

“What the analysis shows is that equity release can cater for a diversity of needs which can and do change by individual and by region.”

Dean Mirfin,
KRS Group Director

UK EQUITY RELEASE Market Monitor

QUARTER 1 2011

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Contents

02

INTRODUCTION

Dean Mirfin, KRS

03

EQUITY RELEASE MARKET MONITOR

Results

04

EQUITY RELEASE MARKET HIGHLIGHTS

Popular Uses

Quarterly Focus - Gifting

05

EQUITY RELEASE MARKET HIGHLIGHTS

Regional Summary

Regional Focus - South East

06 - 07

QUARTER 1 2011 REVIEW

Number of Plans

Value of Plans

08

QUARTER 1 2011 ANALYSIS

Customers By Age

Customers By Status

Product Mix

Introduction

Key Retirement Solutions' Market Monitor provides a quarterly 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 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 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 each quarter on a particular region and also a specific usage driver for releasing equity.

- Quarterly Focus - Gifting
- Regional Focus - The South East

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^[1] Safe Home Income Plans (SHIP) is the equity release lender trade organisation representing the majority of the equity release product providers in terms of volume.

2011 Results

- New plan numbers
5,812 up 3.7%
- Total amount released
£219.85m up 1.35%
- Drawdown continues to
dominate the market
- Home improvement
remains top reason for
releasing equity

DEAN MIRFIN, KRS GROUP DIRECTOR, comments on the latest Market Monitor findings:

“The market recovery is on course after three years of decline with enhanced equity release making an important contribution. That clearly demonstrates the need for innovation and flexibility and shows that customers are happy to buy when the industry responds with products that suit their needs.

“The signs are positive for 2011 with new lenders poised to enter the market pointing to more competition and further potential growth.”

The latest report on the equity release market reveals continued growth year on year both in plan numbers and overall lending. Sales of plans during the first quarter of 2011 were 5,812 an increase of 3.7% over the first quarter of 2010. This result reiterates the findings of the annual review showing continued recovery in the sector after three years of decline.

There are two drivers for the growth in the market. The first is an increase in the number of drawdown plans. This now accounts for 71% of all sales, increasing from 68% for the same period of 2010. The second driver has been the growth in sales of enhanced equity release from More 2 Life. This offers enhanced lending for those with health or lifestyle conditions.

REGIONAL HIGHLIGHTS

Across the country 7 out of 12 regions experienced growth in the total number of plans, with the same number of regions experiencing growth in total lending. The strongest regions for the period were Wales, Scotland and the West Midlands, whilst the biggest fallers were London, The North and The North West.

USES OF EQUITY RELEASE

Home and/or garden improvement remains firmly in top spot followed by repaying debts. Helping out the family remains an important use of the funds released with almost 1 in 4 giving some, or all, of the equity released away. In the next section of the Market Monitor we will look more closely at the trends for gifting. Holidays remain a strong motivator for releasing equity with 29% of those releasing equity doing so for more breaks.

Highlights

- Almost 1 in 4 help out their family/friends
- Home/garden improvements remains top reason for releasing equity

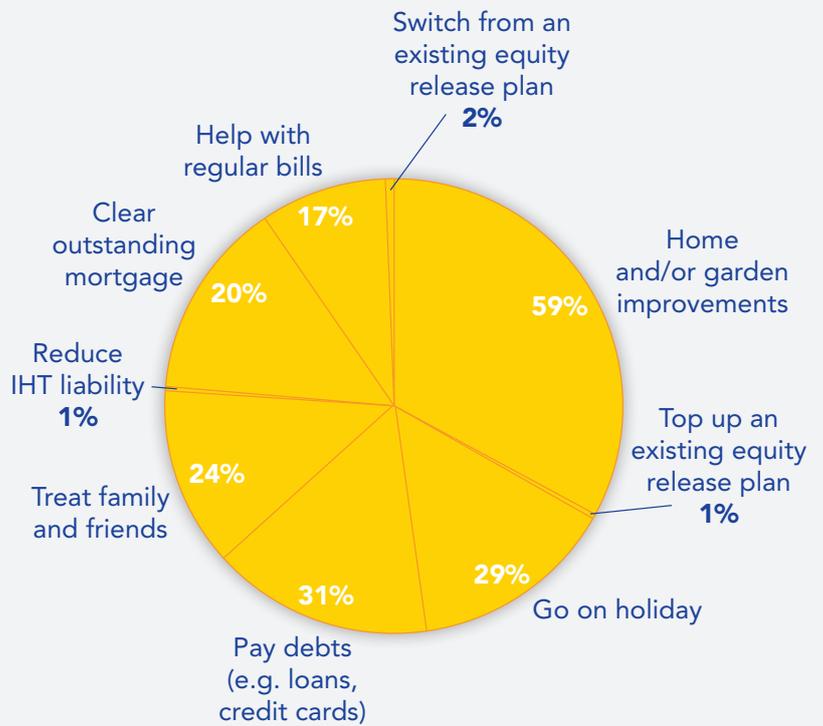
DEAN MIRFIN comments:

“Equity release today, more than ever, is shown to be meeting the diverse range of needs.”

DEAN MIRFIN comments:

“Helping out family is a powerful motivation for retired homeowners and the sums being handed out are major amounts. Clearly parents never stop wanting to help their children and take the decision that an early inheritance today is more beneficial than an inheritance many years down the line.”

POPULAR USES OF EQUITY RELEASE



QUARTERLY FOCUS - GIFTING

The trend in releasing equity for gifting is by no means a new one however since the credit crunch many are now looking to release funds to help specifically their children, many of whom are under constant financial pressure. The average amount gifted is £23,328. The money is being gifted for a variety of reasons including helping the children to clear debts, to deposits for house purchases. Some paid for family weddings and holidays while others were keen to fund their grandchildren’s education through university.

Sons tend to be the most likely recipients of a financial gift and also to receive higher amounts with the average gift to sons being £21,131 compared to £18,625 for daughters.

Highlights

REGIONAL SUMMARY

AREA	Value	Percentage Change 2011 on 2010	Number of plans	Percentage Change 2011 on 2010	Average Value Released	Average LTV	Average Customer Age	Average Property Value	Percentage Change 2011 on 2010
East Anglia	£12.2m	15.8%	311	5.5%	£38,505	23%	69	£197,144	15.0%
East Midlands	£12.6m	14.2%	411	14.8%	£30,757	17%	69	£171,705	6.0%
1 London	£21.7m	-28.3%	463	-14.6%	£46,951	15%	71	£303,330	-15.6%
2 Northern Ireland	£1.3m	-55.3%	37	0.0%	£33,818	17%	68	£174,286	-36.2%
North	£6.8m	-21.1%	158	-39.9%	£43,183	22%	70	£188,333	19.3%
North West	£21.7m	-14.7%	605	-14.9%	£35,847	21%	69	£159,243	-0.6%
Scotland	£12.5m	37.2%	353	34.1%	£35,413	18%	69	£174,567	6.7%
3 South East	£53.4m	16.0%	1,268	12.6%	£42,136	16%	70	£256,176	5.5%
South West	£32.8m	4.1%	842	9.6%	£38,952	15%	70	£230,638	-2.3%
Wales	£10.0m	32.2%	295	36.7%	£33,945	20%	70	£170,929	8.9%
4 West Midlands	£17.6m	45.3%	516	29.0%	£34,053	18%	69	£182,577	7.1%
Yorks & H'side	£17.4m	-20.7%	553	-11.0%	£31,506	18%	69	£158,800	-3.3%

- 1** London has the highest average value released
- 2** Northern Ireland has the lowest total value of plans
- 3** The South East released the highest value
- 4** The West Midlands has the highest increase in the value of plans

DEAN MIRFIN
comments:

“The range of products available today demonstrates the market’s ability to meet a wide range of needs across the country.”

REGIONAL FOCUS - SOUTH EAST

The South East of England is consistently where the highest percentage of equity release is transacted. This quarter we take a closer look at the uses of equity release within the region.

Home and Garden improvement matches the trend across the country however there are some marked variances when we look at other reasons for releasing equity. 54% of those releasing equity in the South East (compared with the national trend of 17%) are using equity release to pay for regular, and those unexpected, bills that can heavily impact on our finances. Only 9% in the region are helping out their families compared with 24% for the country as a whole. This could well be a reflection of overall wealth amongst all age groups in the region compared to other parts of the UK, and the need for financial support from parents. 17% use the money to clear debt compared to the national average of 31%. What the analysis shows is that equity release can cater for a diversity of needs which can and do change by individual and by region.



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Source: Key Retirement Solutions

Review

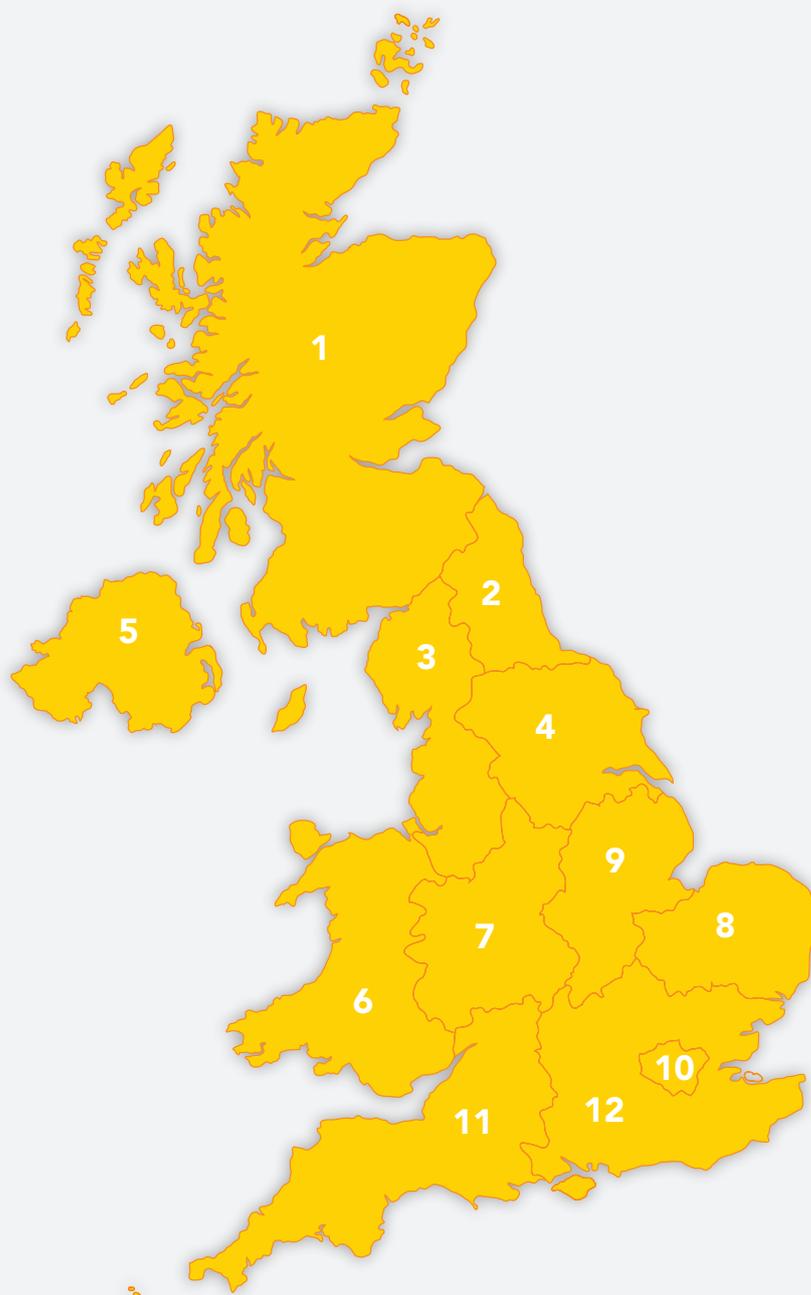
- Highest - South East (1,268)
- Lowest - Northern Ireland (37)

1 Scotland 353 2010 - 263	2 North 158 2010 - 263
3 North West 605 2010 - 711	4 Yorks & H'side 553 2010 - 621
5 Northern Ireland 37 2010 - 37	6 Wales 295 2010 - 216
7 West Midlands 516 2010 - 400	8 East Anglia 311 2010 - 295
9 East Midlands 411 2010 - 358	10 London 463 2010 - 542
11 South West 842 2010 - 768	12 South East 1,268 2010 - 1,126

DEAN MIRFIN comments:

“Equity release remains strongest in the south of the country, both regions showing positive results for the quarter.”

NUMBER OF EQUITY RELEASE PLANS



Review

- Highest - South East (£53.4m)
- Lowest - Northern Ireland (£1.3m)

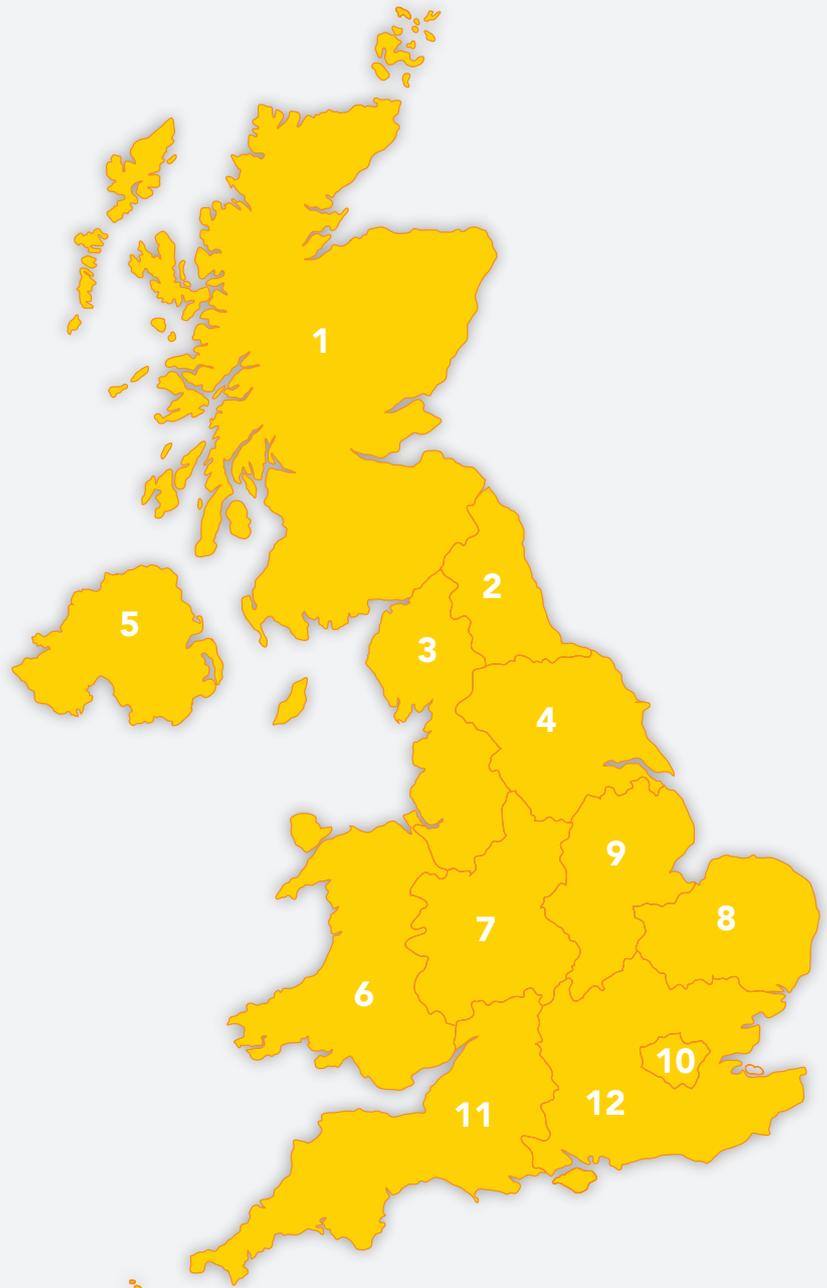
1 Scotland £12.5m 2010 - £9.1m	2 North £6.8m 2010 - £8.7m
3 North West £21.7m 2010 - £25.4m	4 Yorks & H'side £17.4m 2010 - £22.0m
5 Northern Ireland £1.3m 2010 - £2.8m	6 Wales £10.0m 2010 - £7.6m
7 West Midlands £17.6m 2010 - £12.1m	8 East Anglia £12.2m 2010 - £10.3m
9 East Midlands £12.6m 2010 - £11.1m	10 London £21.7m 2010 - £30.3m
11 South West £32.8m 2010 - £31.5m	12 South East £53.4m 2010 - £46.1m

DEAN MIRFIN

comments:

“Scotland retains top spot against Northern Ireland and Wales with an increase in lending of 37.2%.”

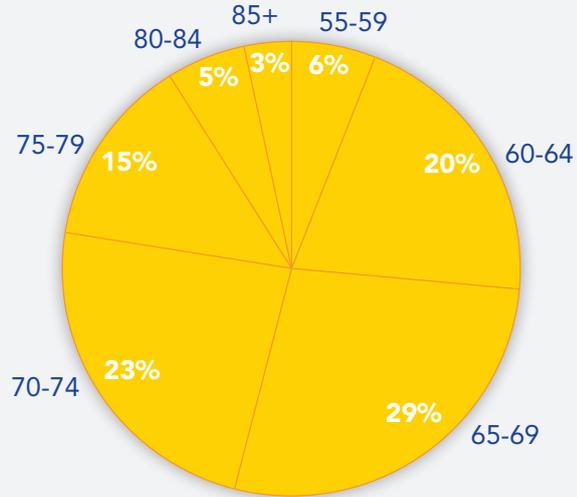
VALUE OF EQUITY RELEASE PLANS



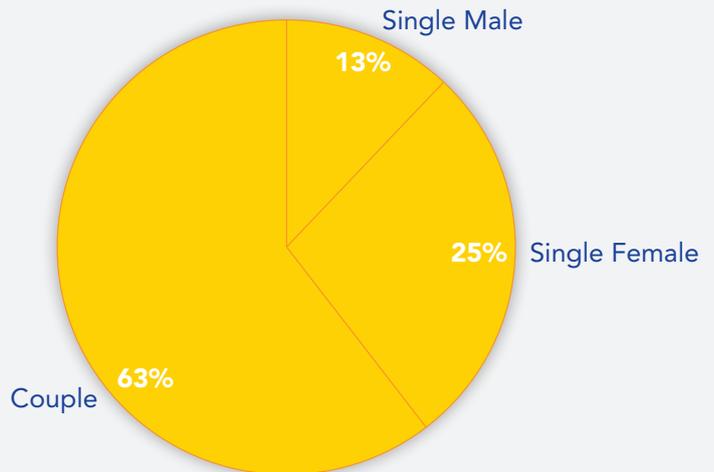
Analysis

- 65-69 age group utilise equity the most
- Couples make the most of equity release
- Drawdown at highest ever level

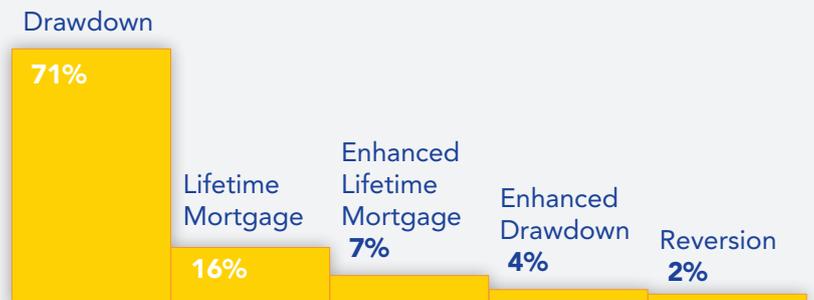
CUSTOMERS BY AGE



CUSTOMERS BY STATUS



PRODUCT MIX



DEAN MIRFIN comments:

“Enhanced lifetime mortgages are now an essential part of the equity release sector.”