

MONITORING YOUR ENERGY LEVELS



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EPCs have been around for a decade now and many people have simply ignored them, citing them as an unnecessary cost associated with dealing in property. This position will doubtless change with the introduction of the 2015 Energy Efficiency Regulations.

Most landlords are aware of the new Minimum Energy Standards which come into effect this year. The regulations will make it unlawful for landlords to grant a new lease or tenancy of a commercial or residential property that has an EPC rating of below band E from 1st April 2018.

What is less known is the scale of the issue, the penalties, and what can be done to avoid falling foul of these new requirements.

Records show that currently 10% of residential properties and 18% of commercial properties currently have an EPC rating of F or G and will therefore be classed as non-compliant.

Where the breach is for a period of less than three months, the fine is likely to be 10% of the rateable value of the commercial premises, subject to a minimum fine of £5,000 and a maximum of £50,000. For residential property, the fine is due to be £2,000.

The first step is to check your current EPC to see if the rating is F or G. If it is, then you need to understand why this is the case. Some reports have suggested that up to 70% of EPC ratings have been calculated incorrectly and so a new report by a competent surveyor could, on its own, give you the required score.

Alternatively you may have already made some improvements since the original EPC was done and the solution may simply be to have a new survey undertaken and certificate produced.

That said, due to changes in the methodology of the energy assessment itself, it is possible that a building surveyed prior to 2012 and which has been unaltered since, may receive a lower score if surveyed again today. Conceivably this could take a band E to a band F and mean that

improvements are required upon the expiry of the current certificate in order to permit the onward letting of that property.

For these reasons, I urge you to investigate the position with your portfolio now, rather than leaving it until 31st March!

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If you are having an EPC undertaken, then it is important that as many aspects that will enhance the score are included as possible. If you have a certificate for cavity wall insulation or a Fensa Certificate for Double Glazing then be sure to have these ready for the surveyor's visit. Ensure there is access to the electricity meter as a dual rate system will score better than a single rate system, by an enormous amount if the property uses storage heating. Similarly, ensure there is access to hot water cylinders as the presence and depth of insulation and a cylinder thermostat both contribute to a better score.

If your loft is insulated but boarded then remove a section of the boarding before the surveyor arrives. If they cannot see the insulation then they are not permitted to include it in their calculations.

Ensure that the majority of your lightbulbs are low energy or LED fittings. This also makes a difference to the end score.

If the surveyor cannot access aspects of the property then it will

be assumed that the property is in the same thermal condition as it was when it was originally constructed. This means that for properties built before the mid-1960s, it will be assumed there is no insulation at all.

Take comfort that from a residential perspective: if you have an efficient gas heating system, a degree of loft insulation and low energy lighting, then you are likely to result in a score of band E or higher.

For those rarer properties where energy improvements are far more difficult, there are due to be some potential exemptions, most notably for listed buildings and those in conservation areas where it can be demonstrated that compliance with EPC requirements would unacceptably alter the character of the building.

Further exemptions are likely to exist where a surveyor determines that the energy improvements would reduce the market value of the property by a significant degree, or that the improvements are not financially viable as they would not recoup the initial investment over a seven-year timeframe.

Lenders are already changing their criteria and considering the EPC scores, especially on BTL loans, as a low rating will mean the borrower will be unable to let the property. For those looking to sell a property or raise finance against assets, a low EPC rating is likely to have a negative impact on capital values.

Aside from the legislation requirements, it makes sense to try and improve energy efficiency to our buildings. Not only should we be 'doing our bit' for the global energy challenge, but we will be paving the way for happier tenants with lower energy bills. And remember, happy tenants stay longer!

As always I am happy to assist YPN readers in respect of their EPC requirements, I can talk you through what the surveyor should be recording on their visit, tips to improve your score and can even undertake the EPCs for you if you are local to Kent! You can contact me on **01843 583000** or graham@grahamkinnear.com.

Graham is the author of **"The Property Triangle"**

