

Foreign buyers account for 5% of home sales in Toronto region

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Nearly 5 per cent of homes sold in the Golden Horseshoe region were purchased by foreign buyers, according to a month's worth of new data from the Ontario government that reveals the role international investors have played in the area's overheated real estate market.

The provincial government said on Tuesday that 4.7 per cent of properties were purchased by overseas buyers in the so-called Greater Golden Horseshoe Region between April 24 and May 26, a glimpse of market conditions before it announced a foreign buyers' tax on April 20. Most of these sales were not affected by the levy because the contracts were signed before the announcement.

The government's data is in line with a survey of local realtors commissioned by the Toronto Real Estate Board last fall suggesting that 4.9 per cent of transactions involved international buyers in the previous year. TREB used its findings to argue against the introduction of a foreign buyers' tax and in support of evidence-based housing policy decisions.

Faced with an outcry over rapidly rising housing prices this spring, the Ontario government announced a package of reforms intended to cool the GTA's overheated real estate market on April 20. Among these was a 15 per cent tax, known as the non-resident speculation tax, on residential properties bought by people who are not Canadian citizens or permanent residents, or by foreign corporations. The province also began collecting data on home buyers' citizenship status.

Many industry observers believe the new housing measures have spooked prospective

home buyers in the GTA given the cooling in the market.

According to the Toronto Real Estate Board, average prices dropped 6 per cent in May compared to April. However, prices were still up 15 per cent compared to May of 2016 because of large price gains earlier this year. The organization hasn't yet released figures for the month of June.

The foreign buyers' tax applies to residential properties purchased as of April 21 in the Greater Golden Horseshoe, a stretch of Southwestern Ontario municipalities around the GTA from Niagara in the west to Northumberland in the east.

The Ontario foreign tax was modelled after one introduced in British Columbia last year after foreign buyers were blamed for driving up housing prices.

In B.C. last summer, then-premier Christy Clark said data showing that foreigners bought one in every 10 homes in Metro Vancouver in a five-week period forced her government to implement a 15-per-cent tax on international buyers. The proportion of foreign buyers was higher in the suburbs of Burnaby and Richmond, with nearly one in five of all homes sold in those cities going to people from countries other than Canada. The rate for Vancouver proper was 11 per cent, and 7 per cent across all of British Columbia.

After the B.C. tax went into effect, sales activity and residential real estate prices eased in the Greater Vancouver region, though the market has since picked up again.