

TRADING IN REAL ESTATE – RESIDENTIAL REAL ESTATE

Purpose: This bulletin clarifies the type of real estate an individual may trade in when they hold a licence to trade in residential real estate.

This bulletin applies to all real estate professionals.

As a real estate professional who holds a licence to trade in residential real estate, you need to understand the type of real estate in which you may trade. Most times this is obvious but sometimes there may be some confusion.

Alberta's licensing model for real estate industry professionals allows new real estate professionals to complete the practice education courses for the areas of real estate in which they plan to work. Real estate professionals may receive a real estate licence that is restricted to specific areas of practice for which they complete the practice education courses, in this case, residential real estate.

What is residential real estate?

The *Real Estate Act* Rules define residential real estate. "Residential real estate" means real estate used for residential purposes, or intended to be used for residential purposes, comprising of or to be comprised of not more than four residential premises.

The definitions for each of the practice areas emphasizes the use or intended use of the real estate.

What can I do with a licence to trade in residential real estate?

Residential real estate professionals hold a licence to assist buyers and sellers of residential real estate. Single-family homes, residential acreages (country residential) not intended for farming, duplexes, four-plex, townhouses, condominiums, a cabin at the lake used for recreational purposes, and individual residential condominium units are a few examples of residential real estate.

You also need to consider the use or intended use of a piece of real estate. Sometimes a property's current land use isn't its best use and a desire to change the land use may necessitate a different type of real estate practitioner representing a buyer of that property. For example, this could be the case for agricultural land near the boundaries of a major city. If changing the land use from agricultural to residential or industrial is the highest or best use, and is successful through the local municipal authority, then a residential or commercial real estate practitioner, as the

case may be, would be able to represent a buyer of that land. You always need to consider real estate's highest and best use in determining who could assist a buyer or seller.

Another way to determine if a transaction is residential is to review the number of premises being bought or sold as part of a single transaction. An individual who holds a licence to trade in residential real estate is restricted to assisting buyers and sellers only when there are four or less premises as part of the single transaction.

Examples:

These examples are not intended to cover every possible situation or scenario, but will provide real estate professionals with some practical guidelines.

- 1) Side-by-side duplex: a residential real estate professional can assist the buyer or seller of a side-by-side duplex as the property is residential, its use is residential, and it has only two premises.
- 2) 10-unit apartment building: A residential real estate professional would not be authorized to assist the buyer or seller of such a property. The real estate professional requires a licence to trade in commercial real estate. If, however, the best use may be conversion to condominium ownership, after the property converts to condominium units, an individual with a licence to trade in residential real estate could sell individual premises.
- 3) Representing the buyer of a four-plex: An individual with a licence to trade in residential real estate could assist the buyer in the purchase of a four-plex as there are only four premises.
- 4) A developer wants to hire a residential real estate professional to sell 75 individual premises in a high-rise condominium building. A residential real estate associate can represent the developer for these sales. The developer is selling one unit at a time; the developer is not selling the building as a whole (if he was, he would require the services of a commercial real estate professional). If one buyer wants to purchase multiple units, the purchase should be by individual unit.
- 5) A buyer wants to buy an acreage with 5-10 acres with a single-family residence. The buyer will use this as their family's principal residence. A residential real estate professional could assist this buyer in their search for a single-family home on an acreage.
- 6) A seller stables horses and farms a quarter section of real estate just outside of the city limits. The highest and best use of this real estate is for agricultural purposes, so a residential real estate professional would not be able to represent this seller.
- 7) A unique development in Calgary contains office/residential condominiums. In each unit, the owner resides, but the land use policy allows the individual to have a home business in the

condominium. A residential real estate professional could assist a buyer or seller of this property. Its primary use is residential, even with the addition of office space, and it's a single premises.

- 8) A developer is selling lots at a lakeside resort community. A buyer wants to purchase one of these lots with the assistance of a real estate professional. The buyer plans to build a recreational property to reside half of the year. He may consider renting out the property for the other six months of the year. A residential real estate professional could represent the buyer in this deal. The real estate's use is as a site for residential purposes.
- 9) A residential property owner enters into a written service agreement with a residential real estate professional to sell the property. The owner is transferred out of town and the property hasn't sold yet. He asks his residential real estate professional to find a tenant. The residential real estate professional can lease the property on the owner's behalf, but can't manage the property unless he is authorized in property management and his brokerage allows property management activities.

If RECA receives a complaint about a real estate professional acting outside of the scope of their licence, RECA will review their conduct.

You must hold a licence to trade in the practice areas you are trading. If you trade in an area of practice that you do not hold a licence, your actions may be conduct deserving of sanction and be subject to disciplinary action.

RECA would also like to remind real estate professionals that even with a licence to trade in a specific area of practice, they need to ensure they are competent before assisting in any transaction. For example, if you are licensed to trade in all areas of real estate practice, but have never represented a buyer or seller in a commercial real estate transaction, you may not be competent to assist a buyer or seller in a complex commercial transaction. You should refer that buyer or seller to qualified and competent real estate professional. For more information about competence, review the Information Bulletin: Competent Service.

Related Information

Legislation

- *Real Estate Act* Rules – sections 1(1)(g.01)(w)(bb.1) and (bb.2)

Information Bulletins

- Competent Service
- Trading in Real Estate – Commercial Real Estate
- Trading in Real Estate – Property Management
- Trading in Real Estate – Rural Real Estate