

## Real-estate market shifts with HST



As an economist, Helmut Pastrick is interested in knowing what transition rules will be in place before B.C. reverts to the pre-HST regime. Following the defeat of the harmonized sales tax, Finance Minister Kevin Falcon announced that the seven-percent provincial sales tax will be restored along with the federal goods and services tax of five percent by March 31, 2013.

That's a 19-month lag from the day the HST referendum results were released, August 26. Pastrick was trying to forecast how the real-estate market would be affected during the switchover period.

The 12-percent HST covers new houses as well as other housing-related expenses like realtor commissions, moving costs, and renovations.

According to Pastrick—chief economist for Central 1 Credit Union, the association of credit unions in B.C. and Ontario—some buyers, especially of new homes, may delay purchases and save themselves some extra money.

“Will it hurt?” Pastrick asked in a phone interview with the *Georgia Straight*. “I think that impact will be temporary. The activity would be made up under the new system shortly, and indeed under the new system, the demand for housing is somewhat improved given the lower costs that will be in effect. So that would provide some lift to the housing market.”

A housing-market analyst with the Canada Mortgage and Housing Corporation in B.C. before joining Central 1 in 1997, Pastrick said that the changeover period will also likely see postponements in the planned construction of new homes. “It depends on the

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transition rules, but in general I would expect to see some delay into the new tax system for some new construction,” he said.

According to the housing-market outlook released by CMHC on May 30 this year, housing starts in B.C. are forecast to increase in 2011 and 2012. The federal housing agency anticipated that new home construction will total 26,400 units this year, and 29,000 units the next.

CMHC pointed out that low interest rates, stable employment, and strong population growth will support both the new-home and resale markets for the two-year period.

Before the HST took effect in July 2010, new homes were exempt from the seven-percent PST. However, according to the B.C. Ministry of Finance, the PST was embedded in the price of new homes because of PST charged on construction materials.

Under the HST system, buyers of new homes are entitled to a maximum rebate of \$26,250.

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