



Housing crisis. Massive unaffordability. Day after day, month after month, the media recounts the stories of British Columbians—particularly those in the Lower Mainland—for whom home ownership is out of reach. No doubt, MLAs hear similar concerns from their constituents.

The 2016 BC Budget made the most significant changes to the Property Transfer Tax (PTT) since the tax was introduced in 1987: on the one hand, an exemption for buyers of new principal residences with values up to \$750,000; on the other, the introduction of a third tier of 3% of the fair market value above \$2 million.



	1%	2%	3%
<b>Original PTT structure (1987-Feb. 16, 2016)</b>	First \$200,000 of fair market value	On the remainder over \$200,000	n/a
<b>New PTT structure (from Feb. 17, 2016)</b>	First \$200,000 of fair market value	Over \$200,000 to \$2 million	On the remainder over \$2 million

The British Columbia Real Estate Association (BCREA), its 11 real estate boards and more than 20,000 REALTORS® in BC sincerely appreciate the BC Government’s attention to the housing market and the affordability challenges of British Columbians.

Recognizing that housing affordability is complicated, BCREA remains convinced that the recent PTT changes simply do not go far enough. There is still an opportunity for BC MLAs to help the wide array of buyers who need relief, and ensure that the tax thresholds reflect the dynamic nature of the real estate market.

BC MLAs can improve tax fairness for property buyers in BC now and into the future by implementing these recommendations:

- Increase the 2% PTT threshold from \$200,000 to \$525,000.
- Index the following PTT thresholds using the MLS® Home Price Index, and make adjustments annually:
  - o 2% and 3% thresholds,
  - o First-Time Home Buyers’ Program exemption threshold, and
  - o Newly Built Home Exemption threshold.
- Respecting privacy legislation and practice, publish buyers’ residency data and the government’s analysis of that data.

# POLICY GAPS

## Newly Built Home Exemption

BCREA welcomes the PTT exemption for new principal residences up to \$750,000. This change may help stimulate supply of new housing and possibly allow some existing homeowners to move up to more appropriate housing, freeing up stock appropriate for first-time buyers. However, BCREA suggests there are significant issues:

- while the proportion varies by region, only about 20% of the homes sold in BC each year are new; therefore, this program provides relief to a minority of homebuyers and no relief for investors,
- by not indexing the exemption threshold, within nine years significantly fewer buyers will qualify, because 80% of newly-built detached homes will be priced above \$750,000<sup>1</sup> (compared with 50% in 2016), and
- data for new apartments and townhomes is more difficult to come by, but BCREA estimates the number of years it will take for median prices to exceed the threshold in these three urban areas:<sup>2</sup>



**Apartments**

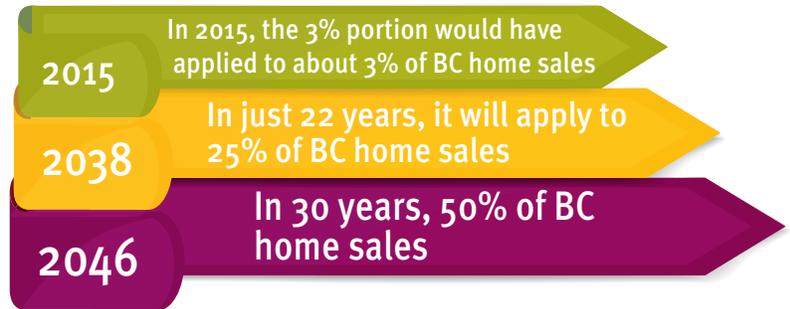


**Townhouses**

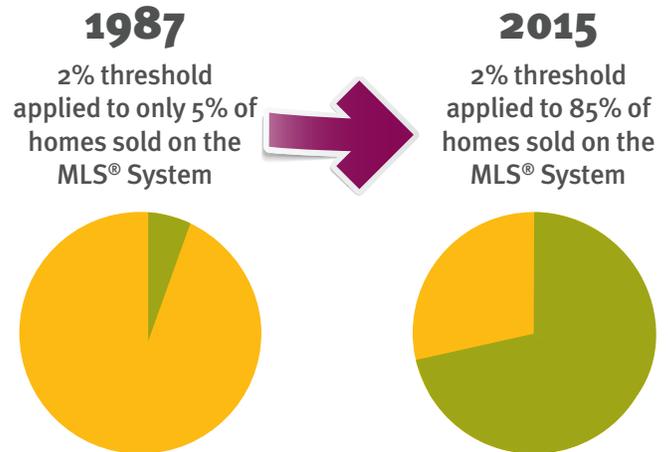
<b>Vancouver</b>	<b>10 years</b>	<b>5 years</b>
<b>Victoria</b>	<b>17 years</b>	<b>10 years</b>
<b>Surrey</b>	<b>23 years</b>	<b>13 years</b>

## Third Tier

BCREA understands that the new 3% tax rate for properties over \$2 million is intended to pay for the Newly Built Home Exemption. Over time, this balance will erode and the third tier will capture an increasing number of properties, unless the threshold is indexed.<sup>3</sup>



The original structure of the PTT has illustrated very clearly the extent to which a static approach contributes to the tax burden of property buyers. Indexing the thresholds now will help ease affordability concerns in the future.



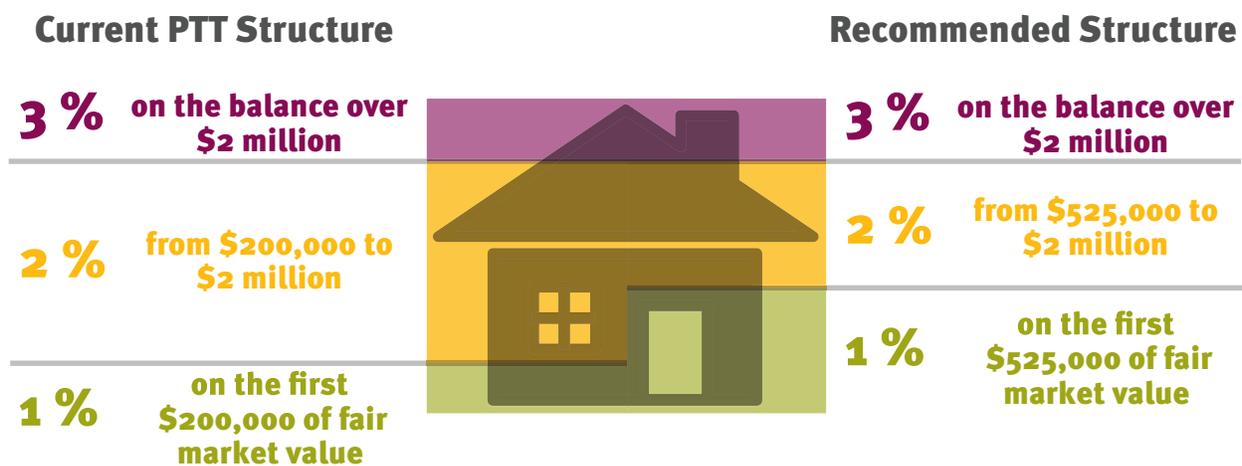
## Data Collection

Public policy must be based on knowledge rather than assumption. Therefore, BCREA fully supports the government's decision to resume the collection of real estate buyers' residency data. Considering the intense public interest in this topic, and the government's own history of collecting but not using such information, BCREA believes the data and the government's analysis of it need to be publicly available.

The Newly Built Home Exemption and the third tier demonstrate a willingness to make major changes to PTT—the one tax that contradicts the claim that British Columbians have the lowest tax burdens in Canada. In that forward-thinking, big-picture spirit, BCREA urges MLAs to take actions that will provide relief to a broader scope of real estate buyers, and ensure that future buyers will also benefit.

BCREA recommends BC MLAs implement these recommendations:

- Increase the 2% PTT threshold from \$200,000 to \$525,000. Using 2015 data, this measure would cost about \$197 million, and help consumers all around the province, whether they purchase residential or commercial real estate, new or existing homes. In fact, 64% of BC homes were priced at or below \$525,000 in 2015, meaning the majority of homebuyers would benefit.<sup>4</sup>



- Index the following PTT thresholds using the MLS® Home Price Index, and make adjustments annually:
  - o 2% and 3% thresholds,
  - o First-Time Home Buyers' Program exemption threshold, and
  - o Newly Built Home Exemption threshold
- Respecting privacy legislation and practice, publish buyers' residency data and the government's analysis of that data.

REALTORS® and BCREA look forward to working with elected officials to create meaningful solutions to ensure the ongoing economic stability, job growth and enviable quality of life of British Columbians.

<sup>1.</sup> Analysis conducted by the BCREA Economics Department. Assumes the average residential price in BC continues at its 20-year compounded rate of 5.5%, and the median price change is equivalent, with the full price distribution moving at that rate over the period. The analysis only includes newly built and absorbed detached homes, because no data is available on condominium (multiple) absorbed prices in BC.

<sup>2.</sup> Analysis from the BCREA Economics Department, using estimated median prices with data from the Real Estate Board of Greater Vancouver Multiple Listing Service® System.

<sup>3.</sup> Analysis conducted by the BCREA Economics Department. Assumes the average residential price in BC continues at its 20-year compounded rate of 5.5%, and the median price change is equivalent, with the full price distribution moving at that rate over the period.

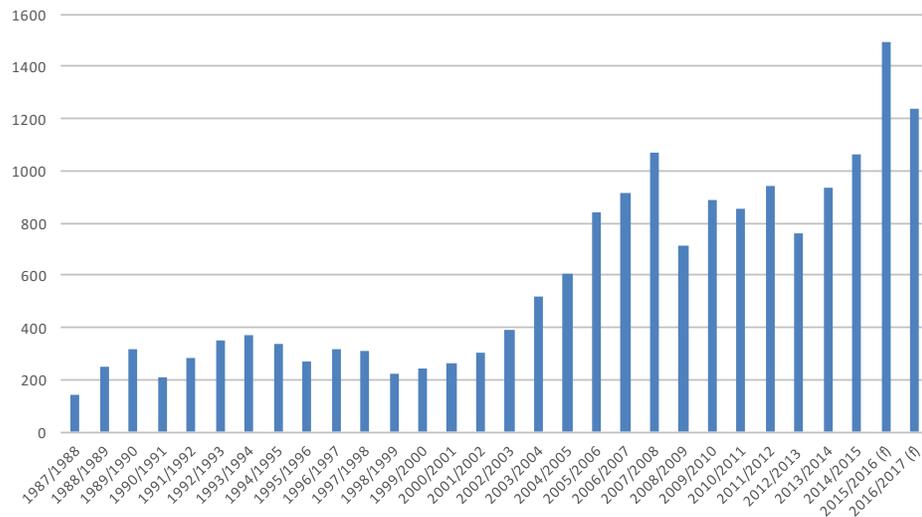
<sup>4.</sup> This analysis, conducted by the BCREA Economics Department, uses BC Assessment data for transactions occurring in 2015 and applies an alternative PTT structure in which the PTT is levied at 1% of the first \$525,000 of market value, 2% on the amount between \$525,000 and \$2 million and 3% thereafter. The provincial tax revenue impact is then calculated as the difference between PTT revenues estimated under the baseline scenario of no change to the existing PTT structure and PTT revenues estimated under an alternative scenario. The dataset includes only market-based transactions of residential property. Estimated PTT revenues shown are net of estimated foregone PTT revenue due to First Time Home Buyer exemption and the Newly Built Home Exemption.

# CONTEXT

Since 1987, BCREA has urged the provincial government—regardless of its political affiliation—to either eliminate or minimize the negative impact of the PTT. Other stakeholders have also consistently made similar recommendations, and real estate consumers have long listed the PTT as an obstacle to affordability.

With revenue forecast to reach a record high of nearly \$1.5 billion in 2015/2016, this is the time for BC’s elected officials to invest in affordability for British Columbians.

BC PTT Revenue, 1987-2017



## ABOUT BCREA AND THE HOUSING SECTOR

The British Columbia Real Estate Association (BCREA) is the professional association for more than 20,000 REALTORS® in BC, focusing on provincial issues that impact real estate. Working with the province’s 11 real estate boards, BCREA provides continuing professional education, advocacy, economic research and standard forms to help REALTORS® provide value for their clients.

To demonstrate the profession’s commitment to improving Quality of Life in BC communities, BCREA supports policies that encourage economic vitality, provide housing opportunities, respect the environment and build communities with good schools and safe neighbourhoods.

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## BCREA member real estate boards:

- BC Northern Real Estate Board
- Chilliwack and District Real Estate Board
- Fraser Valley Real Estate Board
- Kamloops and District Real Estate Association
- Kootenay Real Estate Board
- Okanagan Mainline Real Estate Board
- Powell River Sunshine Coast Real Estate Board
- Real Estate Board of Greater Vancouver
- South Okanagan Real Estate Board
- Vancouver Island Real Estate Board
- Victoria Real Estate Board

Housing contributes significantly to the economy. A 2015 study by Altus Group Economic Consulting found that the average housing transaction in BC on the Multiple Listing Service® generates about \$62,700 in expenditures.



100% post consumer

