

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 Investment Landlords**

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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 fourth quarter of 2005, ARLA conducted the fourth survey of the year. This survey ran during the month of November.

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 14 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 223 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

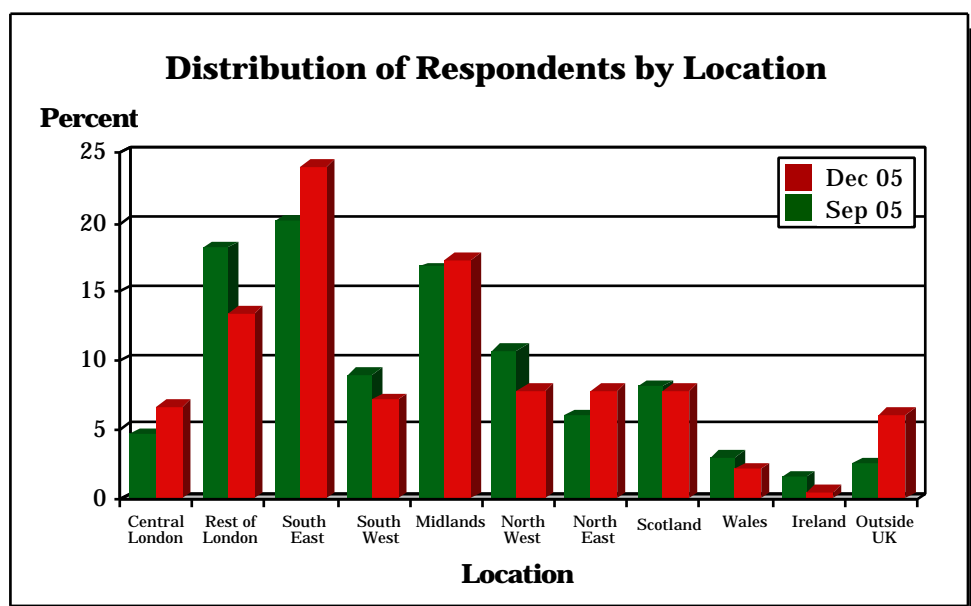
The following sections detail the results of the ARLA Web Site survey of residential landlords conducted during the month of November 2005.

3.1 Where do you live? (Q.1)

More than four out of ten respondents to the survey (44%) were from the South East of England (including London) with two out of ten (20%) being from London itself. The Midlands was the region producing the next highest proportion of respondents with 17% coming from that region.

A further 10% of respondents were from either Scotland, Wales or Northern Ireland, and more than one in twenty respondents (6%) were living outside the UK at the time they completed the questionnaire.

Location	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
Central London	5.1	4.5	6.6
Rest of London (<i>within M25</i>)	14.1	18.1	13.3
South East (<i>outside M25</i>)	27.2	20.1	24.0
South West	12.5	9.0	7.1
Midlands	13.4	16.6	17.3
North West	7.3	10.6	7.7
North East	9.3	6.0	7.7
Scotland	5.4	8.0	7.7
Wales	2.6	3.0	2.0
Ireland	0.3	1.5	0.6
Outside UK	2.9	2.5	6.1
Base: All answering	(313)	(199)	(196)



Compared with the last quarter's survey, there are some differences in the composition of the sample by geographic region with noticeably fewer respondents from the Rest of London, the North West and Wales and noticeably more from Central London, the South East, the North East and from Outside the UK.

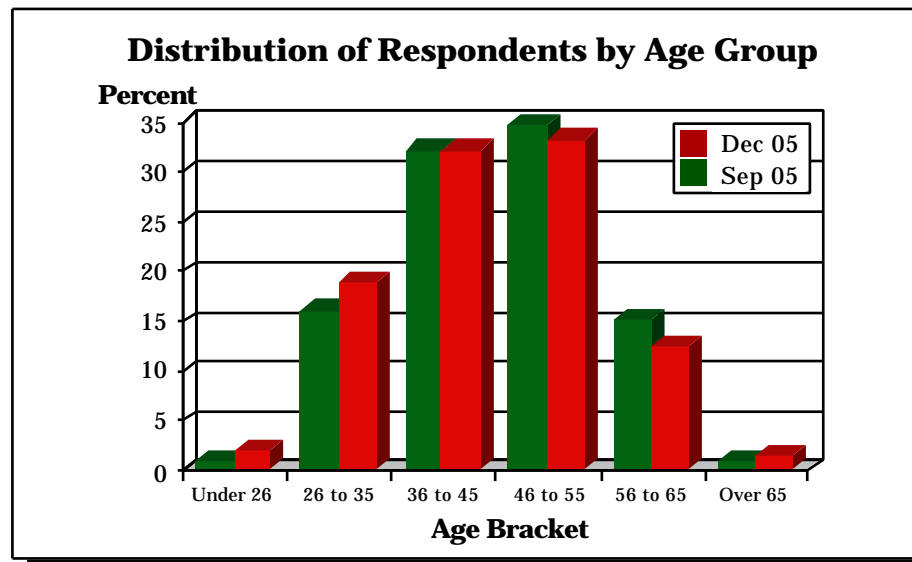
3.2 How old are you? (Q.2)

A third of respondents (35%) were aged between 46 and 55 with almost another third (32%) being aged between 36 and 45.

One in seven respondents (14%) were aged over 55 whilst more than two out of ten (21%) were under 36 on this occasion.

Age Group	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
Under 26	1.0	1.0	2.0
26 to 35	15.0	16.1	18.8
36 to 45	33.4	32.2	32.2
46 to 55	33.4	34.6	33.2
56 to 65	14.6	15.1	12.4
Over 65	2.5	1.0	1.5
Base: All answering	(314)	(205)	(202)

Analysis of the results from this question reveals that the average age of respondents to the survey was 44 years, a figure which is down a little from 45 years three months ago.



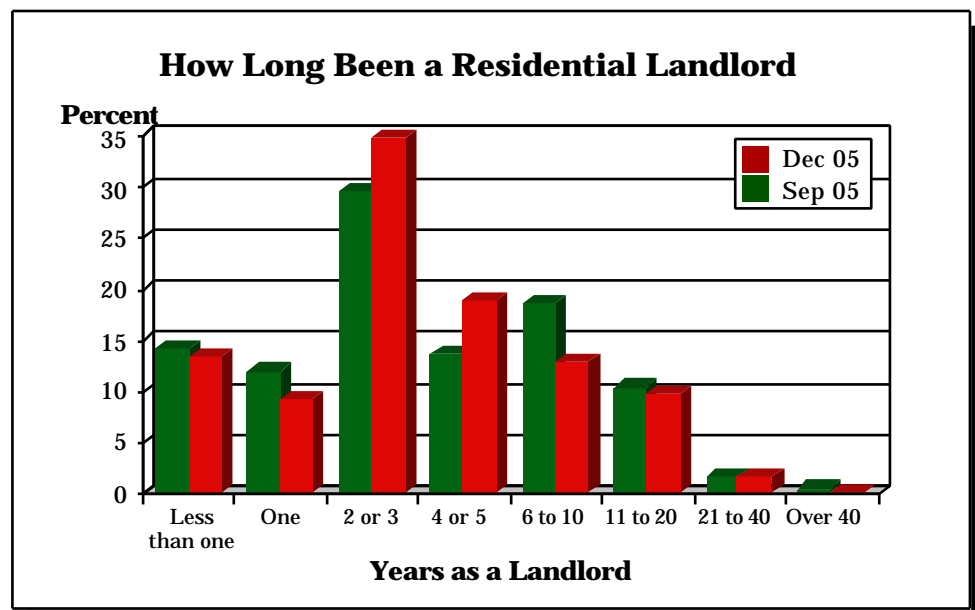
3.3 For how many years have you been a residential landlord? (Q.3)

More than one in ten respondents (13%) had been residential landlords for less than a year with almost another one in ten (9%) having been landlords for only one year.

At the other end of the scale, only a tiny minority of a less than one in fifty respondents (1.5%) had been residential landlords for more than 20 years.

Years as a Landlord	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
Less than one	12.3	14.2	13.3
One	16.2	11.8	9.2
2 or 3	25.6	29.4	34.7
4 or 5	17.2	13.7	18.9
6 to 10	15.6	18.6	12.8
11 to 20	10.1	10.3	9.7
21 to 40	2.9	1.5	1.5
Over 40	-	0.5	-
Base: All answering	(308)	(204)	(196)

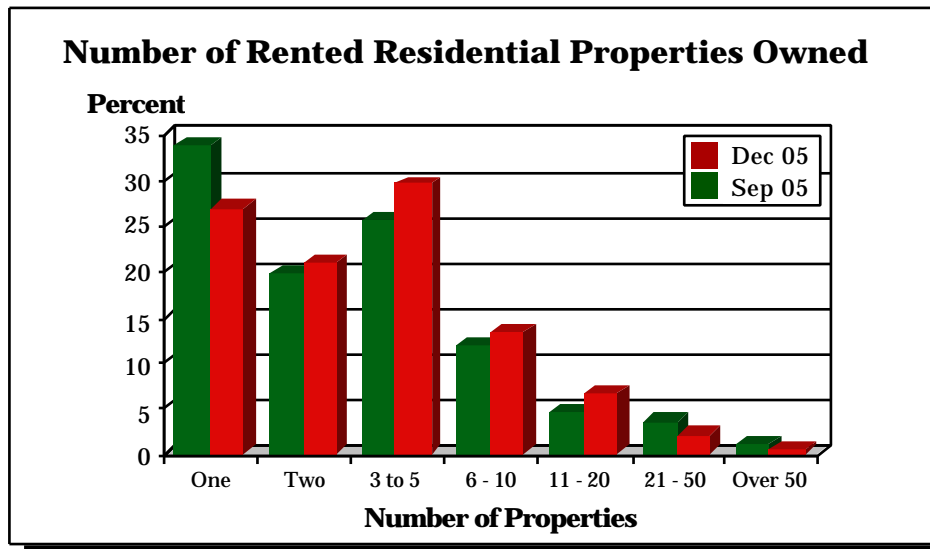
Simple analysis of these figures indicates that the average time for which respondents had been residential landlords was 4.8 years, a figure which is down from 5.3 years compared with three months ago.



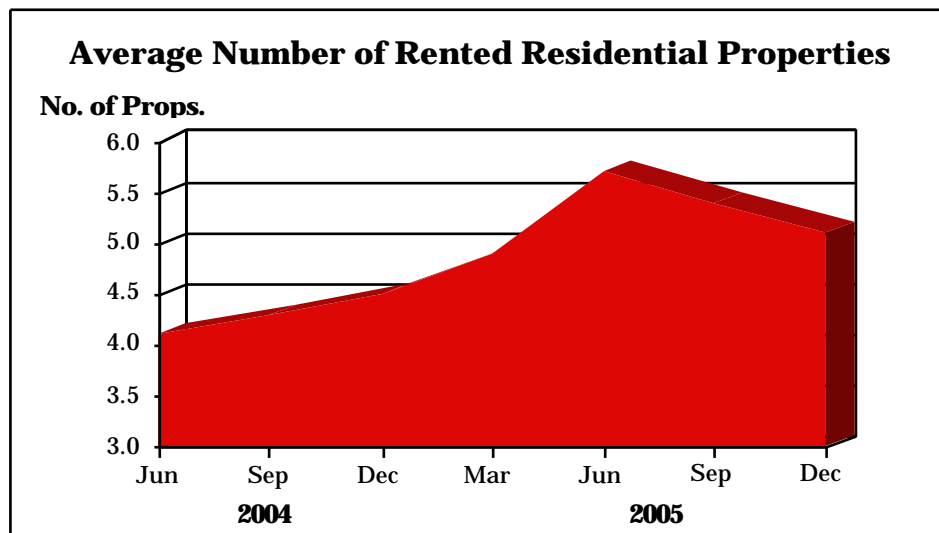
3.4 How many rented residential properties do you currently have in your portfolio? (Q.4)

Nearly half of all respondents (48%) had only one or two properties in their portfolios although a significant minority of almost one in ten (9%) had more than ten properties in theirs.

Number of Properties	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
One	32.6	33.7	27.0
Two	20.3	19.8	20.9
3 to 5	23.9	25.7	29.6
6 to 10	11.9	11.9	13.3
11 to 20	8.1	4.5	6.6
21 to 50	1.6	3.5	2.0
Over 50	1.6	1.0	0.5
Base: All answering	(310)	(202)	(196)



Analysis of these results shows that the average size of respondents' portfolios was 5.1 properties, down from an average of 5.4 properties three months ago.



As can be seen from the chart above, over the year to June 2005, the average number of properties in landlords' portfolios rose by 40%, from 4.1 to 5.7 properties but since then the trend in the average has been downwards.

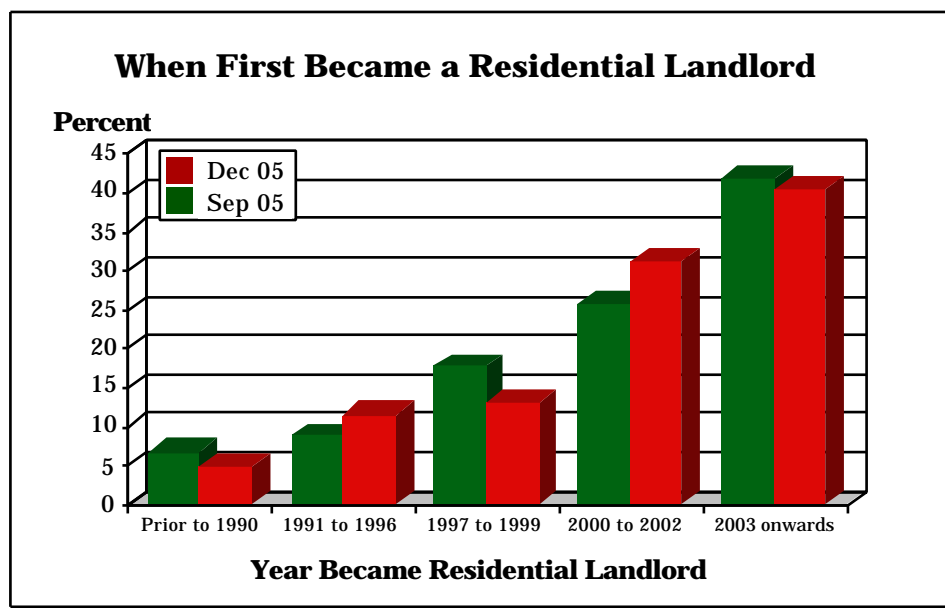
3.5 How long ago did you first become a (Buy to Let) residential investment landlord? (Q.5)

More than seven out of ten respondents to this survey (71%) had become residential landlords since the beginning of 2000 with four out of ten (40%) having done so since the beginning of 2003.

Only a small minority of around one in twenty respondents (5%) had first become residential landlords earlier than 1990.

When Became a Landlord	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
Prior to 1990	6.2	6.5	4.6
1991 to 1996	11.5	8.5	11.3
1997 to 1999	15.4	17.6	12.9
2000 to 2002	25.9	25.6	30.9
2003 onwards	41.0	41.7	40.2
Base: All answering	(305)	(199)	(194)

Compared with three months ago, the main differences are that there were more respondents who first became landlords between 1991 and 1996 and between 2000 and 2002 but fewer in the period 1997 to 1999.

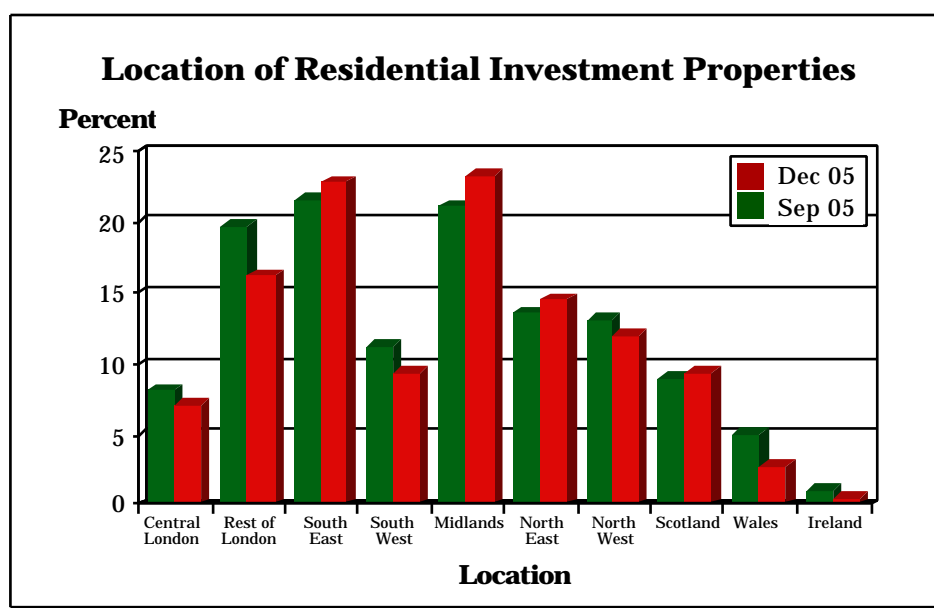


3.6 Where are your residential investment properties located? (Q.6)

Getting on for half of all respondents (46%) said that they had properties in the South East with nearly a quarter (23%) saying they had properties in London.

Location	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
Central London	7.6	8.0	7.0
Rest of London (<i>inside M25</i>)	17.0	19.6	16.1
South East (<i>outside M25</i>)	28.5	21.6	22.8
South West	13.9	11.1	9.3
Midlands	18.8	21.1	23.3
North West	16.7	13.6	14.5
North East	15.6	13.1	11.9
Scotland	7.3	9.0	9.3
Wales	4.9	5.0	2.6
Ireland	0.3	1.0	0.5
Base: All answering	(301)	(199)	(193)

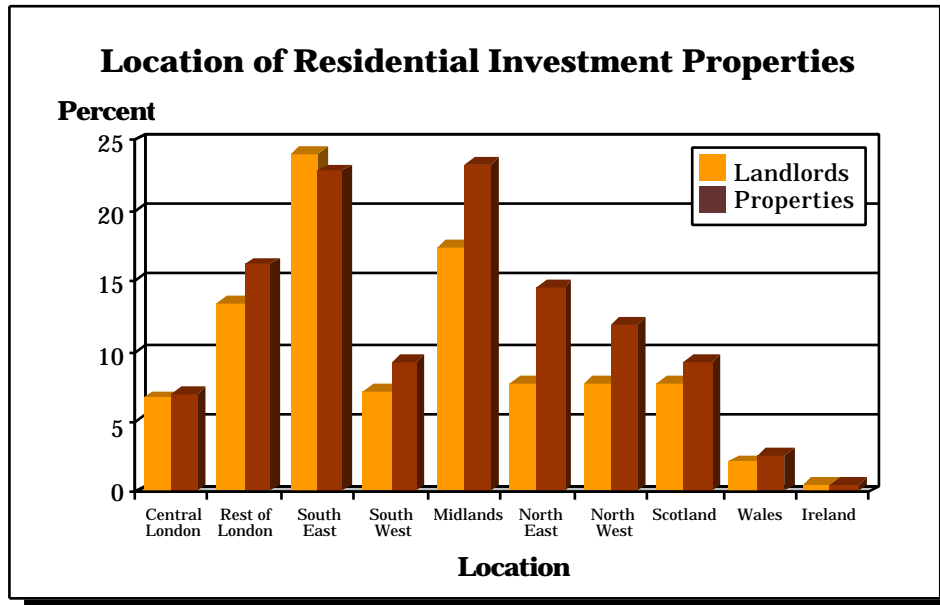
Compared with three months ago, the biggest differences are that there were fewer respondents with properties in London (particularly the Rest of London), the South West and Wales and more respondents with properties in the South East, the North East and the Midlands.



Comparing the distribution of properties with the distribution of landlords shows that a much higher proportion of landlords say they have properties in the Midlands and North of England than actually live in that part of the country (50% compared with 33%).

This also applies, but to a lesser extent, to the other regions suggesting that it is not at all uncommon for landlords to have properties in more than one region.

Location	Percent of Landlords & Properties (%)	
	Landlords	Properties
Central London	6.6	7.0
Rest of London (<i>inside M25</i>)	13.3	16.1
South East (<i>outside M25</i>)	24.0	22.8
South West	7.1	9.3
Midlands	17.3	23.3
North East	7.7	14.5
North West	7.7	11.9
Scotland	7.7	9.3
Wales	2.0	2.6
Ireland	0.5	0.5
Base: All answering	(196)	(193)



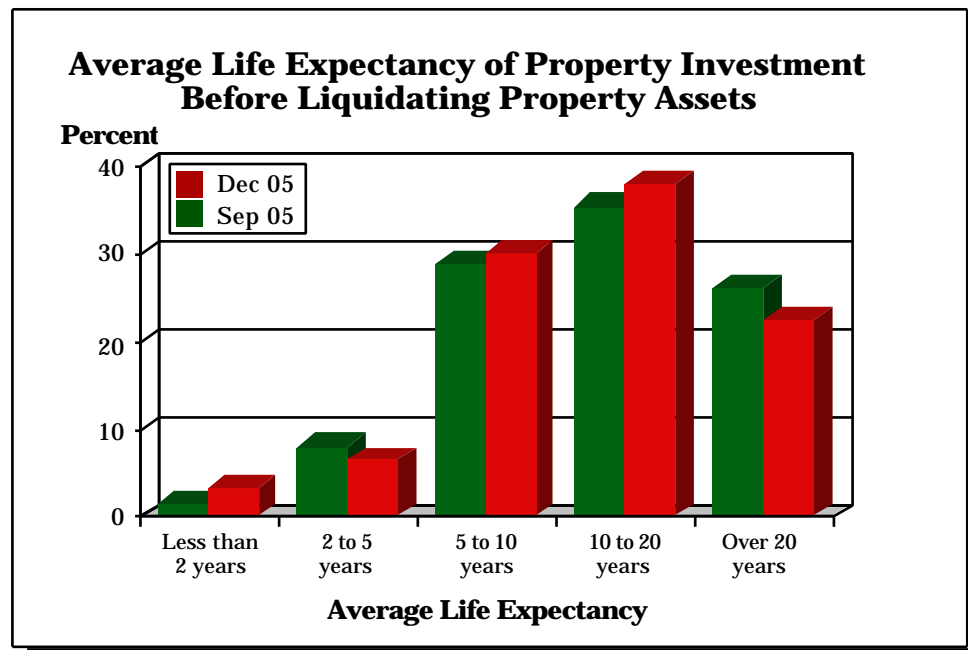
3.7 **From original acquisition time, what do you expect to be the average life expectancy of your property investment, before you liquidate your property assets? (Q.7)**

Clearly the vast majority of residential landlords are in the business for the long term with six out of ten (60%) saying that the average life expectancy of their property investments is more than 10 years.

In fact, only less than one in ten landlords (9%) see their investment as being for 5 years or less and only a tiny 3% see it as being very short term (less than 2 years).

Average Life Expectancy	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
Less than 2 years	1.6	1.5	3.1
2 to 5 years	8.2	8.0	6.3
5 to 10 years	24.9	29.0	30.2
10 to 20 years	39.3	35.5	38.0
Over 20 years	25.9	26.0	22.4
Base: All answering	(305)	(200)	(192)

Simple analysis of these results reveals that the average life expectancy of their property investments for all respondents is 15.6 years, a figure which is down from 16.4 years in the last survey three months ago.



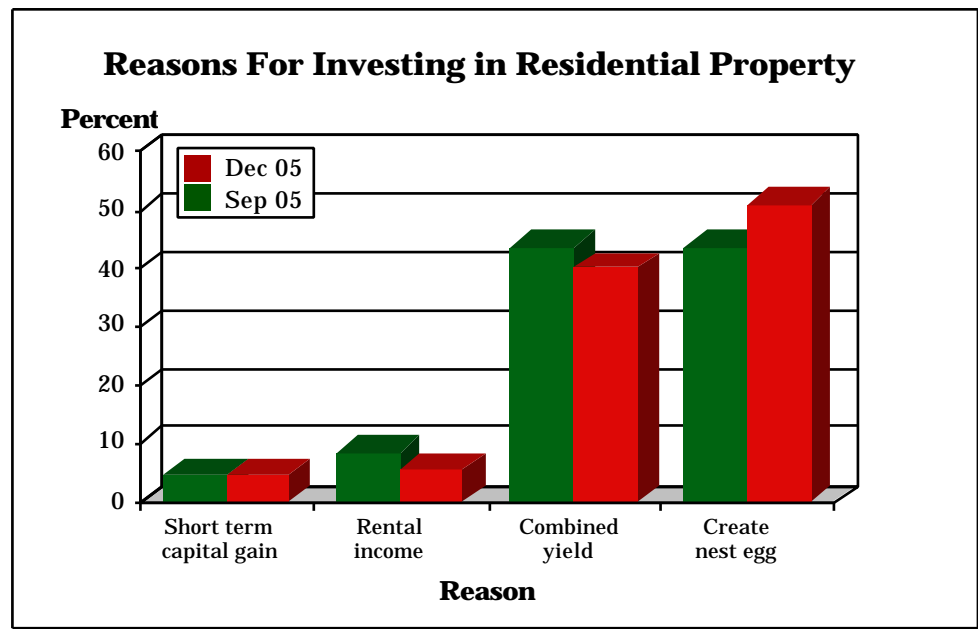
3.8 Why did you first decide to invest in residential property? (Q.8)

Most residential landlords are split between those who became residential landlords in order to create a nest egg for their long term future (51%) and those who did so in order to achieve a combined yield from rental income and capital appreciation (39%).

One in twenty respondents (5%) said they became landlords in order to obtain a stream of rental income whilst only one in twenty five (4%) said they did so in order to make a short term capital gain over a period of less than 5 years.

Reason	Percent of Respondents (%)	
	Sep 05	Dec 05
Short term capital gain (less than 5 years)	4.5	4.2
Rental income	8.4	5.2
Combined yield from rental income & capital appreciation	43.6	38.8
Create nest egg for long term future	43.6	50.8
Base: All answering	(202)	(191)

Compared with three months ago, more respondents said they had become landlords to create a nest egg for the future (51% compared with 44% in September) with fewer saying they had done so in order to achieve a combined yield from rental income and capital appreciation (down from 44% to 39%) or to obtain a stream of rental income (down from 8% to 5%).



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

Almost nine out of ten respondents to this question (89%) said they would not sell their residential property investments if house prices were to fall with only one in twenty five (4%) saying they would and 7% being unsure whether they would or not.

Response	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
Yes	1.8	1.5	4.1
No	88.7	90.0	88.7
Don't know	9.6	8.5	7.2
Base: All answering	(282)	(200)	(194)

Compared with three months ago, respondents were, on average, marginally more willing to sell their residential property investments if house prices were to fall but this change merely reverses the change seen three months ago and is not significant.

3.10 Do you expect/anticipate that you will acquire further (Buy to Let) investment properties during the next 12 months? (Q.10)

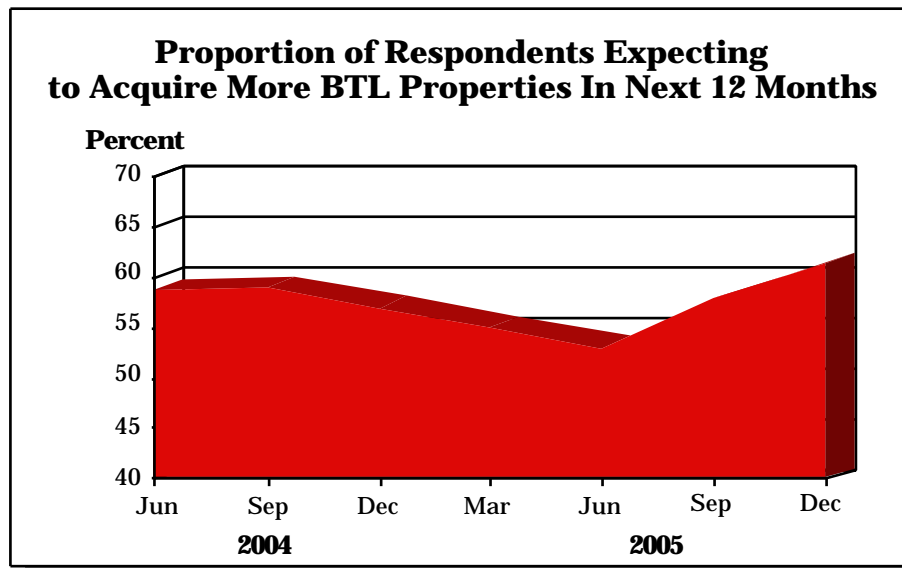
More than six out of ten respondents (61%) said that they expected to acquire further Buy to Let investment properties during the next 12 months but more than a quarter (27%) said that they did not.

More than one in ten landlords (12%) were unsure whether they would acquire further properties in the next year or not.

Response	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
Yes	53.0	57.7	61.3
No	25.5	24.4	26.8
Don't know	21.5	17.9	11.9
Base: All answering	(302)	(201)	(194)

There was a higher proportion of respondents who said they would be acquiring further properties in the next 12 months this time (up from 58% to 61%) but there were also more who thought they would definitely not be doing so (up from 24% to 27%) with the result that there was a decline in those who were unsure whether they would be doing so or not (down from 18% to 11%).

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 has risen for the past two quarters and now appears to be on an upward trend.

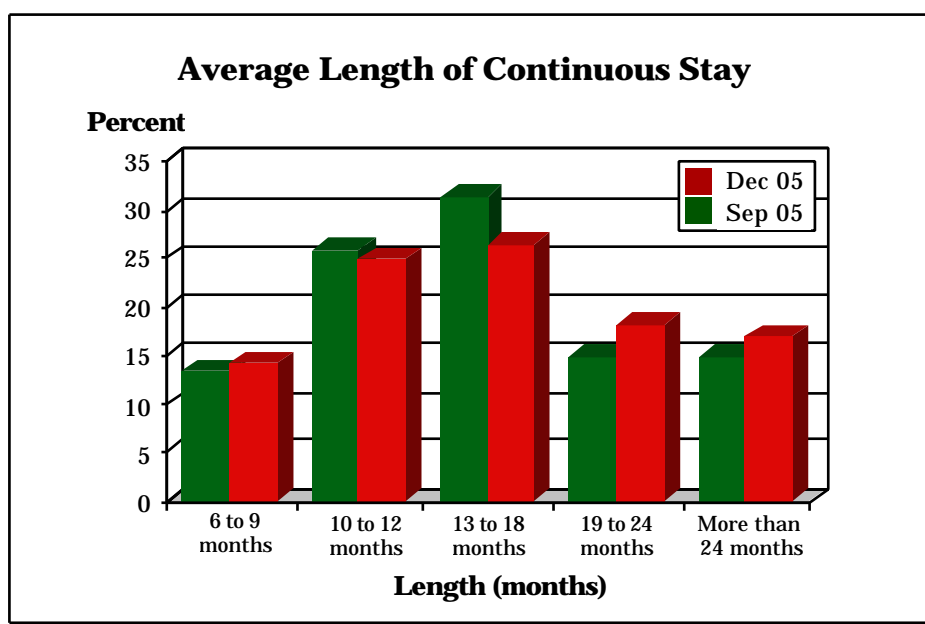


3.11 Irrespective of the length of any initial fixed term, on average how long are the same tenants staying continuously in the same property? (Q.11)

More than half of respondents (51%) said the average length of a tenant's continuous stay in the same property was between ten and eighteen months. However, getting on for two out of ten (17%) said the average stay was more than two years whilst a lower proportion (14%) said the average stay was less than ten months.

Length of Fixed Term Tenancy	Percent of Respondents (%)		
	Jun 05	Sep 05	Dec 05
6 to 9 months	11.5	13.2	14.0
10 to 12 months	29.6	25.8	24.7
13 to 18 months	25.2	31.3	26.4
19 to 24 months	14.1	14.8	18.0
More than 24 months	19.6	14.8	16.9
Base: All answering	(299)	(200)	(192)

Analysis of these figures shows the average length of a tenant's continuous stay in the same property is 16.8 months.



Compared with the last survey, the average length of time that tenants stay in the same property is up a little from 16.3 to 16.9 months but this is merely a reversal of the fall seen three months ago and is within the normal range of fluctuation for this question.

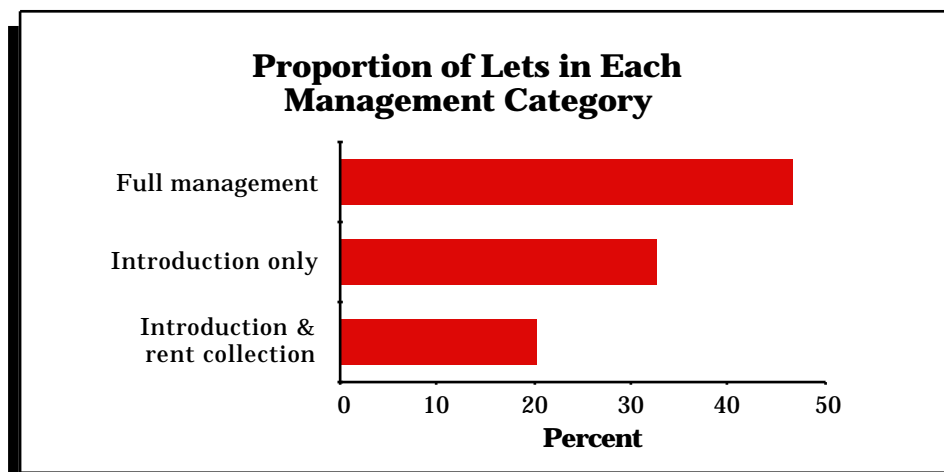
3.12 Approximately, what proportion of your lets fall into each of the following categories? (Q.12)

Most respondents tended to have either all or none of their properties in each management category.

Proportion of Lets	Percent of Respondents Dec 05 (%)		
	Introduction only	Intro & Rent collection	Full management
None	39.6	59.5	26.8
Up to 10%	7.9	4.8	1.3
11% to 25%	5.9	4.8	6.7
26% to 50%	5.9	7.1	8.7
51% to 75%	4.0	2.4	0.0
76% to 90%	5.0	3.6	2.0
Over 90%	31.7	17.9	54.4

Base: All answering (201)

Analysis of the responses to this question indicates that nearly half of all respondents' let properties (47%) are let under full management compared with a third (33%) being let on an introduction only basis and just two out of ten (20%) on an introduction and rent collection basis.



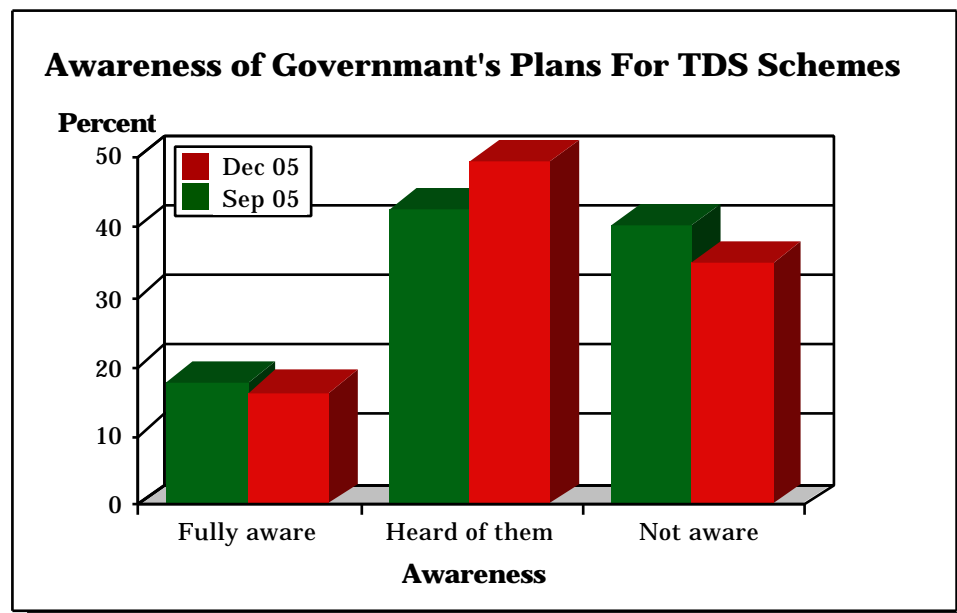
3.13 Do you know what plans the Government has with regard to the introduction of Tenancy Deposit Schemes? (Q.13)

The vast majority of respondents (84%) are not fully aware of the Government's plans with regard to the introduction of Tenancy Deposit Schemes with only around one in six (16%) saying that they are fully aware of them.

On the other hand, almost half (49%) have heard of the plans but don't know the details, and more than a further third (35%) say they are not aware of the plans at all.

Response	Percent of Respondents (%)	
	Sep 05	Dec 05
Yes, I am fully aware	17.5	16.2
I have heard of them, but don't know details	42.5	49.2
Not aware	40.0	34.6
Base: All answering	(200)	(191)

Compared with three months ago, more respondents had at least heard of the Government's TDS plans (up from 60% to 65%) although the proportion who said they were fully aware was down slightly.

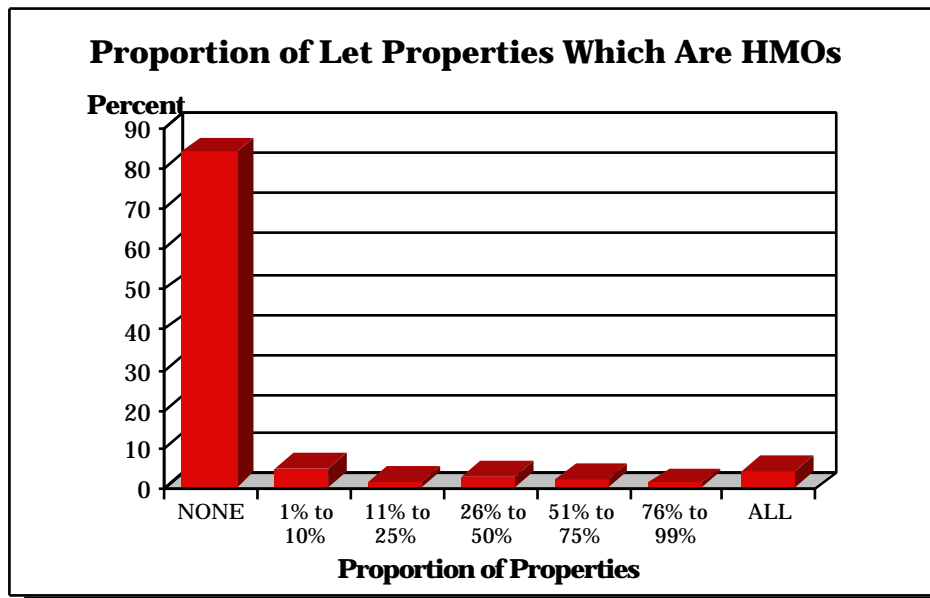


3.14 What proportion of properties you let are Houses in Multiple Occupation (HMOs), i.e. houses occupied by 3 or mor unrelated tenants? (Q.14)

Only a minority of landlords (16%) have any let properties which are Houses in Multiple Occupation (HMOs) although there are a few (4%) who, say that all of their let properties are HMOs.

Proportion of Properties	Percent of Respondents (%) Dec 05
None	83.7
1% to 10%	4.7
11% to 25%	1.6
26% to 50%	2.6
51% to 75%	2.1
76% to 99%	1.1
All	4.2

Base: All answering (201)



Simple analysis of these figures reveals that for respondents to this survey, the average proportion of their properties which are HMOs is 8%. However, amongst those who have any such properties at all, the average proportion is much higher at 49%.