

# UK EQUITY RELEASE Market Monitor

## HALF YEAR 2013

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## Introduction

Key Retirement Solutions' Market Monitor provides a quarterly, half yearly and annual review of the equity release market in the UK. The monitor provides journalists and other industry stakeholders with detailed data on the market alongside historical comparisons.

Key Retirement Solutions are the UK's number 1 equity release specialist adviser, arranging 1 in 3 of all intermediary Equity Release Council (ERC) formerly SHIP [1] equity release business in the UK.

The Monitor uses Key's 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 in each edition on a particular region and also a specific usage driver for releasing equity.

- Half Year Focus - Clearing Outstanding Mortgage
- Regional Focus - South East

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<sup>[1]</sup> Equity Release Council (ERC) is the equity release trade organisation representing the Equity Release Sector

## Half Year 2013 Results

- New plan numbers 9,540 up 2.7%
- Total amount released £508.4m up 12.2%
- Drawdown accounts for 63% of all plans
- Single advance lending increases from 32% to 37% share of market
- Home improvement remains top reason for releasing equity

The latest report on the equity release market reveals continued growth year on year for the half year 2013 over the same period of 2012. Sales of plans during the first half of 2013 were 9,540 an increase of 2.7% over the same period of 2012. Lending also increased to £508.4 million for the period from £446.2 million for the same period of 2012, an increase of 12.2%.

Drawdown remains the most popular type of plan accounting for 63% of all new plans. Based on initial lending levels and available facilities, there remains £143.2 million of funds still to be drawn in addition to these initial advance figures giving a combined total of £651.6 million for the period. Single advance mortgages have seen an increase to 37% fuelled in part by increased demand for repaying outstanding mortgages.

### BIGGEST MOVERS BY REGION

#### Number of Plans

▲ Scotland	<b>+42.8%</b>
▲ East Midlands	<b>+10.7%</b>
▲ East Anglia	<b>+9.9%</b>
▼ South East	<b>-12.6%</b>
▼ Northern Ireland	<b>-9.8%</b>
▼ North	<b>-4.1%</b>

#### Lending

▲ Scotland	<b>+36.4%</b>
▲ Wales	<b>+27.1%</b>
▲ East Anglia	<b>+25.1%</b>

### REGIONAL HIGHLIGHTS

Across the country all 12 regions experienced growth in overall lending, with 7 of the 12 regions experiencing increases in new loan numbers. The greatest increases in plan numbers were experienced in Scotland (+42.8%) and the East Midlands (+10.7%). Top region for overall lending was the South East (£120.7m) with London (£73.2m) taking second place. Whilst no region experienced a drop in overall lending over the period Scotland continues to experience considerable growth with an increase in lending of 36.4% to £30.3 over the same period of 2012.

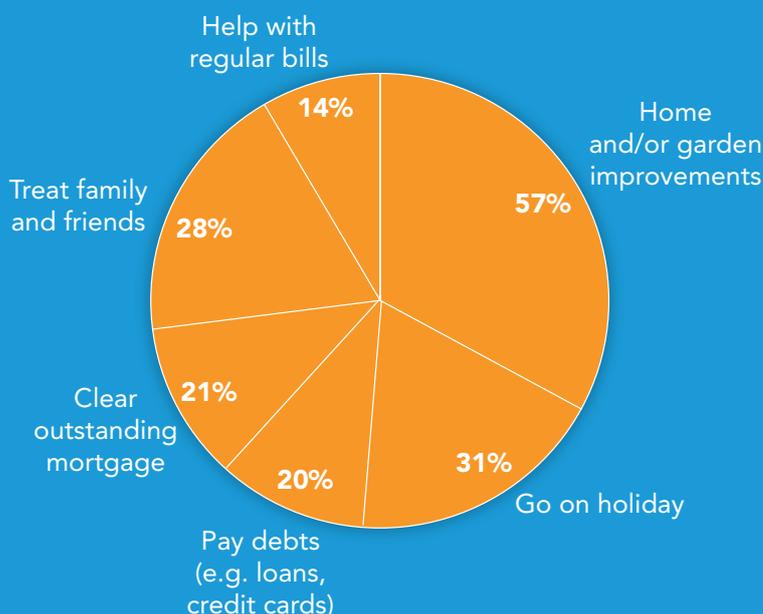
### USES OF EQUITY RELEASE

Home and/or garden improvement (57%) retains top spot followed by holidays (31%), closely followed by helping the family (28%). Helping the family continues to hold the same percentage year on year with nearly one in three releasing some or all of the funds to primarily help their children or grandchildren.

## Highlights

- Clearing an outstanding mortgage (21%) now overtakes repaying other forms of debt

## POPULAR USES OF EQUITY RELEASE



### Interest only mortgages helps fuel increase in Lump Sum lending

### HALF YEAR FOCUS - CLEAR OUTSTANDING MORTGAGE

Following the FCA's review of interest only mortgages, lenders and borrowers alike have been put under the spotlight to take action regarding interest only loans where there is insufficient, or no repayment vehicle in place.

For those who are aged over 55, solutions are not as easy to come by with the cost of converting to repayment being too prohibitive with only a short period of the mortgage left to run. For many, the options available may be limited to either downsizing or equity release to repay the capital borrowed.

In the first half of 2013 a marked increase in mortgage repayment is evident, a trend which is expected to continue, and a trend which is boosting sales of single advance lump sum lending. In the first half of 2012 lump sum lifetime mortgages made up 32% of sales compared with 37% in the first half of 2013.

# Highlights

## REGIONAL SUMMARY

AREA	Value	Percentage Change 2013 on 2012	Number of plans	Percentage Change 2013 on 2012	Average Value Released	Average LTV	Average Customer Age	Average Property Value
East Anglia	£26.8m	25%	542	10%	£53,854	26%	67	£205,289
East Midlands	£37.2m	24%	898	11%	£45,125	26%	68	£174,362
London	£73.2m	1%	810	7%	£98,323	25%	70	£399,747
North	£14.8m	17%	353	-4%	£45,853	29%	68	£157,052
North West	£46.8m	12%	1,047	6%	£48,710	28%	68	£171,991
Northern Ireland	£2.5m	17%	58	-10%	£47,497	31%	68	£153,281
Scotland	£30.3m	36%	752	43%	£43,909	27%	67	£161,750
South East	£120.7m	7%	1,915	-13%	£68,666	23%	69	£297,237
South West	£65.5m	4%	1,185	0%	£60,187	24%	68	£248,577
Wales	£22.3m	27%	447	5%	£54,400	29%	68	£185,227
West Midlands	£36.6m	18%	800	9%	£49,840	26%	69	£193,759
Yorks & H'side	£31.6m	7%	734	-2%	£46,904	27%	68	£176,183

### REGIONAL FOCUS - SOUTH EAST

Total lending - **£120.7M**

Plans arranged - **1,915**

Average released - **£68,666**

Average property value - **£297,237**

### REGIONAL FOCUS - SOUTH EAST

The South East is always the strongest region for overall borrowing both in terms of number and value and despite a 12.6% drop in new plan numbers lending levels are up some 6.9%. What becomes interesting when looking more closely at particular regions is the variation from the average when we look at how different regions use the funds released.

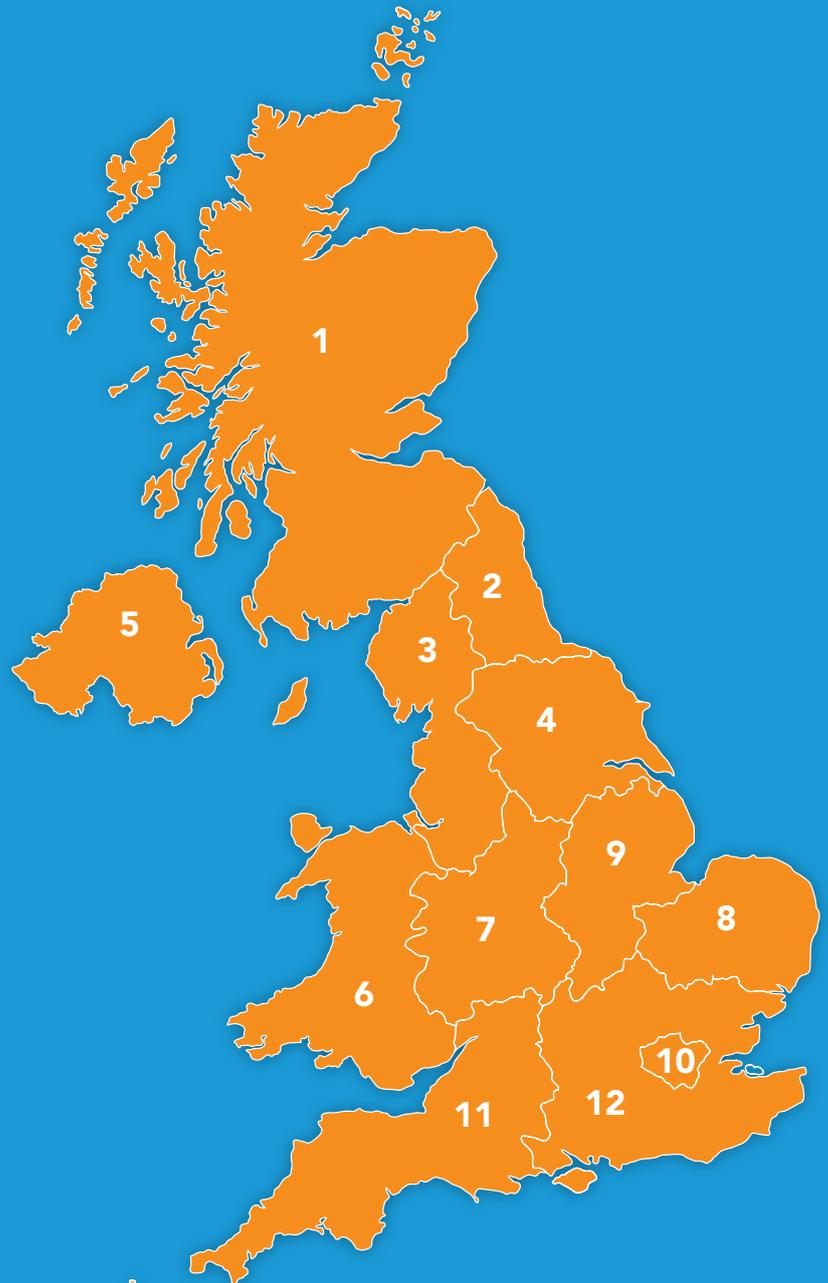
Home and Garden Improvements are in line with the national trend at 56% however those in the South East see a greater demand for funds to repay debts, at 30% compared to the national average of 20%. When it comes to gifting to family this is certainly of a lesser priority at 22% compared to the national average of 28%. In terms of day to day living one in five who released equity in the South East did so to purchase a new car!

## Review

- Highest - South East (1,915)
- Lowest - Northern Ireland (58)

1 Scotland <b>752</b> 2012 - 527	2 North <b>353</b> 2012 - 368
3 North West <b>1,047</b> 2012 - 986	4 Yorks & H'side <b>734</b> 2012 - 747
5 Northern Ireland <b>58</b> 2012 - 64	6 Wales <b>447</b> 2012 - 425
7 West Midlands <b>800</b> 2012 - 732	8 East Anglia <b>542</b> 2012 - 493
9 East Midlands <b>898</b> 2012 - 811	10 London <b>810</b> 2012 - 754
11 South West <b>1,185</b> 2012 - 1,190	12 South East <b>1,915</b> 2012 - 2,191

## NUMBER OF EQUITY RELEASE PLANS

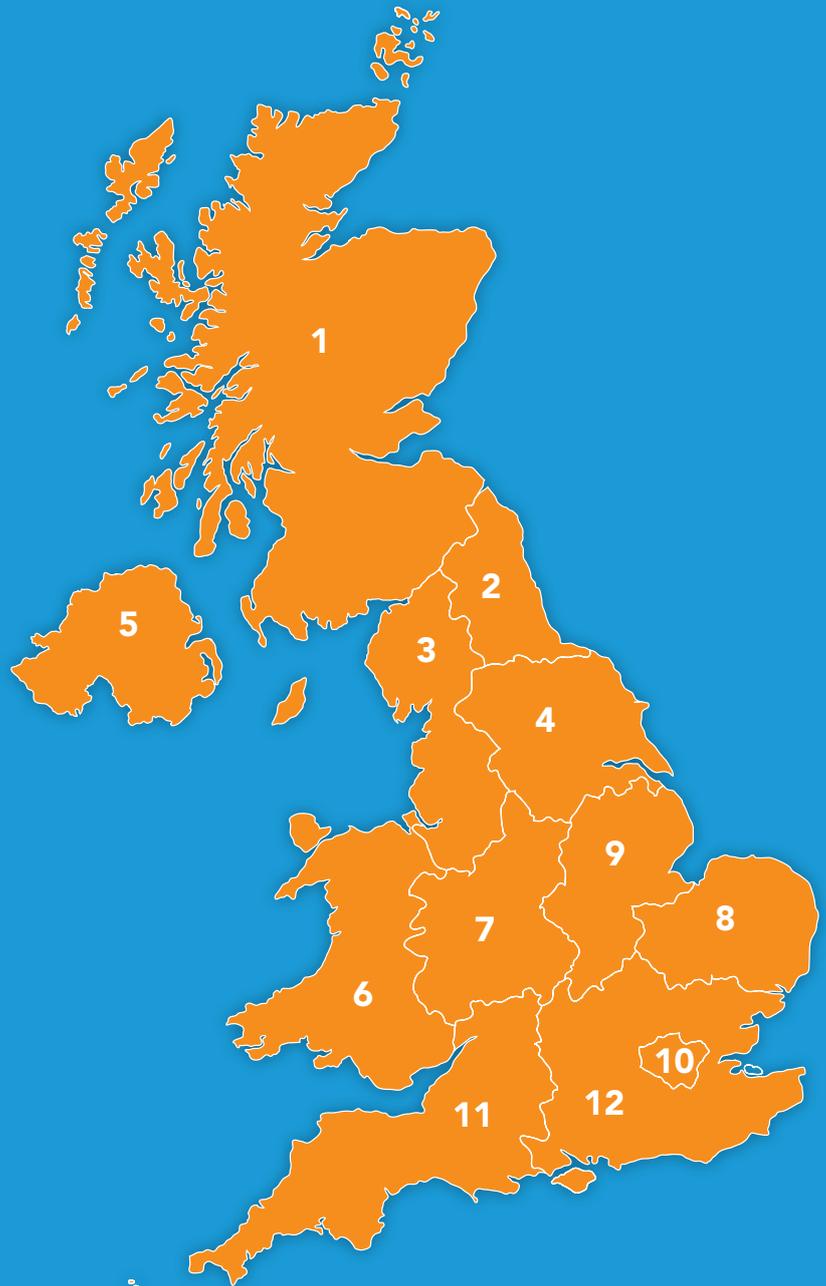


## Review

- Highest - South East (£120.7m)
- Lowest - Northern Ireland (£2.5m)

<p><b>1</b> Scotland  <b>£30.3m</b>                      2012 - £19.3m</p>	<p><b>2</b> North  <b>£14.8m</b>                      2012 - £12.3m</p>
<p><b>3</b> North West  <b>£46.8m</b>                      2012 - £41.2m</p>	<p><b>4</b> Yorks &amp; H'side  <b>£31.6m</b>                      2012 - £29.3m</p>
<p><b>5</b> Northern Ireland  <b>£2.5m</b>                      2012 - £2.1m</p>	<p><b>6</b> Wales  <b>£22.3m</b>                      2012 - £16.3m</p>
<p><b>7</b> West Midlands  <b>£36.6m</b>                      2012 - £29.8m</p>	<p><b>8</b> East Anglia  <b>£26.8m</b>                      2012 - £20.1m</p>
<p><b>9</b> East Midlands  <b>£37.2m</b>                      2012 - £28.1m</p>	<p><b>10</b> London  <b>£73.2m</b>                      2012 - £72.6m</p>
<p><b>11</b> South West  <b>£65.5m</b>                      2012 - £62.8m</p>	<p><b>12</b> South East  <b>£120.7m</b>                      2012 - £112.4m</p>

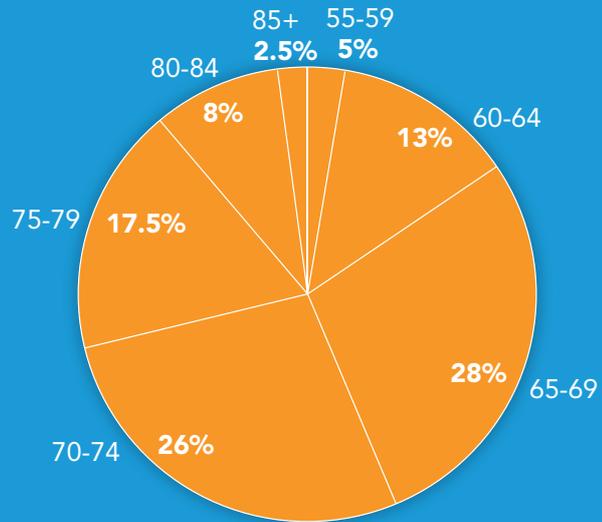
## VALUE OF EQUITY RELEASE PLANS



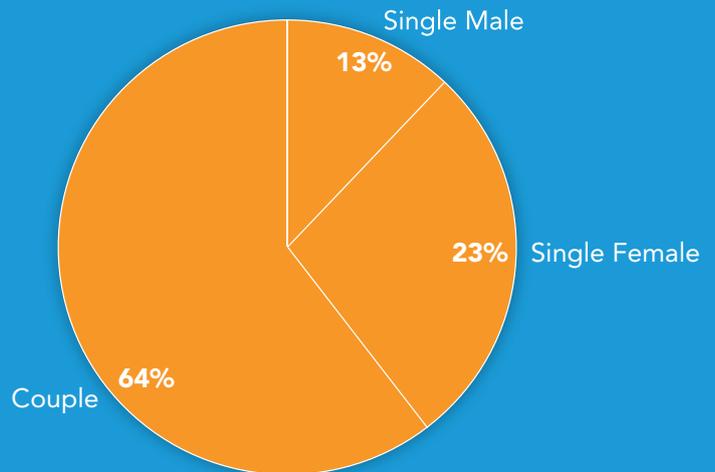
# Analysis

- Average age 68
- 64% of those releasing equity are couples
- 77% more single women release equity than single men

## CUSTOMERS BY AGE



## CUSTOMERS BY STATUS



## PRODUCT MIX

