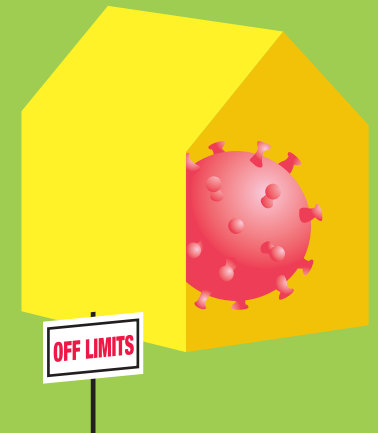


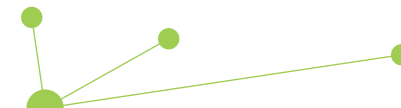
COVID - 19 and EPCs Keeping Transaction going

In the current situation with Coronavirus and issues with access to certain sites, Carbon Profile have come up with a solution to provide draft EPCs based on a property proforma which we can provide without going to site.

If there are lease or sale transactions where there are difficulties with access, we are able to provide a draft then evidence site visit and lodgement when access can later be provided. This therefore does not hold up transactions in cases where it may previously have done so.

If you have any transactions that maybe held up due to EPCs, please let us know.





Domestic EPC - Minimum energy efficiency standards rollout to existing tenancies from April 2020

Since April 2018, new tenancies in England and Wales have had to meet the Government's minimum energy efficiency standard (MEES). Properties which require an energy performance certificate (EPC) must reach a minimum 'E' rating on their EPC assessment, or **have a valid exemption registered**. Last year, the Government introduced a 'cost cap', requiring landlords to spend up to £3,500 per property to improve them to the minimum level.

From 1 April 2020, this requirement is extending to all existing tenancies. Here's what you need to know.



What is an EPC?

EPCs are certificates which indicate how energy efficient a property is currently, and could be with improvements. The rating for the EPC is based on an assessment undertaken by an accredited domestic energy assessor. It is based on the 'fabric' of the building i.e. how it is constructed and materials, and the 'services' e.g. heating, ventilation and lighting. Points are given for each of the energy efficient measures in place – which results in a 'SAP' (standard assessment procedure) rating. This is then converted into an 'EPC band' or rating – ranging from A for the most efficient to G for the most inefficient.

EPCs are a legal requirement for buildings when constructed, let,

or sold. Individual rooms let within an HMO do not require separate EPCs, but if the HMO itself has been let on a single tenancy or sold in the last 10 years, the building will require one.

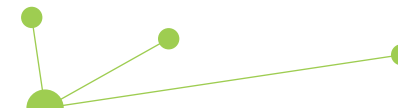
Who needs to upgrade their properties?

The Government is introducing a minimum band E rating for properties let in England and Wales. This currently applies to all new lets – at the change of tenancy or on renewal – but from April this year will also apply to all existing tenancies, where a valid EPC exists. Landlords must pay up to £3,500 per property to improve any properties currently rated F or G, known as the 'MEES cost cap'.

What if the cost of improving to an 'E' is higher than £3,500?

If the cost of reaching an E rating is higher than £3,500, you will need to register an exemption – either a 'high cost exemption' if the cost of installing the cheapest recommended improvement is higher, or the 'all improvements made exemption' if improvements up to the value of £3,500 have been made but the property remains rated F or G.

The PRS Exemptions Register is held by the Government. Landlords must upload evidence of the exemption cited when they register. Each exemption is valid for a maximum of five years.



Upcoming changes

Are there any more regulations on the horizon?

The UK Government has committed to net-zero carbon emissions by 2050. Improving the carbon footprint of housing will be a key objective for them over the coming years, and we expect properties in the private rented sector to be required to meet a minimum C rating by 2030, and an A rating before 2050.

In addition, the Government will be banning gas boilers from new build properties by 2025 – and in time will likely phase gas out from existing properties. Carbon dioxide emissions from the residential sector are currently around 18 percent of the UK total, according to Government statistics, with gas for heating and cooking one of the main sources – so will be a key target.

As these changes come in, new and unfamiliar technologies, such as air source and ground source heat pumps, will become more common, and prices of these will fall. But we'd advise landlords to consider where they can make improvements to their properties as part of their business cycle to get ahead of the game – for example, during void periods.

What about commercial properties?

Since April 2018 all new tenancies in England and Wales have had to achieve MEES, just like domestic properties. However the requirement extending to all leases does not start until April 2023. A consultation period has recently ended into setting new targets of minimum Band B/C by 2030 for commercial buildings.

Does MEES apply to property sales?

MEES only applies to the rental sector. Properties for sale will still need an EPC but not of a minimum band E. However potential buyers may be put off by a low energy rating if they plan to buy and let the property.

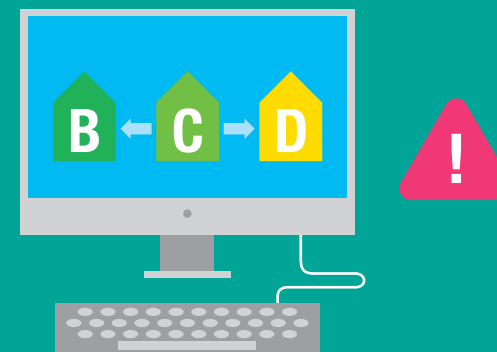
My building EPC is band G, does this mean significant amounts of money will need to be spent to bring up to standard?

At Carbon Profile we have reassessed many previously rated band F and G properties and have found them to recalculate at a much improved rating, this requiring no works to be needed. Previous assessments may have used default ratings or missed key details which had a negative impact on the asset rating.

If a new assessment of your property does result in the rating being band F or G we can assist in informing you of cost effective ways to improve the rating.

Comparing 2009 EPC vs 2019/2020 EPC ratings – Why are they different?

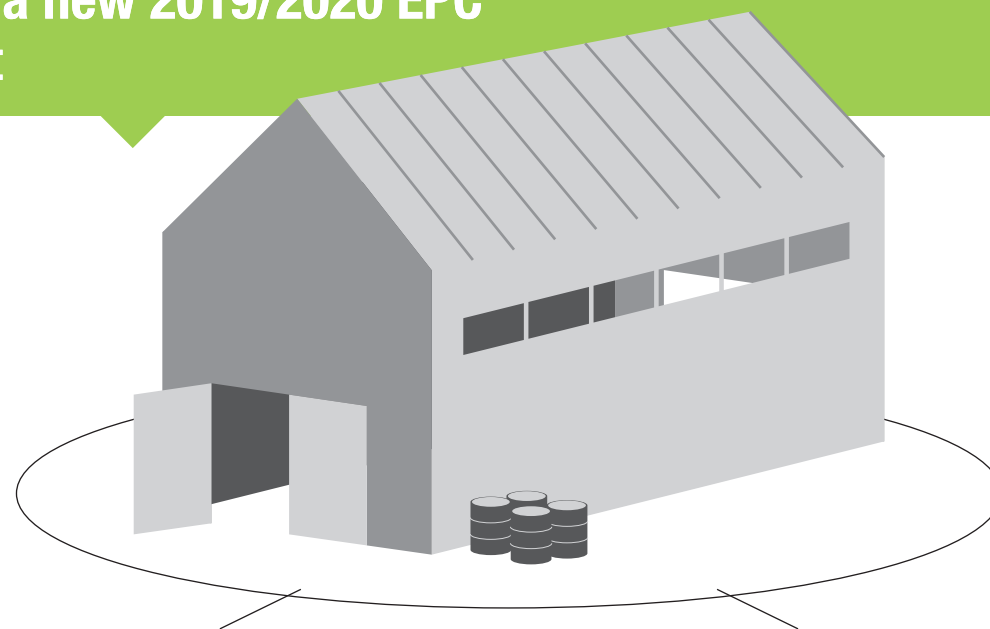
The software and conventions adhered to by energy assessors has changed significantly over the past 10 years. Energy assessors will now capture far more details from a site inspection, and with the introduction of new technologies and improvements in LED lighting, a band C property assessed 10 years ago, with no changes, may recalculate at a different band today.



Case Study: - Comparing a 2009 EPC to a new 2019/2020 EPC

Site: - 300 m² Industrial Warehouse Unit

Over the past 10 years each software release has made small changes to how data is input and calculated. Recent updates have included changes to luminous efficacy of LED lamps. Previous versions had LED lamps at a similar efficiency to T5 florescent lamps, now a greater efficacy has been assigned. Therefore a building with LED lamps could have a potentially better asset rating with the latest software update compared to previous versions.



Previous rating
iSBEM 3.4a = Band D 89



Current rating
iSBEM 5.6a = Band E 101

