

WILLIAM | WRIGHT Report

BC'S COMMERCIAL REAL ESTATE SECTOR

A land of opportunity
for institutional investors

EXCLUSIVE
INTERVIEW WITH
CORY WRIGHT

Q2 2022

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BC'S COMMERCIAL REAL ESTATE SECTOR

A land of opportunity for institutional investors

While the consumer side of the real-estate market reacts to rising interest rates and homebuyers reassess their purchasing expectations, British Columbia's commercial sector continues to draw landmark deals as investors compete for limited acquisition opportunities.

Cory Wright of commercial real-estate brokerage William Wright Commercial Real Estate Services says a rising interest rate environment has led to an expected slowdown in the real-estate industry. However, BC's growth prospects are leveraging significant interest in quality development sites, holding properties and revenue-generating mixed-use projects.

"Although we're seeing a 'pens down' scenario in commercial real-estate with some buyers taking a wait and see approach, desirable properties are still changing hands at price points set earlier in the year as investors remain bullish on the future of the province, and in particular, its key markets of Vancouver, Victoria, Kelowna and

Nanaimo," Wright said, adding that "there may be less activity in the broader sense, but top-tier inventory continues to move, and continues to field healthy competition between purchasers."

Wright says the Bank of Canada's under-estimation of inflationary pressures in the beginning of 2022 set the economy on a higher rate trajectory than initially estimated, and in a shorter amount of time than analysts had predicted. Nevertheless, the Vancouver-based broker believes the medium term outcome will eventually produce a declining rate environment to bolster the tail end of a forecasted economic retraction by the second half of 2023, which has well-capitalized investors gearing up to take advantage of current buying opportunities despite near-term headwinds.

"The likelihood of rising interest rates will be with us through mid-2023, I think, at which point we are likely to see a rate pullback to re-ignite lost economic momentum after inflation is under control," Wright says. "Once we are absent of the pressures of inflation, we fully expect

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the market to see a pent-up demand buying surge given the significant population growth pressures facing BC. In light of this, for investors with cash holdings, now is the time to pursue acquisitions coming to market as distressed sales, or from developers who may no longer have the financial wherewithal to pursue construction of approved inventory of housing or commercial spaces.”

One of the primary challenges facing the commercial real-estate market are borrowing costs, which tend to settle well above consumer lending rates, meaning developers and investors pay a premium for their holdings relative to what a consumer would pay for a similarly priced property. Down payments and equity stakes required by lenders can also rapidly change as interest rates rise, meaning cash deposits can balloon overnight, putting some players in difficult positions.

“As interest rates increase, the monthly mortgage payment shifts from predominantly paying down the principle under an ultra low rate scenario, to paying predominantly interest, and this can trigger an equity increase payable immediately to the lender,” Wright said. “These scenarios can make or break a less capitalized investor, and force them to list their asset for sale rather than not only carry the burden of a higher

monthly mortgage, but also provide more up-front cash to hold on to the mortgage.”

This week the province expanded its speculation tax coverage beyond Greater Victoria, Nanaimo, Metro Vancouver and Kelowna to much of the Cowichan Valley, Ladysmith south of Nanaimo and the southern portion of the Sea to Sky Corridor north of Vancouver.

Speculative real-estate has played some role in BC’s housing market, but the proverbial elephant in the room has never changed.

“The industry has maintained that the fundamental problem with BC’s housing situation is the lack of supply, and it has perennially been tethered to a tendency for government to enact changes which can hinder, rather than bolster, the rate of new housing construction,” Wright said, and continued:

“That aside, we are starting to see governments at all levels coming to the realization that we cannot accommodate an annual inter-provincial migration of 100,000 people, while approaching new home construction like we did in generations past. And with that, we are seeing clear signals from elected officials that the status quo on housing is no longer good enough, and that supply is the single biggest factor impacting rising housing costs, be they ownership costs or rental rates.”



While all eyes are on the province as the cut-off for deciding the 2023 maximum rental rate increase nears (set annually according to the provincial consumer price index average, to July), industry leaders in BC are pointing to Seattle's about-face on rental housing that lead to fewer government-created obstacles and produced a significant influx of purpose-built units, even leading to price reductions among some housing categories.

"As we combine the rising costs of land, the rapidly rising construction costs with an environment where more rent controls are possible, we may want to look to our neighbours to the south, and understand why their rental strategy was so successful over a relatively short period of time. Based on reports and professional analyses of Seattle's housing efforts, fewer government regulations produced more housing, faster, and helped suppress rising rental rates."

Given the growing awareness of the role various government restrictions, mounting development costs and lengthy project planning timelines play, there is hope institutional players facing lengthy outlooks for housing approvals and escalating delivery costs will see more government support moving forward, thereby buffering the province's commercial real-estate sector at a time when it could use more certainty.

"Moving into 2023, amid the current economic climate, we have to come together to avoid a pull-back among builders working to deliver purpose-built rentals, condominiums, new homes and missing middle housing stock," Wright says. "BC's commercial real-estate industry is exceptionally well balanced and can weather economic storms, but more certainty from government can go a long way to ensuring sufficient housing keeps being built to address the current shortfall, and adequately plan for future growth." ■





“ ONCE WE ARE ABSENT OF THE PRESSURES OF INFLATION, WE FULLY EXPECT THE MARKET TO SEE A PENT-UP DEMAND BUYING SURGE GIVEN THE SIGNIFICANT POPULATION GROWTH PRESSURES FACING BC.

— CORY WRIGHT

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FEATURED LISTINGS Q2 2022

FOR LEASE



18-831 DEVONSHIRE ROAD, ESQUIMALT

Harry Jones*, Jeff Hassler
+/- 3,853 SQFT large light industrial warehouse with main level and mezzanine, minutes from the downtown core.

FOR LEASE



1176 8TH AVENUE, NEW WESTMINSTER

Matthew Ho, Steven Lam
Fully built out office space with various demisable options available ranging from +/- 2,493 SQFT to 5,243 SQFT.

FOR LEASE



4940 NO.3 ROAD, RICHMOND

Matthew Ho, Steven Lam
+/- 705-3,769 SQFT prime transit-oriented office space in a professionally managed building with ample on-site parking.

FOR LEASE



101-1628 FOSTER'S WAY, DELTA

Trideep Chakraborty*, Steven Lam
Fully turnkey industrial corner unit with a well maintained warehouse and ample parking. +/- 3,994 SQFT.

FOR SUBLEASE



101-524 YATES STREET, VICTORIA

Harry Jones*
Premium retail or turnkey office space in an iconic three-story brick building in the Old Town district. +/- 7,466 SQFT.

FOR SUBLEASE



7484 HUME AVENUE, DELTA

David Hemmings
Wide open concrete tilt-up constructed building with clear span 24' ceiling height and 3 grade loading bays. +/- 6,114 SQFT.

FOR LEASE



1-2235 LECKIE ROAD, KELOWNA

Jeff Brown, Victoria Mitchell
Located in a sought after industrial area, the unit includes offices, ground floor space, and a mezzanine. +/- 5,000 SQFT.

FOR LEASE



154 MEMORIAL AVENUE, PARKSVILLE

Jeff Hassler
The Parksville Professional Centre is made up of 23,719 SQFT of office and retail spread over two buildings. +/- 707-1,896 SQFT.

FOR SALE



\$3,995,000

2275 THUNDERBIRD ROAD, TERRACE

Nathan Armour*, Stathis Michael Savvis*
+/- 429.506 acres of industrial zoned land with sub division possibilities located minutes away from the airport.

FOR SALE



\$1,588,000-\$1,699,000

660 & 670-320 GRANVILLE ST, VANCOUVER

Mark Nemish, Amrita Guram
Two brand new waterfront office units, offering spectacular views, top amenities, and a central location. +/- 823-897 SQFT.

FOR SALE



\$1,720,000

LOT 2 WHITETAIL PLACE, OSOYOOS

Marianne DeCotiis*, Shelby Kostyshen
Large land parcel with subdivision potential. Private +/- 49.27 acres oasis with access points from Highway 3.

FOR SALE



Price: Contact Listing Agents

15443-15453 92ND AVENUE, SURREY

Matthew Ho, Steven Lam
Proposed 3 storey townhouse land use with 1.0 FAR located within the Surrey Fleetwood Plan. +/- 41,945 SQFT lot size.

FOR SALE



\$9,988,000

1104-1139 LAWSON AVENUE, KELOWNA

Jeff Brown, Victoria Mitchell
A prime multifamily development opportunity, this +/- 0.98 acres corner lot assembly site consists of 5 RU6 lots.

FOR SALE

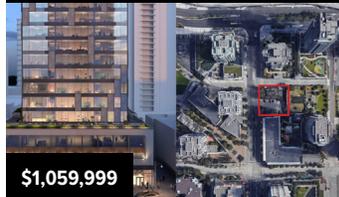


\$10,300,000

115-11400 TWIGG PLACE, RICHMOND

Liam Simpson, Meg Cooney, Seamus Bailey
Owner occupier opportunity featuring a modern office space and a well maintained warehouse. +/- 14,936 SQFT.

FOR SALE



\$1,059,999

SL54-2992 GLEN DRIVE, COQUITLAM

Nathan Armour*, Stathis Michael Savvis*
+/- 1,112 SQFT strata office space in a 15 storey boutique office tower with customizable interiors and flexible layouts.

FOR SALE



\$1,190,000

737 BURNE AVENUE, KELOWNA

Jeff Hancock*
Centrally located development lot zoned RU7 with development potential and income in place. +/- 6,098 SQFT.

*PERSONAL REAL ESTATE CORPORATION

NOW LEASING



4342 WEST SHORE PARKWAY

William Wright Commercial is pleased to present the opportunity to lease industrial space during a record low vacancy period in both the West Shore and Greater Victoria area. With limited to no space currently available on the market, West Shore Business Park is set to be the first industrial project brought to market to help provide much needed industrial space to many local businesses. The site is strategically located only minutes away from the Patricia Bay Highway, allowing easy access and egress to and from all of Victoria's major trade areas.

PROPERTY FEATURES

Size: Starting from +/- 3,215 SQFT and up

Basic Rent: Starting from \$19/FT

Additional Rent: \$7/FT

Type: Industrial

Agent: Jeff Hassler



**WEST SHORE
BUSINESS PARK**





NEST
BY CHARD DEVELOPMENT

WHERE VICTORIA'S BEST NEIGHBOURHOODS CONNECT

HIGH EXPOSURE RETAIL FOR LEASE

1110 YATES STREET, VICTORIA

William Wright Commercial presents the rare opportunity to lease the highly desirable retail units in Victoria's fastest growing neighbourhood, Harris Green. With a daily volume of more than 10,000 vehicles, NEST is ideally positioned at a high visibility intersection with retail frontage along both Cook and Yates Street. NEST features four retail units ranging from 1,050 – 2,356 SQFT and located just steps away from

everything. Exceptionally designed by Chard Development, these small and efficient retail units accommodate a wide range of businesses, complete with a corner unit offering a high exposure patio opportunity for a unique neighbourhood benchmark restaurant. Surrounded by residential developments on every corner, NEST offers the most highly desirable retail opportunity on Vancouver Island.

SIZES

+/- 1,050 – 2,356 SQFT

TYPE

Retail

LEASING RATES

Basic Rent: \$36 – \$40/FT / Additional Rent: TBD

AGENTS

Connor Braid*

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Harry Jones*

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Jeff Hassler

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RECENT TRANSACTIONS Q2 2022

LEASED



8823 GREENALL AVENUE, BURNABY
Zuber Jamal
 +/- 43,500 SQFT heavy industrial site in the Big Bend area of South Burnaby, a rapidly developing central location.

LEASED



12880 KING GEORGE BLVD, SURREY
Liam Simpson, Meg Cooney
 Rarely available car sales lot featuring two commercial buildings in a rapidly developing area of Surrey. +/- 34,687 SQFT.

LEASED



440, 450, 454 BERNARD AVE, KELOWNA
Jeff Brown, Victoria Mitchell
 The highly anticipated "Bernard Place" is set to revitalize the North end of Bernard's 400 Block. +/- 1,756-5,450 SQFT.

LEASED



7484 HUME AVENUE, DELTA
David Hemmings
 Wide open concrete tilt-up constructed building with clear span 24' ceiling height. +/- 14,448 SQFT.

LEASED



401-554 LEON AVENUE, KELOWNA
Jeff Brown, Victoria Mitchell
 Large open concept workspace with an in-suite kitchenette in a newly renovated downtown building. +/- 3,428 SQFT.

LEASED



107-8855 LAUREL STREET, VANCOUVER
Mark Nemish
 +/- 3,425 SQFT modern warehouse space with grade loading in desirable South Vancouver, with great access to downtown.

LEASED



138 & 143 2631 VIKING WAY, RICHMOND
Steven Lam, Matthew Ho
 +/- 5,350 SQFT of industrial warehouse with dock and grade loading and ample loading area.

LEASED



100-3751 SHELL ROAD, RICHMOND
Trideep Chakraborty*
 3,015 SQFT of office space located in the Airport Executive Park office complex situated in North Richmond.

SOLD



\$2,700,000

33211 NORTH RAILWAY AVE, MISSION
Stathis Michael Savvis*
 Two storey freestanding building located in the heart of downtown, just steps from Mission City Station. +/- 11,974 SQFT.

SOLD



\$6,450,000

110 & 120 7858 HOSKINS STREET, DELTA
Roderick MacKay
 Meticulously maintained +/- 10,032 SQFT industrial warehouse with a professionally finished office space.

SOLD



\$1,499,000

5866 BEACH AVENUE, PEACHLAND
Jeff Brown, Victoria Mitchell
 Fully tenanted stand alone building by downtown waterfront with potential for redevelopment. +/- 5,408 SQFT.

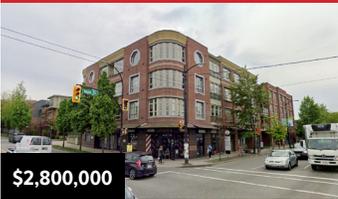
SOLD



\$4,000,000

10610 SPAN RD & 10581 SCOTT RD, SURREY
Amrita Guram, Mark Nemish
 Highly sought after IL-1 industrial land, perfect for an owner/user, investor, or for future redevelopment. +/- 23,358 SQFT.

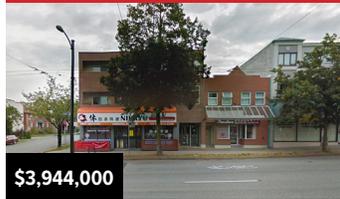
SOLD



\$2,800,000

2828 MAIN ST & 208 E 12TH AVE, VANCOUVER
Meg Cooney, Steven Lam
 Fully leased strata retail investment at a prime intersection with great long-term upside potential. +/- 1,634 SQFT.

SOLD



\$3,944,000

3302-3310 MAIN STREET, VANCOUVER
Meg Cooney, Steven Lam
 Freestanding mixed use +/- 3,446 SQFT building consisting of two commercial units and three residential suites.

SOLD



\$1,350,000

207-20050 STEWART CRES, MAPLE RIDGE
Stathis Michael Savvis*, Katie Zoladek
 +/- 2,240 SQFT small-bay industrial unit with easy access to Lougheed Highway and the Trans-Canada Highway.

SOLD



\$1,888,000

7-11771 HORSESHOE WAY, RICHMOND
Seamus Bailey, Liam Simpson, Meg Cooney
 Turnkey +/- 3,117 SQFT industrial strata unit with 14' ceilings, grade loading, 3 phase power, and existing office improvements.

*PERSONAL REAL ESTATE CORPORATION



VANCOUVER COMMERCIAL REAL ESTATE PODCAST

For all the curious minds interested in commercial real estate investing, grab a coffee and pull up a chair because we have exclusive stories and tips from commercial real estate brokers, investors, developers, economists, urban planners, and everyone in-between. From the successes and failures to the motivations and lessons learned, the Vancouver Commercial Real Estate Podcast is your insight into commercial real estate in Vancouver, Victoria, Kelowna, and beyond.

Hosted by Cory Wright, founder of William Wright Commercial, and co-hosts Adam and Matt Scalena of the Vancouver Real Estate Podcast, our podcast opens the door to real estate investing.

A Top 20 Apple Business Podcast as of May 2021



FEATURED EPISODE

VCREP #60: WHAT DOES A 1% INCREASE TO INTEREST RATES MEAN FOR COMMERCIAL REAL ESTATE?

If you were shocked by the Bank of Canada's one-percent increase to interest rates this past week, you're not alone.

Cory and Matt are here this week to discuss the potential impact on commercial real estate... if any all. How does this affect your loan-to-value ratio when looking to acquire real estate? And what's next for the commercial real estate market in the province?

As we continue down a path of unprecedented times, we unpack and shed some light on what we anticipate will happen and how that will be reflected in your decision making moving forward, as interest rates will continue to increase through 2022 and into 2023.

FEATURED EPISODE

VCREP #48: RISING INTEREST RATES AND HOW THEY WILL IMPACT YOUR INVESTMENTS WITH JON SWITZER

If you've been following the commercial or residential real estate markets in BC, you'll know that the latest hot topic everyone's talking about is the rapidly rising interest rates. In fast response, Cory and Adam have invited Jon Switzer of Impact Commercial for an emergency episode.

The Bank of Canada has sharply increased interest rates over the past few months and Jon is here to break down what's happened, what might happen in the future, and how all this impacts the markets and your borrowing ability for your next commercial investment.

The good news is that it's not all bad, and Jon sheds some light on how to navigate the next few months and provides some tips on what to look for in your next purchase to maximize your lending ability.

As we come out of these record low interest rates, Jon will provide you firsthand information on how to protect your investments, grow your portfolio, and where deals might be found.



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