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## **Priced Out of Paradise: Foreign Buyer Bans, Speculation Taxes and the Shifting Geography of Housing Affordability in Canada**

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# **Priced Out of Paradise: Foreign Buyer Bans, Speculation Taxes and the Shifting Geography of Housing Affordability in Canada**

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## **Abstract**

Canada has experienced one of the most severe housing affordability crises among advanced economies, with ownership costs in Vancouver absorbing 83.9% of median household income and those in Toronto absorbing 64.1% by mid-2026. In response, governments at the federal, provincial and municipal levels introduced a layered set of demand-side measures, including British Columbia's foreign buyer tax, Ontario's Non-Resident Speculation Tax, Vancouver's Empty Homes Tax, British Columbia's Speculation and Vacancy Tax, the federal Underused Housing Tax and the federal Prohibition on the Purchase of Residential Property by Non-Canadians Act. Despite their political prominence, the extent to which these measures improved affordability, and whether they merely redistributed housing pressure across space, remained contested. This study therefore assessed the effect of foreign buyer bans and speculation taxes on the level and spatial distribution of housing affordability in Canada. A positivist philosophy and a longitudinal descriptive and documentary research design were adopted, covering the period 2016 to 2026. Foreign buyer taxes yielded short-lived price reductions of roughly 5% to 9% in the targeted metropolitan markets, concentrated in detached housing and high-exposure neighbourhoods, while vacancy-based taxes returned more than 20,000 units to the long-term rental market in Metro Vancouver without measurably lowering rents. The study recommends that federal and provincial governments reposition demand-side taxes as complementary revenue and data tools, replace the expiring blanket foreign buyer ban with a targeted and evidence-based framework, and channel levy proceeds into accelerated supply in the regions receiving displaced demand.

**Keywords:** *Housing Affordability, Foreign Buyer Taxes, Speculation and Vacancy Tax, Spatial Spillovers, Canada.*

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## 1.0 Introduction

Housing affordability has become one of the defining policy challenges of advanced economies, as residential property has increasingly functioned as a store of global wealth rather than solely as shelter for local households (Aalbers, 2016). Scholars of urban political economy have argued that the integration of housing into international capital markets transformed homes into financial assets whose prices respond to global liquidity rather than to local earnings (Rolnik, 2013). In major gateway cities, this transformation coincided with the arrival of transnational investors who treated residential real estate as a safe deposit box for mobile wealth (Fernandez et al., 2016). Evidence from London showed that political and economic shocks abroad channelled foreign demand into prime residential neighbourhoods and raised local prices (Badarinza & Ramadorai, 2018). Similar dynamics were documented in Paris, where out-of-country buyers concentrated in desirable districts and bid up values relative to comparable areas (Cvijanović & Spaenjers, 2021). The global character of the problem was further illustrated by comparative research that described housing unaffordability as a shared crisis across Anglo-American and Asia-Pacific cities (Wetzstein, 2017). Governments consequently turned to taxes and ownership restrictions aimed at non-resident and speculative buyers, positioning these instruments as direct responses to the perceived globalization of local housing markets (Rogers & Koh, 2017).

Canada emerged as one of the most active jurisdictions in deploying these instruments. British Columbia introduced a 15% additional property transfer tax on foreign buyers in Metro Vancouver in August 2016, later raising it to 20% and extending it to the Fraser Valley, the Capital Regional District, Central Okanagan and Nanaimo (Du et al., 2022). Ontario followed with a 15% Non-Resident Speculation Tax in the Greater Golden Horseshoe in April 2017, which was raised to 20% and then 25% province-wide in 2022 (Ontario Ministry of Finance, 2026). The City of Vancouver adopted an Empty Homes Tax in 2017, and the province enacted a Speculation and Vacancy Tax in 2018 that targeted foreign owners and satellite families at higher rates (British Columbia Ministry of Finance, 2026). At the federal level, the Underused Housing Tax took effect in 2022 and was followed by a prohibition on residential purchases by non-Canadians from January 2023 (Department of Finance Canada, 2024). These interventions unfolded against a longer history in which Canadian housing policy shifted from social provision towards market reliance and mortgage securitization (Suttor, 2016). The state's role in expanding mortgage credit through securitization had already been linked to the inflation of Canadian house prices before the policy turn towards foreign buyers (Walks, 2014). Critics further argued that the rise of financial landlords in Canadian rental markets placed additional pressure on tenants who were never the target of foreign buyer measures (August, 2020).

Within Canada, the debate on foreign demand was intense and politically charged. Early research showed that immigration and transnational capital contributed to the decoupling of house prices from local incomes in Vancouver and Toronto (Ley & Tutchener, 2001). Subsequent analysis documented how Chinese capital and wealthy migrants reshaped Vancouver's residential property market during the 2000s and 2010s (Ley, 2017). Econometric work using immigration and capital flow data confirmed that foreign capital inflows were associated with higher house prices in Canadian gateway cities (Pavlov & Somerville, 2020). Other scholars demonstrated that hidden foreign ownership helped explain the widening gap between prices and labour market fundamentals (Gordon, 2020). However, a competing body of work argued that foreign ownership accounted for a small share of the housing stock and that policy discourse drifted into a form of housing nationalism (Lauster & von Bergmann, 2025). Official data reinforced the modest scale

of non-resident ownership, which stood at 3.4% of residential properties in Toronto and 4.8% in Vancouver in the first national estimates (Statistics Canada, 2017). Housing economists also maintained that inadequate supply, rather than foreign demand, was the principal cause of Canadian unaffordability (Baum-Snow et al., 2026).

**1.1 Research Problem**

Canada's housing market remained deeply unaffordable despite nearly a decade of demand-side intervention. By the second quarter of 2026, ownership costs absorbed 52.8% of median household income nationally, compared with 83.9% in Vancouver, 64.1% in Toronto and 63.3% in Victoria (Hogue & Battaglia, 2026). The Canada Mortgage and Housing Corporation estimated that the country needed between 430,000 and 480,000 new homes annually to 2035, roughly double the prevailing construction pace (CMHC, 2025). Earlier projections had already indicated a shortfall of about 3.5 million additional units by 2030 if affordability were to be restored (CMHC, 2023). At the same time, Ontario's Non-Resident Speculation Tax collections fell from \$200.3 million in 2022 to \$55.0 million in 2025 despite a higher statutory rate, signalling a sharp contraction in the targeted buyer pool (Ontario Ministry of Finance, 2026). Federal policy also shifted, as the Underused Housing Tax was eliminated for 2025 and later years (Department of Finance Canada, 2025). The foreign buyer ban was scheduled to lapse on 1 January 2027, and reports indicated that Ottawa was considering a replacement framework rather than a simple renewal (Borden Ladner Gervais, 2026). These developments meant that policymakers were preparing to redesign the regime without a consolidated evidence base on what the measures had achieved (Davidoff, 2025).

The problem was compounded by the possibility that demand-side measures relocated rather than reduced housing pressure. Price diffusion research had long shown that housing shocks in core markets spread outward to adjacent regions over time (Meen, 1999). In Metro Vancouver, prices were shown to ripple from the affluent West Side towards suburban municipalities and the wider region (Grigoryeva & Ley, 2019). Evidence from Britain likewise indicated that overseas investment concentrated in London contributed to regional divergence in house prices (Hamnett & Reades, 2019). During the pandemic, the price gap between suburbs located 50 km from downtown and central neighbourhoods narrowed from 26% to about 10% in Canada's major cities (Morel, 2022). Secondary markets such as Halifax recorded an increase in average prices from \$329,482 in December 2019 to \$489,933 in December 2021 (Canadian Real Estate Association, 2025). International research further showed that foreign buyer taxes in Canada and Australia diverted global demand towards housing markets in other jurisdictions (Gorback & Keys, 2020). Existing studies were largely confined to single cities, single instruments or short post-policy windows, leaving a gap regarding the combined effect of these measures on the spatial distribution of affordability across Canada (Pavlov et al., 2024).

**1.2 Research Objectives**

- i. To examine the effect of foreign buyer taxes and the federal foreign buyer ban on house prices and non-resident participation in Canadian housing markets.
- ii. To assess the effect of speculation and vacancy taxes on housing availability and rents in Canada.
- iii. To establish the extent to which these demand-side measures shifted affordability pressure across Canadian regions and market segments.

### 1.3 Value of the Study

The study is valuable to a broad range of stakeholders in the built environment, planning and real estate sectors. For federal policymakers, the findings offers timely evidence as the government reconsidered the foreign buyer ban ahead of its scheduled expiry. Provincial finance ministries could use the results to calibrate rates and geographic coverage of transfer and vacancy taxes that remained in force. Municipal planners stands to benefit from evidence on whether vacancy levies improved rental availability in ways that justified their administrative cost. The Canada Mortgage and Housing Corporation and housing agencies could integrate the spatial findings into supply gap estimation and regional targeting. For scholars, the study contributes to theoretical debates on housing financialization by testing whether national borders can meaningfully ring-fence local housing from global capital. The study also extended ripple effect theory by examining policy-induced rather than purely market-induced diffusion of price pressure. Tenant advocates and civil society could draw on the evidence to broaden policy attention from foreign owners towards the wider investor and landlord economy.

### 1.4 Scope of the Study

The study examined the effect of foreign buyer bans and speculation taxes on housing affordability in Canada over the period 2016 to 2026. The starting point coincided with British Columbia's introduction of the foreign buyer tax in August 2016. The end point captured the final year before the scheduled expiry of the federal prohibition on non-Canadian purchasers. Geographically, the study concentrated on the Vancouver and Toronto census metropolitan areas, where most demand-side measures were first applied. It also covered secondary and suburban markets such as Victoria, the Fraser Valley, the Central Okanagan and Halifax, which were identified as potential recipients of displaced demand. The instruments analysed included foreign buyer transfer taxes, the federal ban, the Empty Homes Tax, the Speculation and Vacancy Tax and the Underused Housing Tax. Affordability was measured through price outcomes, rental availability and the share of household income required to cover ownership costs. Supply-side policies such as the Housing Accelerator Fund were treated as contextual factors rather than as study variables.

### 2.1 Theoretical Framework

#### 2.1.1 Housing Financialization Theory

The study was anchored on Housing Financialization Theory, which describes the growing dominance of financial actors, markets and motives in the production and consumption of housing (Aalbers, 2016). The theory holds that housing has been transformed from a social good into an investment vehicle whose value is linked to global flows of capital and credit (Rolnik, 2013). It emphasizes that households, institutional landlords and transnational investors all participate in the conversion of homes into financial assets (Aalbers & Christophers, 2014). Applied to rental markets, the theory explains how private equity firms and real estate investment trusts acquired rental portfolios and pursued yield through rent increases and repositioning (Fields & Uffer, 2016). In Canada, research documented the expansion of financialized landlords in multi-family rental housing from the early 2000s (August, 2020). Complementary work showed how state-backed mortgage securitization in Canada deepened household exposure to housing debt and asset prices (Walks & Clifford, 2015). Within this framework, foreign and speculative buyers are understood as one channel through which global wealth enters local housing markets (Fernandez et al., 2016). The theory therefore informed the first two objectives by framing foreign buyer taxes and vacancy levies as attempts to de-financialize housing through ownership-based instruments, while

cautioning that restricting one class of investor may simply redirect capital through domestic channels.

### **2.1.2 Ripple Effect Theory**

The study was also guided by the Ripple Effect Theory, which explains how house price shocks originating in a dominant market diffuse to surrounding and connected regions over time (Meen, 1999). The theory attributes diffusion to household migration, equity transfer, spatial arbitrage and the spread of price expectations between markets (Hamnett & Reades, 2019). In the Canadian context, empirical work traced price ripples outward from high-value neighbourhoods in Vancouver to suburban municipalities and the broader Lower Mainland (Grigoryeva & Ley, 2019). Subsequent research framed this diffusion as part of a regional growth ecology in which inflows of capital into the core raised prices across the metropolitan hinterland (Ley, 2021). The speed and magnitude of ripples depend on local supply elasticity, which determines whether demand pressure translates into new construction or into price inflation (Saiz, 2010). Canadian estimates indicated that supply elasticities varied widely across cities and were particularly low in Vancouver and Toronto (Paixão, 2021). Shifts in preferences, such as the pandemic-era demand for space, also accelerated the transmission of prices from core areas towards the suburban fringe (Morel, 2022). The theory informed the third objective, since geographically bounded taxes could redirect buyers towards untaxed adjacent markets and thereby alter the direction and speed of price diffusion across Canadian regions.

## **2.2 Empirical Review**

The empirical literature on foreign buyer taxes in Canada consistently found price effects in the targeted markets, although their duration was debated. In a panel program evaluation and regression discontinuity analysis, Du et al. (2022) reported that prices in Vancouver declined by about 5% after the 2016 tax, while those in Toronto fell by 7% to 9% after the 2017 levy. The same study showed that the effects were concentrated in single-detached housing and that Vancouver prices rebounded above pre-tax levels within months (Du et al., 2022). Using exact transaction records, the foreign buyer share of purchases in affected areas fell from 13.2% to 1.7% within three months of the British Columbia tax (Pavlov et al., 2024). The same analysis found that single-family prices declined about 6% more in neighbourhoods with above-median foreign buyer presence (Pavlov et al., 2024). A synthetic control study covering five jurisdictions found that house price growth in Toronto fell by up to 28% relative to its counterfactual, while that in Vancouver fell by 34% after the initial tax and 44% after the rate increase (Hartley et al., 2025). By contrast, the same study found no statistically significant effect of New Zealand's 2018 foreign buyer ban (Hartley et al., 2025). Theoretical assessment further suggested that the affordability impact of foreign buyers depends on supply elasticity and on whether units are occupied, meaning that restrictions may become counterproductive where vacancy taxes already apply (Davidoff, 2025).

Evidence on outright bans and ownership restrictions was thinner but instructive. Canada's federal prohibition took effect in January 2023 and exempted work permit holders, certain students and properties outside census metropolitan areas and agglomerations (Prohibition on the Purchase of Residential Property by Non-Canadians Act, 2022). Amendments in 2023 exempted vacant land and some redevelopment projects after industry warnings that the ban was deterring new construction (Borden Ladner Gervais, 2026). Analysts observed that foreign buyers accounted for only about 1.1% of British Columbia home sales in 2021, which limited the scope for a ban to shift

aggregate prices (Borden Ladner Gervais, 2026). Swiss evidence showed that a binding restriction on second homes depressed primary home values and weakened local economic activity in affected municipalities (Hilber & Schöni, 2020). Research on purchase restrictions in Beijing found that curbs on eligible buyers reduced prices in restricted segments while shifting demand to unrestricted ones (Somerville et al., 2020). Scholarship on the Canadian discourse argued that the ban reflected a politics of housing nationalism more than a calibrated response to measured foreign ownership (Lauster & von Bergmann, 2025). Nonetheless, other analyses maintained that undeclared foreign wealth was more significant than official ownership statistics suggested (Gordon, 2022).

Studies of vacancy and speculation taxes pointed to meaningful effects on occupancy but limited effects on affordability. In France, the introduction of a vacancy tax reduced vacancy rates in affected municipalities, largely by converting long-term vacant units into primary residences (Segú, 2020). A difference-in-differences evaluation of Vancouver's Empty Homes Tax found that it reduced vacancy by 1.5 percentage points, equivalent to about 226 additional occupied homes in the study area (Caracciolo & Miglino, 2024). The same evaluation found no effect on average rents or on the construction of new dwellings (Caracciolo & Miglino, 2024). Municipal reporting showed that Vancouver's vacancy rate among declared properties fell from 0.90% in 2017 to a record low of 0.49% (City of Vancouver, 2025). Provincial reporting indicated that more than 20,000 units entered the long-term rental market in Metro Vancouver after the Speculation and Vacancy Tax was introduced (British Columbia Ministry of Finance, 2026). The federal Underused Housing Tax was projected to raise \$131.7 million in 2023–24, but its administrative burden and incomplete returns drew criticism (Parliamentary Budget Officer, 2024). Recent monetary research further showed that rents respond strongly to borrowing costs, suggesting that vacancy measures operated within a rental market dominated by macroeconomic forces (Rao & Wang, 2026).

A final body of work questioned whether demand-side measures could succeed without addressing supply. Research in the United States showed that supply constraints explain much of the divergence between house prices and construction costs in high-demand cities (Glaeser & Gyourko, 2018). Earlier studies found that elastic supply shortens the duration of price booms, while inelastic markets experience larger and longer price surges (Glaeser et al., 2008). Evidence from England showed that regulatory restrictions on supply substantially raised house prices over time (Hilber & Vermeulen, 2016). Reviews of the supply debate concluded that new construction moderates prices and rents even when new units are initially expensive (Been et al., 2019). Further evidence confirmed that housing supply shapes affordability through rents, housing consumption and household location (Molloy et al., 2022). In Canada, recent assessments concluded that restoring affordability required a sustained expansion of housing supply rather than demand suppression alone (Baum-Snow et al., 2026). Earlier federal analysis similarly attributed most price escalation in large Canadian cities to income, population, low interest rates and constrained supply, with foreign investment playing a secondary role (CMHC, 2018).

### **2.3 Conceptual Framework**

The conceptual framework illustrated the hypothesized relationship between demand-side housing measures and housing affordability in Canada. The independent variable comprised foreign buyer taxes, the federal foreign buyer ban and speculation and vacancy taxes, which were conceptualized as instruments for reducing investment-driven demand. Figure 1 shows the conceptual framework.

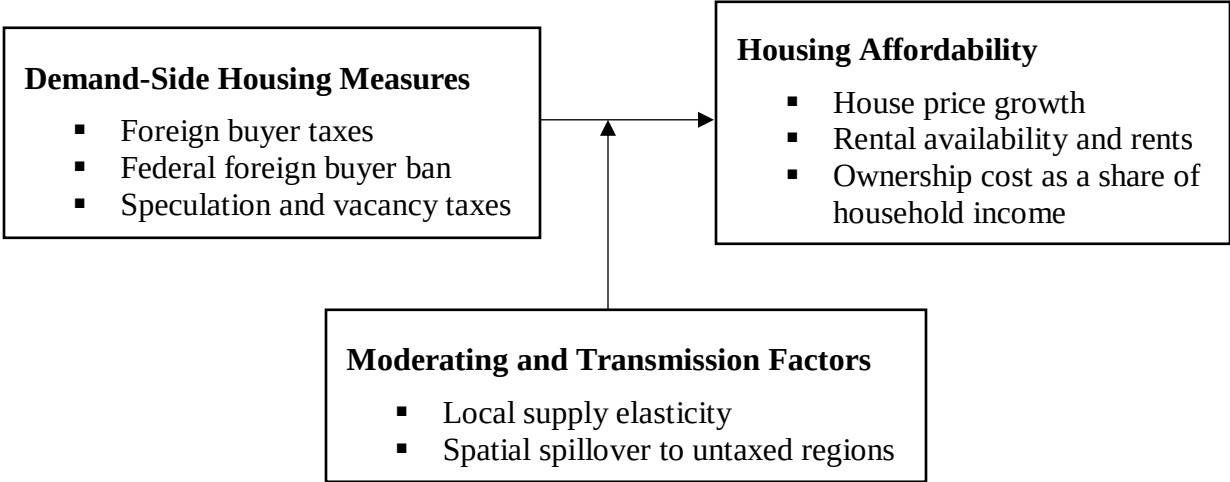


**Figure 1: Conceptual Framework**

**3.0 Methodology**

The study adopted a positivist research philosophy, which holds that social phenomena can be examined objectively through observable and measurable evidence (Saunders et al., 2019). Positivism was appropriate because the study relied on officially recorded quantities such as tax collections, vacancy rates, ownership shares and affordability ratios (Creswell & Creswell, 2018). A longitudinal descriptive and documentary research design was employed to trace how affordability outcomes evolved before and after each policy intervention between 2016 and 2026. Documentary analysis was selected because it enables systematic examination of government records, statistical releases and institutional reports produced independently of the researcher. The design was complemented by a systematic review of published empirical studies, which allowed the study to synthesize causal estimates generated through quasi-experimental methods. The review followed a transparent identification, screening and eligibility process consistent with established reporting guidelines for systematic reviews (Page et al., 2021). Priority was given to studies that used difference-in-differences, synthetic control or regression discontinuity approaches, since these methods credibly isolate policy effects from background trends.

The target population comprised all Canadian census metropolitan areas and regional districts subject to foreign buyer, speculation or vacancy measures between 2016 and 2026, together with comparator markets not subject to them (Statistics Canada, 2026). Data on non-resident ownership were obtained from the Canadian Housing Statistics Program as released by Statistics Canada and the Canada Mortgage and Housing Corporation (CMHC, 2019). Annual collections of the Non-Resident Speculation Tax were extracted from the Ontario Ministry of Finance for the years 2017 to 2025. Information on the Speculation and Vacancy Tax was drawn from provincial releases, while Empty Homes Tax outcomes were sourced from the City of Vancouver's annual reports. Revenue estimates for the Underused Housing Tax were obtained from the Parliamentary Budget Officer (Parliamentary Budget Officer, 2024). Affordability ratios for major markets were taken from RBC Economics' quarterly housing affordability series, which measures ownership costs as a share of median household income. Supply requirements were drawn from CMHC's supply gap estimates, which projected the construction needed to restore affordability by 2035.

Quantitative secondary data were analysed using descriptive statistics, trend analysis and percentage change computations to establish the direction and magnitude of changes following each intervention. Trend analysis compared pre-policy and post-policy trajectories, consistent with the logic of interrupted time series used in policy evaluation. For the systematic review, records were identified through Scopus, Web of Science, RePEc and institutional repositories and then screened for relevance and methodological rigour. Eligible studies were published between 2016 and 2026, focused on Canada or on comparable demand-side measures abroad, and reported empirical estimates of price, vacancy or rent effects. Extracted estimates were organized thematically in line with the three study objectives, and documentary evidence was coded for policy design features such as rate, coverage and exemptions. Triangulation between official statistics and peer-reviewed estimates was used to enhance the credibility and validity of the conclusions. Ethical considerations were addressed by relying exclusively on publicly available and aggregated data, which contained no personally identifiable information.

**4.0 Findings and Discussion**

**4.1 Evolution of Demand-Side Housing Measures in Canada**

The study first mapped the sequence and design of demand-side measures introduced in Canada between 2016 and 2026. The analysis revealed that the measures were introduced incrementally, beginning with provincial transfer taxes in the two largest gateway markets and culminating in national instruments. British Columbia's tax was extended in 2018 from Metro Vancouver to four additional regional districts at a higher rate of 20%. Ontario's levy was expanded from the Greater Golden Horseshoe to the entire province in 2022, and its rate rose to 25% (Ontario Ministry of Finance, 2026). Federal measures followed, with the Underused Housing Tax applying to vacant or underused residential property owned by non-resident non-Canadians. The federal ban was later extended from 2025 to 1 January 2027 as part of a broader affordability package. The Underused Housing Tax was eliminated from the 2025 tax year onward, signaling a retreat from ownership-based federal levies. Table 1 summarizes the principal instruments examined in this study.

**Table 1: Chronology of Demand-Side Housing Measures in Canada, 2016–2026**

| Instrument                                        | Jurisdiction      | Year Introduced | Rate/Design                                                            | Status by 2026                    |
|---------------------------------------------------|-------------------|-----------------|------------------------------------------------------------------------|-----------------------------------|
| Additional Property Transfer Tax (foreign buyers) | British Columbia  | 2016            | 15%, raised to 20% and extended to five regional districts in 2018     | In force                          |
| Non-Resident Speculation Tax                      | Ontario           | 2017            | 15%, raised to 20% (March 2022) and 25% province-wide (October 2022)   | In force                          |
| Empty Homes Tax                                   | City of Vancouver | 2017            | Annual levy on vacant homes based on assessed value                    | In force                          |
| Speculation and Vacancy Tax                       | British Columbia  | 2018            | 3% for foreign owners and satellite families; lower rate for Canadians | In force in 59 communities        |
| Underused Housing Tax                             | Federal           | 2022            | 1% on vacant or underused property of non-resident non-Canadian owners | Eliminated from 2025              |
| Prohibition on Purchase by Non-Canadians          | Federal           | 2023            | Ban on purchases in CMAs and CAs, with exemptions                      | Scheduled to lapse 1 January 2027 |

**4.2 Non-Resident Participation and the Taxable Base**

The second stage of the analysis examined the scale of non-resident participation that the measures were designed to target. The first national estimates showed that non-residents owned 3.4% of residential properties in the Toronto census metropolitan area and 4.8% in the Vancouver area. Subsequent releases indicated that participation was higher in condominiums and in newly built stock than in the general housing inventory. Properties owned by non-residents also carried higher assessed values, particularly single-detached houses in British Columbia. These patterns aligned with research showing that global wealth gravitated towards high-value and newly constructed segments of gateway markets. Nonetheless, scholars noted that roughly half of the owners classified as non-resident were Canadian citizens or permanent residents living abroad. Other scholars argued that official residency classifications understated foreign-sourced wealth held through domestic family members. The key indicators are presented in Table 2.

**Table 2: Non-Resident Participation in Selected Canadian Housing Markets**

| Jurisdiction     | All Residential Properties (%) | Condominium Apartments (%) | Notes                                        |
|------------------|--------------------------------|----------------------------|----------------------------------------------|
| British Columbia | 6.2                            | 10.4                       | Highest provincial participation             |
| Vancouver CMA    | 7.6                            | –                          | 15.3% among properties built in 2016–2017    |
| Ontario          | 3.3                            | 6.1                        | Concentrated in condominium stock            |
| Toronto CMA      | 3.8                            | –                          | Below Vancouver level                        |
| Nova Scotia      | 6.2                            | –                          | Driven by seasonal and recreational property |
| Halifax CMA      | 4.3                            | –                          | Lower than provincial average                |

Source: CMHC (2019-2025)

The results in Table 2 revealed that non-resident participation was modest in aggregate but concentrated in specific segments. The share of 15.3% among Vancouver properties built in 2016–2017 indicated that non-resident demand was most pronounced in pre-sale and new condominium markets). This concentration was consistent with evidence that foreign buyers accounted for about 30% of residential building permits in Vancouver before the tax. The findings suggested that restricting non-resident demand could affect new supply as well as prices, a trade-off that later prompted exemptions for redevelopment projects. The findings supported the argument that foreign demand operated as a marginal but price-setting force in inelastic segments of the market. They also agreed with models in which even a small share of foreign buyers can raise domestic prices when supply is constrained. The prominence of non-resident buyers in new supply echoed earlier findings that global capital shaped Vancouver's pre-sale condominium market. At the same time, the modest aggregate shares supported the conclusion that foreign ownership alone could not explain the scale of Canadian unaffordability.

Ontario's tax collections provided a further indicator of the contraction of the targeted buyer pool. The data showed that collections rose from \$156.7 million in 2017 to \$196.1 million in 2018, before stabilizing at about \$168 million to \$170 million between 2019 and 2021. Collections peaked at \$200.3 million in 2022, the year in which the rate was raised to 20% and then 25% and coverage became province-wide (Ontario Ministry of Finance, 2026). Revenue then fell to \$84.0 million in 2023 and to \$55.0 million in 2025, coinciding with the federal ban and higher interest rates (Department of Finance Canada, 2024). Although the ministry cautioned that collections should not be used to estimate foreign activity directly, the 72.5% decline from the 2022 peak suggested a sharp reduction in taxable purchases (Ontario Ministry of Finance, 2026). The contraction also coincided with a steep rise in borrowing costs, which independently reduced house prices and transactions across Canada (Rao & Wang, 2026). These results were consistent with the broader literature showing that transaction taxes reduce trading volumes more reliably than they reduce prices (Deng et al., 2024). Table 3 presents the annual collections.

**Table 3: Ontario Non-Resident Speculation Tax Collections, 2017–2025**

| Year | Collections (\$ millions) | Statutory Rate                           | Change from Previous Year (%) |
|------|---------------------------|------------------------------------------|-------------------------------|
| 2017 | 156.7                     | 15% (GGH, from April)                    | –                             |
| 2018 | 196.1                     | 15% (GGH)                                | 25.1                          |
| 2019 | 170.4                     | 15% (GGH)                                | -13.1                         |
| 2020 | 168.1                     | 15% (GGH)                                | -1.3                          |
| 2021 | 167.8                     | 15% (GGH)                                | -0.2                          |
| 2022 | 200.3                     | 20% (March); 25% province-wide (October) | 19.4                          |
| 2023 | 84.0                      | 25%                                      | -58.1                         |
| 2024 | 95.9                      | 25%                                      | 14.2                          |
| 2025 | 55.0                      | 25%                                      | -42.6                         |

Source: Ontario Ministry of Finance (2026)

**4.3 Price Effects of Foreign Buyer Taxes and the Federal Ban**

The first objective sought to establish the effect of foreign buyer taxes and the federal ban on house prices. The synthesis revealed that every rigorous Canadian study reviewed identified a statistically significant price response in the treated market after the introduction of a foreign buyer tax. Estimated price reductions ranged from about 5% in Vancouver to between 7% and 9% in Toronto during the first year of the respective taxes. Neighbourhood-level estimates showed that single-family prices fell about 6% more where foreign buyers had been most active. Estimates based on synthetic controls were larger, showing reductions in house price growth of up to 44% in Vancouver and 28% in Toronto relative to their counterfactuals. However, the effects were concentrated in detached housing and were short-lived, as Vancouver prices surpassed pre-tax levels within about a year. The New Zealand ban, which most closely resembled Canada's federal prohibition, produced no statistically significant effect on house price growth. The key estimates are summarized in Table 4.

**Table 4: Summary of Empirical Evidence on Demand-Side Measures**

| Study                         | Market and Measure                                 | Method                                             | Key Finding                                                                                               |
|-------------------------------|----------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Du et al. (2022)              | Vancouver and Toronto foreign buyer taxes          | Panel program evaluation; regression discontinuity | Prices fell about 5% (Vancouver) and 7–9% (Toronto); effects temporary and concentrated in detached homes |
| Pavlov et al. (2024)          | British Columbia foreign buyer tax                 | Transaction-level difference-in-differences        | Foreign buyer share fell from 13.2% to 1.7%; detached prices fell 6% more in high-exposure areas          |
| Hartley et al. (2025)         | Toronto, Vancouver, Sydney, Melbourne, New Zealand | Synthetic control                                  | Price growth fell up to 28% (Toronto) and 44% (Vancouver); no significant effect of New Zealand ban       |
| Caracciolo and Miglino (2024) | Vancouver Empty Homes Tax                          | Difference-in-differences                          | Vacancy fell 1.5 percentage points (about 226 homes); no effect on rents or construction                  |
| Segú (2020)                   | French vacancy tax                                 | Difference-in-differences                          | Vacancy declined, mainly through conversion to primary residences                                         |
| Gorback and Keys (2020)       | Foreign buyer taxes in Canada and Australia        | Event study using U.S. exposure                    | Deterred foreign demand redirected to U.S. housing markets                                                |
| Morel (2022)                  | Canadian major cities during the pandemic          | Hedonic distance-gradient analysis                 | Suburban price discount at 50 km narrowed from 26% to 10%                                                 |

Source: Research Data (2026)

The findings in Table 4 indicated that foreign buyer taxes were effective in reducing non-resident demand but were weak instruments for restoring long-run affordability. The rapid fall in the foreign buyer share of transactions confirmed that the tax was highly salient to the targeted group. Yet the brief duration of price effects suggested that domestic buyers, investors and credit conditions quickly filled the demand vacated by foreign purchasers. This interpretation agreed with evidence that interest rate movements exerted much larger and more persistent effects on Canadian house prices than ownership restrictions did. The evidence also resonated with the long-standing view that price booms are sustained by expectations and credit rather than by any single class of buyer. User-cost models similarly implied that prices respond more strongly to financing costs and expected appreciation than to modest changes in buyer composition. The rebound was also consistent with evidence that securitized mortgage finance sustained domestic demand throughout the period. The weak response to the New Zealand ban further suggested that Canada's federal prohibition was unlikely to have produced material price reductions beyond those already achieved by provincial taxes.

**4.4 Effects of Speculation and Vacancy Taxes on Housing Availability**

The second objective assessed the effect of speculation and vacancy taxes on housing availability and rents. The analysis revealed that Vancouver's declared vacancy rate fell from 0.90% in 2017 to 0.49% in the most recent reporting period, with fewer than 1,000 vacant units remaining. The Empty Homes Tax generated \$194.3 million for affordable housing initiatives between 2017 and 2025. Provincial data showed that more than 20,000 units were added to the long-term rental market in Metro Vancouver after the Speculation and Vacancy Tax was introduced (British Columbia Ministry of Finance, 2026). The same tax raised nearly \$80 million in 2024, while more

than 99% of British Columbia residents were exempt (British Columbia Ministry of Finance, 2026). At the federal level, the Underused Housing Tax was projected to raise \$131.7 million in 2023–24 and \$693.9 million over five years, although its incomplete returns data weakened those projections. Quasi-experimental evidence confirmed that the Empty Homes Tax reduced vacancy by about 21% in the treated area. Table 5 presents the principal outcomes.

**Table 5: Outcomes of Speculation and Vacancy Taxes in Canada**

| Indicator                                            | Measure                                          | Value                                  |
|------------------------------------------------------|--------------------------------------------------|----------------------------------------|
| Vancouver declared vacancy rate                      | 2017 baseline vs. latest reporting year          | 0.90% vs. 0.49%                        |
| Vancouver Empty Homes Tax revenue                    | Cumulative, 2017–2025                            | \$194.3 million                        |
| Units returned to long-term rental (Metro Vancouver) | Since 2018 under the Speculation and Vacancy Tax | More than 20,000                       |
| Speculation and Vacancy Tax revenue                  | 2024                                             | Nearly \$80 million                    |
| Share of British Columbia residents exempt           | Speculation and Vacancy Tax                      | More than 99%                          |
| Underused Housing Tax revenue (projected)            | 2023–24 / five-year                              | \$131.7 million / \$693.9 million      |
| Causal effect of Empty Homes Tax on vacancy          | Difference-in-differences                        | -1.5 percentage points; no rent effect |

Source: *City of Vancouver (2025); British Columbia Ministry of Finance (2026)*

The results in Table 5 revealed that vacancy-based taxes were more successful than foreign buyer taxes in bringing existing units into use. The finding was consistent with French evidence that vacancy taxation shifted long-term vacant dwellings into occupied housing. However, the absence of a measurable effect on average rents indicated that the additional units were too few relative to demand to alter market-wide rent levels. The findings also agreed with arguments that the value of foreign ownership restrictions diminishes once vacancy taxes ensure that units are occupied. The rental market remained under pressure from population growth, financialized landlord strategies and rising financing costs that vacancy levies did not address. Recent monetary research confirmed that higher mortgage rates pushed rents upward by shifting would-be buyers into the rental market. Comparative research on rental financialization likewise showed that institutional landlords pursued rent increases irrespective of local vacancy conditions. Tenant organizing literature further argued that rental affordability depends on the balance of power between landlords and tenants rather than on vacancy alone.

**4.5 The Shifting Geography of Housing Affordability**

The study examined whether demand-side measures shifted affordability pressure across Canadian regions and market segments. The findings revealed that affordability deteriorated markedly in secondary markets during the period in which the gateway cities were subject to targeted taxes. By the second quarter of 2026, ownership costs in Victoria absorbed 63.3% of median household income, almost matching Toronto's 64.1%. The inclusion of Victoria, the Fraser Valley, Central Okanagan and Nanaimo in British Columbia's 2018 tax extension indicated that provincial authorities themselves recognized the spread of speculative pressure beyond Metro Vancouver. In Atlantic Canada, average prices in Halifax rose by about 49% between December 2019 and December 2021 as buyers from Ontario relocated eastward. Within metropolitan regions, the premium for central locations fell sharply as the suburban discount at 50 km narrowed from 26%

to 10% (Morel, 2022). International evidence also showed that demand deterred by Canadian taxes was partly redirected to housing markets in the United States. The affordability indicators are presented in Table 6.

**Table 6: Housing Affordability in Selected Canadian Markets, Q2 2026**

| Market             | Ownership Cost as % of Median Household Income | Relative Position       |
|--------------------|------------------------------------------------|-------------------------|
| Vancouver          | 83.9                                           | Least affordable        |
| Toronto            | 64.1                                           | Second least affordable |
| Victoria           | 63.3                                           | Third least affordable  |
| Canada (aggregate) | 52.8                                           | National benchmark      |
| Montreal           | 52.3                                           | Near national benchmark |
| Calgary            | 41.3                                           | Near long-run average   |
| Regina             | 27.9                                           | Most affordable         |

Source: Hogue and Battaglia (2026)

The patterns in Table 6 confirmed that unaffordability had spread well beyond the two cities in which foreign buyer taxes were first introduced. These results supported the ripple effect proposition that price pressure in dominant markets diffuses to connected regions through migration and equity transfer. The findings were consistent with Canadian evidence showing that price increases moved from core neighbourhoods towards suburban municipalities and the wider region. They also agreed with the view that capital flowing into the core fueled price growth across a broader regional growth ecology. Evidence from purchase restrictions elsewhere similarly showed that curbs in one segment displaced demand into untaxed segments (Somerville et al., 2020). The concentration of unaffordability in supply-constrained markets echoed findings that inelastic supply amplifies the price effect of any demand shock. Evidence from Britain likewise showed that price pressure associated with overseas investment diffused unevenly across regions over time. Low supply elasticities in Vancouver, Toronto and Victoria therefore explained why displaced demand translated into price inflation rather than new construction.

The findings further showed that supply shortfalls remained the dominant structural driver of the shifting geography of unaffordability. CMHC estimated that Canada needed between 430,000 and 480,000 new homes annually to 2035, compared with a prevailing pace of about 200,000 to 240,000 starts. Toronto required a 70% increase in homebuilding and Calgary a 45% increase, while Montreal faced the largest supply gap among major census metropolitan areas. These requirements dwarfed the roughly 20,000 units that vacancy-based measures returned to the rental market in Metro Vancouver over several years. The results aligned with research showing that supply constraints, rather than buyer composition, explain persistent gaps between house prices and construction costs. Evidence from England reinforced this conclusion by showing that regulatory constraints raised house prices substantially over time. Canadian researchers likewise concluded that sustained supply expansion was the necessary condition for restoring affordability. The study therefore established that demand-side measures reshaped where affordability pressure appeared, but they did not reduce its overall magnitude.

**5.0 Conclusion**

Foreign buyer taxes and the federal foreign buyer ban achieved their narrow objective of reducing non-resident participation but made only a modest and temporary contribution to housing affordability in Canada. The sharp fall in the foreign buyer share of transactions after the British

Columbia tax demonstrated that the targeted group responded strongly to the policy signal. Price reductions of about 5% to 9% in the treated markets were real but were concentrated in detached housing and faded within about a year. The lack of a significant price effect from New Zealand's comparable ban suggested that Canada's outright prohibition added little beyond the effect of existing provincial taxes. The dramatic decline in Ontario's tax collections after 2022 confirmed that the targeted buyer pool had largely withdrawn. Yet national affordability continued to deteriorate, indicating that foreign demand was a secondary rather than primary driver of unaffordability. The limited duration of price effects was consistent with evidence that interest rates and credit conditions dominated Canadian house price movements. The study therefore concluded that the measures succeeded more as expressions of public concern than as durable affordability tools.

Vacancy-based taxes were the more effective demand-side instruments, although their contribution to affordability remained limited by scale. Vancouver's declared vacancy rate fell to a record low, and the city directed substantial revenue towards affordable housing. The provincial Speculation and Vacancy Tax helped bring more than 20,000 units into the long-term rental market in Metro Vancouver. However, causal evidence showed that these gains did not translate into lower rents. The study also concluded that demand-side measures reshaped the geography of affordability, as pressure migrated towards suburban belts and secondary cities such as Victoria and Halifax. This spatial shift was consistent with the ripple effect proposition that displaced demand diffuses to connected markets with inelastic supply. Low supply elasticity in the receiving markets meant that displaced demand translated into price growth rather than additional construction. Ultimately, the persistent national supply gap of hundreds of thousands of homes each year remained the decisive constraint on affordability.

## **6.0 Recommendations**

In view of these findings, the study recommends that the federal government replace the blanket foreign buyer ban with a targeted framework when it lapses in January 2027. Such a framework could permit non-resident investment in new rental and multi-unit construction while discouraging the purchase of existing homes, in line with approaches under consideration by federal authorities. Provincial governments in British Columbia and Ontario should retain their transfer taxes as revenue and data instruments rather than as primary affordability tools. Revenue from these taxes should be ring-fenced for non-market and affordable rental supply, following the model of Vancouver's Empty Homes Tax allocations. Governments should also strengthen beneficial ownership disclosure so that foreign-sourced wealth held through domestic intermediaries can be measured more accurately (Gordon, 2022). Statistics Canada should expand the Canadian Housing Statistics Program to provide annual non-resident and investor ownership data for all census metropolitan areas. A targeted design would also reduce the risk, observed in other jurisdictions, that broad restrictions on property investment impose wider economic costs on affected communities. Policymakers should further broaden the policy focus from foreign buyers to domestic investors, who own a far larger share of the Canadian housing stock.

Vacancy and speculation taxes to be retained and harmonized, since they returned units to use at relatively low cost to resident households. Where administrative costs exceed the value of the information and revenue generated, as was argued for the federal Underused Housing Tax, levies should be consolidated at the provincial or municipal level. Planning authorities should anticipate the spatial displacement of demand by monitoring price and rent trends in secondary and suburban markets adjacent to taxed regions. Supply-side funding and zoning reform should be prioritized in

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regions receiving displaced demand, where low supply elasticity amplifies price pressure. Federal and provincial housing strategies should adopt construction targets consistent with the estimated need of 430,000 to 480,000 homes per year. Future research should apply spatial econometric methods to transaction-level data to quantify the size of policy-induced price spillovers across Canadian regions. Further studies should also assess whether the expiry or replacement of the federal ban in 2027 alters non-resident participation and price trends.

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