Energy Efficiency Compliance:

Cost and Opportunity for Rural Estate Owners

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The government's intention to raise Minimum Energy Efficiency Standards (MEES) marks a significant regulatory shift for landlords.

In their consultation response in January 2026, the government confirmed that all private rented homes will need to achieve the equivalent of an Energy Performance Certificate (EPC) rating of a C by 1 October 2030. While these standards are essential to the UK's decarbonisation strategy, they present a distinct challenge for rural estates, given their characteristic stock of older, sometimes off-grid, and architecturally sensitive properties. And so, for these properties, the road to compliance is particularly complex and costly.

This research aims to highlight the scale of the retrofit challenge and raise awareness of its implications. It provides real-world cost modelling and shares strategic insights to help estate owners optimise decisions and engage confidently with MEES.

The context

Under current rules, MEES requires all privately rented homes to achieve an EPC rating of at least an E. The government has proposed tightening these standards further.

MEES applies to assured shorthold tenancies (ASTs), regulated tenancies under the Rent Act, and domestic agricultural tenancies, including assured agricultural occupancies and protected occupancies. However, farmhouses let under Agricultural Holdings Act (AHA) or Farm Business Tenancy (FBT) agreements are not classified as domestic properties under MEES and therefore do not currently need to meet these standards.

While this research focusses on residential properties, MEES for commercial assets is going through a similar transition. Currently, MEES also requires commercial properties to have an EPC E rating or above to be legally let.

The anticipated regulatory timeline sets a target for all commercial buildings in England and Wales to achieve an EPC rating of at least a C by 2028, and a B by 2030.

EPCs are legally required when a property is sold, rented, or newly built, and are valid for ten years. However, even if an EPC certificate is still valid, it may no longer reflect a property's current energy performance due to changes in assessment methodology and building upgrades or deterioration. In particular, the basis of assessing properties is shifting away from the heating costs to building fabric performance. This should mean that rural properties with bottled gas heating, for instance, are no longer penalised, but it may create different, more complex hurdles.

The scale of the challenge

> "Rural estates are significantly lagging behind national averages, leaving landowners exposed to upcoming changes"

93.3%

Our research found that 93.3% of privately rented housing on rural estates are currently below an EPC C

52.7%

The majority of the rural estate let residential portfolio is currently achieving an EPC E, at 52.7% of stock

Figure 1 compares EPC ratings of privately rented properties in England and Wales with privately rented properties on and surrounding rural estates. Our analysis reveals a substantial energy efficiency gap. Rural estates are significantly lagging behind national averages, leaving landowners exposed to upcoming changes.

Our research found that 93.3% of privately rented housing on rural estates are currently below an EPC C, and so are at risk of being non-compliant. This compares to 56.5% of all privately let residential properties in England and 64.3% in Wales. The majority of the rural estate let residential portfolio is currently achieving an EPC E, at 52.7% of stock.

This is largely expected given the inherent characteristics of these properties; they're often older, traditional buildings that are typically less energy-efficient and harder to insulate than modern constructions. Notably, 64.5% of our sample was built before 1900, compared to 16.0% across England and Wales. Of these properties, a substantial 97.1% are below an EPC C.

Figure 1

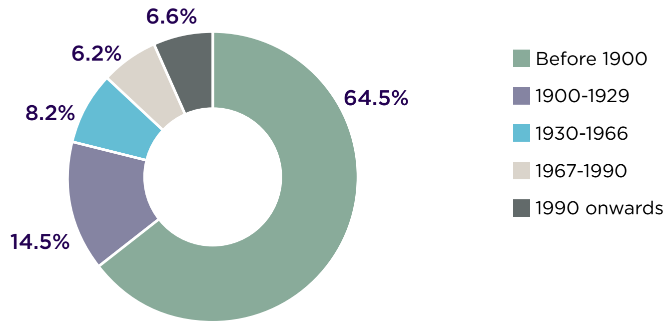
EPC Ratings of Privately Rented Residential Properties

Source: Ministry of Housing, Communities and Local Government; Carter Jonas

Figure 2

Age of Privately Rented Residential Properties on Rural Estates

Source: Ministry of Housing, Communities and Local Government; Carter Jonas



"...bringing older, rural properties up to standard is considerably more challenging than upgrading newer, urban properties"

The role of exemptions

The government's consultation response states an intention to raise the cost cap from £3,500 to £10,000, with expenditure from 1 October 2025 counting towards the cap.

Under this change, landlords would be required to invest up to this cap to improve their properties to the required EPC standard. If the necessary standard still cannot be achieved, landlords can then apply for a 10-year exemption, up from the current 5-year exemption.

The policy's impact assessment estimates that the average spend per property to meet the standard will be £5,400. However, bringing older, rural properties up to standard is considerably more challenging than upgrading newer, urban properties. The policy's impact assessment highlights that rural areas will require the highest average landlord spend at £6,162 per dwelling, but this figure underestimates the complexity of rural estate cottages, more frequently characterised by traditional construction and decentralised infrastructure. As a result, actual costs are likely to exceed the consultation's estimates, and most landlords would reach the £10,000 cap.

Options for improvement

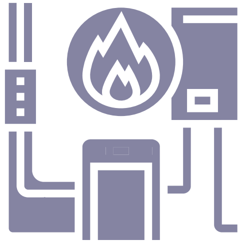
We have drawn on our experience of overseeing upgrades of residential properties on rural estates to understand what options are realistically available to bring a typical cottage up to an EPC C rating.

It is important to note that some of these challenges are also applicable to urban properties, particularly those with space limitations, heritage restrictions, and complex building structures.

Windows and roofs:

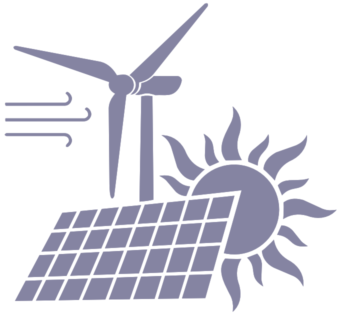
Some landlords will be able to make relatively simple improvements, such as installing double glazing or roof insulation. However, most have already done this and these alone are unlikely to bring a property up to an EPC C if the property is at an EPC E or below. In our data sample, 76.0% of properties with ‘good’ or ‘very good’ scores for both roof and window efficiency (typically denoting double or triple glazing and loft insulation) are still below an EPC C.

That said, plastic double-glazed windows typically cost around £1,000 per unit, while timber alternatives can reach £2,000 per unit. For landlords who have yet to undertake these upgrades, this expenditure could take them some way towards the £10,000 cap. Loft insulation is considerably cheaper, with 100mm typically costing around £500 per roof.



Heating systems:

Many rural cottages now have a relatively modern heating system. However, our data sample shows that 23.3% of properties have a main heating system rated as ‘good’ or ‘very good’, indicating scope for improvement. Installing a whole new heating system could cost around £15,000, while upgrading to a more efficient boiler typically costs around £4,000 - a consideration many landlords may wish to explore.



Renewable energy:

Few rural estate cottages have air source heat pumps (representing only 1.7% of our sample), and our experience is that they often fail to reach the desired temperatures in older houses where full insulation is lacking. Additionally, space constraints may pose challenges.

Installing solar panels is a possibility, with costs likely to range from £10,000 to £15,000. Batteries are needed to store energy for use outside of daylight hours, at a cost of around £7,000. Installing solar panels on a listed building or within a conservation area can be more complex and may require planning permission and listed building consent. While approval is possible, especially with careful design and minimal visual impact, the process can be challenging and subject to stricter scrutiny.

However, and even though the tenants will enjoy the lower utility costs, the landlord gains a competitive edge through increased tenant interest and improved compliance with building energy standards.

Wall insulation:

As most older rural cottages have solid stone or brick walls with minimal insulation, it is no surprise that 76.6% of our sample had a wall energy efficiency rating of ‘poor’ or ‘very poor’. Poor insulation can undermine the effectiveness of other upgrades, such as those listed above, ultimately leading to higher running costs. This is where improvements can become particularly complicated and costly.

External insulation typically costs around £200 per sq m but often requires roof alterations, gutter removal and pipe relocation which can significantly increase overall costs. Internal insulation is similarly priced but may involve additional work such as replacing kitchens and bathrooms or moving heating pipes. These improvements can also reduce internal space, which is often already limited in rural cottages.

The government’s consultation response, however, introduces a new solid wall insulation exemption. This allows a landlord to register a 5-year exemption if solid wall insulation is the only measure remaining that would bring the property up to the required fabric performance standard.

Energy Performance Reports (EPR):

Improving a property’s EPC rating is ultimately a question of cost versus benefit. An EPR can help identify which upgrades would have the greatest impact if implemented. The report costs around £150 and allows for tailored modelling, unlike a standard EPC certificate which suggests a fixed set of improvements you may not want to pursue.

Modelled costs

We modelled the improvements and associated costs required to upgrade a range of rural cottages from EPC E to EPC C, and found the average cost to be approximately £30,000.

The £10,000 cost cap means that landlords will not need to spend this much to qualify for an exemption, but there are many benefits to bringing the property up to EPC C. Beyond compliance, improving a property's energy efficiency can significantly reduce running and maintenance costs, and enhance the property's appeal to tenants.

The consultation response states that once the exemption expires after 10 years, landlords would then be subject to another £10,000 cost cap to register a further exemption. Acting now helps to avoid inflation-driven price increases for materials and labour, and strengthens the long-term value of the asset.

Estate owners may be able to access financial support through programmes in the Warm Homes Plan. Importantly, only the landlord's own capital expenditure counts towards the £10,000 cost cap, and third-party funding is excluded. Nevertheless, these funding routes are still worth exploring, and further incentives or tax reliefs may emerge as more details on MEES are released.

The government is exploring a portfolio approach exemption, which would allow landlords to combine their cost caps into a single fund. This total fund could then be strategically deployed across the portfolio. Such flexibility would be especially beneficial for rural estates, enabling investment to be focussed where upgrades would be most effective.

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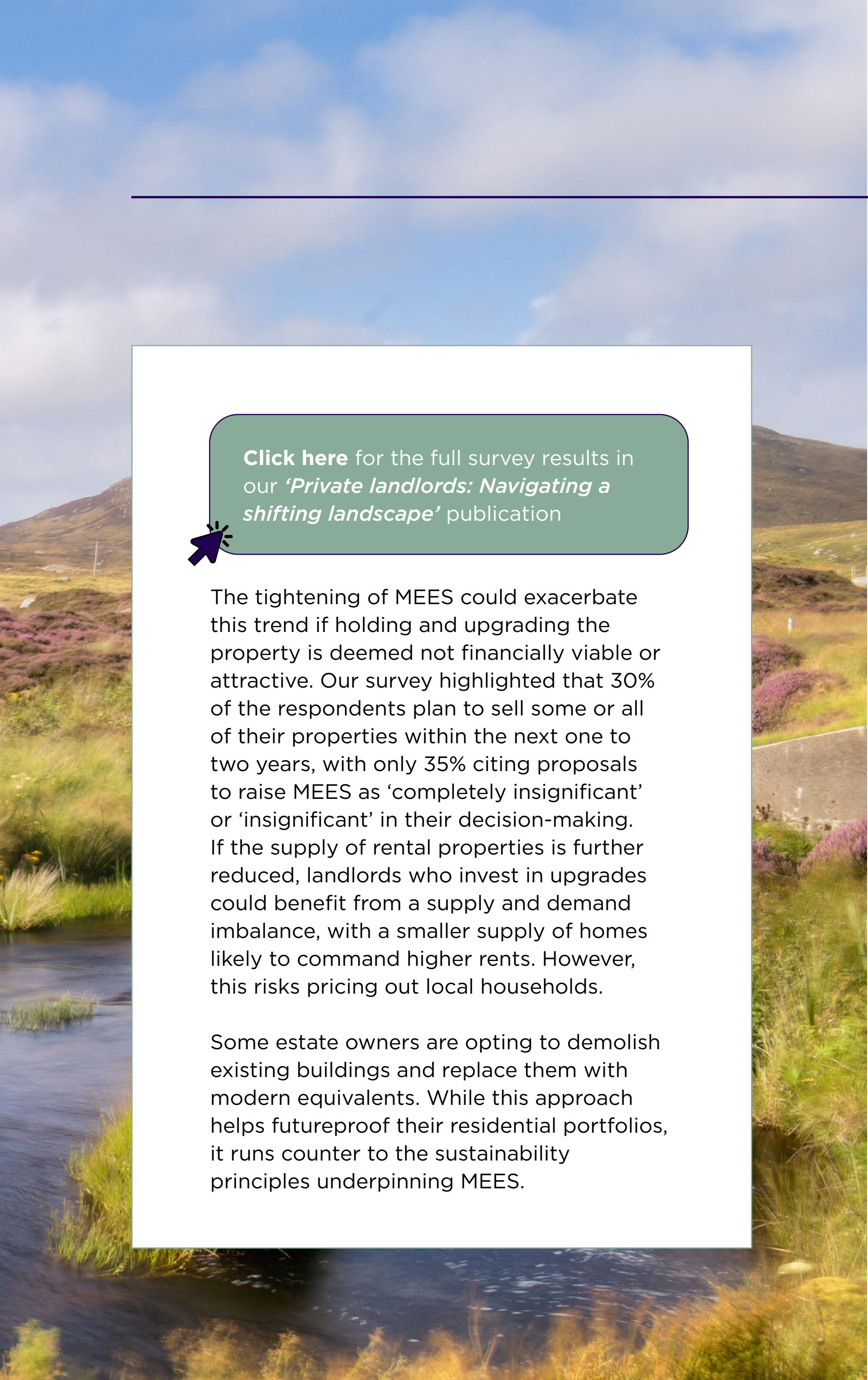
Unintended consequences

A 2024 report from County Councils Network found that there has been a 'dramatic rise in private renting in county areas and rural areas', outpacing London and England's other cities. This is largely attributed to households being priced out of urban areas, combined with the appeal of countryside living and its relative affordability.

However, faced with the prospect of significant capital expenditure to meet proposed regulations, some rural landlords may choose to remove non-compliant cottages from the rental market entirely, either selling them or converting them to less regulated uses such as holiday lets. While owners of larger estates are unlikely to dispose of all residential assets, they may sell a small number of properties to fund upgrades elsewhere.

There is already evidence of estate owners choosing to sell non-core assets. Our recent private landlord survey revealed that 22% of the portfolio landlords who responded have already sold some properties, citing reasons such as tax and legislative changes, particularly the incoming changes in the ***Renters' Rights Act***. Adding to this, the Chancellor announced in the 2025 Autumn Budget that income from rental assets will incur a 2% income tax surcharge from April 2027.



Click here for the full survey results in our ***'Private landlords: Navigating a shifting landscape'*** publication

The tightening of MEES could exacerbate this trend if holding and upgrading the property is deemed not financially viable or attractive. Our survey highlighted that 30% of the respondents plan to sell some or all of their properties within the next one to two years, with only 35% citing proposals to raise MEES as 'completely insignificant' or 'insignificant' in their decision-making. If the supply of rental properties is further reduced, landlords who invest in upgrades could benefit from a supply and demand imbalance, with a smaller supply of homes likely to command higher rents. However, this risks pricing out local households.

Some estate owners are opting to demolish existing buildings and replace them with modern equivalents. While this approach helps futureproof their residential portfolios, it runs counter to the sustainability principles underpinning MEES.

Conclusions

- While not a consideration exclusive to owners of rural estates, the proposed changes to MEES will have a disproportionate impact. There is a substantial energy efficiency gap, with privately rented homes on rural estates trailing behind national averages.
- It is highly likely that most rural estate owners with rental properties will need to undertake substantial improvements and significant capital investment to achieve compliance. Retrofit costs for these properties are expected to surpass government estimates and exceed the proposed increase in the cost cap.
- Some landlords will be able to make relatively simple improvements, but many rural cottages will require costly and complex interventions due to solid walls and architectural sensitivities.
- Improving the energy efficiency of a rural cottage offers commercial advantages compared to simply spending up to the cost cap and applying for an exemption.
- For some landlords, making the required improvements is simply not financially viable. This could intensify the existing trend of selling residential assets, further constraining an already limited rental market. However, those who invest in upgrades may benefit from the resulting supply and demand imbalance.
- Landlords should take a proactive approach by reviewing their portfolios, identifying properties that require an updated EPC certificate, and planning early for compliance with future MEES.

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Get in touch to find out how we can help you prepare for regulatory changes and optimise your portfolio.

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