

StreetWise

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

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Why Would You Sell Today if You Didn't Have to Sell?

Down markets are often defined by a falling off in transactions as buyers hold off investing and sellers refuse to accept a lower price for their properties in the new market reality.

But deals still get done, often out of necessity. There are always people who have little choice but to sell. Traditionally, the main motivations for sellers include death, divorce, partnership disputes, tax obligations, property management issues and retirement. But these days, we're seeing more business reasons for owners approaching us to list their buildings.

But why would a seller list their properties in a slow market if they didn't have to sell? Often, the reasons are just the same as in good markets – to realize equity and take advantage of long-term opportunities. While the property an owner brings to market may fetch a lower price than in more robust markets, a property with good fundamentals will still capture more value than a poor-quality asset. And, since many owners will reinvest the proceeds, they'll be doing so in a property that's very likely seen its own value fall.

One of my clients recently told me, "Sam, if I wait to sell when prices are high again, then the properties that I want to purchase now with the proceeds will also be priced high."

This makes slow markets a good time to reposition a portfolio or for owner-users to fine-tune their space requirements. Overall, the new space will be cheaper, allowing owners to reinvest in a better property at a cheaper rate – regardless of the amount of proceeds from an older, less appealing property. An investor may be able to purchase a larger building or one with a higher capitalization rate, or perhaps even exit one market and invest in another.

Simply put, excellent buying opportunities are likely to present themselves throughout the second half of 2022 and beyond for qualified buyers that can act fast. Selling now positions both investors and owner-occupiers to be ready to take advantage of emerging opportunities. Some sellers who believe that prices have further to fall are positioning themselves to take advantage of this.

Still others just want to sell and retire after decades of hard work and dealing with the issues that come with owning commercial real estate. Is there ever a bad time to make that decision? While no one wants to leave money on the table, peace of mind is priceless – and it's something a good advisor can help you obtain, by helping you obtain a sale at the best price in a given market. To find out more, give us a call today.

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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