



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

the bulletin

Adhering to the REALTOR® Code: Ethics in the Real Estate Industry

Helping clients make some of the largest financial decisions of their lives, REALTORS® are experienced at dealing with ethical decisions on a daily basis. As stated in the Canadian Real Estate Association's (CREA's) REALTOR® Code, "in the business of real estate, which is based frequently on relationships of trust and cooperation, the need to practice honestly and ethically is extremely important." As members of organized real estate, licensees agree to abide by the REALTOR® Code to ensure a high standard of professionalism by those licensed to display the REALTOR® trademark.

Demonstrating this integral importance of ethics in BC's real estate industry, several of BCREA's largest member boards have dedicated staff members as ethics advisers. To facilitate this priority at a board level, these individuals handle mediation by acting as a first screen for enquiries about professional practices from board members and their clients and frequently speak on ethics at real estate offices and events.

As Manager of Professional Standards at the Real Estate Board of Greater Vancouver (REBGV), Kim Spencer manages his department with the goal to raise members' professional standards by promoting and nurturing ethical conduct, fair business dealings and exemplary cooperation between members. Kim has recently been involved in many projects including, writing *Every Second Week*, a managing broker's guide to the REALTOR® Code and has

been involved in re-writing BCREA's Continuing Professional Education (cpe) *Ethics: Unlocking the REALTOR® Code* course.

At the Fraser Valley Real Estate Board (FVREB), Dennis Wilson is also the Manager of Professional Standards and similarly, also teaches BCREA's cpe ethics course and writes articles for FVREB's monthly newsletter, *NewsReal*. Dennis stated that, "in order to ensure that the profession of real estate remains relevant, it is essential that clients know they can have unquestionable trust in their REALTOR®."

As the Ethics Advocate at the Okanagan Mainline Real Estate Board, Gretchen Gebhard also acts as a mediator working to prevent potentially serious issues by helping to educate board members and their clients on the importance of ethical professional practices.

BC REALTORS® are required by CREA to satisfy an ethics education requirement by either taking CREA's Code of Ethics online course or by attending BCREA's in-person *Ethics: Unlocking the REALTOR® Code* cpe course, which also grants six Professional Development Program (PDP) credits. During the teaching of these courses, the differences between ethical and legal standards are considered within the context of the *Real Estate Services Act*, the REALTOR® Code and Standards of Business Practice.

"REALTORS® have a collective responsibility to ensure that their



personal and collective professional reputation is as good as it can be," said Kim Spencer at REBGV. To maintain these professional standards, licensees must behave ethically not only to themselves, their fellow REALTORS® and their brokerage, but to the profession as a whole.

To view the REALTOR® Code and view information on CREA's online course, visit your member board's REALTOR Link® page (www.realtorlink.ca).

To sign up for *Ethics: Unlocking the REALTOR® Code*, contact your local real estate board.

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President's Report

A Tale of Two Markets

This year has been a rollercoaster year for the real estate profession in this province. After the dramatic drop in prices we saw at the end of last year and into the beginning of this year, the market has bounced back more quickly than many people predicted.

This market enables REALTORS® to show true value to their clients, by helping clients make sense of the bigger economic picture and the implications for making a competitive offer or setting the right selling price. The BCREA Economics Department has created valuable material to help REALTORS® better understand the market; just click the BCREA Economic Charts button on your REALTOR Link® page.

Economic issues continue to be a priority advocacy issue for BCREA, especially the forthcoming Harmonized Sales Tax (HST). I encourage you to visit the BCREA HST website (www.bcrea.bc.ca/hst/hstaction.htm) to get more information about how the HST will impact new home buyers and to read the BCREA recommendations to the government.

You can also voice your concern about the HST to the Premier, Minister of Finance, the Leader of the Official Opposition and your MLA and encourage your clients to do the same. Your collective voices are a great support to our advocacy efforts. BCREA is working closely with the government to find ways to minimize the negative impact of the HST, outlined in our recent pre-budget submission.

Another way we bring value to our clients is through continuing education. In the last issue, I wrote about a Steering Committee to bring harmonization between PDP and REP credits and courses. I am pleased to share that the Advancing the Profession Steering Committee has drafted a Protocol Agreement between BCREA and the Real Estate Council of British Columbia that is currently being reviewed by member boards. Given the positive feedback so far, I expect a final Agreement for approval by the end of the year, making it easier for everyone to understand and fulfill their educational requirements for relicensing and board membership.



President *John Tillie*

Looking forward to 2010, I am also starting to look a little further beyond the horizon. Many of my discussions in the past months have been around what concrete steps we can take to have the real estate industry respected as a true profession. This project will take years to implement, but I believe that it is crucial to ensuring our long-term success as real estate professionals. As you look back at the past year, please take some time to think about where you would like your profession to be in the future.

John Tillie
President



Board of Directors 2009-2010

Core Ideology	Officers	Regional Directors
<p>Core Purpose Ensuring the continued relevance of REALTORS® in BC.</p> <p>Core Values</p> <ul style="list-style-type: none">• Member board vitality• REALTOR® success• REALTOR® professionalism• Quality of Life<ul style="list-style-type: none">- Economic vitality- Housing opportunities- Environmental preservation- Property owner rights- Better communities• Public trust	<p>President John Tillie 800.976.5566 john@johnillie.com</p> <p>Vice President Moss Moloney 604.596.2606 mmoloney@axionet.com</p> <p>Past President Scott Veitch 250.428.9331 smveitch@telus.net</p> <p>Chief Executive Officer Robert Laing 604.742.2787 rtaing@bcrea.bc.ca</p>	<p>Region I Delores St. Amand 250.564.4488 delorespg@shaw.ca</p> <p>Region II Sharron Billey 250.426.3355 sharronbilley@cranbrookagencies.com Bea Smith 250.493.4372 beasmith@realtyexecutives.com</p> <p>Region III Barbara Gallie 250.478.6530 bgallie@shaw.ca Jennifer Lynch 250.247.2088 lynch@discovergabriola.com</p> <p>Region IV Eugen Klein 604.684.8844 eugenklein@shawcable.com Rosario Setticasì 604.986.9321 rsetticasì@sutton.com Rick Valouche 604.629.6100 rick@valouche.com</p> <p>Region V Jim McCaughan 604.855.0860 jamesmccaughan@hotmail.com Hanne Selby 604.795.2955 hselby@uniserve.com</p>

Commercial Legal Update

Real Estate E&O Insurance Legal Update, one of BCREA's most popular continuing professional education (cpe) courses was first written in 1994. Since *Legal Update* has been intended primarily for residential REALTORS®, feedback from the profession has indicated that commercial practitioners would enjoy and benefit from a *Legal Update* course specific to their needs. For this reason, a new course dealing with commercial legal issues has been developed.

Real Estate E&O Insurance Commercial Legal Update was written by Ed Wilson and Lisa Peters, two well-known lawyers who practice real estate law and act for developers and investors

in industrial, commercial and residential projects.

This course covers multiple topics faced by commercial licensees such as the components of a binding contract, letters of intent and issues resulting from the use of bare trusts. Other specific clauses will be examined such as exemption clauses, liquidated damages clauses, merger and bring down clauses, best efforts clauses and restraints on assignment. Other matters such as the duty to disclose latent defects, the duty of good faith, the law of misrepresentation, fundamental breach, frustration and force majeure will also be examined. Given these challenging times, the



rights and remedies on contract breach such as specific performance, retention of deposits and damages for failure to complete will be discussed.

Course writer, Ed Wilson says, "The central theme throughout this course will be how to strengthen your documents and bulletproof your contracts. The course will cover a number of legal topics and principles that will help you better serve your clients."

The Real Estate E&O Insurance Commercial Legal Update course is now available. For further information, contact your local real estate board.

Quality of Life

New Canadian Look for Quality of Life

The Canadian Real Estate Association (CREA) has recently created a new Canadian Quality of Life logo to replace the current US logo and the variations in use by boards and associations across the country. In cooperation with the Québec Federation of Real Estate Boards and the Manitoba, Ontario and BC Real Estate Associations, CREA's goal was to have a single common logo and application style guide to ensure branding integrity and address legal concerns about the ownership and rights of use across the country.

The new design shows five people around a house, representing both community and the Quality of Life program's five principles. To add even more flexibility for co-branding by boards and associations within their

existing corporate colour templates, the new logo can be reproduced in any single colour of choice while the two colour blue logo remains the primary official mark.

CREA has begun to implement the use of this new logo which is available, along with the style guide, for download on CREA's REALTOR Link® page.

In addition to the new logo design, CREA has also produced a new, national promotional video for the Quality of Life program. Entitled "Welcome to the Neighbourhood", the video will be approximately three to five minutes in length and will present a short story that offers a glimpse into a family's life as they grow older, develop friendships and cultivate a bond to the community

they call home.

Intended primarily for CREA's members, the video aims to evoke a desire to learn more about Quality of Life. By emphasizing these ideals to secondary external audiences, the film is also valuable in demonstrating that REALTORS® live and work in the communities they serve in a way that builds better, safer, cleaner and more prosperous neighbourhoods.

To view this video, see CREA's REALTOR Link® page. To learn more about the Quality of Life program, visit BCREA's Quality of Life website: www.qualityoflife.bcrea.bc.ca.



The Armchair Analyst

Housing markets are affected by a myriad of seemingly complicated factors. Each week, a barrage of statistics on such things as retail sales, unemployment rates, GDP growth, exchange and interest rates, housing starts and so forth flood the air waves. Making sense of all the numbers may seem to be a daunting task for all but the most experienced economists.

However, a cursory understanding of some simple rules of thumb can empower anyone with an ability to provide remarkable insight into housing markets. This is the first in a series of articles aimed to help even the most economically challenged become a proficient armchair analyst. We start with supply and demand and their effect on home prices. In later issues, we'll delve into the engines of housing demand.

Supply and demand are central components to current home prices. Over the long term, the housing stock expands to meet the needs of a growing population. However, short term market imbalances are common, as it's difficult for home builders and city planners to respond quickly to fluctuations in consumer demand. The delay between changes in demand and the number of newly completed homes creates periods of under-supply and over-supply that impacts home prices. The number of homes for sale in the resale market typically has an even larger impact, as there are many more homes for resale than new. Since home builders take their cue from conditions in the resale market, we'll focus our attention there.

When a housing market is 'hot', there's a relatively high level of demand to the available supply, and the opposite in a 'cool' market. It's a myth that demand actually exceeds the overall

supply in a hot market. What's closer to the mark is that the quantity of homes demanded at a certain price exceeds the supply available at that price. Under these conditions, home prices are bid up through competing offers on competitively priced homes. In a cool market, home sellers compete with one another in price to attract a buyer from a limited pool of house hunters. Thus, a buyers' or sellers' market depends on the relative level of demand and supply.

Real estate practitioners pay close attention to the number of homes for sale and the level of actual transactions. Active listings, the total number of homes for sale on the Multiple Listing Service® (MLS®), can be compared to the number of actual MLS® home sales in any given month. The ratio of home sales to active listings is a good indication of any upward or downward pressure on home prices. Figure 1 illustrates the relationship between the sales-to-active listings ratio (SALR) and changes in home prices in Vancouver.

As home sales rise relative to the number of homes listed for sale, home prices are pushed higher. In 2008, a contraction in demand and an increase in the number of home listings pulled the SALR down sharply, below 0.10 or 10%, leading to a strong buyers market and declining home prices. A dramatic increase in demand this year had the reverse effect, drawing down the supply of homes for sale and pushing the SALR above 0.25 or 25%, leading to upward



By Cameron Muir,
BCREA Chief Economist

pressure on home prices.

This is a good rule of thumb: home prices are typically pulled downward when the SALR is below 0.10 or 10% and pushed upward when above 0.25 or 25%. Home prices tend to exhibit little upward or downward pressure when the SALR is between 0.15 and 0.20. In other words, home sales are 15-20 per cent of the total active listings in a given month. At this level, a relative balance exists between supply and demand. Of course, consideration should be given to the direction of the SALR. A quick check of the SALR over the previous several months can help you understand if market conditions are deteriorating or improving.

In the next issue, we'll examine how mortgage rates are determined and their impact on housing demand.

Sales-to-Active Listings Ratio Impact on Home Prices



Source: BCREA Economics

Figure 1

Government Relations

Tax Fairness for Homebuyers

In an October Ipsos-Reid poll, 40 per cent of British Columbians who expect to buy a home in the next two years said the Harmonized Sales Tax (HST) will impact their decision. Half indicated they will delay their purchases until they see how the HST will affect the market.

BCREA appreciates the efforts of the provincial government to improve BC's competitive position. However, the proposed HST, along with the long-standing Property Transfer Tax (PTT), creates undue burdens for homebuyers in BC.

That's why the Association focused on taxation in its response to the government's consultation in advance of the 2010-2011 budget. In fact, several other real estate organizations, including the Urban Development Institute, Canadian Home Builders' Association of BC and BC Apartment Owners and Managers Association did the same.

BCREA recommends the government take the following steps to minimize the negative impact of taxation on the housing sector, and champion fairness for homebuyers.

1. The Association's primary HST recommendation is that, in recognition of extreme differences in home prices across the province, the provincial government implement regional rebate thresholds for new housing. Initial thresholds should be established in consultation with BCREA and indexed annually using the New Housing Price index.

2. The following measures will be required as a result of the implementation of the HST and other recent government decisions. BCREA recommends the provincial government:

a) Reinstate a rebate or tax credit for the HST on condominiums that leak due to building envelope failure. Despite the end of the Reconstruction Home Loan Program and the impending end of the PST Relief Grant Program, at least 42,000 strata apartment units have yet to be repaired, according to the Homeowner Protection Office (April 2008).

b) Work with the federal government to provide input tax credits for landlords, who will have to pay HST on goods and services but won't be able to collect it from tenants. The existing annual rent increase (inflation rate + 2%) won't bridge the gap.

c) Extend the HST rebate or tax credit on all energy-efficient products that are currently exempt from PST, to help British Columbians save energy costs and help the government achieve its climate change goals.

3. To restore fairness for homebuyers who already bear a heavy tax burden, BCREA recommends the provincial government implement a three-year phase-out of the PTT. In 1987, the PTT was introduced as a "wealth tax" with the highest levy intended to apply to 5 per cent

About the Budget Consultation

Every fall, the Select Standing Committee on Finance and Government Services—an all party committee of the Legislative Assembly—seeks input from British Columbians about the financial management of the province.

This year, the committee accepted video, audio, online and paper submissions, and held public hearings in various locations. The committee reports its findings in mid-November, and the 2010-2011 budget is scheduled to be released on March 2, 2010.

Speak Out



Article continued on page 6

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Printed on recycled paper.

ISSN: 1705-3307

Current as of October 29, 2009. Check with your local board office for last-minute changes. The complete cpe Planning Guide is available on BCREA's REALTOR Link® homepage.

Note: this is a schedule of BCREA cpe courses only and does not reflect all PDP-accredited courses. Each course on this schedule is assigned 6 PDP credits, unless otherwise indicated, and all courses that are also REP accredited are full day courses and have been marked with an asterisks (*).

Chilliwack and District Real Estate Board

- JANUARY 26, CHILLIWACK**, *Negotiating and Presenting Offers*
- FEBRUARY 10, CHILLIWACK**, *Foreclosures and Court Ordered Sales**
- FEBRUARY 23, CHILLIWACK**, *Real Estate E&O Insurance Legal Update 2010**

Fraser Valley Real Estate Board

- DECEMBER 1, SURREY**, *Real Estate E&O Insurance Legal Update 2009**
- DECEMBER 10, SURREY**, *Win/Win: Conflict Resolution Skills for REALTORS®*
- DECEMBER 11, SURREY**, *Foreclosures and Court Ordered Sales**
- DECEMBER 18, SURREY**, *What Brokerages and REALTORS® Need to Know About Agency**
- JANUARY 20, SURREY**, *What Brokerages and REALTORS® Need to Know About Agency**

Kootenay Real Estate Board

- FEBRUARY 23, CRANBROOK**, *Risk Management for REALTORS®**
- FEBRUARY 24, CASTLEGAR**, *Risk Management for REALTORS®**

Real Estate Board of Greater Vancouver

- DECEMBER 1, VANCOUVER**, *Real Estate E&O Insurance Commercial Legal Update 2009 (accreditation currently under review)*

- DECEMBER 2, VANCOUVER**, *Selling Tenant-Occupied Properties (STOP)**
- DECEMBER 4, VANCOUVER**, *CONDO 101: Strata Law for REALTORS®**
- DECEMBER 7, VANCOUVER**, *Electronic Title Searching**
- DECEMBER 8, VANCOUVER**, *CONDO 202: Advanced Strata Law for REALTORS®**
- DECEMBER 9, VANCOUVER**, *What Brokerages and REALTORS® Need to Know About Agency**
- DECEMBER 10, VANCOUVER**, *Foreclosures and Court Ordered Sales**
- DECEMBER 15, VANCOUVER**, *Contracts: Keep on Top of Changes**
- DECEMBER 16, VANCOUVER**, *Real Estate E&O Insurance Legal Update 2009**
- DECEMBER 17, VANCOUVER**, *What Brokerages and REALTORS® Need to Know About Agency**
- DECEMBER 18, VANCOUVER**, *Disclosure: Issues & Risks**
- JANUARY 6, VANCOUVER**, *CONDO 101: Strata Law for REALTORS®**
- JANUARY 7, VANCOUVER**, *What Brokerages and REALTORS® Need to Know About Agency**
- JANUARY 7, VANCOUVER**, *CONDO 202: Advanced Strata Law for REALTORS®**
- FEBRUARY 3, VANCOUVER**, *CONDO 101: Strata Law for REALTORS®**
- FEBRUARY 4, VANCOUVER**, *What Brokerages and REALTORS® Need to Know About Agency**

Vancouver Island Real Estate Board

- DECEMBER 14, NANAIMO**, *Foreclosures and Court Ordered Sales**
- DECEMBER 16, NANAIMO**, *Foreclosures and Court Ordered Sales**

Victoria Real Estate Board

- NOVEMBER 30, VICTORIA**, *CONDO 101: Strata Law for REALTORS®**
- DECEMBER 3, VICTORIA**, *Ethics: Unlocking the REALTOR® Code*
- JANUARY 11, VICTORIA**, *What Brokerages and REALTORS® Need to Know About Agency**
- FEBRUARY 2, VICTORIA**, *Real Estate E&O Insurance Legal Update 2010**

Continued from page 5

of the homes sold in BC. Province wide in 2008, only 14 per cent of homes were sold for less than \$200,000 and qualified for the lower one per cent PTT threshold; in the Capital Region and Metro Vancouver, that proportion dropped dramatically to 4 per cent and 5 per cent, respectively.

BCREA made these recommendations to the legislative committee in a joint presentation with the Fraser Valley Real Estate Board on October 16 in Surrey. Visit www.bcrea.bc.ca to read BCREA's full submission.

Speak Out

As a reaction to the proposed HST,

BCREA has dedicated a section of its public website to provide consumers and REALTORS® with information about the expected impact of the tax, plus an opportunity to voice concerns in email letters to MLAs. Visit www.bcrea.bc.ca/hst/hstaction.htm to have your say.