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Clarity still needed on buy-to-let EPCs

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The Labour government was quick to restore minimum Energy Performance Certificate (EPC) requirements for buy-to-let property on taking power – 'C or above' will be mandatory for all private and social rented homes by 2030. The regulations, which the former administration rowed back on earlier this year, are part of this government's broader strategy to reduce carbon emissions, improve housing efficiency, and lower tenant energy costs. The Energy Security and Net Zero department, headed by one Ed Miliband, promises to consult on the proposals 'shortly'.

Let's hope this consultation produces better results than the last one. Responses to the BEIS consultation paper of September 2020 which initially proposed a minimum EPC rating of C were never published, let alone any government response issued. And there are many details which need to be clarified in order to reassure and support landlords as we head down this road, on what is likely to be a long journey.

The English Housing Survey claims that 55% of the 4.6m privately rented homes in the UK currently hold an energy performance certificate rating of D or below, with around 12% of these holding an E, F or G-rating.

Some of the D-rated properties may be relatively cheap to bring up to standard by beefing up loft insulation and installing new heating controls, for example. But if landlords need to replace windows or install solar panels, many will struggle to afford the cost of the upgrade. Will the government offer loans, grants or tax incentives to help? What happens if the raw materials are not available to do the work? What if the workforce is not available to do the work, an all-too realistic possibility in post-Brexit Britain, as anyone who has tried to find a builder in recent years will attest?

As much of the UK's housing stock is very old, achieving a grade C simply won't be possible for a proportion of those lower graded properties, or economically viable for others. The government also needs to spell out which homes qualify for an exemption from the new rules.

Another factor is the EPC ratings themselves. There has been a lot of talk about improving the ratings, to make them more accurate and dependable. Does the government intend to instigate improvements ahead of the 2030 deadline, or allow landlords to appeal if their properties fall short?

We need clarity on these matters, and as soon as possible, if the government is to avoid hounding already-pressured landlords out of the private rental sector (PRS) altogether. A worrying 43% of landlords said their commitment to the buy-to-let sector would be 'strongly influenced' by the introduction of a minimum EPC C requirement, according to the Pegasus Landlord Trends Q2 2024 survey.

Of course, the quality of rental property is important, and increasing energy efficiency is desirable. Indeed, many landlords have already invested in upgrading their buy-to-let properties – Hamptons research shows that 39% of EPCs carried out on privately rental homes this year saw the property move into a higher band, up from 34% a decade ago. But the government should be wary of imposing too much on the rental sector, for fear of driving landlords out of the market and tenants out of homes. One obvious outcome of increasing EPC requirements is higher rents, which may be beyond some tenants. Another potential risk is an increase in properties sitting empty because they have failed to meet what might be a fairly arbitrary EPC rating.

If landlords continued making energy efficiency improvements at the current rate, it would in theory take 18 years for all rental properties in England and Wales to achieve an EPC A-C rating. In order to encourage landlords to remain in the market and keep providing the private homes so many tenants desperately need, perhaps the government should set a more realistic timeline for introducing its EPC requirements.