

Prepared for

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

**Bank of Ireland Mortgages
Cheltenham & Gloucester
GMAC Residential Funding
Mortgage Express
Paragon Mortgages**

**ARLA Survey
of
Residential Investment Landlords**

September 2008

Prepared by

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1. INTRODUCTION & BACKGROUND

ARLA surveys residential landlords through its Internet website with a view to canvassing the opinions of residential landlords on a number of topics.

During the third quarter of 2008, ARLA conducted the third survey of the year. This survey ran during the months of August and September.

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 22 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 494 people went through the process of answering some or all of the 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

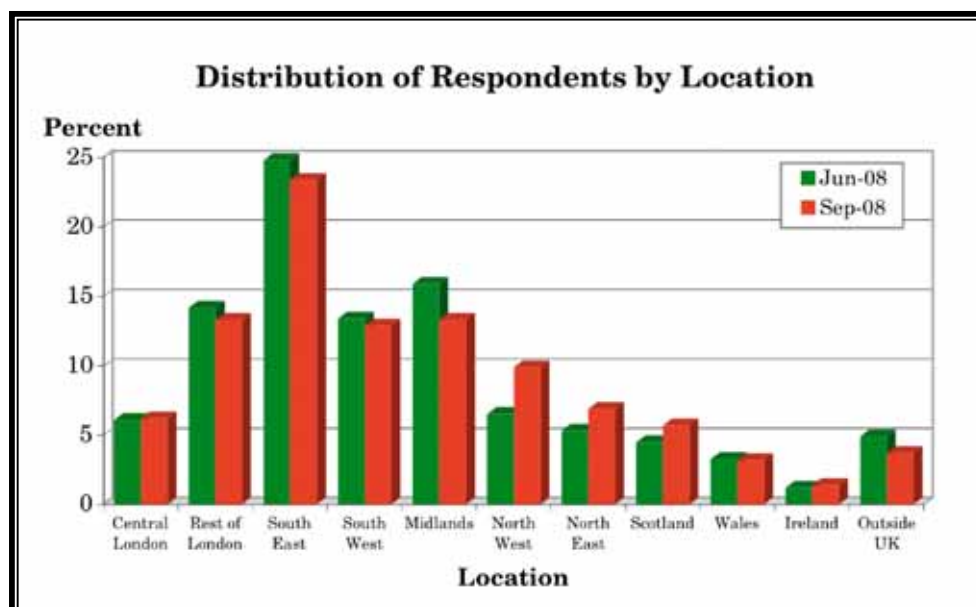
The following sections detail the results of the ARLA survey of residential landlords conducted during August and September 2008.

3.1 Where do you live? (Q.1)

More than four out of ten respondents to the survey (43%) were from the South East of England (including London) with two out of ten (20%) being from London itself. The Midlands (13%) and the South West (13%) were the regions producing the next highest proportions of respondents.

Around one in twenty-five respondents (4%) were living outside the UK when they completed the questionnaire.

Location	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Central London	8.1	6.1	6.2
Rest of London (<i>within M25</i>)	14.1	14.2	13.3
South East (<i>outside M25</i>)	26.1	24.8	23.4
South West	11.5	13.4	12.9
Midlands	11.1	15.9	13.3
North West	10.3	6.5	9.9
North East	5.6	5.3	6.9
Scotland	5.6	4.5	5.7
Wales	2.6	3.3	3.2
Ireland	2.1	1.2	1.4
Outside UK	3.0	4.9	3.7
Base: All answering	(234)	(246)	(435)



Compared with the second quarter survey, there are one or two differences in the composition of the sample by geographic region with fewer respondents being from the Rest of London, the South East (excluding London), the South West, the Midlands and Outside the UK and more being from the North West, the North East and Scotland.

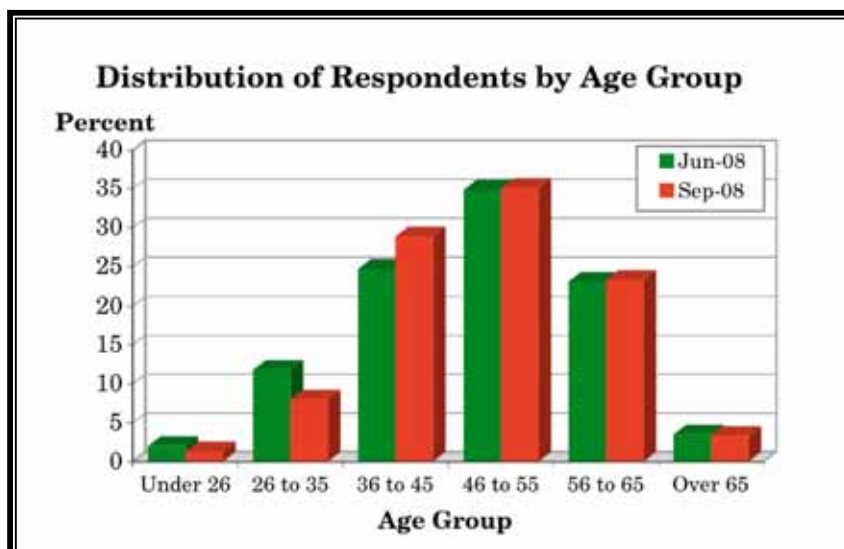
3.2 How old are you? (Q.2)

More than a third of respondents (35%) were aged between 46 and 55 with nearly another three out of ten (29%) being aged between 36 and 45.

More than a quarter of respondents (27%) were aged over 55 with less than one in ten (9%) being under 36 on this occasion.

Age Group	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Under 26	3.3	2.0	1.3
26 to 35	14.4	11.8	8.0
36 to 45	32.9	24.7	28.9
46 to 55	30.0	34.9	35.2
56 to 65	16.0	23.1	23.3
Over 65	3.3	3.5	3.3
Average (years)	45.2	47.6	48.1
Base: All answering	(243)	(255)	(460)

Analysis of the results from this question reveals that the average age of respondents to the survey was 48.1 years, a figure which is up slightly from 47.6 years three months ago.



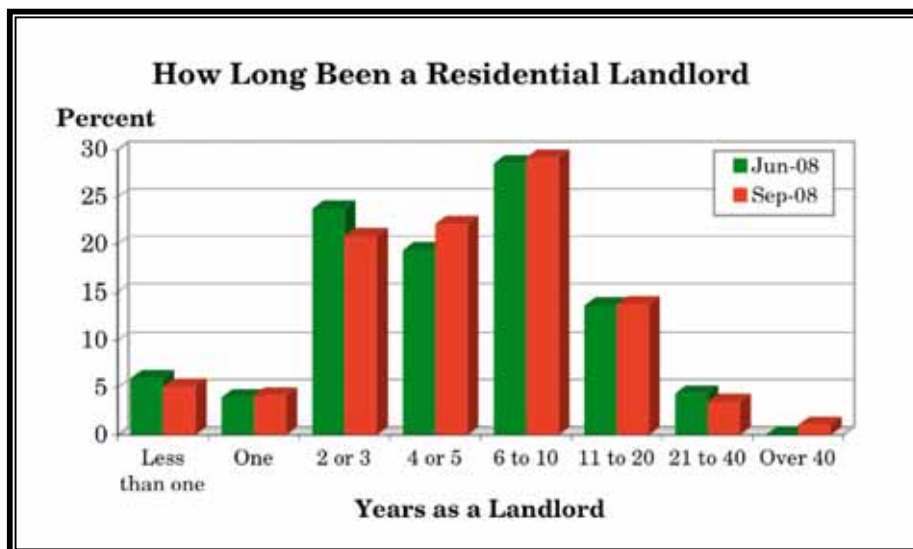
3.3 For how many years have you been a residential landlord? (Q.3)

Almost one in ten respondents (9%) had been residential landlords for one year or less whilst twice as many (18%) had been residential landlords for more than 10 years.

However, the majority of more than seven out of ten (72%) had been residential landlords for between 2 and 10 years.

Years as a Landlord	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Less than one	10.8	6.0	5.1
One	5.2	4.0	4.2
2 or 3	22.4	23.8	20.9
4 or 5	22.4	19.4	22.2
6 to 10	23.7	28.6	29.2
11 to 20	11.6	13.7	13.8
21 to 40	2.6	4.4	3.5
Over 40	1.3	-	1.1
Average (years)	6.7	7.2	7.6
Base: All answering	(232)	(248)	(455)

Simple analysis of these figures indicates that the average time for which respondents had been residential landlords was 7.6 years, a figure which is up a little from 7.2 years three months ago.



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

More than four out of ten respondents (43%) had only one or two properties in their portfolios whilst less than two out of ten (17%) had more than ten properties in theirs.

Number of Properties	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
One	34.6	22.2	24.7
Two	14.9	16.9	18.1
3 to 5	25.4	24.6	24.9
6 to 10	12.3	18.1	15.7
11 to 20	6.1	10.1	9.3
21 to 50	4.4	5.6	5.3
Over 50	2.2	2.4	2.0
Average (no. of properties)	6.8	8.4	7.7
Base: All answering	(228)	(248)	(453)



Analysis of these results shows that the average size of respondents' portfolios was 7.7 properties, down from an average of 8.4 properties three months ago.



As can be seen from the chart above, over the year to June 2005, the average number of properties in respondents' portfolios rose by 40%, from 4.1 to 5.7 properties before falling back to 4.4 properties by the end of 2006.

Throughout 2007, the average rose rapidly and despite a fall this time, the long term trend is still upwards.

3.5 In the next 12 months, do you expect to sell some or all of your let residential properties? If YES, why? (Q.5 & Q.6)

Nearly eight out of ten respondents to this survey (78%) said that they did NOT expect to sell any of their let residential properties in the next 12 months.

Nevertheless, a significant minority of more than one in ten respondents (11%) said they did have such expectations with a tiny proportion (2%) being unsure whether they would be selling any properties or not in the next 12 months.

Response	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Yes	18.1	7.3	10.6
No	75.9	84.7	77.7
Don't know	6.0	8.1	1.7
Base: All answering	(216)	(248)	(453)

Compared with three months ago, the proportion saying they do intend to sell some or all of their properties in the next 12 months has risen from 7% to 11% but is still well below the figure seen six months ago.

The following question (Q.6) asked of those who had said that they did expect to sell some or all of their let residential properties, why that was their intention.

The only offered options were retiring or other reason and only 8 respondents out of 64 gave retiring as the reason for selling let residential properties within the next 12 months with the rest saying there was some other reason.

Compared with the second quarter survey, the proportion giving retiring as the reason rose from 6% to 12% this time.

Amongst the other reasons given the only ones to be given by more than two respondents were: to raise capital/realise gain (21 mentions), falling house prices (6 mentions), poor return/increased mortgage costs (5 mentions) and to purchase other properties (4 mentions).

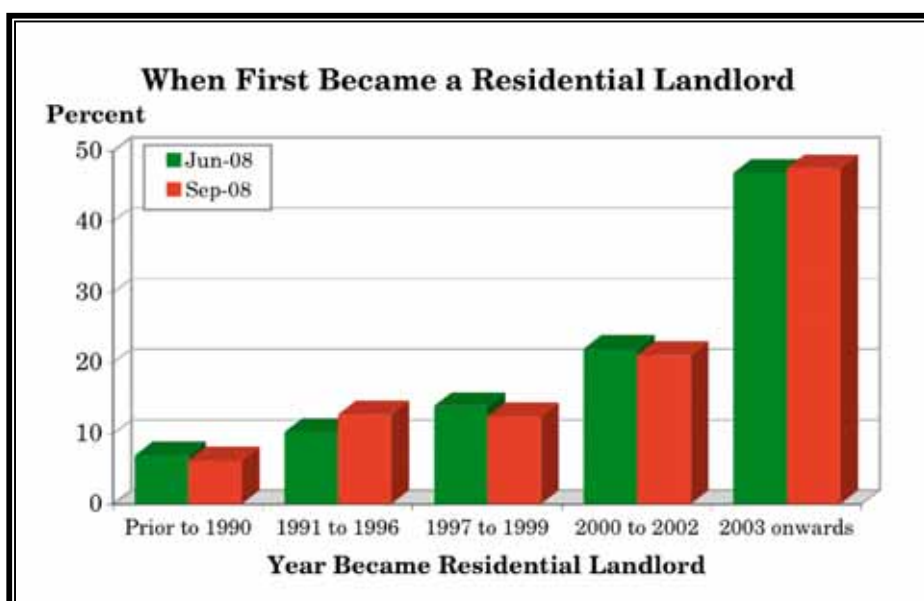
3.6 How long ago did you first become a (Buy to Let) residential investment landlord? (Q.7)

Almost seven out of ten respondents to this survey (69%) had become residential landlords since the beginning of 2000 with nearly half (48%) having done so since the beginning of 2003.

Nevertheless, nearly one in fifteen respondents (6%) had first become residential landlords earlier than 1990.

When Became a Landlord	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Prior to 1990	5.5	6.9	6.2
1991 to 1996	10.9	10.2	12.7
1997 to 1999	14.4	13.9	12.4
2000 to 2002	21.4	22.0	21.1
2003 onwards	47.8	46.9	47.6
Base: All answering	(201)	(245)	(450)

Compared with three months ago, there was hardly any change in the composition of the sample in terms of when they had first become buy to let landlords.

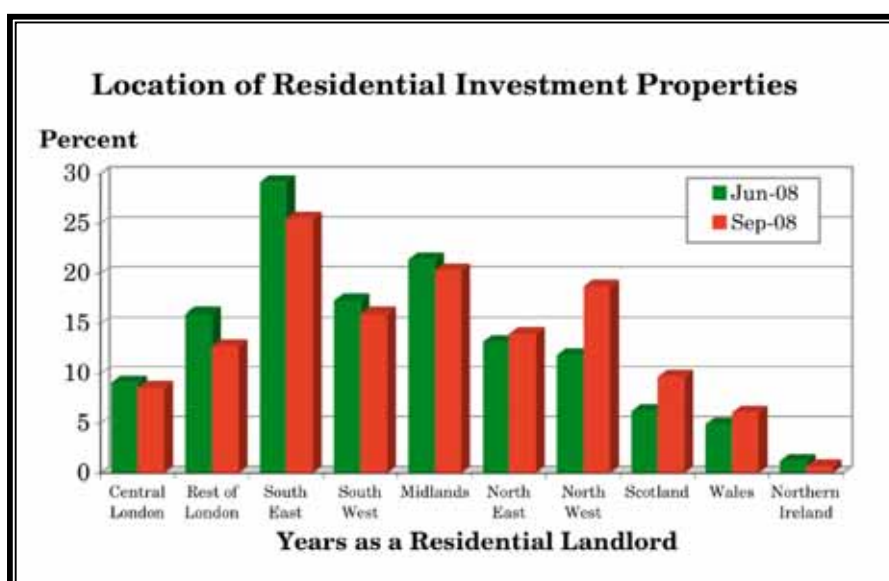


3.7 Where are your residential investment properties located? (Q.8)

Nearly half of respondents (47%) said that they had properties in the South East (including London) with more than two out of ten (21%) saying they had properties in London itself.

Location	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Central London	8.1	9.1	8.6
Rest of London (<i>inside M25</i>)	16.8	16.0	12.8
South East (<i>outside M25</i>)	34.5	29.2	25.5
South West	12.7	17.3	16.0
Midlands	18.8	21.4	20.3
North East	12.7	13.2	14.0
North West	14.2	11.9	18.7
Scotland	8.9	6.2	9.7
Wales	4.6	4.9	6.1
Ireland	1.5	1.2	0.7
Base: All answering	(157)	(243)	(444)

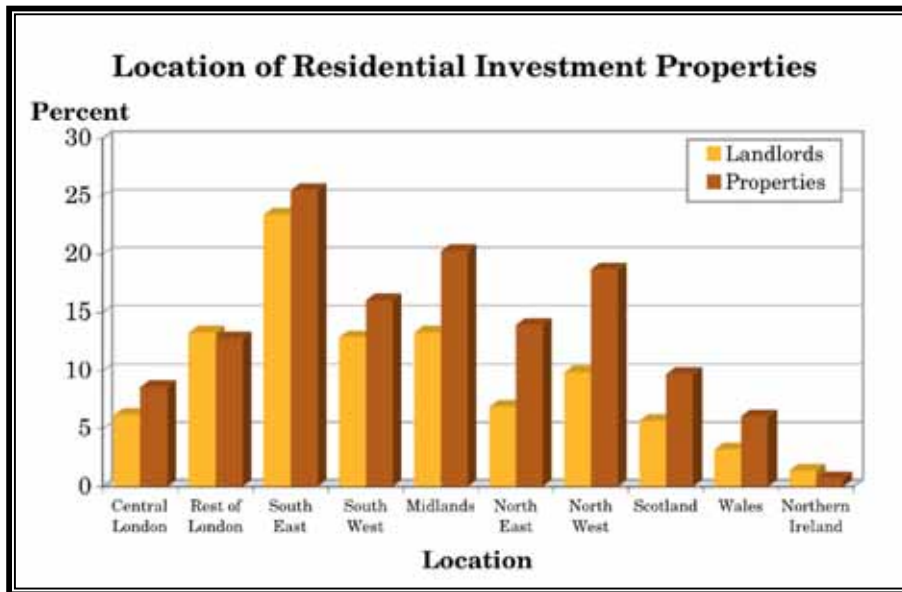
Compared with three months ago, there were noticeably fewer respondents with properties in the South East (including London) the South West and the Midlands and noticeably more respondents with properties in the North East, the North West, Scotland and Wales.



Comparing the distribution of properties with the distribution of respondents shows that a higher proportion of landlords said they had properties in every region except the Rest of London and Northern Ireland. This suggests that landlords tend to own properties in more than one region.

The extent to which the proportion of respondents with properties in a region exceeded the proportion of respondents living in that region was greatest for the Midlands, the North East, the North West, Scotland and Wales.

Location	Percent of Landlords & Properties - Sep 08 (%)	
	Landlords	Properties
Central London	6.2	8.6
Rest of London (<i>inside M25</i>)	13.3	12.8
South East (<i>outside M25</i>)	23.4	25.5
South West	12.9	16.0
Midlands	13.3	20.3
North East	6.9	14.0
North West	9.9	18.7
Scotland	5.7	9.7
Wales	3.2	6.1
Northern Ireland	1.4	0.7
Base: All answering	(435)	(444)



3.8 What proportion of the residential properties you have bought are of each type? (Q.9)

Respondents to this survey were most likely to have bought properties in good condition than any of the other types listed with more than a third of respondents (35%) saying that more than three quarters of the properties they had bought were of this type.

Proportion of Properties	Percent of Respondents - Sep 08 (%)					
	Off plan	New build	Refurb-ished	In need of refurb.	Good cond.	Poor cond.
None	82.4	78.6	80.7	59.8	30.5	78.9
Up to 25%	7.3	8.9	7.3	8.2	15.0	8.9
26% to 50%	3.5	4.2	4.0	9.4	11.3	4.0
51% to 75%	2.1	2.6	2.1	7.0	8.2	2.6
Over 75%	4.7	5.6	5.9	15.5	35.0	5.6

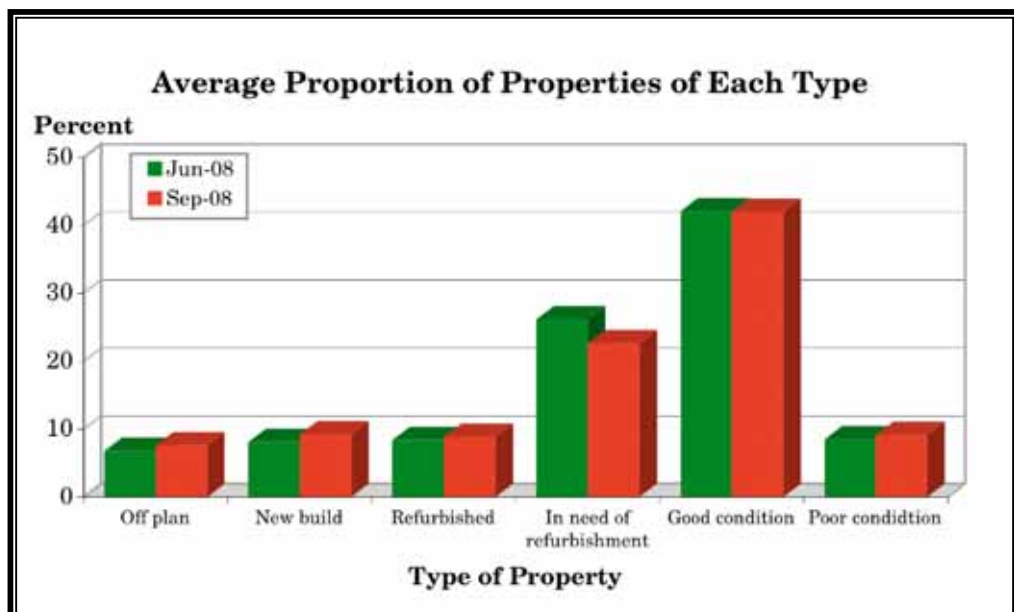
Base: All answering (426)

Analysis of these responses confirms that the most popular type of property with landlords has been those in good condition with, on average, more than four out of ten properties bought (42%) being of that type. Next most popular have been properties in need of refurbishment (23%).

Least likely to have been bought by landlords were properties which have been bought off plan or which have never been occupied (8%).

Type of Property	Average Percent of Properties (%)		
	Mar 08	Jun 08	Sep 08
Off plan/never occupied	5.9	6.8	7.7
New build	13.8	8.1	9.3
Refurbished	7.7	8.4	8.9
In need of refurbishment	20.5	26.1	22.7
Good condition	46.1	42.1	42.0
Poor condition	6.1	8.5	9.2

Base: All answering (187) (230) (426)



Compared with three months ago, properties in need of refurbishment have become a little less popular in favour of all the other types with the exception of those in good condition.

3.9 What proportion of the residential properties you have bought fall into each age band? (Q.10)

Respondents have tended to favour properties which are between 51 and 100 years old with more than two out of ten (22%) saying that more than three quarters of the properties they have bought have been in this age band. Least popular with landlords are properties over 150 years old with less than 1% saying that more than three quarters of their purchases have been in that age band.

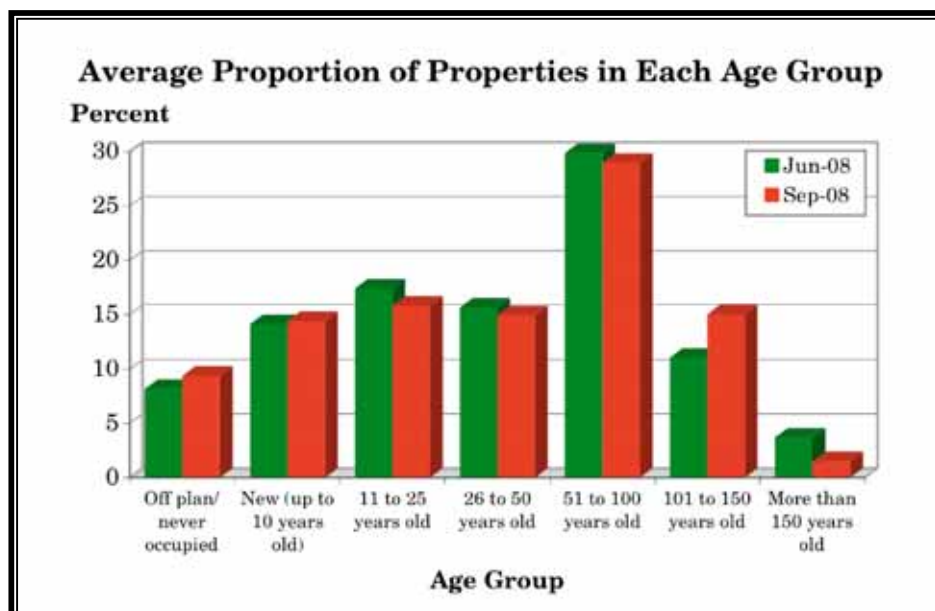
Proportion of Properties	Percent of Respondents - Sep 08 (%)						
	Off plan	New (up to 10)	11 to 25	26 to 50	51 to 100	101 to 150	Over 150
None	79.9	68.4	67.4	67.4	51.1	73.8	95.5
Up to 25%	6.7	12.6	11.2	11.5	9.6	6.7	2.4
26% to 50%	5.3	6.2	7.8	8.6	9.9	4.8	1.3
51% to 75%	2.1	3.2	2.4	3.2	7.5	2.4	0.0
Over 75%	5.9	9.6	11.2	9.4	21.9	12.3	0.8

Base: All answering (374)

Analysis of these responses reveals that the most popular properties with landlords have been those which are between 51 and 100 years old (29%) with properties in most of the other age bands (other than off plan/never occupied and those more than 150 years old) being roughly equally popular.

Age of Property	Average Percent of Properties (%)		
	Mar 08	Jun 08	Sep 08
Off plan/never occupied	7.5	8.2	9.4
New (up to 10 years old)	19.3	14.1	14.4
11 to 25 years old	19.4	17.4	15.8
26 to 50 years old	16.5	15.6	14.9
51 to 100 years old	24.6	29.9	29.0
101 to 150 years old	11.1	11.1	15.0
More than 150 years old	1.7	3.7	1.5

Base: All answering (164) (200) (374)



Compared with the survey in June, there has been little change although properties aged between 101 and 150 years appear to have been noticeably more popular with respondents this time.

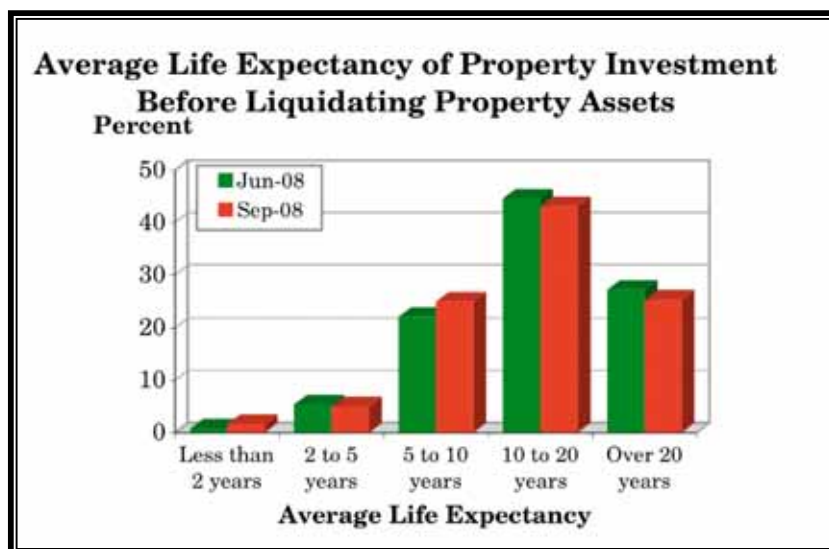
3.10 **From original acquisition time, what do you expect to be the average life expectancy of your property investment before you liquidate your property assets? (Q.11)**

Clearly the vast majority of residential landlords are in the business for the long term with nearly seven out of ten (68%) saying that the average life expectancy of their property investments is more than 10 years.

In fact, only one in fifteen landlords (6.6%) see their investment as being for 5 years or less and less than one in fifty (1.6%) saw it as being very short term (i.e. for less than 2 years).

Average Life Expectancy	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Less than 2 years	0.5	0.8	1.6
2 to 5 years	5.7	5.4	5.0
5 to 10 years	27.5	22.1	25.1
10 to 20 years	40.4	44.6	43.1
Over 20 years	25.9	27.1	25.3
Average (years)	16.7	17.2	16.6
Base: All answering	(193)	(240)	(439)

Simple analysis of these results reveals that the average life expectancy of their property investments for all respondents is 16.6 years, a figure which is down a little from 17.2 years compared with the last survey three months ago.



As can be seen from the chart below, the average life expectancy of respondents' property investments had been declining slowly until the beginning of 2007 when it increased before levelling off at between 16% to 17%.



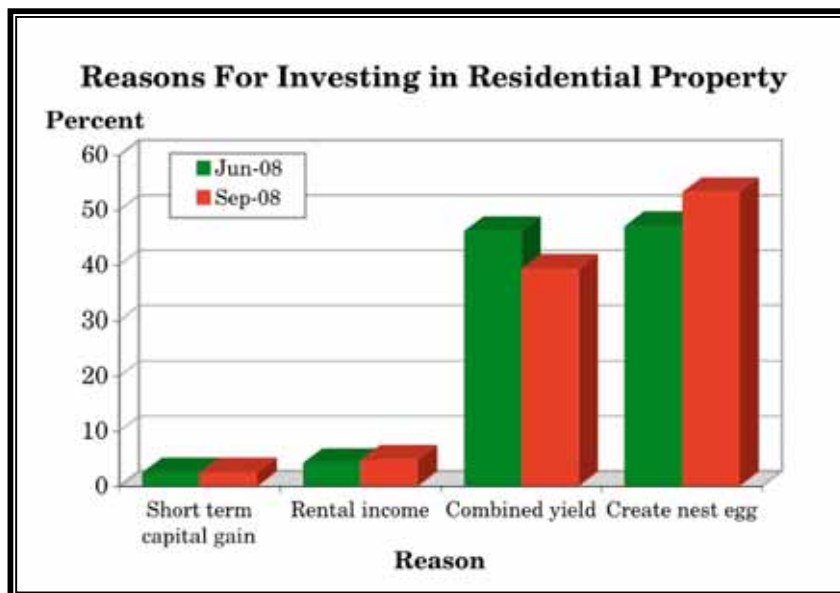
3.11 Why did you first decide to invest in residential property? (Q.12)

Most respondents are split between those who became residential landlords in order to create a nest egg for their long term future (53%) and those who did so in order to achieve a combined yield from rental income and capital appreciation (39%).

Only one in forty respondents (2.5%) said they became landlords in order to make a short term capital gain over a period of less than 5 years and not many more (5%) said they did so in order to obtain a stream of rental income.

Reason	Percent of Respondents (%)	
	Jun 08	Sep 08
Short term capital gain (less than 5 years)	2.5	2.5
Rental income	4.2	4.8
Combined yield from rental income & capital appreciation	46.2	39.4
Create nest egg for long term future	47.1	53.3
Base: All answering	(238)	(437)

Compared with three months ago, there has been some change with more respondents saying they had become landlords in order to create a nest egg for the future (up from 47% to 53%) and fewer saying they had done so in order to achieve a combined yield (down from 46% to 39%).



3.12 If house prices were to fall, would you sell your residential property investments? (Q.13)

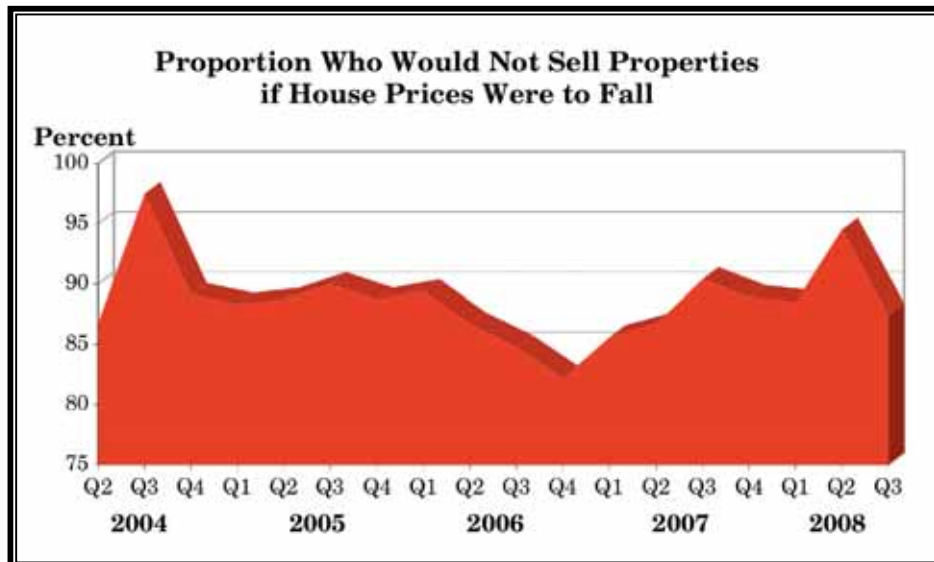
Approaching nine out of ten respondents to this question (87%) said they would not sell their residential property investments if house prices were to fall with another one in ten (10%) being unsure whether they would or not.

Only a small minority of one in forty (2.5%) said that they would sell their residential property investments if house prices were to fall.

Response	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Yes	4.7	1.3	2.5
No	88.5	94.5	87.4
Don't know	6.8	4.2	10.1
Base: All answering	(192)	(237)	(437)

Compared with three months ago, fewer respondents said they would not sell if house prices fell with most of the compensating increase going to those who didn't know if they would or not.

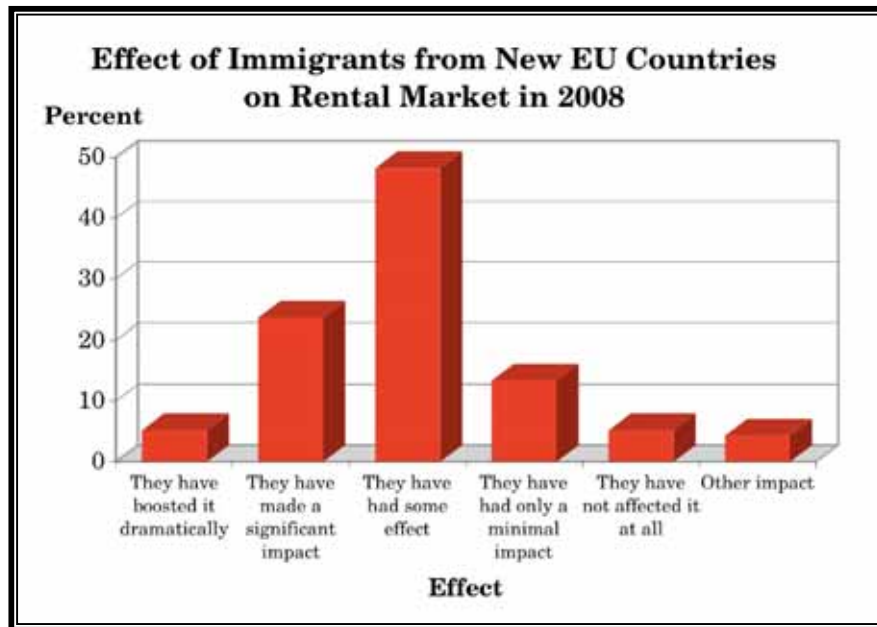
As can be seen from the chart below, having declined from a high of 98% in September 2004 to a low of 82% in December 2006, there was a strengthening of resolve on the part of landlords not to sell their properties if house prices were to fall. After that, the figure fell a little before turning up last quarter to reach its second highest ever level but the results from this survey have more than reversed the change seen then.



3.13 Extent to Which Immigrants from New EU Countries Have Affected the Rental Market in 2008? (Q.14)

More than three quarters of respondents (77%) said that they thought immigrants from new EU countries had at least had more than a minimal impact on the rental market in 2008 with almost a quarter (24%) saying that they had made a significant impact and one in twenty saying they had boosted it dramatically.

Extent of Effect	Percent of Respondents (%) Sep 08
They have boosted it dramatically	5.2
They have made a significant impact	23.6
They have had some effect	48.3
They have had only a minimal impact	13.4
They have not affected it at all	5.2
Other impact	4.3
Base: All answering	(441)



3.14 Are you aware of your need to obtain Energy Performance Certificates for each of your properties? (Q.15)

More than three quarters of respondents (77%) said that they were aware of their need to obtain Energy Performance Certificates for each of their properties but a substantial minority of one in six (17%) was not aware of the need.

Response	Percent of Respondents (%)
	Sep 08
Yes	76.9
No	16.9
Don't know/not sure	6.2
Base: All answering	(438)

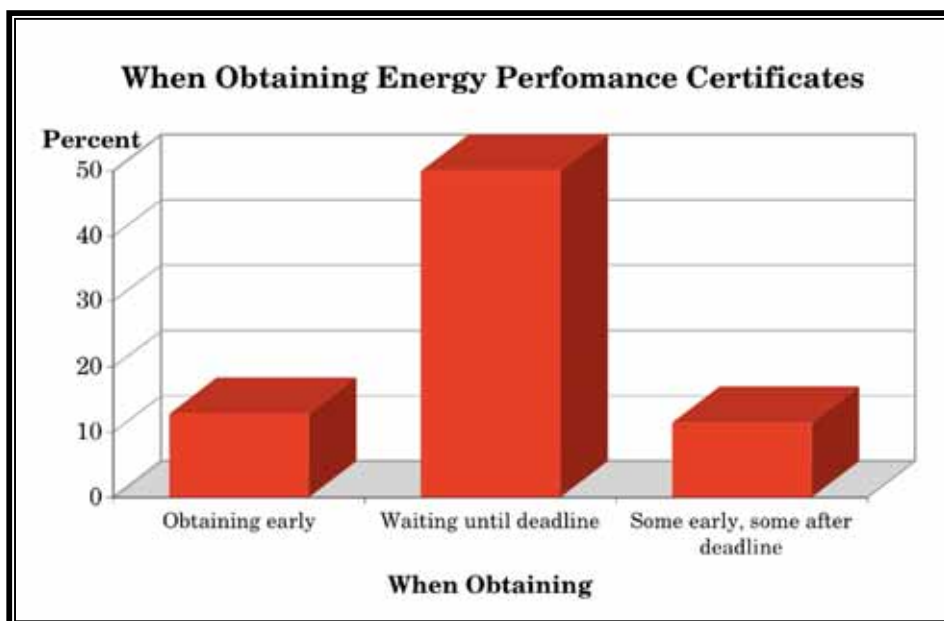
3.15 Are you obtaining Energy Performance Certificates early or waiting until the first tenancy change after the 1st October deadline? (Q.16)

More than three quarters of respondents (76%) said they were waiting until the first tenancy change after the 1st October deadline to obtain their Energy Performance Certificates.

The remainder were split fairly equally between those who were obtaining them early (13%) and those who were getting some early and some after the deadline (12%).

When Obtaining	Percent of Respondents (%) Sep 08
Obtaining early	12.9
Waiting until deadline	75.5
Some early, some after deadline	11.5

Base: All answering (433)



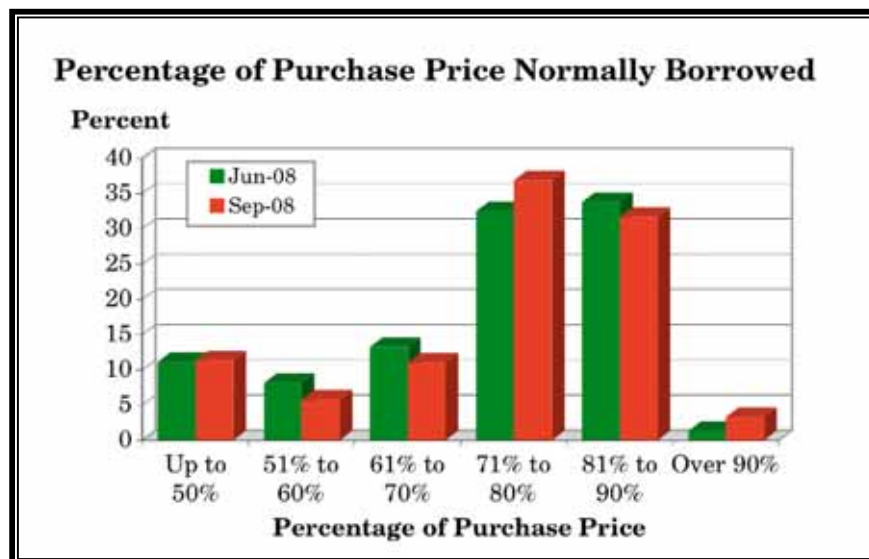
3.16 What percentage of the purchase price of a buy to let property do you normally borrow from a lender? (Q.17)

Almost seven out of ten respondents (69%) said that they normally borrow between 71% and 90% of the purchase price of a buy to let property. Nevertheless, a sizeable minority of more than one in ten respondents (11%) said they normally borrow less than half of the purchase price.

Analysis of these figures reveals that the average proportion of the purchase price of a buy to let acquisition is 71.3%.

Percent of Purchase Price	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Up to 50%	14.6	11.1	11.3
51% to 60%	3.8	8.1	5.7
61% to 70%	7.6	13.2	11.0
71% to 80%	31.4	32.5	36.9
81% to 90%	39.5	33.8	31.7
Over 90%	3.2	1.3	3.3
Average (%)	71.2	70.6	71.3
Base: All answering	(185)	(234)	(423)

Compared with three months ago, the average proportion of the purchase price of a buy to let property which respondents normally borrow is up marginally from 70.6% to 71.3% again doing no more than reverse the change seen then.



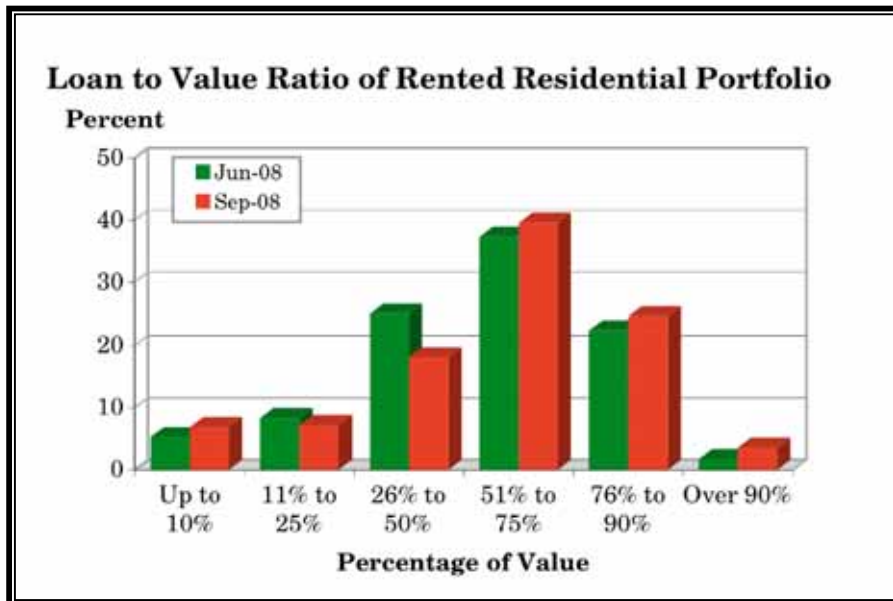
3.17 What is the approximate overall loan to value ratio of your rented residential portfolio? (Q.18)

The largest proportion of respondents, amounting to four out of ten respondents (40%) said that the approximate overall loan to value ratio of their rented residential portfolio was between 51% and 75%.

Analysis of these figures reveals that the average loan to value ratio of respondents' portfolios is 57%.

Loan to Value Ratio	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Up to 10%	7.6	5.3	6.9
11% to 25%	6.5	8.3	7.2
26% to 50%	18.5	25.0	18.1
51% to 75%	41.3	37.3	39.6
76% to 90%	23.9	22.4	24.6
Over 90%	2.2	1.8	3.6
Average (%)	56.5	55.0	57.3
Base: All answering	(184)	(228)	(419)

Compared with the last survey in June, the average loan to value ratio of respondents' portfolios is up from 55% to 57%, again reversing the change seen in the second quarter.



3.18 Do you expect/anticipate that you will acquire further (Buy to Let) investment properties during the next 12 months? (Q.19)

Getting on for four out of ten respondents (37%) said that they did expect to acquire further Buy to Let investment properties during the next 12 months but a higher proportion (43%) said that they did not.

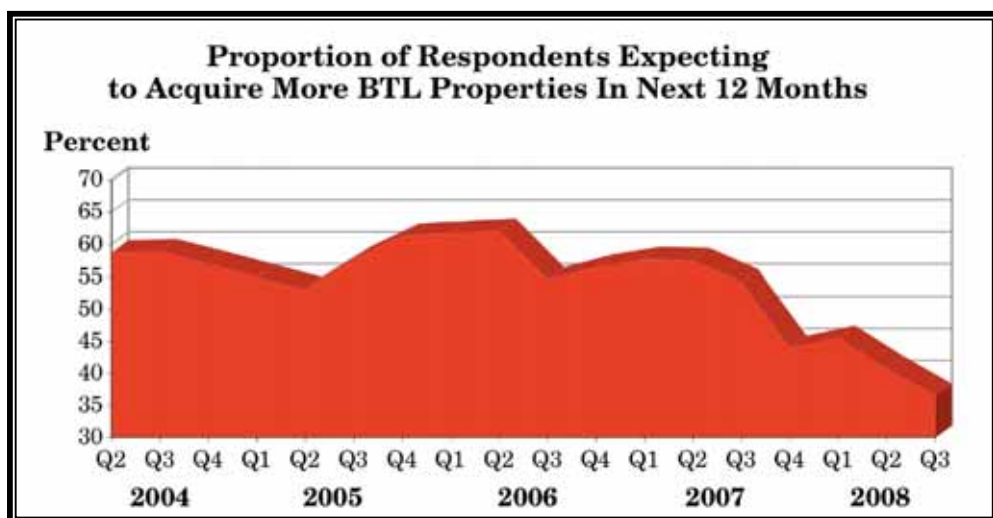
In addition, two out of ten landlords (20%) were unsure whether or not they would acquire further properties in the next year.

Response	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Yes	45.5	40.7	36.5
No	34.2	33.1	43.1
Don't know	20.3	26.3	20.4
Base: All answering	(187)	(236)	(427)

Compared with three months ago, the proportion saying they will acquire further buy to let property in the next 12 months has fallen from 41% to 37% whilst the proportion saying they will not has risen from 33% to 43%).

As the chart below shows, having declined for a year between June 2004 and June 2005, the proportion of respondents expecting to acquire further BTL properties in the next 12 months rose for the next four quarters. The substantial downturn seen two years ago returned the figure to its former level before it began slowly to increase again.

However, over the last year, despite a temporary upturn six months ago, the proportion has been falling and has now reached it's lowest level since these surveys began more than four years ago.



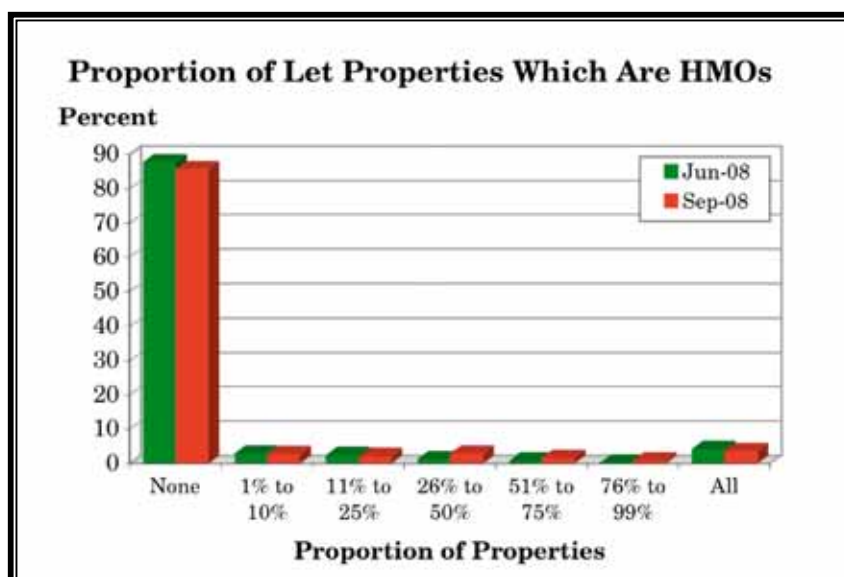
3.19 What proportion of properties you let are Houses in Multiple Occupation (HMOs), i.e. houses occupied by 3 or more unrelated tenants? (Q.20)

Only a minority of respondents (14%) had any let properties which were Houses in Multiple Occupation (HMOs) although there were sixteen (3.7%) who said that all of their let properties were HMOs.

Simple analysis of these figures reveals that for respondents to this survey, the average proportion of their properties which were HMOs is 7%. However, amongst those who have any such properties at all, the average proportion is much higher at 51%.

Proportion of Properties	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
None	84.7	87.8	85.8
1% to 10%	7.4	3.0	2.8
11% to 25%	2.1	2.5	2.1
26% to 50%	2.6	1.3	3.0
51% to 75%	2.1	0.8	1.6
76% to 99%	0.5	0.4	0.9
All	0.5	4.2	3.7
Average (%)	4.1	6.2	7.3
Base: All answering	(190)	(237)	(429)

Compared with the last survey, the overall average proportion of HMOs is up from 6% to 7% but the proportion for those with any at all is unchanged at 51%.



3.20 Are you aware of tenancy deposit protection? (Q.21)

The vast majority of respondents amounting to almost nineteen out of twenty (94%) said that they were aware of tenancy deposit protection.

However, this still leaves more than one in twenty (5.6%) who are unaware of these provisions.

Response	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Yes	93.1	95.7	94.4
No	6.9	4.3	5.6
Base: All answering	(189)	(235)	(428)

Compared with three months ago, the proportion saying they are aware of tenancy deposit protection has fallen a little from 96% to 94%.

3.21 Which of the different tenancy deposit protection schemes have you actively signed up for/applied to join? (Q.22)

More than two out of ten respondents (21%) said they did not take deposits whilst one in ten (10%) said they were unaware of any need to join a tenancy deposit protection scheme.

Of those who did take deposits and were aware that they needed to be a member of a scheme, the highest proportion amounting to almost four out of ten of the whole sample (39%) said they were members of the Tenancy Deposit Scheme (supported by ARLA, the NAEA and RICS) with only a little more than two out of ten (22%) being members of the Tenancy Deposit Protection Scheme (the custodial scheme) and less than one in ten 9% being members of Tenancy Deposit Solutions (run through the NLA).

Scheme Joined	Percent of Respondents (%)		
	Mar 08	Jun 08	Sep 08
Don't take deposits	13.4	18.5	20.7
Tenancy Deposit Scheme	45.5	40.5	38.8
Tenancy Deposit Solutions	8.6	11.6	8.6
Tenancy Deposit Protection Scheme	20.3	21.1	21.9
Not aware of need to join	12.3	8.2	10.0
Base: All answering	(187)	(232)	(420)

Compared with three months ago, the main differences are that a lower proportion of respondents said they were members of Tenancy Deposit Solutions (down from 12% to 9%). There was also a lower proportion saying that they were members of the Tenancy Deposit Scheme (down from 41% to 39%).

Compensating for these falls, more respondents said they did not take deposits (up from 19% to 21%) and more were not aware of the need to join a scheme (up from 8% to 10%).

