# Market monitor

## Equity release performance in the UK

## Full year 2020

January 2021

key partnerships

# Welcome

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

**WILL HALE**
*CEO of Key*

I don't think anyone would disagree with the statement that 2020 has been one of the most challenging and unforeseen periods the UK has seen for many years - both from a business and personal perspective. However, the later life lending market has remained robust due to strong customer demand supported by businesses reinventing their operational processes, safeguarding customers and protecting colleagues.

Across 2020, we saw 40,470 new equity release plans taken out worth a total of £3.4 billion which is a -4.4% drop in value and -23% fall in customer numbers from 2019. When reserved drawdown is added, this equates to a total industry value of £4.7billion in 2020 compared to £5 billion in 2019.

Fewer customers are releasing more equity from their homes as they look to repay debt, support their families and age-proof their homes. Indeed, as the world around us changed so did the market, decisions to release equity were made due to need rather than wants or desires. Spending on holidays (32% in 2019 to 23% in 2020) fell while people prioritised using their home equity order to make their retirement go further or to assist family members.

The industry was hardest hit in Q2 and Q3 of this year but due to a strong Q1 - prior to Covid - and confidence gradually returning in Q4 the industry is in a stable position going into 2021 with demand remaining strong. However, although demand has remained strong, completion volumes have been impacted by advisers ensuring that plans are not used inappropriately to meet short-term needs. Additionally, lag times from enquiry to completion have extended meaning that pipelines going into 2021 are stronger than perhaps in previous years. It is hard to predict how the market will fair in 2021, there is cause to be optimistic - especially with the mass vaccine programme starting to be rolled out.

While 2020 was an unprecedented year, we have seen significant development in the industry from an operational perspective. Video appointments were introduced for the first time - allowing greater involvement from families as well as access to quality advice in the safety of their own homes. Lenders are focusing on new innovative products which are flexible and suit a variety of needs. The market has also evolved in 2020 for reasons outside of Covid. There has been a growth in fee free advice and interest rates are the lowest they have been in years, meaning that customers are benefiting from more choice and preferential product pricing, equating to better value products.

More emphasis than ever before has also been placed on supporting vulnerable customers and these new processes and products were built with their needs firmly at the forefront of our minds. As is the desire to ensure that customers receive the right advice for their unique situations rather than being shoehorned into unsuitable products. Less than 15% of those who enquire about equity release end up taking out a plan - rather choosing other options which suit them better or delaying until these products can have the greatest benefit. The Later Life Lending market is continuing to evolve in its reach as well as product offerings, this will ultimately only better serve customers. We are increasingly seeing housing equity used to support needs and/or wants in later life which arguably has never been more important, to individuals and to society, given the likely economic legacy of Covid.

Although 2020 had its challenges - some of which will continue into 2021 - I believe that as an industry we will weather the storm and when we come out of the end of it we will be stronger for it, with new prospective and new opportunities on the horizon.



# Contents



## Methodology

Key is the leading over 55s specialist adviser and the UK's number one equity release specialist. It comprises of Key Equity Release and The Equity Release Experts.

Our Market Monitor uses the company's detailed data to reflect the market as a whole and provides the most detailed analysis of equity release in the UK, alongside historical comparisons.

In addition, we focus on a particular area and also a specific usage driver for releasing equity. This quarter it will be the South East and gifting respectively.

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# FY Market Overview

### Full Year 2020 Results

- New plan numbers 40,470 down -13%
- Total amount released £3.4 billon down -4.4%

2020 has certainly been a year no one could predict, the impact of Covid-19 has been felt across all later life lending markets including equity release as well as the wider economy.

In 2020 the total market size including available drawdown facility was £4.67 billion, in 2019 the total market size was £5.04 billion, a -7.6% year on year decrease driven by current socio-economic conditions. There was a 13% decrease YOY in the number of plans taken out from 46,257 (2019) to 40,470 (2020). The value of new plans also saw a -4.4% decrease from £3.6 billion to £3.4 billion in 2020.

In 2019, £1.45 billion was the total value of reserved drawdown - a figure that decreased slightly to £1.23 billion in 2020. That said, given the unprecedented circumstances the UK and world finds itself in due to Covid-19, the equity release market has been remarkably resilient - especially following on from the political and economic uncertainty we saw in 2019.

Customers remain cautious when choosing the amount they wish to release but we did see a 9.2% increase in the average loan amount from £77,735 (FY 2019) to £84,919 (FY 2020).

The average property values of those who have taken out equity release have also seen an increase by 4% YOY from £316,576 to £329,006.

With rates being the lowest for at least two years, there has been a 2% increase in the number of customers choosing to switch from an existing equity release plan to either manage or increase their borrowing (2019 - 5% vs. 2020 - 7%). More than a quarter of customers (27%) take out equity release and use some of the funds to gift to friends and/ or family – this equates to 22% of the total released.

While only 11% of the proceeds of equity released are spent on home and/or garden improvements, 61% of customers do use some of the equity they release to age proof their home or make repairs in preparation for retirement (63% in 2019). The average age for those releasing equity in 2020 is 71, a year younger when compared to 2019.

When taking a view across the UK at the number of equity release plans taken out the South East retains its top spot with 9,786 plans taken out (-11% YOY). London - which typically sees the second highest number of equity release customers in the UK - slipped to fourth place as it experienced a 17% drop in the number of people using these products (3,907). Instead, the South West saw 4,420 new plans taken out, the North West saw 4,003 new plans. That said, the South East (£1.03 billion) and London (£636 million) saw the highest value of equity release in the UK due to the high property prices in the Capital and commuter belt.

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | FY 2020 |
| Number of customers | 11,495 | 8,374 | 10,671 | 9,930 | 40,470 |
| Value of new plans taken out | £949 million | £521 million | £884 million | £1.1 billion | £3.4 billion |
| Total value of plans | £1.32 billion | £767 million | £1.2 billion | £1.4 billion | £4.7 billion |

| | Lending Mix |
|---|---|
| **Area** | **%** |
| East Anglia | 6% |
| East Midlands | 7% |
| London | 19% |
| North East | 2% |
| North West | 7% |
| Northern Ireland | 1% |
| Scotland | 4% |
| **South East** | **30%** |
| South West | 11% |
| Wales | 3% |
| West Midlands | 7% |
| Yorkshire & Humberside | 5% |
| **Total** | **100%** |

### Value of plans

HIGHEST

**£1.03bn**

**South East**

▲ Up 1.3% on 2019

LOWEST

**£22,685m**

**Northern Ireland**

▼ Down 4.3% on 2019

### Number of plans

HIGHEST

**9,786**

**South East**

▼ Down 12.5% on 2019

LOWEST

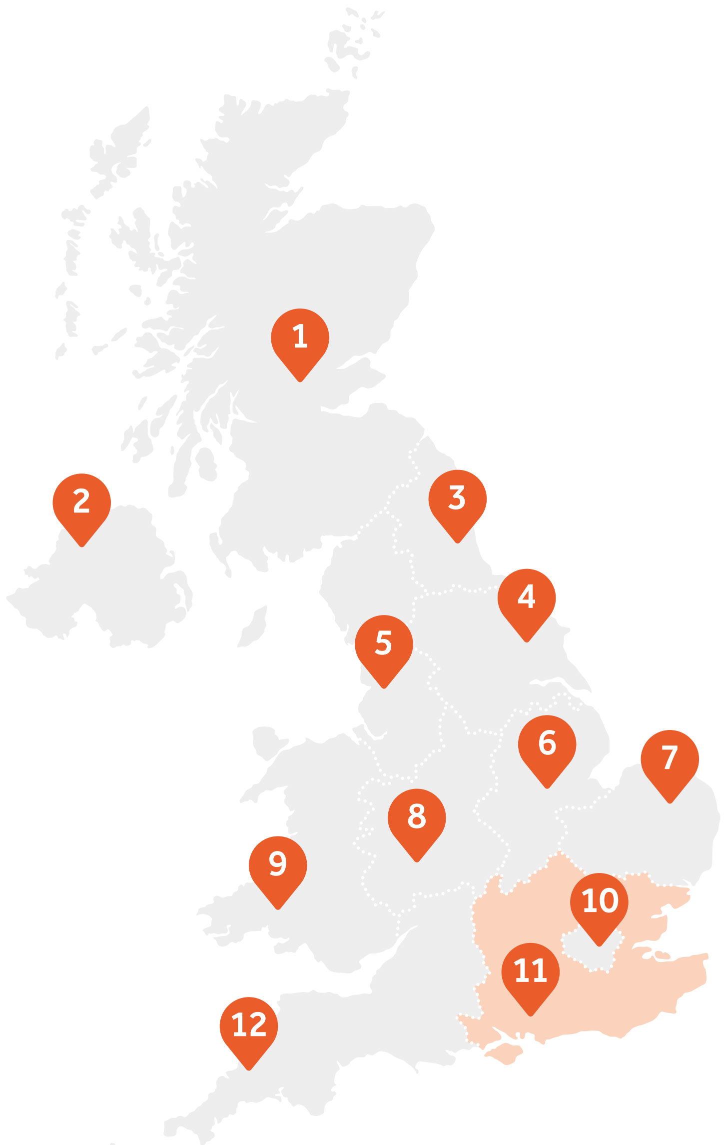
**412**

**Northern Ireland**

▼ Down 12.9% on 2019

### UK areas

1. Scotland
2. Northern Ireland
3. North East
4. Yorkshire & Humberside
5. North West
6. East Midlands
7. East Anglia
8. West Midlands
9. Wales
10. London
11. **South East**
12. South West






# Quarterly Market Performance

In the first two months of the year the market started off strong, and the later life lending industry had a positive Q1 with £949 million worth of equity withdrawn via 11,190 plans which when added to drawdown and additional borrowing suggested a total market size of £1.3 billion. When Covid-19 hit in March 2020 the industry experienced challenges many of us could have never envisaged which included a client base which was largely self-isolating, lenders working to rapidly introduce new systems and brokers such as Key moving from face-to-face advice to telephone and video offerings.

As part of these changes, Key took the decision to adapt its advice philosophy to focus on supporting customers with pressing needs such as mortgage repayment rather than unmet desires for holidays or home renovations - an approach which is still very much front of mind today.

Using its advanced advice delivery platform Key was also able to quickly imbed additional checks around vulnerability into the process and ensure that its advisers - all of whom kept working during the pandemic - focused on helping customers to make choices which were sustainable both in the long and short term.

In Q2 2020, we say £520.7 million worth of equity withdrawn via 8,680 plans suggesting a total market size of £767 million - a significant difference to Q2 2019. We saw the market return to more normal trading conditions in Q3 2020 with £884 million worth of equity being withdrawn via 10,671 plans - when added to drawdown and additional borrowing this suggests a total market size of £1.2 billion which is more in line with the market size in Q3 2019 (£886 million worth of new borrowing and a total market worth £1.3 billion).

With the country returning to lockdown restrictions, Q4 2020 saw 9,930 plans being taken out for a value of £1.01 million. This was below that recorded in Q4 2019 (11,700 for £xxx million) which had been an extremely good quarter for the market with a significant number of new products launched and customer interest being particularly strong.

As with other areas of the mortgage market, the later life lending market has been hit by the impact of the Covid-19 but the underlying demand and need remains constant so all things being equal. As the UK is is Lockdown part 3 it is hard to predict Q1 2021 although usually there are seasonal peaks in January / February we do expect these to be suppressed this year.

# Product Features

**Not only are we seeing more equity release products on the market - there are currently 453 products on the market compared with 292 at the end of 2019, a 55% increase. But we are seeing more flexible lending features and options for customers to find the right product for their individual circumstances.**

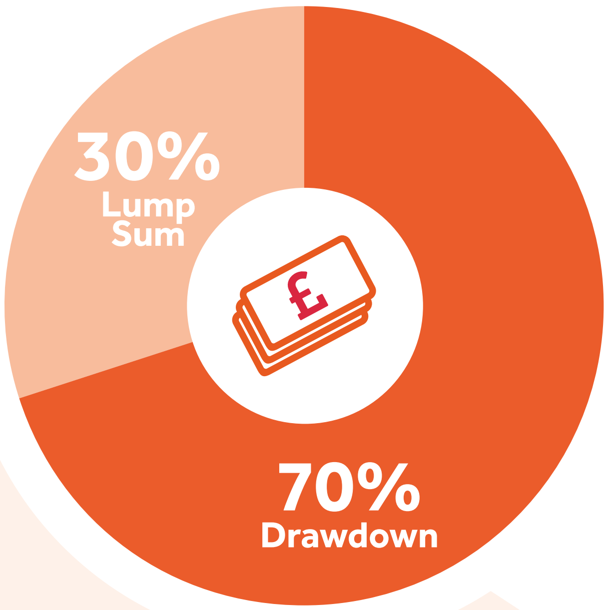
Amidst the instability of 2020 house prices continued to increase (4% YOY), which has been a key factor in the later life lending market this year. It is due to these increasing property values that LTVs remain low. Lower LTVs equate to lower interest rates - with an average equity release product rate being 2.8% at the end of Q4 which is a strong position to start Q1 2021.

These include the ability to make monthly interest repayments, penalty free capital repayments and include downsizing or inheritance protection. In 2020, 59% of all products offered ad-hoc penalty free repayments within certain lender agreed parameters (e.g. up to 10% of the capital can be repaid per year). Additionally, 50% of all products offered downsizing protection and 45% of plans came with fixed early repayment charges. In 2019 just 12% of products offered inheritance protection, in 2020 this figure has soared to 25%.

## Drawdown vs. Lump Sum

Across all plans taken out in 2020, 70% were drawdown products and 30% were lump sum. With drawdown plans allowing a customer to reserve a set amount which they can then draw on over the life of the loan, some customers used this flexibility to help manage their borrowing. However, some drawdown products currently boast more competitive interest rates, and as such some chose to take out a drawdown product but take the majority of the funds released as a lump sum with a small amount left as a drawdown to suit their individual circumstances.

**Across all plans taken out in 2020, 70% were drawdown products and 30% were lump sum.**




## The effect of interest rates

Understandably average interest rates paid by equity release customers have fluctuated across 2020 but they continued their downward trajectory with Q4 2020 boasting the lowest average equity release rate for two years (2.8%). Indeed, the average rate in 2019 (4.16%) was almost 1% higher than the average rate in 2020 (3.48%).

On a monthly basis, January 2020 (3.51%) started off well before rates peaked in February (3.73%) before gradually falling to their lowest in November (3.18%) before ending the year marginally higher (3.26%).

With 43% of all equity release gifting (or £325 million) being earmarked for housing deposits, it is interesting to note that equity release rates in 2020 (December 2020 - 3.26%) compare favourably with average first time buyer fixed rates (January 2021 - 2.99% and 3.19%) - Moneyfacts.

**Average Equity Release Interest Rate**

| 2019 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 4.33% | 3.92% | 3.72% | 3.15% | 3.10% | 3.19% | 3.05% | 2.8% |

## The effect of LTV's

As a general rule, the older the customer the higher the LTV they can borrow. However, most customers are not looking to borrow the maximum amount. Indeed, we have seen the average LTV fall between Q1 and Q4 2020 across the majority of age groups - potentially driven by house price increases.

In Q4 2020, the average LTV taken out by someone under 55 was 23.25% which is almost half of that agreed by those who are 85+ (39.67%).

**The effect of LTV's**

| Age | 2020 Q1 | 2020 Q2 | 2020 Q3 | 2020 Q4 |
|---|---|---|---|---|
| 55-59 | 23.87 | 24.21 | 22.96 | 23.25 |
| 60-64 | 27.5 | 25.93 | 26.59 | 27.16 |
| 65-69 | 30.54 | 32.17 | 28.49 | 28.74 |
| 70-74 | 33.82 | 33.25 | 32.05 | 30.81 |
| 75-79 | 33.98 | 37.41 | 33.32 | 33.43 |
| 80-84 | 38.29 | 38.77 | 36.09 | 35.98 |
| 85+ | 38.13 | 34.78 | 37.06 | 39.67 |

## The effect of age

Analysis suggests that younger borrowers (i.e. those under 65) take out equity release to fulfil a specific pressing need - often the repayment of debts (65% vs. 40% for over-75s) - while older borrowers look to support their families (33% vs. 12% for under-65s). Given the fact that they can borrow less due to their age and lump sum products are more popular amongst younger age groups. The age split between drawdown v, lump sum has remained fairly stable across the year as a whole.

| | Product breakdown based on age | | |
|---|---|---|---|
| **Quarter of Issued Date** | **Age** | **Drawdown** | **Lump Sum** |
| 2020 Q1 | 55-59 | 28.64% | 71.36% |
| 2020 Q1 | 60-64 | 47.46% | 52.54% |
| 2020 Q1 | 65-69 | 56.46% | 43.54% |
| 2020 Q1 | 70-74 | 62.87% | 37.13% |
| 2020 Q1 | 75-79 | 69.94% | 30.06% |
| 2020 Q1 | 80-84 | 57.81% | 42.19% |
| 2020 Q1 | 85+ | 45.83% | 54.17% |
| 2020 Q2 | 55-59 | 30.43% | 69.57% |
| 2020 Q2 | 60-64 | 38.14% | 61.86% |
| 2020 Q2 | 65-69 | 41.51% | 58.49% |
| 2020 Q2 | 70-74 | 54.30% | 45.70% |
| 2020 Q2 | 75-79 | 51.22% | 48.78% |
| 2020 Q2 | 80-84 | 62.96% | 37.04% |
| 2020 Q2 | 85+ | 40.00% | 60.00% |
| 2020 Q3 | 55-59 | 24.49% | 75.51% |
| 2020 Q3 | 60-64 | 40.26% | 59.74% |
| 2020 Q3 | 65-69 | 46.82% | 53.18% |
| 2020 Q3 | 70-74 | 55.02% | 44.98% |
| 2020 Q3 | 75-79 | 67.92% | 32.08% |
| 2020 Q3 | 80-84 | 52.73% | 47.27% |
| 2020 Q3 | 85+ | 31.58% | 68.42% |
| 2020 Q4 | 55-59 | 37.09% | 62.91% |
| 2020 Q4 | 60-64 | 37.14% | 62.86% |
| 2020 Q4 | 65-69 | 52.87% | 47.13% |
| 2020 Q4 | 70-74 | 61.00% | 39.00% |
| 2020 Q4 | 75-79 | 54.90% | 45.10% |
| 2020 Q4 | 80-84 | 54.17% | 45.83% |
| 2020 Q4 | 85+ | 33.33% | 66.67% |

# Equity Release Uses

**At the end of 2019, Key launched its new market leading advice delivery platform which allows its advisers to capture more in-depth data on customer needs, preferences and reasons for using equity release than ever before**

We can now say that while 61% of people use equity release to improve their home or their garden, only 11% of the proceeds of equity release are used for this reason - suggesting that while it is popular, it is not typically the driving force behind these decisions. The same is true with holidays - 23% of people spend money on holidays but it accounted for only 3% of the value of the equity released. The travel restrictions imposed by Covid-19 will have also affected this.

In an unsettling year, the 'uses' that remained constant were repayment of debt (48% of the proceeds) and gifting (22% of the proceeds). Those who used equity release to repay debt seem to be driven by the low-fixed rates on offer with 30% taking the opportunity to rebroke an existing equity release plan, 29% to repay an outstanding mortgage and 14% to repay credit card debt.

While gifting has remain fairly consistent during 2020, the stamp duty holiday which is due to end on 31 March 2021 certainly drove gifting for house deposits with £325 million being used to help younger members of the family onto the housing ladder. Almost two-thirds (61%) of equity release customers used 11% of the proceeds of equity release to improve their own homes with updating kitchens (17%), bathroom adaptations (13%) and better windows and doors (11%) being on the priority list.

It is clear that equity release is a multi-use product with over-55s using the £84,919 in 2020 to help loved ones and meet debt repayments, before using a smaller proportion for more aspirational spending. As this is the fourth report launched using this data, going forward it will allow for greater interrogation of year on year trends around customer usage.

| | Use Of Equity Release in 2020 by Quarter | | | |
|---|---|---|---|---|
| **Uses** | **Q1 2020** | **Q2 2020** | **Q3 2020** | **Q4 2020** |
| Home | 63% | 55% | 62% | 62% |
| Repay mortgages | 23% | 15% | 27% | 21% |
| Repay debt | 25% | 33% | 29% | 26% |
| Holidays | 32% | 27% | 18% | 18% |
| Gifting | 29% | 19% | 26% | 32% |

**Proportion of customers and their uses in FY 2020**

**61%** **improve their home and/ or garden**

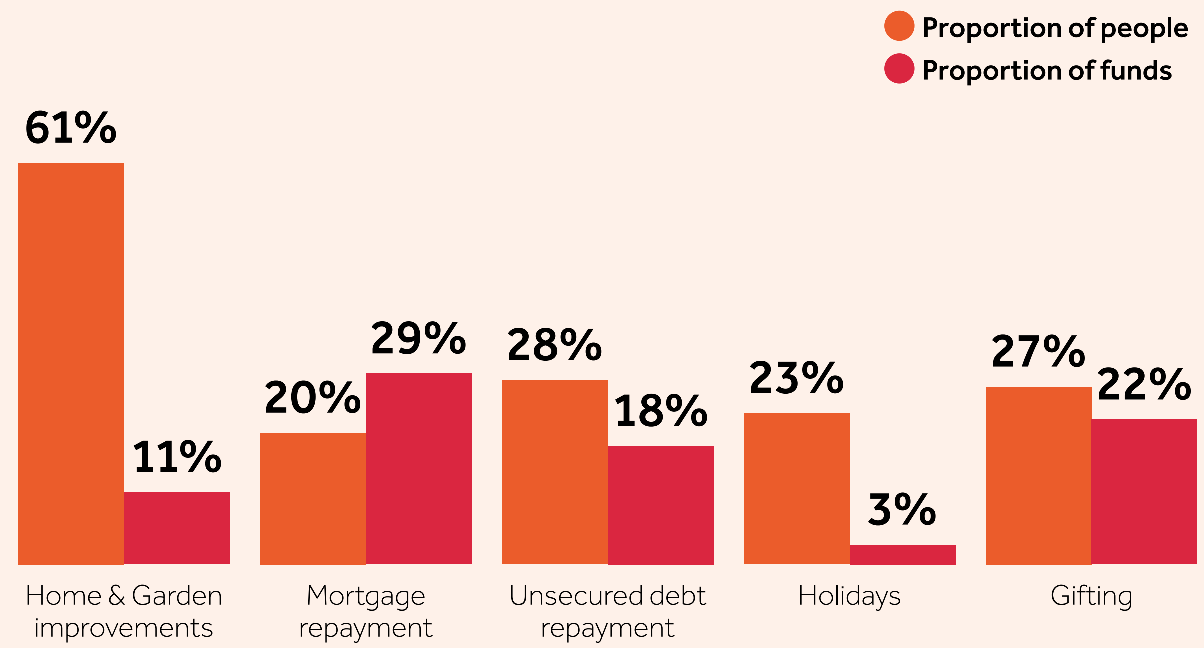
**28%** **paying off debts** (e.g. loans, credit cards)

**23%** **go on holiday**

**20%** **clear their outstanding mortgage**

**27%** **gift money to their family or friends**

**Value of equity released vs. proportion of people using equity release in FY 2020**



# Spotlight on gifting

Over the last 10 years or so, the bank of mum and dad (and bank of grandma and grandad) has become a significant financial backer to many young people. Whether the younger generation is struggling to get on the property ladder, maintain their business in the current unprecedented times or just meet day-to-day living expenses, the older generation is naturally keen to help.

While previously people might hope for an inheritance, over-55s are now far keener to support family members as they grow and establish their own families rather than at a later stage. They are also arguably keen to see the positive impact that their gift had and help younger family members make the smartest choices possible with their windfall.

**Gifting breakdown**

| Reasons | Percentage of gifting value | Average amounts |
|---|---|---|
| New car | 1% | £16,012 |
| Help with house deposit | 43% | £51,595 |
| University fees | 1% | £17,639 |
| Early Inheritance | 26% | £29,305 |
| Help with business | 1% | £36,326 |
| Repaying debts | 8% | £33,433 |
| Wedding fund | 1% | £15,637 |
| Other | 18% | £32,628 |

With many over-55s having benefitted from decades of significant house price inflation, while they may not have tens of thousands of pounds in a saving account, equity release and other later life lending products offer them the option to fulfil this ambition. Indeed, one in four (27%) people use 22% of the proceeds of equity release (or £756 million) to support family and friends with the average financial gift totalling £55,822 - many customers gift to more than one person and/or for more than one reason which is why this figure is higher than those in the table above.

The most common reasons specified for a financial gift is for a housing deposit (43%) followed by early inheritance (26%) and repaying debts (8%). With the range of reasons people gift as varied as the customers themselves, 18% gift for 'other' reasons that cover everything from paying for younger family members' vocational training to helping them with a large purchase such as a sofa or white goods. ▶

# Gifting across the demographics

Gifting to friends and/or family has remained strong in 2020, with many gifting to help loved ones get onto the property ladder. This has been aided by the stamp duty holiday currently available in the UK. Many are releasing equity from their homes and gifting to children/grandchild to be used as a deposit for a first home. With increasing rent values in the last few years, first time buyers find it difficult to save for a deposit. Not only that if/when they are able to save for a deposit a smaller deposit can be a hindering factor when taking out their first mortgage. A larger deposit positively impacts the first time buyers LTV and therefore their interest rate too. Through gifting deposits, or gifting towards a deposit making it larger, many are seeing loved ones achieve property ownership sooner than expected with the new home owners benefiting from lower interest rates on their mortgage and fewer years paying rent. Additionally, there are societal benefits which come with the younger generation owning property and having more money in their pocket, as more often than not monthly mortgage payments are lower than rental payments.

## Average gift amount based on age

£75,673 is the average gift amount to help with a housing deposit from the 75+ cohort. This is almost three times as much as the 55-64 age range and more than 50% more than the 65-74 age range.

| | Age range | | |
|---|---|---|---|
| **Reasons** | **55–64** | **65–74** | **75+** |
| New car | £12,903 | £13,990 | £21,218 |
| Help with house deposit | £28,388 | £48,795 | £75,673 |
| University fees | £15,250 | £16,690 | £19,952 |
| Early Inheritance | £12,949 | £23,149 | £42,958 |
| Help with business | £13,750 | £32,438 | £47,221 |
| Repaying debts | £16,816 | £27,543 | £43,767 |
| Wedding fund | £11,923 | £17,859 | £18,214 |
| Other | £16,823 | £26,727 | £43,470 |

Of those who chose to gift some of the funds they release from their property it is interesting to see the differences in value depending on the purpose of the gift and the age of the person who is gifting.

While a third (33%) of the proceeds of equity release taken out by over-75s are used to gift, only 12% of the amount released by 55-64s is used for this purpose. The older cohort (£79,697) also gifts twice as much younger cohort (£30,784). This adds further substantiation to the theory that younger generation uses equity release as they need it to support their entry into retirement while the older generation - who perhaps have access to final salary pension schemes - see it as an opportunity to support the wider family.

Meeting university fees (difference of £4,702) and paying towards a wedding fund (difference of £6,292) are the gifting reasons with the smallest disparity between the youngest (55-64) and oldest (over-75) cohorts. Potentially due to the fact that while younger customers may be supporting their children, older customers may be helping their grandchildren with the same expense.

## Average gift amount based on status

Average gift amount based on status, married couples on average gift £49,726 whereas single females gift £53,250 and single males on average gift£58,479 for a housing deposit

| | Status | | |
|---|---|---|---|
| **Debts** | **Couple** | **Single female** | **Single male** |
| New car | £15,872 | £20,567 | £11,306 |
| Help with house deposit | £49,726 | £53,250 | £58,479 |
| University fees | £14,294 | £22,409 | £24,444 |
| Early Inheritance | £27,220 | £29,222 | £40,976 |
| Help with business | £38,182 | £35,500 | £33,000 |
| Repaying debts | £30,585 | £37,974 | £34,195 |
| Wedding fund | £15,248 | £14,288 | £20,500 |
| Other | £27,060 | £40,059 | £34,362 |

While single men are more likely to support families with university fees, a house deposit or a wedding fund, single women step up to help people buy a new car, meet 'other' costs or repay debts. Couples who take out equity release are most likely to plough money into a younger relatives business - potentially providing a support for a family business they may have run at one time themselves.

# Demographic analysis

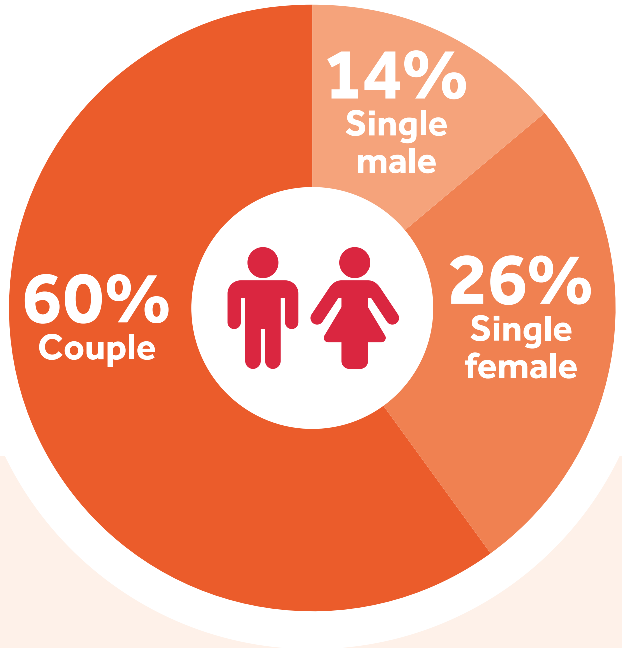
It is not surprising to see the majority of customers who take out equity release are over 70. Although as an industry we do see many younger customers enquire about equity release there are robust advice processes in place which take a look at a customers finances holistically and ensure alternatives are considered. Only those who are suitable for equity release take out a product - which is evidenced by the fact that the average age of those who take out a product is 71 as well as the fact that only 15% of those who enquired about equity release actually complete on a plan.

With a significant proportion of over-55s married or in long-term relationships, 60% of plans are taken out by this demographic. Interesting, almost twice as many single women (26%) take out equity release compared to single men (14%). This is likely to be due to a combination of factors including less generous pension post and at the older ages, the death of a spouse with the resulting impact on household income.

In 2020 there has been a year decrease in the average age of the equity release customer from 72 in 2019 to 71 in 2020. That said, 75% of customers are over-65s with just 7% being younger than 60 years old. There has been a 2% growth in the number of customers taking out equity release in both the 65-69 and 70-74 age brackets, it may be that in these early retirement years customer have realised their pension pots are not as big as they thought or retirement may have proved more costly

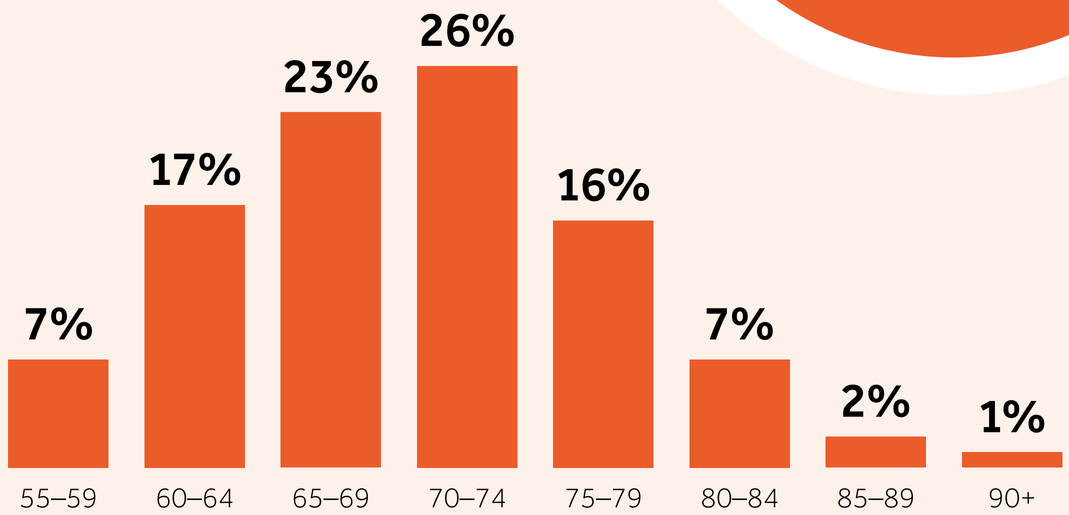
## Customers by status

60% of those releasing equity are couples, down 1% compared to FY 2019



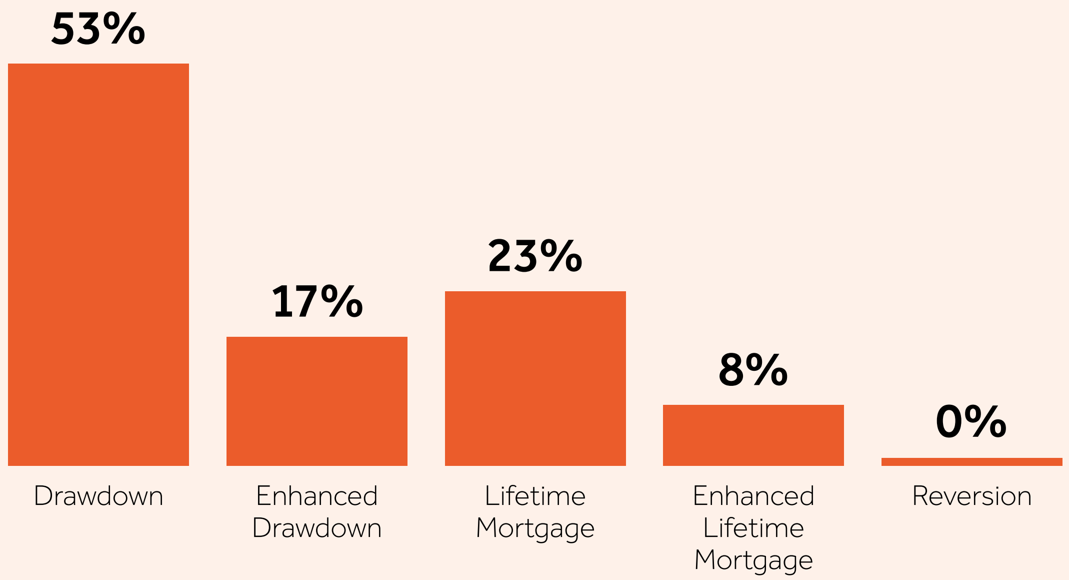

## Customers by age

The average age has fallen to 71 compared to FY 2019 at 72




## Product mix

Lifetime mortgages have increased by 4% YOY with enhanced drawdown decreasing by 3% YOY



# Across the UK

As the impact of the Covid-19 pandemic hit the later life lending market it has been reflected, as expected, in the number of plans and the amount released across all regions. The South East fared the best in terms of value released with a 1.3% growth from £1.01 billion in 2019 to £1.02 billion in 2020 but interestingly a fall in the number of plans from 11,178 in 2019 to 9.786 in 2020. With elevated house prices in the South East seeing continued growth, it would seem that fewer people are releasing more.

Arguably Wales has seen the biggest impact with a -25.5% drop in the amount released YOY from £137 million in 2019 to £102 million in 2020. Wales also saw a -20.3 decrease in the number of plans taken out from 2,263 in 2019 to 1,803 in 2020. Given that the percentage decreases in this area are fairly similar it is feasible that customers in Wales who have seen stricter lockdown restrictions than some other parts of the UK are more cautious about making long-term financial decisions. However, it is expected that Wales will bounce back in due course after the pandemic.

The South East and London continue to lead the way in terms of valued released with £1.02 billion in the South East and £636 million in London. The South East also continues to lead the way in terms of the number of plans taken out with 9,786 plans taken out in 2020.

A continuing trend from across all quarters in 2020 is that London has been surpassed in terms of number of plans taken out. In the Capital, 3,907 were released in 2020 however the South East saw 9,786 plans released in 2020. Both the South West and the North West overtook London YOY in terms of the number of plans with the South West reaching 4.420 and the North West 4,003. This could be due to the perception that the property market in the capital is less buoyant and therefore people are being increasingly cautious.

**£84,919**
**Average release amount for the UK**
▲ Up 9% on 2019

## Full year results

| | Plans | | | | Value released | | Property value | | Age |
|---|---|---|---|---|---|---|---|---|---|
| **Location** | **Value** | **% change on FY, 2019** | **Number** | **% change on FY, 2019** | **Average amount** | **Average LTV %** | **Average value** | **% change on FY, 2019** | **Average customer age** |
| East Anglia | £189,334,360 | -19% | 2,647 | -24% | £71,540 | 26% | £276,958 | 0% | 71 |
| East Midlands | £224,412,145 | -5% | 3,366 | -11% | £66,676 | 26% | £252,495 | 2% | 70 |
| London | £635,948,335 | -4% | 3,907 | -19% | £162,751 | 25% | £647,354 | 11% | 72 |
| North East | £74,351,930 | -3% | 1,357 | -1% | £54,798 | 28% | £195,522 | -2% | 71 |
| North West | £236,961,445 | -7% | 4,003 | -8% | £59,190 | 26% | £228,995 | 5% | 71 |
| Northern Ireland | £22,684,996 | -4% | 412 | -13% | £55,017 | 29% | £192,424 | 4% | 69 |
| Scotland | £142,748,622 | -4% | 2,436 | -7% | £58,609 | 27% | £213,666 | 8% | 70 |
| **South East** | **£1,025,246,555** | **1%** | **9,786** | **-12%** | **£104,772** | **25%** | **£415,463** | **6%** | **71** |
| South West | £379,601,288 | 0% | 4,420 | -9% | £85,873 | 25% | £337,142 | 1% | 71 |
| Wales | £101,902,923 | -26% | 1,803 | -20% | £56,527 | 26% | £215,490 | -2% | 70 |
| West Midlands | £248,726,327 | -3% | 3,649 | -7% | £68,171 | 27% | £248,420 | 2% | 71 |
| Yorkshire & Humberside | £154,767,442 | -12% | 2,685 | -16% | £57,644 | 27% | £212,321 | -1% | 70 |
| **Total** | **£3,436,686,367** | **-4%** | **40,470** | **-13%** | **£84,919** | **26%** | **£329,006** | **4%** | **71** |

# Focus location: South East

The average value released in the South East is £104,772 which is significantly higher than the UK average of £84,919, as well as the average released in 2019 in the region - £88,102. However, the average property prices in the South East is also significantly higher at £415,463 compared to the national average (£329,006) which can account for the higher average amount released as there is more equity available to be released. When compared to the rest of the UK, only London has higher property values - with an average of £647,354 and when taking a look at last year the average property value in the South East was £390,881- a 6.2% increase in value YOY and more than 2% higher than the UK average.

Due to the rise in property values, the average LTV in the region has dropped by 2% from 25% in 2019 to 23% in 2020. Lower LTVs have a positive impact on interest rates for the customer, so many would have benefited from a lower interest rate. The average age to release equity in the South East is 71, in line with the UK average. However this is one year younger than last year when the region has an average of 72.

Year on year all the areas in the UK experienced decreases in the number of plans taken out, with only the South East (+1.3%) and South West (0.0%) not seeing decreases in the valued released – albeit by a thin margin.

Over the past five years plan numbers and lending has been fairly stable with strong increases in both number of plans and value of lending in 2016, 2017 and 2018, 2017 was a particularly strong year for the South East with 42.2% increase in the number of plans and a 41% increase in the value released. This could potentially be due to the slight downturn in the property market in 2015 and the resulting knock on effects being felt of the three following years and economic, political and social uncertainty in 2019 and 2020.

Despite the looming threat of Covid-19, the South East did see a strong start to the year in Q1 2020 with 15.5% increase in the value release YOY and 4.68% increase in the number of plans when compared with Q1 2019. Q2 saw the impact of Covid-19 hit home with the market more reminiscent of 2018 - 2019 had been a challenging year with socio-economic uncertainties taking their toll.

A recent trend in the property market during 2020 is that some people are looking to move out of compact urban areas to more rural environments. There are benefits of more space for their money, especially with so many people in the UK working from home at the moment. The South East could have seen the benefits of many moving away from London.

| | Plans | | Lending | |
|---|---|---|---|---|
| **Period** | **Number** | **Change Y/Y** | **Amount** | **Change Y/Y** |
| 2016 | 7,451 | 25.5% | £670,400,133 | 35.2% |
| 2017 | 10,504 | 41% | £953,601,866 | 42.2% |
| 2018 | 11,777 | 12.1% | £1.05million | 9.9% |
| 2019 | 11,018 | -6.4% | £970 million | -7.3% |
| **2020** | **9,786** | **-12.5%** | **£1.03 billion** | **1.3%** |


*Brighton Palace Pier on the south east coast*

**9786**
**new plans**
▼ Down 12.5% on 2019

**£1.02bn**
**released in equity**
▲ Up 1.3% on 2019

**£104,772**
**average release**
▲ Up 16% on 2019

**£415,463**
**average property value**
▲ Up 6% on 2019

# Case Study

**Richard and Debbie Butcher, 68 and 72 - Kent, released £110,000 to help both of their children get on the property ladder in London and the South East as well as updating their kitchen and bathroom.**

Five years ago Richard retired from his career as an architect and two years ago Debbie also retired from her part-time role. They were both looking forward to relaxing after working for the majority of their lives and spending more time with their two children and hoping for grandchildren in the not too distant future.

Whilst spending more time which their children, who are in their early 30s and live in London, they realised how much they were spending on rent each month and that they were finding it difficult to save up for a big enough deposit to buy their first homes. Both of their children are in long term relationships with all four adults working full-time.

Richard and Debbie decided to see if there was a way they could support their children with an early inheritance to help them on the way to purchasing their first properties. After reviewing their finances they were surprised to find out that the home they have lived in for more than 30 years was worth more than they thought.

"We have lived in our home for most of our married life and didn't really think twice about the value of our home as we had no intention of moving. When we found out its current market value we were over the moon as it was a lot higher than expected and we made the decision to gift some of our equity to our children.

"Our home is where we raised our children and we have lots of fond memories, this is something that we really want for our own children - and know that they were really struggling to save up a big enough deposit.

"A former work colleague had taken out equity release a few years prior, so we decided to get in touch with the broker they used and recommended, Key. We were unsure of the rules around taking equity release out during the Covid pandemic but our adviser explained the process via Zoom and he also explained all the options available. It was great to do the appointment on Zoom as both our children were able to participate and ask any questions they had too. After talking it through with our children we decided to go ahead and we were very happy with the service provided by Key.

"In the end we gifted £45,000 to each of our children, with our daughter buying a home closer to our house in Kent and our son purchasing a property in London. Due to the current circumstances my children were also able to benefit from the stamp duty holiday which saved them thousands of pounds. We also used £20,000 to fully renovate our kitchen and create a wet room in our main bathroom, as we have no intention of ever moving home. We are looking forward to enjoying retirement and spending quality time with our children knowing they are in a better position financially."

* = This case study is fictional and while based on issues faced by people every day, bears no resemblance to a specific person or set of personal circumstances.

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