

“The established growth in the sector continued throughout 2011.”

Dean Mirfin,
KRS Group Director

UK EQUITY RELEASE Market Monitor

2011 REVIEW

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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 over 1 in 4 of all SHIP^[1] equity release business in the UK, and over 1 in 3 of all intermediary SHIP equity release business in the UK.

The Monitor uses Key's data to reflect the market as a whole and provides the most detailed analysis of the equity release sector, including:

- Usage trends
- Age Analysis
- Regional Analysis based on -
 - Plan Numbers
 - Plan Values
 - Property Prices

This edition reviews the whole of 2011 and again provides greater detail on some of the emerging trends.

- Usage Focus - Gifting
- Regional Focus

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

2011 Results

- New plan numbers
22,366 up 1.57%
- Total amount released
£959.61m up 5.39%
- Drawdown continues to
shape the market
- Home improvement
remains top reason for
releasing equity

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

“Overall lending is considerably on the increase when allowing for the fact that an estimated £343.4m is within untapped drawdown facilities from 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 2011 were 22,366 an increase of 1.57% over 2010. Lending also increased to £959.6 million from £910.6 million for 2010. Drawdown continues to be the popular option for many, providing the flexibility to draw funds in stages as and when required. This can substantially reduce the cost of borrowing.

Whilst the Market Monitor continues to focus on new business, i.e. new customers, it is important to look at lending levels in the light of un-drawn drawdown facilities. In this context the figures reveal that there is an estimated £343.4 million yet to be drawn from loans arranged during 2011. Factoring this into the levels of lending reveals a total of over 1.3 billion of total lending.

REGIONAL HIGHLIGHTS

Across the country 7 out of 12 regions experienced growth in the total number of plans, with 8 regions experiencing growth in total lending. The greatest increase in plan numbers and value came from Wales, which experienced a 24% increase in plan numbers and a 32% increase in lending. The largest percentage decline in plan numbers was in the North West of England -8%, and for value Northern Ireland, -28%.

USES OF EQUITY RELEASE

Home and/or garden improvement (57%) retains top spot followed by repaying unsecured debts (32%). Consistently 30% released equity to fund holidays, whilst almost 1 in 4 helped out the family, a year on year increase from 19% in 2010. In the next section of the Market Monitor we will look more closely at the trend for Gifting.

Highlights

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

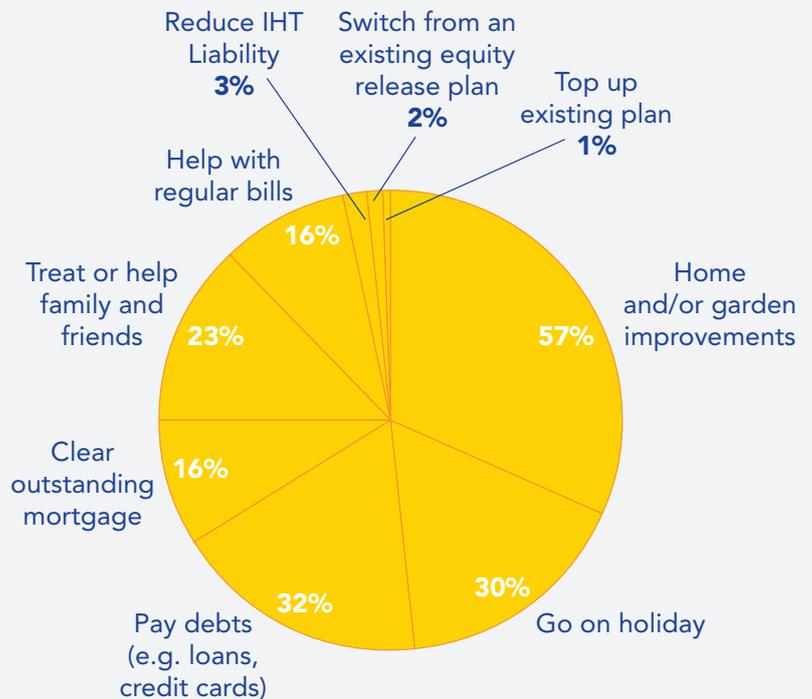
DEAN MIRFIN comments:

“Maintaining the home continues to be the number 1 priority for those releasing equity.”

DEAN MIRFIN comments:

“An increase to 23% for gifting may reveal an interesting change in priorities.”

POPULAR USES OF EQUITY RELEASE



QUARTERLY FOCUS – GIFTING

Through the past year we have seen three significant changes in usage for equity release. Repaying an outstanding mortgage as a priority has fallen from 20% during 2010 to 16% for 2011 and help with regular bills has reduced from 21% to 16%. At the same time those gifting money in the main to family member has increased from 19% to 23%.

Helping the family has always been a strong motivation for some of those releasing equity from their homes. It is striking to see that the current increase is countered by the decrease in those utilising the funds for their own use. Looking at the underlying trends the driver for this is that their children or grandchildren may have greater need for the funds during the economic downturn than their parents or grandparents. Repaying debt, helping children or grandchildren get onto, or move up, the housing ladder feature as the most popular uses of gifted funds as well as to boost their family’s day to day finances.

Highlights

REGIONAL SUMMARY

AREA	Value	Percentage Change 2011 on 2010	Number of plans	Percentage Change 2011 on 2010	Average Value Released	Average LTV	Average Customer Age	Average Property Value	Percentage Change 2011 on 2010
East Anglia	£47m	24.8%	1241	15.4%	£40,206	22%	70	£185,285	2.33%
East Midlands	£59m	-1.6%	1773	-0.9%	£34,974	21%	69	£163,583	-2.18%
1 London	£132m	15.5%	1917	5.3%	£73,025	20%	71	£373,152	7.95%
2 Northern Ireland	£4m	-28.3%	116	-7.4%	£36,179	22%	69	£156,729	-18.66%
North	£29m	3.1%	810	-6.3%	£37,992	24%	70	£172,993	14.60%
North West	£96m	-1.7%	2514	-8.3%	£40,635	23%	68	£166,480	1.21%
Scotland	£39m	6.6%	1176	5.9%	£34,783	22%	69	£160,917	-1.66%
4 South East	£235m	-1.9%	4921	1.9%	£50,600	20%	70	£259,049	0.72%
South West	£132m	10.5%	2787	2.1%	£50,015	22%	70	£232,098	1.18%
3 Wales	£43m	32.3%	1144	24.3%	£39,567	23%	69	£169,927	4.11%
West Midlands	£75m	5.0%	2000	2.3%	£39,613	22%	69	£182,887	1.11%
Yorks & H'side	£70	1.2%	1968	-4.5%	£37,461	23%	70	£164,914	2.12%

1 London has the highest average value released

2 Northern Ireland has the lowest total value of plans

3 Wales has the highest increase in the number and the value of plans

4 The South East released the highest value

DEAN MIRFIN comments:

“A strong result for the majority of regions.”

REGIONAL FOCUS

East Anglia and Wales have seen the highest levels of lending for 2011 and also experienced growth in plan numbers, whilst London, as expected, has the greatest average level of release alongside the highest average property value.

Scotland has continued its trend for consistent steady increases in business, paralleled to more stable property prices. The greatest combined fall in lending and plan numbers was in Northern Ireland. This trend has flowed throughout 2011 with the region experiencing year on year falls for each quarter of 2011. London has experienced year on year continued growth in plan numbers and lending.

Average property values have held up well over 2011 with the average value of those releasing equity in 9 out of 12 regions increasing, with the North of England average customer experiencing an increase of 14.6%

Overall the majority of regions across a number of measures have had a positive year on year result.

Review

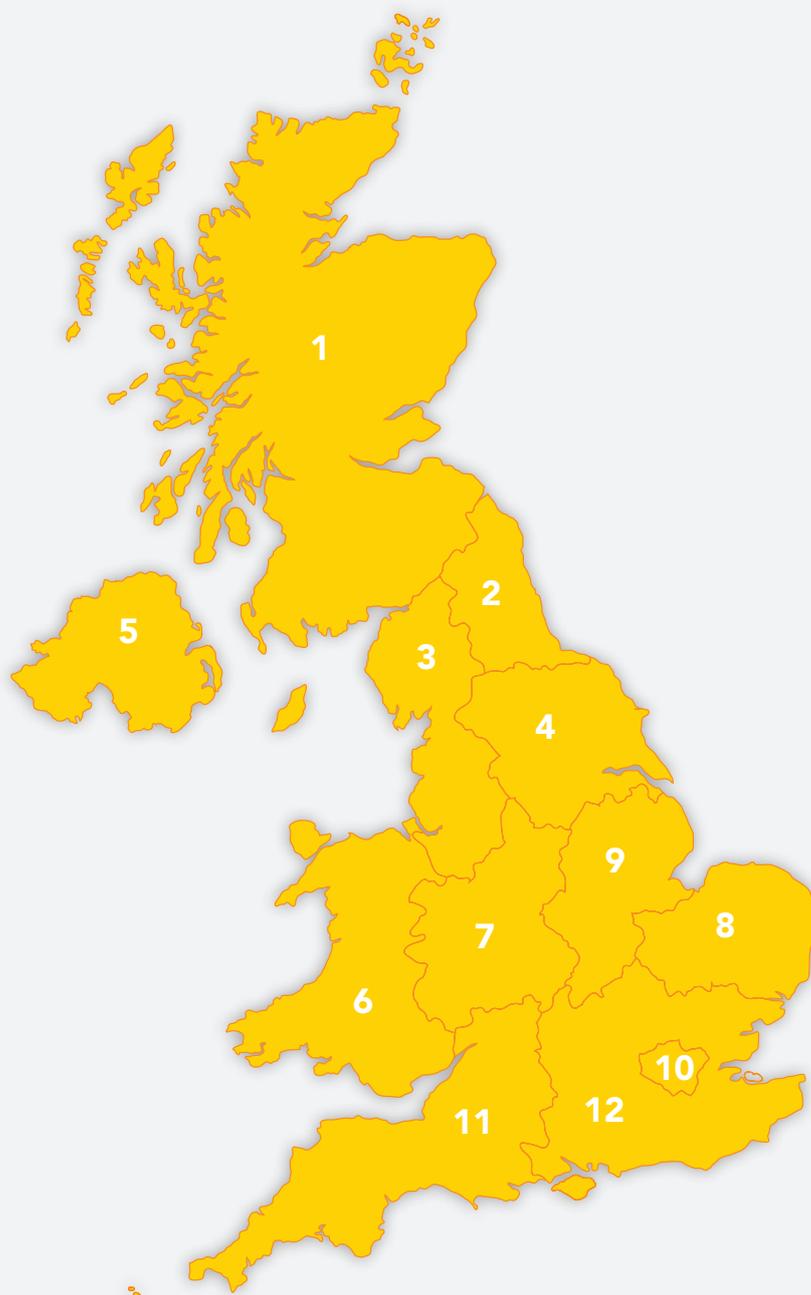
- Highest - South East (4,921)
- Lowest - Northern Ireland (116)

1 Scotland 1,176 2010 - 1,110	2 North 810 2010 - 865
3 North West 2,514 2010 - 2,740	4 Yorks & H'side 1,968 2010 - 2,060
5 Northern Ireland 116 2010 - 125	6 Wales 1,144 2010 - 920
7 West Midlands 2,000 2010 - 1,955	8 East Anglia 1,241 2010 - 1,075
9 East Midlands 1,773 2010 - 1,790	10 London 1,917 2010 - 1,820
11 South West 2,787 2010 - 2,730	12 South East 4,921 2010 - 4,830

DEAN MIRFIN comments:

“Across the country 7 out of 12 regions saw growth in the total number of plans.”

NUMBER OF EQUITY RELEASE PLANS



Review

- Highest - South East (£235.09m)
- Lowest - Northern Ireland (£3.95m)

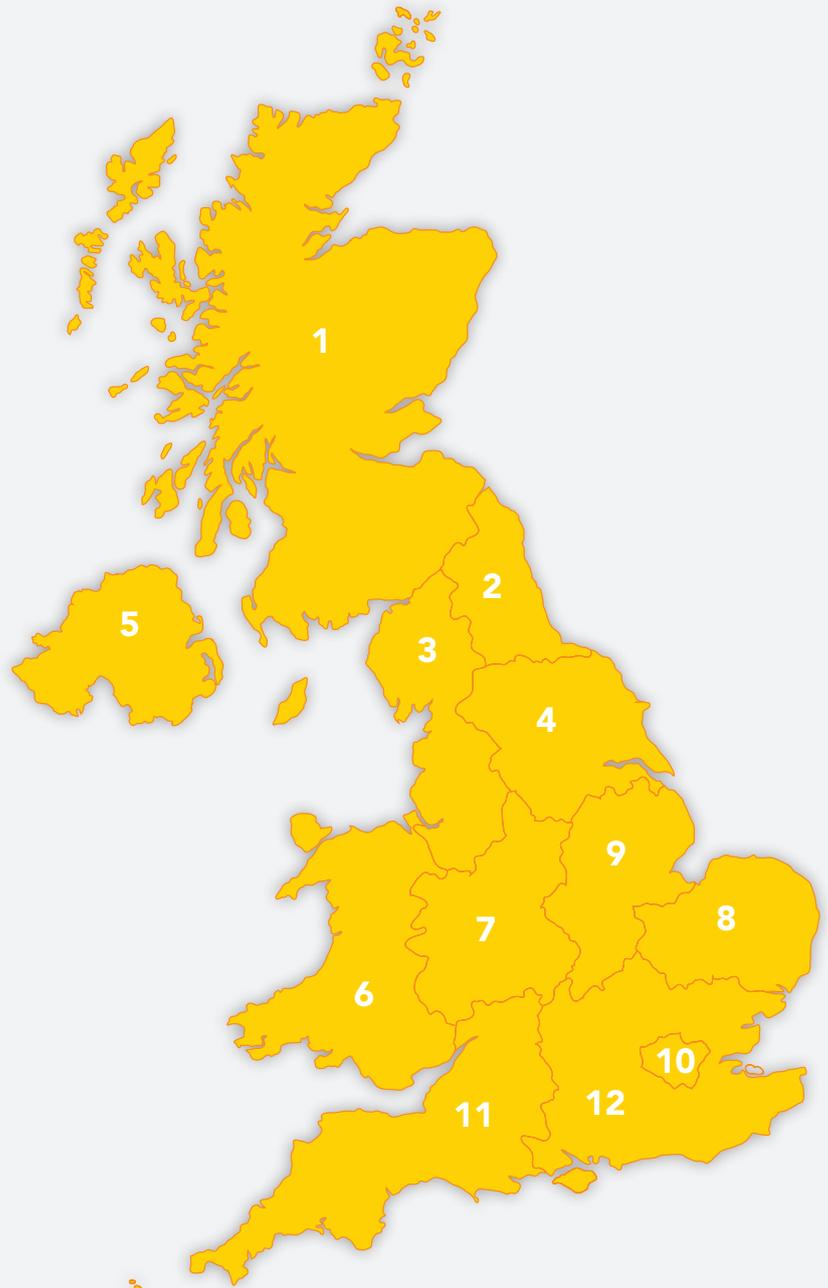
<p>1 Scotland £38.61m 2010 - £36.21m</p>	<p>2 North £29.06m 2010 - £28.17m</p>
<p>3 North West £96.44m 2010 - £98.10m</p>	<p>4 Yorks & H'side £69.59m 2010 - £68.79m</p>
<p>5 Northern Ireland £3.95m 2010 - £5.52m</p>	<p>6 Wales £42.71m 2010 - £32.28m</p>
<p>7 West Midlands £74.79m 2010 - £71.26m</p>	<p>8 East Anglia £47.09m 2010 - £37.74m</p>
<p>9 East Midlands £58.55m 2010 - £59.49m</p>	<p>10 London £132.14m 2010 - £114.41m</p>
<p>11 South West £131.60m 2010 - £119.06m</p>	<p>12 South East £235.09m 2010 - £239.56m</p>

DEAN MIRFIN

comments:

“Wales leads the way with a 32.3% increase in lending.”

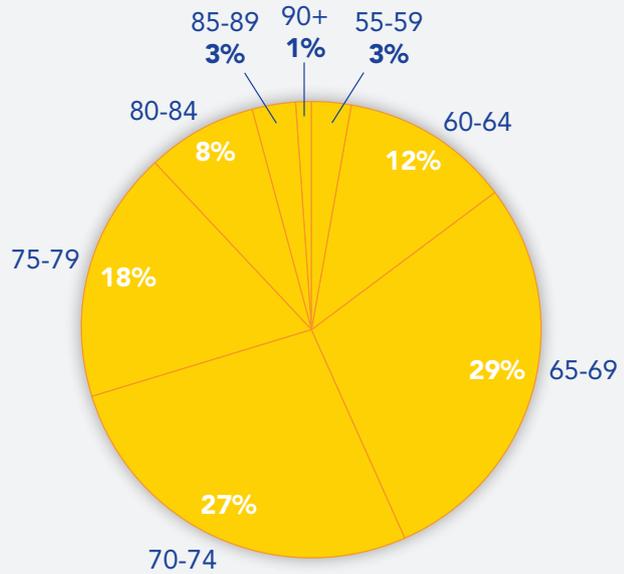
VALUE OF EQUITY RELEASE PLANS



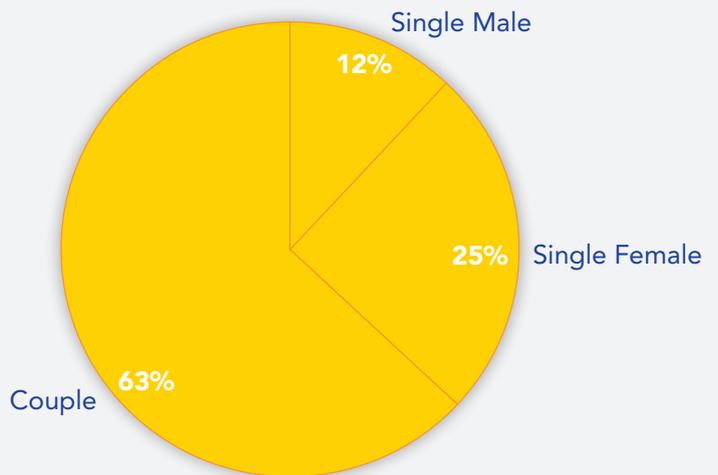
Analysis

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

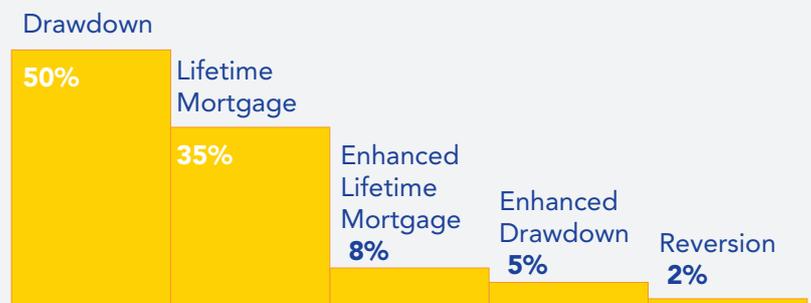
CUSTOMERS BY AGE



CUSTOMERS BY STATUS



PRODUCT MIX



DEAN MIRFIN comments:

“Enhanced lifetime mortgages now account for 8% of the UK market.”



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