

# Survey blames HST for slowdown

A survey conducted by Royal LePage Real Estate Services says that people in Ontario and B. C. have misconceptions about how the Harmonized Sales Tax (HST) affects real estate transactions. When respondents were asked to provide examples of comments heard from buyers and sellers regarding the HST and its effect on the housing market, almost half of the comments indicated that confusion about HST remained more than one month after its introduction. Among the most common responses to the survey's open-ended questions were that many home buyers incorrectly believe HST applies to the sale price of resale properties.

Nearly half of the 765 Royal LePage sales reps and brokers polled in Ontario and B.C. said the HST that took effect in both

provinces July 1 is having the greatest effect on the cooling residential real estate market, compared to just 28.4 per cent who cited rising interest rates as having the greatest effect. In all, more than 86 per cent of respondents said the HST is affecting their business somewhat.

The HST applies to the purchase price of a newly built home and fees for services and commissions associated with any real estate transaction, but it does not apply to the purchase price of resale homes. The majority of agents surveyed indicated that new home sales account for less than 10 per cent of their business.

"We wanted to understand the impact HST has had since it was introduced and what we found is that there is a need to better educate home buyers and sellers to ensure they understand when the

HST is applicable," says Phil Soper, president and chief executive of Royal LePage.

Nearly one-quarter of respondents in the survey said home buyers and sellers have a low level of awareness about how the HST applies to a home sale transaction, while 44 per cent said buyers and sellers are only somewhat aware.

"While we predicted that the prospect of rising interest rates would put a damper on the housing market, our agents are finding that the HST is actually having the greater impact on buyer behaviour, at least in the short-term," says Soper. "Realtors are there to help guide buyers and sellers through the often complex negotiation and closing process, so our take-away from this survey is that we need to do more as an industry to educate consumers about the HST." ■ REM