

Legislative Council Panel on Housing
Sales Arrangements for Uncompleted First-hand Residential Properties

Purpose

This paper briefs Members on the improvement measures of the Government and relevant parties in the sales arrangements for uncompleted first-hand residential properties.

Background

2. The Government has adopted various measures to safeguard the interests of prospective flat buyers by ensuring that they have access to information on uncompleted first-hand residential properties, including information on individual developments/flats, sales arrangements and the rights and obligations of flat owners and to maintain a free and orderly business environment for the private residential market. These measures include:

- (a) stipulating the information required to be provided by the developers in the sales brochures, and regulating the sales arrangements for uncompleted residential properties through the Lands Department's Consent Scheme (the Consent Scheme);
- (b) working closely with the Real Estate Developers Association of Hong Kong (REDA) to enhance REDA's guidelines on the sale of uncompleted flats as appropriate to keep pace with the changing environment, with a view to enhancing the effectiveness of the self-regulatory regime of developers;
- (c) stepping up the regulation of the practice of the estate agent trade through the Estate Agents Authority (EAA) in exercising its power under the Estate Agents Ordinance, and promoting the professionalism of estate agents so as to bring better protection to prospective buyers; and
- (d) raising the awareness of prospective buyers regarding how to protect their rights when purchasing flats, through enhanced consumer education by the Consumer Council (CC).

3. At present, to comply with the requirements of the Consent Scheme and REDA's guidelines, developers are required to provide information on floor area and public open space/public facilities in the sales brochures. Moreover, developers are required to observe REDA's guidelines in relation to the sales arrangements.

4. We are aware of the increasing demand from the public and prospective buyers for greater transparency in the provision of information by developers on uncompleted first-hand residential properties and the sales arrangement. Of particular concerns are the definition and presentation of the relevant floor area, details on public open space/public facilities, and clear market information. We consider that there is room for improvement in these areas, and have been exploring with REDA, CC, EAA and other relevant parties possible improvement measures.

Improvement Measures

Standardizing the definition and presentation of "saleable area"

5. Currently, some individual developers are adopting varying formats in presenting information on floor area in the sales brochures and the price lists. Other areas beyond the area of the unit and the balcony of the flat, such as bay windows, are often included in the calculation of the "saleable area". Also, the interchangeable use of the Chinese term "實用面積" and "銷售面積" for "saleable area" in the sales brochures and the price lists of individual developments may create confusion to the public. In February 2008, the Hong Kong Institute of Surveyors (HKIS) announced the results of its review on the "Code of Measuring Practice", stating that "saleable area" should only include the area of the unit and the balcony of the flat but should not include other items under ancillary accommodation, such as bay windows. The current practice of some developers is not consistent with the review results of the HKIS.

6. It has always been our view that a clear and standardized presentation helps prospective buyers to understand the floor area information. It has also been our guiding principle in requiring developers to provide clear floor area information under the Consent Scheme and REDA's guidelines. To achieve a standardized presentation of "saleable area" in the sales brochures and the price lists, we have reached a consensus with REDA. REDA will issue new guidelines and a price list template for developers to adopt a standardized presentation of floor area and to include only the area of the unit and the balcony

in the calculation of the standardized definition of “saleable area”. Other areas, such as bay windows, shall not be included but will be separately listed out item by item. REDA will release the new guidelines and price list template shortly.

7. Meanwhile, we are working to make the standardized presentation of “saleable area” a requirement under the Consent Scheme. To this end, we will make necessary amendments to the relevant provisions of the Consent Scheme as soon as possible after consultation with relevant parties.

8. Upon issuance of the new guidelines and the price list template by REDA and amendments to the relevant provisions of the Consent Scheme, the presentation of “saleable area” and other areas by developers in the sales brochures and the price lists will tally with the review results of the HKIS. This will meet public expectations about a standardized definition of “saleable area”.

Enhancing the transparency of information on “public open space/public facilities”

9. At present, in approving applications for sale of uncompleted properties from developers, Lands Department will state explicitly in its consent letter that, apart from strict compliance with the requirements of the Consent Scheme, developers should provide in the sales brochures information on the public open space and facilities which developers (subsequently owners) are responsible for managing, operating and maintaining at their own expenses. The sales brochures should also contain a statement indicating that owners will have to meet a proportion of the relevant expenses in the management charges. We consider that there is room for further improvement in the dissemination of such information by developers in the sales brochures and the price lists.

10. We are exploring with relevant parties (including REDA, CC and EAA) the possibility of introducing the following improvement measures:

- (a) to include in the price list information on the facilities or areas which are to be opened for public use, and a note advising that detailed information is available in the sales brochures or the Government lease;
- (b) to show conspicuously, in both English and Chinese and in larger prints in the sales brochures information on the facilities or areas

which are to be opened for public use and maintained at owners' expenses. Standardized presentation of the information will be introduced;

- (c) to include a location plan in the sales brochures showing clearly the location and area of the public open space and public facilities; and
- (d) to require developers to place a few more copies of the Government lease and the Deed of Mutual Covenant in the sales offices for free inspection by prospective buyers.

11. We hope to conclude the discussion on the above with relevant parties as soon as possible to enable early implementation of the measures.

Enhancing Sales Arrangements for Uncompleted Residential Properties and Clarity of Market Information

12. We consider that clear and transparent market information, including price information, is of paramount importance to the public and prospective buyers. We are exploring with REDA possible ways to further enhance the current sales and information dissemination arrangements to avoid possible confusion.

Strengthening the regulation of estate agents and public education

13. To tie in with the implementation of the above new measures, EAA will draw up new circulars for the estate agent trade and strengthen the inspection and regulation of estate agents. Also, CC and EAA will enhance consumer education, including updating the Notes to Purchasers of First-hand Residential Properties, such that the public and prospective buyers will be aware of the arrangements introduced by the new measures.

Conclusion

14. Through the Consent Scheme, REDA's guidelines, the enforcement work of EAA and consumer education by CC, we are able to introduce new measures flexibly in response to the market condition and consumers' expectations. The new measures mentioned above should offer greater protection for prospective buyers of uncompleted first-hand residential properties. We will keep in view the implementation of the new measures and

continue to explore with relevant parties possible measures and ways to further enhance the transparency of the sales arrangements for uncompleted first-hand residential properties.

Transport and Housing Bureau
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