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Canada-wide recession would follow foreign buyers tax in Toronto, Brad Lamb says

BC professor argues developer Brad Lamb is 'fearmongering' to block controversial tax

By Chris Glover, [CBC News](#) Posted: Mar 24, 2017 5:00 AM ET Last Updated: Mar 24, 2017 6:39 AM ET



Developer Brad Lamb, who currently has 15 buildings in various stages of development in Toronto, said a foreign buyers tax would be detrimental to the whole country. (CBC)

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High -profile Toronto developer Brad Lamb is warning a foreign home buyers tax could cause a Canada-wide recession, but a professor advocating for the tax says Lamb is just "fear mongering" to save his bottom line.

Lamb's campaign against the tax began earlier this week in a 1,300-word Facebook post.

He warned the 15 per cent foreign buyers tax instituted in Vancouver in Aug. 2016 will turn out to be ineffectual, and one in Toronto would be ruinous.

"It could also precipitate a Canada-wide recession," he wrote.

He's the first developer to wade into the controversial debate in Ontario and he said he brings a wealth of experience with 30 years experience and 15 buildings currently in various stages of development.

In an interview with CBC Toronto, he referred to it as an "investor tax" and said foreign buyers allow many of Toronto's condo buildings to be built.

"We want to be very careful on this. If we enact a 15 per cent investor tax they're gone. They're not buying here," he said.

It's a "ricochet" problem for Toronto where the spin-off would also stall local buyers, albeit only for a short while, he said.

"Everyone sits on their hands and they don't buy," he said, which would reduce construction spending and lead to layoffs. "It's a self fulfilling prophecy. People wait a year and then say, 'Look, prices have dropped 3



Chris Glover
CBC News Reporter

Chris spent half a decade as a political reporter for CBC Winnipeg, but now that he's returned to his hometown of Toronto, he's excitedly sinking his teeth in all sorts of stories. Discovering new neighbourhoods isn't a 9 to 5 job and after years away, he has a lot to catch up on. When he's not running around the city with a camera, you can find him on the island soaking up the sun or riding the trails along the Don River.

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per cent."

Desperate attempt to prevent tax

Josh Gordon, an assistant professor at Simon Fraser University in British Columbia, accuses Lamb of trying to confuse the issue to suit his own agenda.

"I think that's just fear mongering," Gordon said.

In a 2016 survey by the Toronto Real Estate Board, real estate agents pegged the share of foreign investors in Toronto at 4.9 per cent.

Lamb said the share of foreign investors is "significantly higher," but wouldn't give an exact percentage.

"What is going on here is a desperate attempt to fight off a foreign buyers tax because they want the party to continue," Gordon said. "We're seeing two different arguments; one is that [foreign investors are] marginal and now we're seeing a different argument that it's crucial and essentially if you touch it everything is going to go to crap."



Josh Gordon, assistant professor at Simon Fraser University's School of Public Policy, says a levy on foreign buyers needs to be brought in soon to calm the market. (Simon Fraser University)

In a report published by Ryerson University, Gordon said a foreign buyers tax should be introduced in conjunction with a new property surtax targeting foreign nationals.

Foreign home buyers' tax won't be enough: Ryerson report

Gordon said foreign demand pressures are paramount in Toronto's market, and the often argued crisis of housing supply wouldn't account for the city's rapid 20-30 per cent home price growth over the last two years.

"There is no major change at the municipal level that would explain this kind of a surge in pressure," he said. "There's just no way supply constraints can get you to the kind of prices Toronto has seen."

Lamb accuses city of stalling development

But Lamb argues the city slows new development.

"A project that I bring to the city of Toronto now takes me seven years to complete. It should take me four. Why does it take seven? Well, it's not me ... We're being stalled at the city level," he said.

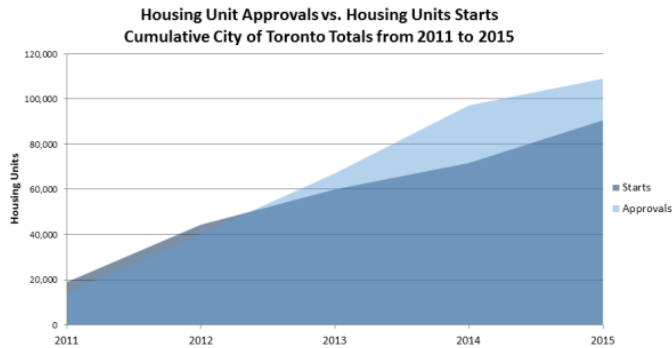
Lamb points to one of his projects at Richmond Street West and Spadina Avenue as an example. It's been delayed by two-and-a-half years, he says, because of issues at city hall.

Lamb argued the better fix for Toronto's housing market is to put more people on the Ontario Municipal Board to speed up the adjudication of disputes between developers and the city.

OMB review is underway

But city officials disagree with Lamb, saying development isn't being stifled.

But City of Toronto spokesperson Bruce Hawkins said between 2011 and 2015, the city approved 20 per cent more units than have been started.



Since 2013, Toronto has approved more housing units than have been started by developers. (City of Toronto handout)

Foreign investor taxes have been introduced in Hong Kong (30 per cent), Singapore (15 per cent) and Melbourne (3 per cent), according to a report by TD Bank.

The bank's chief economist Beata Caranci said in those markets it's been an effective tool to cool a housing market but not stop it.

"Typically what we've seen on international stages is you get some cooling off in sales and prices, which is in fact what we're seeing in Vancouver. But you don't get any sort of landslide in prices," she said. "In fact over time you see demand flow back in, meaning foreign investors come back into the market."

Lamb said it's not fair to compare Toronto's market to international markets where prices per square foot are substantially higher.

"Our prices are so affordable on a world scale," he said. "Basically what we're doing is we're targeting a scapegoat because it's convenient politically," he said.



TD Bank chief economist Beata Caranci says the introduction of a foreign home buyers tax has worked well in international jurisdictions and would work well in Toronto too. (TD Bank)