



Greener Homes Attitude Tracker

April 2023



NatWest

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Key findings

Q1 2023

63% of homeowners plan to make improvements over the next ten years, falling from 66% in the last quarter and down from a peak of 68% in Q3 2022

71% of homeowners stated that the cost of having the work done was the biggest barrier to sustainable home improvements

The extension of the UK Government's Energy Price Guarantee (EPG) to June comes at a critical time, with around half of households having stated that they were either 'not very confident' (32%) or 'not at all confident' (18%) of being able to afford to pay higher gas and electricity prices

48% of households reported turning down the thermostat to reduce energy bills as a result of the rising cost of living, increasing to 61% for those aged 55-64

The importance of a property's EPC rating to prospective homebuyers decreased slightly in the first quarter of 2023, with 39% stating it was a 'very important' factor to consider, down from 41% in Q4 2022

Prospective homebuyers aged 35-44 were the most likely to say that an EPC rating of C or above was an 'essential' feature (24%), while those aged 18-24 were the least likely (13%)

Foreword

In our Q4 2022 Greener Homes Attitude Tracker, I wrote about how the cost-of-living crisis was beginning to deter homeowners from making energy efficiency improvements and that theme has intensified in the first quarter of this year. High inflation, at levels not seen in this country for forty years, is putting pressure on all parts of consumers lives, from energy efficiency to grocery shopping.

For the first time since our tracker began, we had seen a decrease in the proportion of homeowners who wanted to make sustainability-related improvements to their homes. Sadly, with the cost-of-crisis continuing to bite, homeowners find themselves even less likely to make sustainability-related home improvements this quarter, with the proportion of those planning to make changes in the next 12 months falling to 21% in Q1 2023, slightly down from 22% last quarter.

And unsurprisingly we are seeing this impact across other elements of consumers' lives. Our latest survey notes that the importance of a property's Energy Performance Certificate (EPC) rating to prospective homebuyers has slipped, with the proportion stating it is a 'very important' factor down to 39%, compared to 41% at the end of last year. In grocery shopping too, fewer people were considering the environment when doing their weekly shop (31%, down from 35% this time last year), suggesting consumers are prioritising value over sustainability – yet another by-product of high costs.

In this quarter, given the backdrop, we asked consumers how they felt about being able to afford higher gas and electricity prices in the months ahead. 50% of households were either 'not very confident' (32%) or 'not at all confident' (18%) of being able to afford to pay the higher prices. Thankfully, the UK Government's Energy Price Guarantee (EPG) has since been extended by three months to June in the latest Budget. However, we found a clear need for further clarity around government support, with only 29% of respondents being able to correctly identify how the EPG works.

The big picture

While these findings may suggest a downward trend in terms of support for energy efficiency measures, that probably shouldn't be a surprise and it's important to look at the big picture.

In that context, there's a positive story to be found in our latest data. Even in the midst of inflationary, energy and cost-of-living crises, support for energy efficiency remains resilient. While the numbers fell slightly, it remains true that the majority of homeowners still have plans to make environmental home improvements to their property over the next 10 years. So, whilst plans for implementing home improvement measures are being put on the backburner, for many, interest in energy efficiency remains at a highly elevated level, especially compared to our first survey back in 2021.

An exciting future ahead

Although times are difficult and we face a number of challenges across multiple fronts, I remain excited for the future. The past year has seen the greatest surge of interest in renewables across Europe we've ever known, with energy efficiency remaining a critical part of that conversation. As well as fabric-first approaches, we've witnessed a surge in growth in the heat pump market across the continent, which is bound to reach the UK in the coming months and years just as we've seen with previous trends such as electric vehicles, solar panels and triple-glazed windows - all of which, our survey shows, over a third of consumers are planning to install in the next decade.

As we've consistently seen, the cost of having work done remains by far the greatest barrier to sustainable home improvements, with 71% of homeowners who are not actively planning to improve their homes environmentally in the next decade citing this as a reason.

Why is this a reason to be excited? Once the energy efficiency supply chain is up and running – which is starting to happen – prices are likely to fall with increased competition, which – together with continued innovation in funding – could unlock access to home improvements for more people, further stimulating the market and potentially reducing prices. By then, we'll have overcome the greatest barrier to improving the quality of our homes across Britain, making them cheaper to keep warm and comfortable. For me, that's a big reason to be excited about what the future holds.

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Lloyd Cochrane
Head of Mortgages at NatWest Group

Overview

Green home improvements index

The opening quarter of 2023 saw a further decrease in the proportion of homeowners planning to make improvements to the environmental sustainability of their property both in the next 12 months and over the next ten years, in a continuation of the decline seen late last year. 21% of homeowners planned to make improvements in the next 12 months, which was down only fractionally from 22% in Q4 2022 but nevertheless the lowest since Q4 2021. At the same time, 63% planned to make improvements over the next ten years, falling from 66% in the three months to December and down further from a peak of 68% in Q3 2022 [Exhibit 1].

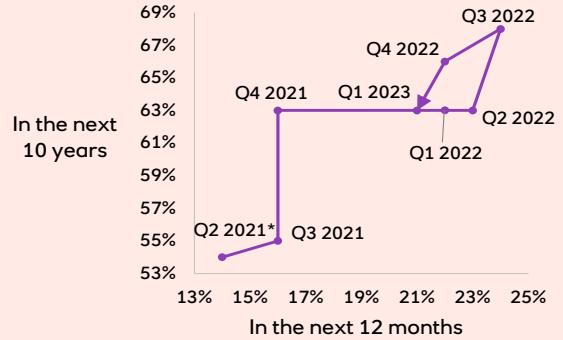
Energy performance certificate (EPC) ranking

The importance of a property's Energy Performance Certificate (EPC) rating to prospective homebuyers decreased slightly in the first quarter of 2023, with 39% stating it was a 'very important' factor to consider, down from 41% in Q4 2022. This caused it to slip down the rankings below both the amount of local green space (40% stated 'very important') and access to public transport (39%) [Exhibit 2]. However, its importance was still higher than a year earlier (36%).

21% of homeowners planned improvements to the environmental sustainability of their property in the next 12 months

Exhibit 1:

Which of the following apply to your main property? Planning to make improvements to the environmental sustainability of the property...



Notes: Homeowners (either own outright or buying with a mortgage). Respondents were permitted to say they planned to make changes in the next 12 months, in the next 1-5 years, and in the next 6-10 years.

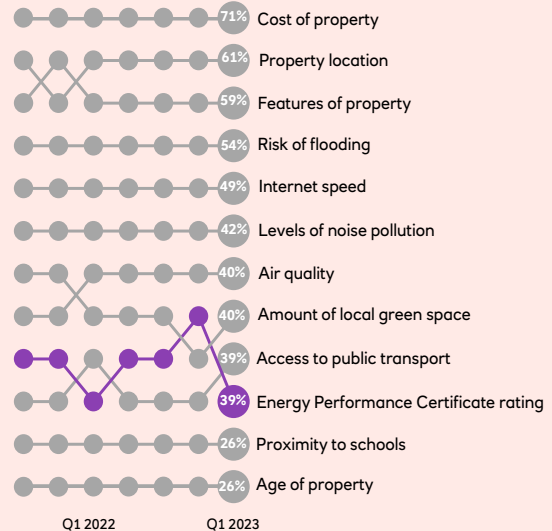
*Q2 2021 based on May and June data only.

Sources: NatWest, S&P Global.

Exhibit 2:

How important, if at all, will each of the following factors be to your household when purchasing your next property?

Ranked by percentage stated 'very important' in Q1 2023



Notes: Households planning to purchase a property in the next 10 years.

Sources: NatWest, S&P Global.



Energy efficient home improvements

The majority of homeowners stated plans to make improvements to the environmental sustainability of their main property over the next 10 years, though the numbers fell for a second consecutive quarter.

The announcement of an extension to the government's Energy Price Guarantee (EPG) by a further three months and a cooling of wholesale gas prices from last year's highs come at a crucial time, with half of households stating they were not confident of being able to afford higher gas and electricity prices.

Around 63% of homeowners surveyed in the three months to March stated that they had plans to make sustainable home improvements in the next decade. This was down from 66% in the final quarter of 2022 and marked a sustained decline from a peak 68% in Q3 2022. Plans for the next 1-5 years (33% to 31%) and the next 6-10 years (19% to 17%) both saw reductions [Exhibit 3].

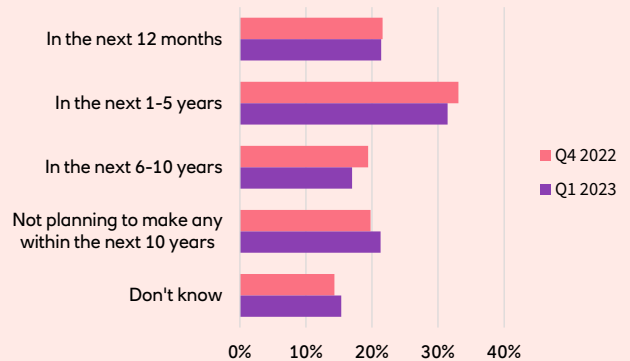
Looking at the near-term outlook, the proportion of homeowners planning improvements to the environmental sustainability of their main property in the next 12 months fell only slightly from 22% in Q4 2022 to 21%. Nevertheless, this was the lowest for over a year [Exhibit 1].

An electric car charging point remained the feature most likely to be installed in the next 10 years, stated by 37% of homeowners [Exhibit 4]. It was followed by both solar panels and triple-glazing (34%). However, for electric car charging points and solar panels, the percentages were down for a second consecutive quarter, from highs of 43% and 39% respectively in Q3 2022.

Similarly, while a smart energy meter remained the feature most likely to be installed in the next 12 months, the percentage of homeowners planning to do so fell further from a peak of 14% in the three months to September 2022 to 10% in Q1 2023.

Exhibit 3:

Which of the following apply to your main property? Planning to make improvements to the environmental sustainability of the property...



Notes: Homeowners (either own outright or buying with a mortgage). Respondents were permitted to say they were planning to make improvements to the environmental sustainability of their main property in the next 12 months, and in the next 1-5 years, and in the next 6-10 years. Percentages therefore might not sum to 100%.

Sources: NatWest, S&P Global.

63% of homeowners planned to make sustainable home improvements in the next decade, down from 66% in Q4 2022



Greener Homes Attitude Tracker

According to latest data, the cost of the work required was by far the greatest barrier, cited by 71% homeowners not planning sustainable home improvements in the next 10 years. This was unchanged from the three months to December and compared with around a quarter (28%) of respondents who stated that the level of disruption the work would cause was a barrier, which was ranked second amongst the surveyed obstacles [Exhibit 5].

71% of homeowners not planning sustainable home improvements in the next ten years stated that the cost of the work required was a barrier

The extension of the UK Government's Energy Price Guarantee (EPG) by three months to June comes at a critical time, with around half of households having stated that they were either 'not very confident' (32%) or 'not at all confident' (18%) of being able to afford to pay higher gas and electricity prices as a result of a change in the EPG in April without using long-term savings or another source of credit.

At the same time, we find that there is a knowledge gap when it comes to how the EPG works. Less than one-third (29%) of respondents were able to correctly identify how the EPG was set to change in April (that is prior to the announcement that the current scheme is to be extended to June) from a list of five options [Exhibit 9]¹. Worryingly, 12% believed the new EPG would have meant a cap on bills of £3,000 per year irrespective of energy use.

¹ See Exhibit 9 on page 10 for the full question and list of five options.

Exhibit 5:

What, if anything, would you consider to be barriers to your household improving the environmental sustainability of your main property within the next 10 years?

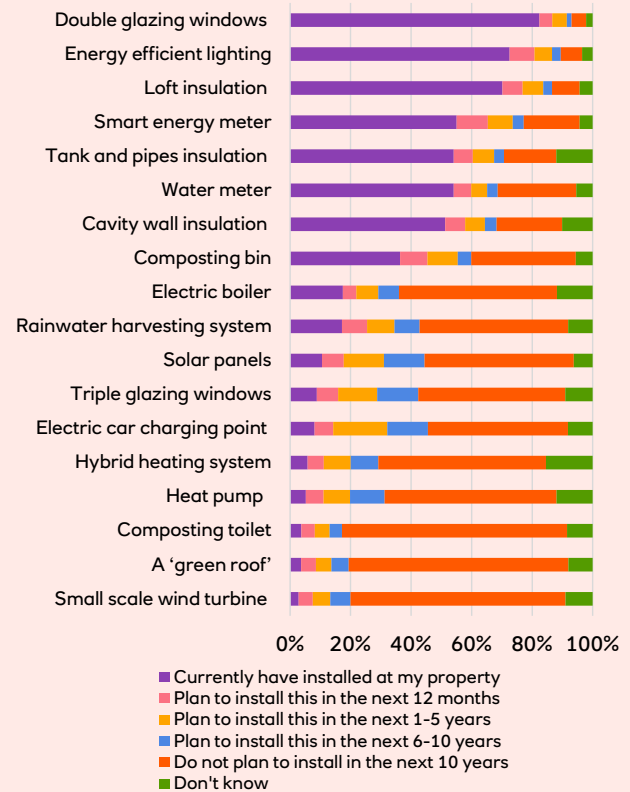
Rank	Barrier	Percentage (pp chg since Q4 '22)	Previous Rank
1	The cost of the work required	71% (unchanged)	1
2	The level of disruption the work would cause	28% (unchanged)	3
3	The availability of financing options	26% (-3%)	2
4	The extent to which the environmental sustainability of the property could be improved	21% (-2%)	4
5	The feasibility of having the work done given the property type	19% (+3%)	7
6	The impact on the reduction in monthly energy bills after the improvements	17% (unchanged)	5
7	The time involved to organise having improvements made	14% (-3%)	6
8	Access to information on how to improve it	11% (-2%)	8
9	The impact on the additional value of the property after the improvements	11% (unchanged)	9
10	The property is already as environmentally sustainable as possible at present	8% (-1%)	10
11	Other barriers	5% (unchanged)	11

Notes: Homeowners who answered either 'not planning to make any improvements within the next 10 years' or 'don't know' when asked about planned improvements to the environmental sustainability of their property. Surveyed in Q1 2023. 'Don't know' excluded from ranking.

Sources: NatWest, S&P Global.

Exhibit 4:

Do you currently have any of the following installed at your main property or are you planning to install any of these within the next 10 years?



Notes: Homeowners (either own outright or buying with a mortgage), surveyed in Q1 2023.

Sources: NatWest, S&P Global.

Homebuyer preferences

The importance of a property's Energy Performance Certificate (EPC) rating to prospective homebuyers decreased slightly during the opening quarter of the year, going against the trend seen throughout 2022.

Features such as solar panels and electric car charging points were less sought-after than they were just six months ago.

Not only did a property's energy efficiency decrease in importance relative to other factors in the three months to March [Exhibit 2], but fewer households looking to purchase a property in the next 10 years considered an EPC rating of C or above an 'essential' feature. The proportion fell from 21% in Q4 2022 to 19% [Exhibit 6], which was the same as a year earlier.

By age group, prospective homebuyers currently aged 35-44 were the most likely to say that an EPC rating of C or above was an 'essential' feature (24%), while those aged 18-24 were the least likely (13%).

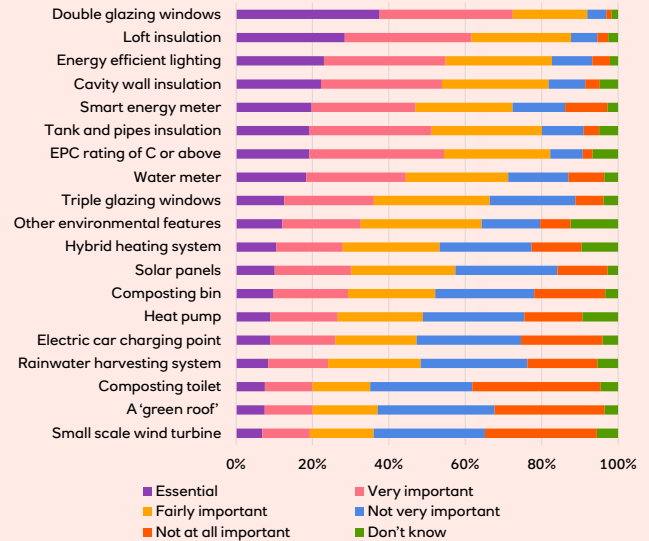
Many environmental and energy-saving features were considered less essential by prospective homebuyers in Q1 than was the case last summer, when wholesale gas and fuel prices had surged to record highs. For example, the proportion of prospective homebuyers who considered an electric car charging point an 'essential' feature fell further from a peak of 13% in Q3 2022 to 9% in Q1 2023. It was a similar story for solar panels (13% in Q3 2022 down to 10% in Q1 2023), heat pumps (12% down to 9%) and small-scale wind turbines (11% down to 7%).

The only features that went against the general trend were double glazing (34% in Q3 2022 up to 38% in Q1 2023) and loft insulation (26% up to 28%).

The cost of a property remained the number one factor to consider, with the proportion of prospective homebuyers stating it was 'very important' rising from 69% in Q4 2022 to 71% in the three months to March [Exhibit 2].

Exhibit 6:

How important, if at all, would it be that the following environmental features are already installed?



Note: Households that are planning to purchase a property in the next 10 years, surveyed in Q1 2023.

Sources: NatWest, S&P Global.

19% of prospective homebuyers said that an EPC rating of C or above was an "essential" feature, down from 21% in Q4 2022



Green lifestyle choices

Close to half of households reported turning down the thermostat to reduce energy bills as a result of the rising cost of living, making it the most common energy-saving action taken during the three months to March.

However, there has been a drop in the number of people reporting that they consider the environment when grocery shopping, in what could be a sign that soaring food prices and inflation in general are leading some to choose value over environmental considerations.

Our latest data found that 48% of consumers had turned down their thermostat as part of efforts to reduce bills as a result of the rising cost of energy and living generally. This was up from 43% in the previous survey and the highest among the actions surveyed, surpassing other measures such as switching off devices (47%), using appliances less often and setting the heating to come on less frequently (both 46%).

Among those aged 55-64, 61% reported turning down the thermostat [Exhibit 7].

The majority (62%) of households reported trying to minimise home energy use [Exhibit 8]. The numbers were down slightly compared with the three months to December (64%) but still higher than during the same period a year earlier (60%).

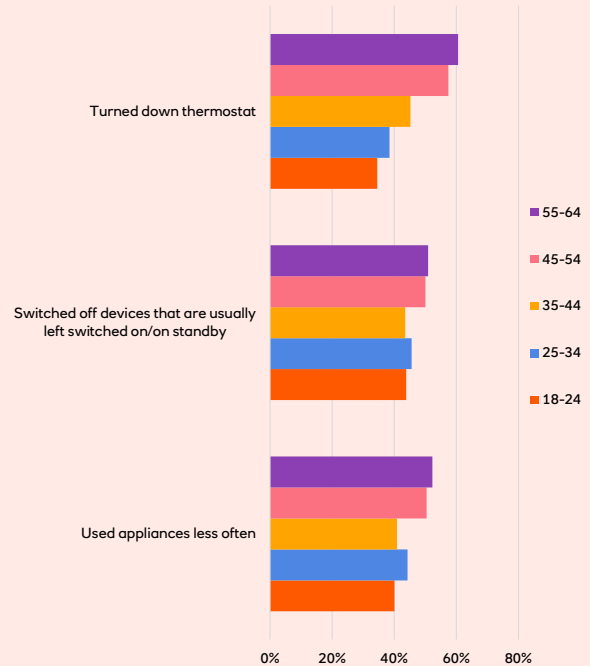
One behaviour that was notably less common than 12 months earlier was considering for the environment when grocery shopping (e.g. the products bought, the packaging, where the products come from). Whilst 31% of consumers said they did, this was down from 35% in Q1 2022. Fewer people also reported buying energy efficient products (28% down from 32%), despite the potential savings on energy usage.

In terms of green financial products, the uptake of green mortgages was unchanged (4%), which was also the case for green investments and savings (7%).

Find out more about [NatWest Green Mortgages](#) (eligibility & exclusions apply).

Exhibit 7:

What actions, if any, have you or your household taken to reduce your energy bills as a result of the recent rise in the cost of energy or the cost of living generally?



Notes: All households, surveyed in Q1 2023.

Sources: NatWest, S&P Global.

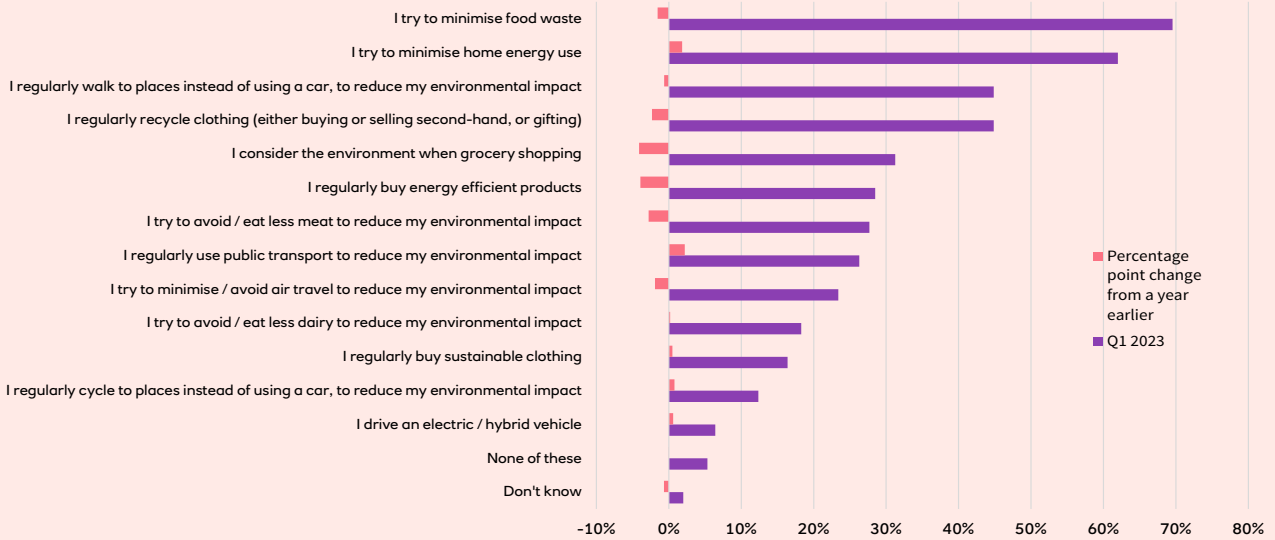
48% of households turned down thermostat to reduce energy bills



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Exhibit 8:

Do any of the following apply to you or not?

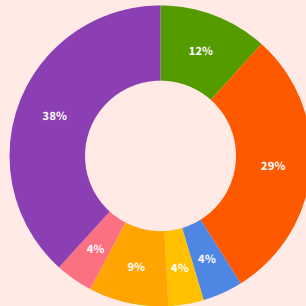


Notes: All households, surveyed in Q1 2023.

Sources: NatWest, S&P Global.

Exhibit 9:

Question: The UK Government's Energy Price Guarantee will change in April 2023. To the best of your knowledge, which of the following best explains how the new Energy Price Guarantee will work?



- From 1 April 2023, households will pay a maximum total of £3,000 per year on gas and electricity, up from £2,500 per year, irrespective of their energy usage
- From 1 April 2023, the discounts applied to gas and electricity unit rates will be reduced, such that a typical household can expect to pay a total of around £3,000 per year on gas and electricity, up from around £2,500 per year
- From 1 April 2023, households will receive loans, to be repaid over two years, so that their bills will not rise above £3,000, compared to the current limit of around £2,500
- From 1 April 2023, the rate of VAT charged on gas and electricity will rise from 2.5% to 5%
- From 1 April 2023, the annual cap on gas and electricity unit price rises will increase from 2.5% to 3%
- None of these
- Don't know

Notes: All households excluding those in Northern Ireland, surveyed in Q1 2023.

Sources: NatWest, S&P Global.



Survey methodology

The NatWest Greener Homes Attitude Tracker survey was first conducted in May 2021 and is compiled by S&P Global. The survey is intended to accurately anticipate changing consumer behaviour. The questionnaire is designed to be quick and easy to complete, incorporating a small number of key questions, which encourages regular participation among even high-level respondents.

The survey is based on monthly responses from 1,500 individuals in the UK, with data collected by Ipsos MORI from its panel of respondents aged 18-64. The survey sample is structured according to gender, region and age to ensure the survey results accurately reflect the true composition of the population. Results are also weighted to further improve representativeness.

Ipsos MORI technical details (Q1 2023 survey)

Ipsos MORI interviewed 4,500 adults (in total) from its online panel of respondents, with quota controls set by gender, age and region and the resultant survey data weighted to the known UK profile of this audience by gender, age, region and household income. Interviews were conducted online between, 19th– 23rd January, 9th –13th February, and 9th – 13th March 2023. Ipsos MORI was responsible for the fieldwork and data collection only and not responsible for the analysis, reporting or interpretation of the survey results.

For further information on the survey methodology, please contact economics@ihsmarkit.com.

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