

## Your Legal Questions

Stephen Soper  
Partner & Solicitor



**Q. I am about to take a new lease of a shop for ten years, and the lease says that the rent is to be reviewed at year five. Can you explain this please.**

A. Where a lease is for a longer term than say three or five years the landlord will usually want to include a provision to allow for the rent to be increased and this is known as a rent review.

In the main there are two methods of calculating any increase in rent. They are the open market rent review and the index linked rent review. An open market rent review relies on details of rents being obtained for similar properties in the area which will then provide a range of potential rents which can then be used to calculate a final figure. The wording of the lease will dictate where in that range the rent will fall. If the rent cannot be agreed between the landlord and the tenant, the lease will usually include provision for the rent to be determined by an independent professional. Once determined, the new rent is payable from the review date contained in the lease, so the tenant may have to make a balancing payment. The lease often states that the rent following review cannot be less than the rent previously paid, this is known as an upwards only rent review. This means that where rents are falling, the landlord can insist at review that the rent remains at the same level as was paid previously. The other method for review is an index linked review which provides for an automatic increase on a given date in line with inflation. In either case the wording of the rent review clause is crucial and it is essential that legal advice is sought on what is a very complex area of law.

*Stephen Soper is a Partner and Solicitor in the Commercial and Property Department of Powells Solicitors*

**Direct dial 01934 637915**  
**soper@powellslaw.com**