

Tax likely to have little effect on condo sales, realtors say

A 15 per cent additional property transfer tax payable by foreign buyers will likely have little effect on the sale of condos or apartments because few are sold to foreign buyers, according to local developers and realtors.

And most predict the tax on residential purchases won't help housing affordability because it tries to limit demand as opposed to increasing supply.

David Goodman, who specializes in selling apartments, said 124 units were sold in the first six months of this year for a total value of \$1.1 billion.

Purchases of apartments or condos by non-Canadians are "probably under five per cent or three per cent of the sales," he said, adding his Canadian clients were calling to question whether multi-family buildings would be subject to the tax, which could affect resales of such properties if future foreign buyers considered the tax prohibitive to a sale.

David Goodman said the tax would add \$750,000 to a \$5-million apartment building and that may be enough to deter a buyer.

Anne McMullin of the Urban Development Institute said it's too early to predict how the new tax will affect local markets, but said: "It will certainly have an impact on the value of the single-family home."

It won't be noticed by developers selling units in new condo complexes because under 3.5 per cent of buyers of units in multi-family buildings are foreigners, she said.

Norm Taylor of CBRE, which deals largely with commercial real estate, said the tax wouldn't affect that sector. But he said raising taxes isn't the way to improve housing affordability.

"The government has been trying to curb demand by increasing taxes and fees but affordability isn't a demand issue; it's a supply issue," said Taylor.

"Nobody wants to tackle the supply issue by relaxing zoning."

The new tax "just adds another cost to a wealthy individual," he said.

The property transfer tax takes effect Aug. 2 and isn't grandfathered for condo pre-sales, which could result in some foreign buyers failing to close on their purchases and forfeiting their down payments, said McMullin.

Clark Wilson law firm partner Sarah Jones said she couldn't see a buyer successfully challenging the payment of the tax because the "contract they signed into is not with the government."

1 Comment(s)



[Ricketty Rabbit](#) 26 July 2016 08:16

I've been told by developers that it is not uncommon for private sales events to be held weeks before new condo sales go public. Some of those private sales events occur in China. What realtor who isn't involved in those sales would know this?

As has been written in the comments section several times before, money from sales of expensive homes sometimes ends up in new condos when a homeowner downsizes and when parents lend or give part of the proceeds from the sale of a family home to their children to help them buy apartments. There's no doubt that some of the money from the sale of private homes contributes to competition for condos and townhouses.