SHAKESPEAREMARTINEAU
Legal advice for life and business

GREEN HOMES REPORT:

WHAT BUYERS WANT

Introduction

The housing landscape has changed drastically since the start of the millennium. The average age of a first time buyer has shot up; in 2007 it was 28, now it's 34[1]. Unsurprising when you factor in that in November 2021 the average house price in England exceeded £270,000, a 60% increase in just 10 years (November 2011 average price was just over £167,000)[2].

Latest figures from the Office for National Statistics (ONS) also show that households are now the highest contributors[3] to overall UK greenhouse gas emissions; in 2011 it was the energy supply sector, which has shown a downward trend in the last decade.

Green homes will have a significant influence in the UK reaching its net zero 2050 targets, but unless homeowners are happy to live in them there will be little commercial benefit for housebuilders to construct them.

Retrofitting will also play a huge role in the development of more green homes. Several council representatives spoke out[4] about the lack of sufficient support in upgrading social housing as well as supporting those who don't fall into the 'low-income' bracket, but will still need a significant cash injection to swap their gas boiler for a heat pump.

We wanted to understand the opinions, knowledge and demands of those in the market to purchase a new home – having either recently purchased, or looking to purchase a property in the next 12 months.

Stereotypically younger generations are more 'eco-conscious' – we wanted to test these assumptions, particularly considering that people are purchasing their first homes much older and people are moving less[5], on average, than compared to pre-credit crunch.

And we wanted to compare the attitudes of those looking to get on the housing ladder vs those already on the housing ladder.

In order to test and compare we conducted a survey of more than 500 people who were 'first time buyers' (251 respondents) or 'second time buyers' (253 respondents).

First Time Buyer (FTB) – I am a 'first time buyer'; either in the process of buying my first home, have recently bought my first home or am planning on buying my first home in the next 12 months.

Second Time Buyer (STB) – I have already bought a property in the past and am currently a 'second time buyer'; either in the process of buying my next property, have recently bought my next property or planning on buying my next home in the next 12 months.

For the majority of the survey, respondents were not provided with additional information about green homes so answers were based on their own assumptions and existing knowledge.

What is a green home?

A green home is a home that in its design, construction and operation is sustainable and energy efficient: green homes can be more costly in the short term, but will have long term environmental, social and economic benefits.

Features of a green home can include:

- Efficient use of energy, water and other resources
- Use of renewable energy, such as solar energy
- Pollution and waste reduction measures, and the enabling of re-use and recycling
- Good indoor environmental air quality
- Access to open green space
- Double/triple glazing
- High levels of airtightness to avoid heat loss
- Use of materials that are non-toxic, ethical and sustainable
- Smart technology.

What are the benefits of green homes?

When it comes to climate change, buildings are responsible for almost 40%[6] of the carbon emissions that lead to global warming worldwide.

As well as reducing energy bills, a more sustainable green home is healthier and more comfortable, with studies showing that some of the common health benefits[7] of green construction include:

- Reduced symptoms of respiratory disease[7] – from improved heating and insulation and daylight[8]
- Reduced symptoms of cardiovascular diseases[7] – from improved ventilation
- Reduced risk of cancer[7] – from low emission materials
- Reduced depression, stress[7] - from improved heating, ventilation

Overall attitudes towards green homes

Overall, first time buyers are more likely to consider a green home for their next property

80%
of first time buyers

vs

73%
of second time buyers

The main reasons for wanting to purchase a green home were as follows:

Better for the environment	It will save me money in the long run	I want to reduce my energy bills	I want to reduce my carbon footprint	I think eventually all homes will need to be green so I will pre-empt this	Sustainable features are a priority for me	There are green homes available in my desired location
39%	37%	35%	34%	34%	28%	23%

1 in 3
35%

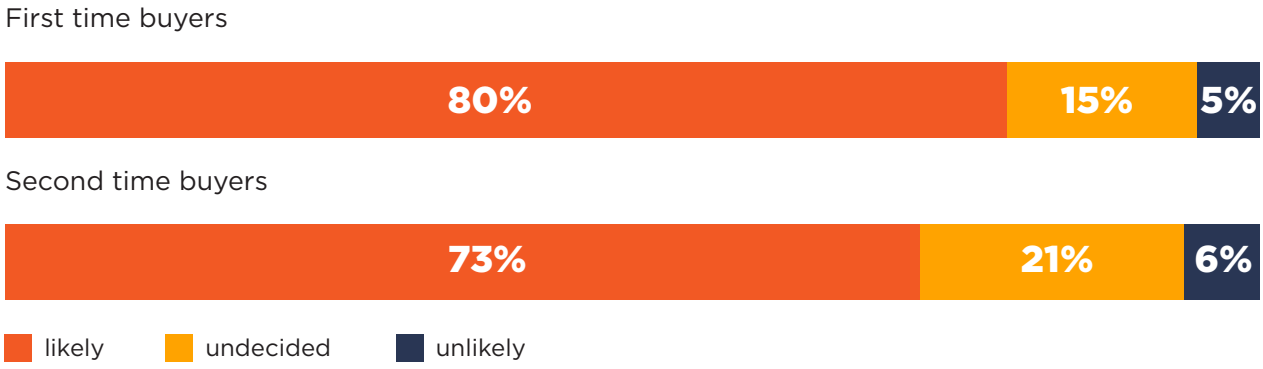
However, more than **1 in 3 (35%)** respondents who were likely to purchase a green home said they wanted to understand more about how it would benefit them in the future, indicating a gap in knowledge and understanding.

Expert opinion

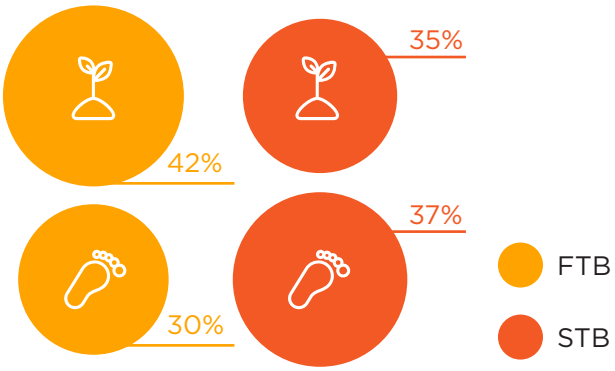
"Housebuilders should be doing more to emphasise the health and economic benefits of green homes in their marketing."

When it came to indecision; more second time buyers were uncommitted about whether they would go for a green home: **1 in 5 (21%)** were neither likely or unlikely to consider purchasing a green home, compared to just **15%** of first time buyers.

How likely are you to consider a green home?



There were also small differences in reasons for considering a green home depending on whether you're a first time or second time buyer:



For first time buyers the main reason they would consider a green home is: It's better for the environment: **FTB 42%** (top reason) vs **STB 35%**

For second time buyers the top reason was: I want to reduce my carbon footprint **FTB 30% vs STB 37%** (top reason).

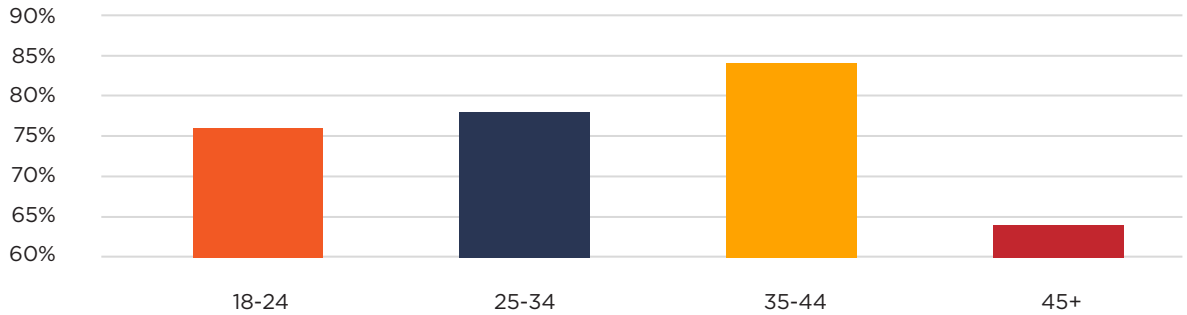
Expert opinion

"It's interesting that these are similar answers but take a different perspective – those looking to take their first step on the property ladder are more concerned about the bigger picture generally, whereas second time buyers are more concerned about their individual impact."

Other influences – age, class and gender

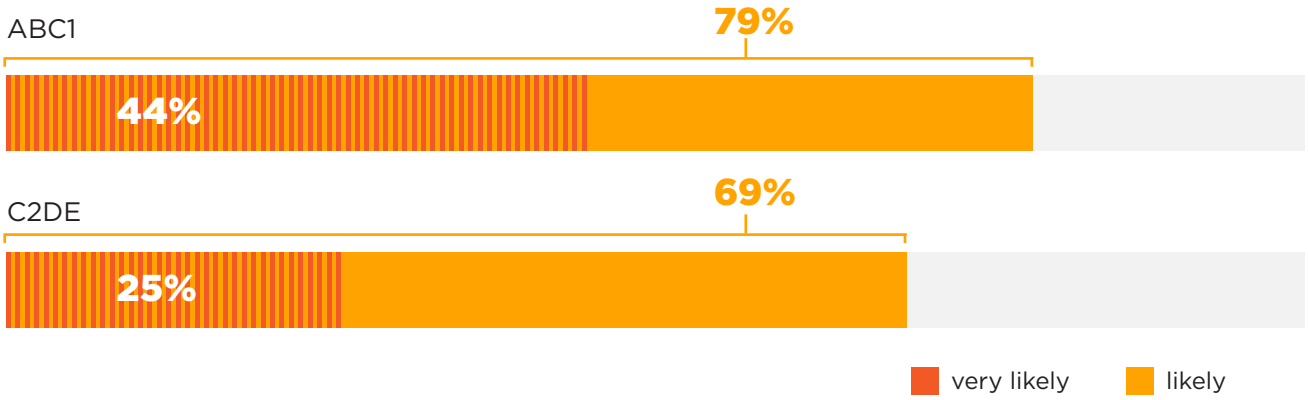
The age group most likely to consider a green home is **35-44 (84%)** - this drops sharply for those aged **45+** to just **64%**.

Those who stated they are likely to consider a green home



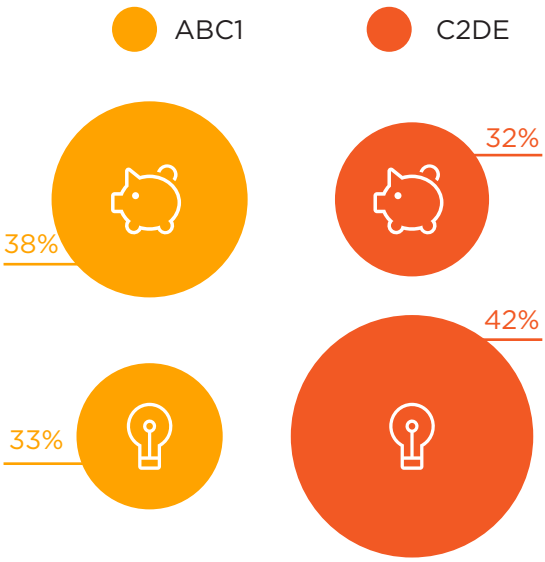
Social grade also has an impact in decision making. ABC1 (upper and middle class) people are also more likely to consider a green home **79% vs 69%** of C2DE (lower middle working class) people.

They are more confident about it too – with **44% of ABC1** people saying 'very likely', compared to just **25% of C2DE**.



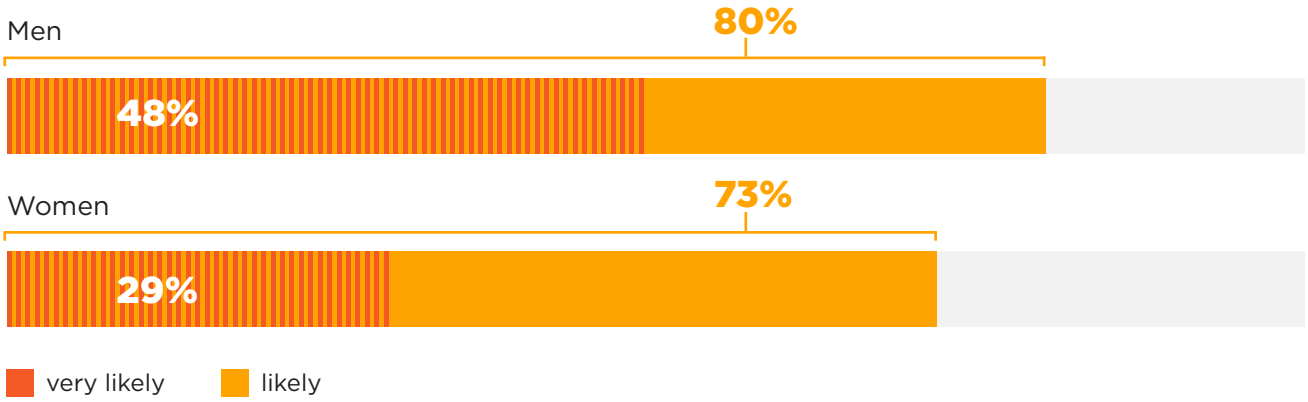
Expert opinion

"Until we perfect the technology and speed up the process green homes will continue to be more expensive, so it's likely that more ABC1 respondents fit into the 'able to pay' market, which gives them greater confidence in choosing this type of home. To make green homes work for all, we need local authorities to commission more affordable green homes and spread the cost across the development."



Of those who said they would consider a green home: **ABC1** are more concerned with saving money in the long run **(38% vs 32%)**, whereas **C2DE** are more concerned about reducing their energy bills **(42% vs 33%)** - indicating a difference in view on long term benefits vs short to medium benefits of green homes.

Men are more likely than women to consider purchasing a green home **80% vs 73%** - with almost half **(48%) of men** saying they were 'very likely' compared to just **29% of women** who were 'very likely' to consider a green home.



Does location make a difference?

Location had very little influence on whether respondents were considering a green home however, respondents in the Midlands were least likely to state that there were green homes available in their desired location.

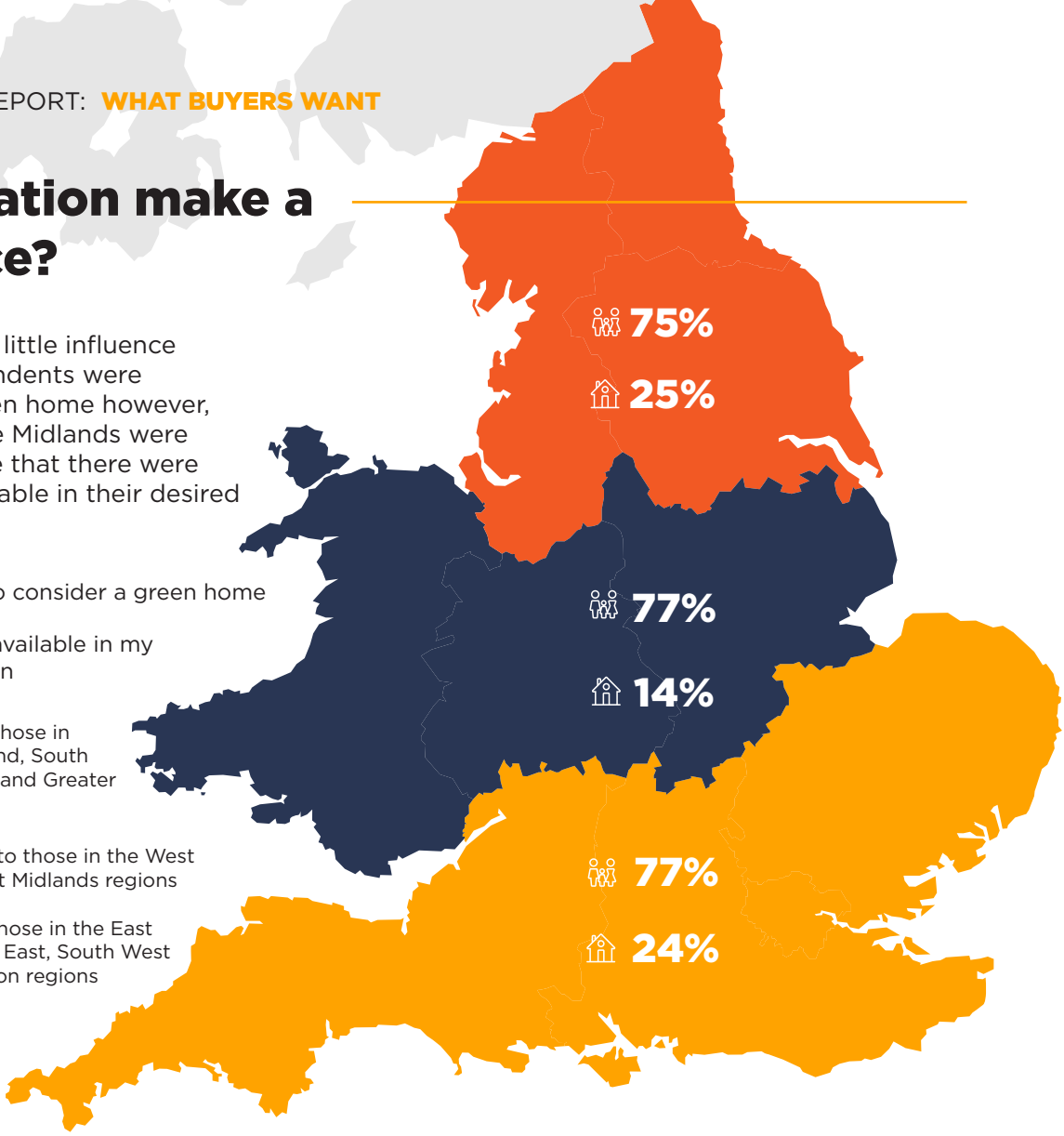
People likely to consider a green home

Green homes available in my desired location

North - refers to those in the East of England, South East, South West and Greater London regions

Midlands - refers to those in the West Midlands and East Midlands regions

South - refers to those in the East of England, South East, South West and Greater London regions



'It's better for the environment' was more important to those in the South (43%)

Those in the North were most concerned about getting ahead of the curve: 45% would consider a green home as they believe all homes will be required to be green so pre-empt it - compared to just 26% in Midlands and 34% in South.

Why aren't people opting for green homes?

6% of respondents said they were unlikely to choose a green home and **18%** said they were neither likely nor unlikely.

71% of those who were undecided said it was because they didn't know enough about it and **29%** said they felt indifferently about green homes.

Expert opinion

"Our results show that not all is lost when it comes to getting more people on board with green homes. I believe those on the fence can be convinced with the right information and education. As a sector we should be leading with messages that hit both hearts and minds to turn the undecided few."

6% unlikely

18% neither likely nor unlikely

people were undecided because

71% didn't know enough about green homes

29% felt indifferently about green homes

Would a cost reduction make a difference?

80% of people would be more likely to consider purchasing a green home for their next property if it came with a **30%** cost reduction.

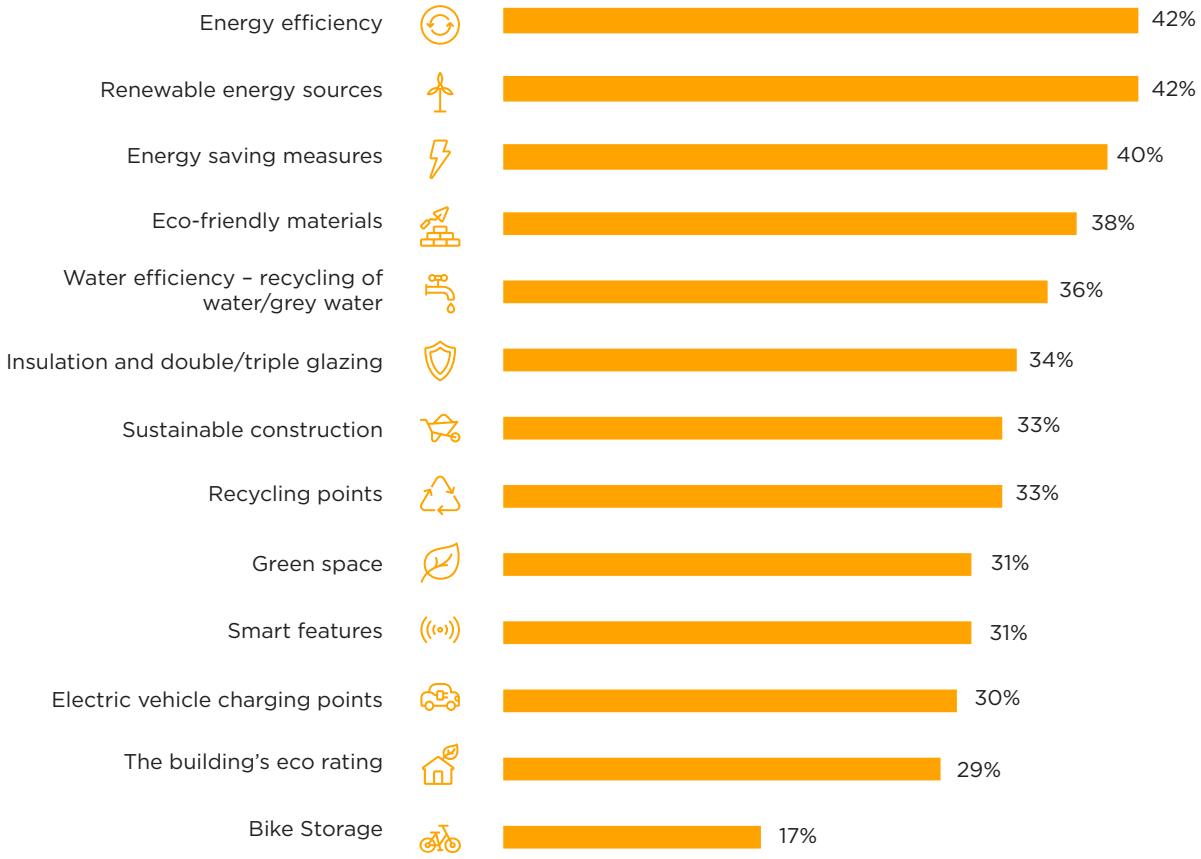
Compared to the EU, the UK is significantly behind the curve in providing short and medium term benefits to purchasing a green home.

There are only a handful of examples of mortgage providers[9] offering better interest rates on homes with an EPC rating of A or B and it can take years to break even on energy bill cost savings. Whereas the EU has plans to introduce green taxation[10], where 31 categories of products and services will be taxed at a reduced rate or fully exempt[11].

More UK incentives should be introduced, for example:

- Government should consider extending its First Homes[12] initiative to all buyers of green homes, if looking to push its green agenda
- Increase the help to buy ISA bonus[13] if purchasing a green home
- Reduce (or remove) stamp duty on green homes
- Make EPC rating a greater factor in the overall value of properties.

What features do those in the market for a new home consider most important?



First time buyers and second time buyers have similar requirements

Insulation and double/triple glazing are statistically more important to **STB than FTB (39% vs 29%)**.

Whereas use of renewable energy sources was more important to **FTB than STB (44% vs 39%)**.

Otherwise features were fairly consistent between the two.

Expert opinion

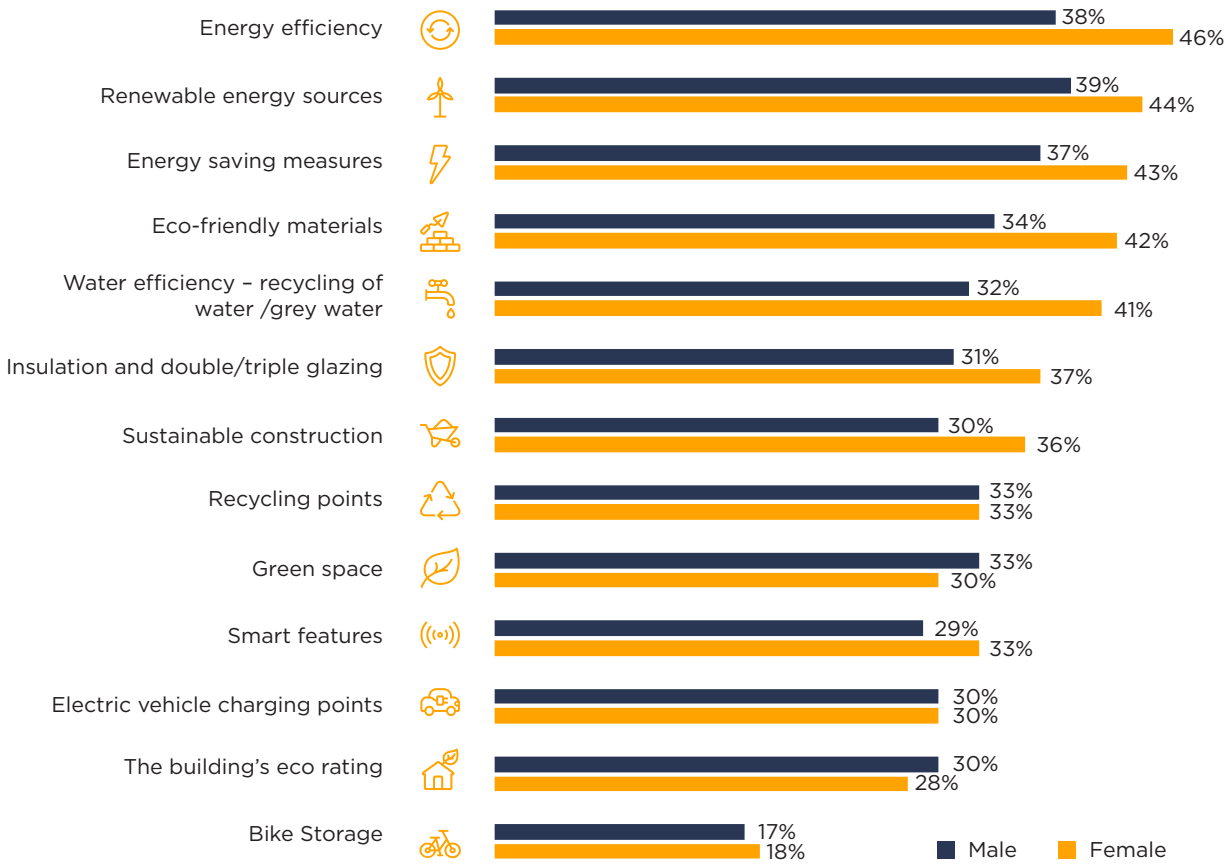
"It's interesting that across the board EV charging points and green spaces ranked low. It's likely that respondents assume they will have their own garden space, so perhaps there should be less emphasis on adding green space to a housing development, instead investment could be made in local parks or green areas and more homes could be built – which would incentivise developers."

Women want to see more features included in green homes

On the whole women chose more of the features to be important parts of a green home.

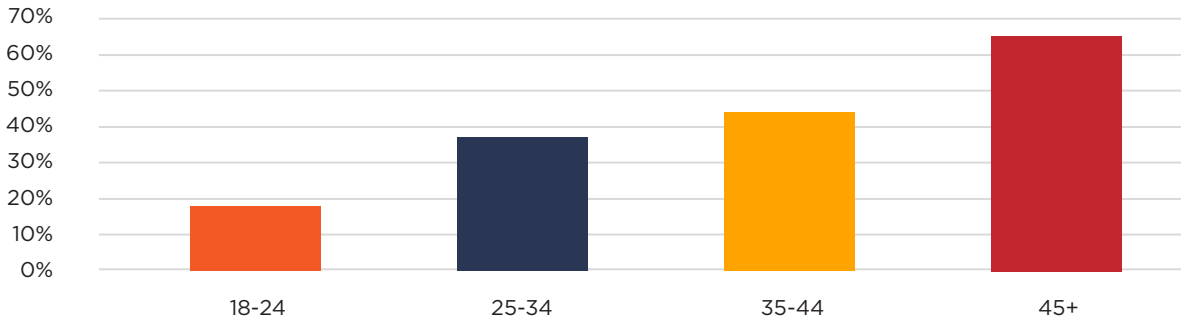
Expert opinion

"Despite women being less likely to consider a green home they do put higher demands on what a green home should feature – with almost every feature ranking higher for female homebuyers than male."



Features become more important with age

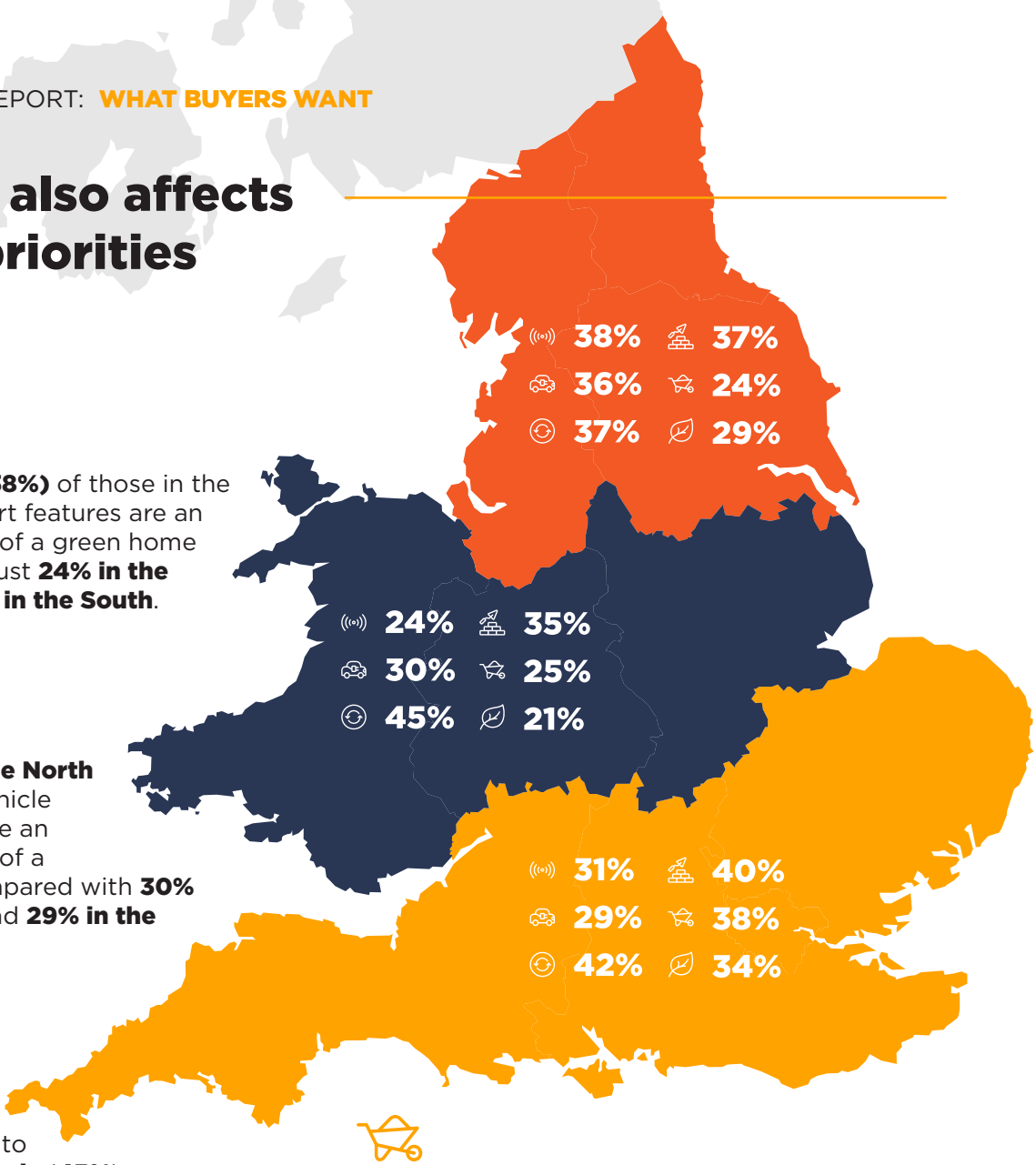
Our research shows that nearly all of the green homes features become more important the older you get. For example, energy efficiency:



When we compare the most important features vs the least important features by age we see a generational divide in smart technology. Only the youngest (18-24) respondents surveyed felt that smart features were a top three feature.

	18-24	25-34	35-44	45+
Most important features of a green home	1. Renewable energy sources 34%	1. Renewable energy sources 41%	1. Eco-friendly materials 44%	1. Energy efficiency 65%
	2. Recycling points 28%	2. Energy efficiency 37%	2. Energy efficiency 44%	2. Renewable energy sources 55%
	3. Smart features 26%	3. Energy saving measures 35%	3. Energy saving measures 42%	3. Energy saving measures 54%
Least important features of a green home	1. Green space 14%	1. Bike storage 18%	1. Bike storage 17%	1. Bike storage 16%
	2. Energy efficiency 18%	2. The building's eco rating 22%	2. EV charging points 29%	2. Smart features 35%
	3. Bike storage 18%	3. Sustainable construction 26%	3. The building's eco rating 29%	3. Green space/ recycling points 37%

Location also affects feature priorities



More than **1 in 3 (38%)** of those in the North believe smart features are an important feature of a green home – compared with just **24% in the Midlands** and **31% in the South**.

36% of those **in the North** believe electric vehicle charging points are an important feature of a green home – compared with **30% in the Midlands** and **29% in the South**.

Energy efficiency is more important to those in the **Midlands (45%)**, compared with **37% in the North** and **42% in the South**.

Sustainable construction is also more important to those in the **South (38%)**, compared with **24% in the North** and **25% in the Midlands**.

The use of eco-friendly materials is more important to those in the **South (40%)**, compared with **35% in the Midlands** and **37% in the North**.

Green space is a more important feature to those in the **South (34%)** than those **in the North (29%)** and **Midlands (21%)**.

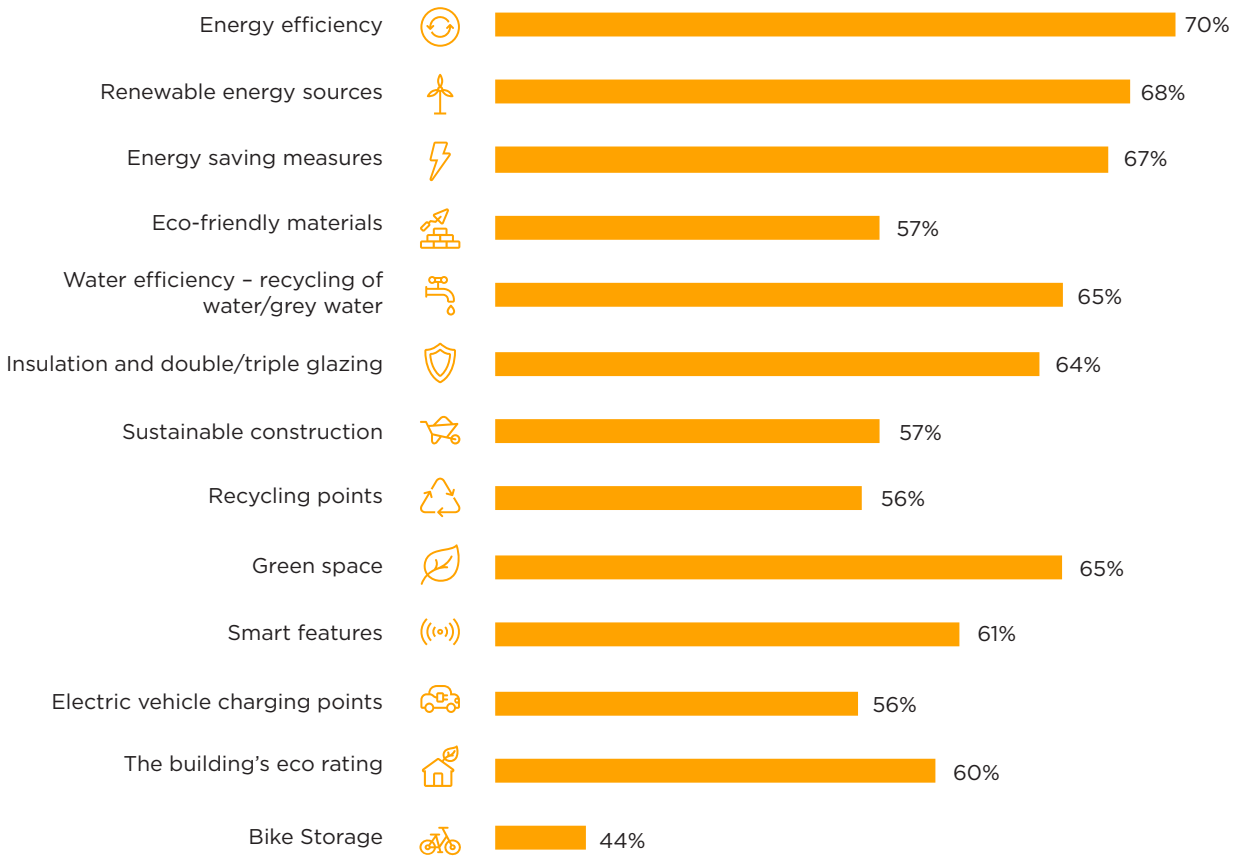
Expert opinion

"These stats show that housebuilders in the South should be highlighting their use of eco-friendly materials and sustainable construction methods. Housebuilders in the North should promote smart features like EV charging points.

"All buyers are concerned about energy efficiency and renewable energy sources, which is no surprise given these are key selling points for green homes."

What are home buyers willing to pay more for?

When asked which features people would pay more for when it comes to purchasing their next home, better energy efficiency came up top.



Expert opinion

"If a better EPC rating had a greater impact on the price of a home or stamp-duty paid, more sellers would invest in 'fabric-first' and additional technology, and buyers would be willing to pay more for a home with that technology, knowing they would see the return in both energy bills and in its sale down the line."

Are there differences between first and second time buyers?

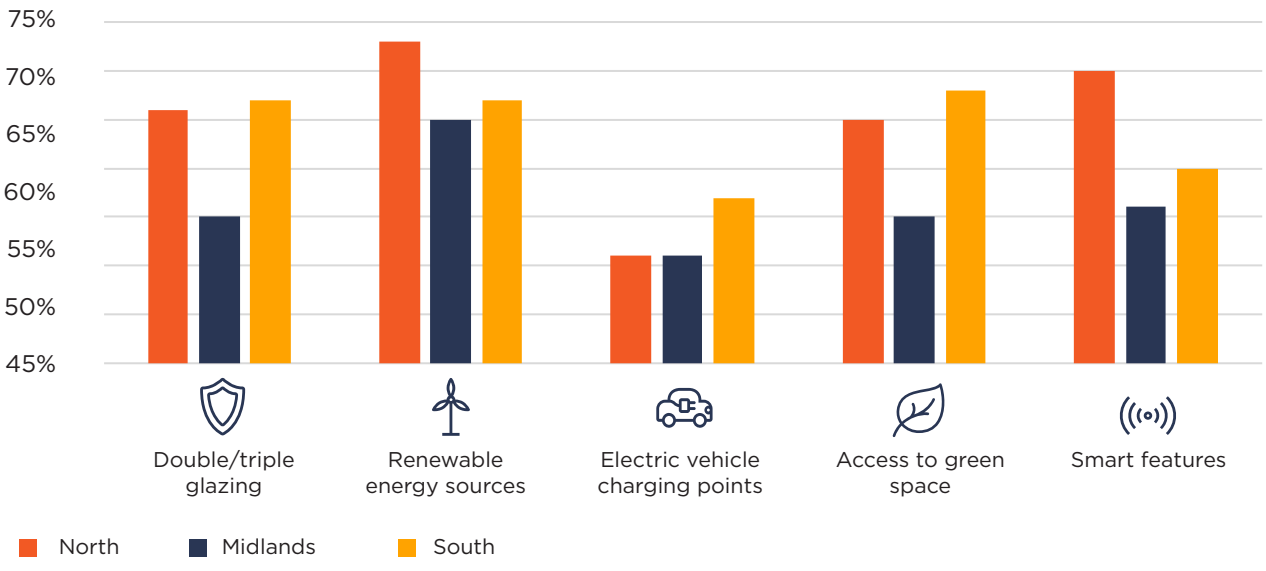
Our research shows that first time buyers are willing to pay more for:

1st time buyers			2nd time buyers
67%	Double/triple glazing	61%	
74%	Better energy efficiency	67%	
70%	Better water efficiency	60%	
61%	Better recycling points	50%	
71%	To have energy saving measures	62%	

Class results are all similar, except **C2DE** would pay more money for better water efficiency **(69% compared to 63% for ABC1)** and to have a good building eco rating **(65% compared to 59% for ABC1)**. **ABC1** would pay more for access to bike storage **(45% compared to 40% for C2DE)**.

The only significant difference between men and women was that **51% of men** would pay more for bike storage, compared to just **37% of women**. **7% of women** said the option wasn't applicable to them as it isn't something they would want (compared to **2% of men**).

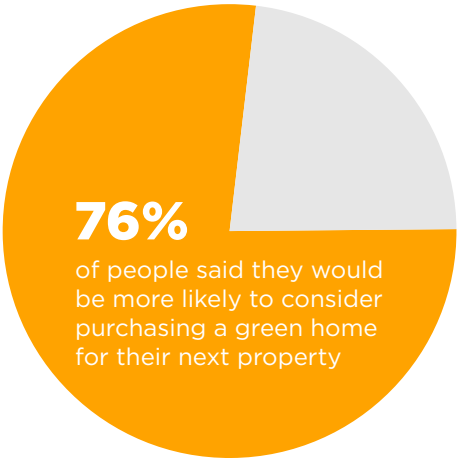
The features homebuyers are willing to pay more for, by location



How does information impact consumer opinion?

During the research survey we provided respondents with further information and detail about exactly what a green home is as defined in the first section of this report.

After being provided with a thorough definition more than **3 in 4 (76%)** of people said they would be more likely to consider purchasing a green home for their next property.



What about retrofit?

We cannot ignore the issue of retrofit in green homes. Considering that **80%**[14] of buildings expected to be present in 2050 have already been built and the UK has the oldest stock in Europe - **37%** was built pre-1946 - more must be done to bring existing stock up to scratch.

But who is going to pay for it? Social housing stock will require councils to apply for grants from the public purse. However, there seems to be a void in support for homeowners who do not fall into the low-income bracket. The exception being a **£5,000** grant available through the Heat and Building Strategy[15], which will go towards the cost of a heat pump; typically costing between **£6,000** and **£18,000**[16] depending on the size of the property.

At such a significant cost as well as the inconvenience and disruption caused by installing heat pumps there needs to be a commercial incentive for homeowners to adopt a change – as well as it being the right thing to do.

Solutions include:

- Removing VAT from retrofit technologies inline with zero-rated VAT for new build homes
- Change the Building Regs Part L SAP calculation, factoring in the SAP rating benefit of the electron flow, regardless of whether it flows through the individual meter at the property or into a community energy centre
- Make EPC rating an influencing factor in the price of homes.

Barriers for developers

Following discussions directly with housebuilders in the green homes space, we have identified a number of key barriers to the development of more green homes.

- Planning needs to be simplified
- Increase in investment of technical expertise such as heat pump installers
- Increase heat pump production
- Update class exemptions for electricity licences to include smaller community energy projects
- Improved and preferential finance rates for SMEs building green homes
- Improve existing energy infrastructure.

What does the data tell us?

- Despite regulatory requirements for net zero not taking effect until 2025[17] there is a commercial incentive for developers to build green homes now – given the high level of demand from both those looking to move up the property ladder as well as join it for the first time
- More than three quarters of first and second time buyers are likely to consider purchasing a green home for their next property – mostly due to environmental concerns and to save them money
- Most undecided consumers are on the fence due to lack knowledge and even those convinced by the benefits are still in want of further information – this should be provided by the sector
- After being given information on green homes, 76% of people said they would be more likely to consider purchasing one for their next property – meaning there is clearly an opportunity for developers to boost their green credentials by offering such information to potential buyers, by actively and positively marketing the benefits of green homes
- Consumers are willing to pay more for green home features like better energy efficiency and renewable energy resources so developers should be taking a fabric first approach to builds, even if they are not meeting net zero regulations at this stage. Community energy schemes could also be an option for housebuilders to attract consumers in light of increasing energy bills
- Social grade plays an important role when it comes to decision-making, with ABC1 people more likely to consider a green home
- 80% of people said they would be more likely to consider purchasing a green home if there was a 30% cost reduction
- To make green homes work for all, local authorities need to commission more affordable options and spread the cost across developments
- The government or housebuilders could also consider initiatives to further assist, like the First Homes scheme, Help to Buy ISAs and stamp duty reduction
- More calculations about cost savings of green homes over time should be made and publicised
- The most important features of a green home differs between age, gender, location and whether buyers are purchasing their first or second property. With this in mind, housebuilders should adapt a green home's characteristics depending on who they are wanting to target with their development.

Adoption of green homes at scale is a complex jigsaw that will require canvassing of Government, legislative changes and greater financial incentives for both consumers and those delivering the product. More must be done to encourage larger players in the industry to get behind the cause, and maximise efficiencies in the future. There is also need for a significant educational and engagement piece with the public and wider supply chain.

For the short term the focus should be on fabrication of housing to secure green homes status, but the potential for positive change on a much larger scale is huge, should the pieces fall in to place.

How can we help?

Our residential development team offers end-to-end holistic advice for all green home developments, from private sector and build to rent, to social housing and later living.

- Land acquisition and disposal
- Strategic land acquisition
- Construction
- Infrastructure
- MMC and self-build
- Plot sales
- Legal planning
- Energy expertise
- Real estate finance.

For more information contact:

NEIL GOSLING

Head of residential development

Neil.Gosling@shma.co.uk

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