

StreetWise

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

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Provincial Budget Invests in Housing, But at What Cost?

Governments often take credit for economic prosperity but more often than not they're simply harnessing larger market forces in favour of their small corner of the world. So it was February 28 as the province under Premier David Eby unveiled its first budget, emphasizing the importance of making life affordable for all. Tax cuts figured prominently, as well as credits, rebates and other measures designed to ease the strain of the current economic pain higher living costs have delivered.

Government's largesse is good news for the average person, but as a broker of real estate, one number stood out for me – \$4.2 billion. That's both the size of the deficit the province expects to run this year, and – coincidentally – the amount of money the budget allocates over the next three years to multiple housing initiatives.

Don't misunderstand me: I'm not suggesting for a moment the government should attempt to balance the budget by withholding spending on housing. Many of the projects promised are worthy, and maybe even overdue. There's fresh investment in BC Housing that will see older multifamily stock renewed, and nearly \$2.1 billion allocated to the acquisition of properties and new construction. It's well-intended.

Some of the projects will also be part of what finance minister Katrine Conroy described as "the largest infrastructure investment in our province's history." This is good news for workers, and will keep cash circulating.

But the wealth of government funding also stands

to fuel competition – for workers, materials and for real estate, especially in the competitive markets of the Lower Mainland and southern Vancouver Island. While some of the housing projects may be undertaken in partnership with private developers, the announcement in January of a \$500 million fund for not-for-profits to acquire older rental properties suggests that the funding will simply increase competition for existing sites and properties. This could mean government funding won't go quite as far as any of us would like.

This turns the focus on the deficit. While the province says it wants to balance its books, its \$80 billion budget will boost the provincial debt with no clear timeline for a return to more prudent spending patterns. B.C.'s strategic position in Canada makes it a natural location for the logistics companies that handle incoming goods as well as the manufacturers and exporters looking to ship overseas. But the knock-on effect of greater spending and tax cuts now could be tighter times in the years to come if this year's gambit doesn't pay off. This could undermine confidence in the province, affecting investment and in turn economic activity.

With interest rates levelling off and the renewal of cautious interest among real estate investors in doing deals, B.C.'s economy seems to be pulling through the current troubles regardless of government intervention. The fundamentals are largely sound, and there's a case to be made for the value B.C. real estate offers. To help unlock the value it holds for you, contact us today.

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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