



Leasehold Condominiums in New York City: A Powerful Tool for Landlords, Institutional Users and Nonprofits

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New York City's real estate market has long produced creative ownership structures designed to address high land values and the needs of institutional users. One increasingly important structure is the leasehold condominium, which allows portions of a building to be sold while the underlying land remains owned by the fee owner. While commonly associated with hospitals, universities and other nonprofit institutions, leasehold condominiums in New York City are also increasingly used in multi-tenant office buildings to monetize portions of buildings, accommodate large institutional occupants and unlock value without requiring the fee owner to sell the property.

For landlords and institutional users alike, leasehold condominiums can provide a combination of ownership-like control, financing flexibility, and long-term asset value, while preserving the fee owner's long-term interest in the land.

What Is a Leasehold Condominium in New York City?

A leasehold condominium is a condominium created not from fee ownership of the real estate, but from a long-term ground lease.

Instead of owning the underlying land and improvements, the condominium sponsor holds a long-term ground lease (e.g., 49, 75 or 99 years) from the fee owner. The sponsor then submits the leasehold estate to condominium ownership under [New York's Condominium Act](#).

Condominium units therefore represent separate leasehold interests in portions of the building, together with an undivided interest in the leasehold common elements.

Unit purchasers hold title to a leasehold condominium unit rather than a fee condominium unit, but the ownership structure otherwise functions much like a traditional condominium. Units can be sold,

financed and transferred independently.

The fee owner remains the landlord under the ground lease and retains the reversionary interest in the property at the end of the lease term.

Why Landlords Create Leasehold Condominiums

Leasehold condominiums allow fee owners to unlock value while maintaining long-term control of the underlying real estate.

Common motivations include:

- **Monetization Without a Fee Sale:** The structure allows landlords to generate significant liquidity through the sale of individual units while retaining ownership of the land and long-term reversion rights.
- **Capital Recycling and Balance Sheet Management:** Owners can selectively monetize portions of a property (such as floors occupied by institutional users) while continuing to operate the remainder of the building.
- **Long-Term Asset Control:** Because the fee owner retains the ground lease structure, the land and improvements revert to the owner at the end of the lease term.
- **Facilitating Institutional Occupancy:** Leasehold condominium units provide a form of “ownership” that many institutional occupants prefer to traditional leases.

Why Leasehold Condominiums Work So Well for Nonprofits

Leasehold condominiums have become particularly common in transactions involving nonprofit institutions such as hospitals, universities, cultural organizations and schools.

For these organizations, the structure provides several important benefits.

Real Estate Tax Advantages

In New York City, [nonprofit organizations](#) may qualify for real estate tax exemptions when they own property used for their exempt purposes. By acquiring a leasehold condominium unit rather than leasing space, the nonprofit may be able to secure tax exemptions that would not be available under a conventional lease.

Long-Term Stability

Ownership of a condominium unit provides durable control over space—often essential for institutions making large capital investments in facilities.

Financing Flexibility

Leasehold condominium units can generally be mortgaged by the nonprofit owner, allowing institutions to finance acquisitions, construction and renovations.

Control Over Premises

Ownership offers greater control over alterations, operations and long-term planning than a typical commercial lease.

Lower Entry Cost Compared to Fee Ownership

In New York City's high-value real estate market, acquiring a fee interest may be impractical for many nonprofits. Leasehold condominium ownership provides many of the benefits of ownership at a lower cost.

Leasehold Condominiums in Multi-Tenant Office Buildings

This structure can also be highly effective in multi-tenant office buildings, particularly where one or more large occupants prefer ownership rather than leasing.

In these situations, the building owner creates condominium units representing entire floors, groups of floors, or large blocks of space within the building.

Typical use cases include:

- **Institutional Headquarters Floors:** Large users (e.g., universities, hospitals, foundations, or professional firms) often prefer to purchase space rather than lease it. A leasehold condominium allows the building owner to sell those floors while continuing to operate the rest of the building as rental space.
- **Capital Extraction from Stabilized Buildings:** Owners may condominiumize portions of an office building to sell to long-term occupants while retaining other portions of the property as income-producing assets.
- **Flexibility for Future Building Repositioning:** Condominiumizing floors or vertical sections of a building allows ownership interests to be separated and monetized over time.
- **Mortgage Financing for Institutional Users:** Many institutional occupants prefer ownership because it allows them to [finance their space](#) through mortgage loans secured by the condominium unit.

In a multi-tenant office building context, the condominium documents must carefully address issues such as:

- Allocation of building operating expenses
- Shared building systems and services
- Control of common areas and lobbies
- Coordination between the condominium board and building management
- Allocation of ground rent obligations among units

When properly structured, the building continues to function operationally as a single office building even though different portions are owned by different parties.

How Leasehold Condominiums Are Created

Creating a leasehold condominium in New York City requires careful coordination among the fee owner, the ground tenant (often the condominium sponsor), lenders and prospective purchasers.

The process typically includes several key steps:

1. Structuring the Ground Lease

The fee owner enters into a long-term ground lease that expressly permits condominiumization of the leasehold estate and sale of units.

2. Establishing Lender Protections

Ground lease lenders and unit mortgage lenders require extensive protections, including cure rights and non-disturbance provisions.

3. Submitting the Leasehold Estate to Condominium Ownership

The sponsor records a condominium declaration and related documents creating the leasehold condominium regime.

4. Preparing and Filing the Offering Plan

As with all New York condominiums, an offering plan must be prepared and submitted to the New York State Attorney General's office for review and acceptance.

5. Allocating Lease Obligations

The condominium documents allocate responsibility among unit owners for ground rent and other obligations under the ground lease.

6. Coordinating with Tax Exemption Rules

Where nonprofit purchasers are involved, the structure must be coordinated with applicable property tax exemption rules.

Key Legal and Structural Considerations

Leasehold condominiums in New York City require careful structuring to address a number of legal and economic considerations, including:

- Length of the ground lease term and extension rights
- Allocation of ground rent and operating costs
- Mortgage lender protections
- Non-disturbance rights for unit owners and their lenders

- Governance between the condominium board and the landlord
- End-of-term reversion mechanics

Because unit owners and their lenders are investing in a leasehold estate rather than fee ownership, properly drafted documents are essential to ensure stability and financeability.

A Structure Well-Suited to New York City

New York City's high land values, complex tax rules and concentration of institutional users make leasehold condominiums particularly effective in this market. When thoughtfully structured, they allow landlords to monetize assets while maintaining long-term ownership of the land and enable institutional users (particularly nonprofits) to obtain durable, financeable control of mission-critical space.

For many transactions involving office buildings, hospitals, universities and cultural institutions, the leasehold condominium has become an increasingly important tool in the New York real estate structuring toolkit.

Frequently Asked Questions About Leasehold Condominiums in New York City

What is a leasehold condominium?

A leasehold condominium is a condominium structure created from a long-term ground lease rather than fee ownership of the land. Unit owners purchase a leasehold interest in a portion of the building and an undivided interest in the leasehold common elements.

Why are leasehold condominiums common in New York City?

Leasehold condominiums are particularly useful in New York City because high land values often make fee ownership impractical for institutional users. The structure allows property owners to monetize portions of a building while retaining ownership of the underlying land.

Can nonprofit organizations own leasehold condominium units?

Yes. Nonprofit institutions such as hospitals, universities, schools, and cultural organizations frequently acquire leasehold condominium units. In certain circumstances, nonprofits may qualify for property tax exemptions for space used for their exempt purposes.

Can leasehold condominium units be financed?

Leasehold condominium units can generally be mortgaged. Lenders often require protections in the ground lease and condominium documents, including non-disturbance rights and cure rights.

What happens at the end of the ground lease?

At the expiration of the ground lease term, the leasehold estate terminates and the property typically reverts to the fee owner, subject to the terms of the ground lease.

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