Greener Homes report

A study looking into the challenges and changing behaviours on the journey to more sustainable homes.

rightmove

July 2023

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Foreword

A year on from our first report, it's clear that there are still significant hurdles in the pathway to greener homes. But some progress is being made.

The Future Homes Standard is a positive move for new homes to be Net Zero carbon ready from 2025, with exciting innovations happening in this sector which has the benefit of building from scratch. However, embarking on the huge retrofit revolution that is required to make existing homes more sustainable continues to bring many challenges.

Our new analysis shows that based on the current rate that homes are improving, it would take 43 years for all houses for sale on Rightmove to reach at least an EPC rating of C, and 25 years for flats for sale.

In the rental market, it would take 31 years for all houses for rent on Rightmove to reach at least an EPC rating of C, and 16 years for flats.

Education is key to help drive change more quickly. However, the immediate cost benefits are still the biggest driver for home-owners to consider making green changes, so more needs to be done to help people afford to make improvements.

So, what could be done?

There needs to be incentives that help both those who choose to buy a greener home, and those who would be willing to make green improvements to an existing home or a poorly rated home that they buy.

Introducing any new policies or schemes would need to be carefully thought through, but here are some things that could be considered:

- Stamp duty rebates if a new buyer makes green improvements in the first few years of purchase
- Much more significant mortgage incentives for homes with higher EPC ratings for both new mortgages and remortgages
- More grants or tax benefits for installing green technology such as electric vehicle charging points and solar panels
- Enabling new innovations that speed up the creation and implementation of energy efficient technology

Our key takeaways from this year's analysis are as follows:

Landlords will increasingly shun properties with lower EPC ratings when building out their portfolios, and the uncertainty of impending legislation is making it tough for them to make decisions now

A greener home continues to command an additional price premium on top of local house price growth, with an average of almost £56,000 more for homes that have improved from an EPC rating of F to a C

There are signs that the energy bills surge has made more people, especially renters, aware of energy efficiency. One in five (19%) tenants say it will be a major factor when choosing a home

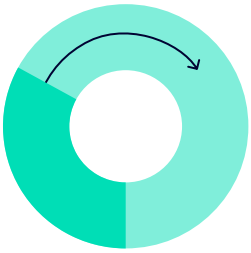
The improvement over time of EPC ratings in rental stock is faring better than resale stock, but there are still 50% of homes D and below in rental, and 60% in resale on Rightmove

Bigger portfolio landlords are much more likely to embrace the change, while 40% of landlords with only one property say they're more likely to sell up than make green changes

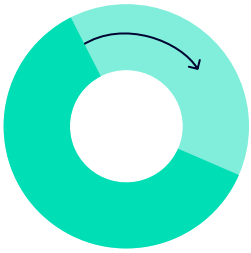
We hope you find our latest analysis and the opinions from experts across the industry insightful.

Tim Bannister
Rightmove's Director of Property Science

Insights at a glance



33% of all landlords with properties below an EPC rating of C plan to sell rather than improve them, up from one in five in 2022



61% of landlords would not buy a rental property below an EPC rating C, up from 47% in 2022

£3,445

Average amount home-owners who would consider making green improvements would spend

£55,786

Additional amount a property could be worth if its EPC rating improves from an F to a C

592%

Increase in the number of listings that mention an electric car charging point since 2019

19%: Percentage of renters planning to move in the next 12 months who say the energy efficiency of the home will be a major factor in choosing a property

13%: Percentage of home-owners planning to move in the next 12 months who say the energy efficiency of the home will be a major factor in choosing a property

London: The area with most energy efficient homes for sale and rent

Wales: The area with least energy efficient homes for sale

Yorks & Humber: The area with least energy efficient homes to rent

4.99 tonnes

Average annual CO_2 emissions from a house for sale, 8% lower than 2019

4.52 tonnes

Average annual CO_2 emissions from a house for rent, 1% lower than 2019

2.53 tonnes

Average annual CO_2 emissions from a flat for sale, 9% lower than 2019

2.57 tonnes

Average annual CO_2 emissions from a flat for rent, 9% lower than 2019

Are UK homes going greener?

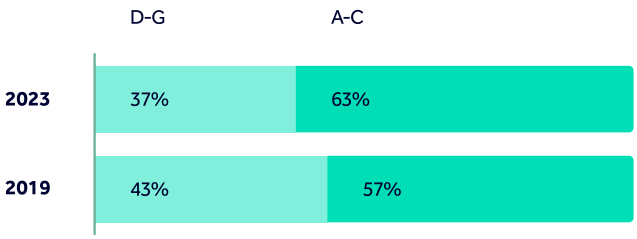
According to the UK Green Building Council, 80% of buildings that will be occupied in 2050 already exist today, meaning that retrofitting existing homes is critical. The government has a target to get as many homes 'as practicable' up to an EPC rating of C by 2035.

Our latest analysis of available houses for sale on Rightmove shows that over the past four years there has only been a 6% shift in the proportion of houses that have moved up to at least a C rating.

There has also been a 6% shift in flats for sale, although flats are more energy efficient than houses, likely due to fewer exposed walls.

Houses for sale in Great Britain

Flats for sale in Great Britain



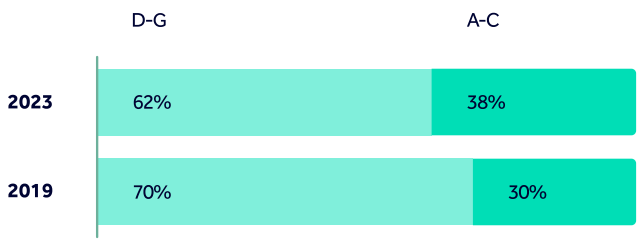
The rental market has fared better in its progress, as legislation means it is illegal to rent out a property lower than an E rating unless there is a valid exception, with proposals in place to move that up to a C.

There has been an 8% change since 2019 in the proportion of houses for rent that have moved to at least a C, and a 9% change in flats for rent.

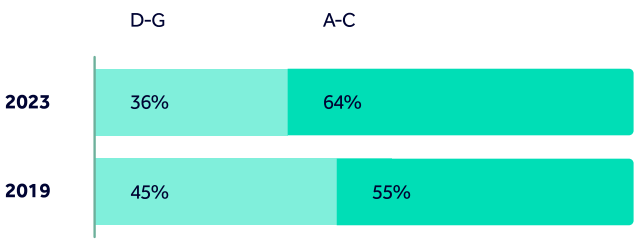
If properties were to continue to improve at this same rate , this means it would take 43 years for all houses for sale on Rightmove to be at least an EPC rating of C, and 25 years for flats for sale.

In the rental market, it would take 31 years for all houses for rent on Rightmove to be at least an EPC rating of C, and 16 years for flats to rent.

Houses to rent in Great Britain



Flats to rent in Great Britain



To look at the environmental impact of a home, we've also compared annual CO_2 emissions that a home produces, as presented in each EPC, since 2019.

Properties for sale in Great Britain

2019 CO_2 emissions	**2023** CO_2 emissions	**Progress**
Average house: 5.45 tonnes	Average house: 4.99 tonnes	**8% reduction in CO2 emissions**
Average flat: 2.77 tonnes	Average flat: 2.53 tonnes	**9% reduction in CO2 emissions**

Properties for rent in Great Britain

2019 CO_2 emissions	**2023** CO_2 emissions	**Progress**
Average house: 4.57 tonnes	Average house: 4.52 tonnes	**1% reduction in CO2 emissions**
Average flat: 2.82 tonnes	Average flat: 2.57 tonnes	**9% reduction in CO2 emissions**

A national view shows there's still a long way to go, but it does mask the fact that some regions are performing better than others. A regional look shows that London leads the way for the most energy efficient homes for sale and to rent, helped by the large proportion of flats in the capital.

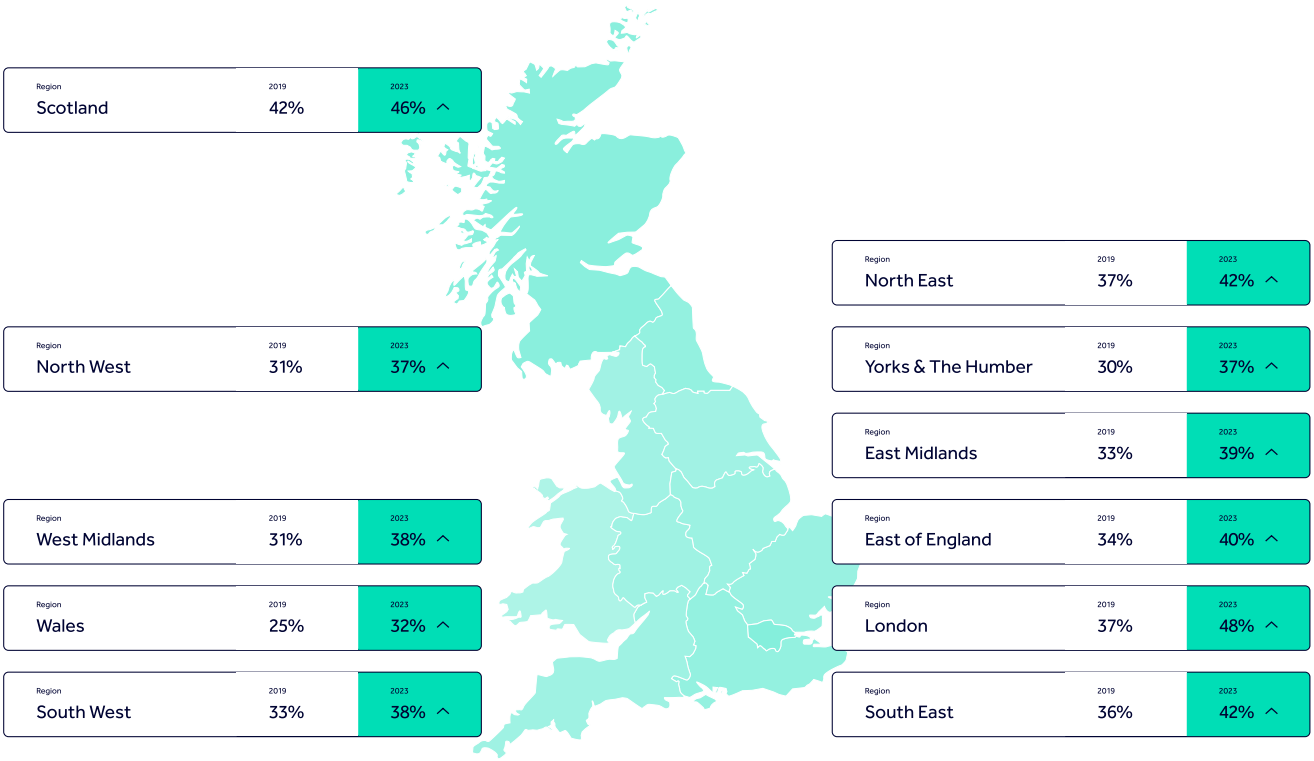
In Wales, where there are a number of larger homes in more remote locations, the overall property stock for sale is the least energy efficient, and the most energy inefficient stock to rent is in Yorkshire & the Humber.

Four of the top five local authorities with the lowest average EPC score in homes for sale are in Wales: Gwynedd, Isle of Anglesey, Ceredigion and Powys.

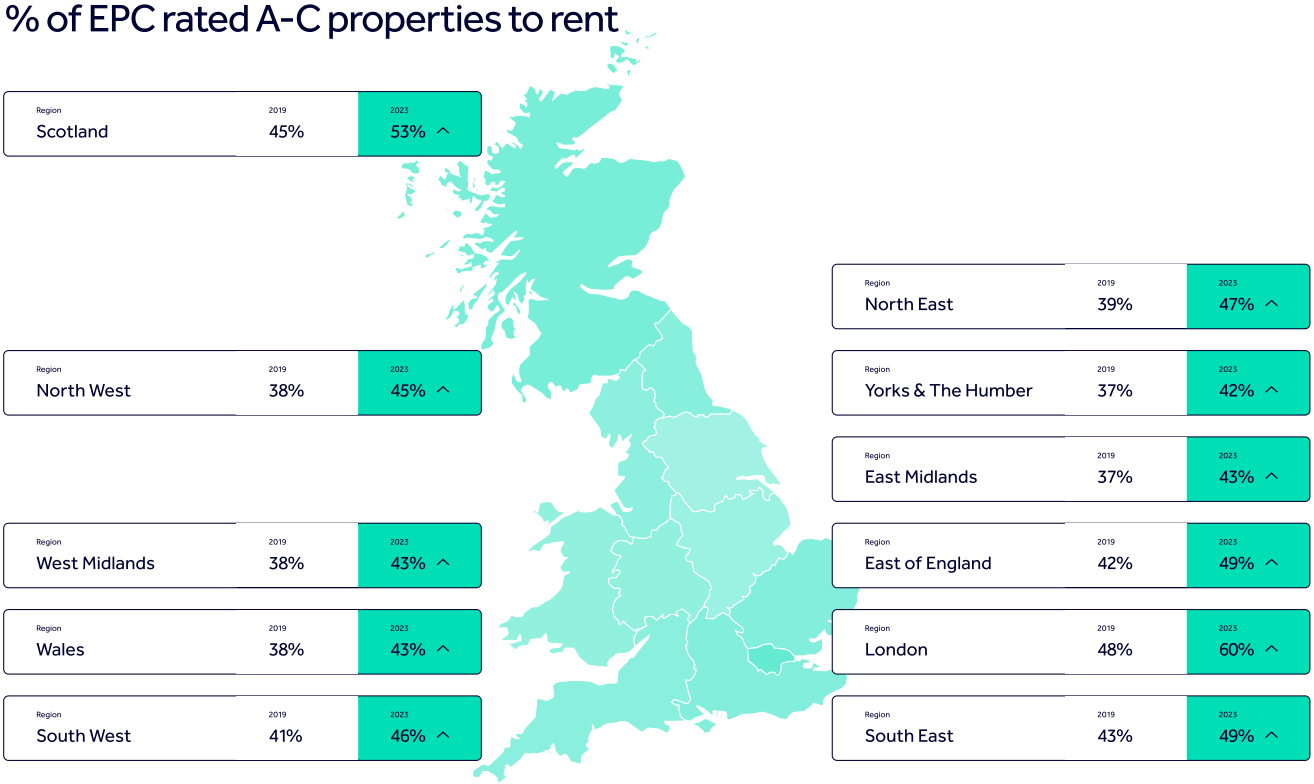
In the rental market, Powys is the weakest performing local authority across Great Britain, followed by Ryedale.

Regional progress by EPC ratings

% of EPC rated A-C properties for sale



% of EPC rated A-C properties to rent



The value of going green

Although the energy efficiency of a home is still not a major factor for the majority of people when choosing where to live, when home-owners were asked if it's worth paying more for an energy efficient home, only 6% disagreed.

Latest analysis of 300,000 properties that have sold twice in the last fifteen years and have had a new EPC certificate issued, shows there is an additional 'green premium', on top of the local house price growth over time.

A property moving from an F to a C rating could increase a property's value by an average of an additional 15%, or almost £56,000 when looking at the current national average asking price.

D-C

Property improving from an EPC rating of D to C
Average increase in value of 3%, or **£11,157**

E-C

Property improving from an EPC rating of E to C
Average increase in value of 7%, or **£26,033**

F-C

Property improving from an EPC rating of F to C
Average increase in value of 15%, or **£55,786**

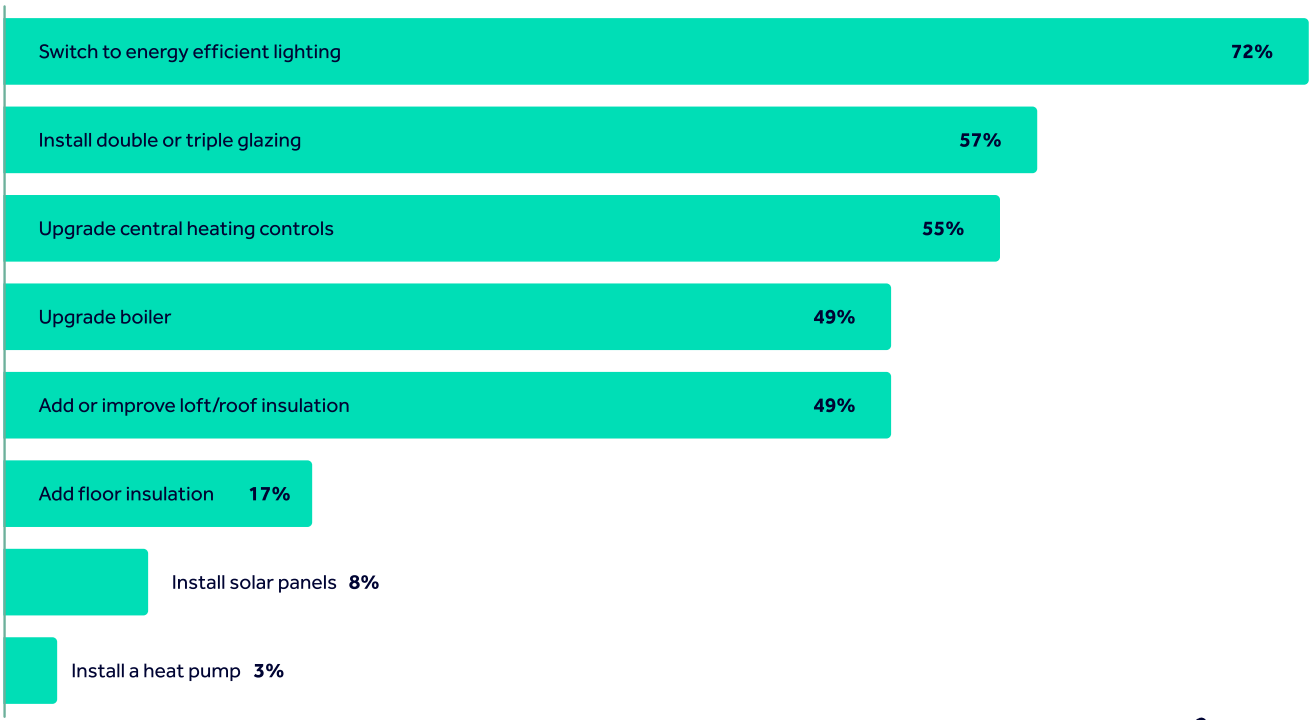
Will home-owners pay to go green?

The majority of homeowners (83%) say they would consider investing in their property to make it more energy efficient.

The average amount they would be willing to pay is **£3,445.**

Understandably, home-owners are more likely to have already carried out smaller upgrades like new lighting, whereas there's much more work to be done to encourage more people to consider making bigger changes, such as installing a heat pump or solar panels, if suitable for their home.

Improvement already made to home (% of home-owners)



The influence on home-movers

More and more agents are highlighting green features and better EPC ratings of homes as key selling points in their property listings on Rightmove:

24%

The number of property listings that highlight an EPC rating of A-C in the property description is up 24% on this time last year and up by 59% on 2019.

592%

The number of listings that mention electric car charging points is up by 40% on last year, and up by a staggering 592% since 2019.

"In an increasingly price sensitive market, highlighting the key benefits of a greener home will help properties to stand out from their neighbours. Agents are now much more likely to be extolling the virtues of smart technology and solar panels, than sun-trap conservatories that are too hot in the summer and too cold in the winter. There will come a time, not in the too distant future, when more buyers are queuing up for homes with electric charging points and good insulation, instead of seeking out Victorian open-fireplaces."

Rightmove's **Tim Bannister**

The energy bill influence

While green features of a home are still still not the most important factor when people are choosing where to live, there are definite signs that the increase in energy bills has had more of an impact on renters.

13% of people looking to buy a property in the next 12 months say that its energy efficiency will be a major factor, and that rises to 19% for renters.

Vicki Foreman, Associate Partner at Brown & Co. in Norfolk, says:

"Prospective buyers of larger properties are definitely starting to sit up and take notice of a home's energy efficiency rating during the purchasing process. The energy crisis has shone a light on the costs of heating multiple rooms in bigger homes and more buyers are factoring this into their decision making, though there is still some way before energy efficiency becomes their primary concern. "

"It's the same story in the rental market, with an increasing number of tenants looking at renting a larger home having to factor the running costs into their considerations, and what their total rent and bills may be. We're seeing less concern from buyers and renters of smaller properties, but this could change in the future."

Last year we reported that terms such as solar panels and heat pumps had climbed up the list of terms people were actively searching for using Rightmove's Keyword Sort tool.

If we look at March of this year, they had continued to climb further, however over the past few months they have started to drop down a bit.

It's too early to say for sure, but this drop could be a sign that as energy bills start to fall, people are going to need more encouragement to make home improvements or to actively consider the energy efficiency of a home when moving.

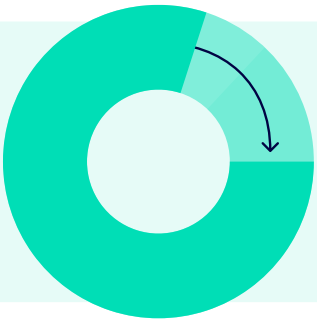
The retrofit conundrum

1. Will landlords sell up?

The group most impacted in the near term by developments in the energy efficiency space are landlords.

The original government plans state that properties may need to reach a C rating for new tenancies by 2025 in England and Wales, and for all tenancies by 2028, although there have been some recent reports suggesting the government may delay this. There is yet to be any official confirmation.

The Scottish government say that they plan to introduce regulations to require all newly rented properties to reach an EPC rating of C from 2025 onwards 'where technically feasible and cost-effective', with a backstop of 2028 for all remaining rental properties.



80% of landlords are now aware of proposed changes to EPC legislation, up from 65% last year.

Rightmove Data 2023

But the uncertainty surrounding these minimum standards has put landlords in a conundrum over improving now, or waiting to hear the exact details. Plus if they wait, there could be further technological developments that could make it easier or cheaper to retrofit .

Theresa Wallace, Chair of the Lettings Industry Council, says:

"The lack of clarity around changes to EPC legislation is making it very difficult for landlords to get ahead and make energy efficiency upgrades, and hard for agents to give accurate consultation and advice. What landlords want is certainty around what the EPC expectations will be, the investment required to make upgrades and whether any changes they make now will contribute towards any minimum required investment. Until then, smaller landlords in particular are having to wait it out, and agents are limited in what they can best recommend to their landlords.

"The energy crisis has made tenants aware of EPCs and the benefits of a more energy efficient home in ways they weren't previously. Unfortunately, a chronic shortage of available properties to rent means many tenants aren't able to focus on choosing a home with a better EPC rating, though this could change in the future."

Some will invest, others will sell up

Landlords with bigger portfolios are more likely to be making green changes or planning to, than those who only have a couple of properties.

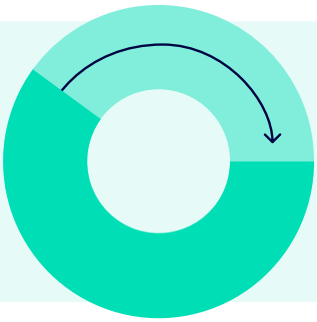
Landlords who already own five or more properties are also much more likely to increase their portfolios over the next 12 months (27%), compared with landlords who only own one property (10%).

These landlords with larger portfolios are also more willing to invest in a property with an EPC rating below a C.

A third of landlords (33%) who own lower EPC rated properties plan to sell them rather than make improvements to their EPC rating, which compares to 20% last year.

This increases to 40% for those landlords with only one property.

There is also a clear sign that landlords will increasingly shun lower ratings when finding properties to buy.



61% of landlords say they would not buy a rental property below a C, up from 47% in 2022.

Rightmove Data 2023

"While some landlords may sell up, those with bigger portfolios are more likely to be planning to carry out the necessary improvements to increase the EPC rating of their lower rated homes and are more willing to invest in lower EPC rated properties, potentially to improve for the future. This suggests there may be a changing of the guard over the next few years, with landlords with bigger portfolios buying up lower EPC properties that are being sold by landlords with smaller portfolios, to improve them and rent them out again.

"There are some landlords who will find it difficult to make enough improvements to a property to meet the required standard, especially flats that have less potential to improve. It's important that the government carefully considers what can be done in these cases to ensure we're not left with properties that are just on the cusp of being a C rating that could be forced to exit the rental market."

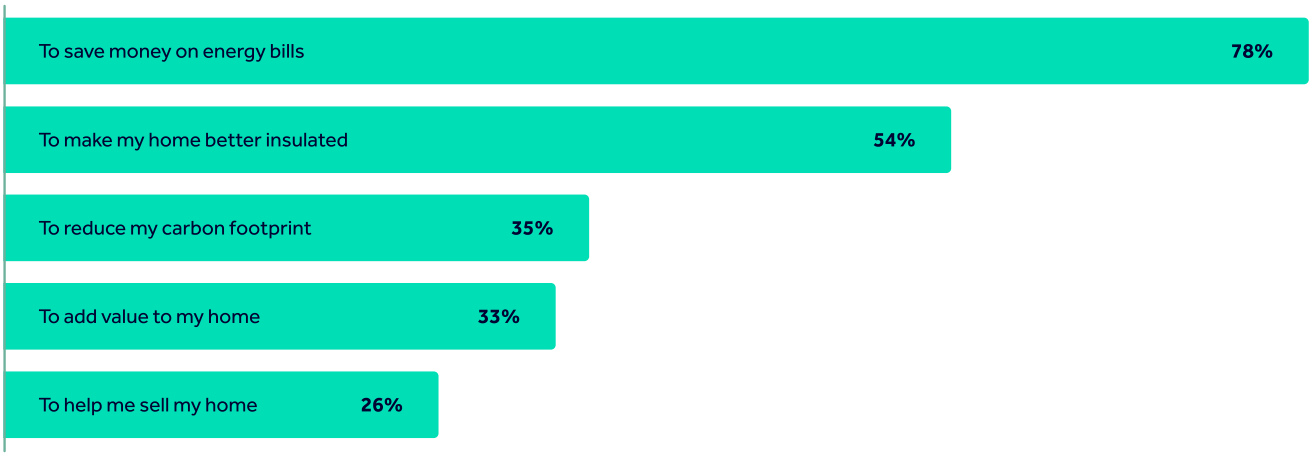
Rightmove's Legal & Compliance Director **David Cox**

2. Home-owner attitudes

The real driving force behind green influences on home-movers continues to be any immediate cost savings that can be made.

The prospect of saving money on energy bills is once again the biggest motivator for existing homeowners to upgrade their homes (78%).

Motivators to make green improvements



The biggest barrier for home-owners to make energy efficiency upgrades is that they won't be in the home long enough (40%), which could create a brewing problem, especially in the first-time buyer sector, if they only plan to stay in a house for a few years before trying to upsize.

Those who have bought their forever home may be more likely to see the benefits in making the upgrades.

But for those who only anticipate staying in the property for a few years before trading up, what's the motivation to upgrade?

The fact that 43% of homeowners say they have not and do not plan to improve the energy efficiency of their home, suggests more incentivisation is needed for those who are not motivated by the prospect of going greener.

Danielle Stephenson, Mortgage Product Manager from Virgin Money, is currently working with Rightmove and net zero specialist Sero on a government funded project exploring ways to remove the upfront cost barrier of installing retrofit measures in a home. She says: "Home-movers need help to better understand not just what green improvements they could do now to their home, like installing better insulation, but also what a home that is future-proof for a Net Zero world looks like, and why it's important."

"We want to make sure people are aware of the new technologies that are emerging, the fact that heating homes more sustainably will come through the electrification of heat, and what that means for the types of systems that could be installed in their home.

There's a cost barrier for many to be able to make improvements, and through this project we're looking at how we could help provide finance options that would encourage more people to make changes."

Rachael Hunnisett, Green Mortgage Campaign Lead at the Green Finance Institute says the key is to build retrofit into the mortgage journey to help with the barrier of upfront costs.

She says: "Finding the funds to make energy upgrades remains a huge barrier for those wanting to go greener. Part of the reason for this is that the finance needed to make home improvements in the future is not factored into budgets at the point of buying a home, and building these costs into the mortgage journey from the start could help, particularly if buyers are confused about what works they may need to do and the return on investment for doing them. Access to finance can be the enabler for more energy efficiency upgrades in the future, and there is a willingness amongst lenders to innovate in this space both for owner-occupiers and landlords."

In a time of economic uncertainty, it appears that monetary incentives will be the best pathway to greater investment in green solutions, at least for now.

Heat pumps and homes of the future

The new build sector has a significant advantage in leading the greener homes revolution, and there are exciting developments underway that over time could help the wider property industry to retrofit at scale. While the merits of air source heat pumps have been debated at length and they require bespoke assessments before installing in existing homes, new homes developers are trialling them on live sites ready for 2025.

While many existing homes are struggling with poor insulation, **Oliver Novakovic,** Group Innovation and Technical Director at Barratt Homes, describes the benefits of building from scratch:

"We're able to install what we call 'fit and forget' insulation that creates a warm coat around the house, introduce renewable technologies, and create ways that heat can be recycled and re-used. There's no doubt that technology like heat pumps requires a slight change in behaviour from how people are used to heating their home, but once people are properly informed on how best to use it, we're finding that they're working effectively. We're also seeing increased demand from buyers for smart technologies like google nest, and greater adoption of solar panels as more people start to see their benefits in producing energy and reducing bills."

Garry Cornell, Sustainability Director at Redrow, says:

"Energy efficiency has become a big driver for people moving from an older home to a new home to try and help reduce their bills and lower their energy consumption. Heat pumps consume significantly less energy than gas boilers, operating at an efficiency of around 300-400%, compared to a modern A rated boiler which is about 90% efficient. Looking ahead, it's possible that in the future homes will be able to produce at least as much energy as they use, with the potential for your car to be used to store energy to help run your home, and more technology like rainwater harvesting for toilets to help with water efficiency being introduced."

Are heat pumps the answer?

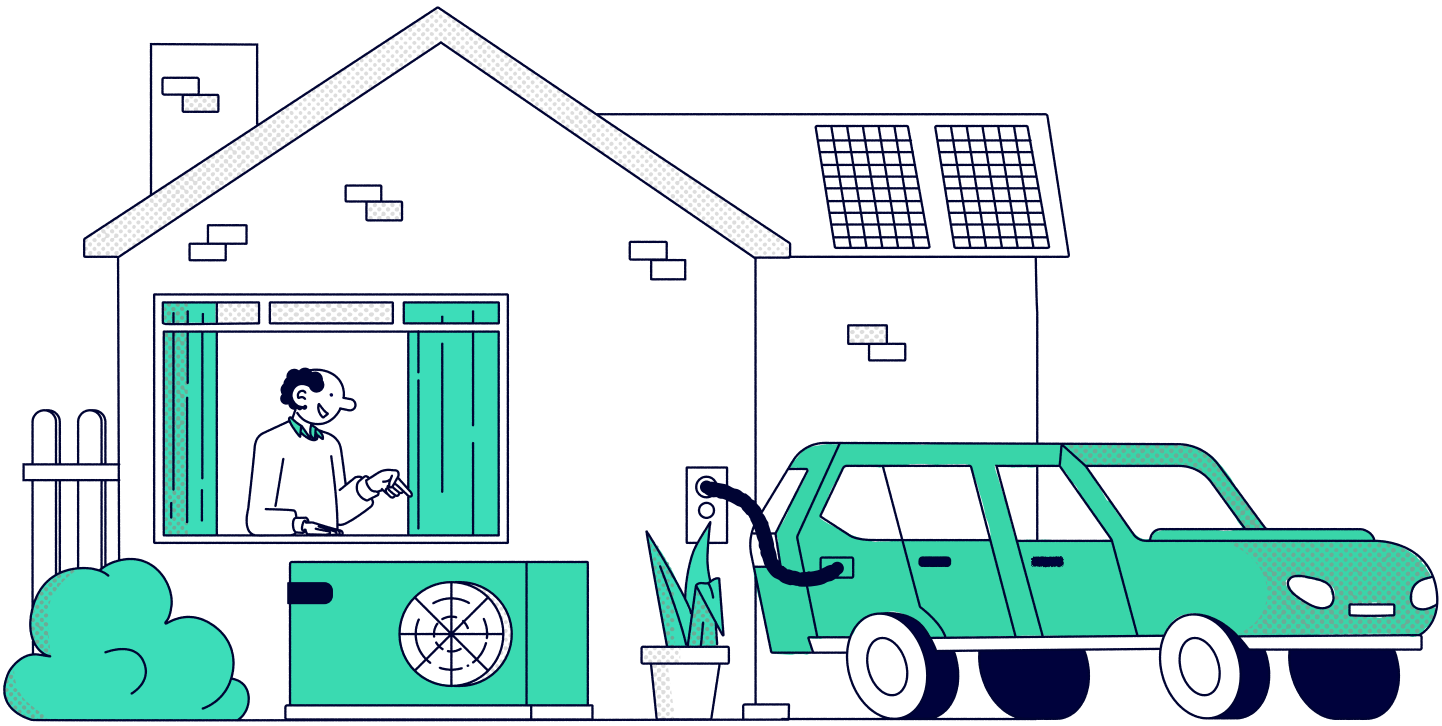
With cost the main motivator, it's clear that installation costs need to reduce before more existing home-owners will be sold on installing heat pumps.

The government's Boiler Upgrade Scheme, that aimed to install 30,000 heat pumps or other low carbon boiler replacements in England and Wales annually, only managed to issue half of that in its first year.

When we asked home-owners if they're considering installing a heat pump in the next year, only 4% said they were.

Michael Cottrell, Global Product & Partnership Director at Octopus Energy Group, says:

"Heat pumps are like magic. They turn one unit of energy into four units of heat, while slashing your carbon footprint. We're seeing demand sky-rocket as consumers become more aware of them. Cost remains a barrier to wider adoption in the UK, as do misconceptions such as heat pumps not working in colder temperatures. Now, the industry needs to work together to bring down install costs so heat pumps are on a more equal footing with gas boilers."



Destination Zero

We're clearly still in the early journey towards greener homes.

Our relationships with our homes changed a lot over the pandemic years, and people will need to continue to change and adapt to greener technology in the coming years.

We aren't yet seeing significant signs in our demand figures that a lot of people are choosing greener homes over poorly rated homes, however, the benefit of making green improvements is coming out in the overall premium that a seller can command.

In order to shift the demand to greener homes, education and incentivisation is key. For those people who have never lived in a more energy efficient home, they haven't seen the benefits . The 'price of cosy', or a better insulated home, is hard to quantify until people see how it can change how they live for the better.

Adoption at scale will take time and there are clearly areas that need more attention than others. Houses are much more energy inefficient than flats, and the sales market is lagging behind what we're seeing in the rental market.

The challenge right now is that there are not enough suppliers and equipment for the greenest option to be the most affordable option for home-owners and landlords. We need to wait and see what the government proposes or what green finance options become available, and the good news is that there are developments happening.

The days of building energy inefficient homes is already over, and we need to look to a time when running an energy inefficient home is a thing of the past. People need to know what to do, in what order, why they are doing it, and what benefits it will bring.

Our analysis does show that our housing stock is going greener, but more needs to be done to speed it up. The challenges ahead may be daunting, but momentum does seem to be slowly building.

Thank you for reading.

Tim Bannister
Rightmove's Director of Property Science

Need more information? If you are a journalist and would like more info or an interview with Tim Bannister, you can contact Amy Murphy on amy.murphy@rightmove.co.uk.

If you would like to discuss green datasets and how they could help your business, you can contact datasupport@rightmove.co.uk

Future Homes Standard: https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings

EPC ratings of homes and improvements over time nationally, by region and by local authority: analysis of EPC ratings of all homes for sale and to rent on Rightmove, Jan-June 2019 versus Jan-June 2023.

CO2 emissions over time nationally: the average of each property's EPC of all homes for sale and to rent on Rightmove, Jan-June 2019 versus Jan-June 2023.

Mentions in property descriptions: Rightmove listings data, May 2019 versus May 2022 and May 2023.

Green Premium: Analysis of the change in value of 300,000 properties that sold twice over the past 15 years and had two different EPCs over that time.

All survey data: from Rightmove's Spring Survey, conducted between 11th April and 27th April 2023, among 5,943 respondents.

UK Green Building Council statistic: https://ukgbc.org/our-work/climate-change-mitigation/

Government's Boiler Upgrade Scheme inquiry: https://committees.parliament.uk/committee/515/environment-and-climate-change-committee/news/186300/the-boiler-upgrade-scheme-is-failing-to-deliver-says-lords-committee/

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