

# B.C. slaps three-day cooling off period on real estate sales, starts Jan. 1

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The B.C. government announced Thursday a new cooling off period on real estate sales, a measure meant to protect homebuyers pressured in high-risk sales. PHOTO BY AZIN GHAFARI/POSTMEDIA FILES

The B.C. government announced Thursday a new cooling-off period on real estate sales, a measure meant to protect homebuyers feeling pressured in high-risk sales.

The homebuyer protection period, the first of its kind in Canada, goes into effect on Jan. 1.

It was immediately condemned by the B.C. Real Estate Association, which represents 24,000 real estate agents.

The cooling-off period will give a buyer three business days following an accepted offer to conduct due diligence such as inspections, seeking legal advice and confirming financing.

The cooling-off period is one of seven recommendations the B.C. Financial Services Authority made in May to protect consumers in B.C.'s real estate market.

“Too many people have been faced with giving up an inspection in order to buy a home,” B.C. Finance Minister Selina Robinson said Thursday. “This is a major step toward providing homebuyers with the peace of mind they deserve while protecting the interests of people selling their homes — for today’s market and in the future.”

The homebuyer protection period includes a cancellation fee of 0.25 per cent of the purchase price, or \$250 for every \$100,000, for those who choose to back out of a deal. For example, if the purchaser cancels on a \$1-million home, they would be required to pay \$2,500 to the seller.

Trevor Koot, the real estate association’s CEO, said the sector was extremely disappointed in the minister’s decision to implement the homebuyer protection period in isolation from other measures

“This goes against the advice of the province’s real estate regulator, which — in May — recommended several consumer protection measures to be implemented as a package, not à la carte,” he said.

Koot said the government’s decision undermined the independence and expertise of the province’s real estate regulator and should concern British Columbians. He said the B.C. government needs to give the B.C. Financial Services Authority the power to conduct its own research and make its own decisions with respect to regulation.

The province says it is continuing to study the advice from the authority, which oversees credit unions, mortgage brokers, and insurance companies in addition to real estate.

In November, the province announced plans for a seven-day cooling-off period, but the B.C. Real Estate Association pushed back. It said it preferred another recommendation from the financial services authority — a pre-offer period that would require a listing be on the market for a minimum of five days before any offer was accepted.

The real estate association has said, ultimately, the only way to increase affordability is to increase supply.

Tsur Somerville, senior fellow at the UBC centre for urban economics and real estate said, “The homebuyer protection period is something that is long coming and much needed as a modernization package for how homes are purchased in British Columbia and for the stability, accountability and transparency of the entire market.”

Andrey Pavlov, a professor of finance at Simon Fraser University’s Beedie School of Business, said the cooling period is a misguided policy because it does nothing to remove the obstacles to increase housing supply, such as overcoming the very lengthy city approval process for development and a cumbersome building code.

He noted the cooling period could discourage sellers, which would further restrict the already highly insufficient supply of housing.

Pavlov said he believe the timing is also counterproductive as the housing market is experiencing a slowdown, if not in prices, in sales, due to high and increasing interest rates.

The Financial Services Authority also recommended sellers be required to provide property disclosure forms and key strata documents up front as part of the listing process.

And their advice included a requirement for buyers to disclose offers made on other properties, to discourage buyers from submitting several concurrent offers and to allow sellers to make an informed decision if there is the possibility a buyer may walk away from a sale for reasons other than those related to the immediate sale.

Other suggestions include requiring sellers to disclose how many and the value of offers have been received in cases of bidding wars where potential buyers are being asked to revise their offers, as well as standardizing certain clauses in home purchase contracts, such as financing, home inspection and legal advice.