

Major impact to B.C. real estate market expected from proposed taxes

New tax policies put pressure on Canadians to sell their secondary properties within the province

Albertans anticipated to look within their own province and to the United States for secondary properties

TORONTO, March 29, 2018 – According to a Royal LePage advisor survey, which consolidated the views of 535 real estate professionals in British Columbia and Alberta, the implementation of new housing taxes outlined in British Columbia's 2018 budget have the potential to significantly impact the province's residential real estate market. While previous provincial measures have targeted foreign homebuyers, the implications of the new tax policies will be much more widespread, primarily affecting domestic homeowners located in B.C., Alberta and other parts of Canada who have made the tourist-focused region their second home.

British Columbia's tax policies within its 2018 budget include the introduction of a speculation tax on qualifying secondary homes, an increase to the foreign buyer tax as well as an expanded list of affected regions and an increase to the property-related school taxes and land transfer taxes on homes worth over \$3 million.

When asked, 85.0 per cent of advisors operating in British Columbia said that the new tax policies have hurt consumer confidence in residential real estate across the province. A further 78.0 per cent of respondents believe that home sales will decrease within the first three months of the announcement of the new policies, while the majority (57.3 per cent) stated that prices will also decrease during the same period of time.

"The expected impact of the proposed housing taxes announced in British Columbia should not be taken lightly," said Phil Soper, President and CEO, Royal LePage. "Homeowners across the province will feel the effects as major policy changes like this are also amplified by a drop in consumer confidence. We saw this happen in 2016 when the previous government launched a tax on foreign investors. A small number of international purchasers withdrew from the market – along with a huge cohort of domestic homebuyers.

"Canadian homebuyers from coast-to-coast were already struggling with new federal restrictions on access to mortgage financing," continued Soper. "We expect the impact of the new government's housing tax policies to be even more pronounced as they will force Canadians, Americans and potential buyers from elsewhere in the world out of the market."

While 77.0 per cent of advisors stated that the provincial regulations will cause interest from international purchasers to decrease, this demographic was ranked last when respondents identified the group that was most impacted by the new policies. When asked, 44.8 per cent of advisors stated that the new housing policies most impacted residents of British Columbia, followed by 43.5 per cent who believed it was Canadians who own or are looking to buy property in British Columbia, but predominantly live in other provinces. Only 11.3 per cent of real estate professionals forecast that the policies would impact international purchasers the most.

"We expect that the new taxes will materially impact communities that rely on recreational property markets for the health of their local economy," said Soper. "There will be some Canadians in British Columbia and across the country that will choose to sell their properties in the province as the new taxes add to the cost of homeownership.

"There are further unintended consequences from these kinds of policy changes," Soper concluded. "If property values decline, property tax revenues decline. Local municipalities will have to deal with this added burden."

When asked, 81.5 per cent of advisors said the new tax policies within British Columbia's 2018 budget have already caused interest from Canadians living outside of the province to decrease, with 73.8 per cent believing that the move will lead the group to sell their property. This is predominantly led by the impending speculation tax, which 90.8 per cent of respondents believe will impact sales in the province from prospective homeowners located in other areas of Canada, like Alberta.

These sentiments were verified by advisors in Alberta, with 80.7 per cent believing that Alberta-based interest in B.C. recreational properties will decrease, and a further 75.6 per cent stating that Albertans who currently own recreational property in British Columbia would likely sell their secondary homes. Instead, it is believed that Albertans will now increasingly look within their own province (72.6 per cent) or south of the border (46.7 per cent) for secondary properties.

Survey Methodology

Royal LePage's advisor survey was conducted online between March 14, 2018 and March 20, 2018, polling a total of 400 Royal LePage real estate advisors from British Columbia and a further 135 from Alberta. Responses were anonymously recorded and analyzed independently.

On March 26th, 2018, British Columbia announced amendments to its speculation tax. These amendments do not change the opinion of Royal LePage and its network of real estate professionals. While the size of the new taxes has been reduced modestly in one of the categories, the entire scope of the new tax regime remains in place. The results of the Royal LePage advisor survey are reflective of current expert opinion on real estate in the region.

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