



Department for  
Energy Security  
& Net Zero

# Research into the Allocation of Heat and Energy Efficiency Related Costs in Rented Non- Domestic Buildings: Appendices

Commercial Leases Research Project

**Report For**

The Department for Business, Energy & Industrial Strategy

**Research Team**

Alexa Cancio  
Iona Horton  
Katharine Rowland  
Nicolas Neves  
Gabriella Franchi

**Technical Leads**

Laura Williams  
Peter McCann  
Joe Hudson  
Dan Whittaker

**Prepared By**

Laura Williams  
Kat Rowland  
Alexa Cancio  
Ona Horton  
Peter McCann  
Nicolas Neves  
Gabriella Franchi

**Quality Review**

Joe Hudson  
Sam Taylor

A handwritten signature in grey ink, appearing to read 'S Taylor', with a stylized flourish at the end.**Approved By**

Sam Taylor  
  
(Project Director)

## **Eunomia Research & Consulting Ltd**

37 Queen Square  
Bristol  
BS1 4QS  
United Kingdom

Tel +44(0) 117 9172250  
Fax +44 (0)8717 142942  
Web <https://eunomia.eco/>  
Email [hello@eunomia.co.uk](mailto:hello@eunomia.co.uk)

### **Disclaimer**

The Department for Energy Security and Net Zero (DESNZ), formerly BEIS, will be referenced throughout as BEIS due to the time the work was commissioned in 2022. The statistics quoted were correct at the time of writing.

Eunomia Research & Consulting has taken due care in the preparation of this report to ensure that all facts and analysis presented are as accurate as possible within the scope of the project. However, no guarantee is provided in respect of the information presented, and Eunomia Research & Consulting is not responsible for decisions or actions taken on the basis of the content of this report.

Copyright © 2022. Eunomia. All rights reserved.



© Crown copyright 2024

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: [newsdesk@energysecurity.gov.uk](mailto:newsdesk@energysecurity.gov.uk)

## Table of Contents

Appendices .....	5
1 Interview Participants .....	5
2 Survey .....	5
2.1 Introduction to Survey .....	5
2.2 Screener Questions .....	5
2.3 Survey Questions.....	6
3 Interview Screener Questions .....	17
4 Interview Topic Guides.....	18
4.1 Tenant/Landlord.....	18
4.2 Commercial Leasing Expert/ Legal Representative .....	24
5 Survey Results: Profile of Commercial and Industrial Property.....	28
5.1 Principal Premise Information .....	28
5.2 Profile of Surveyed Properties .....	30
6 Characteristics of Interviewed Businesses .....	35
6.1 Sector, Size and Gas Grid Connection .....	35
6.2 Principal Premise Information .....	36
6.3 Leasing Agreements .....	38

# Appendices

## 1 Interview Participants

We would like to thank all those who participated in this research. Due to ethical guidelines, despite gaining consent from many participants, we are unable to name anyone who has participated in this research.

## 2 Survey

### 2.1 Introduction to Survey

This survey is being carried out on behalf of the Government. It aims to investigate how the costs and responsibilities associated with upgrading energy efficiency and heating systems in commercial and industrial buildings are allocated between landlords and tenants. The survey only applies to buildings rented in England.

This research will inform government policies for decarbonising buildings and reaching net-zero by 2050. Specifically, it will help policymakers understand the non-domestic private rented sector and how heat and energy efficiency-related costs are allocated. The results will be anonymous and stored in line with GDPR.

In preparation for this survey, please ensure where possible you have your lease to hand to refer to throughout this questionnaire. If your organisation has multiple properties with differing lease arrangements, please focus the responses to this survey on the principal site (site with the highest energy use).

The survey should take approximately 20 minutes to complete.

### 2.2 Screener Questions

1. Please confirm that you lease the premises and do not own it?
  - Yes – PASS
  - No – FAIL
2. Please confirm that you are responsible for the leasing arrangement for the organisation's premises?
  - Yes – PASS
  - No - FAIL

3. Please confirm that the premises' lease is non-domestic (e.g., commercial) and not residential?
  - Yes – PASS
  - No – FAIL
4. Please confirm that the lease is for a private premises, rather than a public premises?
  - Yes – PASS
  - No – FAIL
5. Please confirm that the premises is located in England?
  - Yes – PASS
  - No – FAIL

Survey logic was applied to these screener questions, so if respondents clicked no to any of the above, they were disqualified.

*Disqualification message: Due to the scope of the survey, your responses to the previous questions have suggested that you are not eligible for this study. We would like to thank you for taking the time to participate.*

## 2.3 Survey Questions

This survey will firstly ask you some questions about your organisation, before moving on to premises information and then the leasing arrangement.

### **Screener Questions**

1. Please confirm that you lease the premises and do not own it?
  - Yes – PASS
  - No – FAIL
2. Please confirm you are responsible for the leasing arrangement for the organisation's premises?
  - Yes – PASS
  - No – FAIL
3. Please confirm that the premises' lease is non-domestic (e.g. commercial) and not residential?
  - Yes – PASS
  - No – FAIL
4. Please confirm that the lease is for a private premises, rather than a public premises?

- Yes – PASS
- No – FAIL

5. Please confirm that the premises is located in England?

- Yes – PASS
- No – FAIL

*Survey logic has been applied to these screener questions, so if respondents click no to any of the above they get disqualified.*

*Disqualification message: Due to the scope of the survey, your responses to the previous questions have suggested that you are not eligible for this study. We would like to thank you for taking the time to participate.*

### **Organisation Information**

Please note, if your organisation has multiple premises with differing lease arrangements, please focus the responses to this survey on the principal site (site with the highest energy use).

6. Which business sector does the organisation operate within? Please select all that apply.

- Hospitality
- Industrial & storage
- Office
- Retail
- Other (please specify)

7. Which business sector does the organisation operate within? Please select all that apply.

- Hospitality
- Industrial & storage
- Office
- Retail
- Other (please specify)

8. How many employees work within the whole organisation?

- 0-9
- 10-49
- 50-249
- 250-999
- More than 1,000

9. How many employees work within the premises being discussed in this survey?

- 0-9
- 10-49
- 50-249
- 250-999
- More than 1,000

### Principal Premises Information

If you lease multiple sites, the focus of this survey is on your principal site (the site with the highest energy use). Thinking about premises' specifics, please answer the following questions.

10. Please state the first half of the premises' postcode.

11. What is the annual lease value of the premises? Please include all charges (e.g., rent, service charges, ground rent) but exclude energy costs.

- £0 - £50,000
- £50,001 - £100,000
- £100,001 – £200,000
- £200,001 - £300,000
- £300,001 - £400,000
- £500,001 - £750,000
- Over £750,000

12. What is the primary heating system for the premises (space heating not water)? Tick all that apply.

- Central heating
- Fixed heaters
- Portable heaters

13. How is the heat delivered (space heat not water)?

- Gas – from mains/ grid
- Gas – off-gas grid
- Oil
- Direct electric
- Solid fuel – coal
- Solid fuel – biomass e.g., wood
- Air/ Ground Source Heat Pump
- LPG and Bioliquids e.g., bio-LPG
- Other (please specify)

14. What is the primary cooling system for the premises (space cooling not water)?

- Portable cooling units
- Electric chillers



- Reversible heat pumps
- Absorption chillers
- Desiccant cooling
- District cooling
- N/A

15. What is the primary source of heat for the hot water system in the premises?

- Gas – from mains/ grid
- Gas – off-gas grid
- Oil
- Electric
- Solid fuel – coal
- Solid fuel – biomass e.g., wood
- Solar thermal
- Other (please specify)

16. Have you (the tenant) made any changes to the heating system or implemented any energy efficiency measures since occupying the premises?

- Yes
- No

17. How is the premises used?

- Mixed use (commercial and residential)
- Single use (commercial only)
- Other (please state)
- Do not know

18. If answered yes to Question 16, are there multiple tenants within the premises?<sup>1</sup>

- Yes
- No
- Do not know

19. How many other tenants occupy the building? If unknown, please provide approximate figures.

20. What is the square meterage (m<sup>2</sup>) of the premises? If you work in square footage, please use the following link for a [Conversion Tool](#).

- 0 - 50 m<sup>2</sup>
- 51-100 m<sup>2</sup>
- 101-250 m<sup>2</sup>
- 251 – 500 m<sup>2</sup>

---

<sup>1</sup> Survey logic has been applied to this question so respondents only view Q18 if they answer yes to 17

- 501 – 1000 m<sup>2</sup>
- 1001 – 5000 m<sup>2</sup>
- More than 5,000 m<sup>2</sup>
- Don't know

21. Does the premises have a gas grid connection? If there is a connection, but it is unused, please select 'Yes'.

- Yes
- No
- Do not know

22. What is the EPC Rating for the premises? If unknown, please use the following [link](#) to the government website.

- A
- B
- C
- D
- E
- F
- G

23. When was the premises built?

- Pre 1920
- 1900-1939
- 1940-1970
- 1971-1995
- 1996-2020
- Post 2000

24. Is the premises listed? If unknown, please use the following [link](#) to check.

- Yes
- No

### **Leasing Arrangement**

Thinking about the leasing agreement for your premises, please answer the following questions. Some introductory questions will be asked, following which specific sections on heating/ cooling, as well as energy efficiency and other costs will be covered.

25. In what year was the lease agreed?

26. How many years is the total length of the lease, from start to finish?

27. How many years remain on the lease?

28. Does the lease have a break clause?

- Yes
- No
- Don't know

29. Does the lease have a service charge?

- Yes
- No
- Don't know

30. Please select the option which applies. Are you:

- Sole occupier (Full Repairing and Insurance (FRI) lease)
- A tenant in a multi-lease premises with a service charge

31. "Fit-out" is the term used to describe the process of making an interior space suitable for occupation. It includes the electrical, mechanical, decorating and furnishing that is undertaken by the tenant that is leasing the space.

Given this, what is the fit-out category of the premises?

- Shell and core – (without services: structure, cladding, base plant, completed common areas and external works. No fixtures, fittings, partitions, or conference rooms).
- Cat A – (basic installation: lighting, air conditioning, toilets, raised access flooring, grid ceilings and basic fire detection systems).
- Cat B – (fully fitted: partitions and doors, floor finishes, specialist lighting and facilities, cafes and kitchen area, furniture, branded material and décor).
- Other (please specify)
- Do not know

### Heating/ Cooling Costs Lease Specific

The following section will cover heating and cooling costs.

Please note that this survey is researching primary heating systems (rather than backups) and only heat which is used for space heating and hot water (rather than heat used for industrial processes).

32. For each of the premises elements listed below, who is responsible for paying for the heating and cooling **equipment costs** (the capital costs, not running costs) in the premises? Please fill out the table below.

	Space heating (e.g., boilers, heat pumps)	Space cooling (e.g., air conditioning)	Hot water (e.g., boiler, heat pump, electric)
Landlord			
Tenant (you)			
Combination			
Other (please specify)			
N/A			

33. Who is responsible for **maintenance/repair** costs of the heating and cooling infrastructure?

	Space heating (e.g., boilers, heat pumps)	Space cooling (e.g., air conditioning)	Hot water (e.g., boiler, heat pump, electric)
Landlord			
Tenant (you)			
Combination			
Other (Please specify)			

34. If you as the tenant are responsible, do you require consent from your landlord to make heating and cooling system upgrades (any changes or improvements to the specified systems)?

	Space heating (e.g., boilers, heat pumps)	Space cooling (e.g., air conditioning)	Hot water (e.g., boiler, heat pump, electric)
Yes			
No			
Do not know			
N/A			

35. If you as the tenant are responsible for purchasing your own heating and cooling system, what would happen to that system if you were to vacate the premises?

	Space heating (e.g., boilers, heat pumps)	Space cooling (e.g., air conditioning)	Hot water (e.g., boiler, heat pump, electric)
Take it with you			
Leave it behind			
Leave it behind, but the landlord compensates for some of the cost			
Dealt with through the dilapidations as specified in the lease			
Other (Please specify below)			
Don't know			
N/A			

36. If your landlord is responsible for the heating and cooling equipment costs (the capital costs, not running costs) in the premises, do you:

- Contribute directly to the cost
- Pay the cost via a service charge (changes annually)
- Not contribute to the cost
- Don't know
- N/A

### Energy Efficiency Costs

The following section will cover energy efficiency costs.

The energy efficiency of a premises is determined by the rate at which energy is lost through the physical structure of the premises, and the rate at which energy is used to meet the energy needs and physical comfort of the occupants.

37. For each of the premises elements listed below, who is responsible for paying for the energy efficiency improvement measures in the premises? Please fill out the table below.

	Double/ Triple glazing added to Windows and Doors	Wall Insulation	Floor Insulation	Roof and Loft Insulation	Low Energy/ High Efficiency Lighting Fixtures	Installing a Building Management System	Conducting Energy Efficiency Audits
<b>Landlord</b>							
<b>Tenant (you)</b>							
<b>Combination</b>							
<b>Other (Please specify below)</b>							
<b>N/A</b>							

38. Who is responsible for maintenance/repair costs of energy efficiency infrastructure?

	Double/ Triple glazing added to Windows and Doors	Wall Insulation	Floor Insulation	Roof and Loft Insulation	Low Energy/ High Efficiency Lighting Fixtures	Installing a Building Management Systems
<b>Landlord</b>						
<b>Tenant (you)</b>						
<b>Combination</b>						
<b>Other (Please specify below)</b>						
<b>N/A</b>						

39. Who is responsible for undertaking energy efficiency audits?

- Landlord
- Tenant (you)
- Combination
- N/A
- Other (please specify)

40. If you as the tenant are responsible, do you require consent from your landlord to make energy efficiency upgrades?

	Windows/ doors	Walls	Floors	Roofs and loft	Lighting	HVAC	Building Management System	Energy Efficiency audits
Yes								
No								
Don't know								
N/A								

41. If your landlord is responsible for the energy efficiency improvement measures in the premises, do you:

- Contribute directly to the cost
- Pay the cost via a service charge (changes annually)
- Not contribute to the costs
- Don't know

### Other Costs – Lease Arrangements

The final section will cover additional costs

42. Who is responsible for choosing the energy tariff/supplier for the premises?

- Landlord
- Tenant
- Other (please state who)
- Do not know

43. Who is responsible for paying the premises' energy bill (or proportion if multiple tenants)?

- Landlord
- Tenant
- Other (please state who)
- Do not know

44. Who is responsible for taking/ reporting meter readings?

	Taking Readings	Reporting Readings
Landlord		
Tenant		
Other (please specify)		

45. In relation to the question above, does this include sub-meter readings?

- Yes
- No
- Do not know
- End of Survey

*Thank you for participating in this study, your answers will inform government policies for decarbonising buildings and reaching net-zero by 2050.*



## 3 Interview Screener Questions

### Tenants

- Please confirm you lease the premises and do not own it?
- Please confirm you are responsible for the lease for at least one of your organisation's premises?
- Please confirm that the premises' lease is non-domestic (e.g., commercial) and not residential?
- Please confirm that the lease is for a private premises, rather than a public premises?
- Please confirm that the premises is located in England?

### Landlords

- Please confirm you own or lease a premises that you then lease to another organisation?
- Please confirm you are responsible for the leasing arrangement for the premises?
- Please confirm that the premises' lease is non-domestic (e.g., commercial) and not residential?
- Please confirm that the lease is for a private premises, rather than a public premises?
- Please confirm that the premises is located in England?

### Legal representatives/ commercial property experts.

- Do you have knowledge in the leasing of non-domestic (e.g. commercial and industrial) premises?
- Please confirm you have a comprehensive understanding (across different sectors and values of lease) of the different types of leasing arrangements in place for such premises in England?

## 4 Interview Topic Guides

### 4.1 Tenant/Landlord

Questions	Probes/Prompts
<b>Confirmation and Participant Information</b>	
<i>Interviewer reference only (do not read to interviewee): It is important to be specific and clear about which property is being discussed, as the landlord or tenant could have multiple properties. If they have multiple properties, ask for all that apply to their portfolio.</i>	
1. Which business sector does your organisation operate within?	<i>Hospitality / Industrial &amp; storage / Office /Retail  Other</i>
2. How many employees work within your organisation as whole?	<i>0-9 / 10-49 / 50-249 / 250-999 /More than 1,000</i>
3. How many employees work within the premises being discussed in this survey?	<i>0-9 / 10-49 / 50-249 / 250-999 / More than 1,000</i>
4. What is the annual lease value of the premises? Please include all charges (e.g., rent, service charges, ground rent) but exclude energy costs.	
5. How is the heat delivered (space heat not water)?	<i>Gas – from grid / Gas – off-gas grid/ Oil / Direct electric / Solid fuel – coal / Solid fuel – biomass / Heat Pump / LPG and Bioliquids / Other</i>
6. What is the primary cooling system for the premises (space cooling not water)?	<i>Portable cooling units / Electric chillers / Reversible heat pumps / Absorption chillers / Desiccant cooling / District cooling / NA</i>
7. What is the primary source of heat for the hot water system in the premises?	<i>Gas – from grid / Gas – off-gas grid / Oil / Electric / Solid fuel – coal Solid fuel –</i>

	<i>biomass / Solar thermal / Other (please specify)</i>
8. How is the premises used?	<i>Mixed use (commercial and residential) / Single use (commercial only) / Other</i>
9. Are there multiple tenants within the premises?	Yes / No
10. How many other tenants occupy the building? If unknown, please provide approximate figures	
11. What is the square meterage (m <sup>2</sup> ) of the premises? If you work in square footage, please use the following link for a <a href="#">Conversion Tool</a>	
12. Does the premises have a gas grid connection? <i>If there is a connection, but it is unused, please select 'Yes'.</i>	Yes / No
13. What is the EPC Rating for the premises? If unknown, please use the following <a href="#">link</a> to the government website.	A, B, C, D, E, F, G
14. When was the premises built?	
15. Is the premises listed (historical building)? If unknown, please use the following <a href="#">link</a> to check.	Yes / No
16. In what year was the lease agreed?	
17. How many years is the total length of the lease, from start to finish?	
18. Does the lease have a break clause?	Yes / No
19. Does the lease have a service charge?	
20. Tenant only: Please select the option which applies. Are you:	Sole occupier (Full Repairing and Insurance (FRI) lease) / A tenant in a multi-lease premises with a service charge

21. What is the fit-out category of the premises?

*“Fit-out” is the term used to describe the process of making an interior space suitable for occupation. It includes the electrical, mechanical, decorating and furnishing that is undertaken by the tenant that is leasing the space.*

- Shell and core – (without services: structure, cladding, base plant, completed common areas and external works. No fixtures, fittings, partitions)
- Cat A – (basic installation: lighting, air conditioning, toilets, raised access flooring, grid ceilings and basic fire detection).
- Cat B – (fully fitted: partitions and doors, floor finishes, specialist lighting and facilities, cafes and kitchen area, furniture, branded material and décor).
- Other

### **Theme A: Background Info, Installations and Upgrades, Barriers and Views on Heating and Energy Efficiency**

**Throughout this interview, any references to tenants and landlords will pertain to your relationship with your [landlord/tenant] for the [name of property] property unless otherwise stated. Where you have multiple properties, please state where differences would occur between this property and other properties and why.**

1. Over the last 5 years, what energy efficiency upgrades have been implemented in the property?

*E.g. double-glazed windows, light fixture upgrades, draught proofing, boiler installation, wall insulations*

2. Over the last 5 years, what heat installations have been implemented in the property?

Were there any low-carbon installations? If so what were these?

*E.g. air and ground source heat pumps, solar thermal panels, underfloor heating*

3. What are the upcoming energy efficiency upgrades or heating system installations for implementation in the property?

4. What barriers do you face when determining responsibility for costs towards installing heat and energy efficiency measures?

*E.g. Access to finance*

5. As a tenant/landlord, what role do low carbon heating and energy efficiency measures play in your property?

- *Are these measures relevant to you and your property? Have you considered installing any of these for the property?*

- How has your view changed over time?
- Why has your view changed over time?

## Theme B: Responsibility

For the next set of questions, we will be asking about how costs for energy efficiency upgrades and heating installations are divided between the landlord and tenant.

*Interviewer reference only (do not read to interviewee):*

- ***When we refer to responsibility, this is with regards to who is responsible for covering the costs.***
- ***When we refer to heating and cooling, this scope includes space heating, space cooling, and hot water only.***
- ***When we refer to energy efficiency, the scope includes building fabric (any structure, surface, fixture or fitting associated internally or externally with a building - including insulation, windows and doors), metering responsibilities, and submetering.***
- ***Costs refer to capital costs and operational costs.***
  - 1) ***Capital costs relate to replacing existing infrastructure with new infrastructure in a property. This may also be associated with surveys, design, installation, and commissioning.***
  - 2) ***Operational costs and savings can include energy bills, maintaining and repairing a heating system, and metering responsibilities.***

1. Within your lease contract, who is responsible for paying for costs for:
    - Installation of EE measures specific to building fabric e.g. insulation, LEDs, window glazing)
    - EE Audits
    - Installation of heating equipment (space heating e.g. boiler/ heat pump)
    - Installation of cooling equipment (space cooling e.g. air con)
    - Installation of hot water equipment (e.g. boiler, electric)
- Does responsibility vary depending on the type of heating/cooling equipment installed?
  - (if yes) Does this add any complications to the lease contract?

- Energy bills – payment and choosing the supplier (or via a service charge)
- Maintenance costs of heating, cooling, and hot water equipment
- Operational costs
- Metering responsibility
- Submetering responsibility

2. How was it decided who takes responsibility of the costs for these elements?

- Is this explicitly indicated in the lease contract or informally agreed?
- Who led on the negotiation?
- Has this changed over time?
- Any other external factors driving consideration of this responsibility?
- Were there any factors that were specific to [your industry / the tenant's industry]?

3. Were there any factors that made it difficult for you and your [landlord/tenant] to agree on responsibility for costs as and when issues arose?

- What did you and your [landlord/tenant] disagree on with regards to responsibilities for these costs during the negotiations?

(If yes) What were these factors?

4. Does the division of costs differ between what your contract states versus what happens in practice?

- Why does this differ in contract and in practice?

If yes, how so?

5. If energy efficiency upgrades or heating installations were put in place following the lease contract being signed, were there deviations from the contract?

- Do you ask for a contribution from savings?
- Any deviation and why?

Did responsibilities change to reflect energy saved?

### Theme C: Looking Forward

The next set of questions will relate to two different scenarios to explore what would happen or has happened if either you or the landlord wanted to voluntarily make energy efficiency improvements to the building.

**a) The first scenario relates to the party who is not responsible for installing and paying for these measures. In your case, this is the [landlord/tenant]. If the [landlord/tenant] wanted to install these measures but was not responsible for installing or paying...**

1. Would you seek to follow exactly what was in the current tenancy agreement or would you look to re-negotiate? E.g., would you actively prohibit the landlord/tenant from making changes (if contract allows) and why?
2. Would this be an informal or formal re-negotiation of the contract?
3. If some, or all of the responsibility fell to you, how would you look to fund these changes? E.g., loans, finance, payment upfront
4. At what point do you foresee these changes taking place? E.g., At the point of let or sale or during an existing lease?  
If mid-tenancy is ok, would the tenant need to be compensated?

**b) The second scenario relates to the party who is responsible for installing and paying for these measures. In your case, this is [landlord/tenant]. Imagine a scenario where the (landlord or tenant) wanted to install these measures. However, the [landlord/tenant] wanted to split the costs between both parties...**

5. Would you seek to follow exactly what was in the current tenancy agreement or would you look to re-negotiate? E.g., would you actively prohibit the landlord/tenant from making changes (if contract allows) and why?
6. Would this be an informal or formal re-negotiation of the contract?
7. If some, or all of the responsibility fell to you, how would you look to fund these changes? E.g., loans, finance, payment upfront
8. At what point do you foresee these changes taking place? E.g., At the point of let or sale or during an existing lease?  
If mid-tenancy is ok, would the tenant need to be compensated?

**If future legislation meant that you had to install low carbon heating when your current heating system came to the end of its working life, do you think it should be the landlord or the tenant who is responsible for funding the cost of these changes or do you think that responsibility should be shared?**

**Interviewer reference only (do not read to interviewee): When asking this question, interviewers should make clear that this is asking about hypothetical future situation and is not a government policy commitment**

9. Would you seek to follow exactly what was in the current tenancy agreement or would you look to re-negotiate?
10. Would this be an informal or formal renegotiation of the contract?
11. If responsibility is to be shared, what barriers does current commercial leasing legislation pose?
12. If some, or all of the responsibility fell to you, how would you look to fund these changes? E.g., Loans, finance, payment upfront

## 4.2 Commercial Leasing Expert/ Legal Representative

Questions	Probes/Prompts
<b>Theme A: Arrangements in Commercial Leasing Agreements</b>	
<b>For the next set of questions, we will be asking about how costs for energy efficiency upgrades and low carbon heating installations are divided between the landlord and tenant.</b>	
<ul style="list-style-type: none"><li>• <b>When we refer to heating and cooling, this scope includes space heating, space cooling, and hot water only.</b></li><li>• <b>When we refer to energy efficiency, the scope includes building fabric (including insulation, windows and doors), metering responsibilities, and submetering.</b></li><li>• <b>Costs refer to capital costs, maintenance costs, and operational costs.</b></li></ul>	
<ol style="list-style-type: none"><li>1. <b>Capital costs relate to replacing existing infrastructure with new infrastructure in a building. This may also be associated with surveys, design, installation, and commissioning.</b></li></ol>	
<b>Operational costs and savings can include energy bills, maintaining and repairing a heating system, and metering responsibilities.</b>	



<p>1. How have commercial leases typically divided heating, cooling, and energy efficiency costs and saving benefits between tenants and landlords?</p>	<p>Has it changed in the course of the last 5 years?</p> <p>Is this likely to change in the coming years? How so?</p>
<p>2. What factors affect what is stipulated in the lease contract for heating, cooling and energy efficiency?</p>	<p><i>What factors do tenants and landlords, alongside commercial property experts, tend to consider when deciding how these costs are allocated? E.g.</i></p> <ul style="list-style-type: none"> <li>• <i>Mixed use vs single occupancy (both non-domestic and non-domestic, and domestic and non-domestic)</i></li> <li>• <i>Sector</i></li> <li>• <i>Type of lease</i></li> <li>• <i>Size of organisation</i></li> <li>• <i>Size of building</i></li> </ul>
<p>3. Which factors (heating, cooling, hot water, different EE measures) do landlords and tenants generally tend to agree on quickly or easily?</p>	<p><i>Least contentious factors</i></p> <p><i>Non-negotiables?</i></p>
<p>4. What are some of the reasons tenants and landlords would disagree on who pays for building upgrades and maintenance of heating, cooling and energy efficiency measures?</p>	<p>Common reasons and important reasons</p> <p>How do these disagreements unfold?</p> <p>Why do you think these are some of the bigger or more common disagreements?</p>
<p>5. What happens in practice for who covers costs for heat, cooling and energy efficiency measures vs what is stated in lease agreements?</p>	
<p>6. What impact does having third parties (intermediaries &amp; subletting) involvement have on the allocation or costs between tenants and landlords?</p>	

**Theme C: Looking Forward**

***This question is split into two scenarios, and explores what would happen/ has happened if the landlord/tenant wanted to voluntarily make energy efficiency improvements to the building, and/or make use of government incentives such as the Boiler Upgrade Scheme to install a low carbon heating system.***

**a) If the party (landlord or tenant), who wanted to install these measures was not the responsible party (as determined in Theme B)**

**b) If the party (landlord or tenant), who wanted to install these measures is responsible (as determined in Theme B) but wanted to split the costs between both parties.**

---

1. Would the landlord/tenant seek to follow exactly what was in the current tenancy agreement or would you look to re-negotiate? E.g. would you actively prohibit the landlord/ tenant from making changes (if contract allows) and why?

---

2. Would this be an informal or formal re-negotiation of the contract?

---

3. If some, or all of the responsibility fell to the landlord/tenant, how would they look to fund these changes? E.g. loans, finance, payment upfront

---

4. At what point would you foresee these changes taking place? E.g. At the point of let or sale or during an existing lease?

---

If mid-tenancy is ok, would the tenant need to be compensated?

---

**If future legislation meant that you had to install low carbon heating when your current heating system came to the end of its working life, do you think it should be the landlord or the tenant who is responsible for funding the cost of these changes or do you think that responsibility should be shared?**

***Interviewer reference only (do not read to interviewee): When asking this question, interviewers should make clear that this is asking about hypothetical future situation and is not a government policy commitment***

---

5. Would the landlord/tenant seek to follow exactly what was in the current tenancy agreement or would they look to re-negotiate?

---

6. Would this be an informal or formal renegotiation of the contract?

---

---

7. If responsibility is to be shared, what barriers does current commercial leasing legislation pose?

---

8. If some, or all of the responsibility fell to the landlord/tenant, how would they look to fund these changes? E.g. Loans, finance, payment upfront

---

# 5 Survey Results: Profile of Commercial and Industrial Property

## 5.1 Principal Premise Information

### • **Survey Respondents**

- 70% of premises had an annual lease value under £200,000, where the most frequent charge was under £50,000 (27% of all respondents).
- Premises tended to have a floor area between 51-100 or 101-250 m<sup>2</sup> (19% and 23% respectively). Otherwise, premises were reported to have a floor area between 251-500, 501-1000 or 1001-5000 m<sup>2</sup> (12-13% likelihood respectively).
- Premises were more likely to be built recently, most frequently after 1996 (32%). Premises also tended not to be listed (59%).
- Most premises surveyed were single-use (commercial only) rather than mixed-use (commercial and residential) (65% and 31% respectively). In addition, there tended not to be any other tenants in the building (37%), or only 1-2 others (22%).
- Premises were most likely to have an EPC rating of B or C (33% and 31% respectively), while band A and D premises were each approximately 12% likely.
- Leases were, most frequently agreed on in 2015 or later (44%). Leases were often signed for 5-9, 10-19 or 20-39 years (15%, 24% and 20% respectively). For those signed in or after 2021, leases were more likely to have fewer years remaining than those signed before 2021, most frequently between 2-4 years or 5-9 years (27% and 24%).
- Leases were less likely to have a break clause than not (31% had a break clause in the survey and 44% in interviews), while equally likely to have a service charge than not.
- Most tenants were sole occupiers with full repairing and insuring leases<sup>2</sup> (77%). Premises were also most likely to have either a Cat A or Cat B fit-out<sup>3</sup> (42% and 27%).

### • **Interviewees**

---

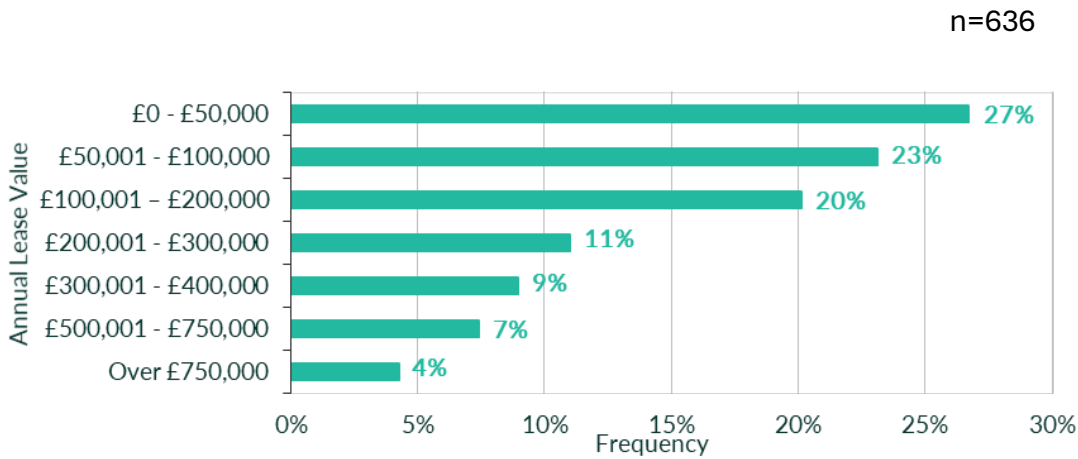
<sup>2</sup> Where the tenant takes on all costs of repairs and insurance for the leased property.

<sup>3</sup> Shell & Core: only basic internal framework of the building is supplied; Cat A: Basic level of finish provided, which may include floor and internal surface finishes, suspended ceilings, basic mechanical and electrical services and/or air-conditioning and ventilation; Cat B: Full level of finish and furnishing provided.

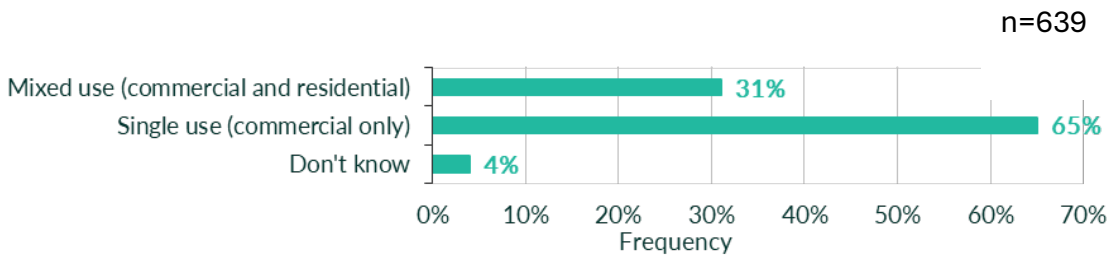
- Corroborating the trend within the survey sample, 65% of premises had an annual lease value under £200,000, where the most frequent charge (as with surveys) was under £50,000 (41% of all respondents).
- Unlike survey responses, interviews indicated that premises were most likely to have a floor area of 1001-5000 m<sup>2</sup> or more than 5000 m<sup>2</sup> (38% and 31% respectively). Otherwise, premises with 0-50 or 50-100 m<sup>2</sup> were equally likely at 13% each, followed by 101-250 m<sup>2</sup> at 6%. No premises with floor space between 500 and 1000 m<sup>2</sup> were mentioned.
- Conversely to trends in the survey sample, interviewed premises were more likely to be built before 1996 (55%); however, the 1996-2020 category had the highest proportion of buildings at 40%. However, premises tended not to be listed (65%), suggesting similar trends to those revealed through surveying.
- Similar to surveys, interviews revealed that most premises were single use (commercial only) rather than mixed-use (commercial and residential) (71% and 29% respectively). However, in opposition to surveys, there tended to be other tenants in the building (65%).
- In opposition to results from the survey, premises were most likely to have an EPC rating of C or D (27% for each), while band E represented (20%).
- Within a similar period to those suggested within the survey results, leases were most frequently agreed upon between 2011 and 2020 (63%). Similar to businesses in the survey, leases were often signed for 5-9, 10-19 or 20-39 years (24%, 33%, and 19%).
- Opposite to results from the survey, interviews suggest leases were more likely to have a break clause than not (67% to 33%), while equally likely to have a service charge than not (69% to 31%).
- As with the surveys, most tenants were sole occupiers with full repairing and insuring leases (67%). However, unlike surveys, interviews suggested Shell and Core or Cat A were the most common fit-out (36% for each).

## 5.2 Profile of Surveyed Properties

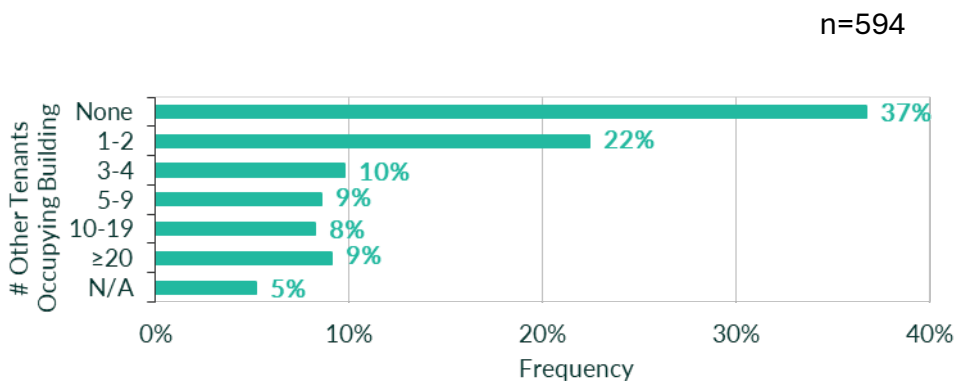
**Figure A-1: Annual Premises Lease Value<sup>4</sup>**



**Figure A-2: Premises Usage<sup>5</sup>**



**Figure A-3: Building Occupancy<sup>6</sup>**

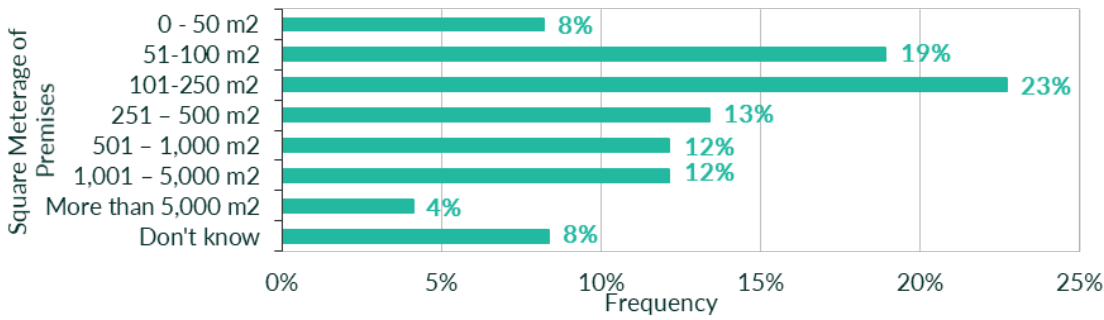


<sup>4</sup> Question 11: “What is the annual lease value of the premises? Please include all charges (e.g. rent, service charges, ground rent) but exclude energy costs

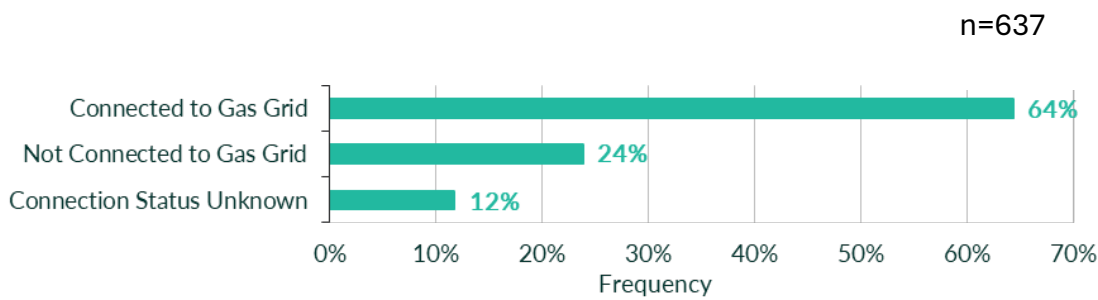
<sup>5</sup> Question 17: “How is the premise used?”

<sup>6</sup> Question 19: “How many other tenants occupy the building? If unknown, please provide approximate figures”.

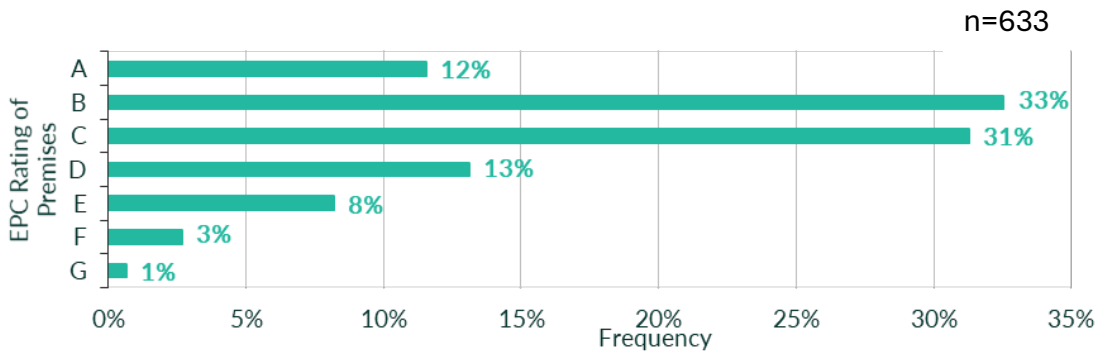
**Figure A-4: Premises Size<sup>7</sup>**



**Figure A-5: Gas Grid Connection<sup>8</sup>**



**Figure A-6: EPC Rating<sup>9</sup>**

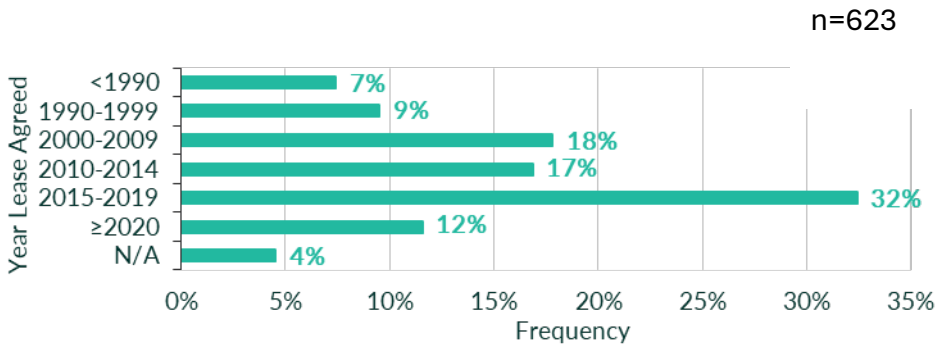


<sup>7</sup> Question 20: “What is the square meterage (m2) of the premises? If you work in square footage, please use the following link for a Conversion Tool”

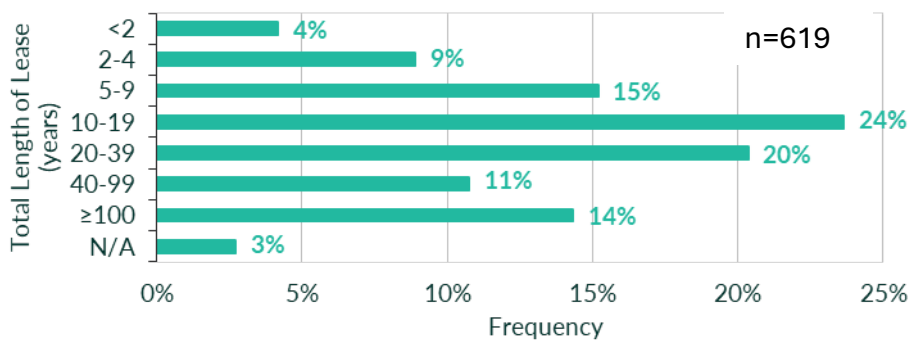
<sup>8</sup> Question 21: “Does the premises have a gas grid connection? If there is a connection but it is unused, please select ‘Yes’”

<sup>9</sup> Question 22: “What is the EPC Rating of the premises? If unknown, please use the following link to the government website”.

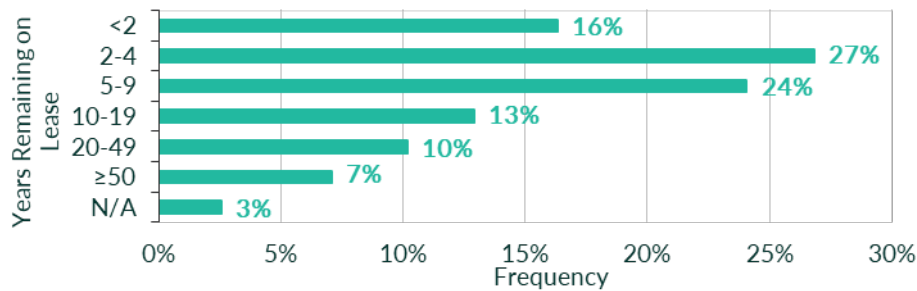
**Figure A-7: Year of Lease Agreement<sup>10</sup>**



**Figure A-8: Length of Lease<sup>11</sup>**



**Figure A-9: Remaining Lease Time<sup>12</sup>**



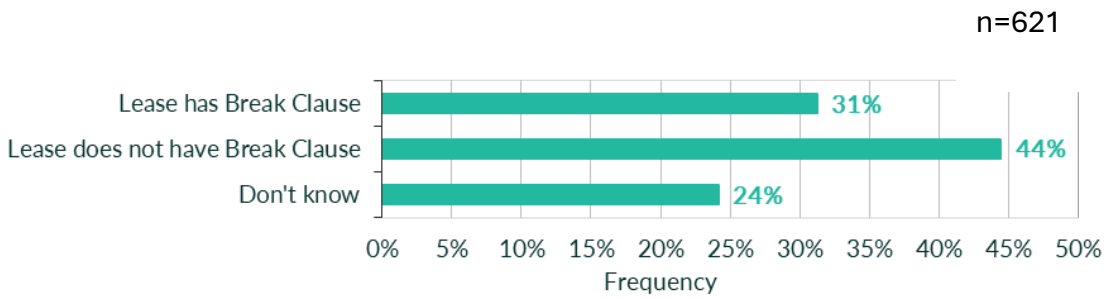
<sup>10</sup> Question 25: “In what year was the lease agreed?”

<sup>11</sup> Question 26: “How many years is the total length of the lease, from start to finish?”

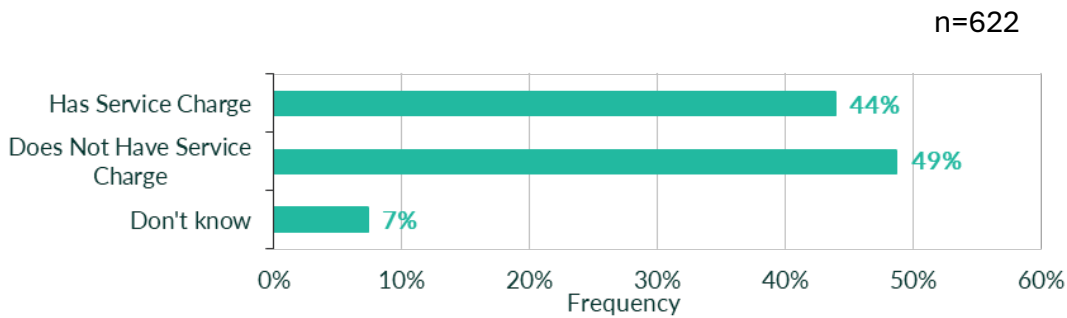
<sup>12</sup> Question 27: “How many years remain on the lease?”



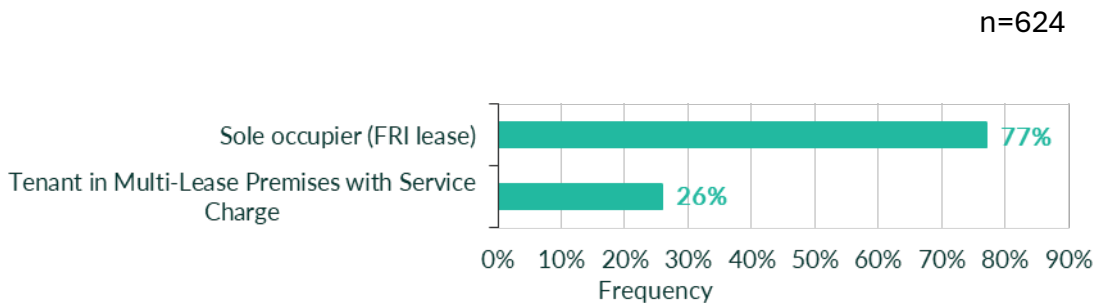
**Figure A-10: Presence of Break Clause<sup>13</sup>**



**Figure A-11: Presence of Service Charge<sup>14</sup>**



**Figure A-12: Lease Arrangement<sup>15</sup>**

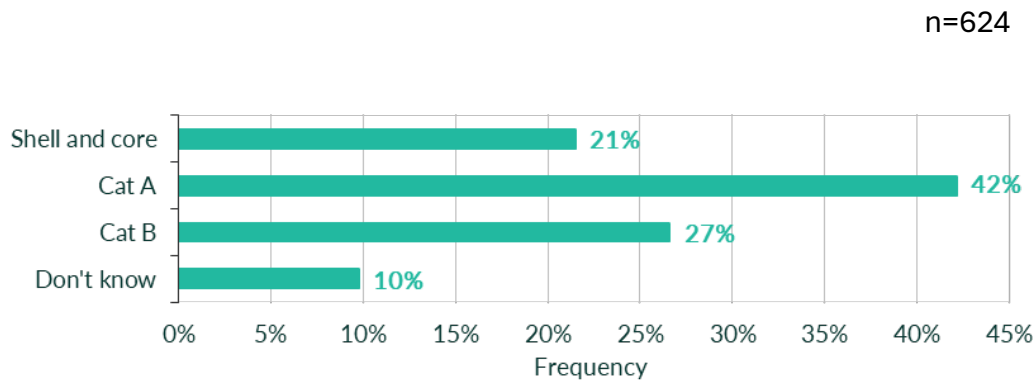


<sup>13</sup> Question 28: "Does the lease have a break clause?"

<sup>14</sup> Question 29: "Does the lease have a service charge?"

<sup>15</sup> Question 30: "Please select the option which applies. Are you:"

**Figure A-13: Fit-Out Category<sup>16</sup>**



---

<sup>16</sup> Question 31: ““Fit-out” is the term used to describe the process of making an interior space suitable for occupation. It includes the electrical, mechanical, decorating and furnishing that is undertaken by the tenant that is leasing the space. Given this, what is the fit-out category of the premises?”

## 6 Characteristics of Interviewed Businesses

### 6.1 Sector, Size and Gas Grid Connection

**Table A-1: Business Sector of Interviewees**

Category	Tenant	Landlord
Hospitality	2	2
Industrial & Storage	2	2
Office	7	3
Retail	0	3

**Table A-2: Business Size of Interviewees**

Category	Tenant	Landlord
0-9	4	2
10-49	2	2
50-249	1	4
250-999	3	3

**Table A-3: Gas Grid Connections of Interviewees' Premises**

Category	Tenant	Landlord
Gas Grid Connection	8	8
No Gas Grid Connection	3	3

## 6.2 Principal Premise Information

**Table A-4: Annual Lease Value of Interviewees' Premises**

Category	Tenant	Landlord
Less than £50,000	4	3
£50,001 - £100,000	2	1
£100,001 - £200,000	0	0
£200,001 - £300,000	0	1
£300,001 - £400,000	0	0
£400,001 - £750,000	0	1
Over £750,000	2	3

**Table A-5: Square Meterage of Interviewees' Premises**

Category	Tenant	Landlord
0-50 m <sup>2</sup>	2	0
51-100 m <sup>2</sup>	1	1
101-250 m <sup>2</sup>	0	1
251-500 m <sup>2</sup>	0	0
501-1000 m <sup>2</sup>	0	0
1001-5000 m <sup>2</sup>	3	3
More than 5000 m <sup>2</sup>	1	4

**Table A-6: Building Age of Interviewees' Premises**

Category	Tenant	Landlord
Pre 1900	2	3
1900-1939	1	0

1940-1970	1	3
1971-1995	1	0
1996-2020	5	3
Post 2020	0	1

**Table A-7: Interviewees' Premises Listed**

Category	Tenant	Landlord
Listed	4	3
Not Listed	6	7

**Table A-8: Building Use of Interviewees' Premises**

Category	Tenant	Landlord
Mixed Use (Commercial and Residential)	2	4
Single Use (Commercial Only)	9	6

**Table A-9: Occupier Status of Interviewees' Premises**

Category	Tenant	Landlord
Sole Occupation	6	1
Multiple Occupation	5	8

**Table A-10: EPC Rating of Interviewees' Premises**

Category	Tenant	Landlord
A	0	1
B	2	0
C	0	4

D	1	3
E	1	2
F	0	0
G	1	0

### 6.3 Leasing Agreements

**Table A-11: Year of Lease Agreement for Interviewees**

Category	Tenant	Landlord
Pre 2000	0	1
2000-2010	3	1
2011-2020	6	6
Post 2020	2	0

**Table A-12: Length of Lease for Interviewees**

Category	Tenant	Landlord
Less than 5	2	1
5-9	4	1
10-19	3	4
20-39	1	3
More than 40	1	1

**Table A-13: Presence of a Break Clause and Service Charges for Interviewees**

Category	Tenant	Landlord
Break Clause	10	6
No Break Clause	4	4

Service Charge	4	7
No Service Charge	4	1

**Table A-14: Occupier Status of Interviewees**

Category	Tenant
Sole Occupier (Full Repairing and Insurance (FRI) Lease)	2
A tenant in a Multi-Lease Premises with a Service Charge	1

**Table A-15: Fit-Out Category**

Category	Tenant	Landlord
Shell & Core (without services or fixtures)	5	3
Category A (basic installation)	3	5
Category B (fully fitted)	3	3

This publication is available from: [www.gov.uk/government/publications/allocation-of-heat-and-energy-efficiency-related-costs-in-rented-non-domestic-buildings](http://www.gov.uk/government/publications/allocation-of-heat-and-energy-efficiency-related-costs-in-rented-non-domestic-buildings)

If you need a version of this document in a more accessible format, please email [alt.formats@energysecurity.gov.uk](mailto:alt.formats@energysecurity.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.