



Your Guide to Minimum Energy Efficiency Standards in the Non Domestic Private Rental Sector



Introduction

Did you know that there are new laws coming into effect from April 2018, which will affect the non-domestic private rental sector?

The Energy Act 2011 commits the Secretary of State for Energy and Climate Change to enforce regulations that would aim to improve the energy efficiency of buildings in the non-domestic private rental sector.

As a result from 1 April 2018, it will be unlawful to grant new leases for properties in England and Wales which do not meet the Minimum Energy Efficiency Standards (MEES) Continuing to let non-compliant property after the April 2023 date could result in heavy fines.

Five things you need to know;

1. MEES (the Minimum Energy Efficiency Standards) are law now
2. It is estimated that up to 20% of non domestic properties in England and Wales could have an F or G rating
3. From April 2018- The regulations will be enforced upon the granting of a new lease as well as lease renewals.
4. From April 2023- The regulations will apply to all privately rented property in scope of the regulations, including where a lease is already in place and a property is occupied.
5. The government has declared their wish to raise those standards further such that that the minimum standard is likely to rise to a D by 2025 and a C Rating in 2030.

Landlords and their agents should act now by commissioning an up-to-date Energy Performance Certificate which will not only identify the current rating, which may have changed over time, and recommend opportunities for improvement.

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What is the Minimum Energy Efficiency Standard (MEES)?



The Energy Act 2011 contains a number of provisions that will affect owners of property; the most significant of these is MEES, which aims to improve the energy efficiency of the least efficient properties.

From April 2018 changes to legislation will make it unlawful to agree a new lease for a non domestic property with an Energy Performance Certificate (EPC) with a rating of below an E (i.e. any property with a rating of F or G).

It has been estimated that up to 20% of non domestic properties could have an EPC rating of an F or G, meaning that unless they were upgraded to meet the minimum standards it may become illegal to rent them.

Further Implications

- The valuation of properties not meeting the standards will be affected, as their marketability will be diminished.
- Rent reviews on F and G properties may be adversely affected
- There may be implications for dilapidation assessments, where landlords have a legal responsibility to ensure the property is maintained to the standard agreed in the contract.

Penalties for non compliance

Financial penalties for non compliance will be linked to the rateable value of the property, but could be as much as £150,000!

Who will MEES apply to?



All non-domestic properties will need to comply with the Minimum Energy Efficiency Standards.

MEES will apply to new lettings and lease renewals on or after the 1 April 2018, the landlord/property owner will need to ensure that the property meets MEES before the lease is granted. However as of 1 April 2023 all privately rented property will be required to meet minimum standards.

1 April 2018 - The regulations will be enforced upon the granting of a new lease as well as lease renewals.

1 April 2023 - The regulations will apply to ALL privately rented property in scope of the regulations, including where a lease is already in place and a property is occupied.

Are any properties exempt?

Properties that do not require an EPC under current regulations will not be required to meet MEES (for example stand alone buildings less than 50m²). Moreover MEES does not apply to short lettings (6 months or less) and lettings over 99 years or more.

Exemptions



The Government has underlined some instances where Landlords may be exempt from compliance with MEES. However all exemptions are likely to have a time constraint.

Landlords can be made exempt from MEES if they are able to demonstrate one of the following:

They have carried out all cost-effective energy efficiency improvements.

Where all cost effective improvement measures determined by Green Deal or a replacement scheme have been implemented, the property owner/landlord will be exempt for 5 years.

Measures Identified by Green Deal or an alternative government scheme are not cost effective.

The landlord will be exempt If energy efficiency improvements devalue the property (by 5% or more) or if improvements under such schemes fail to raise the EPC rating above an F.

However, landlords are not expected to improve their property if it means incurring an upfront cost. The Government is expected to launch a new Scheme later in the year enabling landlords to improve the energy efficiency of their properties without the need for upfront costs. The Scheme will revise or replace Green Deal and will be the final piece in the jigsaw to set the framework for energy efficiency compliance.

If third-party consents are not available despite reasonable effort.

If consent to undertake work to install the required energy efficiency improvements is denied by a tenant, lender planning authority or higher landlord, this will make the landlord exempt from MEES for five years (unless the tenant who denied consent vacates the property).

What Next?



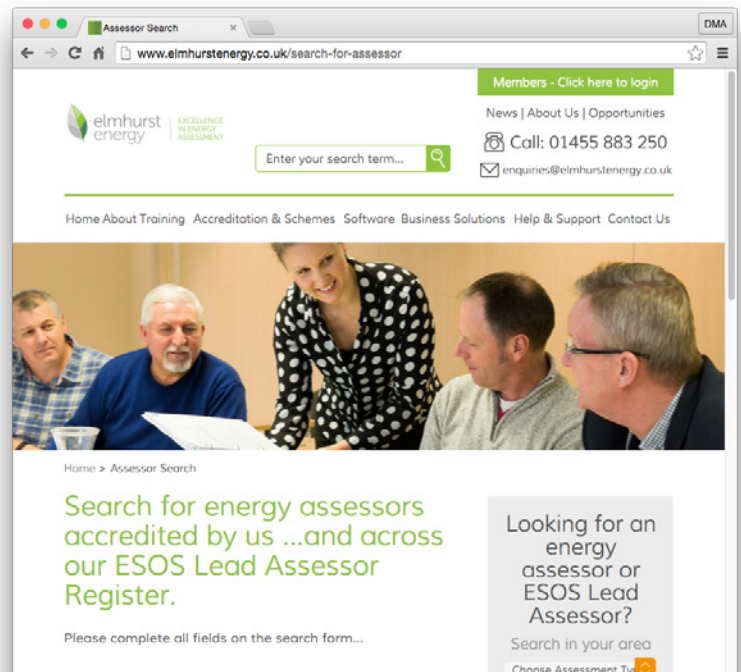
Given the risks to property owners, it is clear that a full understanding of energy efficiency is required for your property assets, in order to see if you are satisfying the MEES.

Elmhurst's trained and accredited Energy Assessors can assess a property's energy efficiency and produce an EPC (Energy Performance Certificate) to ensure you have an understanding of your properties energy efficiency.

If improvements are recommended they can advise on suitability and viability for your property.

To find your local Elmhurst assessor please use our 'Find An Assessor' facility on our webpage:

www.elmhurstenergy.co.uk

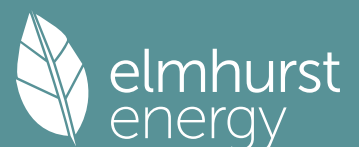


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More energy efficient

A+

Net zero CO₂ emissions

A 0-25

B 26-50

C 51-75

D 76-100

E 101-125

F 126-150

G Over 150

Less energy efficient

◀ 137

This is how energy efficient
the building is.