

Press Release 2025



WHAT GOES UP ... ?

It came as a surprise to many when, on 10th July as part of the English Devolution and Community Empowerment Bill, the government announced plans to ban upwards only rent reviews in commercial leases with no apparent consultation within the industry.

Retail and leisure groups have long lobbied for this to protect businesses from being stuck paying above market rents for long periods which was particularly relevant when 25 year unbroken leases were common. Previous versions of the RICS Code for Leasing Business Premises encouraged upward/downward rent reviews but it never took hold.

It's easy to see how this will be popular in many quarters and commercial landlords will likely garner little sympathy from the public. In theory this solution will prevent hard pressed businesses from closing due to unsustainable rents.

But as is often the case, transferring theory to the real world can be a messy business with unintended consequences. It can convincingly be argued that the interests of landlords actually align with the interest of the public to some degree as the unpredictability that ensues rent fluctuations will disincentivise investment in commercial property, negatively impact valuations and the ability to borrow against real estate. This would lead to development projects becoming less financially viable which would mean, unsurprisingly, less development and re-development.

It also remains to be seen how the occupational market will react in practice. Many commercial leases are 5 years or less now so do not generally contain a rent review however there are sectors where operators making significant investment into fit out require longer lease lengths, for example.

In a market favouring tenants you might expect upward / downward rent review clauses being drafted in but when market forces shift towards landlords it's hard to see it simply being accepted and I would expect to see the industry working around it with higher initial rents or fixed rent steps although the proposal seems to have given much thought to limiting work arounds.

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It's also worth noting that the traditional 5 year rent review pattern is now quite a significant length of time when compared to modern retail market cycles. A struggling business may not be able to wait that long for the rent correction so, again, the theory may not result in the desired outcome in practice.

While the future may always hold a degree of uncertainty, FHP pride ourselves in giving our clients the best advice to deal with those challenges. For more information on how FHP's Lease Advisory team can advise you on rent reviews, lease renewals and regears, please contact Tom Wragg (tom@fhp.co.uk / 07970 168 138).

ENDS

Tom Wragg
30th July 2025

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