



UK Equity Release Market Monitor Half Year 2019

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good advice is  **key**
equity release

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



“In the context of the strong and consistent growth we have seen in recent times, the equity release market has experienced a somewhat subdued first half of the year (H1 2019). However, given the backdrop of political and economic uncertainty, this relative stability can be viewed as evidence of a sector which remains in rude health.”

“Over this period, we have seen 22,126 plans taken out with £1.68 billion equity released – this is a 3% increase in value (£1.63 billion) and 5.6% increase in volume (20,934) against the same time last year with much of this growth being drive by activity in Q1. Drawdown remains the most popular product choice in terms of the plans taken out (73%). This puts the H1 2019 market at £2.38billion, inclusive of drawdown balances yet to be taken.

“In the last year the equity release market has benefited from the arrival of new sources of funding which has resulted in a particularly competitive lender landscape which has kept rates at historic lows and seen the launch of various new products. As such the market has seen a 4% increase in the number of people coming back to ‘rebroke’ their existing equity release plan. By doing this advisers can help many customers benefit from a lower interest rate and/or release additional equity due to house price increases and the higher LTVs available at older ages or perhaps as health deteriorates.

“Using equity release for home and/or garden improvements which can increase the length of time that people are able to live in their own home continues to be the most popular choice at 64%. However, we are increasingly seeing people using these funds to shore up their finances with 50% of customers using the equity to clear outstanding mortgages (20%) or to repay unsecured debts credit cards, loans etc. (30%). Gifting money to friends and family also remains popular, with 28% of customers using some or all of the proceeds from their equity release plan for this purpose.

“The myriad of different reasons that customers use equity release clearly illustrates not only the range of wants and needs that housing wealth can help finance in later life but also why specialist equity release advice is essential to ensure that they make the right choices for their individual circumstances.”

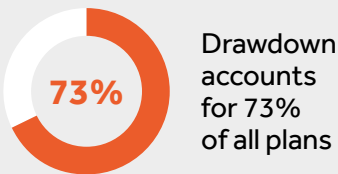
Will Hale,
CEO at the UK's largest Equity Release Adviser – Key

Half year overview

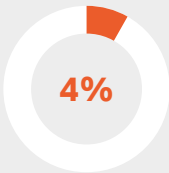
Quarter 1 2019 results

22,126 New plan numbers
▲ 5.6%

£1.68b Total amount released
▲ 3%



Drawdown accounts for 73% of all plans



4% increase in those rebroking and switching equity release plans

Against a backdrop of economic uncertainty, the H1 2019 Market Monitor reveals a relatively stable period within the equity release sector as growth starts to slow down across the sector. Sales of plans are 22,126 up from 20,934 in the first half of last year, an increase of 5.6%, whilst new lending in H1 2019 has increased marginally to £1.68billion from £1.63billion in H1 2018, an increase of 3%.

Some of this subdued growth in value is likely to be due to the average loan amount falling by almost £2,000 year on year from £77,934 to £76,064 in H1 2019.

Drawdown remains the most popular type of plan accounting for 73% of all new plans, a 12% increase year on year inclusive of enhanced drawdown too. Drawdown, which retains accessible further funds, provides potential further borrowing of £706million in addition to £1.6billion already released; giving a total market for the year to date of £2.38billion, compared to the total of £2.18 billion in H1 2018. Lump sum releases account for 28% of new business, down from 35% in H1 2018 results as borrowers become more cautious.

The average age for those releasing equity remains the same year on year at 71 years old. This is slightly lower than the average age for the whole of 2018 which placed average age at 72.

Regional highlights

As with house price changes, there have been regional differences in the amount of equity over-55s have released in H1 2019. The largest increase in the number of plans was in Wales (23), however, Northern Ireland leads the greatest increase in the value of lending at 26%. Of the regions, four recorded a fall in the value of equity release and three in the number of plans taken out. It would seem that older borrowers are not immune to the uncertainty seen across the housing market.

Interestingly – after a positive start to the year – the East Midlands was the only region to see a slight fall in both number of plans (-0.2%) and valued released (-1.2%) which could highlight an increase in plans in the first quarter levelling off into Q2 2019.

Top region for overall lending was the South East (£476 million) with London (£297 million) taking second place.

Biggest movers by region

Number of plans

Wales ▲ 23%

West Midlands ▲ 20%

Northern Ireland ▲ 16%

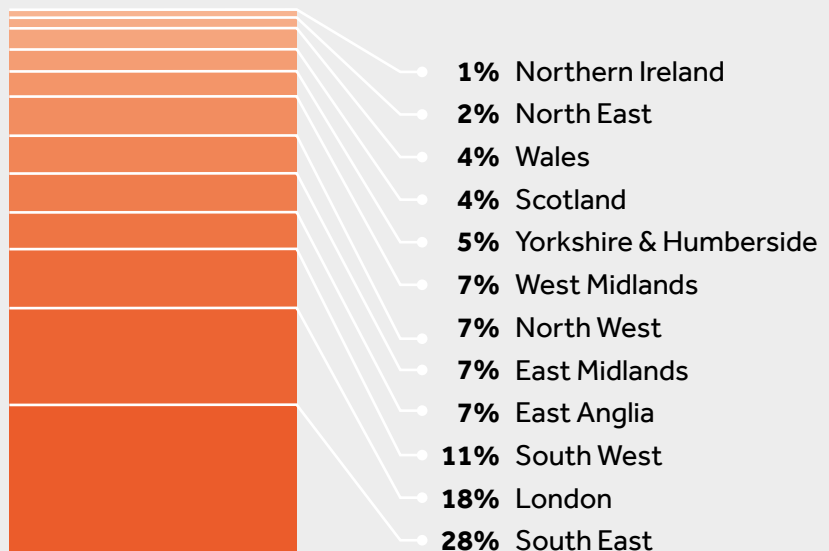
Lending

Northern Ireland ▲ 26%

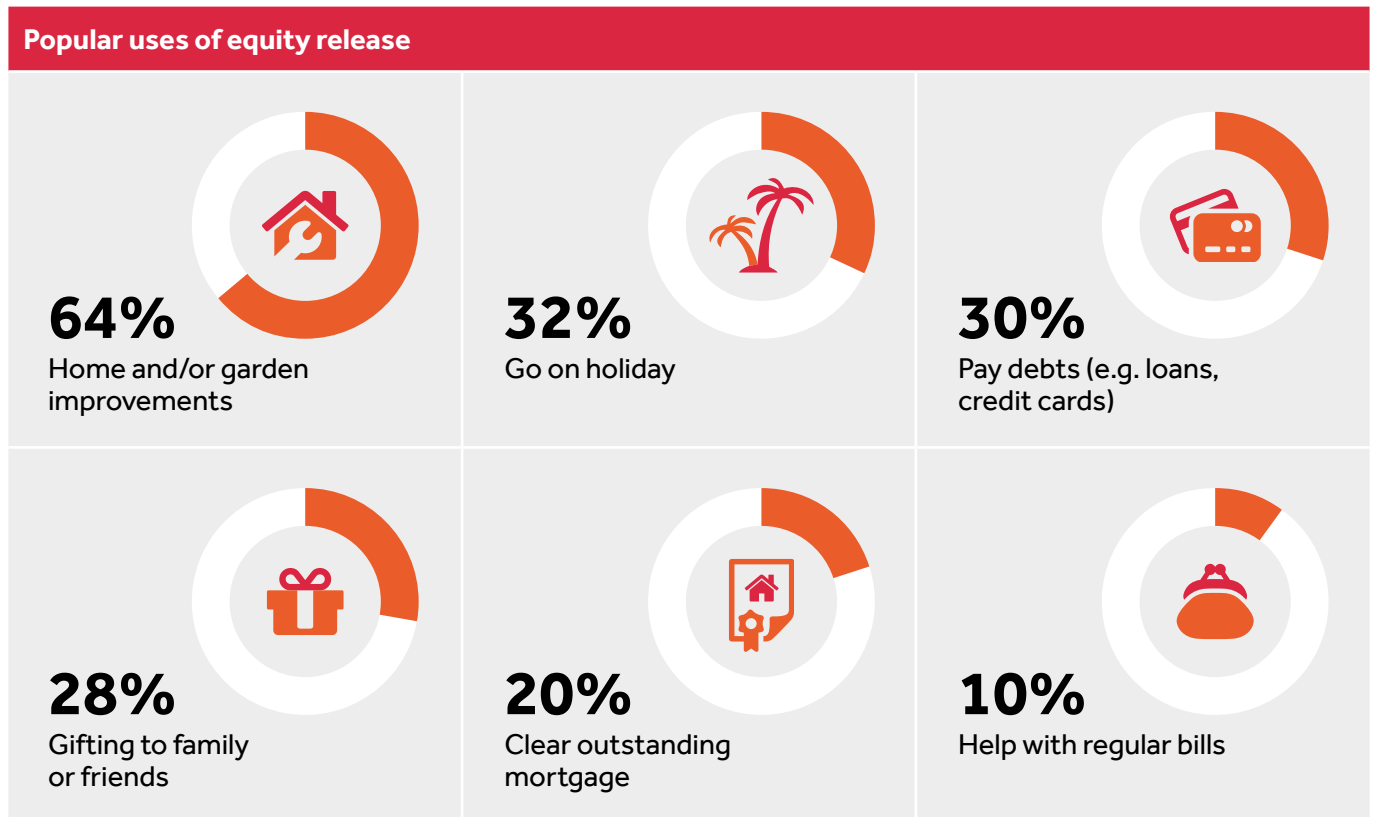
Wales ▲ 23%

West Midlands ▲ 25%

Lending contribution by region



Popular uses of equity release



Highlights

64%

released equity to pay for home and/or garden improvements

4%

increase in the number of customers choosing to rebroke

Focus – Rebroke

So far in 2019, there has been a 4% increase in customer's choosing to 'rebroke' their equity release plan from 1% (H1 2018) to 5% (H1 2019). With rates as low as 3.21% (15 July 2019) and equity release lenders increasingly bringing new and innovative products to market, those who took out an equity release plan a few years ago are increasingly considering this option to save money or release additional funds.

Across all equity release customers, funds are typically used to make home improvements (64%) and gifting (28%) to help pay for a significant life event (i.e. wedding) or property investment (assisting a child onto the property ladder with a gifted deposit). Other popular reasons include: (these are in no particular order).

- Large family holiday
- Pay for university fees
- Purchase a car for a loved one

Anecdotal evidence suggests that other categories of equity release usage such as paying off debts (30%) and clearing mortgages (20%) may also have wider family benefits potentially reducing stress and worry levels surrounding debt in retirement.

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	£120,719,724	0%	1,739	8%	£69,436	24%	70	£283,677	5%
East Midlands	£112,671,720	-1%	1,802	0%	£62,536	25%	71	£255,142	5%
London	£296,605,415	-1%	2,332	3%	£127,182	22%	72	£576,947	-1%
North East	£36,621,276	7%	661	11%	£55,410	28%	69	£198,758	8%
North West	£116,978,468	14%	2,012	12%	£58,135	27%	71	£217,637	8%
Northern Ireland	£10,267,058	26%	210	16%	£48,779	27%	69	£179,050	3%
Scotland	£66,706,473	3%	1,187	-2%	£56,192	29%	70	£196,801	4%
South East	£476,225,894	-1%	5,422	1%	£87,832	22%	71	£391,756	2%
South West	£177,700,067	2%	2,235	-1%	£79,497	24%	72	£334,637	11%
Wales	£65,317,525	23%	1,141	23%	£57,256	27%	70	£213,891	0%
West Midlands	£123,929,707	19%	1,953	20%	£63,447	26%	71	£240,951	6%
Yorkshire & Humberside	£79,241,905	11%	1,431	11%	£55,365	25%	71	£225,582	4%
Total	£1,682,985,231	3%	22,126	6%	£76,064	24%	71	£318,571	2%

Highlights for Wales

£65m

Total lending

1,141

Plans arranged

£57,256

Average released

£213,891

Average property value

Regional focus – Wales

The average value released in Wales (£57,256) is relatively modest by comparison to some other regions. The average age for those releasing equity in the region is 70, one year younger than the H1 national average of 71. The region's appetite for equity release has grown year on year with growth in the number plans as well as in lending.

Over the past five years, Wales has seen an increase in both plan numbers and lending. 2016 was the year with the largest growth with a 39.1% increase in the number of plans and a 57.8% in lending. This was potentially due to a slight downturn in the property market in 2015 which encourage borrowers to wait and provided a boost which saw an especially strong 2016. Since 2017 there has been strong growth in the region year on year.

Period	Plan number	Change Y/Y	Lending	Change Y/Y
H1 2015	398	+14.3%	£20,085,543	+5.4%
H1 2016	554	+39.1%	£31,700,717	+57.8%
H1 2017	713	+28.6%	£38,127,065	+20.3%
H1 2018	931	+30.6%	£53,159,527	+39.4%
H1 2019	1,141	+22.5%	£65,317,525	+20.3%

Number of equity release plans

Number of equity release plans					
	Area	H1 2019 number of plans	H1 2019	H1 2018	% change
1	South East		5,422	5,376	0.9%
2	London		2,332	2,254	3.5%
3	South West		2,235	2,254	-0.8%
4	North West		2,012	1,796	12.1%
5	West Midlands		1,953	1,624	20.3%
6	East Midlands		1,802	1,806	-0.2%
7	East Anglia		1,739	1,617	7.5%
8	Yorkshire & Humberside		1,431	1,288	11.1
9	Scotland		1,187	1,211	-2.0%
10	Wales		1,141	931	22.5
11	North East		661	595	11.1%
12	Northern Ireland		201	182	15.6%
Total			22,126	20,934	5.7%

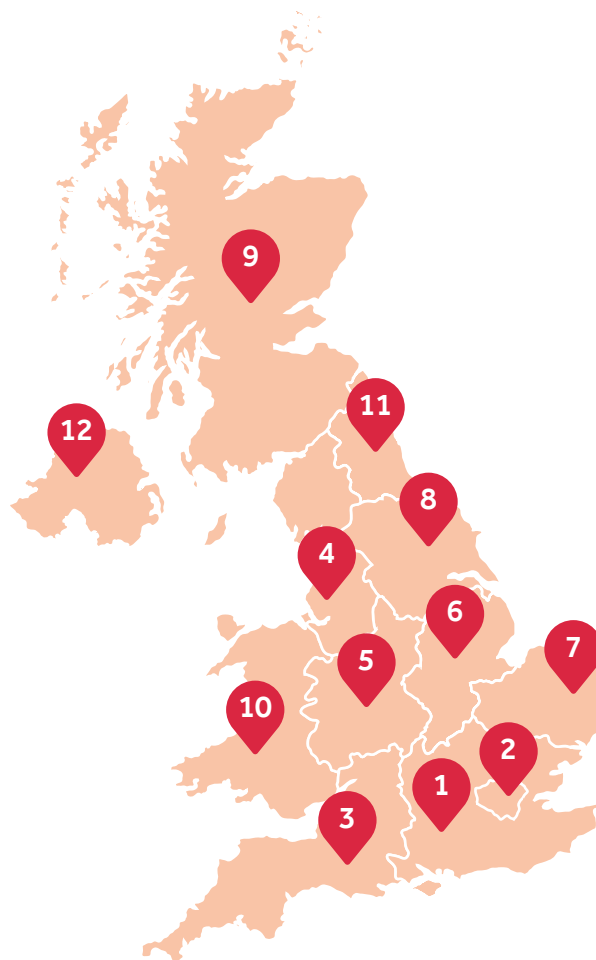
Review

5,422

South East
with the highest
number of plans

201

Northern Ireland
with the lowest
number of plans



Value of equity release plans

Value of equity release plans					
	Area	H1 2019 value of plans	H1 2019	H1 2018	% change
1	South East		£476.2m	£482.7m	-1.3%
2	London		£296.6m	£300.0m	-1.2%
3	South West		£177.7m	£174.0m	2.1%
4	West Midlands		£124.0m	£104.5m	18.6%
5	East Anglia		£120.7m	£120.8m	-0.1%
6	North West		£117.0m	£103.0m	13.5%
7	East Midlands		£112.7m	£114.1m	-1.2%
8	Yorkshire & Humberside		£79.2m	£71.6m	10.6%
9	Scotland		£66.7m	£65.0m	2.7%
10	Wales		£65.3m	£53.2m	22.9%
11	North East		£36.6m	£34.3m	6.7%
12	Northern Ireland		£10.3m	£8.1m	26.0%
Total			£1.683bn	£1.631bn	3.2%

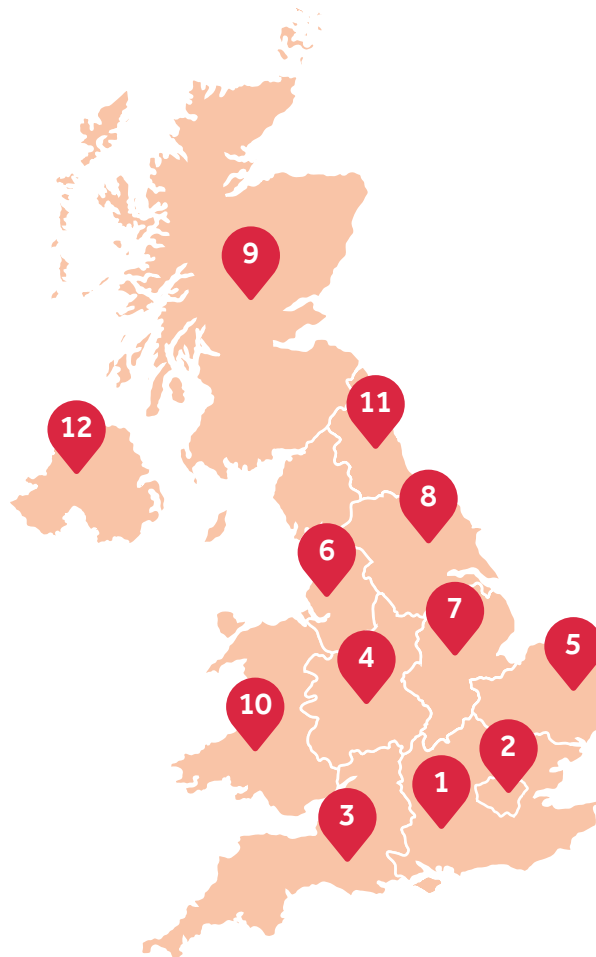
Review

£476m

South East
with the highest
value of plans

£10m

Northern Ireland
with the lowest
value of plans



Analysis

Highlights

71

Average age

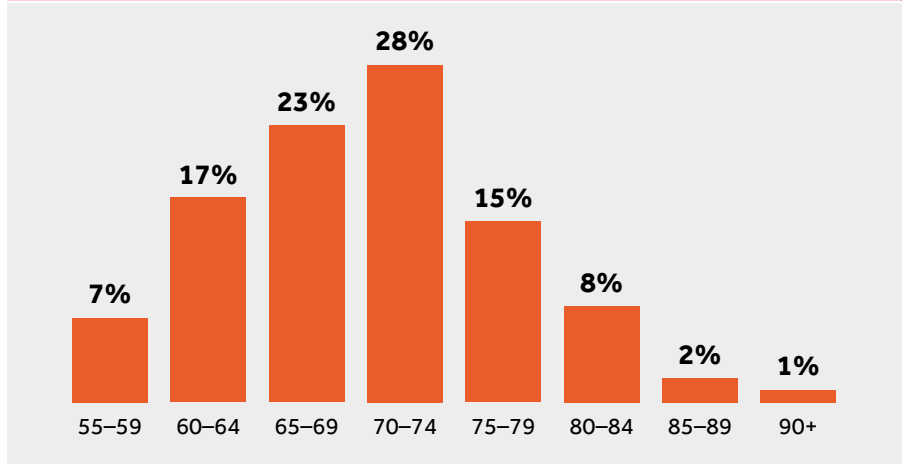
59%

of those releasing equity are couples, down from 62% in H1 2018

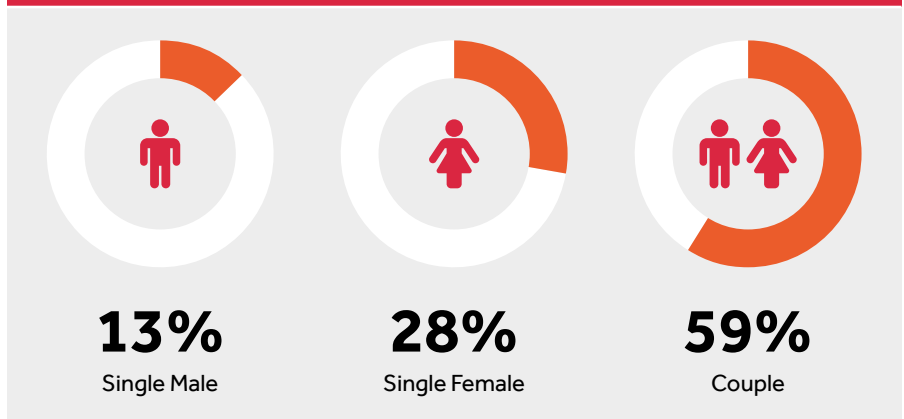
28%

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

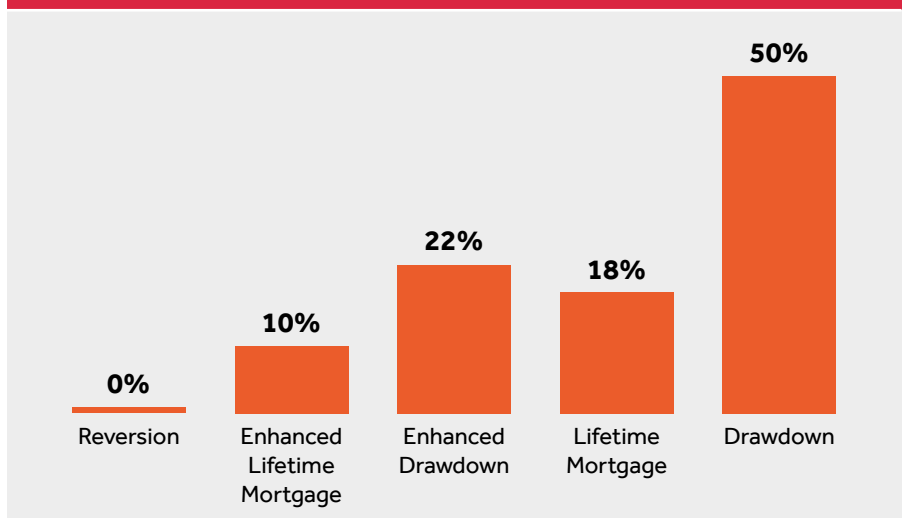
Customers by age



Customers by status



Product mix



Methodology

The Monitor provides journalists and other industry stakeholders with detailed data on the market alongside historical comparisons. Key is the leading over 55's specialist adviser and the UK's number one equity release specialist. The Monitor uses Key's detailed data to reflect the market as a whole and provides the most detailed analysis of the equity release sector, including:

- Usage trends
- Age analysis
- Regional analysis based on
 - Plan numbers
 - Plan values
 - Property prices

The Monitor now provides more detail than ever; focusing on a particular region and also a specific usage driver for releasing equity in each edition.

- Half Year 1 2019 focus – Rebroke
- Regional focus – Wales

Contact

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