



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

the bulletin



In the first major overhaul of the province's real estate legislation in nearly half a century, the *Real Estate Services Act* (RESA) and *Real Estate Development Marketing Act* (REDMA) will replace the existing *Real Estate Act*. The new laws received Royal Assent in May and may come into force on January 1, 2005.

"The real estate industry is enjoying a banner year," acknowledged Minister of Finance Gary Collins. "These changes will help to ensure that this important industry remains a vibrant part of our economy in the years to come."

BCREA is pleased that most of the profession's recommendations to the government are reflected in the legislation.

"We were confident the voice of our profession would be prominent throughout the legislation," explains BCREA President Gordon Maroney. "Therefore, we wanted the legislation passed this spring and not relegated to the sidelines."

RESA introduces several new features, one of the most significant being self-regulatory status for the Real Estate Council of British Columbia (Council). This will give the Council jurisdiction over the regulation of licensees and flexibility to make and amend bylaws and rules in response to changes in the marketplace.

New Real Estate Legislation

Other features include creation of a special compensation

fund to protect consumers from losses due to theft or fraud, clarification that a licensee may act in an independent contractor relationship with their brokerage and protection of licensee's remuneration by requiring commissions to be kept in trust until paid out.

"The government wants to address several issues in the regulations," notes Maroney, acknowledging that some of this work has already begun. "BCREA is involved in this process and continues to consult with the government and the Council."

Provisions to enable real estate professionals to be licensed as personal corporations will be addressed in the regulations, as will most licensing exemptions.

"The bill was amended after second reading to bring the lawyers' exemption back into the statute," Maroney explains. "It was a minor detail from our point of view, since the switch in no way changes the agreement we reached with the legal community that lawyers' staff not be exempt from licensing, as they are under the current legislation."

REDMA replaces Part 2 of the existing *Real Estate Act*. The government says the legislation will streamline developers' marketing activities, provide greater opportunity for pre-

sale of developments and reduce the regulatory burden on developers by allowing disclosure statements to be filed in all circumstances. It also permits developers access to purchasers' deposit monies, on the condition that monies are insured appropriately.

The legislation gives purchasers the right to rescind offers if they do not receive disclosure statements. A seven-day cooling off period, during which purchasers can rescind purchase contracts, has also been introduced.

Development of the regulations continues and BCREA will keep you informed of this work. Questions regarding the legislation can be addressed to BCREA's Manager of Government Relations Steve Olmstead, solmstead@bcrea.bc.ca.

A comprehensive review of both documents is available on BCREA's REALTOR Link™ homepage.

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President's Report

What's Your Quality of Life

A new board of directors took office at the beginning of May. At our first meeting, we agreed to move forward with a new philosophy that will change the way we're seen by the government, our customers and our communities.

It's called Quality of Life and it will shift BCREA's focus from only real estate concerns to broader interests. By looking beyond our own needs, we'll build credibility with the government and other decision makers. With greater credibility, we'll have greater influence.

In the process, we will continue building better communities, benefiting all British Columbians. You're already working toward that goal. According to the 2004 survey of BC REALTORS, over 70 per cent of you volunteer in your communities.

Quality of Life was first implemented by the Washington Association of REALTORS five years ago as a way to encourage healthy, balanced growth—and opportunities for REALTORS. The

Washington association has generously shared the concept with BCREA.

The philosophy consists of five principles:

1. Ensuring economic vitality. The key to our quality of life is a strong economy. A vibrant economy creates jobs, expands the tax base, enhances and revitalizes communities.
2. Providing housing opportunities. We all want a safe, decent and affordable home near where we work, shop and play. We must grow the supply of housing—including choices about design, cost and location.
3. Preserving our environment. REALTORS recognize one of the most important elements of our quality of life is the environment.
4. Protecting property owners. A strong economy depends on preserving the investment people have made in their homes by protecting the ability to freely own, use, buy and sell real property.



President *Gordon Maroney*

5. Building better communities. Better communities come when government is our partner, sufficiently funding the roads, water and sewer that are the framework for a community's quality of life.

We already began this approach with our consultations on the *Real Estate Act*, and that has been extremely successful. I can hardly wait to see how far this approach will take us at the municipal and provincial levels.

Stay tuned as we develop an implementation plan.

Gordon Maroney
President

Board of Directors 2004-2005

Long-Range Plan Principles

- Building membership relations
- Responding to communication needs
- Leading provincial advocacy efforts on behalf of the profession
- Demonstrating public interest
- Offering excellence in education services
- Providing enhanced service options for member boards
- Maintaining an equitable fee structure

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BC REALTORS in Profile

You have 11 to 15 years of real estate experience, your income has increased in the last three years, you are very proud of your profession and you are male. This description does not fit all BC REALTORS, but it should offer a snapshot of many, according to BCREA's 2004 REALTOR survey.

Earlier this year, 1,840 of you responded to the online survey, which was conducted in conjunction with the CREA survey. Personalized email invitations were sent to 9,065 REALTORS in British Columbia, resulting in a 20.3 per cent completion rate.

The results have already helped BCREA's Board of Directors with strategic planning, and your feedback will continue to be used throughout the year.

Some of the key results are listed below. Not all of the questions were included on the national survey, but the comparisons are included where possible.

GENDER

| BC | | Canada | |
|-------|--------|--------|--------|
| Male | Female | Male | Female |
| 57.2% | 42.8% | 56.3% | 43.7% |

YEARS EMPLOYED IN REAL ESTATE

| | BC | Canada |
|-------------|-------|--------|
| 1-5 years | 21% | 31.4% |
| 6-10 years | 13.2% | 13.9% |
| 11-15 years | 27% | 17.3% |
| 16-20 years | 14.1% | 16% |
| 21-25 years | 11.1% | 8.6% |
| 25+ years | 13.6% | 12.7% |

ANNUAL INCOME FROM REAL ESTATE

| | BC | Canada |
|-------------------|-------|--------|
| 0-\$75,000 | 48% | 56.2% |
| \$75,000-150,000 | 33.8% | 29.3% |
| \$150,000-225,000 | 11.3% | 9.1% |
| \$225,000-300,000 | 3.9% | 3% |
| \$300,000-600,000 | 2.8% | 2% |
| \$600,000+ | 0.2% | 0.2% |

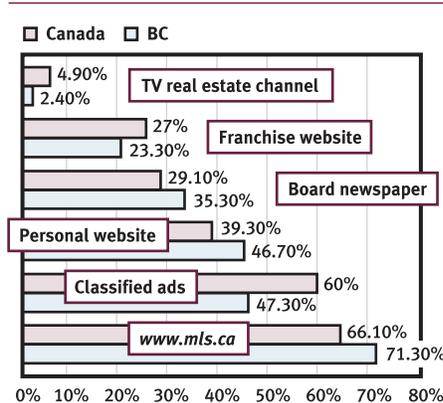
GROSS INCOME FROM REAL ESTATE OVER THE PAST THREE YEARS (BC ONLY)

| | |
|-----------------|-------|
| Increased | 56.2% |
| Stayed the same | 25.2% |
| Decreased | 8.1% |
| Don't know | 10.5% |

RESIDENTIAL AND COMMERCIAL LISTINGS (BC ONLY)

| | Residential | Commercial |
|--------|-------------|------------|
| 0 | 10.3% | 64.6% |
| 1-10 | 36.2% | 31.4% |
| 11-20 | 27.3% | 2.4% |
| 21-30 | 13.8% | 17% |
| 31-40 | 5.3% | 0.2% |
| 41-50 | 2.7% | 0.1% |
| 51-60 | 1.3% | 0.1% |
| 61-70 | 0.9% | 0.1% |
| 71-80 | 0.9% | 0% |
| 81-90 | 0.2% | 0.1% |
| 91-100 | 0.4% | 0.1% |
| 100+ | 0.7% | 0.1% |

PREFERRED MEDIA FOR ADVERTISING LISTINGS



PERSONAL WEBSITE FOR BUSINESS PURPOSES

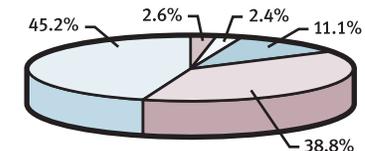
| | BC | Canada |
|-----|-------|--------|
| Yes | 58.4% | 50.5% |
| No | 41.6% | 49.5% |

USE TECHNOLOGY ON A DAILY BASIS FOR WORK

| | BC | Canada |
|-----------------|-------|--------|
| Email | 95.5% | n/a |
| Internet | 95.4% | 96% |
| Mobile Internet | 26.2% | 27.2% |

I AM PROUD TO BE A REALTOR (BC ONLY)

| | |
|-------------------|-------|
| Strongly agree | 45.2% |
| Agree | 38.8% |
| Neutral | 11.1% |
| Disagree | 2.4% |
| Strongly disagree | 2.6% |



MOST COMMON TYPES OF AGENCY RELATIONSHIPS (BC ONLY)

| | |
|---------------|-------|
| Single seller | 32.7% |
| Single buyer | 45.2% |
| Limited dual | 21.3% |
| No agency | 0.9% |

The survey also revealed the major concerns of BC REALTORS, in order of priority:

- Real Estate Act
- BC Assessment name data
- Strata Property Act
- Community Charter
- Affordability of housing
- Residential Tenancy Act
- Privacy legislation

Among services offered by BCREA, REALTORS rated them in this order of importance:

- Standard forms
- Continuing Professional Education
- Government relations
- Affinity programs
- Promoting the professionalism of REALTORS
- Business practices, ethics (suggestions by those who chose "other")

Aside from this list, respondents detailed dozens more concerns that illustrate the diverse interests of the more than 13,000 REALTORS in the province.

For the complete 2004 BC REALTOR survey results, visit BCREA's REALTOR Link™ homepage.

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Resale Market Going Strong

The value of home sales across the province set a new record in 2003, at \$24.2 billion, and unit sales came in at 93,211—only 353 units shy of the record set in 1992. The first four months of 2004 have continued that trend.

MLS® sales in March and April topped \$3 billion and 10,000 units, a pace never seen before. Year to date, sales have reached 33,444 units, worth \$9.55 billion—a 38.51 per cent improvement in dollar volume, and a 21.28 jump in unit sales, over the first four months of 2003.

However, a new forecast by the Credit Union Central of BC (CUCBC) predicts

the housing resale market will slow toward the end of the year.

“The scenario foreseen is for lower price increases due to a combination of more supply and less demand growth. In other words, a ‘soft landing’ rather than a market correction or collapse is the most likely scenario for this year and next, barring the unexpected,” says CUCBC in its *Weekly Economic Briefing*.

As CREA senior economist Gregory Klump sees it, with the resale market establishing records in several major markets in the first quarter of 2004, there is still a lot of room for optimism.



“Even if existing home sales do ease somewhat over the rest of the year—and there’s little sign of that—activity this year stands an even chance of matching last year’s record-setting pace,” he says. “Over 70,000 full-time jobs were created in the first quarter of 2004 for workers at least 25 years of age. That job growth has added more fuel to housing demand, and more job growth is expected in the second half of this year.”

Practical Points

Long, Hot Summer—Insurance Implications

By Kim Spencer

Last summer, the unprecedented wildfires in BC damaged a lot of property and caused insurers to temporarily withhold underwriting insurance policies. It has been a very dry spring in various areas of the province, and we may be faced with a similar situation this summer.

Providing timely information so buyers and sellers can make informed decisions is an important service that REALTORS offer. Alerting buyers and sellers in advance that mother nature can cause situations in

which insurance is difficult to obtain—even after property insurance coverage has been approved, but not yet bound to the property—is helpful.

One cannot draft a clause that deals with an event that may or may not come to pass; therefore, drafting a clause to protect the parties from the effect of a wildfire or other natural disaster in the future is problematic.

Apart from using the fire insurance clause provided in the *Licensee Practice Manual*, REALTORS should consider advising their buyers and sellers that there may be natural disasters—like wildfires—that can cause insurers to refuse to provide

coverage prior to completion of sale. Encouraging clients to seek legal advice in advance—so they can prepare themselves as much as possible—is helpful in minimizing the uncertainty that may occur in the face of a natural disaster.

If drafting an agreement for a property in an area where there is a wildfire, a REALTOR may be able to create a clause, with a lawyer’s assistance, that allows for an extension of closing (for buyers and properties that would normally qualify for insurance) until such time as the wildfire has been controlled.



Author **Kim Spencer**

Warm Reception at GL Days

The ability of REALTORS to speak with a unified voice on provincial issues continues to pay off.

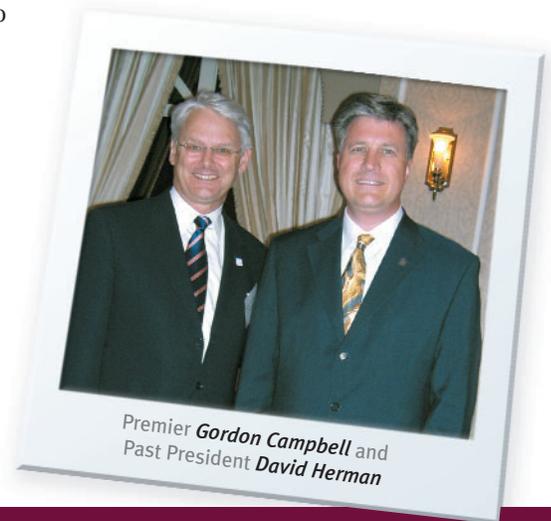
At Government Liaison (GL) Days 2004, 76 GL representatives from across the province used this approach to promote the profession's recommendations on three issues that impact all British Columbians: the affordability of housing, fairness for owners of private property and dangerous amendments to the federal *Income Tax Act*.

"These were important issues and I was proud to see our profession raise them," notes BCREA President Gordon Maroney. "This government is listening to us, so we must make the most of every opportunity to raise our concerns and ideas."

REALTORS held formal meetings with about 70 MLAs during the event. A business reception with the legislators helped reinforce the profession's recommendations and its positive working relationship with the government. More than 30 MLAs attended the event, including Premier Campbell who addressed the group.

A special panel discussion, including the Attorney General, Solicitor General and Minister of Provincial Revenue, provided insight into the government's position on numerous real estate issues. Each panel member also recognized the strategic importance of the real estate profession for the next provincial election.

Meeting response forms indicate MLAs support most of the profession's recommendations to make housing more affordable and support of private property owners' rights. Consultation with the government continues on both issues.



Income Tax Act Changes Could Stump Investment

Among the issues BC REALTORS took to the provincial government for GL Days 2004 was the profession's concerns about the proposed changes to the federal *Income Tax Act*, which could put a damper on commercial real estate investment and development.

Currently, investors in real estate are allowed to deduct legitimate expenses related to their properties against any revenues generated. If implemented the way they are written, the proposed provisions of section 3.1 of the *Income Tax Act* will disallow the deduction of business and property expenses, unless there

is reasonable expectation that a cumulative profit can be realized within a reasonable hold period.

That moves the test from *possibility* of a profit to a *probability* of profit, a standard that is harder to meet.

The test will be calculated on a business-by-business, investment-by-investment, or property-by-property basis. And the case supporting the expectation of cumulative profit must be presented again—and must meet the standard—each tax year. There is no carry forward provision for the deductibility of losses against income in future years.

As it stands right now, the draft legislation would apply as of 2005. There are no allowances for "grandfathering" business or investment decisions made under the current framework.

To avoid significant negative effects on the BC and Canadian economies, REALTORS asked the BC government to urge their colleagues in Ottawa to reject these proposed changes to the Act.

The government acted swiftly on this request. Shortly after GL Days, the provincial government's recommendation that the amendments be dismissed was outlined in a letter to the federal Finance Minister.

Grow-Ops and Drug Labs: Resources to Help

It seems like stories about marijuana grow-ops and illegal drug labs are all over the media these days. They can cause safety, health, environmental and liability problems, and they are a major concern for homebuyers.

Recently, a house used as marijuana grow-op caught fire and so did the house next door. In another case, an apartment building was evacuated after an investigation of water leakage led to the discovery of an extremely toxic drug lab.

Learning how to deal with these potential hazards and protect your clients is important.

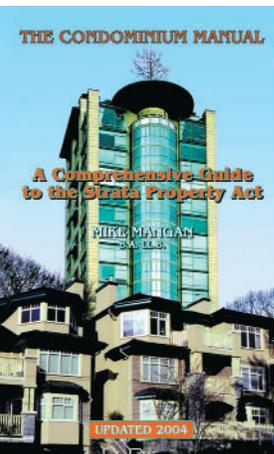
In February, the BCREA Board of Directors amended two of the three provincial Property Disclosure Statements, requiring sellers to indicate whether a property has been used as a marijuana grow operation or to manufacture illegal drugs.

And BCREA's Spirit of Cooperation in Education staff group is putting together new resources, including a panel of experts, to help you recognize whether a house or apartment unit has been used as a grow-op or drug lab.

Panelists will be drawn from board areas and will include a variety of experts, including a home inspector,

a REALTOR and representatives from the RCMP, the insurance industry and BC Hydro. They will discuss how to spot the telltale signs of grow-ops and drug labs when listing or showing properties. They will also offer insights on what you should do if you think a house has been used for these illegal activities or if you suspect a buyer plans to use the property for these purposes. The dry run will be in September at the Real Estate Board of Greater Vancouver.

An informative website, similar to the one developed to help you prepare for privacy legislation, is also in the works to provide additional resources to help protect your clients.



Condo Manual II Available Now

The second edition of *The Condominium Manual*, written by Mike Mangan, cpe instructor and lawyer, is now available for only \$34.95 plus GST.

With 60 pages of new information, it gives readers a clear understanding of how the *Strata Property Act*, regulations and standard bylaws work.

Using plain language, recent case law and helpful examples, it is an essential resource for REALTORS,

brokers, condominium owners and strata council members.

Add this helpful volume to your real estate resource centre and give it as a gift to your clients who buy strata properties. Order your copy today at www.bcrea.bc.ca or call 604.683.7702.

cpe Seminar Schedule

continuing professional
education

Selling Tenant-Occupied Properties (STOP)

Instructors: Evelyn McNulty or Richard Collins

- June 10, BCNREB, Terrace
- June 17, BCNREB, Prince George
- June 18, BCNREB, Fort St. John
- June 24, SOREB, Penticton
- June 24, KADREA, Kamloops
- June 25, BCNREB, 100 Mile House
- July 8, FVREB, Surrey

CONDO 101: Strata Law for REALTORS

Instructor: Mike Mangan

- June 24, FVREB, Surrey

CONDO 202: Advanced Strata Law for REALTORS

Instructor: Mike Mangan

- June 15, REBGV, Vancouver

Check with your local board office for last-minute changes. Look for more cpe seminars on BCREA's REALTOR Link™ homepage, under Education.