

# The Energy Act 2011

*“Minimum Energy Efficiency Standards”*

- Practical issues and effect on value

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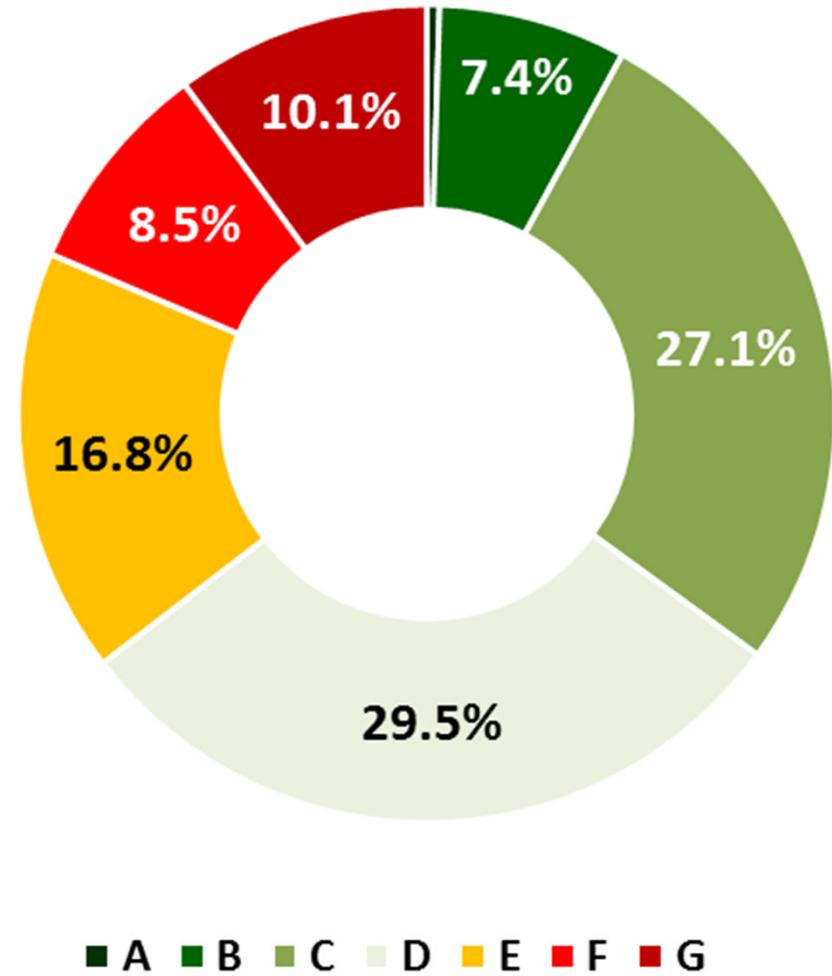
# Compliant

The sample contains details of **390,000** Energy Performance Certificates.

The chart shows the distribution of EPCs by EPC rating; nearly **19%** of all the certificates are governed by MEES and another 17% is E-rated.

This means that – in theory –

**81%** of certified properties are compliant...



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# Uncertified

**Some** correlation between energy efficiency and rental value but by no means always.

It is not known how many buildings have yet to be certified nor whether the current database is representative.

It would be wise to have EPC assessments carried out to **eliminate uncertainty** (but not necessarily to register the certificate).

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# Verification

The accuracy of many existing certificates has been questioned – the methodology has changed several times and the use of “**default assumptions**” depresses ratings.

Existing ratings may “slip” when properties are re-certified after **10 years** and the minimum standard *may* be raised after **5 years**.

It is *possible* that well-advised tenants will want an updated EPC as part of their pre-contract **due diligence**.

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# Exemptions

- Inappropriate for fabric or structure
- Diminution of market value
- **“Unaffordable”**
- **Consent withheld**
- (“New” landlords)

Whole new process required to assess, register and renew exemptions.

*Will “residual” F and G rated buildings maintain rental and capital values?*

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# Cost shortfalls

Under “**the Green Deal**” a proportion of the cost would (usually) be recovered from the tenant as the bill payer.

Under the “**7 Year Rule**”, recovery of costs is a matter for negotiation (and not usually covered in leases).

Will tenants pay more rent if energy costs are lower?

What do non-recoverable costs mean for transaction prices?

**Timing is everything.** Improvements during the cyclical replacement of obsolete fabric and services may assist “claw back”.

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