



Greener Homes Attitude Tracker

January 2024

TOMORROW BEGINS TODAY



NatWest

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Key findings

H2 2023

63% of UK renters expect a rise in rent in the next 12 months, of which 75% want landlords to make sustainable changes to their properties

Rental properties are typically less well insulated, with tanks, pipes and cavity wall insulation in 42% of homes versus 58% for owner occupied properties

39% of prospective homebuyers looking to purchase a property in the next 10 years stated that a property's EPC rating was a very important factor, down from 41% a year ago

One-in-five homeowners have plans to make improvements to the environmental sustainability of their property in the next year – the lowest level since H2 2021

For homeowners not planning to make improvements in the next 10 years due to the expense, the upfront cost of the work required is the most common barrier (67%), with many reluctant to take on debt to fund the work (55%)

Homeowners in London have more plans for energy efficient improvements, with plans to install an electric car charging point (48%) and solar panels (45%) in the next 10 years

Minimising food waste remained the most commonly practised green lifestyle choice, with 71% stating that they do so. Those taking action to minimise home energy use has increased to 65% vs 63% in H2 2022

Foreword

COP28 has taken place since the release of our last tracker, which focused for the first time on a transition away from fossil fuels. It can be hard to make the connection between these events and day to day change in our customers lives but it was good to see a prominent focus on energy efficiency, as this is an area that increasingly needs close attention.

Countries around the world agreed to double the rate of energy efficiency improvements from 2% to 4% every year until 2030 (source: COP28), which is promising as a statement. However, the Climate Change Committee's 2023 report to Parliament stated that 'while the policy framework has continued to develop over the past year, this is not happening at the required pace for future target's'. I think we can see the customer impacts of this in our latest tracker data.

Whilst roughly a fifth of all those surveyed plan to make energy efficiency improvements over the next year, and almost two-thirds plan to do so in the next ten years, these numbers have fallen slightly compared to the same time last year, down from 23% to 20%, and from 67% to 64% respectively.

The energy crisis is not over

In January this year, Ofgem's price cap again went up. Yes, this follows some notable reductions over the course of 2023, but those who suggest the crisis is over, or even subsiding, are wrong. The price cap remains around twice as high than in 'normal' times.

A less-talked-about part of the equation is those living in the private rented sector. In the latest survey, we gathered interesting data around the expectations renters have of their landlords. 75% of renters who anticipate their rents to rise expect their landlords to make energy efficiency improvements to their properties. Rises in rent and in energy bills are becoming unaffordable for many and renters are demanding action.

Customers need financial support to make the transition more than ever. This is where industry and government can support the most. Our data continues to show that the biggest barrier to making energy efficiency improvements is the cost of the work required – with 67% of those deterred by it stating that the upfront cost was simply too expensive. 37% of those who considered cost a barrier also said that the pay-back time on energy efficiency improvements was too long.

Financial support could help overcome both these blockers, and it's critical that banks, like us at NatWest, continue to support consumers – something we are committed to doing. As an example of this support I'm very pleased to say we launched the NatWest Home Energy Hub in November. This service is available to all on our website and provides a one-stop-shop where homeowners can understand more about the energy efficiency of their home, arrange a discounted physical

energy assessment and book to get appropriate work done via Trustmark or British Gas. Our research with customers has shown that making it easier to go through the full journey is at least as important as lending the money to do the work. However, to make meaningful change and really move this agenda forward, we need government support. Again our data makes this clear: a majority of consumers (55%) who are put off by the cost of improvements understandably do not want to take out loans to fund this work.

Our data also suggests that when we invest and create a supportive environment, consumers will make their lives more sustainable. Latest data relating to electric vehicles (EVs) shows that in London, consumers are building on government's initial investments: 48% of homeowners surveyed plan to install an electric charging point.

It seems we've now reached an inflection point where consumers see EVs as a truly viable option for everyday travel, and this is helping prices to come down further. Our focus should and must be on reaching such a point with domestic energy efficiency. Once we invest and provide the foundational building blocks, consumers will support the market with purchases and further investment.

This could be a win-win-win situation, if we get it right: consumers could reduce their bills; the private sector could benefit from stimulated markets; and government could deliver on its sustainability goals.

We cannot lose focus

Overall customers continue to face multiple challenges as we look ahead to 2024. Whilst improving the energy efficiency of their homes could save them money on their bills over the long term it's clear that the costs involved, the complexity of understanding the right thing to do and then finding the right people to do it are a real barrier to action. So it's important that we and others in the private sector do all we can to make this easier, and that we continue working with Government to ensure the policies are in place to provide clarity certainty and support for homeowners.



Lloyd Cochrane
Head of Mortgages at NatWest Group

Overview

Green home improvements index

Data collected in the second half of 2023 shows that homeowners have rowed back on plans to make improvements to the environmental sustainability of their property. Looking across the next ten years, the proportion of homeowners planning to make improvements fell from an average of 67% in H2 2022 to 64%. Meanwhile, at 20%, short-term plans are now at their lowest for two years, and even trended downwards during the second half of 2023 [Exhibit 1].

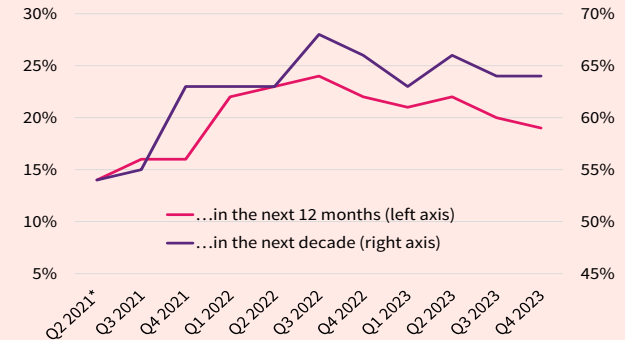
Energy performance certificate (EPC) ranking

A property's energy efficiency has become slightly less important to prospective homebuyers relative to other factors in the past year. Ranked by the proportion of respondents that answered "very important", a property's Energy Performance Certificate (EPC) rating was tenth out of the 12 factors surveyed in the three months to December. 39% of those looking to purchase a property in the next ten years said it was "very important", down from a peak of 41% in Q4 2022.

64% of homeowners plan to improve the environmental sustainability of their property in the next ten years, down from an average of 67% in H2 2022

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.

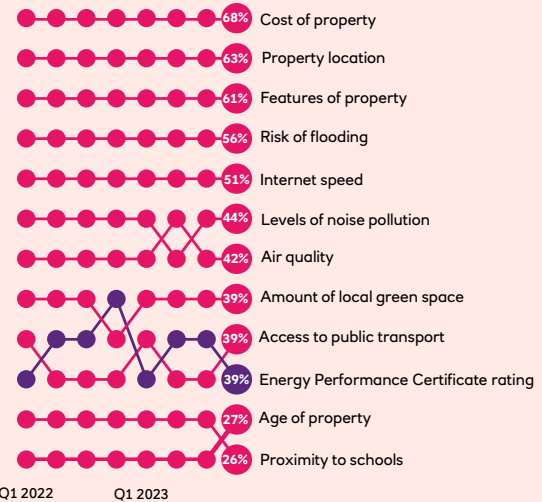
*Q2 2021 based on May and June data only.

Sources: NatWest, S&P Global Market Intelligence.

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 Q4 2023



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

Sources: NatWest, S&P Global Market Intelligence.



Energy efficient home improvements

With homeowners' budgets under pressure from inflation and rising mortgage rates, the past year has seen a reduction in the proportion planning to make improvements to the environmental sustainability of their property, with our latest survey finding that the cost of the work required remains the number one barrier.

In the context of the support being offered for consumers to shift away from fossil fuels, over half of consumers said the UK Government was moving too slowly to aid the transition.

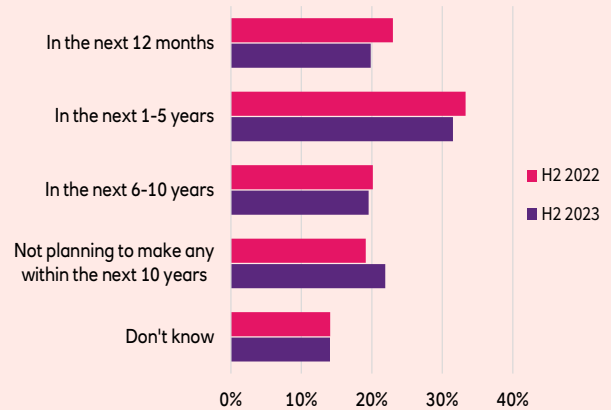
Around one-in-five homeowners reported plans to make improvements to the environmental sustainability of their property in the next 12 months, data collected in the six months to December showed [Exhibit 3]. This was down from 23% in H2 2022 and the lowest since the second half of 2021. Similarly, the proportion with plans for improvements in the next 1-5 years has also fallen since H2 2022, down from 33% to 32%.

The most common barrier was the cost of the work required [Exhibit 5]. Among those that stated so, around two-thirds (67%) said the upfront cost was simply too expensive, data collected in Q4 showed. Although home improvement loans give homeowners the option to spread payments over time, many were reluctant to take on debt to fund the work (55%). Another common reason why cost was a barrier was that it takes too long for the savings on energy bills to offset the initial outlay (37%).

In the three months to December, consumers were asked to consider the support being offered for them to shift away from fossil fuels to renewable energy such as solar, wind, hydroelectric, geothermal, hydrogen or biomass energy and to describe the pace of the transition. Over half of respondents said the UK Government was moving too slowly to aid the transition (28% said "much too slowly" and 23% said "a little too slowly"). One-in-five (21%) were satisfied with the pace of the transition, while a similar proportion said that it was too quick.

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 Market Intelligence.

One-in-five homeowners have plans to make improvements to the environmental sustainability of their property in the next year, down from 23% in H2 2022



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In the near-term, low-cost items such as smart energy meters and composting bins were the most likely to be installed, with 11% of homeowners planning to do so in the next 12 months in both cases [Exhibit 4].

Looking further ahead across the next ten years, an electric car charging point was the green home feature most likely to be installed among those surveyed. 37% of homeowners reported plans to fit one, which was down from 41% in the second half of 2022. It was followed by solar panels (35%) and triple-glazing (34%).

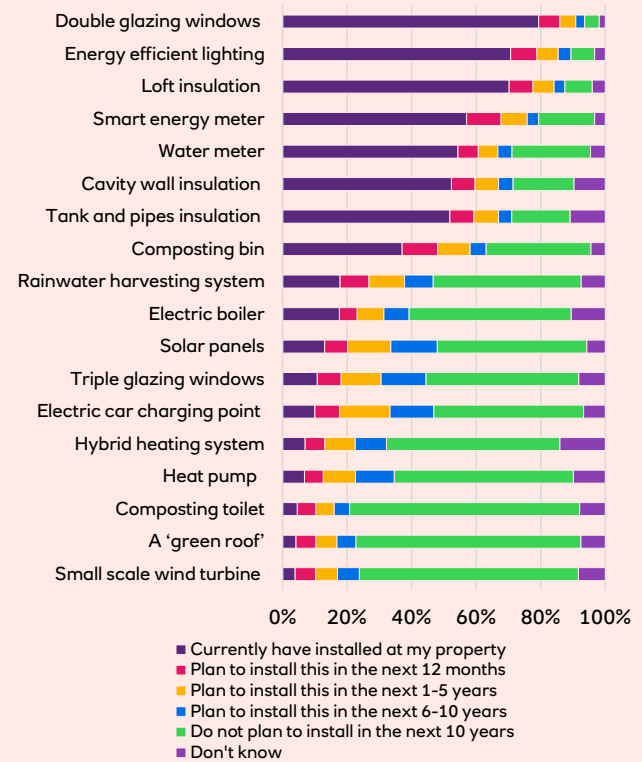
At 48%, the proportion of homeowners planning to install an electric car charging point in the next 10 years was highest in London

Regionally, the proportion of homeowners with plans to install an electric car charging point in the next ten years was highest in London, at 48%. The South West and Northern Ireland were at the bottom of the rankings (both 30%). London also topped the rankings for plans for solar panels (45%), with the North East, Yorkshire & Humber and Scotland (all 30%) at the other end of the scale.

Breaking the findings down by age group, the data showed that homeowners aged 25-34 were the most likely to state that they planned to install an electric car charging point in the next decade (50%). Those aged 55-64 were the least likely (27%). The same pattern emerged around plans for solar panels.

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 H2 2023.

Sources: NatWest, S&P Global Market Intelligence.

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 H2 2022)	H2 2022 Rank
1	The cost of the work required	72% (+1%)	1
2	The level of disruption the work would cause	30% (+1%)	2
3	The availability of financing options	28% (unchanged)	3
4	The extent to which the environmental sustainability of the property could be improved	22% (-2%)	4
5	The impact on the reduction in monthly energy bills after the improvements	18% (unchanged)	5
6	The feasibility of having the work done given the property type	17% (-1%)	6
7	The time involved to organise having improvements made	16% (-1%)	7
8	Access to information on how to improve it	13% (-1%)	8
9	The impact on the additional value of the property after the improvements	11% (-1%)	9
10	The property is already as environmentally sustainable as possible at present	9% (unchanged)	10
11	Other barriers	6% (+1%)	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 H2 2023. 'Don't know' excluded from ranking.

Sources: NatWest, S&P Global Market Intelligence.

Homebuyer preferences

A property's energy efficiency continues to rank as a low priority among prospective homebuyers, paling in comparison to cost and location. Nevertheless, there is still great importance placed on the likes of double-glazing and loft insulation.

The majority of renters expect to pay more in rent in the next year, of which many believe that their landlords should make sustainable home improvements to help offset the rise.

The Energy Performance Certificate (EPC) rating of a property is considered a "very important" factor by 39% of households looking to purchase in the next 10 years, according to data collected in the final quarter of 2023. This represents a fall from 41% a year earlier. The EPC rating is in fact well down in the priority list, below the cost of a property (68% stated this is "very important"), its location (63%), and even internet speed (51%).

Even so, there are several green home features that are a must-have for prospective homebuyers, most notably double-glazed windows, which are considered "essential" by 34% and "very important" by a further 36% [Exhibit 6]. Loft insulation is considered "essential" by 26% and "very important" by a further 33%.

Latest data found that rental properties are typically less well insulated than owner-occupied homes. This includes tanks, pipes and cavity wall insulation (42% versus 58%*).

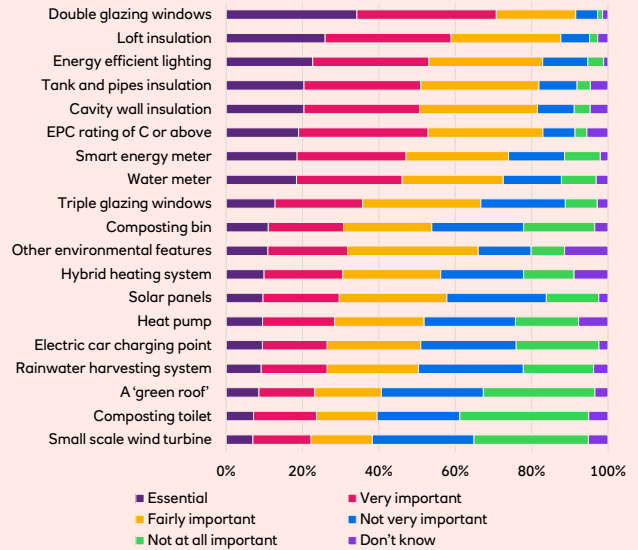
It comes at a time when many households living in rented accommodation expect to pay more in rent in the coming year. Data collected in the three months to September found that well over half (63%) expected their landlords to raise rents in the next 12 months, with 18% believing they were "certain to".

Among those expecting a rise, three-quarters agreed that their landlords should make further sustainable home improvements to the property to help offset the increase (39% "strongly agree" and 36% "tend to agree").

*Calculations exclude those who reported "don't know".

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 Q4 2023.

Sources: NatWest, S&P Global Market Intelligence.

75% of renters expecting rents to rise agree that their landlords should make sustainable home improvements



Green lifestyle choices

Amid still-elevated energy prices and ongoing cost of living pressures, the vast majority of households report efforts to minimise energy use. We also find a growing number are regularly recycling clothing and using public transport. However, the uptake of green financial products has stalled.

Minimising food waste remained the most commonly practised green lifestyle choice among those surveyed in the second half of 2023, with 71% of respondents stating that they do so [Exhibit 8]. Close behind was minimising home energy use (65% in H2), where the proportion was up slightly from the second half of 2022.

During the final quarter of 2023, we asked households how much they typically spend per month on energy bills. Of those that reported having both mains gas and mains electricity, 23% answered between £100-£149, which equates to £1,200-£1,788 per year [Exhibit 7]. The next most common answer, at 18%, was between £150-£199 (£1,800-£2,388 per year).

The green lifestyle choices that have gained the most traction in the past year are regular use of public transport (29% in H2 up from 25% in H2 2022) and regular recycling of clothing i.e. either buying or selling second-hand, or gifting (48% in H2 up from 46% in H2 2022). Conversely, fewer are considering the environment when making their dietary choices.

Turning to the use of green financial products, there was a slight decrease in uptake in the second half of 2023 compared to the situation a year earlier. In H2, 4% of respondents reported having a green mortgage, which typically offer reduced rates on energy efficient homes, down from 6% in H2 2022. It was a similar picture for green home-related loans (4% in H2 versus 6% a year earlier), green investments or savings (7% versus 8%), and green car loans (5% versus 6%).

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

Exhibit 7:

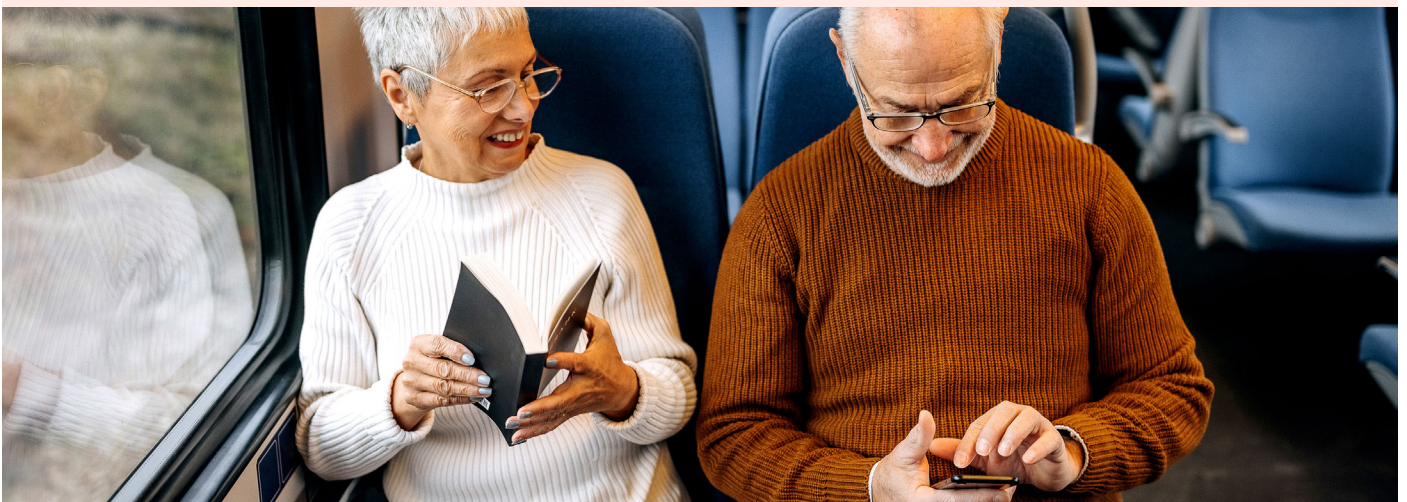
On average, how much does your household typically spend per month on energy bills?



Notes: All households, surveyed in Q4 2023.

Sources: NatWest, S&P Global Market Intelligence.

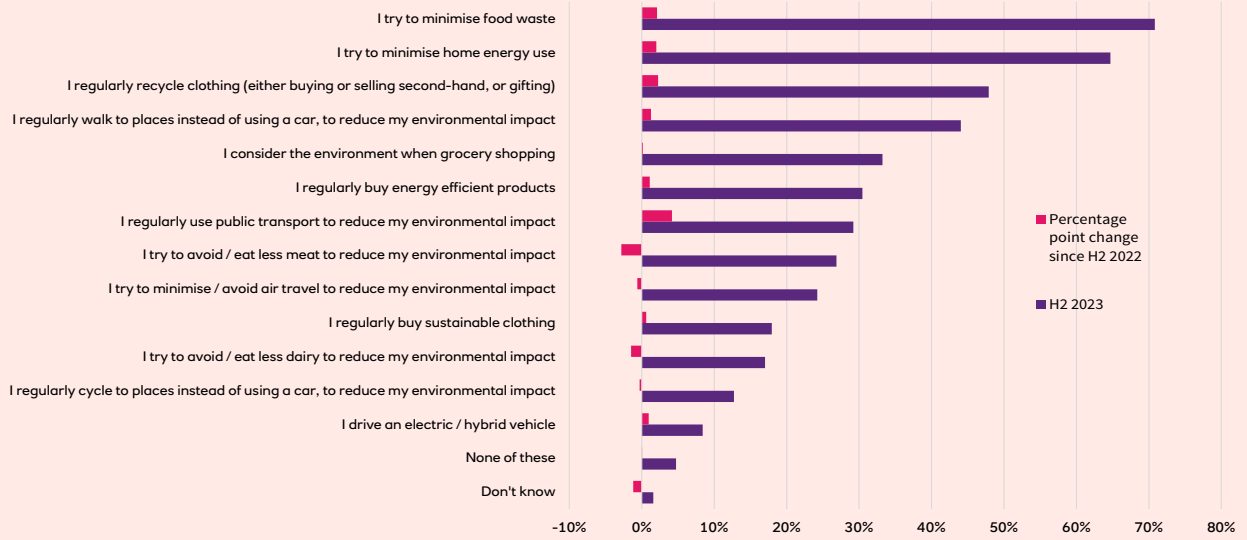
65% of households reported trying to minimise home energy use in H2, up from 63% in H2 2022



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Exhibit 8:

Do any of the following apply to you or not?



Notes: All households, surveyed in H2 2023.

Sources: NatWest, S&P Global Market Intelligence.



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 (Q4 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, 12th–13th October, 9th–13th November, and 7th–11th December 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@spglobal.com.

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