

United Kingdom: Are upwards-only rent reviews going down?

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Rent Review

In brief

The UK government has introduced the English Devolution and Community Bill 2025 ("**Bill**") to Parliament, which will, if passed, introduce a ban on upwards-only rent reviews in new commercial leases. That means that, notwithstanding any contrary terms in the lease, the rent could move upwards or downwards on review. In this alert, we consider the current proposals, and look ahead to some possible ramifications, of the Bill.

Key takeaways

- Upwards only rent review clauses are commonly found in commercial leases and are used by landlords to guarantee that the rent will not decrease over the lease term, regardless of market conditions.
- The English Devolution and Community Bill 2025 proposes a ban on upwards-only rent review provisions in new leases of premises in England and Wales which are occupied by the tenant for business purposes.
- The ban will only apply prospectively to leases granted after the Bill is passed. Existing leases will be unaffected until they are renewed.
- Thereafter, where an upwards only review clause is included in a new, or a renewal, commercial lease, any statement that rent will not decrease on review will be unenforceable. That means that rent can go up or down on review. Stepped (or fixed) rent increases will be unaffected.
- Anti-avoidance provisions are included to enable the tenant to trigger a rent review where not otherwise permitted by the lease.

In more detail

The government introduced the English Devolution and Community Empowerment Bill on 10 July 2025. Though the majority of the Bill is focused on devolving powers to local authorities and encouraging community-led growth, section 71 of the Bill proposes a ban on upward-only rent reviews in new commercial leases, regardless of their express terms.

Upwards only rent review provisions are extremely common in commercial leases, and are used by landlords to ensure that, on each rent review date, the new rent will either increase or stay the same, even if the market has declined. From a landlord's perspective, such provisions provide assurance that their income stream will remain consistent and may be relied

on to support associated borrowing. Tenant concerns derive from perceptions of upwards only reviews leading to artificially inflated rent in times of market downfall.

Whilst industry-approved Codes of Practices explain appropriate rent review drafting and encourage rent review alternatives, adoption is not mandatory, and the government now advocates a more formalised statutory approach.

If passed in its current form, the Bill will:

- ban upwards only reviews in new commercial leases (which are defined by reference to the Landlord and Tenant Act 1954 ("LTA 1954")), though won't apply to new leases entered into pursuant to agreements for lease which pre-date the statutory provisions coming into force. Existing leases are unaffected,
- extend to renewal leases, regardless of any contrary terms in the original lease,
- apply to upwards only review clauses where the revised rent (reviewed by reference to variables such as the market, indexation or turnover) cannot be determined at the date the lease is granted. There is no suggestion that known, fixed rent increases will be affected, and
- override upwards only drafting in new leases, so that on review the rent may go up or down.

By way of illustration, some predicted effects of the proposed changes are set out below.

Rent review facts	Rent level on review
Current annual rent – GBP 100,000. Lease permits upwards market rent review. Market rent at review date has risen to GBP 110,000.	GBP 110,000. Rent will increase to the open market rent if higher than passing rent.
Current annual rent – GBP 100,000. Lease permits upwards market rent review. Market rent at review date has fallen to GBP 90,000.	GBP 90,000. Rent will decrease to the open market rent if lower than passing rent.
Current annual rent – GBP 100,000, subject to fixed annual rent increases of GBP 10,000. Market rent at end of Y1 has fallen to GBP 90,000.	GBP 110,000 (Y1 review). Stepped increases will take effect as envisaged.
Current annual rent – GBP 100,000. Cap – GBP 102,500. Index-linked review. Index increases by +5% at review date.	GBP 102,500. Rent will increase in line with index, but subject to the cap.
Current annual rent – GBP 100,000. Index-linked review. Index increases by +5% at review date. No cap.	GBP 105,000. Rent will increase in line with index.

Current annual rent – GBP 100,000. Cap
- GBP 110,000. Index-linked review.
Index reduces by -5% at review date.

GBP 95,000. **Rent will decrease in line
with index.**

The Bill contains anti-avoidance measures to prevent landlords avoiding a potentially downwards rent review by failing to implement that review. Under the proposed legislation, all tenants to whom the provisions apply will be able to trigger the rent review, where the landlord fails to do so and where the lease otherwise precludes tenant action. Side arrangements, whereby the tenant agrees to pay the difference between what is, and what would have been, the revised rent (but for the proposed ban) will be void.

One thing in particular is worth noting at this stage. As drafted, the proposed ban will only extend to new leases to which LTA 1954 applies. These are leases of commercial premises in respect of which the tenants are in occupation for the purposes of their business (whether or not they benefit from security of tenure under the LTA 1954) as well as to statutory renewals of existing commercial leases which do benefit from security of tenure). In more complex leasing structures, where intermediate landlords sit above the occupational tenant, those intermediates, being out of occupation, may not be afforded the same protections as their occupational sub-tenants. If those intermediate landlords are subject to upwards-only review provisions in their own lease, they may be exposed to a potential income gap where rental uplifts are not tracked along the entire chain.

The proposed changes have been introduced into the Bill without consultation and have already raised both hackles and hope in the market. Some lobbying is to be expected, and the Bill's final position on rent review may shift.

Notwithstanding, the government will be hoping that the Bill passes into law during the current parliamentary session.

Please do contact one of the Real Estate partners or your usual Baker McKenzie contact to discuss the potential impact of the proposed changes.

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