

“Demand for equity release is firmly on the increase throughout 2011.”

Dean Mirfin,
KRS Group Director

UK EQUITY RELEASE Market Monitor

QUARTER 3 2011

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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 almost 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

The Monitor now provides more detail than ever, focusing each quarter on a particular region and also a specific usage driver for releasing equity.

- Quarterly Focus - Home Improvement
- Regional Focus - London

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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.

Q3 2011 Results

- New plan numbers
5,791 up 3.8%
- Total amount released
£261.25m up 1.8%
- 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 equity release sector continues its road to recovery. Drawdown has re-shaped the market offering greater diversity to meet a range of needs, whilst at the same time reducing the cost of borrowing. The plans available are clearly meeting the demands of today’s customers.

“We expect the trend to continue for the rest of 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 the third quarter of 2011 were 5,791 an increase of 3.89% over the third quarter of 2010. Overall Lending was £261.25m compared to 256.48m and increase of 1.86%. This result continues the trend established through the first two quarters of this year.

The continued growth year on year, especially in plan numbers, clearly indicates the markets recovery. Drawdown plans remain the plan of choice accounting for 71.5% of all new business for the period. This raises the importance of advice processes tailored to capture drawdown, which can considerably reduce the cost of borrowing, heightening the importance of specialist advice.

REGIONAL HIGHLIGHTS

Across the country 8 out of 12 regions experienced growth in the total number of plans, with 5 of the 12 regions experiencing growth in total lending. The strongest regions for the number of new plans for the period were East Anglia, Yorkshire and Humberside and the South East. For overall lending the strongest regions for growth were London, the West Midlands and the South West.

USES OF EQUITY RELEASE

Home and/or garden improvement retains the top spot followed by repaying debts. Holidays feature highly as well with approaching a third of those releasing equity doing so to maximise their spare time in retirement. 1 in 5 of those releasing equity specifically gift some of the money away to family or friends, with the same percentage repaying outstanding mortgages, many needing to do so as a result of endowment shortfall.

Highlights

- 1 in 3 repay debts
- Home/garden improvements remains top reason for releasing equity

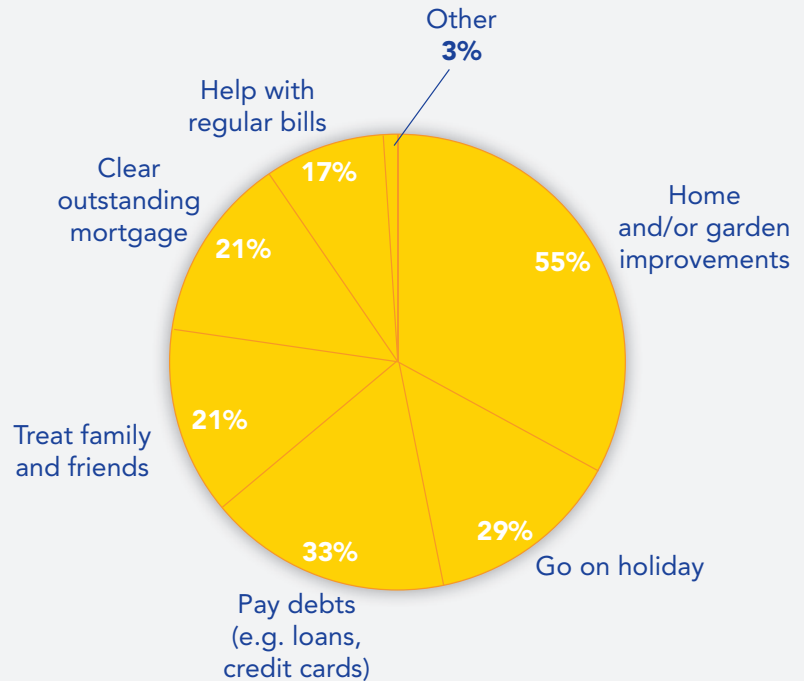
DEAN MIRFIN comments:

“Today’s products are clearly meeting a diverse range of needs.”

DEAN MIRFIN comments:

“1 in 4 see equity release as a powerful way of helping out the family. Realising for children or grandchildren their inheritance when needed most is an important desire for many.”

POPULAR USES OF EQUITY RELEASE



QUARTERLY FOCUS - HOME IMPROVEMENT

Home improvement consistently remains the most popular reason for releasing equity. This has also strayed into new areas from the traditional, where historically money has been released for major projects, kitchens, bathrooms and conservatories as well as extensions, we have seen investment into more economically focussed work.

Whilst incentives for solar power are still in place and considerably more economical forms of heating there is an increase in those who see equity release as a direct means to reducing their carbon footprint and to save money on their bills.

In total an anticipated £560 million will be released from properties this year for home improvement.

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 |
|---|------------------|--------|--------------------------------|-----------------|--------------------------------|------------------------|-------------|----------------------|------------------------|--------------------------------|
| 4 | East Anglia | £11m | -3.9% | 314 | 21.6% | £34,966 | 19.5% | 69 | £179,768 | -6.3% |
| | East Midlands | £16.4m | -4.0% | 482 | 2.9% | £34,124 | 20.6% | 68 | £165,811 | -5.1% |
| 1 | London | £44.8m | 46.5% | 450 | -1.7% | £99,471 | 20.4% | 71 | £487,227 | 56.9% |
| 2 | Northern Ireland | £0.4m | -49.1% | 18 | -30.9% | £24,477 | 17.6% | 65 | £138,750 | -20.3% |
| | North | £6.6m | -7.7% | 209 | -0.7% | £31,411 | 22.6% | 67 | £139,130 | -10.0% |
| | North West | £26.2m | -3.6% | 709 | 3.6% | £37,008 | 21.2% | 68 | £174,747 | 3.0% |
| | Scotland | £7.7m | -37.1% | 273 | -23.8% | £28,393 | 18.3% | 67 | £155,533 | -7.8% |
| 3 | South East | £61.5m | -14.6% | 1,350 | 6.4% | £45,527 | 17.7% | 69 | £257,766 | -6% |
| | South West | £37.8m | 9.6% | 664 | 3.3% | £56,936 | 22.8% | 69 | £250,291 | -3.5% |
| | Wales | £9.5m | 8.6% | 268 | 1.9% | £35,607 | 24.6% | 68 | £144,932 | -3.6% |
| | West Midlands | £20.5m | 17.1% | 509 | 6.3% | £40,339 | 22.2% | 68 | £181,987 | 6% |
| | Yorks & H'side | £18.7m | 9.5% | 545 | 19.1% | £34,381 | 22.6% | 68 | £151,955 | -10.3% |

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

DEAN MIRFIN comments:

“London averages nearly £100,000 release.”

REGIONAL FOCUS - LONDON

It may come as no surprise that the highest average property value for equity release is in London. The average for quarter 3 being £487,227. This compares to £334,637 for the same period of 2010. The increase in property value is also followed by an increase in average loan from £77,252 to £99,471.

Whilst property values may be higher, why do those with higher property values tend to borrow more? Is it because they can or is it about what the money is being released for? There is a degree of relativity which we see not just in London but throughout the UK, especially where the property value is closely reflective of the size of the property. The relativity in particular relates to home improvement, which accounts for 55% of equity release. The larger the property the greater the cost of the improvement. Larger homes will have larger kitchens.

The relative costs of maintaining the home are the precise reasons why there is realistically no home in size or value for which equity release is not viable.

Review

- Highest -
South East (1,350)
- Lowest -
Northern Ireland (18)

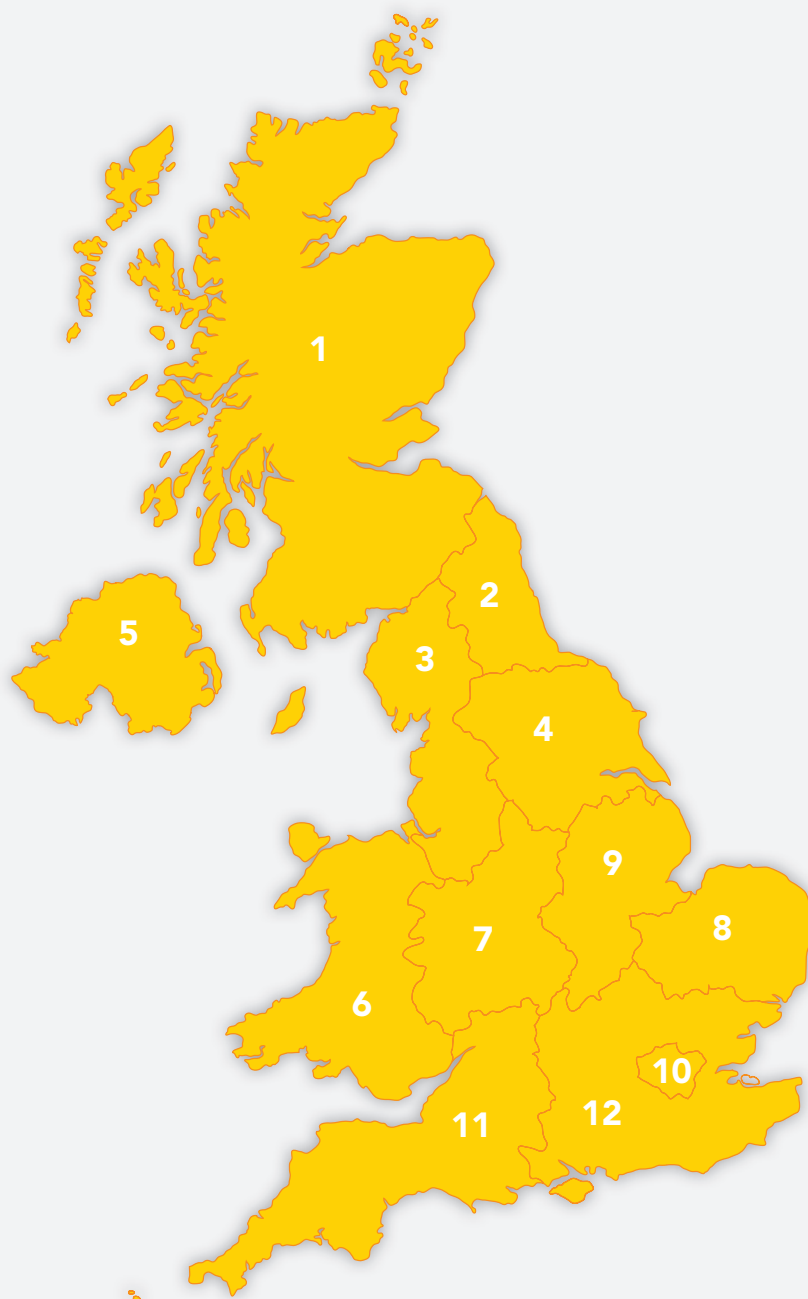
| | |
|---|--|
| 1 Scotland 273 2010 - 358 | 2 North 209 2010 - 211 |
| 3 North West 709 2010 - 684 | 4 Yorks & H'side 545 2010 - 458 |
| 5 Northern Ireland 18 2010 - 26 | 6 Wales 268 2010 - 263 |
| 7 West Midlands 509 2010 - 479 | 8 East Anglia 314 2010 - 258 |
| 9 East Midlands 482 2010 - 468 | 10 London 450 2010 - 458 |
| 11 South West 664 2010 - 642 | 12 South East 1,350 2010 - 1,268 |

DEAN MIRFIN

comments:

“The South East and the South West continue to show increases in new business.”

NUMBER OF EQUITY RELEASE PLANS



Review

- Highest -
South East (£61.5m)
- Lowest -
Northern Ireland (£0.4m)

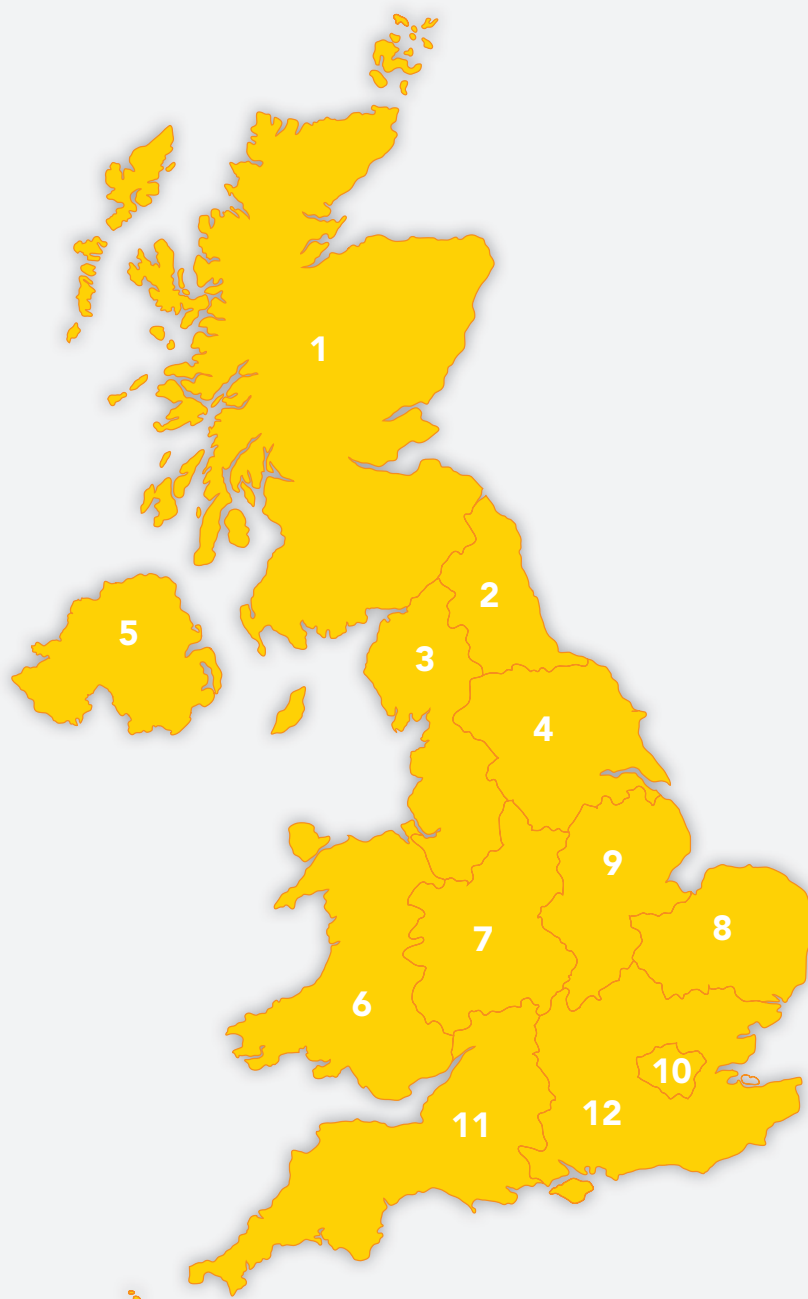
| | |
|--|--|
| 1 Scotland £7.7m 2010 - £12.3m | 2 North £6.6m 2010 - £7.1m |
| 3 North West £26.2m 2010 - £27.2m | 4 Yorks & H'side £18.7m 2010 - £17.1m |
| 5 Northern Ireland £0.4m 2010 - £0.9m | 6 Wales £9.5m 2010 - £8.8m |
| 7 West Midlands £20.5m 2010 - £17.5m | 8 East Anglia £11m 2010 - £11.4m |
| 9 East Midlands £16.4m 2010 - £17.1m | 10 London £44.8m 2010 - £30.5m |
| 11 South West £37.8m 2010 - £34.5m | 12 South East £61.5m 2010 - £71.9m |

DEAN MIRFIN

comments:

“The value of lending in London has increased by 46.5%.”

VALUE OF EQUITY RELEASE PLANS



Analysis

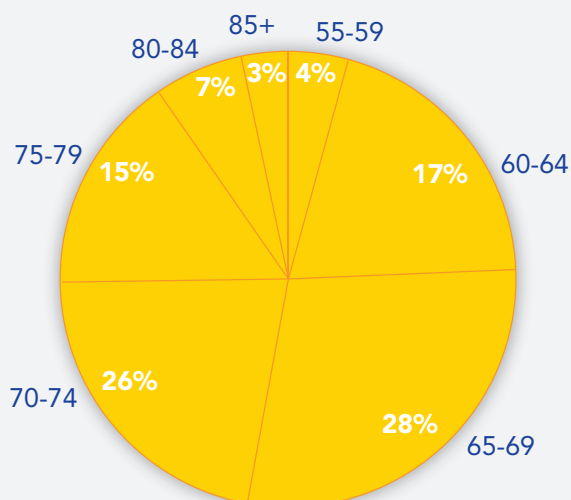
- Average age 68
- Couples make the most of equity release
- Enhanced drawdown on the increase

DEAN MIRFIN comments:

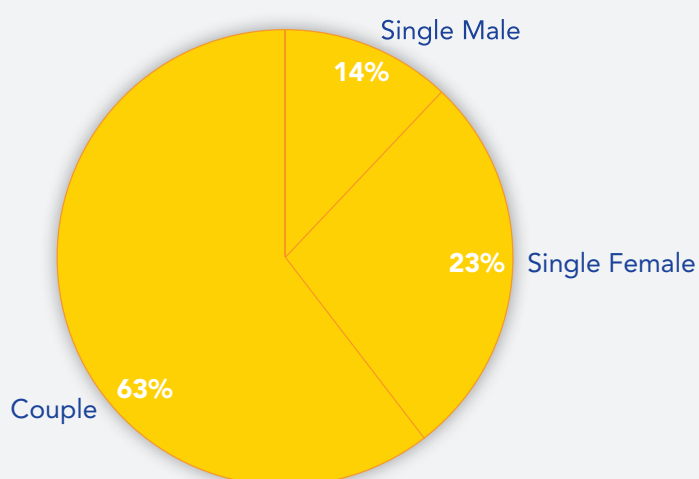
“Drawdown continues to be first choice for borrowers.”



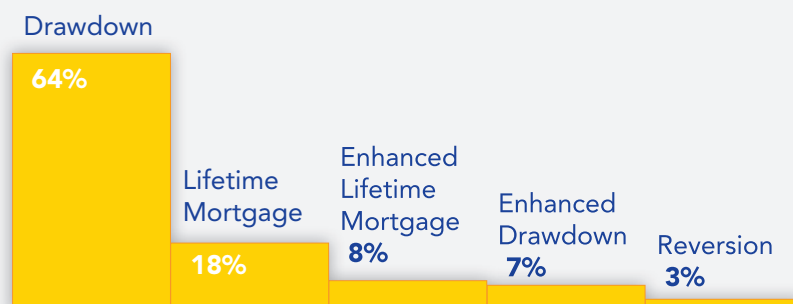
CUSTOMERS BY AGE



CUSTOMERS BY STATUS



PRODUCT MIX



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