

The Disconnect Between Realtor Earning and Consumer Costs: An Analysis of Realtor Economics in Metro Vancouver

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March 15, 2023

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Introduction

The real estate industry is full of promise. People come to the real estate industry from diverse backgrounds, everything from carpentry, policing, management, and more. These people seek a combination of higher earnings, the ability to control their time, and a sense of freedom. This is the promise of the real estate industry. This promise combined with a low barrier to entry and the perception of high earnings with easy work, results in over 20,000 people joining the industry to see if they can reap the rewards. Being a Realtor is seen as a ticket to wealth, financial freedom, and a dream life.

Simultaneously, there is a common perception by the public that Realtors are sharks, hustlers, and rarely, if ever, to be trusted. They are often compared to ‘used car salesmen.’ In 2021, Forbes magazine identified lying, laziness, and “going M.I.A.” as the 3 biggest complaints people have about Realtors¹.

Despite these perceptions, Realtors face a much different reality. Very little is written about the average Realtor. Meanwhile, consumers are consumed in the business model that has emerged to support the industry as a whole. Home prices have risen in the last decade, and fees have risen accordingly. Should this continue to be the case? Should Realtors earn grand, and sometimes even obscene, commissions, sharing in the equity home owners build? Moreover, are these commissions justified by highly efficient, regulated, and streamlined work?

Through analysis of Metro Vancouver real estate data, this report will depict the average Realtor, examine the required services Realtors offer, the labor hours required to deliver those services, and the commissions consumers pay to obtain those services. In addition, this report will examine Realtor performance in terms of sales and labor and compare that to the gross annual commissions earned by the average Realtor. The analysis will primarily focus on residential property, both strata and non-stratified property. However, the principles of the labor may be considered to apply to commercial transactions as well.

¹ Forbes, The 3 Biggest Complaints People Have About Real Estate Agents, April 2021. [Click Here](#)

The Average Realtor

As of January 2023, Metro Vancouver has 20,614 Realtors. The Realtor counts do not differentiate 'part-time' Realtors. These are Realtors who hold other jobs and offer trading services to consumers outside of their other employment. Currently, there is no mandatory requirement for Realtors to disclose their 'part-time' or 'full-time' working status. As such, it is not possible for the data to reflect the number of part-time agents within the data.

Of the 20,614 Realtors, 4,976 are members of the Fraser Valley Real Estate Board, while 15,638 are members of the Real Estate Board of Greater Vancouver². These Realtors completed 44,176 sales in 2022³. Note that sales are counted as a single unit of listed inventory sold. As such, one sale from the real estate board statistical data represents two transaction sides with one Realtor representing the purchaser and one Realtor representing the seller. Therefore, Realtors completed 88,352 transaction sides in 2022. Of the 20,614 Realtors, 7,161 did not complete a single transaction. That is, 35% of Realtors did not sell a home, and earned \$0 in annual income.

When we examine the sales data further, we find some startling results.

- 1) The average Realtor completed 4.3 transactions.
- 2) The median Realtor (no. 10,308 in the data set) completed 2 transactions.
- 3) The mode of Realtor performance was 0 transactions.
- 4) Excluding 0-transaction producing Realtors,
 - a) The Average Realtor completed 6.6 transactions
 - b) The median Realtor (no. 6,727 in the data set) completed 4 transactions.⁴

Most stunning about the data is that there is a 114% difference between the median Realtor's production and the average Realtor's production. Indeed, we find that the top 2,029 agents completed between 14 and 178 transaction sides in 2022. This top 2,029 group at the lower end performed between 226% and 4,040% higher rate of transactions than the average Realtor. As such, we can see that the top 9.84% of Realtors perform a combined 51,254 transactions, or 58% of the total transactions completed in the real estate industry.

² Found within Realtor counts on the Paragon MLS System used in the FVREB and REBGV

³ Sales counts found in FVREB and REBGV statistics published monthly.

⁴ Data from IMS on agent production in 2022, pulled Jan 4, 2023.

Description of Services

Realtors operate as independent contractors within a brokerage. The Realtor's role within the brokerage is as a business to consumer salesperson. Realtors offer two primary services, listing and selling.⁵

A "Listing Realtor" acts as a representative for a home owner wishing to sell his or her home. Listing Realtors make a variety of services offerings to clients that include, but are not limited to:

- Appraisal
- Marketing
 - Multiple Listing Service (MLS) entry and subsequent Internet Data Exchange (IDX) distribution
 - Video production
 - Photography
 - Home Measuring
 - Signage
 - Social media advertising
 - Open houses
- Legal (as pertaining to their capacities defined by the license they hold)
 - Contract preparation
 - Contract amendments
- Negotiation (as pertaining to their capacities defined by the license they hold)
- Administrative
 - Showing scheduling
 - Gathering feedback from showings
 - Document management
 - Document storage

While this set of services may appear to be a thorough list of duties to perform, the proliferation of internet shared data, wholesale marketing services, and other digital document management companies have offered numerous solutions for Realtors to reduce their labor time.

The two principal services that Realtors offer that are exclusive services offerings of their profession are MLS entry and IDX. The MLS is a property database that is owned by a real estate board. It is a comprehensive database of property data that includes details about all homes sold through the MLS system dating back to 1993 (approx). The data includes all status and status changes (active, sold, expired, terminated), listing durations, dates of sale, home measurements, home fixture data (electrical system, plumbing, roofing, etc), land rights data,

⁵ This terminology can be quite confusing. "Listing" Realtors act on behalf of people *selling* a home. "Selling" Realtors act on behalf of people *purchasing* a home.

and more. The IDX is a data exchange that allows corporate brands, brokerages, and Realtors the ability to display homes available for sale on their respective websites.

A “Selling Realtor” acts on behalf of a consumer wishing to purchase a home. The services of a selling Realtor include, but are not limited to:

- Appraisal (at time of purchase)
- Property searching
 - MLS database search
 - Additional searches
- Legal
 - Contract preparation
 - Contract amendments
 - Subject removal preparation
- Negotiation (as pertaining to their capacities defined by the license they hold)
- Administrative
 - Showing scheduling
 - Document management
 - Property research
 - Document storage

Some selling Realtors do drive their clients from home to home as well, or provide additional services and conveniences related to searching for and viewing homes.

One additional service that Realtors provide is security. Whether a consumer is listing a home for sale, or purchasing a home, all interactions between home buyers and sellers are scheduled through Realtors and that communication is organized and tracked via a messaging system called “Touchbase.” This system is managed by the real estate boards, and makes all communication traceable back to a specific Realtor’s login data. While there may be some individual security breaches that unfortunately occur, these occurrences are few. Additionally, every Realtor is required to identify his or her clients. As such, there is an added level of verification and tracking as to who is offering a home for sale (eg, the person selling truly owns the home as verified by the land title), and who is buying (eg, Realtors must take valid ID of all customers upon providing services).

Realtor Input Hours

When we examine the working hours of Realtors we find that Realtors do not require a high number of service hours to complete a transaction. Indeed, the average transaction takes approximately 20 hours of active labor. We refer to these active hours of client service as “input hours.” While it may appear that the days on market for a home to sell may range from as few as 7 to as long as 6 months or more, the working time does not significantly expand or contract based on the typical ‘days on market’ statistic. The working hours over longer sale periods are dispersed over that time. The one exception to this is when working with indecisive buyers. For example, a Realtor who spends an average of 5 hrs per week showing homes to an indecisive buyer may work for 6-10 weeks simply showing homes. This Realtor can end up working a significant number of hours, without receiving timely compensation for his or her labor. Moreover, the Realtor runs the risk of an indecisive buyer who chooses not to purchase after an extended period of time searching for home.

The work a Realtor does can be divided among the following tasks.

Listing		
Task	Completed By:	Approximate Hours
Appraisal / CMA	Realtor or Admin	1
Presenting Appraisal / CMA	Realtor	1
MLS Listing and subsequent IDX distribution	Realtor or Admin	0.5
Video Production	Realtor and Outsource	1.5
Photography	Outsourced	NA
Home Measuring	Outsourced	NA
Place Signs	Outsourced	NA
Social Media Advertising	Realtor or Admin	1
Open Houses	Realtor	2
Contract Preparation	Realtor	1
Contract Amendments	Realtor	0.5
Negotiation (including contract amendments)	Realtor	2
Scheduling Showings	Realtor or Admin	1
Gathering Showing Feedback	Realtor or Admin	1
Document Management	Realtor or Admin	1
Document Storage	Realtor or Admin	1
Misc. Time in minor duties (calls, emails, etc)	Realtor or Admin	4
Total:		18.5

Purchasing		
Task	Completed By:	Approximate Hours
Appraisal / CMA	Realtor or Admin	1
Buyer Needs Analysis meeting	Realtor	1
MLS Database Search	Realtor or Admin	0.25
Additional Searches	Realtor or Admin	0.25
Contract Preparation	Realtor	1
Contract Amendments	Realtor	0.5
Subject Removal Document Preparation	Realtor	0.5
Negotiation (including contract amendments)	Realtor	3
Showing scheduling + Viewings	Realtor or Admin	8
Document Management	Realtor or Admin	1
Additional Property Research	Realtor or Admin	1
Document Storage	Realtor or Admin	1
Misc. Time in minor duties (calls, emails, etc)	Realtor or Admin	3
Total		21.5

Given that each Realtor is working an average of 20 hours, we can conclude the following about a given Realtor's input hours:

- 1) Given that there were 88,352 transactions in Metro Vancouver⁶, the total number of hours worked by Realtors in Metro Vancouver in 2022 is approximately 1,767,040
- 2) The average Realtor worked 132⁷ input hours annually, and
- 3) The median Realtor (no. 6727 in the data set), worked 80⁸ input hours annually.

Moreover, when we look at the total number of Realtors available to provide service within Metro Vancouver, we find that the total labor hours available is 41,228,000⁹. This represents a significant labor surplus.

⁶ Based on the combined sales reported in the [Real Estate Board of Greater Vancouver](#) and the [Fraser Valley Real Estate Board](#).

⁷ Excluding 0-transaction Realtors

⁸ Excluding 0-transaction Realtors

⁹ Assuming a standard 2000 hour working year.

2023 Realtor Commissions

Realtor commissions are represented to consumers as a percentage of home value. As such, Realtor commissions are linked directly to home value, and by extension, rise and fall with home values over time. In short, Realtor fees are directly linked to the housing price index.

The Metro Vancouver real estate market has also had a tremendous growth in benchmark home pricing over the last 10 years. When we compare the pricing on homes over a 10 year period, we find within the data

Real Estate Board of Greater Vancouver (REBGV)			
Type	2013 Benchmark Price	2023 Benchmark Price	Percent (%) Growth
Condo / Apartment	\$367,800	\$713,700	94%
Townhouse	\$456,100	\$1,012,700	122%
Detached Home	\$927,000	\$1,823,300	97%
Combined Average	\$583,600	\$1,183,200	103%
Fraser Valley Real Estate Board (FVREB)			
Type	2013 Benchmark Price	2023 Benchmark Price	Percent (%) Growth
Condo / Apartment	\$192,600	\$504,800	162%
Townhouse	\$293,300	\$787,300	168%
Detached Home	\$549,500	\$1,377,200	151%
Combined Average	\$345,100	\$889,800	158%
Metro Vancouver Combined Averages FVREB / REBGV			
Type	2013 Benchmark Price	2023 Benchmark Price	Percent (%) Growth
Condo / Apartment	\$280,200	\$609,250	117%
Townhouse	\$374,700	\$900,000	140%
Detached Home	\$738,250	\$1,600,250	117%
Combined Average	\$464,400	\$1,036,500	123%

*Data Source - REBGV and FVREB Stats Dec 2010 and Dec 2020

Looking at the combined 10 year average growth rate of properties in Metro Vancouver, home prices have risen 123% over the last 10 years. By extension, we should be able to plot a consistent rise in Realtor commissions charged to consumers. When we analyze Realtor commissions we note that Realtors are not allowed, as a profession, to standardize fees across the industry. This would be considered 'anti-competitive' and by extension, prohibited by the Competition Bureau of Canada. In spite of this, Metro Vancouver consumers have come to expect a commission of 7% on the 1st \$100,000 of home value, and 2.5% on the balance of home value¹⁰. This commission is commonly split between the Listing Realtor and the Selling Realtor with the Listing Realtor earning 3.78% on the 1st \$100,000 and 1.35% on the balance of home value and the Selling Realtor earning 3.22% on the 1st \$100,000 and 1.15% on the balance of home value.

When we examine the examine the above home pricing chart, and substitute home values for commissions we find the following:

Commissions Paid - GVREB (Average of List and Purchase)			
	2013	2023	Percent (%) Growth
Condo / Apartment	\$6,848	\$11,171	63%
Townhouse	\$7,951	\$14,909	88%
Detached Home	\$13,838	\$25,041	81%
Combined Average	\$9,545	\$17,040	79%
Commissions Paid - FVREB (Average of List and Purchase)			
	2013	2023	Percent (%) Growth
Condo / Apartment	\$4,658	\$8,560	84%
Townhouse	\$5,916	\$12,091	104%
Detached Home	\$9,119	\$19,465	113%
Combined Average	\$6,564	\$13,373	104%

¹⁰ It should be noted that all commissions within BC are subject to GST. No commission figures within this report include GST.

Commissions Paid - Combined Average Both Boards (Average of List and Purchase)			
	2013	2023	Percent (%) Growth
Condo / Apartment	\$5,753	\$9,866	72%
Townhouse	\$6,934	\$13,500	95%
Detached Home	\$11,478	\$22,253	94%
Combined Average	\$8,055	\$15,206	89%

*Data Source: Extrapolated based on REBGV and FVREB Stats, using a 7%/2.5% model

The estimated total of commission revenue for Metro Vancouver Realtors in 2022 is \$1,301,807,377. This revenue is shared between Realtors and their brokerages according to an individual Realtors' contract with his or her brokerage. Moreover, this revenue estimate does not factor in any discounted commissions Realtors may have offered as incentives to the consumers as incentives to do business. By extension, we can also assume that 9.84% of the Realtors who completed 58% of the transactions generated 58% of the total revenue. Therefore, 9.84% of the Realtors generated approximately \$755,048,279 of commissions, while 90.16% of the Realtors generated \$546,759,098 of commissions. Extrapolating from the above data, we use the combined average commission of homes sold of \$15,206 to draw the following conclusions:

- 1) The average Realtor earned \$65,386,
- 2) The median Realtor earned \$30,412.
- 3) Excluding 0-transaction producing Realtors
 - a) The average Realtor earned \$100,360,
 - b) The median Realtor earned \$60,824.
- 4) The average Realtor in the top 9.84% earned \$383,068
- 5) The average Realtor in the bottom 90.16% earned \$30,412
- 6) The average and median Realtor worked for \$760.30 / hour ¹¹

As the mode for Realtor productivity is 0, no further conclusions need be drawn about the mode Realtor.

If we include Realtors who are working, but produce 0 transactions in a given year we find the same result in terms of dollars per input hour worked. When factoring in these 0-transaction Realtors, the input hours drop from 131.35 to 85.72, the average income decreases from \$100,360 per year to \$65,386 per year. Regardless of the 0-Realtor variations the hourly rate of a Realtor remains the same at \$760.30 / hour. This dollars per hour figure does not include time spent searching for potential clients, or converting these potential clients to active clients. As a

¹¹ Calculation excludes 0-transaction Realtors. Including the 0-transaction Realtors, the hours worked is 109.6

direct result, clients who do choose to utilize Realtor services end up compensating the Realtor for hours that were not directly related to working on that client's sale.

Additional factors not captured in these earning assumptions is that some Realtors:

- Focus exclusively on one property type,
- Operated in different geographies with different prevailing price points,
- Operate at different levels of commissions charged,
- Offer discounts to consumers, and
- Pay fees to other Realtors for Realtor-to-Realtor referrals.

In short, the minority of Realtors earn more than 10 times the average earnings of the majority.

When comparing the growth in commissions to the growth in average pricing, we see that the growth rates are different. The reason for this difference is that the net average commission on lower priced property is higher than the average on higher priced property. This occurs because of the split commissions that Realtors charge (X% on 1st \$100,000 and Y% on balance). The higher the property price, the lower the net average rate of commission will be. For example, when charging 3.78% on the 1st \$100,000 and 1.35% on the balance of home value, on a property that is listed for \$200,000 the total listing commission would be \$5,130, or 2.57%. The same 3.78:1.35% breakdown on a property that is \$600,000 would be \$10,530, or 1.76%. In sum, the higher the purchase price, the lower the aggregate commission charged on the value of the home.

When we examine the nature of commissions, it is easy to see that Realtor revenues will continue to rise, while Realtor costs, both in terms of dollars and time, will continue to reduce over time. Realtor revenues are, by the nature of the commission being based on the current value of a home, linked to the housing price index. Therefore, as home prices increase, Realtor revenues will increase as well. Additionally, Realtor costs in both dollars and time, have, and will continue to decrease. Within the Metro Vancouver marketplace, numerous businesses and services providers have created services to offer agents. These services include, but are not limited to, photography, home measuring, appraisal, strata document review, and land title review. More and more, technology companies are attempting to standardize the processing of legal documents to streamline the administrative processes, then offer these services to individual agents, brokerages, and real estate boards. These services are offered at a fraction of the cost of commissions, with high end photography and videography being offered for as little as \$750, with optional added costs for 'drone photography'.

Real estate boards themselves adopt technologies to streamline the process of data collection and data distribution. Currently, the REBGV and FVREB utilize the Paragon system to manage the MLS database, as well as distribute data to real estate board members. The MLS systems are so efficient, that a Realtor can put a prospective buyer on an automated search using the buyer's own criteria, and have current and new listings that match that criteria populate on an interactive customized website for that Realtor and prospective buyer. From that site, buyers

can sort, 'favorite,' view, and review homes, and receive updates on new photos, descriptions, links, and more about each individual property. As a result, Realtors put fewer and fewer hours into searching for homes. Most significantly, technologies adopted by real estate boards are often provided for broker and Realtor members at no additional costs above the normal member dues.

Conclusions

When we summarize the data above, we find some very striking information.

- There are 20,614 Realtors,
- There are approximately 41,228,000 available hours of labor for providing Realtor services,
- Realtors worked 1,767,000 to serve the existing demand,
- The average Realtor earns \$15,206 per sale,
- The average Realtor completed 4.3 sales
- This brings the average input hour earning of a Realtor to \$760.30 / hour
- The average input hours per Realtor is 86 hours per year
- In spite of the high per hour earnings, the average Realtor only earns \$65,386 / year

In short, there is a significant labor surplus within the Metro Vancouver real estate market. Traditional economic thinking would lead to the conclusion that the cost of labor should decline. However, our 10 year trend shows an 89% increase in the cost of Realtor labor. *The cost of the service consumers pay has become disconnected from the basic economics of supply and demand.*

The reason for this disconnect is due to the fact that Realtor commissions are inextricably linked to the housing price index. As the price of homes rises or falls, so too do the dollars earned per sale. As a direct result of this link, the costs that consumers pay for Realtor services fluctuates not based on the available labor in a very competitive pool, but based on the myriad of factors that drive home value, the majority of which are not related to the service being purchased.

A further consequence of Realtor commissions being linked to housing prices is that Realtors become a de facto beneficiary of consumers' real estate investment. In short, the Realtor converts a portion of a consumer's equity into cash earnings. As a result, a Realtor participates in the profit a consumer would normally enjoy for buying a home, paying the mortgage, and later moving. If a consumer wishes to sell his or her home, that home owner will pay a portion of his or her home value, thereby reducing the profit earned for taking on the risk of owning that home. Moreover, a consumer pays that fee in terms of the gross sale price, thereby further reducing the profit received. For example, if a person buys a home for \$1,200,000 and later sells it for \$1,500,000 they would profit \$300,000. The fee to sell that home at the higher value is \$42,000. Thus, a homeowners profit of \$300,000 is reduced by 14%, not the quoted commission of 7% on the first \$100,000 and 2.5% on the balance.

In spite of an earning model that is linked to the housing price index, the average Realtor earns an annual income of \$65,386 per year. When adjusting this income to eliminate business costs, the average Realtor's gross taxable income is significantly reduced. When we remove the top 10% of Realtors who earn significant revenues from the business model, 90% of Realtors are earning less than \$30,000 per year. *The majority of Realtors do not benefit from the financial*

model that dominates the industry. The promise the industry makes to those who chase the dream of financial freedom through real estate is empty.

Lastly, when the cost of services provided is compared against the cost of hiring a lawyer to perform the critical legal tasks, we find that the average real estate lawyer charges \$311 per hour.¹² A brief survey of the cost of home marketing packages for Realtors varies between as little as \$500, to as much as \$2000. In short, a consumer could hire a real estate lawyer to complete 20 hours of work and purchase marketing for a combined cost of \$8,220. Compared to the hourly rate of a Realtor at \$760 per hour, or \$15,206 per sale, consumers are now significantly overpaying for the services they receive.

In short, for Realtors, earnings are low; for consumers, costs are high, and for all people, both Realtors and consumers, the cost of the services provided have become disconnected from the value consumers receive.

¹² Canadian Lawyer Magazine, June 2017,
https://www.canadianlawyermag.com/staticcontent/AttachedDocs/CL_June_17_PricedValue.pdf

Appendix I - Commentary on the Data

The main sources of information were used to compile the data:

- 1) IMS Incorporated (<https://reality.realestatestatistics.com/index.php>)
- 2) Real Estate Board of Greater Vancouver (REBGV)
- 3) The Fraser Valley Real Estate Board (FVREB)
- 4) The Realtor internal data system - Paragon
- 5) Surveys of individual Realtors (names omitted)

It should be noted that the fundamental level of data collections is done at the level of the real estate board. It is the real estate boards that generate and manage the MLS system, and by extension, share that data among other stakeholders in the industry as well as between real estate board members. In short, one function of the real estate boards is to centralize and redistribute data. Additionally, IMS pulls data from the real estate boards themselves, and then compiles the data for statistical analysis, and sells the data to consumers for a monthly fee. Notable exclusions from the data set include For Sale By Owner sales that do not get an MLS listing, and other non-MLS listed transfers of property, such as during an estate or private sale between two private individuals. Also, some MLS data is not available, and is omitted from the results. For example, a transaction completed on Dec 30, 2022, may or may not be included within the dataset due to the delays of bureaucratic processing of data. As such, there is an estimated margin of error of 5% in the data analysis.

Lastly, there is one group that creates some statistical anomalies within the research - non-board affiliated members ("Licensees"). Licensees have obtained a trading services license, but do not practice as a board affiliated member. Some data has shown that they have completed approximately 1000 transaction sides on MLS systems. It should be noted however, that there is a large percentage of these licensees who are not practicing Realtors, but utilize their license in conjunction with another related business, such as home builders.