



## What is a net lease and what is a triple net lease?

In commercial real estate, a net lease requires the tenant to pay, in addition to rent, some or all of the property expenses which normally would be paid by the property owner including, but not limited to, real estate taxes, insurance, maintenance, repairs and utilities

The specific expenses to be paid by the tenant are usually specified in a written lease. For properties that are leased by more than one tenant, such as a multi-tenant office building, the expenses that are "passed through" to the tenants are usually prorated among the tenants based on the size (square footage) of the area occupied by each tenant. The term "net Lease" is distinguished from the term "gross lease". In a net lease, the property owner receives the rent "net" after the expenses that are to be passed through to tenants are paid. In a gross lease, the tenant pays a gross amount of rent, which the landlord can use to pay expenses or in any other way as the landlord sees fit.

There are standard names in the commercial real estate industry for different sets of costs passed on to the tenant in a net lease.

In a single net lease, the tenant is responsible for paying property taxes as well as the base rent.

In a double net lease, the tenant is responsible for property tax and building insurance.

In a triple net lease, the tenant is responsible for paying all real estate taxes, building insurance, and maintenance on the property in addition to any normal fees that are expected under the agreement (rent, premises utilities, etc.). In such a lease, the tenant or lessee is responsible for all costs associated with the repair and maintenance of any common area.