

StreetWise

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

March 2022

Global Challenges Create Local Opportunities

Global energy prices have been on the rise since last fall, pushing up the cost for a wide range of inputs from fuel to fertilizer. While extreme weather has driven commitments to renewable energy, the world is still very much dependent on oil and natural gas for food production, transportation and heating. Russia's invasion of Ukraine on February 24 has created a new and unprecedented risk to the global economy, which is still suffering the effects of the COVID-19 pandemic.

A war in Europe may seem far away but the implications for global energy supplies are just as significant as war in the equally distant Middle East. While rising oil prices have been associated with trouble in the Middle East since the energy crises of the 1970s, Russia is actually the world's second largest oil producer after the U.S., producing 10.1 million barrels of oil a day last year. Saudi Arabia was in third place, at 9.3 million barrels per day. Russia is also Europe's primary source of natural gas.

But demand in the U.S. drives global markets. While the country produces 11.3 million barrels of oil each day, it consumes 17.2 million barrels. This means it's dependent on Canada, Russia and other foreign suppliers. With countries moving to disconnect themselves from Russian oil, demand for supplies from other countries has increased. Natural gas, a key ingredient in agricultural fertilizers, is also in short supply and threatens to up-end food production as input costs rise and crop yields drop. Rising prices at the pump and in the grocery aisle will undermine consumer confidence, which will also be impacted by the dire and tragic news stories coming out of Europe.

So, what's the good news for real estate? While rising costs will put the squeeze on consumers and businesses, higher energy prices should stimulate activity in the oil patch and support employment. Government policies may discourage further investment in fossil fuels, but economic opportunities dictate otherwise. That will be good for job growth, drawing people to Western Canada.

Rising prices will also force the Bank of Canada to consider how high to raise interest rates. Many pundits expect three to five increases in the bank's prime lending rate this year. But lenders began factoring the impact into five-year mortgage rates last year. This means the current challenge in residential properties will continue to be adequate supply. With the province opening its doors to resettle refugees from the conflict in Europe, everyone will need to work together to ensure that enough homes are available.

The work of coordinating all these projects will require office and logistics space. Tenant demand is already benefitting office space as companies resume normal operations. Constrained availability of industrial space will have some companies looking further afield for sites, however.

This is where the team at Macdonald Commercial can help. Our knowledge of the market can identify the opportunities that will best suit your needs. Whether you're buying or leasing, we can match you with space. Your plans to sell may help you meet someone else's goals, and we can help achieve the best possible price in a timeframe that works for everyone.

Uncertain times call for dependable expertise. Contact us today to find out how we can help you.

Macdonald
COMMERCIAL

Sam Emam

Personal Real Estate Corporation

604.420.4205

sam.emam@macdonaldcommercial.com

www.blocktoblockcommercial.com