



## Triple Net Charges

In an effort to re-coup operating expenses and provide for inflation, owners do one of two things: either they quote a higher rate which they think will cover all of these things, or they quote a lower price and bill the tenant directly. Sometimes they quote a price somewhere in the middle that includes only some of the things on the chart below. The following are ESTIMATES based on typical conditions in Lincoln.

	Office Buildings	Retail Buildings	Warehouses
Insurance	.25	.25	.25
Maintenance	\$1.50-\$2.50	\$.50-\$2.00	.50
Taxes	\$2.00-\$3.00	\$2.00-\$3.00	.75-\$1.00
Utilities	\$1.00	Varies	Varies
Janitorial	.75-\$1.00		
Marketing Fees		\$1.00	
Security Guard	.75		

**Gross** – A rate quoted by the landlord that includes all of the operating expenses. In cases like this, the landlord actually contracts for the service. **Net**—The quoted rent does NOT include a particular charge or charges (those listed above), and Tenant pays this part of the operating expenses as an addition to the quoted price.

**Triple Net** – Tenant pays all of the operating expenses. Most of the time, the Tenant also contracts for the services as well, though sometimes the Landlord selects the contractor and bills the Tenant back.

**CAM Charges** – Technically, this means Common Area Maintenance charges: parking lot repair, snow removal, lawn care, cleaning and maintenance of common halls, etc. However, in Lincoln, the phrase is sometimes used as a catch-all to mean the same thing as Triple Net.

**EXPENSE STOPS** – This means the Landlord will agree that the rent covers up to a certain amount of the operating expenses. Usually there are more, and the Tenant must pay for the overage.

**PASS THROUGHS** – The Landlord must budget for increases in inflation in taxes and other expenses. Sometimes a lease has a clause stating that INCREASES can be passed on to the tenant.

**INCREASES OVER BASE YEAR** – This means that Year 1 of the lease is used as a guide for pass troughs.

A Landlord will re-coup the operating expenses by sending the Tenant a bill at the end of the year, or when the expense actually occurs. Sometimes a Landlord will estimate what the bill might be, raise the rent, and adjust accordingly at the end of the year.