

CONSUMER GUIDE

Engaging a Property Agent in Residential Rental Transactions



Home owners may rent out their property or room(s) to earn some extra income, while potential tenants may be seeking a suitable property to stay in. Property owners and tenants may engage the services of a property agent to assist them in their rental transactions.

Besides the financial considerations of commission payable to the property agent or rental fee for the property, there are important information when engaging a property agent and important guidelines relating to the rental of public and private housing that consumers should be aware of.

This guide provides some general tips to consumers who are interested in leasing their property to tenants or renting one themselves.

Council for Estate Agencies

The Council for Estate Agencies (CEA) is a statutory board set up under the Estate Agents Act to administer the regulatory framework for the real estate agency industry. Its principal functions are to license estate agents and register salespersons, promote the integrity and competence of estate agents and salespersons, and enable consumers to be well informed when engaging salespersons in property transactions.

Definitions

Under the Estate Agents Act, "Estate Agents" refer to estate agency businesses (sole proprietors, partnerships and companies). Estate Agents are commonly known as property agencies. "Salespersons" refer to individuals who perform estate agency work. They are commonly known as property agents.

Coverage of Estate Agents Act

The Estate Agents Act applies to all property agency work for local and foreign properties, whether residential, commercial or industrial, so long as they are advertised, marketed, sold or leased in Singapore.

All persons performing estate agency work must have written agreements with their property agencies and register with CEA before they can practise as a property agent. Vendors are exempted under the Estate Agents Act and this may include persons handling their own property transactions, and property developers and their employees.

Engage a Registered Property Agent

If you are engaging a property agent, check that he is registered with CEA. Under the Estate Agents Act, it is illegal for a person to conduct estate agency work without being registered.

You should not respond to flyers that display only a name and contact number without the property agent's registration number. Such persons are not likely to be registered with CEA. Beware of rental scams in which unregistered persons collect rental payments and abscond with your money.

The property agent must also display an Estate Agent Card issued by his property agency. The Estate Agent Card should show the property agent's name, photograph, registration number, his property agency's name and licence number. Similarly, the property agent's name, registration number and his property agency's licence number should also be shown on his business cards.

You can verify the property agent's registration details using the CEA Public Register on www.cea.gov.sg or the CEA@SG Mobile App. Enter his name, registration number or mobile number to check whether he has a valid registration record.

Report to CEA at 1800-643 2555 or feedback@cea.gov.sg when you encounter any person not listed on the Public Register but who may be carrying out estate agency work illegally.

Some property agencies may employ rental coordinators to assist with work relating to rental transactions. Rental coordinators who are not registered property agents are not allowed to conduct estate agency work such as property viewings and negotiation of rental payable.

Your Property Agent's Duties

Your property agent is responsible for safeguarding your interests in a property transaction. He should assist you in the following ways:

- Advise you on your eligibility to rent out or rent a property/room
- Arrange for property viewings

- Provide help and advice to you throughout the rental transaction
- Represent you in negotiations with interested prospective parties
- Promptly forward to you all offers or expressions of interest from interested parties or their property agents
- Assist you to enter into a binding agreement and explain all relevant forms and documents to you
- If you are a tenant, he should also advise you to stamp the tenancy agreement with the Inland Revenue Authority of Singapore (IRAS)

he has discharged the responsibilities as stated in the Estate Agency Agreement with you.

In general, it is not the duty of your property agent, as part of estate agency work, to provide services relating to other aspects of the rental transaction, such as the maintenance and repair of the property or disputes between the landlord and tenant.

Instead, you should negotiate the relevant clauses in a tenancy agreement with the other party to address these matters. Some common clauses covered in tenancy agreements between landlords and tenants are:

- Payment of rent, and payment and return of rental deposit
- The party to pay the utility charges, monthly maintenance, repair fees, etc
- Extent of the tenant's responsibility to upkeep the property, including sanitary installations, fixtures and fittings
- Whether servicing work on air-conditioning is to be taken up with a maintenance contractor by the tenant at the tenant's own expense
- Whether minor repairs such as replacement of light bulbs or electrical appliances, and plumbing work for blockage of sink/toilet are to be done at the tenant's own expense

Negotiation & Payment of Commission

Property agents earn their commission and receive payment only upon the successful completion of the transactions. The commission is usually a percentage of the monthly rent. You should negotiate the commission payable with your property agent before signing the Estate Agency Agreement.

Prescribed Estate Agency Agreements

An Estate Agency Agreement is a contract between you and the property agency for the performance of the estate agency work.

CEA provides prescribed Estate Agency Agreements for landlords and tenants to use in the lease of residential properties in Singapore. The agreements seek to protect the interests of both the consumer and the property agency/property agent. The agreements can be downloaded at www.cea.gov.sg.

Your property agent must explain the agreement to you and give you sufficient time to read it before you sign it. You may negotiate the terms and conditions of the agreement with your property agent.

You should not sign the agreement if essential information like property address, dates, names, and commission payable are omitted. Your property agent must also give you a copy of the signed agreement immediately or as soon as possible after signing.

Pay the Property Agency

The commission should be paid to the property agency, preferably in the form of a crossed cheque. You should not pay your property agent directly.

No Dual Representation

A property agent can only represent the landlord OR tenant. If your property agent collects commission from you, he cannot collect commission, a co-broking fee, or any payment from the other party or the other party's property agent.

It is an offence for the same property agent to represent both the landlord AND tenant and collect commission from both parties, even with their consent. But the landlord's and tenant's property agents can be from the same property agency.

Completion of Property Agent's Services

The role of your property agent is to provide estate agency services. Your property agent completes his services when

Know the Relevant Guidelines

There are important guidelines relating to the rental of public and private housing. It is important that you familiarise yourself with the dos and don'ts so as to ensure a smooth rental transaction.

Check the guidelines stipulated by the Housing & Development Board (HDB) and the Urban Redevelopment Authority (URA) on renting HDB flats and private residential properties respectively.

HDB Rental Transactions

HDB flats are meant for owner-occupation. Flat owners are not allowed to sublet their flats/rooms on a short-term basis. The period of subletting must be six months or more.

HDB flat owners who wish to sublet their flat should note the following points:

Subletting the whole flat

- To sublet the whole flat, the owner needs to seek HDB's prior approval. If the Minimum Occupation Period is not met, the owner cannot legally sublet the whole flat

Subletting rooms

- No prior approval from HDB is required for the subletting of bedrooms. However, flat owners must register the subletting with HDB within 7 days of doing so
- Flat owners must continue to live in the flat during the period of subletting and comply with other subletting conditions. Locking one bedroom is unacceptable
- Owners of one- and two-room flats are not allowed to sublet their bedrooms

Flat owners should ensure that their flat is sublet to eligible tenants only. They should also ensure that there is no overcrowding within the flat and the number of tenants does not exceed the maximum number allowed by HDB.

Tenants renting an HDB flat/room(s) should note the following key points:

- Visit the flat you plan to rent
- Ensure that the person you are dealing with is the rightful owner of the flat
- Request documentary proof of flat ownership e.g. Service & Conservancy Charges statements or housing loan repayment statements which bear the flat owner's name
- Request the flat owner to show you HDB's approval letter for subletting the whole flat
- Move into the flat immediately after collecting the keys
- Non-citizen tenants must be legally residing in Singapore on accepted passes with a validity period of at least 6 months. Please refer to the HDB InfoWeb at www.hdb.gov.sg for the latest guidelines

Private Rental Transactions

Short-term leases are generally also disallowed in private properties. Under URA's guidelines, condominium units and landed houses, or rooms within such premises, are not allowed to be rented out on a daily, weekly, or monthly basis as such short-term occupancy could cause inconvenience to other residents.

To prevent overcrowding, URA allows a maximum of 8 occupants in a unit, based on a minimum of 10 sqm per occupant. This cap includes the owner if he is residing in the

premises. URA does not allow any internal partitioning works that alter the layout of the property to create more rooms.

Tips on Rental Payment

If you are a tenant, it is in your best interest to know how and when to make your rental payments.

- Rent is usually paid monthly in advance on the day the tenancy starts and thereafter on the same day of each month
- Deposit is usually paid upon signing of the tenancy agreement, together with the first month's rent
- It is advisable not to pay more than one month's rent at a time
- Avoid paying cash. Pay the rental deposit and rent directly to the landlord by crossed cheques or other verifiable means
- Avoid paying the rental deposit and monthly rent through property agents or any third party. Under the Estate Agents Act, property agents are not allowed to handle transaction monies for lease of HDB property, which include deposits and rental payments. Commission is not regarded as transaction monies

Useful Checklist

- ✓ Engage a registered property agent
- ✓ Negotiate the commission with your property agent
- ✓ Check the HDB/URA guidelines before renting property
- ✓ Do not hand over transaction monies to your property agent

The information in this publication is meant for education purposes only and is not legal advice. You should seek legal advice if necessary.

