



The EAA issues a new practice circular on provision of floor area information for second-hand residential properties

(22 May 2012) To promote estate agents to provide accurate and clear property floor area information to consumers, the Estate Agents Authority (EAA) issues a new practice circular requiring estate agents to provide information on the saleable area of a second-hand residential property to their clients in advertisements and in provision of the floor area information of the property. The circular will come into effect on 1 January 2013.

The new practice circular requires estate agents to provide the information of saleable area first in the provision of the floor area information of a second-hand residential property to their clients. The saleable area of the property should be obtained from either the Rating and Valuation Department (RVD) or the agreement for sale and purchase of the first assignment of the property registered in the Land Registry (first agreement). Estate agents may provide the gross floor area or other floor area information of the property if the saleable area of the property cannot be obtained from either the RVD or the first agreement.

The circular allows estate agents to provide information on both the saleable area and the gross floor area of a property. However, the font size used regarding the saleable area shall be no smaller than that of the gross floor area of the property. For details, please refer to the enclosed annex.

Chairman of the Practice & Examination Committee of the EAA Mr William LEUNG Wing-cheung said, “Although the trade has been using gross floor area to present the floor area of a property, there is as yet no standardised definition of gross floor area in the market. On the contrary, the term “saleable area” has had a standardised definition since 2008, providing a clearer and better basis for the consumers. With the proposed adoption of saleable area for first-hand residential properties via legislation by the Government, the second-hand residential properties will eventually adopt the same yardstick.”

In order to let the trade and the consumers adapt to this new practice, the circular will take a progressive approach. With the circular’s official



implementation date set for 1 January 2013, the trade has over six months to prepare for the change. The EAA will also promote relevant public education. As for the exact timing when only “saleable area” is allowed to be used, Mr Leung emphasized that the EAA does not have a timetable at the moment. It depends on how quickly the general public adopts the use of saleable area.

Director of Regulatory Affairs & General Counsel of the EAA Ms Eva LAU expressed that in accordance with the Estate Agents Practice (General Duties and Hong Kong Residential Properties) Regulation (Practice Regulation), estate agents are required to provide the information on saleable area of a property obtained from the RVD or the first agreement unless the saleable area of the property cannot be obtained from either the RVD or the first agreement. There is therefore no additional cost incurred in complying with the practice circular. She restated that sources other than the RVD and the first agreement are not the prescribed sources under the Practice Regulation. As such, licensees who fail to comply with the above guidelines may be subject to disciplinary action by the EAA. The heaviest penalty will be the revocation of licence.

Regarding the trade’s concern about the additional cost involved in adjusting their computer programmes as a result of the implementation of this circular, the EAA is of the view that the costs will be an one-off expense which is unavoidable. It is because when the first-hand properties with information on saleable area only will be transacted in the secondary market in future, the computer programmes will need to be changed after all.

In the coming months, the EAA will assist the trade in meeting the circular’s requirements through professional development courses and educational visits to estate agency shops. Publicity programmes such as advertising and exhibitions will be launched to help consumers to familiarise with the concept of “saleable area”.

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Key points of the practice circular

1. Property Information Form/Leasing Information Form

Under the Estate Agents Practice (General Duties and Hong Kong Residential Properties) Regulation (Practice Regulation), licensees are required to complete a Property Information Form (Form 1) in the case of a sale and purchase, or a Leasing Information Form (Form 2) in the case of the leasing of a property in accordance with the instructions specified in the forms.

Licensees are required to obtain information on the saleable area of a property from one of the two prescribed sources: (1) provided by the Rating and Valuation Department (RVD), or (2) as stipulated in the agreement for sale and purchase of the first assignment of the property registered in the Land Registry (first agreement).

If the saleable area of the property (e.g. village type houses) cannot be obtained from either the RVD or the first agreement, licensees should state that no such information can be obtained from either the RVD or the first agreement in the forms.

2. Advertising

- If the floor area information of a property is included in an advertisement, then licensees must provide the saleable area of the property in the advertisement, and clearly state in the advertisement that the floor area provided is the saleable area of the property.
- Licensees may also provide the gross floor area or other floor area information of the property in the advertisement if the saleable area of the property is already provided in the advertisement.
- Licensees may provide the gross floor area or other floor area information of the property in the advertisement if the saleable area



of the property cannot be obtained from either the RVD or the first agreement.

- If both the saleable area and gross floor area of a property are included in the advertisement, the font size for the letters, characters and numbers used regarding the saleable area shall be no smaller than those of the gross floor area of the property.
- If the gross floor area or other floor area information of the property is included in the advertisement, the licensee concerned must, upon the EAA's request, produce evidence to prove that the gross floor area or other floor area information of the property is obtained from a reasonable source or there is a proper basis upon which he could rely in quoting such information in the advertisement.

3. Provision of floor area information in other situations

In situations other than advertising, licensees are required to follow the guidelines below in the provision of floor area information of a property:

- Licensees must, before providing any other floor area information of the property, provide the saleable area of the property and clearly state that the floor area so provided is the saleable area of the property;
- Licensees may provide the gross floor area or other floor area information of the property if the saleable area of the property cannot be obtained from either the RVD or the first agreement.