

# EPCs and the Green Homes Grant

## The Green Homes Grant launches this month – but will it do enough to raise the country’s average EPC rating to a C grade?

On 8th July 2020, the Chancellor announced a number of measures to help the UK’s road to recovery following the already substantial impact of the COVID-19 pandemic. Whilst the ‘stamp duty holiday’ gained much attention amongst the housing sector, the £2 billion ‘green homes grant’ should have a much longer-lasting impact on housing across the country. The aim of the grant is to upgrade over 600,000 homes in England by covering the majority or full cost of energy-saving home improvements. With over half (54%) of homes currently rated below the recommended EPC rating C, there is certainly much to be improved before reaping the financial and environmental rewards of a net-zero housing stock.

The distribution of energy efficient homes is not equal across the country. Figure 1 displays the proportion of certificates with a rating of A, B or C across all local authorities in England and Wales. Regionally, the South East is the best performing region with 35.7% of 2nd hand homes sold with an EPC rating A-C. 7 of the 10 most efficient local authorities also sit within the South East. Wales and the North West are the worst performing regions, with only 26.8% and 28.5% of 2nd homes with an EPC rating A-C. The Isle of Anglesey in Wales is more than 10% below the regional average, with just 15.8% of 2nd hand home sales receiving an EPC A-C.

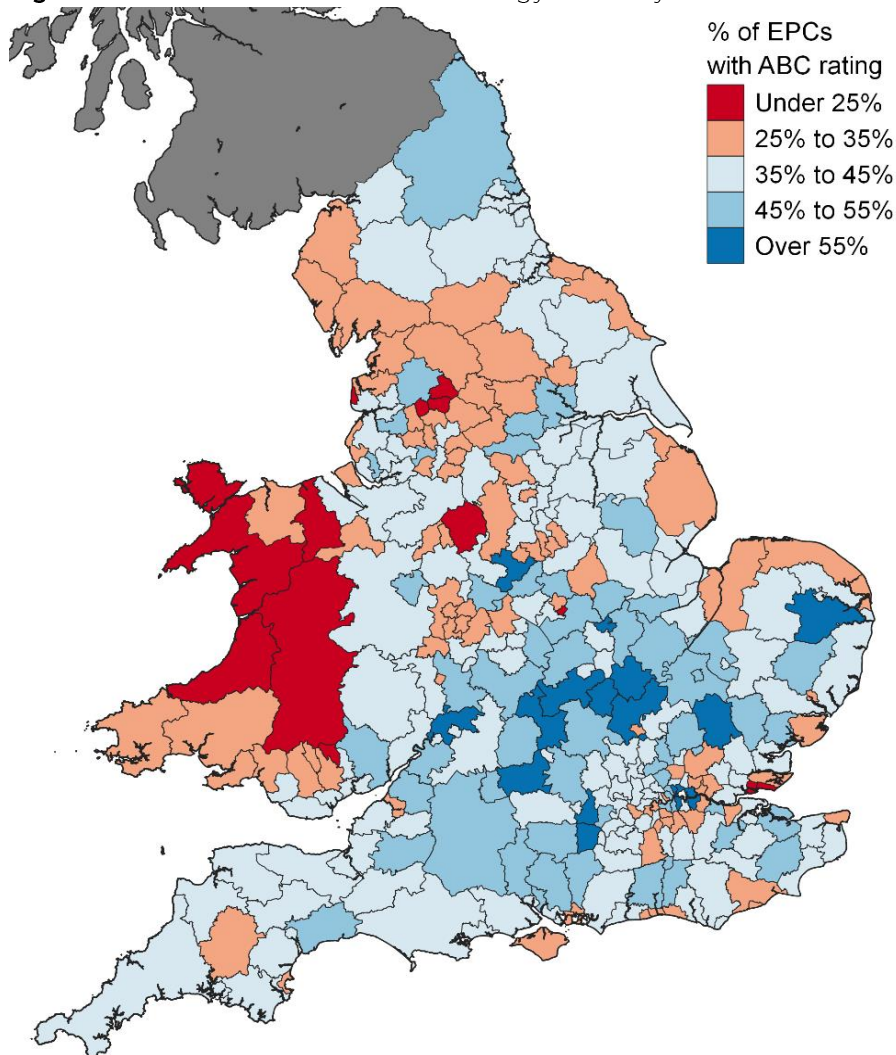
So what does the new £2 billion grant

cover and will it help reach the target EPC rating? £500 million will be delivered through local authorities, with the aim to raise energy efficiency of low income households with an EPC Band E or below. Only local authorities in England are eligible for the grant, so Wales will need to rely on their existing ‘Nest’ scheme which offers insulation and new boilers to means-tested low income households. According to our analysis, the top 3 English local authorities which would benefit most from a successful bid include Eden in Cumbria, Pendle in Lancashire and Cornwall, where over 30% of homes are in EPC bands E or below.

For the general public, owner-occupiers or landlords will be able to apply for vouchers up to the value of £5,000, to cover up to two-thirds of the cost of specified home improvements. Low-income households can receive vouchers covering 100% of the cost of the improvements, up to a maximum of £10,000.

Clearly, there is currently a vast amount of un-met potential, and with the government’s ambitious statement in 2017 to upgrade all homes where “cost efficient, affordable and practical” to EPC C by 2035, there will need to be sufficient incentive and effort required from both government and homeowners to make this a reality. In fact, it is estimated that the rate of energy efficient renovation of homes would need to increase by 7 times\* to meet the government’s target.

**Figure 1** Where do homes rate best in energy efficiency?



Source MHCLG

\*Business Energy and Industrial Strategy Committee Energy Efficiency: Building towards net zero: 9<sup>th</sup> July 2019

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Altogether, EPCs issued since Jan 2018 (Figure 2) display that the majority of England & Wales homes are currently rated C or D (29.8% and 37.5%, respectively), a sixth of homes are rated E or below. We have looked at the potential EPC ratings homes could achieve if they installed all recommendations listed on their certificate.

Our analysis shows that only 16% of properties have been rated either A or B since January 2018, but this could be boosted up to almost 60%. A further 36% could achieve an EPC C rating. Less than 1% of stock surveyed was regarded unable to achieve above an EPC rating of E.

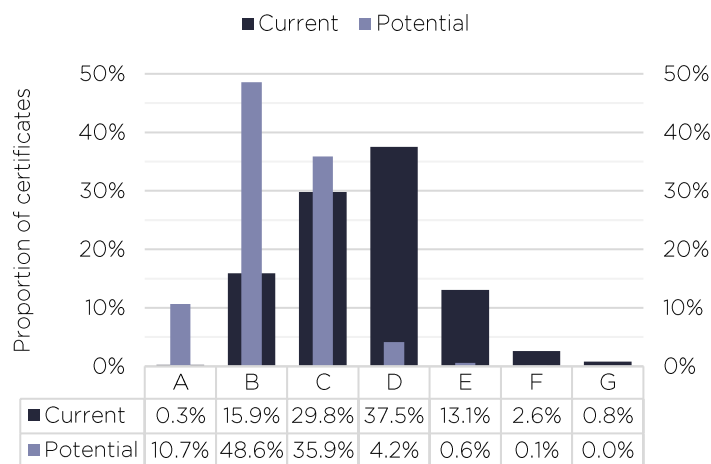
This distribution has not changed substantially since EPCs were introduced in 2008, though more modern stock typically achieves higher efficiency.

Table 1 sets out the average costs of measures typically recommended by EPC certificates and potential savings if subsidized by the government voucher. The grant requires households to install a ‘primary’ measure of either insulation (such as loft or cavity wall) or low carbon heat in order to qualify for funding.

Secondary measures such as draught proofing, double glazing and smart thermostats are then eligible for subsidy. However, the cost of these secondary measures cannot exceed the cost of the primary measures. For example, a homeowner could install loft, cavity wall and suspended floor insulation at a combined cost of £1,655 and also qualify for additional secondary measures such as a heating thermostat and draft proofing, usually costing £400 and £100, respectively. Under the government’s scheme, this would cost the homeowner £712 rather than £2,155, a saving of £1,443. Low-income households are eligible for up to £10,000 in vouchers, enabling households to install solar water heating (typically £5,000) and double glazing (on average £4,000) at no cost to the occupier.

Would this investment in energy efficient measures be enough to result in an actual rise in EPC rating? Our analysis (Table 2) of EPC certificates issued since 2018 has calculated the average cost

Figure 2 Distribution of EPC ratings (issued since Jan 2018)



Source Savills using EPCs (MHCLG)

required to ‘upgrade’ EPC bands, by installing all of the recommendations listed on certificates. The average D rated property, where the majority (37.5 %) of England & Wales homes are currently rated, would need on average £12,746 spent to reach a C band. Looking at those few properties in the lowest G band, we approximated that it would cost almost £50,000 to reach band A, and still over £26,000 to meet the band C standard set by the government. In fact, none of our estimations proved it possible to climb even just one EPC band within the £5,000 or £10,000 limit provided by the grants. Therefore it raises the question of whether the voucher scheme is large enough for homes to realize the government’s ambitions of raising EPC bands, and whether homeowners will actually feel the benefit of subsequent home value uplift and reduced energy bills. Homeowners may need to dig deeper into their pockets to get their homes over the threshold into the next band up.

Table 1 The average cost of energy improvement measures

Measure (Primary/Secondary)	Average Cost	Cost with voucher	Saving	% of EPCs with recommendation	Total Cost (£m, E&W)
Loft Insulation	£270	£90	£180	20.5%	£623
Cavity wall insulation	£475	£157	£318	14.8%	£502
Suspended floor insulation	£910	£300	£610	21.9%	£742
Solar water heating	£5,000	£1,650	£3,350	59.0%	£9,990
Double Glazing	£4,000	£1,320	£2,680	7.5%	£1,245
Heating Thermostat and thermostatic radiator valves	£400	£132	£268	0.4%	£5
Draft-proofing	£100	£33	£67	4.2%	£14
<b>Total</b>					<b>£13,121</b>

Source Savills, EPCs (MHCLG), English Housing Survey, Energy Saving Trust

Table 2 The costs to move EPC bands

		Potential rating						
		A	B	C	D	E	F	G
Current rating	A	£7,110						
	B	£10,919	£4,263					
	C	£20,437	£12,302	£4,937				
	D	£32,915	£18,588	£12,746	£6,244			
	E	£40,451	£23,542	£17,156	£11,357	£5,152		
	F	£44,933	£29,237	£22,873	£18,823	£13,070	£6,303	
	G	£47,163	£31,879	£26,791	£23,866	£20,077	£19,745	£15,461

Source Savills, EPCs (MHCLG)