

Legislative Council Panel on Housing

Disclosure of Saleable Area in Sales Descriptions for Residential Properties

Purpose

This paper updates Members on the latest developments in enhancing the transparency of saleable area (SA) disclosure in sales descriptions for residential properties.

Background

2. At the meeting of this Panel on 2 April 2007, we briefed Members on various proposals to enhance the transparency of SA disclosure in residential property sales descriptions. Concerned parties including the Consumer Council (CC), Estate Agents Authority (EAA), Real Estate Developers Association of Hong Kong (REDA) and Hong Kong Institute of Surveyors (HKIS) have since then proceeded with the implementation of some enhancement measures and continued with the review of the existing SA code of measurement. The paragraphs below set out the latest developments in the respective areas.

Developments

HKIS' review of the SA code of measurement

3. After the last Panel meeting, HKIS carried out consultations with various stakeholders, including CC, REDA, relevant Government departments, etc. on its proposed revisions of the SA code of measurement (the code), and held a discussion forum with its members. HKIS is considering the comments received and will revise its proposal as necessary. It intends to seek further comments from parties concerned before finalizing its proposal.

4. Upon completion of the review by HKIS, we will examine the implications of the revised code and consider the need to review the relevant provisions of the Consent Scheme, including the definition of SA and the requirements about disclosing floor area information.

Improving the REDA guidelines

5. In order to increase buyers' awareness of SA information, we have urged REDA to include in its guidelines requirements to improve the presentation of SA in sales brochures and price lists. REDA has responded positively and asked its members to implement the following measures –

- (a) highlight information on SA in sales brochures eg. by using larger font size; and
- (b) disclose SA in price lists, including listing out separately the area of balcony, bay window, roof, flat roof, utility platform, etc.

We will monitor the operation of the new measures to make sure that the information required is provided in sales brochures and price lists.

6. In light of recent public concerns about floor height information, we have requested REDA to improve the clarity of floor height information disclosed in sales descriptions. We will further liaise with REDA to work out the possible improvement measures.

Promoting consumer education

7. To cope with changing consumer expectations, we have worked with CC and EAA the necessary updates to the Notes to Purchasers of First-hand Residential Properties (the note). The revised note at **Annex** reminds prospective purchasers that they have to pay particular attention to the SA of the properties they intend to purchase. The revised note also promotes the channels of public comments or complaints by listing out the hotlines and fax numbers of CC, EAA, REDA and Transport and Housing Bureau.

Enhancing regulation of estate agents

8. Estate agents also play an important part in enhancing buyers' understanding and awareness of floor area information. In this regard, EAA has maintained its surveillance efforts to ensure that estate agents provide prospective buyers with accurate information on floor area. It will take enforcement actions against estate agents for any professional misconduct, including misrepresentation of property size.

Way Forward

9. We will continue to monitor developers' disclosure of property information and consider the need for improvement measures in the light of public comments and the results of the review by HKIS of the SA code.

Transport and Housing Bureau
July 2007

Notes to Purchasers of First-hand Residential Properties

July 2007

1. Before you decide to purchase a first-hand residential property, you should:

- remember that buying uncompleted flats is not the same as acquiring completed properties;
- calculate the total expenses of the purchase, such as solicitors' fees, mortgage charges, insurance fees and stamp duties;
- check with the banks to find out if you will be able to obtain the needed mortgage loan, select the appropriate payment method, calculate the amount of the mortgage loan to ensure it is within your repayment ability;
- visit the development site and get to know the surroundings of the property (including transportation and community facilities), and check town planning proposals and decisions which may affect the property;
- pay attention to the information on the saleable area and gross floor area of the property in the Sales Brochure and the price list. For example, you should check whether the saleable area of the property includes the area of the balcony, flat-roof, roof, garden, cockloft, yard, terrace, bay window, utility platform, air-conditioning room, structural prefabricated wall, etc., and the size of each of them. When calculating the per-square-foot price, you should be aware that the saleable area and gross floor area of the property may comprise different parts. If you have any questions, you should consult a surveyor or lawyer and make enquiries with the developer;
- study the Sales Brochure carefully for other details such as the interior and exterior fittings and finishes, the expected completion date, management fees (e.g. whether items such as internet fees and club house fees are included) and find out the salient terms of the Government Lease, terms of the Deed of Mutual Covenant (DMC) (e.g. whether animals can be kept in the unit), etc.;
- read the Government Lease and the draft DMC. For example, information such as ownership of the rooftop and external walls can be found in the DMC. Copies of both documents should be provided by the developer at the sales office for free inspection;
- check recent transaction prices of comparable properties for comparison;
- ensure that any important matters explained or guaranteed to you by the developer's staff or other persons are written into (1) both the provisional and formal agreements for sale and purchase as part of the contractual terms; or (2) a separate written agreement;
- understand that the provisional agreement for sale and purchase is a legally binding agreement. If you withdraw from it after signing and, (1) if the flat is under the Consent Scheme, your deposit of up to 5% of the property price may be forfeited, or (2) if the flat is not under the Consent Scheme, the developer may take proceedings to enforce specific performance of the agreement or retain your deposit and claim for damages for breach of the agreement.

2. Before you appoint an estate agent to look for a property, you should:

- find out whether the agent will act on your behalf only (if the agent also acts for the developer, he may not be able to protect your interests in the event of a conflict of interest);
- find out whether any commission is payable to the agent and, if so, its amount and the time of payment (all of these to be agreed between the agent and you);
- note that only licensed estate agents or salespersons may accept your appointment. If in doubt, you should request the estate agent or salesperson to produce his Estate Agent Card, or check the Licence List on the Estate Agents Authority website: www.eaa.org.hk;
- note that some developers handle sales themselves and you can decide whether to appoint an estate agent.

3. Before you purchase an uncompleted flat under the Consent Scheme, you should:

- seek confirmation from the developer whether a "Consent to Sell" has been issued by the Lands Department;
- note that the developer and estate agent are not allowed to receive any deposit or "reservation fee" before the developer has obtained the "Consent to Sell";
- note that the deposit should be made payable to the solicitors' firm responsible for stakeholding purchasers' payments for the development.

4. Before you engage a solicitor, you should:

- consider engaging your own solicitor to protect your interests (if the solicitor also acts for the developer, he may not be able to protect your interests in the event of a conflict of interest);
- compare the charges of different solicitors.

You may express your views or make a complaint with regard to the sales arrangements or the practice of estate agents by calling or faxing the following numbers:

	Telephone	Fax
Consumer Council	2929 2222	2590 6271
Estate Agents Authority	2111 2777	2598 9596
Transport and Housing Bureau	2186 8322	2509 3770
The Real Estate Developers Association of Hong Kong	2826 0111	2845 2521