



Commercial rent reviews – is ‘upward only’ under threat?

If you grant a lease for more than five years, you will want to include a rent review, so that you can make sure the rent does not fall below the market average. Rent reviews in UK commercial leases are usually ‘upward only’ which means the lease rent goes up if market rents have risen but stays the same, rather than going down, if market rents are lower.

The Government shocked commercial landlords by including a proposed ban on upward only rent reviews in the English Devolution and Community Empowerment Bill published in July 2025.

‘Landlord and tenant attitudes to rent reviews have changed over the last decade or so,’ explains [Pauline Glen](#), a Partner in the commercial property team with Ingram Winter Green ‘During the 1980s, both sides wanted the security of a longer lease which meant landlords relied on rent reviews to get a good long-term return. Now leases in some sectors tend to be shorter, rent reviews have less of an impact’.

[Pauline](#) explains how rent reviews work and how an upwards only ban might affect landlords.

How rent reviews work

Rent reviews are governed by what you and your tenant have agreed in the lease and so they are subject to negotiation, but the way they work is fairly standard. The usual pattern is for the rent to be reviewed every five years, on the anniversary of the term commencement date, by comparing the rent your tenant is currently paying with what you could reasonably expect to get from a new tenant if you were reletting the premises on the open market. If market rents are now higher than they were five years ago, the rent your tenant pays will go up to reflect that. The upward only mechanism protects your income stream, as the rent either goes up or stays the same but will never go down as a result of the review.

Calculating the rent review

The process of comparing the current rent to what you could get on a new letting is partly practical and partly theoretical. The practical part is looking at rents being paid on similar premises in the same area and using them as ‘comparables’. The theoretical part involves a series of assumptions set out in the lease which effectively imagine you

are granting a new lease (the hypothetical lease) on broadly the same terms as the real lease. The assumptions are designed to make sure the hypothetical letting reflects reality as closely as possible, for example that you are letting to a willing tenant and that the premises comply with all statutory requirements. There will also be a list of things that will be disregarded even if they have happened in reality, for example the effect on rent of any alterations the tenant has made.

These points will have been agreed during the original lease negotiation, and your solicitor can clarify them if required.

If you are dealing with a building that is unusual or has been adapted to specific requirements of your tenant, you may struggle to find similar buildings to use as comparables. You could simplify the process of identifying a typical market rent by including in your lease a specification for a more standard set of premises. The rent review can then be done by reference to these 'notional' premises.

In an ideal situation, you and your tenant will be able to agree on the reviewed rent, usually with the help of a surveyor. If you cannot reach agreement, your lease will usually include provisions for the rent to be settled by an independent expert, to avoid the expense of court proceedings. There may be tactical issues you should consider, and your solicitor can help you decide how to approach negotiations.

Why is the Government suggesting change?

Upwards only rent reviews clearly favour landlords. Tenants in a depressed market would prefer it if their rent could go down to better reflect the economic environment. The Government's argument is that the upwards only mechanism distorts the market by keeping rents artificially high and may have a bigger impact on small business tenants.

The Government seems particularly keen to stimulate high street lettings. In fact, the proposed ban may not make a huge difference to that part of the market, because shorter leases for five years or less are now quite common. That means they expire without a rent review and any new letting will automatically be on current market terms. Whether that benefits landlords or tenants depends on the market.

Other approaches to rent increases

A five-yearly open market review is not the only way to deal with rent increases during the term of a lease. If you are negotiating a new lease, you may also wish to consider:

- Indexed rents – where the rent goes up in line with official inflation figures, particularly in the retail and hospitality sectors where the government hopes to make an impact with the proposed upwards only ban. These sometimes include a mechanism to stop them going down, which would in theory be affected by the proposed ban. In practice though, the inflation index has very rarely fallen far

enough to make indexed rents drop, so this is less of an issue than it might at first appear.

- Rent based on the tenant's turnover – this has become far more common since the Covid-19 pandemic. This usually comprises a base rent topped up by a percentage of turnover.

If you are wondering how these arrangements work in practice and whether they would be good options for your commercial lettings, your solicitor will be able to give you detailed advice.

How we can help

Whether you need help carrying out a rent review or advice on the best way to structure the rent in a new lease, our commercial property experts are here to support you.

For further information, please contact [Pauline Glen](#) in the commercial property team on 020 7845 7400 or email paulineglen@iwg.co.uk. [Ingram Winter Green](#) has offices in London.

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