

Urban Renewal Authority
Elderly Domestic Owner-Landlords Compassionate Allowance

This pamphlet briefly outlines the policy on Elderly Domestic Owner-Landlords Compassionate Allowance (“the Allowance”) of the Urban Renewal Authority (“URA”). The Allowance is introduced to assist eligible elderly owner-landlords who depend on the rental income from their sole and rented out properties to sustain their livelihood. The Allowance is only applicable to URA’s redevelopment projects which commenced after the promulgation of the new Urban Renewal Strategy on 24 February 2011.

Overview

1. For eligible elderly owner-landlords whose sole domestic properties in Hong Kong fall within URA’s redevelopment projects (“Affected Properties”), who are compelled by health, financial or family reasons to stay elsewhere but not in the Affected Properties and who depend on the rental income from the Affected Properties to sustain their livelihood, URA will offer the Allowance to them on compassionate ground.

Calculation of the Allowance

2. URA will offer an owner-occupier of domestic property within a URA Project the market value (assessed on vacant possession basis) of his/her property plus an ex-gratia allowance, namely Home Purchase Allowance (“HPA”), for purchase of the affected property. The amount of HPA payable to individual owners is the difference between the value of a notional replacement flat and the market value of the property being acquired. The notional replacement flat is based on a seven-year-old flat of a size similar to the affected property and in the same locality. The notional replacement flat is assumed to be in a comparable quality building, situated in a similar locality in terms of characteristics and accessibility. The notional replacement flat will be situated at the middle floor of a notional building with average orientation, i.e. not facing south or west, and without sea view.
3. According to the prevailing acquisition policy of URA, owners of domestic tenanted properties are entitled to market value of the Affected Properties on vacant possession basis and a Supplementary Allowance (“SA”). SA is a percentage of HPA. Eligible elderly owner-landlords, upon approval by URA, would be offered the Allowance in addition to SA. Calculation of the amount of the Allowance is based on the assumption that the elderly owner-landlord is living in the Affected Property and occupying a notional portion (“Notional Occupied Portion”). The Notional Occupied Portion is eligible for 100% HPA, while the remaining tenanted portion is eligible for SA which equals to 75% of HPA.
4. The size of the Notional Occupied Portion to be adopted by URA for calculation of the Allowance depends on the number of family member(s), if any, who are living together with the elderly owner-landlord as shown in the following table:

Number of Family Members living together with the Elderly Owner-landlord	Size of the Notional Occupied Portion
Nil (i.e. the elderly owner-landlord is living on his own)	10 sq.m.
One	20 sq.m.
Two or more	30 sq.m.

5. Examples for calculation of the Allowance are given in **Appendix I**. The amount of the Allowance is the difference between (i) the total amount payable to an eligible elderly owner-landlord (Examples 2, 3 or 4) and (ii) the amount payable to a normal owner-landlord (Example 1).

Eligibility

6. To be eligible for the Allowance, an elderly owner-landlord must fulfill all the following requirements:
- (i) The elderly owner-landlord must be aged 60 or above (according to the Date of Birth as shown on a valid Hong Kong Identity Card) at the date of URA's initial acquisition offer for the Affected Property. If he/she is below 60 at the date of initial acquisition offer, he/she will be eligible if he/she will reach 60 on his/her next birthday;
 - (ii) The elderly owner-landlord must be a registered owner of the Affected Property. If the Affected Property is owned by a company, the elderly owner-landlord must be a shareholder of the company;
 - (iii) The elderly owner-landlord has to rent an alternative accommodation for himself/herself (or stayed with his/her family at their home) and rent out the Affected Property for financial, health or family reasons which amount to hardship;
 - (iv) The total net asset value of the elderly owner-landlord (excluding the market value of the Affected Property) on the dates set out below must not exceed the total net asset limit laid down by the Hong Kong Housing Authority ("HKHA") for elderly applicants of the Public Rental Housing prevailing on the same dates:
 - (a) the first day of the Freezing Survey conducted for the relevant URA project ("the FS Date"); and
 - (b) the date of URA's initial acquisition offer to him/her for the Affected Property;
 - (v) Save and except the Affected Property, the elderly owner-landlord does not, whether in his own name or jointly with others or in a company's name, own any other domestic property in Hong Kong anytime from the FS Date to the

date of signing the formal Sale and Purchase Agreement for the sale of the Affected Property to URA (“the ASP Date”);

- (vi) The elderly owner-landlord has not received any form of public housing benefits, such as being a householder or household member of any Public Rental Housing unit or any other subsidized housing unit of HKHA, the Hong Kong Housing Society (“HKHS”) or URA, anytime from the FS Date to the ASP Date;
- (vii) The elderly owner-landlord has not received any form of compensation from URA anytime within the period from two years prior to the FS Date up to the date of completion of the sale of the Affected Property to URA; and
- (viii) The elderly owner-landlord must accept the initial acquisition offer made by URA to him/her for the Affected Property within the validity period of the initial acquisition offer.

Others

- 7. The elderly owner-landlord may submit the application by completing the relevant application form for the Allowance at any time after issuance of initial acquisition offer for the Affected Property by URA and the application form must be submitted to URA before the ASP Date.
- 8. The elderly owner-landlord shall provide URA with all relevant documentary proof for verification of the information submitted with the application.
- 9. If the application is approved, URA will notify the elderly owner-landlord the amount of the Allowance payable which will then be released directly to the elderly owner-landlord after completion of the sale and purchase of the Affected Property.
- 10. If the Affected Property is owned by joint owners (whether as joint tenants or tenants in common) or by a company, the eligibility of the elderly owner-landlord (whether as one of the joint owners or a shareholder of the company) will be subject to the same principles applicable to individual elderly owner-landlords. The Allowance payable to the elderly owner-landlord (as one of the joint owners or a shareholder in the company) will be calculated pro rata to the shares of the elderly owner-landlord as the joint owner or his shareholding in the company.
- 11. If the elderly owner-landlord (whether as one of the joint owners or a shareholder of the company) is assessed to be eligible for the Allowance, in calculating the amount of Allowance payable to the elderly owner-landlord, URA will consider the relationship between the elderly owner-landlord and the other joint owner(s) or shareholder(s) of that company, as the case maybe. If the other joint owner or shareholder of the company is an “immediate family member” of the elderly owner-landlord, URA will consider the background of ownership transfer of the Affected Property in calculating the amount of Allowance payable to the elderly owner-landlord. “Immediate family member” means spouse, parent, child, dependent sibling, grandparent, grandchild, stepparent, spouse’s parent or spouse’s stepparent.

12. If any person is found to have given incorrect or false information to mislead or deceive URA with a view to obtaining gain, URA reserves its right to take legal actions against such persons and will report to the enforcement authorities on all cases of suspected criminal offences.

This pamphlet is issued for the purpose of general reference only. The information contained herein is with reference to the principles and practice of the Urban Renewal Authority prevailing at the date of issue of this pamphlet. It shall not constitute any representation on the part of the Urban Renewal Authority or give rise to any expectation whatsoever and shall not be relied on as such. Each case will be considered on its own merits having regard to all factors and circumstances. The terms of acquisition to be offered are subject to the principles and practice of the Urban Renewal Authority prevailing at the time the offer of acquisition is made and are subject to review from time to time as the Urban Renewal Authority shall at its absolute discretion consider appropriate. The Urban Renewal Authority's right to add to, amend or delete the whole or any part of this pamphlet is hereby reserved.

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Appendix I

Examples for Calculation of the Allowance

(Figures are based on assumptions and for reference only)

Assuming the market value of a domestic flat of 40 sq.m. on vacant possession basis is \$800,000 and the value of a notional replacement flat is \$2,000,000. The HPA will then be:

$$\$2,000,000 - \$800,000 = \$1,200,000 \text{ (i.e. \$30,000 per sq.m.)}.$$

Example One

An owner of the above domestic flat who lets out the entire flat will get:

- (i) The market value of his flat (on vacant possession basis) of \$800,000; and
- (ii) SA of \$600,000 (50% HPA i.e. \$1,200,000 x 50%).

In total, this owner will receive \$1,400,000.

Example Two

An eligible elderly domestic owner-landlord who solely owns the above domestic flat and is living on his own and lets out the entire flat will get:

- (i) The market value of his flat (on vacant possession basis) of \$800,000;
- (ii) HPA of \$300,000 for the Notional Occupied Portion (\$30,000 per sq.m. x 10 sq.m.); and
- (iii) SA of \$675,000 for the remaining tenanted portion (SA at 75% HPA for 30 sq.m. i.e. \$30,000 per sq.m. x 75% x 30 sq.m.).

In total, this owner will receive \$1,775,000.

The amount of the Allowance is \$375,000 (i.e. \$1,775,000 – \$1,400,000).

Example Three

An eligible elderly domestic owner-landlord who solely owns the above domestic flat and is living with one family member and lets out the entire flat will get:

- (i) The market value of his flat (on vacant possession basis) of \$800,000;
- (ii) HPA of \$600,000 for the Notional Occupied Portion (\$30,000 per sq.m. x 20 sq.m.); and
- (iii) SA of \$450,000 for the remaining tenanted portion (SA at 75% HPA for 20 sq.m. i.e. \$30,000 per sq.m. x 75% x 20 sq.m.).

In total, this owner will receive \$1,850,000.

The amount of the Allowance is \$450,000 (i.e. \$1,850,000 – \$1,400,000).

Example Four

An eligible elderly domestic owner-landlord who solely owns the above domestic flat and is living with two family members or above and lets out the entire flat will get:

- (i) The market value of his flat (on vacant possession basis) of \$800,000;
- (ii) HPA of \$900,000 for the Notional Occupied Portion (\$30,000 per sq.m. x 30 sq.m.); and
- (iii) SA of \$225,000 for the remaining tenanted portion (SA at 75% HPA for 10 sq.m. i.e. \$30,000 per sq.m. x 75% x 10 sq.m.).

In total, this owner will receive \$1,925,000.

The amount of the Allowance is \$525,000 (i.e. \$1,925,000 – \$1,400,000).

