



Equity Release: Adapting And Supporting To Deliver Best Outcomes In A Changeable Landscape

The equity release customer profile is diversifying, it's important we recognise it and evolve in parallel

How closely aligned are housing trends with later life borrowing patterns, and what can it potentially tell us about the market's future direction? The last couple of years have resulted in major changes and shifts in society, with one of the most noticeable occurring in the property sector. The seismic shift in trends in housing, in particular the attendant wealth associated with it, has the potential to drastically alter people's financial habits, especially when it comes to retirement planning. As a result, it's worth asking the question.

The latest figures from the Equity Release Council's Spring Report point to an 11% increase in overall UK property wealth once mortgage debt is discounted, amounting to a combined total of £5.2tr in numerical terms. It's therefore little wonder that we've seen a £569bn increase in the total value of UK housing up to the end of 2021 compared to the previous year, fuelled by a £1.6bn daily increase – or over £1m a minute. The rate of house price movement is perhaps best illustrated by the fact that from Q1 2020 to Q4 2021 nearly £42,000 has been added to the average house price, which now sits at just under £275,000.

The effect of all this is two-fold: first-time buyers are finding it ever-harder to make it on the ladder, with figures from the ONS showing that house prices grew faster than earnings in 91% of local authority districts. In England, a home typically now costs an average of 9.1 times earnings, up from 7.9 times in 2020 and 3.5 times in 1997. Secondly, many homeowners (and especially those approaching, or who are already in, retirement) now have ever-rising levels of housing equity, meaning that they have access to more funds than ever before should they elect to use their property as a financial planning tool – either for their

own retirement, or to assist those nearest to them.

As equity release and other later life financial products become increasingly commonplace, as has gifting or offering a 'living inheritance', we've seen continued growth within the market, with the £4.8bn of property wealth released last year representing a six-fold growth from 2011, and over double that released in 2016. While unsurprising given the current landscape, the average property worth of a new equity release customer now sits at over £400,000, highlighting the increased use of property in retirement planning among wealthier retirees. Additionally, year-on-year the average agreed drawdown amount has risen 21% to over £123,000 while the average LTV also rose 2.5% to over 30%, suggesting not only a more affluent client base but also one prepared to release larger sums.

In addition to a more diverse client base and movements in the property market, the sector's growth has undoubtedly also been helped by a competitive marketplace, with 310 products now offering a sub-4% interest rate, compared to just 63 at the start of 2020. This has brought the market's average rate down to 4.16% as of January this year, reducing the cost of borrowing £100,000 for a decade down to just over £50,000 from over £82,000 back in January 2016 (when average market rates were 6.2%).

The market has undoubtedly entered this year in a good place, and the outlook continues to look positive for the rest of 2022 as rising house prices, a changing and diversifying customer profile and product innovation have all contributed to make lifetime mortgages an attractive retirement planning option.

However, we can't lose sight of the need to continue offering the best possible product solutions. While there

has been a post-pandemic uptick in aspirational equity release use, the rising cost of living and greater numbers of people turning to private healthcare to avoid NHS waiting lists, there's a real need to develop adaptable products suitable for a variety of circumstances. It's something we've remained committed to through the rolling out of our flexible pricing structure, allowing up to 1,000 different price points contingent on, and individualised to, client circumstances.

Additionally, it's vital that advisers are adequately supported in an especially dynamic marketplace in order to ensure the best outcomes for their clients. Following on from partnering with the Equity Release Council to produce and deliver an updated version of The Adviser Guide To Equity Release last year, we've also contributed to their new adviser induction sessions to ensure new entrants receive adequate support from their first days in the market. We're also hosting a number of events throughout the year as part of a wider commitment to ensuring our adviser network are kept informed about not only our key developments, but also wider market movements, to help them deliver effective client outcomes.

A number of factors have contributed to the later life lending space continuing to be an incredibly interesting and growing area of financial services. However, it's important that, in order to continue this trajectory, those of us who operate in it don't lose sight of the need to continue to provide solutions and support to both consumers and advisers alike.

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