

ENM Responds to NDP's New Speculation Tax

Chris Schuessler June 28, 2018



ENM's Daniel Greenhalgh gives his thoughts on the consequences of NDP's new Speculation Tax in its 2018 Budget

(Newswire.net -- June 28, 2018) Langley, British Columbia --

In February, the NDP released its budget for 2018. For the first time, developers and real estate professionals got a look at the details of the many new taxes the party had promised in their campaign. This included the new "speculation tax", which the NDP said would help curb foreign investments in the B.C. housing market.

The goal of these taxes are to make housing more affordable for middle and low-income families in B.C. However, most developers, including us here at ENM, strongly believe that the new taxes will do exactly the opposite.

The speculation tax in particular is predicted to do little to curb the practices it targets. It is, instead, primarily a "non-resident owner tax" which will hit long-term homeowners year after year with a tax of 2% of their property value starting in 2019. For speculators who buy and quickly flip their properties, the tax will only apply once and will not de-incentivize their investments. There has yet to be an announcement of a tax on the sale of a home within a year of purchase, which would be much more of a "speculation tax" than the one currently being put on the books.

Our co-founder, Daniel Greenhalgh, suggests that if the NDP was serious about tackling home prices, they would find ways to reduce the cost of development. "The primary factor in ballooning home prices is very clearly a lack of supply. We're hemmed in here by mountains and ocean, and we need more density. We need more creative ways to encourage housing starts. But, we're going in the opposite direction. In 2008, the development process for a new project took about six months for a low-rise, including all the municipal permitting fees. Now that time has doubled to about 12 months. There's an increase in the volume of permits, but the staffing hasn't grown. I think the province needs to incentivize, or provide funding for, municipalities to grow the permitting staff. That would have so much more of an impact on home prices than new taxes."

Dan thinks that the experimental taxation effort to free up housing is a misguided exercise in government meddling.

"The thing is, very few large investors do property speculation. I've hardly ever seen a buyer purchase more than two or three condos at a time, and even that is pretty rare. Especially in Langley. You don't see someone from China buying homes in Langley, but this speculation tax will hit homes all over the province, not just in Vancouver or Richmond. So, new taxes aren't going to magically create more affordable homes. The simplest way to do that is to reduce the cost to build. The expense is so astronomical right now, and 10-12% of those costs are government fees and levies. This hurts supply, and the way to solve the housing crisis is to increase supply. We need to build more, and the provincial government needs to find creative ways to help us do that."

About ENM Construction Management Ltd.

ENM Construction Management is the brainchild of Daniel Greenhalgh and Colin Lacey. The firm specializes in construction and development management since 2008. It is a recognized member of the Vancouver Regional Construction Association (VCRA), serving communities in Greater Vancouver Area, including Langley, Surrey, Abbotsford, Coquitlam, and Fraser Valley. Subscribe to their newsletter to stay up-to-date with their latest projects and construction developments.

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Source: <http://newswire.net/newsroom/pr/00102411-enm-responds-to-ndp-s-new-speculation-tax.html>