



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

the bulletin

Expect Balance

By Cameron Muir,
BCREA Chief Economist



What a difference a year can make.

This time last year, BC housing markets were showing signs of fatigue: inventories were edging up, sales were trending down and moderation in housing demand appeared imminent. While affordability was the largest constraint to home ownership, the economy was still firing on all cylinders, with no trouble on the horizon. So, what happened?

Instead of slipping back, housing demand accelerated and, by year end, the province recorded its second highest level of annual MLS® transactions. First-time homebuyers remained a powerful force in the market, backed by 40-year mortgage amortizations and a housing stock that was increasingly oriented toward condominiums. Second home purchases by equity-rich empty nesters buoyed urban apartment markets and drove up sales and prices in the recreation and retirement markets of the Kootenays, Okanagan and Vancouver Island.

The rapid ascent of the dollar surprised everyone, except the most radical doomsayers, leading one institutional

economist to quip he was giving up forecasting exchange rates because “it makes us look like fools.” The high dollar boosted the purchasing power of BC consumers during the holiday season, but was devastating to the forest industry. BC exporters of all stripes felt the pinch of falling profits brought on by exchange rate parity with the US.

Many US housing markets slumped as a result of the subprime debacle. The promise of easy credit for homebuyers ended disastrously when interest rate resets came home to roost. Investors from around the world, including ICBC and UBC, that had shoveled billions into securitized subprime portfolios saw their investments shrink to pennies on the dollar, at best. Plummeting housing demand south of the border put the brakes on home building and caused a free fall in lumber prices. Economists are now scrambling to reduce their forecasts of BC economic growth for this year.

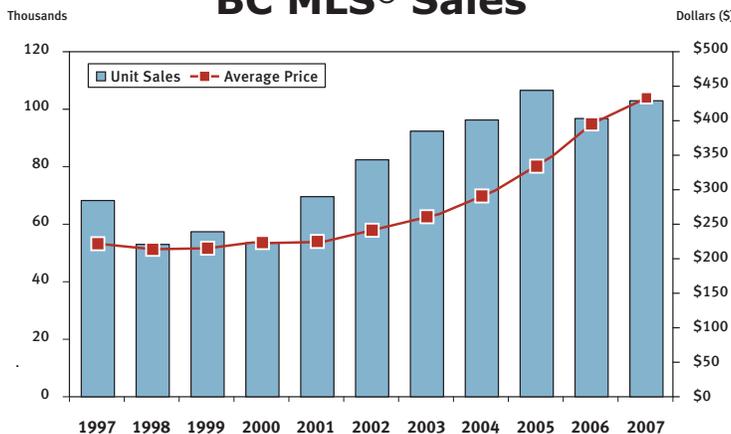
BC homebuyers likely didn't notice the real cost of borrowing increased more than the posted rates suggested. The spread between mortgage rates and bond yields increased dramatically, reflecting

higher risk premiums demanded by investors. In addition, mortgage rate discounts, now commonplace for good credit borrowers, went from deep to shallow in a matter of months.

In 2008, will BC housing markets suffer a similar fate of many in the US? No. While the province is not immune from the trials and tribulations south of the border, demand is expected to remain strong in markets not dependent on the forest industry.

Home sales likely won't post any records this year—eroding affordability will see to that. However, the number of transactions is expected to be above the ten-year average. Home prices still face upward pressure, but that pressure is waning. After six years of a bull real estate market, a return to more balance between demand and supply may be the best scenario for the long term.

BC MLS® Sales



Source: CREAA, BCREA Calculation

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Making a Commitment to Our Profession

Last autumn, I was at a major fund-raising event for a political party. More than 1,000 supporters had gathered and, as I talked to politicians about our profession's concerns, I couldn't help but notice something that's bothered me every day since. In fact, I wake up thinking about it.

At this event, I saw the same REALTORS® I always see. Don't get me wrong, I'm grateful they're committed to making sure the voice of our profession is heard. But it seems no matter what political event I attend province-wide, I see the same small, core group of grassroots REALTORS®. And it's far too small a group.

Right now, our economy is good and interest rates are low. We've had tax cuts, so families of all sizes are taking home more of their paycheques. The real estate market continues strong.

The problem? We've become complacent. As a result, we're not seeing what's in front of us.

A lack of affordable, modest market housing is destroying the dream of home ownership for some of our neighbours. It's impacting the quality of life in our communities and, with three

—federal, provincial and municipal—we're almost guaranteed it will be an election issue.

What are we as individual REALTORS® doing about this? Are we stepping up and helping politicians understand potential solutions?

It's no surprise the Property Transfer Tax has been our profession's biggest gripe for more than a decade. Does the government fully understand the impact of this tax? Have you as a REALTOR® taken time to use the information the BC Real Estate Association provides to help political representatives understand?

I think it's time more of us rolled up our sleeves, got informed and volunteered in our professional communities. It's time more of us put the interests of our profession and of ordinary homebuyers ahead of our own personal agendas. It's time we became more knowledgeable about issues and worked to do something about them.

So many times I hear REALTORS® complaining. But when I ask them to volunteer, they say they're far too busy. They also tell me that, even if they do volunteer, their few hours of time won't make a difference.

Trust me. We're all too busy but, if you make time, it will make a difference.

Last summer, a few committed REALTOR® volunteers in Coquitlam took the time to galvanize their colleagues to defeat a bylaw that would have banned door-to-door sales. In just a few days, 500 REALTORS® had signed a petition, which was taken by about 30 of them to a Council meeting where REALTORS® spoke and made presentations. The bylaw was defeated.



President **Andrew Peck**

This core group shared their knowledge and strategies with REALTORS® in the Fraser Valley, who in turn worked to ensure similar bylaws were defeated in the Township of Langley and in Abbotsford.

I want more of us to stand up and make this kind of commitment and contribution to our profession's future. It's time to stop paying lip service and do something.

Serious problems like the PTT can be solved if we work together. If we want big changes, we need a big commitment on the part of our members.

So, let's get serious. The stakes are high. We're talking about our future and the strength our profession. My year as your president has confirmed some lessons and taught me new ones. The main one is that we can all individually do better. Let's do whatever it takes.

As always, I want to hear from you.



Andrew Peck, The Hon. Mike de Jong, Barry Brown-John and Jim Stewart at the Premier's Dinner, June 2007

Andrew Peck
President

Land Titles: Safe and Secure

By Godfrey Archbold, LTSA President and Chief Executive Officer



The Land Title and Survey Authority (LTSA) operates the provincial land title registry and is driven by two primary goals:

- to make sure landowners have a safe, reliable and marketable title to their land;
- to keep the real estate market working smoothly and efficiently for everyone who relies on it, including REALTORS®.

The LTSA really offers peace of mind. The BC land title system is probably one of the most reliable in North America and among the best in the world.

BC's Torrens System of Land Registration was originally invented in Australia, and was established in BC more than 100 years ago. It's used in Australia, New Zealand and several Canadian provinces, including Alberta, Saskatchewan and Manitoba.

The land title system is mandated through provincial legislation. It establishes clear evidence of ownership once land title documents are registered, and provides assurance for registered titles. It allows British Columbians to buy, sell and hold property with much greater confidence and efficiency than those jurisdictions that require extensive historical searches to confirm land ownership and outstanding interests. It has proven to be an extremely efficient, effective and low-cost way of protecting landowners' interests.

Title fraud is an issue of public discussion and concern in BC. Homeowners are naturally concerned that the practice of identity theft poses a threat

that their property could be fraudulently mortgaged or sold. The LTSA encourages property owners to carefully safeguard property-related and personal identity documents and other materials.

There are checks and balances in place in the land title system to minimize the opportunity for title fraud during regular land transactions in BC. Owing to the complexity and significance of land transfer and mortgage transactions, most land dealings in BC are finalized with the assistance of a lawyer or notary, who requires proof of owner and buyer identity as part of their routine professional responsibilities and due diligence.

Ownership is once again compared against existing records when documents are submitted for registration by the LTSA. Additionally, a service is available to lawyers and notaries through BC OnLine for automatic notice of any activity on their client's title. As a consequence, title fraud has been almost unheard of in this province.

BC's land title system supports efficient and reliable conveyance practices. Due to the reliability of the information maintained, professionals are comfortable with transferring land and funds on their lawyer's or notary's undertaking (promise).

The reliability of the land title system depends on the traditional practice of real estate professionals to register transactions in a timely manner. The LTSA is monitoring document registration practices to ensure the high quality of the registry is maintained.

No system is completely foolproof, of course, but the BC land title system has a proven track record of keeping titles safe, and the LTSA is committed to continuing that tradition. The LTSA depends heavily on the professionals involved in the system, and thanks REALTORS® for their central role in maintaining the public confidence in this essential service.

Adapted with permission of the Real Estate Institute of BC. The original article appeared in RI Input, Fall 2007.

Personal Real Estate Corporations Approved

Effective January 1, 2009, real estate licensees will be able to form personal real estate corporations, a change BCREA, the 12 member boards and REALTORS® have asked for since 2003.

"We're very pleased with the government's decision," said BCREA President Andrew Peck. "This amendment gives REALTORS® the same tax advantages already enjoyed by several other professions."

BCREA appreciates the patience and diligence of the provincial government, Real Estate Council of BC and the Superintendent of Real Estate in seeing this change through.

Details will be reported as implementation plans progress.

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Ensuring Relevance



BCREA core purpose: Ensuring the continued relevance of REALTORS® in BC.

What does this mean?

After conducting surveys and consulting with the 12 member real estate boards, the BCREA Board of Directors agreed in May 2006 that the purpose of the Association was to ensure the continued relevance of REALTORS® in BC. Even though BCREA officially has only 12 members—the real estate boards—BCREA wouldn't exist without REALTORS®.

The purpose is further described by the following core values. Together, they define what doesn't change about BCREA:

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

Why does it matter?

BCREA's purpose and values seem to be simple statements, but they provide BCREA with a clear focus: increasing the relevance of REALTORS® and delivering on the core values. That means REALTORS® get the maximum benefit.

After listening to input from the profession and considering trends, BCREA developed a clear Strategic Plan to drive priorities and bring about purposeful change. One change with considerable profile was the creation of

an Economics Department, which gives the Association the capacity for economic research and analysis. That translates into more, and higher quality, media coverage, raising the profile and credibility of the profession with the public and decision makers. And REALTORS® have more in-depth information, which increases service levels and value to consumers.

The Professional Development Program, created by BCREA and the member boards, also relates directly to REALTOR® relevance. Higher standards of education demonstrate a commitment to excellence that results in better client service and increased satisfaction.

Standard forms that keep up with the complex and dynamic field of real estate further enhance professionalism.

Finally, the Quality of Life approach goes a long way to building credibility with the government, stakeholders and the public—audiences that define REALTOR® relevance.

What's ahead for 2008?

The 2008 Strategic Plan builds on the successes of the past few years and sets out measures to ensure success. The plan focuses on four strategic goals:

Goals	Measures of Success
<p>Relevance of REALTORS®</p> <p>BCREA and its member boards will work together with mutual respect to ensure the continuing relevance of REALTORS® in BC.</p>	<ul style="list-style-type: none"> • The public increasingly considers REALTORS® vital to the transaction • REALTORS® have increasing confidence in and a clear understanding of the areas where they add value to the transaction
<p>Advocacy</p> <p>BCREA will be the authoritative voice in BC for the real estate profession.</p>	<ul style="list-style-type: none"> • BCREA public affairs efforts contribute to positive change • BCREA public affairs efforts increasingly matter to member boards and REALTORS®
<p>Professionalism</p> <p>REALTORS® will be proud to be recognized as the trusted source for real estate advice.</p>	<ul style="list-style-type: none"> • Public trust in REALTORS® increases • REALTOR® pride increases
<p>Organizational Excellence</p> <p>BCREA will be a transparent, well-managed, effectively-governed, fiscally-sound organization, positioned to meet the needs of its members.</p>	<ul style="list-style-type: none"> • BCREA delivers value in clear and defined priority areas • Member board awareness of and satisfaction with BCREA activities and results increase

The 2008 BCREA Strategic Plan is available on the Association's REALTOR Link® site (www.realtorlink.ca)

Happy Tax Season

With the income tax deadline approaching, this is the perfect time to review deductions and get your records in order. The following are excerpts from a memo provided to BCREA by BDO Dunwoody. The complete memo, offering information about home offices, capital assets, GST and more, is available on BCREA's REALTOR Link® site (www.realtorlink.ca). REALTORS® should consult their professional tax advisors regarding the specific facts of their particular situations.

Capital Assets Acquired and Used to Earn Self-Employment Income

Deductions on account of capital assets purchased and used by REALTORS® in their self-employed business activities (e.g., computers, printers, cell phones, automobiles) are limited by a set of rules commonly known as the capital cost allowance (CCA) rules.

Generally speaking, the cost of an asset is not entirely deductible in the year of acquisition; instead, the CCA rules spread a deduction for the asset out over time. CCA rates vary depending on the nature of the asset. The deduction is computed on a declining balance basis, with only half of the usual deduction allowed in the year the asset is purchased.

Typical business assets fall into these CCA rate categories:

Only a reasonable deduction for CCA may be claimed for the business use of any particular asset. For example, if a REALTOR®'s automobile and computer equipment is used 80% in the course of business and 20% for personal use, then only 80% of the CCA otherwise computed may be deducted. Special CCA rules apply to automobiles that cost more than \$30,000.

Record Keeping

All taxpayers are required to keep records and receipts to support deductions claimed annually on their personal tax returns. The Canada Revenue Agency (CRA) typically has three years from the date a tax return is assessed to initiate an audit of that return. Proper records should also be kept for GST purposes, because the CRA usually has up to four years to audit any GST return once it's filed.

In case of an audit, care should be exercised in maintaining banking records and receipts to support business-related deductions claimed and GST reported in any given year. A few helpful tips include:

- Keep your records up to date. Summarize your receipts throughout the year—make it a monthly routine.
- Make it easy to trace deductions to the receipts. Deductions for business-



related expenses should easily tie to the underlying records and receipts that support the deduction.

- Prepare detailed calculations of expenses and income tax credits that have been prorated for business versus personal use portions.
- Maintain an automobile log to prove the business use of your automobile.
- Safely retain records for each tax return filed for at least six years.
- Use one credit card and/or bank account exclusively for business expenses. Keep personal expenses clearly separate.
- Attach a business card or write your guest's name and phone number on meal and entertainment receipts. Deductions for promotional meals and entertainment expenses are easy targets for the CRA. Also, retain the credit or debit card receipt, because you have to prove that you actually paid for the expense.

Asset Pool	First Year CCA Rate	Second and Subsequent Years CCA Rate
Automobiles (subject to special rules)	15%	30%
Computer equipment, including printers	22.5%	45%
Cell phones, fax machines, etc.	10%	20%
Office furniture and fixtures	10%	20%
Computer software	50%	100%

Current as of January 17, 2008. Check with your local board office for last-minute changes. The complete cpe catalogue 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.

Chilliwack and District Real Estate Board

MARCH 12, CHILLIWACK, *Representing Buyers in the Sale of New Homes and Condominiums*, Gerry Halstrom

APRIL 2, CHILLIWACK, *Legal Update 2008*, Adrienne Murray

Fraser Valley Real Estate Board

FEBRUARY 14, SURREY, *CONDO 202: Advanced Strata Law for REALTORS®*, Mike Mangan

FEBRUARY 21, SURREY, *Selling Tenant-Occupied Properties (STOP)*, Evelyn McNulty

FEBRUARY 28, SURREY, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

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

MARCH 19, SURREY, *Legal Update 2008*, Mike Mangan

MARCH 26, ABBOTSFORD, *What Brokerages and REALTORS® Need to Know About Agency*, Brian Taylor

MARCH 28, SURREY, *Ethics: Unlocking the REALTOR® Code*, Dennis Wilson

APRIL 4, SURREY, *Electronic Title Searching*, Catherine Greenall

Kootenay Real Estate Board

FEBRUARY 26, CRANBROOK, *Representing Buyers in the Sale of New Homes and Condominiums*, Gerry Halstrom

FEBRUARY 27, TRAIL, *Representing Buyers in the Sale of New Homes and Condominiums*, Gerry Halstrom

Okanagan Mainline Real Estate Board

FEBRUARY 18, VERNON, *CONDO 101: Strata Law for REALTORS®*, Mike Mangan

FEBRUARY 19, VERNON, *CONDO 202: Advanced Strata Law for REALTORS®*, Mike Mangan

FEBRUARY 20, KELOWNA, *CONDO 101: Strata Law for REALTORS®*, Mike Mangan

FEBRUARY 21, KELOWNA, *CONDO 202: Advanced Strata Law for REALTORS®*, Mike Mangan

MARCH 26, VERNON, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

MARCH 27, KELOWNA, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

Real Estate Board of Greater Vancouver

FEBRUARY 20, VANCOUVER, *Ethics: Unlocking the REALTOR® Code*, Kim Spencer

FEBRUARY 21, VANCOUVER, *Electronic Title Searching*, Catherine Greenall

FEBRUARY 22, VANCOUVER, *What Brokerages and REALTORS® Need to Know About Agency*, Brian Taylor

FEBRUARY 26, VANCOUVER, *Foreclosures and Court Ordered Sales*, Michael Walker

FEBRUARY 27, VANCOUVER, *Negotiating and Presenting Offers*, Richard Collins

MARCH 3, VANCOUVER, *CONDO 101: Strata Law for REALTORS®*, Adrienne Murray

MARCH 6, VANCOUVER, *CONDO 202: Advanced Strata Law for REALTORS®*, Adrienne Murray

MARCH 14, VANCOUVER, *What Brokerages and REALTORS® Need to Know About Agency*, Andrew Peck

MARCH 27, VANCOUVER, *Legal Update 2008*, Mike Mangan

South Okanagan Real Estate Board

MARCH 28, PENTICTON, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

Vancouver Island Real Estate Board

FEBRUARY 21, NANAIMO, *Tax Tips for Selling Real Estate*, Lorana Laporte

FEBRUARY 28, NANAIMO, *Contracts: Keep on Top of Changes*, Ray Blender

MARCH 6, PARKSVILLE, *Selling Tenant-Occupied Properties (STOP)*, Evelyn McNulty

Victoria Real Estate Board

FEBRUARY 25, VICTORIA, *Risk Management for Commercial REALTORS® and Property Managers*, Keith Olsen

MARCH 6, VICTORIA, *Legal Update 2008*, Mike Mangan

MARCH 7, VICTORIA, *What Brokerages and REALTORS® Need to Know About Agency*, Michael Ziegler

MARCH 20, VICTORIA, *CONDO 202: Advanced Strata Law for REALTORS®*, Mike Mangan

APRIL 7, VICTORIA, *Contracts: Keep on Top of Changes*, Ray Blender

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