

Property Sale in China: Mind the Realtors Who are not just in-betweens

Description

Like in the west, when you purchase properties in China, you would in most cases need the help of realtors or real estate brokers or agents (whatever names you call them) who match deals. However unlike in the west (I so assume), Chinese realtors may not act as true in-between but side with buyers.

According to the rules and old practice, realtors in Shanghai, Beijing and Shenzhen charge commission of 1% of property value or sale price against both seller and buyer, but due to the frequent policy changes in terms of purchase restrictions, sale boosting and tax changes (a direct intervention by Chinese government in the real estate market), very often in the middle of the transaction, seller find themselves in a very difficult situation where sellers either accept the loss of income or terminate the deal in breach of contract which may subject them to legal liabilities.

Over time, sellers are getting smarter and they begin shifting all the taxes and fees to the buyers of their properties. In other words, now sellers often ask for a net proceeds for selling their properties requiring that all taxes and fees as well as realtor commission be paid by buyers. So by this way, during the course of the property deal, if there is anything change in government policies, the increased burden will be on the shoulders of the buyers.

Take it or leave it. After all, it is still seller market in China esp in the first-tiered cities.

Going hand-in-hand with this trend and practice is the change of role of the realtors in real estate transactions. They are no longer true in-between guys but very often side with buyers because they are now collecting all or most of their commission from buyers

In the meantime, many property sellers who may sell properties not very often in their life cannot appreciate the risk involved in such practice while they happily enjoy the benefits of shifting taxes and fees to buyers.

As a real estate lawyer practicing in China, esp in Shanghai, Beijing and Shenzhen, I notice that realtors may not disclose full risks to sellers and may easily mislead sellers and cause trouble.

So when you do real estate business in China, be sure you mind your realtors and better you have a real estate attorney with you advising you on all possible problems that may arise.

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