

## Even doctors are feeling squeezed by soaring lease rates in the Vancouver area

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As commercial property values and lease rates across Greater Vancouver continue to soar, mom-and-pop restaurants and small boutiques aren't the only ones feeling squeezed. Family doctors say they are struggling to keep their offices open, with some already pushed out.

When Maryam Zeineddin, a family physician who co-owns the Ambleside Medical Centre in West Vancouver, renegotiated her lease a few months ago, her base rent increased by 30 per cent to more than \$3,700 a month. On top of that, many commercial tenants have “triple net” leases, which means they're responsible for other costs, such as unit maintenance and property taxes. For Dr. Zeineddin, that adds up to another \$10 to \$12 dollars annually a square foot on her 1,300-square-foot medical centre.

Family physicians say they have limited options to combat rising costs. The B.C. government sets the fees for medical services and pays doctors based on a fee-for-service model. While B.C.

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“In any other small business, if your rent goes up, you increase your fee. But we don’t set our fees,” Dr. Zeineddin said. “You have to survive on that \$30 per patient ... In the next five years, unless something drastic changes, we’re definitely going to be closing shop.”

While residential real estate values in some parts of the Vancouver area have dropped in the last year, average commercial property values in virtually all parts of the region have continued to rise. Commercial property values on Vancouver’s North Shore are up on average about 22 per cent based on the 2019 round of appraisals by B.C. Assessment. Ross Forman, a long-time local commercial real estate agent, said lease rates have also shot up in the last year.

Some North Shore family doctors have already left and relocated to other places, such as Victoria, or given up their practices to join walk-in clinics and other ventures because of rising costs. Dedeshya Holowenko, chair of the advocacy group North Shore Division of Family Practice, recently wrote a letter to North Shore News saying these closures have left many patients without a family doctor. The doctors in question declined requests to speak with The Globe and Mail.

For doctors looking to open a practice or relocate, finding a new spot on the North Shore won’t be easy or cheap. Many clinics and health services in North Vancouver cluster in Central Lonsdale in a commercial hub next to the hospital, a desirable location for doctors. However, space for medical offices there has become scarce.

“There’s a lack of supply,” Mr. Forman said. “There are no more units that are 800 or 1,000 square feet that will fit a traditional doctor. They’ve got nowhere to go.”

At the Ambleside Medical Centre, Dr. Zeineddin said she and her team are renovating the space to maximize its capacity and accommodate seven physicians. The centre is transforming some of its office space and part of the waiting room into another examination room, and it’s also exploring offering virtual care, a platform for remote consultations that complements in-person care.

Eric Cadesky, president of Doctors of BC, said physicians identified increased business costs as one of the most important issues going into negotiations for a new Physician Master

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Part of the reason lease rates are rising is because demand for housing in Greater Vancouver is putting pressure on commercial real-estate values, said Paul Sullivan, senior partner and head of the tax division at consulting firm Burgess, Cawley, Sullivan and Associates.

But another big pressure on commercial tenants is the way B.C. Assessment appraises commercial properties. The province determines property taxes based on property value, and in the case of commercial buildings, it will consider the property's "highest and best use." Instead of evaluating the actual property, whether it's a corner store or a business plaza, the agency considers what could be built there instead, such as high-rise office building, and assigns property value and taxes accordingly.

Wilhelm Hofmeyr, owner of Docs on the Bay in West Vancouver, said his practice wouldn't be operating any more if he hadn't purchased his building six years ago. To offset costs and offer patients a community health hub, Dr. Hofmeyr rents out space in his building to other health-care providers, such as physiotherapists and psychologists.

At many family practices, he said doctors must operate out of tight clinic spaces and see as many patients as possible to survive.

Dr. Hofmeyr said this is at odds with how a community should view primary care, where patient wellness should come first.

Commercial real estate values won't go up forever, according to Mr. Forman. He said at least four new buildings with commercial space are being developed in Central Lonsdale.

"I don't think the costs are going to come down, but I don't think they're going to keep rising. In two or three years, there's going to be more supply."

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