

Full-service lease / Gross lease

A full-service lease, or a gross lease, is a lease where the lessee is responsible for paying the [base rent](#). The lessor generally handles any other building expenses, such as maintenance costs, taxes, and insurance. This type of arrangement typically results in higher rental rates, but the lessee only receives one bill to cover all of the necessary expenses and isn't involved with the day-to-day expenses.

However, some full-service leases require tenants to pay additional expenses beyond their base rent after their first year of renting the space. It's important to double-check the details of the lease before signing.

Net lease

A net lease is a commercial lease that specifies the lessee pays a proportionate share of the operating expenses of the building. That means they have to pay part of things like maintenance costs, property taxes, and insurance. In a net lease agreement, each lessee's share of expenses is generally allocated based on the percentage of the property the lessee occupies.

There are different categories of net leases:

- Triple Net Leases (NNN)
- Double Net Leases (NN)
- Single Net Leases (N)

Triple net lease/“NNN” lease

A triple net lease is the opposite of a gross lease. The lessee agrees to pay rent, utilities, and all of the property's operating expenses. This includes maintenance costs such as common area maintenance (CAM), insurance, and property taxes (represented by “NNN”).

Typically, these leases are longer-term and have a lower base rent because the tenant agrees to pay for all operating expenses. This is a common commercial lease type.

Double net lease/“NN” lease

A double net lease requires the lessee to pay for rent, utilities, property taxes, and insurance (represented by “NN”). In this type of net lease, however, the lessor pays for the building's maintenance expenses. This results in lower base rent because the tenant is paying more of the expenses.

Single net lease/"N" lease

A single net lease specifies the lessee pays for rent and utilities, as well as property taxes (represented by "N"). The lessor pays for building insurance and maintenance costs. While this type of lease is really similar to a full-service/gross lease, it's not the same.

Modified gross lease

A modified gross lease falls between a full-service/gross lease and a triple net lease. The lessee pays rent, utilities, and part of the operating costs. Every contract is different depending on the lessor.

For example, some modified gross leases only require lessees to pay a portion of operating costs after their first year renting the space.

Absolute NNN lease

While it may seem like an absolute NNN lease is interchangeable for a triple net lease, they're different. With an absolute NNN lease, the lessee is responsible for all payments. The lessor is absolved from all financial obligations.

In other words, the tenant pays for all building costs, including all repairs and maintenance. It's as though they own the building without having to purchase it. The base rent is typically lower in this type of arrangement.

Percentage lease

A percentage lease specifies the lessees pay base rent plus a percentage of their gross business sales over a defined threshold. The lessor takes care of property taxes, maintenance, and insurance fees. This type of lease usually involves a retail space. Typically, lessors ask for around 7% of gross sales in these types of arrangements. Comparatively, an agreement requiring a percentage of 10% or higher is uncommon and should be closely examined.

Commercial lease types cheat sheet

TYPE OF COMMERCIAL LEASE	LESSEE PAYS	LESSOR PAYS	KEY FEATURES
Full service/gross lease	Rent and utilities	Operating expenses	Lessees receive one bill but may pay additional expenses after the base year
Net lease	Rent, utilities, and some building operating expenses	Any remaining operating expenses (if applicable)	3 types of net leases: Triple/"NNN", Double/"NN", Single/"N"
Triple net/NNN lease	Rent, utilities, and proportionate share of building operating expenses (e.g. CAM, insurance, property taxes)	Some building maintenance and/or repairs	Opposite of a gross lease. Lessees have more control over their space
Double net/NN lease	Rent, utilities, and proportionate share of property taxes and insurance	Building maintenance and repairs	Popular lease type for offices
Single net/N lease	Rent, utilities, and proportionate share of property taxes	Building insurance and maintenance	Less common lease type for offices
Modified gross lease	Rent, utilities, and a portion of building operating expenses	The remaining building operating expenses	Vary widely
Absolute NNN lease	Rent, utilities, and all building expenses, including structural repairs	N/A	Not used very often. Typically for larger creditworthy tenants
Percentage lease	Rent, utilities, and a percentage of sales	Some or all of the operating costs	Mostly used for retail