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REAL ESTATE

Fewer new taxes on foreign buyers expected over next year: report

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Destinations for Chinese buyers are not expected to see more taxes. Image credit: Elvis Ma via Luxury Society

By BRIELLE JAEKEL

Many real estate markets across the world are likely to see an increase in foreign buyers, as fewer new taxes are expected compared to past years.

In the 2018-2019 buying period, taxes on foreign buyers in regions such as the United States, Canada, United Kingdom, Australia and Thailand are not expected, says a new report from Juwai.com. Chinese buyers' most coveted property destinations are predicted to have fewer new taxes in their top property locations compared to the past three years.

"The rapid upward trend in Chinese international property investment of the past decade hit the world at the same time as historically low interest rates and population growth were inflating values in popular destination cities," said Carrie Law, CEO and director of Juwai.com. "In some places, especially Canada, Australia and New Zealand, Chinese buyers were blamed for the price increases that objective data suggested was actually due to other factors,.

"After retreating from an exuberant peak in 2016 of $101.1 billion, Chinese international real estate investment again appears to be on a growth path, although more steady and restrained that what we saw in that golden year," she said. "The Chinese government seems comfortable with what it calls rational' growth in international investment."

Taxation and buying

While most of the world is expected to have lower taxes on foreign buyers, this is not the case for New Zealand. The country has imposed its Overseas Investment Amendment Bill, now under consideration in Parliament.

The new bill will likely help bring a rest to political uncertainty in the country that has been going on since before its last election.

Australia has discovered that foreign buyers are not causing inflation in the housing market. The report states that taxing these buyers can take attention away from stamp and planning mechanisms that could help the affordability crisis.

Sydney is one of the top destinations for Chinese buyers. Image credit: Pexels

In Canada, the market has softened due to new mortgage regulations causing higher priced buyers to back off.

In the past two years, two of Canada's largest provinces and six of Australia's territories have increased their taxes, but none are expected in the coming year.

Chinese buyers are most interested in Toronto, Montreal, Vancouver, Calgary and Ottawa in Canada and Melbourne, Sydney, Brisbane, Adelaide and the Gold Coast in Australia.

Thailand is hoping to encourage foreign and overseas buyers, as its economy is weak. There are already rules in place that prevent foreign buyers from owning land and more than half of the units in apartment buildings, and no more regulations are expected.

Thailand is one of the many buying destinations likely not imposing taxes. Image credit: Thailand

The uncertainty of Brexit makes the United Kingdom more dependent on foreign luxury.

Additional insight
Urban house price growth has slowed down, in part due to China's capital controls, but Berlin remains at the top of the bracket.

Berlin saw the strongest price growth in city developments across the world, with prices ending 2017 21 percent higher than when the year started, according to Knight Frank. However, as Berlin's prices soar, the rest of the world is seeing a slowdown, with average growth being 4.5 percent compared to 2016's 7 percent (see story).

As the Chinese solidify their place as the top foreign buyers of United States real estate, new home construction is said to increase in 2018 due to the segments' interest in new-build housing.

Chinese consumers are the number one foreign buyer in the U.S. for real estate, with $31.7 billion spent from the segment over the past year. According to real estate network Zillow, the U.S. construction market will start to focus on entry-level homes as well as luxury to cater to the Chinese segment (see story).

"Beijing has already telegraphed that it may experiment with further loosening capital controls," Juwai.com's Ms. Law said. "China has already resumed two key outbound schemes for investment in overseas securities, which had been suspended to reduce capital outflows.

"These have no direct impact on foreign property buyers, but do reveal a change of direction from tightening to loosening," she said. "The Financial Times has reported it expects some of the controls introduced over the past two years to be quietly relaxed.'"