

JUNE 2023

Real Estate Brokerage Data Call

2023 Summary Report

Results of BCFSA's Real Estate Brokerage Data Call

Introduction

On January 19, 2023, BC Financial Services Authority ("BCFSA") issued a voluntary request to trading services brokerages to submit data on residential real estate sales and the early use of the Home Buyer Rescission Period ("HBRP"). This report presents the results of the data call, observations of the process, and potential next steps.

Background

BCFSA's data request on residential sales and the use of the newly introduced HBRP builds on the February 2022 data call. The results help inform BCFSA about current market conditions and risks and will contribute to BCFSA's evidence-based policy development and decision-making, as well as efforts to modernize regulatory practices.

The data collection attempted to answer questions about buyer risks, including:

- How often buyers are making unconditional offers;
- How often there are multiple offers on homes, and how many offers are typical;
- The average difference between a home's listing price and sale price;
- How often the sale price is significantly higher than the next-highest offer; and
- Regional variations and comparisons in different time periods.

Additionally, the information collected on the HBRP provides early insight into how and when the HBRP is being used.

Data Call

On January 19, 2023, BCFSA distributed a request to managing brokers licensed for trading services to submit a workbook to the regulator with information on residential sales between February 19, 2023, and March 18, 2023. Specifically, BCFSA requested:

- Information from listing brokerages on residential real estate sales; and
- Information from all trading services brokerages on rescission notices under the HBRP.

For residential real estate sales transactions, managing brokers were asked to submit the following information to BCFSA:

- The licence number of the brokerage or branch office;
- The real estate board or association area where the property is located;
- Date of listing agreement;

- Date of offer acceptance;
- List price on the date that the accepted offer was received;
- Firm contract date;
- Sale price;
- Whether the accepted offer was unconditional or contained any of the following conditions precedent:
 - Home inspection;
 - Financing;
 - Insurance;
 - Other;
- Whether the property disclosure form was incorporated into the contract of purchase and sale;
- Total number of offers received; and
- Price of highest not-accepted offer.

For HBRP, managing brokers were asked to submit the following information to BCFSA:

- The licence number of the brokerage or branch office;
- The real estate board or association area where the property is located;
- Property type;
- List price on date of offer acceptance;
- Accepted offer price;
- Date of offer acceptance;
- Which party the brokerage represented;
- Date of rescission notice;
- Amount payable on rescission; and
- Whether there was a deposit and, if so, the amount of the deposit and whether it was held in the brokerage trust account.

The request was distributed to 1,265 brokerages and branch offices licensed for trading services. Many of these brokerages are licensed to provide multiple categories of real estate services (e.g., trading services and rental property management services). Although the call was voluntary, brokerages were expected to

respond to the request by March 31, 2023, including by providing a nil reply where brokerages had no sales and/or clients impacted by the HBRP during the given timeframe.

Results

RESPONSE

In total 781 brokerages and/or branch offices participated in the 2023 data call (a response rate of approximately 62%), including 328 brokerages and/or branch offices that provided a nil response. While many brokerages reported no transactions or HBRP notices during the reporting period, other reasons for providing a nil response included:

- A brokerage's business did not include typical residential sales (e.g., commercial real estate or pre-sale projects only); or
- The brokerage did not provide trading services despite being licensed to do so (e.g., rental property management only).

USABILITY OF THE DATA

Due to the limited reporting timeframe, the observations made from the transactions in the data call should not be extrapolated to draw conclusions about the broader real estate market and consumer risk trends outside of the reporting time periods.

Participation in the data collection exercise was not mandatory and there is potential for a self-selection bias in the data. Further, there are some inconsistencies in how data was collected and reported across brokerages.

HIGHLIGHTS OF RESULTS

The observations below are based on the transactions reported by brokerages during the 2022 and 2023 data calls and are generally consistent with reports of a slower real estate market during that time period. Given the data quality and usability considerations outlined elsewhere in this report, BCFSA has not yet established a time series but intends to do so in future years.

The data is discussed in aggregate to describe what was observable in the real estate market province wide. A discussion of observations at the regional level is not possible due to limited sample size; however, the general trends discussed are generally consistent across all parts of the province.

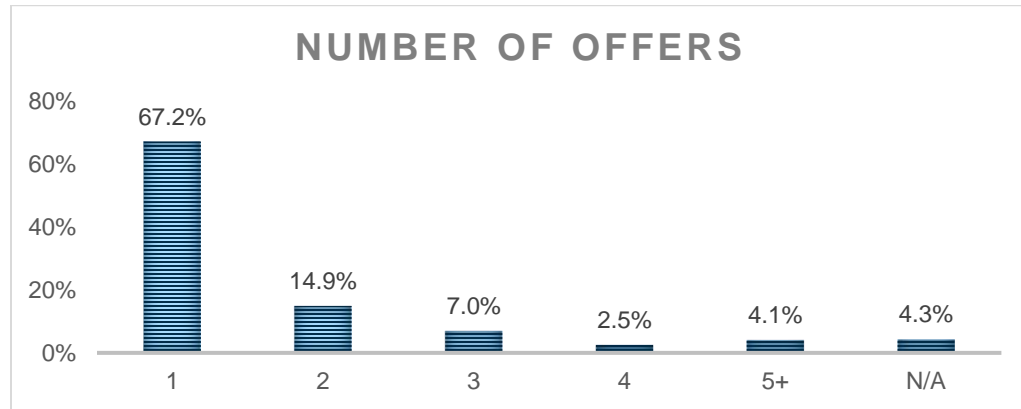
The highlights include:

Residential Sales Data

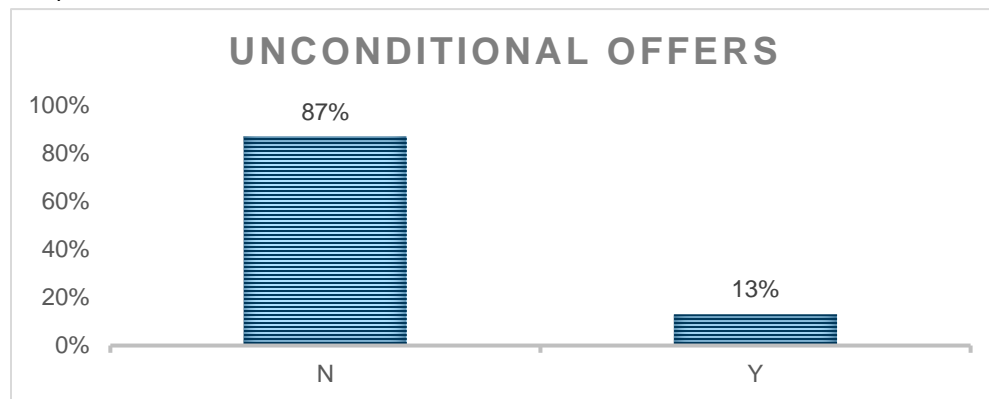
- The analysis of residential real estate sales is based on 3,266 real estate transactions. Brokerages reported a total of 3,541 residential real estate sales through the data call (or about 62% of the estimated 5,286 residential real estate transactions recorded by local real estate boards during the

same period¹). However, 275 transactions (about 8% of all transactions reported) were excluded from the analysis due to data quality issues, primarily where the firm contract data reported was outside the date range specified for the data call.

- Multiple offer scenarios were less common in 2023 than in 2022 and 2021. Nearly 70% of the transactions in the sample in 2023 had only one offer.



- For transactions with multiple offers in 2023, around 80% of sellers accepted the highest offer received. In about 10% of the transactions where the seller accepted the highest-price offer, the sale price was greater than the next-highest unaccepted offer by more than 10%.
- There was a decline in transactions with no conditions. Only 13% of the reported transactions in the sample had no conditions in 2023.

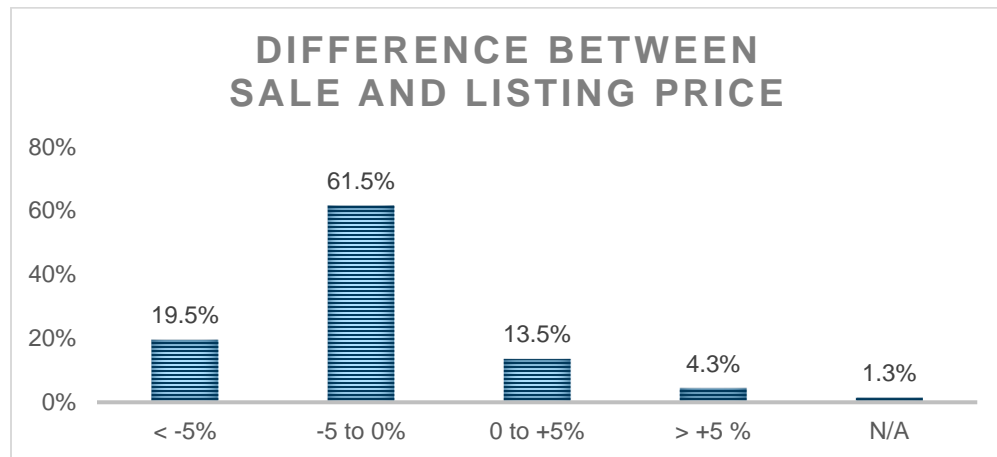


- Unconditional offers were more commonly accepted in multiple offer situations. However, it is still possible for properties to sell without conditions when a seller received a single offer. For the

¹ Based on the average number of weekly sales in February and March 2023 as reported by the British Columbia Real Estate Association during the same period. Due to differences in how transaction data is counted and collected by BCREA and BCFSA, these numbers are not directly comparable.

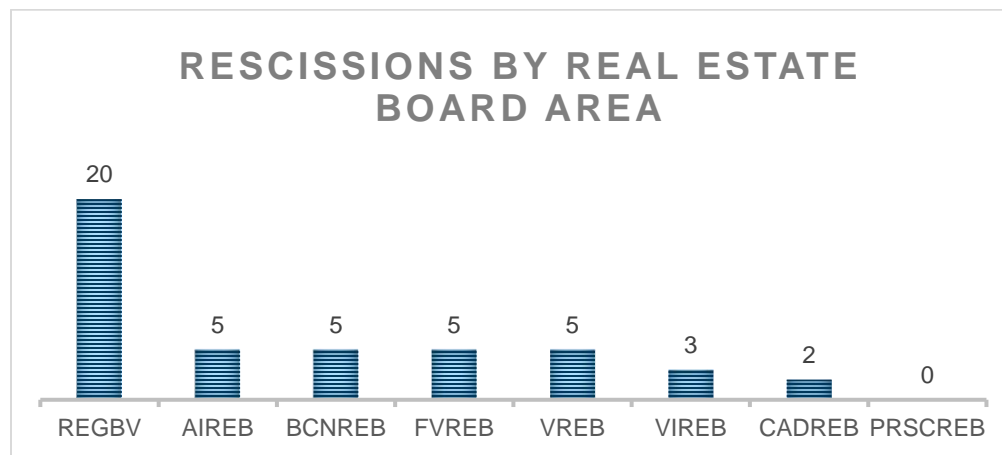
sample in 2023, 40% of the transactions where an unconditional offer was accepted had only one offer.

- Listings were on the market longer in 2023. For the transactions in the 2023 sample, the average days on market were 39 days, compared to 30 days in 2022.
- A greater share of properties sold below their listing price compared to previous years. In 2023, 80% of transactions in the sample were sold either at or below their listing price.

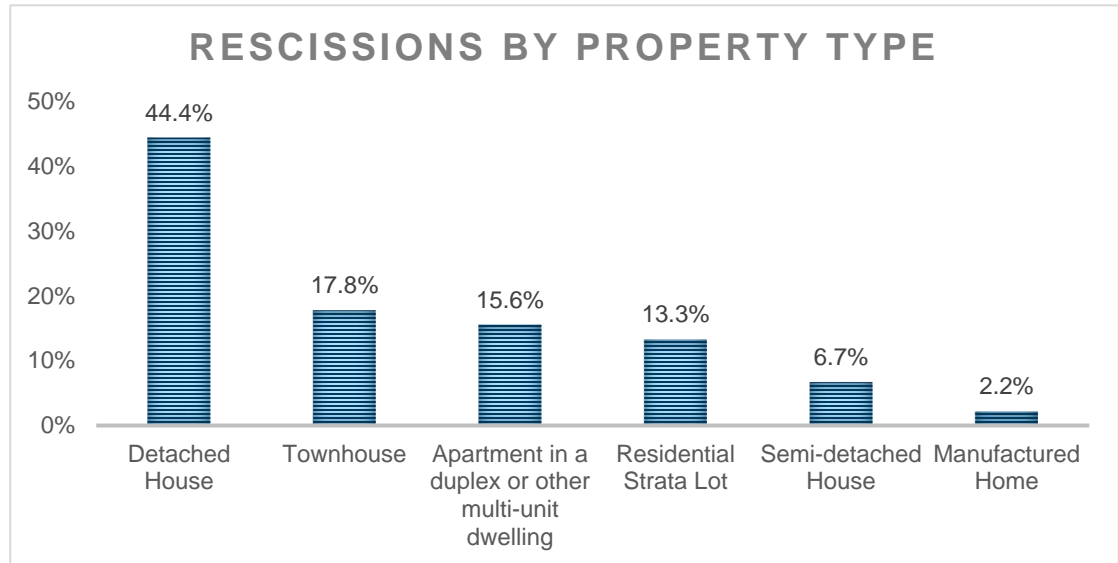


Home Buyer Rescission Period

- There were 45 distinct rescissions reported by brokerages in the specified timeframe (approximately 1% of reported transactions). Apart from the Powell River Sunshine Coast Real Estate Board area, rescissions were reported in every real estate board area in the province. The highest number of rescissions was reported in Greater Vancouver (20 rescissions), followed by the Interior, Northern B.C., the Fraser Valley, and Victoria (five rescissions each).



- Based on the sample, almost half of rescissions occurred on the third day of the rescission period and the average rescission fee amount was \$2,648.
- Based on the sample, rescissions were most common in transactions involving detached houses (42% of reported rescissions) followed by townhouses (18%), apartments (16%) and strata lots (13%).



- Of the rescissions reported in the sample, the buyer provided a deposit in about 55% of cases. Where deposits were provided, 80% were held in trust by a brokerage.

Observations

This is the second time that BCFSA has requested transaction information directly from brokerages. While BCFSA made several improvements on the 2022 data call, there continues to be learning experiences for both BCFSA and brokerages. Highlights include:

- **Participation rate.** This year's response rate (62%) was substantially higher than the 2022 data call (47%). This can be primarily attributed to a change in how responses were tracked but also may be due to additional BCFSA follow-up with licensees, and increased awareness of the data call. While this is a better response rate, greater participation is still required to develop reliable statistics and market insights.
- **Reporting.** Brokerages may not be maintaining their records in a way that is conducive to efficient data reporting to regulators on an *ad hoc* basis (e.g., keeping paper files which require manually compiling data). A longer-term and predictable reporting model along with changes to brokerage record keeping practices (e.g., maintaining electronic records) could help improve the ability of brokerages to respond to both routine and *ad hoc* regulator data calls.

- **Incomplete or inconsistent submissions.** In a number of cases, data submitted by brokerages was incomplete (e.g., missing fields), inconsistent (e.g., misunderstanding requested information or reporting information that was outside the scope of the request), or inaccurate (e.g., reporting no offers received on a property that had sold). A longer-term stable reporting model and targeted support for brokerages could help strengthen the quality and reliability of data.
- **Challenges in communicating the data call request to managing brokers.** BCFSA used multiple channels to inform managing brokers of the request, including multiple emails, a newsletter article, a webinar, and information posted on BCFSA's website to build awareness of the request. Despite these efforts, several managing brokers indicated that they were not aware of the request, similar to feedback received in 2022.

Next Data Call

BCFSA's access to timely real estate data is essential to support regulatory decision-making and monitor consumer risks. BCFSA is bringing forward amendments to the Real Estate Services Rules to provide explicit clarity for its authority to collect data from licensees, in anticipation of conducting a third, mandatory data call in 2024 (similar to the 2022 and 2023 data calls). More information will become available in the months leading up to the data call and advance notice will be given to managing brokers. By regularly collecting and analyzing data on residential sales, BCFSA will continue to compare year-over-year trends in market conditions and monitor the impact of various changes including consumer protection measures.

BCFSA extends its appreciation to the many managing brokers who participated in the data call and looks forward to continuing to work with industry and government to support evidence-informed policy and regulatory decisions.



600-750 West Pender Street
Vancouver, B.C. V6C 2T7

604 660 3555
Toll free 866 206 3030
info@bcfsa.ca