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UK Equity Release Market Report

Q1 2010 Report

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UK Equity Release Market Report

Key Retirement Solutions' Market Report provides a quarterly review of the equity release market in the UK. The report 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 almost 1 in 4 of all SHIP⁽¹⁾ equity release business in the UK, and over 1 in 3 of all intermediary SHIP equity release business in the UK.

The Report 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**

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Introduction and Q1 2010 Highlights

- **Year on year results improve for plan numbers and overall lending**
- **Pensioners increasingly are helping their children financially**
- **Majority of regions show increased new business levels**

The latest report on the equity release market in the UK shows that the market has turned a corner. The result for quarter 1 of 2010 shows improvements over the same period of 2009 both in plan numbers and in overall lending.

The number of new plans for the quarter was 19.07% higher than the same period of 2009 and overall lending for the period was up 18.46%. The figures are extremely encouraging and show the first annual increase quarter on quarter since the economic downturn.

The figures show that the majority of regions throughout the UK have seen growth both in plan numbers and also in overall lending. This comes on the back of steady, albeit slow, increases in property values. For many retirees the barometer for their financial well being and confidence is their property value, and the latest equity release market figures point to an increase in confidence.

Drawdown continues to dominate the most popular plan type now accounting for more than two thirds of all new plans.

Whilst the mainstay popular reason for releasing equity remains that of home and/or garden maintenance, helping the family has seen a considerable increase. This potentially reflecting the fact that many children are struggling financially as a result of the current economic climate and are receiving what is no doubt very welcome support from their parents.

Overall Lending

The total number of plans for the first quarter of 2010 were 5,600 compared to 4,703 for the same period of 2009. The value of lending has increased to £216.9 million, up from £183.1 million. This result comes despite a fall in the average loan amount to £43,090 from £44,948. A reduction in average loan is a positive sign as this is reflecting the increasing trend of borrowers taking drawdown plans which reduce the cost of borrowing by allowing homeowners to take a smaller initial amount and to then release further funds in stages as and when they are required.

Regional Highlights

Northern Ireland and Scotland led the way both in increases in plan numbers and value of lending. Northern Ireland experienced an increase in plan numbers of 76% and lending values increased by 180%. Scotland achieved a 43% increase in plan numbers and a 102% increase in the value of lending. In all 9 out of 12 regions had increases in plan numbers and 8 out of 12 experienced an increase in overall lending value.

Uses of Equity Release

Whilst home and/or garden improvements retain top spot with 58% of those releasing equity doing so in order to look after their property the major change in trend is with regard to helping out the children financially. This has increased from 19% in quarter 1 of 2009 to 35% for the same period of 2010. The ways in which the money is being used by the children vary however featuring heavily is helping them get onto, or move up, the property ladder, as well as generally helping them day to day.

Dean Mirfin, KRS Group Director, comments on the latest Market Report findings:

"The equity release market is healthier and delivering strong returns for retired homeowners as confidence increases which in part has been helped by the gradual property market recovery. Despite falls in property values over the past couple of years many find that they can comfortably raise the amounts they need from the current wealth tied up in their homes.

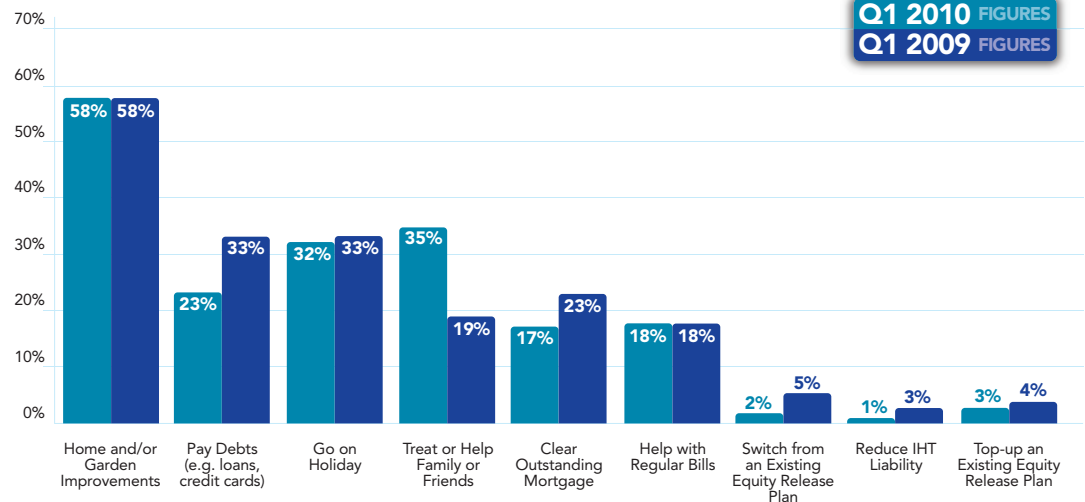
"It is striking that pensioners are more confident about using their wealth to benefit others rather than having to use the money for themselves. Helping family and friends was the second most popular use of equity release in the three months just ahead of holidays and behind home and garden improvements. The over-65's property wealth represents a massive investment success as many will have bought their homes more than 20 years ago.

"We see no reason why the trend experienced during the first quarter of 2010 will not continue through the rest of the year."

Q1 2010 over Q1 2009 Analysis

Popular Uses of Equity Release

Spending money on the home remains consistently the most popular reason for releasing equity from the home. The funds tend to be used for major projects, for example new kitchens, bathrooms or conservatories. Landscaping the garden remains a popular use. Debt repayment, both mortgage and other debt, has fallen following a high during the past couple of years but still remains popular.



The most striking trend change is the increase from 19% to 35% in helping family or friends. Giving the children an early inheritance at a time when it's needed most is becoming a considerable priority for many.

Regional Summary

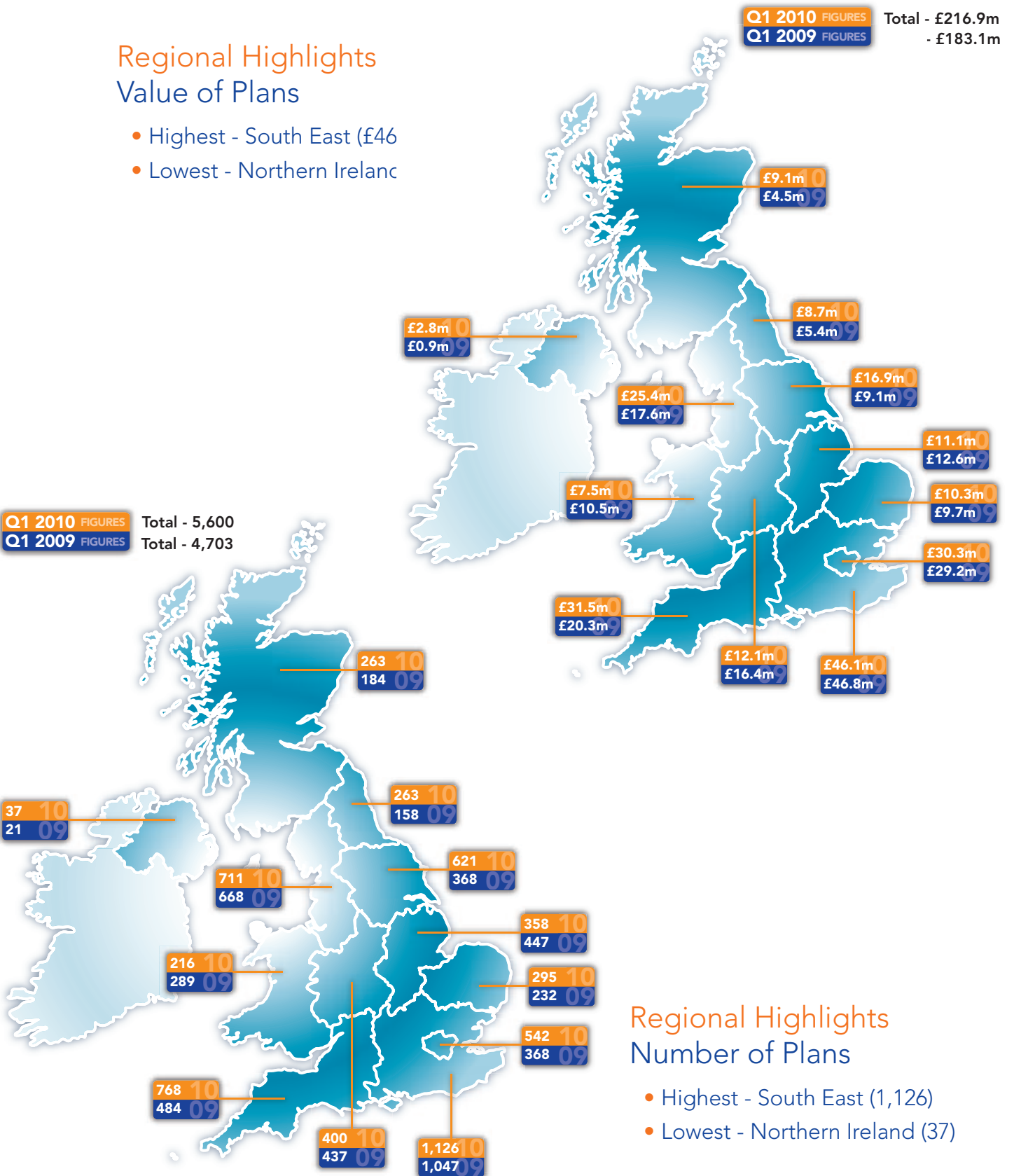
AREA	Value	Percentage Change Q1 2010 on Q1 2009	Number of Plans	Percentage Change Q1 2010 on Q1 2009	Average Value Released	Average LTV	Average Customer Age
East Anglia	£10.3m	6%	295	27%	£37,512	22%	69
East Midlands	£11.1m	-12%	358	-20%	£33,065	20%	69
London	£30.3m	4%	542	47%	£59,753	17%	70
Northern Ireland	£2.8m	180%	37	76%	£81,187	34%	70
North	£8.7m	61%	263	66%	£35,135	23%	67
North West	£25.4m	44%	711	6%	£38,257	24%	68
Scotland	£9.1m	102%	263	43%	£37,007	23%	69
South East	£46.1m	-1%	1,126	8%	£43,711	18%	69
South West	£31.5m	55%	768	59%	£43,837	19%	70
Wales	£7.5m	-29%	216	-25%	£37,518	19%	68
West Midlands	£12.1m	-26%	400	-8%	£32,308	19%	69
Yorks & H'side	£16.9m	86%	621	69%	£43,090	23%	70

Northern Ireland and Scotland over the past year had experienced considerable falls in the number and value of new plans. The dramatic change over the first quarter of the year is somewhat expected on the back of more stable property values. Most regions of the UK which experience increases in plan numbers saw well above double digit growth within the sector. This is not reflected within the lending values which is a positive sign following increases in the number of drawdown plans.

Q1 2010 over Q1 2009: Value and Number of Equity Release Plans

Regional Highlights Value of Plans

- Highest - South East (£46)
- Lowest - Northern Ireland (£2.8m)

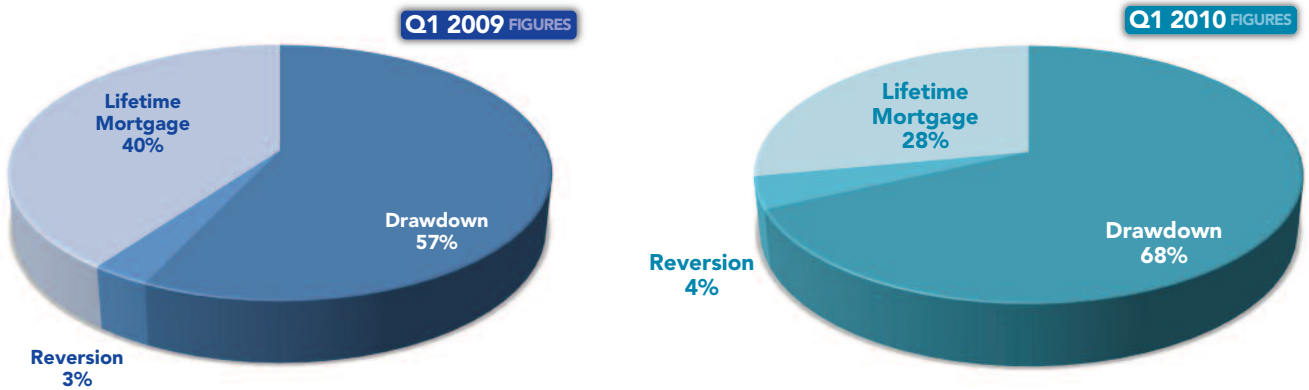


Regional Highlights Number of Plans

- Highest - South East (1,126)
- Lowest - Northern Ireland (37)

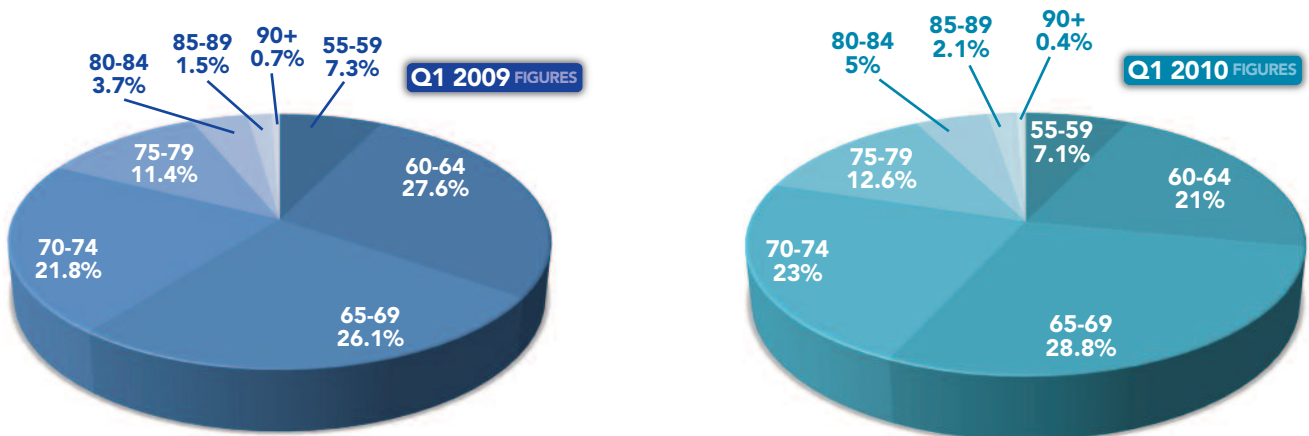
Q1 2010 over Q1 2009 Analysis

Equity Release Product Mix



The increase in popularity of drawdown plans is a positive step for consumers. These plans offer greater flexibility allowing the borrower to take a smaller initial amount and to then draw further funds as and when required. The major benefit which these plans offer is the fact that interest only accrues against the amounts actually drawn down. The remaining facility does not accrue any charge funds are taken. Drawdown also provides borrowers with the piece of mind that as their circumstances change they can access further sums.

Customers By Age



The 65 and over age groups have seen the greater increase in customers taking out plans during the quarter. The average age at which a plan is taken out is 69, an increase from the same period of 2009 when the average was 68.