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Net vs Gross Lease in Montreal: Additional Rent Explained

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Why the label on the lease matters less than the clauses

Two Montreal office listings at the same rent per square foot can cost very different amounts to occupy. One is "gross": you pay the rent and that is it. The other is "net": you pay the rent plus your share of the building's taxes, maintenance, insurance and management, billed as "additional rent" (*loyer additionnel*). On a small suite, the difference can be a large share of the base rent.

This guide explains how the labels are used in Quebec, what typically sits inside additional rent, what the *Civil Code of Québec* says when the lease is silent, how Montreal's property tax flows through to tenants, and which clauses to negotiate. It is general information; the wording of your own lease is what binds you. For the broader rights and obligations under the Civil Code, see our guide to [commercial leases in Quebec](#).

Gross, net, net-net, triple-net: what the labels mean in Quebec

Éducaloi, Quebec's public legal education organization, describes the two families this way ([Éducaloi, 5 choses à savoir sur le bail commercial](#)):

- **Gross lease (*bail brut*):** all-inclusive. The tenant only pays the rent; the owner bears the building's operating and maintenance costs.
- **Net, net-net and net-net-net leases:** the tenant pays, in addition to the rent, part or all of the building's operating and maintenance costs, for example maintenance work, cleaning, municipal and school taxes, and electricity, heating or air conditioning of common areas.

Éducaloi adds two warnings that matter more than the definitions: these terms **are not official**, and they can mean something different in a given lease. Generally, the more "net" the lease, the more costs the tenant bears.

In market practice, the labels are usually read like this; only the clause text counts.

Label	Tenant usually pays on top of base rent	Landlord usually keeps
Gross (<i>brut</i>)	Nothing, or only its own suite electricity	Taxes, insurance, maintenance, management
Semi-gross / modified gross	A defined list (often taxes increases or utilities)	Most operating costs
Net	Share of property taxes	Insurance, maintenance
Net-net	Taxes and building insurance	Structural repairs
Net-net-net (triple-net)	Taxes, insurance, maintenance and often management fees and some repairs	Little beyond financing and, sometimes, structure

Base rent versus additional rent

A net lease splits what you pay into two parts:

1. **Base rent (*loyer de base*)**: a fixed amount, usually quoted per square foot per year, sometimes with scheduled increases.
2. **Additional rent (*loyer additionnel*)**: your share of the building's costs, usually billed monthly on an estimate and reconciled after year-end.

Typical additional-rent lines (each must be in the lease to be billable):

Category	Examples
Taxes	Municipal property taxes, school taxes, borough taxes
Common area maintenance	Cleaning, snow removal, landscaping, elevators, security, common-area lighting and HVAC
Utilities	Common-area electricity and heating; sometimes base-building HVAC
Insurance	Building insurance premiums
Management	An administration or management fee, often a percentage of operating costs
Repairs	Repairs and sometimes replacements of building systems, depending on the clause

Your share is normally your **proportionate share**: your rentable area divided by the rentable area of the building (or of the part of the building that benefits from the service). Check whether the denominator is the leasable area or the leased area: if vacant space is excluded, occupied tenants absorb the cost of empty floors.

Remember two other cost lines that are not "additional rent" but still come out of your budget: your own suite's electricity and internet, and your tenant improvements (fit-out). Our [Montreal commercial rent calculator](#) walks through a total-cost estimate.

What the Civil Code says when the lease is silent

The Civil Code sets default rules that apply unless the lease says otherwise. That is why a net lease must spell out every cost it shifts.

Article	Default rule
Art. 1854	The lessor must deliver the property "in a good state of repair in all respects" and provide peaceable enjoyment throughout the lease.
Art. 1855	The lessee must pay the agreed rent and use the property with prudence and diligence.
Art. 1856	Neither party may change the form or destination of the leased property during the lease.
Art. 1864	The lessor must make all necessary repairs other than minor maintenance repairs, which fall to the lessee unless they result from age or superior force.
Art. 1866	A lessee who becomes aware of a serious defect or deterioration must inform the lessor within a reasonable time.

Source: [Civil Code of Québec, arts. 1854 to 1866 \(LégisQuébec\)](#).

Éducaloi summarizes the same default: when the lease says nothing, the tenant does the minor maintenance repairs and the landlord makes the other necessary repairs (Éducaloi). A triple-net lease typically reverses much of this by contract, which commercial parties are free to do. Read the repair clause next to the operating-cost clause: a "net" lease that also makes you responsible for "all repairs and replacements" can put a roof or HVAC replacement on your bill.

Commercial leases are not residential leases

People who have rented an apartment in Quebec often assume the same protections apply. They do not. Éducaloi lists the main differences (Éducaloi):

- A commercial tenant **cannot go to the Tribunal administratif du logement**; disputes go to the Court of Québec or the Superior Court.
- The landlord **may ask for a security deposit**.
- The lease **may prohibit subletting or assignment** (see [subleasing a commercial lease in Quebec](#)).
- There is **no automatic renewal**: the tenant normally has to leave when the lease ends, unless the lease gives a renewal option.

No regulator reviews commercial rents or how operating costs are charged. Your protection is the clause you negotiate.

Property taxes: how Montreal calculates the non-residential bill

Property tax is billed to the building owner. Under a net lease, the owner passes it on through additional rent. For non-residential buildings, the City of Montréal applies differentiated rates ([Ville de Montréal, comment sont calculées les taxes municipales](#)):

- The **general property tax** uses a first non-residential rate on the value up to **\$900,000** and a second rate on the value above \$900,000. The City's own example: for a \$1,000,000 building, \$900,000 is taxed at rate 1 and \$100,000 at rate 2.
- The tax financing the **ARTM contribution** (public transit) and the tax relating to the **debts of the former cities** are also tiered for non-residential buildings.
- **Borough taxes** (one for services, one for investments) are imposed at a single rate for all categories.
- Mixed-use buildings are also subject to differentiated rates.

The official 2026 rates, in dollars per \$100 of assessed value, from the City's *Taux de taxation 2026* document ([Ville de Montréal, taux de taxes pour 2026](#)):

Tax	Residential	Non-residential, value up to \$900,000	Non-residential, value above \$900,000
General property tax	0.4631	2.0084	2.5719
ARTM contribution	0.0070	0.0301	0.0385
Roads service	0.0024	0.0168	0.0168
Water service (non-residential 0.3433 if no meter)	0.0831	0.3270	0.3270
Former-city debts (Le Sud-Ouest, Ville-Marie and most central boroughs)	0.0196	0.0644	0.0825

Borough taxes come on top at one rate for all categories: in Le Sud-Ouest (Griffintown), 0.0510 for services and 0.0263 for investments; in Ville-Marie, 0.0391 and 0.0086. Non-residential buildings also pay volumetric water charges above 1,000 m³ a year and, in some sectors, a parking-lot tax. School tax is billed separately by the CGTSIM: **\$0.07899 per \$100 for 2026-2027**, on the value above \$25,000, with no separate non-residential rate.

The non-residential general rate is more than four times the residential rate on the first \$900,000. In a mixed building, ask how the landlord allocates the non-residential portion of the bill to commercial tenants. Also ask for the latest tax bill and the property assessment: 2026 is the first year of the 2026-2028 assessment roll, and increases in value are phased in over the three years, so the tax line can rise in 2027 and 2028 even if the rates do not move.

Repairs, capital works and improvements

The most expensive disputes are about big-ticket items. Before signing, sort costs into three groups and agree who pays each:

Type of work	Examples	Common negotiated position
Routine maintenance	Cleaning, filter changes, minor repairs	Operating cost, shared by tenants
Capital repairs and replacements	Roof, structure, elevators, HVAC replacement, parking membrane	Landlord's cost, or amortized over the useful life with only the annual portion billed
Improvements to the building	Lobby renovation, new amenities	Landlord's cost (they raise the asset's value)
Tenant improvements in your suite	Walls, cabling, kitchenette	Negotiated: allowance from landlord, or tenant pays and restores at the end

Ask specifically whether "operating costs" can include capital replacements, and if so, whether they are amortized and over what period.

Audit rights and reconciliation

Additional rent is usually an estimate paid monthly, followed by an annual reconciliation that produces a refund or an extra invoice. Nothing in the Civil Code gives a commercial tenant a specific right to see the landlord's books, so ask for it in the lease:

- An **annual statement** of actual costs, by category, within a fixed time after year-end.
- The right to **see supporting invoices** on request.
- An **audit right** for a set period after each statement, with the landlord paying the audit if the overcharge exceeds an agreed threshold.
- A **deadline** after which the landlord cannot bill prior-year adjustments.

Caps, base years and exclusions

Three tools limit how much additional rent can grow:

- **Cap on controllable costs:** an annual maximum increase on costs the landlord controls (cleaning, management, maintenance contracts). Taxes, insurance and utilities are often left out of the cap, because the landlord does not control them.
- **Base year (*année de base*):** in a modified gross lease, you pay only increases above a base year's costs. Make sure the base year is a normal, fully occupied year, not one with artificially low costs.
- **Exclusions list:** costs that are never billable. Typical candidates: the landlord's financing and mortgage interest, depreciation, capital improvements, leasing commissions and costs of leasing other suites, legal fees for disputes with other tenants, costs covered by insurance or warranties, and the landlord's head-office overhead.

Also check the **management fee**: if it is a percentage of operating costs, it grows when costs grow, and it should not apply on top of taxes.

Registering the lease and protecting yourself on a sale

If the building is sold, a buyer can sometimes end a lease. Éducaloi recommends publishing a fixed-term commercial lease in the land register, which prevents a buyer from ending it (Éducaloi). The procedure and costs are explained in [registering a Montreal office lease](#).

Worked example: the same space under gross and triple-net

The tax line below uses the **official 2026 Montreal rates**. The building's value and its other operating costs are **illustrative assumptions**, chosen to show the arithmetic.

Assumptions: a 1,200 sq ft suite in a fully non-residential office building in Le Sud-Ouest with 60,000 rentable sq ft, so your proportionate share is $1,200 / 60,000 = 2\%$. The building has a water meter and a 2026 taxable value of \$9,000,000.

Step 1: the building's 2026 tax bill

2026 tax	Base	Rate per \$100	Amount
General property tax, first tranche	\$900,000	2.0084	\$18,075.60
General property tax, second tranche	\$8,100,000	2.5719	\$208,323.90
ARTM contribution, first tranche	\$900,000	0.0301	\$270.90
ARTM contribution, second tranche	\$8,100,000	0.0385	\$3,118.50
Roads service	\$9,000,000	0.0168	\$1,512.00
Water service (metered)	\$9,000,000	0.3270	\$29,430.00
Former-city debts, first tranche	\$900,000	0.0644	\$579.60
Former-city debts, second tranche	\$8,100,000	0.0825	\$6,682.50
Le Sud-Ouest borough services	\$9,000,000	0.0510	\$4,590.00
Le Sud-Ouest borough investments	\$9,000,000	0.0263	\$2,367.00
Municipal taxes			\$274,950.00
School tax 2026-2027	\$8,975,000	0.07899	\$7,089.35
Total taxes			\$282,039.35

Municipal taxes come to about 3.05% of the building's value, and 76% of them is the general tax on the value above \$900,000.

Step 2: your additional rent

Line	Building total	Your 2% share
Municipal and school taxes (step 1)	\$282,039.35	\$5,640.79
Common area maintenance and cleaning (assumed)	\$180,000	\$3,600.00
Common-area utilities (assumed)	\$90,000	\$1,800.00
Building insurance (assumed)	\$45,000	\$900.00
Management fee (15% of maintenance, utilities and insurance)	\$47,250	\$945.00
Total additional rent		\$12,885.79 (about \$10.74/sq ft)

Option A, gross lease: \$32/sq ft all-in = \$38,400 a year.

Option B, triple-net lease: \$20/sq ft base rent = \$24,000, plus \$12,885.79 additional rent = **\$36,885.79** in year 1.

	Year 1	Year 3 if additional rent grows 6% a year and base rent is fixed
Gross (\$32)	\$38,400	\$38,400 (unless the lease has escalations)
Triple-net	\$36,885.79	$\$24,000 + \$12,885.79 \times 1.06^2 = \$24,000 + \$14,478.47 = \$38,478.47$

Read the result carefully. The triple-net offer looks \$12/sq ft cheaper on the listing, is about \$1,514 cheaper in year 1, and is slightly more expensive by year 3 under these assumptions. One large capital item billed as an operating cost, a vacancy-loaded denominator, or a higher assessment phased in over 2027 and 2028 would widen the gap. Rent is also subject to GST and QST; compare both offers on the same basis.

Checklist before you sign a net lease

1. Get the landlord's actual operating-cost and tax statements for the last two to three years.
2. Ask for the current-year estimate of additional rent per sq ft, in writing.
3. Check the definition of operating costs line by line, and the exclusions list.
4. Confirm how your proportionate share is calculated (leasable vs leased area; gross-up for vacancy).
5. Negotiate a cap on controllable costs and a limit on the management fee.
6. Make capital replacements the landlord's cost, or amortized.
7. Write in annual statements, invoice access and an audit right with a deadline.
8. Read the repair clause together with the Civil Code default (art. 1864).
9. Check assignment, sublease and renewal clauses, since none are automatic.
10. Consider publishing the lease in the land register.
11. Compare total occupancy cost per sq ft per year, not base rent.

Where an all-inclusive coworking agreement fits

A coworking or serviced office agreement is closer to a gross lease taken to its end point: one monthly price that typically covers furniture, internet, cleaning and common areas, with no operating-cost reconciliation and no property-tax pass-through. The trade-offs (control, fit-out, term, price per sq ft) are compared in [private office vs commercial lease](#). Read that agreement as carefully as a lease: check the term, notice and what is included.

Frequently asked questions

Is a net lease cheaper than a gross lease?

Not necessarily. The base rent is lower, but you also pay additional rent, which changes every year. Compare total occupancy cost over the whole term, including likely increases.

Can the landlord charge me for the roof replacement?

Only if the lease allows it. By default, the Civil Code makes the lessor responsible for necessary repairs other than minor maintenance (art. 1864). Many net leases shift more costs to tenants, so negotiate capital items out, or amortized.

Do I have a right to audit operating costs?

Not automatically. Ask for annual statements, access to invoices and an audit right in the lease itself.

Sources

1. 5 choses à savoir sur le bail commercial (Éducaloi)
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Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

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