# Bondable Lease in Triple Net Real Estate

Triple net leases, or NNN leases, are a very popular option for real estate. One type of NNN leases is a bondable lease. A bondable lease property has a long term tenant, of often ten years or more, with shared financial responsibilities between the landlord and tenant. Because of this, it can be advantageous for both property owner and business owner to have a bondable lease on the right property.

Many investors like adding NNN properties to their portfolios for the benefits offered for both the property owner and the tenants of the space. However, many do not understand the difference between triple net leases and bondable leases. While similar, there are some distinct differences that can be beneficial for landlords and tenants alike.

Read on to find out what a bondable lease is and the benefits in triple net real estate, for both landlords and tenants.

## What is a bondable lease in triple net real estate?

A bondable lease in triple net real estate is a variant of the NNN lease, in which the tenant carries the real estate risks and all operating costs for the property. These additional financial responsibilities may include:

- Rental fees for the property
- Property taxes
- Insurance premiums
- Maintenance and repairs for the property, including structure and roof

*A bondable lease differs from a traditional NNN lease in that more of the financial responsivities are placed on the tenant.* In an NNN lease agreement, the structure, roof, plumbing and other costs may fall on the landlord; while in a bondable lease, it is on the tenant to take care of any issues that arise with these items. Another difference that can benefit the landlord is that often in a bondable lease, the tenant cannot terminate the agreement.

### Considerations for bondable leases

When an investor looks into properties for a bondable lease agreement, there are many things to take into consideration, including the location and the tenant type. Once an investor has made a decision to offer bonded leases in the future, these specifics can help to narrow down the search for properties – and for tenants, in the future.

**Location**: A good bondable lease property is often in a high growth area. These may be new cities, or areas attracting new residents at a higher rate. Popular parts of town, close to well established businesses, are often good bondable lease properties, as the area may be established with customers who can become customers at the new business.

**Type of business**: When considering businesses to offer a bondable lease to, landlords should consider the longevity of the company. The best types of businesses for this lease type are ones not susceptible to economic or technological changes. These may include grocery stores, convenience stores, dollar stores, medical offices, etc. These businesses are always necessary and will not shift too much during times of economic crisis.

**Lease terms**: Each bondable lease will have its own terms, just like any other type of lease. Landlords need to consider the terms for their bondable lease, and ensure both they and the tenant understand what is expected in the terms. Because of the shared responsibilities, this understanding is especially important. Terms can include:

- Division of financial responsibilities
- Pass throughs of taxes and operating costs
- NNN lease insurance policies and premiums
- Rebuilding the structure if necessary (after hurricanes, tornadoes, etc.)
- General maintenance coverage for structural or roof damage

## The benefits of bondable leases

There are a wide set of benefits associated with NNN bondable leases. Both the property owner and the tenant have several benefits they can find with this type of lease, making this an attractive option for both sides of the agreement. Landlords like the ease of this lease type, and tenants can find more freedom. Generally, both sides of the lease can find more freedom in this agreement than in other NNN leases.

**4 benefits for landlords**

- Consistent occupancy: Triple net leases are usually long term (somewhere between 10 and 25 years), so landlords will know they have a consistent, reliable income stream for that property. This can help to reduce the time and money spent on searching for new tenants or letting properties sit empty for periods of time. The regular rent, without additional costs associated with the property, can give landlords more freedom from spending time on the bondable lease property.
- Fewer responsibilities: With a bondable lease, landlords do not have as much responsibility as other types of leases. The responsibility for property taxes, insurance

premiums and maintenance or repairs falls on the tenant. This gives the landlord more freedom and time to focus on other projects or properties.

- Predictable cash flow: Because of the consistent occupancy and the limited responsibilities landlords of bondable leases have, they can find a passive source of predictable income, allowing them to know how much money they will bring in each month for a set amount of time and freeing up their focus for new or other properties.
- Low risk and high return: NNN leases each have their own terms, but because most (if not all) of the risk is passed to the tenant, landlords often see these properties as low risk and high return. Again, the bondable lease property gives landlords the freedom to continue to add to their portfolios in other ways.

Each of the benefits a landlord finds can free up their time, money or energy to focus on new projects and other properties. This can help investors continue to grow their portfolios.

**3 benefits for tenants**

- Established location: As a business owner, it can be challenging to have a shorter-term lease. With the long-term lease afforded by the bondable lease, tenants can have an established location their customers can rely to be there for many years. This can give them the freedom and opportunity to grow a stronger customer base.
- Long-lasting footprint: With a stronger customer base at an established location, tenants can develop a long-lasting footprint in the area. They can focus more on building their business, than finding a new place to do business every few years. By creating a long-lasting footprint, tenants can grow their in-the-door traffic for their business, giving them the freedom to become a part of the community.
- Property control: With a bondable lease in triple net real estate, the tenant is responsible for the property they are renting – which means they have more control than in other types of leases. If the tenant notices a maintenance issue, they can go ahead and get it repaired as they see fit, without needing to involve the landlord. This gives them the ability to fix issues as they arise and on their schedule, often resolving problems quicker than they may otherwise.

Tenants can find freedom to build their business and establish themselves in their community because of the longevity of their bondable lease.

**Investing in bonded lease properties**

Once an investor has decided to invest in bonded lease properties, it can be helpful to do some research on the types of properties for the tenant types the landlord is interested in working with. A net lease real estate expert can help investors sift through the listings to find the best

properties for their needs. They know the right questions to ask when looking at listings and how to decipher the fine print on existing leases. This will help the investor know what responsibilities they might inherit in a new property with an existing tenant.

A net lease advisor can help landlords understand the pros and cons of bondable leases. These experts know market trends and know the longevity of different types of investment locations that may be good for a bondable lease property. A bondable lease expert can help find the right property for ongoing, consistent income for property investors.

[redacted] is America's fastest growing net lease investment company, with over 2,200 transactions in 48 states (to the tune of $4.7 Billion) since 2010. Our experienced team of net lease advisors and brokers are experts in NNN market and can help you find your next best investment opportunity by helping you navigate through all the opportunity and risk factors of every NNN property that meets your investment goals.

Want to learn more? Get in touch with an expert net lease advisor today by calling [redacted] or sending us an email at [redacted].