

How Banks & Credit Unions are Changing the Canadian Real Estate Industry?

Canadian banks and Credit Unions have always nurtured a close partnership with real estate brokers who refer mortgage clients to their branches. That partnership has worked well so there was no reason to disrupt the status quo. Ask a banker today if they intend to enter the real estate brokerage business, however there will be an awkward pause.

The new challenge to the traditional bank/real estate partnership is the disruption brought on by the emerging Proptech companies. Most of the large Canadian banks have a U.S. presence so they are seeing how this story is playing out in the US, which is likely causing concern.

Insightt recently published an article comparing well known Proptech Zillow to Realogy, a traditional franchise real estate company. Check out the article here. ([click here to read the article](#)). It's an eye-opener!

Insightt now predicts that in the next 5 years, most major banks and credit unions will own their own real estate brokerage company. Here are some of the reasons we think that will happen.

1. **Precedent Set:** Desjardins Group acquired DuProprio/Purplebricks for \$60.5M in July 2020 which was duly noted by their competitors. That acquisition provided an opportunity to assess potential industry fall-out or other issues that might come from a bank acquisition of a real estate company.

Desjardins' ownership of Purple Bricks appears to be a "win-win" in the market and appears to be progressing favourably for all parties. Desjardins continues to show their innovative ways with a recent announcement of a majority ownership in Reno-Assistance, a company that pairs clients with reliable contractors who can execute large-scale residential or commercial renovation projects.



2. **A Lucrative Revenue Source Up for Grabs:** Residential real estate brokerage drives annual revenues in excess of \$14.5 Billion. This new and material revenue stream can be leveraged to provide customers with cash rebates, mortgage interest rate buy-downs, pay legal closing costs and other value added solutions that benefit the end consumer.

Referral fees and cash rebates are long-standing and popular practices in the relocation management and affinity group industries. New Proptech leaders such as [NOBUL](#) have already tapped into this lucrative and successful practice.

In addition to the new and lucrative revenue stream, bank-ownership of real estate brokerage companies expands a list of servicing opportunities in the corporate, government and affinity group markets, where banks already play.

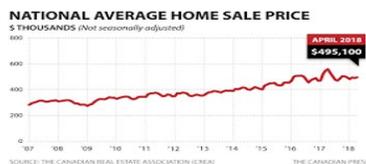
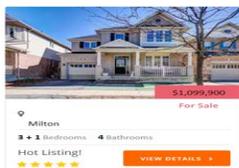
3. **Access to the Real Estate Data:**

Perhaps the best reason for banks to become directly involved in the real estate industry is the access to property data available to real estate brokers. The benefits of this data to Canadian Banks include:

- a. Showcasing customer real estate listings on bank websites to keep existing customers engaged and to attract new customer buyers
- b. A better understanding of housing market trends and risks
- c. The ability to create internal valuation models to help the Bank and their customers better understand current market value



Real Estate Data



4. Canadian Banks are Already Dabbling in Real Estate:

RBC Ventures is already the front runner launching new and exciting solutions that are challenging the status quo within the real estate industry that includes:

- a. **Real Estate Search Project:** RBC Ventures has partnered with [OJO Labs](#) to launch a better way to search for real estate properties. They are now in beta testing in the Greater Toronto Area (<https://www.ojohome.ca/>). By playing a role in the house search, RBC gets early access to customers for mortgage and other concierge services required in the real estate transaction.
- b. **Movesnap:** RBC acquired [MoveSnap](#), a personal moving concierge that leverages technology to help real estate clients manage address changes, transfer of services and more.
- c. **Smart Reno:** [Smart Reno](#) connects consumers to qualified renovation professionals while supporting contractors and trades to grow their businesses.



CIBC announced a partnership with proptech start-up [Properly](#) in 2020 and all banks are actively trying to stay ahead of the curve by participating in these communities in some way shape or form.

While most Realtors see Zillow as the biggest potential real estate industry disruptor, we see a more significant change to the real estate industry potentially coming from Canadian banks acquiring Proptech real estate companies or building their own real estate brokerages.

Canadian banks and credit unions guard client relationships closely. The ability to service clients earlier in the real estate transaction, help them with their mortgage and make the remainder of the real estate process seamless are all valid reasons for banks and credit unions to own a real estate brokerage.

As Proptechs continue to disrupt the real estate industry, Canadian banks are going to continue supporting these new innovators and they may even to come out of the real estate closet by acquiring one of these proptech real estate companies in the not so distant future.

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Brian is a real estate and technology consultant who founded Insightt. Insightt helps real estate related companies understand the risks of disruption, but more importantly help them take innovation to the next level through data, technology and training. Stay up to date with our latest research reports at insightt.ca