

My Home Purchase Plan

Transport and Housing Bureau

13 October 2010

Tsing Luk Street Project

- ❖ Number of flats provided: about 1 000 units
- ❖ Flat size:
 - One bedroom flat: 10-15 % of the total number
(Gross floor area (GFA): about 540 sq ft /
saleable area (SA): about 430 sq ft)
 - Two bedrooms flat: 65-70% of the total number
(GFA: about 630 sq ft / SA: about 500 sq ft)
 - Three bedrooms flat: 15-20% of the total number
(GFA: about 840 sq ft / SA: about 670 sq ft)

Project Summary

- ❖ Land to be provided by the Government, implemented by the Hong Kong Housing Society (HKHS).
- ❖ To build “no frills” small and medium sized flats.
- ❖ To rent the flats at market price as at the signing of the tenancy to eligible persons.
- ❖ A maximum tenancy of five years, no rental adjustment during the tenancy period.
- ❖ Tenants may terminate the tenancy any time with two-month prior notice to HKHS.

Project Summary (Cont'd)

- ❖ Tenants may purchase the flat they rent, other flats under the Plan, or flats in the private market within a prescribed period. They will receive a Purchase Subsidy at 50% of the net rent they have paid, for part of the down payment.
- ❖ Tenants who have not **purchased a flat under the Plan or in the private market** within the prescribed period **will not receive any Purchase Subsidy.**

First Year	Second Year	Third Year	Fourth Year	Fifth Year
------------	-------------	------------	-------------	------------

- ❖ **Beginning of the first year:** Admission of tenants. Assume that tenancy starts at the same time.
- ❖ **First to second year:** Flats can only be rented out, but not sold, by the HKHS. If tenants terminate tenancy during the period, they will not receive any Purchase Subsidy.
- ❖ **From third to fifth year:** Tenants may choose to purchase a flat.
- ❖ **End of fifth year:** Expiry of tenancy. Tenants will have to move out of the flat.
- ❖ **Within two years after the expiry of tenancy:** Tenants who have not purchased a flat between the third and fifth year may opt to purchase a flat within two years after the expiry of tenancy, and will receive the Purchase Subsidy.

Eligibility Criteria

- ❖ Tenants of public housing estates and Green Form applicants : no restriction.
- ❖ For Non-Green Form applicants who meet the prescribed asset and income limits, our initial proposals are:
 - ❧ Upper income limit for household applicants is around \$39,000, and the upper asset limit is around \$600,000. The upper income limit for singleton applicants is around \$23,000, and the upper asset limit is around \$300,000.
 - ❧ HKHS will set the income and asset limits before pre-letting, taking into account the then market situation.
 - ❧ There will be other stringent criteria (for example, applicants and other family members on the application forms should not have owned properties in the past ten years).
- ❖ Those who have enjoyed other housing subsidy schemes in the past cannot join the Plan.

No double benefit

- ❖ To ensure the reasonable allocation of public resources, tenants of the Plan who have received the Purchase Subsidy will not be eligible for other housing subsidy from the Government, including public rental housing.

Priority for eligible applicants

- ❖ Priority of the applicants may either be set by means of ballot, quota or point system.
- ❖ Ballot is fair but not focused. The other methods are administratively complicated.
- ❖ On balance, we consider that a mechanism which is premised on a quota system, and complemented with balloting, together with a set of stringent eligibility criteria (e.g. requirement for not owning properties in the past 10 years) as the threshold, will be fairer, more focused and transparent.

Flat sales arrangement under the Plan

- ❖ Tenants will have priority to purchase the flat they rent.
- ❖ For flats not purchased by tenants of the Plan, HKHS may sell them to the public at the then market price.
- ❖ Flats under the Plan will only be sold to individual buyers, but not company buyers. Each buyer can only purchase one flat under the Plan.
- ❖ Unlike Home Ownership Scheme flats, flats under the Plan will be sold at market price. Buyers will not have to pay premium to the Government before selling or letting the flats afterwards.

Hypothetical Case



Parameters	Household Condition	Remarks
Household's monthly income	\$30,000	
Household's existing assets	\$0.3M	It is assumed that the household has worked for some years and has some saving before joining the Plan. Yet, the saving is not sufficient to meet its home purchasing aspiration.
Non-housing expenditure	\$13,500	It is assumed that the non-housing expenditure is 45% of the household income.
Flat Size (GFA)	500 ft ²	
Market rental under the Plan	\$9,000	(Net rent: \$8,000 ; Rates and management fees:\$ 1,000) Reference has been made to some recent rentals of private flats in extended urban areas.
Total assets after 5 years	\$0.99M	Amount of Purchase Subsidy obtained through the Plan in 5 year's time (\$0.24M) + Tenants' own saving after 5 years (\$0.45M) + tenant's start-up asset (\$0.3M)
Flat price (to be assessed by HKHS)	\$2.8M	Reference has been made to some recent prices of private flats in extended urban areas. The unit flat price is about \$5,600/ ft ²
Monthly mortgage repayment	\$10,500	assuming 30% of down payment (\$0.84M), 20 year repayment period at the current mortgage rate of 2.56%
Mortgage-to-Income Ratio (or Debt Servicing Ratio)	35%	i.e.\$10,500 / \$30,000 Stress Test (if mortgage rate increases to 4.56%, the debt-servicing ratio will increase to 42%)