

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

IN THE MATTER OF an application by the Commissioner of Competition pursuant to section 79 of the *Competition Act*;

AND IN THE MATTER OF certain rules, policies and agreements relating to the multiple listing service of the Toronto Real Estate Board.

BETWEEN:

THE COMMISSIONER OF COMPETITION

Applicant

- and -

THE TORONTO REAL ESTATE BOARD

Respondent

- and -

**THE CANADIAN REAL ESTATE ASSOCIATION and
REALTYSELLERS REAL ESTATE INC.**

Intervenors

WITNESS STATEMENT OF

JOHN PASALIS

REALOSOPHY REALTY INC.

I, John Pasalis, of the City of Toronto, in the Province of Ontario, state as follows:

1. I am the President, founder and Broker of Record of Realosophy Realty Inc. ("Realosophy"). I worked as a real estate portfolio manager for commercial and investment

properties for more than 10 years and for Scotia Bank where I worked as a Senior Programmer Analyst. I hold a Bachelor of Science in economics from the University of Toronto.

2. I am a licensed broker in Ontario and have been a member of the Toronto Real Estate Board ("TREB") since 2006. After launching the Internet website www.realosophy.com in 2007, I co-founded Realosophy as a brokerage in 2009. As part of working as a broker, I provide analytics and real estate commentary for our website and in the public media.

The Realosophy Business

3. Realosophy is a full service real estate brokerage that provides services to customers through two Internet websites, located at www.realosophy.com and www.movesmartly.com and through our storefront office in the Leslieville area of Toronto, at 1152 Queen Street East.

4. I have read the witness statement of my colleague, Urmi Desai, and I agree with it. As she is addressing our marketing approach and "lead" generation, I will address other aspects of Realosophy's business and, in particular, provide additional details on our development of analytics and use of TREB MLS data.

5. As Ms Desai has indicated, a key part of Realosophy's marketing strategy is to provide fact-driven analysis about home buying and selling in Toronto, which also generates free online services including tools for consumers. We also differentiate our client service offering by providing advisory services based on our data analysis and tools. I have been analyzing MLS data available to all TREB members since I became a member of TREB in 2006, and have used real estate data as part of my work for the past 15 years.

6. Realosophy's business model depends on having access to data, particularly from the TREB MLS system. We could not operate our business model without it. Unfortunately, as described further below, our inability to have a data feed with sold, pending sold and "real time" data such as price changes limits our ability to provide services to consumers online and to our clients. The process for obtaining this data from TREB and then converting it into a useable format is very labour and cost intensive. While in some cases, the availability of data has improved due to the introduction of TREB's VOW data feed, if that feed contained such

additional information, we could provide enhanced services to our customers while maintaining low costs and compete more effectively for new business.

Access to Real Estate Information on Websites

7. In my view, there has been a fundamental shift in the expectations of real estate consumers largely due to the Internet. At least amongst the large number of people who use the Internet to obtain information about the real estate market and listings (and likely as a broader trend amongst Internet users), consumers want information, for free and with minimal strings attached. Today's consumers expect to get free access to basic information so they can inform themselves. They then expect us to add value-added advice that adds to their knowledge. Consumers hire a realtor to put their research into context to match it up with what is actually happening on the ground in their particular neighbourhoods and to apply this information to their particular home buyer or seller situation. Real estate transactions are complex and high risk and while there are a few consumers who are comfortable doing transactions on their own, most prefer to engage professional help, no matter how well-informed they are.

8. To demonstrate to our consumers and potential clients that we understand what they want, we use our blog and our website to share our data-driven analysis and tools. My colleague Urmi Desai has explained our original content in some detail and I will expand on the use of data and technology to generate this content more specifically.

9. Realosophy invests a significant amount of time and money to analyze housing trends and statistics so we can help our clients make better decisions. For example, we focus our research on the important questions that most home buyers ask – which neighbourhoods are appreciating the fastest in Toronto, which have the most upside potential, can I afford to buy a home in a good school district on a \$500,000 budget, how much is school quality going to impact my home's value in the future? Where traditional real estate professionals may attempt to answer these questions based on little more than anecdotal evidence, at Realosophy we feel it is critical that we provide clients with answers based on concrete data and analysis.

10. On our website, consumers can access a free online service called Neighbourhood Match. This tool matches people to neighbourhoods that are a good fit for them based on diverse criteria such as house values, and school quality. Our analytics are also very helpful to support and refine the kind of advice I and our agents can provide to our clients as part of our “for fee” services. For instance, we use a more advanced version of our Neighbourhood Match tool to educate and help our clients zero in on their best choices. An example of a Neighbourhood Match report for clients is attached to Ms Desai's statement as Exhibit "F".

11. Like the free website service described by Ms. Desai (and attached as Exhibit "E" to her statement), this tool works on a proprietary search algorithm but the version used by Realosophy agents for clients provides more information, including a list of fifteen matching neighbourhoods, ranked by the number of houses that sold the previous year with the characteristics that clients desire, which allows them to assess their chances of successfully buying into the neighbourhood. It also includes data on average house price and year over year price changes, allowing clients to understand the dynamics of each particular neighbourhood. The use of this tool allows me and my agents to advise clients on a wide range of neighbourhoods, thereby increasing consumer options, including finding neighbourhoods that are a good fit at a lower average house price. By contrast, a traditional individual agent would have to rely on their knowledge of a handful of neighbourhoods to advise clients.

12. We also engage in particular research initiatives and publish most of our findings for free on our blog. We publish our findings for free because consumers value excellent content and it is the best way for us to advertise the type of research and for-fee services we offer to our clients. We know that our approach resonates with today's home buyer because many of our clients indicate that they engage our “for fee” services after following our blog regularly which shows that our blog leads directly to new clients. Having information on our website not only attracts new clients, it also makes our brokerage more efficient because our clients are better informed about the real estate market before they actively engage with me and our other agents.

13. For example, we have recently started analyzing the relationship between house values and school quality (as measured by provincial standardized testing). Our analysis has enabled us to publish a series of top 10 neighbourhood lists, for example, neighbourhoods with good quality

schools on a \$500,000 house budget and neighbourhoods with the greatest number of top quality schools. We have also researched the impact that school quality has on house values by researching sales statistics by school district over a four year period using our proprietary data mapping technology; to do this, we leveraged our existing ability to map data to the neighbourhoods and to get to the more granular level of school districts. We did this to address concerns many home buyers have, such as should they buy a home if its value may be negatively affected due to it being in a below average school district or does a buyer have to pay top dollar to get into top quality school districts? As my colleague Ms. Desai explains, we presented our findings on our blog and also offered weekend workshops where I took potential home buyers and our existing clients through our research and helped address their particular questions. Again, I did this by drawing on data-driven analysis rather than just relying on anecdotal evidence and my personal experience as an agent.

14. As another example of the type of Realosophy analytics we share on our blog, in 2011 I wrote an article on the purchasing power across Toronto neighbourhoods. See Exhibit "A". To do this, I used a similar approach to the "Big Mac" index used by *The Economist* magazine to compare purchasing power in various countries around the world, instead using a house with defined characteristics such as number of bedrooms and size to compare buyers' purchasing power across neighbourhoods in Toronto.

15. We also disseminate our work through platforms other than our website and our blog for the benefit of consumers. In April 2008, we began a partnership with The Globe and Mail newspaper to publish a colour-coded map of Toronto neighbourhoods showing the year-over-year percent change in resale house values. Realosophy analyzes TREB sales figures using our proprietary data mapping technology, developed for (and used only by) Realosophy that maps sales statistics to neighbourhoods. The map, along with commentary or a live chat, is published in the newspaper and online twice a year, with our most recent analysis being published in April 2012.

16. Articles and other analytics often lead to media coverage, as Ms Desai explains in her statement, which is important to our marketing strategy. The Globe and Mail initiated this partnership and contacted us after seeing the website analytics on our website, as did Toronto

Life Magazine, for whom we provide neighbourhood analytics for their annual real estate guides. This approach to marketing has generated many enquiries from readers which have often converted to new clients and referrals for Realosophy.

17. As a result of our approach to marketing our brokerage and providing services, we are able to offer sellers a commission rate of 1.5% of the purchase price. On the buy side, we recommend that sellers offer the typical 2.5% to cooperating brokerages, in order to maximize the chances that the home will be sold through the MLS.

18. As will become clear below, we could do more with better access in a data feed to the raw, disaggregated data. In general, by receiving more data efficiency, I expect to lower the costs both in time and labour of doing our data-driven analysis; I also expect to be able to prepare more analysis for our blog, publish more real estate maps and reports more frequently and updated with more timely statistics and expand the range of consumers and client tools we can offer.

Access to the MLS Data

19. The Toronto Real Estate Board provides members with information from a variety of sources. TREB's MLS (Stratus system) system gives agents access to a website containing active listings, historical solds and properties that were listed for sale but never sold. Geowarehouse is accessible from TREB's Stratus website and gives realtors access to MPAC information, land registry information and demographic statistics.

20. One of the problems with structuring data this way is that it is disaggregated, making it difficult for clients to get a complete and precise picture about a particular property; in addition, agents must invest time to pull together information for clients on every house a client is interested in, reducing the time available to analyze and advise on properties. In contrast, the neighbourhood profiles on Realosophy.com are valuable to users because we aggregate data from a number of different sources (Google, TREB, StatsCan, EQAO, Wikipedia) to give users a more complete picture of all the information relevant to a particular neighbourhood; we are

providing this service very efficiently with no additional costs of time invested per additional client request for information.

21. If Realosophy had more access to data (including solds and pending solds) we could provide a more complete and precise picture of a particular property by aggregating all information in much the same way we did with our neighbourhood profiles. We could also prepare different reporting tools to meet various client needs, for example, a different report could be programmatically developed for investors looking to invest in multi-unit properties which generally require more analysis than the average home purchase.

22. I have been analyzing TREB MLS data for a long time on realosophy.com and in blog articles and media interviews. I have done so by obtaining the listings and "sold" data in a very labour-intensive fashion from the TREB MLS system and adding it to my own spreadsheets where it can be analyzed.

23. It has been frankly extremely difficult and time-consuming to analyze the data from the TREB MLS without access to the data in bulk or "feed" format; it takes brute force and hours of painstaking work. Several years ago when I started analyzing TREB sales data for this purpose, TREB provided a download link to its members that enabled us to obtain a bulk download (100 listing at a time) of MLS data. I believe that this feature was disabled as a result of issues between TREB and Realtysellers or Fraser Beach. Around the time of that litigation, a TREB representative contacted me to inquire how I was preparing our aggregate neighbourhood statistics on Realosophy.com. He specifically wanted to know if I was scraping data and if I had a copy of the entire MLS database. He appeared to single me out because of our innovative use of data and statistics. This presented a risk to the Realosophy model, not because I was doing anything wrong but because TREB has the ability to block all access to the MLS data. At the time, I did have a concern that TREB was taking similar steps against others who were attempting to innovate using websites and the data in the MLS system. I explained that I was doing nothing improper and that others were also using data (including solds) in the TREB MLS system in a similar way. Having studied the issue carefully, I firmly believed that Realosophy was not the only brokerage using data in this manner (for example, there are non-member companies that obtain MLS data to give advice to brokerages). I also knew that I was not

"scraping" the data (using software to download it) and I was not selling the raw data to a non-member. Rather, I was accessing data the way any Realtor member of TREB could and using it to provide advice in my real estate business. I was therefore confident that TREB could not legitimately interfere with my use of the data and TREB did not attempt to do so.

24. Since then, I have updated this data every six months or so, so that I can provide analysis to The Globe and Mail for a semi-annual report in its Real Estate section and for other Realosophy research initiatives. To do so, I estimate that I have had to spend upwards of 50 hours each time to merely get access to the information we need because it is buried in TREB's MLS system and can only be viewed 100 records at a time.

25. To be sure, I cannot realistically analyze the data manually from TREB's MLS system more often than I do. Right now, I can do so once or twice a year, which means the data is far less helpful than it would be if it were up-to-the-minute. I have tried to do it more often, for specific neighbourhoods, for example, but it is simply too much work – and too expensive – to do so.

TREB's VOW Data Feed

26. Recently, using external website designers and consultants, we have built a better website property search function for www.realosophy.com using TREB's virtual office website (VOW) data feed.

27. The information and services we can provide to customers, and our ability to attract new customers through this new web search are hampered by the lack of information in TREB's VOW data feed. The lack of information interferes with our ability to provide the accurate and timely information about homes and the Toronto real estate market to buyers and sellers based on actual facts and data from the MLS system, both through realosophy.com and through our advice in person to buyers and sellers. It also impedes our ability to market Realosophy's value-add services by providing more advanced analytics and commentaries online and through the media, which generates new customers for our business.

28. Our website is hampered by the lack of many fields of data in TREB's VOW feed, including:

- (a) the lack of geographic information or "geomapping" (latitude and longitude, which is critical for mapping and neighbourhood analytics);
- (b) the lack of virtual tours;
- (c) lack of open house information;
- (d) lack of price changes since the property came on the market; and
- (e) lack of historical sales data and "pending" sales data.

29. I brought most of these issues to TREB's attention by letter to Richard Silver, TREB's current president, dated April 10, 2012 (copy attached, Exhibit "B"). My letter addressed certain needs of Realosophy, particularly with respect to geocoding, that I hoped TREB could address on a technical level. I did not include direct reference to the "sold" data because of the ongoing case commenced by the Commissioner of Competition. To my knowledge, there is no technological impediment to providing the data as raised in our letter to Mr. Silver; the data should be able to be provided through a feed. For example, I understand that CREA's realtor.ca website uses TREB's geomapping data.

30. After receiving a short letter from TREB in April (copy attached, Exhibit "C"), I did not hear from TREB until I received an email from Don Richardson, the CEO of TREB on June 8, 2012. Mr. Richardson asked if I would attend a meeting of the TREB VOW Task Force on June 13, 2012, which I did. During that meeting the Task Force listened to my concerns, tried to clarify the scope of data being requested and asked a number of questions regarding our need for this type of data.

Enhanced Services Using "Sold" and Other Data in the TREB VOW Data Feed

31. If we had a constant, live feed of the MLS data that included sold and pending solds, price changes and other status changes, along with the mapping fields and other data missing

from the VOW feed as I just described, Realosophy would have an even stronger business model in terms of generating original content and tools for consumers to drive our marketing and service delivery. We would be able to integrate the information efficiently and on a real-time basis. As examples, at a high level, Realosophy would be able to determine both larger and more micro market trends including real-time house prices trends by neighbourhood using sold and pending sold data. Housing data including average house price, currently displayed as part of our Neighbourhood Profiles would be automatically updated on a monthly or even more frequent basis; we currently update our profiles semi-annually, which is much less often than we would like.

32. With the additional content in the data feed, realosophy.com would provide much more detailed and accurate market trends analyses, based on the facts in the data stream. This analysis could be provided in even more detail and customized for people working with us. Especially with geocoding and live updates of sold information and status changes, we could do this on a neighbourhood by neighbourhood basis, and on a daily, weekly or monthly basis in specific geographic areas, or use even more precise comparators to see trends in the market that cannot be seen without a detailed analysis of the raw data. We could determine and advise customers whether prices were going up or down in the past week in each neighbourhood, and whether that has changed since last week or last month. We could also calculate the percentage of homes selling for more than list price which is a good indicator for how many houses are getting multiple offers. In short, we could determine, using MLS data, how "hot" the market is in a neighbourhood whereas now, we simply cannot keep up or do so on a neighbourhood basis, due to lack of manageable data from TREB. This kind of market trend advice is given by many brokers, without data, based on personal observations or anecdotal evidence. With access to the raw data in live, bulk form from TREB's MLS system, we could provide much more in-depth and accurate market and neighbourhood analysis. Such opinions would be based principally on facts, rather than anecdotal experience in the market.

33. Adding the new MLS data to the existing features of our website would allow customers to educate themselves better about property prices and market trends in neighbourhoods as consumers would be able to see statistics on a more dynamic basis which would improve their understanding of the real estate market, which is highly responsive to micro-market conditions

(such as the number of listings available in a particular neighbourhood) and also cyclical factors like seasonality. Under our business model, consumers would be attracted to our website and blog more frequently as we update them more often on the real estate market, allowing us to engage with potential clients more frequently; again, our online analytics would demonstrate our ability to add value-add market analysis for our clients as our “for fee” client tools would also be updated with this real-time data.

34. In turn, our agents would need to spend less time merely gathering data for our clients and instead help clients understand the data and reports they are getting, helping clients better understand the options available to them, such as when to enter the market as a seller, or when, as buyer, to expand neighbourhood options to include less competitive ones. This provides the agents and our brokerage with obvious cost savings and efficiencies and helps ensure a smoother, less stressing and time-consuming real estate transaction for both buyer and seller clients.

35. Knowing those trends that would also allow us to provide better, more accurate advice to buyers on how whether homes with particular characteristics desired by the buyer in a specified area or neighbourhood retain their value over time, whether a certain property is well priced, and how much to offer for a home that is currently for sale. This kind of data analysis is different from, and much more precise than, TREB's broader MarketWatch publications.

36. Importantly, while some of this kind of advice can and sometimes should be provided on a one-to-one basis, technology can assist us to automate some or all of the processes agents currently perform manually. For example, a comparable market analysis (CMA) is often done to assist sellers to determine the list price and to assist buyers in making an offer. CMAs are dependent on sold data, particularly recent solds. Much of the preparatory and education work for doing so may be automated if we had a data feed with the sold and pending sold data, as we could more quickly find comparable properties and use software to automatically analyze the physical differences between the subject property and the comparables. While sales representatives would still have to review the CMA to make adjustments on more subjective characteristics, the preliminary analysis that would be possible would both speed up the process of generating CMA's and would improve their accuracy. By being able to focus more time on

the customized advice we need to provide to our clients (in other words, the analysis that is too subjective to automate), my agents and I would save time and provide better value-added service.

37. Better access to TREB data would also enable us to expand our other analytics services. For example, with further detail in the data feed from TREB, I could do a much more detailed analysis of the relationship between house values and school quality, as an expansion of the work we are currently doing, we could perhaps look on a school-by-school basis to look for microtrends, including trends as they change over time as schools gain or lose success in the annual standardized testing. Currently, it is simply unmanageable to manually analyze and correlate MLS data from 175 neighbourhoods in the GTA with school data. Beyond the marketing of this information through our blog and website to attract consumers to Realosophy, access to a live data feed would allow us to provide much more nuanced and complex advice to our buyers and sellers whose decisions are motivated by school quality, and would help Realosophy attract new potential new clients using higher level analytics.

38. If we had access to the data about sales of specific properties, including very recent sales, we would display them on our website to the extent we were permitted. How much would be put on our website to consumers generally, and how much would be delivered our clients whom we are working directly with, is something we would have to consider when we know how much additional data will be available through a feed. Certainly, as part of our VOW (our website search for listings), we would expand the information given to consumers for each individual listing to automatically generate and display price trends for that neighbourhood and comparable homes, along with sold prices, for that particular listing.

39. The data analytics available on our website or blog will not replace the expertise of an agent, because there is both art and science in giving advice to clients. To help us ensure consumers and clients make better decisions, it would be beneficial to ensure that consumers and clients do not have impressionistic beliefs about market trends derived from media headlines or industry press and to also reduce the time that agents have to spend on routine tasks like manually gathering raw data so that they can spend more time analyzing and advising on each decision that a client has to make. Recognizing that houses likely cannot be fully compared for comparative market analyses (CMAs) without reviewing the specific characteristics of a home

and the circumstances and desires of a buyer, which necessitates on-site visits and specific conversations, both agent advice and client decisions can be materially improved with better access to facts about a listing, the neighbourhood and the market. This would offer another competitive advantage to Realosophy based on our own understanding of what today's consumers want and our ability to use the data and technology to respond to these demands.

40. We have also been considering how we might be able to further assist our clients after they complete a transaction. This "after care" may include the provision of regular updates on house prices for the type of house a client has purchased in a particular neighbourhood, provided on an annual or more frequent basis after their transactions close. This information could be generated programmatically using data technology and be provided to clients through email newsletters for example. This would inform recipients how their homes are doing from an investment perspective so that they can use real-time data to inform their decision to sell and choose Realosophy to help them to do so. Again, with the current state of data provided by TREB, there is no way we could compile the sold and pending data that would allow us to provide this service in a manner that would be specific enough and thus useful to a client; having all the necessary data in a live stream would enable us to do so.

41. There may well be other kinds of analysis we can and would also do once we look at the enhanced data we have access to. We sometimes do not know what we can do with data until we see it and begin to use it. For example, until TREB made its current VOW feed available to use, we had not thought of new ways to allow consumers and clients to search and work with this listing data. We came up with our concept of being able to search by school district, after seeing our own clients put together their own rudimentary spreadsheets which attempted to keep track of listings by school district.

42. In sum, I believe that the advantages to Realosophy – the "lift" to our business – arising from being able to obtain a feed of the sold, pending sold, status change and geomapping data to use in these ways, would be significant. It would allow us to differentiate our business in the market, compete better against other more established brokerages and provide better service. I believe that almost no one else is doing what we are doing with analytics in Toronto, because we appear to be the only ones currently using MLS data in this way; having more comprehensive

data, efficiently provided, will allow much better differentiation and enhanced service, and we will do things we have not been able to do before. The lack of data in the TREB MLS feed is a constraint on the growth of our business.

Registration to Use a VOW

43. At the moment, brokerages that take a VOW data feed from TREB are required to ensure that users of the VOW register in order to have access to information in the VOW feed. The consumer has to go to the website, enter a name and email address and provide it to the website. The consumer then must exit the website, go to his or her email and open an email from the brokerage that operates the website. In that email, the consumer clicks a link, which serves to confirm their email address. Then the consumer must return to the website and re-enter the name and email, and only then is he or she able to have access to the VOW feed information. In addition, the user must agree to Terms of Use required by TREB.

44. In the process of testing our new VOW search capabilities with users, our testers had a strong negative reaction about the requirement to register (something TREB's rules require when customers want access to the VOW feed data on our website). People did not want to do so, consistent with my comments above that today's consumers, particularly Internet users, believe that information should be available and accessible for free with minimal strings attached. As it currently stands, the registration requirement will prevent Realosophy from having a more active and detailed conversation with potential customers through our website. In fact, it may negate all the considerable financial and time investment we have made in making our website search for listings innovative, for example, by allowing users to search by school district or neighbourhood, easily to use and visually compelling because visitors to our site may choose not to register to access these features. They may even be sufficiently annoyed by what is perceived to be an unwarranted Realosophy request for personal contact information to avoid our website altogether.

45. I would prefer to provide full access to our website, including our website listing search incorporating analytics using sold data, to any user of the website. At minimum, I believe brokerages should be able to display the same information, without registration, as is available

on CREA's website, realtor.ca. On that website, a user must agree to Terms of Use but does not need to register with personal contact information such as an email address. This confuses consumers who do not understand why they are not required to register on realtor.ca but asks them to register on brokerage VOWs such as Realosophy's.

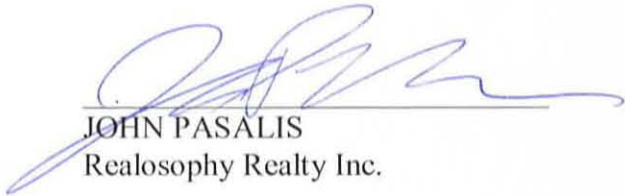
46. I would have less objection to the registration requirement by website users if such access were limited to specific sold and pending sold data on an individual listing basis. But I do not believe there should be any such barrier to the provision of aggregated information about sold property prices. If there is a registration requirement for a website, it should not be different from the circumstances where a Realtor provides information to someone who walks into a broker's office, calls on the telephone or sends an email inquiring for information. I strongly doubt that agents meeting a potential new client in traditional brokerages obtain contact information such as an email address, or keep a record of precisely what they provide to potential customers (as can be done using a website), prior to sharing the sold or pending sold information requested by the consumer.

Lack of Offers of Commission Data in the TREB VOW Data Feed

47. I believe that the offer of commission from the listing brokerage to the "cooperating" or buyer's brokerage should be part of the data feed available to TREB members, although for our purposes these data will not be perceived by consumers to be as valuable as are "sold" and the other additional data mentioned above. Consumers usually do not understand the commission system for buyers' agents because the commission is bundled into the purchase price and paid by the seller's brokerage to the buyer's brokerage (rather than directly by the buyer to the buyer's brokerage). We believe that as a matter of consumer education, disclosure of the commission being offered to buyers' agents is appropriate. If consumers are fully aware of the commission being offered to their agent, for example, by being able to see this information on a website, buyer agents are less likely to "screen out" any properties offering a lower than desired commission to them and instead will discuss how to proceed with their clients. More generally, transparent display of this commission amount will increase the likelihood of consumers asking and learning how commissions work in the real estate industry. Disclosure of the offer of

commission would improve transparency and consumers' trust and confidence in real estate agents.

SIGNED THIS 20 DAY OF JUNE, 2012.



JOHN PASALIS
Realosophy Realty Inc.

EXHIBIT
"A"

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August 23, 2011

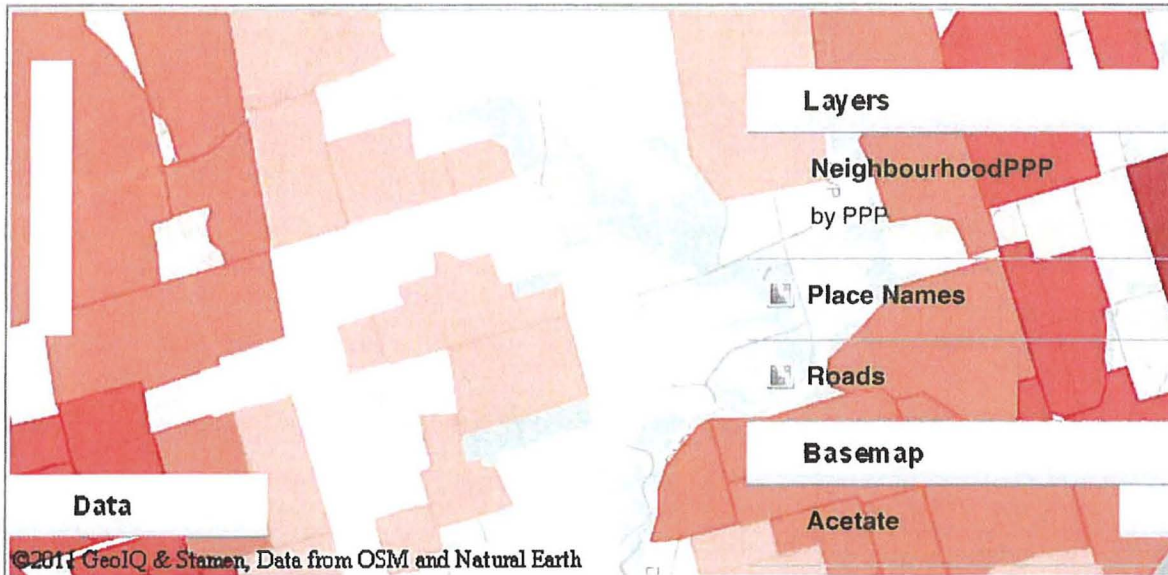
Purchasing Power Parity for Toronto Neighbourhoods

[John Pasalis](#) in [Toronto Real Estate News](#), [Top Ten Neighbourhoods](#), [Home Buying](#)

Purchasing power parity is an economic theory that helps us understand how overvalued or undervalued currencies are by comparing their currencies purchasing power for identical products. A common example of purchasing power parity is the Economist Magazine's annual [Big Mac index](#) where they compare the price of a Big Mac internationally to see how overvalued or undervalued different currencies are. The theory is that if a Big Mac costs \$4 Canadian, I should be able to convert my \$4 into any other currency and have exactly enough money to afford a Big Mac in that country.

Last week we stumbled across a [series of posts](#) from mortgage rate website [Ratehub](#) where they extended this concept to Canada's real estate market. Ratehub decided to look at the cost of a typical home (detached, 3 bedroom, 2 bathrooms) across a number of different cities in Canada and compare the sale price in each city to the national average.

We decided to do the same to what we know best, [Toronto neighbourhoods](#).



Tip: Click the green arrow to minimize the legend

To calculate the implied purchasing power parity for each neighbourhood we divide the average price for a typical home (detached, 3 bedroom and 2 bathroom) in each neighbourhood by the city average for the same type of house.

For example, the average price for a typical home in Riverdale is \$681,103 compared to the city average of \$498,270. When we divide the average Riverdale home price by the city average we get an implied purchasing power parity of .73.

This means that houses in Riverdale are overvalued relative to the city average and that your dollar doesn't stretch as far in Riverdale as it would in an area where the implied purchasing power parity is higher.

We loaded all the data into the above heatmap so you can play around with the map and see the implied purchasing power parity for each neighbourhood. Neighbourhoods in dark red are where you'll find the best bang for your buck. (Remember that we aren't factoring in things like neighbourhood stability, school quality and so forth.)

Top 5 Neighbourhoods

Here are the Top 5 Neighbourhoods with highest PPP (Best bang for buck):

Neighbourhood	Sales	PPP
Malvern	45	1.73
The Entertainment District	1	1.50
Smithfield	79	1.50
Kennedy Park	75	1.49
West Hill	67	1.48

Bottom 5 Neighbourhoods

Here are the 5 Neighbourhoods with lowest PPP (Worst bang for buck):

Neighbourhood	Sales	PPP
Cricket Club	6	0.46
York Mills	9	0.45
Casa Loma	1	0.40
Rathnelly	1	0.37
Lawrence Park	4	0.31

Editor's appeal: In today's world, you're nobody till facebook likes you. So if you enjoy reading the Move Smartly blog, please scroll to the right column of this blog and click on the facebook "like" button just under the the subscribers box. And thanks for the love!

John Pasalis is the Broker Owner of [Realosophy Realty Inc](#) in Toronto. Realosophy focuses on researching Toronto neighbourhoods to help their clients make smarter real estate decisions. [Email John](#)

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EXHIBIT
"B"

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REALTY INC. BROKERAGE



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Richard Silver
President, Toronto Real Estate Board
1400 Don Mills Road
Toronto, ON
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April 10, 2012

Dear Richard,

We are writing to express our concern with the Toronto Real Estate Board (TREB)'s current Virtual Office Website (VOW) policy. In developing our own VOW we have become aware of significant limitations in TREB's policy, limitations that restrict the utility of our VOW for consumers, which contradicts the Competition Bureau's ongoing direction to TREB regarding open access to information.

Brokerage VOWs are intended to allow consumers to browse homes online and have access to the same information they would at a bricks-and-mortar brokerage office. Brokerages, in turn, innovate and invest in new technologies to offer consumers unique online browsing experiences through VOWs, improving access to information and enhancing consumer choice in the industry as a whole.

As a TREB member in good standing, we are frustrated that TREB's continuing strategy appears to be to protect the status quo, a strategy which risks our industry as a whole in the 21st century marketplace.

Geographic Information

First, TREB currently does not provide latitude and longitude (lat/long) co-ordinates in its VOW feed, which significantly reduces our ability to display listings accurately on our VOW and forces us to invest in costly technical workarounds. Currently, TREB members can view their listings and correct lat/long coordinates on the MLS, creating an accurate dataset that should be shared with brokerages through TREB's VOW feed. Instead, because TREB has excluded this from its feed, we have incurred thousands of dollars in development costs to develop our own geocoding tools and must spend tens of thousands more to develop a more complex tool that can somehow catch properties that have been geocoded incorrectly and either correct the problem or leave the property off of our website. This advanced tool may involve a staff member manually scrubbing the data every day including weekends to catch all exceptions.

TREB's decision to withhold lat/long coordinates is a clear barrier to competition.

Brokerages either face prohibitively high costs to ensure accurate and up to date geocoding of listings or the prospect of losing consumers who could not be sure that properties are mapped accurately on

brokerage VOWs. Clearly, the omission of lat/long data may be considered advantageous to TREB which has a vested interest in making realtor.ca the most accurate and up to date listings website for consumers, but it is clearly disadvantageous to the consumer who cannot choose to browse listings on the website of her choice because brokerage VOWs have been rendered a less plausible option through TREB's actions.

Virtual Tours

Second, TREB currently does not provide Virtual Tour Link (URLs) data in its VOW feed. Virtual Tour Links (URLs) enables TREB members to upload multimedia marketing for the houses they are listing for sale. Multimedia tours contain critical information about properties that consumers need to see to make an informed decision about whether or not they want to view a property. However, while consumers can see this information in a broker's office by browsing TorontoMLS or at home by browsing realtor.ca, they will not be able to see this information on our brokerage VOW.

TREB's decision to withhold Virtual Tour URL data is another clear barrier to competition. Again, TREB has a vested interest in ensuring that only TorontoMLS or realtor.ca has this popular feature. This again works against the consumer who may prefer to browse listings on brokerage VOWs, but is unable to do so knowing that all features are not available to her.

Open House Information

TREB's VOW feed also does not provide brokerages with open house information including days and times for upcoming open houses so this information cannot be shared with consumers through our VOW.

Home buyers depend on this information to plan their open house tours on the weekend. Again, home buyers can view this information at our office by browsing TorontoMLS and online at Realtor.ca, but cannot view this information on our company's VOW for some reason.

This data restriction puts brokerage VOWs at a competitive disadvantage because home buyers will need to browse houses on realtor.ca in order to access open house information.

Open house data is well-suited to mobile applications that allow home buyers to view open houses that are geographically nearby. TREB's data restriction means that brokerage VOWs cannot build mobile open house applications that could compete with CREA's realtor.ca app.

Previous and Original Price

TREB tracks previous and original price for listings as part of their MLS data.

This information is critical for buyers who want to track historical price changes for a particular property since it has been listed.

TREB currently does not provide brokerages with this information as part of its VOW feed. This means that a buyer browsing our VOW will get less information than they would if they were browsing listings

on TorontoMLS at our bricks-and-mortar office and from unofficial real estate websites operating in Toronto like guava.ca. Clearly, this does not live up to the intended purpose in enabling brokerage VOWs.

Registration

Finally, TREB's policy to force consumer registration on brokerage VOWs demonstrates that TREB continues to focus on "buying more time for the status quo" rather than embracing more progressive policies that improve choices for consumers.

In TREB's current policy, all consumers visiting brokerage VOWs will have to register (providing their name, phone and email information) before they can view any properties on our website. This means that we have to ask consumers to provide us with their valuable information before we can provide them with the chance to try the listing browsing experience on our website. Would you sign up on a website without knowing exactly what type of information you would get in exchange? Most consumers wouldn't.

TREB's registration requirements could have been simplified significantly if consumers were allowed to log into a VOW using a Facebook or Google account rather than TREB's cumbersome registration hurdles. Instead, TREB policy is generating another clear barrier to competition, one that serves no real purpose or benefit to consumers, as proved by developments in the U.S.

VOW policies that require users to register were introduced nearly a decade ago in the U.S. market. Since then, many real estate boards have moved to eliminate the need for user registration. The most prominent VOW in the US, Redfin.com, is an example of this. Users of the site can not only browse all active listings, but historical sold data as well, without jumping through any registration hoops. This practice has been in effect for several years without reversal suggesting that no compelling reason to restrict consumer access to brokerage VOW listings through forced registration actually exists.

Is it the intent of TREB to ensure that its members are ten years behind in our ability to innovate and provide value to consumers simply because we are Canadian?

Taken together, these actions by TREB put its member brokerages in an untenable position. We may find that, after spending thousands of dollars and deploying considerable creative capital to develop and introduce new technologies, our brokerage VOWs are not used by consumers who find them to be less accurate or less useful than realtor.ca. This would mean that brokerages would suffer financially, not as a natural result of our own poor decision-making and not because realtor.ca provides a superior consumer experience, but because TREB is simply withholding data and failing to live up to the spirit of its VOW policy.

We value TREB as a strong institution in the residential real estate service industry and appreciate the many interests that TREB must consider and balance. To date, however, there has been no attempt by TREB to balance the call for reactive, "status quo" protecting behaviour against the need to enable more progressive, pro-consumer brokerages to emerge in our industry. We continue to be frustrated and

disappointed that TREB chooses to evade its potential role as a progressive leader in our industry, leading us successfully in the 21st century marketplace, where we must be able to effectively demonstrate our value-add directly to consumers or risk the extinction of our industry as a whole.

I am hopeful that some of these issues may be the result of TREB oversight rather than intent and I remain at your disposal to discuss our concerns further with you. I look forward to working proactively with you to address the current limitations of TREB's VOW policy for the benefit of our industry as a whole.

Yours Sincerely,

John

John Pasalis

Broker of Record
Realosophy Realty Inc

EXHIBIT
"C"

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Richard Silver, ABR

April 16, 2012

President Elect:

Ann Hannah

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William E. (Bill) Johnston, M.A., LL.B.

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Dear John,

Thank you for your letter outlining recommendations for improving the VOW feed from the Toronto Real Estate Board. As you are aware this is a new vehicle and we have the door open and the welcome mat out for ways to improve effectiveness.

TREB has kept the Task Force which originally analyzed and recommended the VOW policy and rules in existence for this very purpose. We anticipate that the Task Force will be reaching out to you to discuss your feedback and that of others shortly.

I understand and appreciate your offer to work proactively for the benefit of our profession as a whole and will further correspond with you as to how that can best be done.

Personal regards,

Chief Executive Officer

Don Richardson

Toronto Real Estate Board

Richard Silver, ABR
 President



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