

What does the Renters Rights Bill and EPC legislation have in store?

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The changing regulatory environment



Renters' Rights Bill

Minimum Energy
Efficiency
Standards

Renters' Rights Bill

The most significant reform of PRS regulations for nearly 40 years to “**give greater rights and protections to people renting their homes**”

Key measures

- End of Section 21 ‘no fault’ evictions
- New ‘Section 8’ grounds for possession
- Rent arrears threshold expansion
- Introduction of periodic tenancies
- Rent increase appeals for existing tenants
- Rent in advance restrictions
- New PRS Landlord Ombudsman and Database
- Ban on rental bidding wars
- Amongst others...



- **Student tenancies:** HMOs let to full-time students required for a new group of students in line with the academic year
- **Rent arrears:** Rent arrears mandatory eviction threshold increased from **two to three months**
- **Property recovery:** Mandatory ground for legitimate reasons, such as **selling or moving in**
- **Deterioration of property:** Discretionary ground when tenant has caused **deterioration of property**
- **Anti-social behaviour:** Landlords can begin proceedings immediately

Rent increases for existing tenants

Landlords can only increase rents **once per year** and must give the tenant **two months' notice**, double the existing period.

Rent in advance and rental bidding

Landlords and letting agents prohibited from pre-tenancy rent payments, known as **rent in advance**, and asking for or accepting offers above the advertised rent.

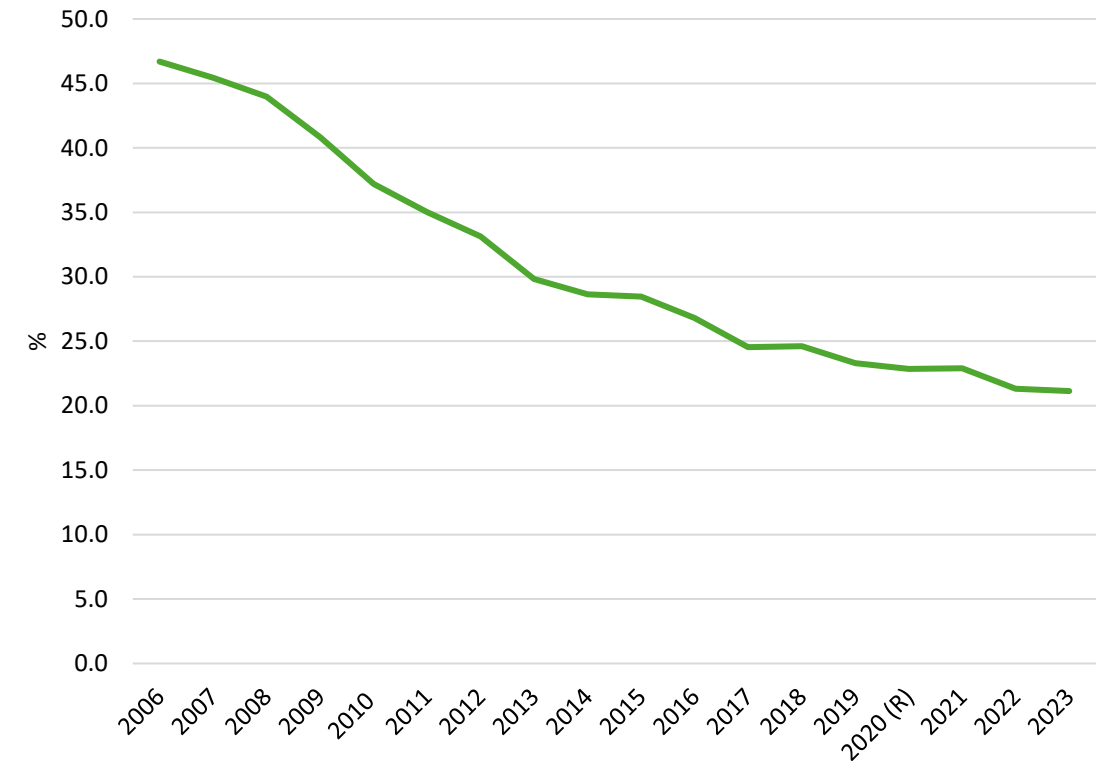
*“Restricting rent in advance, combined with **freezing housing benefit rates** and not enough **rental housing** to meet demand is creating **significant barriers** for those with **poor or no credit histories** needing to access the sector.”*

Chris Norris, NRLA Policy Director

- Tenants will gain the right to **request a pet**, and landlords must consider the request reasonably. Landlords will be able to require pet insurance to cover potential damage
- Additionally, it will become illegal for landlords and agents to **discriminate** against tenants based on their receipt of benefits or if they have children
- Introduction of **Decent Homes Standard**, already applied in social housing
- **‘Awaab’s Law’** will set timeframes for landlords to address serious hazards, ensuring rented properties are **safe and habitable**

- **41%** of PRS homes classed as '**non decent**' in 2005
- This fell to **21%** by 2023 – latest data available
- Corresponds to increase in **BTL lending** which helps to safeguard against poor quality

Proportion of PRS homes classed as 'non-decent'



Source: English Housing Survey

Landlords proactive in improving PRS homes

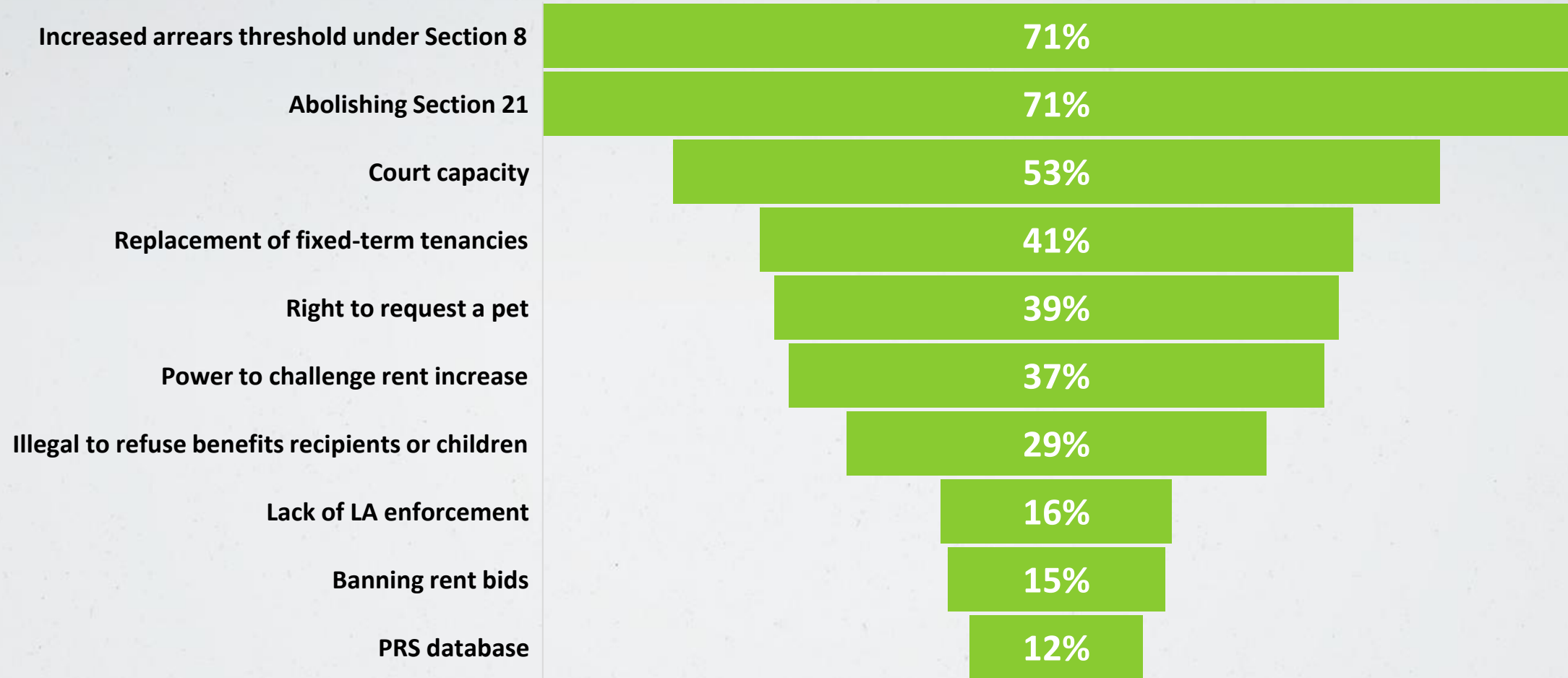
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- **44%** target homes in need of improvement when investing
- Average annual investment of approximately **£8,500** per portfolio, in addition to general maintenance
- New boilers, kitchens and bathrooms, as well as new windows, amongst popular enhancements



Landlords' top 10 RRB concerns

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Landlords have little concern about the aspects of the RRB which ensure they are kept to a high standard, showing confidence in the homes they let and how they conduct their business

Applying the Decent Homes Standard to the sector – 3%

Applying 'Awaab's Law' to the sector – 8%

Strengthening rent repayment orders – 8%

Introduction of PRS ombudsman – 9%

Creating a PRS database – 9%

Minimum Energy Efficiency Standards

Minimum Energy Efficiency Standards – new proposals

- New tenancies to meet EPC Band C from **2028**, all tenancies by **2030**
- Maximum spend cap of up to **£15,000 per property**
- Affordability exemption lowers **cost cap** to **£10,000 per property**, subject to eligibility
- Fines of up to **£30,000** for non-compliance



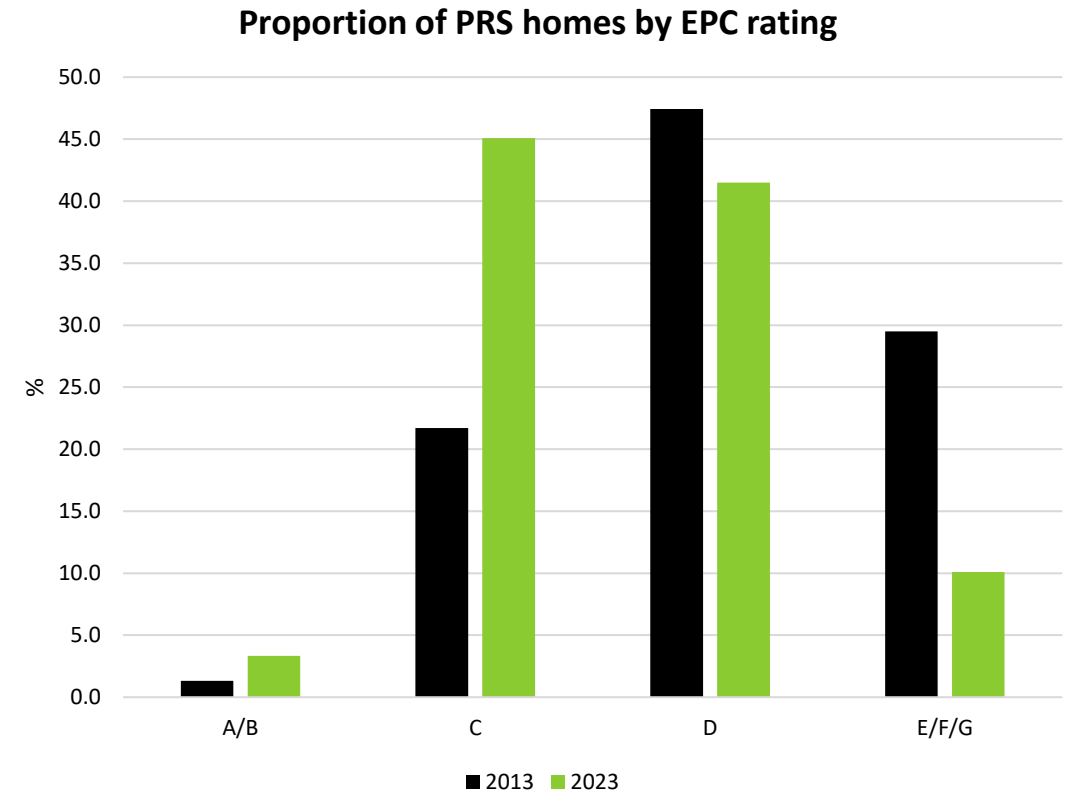
- EPC reform planned for 2026 following separate consultation
- Properties still below EPC C following reform would need new EPC assessment before taking action to comply with the higher standard



The PRS has made great progress in energy efficiency

Landlords have improved energy efficiency of PRS property over last decade

- In 2013 **23%** of PRS properties had Energy Efficiency Rating (EER) of A – C
- By 2023 this had more than **doubled to 48%** while the proportion of homes with lower ratings fell
- PRS now broadly in line with **owner-occupied sector**
- One in 10 homes still at **E or below**



Source: English Housing Survey

However...lots to do in little time

- Overall, 55% of PRS stock remains below EPC C – **2.9 million properties**
- Over **three in 10** PRS homes were built before 1919 so won't benefit from more modern construction methods and materials
- UK had a shortfall of **166,000 tradespeople** in 2023, a number that is expected to rise to **250,000** by 2030

We must upgrade,
2000+ properties per
day to meet deadline

Landlord will likely see costs increase to comply – could impact supply

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The Government has estimated the average cost to upgrade PRS properties to be between **£6,100** and **£6,800**

- Six in 10 landlords cite the **high costs** of reaching EPC rating C as the main barrier to improving properties. The most common response
- Four in 10 landlords would **sell property** that could not or would be too expensive to upgrade to EPC C



The proposals create opportunities for the market

- **60%** of PRS properties **owned outright**
- Landlords can be **asset rich** but **cash poor**, so opportunity to benefit from equity to finance upgrades
- 57% did not arrange a **new EPC assessment** following upgrades
- Opportunities for landlords to benefit from preferential **'green' mortgage** rates for EPC A-C rated properties

