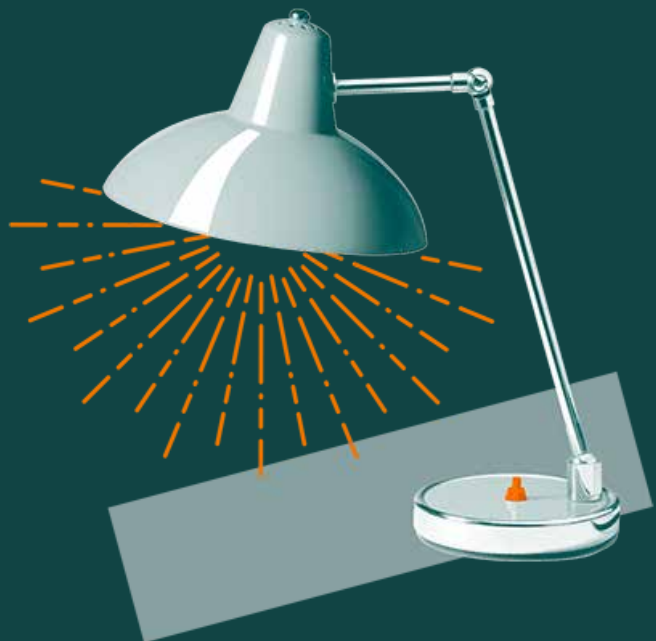


The potential impacts of Minimum Energy Efficiency Standards

Examining how proposed policy changes could impact landlords and tenants, and highlighting solutions to ensure a thriving private rented sector for all.



Summer 2025

Shining a light on the impact further regulation may have on the private rented sector

The private rented sector is an essential part of the UK housing market providing a relatively easy to access and affordable housing option for many people. As a result, it has an important role to play in economic growth by supporting labour mobility.

With the Government's focus on increasing economic growth, alongside targeting the construction of 1.5 million homes before the next general election, a well-functioning private rented sector is a necessity.

Investment by landlords is a key driver of demand in the housing market and alongside more first time buyers and an increase in social housing, will signal to house builders that supply levels should increase.

Without a thriving private rented sector, Government may struggle to meet its priorities.

What have landlords faced in recent years?

Over recent years landlords have had to face significant market, taxation and regulatory changes which have combined to make operating a property rental business more complicated and less profitable.

This has included changes in the ability to offset borrowing costs against income for tax purposes, the measures in the Renters' Rights Bill and rapid increases in interest rates. While some of these changes are welcome the combination of legislative change, tax increases and uncertainty over the future has caused landlords to leave the market.

The effect on tenants and housing supply

A recent report by Centrepont 'Move On' looks at difficulties with housing supply. The report recognises that many young people who would have once been able to access social housing are now unable to do so and are looking to private renting to provide a secure home. In terms of challenges facing young people looking to secure a privately rented home the 'Move On' research states that:

“Overall, the number of UK homes available to rent slumped to its lowest level in 14 years during the 2023 / 24 financial year, driven by a combination of regulatory, economic, and market factors. Landlords have faced increasing financial pressures due to tighter monetary conditions, which have made buy to let mortgages more expensive, reducing the profitability of rental properties.

This means that young people with experiences of homelessness are likely to face significant barriers to accessing private rented accommodation – a position supported in our survey revealing that nearly a third (31 %) of private renters identified limited private rented housing availability as a key challenge.¹”

The research shows that several regions experienced a contraction in private rental stock, with the South East (-5.2%), Yorkshire and the Humber (-4.4%), and the South West (-3.1%) seeing the most significant declines. There is a particular challenge with access to Houses in Multiple Occupation (HMOs), which are often the main option for young people, HMOs have seen an overall year-on-year contraction of 2% across England to 472,800 from 482,600 in 2022 / 2023.

¹ Move on for young people experiencing homelessness in 2023 / 24

This lack of supply is having a knock-on effect on rental affordability. The period of 2016 / 2017 to 2022 / 2023 saw a general downward trend in real rent but this was ended in 2023 / 2024 by an upward spike of 5.7%. Looking forward to 2024 / 2025, the forecasting model used in Centrepont's research predicts a continuation of the upward trend, with an estimated 8% increase in real rent growth in 2024 / 2025. Average monthly rents in the UK are now £1,332 per month and have risen by 28% (£294) over the last four years².

With supply at best plateauing across the sector and rents increasing and set to increase further the announcement of details of the next stage of private rented sector Minimum Energy Efficiency Standards comes at a challenging time for the sector.

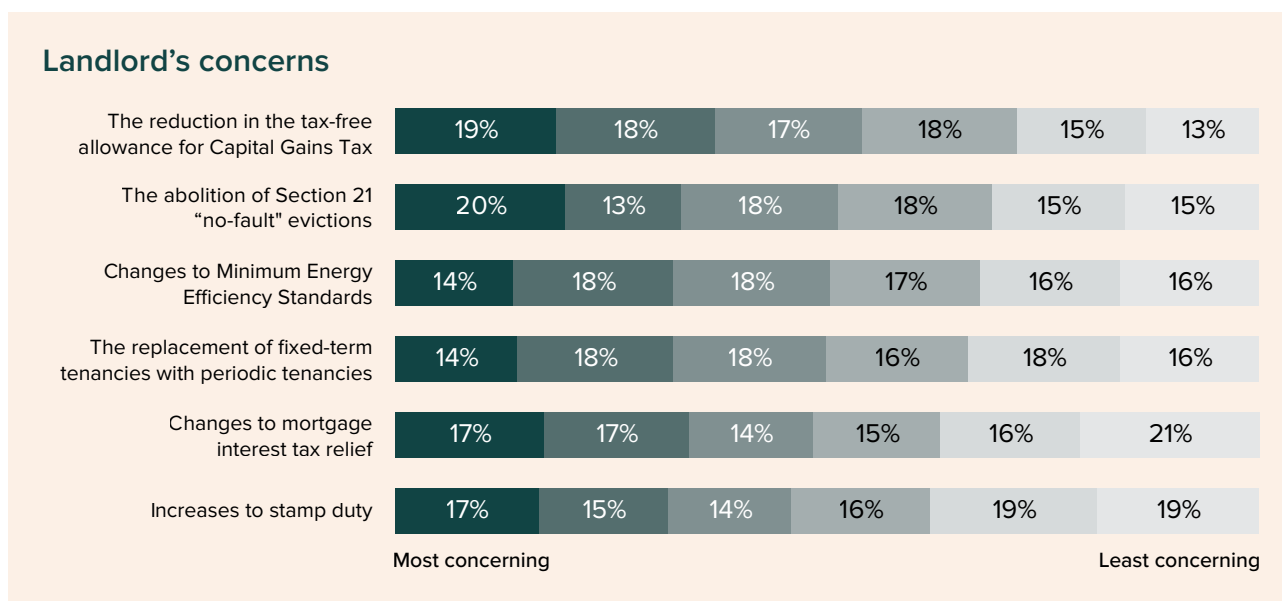
How do landlords feel about Minimum Energy Efficiency Standards?

This report reflects the views of landlords, highlighting their perspectives on the potential impact of Minimum Energy Efficiency Standards changes. The data in this report was derived from a survey of 1,000 landlords³ and offers a deeper understanding of the challenges landlords face in tackling the energy efficiency of their properties. This report concludes with recommendations to Government, which will ensure the private rented sector continues to play its vital role in providing flexible housing to support economic growth.

The latest Government change that will impact landlords is the requirement to meet a minimum energy efficiency rating of C, obtained via an Energy Performance Certificate (EPC), as a result of the next stage of the Minimum Energy Efficiency Standards changes.

Changes to Minimum Energy Efficiency Standards are slightly less concerning to landlords than other recent or upcoming legislative changes

When considering six recent and forthcoming legislative changes, the reduction in the tax-free allowance for Capital Gains Tax and the abolition of Section 21 “no-fault” evictions are most concerning. However, with very little difference between the six changes, it appears all change can unsettle landlords.



² Private rent and house prices, UK – Office for National Statistics

³ The research was conducted by Censuswide, among a sample of 1,000 landlords (aged 18+) with private rental property, based in either England or Wales. The data was collected between 26.03.25 – 08.04.25. Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct and ESOMAR principles. Censuswide is also a member of the British Polling Council.

Awareness of existing requirements for EPCs is low and even fewer landlords are aware of the detail being proposed

1. 62% of landlords are unaware that an EPC is a legal requirement

To understand awareness of energy efficiency requirements landlords were presented with nine elements they could have in place as part of managing their properties. Four are a legal requirement and five are good practice.

This highlights the challenge landlords face in understanding and prioritising activities they're legally responsible for. 62% of landlords are unaware that having an EPC for their property is a legal requirement.

2. 67% of landlords are unaware that the Government's proposed new Minimum Energy Efficiency Rating is 'C'

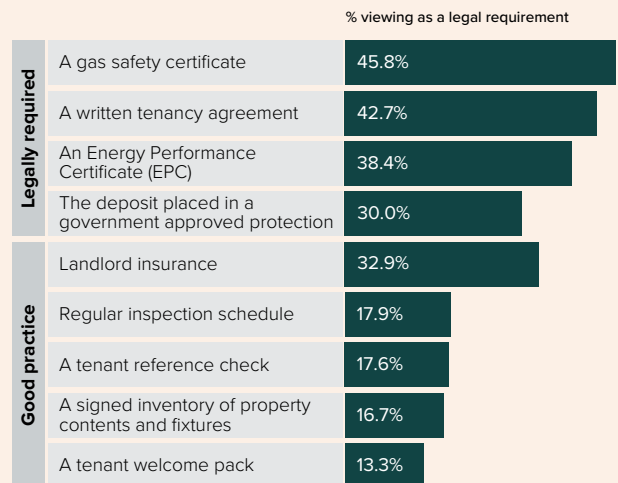
There is also a lack of awareness and / or mis-information of the detail amongst landlords. When asked, (based on what they've seen and heard) what the minimum energy efficiency rating will be, 64% answered between A-C. Whilst this indicates a broad understanding of the Governments' ambition to improve energy efficiency, it highlights there is minimal understanding of the detail, with 67% answering incorrectly and 16% unsure.

Similarly there is a lack of understanding of the timings the Government are working to. Considering many landlords manage more than one property, they could feasibly face different implementation dates across their portfolios.

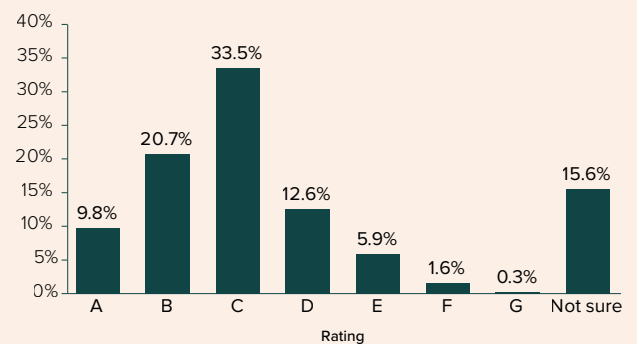
3. 73% of landlords do not know the proposed start dates for the new minimum energy efficiency rating of C to come into force

Landlords were asked what the implementation dates are for three scenarios, this highlights 73% of landlords do not know the proposed dates the policy will come into force.

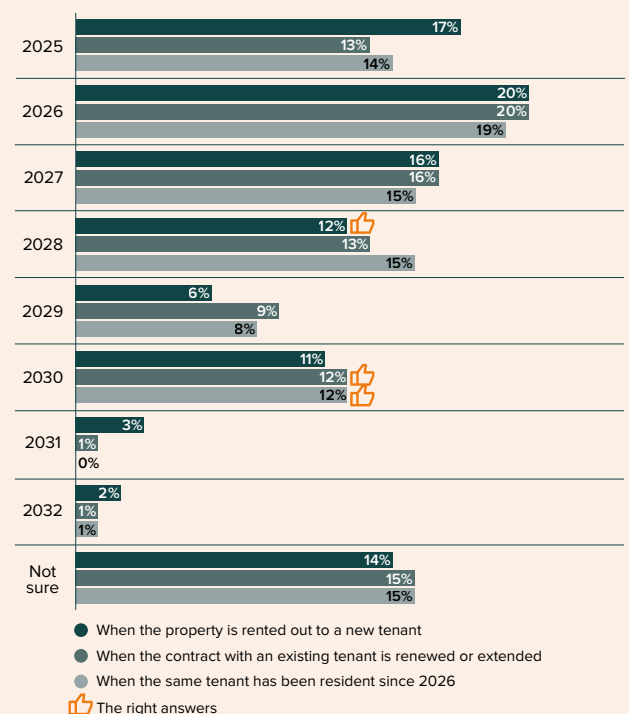
1 The deposit placed in a Government approved protection scheme



2 Understanding of proposed minimum energy rating



3 Awareness of proposed energy efficiency improvement deadlines



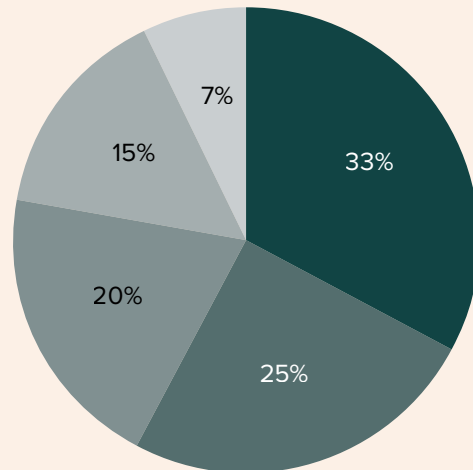
Despite limited awareness, once landlords understand requirements, most aim to meet them for some or all properties by the deadline

Landlords with a buy to let mortgage who have a property in EPC band D or below, or with an unknown EPC, were asked what they plan to do with their properties if the Government's proposal for a minimum rating is implemented.

Plans for property rated EPC D or below

Respondents with at least one BTL mortgage

- Sell
- Bring all to at least 'C' by the government deadline
- Keep without improvement
- Bring some to at least 'C' by the government deadline
- Not sure



But, landlords are waiting for certainty before they take action to improve their properties

The majority of landlords are keen to wait before initiating any works on their properties. 54%⁴ articulate they will wait for Government consultations to conclude or for the outcomes to be passed into law.

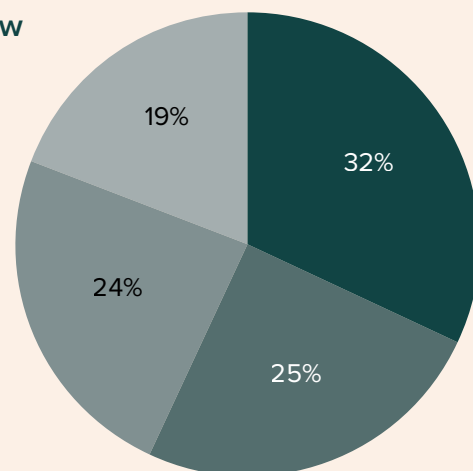
This increases significantly for landlords owning properties with an EPC of E or below, with 63% waiting for consultation conclusion or law, versus 53% of those with a D rated property.

Given the volume of landlords seeking to wait for certainty and the weighting on those likely to require a greater level of investment and works, it's likely this will exacerbate the reliance on trades and materials should Government force a short implementation period.

Start of works for property rated EPC D or below

Respondents with at least one BTL mortgage

- I'll start when a minimum EPC of C for privately rented properties becomes law
- I've already started EPC improvement work
- I'll start when the government's EPC consultation has concluded
- I have not decided when to start



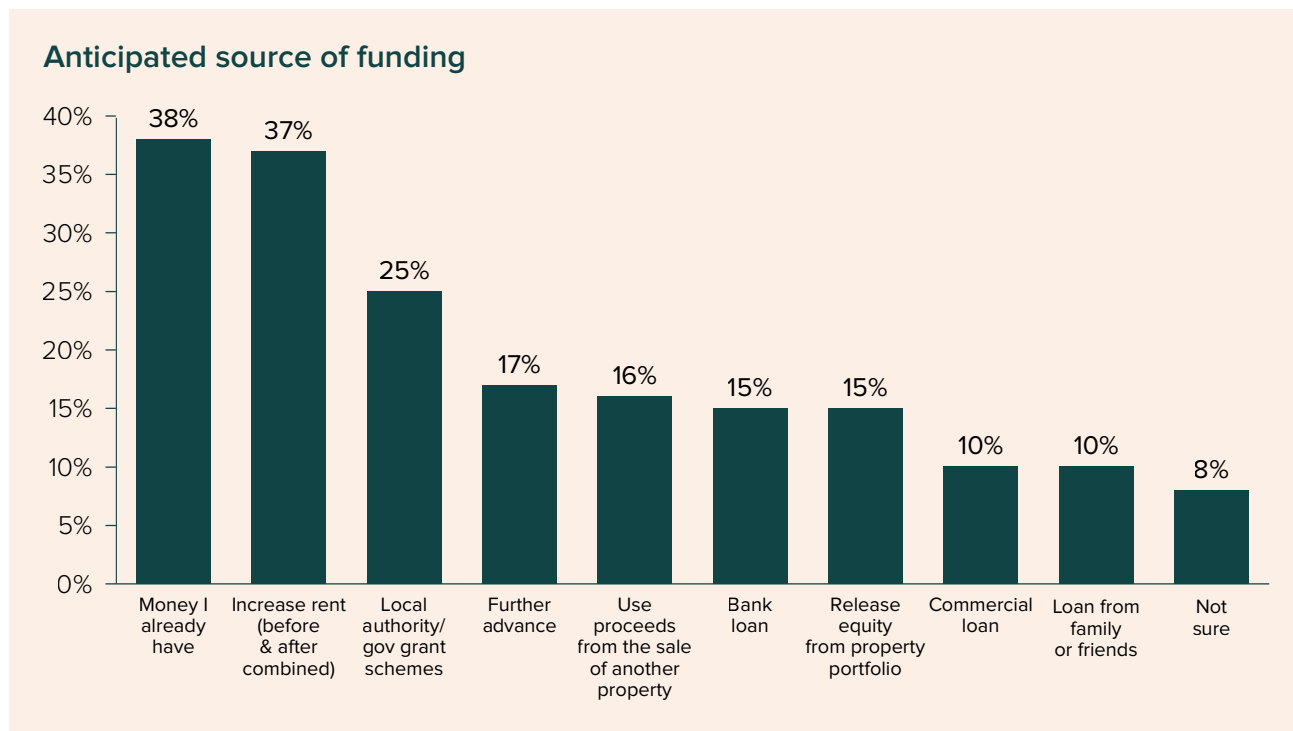
⁴ Landlords with properties that have an EPC rating of D or lower, or where the rating is unknown to them, but who plan to get at least some or all of their properties upgraded to an EPC-C rating by the Government's deadline.

Upgrading properties is still a relative unknown for landlords

Landlords remain in the dark with what they need to do to upgrade their properties. 63% responded 'not sure' when asked how much they anticipate they may have to spend. And, of the 21% who indicated an amount the values varied wildly with anticipated spend ranging from £500 to £90,000 for properties valued between £100,000 and £200,000.

For landlords with a property rated D or below, using money they already have is the most likely means to fund works required. 37% of landlords indicate they will need to raise rent before or after the works to cover the cost.

A significant proportion of landlords, heavily weighted to those with a buy to let mortgage, will seek to use a local authority or Government grant. However, details of these are not yet available putting further pressure on timelines to implementation.



37%

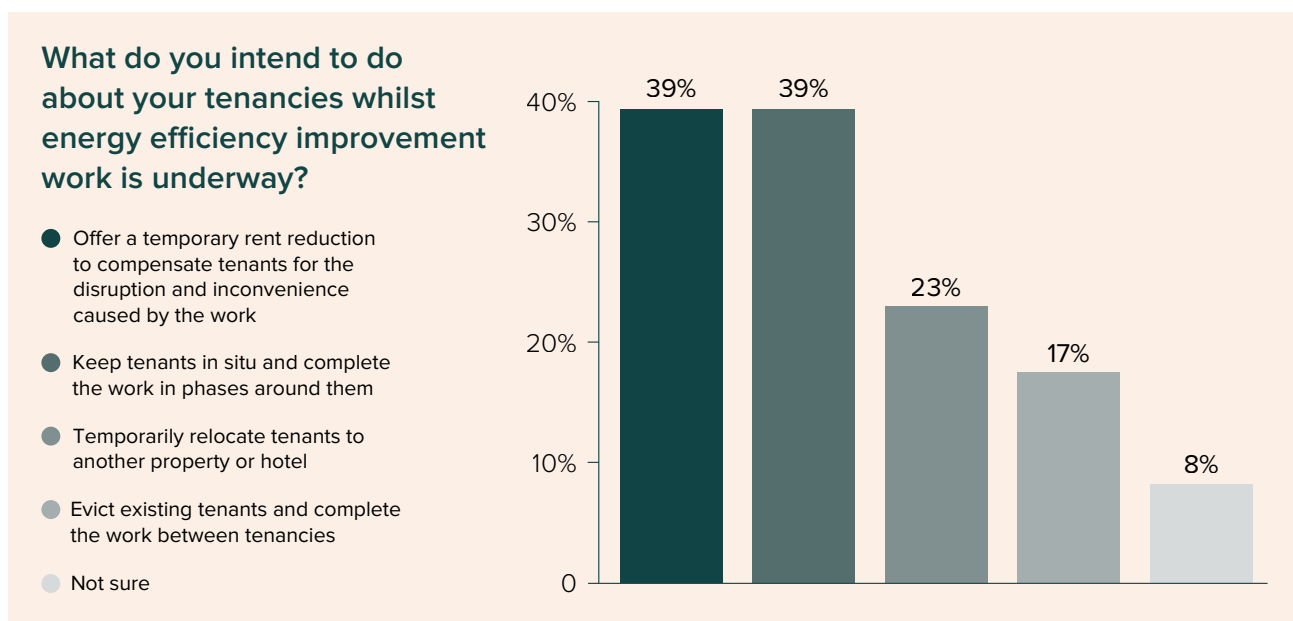
of landlords indicate they will need to raise rent, either before or after, to cover the cost of upgrading their property

It's likely tenants will be disrupted by energy efficiency improvements.

Nearly two in five (39%) landlords are mindful of the impact that energy efficiency improvements will have on tenants, highlighting they'll offer a temporary rent reduction as compensation for any disruption or inconvenience.

This is matched by landlords who wish to navigate property upgrades in phases around tenants, an approach dependent upon an implementation period that allows a lead time to schedule works around tenancies ending / starting.

A small proportion of landlords (17%) will need to evict tenants to complete the works, presumably where the works will be so intrusive it would be unsafe for tenants to remain. There has been significant conversation on the limited rights a landlord has to evict tenants once Section 21 is abolished. Therefore, it may be that landlords are unaware refurbishment will remain as grounds to evict tenants.



39%

of landlords are mindful of the impact that energy efficiency improvements will have on tenants

Three key considerations for Government

While the Minimum Energy Efficiency Standards reforms have been on the agenda for some time, landlords feel in the dark with the detail, and a proportion are starting to plan how to manage their portfolios in relation to energy efficient requirements. As with Government, we want landlords to remain in the market to support the easily accessible and affordable housing the sector offers while at the same time making their properties greener.

We have three key areas we would like addressed to support effective delivery of the policy:

1 Interaction with reform of the EPC system

EPC reform is welcome and should ensure the EPC provides owners and lenders with the information needed to support energy efficiency improvements. Although this change is welcome it will place a different set of requirements on landlords around the improvements they will need to make to meet EPC C.

Certainty is important for future planning in any business and these two consultations happening at the same time means landlords do not have a clear objective. To support effective implementation, we would like more time between completion of EPC reform and new Minimum Energy Efficiency Standards regulations coming into force.

2 Timings and approach around implementation

With EPC reforms not due to be in place until 2026, the timeline for Minimum Energy Efficiency Standards implementation is challenging. The requirement to meet EPC C standard by 2028 for new tenancies and 2030 for all tenancies will not give enough time for landlords to understand the new requirements and take action to meet them, particularly when factors such as availability of skilled workers are considered.

We prefer a phased implementation which tackles the least energy efficient properties first and allows capacity in the retrofit sector to build over time. The initial requirement should be for EPC E properties to be upgraded to EPC D by 2030. Requirements could then shift to EPC D properties with the aim of all rental homes meeting the EPC C target by 2033.

3 The level of the cost cap and its national structure

We remain opposed to a single national cost cap setting the maximum amount landlords are required to spend on improvements and believe that a cap of £15,000 is too high.

The current approach fails to consider the highly regionalised nature of the UK property market in terms of house prices and rents. A cap of £15,000 might be affordable to a landlord in the context of a large property in the South of England but would represent a significant proportion of property value in the North East. The cost cap should be reconsidered and we would be happy to work with Government to develop an approach which recognises the complexity of the diverse nature of the UK housing stock and owners' circumstances.

How can Government go further, encouraging landlords to drive housing demand

More widely we believe Government should take the following steps to help deliver a thriving private rented sector and ensure people have access to a rented home that meets their needs:

- A moratorium on new legislation or regulation while landlords are implementing the Renters' Rights Bill and Minimum Energy Efficiency Standards / reformed EPC measures. A review of these measures should then be undertaken to analyse their impact before any future changes are put in place.
- Continued Government support for social housing to deliver 90,000 homes per year including a significant number of one bedroom homes suitable for young people.
- A return to the pre-2016 system of reviewing rates of Local Housing Allowance (LHA), where rates are reviewed annually to reflect real-time changes in the rental market.
- A wider review of taxes on landlords including income tax, stamp duty and capital gains tax to ensure they are fair and proportionate.
- Tax breaks / grants to support landlords with the costs of energy efficient improvements. This could include changes to rules around income tax to enable landlords to offset the cost of energy efficiency improvements against rents when they are delivered.
- A single Government green homes information portal providing information and advice on how and why to improve home energy efficiency.
- Enhanced consumer protection for improvements to ensure that property owners have trust in improvements and the businesses delivering them.
- Investment in providing skills training so the workforce needed to deliver the level of improvements Government is seeking is easily available.





themortgageworks.co.uk

The Mortgage Works is the trading name of The Mortgage Works (UK) plc (Company No. 2222856) a wholly owned subsidiary of Nationwide Building Society, registered address Nationwide House, Pipers Way, Swindon SN38 1NW.

The Mortgage Works Private Rented Sector Report is prepared from information believed to be collated with care, but no representation or warranty is made as to the information's accuracy or completeness. We reserve the right to vary, edit or discontinue this report at any time for any reason.

This report, other commentary and materials posted on this website do not constitute advice on which reliance should be placed or an offer to sell or solicit the purchase by you of any products or services that The Mortgage Works provide. No liability or responsibility is accepted for any reliance placed on such materials by any visitor to this website, or by anyone who may be informed of any of its contents.