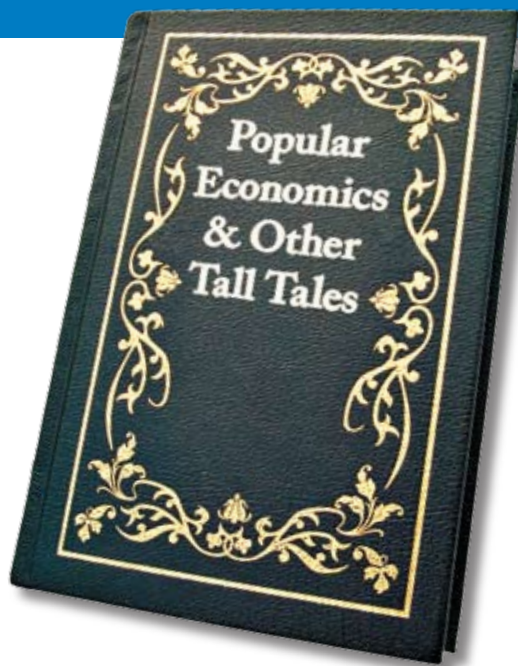




BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

the bulletin



The best-selling *Freakonomics* is celebrated by the *New York Times* as “a splendid book, full of unlikely but arresting historical details that distinguish the authors from the run of pop social scientists.” Indeed, authors Steven Levitt and Stephen Dubner proclaim to explore the hidden side of everything with so-called “plain old-fashioned economics.” One chapter in their book is called “How is the Ku Klux Klan Like a Group of Real Estate Agents?” While this provocative title may infuriate REALTORS® (being compared to such a sinister bunch would infuriate anyone), it does delve into the interesting theory of asymmetric information.

Asymmetric information occurs when one party to a transaction has more or better information than the other. This informational advantage can lead to inequities where the one possessing the better information gets the better deal. Asymmetric information can be particularly relevant in the principal-agent relationship. The agent usually has more information than the principal and, if their interests aren't aligned, the agent has the potential to selfishly act outside the interest of the principal.

Levitt and Dubner correctly point out that a real estate agent is “better informed about the house's value, the state of the housing market, even the buyer's frame of mind.” In other words, the real estate agent is an expert. However, Levitt and Dubner argue that the agent uses their informational advantage to manipulate the home seller into accepting an offer at a price that's lower than what could otherwise be achieved. In their words, “a real estate agent may see you not so much as an ally but as a mark.”

The authors go on to argue that there is little incentive for an agent to put in the extra effort to gain an additional \$10,000 from the buyer. Because the agent's commission is only a fraction of the extra \$10,000, it's “too puny an incentive” for all the extra work.* The agent has every incentive, then, to sell the home quickly at a lower price. The bottom line, according to Levitt and Dubner, is that a real estate agent doesn't want to “maximize the house's value”; instead, they use their informational advantage to instill fear in the owner that the home might not sell at all in order to “make the deal” quickly at a lower price.

Gene Epstein is a former senior economist at the New York Stock Exchange and has been *Barron's* economics editor since 1993. His lesser-known book, *Econospinning*, takes dead aim at Levitt and Dubner's analysis of real estate agents and asymmetric information. He calls their work “microeconomic metaphysics” and, with little effort, carves a wide swath through their conclusions.

For instance, Levitt and Dubner conveniently omit the role of the homebuyer and their agent. Epstein asks, “Don't the



By Cameron Muir,
BCREA Chief Economist

agents who represent the buyers also have incentives that are adverse to the interests of their clients?” If the *Freakonomics* authors' theory is to be believed, then the buyer's agent must also attempt to tilt the playing field in their favour. If the seller's agent has incentive to facilitate a quick sale at a lower price, then the buyer's agent must have an equivalent incentive to facilitate a quick sale at a higher price. To arrange a quick sale, the seller's agent must convince the homeowner to lower his price expectations. However, for the buyer's agent to arrange a quick sale, she must convince the buyer to pay a much higher than expected price.

*commissions are negotiated in Canada

Continued on page 3

I N S I D E	
President's Report Focus and determination	Page 2
Practical Points Checklist for presales	Page 3
Real Estate Sector Results: BCREA progress report	Page 4
Education Progressing toward professional development	Page 5
Education cpe schedule	Page 6

President's Report

Focus and Determination

Being a volunteer in organized real estate kind of feels like the family business to me. My Mom was one of the first female REALTORS® in the Kootenays, and my Dad was a Director at the Kootenay Real Estate Board and belonged to the Fraser Valley Real Estate Board.

My own path began with the Real Estate Institute of BC, where I was a governor for ten years. I was president of the Kootenay Real Estate Board in 2002 and became a BCREA director in 2003.

I've spent half of my real estate career volunteering, and I'm proud to carry on the family tradition. Ensuring the continued relevance of REALTORS® is a complicated, long-term job. It requires serious focus, collaboration and coordination, and we've got a great foundation to build on.

BCREA's four main goals, focused on the relevance of REALTORS®, advocacy, professionalism and organizational excellence, summarize BCREA's direction. Over the next year, I believe we need to use this plan to continue

working on projects and initiatives we've already started.

For example, take BCREA's proud history of excellence in education. In 2007, a BCREA cpe course was offered about every 30 hours, somewhere in the province. Initiatives like the Professional Development Program will help improve the way the public perceives REALTORS®—we're so much more than tour guides and note takers!

In addition to being trained and knowledgeable professionals, we're also community builders. I'd like to see us celebrate those accomplishments more in the future, and I look forward to the development of the REALTORS Care® Foundation to learn more about our charitable activities. This work will help raise awareness for the many good causes REALTORS® contribute to every day.

According to US trend spotter Faith Popcorn, the next major global movement is under-consumption. It's a shift toward more budget conscious, environmentally sensitive spending by



President **Scott Veitch**

consumers; a declaration that the era of conspicuous consumption is ending. She calls it Karma Capitalism, as people shift from consumer to citizen. I believe REALTORS® have taken this approach for a long time. We know that what's good for our communities is good for our businesses and our own lives.

During my Presidency, I look forward to working with the Directors, stakeholders and REALTOR® colleagues. Lennon and McCartney said it best: "I'll get by with a little help from my friends." Thank you!

Scott Veitch
President

Board of Directors 2008-2009

Core Ideology

Core Purpose

Ensuring the continued relevance of REALTORS® in BC.

Core Values

- Member board vitality
- REALTOR® success
- REALTOR® professionalism
- Quality of Life
 - Economic viability
 - Housing opportunities
 - Environmental preservation
 - Property owner rights
 - Better communities
- Public trust

Officers

President

Scott Veitch
250.428.9331
smveitch@telus.net

Vice President

John Tillie
800.976.5566
john@johntillie.com

Past President

Andrew Peck
604.266.8989
apeck@royalpacific.com

Chief Executive Officer

Robert Laing
604.742.2787
rlaing@bcrea.bc.ca

Regional Directors

Region I	Delores St. Amand	250.564.4488	delorespg@shaw.ca
Region II	Peter Oswell Bea Smith	250.374.1461 250.493.4372	peter@oswell.com beasmith@realtyexecutives.com
Region III	Jennifer Lynch Gary McInnis	250.247.2088 250.384.8124	lynch@discovergabriola.com gary@garymcinnis.com
Region IV	Eugen Klein Brian Naphtali Rick Valouche	604.684.8844 604.737.8865 604.629.6100	eugenklein@shawcable.com bnaphtali@rebgv.bc.ca rvalouch@rebgv.bc.ca
Region V	Moss Moloney Hanne Selby	604.590.4888 604.795.2955	mmoloney@axionet.com hselby@uniserve.com

Checklist for Presales

Over the years, thousands of British Columbians have entered into contracts to buy new homes before the construction of their homes had begun or during the construction period. This is commonly referred to as a presale transaction.

This is usually a win-win transaction for both the new homebuyer and the developer. Buyers are able to select the homes they want to buy and developers know, with some certainty, their ability to successfully market and finance the projects they're offering to the market.

For a variety of reasons, now and then, a new real estate development doesn't get built. Even though there are certain

risks associated with presales, there are very few instances where the purchase agreement hasn't been honoured by the developer.

Last year, BCREA created a task force to review this issue. Members, including representatives from the Superintendent's office, Urban Development Institute – Pacific Region, Canadian Home Builders' Association of BC and the Greater Vancouver, Fraser Valley and Victoria Real Estate Boards, concluded that better educated practitioners will result in better educated consumers.

To that end, a presale checklist that draws attention to important information for buyers of homes under

development will be finalized shortly. A full understanding of the issues specific to presales provides buyers with a starting point to determine whether further enquiries, advice or clarification are needed.

Once complete, the checklist will be made available to REALTORS®.

More information

- Financial Institutions Commission of BC website www.fic.gov.bc.ca (click Real Estate)
- Real Estate Council of BC, *Licensee Practice Manual, Real Estate Development Marketing Act*, beginning on page 212 (general information)

Economics

Continued from page 1

You may notice that, when fully explored, it all sounds like a zero sum game. If we ignore for a moment that REALTORS® are highly trained in agency law, and that strict attention to the principal's instructions is not only a legal requirement, but also necessary for success in a profession where word-of-mouth reference and reputation are critically important, a thorough analysis of asymmetric information and the real estate agent provides a benign conclusion.

"Why does Levitt [and Dubner] draw [a] distinctly asymmetric conclusion?" asks Epstein rhetorically. It's "because of the asymmetric nature of [their] research." They're guilty of the same manipulation of information they accuse real estate agents of engaging in. "In the real world," says Epstein, "buyers may well have strong feelings about what they want to pay and sellers about what they want to charge. Depending on how agents read those feelings, their desire to get the deal done quickly could lead

to any number of outcomes . . . seller's agents may recognize the need to negotiate a *high* price (emphasis in the original) for the deal to get done at all."

Now that's plain, old-fashioned economics.

The Bulletin is published bimonthly by the British Columbia Real Estate Association. Real estate boards, real estate associations and REALTORS® may reprint this content, provided that credit is given to BCREA by including the following statement: "Copyright British Columbia Real Estate Association. Reprinted with permission."

BCREA makes no guarantees as to the accuracy or completeness of this information.

Send questions and comments about *The Bulletin* to:

Editor: Norma Miller
Assistant: Dana Bidnall

1420 - 701 Georgia Street West
PO Box 10123, Pacific Centre
Vancouver, BC V7Y 1C6
Phone: 604.683.7702
Fax: 604.683.8601
Email: bcrea@bcrea.bc.ca

www.bcrea.bc.ca

Printed on recycled paper.

ISSN: 1705-3307

Real Estate Sector

Results: BCREA Progress Report

BCREA is focused on delivering, measuring and reporting meaningful results, based on the priorities identified by the profession. Those priorities are determined within the context of BCREA's core purpose: ensuring the continued relevance of REALTORS® in BC.

BCREA implements its Strategic Plan on the calendar year to match its financial year. Because measurements include feedback received through surveys of REALTORS® and the 12 real estate boards, it takes a few months to complete an evaluation.

The results for 2007 are now in, and this brief article summarizes some of the progress made. For more information, see BCREA's 2007-2008 Annual Report, available through REALTOR Link®.



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

Goal 1: BCREA and its member boards will work together with mutual respect to ensure the continuing relevance of REALTORS® in BC.

Measurement	Results
The proportion of member board survey respondents who believe BCREA is valued by REALTORS® increases by 5%.	66% of respondents indicated BCREA is valued by REALTORS®, up from 58% in 2007. According to the 2008 survey of BC REALTORS®, standard forms, newsletters, Continuing Professional Education (cpe) and government relations activities are the most valuable BCREA services.
Baseline established for the value placed on Quality of Life by member boards.	84% of member board survey respondents said Quality of Life support is somewhat or very valuable.

Goal 2: BCREA will be the authoritative voice in BC for the real estate profession.

Measurement	Results
Government references BCREA positions or BCREA as a resource five times during 2007.	Four references were made, including three related to the Property Transfer Tax (PTT). BCREA has lobbied for the elimination, or at the very least a reduction, of the tax since it was first implemented in 1988 and has effected incremental change in government policy as a result.
Government initiates consultation with BCREA on 50% of all legislative and regulatory enactments that are relevant to REALTORS®.	In 2007, two pieces of provincial legislation were passed that directly impacted REALTORS®, and the government initiated consultation with BCREA on both: <ul style="list-style-type: none"> • <i>Finance Statutes Amendment Act</i> (long-standing recommendations re the Real Estate Compensation Fund and treatment of clients' trust monies were adopted) • <i>Budget Measures Implementation Act</i> (recommendations re PTT and Home Owner Grant captured in the legislation) <p>The government also sought input from BCREA on four regulations important to REALTORS®.</p>

Goal 3: REALTORS® will be proud to be recognized as the trusted source for real estate advice.

Measurement	Results
95% of learners provide positive satisfaction ratings on cpe courses taken.	Learners indicated a 98% satisfaction rating with cpe courses.
Provincial media quote BCREA as an authoritative economic voice 50 to 60 times.	The Economics Department handled 140 media inquiries in 2007, resulting in 40 quotes in the provincial media and 71 quotes in community newspapers and radio; this enhances the visibility and credibility of the profession.
80% of member boards support BCREA direction on professionalism.	85% indicated satisfaction with BCREA's efforts to increase the level of professionalism among REALTORS®, up from 82% in 2007; 82-100% of respondents from 9 of 12 member boards indicated they were either satisfied or very satisfied.
REALTOR® pride in the profession increases.	"I am proud to be a REALTOR®" reflected the attitudes of 77% of REALTORS® who responded to the 2008 survey of BC REALTORS®, down from 82% in 2007

Continued on page 6

Progressing Toward Professional Development

Organized real estate has worked continuously for the past decade to change real estate from an industry to a profession. To maintain that status, REALTORS® need to keep up to date with changing technology, business practices and legislation. The Professional Development Program (PDP) was created for this purpose.

Besides BCREA and the member boards, the Real Estate Council of BC also recognized the importance of continuing education, and introduced the Relicensing Education Program (REP) in January 2007. BCREA and Council work together to synchronize the two programs: both share the same required course and several courses fulfill

requirements for both programs. As such, British Columbia has one of the highest mandatory educational requirements for REALTORS® in Canada.

By mid-May, about 50 per cent of REALTORS® had taken the required course, *What Brokerages and REALTORS® Need to Know About Agency*. With that in mind, the first cycle of the PDP will come to a close for many REALTORS® by December 31, 2008, after which the second cycle begins. Member board education staff members are working to ensure REALTORS® complete their requirements on time.

One of the five core values of BCREA's 2008 Strategic Plan is REALTOR®

PDP Professional Development Program

Professionalism. The goal: REALTORS® will be proud to be recognized as the trusted source for real estate advice. With professional development through continuing education, this is a very valuable and attainable goal.

An outline of the PDP requirements can be found on BCREA's page on REALTOR Link®.

Trends

Power Smart Homes: Save Money & Help The Environment

By Kari Kylo, BC Hydro Power Smart

Even in hot weather, your clients can stay cool with Power Smart homes. They'll enjoy greater comfort, lower their energy costs and leave a smaller footprint on the environment.

In 2007, more than 1,000 Power Smart Gold homes were built in BC. On average, each Power Smart Gold home saved nearly \$550 per year in energy costs and used 30 per cent less energy than regular homes built in today's market.

A Power Smart Gold home has a minimum rating of EnerGuide 80, which indicates it's highly energy efficient. A rating of zero represents a home with

major air leakage, no insulation and extremely high energy consumption. A rating of 100 represents a home that is airtight, well insulated, sufficiently ventilated and doesn't require any purchased energy.

When your clients are looking to purchase new homes, consider recommending they ask for the EnerGuide rating and look for the Power Smart label.

If just 10 per cent of homes across BC were Power Smart Gold homes—that is, if they achieved at least an EnerGuide 80 rating—the province would save more than \$89 million a year in energy costs.



To learn more about ways to conserve energy in everyday life, as well as BC Hydro's Power Smart residential programs, such as mail-in rebates, the refrigerator buy-back program, ENERGY STAR® windows, PST exemptions and Power Smart New Homes, visit www.bchydro.com/powersmart.

Current as of May 13, 2008. 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.

BC Northern Real Estate Board

JUNE 16, SMITHERS, *Contracts: Keep on Top of Changes*, Mary Wright

Fraser Valley Real Estate Board

JUNE 19, SURREY, *Professionalism—It Pays! Be Safe or Be Sued*, Mike Mangan

JUNE 26, SURREY, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

JULY 10, SURREY, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

JULY 17, SURREY, *Ethics, Unlocking the REALTOR® Code*, Dennis Wilson

JULY 23, SURREY, *The Real Estate Services Act—Everything You Need to Know*, Adrienne Murray

JULY 30, ABBOTSFORD, *What Brokerages and REALTORS® Need to Know About Agency*, Brian Taylor

AUGUST 14, SURREY, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

Kamloops & District Real Estate Association

JUNE 19, KAMLOOPS, *Contracts: Keep on Top of Changes*, Mary Wright

JUNE 20, KAMLOOPS, *Contracts: Keep on Top of Changes*, Mary Wright

Kootenay Real Estate Board

JUNE 24, CRANBROOK, *Contracts: Keep on Top of Changes*, Mary Wright

JUNE 25, NELSON, *Contracts: Keep on Top of Changes*, Mary Wright

Okanagan Mainline Real Estate Board

JUNE 12, KELOWNA, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

JUNE 23, SALMON ARM, *Real Estate E&O Legal Update 2008*, Mike Mangan

JUNE 24, VERNON, *Real Estate E&O Legal Update 2008*, Mike Mangan

JUNE 25, KELOWNA, *Real Estate E&O Legal Update 2008*, Mike Mangan

Real Estate Board of Greater Vancouver

JUNE 12, VANCOUVER, *What Brokerages and REALTORS® Need to Know About Agency*, Richard Collins

JUNE 16, VANCOUVER, *Foreclosures and Court Ordered Sales*, Michael Walker

JUNE 17, VANCOUVER, *Contracts: Keep on Top of Changes*, Richard Laurendeau

JUNE 18, VANCOUVER, *Real Estate E&O Legal Update 2008*, Mike Mangan

JUNE 19, VANCOUVER, *CONDO 202: Advanced Strata Law for REALTORS®*, Adrienne Murray

JUNE 20, VANCOUVER, *What Brokerages and REALTORS® Need to Know About Agency*, Andrew Peck

JUNE 24, VANCOUVER, *Selling Time Shares, Hotel Strata Lots and Other Cooperatives*, Adrienne Murray

JUNE 25, VANCOUVER, *Representing Buyers in the Sale of New Homes and Condominiums*, Gerry Halstrom

JUNE 26, VANCOUVER, *CONDO 101: Strata Law for REALTORS®*, Adrienne Murray

JUNE 30, VANCOUVER, *What Brokerages and REALTORS® Need to Know About Agency*, Brian Taylor

South Okanagan Real Estate Board

JUNE 20, PENTICTON, *Real Estate E&O Legal Update 2008*, Adrienne Murray

Victoria Real Estate Board

JUNE 12, VICTORIA, *Real Estate E&O Legal Update 2008*, Mike Mangan

JUNE 16, VICTORIA, *Know Your Product*, Will Graham

JUNE 23, VICTORIA, *Ethics: Unlocking the REALTOR® Code*, Ara Balabanian

JUNE 9, VICTORIA, *Ethics: Unlocking the REALTOR® Code*, Ara Balabanian

Real Estate Sector

Continued from page 4

Goal 4: BCREA will be a transparent, well-managed, effectively-governed, fiscally-sound organization, positioned to meet the needs of its members.

Measurement	Results
BCREA's compensation is competitive with the top 25% of comparable organizations for all employees.	Competitive salaries were arrived at through a third-party compensation review, and were implemented in 2008.
Every BCREA project is evaluated mid-term.	Mid-term evaluations allow BCREA to develop responsive products and services, and systems have been put in place to ensure such evaluations take place.