



UK Equity Release Market Monitor Full Year 2019

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by Will Hale, CEO at Key

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Methodology

Key's Market Monitor provides insight on the trends in the equity release market on a quarterly, half-yearly and annual basis – including more in-depth data and analysis than any other freely available source. As the largest equity release advisory firm in the UK, Key's data reflects how the overall market is developing. The monitor provides historical comparisons as well as comment on current trends in usage, demographics and regional splits.

Key's Market Monitor provides a quarterly, half yearly and annual review of the UK's equity release market



"2019 has been busy year for the equity release sector – there are now more funders than ever before in the market and more than 300 different equity release products, as well as growing consumer interest. However, this year has also brought its challenges, stemming from political and economic uncertainty in the UK.

"The Full Year 2019 Market Monitor reveals a 4% drop in total equity released from £3.6 billion in 2018 to £3.4 billion in 2019, placing the market including drawdown facilities at £4.9 billion down from £5 billion in 2018. There has also been a small reduction (-3%) in the number of new plans taken out from 47,081 in 2018 to 45,598 in 2019.

"The average amount released also dipped marginally with a £842 difference from £76,473 (FY 2018) to £75,631 (FY 2019) which supports the view that customers are still taking a cautious approach to borrowing and drawdown remains dominant (73% of the market in FY 2019).

"That said, 2019 ended on a high as Q4 saw the largest amount of equity released over the year (£921 million) – a 4% increase on Q3 (£887 million). The number of homeowners accessing equity also rose marginally to 11,820 (Q4) from 11,722 (Q3) – as consumer confidence started to improve.

"Debt management – either through repayment of unsecured debt (29%) or mortgage debt (20%) – remained a main driver for the market as cautious consumers look to reduce outgoings and refinance to lower rates.

"Single women (27%) are more likely to release equity than single men (13%) – potentially due to their more modest pension savings and at the older ages, pension provision being linked to a partner who may have passed away. Couples releasing equity in 2019 (59%) dipped slightly from 2018 (62%).

"With Q3 and Q4 being the strongest performing quarters in 2019, we enter 2020 with a positive headwind and the belief that we will continue to see a gradual return to growth. Market drivers remain strong and as consumer confidence grows, we will increasingly see more people looking to take advantage of the innovative new products and continued low rates.

"There are 24 million over-55s in the UK (ONS), many of whom own their home outright having paid off their mortgage and are now sitting on unencumbered housing equity but they may be struggling with day to day finances.

"Common financial worries for the over-55s include maturing interest-only mortgages with no repayment mechanisms as well as many people finding their pension savings are smaller than they expected or finding they need more than anticipated to maintain their standard of living. Releasing equity can be a way to overcome these challenges.

"2020 has the makings of a very interesting year for the equity release market but we need to continue to focus on educating and engaging with key audiences to ensure this happens."

Will Hale, CEO at the UK's largest equity release advice firm – Key

Full year overview

Full year 2019 results

- 45,598** New plan numbers ▼ -3%
- £3.4bn** Total amount released ▼ -4%
- 73%** Drawdown accounts for 73% of all plans
- 9%** Drawdown up 9%

2019 has been a year of political and economic uncertainty, which has been felt across numerous business sectors. In 2018, the total market size including available drawdown facility, reached over £5 billion. In 2019 the total market size was £4.9 billion.

We saw a small fall in both volume of new plans taken out (-3% from 47,081 in 2018 to 45,598 in 2019) and value of new plans (-4% from £3.6 billion in 2018 to £3.4 billion in 2019). We also saw a reduction in the value of drawdown reserved (-1% from £1.46 billion to £1.43 billion).

Drawdown plans account for 73% of new business, up 9% from 64% in 2018. In 2019 there was an increase in the number of products on the market, with lenders launching more products which offer drawdown as a feature. As the latest products can offer some of the best rates we are seeing more customers choose a product which offers a drawdown facility. Customers are remaining cautious when choosing the amount they wish to release and there was a marginal dip in the average loan amount which fell by just £842 from £76,473 (FY 2018) to £75,631 (FY 2019).

Interestingly, Q3 and Q4 2019 were the two most successful quarters of the year, potentially showing a renewed confidence in the equity release market at the end of the year which hopefully will lead into a strong 2020 for the market as a whole. The total value of equity taken out in Q4 2019 was £921 million up from £887 million in Q3 2019.

With rates at historic lows, 5% of customers are choosing to switch from an existing equity release plan to either manage or increase their borrowing – this is a 1% increase YOY. Interestingly, up to half of customers – either through repayment of unsecured debt (29%) or mortgage debt (20%) – are utilising equity release to manage borrowing in later life.

Gifting remains popular with 27% of customers using equity release to gift to friends and/or family. However, home and/or garden improvements continues to be the most popular reason for taking out equity release (remaining steady YOY at 64%). The average age for those releasing equity in 2019 also remains stable YOY at 72 years old.

Biggest movers by region

Number of plans

- Northern Ireland ▲ 9.4%
- Wales ▲ 7.6%
- West Midlands ▲ 6.8%

Lending

- Northern Ireland ▲ 16.8%
- West Midlands ▲ 10.9%
- Wales ▲ 9.8%

Regional highlights

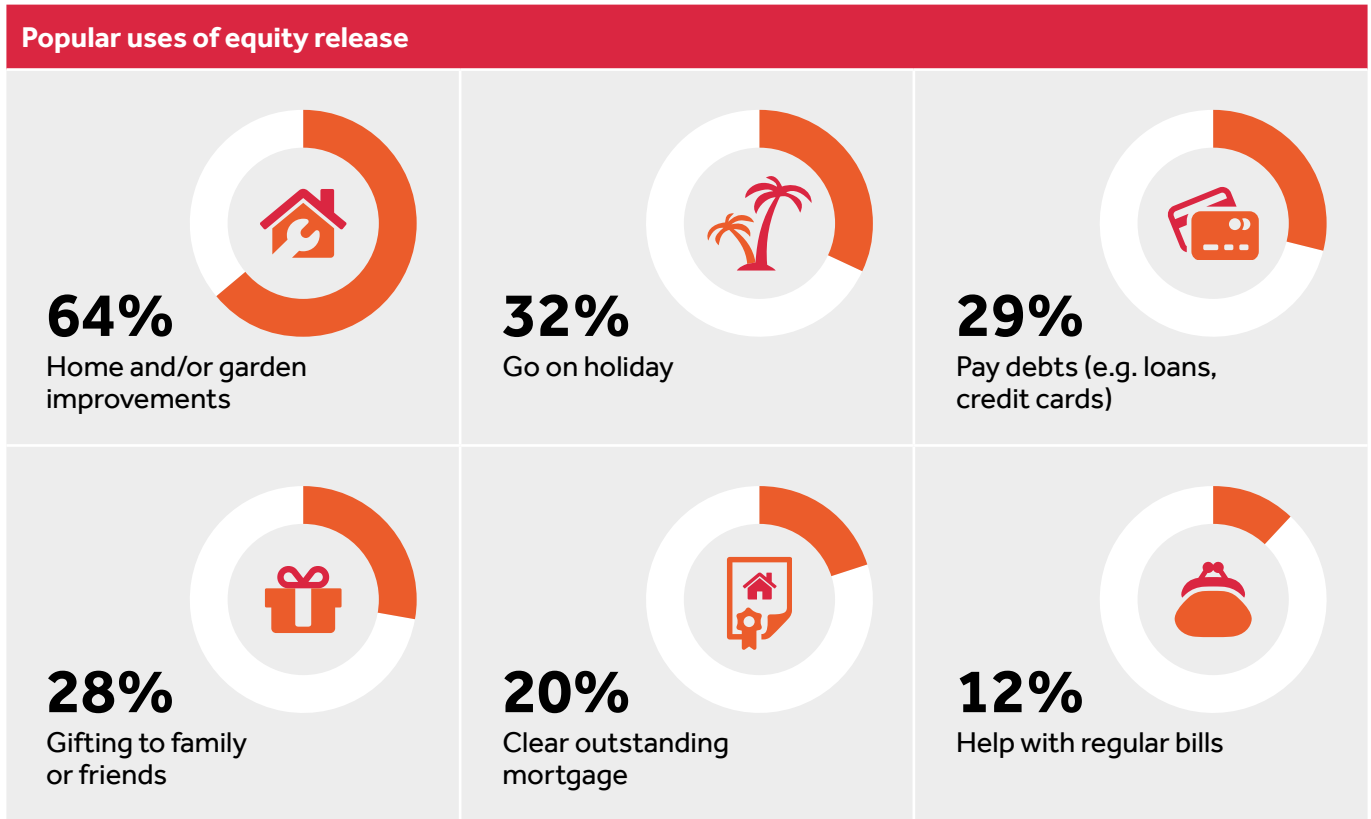
With the value of property varying significantly across the UK as well as differing population sizes, the appetite and availability of plans varies from region to region. Across 2019, the largest increase in the volume (+9.4%) and value (+16.8%) of plans sold was seen in Northern Ireland. However, some regions recorded falls with the South West seeing the largest fall in both the volume (-13.7%) and value (-13.5%) of plans.

Indeed, there were only five regions which saw growth in both number of plans and value of equity released which are the North West, Northern Ireland, Wales, West Midlands and Yorkshire & Humberside. Top region for overall lending remained the South East (£971 million) with London (£636 million) taking second place.

Lending contribution by region

28% South East	28% East Anglia
18% London	5% Yorkshire & Humberside
11% South West	4% Wales
7% West Midlands	4% Scotland
7% North West	2% North East
7% East Midlands	1% Northern Ireland

Popular uses of equity release



Highlights

49%
used equity release to pay off or consolidate some form of debt

12%
of customers who use equity release do so to help with regular bills

Focus – Debt

The uses of equity release differ depending on the needs of each individual customer, however, in 2019 up to half of all equity release customers (49%) used equity release to pay off or consolidate some form of debt. Ranging from clearing outstanding mortgages (20%) – interest-only mortgages being a significant factor for some customers – to paying off credit cards and personal loans (29%).

Managing borrowing can be a considerable concern for some over-55s with Key’s recent “Retirement Class of 2020” research, finding that one in three people planning to retire in 2020 with average debts of £17,460. This is split across credit cards (48%), personal loans (31%) and mortgages (14%). Worryingly, 8% of those in debt owe over £20,000 and 4% do not know how much they actually owe.

For many who want to retire in 2020, equity release is a viable option to manage debts and remove financial worries enabling them to lead a fuller retirement. In addition to managing debt, 12% of customers who use equity release do so to help with regular bills which highlights that up to 62% of customers are using equity release to improve their financial resilience in retirement.

Equity release isn’t a single use financial product, many customers use funds released for more than one reason and while we are seeing an increase in those using equity release to pay for life essentials, one of the principal reasons for releasing equity remains funding for home and / or garden renovations (64%) or a holiday (32%).

Interestingly, drawdown products continue to grow, with 73% of all plans taken out being drawdown – 64% in 2018. With people living longer than ever, many like to have a safety net for any unexpected costs in later life from repairing a broken boiler to having easily accessible funds to pay for care at home if required.

Regional summary of equity release

Regional summary of equity release									
Area	Value	Percentage Change 2019 on 2018	Number of Plans	Percentage Change 2019 on 2018	Average Value Released	Average LTV %	Average Customer Age	Average Property Value	YoY Av. ER House Price Var.
East Anglia	£223,207,393	-8%	3,413	-1%	£65,409	24%	72	£276,009	2%
East Midlands	£225,797,175	-8%	3,731	-9%	£60,525	24%	71	£247,652	5%
London	£635,799,869	-4%	4,730	-2%	£134,407	23%	72	£583,393	-1%
North East	£73,769,026	-1%	1,347	-6%	£54,772	27%	71	£200,043	8%
North West	£243,751,139	1%	4,268	1%	£57,115	26%	72	£217,290	2%
Northern Ireland	£22,727,169	17%	467	9%	£48,682	26%	68	£185,305	10%
Scotland	£142,055,750	3%	2,586	0%	£54,928	28%	71	£198,724	4%
South East	£970,735,238	-7%	11,018	-6%	£88,102	23%	72	£390,881	2%
South West	£364,098,722	-14%	4,788	-14%	£76,040	23%	72	£332,220	8%
Wales	£131,264,186	10%	2,231	8%	£58,838	27%	72	£220,612	2%
West Midlands	£247,150,109	11%	3,875	7%	£63,777	26%	72	£244,117	6%
Yorkshire & Humberside	£168,269,964	2%	3,144	5%	£53,521	25%	71	£215,246	2%
Total	£3,448,625,739	-4%	45,598	-3%	£75,631	24%	72	£316,576	2%

Highlights for North West

£244m

Total lending

4,268

Plans arranged

£57,115

Average released

£217,290

Average property value

Regional focus – North West

The average value released in North West (£57,115) is modest by comparison to other regions. However, when you take into consideration the slightly lower property values (£217,290), the average amount released is in line with the rest of the UK. The average age for those releasing equity in the North West is in line with the UK average of 72. The region's appetite for equity release has grown exponentially in the past 5 years with significant increases in the number plans as well as in total lending.

Over the past five years, the North West has seen a significant increase in both plan numbers and lending. Although in 2016 the numbers dipped slightly, by the end of 2017 both lending and number of plans had well overtaken the 2015 figures. The strongest years for growth were 2017 and 2018 respectively. Due to the unprecedented levels of growth in these two years, the growth in 2019 seems more modest but it continues to outperform other regions.

Period	Plan number	Change Y/Y	Lending	Change Y/Y
FY 2015	2,399	10%	£130,316,638	25%
FY 2016	2,323	-3%	£128,788,605	-1%
FY 2017	3,245	40%	£183,760,657	43%
FY 2018	4,223	30%	£242,186,099	32%
FY 2019	4,268	1%	£243,751,139	1%

Number of equity release plans

Number of equity release plans					
	Area	Full year 2019 number of plans	FY 2019	FY 2018	% change
1	South East		11,018	11,777	-6.4%
2	South West		4,788	5,546	-13.7%
3	London		4,730	4,850	-2.5%
4	North West		4,268	4,223	1.1%
5	West Midlands		3,875	3,627	6.8%
6	East Midlands		3,731	4,088	-8.8%
7	East Anglia		3,413	3,446	-1.0%
8	Yorkshire & Humberside		3,144	2,988	5.2%
9	Scotland		2,586	2,596	-0.4%
10	Wales		2,231	2,073	7.6%
11	North East		1,347	1,438	-6.4%
12	Northern Ireland		467	427	9.4%
Total			45,598	47,081	-3.1%

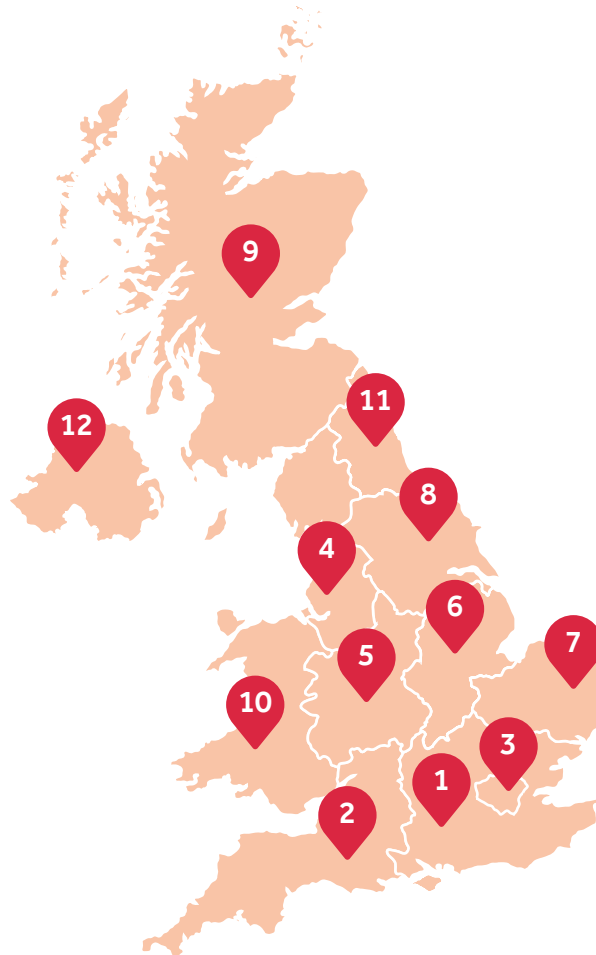
Review

11,018

South East
with the highest
number of plans

467

Northern Ireland
with the lowest
number of plans



Value of equity release plans

Value of equity release plans					
	Area	Full year 2019 value of plans	FY 2019	FY 2018	% change
1	South East		£970.7m	£1,047.7m	-7.3%
2	London		£635.8m	£663.7m	-4.2%
3	South West		£364.1m	£421.0m	-13.5%
4	West Midlands		£247.1m	£222.7m	10.9%
5	North West		£243.8m	£242.2m	0.6%
6	East Midlands		£225.8m	£244.2m	-7.5%
7	East Anglia		£223.2m	£242.0m	-7.8%
8	Yorkshire & Humberside		£168.3m	£164.4m	2.3%
9	Scotland		£142.1m	£138.6m	2.5%
10	Wales		£131.3m	£119.6m	9.8%
11	North East		£73.8m	£74.8m	-1.4%
12	Northern Ireland		£22.7m	£19.5m	16.8%
Total			£3.4bn	£3.6bn	-4.2%

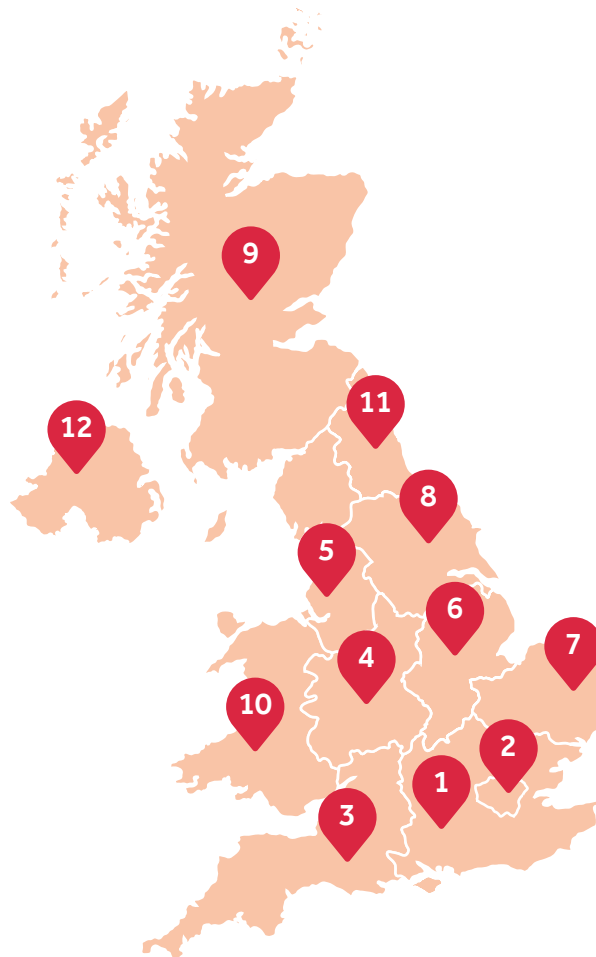
Review

£970m

South East
with the highest
value of plans

£22m

Northern Ireland
with the lowest
value of plans



Analysis

Highlights

72

Average age

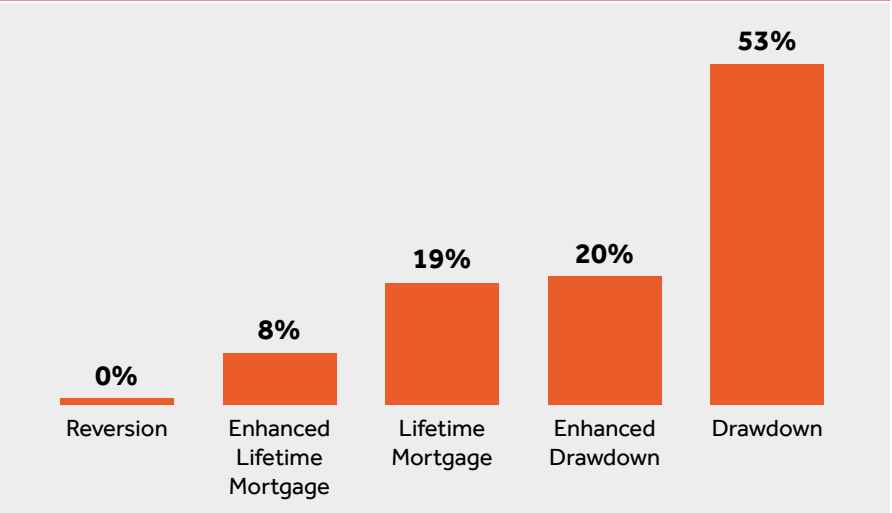
59%

of those releasing equity are couples, down from 62% across 2018

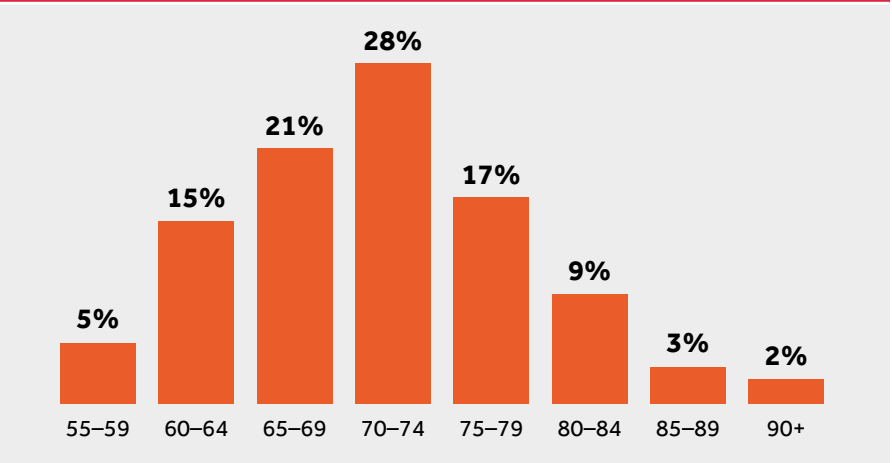
27%

of single women release equity, compared to just 13% of single men

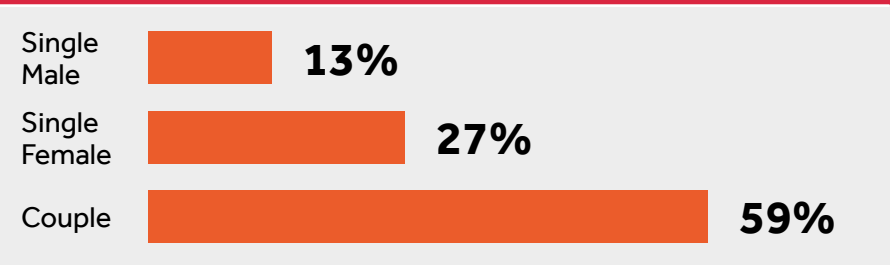
Product mix



Customers by age



Customers by status



Contact

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For more information, call **01772 269363**
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