

StreetWise

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

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Ride Out Rough Markets by Investing In Yourself and Others

The past four years have treated the real estate sector to a genuine roller-coaster of emotions. A dip in stocks and a lift in mortgage rates in fall 2018 had some people seeking a more defensive footing. The economy was on a roll but many wondered how long it would last.

Yet the party kept going, culminating in an acute labour shortage at the end of 2019 and rapidly rising wages. An unprecedented pandemic followed, costing millions of workers their jobs and throwing the future of commercial real estate into doubt, and massive government intervention to support incomes, livelihoods and economic recovery.

Now interest rates are rising again, but this time against a backdrop of inflation of the kind we haven't seen in 40 years. This is new for most of us, who have spent our careers in an era of cheap financing. Deal-making has slowed as parties have become more cautious; many sellers don't want to sell low, giving up hard-won equity, while buyers are scouting deals, mindful of rising financing costs.

And here's the good news: deals are happening. The first half of the year saw strong activity, thanks to the appetite for the limited opportunities in Metro Vancouver's constrained real estate

market. The constraints have supported land values in good times and bad. The only difference now is what people are willing to pay as financing costs rise and investors re-evaluate how long they're prepared to hold investment properties. Yet if market sentiment has shifted, the real estate remains solid.

It's easy to get discouraged during periods of uncertainty. But this is the time to reach out to colleagues and clients, share data and learn what makes this moment unique – and prepare for when the market picks up. We don't always take the time to improve our business smarts and practices when we're working 10 to 12 hours days helping others achieve their goals. A slowdown in the market is a chance to do those things.

For me personally, spending time with family, working out and studying past deals to learn how best to meet new challenges has been encouraging and uplifting. If you'd like to connect, I'm happy to listen to what you're seeing and share some of what I've been learning. We're all in this together, and together we'll be stronger as a new market takes shape.

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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