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Equity Release Council: Q3 2023 equity release market statistics

Equity release market sees growth for the first time in 12 months as interest rates improve

- Equity release market sees growth for the first time in 12 months with quarterly increases in both new customers (10%) and total lending (8%).
- Total lending reaches £716m in Q3 loaned to 7,379 new customers and 8,466 returning drawdown customers.
- The average initial drawdown is £63,238 but returning customers have the potential to borrow more in the future at the prevailing rate.
- The average lumpsum is £94,806 but both lumpsums and initial drawdowns are down about a third on an annual basis
- Market remains suppressed at 2017 levels with new customers down (45%) and total lending down (58%) on an annual basis.

David Burrowes, Chair of the Equity Release Council, said: “These figures suggest the process of building back is slowly underway in the equity release market, after a period where higher interest rates have prompted consumers and industry to reach for the ‘reset’ button.

“With customers starting to venture back, the market is at the start of a gradual but fragile road to recovery, with pent-up demand likely to emerge in future years as the interest rate cycle begins to turn again.

“While the clock has been wound back on lending activity and loan sizes, product innovation has increased the flexibility of lifetime mortgages.

“New customers of plans that meet our high consumer standards can use voluntary repayments to keep their costs in check while existing customers are free to take extra instalments of money as they need it, safe in the knowledge their previous borrowing is fully insulated from rate rises.

“Looking ahead, we must be wholly committed as an industry to putting equity release in its proper context as one of a range of later life lending options and putting property wealth in its proper context at the heart of every retirement planning conversation.”

1. Key statistics for Q3 2023

Overall activity

- A total of 17,078 new and returning customers used equity release products – primarily lifetime mortgages – between July and September 2023 to unlock wealth from their homes.
- The number of active customers this quarter was very slightly up from 17,028 in Q2, although it remained down 33% year-on-year from 25,519 in Q3 2022
- A total of £716m was unlocked by new and returning customers between July and September. This represents an increase of 8% on the previous quarter (£663m) and meant Q3 was the busiest quarter of 2023 so far for lending.
- Currently lending activity of c.£700m per quarter is broadly in line with levels last seen during the first half of 2017, excluding the first lockdown during the Covid-19 pandemic

Trends among new customers

- The number of new plans agreed during Q3 2023 was 7,379. This was up by 10% from 6,682 in the previous quarter, indicating a slight improvement in consumer confidence and market conditions, although the total remained 45% lower than Q3 2022 which saw 13,452 new plans
- Data from Moneyfacts Group PLC indicates that equity release product pricing improved from an average rate of 7.52% in July to 6.63% in September¹. The Council's Autumn 2023 Market Report shows that the gap between lifetime and residential mortgage rates has fallen significantly both over the last decade and in the last 12 months, making lifetime mortgages more competitive even in an environment of higher interest rates.
- On a monthly basis, new customer numbers rose to 2,502 in July, up from 2,462 in June, and peaked at 2,577 in August before dipping back to 2,300 in September.
- New customers were broadly split when it comes to product choice: 53% opted for drawdown lifetime mortgages, taking an initial withdrawal up-front with more held in reserve for future use, while 47% of customers opted for a single lump sum. This reversed the trend in Q3 2022 when the equivalent split was 48% drawdown and 52% lump sum.
- The combination of customer caution, higher interest rates and lower maximum product loan-to-values (LTV) has seen customers reduce the amount they borrow over the last year:
 - At £63,238, the average first withdrawal from a new drawdown plan was 28% lower in Q3 2023 than a year earlier (£88,340 in Q3 2022).
 - This average first withdrawal is on a par with the average from Q3 2019 (£63,222), despite UK house prices having risen by a quarter (25%) since September 2019.²
 - The average new lump sum lifetime mortgage from July and September was also 29% lower with customers taking £94,806 compared to £133,770 a year earlier. This is the lowest average since Q2 2019 (£93,712).

Trends among returning customers

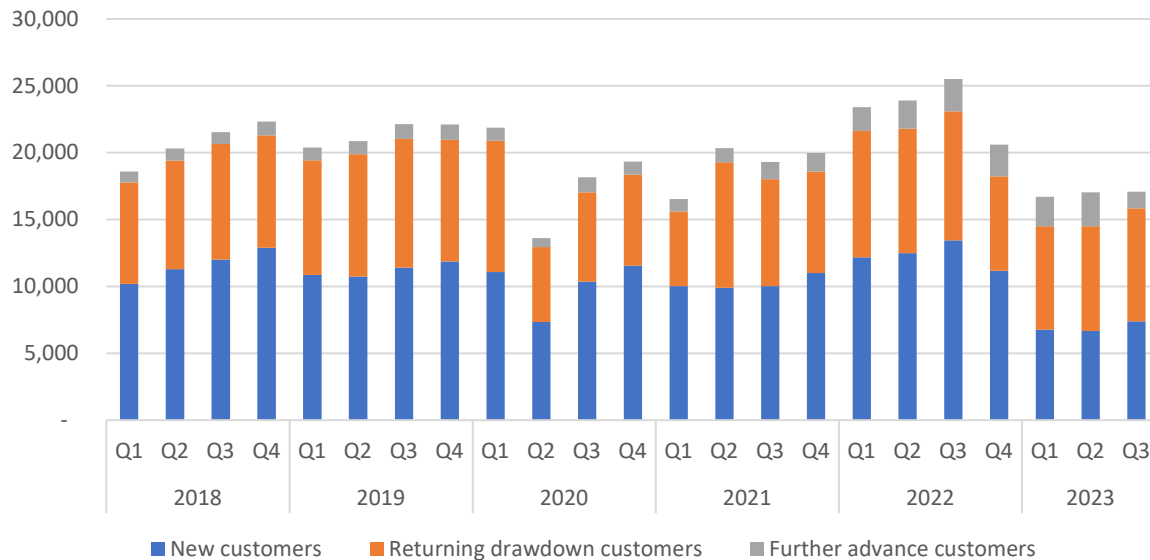
- With interest rates fixed or capped at the point of withdrawal for products which meet Council standards, the number of drawdown customers making new withdrawals from existing loans rose by 8% in Q3 2023 compared to Q2 2023, from 7,817 to 8,466.
- While returning drawdown numbers are still 12% down year-on-year, this part of the market has been the least impacted by the slowdown. This is likely due to existing customers being able to limit the impact of higher interest rates by borrowing incrementally, with their existing borrowing protected from rising rates.
- In common with new customers, returning customers reduced their borrowing in Q3 compared to a year earlier, withdrawing £11,863 on average – down 9% from £12,968.
- The number of further advances (loan extensions) agreed on existing plans fell significantly in Q3 2023, with the total of 1,233 down by 51% from 2,529 in Q2 2023. This is also a 49% decrease compared to a year ago when 2,419 further advances were agreed.

Details of equity release product features and pricing are available via the [Autumn 2023 Market Report](#).

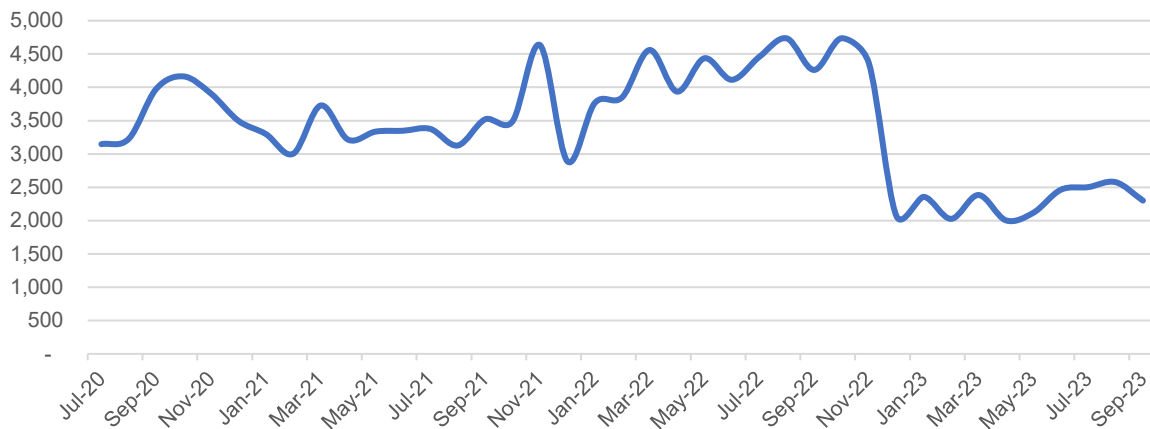
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2. Market data

Graph 1: Equity release customers numbers, by type of customer, Q1 2018 to Q3 2023



Graph 2: Number of new equity release plans agreed per month, July 2020 to September 2023



Source: Equity Release Council

3. About the data

The Equity Release Council's market statistics are compiled from member activity, including all national providers in the equity release market. This latest edition was produced in July 2023 using data from customer activity during the second quarter of the year (April to June). All figures quoted are aggregated for the whole market and do not represent the business of individual member firms.

Equity release products are available to homeowners aged 55+, enabling them to release money from the value of their home following a regulated process of financial advice and independent legal advice to determine whether this is suitable for their individual circumstances and long-term needs. Funds released are typically used for a range of purposes including providing additional retirement income,

funding one-off expenses and lifestyle purchases, consolidating debts, meeting homecare costs and gifting a 'living inheritance' to family or friends.

For a comprehensive list of members, please visit the Council's online member directory.

¹ Data sourced from Moneyfacts' Equity Release Analyser.

² Office for National Statistics, [UK House Price Index](#), August 2023, showing a 25% increase in average UK house prices from £233,536 in September 2019 to £291,000 in August 2023.

4. About the Equity Release Council

The **Equity Release Council** is the representative trade body for the UK equity release sector with more than 750 member firms and 1,900 individuals registered, including providers, funders, regulated financial advisers, solicitors, surveyors and other professionals.

It leads a consumer-focused UK based equity release market by setting authoritative standards and safeguards for the trusted provision of advice and products. Since 1991, more than 650,000 homeowners have accessed £46bn of property wealth via Council members to support their finances.

The Council also works with government, voluntary and public sectors, and regulatory, consumer and professional bodies to inform and influence debate about the use of housing wealth in later life and retirement planning.

For more information:

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