

WHAT IS A TRIPLE NET LEASE (NNN)?

A lease agreement in which the tenant pays property taxes, building insurance, and maintenance expenses may provide contractual rental income with reduced variable operating expenses for the landowner. Typical tenants could include retail brands, drugstores and convenience stores, quick-service and casual dining restaurants, and industrial and logistics users.

Here are the three “Nets” explained:



Property Taxes

Tenant pays all real estate taxes assessed on the property.



Insurance

Tenant covers property insurance, including casualty and liability policies.



Maintenance

Tenant is responsible for repairs, utilities, upkeep, and operating costs.

Landowner Benefits



Potential For More Cash Flow

Because expenses are passed through to the tenant, landowners have fewer variable costs



Reduced Day-to-Day Operational Responsibilities

Minimal day-to-day involvement compared to other lease types

Tenant Benefits



Greater Control Over the Property

Tenants have more control over property operations, maintenance, and day-to-day decision-making



Clear Total Occupancy Costs

Defined lease expenses give better visibility into overall occupancy costs

Triple net leases carry risks for landowners and tenants alike. Landowners face tenant credit issues, potential exposure to major capital costs if leases are poorly drafted, and longer vacancies with single-tenant properties. Tenants risk losing investments in improvements if the lease isn't renewed and must manage all property expenses and maintenance obligations.

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