

## Results of BCFSA's Real Estate Brokerage Data Call

### Introduction

In February 2022, BC Financial Services Authority ("BCFSA") issued a voluntary request to trading services brokerages to submit data on real estate transactions. This report presents the results of the data call, including observations on the process and potential next steps.

### Background

On November 4, 2021, the Minister of Finance [announced](#) Government's intention to create a legislated cooling-off period (now referred to as the Homebuyer Protection Plan). The Minister directed BCFSA to undertake consultations with key stakeholders and experts on the parameters of a cooling-off period and review other potential consumer protection measures.

The Minister also directed BCFSA to engage industry to explore opportunities to collect additional data on real estate transactions. In response, BCFSA conducted a voluntary data call with trading services brokerages to help assess the prevalence of market practices that may put real estate consumers at risk, such as unconditional offers and blind bidding.

### Data Call

The data call was the first time that BCFSA has requested real estate transaction information directly from brokerages and participation was voluntary. Prior to undertaking the data call, BCFSA engaged with the segment. To reflect the results of segment engagement, BCFSA narrowed the scope of the request to reflect the level of effort required of brokerages to respond to the request, which in many cases involved manually reviewing and compiling transaction information.

### PURPOSE

In response to the Minister's direction to explore opportunities to collect additional data on real estate transactions, BCFSA undertook data collection from real estate brokerages to help provide a factual basis for evidence-informed policy and decision making. 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.

## THE REQUEST

On February 2, 2022, BCFSA distributed a request to managing brokers to review their brokerage records and submit a workbook to the regulator with information on residential real estate sales with a firm contract date between:

- February 22-28, 2021; and
- February 21-27, 2022.

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

- Property address;
- Parcel identifier (PID) number;
- 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;
- 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.

The request was distributed to 1,236 managing brokers licensed for trading services, representing 973 trading services brokerages (or 88% of all licensed brokerages in B.C.). Many of these brokerages are licensed to provide multiple categories of real estate services (e.g., trading services and rental property management services). Managing brokers were asked to respond to BCFSA by March 11, 2022.

## Results

### RESPONSE

BCFSA received 460 responses, including 225 nil responses (a response rate of 47%). While many brokerages reported no transactions in either reporting period, other reasons for providing a nil response included that a brokerage's business did not include typical residential sales (e.g., commercial real estate or

pre-sale projects only) or that the brokerage did not provide trading services despite being licensed to do so (e.g., rental property management only).

In total, BCFSA received 236 complete workbooks, with a total of 1,904 transactions over the two reporting periods:

- 1,113 transactions with firm contract dates between February 22-28, 2021; and
- 791 transactions with firm contract dates between February 21-27, 2022.

For context, local real estate boards recorded 2,740 transactions per week, on average, in their MLS systems in February 2021 and an average of 2,225 transactions per week in February 2022. More than 138,000 real estate transactions were recorded in BC in 2021.

## USABILITY OF THE DATA

- Due to the very small sample size and short reporting timeframe, the transactions in the data call cannot be called representative and should not be relied on to draw specific conclusions about the real estate market and consumer risks.
- This report draws preliminary, general and directional observations only.
- Participation in the data collection exercise was not mandatory and there is potential for a self-selection bias in the data. Further, there are inconsistencies in how data was collected and reported across brokerages.

## HIGHLIGHTS OF RESULTS

Observations based on the sample indicate the following:

- Multiple offers seem more common for transactions in our sample that occurred in 2022 compared those in our sample for 2021. Overall, the proportion of transactions in our sample where the seller received multiple offers was above 40% in both years.
- There were also more unconditional accepted offers in our sample in 2022 compared to 2021. Generally, unconditional offers were more commonly accepted in multiple offer situations.
- In most cases, the seller accepted the highest priced offer (about 94% of the transactions in our sample). Where the seller accepted the highest price offer, in about 25% of the transactions in our sample the difference between the sale price and next-highest unaccepted offer was \$50,000 or more.
- Generally, the ratio of sale price to listing price was close to 1 in both years for properties in the sample. This means that sale prices were generally close to listing prices.
- For most common property types in our sample, the average days between listing a property for sale and the acceptance of an offer decreased between 2021 to 2022.

- In both reporting periods, over 50% of the transactions in the sample were in the Lower Mainland region and approximately 20% of those transactions in the sample were in either Vancouver or Surrey.

The small sample size prevents further disaggregation of data, including more detailed regional breakdowns.

Given that these observations are preliminary and based on a small sample size, they should be used with caution. However, they are generally consistent with the narrative of an increasingly competitive real estate market, with properties selling quickly, unconditionally, with multiple offers, and potentially a large difference between the sale price and the second highest unaccepted bidding price.

## Observations

This exercise was the first time that BCFSA has requested transaction information directly from brokerages and provided an important learning experience for both BCFSA and brokerages. Highlights include:

- **Participation rate.** Approximately 50% of brokerages participated in the request. While this is a good response rate for a first-time *ad hoc* request, greater participation is required in order to develop reliable statistics and market insights. While BCFSA has the authority to set requirements for brokerage data reporting, BCFSA currently does not require brokerages to routinely report real estate transaction data. Bringing in regulatory requirements for brokerages to report specific information to the regulator could help improve participation and compare market trends over time.
- **Reporting.** Brokerages may not be maintaining their records in a way that is conducive to efficient reporting of data 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, the data submitted by brokerages was incomplete (e.g., missing fields), inconsistent (e.g., misunderstanding of 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 accompanying guidance 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 e-mails, a newsletter article, a webinar, information posted on BCFSA's website, and attending an industry association event to build awareness of the request; Despite these efforts, a small number of managing brokers indicated that they were not aware of the request.

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.