

Working with a real estate agent in a commercial transaction: Things you need to know

RECO INFORMATION GUIDE



**Real Estate
Council of Ontario**

The guide is produced by the Real Estate Council of Ontario (RECO)

RECO regulates real estate agents and brokerages, educates consumers, and promotes a safe and informed real estate marketplace. RECO administers and enforces the *Trust in Real Estate Services Act, 2002*. Find out more on the RECO website (www.reco.on.ca).

About this guide

You have received this guide from a real estate agent because:

- you are considering receiving services from the real estate agent in a commercial real estate transaction, or
- the agent is representing a client in a commercial real estate transaction, and you might receive assistance from the agent.

Real estate agents in Ontario are required to provide and explain this guide before providing services or assistance to you.

In this guide:

- *brokerage* means a real estate brokerage
- *real estate agent* and *agent* mean a real estate salesperson or broker
- *buying* and *selling* can also mean *leasing*
- *buyer* can also mean *lessee*
- *seller* can also mean *lessor*

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Legal disclaimer: The content of the *RECO Information Guide* is not intended to act as a substitute for legal advice or as a replacement for the *Trust in Real Estate Services Act, 2002*. Readers are encouraged to retain qualified and independent legal counsel to answer any legal questions or address any legal issues. Where there is any discrepancy, the legislation will take precedence.

Working with a real estate agent

Agents in Ontario must be registered, which requires completing the necessary education, and carrying consumer deposit insurance and professional liability insurance.

Real estate agents provide valuable information, advice, and guidance to buyers and sellers as they navigate the complexities of commercial real estate transactions. A real estate brokerage or agent can:

- Help you understand neighborhood trends, zoning laws, and nearby businesses that could impact your future success.
- Identify properties that meet your specific needs, including properties that might not be publicly marketed.
- Guide you through the property valuation process, including the financial analysis, to determine an accurate market price for a specific property.
- Provide insights into current market conditions, including rental rates and vacancy rates, which could directly influence pricing negotiations.
- Review the financials provided by sellers, create underwriting for investment properties, and advise clients on what types of properties represent sound investments.
- Negotiate purchase, sale, lease, and other contracts.
- Effectively market commercial properties to attract tenants.

When selecting a real estate agent to help you with a commercial or industrial transaction, the agent's experience, expertise, and market knowledge are key factors to consider, as well as references from previous clients. The right agent will be familiar with the nuances of the type of property you are interested in buying, selling, or leasing (for example, office space, industrial facilities, or retail outlets) and will be able to effectively advise you on potential opportunities based on your specific needs.

You will also benefit from the duties the brokerage and agent owe to you as a client

- **Undivided loyalty:** Your best interests are promoted and protected by the brokerage or agent representing you.
- **Disclosure:** Your representative must tell you everything they know about the transaction, or your client relationship, that could have an impact on any decisions you make.
- **Confidentiality:** Your representative must protect your confidential information. It can only be shared with your written consent, except where required by law, even after your client relationship ends.
- **Avoid conflicts of interest:** They must avoid any situation that would affect their duty to act in your best interests. If a conflict arises, they must disclose it to you and cannot provide any additional services to you unless you agree in writing to continue receiving services.

You have responsibilities as a client

You need to:

- be clear about what you want and don't want and make sure you share all information that might be relevant;
- respond to your agent's questions quickly;
- understand the terms of your agreement with the brokerage; and,
- fulfil your financial obligations under the contract with the brokerage, even if an agreement to buy or sell later falls through because of your default or neglect.

Know the risks of representing yourself

If you are involved in a commercial real estate transaction and are *not* a client of a real estate brokerage, you are considered a *self-represented party*.

There are significant risks associated with representing yourself in a commercial real estate transaction if you do not have the knowledge and expertise required to navigate the transaction or are not supported by professionals who can guide you through the transaction. RECO recommends that you seek independent professional advice before you proceed as a self-represented party.

Agents in Ontario are permitted to provide assistance to a self-represented party if the assistance is a service provided to their client or incidental to a service provided to their client. It's important to be aware that the agent has a legal obligation to act in the best interests of the client they represent.

A real estate agent representing a party on the other side of the transaction cannot:

- provide you with any services, opinions, or advice; or
- do anything that would encourage you to rely on their knowledge, skill, or judgement.

The agent is required to give you RECO's *Information and Disclosure to Self-represented Party* form and explain its content before they can provide any assistance. This form is intended to make the risks clear and avoid any misunderstandings.

Be aware that the agent is legally obligated to share anything you tell them with their client, which might not be in your best interests, including:

- your motivation for buying or selling the property;
- the minimum or maximum price you are willing to offer or accept; and,
- your preferred terms or conditions for an agreement of purchase and sale.

Signing a contract with a real estate brokerage

Things to look for in the agreement

Scope

Your agreement should specify the scope of the engagement. As a seller, this will be the specific property. As a buyer, this might be a specific property type or geographic area.

Services

The agreement must clearly set out the services you will receive. There is no standard set of services — brokerages offer a variety of service options.

Payment amount and terms

You and the brokerage decide the amount you will pay for services. The amount is not fixed or approved by RECO, any government authority, or any real estate association or real estate board. You can agree to pay a fixed dollar amount, a percentage of the sale price, or a combination of both. The representation agreement cannot specify an amount based on the difference between a property's listing price and what it sells for. Agreements must also identify circumstances in which the amounts agreed to might change and how they will change in each circumstance.

Termination provisions

The agreement should list all circumstances when the agreement can be terminated. Review when the brokerage can terminate the agreement, and make sure you are aware of any penalties or costs that might apply in each case.

Expiry date

There is no set time or standard term for a representation agreement: it can be in place for a day, a few weeks, or months. Consider how long you want the agreement to remain in place, and make sure you know when your agreement will expire.

Clients enter a *representation agreement* with the brokerage — the contract for real estate services and representation. Protect yourself by reviewing the agreement in detail.

There are two types of representation permitted in Ontario:

Brokerage representation:

The brokerage and all its agents represent you and must promote and protect your best interests, but one of the brokerage's real estate agents may be your primary contact.

Designated representation:

One (or more) of the brokerage's real estate agents is your *designated representative*.

The agent(s) represent(s) you and must promote and protect your best interests. The brokerage and its other agents are required to treat you impartially and objectively.

Your representation agreement will describe the duties owed to you, the services you will receive, your rights and responsibilities, what you will pay, and specific terms of the agreement, including how long the agreement will last and in what circumstances it can be cancelled.

Holdover clause

Most representation agreements include what is often called a holdover clause. The clause might require you to pay the brokerage fees for a purchase or sale even when the transaction happens after your representation agreement expires. The clause will specify the time the holdover clause is in effect from the date the agreement expires. A holdover clause is designed to protect the brokerage, and there is no minimum or set time for a holdover period.

Designated representative

If the agreement is a designated representation agreement, the name of the designated representative must be identified. More than one real estate agent can be identified as a designated representative under an agreement.

Understanding multiple representation

Multiple representation can arise in different ways, depending on the type of representation agreement you and the other clients have with the brokerage:

Brokerage representation:

Multiple representation exists when the brokerage represents both the buyer and seller in the same transaction, or two or more competing buyers interested in the same property — even when the clients are working with different real estate agents.

Designated representation:

Multiple representation exists when the same real estate agent is the designated representative for both the buyer and the seller in the same transaction, or for two or more competing buyers interested in the same property.

Multiple representation is not permitted unless each of the clients involved agrees. You should seek independent professional advice (for example, from your real estate lawyer) before proceeding.

It's important to understand the risks. If you agree to multiple representation, the brokerage or designated representative:

- **must** treat each of the clients involved in an objective and impartial manner;
- **cannot** maintain undivided loyalty to you or promote and protect your interests over the interests of the other client; and,
- **cannot** offer advice to you about such things as the price you should offer or accept or terms that should be included in an agreement of purchase and sale.

What to expect before you agree to multiple representation

The brokerage is required to provide you with a written disclosure that explains:

- how the brokerage's duties or the designated representative's duties to you will change;
- the differences in the services you will receive; and,
- any change to how much you pay the brokerage.

Until this information is disclosed in writing to all clients in the transaction, and they all agree in writing, the brokerage, or designated representative, cannot take any further steps on behalf of any of the clients.

Confidential information you provided to the brokerage or the designated representative when you were represented cannot be shared without your written consent.

You can refuse multiple representation

If you don't agree, the brokerage or your designated representative is not allowed to proceed.

How to make a complaint

Brokerage firms and real estate agents working in Ontario must be registered with RECO. Ontario brokerages and real estate agents are accountable for their conduct. If you have a concern:

First, contact your brokerage

In many cases, your brokerage will be able to mediate or resolve your complaint about a real estate agent or the services provided under your representation agreement. Search for the brokerage in RECO's [Public Register](#) to find the name of the broker of record (the person responsible for ensuring the brokerage complies with the law) and their contact information. Note that the brokerage cannot ask you to sign an agreement that requires you to withdraw a complaint to RECO or prevents you from making one.

Contact RECO

To file a complaint with RECO about a brokerage or real estate agent, visit the [complaints section](#) of the RECO website. This section explains the complaints process, possible outcomes, and how to file your complaint. RECO will review the issue, determine if it has the authority to deal with it, and what next steps, if any, it will take.

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Where to get more information

For more information about buying and selling property in Ontario: [RECO's website](#).
For the legislation that governs brokerages and real estate agents trading in real estate in Ontario: [Trust in Real Estate Services Act, 2002](#).

Acknowledgement

Real estate agent name

Brokerage name

Date guide was provided

Signature of real estate agent

I acknowledge the real estate agent named above provided the *RECO Information Guide* to me and explained the content.

Buyer/seller name

Buyer/seller name

Signature of buyer/seller

Signature of buyer/seller

Date

Date