

## Commercial Property Energy Performance Certificates for Commercial Property

The requirement for Energy Performance Certificates (EPC's) has come about due to EU measures to try to minimise climate change through greater energy efficiency. It has significant implications for property developers, owners, occupiers and managers of buildings.

### What is an EPC?



The EPC looks broadly similar to the energy labels now provided with vehicles and many household appliances. The certificate will provide an energy rating of the building from A to G, where A is very efficient and G is the least efficient. The better the rating, the more energy-efficient the building is and the lower the fuel bills are likely to be.

All EPCs come with a recommendation report, which provides advice on how to use the building more effectively, cost effective improvements to the building and other more expensive improvements which could enhance the building's energy performance.

Potential buyers and tenants may consider the energy efficiency of the building as part of their investment or business decision to buy or occupy that building.

EPCs for the sale or let of buildings that are not dwellings will be valid for 10 years, or until a newer EPC is

produced for the building. During this period the same EPC may be made available to buyers or new tenants.

**Sellers and landlords must provide an EPC to prospective buyers and tenants whenever a building is constructed, sold or rented.**

We are not affiliated with any EPC providers but we do deal with several providers and can either arrange your EPC for you or to provide you with contact details so that you can arrange one yourself. Most providers are usually able to undertake the assessment and provide you with your EPC within around two weeks.

For sales of residential properties, the EPC forms part of the Home Information Pack (HIP). For more information about HIP's please see our separate guidance sheet.

**EPC's must be produced by an assessor accredited to produce EPC's for the category of building in question and, amongst other things, must include:**

- An asset rating of the building – this indicates the energy performance of the building in its current state. Ratings are from A to G with A indicating that the building is very energy efficient.
- A reference value – this is a benchmark against which the asset rating can be judged. For

example, the benchmark rating for an average residential property in England and Wales is E.

- A recommendation report – this contains suggestions for the improvement of the energy performance of the building. The suggestions fall in two categories: (i) cost-effective alterations; and (ii) measures that require a higher level of expenditure, (e.g. installation of renewable energy systems). The report may be separate to the EPC but is issued by the same assessor and is usually issued at the same time.

**The requirement to provide an EPC arises on certain trigger events, which are:**

- The seller or landlord providing written information about the building to a person who has requested information.
- A prospective tenant viewing the building.
- A contract being entered into to sell or rent out the building.

If a seller or landlord has reasonable grounds to believe that a prospective buyer or tenant is unlikely to have sufficient funds or is not genuinely interested in proceeding with the transaction, or is not someone to whom the seller or landlord would be prepared to complete the transaction then there is no obligation to provide an EPC. However, while the seller

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or landlord may assess whether it is necessary to provide an EPC they must not unlawfully discriminate against any party.

### **The requirements for EPC's are more complicated in relation to flats or multiple occupation properties. For example:**

- With residential flats, a separate EPC must be provided for each flat.
- For residential lettings an EPC is only required where the part of the building being let out is "designed or altered to be used separately". So, if a house is let to tenants who each have their own room but share a kitchen and bathroom an EPC may not be required if each tenant has its own contract for its own areas. However, if the property is let under one contract an EPC will be required.
- For a building which comprises several commercial units but has a common heating system:
  - One EPC can be prepared for the whole building. This can then be used on the sale or renting out of any part of the building;
  - An EPC can be prepared for the part of the building being sold or rented out.
- For a building which comprises several commercial units but does not have a common heating system, an EPC must be produced for each part of the building being offered for sale or rent.

Some further buildings do not require EPC's due to the absence of or restricted nature of their heating systems. For example, if buildings have hot water and electric lighting but no heating or air conditioning then they do not fall within the regulations. Industrial units with low energy use (e.g. warehouses) also do not require an EPC.

### **As a general rule EPC's are valid for ten years from their issue.**

However, they will be revoked if a new EPC is issued. This can be a concern where a both a tenant and a landlord commission an EPC but can be overcome by restricting a tenant from commissioning EPC's. However, if an EPC is obtained for part only of a building when an EPC already exists for the whole building, the EPC for the whole will only be revoked so far as it affects the part reassessed.

### **As you can see, the requirements for EPC's are varied and often not straightforward. So, if you are contemplating selling or letting part or all of your property, please do contact us and we will advise you how to establish whether or not you will need to obtain an EPC and how to arrange one.**