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Investors among residential real estate buyers: An analysis of Nova Scotia, New Brunswick and British Columbia

by **Joshua Gordon**

Overview

This article examines the profile and role of real estate investors among property buyers in three provinces: Nova Scotia, New Brunswick and British Columbia. The analysis covers market sales of residential property in 2018, 2019 and 2020. It provides insight into the relative importance of investors among buyers prior to the COVID-19 pandemic and in the early stages of this pandemic. The research builds upon earlier work that focused on investor ownership in the overall housing stock.

Key findings

- Investor buyers represented nearly 3 in 10 buyers in Nova Scotia, the highest rate among the three provinces. In British Columbia, they represented around one-quarter of buyers, while they accounted for about 2 in 10 buyers in New Brunswick.
- Among census metropolitan areas (CMAs), the highest rates of investor buyers in the pre-pandemic years were in Kelowna, Vancouver and Victoria.
- Investors accounted for a higher share of condominium apartment buyers than single-detached house buyers. In Halifax, Vancouver and Victoria, investor buyers represented around one-third of all condominium apartment buyers. Kelowna had a higher share.
- In the CMAs in Nova Scotia and New Brunswick, the median price paid by most investor types for houses was lower than that paid by non-investor buyers, whereas in British Columbia the median price paid by most investor buyer types was higher.
- Most individual investor buyers owned fewer than three properties after their purchases. Around one-third of investor buyers owned three or more properties.
- Immigrants were overrepresented among investor buyers relative to their share of the population in all the large urban centres analyzed.

Introduction

Recent years have seen heightened concern about the role of real estate investors in the Canadian housing market. During the COVID-19 pandemic, as house prices increased rapidly in many parts of the country, a series of reports indicated that investors were playing a larger role in the housing market than before (Younglai, 2021a and b; Bank of Canada, 2021; Khan and Xu, 2022; Pasalis, 2022; Teranet, 2022). Some suggested that investor buyers were an important cause of the house price appreciation and that they may thereby limit the ability of first-time homebuyers to get into the market (Younglai, 2021b; Caranci et al., 2022; Pasalis, 2022). Before that, in 2016 and 2017 especially, there were concerns about the role that foreign investors were playing in the real estate markets of Ontario and British Columbia (Caranci et al., 2017; Giovannetti, 2017). These concerns led to policy action to curtail foreign buyers, such as the introduction of a foreign buyer tax in British Columbia (July 2016) and the Non-Resident Speculation Tax in Ontario (April 2017), as well as efforts to track purchases by foreign citizens in Quebec, Ontario and British Columbia. The federal government also banned sales to non-Canadians in urban areas starting in 2023, with some exceptions for those already resident in Canada.

The Canadian Housing Statistics Program (CHSP) has already published data on investors and investment properties in six provinces: Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Manitoba and British Columbia. These data relate to investor ownership in the entire stock of residential property, providing insight into the relative importance of investors in the real estate market and their demographic profile (Fontaine and Gordon, 2023; Gordon and Fontaine, 2023). However, these data are limited in what they can show in relation to recent dynamics, because they do not reveal when investors made the purchase. Thus, the data do not indicate the extent to which investors have been competing with non-investors in recent years. This is why the current article looks specifically at recent buyers and sales.

This article examines investor buyers in three provinces—Nova Scotia, New Brunswick and British Columbia—for the years 2018, 2019 and 2020. The data for 2018 and 2019 provide a picture of investor buying in the years before the pandemic and serve as a baseline for subsequent analysis of the pandemic years. Analysis of subsequent years will offer a more complete understanding of the potential change in investor buying during the pandemic.

In the analysis here, investor status is determined by property ownership and the owner's location of residence. The methodology used to identify investor buyers also relies on the investment status of a property after a purchase (see Note to readers). This allows for the analysis to distinguish between investors with multiple properties who are buying a new primary residence, for example, and those who are buying an investment property. Only the latter are treated as investor buyers in the case of in-province buyers, as explained below.[1] This methodology generates more accurate statistics; however, it has delayed the production of investor buyer statistics by requiring additional years of data. It also limits the number of provinces that can be covered, because only a limited number of provinces currently have enough years of sales and owner data with the CHSP to do this analysis. When subsequent years of data are made available, these statistics could be produced for a larger number of provinces.

What is an investor buyer?

Following earlier research (Fontaine and Gordon, 2023), a real estate **investor** is defined as an owner of at least one residential property that is not used as their primary place of residence. Building on that definition, four different types of **investor buyers** are analyzed below:

- **Business investor buyer:** A business or government that purchases residential property, excluding Canadian non-profit organizations. There is a predominance of businesses in this category given that most government entities are considered non-profit organizations.
- **Non-resident investor buyer:** A person who purchases a residential property and is not a resident of Canada in the year of purchase.
- **Out-of-province investor buyer:** A person who purchases a residential property and lives in a different province than the one where the property is bought.
- **In-province investor buyer:** A person who lives in the province where a purchase is made and owns two or more residential properties, if the property they buy is deemed an investment property in the year following the purchase.[2]

1. Earlier research on investor buying during these years by the Bank of Canada is not directly comparable to this analysis, because it is based solely on mortgage data, where investors are defined as those with two or more mortgages with large Canadian financial institutions (Bank of Canada, 2021; Khan and Xu, 2022).
2. An investment property is defined as a property owned by at least one investor and is not the primary place of residence of any of the owners. The investment status of the property in the current and following years is considered for this group because an investor with two properties may simply be buying a new principal residence. These cases are differentiated to better capture when a buyer is motivated to acquire an investment property, which is of greater relevance for analyzing the impact of investors on the real estate market. This is an important difference with the analysis conducted by the Bank of Canada (Bank of Canada, 2021; Khan and Xu, 2022). Buyers who become investor-occupants, defined as those who own a single property with multiple residential units and who live in one of the units, are not considered investor buyers in the analysis.

More investor buyers in Nova Scotia

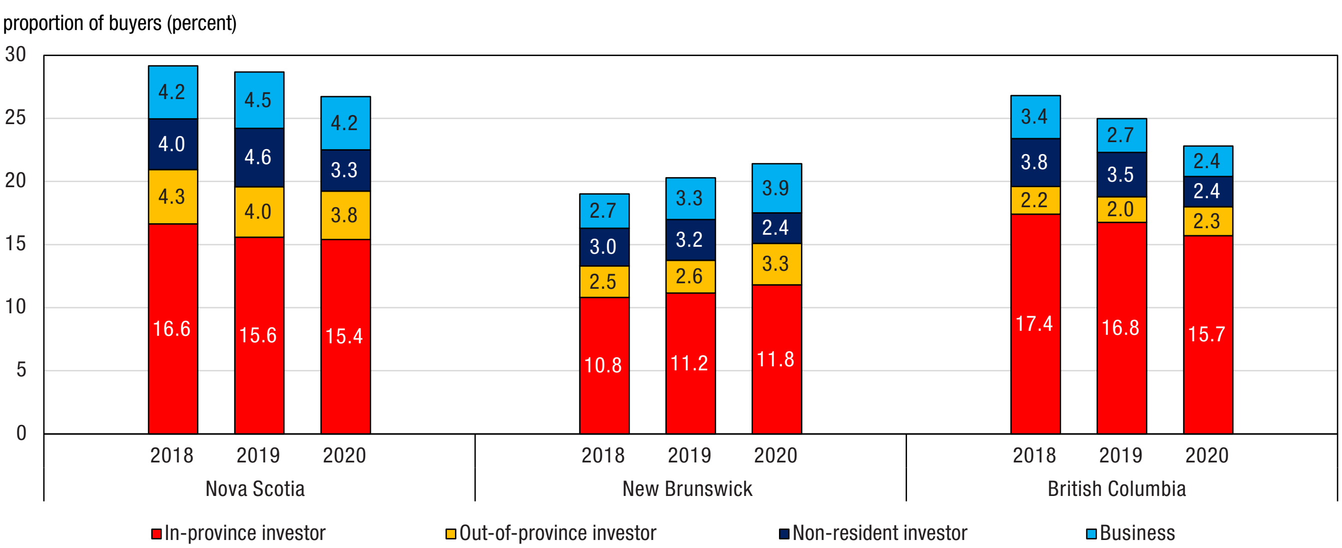
Among the three provinces studied, Nova Scotia had the highest rate of investor buyers in all three years (Chart 1). The proportion of investors among residential property buyers in that province ranged from 26.7% in 2020 to 29.2% in 2018. By comparison, rates of investor buyers averaged 20.3% in New Brunswick and 24.8% in British Columbia over the three-year period.

It is notable that the share of investor buyers dropped from 2019 to 2020, the first pandemic year, in Nova Scotia and British Columbia. This decline was seen across all investor buyer types in both provinces, with the exception of out-of-province buyers in British Columbia, with the largest drop occurring among non-resident buyers. In New Brunswick, by contrast, the share of investor buyers increased from 2019 to 2020, although there was a decrease in non-resident buyers here as well.

The higher rate of investor buyers in Nova Scotia was partly accounted for by the prominence of such buyers in rural areas (outside census metropolitan areas [CMAs] and census agglomerations [CAs]). In Nova Scotia, the proportion of investors among buyers averaged 37.2% in rural areas during the three years. By contrast, this share averaged 34.0% in rural British Columbia and 27.2% in New Brunswick.

In urban areas, the highest rates of investor buyers were in the British Columbia CMAs. When 2019 is used as a representative year (Chart 2), around one-quarter of all buyers were investors in Kelowna and Vancouver.[3] The shares of investor buyer types differed notably across these two cities, however. In Kelowna, after in-province investor buyers (16.1%), out-of-province investor buyers were the second-largest group (4.2%). In Vancouver, non-resident investor buyers were the second-largest group (4.9%) after in-province investor buyers (17.1%), with out-of-province investor buyers making up a smaller share (0.8%). Within the Vancouver CMA, the highest rates of non-resident buyers over the three years occurred in Richmond (7.8%), the City of Vancouver (7.8%) and West Vancouver (6.2%).

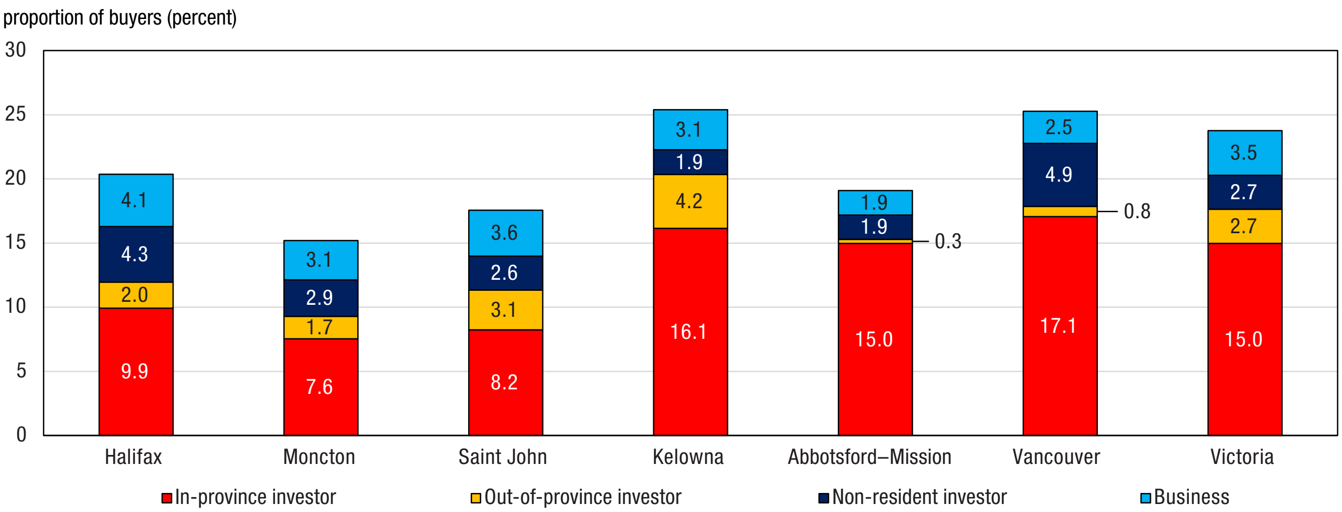
Chart 1
The share of investor buyers is highest in Nova Scotia



Source: Statistics Canada, Canadian Housing Statistics Program.

3. The analysis is conducted with 2019 as a representative year because of the unique pandemic dynamics of 2020.

Chart 2
The largest British Columbia cities have the highest shares of investor buyers among census metropolitan areas



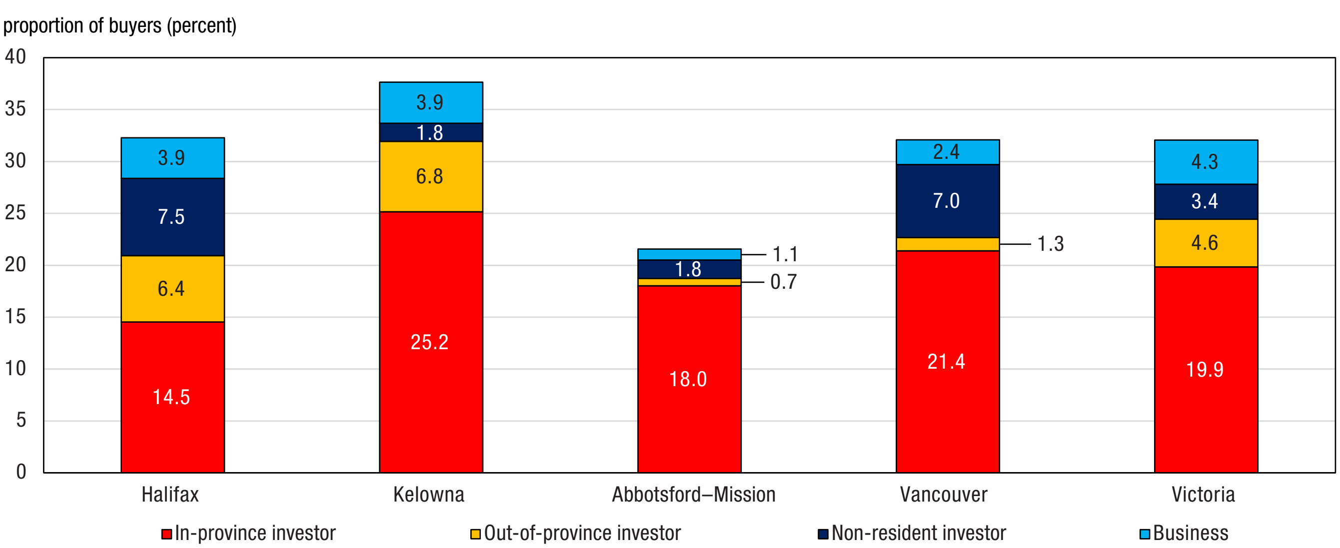
Source: Statistics Canada, Canadian Housing Statistics Program.

Investors are more common among condominium apartment buyers

In previous research (Fontaine and Gordon, 2023), condominium apartments were found to be more likely than houses (single-detached houses, semi-detached houses, row houses and mobile homes) to be investment properties. Sales data broken down by property type indicate a similar finding for buyers in the three provinces studied.

In 2019, for example, investor buyers represented around one-third of condominium apartment buyers in British Columbia (33.4%), while they were 18.9% of house buyers. The same pattern occurred in Nova Scotia, where 33.7% of condominium apartment buyers were investors, compared with 24.7% for houses. In New Brunswick, by contrast, the rates of investor buyers were similar for condominium apartments (14.5%) and houses (16.2%). Condominium apartments accounted for a much smaller share of total sales in Nova Scotia and New Brunswick compared with British Columbia, however. Chart 3 indicates the share of buyers of each investor type for condominium apartments in some of the larger cities.

Chart 3
Rates of investor buyer types for condominium apartments, by census metropolitan area, 2019



Source: Statistics Canada, Canadian Housing Statistics Program.

In the CMAs in Nova Scotia and New Brunswick, the median price paid by most investor types for houses was lower than that paid by non-investor buyers. For instance, in Halifax in 2019, the median sale price paid by non-investors was $308,000 for houses, whereas the median price paid by in-province investors was $225,000, or 26.9% lower. This pattern was also found in rural regions in these provinces (outside CMAs and CAs).

These results contrasted with those in British Columbia, where on average most investor buyer types bought more expensive properties than non-investor buyers (Table 1). For example, in Vancouver, the median price paid by non-resident investor buyers for houses in 2019 ($980,000) was around 20% higher than that paid by non-investor buyers ($820,000). The same was true of in-province investors buying in Vancouver, who bought houses that were on average around 10% more expensive. In the case of condominium apartments, the median price paid by non-investors ($520,000) in Vancouver in 2019 was higher than that paid by in-province investors ($485,000) but lower than those paid by non-resident investors ($605,000), out-of-province investors ($530,000) and businesses ($595,000).

Table 1
Median price of house purchases, by buyer type, 2019

	Census metropolitan area (CMA)				
	Halifax	Moncton	Kelowna	Vancouver	Victoria
	dollars				
Non-investor buyers	308,000	188,000	593,000	820,000	690,000
In-province investor buyers	225,000	148,000	550,000	892,000	715,000
Out-of-province investor buyers	252,000	138,000	600,000	715,000	755,000
Non-resident buyers	330,000	176,000	620,000	980,000	740,000
Business investor buyers	240,000	127,000	622,000	1,400,000	750,000

Source: Statistics Canada, Canadian Housing Statistics Program.

However, when the price paid for each house or condominium apartment is examined relative to that property's current assessment value, there was no significant difference between investors and non-investors in Vancouver, nor in other parts of British Columbia. In other words, although investor buyers bought on average more expensive houses or condominium apartments than non-investor buyers in many areas, they did not pay more relative to assessed value. This similarity in the ratio of price paid to assessed value between investor and non-investor buyers was found in almost all regions, including in Nova Scotia and New Brunswick. It should be noted, though, that these years saw relative price stability in those provincial markets, or price declines in some parts of British Columbia. An analysis of the later pandemic years, when prices rose sharply, may indicate a different pattern (International Monetary Fund, 2022).

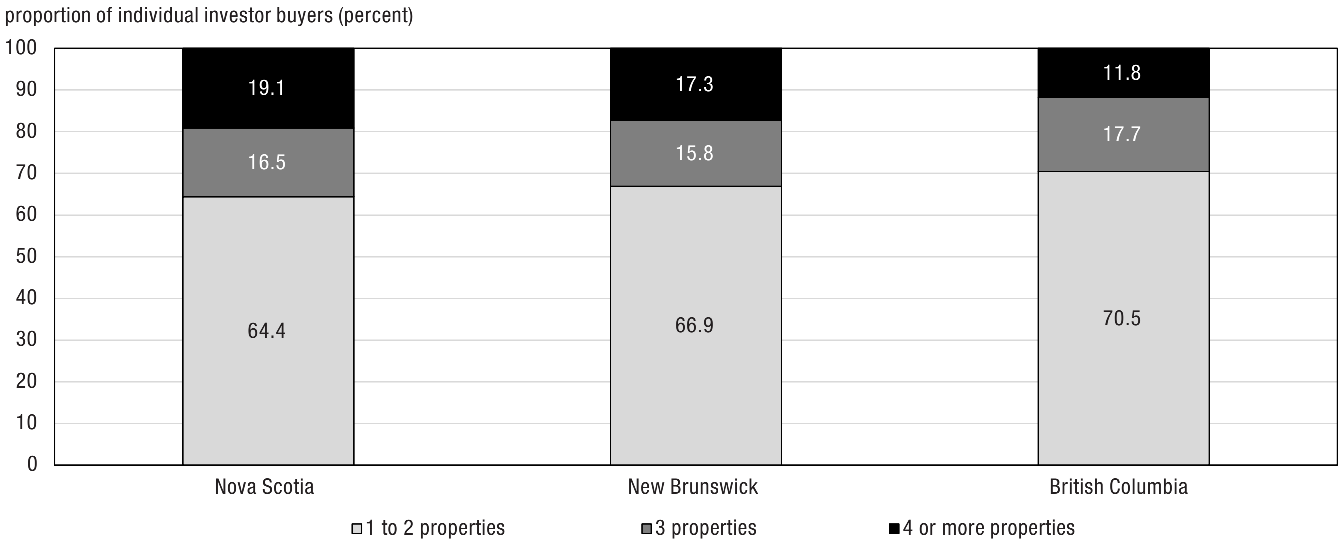
Smaller-scale investors are most common among investor buyers

Most individual (or non-business) investor buyers did not have a large portfolio of residential properties and owned only one or two properties (Chart 4).[4] In 2019, these buyers ranged from 64.4% of all individual investor buyers in Nova Scotia to 70.5% in British Columbia. In all three provinces that year, around one in six individual investor buyers was purchasing a third property. Those purchasing a fourth property or more represented from 11.8% of investor buyers in British Columbia to 19.1% of investor buyers in Nova Scotia. Results were similar for 2018 and 2020.

Within each province, larger-scale investor buyers were more common in rural areas (outside CMAs and CAs).[5] For example, in Nova Scotia in 2019, 11.8% of buyers in rural areas were investors who owned three or more residential properties, whereas 5.0% of buyers in Halifax had that profile (Chart 5). There was also a notable difference in New Brunswick, where 8.5% of buyers in rural areas were investors with three or more properties, compared with 4.2% in the Saint John CMA and 4.1% in the Moncton CMA. In British Columbia, there was less difference between rural areas and large urban centres in the share of larger-scale investors. In rural British Columbia, 7.6% of buyers were investors with three or more properties, whereas that figure was 6.7% in the Vancouver CMA and 5.9% in the Victoria CMA. Consistent with the broader pattern, in all these areas, smaller-scale investor buyers (those with one or two properties) were the most common investor buyer type.

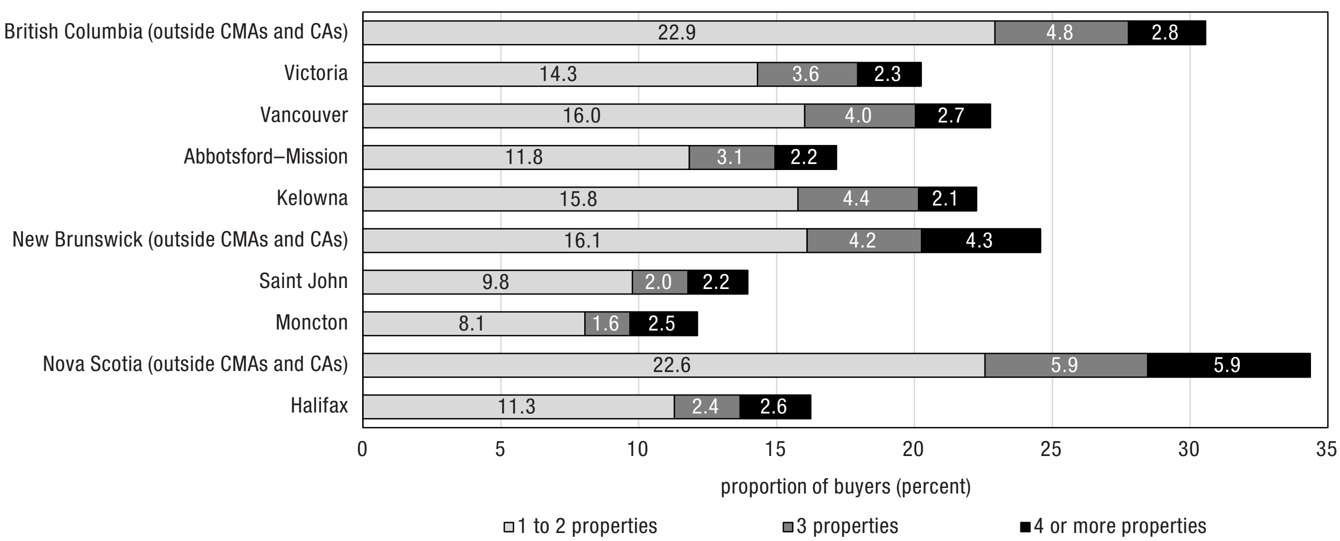
4. As investors grow their portfolio of residential properties, they may tend to incorporate and therefore come to be considered a business entity.
5. This analysis does not include the purchase of vacant land. However, vacant land properties are counted in relation to the number of properties owned by a buyer at the time of purchase.

Chart 4
Most individual investor buyers are smaller-scale investors, 2019



Source: Statistics Canada, Canadian Housing Statistics Program.

Chart 5
Higher rates of larger-scale investors in rural areas, 2019



Source: Statistics Canada, Canadian Housing Statistics Program.

Immigrants are overrepresented among in-province investor buyers

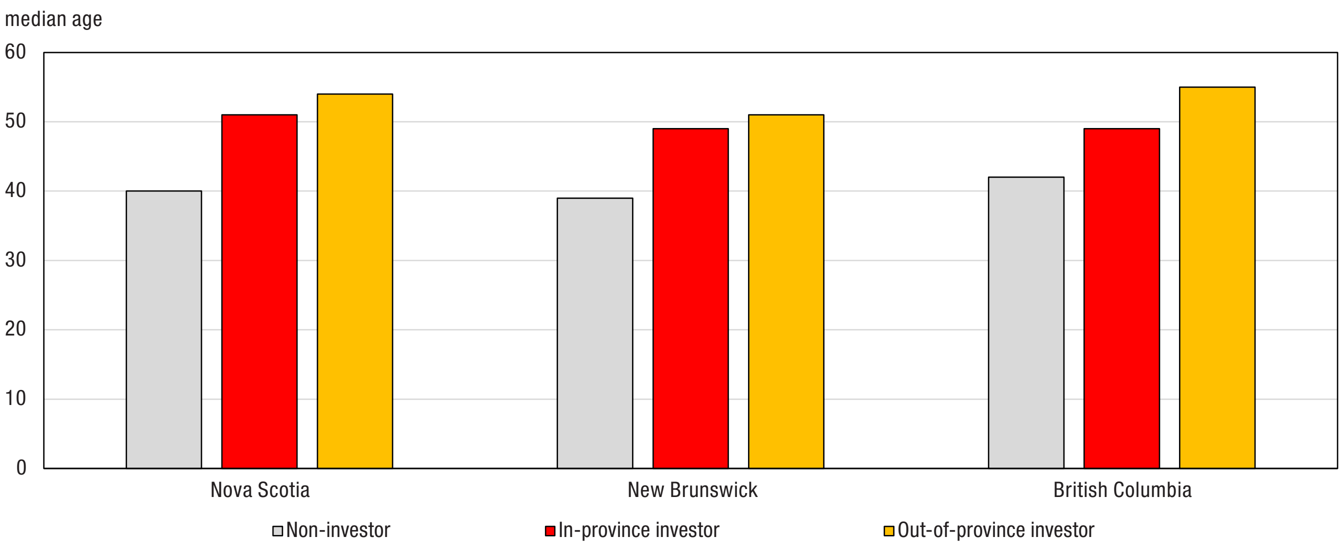
An earlier analysis of real estate investors found that they were older on average than non-investor owners (Gordon and Fontaine, 2023). The same is true among buyers, where the median age of in-province and out-of-province investor buyers was higher than that of non-investor buyers (Chart 6).[6] These results are consistent with the idea that becoming a real estate investor typically requires a longer period of earnings to accumulate the required capital. The median age of investors in each province suggests that this usually occurs after two or three decades of labour market participation.

6. The median age of non-resident buyers was not reported as it is often not known from administrative records.

In the three years studied, immigrants were overrepresented among investor buyers relative to their share of the population. As documented in Chart 7, immigrants accounted for a larger share of resident investor buyers than their share of the population in all the CMAs studied in 2019. In Vancouver, for example, immigrants constituted about two-thirds (67.0%) of in-province investor buyers, despite representing around two-fifths of the population at the time. Similar results were obtained for 2018 and 2020 sales.

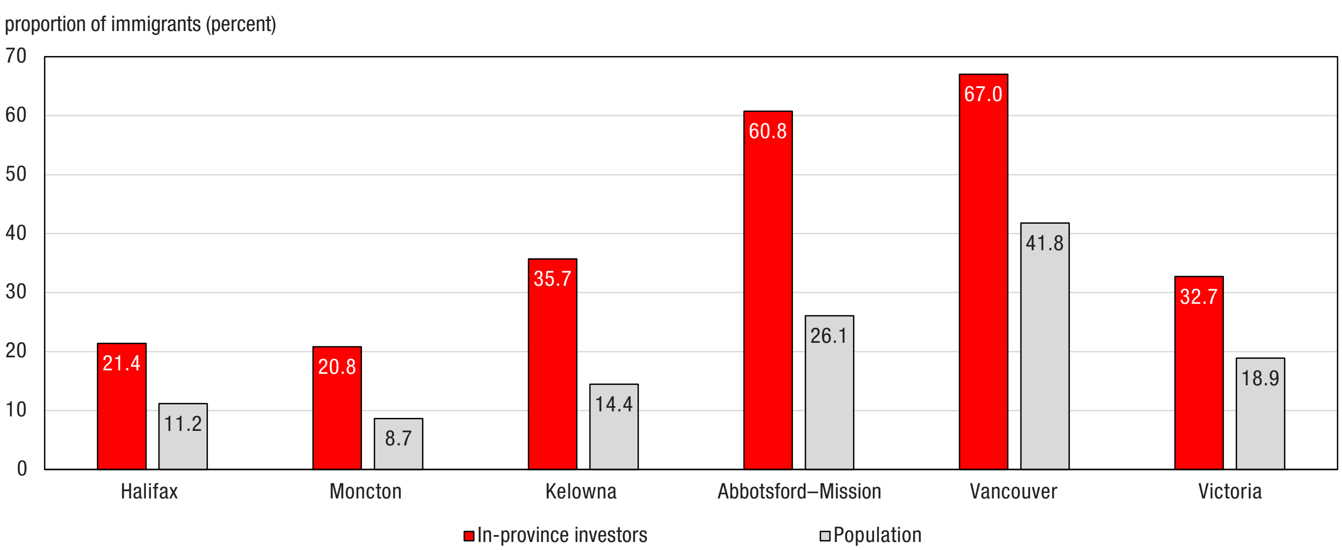
The results for British Columbia CMAs are consistent with earlier research showing that immigrants made up a higher proportion of resident investors than their share of the population (Gordon and Fontaine, 2023); however, the results in the present study indicate a larger disproportion. In the case of the CMAs in New Brunswick and Nova Scotia, the overrepresentation of immigrants among investor buyers is a novel finding, given that the share of immigrants among all investor owners was lower than their share of the population.

Chart 6
Investor buyers are on average older than non-investor buyers, 2019



Source: Statistics Canada, Canadian Housing Statistics Program.

Chart 7
Immigrants are overrepresented among resident investors in large urban areas, 2019



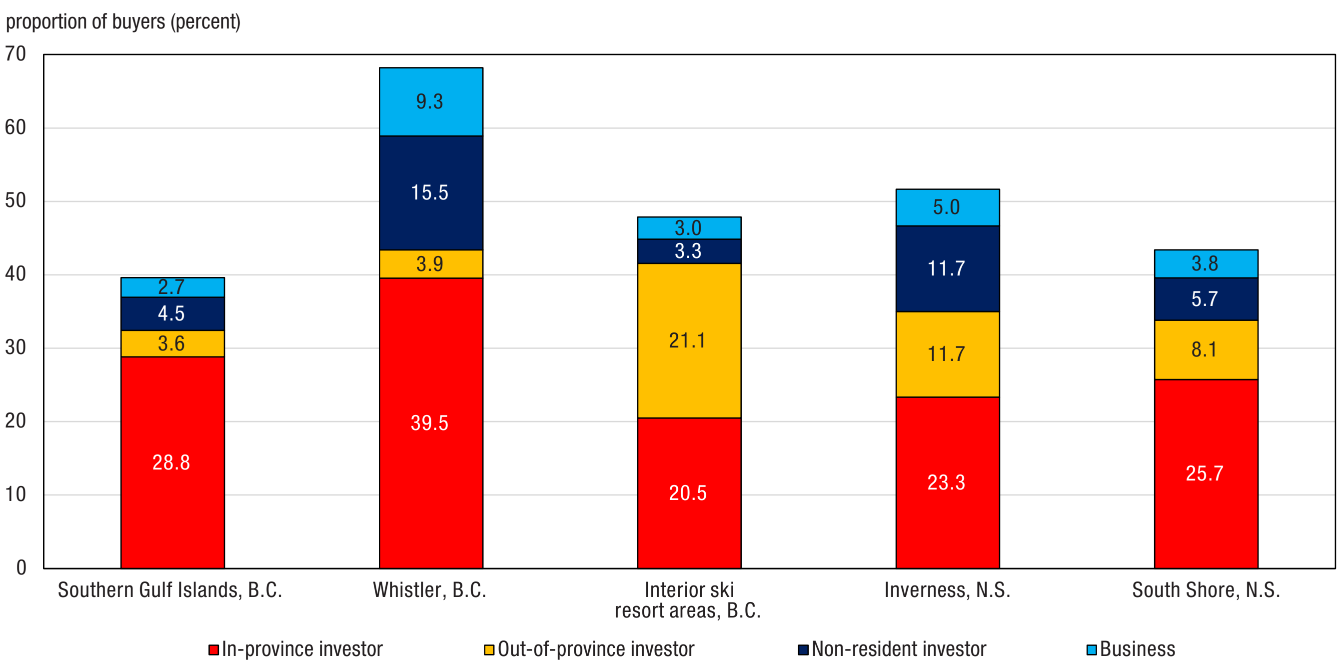
Source: Statistics Canada, Canadian Housing Statistics Program and 2021 Census of Population.

These results may be partly explained by previous Statistics Canada research that found that immigrant families were more likely to invest wealth in real estate compared with other assets (Morissette, 2019). A tendency for immigrants to devote greater amounts of savings to real estate assets would also help explain disparities in incomes between immigrant and Canadian-born investor buyers. For example, in the Vancouver CMA, immigrant investor buyers had a median income of $60,000, which was the same as non-investor buyers ($60,000) but below Canadian-born investor buyers ($90,000). A similar pattern was found in all the other CMAs, with the median incomes of Canadian-born investor buyers being 20.0% to 50.0% higher than the incomes of immigrant investor buyers.

More investor buyers in tourist regions

Rural regions of the three provinces with high levels of tourism and recreational property, including summer cottage areas and ski resorts, had higher shares of investor buyers than other regions (Chart 8). Nearly 7 in 10 buyers were investors in Whistler, for example, and nearly half of all buyers were investors in the ski resorts of the British Columbia interior.[7] Certain tourist regions in Nova Scotia also had high rates of investor buyers, such as Inverness in Cape Breton (51.7%) and the South Shore area near Halifax (43.4%).

Chart 8
Investor buyers are more prominent in rural regions with significant tourism, 2019



Source: Statistics Canada, Canadian Housing Statistics Program.

7. The ski resorts of the British Columbia interior include the census subdivisions of Golden (town), East Kootenay F (regional district electoral area) (site of the Panorama Mountain Resort), Kimberley (city), Fernie (city), Revelstoke (city) and Sun Peaks Mountain (village).

Note to readers

The Canadian Housing Statistics Program (CHSP) is an innovative data project that leverages existing data sources and transforms them into new and timely indicators on Canadian housing.

The analysis in this article focuses on the buyers of properties sold in market sales that involve unrelated and independent parties. Buyers of properties sold in non-market sales (such as sales by related parties, sales of special interest, sales of part-interest, forfeitures and foreclosures) are not included. There may be more than one buyer per property. Buyers are counted for every property they purchase in designated years, meaning the same individual can be counted multiple times, and buyers are located in the province and census metropolitan area of the property or properties they purchased.

The CHSP disseminates data based on the geographical boundaries from the Standard Geographical Classification 2016. The CHSP database does not contain information about residential properties on reserves.

Sales of vacant land are not included in the analysis.

The methodology adopted for this analysis of investor buyers requires examining the investment status of properties after a purchase is made. This allows the analysis to distinguish between in-province investors who are buying a new principal residence and those who are buying an investment property. Only the latter are considered investor buyers. This feature of the methodology helps explain the delay in producing statistics on investor buyers, since property and owner data in a subsequent reference year after a purchase is made are required to produce the data. Owner information in a subsequent reference year is also used to determine the residency status of buyers, since the process of moving addresses can make linkage to individuals more difficult, and an inability to link to an individual may impact their residency designation.

Complete information about the reference years of the property stock, by province and territory, is available in the Reference years of the property stock and assessment values, by province and territory, 2022, table.

Definitions

An **investor** is defined as an owner of at least one residential property that is not used as their primary place of residence, excluding Canadian non-profit organizations. A person who owns a single property in the province where they reside is not considered an investor unless they own a property with multiple residential units. This category excludes investor-occupants.

An **investor-occupant** owns a single property with multiple residential units and occupies that property.

A **non-investor** is an owner who is not an investor or an investor-occupant. An owner of a single property who lives in the property is included in this category unless they own a property with multiple residential units.

A person is considered a **non-resident** if their primary dwelling is outside the economic territory of Canada.

An **investment property** refers to a residential property that is owned by at least one investor and is not used as a primary place of residence by any of the owners.

A **condominium apartment** refers to a set of living quarters that is owned individually, while land and common elements are held in joint ownership with others.

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