



Survey of Member Firms

Third Quarter 2014

Report on **TENANT FEES**

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CONTENTS

	Page
1. INTRODUCTION & BACKGROUND	3
2. METHODOLOGY	4
3. SUMMARY	5
4. RESULTS	6
4.1 Do you charge tenant fees? (Q.1)	7
4.2 For which of the services listed do you charge tenants fees? (Q.2)	8
4.3 How are the fees you charge tenants calculated? (Q.3)	10
4.4 On average, how much do you charge tenants in total? (Q.4)	12
4.5 Are your tenant fees charged per tenancy agreement or per tenant? (Q.5)	14
4.6 When is a tariff of your fees provided to an applicant? (Q.6)	16
4.7 Are all of your tenant fees displayed on your website and in your branch? (Q.7)	18
4.8 Do you display what fees you charge landlords? (Q.8)	22
4.9 Would you be in favour of the Government introducing a cap on tenant fees? (Q.9)	23
4.10 At what level do you think the cap on tenant fees charged per year should be set? (Q.10)	24

1. INTRODUCTION & BACKGROUND

ARLA is keen to ensure that the service it provides to its 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 they 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

ARLA members were emailed during August with the URL for the on-line survey and asked to go on-line to complete the survey. By the closing date 506 members had completed the survey on-line.

Ten of the questions included in this quarter's survey dealt with the topic of tenant fees and this report is based on our analysis of the responses to these questions.

In addition, the same questions were put to members of the Royal Institution of Chartered Surveyors (RICS) and the National Approved Letting Scheme (NALS) and the results from these surveys have been included in this report.

3. SUMMARY

- Almost nineteen out of twenty (94%) ARLA, RICS and NALS member offices charge tenant fees.
- Amongst those offices which charge tenant fees, tenants are most likely to be charged for reference checks (96%) followed by the tenancy agreement (64%) and tenancy extension/renewal (60%).
- The most common type of tenant fee charged by ARLA, RICS and NALS member offices is a single flat fee with nearly six out of ten (57%) opting for this compared with four out of ten (40%) choosing to use individually itemised and calculated fees.
- On average, ARLA, RICS and NALS member offices charge tenants £202 in total.
- Respondents were split fairly evenly between those who said they charged tenant fees per tenant (47%) and those who said they charged tenant fees per tenancy agreement (41%).
- The most common point at which prospective tenants are provided with a tariff of fees is at the viewing (46%) with nearly another three out of ten ARLA, RICS and NALS member offices (29%) providing it on confirmation of the viewing and quite a substantial minority (26%) saying they do so at another time.
- Most ARLA, RICS and NALS member offices (77%) display their tenant fees on their website and almost as many (76%) do so in their branches.
- Comparatively few ARLA, RICS and NALS member offices (35%) display the fees they charge landlords.
- Respondents to these surveys were almost equally split between those who would be in favour of the Government introducing a cap on tenant fees (43%) and those who would not be in favour of it (41%) with one in six (16%) being unsure how they would feel about it.
- In the event that the Government were to introduce a cap on tenant fees, just over half of all respondents (51%) thought it should be set at £250 with more than a quarter (26%) thinking it should be set at a higher level and more than one in ten (11%) thinking it should be set lower than £250. Simple analysis of all the responses to this question reveals that the average figure at which respondents think a cap should be set is £315.

4. RESULTS

The following sections detail the results from the tenant fees questions included in the survey for the third quarter of 2014. The results have been broken down into three broad geographic areas which are Prime Central London (comprising London & South East based respondents who manage properties in Prime Central London), the Rest of the South East and the Rest of the UK.

In addition, comparative data from research carried out by the Royal Institution of Chartered Surveyors (RICS) and the National Approved Letting Scheme (NALS) has been included along with overall results from all three surveys although the number of respondents to the RICS survey, at 20, was very small. By comparison, there were 506 respondents to the ARLA survey and 363 respondents to the NALS survey.

Respondents to the ARLA survey who said they did not charge tenants fees (44 respondents) or did not answer that question (2 respondents) were not asked questions 2 to 7 and have therefore been excluded from the results for those questions.

4.1 Do You Charge Tenant Fees? (Q.1)

More than nine out of ten ARLA member offices (91%) said that they did charge tenant fees.

Response	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	91.2	96.6	86.2	90.9
No	8.8	2.9	13.3	8.7
Not stated	-	0.6	0.5	0.4
Base: All respondents	(114)	(174)	(218)	(506)

Differences between the broad geographic areas were not great but offices in the Rest of the UK were less likely to charge tenant fees (86%) and those in the Rest of the South East were more likely to do so (97%) leaving those managing properties in Prime Central London fairly closely matching the average at 91%.

Looking at differences between respondents from ARLA, RICS and NALS, as shown in the table below, shows that ARLA members offices were least likely to be charging tenant fees (91% compared with 95% for RICS and 98% for NALS).

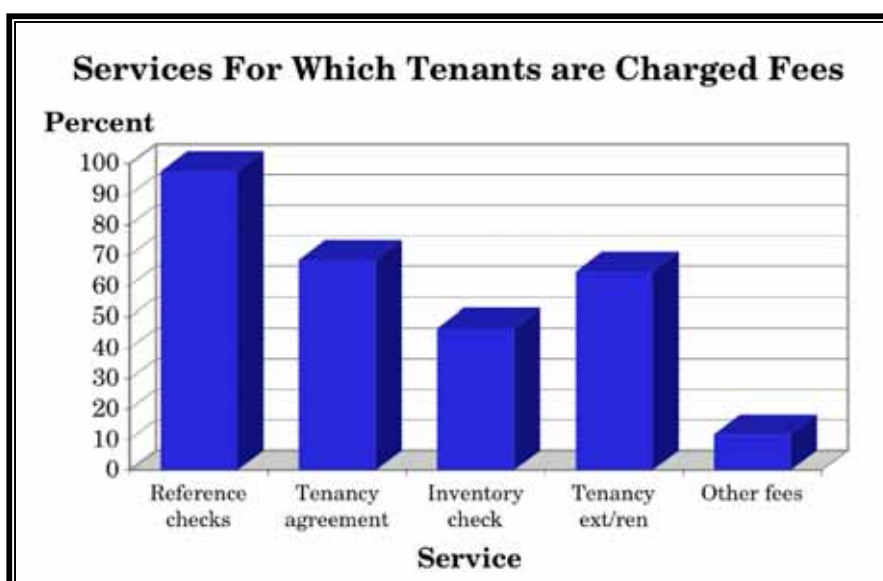
Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Yes	90.9	95.0	98.3	94.0
No	8.7	5.0	1.7	5.7
Not stated	0.4	-	-	0.2
Base: All respondents	(506)	(20)	(363)	(889)

Taking all these results into account, the overall proportion who say they charge tenant fees is 94%.

4.2 For which of the Services Listed Below do You Charge Tenants Fees? (Q.2)

Nearly all ARLA member offices (98%) said that they charged tenants fees for carrying out reference checks. This compares with nearly seven out of ten (69%) charging for executing a tenancy agreement and nearly two thirds (65%) charging for tenancy extension or renewal. The service which tenants are least likely to be charged for(47%) is the inventory check.

Service	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Reference checks	97.1	99.4	96.3	97.6
Tenancy agreement	88.5	68.5	57.4	68.5
Inventory check	69.2	47.0	33.5	46.5
Tenancy extension/renewal	79.8	67.9	53.7	64.8
Other fees	10.6	14.9	9.6	11.7
Base: All respondents	(104)	(168)	(188)	(460)



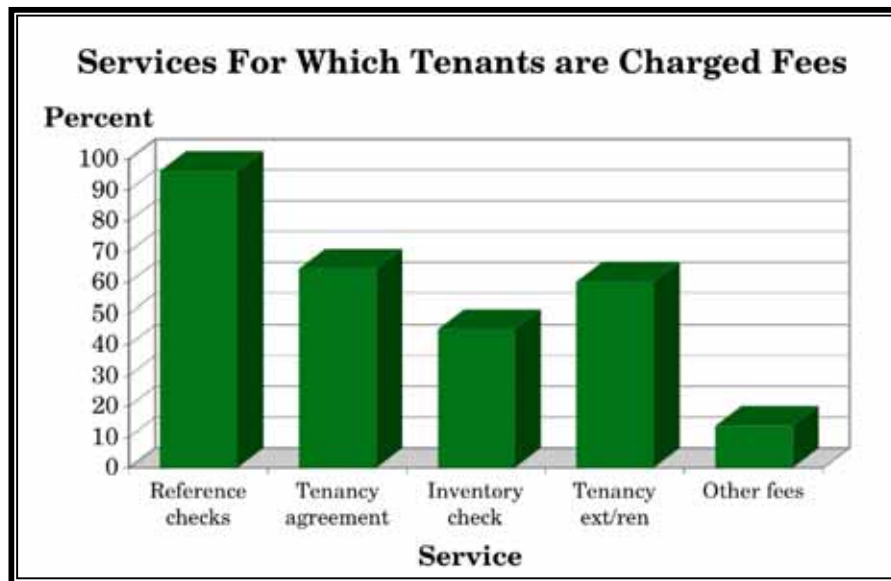
The main difference between the broad geographic areas is that offices managing properties in Prime Central London were considerably more likely to be charging tenants for all the listed services with the exception of reference checks, which they were a little less likely to charge for.

Equally, offices in the Rest of the UK were least likely to be charging tenants for any of the listed services.

Looking at differences between respondents from ARLA, RICS and NALS, as shown in the table below, shows that members of NALS were less likely than ARLA member offices to be charging tenants any of the listed fees but more likely to be charging other fees.

RICS members were notable for the fact that they were the least likely to be charging tenants for tenancy extension or renewal and most likely to be charging for tenancy agreements and inventory checks.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Reference checks	97.6	90.0	93.5	96.2
Tenancy agreement	68.5	70.0	53.5	64.4
Inventory check	46.5	50.0	40.5	45.0
Tenancy extension/renewal	64.8	40.0	50.8	60.2
Other fees	11.7	-	20.0	13.7
Base: All respondents	(460)	(20)	(185)	(665)



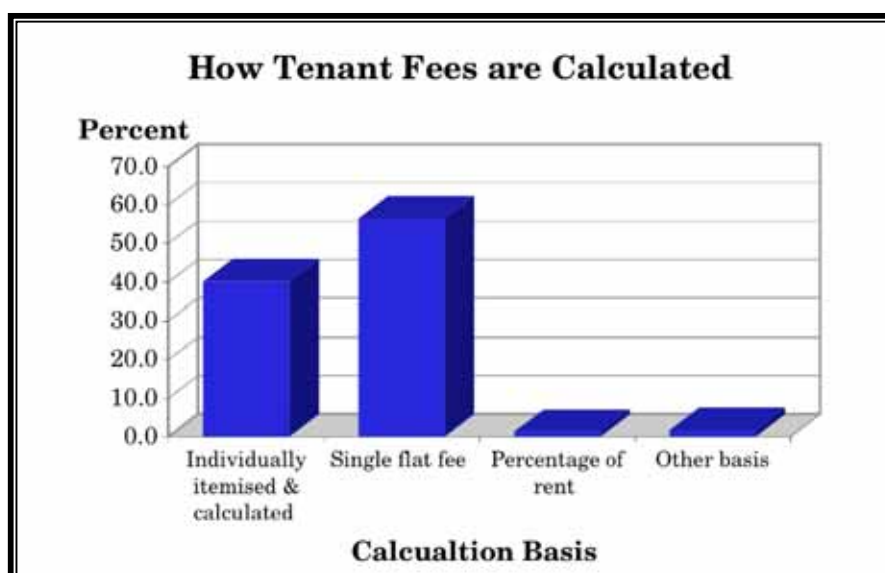
Clearly, taking the results from all three organisations into account, the most commonly charged for service is reference checks for which nearly all respondents (96%) said their offices charged a fee.

(N.B. this question was only put to around half of the NALS survey respondents)

4.3 How Are the Fees You Charge Tenants Calculated? (Q.3)

Four out of ten ARLA member offices (40%) charge individually itemised and calculated tenant fees but more, amounting to nearly six out of ten (57%) charge tenants a single flat fee.

Calculation Method	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Indiv. itemised & calculated	54.8	42.9	29.8	40.2
Single flat fee	42.3	54.8	66.0	56.5
Percentage of rent	-	1.2	2.1	1.3
Other basis	1.9	1.2	2.1	1.7
Not stated	1.0	-	-	0.2
Base: All respondents	(104)	(168)	(188)	(460)

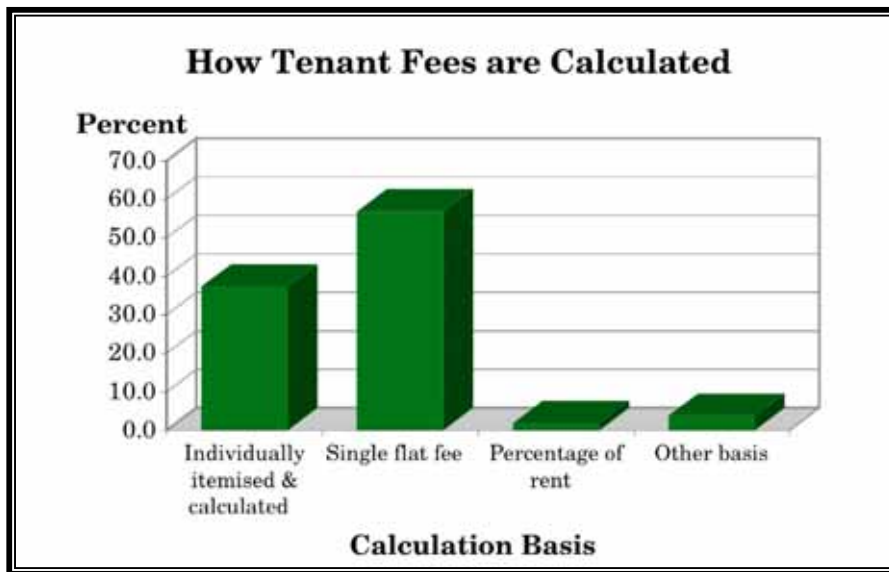


Offices managing properties in Prime Central London are more likely than their counterparts elsewhere in the country to charge tenants individually itemised and calculated fees (55% compared with 43% for the Rest of the South East and just 30% for the Rest of the UK).

Equally, offices managing properties in Prime Central London are less likely to charge a single flat fee (42% compared with 55% for the Rest of the South East and 66% for the Rest of the UK).

With regard to differences between respondents from ARLA, RICS and NALS member offices, as can be seen the table below, ARLA members are the most likely to charge individually itemised and calculated fees whilst RICS members are the most likely to charge a single flat fee or a percentage of the rent.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Indiv. itemised & calculated	40.2	30.0	34.2	37.4
Single flat fee	56.5	65.0	56.7	56.8
Percentage of rent	1.3	5.0	2.5	1.9
Other basis	1.7	-	6.6	3.8
Not stated	0.2	-	-	0.1
Base: All respondents	(460)	(20)	(363)	(843)



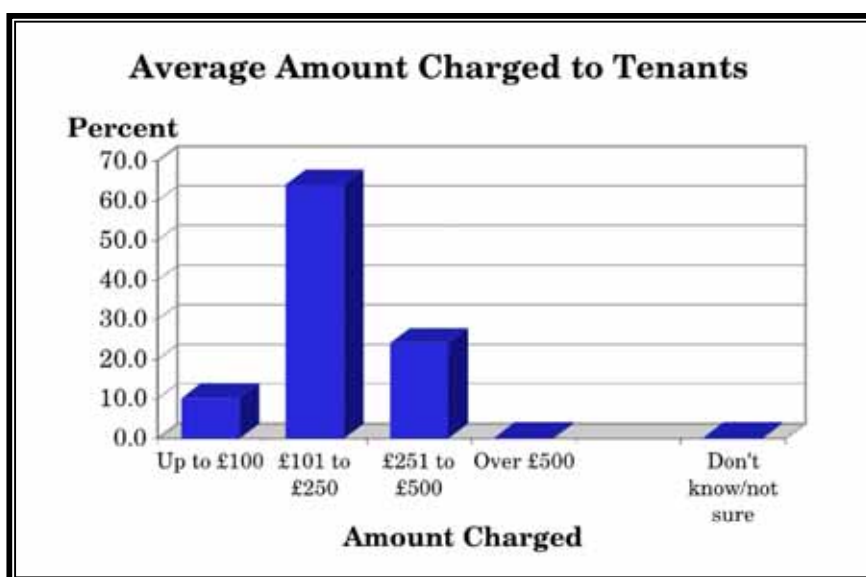
Overall, the most common practice is to charge a single flat fee with more than half of respondents (57%) saying that this is what their office does compared with nearly four out of ten (37%) who said they charge an individually itemised and calculated fee. Very few said they charged a percentage of the rent or a fee calculated in some other way.

4.4 On Average, How Much do You Charge Tenants in Total? (Q.4)

Getting on for two thirds of ARLA member offices (64%) said that on average, they charge tenants between £101 and £250. This compares with a quarter (25%) charging more than £250 on average and just one in ten (10%) charging £100 or less on average.

Simple analysis of these figures reveals that the average amount being charged to tenants by ARLA member offices is £213.

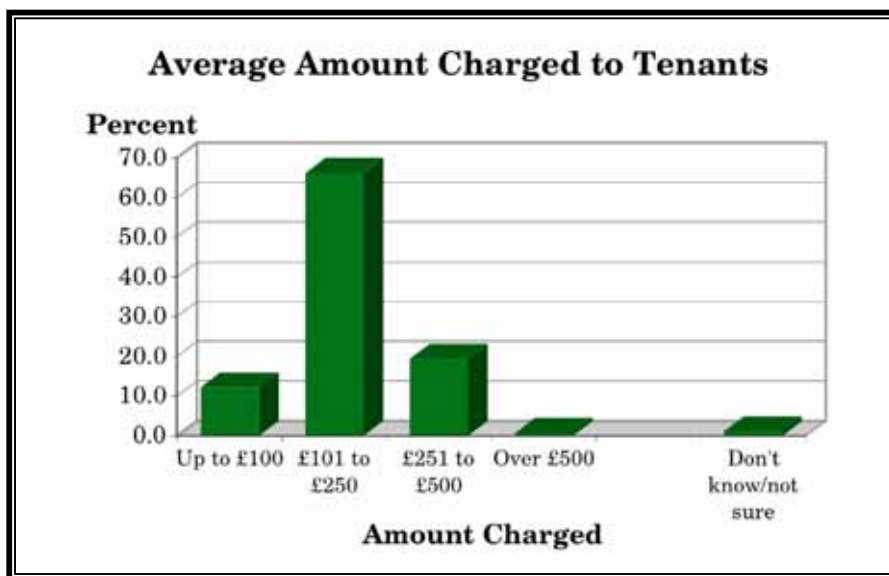
Amount Charged	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Up to £100	-	5.4	13.8	10.2
£101 to £250	58.7	60.7	70.2	64.1
£251 to £500	27.9	32.7	14.4	24.1
Over £500	-	1.2	-	0.4
Don't know/not sure	1.0	-	0.5	0.4
Not stated	1.0	-	1.1	0.7
Average	239	239	187	213
Base: All respondents	(104)	(168)	(188)	(460)



Offices managing properties in Prime Central London and those in the Rest of the South East have exactly the same average amount charged in tenant fees at £239. This compares with an average of £187 for the Rest of the UK.

Looking at differences between the average amounts charged to tenants by ARLA, RICS and NALS member offices, as shown in the table below, on average, ARLA member offices charge about 10% more than RICS and NALS member offices (£213 compared with £192 for RICS and £189 for NALS).

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Up to £100	10.2	20.0	14.3	12.2
£101 to £250	64.1	50.0	69.7	66.2
£251 to £500	24.1	20.0	13.5	19.5
Over £500	0.4	-	1.1	0.7
Don't know/not sure	0.4	10.0	1.4	1.1
Not stated	0.7	-	-	0.4
Average	213	192	189	202
Base: All respondents	(460)	(20)	(363)	(843)

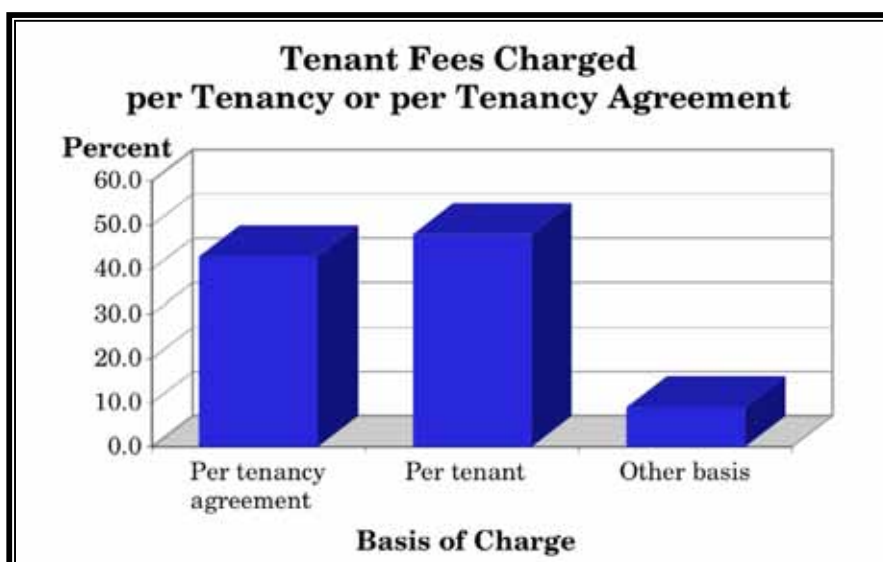


From these results, the overall average amount charged to tenants in total is £202.

4.5 Are Your Tenant Fees Charged Per Tenancy Agreement or Per Tenant? (Q.5)

ARLA members' offices are roughly as equally likely to charge tenant fees per tenant (48%) as they are to charge per tenancy agreement (43%).

Basis of Charge	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Per tenancy agreement	56.7	45.2	33.5	43.0
Per tenant	33.7	46.4	57.4	48.0
Other basis	9.6	8.3	9.0	8.9
Not stated	-	-	-	-
Base: All respondents	(104)	(168)	(188)	(460)

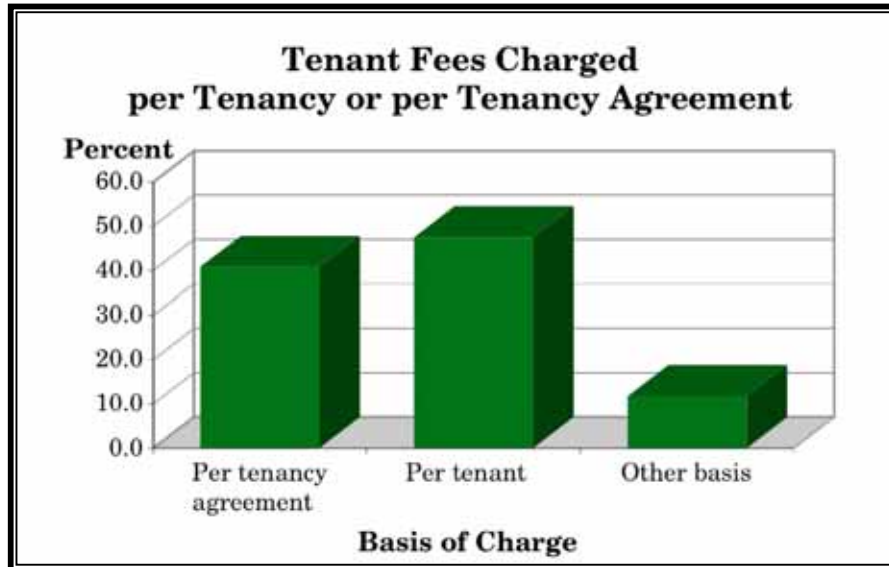


Most likely to be charging per tenancy agreement were offices managing properties in Prime Central London (57% compared with 45% for the Rest of the South East and 34% for the Rest of the UK) with these figures being reversed for those charging per tenant.

RICS member offices appear to be much more likely than both ARLA and NALS member offices to charge per tenancy agreement (65% compared with 43% and 37% respectively) but it should be remembered that the RICS sample was very small.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Per tenancy agreement	43.0	65.0	36.6	40.8
Per tenant	48.0	35.0	47.4	47.4
Other basis	8.9	-	16.0	11.7
Not stated	-	-	-	-
Base: All respondents	(460)	(20)	(363)	(843)

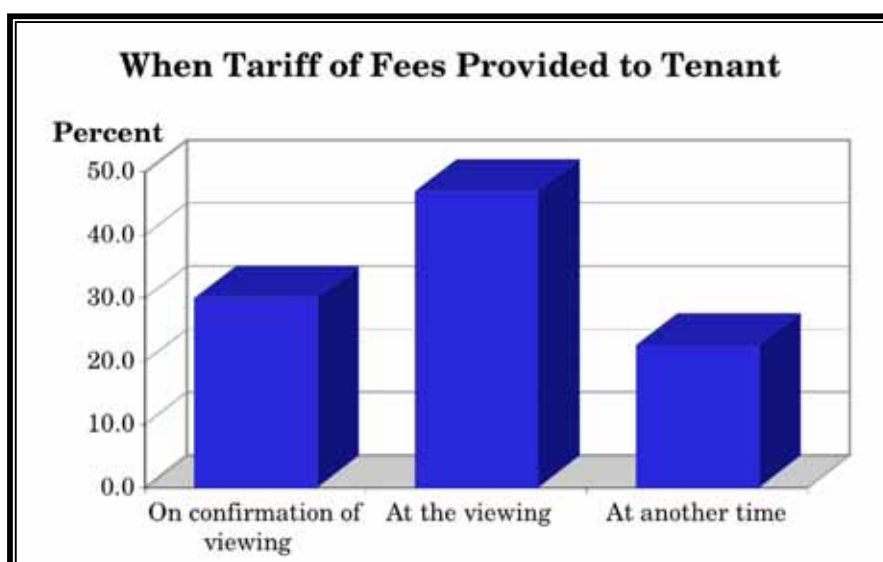
Taking all these results into account, the overall proportion who say their tenant fees are charged per tenant is 47% compared with 41% who say theirs are charged per tenancy agreement and 12% who say theirs are charged on some other basis.



4.6 When is a Tariff of Your Fees Provided to an Applicant? (Q.6)

Nearly half of ARLA member offices provide applicants with a tariff of their fees at the viewing of the property (47%). This compares with three out of ten (30%) doing so on confirmation of the viewing and less than a quarter (23%) doing so at some other time.

When Provided	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
On confirmation of viewing	34.6	32.1	25.5	30.0
At the viewing	39.4	48.8	49.5	47.0
At another time	25.0	19.0	24.5	22.6
Not stated	1.0	-	0.5	0.4
Base: All respondents	(104)	(168)	(188)	(460)

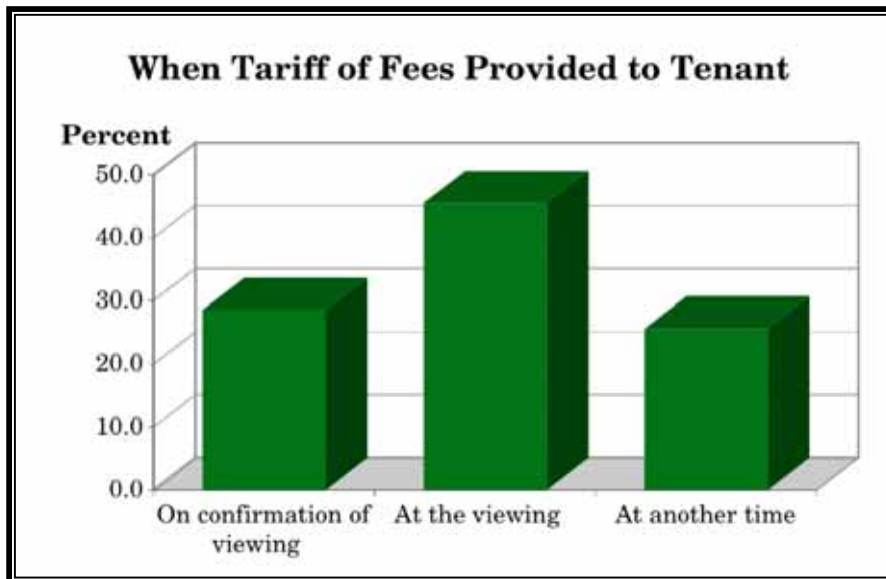


Those in the Rest of the UK are less likely than their counterparts elsewhere to provide a tariff of fees to applicants on confirmation of the viewing (26% compare with 32% for the Rest of the South East and 25% for those managing properties in Prime Central London).

Looking at differences between respondents from ARLA, RICS and NALS, as shown in the table below, there is not a huge difference between ARLA and NALS member offices with RICS member offices standing out because of the absence of any doing so at another time.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
On confirmation of viewing	30.0	40.0	26.2	28.6
At the viewing	47.0	60.0	43.0	45.6
At another time	22.6	-	30.9	25.6
Not stated	0.4	-	-	0.2
Base: All respondents	(460)	(20)	(363)	(843)

Overall, the proportion who say they provide a tariff of their tenant fees at the viewing is 46% and this compares with 29% who do so on confirmation of the viewing and nearly as many (26%) who do so at some other time.



4.7 Are All of Your Tenant Fees Displayed on Your Website and in Your Branch? (Q.7)

This question sought to establish the extent to which tenant fees were displayed on respondents' websites and in their branch offices.

Website

Eight out of ten ARLA members' offices (80%) said that their tenant fees were displayed on their website whilst one in seven (14%) said theirs were not. More than one in twenty (6%), however, said that they didn't know or were unsure whether or not their tenant fees were displayed on their website.

Response	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	78.8	78.6	80.9	79.6
No	12.5	15.5	13.3	13.9
Don't know/not sure	8.7	6.0	4.8	6.1
Not stated	-	-	1.1	0.4
Base: All respondents	(104)	(168)	(188)	(460)

There was little difference between the broad geographic areas on this question with the proportions saying that their tenant fees were displayed on their website ranging from 79% for the South East (including those managing properties in Prime Central London) to 81% for the Rest of the UK.

Looking at differences between respondents from ARLA, RICS and NALS, as can be seen in the table below, shows that there was considerably more variation, with the proportion saying that their fees were displayed on their website ranging from a low of 70% for RICS member offices, through 74% for NALS member offices to a high of 80% for ARLA member offices.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Yes	79.6	70.0	74.1	77.0
No	13.9	20.0	8.8	11.9
Don't know/not sure	6.1	10.0	0.3	3.7
Not stated	0.4	-	16.8	7.5
Base: All respondents	(460)	(20)	(363)	(843)

Taking all these results into account, the overall proportion who said they displayed their tenant fees on their website is 77%.

Branch

Nearly eight out of ten ARLA members' offices (78%) said that their tenant fees were displayed in their branch whilst one in six (16%) said theirs were not. Less than one in twenty (4%) said that they didn't know or were unsure whether or not their tenant fees were displayed in their branch.

Response	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	78.8	79.8	76.6	78.3
No	14.4	14.9	18.1	16.1
Don't know/not sure	5.8	2.4	3.7	3.7
Not stated	1.0	3.0	1.6	2.0
Base: All respondents	(104)	(168)	(188)	(460)

There was some difference between the broad geographic areas on this question with the proportions saying that their tenant fees were displayed in their branch ranging from 77% for the Rest of the UK to 80% for the Rest of the South East with those managing properties in Prime Central London falling between these two at 79%.

Looking at differences between respondents from ARLA, RICS and NALS, as shown in the table below, there was considerable variation with the proportion saying that their fees were displayed in their branch ranging from 55% for RICS member offices to 78% for ARLA members.

However, the figure for NALS member offices, at 75%, was close to that for ARLA member offices and it may be that the low figure for RICS member offices was due to the very small sample size.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Yes	78.3	55.0	74.7	76.2
No	16.1	35.0	7.4	12.8
Don't know/not sure	3.7	5.0	1.1	2.6
Not stated	2.0	5.0	16.8	8.4
Base: All respondents	(460)	(20)	(363)	(843)

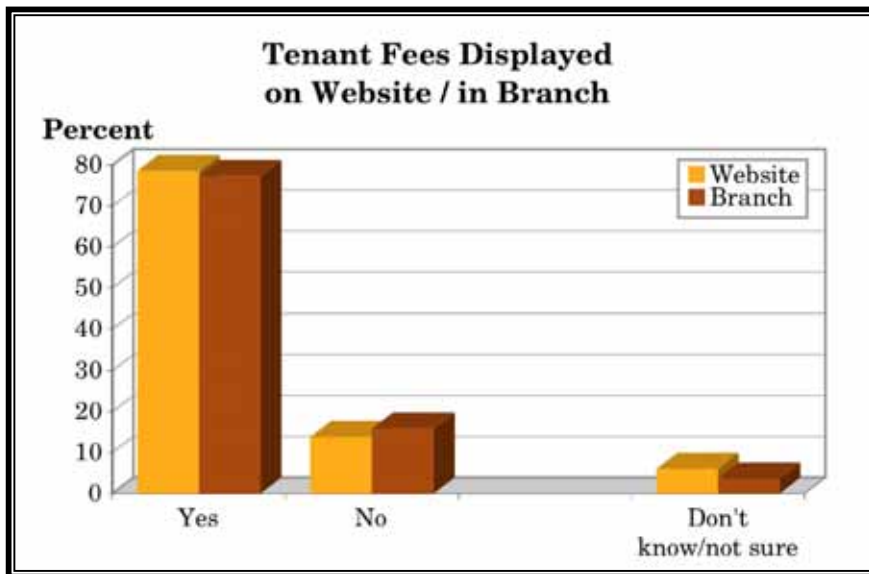
Taking all these results into account, the overall proportion who say they display their tenant fees in their branch is 76%.

Summary

Almost eight out of ten ARLA members' offices (79%) display their tenant fees on their website and almost as many (77%) also do so in their branch offices.

Response	Percent of ARLA Respondents (%)	
	Website	Branch
Yes	78.5	77.3
No	13.7	15.9
Don't know/not sure	6.0	3.6
Not stated	1.7	3.2

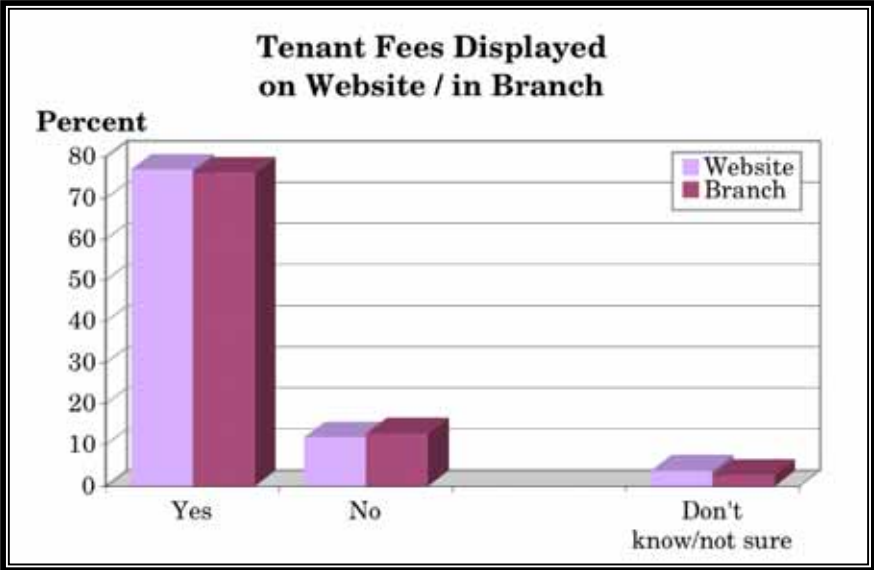
Base: All respondents (460)



When the results from the RICS and NALS surveys are included, the overall proportions who said their tenant fees were displayed on their website falls slightly from 79% to 77%. With regard to the proportion who said that their tenant fees were displayed in the branch, the figure falls even less, from 77% to 76%.

Response	Percent of ALL Respondents (%)	
	Website	Branch
Yes	77.0	76.2
No	11.9	12.8
Don't know/not sure	3.7	2.6
Not stated	7.5	8.4

Base: All respondents (843)



4.8 Do You Display What Fees You Charge Landlords? (Q.8)

Compared with the proportions of ARLA member offices who said that their tenant fees were displayed on their website and in their branch, the proportion who said that they displayed the fees they charge landlords was much lower at little more than a third (35%).

Response	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	35.1	36.2	34.9	35.4
No	56.1	60.3	61.0	59.7
Don't know/not sure	5.3	3.4	3.7	4.0
Not stated	3.5	-	0.5	1.0
Base: All respondents	(114)	(174)	(218)	(506)

There was not much difference between the broad geographic areas on this question with those managing properties in Prime Central London and those in the Rest of the UK both having 35% saying they displayed the fees they charge landlords with the proportion of those in the Rest of the South East being slightly higher at 36%.

Looking at differences between respondents from ARLA, RICS and NALS, as shown in the table below, there was quite a big variation with the proportion saying that their landlord fees were displayed ranging from 34% for NALS member offices to 65% for RICS member offices.

However, the figure for ARLA member offices, at 35%, was very close to that for NALS member offices and it is likely that the high figure for RICS member offices was due to the small sample size.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Yes	35.4	65.0	33.9	35.4
No	59.7	30.0	65.3	61.3
Don't know/not sure	4.0	5.0	0.8	2.7
Not stated	1.0	-	-	0.6
Base: All respondents	(506)	(20)	(363)	(889)

Overall, the proportion who say they display the fees they charge landlords is 35%.

4.9 Would You be In Favour of the Government Introducing a Cap on Tenant Fees? (Q.9)

An almost equal proportion of ARLA member offices said they were in favour of the Government introducing a cap on tenant fees (41%) as said they were not in favour of such a move (42%) with one in six (16%) saying they didn't know or were unsure.

Response	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
Yes	33.3	43.7	43.1	41.1
No	48.2	40.8	39.4	41.9
Don't know/not sure	17.5	15.5	16.5	16.4
Not stated	0.9	-	0.9	0.6
Base: All respondents	(114)	(174)	(218)	(506)

Offices managing properties in Prime Central London were the ones least likely to be in favour of a cap on tenant fees with only a third (33%, compared with 43% and 44% respectively for the Rest of the UK and the Rest of the South East) saying they were.

Looking at differences between respondents from ARLA, RICS and NALS, as shown in the table below, ARLA member offices were least likely to be in favour of a cap on tenant fees with only a little over four out of ten (41%) saying they were compared with 45% of NALS member offices and 50% of RICS member offices.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
Yes	41.1	50.0	45.2	43.0
No	41.9	30.0	39.1	40.5
Don't know/not sure	16.4	20.0	15.7	16.2
Not stated	0.6	-	-	0.3
Base: All respondents	(506)	(20)	(363)	(889)

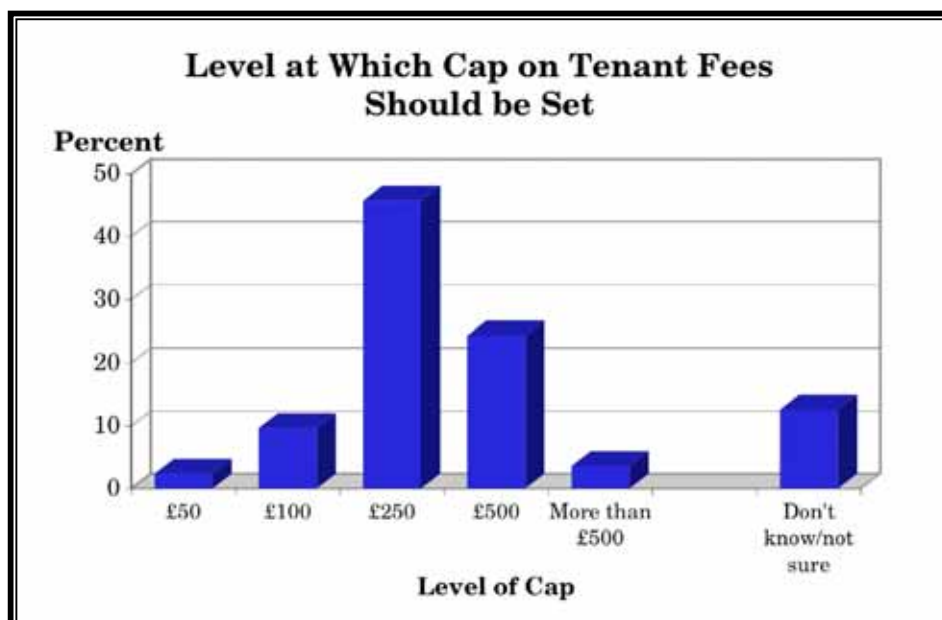
Taking all these results into account, the overall proportion who would be in favour of a cap on tenant fees is 43%.

4.10 At What Level do You Think the Cap on Tenant Fees Charged per Year Should be Set? (Q.10)

In the event that a cap on tenant fees charged per year were to be introduced, the most popular amount of the cap amongst ARLA member offices would be £250.

Simple analysis of these figures suggests that, on average, ARLA member offices think any cap on tenant fees should be set at around £319.

Level	Percent of ARLA Respondents (%)			
	Prime London	Rest of SE	Rest of UK	All Regions
£50	0.9	1.1	4.1	2.4
£100	8.8	5.2	13.8	9.7
£250	40.4	44.8	49.1	45.7
£500	28.9	32.2	15.6	24.3
More than £500	2.6	4.6	3.2	3.6
Don't know/not sure	14.9	10.9	12.8	12.6
Not stated	3.5	1.1	1.4	1.8
Average (£)	337	356	281	319
Base: All respondents	(114)	(174)	(218)	(506)



Interestingly, the highest average acceptable cap on tenant fees was for those in the Rest of the South East at £356, compared with £337 for those managing properties in Prime Central London and £281 for those in the Rest of the UK.

As with some of the other questions, the results for RICS member offices are at variance with those for ARLA and NALS member offices with the

average for RICS member offices coming out at £271 compared with £312 for NALS member offices and £319 for ARLA member offices.

The overall average for respondents from all three organisations comes out at £315.

Response	Percent of Respondents (%)			
	ARLA	RICS	NALS	ALL
£50	2.4	10.0	1.7	2.2
£100	9.7	15.0	7.7	9.0
£250	45.7	50.0	57.3	50.5
£500	24.3	15.0	19.6	22.2
More than £500	3.6	5.0	4.4	3.9
Don't know/not sure	12.6	5.0	9.4	11.1
Not stated	1.8	-	-	1.0
Average (£)	319	271	312	315
Base: All respondents	(506)	(20)	(363)	(889)

