

## Residential Sales in Vancouver Decline Following Tax on Foreign Buyers

[In a previous blog post](#) we reported that effective August 2, 2016 the Province of British Columbia imposed a 15% transfer tax on residential real estate purchases in the Greater Vancouver Area by foreign nationals.

[Data recently released by the British Columbia government](#) shows the immediate impact of this tax. On July 29, 2016, the last business day that residential real estate transactions could be registered before the imposition of the new tax, 55% of all transactions registered in Metro Vancouver involved foreign nationals. In contrast, during the period from August 2 to August 31, 2016, only 1% of all residential transactions in Metro Vancouver involved foreign nationals. This resulted in additional property transfer tax revenue of approximately \$2.5 .

[The Toronto Star recently reported](#) that there was a 33% drop in residential sales in Vancouver in September, 2016 compared to the previous year and a 9.5% drop in sales compared to August, 2016. Homes are on the market for a longer time and in some case, home prices are declining.

When the government of British Columbia announced the new transfer tax, there was speculation that foreign investors would stop investing in the Vancouver area and instead move to Ontario and the red-hot real estate market in the Greater Toronto Area.

Since the imposition of this tax, the federal government has tightened rules on insured mortgages and eliminated the principal residence exemption for non-residents. In addition, the City of Vancouver has proposed implementing a tax on vacant homes to target the many empty condominium units in the City.

It will take some time before the long-term effects of this new tax and these other governmental measures can be determined.