

**Legislative Council Panel on Housing
Disclosure of Saleable Area in Sales Descriptions
for Residential Properties**

PURPOSE

This paper briefs Members on the current practice with regard to the disclosure of floor area information in residential sales descriptions, and the measures under consideration to further enhance the transparency of saleable area (SA) information.

EXISTING PRACTICE

2. We have been adopting a multi-pronged approach to improve market transparency whilst maintaining a free environment in the residential property sales market. Specific measures include requirements in the Lands Department Consent Scheme, consumer education, regulating the practices of estate agents and developers' self-regulatory regime. The Government, the Consumer Council, the Estate Agents Authority (EAA) and the Hong Kong Real Estate Developers Association (REDA) all have a part to play.

Lands Department Consent Scheme

3. Where the residential developments are governed by the Lands Department's Consent Scheme, developers are required to disclose in sales brochures the typical floor plan and SA of each individual unit in accordance with the definition prescribed in the Consent Scheme (details of the measurement method are at Annex A). Such definition is in line with the code of measuring practice published by the Hong Kong Institute of Surveyors (HKIS). Furthermore, developers need to specify separately in sales brochures the SA of bay windows, utility platforms, roof, open yards, etc. Developers are also required to provide a clear breakdown of SA in the Agreement for Sale and Purchase. With the above information, prospective buyers can understand clearly about the layout of a unit and floor area of various ancillary accommodations.

Real Estate Developers Association guidelines

4. The definition of SA under the Consent Scheme is adopted by the REDA in its guidelines for compliance by its members. REDA also stated in the guidelines that the Gross Floor Area (GFA) disclosed in sales brochures should be the sum of SA, the apportioned share of common

areas and areas for the exclusive use of the purchaser. Since both GFA and SA are made known in sales brochures, consumers are at liberty to make informed comparisons between GFA and SA of a unit, and likewise for prices per unit floor area.

Consumer education

5. Aside from setting rules and guidelines, consumer education is another crucial way to improve consumer protection. The Consumer Council puts much effort in promoting the idea that buyers should be aware of their rights and obligations in purchasing properties. In this regard, the Consumer Council and EAA have jointly published a consumer checklist to remind property purchasers of the need to, amongst others, study carefully area information in the sales descriptions, including SA. Should a property purchaser have doubt about floor area information of the flat he intends to purchase, he should seek professional advice (e.g. from a surveyor or a lawyer) to better protect his interest before committing himself to a purchase.

Regulation of estate agents' practice

6. EAA promotes the transparency and fairness of property transactions through regulating the practice of estate agents. It has issued circulars requiring estate agents to provide to prospective buyers only price lists given by developers and accurate information about the property, and to advise prospective buyers to consult sales brochures before committing to purchase. EAA will continue inspections of sales sites to ensure compliance by estate agents. In order to raise estate agent's calibre and standard of services, EAA has tightened licence qualifying examination requirements and stepped up enforcement actions against professional misconduct of estate agents. It has taken disciplinary action against estate agents who have made misrepresentation of property size.

POSSIBLE MEASURES TO ENHANCE TRANSPARENCY

7. As SA relates to the floor area that is exclusive to each individual unit, enhancing the transparency and consumer awareness of such information will help address public concerns about possible confusion caused by different calculation methods of floor area (e.g. GFA). In this regard, the following measures are under discussion by various parties to improve the measurement of SA and enhance consumer education.

Improving the code of measurement of SA

8. HKIS has proposed to review the code of measurement of SA. The proposal mainly aims at removing the existing grey areas, and other unclear areas created by the evolution of new building technologies and terminologies. This revision will provide a fair, transparent and user-friendly platform for the public to access essential information on SA at ease. HKIS is consulting concerned parties, including the Consumer Council and REDA, on its draft proposal at Annex B. When a consensus is reached among HKIS, the Consumer Council, REDA and other relevant parties on the proposal, we will explore the feasibility of adopting the revised code in the Consent Scheme and REDA guidelines.

Enhancing consumer education

9. We encourage prospective purchasers of properties to make informed purchase decisions. As far as floor area is concerned, purchasers should pay attention to the information, in particular SA, available in residential sales descriptions. To better bring home this message to consumers and assist them to understand the difference between SA and GFA, we are working with the Consumer Council and EAA to improve the property purchasers checklist.

Enhancing regulation of estate agents

10. In light of recent concerns on saleable area, EAA will issue further practice circular to estate agents to require them to provide accurate floor area information, in particular saleable area, of the property to prospective buyers.

Improving the REDA guidelines

11. We have requested REDA to lay down in its guidelines measures to improve the clarity and the conspicuousness of saleable area information in sales brochures. The Administration, together with the Consumer Council and EAA will further discuss and work out the detailed measures with REDA. Furthermore, we will explore with REDA to request developers to publish the complaint hotline numbers of REDA, Consumer Council, EAA and the Government in sales brochures and display the numbers prominently in the sales office.

WAY FORWARD

12. We acknowledge that a consistent and clear measurement of SA will help enhance market transparency. The current disclosure regime of SA, the measurement of which is clearly prescribed in the Consent Scheme and adopted in the REDA guidelines, has served the purpose well. The Government, together with relevant parties, will continue to explore room for further improvement.

March 2007

Housing, Planning and Lands Bureau

Definition of “Saleable Area” prescribed in LACO’s Consent Scheme

“Saleable area” means –

- (i) in relation to a unit enclosed by walls, the floor area of such unit (which shall include the floor area of any balconies and verandahs), measured from the exterior of the enclosing walls of such unit except where such enclosing walls separate two adjoining units in which case the measurement shall be taken from the middle of those walls, and shall include the internal partitions and columns within such unit; but shall exclude the common parts outside the enclosing walls of such unit Provided That if any of the enclosing walls abut onto a common area, then the whole thickness of the enclosing walls which so abut shall be included;
- (ii) in relation to any cockloft, the floor area of such cockloft measured from the interior of the enclosing walls of such cockloft;
- (iii) in relation to any bay window which does not extend to the floor level of a unit, the area of such bay window measured from the exterior of the enclosing walls or glass windows of such bay window and from the point where the bay window meets the wall dropping to the floor level of a unit but excluding the thickness of such wall;
- (iv) in relation to any carparking space, the area of such carparking space (the dimensions of which should be separately set out) measured from the interior of its demarcating lines or enclosing walls, as the case may be;
- (v) in relation to any yard, terrace, garden, flat roof or roof, the area of such yard, terrace, garden, flat roof or roof measured from the interior of their boundary lines, and where the boundary consists of a wall, then it shall be measured from the interior of such wall; and
- (vi) in relation to any utility platform not enclosed by a solid wall, the floor area measured from the external boundary and if it is enclosed by walls, the floor area of the said utility platform measured from the exterior of the enclosing walls or boundary of the said utility platform except where such enclosing walls or boundary separate two adjoining utility platforms, in which case the measurement shall be taken from the middle of those walls or boundary, and shall include the internal partitions and columns within the said utility platform; but shall exclude the common parts outside the enclosing walls or boundary of the said utility platform and exclude the whole thickness of the enclosing walls or boundary which abut onto any units provided that if any of the enclosing walls or boundary abut onto a common area, then the whole thickness of the enclosing walls or boundary which so abut shall be included.

**Hong Kong Institute of Surveyors' (HKIS) Draft Proposal to
Review the Code of Measuring Practice of Saleable Area**

(Revision as at 23 March 2007)

(A) Background

HKIS decided to review the existing “Code of Measuring Practice” (the “Code”). A Working Group with representatives from divisions has been formed. The Working Group decided to review the Code in stages. The first stage is related to Saleable Area. The Working Group also wishes to review the Gross Floor Area in the next stage.

A revised “Code” will be published to supersede the existing “Code”.

(B) Saleable Area

1. The Saleable Area of a unit comprises the floor area exclusively allocated to that unit including balconies and other similar features but excluding common areas such as staircases, lift shafts, lobbies and communal toilets. It shall be the area contained within the enclosing walls of the unit measured up to the exterior face of an external wall or the center line of a separating wall between adjoining units, as the case may be. Enclosing walls separating a unit from a lightwell, a lift shaft or any similar vertical shaft, or a common area, shall be deemed an external wall and its full thickness shall be included. All internal partitions and columns within the unit shall be included.

Saleable Area describes the ownership and occupation of the premises in relation to the building structure. As such it also reflects to a certain extent the rights and liabilities appurtenant to the premises.

2. Saleable Area is an area which comprises “Saleable Area (Type A)” and “Saleable Area (Type B)”.

Saleable Area (Type A) is the Saleable Area which is roofed, of full head-room and capable for full normal occupation.

Saleable Area not classified as Saleable Area (Type A) is Saleable Area (Type B).

Annex B

3. Saleable Area comprises (but not limited to) the following components and their respective special measurement criteria are mentioned below:

<u>Components</u>	<u>Special Measurement Criteria (if any)</u>
(a) Saleable Area (Type A)	<p>It shall be the roofed area contained within the enclosing walls:</p> <ul style="list-style-type: none">i) Except for area at doorways, any area with the (Type A) Area should have a clear headroom of not less than 2m; andii) Plant Room and Pipe Duct whether they are accessible from the (Type A) Area or not, should be excluded from the Saleable Area (Type A) calculation.
(b) Saleable Area (Type B)	
(b1) Cockloft (of clear headroom less than 2m)	It shall be the cockloft floor area excluding voids at Cockloft floor level.
(b2) Bay Window	It shall be the area that projects beyond the exterior face of an external wall. The measurement should be taken at sill level and excluding any peripheral mouldings.
(b3) Yard/Terrace/Garden/ Flat Roof/Carpark	
(b4) Car Parking Space	It shall be the area that is within and including the designating markings on the floor. If the designating marking is a common designating marking with another carparking space, the measurement should be up to the center of this line.
(b5) Plant Room	

Pipe Duct, A/C Platform, mouldings and architectural fins are not saleable area.

Members are recommended to separately state the measurement results of Saleable Area (Type A) and Saleable Area (Type B). For Saleable Area (Type B), it is further recommended that respective Saleable Area (Type B) of the components should be separately stated as classified above.

(C) Commentaries from the Working Group

1. With respect to the use of terminologies: “Saleable Area” and “Saleable Floor Area”, it is noted that the “Saleable Area” and “Saleable Floor Area” are both used in the property market. To ensure consistency, only “Saleable Area” is proposed to be used in the revised “Code”.
2. In the existing “Code” the Chinese name of “Saleable Area” is “實用面積 / 銷售面積”. With reference to the Glossaries of Terms commonly used in Government Department, “實用面積” is not only the Chinese name of “Saleable Area” but also “Usable Floor Area”. Other Chinese names such as “出售面積” and “可銷售面積” are used. To avoid confusion and ensure consistency, one Chinese name “銷售面積” is proposed to be used in the revised “Code”.
3. Working Group considered the need to maintain in principle the existing measurement criteria of Saleable Area. Working Group also believed that the best way to protect public interests is to ensure that area data can be readily available and accessible to the public.