

THE END OF UPWARDS-ONLY RENT REVIEW?

The Government introduced the English Devolution and Community Empowerment Bill on 10 July 2025. It includes a provision to “ban” upwards-only rent review clauses in new commercial leases in England and Wales. The stated policy aims are to “make commercial leasing fairer for tenants, ensure high street rents are set more efficiently, and stimulate economic growth”. Despite an apparently significant intervention in long-established market practice, investors question how relevant this will be to high street retailers taking increasingly short-term leases.

Proposed reform

What exactly is proposed?

In new leases, rent review by reference to a variable such as market rent, notional rent, inflation or tenant’s turnover would no longer be upwards-only or subject to a minimum uplift. Any provision seeking to achieve that would be overridden, and rent would be able to go up or down at review.

This will not prevent the use of stepped rents which are fixed at the outset of the lease. There is also provision for regulations to be made creating exceptions. The Government’s explanatory notes suggest this might allow for caps and collars to be used in a commercial lease, but no detail has been proposed at this stage.

Will this apply to all leases?

These restrictions would apply to new commercial leases, defined by reference to the Landlord and Tenant Act 1954 (but not limited to those which benefit from security of tenure under that Act).

Broadly that means leases of premises which are occupied by a tenant for the purposes of its business. It appears that the restrictions would not apply to a headlease if the premises are underlet, for example.

The legislation is not retrospective. It would not affect existing leases. Nor would it apply to leases granted under agreements for lease entered into before the legislation comes into force.

Will the parties be able to agree to contract-out of these restrictions if they wish?

In short, no. The legislation includes wide anti-avoidance provisions to prevent this. This specifically includes arrangements for landlords to require tenants to take new leases at an unknown rent, which will effectively be subject to the same override.

Will landlords simply choose not to operate rent review provisions if rents would not increase?

The Bill would give tenants the rights to take any action required to trigger or operate a rent review even if the lease provides for that action to be taken by the landlord. This would prevent landlords resting on a higher rent if the market falls.

When would these rules apply?

The Bill will need to make its way through the parliamentary process, which might be expected to take 6 to 12 months. There will be considerable lobbying in that time, and the Bill may be amended during the process.

Has this been done elsewhere?

In 2010, Ireland banned upwards-only rent review in commercial leases. Since then, leases must allow rent to rise, fall, or remain unchanged at review. Having spoken to our colleagues at Arthur Cox, the impact of the ban in the medium term has not been to stifle investment to any appreciable extent.

A number of mechanisms have evolved to soften the impact, including a floor on reductions from open-market rent reviews. Unlike the Government's proposals here, the Irish ban does not appear to affect the use of index-linked reviews. The true implications of the change in Ireland are still subject to debate, as there is limited case law even after 15 years.

Is there a case for reform?

The commercial leasing landscape has changed significantly since previous debates around upwards-only rent reviews in the early 2000s. Lease terms have shortened, rent reviews commonly occur every five years, and many leases now include tenant break rights, all of which naturally reduce the impact of upwards-only provisions.

In sectors like retail, the market has already shifted toward more flexible models such as turnover-based rents, reflecting a more dynamic, performance-driven approach to rental value. The rigid structures that once prompted concern are no longer dominant. Where rents have been unaffordable, processes including CVAs and restructuring plans have provided options for tenants. The number of vacant retail units across the country would suggest that there are more fundamental issues as to lack of take up than any concern about the rent review cycle.

In other contexts, the certainty of upwards-only rent reviews linked to inflation allows insurance and pension fund capital to provide finance for significant property development and for exactly the productive businesses that the Government is looking to support.

Over the last three decades, it is interesting to note that this legislation would only have changed the outcome for City core office rent reviews in a small number of years linked to the end of the dot-com boom in the early 2000s and the global financial crisis of 2008/9.

We expect this proposal to generate significant debate in the coming months. It remains to be seen whether these provisions become law or fall aside to allow safe passage of other Government priorities in the Bill in relation to devolution and local government reform.

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