



## Landlords and Asset Managers beware The Energy Act 2011 & the Minimum Energy Efficiency Standards (MEES) is already biting

**September 2015**

### Introduction

The Energy Act 2011 states that all buildings that do not meet the minimum energy performance standard will **not be allowed to be let as from 2018** until they have been upgraded. The secondary regulations, The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015, known in the industry as the Minimum Energy Efficiency Standards (MEES), were confirmed and passed into law on the 26<sup>th</sup> March 2015. The key points to note are:

- Minimum Energy Efficiency Standards make it unlawful for properties with F or G Energy Performance Certificates (EPC) to be let, without implementing cost-effective energy efficiency improvements or fulfilling an exemption criterion.
- Minimum Energy Efficiency Standards come into effect on 1<sup>st</sup> April 2018 for new leases and lease renewals/extensions where there is an EPC already.
- Minimum Energy Efficiency Standards comes into effect on 1<sup>st</sup> April 2023 for all existing leases.

### Impacting already

With less than three years remaining until the 2018 deadline the effects of the Minimum Energy Efficiency Standards are already being felt. Most lenders will now not approve loans on EPC Grade F or G buildings, and some will only lend if an energy efficiency upgrade plan is agreed to. Many RICS Valuers will not sign-off a valuation unless they have seen and had regard to a building's EPC rating. A two-tier market is starting to emerge with well informed tenants seeking buildings well clear of the EPC Grade F and G "danger zone". Tenants do not want buildings that they cannot sublet.

### Changing EPC benchmarks

Mandatory EPCs started in 2008 and around 40% of the entire stock of commercial buildings in England & Wales now have an EPC lodged on the Government's central database. Since 2008 the benchmark for how the A-G Grade is assessed has tightened up. This means that a building with an EPC Grade of E assessed in 2009 may be reassessed as a Grade F if the EPC were recalculated today, even though no changes have been made to the building.

### "Old" and "New" EPCs – critical date April 2011

EPCs are valid for 10 years so great caution is required for borderline EPC grades assessed between 2008-11. Due to the changes to the A-G grading, lenders such as Coutts Bank, now demand to see 'new' EPCs carried out after April 2011 before lending.

### **Get information**

The first step is to obtain EPCs on all your assets to find the problem buildings. Over the past 12 months we have undertaken a number of complete portfolio EPC surveys. This gives a full data-set from which landlords and asset managers can make informed decisions. Noting the date of any existing EPCs is critical. All EPCs carried out before April 2011 may be downgraded to a poorer grade if reassessed today, using the latest Government software.

### **How to upgrade**

An EPC is calculated having regard to the building's envelope and its heating, cooling and lighting services. Fully air-conditioned office buildings built in the 1980s and 1990s are particularly susceptible to very poor EPC grades, as too are uninsulated industrial buildings. Cost effective building upgrades include changing halogen lighting to LED, renewing boilers and air-conditioning plant and introducing insulation into roofs and wall structures.

### **Vital's solution**

Vital provides a comprehensive service to property owners and their professional advisors. We calculate the EPC for the building "as is" and model different refurbishment scenarios in our software to calculate the effects on the EPC grade. Many of our clients are now developing strategies to upgrade their existing assets to just achieve an EPC Grade C by one point. This is an excellent strategy to future proof the marketability and value of the building. We strongly recommend that no building refurbishment is undertaken until the impact on the EPC is calculated before the works are carried out.

### **Your own house**

The 2018 deadline also relates to residential property. We recommend that you obtain an EPC on your own house now to see if you fall into the F & G "danger zone". You may want to upgrade your home sooner rather than later before it causes you a big problem when you come to sell or let in the future.

### **What next?**

For a discussion on how we can assist you please contact Martin Gibbons MRICS, Director [martin.gibbons@vitaldirect.co.uk](mailto:martin.gibbons@vitaldirect.co.uk), **0345 111 7700**.

We provide a full national service from a single building to a complete UK portfolio.



Vital has recently completed Britain's largest EPC for The O2, London