

## Written evidence submitted by the British Property Federation (BPF) (EDCEB08)

### Written evidence to English Devolution and Community Empowerment Bill – Committee stage

#### Part 5: Upwards-only rent reviews

##### *Introduction*

1. The British Property Federation (BPF) is the voice of the UK property sector. We are long term investors in communities across the country, investing in all types of commercial property – including retail, offices, logistics hubs, data centres and lab space – as well as professionally managed residential property, notably ‘Build-to-Rent’ (BtR), Purpose-Built Student Accommodation (PBSA), and homes specifically designed for senior living.

##### *Summary*

2. The English Devolution and Community Empowerment Bill (the Bill) proposes to ban upward-only rent reviews (UORRs) in England & Wales for all new leases and lease renewals where the occupier has security of tenure under the Landlord & Tenant Act 1954.
3. These proposals were incorporated in the Bill with no meaningful prior engagement with affected stakeholders. This has unnerved property investors and in the context of a weak commercial property market has given them another reason to “sit and wait” before investing.
4. While having the purpose of supporting small businesses and those on the high street, the ban on UORRs will be of limited help as most such businesses are on short leases with no rent review clauses.
5. UORRs provide predictability of income to investors, which de-risks economically valuable investment and development/refurbishment activity. Banning them risks harming construction jobs and undermining the government’s ambitions to encourage pension fund investment into commercial property under the Mansion House Accord.
6. Given these risks, banning UORRs for **all** commercial leases (including those in sectors where UORRs have never been cited as a significant issue) is arguably excessive and disproportionate to the scale of the issue. We would encourage the government and Members to explore ways to more closely target the UORR ban where it is perceived to be a more important issue.
7. We also feel that the Government’s Impact Assessment (IA):
  - a. Considerably underplays the value of security of income in a property investment and development context and therefore:
    - Fails to take account of the potential impact on the economic viability of new commercial development, refurbishment and construction work;

- Does not consider the impact on investment into existing commercial property and on Government objectives around increasing investment into private markets;
  - b. Significantly underestimates (by up to a factor of ten) the familiarisation and transitional costs to stakeholders; and
  - c. Makes a number of unfounded assumptions regarding the relationship between commercial property owners and occupiers.
- 8. The purpose of this submission is to provide Bill Committee members with additional insight and context with which to scrutinise the Bill's provision to ban UORRs. It covers:
  - 1. A brief overview of the commercial property sector – its role in supporting businesses, its contribution to the economy and its investment strength vs. international peers.
  - 2. An overview of UORRs – how they came about and what value they provide to both property owners and occupiers.
  - 3. Potential unintended consequences of banning UORRs.
- 9. Appendix 1 considers material shortcomings in the Government's IA.

## ***Overview of the commercial property sector***

10. The commercial property sector sits at the very heart of the UK economy. It provides the space in which economic activity and innovation happen, generates a substantial number of jobs, and supports public services through the payment of taxes on its activities.

### ***Supporting a large and varied supply chain***

11. Building, maintaining and operating commercial property supports around 2.5 million jobs in the UK in occupations as diverse as architecture, law, construction and financial services. This is equivalent to 1 in 13 jobs in the UK and the sector generates more than £100bn of GVA, equivalent to about 5% of the UK's total GVA.<sup>1</sup>
12. In addition, the sector invests heavily in enhancing buildings and public space in the UK's towns and cities, making capital investments of more than £60bn in 2023.

### ***Rented property as a source of strength for the UK***

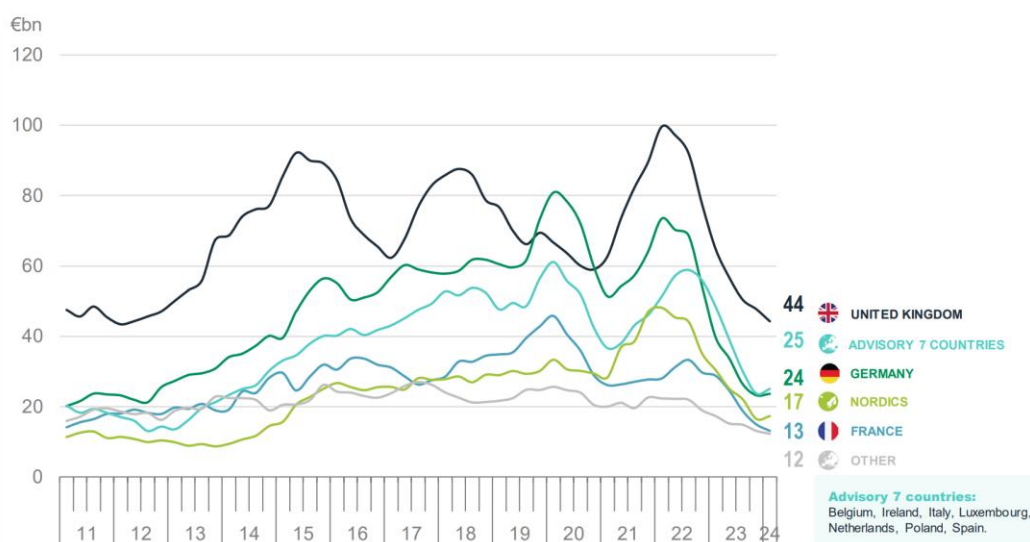
13. Just over half of the UK's commercial property (by value) is rented. The availability of good-quality, well-located commercial space on a range of terms is critical to a modern and productive economy. Renting provides occupiers with both certainty and security of occupation during the period of a lease and flexibility at the end of that period.
14. The role of commercial (rented) property as a factor of production is often overlooked, but without a healthy supply of rented commercial property, businesses looking to operate out of physical premises would need to either buy or build their own, tying them into long term commitments involving capital they would rather deploy elsewhere.
15. Measures that result in less commercial space being available for rent will increase the cost of that space and make it more difficult for businesses to operate out of physical premises.

### ***The UK as an international commercial property investment success story***

16. The UK is exceptionally good by international standards at attracting investment into commercial property. The chart below shows the value of commercial property transactions (i.e. the amount of capital deployed into buying commercial buildings) in a number of European countries stretching back to 2011.

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<sup>1</sup> BPF [UK Commercial Real Estate economic footprint report](#), May 2024



Source: BNP Paribas [Europe CRE360](#), May 2024

17. In almost every year in the time series, the UK has seen the highest amount of investment across all European markets, despite Germany's considerably larger population and economy. The UK also attracts a higher proportion of overseas investment into commercial property than its international counterparts, with overseas pension, sovereign and private equity funds and property companies being responsible for 64% of commercial property investment in the first half of 2025 (vs. 59% in France and 45% in Germany).<sup>2</sup>
18. International investors now own around 40% of the UK's rented commercial property (up from 15% in 2003).<sup>3</sup>
19. This success in attracting investment is down to a number of factors, including a perception that the UK benefits from strong contractual rights protected by an independent judiciary and a relatively stable policy and regulatory environment when it comes to commercial leasing. The existence of UORRs (and the security of income that they can provide) is a part of this internationally attractive investment landscape.

### Commercial property costs over time

20. It seems to be a common perception that commercial property rents only ever increase<sup>4</sup>. While this may be true in many cases in nominal terms, the graph below shows that since the start of the century commercial rents have failed to keep pace with inflation, meaning that they have fallen in real terms. In other words, property owners are providing space at a falling real cost to the economy.

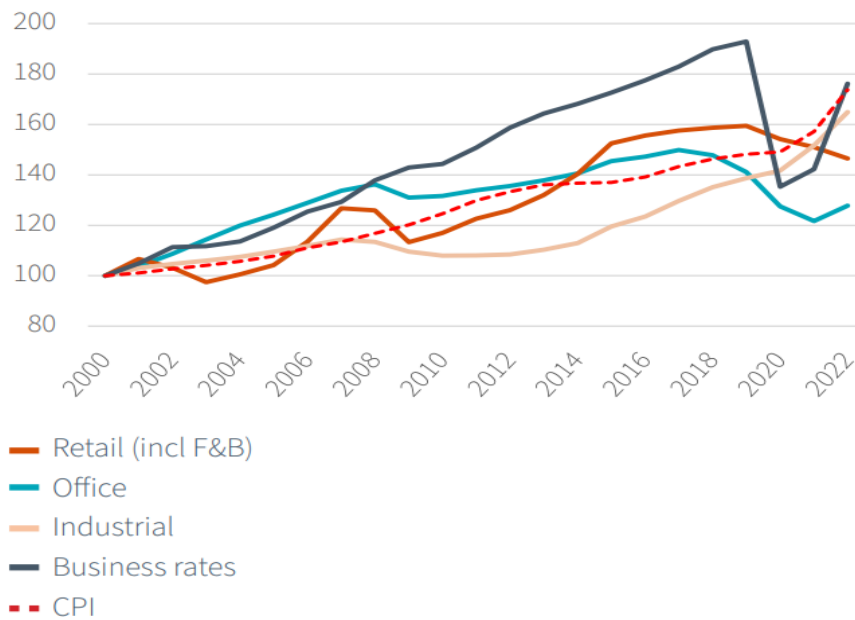
<sup>2</sup> CoStar, [Foreign investment takes bigger share of UK, French and German real estate assets but less in US](#), 8<sup>th</sup> August 2025

<sup>3</sup> FDI Intelligence, [Foreign capital shores up UK commercial real estate](#), 19<sup>th</sup> June 2025

<sup>4</sup> A perception shared by the government's impact assessment, which at page 216 states that "...rental prices generally increase over time in the UK"

21. In contrast, the role of business rates in increasing the cost of occupying commercial property is clear to see and these have generally outpaced inflation. While the rise of online retail has been the main contributor to struggling high streets since the dawn of the smartphone in 2007, high and growing business rates throughout the 2010s were a hugely important factor.

*Rents for the main commercial property sectors, business rates and CPI*



Source: PIA [Property Data Report 2023](#)

## **Overview of UORRs**

22. Commercial property is often seen by investors as having characteristics of both bonds and equities. Like bonds, it can deliver stable and predictable long-term cash flows underpinned by rental income and like equities it provides the opportunity for capital growth if property values increase (though the converse is also true).
23. However, from the perspective of institutional investors such as pension funds and insurance companies, it's the income element (which in developed markets such as the UK has historically constituted about 70% of the total return from commercial property)<sup>5</sup> that is more important. And in many cases the predictability (or at least the perceived predictability) of that income is as important as its amount in determining whether an investor chooses to buy a property asset or not.
24. This is because pension funds and insurance companies typically have long-term and broadly predictable liabilities (e.g. pension payments to retirees and life insurance payouts) and seek investments that deliver similarly long-term predictable income to match against those liabilities. From this perspective, the more potential volatility there is in the income arising from a commercial property, the less suitable it is as a liability-matching investment.
25. UORRs (lease clauses providing for the rent at review to be the higher of open market rent or existing rent) emerged in the 1950s as a way to hedge institutional investors against downward rental volatility. Their purpose was not so much to push rents upwards as to put a floor on the amount of rental income that investors could expect in order to make liability-matching possible. This in turn reduces the potential volatility in property valuations, as these are based on anticipated lease income.
26. While this may on the surface appear to benefit property owners at the expense of occupiers, the increased certainty of income provided by UORRs:
  - De-risks new development and refurbishment activity as more secure income can be assumed. This makes such activity (and the construction sector jobs it supports) more likely, resulting in more better-quality commercial buildings.
  - Allows property owners to source debt finance on more favourable terms, allowing commercial property development and refurbishment to be undertaken at less cost, savings from which can be passed on to occupiers through lower rent or better buildings;
  - Allows property owners to agree to lower headline rents at the start of a lease (in the knowledge that they won't fall further during the lease term);
  - Allows property owners to offer more generous lease inducements (e.g. rent-free periods, contributions to occupiers' fit-out works), again having the security that rent won't fall during the lease term.

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<sup>5</sup> This can be higher in some cases (e.g. European offices) – see [The importance of secure income in total returns](#), Savills, 27<sup>th</sup> August 2025

### ***Will a ban help the high street?***

27. Business occupiers in high streets and town centres are unlikely to receive significant benefits as only leases longer than five years will tend to have rent reviews. Data from MSCI indicates that 55% of retail leases extant in 2024 were for five years or less, meaning that they almost certainly do not contain a rent review provision.
28. Furthermore, average retail lease lengths for central London stood at under five years in 2024, under seven years for South-East England and less than nine years in the rest of the UK. In all cases average lease lengths have fallen over the past 20 years, and so the proportion of retail leases with rent review clauses will similarly have fallen.
29. We therefore question whether the measure is the most effective way of achieving its intended objective, particularly given some of the potential unintended consequences set out below.

### ***Unintended consequences of a ban***

#### ***Impact of unexpected announcement***

30. The Bill's proposals to ban UORRs was a surprise to both property owners and occupiers. It was not a Labour Party manifesto commitment, nor was it preceded by any meaningful consultation or engagement with affected stakeholders. Investment into our towns and cities thrives on certainty and the unexpected nature of the announcement undermines the UK's reputation for stability and could harm investor confidence.
31. One of our leading members recently visited investors in Malaysia and Singapore and reported that the UORR ban was mentioned by investors in every conversation. While it's unclear at present how the ban might affect their UK investment decisions, it does give them another reason to "sit and wait" before committing capital to UK towns and cities when we need them to be investing right now.
32. The impact of the announcement is potentially magnified as it coincides with a period of relative weakness in the UK property market. Commercial property investment in the first half of 2025 was 7% below the long-term average, driven by both geopolitical uncertainty and nervousness about the outlook for UK inflation and interest rates.<sup>6</sup> In addition, the viability of new development is currently severely challenged by increases in construction and finance costs and regulatory burdens<sup>7</sup>.

#### ***Impact of policy change***

33. While aimed at the high street, the proposals will impact across the breadth of the £600 billion commercial investment property market – including offices, industrial and logistics, healthcare, data centres and other areas. We do not believe that UORRs are

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<sup>6</sup> Savills, [Commercial Market in Minutes](#), July 2025

<sup>7</sup> Construction cost inflation hit 25% in 2022 (DBT [construction building materials statistics](#)) and interest rates moved from close to zero to over 5% between 2021 and 2023 (Bank of England [official bank rate history](#))

often cited as an issue by occupiers in those sectors;<sup>8</sup> despite this, the following consequences could arise from banning UORRs:

- **A fall in commercial property values due to reduced certainty of income**, making investing in the UK's towns and cities a less attractive proposition vs. alternative investments. This risks an outcome contrary to the ambitions of the Mansion House agreement for UK pension funds to invest more into UK assets like property;
- **New development becomes less economically viable due to increased difficulty in modelling future rents** (developers can no longer assume a minimum rent). This matters not only because of the negative impact on jobs, but because new buildings are more economically productive than older ones and are crucial for supporting our technology and professional/business services sectors; and
- Because of the increased difficulty in modelling future rents, **refurbishment, repurposing of empty and underutilised space, and energy efficiency improvements also become less economically viable.**

34. Exactly how the above plays out will depend in part on how commercial leasing terms respond to the UORR ban. It is possible that leasing practices common in other countries (such as inflation-linked leases or leases with pre-agreed “stepped” rents) could become more common.<sup>9</sup> These would mitigate the loss of income predictability arising from banning UORRs and it is important that their use is not unduly constrained
35. Both lease lengths and the typical duration of “rent-free” periods may change. In any case, there will be a transition period in which there is greater uncertainty around commercial leasing negotiations and likely greater costs incurred by both property owners and occupiers.

### *Conclusion*

36. Given its stated objective of supporting the high street, a ban that applies across all commercial property with potentially negative effects on investment and development in sectors as diverse as offices and healthcare is arguably excessive. This is particularly so given there is little evidence that occupiers in those sectors find UORRs problematic.
37. This would have been clear had the Government formally consulted on the measure and we would encourage both the government and Members to explore ways to more closely target the UORR ban where it is perceived to be a more important issue.

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<sup>8</sup> Most likely because commercial property costs form a much smaller part of the cost base than for retailers. Per the 2023 [PIA Property Data Report](#), at £17bn the cost of renting offices in 2022 was around 5.4% of office occupiers' employment costs. For retailers the rental cost of £16bn was 27% of employment costs, well down on the 2016 estimate of 37%. Industrial space covers a disparate range of uses but on the basis of a manufacturing, warehousing and storage definition the equivalent figure is 13%.

<sup>9</sup> Indeed, this was seen in Ireland when UORRs were banned there in 2010 and in Australia where individual states banned UORRs in the late 1990s and early 2000s. See Matheson, [Rent review clauses – emerging trends](#), July 2025

## ***Appendix 1 - shortcomings of the Government's Impact Assessment (IA)***

38. We are deeply concerned that the government has underestimated the potential negative impact of banning UORRs across all commercial property. We set out our main concerns below:

### ***Ignores impact on the economic viability of new development and refurbishment work***

39. As noted above, reduced predictability of income increases the risk of new development and refurbishment work and makes it less likely to take place. The IA makes cursory reference to this at p. 237 but does not properly consider the impact.

### ***Ignores impact on institutional investment***

40. Reduced predictability of income makes commercial property less attractive as a liability-matching asset for institutional investors, undermining the government's efforts to encourage more investment by UK pension funds into private assets. Again, the IA does not acknowledge this.

### ***Ignores impact on commercial rent disputes***

41. Replacing UORRs with upward/downwards rent reviews will provide more opportunities for occupiers to contest proposed rents at those points. While that's arguably the government's intended outcome, the IA doesn't consider the increased likelihood of legal challenge and the potential for increased court resources necessary to adjudicate on those disputes.

### ***Significantly underestimates familiarisation costs for businesses***

42. The IA's calculation of familiarisation costs for property owners is in our view overly simplistic and belies a lack of understanding regarding how information is spread and decisions made within commercial organisations.

43. Considering the key assumptions:

44. *"...for every commercial real estate/landlord...one member of staff will be required to understand the changes to the policy"* (p231). While many property businesses are one-person affairs, the largest employ hundreds. The idea that in such cases only one person needs to be aware of a change that will have a significant impact on aspects of commercial property investment ranging from valuation, through development to commercial leasing, seems deeply misguided.

45. The sole focus on property owners ignores the fact that professionals in advisory firms ranging from law firms to commercial estate agencies as well as those working in the property teams of occupier businesses will need to be aware of the policy change too. To the extent the IA's estimate of c. 70,000 people needing to understand the policy change includes only property owners, any outcome will likely be an underestimate.

46. *"familiarisation time is based on the number of minutes required to read and understand the changes to the policy...leading to a total familiarisation time of 45 minutes per*

*landlord*” (p. 231). This ignores the fact that reading and understanding the policy change is only one (and probably the smallest) of many costs to be incurred in adapting to this policy change. No allowance is made for:

- the multiple levels of analysis businesses will need to undertake to understand the impact of this change on their future income and profitability;
- discussion on how – based on this analysis –future commercial plans might change (e.g. whether to proceed with new development or refurbishment, whether to acquire or dispose of particular assets);
- communicating such changes to shareholders and investors, who will reasonably want to know what this policy change means for the value of their investments;
- the thinking about, seeking of advice on and implementing changes to future standard commercial lease documents;
- The cost of legal advice needed to consider, negotiate and implement alternative lease terms; and
- any changes to information systems that might be needed to capture models of commercial leasing that may develop in response to the policy change.

47. *“As a proxy [for landlord wages], the mean hourly wage for property, housing, and estate managers was used per Annual Survey of Hours and Earnings (ASHE) provisional 2024 data as of October 2024 and adjust to 2025 prices (£24.18)”* (p. 231). Assuming a 7.5 hour working day, this translates into a yearly salary of c. £47,000, which we suspect under-represents the typical wage of those in decision-making capacities that will need to be aware of the change of policy as well as of those who will be carrying out any analytical work to assess its impact. The wages of those in the legal and property advisory professions with an interest in this policy will also often be higher than this.

48. Taking all of the above into account, we feel that a more representative estimate of the familiarisation costs to businesses of this policy change could be in the region of £15m - almost ten times higher than the figure quoted in the IA.<sup>10</sup>

#### **Unfounded assumptions and assertions regarding commercial leasing**

49. The IA makes a number of general assumptions and assertions with limited supporting evidence. The Regulatory Policy Committee highlights this in its own impact assessment, noting that *“The [Government’s] IA appears illogical, stating codes are ineffective because UORR are still routinely used, but then stating UORR are less prevalent than before, but there is a perception they are an issue”*.

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<sup>10</sup> This assumes:

- a representative wage of £60,000 p.a. (or £30.77 per hour) for relevant individuals, multiplied by 1.3 for non-salary costs as per Green Book;
- 4.5 hours per relevant individual (45m for initial reading (as per the IA), plus 45m for internal discussion, 60m for external discussion (e.g. with advisors), 60m for analytical work and 60m for follow-on engagement). Evidently for some individuals it would be more than this, for others less.
- 80,000 relevant individuals (as noted above, the IA’s estimate likely underplays the total by omitting advisors and occupiers)

50. It also emphasises there is *“limited data quantifying the stated negative impacts on aspects like rents, profits and high street vacancy rates”*.

51. Some of the assumptions and assertions made in the IA could materially influence readers of the IA and we highlight below those which we find most questionable:

**Connection between UORRs and high street vacancy**

*“It is thought UORR clauses are artificially inflating commercial rents, and ultimately pricing out small businesses from the town centre”* (p.215)

*“We would expect there to be economic growth as it becomes easier for tenants to set up their business”* (p.223)

52. As noted above, commercial rents have fallen in real terms since the year 2000. While UORRs may maintain rent levels within individual leases, if they were truly inflationary at a whole of market level it would be reasonable to expect rent levels to have at least kept pace with inflation over this period.

53. In addition, because UORRs do not apply to short leases (of the sort that most start-up businesses are likely to take), it is hard to see how they are a barrier to occupiers setting up new businesses and taking vacant units.

54. The rise of online retail, rationalisation by national retailers and high business rates are far more significant drivers of high street vacancy than UORRs.

**Commercial property owner-occupier relationship**

*“Broader power imbalance between landlords and tenants”* (p. 221)

*“Landlords, who tend to be large firms”* (p. 222)

55. The IA seems to paint a picture of “big, bad property landlords” pitted against small, plucky occupiers, but the truth is that commercial property owners and occupiers both come in all shapes and sizes. While large property owners will be better resourced and equipped than many of their occupiers, the same is true of large occupiers (including many familiar high street names) vis a vis smaller property owners. No evidence is given in the IA to support the assertion that there is a widespread imbalance of power between property owners and occupiers.

56. It is also the case that larger, institutional property owners such as pension funds and listed property companies have reduced their investment exposure to high street retail and shopping centres. In 2022 the BPF carried out research into who owned vacant property in the 7 high streets with highest levels of vacancy in England & Wales. We found that 60% of vacant units were owned by either individuals or small companies – often local to the area. In contrast, only 15% were owned by large property companies and 6% by pension funds.

### **This won't affect the public sector**

*“As both the landlords and tenants are both businesses that operate in the private sector, we believe the cost to landlord and savings to tenants will net off as this is a transfer of money within the same sector.” (p. 230)*

57. This seems to ignore the fact that the public sector (central and local governments and government agencies) is a significant property owner. The NAO estimated that in 2020-21 central Government owned £158bn worth of buildings such as offices, logistics and storage, prisons, schools etc<sup>11</sup>. While most of this will be for its own use, there will be instances where leases are provided to third parties in the private sector (e.g. café concessions in publicly accessible buildings, pharmacies in hospitals). Some surplus property may be similarly let to private sector entities.
58. Local government is even more likely to own commercial property let to private sector occupiers on commercial terms. Recent estimates on the value of commercial property owned by local authorities are hard to find, but an Audit Commission report from 2000 (quoted in a House of Commons briefing paper from 2022)<sup>12</sup> reckoned it was in the region of £78bn.
59. During the late 2010s some local authorities embarked on considerable commercial property investment (£6.6bn between 2016-17 and 2018-19)<sup>13</sup> to secure income with which to supplement falling grant funding from central government. This chimes with our finding that in the top 7 most vacant high streets, local authorities owned 7% of empty properties – a greater proportion than pension funds. To the extent that a ban on UORRs will result in reduced rental income, this will impact on public sector property owners as well as those in the private sector.

September 2025

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<sup>11</sup> [Managing central government property](#), NAO, July 2022

<sup>12</sup> [Local government: commercial property investments](#), House of Commons, November 2022

<sup>13</sup> [Local authority investment in commercial property](#), NAO, February 2020