



The equity release landscape and market outlook for 2025

by Patrick Oldham, Equity Release Proposition Director

As we enter 2025, the equity release market appears poised for growth, driven by demographic shifts and evolving consumer needs. In this article, LV= Equity Release Proposition Director, Patrick Oldham, explores the current equity release landscape, its implications for later life lending, and what the future may hold.

For individuals preferring not to downsize, the ability to release equity from their home to help them not only fund but enjoy their retirement is becoming increasingly appealing to those approaching retirement age.

Over the past decade, the equity release market has seen remarkable growth, with a substantial increase in the number of products available and a rise in consumer awareness. According to the Equity Release Council's market statistics, there's been market growth of 450% from 2013 to 2022.



However, the landscape shifted when rising inflation led to increased borrowing costs, particularly in the lead-up to the mini-budget in September 2022. This event impacted consumer confidence, further fuelling inflation and sending interest rates on an upward climb, resulting in a dip in the market that persisted throughout 2023.

Currently, as economic conditions stabilise, the equity release market is showing signs of recovery. The Equity Release Council highlights positive momentum for the industry, with their market report for Q4 2024 revealing that over 15,000 customers were active in the equity release market for the first time since Q3 2023, either agreeing new plans, taking drawdowns from existing plans or securing further advances to existing plans. The Council's Winter 2024 Market Report also revealed that rates appear to have stabilised, with average APRs for new lifetime mortgage products reaching a 2024-low of 6.31% in September, representing a marked improvement on the 7% average seen in 2023.

At LV=, we are optimistic about the long-term growth of the market. We've seen attitudes towards equity release rates shift, with our subsequent Wealth and Wellbeing results from September 2024 revealing that 44% of UK consumers who are considering equity release would consider a lifetime mortgage, a loan secured against the value of their property, at the current interest rates, a 13% increase from the previous report in March.

Current trends in the equity release market

The Equity Release Council's Q4 market data indicates continued modest growth seen in Q3, with total lending rising for a third successive quarter to £622m, up by 16% from £525m Q4 2023.

But what are the reasons for this continued growth?

- Demographic shifts** – The aging population in the UK is a significant driver of equity release market growth. The Office for National Statistics (ONS) predicts that by 2050, approximately 25% of the UK population will be aged 65 or older. This demographic shift creates a larger market for equity release products as older homeowners seek to supplement their pensions and manage their finances in retirement.
- Pension shortfalls** – A recent study by the Pension and Lifetime Savings Association revealed that individuals require pension pots between £300k and £500k for a moderate retirement income of £31k, yet the average pension pot for women approaching retirement is only £69k, and for men, it's £205k. Research from Savills indicates that individuals over 50 hold around £5 trillion in property equity, surpassing the total value of pension funds in the UK. Our Wealth and Wellbeing research (December 2024) shows that 18% of surveyed customers are uncertain about how they will fund their retirement. Given the growing savings gap and the gender pensions gap, accessing home equity could be a logical choice for many.
- Rising property values** – The increase in property values over the past decade has supported the growth of the equity release market. With experts predicting that UK property prices will continue to rise in 2025, homeowners are realising the potential of their untapped equity, driving demand for equity release products to enhance their financial situation.
- Increased consumer awareness** – Industry bodies, financial advisers, and providers are actively educating consumers about the benefits and risks associated with equity release. However, greater awareness of the opportunities that equity release presents is still required and we believe should be considered as part of holistic financial planning in later life. This increased awareness will help to demystify the process and encourage more homeowners to consider releasing equity from their home as a viable option for later life funding.



The 2025 outlook for later life lending

We anticipate steady growth in the equity release market over the next few years. Several key trends and predictions are likely to shape the landscape of equity release and the broader later life lending market as we move through 2025 and beyond.

- **Product innovation** – As an industry, we must improve awareness and understanding of recent product developments. As the market evolves, providers are expected to introduce further products tailored to the diverse and evolving needs of older homeowners.
- **Integration with financial planning** – Moving forward, the consideration of housing wealth will need to become increasingly integrated into comprehensive financial planning for retirement. Financial advisers play a crucial role in helping clients understand how releasing equity can fit into their overall retirement strategy.
- **Evolving consumer needs** – The needs and preferences of older homeowners will continue to evolve, driven by changing lifestyles and economic conditions. Providers must remain agile and responsive to these shifts, offering flexible solutions that cater to individual circumstances.

The LV= difference

Having been a leading provider of equity release products since 2002, LV= is committed to the equity release market with product innovation and market collaboration remaining key components of our strategy. Over the years LV= has evolved its products with a particular focus on flexibility and the changing needs of consumers. We have a unique drawdown Early Repayment Charge (ERC) structure on our [LV= Lifetime Mortgage](#) products, setting the ERC period for future drawdowns from the original loan completion date rather than the point of advancing future drawdowns. Additionally, to help clients manage their rolled-up interest, we offer unlimited ERC-free repayments up to 11% of total advances each year, with fixed ERCs ending after eight years for our Lifetime Mortgage Lifestyle products. On our Plus range, customers can repay up to 10% of total advances each year ERC-free, with fixed ERCs ending after 10 years. For both product ranges, this includes drawdowns from the existing facility, excluding additional advances. Should your clients' circumstances change, we also offer downsize protection from year five onwards, with the ability to port a mortgage to a different property with no ERCs.

No ERCs after

8 years

on the Lifestyle product range

10 years

on the Plus product range

Our Wealth and Wellbeing research indicates that deterioration of physical health is the top concern for those who haven't retired yet (29%), with deterioration of mental health being in the top five worries at 17%. To support our lifetime mortgage customers, we provide two additional services: LV= Doctor Services and Care Navigator*.

LV= Doctor Services offers access to fast and convenient medical support through an app or phone, including 24/7 remote GP consultations and a second opinion service.

Care Navigator connects clients with experienced nurses who offer both empathetic and practical guidance, helping them navigate the complexities of the adult social care system.



Both services are available to clients and their family members, demonstrating our commitment to providing the financial tools and support needed during challenging times.

Alongside the unique benefits offered with an LV= Lifetime Mortgage, security of tenure and a no negative equity guarantee comes as standard. So, your clients can live confidently in their home until they move into long term care or pass away, with the peace of mind that the amount owed will never exceed the value of the property at the point of repayment.

Looking into the future we know the later life lending landscape will continue to evolve, influenced by demographic trends and evolving consumer needs and expectations. As the market matures, equity release will likely play an increasingly vital role in helping older homeowners unlock the value of their properties, providing them with the financial flexibility they need to enjoy their retirement years.

Enhancing customer understanding of products and aligning expectations with economic realities will be crucial. With careful consideration of consumer needs and a commitment to responsible lending, we believe the future of later life lending looks promising.

Find out more about [LV= Lifetime Mortgages](#)

Sources:

Equity Release Council: [Q3 2024](#) and [Q4 2024](#) lending figures

Equity Release Council: [Unmet later life lending demand evident as equity release market signals recovery - Equity Release Council](#)

LV= Wealth and Wellbeing reports, March, September and December 2024 reports

The Office for National Statistics: [Living longer and old-age dependency – what does the future hold?](#)

Pension and Lifetime Savings Association: [Retirement Living Standards](#)

Savills: [Housing wealth held by over 65s](#)

Rightmove: [2025 housing market forecast: 5 things you need to know | Property news](#)

LV= Wealth and Wellbeing report, December 2023

* LV= Doctor Services is provided by Square Health Limited and Care Navigator is provided by MorganAsh. These are non-contractual benefits which can be changed or removed at any time. These services are not regulated by the Financial Conduct Authority or the Prudential Regulation Authority.

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