



UK Equity Release Market Monitor Quarter 3 2019

EMBARGOED UNTIL 00:01 FRIDAY 15 NOVEMBER 2019

01772 269363

www.keyadvice.co.uk/about/market-monitor

Key, Baines House, 4 Midgery Court,
Fulwood, Preston PR2 9ZH

All images contained within this report
can be provided upon request.
Email: press.office@keyadvice.co.uk



Contents

2 Introduction
by Will Hale, CEO at Key

3 Quarter 1 overview

- Quarter 1 2019 results
- Biggest movers by region
- Lending contribution by region

4 Popular uses of equity release

- Highlights
- Customers by age
- Customers by status

5 Regional summary of equity release

- Highlights for West Midlands
- Regional focus – West Midlands

6 Number of equity release plans

7 Value of equity release plans

8 Analysis

- Product mix
- Focus – Drawdown

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



"2019 has been an interesting year for the equity release sector and, although the figures in this report do not show the same double digit market growth we have seen in previous years, it does highlight a market which continues to prosper.

"Q3 2019 has seen 11,772 plans taken out with over-55s releasing £887 million in equity. This was the largest volume and value of plans taken out thus far in 2019, but fell below those recorded in Q3 2018 (12,133 and £934 million) as consumers remained cautious about the prospects for house price growth.

"This caution was reflected in the product mix as a steep increase in the volume of drawdown plans agreed was recorded with a 12% year on year increase. As previously noted, these products allow people to withdraw an initial amount while reserving an additional amount for future use – helping to manage the impact of compound interest. With historically low rates in the market and a wider range of products, we have also seen an increase in the number of people 'remortgaging' their plans (+2% to 5%) to take advantage of this.

"While home and/or garden improvements continued to be the most popular single reason for people to take out equity release, we are increasingly seeing people using these funds to shore up their finances. Almost half of customers use some or all of their funds to clear outstanding mortgages (19%) or to repay unsecured debts such as credit cards, loans etc. (29%) – typically taking advantage of the lower fixed rates to manage their borrowing. Over a quarter (27%) of clients also gift some or all the proceeds from their equity release plan to family or friends.

"So while the market is not growing as fast as it once was, with 314 (Q3 2019) products on the market consumers have never had a wider choice of options nor have they arguably needed the support of a specialist adviser more to ensure that they make the right choices for their individual circumstances."

Will Hale, CEO at the UK's largest equity release advice firm – Key

Methodology

Key's Market Monitor provides insight on the trends in the equity release market on a quarterly, half-yearly and annual basis – including more in-depth data and analysis than any other freely available source. As the largest equity release advisory firm in the UK, Key's data reflects how the overall market is developing. The monitor provides historical comparisons as well as comment on current trends in usage, demographics and regional splits.

Each quarter also includes a specific regional (Q3 2019 – West Midlands) and usage (Q3 2019 – drawdown) spotlight.

Contact

To speak to Will, for additional data or a case study please, don't hesitate to contact: Lee Blackwell (Director of Public Relations and Public Affairs) at Key Group on 07384 511140 or lee.blackwell@krgroup.co.uk. Alternatively, please phone the press office on 01772 269363.

Quarter 3 overview

Quarter 3 2019 results

- 11,772** New plan numbers ▼ -3%
- £887m** Total amount released ▼ -5%
- 75%** Drawdown accounts for 75% of all plans
- 12%** Drawdown up 12%

Against a backdrop of widespread political and economic uncertainty, the Q3 2019 Market Monitor reveals a relatively stable period within the equity release market with 8% quarter on quarter growth (+836 from 10,936) and a 3% year on year fall (-361 from 12,133) in the number of people taking out equity from their homes.

That said, Q3 2019 has been the most successful quarter of the year in terms of volume with 11,772 plans being taken out – helping people to release £887 million worth of new equity from their homes (Q3 2018 – £934 million). Customers more cautious approach to releasing equity saw the average loan amount falling from £76,967 (Q3 2018) to £75,312 (Q3 2019), a pattern which has been seen throughout this year as drawdown continues to grow in prominence.

Drawdown, which retains access to further funds, provides potential further borrowing of £369 million in addition to £887 million already released; giving the Q3 market a total of £1.26 billion, compared to the total of £1.3 billion Q3 2019. Drawdown plans account for 75% of new business (+12% from 63% in Q3 2018) and we are seeing an increase in 'remortgaging' as cautious borrowers look to retain flexibility but manage their borrowing carefully.

Regional highlights

With significant disparity among house prices across the UK, appetite for and availability of plans varies from region to region. In Q3 2019, the largest increase in the volume (+18%) and value (+21%) of plans sold was seen in Wales. However, some regions recorded falls, with East Anglia seeing the largest fall in both the volume (-16%) and value (-25%) of plans.

Indeed, there were only four regions which saw growth in both number of plans and value of equity released namely London, Wales, West Midlands and Yorkshire & Humberside. Top region for overall lending was the South East (£261 million) with London (£169 million) taking second place.

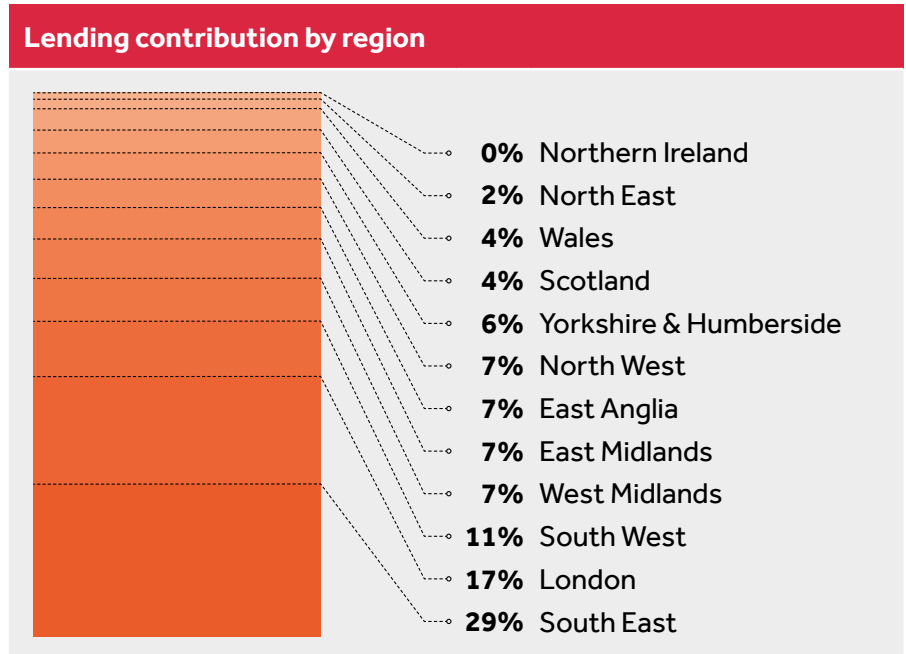
Biggest movers by region

Number of plans

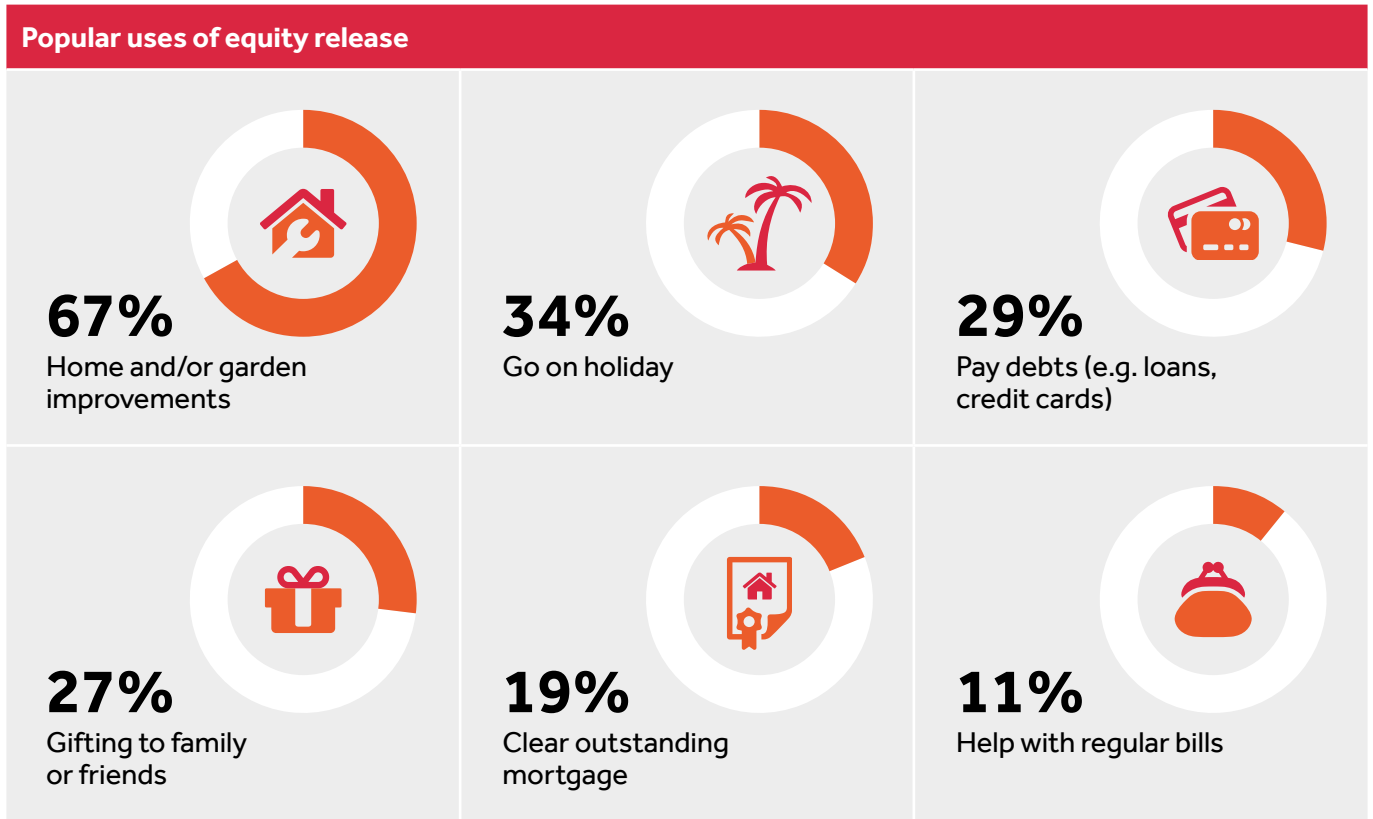
- Wales ▲ 18%
- Yorkshire & Humberside ▲ 14%
- West Midlands ▲ 11%

Lending

- Wales ▲ 21%
- West Midlands ▲ 12%
- Yorkshire & Humberside ▲ 7%



Popular uses of equity release



Highlights

71

Average age

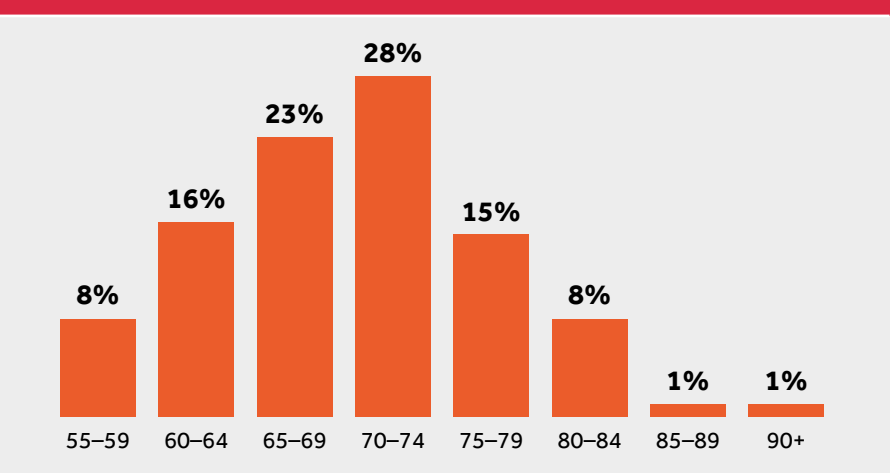
60%

of those releasing equity are couples, down from 61% in Q3 2018

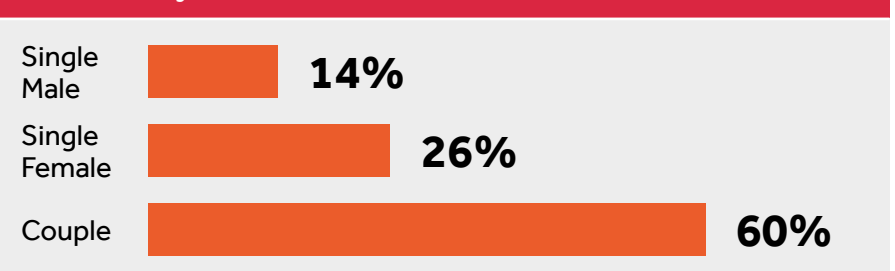
26%

of single women release equity, compared to just 14% of single men

Customers by age



Customers by status



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	£47,933,932	-25%	794	-16%	£60,374	24%	71	£250,143	-6%
East Midlands	£52,989,386	-15%	927	-10%	£57,166	25%	70	£232,141	3%
London	£175,587,558	4%	1,209	2%	£145,227	24%	70	£597,132	-1%
North East	£19,804,721	-1%	318	-21%	£62,204	28%	70	£221,886	23%
North West	£67,060,338	-6%	1,141	-1%	£58,797	27%	71	£218,972	-2%
Northern Ireland	£4,951,853	-13%	117	4%	£42,369	23%	65	£181,966	9%
Scotland	£37,423,790	-7%	693	-1%	£53,988	28%	71	£195,327	-4%
South East	£246,997,326	-5%	2,817	-5%	£87,678	23%	71	£388,620	2%
South West	£88,846,213	-21%	1,274	-13%	£69,763	22%	71	£316,054	3%
Wales	£34,841,918	21%	580	18%	£60,036	26%	71	£228,475	5%
West Midlands	£63,199,372	12%	999	11%	£63,232	26%	71	£245,420	4%
Yorkshire & Humberside	£46,957,125	7%	903	14%	£52,015	25%	70	£207,357	-2%
Total	£886,593,532	-5%	11,772	-3%	£75,313	24%	71	£312,192	1%

Highlights for West Midlands

£63m

Total lending

999

Plans arranged

£63,232

Average released

£245,420

Average property value

Regional focus – West Midlands

The average value released in the West Midlands (£63,232) is modest by comparison to some other regions but still £20,000 higher than the lowest region. The average age for those releasing equity in the region is 71, which directly correlates to the Q3 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, the West Midlands has seen an increase in both plan numbers and lending. Since 2015 there has been more than a 150% increase in the number of plans and a 200% increase in lending. The strongest years for growth were 2016 and 2018 respectively, which were followed by slower growth.

Period	Plan number	Change Y/Y	Lending	Change Y/Y
Q3 2015	390	14%	£20,905,460	-25%
Q3 2016	620	59%	£34,862,614	67%
Q3 2017	677	9%	£34,911,023	0.1%
Q3 2018	898	33%	£56,612,352	62%
Q3 2019	999	11%	£63,199,372	12%

Number of equity release plans

Number of equity release plans					
	Area	Q3 2019 number of plans	Q3 2019	Q3 2018	% change
1	South East		2,817	2,959	-4.8%
2	South West		1,274	1,462	-12.9%
3	London		1,209	1,190	1.6%
4	North West		1,141	1,147	-0.6%
5	West Midlands		999	898	11.3%
6	East Midlands		927	1,034	-10.4%
7	Yorkshire & Humberside		903	789	14.4%
8	East Anglia		794	949	-16.3%
9	Scotland		693	700	-1.0%
10	Wales		580	490	18.4%
11	North East		318	401	-20.5%
12	Northern Ireland		117	113	3.6%
Total			11,772	12,133	-3.0%

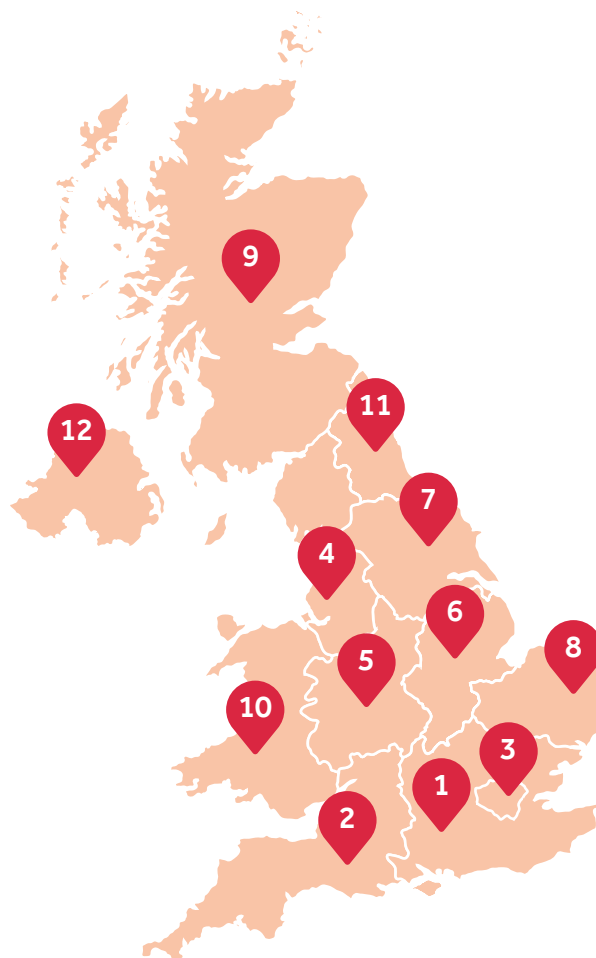
Review

2,817

South East
with the highest
number of plans

117

Northern Ireland
with the lowest
number of plans



Value of equity release plans

Value of equity release plans					
	Area	Q3 2019 value of plans	Q3 2019	Q3 2018	% change
1	South East		£247.0m	£260.7m	-5.3%
2	London		£175.6m	£168.6m	4.2%
3	South West		£88.8m	£111.8m	-20.5%
4	North West		£67.0m	£71.6m	-6.3%
5	West Midlands		£63.2m	£56.6m	11.6%
6	East Midlands		£53.0m	£62.1m	-14.7%
7	East Anglia		£47.9m	£63.9m	-25.0%
8	Yorkshire & Humberside		£47.0m	£44.0m	6.8%
9	Scotland		£37.4m	£40.2m	-6.8%
10	Wales		£34.8m	£28.7m	21.4%
11	North East		£19.8m	£20.0m	-1.1%
12	Northern Ireland		£5.0m	£5.7m	-13.3%
Total			£886.6m	£933.9m	-5.1%

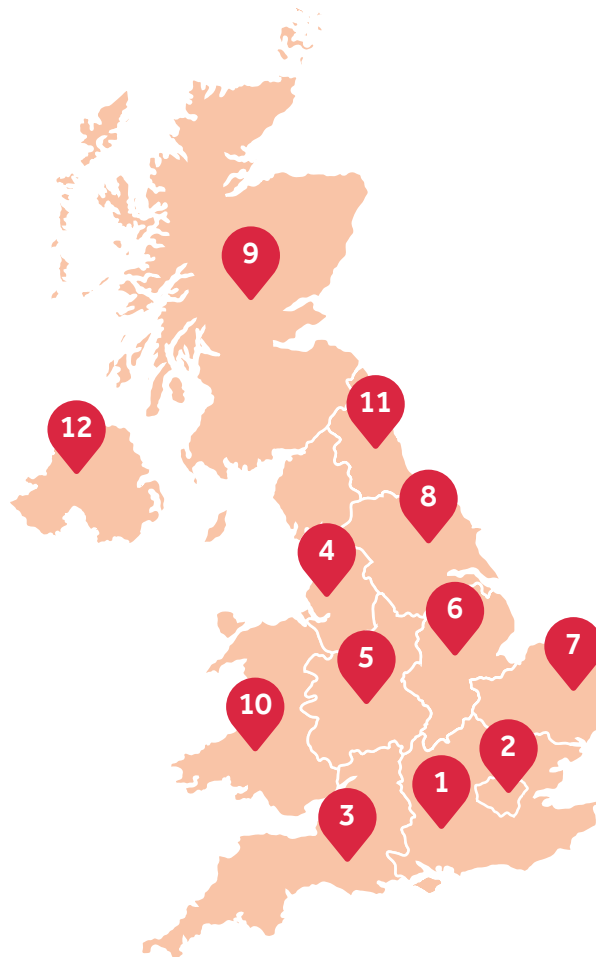
Review

£247m

South East
with the highest
value of plans

£5m

Northern Ireland
with the lowest
value of plans



Analysis

Highlights

75%

of equity release plans taken out in Q3 2019 are drawdowns

12%

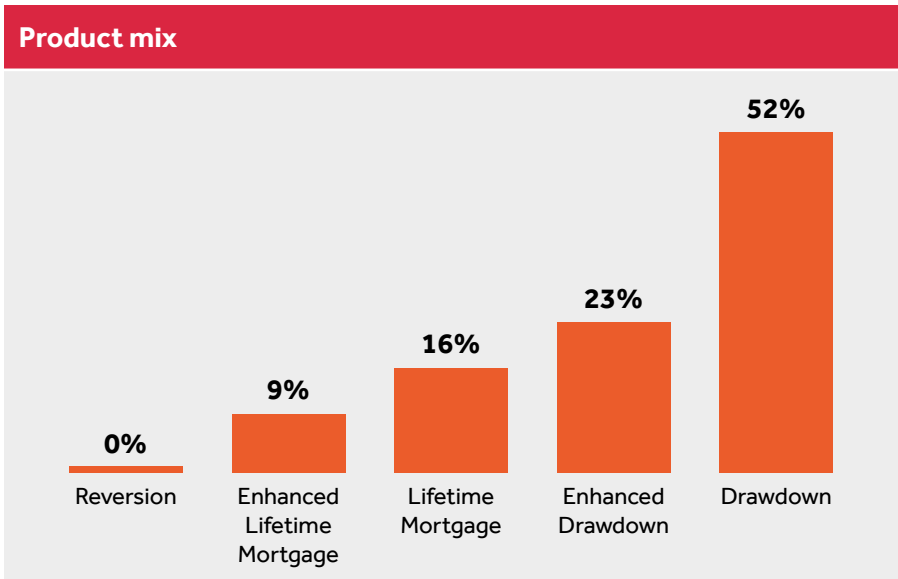
increase in the number of customers choosing a drawdown plan

Amount released

Period	Average Initial Release
Q1 2018	£60,690
Q2 2018	£58,925
Q3 2018	£60,922
Q4 2018	£60,601
Q1 2019	£60,655
Q2 2019	£62,199
Q3 2019	£58,729

Number of Equity Release Plans on the market

Period	Plans
Q3 2016	73
Q3 2017	86
Q3 2018	144
Q3 2019	314



Focus – Drawdown

Drawdown (enhanced and standard), which allows people to take an initial tranche of equity and reserve an additional amount for future use, has grown significantly in popularity over the last few years and now accounts for 75% of the market (+12% from 63% in Q3 2018). While the amount of drawdown products has increased, the average initial amount taken out has actually fallen to £58,729 (Q3 2019) which is the lowest amount recorded in the past 18 months.

Cautious customers appear to value the flexibility drawdown offers but choose to withdraw more modest amounts as they seek to carefully manage their borrowing in the current uncertain times.

Another clear sign of this is the increase in the number of customers switching from an existing equity release plan (5%) up from 3% in Q3 2018. With rates as low as 2.63% MER (November 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 keen to use this method to manage how much they owe.

Both the increase in the number of customers choosing a drawdown product and the appetite to switch plans highlights the diversity of products which are on the market at the moment. With 314 (Q3 2019) products to choose from and the lower interest rates, plans are more desirable than ever for those who wish to use their housing equity to manage their later life finances.

For more information, call **01772 269363**
or visit www.keyadvice.co.uk/about/market-monitor