



F AND G PROPERTIES AND THE PRIVATE RENTAL SECTOR

A REVIEW AND UPDATE

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This article was originally written in 2017. It has been updated to reflect some changes to the Minimum Energy Efficiency Standard (MEES) around exemptions and includes some comparative figures on the percentage of F and G-rated properties.

In March 2015 the ‘2015 Energy Efficiency Regulations’ were passed, which made it unlawful for private landlords to grant a new lease on a property after 1st April 2018 if that property has an Energy Performance Certification (EPC) asset rating below E. On 1st April 2020, this was extended to cover all existing tenancies of residential properties.

More commonly known as MEES (Minimum Energy Efficiency Standards), these regulations cover both residential and commercial properties in England and Wales with leases longer than 6 months and shorter than 99 years. Properties in Scotland do not fall under the jurisdiction of MEES.

An EPC asset rating of E is a SAP of 39 or above, so this legislation relates to the really poor-performing sections of the UK housing stock with a SAP rating of 38 or below.

Score	Energy rating	Current	Potential
92+	A		
81-91	B		
69-80	C		69 C
55-68	D		
39-54	E		
21-38	F		
1-20	G	18 G	

The legislation also had a sting in the tale. From April 2020 private landlords were no longer permitted to continue to let a property with an EPC asset rating below E.

This article will:

- look at exceptions to the legislation
- provide analysis on the likely size of the stock affected
- discuss the characteristics of an F or G-rated property
- explore cost-effective measures to bring a property into band E

Energy Performance Certificates – a quick reminder

An Energy Performance Certificate (EPC) indicates how energy efficient a building is by collecting data that affects the energy performance of the property such as the wall type, the heating system present, any retrofitted insulation etc. The certificate provides an asset energy rating of the building (it reflects the potential energy efficiency of a building), where A is the most efficient and G is the least efficient. The higher the rating, the more energy efficient the building is and the lower the fuel bills are likely to be. An EPC is required whenever a building is newly constructed, sold or is let to a new tenant. The purpose of an EPC is to show prospective tenants or buyers the energy efficiency of the building.

How big is the F and G problem?

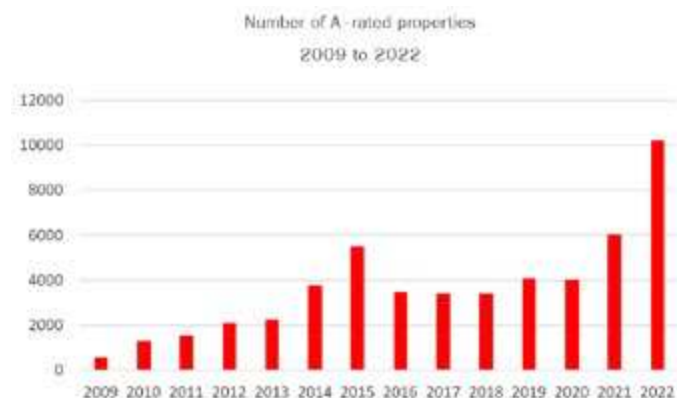
The Department for Communities and Local Government is the government department responsible for EPCs. When we first published this article in 2017, we looked at a Statistics Release covering the period Q1 2008 to Q3 2016.

A total of 355,977 domestic EPCs were lodged on the Domestic Register during the 3rd quarter of 2016 (ending 30th September) in England and Wales. 13 per cent of domestic properties for which EPCs were lodged on the Domestic Register during this quarter were awarded an Energy Efficiency Rating of either A (the highest) or B. A further 62 per cent were awarded a Rating of either C or D, while the remaining 25 per cent were awarded a Rating of E, F or G (the lowest). Unfortunately, DCLG does not break that 25 per cent E, F and G down into F and G.

Compare this to the latest data available for the quarter of October to December 2022, where 438,000 EPCs were lodged on the Energy Performance of Buildings Register in England and Wales. The statistics are broken down into existing dwellings and new dwellings. 4.2 per cent of existing dwellings were rated A or B, and 87 per cent of new dwellings were rated A or B. 84 per cent of existing dwellings and 12 per cent of new dwellings were rated C or D. 9 per cent of existing dwellings and 1 per cent of new dwellings were rated E, and finally, only 3 per cent of existing dwellings and 0.3 per cent of new dwellings were rated F and G. This shows a marked improvement compared to the 25 per cent rated E, F and G in the third quarter in 2016 as 13.3 per cent in the last quarter of 2022 were rated E, F and G.

	Q3 2016	Q4 2022	
EPCs lodged	355,977	438,000	
		Existing dwellings	New Build dwellings
EPC Band A or B	13%	4%	87%
EPC Band C or D	62%	84%	12%
EPC Band E, F or G	25%	12%	1%

In 2016, there was a total of 1,492,581 lodgements and 99,697 of those were rated F or G, this equates to 6.67 per cent. Compare this to the 2022 lodgements, where there was a total of 1,761,256 and only 41,424 were rated F or G, that's only 2.35 per cent. This shows that the F and G problem is improving. The below charts highlight the increase in A-rated properties since 2009 and how F and G properties have been in decline.



Exemptions

There are exceptions to the legislation:

Devaluation

An exemption from meeting the minimum standard will apply where the landlord has obtained a report from an independent surveyor who is on the Royal Institution of Chartered Surveyors (RICS) register of valuers advising that the installation of specific energy efficiency measures would reduce the market value of the property, or the building it forms part of, by more than five per cent.

High Cost

This exemption covers properties where any individual improvement would cost a minimum of £3,500 including VAT. A registered exemption under this category only lasts for five years, at which point the landlord must again try to improve the EPC rating. If it is still not possible then a further exemption can be obtained for another five years.

All relevant improvements made

The landlord has already installed measures up to a cost

of £3,500 including VAT and the property is still below an E band.

If the property is an F or G, but the landlord has already installed all cost-effective measures, then the property is exempt.

In what situations might this apply? An example could be a solid-walled property with an old oil boiler, no loft insulation and single glazing. Of the recommendations on the EPC, only loft insulation and draughtproofing would be cost-effective and these only raise the SAP rating to 37, which is still an F. Thus, in this scenario, unless other funding was available, the property would be exempt from the legislation to reach an E.

This exemption lasts for five years after which the landlord must try again to improve the EPC rating of the property. It may be that over the intervening time, there have been changes in technology or new options available.

Wall insulation exemption

This exemption can be applied for where all relevant works relate to wall insulation. Not all properties are suitable for wall insulation, such as those in exposed coastal locations.

To obtain an exemption under this heading, the landlord must obtain a written report from an expert stating that such insulation would have a detrimental effect on the fabric or structure of the property.

Consent

It is not possible to gain consent required for the works to be completed from the tenant, lender, or superior landlord. If the tenant refuses to have the energy-efficient measures installed, then the landlord would have a valid exemption.

Temporary exemption due to recently becoming a landlord

In some circumstances, a landlord can be granted a six-month exemption. These are very limited circumstances and are mainly related to certain legal situations. Full details can be found within the full guidance document for the legislation.

What does an F or G-rated property look like?

Most F and G-rated properties have solid walls, either

solid brick or stone (68%). Around 27% of F and G have cavity walls.

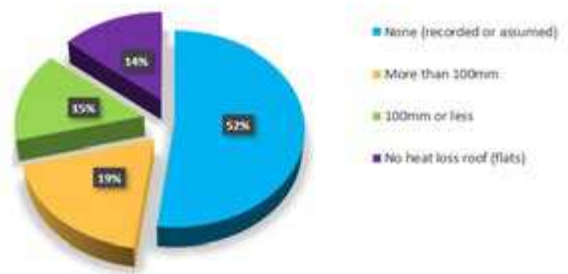
Cavity walls would be a cost-effective measure to fill, so are there other characteristics of those cavity-walled F and G properties we can identify?

The majority (83%) of cavity-walled F and G properties are heated by fuels other than mains gas. Those heated by main gas tend to be heated by room heaters or have no loft insulation (none would be assumed for properties older than 1966 if the EPC has recorded no access or unknown).

For solid-walled properties in F or G bands, the majority (73%) are heated by fuels other than mains gas, with electricity being the main fuel for 43%.

Loft and roof insulation play a big part in keeping ratings low and can be a cost-effective measure. We found that over half of all F and G properties had no loft insulation recorded or inferred from the age of the property if there was no access.

Loft and roof insulation in F&G properties



Getting to an E band

Some of the F and G properties will be close to the boundary of an E; SAP 39. For those properties, simply adding in low-energy lights or draughtproofing could be enough to raise the SAP band. We identified five properties with EPCs that were privately rented, each in the F or G band, and looked at whether there were cost-effective measures to bring the dwelling up to an E.

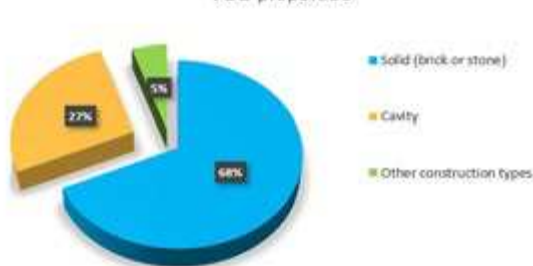
NOTE: All examples are from real EPCs produced for the private rented sector, hence some photographs are not of good quality. They are included here to help illustrate the types of property affected.

Example 1

- Current SAP rating 20 (band G)
- Cost of measures £40-£240
- SAP rating after measure 45 (band E)



Wall construction types F&G properties



Data from 2017

This is a semi-detached ground floor flat, 1900s with solid brick walls and electric room heaters in the one habitable room. There is an uninsulated hot water cylinder providing hot water from an immersion. Cost-effective measures to raise the rating to an E would simply be to insulate the cylinder (£40) and change the meter to a dual meter. Changing to a dual meter can be free, depending on the supplier, or around £200. Changing the meter/tariff is not an EPC recommendation.

Changing the meter and adding a 160mm cylinder jacket would raise the SAP to 45.

Example 2

- Current SAP rating 25 (band F)
- Cost of measure ~ £300
- SAP rating after measure 45 (band E)



This is a 1900s mid-terrace top-floor flat with cavity walls and no heating system present (electric heaters assumed in RdSAP). There is 12mm of loft insulation present.

For this property just insulating the loft to 270mm would raise the SAP rating to 45 at a DIY cost of around £300.

Example 3

- Current SAP rating 36 (band F)
- Cost of measure free-£200
- SAP rating after measure 46 (band E)

This is a top-floor maisonette, 1960s with cavity walls and electric room heaters. There is a flat roof with unknown insulation.

Filling the cavity walls of this dwelling would bring the SAP up to a 46, however, as this is a maisonette, the whole

property would need to be insulated. This would need permission from the freeholder.

As with the first example, as this property has electric heating, changing the meter to dual to get some of the heating and hot water at a reduced rate will increase the SAP rating to 46 (band E).

Example 4

- Current SAP rating 32 (band F)
- Cost of measures ~ £700
- SAP rating after measure 41 (band E)



This property is a 1900s end-terrace with solid brick walls and an old roof room. It has 20% double glazing and an inefficient gas boiler. The heating controls are a programmer only.

As there is no access to the loft space and insulating a roof room would not be cost-effective (under the guidelines), we looked at draughtproofing, low-energy lights and upgrading the heating controls. With draughtproofing on all windows and doors, low energy lights in each fitting and installing a room thermostat and TRVs, the SAP rating would rise to 41. The cost of these measures would be around £100 for the draughtproofing and low energy lights, and £600 for the controls upgrade.

Example 5

- Current SAP rating 37 (band F)
- Cost of measures ~ £650
- SAP rating after measure 45 (band E)



This one is a mid-terrace house, built in the 1920s with cavity walls, no access to the loft and a roof room. The heating is from an old gas boiler, with only a programmer for the controls. There are no low-energy lights.

There are a few options for this house:

Measure	Cost	Resulting SAP	Notes
Cavity wall insulation	£500	39	
Party wall + LEL	£0 + £50	40	If the party wall construction can be identified as solid (as would be likely in a property like this), then the cost would be £0
Room thermostat and TRVs	£600	44	

The analysis shows that for many F and G properties, there are cost-effective ways to bring the rating up into the E band.

Conclusion

The article puts into context the size of the issues that will be created by raising the energy ratings for residential property. This doesn't mean the situation can be ignored, but it is manageable. The biggest challenge is likely to be that most of the properties affected are at the lower end of the price range, and therefore, the proposed measures affect those with the least amount of surplus cash to undertake the

required improvements. Though be aware that there will be some larger, more valuable properties that do fall into these energy efficiency bands.

As regards the consequences for surveyors and valuers, they must report the facts, and although these are relayed in the article, they do lead to a significant amount of interpretation for individual cases, so we are left with a high degree of opinion. The following is a summary of the key points from the article which need to be considered when producing reports:

- The 5% rule proves to be a bit of a red herring as there are few energy-saving measures that could, if correctly installed, impair the value of the property and measures that change the appearance of a dwelling.
- Many measures to raise the ratings are at minimal cost and given the levels of property value in most parts of the country, this won't impact in any way whatsoever.
- The payback provisions limit the type of measures that can be undertaken and if they cannot be installed then the property continues to have a poor energy performance, which should be reflected in the value, but see the next point;
- Older property at the lower end of the price range will usually be discounted to reflect the current condition and increased maintenance costs. There is a risk that this type of property may become a candidate for redevelopment as it is uneconomic to restore. They are unlikely to be available as a "Buy to Let" proposition, so consideration needs to be given as to their sustainability in mortgageability and value terms.
- Flats will continue to pose a problem as the article explains, there is a need to involve all the occupants in the building, even for sound economic works, and this may be a logistical issue. It takes time to organise management meetings and raise funds to do the work.



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Dr Lisa Blake joined the Sava team in 2006 and is currently Head of Technical, working with Sava Intelligent Energy and SAP/ RdSAP. Since working for Sava, she has worked in various technical roles supporting our customers and software development.



Tim Kenny

Tim is a residential surveyor and runs Tim Kenny Surveying Ltd. Alongside his day-to-day work, Tim is also responsible for the Residential Building Defect and Defect Database content on isurv.com, and a trainer for the Sava Diploma in Residential Surveying and Valuation. More content from

Tim can be found on his [YouTube](#) channel or through [LinkedIn](#).