StreetWise

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

October 2022

Confused About Your Property's Valuation? You're Not Alone

The market value of your property affects many things – your municipal tax bill, your borrowing capacity, and what you expect to receive when you sell.

But with so few transactions happening, it's tough to estimate a fair value. Many colleagues say we're in a price discovery phase, one likely to last until the economic outlook becomes clearer. Deals are harder to do as seller and buyer try to come to terms on price.

Typically, the standard measures of value include current income, the condition and location of the property, future redevelopment potential (if any) and allowed density as well as similar recent sales of that asset type in that particular area.

With fewer sales, comparables will be harder to find for a given property. This means location, including proximity to transportation networks, future redevelopment potential and – most important – current income will have greater weight in determining how much value may have changed since the last sale or valuation.

A property in great shape, with solid, long-term tenancies will be a better prospect for an investor than one with multiple vacancies and less cash flow. A property that's been cared for will tend to have lower expenses, supporting cash flow.

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.

Depending on how long the current uncertainty lasts, the next best baseline for property values will be the release of BC Assessment Authority data January 1. It will show the value of properties as of July 1, 2022, and chances are they'll be higher than last year because the market had yet to slow appreciably.

But since July 1, another indicator of value, cap rates, have increased. Cap rates indicate the kind of return a property will deliver. A rate in the range of 3.5% to 4% based on current income is a good way to establish an initial value for properties. A property generating annual net income of $125,000 would be fairly valued at $3 million. A buyer looking to pay $2.75 million would see a higher cap rate; someone willing to shell out $3.25 million would be willing to accept a longer payback period.

But there's no reason to rely on your own math skills. Professional appraisers are trained to assess properties for a range of purposes, and the values they assign will have the rationale needed to convince others that it's sensible.

Our team at Block to Block Commercial can work with you to not only understand what's driving the value of your property, but ensure that you have the data needed to position it for sale at the best possible price. To learn more, and how it applies to your property, contact us today.

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