

# THE SUSTAINABILITY BAROMETER

## ASSESSING UK HOMEOWNERS' SENTIMENT TOWARDS GREENER HOMES





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The property industry is facing a number of pertinent challenges at present. Tackling chronic undersupply to curb sharply rising house prices is one. Climate change is another, and one that is consuming more and more focus from stakeholders across the sector.



Reforms have also been targeted at the rental sector. By 2025, rental properties will have to abide by a new minimum Energy Performance Certificate (EPC) rating – in short, the regulations mean that new tenancies must have an EPC rating of C or higher when the property is advertised, and it must have a valid certificate when the property is let. At present, some 58% of residential properties have a rating of D or lower, showing how much work there is to be done by landlords.

However, it is not just investors or developers that are taking note; the cost-of-living crisis, combined with a greater focus on sustainability, means that homeowners and homebuyers are also ready to act.

To uncover the extent to which UK adults are prioritising sustainability in the homes they buy and live in, as well as the actions they are undertaking to improve energy efficiency and combat climate change, FJP Investment has commissioned an independent piece of research. Our study provides timely insight into the topic of sustainability across the property market and the trends that are taking shape – the findings are detailed in this report.



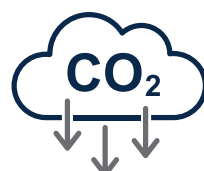
40% of the UK's carbon emissions come from households



It is estimated that 40% of the UK's carbon emissions come from households. It is an issue that must be addressed, and the government has already taken action.

For example, government directives state that new-builds will need to generate 80% less carbon by 2025 than current levels, with new building materials, construction methods and architectural designs all enabling the creation of greener homes.

New-builds will need to generate 80% less carbon by 2025



## THE KEY FINDINGS

In April 2022, FJP Investment commissioned an independent, nationally representative survey of 1,348 UK homeowners. Some of the standout findings were:

- 44% of UK homeowners would pay more for a property with a high energy efficiency rating
  - This figure rises notably to 59% among 18-34-year-olds
- 30% said the energy prices crisis has led them to prioritise sustainability within their property ownership or investment plans
- 52% of 18-34-year-olds stated that concerns about climate change have increased their ambitions to invest in sustainable properties
  - This compares to an average of 34% among all age groups
- Just 22% want to buy a property with poor energy efficiency and then make improvements themselves, preferring to purchase properties that already have a good rating
- 66% want the Government to provide more incentives for homeowners to improve their property's energy efficiency





## SUSTAINABILITY BECOMING A KEY CONSIDERATION

FJP Investment's research demonstrated how important sustainability has become – or is becoming – in the minds of UK homebuyers.

Over two fifths (44%) of current homeowners said they would pay a premium for a property with a higher EPC rating when they next bought. This rises notably to 59% among those aged between 18 and 34.

42% believe that investing in improving their home's energy efficiency will boost its value



Indeed, a similar number (42%) believe that investing in improving their home's energy efficiency will boost its value when they come to sell it. Market data supports this point: properties with EPC ratings of C or higher are selling for 2.7% more than less sustainable properties.

The research also showed how the cost-of-living crisis, driven by high inflation of consumer goods and, moreover, soaring energy prices, is encouraging homeowners to act. Almost a third (30%) of homeowners said the prospect of significantly more expensive energy bills had inspired them to make investments into sustainability – more on the most common investments later.

The 54% rise in the energy price cap in April 2022 means a household using a typical amount of gas and electricity will now pay £1,971 per year – around £700 more than before. If the cap rises again in October, this will add another £700 onto people's energy bills.

The pandemic and, more specifically, the rise of remote working has also had a role to play. In 2019, 27% of people worked from home at least some of the time; in the first year of the pandemic, this rose to 46%. Today, around half of people working from home either exclusively or in a hybrid model, splitting their time between remote and office working.



With people spending more time in the home, the energy efficiency of their property has become a more significant consideration. FJP Investment's homeowner survey revealed that for 39%, the sustainability and energy efficiency of their property had become more important to them since remote working patterns became more normal. Again, this was particularly true of the younger age group (18-34), with 61% agreeing with this sentiment.

Further, climate change as a much broader, global issue is also weighing on the minds of homeowners. A third (34%) of those surveyed – and 52% of 18-34-year-olds – said concerns about climate change have increased their ambitions to either improve their home's energy efficiency, or invest in more sustainable properties in the future.

Evidently, multiple converging trends are at play: the combined effect of remote working and rising energy prices are prompting millions of homeowners to think about the sustainability of their property.

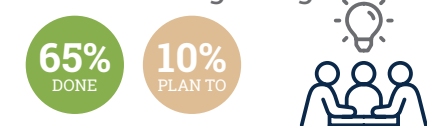
## IMPROVING ENERGY EFFICIENCY

The question, then, is what investments have homeowners made, or do they plan to make, in order to improve their property's energy efficiency?

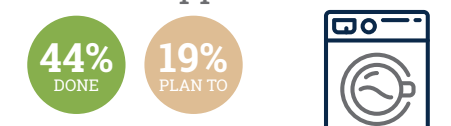
FJP Investment's research provided some insight:

### Home improvements

Replacing old lightbulbs with LED lighting



Installing energy-efficient kitchen appliances



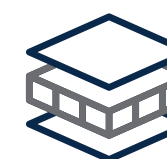
Install / use a smart energy meter



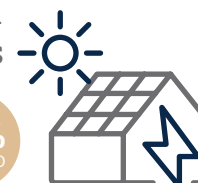
Investing in double/triple glazing



Loft or wall insulation



Investing in solar panels



Investing in geothermal heating



Switching from gas boilers to carbon-neutral heat pumps



The survey found that five categories of home improvement were far more common than the others. Namely, replacing old lightbulbs with LED ones was the most common (65% of UK homeowners have done this since buying their property), followed by installing energy-efficient kitchen appliances (44%), installing a smart meter (42%), investing in double or triple glazing (41%), and adding loft or wall insulation (40%).

There is then a sharp drop-off to the other potential home improvements, which is likely a result of the more significant outlay required. For instance, just 15% of UK homeowners have invested in solar panels since buying their property, while only 10% have invested in geothermal heating, and 9% have switched from a gas boiler to a carbon-neutral heat pump.

Homeowners will naturally need to choose carefully between different investments,

ensuring the greatest improvement for the money being spent. For example, a simple switch from old, inefficient lightbulbs to Energy Star rated LED bulbs can reduce energy consumption by 75%, and they last up to 25 times longer, while new condensing boilers can be as much as 34% more efficient than old boilers and can reduce fuel bills by 30%.

Not only will improving their properties' energy efficiency allow homeowners to save on bills, but as mentioned earlier, it will likely improve the value of the asset.

In the year to come, many homeowners are clearly intending to make further upgrades. Investing in more energy-efficient kitchen appliances is the most popular option (19% say they will do this before April 2023), while 15% plan on installing a smart meter, 14% will invest in solar panels and 13% will switch to heat pumps.





## LOOKING FOR GOVERNMENT SUPPORT

The findings suggest that homeowners are simultaneously looking to lower their energy usage while, where possible, switching to alternative energy sources, such as solar. However, FJP Investment's research also showed that UK adults want more support from the Government.

Two thirds (66%) of homeowners feel the Government should provide more incentives for people to upgrade their properties' energy efficiency. A similar number (64%) want more to be done to ensure new, greener homes are more affordable.

It is important to note that in the current financial year, the government has made grants of up to £5,000 available to those willing to embrace lower-carbon boilers and heating systems from April 2022. In the recent Spring Statement, the Chancellor also cut VAT on energy-efficient materials, such as insulation.

More needs to be done, perhaps, to raise awareness of initiatives like these, as well as introducing new ones in the months and years to come.



## THE THOUGHTS OF OUR CEO

"Climate change is a subject that is, quite rightly, impacting every industry. Real estate is a particularly interesting case: pressure is on the government, developers, landlords, investors and homeowners alike to drive positive change where they can. Indeed, our report provides a great snapshot of the sentiments of buyers and owners, who are clearly considering what action they should take.

"The research comes at a critical moment, too. The energy prices hike will see homeowners across the UK facing much higher energy bills compared to previous years, and our research shows that more people are starting to take green credentials more seriously when it comes to their next home or property investment. Greater energy-efficiency will continue to grow as a key factor in buyers' and owners' preferences as they seek to reduce energy bills and live more sustainably.

"But the study also reveals that reducing the overheads is only one fact. There is, more broadly speaking, a desire among homeowners – particularly those under 35 – to invest in sustainable homes because it will help the fight against climate change. For others, the fact they are now working remotely either all or some of the time means they want to address their carbon footprint a little more.

"So, now, more than ever before, developers, construction firms and designers must prioritise sustainability in future projects to meet the demands voiced by homeowners, with most seeking a property already equipped with energy-efficient features rather than one that needs retrofitting further down the line. Just 22% would rather buy a property with a poor energy rating than make the improvements themselves.

"While the tax relief announced in the Spring Statement on solar panels, insulation and heat pumps is a step in the right direction, the measures do not go far enough, certainly not in the minds of homeowners. Driving sustainability in new homes and removing the affordability barriers to green renovations and sustainable homeownership needs to be at the forefront of the Government's agenda; it must work hand-in-hand with the construction industry – and those investing in future developments – to ensure greater progress is made."



**Jamie Johnson**  
Founder and CEO  
FJP Investment  
[www.fjpinvestment.com](http://www.fjpinvestment.com)



Prospect House  
2 Athenaeum Rd  
Whetstone  
London  
N20 9AE  
United Kingdom

Adelphi Mill  
Grimshaw Lane  
Bollington  
Cheshire  
SK10 5JB  
United Kingdom

Phone +44 (0) 207 183 0343  
Email [info@fjpinvestment.co.uk](mailto:info@fjpinvestment.co.uk)  
[www.fjpinvestment.co.uk](http://www.fjpinvestment.co.uk)

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