

LAUTENS: Self interest fuels real estate Wild West

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JUST IN
Trevor Lautens

Who didn't know that Vancouver real estate prices are outrageous – even possibly inciting future civil violence by young generations shut out of ever owning a home in the city of their birth?

What's new – what's news, thanks to a print reporter who proved what everyone should know, that if you aren't reading newspapers you're badly under-informed or misinformed – is that **persons of shabby ethics are legally but odiously taking middlemen profits from unknowing home sellers while arguably gouging the ultimate buyers.**

The device is being dubbed **"shadow flipping,"** and it's **threatening to tar the whole real estate industry** thicker than the stuff needed to repave West Van's lumpy 1500-block Marine Drive (try that for reviving Ambleside, Mayor Michael Smith).

And yes, many named in Globe and Mail reporter Kathy Tomlinson's outstanding investigation into this unpleasant practice of flipping properties are ethnic Chinese, leaving owners selling for less than they might have got, and buyers – many themselves offshore Chinese – paying more than they might have paid.

The middlemen make up to seven-figure profits between the time the owner sells and when the deal legally closes. Sometimes that's months later.

Unless the seller is alert to his or her interests, and to the fine print in a sales agreement allowing such a process, in this grey period the property can be "assigned" – flatly, flipped to someone else, who in turn can flip it further up the food chain.

For example, Tomlinson cites a case before the courts wherein the West Vancouver plaintiff claims a scheme was concocted by a real estate agent and a buyer to purchase his home for \$5 million. It ultimately sold for \$7 million. Middlemen allegedly shared the \$2 million difference.

Apparently, that's legal. Offensive to many, perhaps, but legal. Where the regulators can, and should, jump in is into the loophole, because the **flippers, not being the actual final buyers in such cases, are suspected of reaping their profits**

without paying the capital gain or provincial property transfer tax (PTT) that lesser mortals (very sourly) pay.

The Liberal government handed the issue on a silver platter to the NDP. Following Tomlinson's story, New Democrat David Eby raised the suspicion of PTT avoidance and possible insider trading and money laundering. Christy Clark, abetted by cabinet minister Peter Fassbender, who seems even more laissez-faire than the premier about Vancouver's (dangerous, I fear) real estate bubble, has rejected interfering with the market by imposing restraints on offshore property purchases.

And to be fair – my greatest fault – Clark makes a sobering point not missed by West Vancouver's millionaire property owners, which means every one of us: Discouragement of offshore or home-grown buyers, including speculators who buy houses and leave them empty (or faux-occupied) in expectation of higher prices, would lower existing owners' property values. Gulp. Who said self-interest and greed should be monopolized by any one group?

I asked Jason Soprovich, a top West Van Realtor, for his view. Which was: "Oh, shadow flipping, yeah. It's not good for the industry. It's unfair on so many levels." As in any industry, "there are always a few tainted apples – it's limited to a few tainted apples."

Another long-time West Van Realtor of integrity whom I dealt with years ago politely declined to comment: "Our company has a policy that only regional management can make public statements on behalf of our company."

Tomlinson quoted Vancouver real estate agent Allyson Brooke of Macdonald Realty: "There is a lot of speculation in this market – but lack of government intervention is as responsible as the speculators themselves."

Obvious question: How come a newspaper reporter could winnow through hundreds of records to discover what bureaucrats must have known about – and will now likely snap out of their doze to do something, or seen to be doing something, about?

Well, um, maybe because that might jeopardize Vancouver's standing as the third priciest real estate on the globe – and also a great many interests with dollar signs attached. Go back to Premier Clark's candour. Do I want my real estate values to crest and then drop, joining my stocks and savings accounts in their calamitous swoon? I refuse to answer on the grounds that I'd have to tell the truth.

David Marley, a relentless West Van political scold, emails: "Don't count on the Real Estate Council of B.C. to do what is necessary. It seems they've been aware of the unethical behaviour by some of their members for quite a period of time now and, instead of immediately revoking licences as should be done, have merely been giving those brokers who have been caught abusing their position of trust short-term 'time-outs' as though they were naughty children. A little respite to count their ill-gotten gains."

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