



# KRIHS Policy Brief

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## Ways to Protect Consumers in the Presale Market of Non-residential Real Estate

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- 1> The types of damage to consumers have been diversified with the emergence of new types of buildings such as pre-sales hotel or living accommodations in the non-residential real estate market.
- 2> In order to protect consumers in the real estate market, the Act on Sale of Building Units was enacted in 2004. But it is applied only to buildings larger than a certain scale, resulting in blind spots in the system.
- 3> Consumers are damaged due to false or exaggerated pre-sales advertisements such as fixed profit rate or profit guarantee focusing on profitable real estate and there are frequent disputes over management and distribution of profits after pre-sale.
- 4> The demand for pre-sale of non-residential real estate is on the rise but there are limitations on remedies regarding pre-sales reporting, pre-sales advertisement and post-consumer damage and basic infrastructure such as terms or information system is not sufficient enough.
- 5> Even though the labeling and advertisement regarding real estate pre-sales are regulated in the Act on Fair Labeling and Advertising and the Framework Act on Consumers, it is necessary to improve the existing system as the existing laws seem to have a limitation to the specific management of pre-sale of real estate.

## Policy proposals

- ① Maintain the dualistic system through the Act on Sale of Building Units and Notice on Major Labeling and Advertisement and strengthen the regulation on real estate sales by revising provision related to “advertisement of pre-sale of real estate” in the Enforcement Decree of the Act on Sale of Building Units.
- ② Specify that if the total floor area in the living accommodations is less than 300 m<sup>2</sup> but the number of rooms is over 30, pre-sales reporting is required to remove the blind spot in the management.
- ③ Strengthen penalty provision related to pre-sales advertisement and specify the basis for cancelation of contract in case where the building unit seller was punished for reasons of false or exaggerated advertisement by a consumer in the pre-sales contract.
- ④ Define terms related to non-residential real estate pre-sales clearly, provide market information to real estate consumers and establish the building unit pre-sales information system to manage building unit pre-sales company and pre-sales agency.
- ⑤ Review the establishment of dispute coordination committee related to sales of building units and adoption of the sales of building unit function within the real estate consumer protection organization.