UPWARDS-ONLY RENT REVIEW BAN: ACT RECEIVES ROYAL ASSENT, BUT COMMENCEMENT DATE STILL AWAITED

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UK Real Estate Alert

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SUMMARY

The bill containing a ban on upwards-only rent reviews in commercial leases received Royal Assent on 29 April 2026 and is now the English Devolution and Community Empowerment Act 2026 (the Act).

The ban will not take effect immediately, and a commencement date will be set by future regulations. Market expectation is that this will not be before 2027 or possibly 2028.

The Act includes a ban on upwards-only rent review clauses in new and renewal commercial leases in England and Wales, which are occupied by the tenant for business purposes or which could be occupied for business purposes. These include high street, office, and manufacturing leases, with limited exemptions, such as certain agricultural/mining leases. Please see our previous alert here.

ARE EXISTING LEASES AFFECTED?

Existing leases containing upwards-only rent review provisions should generally remain unaffected. Similarly, leases granted pursuant to “an arrangement” in place before the ban comes into force will not be affected. “An arrangement” is not a defined term, so it will likely be interpreted as being wider than a contract and will include options as well as agreements for lease.

However, following a late amendment, certain renewal arrangements entered into on or after 17 March 2026 could be affected. The ban on upwards-only rent reviews would apply not only to rent reviews within a lease, but also to the rent payable at the start of a new lease granted pursuant to what are described as “tenancy renewal arrangements"—essentially put or call renewal options contained in an existing lease. This late amendment means that the ban would apply to the rent payable at the start of a new lease (and rent reviews contained in that new lease) if the relevant renewal option was contained in a lease granted on or after 17 March 2026.

RENT REVIEWS WHICH WOULD BE SUBJECT TO THE BAN

The ban would apply to traditional open-market rent reviews, rent reviews linked to inflation or other index or multiplier, and rents linked to turnover, if the rent payable after the review date is unknown and cannot be

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ascertained when the lease is entered into. A stepped rent and a rent subject to a fixed increase will be unaffected, as both are ascertainable when the lease is granted.

As inflation rarely falls, commentary suggests that landlords may switch to index-linked reviews, so rent will be linked to the increase in the value of money rather than the value of property, which would not be what the Act envisaged. There is currently no guidance on the Consumer Price Index (CPI) as an alternative to the Retail Price Index and whether, for example, an increase based on CPI with a cap and collar would be compliant. The Government has promised to consult on cap-and-collar rent reviews, so we will need to wait for the outcome of this consultation. Whilst in principle there should be no objection to caps, it is difficult to see how any form of collar would be consistent with the aims of the Act.

PRACTICAL IMPLICATIONS FOR LANDLORDS AND TENANTS

Revisit Current Deals and Template Drafting

Landlords and tenants should review any live transaction or standard form lease that includes a contractual renewal right. Where that right is granted on or after 17 March 2026, the renewed lease may be caught by the new regime. The parties should therefore address at the outset how rent is to be set on renewal, rather than assuming that an upwards-only market review will remain available.

Think Carefully About Term Length and Rental Structure

The ban may influence how parties approach lease length. Some landlords may prefer shorter terms, giving them a further opportunity to reset the rent on re-letting, rather than relying on an upwards-only review during the term. For longer leases, alternatives such as fixed stepped increases or genuinely upwards/downwards index-linked reviews may become more common, although these may not suit every asset or financing structure.

Reassess Valuation, Funding and Investment Assumptions

Where valuations, lending assumptions or investment appraisals rely on a rent floor at review, those assumptions should be revisited. This will be particularly important for assets where renewal options form part of the expected income profile. Investors, valuers and lenders will also need to consider the emerging distinction between leases protected by existing arrangements and newer leases subject to the ban.

If you would like advice on how to adapt your leasing strategy or a review of your current documentation, please contact our Real Estate practice team.

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