

January 24, 2017

Dear Mayor Helps and Council for the City of Victoria,

The Victoria Real Estate Board (VREB) is aware of discussions underway to request that the Capital Regional District (CRD) approach the provincial government to request that a Foreign Buyer Property Transfer Tax (FBPTT) be levied in all municipalities of the CRD.

This year in the VREB request to the province's Select Standing Committee on Finance and Government Services we asked that a Foreign Buyer Property Transfer Tax not be levied in the Capital Regional District (CRD) area. The Board would like to share this position and some of the reasons why implementing a foreign buyer tax in the CRD will not address the issue of housing affordability.

Foreign buyers account for 4-6 per cent of CRD buyers according to data gathered by the province. Foreign buyers can be skilled workers, doctors, nurses, investors, entrepreneurs, growing families, students and others who contribute to our community. We understand the value of in-migration and our local tourist organizations, government representatives, universities and colleges, tech sector and the former Greater Victoria Development Agency all worked hard to promote our community to foreign buyers through trade missions and marketing. As a community we must ask the hard question: are we entirely opposed to foreign buyers? We also question the theory that a cohort that represents 4-6 per cent of buyers can undermine affordability in our region.

The FBPTT was implemented in the Metro Vancouver area this summer and we can learn from the results of their roll out. The Vancouver MLS® Home Price Index (HPI) shows an overall modest reduction in benchmark value of residential homes for that region of -2.2 per cent compared to values 6 months ago (before the tax was implemented). The month before the tax was introduced foreign buyers represented 16.5 per cent of buyers. The month following the tax roll out the amount of foreign buyers in Metro Vancouver dropped to 0.7 per cent. In September that number increased to 1.8 per cent, and October again increased to 3.2 per cent. The data indicates that the number of foreign buyers is slowly increasing again. Given the modest decline in the HPI value it can also be argued that the data shows that overall affordability was not materially increased as a result of the implementation of the tax.

Throughout 2016, the VREB statistics revealed a diminishing supply of inventory for sale and a consistently high demand for properties in the CRD. As 2017 unfolds, current levels of inventory for sale continue to rival historic lows.

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In a free market economy where there is a prolonged limited supply of property for sale, increased competition results in pressure on prices. Reducing demand through a tax that may impact 4 - 6 per cent of transactions will do little to rebalance a supply problem where, as of January 23 2017, there were almost 40 per cent fewer properties (nearly 1,000 units) available for sale than the same time last year.

Last year we experienced a perfect storm of market conditions in the CRD area. Positive economic conditions, increased emigration to BC and specifically Victoria, solid interprovincial in-migration combined with local buyers contributed to increase the demand on our community's already limited available inventory. We believe these forces resulted in price increases and we do not support the theory that a tax directed at foreign buyers in the CRD is a means to address or solve this issue of affordability.

The Ongoing Issue of Supply and Demand

Our local MLS® Home Price Index data shows that the CRD's thirteen municipalities have seen differing levels of pressure on pricing; properties in the outlying areas of the CRD have not increased in price as much as the core municipalities of Victoria, Oak Bay and Saanich. Areas like Langford and Colwood have available land and have actively taken steps to support development. Their efforts to increase supply have enabled these areas to satisfy demand longer, which in turn, resulted in less upward pressure on pricing.

We are aware that the CRD Housing Affordability Task Force is reviewing its strategy this year. We support this objective wholeheartedly and believe that housing affordability can be addressed effectively in the core by revisiting zoning and density in ways that promote new and creative redevelopment of existing properties in those areas where there is little or no land left to develop. Increased approvals for small lots, infill and detached secondary accommodation along with increased density allowances for multifamily sites would be meaningful measures that could increase the affordable housing supply in the core.

We do not expect that market conditions in 2017 will mirror those record-breaking sale numbers in 2016. Lower available inventory combined with measures already implemented by government to dampen demand should mean lower sales numbers for the coming year. What this low inventory level will mean for pricing is a yet-to-be-answered question, but the rules of supply and demand do not support a theory that results in price decreases. The implementation of a foreign buyer tax will not add to the supply of affordable housing, especially not at lower cost levels.

Victoria is not Vancouver. Our market conditions and our community offer different things to people emigrating from other countries. Victoria is a beautiful, vibrant community and will always attract buyers from abroad, from other provinces in the country and other regions on the island. We believe that this diversity improves our community and provides the foundation for a more sustainable local economy.

We hope that stakeholders will consider this issue carefully and focus on strategies designed to address the supply shortages. The way to satisfy demand is with supply. A repurposing of our existing land and properties will create opportunity for a more diverse selection of property types that can foster differing affordability levels. This will ultimately moderate prices and create new opportunities for new home buyers.

On behalf of the Board and our 1,332 local Realtor Members, I appreciate your time and attention to this matter. I would be happy to discuss the topic in greater depth at a time of your convenience.

Best Regards,

A handwritten signature in dark blue ink that reads "Mike Nugent". The signature is fluid and cursive, with the first name "Mike" being more prominent than the last name "Nugent".

Mike Nugent, Past President
Victoria Real Estate Board