

# The Rightmove **Green Homes Report** July 2022

# Contents

|                                   |    |
|-----------------------------------|----|
| Foreword                          | 3  |
| Key green facts                   | 4  |
| Sellers: the value of green       | 5  |
| Buyers: the search for efficiency | 9  |
| Landlords: can DEF become ABC?    | 11 |
| Home-owners: keen to go green?    | 14 |
| The path to a greener future      | 15 |

# Foreword

## The future is green(er).

There's no doubt that we need to improve the green credentials of our homes. But how bumpy will the road to greener homes be, especially when so much of the UK's housing stock is below an EPC rating of C?

Currently, properties below an EPC rating of E cannot be rented out, without a valid exemption. There are proposals that could see this requirement move up to a C rating. The government's wider ambition is to get as many residential homes as 'practicable' up to an EPC rating of C by 2035.

Futureproofing has already begun, with an update in June to Part L of the Building Regulations. This has introduced new requirements and targets for energy efficiency for new homes and renovations.

What we don't yet know is how much progress can be achieved through awareness and persuasion alone, and how much more legislation could be to come. The uncertain political outlook is likely to delay any big changes.

To date the government has said that no home, no matter how energy inefficient, will become unmortgageable. However, over the coming years could we see EPCs, or other ways of measuring green features, become as important as a big garden, a desirable location, and a quick broadband speed? We think it's likely, but perhaps not until it becomes a lot harder to get a good mortgage deal on a poorly rated home.

### Key takeaways:

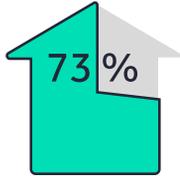
- More home-hunters are taking notice and searching for green features on Rightmove, and more agents are using them as selling points
- There's a correlation between higher ratings and higher property values, and recently EPC B-rated houses became the fastest type to find a buyer, overtaking D-rated houses
- Landlords are reviewing their portfolios to assess if the investment in making improvements is worth the return
- Letting agents are waiting patiently for detail on the requirements and what they should be advising their landlords
- There's a clear desire from home-owners to make improvements such as installing solar panels, but there are many obstacles
- People want to make changes. A number can't afford it, and many don't know what to do

This report uses millions of data points from Rightmove, government data, and a study we conducted among over 9,000 home-owners, renters and landlords, along with expert opinions from across the industry. It looks at where we are, what the impact on the market might be over the next few years, and where we could be heading in the long-term.

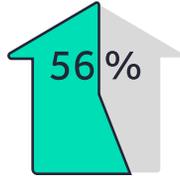
We hope you find it useful.

**Tim Bannister** Director of Property Science, Rightmove

# Key green facts



There are now **73%** more green features in property listings compared to 2020



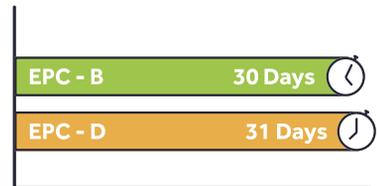
**56%** of available rental properties on Rightmove have an EPC rating below a C



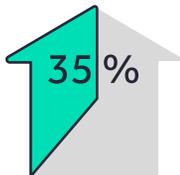
**47%** of landlords say they would not buy a property with an EPC rating below a C in the future



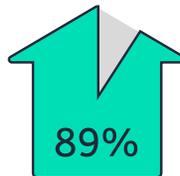
Improving a home from an F to a C rating could add an additional **16%** to its value



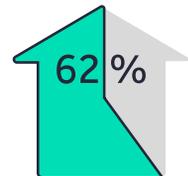
An EPC B rated house has overtaken a D rated house for the first time for the speed to find a buyer



**35%** of landlords don't know about the government's proposals to require rental homes to be an EPC rating C



**89%** of home-owners say saving money on energy bills is the biggest reason for making improvements



**62%** of home-owners would consider installing solar panels in their home

# Sellers: the value of Green

Although saving money on energy bills is the key motivator for people to make green improvements, there are many who want to make these changes to help add value to their home, and to futureproof it for when they come to sell.

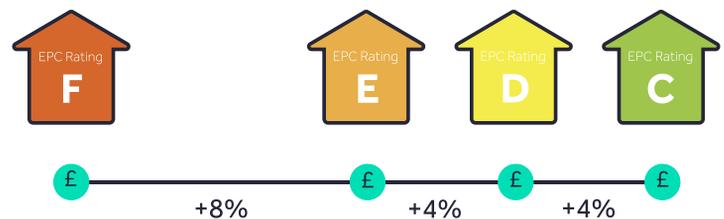
## Top five reasons people would make green improvements:



The good news is that there's a clear correlation between making improvements and the value of a home increasing.

An analysis of 200,000 homes that were up for sale on Rightmove, and later came up for sale again with an improved energy rating, found that homes going from an F rating to a C rating added 16% to the value of a home. This premium is on top of the local house price growth the home may have benefitted from since it was last sold.

## Average sold price premium increase



Of course, improvements that make a home more energy efficient can be done alongside improving its condition, such as installing new windows or a general refurbishment. Over time, further research will be needed to determine how much buyers will want to pay in order to lower their energy bills. Until then, making these changes will not only result in a refurbished home worth more money, but also a greener home.

Not only could it command a higher price, it's also likely to generate more buyer interest in the coming years. Agents are increasingly adding green features in their property descriptions as selling points, with a 73% increase in the use of terms such as 'low carbon' and 'sustainable' since the beginning of 2020.

There are also early signs that improved EPC ratings could help a seller find a buyer for their home more quickly.

When you look at the time it took between a property first appearing on Rightmove and an agent marking it as Sold Subject to Contract since 2016, the fastest selling houses have consistently been those with an EPC rating of D.

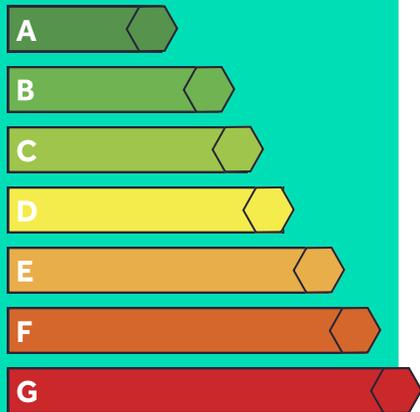
But things changed in Q2 2022, when homes with an EPC rating of B became the quickest. There isn't yet a big difference in it, only a matter of days, but this could be a sign of a shift in what buyers are prioritising.

The fact that a D performs better than a C is likely because it is the most common rating of a home, and therefore makes up a large number of all available property stock. For now.

### Time to find a buyer



\*Houses with EPC rating of A have been excluded due to a low count.



## The EPC

First introduced back in 2007, EPCs were intended to make home-owners more aware of the energy efficiency of their home, and to provide recommended improvements.

In September 2020, a new digital EPC register was launched in England and Wales to make it easier to find out if your home has a valid certificate.

In June 2021, Rightmove analysed the current EPC ratings of over 15 million homes in England and Wales. We found that 1.7 million of them had a potential rating listed as below a C.

This doesn't mean these homes can't eventually reach a higher rating by making major improvements, but it does highlight the limitations of the recommendations in many EPCs.

One of the challenges is that an EPC is built on an engine that focused on fuel poverty, not on the need to reduce a home's carbon output to Net Zero. It's also an average, so is more useful as a guide. Knowing the best changes to make so that you're not left a few years later having to make more changes is going to rely on expert advice, and that comes with a cost. This means it could take time for the average home-owner to see the benefit of a professional assessment of their home.

"Every home is different and while a heat pump will be suitable in most situations, there may well need to be some fabric improvements first. The first step is a proper assessment and plan to see whether these are needed too. However, the carbon benefits of heat pumps are huge, especially as we continue towards the grid decarbonising. It's quite remarkable that ten years ago gas was the greenest major energy source, and now it's electric.

One way that assessments could become the norm is if they're built in at the stage a home goes up for sale. As an example, the discount that arises from the works that need to be carried out in a home could in the future be considered by a lender when they value a home. If this was the case, a seller would want to know what works are going to be flagged up first, and a buyer might use it as a way to ask for a discount on the asking price."

**Andy Sutton** CoFounder, SERO

"Right now we're in a transition decade. We will be using more electricity than before, to heat our homes and charge our cars. We need to be mindful that at present, even with the increasing prices of fuel, electricity is three times more expensive than gas. We want to move to greener fuels, such as electricity, to reduce carbon emissions but we don't want to put people into fuel poverty. As a result, at present, the recommendations in an EPC will appear if the item will improve the overall rating, but also reduce the energy costs of the property. This means that often the recommendations will be for a gas system, until things like heat pumps are more widely available and cheaper, both to install and to run (i.e. if gas continues to increase in costs, and electricity costs raise more slowly by comparison).

Over the next year or so, an updated methodology behind EPCs will be implemented which will help improve the accuracy of EPCs, as it will include more in-depth ways to assess things like windows, ventilation, lighting and newer technologies. There are controls in place though so that the rating calculation won't dramatically change. In the meantime, one of the best things for people to look at is where heat could be escaping from their home, known as Fabric First. Solutions like insulation could bring down the amount of energy needed to run the home, and reduce the amount of carbon the property produces. A new heating system can then be considered and matched to the much more efficient house."

**Andrew Parkin** Chairman, Property Energy Professionals Association

## The challenge for older homes

Character properties, thatched cottages and Victorian townhouses have often been thought of as dream homes for buyers, and agents over the years have said that period properties can command a hefty premium. So will this all change? Of course you can invest in making your Victorian home greener before you sell it, but there are many that will still have single-glazed windows and old boilers. Will buyers in the future start asking for money off to make the changes, instead of being attracted to the cosy looking wood-burning stove?

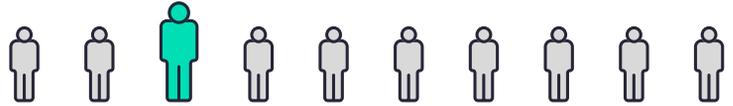
"Where poor broadband became a common deal-breaker in recent years, good sustainability credentials are rising up the consideration list, especially in the face of rising energy prices. That said, houses are ultimately homes and character continues to hold huge value for many. What remains to be seen is how affordable and straightforward sustainable changes to period properties will become in the longer term, as this will ultimately help preserve the value of historic homes.

If buying a home was purely a financial decision, a house with a strong EPC would be top of the list. But a purchase of a period home is often driven by the heart, and not just the head. EPCs create more transparency so buyers know what's what when they become the custodian of an older home.

We're beginning to see increasing numbers of sustainable new homes and schemes built in a period style. These sustainable character homes have seen growing popularity in recent months – perhaps signalling a confluence of the nation's adoration of quintessential looking houses with the rise in cost of living and greater eco-consciousness."

**Kate Eales** Head of Regional Estate Agency, Strutt & Parker

# Buyers: the search for efficiency



**1 in 10 movers are actively searching for green homes**

Around one in 10 people actively looking to move home in 2022 give moving to a more energy efficient home as their reason for moving. It's clearly not the main motivation yet, with space and moving closer to family and friends taking more of a priority, but it does signal that an EPC rating may move up in their key considerations.

It has been taking some time, but there are also now signs that buyers are actively seeking out green terms.

"As climate change and energy costs become more important considerations, buyers are going to be much more aware of the features of a home that will need changing to make it more energy efficient. Buyers are already on the look out for double glazing, but over time we'll find that buyers will be asking a lot more about solar panels, heating systems, cavity wall and loft insulation."

**Rob Stevens** Head of Property Risk, Nationwide Building Society

In November 2020, solar panels ranked number 500 in Rightmove's keyword sort, a tool on our platform where home-hunters can search for specific terms. It has climbed up the ranks to position 98 in June 2022. It's a similar story for a heat pump, which has risen from position 1,000 to position 190.

Furthermore, if green mortgages become more widely available as an incentive, this will increase buyers' interest in the EPC rating of a home. For now, the incentives aren't that significant, but this could change. Or perhaps it is more likely that buyers will end up with a higher rate on their mortgage if they want to buy a poorly rated home.

## The benefits of a new build?

Buying a new build means people don't need to worry about retro-fitting an older home to improve the energy efficiency.

"Even before the recent rise in living costs we were seeing an increase in prospective buyers asking about the technology in our new homes, both from an environmental perspective as well as for long term cost savings. Increased insulation thickness, PV panels, mechanical ventilation with heat recovery, EV chargers, reduced water usage, and the impending installation of air source heat pumps are all driving new build purchase decisions."

**Claire Wright** Sales and Marketing Director, Croudace



Image courtesy of Strutt & Parker

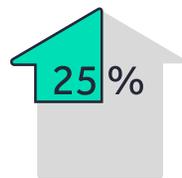
# Landlords: can DEF become ABC?

Since 2018 new legislation has meant that landlords cannot rent out properties that are below an EPC rating of E, unless they have an exemption. This first stepping stone only just started to scratch the surface of improving rental stock, but it did give the sector an indication of the expected direction of travel.

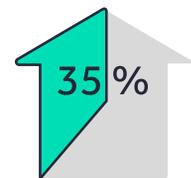
Current proposals say landlords will have to improve their properties up to at least a C. The current dates are for new tenancies by 2025 and for existing tenancies by 2028, but these dates could shift.

As of May 2022, over half (56%) of available rental properties on Rightmove have an EPC rating below a C, making the task at hand a significant one.

## Are landlords aware?



25% of landlords don't know the EPC rating of their rental properties



35% of landlords don't know about the government's proposals to require rental homes to be an EPC rating C

## What are their plans?

Over a third (34%) of landlords say they will make the necessary improvements before 2025, with 13% saying they will make them after 2025. A quarter are undecided about what to do, likely waiting for more information on the detail.

One in five say they will sell their properties, with the main barriers to making the improvements being the cost, and landlords not thinking the return on investment will be good enough.

## Can agents help?

Many agents are likely to be advising landlords early of the potential changes and working with them on a plan to make their portfolio compliant. They'll be helping them to upgrade, invest or divest as required so that they aren't faced with potentially massive bills down the line.

One concern is that there could be a supplier log-jam if hundreds of thousands of properties all need to be improved within the space of a few years.

The dates could shift, especially now there are new ministers in charge.

We await the next steps on these proposals.

## So what could all of this mean?

In the long term, this will be a positive move to help improve the quality of rental homes, but it will be a difficult road to get there.

"Improving a property's green credentials is critically important as the UK strives to hit Net Zero, and so the immediate challenge is the sheer number of properties that are currently below a C.

"If the sums don't add up to make the improvements, then some landlords will sell their properties. This is especially likely among those with smaller portfolios and those who would need to make significant changes to cheaper homes. If a number of landlords do sell up then it will exacerbate what is already a severely stock-constrained rental market. This would push up rents for available homes in the short-term, before the benefits of greener properties filter through."

**Tim Bannister** Director of Property Science, Rightmove

"It's vitally important that homes improve their carbon output, but there needs to be help from the Government to ensure support is provided to those who need it. If the proposals for the private rental sector (which are currently under consultation with the Government) stay as they are, with a £10,000 cap in place to spend on improvements before a property is exempt, then it could create unintended consequences, with cheaper properties not being cost effective enough to retro fit. The Government should instead be looking to introduce regional caps, or basing it on a percentage of the value of the property."

**Rob Stevens** Head of Property Risk, Nationwide Building Society

"Our investors and landlords now tend to buy properties which are A-C rated, including new builds, and many of them are already lifting the EPC ratings on their older properties to reach a C standard. We find that properties that are more energy efficient are more desirable to tenants and have an increased market value. I think green mortgages are a good idea, as investors and landlords want lower interest rates."

**Gemma Myring** Managing Director, Myrings Estate Agents in Harrogate

## What about tenants?

Rents are rising at the fastest rate we've ever recorded. Rightmove analysis shows that compared with 10 years ago, it costs 40% more to rent a property, and only 13% more to pay a mortgage because of historically low interest rates.

This means that landlords will be wary about putting rents up too much as a result of improvements, especially where they've had reliable tenants in their homes for a long time.

But if they do the works before putting a property back up for rent, and it is now in a much better condition, then they could be looking to make the investment back in the form of higher rents. The hope is that the bills will be reduced for tenants, but it is unlikely to be enough to offset the increased rents.

## Is there an opportunity for build to rent?

Currently many build to rent properties are located in cities, but there are movements towards the suburbs. As a relatively new sector it benefits from better energy efficiency ratings than older rental properties. If tenants are more attracted to more energy efficient homes in the future, especially those with all bills included, this could pave the way for increased popularity in this sector.

"We've noticed that the typical build to rent resident is generally highly conscious of their energy consumption and carbon footprint, and this will become even more common as energy prices rise. We've been introducing smart technology to reduce unnecessary energy consumption or assisting residents to switch to green and lower-cost energy tariffs."

**Sowgol Zarinchang** Managing Director, Build to rent provider, Way of Life

# Home-owners: keen to go green?

## There is clear appetite from home-owners to make their homes greener.

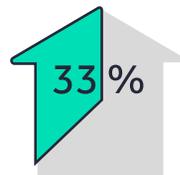
For example, two thirds of home-owners (62%) would consider installing solar panels in their home. Of those who don't want to, the main reason is that they don't think the return on investment would be good enough. Encouragingly, this is a bigger barrier than people thinking it would spoil the appearance of their home. So if they could see the financial benefits, or if installing solar panels was cheaper, then more could be persuaded.

The overwhelming motivation for making changes to their home is to save money on energy bills, something that right now is even more of a concern with spiralling energy costs.

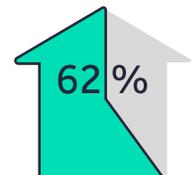
One of the key challenges is making sure people know not just why making improvements is important, but helping them understand what they can do. One in five people who don't have any plans to improve their home say it's because they don't know what changes to make. This isn't surprising given the complexity of the improvements.

Of course, there is also the issue that many people can't afford to make these changes. The Green Homes Grant in England was short-lived. The current boiler upgrade scheme could help someone save thousands on a heat pump, as long as there aren't any outstanding insulation improvements in their EPC to be made, and if a heat pump can be installed and is suitable for their home.

Could further incentives help encourage more people to make changes? A VAT cut on its own is unlikely to persuade enough people. A different, perhaps more general, energy efficiency grant might help.



33% of home-owners who haven't improved their home say it's too expensive to do so



62% of home-owners would consider installing solar panels in their home

# The path to a greener future

There has been much debate about what could happen to homes with poor EPC ratings. The government has said they will make sure homes can still get mortgages, but could those mortgages come with the burden of higher mortgage rates? It's likely to be a gradual rather than a swift change.

Our study found that just under half of landlords (47%) say that in the future they would not buy a property with an EPC rating below a C. A further quarter (24%) say they're not sure if they would. This could mean that some of the current rental stock below a C drops out of the market, as there will be a much smaller pool of landlords looking to buy them.

We predict green features will climb further up the rankings in search terms on Rightmove, people will take much more notice of EPCs, and the green credentials may move into many a prospective home-mover's wishlist. If the government announce the new legislation for rental properties there will be a number of challenging years ahead for landlords to move quickly, but ultimately it should help improve the quality of homes.

The path to a greener future is paved with potential, and as with all big changes in the housing market there can be mixed outcomes. Some could reap the rewards for getting in early to make improvements, as long as they make the right ones. Others may end up having to factor in reductions to their asking price if the green features don't match their buyer's expectations.

Our analysis shows that home-owners are keen to make changes, but more help, awareness, simple directions and incentives are needed to achieve the ambition at-scale.

## **Tim Bannister**

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](mailto: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](mailto:datasupport@rightmove.co.uk)