



Investment
Property Forum

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9 June 2021

Response to: Introducing a Performance-Based Policy Framework in large Commercial and Industrial Buildings in England and Wales

The Investment Property Forum (IPF) welcomes the opportunity to respond to the above consultation.

IPF is a national membership organisation of senior professionals, all active in the property investment and finance market. The organisation has a diverse membership of around 2,000, which includes fund managers, investment agents, accountants, bankers, lawyers, researchers, academics, actuaries and other related professionals.

The IPF's Mission is to enhance the understanding and efficiency of property as an investment, including public, private, debt, equity and derivatives, for its members and other interested parties, including government. The IPF has a dedicated ESG Special Interest Group (established in 2006), the members of which have engaged in previous government consultations and participated in working groups in relation to the development of guidance, e.g., on the implementation of MEES.

We are not a lobby organisation but one of our key priorities is to identify where legislation or regulation has, or will have, an impact on the market and to alert government and our members to any adverse or beneficial issues.

The IPF has had the benefit of reading a draft version of the response to the above consultation submitted by the Better Buildings Partnership (BBP). The IPF supports this response and have additional comments on specific questions as follows:

2. Do you support the rationale set out in this chapter? If so, are there any changes you would make or considerations you would add to the rationale the Government has set out? If not, could you please explain why, providing evidence where possible.

Whilst supporting the rationale of the Government, we also support the views of the BBP that the scheme should be rolled out to other sectors within a clearly set out timescale to enable all the industry to plan ahead.

3. Do you support the Government's proposal to underpin a performance-based policy framework with a rating that looks to modernise the DEC, in the ways set out above? If so, are there any changes you would make or considerations you would add to the proposal? If not, could you please explain why, providing evidence where possible.

We are in agreement with the BBP in supporting the Government's proposal to underpin a performance-based policy framework with a rating scheme that seeks to learn from the experience of DEC's in the public sector. We also broadly agree with the specific propositions that the Government includes in the consultation to 'level-up' the DEC.

4. The Government proposes that, as a first step, building owners and single tenants should be required to obtain an annual performance-based rating, and disclose that rating online. Do you support this proposition? If so, are there any changes or amendments you would make to the proposal? If not, could you please explain why, providing evidence where possible.

We are in agreement with the BBP in supporting the proposal to get an annual rating and disclose that rating online, noting that property owners will only have to do this from the 2nd year of utilising the rating. Public disclosure of performance in use is vital in providing other stakeholders with the transparency needed to inform and drive market transformation.

We agree with the BBP that the tenant of single-tenanted buildings should be compelled to obtain the rating and should also be compelled to share the data with the owner/s because a poor rating could have an impact on the value of the asset.

Where a single tenant has sublet the building, a subtenant that occupies the whole building should comply with the PBR obligations and PBR will be on a whole building basis. Where the building has been sublet in parts, the tenant who has the most immediate lease of whole should have the PBR obligations and this will be on a base building basis.

5. What is the best way to support Small and Medium Enterprises in obtaining annual performance-based ratings, where the owner of the building or the single tenant is an SME?

We have no further comments, save as stated in reply to question 10 below.

6. Should the Government:

- **Allow owners of buildings above 1,000m to use their annual performance-based rating to satisfy their existing regulatory obligation to present a valid EPC before a building is sold or let. As set out above, under this option the Government would continue to collect data about fabric and service improvements. Where prospective buyers or tenants want information about the building fabric and services, EPCs can be obtained on a voluntary basis.**
- **Continue to require owners of buildings above 1,000m² to present a valid EPC where the building is sold or let, recognising that the EPC and a performance-based rating assess different things, and can collectively provide a better level of information about the building than either rating would in isolation.**

Please outline your preferred option and your reasoning, providing evidence where possible. Please set out any changes or amendments you would make to the options, or if you would favour a different option. An appraisal of the benefits and risks of both options, providing evidence where possible, would help inform the Government's decision making.



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We agree with BBP and do not favour either option. We support its proposed alternative, which would be to continue to require owners of buildings above 1,000m² to present a valid EPC and comply with MEES, unless they can demonstrate that the building achieves a specific minimum standard under the performance-based regime. This could be tested when the scheme is rolled out to the office sector with associated incentives to encourage the uptake of the scheme during the 'soft start' of the scheme. Communicating this to the body responsible for enforcing EPCs would be relatively straightforward. This would assist the transition to a performance-based policy and incentivise performance improvements.

8. Should the Government consider expanding the performance-based rating to cover factors such as water, waste and indoor air quality? What do you consider would be the benefits of this approach? Would there be any drawbacks?

We agree with the BBP and support the intention to explore the future development of such ratings but specifying this as part of the initial roll out of the scheme could potentially be distracting and significantly delay implementation.

10. Do you support the Government's proposal that the annual rating should not be accompanied by recommendations for improving the rating? If so, are there any changes you would make or considerations you would add to the proposal? If not, could you please explain why, providing evidence where possible.

We agree generally with the BBP that the rating process itself should not try to generate recommendations. However, we do wonder whether these should be included when the scheme is extended to SMEs.

14. What do you consider would be the impact of the incentives and interventions that have been suggested? Are there ways you think those incentives or interventions could be made more effective? Are there other incentives or interventions that the Government has not considered here, which you believe would be more effective at ensuring ratings improve over time?

We have no further comments on the incentives and interventions that have been suggested. In terms of others, we would ask that Government consider reduced SDLT rates as a potential financial incentive.

Please do contact me should you wish to discuss any of the above in further detail.

Sue Forster
Chief Executive, Investment Property Forum