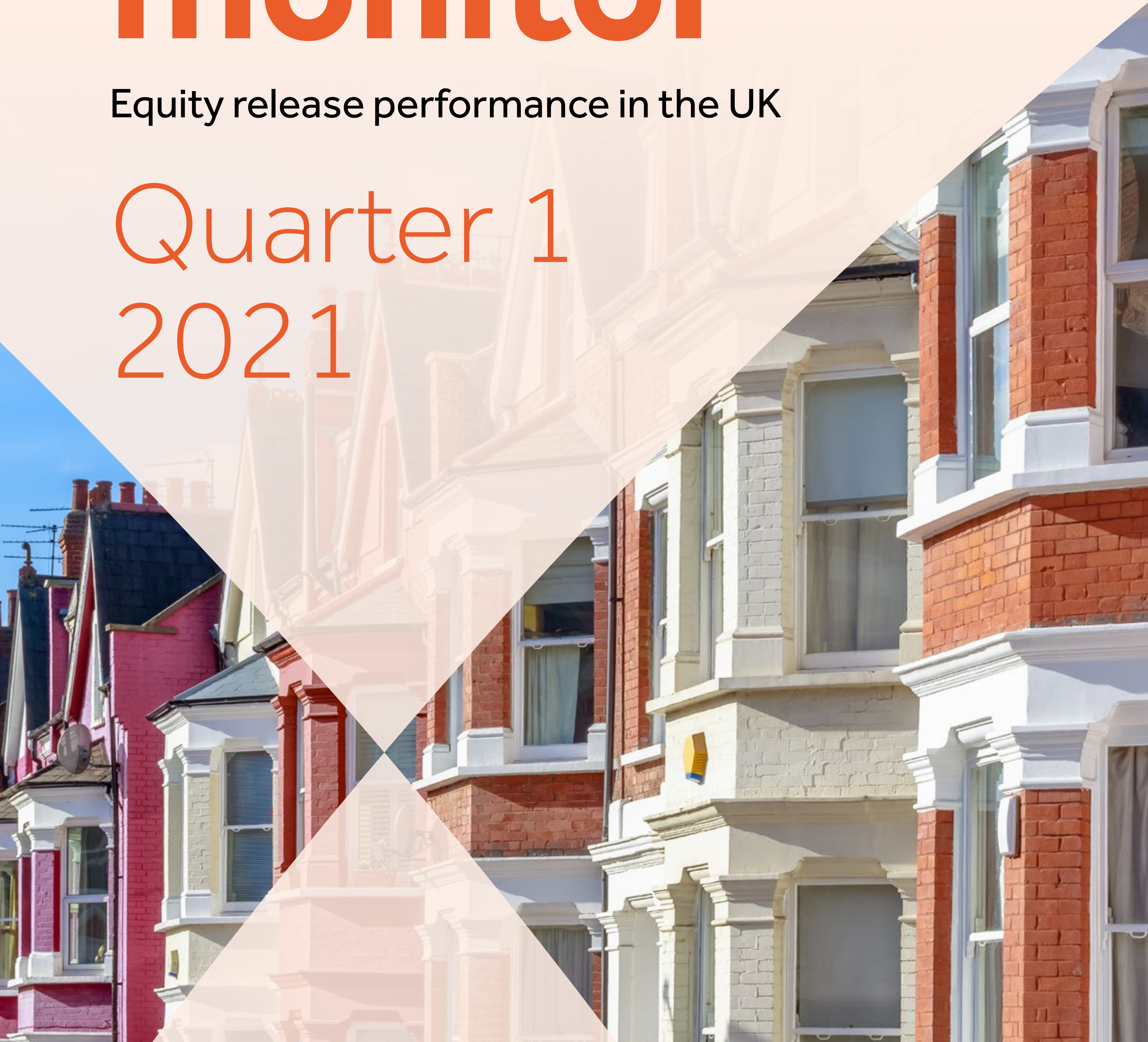
Market monitor

Equity release performance in the UK

Quarter 1 2021



Welcome

After a challenging year in 2020, most started 2021 with the hope that we would soon return to more normal pre-pandemic conditions in both our personal and professional lives. It is great to see that green shoots are starting to be seen in the later life lending market with robust customer demand supported by improved operational processes and underpinned by customer's safeguards and policies in place to protect colleagues.

In Q1 2021, we saw 10,341 new equity release plans taken out worth a total of £1.07 billion which is a 13% increase in value and 9.5% fall in customer numbers when compared to Q1 2020. When reserved drawdown is added, this equates to a total industry value of £1.41 billion in Q1 2021 which is up 5% year on year.

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. Spending on holidays (32% in Q1 2020 to 6% in Q1 2021) fell while people prioritised using their home equity order to make their retirement finances go further or to assist family members.

Although demand has remained strong, completion volumes have been impacted by advisers focusing on supporting immediate needs rather than longer-term aspirations and cases are taking longer to complete due to challenges and delays with solicitors and land registry due to the success of the Stamp Duty Holiday. It is hard to predict how the market will fare across 2021 as a whole as we enter what we hope is a post lockdown world but there is cause to be optimistic – especially with the success of the mass vaccine programme so far.

It is important to remember that 2020 was not all doom and gloom and we have a lot to be thankful for as an industry with the technological advances made providing long-term benefits. Video advice continues to be a success – allowing access to quality advice in the safety of customers own homes as well as greater involvement from families, especially those who are geographically spread out. Lenders are focusing on new innovative products with Q1 2021 seeing more than 500 equity release plans on the market, the largest number it has ever seen – providing more flexibility and opportunities for personalisation.

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. The desire to ensure customers receive the right advice for their unique situations rather than being shoehorned into unsuitable products remaining paramount. 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 better serve customers which is vital as we are increasingly seeing housing equity becoming part of the retirement planning process. Something that has arguably never been more important, to individuals and to society, given the likely economic legacy of Covid-19.

The end is in sight – 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.

WILL HALE
CEO of Key

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Methodology

Key is the leading over 55s specialist adviser and the UK's number one equity release specialist. It is comprised 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 Wales and home and garden improvements respectively.

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Overview

2021 began in the middle of a third lockdown for the UK, with the impact of Covid-19 still being keenly felt across all later life lending markets including equity release as well as the wider economy.

In Q1 2021, the total market size including available drawdown facility was £1.41 billion. This is up by 5% on Q1 2020 (£1.34 billion) as fewer customers access their equity over the period due to the current socio-economic uncertainty and fewer opportunities for discretionary spending. There was also a 9.5% decrease YOY in the number of plans taken out from 11,423 (Q1 2020) to 10,341 (Q1 2021).

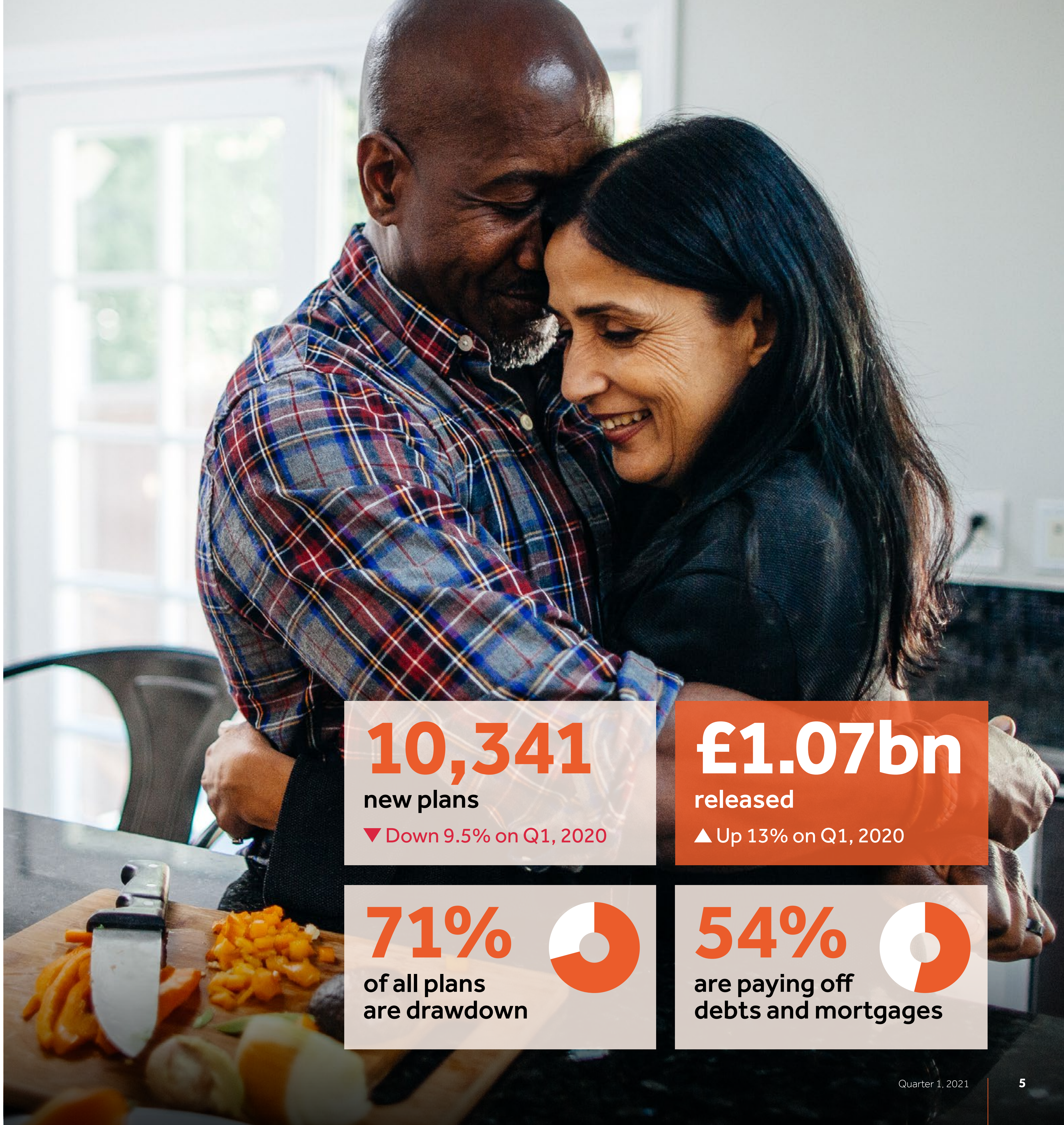
That said, the value of new plans saw an 13% increase from £950 million to £1.07 billion in Q1 2021 as customers looked to use housing equity for 'big ticket' expenditure like mortgage repayment or gifting. Indeed, we saw an 25% increase in the amount released from £83,242 (Q1 2020) to £103,710 (Q1 2021).

The average property values of those who have taken out equity release have also increased by 12% YOY from £326,486 to £366,660 as they benefitted from the buoyant market egged on by the Stamp Duty Holiday which has now been extended.

In the first quarter for 2021, £336 million was reserved via drawdown for future use – a figure that decreased slightly from £390 million in Q1 2020. These combined figures paint a picture of a robust market that has pivoted to support over-55s borrowing needs as more aspirational spending is put on hold until holidays can be enjoyed and home renovations shared.

Using equity release to pay off debt remains a common reason, with 54% of those who take out equity release doing so to pay off some form of debt, also equating to 53% of the value of equity released. Just over a fifth (21%) of all equity released in Q1 2021 was used for gifting with almost a quarter of customers (23%) using it for this purpose. The Bank of Mum and Dad or Gran and Grandad have given C. £1 million a day since the start of the stamp duty holiday with more people looking to benefit due to the extension. ▶

While almost a third (31%) of people use some of the money they



released to age proof their home or garden, only 7% of the total amount is spent for this purpose – suggesting that for many it is not the driving force behind their decision but rather an enjoyable 'by-product'. The average age for those releasing equity in 2021 is 70, a year younger when compared to 2020.

When taking a view across the UK at the number of equity release plans taken out, the South East retains its top spot with 2,537 plans taken out (-11% YOY) followed by the South West (1,263) and North West (1,043). London, which has historically seen significant numbers of equity release customers, took fourth place (1,012) seeing a 1.8% YOY fall. Wales was the only area to see an increase in the number of plans at 608, up from 470, a 29% increase. This also equated to a 51% increase in the value of equity released in Wales to £40 million.

That said, the South East (£342 million) and London (£200 million) still saw the highest value of equity release in the UK due to the high property prices in the capital and commuter belt.

Value of plans

HIGHEST
£342.0m
South East
▲ Up 21% on Q1, 2020

LOWEST
£2.14m
Northern Ireland
▼ Down 69% on Q1, 2020

Number of plans

HIGHEST
2,537
South East
▼ Down 11.0% on Q1, 2020

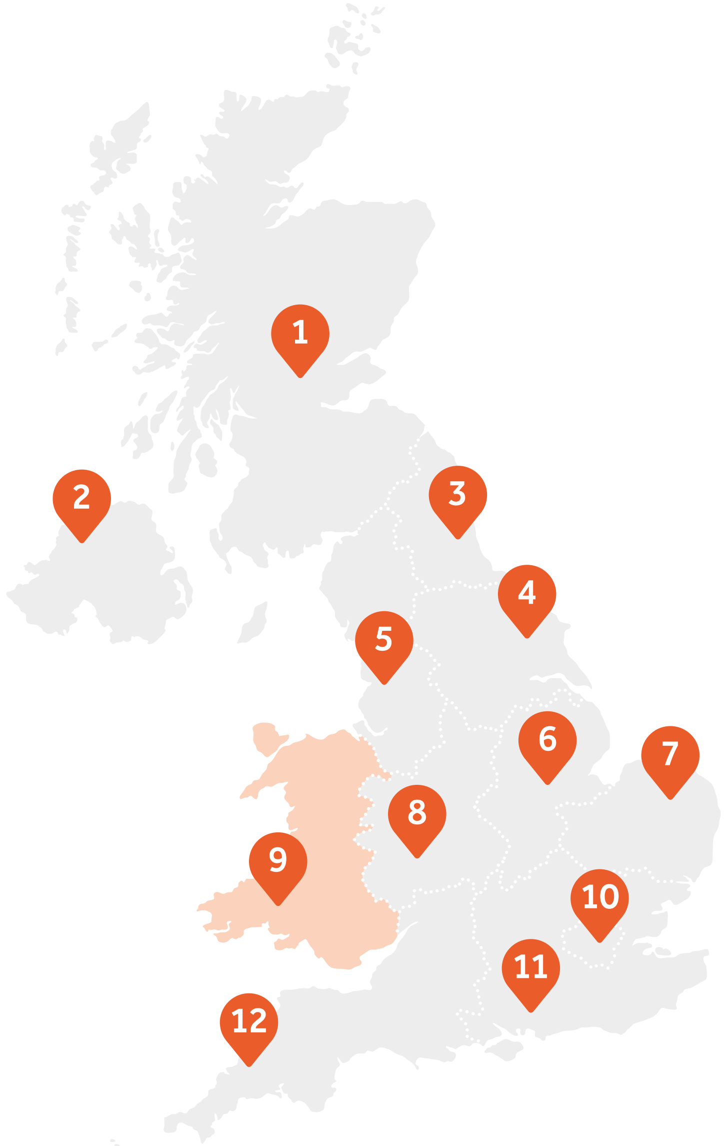
LOWEST
42
Northern Ireland
▼ Down 62.9% on Q1, 2020

Lending Mix

Area	%
East Anglia	5%
East Midlands	6%
London	19%
North East	2%
North West	7%
Northern Ireland	0%
Scotland	4%
South East	32%
South West	11%
Wales	**4%**
West Midlands	6%
Yorkshire & Humberside	4%

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



Positive start to the year

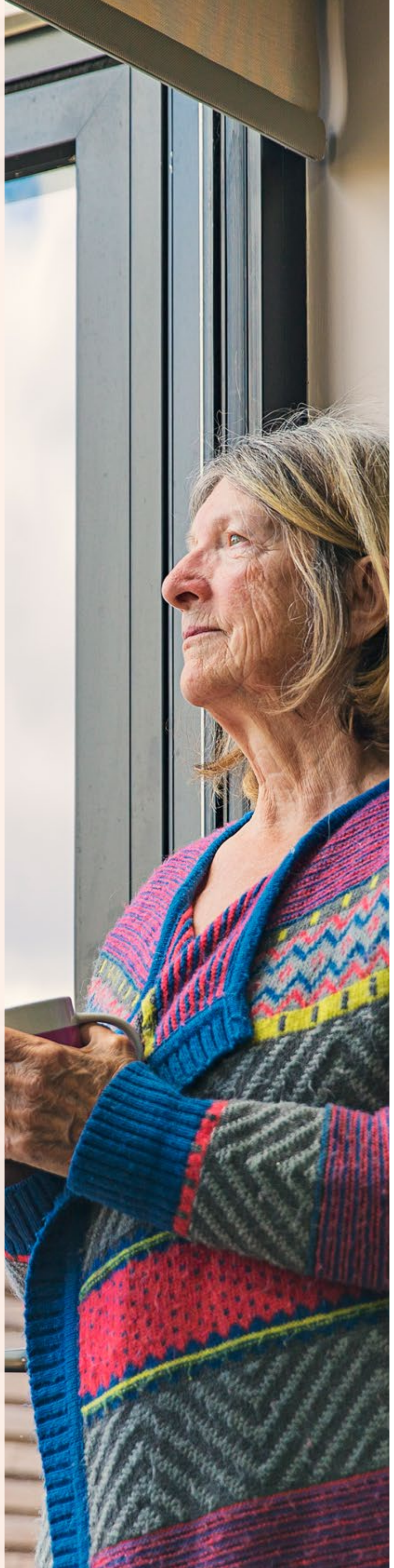
The UK started the year in the middle of a third lockdown with the advice being to stay at home as the national vaccine programme was only just beginning to be rolled out. This was very different from Q1 2020 when while most people were aware that Covid-19 existed, very few if any could imagine what the next 12 months would look like.

That said, while the last 12 months have been challenging, the industry has stepped up to support customers – rapidly working to ensure that virtual advice was available, independent legal advice could still take place and cases could still complete. When the pandemic first hit, Key was quick to react and made 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 embed 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.

As might be imagined 2020 was somewhat of a roller coaster of a year with regards to the number of customers supported, with Q1 starting well before the full impact of Covid-19 was felt in Q2 and the market started to recover in Q3 and then finishing well in Q4. In Q1 2021, we saw £1.07 billion worth of equity withdrawn via 10,341 plans suggesting a total market size of £1.41 billion – slightly larger than Q1 2020 which stood at £1.3 billion.

While the impact of the pandemic will continue to shape the market – despite the industry's work to soften the blow – figures from Q1 suggest that if the Government roadmap progresses as hoped, Q2 may also be a strong quarter. Indeed, it is not inconceivable to suggest that we may see a return to face-to-face advice before we get into Q3 as organisations use the lessons learned over the pandemic to deliver flexible tailored advice to clients.



Drawdown and further advance

Due to the availability of further data, Key's Market Monitor is now able to take a more in-depth look at drawdown. Identifying not only the amount reserved each quarter but also the amount actually taken in reserved drawdown as well as further advances.

In the first quarter of the year, customers reserved £336 million in drawdown – a figure that fell from £390 million in Q1 2020. The average amount that drawdown customers had available following their initial advance was £45,123 (Q1 2021) which was marginally lower than £45,767 in Q1 2020.

When we view these figures against the backdrop of the average size of the equity release plan increasing, it would suggest that more customers are using the funds to meet immediate pressing needs rather than setting it aside to pay for future aspirations.

This sentiment is echoed by how existing drawdown customers used this facility in Q1 2020 when compared to the same time last year.

We saw a 24% increase in the amount released (£12,252 to £15,169) but a 14% decrease in customers (8,533 to 7,362). In Q1 2021, £112 million worth of drawdown was taken compared to £124 million in Q1 2020.

Should a customer find that they need additional borrowing but have exhausted their drawdown or the lump sum they took, they can apply for a further advance. The average further advance taken in Q1 2021 was £26,509 a 22% increase from £21,768 in Q1 2020.

Total further advances taken in Q1 2021 equated to £25million compared to just £22 million in Q1 2020, a 8% increase in funds released as buoyant house prices allowed customers to use more housing equity.

24%

increase in drawdown amount released

£12,252 in Q1 2020
to £15,169 in Q1 2021

22%

increase in further advance released

£21,768 in Q1 2020
to £26,509 in Q1 2021

Product features

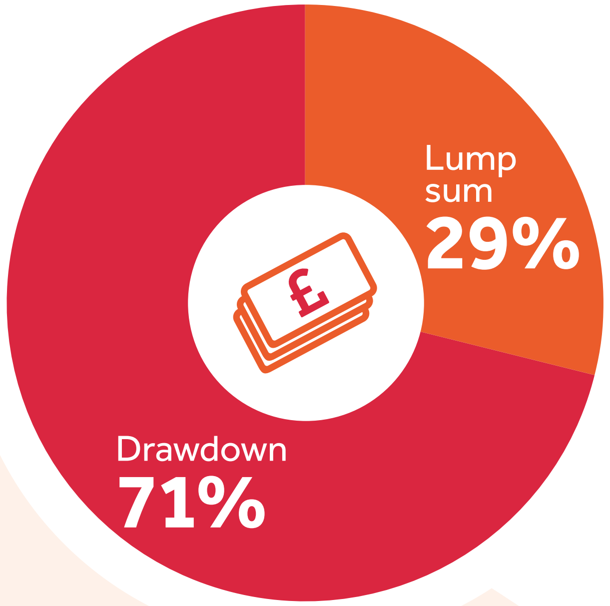
Not only are we continuing to see more equity release products on the market (518 products) but we are seeing more flexible lending features and options for customers to find the right product for their individual circumstances. These include the ability to make monthly interest repayments, penalty free capital repayments and downsizing or inheritance protection.

In Q1 2021, 64% 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) and 26% of products offered inheritance protection. Additionally, 51% of all products offered downsizing protection and 46% of plans came with fixed early repayment charges.

Drawdown vs. lump sum

Across all plans taken out in 2021, 71% were drawdown products and 29% 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. Some drawdown products also boast features, rates or flexibilities that customers find particularly attractive so 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. When compared YOY the percentage split between drawdown and lump sum remains relatively stable.

Across all plans taken out in Q1 2021, 71% were drawdown products and 29% were lump sum.



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 (71% vs. 41% for over-75s) – while older borrowers look to support their families through gifting (29% vs. 17% for under-65s). Given the fact that they can borrow less due to their age, lump sum products are more popular amongst younger age groups. The age split between drawdown v, lump sum has remained fairly stable in Q1 when compared to Q1 2020 as well as 2020 as a whole.

	Drawdown		Lump sum	
Age	Q1 2020	Q1 2021	Q1 2020	Q1 2021
55–59	28.64%	**28.90%**	71.36%	**71.10%**
60–64	47.46%	**37.54%**	52.54%	**62.46%**
65–69	56.46%	**48.93%**	43.54%	**51.07%**
70–74	62.87%	**58.98%**	37.13%	**41.02%**
75–79	69.94%	**57.43%**	30.06%	**42.57%**
80–84	57.81%	**65.22%**	42.19%	**34.78%**
85+	45.83%	**52.63%**	54.17%	**47.37%**

The effect of interest rates

Interest rates on equity release plans continue to fall with an average product rate of 3.22% in Q1 2021 compared to 3.61% in Q1 2020. Rates have been on a downward trend with the average rate in 2019 being 4.16% and 2020 being 3.78% with the average rate taken in Q1 2021 being 2.84%. With 41% of all equity release used for gifting being earmarked for housing deposits, it is interesting to note that equity release rates in Q1 2021 (2.84%) compare favourably with average first time buyer fixed rates (January 2021 – 2.99% and 3.19%) – Moneyfacts.

The median interest rate taken by an equity release customer has been failing gradually over the last year. This has remained stable in Q1 2021 in line with the median interest rate in Q4 2020 and continues to be the lowest average equity release interest rates for two years.

Average equity release interest rate				
Year	Q1	Q2	Q3	Q4
2019	4.33%	3.92%	3.72%	3.15%
2020	3.10%	3.19%	3.05%	2.80%
2021	**2.84%**	–	–	–

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 remain stable in Q1 2O21 across all the age groups – potentially driven by house price increases and the announcement of the roadmap by Boris Johnson which looks to return our lives to a time before lockdown or restrictions.

In Q1 2021, the average LTV taken out by someone under 55 was 23.64% which is almost half of that agreed by those who are 85+ (39.46%).

	The effect of LTV's	
Age	**Q1 2020**	**Q1 2021**
55–59	23.69%	**23.64%**
60–64	27.28%	**27.51%**
65–69	29.09%	**29.49%**
70–74	31.25%	**30.57%**
75–79	32.46%	**32.46%**
80–84	36.76%	**34.78%**
85+	39.33%	**39.46%**

Equity release uses

Following the launch of Key's market leading advice delivery platform at the end of 2019, the Market Monitor is now able to provide a more in-depth look at how customers use equity release than ever before.

We can now say that while 31% of people use equity release to improve their home or their garden, only 7% 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. Gifting remains popular with 23% of customers gifting funds to loved ones, accounting for 21% of the total funds released.

Debt management continues to play an important role for those releasing equity, 54% of customers use equity release for some form of debt repayment, equating to 53% of the value released. Refinancing existing mortgages this the most common form of debt repayment at 55% of the funds.

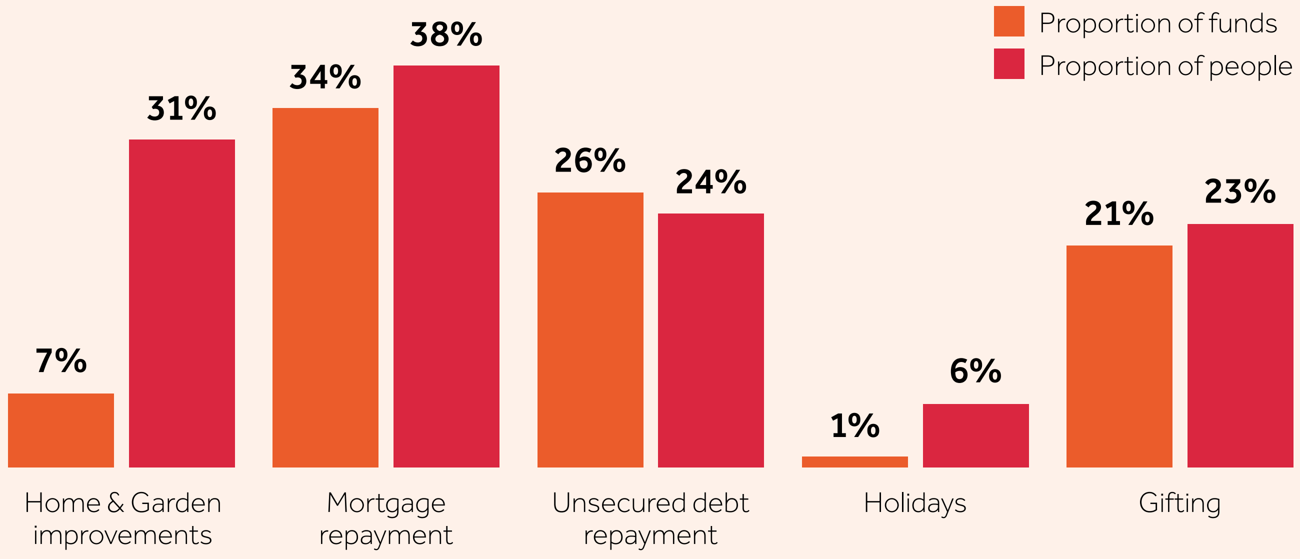
Gifting has remain fairly consistent during 2020 and into 2021 – arguably driven by the stamp duty holiday which has now been extended in full to June and in part to the end of September 2021. In Q1 2021, 41% of the gifting undertaken was for house deposits with an average of £56,917 given out.

Almost a third (31%) of equity release customers also used 7% of the proceeds of equity release to improve their own homes with updating kitchens (31%), decorating (29% and bathroom adaptations (28 %) being on the priority list.

Equity release is a multi-use product with over-55s using the £103,710 in Q1 2021 to renovate their homes, to help loved ones and meet debt repayments, before using a smaller proportion for more aspirational spending. As this is the fifth report launched using this data, and the first report with updated customer data, it will allow for greater interrogation of year on year trends around customer usage.

	The Uses of Equity Release	
Proportion of funds	**Q1 2020**	**Q1 2021**
Home/Garden Renovations	17%	**7%**
Mortgage repayments	25%	**45%**
Unsecured debt repayments	12%	**9%**
Holidays	8%	**1%**
Gifting	21%	**21%**

Usage of equity release



Equity Release for Property Purchase

In Q1 2021, Key has seen an increase in the number of customers using equity release to purchase a property. In Q1 2020, just under 100 clients used equity release to purchase a property, however this year it has risen by 365% to 442 cases in the first quarter of this year as more people took advantage of the stamp duty holiday.

While downsizing typically means moving to a smaller property in older age, this is does not necessarily mean a less expensive one if it is in a particularly desirable area. Equity release can be used by customers to boost their buying power as they look to move to a property which is more suited to their lifestyle or potential future care needs.

Though some customers using equity release to purchase a property, it has wider benefits for the housing market. In some case with equity release customers moving to smaller properties, this is freeing up housing stock for young families, having knock on affects across the market. This in addition to many gifting children and/or grandchildren funds as a deposit to get on the housing ladder – 51% of funds gifted are used in this way – further amplifying the positive impact equity release can have on the property market as a whole.

Spotlight on: Home and garden improvements

Home and garden improvements have always been a popular use for equity release as customers prepare their home for older age, in terms of practicalities such as a wet room but also just making the property more suited to their individual tastes. Nearly a third of customers (31%) use some of their funds towards renovating their home and/or garden but this only equates to 7% of the actual funds released or £16,152.

Of those who choose to use some of the equity released from their home 31% use the funds for a new kitchen, equating to 19% of the funds released and on average costing around £10,201.

Home improvements are often needs based updates rather than desirable, with customers focusing on making their property more suitable for later life living.

One of the higher priced home renovations is an extension with an average price of £34,838. Arguably many over 55s would find it difficult to fund such a large renovation in later life and equity release is a way to finance the home improvement to satisfy their needs as they get older.

Although kitchens and extensions might be viewed as desirable spending rather than essential, 21% of customers who use funds released for home improvements spend it on windows and doors and 10% of customers on central heating. Keeping your home warm is essential for your health and well-being, especially in later life. Replacing windows and doors and updating the central heating is 9% and 3% of funds respectively, however this does equate to £6,953 on windows and doors and £5,072 on central heating.

	Breakdown		
Type	Value of equity release	Average amounts	% of customers
Bathroom	13%	£7,461	28%
Home Furnishing	6%	£5,362	17%
Kitchen	19%	£10,201	31%
Conservatory	9%	£15,690	9%
Landscaping	9%	£6,203	24%
Extension	14%	£34,838	6%
Decorating	11%	£6,060	29%
Driveway	4%	£6,457	9%
Rewiring	0%	£3,375	2%
Windows & Doors	9%	£6,953	21%
Central Heating	3%	£5,072	10%
Repairs	3%	£11,518	4%

Home & garden improvements across the demographics

Average amount spent based on age

	Age		
Type	55–64	65–74	75+
Bathroom	£7,483	£6,776	£9,070
Home Furnishing	£3,891	£6,041	£5,627
Kitchen	£10,482	£9,718	£10,735
Conservatory	£13,767	£16,641	£15,986
Landscaping	£5,653	£6,301	£6,627
Extension	£29,670	£37,719	£29,750
Decorating	£6,235	£4,867	£7,724
Driveway	£5,788	£7,150	£5,836
Rewiring	£3,520	£2,787	£3,750
Windows & Doors	£6,887	£6,903	£7,137
Central Heating	£3,063	£4,697	£7,078
Repairs	£16,392	£9,891	£8,811

Of those who chose to use some of the funds they release from their property on home and/or garden improvements it is interesting to see the differences in value depending on the type of home and/or garden improvement and the age of the customer.

Interestingly, while people appear to be spending on home renovations in the run up to retirement – 35% (55 to 64 years old), 31% (65 to 75) and 28% (over-75) – the proportion who use it for this purpose remains fairly stable across the age groups with the younger cohort spending less. When you dig into the reason, you find that the oldest age group spends more on rewiring (£3,750), central heating (£7,078) and decorating (£7,724) which suggests that they are dealing with long-term issues that impact the quality of their lives.

The largest amount spent is on an extension across all age groups although the 65–74s are more likely to spend £8,000 more on an extension than the younger and older cohorts. The 55–64s spend around £16,000 on repairs, this is double that of the 75+ age range.

Average amount spent based on marital status

	Marital status		
Type	Couple	Single female	Single male
Bathroom	£8,218	£6,268	£6,768
Home Furnishing	£6,098	£3,892	£5,653
Kitchen	£10,451	£9,833	£9,973
Conservatory	£17,433	£12,743	£12,371
Landscaping	£6,380	£5,027	£8,350
Extension	£33,755	£34,882	£43,700
Decorating	£7,450	£4,507	£5,094
Driveway	£7,083	£4,977	£7,042
Rewiring	£4,500	£2,750	£3,000
Windows & Doors	£7,137	£6,515	£7,500
Central Heating	£5,759	£4,450	£4,680
Repairs	£12,132	£12,708	£6,667

Single females are most likely to use funds to update their property (35%) compared to just 29% single males and 30% couples. However, couples as well as single men and women generally spend similar amounts on home and garden improvements.

Interestingly, couples are more likely to spend up to £5,000 more on a conservatory than single men or woman whereas single men are more likely to spend £3,000 more on garden landscaping than single women.

Additionally, many single women on average spend £12,000 less on home and/or garden improvement than single men and £18,000 less than couples. This could be due to the fact than single women have a lower retirement income than single men as well as smaller pension pots.

Demographic analysis

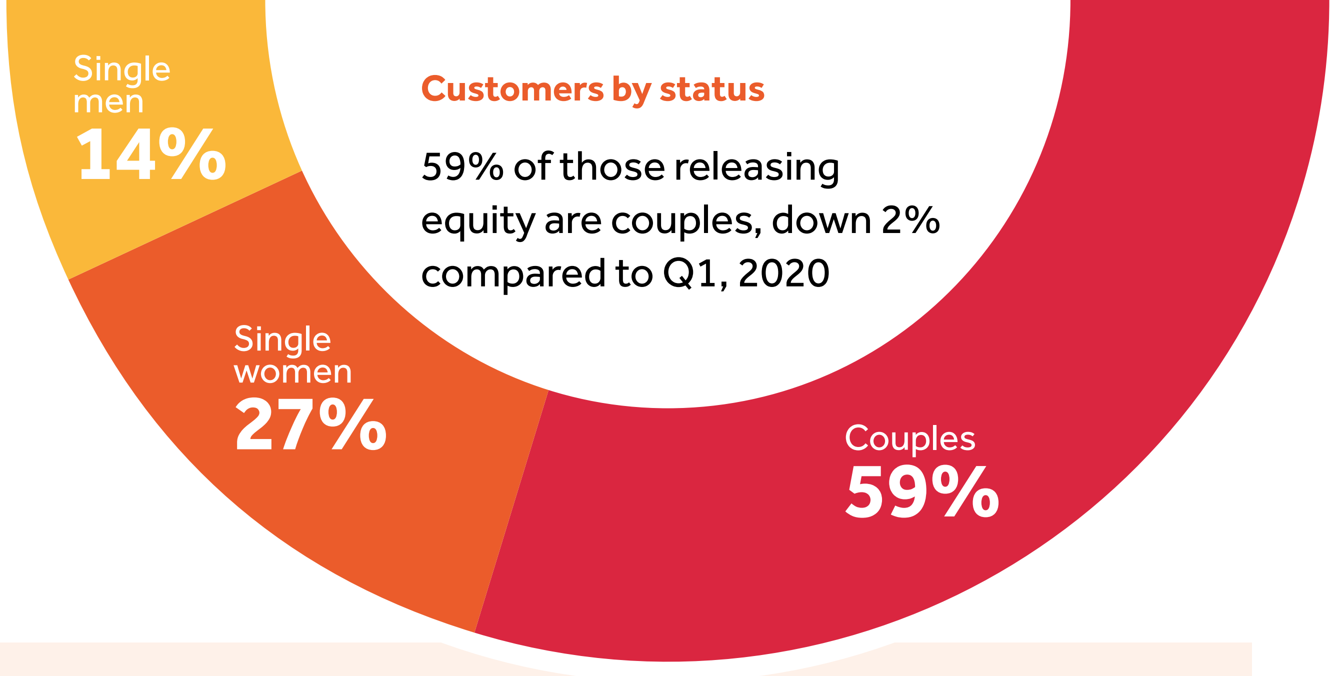
With a significant proportion of over-55s married or in long-term relationships, 59% of plans are taken out by this demographic.

Interestingly, almost twice as many single women (27%) take out equity release compared to single men (14%). This is likely to be due to a combination of factors including less generous pension pots and at the older ages, the death of a spouse with the resulting impact on household income.

In Q1 2021 there has been a year on year decrease in the average age of the equity release customer from 71 in Q1 2020 to 70 in 2021. 72% of customers are over-65s with just 9% 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 age bracket. It may be that in these early retirement years customers have realised their pension pots are not as big as they thought or retirement may have proved more costly.

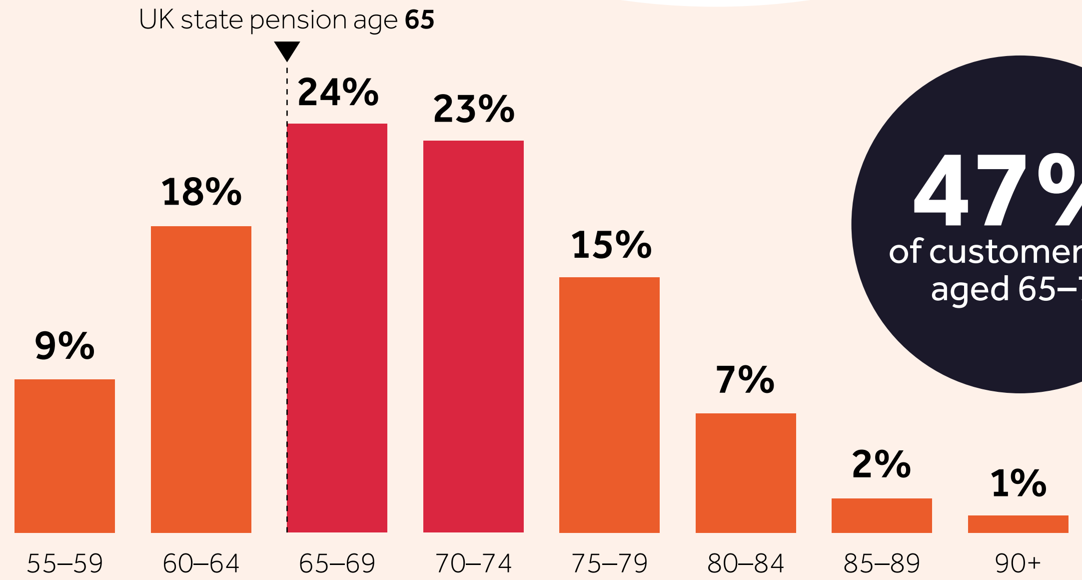
Customers by status

59% of those releasing equity are couples, down 2% compared to Q1, 2020



Customers by age

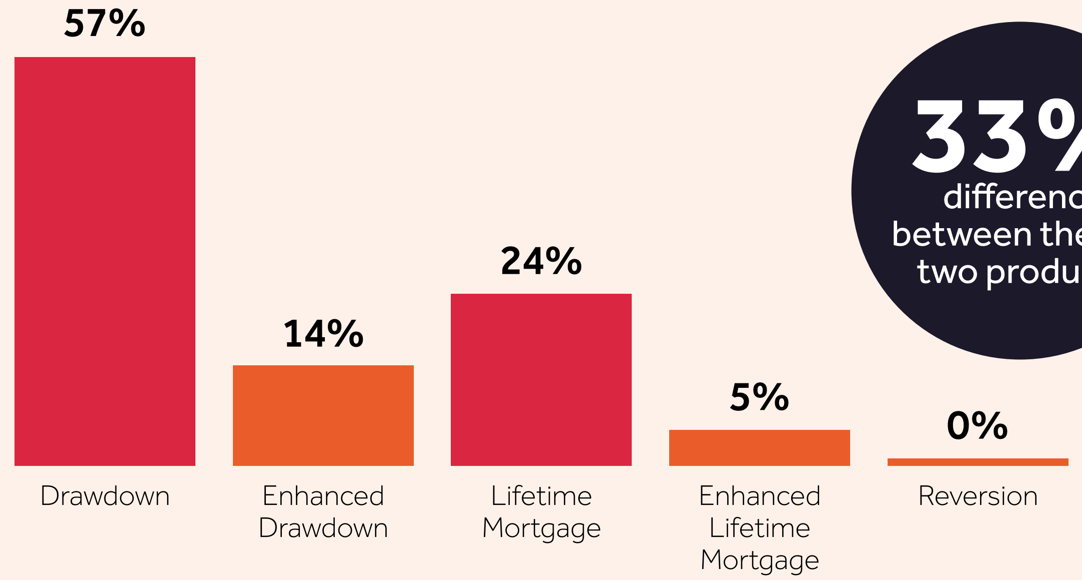
The average age has fallen to 70 compared to Q1, 2020 at 71



47% of customers are aged 65–74

Product mix

Lifetime mortgages, increased by 5% compared to Q1 2020



33% difference between the top two products

Across the UK

£103,710
Average release amount for the UK
▲ Up 25% on Q1, 2020

As the impact of the Covid-19 pandemic continues to affect the UK and the later life lending market it has been reflected, as expected, in the number of plans and the amount released across all regions.

Wales fared the best in Q1 2021 in terms of value released with a 25% increase in the number of plans from 470 in Q1 2020 to 608 in Q1 2021. Interestingly, the value of equity release from a home in Wales increased by 51% to £40 million in Q1 2021 from £27 million in Q1 2020. House prices in Wales YOY have increased by 14% which could reflect the increases seen in both number of plans taken out and the amount released.

The North East (32%) saw the biggest increase in house prices over the last year. Arguably Wales has seen the biggest impact with a 51% increase in the amount released YOY from £27million in Q1 2020 to £40 million in Q1 2021. Wales also saw a 29% decrease in the number of plans taken out. The North West also saw the second highest increase in value released (18%), but it also saw a 14% decrease in plans. This is in line with the UK market as a whole as fewer customers have taken our equity release plans but those that did, released larger amounts than in Q1 2020.

The South East and London continue to lead the way in terms of value released with £342 million in the South East and £200 million in London. The South East also continues to lead the way in terms of the number of plans taken out with 2,537 plans taken out in Q1 2021.

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, 1,012 were released in Q1 2021 compared to 1,030 in Q1 2020. Both the South West and the North West surpassed London YOY in terms of the number of plans with the South West reaching 1,263 and the North West 1,043. This could be due to the perception that the property market in the capital is less buoyant and therefore people are being increasingly cautious.

Quarter 1 results

	Plans				Value released		Property value		Age
Location	Value (% change on Q1, 2020)		Number (% change on Q1, 2020)		Average release amount	Average LTV %	Average value (% change on Q1, 2020)		Average customer age
East Anglia	**£56,128,488**	(-13.8%)	**655**	(-20.7%)	**£85,675**	**28%**	**£303,228**	(6%)	**71**
East Midlands	**£64,248,723**	(15.0%)	**807**	(-5.5%)	**£79,602**	**28%**	**£288,421**	(13%)	**70**
London	**£200,429,307**	(16.7%)	**1,012**	(-1.8%)	**£198,145**	**28%**	**£701,727**	(6%)	**70**
North East	**£22,673,647**	(24.9%)	**325**	(-14.4%)	**£69,776**	**30%**	**£235,645**	(32%)	**66**
North West	**£76,411,595**	(18.1%)	**1,043**	(-12.9%)	**£73,263**	**28%**	**£266,005**	(17%)	**68**
Northern Ireland	**£2,141,404**	(-69.0%)	**42**	(-62.9%)	**£51,072**	**28%**	**£182,750**	(-7%)	**64**
Scotland	**£39,262,205**	(-4.5%)	**561**	(-15.0%)	**£70,011**	**30%**	**£229,991**	(5%)	**68**
South East	**£341,707,205**	(20.9%)	**2,537**	(-11.0%)	**£134,706**	**29%**	**£471,418**	(17%)	**71**
South West	**£121,588,024**	(17.6%)	**1,263**	(-0.5%)	**£96,261**	**28%**	**£343,354**	(4%)	**70**
Wales	**£40,228,964**	(50.9%)	**608**	(29.4%)	**£66,170**	**27%**	**£243,555**	(14%)	**70**
West Midlands	**£64,514,962**	(-10.5%)	**828**	(-19.2%)	**£77,908**	**28%**	**£274,609**	(13%)	**69**
Yorkshire & Humberside	**£43,092,973**	(1.7%)	**660**	(-11.9%)	**£65,255**	**28%**	**£234,084**	(9%)	**70**
Total	**£1,072,427,497**	(12.8%)	**10,341**	(-9.5%)	**£103,710**	**28%**	**£366,660**	(12%)	**70**

Focus location:
Wales

The average value released in Wales in Q1 2021 was £66,170 which is significantly lower than the UK average of £103,710. However, the average property prices in Wales is also more modest at £243,555 compared to the national average of £366,660 which accounts for the lower average amount release as there is less equity available. The average age to release equity in Wales is 70, in line with the UK average.

Year on year Wales was the only area to see an increase in the number of plans taken out and an increase in the valued released with a 29% rise in the number of plans and a 51% increase in value released. However, house prices also saw a significant rise in Q1 2021 in Wales, possibly link to the stamp duty holiday as well as many people choosing to move to more rural locations rather than remain in busy, compact cities during the Covid-19 pandemic.

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 across all years, with the exception of 2020. This follows the market trend over the last five years with the later life lending marketing growing year on year, with a slight dip in 2020. As Q1 2020 saw the Covid-19 pandemic start partway through the quarter it is possible that many people were cautious about changing their finances during this time especially as there are knock on effects still being felt from the previous years and economic, political and social uncertainty in 2019 and 2020.

Despite the impact of Covid-19 Wales did see a strong start to the year in Q1 2021 with 51% increase in the value released YOY and 29% increase in the number of plans when compared with Q1 2020. With restrictions in the UK continuing to reduce into Q2 it is possible that there will be continued strength in Wales regarding the later life lending market.

	Plans		Lending	
Period	Number	Change Y/Y	Amount	Change Y/Y
Q1 2017	371	48%	£19,905,843	55%
Q1 2018	477	29%	£27,323,121	37%
Q1 2019	598	26%	£35,237,150	29%
Q1 2020	470	-18%	£26,666,512	-36%
Q1 2021	**608**	**29%**	**£40,228,964**	**51%**

A view of Quay House in Conway – the smallest house in Great Britain

608 new plans

▲ Up 29.4% on Q1, 2020

£40.0m released in equity

▲ Up 43.3% on Q1, 2020

£66,170 average release

▲ Up 17% on Q1, 2020

£243,555 average property value

▲ Up 14.0% on Q1, 2020

Case Study

Mark and Doreen, 74 and 68 from Birmingham, released £100,000 to help with their retirement finances, alleviating some debt to avoid monthly payments, making them better off each month as well as preparing their home for later life.

Six years ago Mark retired from his Operations Director role and during the Covid-19 pandemic Doreen retired from her role in public service. Doreen retired slightly earlier than she expected due to the pandemic as both Mark and Doreen wanted to spend time together and with family relaxing after working for the majority of their lives.

After Doreen made the decision to retire earlier than expected they decided to look into their finances and considered their future life plans in terms of how they would like to live their life and coming up with plans in case they needed any care in later life. Due to Covid-19 the couple decided that they would prefer to receive care in later life, if required, in their own home rather than going into a residential facility. Mark and Doreen realised that their period property didn't have some of the practicalities they would need in later life and decided to make some improvements to their home.

"We have lived in our home for more than 25 years and didn't really think twice about the value of our home as we had no intention of moving. But as beautiful as our home is, or at least we like to think so, it isn't the most practical for our later years. A neighbour had taken out equity release a few years ago. We asked her who she used and whether she would recommend them, she said she was very pleased with her broker and she put us in contact with Key.

"We weren't sure of the rules of taking our equity release during the Covid pandemic but our adviser explained the process via Zoom. 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 considering our options, talking it through with our children we decided to go ahead and we were very happy with the service provided by Key.

"When we found out our home's 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 as early inheritance, which was not part of our original plan.

"We spent our funds on an extension out the back, creating a lovely kitchen dining room, costing around £35,000 for the extension, £10,000 for the kitchen and £8,000 for updated pipework and central heating. This has freed up our original dining room to become Mark's fishing room but long term it could become a downstairs bedroom if required in later years. We decided to gift our two children £20,000 each, one used the funds for a deposit on their first home and the other has put the funds into a savings account for our grandchildren. We then used the remaining £7,000 to pay off credit cards so we can enter retirement debt free and with a bit of extra money each month as we are not paying the credit card bill. We are looking forward to enjoying retirement in our own home enjoying the fruits of our labour."

* = 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.

key

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