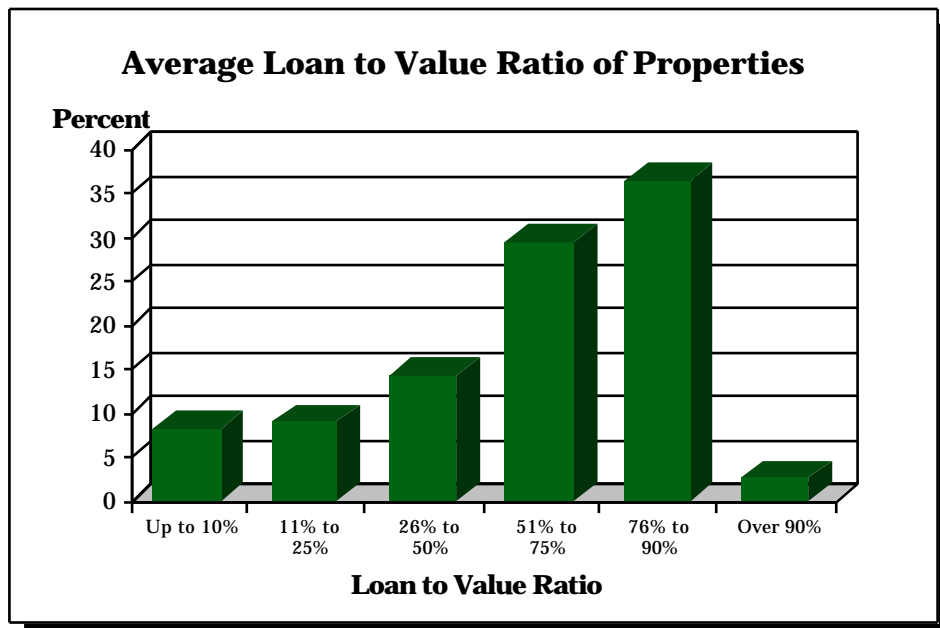
Respondents to this survey were quite highly geared with almost four out of ten (39%) saying that the average loan to value ratio of their rented residential property was more than 75%.

Nevertheless, a sizeable minority of getting on for two out of ten (17%) said they had borrowing of less than a quarter of the value of their properties.

<b>Loan to Value Ratio</b>	<b>Percent of Respondents (%)</b>
Up to 10%	8.1
11% to 25%	8.9
26% to 50%	14.3
51% to 75%	29.5
76% to 90%	36.5
Over 90%	2.7

Base: All answering (509)

Analysis of the responses to this question reveals that the average loan to value ratio is 59%.



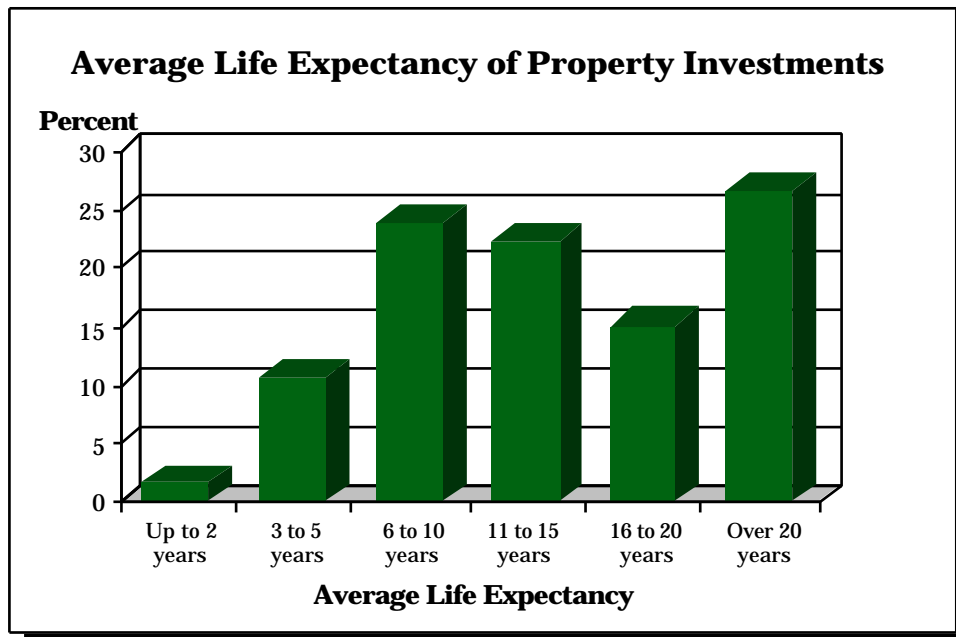
**3.6 How long do you expect each of your individual property investments to last? (Q.6)**

Clearly most respondents see themselves continuing as landlords over the long term with more than a quarter (27%) saying they see the average life expectancy of their property investments to be more than 20 years and nearly two thirds (64%) saying more than 10 years.

<b>Average Life Expectancy</b>	<b>Percent of Respondents (%)</b>
Up to 2 years	1.7
3 to 5 years	10.6
6 to 10 years	23.8
11 to 15 years	22.3
16 to 20 years	15.1
Over 20 years	26.5

Base: All answering (511)

Simple analysis of the responses to this question suggests that the overall average life expectancy of respondents' individual investments in property is 14.6 years.



**3.7 What proportion of your tenants are renting for each of the following reasons? (Q.7)**

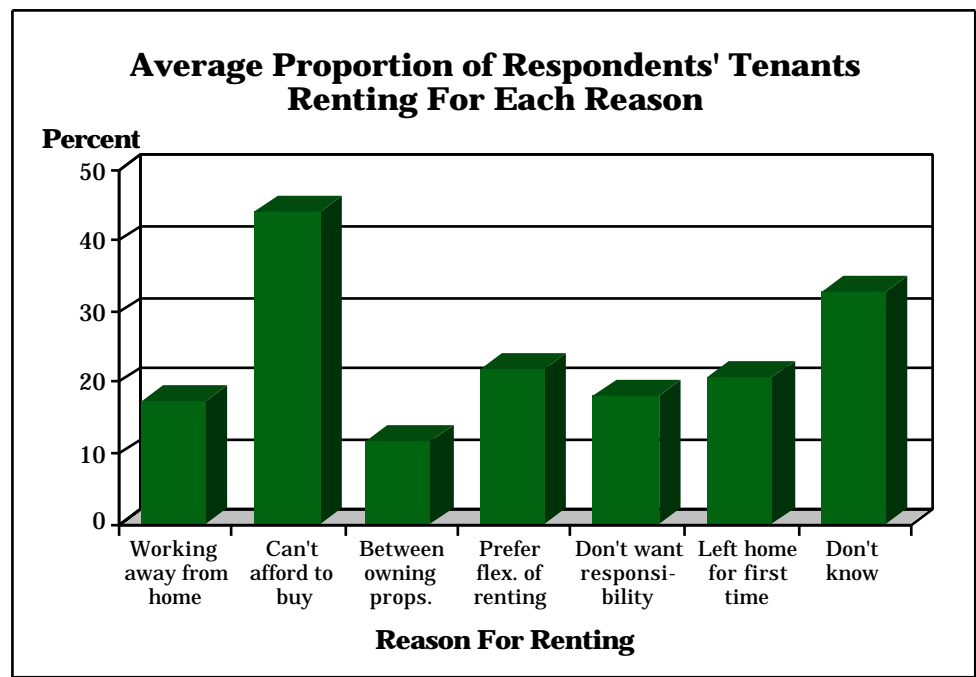
Clearly landlords believe that the most prevalent reason for their tenants choosing to rent a property is that they cannot afford to buy one with, on average, landlords believing that 44% of tenants are renting for this reason.

Compared with this, less than half as many (22%) are renting for the next most popular reason which is because they prefer the flexibility of renting.

The least given reason for which landlords think their tenants are renting is because they are between owning properties (12%).

**Percent of Respondents Saying Proportion of Their Tenants Who Are Renting For Each Reason (%)**

<b>Proportion</b>	<b>Working away from home</b>	<b>Can't afford to buy</b>	<b>Between owning props.</b>	<b>Prefer flexibility of renting</b>	<b>Don't want responsibility</b>	<b>Left home for first time</b>	<b>Don't know</b>
None	51.5	17.4	56.9	31.9	46.5	44.4	48.4
Up to 10%	9.2	9.7	14.2	13.6	15.3	12.0	8.7
11% to 25%	7.7	7.5	8.0	13.6	12.4	12.0	2.7
26% to 50%	13.8	16.5	10.7	19.1	7.9	10.7	5.5
51% to 75%	3.5	10.6	0.9	4.3	5.0	5.8	2.7
76% to 90%	2.3	6.5	0.0	3.8	3.0	1.8	1.8
Over 90%	11.9	31.8	9.3	13.6	9.9	13.3	30.1
<b>Average</b>	<b>17.3</b>	<b>44.1</b>	<b>11.6</b>	<b>21.9</b>	<b>18.0</b>	<b>20.5</b>	<b>32.8</b>
Base: All answering	(260)	(321)	(225)	(235)	(202)	(225)	(219)



**3.8 Thinking of the people you personally know who are residential landlords, what proportion fall into each of the following categories regarding how well they have done? (Q.8)**

According to respondents to this survey, more of their residential landlord acquaintances (46%) have built successful profitable businesses than fall into any of the other categories.

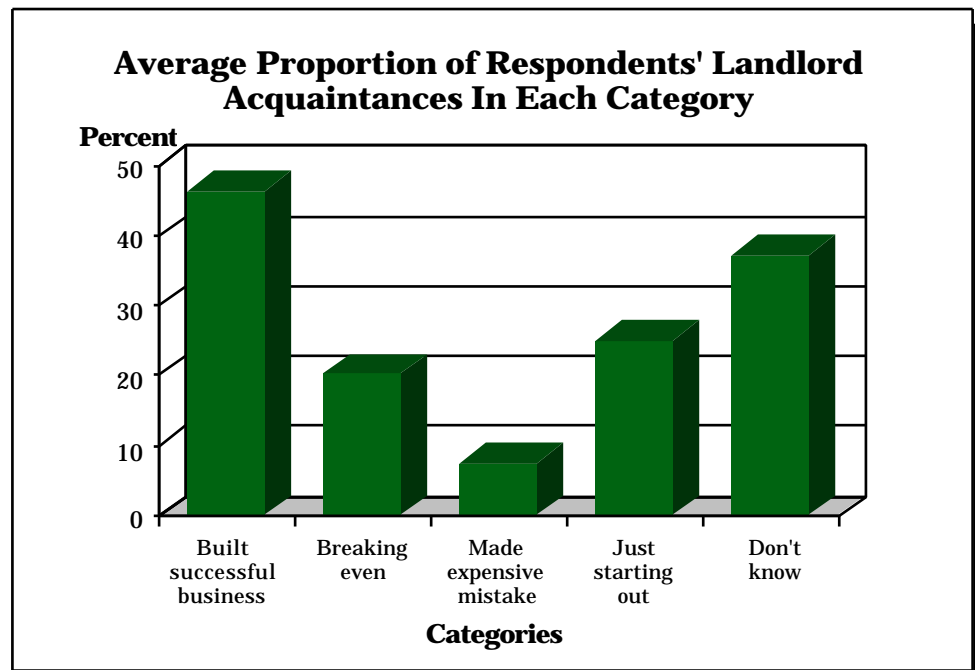
Nevertheless, on average, one in thirteen (7.5%) is perceived to have made an expensive mistake whilst two out of ten (20%) are breaking even and a quarter (25%) are just starting out as residential landlords.

For more than a third of their landlord acquaintances however (37%), respondents were unsure how they had fared.

**Percent of Respondents Saying Proportion of Their Landlord Acquaintances are in Each Category (%)**

<b>Proportion</b>	<b>Successful business</b>	<b>Breaking even</b>	<b>Made expensive mistake</b>	<b>Just starting</b>	<b>Don't know</b>
None	9.0	20.4	47.2	22.7	43.1
Up to 10%	8.7	17.1	21.6	25.0	7.8
11% to 25%	11.8	20.8	14.1	17.0	6.9
26% to 50%	17.7	22.4	12.1	11.7	4.1
51% to 75%	16.1	7.8	2.0	3.8	1.8
76% to 90%	11.8	2.9	2.0	3.4	0.9
Over 90%	24.8	8.6	1.0	16.3	35.3
<b>Average</b>	<b>46.1</b>	<b>20.0</b>	<b>7.5</b>	<b>25.0</b>	<b>37.1</b>

Base: All answering (322) (245) (199) (264) (218)



**3.9 If house prices were to fall, would you sell your residential property investments? (Q.9)**

The vast majority of respondents to this question (92%) said they would not sell their residential property investments if house prices were to fall with only about one in fifty (2.2%) saying they would, the remainder being unsure whether they would or not.

<b>Response</b>	<b>Percent of Respondents (%)</b>
Yes	2.2
No	91.5
Don't know	6.3
Base: All answering	(492)

**3.10 Why would you not sell your residential property investments if house prices were to fall? (Q.10)**

For more than nine out of ten respondents (91%), the reason they would not sell their residential property investments if prices fell is that they see them as a long term investment.

Of the rest, 6% would expect rental incomes to increase and would therefore not sell for that reason whilst one in forty (2.5%) had other reasons why they would not sell. Hardly any respondents were unsure about why they would not sell.

<b>Response</b>	<b>Percent of Respondents (%)</b>
See it as long term investment	91.0
Would expect rental income to increase	6.3
Other reasons	2.5
Don't know	0.2
Base: All answering	(492)