

HOUSING MARKET INSIGHT

Canada



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“The results of the fall 2015 survey indicate that the shares of foreign ownership in condominium apartments remained low in the 16 CMAs surveyed. While this provides insight, more information is needed on foreign ownership and investment in Canadian housing markets. CMHC is exploring ways to access additional data on foreign ownership and investment in collaboration with other housing industry stakeholders.”



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Results of CMHC's Survey of Foreign Ownership in Condominiums in Canada

A lack of accurate and reliable data makes it difficult to determine if or how foreign ownership may be affecting housing markets. The use of CMHC's Condominium Apartment Vacancy Survey is an important first step towards obtaining reliable information on foreign ownership in the Canadian housing market. Results of the fall 2015 survey indicate that the shares of foreign ownership in condominium apartments ranged from zero per cent in the Regina CMA to 3.3% and 3.5% in the Toronto and Vancouver CMAs, respectively.

Media and commentators have voiced concerns that foreign buyers are pushing house prices to levels that erode affordability for Canadian residents. While both domestic and foreign investment can be speculative, foreign investment may be more mobile and subject to capital flight, thereby increasing volatility in Canadian housing markets. Foreign ownership can also contribute to overvaluation in housing markets. In Vancouver and Toronto, for example, foreign buyers may account for a substantial portion of the demand for pricier, luxury single-family homes.

A lack of accurate and reliable data makes it difficult to determine if or how foreign ownership may be affecting housing markets. Although most of the information available is anecdotal, some studies have been undertaken. A survey of realtors conducted by Sotheby's in 2013, for example, indicates that international buyers accounted for 40% and 25% of total luxury home sales in Vancouver and Toronto, respectively. More recently, Andy Yan, an urban planner and Adjunct Professor at the University of British Columbia, released a study indicating that approximately 65% of luxury homes sold in three neighbourhoods

in Vancouver between August 2014 and February 2015 were to buyers with non-anglicized Chinese names.

While questions have been raised about the methodology and sample sizes used for such studies, they raise some interesting points that merit further research.

As Canada's authority on housing, CMHC is committed to leading through information and insight and is working to identify and fill significant data gaps, including those related to foreign investment and ownership in the Canadian housing market. The use of CMHC's Condominium Apartment Vacancy Survey is an important first step towards obtaining reliable information on foreign ownership in the Canadian housing market.

Methodology of the CMHC Survey on Foreign Ownership of Condominiums

CMHC has been conducting its Condominium Apartment Vacancy Survey since 2006 in several Census Metropolitan Areas (CMAs).¹ The purpose of the survey is to determine the vacancy rate for condominium apartments that are offered for rent. In 2014, it was determined that this survey could also serve as a means to assess the share of condominium apartments that are owned by foreign residents.

The Condominium Apartment Vacancy Survey is conducted by telephone interviews during September and October. Information is obtained from the property management company or condominium/strata board and may be supplemented by site visits if no telephone contact is made.

One of the challenges associated with measuring foreign ownership is the definition of a foreign resident. For example, should immigrants and non-permanent residents who reside permanently in Canada be considered foreign residents? After reviewing definitions used in studies in other jurisdictions, CMHC concluded that a definition based on country of residence (as opposed to nationality) is most appropriate in the context of assessing foreign ownership. For the purposes of this study, therefore, CMHC defines a foreign resident as a person whose primary residence is outside of Canada. It should be noted that this definition includes Canadians whose primary residence is outside of Canada.

In the 2014 survey, CMHC asked property managers to provide information on the total number of condominium apartment units owned by people whose permanent residence was outside of Canada.² The same information was requested in the 2015 survey.

The survey results reflect the share of the condominium apartment stock in each CMA that has been identified as being owned by foreign residents. This is different from foreign investment. Foreign ownership refers

to the legal ownership of housing units, while foreign investment refers to the flow of foreign capital into and out of the housing market (i.e., purchases of housing units by foreign residents minus disposals of housing units by foreign residents). Thus, the results of CMHC's survey of foreign ownership should not be mistaken as a measure of the share of annual sales of condominiums to foreign residents.

Results of the CMHC Study on the Share of Foreign Ownership in Condominium Apartments

The results of the fall 2015 survey indicate that the shares of foreign ownership in condominium apartments remained low in the 16 CMAs surveyed.

Shares of foreign ownership ranged from zero per cent in the Regina CMA to 3.3% and 3.5% in the Toronto and Vancouver CMAs, respectively. While still low as a proportion of overall ownership, the percentages in both the Toronto and Vancouver CMAs were higher in 2015 than the 2.4% and 2.3% (respectively) levels recorded in 2014, and the year-over-year changes were statistically significant. The Winnipeg CMA also showed a statistically significant increase in foreign ownership, from 0.1% in 2014 to 2.7% in 2015. The only other CMA showing a share of foreign ownership above 2% was London, at 2.2%.³

¹ In fall 2015, the shares of condominium apartments in rental relative to the total condominium apartment universe in the 16 CMAs surveyed were as follows: Victoria (20.8%), Vancouver (26.9%), Kelowna (24.6%), Edmonton (32.7%), Calgary (30.9%), Saskatoon (20.7%), Regina (27.2%), Winnipeg (18.8%), London (33.6%), Kitchener (23.3%), Hamilton (21.4%), Toronto (30.5%), Ottawa (22.9%), Gatineau (27.7%), Montréal (14.8%), and Québec (11.3%).

² The survey question asked for the total number of apartment units owned by people whose permanent residence is outside of Canada, specifically those who live outside of Canada for the majority of time including Canadian citizens. A mailing address outside of Canada was given to respondents as an example of an indication that could be used.

³ No comparisons are available with the previous year since 2015 was the first year in which the Condominium Apartment Vacancy Survey was conducted in this centre.

As noted in the table of results, the shares of foreign ownership in condominium apartments increased in six CMAs in 2015 compared to the previous year.

Where possible, CMHC has also endeavoured to provide results at the sub-area or zone level for CMAs. These are provided for Vancouver, Toronto and Montréal.

Within the Vancouver CMA, at 5.4%, the share of foreign ownership was most concentrated in Vancouver City, which consists of the Burrard Peninsula, Vancouver Westside and Eastside zones.

Within the Toronto CMA, the share was highest in Toronto Centre, at 5.8%. Within the Montréal CMA, the Downtown and Nuns' Island zone reported a foreign ownership share of 4.9%, compared to 1.3% for the entire CMA. These results are consistent with the 2014 survey and coincide with comparatively higher purchase prices and average rents for condominium apartments in these areas relative to the remainder of the CMAs.

CMHC's survey results differ significantly from the findings of the two studies mentioned earlier in this report. The disparity is due to differences in methodology, including the definition of foreign residents, sample size, geographic coverage and housing type. The CMHC survey is a comprehensive study of the largest Canadian condominium markets, using a widely accepted definition of foreign resident to measure the share of ownership of condominiums by non-residents in Canada. The Sotheby and Andy Yan studies, while adding to the knowledge base, are more limited in scope.

Next Steps

Significant data and information gaps continue to exist on foreign ownership and investment in Canadian housing markets. For example, more information is needed in regards to investment and types of tenure other than condominium apartments, such as single family homes. Information is also needed with respect to investor motivations: specifically, are foreign buyers purchasing units for family/personal occupancy or revenue generation purposes (i.e., rental income or capital gains)?

CMHC is exploring ways to access additional data on foreign ownership and investment in collaboration with other housing industry stakeholders. This may mean surveying realtors, builders and lenders, as well as working with municipal land registries and other levels of government.

		% of Condominium Apartments Owned by Foreign Residents		
Centre	Condo Subarea	2014	2015	
Victoria	CMA	1.1	1.0	a -
Vancouver	Burrard Peninsula	5.8	**	-
	Vancouver Westside	1.5	**	-
	Vancouver Eastside	0.8	1.0	a -
	Subtotal - Vancouver City	3.4	5.4	d -
	Suburban Vancouver	2.3	3.4	d -
	Remainder of CMA	0.6	0.9	a -
	Vancouver CMA	2.3	3.5	c ↑
Kelowna	CMA	-	0.2	a -
Edmonton	CMA	0.1	0.5	a ↑
Calgary	CMA	0.2	1.1	a ↑
Saskatoon	CMA	0.3	0.5	a -
Regina	CMA	0.1	0.0	a ↓
Winnipeg	CMA	0.1	2.7	c ↑
London	CMA	-	2.2	c -
Kitchener	CMA	-	0.2	a -
Hamilton	CMA	-	**	-
Toronto	Centre	4.3	5.8	b ↑
	West	1.1	1.5	a -
	East	1.2	1.1	a -
	North	1.5	2.6	c -
	Subtotal - Toronto City	2.7	3.8	b ↑
	Remainder of GTA	1.1	1.6	a ↑
	Toronto GTA	2.3	3.2	b ↑
	Toronto CMA	2.4	3.3	b ↑
Ottawa	CMA	0.7	1.0	a ↑
Gatineau	CMA	-	0.3	a -
Montréal	Downtown and Nuns' Island	6.9	4.9	c -
	Péricentre	1.2	1.4	a -
	West of Island of Montréal	1.3	0.9	a -
	East of Island of Montréal	0.8	0.4	a ↓
	Subtotal - Montréal Island	2.3	1.7	a ↓
	Remainder of CMA	0.4	0.7	a -
Montréal CMA	1.5	1.3	a -	
Québec	CMA	0.6	0.6	a -

The following letter codes are used to indicate the reliability of the estimates:

a - Excellent, b- Very good, c - Good, d - Fair (Use with Caution)

** Data suppressed to protect confidentiality or data not statistically reliable.

↑ indicates the year-over-year change is a statistically significant increase, ↓ indicates the change is a statistically significant decrease, while – indicates that the change is not statistically significant

Note: As part of CMHC's efforts to address data gaps in the secondary rental market, Kelowna, London, Kitchener, Hamilton, and Gatineau were added to the 2015 Condominium Apartment Vacancy Survey.

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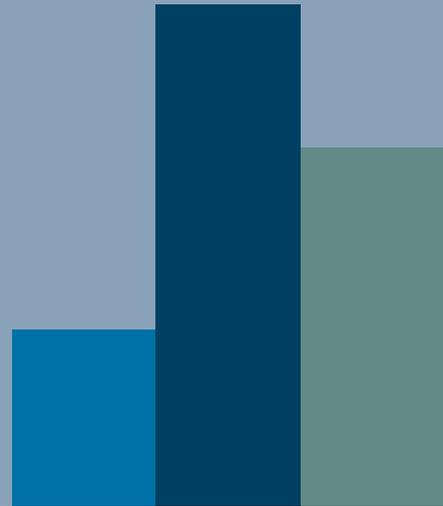
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