

# StreetWise

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

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## Multifamily Properties Deliver Stable, Steady Returns

An apartment block is the cornerstone of many an investor's portfolio, and for good reason – everyone needs somewhere to live, and a base of qualified tenants means steady recurring income from month to month. While cashflows in BC are challenged by a number of factors, including provincially mandated rent controls, there's also long-term capital appreciation because many established rental properties are irreplaceable. The value of a well-maintained property has nowhere to go but up.

Recently, the provincial government announced a \$500 million fund that will allow not-for-profits to buy up older multifamily properties. The rationale, says the province, is to protect them. But this will also fuel competition with private investors, further supporting capital appreciation while at the same time potentially limiting the number of units available for the vast majority of the population that pays market rents.

The combination of steady monthly income, limited supply and high demand offsets the impact of short-term trends – and when it comes to multifamily properties, most issues are short-term because the properties are prime long-term holds. While rent controls have a cumulative, long-term effect on income production, tenancies turn over and rents can be increased to current levels. Data from the Canada Mortgage and Housing Corp.'s latest rental market survey indicate that rents in Metro Vancouver increased by an average of 23.9%

between tenancies in 2022. With rent controls, it would take between five and 10 years to achieve a similar increase from the same tenant.

Many investors see multifamily as a counterpoint to other real estate holdings. While an owner's main operating business may own and occupy industrial real estate, multifamily offers an appealing level of diversification. Once again, the stability of the asset class makes it a preferred option for an investor seeking a stable haven for cash. A professional property manager can reduce the risk for owners for whom working with tenants isn't their strong suit, helping ensure the asset delivers on its promise.

Given the older stock of multifamily housing in B.C., many properties also offer significant upside through improvements. By upgrading the curb appeal and interiors, multifamily owners can lower operating costs and improve revenue as well as resale value. With immigration to B.C. expected to increase dramatically in the coming years, investment now will pay off in the future.

But not all markets are equal. Specific neighbourhoods are better than others. This is where having a solid advisory team is important for investors scouting opportunities in the sector. Block to Block Commercial has the industry knowledge as well as the connections needed to support your next multifamily decision. To find out which markets best suit your goals, contact us 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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