

# Buy to Let going green

By Nic Rotton, Sterling Commercial Finance

Following the COP26 climate conference there has been a real focus on how the country is going to tackle the challenge of net zero by 2050 and this includes the Buy to Let sector.

It is estimated that 15% of all UK emissions come from our housing stock and the Government's proposal to reduce this will require all rented houses to reach an Energy Performance Certificate (EPC) rating of at least C by 2025 (existing tenancies have until 2028). In addition, all non-residential properties have potentially even tougher targets of EPC rating of C by 2027 and B by 2030. If the targets aren't met, then the property cannot be rented out.

Energy Performance Certification is not a new thing, it was introduced in 2007 with the intention of rating a property's energy efficiency. By law, all domestic and commercial buildings available to buy or rent in the UK must have one. The scale ranges from an A rating being the most energy-efficient, with a G rating being the least energy efficient and each certificate lasts for 10 years. A recent assessment of the current EPC register for private rental sector properties suggests 65% are below the target of EPC grade C.

Shawbrook Bank has been at the forefront of consumer research on factors affecting the Private Rental Sector (PRS) for over a decade and continues to analyse the potential impact on the Buy to Let market of the proposed changes to EPCs. Lee Albino, of Shawbrook Bank, said: "For many property owners in the UK, getting their property to a C rating is going to take a lot more than simply installing a new boiler. The reality is that for older properties - some of which may be listed - it will be an expensive exercise to make the necessary changes. More needs to be done to help property

owners with these changes."

Over recent years, lenders like Shawbrook have led the way with the introduction of innovative and competitive products to the market, whether borrowing to refinance the loan and capital raise or funding for the cost of works. In response to this, Sterling has seen an increase in the requirement for short-term finance (bridging finance) for light and heavy refurbishment to improve the energy efficiency of property. Short-term finance can be a useful solution where there are works required to increase the rating to an EPC C and above, especially where the property will not be lettable during the refurbishment or where funds to carry out the work are not readily available.

Meanwhile, new research from lender The Mortgage Works found that 35% of 750 landlords surveyed were 'not confident' they would be able to meet the target, a point acknowledged by Giles Inman of the East Midlands Property Owners organisation: "In our view it is unlikely the government will achieve its ambition for all private sector housing to have a C or higher EPC rating by 2028.

"There are insufficient installers. This has been exacerbated by recent government initiatives which restrict the number of qualified installers to transform homes into ECO-homes and to undertake other government grant work. The offer of £5,000 to go towards installing heat pumps is not sufficient to upgrade most older properties and to help landlords meet the cost of replacing radiators and installing hot water cylinders. For heat pumps to be effective other measures such as solid wall installation, double/triple glazing and underfloor heating may be required in many homes and the cost for this would be more expensive than installing heat pumps. So,



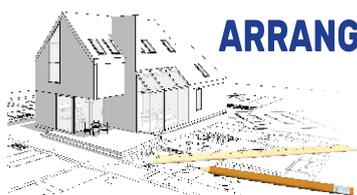
the question is how are landlords going to afford the cost to upgrade their rentals to achieve a C rating?"

The big issue is clearly the cost. Currently, the cost for EPC improvements for landlords is capped at £3,500. However, this cap will likely rise to £10,000 for the new EPC minimum. While there are potential Government led funding options that landlords can reach out to, they are few and far between.

The Mortgage Works survey also cited 44% of landlords saying access to the property to carry out the work and disruption were both among the top concerns. Getting the right people to carry out the work was also an issue. 34% said they were worried about finding 'reputable' tradespeople, while 30% were worried about their availability.

All this means that landlords will need to get a new EPC rating done to include suggested changes for improvements. They will then need to implement these changes at personal cost just to legally keep their property as a buy to let. In the meantime, the Government have announced their intention to increase the penalty for not having a valid EPC from £5,000 to £30,000 from 2025.

For further information on Energy Performance Certificates or to discuss funding the cost of works to make improvements to property, please contact the property team at Sterling Commercial Finance on 0115 9849800 or email [property@sterlingcommercialfinance.co.uk](mailto:property@sterlingcommercialfinance.co.uk).



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