

StreetWise

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

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Slower Momentum Sets the Stage for Growth In 2023

The real estate market of 2023 is uncertain and unpredictable. Strong inflation and rising interest rates triggered a market pause in 2022, and many owners and investors remain cautious. While policymakers at the Bank of Canada signalled that the latest rate hike on January 25 could be the last for a while, they also left the door open to continued action as needed. The pause ain't over till it's over.

But several trends give cause for hope that markets will stabilize and, having caught their breath, begin to recover their mojo this year.

British Columbia is enjoying a strong economy, and unemployment is low. In fact, there are 135,000 vacant jobs needing to be filled. Wages are increasing to attract workers, and this will give many workers the means to become homebuyers. This, coupled with immigration of up to 87,000 people this year, will support demand for housing.

Higher qualifying rates for uninsured borrowers and a modest lowering of residential prices mean affordability continues to be challenging for many buyers, supporting rental demand. Most immigrants are required to rent for two years, further boosting the multifamily market. Canada Mortgage and Housing Corp. data indicates that rental completions continue to lag occupancy growth, with vacancies falling to less than 1% in Metro Vancouver and 1.3% province-wide.

While multifamily property owners face few hurdles to filling their buildings, rising costs are a factor. This

has limited margins for investors while also making it tough for new projects to pencil out, constraining supply. But tight margins are expected to improve in 2023, allowing projects to move forward. Some projects have been postponed or cancelled, freeing up much-needed skilled workers. Some developers have also struck partnerships with First Nations to build rental housing, which will also help renew existing rental units – 75% of which were built before 1969.

The careful planning and partnerships playing out in the multifamily market points the way for other sectors, especially industrial, where supply remains tight, vacancies low and demand solid. The uncertainties that have dampened deal-making over the past nine months have not undercut the fundamentals supporting most asset types in Metro Vancouver. A pick-up is expected in the latter half of this year, and the return of demand coupled with a pause in new construction is likely to mean higher valuations in six to nine months than exist today.

Buyers may have gone away, but the real estate hasn't. To understand how to make the current market work in your favour as a buyer or a seller, contact Block to Block Commercial. With the latest market information, and 20 years' experience serving the Vancouver market, our team has the expertise needed to help you succeed as the new normal creates new opportunities.

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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