

StreetWise

Observations on the Greater Vancouver Commercial Real Estate Investment Market by Sam Emam

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Multifamily Rental Regulations Must Reflect Operating Realities

One of the most stable sectors throughout the COVID-19 pandemic has been the multifamily sector. With workers sent home and travel discouraged, anyone who didn't have to move stayed put. Government responded with policies designed to protect tenants and ensure stability during the public health emergency.

Now, there are moves to make some of those policies permanent. Many of the multi-family owners Macdonald Commercial speaks with on daily basis worry that a prolonged freeze on rents, restrictions on rent increases and rules designed to prevent tenant's displacement even when a property requires significant upgrades will result in poorer quality housing.

Business expenses didn't stay still during the pandemic, and maintenance was often deferred as safety protocols prevented contractors from entering premises. With the pressure on contractors, project costs have continued to rise, boosting operating costs for landlords even as their ability to bring rents in line with operating costs remains restricted. While the Canada Mortgage and Housing Corp. reported an average rent increase of 1.3% in the city of Vancouver last year and 2% across Metro Vancouver, maintenance costs, property taxes and other expenses increased many times faster.

Those expenses will continue to increase for the foreseeable future. Since March 2020, owners have been expected to implement deeper, more frequent cleaning to keep their tenants safe. Deferred maintenance and the demand for upgrades to accommodate new tenant behaviours such as online

shopping will also add to costs, which landlords are expected to bear at no cost to tenants.

But many owners are struggling to provide the level of service government wants to see, and which tenants expect. Government can't expect landlords to continue managing their buildings by placing flowers in the lobby, paintings on the lobby walls and decorating the common areas. Just like the line from the movie Donnie Brasco, "Fuggetaboutit!"

This has frustrated many owners, who are upset and angry enough to consider leaving the business altogether. According to RealNet, 65 properties changed hands across the Lower Mainland in 2020, up from 59 in 2019. While demand remains strong for this traditionally stable asset class, many owners clearly feel it's time to sell.

Regardless of the frustrations owners face, everyone needs to make sure they're part of the ongoing discussions and government consultations regarding rental properties. Government officials need to hear the challenges that owners, not just tenants, face in order to make sure future policies are fair for all. Tenants will suffer if landlords can't afford to upgrade their buildings, and fewer dedicated rental options will exist if landlords leave the market.

Our team at Macdonald Commercial has been a resource for multifamily owners by providing tips and support for managing their properties in the midst of fast-changing health protocols, rental rules and other regulations. Complimentary market evaluations are available for those seeking opportunities to dispose of their assets and reinvest the proceeds.

Macdonald Commercial is here for you to answer any questions you have regarding the current state of the market and the opportunities for your property.

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