

Buying a Flat under the Tenants Purchase Scheme

Frequently Asked Questions

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1. What is the Tenants Purchase Scheme (TPS)?

TPS is a scheme introduced by the Hong Kong Housing Authority (HA) since 1998 to assist tenants of the public housing estates to buy the flats they currently rent at affordable prices.

2. Who is eligible for the scheme?

Provided that there is no breach of the existing tenancy agreement, sitting tenants in self-contained flats in the selected estates will be offered the opportunity to purchase, with the exception of those living in the following flats:

- Housing for Senior Citizens and Small Household Block;
- Flats used for social welfare purposes;
- Flats with common entrance and communal facilities such as bathroom, kitchen and entrance.

3. What are the expenses to purchase a flat?

Purchasers will need to pay, apart from the price of the flat, the stamp duty, registration fees and legal costs. The stamp duty for the flat is subject to the final assessment by the Inland Revenue Department based on the value of the property for stamp duty purpose whereas the registration fee is currently \$230 (if the amount or value of the consideration of the flat exceeds \$750,000, the registration fee is \$450) for each Assignment. The legal costs will depend on the rate charged by the purchaser's appointed solicitor. However, if the purchaser chooses to be represented by the HA's solicitor, he / she needs to pay the legal fees agreed between the HA and the appointed solicitor.

4. What monthly costs does a TPS flat owner have to pay?

The monthly rent paid by a tenant includes rates and management charges, but home owners have to make payments separately. Owners will be billed directly by the Commissioner of Rating and Valuation for rates and Government rent. If a mortgage loan is taken from a bank or financial institutions, the owner will have to make monthly mortgage repayments. Owners will also have to pay a monthly management fee to cover the costs of management and maintenance of their estates.

5. How to get a mortgage?

We have agreed with a number of banks and financial institutions to provide mortgages of up to 100% of the balance of the purchase price of the flat, i.e. the actual purchase price less the intention money paid, for up to 25 years. Further details on obtaining a mortgage loan will be made available to the tenants when they are invited to buy their flats.

6. At what price will the flats be sold?

The list price for TPS flats is set by reference to the adjusted replacement cost. A special credit would be offered to existing tenants for purchase within the first two years of launch of the estate and to new tenants within 2 years from commencement of their tenancies; full credit for the first year and a halved credit during the second year.

7. What restrictions are imposed on resale?

In the first two years after the date of first assignment, TPS flat owners must first offer to sell their flats to the HA at the list price and they must return to the HA the actual amount of the special credit (if any) granted at the time of purchase. During the third to fifth year, owners can opt to sell their flats to the HA at the buyback price to be assessed by the HA, which is the assessed market value at the time of offer deducting the original purchase discount, and they must also return the actual amount of the special credit (if any) to the HA. If the HA declines the owners' offer to assign the flats to the HA, the flats may be sold in the open market subject to payment of a premium to the HA equivalent to current value of the original discount. After five years, flats may be sold in the open market subject to payment of a premium to the HA equivalent to the current value of the original discount. Starting from the third year, flats can alternatively be sold in the HOS Secondary Market to eligible purchasers without payment of a premium to the HA. Under the current policy, the HA will not accept an application to sell a flat back to the HA after the expiry of the 5-year alienation restriction period from the date of first assignment.

8. What rights do TPS flat owners enjoy?

Owners have the exclusive right to occupy their flats and the rights to use the common parts of the residential blocks including corridors, lobbies, lifts and common parts of the estate such as estate roads, open areas and walkways. Details of owners' rights and obligations are set out in the Deed of Mutual Covenant of each estate, a copy of which will be available for inspection in the estate office upon sale of the estate.

9. What are the arrangements for management of the estates?

The TPS estates are managed in accordance with the Deed of Mutual Covenant and subject to the provisions of the Building Management Ordinance (Cap 344). All TPS estates have formed Owners' Corporations which have taken over the management of the estates.

10. Is there any guarantee for the structural safety of the buildings to be sold?

Yes, the HA undertakes to provide the Structural Safety Guarantee for seven years.

11. Will flat owners have to pay high maintenance costs?

Buildings in the estates for sale are in good condition. The HA will carry out all necessary pre-sale maintenance works on condition basis to all estates for sale. However, to reassure purchasers, the HA has undertaken to contribute to a Maintenance Fund, which amounts to \$14,000 per flat. This would be adequate to cover major maintenance expenses other than routine maintenance for a period of about ten years.

12. After the sale, can flat owners revert to tenant status?

Subject to the recommendation by the Director of Social Welfare as well as the verification and the approval by the Director of Housing, flat owners who experience genuine financial hardship can offer to sell their flats back to the HA, apply to revert to tenant status and retain occupancy of their existing flats or rent other public housing units deemed appropriate by the HA.

13. What if tenants do not wish to purchase?

These tenants can continue to rent and occupy their flats as before.

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