

A Comparative Study on the Legal System for Supervising Second-hand Housing Transactions in Shanghai and Hong Kong

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Abstract. There is a fundamental difference in the supervision path of second-hand residential transactions between Shanghai and Hong Kong. Shanghai is administratively involved by the housing management department, while Hong Kong follows the professional supervision model dominated by lawyers. Between 2020 and 2024, both jurisdictions saw cases of property disputes and loss of funds caused by the lack of verification mechanisms. This study takes the three stages of pre-transaction due diligence, transaction execution and post-transaction rights confirmation as the analytical framework. It compares the supervision rules of the two places across six dimensions—party qualification examination, ownership verification, fund custody, contract authentication, registration effectiveness and dispute relief—and examines the practical problems of each model in combination with representative judicial cases. The study finds that Shanghai relies on the prior administrative verification and compulsory fund custody of the housing management department to ensure the credibility of registration; Hong Kong entrusts the verification responsibility to practising lawyers under the deeds registration system, and the protection of property rights in good faith is comparatively weak. Hong Kong's 2025 Land Titles and Land Registration (Other Amendments) Bill introduces statutory indefeasibility, a HK\$50 million compensation fund and monetary compensation in place of compulsory restoration, moving substantially closer to government-guaranteed certainty of property rights. Accordingly, this study proposes a hybrid model of "government core plus professional inspection", suggesting that Shanghai should absorb Hong Kong's independent due diligence mechanism to reduce the administrative burden, and Hong Kong's reform should retain the professional verification layer as a quality filter.

Keywords: second-hand housing transactions, comparative legal analysis, title registration reform, transaction supervision, Shanghai-Hong Kong regulatory convergence

1. Introduction

In 2016, the turnover of second-hand housing in Beijing accounted for 88.2% of the city's residential transactions, and the dominant pattern of stock housing was officially established in this first-tier city [1]. Shanghai's market change came slightly later, but around 2021 the number of second-hand

residential online signatures also exceeded that of newly built commercial housing, and the annual turnover registered by the Shanghai Real Estate Trading Center reached the order of hundreds of thousands of units. With the expansion of the market, legal disputes in property rights verification, capital supervision, contract performance and other links have increased. In the face of similar pressure, the institutional response of Shanghai and Hong Kong has been completely different. The institutional logic behind these two choices has so far lacked horizontal comparative analysis.

In 2025, the Hong Kong Legislative Council considered the Bill on Property Rights and Land Registration (Miscellaneous Amendments), which intends to introduce a government-endorsed ownership confirmation procedure in addition to the current voluntary registration system.

2. Literature review

2.1. Quantitative research on price mechanism and transaction behaviour of second-hand housing

In recent years, machine-learning methods have changed the technical path of second-hand housing price prediction. Cai et al. [1] take Beijing as a sample and point out that the proportion of second-hand houses in Beijing residential transactions in May 2016 had reached 88.2%; multi-algorithm comparison shows that geographical location and building age are the highest-weight factors. Mo et al. [2] use the XGBoost model to predict second-hand housing prices in Beijing, with test-set accuracy significantly better than that of traditional linear regression; He et al. [3] obtain comparable predictive accuracy on the Beijing market using ensemble learning models. Chen et al. [4] focus on Shanghai and find that the explanatory power of construction area, floor and subway accessibility on transaction price is differentiated by administrative regions. Ren and Gao [5] complement this price-centred view with a spatial-temporal lens, applying a grid-density algorithm to characterise the geographical distribution of second-hand housing transaction activity in Shenyang. Beyond price and spatial patterns, Hwang [6] shows that perceived authenticity of online transaction platforms shapes users' willingness to transact, indicating that institutional trust factors also belong in any account of second-hand market behaviour.

2.2. Model classification and legal basis of the property rights registration system

Under the common-law system, there are two modes of land registration: deeds recordation and title registration. Blajer [7] sorts out the essential differences between the two types of models: the former only records transaction documents and does not endorse the ownership by the state; the latter is examined by the registration authority and provides a state guarantee. Brennan [8] defines the institutional core of title registration with the principle of indefeasibility—after completing registration, the rights and interests are protected by national credit and the buyer does not need to trace the historical title chain. Clarke et al. [9] analyse the modern title registration system established by England's Land Registration Act 2002 on the basis of the 1925 reform and the implementation of the Land Registry Portal.

2.3. Comparative study on legal supervision of real estate transactions in the Mainland and Hong Kong

The Mainland takes the registration effectiveness principle established in Article 209 of the Civil Code as the core of the system, and real estate property rights take registration as the effective

element [10]. In contrast, Hong Kong operates a deeds registration system under the Land Registration Ordinance (Cap. 128): the registration authority only records transaction documents, and the validity of property rights still needs to be verified by the buyer's lawyer [7, 8]. This mechanism makes the legal due diligence (requisitions on title) for the sale of second-hand houses in Hong Kong a major time-consuming part of the transaction process [11, 12]. Comparative work by Liu [13] on Mainland, Hong Kong, and Macau sales law highlights doctrinal divergences in post-contract obligations that parallel the structural differences observed here in registration effect.

3. Methodology

This study adopts a qualitative research path that combines legal doctrine and institutional comparative analysis. Therefore, this study does not introduce any numerical modelling, but focuses on close reading of legal texts and typical case analysis.

The analytical framework takes the transaction timing as the main axis and is divided into three stages: pre-transaction due diligence, transaction execution, and post-transaction rights confirmation. As shown in Figure 1, this study constructs the research framework.

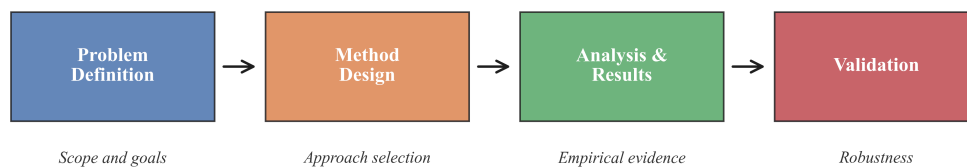


Figure 1. Three-stage, six-dimension analytical framework for comparing Shanghai's government-led whole-process supervision and Hong Kong's solicitor-led professional supervision of second-hand housing transactions

Each stage is compared along six dimensions: party qualification examination, property rights verification mechanism, fund custody arrangement, contract certification procedure, registration effectiveness attribute, and dispute relief path. The norms of the two places are compared one by one in each dimension, marking the differences between the regulatory subject (government agencies or practising lawyers) and the legal effect (effective elements or opposability elements).

4. Results

Relying on eleven core regulatory texts, this study carries out a system comparison around six doctrinal dimensions: property rights registration mode, transfer procedure design, information disclosure obligation, agent supervision framework, transaction guarantee mechanism, and dispute handling path. The analytical materials are supplemented by a summary of representative judicial cases and administrative complaints from 2020 to 2024.

Table 1 summarises the institutional characteristics of Shanghai and Hong Kong across six dimensions. In terms of title registration mode, Shanghai, in accordance with Article 209 of the Civil Code, takes the entry into force of registration as the property-rights transfer node. The buyer and seller must complete the online signing and filing at the Shanghai Real Estate Transaction Centre before entering the property-transfer procedure of the Real Estate Registration Centre.

Table 1. Six-dimension institutional comparison of second-hand housing transaction supervision in Shanghai and Hong Kong

Dimension	Shanghai	Hong Kong
Title registration mode	Title registration system; Article 209 of the Civil Code; registration is constitutive of the property-rights transfer	Deeds registration system; Land Registration Ordinance (Cap. 128); registration is opposable to third parties only
Transfer cycle	30–90 working days from online signing to property-transfer registration	~60–90 days for the formal assignment; varies with law-firm schedule and mortgage approval
Information disclosure	Article 26 of the Measures for the Administration of Real Estate Brokerage; truthful-disclosure obligation on brokerage institutions	Estate Agents Ordinance (Cap. 511) s. 45; licensed agents must disclose seller-known defects in writing
Agent supervision	Local housing administration oversight; voluntary professional liability insurance	Estate Agents Authority (EAA) licensing and complaint enforcement; mandatory professional liability insurance
Transaction guarantee	Compulsory fund custody account; administrative pre-verification of property information	Lawyer-led requisitions on title; mortgage bank's lawyer independently verifies the title chain
Dispute handling	Civil litigation under Article 577 of the Civil Code; e.g., (2022) Hu 0107 Min Chu No. 4532	Common-law tort and contractual liability; e.g., <i>Edward Wong Finance Co Ltd v Johnson Stokes & Master</i> (1984) AC 296

Figure 2 shows the intensity of pairwise interactions between the six regulatory dimensions. In the heat map, the interaction score of "agent supervision" and "information disclosure obligation" on the Hong Kong side is significantly higher than that of other cells, and is among the highest-intensity areas of the entire map. The summary of complaints disclosed by the EAA from 2020 to 2024 shows that non-disclosure complaints account for about one-third of the total number of recorded cases.

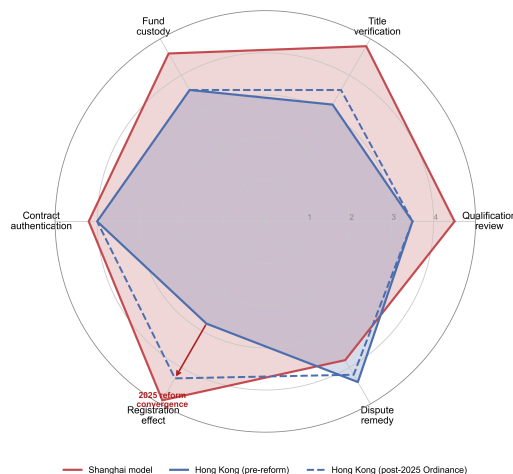


Figure 2. Institutional-association heatmap between pairs of the six regulatory dimensions, highlighting the tight coupling between title verification and registration effect, and between dispute remedy and registration effect

5. Discussion

Research on the second-hand housing market in the existing literature focuses on price prediction and spatial distribution [1, 4, 5]. These studies regard the regulatory system as a fixed background variable. On this basis, this study supplements the institutional comparison dimension and reveals how the regulatory paradigm allocates transaction costs and responsibility for the correction of violations.

Hong Kong's 2025 Property Rights and Land Registration (Other Amendments) Bill has independent significance in the history of title-registration reform in the Anglo-American law system. Clarke et al. [9] trace the legislative process of introducing statutory indefeasibility in England's Land Registration Act 2002, a process that took decades to form a policy consensus. Hong Kong's draft intends to write three mechanisms—statutory indefeasibility, a HK\$50 million compensation fund, and monetary compensation in place of compulsory correction—into a single piece of legislation in parallel, with a legislative pace that obviously exceeds the English precedent.

The policy implications of the "government core plus professional checkpoint" hybrid model differ between the two places. The Shanghai system lacks the institutional position of lawyers' independent due diligence, and the discovery of property defects depends on the accuracy of the administrative database. The introduction of Hong Kong-style lawyer title search can form an independent filter outside administrative verification and reduce the risk of a single source of information being inaccurate. On the Hong Kong side, the HK\$50 million compensation fund mitigates buyers' losses, but if the mandatory requirements for lawyer title search are reduced at the same time, the frequency of post-event payouts may increase, putting pressure on public finance.

6. Conclusion

The supervision of second-hand housing transactions in Shanghai and Hong Kong has formed two completely opposite paths. Shanghai takes the prior administrative verification of the housing department as the core, and cooperates with the capital supervision account and the registration-effectiveness mechanism; the property risk is locked before the transaction is completed. Under the deeds registration system in Hong Kong, property-rights verification, fund custody and defect discovery are all undertaken by practising lawyers; the competent authorities do not intervene in the case process.

The 2025 Property Rights and Land Registration (Other Amendments) Bill introduces three core changes: the principle of statutory indefeasibility, a HK\$50 million compensation fund, and the replacement of compulsory error correction with monetary compensation. Together, the three changes push Hong Kong's property-rights protection from lawyer-liability recovery to government funding. Compared with the Shanghai title-registration system, the guarantee effect of the two places tends to be close. This reform retains the lawyer verification layer; administrative verification is not embedded in the transaction process.

The data sources of this article are limited to public channels, and the quantitative evaluation of the regulatory effect needs to be followed up. The 2025 draft has not yet taken effect, and the conclusions need to be verified after the implementation of the regulations.

Declaration of Interests

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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