

Property sector heading for energy efficiency crunch, warns BESA

2 years ago



Thousands of commercial landlords could end up with costly 'stranded assets' once new Minimum Energy Efficiency Standards (MEES) legislation for buildings comes into effect next month, according to the [Building Engineering Services Association](#) (BESA).

From April 1st, it will no longer be legal to let a property with an Energy Performance Certificate (EPC) rating below E. However, the Association warned that many building owners and managers were completely unaware and unprepared.

[A survey of more than 500 office decision makers](#), commissioned by law firm Irwin Mitchell, found that just 32% knew their current EPC rating and only 31% what rating their office needed to achieve in April.

'[Redefining the Office - a report on office occupier trends in 2023](#)' also revealed that a sizeable number of property firms don't know what measures they should take to make their building compliant and 10% of respondents said they didn't understand the EPC rating system.

Recent figures from the real estate management firm Colliers suggested more than 10% of London office buildings could fail to meet the new standard.

BESA said landlords should seriously consider investing in energy efficiency retrofits, but that they could also quickly improve their EPC ratings with a series of free or low-cost measures. These include turning down thermostats and heating flow temperatures, checking the settings on heating and cooling controls, having boilers and other plant serviced, improving insulation, and replacing inefficient lightbulbs with LEDs.

Raise eyebrows

Tim Rayner, joint head of real estate disputes at Irwin Mitchell, said the results of the survey should “raise eyebrows” pointing out that the MEES legislation was set to tighten even further in the future with the minimum rating moving to C in 2025.

Respondents raised several concerns with the new rules with many commercial property users worried that they would not be able to renew their leases and others fearing their landlord would try to pass on the cost of energy efficiency upgrades through service charges etc.

However, 84% of respondents said they would be prepared to pay higher rents for office space that reduced their environmental impact, and this was also a key driver for companies looking to move to new premises.

“This is a key piece of legislation that could have a significant impact if properly enforced,” said BESA’s technical director Graeme Fox. “The potential economic fallout for commercial building owners ending up with unlettable stranded assets is very serious, but equally if they get to grips with this it could go a long way towards meeting energy and carbon reduction targets for the UK built environment.

“Carrying out a full audit of the building services is a great place to start as that will identify where they are wasting energy – an exercise made even more valuable by the recent surge in fuel prices,” he added.

“Once they have addressed the basics, they can start to look at more in-depth changes like equipment upgrades, installation of new low carbon technologies, and insulation, which will help them comply with the rules further into the future and make their buildings more attractive to potential tenants.”