

A BETTER WAY HOME

Strengthening Consumer Protection in Real Estate



Briefing Package | February 2022



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A BETTER WAY HOME

With a record-low number of homes available for purchase and surging demand resulting in part from low mortgage rates, conditions in BC's housing market over the last 18-24 months have been uniquely challenging.

Prices have risen dramatically, making it even more difficult for prospective homebuyers to be successful in an already competitive real estate environment.

In November 2021, the BC Government announced its intent to introduce a "cooling off period" and other potential measures designed to protect consumers. While it has become clear there is a need to explore ways to make housing more accessible and affordable in BC, the government's announcement last year lacked detail and consultation with the real estate sector and could result in negative consequences for consumers.

The British Columbia Real Estate Association (BCREA) believes there is a better way forward to ensure British Columbians are protected in a real estate transaction and appropriate housing is available for all.

A Better Way Home: Strengthening Consumer Protection in Real Estate is our road map to a better future for home buyers and sellers BC.

OUR RESEARCH

On behalf of BC's eight real estate boards and 24,000+ REALTORS®, BCREA has been monitoring the unique conditions of BC's housing market throughout the pandemic.

Subject-free offers and offers well over list price – leading to gaps in financing – have reportedly become more common, resulting in increased risks for homebuyers during a real estate transaction and government's decision to introduce a "cooling off period."

BCREA was immediately concerned that this decision was made without first conducting thorough public consultations with the real estate sector and consumers. The government did not provide any insight about consumer concerns or the problem it was trying to solve and it did not outline any details about the "cooling off period" it plans to implement as early as this spring.

While we support measures to increase transparency and consumer protection in real estate transactions, it must be done in a way that is evidence-based, regionally nuanced and considers buyers, sellers and changing market trends. Without these best practices, policies are likely to result in unintended negative consequences for consumers and the real estate market as a whole.

BCREA White Paper and Recommendations

With access to extensive data and expert analysis on housing market conditions, on-the-ground insights into consumer experience, a close working relationship with other housing sector stakeholders and a deep commitment to enhancing consumer confidence in the Realtor profession, BCREA is uniquely positioned to support the government in identifying a "better way home" for all British Columbians.

In partnership with the province's real estate boards, BCREA has drafted a comprehensive white paper, ***A Better Way Home: Strengthening Consumer Protection in Real Estate***, exploring the validity and scope of the government's concerns around consumer protection. The white paper also examines the state of the BC real estate environment as a whole and ultimately provides more than 30 recommendations for the BC government and the province's real estate regulator, the BC Financial Services Authority (BCFSA), to consider in their efforts to make lasting positive change in BC's real estate sector.

To read the full white paper, visit bcrea.bc.ca/whitepaper.



SUMMARY OF RECOMMENDATIONS

Our recommendations are based on findings from seven focus groups with Realtors, managing brokers and consumers; survey data collected from 2018 to January 2022, involving Realtors and consumers from across the province; and detailed analysis of secondary literature and the impacts of attempted housing market interventions worldwide.

The recommendations are aimed at addressing current concerns with the province's housing market, the real estate transaction process, regulatory structure, and consumer protections. We believe that that the implementation of these recommendations will **improve housing affordability, enhance consumer protection in real estate transactions, help evolve the real estate sector and contribute to the creation of a world-leading regulatory structure.**



Summary of Recommendations

ADDRESSING THE ROOT CAUSE: HOUSING SUPPLY

Since the price of a home is primarily driven by the market fundamentals of supply and demand, government interventions that only target the transaction process, such as a “cooling off period,” if at all, will not bring any significant or lasting improvements to housing affordability.

- *Our recommendations to the BC Government to improve housing affordability include implementing supply-side measures and calls to action made by the Development Approvals Process Review and the Expert Panel on Housing Supply and Affordability, establishing a permanent National Housing Roundtable in coordination with the federal government and making infrastructure investments to local governments conditional on Official Community Plans (OCP).*



Summary of Recommendations

ENHANCING CONSUMER PROTECTION IN REAL ESTATE TRANSACTIONS

While supply is the root cause of BC's housing affordability problem, changes to the real estate transaction process could help consumers in the short term.

However, research, forecasting and real-world examples internationally show that mandating a "cooling off period" for residential properties in BC or implementing restrictions on "blind bidding" are not the answer.

- *Our recommendations to the BC Government to enhance consumer protection in real estate transactions include implementing a mandatory five business day "pre-offer period" from the time of listing instead of a "cooling off period." During this pre-offer period, offers cannot be made, allowing prospective buyers time to conduct due diligence. We also recommend collaborating with real estate sector stakeholders to establish a process for multiple offer scenarios that balances offer transparency for buyers with privacy concerns.*



Summary of Recommendations

EVOLVING THE REAL ESTATE SECTOR

A January 2022 survey of BC home buyers found that 97 per cent of successful home buyers who used a Realtor were satisfied with their Realtor's performance. Despite this, it is important that the Realtor profession continues to evolve in the face of changing trends in the real state sector, housing market conditions and society at large.

➤ *Our recommendations to the BC Government to continue evolving the real estate sector include raising entry qualification standards for new licensees and providing more targeted re-licensing education for managing brokers, and implementing a Professional Standing Committee within BCFSA, modelled after the BC Teachers' Council, to ensure BCFSA benefits from the on-the-ground perspective of experienced Realtors when considering practice changes.*



Summary of Recommendations

CREATING A WORLD-LEADING REGULATORY STRUCTURE

When former Minister for Finance Carole James announced the formation of BCFSa, she envisioned creating a world-leading regulatory structure. To date, BCFSa has fallen short of those ambitions, largely due to both BCFSa's and BC government's approach to stakeholder engagement.

- *Our recommendations to the BC Government to create a world-leading regulatory structure include committing to fulsome consultation with real estate professionals and the public prior to future announcements of potential public policy and ensuring any proposed policy has a corresponding problem statement, objectives, goals and metrics to evaluate its effectiveness, making those available to the public.*

Topic	Action by	Recommendation
<p>Real Estate Transaction Process</p> <p>“Cooling off period”</p> <p>“Blind Bidding”</p> <p>Multiple-Offers</p> <p>Mandating Subjects</p> <p>Home Inspections</p> <p>Mandating Disclosure Statements</p> <p>Strata Transparency</p> <p>Service Agreement</p>	<p>Provincial</p> <p>Provincial</p> <p>Provincial, Federal</p> <p>Provincial, BCREA</p> <p>BCREA</p> <p>BCREA</p> <p>Provincial</p> <p>Provincial</p> <p>Provincial</p>	<p style="text-align: right;">To read the full whitepaper, visit bcrea.bc.ca/whitepaper.</p> <ul style="list-style-type: none"> . Do not implement a “cooling off period.” . Instead of a “cooling off period,” implement a “pre-offer period.” . Do not implement restrictions to “blind bidding.” . Work with BCREA and regional boards to provide greater transparency to both consumers and real estate professionals on the number of offers written. . BCREA will explore amending their standard form to include terms for buyer protections that balance the interest of all parties. . Instead of a mandatory home inspection, explore alternative options such as amending the standard form to include terms for buyer protections that balance the interest of all parties. . Make property disclosure statements mandatory. . Documents related to strata transactions should be made available with the listing. . Explore implementing a service agreement for real estate buyers.
<p>Enhancing Consumer Protections</p> <p>Education and Professionalism</p> <p>Managing Brokers</p> <p>Regulatory Structure</p> <p>Anti-Money Laundering</p>	<p>Provincial, BCREA</p> <p>Provincial, BCREA</p> <p>Provincial</p> <p>Provincial</p> <p>Provincial</p> <p>Provincial, Federal</p>	<ul style="list-style-type: none"> . Work with BCREA and member boards to build meaningful education for new licensees. . Develop best practices and related resources for managing brokers. . Provide more targeted re-licensing education for managing brokers. . Consider options to: <ul style="list-style-type: none"> ◦ Shift liability away from managing brokers, possibly to both the brokerage and licensees, though our consultation did not find a consensus; regardless of where the liability shifts, broker-owners should not end up with increased liability. ◦ Provide opportunities for mentorship for licensees and establish a system that helps facilitate mentorship for new managing brokers by experienced managing brokers. Mentorship could include gradually increasing responsibilities within the brokerage, though this could depend on the size of the brokerage. ◦ Consider revisiting the regulator’s consultation on reframing the role of managing brokers. . Implement a Professional Standing Committee within BCFSA, modeled on the BC Teachers’ Council. . Let the Cullen Commission of Inquiry into Money Laundering in British Columbia complete its work before implementing additional significant anti-money laundering measures and, after the report is published, coordinating actions with the federal government to create a comprehensive and efficient enforcement and regulatory regime.

BY THE NUMBERS

HOUSING MARKET

7 BC real estate markets that set records for home sales in 2021

\$927,877 Average residential home price on the Multiple Listing Service® in 2021 (an 18.7 per cent increase from 2020)

3-to-1 Ratio of prospective homebuyers to home sellers in March 2021 (67,000 buyers compared to 24,000 listings)

RESEARCH & FINDINGS (SURVEY DATA)

400+ Successful homebuyers surveyed about their experience in real estate transactions in the last year

400+ Unsuccessful homebuyers surveyed about their experience in real estate transactions in the last year

97% Successful homebuyers who were very satisfied or somewhat satisfied with their REALTOR®

49% Homebuyers who cited competition from other potential buyers as the main reason for being unsuccessful

93% REALTORS® who believe a “cooling off period” will be ineffective at balancing risks to housing affordability and real estate practice

RECOMMENDATIONS

30+ Recommendations BCREA is proposing to the BC government and BC Financial Services Authority to improve consumer protection in real estate

CONTACT US

Are you a home buyer or seller with questions about our recommendations?

Email consumer@bcrea.bc.ca.

Media inquiries should be directed to:

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