

StreetWise

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

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Why Buyers Should Buy Today

“Why should I buy it?” It’s a common question sceptics fire at those in the know, whether it’s about the latest gadget, a new product, or real estate. The good news when it comes to real estate is that, unlike the other items, land only gets better with age. They’re not making any more of it, meaning it isn’t likely to go down in value.

This is especially true in Metro Vancouver, where the constraints of ocean, mountains and the U.S. border limit development. Parks and protected farmland are additional constraints. This keeps demand high for whatever does become available.

But many investors don’t sell. While the average holding period for commercial real estate is about 10 years, many Metro Vancouver property owners are long-term players because tenant demand is strong enough to support ongoing positive cash flow. Selling a property also raises the issue of where to reinvest the proceeds when few options are available. Many investors won’t sell until they need to.

So the big question is what to buy. That depends on what your personal goals are. Many investors are owner-occupiers who need premises for their own businesses but also see the advantage of owning real estate in a stable market where there will always be others eager to get in.

Others buy with a view to cash flow. Well-managed, well-located properties generate positive cash flow because tenants want to be there. Other properties are well-located

but are underperforming assets that can be turned around with similar benefits. This is why multifamily properties remain attractive to investors despite myriad government restrictions.

In addition, commercial real estate is a solid hedge against inflation, a phenomenon that has begun to rear its head. During an inflationary period, hard assets maintain their value whereas cash and other liquid assets will suffer a loss of value.

Commercial real estate offers a range of assets to fit the needs of every investor. Whether the need is for a business address, cash flow or a hedge against inflation, real estate provides a solid-long-term solution. Therefore, a better question than “Why buy?” or “What to buy?” is “When to buy?”.

Right now, conditions are favourable. Despite inflation fears, interest rates remain at historic lows. The pandemic continues to limit economic activity, meaning room remains for further economic growth before the end of the cycle. And if an economic downturn does indeed play out, real estate may even see greater demand as investors seek out hard assets.

With extensive experience in the Vancouver market and international affiliations, our team at Macdonald Commercial has the expertise to help you understand the opportunities current conditions present. Contact us for insights on how to prepare for what lies ahead.

Our team 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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