



Limited Dual Agency Ban

March 2018

On June 15, 2018, real estate consumers in BC will be limited in who they can choose to represent them. This is due to a ban on limited dual agency, imposed by the Superintendent of Real Estate. Limited dual agency occurs when a REALTOR® represents more than one party in a real estate transaction. That can be a buyer and a seller, two or more buyers, or a landlord and a tenant.

The ban was recommended by the Real Estate Council of British Columbia’s Independent Advisory Group in 2016, following a period of intense media and political scrutiny. There will be a narrow exemption, though the language is unclear and no guidance is available, despite multiple requests.

Recommendation

The British Columbia Real Estate Association (BCREA) strongly recommends that the impending ban on limited dual agency be thoroughly reviewed before it takes effect, so the impacts on consumers and the economy are well understood.

The decision to implement the ban was made in a highly-charged political environment in 2016, and the current government has the opportunity now to take a measured second look. BCREA believes the most effective approach is a joint review by the government, regulator and licensees.

Concerns

There are multiple reasons to be concerned about a ban on limited dual agency. They all begin with the fact that the decision was made without adequate examination or evidence.

In a July 2017 survey of BC homeowners, 78 per cent had a single agency relationship with their REALTOR®

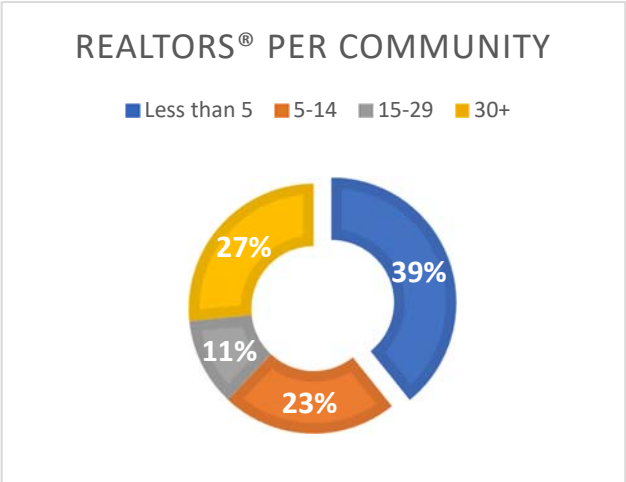
The IAG completed its work in five months, included just one REALTOR® and only looked at residential real estate. In addition, aside from media reports, there was no evidence of widespread problems with the practice of limited dual agency.

As a result of this flawed approach, we believe there will be several negative consequences:

1. More consumers will be unrepresented or under-represented.

A consumer who is unable to work with the REALTOR® of their choice may decide to act on their own behalf rather than with a stranger or someone they do not trust or like. This kind of situation can arise for a variety of reasons, including:

- a community with a small number of REALTORS® – In areas outside Metro Vancouver and Victoria, 39 per cent of communities have fewer than five REALTORS® (October 2016 data). That means choices for these consumers are already limited, and the limited dual agency ban will make that worse.
- long-term relationships – Consumers build trust with their licensees over time, and often



repeatedly use the services of specific REALTORS®. In a July 2017 survey of BC homebuyers, more than eight of ten respondents who bought or sold property in the previous five years relied on the services of a REALTOR®. Referrals are the primary source of leads for REALTORS®— illustrating the point that the real estate business is all about relationships.

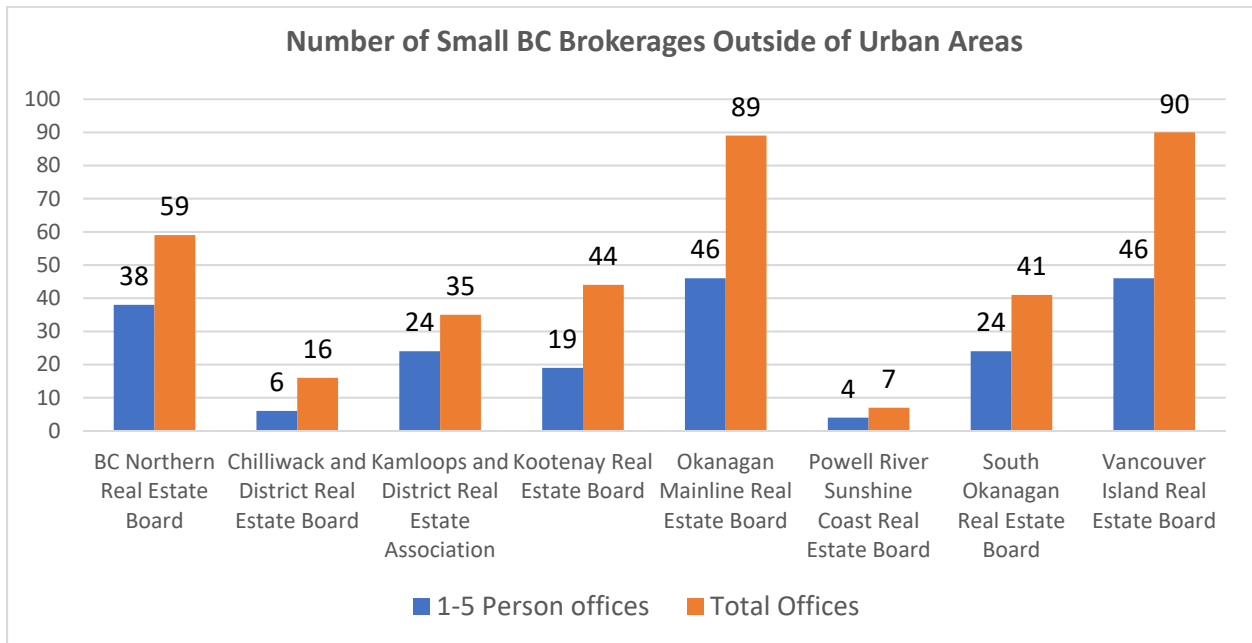
- real estate specialties – Some REALTORS® sell only acreages; others, resort properties. In fact, there are many ways to define real estate specialties, and only a handful of licensees who have the full knowledge necessary to represent consumers. Why would a buyer or seller choose to work with an individual who only has a basic understanding of their specific needs?
- teams – REALTORS® create teams, in part, to provide excellent service to their clients while having flexibility in their personal lives without leaving their clients unrepresented. Under this ban, we anticipate that many teams would have to be dissolved so that the individual licensees could engage in designated agency, further limiting consumer choice.

2. Commercial real estate practices will be disrupted, unnecessarily.

While data for commercial real estate is notoriously difficult to assemble, anecdotally BCREA understands that some major commercial brokerages use limited dual agency in up to 20 per cent of their transactions. Due to the sophistication of many commercial real estate consumers, and the fact that they are often advised by other professionals, including lawyers and accountants, we believe limited dual agency is appropriate for these transactions.

3. This will harm small communities.

Small real estate offices are common outside of BC’s largest urban areas, and so is the use of limited dual agency. The impending ban will make business unworkable for many of these brokerages, and several offices are planning to close. This will leave fewer choices for consumers, and fewer knowledgeable licensees available to assist buyers and sellers, landlords and tenants. Real estate is an important economic force, with each home sold generating an average of \$67,800 in household spending.



Contact

BCREA looks forward to discussing this further with Minister James and her staff. In the meantime, feel free to contact BCREA CEO Darlene Hyde at any time (604.742.2787, dhyde@bcrea.bc.ca).