Leasehold vs Fee Simple in Hawaii

The one word in Hawaii real estate that costs mainland buyers their savings — and how to protect yourself before you fall in love with a listing.

The Setup — What Are These Two Things?

Fee Simple (FS)

You own the building **and** the land, forever. This is what 99% of mainland buyers assume they're buying. It's the default everywhere else in America.

Leasehold (LH)

You own the structure and improvements, but **you do not own the land.** The land is leased for a set period — most leases run 50 to 90 years — and you pay monthly "lease rent" to the landowner on top of your mortgage, HOA, and property taxes.

The Three Payments a Leasehold Owner Makes

- Mortgage (if financed)
- HOA / maintenance fees
- Lease rent — even if you paid cash

🚗 **Plain-English analogy:** It's like buying the car but renting the garage it's permanently parked in. And the garage owner can raise the rent — and one day take the whole thing back.

Why Does This Exist in Hawaii?

Large land trusts and estates concentrated ownership on a fixed land base. Bishop Estate alone held **14,000 leasehold lots on Oahu** — including Kahala, Hawaii Kai, and Kailua — plus the leased fee under another 13,000 condo and apartment units. Developers built on leased land because they couldn't buy it. This structure basically doesn't exist at scale anywhere else in the U.S.

> Every Hawaii listing says FS or LH. Now you know what each letter means for your wallet.

What's Your Next Step?

Get the Full Guide

Everything you need to know about Hawaii homes — in one place.

Book a Meeting with the Experts

Talk directly with someone who knows Hawaii real estate and can help you plan your move.

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THE PRICE TRAP

Why Leasehold Looks Like a Steal

The Side-by-Side That Hooks Buyers

Leasehold Listing	Fee Simple Listing
3 bed / 2.5 bath · 3,510 sq ft	2 bed / 2 bath · 1,525 sq ft
$305,000	**$760,000**

On paper, the leasehold looks like the deal of the century. Bigger unit, half the price. But the discount IS the risk.

Big Island Version

A typical 6-acre leasehold property with a 3-bedroom house and **28 years left** might sell for $250K–$600K. A similar fee simple parcel runs $800K to over a million.

The Reveal — You're Buying a Melting Ice Cube

The price isn't discounted — it's **depreciating.** Unlike fee simple, leasehold properties often lose value over time because the remaining lease term gets shorter, making resale harder with every passing year.

1. **20 Years Left**
   Still sellable, but buyer pool is shrinking
2. **15 Years Left**
   Financing becomes very difficult to secure
3. **12 Years Left**
   The most risk for a owner. Conventional 30-year mortgage is impossible

⚠ ⚠️ If a lease has less than 30 years remaining, you cannot secure a classic 30-year mortgage. Lenders typically require the loan to end well before the lease does.

THE TWO SCARIEST WORDS

Renegotiation & Surrender

1

Lease Rent Renegotiation

Rents aren't fixed forever. At renegotiation, the land is appraised **free and clear of improvements**, and a formula in the condo docs calculates the new lease rent. When land values have doubled or tripled, monthly lease rents can **multiply several times overnight.** Retirees on fixed incomes get hit hardest.

Real example: The Admiral Thomas in Honolulu — lease expires 2046, rent renegotiation due 2026. The church that owns the land has not offered it to apartment owners.

2

Lease Expiration — The Surrender Clause

At the end of the lease, the leaseholder may get options — or may not. In the worst case, **the condo you paid $300,000 for reverts to the landowner. Not sold back to you. Reverted.** That's the savings-killer.

3

The Lease-to-Fee Wildcard

A 1984 U.S. Supreme Court decision let Hawaii use eminent domain to force landowners to offer fee simple to leasehold tenants — but this applied to single-family homes, **not condos.** Some buyers have gotten lucky when landowners' heirs sold the fee, but as one local agent admits: *"that is not the common experience and there was an element of luck."* Never buy assuming the fee will be offered.

KNOW BEFORE YOU SIGN

Questions to Ask Before Buying Leasehold

How Many Years Remain on the Lease?

The single most important number. Under 30 years changes your financing options dramatically.

When Is the Next Renegotiation for the Lease?

And what is the formula? Get the actual condo docs — not the listing summary.

Is the Fee Available for Purchase?

If not, find out everything you can about the landowner's plans. Never assume you'll be offered it later.

> Two dates control your financial fate: the **renegotiation date** and the **expiration date.** Know both before you write an offer.

Who Should — and Should Never — Buy Leasehold

✅ It Can Work For…

- **Cash buyers** who fully price in the countdown and carry no financing risk
- Owner-occupants, second-home owners, and investors in buildings that allow short-term vacation rentals — if the numbers pencil out
- Someone in their 70s who wants **20 years of Waikiki living for $300K** and genuinely doesn't need to leave equity behind
- Buyers who've run the total cost of occupancy vs. renting and made a clear-eyed calculation

🚫 Walk Away If You Are…

- Anyone **counting on equity or appreciation** to build wealth
- Families buying "the forever home" to pass to the next generation
- Retirees who need cost predictability on a fixed income
- Anyone who **needs conventional 30-year financing**
- Anyone planning to resell in the medium or long term

Your Leasehold Action Plan

Before you fall in love with a listing, run through this checklist — in order.

01

Filter Your Search First

Know whether each listing is FS or LH before you get emotionally attached. The letters are in the listing data.

02

Get the Full Lease Document

Not the listing summary — the actual lease. Read the renegotiation formula and the surrender clause yourself.

03

Confirm the Key Dates and Formula

Years remaining, next renegotiation date, and the exact rent-calculation formula. These three numbers define your risk.

04

Ask About Fee Availability

If the fee isn't available, research the landowner's track record and long-term plans thoroughly.

05

Run the Real Monthly Cost

Mortgage + HOA + lease rent + taxes — calculated at the **renegotiated rate, not today's rate.** If that number still works, you're making an informed decision.

06

Work With a Local Agent

One who works leasehold regularly — not occasionally. This is not a DIY-from-the-mainland purchase. Hawaii leasehold is hyper-local and this expertise is risk management, not a sales pitch.

> If a Hawaii price looks too good to be true, check the letters LH. The discount IS the risk — not a hidden deal the market missed.

Mahalo for Watching!

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