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EPC Certificates

By Tom Henry, Director of Commercial Property

I have recently inherited a commercial property, and I am about to rent it out for the first time. I have been advised to be careful about the EPC rating of the property and I don't understand what this means and what I need to do to do. Can you please advise me?

An energy performance certificate (EPC) is a certificate issued by an assessor, which shows information about the energy efficiency of the property to which it relates. The rules which govern these certificates are defined by the Minimum Energy Efficiency Standards (commonly referred to as the MEES regulations).

Unless the property is classed as exempt under the MEES regulations, it is a legal requirement, when a property is rented out, that the landlord must provide a potential tenant with an EPC certificate. This certificate provides the potential tenant with an energy efficiency rating for the property on a sliding scale from 'A-G', with 'A' being the most efficient. As part of the government's target to reduce emissions to net-zero by 2050, as of 1st April 2023, unless the property satisfies an exemption, a landlord should not rent out a commercial property unless the energy efficiency rating is no less than 'E'. It is also anticipated that the minimum standard will rise further to band 'C' from 1st April 2027 and then band 'B' from 1st April 2030.

Therefore, if you are granting a new commercial lease at this point, it would be wise to seek legal advice to draft the lease with these changes in mind. It is likely that during the term of the lease, either the landlord or the tenant will be required to make alterations to the fabric of the building, to make the premises more energy efficient. Consideration should therefore be given to include specific terms to facilitate these works and allow access for the landlord and their agents if required, to carry out any improvements.

It would also be wise to consider, who pays for the works during the tenant's occupation and to include restrictions which prevent the tenant from making any alterations to the property, which could lower the rating during their tenancy. Careful thought should also be included at the beginning of the transaction to govern the tenant's re-instatement of the property at the end of the lease; to ensure that this does not jeopardise the energy performance rating for future rentals.

I own a listed building which I intend to rent out on a commercial lease. As a landlord, am I still subject to the same rules with regards to EPC certificates?

Under the MEES regulations, there are specific criteria which govern listed buildings and whilst some listed buildings are exempt from the EPC requirements, this should not be taken for granted and specific advice should be sought from an EPC assessor who specialises in historic properties.

Exemptions are not automatic and require registration in advance on a government register. Once granted these exemptions need to be renewed at least every five years.

If a landlord lets a commercial property, without a compliant EPC certificate they could be liable for a fine of up to £50,000 if the breach does not exceed three months and a breach lasting longer than three months could result in a fine not exceeding £150,000.

Therefore, for any rental agreement of a commercial property, careful consideration should be given to the EPC rating, between the parties, their solicitors and their EPC assessor, at the beginning of the transaction and reviewed periodically throughout the term.

You can contact one of the Team
on **01904 528200**.

