



Canada Bans Most Foreigners From Buying Residential Property

Description

CANADA: The Canadian government has implemented a temporary ban on foreigners buying residential property for two years.



The Prohibition on the Purchase of Residential Property by Non-Canadians Act took effect Jan. 1, as Ottawa attempts to ease a housing shortage among Canadian citizens.

The ban was approved by the Canadian Parliament on June 23, to make homes more affordable for local residents, after non-resident foreign investors bought properties across the country, raising prices.

“The Act defines residential property as buildings with 3 homes or less, as well as parts of buildings like a semi-detached house or a condominium unit. The law does not prohibit the purchase of larger buildings with multiple units,” according to the Canadian government in a press release.

Following his win in 2021, Prime Minister Justin Trudeau and his ruling Liberal Party introduced the ban after promising to pass it during the election campaign.

Trudeau Blames Canadian Housing Shortages on Non-Residents

Canadian housing prices had been rising since the start of the COVID-19 pandemic, with Trudeau's party accusing foreign buyers of snapping up massive amounts of scarce homes as investments.

Major buyer markets such as Vancouver and Toronto had already imposed taxes on non-residents and owners of empty homes.

"The desirability of Canadian homes is attracting profiteers, wealthy corporations, and foreign investors," read the Liberals' campaign website in 2021.

"This is leading to a real problem of underused and vacant housing, rampant speculation, and skyrocketing prices. Homes are for people, not investors."

The government later clarified in December that the new law would apply only to city residences and not to recreational properties such as summer cottages and that the ban would also include real estate company owners who are not Canadians.

Several exceptions in the act include certain categories of non-citizens, such as refugees, permanent residents, and those looking to rent.



Prime Minister Justin Trudeau delivers an address at the Laurier Club Holiday Event, an event for supporters of the Liberal Party of Canada, in Gatineau, Que., on Dec. 15, 2022. (Justin Tang/The Canadian Press)

Foreign Violators Face Strict Penalties

Corporations or individuals who violate the ban would be subject to a large fine, or even ordered to sell the property.

*“As set out under the Act, a non-Canadian that contravenes the prohibition, or any person or entity that knowingly assists a non-Canadian in contravening the prohibition, is **guilty of an offence and liable on summary conviction to a fine of up to \$10,000,**” the act reads.*

*“The Act establishes that, if a non-Canadian is convicted of having contravened the prohibition, the superior court of the province in which the residential property to which the contravention relates is situated may, on application of the responsible Minister, **order the residential property to be sold.** Any judicial sale order would be at the discretion of the applicable court.”*

If a foreign buyer is found in violation and is forced to sell the residential property, they may not receive more than the original purchase price.

“The Act also establishes that any such court-ordered sale will result in the non-Canadian receiving no

more than the purchase price paid for the residential property. For greater clarity, the sale of a property in breach of the prohibition does not affect the validity of the sale.”

Another exception is granted to Canadian Indigenous tribes, who are partially exempted from the act.

“The Regulations explicitly clarify that the prohibition in the Act does not apply in circumstances where it would conflict with Indigenous rights recognized and affirmed by section 35 of the Constitution Act, 1982. This provision was subject to public consultation, including direct outreach to Indigenous governments and organizations,” the law states.

Canadian Realtor Groups Object to the New Ban

However, the sudden rise in home prices between 2020 and 2021 was already on the decline in 2022, making the act unnecessary, according to the [Canadian Real Estate Association \(CERA\)](#), which is critical of the new law.

CERA reported that average home prices in Canada were 13 percent lower from a peak of more than \$590,000 at the start of 2022, to just over \$465,000 in December.

The country’s real estate market has been cooling down, after the Bank of Canada aggressively raised interest rates to rein in high inflation, causing mortgage rates to spike.

The real estate association’s home price index is still 38 percent higher than at the end of 2019, but housing inventory is now back to pre-pandemic levels.

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Meanwhile, the real estate association stated its concerns over the housing ban, even with exemptions for those intending to move to Canada, combined with the possibility of retaliation by the United States and Mexico.

It fears a similar ban on Canadians looking to purchase winter homes in warmer climates to the south.

“Canadians purchase vacation and residential properties in many countries, but particularly in the United States,” according to CERA, which said Canadians are the largest foreign buyers of American properties, with most in Florida and Arizona.

“These provide Canadians with a place to spend the winter months and are a form of savings for Canadian retirees.”

“If Canada places a ban on Americans owning property in Canada, we should expect them to respond in kind,” they continued.

CERA said that a better solution would be to address the need for more home construction to meet buyer demand.

The Canada Mortgage and Housing Corporation, the national housing agency, [reported in June](#) that

the country would need almost 19 million residential units by 2030.

That means at least 5.8 million new homes are needed to meet demand, or 3.5 million more than currently anticipated.

By Bryan Jung

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