

StreetWise

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

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Long-Term Success Hinges On Short-Term Strategies

Will the Bank of Canada cut its policy rate on April 10, or will it wait until June 5? And how much does it really matter for real estate investors?

Many lenders have already reduced rates, pricing in the cut the central bank is expected to make this quarter. But the headline news continues to influence investor sentiment, signalling caution even as opportunities start to increase. But as the old maxim says, there are no bad markets, only bad strategies. Working with an experienced broker and advisory team can help you make the most of even challenging markets.

The key is to keep the long-term in mind. While interest rates are high, the good news is that they're poised to ease. This is shift from the past two years when interest rate hikes caused uncertainty among investors. This will give investors the confidence to buy, beginning with those who have factored in higher borrowing costs from the get-go.

The pause of the past two years may have seen investors focus on socking away cash so they're able to put more equity towards a purchase while keeping an eye on opportunities with long-term value-add potential. Block to Block Commercial has worked with several buyers who have bought properties to meet current needs while counting on future development potential for their payday. Owner-occupiers who take the long-term view can stabilize their own costs now while enjoying revenue from the property's future value as a redevelopment site.

Others may use the cash as part of a strategic approach

to financing. Buyers who bring greater equity to a project may be better prospects for lenders and enjoy lower borrowing costs. They may also be able to work with alternative sources of capital to structure deals that bring down their borrowing costs that much more. For example, putting up 50% of the purchase price and obtaining 35% from a traditional lender may allow a non-traditional financier to stake 15% on terms that frees up cash the buyer can put towards improvements that make the property more attractive to tenants. This in turn boosts cash flow that can further reduce everyone's risk and strengthen the property's performance.

A long-term focus also means taking the short-term into account. While borrowing costs remain elevated, focusing on smaller, more manageable opportunities can be set investors up for larger purchases down the road. Good assets will always sell, and a savvy broker can identify the opportunities that will allow you to build equity and generate cash flow in the short-term that support larger purchases when interest rates fall into more favourable territory. Those lower interest rates will also create a larger pool of prospective buyers for those smaller assets that have helped you advance your goals.

With two decades of experience in the Lower Mainland, Block to Block Commercial has the knowledge needed to help you get out ahead of the market and advance your success. To learn how we can build the value of your portfolio, call us today.

Block to Block Commercial is your partner for navigating the current state of the market and seizing opportunities for your property. Have questions or seeking insights? We're here to provide answers and guidance. Reach out to us — Dedicated to your success

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