



# Macrealty Market Update



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### What is the Flat Fee (Mere Posting) Model?

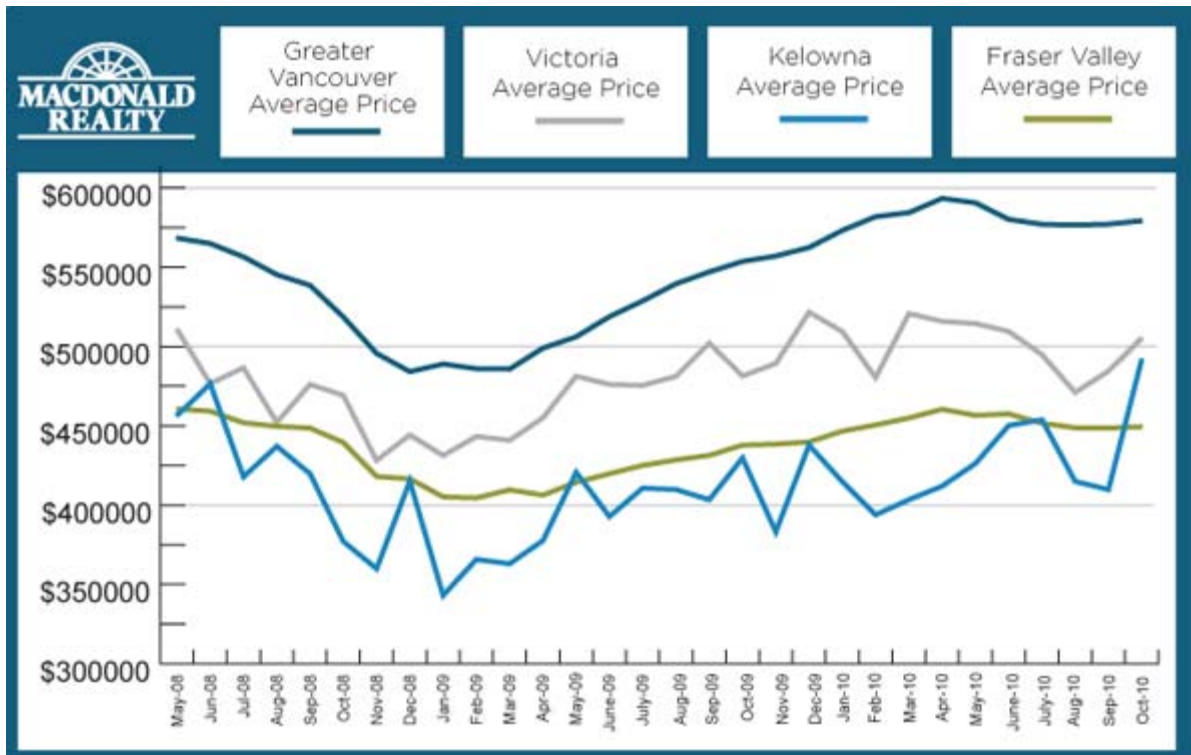
With the recent Canadian Real Estate Association (CREA) agreement with the competition bureau, there have been a number of questions about what Flat Fee models are and how they work.

Flat fee, or For Sale by Owner (FSBO), companies typically provide a kit to a seller that may include a sign and the ability to place a property on the MLS system, now known as a "MERE POSTING", for an up-front and non-refundable fee.

These companies allow a seller to "contract out" of other services provided by full-service agents. Of course, along with allowing sellers to contract out of these services, they also allow agents to contract out of their fiduciary responsibilities of disclosure, confidentiality, and agency. In addition, agents who merely post may not be able or willing to: qualify buyers, provide advice on the market, contracts, legal issues, questions about the house, or even how to deal with an offer. In these cases, sellers would be responsible for showing their own property, being knowledgeable about the market, understanding their legal responsibilities, and hiring a lawyer to draw up contracts, which can run thousands of dollars and are paid regardless of whether a transaction is completed. In addition, a seller, under this model, may not be covered by errors and omissions insurance, meaning that they would be fully liable for a litany of offences, many of which could potentially run hundreds of thousands of dollars.

This Flat Fee model and others such as discounted brokers, contrary to popular belief and media's reports, have always been allowed to exist in the BC real estate industry. However, the rest of the country has historically placed barriers or restrictions on alternative business models trying to use the MLS (multiple listing service) system as a selling tool. With the recent CREA agreement, the rest of Canada has adopted BC's progressive stance, which may have the effect of lowering the rest of Canada's commission rates (typically 5-6 % of the total selling price) to where they are now in BC. This is a good thing, and, as we can see from the BC example, will improve the industry's competitiveness. That said, despite having alternative models available to consumers for decades in BC, they still only represent less than 10% of the market, in part because sellers typically understand the important role a competent agent plays in effecting the successful sale of the most important asset in most people's lives.

**To find out how using a full service broker can benefit you, contact me at the address above.**



(Click chart to see larger image)

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