

Notes to Purchasers of First-hand Residential Properties



November 2008

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

- note that buying an uncompleted flat is not the same as acquiring a completed property;

Fees, mortgage loan and property price

- calculate the total expenses of the purchase, such as solicitors' fees, mortgage charges, insurance fees and stamp duties;
- check with banks to find out if you will be able to obtain the needed mortgage loan, select the appropriate payment method and calculate the amount of the mortgage loan to ensure it is within your repayment ability;
- check recent transaction prices of comparable properties for comparison;

Property area and its surroundings

- 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 all types of area information in the sales brochure and price list. A standardised definition of "saleable area" was adopted on 10 October 2008. For uncompleted residential flats approved for pre-sale by the Lands Department from that day onwards, be aware of the following new definition of "saleable area":

- ◆ The "saleable area" of the flat means the area of the flat (inclusive of the area of any balcony and utility platform). Other areas, such as flat-roof, roof, garden, cockloft, yard, terrace, bay window, air-conditioning plant room, etc., will be listed item by item, but will not be included as part of the "saleable area";

For uncompleted residential flats approved for pre-sale by the Lands Department before 10 October 2008, the sales brochure and price list may still use the old definition of "saleable area". For these flats,

- ◆ check whether the "saleable area" of the flat includes the balcony, flat-roof, roof, garden, cockloft, yard, terrace, bay window, utility platform, air-conditioning plant room, prefabricated structural wall, etc;
- when calculating the per-square-foot price, you should fully understand whether the calculation is based on the "saleable area" or the "gross floor area" of the flat. If in doubt, consult a surveyor or lawyer, and enquire with the developer;

Other information in the sales brochure

- check the following:
 - ◆ interior and exterior fittings and finishes
 - ◆ expected completion date
 - ◆ management fees (e.g. whether items such as Internet fees and club house fees are included)
 - ◆ whether animals can be kept in the unit
 - ◆ whether owners need to share the expenses for managing, operating and maintaining the public open space or public facilities inside or outside the development, and the location of the public open space or public facilities;

Notes to Purchasers of First-hand Residential Properties



November 2008

Government lease and Deed of Mutual Covenant (DMC)

- read the Government Lease and the DMC (or the draft DMC). Information such as ownership of the rooftop and external walls can be found in the DMC. The developer should provide sufficient copies of the Government Lease and the DMC (or the draft DMC) at the sales office for free inspection by prospective purchasers;

Provisional agreement for sale and purchase

- 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