
THE TREND REPORT

TRIPLE NET LEASING: NICE AND EASY?

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At first glance, triple-net (NNN)-leased properties are a perfect investment solution for those less experienced in or knowledgeable about commercial real estate — the tenant pays for nearly everything and does nearly all the work. And for many landlords, these investments provide an alternative to bonds — a stable, passive income that allows owners to diversify their investments without the responsibilities of leasing and property management.

These buyers are diverse — from relative newcomers dipping a toe into commercial real estate, to real estate investment trusts that specialize in the sector, to high-net-worth individuals and families who seek stability for estate planning or steady income while they focus on other investments.

But, as always in real estate, a lot is going on behind the scenes in this very specialized category. Those looking to invest in NNN still have homework to do to find the right category and then the right property for their investment needs. Investors should carefully examine the various real estate sectors that participate in this investment arena, and the current and future trends in each.

They also should be analyzing general business and more specific real estate trends, including interest rates, cap rates and other economic headwinds and tailwinds; new real estate categories entering a sector that had been dominated by retail and restaurant properties; challenges facing individual retail and restaurant users; what could be an ongoing trend toward shorter lease terms; and perhaps most important of all, strategies to maximize returns and minimize tax obligations when it's time to exit the investment.

The smart investor looking to add real estate to their portfolios should look to NNN investments — but they must also be aware of the risks as well as the opportunities in what appears to be easy money.



DANIEL SPIEGEL
*Senior Vice President &
Managing Director*



NOTHING BUT NET

A triple net (NNN) leased-property promises the best of all worlds for its investors — the tenant (usually one single operator) is not only responsible for rent, but also for the property taxes, maintenance and insurance, costs normally paid by the landlord in other structures. Theoretically, the landlord need only cash a check each month.

As always, though, the reality is a bit more complicated, even for a vehicle that isn't as new as the casual observer might think.

NNN leasing is an evolution of the long-standing relationship between landlord and tenant. Historically, tenants — be they retailers, restaurants, office users, etc. — paid for the use of their space, while the property owner paid for operating expenses and taxes. But the variability of these costs, including insurance, maintenance and more, could vary, resulting in an unpredictable profitability stream.

To make their own businesses more stable, property developers started passing some costs, notably property taxes and insurance, on to the tenants in the early 20th century. That continued to evolve as the U.S. suburbanized in the second half of the century.

“Following World War II, the American economy experienced significant growth, and the commercial real estate sector thrived. The 1950s and 1960s saw an increase in the popularity of NNN leases, driven by the desire of landlords to have a more predictable and stable income stream while minimizing administrative tasks.



Furthermore, this period witnessed the development of the modern shopping mall, which further solidified the use of NNN leases. Mall developers found NNN leases attractive as they allowed them to delegate various expenses to tenants, fostering a symbiotic relationship where both parties benefited. Tenants gained prime locations and access to a larger customer base, while landlords obtained a steady flow of income.”¹

One subcategory of NNN leases is the sale-leaseback, in which a company such as a retailer sells an asset such as its building to an investor, then immediately leases it back – thus, they can continue normal operations while unlocking capital.

“Companies in sectors with high-cost fixed assets, such as real estate, aerospace and construction, often employ this strategy to raise capital without assuming additional debt,” notes Investopedia.²

More recently, NNN leases have expanded beyond retail and restaurants to offices, medical and more and have become more complex in their structure, with shorter terms, greater landlord responsibility in response to competition and climate change and more. The result is a growing and ever-evolving landscape.

¹[November Capital](#), 7/20/2023, “The Evolution of Triple Net (NNN) Leases in America: A Historical Overview”

²[Carla Tardi, Investopedia](#), 8/8/25, “Leaseback (or Sale-Leaseback): Definition, Benefits, and Examples”

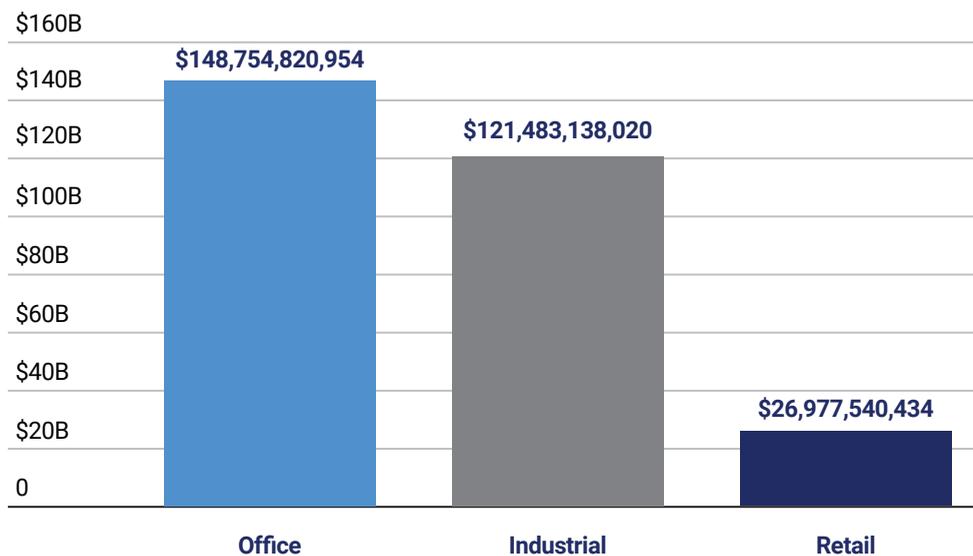


NET WORTHY

Historically, landlords of large, large retailers and restaurants have used NNN leases to great effect. Today, however, the stock is increasingly diversified, and the NNN structure is growing in other real estate sectors, as well. The result is that estimates for the net lease market in the U.S. range from \$4 trillion to as high as \$8 trillion, according to Trepp.³

Single Tenant Backed Assets

Select property types



³Trepp, 3/25/25 "Net Lease Navigator Part I: Understanding the Fundamentals of Triple Net Leases"



RETAIL & QSR

With little new retail construction over the past decade, single-tenant buildings are at a premium, even as creditworthy retailers of various sizes announce expansion plans. NNN retailers announcing major expansion plans include Dollar General (450 new stores in 2026)⁴, Dollar Tree (300 new stores in 2025)⁵, Burlington (110 net new stores in 2026)⁶, Popeyes (800 new locations in the U.S. and Canada by 2028)⁷, Chipotle (up to 345 new locations in 2025)⁸, Dutch Bros (a total of more than 2,000 locations by 2029)⁹, 7-Eleven (1,300 new locations by 2030)¹⁰ and Aldi (800 new locations by year-end 2028)¹¹.

⁴Seeking Alpha, Dollar General, [3Q2025 Conference Call](#), 12/4/25

⁵CNBC/Coresight Research, 2/2/26, "Here are the retailers with the most store openings and closures planned for 2026"

⁶Yahoo Finance, 12/18/25, "Should Burlington's Expanded 2025-2026 Store Rollout Shape the Margin story for BURL Investors?"

MEDICAL

A growing use for NNN leases is medical offices, a growing subsector of real estate as the U.S. population ages — approximately 61.2 million people in the U.S. were 65 or older in 2024, according to the U.S. Census Bureau. Increasingly, medical uses are taking vacant but well-located retail locations which they can then customize to their own specialties.

⁷QSR, 2/16/24, "Popeyes Sets Sights on 800 New Locations, and a Lot More Wings"

⁸QSR, 2/4/26, "After Sales Speed Bump, Chipotle Responds with 5-point Plan of Action"

⁹Yahoo Finance, 3/28/25, "Dutch Bros. Plans to build 1K shops within 5 years"

¹⁰CSP, 8/6/25, "Transformation of 7-Eleven includes opening 1,300 new U.S. convenience stores"

¹¹Retailwire, 5/6/25, "ALDI Plans To Open 800 New Locations by 2028"



INDUSTRIAL

An adjacent sector to retail, industrial buildings are occupied by companies that manufacture, store or distribute goods. The structure could appeal to an industrial user as it can customize its space without spending the significant capital of buying or building a facility.

For investors, the rise of e-commerce resulted in a spike for demand for modern distribution facilities, and construction in the sector boomed from 2020 to 2022, followed by a cooldown period from 2020 to 2025. Even so, according to NAIOP, absorption should remain strong among more modern properties, with a predicted 109.7 million square feet to be leased in 2027.¹²

TABLE 1: PROJECTED NET ABSORPTION IN NO-RECESSION SCENARIO (in million square feet)

Quarter	Lower Boundary	Forecast	Upper Boundary
4Q25	-17.0	-2.2	12.6
3Q25	-7.1	7.5	22.2
1Q26	-18.1	-3.6	10.9
2Q26	5.7	20.2	34.6
3Q26	36.6	50.9	65.2
4Q26	46.2	60.4	74.6
1Q27	36.0	50.1	64.2
2Q27	47.9	61.9	75.9

TABLE 2: PROJECTED NET ABSORPTION IN RECESSION SCENARIO (in million square feet)

Quarter	Lower Boundary	Forecast	Upper Boundary
3Q25	-21.5	-6.7	8.1
4Q25	-15.1	-0.4	14.2
1Q26	-28.8	-14.3	-0.3
2Q26	-7.0	7.4	21.8
3Q26	26.7	41.0	55.3
4Q26	38.5	52.7	66.9
1Q27	30.1	44.1	58.2
2Q27	43.3	57.3	71.3

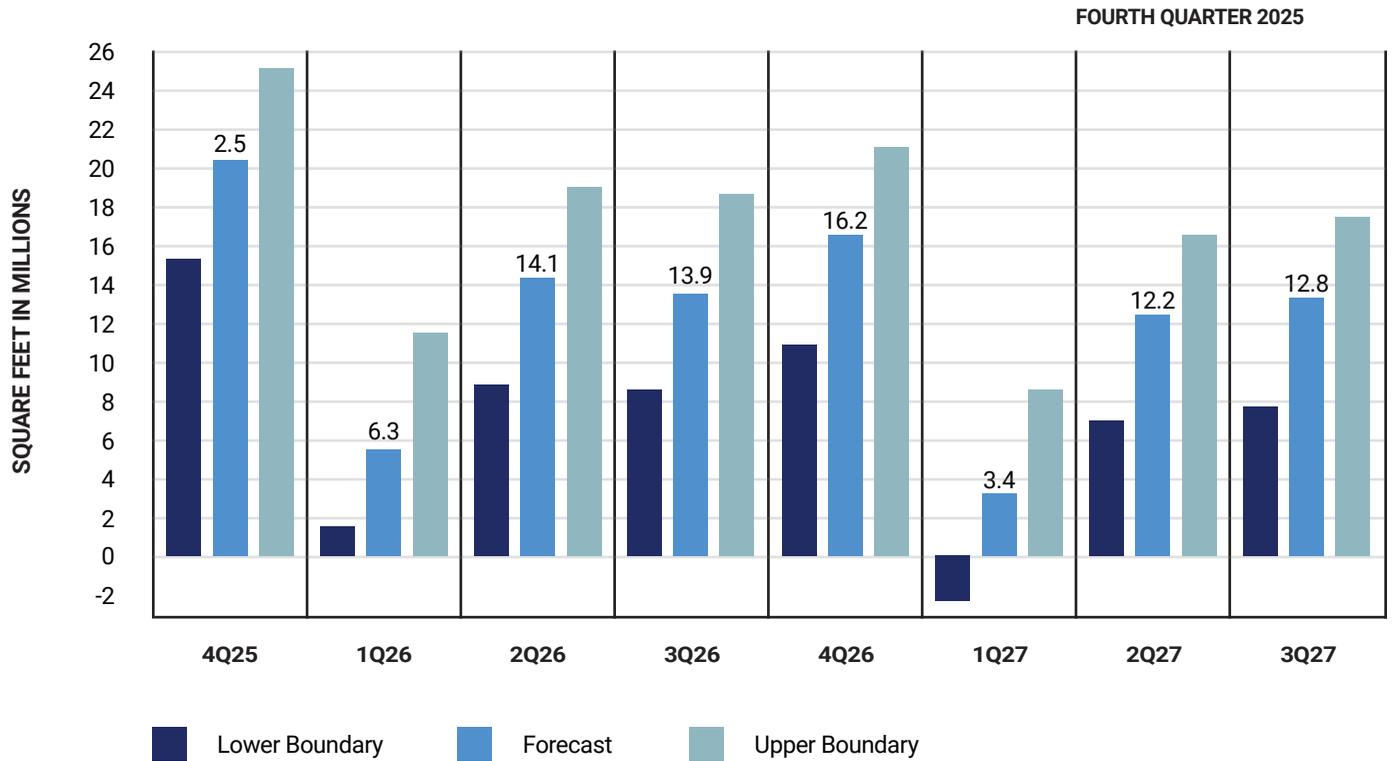
This could be the time to invest, if the investor examines the creditworthiness of the tenant – and the stability of the sector(s) it serves.

¹²NAIOP, *Industrial Space Demand Forecast, Third Quarter 2025*

OFFICE

Traditionally, office users have utilized gross or modified gross leases, so their costs are predictable. However, the NNN lease in this sector is on the rise, especially if an asset houses just one tenant. But it's not for the faint of heart, especially in the post-pandemic era, in which many large office buildings still post high vacancy rates, despite a national uptick in demand reported by NAIOP.

THE NAIOP OFFICE SPACE DEMAND FORECAST



Office NNN tenants offer higher cap rates compared with industrial and retail for their increased risk, but the opportunity is there.

“If you believe there is light at the end of the tunnel as office supply and demand balance over time, is it possible net lease office offers a compelling contrarian strategy? After your laughing stops, consider an office property with a long-term lease and an investment grade tenant, a property that has served as a company’s headquarters with a tenant willing to enter into a long-term sale leaseback, or a property being fully utilized located near key customers, suppliers, or employees. One could argue the possibility of finding a diamond in the rough certainly exists, with solid underwriting and pricing.”¹³

¹³Thomas Taylor and David Wegman, Trepp, “Net Lease Navigator Part II: Finding Value in Triple Net Office During Market Evolution”



NET GAINERS

Because NNN leases are typically signed by large, creditworthy tenants, they have great appeal for risk-averse investors who otherwise might be looking to bonds for reliable income that is inflation-protected. But these investors still must do their research – a strong tenant in a poor location will face problems that could result in closures.

Yet another sub-category is the Sale Leaseback (SLB), in which the tenant and/or private equity sponsor is seeking ways to monetize the real estate.

“For growing companies or companies looking to stockpile cash for mergers and acquisition activity, an SLB can be an advantageous financing tool and important part of the capital stack. While this opportunity isn’t new, there is renewed interest from institutional investors seeking low volatility investments that produce stable income and help to mitigate operational and market risk.”¹⁴

Similarly, high-net-worth investors seeking safety, wealth preservation, diversity and tax benefits for inheritance purposes are also a prime audience. The stability and predictability of the income can be a relief as these individuals focus on their own more complex, time-consuming businesses. Their often-long leases can be ideal for estate planning. And a stepped-up basis at inheritance can eliminate capital gains taxes for heirs.

In recent years, real estate investment trusts such as NNN, Broadstone, Essential Properties and others began to specialize in the category, with solid results.

Another vehicle is the 1031 exchange, in which investors selling a property can reinvest the proceeds using the exchange to defer capital gains taxes. Under Internal Revenue Service rules, taxes can be deferred if proceeds are reinvested in a like-kind property within time frames. But these exchanges can be problematic, as we’ll see below.

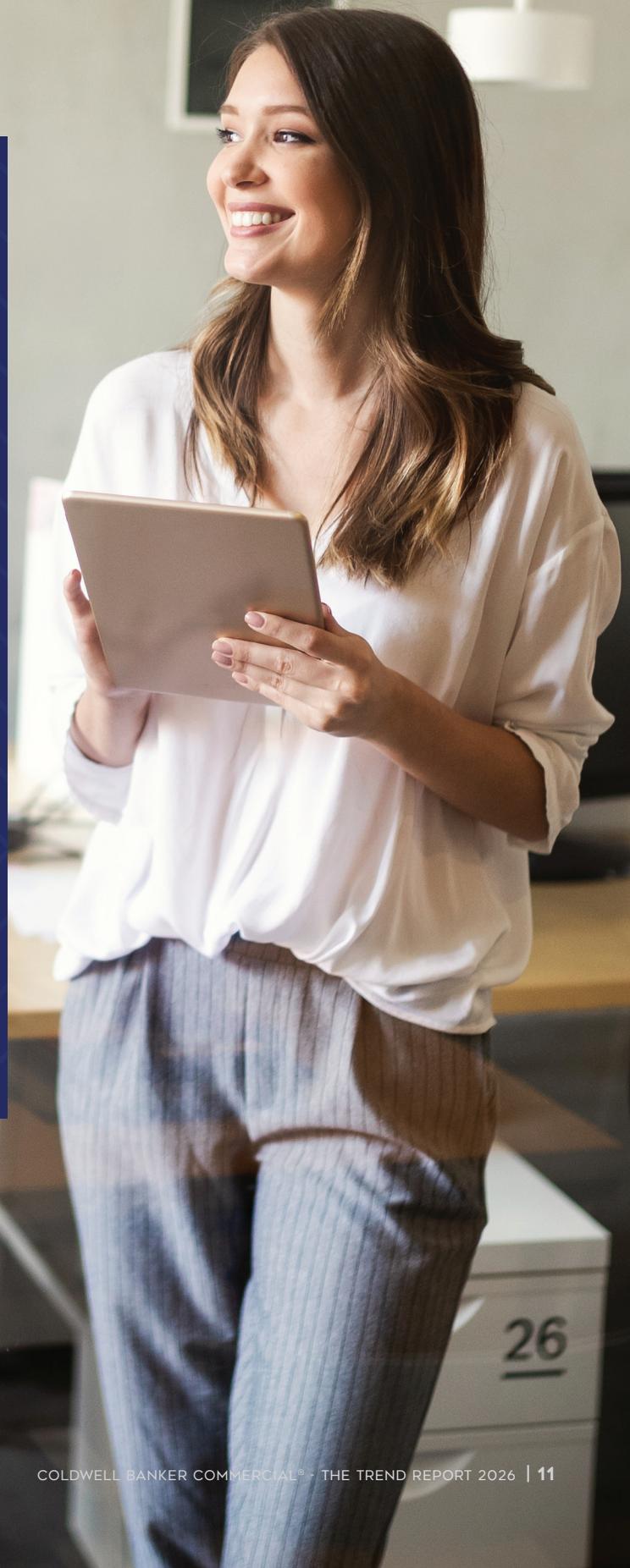
¹⁴[Trepp](#), 3/25/25 “Net Lease Navigator Part I: Understanding the Fundamentals of Triple Net Leases”

THE SAFETY NET: THE CORPORATE GUARANTEE

One benefit of dealing with investment-grade tenants is that the leases typically have a corporate guarantee – while an individual store or location could struggle, the parent company remains responsible for the payments. The major and most famous exception – bankruptcy. In those circumstances, it is possible that the corporation will attempt a lease renegotiation, and it's up to the landlord to determine what terms are acceptable. If the corporation liquidates, on the other hand, the lease is done, and the landlord must search for a new tenant.

NNN landlords should seriously vet individual franchisees and ensure that their leases are guaranteed by the parent corporation itself, not a subsidiary. This is easily researchable.

Also note that the higher a tenant is rated, the lower the rent they'll pay in exchange for that security.





FLEXIBLE NET

In the traditional NNN lease, the tenant pays nearly all costs of operations, with the landlord accepting a lower rent for that stability, lengthy term and lack of management. But this basic structure has continued to evolve over the decades, from inflation in the 1970s to the rise of e-commerce in the 21st century.

“The oil crisis of the 1970s and fluctuations in interest rates influenced lease structures. Many NNN leases started incorporating escalation clauses, allowing landlords to adjust rent periodically based on changes in operating costs.”¹⁵

In addition, a hybrid NNN structure is arising, where landlords and tenants split maintenance costs as the structure has become more popular for investors, who are competing for the best tenants.

In recognition of greater tenant volatility, especially among retail, terms are changing, as well. In the past, most NNN leases averaged 10 to 15 years, with five- and even 10-year renewal possibilities after, with rents escalating. But these can vary by property type — retailers such as drug stores and fast-food chains can see terms of up to 25 years, while office and industrial (newer to the vehicle) could have terms of 10 to 20 years.¹⁶

More recently, some sectors are seeing shorter-term leases. Owners may not want to lock up capital for more than a decade or wish more flexibility to invest in a newly “hot” sector or property improvements

“Shorter term NNN leases tend to be on infill, generic reusable assets that can lease to a wide array of potential tenants. By contrast, longer term NNN leases tend to be with specialized retail tenants in less in demand locations.

All else equal, we believe the flexibility — both to respond to market conditions as well as tenant conditions — favor new economy real estate strategies that focus on shorter term NNN leases with high quality tenants as opposed to a more concentrated portfolio of longer dated NNN lease properties.”¹⁷

¹⁵[Ember Capital](#), “The Evolution of Triple Net (NNN) Leases in America: A Historical Overview”

¹⁶[Realized 1031](#), “How Long do Triple Net Leases (NNN) Last?”

¹⁷Brendan McCurdy, [Ares Wealth Management](#), “Short vs. Long-Term Triple Net Leases”



CAUGHT IN THE NET?

If all of the above seems too easy to be true, it is. Theoretically, NNN is one of the most stable investments, with the tenant assuming nearly all responsibility. But just as with all commercial real estate, NNN-leased properties are facing challenges based on changing macroeconomics, consumer trends and more.

“[The] COVID-19 pandemic highlighted the risks of overreliance on single-tenant properties and transformed investor strategies for NNN properties,” wrote NAIOP, the trade organization representing commercial real estate developers.¹⁸

That near-complete reliance on the tenant’s ability to pay can be risky. Transparency can be an issue, especially if the owner/operator is, for example, an inexperienced franchisee. All but the savviest investors may wish to avoid new concepts, for example.

“Fragile businesses, startups, and non-viable business spheres may give up rented property, run bankrupt, and close for good.”¹⁹

But the same has also happened to the large, creditworthy tenants such as drugstores that seemed so solid just a few years ago. In October 2024, Walgreens announced plans to shutter approximately 1,200 stores over three years, 500 of them in 2025 alone, part of a massive pullback that also affected other retailers in the sector.

¹⁸Michael Salafia, NAIOP, “Strategic Approaches to Mastering Triple Net Lease Properties”

¹⁹[Net Lease World](#), “The Future of Triple Net Leases: Trends Shaping the Market in 2025 and Beyond”

In November 2025, S&P Global Ratings lowered its ratings on 20 classes of net-leased mortgage notes on Oak Street Investment Grade Net Lease Fund L.P.’s (Oak Street) series 2020-1, 2021-1, and 2021-2, which had invested in five Bed Bath & Beyond Inc. and Big Lots Inc. assets. Following the chains’ bankruptcies, two had been re-leased to unrated tenants, one at a slightly higher rent, the other at a slightly lower rent. Another asset was sold and as of November, two remained vacant and were being remarketed.²⁰

Meanwhile, rising interest rates in the earlier part of this decade had put a damper on the resale market — however, recent stabilization could be reversing that trends.

NNN retail leases continue to be affected by the growth of e-commerce, leading some investors to focus on sectors that are internet-resistant such as medical and dental offices, fitness studios, and services that can’t be delivered online.

But the trickiest aspect of NNN investing could be when to leave.

²⁰S&P Global, 11/20/25, “Twenty Ratings Lowered from Three Oak Street Investment Grade Net Lease Fund Deals”



SLIPPING THE NET

As with most agreements, NNN leases come to an end. Some may be extended, as noted above, for five, 10 or more years. But landlords or those who invest with them may also want to redeploy that capital elsewhere, or sense that a tenant or sector may be in less favor. An exit strategy is critical.

The first question is timing — most buyers are looking for that same stability as the seller and may not be interested in a leased property with only a few years left, or with few escalations.

The second is the tenant itself. The capitalization rate (the ratio of a property's net operating income to its purchase price) of the property will be key. The lower the cap rate, the lower the risk. These situations tend to be found with large national tenants with lengthy leases.

Once a sale is complete, another question is how to redeploy the gains and minimize tax liabilities.

1031 EXCHANGES

The 1031 exchange, while offering tax deferral, requires precise timing, with the seller required to identify a replacement property for the one being sold within 45 days and a closing within 180 days. Those deadlines are concurrent. Missing them can trigger a pricey IRS bill.

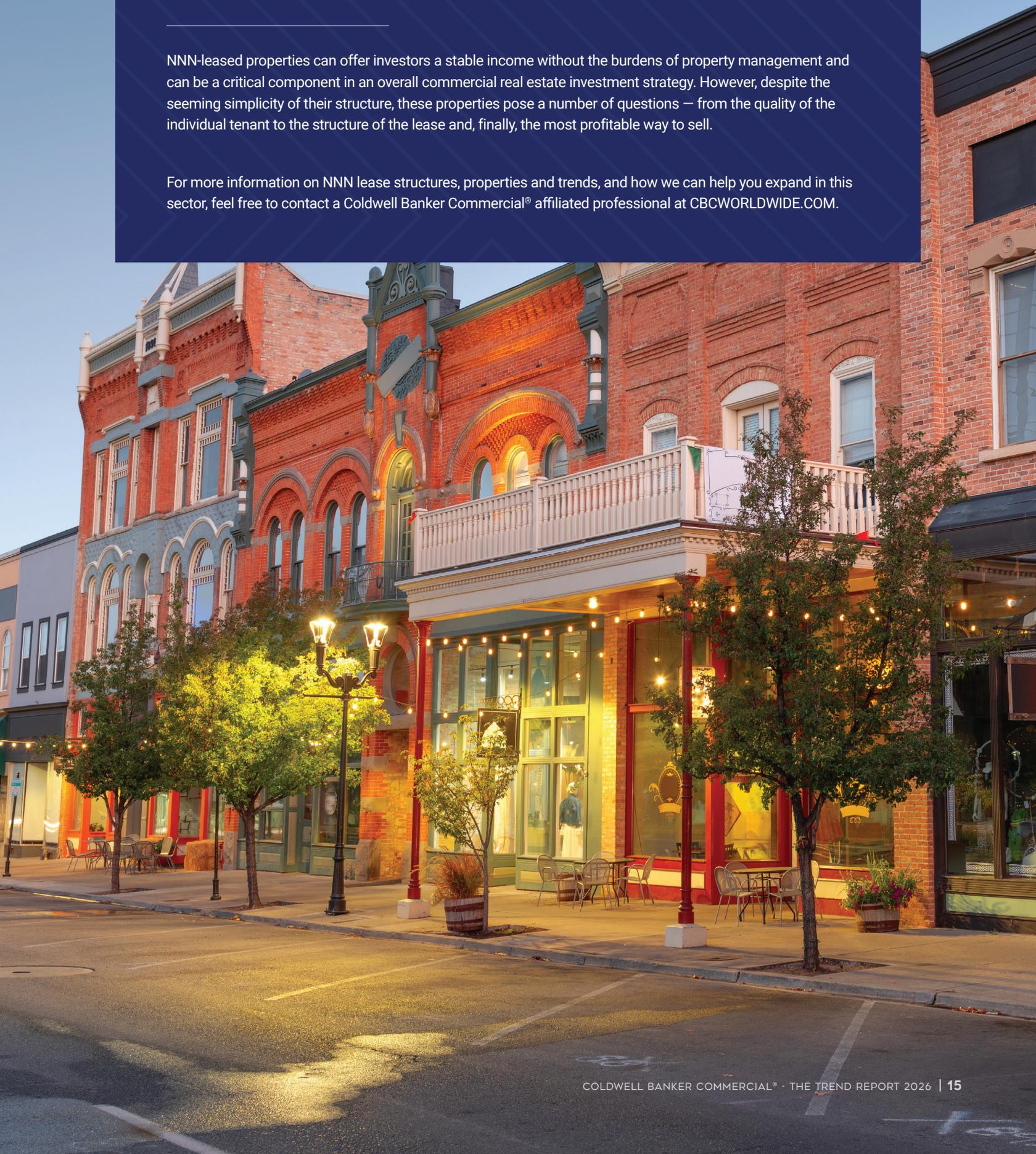
DELAWARE STATUTORY TRUST

Another option, a Delaware Statutory Trust (DST), is a co-investment model that allows real estate companies and individual investors to acquire an interest in a property or portfolio through a separate entity. The individual owns a fractional interest in the trust, while the DST owns the properties and manages them, and it can be considered a like-kind property for 1031 exchange purposes. While they offer investors the ability to spread their monies across multiple properties, they are less liquid, with the hold period dictated by the sponsor, and there is little opportunity to sell before that period is up.

THE NET RESULT

NNN-leased properties can offer investors a stable income without the burdens of property management and can be a critical component in an overall commercial real estate investment strategy. However, despite the seeming simplicity of their structure, these properties pose a number of questions – from the quality of the individual tenant to the structure of the lease and, finally, the most profitable way to sell.

For more information on NNN lease structures, properties and trends, and how we can help you expand in this sector, feel free to contact a Coldwell Banker Commercial® affiliated professional at [CBCWORLDWIDE.COM](https://www.cbcworldwide.com).



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