

StreetWise

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

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Post-Pandemic Outlook Favours Multifamily, Industrial

Despite late-breaking restrictions to fight a surge in COVID-19 infections driven by the omicron variant, BC's economy entered 2022 on a firm footing. Strong hiring activity and rising demand for workers pointed to a robust recovery from pandemic restrictions, with many employers boosting wage offers to secure workers. Real estate investors continued to make Vancouver the most active market in Canada, with demand for industrial land showing especially strong momentum.

Demand for multifamily rental properties also remained strong. With the benchmark price for residential real estate in Metro Vancouver climbing 17% over the past year, home ownership remains out of reach for many people. This has sustained investor interest in rental properties, which saw few purchase opportunities and strong pricing last year. This year promises to be no different.

With heightened inflation, many expect the Bank of Canada to raise interest rates sooner rather than later, effectively pushing home ownership further out of reach for first-time buyers. This favours multifamily investment, with Altus Group noting that suburban properties have enjoyed strong momentum. Transaction activity last year favoured all types of rental, however. Prices in Vancouver continue to rise as new construction lags demand. The dynamic will continue this year, with investors seeking both existing properties and development sites with long-term potential.

The momentum behind industrial land transactions also points to the long-term prospects of the region.

With a dwindling availability of land near the core, developers are looking further out for opportunities. However, brownfield sites in established areas are also seeing interest from owner-occupiers with an eye to redevelopment as well as current occupancy. Owners who choose to redevelop are often choosing to build strata-titled units that appeal to smaller users who bring diversity to industrial areas.

A key driver of industrial demand is e-commerce activity. While large-scale facilities for Amazon grabbed headlines before the pandemic, the need for last-mile delivery services across sectors means small-bay units are in demand as staging areas for localized distribution routes. Some of these facilities also offer curbside pick-up, blurring the lines between industrial and retail. With increased online activity and municipalities adopting more flexible rules for industrial zoning, investors are counting on growing opportunities in this stable, highly desirable asset class.

Both multifamily and industrial real estate offer steady cash flow and provide a reliable hedge against inflation, an issue that's poised to dominate headlines this year. Ongoing uncertainties associated with the pandemic's end-game also favour a cautious approach, underscored by volatility in the stock market.

To understand how Metro Vancouver real estate can serve your investment and business needs, contact Macdonald Commercial. Whether you're a buyer or a seller, we'll walk through the possibilities and connect you with the opportunities that will help you realize your goals.

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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