The 2026 Act: A Catalyst for Change in UK Real Estate and a New Era for Commercial Leasing

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The English Devolution and Community Empowerment Act 2026 marks a structural shift in the leasing landscape in the United Kingdom, signalling the end of upwards-only rent reviews for business tenancies once the legislation comes into force in 2027 or 2028. The direction of travel is clear: rent review mechanisms must now be capable of moving both ways. The Act's reach is broad — capturing statutory renewals, subleases and any renewal arrangements agreed after 17 March 2026 — and its anti-avoidance provisions ensure parties cannot engineer their way around the ban. While stepped rents and genuinely downward-capable index-linked formulas remain viable, the traditional open-market review, which has long been a cornerstone of UK commercial leasing, will operate in a fundamentally different environment.

For market participants, this is more than a technical adjustment. It is a recalibration of risk allocation in commercial real estate. We expect index-linked reviews and stepped rent structures to become increasingly prominent as landlords seek predictability and tenants look for transparency. At the same time, the window for regearing existing leases to preserve upwards-only mechanics is narrowing — and any such discussions will require careful balancing of commercial incentives. With the government signalling that collars are unlikely to survive consultation, the sector is entering a period of accelerated innovation in rent-setting models. For investors, lenders, landlords and occupiers, the question is no longer whether the market will adapt, but how quickly strategic decisions need to be made to stay ahead of the curve.

"*This legislation marks a fundamental rebalancing of risk in UK commercial leasing. The organisations that navigate it most effectively will be those that reassess their positions now — not when the regulations arrive — and take informed, strategic decisions to stay ahead of a rapidly evolving market.*" — Haynes Boone Real Estate Partner Angus Ford.

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