

Prepared for

**The Association of Residential Letting Agents
& the ARLA Group of Buy to Let Mortgage Lenders:**

**Mortgage Express
Paragon Mortgages**

ARLA Members Survey of the Private Rented Sector

Third Quarter 2009

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1. INTRODUCTION & BACKGROUND

The mortgage lenders who make up the ARLA group of buy to let mortgage 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 the ARLA group of buy to let mortgage 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 4,121 letting offices of ARLA members in August 2009 and 639 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

- Compared with three months ago, average weighted rental returns for houses are unchanged 5.1% and for flats are up a little from 5.0% to 5.1%.
- On balance ARLA members report decreased achievable rent levels over the last six months on all types of rented property but the proportion of respondents now saying they think achievable rent levels have increased over the last six months has risen from 6.5% to 8.5%, the first increase in the figure for 18 months.
- The overall average capital asset value of rented houses has risen by 9.3% over the last three months as a result of increases of 10.6% for those managing properties in Prime Central London and 13.6% for those in the Rest of the South East. However, the average for those in the Rest of the UK fell by 1.5%.
- Over the same period the average value of rented flats throughout the country rose by 9.7% as a result of increases of 12.7% for those managing properties in Prime Central London and 13.7% for those in the Rest of the South East. As with rented houses, however, values of rented flats in the Rest of the UK have fallen, declining by 4.3%.
- During the last three months there has been a dramatic change in the balance of supply and demand in the rented residential property sector with the overall proportion of respondents saying that there are more tenants than properties available for them rising sharply from 10% to 24% and this change is reflected across the country.
- More than three times as many ARLA members think that landlords are currently buying properties (16%) as think they are currently selling properties (5%).
- Compared with three months ago, the average void period has fallen from 4.3 weeks (30 days) to 4.0 weeks (28 days), the first fall in this figure for more than a year, whilst the average number of new tenancies signed up in the preceding three months has, in line with seasonal trends, risen from 33 to 36.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property has fallen from 53% to 50% compared with the second quarter and the average number of purely investment properties which are managed by ARLA members' offices has fallen from 121 to 117 properties.
- On average, ARLA members say that tenants remain in the same property for a period of 16.1 months, a figure which is down marginally from 16.2 months in the second quarter.
- A substantially reduced proportion of ARLA members (60%, down from 80% three months ago and 94% six months ago) believe that they are seeing an increase in rental property coming onto the market because it

cannot be sold and, overall, this has tended to be more in the form of houses rather than flats although the reverse is true for those managing properties in Prime Central London.

- More than six out of ten ARLA members' offices (63%, down from 65% three months ago) say that they have seen an increase in the number of tenants struggling to meet rental payments in the last six months but less than two out of ten ARLA members' offices (16%, virtually unchanged compared with the last quarter) say that they are aware of an increase in tenants asking lenders for references on potential landlords to ensure they are financially viable.
- The vast majority of ARLA members' offices (93%, also virtually unchanged compared with the last quarter) say that they have seen an increase in tenants haggling with landlords over rents in the last six months.
- More than half of ARLA members' offices (53%, up from 50% in May) say that they think investor landlords are being tempted back to the market because of the minimal interest rates on savings with only 25% disagreeing and the remainder being unsure whether landlords are or not.

4. RESULTS

The following sections detail the results of the survey for the second quarter of 2009. 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.

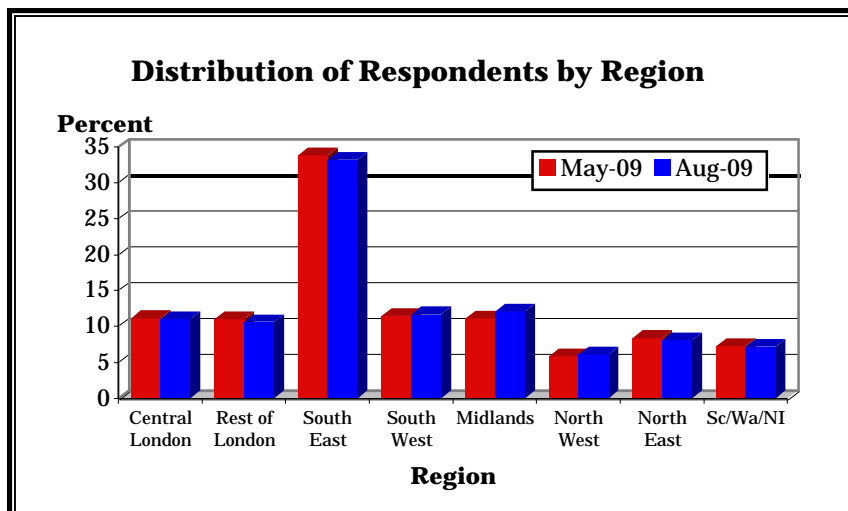
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for more than half of all respondents (55%).

After the South East, the Midlands with 12% was the region with the most respondents closely followed by the South West.

Region	Percent of Respondents (%)		
	Feb 09	May 09	Aug 09
Central London	14.6	11.2	11.0
Rest of London (<i>inside M25</i>)	10.3	11.0	10.6
South East (<i>excl. London</i>)	37.4	33.8	33.2
South West	11.6	11.5	11.7
Midlands	9.0	11.1	12.1
North West	4.3	5.8	6.1
North East	6.9	8.4	8.1
Scotland/Wales/NI	6.0	7.3	7.2
Base: All respondents	(535)	(730)	(639)

Compared with the May survey, there has been hardly any change in the regional breakdown of respondents.



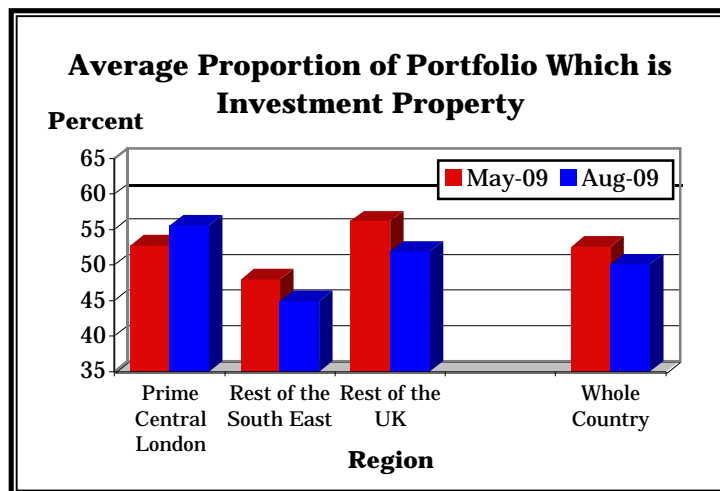
4.2 Proportion of Portfolio Made Up of Investment Property (Q.4)

More than three quarters of respondents (77%) said that more than a quarter of their portfolio is investment property with more than two out of ten (21%) saying that more than three quarters of theirs is investment property. Investment properties comprise a tenth or less of their portfolio for little more than one in fifteen offices (7%).

Analysis of the responses to this question reveals that, on average, investment properties account for 50% of ARLA member offices' portfolios.

Proportion of Portfolio	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	-	0.7	0.3
Up to 10%	4.8	7.5	6.6	6.6
11% to 25%	10.5	19.0	13.8	15.0
26% to 50%	23.4	28.3	21.1	24.1
51% to 75%	35.5	31.0	30.1	31.5
Over 75%	25.8	12.8	25.6	21.1
Not stated	-	1.3	2.1	1.4
Base: All respondents	(124)	(226)	(389)	(639)

For offices in the Rest of the South East, investment properties appear to make up a slightly smaller proportion of their portfolios with the average being 45% compared with 56% for offices managing properties in Prime Central London and 52% for those in the Rest of the UK.



Compared with the last survey in May, the average proportion of portfolios which are in the form of investment property is down from 53% to 50%, reversing the change seen then as a result of decreases in the Rest of the South East and the Rest of the UK. In contrast, the average for Prime Central London was up but not enough to outweigh the effect of the other two broad geographical areas.

Geographic Region	Average Proportion of Portfolio (%)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	48.5	51.6	52.8	55.6
South East	46.4	46.9	48.0	44.9
Rest of UK	48.6	52.5	56.2	51.9
All Regions	47.7	50.0	52.6	50.1
Base: All respondents	(488)	(535)	(730)	(639)

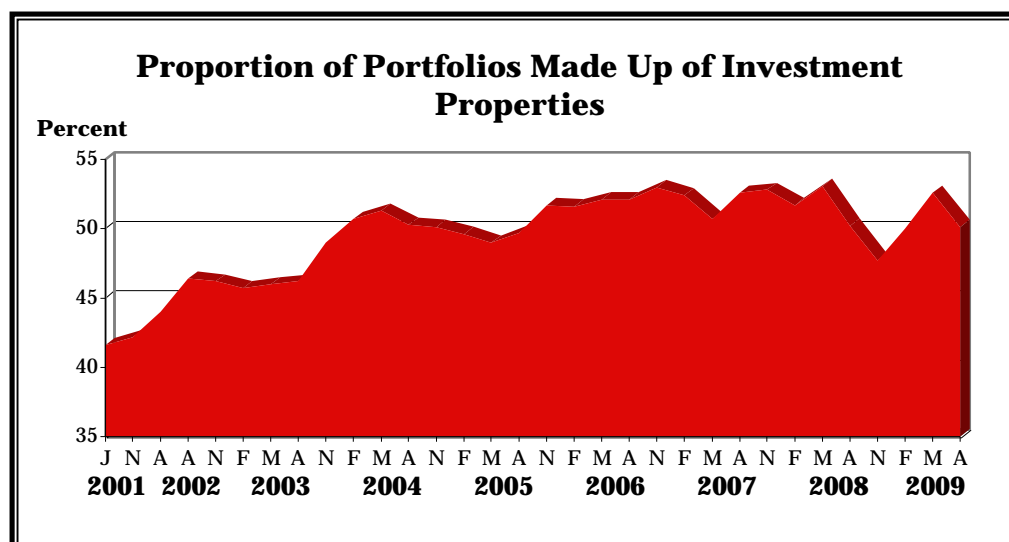
As can be seen from the chart below, the proportion of respondents' portfolios which is made up of investment property, having levelled off for a period of a year from mid-2002 to mid-2003, rose sharply between mid-2003 and mid-2004.

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 showed the figure was on the increase again and during 2006 this upward trend continued.

Surveys for the first two quarters of 2007 saw falls in the average figure but overall, until the first quarter of 2008, the figure was fairly steady at between 50% and 53%.

After that there were two consecutive falls taking the figure down to its lowest level for 5 years before it bounced back sharply and the results from this survey are consistent with the longer term trend for the average to remain between 50% and 53%.



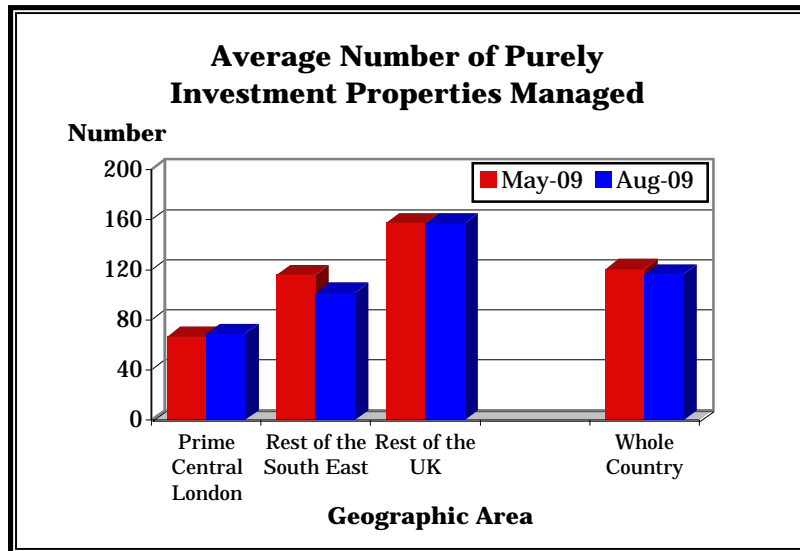
4.3 Number of Purely Investment Properties Managed (Q.5)

By and large, ARLA offices manage substantial numbers of purely investment properties with getting on for four out of ten (37%) saying that they manage over a hundred properties and eight out of ten (80%) manage in excess of 20 properties.

Analysis of these responses shows that the average number of purely investment properties managed by ARLA offices is currently 117.

Number of Properties	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to 5	3.2	3.5	3.1	3.3
6 to 10	6.5	4.9	3.1	4.4
11 to 20	13.7	11.9	7.3	10.2
21 to 50	23.4	23.5	15.6	19.9
51 to 100	25.8	22.6	22.8	23.3
Over 100	25.8	31.0	46.0	36.8
Not stated	1.6	2.7	2.1	2.2
Base: All respondents	(124)	(226)	(289)	(639)

Offices managing properties in Prime Central London tend to manage considerably fewer properties on average than their counterparts elsewhere in the country with the average numbers being 69 for Prime Central London, 102 for the Rest of the South East and 157 for the Rest of the UK.



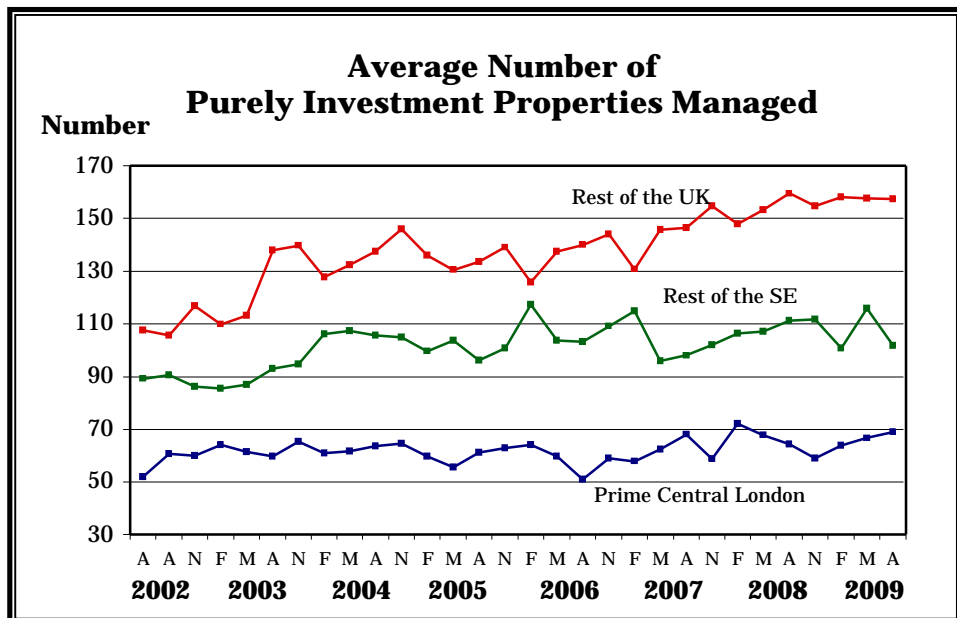
Compared with three months ago, the average number of properties managed is down from 121 to 117 mainly as a result of a big fall from 116 to 102 in the average for the Rest of the South East. However, this change merely reverses the change seen in May.

Geographic Region	Average Number of Properties			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	59.0	63.8	66.7	68.9
South East	111.8	100.9	115.9	101.7
Rest of UK	154.7	158.0	157.7	157.4
All Regions	114.0	112.7	120.7	116.5
Base: All respondents	(488)	(535)	(730)	(639)

As can be seen from the chart below, the average number of properties managed by ARLA members in the Rest of the UK, having risen rapidly during 2002 and 2003, stayed in the range 130 to 150 properties until mid 2007 since when it appears to have hit a rising trend again despite the occasional downturn and the static figure over the last six months.

For Prime Central London the figure has been relatively steady at an average of between 60 and 70 properties for some time despite occasionally moving outside this range although there does appear to have been a trend for the figure to increase since mid 2006.

The average for the Rest of the South East evidenced a slight rising trend until the beginning of 2006, after which it declined although each decline was followed by a period of recovery. After mid 2007, the average rose fairly steadily but has fluctuated quite wildly in the last three surveys whilst overall maintaining its level at about 110 properties.



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

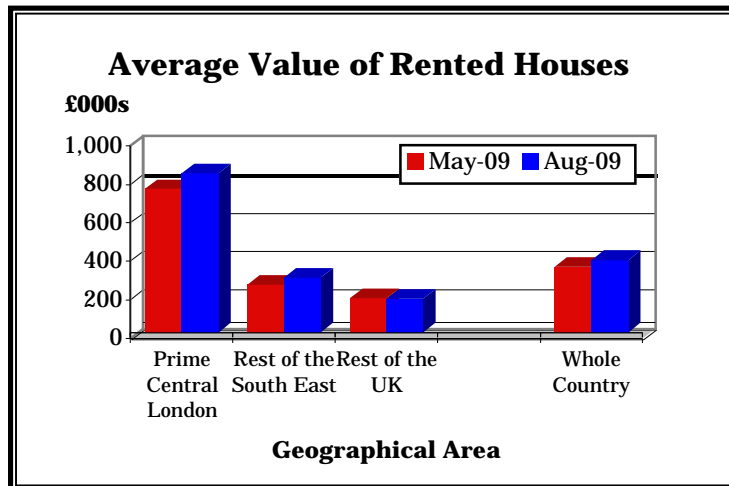
Houses

More than half of respondents (53%) say that the average value of a rented house in their area is between £150,000 and £350,000.

Less than one in fifty offices (1.9%) say the average is below £100,000 but for more than one in fifteen respondents (7%), the average in their area is in excess of £1 million.

Analysis of these figures gives an overall weighted average value for a rented house of £405,900.

Average Value of Houses	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £100,000	-	-	4.2	1.9
£100,001 to £150,000	0.8	7.1	25.3	14.1
£150,001 to £200,000	3.2	28.3	39.4	28.5
£200,001 to £350,000	13.7	35.4	21.5	24.9
£350,001 to £500,000	16.1	19.5	5.5	12.5
£500,001 to £750,000	13.7	4.4	1.4	4.9
£750,001 to £1 Million	11.3	1.3	0.7	3.0
Over £1 Million	32.3	2.2	-	7.0
Not stated	8.9	1.8	2.1	3.3
Base: All respondents	(124)	(226)	(289)	(639)



There are big differences between the values of rented houses in the different regional areas with the average for those managing properties in Prime Central London being well over three quarters of a million pounds (£857,300) compared with not much more than a third of that figure (£316,600) in the Rest of the South East and less than a quarter of it (£205,200) in the Rest of the UK.

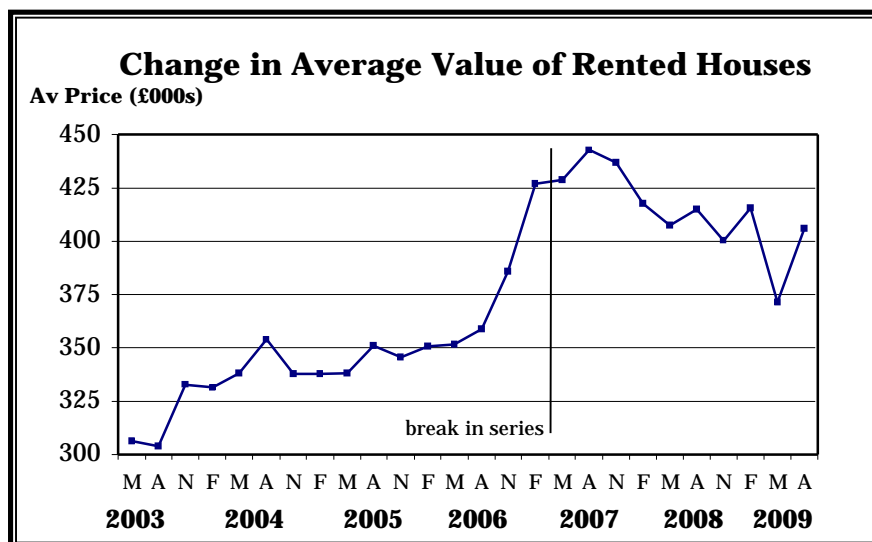
Compared with the last survey, the overall weighted average value of rented houses has risen quite sharply by 9.3% from £371,300 to £405,900 largely eliminating the fall seen three months ago.

Geographic Region	Average Value of Rented Houses (000s)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	828.9	883.0	775.0	857.3
South East	306.5	314.4	278.8	316.6
Rest of UK	221.8	218.5	208.3	205.2
All Regions (weighted)	400.4	415.4	371.3	405.9
Base: All respondents	(488)	(535)	(730)	(639)

Within this overall change, the average price of a rented house in Prime Central London has risen by 10.6% over the last three months whilst that for the Rest of the South East has risen by 13.6%. On the other hand, that for the Rest of the UK has fallen by 1.5%.

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, after stabilising for a couple of years, continued rising until the summer of 2007 when it peaked at £442,600.

After that, the average fell by 16% before stabilising during 2008 but then fell sharply three months ago to reach a three year low before bouncing back equally sharply this quarter to around the level which pertained during 2008.



Flats

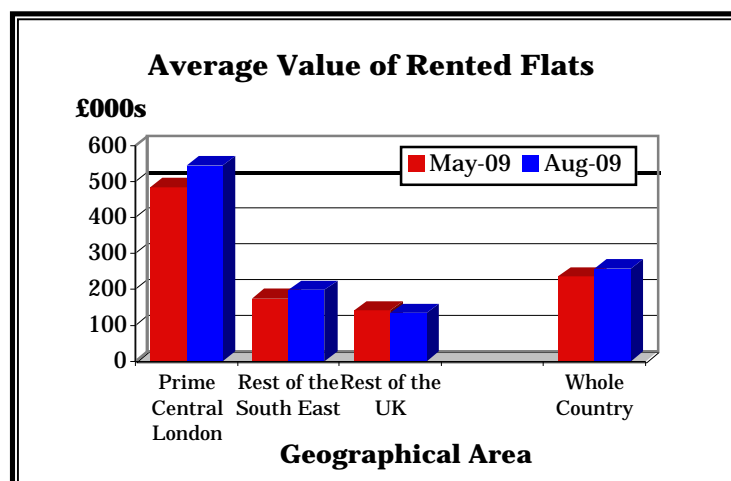
More than half of respondents (52%) say that the average value of a rented flat in their area is between £100,000 and £200,000.

However, more than one in ten respondents (14%), say the average value of a rented flat in their area is below £100,000 compared with less than a sixth as many (2.2%) who say the average value is in excess of £1 million.

Analysis of these figures gives an overall weighted average value for a rented flat of £257,700.

Average Value of Flats	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £100,000	-	6.6	26.0	14.1
£100,001 to £150,000	4.0	28.8	43.6	30.7
£150,001 to £200,000	5.6	34.1	17.6	21.1
£200,001 to £350,000	31.5	21.2	6.6	16.6
£350,001 to £500,000	21.0	2.2	0.3	5.0
£500,001 to £750,000	12.9	0.9	0.3	3.0
£750,001 to £1 Million	11.3	0.9	-	2.5
Over £1 Million	10.5	0.4	-	2.2
Not stated	3.2	4.9	5.5	4.9
Base: All respondents	(124)	(226)	(289)	(639)

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 more than half a million pounds (£544,800) compared with £197,900 in the Rest of South East and just £134,000 in the Rest of the UK.



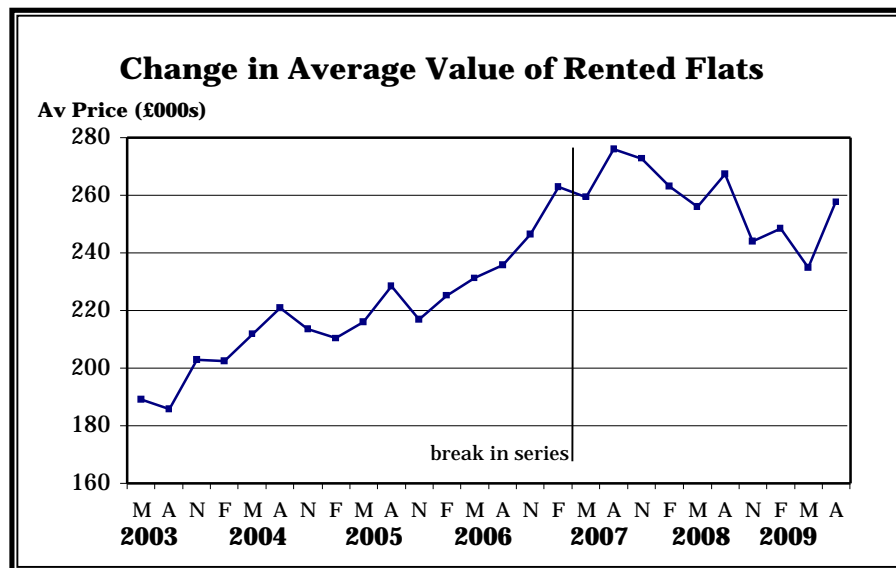
Compared with three months ago, the overall weighted average value of a rented flat has risen by 9.7% from £234,900 to £257,700.

Within that overall change, the average value of rented flats in Prime Central London has risen by 12.7% whilst that for the Rest of the South East has risen even more, by 13.7%. As with the average values of houses, however, the average value of a rented flat in the Rest of the UK fell by 4.3%.

Geographic Region	Average Value of Rented Flats (000s)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	482.5	497.9	483.2	544.8
South East	191.4	192.9	174.0	197.9
Rest of UK	144.3	145.2	140.0	134.0
All Regions (weighted)	243.8	248.3	234.9	257.7
Base: All respondents	(488)	(535)	(730)	(639)

As can be seen from the chart below, between 2003 and 2007, the average value of a rented flat increased by 46% from £189,100 in the second quarter of 2003 to £275,800 in the third quarter of 2007 despite the occasional temporary downturn.

However, after that, average values of flats fell by 15%, reaching a three year low three months ago before bouncing back sharply this quarter.



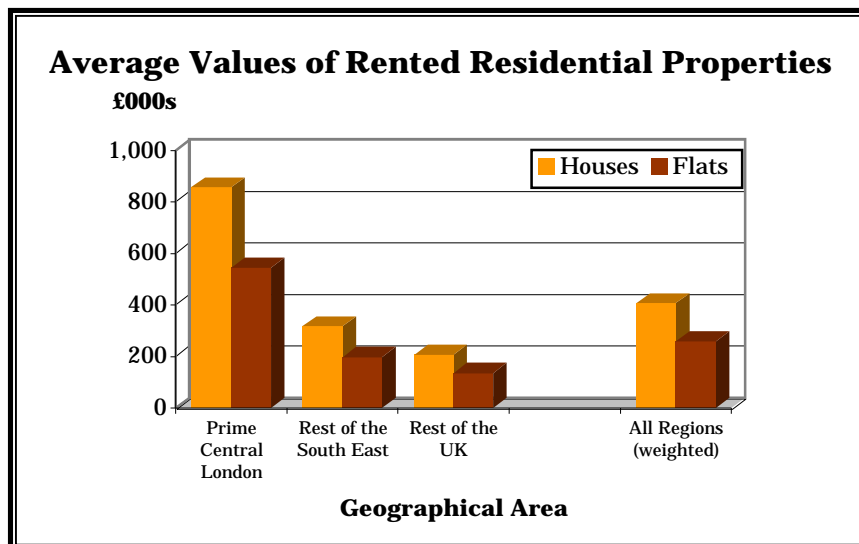
Summary

As was to be expected, average values of rented houses are much higher than those of rented flats with the biggest difference being seen in the Rest of the South East where the average figure for houses is 60% higher than that for flats.

There is also a big difference between the values of houses and flats in Prime Central London and in the Rest of the UK although the differences are a little less marked at 57% and 53% respectively.

Geographic Region	Average Value of Properties (000s)	
	Houses	Flats
Prime Central London	857.3	544.8
Rest of the South East	316.6	197.9
Rest of the UK	205.2	134.0
All Regions (weighted)	405.9	257.7

Base: All respondents (639)



Compared with May, in the case of both houses and flats, there have been increases in the overall values of rented properties with these increases being reflected in the averages for Prime Central London and the Rest of the South East but not in the Rest of the UK.

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 four out of ten respondents (44%) saying that this applies to their area. Analysis of these results reveals a weighted average rental return on rented houses of 5.1%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	30.6	12.4	9.0	14.4
4% to 5%	41.9	44.7	44.6	44.1
6%	4.8	17.7	20.4	16.4
7%	2.4	7.1	6.6	5.9
8%	1.6	6.2	3.8	4.2
9% to 10%	4.0	3.5	3.8	3.8
11% to 12%	-	0.4	0.3	0.3
12% to 15%	0.8	0.4	1.0	0.8
Over 15%	-	0.4	1.0	0.6
Not stated	13.7	7.1	9.3	9.4
Base: All respondents	(124)	(226)	(289)	(639)

There is some difference in rates of return between the three broad geographic areas with the average for those managing properties in Prime Central London being the lowest by quite a big margin at 4.2% compared with 5.2% for the Rest of the South East and 5.4% for the Rest of the UK.

Geographic Region	Average Rental Return (%)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	4.6	4.5	4.7	4.2
South East	5.0	5.1	5.1	5.2
Rest of UK	5.0	4.8	5.3	5.4
All Regions (weighted)	4.9	4.8	5.1	5.1
Base: All respondents	(488)	(535)	(730)	(639)

Compared with three months ago, the overall average weighted rental return on houses is unchanged at 5.1%.

However, within this overall change, the average rental return on houses in Prime Central London is down from 4.7% to 4.2% whilst the average rental returns on houses in the Rest of the South East and the Rest of the UK are both up slightly, from 5.1% to 5.2% and from 5.3% to 5.4% respectively.

Flats

A rental return of between 4% and 5% also appears to be the norm for rented flats with getting on for half of respondents (46%) saying that this applies to their area. Analysis of these results reveals a weighted average rental return on rented flats of 5.1%.

Average Return	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 4%	19.4	12.8	10.7	13.1
4% to 5%	54.8	41.6	45.0	45.7
6%	9.7	17.7	16.6	15.6
7%	0.8	7.5	7.3	6.1
8%	4.8	3.1	3.8	3.8
9% to 10%	4.8	4.9	2.1	3.6
11% to 12%	-	1.3	0.7	0.8
12% to 15%	-	0.4	0.3	0.3
Over 15%	-	-	1.0	0.5
Not stated	5.6	10.6	12.5	10.5
Base: All respondents	(124)	(226)	(289)	(639)

As was the case with rented houses, there is some difference in the rates of return for rented flats between the different geographical areas, with the averages for those managing properties in Prime Central London being lowest at 4.6% compared with 5.2% for both the Rest of the South East and the Rest of the UK.

Geographic Region	Average Rental Return (%)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	5.1	4.9	5.0	4.6
South East	5.0	5.0	5.1	5.2
Rest of UK	4.6	4.7	5.0	5.2
All Regions (weighted)	4.9	4.9	5.0	5.1
Base: All respondents	(488)	(535)	(730)	(639)

Compared with the last survey in May, the overall weighted average rental return on flats is up slightly from 5.0% to 5.1%.

However, within this overall rise, the average for Prime Central London has fallen from 5.0% to 4.6% whilst those for the Rest of the South East and the Rest of the UK have both risen, from 5.1% to 5.2% and from 5.0% to 5.2% respectively.

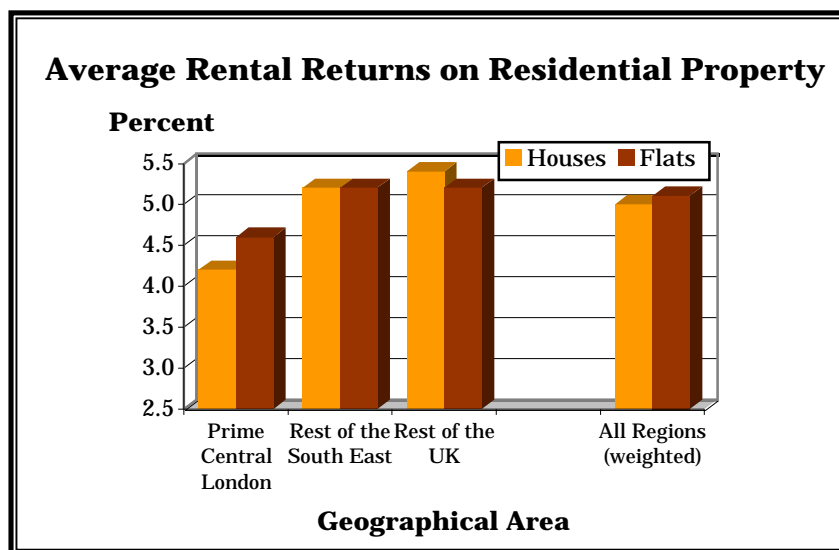
Summary

The lowest average rental returns are currently being earned on houses and flats in Prime Central London (4.2% and 4.6% respectively) and the highest on houses in the Rest of the UK (5.4%) with average returns on all the remaining categories being 5.2%.

Geographic Region	Average Rental Return (%)	
	Houses	Flats
Prime Central London	4.2	4.6
Rest of the South East	5.2	5.2
Rest of the UK	5.4	5.2

All Regions (weighted) 5.0 5.1

Base: All respondents (639)



There is little difference between flats and houses although flats seem to do better than houses in Prime Central London and worse than houses in the Rest of the UK whilst in the Rest of the South East, they seem to fare equally in terms of rental returns.

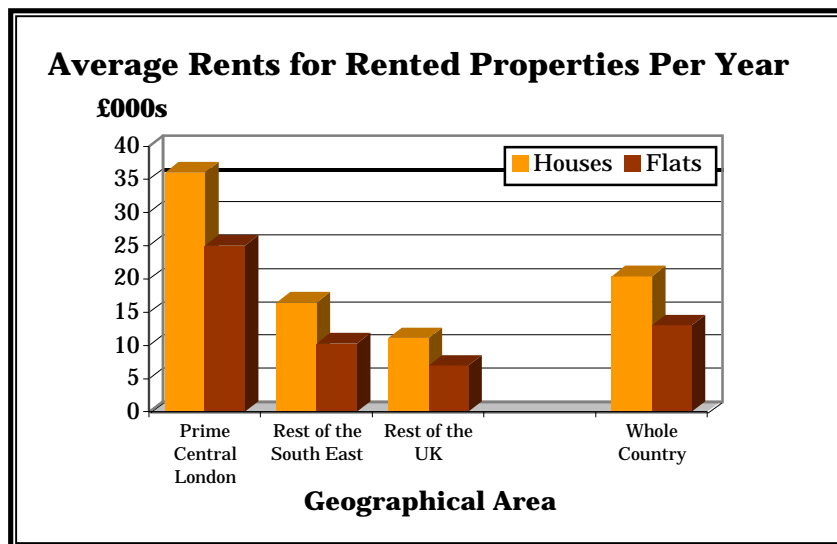
Average Rents

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

Geographic Region	Average Rents - Aug 09					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	692	3,001	36.0	482	2,088	25.1
Rest of the South East	317	1,372	16.5	198	858	10.3
Rest of the UK	213	923	11.1	134	581	7.0
Whole Country	393	1,702	20.4	251	1,087	13.0

Base: All respondents (639)

In the case of the Rest of the South East and the Rest of the UK, the average rent for a house is 60% more than that for a flat whilst in Prime Central London, the average rent of a house is only 44% higher.



Compared with three months ago, weighted average rents for houses are up by 9% as a result of a big rise 16% in the Rest of the South East. In contrast, average rents for respondents managing properties in Prime Central London and for those in the Rest of the UK were virtually unchanged.

Average rents for flats are up by 10% overall, mainly as a result of an increase of 16% for the Rest of the South East with average rents for Prime Central London only rising by 4% and the average for the Rest of the UK being little changed.

Geographic Region	Average Rents - May 09					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	700	3,035	36.4	465	2,013	24.2
Rest of the South East	273	1,185	14.2	171	740	8.9
Rest of the UK	212	920	11.0	135	583	7.0
Whole Country	362	1,570	18.8	228	987	11.8

Base: All respondents (730)

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 for this quarter and last quarter in the tables below.

However, it should be noted that the number of respondents for some of the regions is relatively small with the smallest number (39) being for the North West.

Geographic Region	Average Rents - Aug 09					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	692	3,001	36.0	482	2,088	25.1
Rest of London	434	1,879	22.6	275	1,193	14.3
Rest of South East	294	1,274	15.3	186	805	9.7
South West	228	986	11.8	139	602	7.2
Midlands	172	747	9.0	112	483	5.8
North West	267	1,155	13.9	201	870	10.4
North East	183	794	9.5	114	492	5.9
Scotland/Wales/NI	254	1,100	13.2	148	642	7.7

Base: All respondents (639)

Geographic Region	Average Rents - May 09					
	HOUSES			FLATS		
	Week (£)	Month (£)	Year (£000)	Week (£)	Month (£)	Year (£000)
Prime Central London	700	3,035	36.4	465	2,013	24.2
Rest of London	380	1,645	19.7	235	1,019	12.2
Rest of South East	255	1,107	13.3	159	691	8.3
South West	248	1,073	12.9	136	590	7.1
Midlands	167	724	8.7	115	497	6.0
North West	240	1,040	12.5	172	746	9.0
North East	228	987	11.8	140	607	7.3
Scotland/Wales/NI	188	816	9.8	129	559	6.7

Base: All respondents (730)

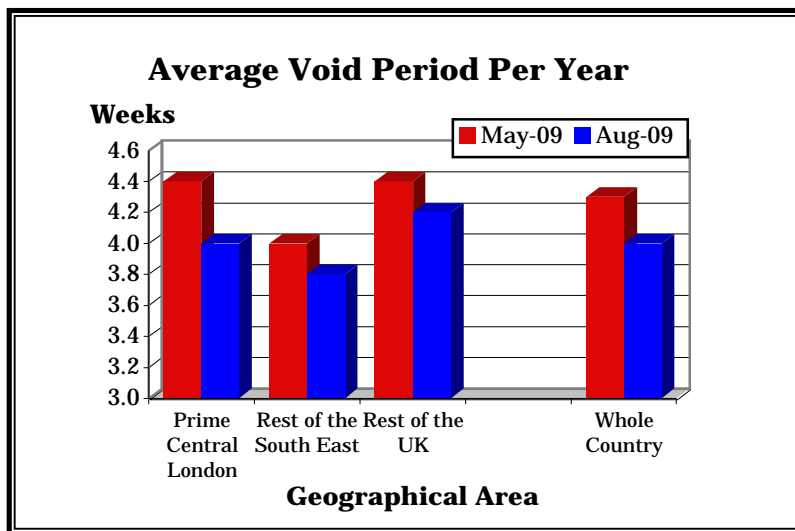
4.6 Average Void Period Per Year (Q.8)

Average void periods for rented residential properties tend to be quite short with six out of ten of ARLA members' offices (60%) reporting averages of 4 weeks or less per year and, in addition, three out of ten (30%) saying the average is between 5 and 6 weeks.

These figures indicate an overall average void rate of 4.0 weeks (28 days) per year.

Average Void Period	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Less than 2 weeks	13.7	11.5	7.6	10.2
2 to 4 weeks	46.0	54.4	48.4	50.1
5 to 6 weeks	25.8	26.5	33.9	29.7
7 to 8 weeks	12.1	4.9	7.3	7.4
More than 8 weeks	0.8	1.8	1.7	1.6
Don't know	1.6	0.4	1.0	0.9
Not stated	-	0.4	-	0.2
Base: All respondents	(124)	(226)	(289)	(639)

Respondents from the Rest of the South East experience the lowest average void period at 3.8 weeks (27 days) compared with 4.0 weeks (28 days) for Prime Central London and 4.2 weeks (29 days) for the Rest of the UK.



Compared with three months ago, the average void period for the whole country is down from 4.3 weeks (30 days) to 4.0 weeks (28 days), the first fall for more than a year.

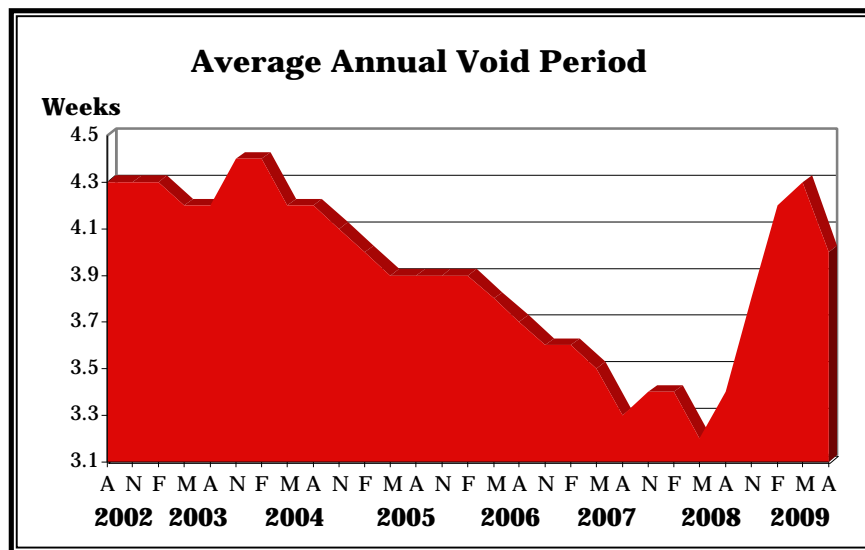
Average void periods have decreased across the board but the largest fall was experienced in Prime Central London with a drop from 4.4 weeks (31 days) to 4.0 weeks (28 days).

Geographic Region	Average Void Period (weeks)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	4.0	4.3	4.4	4.0
South East	3.5	3.9	4.0	3.8
Rest of UK	4.0	4.4	4.4	4.2
Whole Country	3.8	4.2	4.3	4.0
Base: All respondents	(488)	(535)	(730)	(639)

As can be seen from the chart below, until mid-2008 the average void period had been declining for some time and had fallen by a quarter from a high of 4.4 weeks (31 days) per year in the winter of 2003/2004 to 3.2 weeks(22 days) more than a year ago.

The rise in average void periods that followed took the figure to 4.3 weeks (31 days) close to its all-time high.

Against this background, the fall in the figure seen this quarter would appear to be quite significant but it remains to be seen whether or not the trend has now turned downwards again.



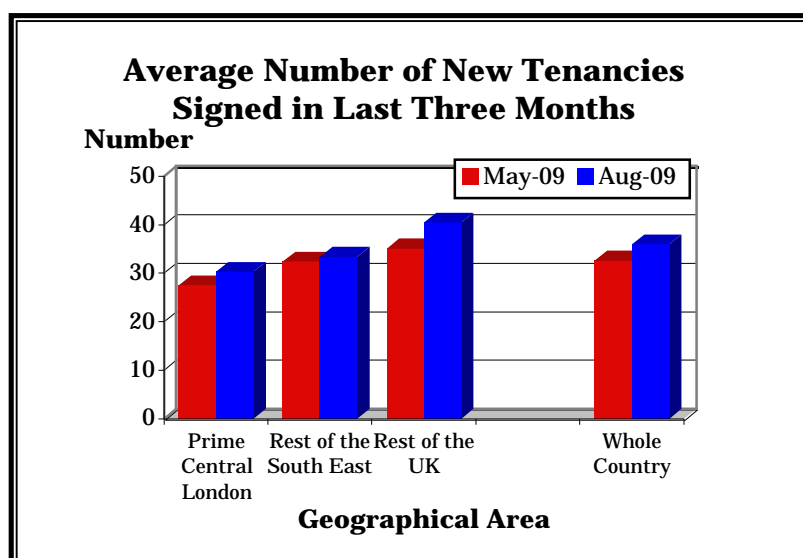
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.9)

More than eight out of ten ARLA members' offices (83%) have signed up more than 10 new tenancies (other than renewals) in the last three months with almost six out of ten (59%) having signed up more than 20 and more than a quarter (26%) more than 50.

Analysis of these results reveals that, on average, ARLA members' offices have each signed up 36 new tenancies in the last three months.

Number of Tenancies	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
None	-	0.4	-	0.2
Up to 5	1.6	1.8	5.5	3.4
6 to 10	18.5	15.0	9.0	13.0
11 to 20	29.0	26.1	21.5	24.6
21 to 50	34.7	35.4	29.1	32.4
Over 50	16.1	20.8	34.6	26.1
Not stated	-	0.4	0.3	0.3
Base: All respondents	(124)	(226)	(289)	(639)

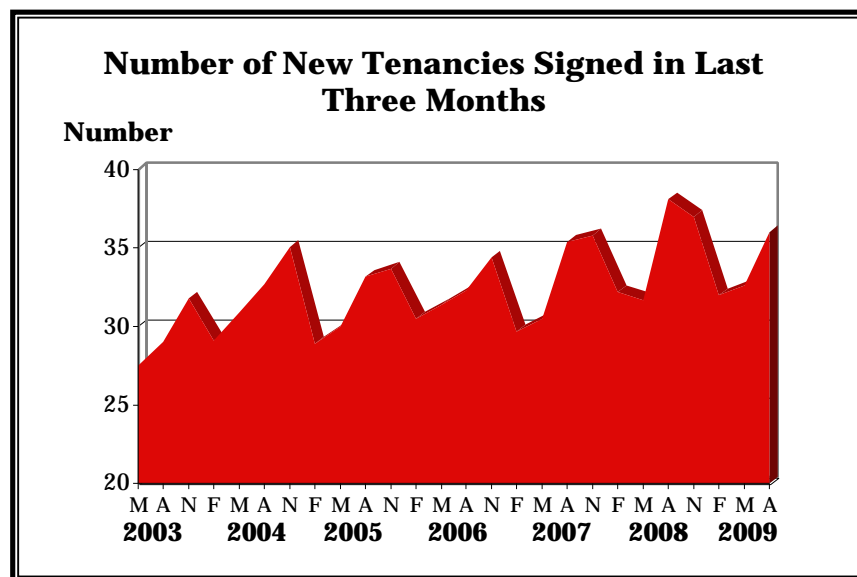
Offices managing properties in Prime Central London have fared less well than those in the Rest of the South East and the Rest of the UK with the average figures being 30 for Prime Central London, 33 for the Rest of the South East and 40 for the Rest of the UK.



Compared with the last survey, there has been a substantial increase in the average number of new tenancies signed up in the preceding three months from 33 to 36 with this overall increase being reflected in all of the broad geographic areas although the Rest of the UK saw the largest increase (from 35 to 40) and the Rest of the South East the smallest (from 32 to 33).

Geographic Region	Number of New Tenancies			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	32.3	28.5	27.5	30.3
South East	37.0	31.4	32.4	33.4
Rest of UK	39.5	34.8	35.1	40.4
All Regions	37.0	32.0	32.6	36.0
Base: All respondents	(488)	(535)	(730)	(639)

As can be seen from the chart below, the rise seen this quarter is in line with the seasonal trend with the third quarter normally seeing quite a large increase in the average number of new tenancies. Looking past these seasonal variations, the trend over the last six years has been, and continues to be for the average number of new tenancies to increase.



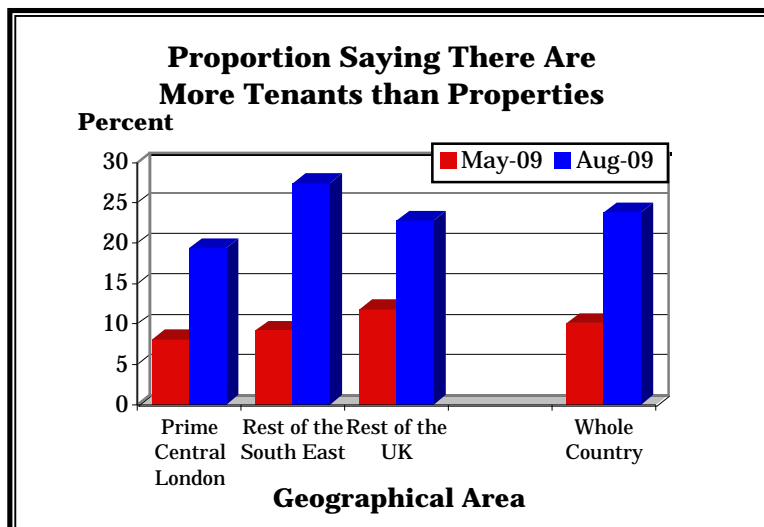
4.8 Balance of Supply & Demand in Rented Residential Property Sector (Q.10)

Almost a quarter of ARLA members' offices (24%) say that there are currently more tenants than there are properties available for them. This compares with getting on for twice as many (43%) who believe that there are now more residential properties available for rent than there are tenants to fill them. However, almost another third (33%) believe that supply of, and demand for, rented residential properties is in balance.

These figures suggest that, overall, the supply of rented residential properties is currently exceeding demand with the situation being worst in Prime Central London where 56% of respondents said there are more properties than tenants compared with 19% saying there are more tenants than properties.

The Rest of the South East fares better with 41% saying there are more properties than tenants compared with 27% saying there are more tenants than properties and the Rest of the UK is equally positive with 39% saying there are more properties than tenants and 23% saying there are more tenants than properties.

Balance of Supply and Demand	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Lot more props than tenants	22.6	14.2	14.9	16.1
Few more props than tenants	33.1	26.5	24.2	26.8
Equal nos of props & tenants	22.6	31.9	37.4	32.6
Lot more tenants than props	4.8	8.4	9.3	8.1
Few more tenants than props	14.5	19.0	13.5	15.6
Not stated	2.4	-	0.7	0.8
Base: All respondents	(124)	(226)	(289)	(639)



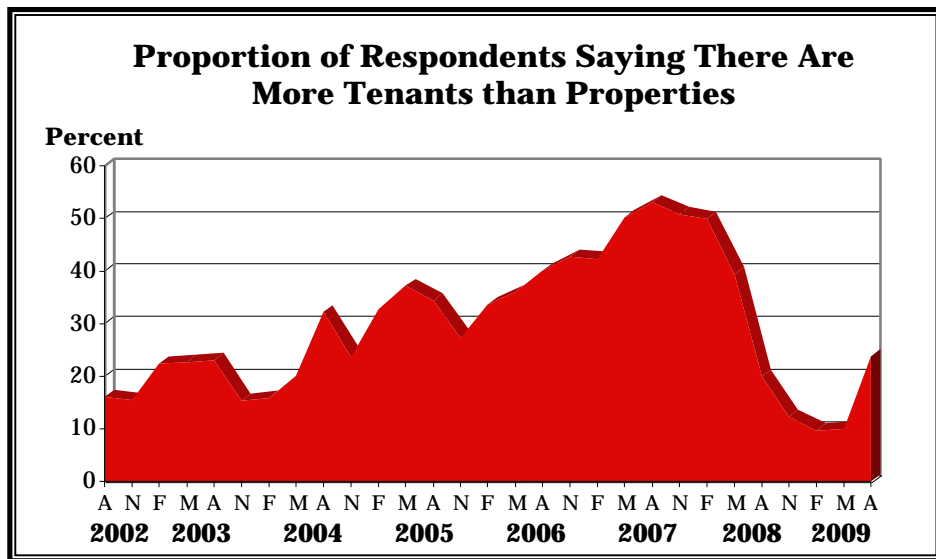
Compared with three months ago, there has a big change in the balance of supply and demand with the overall proportion who now say there are more tenants than properties rising sharply from 10% to 24%.

This improvement is reflected in all the broad geographic areas but the largest improvement is for those in the Rest of the South East where the proportion saying that there are more tenants than properties has trebled from 9% to 27%.

Geographic Region	Proportion Saying There Are More Tenants than Properties (%)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	6.1	6.9	8.1	19.4
South East	13.0	9.2	9.2	27.4
Rest of UK	14.8	11.9	11.8	22.8
All Regions	12.3	9.7	10.1	23.8

Base: All respondents (488) (535) (730) (639)

As the chart below shows, the large decline during 2008 in the proportion of respondents saying that there are more tenants than properties bottomed out during the first half of 2009 and has now bounced back strongly.

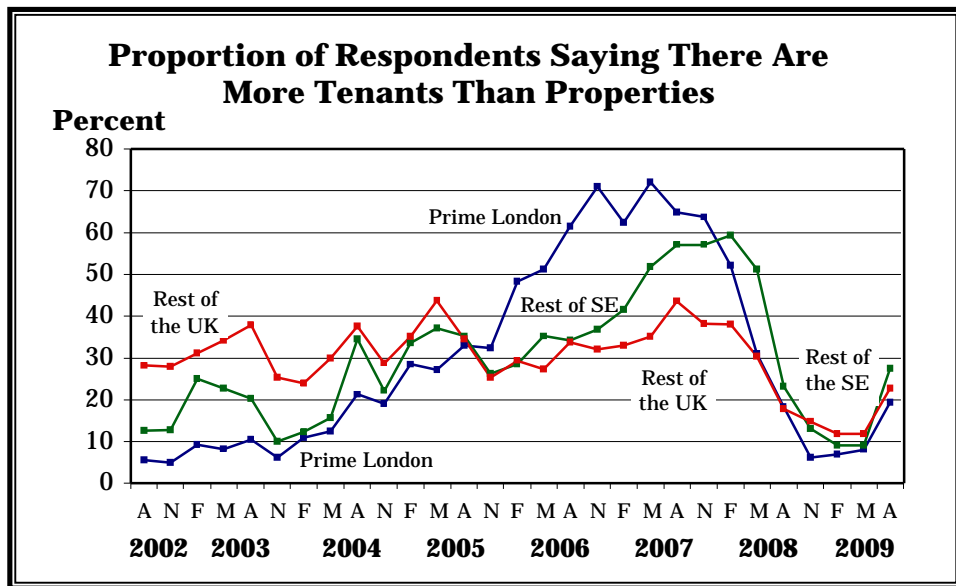


Looking at changes for each of the broad geographic areas over the last six years, as can be seen from the chart below, the most dramatic changes have taken place in Prime Central London where the proportion of respondents saying that there are more tenants than there are properties available for them rose massively, from a low of 6% in the last quarter of 2002 to 72% in the second quarter of 2007 after which it fell back even more dramatically to 6% in November 2008 before starting to rise again.

In the Rest of the South East, the figure also rose, though not as dramatically, growing nearly sixfold from a low of 10% in the last quarter of 2003 to a high of 59% six months ago. The huge fall during 2008 placed the Rest of the South East, which had been doing better than elsewhere, in a similar situation to the rest of the country where it remains.

In the Rest of the UK, whilst the figure had remained relatively steady at between 30% and 40% for most of the last six years, it too declined sharply in 2008 before bouncing back in 2009.

In all cases, the downward trend has clearly come to an end and the balance of supply and demand is now moving back in favour of landlords.

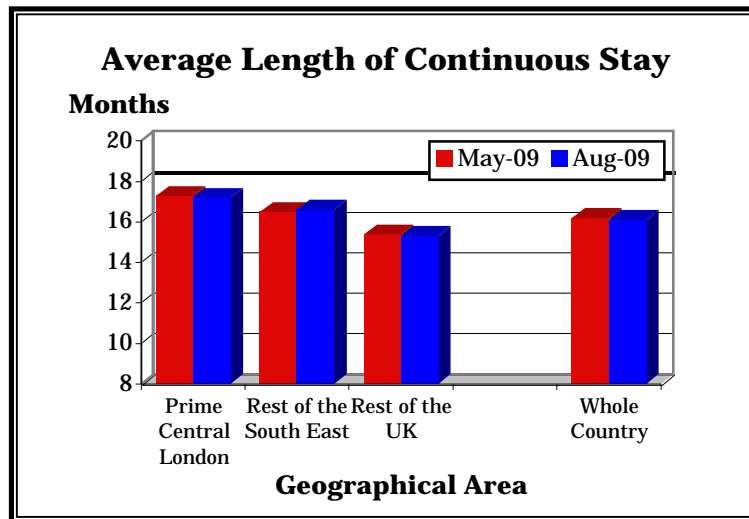


4.9 Average Length of Continuous Stay in Property (Q.11)

Nine out of ten respondents (90%) say that the average length of a tenancy is between 10 and 24 months with the largest proportion (51%) saying it is between 13 and 18 months. Based on these figures, tenants tend to stay in the same property for an average of 16.1 months.

Average Length of Continuous Stay	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
6 to 9 months	-	2.2	4.5	2.8
10 to 12 months	12.9	20.8	27.3	22.2
13 to 18 months	56.5	48.2	50.9	51.0
19 to 24 months	23.4	21.7	11.1	17.2
More than 24 months	5.6	6.2	5.2	5.6
Don't know	0.8	0.4	0.7	0.6
Not stated	0.8	0.4	0.3	0.5
Base: All respondents	(124)	(226)	(289)	(639)

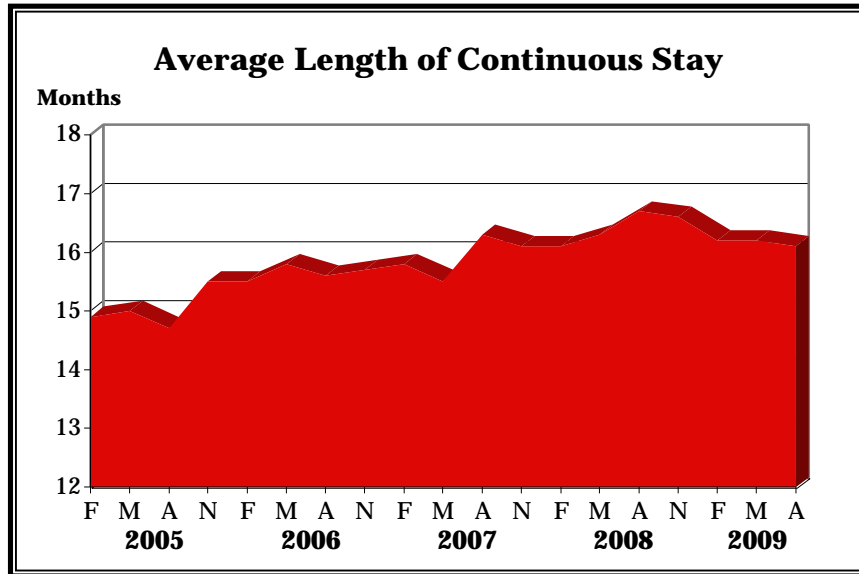
The average time a tenant stays in the same property is longest for Prime Central London at 17.2 months compared with 16.6 months for the Rest of the South East and 15.3 months for the Rest of the UK.



Geographic Region	Average Continuous Stay (months)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	17.1	17.0	17.3	17.2
South East	16.8	16.6	16.5	16.6
Rest of UK	16.0	15.2	15.4	15.3
All Regions	16.6	16.2	16.2	16.1
Base: All respondents	(488)	(535)	(730)	(639)

Compared with the last survey, there has again been very little change in these figures.

As can be seen from the chart below, the overall average length of stay in a property has not changed much over the last four and a half years although it was on a gently rising trend until the middle of 2008 since when it has declined slightly.



4.10 Change in Achievable Rent Levels Over Last 6 Months (Q.12)

All Regions

In the case of each of the listed property types, only between 6% and 11% of ARLA members' offices believe that achievable rent levels have increased over the last six months whilst between 51% and 64% believe they have fallen.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.3	0.3	0.3	-	0.3	0.8
Increased a little	9.7	10.6	10.0	5.9	7.4	5.2
Stayed the same	22.8	25.4	31.9	26.9	24.1	27.4
Decreased a little	36.2	44.9	44.3	46.6	46.8	38.3
Decreased a lot	20.3	10.2	8.0	13.3	17.1	12.5
Don't know	9.9	7.8	4.7	6.3	3.4	14.9
Not stated	0.8	0.8	0.8	0.9	0.9	0.9

Base: All respondents (639)

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

Prime Central London

Within the overall figures, the situation in Prime Central London is a little worse than average with only between 4% and 7% saying that achievable rent levels for each type of property have risen.

The proportions who think achievable rent levels in Prime Central London have decreased are also a little worse than those for the whole country with between 55% and 74% saying they think this is the case.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	-	-	-	-	0.8	-
Increased a little	4.8	4.8	7.3	5.6	5.6	4.0
Stayed the same	11.3	10.5	17.7	16.9	16.1	21.8
Decreased a little	25.8	34.7	45.2	55.6	52.4	41.1
Decreased a lot	29.8	25.0	17.7	16.9	21.8	13.7
Don't know	27.4	24.2	11.3	4.0	2.4	18.5
Not stated	0.8	0.8	0.8	0.8	0.8	0.8

Base: All respondents (124)

It would appear from these figures that, on average, achievable rent levels in Prime Central London have decreased substantially over the past six months.

Rest of the South East

With regard to the Rest of the South East, the picture is very close to that for the whole country with between 4% and 11% of respondents saying that achievable rent levels have increased compared with between 51% and 63% saying they have decreased.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	-	-	-	-	0.4	2.2
Increased a little	9.3	9.3	10.6	4.0	5.8	4.0
Stayed the same	21.2	23.9	28.8	27.9	27.0	30.1
Decreased a little	39.8	53.5	50.9	48.2	47.8	39.4
Decreased a lot	23.0	8.8	7.1	10.6	15.0	11.5
Don't know	5.8	3.5	1.8	8.4	3.1	11.9
Not stated	0.9	0.9	0.9	0.9	0.9	0.9

Base: All respondents (226)

These figures tend to suggest that rent levels in the South East have decreased significantly in the last six months.

Rest of the UK

For the Rest of the UK, the position is a little more positive than for the whole country with between 7% and 15% of offices say that achievable rent levels for each type of property have increased compared with between 43% and 60% saying rent levels have decreased over the last six months.

Response	Percent of Respondents (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Increased a lot	0.7	0.7	0.7	-	-	-
Increased a little	12.1	14.2	10.7	7.6	9.3	6.6
Stayed the same	29.1	32.9	40.5	30.4	25.3	27.7
Decreased a little	37.7	42.6	38.8	41.5	43.6	36.3
Decreased a lot	14.2	4.8	4.5	13.8	16.6	12.8
Don't know	5.5	4.2	4.2	5.5	4.2	15.6
Not stated	0.7	0.7	0.7	1.0	1.0	1.0

Base: All respondents (289)

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

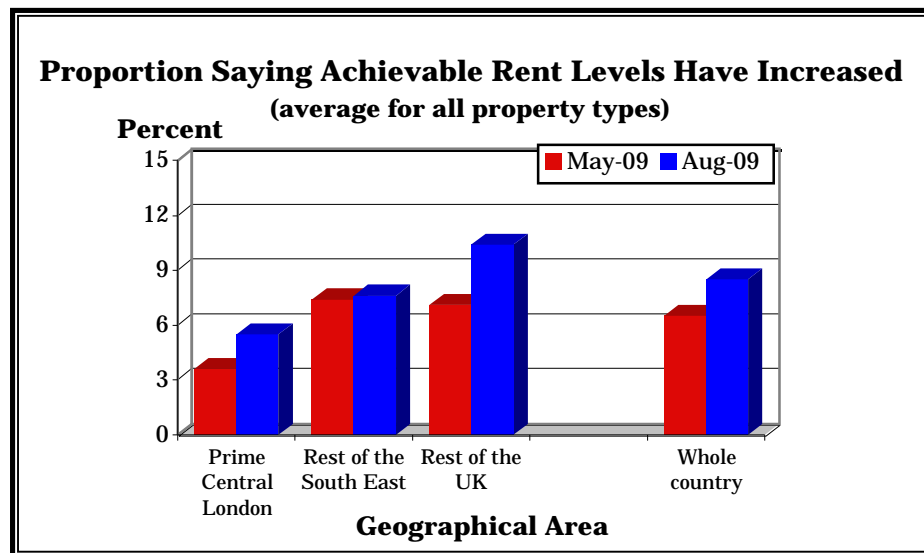
Summary

The table and chart below show the proportion of ARLA members' offices from each geographical area who say they believe achievable rent levels have increased over the last six months for each type of property.

Geographic Region	Percent Saying Achievable Rents Levels Have Increased (%)					
	Det House	Semi House	Terr House	Conv Flat	PB Flat	Studio Flat
Prime Central London	4.8	4.8	7.3	5.6	6.5	4.0
Rest of the South East	9.3	9.3	10.6	4.0	6.2	6.2
Rest of the UK	12.8	14.9	11.4	7.6	9.3	6.6
Whole country	10.0	11.0	10.3	5.9	7.7	5.9

Base: All respondents (639)

Compared with three months ago, the average proportion of respondents saying achievable rents across all property types have increased has risen from 6.5% to 8.5%.



Geographic Region	Percent Saying Achievable Rents Have Increased (%)			
	Nov 08	Feb 09	May 09	Aug 09
Prime Central London	15.8	7.8	3.6	5.5
Rest of the South East	28.7	9.5	7.4	7.6
Rest of the UK	22.4	13.0	7.1	10.4
All regions	23.6	10.5	6.5	8.5
Base: All respondents	(488)	(535)	(730)	(639)

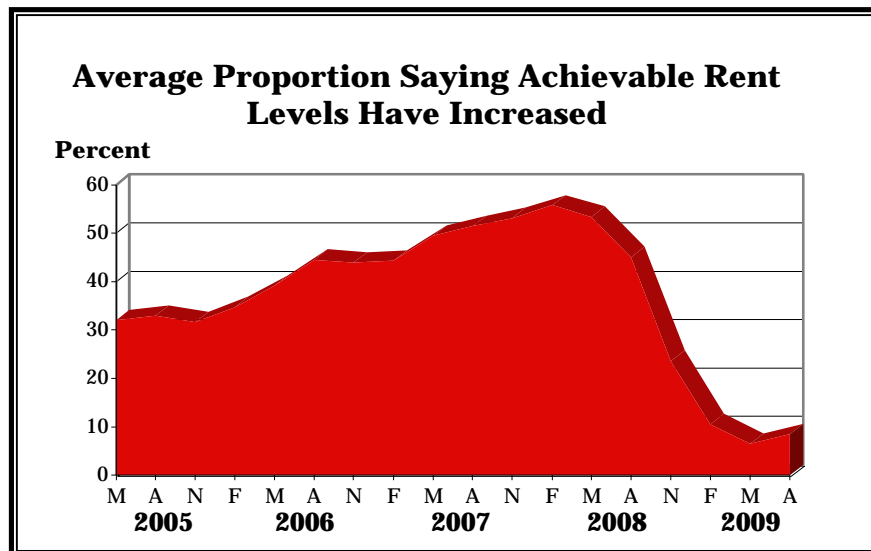
As between the geographic regions, the average proportion of respondents saying achievable rent levels across all property types have increased for Prime Central London is up from 3.6% to 5.5%. The average for the Rest of the South East is also up but only marginally

from 7.4% to 7.7% whilst that for the Rest of the UK has risen the most from 7.1% to 10.4%.

Having been fairly settled at around 32% until the last quarter of 2005, the figure for the overall average proportion of respondents saying that achievable rent levels have risen increased steadily during 2006 and 2007 and into early 2008.

However, the proportion of respondents in the second quarter of 2008 saying that achievable rent levels had increased fell from 55.8% to 53.4% and this was followed by three successive big declines with another smaller decline in the following quarter. As a result, between the first quarter of 2008 and the second quarter of 2009, the figure fell from 55.8% to 6.5%.

However, the results from this quarter's survey show the first improvement in 18 months with the figure at last turning upwards after its prolonged decline.



4.11 Are You Seeing an Increase in Rental Property Coming Onto the Market Because It Cannot Be Sold? (Q.13)

Six out of ten ARLA members' offices (60%) say that they are seeing an increase in rental property coming onto the market because it cannot be sold.

Response	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	47.6	53.1	69.9	59.6
No	47.6	41.6	26.6	36.0
Don't know	4.0	5.3	3.1	4.1
Not stated	0.8	-	0.3	0.3
Base: All respondents	(124)	(226)	(289)	(639)

There is some difference between the broad geographic areas on this question with those managing properties in Prime Central London being the least likely to say they are seeing an increase in rental property coming onto the market because it cannot be sold and those in the Rest of the UK being the most likely to.

Response	Percent of Respondents (%)			
	Nov 08	Feb 09	May 09	Aug 09
Yes	94.5	94.4	80.3	59.6
No	3.9	4.7	16.2	36.0
Don't know	0.8	0.4	3.4	4.1
Not stated	0.8	0.6	0.1	0.3
Base: All respondents	(488)	(535)	(730)	(639)

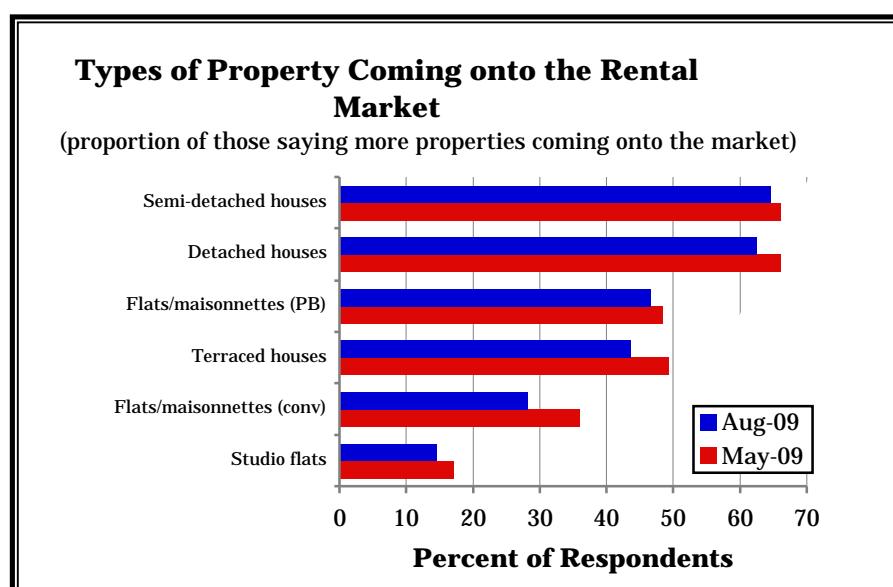
Compared with three months ago, there has been a big drop (from 80% to 60%) in the proportion saying they have seen an increase in rental property coming onto the market because it cannot be sold.

Coming after a drop from 94% to 80% three months ago, the fall seen this time suggests that the large change seen in May was not a temporary change but the start of a sustained reduction.

4.12 For Which Types of property Are You Seeing an Increase in Rental Properties Coming Onto the Market Because They Cannot Be Sold? (Q.14)

For those respondents who said they were seeing an increase in property coming onto the rental market because it could not be sold, the types of property which the highest proportions thought were increasingly coming onto the rental market because they could not be sold were detached houses and semi-detached houses (63% and 65% respectively).

These were followed by purpose built flats/maisonnettes (47%) and terraced houses (44%) with converted flats (28%) lagging some way behind but not as much as studio flats (15%) which respondents did not think were coming onto the rental market for this reason anything like as much as other property types.



Type of Property	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Detached houses	44.1	60.0	69.3	62.5
Semi-detached houses	55.9	59.2	70.3	64.6
Terraced houses	39.0	49.2	42.1	43.8
Flats/maisonnettes (conv)	45.8	25.8	24.8	28.3
Flats/maisonnettes (PB)	62.7	40.8	45.5	46.7
Studio flats	18.6	17.5	11.9	14.7
Base: All seeing increase	(59)	(120)	(202)	(381)

There are some big differences in responses to this question as between each of the three broad geographic areas with respondents from offices managing properties in Prime Central London much less likely to think there has been an increase in detached houses coming onto the rental market because they can't be sold (44% compared with 60% for the Rest of the South East and 69% for the Rest of the UK) .

To a lesser extent, this also applies to semi-detached and terraced houses whilst these respondents were more likely to think that there had been an increase for all types of flats.

Compared with the last survey in May, the main changes are that this time lower proportions said they thought there had been an increase in any of the listed types of property coming onto the market because they could not be sold.

Type of Property	Percent of Respondents (%)			
	Nov 08	Feb 09	May 09	Aug 09
Detached houses	72.5	67.3	66.2	62.5
Semi-detached houses	70.1	68.1	66.2	64.6
Terraced houses	58.8	51.5	49.3	43.8
Flats/maisonettes (conv)	40.3	36.2	36.0	28.3
Flats/maisonettes (PB)	49.9	39.2	48.5	46.7
Studio flats	20.6	11.3	17.2	14.7
Base: All seeing increase	(461)	(505)	(586)	(381)

4.13 Have You Seen an Increase in the Number of Tenants Struggling to Meet Rental Payments in the Last 6 Months? (Q.15)

More than six out of ten ARLA members' offices (63%) say that they have seen an increase in the number of tenants struggling to meet rental payments in the last six months.

Response	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	59.7	61.5	65.7	63.1
No	40.3	37.6	34.3	36.6
Not stated	-	0.9	-	0.3
Base: All respondents	(124)	(226)	(289)	(639)

There is little difference between each of the three broad geographical areas on this question although respondents from offices which manage properties in Prime Central London were least likely to think this was the case (60%) and those in the Rest of the UK were most likely to (66%) with those from the Rest of the South East falling between the two (62%).

Response	Percent of Respondents (%)	
	May 09	Aug 09
Yes	64.7	63.1
No	35.1	36.6
Not stated	0.3	0.3
Base: All respondents	(730)	(639)

Compared with three months ago, there has been a small decline (from 65% to 63%) in the proportion saying they have seen an increase in the number of tenants struggling to meet rental payments in the last six months.

4.14 Are You Aware of an Increase in Tenants Asking Lenders for References on Potential Landlords to Ensure They Are Financially Viable? (Q.16)

Less than two out of ten ARLA members' offices (16%) say that they are aware of an increase in tenants asking lenders for references on potential landlords to ensure they are financially viable.

Response	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	16.9	17.3	13.8	15.6
No	82.3	82.7	85.1	83.7
Not stated	0.8	-	1.0	0.6
Base: All respondents	(124)	(226)	(289)	(639)

There is not a great deal of difference between the broad geographic areas on this question but fewer of those in the Rest of the UK say they are aware of such an increase (14% compared with 17% for Prime Central London and the Rest of the South East).

Response	Percent of Respondents (%)	
	May 09	Aug 09
Yes	16.0	15.6
No	83.7	83.7
Not stated	0.3	0.6
Base: All respondents	(730)	(639)

Compared with three months ago, there has been virtually no change in the proportion saying they are aware of an increase in tenants asking lenders for references on potential landlords.

4.15 Do You Think Investor Landlords Are Being Tempted Back to the Market Because of the Minimal Interest Rates on Savings? (Q.17)

More than half of ARLA members' offices (53%) say that they think investor landlords are being tempted back to the market because of the minimal interest rates on savings.

Only a quarter of respondents (25%) disagreed with the remainder (22%) saying they did not know whether they were or not.

Response	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	53.2	52.7	52.2	52.6
No	24.2	27.0	24.2	25.2
Don't know	22.6	20.4	23.5	22.2
Not stated	-	-	-	-
Base: All respondents	(124)	(226)	(289)	(639)

There is very little difference between the broad geographical areas on this question although those in the Rest of the South East were slightly more likely to disagree (27% compared with 24% for the other two areas).

Response	Percent of Respondents (%)	
	May 09	Aug 09
Yes	50.3	52.6
No	28.9	25.2
Don't know	20.5	22.2
Not stated	0.3	-
Base: All respondents	(730)	(639)

Compared with three months ago, there has been a small increase (from 50% to 53%) in the proportion saying that they think investor landlords are being tempted back to the market because of the minimal interest rates on savings.

4.16 Have You Seen an Increase of Tenants Haggling With Landlords Over Rents in the Last 6 Months? (Q.18)

The vast majority of ARLA members' offices (93%) say that they have seen an increase in tenants haggling with landlords over rents in the last six months.

Response	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	99.2	94.2	90.3	93.4
No	0.8	5.8	9.7	6.6
Not stated	-	-	-	-
Base: All respondents	(124)	(226)	(289)	(639)

Offices managing properties in Prime Central London are more likely to have encountered tenants haggling over the rent with nearly all of them (99%) saying they have seen this compared with 94% of those in the Rest of the South East and 90% of those in the Rest of the UK.

Response	Percent of Respondents (%)	
	May 09	Aug 09
Yes	92.5	93.4
No	7.1	6.6
Not stated	0.4	-
Base: All respondents	(730)	(639)

Compared with three months ago, there has been very little change in the responses to this question.

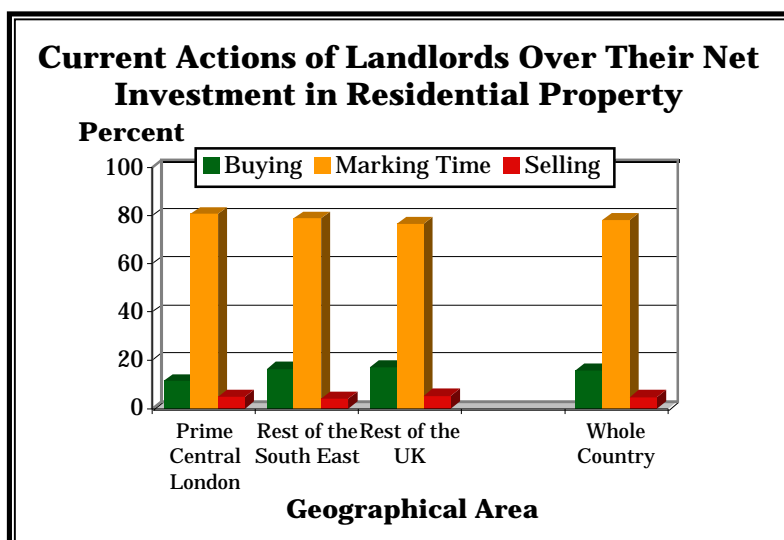
4.17 How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.19)

Nearly eight out of ten ARLA members' offices (78%) think that residential landlords are currently marking time with regard to their net investment in residential property.

However, a substantial 16% think landlords are increasing their net investment by buying more properties, a figure which compares with only one in twenty (5%) who think landlords are decreasing their net investment by selling properties.

How Landlords Are Currently Acting	Percent of Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Buying	11.3	16.4	17.0	15.6
Marking time	80.6	78.8	76.5	78.1
Selling	4.8	4.0	5.2	4.7
Not stated	3.2	0.9	1.4	1.6
Base: All respondents	(124)	(226)	(289)	(639)

Geographically, it would appear from responses to this question that landlords in all areas are more than twice as likely to be buying properties as they are to be selling properties, particularly in the Rest of the South East where four times as many are buying properties. However, the majority are still marking time.



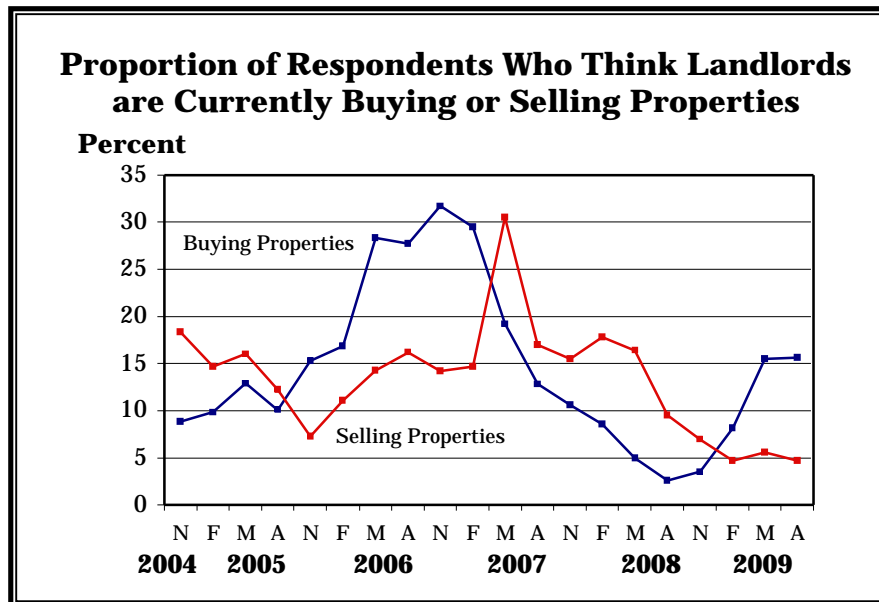
How Currently Acting	Percent of Respondents (%)			
	Nov 08	Feb 09	May 09	Aug 09
Buying	3.5	8.2	15.5	15.6
Marking time	87.7	86.5	77.5	78.1
Selling	7.0	4.7	5.6	4.7
Not stated	1.8	0.6	1.4	1.6
Base: All respondents	(488)	(535)	(730)	(639)

Compared with three months ago, there has been virtually no change suggesting that the doubling of the proportion buying properties seen in the second quarter of the year was no temporary phenomenon but a substantial change in sentiment.

As the graph below shows, during the autumn of 2005, the relationship between the proportion believing that landlords are buying properties and the proportion believing they are selling properties reversed.

However, in the second quarter of 2007, this reversed again with a higher proportion of respondents saying landlords were selling properties than said they were buying properties.

Six months ago the relationship between these figures reversed again and the changed relationship has been maintained since then.



Questionnaire