

TREB Cautions Against The Imposition Of Provincial Foreign Buyer Tax Surcharge, Noting It Will Not Address Real Problem Of Housing Supply Shortage

TORONTO, March 10, 2017 - The Toronto Real Estate Board strongly urges against the imposition of another provincial tax on foreign buyers, which would be in addition to existing provincial taxes on home buyers, including the land transfer tax that they already pay. An additional tax on foreign buyers would do little to address the real problem facing the GTA housing market; a supply shortage which is at more than a 15-year low.

The consideration to impose this tax follows on the heels of a statement last year by the Ontario Finance Minister not to follow the lead of British Columbia, which imposed a 15 per cent land transfer tax surcharge on foreign buyers in July 2016.

“When the idea of introducing a foreign buyer tax in Ontario surfaced last year, TREB cautioned it would be a knee-jerk reaction before knowing whether a problem existed. There was little in the way of reliable data on the issue. To better understand the foreign buyer issue, TREB commissioned an Ipsos survey on foreign buying activity in the GTA, the results of which show that concerns about the effect of foreign buyers on the GTA market are widely overblown,” said TREB President, Larry Cerqua.

The survey, conducted in the fall of 2016, found that only an estimated 4.9 per cent of GTA transactions, in which TREB REALTOR® Members acted on behalf of a buyer, involved a foreign purchaser. The vast majority (80 per cent) of foreign buyers purchased a home as a residence, a home for another family member to live in, or as an investment to rent out to a tenant. TREB is continuing its research in this area.

“The fact that most foreign buyers are looking to purchase a home for their family, for personal use, or to provide a tight rental market with much needed supply is something to be encouraged, as these actions are essential to Ontario’s economic success. We can’t forget that immigration is the key driver of population growth in the GTA and, therefore, a key driver of economic growth as well. Imposing a tax on foreign buyers will not have the desired effect of cooling the housing market and could create adverse effects on the national, provincial and GTA economies. It will do little to correct the real issue impacting housing affordability, which is the lack of available housing supply,” continued Cerqua.

Demand for ownership housing has grown over the past year, up against a shortage of listings. New listings entered into TREB’s MLS® System in February 2017 were down on a year-over-year basis by 12.5 per cent. Similarly, TREB’s average months of inventory

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trend for February was at one month, while in many neighbourhoods across the GTA, inventory can now be measured in weeks rather than months.

“We can’t lose sight of the fact that we have experienced a persistent decline in the inventory of homes available for sale in the GTA. This issue has been acknowledged by provincial and local governments in Ontario, but now policy action is required. Demand-focussed policy changes will not provide long-term solutions for an affordable housing market,” said TREB Director of Market Analysis Jason Mercer.

“The provincial government should work with municipalities and related industry stakeholders to look at ways in which the supply of housing could be increased, including, potentially revisiting land use designations in built-up areas to allow for a broader array of home types to be built, streamlining the development approvals process, streamlining the permit process, and examining ways to incentivize land owners to develop,” said Cerqua.

TREB has provided a more in-depth analysis on the housing market, including foreign buying activity and the lack of adequate housing supply in its recently released *Market Year in Review & Outlook Report 2017* found at TREBHome.com.

Looking forward, TREB is committed to further research on foreign buying activity, housing supply and other issues impacting the housing market. TREB believes that housing policy decisions should be based on a solid foundation of research and analysis.

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