FOUR SPRINGS TEN31 XCHANGE

Case Study: **How a Triple Net Lease (NNN) Structure Protects Investors in Disasters**

Four Springs TEN31 Xchange, LLC (FSXchange) focuses on net-lease real estate because of its many advantages for investors: stable cash flow, reduced management responsibility, and inflation hedging. In times of crisis, one benefit rises to the top—tenant-paid costs. This case study illustrates how a triple net lease (NNN) structure shields investors from unexpected expenses during an unforeseen event.

Case Overview

Industrial 27, a DST sponsored by FSXchange, is a fully subscribed net-lease real estate portfolio that includes a Domino's Pizza, LLC distribution facility in Odenton, Maryland. On the morning of November 23rd, 2025, an explosion occurred in the production area of the building, resulting in a fire. Fortunately, no injuries were reported. The tenant confirmed visible damage to the roof above the dough production room, with limited impact on adjacent warehouse space. Operations at the site were temporarily suspended while equipment was relocated to other facilities to mitigate business disruption.

Lease Structure and Investor Protections

Under the triple net lease agreement, Domino's is contractually responsible for restoring the premises and carries full replacement cost property insurance. The tenant is also required to continue paying rent during the restoration period; the lease does not permit rent abatement under these circumstances. Additionally, there is no termination right available to the tenant based on the facts of the incident. Insurance proceeds are controlled by the lender, ensuring compliance with restoration requirements. This framework means investors incur no unexpected costs related to repairs, insurance, or property taxes, providing critical protection during a disruptive event.

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Why FSXchange Focuses on NNN Sectors for DST Offerings

Triple net leases dominate sectors such as industrial, retail, and single-tenant medical properties, where tenants assume responsibility for taxes, insurance, and maintenance. In contrast, DSTs focused on hospitality and multifamily housing often rely on double net or gross leases, leaving landlords responsible for structural repairs and other expenses that can result in suspended distributions to investors. These sectors are inherently more exposed to unforeseen costs compared to NNN-backed investments.

Key Takeaway

The Odenton fire event underscores why FSXchange prioritizes comprehensive property screening, due diligence, and underwriting with a focus on opportunities in NNN sectors: to deliver predictable income and minimize investor risk, even in the face of unexpected disasters.