

Prepared for
The Association of Residential Letting Agents

**ARLA Survey
of
Residential Investment Landlords**

September 2012

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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 2012, ARLA conducted the third survey of the year. This survey ran during the month of August.

Through many of its members completing questionnaires, The Residential Landlords Association (RLA) has assisted greatly with this research enhancing the sample size and making the results more robust.

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 21 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 1,168 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

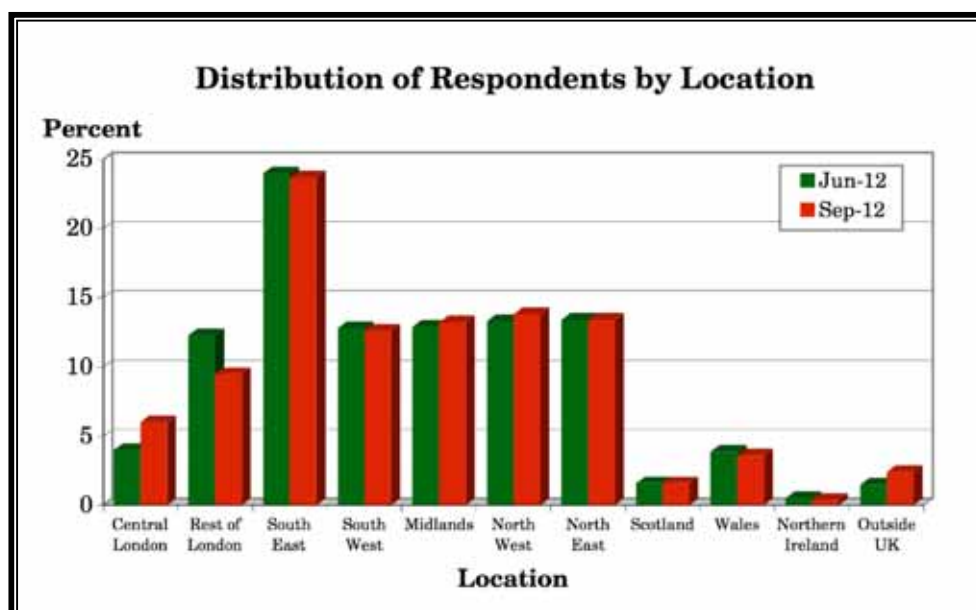
The following sections detail the results of the ARLA survey of residential landlords conducted during the third quarter of 2012. In addition to the overall results for the whole country, for some of the questions, data has been included for each of the regions making up the UK as shown in the table in section 3.1 below except that Scotland, Wales & Northern Ireland have been combined to make the sample more robust.

With effect from the first quarter of 2011, the sample was greatly increased from between 200 and 300 respondents to more than 1,000 respondents but this did not result in significant changes to the profile of the sample and data from subsequent surveys should, therefore, be comparable with data from earlier surveys unless stated otherwise.

3.1 Where do you live? (Q.1)

Almost four out of ten respondents to the survey (39%) were from the South East of England (including London) with almost one in six (16%) being from London itself. The North West (14%) was the region producing the next highest proportion of respondents followed by the North East, the Midlands and the South West (13% in each case). Only one in forty respondents (2.4%) were living outside the UK when they completed the questionnaire.

| Location | Percent of Respondents (%) | | |
|--------------------------------------|----------------------------|---------|---------|
| | Mar 12 | Jun 12 | Sep 12 |
| Central London | 5.0 | 4.0 | 6.0 |
| Rest of London (<i>within M25</i>) | 11.2 | 12.3 | 9.5 |
| South East (<i>outside M25</i>) | 23.4 | 24.0 | 23.7 |
| South West | 13.2 | 12.8 | 12.6 |
| Midlands | 12.8 | 12.9 | 13.2 |
| North West | 14.7 | 13.3 | 13.8 |
| North East | 12.1 | 13.4 | 13.4 |
| Scotland | 1.7 | 1.6 | 1.6 |
| Wales | 2.9 | 3.9 | 3.6 |
| Northern Ireland | 0.3 | 0.5 | 0.4 |
| Outside UK | 2.6 | 1.5 | 2.4 |
| Base: All answering | (1,441) | (1,089) | (1,131) |



Compared with the second quarter of 2012, the main differences are that there were more respondents from Central London and fewer from the Rest of London.

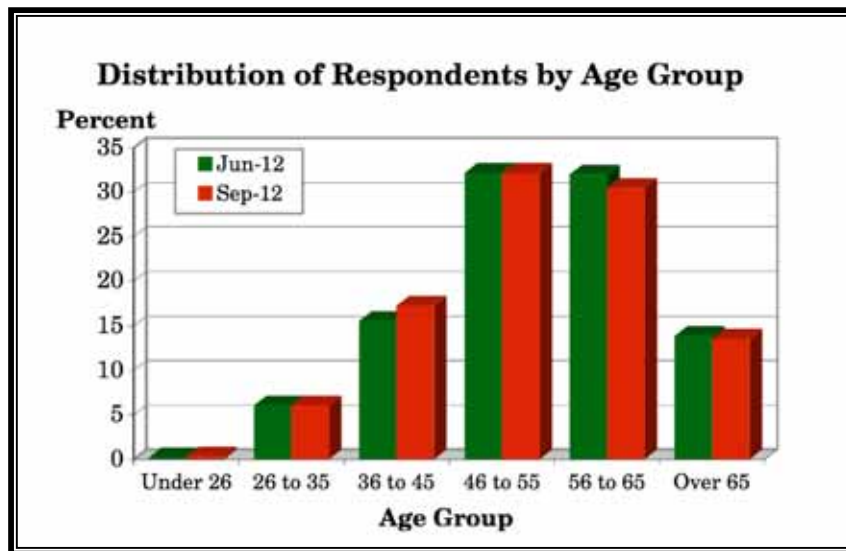
3.2 How old are you? (Q.2)

More than six out of ten respondents (63%) were aged between 46 and 65 with these respondents being fairly equally split between those who were between 46 and 55 (32%) and those who were between 56 and 65 (31%). A further one in six (17%) were aged between 36 and 45.

At the extreme ends of the age scale, one in seven respondents (14%) were aged over 65 with less than half as many (6%) being aged 35 or under on this occasion.

Analysis of the results from this question reveals that the average age of respondents to the survey was 52.7 years, a figure which is down from 53.2 years three months ago.

| Age Group | Percent of Respondents (%) | | |
|------------------------|----------------------------|-------------|-------------|
| | Mar 12 | Jun 12 | Sep 12 |
| Under 26 | 0.9 | 0.2 | 0.3 |
| 26 to 35 | 6.3 | 6.1 | 6.1 |
| 36 to 45 | 18.0 | 15.6 | 17.3 |
| 46 to 55 | 31.0 | 32.2 | 32.2 |
| 56 to 65 | 30.6 | 32.0 | 30.5 |
| Over 65 | 13.3 | 13.9 | 13.6 |
| Average (years) | 52.4 | 53.2 | 52.7 |
| Base: All answering | (1,440) | (1,090) | (1,132) |



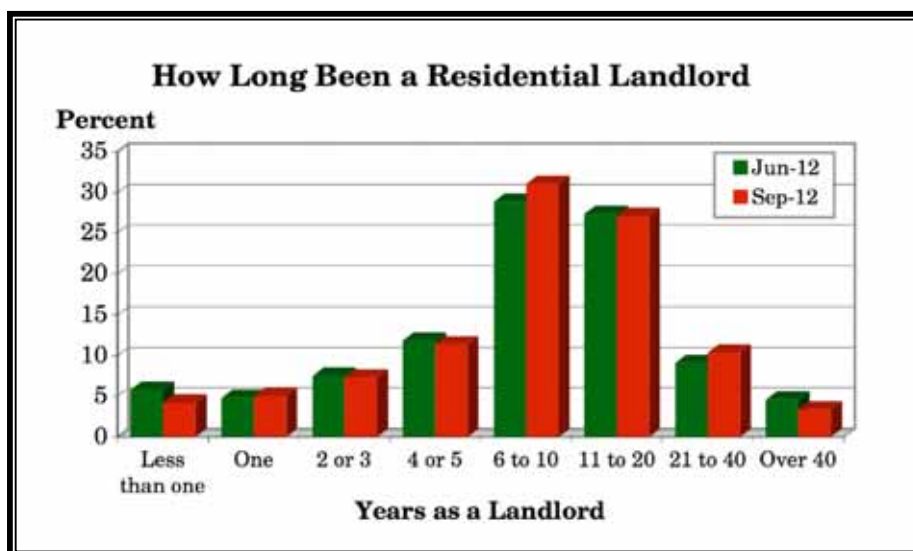
Compared with the last survey three months ago, the main changes are that there were more respondents aged 36 to 45 (up from 16% to 17%) and fewer aged 56 to 65 (down from 32% to 31%).

3.3 How long have you owned residential property to let? (Q.3)

Less than one in ten respondents (9%) had been residential landlords for one year or less whilst one in seven (14%) had been residential landlords for more than 20 years.

However, the vast majority, amounting to more than three quarters (77%) had been residential landlords for between 2 and 20 years with the largest proportion, more than three out of ten (31%) having been residential landlords for between 6 and 10 years. This group was closely followed by those who had been residential landlords for between 11 and 20 years (27%).

| Years as a Landlord | Percent of Respondents (%) | | |
|------------------------|----------------------------|-------------|-------------|
| | Mar 12 | Jun 12 | Sep 12 |
| Less than one | 6.2 | 5.8 | 4.2 |
| One | 3.4 | 4.8 | 5.0 |
| 2 or 3 | 8.0 | 7.5 | 7.3 |
| 4 or 5 | 13.4 | 11.9 | 11.4 |
| 6 to 10 | 28.2 | 28.9 | 31.1 |
| 11 to 20 | 28.4 | 27.4 | 27.1 |
| 21 to 40 | 8.2 | 9.1 | 10.4 |
| Over 40 | 4.2 | 4.6 | 3.4 |
| Average (years) | 11.9 | 12.2 | 12.2 |
| Base: All answering | (1,409) | (1,073) | (1,112) |



Simple analysis of these figures indicates that the average time for which respondents had been residential landlords was 12.2 years, a figure which is unchanged compared with three months ago.

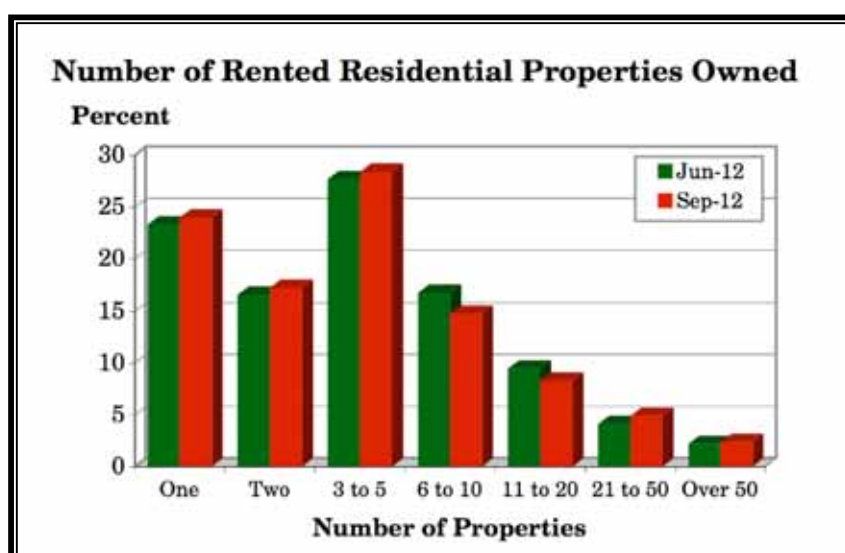
As the chart below shows, over the period during which this question has been asked, the proportion of relatively new landlords, i.e. those who have been residential landlords for less than one year, has declined massively from 28% to just 4%, perhaps reflecting the boom period of the early 2000s when a lot of new people entered the private rented sector as landlords.

Despite a couple of sharp increases in the figure in the second half of 2006 and the winter of 2007/2008, the trend was firmly downwards

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

More than four out of ten respondents (41%) had only one or two properties in their portfolios with less than half as many (16%) having more than ten properties in theirs.

| Number of Properties | Percent of Respondents (%) | | |
|------------------------------------|----------------------------|------------|------------|
| | Mar 12 | Jun 12 | Sep 12 |
| One | 25.3 | 23.3 | 24.0 |
| Two | 17.5 | 16.5 | 17.2 |
| 3 to 5 | 28.5 | 27.7 | 28.4 |
| 6 to 10 | 14.6 | 16.7 | 14.8 |
| 11 to 20 | 7.8 | 9.5 | 8.3 |
| 21 to 50 | 4.4 | 4.1 | 4.9 |
| Over 50 | 2.0 | 2.2 | 2.4 |
| Average (no. of properties) | 7.2 | 7.6 | 7.7 |
| Base: All answering | (1,402) | (1,069) | (1,103) |



Analysis of these results shows that the average size of respondents' portfolios was 7.7 properties, up marginally from an average of 7.6 properties three months ago.

As can be seen from the chart below, 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 but two successive falls in the second half of 2008 took the figure to its lowest level since the third quarter of 2007.

The results from 2009 showed an increasing number of properties in respondents portfolios although the average number did fluctuate from quarter to quarter.

During 2010, the average levelled off at between 7 and 8 properties, despite quite large fluctuations and during the first half of 2011, the

figure stabilised at around 8 properties before falling quite sharply with the results from the third quarter 2011 survey.

Since then, despite the quite marked fluctuations, there has been a clear downward trend although the results from this quarter, with the second increase in succession, suggest that this may be changing.



Regional Analysis

The results for this question for each of the regions of the UK are shown in the table below from which it can be seen that there is a tendency for the average number of properties owned to increase as one moves north with the North West having the highest proportion saying they had more than 20 properties (14%) and Central London having the lowest proportion (1.5%).

| Number of Properties | Region | | | | | | | | |
|----------------------|--------|------|------|------|------|------|------|----------|--------|
| | CL | ROL | SE | SW | MID | NW | NE | S,W & NI | Non UK |
| One | 30.8 | 26.9 | 27.6 | 27.0 | 21.4 | 14.7 | 18.8 | 27.9 | 29.6 |
| Two | 15.4 | 14.4 | 24.5 | 18.2 | 10.3 | 15.3 | 11.4 | 18.0 | 33.3 |
| 3 to 5 | 27.7 | 26.0 | 30.3 | 31.4 | 28.3 | 25.3 | 31.5 | 21.3 | 25.9 |
| 6 to 10 | 13.8 | 21.2 | 7.3 | 15.3 | 20.0 | 19.3 | 16.1 | 16.4 | - |
| 11 to 20 | 10.8 | 6.7 | 6.9 | 3.6 | 10.3 | 11.3 | 8.7 | 11.5 | 7.4 |
| 21 to 50 | 1.5 | 3.8 | 2.3 | 3.6 | 7.6 | 8.0 | 7.4 | 4.9 | 3.7 |
| Over 50 | - | 1.0 | 1.1 | 0.7 | 2.1 | 6.0 | 6.0 | - | - |

Base: All answering (1,099)

Analysing these results to produce regional averages reveals that landlords in the North West and the North East had the highest average number (12 properties), followed by the Midlands (9 properties) with those in the rest of the country having considerably lower average numbers (between 5 and 6 properties).

| Geographic Region | Average Number of Properties (%) | | |
|--------------------------------------|----------------------------------|--------|--------|
| | Mar 12 | Jun 12 | Sep 12 |
| Central London | 4.0 | 5.6 | 5.0 |
| Rest of London (<i>within M25</i>) | 5.8 | 6.1 | 6.4 |
| South East (<i>outside M25</i>) | 6.1 | 6.2 | 5.3 |
| South West | 4.9 | 6.9 | 5.5 |
| Midlands | 6.8 | 8.3 | 9.0 |
| North West | 10.7 | 8.4 | 12.1 |
| North East | 10.6 | 12.3 | 11.5 |
| Scotland/Wales/NI | 6.8 | 6.6 | 6.3 |
| Outside UK | 3.5 | 5.4 | 4.5 |

Base: All answering (1,395) (1,067) (1,099)



Compared with three months ago, the biggest difference was a big increase for the North West (up from 8 to 12 properties, reversing the fall

seen three months ago) with the Rest of London and the Midlands also showing increases. All the other regions saw decreases in their average number of properties.

3.5 In the last 12 months, have you bought or sold any properties within your portfolio? (Q.5)

A quarter of those answering this question (25%) said they had bought properties for their portfolios during the last 12 months with less than half as many (9%) saying they had sold properties during the same period.

| Number of Properties | Percent of Respondents – Sep 12 (%) | |
|----------------------|-------------------------------------|-------|
| | Bought | Sold |
| None | 74.6 | 91.4 |
| One | 16.3 | 6.7 |
| 2 to 5 | 7.4 | 1.5 |
| 5 to 10 | 0.9 | 0.1 |
| More than 10 | 0.5 | 0.1 |
| All | 0.3 | 0.1 |
| Base: All answering | (1,061) | (909) |



Compared with three months ago, as can be seen in the table below, there has been a fall in the proportion saying they had bought properties in the preceding 12 months (down from 29% to 25%, reversing the change seen then) with the proportion saying they had sold properties increasing a little again, this time from 8% to 9%.

| Number of Properties | Percent of Respondents (%) | | | |
|----------------------|----------------------------|---------|--------|--------|
| | Bought | | Sold | |
| | Jun 12 | Sep 12 | Jun 12 | Sep 12 |
| None | 71.0 | 74.6 | 92.1 | 91.4 |
| One | 18.2 | 16.3 | 5.9 | 6.7 |
| 2 to 5 | 9.7 | 7.4 | 1.4 | 1.5 |
| 5 to 10 | 0.3 | 0.9 | 0.4 | 0.1 |
| More than 10 | 0.3 | 0.5 | - | 0.1 |
| All | 0.6 | 0.3 | 0.2 | 0.1 |
| Base: All answering | (1,030) | (1,061) | (851) | (909) |

Regional Analysis

The table below shows, for each region, the proportions of respondents saying they had bought properties in the 12 months preceding the survey from which it can be seen that the majority of respondents in each region (between 66% and 84%) had not bought any properties.

| Number of Properties Bought | Region | | | | | | | | |
|-----------------------------|--------|------|------|------|------|------|------|----------|--------|
| | CL | ROL | SE | SW | MID | NW | NE | S,W & NI | Non UK |
| None | 77.0 | 78.6 | 71.4 | 84.4 | 66.4 | 70.9 | 80.0 | 77.8 | 72.0 |
| One | 16.4 | 15.3 | 20.0 | 11.5 | 20.5 | 16.3 | 11.7 | 9.5 | 20.0 |
| 2 to 5 | 4.9 | 6.1 | 7.8 | 3.3 | 10.3 | 9.9 | 6.2 | 9.5 | 8.0 |
| 5 to 10 | 1.6 | - | 0.8 | - | 0.7 | 2.8 | 0.7 | 1.6 | - |
| More than 10 | - | - | - | 0.8 | 0.7 | - | 1.4 | - | - |
| All | - | - | - | - | 1.4 | - | - | 1.6 | - |

Base: All answering (1,056)

The table below shows the proportions of respondents saying they had sold properties in the 12 months preceding the survey from which it can be seen that the vast majority of respondents in each region (between 87% and 95%) had not sold any properties.

| Number of Properties Sold | Region | | | | | | | | |
|---------------------------|--------|------|------|------|------|------|------|----------|--------|
| | CL | ROL | SE | SW | MID | NW | NE | S,W & NI | Non UK |
| None | 89.8 | 95.3 | 91.9 | 88.5 | 94.0 | 88.6 | 93.8 | 87.9 | 87.0 |
| One | 8.2 | 2.3 | 6.2 | 10.6 | 6.0 | 8.1 | 5.4 | 5.2 | 13.0 |
| 2 to 5 | 2.0 | 2.3 | 1.9 | 0.9 | - | 3.3 | 0.8 | 1.7 | - |
| 5 to 10 | - | - | - | - | - | - | - | 1.7 | - |
| More than 10 | - | - | - | - | - | - | - | 1.7 | - |
| All | - | - | - | - | - | - | - | 1.7 | - |

Base: All answering (907)

Simple calculations using these results produce the proportions of respondents from each region who said they had bought properties or who said they had sold properties in the 12 months preceding the survey and these are shown in the chart and table below.

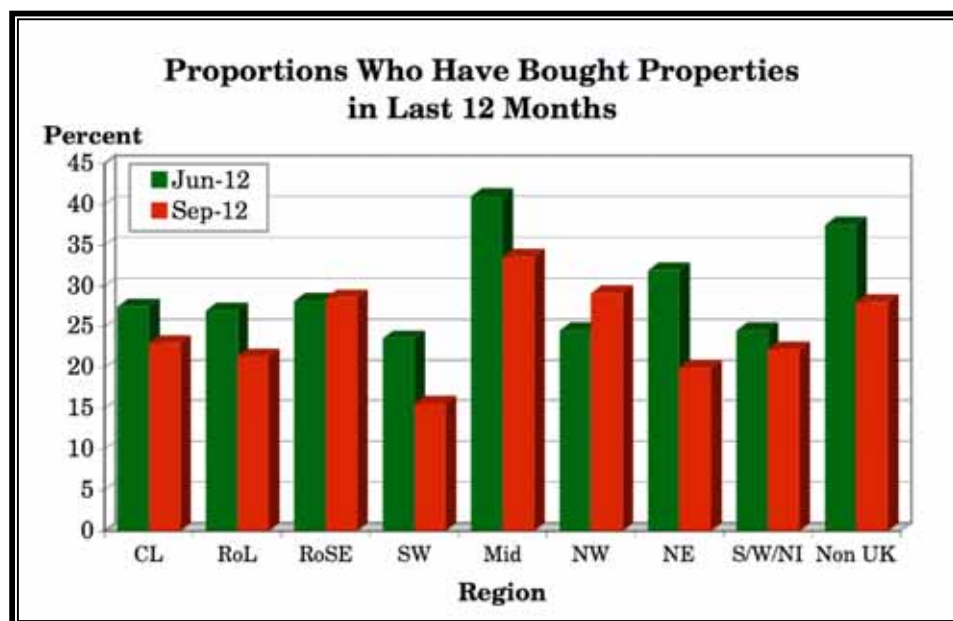


| Geographic Region | Percent of Respondents – Sep 12 (%) | |
|--------------------------------------|-------------------------------------|-------|
| | Bought | Sold |
| Central London | 23.0 | 10.2 |
| Rest of London (<i>within M25</i>) | 21.4 | 4.7 |
| South East (<i>outside M25</i>) | 28.6 | 8.1 |
| South West | 15.6 | 11.5 |
| Midlands | 33.6 | 6.0 |
| North West | 29.1 | 11.4 |
| North East | 20.0 | 6.2 |
| Scotland/Wales/NI | 22.2 | 12.1 |
| Outside UK | 28.0 | 13.0 |
| Base: All answering | (1,056) | (907) |

The regions with the highest proportions of landlords saying they had bought properties were the Midlands (34%), the North West (29%), the South East (29%) and Outside the UK (28%). The region with the lowest proportion was the South West (16%) with all the other regions having broadly similar proportions of respondents saying they had bought properties (between 20% and 23%).

When it comes to the proportions saying they had sold properties, the region with the highest proportion was those living Outside the UK (13%). With regard to respondents living within the UK, there was no clear pattern relating to where the region was in the UK although Central London, the South West, the North West and Scotland, Wales & Northern Ireland formed a group with a higher average (10% to 12%) than in the other regions (5% to 8%).

Compared with three months ago, as can be seen in the chart below, there were noticeable decreases in the proportion saying they had bought properties in the last 12 months for all regions with the sole exceptions of the Rest of the South East which was almost unchanged and the North West which showed an increase against the trend.



With regard to selling properties, compared with three months ago, there were some interesting variations with substantially fewer of

those in the Rest of London and Outside the UK saying they had sold properties in the last 12 months and substantially more in the North West and Scotland, Wales & Northern Ireland saying they had done so with the proportions for those in the rest of the country being largely unchanged.



| Geographic Region | Percent of Respondents (%) | | | |
|--------------------------------------|----------------------------|---------|--------|--------|
| | Bought | | Sold | |
| | Jun 12 | Sep 12 | Jun 12 | Sep 12 |
| Central London | 27.5 | 23.0 | 9.7 | 10.2 |
| Rest of London (<i>within M25</i>) | 27.0 | 21.4 | 11.3 | 4.7 |
| South East (<i>outside M25</i>) | 28.2 | 28.6 | 8.0 | 8.1 |
| South West | 23.6 | 15.6 | 10.8 | 11.5 |
| Midlands | 41.0 | 33.6 | 6.0 | 6.0 |
| North West | 24.6 | 29.1 | 4.3 | 11.4 |
| North East | 31.9 | 20.0 | 7.9 | 6.2 |
| Scotland/Wales/Ni | 24.6 | 22.2 | 2.0 | 12.1 |
| Outside UK | 37.5 | 28.0 | 18.2 | 13.0 |
| Base: All answering | (1,028) | (1,056) | (849) | (907) |

3.6 In the next 12 months, do you expect to buy any further properties to let? (Q.6)

Almost a quarter of respondents (24%) said that they expected to acquire further properties to let during the next 12 months but more than half (51%) said that they did not.

In addition, a further quarter (25%) were unsure whether or not they would acquire further properties to let in the next year.

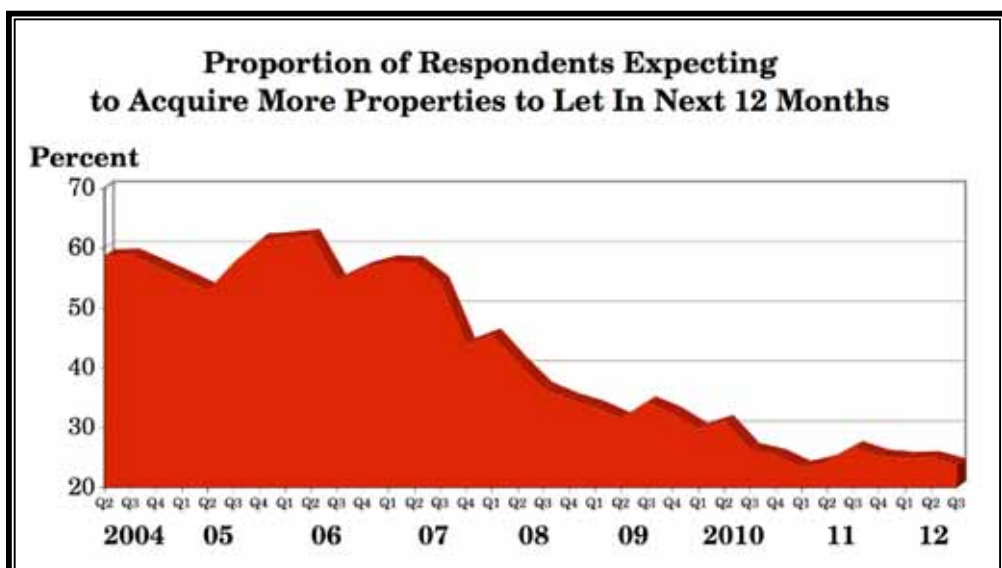
| Response | Percent of Respondents (%) | | |
|---------------------|----------------------------|---------|---------|
| | Mar 12 | Jun 12 | Sep 12 |
| Yes | 24.8 | 25.0 | 23.8 |
| No | 48.6 | 48.7 | 50.8 |
| Don't know | 26.6 | 26.3 | 25.4 |
| Base: All answering | (1,395) | (1,057) | (1,090) |

Compared with three months ago, there has been a small fall (from 25% to 24%) in the proportion saying they expect to buy in the next 12 months and a rise (from 49% to 51%) in the proportion saying they do not.

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 towards the end of 2006 returned the figure to its former level before it began slowly to increase again.

However, for most of the last five years the proportion has been falling and with the results from the beginning of 2011, it reached it's lowest level since these surveys began.

After that it increased for a couple of quarters in mid-2011 before falling for two quarters in succession. The results from this quarter do nothing to change the fairly static overall position which has existed for more than a year.



Regional Analysis

The results for this question for each of the regions of the UK are shown in the table below from which it can be seen that there is little correlation between where in the country a region is located and the proportion of respondents who say they expect to buy property in the next 12 months although the figures do range from 16% in the South West to 32% in the Midlands.

In addition, quite a high proportion of respondents in every region (between 23% and 32%) said they were unsure whether they would buy properties in the next 12 months or not with the result that between 40% and 59% said they did not expect to be buying properties in the next 12 months

| Response | Region | | | | | | | | |
|----------|--------|------|------|------|------|------|------|----------|--------|
| | CL | ROL | SE | SW | MID | NW | NE | S,W & NI | Non UK |
| Yes | 24.2 | 31.1 | 25.4 | 16.3 | 32.2 | 18.8 | 18.9 | 23.3 | 26.9 |
| No | 46.8 | 39.8 | 51.2 | 58.5 | 41.3 | 58.4 | 56.8 | 45.0 | 50.0 |
| Not sure | 29.0 | 29.1 | 23.5 | 25.2 | 26.6 | 22.8 | 24.3 | 31.7 | 23.1 |

Base: All answering (1,086)



As can be clearly seen from the chart above and the table below, compared with three months ago, there have been some noticeable changes.

In particular, the Rest of London, the Midlands and those living Outside the UK all saw the proportion saying they did expect to buy properties in the 12 months following the survey increase significantly.

In the other direction, with one exception, all the remaining regions saw noticeable declines in the proportion saying they expected to be buying properties in the next 12 months.

The exception was the Rest of the South East which showed little change in the proportion expecting to buy properties in the coming 12 months.

| Geographic Region | Percent Expecting to Buy Properties (%) | | |
|--------------------------------------|--|---------------|---------------|
| | Mar 12 | Jun 12 | Sep 12 |
| Central London | 22.7 | 27.5 | 24.2 |
| Rest of London (<i>within M25</i>) | 26.5 | 22.3 | 31.1 |
| South East (<i>outside M25</i>) | 22.2 | 25.8 | 25.4 |
| South West | 18.0 | 20.1 | 16.3 |
| Midlands | 32.4 | 26.8 | 32.2 |
| North West | 24.0 | 25.2 | 18.8 |
| North East | 30.6 | 25.5 | 18.9 |
| Scotland/Wales/NI | 22.9 | 31.1 | 23.3 |
| Outside UK | 25.0 | 25.0 | 26.9 |
| Base: All answering | (1,388) | (1,055) | (1,086) |

3.7 In the next 12 months, do you expect to sell some or all of your let residential properties? (Q.7)

More than seven out of ten respondents to this survey (73%) said that they did not expect to sell any of their let residential properties in the next 12 months.

Nevertheless, almost one in ten (9%) said they did have such expectations with a further 18% being unsure whether they would be selling any properties in the next 12 months or not.

| Response | Percent of Respondents (%) | | |
|---------------------|----------------------------|---------|---------|
| | Mar 12 | Jun 12 | Sep12 |
| Yes | 10.9 | 10.2 | 9.1 |
| No | 72.4 | 71.7 | 72.6 |
| Not sure | 16.7 | 18.0 | 18.3 |
| Base: All answering | (1,400) | (1,064) | (1,098) |

Compared with three months ago, the proportion saying they do not intend to sell some or all of their properties in the next 12 months has increased a little from 72% to 73% but this merely reverses the change seen then. To compensate for this change, the proportion saying that they do have such intentions has fallen from 10% to 9% and this is the second fall in succession. As a result, the proportion saying they are unsure whether they will or not is unchanged at 18%.

As can be seen from the chart below, the proportion of respondents saying they expect to sell residential properties in the next 12 months rose during 2007 and the early part of 2008 before plummeting to a quarter of its former level by the end of 2008.

In 2009 and the first half of 2010, the proportion expecting to sell properties increased steadily but the results from the third quarter of 2010 brought an abrupt end to that upward trend with the first fall in the figure for nearly two years.

The results from the first quarter 2011 survey produced a sharp rise, more than reversing the fall seen in the last quarter of 2010 but the results from the middle of 2011 largely eroded that increase.

The increases seen over the winter of 2011/2012, followed by the falls seen in the last two quarters suggest that the overall trend is for a fairly stable proportion to expect to be selling properties.



Regional Analysis

The results for this question for each of the regions of the UK are shown in the table below from which it can be seen that there was considerable variation between some of the regions in terms of the proportions of respondents saying they expected to sell properties in the 12 months following the survey with a tendency for the proportion to be higher in the north of the country.

The regions with the highest proportions saying they expected to sell properties in the next 12 months were the North West (13%), the North East (12%), Scotland, Wales & Northern Ireland (11%) and the Rest of London (11%). The regions with the lowest proportions of respondents saying they expected to sell properties in the next 12 months were the Rest of the South East (7%) and the South West (7%).

Again, quite a high proportion of respondents in every region (between 11% and 27%) said they were unsure whether they would sell properties in the next 12 months or not with the result that around three quarters of respondents for each region (between 66% and 81%) said they did not expect to be selling properties in the next 12 months

| Response | Region | | | | | | | | |
|----------|--------|------|------|------|------|------|------|-------------|-----------|
| | CL | ROL | SE | SW | MID | NW | NE | S,W & NI | Non UK |
| Yes | 9.4 | 10.7 | 6.5 | 6.8 | 7.6 | 12.8 | 12.0 | 11.3 | 7.4 |
| No | 79.7 | 68.9 | 81.3 | 65.9 | 71.7 | 67.1 | 68.7 | 72.6 | 74.1 |
| Not sure | 10.9 | 20.4 | 12.2 | 27.3 | 20.7 | 20.1 | 19.3 | 16.1 | 18.5 |

Base: All answering (1,094)



As can be clearly seen from the chart above and the table below, compared with three months ago, there have been some substantial changes.

In particular, Central London saw the proportion saying they expected to sell properties in the 12 months following the survey fall from 15% to 9%. Those living Outside the UK also saw a substantial

fall in the proportion expecting to sell, with the figure falling from 13% to 7%.

On the other hand, the North West saw its proportion of respondents saying they expected to sell properties in the 12 months to come rise from 7% to 13%.

The remaining regions saw smaller, but still quite large changes in the proportion saying they expected to sell properties in the next 12 months with some seeing increases and others seeing falls.

| Geographic Region | Percent Expecting to Sell Properties (%) | | |
|--------------------------------------|---|---------------|---------------|
| | Mar 12 | Jun 12 | Sep 12 |
| Central London | 12.1 | 15.0 | 9.4 |
| Rest of London (<i>within M25</i>) | 9.6 | 9.2 | 10.7 |
| South East (<i>outside M25</i>) | 9.8 | 9.3 | 6.5 |
| South West | 9.3 | 10.3 | 6.8 |
| Midlands | 14.5 | 9.5 | 7.6 |
| North West | 12.6 | 7.1 | 12.8 |
| North East | 11.1 | 15.5 | 12.0 |
| Scotland/Wales/NI | 4.2 | 9.7 | 11.3 |
| Outside UK | 13.9 | 12.5 | 7.4 |
| Base: All answering | (1,393) | (1,062) | (1,094) |

3.8 How long ago did you first become a (Buy to Let) residential investment landlord? (Q.8)

This question was changed with effect from this survey to include an additional option of 'from 2011 onwards'. As a result, the previous option of 'from 2006 onwards' was altered to 'from 2006 to 2010'.

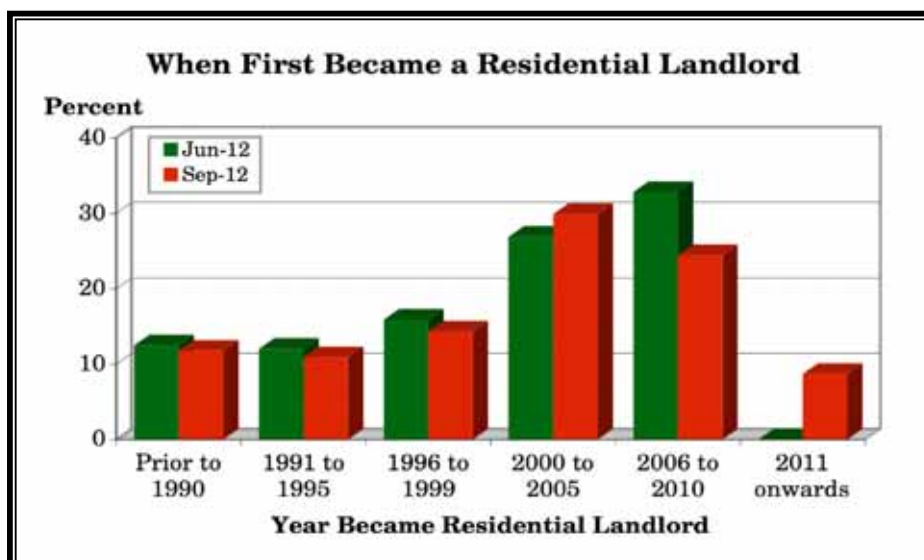
More than six out of ten respondents to this survey (63%) had become residential landlords since the beginning of 2000 with a third (33%) having done so since the beginning of 2006 and almost one in ten (9%) since the beginning of 2011.

Nevertheless, almost one in eight respondents (12%) had first become residential landlords earlier than 1990 and had therefore been landlords for more than 22 years.

| When Became a Landlord | Percent of Respondents (%) | | |
|-----------------------------------|----------------------------|------------------|-------------|
| | Mar 12 | Jun12 | Sep 12 |
| Prior to 1990 | 12.9 | 12.5 | 11.8 |
| 1991 to 1996 | 11.4 | 12.0 | 10.9 |
| 1997 to 1999 | 15.1 | 15.9 | 14.3 |
| 2000 to 2005 | 29.3 | 26.9 | 29.9 |
| 2006 to 2010 | 31.3 | 32.8 | 24.4 |
| 2011 onwards | <i>not incl.</i> | <i>not incl.</i> | 8.7 |
| Average (no. of years ago) | 11.9 | 11.8 | 11.9 |
| Base: All answering | (1,381) | (1,052) | (1,084) |

Compared with three months ago, the addition of a new band means that the previous band of 'from 2006 onwards' has been split into two bands. Apart from this, the main changes are that the proportion of respondents who said they had become landlords between 2000 and 2005 was up from 27% to 30% and the proportions for all the bands prior to 2000 were down a little to compensated for this increase.

The current average length of time since respondents first became landlords, at 11.9 years, is up marginally from an average of 11.8 years three months ago.



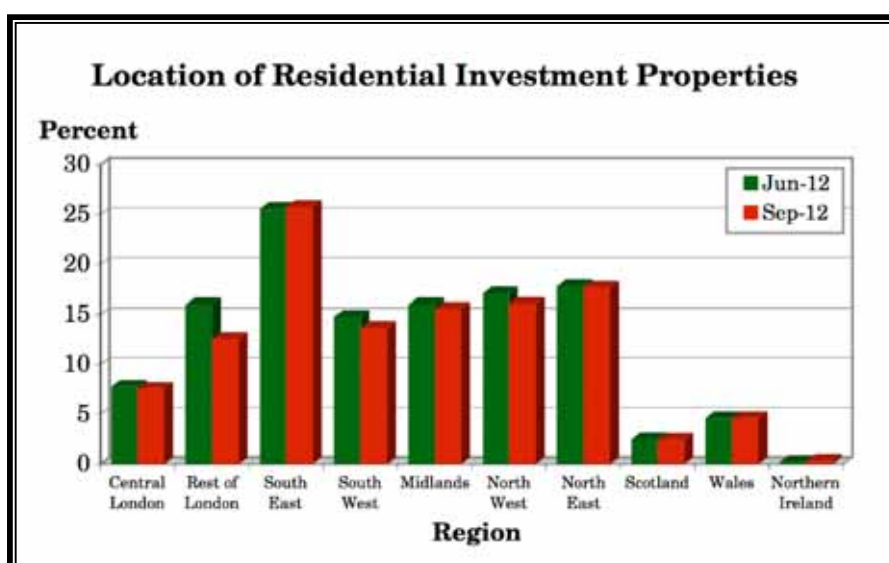
3.9 Where are your residential investment properties located? (Q.9)

Nearly half of respondents (46%) said that they had properties in the South East (including London) with two out of ten (20%) saying they had properties in London itself.

| Location | Percent of Respondents (%) | | |
|--------------------------------------|----------------------------|---------|---------|
| | Mar 12 | Jun 12 | Sep 12 |
| Central London | 7.7 | 7.8 | 7.6 |
| Rest of London (<i>inside M25</i>) | 15.3 | 16.0 | 12.6 |
| South East (<i>outside M25</i>) | 25.8 | 25.6 | 25.8 |
| South West | 15.5 | 14.8 | 13.7 |
| Midlands | 15.9 | 16.0 | 15.6 |
| North West | 18.9 | 17.1 | 16.1 |
| North East | 17.0 | 17.8 | 17.7 |
| Scotland | 2.5 | 2.5 | 2.4 |
| Wales | 5.0 | 4.6 | 4.6 |
| Northern Ireland | 0.4 | 0.2 | 0.3 |
| Base: All answering | (1,384) | (1,054) | (1,057) |

Compared with three months ago, most regions had roughly similar levels of respondents with properties in the region.

The one exception to this was the Rest of London which saw its proportion fall from 16% to 13% but this is merely a reflection of the fall in the number of respondents from that region.



Comparing the distribution of properties with the distribution of respondents, as can be seen in the table and chart below, shows that a noticeably higher proportion of landlords said they had properties in every region. This suggests that landlords quite often 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, in proportional terms, for Scotland (50%) followed by the Rest of London (33%), the North East (32%), Wales (28%) and Central London (27%).

3.10 What proportion of the residential properties you have bought are of each type? (Q.10)

Respondents to this survey were more likely to have bought properties in good condition than any of the other types listed with a third of respondents (33%) saying that more than three quarters of the properties they had bought were of this type.

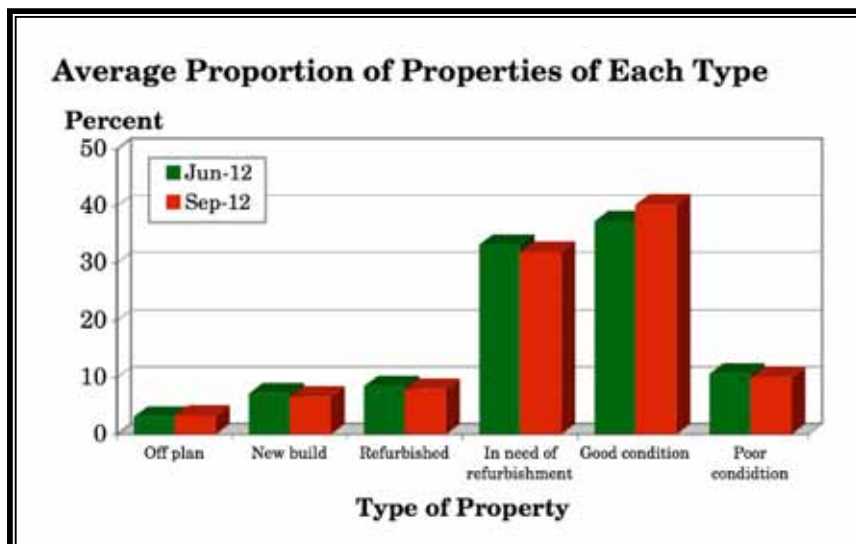
| Proportion of Properties | Percent of Respondents – Sep 12 (%) | | | | | |
|--------------------------|-------------------------------------|-----------|--------------|--------------------|------------|------------|
| | Off plan | New build | Refurb-ished | In need of refurb. | Good cond. | Poor cond. |
| None | 91.1 | 84.9 | 85.0 | 45.4 | 35.2 | 76.2 |
| Up to 25% | 4.7 | 6.4 | 5.0 | 9.6 | 11.5 | 10.8 |
| 26% to 50% | 1.5 | 3.3 | 2.2 | 13.0 | 12.5 | 4.1 |
| 51% to 75% | 1.0 | 1.2 | 1.7 | 9.4 | 7.6 | 3.1 |
| Over 75% | 1.7 | 4.3 | 6.2 | 22.6 | 33.3 | 5.9 |

Base: All answering (1,004)

Analysis of these responses confirms that the most popular type of property with landlords has been those in good condition with, on average, four out of ten properties bought (40%) being of that type. Next most popular have been properties in need of refurbishment (32%).

Least likely to have been bought by landlords, were properties which have been bought off plan or which have never been occupied (3%) followed by those which were new builds (7%), those which were refurbished (8%) and those in poor condition (10%).

| Type of Property | Average Percent of Properties (%) | | | |
|--------------------------|-----------------------------------|---------|--------|---------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| Off plan/never occupied | 3.9 | 3.2 | 3.1 | 3.3 |
| New build | 7.5 | 6.7 | 7.2 | 6.6 |
| Refurbished | 8.3 | 9.7 | 8.5 | 8.0 |
| In need of refurbishment | 32.1 | 29.3 | 33.2 | 31.9 |
| Good condition | 37.6 | 40.7 | 37.3 | 40.2 |
| Poor condition | 10.6 | 10.5 | 10.7 | 10.0 |
| Base: All answering | (1,194) | (1,300) | (962) | (1,004) |



Compared with three months ago, there has been little change in the average proportions of each type of property although those in good condition were noticeably more popular (up from 37% to 40%) and those in need of refurbishment noticeably less popular (down from 33% to 32%). However, these changes largely just reverse the changes seen three months ago.

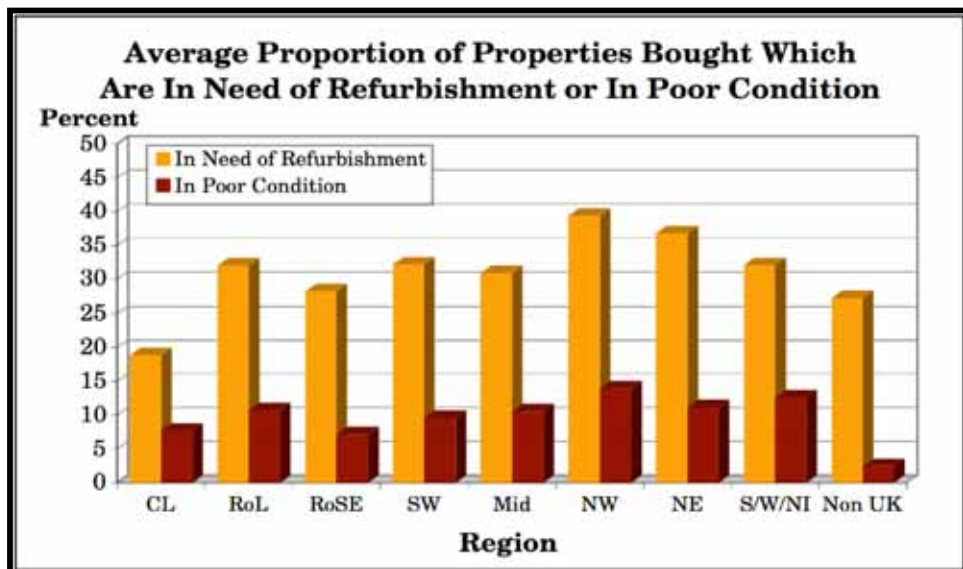
Regional Analysis

The average proportions of property types which have been bought by respondents from each of the regions of the UK are shown in the table below, from which it can be seen that there are some quite marked differences between the regions.

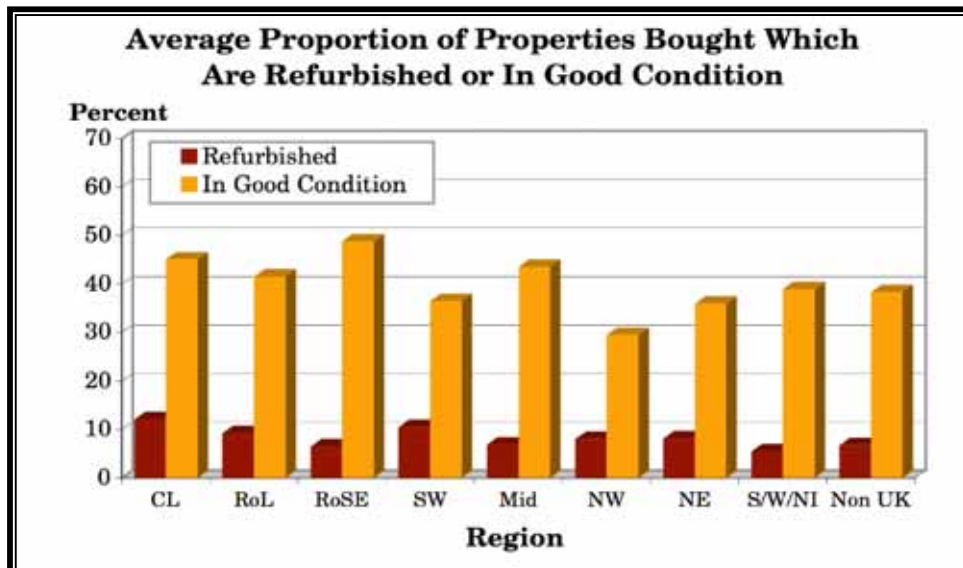
| Response | Region | | | | | | | | |
|---------------------|--------|------|------|------|------|------|------|----------|--------|
| | CL | ROL | SE | SW | MID | NW | NE | S,W & NI | Non UK |
| Off plan/never occ. | 4.3 | 3.1 | 2.0 | 3.4 | 2.7 | 4.0 | 1.7 | 5.3 | 15.4 |
| New build | 11.9 | 3.5 | 7.3 | 7.9 | 5.4 | 5.1 | 6.4 | 5.5 | 9.9 |
| Refurbished | 12.1 | 9.2 | 6.5 | 10.4 | 6.9 | 8.1 | 8.1 | 5.5 | 6.8 |
| In need of refurb | 18.9 | 32.0 | 28.2 | 32.2 | 30.9 | 39.4 | 36.7 | 32.1 | 27.2 |
| Good condition | 45.1 | 41.5 | 48.8 | 36.5 | 43.5 | 29.5 | 35.9 | 38.9 | 38.3 |
| Poor condition | 7.7 | 10.7 | 7.2 | 9.6 | 10.6 | 14.0 | 11.2 | 12.7 | 2.5 |

Base: All answering (1,032)

Landlords in the north of England are a little more likely than those in the south to have bought properties in need of refurbishment and properties in poor condition.



On the other hand, those in the south of the country are a little more likely to have bought properties which are refurbished or in good condition.



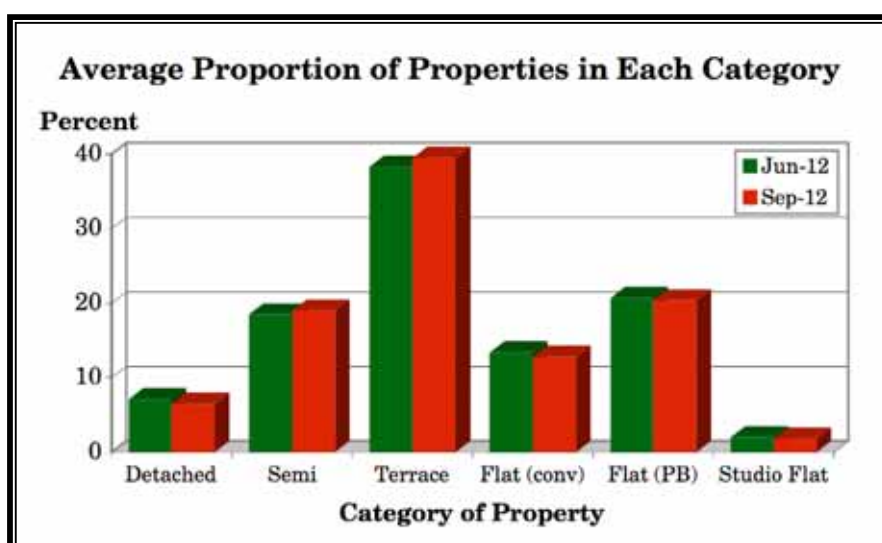
3.11 What proportion of the residential properties you have bought fall into the following categories? (Q.11)

Respondents have tended to favour terraced houses with three out of ten (28%) saying that more than three quarters of the properties they have bought have been in this category. Least popular with landlords are properties at each end of the spectrum with only 2% of respondents saying that more than three quarters of their purchases have been detached houses and even fewer (less than 1%) saying that more than three quarters of theirs have been studio flats.

| Proportion of Properties | Percent of Respondents - Sep 12 (%) | | | | | |
|--------------------------|-------------------------------------|------|---------|-------------|-----------|-------------|
| | Detached | Semi | Terrace | Flat (Conv) | Flat (PB) | Studio Flat |
| None | 79.1 | 54.1 | 30.6 | 71.4 | 59.9 | 93.5 |
| Up to 25% | 11.6 | 17.6 | 13.4 | 10.3 | 10.0 | 4.2 |
| 26% to 50% | 5.6 | 13.9 | 17.9 | 7.3 | 11.7 | 1.4 |
| 51% to 75% | 1.3 | 4.5 | 9.7 | 3.9 | 6.1 | 0.2 |
| Over 75% | 2.4 | 9.9 | 28.3 | 7.2 | 12.3 | 0.7 |

Base: All answering (908)

Analysis of these responses confirms that the most popular properties have been terraced houses (40%) followed by purpose built flats/maisonettes (20%) and semi-detached houses (19%).



| Category of Property | Average Percent of Properties (%) | | |
|------------------------|-----------------------------------|--------|--------|
| | Mar 12 | Jun 12 | Sep 12 |
| Detached house | 6.3 | 7.1 | 6.5 |
| Semi-detached house | 19.5 | 18.5 | 19.0 |
| Terraced house | 38.0 | 38.3 | 39.5 |
| Flat/maisonette (conv) | 12.6 | 13.4 | 12.8 |
| Flat/maisonette (PB) | 21.6 | 20.7 | 20.4 |
| Studio Flat | 2.0 | 2.0 | 1.8 |
| Base: All answering | (1,154) | (888) | (908) |

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

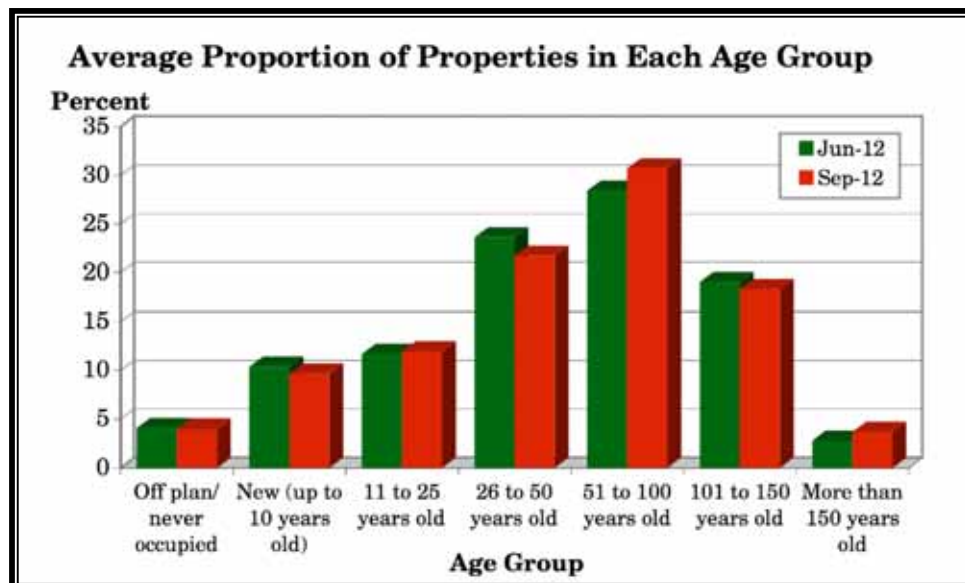
3.12 What proportion of the residential properties you have bought fall into each age band? (Q.12)

Respondents have tended to favour properties which are between 51 and 100 years old with more than two out of ten (21%) saying that more than three quarters of the properties they have bought have been in this age band. Least popular with landlords are properties at each extremity of the age scale, with those being bought off plan only having 2% of respondents saying that more than three quarters of their purchases have been in that age band and those over 150 years old only having 3% saying so.

| Proportion of Properties | Percent of Respondents - Sep 12 (%) | | | | | | |
|--------------------------|-------------------------------------|----------------|----------|----------|-----------|------------|----------|
| | Off plan | New (up to 10) | 11 to 25 | 26 to 50 | 51 to 100 | 101 to 150 | Over 150 |
| None | 89.7 | 79.0 | 75.2 | 58.3 | 46.6 | 65.9 | 92.6 |
| Up to 25% | 5.1 | 7.4 | 8.3 | 10.6 | 10.5 | 8.7 | 2.3 |
| 26% to 50% | 1.9 | 5.5 | 6.0 | 11.6 | 12.0 | 8.4 | 1.9 |
| 51% to 75% | 1.0 | 2.0 | 2.3 | 4.6 | 9.7 | 3.7 | 0.3 |
| Over 75% | 2.2 | 6.1 | 8.2 | 14.9 | 21.2 | 13.3 | 2.8 |

Base: All answering (895)

Analysis of these responses confirms that the most popular properties have been those which are between 51 and 100 years old (31%) followed by those between 26 and 50 years old (22%) and those between 101 and 150 years old (18%).



| Age of Property | Average Percent of Properties (%) | | | |
|--------------------------|-----------------------------------|---------|--------|--------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| Off plan/never occupied | 4.1 | 3.6 | 4.1 | 4.0 |
| New (up to 10 years old) | 11.4 | 9.9 | 10.4 | 9.7 |
| 11 to 25 years old | 11.9 | 11.4 | 11.7 | 12.0 |
| 26 to 50 years old | 21.9 | 22.0 | 23.6 | 21.7 |
| 51 to 100 years old | 30.3 | 29.2 | 28.4 | 30.7 |
| 101 to 150 years old | 17.8 | 20.7 | 19.0 | 18.3 |
| More than 150 years old | 2.6 | 3.1 | 2.8 | 3.7 |
| Base: All answering | (1,060) | (1,158) | (890) | (895) |

Compared with the survey in the second quarter of 2012, the main differences are that properties which are between 51 and 100 years old were more popular this time (up from 28% to 31%) mainly at the expense of properties between 26 and 50 years old (down from 24% to 22%).

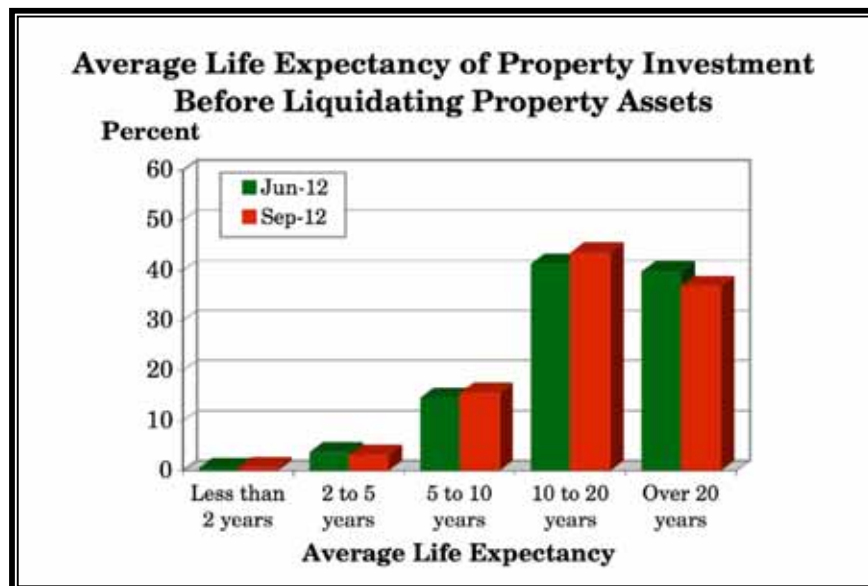
3.13 **From original acquisition time, what do you expect to be the average life expectancy of your property investment before you liquidate your property assets? (Q.13)**

Clearly the vast majority of residential landlords are in the business for the long term with more than eight out of ten (81%) saying that the average life expectancy of their property investments is more than 10 years.

In fact, only one in twenty-five respondents (4%) said they saw their investment as being for 5 years or less and less than one in a hundred (0.7%) saw it as being very short term (i.e. for less than 2 years).

| Average Life Expectancy | Percent of Respondents (%) | | |
|--------------------------------|-----------------------------------|---------------|---------------|
| | Mar 12 | Jun 12 | Sep 12 |
| Less than 2 years | 0.4 | 0.5 | 0.7 |
| 2 to 5 years | 2.8 | 3.7 | 3.2 |
| 5 to 10 years | 15.8 | 14.6 | 15.6 |
| 10 to 20 years | 44.5 | 41.4 | 43.6 |
| Over 20 years | 36.4 | 39.8 | 36.9 |
| Average (years) | 19.2 | 19.7 | 19.2 |
| Base: All answering | (1,338) | (1,025) | (1,049) |

Simple analysis of these results reveals that the average life expectancy of their property investments for all respondents is 19.2 years, a figure which is down a little from 19.7 years three months ago, reversing the change seen then.



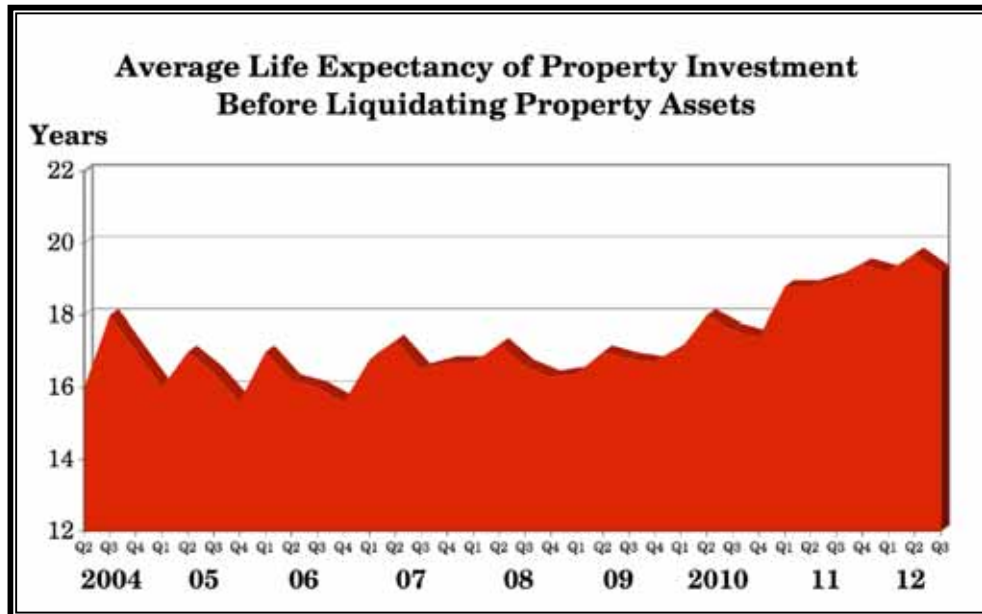
As can be seen from the chart below, the average life expectancy of respondents' property investments declined slowly until the beginning of 2007 despite an increase after every decline of two or three quarters.

After that, it increased for two quarters before levelling off at between 16 and 17 years where it remained until the beginning of 2010.

The results from the first half of 2010 indicated that an upward trend might be beginning to establish itself but the results from the last two quarters of 2010 ended that.

However, the results from the first quarter 2011 survey suggested that the upward trend was, in fact, continuing and the results from the rest of 2011 showed that the long term trend was quite firmly upwards.

The small decline seen in the first quarter of 2012 was followed by an increase which, in turn, has been followed by a fall this quarter, which tends to suggest that the upward trend may now be levelling off at between 19 and 20 years.



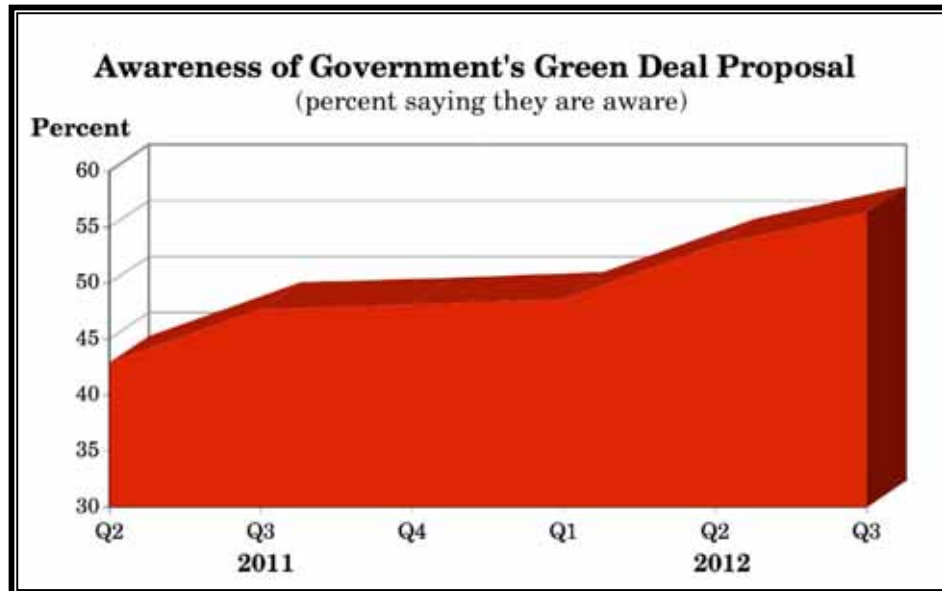
3.14 Are you aware of the Government's Green Deal Proposal for improving PRS housing energy performance? (Q.14)

More than half of respondents to this survey (55%) said that they were aware of the Government's Green Deal Proposal for improving Private Rented Sector housing energy performance.

Nevertheless, a substantial minority of 45% said they were not aware of the proposal.

| Response | Percent of Respondents (%) | | | |
|---------------------|----------------------------|---------|---------|---------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| Yes | 48.1 | 48.6 | 53.4 | 55.3 |
| No | 51.9 | 51.4 | 46.6 | 44.7 |
| Base: All answering | (1,237) | (1,339) | (1,021) | (1,045) |

Compared with three months ago, the proportion who said they were aware of the Government's Green Deal Proposal for improving Private Rented Sector housing energy performance was up again and the ongoing trend, as can be seen from the chart below, remains clearly upwards.

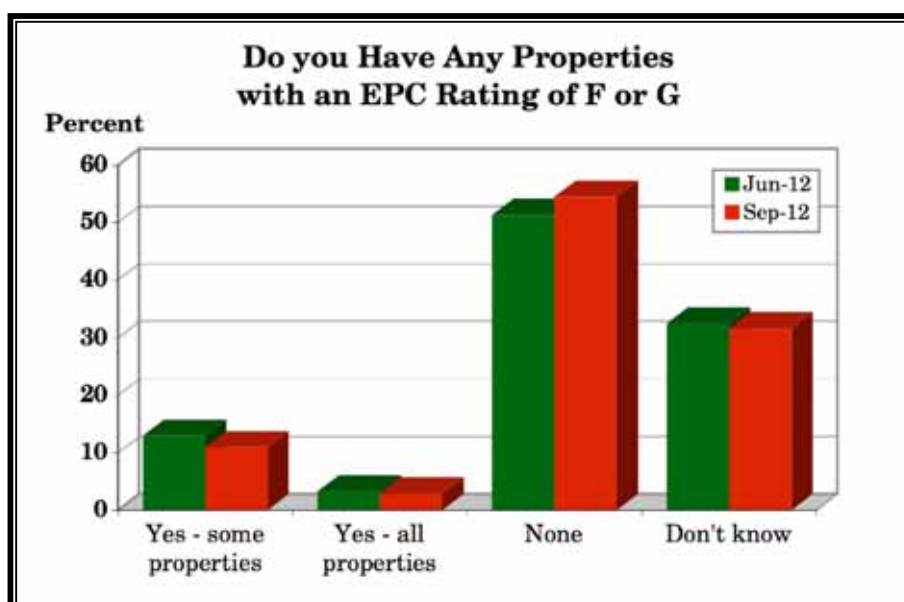


3.15 Do you have any properties with an EPC rating of F or G? (Q.15)

One in seven respondents to this survey (14%) said that they had at least some properties with an Energy Performance Certificate rating of F or G but only three in a hundred (3%) said that this was the case for all their properties.

More than half of all respondents (55%) said that none of their properties had EPC ratings of F or G whilst nearly a third (32%) said they did not know if any of their properties had such EPC ratings.

| Response | Percent of Respondents (%) | | | |
|-----------------------|----------------------------|---------|---------|---------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| Yes - some properties | 12.5 | 12.0 | 13.0 | 11.0 |
| Yes - all properties | 2.5 | 2.5 | 3.3 | 2.9 |
| None | 50.2 | 49.1 | 51.3 | 54.5 |
| Don't know | 34.8 | 36.0 | 32.4 | 31.6 |
| Base: All answering | (1,243) | (1,341) | (1,025) | (1,047) |



Compared with the second quarter of 2012, there has been little change with the proportion saying that they had at least some properties with an EPC rating of F or G falling from 16% to 14%, reversing the increase seen then.

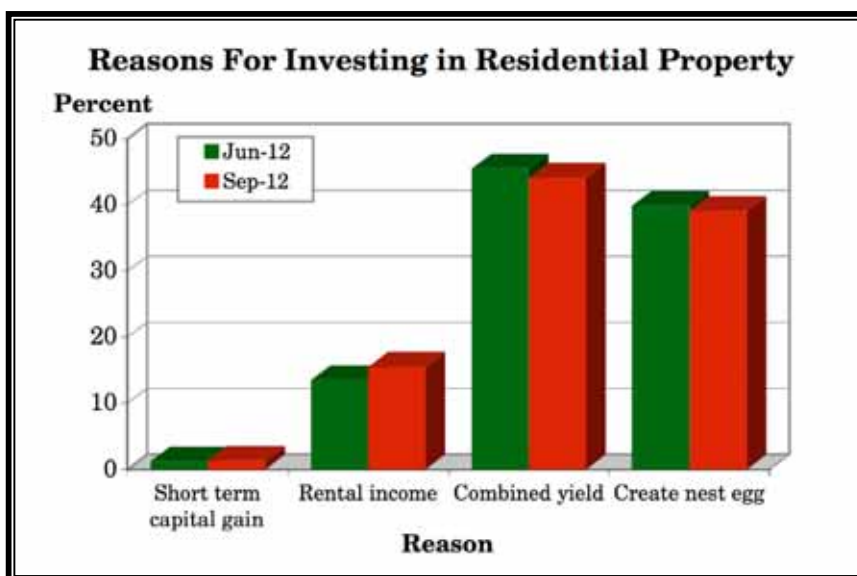
The proportion saying that they had no such properties increased from 51% to 55% with the proportion who were unsure falling a little, from 32.4% to 31.6%.

3.16 Why did you first decide to invest in residential property? (Q.16)

Most respondents either said that they had become residential landlords in order to achieve a combined yield from rental income and capital appreciation (44%) or that they had done so in order to create a nest egg for their long term future (39%).

Only one in a hundred respondents (1%) said that they had become residential landlords in order to make a short term capital gain over a period of less than 5 years but quite a substantial minority of one in six (16%) said that they had done so in order to obtain a stream of rental income.

| Reason | Percent of Respondents (%) | |
|---|----------------------------|---------|
| | Jun 12 | Sep 12 |
| Short term capital gain (less than 5 years) | 1.2 | 1.3 |
| Rental income | 13.5 | 15.5 |
| Combined yield from rent & capital apprec. | 45.5 | 44.1 |
| Create nest egg for long term future | 39.9 | 39.1 |
| Base: All answering | (1,018) | (1,039) |

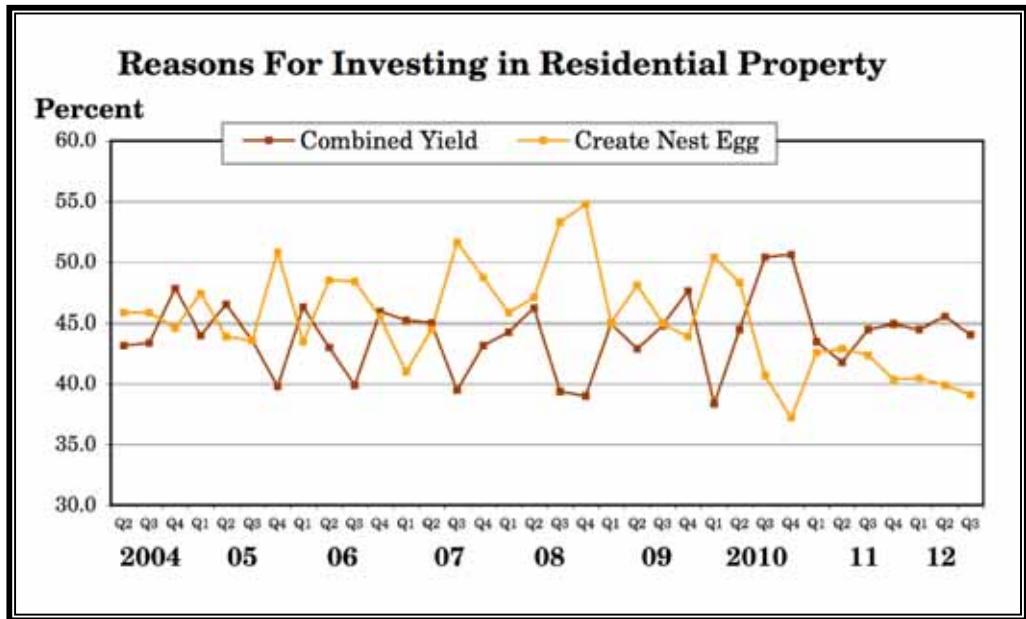


Compared with three months ago, the most noticeable change was that there were more respondents who said they had first decided to invest in residential property to achieve rental income (up from 14% to 16%).

To compensate for this increase there were declines in the proportions saying they had done so in order to achieve a combined yield from rental income and capital appreciation (down from 46% to 44%) and those saying they had done so in order to create a nest egg for their long term future (down from 40% to 39%).

Over the past nine years since this question was first asked, the proportions of respondents saying that they had first decided to invest in residential property in order to create a nest egg for the long term future and those saying they had done so in order to achieve a combined yield from rental income and capital appreciation have remained between 35% and 55% with any changes taking place each quarter simply mirroring each other.

However, the results from this quarter have changed that with both these reasons declining in order to allow the proportion who are simply looking for a rental income to increase.



3.17 When you decided which lettings agency to use, did you consider whether the agent was licensed/regulated? (Q17)

More than a third of respondents to this question (35%) said that they did consider whether an agent was licensed or regulated when they were deciding which lettings agency to use with less than half as many (15%) saying that they did not, leaving more than half of all respondents who either did not know whether they did or did not (3%), or simply did not use a lettings agent (47%).

| Response | Percent of Respondents (%) | | | |
|---------------------------|----------------------------|---------|---------|---------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| Yes | 34.5 | 36.0 | 34.6 | 35.1 |
| No | 16.9 | 13.6 | 14.5 | 14.7 |
| Don't know | 2.9 | 3.4 | 2.8 | 3.3 |
| Don't use a letting agent | 45.7 | 47.0 | 48.1 | 47.0 |
| Base: All answering | (1,239) | (1,334) | (1,018) | (1,044) |



Compared with three months ago, there has been very little change in these figures.

When figures are calculated just for those who do use a lettings agent, almost two thirds (66%) said that they do consider whether the agent is licensed or regulated when deciding which one to use.

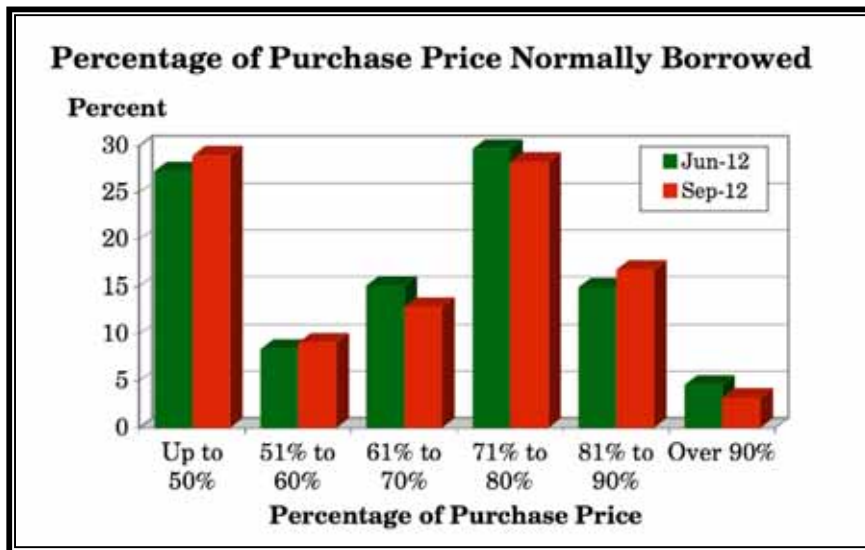
| Response | Percent of Respondents (%) | | | |
|-----------------------------------|----------------------------|--------|--------|--------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| Yes | 63.5 | 67.9 | 66.7 | 66.1 |
| No | 31.1 | 25.7 | 27.9 | 27.7 |
| Don't know | 5.3 | 6.4 | 5.4 | 6.2 |
| Base: All using agent & answering | (673) | (707) | (528) | (553) |

3.18 What percentage of the purchase price of a buy to let property do you normally borrow from a lender? (Q.18)

Nearly six out of ten respondents (58%) said that they normally borrow between 61% and 90% of the purchase price of a buy to let property. Nevertheless, a substantial minority of almost three out of ten (29%) said that 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 currently 60%.

| Percent of Purchase Price | Percent of Respondents (%) | | | |
|---------------------------|----------------------------|-------------|-------------|-------------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| Up to 50% | 27.1 | 30.4 | 27.3 | 29.0 |
| 51% to 60% | 7.9 | 8.2 | 8.4 | 9.1 |
| 61% to 70% | 17.9 | 16.4 | 15.1 | 12.9 |
| 71% to 80% | 28.4 | 28.3 | 29.7 | 28.3 |
| 81% to 90% | 14.9 | 12.9 | 14.9 | 16.8 |
| Over 90% | 3.8 | 3.7 | 4.6 | 3.2 |
| Average (%) | 60.7 | 58.9 | 60.9 | 60.2 |
| Base: All answering | (1,140) | (1,228) | (913) | (938) |



Compared with three months ago, the average proportion of the purchase price of a buy to let property which respondents normally borrow has fallen from 61% to 60%, partially reversing the change seen then.

As can be seen from the chart below, over the last six years, the average proportion of a property's price which is usually borrowed by respondents rose initially and then fell at the end of 2007 before levelling out at between 70% and 72% throughout 2008.

At the beginning of 2009, the average fell again and, despite an upturn three months later, the average proportion being borrowed declined steadily to reach another all time low with the results from the survey in the third quarter of 2010.

The results from the last quarter 2010 survey, however, brought an end to this downward trend but a big fall in the average in the first quarter of 2011 indicated that this was a temporary increase. After that, despite some fluctuation, the average proportion borrowed continued to decline.

Against this backdrop, the quite large increase seen in the second quarter of 2012, and which suggested a possible change in the trend, has now been followed by a decline. Despite these fluctuations, a fairly stable position is emerging around the 60% mark.

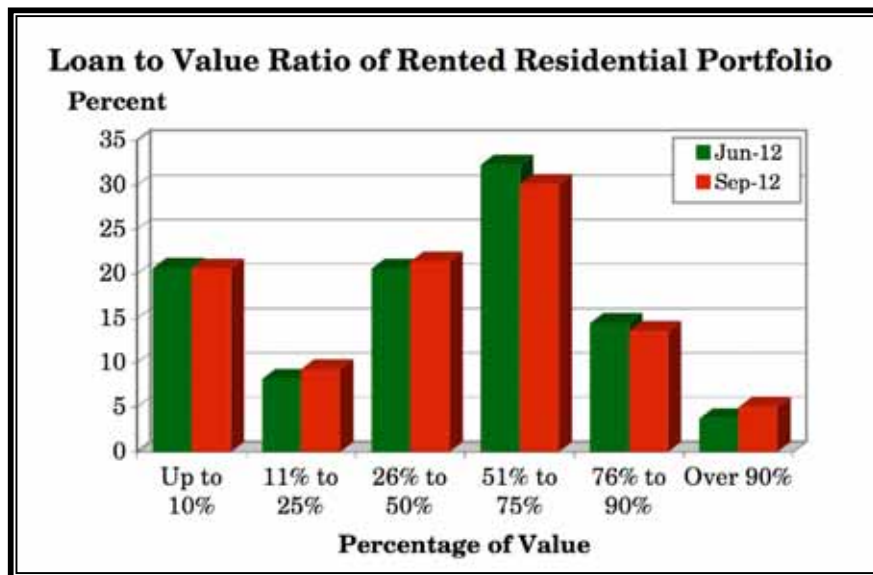


3.19 What is the approximate overall loan to value ratio of your rented residential portfolio? (Q.19)

The largest proportion of respondents, amounting to three out of ten (30%) said that the approximate overall loan to value ratio of their rented residential portfolio was between 51% and 75% with more than two out of ten (21%) saying it was between 26% and 50%.

Analysis of these figures reveals that the average loan to value ratio of respondents' portfolios is 46%.

| Loan to Value Ratio | Percent of Respondents (%) | | | |
|----------------------------|-----------------------------------|---------------|---------------|---------------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| Up to 10% | 19.5 | 20.1 | 20.7 | 20.6 |
| 11% to 25% | 9.1 | 8.8 | 8.2 | 9.3 |
| 26% to 50% | 22.2 | 22.8 | 20.6 | 21.4 |
| 51% to 75% | 30.5 | 29.9 | 32.3 | 30.1 |
| 76% to 90% | 15.1 | 14.4 | 14.5 | 13.6 |
| Over 90% | 3.6 | 4.0 | 3.7 | 5.0 |
| Average (%) | 46.2 | 45.9 | 46.3 | 45.8 |
| Base: All answering | (1,136) | (1,205) | (894) | (925) |



Compared with the last survey three months ago, the average loan to value ratio of respondents' portfolios has fallen marginally from 46.3% to 45.8%, once again merely reversing the change seen three months earlier.

As can be seen from the chart below, the average loan to value ratio of respondents' property portfolios did tend to fluctuate between 55% and 60% during 2007 and 2008.

However, the trend from the middle of 2009 until the first quarter of 2010 was for the average loan to value ratio to decline quite consistently.

This trend came to an end in the spring/summer of 2010 with the first increase for a year and the results during the rest of 2010 indicated that the average figure was on an upward trend.

Against this backdrop, the big fall in the figure seen in the first quarter of 2011 is quite likely to have been a result of the big increase in the number of respondents.

The results from the second half of 2011 and 2012, so far, confirm that the current trend is for the overall loan to value ratio to remain steady at around 46%.



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

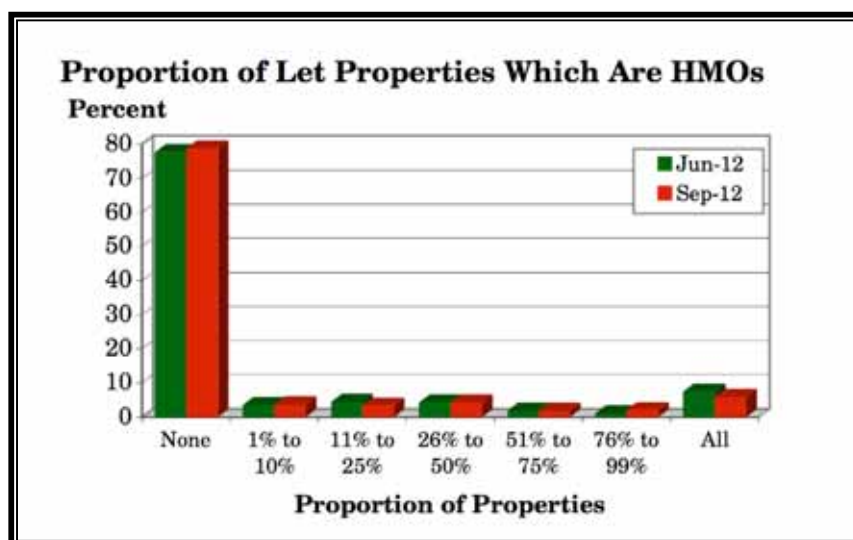
Only a minority of respondents (21%) had any let properties which were Houses in Multiple Occupation (HMOs) although more than one in twenty (6%) said that all of their let properties were HMOs.

Simple analysis of these figures reveals that, for respondents to this survey, the average proportion of their properties which are HMOs is 11%.

However, amongst those who have any such properties at all, the average proportion is much higher at 53%.

| Proportion of Properties | Percent of Respondents (%) | | | |
|---------------------------------|-----------------------------------|---------------|---------------|---------------|
| | Dec 11 | Mar 12 | Jun 12 | Sep 12 |
| None | 78.1 | 77.2 | 77.6 | 78.8 |
| 1% to 10% | 4.5 | 3.4 | 3.5 | 3.7 |
| 11% to 25% | 2.5 | 3.4 | 4.4 | 3.4 |
| 26% to 50% | 4.8 | 3.9 | 4.2 | 4.3 |
| 51% to 75% | 2.5 | 2.3 | 1.8 | 1.8 |
| 76% to 99% | 1.5 | 2.1 | 1.1 | 2.1 |
| All | 6.2 | 7.8 | 7.5 | 6.0 |
| Average (%) | 11.6 | 13.4 | 12.1 | 11.3 |

Base: All answering (1,219) (1,311) (1,006) (1,023)



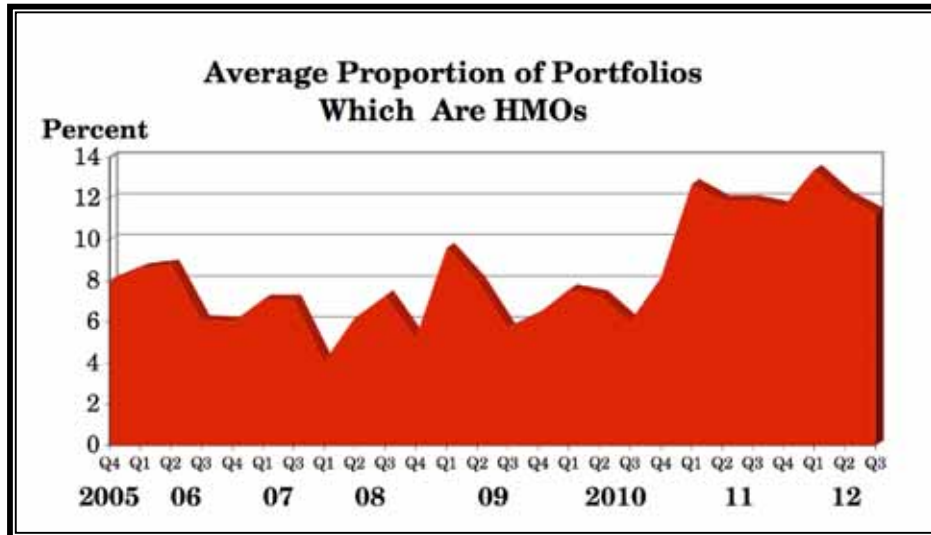
Compared with the last survey, the overall average proportion of HMOs is down again, this time from 12% to 11%.

The proportion for those with any HMOs at all is also down, from 54% to 53%.

The chart below shows how the average proportion of properties which are HMOs has changed over the last seven years and whilst the figure fluctuated quite a lot during 2008, 2009 and 2010, it appears, overall, to have increased a little over that period whilst remaining in the range 5% to 10%.

The results from the first quarter of 2011, however, saw a quite dramatic change to this figure, almost certainly accounted for by the increased respondent base, and this was confirmed by the results during the rest of 2011 which produced a gently declining average proportion of HMOs.

Against this backdrop, the increase seen in the first quarter of 2012 suggested that a change had occurred but that has been negated by the results from the last two quarters and a downward trend is now beginning to emerge.



3.21 Which of the following categories best applies to recent new tenants? (Q21)

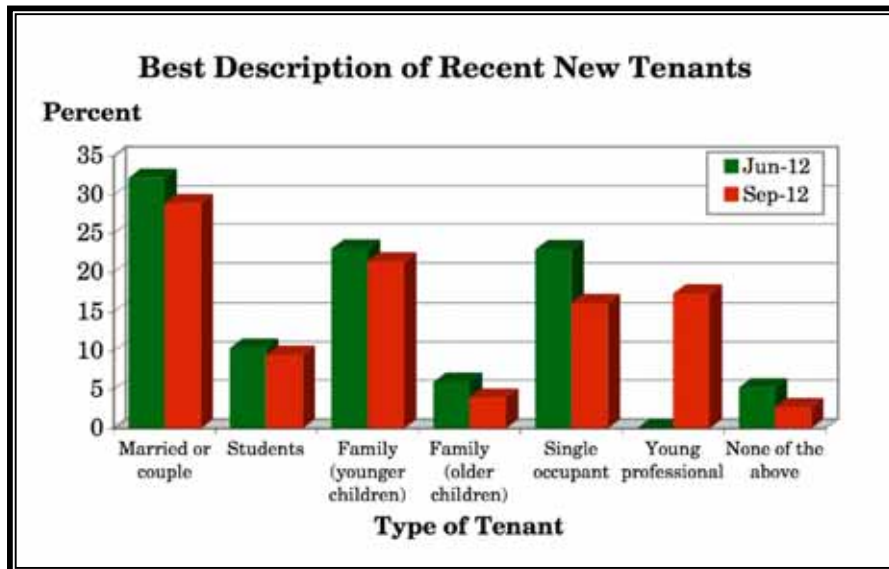
The results from this question, which included the additional category “young professional” this time, show that four of the listed types of tenant were more likely to describe recent new tenants than were the other two with married or a couple being the most likely at 29%.

Behind this, was family with younger children (baby/toddler/primary school) at 21%, followed by young professional (17%) and single occupant (16%).

Least likely to be the categories which best applied to recent new tenants were students (10%) and family with older children (teenagers/young adults) at just 4%.

One in forty respondents (2.7%) said that none of the listed categories best applied to recent new tenants.

| Type of Tenant | Percent of Respondents (%) | | |
|------------------------------|----------------------------|------------------|---------|
| | Mar 12 | Jun 12 | Sep 12 |
| Married or a couple | 31.7 | 32.2 | 28.9 |
| Students | 10.7 | 10.4 | 9.5 |
| Family with younger children | 22.7 | 23.1 | 21.4 |
| Family with older children | 4.6 | 6.0 | 4.0 |
| Single occupant | 23.7 | 23.0 | 16.1 |
| Young professional | <i>not incl.</i> | <i>not incl.</i> | 17.3 |
| None of the above | 6.5 | 5.3 | 2.7 |
| Base: All answering | (1,315) | (1,000) | (1,023) |



Compared with three months ago, the main changes are that the additional category of young professional was chosen by 17% of respondents and this appears to have mainly been at the expense of single occupant, which fell from 23% to 16%.

However, all the other categories also declined slightly suggesting that the new category has drawn a little from all of the existing ones.