

## Real estate industry watchers applaud B.C.'s move to tax foreign home buyers

By Tamsin McMahon

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Real estate industry watchers applauded a surprise move by the B.C. government to tax foreign home buyers in the Vancouver region and urged politicians in Canada's other hot housing market – Toronto – to follow suit.

“It’s a very reasonable step,” said Bank of Montreal chief economist Douglas Porter of the provincial government’s plan to start charging foreign home buyers in the Greater Vancouver Area a one-time 15-per-cent tax starting next Tuesday. “I think what’s gone on in B.C. cries out for some sort of intervention.”

The new tax would apply to buyers who are neither Canadian citizens, nor permanent residents. The definition of foreign buyer appears to include international students and temporary foreign workers. B.C. said it would enforce “anti-avoidance” measures to prevent international buyers from bending the rules and threatened stiff fines – \$100,000 for individuals and \$200,000 for corporations – for those who don’t comply.

The move comes as home prices in the region have soared more than 30 per cent this year, sparking an affordability crisis that some fear is being fuelled by international money. Earlier this month, the B.C. government said it had tracked home sales and found foreigners bought 5 per cent of homes sold between June 10 and June 29 in Greater Vancouver and roughly \$1-billion in real estate sales across the province over four weeks in June and July.

While it’s too early to say how the new tax would affect home prices, Mr. Porter said any move to reduce the number of new buyers scrambling to get into Vancouver’s overheated housing market would likely have an impact on a housing market he described as “on the verge of running out of control.”

“If you add 5 per cent of new buyers into a market that is already drum-tight, where supply can’t respond quickly, you are going to have a price spike on your hands, and that’s exactly what we’ve had in Vancouver,” he said.

The tax makes B.C. the first government in Canada to crack down specifically on foreign buyers, a measure that is likely to put the spotlight on the Greater Toronto Area, which is grappling with its own housing affordability crisis.

The GTA region’s housing market has seen an increase this year in international buyers snapping up homes and then leaving them empty, said Toronto real estate broker Adam Brind. The trend comes at a time when the market is already struggling with a shortage of available resale listings and prices that have shot up nearly 17 per cent from last year.

A tax on non-resident buyers might help take the steam out of the upper end of the Toronto market, homes priced at more than \$2-million, which has seen a surge in demand this year, Mr. Brind said. “It’s a great solution. Rather than saying foreigners can’t buy here, if you really want to you’d better have a lot of money or a really good reason” he said.

Mr. Porter echoed the concern about Toronto’s market. “At the very least Ontario should be taking a long look at this measure themselves for the GTA,” he said. Foreign ownership in the region’s housing market “is more of an issue than many analysts realize.”

In an interview late last month, Stuart Levings, CEO of mortgage insurer Genworth MI Canada Inc., warned there would be consequences for the Toronto housing market if local politicians

didn't match any measures taken to cool foreign demand for Vancouver's real estate.

"If you tighten up Vancouver and not Toronto, what was going to Vancouver is just going to go to Toronto," he said. "So we're shifting the problem from the West Coast to Central Canada."

Ontario's finance minister says he will be looking "very closely" at British Columbia's tax aimed at foreign homebuyers as he looks for ways to address eroding affordability in Toronto's housing market.

Charles Sousa says he welcomes the 15 per cent tax that the B.C. government will charge foreign nationals looking to snap up homes in Vancouver's scorching real estate market.

Vancouver-area realtors were less supportive of the B.C. government's tax, which came as a shock to many in the industry who were expecting the government to announce measures to support Vancouver Mayor Gregor Robertson's proposal to tax vacant homes.

Vancouver Re/Max realtor Keith Roy expected the tax to do little to actually curb foreign demand for Vancouver housing, but said it would likely be a blow to consumer confidence in the region at a time when the market was already showing signs of cooling – with some homes now selling for below asking price and with conditional offers.

"The public will believe, and rightfully so, that the government is making legislative and policy changes that impact the price of homeownership," he said. "As soon as they believe that, they're going to expect to pay less or expect to buy more for the same amount of money."

Adil Dinani, an agent with Royal LePage in Coquitlam, B.C., said the province should have spent more time collecting data on foreign buyers before rushing to implement the new measures. "This is a pretty substantial tax and our position has always been that the markets are efficient and will sort themselves out."