## Upwards-Only Rent Reviews - What the Reform Means for Landlords and Tenants

### Introduction

Upwards-only rent review (UORR) clauses have long been standard in UK commercial leases, ensuring rent can only stay the same or rise at review. They provide landlords, investors and lenders with income certainty but have often left tenants paying above-market rent during market downturns.

The English Devolution and Community Empowerment Act 2026 (Royal Assent 29 April 2026) prohibit upwards-only mechanisms in most new business tenancies in England and Wales. The date of implementation is not yet known but is likely to occur shortly, following which open-market, index-linked, or turnover-based reviews with an upwards-only element will generally become unenforceable. Rents will be able to move both up and down. Existing leases are largely unaffected, but new and renewed leases will fall under the new rules. This is one of the biggest changes to commercial leasing since the Landlord and Tenant Act 1954.

### Benefits for Landlords

While the reform appears tenant-friendly, landlords stand to gain in several ways:

Increased Demand and Liquidity: Flexible reviews should boost leasing activity, especially among SMEs wary of rigid long-term commitments, reducing voids in secondary locations.

More Sustainable Tenants: Allowing rents to fall with the market can improve tenant profitability, lowering default, surrender, and insolvency risks.

Lease Innovation: Fixed stepped rents and other pre-agreed increases are still allowed, enabling new structures that balance compliance with revenue protection.

Alignment with Market Trends: The change fits the shift toward shorter, more flexible leases already common in modern practice.

### Benefits for Tenants

Protection from Over-Renting: Tenants will no longer be locked into above-market rent when values decline.

Better Resilience: Downward adjustments ease cash-flow pressure during downturns, supporting business investment.

Greater Transparency: Simpler, clearer review clauses will help tenants better understand and compare liabilities.

Fairer Outcomes: Reviews should more accurately reflect true market conditions.

**Impact on Lease Lengths and Rents**

Landlords may respond to reduced income certainty by seeking shorter leases, more frequent reviews, stepped rents, or higher initial rents to re-price risk. Investors could adjust valuations accordingly. However, stronger occupier demand and lower vacancy rates - particularly among SMEs - may offset some losses through higher occupancy rates and reduced defaults.

**Conclusion**

The UORR prohibition appears to redistribute risk rather than delivering a clear win for either party to a business lease. Tenants gain downside protection, while landlords should benefit from a more active, sustainable market. We expect to see shorter lease lengths, a greater use of stepped rents, more frequent rent reviews, and upward pressure on initial rents. That said, it is uncertain how well these adjustments will compensate for lost certainty of revenue in the UK commercial property market.

Given the current economic uncertainty in the UK, together with this major change to the historic market norm of UORRs, it is vital that you seek the best advice from a qualitied professional prior to signing a new lease. Flude Property Consultants have a team of Chartered Surveyors who are lease advisory experts. For further advice please contact Matthew Le Seelleur MLS@FLUDE.COM.