

StreetWise

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

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Industrial Property is Part of a Well-balanced Portfolio

With a limited land base for expansion, industrial property has nowhere to go but up – in value, that is.

According to the Real Estate Board of Greater Vancouver, the dollar value of industrial sales in the board's area was \$2.4 billion in 2021, a 61.1% increase from \$1.5 billion in 2020. Slower growth in transactions relative to value meant the average deal value also increased. In 2021, the average industrial transaction was worth \$3.4 million, up from \$2.9 million a year earlier.

Those values are often for smaller properties, and often with existing structures. But for buyers trying to enter the market today, finding their own patch of ground can be expensive. An acre in Richmond can fetch close to \$8.5 million; in the Fraser Valley, values are approaching \$7 million. Abbotsford industrial sites are approaching \$5 million an acre.

But as an investment broker, I personally see a property's value as the highest price that the most qualified and aggressive buyer will pay. Whether or not a property is worth what any particular buyer is willing to pay all depends on your perspective, of course. It's easy to overpay if you're speculating on a quick return, but a buyer with a long-term vision has an opportunity to price in future appreciation. A well-located site in a tightening market may be worth a premium now given what its future value.

This is why it's important to get solid appraisal and assessment of a property's worth. This will not only help you determine what to pay, it will strengthen your hand when it comes to financing. Most lenders will be happy

to finance a property with strong potential, especially if you have the paperwork to back up the current fair market value and have plans for adding value to the site.

But there's no point in arguing a property's value versus its price, especially with a seller seeking top dollar. Hours of negotiation can end with both sides more convinced than ever that their assessment is correct. But the truth often lies somewhere in the middle, and if you don't agree with the seller's idea of value, the seller probably doesn't agree with what you're willing to pay.

But there's another factor that makes value especially difficult to determine in a real estate market like Vancouver's: good old supply and demand. One of the trends we see today in the Metro Vancouver industrial market is the imbalance between supply and demand. While industrial space is at a premium nationwide, the lack of developable sites in Vancouver between the mountains, the ocean and the U.S. border means prices aren't about to fall.

This results many people seeing industrial assets as safe and stable investments. While values have soared, government hasn't stepped in to control prices. And with a vacancy rate of less than 1% in many parts of Metro Vancouver, there's not much chance of good space being underutilized.

Together with multifamily and land, industrial is a fundamental part of a well-balanced portfolio with long-term potential for appreciation. I love it – and I'm happy to share my knowledge of local opportunities with clients. Call us today to learn more!

Block to Block 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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