

NatWest Greener Homes Attitude Tracker

July 2021

NatWest

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Key findings

July 2021

52% of homeowners have plans to make improvements to the environmental sustainability of their property over the next decade

But just 15% of homeowners are planning to make improvements to the environmental sustainability of their property in the next 12 months, with costs the greatest barrier

EPC rating seen as a relatively low priority among prospective UK homebuyers

Less than half of homeowners confident they can afford to replace their gas boiler with more sustainable alternative

Majority of households believe additional funding and information is needed to aid their transition

Overview

Tackling climate change is one of the biggest challenges of our time and it's central to our purpose here at NatWest. As a leading UK bank, we recognise that we have a significant responsibility, and the ability, to support our customers and more broadly play our part in helping the UK to transition to a net zero carbon economy. And with buildings generating around 15% of UK carbon emissions[1], there is a pressing need to act to create a fair and sustainable transition so that we can cut emissions from our homes and places of work.

One aspect of our role in this transition is to develop products that support customers to make greener choices. That's why we were one of the first in our field to launch green mortgages[2], so customers buying or remortgaging a home with an energy efficiency rating of A or B could get better interest rates. We have partnered with carbon tracking expect CoGo, to develop a new tool in our app that will be launching soon to provide customers with their own carbon footprint based on their personal spending plus hints and tips to help reduce it. And we're running a 'Green Plan' pilot[3] that provides customers with personalised suggestions of ways they could improve the energy efficiency of their homes, save money on their bills and reduce emissions from their homes.

Helping our customers in this way is vital, alongside the investments we've made to ensure our own buildings are net zero, but with a challenge as large and complex as this we know that it's not enough on its own. We're working with a number of organisations involved in the greening of UK buildings and have established the Sustainable Homes and Buildings Coalition, a partnership with British Gas, Worcester Bosch and Shelter, with support from Citizens Advice, with an aim to work together to improve the energy efficiency of UK buildings. Raising consumer awareness of the impacts that this transition will likely have on them, and the importance of taking action, is one of the first areas we have agreed to focus on.

As a result, we've launched the Greener Homes Attitude Tracker, supported by IHS Markit. The survey will track consumer awareness and engagement in this challenge, and gauge how this is changing over time to help us shape our actions and customer support as a result.

This first survey shows some real positives, but also shows how far there is to go in this transition. 52% of homeowners we asked have plans to make environmental or energy improvements to their property in the next decade, but only 15% have plans to make improvements in the next 12 months (Exhibit 2). Greening our homes appears to be a relatively low priority for consumers and they are understandably worried about the costs of making these changes.

Tackling the emissions from UK buildings is a huge, complex and long term challenge and we're determined to play our part in making the changes happen. We look forward to this quarterly survey providing useful insight over time to all those involved in supporting the transition.

1. UK Committee on Climate Change, 2018.

2. Eligibility criteria applies. Product fees and Early Repayment Charges may apply.

3. Pilot running for 5 weeks with 300 customers. Eligibility applies, participants must be over 18 and resident in England Wales.

52% of homeowners have plans to improve the environmental sustainability of their property in the next decade



Lloyd Cochrane
Head of Mortgages at NatWest Group

Overview

Homebuyer preferences

Among consumers who are looking to purchase a property in the next ten years, 29% said that Energy Performance rating (EPC) was a 'very important' factor, the fourth lowest among the 12 factors surveyed. The majority (51%) stated that the overall energy efficiency of a property was 'fairly important'. Only 3% said it was 'not at all important' (Exhibit 1).

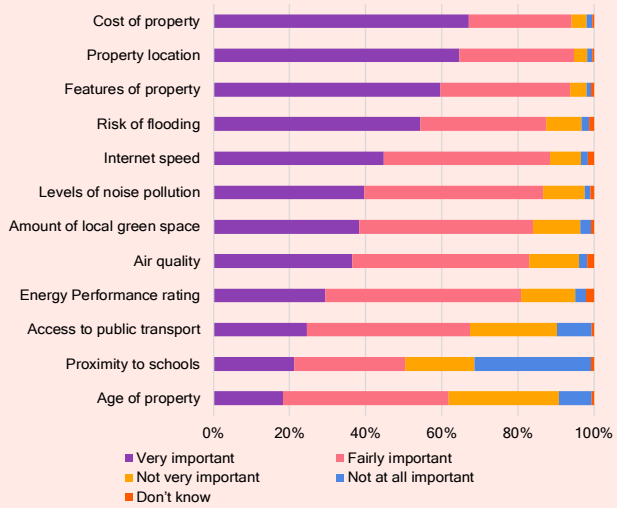
Green home improvements

July's survey meanwhile revealed that a little over half (52%) of UK homeowners are planning to improve the environmental sustainability of their main property in the next decade. However, just 15% plan to do so in the next 12 months, with the next 1-5 years the most likely time horizon for making changes. Almost a third (29%) said they have no plans to make environmental or energy improvements, while a further 19% were simply unsure (Exhibit 2).

29% of prospective homebuyers believe EPC rating is a very important factor when selecting a property

Exhibit 1:

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

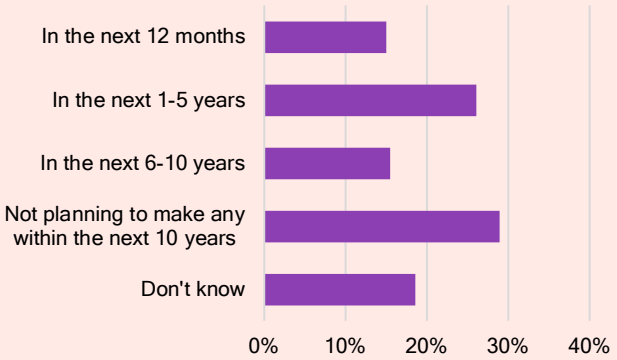


Note: Households that are planning to purchase a property in the next 10 years.

Sources: NatWest, IHS Markit.

Exhibit 2:

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). Percentages do not sum to 100%, as respondents were permitted to select more than one option.

Sources: NatWest, IHS Markit.



Homebuyer preferences

We asked households who are planning to purchase a property in the next 10 years, what factors they sought when selecting a home. Unsurprisingly, the vast majority of households (67%) regarded the cost of a property as 'very important'. It was closely followed by the property location (65%) (Exhibit 1).

When looking at aspects surrounding the environment, risk of flooding (54% stated 'very important'), levels of noise pollution (40%), local greenery (38%), and air quality (36%) were still fairly significant but of lesser importance to households.

The Energy Performance rating (EPC rating) of a property was considered a 'very important' factor by 29% of households who are looking to purchase a property in the next decade, the fourth lowest of the 12 factors surveyed. However, a further 51% said it was 'fairly important'. This suggested that a home's carbon footprint matters for the vast majority of consumers, but that it is still a relatively low priority for many.

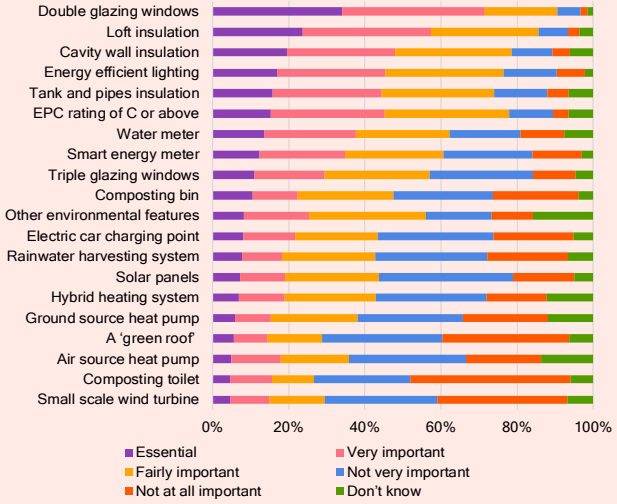
To get a deeper understanding of homebuyers' preferences, we questioned respondents on the importance of certain environmental features and energy saving improvements within a property. 34% of respondents who are looking to buy in the next 10 years regarded double-glazed windows as an essential feature, the highest among the 20 items listed and compared to just 11% for triple-glazed windows (Exhibit 3). Next on the list of essential 'green' property features were loft insulation (24%) and cavity wall insulation (20%).

Solar panels were seen as a 'nice to have' feature, with only 7% reporting they are essential but a further 37% either stating they are 'very important' or 'fairly important'. It was a similar picture for electric car charging points and rainwater harvesting systems.

Looking at home energy efficiency as a whole, having an EPC rating of C or above was seen as essential by 15% of prospective homebuyers. However, a combined total of 63% said it was either very important or fairly important, which was the highest among all the items listed and reaffirmed our findings that having an energy efficient property was important to some extent for the vast majority of homebuyers.

Exhibit 3:

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.

Sources: NatWest, IHS Markit.

34% of prospective homebuyers say double-glazed windows are an essential property feature



Energy efficient home improvements

When asked about improving the environmental sustainability of their property, 52% of respondents in July indicated that they intend to enhance their property's sustainability over the course of the next decade.

However, just 15% plan to make changes in the next 12 months (Exhibit 4). More than a quarter of homeowners (26%) anticipate making changes within the next one to five years, with a further 16% planning on carrying out improvements in 6 to 10 years' time[4].

Nonetheless, a notable proportion of survey respondents (29%) do not have any plans to make improvements to the environmental sustainability of their home through the next decade, highlighting that for many homeowners, sustainability is either a relatively low priority or unaffordable.

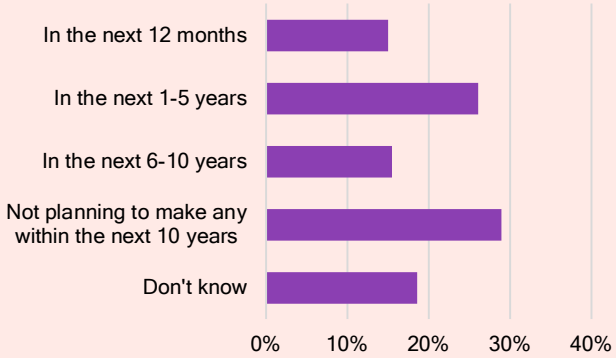
The cost of carrying out the work was by far the most widely noted barrier to making improvements, with two-thirds of UK homeowners who are not actively planning to make improvements reporting costs as an issue (Exhibit 5). This was followed by the availability of financing options, which nearly a third considered a barrier to making their home more sustainable.

For many homeowners, improving the environmental sustainability of their home is not yet a consideration. Among those who were not planning to make improvements in the next ten years, 66% said they had not even considered how to make positive changes to the environmental sustainability of their property (Exhibit 6).

4. 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%.

Exhibit 4:

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). Percentages do not sum to 100%, as respondents were permitted to select more than one option for making changes in the next 10 years.

Sources: NatWest, IHS Markit.

15% of homeowners have plans to improve the environmental sustainability of their property in the next 12 months



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?

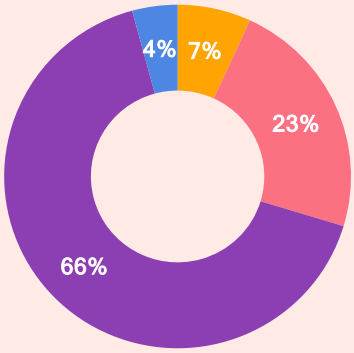
Rank	Barrier
1	The cost of the work required
2	The availability of financing options
3	The level of disruption the work would cause
4	The extent to which the environmental sustainability of the property could be improved
5	The time involved to organise having improvements made
6	The feasibility of having the work done given the property type
7	Access to information on how to improve it
8	The impact on the reduction in monthly energy bills after the improvements
9	The impact on the additional value of the property after the improvements
10	The property is already as environmentally sustainable as possible at present
11	Don't know
12	No barriers

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.

Sources: NatWest, IHS Markit.

Exhibit 6:

Still thinking about the environmental sustainability of your main property, which of the following best applies to you?



Notes: Homeowners who answered 'not planning to make any improvements within the next 10 years' when asked about planned improvements to the environmental sustainability of their property.

Sources: NatWest, IHS Markit.

Two-thirds
of homeowners say cost is a barrier to making improvements to the environmental sustainability of their property



Turning to the current condition of properties and what 'green' items are already installed, less than half (44%) of homeowners surveyed had a smart energy meter already installed in their property, although these were the most likely 'green' item to be installed in the next 12 months, of the 18 monitored, followed by a composting bin (Exhibit 7).

Looking across the next ten years as a whole, an electric car charging point was the most likely energy efficient device to be installed, in line with the rising usage of sustainable vehicles, with 36% of homeowners planning to add this to their property. This was followed closely by smart meters and solar panels (both 29%).

36% of homeowners have plans to install an electric car charging point in the next decade

An additional question added to July's survey asked UK homeowners if they were aware of potential plans from the UK Government to ban the installation of gas boilers in existing homes in the UK by 2035. Around half of the homeowners surveyed (47%) said they were aware of the potential plans.

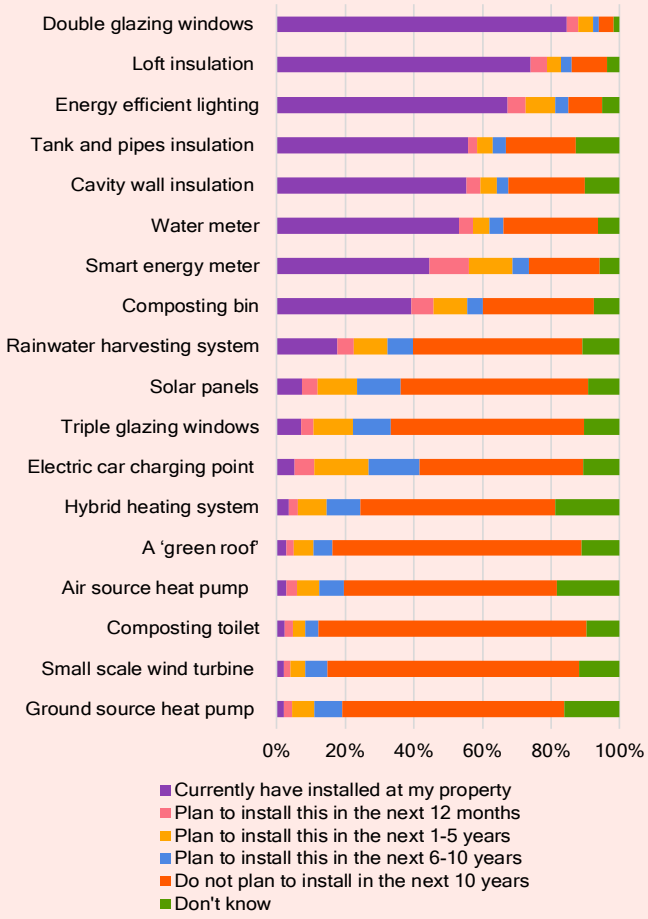
A second question on actions taken as a result of the potential ban revealed that, even among homeowners aware of this, very few had started preparing. The most common action taken was to research alternatives to use instead of a gas boiler, albeit with only 9% saying they had already done so.

To gauge the financial preparedness of UK homeowners for a potential gas boiler ban, we asked them how confident they were of being able to afford a more sustainable alternative in the next 12 months. Only 12% said they were 'very confident' of being able to afford to replace their gas boiler with a greener alternative at an estimated cost of £5,000, while a further 26% stated they were 'fairly confident' (Exhibit 8).

To aid the transition towards greener homes, many households indicated that additional funding through grants and subsidies was needed, alongside having more information on the options available and the benefits – both financial and environmental – of making improvements to the environmental sustainability of their homes.

Exhibit 7:

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?

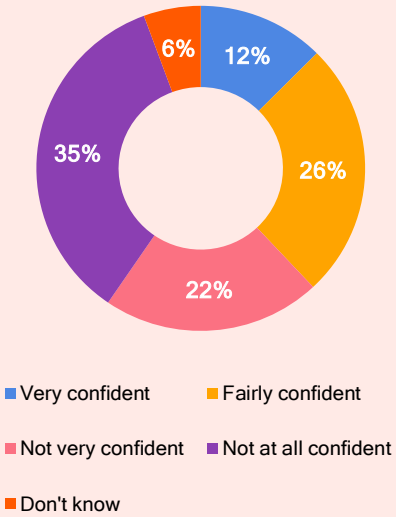


Notes: Homeowners (either own outright or buying with a mortgage).

Sources: NatWest, IHS Markit.

Exhibit 8:

How confident, if at all, are you that your household would be able to afford to replace your gas boiler with a more sustainable alternative if required to in the next 12 months?



Notes: Homeowners (either own outright or buying with a mortgage) who own a gas boiler.

Sources: NatWest, IHS Markit.

Green lifestyle choices

Questions surrounding consumer habits and the environment were also put forward to households in July. Respondents were often conscious of their daily habits, and the associated impacts on the environment, with many actively looking to reduce their carbon footprint and household waste. Efforts to minimise food waste (69%) and home energy usage (58%) were at the forefront of actions undertaken by survey respondents (Exhibit 10).

However, less than one-in-ten said they drive an electric vehicle, while only 11% stated that they cycle to places instead of using a car, to reduce their environmental impact.

With green banking products becoming more widely available and important to enabling the transition towards a green economy, we asked how likely households are to take out such products.

The most popular green banking option amongst respondents were green investments or savings, which 6% of respondents said they already had, and a further 19% were considering taking out.

However, for all the green banking products listed[5], including green mortgages (Exhibit 9), the majority of households stated they did not have any and were not considering taking any out.

Find out more about NatWest Green Mortgages.

Exhibit 9:

Do you currently have, or are you considering taking out, a green mortgage or not?



Sources: NatWest, IHS Markit.

6% of households say they already have green investments or savings

5. Seven products were listed: green mortgage, green home-related loan, green investments or savings, green credit card, green car loan, green current account, and 'other green products'.



Exhibit 10:

Do any of the following apply to you or not?



Sources: NatWest, IHS Markit.



Survey methodology

The NatWest Greener Homes Attitude Tracker survey was first conducted in May 2021 and is compiled by IHS Markit. 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 (July 2021 survey)

Ipsos MORI interviewed 1,500 adults 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, July 8th-10th 2021. 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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