

Lambert
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UPWARDS-ONLY RENT REVIEWS

THE END OF UPWARDS-ONLY RENT REVIEWS



A major change to commercial leasing is coming.

New legislation will prevent upwards-only rent reviews from being used in new commercial leases

The rules are **not yet in force**.

That creates an important window for occupiers, and landlords, to review existing lease strategies, upcoming expiries and opportunities to re-gear.

If your landlord approaches you early, understand why before you agree.



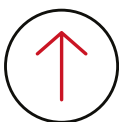
WHAT IS CHANGING?

Upwards-only rent reviews have been a longstanding feature of the UK commercial property market.

Under a traditional upwards-only review, rent can:

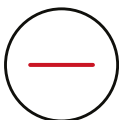
Increase

- Where market rents or the relevant index have risen.



Remain the Same

- Where the reviewed rent would otherwise be lower than the passing rent.



But Not Fall

- Even where prevailing market conditions have weakened.



THE NEW POSITION

The **English Devolution and Community Empowerment Act 2026** as currently drafted introduces a statutory ban on upwards-only rent reviews in new business tenancies in England and Wales.

Once the relevant provisions are implemented rent review mechanisms must be capable of producing a **downward as well as an upward movement**.

The proposed legislation will affect the following mechanisms:

- 1 **Open-market rent reviews**
- 2 **Index-linked reviews**

It is anticipated stepped rents will be unaffected.

WHAT HAPPENS TO EXISTING LEASES?

Existing commercial leases containing upwards-only rent review provisions will generally continue under their existing terms. The legislation is principally aimed at **new and renewal leases** entered into once the relevant provisions come into force. Certain leases completed after commencement may also remain outside the new regime where they arise from qualifying agreements entered into beforehand.

This creates a potentially valuable distinction between:



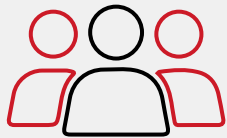
Existing Lease Terms

Upwards-only rent review structures in existing leases will be unaffected.



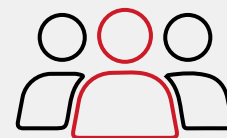
Future Lease Terms

Rent reviews in all new leases will need to contain a downward mechanism as well.



For Landlords

The certainty associated with an existing upwards-only income stream can be valuable.



For Occupiers

Agreeing a new lease structure too early risks giving up flexibility or locking in terms before the new legislation is fully understood.

The timing of your next lease decision could therefore matter as much as the headline rent.

WHY LANDLORDS MAY WANT TO RE-GEAR EARLY

A lease re-gear is not inherently good or bad - it is a negotiation. But occupiers should understand the landlord's objectives before agreeing new terms.

1

Capture Rental Growth

Where rents are currently rising, a landlord may seek to establish today's higher rental level earlier rather than waiting for a future lease event.

2

Extend Income

An early re-gear can increase lease length, reduce near-term expiry risk and improve certainty of income.

3

Protect Lease Value

Legacy upwards-only review provisions may become increasingly valuable once the legislation is in place.

4

Improve Investment Value

Longer leases, stronger income certainty and reduced break risk can enhance the investment profile of an asset.

5

Act Before Commencement

The transitional period creates an incentive for both parties to consider agreements before the new rules take effect.

It is important that the wider terms of any regear proposal are therefore fully considered in light of the proposed legislation.

THE RE-GEAR: LOOK BEYOND THE INCENTIVE

An early landlord approach can appear attractive. A rent-free period, capital contribution or short-term rent reduction can deliver an immediate saving. But the full lease economics need to be considered.



Headline Rent

Is the proposed rent genuinely competitive against current market evidence?



Lease Length

How many additional years are you committing to the property?



Break Options

Are you surrendering a valuable break or reducing future occupational flexibility?



Rent Review

What rent review mechanism are you agreeing - and when will it operate?



Incentives

Does the value of the incentive compensate for the additional commitment being given?



Future Market Movement

What happens if market rents weaken during the extended term?



Property Strategy

Does the re-gear support your future business requirements, or simply solve the landlord's asset-management objective?



Wider Lease Terms

Consider the risk & opportunity to modernise other lease terms



The Key Question:

What is the landlord receiving in exchange for what they are offering you?

WHY NOW?

1

The Legislation Is Here

The English Devolution and Community Empowerment Act 2026 received Royal Assent on **29 April 2026**.

The direction of travel is therefore clear, even though the relevant legislation has not yet been implemented.

2

There is a Transitional Window

Until commencement, existing leasing structures continue to matter. Landlords and investors are assessing how upcoming renewals, expiries, breaks and re-gears should be managed before the new legislation becomes effective.

3

Rental Growth Creates Opportunity

In markets experiencing rental growth, landlords may have an additional incentive to crystallise stronger rents and extend lease terms sooner.

4

Occupiers Have Leverage Too

An occupier agreeing an early re-gear is providing the landlord with income certainty. That has value. It should be reflected in the commercial terms you negotiate.

Do not treat an early re-gear as an administrative lease event. Treat it as a strategic opportunity.

HOW LSH PROTECTS OCCUPIERS?

Lambert Smith Hampton combines market intelligence, valuation expertise and lease advisory experience to help occupiers understand the true value of a proposed re-gear.



Lease Re-Gear Strategy: Assessing whether an early re-gear supports the occupier's property strategy before negotiations begin.



Rental Benchmarking: Using current transactional evidence to test proposed rents and landlord assumptions.



Financial Modelling: Comparing the cost of remaining on existing terms against alternative re-gear, renewal and relocation scenarios.



Rent Review Advice: Understanding the implications of existing and future rent review provisions particularly in light of the changing landscape and to protect occupiers from unnecessary rental exposure.



Break Clause Optimisation: Protecting valuable flexibility and identifying opportunities to strengthen the occupier's negotiating position.



Incentive Negotiation: Ensuring rent-free periods, capital contributions and other concessions properly reflect the value being transferred to the landlord.



Portfolio Lease Event Planning: Reviewing upcoming expiries, breaks, rent reviews and re-gears across an estate so decisions are taken strategically rather than reactively.

YOUR LANDLORD IS REVIEWING THEIR LEASE STRATEGY. YOU SHOULD TOO.

The commercial leasing landscape is changing. Landlords will be considering what the end of upwards-only rent reviews means for income, lease length, asset value and upcoming lease events. Occupiers should be doing the same. An early re-gear can create genuine value - but only where future risk has been properly balanced against the opportunity.

Before accepting an early landlord proposal, understand:

Why now?

What are you giving up?

What is your commitment worth to the landlord?

What benefits can you secure?



LSH helps occupiers use lease events to reduce cost, retain flexibility and secure stronger commercial terms.

CONTACT US:



Don't wait for your landlord to define the negotiation. Contact LSH at rentreview@lsh.co.uk for a confidential review of upcoming rent reviews, breaks, expiries and re-gear opportunities.

Technical Note: The English Devolution and Community Empowerment Act 2026 has received Royal Assent, but the provisions relating to upwards-only rent reviews are not yet in force. Their commencement requires secondary legislation. The precise effect of the legislation will depend on the relevant lease documentation and circumstances. Occupiers should take appropriate property and legal advice before entering into lease documentation.