INDUSTRY REPORT OD4206

Reverse Mortgage Providers in Australia

Reversed: The effects of the COVID-19 outbreak have reduced industry demand and revenue

Danny Martin | June 2022

Contents

Recent Developments

Inflation pressures cause the RBA to raise interest rates

Concerns regarding inflation have prompted the RBA to raise interest rates. Surging demand and supply chain turmoil due to the COVID-19 pandemic, compounded by geopolitical tensions abroad, have contributed to the high inflation pressures. The RBA has therefore increased the cash rate target three times over the four months through August 2022 to limit spending and tame inflation. Rising interest rates are likely to increase the cost of borrowing and subdue business confidence, while simultaneously taming inflation.

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About This Industry

Industry Definition

Companies in the industry provide reverse mortgages, which are loans available to seniors that are used to release the equity in a property, usually as a line of credit, lump sum or income stream.

Major Players

Westpac

Heartland Australia Holdings

Macquarie

Main Activities

The primary activities of this industry are:

Reverse mortgage lending

Reverse mortgage origination

Reverse mortgage servicing

The major products and services in this industry are:

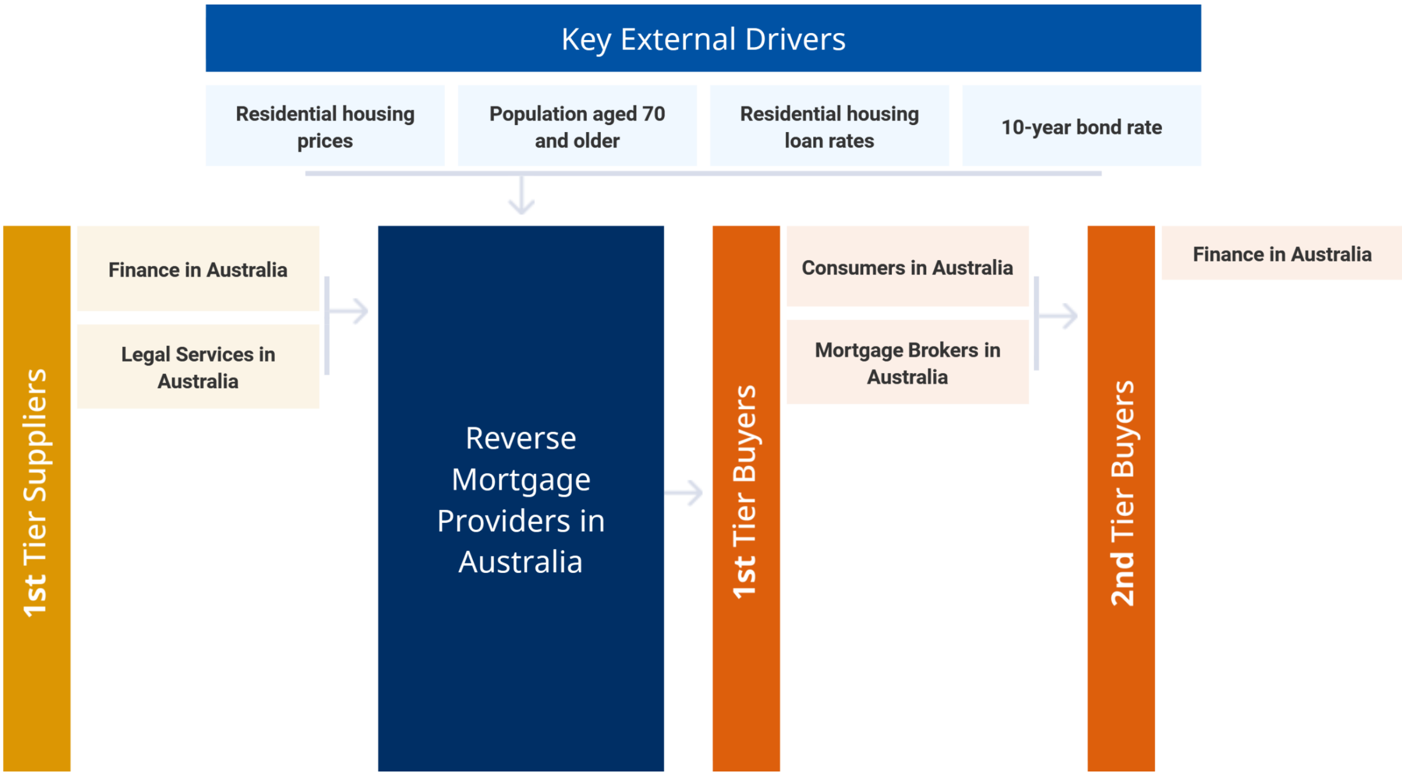
Lump-sum loans

Progressive drawdown

Lump sum and income stream and other

Line of credit

Supply Chain



SIMILAR INDUSTRIES

Credit Unions and Building Societies in Australia

Complementor

Non-Depository Financing in Australia

Complementor

National and Regional Commercial Banks in Australia

Complementor

Mortgage Brokers in Australia

Complementor

RELATED INTERNATIONAL INDUSTRIES

Reverse Mortgages Providers in the US

Industry at a Glance

Key Statistics

$271.0m
Revenue

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
-0.4%	1.7%	

$5.7m
Profit

Annual Growth 2017–2022	Annual Growth 2017–2022
-10.5%	

2.1%
Profit Margin

Annual Growth 2017–2022	Annual Growth 2017–2022
-1.5pp	

9
Businesses

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
-2.1%	-2.3%	

257
Employment

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
-0.4%	-0.2%	

$25.4m
Wages

Annual Growth 2017–2022	Annual Growth 2022–2027	Annual Growth 2017–2027
-1.8%	-0.2%	

Key External Drivers

% = 2017–22 Annual Growth

3.4%
Population aged 70 and older

-2.7%
Residential housing loan rates

-2.7%
10-year bond rate

Industry Structure

POSITIVE IMPACT

Capital Intensity
Low

Industry Globalization
Low / Steady

Barriers to Entry
High / Steady

MIXED IMPACT

Revenue Volatility
Medium

Technology Change
Medium

Industry Assistance
Medium / Decreasing

NEGATIVE IMPACT

Life Cycle
Decline

Regulation & Policy
Heavy / Increasing

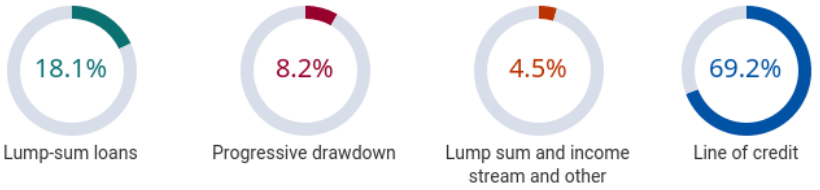
Concentration
High

Competition
High / Increasing

Key Trends

- The falling cash rate and low product awareness have driven the exit of industry operators
- The ageing population is supporting demand for industry products due to the old target market
- Economic recovery following the COVID-19 pandemic is expected to boost revenue in the current year
- A rise in the cash rate is likely to support industry revenue over the next five years
- House prices are forecast to decline over the next five years, weighing on revenue growth
- The most recent generation of retirees will likely have lower superannuation balances for retirement
- Australian public's knowledge of reverse mortgages is minimal, hindering industry providers

Products & Services Segmentation



Reverse Mortgage Providers
Source: IBISWorld

Major Players

- 35.1% Westpac
- 20.3% Heartland Australia Holdings
- 9.9% Macquarie
- 34.7% Other

Reverse Mortgage Providers
Source: IBISWorld

SWOT

S **STRENGTHS**

High & Steady Barriers to Entry
Low Imports
Low Capital Requirements

W **WEAKNESSES**

Medium & Decreasing Level of Assistance
High Competition
Decline Life Cycle Stage
Low Profit vs. Sector Average
High Customer Class Concentration
High Product/Service Concentration

O **OPPORTUNITIES**

High Revenue Growth (2017-2022)
High Performance Drivers
Population aged 70 and older

T **THREATS**

Low Revenue Growth (2022-2027)
Residential housing loan rates

Executive Summary

Reversed: The effects of the COVID-19 outbreak have reduced industry demand and revenue

Operators in the Reverse Mortgage Providers industry have faced difficult conditions over the past five years. While many players resumed issuing new reverse mortgages at the start of the period, some have ceased new lending or have exited the industry over the past five years. Due to government-backed competition and economic uncertainty for lenders throughout the COVID-19 pandemic, industry revenue is anticipated to decline at an annualised 0.4% over the five years through 2021-22, to $271.0 million. Revenue is expected to increase by 4.7% in the current year, due to the economic recovery following the COVID-19 pandemic. Currently, industry services are offered by non-bank providers.

Australian public's knowledge of reverse mortgages is minimal, despite the wealth of untapped home equity among the population qualified to take out a reverse mortgage. The industry provides a service for retirees, enabling them to release some of the equity built up in their homes. However, some major banks have withdrawn from the industry over the past five years. For example, CBA withdrew from the industry in 2019 due to increasing costs and tougher regulations.

As the portion of Australia's population aged 70 and older continues to grow over the next five years, demand for reverse mortgages is projected to rise. However, industry operators are forecast to face competition from other types of equity release products over the period. People aged 70 and older will likely remain the largest market for the industry as the retirement age continues to rise. A decline in house prices, which affects the amount that can be borrowed, is projected to weigh on growth in reverse mortgages. A projected rise in the cash rate will drive interest revenue higher. Industry revenue is forecast to grow at an annualised 1.7% over the five years through 2026-27, to $294.9 million.

Industry Performance

Key External Drivers 2014–2027

Reverse Mortgage Providers
Source: IBISWorld

Key External Drivers

Residential housing prices

As the maximum value of a loan issued is determined by the loan-to-value ratio, the higher the value of the residential property, the greater the amount that can be borrowed. As residential housing prices grow, individuals and households can borrow a greater amount, expanding the size of reverse mortgage providers' lending portfolios. This growth tends to increase interest income, supporting industry revenue. Residential housing prices are anticipated to significantly increase in 2021-22.

Population aged 70 and older

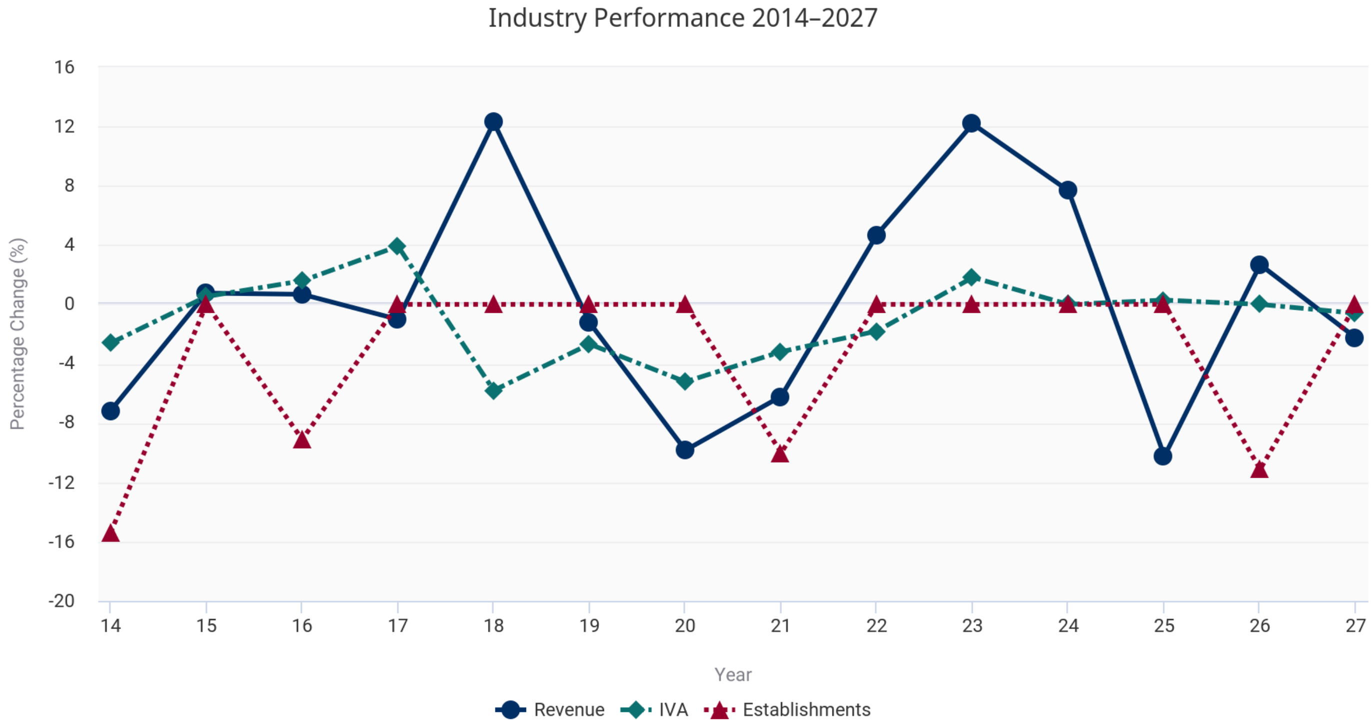
Reverse mortgages are a form of equity release reserved for those aged 60 and above. Reverse mortgages allow the mortgage holder to unlock the equity in their home and convert it to cash. Individuals and households in this age bracket are often asset rich but income poor, so growth in this demographic provides an opportunity for industry operators. A greater number of people aged 70 and older generally drives demand for reverse mortgages and revenue for industry operators. The population aged 70 and older is anticipated to rise in 2021-22, providing an opportunity for the industry to expand.

Residential housing loan rates

The interest rate charged on reverse mortgages, while often slightly higher, typically moves in line with residential housing loan rates. Growth in residential housing loan rates generally boosts interest rates on reverse mortgages, generating greater interest income for industry players. Conversely, lower residential housing loan rates can pose a threat to the industry. Residential housing loan rates are expected to slightly fall in 2021-22, representing a threat to industry operators.

10-year bond rate

The 10-year bond rate affects the cost of funds in the long-term wholesale debt market. An increase in the bond rate tends to raise the cost of funding for lenders. To cover the higher cost, lenders typically increase interest rates on reverse mortgages, increasing interest income for industry operators. The 10-year bond rate is anticipated to rise in 2021-22.



Reverse Mortgage Providers
Source: IBISWorld

Current Performance

The Reverse Mortgage Providers industry has faced difficult conditions over the past five years due to falling interest rates.

This has prompted multiple industry participants to exit the industry or cease offering new reverse mortgages. Low product awareness among the target market and a falling cash rate over the period have made it difficult for operators to generate any sizeable growth from outstanding reverse mortgages. Overall, industry revenue is anticipated to drop at an annualised 0.4% over the five years through 2021-22, to $271.0 million. However, revenue is expected to grow by 4.7% in the current year, due to rising cash rates increasing the revenue from their products and the economy's recovery following the COVID-19 pandemic, supporting businesses and consumers.

COVID-19 PANDEMIC

The RBA had consistently cut the cash rate to 2020-21 years to boost the Australian economy.

The effects of cash rate cuts have been further compounded by the COVID-19 pandemic over the two years through 2020-21. The pandemic and the subsequent economic downturn led to the RBA cutting the cash rate to a historic low of 0.1% as of March 2022. The lower cash rate has put pressure on industry operators to lower borrowing costs for clients. However, the current year's increases have contributed to industry revenue growth.

HOME EQUITY ACCESS SCHEME

The government-backed Home Equity Access Scheme (HEAS), formerly known as the Pension Loans Scheme (PLS), came into effect on 1 July 2019.

It offers older Australians an income to supplement their pension. HEAS enables borrowers to receive a capped fortnightly payment, at a discounted interest rate. Eligible borrowers can access the HEAS at a maximum of $17,800. The HEAS is an alternative for retirees who cannot access equity release products after some operators ceased to offer new reverse mortgages. Currently, the HEAS charge borrowers a 3.95% interest rate. The HEAS is expected to influence industry providers as the interest rates currently charged by HEAS are lower than some of the rates charged by industry operators, which can be over 5.6%.

OPERATING LANDSCAPE

Reverse mortgages, also known as equity release products, enable homeowners over 60 years old to access finance by using the equity in

their homes while living in the property.

These loans do not require borrowers to repay until the borrower sells the property or dies. The loan amount differs, depending on the value of the property and the age of the borrower. The loan is largely between 25% and 45% of the property value.

Lenders can be split into two categories: authorised deposit-taking institutions and non-deposit-taking institutions. The former includes banks and secures funds primarily from depositors to provide industry products. The latter sources almost all funding from wholesale capital markets, meaning these institutions borrow from other financial institutions and institutional investors.

The falling cash rate and low product awareness have prompted the exit and inactivity of multiple industry operators over the past five years. Although some financial institutions have stopped writing loans altogether, others have become brokers for active participants. Brokers often distribute white-labelled products or market products on behalf of the issuer. Despite this, direct channels have become the preferred method of distribution, with consumers typically receiving independent financial and legal advice before applying for a loan.

Multiple industry operators like Heartland Seniors Finance and Macquarie resumed issuing new reverse mortgages in 2014. However, Macquarie and Westpac stopped issuing new loans and taking active roles in the market in 2017. Despite this, they are still honouring their existing obligations on reverse mortgages. Overall, the number of industry enterprises has declined marginally over the past five years. In addition, employment numbers and wages have declined over the period, due to industry consolidation and some operators ceasing to offer new reverse mortgages, thereby reducing labour requirements for these firms. As more lenders have withdrawn reverse mortgage products, it has become more difficult for homeowners to access equity release products. This in turn has hindered industry performance over the past five years.

FALLING INTEREST

A major factor behind the industry's revenue decline over the past five years has been the falling cash rate.

In an attempt to stimulate the economy and due to below-target inflation, the RBA had consistently reduced the official cash rate to historic lows up to 2020-21. Because most of the loans written by industry participants are variable interest loans, lenders have faced significant pressure to pass on these rate cuts to borrowers. This trend has negatively affected interest revenue generated from outstanding loans and settlements. Consequently, industry profitability has dropped over the period.

DEMAND FUNDAMENTALS

The underlying demand for reverse mortgages lies in Australia's ageing population and the rising residential housing prices.

As more people enter retirement, demand for industry products generally increases. The appreciation of Australian residential real estate is another incentive for people to take out reverse mortgages. Reverse mortgages give people access to the equity built up in their homes and provide funds for a better lifestyle during their retirement. An ageing population and rising house prices are typically favourable for lenders but due to a lack of awareness of reverse mortgages, consumers have been slow to adopt industry products compared with other types of lending. Furthermore, the rising retirement age has contributed to the lack of demand for the industry. With people working to an older age, income streams have been sustained for longer and less financial support has been required.

ASIC REVIEW

In late 2017, ASIC examined financial institutions' compliance with responsible lending obligations and measured consumer understanding of products, borrowing experiences and outcomes.

In August 2018, ASIC published a review of reverse mortgage lenders in Australia, predominantly covering the lending practices of industry operators and providing recommendations for improvements. The ASIC review outlined how reverse mortgages could help older Australians improve their financial situation and the benefits of the no negative equity guarantee, enhancing consumer protection and reducing borrowers' risk. However, the report revealed that borrowers were not fully aware of the risk and potential to be left with insufficient equity. Furthermore, the report highlighted the lack of options for consumers. The review proposed several further actions to improve access to reverse mortgages, ensure that borrowers are fully informed about the product when making decisions and remove unfair contract terms.

Historical Performance Data

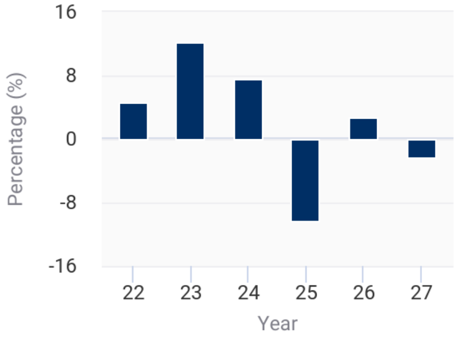
Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Total Assets ($m)	Domestic Demand ($m)
2012-13	296	38.4	169	13.0	279	N/A	N/A	34.3	4,109	N/A
2013-14	275	37.4	143	11.0	263	N/A	N/A	31.6	4,162	N/A
2014-15	277	37.6	143	11.0	258	N/A	N/A	29.9	4,326	N/A
2015-16	279	38.2	130	10.0	258	N/A	N/A	28.5	4,424	N/A
2016-17	276	39.7	130	10.0	262	N/A	N/A	27.8	4,380	N/A
2017-18	310	37.4	130	10.0	261	N/A	N/A	28.7	4,490	N/A
2018-19	306	36.4	130	10.0	262	N/A	N/A	27.7	4,537	N/A
2019-20	276	34.5	130	10.0	262	N/A	N/A	27.0	4,609	N/A
2020-21	259	33.4	117	9.00	260	N/A	N/A	26.3	4,722	N/A
2021-22	271	32.8	117	9.00	257	N/A	N/A	25.4	4,803	N/A

Industry Outlook

Outlook

Reverse Mortgage Providers industry operators will face a more positive environment over the next five years.

Industry Outlook
2022–2027



Reverse Mortgage Providers
Source: IBISWorld

This outlook is primarily based on the forecast continued rise in the cash rate and higher demand for industry products. Revenue is projected to increase at an annualised 1.7% over the five years through 2026-27, to $294.9 million. As the population aged 70 and over increases and their knowledge of reverse mortgages grows, demand for industry services will likely rise. However, industry providers are projected to face competition from the Federal Government-backed Home Equity Access Scheme. Despite the forecast rise in the cash rate boosting interest revenue for industry operators, this trend is likely to raise the cost of funding for lenders. However, industry profitability is still projected to rise over the next five years as operators raise interest rates across their lending products to maintain profit margins.

The largest beneficiaries of rising reverse mortgage assets are likely to be the industry's remaining players. As major banks exit the industry, the remaining players are forecast to have an undisrupted supply of business. However, enterprise numbers are projected to marginally decrease as industry operators face competition from other types of equity release products. This trend is forecast to slightly lower employment and total wages over the period.

POPULATION GROWTH

The portion of the population aged 70 and over is projected to grow strongly over the next five years.

Combined with a greater awareness of industry products and higher interest rates, this growth is forecast to boost industry revenue over the period. The number of individuals aged 70 and over is projected to grow at an annualised 3.5% over the next five years, to 3.7 million, presenting an opportunity for industry operators. A recent RMIT research, released on 20 November 2020, indicated that senior Australians prefer to remain in their own home as long as possible but limited superannuation funds and a rising cost of living restricts the ability to fund a comfortable retirement.

Borrowers are forecast to take on reverse mortgages to pay for things like home renovations or new cars over the next five years. As more elderly people have access to in-home care, as part of the aged-care reform, demand for reverse mortgage products to pay for these services is projected to rise. Additionally, the Refundable Accommodation Deposit payable upon entering an aged-care facility means that elderly people may look to convert their home equity to make the payment. The increased use of aged-care services will likely boost demand for reverse mortgage products over the period.

As the most recent generation of retirees is forecast to have lower superannuation balances to fund retirement than previous generations, individuals approaching this stage in life are more likely to explore alternative financing options, including reverse mortgages. Superannuation and pension payments are often inadequate as sole sources of income for retirees, particularly given the rising cost of living. Should reverse mortgages with income streams become more accessible, demand for industry products is likely to grow.

HOUSE PRICES

Residential housing prices are projected to decline over the next five years due to a correction during the period and rising interest rates.

This trend will lower the maximum value of reverse mortgages taken out by consumers, especially as most consumers tend to take up the maximum amount available to borrow. The pace of future housing growth partly depends on the RBA's stance on the cash rate, which will be driven by the strength of the economy, Australia's recovery from the COVID-19 pandemic, unemployment levels and the rate of inflation over the next five years. As a result, the cash rate is forecast to significantly increase over the next five years. Despite bearing the risk of negative equity, lenders are largely shielded from any potential fall in residential property prices as loans are usually capped at a maximum loan-to-value ratio.

DISTRIBUTION CHANNELS

A lender's distribution channel is a crucial part of operations.

Larger banks benefit from having an extensive branch network and financial planners to market their products. Additionally, the customer base of larger banks presents numerous cross-selling opportunities. Consequently, smaller lenders are often disadvantaged, as brokers have become a less common distribution channel. The greater duty of care owed to the prospective borrower compared with standard mortgages and the time-consuming process of such applications may deter brokers from carrying such products from smaller lenders.

Performance Outlook Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Total Assets ($m)	Domestic Demand ($m)
2021-22	271	32.8	117	9.00	257	N/A	N/A	25.4	4,803	N/A
2022-23	304	33.4	117	9.00	256	N/A	N/A	25.1	4,717	N/A
2023-24	327	33.4	117	9.00	256	N/A	N/A	25.0	4,758	N/A
2024-25	294	33.5	117	9.00	256	N/A	N/A	25.4	4,753	N/A
2025-26	302	33.5	104	8.00	255	N/A	N/A	25.3	4,683	N/A
2026-27	295	33.3	104	8.00	254	N/A	N/A	25.2	4,639	N/A
2027-28	290	33.0	104	8.00	253	N/A	N/A	25.0	4,555	N/A

Industry Life Cycle

The life cycle stage of this industry is ⚠ Decline

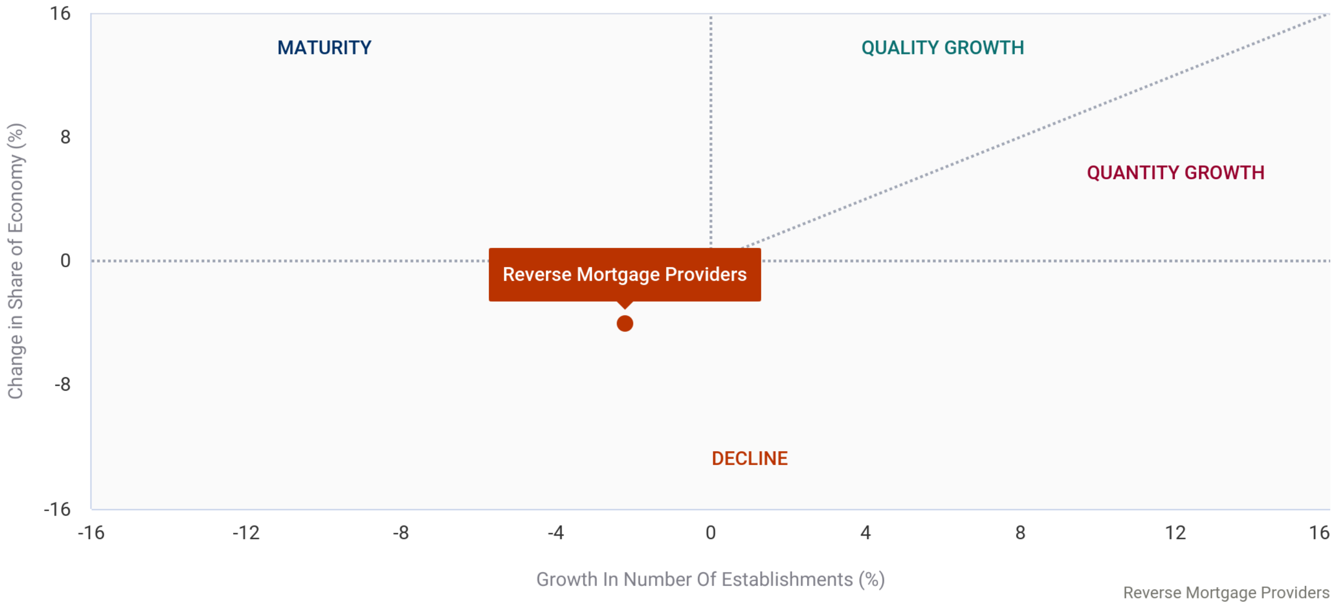
LIFE CYCLE REASONS

Target markets are not familiar with and educated on the product

Australia's ageing population is expected to support demand for reverse mortgages

Major players are exiting the industry

Indicative Industry Life Cycle



Reverse Mortgage Providers
Source: IBISWorld

The Reverse Mortgage Providers industry is currently in the decline phase of its life cycle. Industry value added (IVA), which measures the industry's contribution to the economy, is projected to fall at an annualised 1.7% over the 10 years through 2026-27. This represents an underperformance of overall GDP, which is projected to grow at an annualised 2.3% over the same period. This highlights the industry's contribution to the economy is slowing, despite a large amount of untapped home equity for industry operators to capitalise on, given the pace at which residential property prices have risen over the past five years.

Australia's ageing population is supporting demand for reverse mortgages. There remains an enormous amount of potential for this product due to consumers' lack of familiarity and knowledge of reverse mortgages. As with most financial products, lenders may continue introducing modifications to products or provide prospective mortgagees with more options. However, the introduction of other types of equity release products can pose a threat to the industry, as major players may decide to stop providing reverse mortgages.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

Consumers in Australia

Mortgage Brokers in Australia

2nd Tier

Finance in Australia

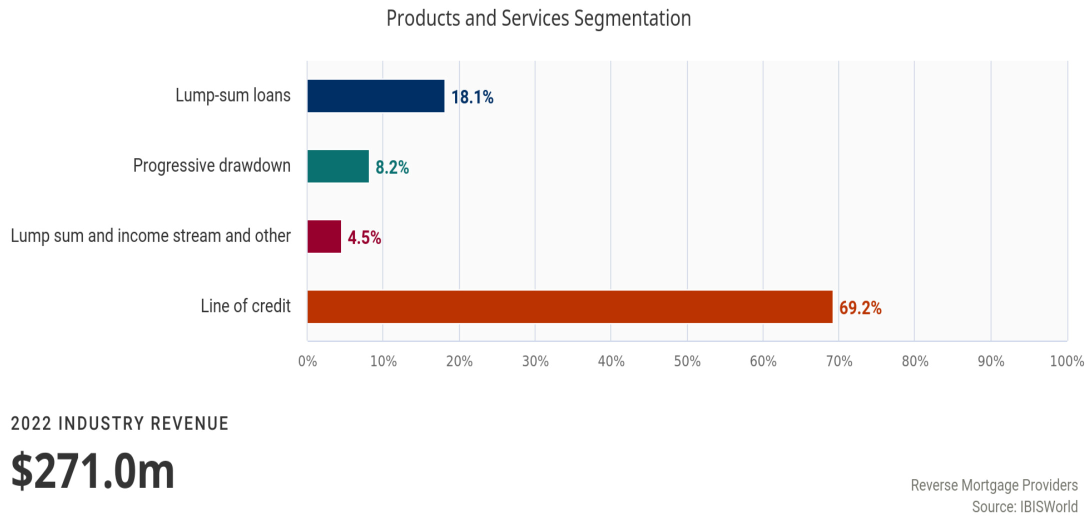
Key Selling Industries

1st Tier

Finance in Australia

Legal Services in Australia

Products & Services



Although industry operators essentially offer a similar type of product, consumers can choose how they draw funds from a reverse mortgage.

These include a line of credit, a lump-sum loan, progressive drawdown and a combination of a lump-sum loan with an income stream and other options. Line of credit loans are the most popular product given their financial flexibility. However, industry operators are facing competition from Federal Government backed Home Equity Access Scheme.

LINE OF CREDIT

Reverse mortgages taken as a line of credit represent the largest segment in the industry.

Many consumers who are uncertain about their financial situation and wish to establish a contingency plan seek a line of credit from reverse mortgage lenders. A line of credit enables customers to fund their day-to-day purchases, such as transport and consumer items. Furthermore, it helps customers pay hospital bills and families support costs in case of unforeseen circumstances. Reverse mortgages drawn down as a line of credit have grown as a proportion of industry revenue over the past five years, as it is a relatively flexible option compared with other segments.

LUMP-SUM LOANS

Lump-sum loans represent a sizeable proportion of reverse mortgages provided to consumers.

Lump sums allow consumers to access a large amount of funding quickly for significant purchases and outlays. The most common uses for funds obtained through lump-sum loans are income supplementation, home renovations, repaying debt and purchasing a car. Lump-sum loans remain a popular option for consumers and have risen as a share of industry revenue over the past five years.

PROGRESSIVE DRAWDOWN

Progressive drawdown facilities represent another significant type of reverse mortgage.

This type of facility tends to be used for construction, where payments are made at regular intervals or stages of a project as it progresses. Progressive drawdown facilities are similar to a line of credit, except they often have specific provisions like a minimum drawdown amount per transaction and conditions for making voluntary repayments. Overall, progressive drawdown facilities have fallen as a proportion of industry revenue over the past five years.

LUMP SUM AND INCOME STREAM AND OTHER

Other options for consumers include a combined lump-sum loan and income stream and an income stream only.

Demand for combined lump-sum and income stream loans is low, as most consumers can access funds in alternative ways and are unlikely to require such substantial amounts of equity. In addition, despite income stream only loans being a slow way of incurring interest throughout the life of the loan, the greater awareness and flexibility of other types of reverse mortgages such as a line of credit has drawn more consumers towards other product segments. Therefore, these products have dropped as a share of industry revenue over the past five years.

Demand Determinants

There are several factors influencing demand for reverse mortgages.

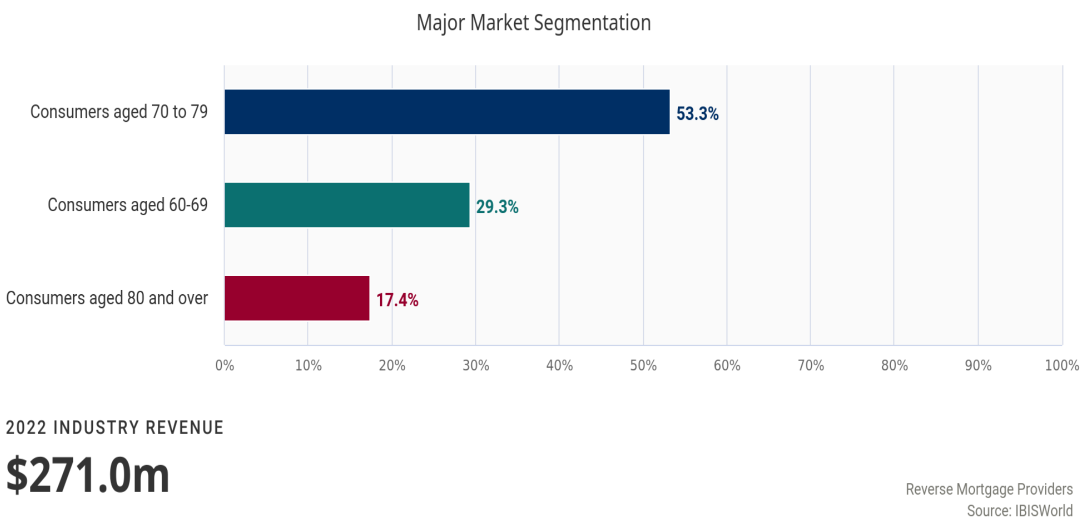
Changes in interest rates, consumer preferences and residential housing prices influence industry demand. Additionally, changes to legislation regarding pension payments influence how likely consumers are to apply for reverse mortgages. Over the past five years, consumers have become increasingly aware of the potential downsides of the product.

A fall in interest rates tends to increase demand for industry products as the cost of borrowing falls. However, this may lower the appeal of providing reverse mortgage products for banks and other financial institutions. Only larger commercial banks are likely to find reverse mortgages a viable business if interest rates remain low and risks remain high.

In addition, changes in consumer preferences influence demand for reverse mortgages. As consumer confidence rises, households are more likely to demand luxury goods and adopt a higher standard of living. This increase in demand for more expensive products and services and greater spending usually requires a sustained higher income stream, which is achievable through reverse mortgages.

Furthermore, changes in housing prices affect how likely consumers are to take up reverse mortgages. An increase in housing prices enables larger lump-sum payments or income streams to be provided from releasing the equity on a home. Banks and other financial institutions are likely to offer more competitive interest rates on reverse mortgages if they expect a stronger housing market and residential property prices to rise. Additionally, government regulation regarding pension payments affects demand for reverse mortgages. Any increase in pensions is likely to lead to lower demand for reverse mortgages.

Major Markets



Major markets for the industry are based on the age of consumers applying for reverse mortgages.

Reverse mortgage providers typically do not offer loans to consumers under 60 due to longevity risk. Furthermore, these consumers are often under less financial stress and still accumulating wealth.

CONSUMERS AGED 60 TO 69

Consumers aged between 60 and 69 represent the second-largest market for the industry.

Multiple reverse mortgage providers do not offer loans to those under the age of 65 and instead target the older demographic due to longevity risk. This group usually has a higher superannuation balance compared with older groups, as they have accumulated a greater amount of contributions under the Superannuation Guarantee scheme. In addition, some potential customers in this market are currently working with a steady income stream, lowering the need for a reverse mortgage as a supplement to their existing income. Over the past five years, this market has decreased as a proportion of industry revenue largely due to the higher superannuation balances and the rising retirement age.

CONSUMERS AGED 70 TO 79

Consumers aged 70 to 79 make up the largest market share of the industry, with this group represented by the most recent retirees.

Many consumers in this age group take out reverse mortgages for income, repaying debt, home improvement, travel or the purchase of household goods. In addition, expensive medical procedures and assistance for other family members are common uses of these funds. Consumers in this age group are likely to be under more financial pressure compared with those aged under 70, while at the same time less likely to be entering aged care facilities like their older counterparts. This group is the most active market and has expanded as a proportion of industry revenue over the past five years.

CONSUMERS AGED 80 AND ABOVE

Consumers aged 80 and above make up the smallest market in the industry.

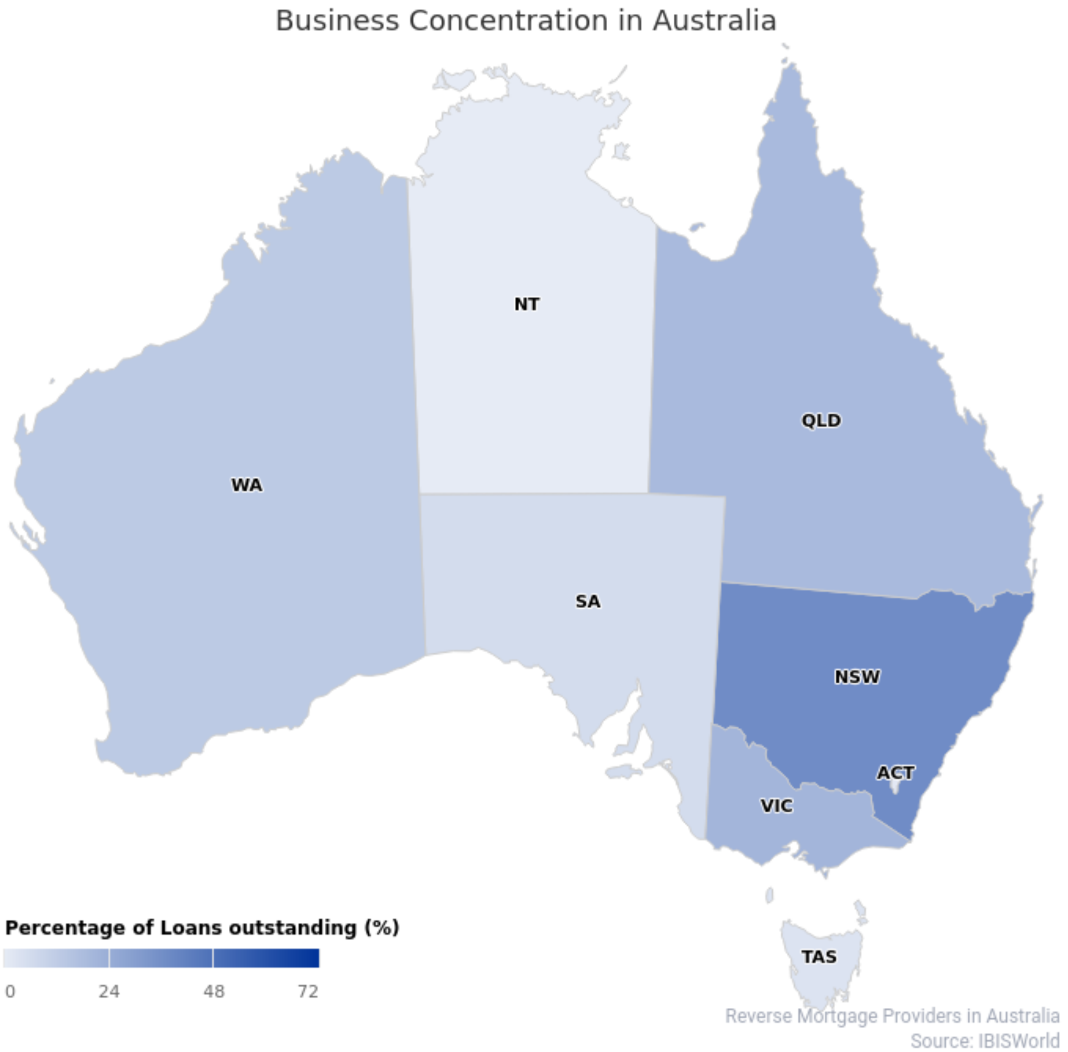
Despite these consumers being more likely to be under a higher degree of financial stress, the lack of product awareness and knowledge surrounding reverse mortgages compared with other age groups has constricted the size of this market. Consumers in this age group are likely to be less active, having been assisted by family members in their current homes or moved into aged care facilities. Consequently, this market has fallen as a share of industry revenue over the past five years.

Exports in this industry are ⊘ Low and Steady

Imports in this industry are ⊘ Low and Steady

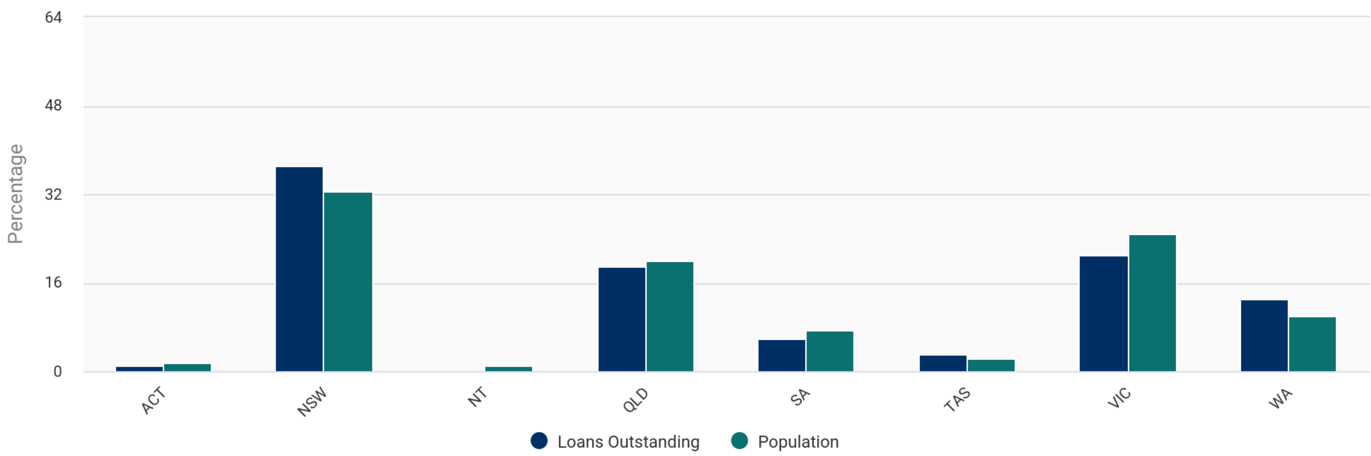
There is no international trade within the Reverse Mortgage Providers industry. The industry is defined by activity within Australia and reverse mortgages are typically issued within domestic borders to local consumers.

Business Locations



The spread of loans outstanding in the Reverse Mortgage Providers industry is heavily correlated with the overall population distribution of Australia. This trend is due to individuals and households being the predominant market for industry players. The eastern states of Australia account for the largest amount of loans outstanding, with an estimated 77.0% of total loans in the industry issued to clients located in New South Wales, Victoria and Queensland. New South Wales holds the largest amount of loans outstanding, due to its large population and high level of commercial economic activity. The eastern states are expected to remain the most highly concentrated areas over the next five years as population remain the highest in these states. Other states accounting for a significant proportion of loans outstanding include Western Australia and South Australia. The mining boom supported the greater demand in Western Australia as the population grew.

Distribution of Loans Outstanding vs Population

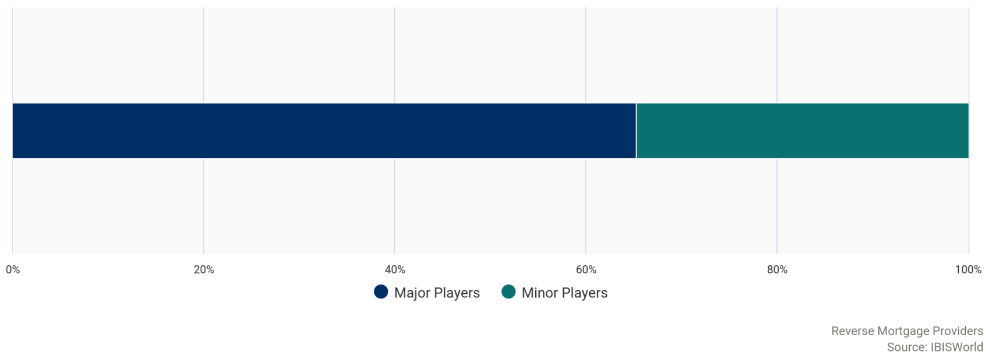


Reverse Mortgage Providers
Source: IBISWorld

Competitive Landscape

Market Share Concentration

Market Share Concentration



Concentration in this industry is ⚠ High

The Reverse Mortgage Providers industry is characterised by a high level of market share concentration. The four largest players in the industry are estimated to account for over 70.0% of industry revenue. Most notably, the industry is dominated by a few major organisations, like Heartland Australia, Westpac and Macquarie, despite the inactivity of these banks. Their dominance is supported by the sheer scale of their operations outside of the industry, combined with subsidiaries and brands such as St.George, BankSA and the Bank of Melbourne. Concentration has increased over the past five years, as several industry players exited or became inactive with Commonwealth Bank stopping its issuance of new reverse mortgages, but continuing to service them, leaving consumers with little choice for lenders. Firms seeking to enter the industry face extremely high barriers in terms of capital requirements and the scale of their distribution network.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

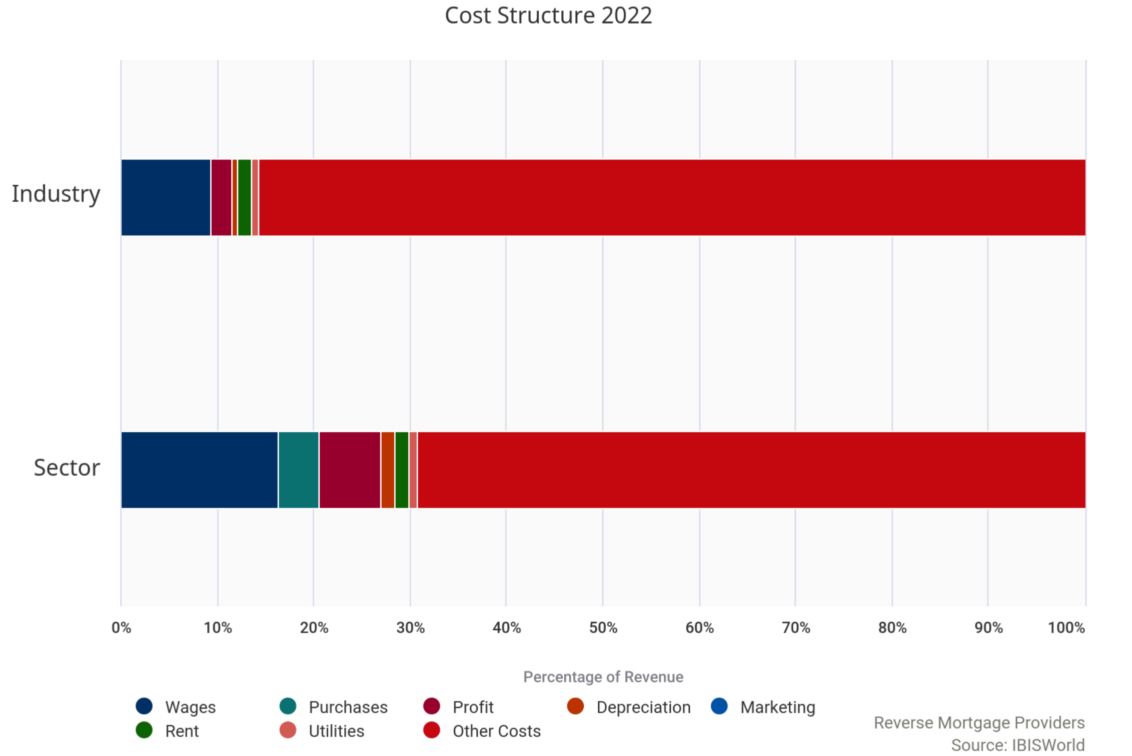
Ability to educate the wider community:
Reverse mortgages remain a complex concept to consumers, so industry operators need to educate consumers to attract new customers.

Ability to effectively manage risk:
The value of mortgage and property assets can fluctuate with changes in economic conditions. Firms that can effectively manage risk tend to be more profitable.

Financial position of the company (as against financial structure):
A high level of capital is required to provide reverse mortgages. Firms with a higher level of capital can issue more reverse mortgages and boost revenue and profitability.

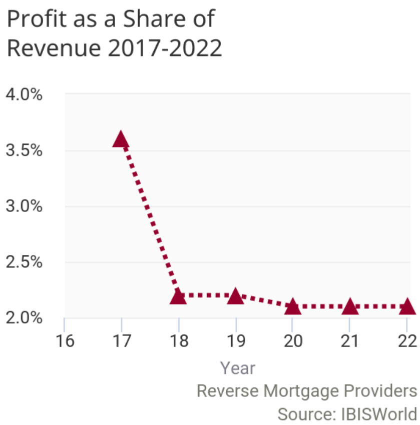
Having a high profile in the market:
The perceived security and brand recognition of a company is important to the industry's target market. Companies with a well-established brand are likely to attract more clients.

Cost Structure Benchmarks



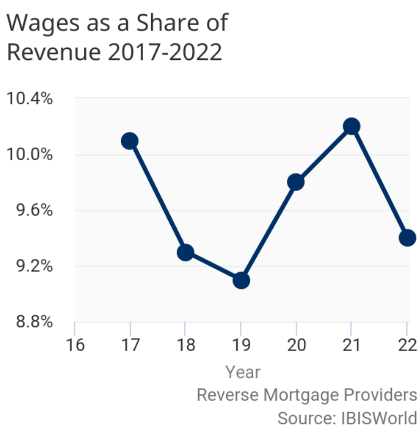
Profit

Industry profitability has declined over the past five years, due to the fall in popularity of the product and economic uncertainty following the COVID-19 pandemic. Heightened uncertainty increases the cost of funding in wholesale markets. Additionally, this change heavily negatively affected lenders' expenses. This trend has hindered operators, reducing profit margins over the period.

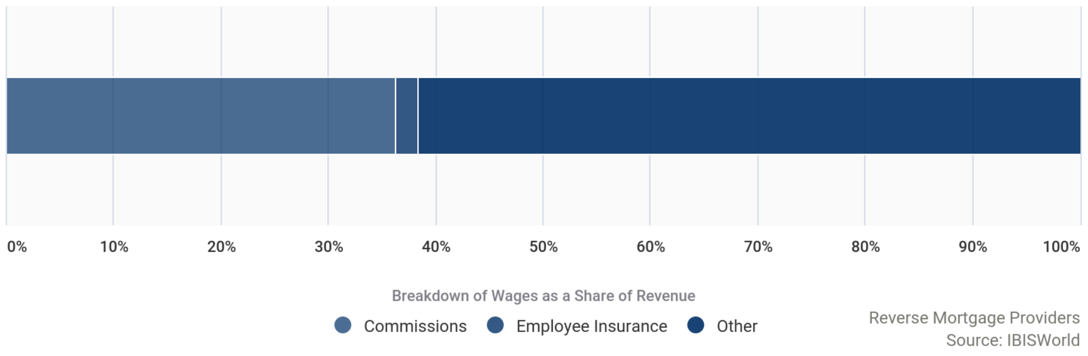


Wages

The industry is labour-intensive due to the need for face-to-face contact between lender and borrower. Aside from providing the initial advice between the lender and the prospective borrower, industry providers have labour-intensive back-office functions, such as assessment of loan applications and loan-servicing duties. The complexity of the product requires a highly skilled and educated professional to provide advice, and this is reflected by the industry's high average wage. Given that several lenders have stopped issuing new reverse mortgages, labour requirements have fallen, reducing wages as a share of industry revenue over the past five years.



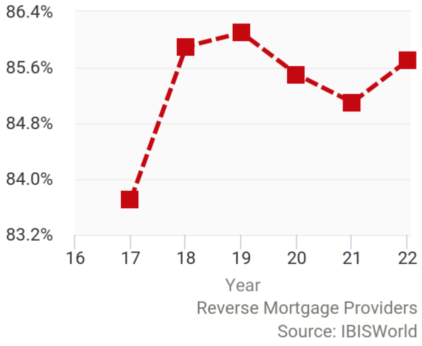
Wages Breakdown (% of Total Wages in 2022)



Other Costs

Other costs include marketing, administration, commissions, depreciation, rent and utilities. A strong focus has been placed on educating and raising the awareness of reverse mortgages among consumers, especially as the population continues to age and the market for industry operators grows. Overall, other costs have increased as a proportion of industry revenue over the past five years.

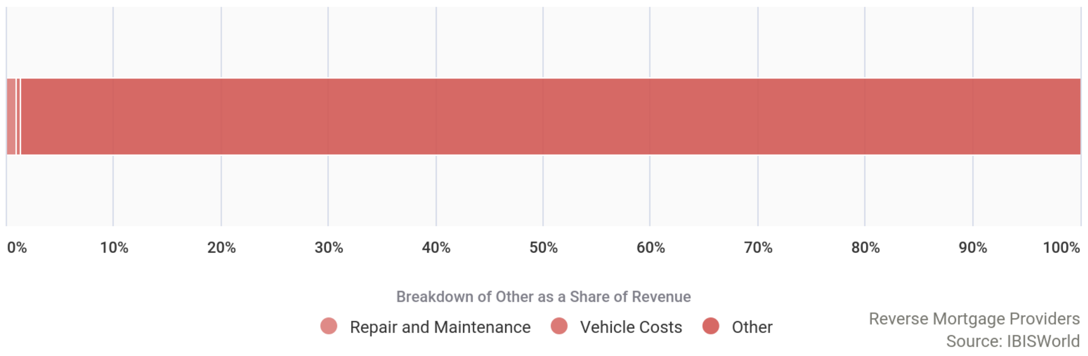
Other Costs as a Share of Revenue 2017-2022



Interest expenses

Interest expenses represent the largest cost for industry players. Operators source funding from retail deposits, other financial institutions and wholesale funding markets. The cash rate heavily affects the cost of funding for industry operators. Despite recent rises to the cash rate in the current year and more forecast to come, the cost of funding has decreased over the period. Overall, interest expenses have slightly fallen as a proportion of industry revenue over the past five years.

Other Breakdown (% of Total Other in 2022)



Basis of Competition

Competition in this industry is ⚠ High and the trend is Increasing

The Reverse Mortgage Providers industry is characterised by a high and increasing level of competition.

Firms are not only competing with each other but with other financial services and lending products available to customers. Substitutes, including loans and assistance from family members, other equity release products, government pensions and aged care facilities provide alternatives for customers. Reverse mortgage providers can gain an advantage through greater consumer knowledge and competitive interest rates.

INTERNAL COMPETITION

Price is one of the most important points of competition for consumers who often turn to reverse mortgages due to financial constraints.

Firms can attract more business by offering competitive interest rates that make repayments for customers lower. Reverse mortgage providers that can offer the cheapest interest rates will gain an advantage over other firms. Advertising and marketing of interest rates is another way that firms can create an advantage over competitors. This tactic is particularly effective for large operators, such as Macquarie Group, which has a large marketing and advertising budget. However, given the low number of operators in the industry, consumers are often restricted in their choice of lender.

Lenders with a higher level of capital can weather poor economic conditions and take on more reverse mortgages than their smaller counterparts. The amount of capital and sheer size that lenders such as Westpac have are the main drivers behind their success in the industry over the past five years. Smaller firms have been unable to contend with the lower cost of accessing wholesale funds. As a result, these firms either exited the industry or stopped offering new loans.

EXTERNAL COMPETITION

Industry operators face a high level of competition from external sources.

Authorised deposit-taking institutions offer other types of equity release products that help consumers access the equity in their homes like home reversion schemes, line of credit loans and home equity loans. Additionally, the Federal Government offers the Home Equity Access Scheme which is similar to reverse mortgages. Retirees can source funds for their retirement from other sources, including superannuation and family members. External competition is expected to grow as an increasing number of equity release products are introduced, balances in superannuation grow and future generations of retirees have a greater amount of funds available for retirement with the rising Superannuation Guarantee rate.

Barriers to Entry

Barriers to Entry in this industry are ⊘ High and the trend is Steady

The Reverse Mortgage Providers industry is characterised by a high and steady level of barriers to entry. Several barriers affect the likelihood of a prospective entrant succeeding in the industry, including the ability to offer a sizeable variety of products and services to meet different customer needs. However, most notably, firms seeking to enter the industry will need access to substantial capital at a competitive price to fund loans. In addition, firms that enter the industry require a sufficient distribution network to reach potential clients. Furthermore, industry operators are subject to legislative requirements as they are providing products and services to the general public.

The ability to access funding from wholesale markets is vital to the success of firms operating in the industry as providing reverse mortgages to consumers requires a large amount of funding. Access to capital is more of an obstacle for potential entrants compared with large, established financial institutions. These larger financial institutions typically access funding at a lower rate.

Firms in the industry tend to require outlets to market their products and provide a location for potential clients to discuss options. This factor is particularly important for significant financial decisions, such as reverse mortgages, where large sums of money are involved. Lenders continue to rely on branches and other outlets to market products and services given the slow uptake of online and mobile platforms by the industry's target market.

There are substantial legislative requirements that firms in the industry must comply with, especially since industry operators are primarily banks providing services to the general public. The Australian Prudential Regulation Authority (APRA) supervises all authorised deposit-taking institutions (ADIs). ADIs are authorised under the Banking Act 1959 and APRA ensures that reports are lodged at regular intervals to create and maintain transparency.

Barriers to Entry Checklist

Competition	High ⚠
Concentration	High ⚠
Life Cycle Stage	Decline ⚠
Technology Change	Medium ⊖
Regulation & Policy	Heavy ⚠
Industry Assistance	Medium ⊖

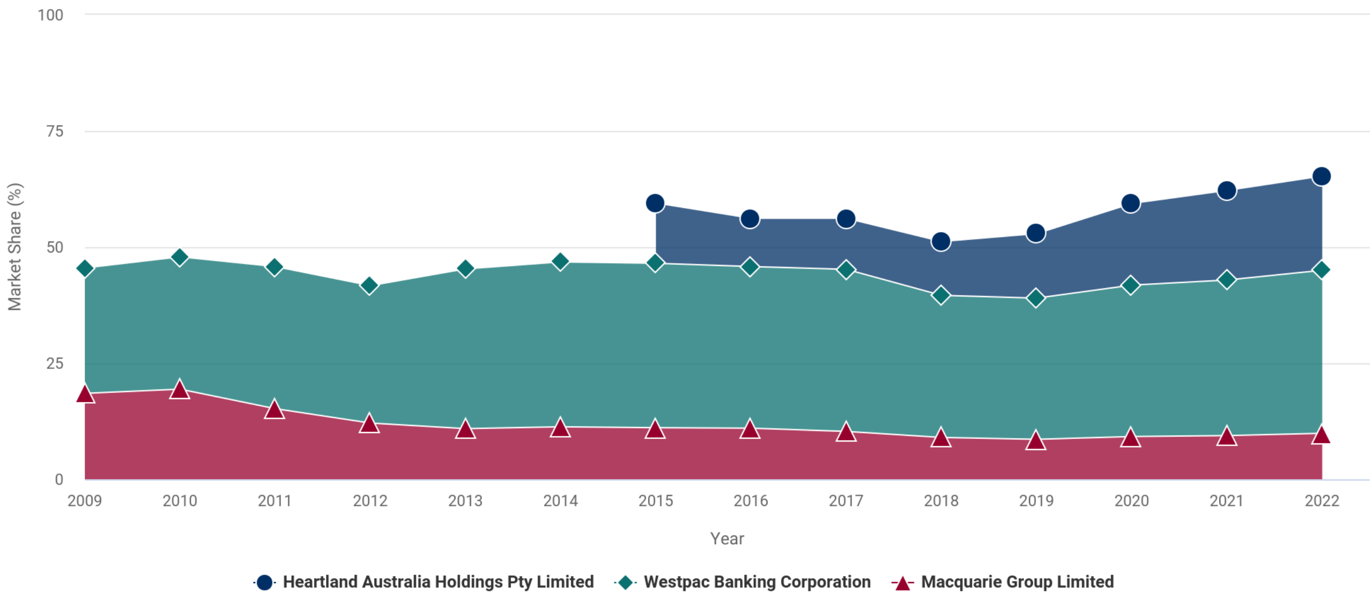
Industry Globalization

Globalization in this industry is ⊘ Low and the trend is Steady

There is a low level of globalisation within the Reverse Mortgage Providers industry. The industry is predominantly made up of domestic authorised deposit-taking institutions. While some financial institutions have operations overseas, at the industry-specific level, operations are typically carried out locally. Access to wholesale funding markets is typically conducted through international corporations and bank trading.

Major Companies

Major Players and Their Market Share 2009–2022



Reverse Mortgage Providers in Australia
Source: IBISWorld

Major Players

Westpac Banking Corporation

Market Share: 35.1%

Westpac Banking Corporation

Reverse Mortgage Providers
Source: IBISWorld

Westpac Banking Corporation, trading as Westpac, was established in 1817 as the Bank of New South Wales. Westpac offers retail clients personal bank accounts, home loans, credit cards, personal loans, insurance, superannuation and investment services, business commercial accounts and other loans and credit. These services are offered through four primary divisions: Consumer Bank, Business Bank, Westpac Institutional Bank and Westpac New Zealand.

St.George was previously the main operator in the industry under the Westpac Group. Additionally, brands such as BankSA and Bank of Melbourne offered some reverse mortgages. However, in July 2017, Westpac dropped its equity release products following a review of its product range and underwriting standards. Although Westpac has stopped offering reverse mortgages, it continues to service its existing commitments.

Financial performance

Westpac's industry-specific revenue is expected to rise at an annualised 1.8% over the five years through September 2022, to $95.2 million. This represents a slight outperformance of the overall industry in nominal terms, largely due to Westpac's position as a significant player in the industry and the presence of its many brands including St.George, Bank of Melbourne and BankSA. Despite this trend, Westpac is stopping new issues of reverse mortgages to instead only operate in the industry through servicing existing loans. The company's profitability from its reverse mortgage operations has decreased following the COVID-19 pandemic's effect on economic uncertainty and its negative effects on both consumer and upstream behaviour.

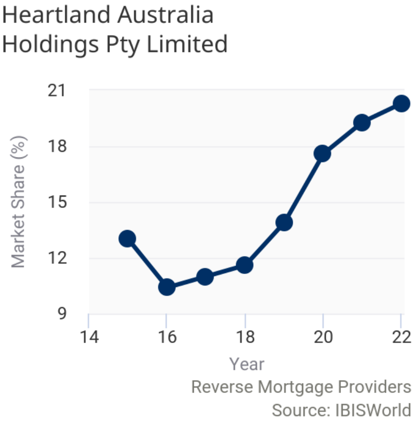
Westpac Banking Corporation - industry segment performance*		
Year**	Revenue ($m)	Growth (% change)
2011-12	85.5	1.7
2012-13	88.2	3.2
2013-14	85.7	-2.8
2014-15	85.6	-0.1
2015-16	84.4	-1.4
2016-17	86.9	3.0
2017-18	87.0	0.1
2018-19	88.4	1.6
2019-20	87.0	-1.6
2020-21	85.0	-2.3
2021-22	95.2	12.0

Source: IBISWorld
Note: *Estimate **Year end September

Heartland Australia Holdings Pty Limited

Market Share: 20.3%

Brand Names Heartland Seniors Finance



Heartland Australia Holdings Pty Limited, trading as Heartland Seniors Finance (HSF), is a New Zealand-owned specialist reverse mortgage provider. The company entered the industry when Heartland New Zealand, a publicly listed financial institution on the New Zealand stock exchange, acquired Australian Seniors Finance (ASF) in April 2014.

ASF stopped offering new reverse mortgages in 2012 as it was struggling to secure financing. However, following the acquisition by Heartland in 2014, the company resumed offering new reverse mortgages. HSF is the largest non-bank and specialist provider of reverse mortgages in the market.

Financial performance

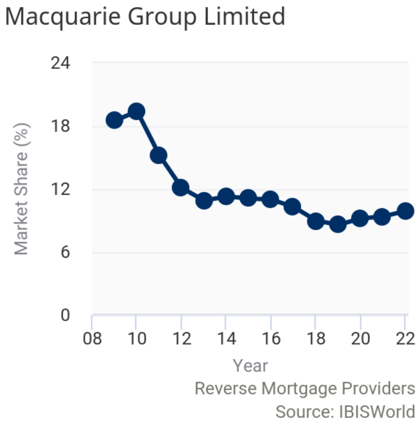
Heartland Australia's industry-specific revenue has grown strongly since its acquisition of HSF from ASF. Company revenue is anticipated to increase at an annualised 14.9% over the five years through 2021-22, to $55.0 million. The company has outperformed the overall industry over the period. This performance can be attributed to it being one of the few remaining active industry participants. Profitability has trended downwards over the past five years as interest expenses on HSF's funding have risen.

Heartland Australia Holdings Pty Limited - financial performance		
Year	Revenue ($m)	Growth (% change)
2014-15*	31.4	N/C
2015-16	25.2	-19.7
2016-17	27.5	9.1
2017-18	32.9	19.6
2018-19	40.5	23.1
2019-20	46.9	15.8
2020-21	49.1	4.7
2021-22**	55.0	12.0

Source: Annual Report and IBISWorld
Note: *15-month period **Estimate

Macquarie Group Limited

Market Share: 9.9%



Macquarie Group Limited is a publicly listed financial institution that primarily generates revenue from auxiliary finance and investment services in Australia. Macquarie provides banking, financial, advisory, investment and fund management assistance services. These services include home loans, financial advice, futures trading and personal loans. Furthermore, Macquarie offers commercial real estate, financial planning, insolvency, legal and other assistance. Macquarie provides these services through four main groups and businesses: Macquarie Capital, Macquarie Asset Management, Commodities and Global Markets and the Banking and Financial Services Group.

In 2012, Macquarie group acquired the reverse mortgages portfolio of the Royal Bank of Scotland (RBS) and ABN AMRO, and teamed up with Yellow Brick Road in the mortgage market. Following the global financial crisis, Macquarie stopped promoting new loans, but in early 2014 it resumed offering of reverse mortgages before, again, withdrawing in June 2017.

Financial performance

Macquarie's industry-specific revenue has declined over the past five years. Despite purchasing the reverse mortgage assets of ABN AMRO and the RBS in 2012, Macquarie did not issue new reverse mortgages. Macquarie continued to service previous agreements and earn income from its operations. The company resumed reverse mortgage issuance to new clients in 2014 but stopped offering in June 2017. Macquarie's industry-specific revenue is expected to rise at an annualised 0.9% over the five years through March 2022, to $26.9 million, underperforming the overall industry. The company's profitability from its reverse mortgage operations has decreased following the COVID-19 pandemic's effect on economic uncertainty and its negative effect on both consumer and upstream behaviour.

Macquarie Group Limited - industry segment performance*

Year**	Revenue ($m)	Growth (% change)
2011-12	35.0	-16.3
2012-13	28.0	-20.0
2013-14	27.2	-2.9
2014-15	26.9	-1.1
2015-16	26.7	-0.7
2016-17	25.7	-3.7
2017-18	25.7	0.0
2018-19	25.1	-2.3
2019-20	24.5	-2.4
2020-21	24.0	-2.0
2021-22	26.9	12.1

Source: IBISWorld
Note: *Estimate **Year end March

Other Companies

The number of operators in the industry has dropped over the past five years, as firms have either exited or stopped providing new loans. Macquarie purchased the loan books of the Royal Bank of Scotland and ABN AMRO, offering new loans in 2014 before stopping again in 2017. Other players in the industry typically focus on smaller markets within states and territories rather than Australia wide. Household Capital entered the industry in March 2019.

Home Equity Access Scheme

Market Share: 5.0%
The Home Equity Access Scheme (HEAS), offered by the Federal Government through Centrelink, enables pensioners and self-funded retirees to borrow up to 150% of the maximum amount of fortnightly pension rate. Previously known as the Pension Loans Scheme (PLS), the Federal Government amended some aspects of it in 2018. The amended scheme enables homeowners of pension age or older (66 years and over) to access a reverse

mortgage from the government as long as they own property with enough equity to secure the loan. Borrowers are charged a compounding variable interest rate of 3.95% annually.

IMB Ltd

Market Share: 3.0%
IMB Ltd, trading as IMB Bank and formerly Illawarra Mutual Building Society, is a mutual bank with origins dating back to 1880. The bank offers a range of banking products and services including personal lending, savings and transaction accounts, term deposits, home loans, business banking and financial planning. Operating a branch network primarily out of New South Wales, IMB Bank is headquartered in Wollongong, NSW.

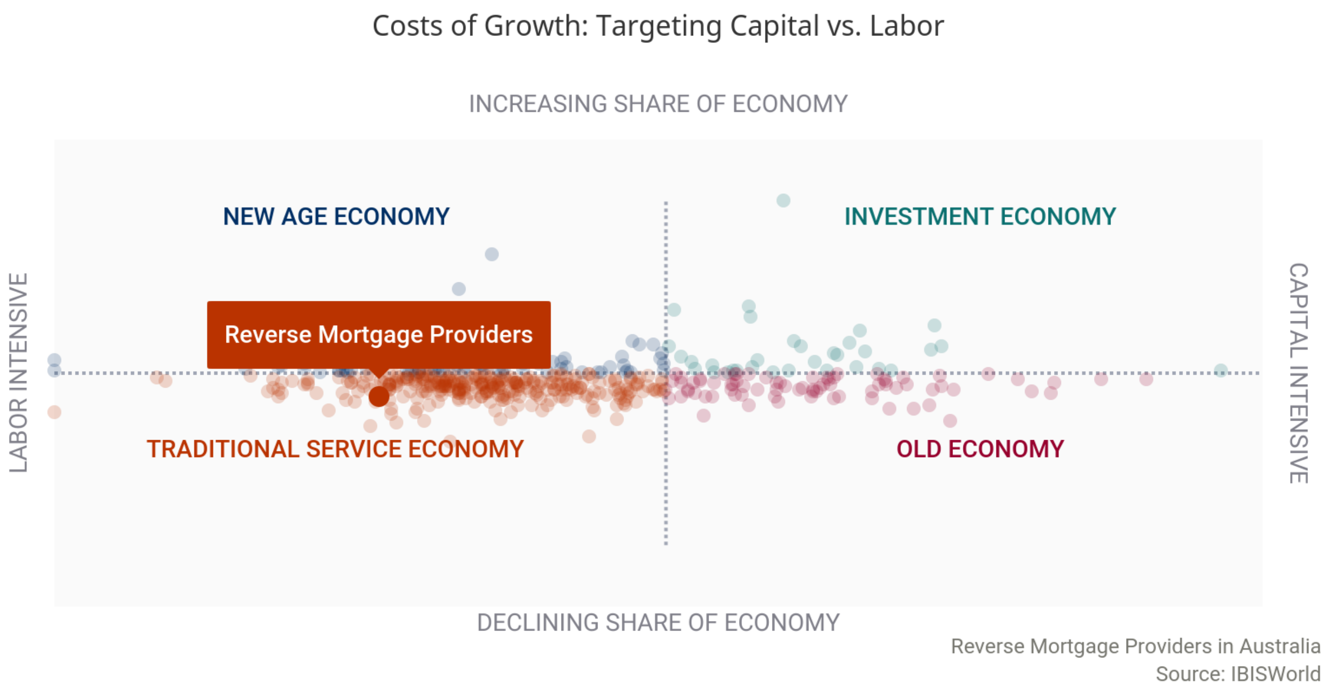
Police & Nurses Limited

Market Share: 3.0%
Police and Nurses Limited, trading as P&N Bank, is Western Australia's largest member-owned bank. The bank began providing banking and financial services under the name Police & Nurses Credit Society in 1990. The company then merged with Energy Credit Union Ltd in 2001 and subsequently became known as P&N Bank. The bank provides a reverse mortgage offering through its Easy Living Home Loan to homeowners over the age of 65.

Household Capital

Market Share: 2.0%
Established in 2016, Household Capital is backed by private investors. The company entered the industry in March 2019, with the partnership of ME Bank. ME Bank had established an initial $100 million facility for the company and has acquired a minority stake in Household Capital. The company's industry-related products are delivered alongside superannuation funds or investment accounts. Household Capital's products are tailored to fit each customer's needs.

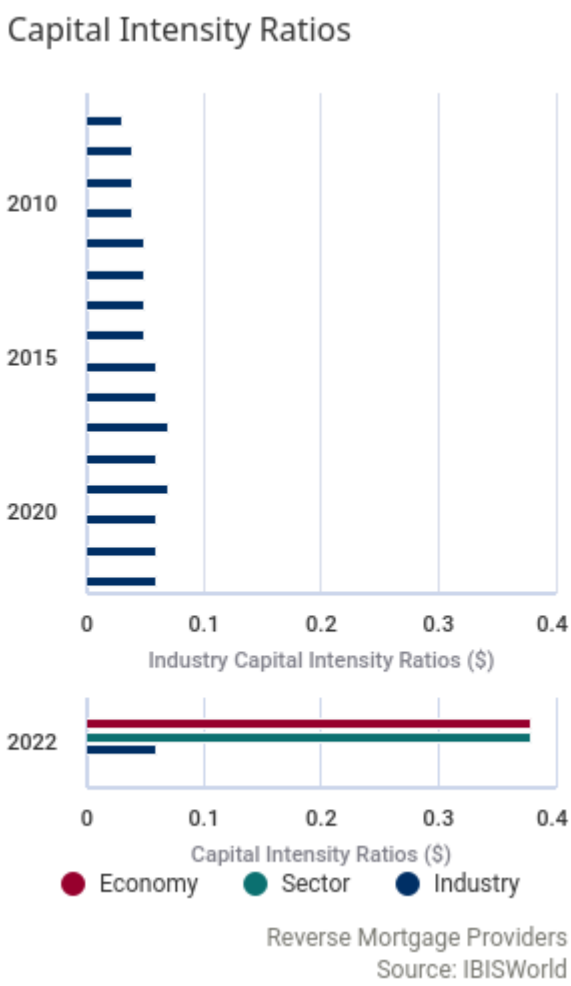
Operating Conditions



Capital Intensity

The level of capital intensity is Low

The Reverse Mortgage Providers industry is characterised by a low level of capital intensity. For every dollar paid as wages, an estimated $0.06 is spent on capital investment. The industry relies heavily on labour, with larger operators having an extensive branch network to sell products, advise clients and attract new business. Although parts of the process of approving and issuing reverse mortgages can be automated, labour remains an essential part of the process. Additionally, it is difficult to completely automate the process and shift to an online platform like several lenders have done with traditional mortgage products. The main reason behind this is the overall complexity of the product which typically requires advice from finance professionals and the general lack of computer literacy among the target markets of the industry. Overall, capital intensity has declined over the past five years.



Technology & Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

The Reverse Mortgage Providers industry is subject to a low level of technology disruption.

Despite the rapid uptake of technology in most of the financial services sector, reverse mortgage providers have been relatively slow to react. This trend has mainly been due to the slow adoption of new technology in the industry's target market. Although there have been improved channels to distribute reverse mortgages and for consumers to access their accounts, the fundamental product has not significantly changed. However, there has been stronger competition from other equity release products like home reversion schemes, home equity loans and line of credit loans. This competition has occurred due to the complexity of reverse mortgages, greater consumer knowledge and an increasing number of financial products becoming available to retirees.

The level of technology change is ⊖ Medium

The Reverse Mortgage Providers industry displays a medium level of technological change.

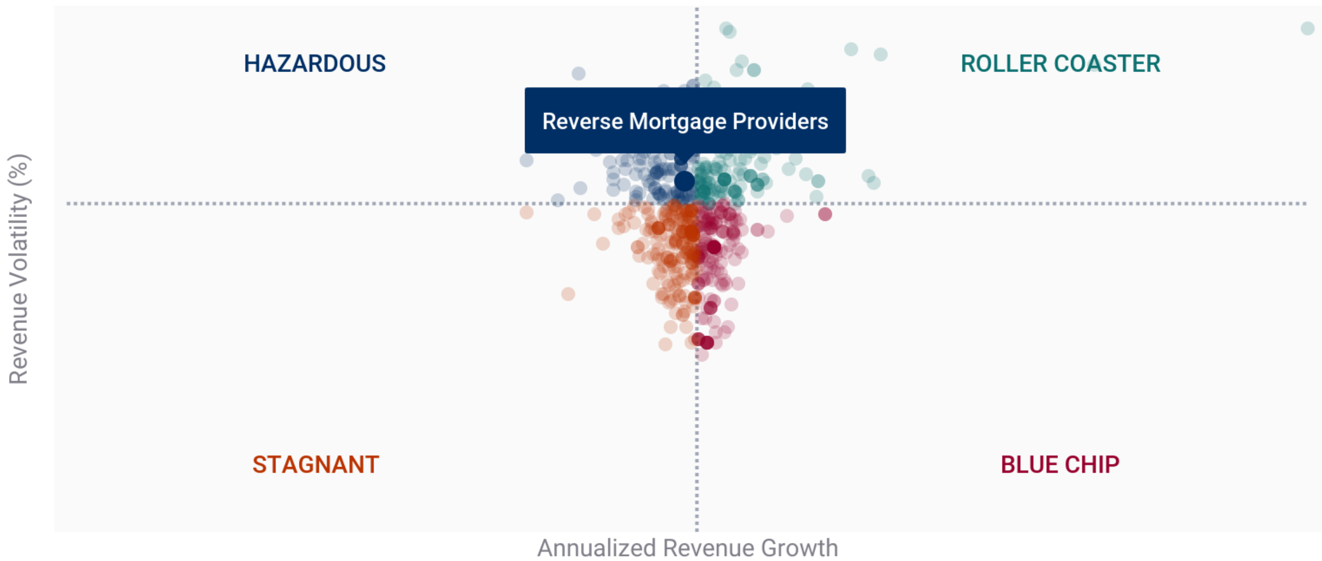
The evolution of digital media has created new ways for reverse mortgage lenders to deliver products and services and other product information. This trend has provided opportunities for industry operators to differentiate from competitors and offer more information. Consumers are now able to access information from the comfort of their homes. This access has increased the competitiveness of smaller players, as it has lowered the significance of a large distribution network for the industry.

In addition, technological developments have created new systems for consumers to make repayments and increased the accessibility to credit. Processing and accessing data are increasingly conducted online but reverse mortgages have recorded a slower uptake of online systems compared with regular mortgages and home loans. This trend has been due to the overall complexity of industry products that require more advice and a lower level of new technology adoption in the industry's target market, the population aged 60 and above. Furthermore, the industry has lowered its reliance on labour and a large proportion of industry activities are now servicing existing loans after multiple operators stopped issuing new loans, lowering wage costs for the industry.

Revenue Volatility

The level of volatility is ⊖ Medium

Volatility vs. Growth



Reverse Mortgage Providers
Source: IBISWorld

The Reverse Mortgage Providers industry has displayed a moderate level of revenue volatility over the past five years.

Revenue volatility is largely driven by demand for reverse mortgages and movements in interest rates. Until the current year's raises, the cash rate had been repeatedly cut to historic lows during the period. As the majority of loans issued by industry participants are variable rates, the RBA's decision to reduce cash rates translates to lower residential housing loan rates and interest repayments by mortgagees. As a result of falling interest rates, interest income on existing loans has fallen, leading to a decrease in industry revenue. In addition, the industry has declined over the period as multiple industry operators have stopped issuing new loans but continue to hold and service the reverse mortgage assets on their books.

This trend has contributed to the moderate revenue volatility over the past five years.

Regulation & Policy

The level of regulation is ⚠ Heavy and the trend is Increasing

The Reverse Mortgage Providers industry is subject to a high level of regulation and policy.

Existing operators in the industry are often banks that are subject to supervision and intervention from APRA. APRA handles the supervision of all authorised deposit-taking institutions (ADIs) in Australia. ADIs are currently covered under the Banking Act (1959). APRA insists that banks and other ADIs be subjected to regular reporting requirements so that institutions remain transparent. In addition, APRA ensures that firms in the industry meet standards regarding capital adequacy, funds management, liquidity, credit quality and other audit arrangements for reporting.

Other industry bodies are involved in regulating and providing assistance to the industry such as the Australian Financial Markets Association, the Australian Banking Industry Ombudsman, the Australian Payments Clearing Association, the Australian Bankers Association and the Australian Consumer and Competition Commission.

ASIC REVIEW

In August 2018, ASIC published a review of reverse mortgage lending, covering the products issued by industry operators and the market landscape of reverse mortgage lending after more responsible lending obligations and consumer protections were introduced in the industry.

The review found that while there was a growing awareness of reverse mortgage products, some borrowers continued to not fully realise the risks and consequences involved in taking out a reverse mortgage, especially to other parties like the families of borrowers. Recommendations from the review include enhancing lenders' approach to responsible lending obligations, removing unfair contract terms and ensuring prospective borrowers are well-informed about the benefits, costs, risks and alternatives to reverse mortgages.

CREDIT PROTECTION

In September 2012, amendments were made to the national consumer credit protection regulations in Australia.

One of the most contentious issues regarding reverse mortgages in the past was the possibility that customers may have to pay back more than the market value of their home as repayment for a reverse mortgage in the event of their property depreciating. The Consumer Credit Legislation Amendment (Enhancements) Act 2012 (Credit Enhancements Act) amended the Credit Act to protect negative equity for borrowers. The legislation provides certainty for borrowers regarding the maximum possible amount that was repayable.

MODERN SLAVERY ACT

In November 2018, the Federal Government passed the Modern Slavery Act 2018.

The act, which came into force on 1 January 2019, is a new reporting requirement for larger Australian businesses. Companies that generate annual consolidated revenue of at least $100.0 million have to report on how they act to mitigate the risks of modern slavery in their operations and supply chains.

The NSW Modern Slavery Act 2018 was due to come into force on 1 July 2019, but the act was delayed for further consultation on the day it was set to be implemented. After lengthy deliberation, the NSW Parliament voted in favour of proposed amendments to the NSW Act in November 2021, under which local councils meeting the reporting threshold will also need to prepare a modern slavery statement. The Modern Slavery Amendment Act 2021 (NSW) commenced on 1 January 2022.

The Modern Slavery Act 2018 is expected to affect the Reverse Mortgage Providers industry. The Australian Council of Superannuation Investors (ACSI) identified financial services as a high-risk sector for modern slavery, as this sector is in the early stages of managing its exposure to slavery. The industry is therefore exposed to the risk of modern slavery through operators' activities in the financial services sector. Industry firms largely rely on a highly paid skilled workforce, meaning their direct business operations are unlikely to be affected. However, industry players may be exposed through their supply chains. Activities such as procurement and outsourcing back-office operations introduce the risk of modern slavery. Some industry players meet the revenue threshold of $100.0 million and will be required to report on how they act to mitigate the risk of modern slavery.

Industry Assistance

The level of industry assistance is ⊖ Medium and the trend is Decreasing

The Reverse Mortgage Providers industry receives a moderate level of assistance. Assistance is largely provided to consumers rather than operators.

Negative equity

The Federal Government made changes to national consumer credit protection regulation in September 2012. Consumers of reverse mortgages were ensured that they will not have to pay back more than the value of their home when repaying loans. This is to prevent consumers from being left in further debt due to properties depreciating throughout the loan. As a result, operators are taking on more burden when offering reverse mortgages. However, they are likely to benefit from a higher level of demand for industry products and services if consumers feel more secure and protected.

SEQUAL

The Senior Australians Equity Release (SEQUAL) was previously the industry association representing the providers of equity release products. SEQUAL's primary focus was the development of professional standards within the industry and representing the industry to consumer agencies, regulators and the government. However, the industry association closed down on 31 January 2017.

Key Statistics

Industry Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Total Assets ($m)	Domestic Demand ($m)
2012-13	296	38.4	169	13.0	279	N/A	N/A	34.3	4,109	N/A
2013-14	275	37.4	143	11.0	263	N/A	N/A	31.6	4,162	N/A
2014-15	277	37.6	143	11.0	258	N/A	N/A	29.9	4,326	N/A
2015-16	279	38.2	130	10.0	258	N/A	N/A	28.5	4,424	N/A
2016-17	276	39.7	130	10.0	262	N/A	N/A	27.8	4,380	N/A
2017-18	310	37.4	130	10.0	261	N/A	N/A	28.7	4,490	N/A
2018-19	306	36.4	130	10.0	262	N/A	N/A	27.7	4,537	N/A
2019-20	276	34.5	130	10.0	262	N/A	N/A	27.0	4,609	N/A
2020-21	259	33.4	117	9.00	260	N/A	N/A	26.3	4,722	N/A
2021-22	271	32.8	117	9.00	257	N/A	N/A	25.4	4,803	N/A
2022-23	304	33.4	117	9.00	256	N/A	N/A	25.1	4,717	N/A
2023-24	327	33.4	117	9.00	256	N/A	N/A	25.0	4,758	N/A
2024-25	294	33.5	117	9.00	256	N/A	N/A	25.4	4,753	N/A
2025-26	302	33.5	104	8.00	255	N/A	N/A	25.3	4,683	N/A
2026-27	295	33.3	104	8.00	254	N/A	N/A	25.2	4,639	N/A

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Total Assets (%)	Domestic Demand (%)
2012-13	-11.1	-9.01	-13.3	0.00	5.68	N/A	N/A	3.31	0.02	N/A
2013-14	-7.17	-2.61	-15.4	-15.4	-5.74	N/A	N/A	-7.88	1.26	N/A
2014-15	0.76	0.53	0.00	0.00	-1.91	N/A	N/A	-5.38	3.94	N/A
2015-16	0.68	1.59	-9.10	-9.10	0.00	N/A	N/A	-4.69	2.27	N/A
2016-17	-1.01	3.92	0.00	0.00	1.55	N/A	N/A	-2.46	-1.00	N/A
2017-18	12.3	-5.80	0.00	0.00	-0.39	N/A	N/A	3.23	2.50	N/A
2018-19	-1.23	-2.68	0.00	0.00	0.38	N/A	N/A	-3.49	1.05	N/A
2019-20	-9.84	-5.22	0.00	0.00	0.00	N/A	N/A	-2.53	1.59	N/A
2020-21	-6.20	-3.19	-10.0	-10.0	-0.77	N/A	N/A	-2.60	2.43	N/A
2021-22	4.71	-1.80	0.00	0.00	-1.16	N/A	N/A	-3.43	1.71	N/A
2022-23	12.2	1.82	0.00	0.00	-0.39	N/A	N/A	-1.19	-1.78	N/A
2023-24	7.66	0.00	0.00	0.00	0.00	N/A	N/A	-0.40	0.86	N/A
2024-25	-10.2	0.29	0.00	0.00	0.00	N/A	N/A	1.60	-0.13	N/A
2025-26	2.68	0.00	-11.1	-11.1	-0.40	N/A	N/A	-0.40	-1.47	N/A
2026-27	-2.26	-0.60	0.00	0.00	-0.40	N/A	N/A	-0.40	-0.94	N/A

Key Ratios

Year	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/ Revenue (%)	Employees per estab. (Units)	Average Wage ($)
2012-13	13.0	N/A	N/A	1,061	11.6	1.65	122,939
2013-14	13.6	N/A	N/A	1,044	11.5	1.84	120,152
2014-15	13.6	N/A	N/A	1,073	10.8	1.80	115,891
2015-16	13.7	N/A	N/A	1,080	10.2	1.98	110,465
2016-17	14.4	N/A	N/A	1,053	10.1	2.02	106,107
2017-18	12.1	N/A	N/A	1,187	9.26	2.01	109,962
2018-19	11.9	N/A	N/A	1,168	9.05	2.02	105,725
2019-20	12.5	N/A	N/A	1,053	9.79	2.02	103,053
2020-21	12.9	N/A	N/A	995	10.2	2.22	101,154
2021-22	12.1	N/A	N/A	1,054	9.37	2.20	98,833
2022-23	11.0	N/A	N/A	1,188	8.26	2.19	98,047
2023-24	10.2	N/A	N/A	1,279	7.64	2.19	97,656
2024-25	11.4	N/A	N/A	1,148	8.65	2.19	99,219
2025-26	11.1	N/A	N/A	1,183	8.39	2.45	99,216
2026-27	11.3	N/A	N/A	1,161	8.55	2.44	99,213

Figures are inflation adjusted to 2021-22

Additional Resources

Additional Resources

Australian Housing and Urban Research Institute
http://www.ahuri.edu.au

Australian Prudential Regulation Authority
http://www.apra.gov.au

Reserve Bank Australia
http://www.rba.gov.au

Industry Jargon

ADI
Authorised deposit-taking institutions.

NEGATIVE EQUITY
When the value of collateral is below the outstanding loan balance.

REVERSE MORTGAGE
A variation of a mortgage that allows a homeowner to convert equity in their home to cash.

Glossary

BARRIERS TO ENTRY
High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY
Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labour; medium is $0.125 to $0.333 of capital to $1 of labour; low is less than $0.125 of capital for every $1 of labour.

CONSTANT PRICES
The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the Australian Bureau of Statistics' implicit GDP price deflator.

DOMESTIC DEMAND
Spending on industry goods and services within Australia, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT
The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE
A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT
The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS
Total value of industry goods and services sold by Australian companies to customers abroad.

IMPORTS
Total value of industry goods and services brought in from foreign countries to be sold in Australia.

INDUSTRY CONCENTRATION
An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE
The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other

operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA)
The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE
The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE
All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT
Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT
IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY
The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES
The gross total wages and salaries of all employees in the industry.

Call Preparation Questions

Role Specific Questions

Sales & Marketing

How do you promote your firm's products to clients?

Reverse mortgages are a relatively new product.

How are consumer preferences changing?

An increasing number of financial products are being created and packaged for consumers.

Strategy & Operations

How does your business manage its risk and exposure to different markets?

Lenders need to maintain a steady cashflow and compliance with capital requirements to issue new loans.

What systems does your firm have in place to manage its balance sheet?

APRA is looking to raise capital adequacy to an unquestionably strong level.

Technology

How does your company's online platform compare with the competition?

A growing number of loans are being managed through online channels.

How can your company reduce wage costs through automation?

Opportunities to automate exist, as fewer operators are offering new reverse mortgages, often only servicing existing loans.

Compliance

How have reforms in regulatory capital requirements changed your company's strategy?

APRA has placed restrictions on high loan-to-value ratio loans and increased capital requirements for large lenders.

How does the new bank levy affect your business?

The implementation of the new bank levy is expected to make lenders outside the major banks more competitive.

Finance

How does your business manage its balance sheet to maintain sufficient capital and liquidity?

Stable cashflow and sufficient capital are required to issue new loans.

What is the optimal capital structure for your business?

Loan pricing depends on the cost of funding for providers.

External Impacts Questions

Impact: Residential housing loan rates
What effects do changes in the standard variable interest rate have on your firm's pricing?

Interest rate changes can affect demand and profitability for businesses.

Impact: Residential housing prices
How does your company's pricing change with different collateral or loan-to-value ratios?

Loans should be priced appropriately to balance business demand and profitability.

Impact: Population aged 70 and older
How has your business capitalised on Australia's ageing population?

The population aged 70 and older is a vital market for the industry.

Internal Issues Questions

Issue: Financial position of the company (as against financial structure)
How do your firm's debt levels compare with those of your competitors?

Reverse mortgage providers need to hold sufficient capital to boost revenue.

Issue: Ability to effectively manage risk
How does your business manage risk?

Reverse mortgages make up a small part of firms but remain a risk given their substantial exposure to residential property.

Issue: Having a high profile in the market
What strategies does your company use to reinforce and build its brand?

A brand encompasses the reverse mortgage business and the wider banking and financial services provided by the group.

IBISWorld helps you find the industry information you need – fast.