

Department for Business, Energy and Industrial Strategy, Net Zero Review: Call for evidence

Written evidence from PropertyMark

October 2022

Background

1. PropertyMark is the UK's leading professional body of property agents, with over 18,000 members representing over 12,800 branches. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and are able to advocate for legislative change on behalf of the sector.
2. The Secretary of State for the Department for Business, Energy, and Industrial Strategy (BEIS) has commissioned an independent review of the UK Government's approach to delivering its Net Zero target. The aim of Net Zero is to contribute towards its primary aim of delivering a pathway towards net-zero greenhouse emissions by 2050 in a way that is pro-business and pro-growth.
3. Net Zero 2050 is an overarching strategy where everyone has a stake towards reaching its goal. The Housing sector will play a fundamental role in delving this goal, and we will respond to this consultation from the perspective of the impact, challenges, and opportunities for the housing sector.

Questions

1. **How does net zero enable us to meet our economic growth target of 2.5% a year?**
4. PropertyMark supports the UK Government's aim of achieving Net-Zero by 2050 and that the housing sector must contribute towards achieving that goal. We recognise that improving the energy efficiency of all buildings – including those in the owner occupied and the Private Rented Sector (PRS) -could contribute towards economic growth in three ways. Firstly, directly for industries and business centred around improving the environmental efficiency of residential dwellings. This could include supporting jobs and business growth around Energy Service Companies (ESCOs) that provide services such as building insulation or photovoltaics as one example. Secondly, indirectly, the housing sector is also a key provider to the UK economy and growth by providing housing options for working families. Integral to this is energy efficient, secure, and safe housing to meet the needs of the population that contribute towards the growth of the economy. Thirdly, there can be little doubt of the huge contribution that our members as property agents provide towards growth and jobs. According to the Office for National Statistics (ONS), in

2017 there were around 50,000 letting agents and over 20,000 estate agents in the UK.¹ This contributed towards over 560,000 people working in the sector including letting agents' shops which can be found in most UK towns and cities. Real estate activities, including commercial and residential lettings and sales, as well as management, support 240,000 jobs and add £13 billion of value added to the United Kingdom economy. In addition, residential lettings activity undertaken by agents turns over around £4 billion each year and adds £2 billion to the economy.²

2. What challenges and obstacles have you identified to decarbonisation?

5. The main proposed route for PRS housing to contribute towards Net Zero, is by achieving the targets of the Minimum Energy Efficiency Standards (MEES.) Currently, landlords in England and Wales are prohibited from marketing a property if the property has an Environmental Performance Certificate (EPC) below E. The UK Government are now proposing that all new tenancies from 1 April 2025, and all existing tenancies by 1 April 2028, to meet band C or higher on an Energy Performance Certificate (EPC). The UK Government also wish to increase the cost cap to £10,000 per property, set a requirement for landlords to install 'fabric first' measures as well as requirements on letting agents and online property platforms to only advertise and let properties compliant with the rules.
6. The PRS is the least fuel-efficient sector in England and Wales. However, the sector has made the most improvements out of any other sector with its proportion of stock improving. While we do not deny there is room for improvement, there are mitigating factors for the energy performance of stock within the PRS. The PRS has some of the oldest stock in England and Wales, has a high number of off-grid properties and high numbers of stock with single cavity walls. This makes comparison with the social sector and owner-occupied sector difficult. There is also a postcode lottery when considering these factors with Wales having some of the oldest stock with 43% built before 1919 compared with just 5% in the social sector.

Obstacles

7. Our concern is that with legislative challenges such as those outlined in the UK Government's 'A fairer private rented sector' White Paper³, the ongoing impact Covid-19 has had on the sector, alongside the recent tax changes such as the withdrawal of tax relief on mortgage interest at the landlord's marginal rate, and replacement with a 20% tax credit (phased in over four years from 2017 as well as the challenge of meeting the cost of MEES will be too great for many landlords. Despite some properties being exempt

¹ Office for National Statistics, Analysis showing the count of VAT and/or PAYE based enterprises in the United Kingdom for UK SIC 2007.

² [Slide 1 \(propertymark.co.uk\)](#)

³ <https://www.gov.uk/government/publications/a-fairer-private-rented-sector>

from MEES – including a £10,000 price cap- most landlords will be impacted by the legislation. Our primary concern is that many landlords will exit the sector with supply of PRS housing being further constricted and housing options for predominately the most vulnerable being reduced. The cost of up to £10,000 will be challenging for all types of landlords especially those with small portfolios and those landlords with properties with low house price values.

Case study one

A letting agent with a portfolio of around 1,000 units located in Oxfordshire and Berkshire said that 47 per cent of their properties would not meet a minimum C standard, 38 per cent currently meet C or above, 13 per cent could not meet the standard even if everything on the EPC was carried out and two per cent are exempt.

Case study two

A letting agent managing 261 properties in Norfolk, Suffolk and Cambridgeshire said that 47 per cent of their properties would need improvements to meet the proposed requirements, 10 per cent would not meet the C rating even after possible improvements with only 43 per cent of the portfolio already C rated or above.

Case study three

A letting agent managing 381 properties in England said they have one property at EPC Band A, 30 properties at EPC Band B, 96 properties at EPC Band C, 145 properties at EPC Band D, 106 properties at EPC Band E and three properties that are exempt. They are extremely concerned that without significant financial support for landlords nearly 68 per cent of their portfolio will not reach EPC Band C.

Challenges

8. According to the English Private Landlords Survey 2021, 43% of landlords owned just one property which equates to 20% of the total PRS.⁴ Therefore, a significant proportion of landlords are likely to find meeting the standards challenging. Furthermore, the impact of costs incurred towards the measures will have an unequal impact depending on where a landlord has a property. For example, the median price paid for a property in Burnley for the year ending March 2022 was £118,000 compared with £550,000 in Mole Valley over the same period⁵. Clearly, the maximum cost will have a greater impact in parts of the UK that are more deprived compared to the more affluent Home Counties. This is especially concerning as it is these areas where economic growth is slowest and affordable housing options are of greatest need.
9. While buildings are one of the key sources of energy use and carbon emissions, being responsible for an estimated 14% of all emissions, if support is not given to the sector,

⁴ DLUHC, EPLS 2021

⁵ ONS, Median Price paid for administrative geographies, March 2021

then not only will key targets not be met, but there could be an adverse impact on the supply of homes with landlords leaving the sector because of the adverse impact from policy legislation. This could then impact jobs for people employed within the sector and the sector's contribution towards the economy.

3. What opportunities are there for new/amended measures to stimulate or facilitate the transition to net zero in a way that is pro-growth and/or pro-business?

10. Given the scale of the challenge to decarbonise PRS homes, we believe that more financial support should be given to landlords to help them improve their homes. There are four areas that the UK Government should look at and develop:

Landlord Energy Saving Allowance

Previously one such measure was the Landlord Energy Saving Allowance (LESA.) LESA was a tax allowance scheme which let landlords claim on their income or corporation tax return against the cost of buying and installing certain energy saving items. Tax relief was for a maximum of £1,500 per property. Although take up of LESA was poor, which subsequently led to its discontinuation in 2018, we believe the policy shift towards decarbonisation would make it a more viable and attractive option for many landlords.

We are concerned about the change in policy from “no up-front cost” to landlords in meeting MEES targets to that of increasingly rising cost caps. Propertymark has been consistent in our concerns over this. For our consultation response on amending The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 in relation to domestic properties to remove the “no cost to the landlord” principle⁶, we raised concern over the proposal to implement a cost cap of £2,500, which we warned could result in landlords leaving the sector.

The new cost cap is £10,000 which further outlines the importance of reintroducing financial incentives such as LESA and extending it to include anything contained within the Recommendations Report of an Energy Performance Certificate (EPC) to help landlords with the cost of energy efficiency improvements to their properties.

Local Authority Delivery funding

11. Other funding streams, such as the Local Authority Delivery (LAD) scheme should be tenure blind or have specific ring-fenced funding for the PRS. Sometimes funding schemes are seen as less desirable towards the PRS as delivery programmes can be delivered en masse and at a larger scale in the social sector. Large scale delivery can be more

⁶ [Consultation-to-amend-The-Energy-Efficiency-Regulations-2015.pdf \(propertymark.co.uk\)](#)

challenging in the PRS given the more sporadic nature of the sector. This is a similar case for the Home Upgrade Grant, also delivered locally by local authorities. However, this would be an ideal scheme given its impetus to support off grid homes in England, which are overproportioned within the PRS.

Green Homes Grant

12. Propertymark welcomed the introduction of the Green Homes Grant which was a £2 billion funding package announced by the Chancellor of the Exchequer in July 2020. This was an excellent opportunity for both homeowners and landlords operating in the PRS to be incentivised to futureproof their properties towards net zero targets. However, the Environmental Audit Committee's inquiry into Energy Efficiency of Existing Homes found that meaningful progress was hampered by poor administration.⁷ The committee found that the grant only had short-term aims, was beset by administrative problems and delays made the grant less appealing. Subsequently, the grant only achieved ten percent of its target to improve 600,000 homes in England in six months. Successful applicants of the grant were issued with vouchers up to the value of £5,000 which was only attractive to smaller contractors.

13. There was also a stipulation that contractors carrying out work should be Trustmark accredited, which was problematic especially in rural areas where there are generally less accredited contractors to carry out works. Our members report that there are not enough Trustmark suppliers and choice. For instance, as of 26 October 2020, Trustmark had only registered 1,108 businesses able to install the primary and/or secondary measures supported by the Green Homes Grant scheme. Furthermore, it is important that property agents and landlords can continue to use good quality local suppliers and they are not overlooked as a means to deliver energy efficiency improvements. Under the Green Homes Grant scheme many letting agents want to use local installers and have encouraged their suppliers to become Trustmark approved so they can do the work. However, we are told that the compliance steps for Trustmark approval are costly and burdensome for many small businesses, which is discouraging them from applying. Despite its limitations, we would welcome a re-introduction of the Green Homes Grant, providing adequate resources were put into application and monitoring procedures. The application process should also be streamlined to ensure it is accessible for a wider target audience.

Boiler Upgrade Scheme

14. If further evidence of the need for simple and straight forward support was required, it could be evidenced from the lessons learnt from schemes such as the Boiler Upgrade Scheme. We were supportive of the scheme. However, our research found that 25% of

⁷ [Energy Efficiency of Existing Homes - Committees - UK Parliament](#)

our members surveyed found that the application phase was too complicated and lengthy. In addition, 73% of our members found that grants did not cover the overall costs of works. During our recently submitted response to the House of Lords Environment and Climate Change Inquiry into the Boiler Upgrade Scheme, we recommended increasing the size of the grant to make it more attractive and able to cover costs, improve awareness of the grant, improve the number of options that the grant can be used to fund and to make the grant flexible for the complex and diverse nature of PRS homes rather than adopting a 'one size fits all' model. These lessons must be learnt otherwise landlords and homeowners will have little confidence in any future funding models and opportunities.⁸

4. What more could government do to support businesses, consumers and other actors to decarbonise?

Businesses

15. We believe the almost perfect storm of legislation for the PRS, the impact Covid has had on the sector and the concurrent economic challenges now make the MEES targets unrealistic and out of reach for many landlords. Given the scale of these challenges, we believe the UK Government should do two things. Firstly, review the targets and consult with letting agents, landlords, trade bodies and other stakeholders to consider more realistic targets to help landlords achieve the governments overall Net Zero targets. Secondly, further to our response on improvements to current financial incentives, we believe the government should consider using the tax system to incentivise landlords and homeowners further. There are shortages in both building supplies and labour, this has resulted in the costs of energy efficiency measures increasing. Since the UK's withdrawal from the European Union, the UK Government now has the competence to vary the rate of VAT which is currently set at 20% for environmental efficiency measures. To act as a precedent, the UK Government reduced the value of VAT in the tourism sector to support the sector during the Covid pandemic. Both landlords and homeowners could be incentivised to take on energy inefficient properties from reductions in Stamp Duty or possibly a locally delivered tax incentive via Council Tax, providing they committed to improving the energy efficiency of the property. This could be key in improving the energy efficiency of older dwellings that have possibly been left empty. These properties are generally characterised as poorly performing and energy inefficient and would be key in delivering 'hard to deliver' energy improvements.

⁸ <https://www.propertymark.co.uk/resource/propertymark-warns-of-limited-effectiveness-of-low-carbon-funding-programmes.html>

Consumers

16. The UK Government must embark on a national communications campaign for tenants, landlords and owner-occupiers. A central part of enabling for example a retrofit revolution on the path to net zero will be adequately conveying the wider benefits to homeowners and landlords. Aside from helping tackle the climate crisis, benefits of improving the energy efficiency of the nation's housing stock include the cost savings on household bills. The views of landlords and owner occupiers will play a significant role in the success of retrofitting – a challenge in this area includes the readiness of homeowners and landlords to go through the process in the first place. Whatever the benefits of retrofit are in the long term, many people would be concerned with the more immediate and medium-term impacts on their lives. Results from Climate Assembly UK's findings into public perceptions of retrofitting homes showed that, in addition to the costs involved, major concern lay with the scale of disruption they would experience throughout the process.⁹

5. Where and in what areas of policy focus could net zero be achieved in a more economically efficient manner?

17. We believe that local authorities are in a strong position to provide specialist advice to landlords and property agents on improving the environmental efficiency of their properties. This would ensure that advice is specific and appropriate to the needs of the property. This advice could consider the age, condition, and size of properties rather than a centralised one size fits all approach. Local authorities should also be seen as an integral and lead partner towards the delivery of sub-regional retrofit programmes. This would enable local authorities to maximise local supply chains and create local jobs. This could be developed simultaneously with regional planning or via the creation of City Deals.

6. How should we balance our priorities to maintaining energy security with our commitments to delivering net zero by 2050?

18. It is not relevant for Propertymark to answer this question.

7. What export opportunities does the transition to net zero present for the UK economy or UK businesses?

19. It is not relevant for Propertymark to answer this question.

Conclusion

20. We are very grateful for the opportunity to discuss our views on this important consultation. Overall, Propertymark supports the UK Government's aim to be Net Zero

⁹ <https://committees.parliament.uk/publications/5171/documents/52521/default/>

by 2050 and recognises that the housing sector must contribute accordingly. However, given the unique challenges the sector faces, without adequate support, we have concerns that the proposal will further increase the shrinkage in housing supply, decrease jobs in the sector and fail to meet delivery.