

ECONOMIC NEWS

Toronto's Real Estate Market: Restrictive Measures Finally Being Imposed

After British Columbia, which introduced a series of measures last summer to restrict the housing market in the Vancouver area, the Ontario government has just announced several initiatives to provide a clearer framework for the housing market in the Greater Toronto Area. The pressure has indeed intensified in recent months for such action to be taken, amid ever-growing signs of an overheating market. For example, the average existing home price in Greater Toronto skyrocketed by 33% in one year, to \$893,091 in March 2017.

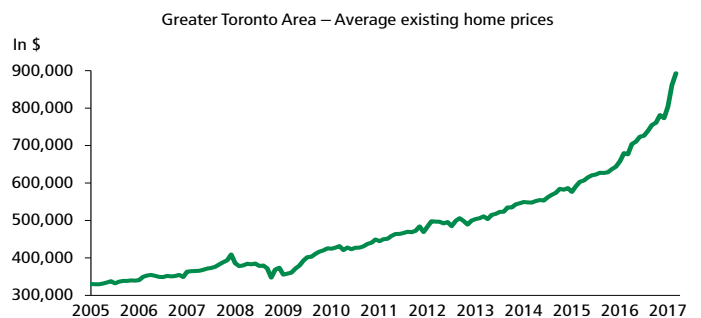
The Ontario plan for equitable housing announced today includes several measures. The main initiatives are as follows:

- ▶ A 15% non-resident speculation tax on property prices in the Greater Golden Horseshoe¹ region for homes bought by individuals who are not citizens or permanent residents of Canada.
- ▶ Rental increases will be limited to the legal rate for provincial rental increases. This rate has increased on average by 2% a year for the past 10 years—it is also capped to a maximum percentage of 2.5%.
- ▶ Legislative measures that would allow the city of Toronto and other municipalities to impose a tax on vacant properties.
- ▶ Several measures to encourage the construction of new, affordable rental apartment buildings.
- ▶ An analysis of practices that contribute to tax avoidance and excessive speculation in the housing market.

¹ Includes the following areas: Brant, Dufferin, Durham, Haldimand, Halton, Hamilton, Kawartha Lakes, Niagara, Northumberland, Peel, Peterborough, Simcoe, Toronto, Waterloo, Wellington and York.

GRAPH

The housing market in the Toronto area is white hot



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

IMPLICATIONS

It remains to be seen if these measures will have a genuine impact on the housing market in Southern Ontario. These measures, which target not only foreign investors but also Canadian speculators who were often singled out as well, might reach their goal: cooling the overheated housing market.

With measures targeting foreign investors in Vancouver and Toronto, could these same buyers turn their eyes to alternative markets like Montreal? The presence of foreign investors in Montreal at the moment seems to be very limited compared with Vancouver and Toronto. There is no urgency to act, especially since the housing market in the Greater Montreal Area is much healthier. We can wait for the results of current initiatives to get a better grasp of foreign investors' input in Canada's housing market, while remaining vigilant.

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