



The Future of EPC's

The facts, stats and legislation of the rental market in England & Wales





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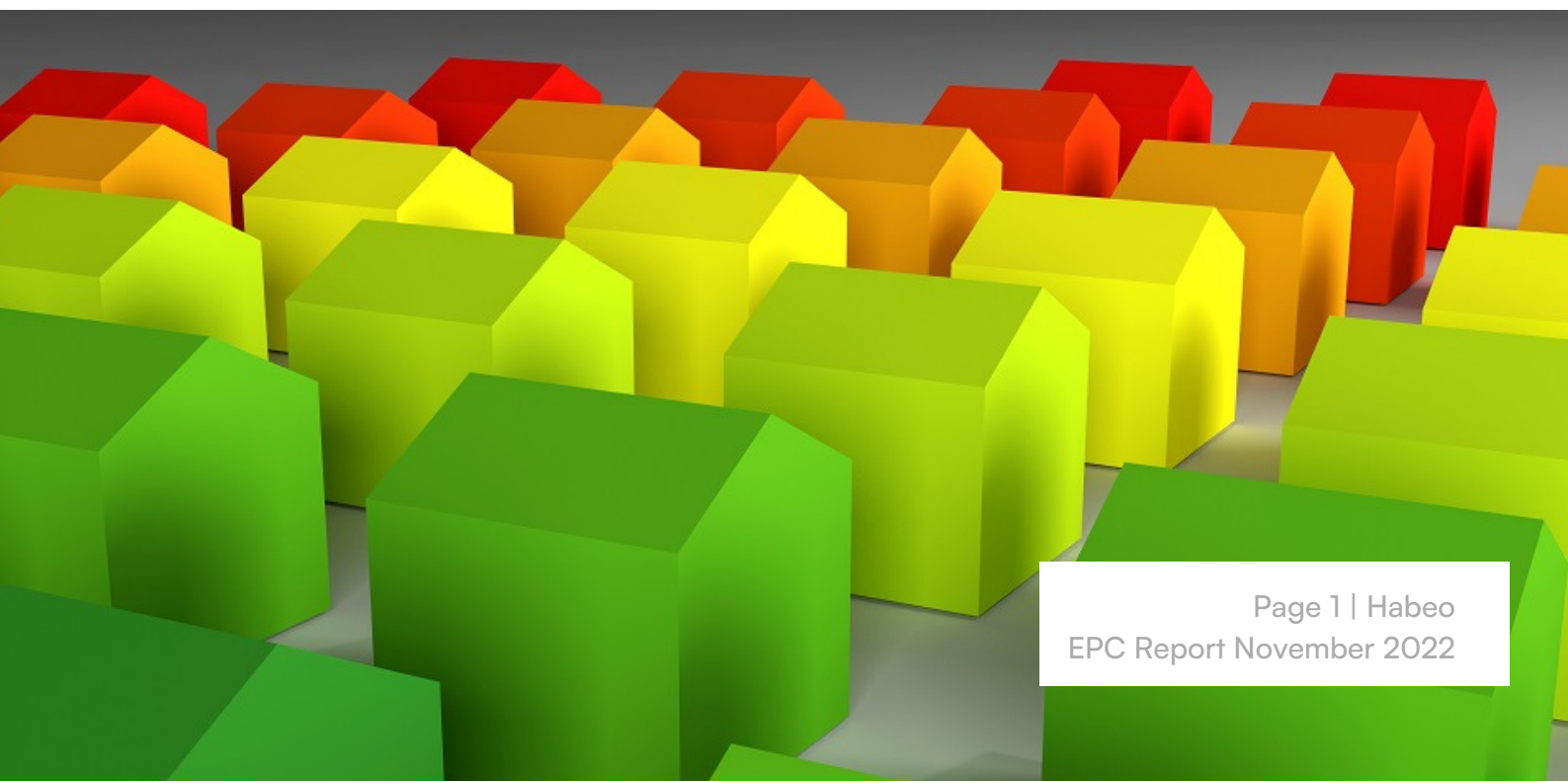
Introduction

It's been more than two years since the government proposed its plans to move toward powering a net zero future. The [whitepaper](#), which was announced in December 2020 outlines plans to rebuild the economy and tackle the climate change crisis head-on.

The fundamental aim of an energy performance certificate is to improve the efficiency of UK homes, which plays a vital role in the government's plans to improve our carbon footprint, alongside tackling today's topical cost-of-living crisis.

What does this mean for landlords? In 2021, reports show that 4.43 million households in England were occupied by private renters. This means that landlords are now expected to play their part in tackling the key challenges we face now and into the future.

In our report, we will be deep diving into the stats, facts, and legislation that surrounds the energy performance of rental properties in England and Wales today, and highlighting why landlords should mitigate the risk of impending changes.





A word from Founder and CEO of Habeo, Alexandra Morris



As we all face increasing costs it can be tempting to view rental property improvements as low priority. Our research shows that tenants are giving EPC ratings and the accompanying reports more authority when making decisions to rent properties.

Making changes to your property to reduce the emissions will create multiple benefits for landlords. Not all improvements require thousands of pounds some simple changes like adding energy saving lightbulbs and checking insulation can provide big wins to the overall rating whilst also helping your tenants reduce their bills.

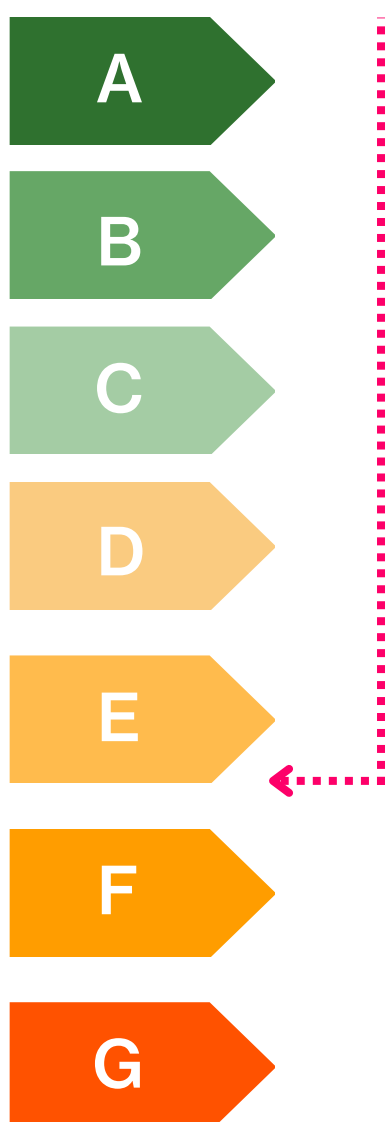
Tackling some improvements now can also head off potential maintenance issues such as damp and mould created by poor ventilation which is usually linked to heat retention.

The answer is to look at your EPC now and review what changes you can make and then plan for those that may well be required with a change to minimum standards.



EPC's explained

Energy performance certificates (otherwise known as EPC's) tell landlords and tenants how energy efficient a building is. A check will be carried out by a qualified EPC assessor who will take a series of photographs and measurements, then rate the property from A (very efficient) to G (inefficient). The rating is used to dictate how costly it will be to heat and light the property, and what the carbon dioxide emissions are likely to be.



What's the law now?

Currently all rental properties require a rating of E or above. Should the property fall into ratings F or G significant improvements are legally required. Currently the cost cap for these improvements stands at £3,500.

The good news is, in Q3 of 2022 just 2.3% of dwellings in England and Wales had an EPC rating below E. This means, almost 98% of rental properties do not require any additional improvements.

EPC's are valid for:

10 years

for existing properties and must be undertaken for every new letting.



Current EPC figures

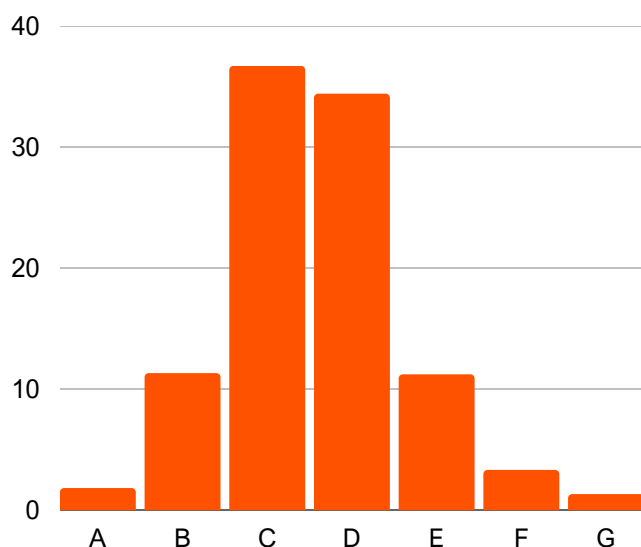
Over the last decade, the amount of properties with an EPC rating of A-C has grown by over 17% across England and Wales. Although the law allows for ratings of E or above, these figures outline the measures landlords are taking to improve the quality of their properties.

England



56.5%
of rental properties in England currently have an EPC rating of A - C

Wales



49.9%
of rental properties in Wales currently have an EPC rating of A - C



Regional figures

Regionally, in the last decade, the east midlands have improved their A-C ratings by the largest amount. In Q3 of 2012 properties from that region had 36.9% of ratings of C or above, in Q3 of 2022 that figure grew by 23.1% and now stands at 60%.



Region	A, B & C	D & E	F & G
East of England	55.9%	41.9%	2.2%
East Midlands	60%	44.3%	2.3%
London	60.6%	38.4%	1%
North East	58.1%	40.6%	1.3%
North West	57.6%	40.1%	2.3%
South East	59.6%	38.5%	1.9%
South West	52.5%	43.3%	4.2%
West Midlands	53.9%	43.5%	2.6%
Yorkshire and The Humber	51.3%	46.2%	2.5%



The impact of household energy

As the first country to set the ambitious net-zero goal, the UK government has pledged to do everything possible to reach that target. UK households are currently responsible for 26% of greenhouse gas emissions, for this reason, it is likely that the government plans to move EPC ratings to C and above will go ahead.



Households are a big emitter of greenhouse gases, accounting for

26%

of total emissions in the UK, on a residency basis

London

has the lowest level of domestic emissions per capita



“We will reduce emissions through shifting from gas to electricity to heat our homes and by better insulating the buildings in which we live and work”



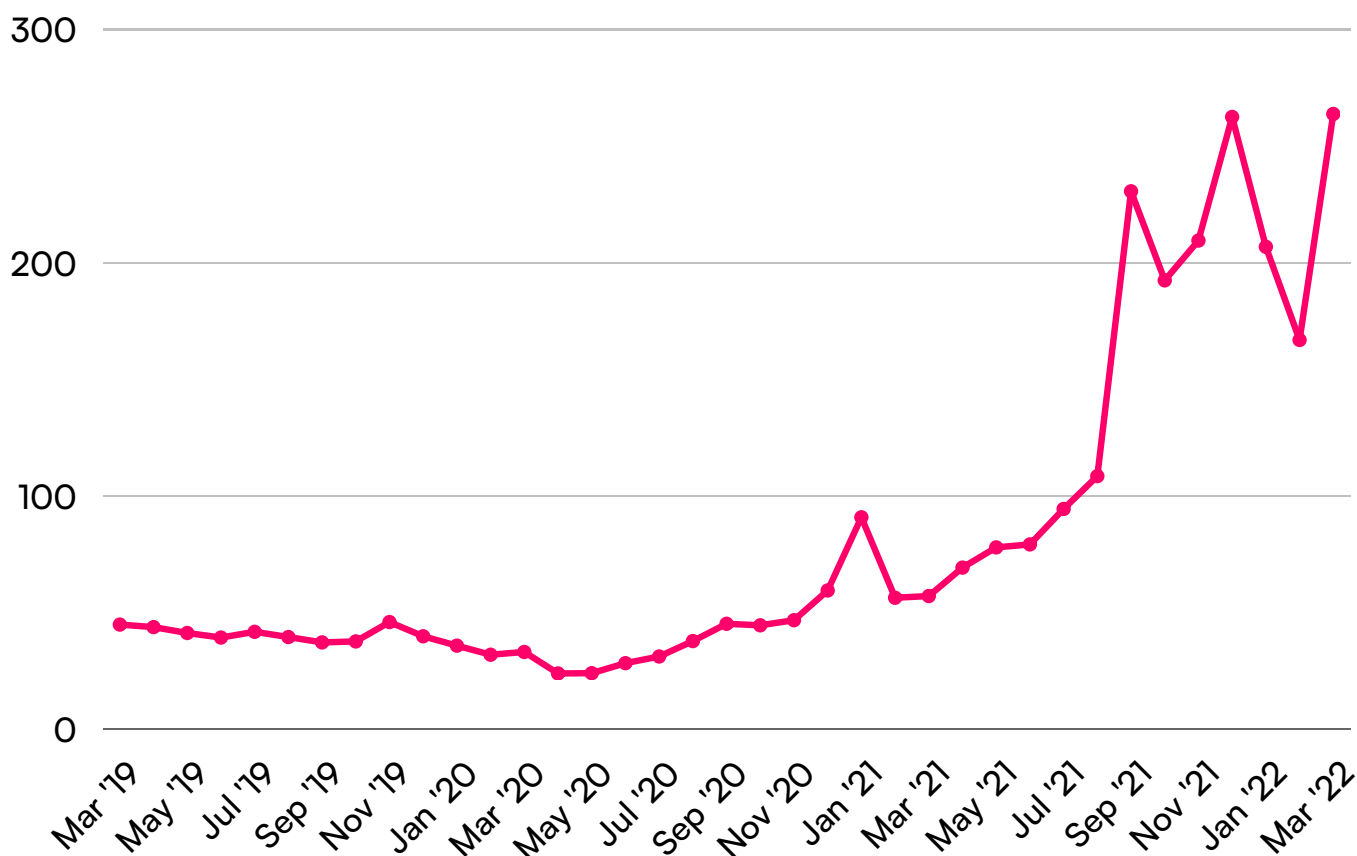
Rt Hon Alok Sharma MP



Cost of living crisis

Cost of living is at an all-time high across the UK, and rising energy prices are a growing factor in the squeeze on household budgets. According to the Office of National Statistics, in January 2022, 79% of homeowners cited higher gas and electricity bills as the cause of their rising costs of living. Due to this sharp incline, prospective tenants are more likely to rent properties with a better EPC rating.

Average monthly electricity prices in Great Britain 2019-2022





The future of EPC's

In 2020, the UK government opened a consultation to seek views on proposals around raising energy performance standards for the domestic private rented sector in England and Wales. Current figures show that should these changes take place, over 40% of properties would legally need to improve their EPC rating.



New
tenancies from
2025

Existing
tenancies from
2028



could require a EPC rating of C or above



Current cost cap stands at
£3,500. This could change to:

£10,000 In 2025

Maximum fine level Increase to

£30,000



Conclusion

It's clear from our research that energy performance in the UK has improved dramatically in the last decade. However, landlords could be urged to do more to stay ahead of the curve.

Although regulation changes aren't clear right now, the government's plans to tackle the cost-of-living crisis, coupled with their plans to reach net zero means an announcement could be imminent.

Many landlords are holding off on the proposed changes as they await official confirmation. However, this could be to their detriment, due to the large amount of work some properties may need to undergo. It could be more beneficial for landlords to begin property improvements sooner rather than later to spread their costs and make their properties more attractive to potential tenants.

To learn more about how landlords can manage their EPC's read our [blog](#) today.



Making Property Work
for Everyone

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