Q2 2024 lending data: full report

New customer revival drives 15% rise in Q2 equity release lending

Overall activity	Q2 2023	Q1 2024	Q2 2024	Quarterly change	Annual change
Total lending	£664m	£504m	£578m	+15%	-13%
Total customers	17,028	14,216	14,324	+1%	-16%
New customers	6,682	4,698	5,240	+12%	-22%
Returning drawdown customers*	7,817	7,753	8,051	+4%	+3%
Further advance customers*	2,529	1,765	1,033	-41%	-59%

The Equity Release Council's latest quarterly market report shows a double-digit rise in the number of customers taking out new products.

It makes Q2 2024 the busiest quarter since Q3 2023 for the equity release market in terms of total customers served and total lending activity. New customer numbers rose by 12% in Q2, compared with Q1, while total lending rose 15% to £578m.

In addition, existing drawdown customers, who are allocated a cash reserve when they first take equity release, continued to make use of this facility. A 3% increase to 8,051 returning drawdown customers during Q2 made this the most resilient part of the market when comparing activity year-on-year.

Increases in average loan sizes on both a quarterly and annual basis offer another sign of returning customer confidence.

Average loan sizes	Q2 2023	Q1 2024	Q2 2024	Quarterly change	Annual change
New lump sum	£94,226	£103,492	£110,969	+7%	+18%
New initial drawdown	£59,294	£59,660	£65,453	+10%	+10%
New drawdown reserve	£49,350	£55,251	£45,839	-17%	-7%
Returning drawdown	£11,457	£11,961	£12,097	+1%	+6%
Lump sum further advance*	£22,643	£16,885	£28,192	+67%	+25%
DD initial further advance*	£24,182	£22,953	£26,641	+16%	+10%
DD further advance reserve*	£14,058	£6,624	£8,296	+25%	-41%

* The relatively small number further advances taken out (1033 in Q2 2024) means that data on this specific metric is more volatile.

New drawdown customers are making larger initial withdrawals and reducing the amount held in reserve.

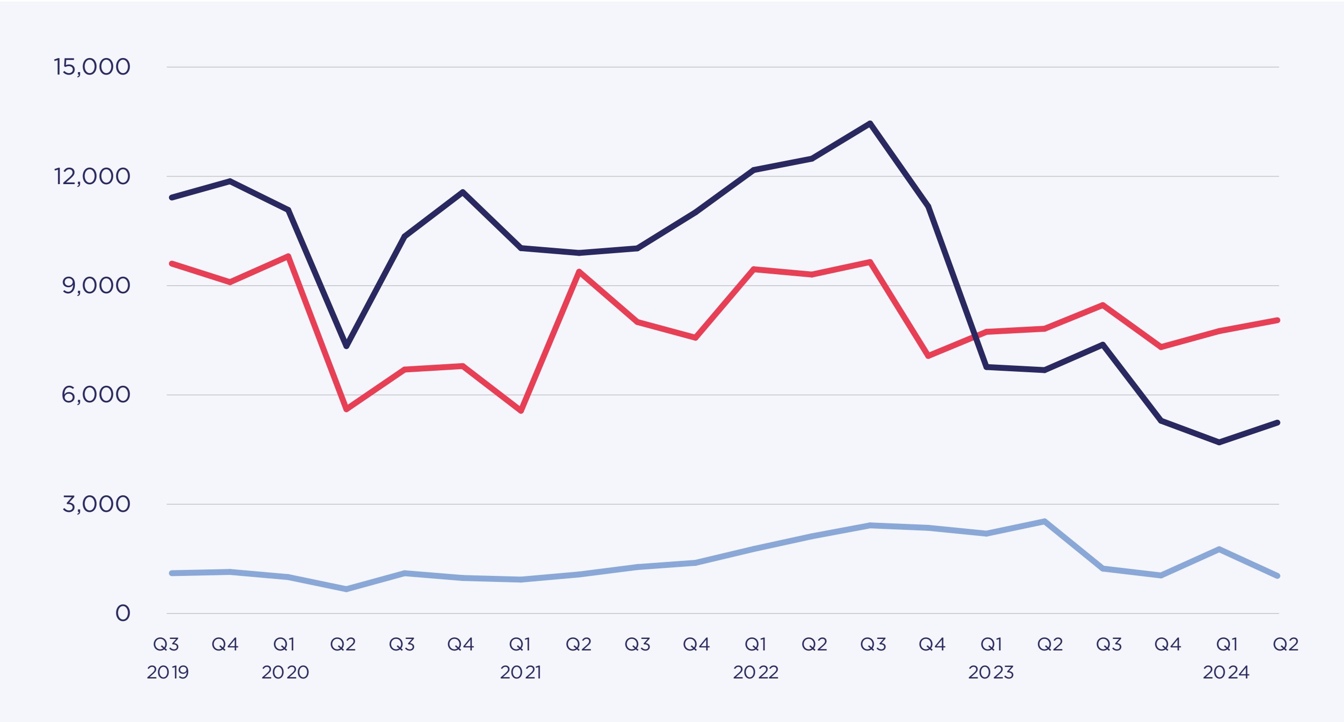
In Q2 2024, new drawdown customers made larger initial withdrawals (£65,453) and reducing the amount held in reserve (£45,839). However, the initial advances were well below historic levels (Q1 2021 – £96,699) and suggest that customers are cautiously confident – using their initial advance to meet a specific need and reserving a modest amount for future use.

Both new drawdown customers and those seeking further advances took larger initial drawdowns in Q2 2024 than in Q1 or the equivalent period of 2023. However, in both cases this was balanced out by a reduction in the amount reserved for future use.

Product choice among new lifetime mortgage customers remained steady with 56% choosing drawdown and the remaining 44% choosing lump sum products.

Equity release customer numbers

The chart below shows the total number of **new customers**, which includes lump sum and drawdown customers, as well as the number of **returning drawdown customers** and the number of **existing customers** taking further advances.



The data shows new customer numbers starting to recover in Q2 after a slow start to 2024 in the first quarter.

The number of returning drawdown customers has continued its steady rise seen over the last 18 months, while heightened interest from existing customers in taking further advances has started to tail off and return towards historic levels.

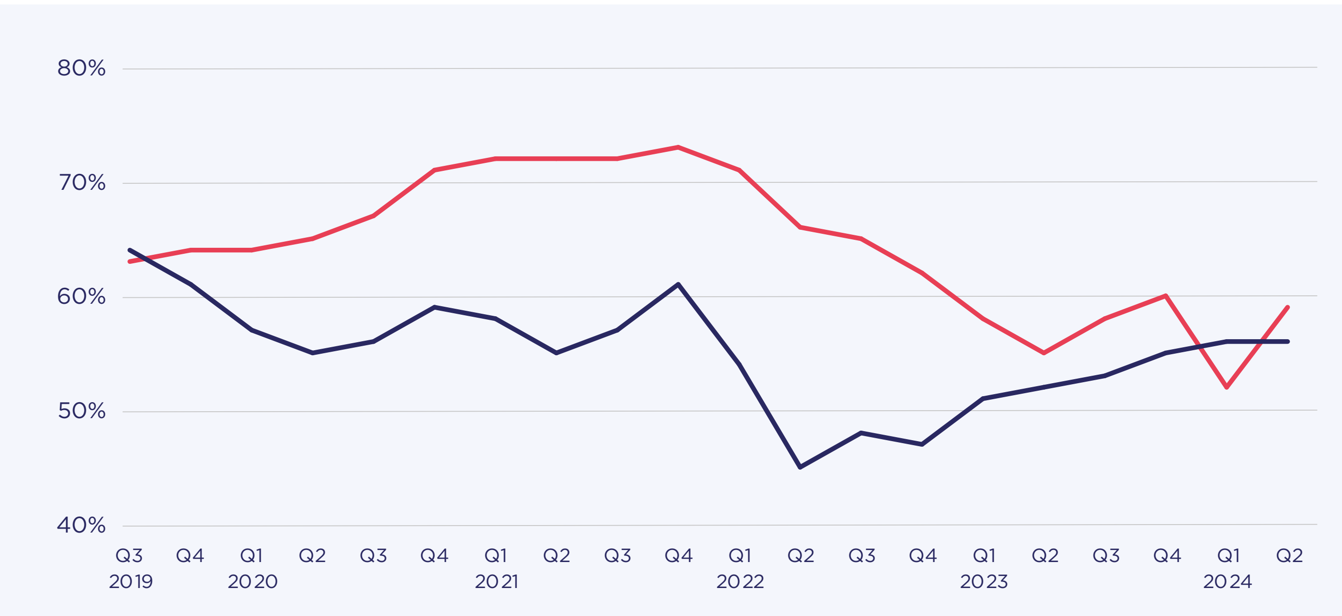
Average new loan sizes

The following table shows the average **new lump sum** against the average **new drawdown**. The latter includes the initial loan and reserve facility.

While new drawdown customers have typically agreed larger loans than lump sum customers in recent periods, the two were very closely aligned in Q2 2024. Across both products, average loans remain c.15-20% lower than at the height of the 2022 boom.

Product preferences

The chart below shows the percentage of the **new customers choosing drawdown plans** and the **percentage of the average loan taken up front**.

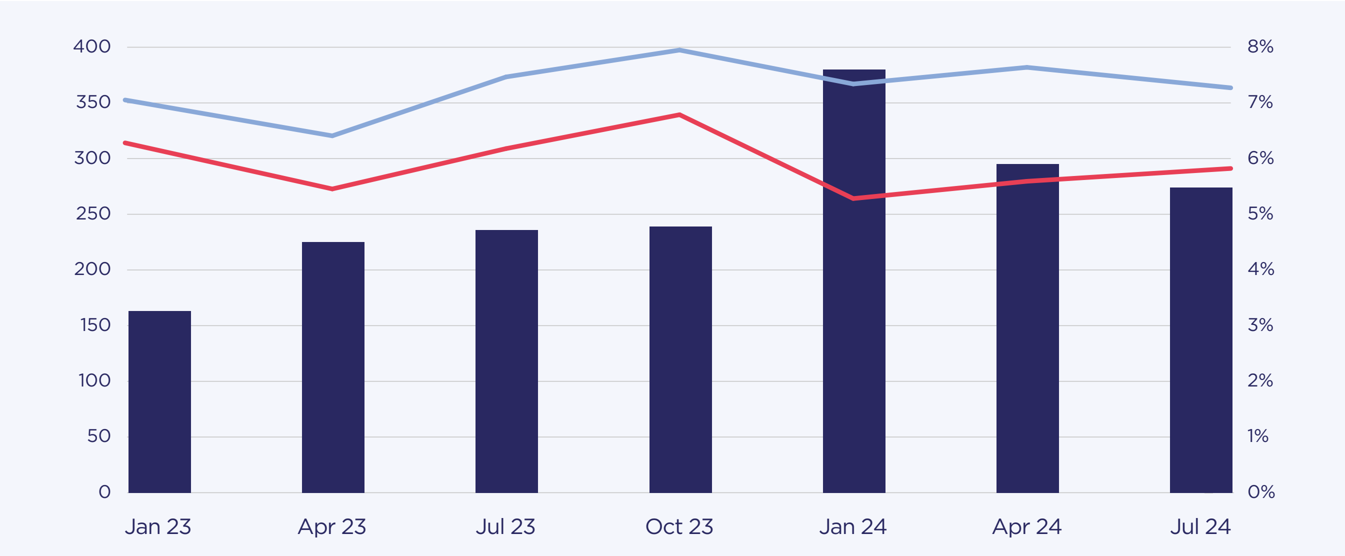


After losing some of their appeal in 2022 when rate rises were predicted, drawdown products are continuing to re-establish their position as the majority preference among new customers. Almost three in five (59%) chose that option in Q2 2024.

In comparison to 2020-21, new drawdown customers continue to take less of their loans upfront and reserve a larger percentage for future use. By limiting their borrowing in this way, they stand to benefit if they can make future withdrawals at lower rates.

Product availability and rates

The table below shows the **total available products** against the **lowest advertised rate** and the **average advertised rate**. This data is provided by Moneyfacts Plc.



Total lending and customers served

The graph below charts the **total lending** and the number of **active customers** in the market for the last five years when growth across the entire mortgage industry declined abruptly following the 2022 mini budget. Active customers are defined as those taking out new plans, drawdowns or further advances. It is not the total number of people with existing plans.

Commenting on the Q2 data, David Burrowes, chair of the Equity Release Council, said:

"Following a period of economic uncertainty, we are starting to see consumer confidence gradually return to the market with increasing numbers of new customers choosing to use their housing equity to support their needs in later life.

"The pick-up in activity between the first and second quarters is a welcome reversal of the downward trend seen one year ago. There is a long way to go to unlock the market's full potential, but there are reassuring signs in these figures that we are turning the corner and acclimatising to this unfamiliar interest-rate environment after years of rock-bottom rates.

"Almost 20 years on from their introduction, it's notable that drawdown products are becoming the majority preference once again. Some of the new flexibilities embedded into the modern market such as fixed early repayment charges are equally designed for the long-term and set up so that customers can benefit from years to come.

"Adviser feedback suggests customers are continuing to find a variety of uses for their property wealth, with gifting and funding home improvements both key motives behind activity in Q2 along with boosting everyday income and closing pension shortfalls.

"However, refinancing an existing mortgage, including interest-only loans, continues to rank as the biggest driver of current market activity. The innovative design of modern lifetime mortgages means anyone taking this route will have lots of ways to smooth the transition, not least the freedom to make repayments when they can afford to without the risk of repossession looming over them."

The above comment also appears in the press notice for this report which is available **here**.

About the data: The Council's market data is compiled from actual whole-of-market returns and is in no part estimated, making it the UK's definitive equity release data. All data has been collated by the Council, unless otherwise stated.

About the product: Equity release allows older people to access the wealth in their homes, without necessarily having to sell or move. Lifetime mortgages make up more than 99% of the market. They enable people to borrow against their homes without making repayments unless they choose to. The loan and interest, or part thereof, is paid when the customer dies or goes into long term care. Since 1991, more than 675,000 homeowners have accessed £49bn of property wealth via Council members to support their finances.

About the Council: The Council is the representative trade body for the UK equity release market. Plans that meet the Council's standards come with five product safeguards: no negative equity guarantee; fixed or capped rates for life; the right to port; the right to make overpayments; and secure tenure for life. These safeguards are underpinned by mandatory independent legal advice which ensures the customer understands the risks and implications of the plan.

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Equity Release Council