

“The equity
release market
is firmly
established
on a growth
trend.”

Dean Mirfin,
KRS Group Director

UK EQUITY RELEASE Market Monitor

HALF YEAR 2011

EMBARGOED UNTIL 13:00 HOURS
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Contents

02

INTRODUCTION

Dean Mirfin, KRS

03

EQUITY RELEASE MARKET MONITOR

Results
Regional Highlights
Uses of Equity Release

04

EQUITY RELEASE MARKET HIGHLIGHTS

Popular Uses
Quarterly Focus - Mortgage Repayment

05

EQUITY RELEASE MARKET HIGHLIGHTS

Regional Summary
Regional Focus - Scotland

06 - 07

HALF YEAR 2011 REVIEW

Number of Plans
Value of Plans

08

HALF YEAR 2011 ANALYSIS

Customers By Age
Customers By Status
Product Mix

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 first six months of 2011 and again provides greater detail on some of the emerging trends.

- Usage Focus – Mortgage Repayment
- Regional Focus - Scotland

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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 10,448 up 5.24%
- Total amount released £463.01m up 3.08%
- Drawdown continues to dominate the market
- Home improvement remains top reason for releasing equity

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

“The really significant fact which the industry has overlooked is that drawdown has changed the market forever... which if factored into total sales would take us back to the 2006 peak levels of lending when single, higher, advance business was more prolific. Total lending inclusive of drawdown facility is £660 million for the first 6 months of this year.”

The latest report on the equity release market reveals continued growth year on year both in plan numbers and overall lending. Sales of plans during the first half of 2011 were 10,448 an increase of 5.24% over the first half of 2010. Lending also increased to £463 million from £449 million for the same period of 2010. This result continues the trend of recovery in the sector after three years of decline.

The popularity of drawdown equity release dominates the shape of the market. This now accounts for 75% of all sales, increasing from 72% for the same period of 2010. This trend has now identified a striking variance in the shape of the market compared to previous years.

The Market Monitor continues to focus on new business, i.e. new customers, however drawdown has created a need for a change in approach to our analysis. If we look at like for like lending figures there is a decline however our latest analysis reveals that there are un-drawn funds in the region of £197 million remaining amongst those who took out a plan during the first half of this year alone. Many of these customers will draw over time their total facility.

Taking facility into account would actually take lending results to higher levels than achieved in 2006.

REGIONAL HIGHLIGHTS

Across the country 8 out of 12 regions experienced growth in the total number of plans, with 7 regions experiencing growth in total lending. The greatest increase in plan numbers and value came from Scotland which experienced a 27% increase in plan numbers and a 27% increase in lending. The largest percentage decline in plan numbers was in the North of England -21%, and for value Northern Ireland, -43%.

USES OF EQUITY RELEASE

Home and/or garden improvement (59%) retains top spot followed by repaying unsecured debts (31%). 30% released equity to fund holidays, whilst almost 1 in 4 helped out the family.

In the next section of the Market Monitor we will look more closely at the trend for Mortgage Repayment.

Highlights

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

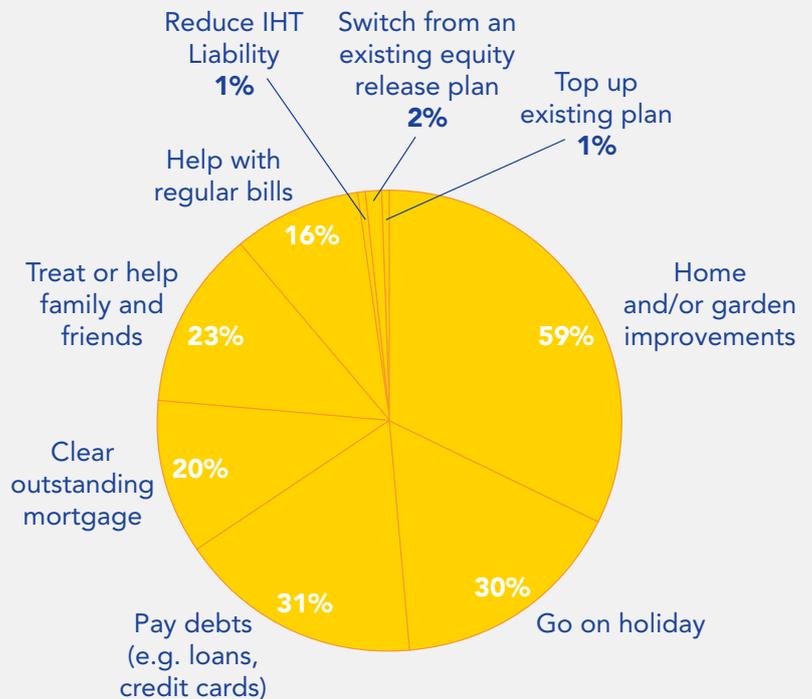
DEAN MIRFIN comments:

“Flexibility ensures a wide range of needs are being met.”

DEAN MIRFIN comments:

“Either through necessity or no fault of their own far too many retirees have an outstanding mortgage.”

POPULAR USES OF EQUITY RELEASE



QUARTERLY FOCUS – MORTGAGE REPAYMENT

The trend in releasing equity for repaying an outstanding mortgage is by no means a new one, and for many, having a mortgage in retirement was never part of their retirement planning.

So why are 20% of those releasing equity doing so to repay mortgages? There are fundamentally 3 identified drivers. The first is that due to necessity, mortgages have had to be set up into retirement at a later stage in life. Divorce being a good example where individuals have had to re-build their finances, and in doing so have in many ways, including financially starting again. The second is through endowment or investment failure. Few maturing endowments are meeting the value required to repay loans in full. The third is simply economical with many releasing equity to repay a mortgage which is more affordable but taking too large a share of their retirement income. The average amount being raised to repay a mortgage is £30,838.

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	£24.6m	21%	593	13%	£41,388	31%	69	£184,024	4%
East Midlands	£27.8m	3%	790	4%	£35,225	26%	68	£168,721	4%
1 London	£60m	6%	953	13%	£62,912	27%	69	£343,479	0%
2 Northern Ireland	£2.2m	-43%	61	-1%	£36,554	27%	67	£169,615	-17%
North	£13.5m	-12%	313	-21%	£43,126	29%	69	£172,388	18%
North West	£51.1m	-1%	1196	-2%	£42,726	28%	69	£169,622	4%
3 Scotland	£22m	27%	589	27%	£37,297	27%	68	£167,429	7%
4 South East	£109m	4%	2220	6%	£49,139	27%	69	£253,429	4%
South West	£64.2m	0%	1416	7%	£45,377	27%	69	£222,345	-1%
Wales	£19.9m	13%	486	21%	£40,882	27%	69	£172,990	6%
West Midlands	£35.5m	11%	921	8%	£38,586	27%	69	£186,891	11%
Yorks & H'side	£33.2m	-13%	911	-7%	£36,400	27%	69	£161,453	0%

- 1** London has the highest average value released
- 2** Northern Ireland has the lowest total value of plans
- 3** Scotland has the highest increase in the number and the value of plans
- 4** The South East released the highest value

DEAN MIRFIN comments:

“Evidence shows considerable variance by region for the motivation to release equity.”

REGIONAL FOCUS - SCOTLAND

Scotland has seen an increase in the first half of 2011 of 27% both in plan numbers and value released. Equity release consistently remains a popular method for boosting retirement finances in Scotland.

There are some interesting variances in the reasons for releasing equity in Scotland. Whilst improving the Home and Garden across the UK accounts for 59%, for Scotland it is considerably lower at 26%. The greatest reason for releasing equity is for help with regular day to day unexpected expense. Many may feel that day to day, their retirement income can meet their needs, but require additional capital to meet the more costlier expenses which come along. 17% repay debt compared to the national average of 31%, perhaps reflecting the fact that in Scotland many appear to want to plan for the unexpected rather than utilising debt when the unexpected happens. The latest figures show yet again the considerable regional variances which contribute to the market as a whole.



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Source: Key Retirement Solutions

Review

- Highest - South East (2,220)
- Lowest - Northern Ireland (61)

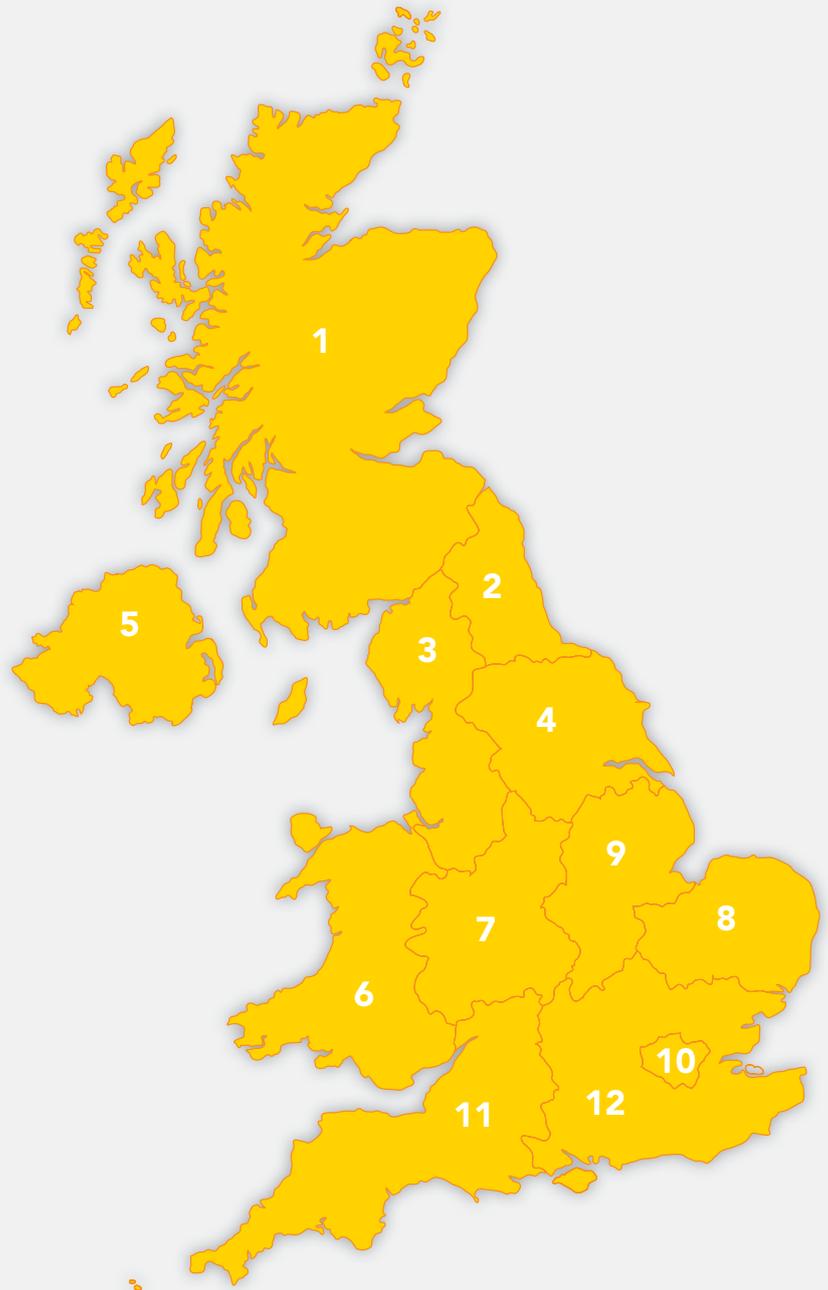
1 Scotland 589 2010 - 464	2 North 313 2010 - 398
3 North West 1,196 2010 - 1,225	4 Yorks & H'side 911 2010 - 984
5 Northern Ireland 61 2010 - 61	6 Wales 486 2010 - 402
7 West Midlands 921 2010 - 849	8 East Anglia 593 2010 - 525
9 East Midlands 790 2010 - 757	10 London 953 2010 - 844
11 South West 1,416 2010 - 1,321	12 South East 2,220 2010 - 2,099

DEAN MIRFIN

comments:

“Across the country 8 out of 12 regions saw growth in the total number of plans.”

NUMBER OF EQUITY RELEASE PLANS



Review

- Highest - South East (£109.1m)
- Lowest - Northern Ireland (£2.22m)

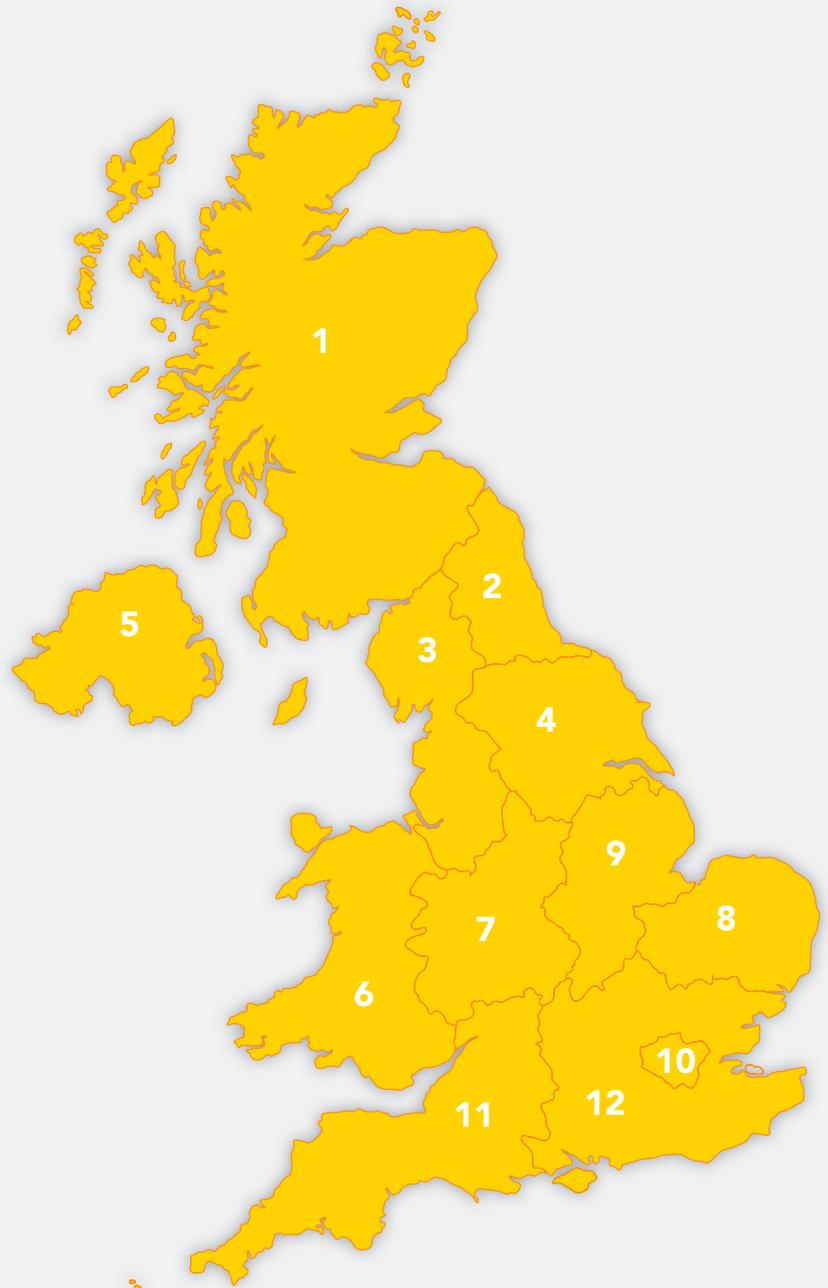
<p>1 Scotland £21.96m 2010 - £17.24m</p>	<p>2 North £13.50m 2010 - £15.31m</p>
<p>3 North West £51.10m 2010 - £51.86m</p>	<p>4 Yorks & H'side £33.17m 2010 - £38.22m</p>
<p>5 Northern Ireland £2.22m 2010 - £3.92m</p>	<p>6 Wales £19.87m 2010 - £17.59m</p>
<p>7 West Midlands £35.52m 2010 - £32.10m</p>	<p>8 East Anglia £24.56m 2010 - £20.36m</p>
<p>9 East Midlands £27.82m 2010 - £26.97m</p>	<p>10 London £59.98m 2010 - £56.43m</p>
<p>11 South West £64.25m 2010 - £64.55m</p>	<p>12 South East £109.07m 2010 - £104.60m</p>

DEAN MIRFIN

comments:

“Scotland leads the way with a 27% increase in lending.”

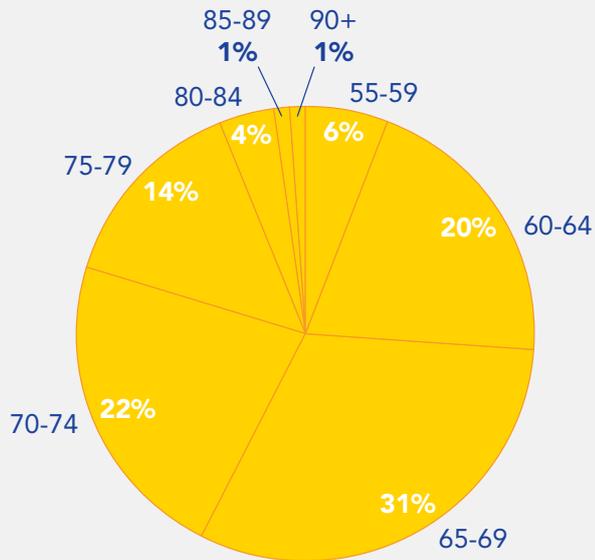
VALUE OF EQUITY RELEASE PLANS



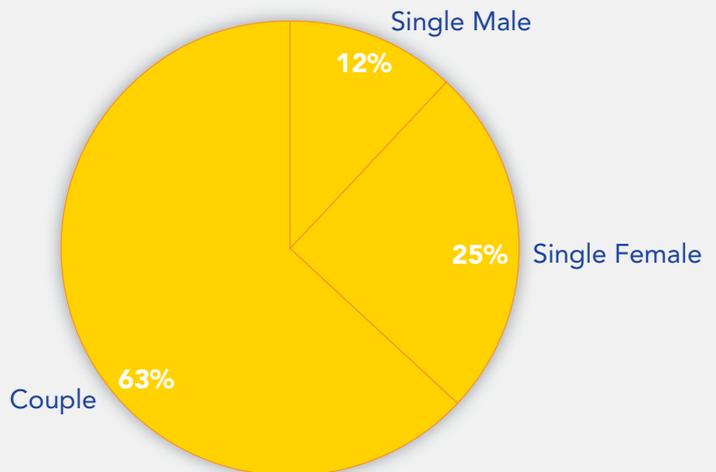
Analysis

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

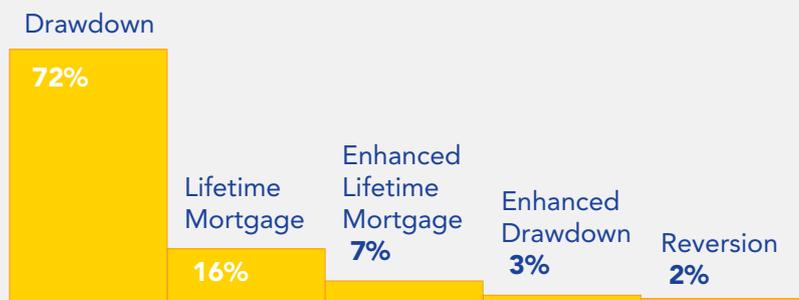
CUSTOMERS BY AGE



CUSTOMERS BY STATUS



PRODUCT MIX



DEAN MIRFIN comments:

“Enhanced lifetime mortgages now account for 10% of the UK market.”



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Source: Key Retirement Solutions