

Legislative Council Panel on Housing

New enhancement measures to strengthen the regulation of the sales of first-hand private residential properties

Purpose

This paper briefs Members on the nine new enhancement measures to further strengthen the regulation of the sales of first-hand private residential properties.

Background

2. The Government adopts a multi-pronged mechanism to enhance the transparency of the uncompleted first-hand residential property market, safeguard the reasonable rights of consumers, and ensure that consumers have access to accurate and comprehensive property information when purchasing uncompleted first-hand residential properties. The requirements under the Lands Department's Consent Scheme (the Consent Scheme), the guidelines of the Real Estate Developers Association of Hong Kong (REDA), the regulatory work of the Estate Agents Authority, and the promotion and consumer education work of the Consumer Council form an integral part of the regulatory mechanism.

3. In the past two years, the Transport and Housing Bureau (THB) has implemented, through the Consent Scheme and/or REDA's guidelines, a number of measures to enhance the transparency and clarity of the property information on uncompleted first-hand residential properties. These include (a) requiring developers to provide in their websites and sales offices information on the Agreements for Sale and Purchase (ASPs) within 5 working days after the signing of the respective Preliminary ASPs; (b) standardizing the definition of "saleable area"; (c) standardizing the presentation of price list; (d) requiring developers to show the information on the price per square foot/metre in "saleable area" of individual flats in their price lists; and (e) requiring developers to provide more comprehensive and detailed property information in sales brochure.

4. To further enhance the transparency and fairness of the sales arrangements and transactions of first-hand private residential properties, THB is working towards implementing nine new enhancement measures through REDA's guidelines and the Consent Scheme.

Nine New Enhancement Measures

5. The nine new enhancement measures aim to further enhance the transparency of information on property information, flat prices and transactions on first-hand private residential properties, and strengthen the requirements on show flats. They include:

- (a) developers should duly observe REDA's guidelines when selling all uncompleted and completed first-hand private residential properties;
- (b) developers should provide on-site unit(s) at the development for the public to visit when selling completed first-hand residential properties;
- (c) developers should indicate, at the same time when making public the transaction information under the existing "five-day disclosure rule¹", those transactions which involve members of the Board, and their immediate family members²;
- (d) show flats have to comply with a list of requirements (Annex), including the requirement that there should be at least one show flat showing the same conditions of the actual flat to be handed over to buyers upon completion in respect of internal partitions, fittings and finishes, and complimentary appliances (i.e. the unmodified show flat);
- (e) more units should be included in the first price list. For small-scale developments, the minimum number of units to be included in the first price list will be 30 units or 30% of the total number of units put up for sale in each batch, whichever is the higher. For large-scale developments, the minimum number of units to be included in the first price list will be 50 units or 50% of the total number of units put up for sale in each batch, whichever is the higher;
- (f) the requirement for making public the sales brochure should be advanced from the existing 24 hours prior to the commencement of sale, to seven calendar days prior to the commencement of sale;

¹ With effect from 1 December 2009, developers are required under REDA's guidelines to provide in their websites and sales offices transaction information within five working days after the signing of the Preliminary Agreement for Sale and Purchase.

² Members of the Board should include all executive directors, non-executive directors, and independent non-executive directors. Immediate family members mean parents, spouse, sons and daughters.

- (g) developers should make public the price list at least 3 calendar days in advance of the commencement of sale when selling any number of units to whichever parties;
- (h) promotional materials for the development should clearly provide the name of the district where the development is located and the address of the development; and
- (i) developers should concurrently upload the sales brochures and all the price lists onto their websites.

Way forward

6. We are working out the implementation details on the nine new enhancement measures with REDA for early implementation. Apart from implementing the new enhancement measures through REDA's guidelines, we will also include them into the Consent Scheme as appropriate.

7. We will closely monitor the effectiveness of the new measures upon implementation. Should these prove to be ineffective, the Government will not rule out the possibility of introducing legislative measures as appropriate.

Transport and Housing Bureau
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New enhancement measures on show flats

- (a) The size/dimensions of the show flat(s) should be identical to the size/dimensions as specified/described in the relevant approved building plan(s) and sales brochure(s).
- (b) Floor plan(s)/diagrams showing all the principal dimensions of the flats with scale should be displayed in a prominent location in the show flat(s).
- (c) Enclosing or boundary walls should be provided in the show flat(s).
- (d) There should be at least one show flat showing the conditions of the actual flat to be handed over to buyers upon completion (i.e. all the non-structural internal walls/partitions, fittings and finishes and electrical appliances which will be provided in the actual flat should be shown in the show flat in exactly the same way as they will be featured in the actual flat) (the unmodified show flat).
- (e) For show flat(s) with the non-structural internal walls/partitions removed, there should be a solid line on the floor showing conspicuously the exact position and width of the respective non-structural internal walls/partitions. Also, diagrams of conspicuous size stating the actual layout, orientation and thickness of the non-structural internal walls/partitions which are to be found in the completed units upon handing over to the buyers should be displayed in a prominent location inside the relevant part of the show flat.
- (f) All bay windows, A/C plant room, balcony and utility platform located inside the unit, if any, should be featured in the show flat(s). The dimensions of these features should be identical to those as specified/described in the relevant approved building plan(s) and sales brochure(s). For balcony and utility platform, boundary walls or parapets should be provided. Features not located inside the actual flat (e.g. A/C plant room located outside the flat) should not be featured in the show flat(s).

- (g) Ceiling should be provided in the show flat(s). The height of the show flat(s) should be identical to or not higher than the height as specified/described in the relevant approved building plan(s) and sales brochure(s). If the height of the show flat(s) is lower than the height of the actual flats due to the physical constraint, a notice of conspicuous size stating the height difference should be displayed in a prominent location in the show flat(s);
- (h) Main entrance doors should be provided. If other doors (e.g. doors for the kitchen, bathrooms and bedrooms etc.) are not provided in the show flat(s), door frames should still be provided. If it is not physically possible to provide doors or door frames, developers should provide a solid line on the floor showing conspicuously the exact position and width of the door.
- (i) The interior fittings and finishes provided in the show flat(s) should be identical to those specified/described in the Agreement for Sale and Purchase and the sales brochure(s). If alternative interior fittings and finishes are being used in the show flat(s), they should be of comparable standard and quality as those to be used in the actual flats. Also, a notice of conspicuous size stating that alternative interior fittings and finishes are being used should be displayed in a prominent location in the show flat(s).
- (j) Items which are shown in the show flat(s) and will be provided in the actual flat(s) upon handing over to buyers (e.g. electrical appliances) should be specified clearly, with a clear statement that all other items not specified as such will not be provided in the actual flats upon handing over to the buyers.
- (k) A certificate signed by the authorized persons certifying that the external parameters of the show flats are identical to those of the unit upon completion should be deposited with REDA for record purpose. REDA should let prospective flat buyers inspect the certificate upon request.
- (l) Developers should allow visitors to take measurements, take photos and make videos inside show flats. If it is not practicable at the time for crowd management reasons, arrangements should be made for the visitors concerned to take measurements, take photos and make videos at a convenient time as soon as possible.