

## Insights

# UNPICKING THE GOVERNMENT'S BILL TO BAN UPWARDS ONLY RENT REVIEWS

ENGLISH DEVOLUTION AND COMMUNITY EMPOWERMENT BILL

Jul 11, 2025

## SUMMARY

The Government (through Deputy PM Angela Rayner) introduced the English Devolution and Community Empowerment Bill into the Commons on 10 July. Amongst other matters the Bill seeks to reignite a Labour policy last seen at the turn of the century - a ban on upwards only rent review mechanisms in commercial leases. We've taken a look at what this would mean for the real estate market.

## WHAT WOULD THIS MEAN IN PRACTICE?

### WHICH LANDLORDS?

**All** landlords – not just local authorities or combined authorities.

### WHICH SECTORS?

As drafted **all** sectors - not just retail (there has been some press on the imperative being struggling high streets) and including licensed premises.

### WHICH LEASES?

All business leases granted from the effective date of the legislation (not just those inside the 1954 Act – note if you “contract out” a lease you are only contracting out of s24-28 of Part II of the Act). This means leases currently in place won't be affected but renewals of those leases will (seemingly this would include 1954 Act renewals given the Bill seeks to amend that Act). Leases granted pursuant to Agreements for Lease exchanged prior to the effective date would fall outside of scope. Put options – where a tenant is obliged to enter into a lease at a future date - are also within scope.

## WHICH RENT REVIEWS?

Fixed stepped rents would be outside its scope (as they are by their nature pre-determined) but open market, index linked and turnover rents would be affected.

## CAN YOU CONTRACT OUT AS PER SECURITY OF TENURE?

No – there are anti- avoidance provisions. There are also provisions that allow tenants to trigger reviews and enable reviews to happen effectively, where leases have been drafted to prevent that.

## WHAT HAPPENS IF, POST ACT, A NEW LEASE IS GRANTED WITH AN UPWARDS ONLY RENT REVIEW?

If the review mechanism would result in a lower rent, (due to a falling rental market, deflation or a drop in the tenant's turnover for example), the reviewed rent will be reduced to that lower figure. So variable rent reviews could still be used in leases, but without the security on the part of the landlord that the rent will not ever drop below the day one position.

## WHEN WILL THE BILL BECOME LAW?

Timings are difficult, as ever, to predict.

There is, as yet, no proposed date for a second reading. This is a relatively long Bill which should require considerable parliamentary time. Whilst there is no standard length of time for a Bill to pass, as a comparison the Renters Rights Bill, (which was of course based on the previous government's Renters (Reform) Bill, so did not have a standing start) has taken 10 months so far. Meanwhile, the parliamentary recess has been confirmed as 30 July – 2 September (exclusive) – constitutionally there can be no movement on the Bill's progress during this period.

The Bill is only a proposal at this stage. Given the expected damage to inward investment into the UK real estate sector if upward only rent reviews are banned, we expect extensive lobbying against this proposal on behalf of landlords and relevant industry bodies as the Bill is debated by parliament. We also predict a lot of parliamentary questions next week which may also flesh out some of the queries and concerns we're already hearing from our clients.

## WHAT IMPACT MIGHT THE BILL HAVE?

In terms of the impact the Government expects the Bill to have on business, the Regulatory Policy Impact assessment suggests a figure of £61m (with an additional £0.2m "familiarisation costs" and a net present social value of -£1.6m), acknowledging unquantified benefits from reduced insolvency risk and increased market flexibility, "which could outweigh the costs". It is notable that industry, including the BPF, were not pre-warned of the Bill, and given the opportunity to challenge

these figures which seem ill conceived given the huge size and value of the sector, and the contribution it makes to the UK economy.

## **RELATED CAPABILITIES**

- Real Estate

## MEET THE TEAM



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