

End of “millionaire visas” has zero effect on housing

The end of Canada’s controversial Immigrant Investor Program – the so-called “millionaire’s visa” scheme – will have zero impact on the sale of high-end houses in Canada. Even a ban on foreign sales – such as in Australia – would have little effect.

In any case, the xenophobic concept of stopping real estate sales to people from other countries is so odious, so against the precepts of a fair market economy that it should not even be considered.

Imagine the reverse: the inability of Canadians to purchase a home in Phoenix, Florida or other sunshine states. This would not only be seen as unfair to snowbirds it would prolong the recovery of a U.S. housing market that is only now emerging from the 2008 crash.

Australia has banned foreigners from buying established homes and restricted developers to pre-selling only half of their new properties to foreign buyers.

Temporary migrants, such as foreign students, can buy any home as long as they sell it when they leave Australia. But Australia has learned there is simply no way to freeze out foreign money.

In 2013, according to **National Australia Bank**, foreign buyers – mostly from China – bought up one in eight of all new homes in Australia, up from one in 20 in 2011 before the ban on foreign ownership came into effect.

The reason is simple: Chinese immigrants are skirting Australia’s foreign investment rules by buying homes on behalf of friends and family in China.

The same thing is happening in B.C. and would continue despite any foreign buyer legislation. The Immigrant Investor Program was frozen two years ago. Since then the average house price on the West Side of Vancouver has increased 16 per cent and sales of B.C. luxury homes – \$4 million or more – have soared 35 per cent.

When the Immigrant Investor

Program was killed in February’s federal budget, there was a backlog of 60,000 Chinese millionaire’s lined up for a program that requires each one hand Canada an \$800,000 zero-interest loan for five years.

That equates to about \$50 billion, money that could subsidize a lot of affordable housing in Canada, as just one option.

Canada represents one of the best real estate environments in the world. It didn’t get that way by discouraging investments. The solution is simple: triple the threshold price for immigrant investors and welcome them all in.

NEXT MONTH

Western Investor looks at raw land development, including farmland. We study limited partnerships and our regional reporters focus on Metro Vancouver.

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