TITLE GUARANTY HAWAII

LEASEHOLD VS FEE SIMPLE PROPERTIES

There are two common types of land tenure in Hawaii:

Leasehold & Fee Simple

A homebuyer's decision to purchase one type over the other can be based on a number of factors. Here are a few to consider when shopping for a home.

LEASEHOLD

Leasehold properties are real estate that buyers (lessees) would lease and pay rent for a specific time period.

A residential lease may be up to 40 to 60 years, with the rent fixed for the first 20 to 30 years.

At the end of the fixed period (renegotiation date), the lease rent is adjusted. At the end of the lease contract, the land could revert to the landowner (lessor) or, if offered, the lessee could purchase the fee.

History of leasehold properties in Hawaii

Leasehold ownership in Hawaiʻi began during the Hawaiian Kingdom, when land trusts like Bishop Estate leased land to preserve control and generate income. This system separated land ownership from building ownership, allowing residents to occupy homes without owning the land beneath them. In the late 20th century, many single-family homes converted to fee simple, but condominiums were excluded from these laws. Leasehold remains a unique part of Hawaiʻi's real estate market, offering affordability with long-term considerations. Buyers must weigh lower upfront costs against future lease renegotiations and potential lease expiration.

FEE SIMPLE

Fee simple properties are real estate that buyers purchase outright.

The buyers will have the right of use and enjoy the land indefinitely.

Owners of leasehold and fee simple properties both pay:

- mortgage
- property taxes
- association/maintenance fees
- insurance, as needed

In addition, leasehold property owners also pay:

- lease rent

Considerations when buying leasehold

What are the lease terms?

- length of fixed period
- length of lease renegotiation date
- lease rent

Will a loan be required to buy the leasehold property?

- Check with the lender. Mortgage companies usually require the lease period to be at least five years past the length of the loan.
- Is the fee available for sale?

Sources

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