FOREIGN BUYER RESTRICTIONS REPORT

海外买房限购政策汇总

2018-2019

Executive Summary

New restrictions on foreign real estate buyers have been imposed or proposed in the past 12 months in Australia, New Zealand, and Canada.

Our survey of six key Chinese property buying destinations around the world reveals relatively low risk in the 2018-19 year for new buyer restrictions or taxes. Our survey also shows that new foreign buyer restrictions are likely in only 5% of countries and regions evaluated. We estimate them to be possible but unlikely in 20% of locations, and that they are unlikely in three quarters of the destinations we have studied here.

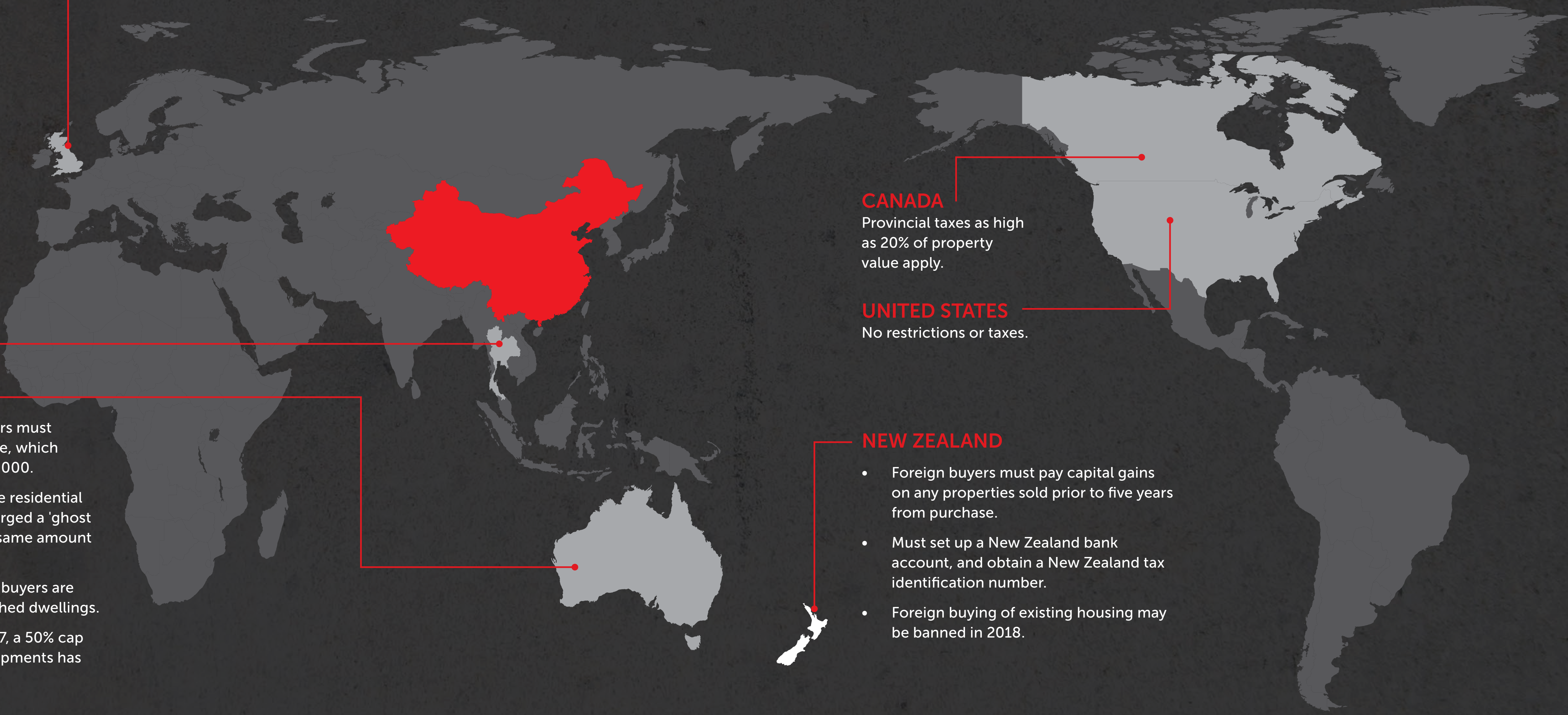
Locations where new restrictive policies are already in place but are not yet active, are not labelled "likely" because those policies are already in place. Western Australia will boost its foreign buyer tax from its current 4% to 7% on 1 January 2019, but the state government has already adopted this policy.

On the other hand, New Zealand is considering legislation to restrict foreign buying, but this legislation has not yet passed Parliament. That makes New Zealand the sole country or region among those evaluated where we think new foreign buyer restrictions are likely in the coming year.

The outlook for the year ahead is far better than for the years recently past. We have seen new restrictions or taxes in multiple locations, including New Zealand; the Canadian provinces of British Columbia and Ontario; the Australian states of South Australia, the Australian Capital Territory, Victoria, Queensland, and New South Wales.

What impact will these policies have? And what is the future of foreign buyer restrictions in property markets the world over in 2018-19? These are the questions answered by this exclusive Juwai.com report.

CURRENT FOREIGN RESIDENTIAL PROPERTY BUYER RESTRICTIONS OVERVIEW



UNITED KINGDOM

Non-residents must pay capital gains on residential property investments.

THAILAND

- **Land:** By law, foreigners are not allowed to own land in Thailand. Interested foreign investor has two options: either a 30-year leasehold or purchasing the property through a limited company — although the company has to be at least 51% owned by Thai citizen.
- **Apartments:** Apartments in Thailand can be purchased by foreigners, as long as 51% of the building is owned by Thais.

AUSTRALIA

- **FIRB Application Fee:** Foreign buyers must pay a non-refundable application fee, which ranges from A$5,500 to over A$100,000.
- **Vacancy Tax:** Foreign owners whose residential property is not occupied will be charged a 'ghost tax' – an annual vacancy fee of the same amount as the application fee above.
- **Secondhand Homes:** Non-resident buyers are prohibited from purchasing established dwellings.
- **New Developments:** Since May 2017, a 50% cap on foreign ownership in new developments has been imposed.
- Various state taxes also apply.

CANADA

Provincial taxes as high as 20% of property value apply.

UNITED STATES

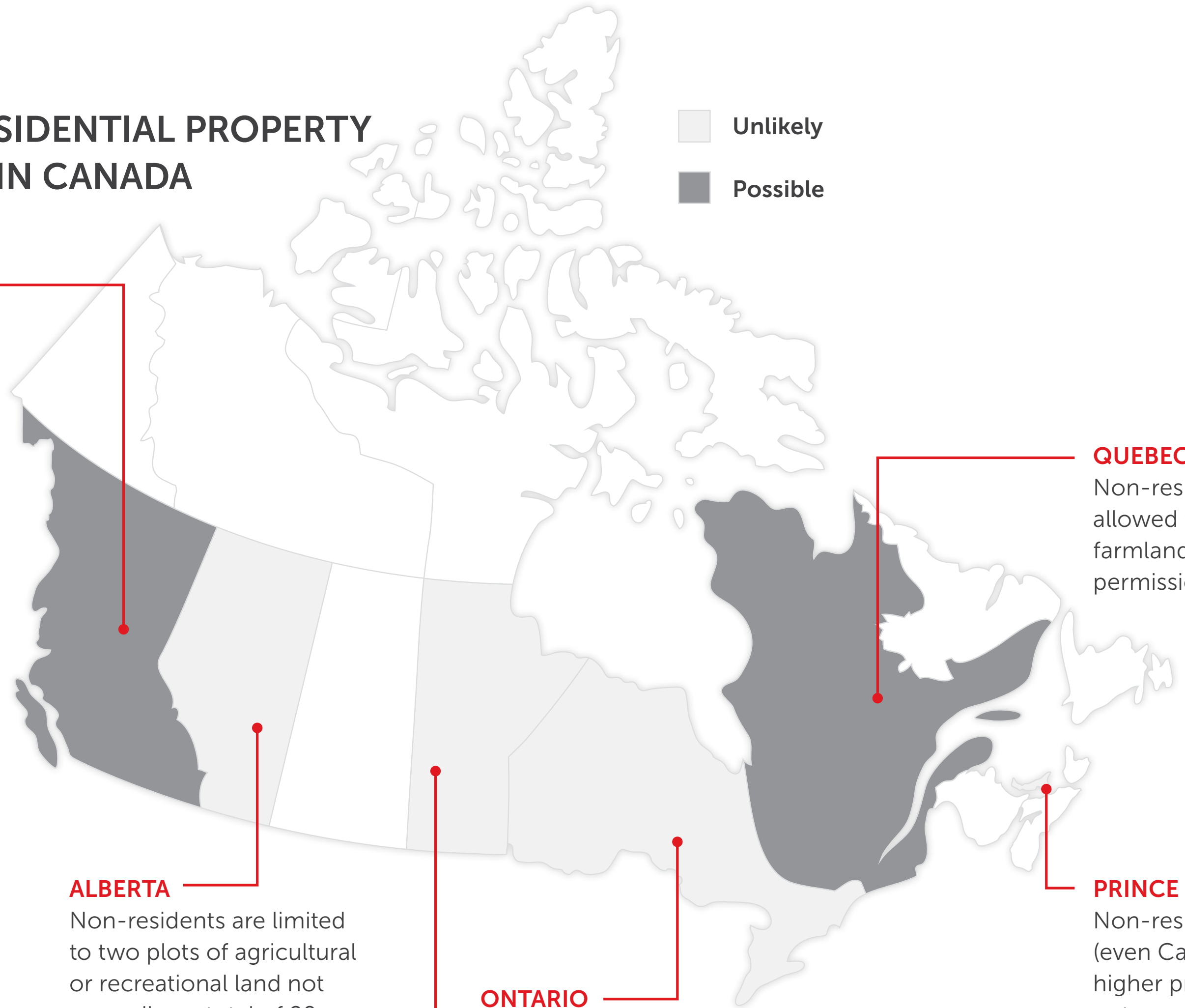
No restrictions or taxes.

NEW ZEALAND

- Foreign buyers must pay capital gains on any properties sold prior to five years from purchase.
- Must set up a New Zealand bank account, and obtain a New Zealand tax identification number.
- Foreign buying of existing housing may be banned in 2018.

Canada

CURRENT FOREIGN RESIDENTIAL PROPERTY BUYER RESTRICTIONS IN CANADA



BRITISH COLUMBIA (B.C.)

- Non-citizens (non-permanent residents) are required to pay a 20% Additional Property Transfer Tax (APTT) since 21 February 2018 – up from the original 15% imposed in July 2016. Currently, this foreign buyer tax only applies to the Greater Vancouver Regional District, Capital Regional District, Fraser Valley Regional District, Regional District of Central Okanagan, and the Regional District of Nanaimo.
- **Speculation Tax:** Foreign buyers will soon have to pay 2% of a vacant property's assessed value, while B.C. residents and Canadian residents will pay 0.5% and 1%, respectively. Effective in the fall of 2018, this proposed tax currently applies to properties in Metro Vancouver, Chilliwack, Abbotsford and Mission (excluding Bowen Island), the Capital Regional District (excluding the Gulf Islands), as well as the municipalities of Nanaimo, Lantzille, Kelowna, and West Kelowna.
- **Public Registry:** B.C. will soon launch a publicly available registry of the actual or 'beneficial' owner of properties in the province, even if it is technically owned by a corporation.

ALBERTA

Non-residents are limited to two plots of agricultural or recreational land not exceeding a total of 20 acres.

MANITOBA

Non-residents are prevented from owning over 40 acres of farmland. Manitoba also requires non-resident owners to move into the province within two years of purchasing the land.

ONTARIO

Non-citizens who are not permanent residents of Canada are levied a 15% Non-Resident Speculation Tax (NRST) on the purchase or acquisition of residential property located in the Greater Golden Horseshoe Region (GGH).

QUEBEC

Non-residents are not allowed to purchase any farmland in Quebec without permission.

PRINCE EDWARD ISLAND (PEI)

Non-residents on the island (even Canadian citizens) pay higher property taxes*, and may not own more than five acres of land or 50 metres of waterfront without special permission from the Island Regulatory and Appeals Commission.

Non-residents pay a property tax of $1.50 per $100 in assessment. By contrast, PEI residents get $0.50 refunded immediately.

> ***In Canada, the provinces rather than the national government are generally responsible for foreign buyer taxes and restrictions.***

Ontario and British Colombia (B.C.) have both imposed new buyer restrictions in the past year, so we think it unlikely that new restrictions or taxes will be imposed in the 2018–19 financial year in either state.

In British Columbia, the revised higher 20% foreign buyer tax came into force in February 2018. Meanwhile, a new speculation tax may soon be implemented in fall 2018, while the B.C. government has promised to launch a register of beneficial property owners. That said, we think it unlikely that further restrictions or taxes in addition to these will be imposed in the province during the 2018–19 year.

In Ontario, we do not expect new foreign buyer taxes or restrictions in the year to come. It is possible, though, that the Ontario provincial government could use the higher 20% tax set by B.C. as precedent and justification to raise its comparable tax from its current level of 15%.

Quebec – for almost the first time – is benefitting from rapidly-growing foreign buyer activity, in particular from Chinese and American buyers. The median price of single-family homes across Greater Montreal was up 4% year-over-year in April 2018, while the monthly number of transactions has increased for 38 consecutive months.

Compared to Vancouver, however, there is relatively little local perception in Quebec that foreign buyers are driving up prices. Most analysis cite local employment growth and low interest rates as the primary drivers of the real estate market, not foreign buyers.

Moreover, affordability is still high in Quebec. The Canadian Real Estate Association reports that the MLS HPI benchmark price in the Montreal CMA is just C$341,300 – that's well below both Greater Toronto's C$766,300 and Greater Vancouver's C$1,092,000. It's even below the Canadian average price of C$495,100!

In the meantime, although Montreal Mayor Valérie Plante reportedly hopes to be given powers by the Quebec government to tax foreign buyers and owners, neither she nor other leaders have yet called for such taxes to be imposed, nor has that authority been granted to her.

Australia

The national government, as well as every state and territory in Australia except the Northern Territory and Tasmania, already imposes or has committed to measures to restrict or tax foreign property buyers.

Foreign buyers have contributed to Australia's unprecedented property construction boom of the past half-decade in two ways:

- Firstly, via direct financing and development of housing projects by large investors; and
- Secondly, by having supported construction via off-the-plan (OTP) purchasing of units in new apartment and housing developments on a scale that enabled many projects to begin construction that otherwise would not have.

According to the Property Council of Australia, it is through this mechanism that foreign buyers are responsible for the construction of four additional homes in Australia for every single residence that they purchase. Interestingly, ensuring housing affordability for locals is most often cited as the motivation for foreign buyer restrictions and taxes.

However, authorities as credible as the Reserve Bank of Australia, the Australian Treasury, and a Parliamentary Inquiry have all separately found that foreign buyers are not a primary cause of housing price inflation.

In fact, the Treasury found in its Foreign Investment and Residential Price Growth study that nearly 100% of property price increases are due to other factors, with less than 1% attributable to foreign buyers.

> ***"Even so, Australian states and territories have not been able to resist filling their coffers with revenue from foreign buyer stamp duties – foreign buyers do not vote and are an easy target for confiscatory policies."***

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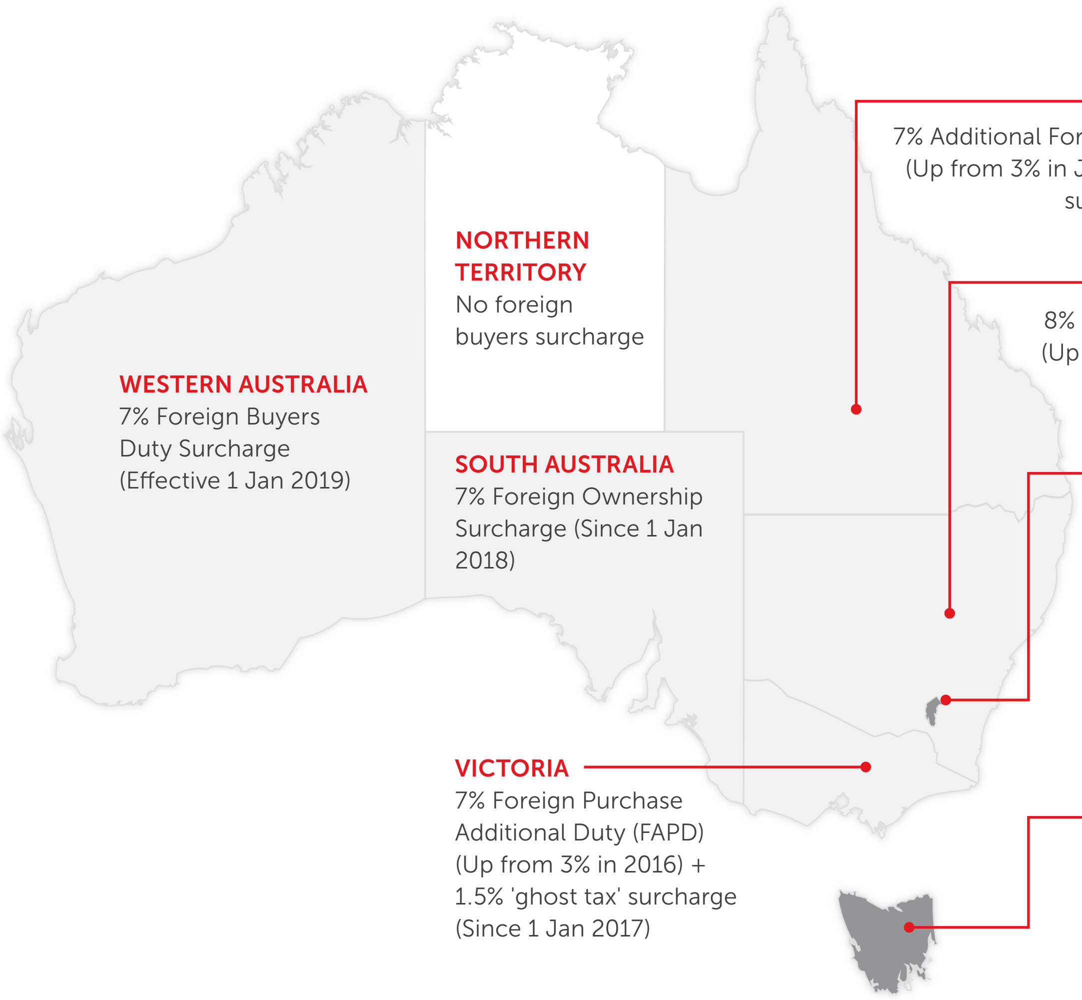
Looking ahead over the next year, we do not believe it likely that new restrictions and policies will be imposed in any Australian state or territory – nor at the national level – beyond what has already been committed to. However, we judge it "possible" in Tasmania, and in the Australian Capital Territory (ACT).

One driver of possible new restrictions in the states is a desire for short-term revenue, even at the expense of the long-term benefits that foreign buyers provide in the form of higher construction employment and new housing supply – stamp duty reached a record 52.8% of all tax revenue for state and local governments in the 2017 financial year.

Real estate markets have since slowed, however, especially in New South Wales and Victoria. That threatens to reduce state revenue and derail state budgets, hence states may try to fill the hole by raising taxes on foreign buyers, even though they may discourage the very transactions from which they hope to profit by doing so.

Elsewhere in Australia, the Tasmanian market is booming. Unlike in New South Wales and Victoria though, rather than foreign buyers, interstate migration takes the popular blame for the increasingly high prices. Nonetheless, it is possible that Tasmania may still impose a foreign buyer tax as a way of demonstrating action on housing without having to grapple with the actual, difficult causes of the housing shortage it currently faces.

CURRENT FOREIGN RESIDENTIAL PROPERTY BUYER RESTRICTIONS IN AUSTRALIAN STATES



New Zealand

According to the new foreign buyer data from StatsNZ released in June 2018, onshore foreign buyers are more than two-times more common than offshore foreign investors.

This reveals that the popular concept of foreign buyers in far-off NZ cities snapping up Kiwi homes and leaving them vacant and empty is false.

> *"The government's data shows foreign buyers are much more likely to be living, working, and studying in New Zealand when they purchase."*

Instead, most foreign buyers are more likely to be on their way to becoming valued citizens, so most international property investors might be more correctly labelled as 'immigrants' rather than 'foreign buyers.'

Despite this, Juwai.com considers it highly likely that 2018 may see new foreign buyer restrictions enacted in New Zealand in the coming 12 months.

At time of writing, the NZ Parliament is considering the Overseas Investment Amendment Bill, which would reclassify residential land as 'sensitive' and prevent non-resident overseas buyers from buying existing houses or residential land.

Already, opposition has arisen from bodies as diverse as the Real Estate Institute of New Zealand and the International Monetary Fund.

Most critics of the legislation also believe that it will have unintended consequences, and that there is no data to suggest foreign buying is aggravating a housing shortage.

That said, we think it highly likely that a ban in some form may be implemented in 2018, even if some elements of it would be revised from the original bill.

To help the government to achieve its own goals of creating more affordable housing for Kiwis, Juwai.com suggests the proposed ban be limited in geographic scope and time frame, so that it may be reconsidered on a regular basis, and applied only when and where the data suggests it is necessary – if anywhere.

United Kingdom (UK)

Over in the UK, we think it rather unlikely that the government will choose to impose any additional taxes or restrictions on foreign buyers in the year to come, with one caveat:

New legislation may be passed to more effectively detect and prevent prohibited investments by corrupt businesspersons from Russia and other countries. These investments have become a rather potent political issue in the UK.

In London, the weak market for premium property is dependent on well-heeled foreign buyers. In the rest of the country, a slowing market and the need for foreign capital to fund development means that foreign buyer resentment is a weaker political force than it has been elsewhere like New Zealand, Australia, and Canada.

Where news reporting in other countries are often focused on alleged scandals perpetrated by foreign real estate buyers, scandals in British cities like Liverpool have instead come to light, in which foreign buyers were the victims of unsavory local operators.

For the moment, Brexit fears and worries about the UK's long-term viability as a global investment hub have contributed to the pressure against any further restriction on foreign buyers.

Thailand

In Thailand, the combination of a weak economic growth, a dependency on foreign investment for development, and a lack of popular opposition to international investment have made it unlikely that foreign buying will be further restricted or taxed in the year to come.

For now, foreigners are protected from popular backlash by the fact that they may not own land in the country, except as minority owners of a land-holding company – foreigners may only purchase apartments, so long as at least 51% of the building is owned by Thais.

While the Thai policy is restrictive, the upside is that it is stable and predictable. Hence, foreign investors know what to expect, and are willing to risk their capital in an environment where they know the rules in advance and have expectations of returns.

United States (US)

Of the nations considered here, the US has the real estate market that is most open to foreign investment, so it's truly no coincidence that the US is also the top recipient of Chinese investment in not just residential real estate, but also commercial property.

That said, we consider it unlikely that any new restrictions or taxes on foreign buyers will happen in the US in the year to come. The only exception we foresee is a possible new legislation aimed at China and Russia to restrict property purchases near critical military bases.

Besides that, a reform of the popular EB-5 investor migration programme is also possible, but this programme is not aimed at personal property buyers.