WILLIAM | WRIGHT *Report*

MONETARY EASING CYCLE HAS COMMENCED

INTEREST RATES IN THE SHADOW OF ECONOMIC RESULTS

INSIGHT FROM ALAN HAIGH OF IMPACT COMMERCIAL

Q2 2024

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Parksville, BC
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WRITTEN BY

ALAN HAIGH
Founding Partner,
Impact Commercial

MONETARY EASING CYCLE HAS COMMENCED

INTEREST RATES IN THE SHADOW OF ECONOMIC RESULTS

We're very happy to report the Bank of Canada has begun lowering their policy rate now that inflation numbers are coming back to a comfort level and economic activity is largely at a standstill. In June and again in July, the Bank of Canada reduced their policy rate 0.25% (25 basis point) to the current rate of 4.50%. It is expected they will reduce 0.25% at each of the remaining announcement dates in 2024, being September 4th, October 23rd and December 11th, to bring their rate down 3.75%.

Again, this is welcome news to all of us who invest in interest rate sensitive assets such as real estate and we should see further good news on this front as the market is projecting further policy rate cuts throughout 2025 with the consensus advising of policy rate ending at ±3.00%.

With this in mind, there are a number of interrelated items that are important to discuss as they materially impact short-term (Variable, 1 and 2 year) and long-term (5, 7 and 10+ year) interest rates, which are:

1. **Long-term interest rates (think 5 year fixed rates) outlook**
2. **Canada's economy is sputtering**
3. **Sustained recovery (economic and real estate) is several years away**

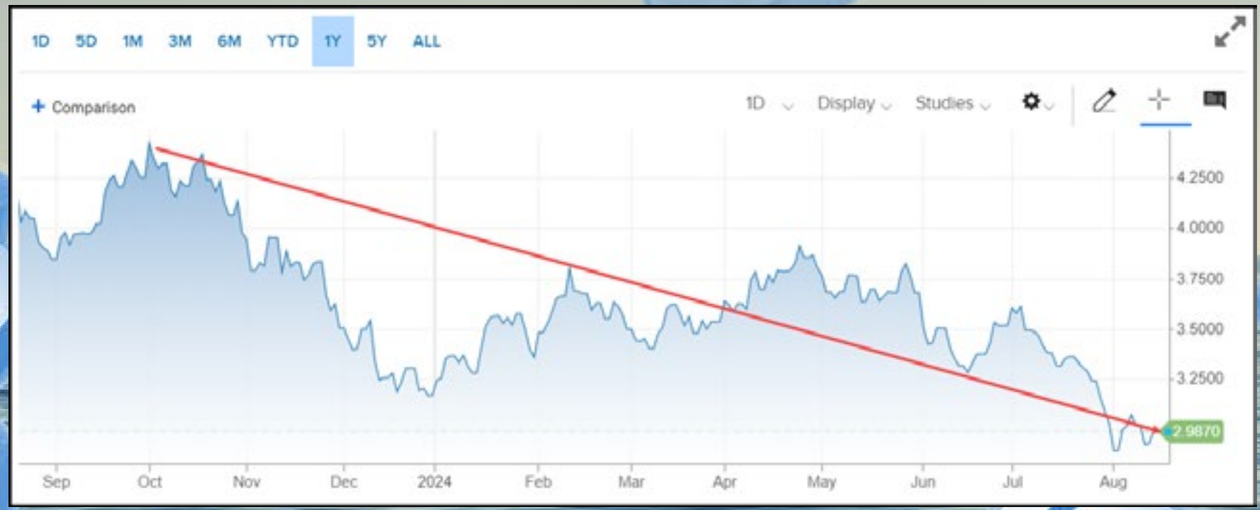
LONG-TERM INTEREST RATE OUTLOOK

As the saying goes, "the trend is your friend", and we've experienced a strong reduction in long-term interest rates over the past 12 months. The 5-year Government of Canada Bond yield (which is what most 5-year fixed mortgage rates are based off) has dropped from 4.25% last October and we're now hovering at the 3% mark. With the historical average lender risk premium of 2.00% (200 basis points) over the bond yield, we're now solidly below 5.00% for 5-year fixed rate mortgages.

Going back over the past several decades, the average 5-year fixed rate mortgage is ±4.50% so we're now within 0.50% (50 basis points) of the long-term average. What this means is the mortgage market has already shifted greatly and purchasing new commercial properties and/or refinancing existing mortgage debt should be moved to the front burner. There is great opportunity in the next 12 to 24 months to acquire good properties at reasonable prices with acceptable financing terms.

Regarding where we expect interest rates to go in the future, the trend appears to tell us interest rates will continue to drop over the next 12 months leading to lower rates in 2025/2026.

5-YEAR GOVERNMENT OF CANADA BOND YIELD CHART

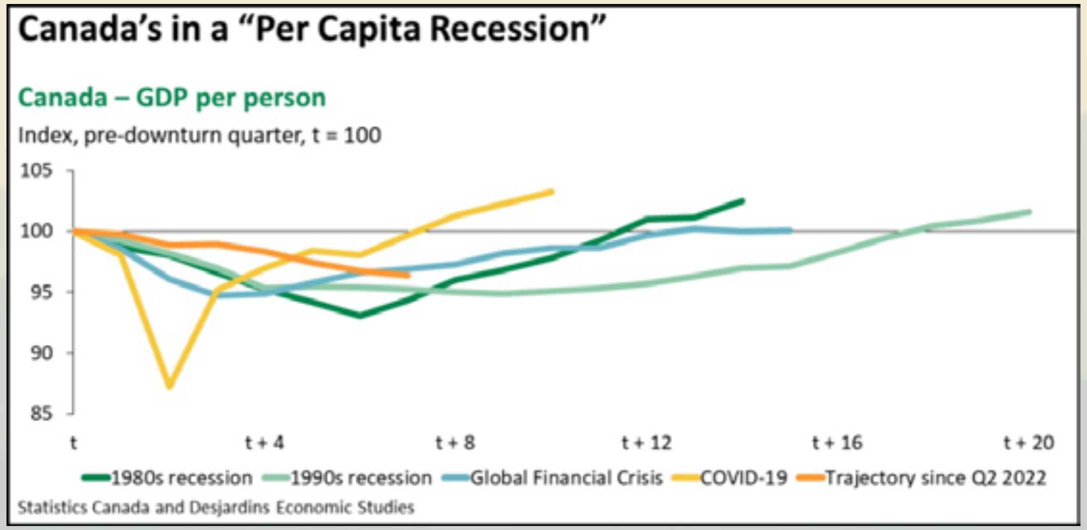


CANADA'S ECONOMY IS SPUTTERING

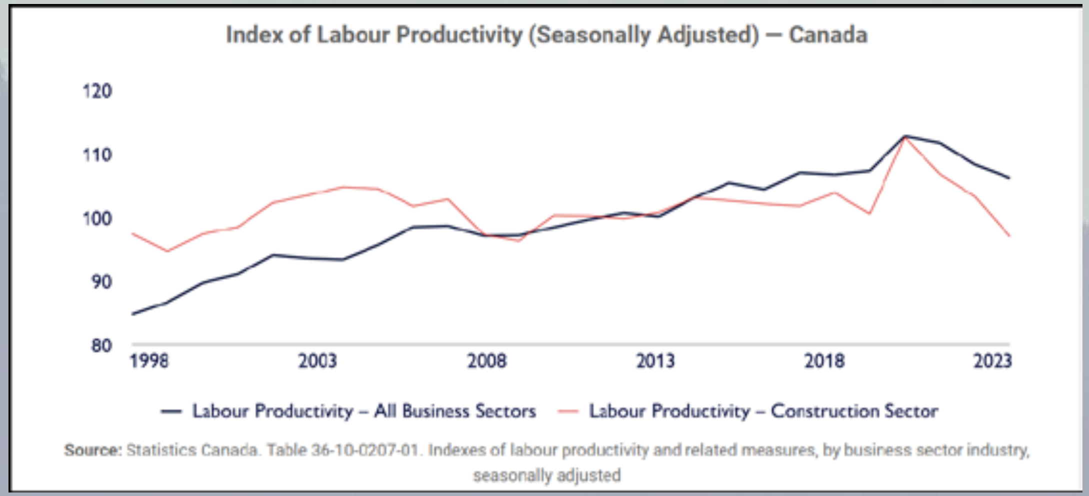
Three items to discuss are the current "per capita recession", labour productivity weakness and how much the public sector has expanded over the past 10 years since the Trudeau Liberal Government came to power.

Regarding the "per capita recession", Canada has brought in a lot of new people into the country, but these new entrants haven't been able to contribute meaningfully to economic growth. What this means is Canada (as a whole) is less wealthy today than in years past.

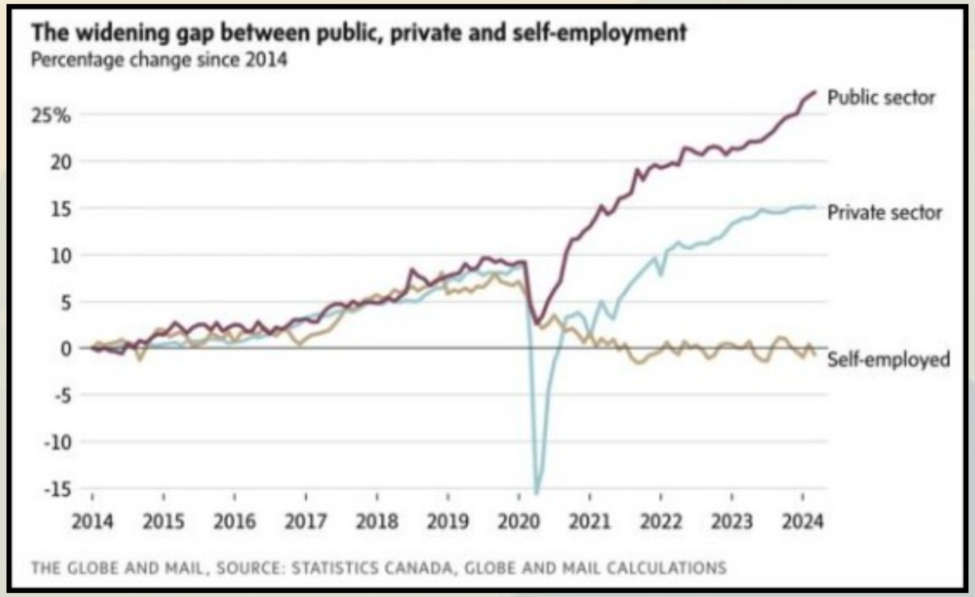
A bigger question is, when would Canada have entered into a true recession over the past years without the consumption spending of those new to Canada?



Regarding Canada's productivity levels, we've been steadily declining since Covid. Tied with an increasing population, this is another measurement which advises Canadians are less wealthy today then we were in years past.



Regarding public sector expansion, Canada's levels of government have expanded at a much greater rate than our private sector and self-employed sector. This is clearly something that should concern us all as it means we're having to support bigger government within a declining productivity workforce.



At some point, this is not sustainable and Canada's economy will have to balance itself.

SUSTAINED RECOVERY YEARS AWAY

What we wanted to end off with is the thought that our economy is likely much weaker than what is published by all levels of government and the repercussions of our recent spell of high interest rates are likely going to take many years to work themselves out.

For those investing in real estate, this economic weakness should lead to a more stable period of lower interest rates as we'll need a longer period of lower interest rates to get our economy back to any semblance of strength.

It's going to be bumpy, but we're always the optimists at Impact Commercial. Canada is a great place to live and invest in. Let's just all do a better job of putting our economy and leadership in a growth mindset so we can prosper at a level we all want and need!

William Wright Commercial is pleased to have represented the Purchaser in the sale of 965–991 Marine Drive and 1600 Mackay Road, a 40,081 SQFT high profile, mixed-use development site in North Vancouver. Situated on the high profile corner of Marine Drive and Mackay Road, this site provides exceptional exposure onto one of the most dominant retail corridors on the North Shore.

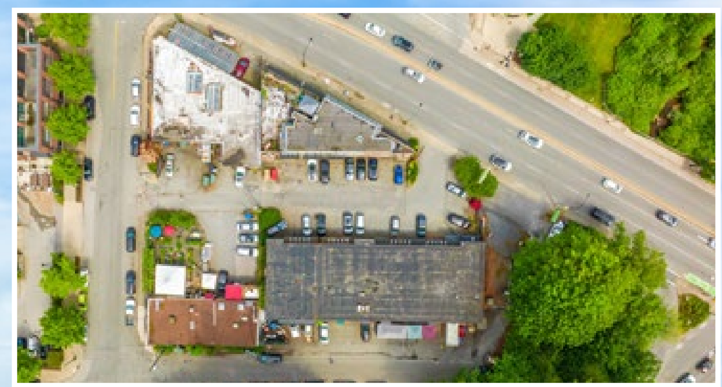
With exceptional frontage along Marine Drive, which sees approximately 34,000 vehicles on average per day, the Property benefits from high levels of exposure to pedestrian and vehicular traffic, and is located directly adjacent to the Capilano Mall and just minutes from the Lonsdale Quay.

PRICE
$21,846,566

BUILDING SIZE
+/- 40,081 SQFT

TYPE
Development Land

AGENT
Stephen Gammer, CCIM*



*PERSONAL REAL ESTATE CORPORATION

William Wright Commercial is excited to announce the repositioning of our New Westminster office to Port Coquitlam! Our new Tri-Cities office is located at 370-2755 Lougheed Highway, Port Coquitlam.

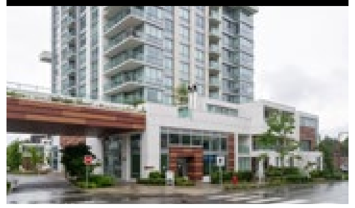
Launched in 2018 as our second branch, the New Westminster office marked a significant step in our company's expansion and journey towards becoming the largest commercial real estate brokerage in BC by office count.

It has always been our company's vision to establish a presence within the rapidly developing market of the Tri-Cities region. By relocating our New Westminster office to an improved, 150% larger space within Port Coquitlam's Poco Place, strategically positioned along the bustling Lougheed Highway corridor, we will expand our Tri-Cities team and better service this thriving marketplace.

We look forward to better servicing the Lower Mainland from our new William Wright Tri-Cities office, located at 370-2755 Lougheed Highway, Port Coquitlam.

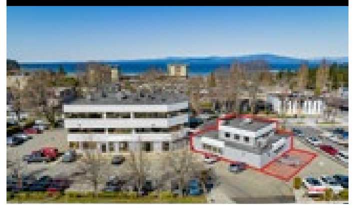
William Wright Commercial Tri-Cities Office
370-2755 Lougheed Highway
Port Coquitlam, BC
Canada V3B 5Y9

FOR LEASE



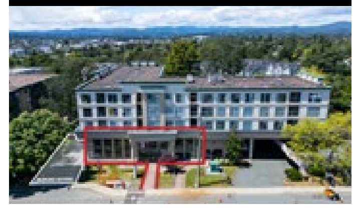
1671 LIONS GATE LN & 2023 CURLING RD, N VANCOUVER
Zain Rasul, Meg Cooney
Corner retail units in PARK WEST with overheight ceilings & floor-to-ceiling glazing. +/- 823–1,108 SQFT.

FOR LEASE



154 MEMORIAL AVENUE, PARKSVILLE
Santanna Portman
+/- 3,647 SQFT two floor daycare facility opportunity in the heart of downtown.

FOR LEASE



1-3460 QUADRA STREET, SAANICH
Connor Braid*, Harry Jones*
+/- 8,365 SQFT of warehouse/retail space featuring an open floor plan, private office space, and grade level loading.

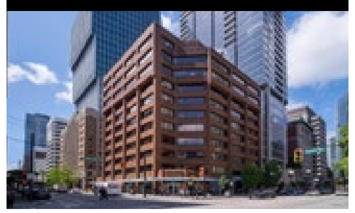
FOR LEASE

CRU 1-3 2241 SPRINGFIELD RD, KELOWNA
Victoria Mitchell, Jeff Brown
Up to seven retail CRU's at Mission Heights, a 4.5 acre development which will house over 400 residential units.

FOR LEASE

1180 RESORT DRIVE, PARKSVILLE
Santanna Portman
Up to 14,000 SQFT of build to suit grocery/ market anchor opportunity adjacent to over 200 multifamily residences.

FOR LEASE

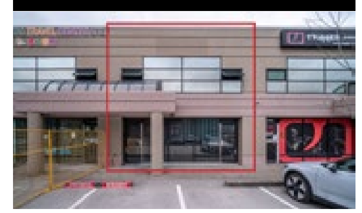


1100-808 W HASTINGS ST, VANCOUVER
Meg Cooney, Roderick MacKay
Full-floor, +/- 7,387 SQFT unit with direct elevator access and stunning views of the mountains and water.

FOR LEASE

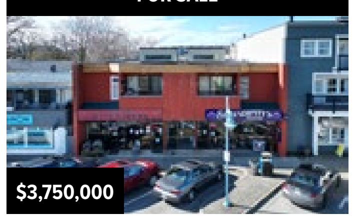
2755 LOUGHEED HWY, PORT COQUITLAM
Nathan Armour*, Stathis Michael Savvis*
+/- 839–10,006 SQFT of retail and office space at Poco Place, home to over 40 shops and a 7-storey office building.

FOR SALE/LEASE



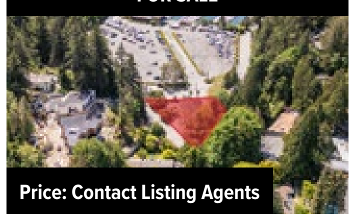
160-13500 MAYCREST WAY, RICHMOND
Matthew Ho, Steven Lam
+/- 3,098 SQFT industrial unit featuring warehouse space and an office with a separate entrance on the second floor.

FOR SALE



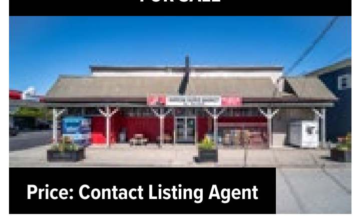
12111 & 12115 1ST AVENUE, RICHMOND
Nathan Armour*
+/- 6,170 SQFT freestanding building in Steveston with four residential suites and two commercial units.

FOR SALE



5775 MARINE DRIVE, WEST VANCOUVER
Matthew Ho, Steven Lam
+/- 23,614 SQFT stabilized, freestanding property with minimal management with two long-term tenants.

FOR SALE

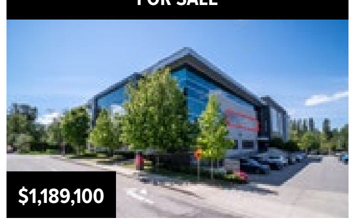


42231 YARROW CENTRAL RD, CHILLIWACK
Amrita Guram, Bikram Singh
Well-established liquor and convenience store business for sale with the +/- 6,172 SQFT freestanding property.

FOR SALE

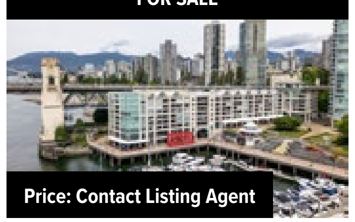
795 WESTMINSTER AVE W, PENTICTON
Shelby Kostyshen, Jeff Hancock*
Brand new +/- 1,876 SQFT strata unit as part of Cantiro's new Westmin 795 boutique townhome development.

FOR SALE



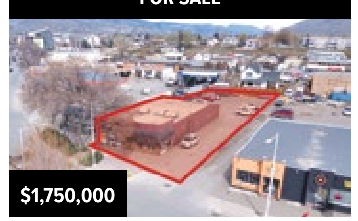
210-8029 199TH STREET, LANGLEY
Chris van Vliet*
+/- 1,081 SQFT of Class A office space offering a reception area, three private offices, a boardroom, and a kitchenette.

FOR SALE



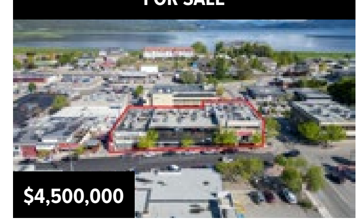
3-1010 BEACH AVENUE, VANCOUVER
Matthew Ho, Steven Lam
Fully built-out restaurant space in a +/- 1,423 SQFT waterfront investment property with venting and patio.

FOR SALE



182 TRANQUILLE ROAD, KAMLOOPS
Marianne DeCotiis*
+/- 3,100 SQFT retail building situated on a +/- 13,666 SQFT lot. Owner occupier opportunity with upside.

FOR SALE



351-391 HUDSON AVENUE, SALMON ARM
Jeff Brown, Victoria Mitchell
+/- 39,152 SQFT national bank anchored, multi-tenanted, mixed use commercial building in the heart of downtown.

*PERSONAL REAL ESTATE CORPORATION

FOR SALE 276 VICTORIA STREET, KAMLOOPS

6.4% CAP RATE

Offering a return of 6.4% cap rate downtown Kamloops with two A+ long-term tenants, including Scotiabank and a prominent law office. This building is strategically located at the intersection of Victoria and 3rd Ave. This property offers 23,349 SQFT of leasable area across three floors, with 28 underground parking stalls.

With Kamloops ranking among Canada's fastest-growing metropolitan areas, this investment offers opportunity and stability with strong returns and potential rental escalations. Capitalize on this outstanding investment opportunity.

PRICE $6,788,000	**CAP RATE** 6.4%	**AGENT** Marianne DeCotiis*
LOT SIZE +/- 10,597 SQFT	**PARKING** 28 Underground Stalls	
BUILDING SIZE +/- 23,349 SQFT	**TYPE** Office	

*PERSONAL REAL ESTATE CORPORATION

William Wright Commercial is pleased to announce the combined sale of 1664 Richter Street and 565 Leon Avenue located in downtown Kelowna. 1664 Richter Street is a 0.4 acre corner lot boasting a 3-storey, 28,978 SQFT, fully leased income producing office building. 565 Leon Avenue is a 0.14 acre lot, which serves as parking supply for 1664 Richter Street, offering 26 additional stalls. The properties offer long term redevelopment potential with the 2040 OCP future land use (UC), and presents a prime investment opportunity with possible revenues from parking and signage, market rent increases, and heightened demand from increasing residential density.

For information on this transaction or any other upcoming opportunities, please contact the Kelowna office.

PRICE
Contact Listing Agents

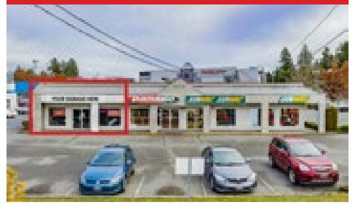
BUILDING SIZE
+/- 28,978 SQFT

TYPE
Investment Property

AGENTS
Jeff Brown
Jeff Hancock*
Victoria Mitchell
Shelby Kostyshen
Nick Renton

*PERSONAL REAL ESTATE CORPORATION

LEASED



101-6560 ISLAND HWY N, NANAIMO
Santanna Portman
High exposure +/- 3,000 SQFT end-cap retail unit adjacent to Woodgrove Mall, Costco, Cabela's, and Winners.

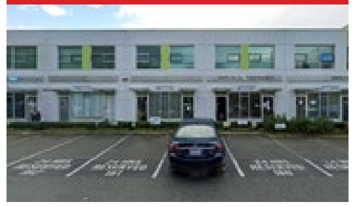
SUBLEASED

9239 SHAUGHNESSY ST, VANCOUVER
Matthew Ho, Steven Lam, Zain Rasul
Fully improved warehouse and office space in close proximity to the Canada Line and YVR Airport. +/- 2,482 SQFT.

LEASED

2179 W 4TH AVENUE, VANCOUVER
Meg Cooney, Sharu Thulasi
+/- 1,814 SQFT second floor retail unit with great exposure in the heart of the vibrant Kitsilano neighbourhood.

LEASED



181-5489 BYRNE ROAD, BURNABY
Roderick MacKay, David Hemmings
+/- 3,135 SQFT warehouse/office unit across from the Marine Way Market and Big Bend Shopping Centre.

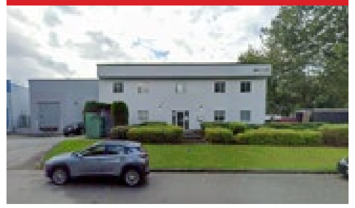
LEASED

D-2232 MCALLISTER AVENUE, PORT COQUITLAM
Katie Zoladek, Marianne DeCotiis*
Streetfront +/- 768 SQFT retail/office unit nestled among retailers and restaurants in the downtown area.

LEASED

103-1965 PIER MAC WAY, KELOWNA
Jeff Brown, Victoria Mitchell
+/- 5,500 SQFT of high exposure warehouse space located across from Kelowna International Airport.

LEASED



20110 115A AVENUE, MAPLE RIDGE
Josh Jawanda*, Liam March, Nathan Armour*
+/- 5,993 SQFT warehouse strategically located beside Golden Ears Highway and in close proximity to Lougheed Highway.

LEASED

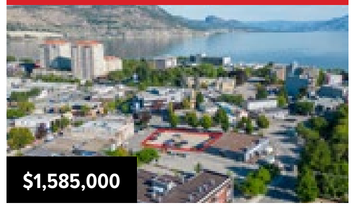
3761-3763 MAIN STREET, VANCOUVER
Meg Cooney, Katie Zoladek, Matthew Ho
Streetfront retail space ideal for health practitioners and personal services with plumbing and electricity. +/- 1,452 SQFT.

SOLD

Price: Contact Listing Agent

2580-2582 VANCOUVER ST, VICTORIA
Harry Jones*, Matthew Ho
+/- 11,700 SQFT two-lot development site with holding income in Quadra Village, up to 2.0 FSR and 3–6 storeys.

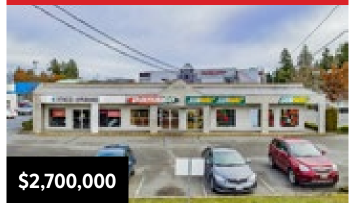
SOLD



$1,585,000

32 BACKSTREET BLVD, PENTICTON
Jeff Hancock*, Shelby Kostyshen
Prime, vacant +/- 0.306-acre development site in downtown with flexible zoning allowing for up to 6 FAR.

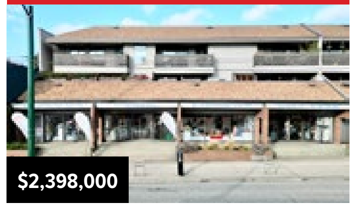
SOLD



$2,700,000

6560 NORTH ISLAND HWY, NANAIMO
Santanna Portman
+/-6,941 SQFT single story retail building on +/- 23,362 SQFT of land with 40 surface parking stalls in North Nanaimo.

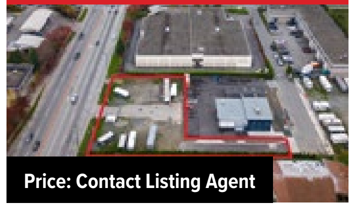
SOLD



$2,398,000

2705 W 4TH AVENUE, VANCOUVER
Nathan Armour*
+/- 1,994 SQFT of prime retail space offering over 70 FT of street frontage and signage potential in Kitsilano.

SOLD



Price: Contact Listing Agent

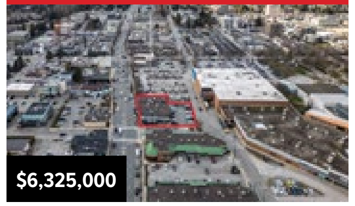
6482 175A STREET, SURREY
Sam Repchuk
+/- 23,573 SQFT levelled, gravel lot on high exposure, industrial-zoned development land in Cloverdale.

SOLD

Price: Contact Listing Agent

480 TRANQUILLE ROAD, KAMLOOPS
Marianne DeCotiis*
Rare 6% investment property with long term tenant. +/- 13,420 SQFT prominent corner retail building.

SOLD



$6,325,000

22471 LOUGHEED HWY, MAPLE RIDGE
Stephen Gammer*, Stathis Michael Savvis*, Chris van Vliet*
Fully leased +/- 15,077 SQFT income property with a 4.5% cap rate located beside Haney Place Mall in downtown.

SOLD

Price: Contact Listing Agent

32559 LOGAN AVENUE, MISSION
Chris van Vliet*, Sam Repchuk
+/- 10,885 SQFT of retail within two buildings over 1.13 acres of land, in one of the city's highly desired retail corridors.

*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 #138: INTEREST RATE SHIFTS WITH JON SWITZER

Join Cory and Adam as they welcome back past guest and fan favourite, Jon Switzer from Impact Commercial.

Jon dives into the recently announced interest rate changes, discussing what these shifts could mean for the commercial real estate market and sharing his expert predictions on future interest rate trends.

Don't miss this insightful episode packed with valuable information for investors and real estate enthusiasts alike.

PROVIDING REAL-TIME INSIGHT INTO TODAY'S COMMERCIAL REAL ESTATE INDUSTRY.

FEATURED EPISODE

VCREP #136: UNDERSTANDING CANADA'S NEW CAP GAINS RULES WITH BEN VELLA

Cory takes the helm solo to address a hot topic requested by our listeners: the proposed changes to Canada's capital gains taxes. With new taxation rules slated to come into effect on June 2nd, it's crucial to understand how these changes might impact your investments.

To shed light on this important issue, Cory is joined by returning guest, Ben Vella of Rain City Industrial. Ben, who previously shared his expertise on commercial real estate accounting, is back to unpack the effects of the new capital gains rules.

Tune in as Cory and Ben discuss the implications of these changes, what investors need to know, and how to strategically navigate the new landscape. Whether you're an experienced investor or just starting out, this episode is packed with essential insights to help you stay informed and prepared.

Don't miss this crucial discussion on the future of capital gains taxes in Canada and what it means for you.

WILLIAM | WRIGHT

williamwright.ca

For more information please contact our Vancouver office.
sales@williamwright.ca | 604.428.5255