

Understanding Commercial Lease Types

Lease structure determines how expenses are divided between landlord and tenant.

Full Service Lease (FS)	Modified Gross (MG)	Net (Single or Double) (N/NN)	Triple Net (NNN)	Absolute Net/ Ground Lease (Abs NNN)
Rent includes all operating expenses—taxes, insurance, utilities, and maintenance—as part of a Base Year. Increases in expenses over the Base Year may be passed through to the tenant.	Rent includes some expenses; tenant pays the remainder.	Tenant pays base rent plus taxes and insurance.	Tenant pays base rent plus all operating expenses (taxes, insurance, maintenance, and common area costs).	Tenant pays base rent plus all operating expenses and is responsible for all repairs and maintenance, including roof and structure.



Lease Type	Base Rent	Included Expenses	Tenant Responsibilities	Tenant Cost Predictability
FS	High	All	None	High
MG	Medium	Some	Some	Medium
NN	Lower	Few	Taxes & Insurance	Medium-Low
NNN	Low	Some External Repairs	All Expenses	Low
Abs NNN	Lowest	None	All Expenses & Repairs	Lowest