



Real Estate Council of Alberta

Consultation Paper

New Licence Model for

Real Estate Brokers

January 21, 2015

New real estate licence model

The Real Estate Council of Alberta (RECA) is implementing a new real estate licence model. The new model will reduce barriers, time, and cost to enter the industry. It will require **new** real estate professionals to choose a specialty and to complete education for that specialty. If they want to trade in real estate in multiple specialties, they must take the education for each specialty.

It will:

- build on the current and successful model for property managers
- apply to all new real estate professionals
- not apply to current real estate professionals
- allow new industry professionals to enter the industry in the specialty they choose
- allow industry professionals to trade in the specialty where they successfully complete the appropriate education
- be effective June 1, 2015

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All new real estate professionals must successfully complete:

- *Introduction to a Career in Real Estate* [Online tutorial]
- *Fundamentals of Real Estate*
- one or more of residential, commercial, or property management practice courses

This new model will:

- make it easier for individuals to enter the industry
- give clear career path choice for potential industry professionals
- match education to their career path
- facilitate new re-licensing education opportunities for specialty areas of practice
- increase competence and professionalism of industry professionals
- not impact existing industry professionals

Definitions

Council is amending the *Real Estate Act* Rules to include the following definitions for commercial and residential real estate.

“residential real estate” means:

- (i) *any premises intended for residential purposes and the land upon which the premises are situated;*
- (ii) *a building comprised of not more than four premises intended for residential purposes; or*
- (iii) *land intended or used as a site for residential purposes.*

“commercial real estate” means real property intended or used to generate income and includes property used for retail, office, industrial, agricultural, investment and institutional purposes and multifamily residential property comprised of more than four premises.”

There is no perfect definition for all situations. These definitions will cover all but a few situations. RECA will develop an Information Bulletin with examples to give clarity.

Consultation questions

1. What are your comments and suggestions on these definitions?
2. What challenges will RECA and the industry face to implement this new model to enter the real estate industry?
3. What suggestions do you have to address those challenges?

You may respond prior to March 1, 2015 through this survey [link](#) or email your response to newlicencemodel@reca.ca.

Real estate professionals understand the difference between residential and commercial real estate

Industry professionals are aware of the difference between residential and commercial real estate and list property on the appropriate representation agreement. The definitions RECA is proposing reflect the current understanding of these terms in the industry.

This licensing model will require definitions to give new industry professionals direction when they require a property management, residential or commercial licence.

The definition of property management is in the *Real Estate Act*. For residential and commercial property, a key aspect of each definition is the concept of the current or future use of the property.

RECA understands there are many types of property and unique situations in today's real estate market. It recognizes there are a number of definitions and no definition will cover all situations. RECA realizes there is a practical element and the definitions will be an important guide to industry members and their clients.

The area that may cause an industry professional to pause is where the use of a particular property may change. An example of this is land close to a city and the current use is country residential. The best use of the land is for commercial or industrial purposes. The sale of this land may be residential or commercial. A real estate professional must give competent service. If the highest and best use of a property is in an area you do not have the expertise, you should refer the transaction to someone who has the expertise.

RECA's Real Estate Practice Advisor is available to brokers to give information and advice on this issue when a broker or their associates are uncertain about a particular situation.

Background

In December 2006, Council sought input from stakeholders through a discussion paper and an online survey of industry professionals on the concept of a special licence for property managers. The discussion paper and survey explored the idea of a specialty licence for other real estate sectors. The results of that consultation process and consideration by Council was a change of policy for the education requirements for property managers.

Property management model

On May 23, 2007, there was a change in the education policy for individuals wishing to enter the real estate industry and limit their work to the provision of property management services. Individuals who only wish to practice in the property management sector must complete:

- *Introduction to a Career in Real Estate*
- *Fundamentals of Real Estate; and*
- *Introduction to a Career in Property Management*

The implementation of this policy was through a restriction on the industry professional's licence.

Current real estate model

If an individual does not intend to conduct property management activities on entry to the real estate industry, they do not need to complete the *Introduction to a Career in Property Management*. They must complete:

- *Introduction to a Career in Real Estate* [online tutorial]
- *Fundamentals of Real Estate*
- *Residential Real Estate*
- *Commercial Real Estate*
- *Rural Real Estate*

Commercial real estate recommendation

RECA's Commercial Real Estate Advisory Committee and commercial brokerages Alberta encourages Council to have a separate licence for commercial real estate. If a separate licence were not possible, then an education model similar to property management would be acceptable. This means to enter commercial real estate, a new industry professional must successfully complete the *Fundamentals of Real Estate* course and the *Practice of Commercial Real Estate* course.

The Committee recommends including the non-residential components of the *Rural Real Estate* course in the *Practice of Commercial Real Estate* course.

If Council implements a separate licence for commercial real estate and includes rural real estate as part of commercial, this structure creates a separate licence for residential real estate.

Input from Council's Commercial Real Estate Advisory Committee, real estate brokers, and stakeholder research in preparation for Council's 2011 strategic planning session, indicates Council should consider a new model for licensing in the real estate sector. Council agrees with this input and it is in its current Business Plan.

In the Real Estate Council of Alberta's Strategic and Business Plans, Critical Success factor states:

CSF #2 - Provide innovative, leading-edge career preparation and training resulting in highly competent and highly valued new industry professionals.

2.2 Implement new RECA policy on specialized licensing for the real estate sector