



# “PRICE PROTECTION” COULD BREAK STALEMATE

Buyer price protection program could move some buyers “off the fence”, proponents say.

“Home buyers have been holding off in hope that prices will fall, but vendors are only willing to go so far. It’s a stalemate.” That’s how Scott Olsen, president of the Fraser Valley Real Estate Board explained what is happening now across the Lower Mainland. Eugen Klein, president of the Real Estate Board of Greater Vancouver said “sellers are taking their homes off the market rather than settle for a lower price.”

The result is slower housing sales: down 23 per cent in the Fraser Valley last month, year-over-year, and down 14 per cent in Greater Vancouver, though up marginally in Chilliwack. But what if buyers could be guaranteed they would get their money back if the prices dropped 5 per cent or more in the next year?

It could move some buyers “off the fence”, according to Bill Babcock of Vancouver-based Babcock Financial, who is touting a new ‘Buyer Protection Plan’ as a

solution to the deadlock.

Here is how it works, according to Babcock.

Say a home is purchased for \$400,000 as a Buyer Protection Plan listing with a 5 per cent price drop protection for 12 months. The 5 per cent, in this case \$20,000, is held in escrow with a lawyer. This means the vendor would receive 95 per cent of their sale price at the closing of their property sale.

At the time the listing is purchased, the median (or benchmark) sale price of homes in the MLS area would be noted - based on published local Real Estate Board statistics. Twelve months later, using the exact same local Real Estate Board market statistics, the median (or benchmark) sale price of homes in the MLS area would be noted and compared to the previous year.

If the market statistics showed a price drop of 5 per cent or more, the buyer would be protected and awarded

the \$20,000 in escrow.

Let’s say the market only dropped by 2 per cent. The buyer would still be protected from this price decrease, Babcock explains. If the market dropped by 2 per cent, that is equivalent to 40 per cent of the \$20,000 held in escrow, or \$8,000. The buyer would be protected from this price drop and awarded the \$8,000, with the remainder of the \$20,000 going to the vendor.

(In the past year, the benchmark price of Fraser Valley home declined 2.4 per cent; in Greater Vancouver, the overall benchmark price is down 2.8 per cent from January 2012).

Babcock claims the Buyer Protection Plan system, developed by Calgary-based 180 Degree Solutions, signed up more than 250 realtors within three weeks of its launch this year. Realtors can sign up for free software at [www.BuyerProtectionPlan.ca](http://www.BuyerProtectionPlan.ca)