CITY OF
VANCOUVER

CITY CLERK'S DEPARTMENT
Access to Information

File No.: 04-1000-20-2017-286

October 25, 2017

s.22(1) [redacted]

Dear s.22(1) [redacted]

Re: **Request for Access to Records under the Freedom of Information and Protection of Privacy Act (the "Act")**

I am responding to your request of July 24, 2017 for:

> **Correspondence since January 1, 2015 between the Office of the Mayor and senior elected and appointed federal officials (specifically the Prime Minister's Office, Finance Minister, Canada Mortgage and Housing Corporation, Attorney General, and RCMP) and senior elected and appointed provincial officials (specifically the Office of the Premier of B.C., Deputy Premier/Minister of Housing, CEO of B.C. Housing, Minister of Finance, Attorney General and Solicitor General) regarding concerns about the rising costs of housing in City of Vancouver, including, but not limited to, unsustainable property values and rental costs, regulation and taxation, speculation (aka flipping), foreign demand (particularly by citizens of or recent immigrants from the People's Republic of China), market manipulation and real estate-related crime, including, but not limited to, money-laundering.**

On October 18, 2017 the City responded to your above request stating that "all records are attached".

On October 20, 2017 you stated that there were two letters missing:

- the Mayor's letter of June 1, 2017 to Finance Minister Morneau; and
- the attachments referenced in the Premier's letter.

The Mayor's Office carried out a due diligence search and located both documents which are now enclosed.

Under section 52 of the Act you may ask the Information & Privacy Commissioner to review any matter related to the City's response to your request. The Act allows you 30 business days from the date you receive this notice to request a review by writing to: Office of the Information & Privacy Commissioner, info@oipc.bc.ca or by phoning 250-387-5629.

If you request a review, please provide the Commissioner's office with: 1) the request number assigned to your request (#04-1000-20-2017-286); 2) a copy of this letter; 3) a copy of your original request for information sent to the City of Vancouver; and 4) detailed reasons or grounds on which you are seeking the review.

Please do not hesitate to contact the Freedom of Information Office at foi@vancouver.ca if you have any questions.

Yours truly,

Barbara J. Van Fraassen, BA
Director, Access to Information

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Phone: 604 .873.7999
Fax: 604.873.7419

Encl.

:cf

DATE PREPARED:

TITLE: **Potential Implications of Reducing Foreign Ownership of BC's Housing Market**

ISSUE: There is a perception that non-resident investors are driving an affordability crisis in residential real estate

SUMMARY:

- The key factors that drive the real estate market include: demographics, interest rates, geographical restrictions, and the health of the broader underlying economy. House prices are increasing in Greater Vancouver as a result of these factors.
- There is a perception that foreign investors and speculators are driving an affordability crisis in residential real estate – particularly in Greater Vancouver.
- The data we have does not support this perception. Estimates of foreign investment in BC's housing market are subject to considerable uncertainty due to a lack of conclusive data. However, industry experts estimate that foreign buyers likely make up less than 5 per cent of home sales activity in Greater Vancouver.
- Some jurisdictions faced with rising house prices have taken a variety of measures to curtail foreign investment in residential real estate.
- BC could implement policy measures to reduce foreign investment and take policy measures to increase the affordability of housing by reducing its price.
- Measures to drastically reduce foreign investment would have the following implications:
    - Likely little impact on general housing prices given the limited extent of foreign investment in Greater Vancouver's housing market.
    - Roughly $1 billion in residential real estate sales, representing about 1,400 units, would be lost.
    - Roughly $350 million in nominal GDP would be lost. This translates into about 0.2 per cent of BC's economy.
    - Around 3,800 total jobs would be lost, mainly in the construction and real estate sectors.
    - Housing starts would fall by about 760 units, more than the annual number of starts in Abbotsford-Mission in recent years.
- Further, if home prices fell by 10 per cent due to policy measures, then:
    - Roughly $60 billion dollars in home equity would be lost, averaging about $85,000 per homeowner in the Greater Vancouver area.

BACKGROUND:

The key factors that drive the real estate market include: demographics, interest rates, geographical restrictions, and the health of the broader underlying economy.

In Greater Vancouver those factors are driving higher home prices, especially if one is looking at single family detached homes. Greater Vancouver has a limited supply of land on which to build. This, combined with relatively steady economic growth, net in migration, and low interest rates, is creating demand for housing.

At the same time Vancouver is transitioning from a city of detached single family homes to a city of multi-family homes. As single family homes are knocked down to build developments, their supply is reduced and concentrated in certain neighbourhoods. As a result of this decline in supply prices are being bid up. A detached single family home in Vancouver is increasingly out of the reach of a first time home buyer. However, the supply of condominiums in Greater Vancouver has kept pace with demand and condominium prices have been relatively flat or keeping pace with inflation.

However, there is perception that it is non-resident investors and property speculators that are driving the increase in home prices here in British Columbia. There is a perception that non-resident buyers are parking their money in residential real estate, pushing up home values above what their market price should be and making it difficult for local residents to purchase a home. Property speculators are also perceived as taking advantage of high demand from foreign buyers to flip residential properties at higher than normal prices.

There is also a perception that non-resident buyers tend to leave their properties vacant resulting in reduced rental supply. This drives low vacancy rates and creates upward pressure on rents.

Finally, non-resident buyers are perceived as having a detrimental effect on local communities and local businesses. The social fabric of local communities is harmed by having fewer people around and fewer children in schools. Local businesses are harmed when they do not have the foot traffic or the customer base they require.

DISCUSSION:

These perceptions have led to the conclusion that homes would once again be affordable if some action were taken to exclude or discourage non-resident buyers and property speculation. Some jurisdictions have enacted measures to combat excessive growth in home prices, tax property speculation and to curb demand from non-resident buyers. Commonly mentioned jurisdictions include London, Singapore, Hong Kong, and Sydney. It has been suggested that British Columbia should follow suit.

Housing price cooling measures taken in other jurisdictions include:

- Increases to or the implementation of land transfer taxes
- The implementation of land speculation taxes
- Increases to capital gains taxes
- Increases to property taxes for non-residents
- Increases to property taxes for vacant property
- Mortgage and lending restrictions
- Restrictions on the number and types of properties that may be purchased

These measures are intended to lower demand by increasing the cost of purchasing or owning residential property and by reducing the profit from speculating in property. Restrictions on mortgage lending and restrictions on property ownership reduce demand by excluding potential buyers from the market.

Of these jurisdictions, most implement more than one of these measures. Some jurisdictions have chosen to exclusively target non-resident buyers; however, it is also common for measures to target both non-resident and resident homebuyers. For example, land transfer tax rates may be increased for all homebuyers in addition to a rate increase specific to non-resident buyers.

The Example of Singapore

Many jurisdictions have had to implement additional measures over time or are in the process of implementing additional measures. Singapore is an example of a jurisdiction that has had to implement successive cooling measures. Singapore implemented nine successive cooling measures between September 2009 and December 2013. These measures included:

- a speculation tax on properties held for less than four years,
- an increased land transfer tax on residents and non-residents,
- minimum down payment requirements, and
- mortgage and lending restrictions.

Singapore also has significant property ownership restrictions for non-residents, for example, requiring government approval in order to purchase detached and semi-detached homes.

Despite successive measures, house prices in Singapore continued to climb until February 2013. Since that date house prices have declined slightly from that peak. However, in addition to its cooling measures, the Singaporean government also engaged in efforts to address the lack of supply of housing in Singapore. The first wave of those projects has reached completion. Singapore's Minister for National Development credits the entry of those projects onto the market with stabilizing prices.

In terms of affordability, Singapore is not a success story. Singapore has managed to halt a rapid increase in house prices. However, an individual unable to afford a home in

2009 remains unable to afford a home in 2015. The growth in house prices in Singapore over that period outpaced the growth in incomes. In addition to higher house prices that individual now faces restrictions on their ability to borrow and may face higher property transfer taxes either directly, or passed on by the seller.

Potential Impacts on British Columbia of Reducing Foreign Ownership

British Columbia could choose to implement some of the measures tried in other jurisdictions to limit activity by foreign buyers. Estimates of foreign investment in BC's housing market are subject to considerable uncertainty due to a lack of conclusive data. Industry experts estimate that foreign buyers likely make up less than 5 per cent of home sales activity in Greater Vancouver.

Assuming foreign investors make up 5 per cent of home sales activity in Greater Vancouver, policy measures taken to reduce that activity by 80 per cent would have the following implications:

- Given the limited scope of foreign investment in BC's housing market according to industry experts, and an apparent concentration in high end homes, these measures would likely not have a significant effect on affordability for first time home buyers.
- Roughly $1 billion in residential real estate sales, representing about 1,400 units, would be lost.
- Roughly $350 million in nominal GDP would be lost. This translates into about 0.2 per cent of BC's economy.
- Around 3,800 total jobs would be lost, mainly in the construction and real estate sectors.
- Housing starts would fall by about 760 units, more than the annual number of starts in Abbotsford-Mission in recent years.
- Restrictions on foreign investment in the housing sector could send mixed messages to potential business partners and investors. This could compromise government efforts to welcome foreign investment in other industries (e.g. LNG) and to increase international economic ties (e.g. the Renminbi Hub).

- Further, if home prices fell by 10 per cent due to policy measures, then:
    - Roughly $60 billion dollars in home equity would be lost, averaging about $85,000 per homeowner in the Greater Vancouver area.

Renters may see increased rents and lower vacancy rates:

- If foreign investment is concentrated in new developments then restrictions on foreign investment could reduce capital available for new developments.
- Reduced supply in new housing would create upward pressure on rents and lower vacancy rates.

Potential Impacts on British Columbia of Lowering Home Prices

British Columbia could also choose to implement some of the broader measures tried in jurisdictions in order to lower the price of housing. However, doing so could have significant implications. The example of Singapore suggests that it will require drastic measures to do more than halt the rise of house prices. Residents as well as foreign buyers would likely have to be targeted in order to reduce prices.

Assuming that broad based measures reduced home prices by, say, 10 per cent, then:

- Roughly $60 billion dollars in home equity would be lost, averaging about $85,000 per homeowner in the Greater Vancouver area.
- This would make homes more affordable for buyers; however, even a 10 per cent reduction may not be enough to fully address affordability given recent increases in home prices.
- A significant price correction could potentially leave some British Columbians with negative equity in their homes (where the value of the home is worth less than the amount owed on the mortgage).

CONCLUSION:

Increased taxes are among the measures that have been deployed in some jurisdictions to combat rising house prices and to discourage property speculation and foreign investment in residential real estate.

Based on evidence from other jurisdictions it may require severe tax measures in concert with other regulatory measures to achieve a reduction in home prices. However, these measures could have significant effects on British Columbia's economy.

Additionally, because the demand for housing and housing prices are driven by other factors including demographics, interest rates, geographical restrictions, and the health of the broader underlying economy, these measures would have to target both residents and non-residents. In particular, a tax on foreign buyers would not address the long-term issue of a limited supply of land servicing an ever growing population in Greater Vancouver.

Options that could be pursued include ensuring property speculators pay their fair share of tax, and encouraging densification.

For example, property speculators already face a higher tax burden on profits than other property owners. Speculators who engage in flipping properties should have their profits taxed as income rather than as a capital gain (capital gains are taxed at half the rate of business income). It would be up to the federal government and the Canada Revenue Agency to pursue property speculators to the fullest extent possible, to ensure they are paying their fair share of income tax and are not incorrectly reporting a capital gain, or worse, claiming the primary residence capital gains exemption.

It may be desirable to address the issue of affordability and concerns over rental rates and low vacancies gradually through supply side measures that encourage densification rather than through drastic and immediate measures to curb demand.

British Columbia could also encourage local governments to help address affordability concerns through local taxes and planning measures such as:

- Adopting growth strategies and plans that encourage affordable housing units
- Nurturing a regulatory environment that's "housing-friendly" and encourages densification.
- Offering property tax incentives and targeted reductions to build or renovate affordable housing.
- Streamlining development approval processes.

Appendix A
Survey of other jurisdictions

A number of international jurisdictions have introduced measures to address escalating real estate prices including the UK, Australia, Singapore, New York and Hong Kong. Actions taken by these jurisdictions are included below.

The United Kingdom

The UK has taken steps to reform the capital gains tax treatment of foreign owners and non-domiciled residents:

- Non-residents will now be subject to capital gains taxation on gains when selling residential property in the UK.
- Non-domiciled residents who provide security for purchases with offshore assets will be considered to have repatriated those assets and will pay income tax as applicable.
- Annual tax on homes held in companies.
- 15-per-cent stamp duty on those using a company name to buy properties worth more than £500,000.
- Local governments have the ability to levy a surcharge of 50 per cent on local council tax on homes left empty for more than two years.

Singapore

Singapore's Minister of Finance has stated that investment flows into the country were unlikely to decline so long as interest rates remained low. However, since 2009, Singapore has attempted to cool demand through increasingly drastic tax and non-tax measures:

- Increased buyer's stamp duties (PTT) on foreign, corporate, permanent residents, and citizens:
    - 15% additional stamp duty on foreign and corporate purchasers. Was initially 10% but was increased after 10% did not have the desired effect.
    - 5% additional stamp duty on permanent residents purchasing a first home. 10% on further purchases.
    - 10% additional stamp duty on citizens purchasing their second and third homes.
- Increased seller's stamp duties (an anti-speculation measure).
    - An additional 16% stamp duty if sold within one year. The rate reduces by 4% each year of ownership to 0% additional stamp duty in year 5.
- Restrictions on mortgage lending to residents.
    - Strict loan to value ratios
    - Strict Mortgage Servicing Ratios

- Restrictions on the types of property that foreign citizens and permanent residents can purchase.

Hong Kong

Hong Kong has taken a similar approach to Singapore, combining tax and non-tax measures in an attempt to cool demand:

- Doubled the existing general stamp duty. This applies to residential and commercial property.
- A 5%-20% anti-speculation special stamp duty that is payable on property held for less than 24 months.
- Implemented a 15% additional Buyers Stamp Duty targeted at foreign investors and companies Measures to restrict mortgage lending to its residents.
  - Strict loan to value ratios
  - Strict Mortgage Servicing Ratios
  - A 40% down payment requirement

Australia

Australia has both federal and state taxes for foreign purchasers. Australia also restricts foreign ownership of property. Foreign citizens or companies require approval from a Foreign Investment Review Board (FIRB) in order to buy residential real estate. The FIRB will accept applications where the non-resident intends to live in the residential property. The FIRB will reject applications on the following grounds:

- They feel the purchase is speculative in nature.
- They feel the purchase is for rental purposes.

The exceptions to these criteria are newly built residential properties sold by developers and tourist resort properties.

The Federal Government and the State of Victoria have proposed the following additional measures:

Federal government (proposed)

- Increased enforcement of the foreign investment rules. The federal government plans to charge fees to foreign nationals buying residential property and fine those who break foreign investment laws, in an attempt to improve housing affordability amid some of the world's highest property prices.
- The scheme could raise about $200 million a year by charging foreign home-buyers $5,000 for properties valued under $1 million and an additional $10,000 for every additional $1 million.

State of Victoria (proposed)

- In the May 2015 state budget, the Victorian government plans to increase stamp duty and land tax for foreign investors.
- From July 1, foreigners who are not permanent residents will be charged an additional 3 per cent surcharge on stamp duty.
- An additional 0.5 per cent land tax surcharge will also apply to absentee property owners who are not citizens or permanent residents from 2016.
- In addition to the stamp duty tax, foreign buyers and owners will be forced to pay a 0.5 per cent land tax surcharge. Both taxes are expected to raise $333 million for Victoria over the next four years.

New York

New York levies a mansion tax of 1% of the purchase price, if the purchase price is over $1 million.

1974 Ontario Measures

- Ontario implemented two measures aimed at curbing house price inflation in the 1970s.
  - A 20% transfer tax on non-residents of Canada (similar to our PTT)
  - An income tax on land speculation aimed at short term speculators (flippers)
  - The taxes were enacted in 1974 and repealed by 1978.
  - The 20% rate for non-residents remained for the acquisition of certain land (farmland) until 1997.

The 20 percent land transfer tax on non-residents of Canada

- This imposed a 20 per cent tax upon the acquisition of property in Ontario by non-residents of Canada.

The Land Speculation Tax

- The land speculation tax was imposed at a rate of 20 per cent (initially 50 per cent) of the excess of proceeds of disposition over the adjusted cost of acquisition if property was sold before ten years.
- It generated little revenue (between $3-$5 million per year) at great administrative cost (25 FTE).
- The tax was an administrative challenge: it generated tens of thousands of paper returns and there was no administrative capacity to audit people who were claiming exemptions.
- There was little to no enforcement of the tax due to these issues.
- It did very little to stop long term speculation. Larger investors just waited out the tax.

A report by David Baxter, an economist and demographer, concludes that these two measures:

- lowered or stabilized the rate of housing price increases somewhat,
- lowered the demand for the construction of new rental buildings and new housing stock, and
- discouraged non-resident buyers, but primarily short-term non-resident buyers.

In 1990 the BC Ministry of Finance concluded that Ontario's Speculation Tax may have contributed to loss of liquidity but likely did not stabilize housing prices.

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May 28, 2015

Peter Milburn
Deputy Minister
Ministry of Finance
PO Box 9416 Stn Prov Govt
Victoria, BC V8W 9V1

Dear Mr. Milburn:

Re: Foreign Investment in the Vancouver Housing Market

There has been considerable publicity in recent months concerning foreign buyers in the Metro Vancouver housing market. News reports rife with anecdotal evidence suggest these purchases put significant upward pressure on home prices and create an affordability crisis in the region, especially for first-time buyers.

As a member of the BC government's Economic Forecast Council, I think you may find our recent research on the subject not only informative, but useful in determining whether policy intervention is needed in the interest of the public good.

Research Highlights

- While no hard number on foreign buyers in Metro Vancouver housing market exists, the available data and analysis on the housing stock and flow of residential transactions in the region suggest that foreign ownership of housing is considerably less than 5 per cent of the housing stock and not more than 5 per cent of sales activity.

- The proportion of vacant dwellings, as well as the proportion occupied by foreign and/or temporary residents in the Vancouver CMA during the 2011 Census, did not diverge significantly from other large Canadian or provincial urban centres.

- Domestic investors are 3-4 times more active in the region's housing market than foreign investors, adding much needed rental accommodation supply. In addition, with inflation-adjusted apartment prices edging lower over the past five years, there has been little incentive for short-term speculative activity in the apartment market segment.

- The single-detached home stock has declined in both absolute and relative terms in the Vancouver CMA. This increasing scarcity has led to significant price appreciation as consumers compete for the available stock.

- Regional residential densification efforts have led to relative price stability in multi-family housing over the past five years, as home builders have kept pace with demand. Multi-family housing now comprises two-thirds of the Metro Vancouver housing stock and approximately 80 per cent of new home construction activity.

- The average home price in the region is an inadequate yardstick for housing affordability. Two-thirds of all homes sold through the Real Estate Board of Greater Vancouver in 2014 were below the average price of $813,000, with 30 per cent below $400,000. Only 12 per cent of residential sales were valued above $1.4 million.

Research Recommendations

1. BCREA **does not see a policy response to curb foreign investment as necessary** for the public good at this time. The available evidence of foreign investment in the Metro Vancouver housing market suggests that it represents not more than approximately 5 per cent of market demand and that housing affordability in the first-time buyer segment of the market has not been negatively affected.

2. BCREA recommends the government **monitor the flow of foreign investment in housing** by attaching a residency declaration somewhere in the land transfer form process, or other practical approach. Gathering data on foreign investment in housing would provide an opportunity to gain further insight into this market segment.

I welcome any questions or comments you might have on this topic and would be delighted to discuss this research with you further.

Regards,

Cameron Muir
Chief Economist

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Market Implications of Foreign Buyers in Metro Vancouver

Housing affordability has long been a thorn in the side of the Metro Vancouver story. Indeed, the rapid acceleration in home prices that occurred during the 2002-2008 period still has many people gobsmacked. Recent news stories have focused on the foreign buyer segment of the market, concluding that foreign investors are unduly inflating home values and driving potential domestic buyers out of the housing market, especially those looking to purchase their first home.

However, there are data and analyses from a number of sources that point to foreign investment as insufficient to impact a market as large and diverse as Metro Vancouver, save for a small segment of luxury homes. In addition, significant upward pressure on single-detached home values is largely driven by land scarcity and densification policies in the metro region, and these efforts have achieved relative stability in the values of apartments and townhouses that now comprise two-thirds of the housing stock.

The British Columbia Real Estate Association (BCREA) finds that:

- While no hard number on foreign buyers in Metro Vancouver housing market exists, the available data and analysis on the housing stock and flow of residential transactions in the region suggest that foreign ownership of housing is considerably less than 5 per cent of the housing stock and not more than 5 per cent of sales activity.

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- The average home price in the region is an inadequate yardstick for housing affordability. Two-thirds of all homes sold through the Real Estate Board of Greater Vancouver in 2014 were below the average price of $813,000, with 30 per cent below $400,000. Only 12 per cent of residential sales were valued above $1.4 million.

Research Recommendations

1. BCREA **does not see a policy response to curb foreign investment as necessary** for the public good at this time. The available evidence of foreign investment into the Metro Vancouver Housing market suggests that it represents not more than approximately 5 per cent of market demand and that housing affordability in the first-time buyer segment of the market has not been negatively affected.

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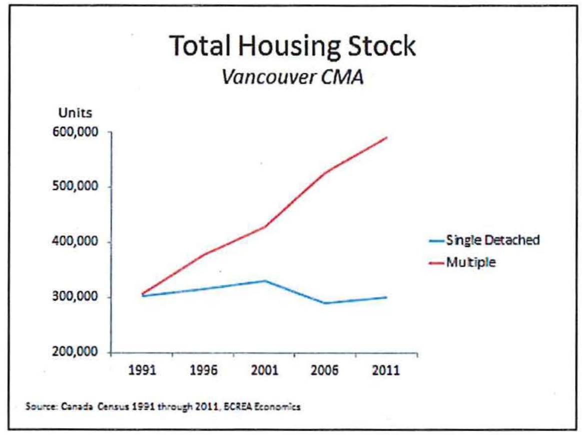
Background:

1. ***The Changing Housing Stock*:**



Vancouver is Canada's third largest census metropolitan area and is home to over 2.4 million people distributed across approximately 950,000 households. Its geography is constrained on all sides by natural and legal impediments to the supply of developable land. The vast suburban sprawl associated with many North American cities wasn't able to fully take root in Vancouver as the relative scarcity of land forced housing stakeholders to look up rather than farther afield. Increasing residential density has also enabled the production of more compact communities with better transit and smaller ecological footprints.

The flip-side to Vancouver's density story is that single-detached homes are becoming scarce, both in absolute and in relative terms. Between 1991 and 2011 census periods, the total stock of single-detached homes in the Vancouver CMA actually declined by over 1,000 units.

Market	5-year Per Cent Change in MLS® HPI Benchmark Price (2010-2015)	
	Single Detached	Apartment
REBGV Area	29%	5%
Vancouver East	46%	7%
Vancouver West	39%	11%
Surrey	17%	-10%
Burnaby	34%	6%
Richmond	29%	-2%
Langley	9%	-11%
West Vancouver	48%	-2%
North Vancouver	26%	5%

Source: REBGV; FVREB

More significant is the fact that the share of single-detached homes declined from 50 per cent of the housing stock in 1991 to barely a third in 2011. Single-detached homes are now a lot less common in the Metro Vancouver and are fast becoming a luxury segment of the housing market. Indeed, fully 80 per cent of new construction activity in the Vancouver CMA is devoted to multi-family housing.

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2. Affordability and Housing Stock Dynamics:

The dwindling supply of single-detached homes relative to multi-family types has led to significant price increases. Over the past five years, the MLS® Benchmark price for a single detached home climbed 29 per cent to nearly $1.1 million. However, apartment condominiums edged up only 5 per cent over the same period, largely the result of adequate new supply. Since wages have grown at a faster rate and mortgage interest rates are lower today than five years ago, apartment condominiums are more affordable today than in 2010.

A common practice to measure affordability is in relation to the average home price in the region. This has proven to be an inadequate measure in Metro Vancouver as home prices can vary significantly. A more realistic measure would be how many people can afford the lowest priced home. The average MLS® residential price through the Real Estate Board of Greater Vancouver (REBGV) was $813,000 in 2014.

However, more than two-thirds of the homes sold were below this threshold. Using the average price as a first-time buyer yardstick implies that a significant number of first-time home buyers should be able to purchase a home priced in the top third of all home values. Typically, around 30 per cent of home buyers in Metro Vancouver are purchasing their first home. It is no coincidence that 29 per cent of homes sold through the REBGV were priced below 400,000[1] in 2014.

3. Assessing Foreign Ownership

While no hard number on foreign buyers in the Metro Vancouver housing market exists, there are data and analyses available. After surveying the relevant data both locally and internationally, we found that

[1] REBGV area does not include Surrey, Langley or North Delta which comprise nearly 25% of Metro Vancouver's population. A Metro Vancouver statistic would likely feature a higher percentage of homes under 400K.

estimates of foreign ownership tend to cluster around 5 per cent. We have been unable to find any outliers of data to suggest the impact is more pronounced.

Canadian Data

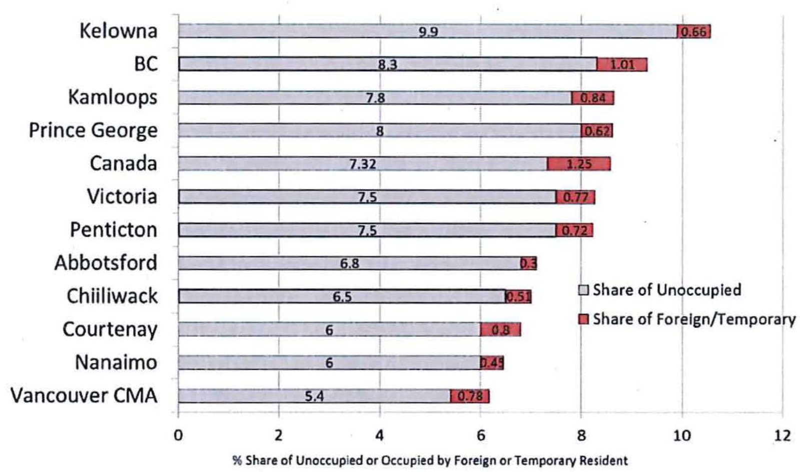
In the Metro Vancouver context, data relevant to measuring foreign investment does exist from the 2011 Canadian Census, the Canadian Mortgage and Housing Corporation (CMHC), Urban Futures and REBGV. While none of these measures are perfectly designed, they were independently produced and converge around a similar central tendency in regard to foreign ownership in the Vancouver housing market.

The classification of a foreign owned versus a vacant unit is somewhat fluid in Census data. Statistics Canada recommends grouping together the share of private dwellings that were either unoccupied or occupied by foreign or temporary residents on Census day.

Therefore, the Census data can be viewed as an upper bound on possible foreign ownership. The Census data illustrates that Metro Vancouver not an outlier among large Canadian cities, and that the share of foreign ownership in the Vancouver CMA is not significantly different than other regions of the province where foreign ownership is unlikely to be an issue.

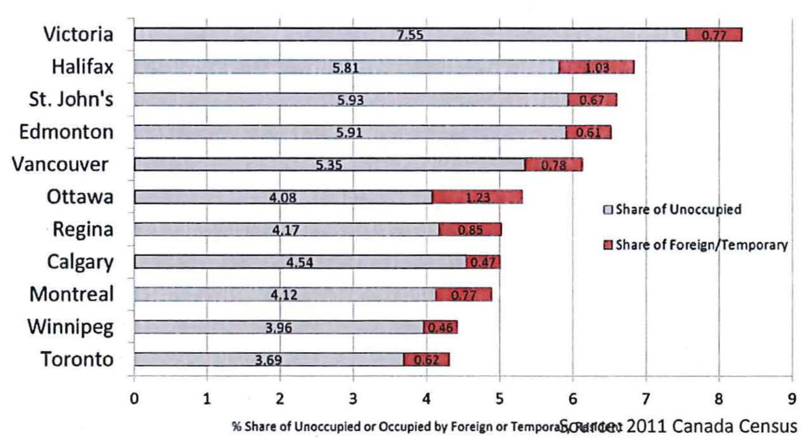
The 2011 Census data is further supported by data from the CMHC's rental market survey in which the CMHC

Share of Unoccupied/Occupied by Foreign or Temporary Residents



Source: 2011 Canada Census

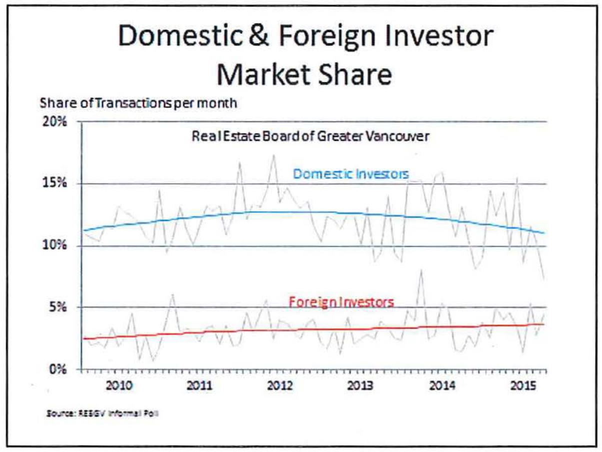
Share of Unoccupied/Occupied by Foreign or Temporary Residents



Source: 2011 Canada Census

asked property managers to provide information on condominium apartment units owned by non-Canadian residents. As of the end of 2014, the share of foreign ownership in the Vancouver CMA condo market was estimated at 2.3 per cent. This compares to 2.4 per cent for Toronto, 1.1 per cent for Victoria and 1.5 per cent for Montreal.

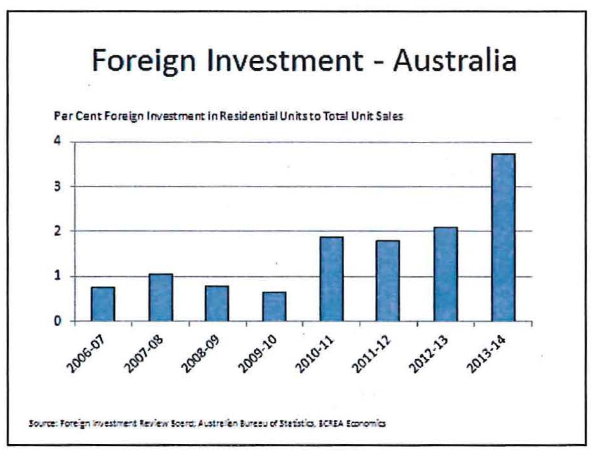
In addition, private sector groups have attempted to measure the share of foreign ownership in the market. In 2010, consultants at Urban Futures, using BC Assessment data, analyzed the mailing addresses of tax assessment notices and found just 0.4 per cent of tax notices were sent outside of Canada.



Lastly, an informal monthly poll conducted by REBGV of about 200 REALTORS® shows that foreign investment, though variable, has trended at an average rate of about 3.2 per cent from 2009 to 2015. The general lack of capital appreciation in the apartment market has led to a slight downward trend in the share of transactions by domestic investors, with speculative activity likely near decade lows.

International Data

While Canada does not formally track foreign ownership in the residential real estate markets on a monthly or annual basis, other jurisdictions do. In the United States, international buyers are surveyed by the National Association of REALTORS® (NAR) and Australia directly measures foreign investment via its Foreign Investment Review Board.



The foreign investment trends in these two jurisdictions can be informative for BC given their similar proximity to Asian markets. According to a 2014 NAR survey, international home sales were 7 per cent of total US home sales. Of that total, Chinese buyers accounted for 24 per cent of international sales, and about 5 per cent of total California home sales which were mostly split between San Francisco and Los Angeles.

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In Australia, official data shows that for the past decade approvals for foreign investment in the residential sector have remained between 5 and 10 per cent of dollar volume and roughly half of that number for total unit sales. Perhaps most importantly, according to research conducted by the Reserve Bank of Australia, rather than competing with first-time home buyers, foreign investment is concentrated in higher-priced market segments. Moreover, foreign investment largely occurs in the high density areas of major cities such as Sydney and Melbourne. They also conclude that foreign investment likely stimulates new home construction that generates employment, increased economic output and a larger tax base.

CITY OF VANCOUVER

Mayor Gregor Robertson
Le maire Gregor Robertson
羅品信市長
ਗਰੈਗਰ ਰੌਬਰਟਸਨ, ਮੇਅਰ
Punong-bayan Gregor Robertson

niʔ ct xaɬəmətəl̓, tə ɬniməɬ, tə təməxʷ ʔiʔ tə k̓ʷaƛ̓kʷə 1 *
We watch over the land and sea and in turn they watch over us.

June 1, 2017

The Honourable Bill Morneau
Minister of Finance
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Minister Morneau;

At a time when cities like Vancouver and Toronto are confronted with an unprecedented housing affordability crisis, I was encouraged to see the Federal government taking steps to work with the City of Toronto and the province of Ontario to address issues in their housing market. As Vancouver is facing many similar issues, I am writing to request a meeting with you to discuss a number of our concerns, focused on three issues:

- Affordability and the disconnect between local incomes and housing costs;
- Efforts to combat tax evasion in the housing market;
- Local and global speculation in Vancouver real estate.

It is vitally important that the public has confidence in our regulatory institutions and their ability to ensure a level playing field in our real estate market. While your recent actions to provide greater oversight on issues of capital gains are greatly valued, I often hear from residents who are concerned about fraudulent practices connected to home purchases in Vancouver. These concerns include whether proper disclosure of income and primary residence have taken place, and if the necessary taxes have been paid. Though many of the stories shared may be anecdotal, they speak to a growing anxiety that warrants a robust response to ensure the public has full confidence in our regulatory systems.

At the same time, housing prices overall are still vastly disconnected from local incomes in Vancouver, and our rental market is at crisis levels due to a near-zero vacancy rate. As a result, many businesses are struggling to recruit and retain talent, which is putting our economy, currently the strongest in Canada, at risk. The IMF recently issued a warning related to the risks present in the Vancouver and Toronto housing markets. If we are to ensure the future prosperity and inclusiveness of our city, a proactive approach that creates long-term stability and resiliency in the housing market is essential.

A coordinated policy response from all levels of government is needed to address these issues. Moreover, with Vancouver's new empty homes tax currently being implemented, this is an opportune moment to collaborate on issues around monitoring capital gains and primary residence declarations.

I look forward to a productive conversation on how the City can support the Federal government's efforts to grow the economy, ensure housing stability and affordability for the middle class, and increase public confidence in our regulatory institutions. I would also welcome the Finance Minister from the next provincial government to join our conversation as well, to ensure coordination across all three levels of government.

Sincerely,

Gregor Robertson
Mayor, City of Vancouver

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