

TRREB URGES COUNCIL TO INCLUDE APPROPRIATE EXEMPTIONS IN TORONTO VACANT HOME TAX DEBATE

TORONTO, ONTARIO, December 16, 2020 - With Toronto City Council deciding on how to move forward with a new tax on vacant homes, the Toronto Regional Real Estate Board (TRREB) is asking City Councillors to ensure that their decision is data-driven and results-based, and to make certain appropriate exemptions are included if this tax is implemented.

If City Council approves the current staff recommendations, additional work and approval of the tax details will be conducted during the first half of 2021. Included in this work is identifying appropriate exemptions that should be included. The current City staff report indicates a preference to define a home as vacant only if it is vacant for greater than six months of the year. If City Council moves ahead with this tax, TRREB looks forward to working with City staff in identifying potential exemptions including:

- Principal residences;
- Owners who are unable to rent the property due to market conditions;
- Snowbirds;
- U.S. citizens;
- Legal matters pertaining to court orders prohibiting occupancy;
- Commuters;
- Properties undergoing renovations or ownership changes during the calendar year;
- Owner or other occupier undergoing medical or supportive care; and
- If the owner is deceased and grant of probate or administration pending.

“It is important to ensure appropriate exemptions are put in place for property owners, including principal residences. Moreover, TRREB believes that all housing policy decisions, including whether or not to impose a tax on vacant homes in Toronto, should be evidence-based. As such, it is important to have a clear understanding of the intended purpose and policy objective of a municipal tax on vacant homes in Toronto. Given the current state of the Toronto rental market, the purpose of such a tax is not immediately clear at this time,” said Lisa Patel, TRREB President.

In 2020, year-over-year growth in the number of condominium apartments listed for rent has far outstripped growth in the number of units rented. This trend began in the pre-COVID period and accelerated after the onset of the pandemic in March. The end result has been a dramatic increase in choice for would-be renters and marked year-over-year declines in average rents. Given that the market has already become better supplied and that average rents have adjusted as a result, it arguably may make sense to observe how market conditions unfold over the next year before turning to a non-market mechanism like a vacancy tax in an attempt to achieve more supply in the marketplace.

It is also important to point out that while a vacancy tax may prompt some investors to list their unit for rent, others may simply choose to list their unit for sale. This could especially be the case if they have owned their unit for a number of years, thereby benefitting from a significant gain in value. If this scenario played out en masse, the potential pool of available rental units could actually decline in the City of Toronto.

“TRREB is not opposed to a vacant home tax, and we understand the rationale behind it; however, it is unclear whether it will add rental housing that is affordable or affordable home ownership to the market, at this time,” added Patel.

To assist with these types of tax design features, City staff are recommending studying the creation and governance of an external advisory team consisting of industry experts and academic institutions who can advise the City on evaluating and implementing a potential Vacant Home Tax.

“TRREB has worked closely with City Finance staff to assist with their analysis of the City’s real estate and rental housing markets to help inform the need, or lack thereof, for such a tax. We believe the creation of an advisory team would be of benefit, and we would welcome the opportunity to participate and provide our insights on real estate market conditions,” said John DiMichele, TRREB CEO.

TRREB looks forward to continue providing input on this issue as City Council deliberates on whether and how to move forward with the proposed tax.

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