

# StreetWise

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

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## Real Estate Feels Ripple Effects From Supply Chain Disruptions

Once upon a time, it was easy to point the finger at COVID-19 and blame it for everything going wrong in the world. Stores stripped bare of toilet paper became emblematic of the larger crisis.

But then restrictions lifted and consumer goods were still hard to get. A surge in renovations last year sent lumber prices and other commodity prices soaring. Prices for lumber have eased but remained 134.5% above pre-pandemic levels. Diesel and other fuels are 66% higher than a year ago, while metal building products are up by half.

Here in B.C., the flooding and landslides that followed last November's unprecedented rains cut the major overland routes connecting the Lower Mainland, and by extension Vancouver Island, with the rest of Canada. The cost of goods increased yet again, and some truckers balked at delivery routes requiring them to travel through the Lower Mainland or via ferry to Vancouver Island. The time commitment wasn't worth it, putting further strain on supply chains. Nationally, the need for truckers has increased 39% while wages have increased just 7%. The shortage of delivery drivers is even more acute, particularly in B.C., where demand has increased 126% but wages are up just 7%.

Now, war in Europe and the return of COVID-19 to China are keeping the pressure on supply chains with no end in sight. Rising food prices, rising input costs and fickle consumer demand are creating the potential for a further mismatch between what's needed and what's available. This means extended delivery timelines and in some cases higher costs.

The net result? Concerns around last-mile delivery remain as pertinent as before the pandemic, but this time, everything from toasters to lumber is impacted. While industrial vacancies are at record lows in markets across the country, building new space is costlier and takes longer. Occupiers have to make do with inefficient space for longer, or consider changing their distribution model. Either way, business costs are increasing, and prices will need to rise to recoup them.

Some smart builders are locking in costs earlier in the construction process to avoid surprises down the line. Other companies are raising prices while it's still acceptable; with prices rising across the board, people accept it as part of the business climate.

The implications support real estate investment. On the one hand, real estate is a good hedge against inflation. On the other, well-located properties help businesses be more efficient. The premises might be for distribution or traditional retail with curbside pickup. Alternatively, a transit-oriented property could help you attract the talent needed to be more productive.

The team at Macdonald Commercial has the expertise that can help match your needs with the best possible property. We can help you find the right fit for your business that positions it for long-term success. Get in touch today!

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*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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