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# Energy Efficiency - Funding Options for Retrofitting Properties

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In the drive for the UK to be net zero by 2050, residential landlords are facing costly green refurbishments.

Already, landlords are required to provide Energy Performance Certificates with a minimum rating of E for all of their residential properties. However, with the government insisting that all rental properties have an EPC rating of C and above by 2025, moving to B by 2030, the pressure is on for landlords.

EPCs are useful in identifying the energy efficiency improvements that can be made to boost a property's rating, including such measures as laying wall insulation and installing smart technologies. However, tenants looking to live a more sustainable life want more - rental properties with electric vehicle charging points, energy efficient appliances and water saving gadgets.

Although the intentions of the government are well-meaning, there is very little financial support to help landlords to fund these green updates. For example, the average cost of installing an EV charging point at a residential property is £1,000, up to £350 of which can be claimed as a grant from the government's Electric Vehicle Homecharge Scheme.

But when it comes to major work such as wall and floor insulation, then the costs can spiral into tens of £1,000s per property.

Given that residential landlords are legally obliged to bring their properties up to date in line with EPC rating targets, they have very little choice but to find the money or sell up. A survey from The Mortgage Works found that 52% of impacted landlords have thought about selling some or all of their properties because they don't think they'll be able to either complete or finance the works needed to get their properties up to the required standard.

Luckily, there are options available.

### **Remortgaging to release equity or secure a lower rate**

If you're a landlord with a portfolio of properties which are mortgage-free, you can remortgage to release equity from one or more of your properties. This can be used to pay for home improvements to your residential properties.

If you have an existing mortgage on one or more of your properties and it is coming up for renewal, or you're on a mortgage rate that isn't as competitive as it could be, you could remortgage onto another product with a cheaper rate, the saving you money on your monthly repayments and freeing up funds.

Often property is your biggest asset so using it as collateral to secure extra funding through remortgaging can make sense. Private banks and building societies are more likely to offer their most favourable rates and terms if you have a property to secure your loan against.

Lenders will want to know that you can service your monthly repayments and it's important to be realistic about the valuation of your properties – some estate agents may give you a higher valuation than your mortgage lender. In addition, if your current mortgage is coming up for renewal, make sure you shop around for a new deal and don't fall into the trap of moving onto your existing lender's standard variable rate which undoubtedly will be more expensive and could cost you money.

### **Incentives for property development**

Many lenders are providing incentives for property owners who develop new build, part-builds and comprehensive renovations to an A / B EPC standard.

If you're a landlord with properties that need a good deal of work, then it might be worth looking at borrowing a large cash injection, either through a new mortgage or remortgage, for extensive work to bring your properties up to an A / B standard. It might be more cost effective in the long run to do this, rather than spend money in the interim to reach a C standard for you then to have to borrow more money at a later date to reach the government target of an A / B.

Some lenders, such as Paragon Bank, have a range of loans specially designed to provide landlords with additional funding to retrofit their properties and further incentives with favourable buy to let mortgages for those who own properties which hold an A – C EPC rating.

Others, such as Lloyds Bank, have programmes such as the Lloyds Clean Growth Finance Initiative which provides discounted arrangement fees and lending rates for green investment and capital expenditure. All lending is dependant on whether you meet the lending eligibility criteria.

When looking at securing any type of lending, please speak to a specialist broker first who can negotiate the right terms and rates to suit your individual circumstances, and will also be able to help you work out whether the investment is financially beneficial in the long-term.

***\* Charles Ayton is senior commercial manager at largemortgageloans.com \****

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**Andrew townshend**

06 August 2022 16:06 PM

This isn't law yet, still being talked about, so I'm waiting to see what really happens, the can could likely be kicked down the road, there will also be exemptions as there were when EPCs were increased to 'E' I have one property 'F' with an exemption, there could also be changes to how EPCs are assessed, there could be grants come available , a lot can change yet, I think it would be foolish to be spending money on any upgrades at the present time

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