



Leasehold Ownership versus Fee Simple Ownership

Purchasing a FEE SIMPLE property means you are buying the improvement and the land that it sits on. Purchasing a LEASEHOLD property means you are buying the improvement and you are leasing the land that it sits on. Many of the land leases here in Hawaii were for 50+ years. Prior to the end of the lease, you may or may not have an opportunity to purchase or re-lease the land.

Pro's of Leasehold Ownership:

Lower purchase price for the property – sometimes as low as 50% of a similar fee simple property

Lease payment may be tax deductible whereas fee simple land cannot be depreciated or written off against income. (Please consult your financial advisor.)

Receive the same rental income as a fee simple property

Con's of Leasehold Ownership:

Many leasehold properties in Hawaii are already 30-40 years old and will be up for re-negotiation. Re-negotiation means your monthly lease payments could further increase based on current market values.

Your investment could end at the end of the lease

Lease payments could increase during the term of the lease. Most leases state the date of such increases.

Your property value will decrease near the end of the lease term.