

# Political Offices: U.S. House of Representatives: Subjects: Land: Leasehold: An Economic View of Leasehold and Fee Simple Tenure of Residential Land in Hawai'i

Thomas P. Gill Papers

Political Offices, U.S. House of Representatives, Subjects, Land, Box PO45, Folder 8

<https://hdl.handle.net/10524/87999>

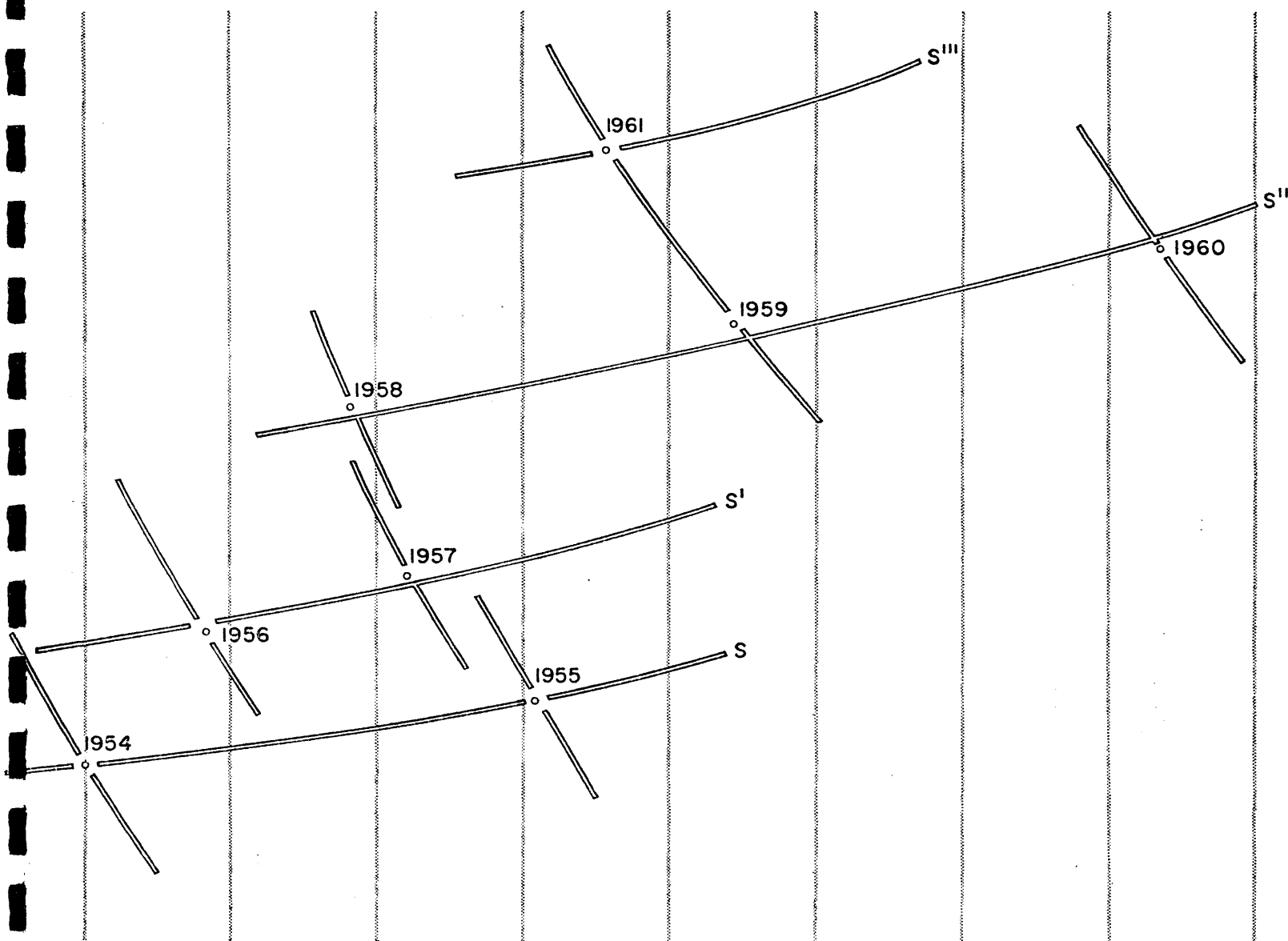
---

Items in eVols are protected by copyright, with all rights reserved, unless otherwise indicated.

*UHM Library Digital Collections Disclaimer and Copyright Information*

# AN ECONOMIC VIEW OF LEASEHOLD AND FEE SIMPLE TENURE OF RESIDENTIAL LAND IN HAWAII

Louis A. Vargha



**Acknowledgments** The author would like to thank personnel of the Real Property Division of the Hawaii Department of Taxation in Hilo, Lihue, Wailuku, and Honolulu for their help in making original data available to him. In addition, he would like to acknowledge the help of Misses Harriet Ide and Nita Pobre in obtaining data from tax offices on the Neighbor Islands. Mrs. Faith Fujimura is thanked for her careful development of graphic materials and her work with the publication layout. Misses Jean Tsuda and Dorothy Aoki patiently and cheerfully typed the several drafts of the study. Colleagues at the University are thanked for their help and counsel throughout the project. Special recognition should be given Mr. Frederick K. Nunns, Director of the Land Study Bureau, for his encouragement throughout the study and for his careful review of the manuscript which yielded many improvements. The author, of course, assumes responsibilities for errors and omissions, hoping that his shortcomings have not negated the contributions of others.

**COMPLIMENTARY COPY**

L.S.B. Bulletin No. 4

January 1964

**AN ECONOMIC VIEW OF LEASEHOLD AND FEE  
SIMPLE TENURE OF RESIDENTIAL LAND IN HAWAII**

**Louis A. Vargha**  
Assoc. Researcher, Urban Economics

**LAND STUDY BUREAU**  
UNIVERSITY OF HAWAII

F. K. Nunns, Director

## CONTENTS

vii	PREFACE
ix	ABSTRACT
1	CHAPTER I. INTRODUCTION
2	Objectives
2	Sources of Data
3	CHAPTER II. FEE SIMPLE AND LEASEHOLD PROPERTY RIGHTS
3	Fee Simple Property Rights
5	Leasehold Property Rights
7	CHAPTER III. THE RESIDENTIAL LEASEHOLD IN HAWAII
7	Provisions of the Residential Lease Form
8	Distribution of Residential Leaseholds Within the State
9	Residential Leaseholds on Oahu
15	CHAPTER IV. INVESTMENT RETURNS FROM RESIDENTIAL LEASEHOLDS
15	Returns to the Landowner from Ground Rents
16	Capital Gain from Appreciation of Land Values
18	Estimating Appreciation of Land Values
18	Total Return to the Landowner from Contract Rents and Capital Gains
19	Participating Leases
21	CHAPTER V. THE EFFECTS ON FAMILY INVESTMENT OF LEASEHOLD AND FEE SIMPLE HOME OWNERSHIP
21	Investment Aspects of Comparable Fee Simple and Leasehold Housing
22	Appreciation and Depreciation of Leasehold and Fee Simple Property Values
26	Equalizing Financial Commitments in Fee Simple and Leasehold Properties
29	General Investment Effects
31	CHAPTER VI. FACTORS AFFECTING HOME OWNERSHIP, HOUSING COSTS, AND LAND VALUES AND THEIR RELATION TO THE RESIDENTIAL LEASEHOLD
31	Home Ownership Rates in the Honolulu Metropolitan Area
33	Age of Home Mortgagors, United States and Hawaii
35	Income of Mortgagors in Hawaii and the United States
36	Financial Characteristics of Home Purchases in Hawaii
36	Prices of Homes in Hawaii
40	The Real Estate Market Cycle in Hawaii
47	Land Values in Hawaii and the Honolulu Area
51	CHAPTER VII. COMMUNITY BENEFITS FROM LEASEHOLD LAND TENURE
51	Urban Renewal at the Level of the Individual Lot
52	Public Urban Renewal
53	Private Renewal of Leasehold Land

57	CHAPTER VIII. EFFECTS OF CHANGES IN RESIDENTIAL LAND TENURE
57	The Provision of Purchase Options for Lessees of Residential Land— 1963 Proposals
62	Adjustments in Residential Leasehold Tenure: Current and Possible
A-1	APPENDIX A. RESIDENTIAL LEASEHOLD LOTS, ISLAND OF OAHU
B-1	APPENDIX B. STATISTICAL TESTING OF RATES OF APPRECIATION OF PROPERTY VALUES—FEE SIMPLE AND LEASEHOLD TENURE, ISLAND OF OAHU
B-1	Data Collection
B-4	Results of Analysis
C-1	APPENDIX C. SUPPORTING DATA

<b>TABLES</b>	<b>9</b>	I. Residential Leaseholds in Force: Maui, Oahu, Kauai, & Hawaii
	<b>10</b>	II. Single-Family Residential Subdivision on Oahu, 1946-1963
	<b>11</b>	III. Lots Subdivided on Oahu and Lots Available on a Leasehold Basis on Oahu, Tax Zone Totals 1946-April 1963
	<b>12</b>	IV. Residential Leaseholds in Force and Total Leasehold Lots by Major Ownership—Island of Oahu
	<b>28</b>	V. Illustrative Purchase of Fee Simple and Leasehold Residential Properties
	<b>33</b>	VI. Average Age of Principal Mortgagor Under FHA — Hawaii and United States
	<b>35</b>	VII. Median Monthly Effective Income of New-Home Mortgagors Under FHA—Hawaii and United States

<b>FIGURES</b>	<b>11</b>	1. Oahu Tax Zones.
	<b>25</b>	2. Change in Leasehold Property Value Over the Lease Period.
	<b>32</b>	3. Home Ownership Rates, Standard Metropolitan Statistical Areas, 1960.
	<b>34</b>	4. Distribution of Principal Mortgagors by Age, New Homes Under FHA, Hawaii and United States, 1960.
	<b>34</b>	5. Distribution of Males, 20 yrs. and Over, Hawaii and United States, 1960.
	<b>34</b>	6. Distribution of Males 20 years and Over; United States and Civilians, Honolulu SMSA, 1960.
	<b>37</b>	7. Frequency Distribution, Size of New Homes in Hawaii, Under FHA, 1955-1961.
	<b>38</b>	8. Frequency Distribution, Total Property Value of New Homes Under FHA, Hawaii and United States, 1954-1961.
	<b>43</b>	9. Supply Curves Single-Family Homes 1954-1961: Based on Building Permit Numbers and Average Total Property Values of New Homes in Hawaii Under FHA.
	<b>44</b>	10. Supply Curves Single-Family Homes 1954-1961: Based on Building Permit Numbers and Average Value.
	<b>46</b>	11. Values of Single-Family Building Permits, Honolulu County, and Changes in Mortgage Volume Held by Financial Institutions in Hawaii, 1950-1962.
	<b>B-14</b>	B-12. Appreciation in Value: Fee Simple Lots, Diamond Head Area, Purchased in 1957; and Leasehold Residences, Waialae-Kahala, Constructed 1957

**APPENDIX  
TABLES**

- A-1** Residential Leasehold Lots, Island of Oahu
- B-13** B-1. Analysis of Covariance: Rates of Value Appreciation of Fee Simple and Leasehold Properties in Aina Haina, Houses Constructed 1947-1948
- B-13** B-2. Analysis of Covariance: Rates of Value Appreciation of Fee Simple Properties in Aina Haina, Houses Over 1,200 Square Feet in Size and Houses Between 900 and 1,199 Square Feet in Size, Construction Circa 1955
- B-14** B-3. Analysis of Covariance: Rates of Value Appreciation of Fee Simple Properties in Aina Haina (Houses Over 1,200 Square Feet in Size) and Leasehold Properties in Waialae-Kahala, Construction Circa 1955
- C-1** C-1. Proportion of Women Over 15 Years of Age Ever Married—United States, Hawaii, and Honolulu SMSA, 1960
- C-1** C-2. Children Ever Born to Women Ever Married, By Age of Women—United States and Non-Caucasians, Honolulu SMSA, 1960
- C-2** C-3. Percentage of Married Women, 20 Years of Age and Over in the Labor Force United States, Hawaii, and Non-Caucasians, Honolulu SMSA, 1960
- C-2** C-4. Median Family Income, Honolulu SMSA (Non-Caucasians) and Fifteen Other SMSA's (400-600 thousand population), 1960
- C-3** C-5. Ratio of Median Annual Income of New-Home Mortgagors Under FHA to Median Family Income, Honolulu & Fifteen Selected SMSA's, 1958, 1959, 1960 & 1961
- C-3** C-6. Median Monthly Effective Income of New-Home Mortgagors Under FHA, Hawaii and United States
- C-4** C-7. Initial Cash Requirements, FHA Mortgages, New Single-Family Homes, Hawaii and United States, 1956-1961
- C-4** C-8. Prospective Monthly Housing Expense, FHA Mortgages, New Single-Family Homes, Hawaii and United States, 1954-1961
- C-5** C-9. Average Sales Price and FHA Evaluation of Total Property Value of New Homes—United States and Hawaii, 1954-1961
- C-5** C-10. Distribution of Percentage Increase in Average Market Price of Residential Lots for New and Existing Homes Insured by FHA, Selected Standard Metropolitan Statistical Areas, 1956-1961
- C-6** C-11. Distribution of Percentage Change in the Increased Value Per Square Foot of New Single-Family Residences, FHA, 1956-1961, 90 Selected Metropolitan Areas
- C-6** C-12. Site Value as a Proportion of Total Property Value, New Single-Family Homes Under FHA, Hawaii and United States, 1954-1961
- C-6** C-13. Site Value as a Proportion of Total Property Value, Existing Homes Under FHA, Hawaii and United States, 1954-1961
- C-7** C-14. Net Civilian Migration, State of Hawaii, 1946-1961
- C-7** C-15. Project Costs—Kukui and Queen Emma Redevelopment Projects, Honolulu, Hawaii

**APPENDIX  
FIGURES**

- B-3** B-1. Sales Price of Individual Fee Simple Residential Properties From a Portion of Aina Haina: Honolulu District, Island of Oahu
- B-3** B-2. Appreciation of Fee Simple Residential Property Values: Aina Haina, Houses Constructed 1947-1951
- B-5** B-3. Appreciation of Fee Simple Residential Property Values: Aina Haina, Houses Constructed 1947-1948
- B-6** B-4. Appreciation of Fee Simple Residential Property Values: Aina Haina, Houses Constructed 1949
- B-7** B-5. Appreciation of Fee Simple Residential Property Values: Aina Haina, Houses Constructed 1950
- B-7** B-6. Appreciation of Leasehold Residential Property Values: Aina Haina, Houses Constructed 1947-1948
- B-8** B-7. Appreciation of Fee Simple and Leasehold Residential Property Values: Aina Haina, Houses Constructed 1947-1948
- B-9** B-8. Appreciation of Fee Simple Residential Properties: Aina Haina, Houses Constructed 1955
- B-10** B-9. Appreciation in Value of Fee Simple Residential Properties: Aina Haina. Houses > 1,200 sq. ft., Constructed 1955
- B-11** B-10. Appreciation in Value of Fee Simple Residential Properties: Aina Haina. Houses 900-1,199 sq. ft., Constructed 1955
- B-11** B-11. Comparison of Appreciation in Value of Residential Properties: Fee Simple (Aina Haina), Leasehold (Waialae-Kahala), Houses Constructed 1955