

Dissertation for the degree of
Master of Science in Sustainable Urban Development

***UK Non-Domestic Property Decarbonisation:
The Institution of Leasing***

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Abstract

Under the Climate Change Act, the UK became legally bound to achieve Net-Zero greenhouse gas (GHG) emissions by 2050. Publicly available data shows we are not on pace to achieve this goal. It is estimated that a quarter of all GHG-emissions are attributable to buildings in the UK and it is predicted that 80 percent of the country's existing buildings will still be in-use by the 2050 deadline, with many underperforming. Around a quarter of these built environment emissions originate from non-domestic property in the UK, and just over half is leased, as opposed to owner occupied, which positions existing leased property as a critical area for decarbonisation focus. The literature highlights 'split incentives', as asymmetries between landlords' and tenants' interests for energy efficiency implementations but calls for further investigation into this potential dichotomy and the implications for the role of leases.

Through an institutional analysis, this dissertation builds on previous research exploring stakeholder decarbonisation decision making within the UK non-domestic property market, with a focus on property leasing, associated regulation and landlord-tenant relationships. It suggests that firstly; the shortening of lease terms over time may create opportunity for accelerated decarbonisation interventions compared with longer leases and shift obligations towards landlords. Secondly, that existing regulation, which targets only landlords, is proving ineffective but that the Landlord and Tenant Act's security of tenure may promote tenant decarbonisation implementation decisions. Finally, it also suggests that landlord-tenant relationships are slowly improving, becoming more collaborative and less adversarial, which is likely to expediate decarbonisation implementation. Overall, the research argues that non-domestic property leasing, despite somewhat ineffective public regulation and green leasing, may begin to assist towards the goal of decarbonisation in the sector. This is argued to be through the market driven shortening of lease lengths, both increasing the frequency of windows of opportunity for (re)negotiation and contributing to the slow collaborative improvement of landlord-tenant relationships. These findings hold particular significance for policy making associated with non-domestic property decarbonisation as well as institutional change more broadly.

Key words: decarbonisation, non-domestic property, leases, Minimum Energy Efficiency Standards (MEES), historical institutionalism, rational-choice institutionalism, sociological institutionalism, decision making.

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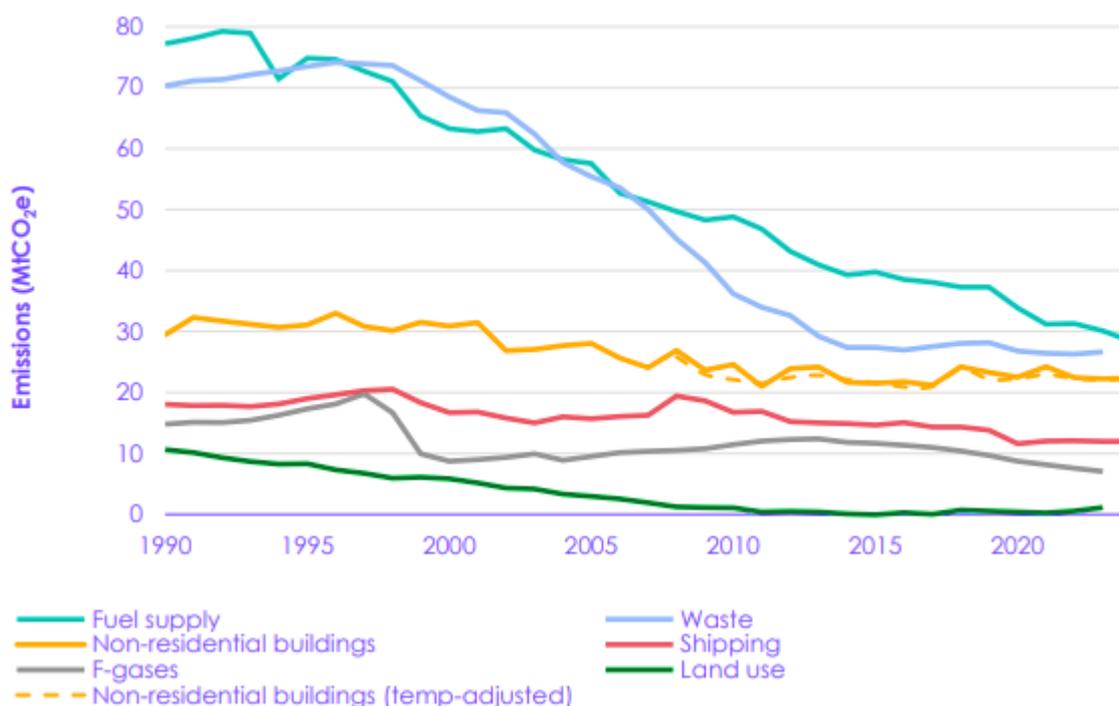
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1.0 Introduction

1.1 Research Context

The United Nations (UN), national governments and activist groups globally are spotlighting environmental sustainability, with emphasis on reducing greenhouse gas (GHG) emissions to mitigate climate change because of global warming. The built environment is accountable for approximately 40 percent of global GHG-emissions and therefore a critical area of focus with regards to emissions reductions (e.g. WGBC, 2025; UNEP, 2024, pp.ix). Under the Climate Change Act, the UK has become legally bound to achieve Net-Zero GHG-emissions by 2050. While territorial GHG-emissions have been reducing steadily for years in the UK, the pace of reduction needs to quicken to hit these targets. A recent report from the Climate Change Committee (CCC) states; “*this will increasingly require focus on transport, buildings, agriculture, and aviation*” (CCC, 2025, pp.22). As can be seen in Figure 1, emissions derived from non-domestic buildings in the UK have remained similar since c.2010 (ibid, pp.29). Moreover, it is estimated that 80 percent of the country’s existing buildings will still be in-use by 2050, so the decarbonisation of these buildings is therefore an important part of reaching the UK’s Net-Zero targets (UKGBC, 2024). Van der Heijden (2016) emphasises that low-carbon initiatives for existing buildings typically see less uptake than for new buildings, further positing that focussing attention on the decarbonisation of existing building stock is important.

Figure 1 - Graph showing UK GHG-emissions in MtCO₂e for select sectors (CCC, 2025, pp.29). Note: ‘temp-adjusted’ allows for seasonal variance in climatic temperature effecting building heating demand.



The challenge of managing largely privately owned built environments in the public's climate interest is referred to as a 'commons-dilemma' derived from Hardin's seminal 'tragedy of the commons' (1968) and is a dynamic of significance within sustainable urban development. Institutions have evolved to shape and govern these pursuits of differing and common interests in the form of sanctions, laws, rules, customs, norms, or property rights (Ostrom, 1990). One such institution is the contracts made between landlords and tenants to structure the rental agreements and rights of property, called leases. Property leases and the behaviour they affect, will be the focus of this dissertation, in the context of decarbonising leased UK non-domestic properties. To be clear, this dissertation is not arguing that leases are necessarily the most important factor in whether a stakeholder makes a decarbonisation intervention decision or not. It is quite clear from the literature (and partly this dissertation's findings) that financial implications are still the most significant consideration for landlords and tenants. This will be discussed further in the literature review and the dissertation findings.

Approximately 55 percent of non-domestic property in the UK is leased, as opposed to owner occupied (PIA, 2024, pp.10). This ownership point is important, because to decarbonise buildings, physical property changes are required but the agencies, incentives, or obligations to make those changes, between landlords and tenants is typically asymmetric. For example, a recent study by the UK Department for Energy Security & Net Zero (DESNZ, 2024) found that the allocation of costs between landlords and tenants for energy efficiency improvements are always somewhat unequal. These asymmetries, associated with leasing in the context of energy efficiencies and decarbonisation, are often referred to as the landlord-tenant 'Split Incentive' (Melvin, 2018). The misalignments most often cited are with regards to who pays energy bills perhaps being different to who has agency to make energy efficiency improvements, or a tenant not having enough unexpired lease term to get a financial 'payback' on energy efficiency measures they implement, which may see the landlord financially benefit at the tenant's expense (Jaffe & Stavins, 1994; Patrick & Bright, 2016; Melvin, 2018).

However, this misalignment in interests appears to go further than these initial conflicts cited under the umbrella of the 'Split Incentive' with regards to energy performance, or decarbonisation of non-domestic buildings in the UK. Patrick & Bright (2016), which is a key text on this topic, in part concludes that *"The potential dichotomy between environmental performance on the one hand, and compliance and protection on the other, and its implications for the role of leases, could benefit from further investigation."* (pp.20). This suggests that nuance is anticipated for the role of leases and their influence on stakeholder decarbonisation decision making. Furthermore, since this key text, there have been changes in UK legislation that affects leasing stakeholders, pertinently Minimum Energy Efficiency Standards (MEES) as well as county court cases associated with landlords attempting to impose green lease clauses. The literature surrounding the ongoing debates and legal cases will be discussed in Chapter 2.

1.1.1 Introducing Decarbonisation

Decarbonisation refers to the implementation of measures that reduce or remove GHG-emissions into the atmosphere (Lane, 2019). Other gases than carbon dioxide (CO₂) contribute to global warming (methane, CH₄, for example) but CO₂ is the largest contributor and so GHG-emissions are typically normalised into ‘carbon dioxide equivalents’ (or, ‘CO₂e’). Hence, the inference on *decarbonisation* but referring to reducing GHG-emissions more broadly. The most widely used standard for the measurement of these GHG-emissions is the ‘Greenhouse Gas Protocol’ (2015) which splits emissions into three main categories:

Scope 1: Direct emissions from owned or controlled sources (such as burning natural gas in a boiler for a building heating system).

Scope 2: Indirect emissions from the generation of energy that is purchased but then has no direct emissions at the point of use (such as electricity used in buildings to power heating or lighting).

Scope 3: Also, Indirect Emissions, like Scope 2, but derived from a company’s value chain, such as suppliers’ emissions used to produce products or services that are then used (such as the emissions associated with manufacturing, delivering, and installing products for building refurbishment).

This dissertation focusses on Scope 1 and 2 emissions with regards to reducing operational emissions (or, *decarbonisation*) of a building. There are calls to measure and reduce Scope 3 emissions and balance this against operational emissions (e.g. UKGBC, 2024; Abbey et al., 2022). However, this is a nascent space presently, and contested in terms of carbon accounting principles, given the propensity to count emissions multiple times using the GHG Protocol Scope 3 methodology (Kaplan & Ramanna, 2025). Liang et al. (2023) suggests that the balance between embodied and operational carbon ought to be the focus of more research.

In the context of decarbonising buildings, CO₂e reduction can predominantly be achieved in three ways: (1) energy demand reduction, such as installing insulation (2) energy vector change, such as changing from gas to electric, and (3) renewable energy generation and use, such as installing photovoltaic solar panels. It is argued that the best way in which these measures are balanced to achieve optimal decarbonisation outcomes is to take a non-standardised approach, on a site-specific basis (Rosenow & Hamels, 2023). The key point is that to decarbonise a building, physical changes are needed, and dependant on property rights, incentives, and obligations, how techno-economic decision-making is being influenced by the institution of leasing becomes an interesting line of enquiry.

Financial institutions, publicly listed companies, and large private companies are obligated in the UK to *disclose* their GHG emissions. The *reduction* of these disclosed emissions however is voluntarily target based, as opposed to regulated. This has become a common topic of contention, whereby companies make decarbonisation promises, sometimes to boost reputation, then do not keep them

(Lowery, 2022). This is often referred to as ‘greenwashing’, which can be defined as *“the intersection of two firm behaviours: poor environmental performance and positive communication about environmental performance”* (Delmas & Burbano, 2011, pp.65). Greenwashing is illegal in the UK, under misrepresentation and consumer protection laws (Stewarts, 2022), which is interesting, as it demonstrates that despite rules being in place, actions do not always follow. As Davoudi (2018, pp.69) states: *“actions do not always follow rules, be they rationalist, normative or path-dependant rules”*. It is these potential nuances in stakeholder actions and decisions in the presence of rules (leases/lease regulation) that this dissertation seeks to understand further by mobilising the concept of New Institutionalism.

1.1.2 Property Leases and New Institutionalism

Institutions can be defined as *“humanly devised constraints that structure political, economic, and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)”* (North, 1991, pp.97). Property leases are contractually binding documents between parties, humanly constructed, to outline property rights. They can therefore be understood as an institution (Merrill, 2020).

Grabowski & Mathiassen’s (2013) research regarding real estate decision making as ‘Actor Networks’ revealed that *“artifacts affect behaviour and outcomes as much as or sometimes more than their human creators”* (pp.136). This suggests that humanly created institutions, such as leasing, can significantly influence decision making among stakeholders, perhaps even more so than the decision makers own logical choices. Grabowski & Mathiassen further suggest that real estate decision-making should not be seen as *“simply making a choice among logical alternatives, but as orchestrating a long, complex process.”* (ibid, pp.136). Using ‘Actor Network Theory’ (ANT) as a lens through which to conduct this research was considered. However, further than expanding explanations that non-human entities like leases hold their own role, and are perhaps sometimes perceived as ‘black-boxes’ due to their complexity, but inherent ability to work (Law, 1992), it felt somewhat limited in its structural and analytical capabilities when compared with the framework of New Institutionalism (NI). NI provides a well-structured framework for analysis (where ANT is more descriptive) and it particularly enables a broader and deeper exploration of the historical underpinnings the institution of leasing and the intentionality and consciousness of human stakeholders. This multidimensional institutional process is what this dissertation seeks to explore through a combination of qualitative and quantitative data.

New Institutionalism (NI)

A ‘New Institutionalism’ suggests and ‘Old’ Institutionalism. Before the so called NI, Institutionalism was a somewhat methodologically vague political science approach that focussed predominantly on formal rules and structures of government, as opposed to the NI approach of being more

methodologically robust and also encompassing informal rules/conventions and governance (both inside and outside of government) (Lowndes, 2002). Hall & Taylor’s (1996) seminal paper on NI structures the subject with three distinct concepts: Historical Institutionalism (HI), Rational Choice Institutionalism (RCI) and Sociological Institutionalism (SI). All these approaches “*seek to elucidate the role that institutions play in the determination of social and political outcomes*” (pp.5), which is the intention of this dissertation. The three concepts of NI do so in slightly different ways, as Table 1 below shows:

Table 1 - *New Institutionalism (author’s elaboration based on Hall & Taylor, 1996; Lowndes, 2002; Davoudi, 2018; Rydin, 2021)*

Institutionalism	Description
Historical (HI)	Understands stakeholders’ decisions as bounded by institutions that have evolved over time because of predominantly path dependencies.
Rational-Choice (RCI)	Understands stakeholders as rational, strategically utility-maximising actors and whereby institutions function as rules that structure the incentives and obligations surrounding stakeholders’ logical decision making.
Sociological (SI)	Understands stakeholders as entities that act in a socially appropriate way, whereby institutions shape and structure cultural norms, preferences, identities, and social meaning.

Where some see these as clearly distinctive approaches that should not be integrated (e.g. Hay & Wincott, 1998) others, such as Hall & Taylor (1996) argue that while these concepts of NI have their differences, there may be benefit in integration of insights from the approaches and they could be used to supplement or strengthen one another. Lowndes (2002, pp.78) also argues that “*The strength of new institutionalism may be found precisely in its multi-theoretic character*” and also describe NI as less of a theory and more of an ‘organising perspective’, which is well placed to provide structure for this dissertation’s institutional analysis.

1.2 Research Question

Following the context provided, this dissertation will therefore aim to answer the following research question:

How are UK non-domestic property leases influencing landlords’ and tenants’ decarbonisation decision making?

Given the chosen framework of NI, the following themes have been formulated to contribute to answering the main research question:

1. **‘The Institution of Leasing’ (HI)** – How are nuances in the way leases are, and have been, constructed, and administered influencing decarbonisation decision making?
2. **‘Effectiveness of Regulation’ (RCI)** – How are stakeholders’ decarbonisation decisions being influenced by lease related regulation and governance?
3. **‘Relationships and Norms’ (SI)** – How do industry norms and attitudes towards leasing and stakeholder relationships influence decarbonisation strategy?

1.3 Research Aims and Significance

There is considerable research regarding many aspects of decarbonisation and retrofit of property, however it is dominated by research associated with domestic property (also referred to interchangeably as ‘residential property’) (e.g. Morano et al., 2024; Wrigley & Crawford, 2017) as well as green leasing (e.g. Collins, 2018; Sayce et al., 2009) and effects of green credentials on property values (e.g. Fuerst & McAlister, 2011; IFC, 2019). Landlord and tenant dynamics are also well documented, again often from a residential property perspective, and the typically asymmetrical nature of stakeholder interests (e.g. Ástmarsson et al., 2013; Melvin, 2018; DESNZ, 2024). However, the amalgamation of non-domestic property decarbonisation and leasing more broadly than offices or retail (and specifically in the UK) in research is less common. There are also calls within the existing literature for more research in this context (e.g. Patrick & Bright, 2016). As such, this dissertation aims to seek out nuances in the influence of the institution of leasing on decarbonisation decision making. To do so, it combines both qualitative and quantitative methods and applies insights from the three concepts of NI to frame the analysis of the effect of the institution of leasing on the behaviour of landlords and tenants regarding decarbonisation of non-domestic property in the UK.

The findings from this research suggest that firstly; the shortening of lease terms over time may create opportunity for accelerated decarbonisation interventions compared with longer leases and shift obligations towards landlords. Secondly, that existing regulation, which targets only landlords, is proving ineffective but that the Landlord and Tenant Act’s security of tenure may promote tenant decarbonisation implementation decisions. Finally, it also suggests that landlord-tenant relationships are slowly improving, becoming more collaborative and less adversarial, which is likely to expediate decarbonisation implementation. Overall, the research argues that non-domestic property leasing, despite somewhat ineffective public regulation and green leasing, may begin to assist towards the goal of decarbonisation in the sector. This is argued to be through the market driven shortening of lease lengths, both increasing the frequency of windows of opportunity for (re)negotiation and contributing to the slow collaborative improvement of landlord-tenant relationships. These findings hold particular significance for policy making associated with UK non-domestic property decarbonisation as well as institutional change more broadly.

2.0 Literature Review

This section explores the literature surrounding the dissertation's key themes. It is split into three sections, firstly reviewing non-domestic property decarbonisation in the UK, followed by the institution of leasing and then bringing these themes together in the third section. By collating and reviewing relevant literature, this chapter identifies themes, develops understanding, and identifies gaps and critiques regarding decarbonisation of non-domestic property in the UK and leasing practices, providing a foundation for the dissertation's own research.

2.1 An Overview of UK Non-Domestic Property Decarbonisation

This dissertation is interested in existing buildings and the leases that are currently in operation. But why is the decarbonisation of *existing* non-domestic buildings in the UK of significance? Van der Heijden (2016) notes; "*the uptake of [low carbon] instruments with a focus on existing buildings is worse than for those with a focus on new buildings*" (pp.581). However, as noted in the introduction, 80 percent of the buildings we have in the UK will still be in operation in 2050, when Net Zero is mandated. Approximately 23 percent of built environment emissions in the UK originate from non-domestic property, approximately equating to 22MtCO₂e (ARUP & UKGBC, 2021, pp.32) and 70 percent of current non-domestic buildings in the UK were built before the year 2000 (Cousins, 2023) when energy performance requirements in the building regulations were not as stringent. These are often cited reasons for the importance of retrofitting *existing* buildings for low GHG-emissions performance. However, could the buildings not just be knocked down, and new low-emitting buildings be built?

A study undertaken by Abbey et al. (2022) showed that when measured from a whole life carbon assessment (WLCA) perspective, which takes embodied carbon emissions into account, retrofitting existing non-domestic buildings typically has lower overall GHG-emissions, and costs less, than demolition and re-building with a high-performance alternative. Despite the conclusion of this study, there is still an ongoing debate regarding the balance between direct operational emissions and indirect embodied or indirect emissions (e.g. Levesque et al., 2023; Rosenow & Hamels, 2023; Kiss & Szalay, 2022). These studies are inconclusive, with overarching suggestions that building-specific assessments are required for optimal decarbonisation.

There are numerous challenges associated with the decarbonisation of buildings cited across the literature, both for domestic and non-domestic property as well as in international contexts. A well-rounded synopsis is provided by Santamouris & Vasilakopoulou who categorise and summarise the main challenges faced into four categories: *Economic and financial problems, Socioeconomic problems, Political problems, and Technological problems* (2021, pp.10-11). While useful for summarisation, these categories perhaps miss that in reality most barriers to change encompass a mixture of these

‘problems’, especially in complex socio-technical systems such as the built environment which have co-evolved (in the UK) over centuries with other socio-technical systems such as healthcare, transport or political systems (Geels, et al., 2017). Geels et al. (2017) describes a Multi-Level Perspective (MLP) whereby all of these problems run in tandem and are interconnect but when there are alignments in interests across these levels, there is the emergence of a ‘window of opportunity’. Regardless of their derivations and categories, challenges, and barriers to change in socio-technical systems slow the pace of progress, in the absence of a momentary shock or ‘window of opportunity’. This pace of progress is particularly important with regards to mitigating global warming and resultant climate change.

Figure 1 showed the stagnation of non-domestic building decarbonisation in the UK between 2010 and the present day (CCC, 2025, pp.29). The pace at which the built environment is decarbonising is also noted in several pieces of literature. Sometimes informally with remarks that the pace of decarbonisation is ‘slow’ (see, Jackson & Orr, 2021). However, some literature is more explicit:

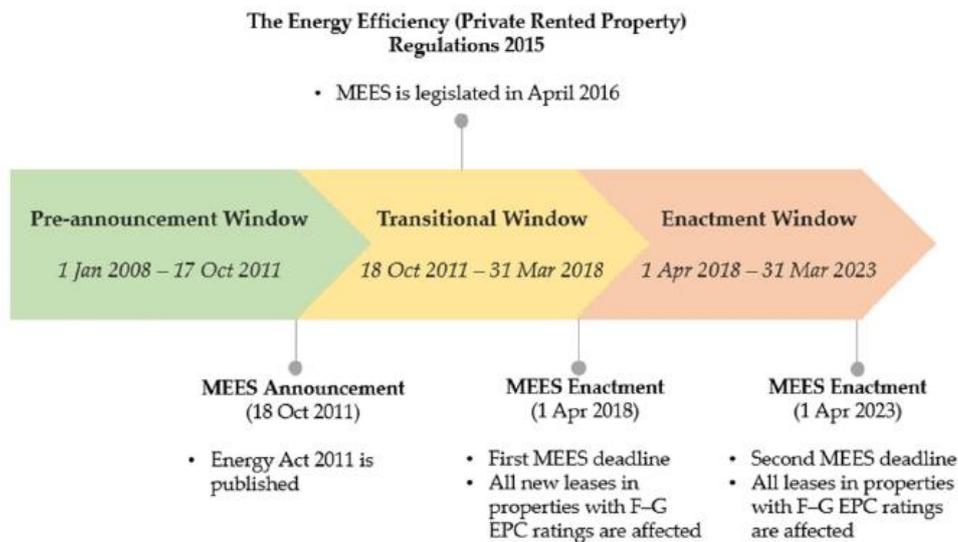
Achieving decarbonisation by 2050 requires an annual renovation rate of 2–3 percent of total stock. Globally, renovation rates have been underperforming at between 1–2 percent of existing stock and in Europe, which has the largest and oldest stock, deep renovation rates (greater than 60 percent energy saving) in recent years are extremely low at 0.2–0.3 percent. (O’Roarty & ULI, 2022, pp.4).

PwC (2024) asserts that we must decarbonise 20 times faster than we currently are to stay within the 1.5°C Paris Agreement Limits and Santamouris & Vasilakopoulou (2021, pp.10) states that 2.5 percent of buildings globally would need to be retrofit every year to reach 2050 targets, but a rate of 1 percent is currently being achieved, aligning with O’Roarty & ULI (2023).

Government regulation and policy that aims to increase the pace of decarbonisation specifically in the private rented non-domestic property sector in the UK is scarce (Economidou et al., 2019). 2025 is proposed by some as a year of political ‘U-turns’ in this regard, with the proposed phasing out of gas boilers postponed and some levies that supported renewable energy in the industrial sector curtailed (Anderson, 2025). Given the nature of change implementation, and policy as a lever that can be pulled, regulation is a common topic throughout the literature. However, few directly address efficacy or specifically discuss policy. Tozer (2020) does, who writes regarding ‘Catalysing political momentum for the effective implementation of decarbonisation for urban buildings’ (finding momentum is being gained in the UK) and the UK Government undertook research in 2021, regarding Minimum Energy Efficiency Standards (MEES) with an overall sentiment of lack of awareness (DBEIS, 2021). However, the most pertinent work undertaken on MEES effectiveness appears to be Akhtyrskaya & Fuerst (2024). They take an economic approach and find MEES to be partly effective highlighting that rents for properties in the unlettable categories have significantly dropped (6-8%).

The most pertinent piece of specific UK regulation in the context of this dissertation is the Energy Efficiency (Private Rented Property) (England and Wales) Regulations (2015) which are commonly abbreviated to, ‘Minimum Energy Efficiency Standards’ and further to ‘MEES’, that must be upheld for a property to remain lettable. The energy performance of buildings in the UK is measured using Energy Performance Certificates (EPCs) which provide a scaled rating system denoted by letters from A to G, where A is the best performing. As of April 2023, non-domestic property in the UK must achieve an EPC of E or above to remain lettable (Legislation.gov, 2025). The timeframes associated with MEES are in Figure 2:

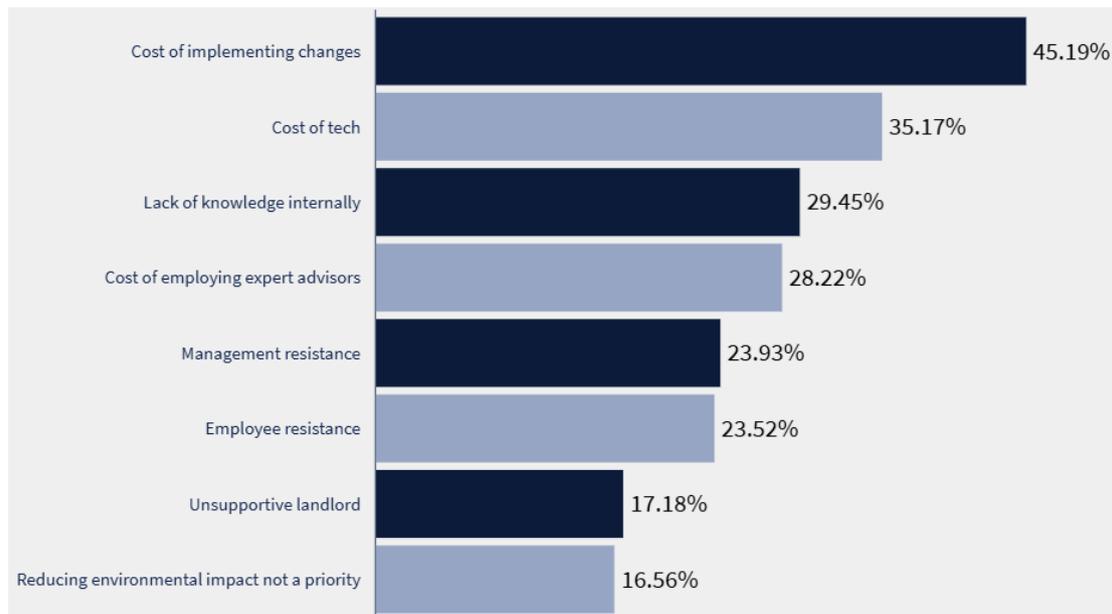
Figure 2 - Minimum Energy Efficiency Standards Timeline (Akhtyrskaya & Fuerst, 2024, pp.2, Fig.1)



The MEES do not apply in Scotland, albeit they have similar regulations called the ‘Energy Performance in Non-Domestic Buildings (Scotland) Regulations 2016’. While EPCs are still required under this legislation, there are no minimum standards.

Another consideration for decarbonisation is economic implications. Research to financially value green building credentials/certifications are common but generally focus on offices and prime assets, attempting to correlate capital value and rental value increases with green interventions (e.g. Brounen et al., 2020; Kim & Lim, 2019). Generally, older literature (e.g. Fuerst & McAllister, 2011) find no causality in correlations, whereas more recent literature tends to demonstrate links between higher values as a result of ‘greenness’ (e.g. IFC & World Bank, 2019). Irwin Mitchell’s (2025) commercial occupier research, asks about the main barriers to reducing environmental impact of offices, with respondents citing costs as their main consideration (see Figure 3). However, over 17 percent of respondents cited an unsupportive landlord as a main barrier, which is pertinent for the theme of this dissertation.

Figure 3 - Main barriers to reducing environmental impact (Irwin Mitchell, 2025)



Canelas (2025) explores the consideration of intrinsic motivations that sit outside of value driven extrinsic motivators in the form of environmental stewardship as potential drivers for environmental sustainability action, such as decarbonisation in urban contexts. Their research is based upon the London Landed-Estates (such as Grosvenor and Cadogan) who have very long investment outlooks and very large land-holdings, however it would be interesting to understand if stewardship and other intrinsic, potentially altruistic, motivated behaviour extends to other landlords.

2.2 UK Non-Domestic Property Leasing

A property lease can be defined as a; *"possessory estate in land held by a tenant for a determinate period or at will by permission of another, the landlord, who holds an estate of larger duration in the same land"* (Prum, 2019, pp.733). Merrill & Smith (2000) describe the distinction between conventional private contracts and property leases; *"The parties to a [conventional] contract are free to be as whimsical or fanciful as they like in describing the promise to be performed, the consideration to be given in return for the promise, and the duration of the agreement"* (pp.3). They go on to say that this is not the case in Property Law, there are very prescriptive forms of ownership, interests, and rights, such as fee simple or leases (like freehold and leasehold in the UK) (ibid.). Regarding the prescriptive property rights element of most modern property systems, they go on to state; *"Property comes in all sorts of shapes and sizes. But with respect to the legal dimensions of property, the law generally insists on strict standardization"*. It is interesting that property leases, even if terms are negotiable, are in themselves a form of standardised property right, even before they potentially get further standardised by their contractual parties. This demonstrates a potential rigidity in the system that has been developed over decades of institutional change. Merrill & Smith (ibid) term this rigidity *'Numerus*

Clausus’, which is understood to mean a definitive number of standardised property rights. But, the institution of leases does change, and has changed, over time.

Property leasing has roots tracing back to medieval England and was born from apportionment of agricultural land use, slowly formalising (and financialising) into how we observe it today (Scott, 1996; Prum, 2019). Along the way there have been many changes and reasons for change, such as the first introduction of rent control and security of tenure in 1915, as following the ‘liberal land campaign’ as landlords were perceived to hold too much power and control (Scott, 1996). More recently, and pertinently as it still the presiding law, The Landlord and Tenant Act (1954) was enacted in a UK post-war era, aiming to balance stable rental incomes for landlords with security of tenure for tenants (Attwater, 2024). McCluskey et al. (2016) carried out an empirical analysis on non-domestic property leasing which highlights that the global financial crisis recession market conditions (c.2007-8) have caused *“a reassessment of lease structures, leading to shorter lease terms and increased use of incentives, as tenants have been empowered to negotiate more flexible leases due to their stronger market position”* (pp.227). Albeit this study is from 2016 with a slant on ‘post-recession’ rather than ‘post-covid’ and regional rather than national coverage but appears to be in line with other recent findings on lease lengths shortening. In the latest Property Industry Alliance Property Data Report (2024) it states:

Traditional 15–25-year leases with upward only rent reviews that placed repairing and insuring obligations on the tenant no longer dominate the commercial property market. Reflecting a preference amongst many occupiers for flexibility, most leases are for five years or less, and many longer leases contain early break rights (PIA, 2024, pp.4).

One of the more recent proposed changes to non-domestic leasing practice is ‘green leasing’, a term that can be defined as *“a lease which incorporates a number of ‘green’ clauses which are intended to encourage landlords and tenants to adopt sustainable practices to reduce environmental impact and improve the energy efficiency of a building”* (Hewitson, 2024, pp.99). Green leasing is a mechanism allowing the market to privately regulate itself based upon the decarbonisation interests of the leasing parties, as there is *“no legal requirement for a lease to include green provisions”* (ibid, pp.98). This private regulation is historically how the UK government have preferred the non-domestic property market to operate *“governments have largely chosen to try to produce change by voluntary, rather than statutory means”* (Murdoch, 2006, pp.83). This is interesting in the context of this dissertation as both public and private governance will be explored.

Landlords attempting, but failing, to incorporate green clauses into lease agreements at renewal, have been apparent in recent legal cases. In March 2022, a judgement was handed down between Clipper Logistics plc and Scottish Equitable plc. Scottish Equitable tried, as the landlord of an industrial premises in Rotherham, to incorporate new ‘green’ clauses when the property lease was due for renewal.

So-called ‘green’ clauses are typically associated with protecting, maintaining, or improving a building’s energy performance, or sustainability. The court’s decision was in favour of the tenant, Clipper Logistics plc, with the additional green clauses being disallowed. The reasoning was associated with protections afforded for a tenant’s secured continuation of tenure (with the same contractual terms) under Section 35 of the Landlord and Tenant Act 1954, but also associated with a perceived attempt to shift landlord liabilities to the tenant for compliance with Minimum Energy Efficiency Standards (Sutherland, 2022; Judgement, 2022). The legal precedent for this decision is derived from a landmark case in 1983 between O’May & Smithfield vs. City of London Real Property Co. which set three main principles: ‘Presumption of Existing Terms’, ‘Protection Against Market Forces’ and ‘Fairness and Reasonableness’ (Cox & Radley-Gardner, 2017).

These decisions have been observed as a barrier to decarbonisation. For example, a front-page article in Property Week (an industry magazine) in March 2023 entitled, ‘Industry Urges Lease Shake-up’ talked of the way in which current leasing practices “*stifle modernisation and innovation*” (Neval, 2023, cover). This article drew further comment in the same publication the following month entitled ‘Collaboration Key in Decarbonisation’ (Macdonald-Brown, 2023). Macdonald-Brown states within their response; “*Leases need to be adapted to help commercial real estate owners and occupiers navigate the complex path to net zero and allow renewable energy projects to progress*” (pp.25).

2.3 UK Non-Domestic Property Decarbonisation *and Leasing*

Prum (2019) states “*Commercial-property leases as a means for private environmental governance routinely get overlooked despite their noticeable presence*” (pp.727). There is a lot of domestic decarbonisation analysis but not often in the context of leasing, much less on non-domestic property, and even less that is specifically UK non-domestic focussed with regards to building energy performance, leasing, and legislation. Most of the literature in this context focusses on Green Leasing and doesn’t focus on existing lease practices (in the absence of green leasing). There is some key literature however, that specifically researches UK non-domestic property leasing in the context of decarbonisation/energy performance, with Susan Bright as a prominent subject matter authority.

One commonality between the literature on the subject is that relationships between landlords and tenants are typically seen as adversarial and uncooperative. “*One of the very real challenges in this field stems from the traditionally adversarial relationship between landlords and tenants*” (Bright, 2010). “*Traditionally, the legal framework and negotiation of lease agreements creates an adversarial relationship between owners and occupiers*” (O’Roarty & ULI, 2023, pp.27). “*The traditional perspective of the landlord-tenant relationship being a battleground still holds considerable sway, with landlords interested only in money and tenants wanting to minimize outgoings and not pay for an improvement in the landlord’s asset*” (Patrick & Bright, 2016). These key pieces of literature cite that

collaboration between parties will be important for progress, as does the report by Department for Energy Security and Net Zero regarding the allocation of costs between parties for decarbonisation (DESNZ, 2024). As early as Sayce et al. (2009) conclusions were being drawn that in the absence of meaningful green leasing uptake “*that a more dynamic relationship between landlord and tenant is required*” (pp.273). It will be interesting to explore if this continues to be the case in 2025.

Patrick & Bright (2016) ‘*WICKED insights into the role of green leases*’ neatly introduces the landlord vs. tenant split incentive, green leasing and regulation before presenting the research findings (29 interviews with 38 representatives of 25 organisations, including property owners, retailers, letting and property management companies, energy management companies, law firms and legal experts, and intermediaries and experts). While the report finds and describes the landlord tenant relationship to be an adversarial ‘battleground’ several times through the report, no direct mention is made to existing unexpired lease terms or extension of existing leases (with inflexible terms and/or security of tenure) being a problem. The report in part concludes that “*implications for the role of leases, could benefit from further investigation*”(pp.30). Now 9 years old, the research was undertaken pre-pandemic and pre-MEES. Therefore, although some of the questions posed by this dissertation are similar to those considered by Patrick & Bright (2016), it is possible (perhaps even probable) that situations, actions, and sentiment have changed.

CChange & ULI (2023) is an industry report, as opposed to peer reviewed research entitled ‘Occupiers and owners: faster and further on the pathways to decarbonisation together’. It is based upon interviews with 22 ‘portfolio level’ non-domestic property occupiers. No further reference to the interviewees demographic, sector, location, or scale (etc.) is mentioned, which is a limitation. The report outlines that (pp.20) vacant possession is often the most opportune moment to undertake retrofits but also mentions that a long timeline of many years can exist before vacant possession can be achieved. This posits the period of existing lease tenure as important in the context of achieving timely decarbonisation objectives. The report goes on to state; “*it is contended that once a head lease is signed, it can be very difficult to achieve a change or addition to the terms.*” (pp.30) . The report then goes on to state; “*the opportunity to include ESG considerations at lease renewal and/or extension is often lost, with that the loss of decarbonisation progress extending for the duration of the renewal/extension*”. This is an implication that will be explored within this research.

Both of the above pieces of literature highlight the potential issues surrounding the landlord and tenant split incentive and both draw attention to there being a potential lack of mid-lease-term cooperation between parties to facilitate decarbonisation interventions in a practical, tangible manner on site. This posits the research question well, in extending this quandary to seek further understanding on how landlords and tenants are actually responding to decarbonisation objectives during existing lease terms, especially now ‘post-pandemic’ and with the introduction of MEES, since Partick & Bright (2016).

2.4 Summary

This literature review has explored and communicated pertinent literature surrounding the dissertation's key themes. By collating and reviewing this relevant literature, this chapter has identified themes, developed understanding, and identified gaps and critiques regarding decarbonisation of non-domestic leased property in the UK, providing a foundation for the dissertation's own research. To the author's knowledge there is no literature that specifically mobilises the organising concept of New Institutionalism to frame an analysis of the institution of leasing and its potential effects on the behaviour of landlords and tenants in their decarbonisation decision making in the UK. Further reading references are included within Appendix A for the readers information.

3.0 Methodology

Given the contested and varied nature of knowledge and its acquisition, methods for research, data collection and analysis vary accordingly (Walliman, 2022). This chapter describes how this study has been undertaken, to answer the question posed in Chapter 1 and further articulated in this chapter. It makes specific reference to research design, data collection, data analysis, research ethics and limitations.

3.1 Research Design

This study has been undertaken in two distinct stages using an exploratory research approach (George & Merkus, 2025). Firstly, a thematic literature review was conducted across academia, industry, and public policy to explore themes and current understanding surrounding leases and the decarbonisation of non-domestic property in the UK. This informed both the research question and helped establish how best to acquire data in supporting an answer to it. Secondly, parallel qualitative and quantitative data collection and analysis was planned and executed. Qualitative data was collected in the form of semi-structured interviews with industry expert stakeholders to acquire qualitative primary data in the form of subjective opinions (8 interviews in total). Quantitative data sources included national data registers (Public Exemptions Register) to acquire secondary data regarding Minimum Energy Efficiency Standards (MEES) compliance.

This mixed methods research approach was chosen because of the complex subject matter and the aim to further “*explain and interpret a situation*” (Walliman, 2022, pp.201). It also reflects similar methodologies of others researching non-domestic property and leasing (e.g. Patrick & Bright, 2016 and Grabowski & Mathiassen, 2013).

The nature of the knowledge problem in this research is to understand further, explain and interpret the role of leases in decarbonising UK non-domestic property. To understand this, it is necessary to ask questions of stakeholders. The stakeholders identified were non-domestic property tenants, landlords, asset managers and lawyers. This approach intentionally follows Patrick & Bright’s (2016) research method, albeit they also included energy management companies and generalist industry intermediaries and experts. This research project is bounded by being an MSc. dissertation with regards to the time and resource available to undertake meaningful interviews. The four chosen stakeholder groups were deemed to be the most influential regarding active decision making in the context of the research problem.

3.2 Data Collection and Sampling Strategy

Primary Data

To get a quality representation of opinion, sampling is necessary. However, due to the expansive variables; for example, property sectors, scales, or stakeholders within the UK non-domestic property

market (and decarbonisation) it has been deemed that a representative sample is unlikely to be reached. As such, sampling on an ‘exemplifying’ basis has been chosen to provide at least a ‘good setting’ for answering the research question (Walliman, 2022). The sampling was undertaken within the bounds of the researchers own industry knowledge. Participants are all ‘high-profile’ expert individuals and decision makers at a regional or national (sometimes international) property portfolio level, within Real Estate Investment Trusts (REITs), Property Companies, Pension Funds, Law Firms etc. Participants were selected with particular attention to how these factors shape, constrain, or enable organisational decision-making. The researcher communicated with participants who are actively engaged in UK non-domestic property decarbonisation decision making and implementation, to obtain as relevant and informative data as possible. The sample of participants is identified in Table 1 below, which also describes their role and the nature and scale of their work. All eight of the participants approached kindly agreed to participate, so no further potential interviewees were contacted.

Table 2 - Research Participants Identifiers and Descriptions

Stakeholder Identifier	Role	Nature of Properties / Clients
Tenant 1 (T1)	Head of Property	Sector(s): Financial Sector – Offices and Retail Scale: c.100 properties.
Tenant 2 (T2)	Head of Development	Sector(s): Leisure Sector – Offices and Retail Scale: c.400 properties.
Landlord 1 (LL1)	Property Director	Sector(s): Multi-Sector – Industrial, Office, Retail, Leisure. Scale: c.70 properties
Landlord 2 (LL2)	Director and Freeholder	Sector(s): Multi-Sector – Industrial, Office, Retail, Leisure, Higher Education, Childcare. Scale: c.100 properties
Property/Asset Manager 1 (PM1)	Property Management Director – Head of Net Zero and Sustainability	Sector(s): Multi-sector – Commercial office, light industrial, logistics warehousing, retail etc. Scale: c.150 properties
Property/Asset Manager 2 (PM2)	Property Management Director	Sector(s): Commercial office and Industrial. Scale: c.15 large properties/multi-tenant sites
Lawyer 1 (LAW1)	Partner – Real Estate Disputes	Sector(s): Clients are predominantly commercial office corporate tenants. Scale: National and multi-national clients.
Lawyer 2 (LAW2)	Partner – Real Estate Litigator	Sector(s): Clients are entirely cross sector in the non-domestic property real estate market. Works for both sides, but only landlords in the telecoms space. Scale: National and multi-national clients.

This research project is designed to further explain and interpret a scenario, it is therefore interested in nuanced and subjective opinion, requiring qualitative data collection. As such the inflexibility of

questionnaires for open ended responses and questioning was ruled out and interviews perceived to be the best way of asking questions to generate this primary data. Semi-structured interviews have been undertaken online via the Microsoft Teams video call software platform, with each interview lasting between 30-45minutes. The interviews were recorded, with informed consent, and then transcribed. While many questions remained consistent throughout all eight interviews, some changed dependant on the stakeholder group or the way in which certain questions were answered. This is the nature of semi-structured interviews, and this study feels that nuance was obtained by conducting interviews in this way, allowing participants to contribute information that may not have otherwise been raised. The questions were formulated using the general themes of the literature review and were as far as possible, open questions. A sample of the interview questions can be found in Appendix B.

Secondary Data

One aspect of the literature review, as well as a theme throughout the interviews, was with regards to regulatory policy associated with landlord obligations to improve the energy performance of privately rented non-domestic buildings. Specifically, the inability to lawfully let properties with an EPC of less than an ‘E’ rating (F or G) and the proposed future requirement to ensure all privately rented non-domestic buildings achieve a ‘C’ rating by 2028 and a ‘B’ rating by 2030 (Gov.UK, 2021). To better understand this, secondary data has been acquired through two publicly accessible registers:

1. The Private Rented Sector (PRS) Exemptions Register – where all exemptions to the Minimum Energy Efficiency Standards must be lodged.
2. The Energy Performance Certificate (EPC) register – This is a national register (for England & Wales) where all EPCs must be lodged.

The purpose of the data collection was to understand how many UK non-domestic properties are lawfully unlettable and compare this with how many exemptions are registered. Through doing this a quasi-metric for compliance to regulation could be formulated, and further understand what the main cited reason for an exemption might be. This aims to draw out insights into stakeholders’ decision making to improve EPC ratings, in the context of the institution of regulation and leasing.

Data Collection Sequencing

The sequencing of the research was: (1) literature review and secondary quantitative data collection (2) primary qualitative data collection (3) findings and analysis. The quantitative secondary data and literature review was undertaken first to allow for information to shape the questioning within the primary qualitative data collection interviews. Albeit the secondary data was subsequently updated at the end of the dissertation research, to be as up to date as possible. Due to the exploratory and iterative nature of the research, the literature was constantly referred to and reviewed as the research progressed as Booth et al. (2016, pp.107) states: “*your plan will change as your research progresses*”.

3.3 Research Question and Data

The research question is as follows:

How are UK non-domestic property leases influencing landlords' and tenants' decarbonisation decision making?

And the following themes have been formulated to contribute to answering the main research question:

1. **'The Institution of Leasing'**
2. **'Effectiveness of Regulation'**
3. **'Relationships and Norms'**

Each of these themes will rely on the literature review but also different parts of the data that has been collected, namely:

1. **'The Institution of Leasing'** – This theme and sub-question will rely on the qualitative primary data as it uses a historical institutionalism lens to understand the histories of leasing and how this is influencing decarbonisation decision making.
2. **'Effectiveness of Regulation'** – This theme and sub-question will rely on the quantitative secondary data and qualitative primary data as it uses a predominantly rational-choice institutionalism lens to understand how regulation and governance is influencing decision making. While Rydin (2021, pp.59) states that "*Rational-Choice Institutionalism does not really require qualitative research*" the author feels that in the absence of enough empirical evidence qualitative data will support arguments.
3. **'Relationships and Norms'** – This theme and sub-question will rely on qualitative primary data as it uses a sociological institutionalism lens to understand the norms and attitudes associated with decarbonisation decision making. This is especially difficult to understand through quantitative data, given it is seated in culture and relationships.

3.4 Data Analysis

The interview transcripts and secondary data were analysed based on theoretical proposition and methodological triangulation on a thematic basis (Palić et al., 2016). This is to say that the research question, as well as framework of New Institutionalism were proposed as structures with which to interrogate and understand the data, the analysis cross-referenced data collected from different methods and has done so using three main themes (as noted in the previous section) to structure the analysis.

3.5 Research Ethics and Practice

Research has the capacity to inadvertently harm people, whether through embarrassment, privacy violation, physical harm, misrepresentation, etc. (Booth et al., 2016). As such, Oxford University has strict regulations and policies associated with research ethics and good research practice. All research involving human participants must obtain a favourable opinion from the relevant ethics department.

This research was provided with ethics approval by the Oxford University Department for Continuing Education (OUDCE) Divisional Research Ethics Committee (DREC) on 11th May 2025 (REF: 1046604).

This research has been conducted in accordance with the proposal put forward to OUDCE DREC, including with regards to data security, participant consent and maintenance of interviewee pseudo-anonymity. Without researcher honesty and integrity, the results of a research project cannot be trusted (Walliman, 2022). The data has been collected, transcribed, analysed, and conveyed in a manner consistent with a requirement for honesty, integrity, and best practice.

3.6 Research Limitations

In line with much of the existing literature, following this methodology is not particularly representative of Small to Medium Sized Enterprises (SMEs) or smaller/individual landlords, due to the nature of the ‘high profile’ individuals participating. Despite this, the interviews discussed scale and many of the participants had opinions on scale. So, while the interviewee sample may not be representative of smaller landlords and tenants, views have still been expressed on that part of the market.

The participant sampling process has been bounded by my networks and willingness of individuals to participate. Furthermore, participants’ socio-economic demographic, age, experience, and individual opinions will influence results. However, this research does aim to draw out nuances and individual perspectives, albeit in a necessarily bounded manner, so selective sampling is a strength and a limitation.

This research scope is bounded to UK non-domestic property only. Building decarbonisation (domestic and non-domestic) internationally, where they use energy, is environmentally significant. Given the specific regulatory and political context of the UK and the historical evolution of leasing, it is unlikely that transferable findings to some contexts will be appropriate. However, for similar geographies, and economies, inferences may be drawn from this study’s conclusions.

The exemplifying basis of sampling and descriptive analysis of secondary data means that causation and conclusive findings cannot be arrived upon. However, information rich inferences can and have been made as part of this study.

Finally, the considerations and institutions surrounding the decarbonisation of the built environment both in the UK and internationally are evolving at pace. It is notable that this research is being undertaken at a moment in time where consultations for EPCs as well as the Landlord & Tenant Act are both active in the UK. Precedents may change while this research is being undertaken that change the shape of findings and conclusions.

4.0 Findings and Discussion

In the previous chapter the research methodology was described. In this chapter, the data collected is presented, analysed, and discussed through four distinct sections. The first three sections are aligned with the three concepts of New Institutionalism (NI): Historical, Rational-Choice, and Sociological; then the fourth section provides a summary discussion bringing thoughts together.

Where an interviewee is referenced or quoted, their identifier will be used, as set out in Table 2. LL=Landlord, T=Tenant, PM=Property Manager and LAW=Lawyer. The aim being contextualise what has been said, by whom, and provide transparency for their stakeholder category and role profile.

As summarised in Table 3, each section is structured around a main theme addressing one of the three research sub-questions and proposes an argument centred on a number of defined topics that contribute to that argument.

Table 3 - Findings Summary Table

Section REF	Theme Title	Research Sub-Question	Proposed Findings, Arguments and Topics
4.1	The Institution of Leasing (Historical Institutionalism)	How are nuances in the way leases are, and have been, constructed, and administered influencing decarbonisation decision making?	the shortening of lease terms over time may create opportunity for accelerated decarbonisation interventions compared with longer leases and shifting obligations towards landlords. Topics discussed include; shortening of leases, lease administration and mid-term changes and green leases.
4.2	Effectiveness of Regulation (Rational-Choice Institutionalism)	How are stakeholders' decarbonisation decisions being influenced by lease related regulation and governance?	Existing regulation, that targets only landlords, is proving ineffective but that the Landlord and Tenant Act's security of tenure may promote tenant decarbonisation implementation decisions. Topics discussed include; Minimum Energy Efficiency Standards and the Landlord & Tenant Act 1954.
4.3	Relationships and Norms (Sociological Institutionalism)	How do industry norms and attitudes towards leasing and stakeholder relationships influence decarbonisation strategy?	Landlord-tenant relationships are slowly improving, becoming more collaborative and less adversarial, which is likely to expediate decarbonisation implementation. Topics discussed include; landlord and tenant relations, overarching sentiment on decarbonisation liability, attitudes towards the importance of leasing in decarbonisation.
4.4	Overarching Research Question Discussion	How are UK non-domestic property leases influencing landlords' and tenants' decarbonisation decision making?	Non-domestic property leasing, despite somewhat ineffective public regulation and green leasing, may begin to assist towards the goal of decarbonisation in the sector. Through the shortening of lease lengths, increasing windows of opportunity, and improving landlord-tenant relationships.

4.1 The Institution of Leasing (Historical Institutionalism)

This section, on the institution of leasing, aims to understand: **How are nuances in the way leases are, and have been, constructed, and administered influencing decarbonisation decision making?** In order to do this it mobilises the concept of Historical Institutionalism (HI) to frame the findings and discussion in the context of stakeholders' decisions as bounded by institutions that have evolved over time as a result of predominantly, path dependencies (see also, Table 1). This section relies on the primary qualitative data from the interviews conducted, as well as references to the literature. It argues, through three sub-topics, shortening of lease lengths, lease administration and mid-term changes and green leases that: The shortening of lease terms over time may create opportunity for accelerated decarbonisation interventions compared with longer leases and shifting obligations towards landlords.

Shortening of Leases

As we explored in the literature review, leasing in the UK has evolved in numerous ways since the early 1800s (Scott, 1996; Murdoch, 2006; McCluskey et al., 2016; Prum, 2019). One of the key historic changes in the construction of property leases is the length of the agreement. Scott references that in the mid-1920s leases of 14- or 21-years duration were referred to as 'short' and that tenants in the 1920s and 30s wanted longer leases (or freeholds) so they could make changes to premises without so many permissions (ibid, pp.60). Over time, typical lease lengths have fluctuated based predominantly on market conditions and legislation but have been progressively shortening (ibid). This is supported by responses from interview participants when asked about typical lease lengths. The below responses were representative:

Very difficult as they vary a lot. But, typically not going any longer than 10yrs now. Most are 5-years with a break at 3-years (T1).

There's a difference between the ones in place now and the ones going forwards. You're extremely lucky to get any more than 5-years term certain nowadays and in many cases, you're now looking at 3-year breaks and rent incentives too (LL2).

Both responses are suggestive of a shortening over time, both using the word 'now' suggesting the ones previous were longer. When asked if shortening lease lengths may alter decarbonisation decision making for stakeholders, LL2 followed with:

To the extent that they [tenants] are fussed, they may want longer commitments to ensure they get the value out of large investments. We've let a property on a 25yr lease in central London with only one break to the back end of the lease because they wanted to spend a lot of money on the fit-out for example (LL2).

The premise that longer leases may allow for tenants to confidently expend capex on property improvements (which may include decarbonisation interventions) in a market where lease lengths have

been shown empirically to be shortening could suggest that leasing is hindering progress for decarbonisation interventions from tenants. Going back to Scott (1996) it was suggested that longer leases were desired by tenants as it allowed them to make more changes without as many permissions. In Patrick & Bright (2016) a barrier for energy efficiency improvement works was “*paybacks that are seen as too long, particularly with short leases*” (pp.9). This also supports the narrative that a shorter duration of lease may be causing a barrier to decarbonisation interventions. In contradiction to this though, when asked about when the most opportune moment to undertake decarbonisation works is, interview participants responded unanimously that it is at vacant possession:

Well, I mean, obviously the opportune moment is when you've got the building empty (LAW1).

If lease lengths are shorter, in theory, tenants will move out more regularly, which would offer more opportunities for vacant possession and therefore opportunities for the landlord to undertake capital expenditure on decarbonisation works. LL1 responded saying:

Vacant possession, between leases. Every time we have a tenant vacate now, we go in and do works, particularly on heating and lighting systems which effect the EPC (LL1).

This contradicts that longer leases will necessarily promote or incentivise decarbonisation intervention implementation, there is also further nuance, LAW1 elaborates:

-when you've got the building empty. Which creates a problem when you have a multi-let building. Because works are so disruptive, particularly with major Mechanical & Electrical works (LAW1).

This highlights that getting a multi-tenant building with vacant possession can be problematic. Therefore, despite shorter leases, some buildings may still not become vacant. Another consideration in this regard (that would be interesting to explore further) is, of the shorter leases, how many tenants are actually renewing and staying for a longer duration than the current lease agreement states, stalling any meaningful vacant possession when works are most easily undertaken.

The common trend appears to be that shorter lease lengths are perceived to hinder decarbonisation progress because of a lessened incentive for the tenant on the basis of not realising a ‘payback’ on their investment (e.g. Patrick & Bright, 2016; Melvin, 2018). Here, however, the research suggests the effects on behaviour are more nuanced and shorter lease lengths (particularly in single occupier buildings) are assisting with decarbonisation intervention decisions, especially for landlords with more frequent instances of vacant possession, which appear to be a widely accepted ‘window of opportunity’. Regardless of lease length, there is always the opportunity for mid-term lease negotiations or changes, dependant on stakeholder interests. This will now be discussed.

Lease Administration and Mid-term Changes

When asked, how do you go about managing/administering your lease agreements? There was a mix of responses, mainly based upon scale. T2, for example, was the only participant to have an in-house team managing their business's leases (and reflected the participant with the largest number of leased premises). T1 referenced that they outsourced anything legal in nature but someone in-house with minimal lease knowledge was managing leases internally. However, regardless of the administrative mechanisms and management/capacities, one thing that was agreed upon by all participants was that mid-term lease changes are exceptionally rare. The following are some representative sentiments regarding mid-term changes:

No, not common at all. From a practical perspective formal changes cost money - so mid-term is rare. If everything works and no one's complaining, and people are paying, then there's not much incentive to change that dramatically (LL1).

Very rarely. It doesn't become an issue until you're starting to think about lease extensions, lease breaks or renewals, that kind of thing. But generally, I wouldn't say it's an issue during the lease terms (LL2).

Very rarely. I see very very few deeds of variation (LAW2).

There was one respondent who referenced more active lease administration and mid-term change, however it was still apparent that while reviews take place, lease events (e.g. breaks, terminations, renewals) are still the most likely window of opportunity:

Leases are reviewed on an ongoing basis; we have tenant satisfaction surveys on an annual basis for example. We use this as a good opportunity to review the leases and engage with tenants, sometimes to introduce some green clauses but the break and end dates will provide more of a negotiating power (PM1).

Given the agreed rarity of mid-term changes, it could be argued that the duration to a lease event where negotiating power is highest, creates a path dependency on changes and decision-making being delayed. This supports a comment in O'Roarty & ULI (2023) stating that in relation to lease clauses “-once these have been agreed, it is extremely difficult to insert new clauses including those relating to sustainability” (pp.29). This also adds weight to the argument that longer leases may delay decarbonisation decision making. If mid-term lease changes or actions are rare, then locking that inaction in for a longer period would not be conducive to swift decarbonisation by the landlord. The tenant is still likely to have security of tenure, even on shorter leases.

PM1 also commented, regarding barriers to change:

If we have a tenant that is zero engaged and they're on a long lease, there is nothing really we can do with them or the property (PM1).

A commonly cited way in which leases could be constructed and/or administered to promote decarbonisation in leasing is through a 'green lease', this will now be discussed.

Green Leases

As defined and discussed in the literature review a green lease is in summary a lease that includes 'green' clauses to promote the environmental sustainability of buildings and provide a mechanism allowing the market to privately regulate itself based upon the decarbonisation interests of the leasing parties (Hewitson, 2024). The assertion in the literature that the government prefer this private mechanism over public regulation (Murdoch, 2006) was supported by a response from LAW1:

No government likes to legislate in the commercial property market; they like it to self-regulate and they've always wanted it to self-regulate. The [19]'54 Act is still going, which says a lot (LAW1).

When asked the question; What are your opinions on the effectiveness of green leases for decarbonising non-domestic rental properties? An interesting, detailed and revealing answer was:

I'll give you my genuine answer to that, they're useless, and I'll tell you why. Tell me about a lawsuit case that has happened on the back of a green lease clause. We've not heard of anything like that, it would be hugely costly and complicated. If the parties want to, they will, if they don't, they won't. They're nice to have to maybe use as a stick at some time in the conversation but if they don't want to, even if it's in the lease, they will never (PM1).

Many of the respondents had similar sentiments, whereby green leasing was not deemed to be effective in practice, predominantly due to the unenforceability of clauses. LAW2, a litigator, specifically noted:

Terms are all of a 'reasonable endeavours' nature which from a litigators point of view is just a red flag because enforcing those obligations is pretty difficult. It's only as good as the party's willingness to abide by it (LAW2).

Another interesting finding was associated with the commerciality of incorporating green lease clauses, where suggestions were made if green clauses cost money they are quickly removed:

-even when green lease clauses are included in standard leases from landlords, tenants can negotiate on the way in and if there's any financial obligation it soon gets stripped out (PM2).

We have the catch all in our heads of terms of basically what are the green lease terms? If they cost us any money, then they're contested, or pushed back on the landlord (T2).

Between the unenforceability, perceived cost, and general sentiment of respondents, it can be argued that in practice, green leasing is largely ineffective at promoting decarbonisation decision making, unless parties are fully engaged and want to act (regardless of their lease arrangement). This supports research undertaken by Patrick & Bright (2016) who conclude only a partial efficacy of green leasing, and Sayce et al. back in 2009 who found that *“currently, the market is not ready for the introduction of green leases; instead it advocates that a more dynamic relationship between landlord and tenant is required”* (pp.273). Given this ineffectiveness is still prevalent in 2025, this demonstrates an example of sound theory not meeting with practice. As Davoudi (2018, pp.69) states: *“actions do not always follow rules, be they rationalist, normative or path-dependant rules”*.

Wyman (2024) speaks of the requirement for a blend of both public and private law, but that private law (such as contracts, leases...) do not get as much attention with regards to climate change and decarbonisation because of the public nature of the problem. They hypothesise that *“the inability of individuals to avoid climate change on their own contributes to a greater scholarly focus on the public laws that are needed to decarbonise”*. (ibid, pp.344). So, if private green leasing does not appear to be meaningfully affecting decarbonisation decision making, then what about the efficacy of public regulation relating to UK non-domestic property leases? Following the section summary below, that will be the next topic for discussion.

Summary

In summary, this section has mobilised the concept of historical institutionalism as outlined in Table 1, regarding nuances in the ways leases are, and have been, constructed and administered to better understand how leases are influencing decarbonisation decision making in UK non-domestic property. It finds that the shortening of lease terms over time may create opportunity for accelerated decarbonisation interventions compared with longer leases and shift obligations towards landlords. This is because of increased ‘windows of opportunity’ for socio-technical system changes to be made (Geels et al., 2017). Shortening leases should increase the frequency of vacant possession, reduce the term (where mid-term changes are difficult) and increase the number of (re)negotiation opportunities. It finds that green leasing is largely ineffective as a tool for promoting decarbonisation decision making but suggests that if enforceability increased, along with awareness and landlord-tenant collaboration this may change. The dissertation will now explore the efficacy of public regulation relating to UK non-domestic property leases.

4.2 Effectiveness of Regulation (Rational-Choice Institutionalism)

This section, on the effectiveness of regulation, aims to understand: **How are stakeholders’ decarbonisation decisions being influenced by lease related regulation and governance?** In order to do this it mobilises the concept of Rational-Choice Institutionalism (RCI) understanding stakeholders as rational, strategically utility-maximising actors, acting in their own interest and whereby institutions act as rules that structure the incentives and obligations surrounding stakeholders logical decision making (see also, Table 1). This section relies on primary qualitative data from the interviews conducted, secondary data regarding Minimum Energy Efficiency Standards (MEES) and literature. It argues, through two sub-topics, Minimum Energy Efficiency Standards and the Landlord and Tenant Act 1954, that: Existing regulation, which targets only landlords, is proving ineffective but that the Landlord and Tenant Act’s security of tenure may promote tenant decarbonisation implementation decisions.

Minimum Energy Efficiency Standards (MEES)

As described in the literature review the MEES regulations place an obligation on landlords to carry out energy efficiency upgrades to properties to increase their Energy Performance Certificate (EPC) ratings. Through the lens of RCI a stakeholder acting rationally or logically – as opposed to legally or illegally – would be balancing risk and acting in a self-interested utility maximising way. Therefore, a proxy for effectiveness in this context would be compliance. As such, secondary data collection was conducted to understand better how many UK non-domestic properties are lawfully unlettable and compare this with how many exemptions are registered.

As of April 2023, Non-domestic properties in EPC performance bandings F and G are no longer lettable under MEES. A non-domestic property is required to have an EPC in the UK if it is sold, rented, or constructed. To remain lettable, a property within the F or G performance category must either have work done, to increase its performance banding, or seek an exemption under one of seven exemption criteria, see Table 4 for a summary of these exemption criteria:

Table 4 - Minimum Energy Efficiency Standards Exemptions (author’s elaboration based on Gov.uk², 2025)

Exemption name	Brief Exemption Explanation	No. of Registered Exemptions (09/08/2025)
High Cost	If the cheapest intervention is over £3,500 inc. VAT. <i>(domestic property only)</i>	n/a
7 Year Payback	If the intervention will not pay for itself over a 7-year period.	134
All Improvements Made	If the property has all measures undertaken and is still sub-standard	152

Wall Insulation	If wall insulation is not appropriate for a property.	45
Consent	If a third-party refuses consent to undertake improvements.	186
Devaluation	If the works would devalue the property.	0
New Landlord (temporary exemption)	If a landlord is 'new' - allowable for 6-months in specific circumstances	2

Close to 1.5 million (1,484,761) non-domestic property EPCs were lodged as of 30th June 2025 according to the latest publicly available data set on 31st July 2025 from the UK open data communities data platform (opendatacommunities, 2025). Of these EPCs, nearly 10 percent (139,402) are currently within the F or G 'unlettable' performance bandings (ibid.). While not every EPC lodged will be for a private rented property, given the approximately 55% rented property figure from the Property Industry Association (PIA, 2024) a reasonable assumption would be that c.76,671 exemptions would be required.

There are currently just 519 exemptions registered on the PRS Exemptions Register as of 09th August 2025 (Gov.uk¹, 2025) representing just 0.37 percent of the properties in the F and G band. This represents a significant disparity between properties that require an exemption (139,402) and properties that have one (519). Of the exemptions that are registered, the most commonly lodged is regarding third party consent (such as a tenant refusing access to a landlord, or a planning department not allowing solar panels etc.) with consent related exemptions representing 186 of the 519 exemptions, or 36 percent (ibid.).

During the interviews, the following question was asked to all participants: How do you feel landlords and tenants are responding to regulation such as MEES? A particularly stand-out response was as follows:

HAHA, the MEES Regulations... ignoring them, I would say... yeah. The trouble with it is, there's absolutely no enforcement. Zip. None (LAW1).

While there is an informal tone to this quote, all participants agreed that the standards were not being acted upon or taken especially seriously - with stakeholders acting in their own interests instead. This supports the secondary quantitative data regarding widespread non-compliance with the regulations.

A follow-up question was asked to some of the interview participants: How do you feel leases are playing a role in that response? The most revealing response to that question was as follows:

*Most tenants will just say **** off, I don't want you in the building, I've got a lease of another 5-10yrs, I'm trading properly, you know... go away. MEES puts the onus on Landlords but due*

to Quiet Enjoyment/Nuisance clauses, landlords can't just go in and do works. I can't just kick them out for a few months (LL1).

Again, there is a certain informality to the response, however it is telling that this response would very much support the secondary data regarding the reasonings behind the exemptions for consent. The subtle reference to 'trading properly' in the quote is suggestive that the business is making decisions that rationally maximise their operations, acting in their own interests. If they know there will be no enforcement action, why take the risk of breaking lease agreements or fraying relationships between landlord and tenant. There is also a suggestion that the rules of the lease are being followed and respected (quiet enjoyment).

There are two interesting findings here. One is that it would at least appear that there a significant number (upwards of 100,000) non-domestic properties that are non-compliant, showing that stakeholders are acting in their own self-interests (rather than following public rule of law). And the second is that of the exemptions, the largest proportion are associated with third party consent to undertake works. This suggests that even when public regulation is put in place it may be blocked by existing private law (e.g. leases), a lack of awareness or incentive (or disincentive, by way of enforcement), or following a norm feeling the regulations are unfair.

Other responses provided by stakeholders (but not necessarily associated with leases directly) were associated with uncertainty over tightening of regulations over time:

Something clearly needs to be done to improve energy efficiency but with uncertainty from rule makers investment decisions are being delayed (T1).

-because the government have moved the goal posts so many times with MEES and EPC levels, initially, when it was first introduced, it was quite worrying for people. Whereas now, it doesn't feel like landlords or tenants are really engaging in that now due to lack of enforcement and uncertainty (LL1).

Another consideration was noted as a perceived 'broad-brush' approach to obligate landlords regardless of site-specifics or scale of business/property and a general sentiment that awareness of the regulations is low. Stakeholders' rational choices will also be affected by these considerations, outside of (albeit interlinked) any leasing arrangements:

for bigger, more blue-chip tenants and landlords it's becoming an increasing focus. Driven by CSR reporting etc. Many small and medium sized tenants and landlord clients probably aren't thinking about it to the same extent. They're still more focussed on cost and risk (LAW2).

The scale of tenant and the scale of property size/type is very important, but the government is trying to take a broad-brush approach that doesn't work across all sectors and scales. It's just not applicable, it doesn't work (LL1).

Given that optimal decarbonisation from a technical perspective is found to be when taking a site-specific, case-by-case approach (e.g. Levesque et al., 2023; Rosenow & Hamels, 2023; Kiss & Szalay, 2022) it is interesting that regulation is not following this tact.

In summary, there are three main findings with regards to MEES and the effects on decarbonisation decision making in the context of leasing. First, it appears there a significant number (upwards of 70,000) non-domestic rented properties that are non-compliant. Second, is that of the exemptions, the largest proportion are associated with third party consent to undertake works. And third, that a broad-brush approach is being taken which is unlikely to be technically optimal for decarbonisation. This suggests that even when public regulation is put in place it may be blocked by existing private law (in the form of leases) and/or simply a lack of certainty, awareness, or incentive to comply. Another form of public regulation that is in place that governs the leasing of property in the UK is the Landlord & Tenant Act 1954. This will be the next topic for discussion.

Landlord & Tenant Act 1954

As was stated in the literature review one of the key functions of the Landlord & Tenant Act 1954 is associated with the security of tenure for tenants (under Section 35 of the Act and a 'presumption of existing terms' (Cox & Radley-Gardner, 2017)). This means that tenants have the right to renew a lease, all things being equal, and at a market rent, on the same terms as they currently have without resistance from the landlord. The literature, recent media and recent consultations suggest that the Landlord & Tenant Act 1954, particularly surrounding security of tenure, creates inflexibilities that hinder and stifle innovation and modernisation, such as energy efficiency improvements (Neval, 2023). In fact, there are legal cases that indicate that there is a barrier, preventing landlords from enforcing green lease term changes at renewals for leases protected by the Act (see Sutherland, 2022; Judgement, 2022; Black & Barclay, 2021).

When asked; Do you feel that the Landlord & Tenant Act 1954 has any bearing on decarbonisation of non-domestic rental properties? Responses were mixed:

Yeah, regardless of decarbonisation, there's many leases that will just roll over. Preventing new clauses or agreements/measures to be put in place. It's a very traditional industry, nothing much changes. The Landlord & Tenant Act isn't going to change as a result of the latest consultation either (T1).

You could look at it from the perspective that if a tenant has security of tenure they may actually be more likely to undertake works themselves because they can envisage themselves being in the premises for longer, so have a greater willingness to invest in the property (LAW1).

While the first response highlighted here from T1 is in line with the literature, media, and legal cases, the second response from LAW1 is different, suggesting that security of tenure may assist in the promotion of decarbonisation intervention actions from tenants. It is quite logical not to invest in a property that you don't have security of tenure within, so by that thinking process, this suggestion makes sense, despite lots of claims that the Act is old fashioned and 'needs a shake up for collaboration' (Neval, 2023; Macdonald-Brown, 2023).

Summary

In this section we have found that there is a lack of compliance with MEES, confirmed with primary qualitative data as well as secondary quantitative data and literature. It is suggested that lease dynamics are a significant contributor to this lack of compliance, given the largest proportion of relevant registered exemptions, as well as qualitative data from the interviews suggest that third party consent from tenants is acting as a significant barrier.

Whether the Landlord and Tenant Act is hindering or expediting decarbonisation decision making is contested and the dynamic between private vs. public law being most effective is also not fully clear but may assist tenants decision making.

It is suggested that a combination of broad-brush one-sided approaches and uncertainty, along with a failure of enforcement in a highly heterogenous market is causing a general inefficiency of regulation. Stakeholders are being disabled from making rational-choices and decisions as they cannot accurately predict outcomes. The lease adds a layer of complexity, whereby it can take away a stakeholder's agency to act how they might immediately, and rationally, want to.

The research has now considered leases in a Historical Institutionalism context and Regulation in a Rational-Choice Institutionalism context. The dissertation will now explore Relationships and Norms in the context of Sociological Institutionalism to understand if further insights can be gleaned as to how leases may be influencing decarbonisation decision making.

4.3 Relationships and Norms (Sociological Institutionalism)

This section, on Relationships and Norms, aims to understand: **How do industry norms and attitudes towards leasing and stakeholder relationships influence decarbonisation strategy?** To do this, it mobilises the concept of Sociological Institutionalism (SI) which understands stakeholders as entities that act in a socially appropriate way, whereby institutions shape and structure cultural norms, preferences, identities, and social meaning (see also Table 1). This section relies on the primary qualitative data from the interviews conducted, as well as references to the literature. It argues, through three sub-topics, landlord and tenant relations, overarching sentiment on decarbonisation liability and attitudes towards the importance of leasing in decarbonisation that: landlord-tenant relationships are slowly improving, becoming more collaborative and less adversarial, which is likely to expediate decarbonisation implementation.

Landlord and Tenant Relations

In the literature review it was noted that traditionally relationships between landlord-tenant have been adversarial (Bright, 2010; O’Roarty & ULI, 2023; Patrick & Bright, 2016; Sayce et al., 2009). Towards the start of the interviews the participants were asked openly about their general thoughts and sentiments around decarbonisation and leasing and then at the end if there was anything they felt they would like to add. The following two responses were gleaned through these open and broad questions:

I think the key to decarbonisation in this sector is around people really wanting to have binding obligations - there needs to be a wholesale change in the view of how people get to that and it needs to become much more collaborative. Which is difficult because that's a massive mental mind shift for corporate landlords and tenants. That is on the rise, slowly changing, but the trouble is the cost of everything is just a massive blocker at the moment (LAW1).

Generally speaking, Landlord and Tenant relationships are slowly becoming more collaborative because the market has changed dramatically over the last 10- or 20-years. You can't just sign people up on a 15 year upward only rent reviews. You have to work much more closely with your tenants than you used to. I think that has got better. But it does depend on whether you're the kind of landlord who is only bothered by the bottom line or whether you endeavour to have a relationship with your tenants (LL2).

Both of these responses elude to the fact that relationships are slowly becoming more collaborative, with LL2 suggesting this may partly be because of the shortening of leases (further adding weight to the argument in Section 4.1). An example of collaboration was provided by PM2 in a detailed explanation of a case study;

So, they [tenant] negotiated with the landlord to run a Green Committee quarterly across the whole building. This hadn't been agreed previously with the other lettings, so it was

inconsistent. But it has gone ahead and the other tenants have got on board really well with it (PM2).

This supports the relatively recent UK based research undertaken by Jackson & Orr (2021) “*there has been a move away from landlord-led improvements, toward working more closely with tenants to promote wellness and associated productivity benefits*”. Albeit their paper is associated with sustainability more broadly than just decarbonisation. However, it does still support the sentiment associated with a move to greater collaborative relationships between landlords and tenants being more sociologically appropriate.

While the slow improvement in landlord-tenant relationships is generally being perceived here as a positive thing for the implementation of decarbonisation interventions, who is perceived to have ultimate responsibility between stakeholders?

Overarching Sentiment on Decarbonisation Liability – ‘It Depends’

When asked; ‘Do you have an opinion on where the burden of decarbonisation liability should sit between Landlords and Tenants?’ the responses were exceptionally consistent, with only the two tenants making reference to a different approach than ‘a joint approach’ and ‘it depends’, for example:

I guess in theory I would say it should be a joint approach (LL2)

Completely depends 50/50, 30/70, 70/30 (PM1)

I think it's got to be a joint approach (PM2)

It depends, this is why I think the lease is so important (LAW1)

In slight contrast (albeit nuanced with dependencies) T1 said:

The landlord should take the larger portion of the responsibility. Where there's a FRI [fully repairing and insuring] lease perhaps a bit more tenant responsibility. The scale and type of landlord and tenant makes a difference too (T1).

And T2 interestingly challenged:

Is landlord vs. tenant the right split? - you could have a tenant that is a one man band, or you could have a tenant who is a multi-national corporation. It's just me thinking off the top of my head but I'd say it should fall with whoever has the greatest shoulders to have the greatest burden. Otherwise in reality it's just not going to work (T2).

From a sociological appropriateness perspective, what is perceived to be fair and reasonable is important. Here, the data points to case-by-case or site specific dependencies on who holds responsibility. It was noted in Section 4.2 that the Minimum Energy Efficiency Standards (MEES) apply

only to landlords and LL1 even pointed in a response to this ‘broad-brush’ approach not being fair. Perhaps the sociological inappropriateness regarding the broad-brush apportionment of obligation to the landlord is a direct barrier to MEES effectiveness. It is also telling that outside of private or public rules and norms there was also sentiment regarding action being taken:

When we were building out the last bit of an industrial estate, we decided altruistically to put in some EV car chargers. Commercially they've been a waste of space, but many people are trying to do what they feel is the 'right thing' (LL2).

This altruistic behaviour suggests that intrinsic motivators also exist with regards to the decarbonisation of non-domestic rental property. Which is line with findings from Canelas (2025) that motivations are both intrinsic and extrinsic (pp.18) and could be considered under the banner of ‘environmental stewardship’. So, if actions are sometimes being taken regardless of leases, regulation or other institutional norms, is the lease even perceived as an important consideration by stakeholders?

Attitudes Towards the Importance of Leasing in Decarbonisation

At the start of the interviews an open question was asked regarding general thoughts or comments about the importance of leases when landlords and tenants are looking to decarbonise their non-domestic properties. None of the respondents said that leases were unimportant, and all provided thoughtful comments regarding their initial perceptions. The below were concise examples that are representative of general responses whereby the lease was perceived to be important:

The lease is critical to it, because it's the document that sets out each party's respective obligations, and it's the variation of that document that gives the parties the ability to enforce any particular aspect or obligation (LAW1).

leases are the driver for the [decarbonisation] conversation. They're the starting point (PM1).

The quantum of literature regarding green leasing alone suggests the perceived importance of the leases potential to influence decarbonisation decision making. However, some literature fails to meaningfully acknowledge property leases as a consideration with regards to decarbonisation, often seeing the problem as either purely technical or economic. Pertinently, OECD (2022) report on ‘Decarbonising Buildings in Cities and Regions’ very briefly mentions the split incentive (pp.34) but does not specifically highlight the lease and a potential mechanism for change or use the word ‘lease’ in the document once in over 100 pages. Beaney et al. (2023) is another good example of work that despite discussing a non-domestic leasehold building and implications for all stakeholders on a pathway to Net Zero doesn’t mention lease implications either.

The finding here is that stakeholders see the lease as a ‘norm’ across many property related matters where obligations and interests need to be agreed and apportioned. Given this, it is interesting that green leasing does not appear to be more effective.

Summary

In this section we have understood that despite well documented adversarial relationships between landlords and tenants, this may be slowly changing to a more collaborative dynamic, assisting decarbonisation implementation decision making. It is also found that there is a broad acceptance of a norm, that obligations should differ on a case-by-case basis between landlord-tenant but that this isn’t the approach taken by prevailing regulations. There is some evidence of altruistic behaviour associated with intrinsic motivators of ‘doing the right thing’ in the context of decarbonisation, despite private lease or public regulation, too. Regulation working against socially accepted norms may form part of a basis for the evidenced lack of compliance. It is also noted by all participants that leasing forms an important consideration when making decarbonisation decisions for non-domestic rental properties.

The research has now considered leases across all three concepts of New Institutionalism to analyse the three sub-questions positioned beneath the overarching research question. The next section will now bring these concepts and sub-questions together in an overarching discussion, as advocated by Hall & Taylor (1996).

4.4 Overarching Research Question Discussion

This section, on the overarching research question, aims to understand: **How are UK non-domestic property leases influencing landlords' and tenants' decarbonisation decision making?** It does so by integrating some of the pertinent thoughts and ideas contained within the previous three sections (4.1, 4.2 and 4.3). As these three sections align with the three concepts of New Institutionalism this integration of approaches is in line with Hall & Taylor's (1996) and Lowndes (2002) suggestions that broader and more nuanced insight may be possible than if the concepts were observed individually, as is advocated by Hay & Wincott (1998). This section is more descriptive, with less formal structure than the previous sections but in summary concludes that: Non-domestic property leasing, despite somewhat ineffective public regulation and green leasing, may begin to assist towards the goal of decarbonisation in the sector. This is argued to be through the most pertinent arguments in the previous three sections, which are summarised as:

4.1 – Shorter leases may begin to assist non-domestic property decarbonisation by increasing the frequency of windows of opportunity for (re)negotiation and vacant possession.

4.2 – Public regulation in the form of Minimum Energy Efficiency Standards are proving ineffective in terms of compliance.

4.3 – Landlord and tenant relationships are slowly becoming more collaborative, potentially assisting towards the goal of decarbonisation and there's an appreciation that obligations for decarbonisation should depend on a case-by-case basis.

With regards to the first argument, that was established while mobilising the concept of HI, that shorter leases may provide more windows of opportunity for (re)negotiation and vacant possession. If looked at with SI in mind, perhaps the shortening of lease lengths are also partly a driver of the improvement of landlord-tenant relationships. More active and frequent management and administration of leases may cause more engagement from both parties to work together to ensure terms are working for everyone more often. Undertaking this process more frequently may also improve capabilities or of parties in negotiating and understanding one another better.

Generally speaking, Landlord and Tenant relationships are slowly becoming more collaborative because the market has changed dramatically over the last 10- or 20-years. You can't just sign people up on a 15 year upward only rent reviews. You have to work much more closely with your tenants than you used to (LL2).

With regards to the second and third arguments it was established in Section 4.3 that when analysed through SI parties appreciate that obligations for decarbonisation should be formed on a case-by-case basis. However, regulation, when viewed through RCI is working against this socially accepted norm,

as well as the basis of optimal technological decarbonisation and may form a basis for the evidenced lack of compliance.

MEES puts the onus on Landlords but due to Quiet Enjoyment/Nuisance clauses, landlords can't just go in and do works. I can't just kick them out for a few months (LL1).

Cost has been a somewhat moot point in the previous three sections, albeit mentioned specifically in Section 4.1 with regards to green lease clauses being included or not in negotiations. It is worth noting here in the summary that cost was mentioned extensively throughout the participant interviews and indeed is reflected in some of the responses quoted in Sections 4.1, 4.2 and 4.3. Cost continues to be a significant barrier to decarbonisation, as was established in the literature review, particularly (Irwin Mitchell, 2025). When asked if carbon emissions factored into decisions for tenant space acquisition the responses varied significantly but were revealing:

We don't factor it in, no. It's all about the commercial competition of location and where we can get sites (T2).

Some [tenants] are more sophisticated from a sustainability perspective than others. Also, whether the asset is in a prime location or not. Expectations differ, higher in prime locations, lower in secondary locations. Also, asset class, expectations are higher for commercial office than for warehousing for example (PM1).

Despite the findings of this dissertation, cost is likely to continue to be a significant consideration, given the neoliberal capitalist economic system that presides in the UK.

Looking at the different concepts of NI together it is evident that there is supportive cross-over of arguments and themes. This supports Hall & Taylors (1996) and Lowndes (2002) hypothesis that observing the three concepts in tandem may prove stronger than using just one.

This Chapter (4) has presented research findings and discussed them in the context of non-domestic building decarbonisation, New Institutionalism and the current literature. It has arrived at various conclusions which will not be brought together and summarised in the final Chapter.

5.0 Conclusion

In the introduction, while setting in context this dissertation research, it was noted that the UK is not on pace to achieve Net Zero GHG-emissions by 2050 according to the Climate Change Committee (CCC). A quickening of progress is therefore required to meet these targets. The findings of this research suggest that leasing is an important consideration in this, not least because industry stakeholders believe it to be but because the institution of leasing has a direct impact on stakeholder behaviour as has been seen throughout the findings and discussion section. In the previous chapter it was discussed at length how the research data collected, both primary and secondary, can contribute to the further understanding of the dissertation research question. This chapter aims to bring these findings and analyses together into a concise conclusion, reflect on what these findings may mean in a broader context and make suggestions for further research.

Through an institutional analysis, mobilising the organising concept of New Institutionalism (NI), this dissertation has further explored stakeholder decarbonisation decision making within the UK non-domestic property market, with a focus on property leasing, associated regulation and landlord-tenant relationships. Using the three concepts of NI, Historical Institutionalism (HI), Rational-Choice Institutionalism (RCI) and Sociological Institutionalism (SI), it suggests that:

Firstly; with regards to HI, the shortening of lease terms over time may create opportunity for accelerated decarbonisation interventions compared with longer leases and shift obligations towards landlords. This is argued to be because of increased ‘windows of opportunity’ such as the frequency of vacant possession and the number of (re)negotiation opportunities. The research also finds that green leasing is largely ineffective as a tool for promoting decarbonisation decision making but suggests that if enforceability increased, along with awareness and landlord-tenant collaboration this may change.

Secondly, with regards to RCI, that Minimum Energy Efficiency Standards (MEES), which targets only landlords, is proving ineffective. With widespread non-compliance and the largest proportion of relevant registered exemptions, as well as qualitative data from the interviews, suggesting that third party consent from tenants is acting as a significant barrier. The research also finds that the effects of the Landlord and Tenant Act’s security of tenure provisions are unclear and contested, with legal cases suggesting a hinderance to decarbonisation decisions but this research finding that there may be potential for accelerated tenant investments.

Finally, with regards to SI, the dissertation finds that the landlord-tenant relationship, traditionally perceived to be adversarial is slowly becoming more collaborative which is likely to expediate decarbonisation implementation.. This is potentially as a result of decreasing lease lengths requiring more proactive management. It also finds that stakeholders appreciate that apportionment of obligations

for decarbonisation should differ on a case-by-case basis and suggests that this may be partially to blame for the lack of compliance with MEES regulations that target only the landlord.

Overall, the research argues that non-domestic property leasing, despite somewhat ineffective public regulation and green leasing, may begin to assist towards the goal of decarbonisation in the sector. This is argued to be through the market driven shortening of lease lengths, both increasing the frequency of windows of opportunity for (re)negotiation and contributing to the slow collaborative improvement of landlord-tenant relationships.

These findings should hold particular significance for policy making associated with non-domestic property decarbonisation in the UK but also similar economies with similar common law institutions and norms. The findings hopefully also hold insights that could be used within institutional change analyses more broadly. The hope being that through changes in incentive or obligation structures that the lease conundrum can be somehow unlocked and the pace of decarbonisation accelerate, in order for the UK to meet its 2050 Net Zero Targets in alignment with international accords.

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Appendix A - Further Reading

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Appendix B - Example Stakeholder Interview Questions

Interviews were semi-structured – so many questions were asked ‘ad hoc’ – the below is a representative sample of many of the standard questions asked:

What property sector or sectors are you a landlord/tenant/do you advise/manage in?

Roughly how many properties do you lease/manage/own?

How do you go about managing those lease agreements?

Are you an owner occupier in any buildings?

Do you act exclusively for Landlords, or Tenants as well?

Do you have any initial general thoughts, comments or feelings about the importance of leases when looking to decarbonise non-domestic rental properties?

When looking for space to rent, do you look for spaces with a good energy performance, absence of fossil fuel use, or green leasing preferences as part of your search criteria?

Do you ever have disagreements or conflicts about what a lease should or shouldn't include with regards to decarbonisation?

How often do you typically review lease clauses?

Have you had any instances where leases have been renegotiated mid-term on the basis of decarbonisation agendas, without a lease event?

How do you feel Landlords and Tenants are responding to regulation such as the Minimum Energy Efficiency Standards?

Do you have any Green Leases in place? (those being leases that have clauses that encourage collaboration between parties for decarbonisation and sustainability more broadly)

If yes, how do you find their effectiveness for decarbonisation goals?

In No, is there a reason why you feel this isn't the case?

Do you have any thoughts on the effectiveness of green leases in the implementation of decarbonisation interventions within non-domestic assets?

Have you had any specific instances where lease obligations or arrangements have prevented decarbonisation decisions?

If yes, please can you explain the situation?

If no, could you foresee a scenario where this might be the case in the future?

Do you have an opinion on where the burden of decarbonisation liability should sit between landlords and tenants?

As a landlord/tenant/PM/Lawyer, do you feel there's any particularly opportune times to carry out decarbonisation works at a premise?