

StreetWise

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

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Five Real Estate Metrics to Watch in 2021

Current market conditions are unprecedented, with the effects of the pandemic rippling across our interconnected world and into local economies everywhere. Now, more than ever, it's tough to understand the market by looking at just one figure. This issue of Streetwise takes a look at five key metrics that can help you better understand the forces at play on your investment property.

Unemployment Rate:

Prospects for residential and commercial real estate are most evident in the unemployment rate. BC ended 2020 with an unemployment rate of 6.7%, up from 4.3% a year earlier. Rising unemployment indicates a softer job market and heralds vacancies in commercial space. Without work, people are less likely to make major purchases such as a home. Conversely, falling unemployment indicates a stronger economy and the potential for higher demand for consumer goods (and logistics space) and a more active housing market as people trade up.

Property Tax Rates

Property taxes are the primary source of municipal revenue in Canada. The widespread deferral of tax payments last year assisted property owners impacted by the pandemic but created cash flow issues for municipalities. Business owners typically pay several times the residential tax rate but often receive less in terms of services. Property owners need to pay attention to the rate municipalities are charging as well as the assessed value of their properties, to ensure they're paying a fair amount of taxes.

Political Leadership

Political leaders with a high level of popular support and cultivate good relationships with neighbours contribute to economic stability and investor

confidence. With a new administration in the U.S., many people are optimistic that smoother days are ahead for Canada's relationship with its closest neighbour and largest trading partner. Yet the Biden administration has signed an order favouring domestic companies in federal purchasing. It has also nixed the Keystone XL pipeline as part of its climate action strategy. The moves will limit job growth in Canada and industrial activity in many markets

Gross Domestic Product

Gross Domestic Product, or GDP, is the total market value of the goods and services a country produces. Its rate of growth is an indicator of how an economy is performing. Growth points to good times while a contraction suggests that times are challenging. Many countries and regions saw GDP shrink in 2020 on account of the pandemic, positioning them for a significant rebound as the pandemic abates. While strong growth versus the previous year will be good, filtering out the effects of the pandemic will be critical to establishing a true read of activity. Real GDP, an inflation-adjusted number, will be the figure to watch as data for 2021 start rolling in.

Credit markets

Credit is the lifeblood of real estate markets. High interest rates make credit more expensive, capping what buyers are willing to pay for assets. Fortunately, historically low interest rates are here for the foreseeable future. But many lenders have taken a more cautious approach to loans, scrutinizing new deals to limit potential risks. This will benefit those who want to sell prime assets while challenging owners of older properties or those lacking solid tenants or locations.

For more information, let's connect!

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