

“Demand for equity release is firmly on the increase throughout 2011.”

Dean Mirfin,  
KRS Group Director

# UK EQUITY RELEASE Market Monitor

QUARTER 3 2011

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**01772 508536**

[www.keyrs.co.uk/press](http://www.keyrs.co.uk/press)

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## 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<sup>[1]</sup> 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 - Home Improvement
- Regional Focus - London

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<sup>[1]</sup> 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.

## Q3 2011 Results

- New plan numbers 5,791 up 3.8%
- Total amount released £261.25m up 1.8%
- 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 equity release sector continues its road to recovery. Drawdown has re-shaped the market offering greater diversity to meet a range of needs, whilst at the same time reducing the cost of borrowing. The plans available are clearly meeting the demands of today’s customers.

“We expect the trend to continue for the rest of 2011.”

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 third quarter of 2011 were 5,791 an increase of 3.89% over the third quarter of 2010. Overall Lending was £261.25m compared to 256.48m and increase of 1.86%. This result continues the trend established through the first two quarters of this year.

The continued growth year on year, especially in plan numbers, clearly indicates the markets recovery. Drawdown plans remain the plan of choice accounting for 71.5% of all new business for the period. This raises the importance of advice processes tailored to capture drawdown, which can considerably reduce the cost of borrowing, heightening the importance of specialist advice.

### REGIONAL HIGHLIGHTS

Across the country 8 out of 12 regions experienced growth in the total number of plans, with 5 of the 12 regions experiencing growth in total lending. The strongest regions for the number of new plans for the period were East Anglia, Yorkshire and Humberside and the South East. For overall lending the strongest regions for growth were London, the West Midlands and the South West.

### USES OF EQUITY RELEASE

Home and/or garden improvement retains the top spot followed by repaying debts. Holidays feature highly as well with approaching a third of those releasing equity doing so to maximise their spare time in retirement. 1 in 5 of those releasing equity specifically gift some of the money away to family or friends, with the same percentage repaying outstanding mortgages, many needing to do so as a result of endowment shortfall.

## Highlights

- 1 in 3 repay debts
- Home/garden improvements remains top reason for releasing equity

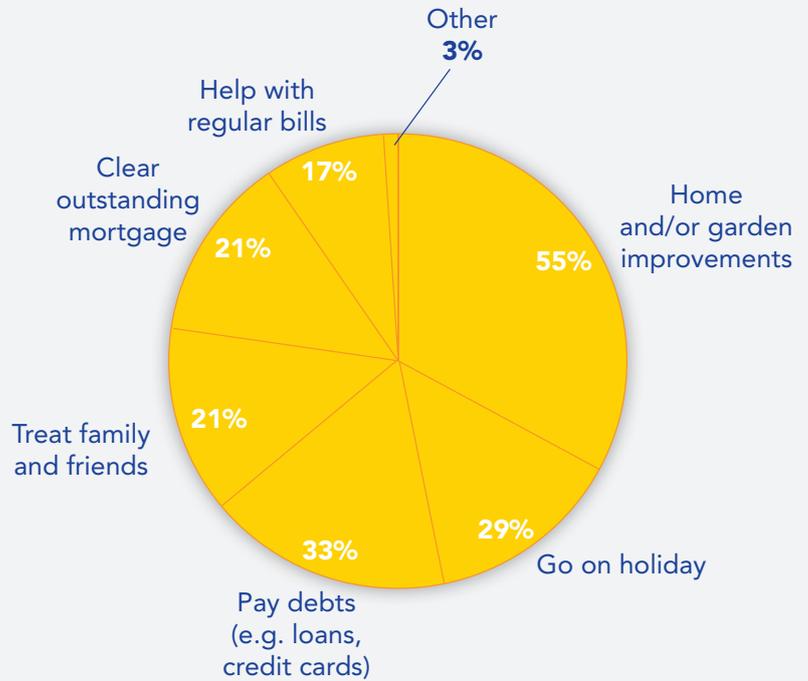
### DEAN MIRFIN comments:

“Today’s products are clearly meeting a diverse range of needs.”

### DEAN MIRFIN comments:

“1 in 4 see equity release as a powerful way of helping out the family. Realising for children or grandchildren their inheritance when needed most is an important desire for many.”

## POPULAR USES OF EQUITY RELEASE



## QUARTERLY FOCUS - HOME IMPROVEMENT

Home improvement consistently remains the most popular reason for releasing equity. This has also strayed into new areas from the traditional, where historically money has been released for major projects, kitchens, bathrooms and conservatories as well as extensions, we have seen investment into more economically focussed work.

Whilst incentives for solar power are still in place and considerably more economical forms of heating there is an increase in those who see equity release as a direct means to reducing their carbon footprint and to save money on their bills.

In total an anticipated £560 million will be released from properties this year for home improvement.

# 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
4	East Anglia	£11m	-3.9%	314	21.6%	£34,966	19.5%	69	£179,768	-6.3%
	East Midlands	£16.4m	-4.0%	482	2.9%	£34,124	20.6%	68	£165,811	-5.1%
1	London	£44.8m	46.5%	450	-1.7%	£99,471	20.4%	71	£487,227	56.9%
2	Northern Ireland	£0.4m	-49.1%	18	-30.9%	£24,477	17.6%	65	£138,750	-20.3%
	North	£6.6m	-7.7%	209	-0.7%	£31,411	22.6%	67	£139,130	-10.0%
	North West	£26.2m	-3.6%	709	3.6%	£37,008	21.2%	68	£174,747	3.0%
	Scotland	£7.7m	-37.1%	273	-23.8%	£28,393	18.3%	67	£155,533	-7.8%
3	South East	£61.5m	-14.6%	1,350	6.4%	£45,527	17.7%	69	£257,766	-6%
	South West	£37.8m	9.6%	664	3.3%	£56,936	22.8%	69	£250,291	-3.5%
	Wales	£9.5m	8.6%	268	1.9%	£35,607	24.6%	68	£144,932	-3.6%
	West Midlands	£20.5m	17.1%	509	6.3%	£40,339	22.2%	68	£181,987	6%
	Yorks & H'side	£18.7m	9.5%	545	19.1%	£34,381	22.6%	68	£151,955	-10.3%

- 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 East Anglia has the highest increase in the value of plans

### REGIONAL FOCUS - LONDON

It may come as no surprise that the highest average property value for equity release is in London. The average for quarter 3 being £487,227. This compares to £334,637 for the same period of 2010. The increase in property value is also followed by an increase in average loan from £77,252 to £99,471.

Whilst property values may be higher, why do those with higher property values tend to borrow more? Is it because they can or is it about what the money is being released for? There is a degree of relativity which we see not just in London but throughout the UK, especially where the property value is closely reflective of the size of the property. The relativity in particular relates to home improvement, which accounts for 55% of equity release. The larger the property the greater the cost of the improvement. Larger homes will have larger kitchens.

The relative costs of maintaining the home are the precise reasons why there is realistically no home in size or value for which equity release is not viable.

### DEAN MIRFIN comments:

“London averages nearly £100,000 release.”



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Source: Key Retirement Solutions

## Review

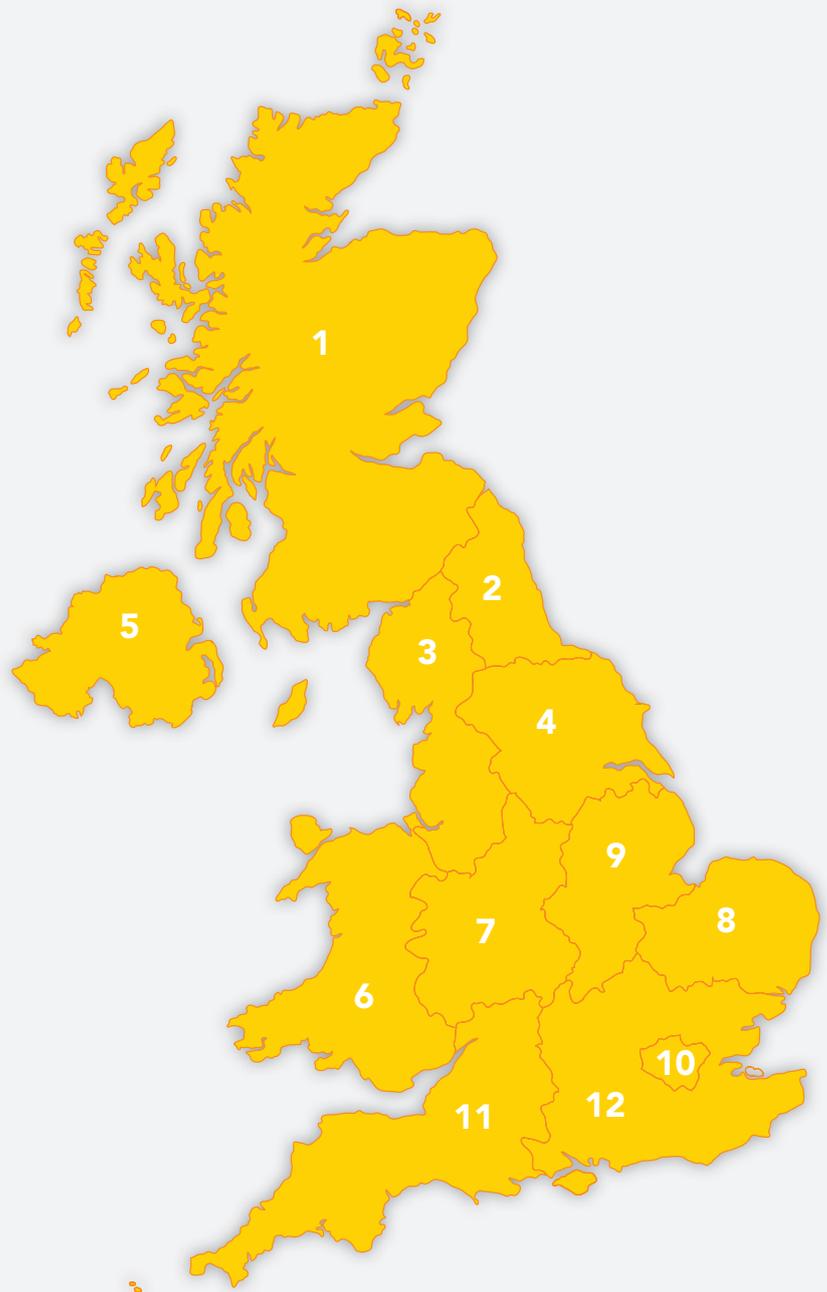
- Highest - South East (1,350)
- Lowest - Northern Ireland (18)

<b>1</b> Scotland <b>273</b> 2010 - 358	<b>2</b> North <b>209</b> 2010 - 211
<b>3</b> North West <b>709</b> 2010 - 684	<b>4</b> Yorks & H'side <b>545</b> 2010 - 458
<b>5</b> Northern Ireland <b>18</b> 2010 - 26	<b>6</b> Wales <b>268</b> 2010 - 263
<b>7</b> West Midlands <b>509</b> 2010 - 479	<b>8</b> East Anglia <b>314</b> 2010 - 258
<b>9</b> East Midlands <b>482</b> 2010 - 468	<b>10</b> London <b>450</b> 2010 - 458
<b>11</b> South West <b>664</b> 2010 - 642	<b>12</b> South East <b>1,350</b> 2010 - 1,268

### DEAN MIRFIN comments:

“The South East and the South West continue to show increases in new business.”

## NUMBER OF EQUITY RELEASE PLANS



## Review

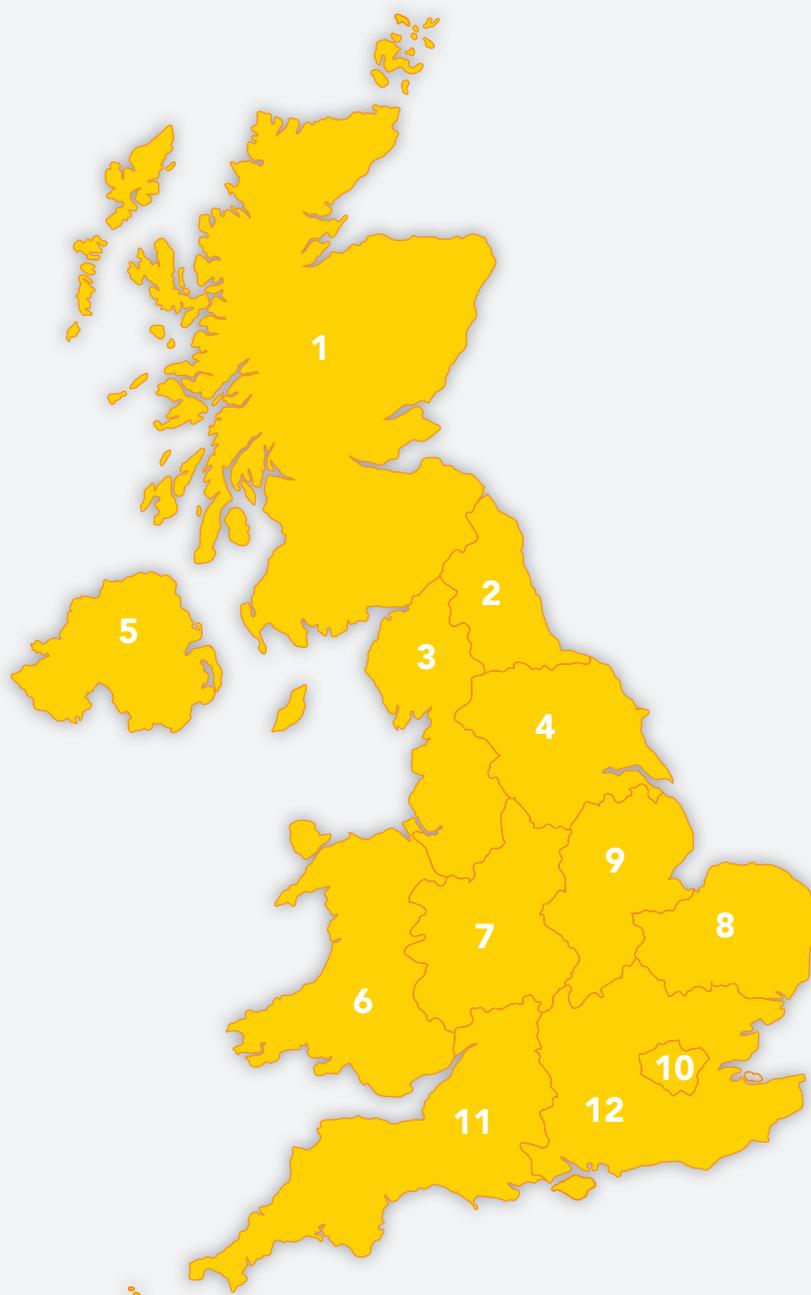
- Highest - South East (£61.5m)
- Lowest - Northern Ireland (£0.4m)

<p><b>1</b> Scotland <b>£7.7m</b> 2010 - £12.3m</p>	<p><b>2</b> North <b>£6.6m</b> 2010 - £7.1m</p>
<p><b>3</b> North West <b>£26.2m</b> 2010 - £27.2m</p>	<p><b>4</b> Yorks &amp; H'side <b>£18.7m</b> 2010 - £17.1m</p>
<p><b>5</b> Northern Ireland <b>£0.4m</b> 2010 - £0.9m</p>	<p><b>6</b> Wales <b>£9.5m</b> 2010 - £8.8m</p>
<p><b>7</b> West Midlands <b>£20.5m</b> 2010 - £17.5m</p>	<p><b>8</b> East Anglia <b>£11m</b> 2010 - £11.4m</p>
<p><b>9</b> East Midlands <b>£16.4m</b> 2010 - £17.1m</p>	<p><b>10</b> London <b>£44.8m</b> 2010 - £30.5m</p>
<p><b>11</b> South West <b>£37.8m</b> 2010 - £34.5m</p>	<p><b>12</b> South East <b>£61.5m</b> 2010 - £71.9m</p>

### DEAN MIRFIN comments:

“The value of lending in London has increased by 46.5%.”

## VALUE OF EQUITY RELEASE PLANS



## Analysis

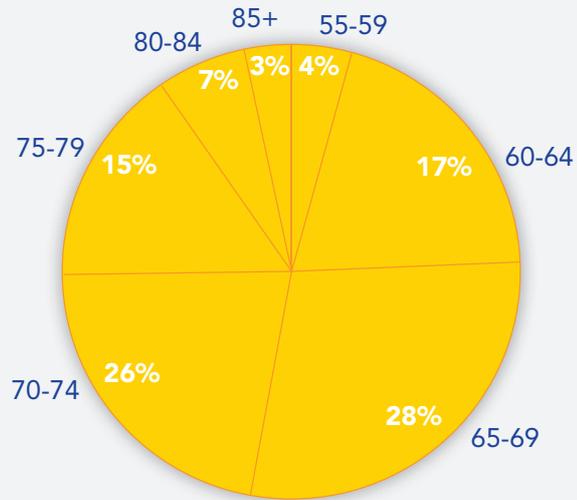
- Average age 68
- Couples make the most of equity release
- Enhanced drawdown on the increase

### DEAN MIRFIN comments:

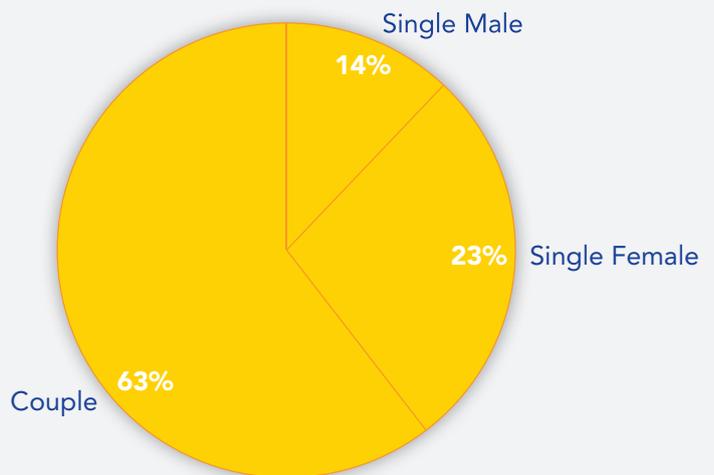
“Drawdown continues to be first choice for borrowers.”



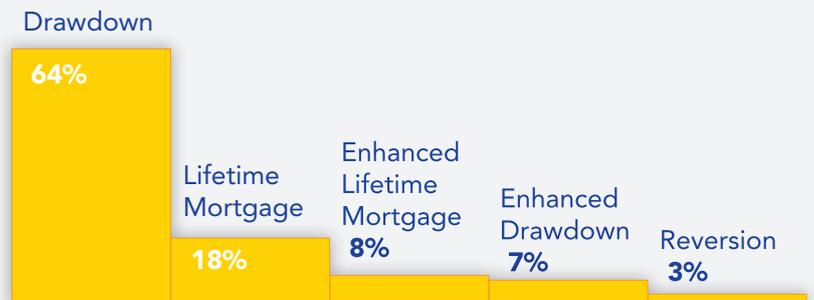
### CUSTOMERS BY AGE



### CUSTOMERS BY STATUS



### PRODUCT MIX



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Source: Key Retirement Solutions