Seven Pillars Institute
Moral Cents Vol. 4 Issue 1, Winter/Spring 2015

The Ethics of Foreign Investment in Residential Property Markets: Australia, Canada and New Zealand

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Foreign investment is often touted as a driver of house prices, and a factor in unaffordable housing. This assertion raises the two questions. Firstly, does foreign investment have an impact? Secondly, if it does, is the government justified in intervening? To answer these questions, the article takes a case study approach to Australia, Canada and New Zealand and evaluates the issue according to background information, evidence foreign investment is driving house prices and a utilitarian based ethical analysis of government intervention. Although a lack of evidence makes it hard to draw real conclusions, there is a potentially small negative impact from foreign investment and if this outweighs any positive influences, then regulation is justified. With this conclusion, further discussion and research is recommended to ensure ethical policies are undertaken by governments.

Introduction

Debate rages about the importance of foreign investment into residential property markets. The accusation is levelled that foreigners are the culprits behind elevated house prices and by extension, creating a housing affordability crisis. Proponents of this view want government restrictions on foreign purchases. On the other hand, some maintain foreign investment is completely irrelevant to the problem of escalating house prices.

This raises two questions. Firstly, are foreigners having an impact on house prices and housing affordability? Secondly, is a government ethically justified in curbing foreign investment if foreign investment has an impact? Taking a case study approach to Australia, Canada and New Zealand, the impact from foreign investment is difficult to ascertain, but may have a small impact. Intervention can be justified if there is an impact.

The article is divided into three sections. The first section outlines problems facing these countries, particularly strastospheric house prices and

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unaffordable homes in urban areas. It also gives some information on current investment restrictions. This information helps provide context and explains why the issue is so politicised.

The second section addresses the real impact of foreign investment in residential property markets. It gives some measures of foreign activity in property markets and the main drivers of house prices and unaffordability according to research. Finally, it highlights the debilitating lack of data and research in the three countries.

The final section is dedicated to defending an ethical consideration of foreign investment in residential property markets. This section uses a utilitarian viewpoint to justify government intervention and refutes property rights objections. Furthermore, the section shows the importance of the topic by outlining the benefits of promoting housing affordability.

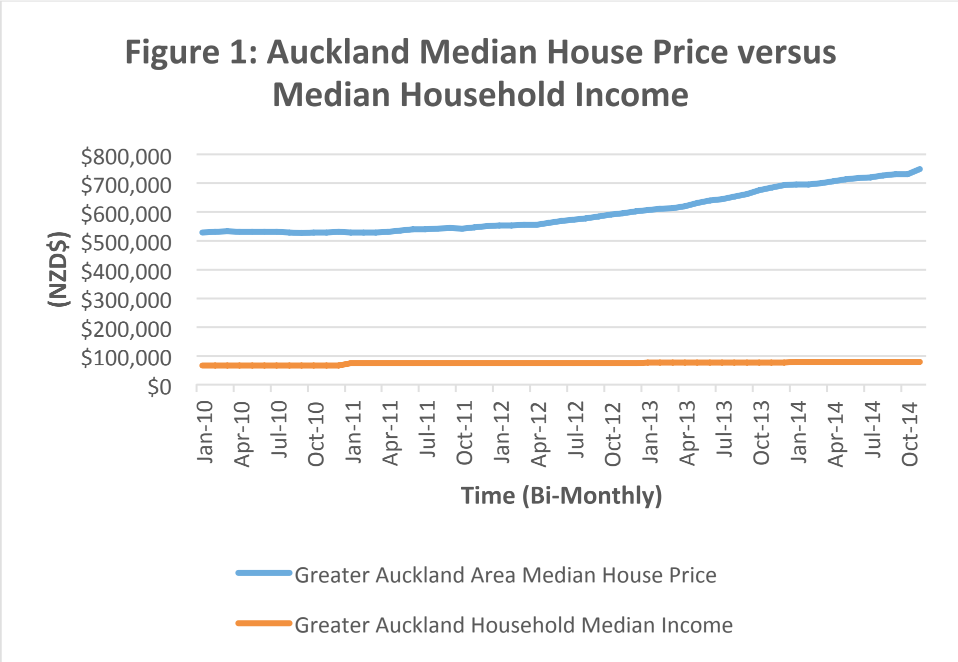
SECTION I – BACKGROUND

Soaring house prices and unaffordable homes are problems closely associated with foreign investment into residential housing. The issue is politicised by price and affordability statistics and leads to accusations that such high prices are driven, at least in part, by foreign buyers. The most prominent examples of the problem are high home prices in large cities.

Three such urban examples are Vancouver (Canada), Sydney (Australia) and Auckland (New Zealand), ranked respectively as having the second, fourth and seventh most unaffordable housing markets in Demographia's 2014 International Housing Affordability Survey (Cox and Pavletich 2014). Their respective countries are also all ranked by the Organisation for Economic Co-operation and Development (OECD) as three of the top five most overvalued housing markets across the OECD countries (Organisation for Economic Co-operation and Development 2014). These countries therefore, share some common problems, and may or may not share the reasons for the problems.

Given the complexity of property markets, it would be misguided to simply blame high property prices (and unaffordability) on foreign investment. A sole focus on foreign investment not only ignores other pressures on demand, but also ignores issues that affect supply. This does not mean the real impact of foreign investment is not worth discussion however. At the very least, a clear understanding of the situation helps to illuminate why the issue is heavily politicised.

1. Auckland, New Zealand

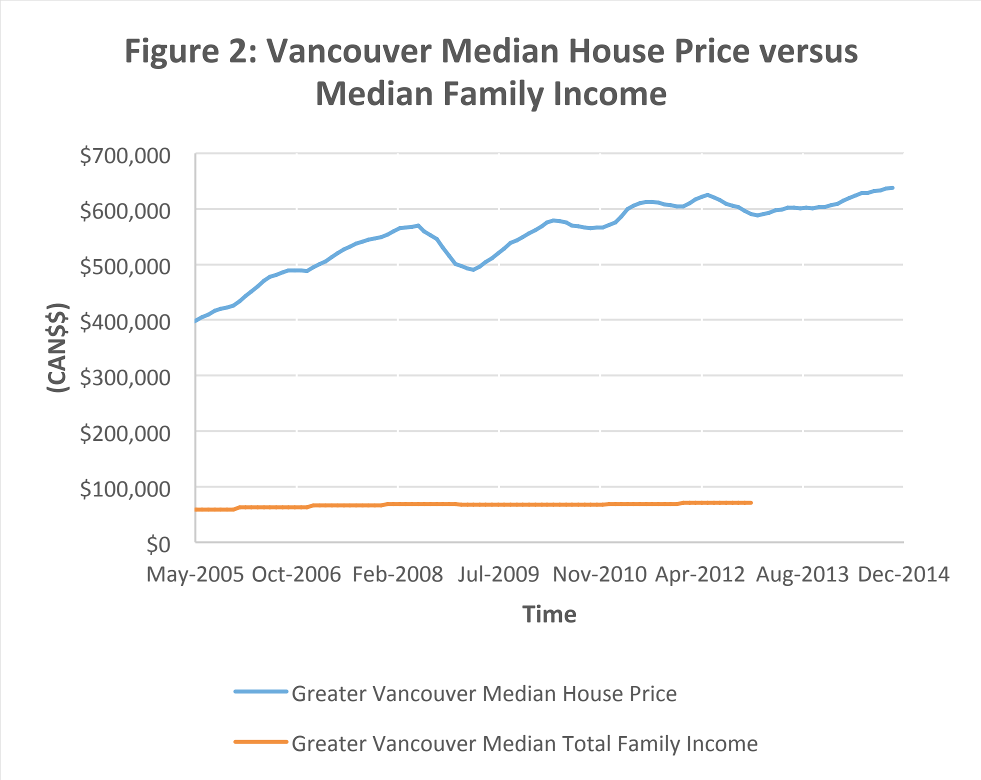


QV 2014; Statistics New Zealand 2014

House prices have risen rapidly since 2010, but median income has not matched the increase. Houses deemed as affordable by the Auckland Council (housing costs being less than thirty percent of a first home buyer's household income) have dropped from seventy four percent in 1999 to thirty nine percent in 2013 (Hitchins et al. 2014: 5). This potentially translates into low home ownership, at 43.4 percent in the 2013 Census compared to a national average of 52.9 percent (Goodyear and Fabian 2014: 40). This is a fall from the 47.5 percent recorded in the 2006 Census (Statistics New Zealand n.d.)

Predictably, these figures have contributed to the issue of home ownership being politicised, and considered an important issue in the recent 2014 General Election (Collins 2014). Like many other countries, there is a certain cultural attachment to the idea of home ownership, described as 'central to the narrative of the self-sufficient New Zealander' (Shaw 2014). Fittingly to the topic of this essay, there was much debate in the election over the impact of foreign investors on house prices (National Business Review 2014). Several opposition parties, although ultimately failing to win a majority, pledged to introduce new restrictions on foreign buyers, including the main opposition party, which for instance, promised a ban on non-residents buying residential property (New Zealand Labour Party 2014).

2. Vancouver, Canada



Source: Real Estate Board of Greater Vancouver 2014; Statistics Canada 2014a

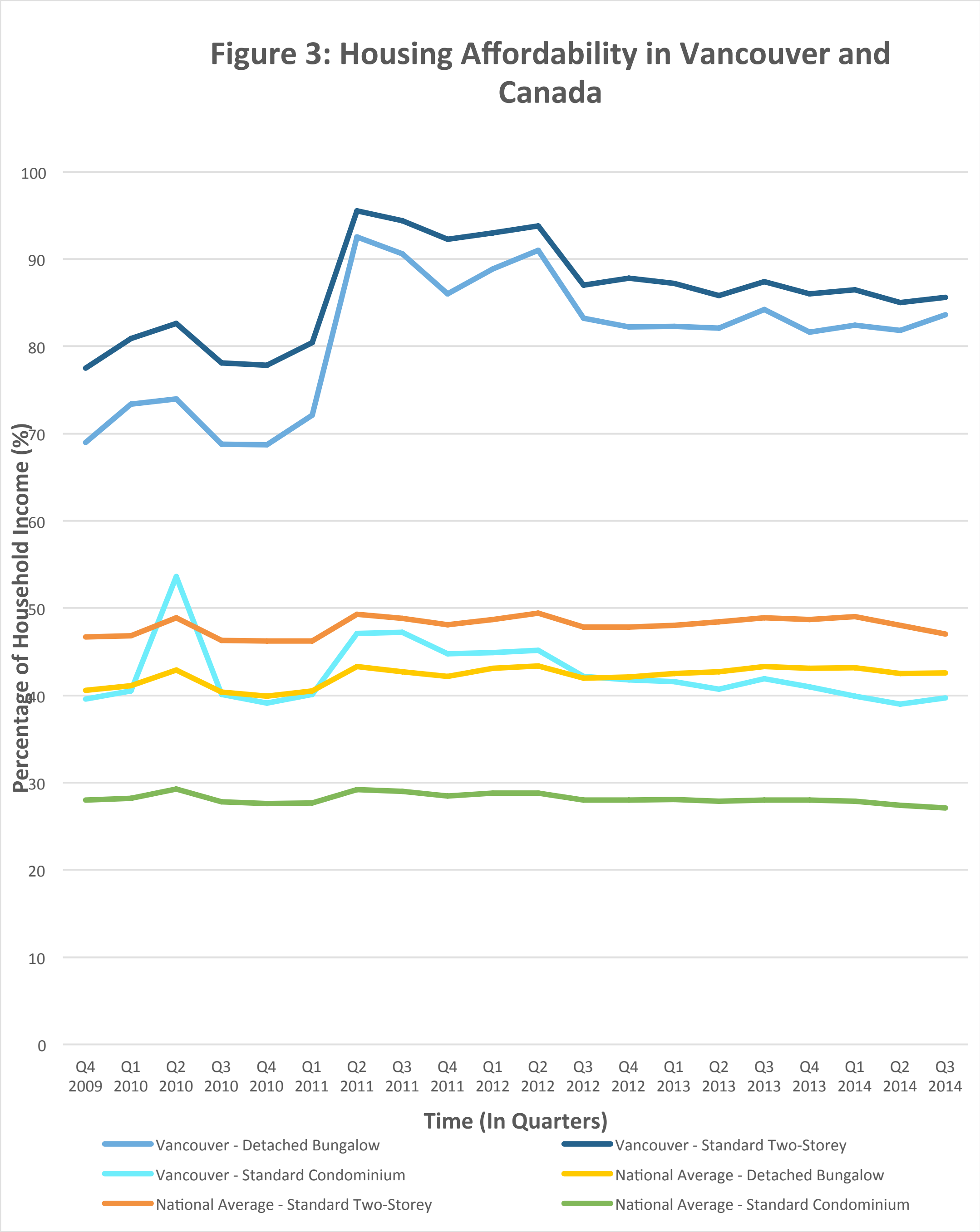
Note: Median Income data is not available yet for 2013/2014 as of writing.

Like in Auckland, house prices have risen faster than median incomes. However, at least relative to Auckland, homeownership is at a higher level. Census data from 2006 and 2011 show a roughly constant 65 percent ownership rate across the metropolitan area. This is not much less than the national average of 69 percent measured in 2011. It is worth noting however, the central city was a much lower 48.5 percent and 48 percent in 2011 and 2006 respectively (Statistics Canada 2014b; Statistics Canada 2006).

Data from the Royal Bank of Canada (below) show there has been a decline in housing affordability, with extremely high proportions of household incomes being consumed by housing costs. The percentage value shown represents the homeownership costs of each type of home (utilities, mortgage payments etc.), relative to 'a typical household's monthly pre-tax income'. (Royal Bank of Canada 2014). Because affordability is measured this way, we should be aware the measure is going to be more susceptible to changes in interest rates or utility prices. As with house prices, the assumption that declining affordability is a direct consequence of the impact of foreign investment should not be made, without further investigation.

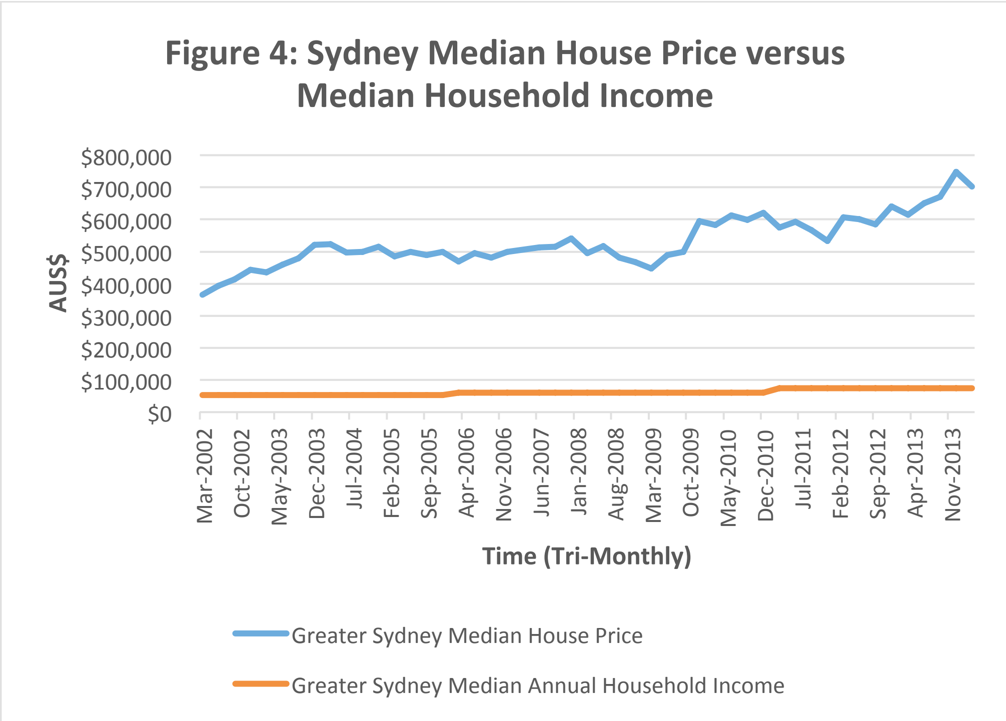
Although the graphs in Figure 3 show a large, and concerning difference between Vancouver house affordability and average Canadian house affordability (both in value and growth rate), the reader should be aware of many other issues such as local planning restrictions which can affect these values (O'Toole 2007: 33-34).

Much like New Zealand, home ownership is an important element in political and economic discussion. Media headlines such as 'Foreigners Are Taking Over Canadian Real Estate' or 'Foreign Property Buyers Restrictions Needed?' are reasonably common (Freeman 2014; CBC News 2014a).



Source: Royal Bank of Canada 2014

3. Sydney, Australia



Source: Trewin 2001: 56; Australian Bureau of Statistics 2014a; Australian Bureau of Statistics 2014b

Similarly to the previous two cities, house prices have risen much faster than incomes. Home ownership was measured at 62.7, 61.2 and 62.7 percent in the 2001, 2006 and 2011 censuses respectively, making it similar to Vancouver, with the level just below the national average (67 percent in 2011) (Australian Bureau of Statistics 2014b). Given higher house prices, this surprisingly small difference might well indicate a higher mortgage burden on home owners within the areas.

Once again, as with the other two cities and countries there is heated public debate on the issue of housing affordability. There is a particularly evident concern about 'cashed-up Chinese' affecting the ability of younger and middle-class people to break into housing markets, prompting a 2014 Parliamentary inquiry into the impact of foreign investment on house prices (Sheehan 2014; Van Den Broeke et al. 2014). Perhaps significantly, the establishing of this inquiry gained bi-partisan support from the two major Australian political parties (Hyam and Janda 2014).

Current Legislation Governing Foreign Investment into Housing

Australia

There are two types of investors who have restrictions placed upon them. Temporary residents (those who are residing in Australia but who are not permanent residents or citizens) and foreign non-residents. These rules are enforced and administered by the Foreign Investment Review Board (FIRB)

Temporary Residents (Foreign Investment Review Board 2012a)

- May only buy one established dwelling (an existing property)
- They may buy a theoretically unrestricted amount of new dwellings (purchased from a developer and not occupied for more than 12 months) and land in order to build new dwellings. The reason is to 'increase the available housing stock in Australia'.

Foreign Non-Residents (Foreign Investment Review Board 2012b)

- They are barred from buying established dwellings
- They, like a temporary resident, may buy land or new dwellings for the same reason (increase housing supply)

Canada

Unlike Australia, there are no federal restrictions on investors. There are however, certain restrictions in the Provinces of Alberta, Saskatchewan, Manitoba and Québec.

Alberta (Agricultural and Recreational Land Ownership Act 2006)

Non-residents and foreign businesses are prohibited from holding (or having the equivalent in ownership percentage in a larger parcel of land) more than 20 acres of land. However, real estate (along with industry such as power plants, oil refineries etc.) is not included, making this meaningless as a control on foreign investment into residential property.

Manitoba (The Farm Lands Ownership Act 2014)

Non-residents may not own more than 40 acres of rural property. Exemptions can be granted if there is an advantage to be gained by the Province. Once again, this seems to be of little consequence to residential real estate.

Saskatchewan (The Saskatchewan Farm Security Act 1988: s.17)

Non-residents may not own more than 10 acres of farmland property. This also seems somewhat irrelevant.

*Québec (*Commission de protection du territoire agricole du Québec 2014)

Non-residents (of the province) cannot purchase any farmland without gaining approval.

Clearly, it is therefore correct to state there are effectively no restrictions on residential property investment by foreigners within Canada, either federally or provincially.

New Zealand

Investments are not restricted unless they meet certain criteria, in which case they must be approved by the Overseas Investment Office. The criteria are as follows:

1. Ownership of 25 percent or greater of a business worth more than 100 million
2. Investments regarding fishing quotas
3. 'Investment in Sensitive Land' such as rural land five hectares or larger.

If an investment meets one or more of these criteria, the investor is assessed according to 'character, business acumen and level of financial commitment', as well as the benefit to the nation overall from the investment (New Zealand Treasury 2014: 29). Like Canada however, these restrictions do not concern residential property investments and as such, we can say there are no restrictions for such investments.

SECTION II – THE REAL IMPACT

Clearly there are some issues regarding high house prices and housing unaffordability within the countries discussed. But is it correct to attribute this, or a part of this, to foreign buyers? Or are they being unfairly scapegoated instead of putting the blame on the true drivers of the problems (which may be less controllable or explainable). In answering this question, the synthesised evidence is broken down into the three countries mentioned previously (Australia, Canada, New Zealand), since the conclusions may differ between the countries.

1. Australia

At the surface there appears to be a significant impact from foreign buyers on Australia's residential property market. Recent figures, including those from the National Australia Bank show that

- There has been a progressive rise in foreign investment since 2010. This has risen from roughly AUD 6 billion annually in the 1990s to over AUD 17 billion in 2012 and 2013 (Gauder et al. 2014: 12-13)
- Foreign buyers are estimated to have accounted for 16.8 percent of new homes and 8.2 percent of existing homes in the third quarter of 2013 and this is 'tipped to rise further' (National Australia Bank 2014: 1). The difference is likely a result of existing investment laws. This is not far away from the International Monetary Fund's estimate of 5 to 10 percent (Ahir et al. 2014).
- Investment in the State of Victoria is particularly high, with one in four new homes being bought by foreign buyers (National Australia Bank 2014: 1).

Further investigation however reveals these figures should not immediately be taken to represent a large pressure on demand or a negative impact on home affordability. The presence of foreign investment may actually have some positive effects, through driving supply (which should relieve upward price pressures) as well the revenue gained by construction companies and their suppliers (Gauder et al. 2014: 12-16; Standing Committee on Economics 2014: 95-96). The evidence for this positive impact on supply is potentially a result of Australian investment laws, which promote this kind of activity by targeting new homes rather than existing ones.

There also is some evidence to suggest the impact of foreign investment on prices may be small. A 'sluggish' housing supply may be the primary problem in terms of rising house prices. This is especially true if the purchasing of houses by foreigners is matched by the sale of houses by foreigners (which should help negate the effect on house prices) (Gauder et al. 2014: 12-15; Standing Committee on Economics 2014: 80-91). Also noted is the thrust of most foreign investment tends to be in New South Wales and Victoria, chiefly in new high-end properties. This data partially refute suggestions that new home buyers are being forced out of the market (Gauder et al. 2014: 14-16).

However, the 'limited' data on foreign home buyers makes it difficult to draw any absolute conclusions about the real impact of foreign buying in property markets (Gauder et al. 2014: 17; Standing Committee on Economics 2014: 55-58). The improvement of data availability formed one of the key recommendations of the 2014 Parliamentary Report on Foreign Investment in Residential Real Estate by the Australian House of Representatives Standing Committee on Economics. The full list of recommendations were (Standing Committee on Economics 2014: v-vi):

- Improve access to foreign investment data by creating a register of land title transfers which includes citizenship and residency. The FIRB should also have access to data from the Department of Immigration and Border Protection.
- There had been a 'significant failure of leadership' at the FIRB, especially in enforcing foreign investment legislation. There needed to be more oversight and resources provided to the organisation as well as greater enforcement of current laws. The funds for this should be provided by taxing foreign investors.
- Current legislation is appropriate and should be maintained.

This research suggests a small price positive impact from foreign investment on house prices. Given the unaffordability of houses, it would indeed be prudent to gather more substantial information on the subject and then consider measures that could relieve the situation. In a positive way, Australian legislation appears to have directed foreign investment towards new houses and if the legislation is more strictly imposed upon investors, this may show a positive way to deal with foreign investment into residential housing markets.

2. Canada

A full understanding of the real impact of foreign investment into Canadian residential property is not unlikely due to a lack of research and information. There are however various, popular, but sometimes dubious claims about sales figures often from real estate businesses. They include:

- One third of property is going to 'people with ties to mainland China' (Marlow 2014). This is unhelpful not only because it, perhaps unfairly, singles out China (rather than foreign investment as a whole) and means nothing in a globalised era where many Canadians may have Chinese roots.
- 40 percent of foreign buyers are purchasers of 'luxury single family homes'. These buyers are claimed to often be Chinese in origin, who are seeking to own second homes or gain real estate investments (Engel & Volkers 2014). If this assertion is reliable then it is a potential insight into impacts of foreign investment.
- 50 percent of condos in Toronto are owned by foreigners (CBC News 2014b).
- 25 percent of condos in some areas of Vancouver are empty or occupied temporarily by non-residents of the city itself (Simon Fraser University 2013). Although this may be an indicator, this information does not actually reveal much about foreign investment for two reasons. Firstly, the claim only extends to certain parts of the city. Secondly, condos being empty or occupied temporarily by non-residents does not imply they are owned by foreigners (they may be owned by Canadians).

Existing research tends to echo similar drivers given in Australia and Canada. Issues affecting supply in the housing market are the prime suspects (Burda 2013: 22-27; Hulchanski 2005; City of Vancouver 2012). However, rises in income and population may also be important (Peterson and Zheng 2012: 30-39), with a small impact coming from migration (Akbari and Aydede 2011). There however, is little real academic or government attention paid to either researching the impact of foreign investment or collecting data aimed at providing insight.

3. New Zealand

Like Canada, the answer to the question posed by this section (what is the real impact?) is characterised by a crippling lack of data. An estimate by the Bank of New Zealand and the Real Estate Institute of New Zealand in March 2014 suggests 6.8 percent of home sales are to offshore purchasers (Bank of New Zealand 2014). This figure is slightly less than the 8 percent suggested by the New Zealand Institute of Economic Research (Eaqub 2014: 18-19).

As in the previous examples, supply is the primary cited driver of high house prices, with foreign investment likely having a small impact. Research suggests reducing building costs, opening up land for construction and streamlining regulations (Department of Prime Minister and Cabinet 2008: 86; New Zealand Productivity Commission 2014: 23-33; Eaqub 2014: 9-14). Some blame is cautiously attributed to high levels of migration, with house prices correlating to migration patterns (Fry 2014: 24-27). For its part, the government position, based on unpublished Inland

Revenue tax returns claims a negligible impact from foreign purchasers (Bennett: 2014).

Much of the research however, fails to consider or refute the impact of foreign investors. If the given figures of 6.8 percent or 8 percent are reliable, then this represents a notable portion of the market. As such it is worthy of attention when examining the housing market. There is, much like the other two countries, a lack of information that gives a full view of the real impact of foreign buyers (Eaqub 2014: 24). All present information pertains to the country as a whole, not potentially heightened (or lowered) impacts in certain areas like Auckland, or in certain types of properties (like the high-end and new dwelling interest in Australia). It also does not specify where the investment actually comes from.

Despite assigning blame to supply issues, the New Zealand government, taking a cue from the Australian Parliamentary Report, is considering establishing a register to monitor foreign buyers, and hence provide information on their impact on house prices (3 News 2014). This can only be a positive step in understanding the issue, and formulating effective and positive policy responses.

Summary

The real impact of foreign investment in each country cannot be stated with absolute certainty, but it is certainly very possible there is a real, but perhaps small impact. A key recommendation must be to gather more information that confirms or disproves this hypothesis. Because there is a potential impact (although it might be small), it is an issue worthy of further attention.

SECTION III – WHY IS THIS AN ETHICAL ISSUE?

But why should we care about house prices and affordability in the context of foreign investment? The moral element when discussing the impact of foreign investment on residential housing markets naturally rests on a broader argument for the ethics of affordable housing. Since foreign investment can, at least theoretically, affect house prices and affordability this is a logical extension of the argument. Because of this, utilitarianism is the most useful lenses to examine the ethics of this issue.

Utilitarianism

> *'An action is right if it produces, or tends to produce, the greatest amount of good for the greatest number of people affected by the action. Otherwise the action is wrong.' (De George 2006: 56)*

As utilitarianism is concerned with output, it argues we should maximise welfare for the maximum number of people. If foreign investment is causing a sub-optimal outcome, then we should introduce measures to reach maximisation.

In other words, if foreign investment is causing residential properties to be extremely expensive and creating a large negative impact, then we need to legislate. Naturally, utilitarianism balances this against all the positive impacts foreign investment into residential housing could have, such as stimulating local economies through the construction industry or balancing its effects on housing demand by creating housing supply.

Of course, there are some practical problems with this sort of utility calculation (De George 2006: 64-66), especially if countries fail to collect the relevant data and conduct appropriate research. How do we balance benefits against costs? First of all, there needs to be a comprehensive understanding of all the impacts caused by foreign investment and any flow on effects that may result from this. With this understanding, we attach some sort of weighting system to compare for instance, people's ability to buy homes against benefits to those in the construction industry.

The assumption here is that affordable housing is a good thing, and conversely unaffordable housing is a bad thing in terms of utility. There are some obvious benefits to lower affordability such as long term financial gains, more income for other activities (that builds welfare) and reducing the stress and accrued debt from larger mortgages. There are however, some less apparent benefits.

Firstly, affordable housing aids economic stability by preventing property market overvaluations (Eaqub 2014: 5). Secondly, housing affordability is linked with good health, housing quality, and the welfare of children (Campbell and McFadden 2006). Thirdly, individuals lessen their travel time (potentially increasing welfare through more free time) to their respective places of employment by being able to afford homes closer to their workplace (City of Vancouver 2012: 3). Finally, there are social benefits to be gained both from the pleasure derived from a cultural attachment to home ownership as well as the promotion of equity (and social cohesion) between cohorts (Eaqub 2014: 6-7; New Zealand Productivity Commission 2014: 5). These reasons provide the ethical foundation for examining foreign investment into housing and considering subsequent restrictions

As such, it is important to take foreign housing investment and any potential negative influences (such as foreign investment) seriously. This should not be done without first considering positive influences however.

Although real world data is hard to ascertain, with some understanding of the positive and negative influences related to foreign investment and housing affordability mentioned, we can imagine some theoretical scenarios and apply utilitarianism. Take for instance, the following theoretical scenario which illustrates the arguments and attempts a simple utilitarian analysis.

Scenario:

There are no restrictions on foreign investment in residential housing. Foreign investment raises house prices by stimulating housing demand, but this is dampened by concurrently increasing housing supply. The net of these two figures is a price rise of 4 percent. Using the average Auckland house price of $748,955 in October 2014 as a benchmark, this then rises to $778,913.

Figure 5:

Positive Effects	Weighting	Negative Effects	Weighting
Positive effects on the local economy (through construction companies etc.)	+6	Greater debt burden from higher house prices. This is an extra $144.69 a month or $52,088.40 over thirty years per mortgage (see figure one). This could be spent on other utility building activities.	-5
		Psychological and social costs from higher debts, greater inequity, loss of social cohesion, loss of pleasure from cultural attachments, lower house quality, welfare of children and negative effects on health.	-4
		Time (and hence utility) lost by having to live commute greater distances to work (unable to afford closer houses)	-1
Total	+6	**Total**	-10

Figure 6:

For simplicity, assume a fixed rate of 6% per annum, which is close to the rates being offered by New Zealand banks at the present (ASB 2015; Westpac 2015). Also assume the rate of repayment is constant, the interest is compounded monthly and the individual or individuals take out a thirty year loan to pay for 80% of the house price.

Higher Price House ($623,130.40)

$$x = \frac{\left(\left(\frac{0.06}{12}\right) X \ 623130.4\right)}{\left(1 + \frac{0.06}{12}\right)^{360}} \qquad x = \$3736.98$$

Lower House Price ($599,164)

$$x = \frac{\left(\left(\frac{0.06}{12}\right) X \ 599164\right)}{\left(1 + \frac{0.06}{12}\right)^{360}} \qquad x = \$3592.29$$

$$Difference = \$3736.98 - 3592.29 = \$144.69$$

Over the thirty year period this would be $52,088.40, although it is worth noting the actual purchasing power of this money would likely decrease as time progresses.

Within the scenario given then, foreign investment is having a profoundly negative impact, and this serves as a justification for intervention. However unlike the past example, assume instead the government is actually imposing regulations, somewhat similar to Australia's that promote housing supply from foreign investment. If we assume this upward force on supply cancels out the upward force on demand, then house prices should be constant. The previous conclusion is completely changed to support foreign investment, as seen in Figure 7.

Figure 7:

Positive Effects	Weighting	Negative Effects	Weighting
Positive effects on the local economy (through construction companies etc.)	+6	Greater debt burden from higher house prices.	0
		Psychological costs from higher debt (and financial freedom)	0
		Psychological and social costs from higher debts, greater inequity, loss of social cohesion, loss of pleasure from cultural attachments, lower house quality, welfare of children and negative effects on health	0
		Time (and hence utility) lost by having to live commute greater distances to work (unable to afford closer houses)	0
Total	+6	**Total**	0

Of course, the issue with the scenario given is that it is extremely difficult to know effects and then weigh them against each other. For example, it is hard to know how much time (and relative utility) is lost by having a longer commute. On top of this, the exact causal relationship between house prices and longer commutes must be established. Even if this is understood it is hard to compare for instance, psychological effects against financial losses, as some measure of comparison is required for such an analysis.

Despite these problems, the above scenario illustrates foreign investment can theoretically cause an overall negative impact.

Refuting Property Right Objections

Because legislation dealing with foreign investment into housing inevitably interferes with property owners, a popular moral objection to intervention (stemming from concepts of property rights) is the "right to sell one's own property as one pleases". In essence this objection claims the owners of residential property have a moral right to sell their property to whom they choose, and there is no justification for breaching this entitlement.

Property rights are generally held in regard because they bestow positive externalities such as economic growth or peace attained from a sense of individual liberty (Ingram and Hong 2009: 3-4). The theoretical problem posed in restrictions relating to this essay is the sales of these properties to foreigners could be damaging the public good. This is ample justification for mild restrictions on sales to foreigners. This same reasoning is well established in laws that restrain property rights because of pollution, noise disturbances, high fire risks, shortages of water, and so forth. In fact, there is global precedent in the usage of property rights to promote affordable housing (and the public good) (Ingram and Hong 2009: 18-20) in addition to the current investment restrictions described earlier. If a lack of foreign investment restrictions is causing an outcome not 'socially efficient', a government is justified in curbing property rights given the extent of the measures associated with foreign investment are only mildly intrusive (Rosen and Gayer 2014: 74).

Summary

After fully understanding the issue at hand, we can make some judgements on the ethics of residential property investment by foreigners. Put simply, if foreign investment into housing does not bring a beneficial outcome to a society within a given country, it should not be allowed because it is unethical. This takes a mechanistic view of government, where it is obliged to ensure the decisions (or lack of decisions) it makes are ethically sound and are for the 'good of the people', since it is made on their behalf. (Rosen and Gayer 2010: 4). In this particular case, the objections based on property rights do not override the right of the government to take this moral action.

However, because the actual impact of foreign investment within the countries examined has not been established due to a lack of data, we are in essence making a moral decision without complete empirical evidence. As we do know there is an impact (although perhaps small) from foreign investment, for governments to achieve this obligation they must track foreign ownership and use the data gleaned to inform their decisions.

Conclusion

This essay has attempted to answer two questions. What is the real impact of foreign investment in residential property markets and is the state ethically justified in intervening?

After providing contextual information in the first section showing high house prices and high levels of unaffordability in Auckland, Sydney, and Vancouver, the initial question is answered in the second section. The evidence across the case studies of Australia, Canada, and New Zealand show that a lack of data prevents the question from being answered definitively. If there is an impact it is likely small.

The third section addressed the ethical nature of the topic. Provided there is an impact from foreign investment, a utilitarian framework provides a useful way to assess the morality of imposing restrictions on investments. If foreign investment is causing a negative impact (or sub-optimal output) then intervention by the state is morally justified. The section also refutes a property rights objection through the use of precedent, and the balance of public good against mildly intruding restrictions.

The main value of this article is to highlight this important issue and provide a framework for discussion on foreign investment into residential property markets. In particular, a key recommendation is that further research and the data gathering be conducted. The goal is to ensure governments are maximise the welfare of their citizens in regard to housing.

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