

StreetWise

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

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Bright Outlook for Metro Vancouver Real Estate

One of the most highly anticipated real estate events each year is the annual Urban Development Institute forecast luncheon. This year's virtual roundtable gave participants a chance to hear how several well-known builders, including Beedie, Townline and Axiom Builders Inc. see the market performing this year.

The good news is that demand is on the upswing as public health protocols move to mitigate COVID rather than eliminate it. The more stable business environment this creates is leading to fresh interest and renewed uptake in office space. Workplaces are already beginning to buzz again as workers return, with more flexibility over where work is performed but keen on the productivity that comes from working together in real time.

In fact, demand is exceeding supply all the classes, be it commercial, industrial or multifamily. While the past two years gave a boost to online meetings and commerce, people haven't lost the desire for in-person engagement. Retail spaces, especially those focused on socializing (think entertainment and hospitality venues), stand to benefit most from the return to less anxious times.

Residential construction is also roaring back, with 80 towers set to sprout across Metro Vancouver this year. While the pandemic saw people look for larger properties, affordability and supply concerns haven't gone away. Highrise condos remain the top way to deliver affordable housing as well as the density that make the urban environment thrive.

A key cloud hanging over the bright prospects is inflation. Canada has seen prices rise at the fastest rate since the 1980s, in turn putting pressure on central banks to hike interest rates. While fuel and food are major contributors to higher consumer prices, the cost of fuel is a key factor in higher industrial prices and in turn construction costs. Supply chain issues will continue to put pressure on access to construction supplies, with a lack of truck drivers extending delivery times – and shipping costs – for what is available.

Higher interest rates in response to inflation will also boost borrowing costs. This often has a moderating effect on asset prices. But strong demand for a limited supply of assets means this may not be the case in Metro Vancouver. Record low vacancies in existing industrial premises and constraints on new supply (much of it spoken for before completion) will continue to favour builders and landlords. Developers, seeing an opportunity for stable cash flow from their properties, are also tending to hold onto new space longer, further limiting opportunities for investors to buy into the market.

This is where the team at Macdonald Commercial can help. With our knowledge of the market, and the key areas of demand and opportunity, we home in on where buyers should look. We also have the expertise to position your property for sale. Our international network of connections will ensure wide exposure and the best price possible for your property. With confidence returning to the market, now is a good time to consider your options. We look forward to working with you.

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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