

Prepared for

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

**ARLA Members Survey
of the
Private Rented Sector**

Second Quarter 2010

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1. INTRODUCTION & BACKGROUND

The mortgage lenders who make up the ARLA group of buy to let mortgage lenders are keen to ensure that the service they provide to ARLA members is relevant to their needs and takes account of the specific and unique requirements of residential letting agents and their investor landlords.

In order to help achieve this, ARLA has commissioned research to ensure that the ARLA group of buy to let mortgage lenders are kept up to date with agents' requirements and concerns as they change with economic conditions, hopes and fears.

The research is conducted by Owen Carey Jones who specialises in the UK mortgage market and currently conducts several regular quarterly surveys of residential landlords and financial advisers on behalf of a number of clients.

2. **METHODOLOGY**

ARLA members were emailed during May with the URL for the on-line survey and asked to go on-line to complete the survey.

A follow up email was sent in the first half of June and by the closing date 570 members had completed the survey on-line. These responses were analysed and tables of data produced on which this report is based.

3. SUMMARY

- Compared with three months ago, average weighted rental returns for houses are down from 5.0% to 4.8% and those for flats are down from 5.1% to 5.0%.
- On balance ARLA members report substantially increased achievable rent levels over the last six months on all types of rented property and the average proportion of respondents across all property types now saying they think achievable rent levels have increased over the last six months has risen for the fourth quarter in succession, this time from 31% to 43%.
- The overall average capital asset value of rented houses has risen by 2.1% over the last three months as a result of increases of 5.4% for those in the Rest of the South East and 1.4% for those managing properties in Prime Central London. For those in the Rest of the UK, however, they fell by 2.6%.
- Over the same period the average value of rented flats throughout the country fell by 1.4% as a result of falls of 3.6% for those managing properties in Prime Central London and 3.5% for those in the Rest of the UK. On the other hand, for those in the Rest of the South East, the average value of rented flats rose by 3.0%.
- During the last three months there has been a further quite dramatic change in the balance of supply and demand in the rented residential property sector with the overall proportion of respondents saying that there are more tenants than properties available for them rising for the fourth quarter in succession, this time from 59% to another all time high of 70% and this change is reflected across the country.
- More than twice as many ARLA members now think that landlords are currently selling properties as think they are currently buying properties (22% compared with 11%) and there has been an increase since the last survey in the proportion saying landlords are now selling with the figure rising from 16% to 22% whilst the proportion saying landlords are now buying falling from 14% to 11%.
- Compared with three months ago, the average void period has again fallen, this time from 3.6 weeks (25 days) to 3.2 weeks (22 days), the lowest it has been over the last eight years, and the average number of new tenancies signed up in the preceding three months increased very slightly in line with seasonal trends.
- The average proportion of ARLA members' offices' portfolios which are made up of investment property is virtually unchanged compared with three months ago at 54% but the average number of purely investment properties which are managed by ARLA members' offices has fallen from 129 to 119 properties over the same period, partially reversing the change seen in the first quarter of the year.

- On average, ARLA members say that tenants remain in the same property for a period of 17.9 months, a figure which is up from 17.2 months in the first quarter of the year.
- For the fifth quarter in succession, a substantially reduced proportion of ARLA members' offices (18%, down from 27% in the first quarter of 2010 and from 94% 15 months ago) believe that they are seeing an increase in rental property coming onto the market because it cannot be sold.
- There has been a further reduction (from 52% three months ago to 44% now) in the proportion of ARLA members' offices saying that they have seen an increase in the number of tenants struggling to meet rental payments in the last six months and, reflecting this, there has also been another reduction (from 69% to 53%) in the proportion saying that they have seen an increase in tenants haggling with landlords over rents in the last six months.
- There has been virtually no change in the proportion of ARLA members' offices saying that they are aware of an increase in tenants asking lenders for references on potential landlords to ensure they are financially viable with the figure remaining at 12%.
- Only a little more than a third of ARLA members' offices (35%, down from 47% in the first quarter of the year) now say that they think investor landlords are being tempted back to the market because of the minimal interest rates on savings.
- More than half of ARLA members' offices (51%) say that none of their potential or existing tenant clients ask them if they are licensed, a figure which falls to four out of ten (40%) when it relates to potential or existing landlord clients. Nevertheless, a small minority (7.2% and 1.4% respectively) say that most or all of their potential and existing landlord and tenant clients ask this question. Less than one in ten ARLA members' offices think that the proportion of potential or existing clients asking if they are licensed has increased over the last 12 months.

4. RESULTS

The following sections detail the results of the survey for the second quarter of 2010. 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, data has been included for each of the regions making up the UK as shown in the table below but it should be remembered that the number of respondents from some regions is relatively small and data for these regions should therefore be treated with a degree of caution as it will tend to vary quarter by quarter quite independently of any actual changes which may have taken place.

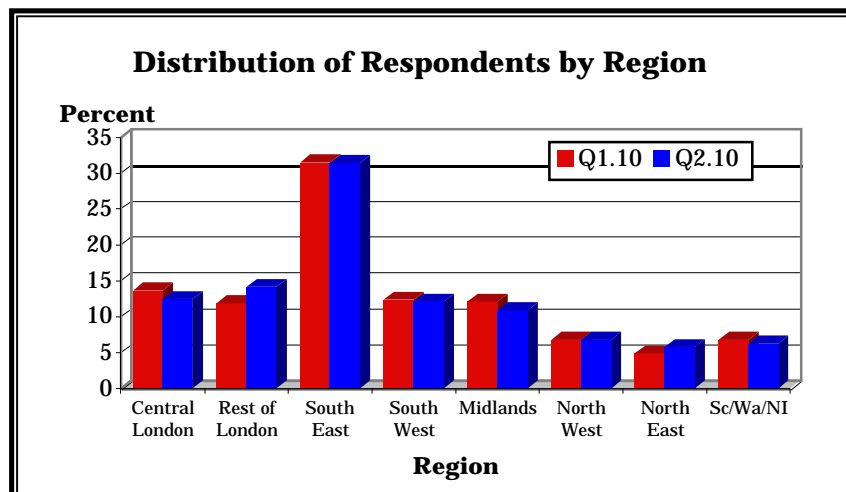
4.1 Geographic Location (Q.1)

The South East, including London, was the region with the highest proportion of ARLA member offices responding, accounting for nearly six out of ten respondents (58%).

After the South East, the South West (12%) and the Midlands (11%), were the regions with the most respondents.

| Geographic Region | Percent of Respondents (%) | | |
|--------------------------------------|----------------------------|-------|-------|
| | Q4.09 | Q1.10 | Q2.10 |
| Central London | 12.7 | 13.7 | 12.5 |
| Rest of London (<i>inside M25</i>) | 13.9 | 11.9 | 14.2 |
| South East (<i>excl. London</i>) | 33.7 | 31.5 | 31.4 |
| South West | 11.9 | 12.4 | 12.1 |
| Midlands | 9.1 | 12.1 | 10.9 |
| North West | 5.9 | 6.8 | 6.8 |
| North East | 6.8 | 4.9 | 5.8 |
| Scotland/Wales/NI | 6.0 | 6.8 | 6.3 |
| Base: All respondents | (733) | (531) | (570) |

Compared with the first quarter survey, the main changes are that there were fewer respondents from Central London, the Midlands and Scotland, Wales & Northern Ireland and more from the Rest of London, and the North East.



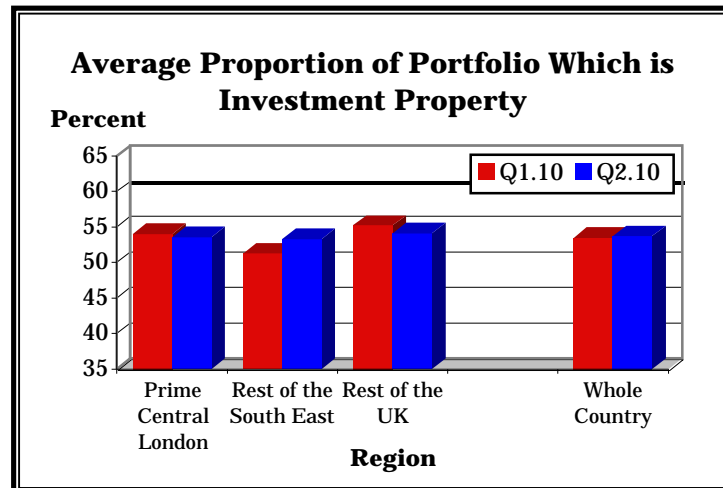
4.2 Proportion of Portfolio Made Up of Investment Property (Q.3)

More than eight out of ten respondents (81%) said that more than a quarter of their portfolio is investment property with a quarter (25%) saying that more than three quarters of theirs is investment property. Investment properties comprise a tenth or less of their portfolio for little more than one in twenty offices (6%).

Analysis of the responses to this question reveals that, on average, investment properties account for 54% of ARLA member offices' portfolios.

| Proportion of Portfolio | Percent of Respondents (%) | | | |
|-------------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| None | 1.8 | 0.5 | 0.4 | 0.7 |
| Up to 10% | 6.1 | 4.6 | 5.9 | 5.4 |
| 11% to 25% | 7.9 | 11.5 | 13.8 | 11.8 |
| 26% to 50% | 28.1 | 24.9 | 18.0 | 22.6 |
| 51% to 75% | 28.1 | 34.6 | 33.9 | 33.0 |
| Over 75% | 27.2 | 23.0 | 26.8 | 25.4 |
| Not stated | 0.9 | 0.9 | 1.3 | 1.1 |
| Base: All respondents | (114) | (217) | (239) | (570) |

For offices in the Rest of the South East, investment properties appear to make up a very slightly smaller proportion of their portfolios with the average being 53% compared with 54% for offices managing properties in Prime Central London and also for those in the Rest of the UK.



Compared with the last survey in the first quarter of the year, the average proportion of portfolios which are in the form of investment property is up marginally from 53.5% to 53.7% as a result of the relatively big increase in the Rest of the South East. The averages for Prime Central London and the Rest of the UK were both down compared with three months ago.

| Geographic Area | Average Proportion of Portfolio (%) | | | |
|------------------------|--|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 55.6 | 54.2 | 54.0 | 53.6 |
| South East | 44.9 | 48.2 | 51.3 | 53.3 |
| Rest of UK | 51.9 | 53.7 | 55.2 | 54.1 |
| All Regions | 50.1 | 51.7 | 53.5 | 53.7 |
| Base: All respondents | (639) | (733) | (531) | (570) |

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

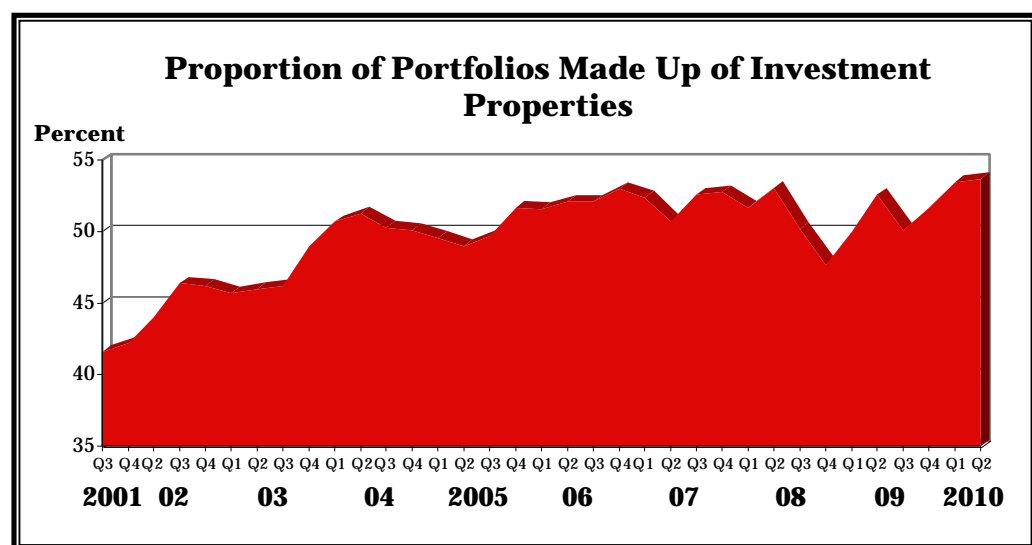
At the end of 2004 the figure levelled off again before slowly reducing during the first half of 2005.

However, both surveys for the second half of 2005 showed the figure was on the increase again and during 2006 this upward trend continued.

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

After that there were two consecutive falls taking the figure down to its lowest level for 5 years before it bounced back sharply and the results from the last eighteen months show that the trend is now upwards despite the fall seen in the autumn of 2009.

In fact the average figure for this quarter is the highest since these surveys began nearly ten years ago.



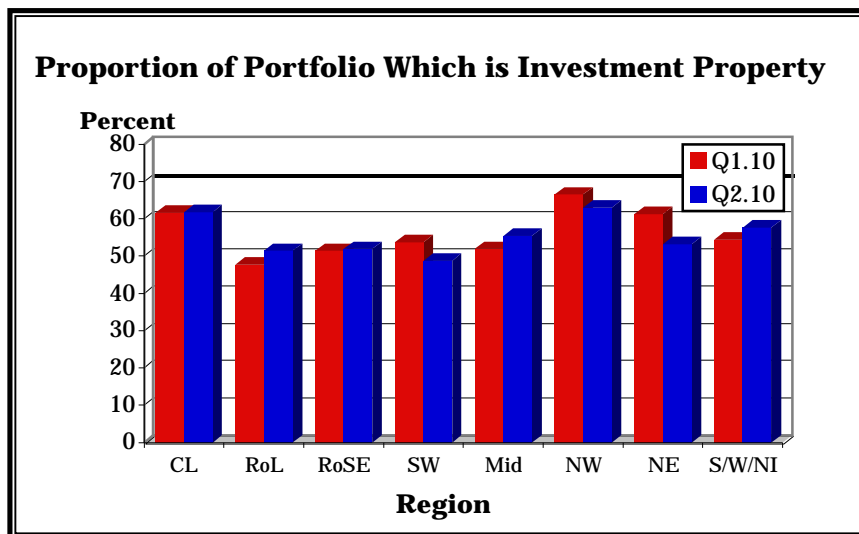
Regional Analysis

Average proportions for each of the regions of the UK are shown in the table below from which it can be seen that there is not a great deal of difference between the regions on this question although, for offices in Central London and the North West, investment properties do form a higher proportion of their investment portfolios.

| Geographic Region | Average Proportion of Portfolio (%) | |
|--------------------|-------------------------------------|-------|
| | Q1.10 | Q2.10 |
| Central London | 61.6 | 61.8 |
| Rest of London | 47.8 | 51.4 |
| Rest of South East | 51.5 | 52.0 |
| South West | 53.7 | 48.8 |
| Midlands | 51.9 | 55.5 |
| North West | 66.5 | 63.0 |
| North East | 61.4 | 53.3 |
| Scotland/Wales/NI | 54.5 | 57.6 |

Base: All respondents (531) (570)

Compared with three months ago, the main changes are that the averages for the South West, the North West and the North East have all fallen a little whilst those for the Rest of London, the Midlands and Scotland, Wales & Northern Ireland have increased a little.



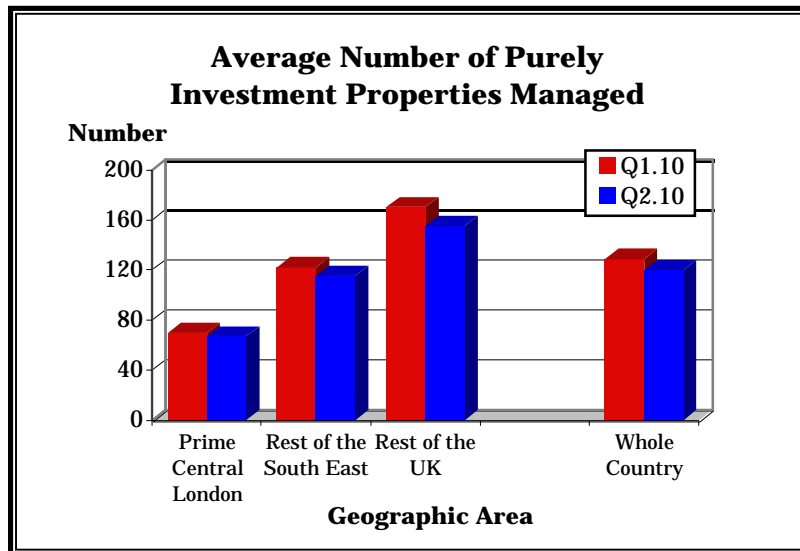
4.3 Number of Purely Investment Properties Managed (Q.4)

By and large, ARLA offices manage substantial numbers of purely investment properties with nearly four out of ten (38%) saying that they manage over a hundred properties and more than eight out of ten (81%) manage in excess of 20 properties.

Analysis of these responses shows that the average number of purely investment properties managed by ARLA offices is currently 120.

| Number of Properties | Percent of Respondents (%) | | | |
|-----------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Up to 5 | 7.0 | 4.1 | 1.7 | 3.7 |
| 6 to 10 | 5.3 | 4.1 | 2.5 | 3.7 |
| 11 to 20 | 11.4 | 9.2 | 9.2 | 9.6 |
| 21 to 50 | 26.3 | 20.3 | 16.7 | 20.0 |
| 51 to 100 | 19.3 | 24.0 | 23.8 | 23.0 |
| Over 100 | 27.2 | 36.9 | 44.8 | 38.2 |
| Not stated | 3.5 | 1.4 | 1.3 | 1.8 |
| Base: All respondents | (114) | (217) | (239) | (570) |

Offices managing properties in Prime Central London tend to manage considerably fewer properties on average than their counterparts elsewhere in the country with the average numbers being 67 for Prime Central London, 115 for the Rest of the South East and 155 for the Rest of the UK.



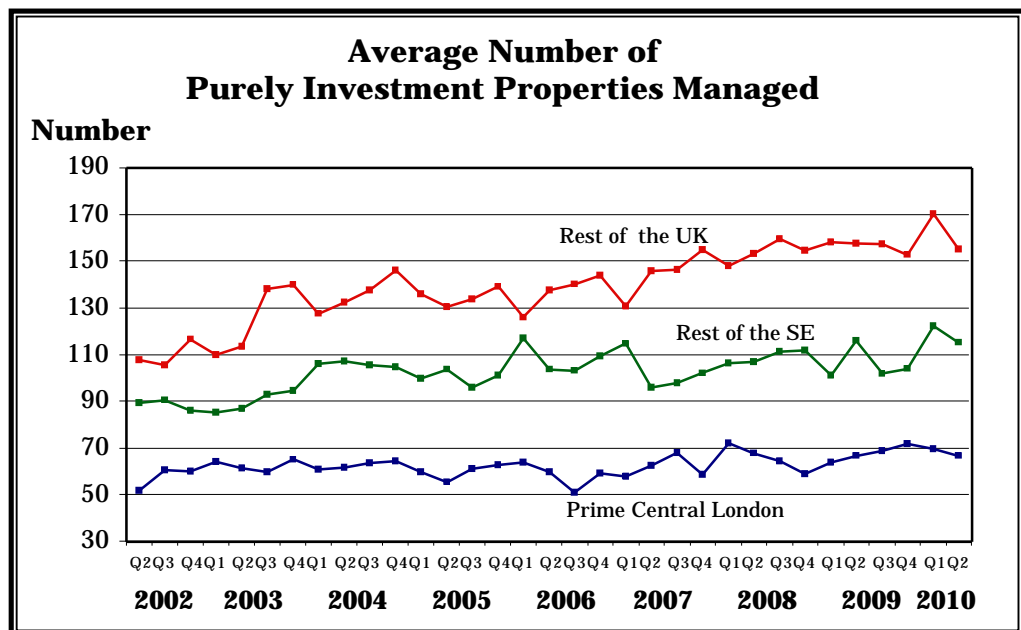
Compared with the first quarter, the average number of properties managed is down quite sharply from 129 to 120 as a result of decreases for all three of the broad geographic areas but the decline for Prime Central London was the smallest in proportional terms (down 4.2%) and that for the Rest of the UK was the largest (down 8.8%) with the change

in the average for the Rest of the South East (down 5.7%) coming between these two extremes.

| Geographic Area | Average Number of Properties | | | |
|-----------------------|------------------------------|-------|-------|-------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 68.9 | 71.7 | 69.7 | 66.8 |
| South East | 101.7 | 103.9 | 122.3 | 115.3 |
| Rest of UK | 157.4 | 152.8 | 170.1 | 155.2 |
| All Regions | 116.5 | 115.0 | 128.9 | 119.8 |
| Base: All respondents | (639) | (733) | (531) | (570) |

As can be seen from the chart below, the average number of properties managed by ARLA members in the Rest of the UK, having risen rapidly during 2002 and 2003, stayed in the range 130 to 150 properties until mid 2007 after which it hit a rising trend but during 2009 it levelled off again.

Against this trend, the results from the first quarter 2010 survey showed a sharp increase but the results from this survey have reversed that change bringing the figure back to about the same level which has pertained for a couple of years.



The average for the Rest of the South East evidenced a slight rising trend until the beginning of 2006, after which it declined although each decline was followed by a period of recovery. After mid 2007, the average rose fairly steadily but fluctuated quite wildly during 2009 whilst overall maintaining its level at around 110 properties. As with the Rest of the UK, the Rest of the South East exhibited a sharp increase three months ago and again this has been reversed, at least partially, with the results from this quarter.

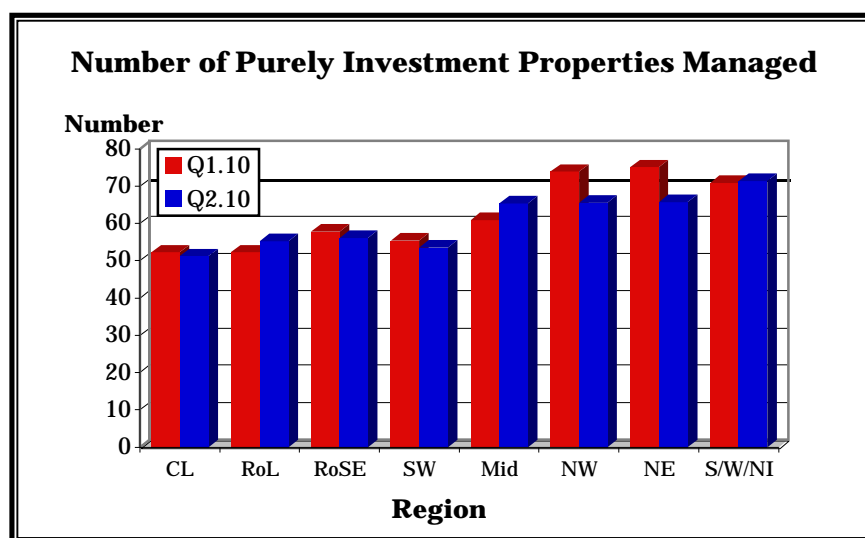
For Prime Central London the figure has been relatively steady at an average of between 60 and 70 properties for some time despite occasionally moving outside this range although there was a trend for the figure to increase from mid 2006 until the beginning of 2008 when it levelled off and started to fall. During 2009, the figure rose steadily to reach a figure only marginally below its all time high but still within its normal range where it remains with the small fall seen this time.

Regional Analysis

Looking at the results for the individual regions of the UK reveals that the average number of purely investment properties managed by respondents' offices appears to be higher in the northern half of the country with the highest number (71) being found in Scotland Wales & Northern Ireland and the lowest number (51) in Central London.

| Geographic Region | Average Number of Properties | |
|--------------------------|-------------------------------------|--------------|
| | Q1.10 | Q2.10 |
| Central London | 52.3 | 51.3 |
| Rest of London | 52.3 | 55.3 |
| Rest of South East | 57.8 | 56.2 |
| South West | 55.5 | 53.6 |
| Midlands | 61.0 | 65.3 |
| North West | 74.0 | 65.6 |
| North East | 75.2 | 65.7 |
| Scotland/Wales/NI | 70.9 | 71.4 |
| Base: All respondents | (531) | (570) |

Compared with the results from the first quarter 2010 survey, the main changes are reductions in the average numbers of properties managed in the North East (down by 12.6%) and the North West (down by 11.4%).



4.4 Average Value of Rented Residential Properties (Q.5)

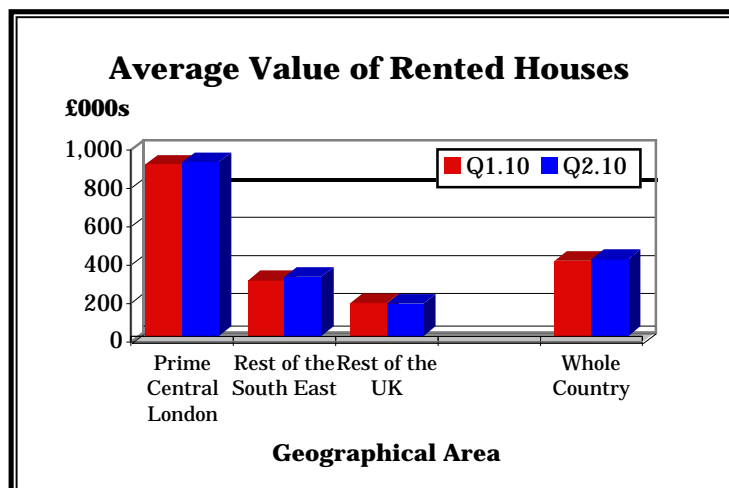
Houses

Nearly half of respondents (48%) say that the average value of a rented house in their area is between £150,000 and £350,000.

Only one in forty offices (2.5%) say the average is below £100,000 but for nearly one in twelve respondents (8%), the average in their area is in excess of £1 million.

Analysis of these figures gives an overall weighted average value for a rented house of £431,400.

| Average Value of Houses | Percent of Respondents (%) | | | |
|-------------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Up to £100,000 | 1.8 | 0.5 | 4.6 | 2.5 |
| £100,001 to £150,000 | - | 7.8 | 29.3 | 15.3 |
| £150,001 to £200,000 | 1.8 | 18.0 | 34.3 | 21.6 |
| £200,001 to £350,000 | 8.8 | 41.9 | 21.3 | 26.7 |
| £350,001 to £500,000 | 15.8 | 20.3 | 6.3 | 13.5 |
| £500,001 to £750,000 | 10.5 | 5.1 | 0.8 | 4.4 |
| £750,001 to £1 Million | 19.3 | 2.8 | - | 4.9 |
| Over £1 Million | 37.7 | 2.3 | - | 8.4 |
| Not stated | 4.4 | 1.4 | 3.3 | 2.8 |
| Base: All respondents | (114) | (217) | (239) | (570) |



There are big differences between the values of rented houses in the different geographical areas with the average for those managing properties in Prime Central London being £937,200 compared with £338,200 in the Rest of the South East and £197,300 in the Rest of the UK.

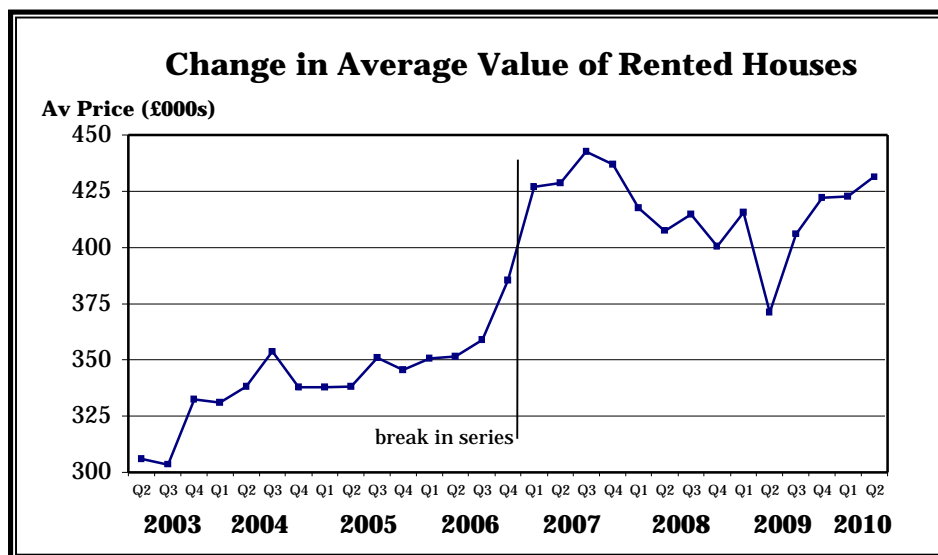
Compared with the last survey, the overall weighted average value of rented houses has risen by 2.1% from £422,700 to £431,400 to again reach its highest figure since the fourth quarter of 2007.

| Geographic Area | Average Value of Rented Houses (000s) | | | |
|------------------------|--|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 857.3 | 882.0 | 924.5 | 937.2 |
| South East | 316.6 | 326.1 | 321.0 | 338.2 |
| Rest of UK | 205.2 | 224.3 | 202.6 | 197.3 |
| All Regions (weighted) | 405.9 | 422.2 | 422.7 | 431.4 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Within this overall change, the average price of a rented house in Prime Central London has risen by 1.4% since the last survey and the average for the Rest of the South East by 5.4%. The average for the Rest of the UK, on the other hand, has fallen by 2.6%, the second fall in succession.

As can be seen from the chart below, between May 2003 and August 2004 the average value of a rented house increased by 16% from £306,100 to £353,800 and, after stabilising for a couple of years, continued rising until the summer of 2007 when it peaked at £442,600.

After that, the average fell by 16% before stabilising during 2008 but then fell sharply a year ago to reach a three year low before bouncing back equally sharply in the following two quarters. The results from the two surveys so far in 2010 confirm that these increases were not temporary blips and the average value is now quite close to its peak in mid 2007.



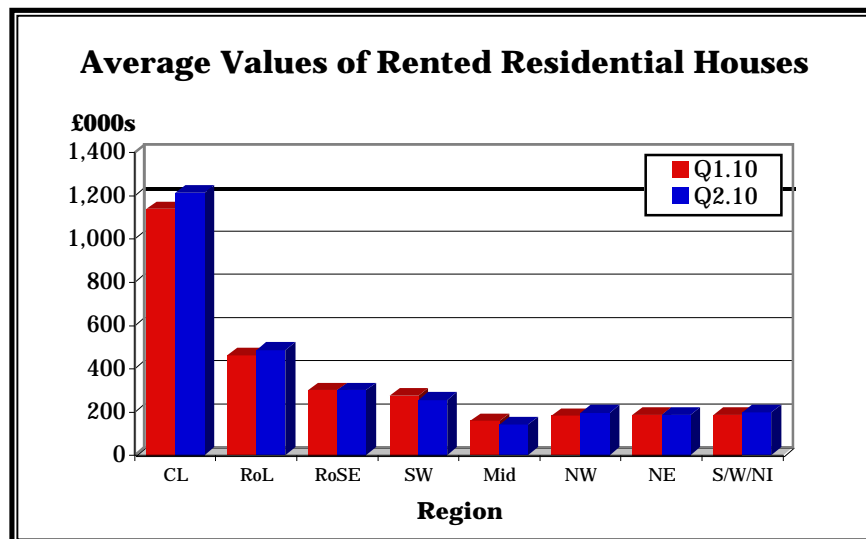
Regional Analysis

Data relating to individual regions of the UK shows that, not unexpectedly, by and large the further north rented properties are

located, the lower is their average value although the lowest average value is in fact to be found in the Midlands.

| Geographic Area | Average Value of Rented Houses (000s) | |
|------------------------|--|--------------|
| | Q1.10 | Q2.10 |
| Central London | 1,139 | 1,213 |
| Rest of London | 461 | 487 |
| Rest of South East | 301 | 300 |
| South West | 275 | 255 |
| Midlands | 157 | 141 |
| North West | 181 | 197 |
| North East | 187 | 186 |
| Scotland/Wales/NI | 188 | 198 |
| Base: All respondents | (531) | (570) |

Compared with three months ago, there have been noticeable reductions in average values of rented houses in the South West and the Midlands (down by 7% and 10% respectively) and noticeable increases in Central London (7%), the Rest of London (6%), the North West (9%) and Scotland, Wales & Northern Ireland (5%). However, these changes need to be treated with a degree of caution as the sample sizes for some of the regions are quite small.



Flats

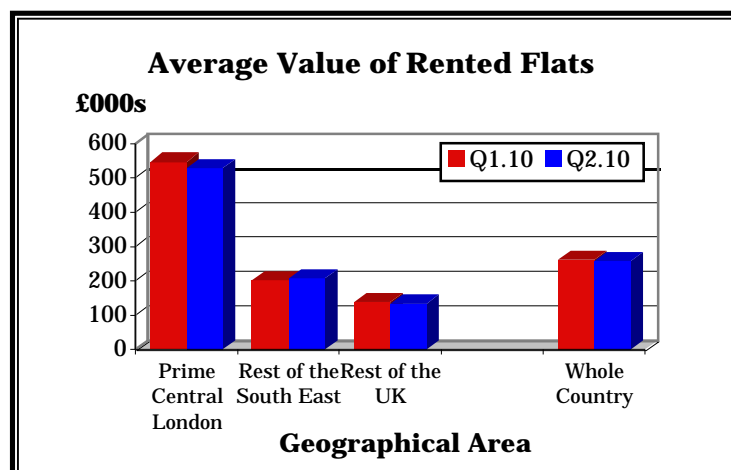
More than half of respondents (51%) say that the average value of a rented flat in their area is between £100,000 and £200,000.

However, more than one in seven respondents (15%), say the average value of a rented flat in their area is below £100,000 compared with just one in seventy (1.4%) who say the average value is in excess of £1 million.

Analysis of these figures gives an overall weighted average value for a rented flat of £257,400.

| Average Value of Flats | Percent of Respondents (%) | | | |
|------------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Up to £100,000 | 1.8 | 8.3 | 26.4 | 14.6 |
| £100,001 to £150,000 | 3.5 | 29.0 | 43.5 | 30.0 |
| £150,001 to £200,000 | 3.5 | 31.8 | 19.7 | 21.1 |
| £200,001 to £350,000 | 22.8 | 20.7 | 5.9 | 14.9 |
| £350,001 to £500,000 | 26.3 | 4.6 | 0.8 | 7.4 |
| £500,001 to £750,000 | 19.3 | 1.4 | - | 4.4 |
| £750,001 to £1 Million | 14.0 | 0.5 | - | 3.0 |
| Over £1 Million | 5.3 | 0.9 | - | 1.4 |
| Not stated | 3.5 | 2.8 | 3.8 | 3.3 |
| Base: All respondents | (114) | (217) | (239) | (570) |

As with rented houses, there are big differences between the values of rented flats in the different geographical areas with the average for Prime Central London being more than half a million pounds (£527,300) compared with £207,000 in the Rest of South East and £133,300 in the Rest of the UK.



Compared with the first quarter survey, the overall weighted average value of a rented flat has fallen by 1.4% from £260,900 to £257,400.

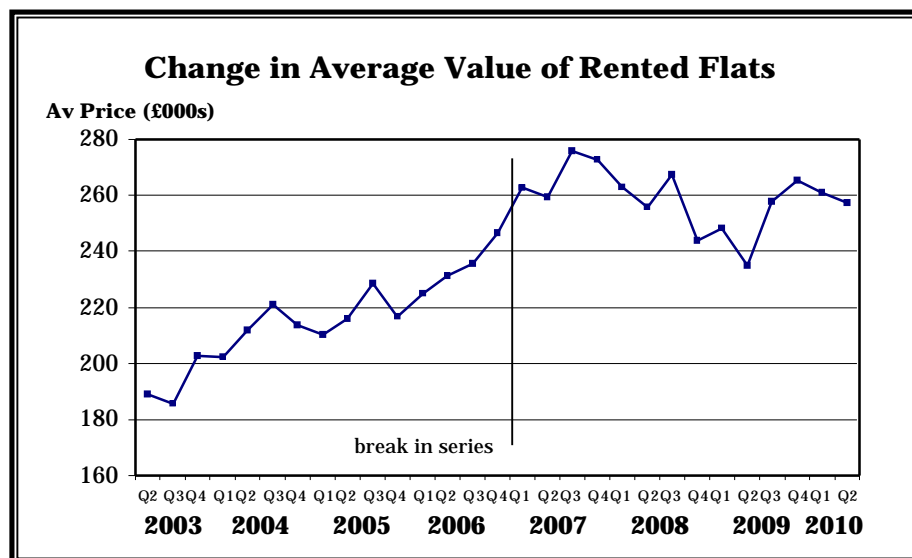
Within that overall change, however, the average value of rented flats in the Rest of the South East rose by 3.0% whilst that for the Prime Central London fell by 3.6% and that for the Rest of the UK fell by 3.5%.

| Geographic Area | Average Value of Rented Flats (000s) | | | |
|------------------------|---|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 544.8 | 544.4 | 547.0 | 527.3 |
| South East | 197.9 | 205.2 | 201.0 | 207.0 |
| Rest of UK | 134.0 | 147.9 | 138.1 | 133.3 |
| All Regions (weighted) | 257.7 | 265.4 | 260.9 | 257.4 |
| Base: All respondents | (639) | (733) | (531) | (570) |

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

However, after that, average values of flats fell by 15%, reaching a three year low of £234,900 a year ago before bouncing back sharply.

The first two quarters of 2010, however, have seen small falls in the average value of rented flats but, despite these declines, the figure is still considerably higher than it was a year ago.



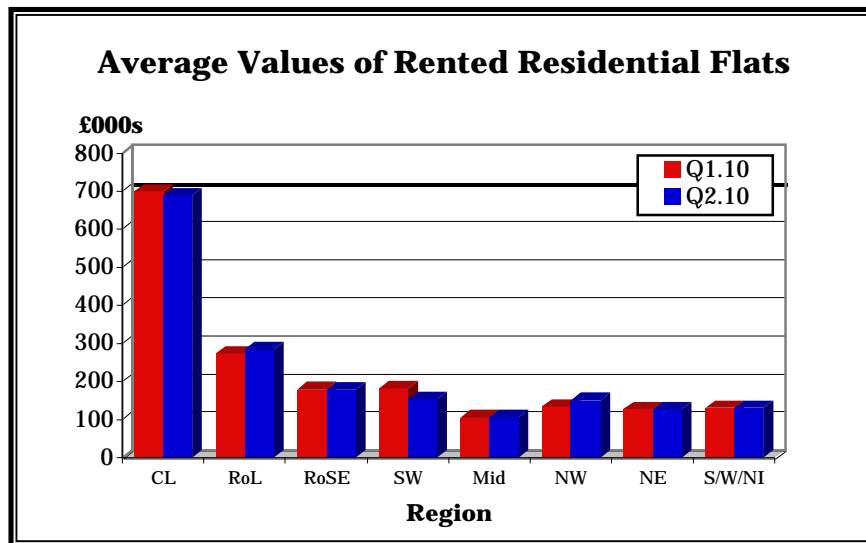
Regional Analysis

As was the case for prices of rented houses, results for individual regions of the UK shows that, not unexpectedly, by and large the further north rented properties are located, the lower is their average value although, again, the lowest average value is in fact to be found in the Midlands.

| Geographic Area | Average Value of Rented Flats (000s) | |
|------------------------|---|--------------|
| | Q1.10 | Q2.10 |
| Central London | 699 | 689 |
| Rest of London | 273 | 285 |
| Rest of South East | 179 | 178 |
| South West | 182 | 153 |
| Midlands | 105 | 106 |
| North West | 134 | 151 |
| North East | 127 | 127 |
| Scotland/Wales/NI | 131 | 131 |
| Base: All respondents | (531) | (570) |

Compared with three months ago, there has been a substantial reduction in the average value of rented flats in the South West (down by 16%) but noticeable increases in the Rest of London (4%) and the North West (13%).

Again, as with the regional average prices for houses, these changes need to be treated with a degree of caution as the sample sizes for some of the regions are quite small.



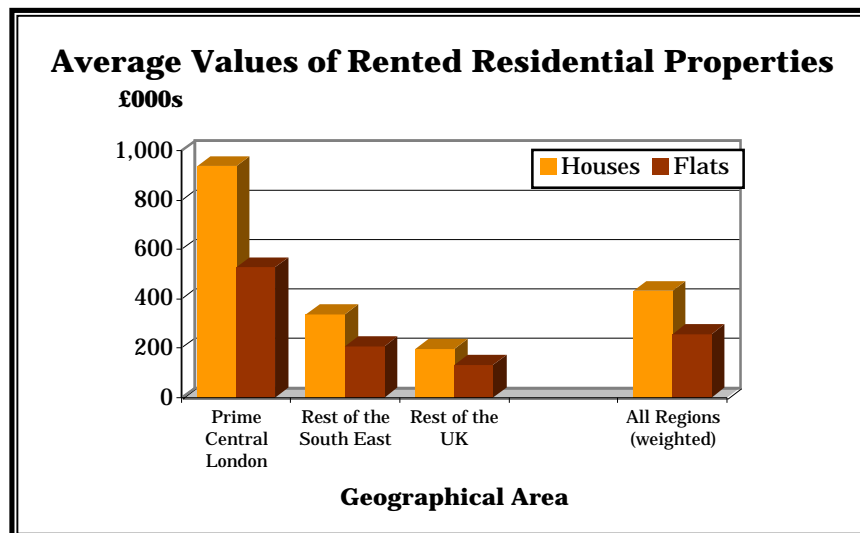
Summary

As was to be expected, average values of rented houses are much higher than those of rented flats with the biggest difference being seen by those managing properties in Prime Central London where the average figure for houses is now 78% higher than that for flats.

There is also a big difference between the values of houses and flats in the Rest of the South East and in the Rest of the UK although the differences are less marked at 63% and 48% respectively.

| Geographic Area | Average Value of Properties (000s) | |
|------------------------|------------------------------------|-------|
| | Houses | Flats |
| Prime Central London | 937.2 | 527.3 |
| Rest of the South East | 338.2 | 207.0 |
| Rest of the UK | 197.3 | 133.3 |
| All Regions (weighted) | 431.4 | 257.4 |

Base: All respondents (570)



Compared with the first quarter of the year, in the case of both houses and flats, there have been falls in the overall values of rented properties in the Rest of the UK but increases for the Rest of the South East with Prime Central London showing mixed fortunes (an increase in average prices of rented houses but a decrease in average prices of rented flats).

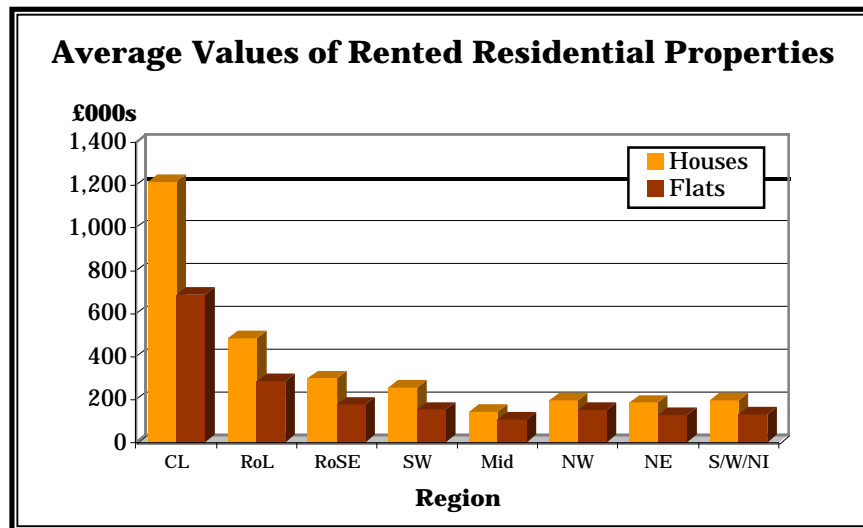
Regional Analysis

Looking at average prices of rented houses compared with average prices of rented flats within individual regions confirms, not surprisingly, that across all regions, houses command higher prices than flats. However, more interestingly, the data also shows that the relative difference is highest in Central London (rented house prices are 76% higher than rented flat prices) and lowest in the North West

(rented house prices are 30% higher than rented flat prices) with a general tendency for the relative difference to decline as one moves north.

| Geographic Region | Average Value of Properties (000s) | |
|--------------------------|---|--------------|
| | Houses | Flats |
| Central London | 1,213 | 689 |
| Rest of London | 487 | 285 |
| Rest of South East | 300 | 178 |
| South West | 255 | 153 |
| Midlands | 141 | 106 |
| North West | 197 | 151 |
| North East | 186 | 127 |
| Scotland/Wales/NI | 198 | 131 |

Base: All respondents (570)



4.5 Average Rental Return on Rented Residential Property (Q.6)

Houses

According to ARLA members' offices, a rental return of between 4% and 5% is the norm for rented houses with nearly half of respondents (47%) saying that this applies to their area. Analysis of these results reveals a weighted average rental return on rented houses of 4.8%.

| Average Return | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Less than 4% | 35.1 | 17.5 | 14.2 | 19.6 |
| 4% to 5% | 41.2 | 51.6 | 45.6 | 47.0 |
| 6% | 7.0 | 15.2 | 18.0 | 14.7 |
| 7% | 0.9 | 5.5 | 7.9 | 5.6 |
| 8% | 2.6 | 2.8 | 4.2 | 3.3 |
| 9% to 10% | 6.1 | 1.4 | 2.9 | 3.0 |
| 11% to 12% | - | 0.9 | 0.4 | 0.5 |
| 12% to 15% | - | 0.9 | 0.4 | 0.5 |
| Over 15% | 0.9 | - | 1.3 | 0.7 |
| Not stated | 6.1 | 4.1 | 5.0 | 4.9 |
| Base: All respondents | (114) | (217) | (239) | (570) |

There is some difference in rates of return between the three broad geographic areas with the average for those managing properties in Prime Central London being the lowest at 4.3% compared with 4.8% for the Rest of the South East and 5.2% for the Rest of the UK.

| Geographic Area | Average Rental Return (%) | | | |
|------------------------|----------------------------------|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 4.2 | 4.6 | 4.2 | 4.3 |
| South East | 5.2 | 4.9 | 4.9 | 4.8 |
| Rest of UK | 5.4 | 5.4 | 5.6 | 5.2 |
| All Regions (weighted) | 5.1 | 5.0 | 5.0 | 4.8 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Compared with the first quarter of 2010, the overall average weighted rental return on houses is down from 5.0% to 4.8%.

Within this overall position, the average rental return on houses in Prime Central London is up a little from 4.2% to 4.3% whilst the average rental return on houses in the Rest of the South East is down a little from 4.9% to 4.8% but the big change this quarter is the decline for the Rest of the UK which is down from 5.6% to 5.2%.

Flats

A rental return of between 4% and 5% also appears to be the norm for rented flats with nearly half of respondents (47%) saying that this applies to their area. Analysis of these results reveals a weighted average rental return on rented flats of 5.0%.

| Average Return | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Less than 4% | 19.3 | 12.0 | 13.0 | 13.9 |
| 4% to 5% | 48.2 | 48.8 | 45.2 | 47.2 |
| 6% | 11.4 | 18.4 | 16.3 | 16.1 |
| 7% | 3.5 | 6.5 | 5.4 | 5.4 |
| 8% | 1.8 | 1.4 | 3.8 | 2.5 |
| 9% to 10% | 4.4 | 2.3 | 4.2 | 3.5 |
| 11% to 12% | 2.6 | 0.5 | 0.4 | 0.9 |
| 12% to 15% | - | 0.9 | 0.4 | 0.5 |
| Over 15% | 0.9 | - | 0.4 | 0.4 |
| Not stated | 7.9 | 9.2 | 10.9 | 9.6 |
| Base: All respondents | (114) | (217) | (239) | (570) |

As was the case with rented houses, there is some difference in the rental rates of return for rented flats between the different geographical areas, with the average for those managing properties in Prime Central London being 4.9% compared with 5.0% for those in the Rest of the South East and 5.1% for the Rest of the UK.

| Geographic Area | Average Rental Return (%) | | | |
|------------------------|----------------------------------|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 4.6 | 4.9 | 4.5 | 4.9 |
| South East | 5.2 | 4.9 | 5.2 | 5.0 |
| Rest of UK | 5.2 | 5.3 | 5.4 | 5.1 |
| All Regions (weighted) | 5.1 | 5.0 | 5.1 | 5.0 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Compared with the last survey in the first quarter of 2010, the overall weighted average rental return on flats is down slightly from 5.1% to 5.0%, once again reversing the change seen three months earlier.

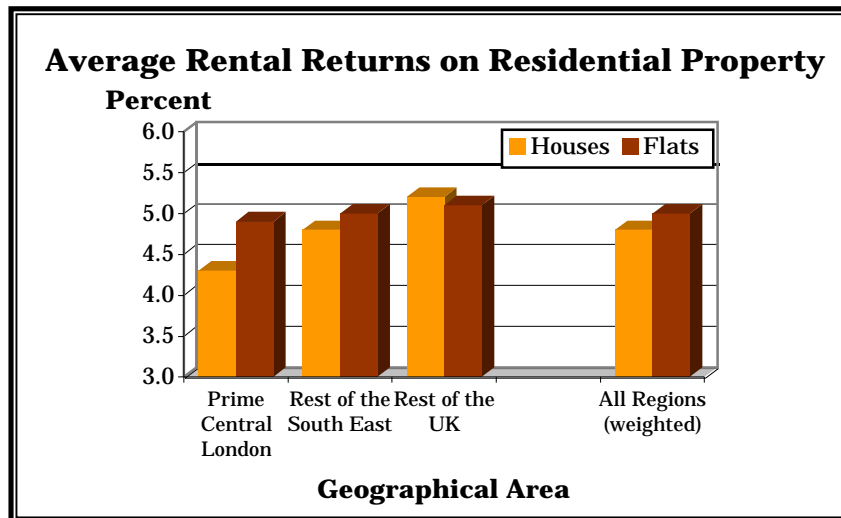
Within this overall slight decrease, the average for Prime Central London has risen quite sharply from 4.5% to 4.9%, but again this merely reverses the change seen in the previous survey, whilst the average for the Rest of the South East has declined from 5.2% to 5.0%, also reversing the previous change. The average for the Rest of the UK, however, fell quite sharply from 5.4% to 5.1% against its recent trend.

Summary

The lowest average rental returns are currently being earned on houses in Prime Central London (4.3%) with the highest returns being earned on houses in the Rest of the UK (5.2%).

| Geographic Area | Average Rental Return (%) | |
|------------------------|---------------------------|-------|
| | Houses | Flats |
| Prime Central London | 4.3 | 4.9 |
| Rest of the South East | 4.8 | 5.0 |
| Rest of the UK | 5.2 | 5.1 |
| All Regions (weighted) | 4.8 | 5.0 |

Base: All respondents (570)



Overall flats seem to do better than houses and this is also the case for Prime Central London and the Rest of the South East but in the case of the Rest of the UK houses appear to do slightly better than flats.

Regional Analysis

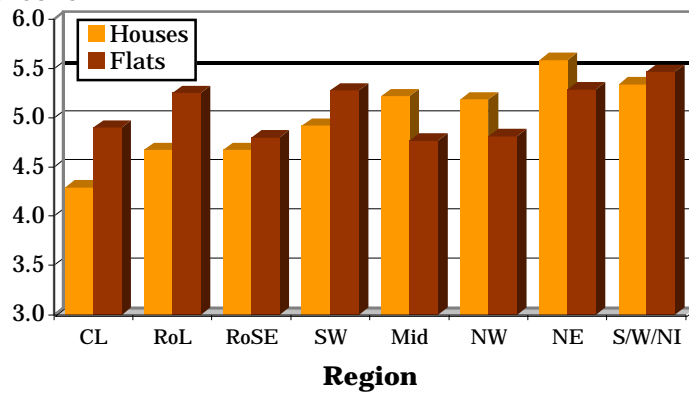
As can be seen from the chart below, whilst three months ago there appeared to be a correlation between rental returns and distance from London, the results from this quarter's survey have not confirmed this to be the case with returns varying between 4.8% and 5.5% regardless of location.

| Geographic Region | Average Rental Return (%) | |
|--------------------|---------------------------|-------|
| | Houses | Flats |
| Central London | 4.3 | 4.9 |
| Rest of London | 4.7 | 5.3 |
| Rest of South East | 4.7 | 4.8 |
| South West | 4.9 | 5.3 |
| Midlands | 5.2 | 4.8 |
| North West | 5.2 | 4.8 |
| North East | 5.6 | 5.3 |
| Scotland/Wales/NI | 5.3 | 5.5 |

Base: All respondents (570)

Average Rental Returns on Residential Property

Percent



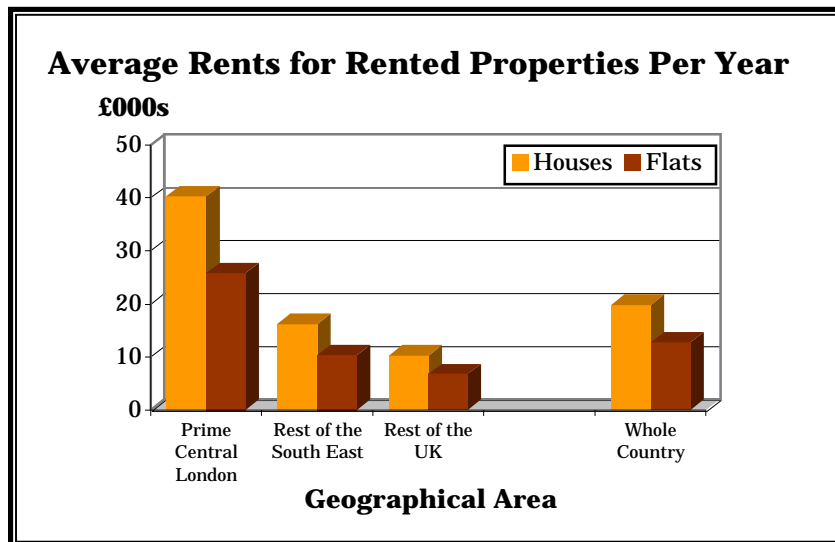
Average Rents

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

| Geographic Area | Average Rents - Q2.10 | | | | | |
|------------------------|-----------------------|-----------|-------------|----------|-----------|-------------|
| | HOUSES | | | FLATS | | |
| | Week (£) | Month (£) | Year (£000) | Week (£) | Month (£) | Year (£000) |
| Prime Central London | 775 | 3,358 | 40.3 | 497 | 2,153 | 25.8 |
| Rest of the South East | 312 | 1,353 | 16.2 | 199 | 863 | 10.4 |
| Rest of the UK | 197 | 855 | 10.3 | 131 | 567 | 6.8 |
| Whole Country | 382 | 1,656 | 19.9 | 246 | 1,066 | 12.8 |

Base: All respondents (570)

In the case of the Rest of the UK, the average rent for a house is 51% more than that for a flat. For those managing properties in Prime Central London the difference is bigger at 56% but for the Rest of the South East, the difference is the greatest with average rent of a house being 57% higher than that of a flat.



Compared with the last survey, weighted average rents for houses are up by 1% as a result of rises of 4% for those managing properties in Prime Central London and 3% for those in the Rest of the South East. In contrast, for respondents in the Rest of the UK, the average rent for a house is down 10%.

Average rents for flats, on the other hand, are virtually unchanged overall, as a result of an increase of 5% for those managing properties in Prime Central London balancing falls of 1% for those in the Rest of the South East and 9% for those in the Rest of the UK.

| Geographic Area | Average Rents - Q1.10 | | | | | |
|------------------------|------------------------------|------------------|--------------------|-----------------|------------------|--------------------|
| | HOUSES | | | FLATS | | |
| | Week (£) | Month (£) | Year (£000) | Week (£) | Month (£) | Year (£000) |
| Prime Central London | 747 | 3,236 | 38.8 | 497 | 2,153 | 25.8 |
| Rest of the South East | 302 | 1,311 | 15.7 | 201 | 871 | 10.5 |
| Rest of the UK | 218 | 945 | 11.3 | 143 | 621 | 7.5 |
| Whole Country | 378 | 1,639 | 19.7 | 246 | 1,064 | 12.8 |

Base: All respondents (531)

Regional Analysis

Further analysis of the responses to this question enables average rents to be derived for each of the geographic regions included in the survey and these are shown for this quarter and last quarter in the tables below. However, it should be noted that the number of respondents for some of the regions is relatively small with the smallest number (33) being for the North East.

| Geographic Region | Average Rents - Q2.10 | | | | | |
|--------------------------|------------------------------|------------------|--------------------|-----------------|------------------|--------------------|
| | HOUSES | | | FLATS | | |
| | Week (£) | Month (£) | Year (£000) | Week (£) | Month (£) | Year (£000) |
| Prime Central London | 775 | 3,358 | 40.3 | 497 | 2,153 | 25.8 |
| Rest of London | 464 | 2,012 | 24.1 | 338 | 1,463 | 17.6 |
| Rest of South East | 270 | 1,168 | 14.0 | 164 | 710 | 8.5 |
| South West | 238 | 1,030 | 12.4 | 156 | 674 | 8.1 |
| Midlands | 141 | 609 | 7.3 | 97 | 422 | 5.1 |
| North West | 197 | 855 | 10.3 | 139 | 603 | 7.2 |
| North East | 200 | 866 | 10.4 | 129 | 559 | 6.7 |
| Scotland/Wales/NI | 202 | 874 | 10.5 | 138 | 600 | 7.2 |

Base: All respondents (570)

Compared with three months ago, there appear to have been substantial increases in average rents for both houses and flats in the Rest of London (25% and 14% respectively) and substantial decreases in the Midlands (21% and 9% respectively) and the South West (13% and 15% respectively). In the case of flats, there were also substantial decreases in the Rest of the South East (8%) and the North West (7%).

| Geographic Region | Average Rents - Q1.10 | | | | | |
|--------------------------|------------------------------|------------------|--------------------|-----------------|------------------|--------------------|
| | HOUSES | | | FLATS | | |
| | Week (£) | Month (£) | Year (£000) | Week (£) | Month (£) | Year (£000) |
| Prime Central London | 747 | 3,236 | 38.8 | 497 | 2,153 | 25.8 |
| Rest of London | 373 | 1,617 | 19.4 | 297 | 1,286 | 15.4 |
| Rest of South East | 282 | 1,223 | 14.7 | 177 | 768 | 9.2 |
| South West | 275 | 1,190 | 14.3 | 182 | 788 | 9.5 |
| Midlands | 178 | 770 | 9.2 | 107 | 462 | 5.5 |
| North West | 195 | 844 | 10.1 | 150 | 648 | 7.8 |
| North East | 197 | 855 | 10.3 | 122 | 529 | 6.3 |
| Scotland/Wales/NI | 206 | 894 | 10.7 | 144 | 623 | 7.5 |

Base: All respondents (531)

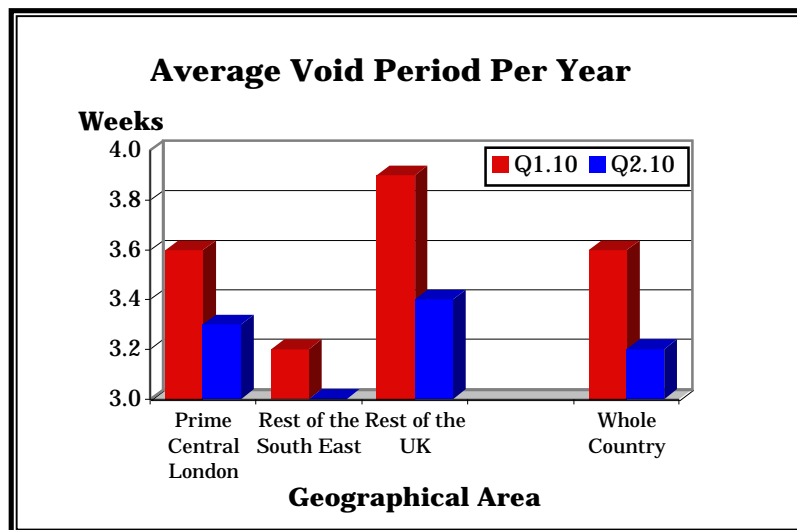
4.6 Average Void Period Per Year (Q.7)

Average void periods for rented residential properties tend to be quite short with nearly eight out of ten of ARLA members' offices (78%) reporting averages of 4 weeks or less per year and, in addition, nearly a further one in six (16%) saying the average is between 5 and 6 weeks.

These figures indicate an overall average void period of 3.2 weeks (22 days) per year.

| Average Void Period | Percent of Respondents (%) | | | |
|-----------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Less than 2 weeks | 15.8 | 26.3 | 18.8 | 21.1 |
| 2 to 4 weeks | 64.0 | 57.6 | 52.7 | 56.8 |
| 5 to 6 weeks | 10.5 | 12.9 | 20.9 | 15.8 |
| 7 to 8 weeks | 7.9 | 2.3 | 2.9 | 3.7 |
| More than 8 weeks | - | 0.5 | 1.3 | 0.7 |
| Don't know | 1.8 | 0.5 | 2.1 | 1.4 |
| Not stated | - | - | 1.3 | 0.5 |
| Base: All respondents | (114) | (217) | (239) | (570) |

Respondents from the Rest of the South East experience the lowest average void period at 2.9 weeks (20 days) compared with 3.3 weeks (23 days) for Prime Central London and 3.4 weeks (24 days) for the Rest of the UK.



Compared with the first quarter, the average void period for the whole country is down quite sharply from 3.6 weeks (25 days) to 3.2 weeks (22 days), the third fall in a row.

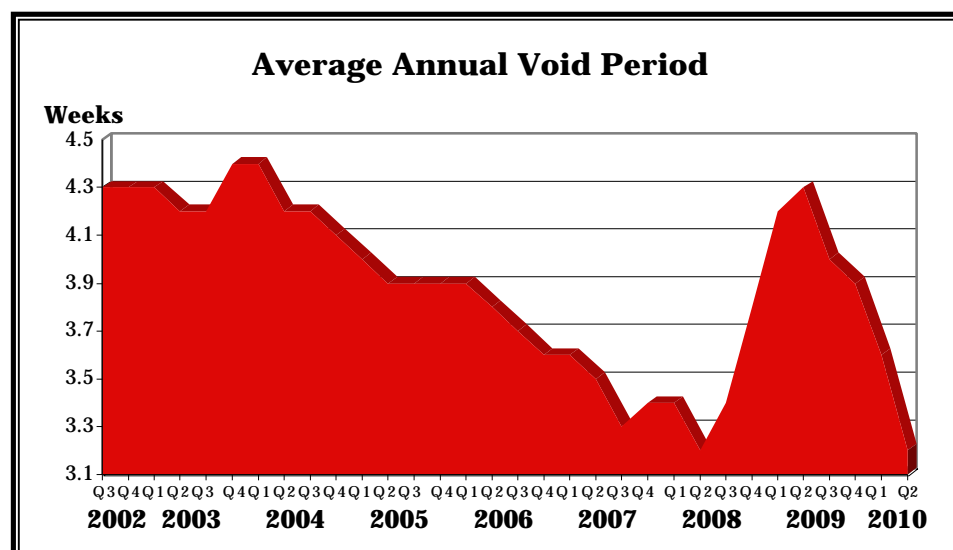
Average void periods have decreased in all the three main geographical areas with the greatest decrease being for those in the Rest of the UK (down from 3.9 weeks to 3.4 weeks).

| Geographic Area | Average Void Period (weeks) | | | |
|-----------------------|-----------------------------|-------|-------|-------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 4.0 | 3.8 | 3.6 | 3.3 |
| South East | 3.8 | 3.7 | 3.2 | 2.9 |
| Rest of UK | 4.2 | 4.2 | 3.9 | 3.4 |
| Whole Country | 4.0 | 3.9 | 3.6 | 3.2 |
| Base: All respondents | (639) | (733) | (531) | (570) |

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

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

Against this background, the fall in the figure seen in the last four quarters confirms that the trend has now turned firmly downwards again and the average for this quarter is the lowest since these surveys began nearly ten years ago and on a par with its previous low in the second quarter of 2008.



Regional Analysis

As can be seen from the table below average void periods are lowest in the Rest of London (2.8 weeks) than anywhere else in the country with most other regions having averages between 3.4 weeks and 3.7 weeks per year.

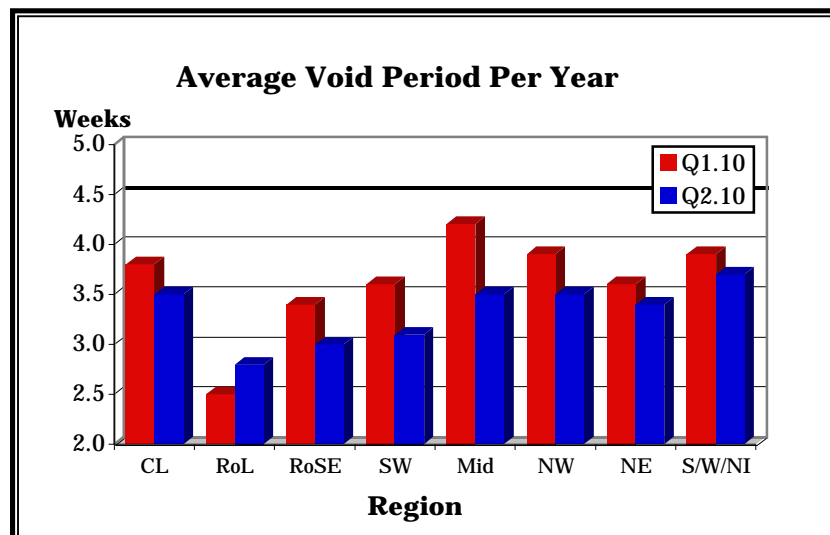
The exceptions to this are the Rest of the South East at 3.0 weeks and the South West at 3.1 weeks.

Scotland, Wales & Northern Ireland have the highest average void period at 3.7 weeks per year.

| Geographic Region | Average Void Period (weeks) | |
|--------------------------|------------------------------------|--------------|
| | Q1.10 | Q2.10 |
| Central London | 3.8 | 3.5 |
| Rest of London | 2.5 | 2.8 |
| Rest of South East | 3.4 | 3.0 |
| South West | 3.6 | 3.1 |
| Midlands | 4.2 | 3.5 |
| North West | 3.9 | 3.5 |
| North East | 3.6 | 3.4 |
| Scotland/Wales/NI | 3.9 | 3.7 |

Base: All respondents (531) (570)

Compared with three months ago, average void periods have decreased in every region with the sole exception of the Rest of London which nevertheless still has the lowest average void period. The largest reduction was in the Midlands (down from 4.2 to 3.5 weeks).



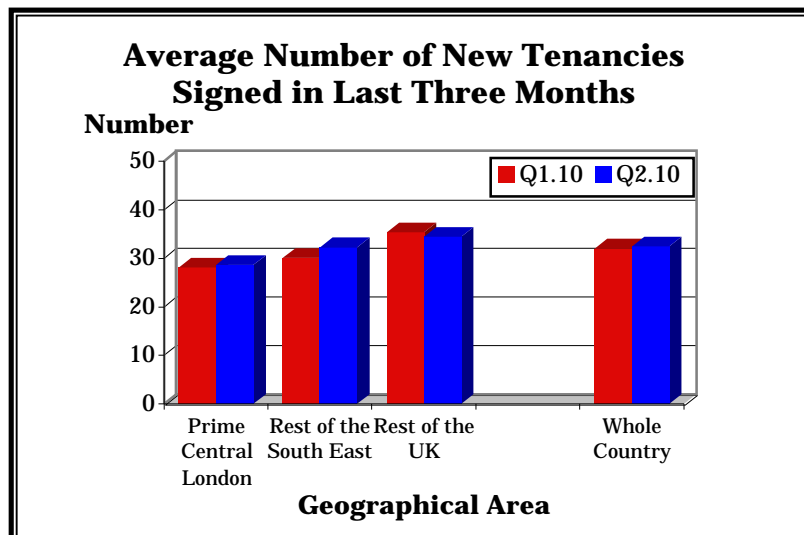
4.7 Number of New Tenancies (Not Renewals) Signed Up in the Last Three Months (Q.8)

Almost four out of ten ARLA members' offices (79%) have signed up more than 10 new tenancies (other than renewals) in the last three months with more than half (53%) having signed up more than 20 and more than two out of ten (21%) more than 50.

Analysis of these results reveals that, on average, ARLA members' offices have each signed up 32 new tenancies in the last three months.

| Number of Tenancies | Percent of Respondents (%) | | | |
|-----------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| None | 1.8 | 0.9 | 0.4 | 0.9 |
| Up to 5 | 7.0 | 8.8 | 5.9 | 7.2 |
| 6 to 10 | 16.7 | 10.1 | 12.1 | 12.3 |
| 11 to 20 | 25.4 | 28.6 | 25.5 | 26.7 |
| 21 to 50 | 34.2 | 30.0 | 31.0 | 31.2 |
| Over 50 | 14.9 | 21.7 | 24.3 | 21.4 |
| Not stated | - | - | 0.8 | 0.4 |
| Base: All respondents | (114) | (217) | (239) | (570) |

Those managing properties in Prime Central London have fared less well than those in the Rest of the South East and the Rest of the UK with the average figures being 29 for Prime Central London, 32 for the Rest of the South East and 34 for the Rest of the UK.

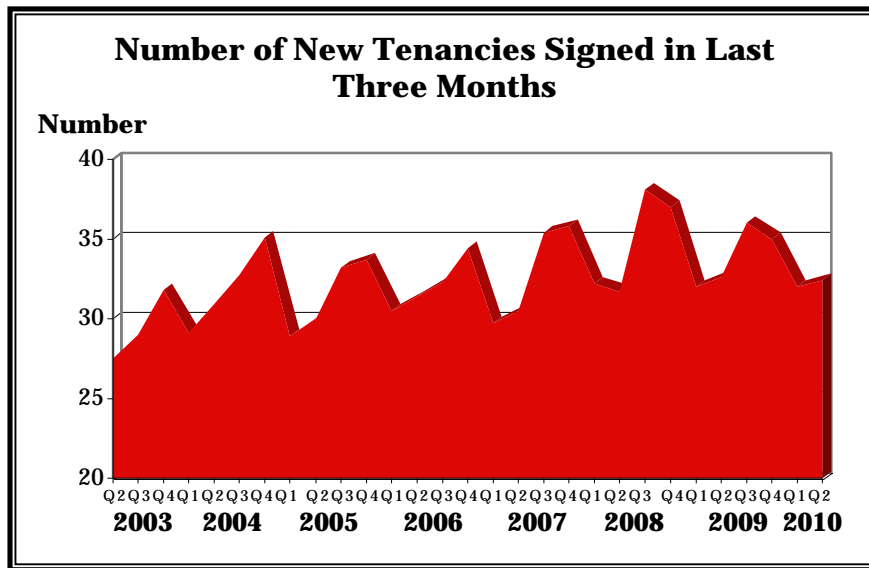


Compared with the last survey, there has been a slight increase in the average number of new tenancies signed up in the preceding three months from 32.0 to 32.4.

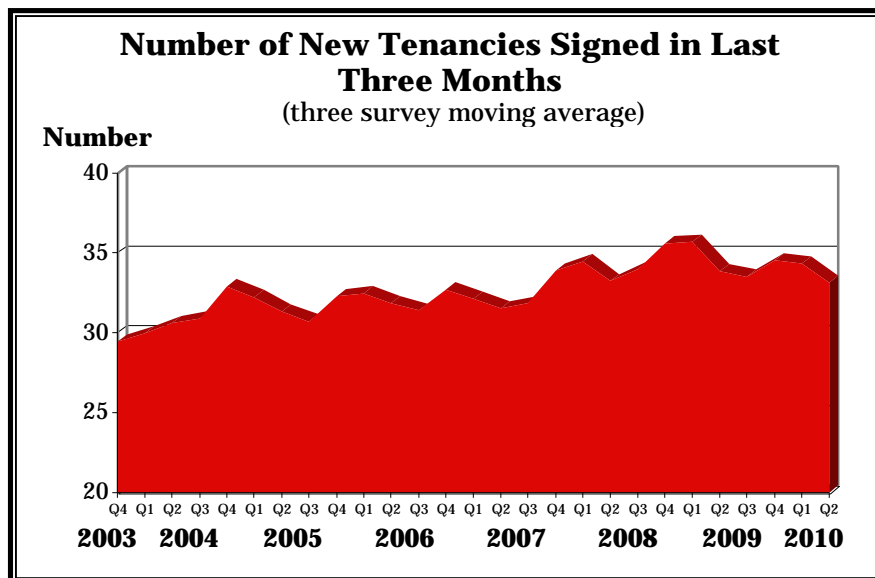
Within this overall fairly static position, respondents in the Rest of the South East saw their average rise from 30.1 to 32.2 new tenancies whilst those in the Rest of the UK saw theirs fall from 35.4 to 34.4 with those managing properties in Prime Central London seeing the smallest change (up from 28.1 to 28.6).

| Geographic Area | Number of New Tenancies | | | |
|-----------------------|-------------------------|-------|-------|-------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 30.3 | 35.0 | 28.1 | 28.6 |
| South East | 33.4 | 31.5 | 30.1 | 32.2 |
| Rest of UK | 40.4 | 38.5 | 35.4 | 34.4 |
| All Regions | 36.0 | 35.0 | 32.0 | 32.4 |
| Base: All respondents | (639) | (733) | (531) | (570) |

As can be seen from the chart below, the rise seen this quarter is in line with the seasonal trend with the second quarter normally seeing a small rise in the average number of new tenancies.



Looking past these seasonal variations, as can be seen in the graph below of the three quarter moving average, the trend over most of the last seven years has been for the average number of new tenancies being signed up to increase although there does appear to have been some decline over the last year.



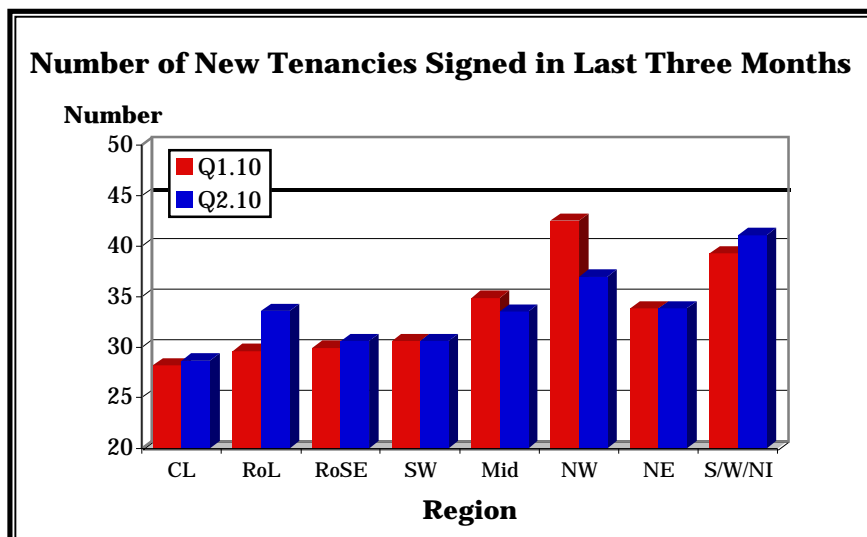
Regional Analysis

The average number of new tenancies signed up in the three months preceding the survey tends to increase as one moves away from London with the smallest average number (29) being in Central London and the largest (41) being in Scotland, Wales & Northern Ireland.

Although the average for the North East (34) is considerably below that for the North West and that for Scotland, Wales and Northern Ireland and only marginally above that for the Midlands it is still relatively high compared with the south of the country.

Another exception to this general rule is the Rest of London with an average more in line with the north of England.

| Geographic Region | Number of New Tenancies | |
|-----------------------|-------------------------|-------|
| | Q1.10 | Q2.10 |
| Central London | 28.2 | 28.7 |
| Rest of London | 29.6 | 33.6 |
| Rest of South East | 29.9 | 30.6 |
| South West | 30.6 | 30.6 |
| Midlands | 34.9 | 33.5 |
| North West | 42.5 | 37.0 |
| North East | 33.8 | 33.8 |
| Scotland/Wales/NI | 39.3 | 41.1 |
| Base: All respondents | (531) | (570) |



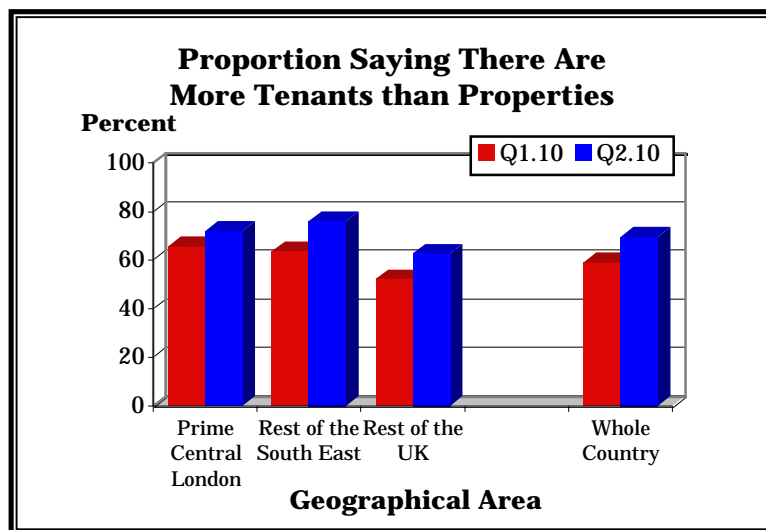
4.8 Balance of Supply & Demand in Rented Residential Property Sector (Q.9)

Seven out of ten ARLA members' offices (70%) say that there are currently more tenants than there are properties available for them. This compares with just one in seven (14%) who now believe that there are more residential properties available for rent than there are tenants to fill them. However, more than another one in seven (15%) believe that supply of and demand for rented residential properties is in balance.

These figures suggest that, overall, the supply of rented residential properties is currently insufficient to meet demand for them with demand being strongest in the Rest of the South East where only 9% of respondents say there are more properties than tenants compared with 76% saying there are more tenants than properties.

Prime Central London shows the second strongest level of demand with 11% saying there are more properties than tenants compared with 72% saying there are more tenants than properties. For those in the Rest of the UK the situation is the least positive with 21% saying there are more properties than tenants and 63% saying there are more tenants than properties.

| Balance of Supply and Demand | Percent of Respondents (%) | | | |
|-------------------------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Lot more props than tenants | 0.9 | 3.2 | 7.1 | 4.4 |
| Few more props than tenants | 10.5 | 5.5 | 13.8 | 10.0 |
| Equal nos of props & tenants | 15.8 | 14.7 | 15.1 | 15.1 |
| Few more tenants than props | 35.1 | 48.8 | 36.4 | 40.9 |
| Lot more tenants than props | 36.8 | 27.2 | 26.4 | 28.8 |
| Not stated | 0.9 | 0.5 | 1.3 | 0.9 |
| Base: All respondents | (114) | (217) | (239) | (570) |

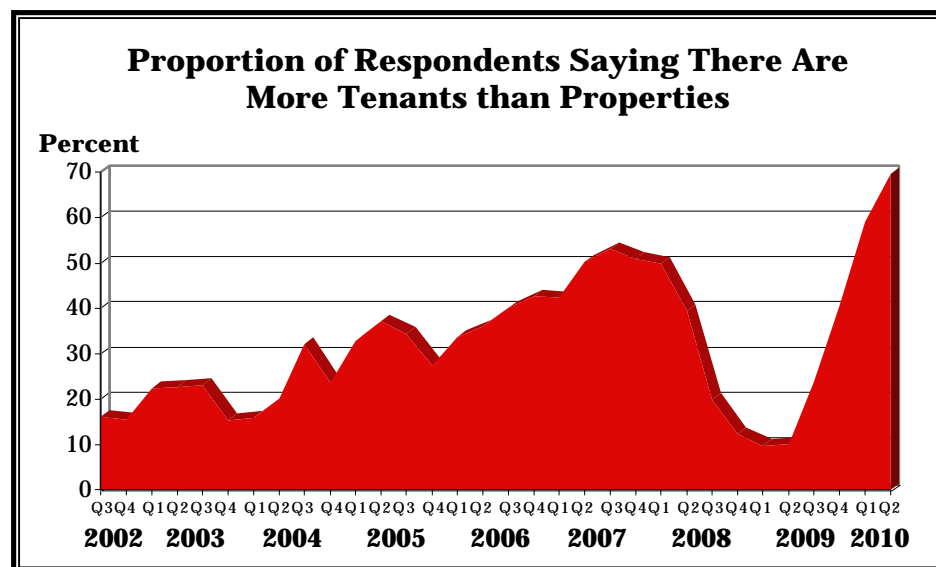


Compared with the first quarter, there has been another big change in the balance of supply and demand with the overall proportion who now say there are more tenants than properties rising sharply, for the fourth time in a row, this time from 59% to another all time high at 70%.

This improvement is reflected in all the broad geographic areas but the largest improvement is for those in the Rest of the South East where the proportion saying that there are more tenants than properties has shot up from 64% to 76%.

| Geographic Area | Proportion Saying There Are More Tenants than Properties (%) | | | |
|------------------------|---|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 19.4 | 39.4 | 65.7 | 71.9 |
| South East | 27.4 | 43.0 | 63.7 | 76.0 |
| Rest of UK | 22.8 | 38.8 | 52.2 | 62.8 |
| All Regions | 23.8 | 40.5 | 59.1 | 69.6 |
| Base: All respondents | (639) | (733) | (531) | (570) |

As the chart below shows, the large decline during 2008 in the proportion of respondents saying that there are more tenants than properties bottomed out during the first half of 2009 and has now bounced back strongly to reach its highest level since this question was first asked eight years ago.

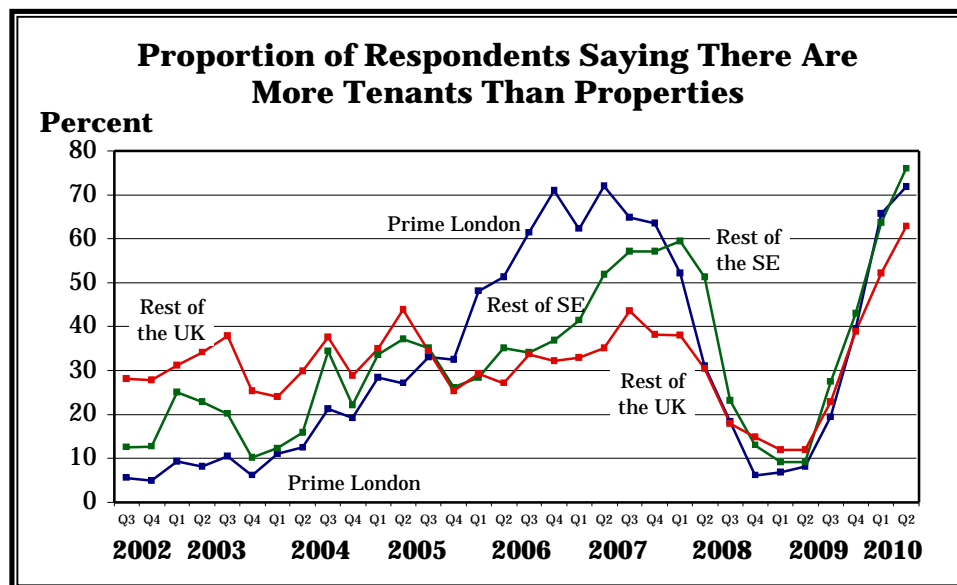


Looking at changes for each of the broad geographic areas over the last six years, as can be seen from the chart below, the most dramatic changes have taken place in Prime Central London where the proportion of respondents saying that there are more tenants than there are properties available for them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

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

In the Rest of the UK, whilst the figure had remained relatively steady at between 30% and 40% for most of the period between 2002 and 2008, it too declined sharply in the second half of 2008 before bouncing back in 2009.

In all cases, the downward trend has clearly come to an end and the balance of supply and demand has now moved back more strongly in favour of landlords than ever.



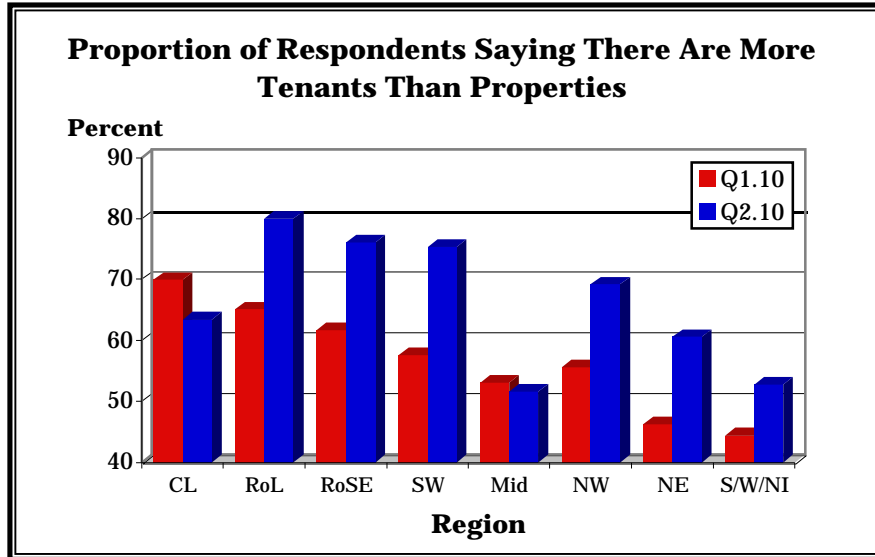
Regional Analysis

The balance of supply and demand in terms of the percentage of respondents saying there are more tenants than there are properties for them is clearly tilted much more in favour of residential landlords in the south of the country, particularly in the South East excluding Central London and the South West.

| Geographic Region | Proportion Saying There Are More Tenants than Properties (%) | |
|--------------------|--|-------|
| | Q1.10 | Q2.10 |
| Central London | 69.9 | 63.4 |
| Rest of London | 65.1 | 80.0 |
| Rest of South East | 61.7 | 76.1 |
| South West | 57.6 | 75.4 |
| Midlands | 53.1 | 51.6 |
| North West | 55.6 | 69.2 |
| North East | 46.2 | 60.6 |
| Scotland/Wales/NI | 44.4 | 52.8 |

Base: All respondents (531) (570)

Compared with three months ago, there has clearly been a strengthening of demand from prospective tenants for rented properties across the whole country with two exceptions, these being Central London and the Midlands which both saw fewer respondents saying there were more tenants than properties.

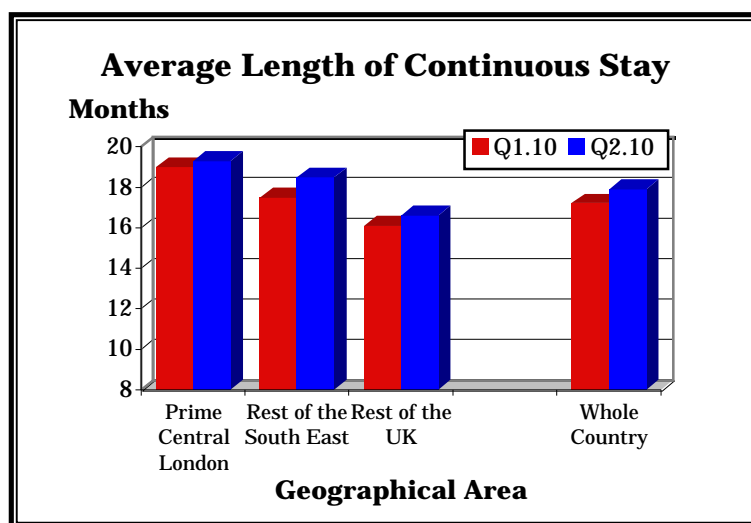


4.9 Average Length of Continuous Stay in Property (Q.10)

Getting on for nine out of ten respondents (85%) say that the average length of a tenancy is between 10 and 24 months with the largest proportion (44%) saying it is between 13 and 18 months. Based on these figures, tenants tend to stay in the same property for an average of 17.9 months.

| Average Length of Continuous Stay | Percent of Respondents (%) | | | |
|-----------------------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| 6 to 9 months | - | 1.4 | 4.2 | 2.3 |
| 10 to 12 months | 7.0 | 8.8 | 17.6 | 12.1 |
| 13 to 18 months | 37.7 | 42.4 | 49.0 | 44.2 |
| 19 to 24 months | 40.4 | 33.2 | 20.1 | 29.1 |
| More than 24 months | 12.3 | 12.0 | 6.3 | 9.6 |
| Don't know | 1.8 | 2.3 | 0.8 | 1.6 |
| Not stated | 0.9 | - | 2.1 | 1.1 |
| Base: All respondents | (114) | (217) | (239) | (570) |

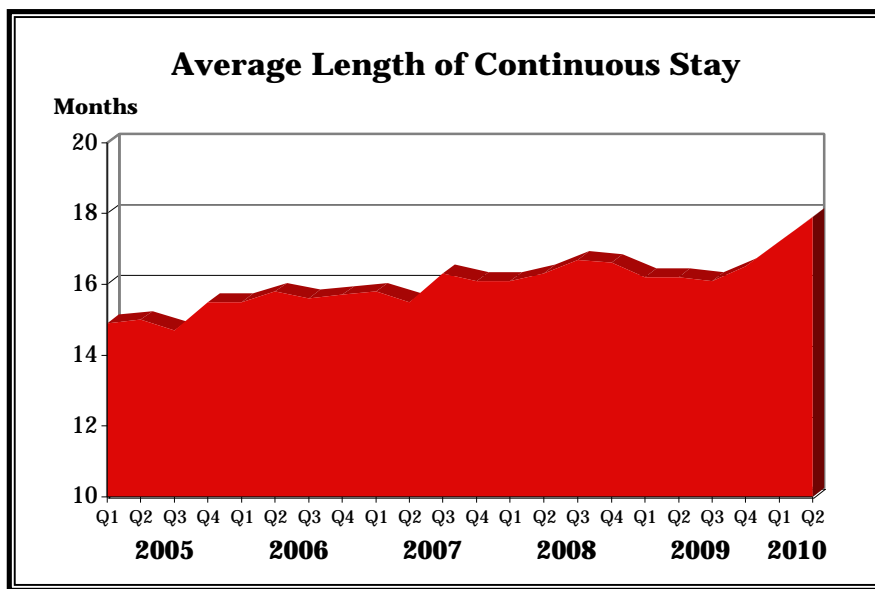
The average time a tenant stays in the same property is longest for Prime Central London at 19.3 months compared with 18.5 months for the Rest of the South East and 16.6 months for the Rest of the UK.



| Geographic Area | Average Continuous Stay (months) | | | |
|-----------------------|----------------------------------|-------|-------|-------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 17.2 | 17.5 | 19.0 | 19.3 |
| South East | 16.6 | 16.7 | 17.5 | 18.5 |
| Rest of UK | 15.3 | 15.6 | 16.1 | 16.6 |
| All Regions | 16.1 | 16.5 | 17.2 | 17.9 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Compared with the last survey, there has been an overall increase in the average length of a tenancy (from 17.2 to 17.9 months) and this is reflected in all of the broad geographic regions although the increase is greatest for those in the Rest of the South East.

As can be seen from the chart below, the overall average length of stay in a property has been on a gently rising long term trend for some time with the increase seen this quarter being the third in a row and as large as the one seen in the first quarter which was the largest seen for nearly three years.



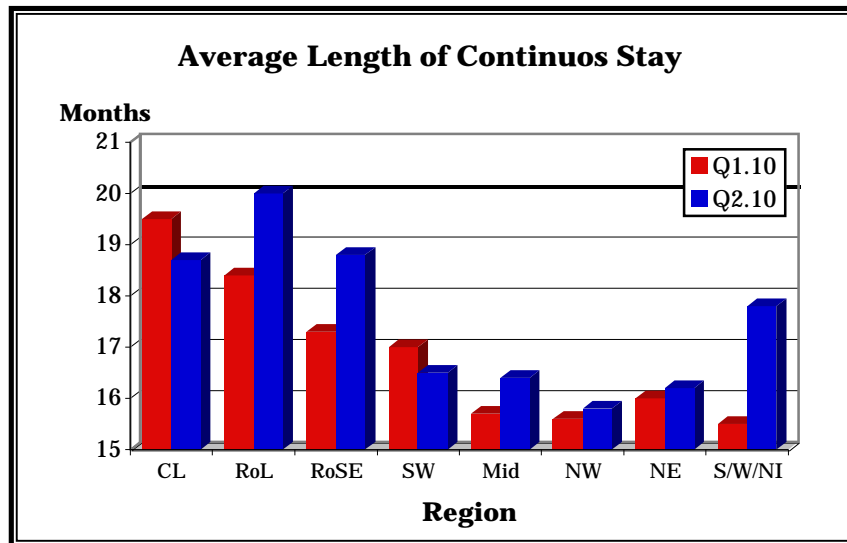
Regional Analysis

As with most of the other regional analysis of results from this survey, there is a clear progression as one moves away from London and the south.

In this case the progression is from a relatively long continuous stay of 20.0 months in the Rest of London to a relatively short stay of 15.8 months in the North West.

| Geographic Region | Average Continuous Stay (months) | |
|--------------------------|---|--------------|
| | Q1.10 | Q2.10 |
| Central London | 19.5 | 18.7 |
| Rest of London | 18.4 | 20.0 |
| Rest of South East | 17.3 | 18.8 |
| South West | 17.0 | 16.5 |
| Midlands | 15.7 | 16.4 |
| North West | 15.6 | 15.8 |
| North East | 16.0 | 16.2 |
| Scotland/Wales/NI | 15.5 | 17.8 |
| Base: All respondents | (531) | (570) |

Against this trend, Central London was on a par with the Rest of the South East with a lower average than the Rest of London and Scotland, Wales & Northern Ireland had a much higher average than any region outside the South East of England this time.



4.10 Change in Achievable Rent Levels Over Last 6 Months (Q.11)

Whole Country

In the case of each of the listed property types, between 33% and 50% of ARLA members' offices believe that achievable rent levels have increased over the last six months whilst only between 11% and 19% believe they have fallen.

| Response | Percent of Respondents (%) | | | | | |
|--------------------|-----------------------------------|-------------------|-------------------|------------------|----------------|--------------------|
| | Det House | Semi House | Terr House | Conv Flat | PB Flat | Studio Flat |
| Increased a lot | 8.1 | 8.4 | 6.0 | 4.6 | 4.6 | 3.9 |
| Increased a little | 33.9 | 40.9 | 43.9 | 35.4 | 38.8 | 28.9 |
| Stayed the same | 28.8 | 30.0 | 32.6 | 34.6 | 33.5 | 32.5 |
| Decreased a little | 11.9 | 9.1 | 10.7 | 15.3 | 16.3 | 14.7 |
| Decreased a lot | 3.0 | 1.6 | 1.2 | 1.8 | 2.5 | 3.2 |
| Don't know | 12.6 | 8.6 | 3.7 | 6.3 | 2.8 | 14.6 |
| Not stated | 1.8 | 1.4 | 1.9 | 2.1 | 1.6 | 2.3 |

Base: All respondents (570)

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

Prime Central London

Within the overall figures, the situation in Prime Central London is considerably better than average with between 42% and 69% saying that achievable rent levels for each type of property have risen.

The proportions who think achievable rent levels in Prime Central London have decreased are much lower than those for the whole country with only between 6% and 11% saying they think this is the case.

| Response | Percent of Respondents (%) | | | | | |
|--------------------|-----------------------------------|-------------------|-------------------|------------------|----------------|--------------------|
| | Det House | Semi House | Terr House | Conv Flat | PB Flat | Studio Flat |
| Increased a lot | 7.0 | 7.9 | 8.8 | 13.2 | 12.3 | 8.8 |
| Increased a little | 35.1 | 47.4 | 53.5 | 56.1 | 56.1 | 51.8 |
| Stayed the same | 19.3 | 14.0 | 19.3 | 18.4 | 20.2 | 23.7 |
| Decreased a little | 4.4 | 7.0 | 8.8 | 7.0 | 7.9 | 4.4 |
| Decreased a lot | 4.4 | 2.6 | 1.8 | 0.9 | 0.9 | 1.8 |
| Don't know | 27.2 | 19.3 | 4.4 | 1.8 | 1.8 | 8.8 |
| Not stated | 2.6 | 1.8 | 3.5 | 2.6 | 0.9 | 0.9 |

Base: All respondents (114)

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

Rest of the South East

With regard to the Rest of the South East, the picture is very close to that for the whole country with between 33% and 56% of respondents saying that achievable rent levels have increased compared with between 12% and 18% saying they have decreased.

| Response | Percent of Respondents (%) | | | | | |
|--------------------|-----------------------------------|-------------------|-------------------|------------------|----------------|--------------------|
| | Det House | Semi House | Terr House | Conv Flat | PB Flat | Studio Flat |
| Increased a lot | 11.1 | 8.8 | 5.1 | 4.1 | 4.1 | 4.1 |
| Increased a little | 35.0 | 43.8 | 50.7 | 37.8 | 42.9 | 29.0 |
| Stayed the same | 23.0 | 27.2 | 27.2 | 32.7 | 30.9 | 28.6 |
| Decreased a little | 13.4 | 10.1 | 11.1 | 14.3 | 16.1 | 13.8 |
| Decreased a lot | 3.7 | 1.4 | 1.4 | 0.9 | 1.4 | 4.1 |
| Don't know | 12.0 | 7.4 | 3.7 | 9.2 | 3.7 | 18.9 |
| Not stated | 1.8 | 1.4 | 0.9 | 0.9 | 0.9 | 1.4 |

Base: All respondents (217)

These figures tend to suggest that achievable rent levels in the South East have increased substantially in the last six months.

Rest of the UK

For the Rest of the UK, the position is a little less favourable than that for the whole country with between 19% and 44% of offices say that achievable rent levels for each type of property have increased compared with between 11% and 25% saying rent levels have decreased over the last six months.

| Response | Percent of Respondents (%) | | | | | |
|--------------------|-----------------------------------|-------------------|-------------------|------------------|----------------|--------------------|
| | Det House | Semi House | Terr House | Conv Flat | PB Flat | Studio Flat |
| Increased a lot | 5.9 | 8.4 | 5.4 | 0.8 | 1.3 | 1.3 |
| Increased a little | 32.2 | 35.1 | 33.1 | 23.4 | 26.8 | 18.0 |
| Stayed the same | 38.5 | 40.2 | 43.9 | 43.9 | 42.3 | 40.2 |
| Decreased a little | 14.2 | 9.2 | 11.3 | 20.1 | 20.5 | 20.5 |
| Decreased a lot | 1.7 | 1.3 | 0.8 | 2.9 | 4.2 | 2.9 |
| Don't know | 6.3 | 4.6 | 3.3 | 5.9 | 2.5 | 13.4 |
| Not stated | 1.3 | 1.3 | 2.1 | 2.9 | 2.5 | 3.8 |

Base: All respondents (239)

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

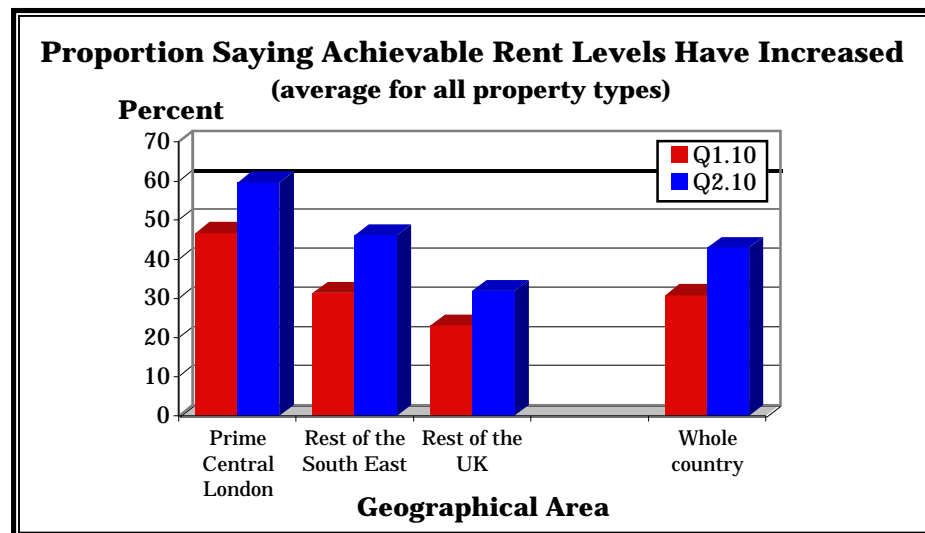
Summary

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

| Geographic Area | Percent Saying Achievable Rents Levels Have Increased (%) | | | | | |
|------------------------|---|------------|------------|-----------|---------|-------------|
| | Det House | Semi House | Terr House | Conv Flat | PB Flat | Studio Flat |
| Prime Central London | 42.1 | 55.3 | 62.3 | 69.3 | 68.4 | 60.5 |
| Rest of the South East | 46.1 | 52.5 | 55.8 | 41.9 | 47.0 | 33.2 |
| Rest of the UK | 38.1 | 43.5 | 38.5 | 24.3 | 28.0 | 19.2 |
| Whole country | 41.9 | 49.3 | 49.8 | 40.0 | 43.3 | 32.8 |

Base: All respondents (570)

Compared with three months ago, the average proportion of respondents saying achievable rents across all property types have increased has increased by more than a third, rising from 31% to 43%.



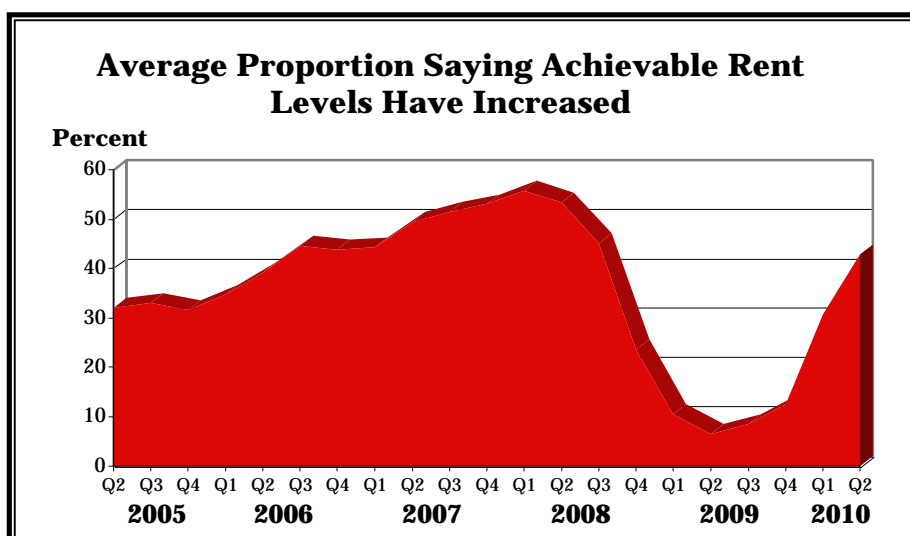
| Geographic Area | Percent Saying Achievable Rents Have Increased (%) | | | |
|------------------------|--|-------|-------|-------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Prime Central London | 5.5 | 17.0 | 46.7 | 59.6 |
| Rest of the South East | 7.6 | 11.0 | 31.4 | 46.1 |
| Rest of the UK | 10.4 | 11.3 | 23.1 | 31.9 |
| All regions | 8.5 | 12.5 | 30.8 | 42.9 |
| Base: All respondents | (639) | (733) | (531) | (570) |

As between the broad geographic areas, the average proportion of respondents managing properties in Prime Central London who say achievable rent levels across all property types have increased is up quite sharply from 47% to 60% but the average for the Rest of the South East is up even more sharply from 31% to 46% whilst that for the Rest of the UK has risen the least, from 23% to 32%.

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

However, the proportion of respondents in the second quarter of 2008 saying that achievable rent levels had increased fell from 56% to 53% and this was followed by three successive big declines with another smaller decline in the following quarter. As a result, between the first quarter of 2008 and the second quarter of 2009, the figure fell from 56% to 7%.

The results from the last four surveys, on the other hand, show that the decline has bottomed out and the average is now rising strongly.



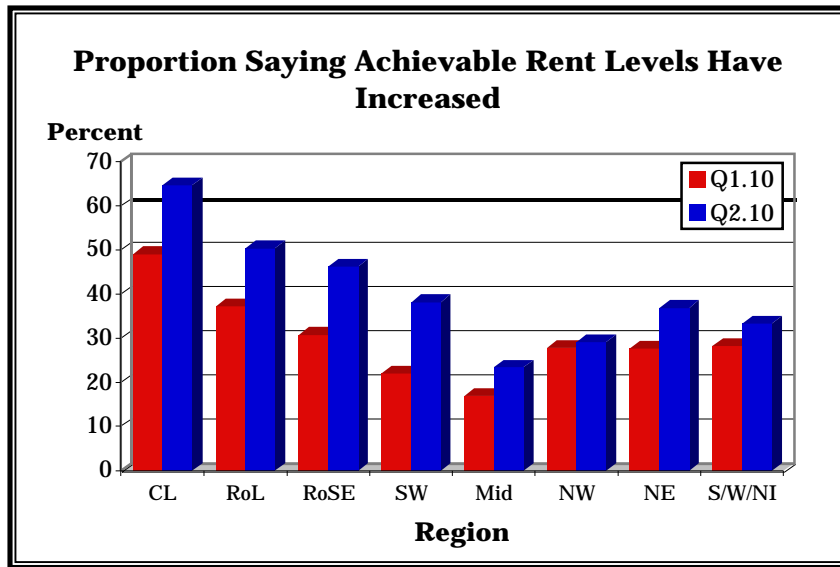
Regional Analysis

The proportion of respondents saying that achievable rent levels in their area have increased is highest for respondents in Central London (65%) and lowest for those in the Midlands (23%).

The proportion of respondents saying that achievable rent levels have increased declines as one moves away from London but seems to rise again on moving north of the Midlands.

| Geographic Region | Percent Saying Achievable Rents Have Increased (%) | |
|-----------------------|--|-------|
| | Q1.10 | Q2.10 |
| Central London | 49.1 | 64.6 |
| Rest of London | 37.3 | 50.4 |
| Rest of South East | 30.8 | 46.2 |
| South West | 22.0 | 38.2 |
| Midlands | 16.9 | 23.4 |
| North West | 27.8 | 29.1 |
| North East | 27.6 | 36.9 |
| Scotland/Wales/NI | 28.2 | 33.3 |
| Base: All respondents | (531) | (570) |

Compared with the first quarter survey, there has clearly been a strong improvement in achievable rent levels across all regions although the improvement is strongest in the south of the country.



4.11 Are You Seeing an Increase in Rental Property Coming Onto the Market Because It Cannot Be Sold? (Q.12)

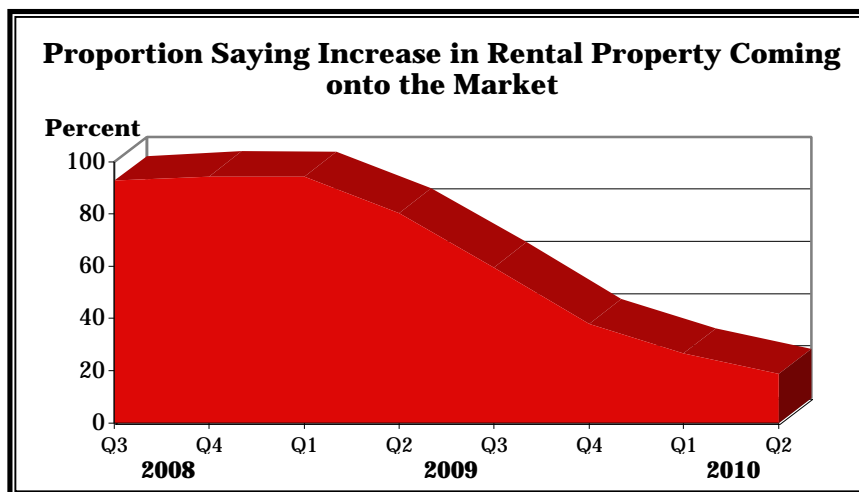
Almost two out of ten ARLA members' offices (19%) said that they had seen an increase in rental property coming onto the market because it could not be sold.

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Yes | 9.6 | 12.4 | 28.9 | 18.8 |
| No | 78.9 | 81.1 | 62.3 | 72.8 |
| Don't know | 8.8 | 5.5 | 6.3 | 6.5 |
| Not stated | 2.6 | 0.9 | 2.5 | 1.9 |
| Base: All respondents | (114) | (217) | (239) | (570) |

There were big differences between the broad geographic areas on this question with those managing properties in Prime Central London being the least likely to say they are seeing an increase in rental property coming onto the market because it cannot be sold (10%) and those in the Rest of the UK being the most likely to (29%) with the Rest of the South East falling towards the lower of these two extremes (12%).

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Yes | 59.6 | 37.9 | 26.7 | 18.8 |
| No | 36.0 | 55.5 | 63.7 | 72.8 |
| Don't know | 4.1 | 6.1 | 7.5 | 6.5 |
| Not stated | 0.3 | 0.4 | 2.1 | 1.9 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Compared with the first quarter, there has been another big drop (from 27% to 19%) in the proportion saying they have seen an increase in rental property coming onto the market because it cannot be sold.



The proportion saying they are seeing an increase in rental property coming onto the market because it cannot be sold has now fallen massively from 94% to 19% since the beginning of 2009.

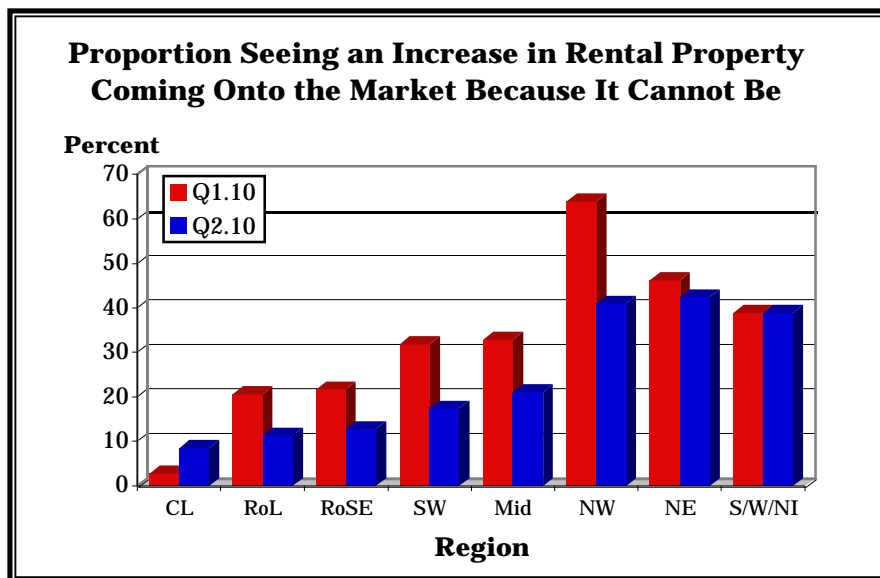
Regional Analysis

The North East and the North West were the regions with the largest proportion of respondents (42% and 41% respectively) saying that they are seeing an increase in rental property coming onto the market because it cannot be sold with Central London having the smallest proportion (9%).

There appears to be a bias towards a higher proportion of respondents believing this to be the case the further away from London they are.

| Geographic Region | Percent of Respondents (%) | |
|--------------------------|-----------------------------------|--------------|
| | Q1.10 | Q2.10 |
| Central London | 2.7 | 8.5 |
| Rest of London | 20.6 | 11.3 |
| Rest of South East | 21.6 | 12.8 |
| South West | 31.8 | 17.4 |
| Midlands | 32.8 | 21.0 |
| North West | 63.9 | 41.0 |
| North East | 46.2 | 42.4 |
| Scotland/Wales/NI | 38.9 | 38.9 |
| Base: All respondents | (531) | (570) |

However, compared with three months ago, the figure for Central London has, against the trend, increased from 3% to 9% with all other regions apart from Scotland, Wales & Northern Ireland seeing decreases, the largest decrease being for the North West which fell from a very high 64% to a more average 41%.



4.12 For Which Types of property Are You Seeing an Increase in Rental Properties Coming Onto the Market Because They Cannot Be Sold? (Q.13)

For those respondents who said they were seeing an increase in property coming onto the rental market because it could not be sold, the type of property which the highest proportion thought were increasingly coming onto the rental market because they could not be sold were detached houses (61%).

These were followed by semi-detached houses (57%) and purpose built flats/maisonettes (37%) with terraced houses (28%) and converted flats (26%) lagging some way behind but not as much as studio flats (9%) which respondents did not think were coming onto the rental market for this reason anything like as much as other property types.

| Type of Property | Percent of Respondents (%) | | | |
|---------------------------|----------------------------|------------|------------|-------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Detached houses | 27.3 | 63.0 | 65.2 | 60.7 |
| Semi-detached houses | 9.1 | 66.7 | 60.9 | 57.0 |
| Terraced houses | 9.1 | 25.9 | 31.9 | 28.0 |
| Flats/maisonettes (conv) | 63.6 | 18.5 | 23.2 | 26.2 |
| Flats/maisonettes (PB) | 36.4 | 33.3 | 39.1 | 37.4 |
| Studio flats | 18.2 | 7.4 | 8.7 | 9.3 |
| Base: All seeing increase | (11) | (27) | (69) | (107) |

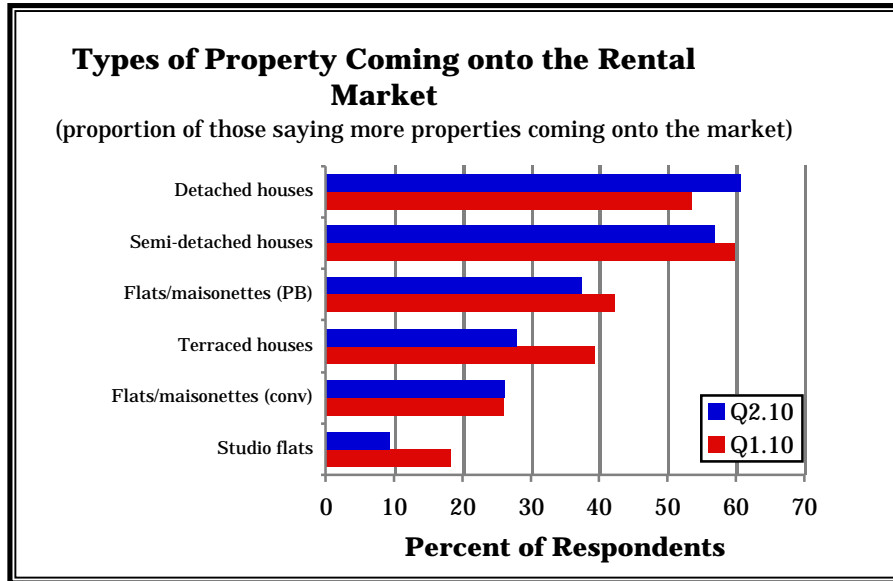
There are some big differences in responses to this question as between each of the three broad geographic areas with respondents from offices managing properties in Prime Central London much less likely to think there has been an increase in semi-detached houses coming onto the rental market because they cannot be sold (9% compared with 67% for the Rest of the South East and 61% for the Rest of the UK).

This also applies to detached houses (27% compared with 63% for the Rest of the South East and 65% for the Rest of the UK) and terraced houses (9% compared with 26% for the Rest of the South East and 32% for the Rest of the UK) but these respondents were much more likely to think that there had been an increase in converted flats coming onto the rental market because they cannot be sold (64% compared with 19% for the Rest of the South East and 23% for the Rest of the UK).

In looking at these figures, it should be remembered that only eleven respondents managing properties in Prime Central London said they thought there had been an increase in properties coming onto the rental market because they could not be sold.

Compared with the last survey in the first quarter of the year, the main changes are that this time substantially lower proportions said they thought there had been an increase in studio flats or terraced houses coming onto the market because they could not be sold with the figures for the other property types changing little by comparison.

| Type of Property | Percent of Respondents (%) | | | |
|---------------------------|----------------------------|-------|-------|-------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Detached houses | 62.5 | 54.3 | 53.5 | 60.7 |
| Semi-detached houses | 64.6 | 62.9 | 59.9 | 57.0 |
| Terraced houses | 43.8 | 44.2 | 39.4 | 28.0 |
| Flats/maisonettes (conv) | 28.3 | 33.8 | 26.1 | 26.2 |
| Flats/maisonettes (PB) | 46.7 | 50.7 | 42.3 | 37.4 |
| Studio flats | 14.7 | 16.5 | 18.3 | 9.3 |
| Base: All seeing increase | (381) | (278) | (142) | (107) |



4.13 Have You Seen an Increase in the Number of Tenants Struggling to Meet Rental Payments in the Last 6 Months? (Q.14)

More than four out of ten ARLA members' offices (44%) said that they had seen an increase in the number of tenants struggling to meet rental payments in the last six months.

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Yes | 25.4 | 47.0 | 51.0 | 44.4 |
| No | 74.6 | 52.5 | 47.7 | 54.9 |
| Not stated | - | 0.5 | 1.3 | 0.7 |
| Base: All respondents | (114) | (217) | (239) | (570) |

There was some difference between each of the three broad geographical areas on this question with respondents from offices which manage properties in Prime Central London being the least likely to think this was the case (25%) and those in the Rest of the UK being the most likely to do so (51%). Those from the Rest of the South East fell between the two but were close to the top end of the range (47%).

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Yes | 63.1 | 55.4 | 52.2 | 44.4 |
| No | 36.6 | 44.2 | 47.1 | 54.9 |
| Not stated | 0.3 | 0.4 | 0.8 | 0.7 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Compared with the first quarter, there has been another fall (from 52% to 44%) in the proportion saying they have seen an increase in the number of tenants struggling to meet rental payments in the last six months and this figure has now declined consistently from 65% when it was first asked a year ago.

Regional Analysis

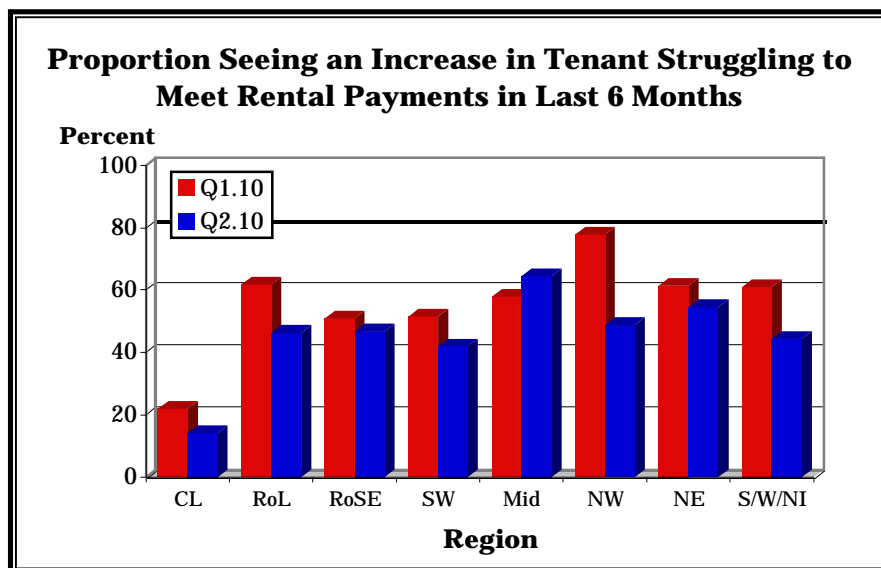
With two exceptions all regions had broadly similar proportions (between 42% and 55%) saying they had seen an increase in tenants struggling to meet rental payments in their area in the last six months.

The exceptions were Central London where only 14% of respondents said they had seen an increase in tenants struggling to meet rental payments in the last six months and the Midlands where 65% said they had seen an increase in their area.

| Geographic Region | Percent of Respondents (%) | |
|-----------------------|----------------------------|-------|
| | Q1.10 | Q2.10 |
| Central London | 21.9 | 14.1 |
| Rest of London | 61.9 | 46.3 |
| Rest of South East | 50.9 | 46.7 |
| South West | 51.5 | 42.0 |
| Midlands | 57.8 | 64.5 |
| North West | 77.8 | 48.7 |
| North East | 61.5 | 54.5 |
| Scotland/Wales/NI | 61.1 | 44.4 |
| Base: All respondents | (531) | (570) |

Compared with three months ago, all regions except one showed a lower proportion of respondents saying that they had seen an increase in the number of tenants struggling to meet rental payments in the last 6 months.

The exception was the Midlands which, against the trend, saw an increase from 58% to 65% of respondents saying they had seen this in their area.



4.14 Are You Aware of an Increase in Tenants Asking Lenders for References on Potential Landlords to Ensure They Are Financially Viable? (Q.15)

Only a little more than one in ten ARLA members' offices (12%) said that they were aware of an increase in tenants asking lenders for references on potential landlords to ensure they were financially viable.

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Yes | 16.7 | 9.7 | 10.9 | 11.6 |
| No | 82.5 | 89.9 | 87.4 | 87.4 |
| Not stated | 0.9 | 0.5 | 1.7 | 1.1 |
| Base: All respondents | (114) | (217) | (239) | (570) |

Respondents from offices which manage properties in Prime Central London were the most likely to have been aware of such an increase (17% compared with 10% for the Rest of the South East and 11% for the Rest of the UK).

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Yes | 15.6 | 13.5 | 11.5 | 11.6 |
| No | 83.7 | 86.1 | 87.6 | 87.4 |
| Not stated | 0.6 | 0.4 | 0.9 | 1.1 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Compared with the last survey, there has been virtually no change in the proportion saying they are aware of an increase in tenants asking lenders for references on potential landlords with the figure staying at 12%.

Regional Analysis

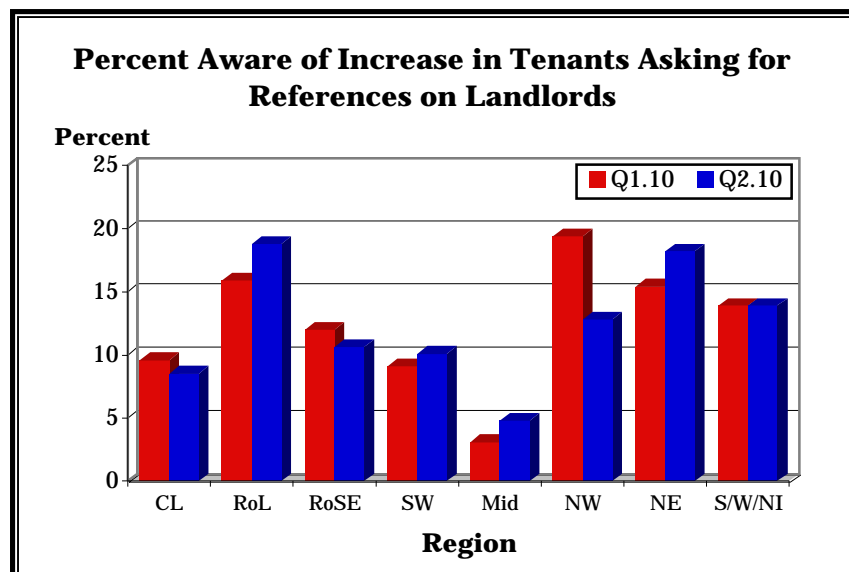
There was a lot of variation between regions on this question and it bore little relation to how far away from London the region was but see the note of caution below.

In assessing the results from this question, it must be remembered that a relatively small proportion of respondents answered Yes to the question (only 6 out of 33 in the North East) and that the results are therefore subject to a substantial level of sampling error (e.g. two fewer respondents in the North East answering Yes would take the percentage down from 18.2% to 12.1% and two extra would take it up from 18.2% to 24.3%).

Bearing that in mind, the regions with the highest proportions of respondents aware of an increase in tenants asking for references on landlords were the Rest of London (19%) and the North East (18%) whilst the region with the lowest proportion was the Midlands (5%). The other regions varied quite widely between these two extremes.

| Geographic Region | Percent Aware of Increase in Tenants Asking for References on Landlords (%) | |
|--------------------------|--|--------------|
| | Q1.10 | Q2.10 |
| Central London | 9.6 | 8.5 |
| Rest of London | 15.9 | 18.8 |
| Rest of South East | 12.0 | 10.6 |
| South West | 9.1 | 10.1 |
| Midlands | 3.1 | 4.8 |
| North West | 19.4 | 12.8 |
| North East | 15.4 | 18.2 |
| Scotland/Wales/NI | 13.9 | 13.9 |
| Base: All respondents | (531) | (570) |

Compared with the last survey in the first quarter of the year, there was little change for most regions but particularly noticeable was an decrease from 19% to 13% for the North West.



4.15 Do You Think Investor Landlords Are Being Tempted Back to the Market Because of the Minimal Interest Rates on Savings? (Q.16)

More than a third of ARLA members' offices (35%) said that they thought investor landlords were being tempted back to the market because of the minimal interest rates on savings.

However, a larger proportion (46%) disagreed with the remainder (18%) saying they did not know whether they were or not.

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Yes | 28.9 | 40.6 | 31.8 | 34.6 |
| No | 46.5 | 44.7 | 47.7 | 46.3 |
| Don't know | 24.6 | 14.3 | 18.8 | 18.2 |
| Not stated | - | 0.5 | 1.7 | 0.9 |
| Base: All respondents | (114) | (217) | (239) | (570) |

Respondents from the Rest of the South East were more likely than others to think investor landlords are being tempted back to the market because of the minimal interest rates on savings with 41% saying they did think so compared with 29% and 32% respectively for Prime Central London and the Rest of the UK .

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Yes | 52.6 | 51.0 | 46.5 | 34.6 |
| No | 25.2 | 30.0 | 30.7 | 46.3 |
| Don't know | 22.2 | 18.8 | 22.0 | 18.2 |
| Not stated | - | 0.1 | 0.8 | 0.9 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Compared with the first quarter 2010 survey, there has been quite a big drop (from 47% to 35%) in the proportion saying that they think investor landlords are being tempted back to the market because of the minimal interest rates on savings.

Regional Analysis

As with the previous question, there were some quite large differences between regions on this question which are difficult to explain.

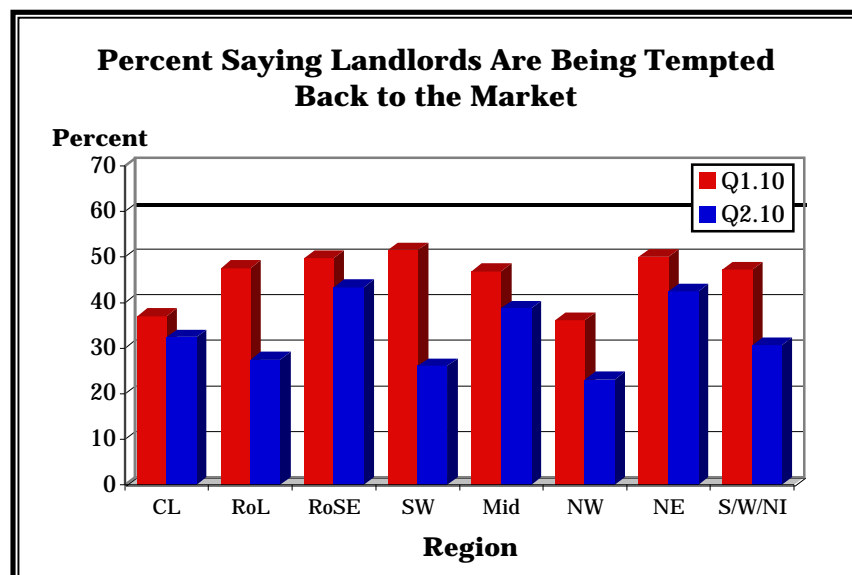
Again, therefore, despite the fact that higher proportions of respondents answered this question in the affirmative (between 23% and 43%), the

results may still be subject to a significant level of sampling error because of the relatively low numbers of respondents from some of the regions.

Having said that, the region with the highest proportion of respondents saying landlords are being tempted back to the market because of the minimal interest rates on savings was the Rest of the South East (43%) and the region with the lowest proportion was the North West (23%). The other regions varied quite widely between these two extremes.

| Geographic Region | Percent Saying Landlords Are Being Tempted Back to the Market (%) | |
|--------------------------|--|--------------|
| | Q1.10 | Q2.10 |
| Central London | 37.0 | 32.4 |
| Rest of London | 47.6 | 27.5 |
| Rest of South East | 49.7 | 43.3 |
| South West | 51.5 | 26.1 |
| Midlands | 46.9 | 38.7 |
| North West | 36.1 | 23.1 |
| North East | 50.0 | 42.4 |
| Scotland/Wales/NI | 47.2 | 30.6 |
| Base: All respondents | (531) | (570) |

Over the last three months, all regions saw fewer respondents saying that they thought landlords were being tempted back to the market because of minimal interest rates on savings with the biggest fall being for the South West which halved from 52% to 26% and the smallest for Central London which only fell from 37% to 32%.



4.16 Have You Seen an Increase in Tenants Haggling With Landlords Over Rents in the Last 6 Months? (Q.17)

More than half of ARLA members' offices (53%) said that they had seen an increase in tenants haggling with landlords over rents in the last six months.

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Yes | 40.4 | 48.8 | 62.3 | 52.8 |
| No | 59.6 | 50.2 | 36.4 | 46.3 |
| Not stated | - | 0.9 | 1.3 | 0.9 |
| Base: All respondents | (114) | (217) | (239) | (570) |

There was considerable difference between the broad geographic regions on this question with offices managing properties in Prime Central London being less likely to have encountered tenants haggling over the rent with 40% saying they have seen this compared with 49% for the Rest of the South East and 62% for the Rest of the UK.

| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Yes | 93.4 | 85.7 | 68.5 | 52.8 |
| No | 6.6 | 14.2 | 30.7 | 46.3 |
| Not stated | - | 0.1 | 0.8 | 0.9 |
| Base: All respondents | (639) | (733) | (531) | (570) |

Compared with the last survey, there has been another substantial reduction in the proportion of respondents saying they had seen an increase in tenants haggling with landlords over rents in the last six months with the figure falling from 69% to 53%.

Regional Analysis

The higher proportions of respondents answering this question in the affirmative (between 31% and 70%), despite still involving relatively small numbers for some of the smaller regions, do give the results more credibility especially as the higher proportions answering in the affirmative were from the smaller regions and these results are, therefore, subject to a much smaller degree of sampling error.

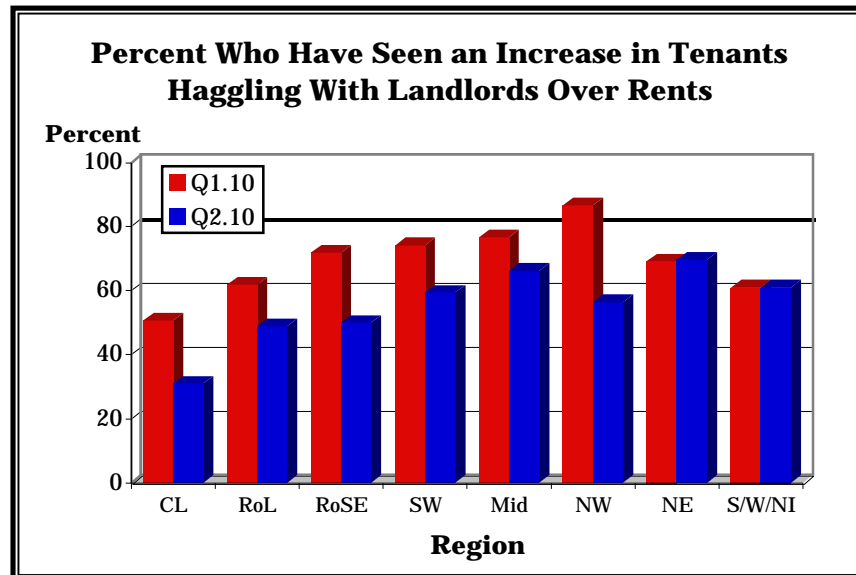
The region with the highest proportion of respondents saying they had seen an increase in tenants haggling with landlords over rents in the last six months was the North East (70%) and the region with the lowest proportion was Central London (31%) . The other regions varied between these two extremes.

**Percent Who Have Seen an Increase in Tenants
Haggling With Landlords Over Rents (%)**

| Geographic Region | Q1.10 | Q2.10 |
|--------------------------|--------------|--------------|
| Central London | 50.7 | 31.0 |
| Rest of London | 61.9 | 48.8 |
| Rest of South East | 71.9 | 50.0 |
| South West | 74.2 | 59.4 |
| Midlands | 76.6 | 66.1 |
| North West | 86.6 | 56.4 |
| North East | 69.2 | 69.7 |
| Scotland/Wales/NI | 61.1 | 61.1 |

Base: All respondents (531) (570)

Compared with the results from the last survey, for most regions, fewer respondents said they had seen an increase in tenants haggling over rents in the last six months. There were, however, two exceptions, the North East and Scotland, Wales & Northern Ireland where there was virtually no change.



4.17 What Proportion of Potential/Existing Landlord & Tenant Clients Ask If You Are Licensed? (Q.18)

Landlords

More than a quarter of ARLA members' offices (27%) said that at least some of their potential and existing landlord clients ask them if they are licensed with 7% saying that all or most of them do.

However, a higher proportion amounting to four out of ten (40%) said that none of theirs do and a further third (33%) said that hardly any of theirs do.

| Proportion | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| All | 1.8 | 1.4 | 1.3 | 1.4 |
| Most | 7.0 | 6.5 | 4.6 | 5.8 |
| Some | 21.1 | 19.4 | 19.2 | 19.6 |
| Hardly any | 30.7 | 30.9 | 36.0 | 33.0 |
| None | 39.5 | 41.5 | 37.7 | 39.5 |
| Not stated | - | 0.5 | 1.3 | 0.7 |
| Base: All respondents | (114) | (217) | (239) | (570) |

There was little difference between the broad geographic regions on this question.

Tenants

When it comes to their potential or existing tenants, even fewer respondents said that theirs asked them if they were licensed with less than one in eight (12%) saying that at least some of their potential and existing tenant clients ask them if they are licensed and only 1.4% saying that all or most of them do.

Conversely, more than half (51%) said that none of theirs do and more than a further third (36%) said that hardly any of theirs do.

| Proportion | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| All | 0.9 | 0.5 | 0.8 | 0.7 |
| Most | - | 1.4 | 0.4 | 0.7 |
| Some | 10.5 | 12.4 | 8.4 | 10.4 |
| Hardly any | 43.0 | 30.4 | 38.5 | 36.3 |
| None | 45.6 | 53.9 | 50.2 | 50.7 |
| Not stated | - | 1.4 | 1.7 | 1.2 |
| Base: All respondents | (114) | (217) | (239) | (570) |

Again, as with the question about landlords, there was little difference between the broad geographic regions on this question.

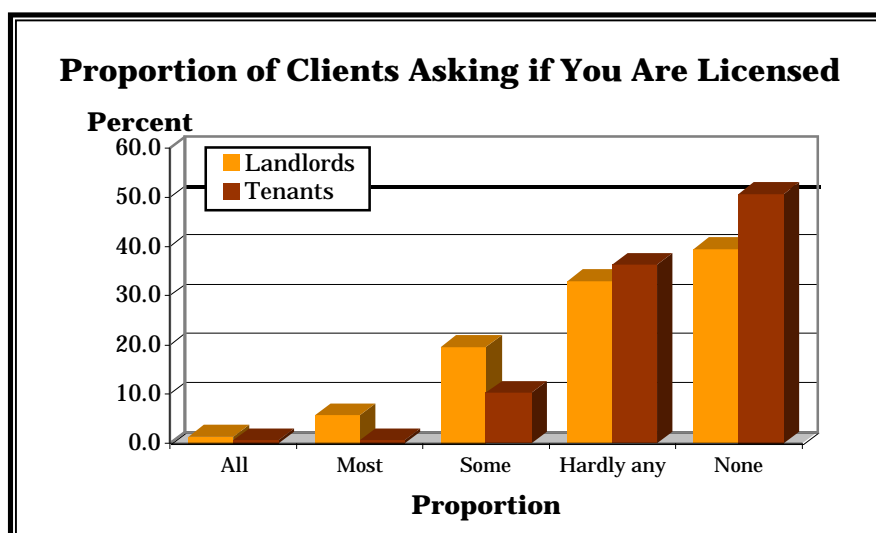
Summary

It would appear that few respondents' potential and existing landlord and tenant clients ask them if they are licensed and whilst some clearly do ask this question, for the majority it comes up only very rarely, if at all.

| Proportion | Percent of Respondents (%) | |
|------------|----------------------------|---------|
| | Landlords | Tenants |
| All | 1.4 | 0.7 |
| Most | 5.8 | 0.7 |
| Some | 19.6 | 10.4 |
| Hardly any | 33.0 | 36.3 |
| None | 39.5 | 50.7 |
| Not stated | 0.7 | 1.2 |

Base: All respondents (570)

Looking at differences between landlords and tenants, it seems that landlord clients are more likely to ask the question with 27% of respondents saying some of them do compared with less than half as many respondents (12%) saying that some of their tenant clients ask them this question.



Regional Analysis

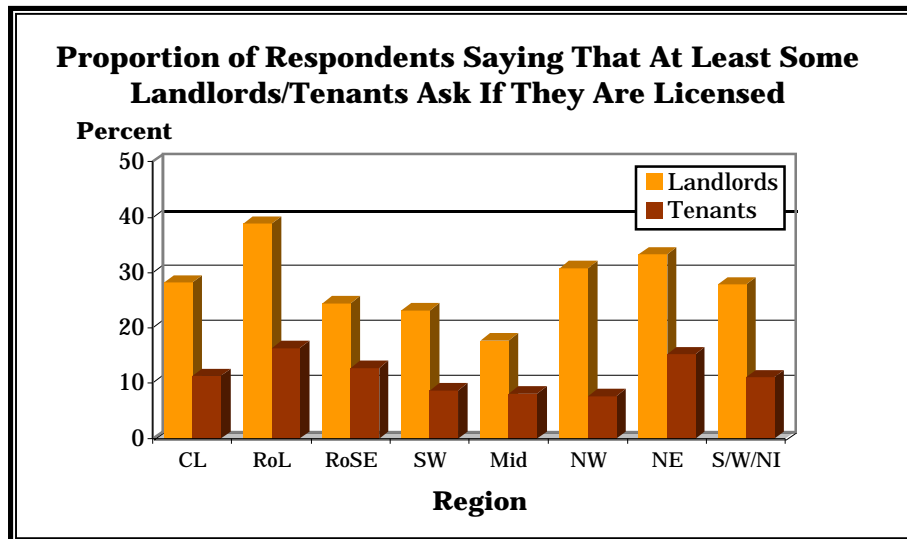
The region with the highest proportion of respondents saying that at least some of their potential or existing landlord clients ask them if they are licensed was the Rest of London (39%) and the region with the

lowest proportion was the Midlands (18%) . The other regions varied between these two extremes.

With regard to potential or existing tenant clients, despite far fewer respondents saying that at least some of theirs ask the question, the highest proportion was again in the Rest of London (16%) and the lowest in the Midlands (8%)

| Geographic Region | Percent of Respondents Saying At Least Some Clients(%) | |
|--------------------------|---|----------------|
| | Landlords | Tenants |
| Central London | 28.2 | 11.3 |
| Rest of London | 38.8 | 16.3 |
| Rest of South East | 24.4 | 12.8 |
| South West | 23.2 | 8.7 |
| Midlands | 17.7 | 8.1 |
| North West | 30.8 | 7.7 |
| North East | 33.3 | 15.2 |
| Scotland/Wales/NI | 27.8 | 11.1 |

Base: All respondents (570)



4.18 Have You Seen an Increase in the Last 12 Months in the Proportion of Potential/Existing Landlord and Tenant Clients Asking if You Are Licensed? (Q.19)

Less than one in ten ARLA members' offices (9%) said that they had seen an increase in the proportion of landlord and tenant clients asking them if they are licensed in the last twelve months with the majority (82%) saying they had not.

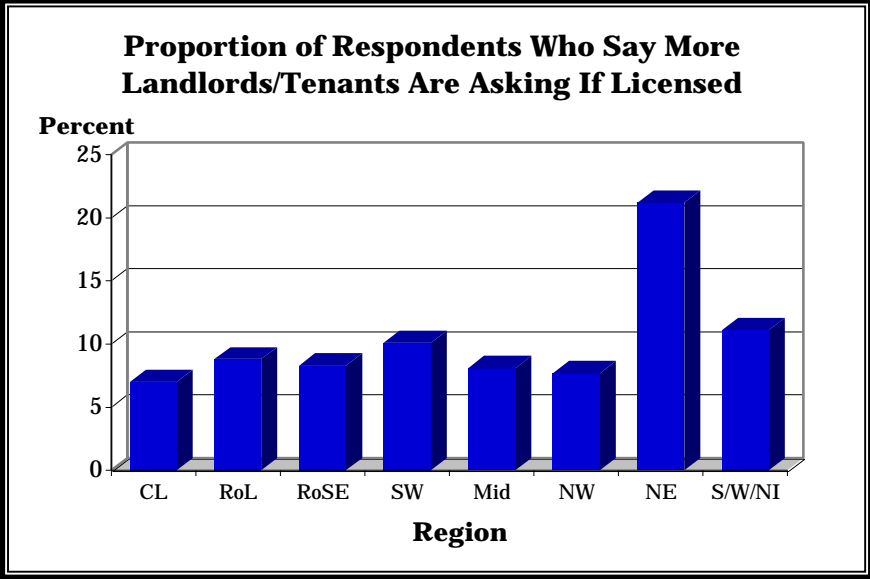
| Response | Percent of Respondents (%) | | | |
|-----------------------|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Yes | 8.8 | 7.8 | 10.9 | 9.3 |
| No | 83.3 | 83.4 | 79.1 | 81.6 |
| Don't know/not sure | 7.9 | 6.9 | 8.8 | 7.9 |
| Not stated | - | 1.8 | 1.3 | 1.2 |
| Base: All respondents | (114) | (217) | (239) | (570) |

There was little difference between the broad geographic regions on this question although those in the Rest of the South East were a little less likely to have seen an increase in landlord or tenant clients asking them if they are licensed with 8% saying they had seen an increase compared with 9% for offices managing properties in Prime Central London and 11% for the Rest of the UK.

Regional Analysis

Looking at differences between individual regions on this question, one region stands head and shoulders above all the others in terms of the proportion saying they have seen an increase in landlord and tenant clients asking them if they are licensed and this region is the North East where 21%, more than twice as many as any other region other than Scotland, Wales & Northern Ireland, said they had seen this.

| Geographic Region | Percent Who Have Seen an Increase in Landlords/ Tenants Asking if They Are Licensed (%) Q2.10 |
|--------------------------|--|
| Central London | 7.0 |
| Rest of London | 8.8 |
| Rest of South East | 8.3 |
| South West | 10.1 |
| Midlands | 8.1 |
| North West | 7.7 |
| North East | 21.2 |
| Scotland/Wales/NI | 11.1 |
| Base: All respondents | (570) |

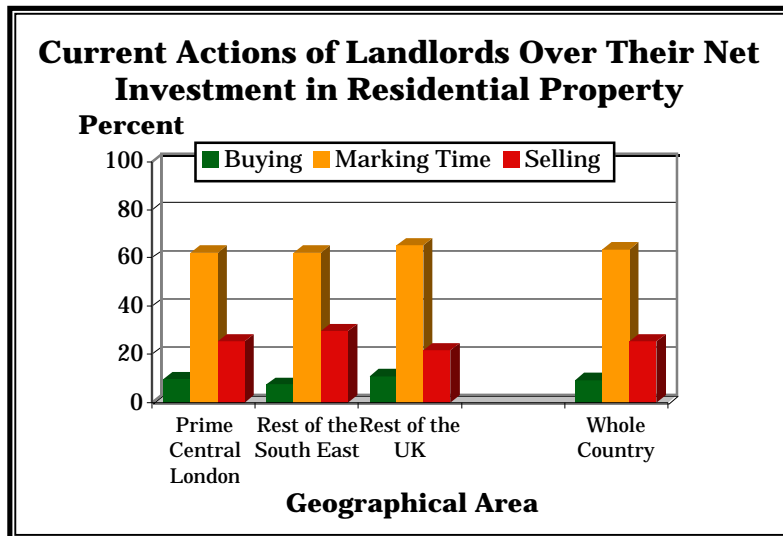


4.19 How Are Landlords Currently Acting Over Their NET Investment in Residential Property (Q.20)

More than six out of ten ARLA members' offices (64%) think that residential landlords are currently marking time with regard to their net investment in residential property.

However, nearly one in ten (9%) think landlords are increasing their net investment by buying more properties but many more think landlords are decreasing their net investment by selling properties (25%).

| How Landlords Are Currently Acting | Percent of Respondents (%) | | | |
|---|-----------------------------------|-------------------|-------------------|--------------------|
| | Prime London | Rest of SE | Rest of UK | All Regions |
| Buying | 9.6 | 7.4 | 10.9 | 9.3 |
| Marking time | 62.3 | 62.2 | 65.3 | 63.5 |
| Selling | 25.4 | 29.5 | 21.8 | 25.4 |
| Not stated | 2.6 | 0.9 | 2.1 | 1.8 |
| Base: All respondents | (114) | (217) | (239) | (570) |



Geographically, it would appear from responses to this question that landlords across the whole of the country are a lot more likely to be selling properties than buying them.

| How Currently Acting | Percent of Respondents (%) | | | |
|-----------------------------|-----------------------------------|--------------|--------------|--------------|
| | Q3.09 | Q4.09 | Q1.10 | Q2.10 |
| Buying | 15.6 | 14.6 | 14.3 | 9.3 |
| Marking time | 78.1 | 75.4 | 68.0 | 63.5 |
| Selling | 4.7 | 7.6 | 16.0 | 25.4 |
| Not stated | 1.6 | 2.3 | 1.7 | 2.1 |
| Base: All respondents | (639) | (733) | (531) | (570) |

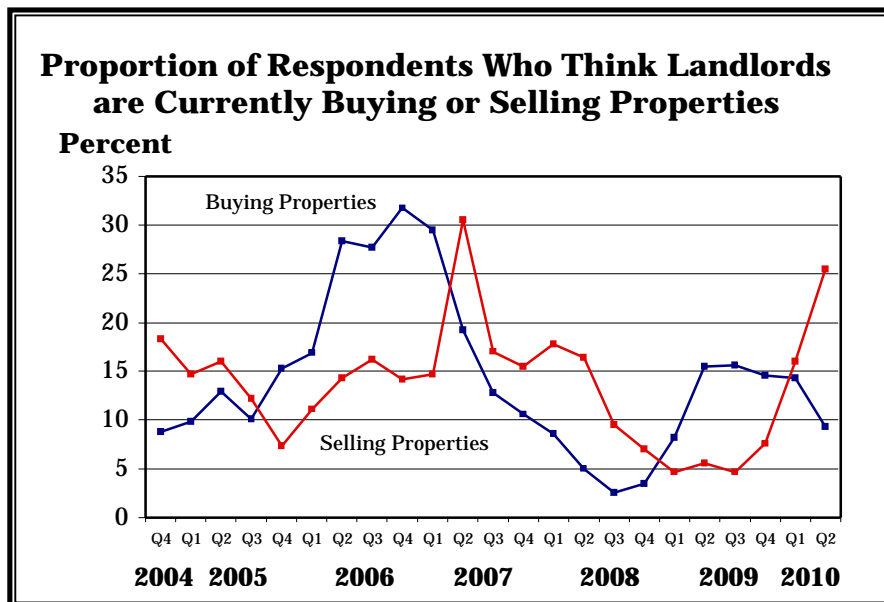
Compared with three months ago, there has been a drop in the proportion saying landlords are buying, from 14% to 9% whilst the

proportion saying landlords are selling properties increased from 16% to 25%.

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

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

At the beginning of 2009, the relationship between these figures reversed again and the changed relationship was maintained for the rest of 2009. However, the results from the first quarter 2010 survey closed the gap and the results from this survey have confirmed that the relationship between the proportion saying they are buying and those saying they are selling has reversed once again.



Regional Analysis

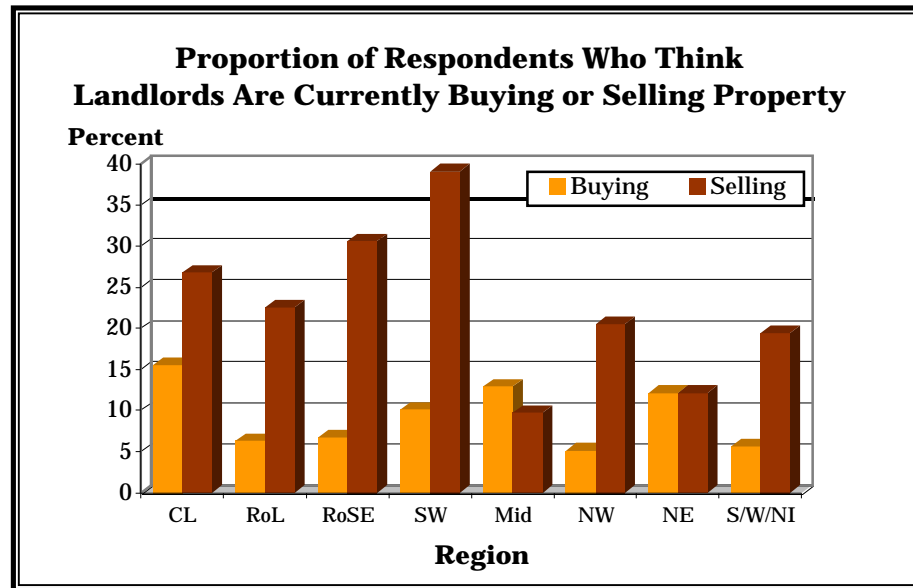
There was quite a variation between the regions although only the Midlands had a higher proportion of respondents saying landlords were currently buying properties. For the rest, the variation was in the extent of the difference between the proportions saying landlords were currently buying and the proportions saying they were currently selling.

In these terms, the smallest difference was found in the North East where the proportions were equal and the largest in the South West where 10% said landlords were buying but 39% said they were selling.

| Geographic Region | Percent of Respondents - Q2.10 (%) | |
|-------------------|------------------------------------|---------|
| | Buying | Selling |

| | | |
|--------------------|------|------|
| Central London | 15.5 | 26.8 |
| Rest of London | 6.3 | 22.5 |
| Rest of South East | 6.7 | 30.6 |
| South West | 10.1 | 39.1 |
| Midlands | 12.9 | 9.7 |
| North West | 5.1 | 20.5 |
| North East | 12.1 | 12.1 |
| Scotland/Wales/NI | 5.6 | 19.4 |

Base: All respondents (570)



Compared with three months ago, it would appear that, in the case of most regions of the country, fewer respondents think landlords are currently buying properties.

However, there are exceptions to this with the proportion saying landlords are currently buying being slightly higher this time in Central London but it is the South West which bucks the trend most strongly with a much higher proportion this time said landlords are currently buying properties (10% compared with 5%).

| Geographic Region | Percent Saying Landlords Are Currently Buying (%) | |
|-----------------------|---|-------|
| | Q1.10 | Q2.10 |
| Central London | 15.1 | 15.5 |
| Rest of London | 15.9 | 6.3 |
| Rest of South East | 14.4 | 6.7 |
| South West | 4.5 | 10.1 |
| Midlands | 20.3 | 12.9 |
| North West | 11.1 | 5.1 |
| North East | 26.9 | 12.1 |
| Scotland/Wales/NI | 11.0 | 5.6 |
| Base: All respondents | (531) | (570) |

