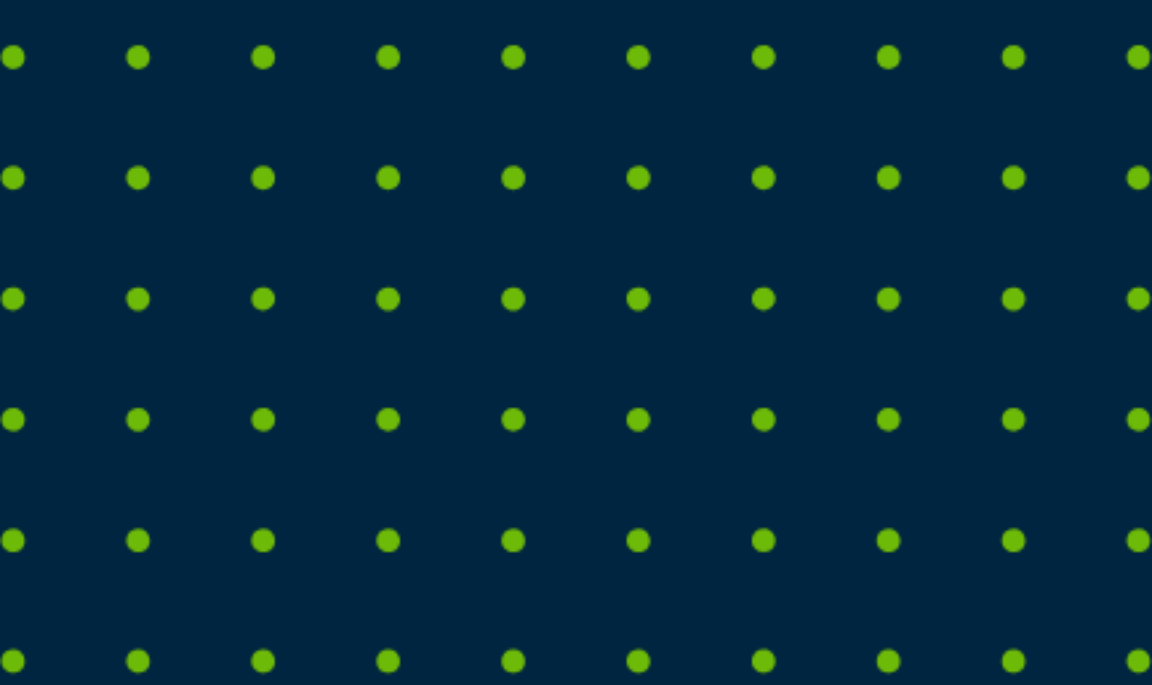


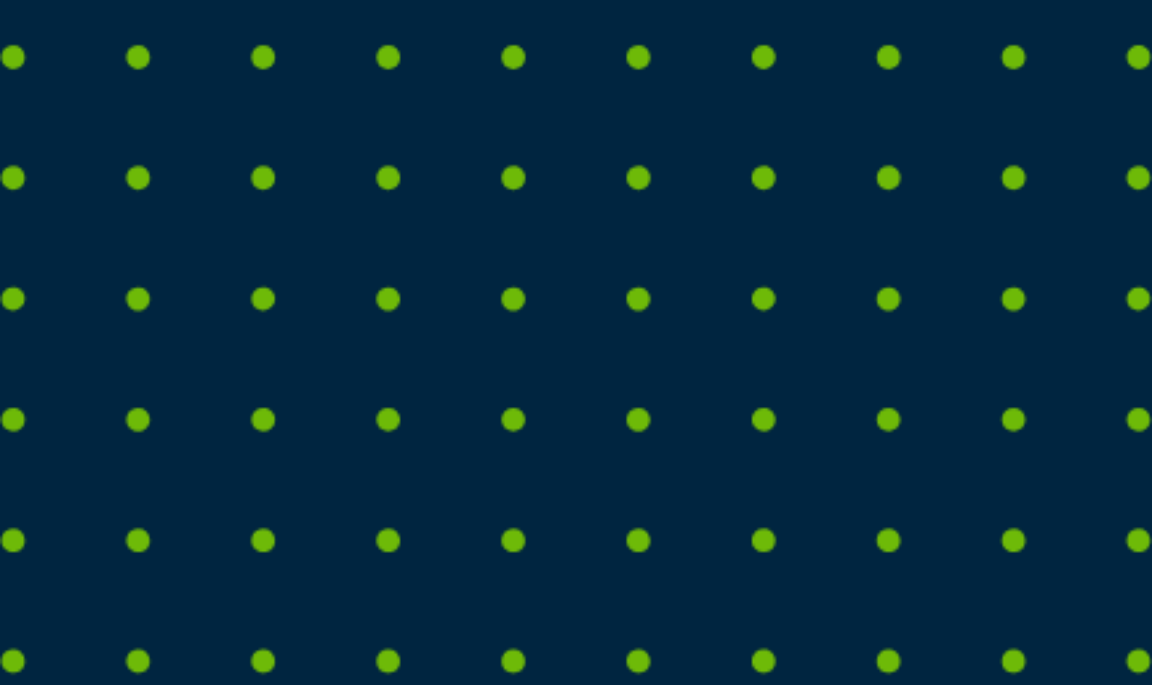
THE GOVERNMENT'S PROPOSED BAN ON UPWARD ONLY RENT REVIEWS.

What does this mean for
retail property?



This will likely have far-reaching consequences for the retail property industry — for occupiers, landlords and investors alike.

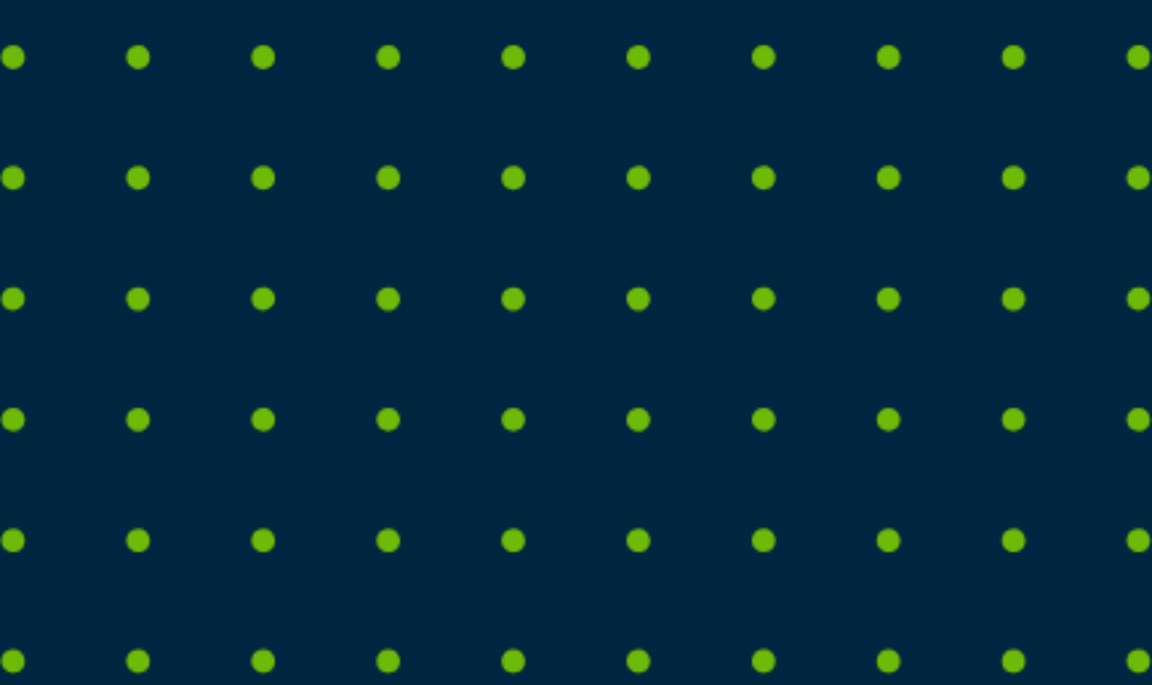
While it's clearly a win for occupiers — giving tenants greater control and flexibility in changing market conditions — it removes a mechanism that has traditionally enabled landlords to secure stable, predictable income.



Shorter leases may now become more attractive, as occupiers seek to capitalise on increased flexibility, but for landlords this can also provide opportunities to regain possession or renegotiate terms.

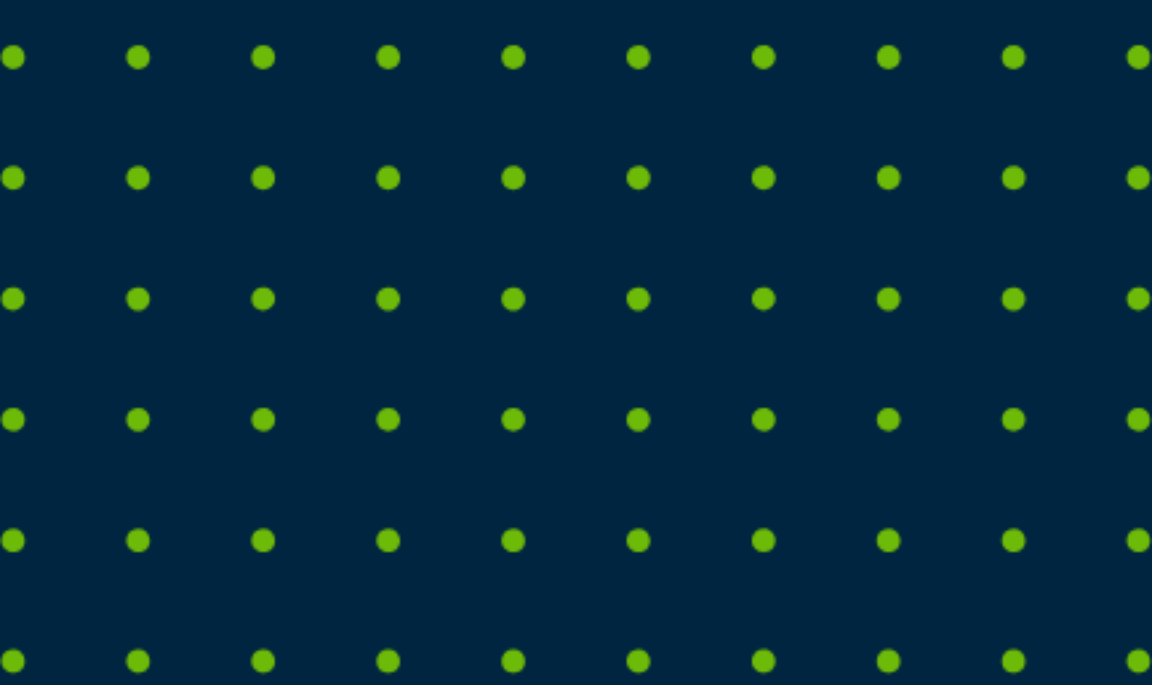
But conversely, some occupiers could be tempted to commit to longer lease terms with an upward/downward rent review clause, thereby saving on legal costs.

As ever, the impact will depend on the asset, the location, and the nature of the tenant.



New developments in the retail sector have relied upon secure, long income streams, often with indexed review patterns, but always on the premise of upward only.

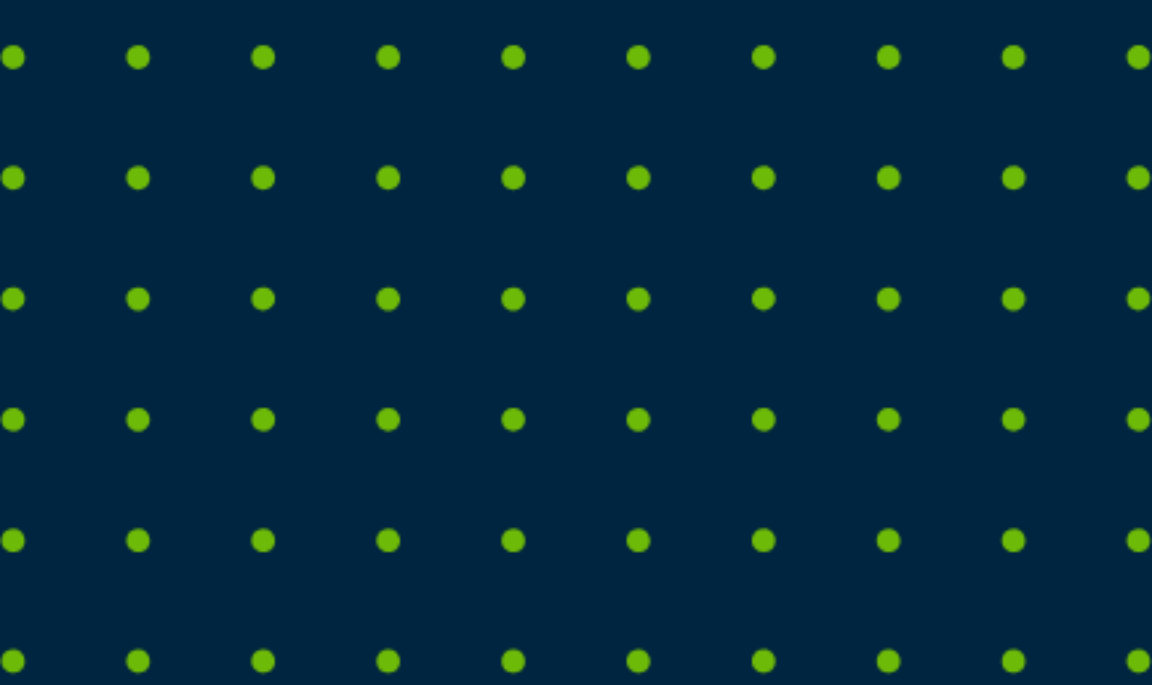
This now brings into question how will developers secure funding when the income might go down. It will certainly affect the viability of thousands of square feet of new schemes being conceived.



Will tenants agree to have a base level rental level for the entire term in order to drive forward their expansion plans?

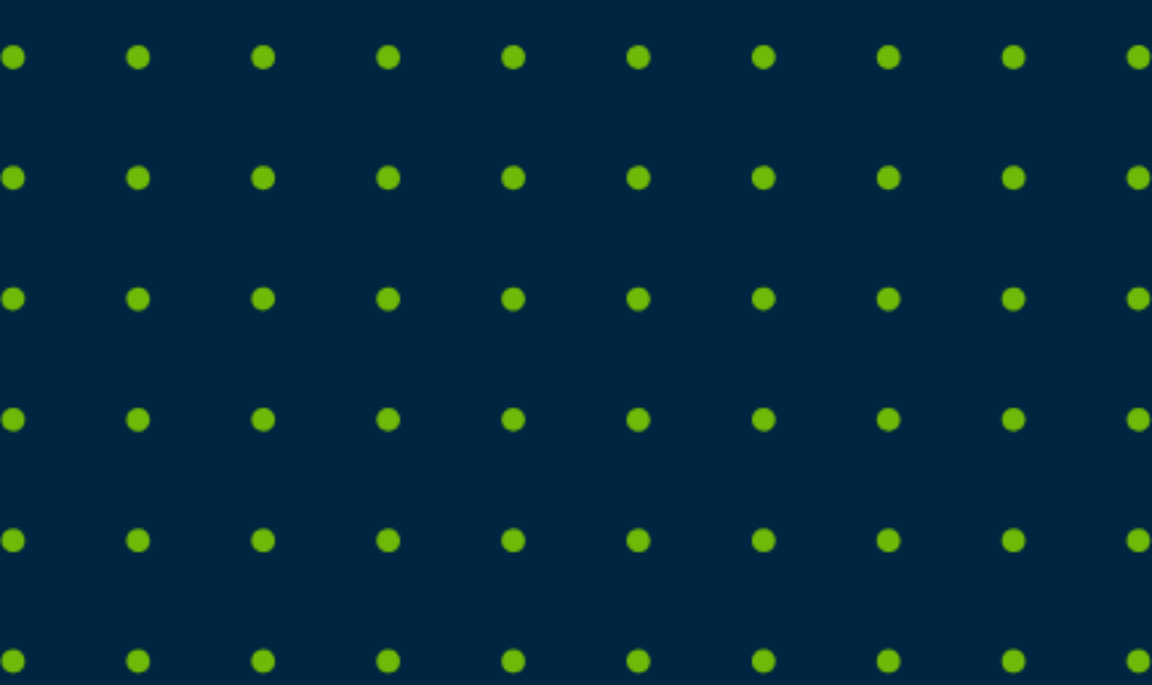
This same model applies across all sectors, including data centres and distribution facilities, where long leases with upward only rentals have offered stability and guaranteed returns.

It has been a fundamental cornerstone of the industry for generations.



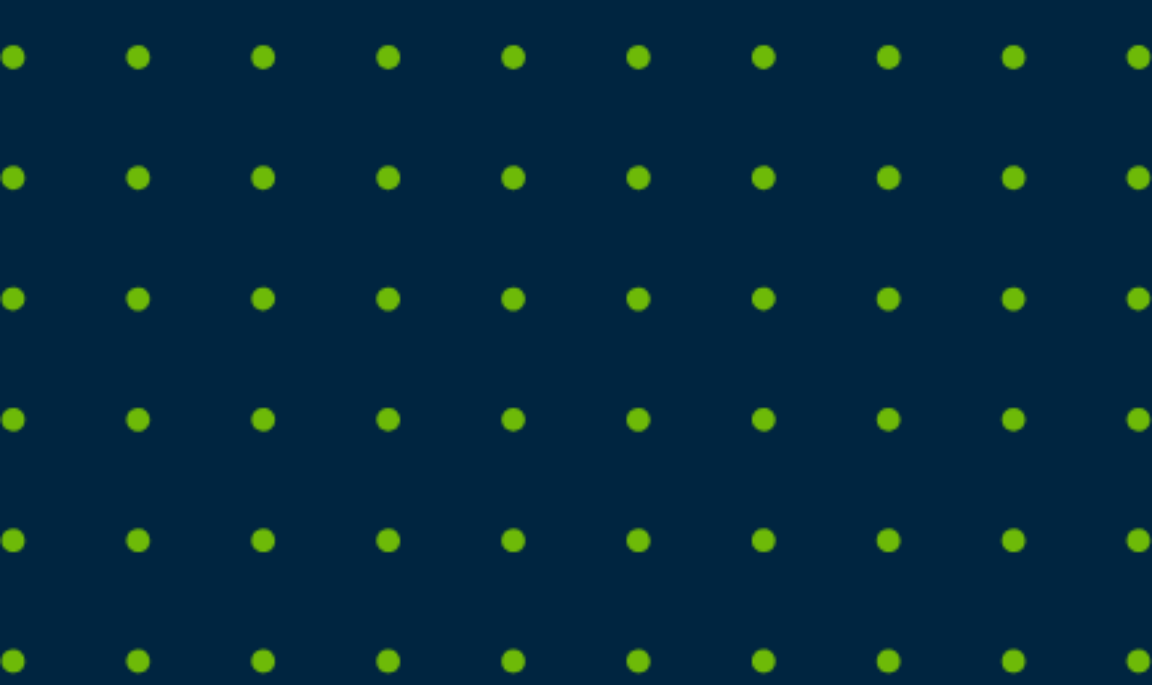
We may see improved pricing in the short term for assets with existing long leases because they will be in shorter supply going forward.

However, there's a risk we could also see an impact on the retail development pipeline, with the reduction in longer leases with upward only rent reviews potentially hitting investor appetite, development viability, and future supply across the sector.



There's no doubt there will be winners and losers across the industry if this new regulation comes into effect.

What's most important now is ensuring clients receive clear, strategic advice that reflects their long-term property goals and responds to the evolving legislative landscape.



TALK THROUGH HOW THE NEW PROPOSALS COULD IMPACT YOUR PROPERTY STRATEGY.

Get in touch with the FMX team.



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