

## Meghan Wylie

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**From:** Laurie Hurst  
**Sent:** March-27-18 09:20  
**To:** Meghan Wylie  
**Subject:** FW: Victoria Real Estate Board needs your help to prevent the provincial government from compromising the future of local housing  
**Attachments:** VREB's position on Spec Tax to Province.pdf; ATT00001.htm

For login and processing, thanks.

**Laurie Hurst, CPA, CGA**  
Chief Administrative Officer  
Tel: 1-250-414-7133

CORPORATION OF THE TOWNSHIP OF ESQUIMALT		
For Information:		
<input type="checkbox"/> CAO	<input type="checkbox"/> Mayor/Council	
<input type="checkbox"/>		
RECEIVED: MAR 27 2013		
Referred: <i>Anja</i>		
<input type="checkbox"/> For Action	<input type="checkbox"/> For Response	<input type="checkbox"/> COTW
<input type="checkbox"/> For Report	<input checked="" type="checkbox"/> Council Agenda	<input type="checkbox"/> IC

**From:** Barb Desjardins  
**Sent:** March-27-18 9:18 AM  
**To:** Laurie Hurst  
**Subject:** Fwd: Victoria Real Estate Board needs your help to prevent the provincial government from compromising the future of local housing

Next council agenda with the other received yesterday

Sent from my iPad

**Barbara Desjardins**  
Mayor  
Tel: 1-250-414-7100

Begin forwarded message:

**From:** VREB President <[president@vreb.org](mailto:president@vreb.org)>  
**Date:** March 27, 2018 at 9:06:44 AM PDT  
**To:** <[barbara.desjardins@esquimalt.ca](mailto:barbara.desjardins@esquimalt.ca)>  
**Subject:** Victoria Real Estate Board needs your help to prevent the provincial government from compromising the future of local housing

Dear Mayor Desjardins,

Re: **Provincial Government's initiative to reduce property values via Speculation Tax**

I am writing to ask that your municipality request that the Honorables John Horgan, Carole James and Selina Robinson halt the introduction of the Speculation Tax as it is currently defined.

Though we appreciate that the alterations announced yesterday will help with our Gulf Islands economies, we believe that the threat to our local economy will continue until the government understands that their attempts to devalue the housing market in our area are dangerous and will further undermine economic confidence in a market that has already begun to slow down.

It is our opinion that the government's stated goal of decreasing the value of homes in BC will be devastating to the entire economy and future of housing in the Victoria area. We have already seen the headwinds – out of province, Canadian buyers who already reside in our city for portions of the year and plan to retire here, are in panic. Buyers are already walking away from sales because of the provincial government's sudden and aggressive stance against Canadian buyers. And these are not sales that represent future affordable housing stock – these are high priced homes that their owners wish to live in part time while contributing to our community's economy.

According to MLS® data, our local housing market boomed in 2016. Since that record-breaking year, reports show a gentle levelling off, and the recently released federal budget confirms this. The provincial government is introducing this tax in response to previous market conditions, and their intent to devalue home values will be detrimental to existing homeowners as everyone will lose equity in their homes. Combined with increasing interest rates, some owners will find themselves with no equity, unable to renew their mortgages and may be forced into bankruptcy or foreclosure.

Lowering home values without a huge increase in supply will do nothing more than jeopardize the investment of current owners and open up our housing market to even more demand and competition as Victoria's gap in values closes with other markets. Any reduction in values would also help to off-set the impact of the recent Foreign Buyer Property Transfer Tax.

Please help us encourage the government to look at current and future market conditions to create a housing plan that supports growth and investment in Victoria.

I have included our letter to our provincial leadership which details our concerns. Please support our ask that Victoria is exempted from this regressive tax by connecting with Premier Horgan, Ministers James and Robinson.

Thank you,

**Kyle Kerr, President**

Victoria Real Estate Board  
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### 03\_2018 Victoria Real Estate Board's Position on Speculation Tax – sent to Horgan / James / Robinson

Your government recently released a series of new taxes on real estate. Our concern is the government's desired outcome of these taxes, which is to reduce the cost of housing in BC.

If the government's demand-side measures result in decreasing local housing prices by 10 – 20 per cent, what is the potential outcome? We have the following areas of concern:

- Recent first time home buyers and owners preparing to renew their mortgage will lose a significant amount of their equity. Combined with increasing interest rates, some will find themselves with no equity, unable to renew their mortgages and may be forced into bankruptcy or foreclosure. These buyers played by the rules and will be put in financial distress due to government policy.
- If the value of Victoria's housing stock is reduced in isolation, the existing gap in value to other markets disappears and Victoria, once again, becomes more attractive to all buyers – across Canada and internationally - which will re-introduce demand. And, does a 20 per cent reduction in property values also not off-set any deterrent of a 20 per cent Foreign Buyer Property Transfer Tax?
- How does devaluing a current owner's investment to favour a potential future buyer benefit our community? Surely the government does not intend to create financial distress for owners who have recently purchased. More than 20,000 properties have sold since 2016 in the Victoria area alone - at least that many people will have their asset devalued.
- Is a 10 – 20 per cent drop in property values sufficient for prospective buyers to be able to purchase "affordable" housing? Without addressing the supply side of the equation, how will government address the renewed cycle of demand?
- When implementing taxes in an attempt to reduce demand on housing, how does the government plan to reverse a downward trend in property values were it to occur? What is the government's target reduction on home prices? **What impact will the elimination of hundreds of millions of dollars of home equity across the province have on consumer confidence and the provincial economy?**

The federal government recently released their budget, which noted that home prices in Vancouver and surrounding areas are levelling out, due in part to higher interest rates and new mortgage qualification rules. The US has signalled interest rates will rise in the upcoming year. These factors are already creating uncertainty in our real estate market. Our market is well beyond the record breaking pace of 2016, with sales volumes dropping for the second year in a row and values already moderating. This follows the historic cycle our local market has experienced for decades.

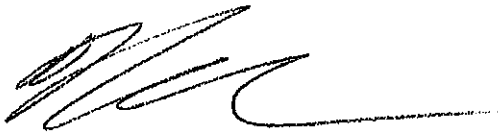
**We need to address current and future market conditions**, not create policy based on a boom market in 2016, nor at the financial jeopardy of hundreds of thousands of British Columbians. The Speculation Tax as outlined will do nothing to improve the affordability of homes, and will create a negative housing environment where developers will not build, banks will not lend, inventory of sale homes will continue to shrink and our broader economy (much of which is based on tourism and retirees) will suffer. **This is bigger than a Speculation Tax.** The overall philosophy of artificially devaluing home prices is dangerous to our community and our greater local economy.

**Our solution?** Tax actual speculation - not the ownership of real estate. Encourage home owners to make properties they are not using full time available to renters by enabling the Landlord Tenancy Act to include more flexibility and transparency around rental terms and conditions, and create additional tax incentives for owners of rented properties. Commit more tax revenue directly to housing across the value spectrum (including rental) and support municipalities to build out more diverse communities – which include multi-family housing / in-fill housing. Support a balanced economy and focus on the Island's transportation infrastructure to open up more opportunities for affordable supply with reasonable commute times. Welcome all Canadians equally and without penalty.

We are seriously concerned that the proposed Speculation Tax and other attempts to artificially devalue homes in our area will negatively affect our entire community. Our market has changed dramatically since the boom of 2016. We would love to review historical data with you that shows how our market pricing evolves over time, and how our market has been slowing and coming into balance for the past 14 months.

We will follow up tomorrow to schedule a short meeting with your team to review our concerns. We are happy to meet at a time and place convenient to the group.

All the best,



*Kyle Kerr, President*  
Victoria Real Estate Board