



THE

RETIREMENT HOME

MARKET STUDY



2000 SHERBROOKE



HOME TO CANADIANS
Canada 

Sherbrooke

Metropolitan Area

The housing supply has increased significantly

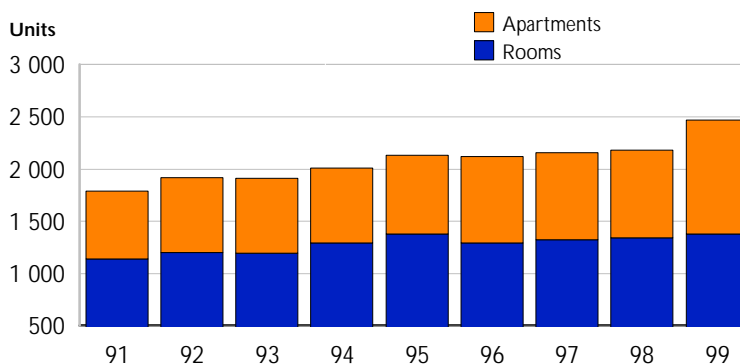
The year 1999 was marked by the major expansion of a retirement home that had been established in the market for several years. This residence, which more than doubled its intake capacity, now contains 440 units, making it the largest seniors' housing project in the Sherbrooke metropolitan area. In a market where the retirement housing supply was just under 2,180 units at the end of 1998, the completion of such a project had a significant impact that affected the overall results of our retirement home market survey.

Since there had been a shortage on the market for a few years, this project was not the only one to be completed. In all, the retirement housing stock rose from 2,179 to 2,472 units between 1998 and 1999. As such, in one year, the stock grew by around 13%. This is a very high growth rate. For the overall housing market, all segments combined, the new units that are added to the inventory every year only raise the housing stock by about 1%.

What is a Retirement Home?

A retirement home is a multiple housing resource that is not linked to a health care institution and that serves a client group with an average age of 65 years or older. It may contain two types of dwellings: room-and-board units and apartments. In the case of room-and-board units, rental rates include meals that are served in a common dining room or kitchen. Rooms do not all necessarily have a private bathroom. As for apartments, they include a kitchen and a full bathroom. Rents may or may not include food service charges. This report covers only private residences with 10 or more units intended for independent clients.

Major Growth in Housing Stock Private Retirement Homes, Sherbrooke CMA



The units that were added in 1999 were, for the most part, apartment-type dwellings, that is, units with a kitchen and a full bathroom. The demand for this product remains steady. Even if the kitchens are not always used much by the residents, they are important from a psychological point of view. The presence of a kitchen is a sign of independence for seniors. The new apartment production brought the share of apartments to 44% of all retirement housing units. At the beginning of the 1990s, this proportion was only 36%.

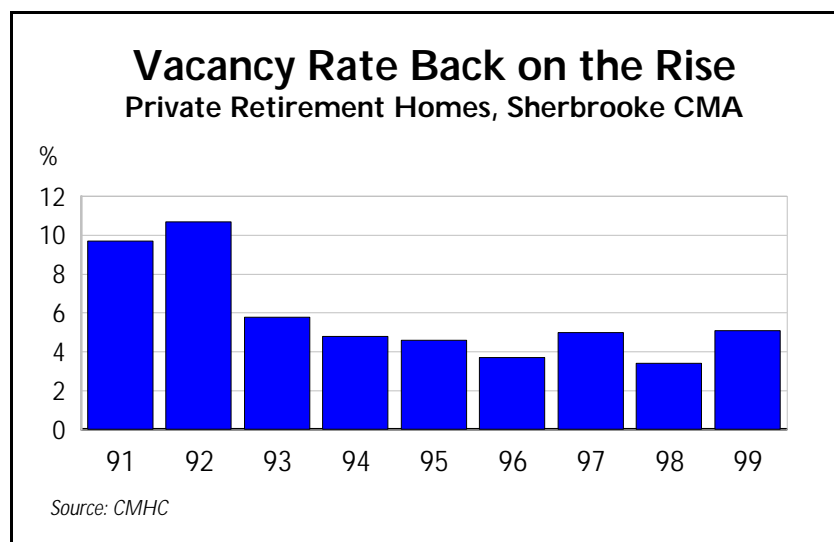
The vacancy rate has climbed back up, attaining a balanced level

The vacancy rate on the retirement home market rose from 3.4% in 1998 to 5.1% in 1999. Over the past year, the market therefore went from a shortage situation to balanced conditions. In fact, in the Sherbrooke metropolitan area, given the distribution of the housing stock between room-and-board units and apartments, the retirement home market is balanced when the overall vacancy rate is 5%.

The progression observed in the number of vacant units is not surprising. In the Sherbrooke area, the annual demand for retirement housing, based on the experience of the last few years, grows by 40 to 70 units per year, depending on whether the population aged 65 years or older or that aged 75 years or older is used as the reference segment. The shortage of units, for its part, was estimated at about 35 units. The addition of close to 300 dwellings should therefore have created strong upward pressure on the vacancy rate. The fact that this rate did not climb beyond 5% leads to the conclusion that there was a significant latent demand on the market.

Still today, many people associate retirement homes with the hospices where their parents or grandparents spent the last days of their lives. The arrival of new projects on the market is helping to change that perception, which is moving further and further away from reality. The more widespread use of advertising to promote the demand is also contributing to changing attitudes. When seniors see projects with refined architecture and interesting landscaping, they are tempted to go and take a look when the burden of keeping of a house or an apartment begins to feel heavy. Once on site, contemplating the spacious rooms or apartments, learning about the range of activities and services available and seeing the good quality of life of the residents accelerates the decision to make the transition to a retirement home.

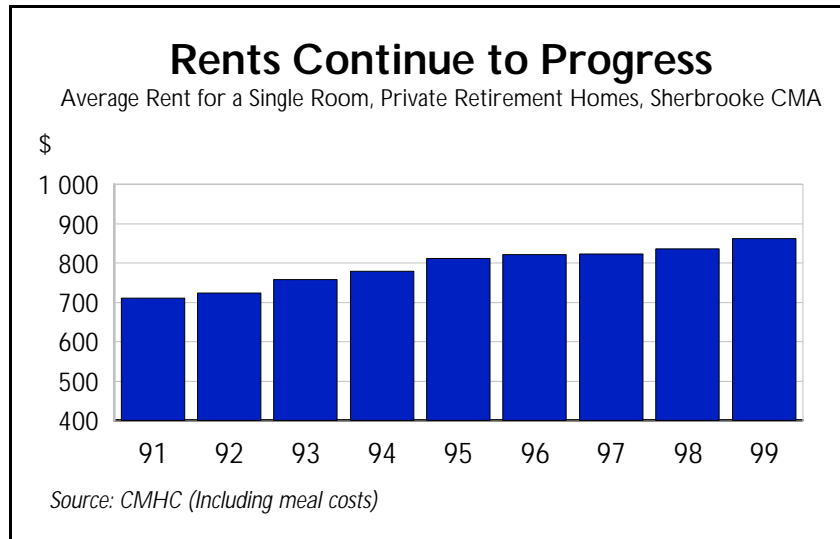
This phenomenon, along with the shortage that had been prevailing on the retirement market for the past few years and that had made it difficult for more seniors to enter this market, curbed the progression in the vacancy rate.



However, the balanced conditions prevailing on the market are concealing a poor match between supply and demand in terms of the types of dwellings offered on the market. In fact, a slight lack of room-and-board units and a small surplus of apartments can be noted. The rooms segment is considered to be balanced when the vacancy rate is 6%. For apartments, a rate of 4% reflects balanced conditions. In October 1999, 4.4% of rooms and 5.9% of apartments were vacant. The expansion of the housing stock in 1999 was primarily achieved through the addition of apartments, which explains the temporary glut in this segment of the market.

Rents have made solid gains

The increase in the vacancy rate did not prevent rents from rising again in 1999. For single rooms, the average rent rose from \$836 per month in 1998 to \$863 one year later. In percentage terms, the rental hike attained 3.2%, compared to the inflation rate of 1.5% in Quebec. Since the market went from a shortage situation to balanced conditions, it is normal for rents to have risen more rapidly than inflation. In addition, a good portion of the dwellings that were added to the existing supply in 1999 were upscale units, for which the rents are higher. As a result, both the market dynamics and the new housing stock mix are pointing to a solid progression in rents.



The East district was the most affected by the increase in the vacancy rate

It was in the East district of the City of Sherbrooke that the vacancy rate rose the most over past year. This is also the place in the metropolitan area where this rate is the highest, at 9.2%. The glut in this sector comes from the massive arrival of units. In fact, more than 85% of the 1999 retirement housing production was intended for this part of the city.

The East district was not the only one to sustain the repercussions of the expansion of the housing stock, as the vacancy rate rose in each one of the zones of the metropolitan area in 1999, except for the Centre district. In the North district and the suburbs, the surplus of vacant housing units grew only very slightly.

The geographic distribution of the retirement housing stock is not following the distribution of the population across the territory

When seniors decide to go live in a retirement home, most wish to remain in the neighbourhood where they live. That is why seniors looking for a residence will first visit those located close to their current homes. If there is only one residence and it suits their needs, they will often not visit another before making their choice.

Since seniors do not wish to change neighbourhoods, it is interesting to study the geographic distribution of the retirement housing stock in order to compare it to the distribution of seniors within the Sherbrooke metropolitan area. The results of this comparison identify the sectors where there could be more dwellings in order to avoid uprooting seniors from their neighbourhoods, and those where there are too many housing units.

The data from the latest census reveals that, in 1996, a quarter of the people aged 75 years or older lived in the East district of the City of Sherbrooke. Another 27% lived in the North district, while the West and Centre districts accounted for only 18% and 3% of this population, respectively. Lastly, 27% of seniors aged 75 years or older lived in the suburbs. The geographic distribution of those aged 65 years or older was similar to that of those aged 75 years or older.

At the same time, the retirement housing stock was divided as follows: 40% of the dwellings were located in the North, 15% in the East, 14% in the Centre, 7% in the West and 24% in the suburbs.

Therefore, in 1996, the concentration of retirement housing (40%) in the North district was much greater than the concentration of seniors (27%). The presence in this sector of Sherbrooke's largest shopping centre, the Carrefour de l'Estrie, encouraged the establishment of retirement housing. For the people in the North district, it was therefore relatively easy to find a residence without having to leave their original neighbourhood.

It was a completely different story for the people living in the East and West districts, which were not served as well. The East district, for example, had only 15% of the retirement housing stock, while it accounted for 25% of the people aged 75 years or older. The West district was home to 18% of the seniors and only 7% of the housing intended for them. The probabilities were therefore higher that a senior from the East or the West would have to go to another neighbourhood when moving into a residence.

Distribution of Seniors and Retirement Housing Units

Zone / Area	Distribution of the population - 1996*		Distribution of the housing stock*		Housing stock	Population 1996	
	65 yrs +	75 yrs +	1996	1999	1996	65 yrs +	75 yrs +
East	24%	25%	15%	25%	326	4,330	1,925
North	26%	27%	40%	33%	843	4,560	2,155
West	17%	18%	7%	8%	157	3,100	1,385
Centre	3%	3%	14%	12%	296	590	270
Sherbrooke	70%	73%	76%	78%	1,622	12,580	5,735
Suburbs	29%	27%	24%	22%	500	5,230	2,120
Sherbrooke CMA	100%	100%	100%	100%	2,122	17,810	7,855

* Due to rounding, may not equal 100%.

The Centre district had only a small proportion (3%) of the seniors aged 75 years or older in 1996. On the other hand, it offered 14% of the retirement housing stock. This neighbourhood was therefore well served. In addition, when looking at the results in actual figures, it can be seen that a senior who was living in the Centre sector had a one-in-two chance of living in a retirement home. In fact, the Centre district offered just under 300 retirement dwellings in 1996, while only 590 persons aged 65 years or older lived there.

In the suburbs overall, the concentration of people aged 75 years or older corresponded quite well to the retirement housing concentration. However, the suburbs are formed by a vast territory that includes Lennoxville, Rock Forest, Fleurimont, Deauville and North Hatley. It could therefore be that the distribution of the projects within the suburbs was more or less in line with the senior population.

From 1996 to 1999, the distribution of the retirement housing stock changed slightly as a result of the completion of new projects on the market. The housing supply grew in the East, which led to a better match between supply and demand there. The growth occurred primarily to the detriment of the North district, which lost its marked supremacy in terms of location and which now has a better balance between its population and housing stock.

**Large projects
have remained
more popular**

The dwellings contained in large housing projects were once again more popular in 1999 than those located in smaller buildings. This popularity is generally attributed to the larger variety of services that can be offered in projects with many units. This preference for the availability of services is demonstrated very clearly in the room-and-board segment, where the vacancy rate was 19.5% in residences with 20 units or less, and only 0.5% in those with 100 or more rooms. As for apartments, the same result is observed, but less markedly. In fact, in projects with fewer than 50 apartments, 6.7% of the units were unoccupied, compared to 5.8% in projects with 50 or more apartments. It must be noted, however, that this latter market segment experienced a major increase in its supply. It is also worth mentioning that the presence of services within a housing project is often more important for households who opt for room-and-board housing, due to a generally lower level of independence or mobility. Consequently, the appeal of large projects should be greater for room-and-board units than for apartments, as the presence of services is more a necessity than just an interesting option.

**Slight decrease in
the vacancy rate
anticipated for
the year 2000**

The year 2000 will be marked by the construction of a new retirement housing project that will contain approximately 200 apartments. However, its impact on the market will not directly affect the results of the 2000 survey because, as always, it will take place in October while the project will only open its doors to the first residents in November, or a month later.

The new project will be located in the Centre district of the City of Sherbrooke. The clients will have to come from other neighbourhoods of the metropolitan area or from surrounding areas, since it is estimated that about one in two seniors in the Centre district already lives in a residence, which is a very high proportion. The other projects situated in the Centre are intended for a less wealthy client group than the project that is just about to open. The new project will contain only apartments, but it will offer a wide range of services and facilities.

For 2000, the vacancy rate should decline and attain around 5%, compared to 5.9% in 1999. The market will therefore complete its adjustment to the major growth in the housing stock observed in 1999. The announcement of the arrival of a new residence in the Centre district will also help maintain the demand in 2000, as some households will wait to see what the new project looks like before making a decision on the choice of a residence or on whether or not to live in a residence.

The vacancy rate should rise significantly in 2001, due to the rapid growth in the supply. However, in the event that the new project is the last to open for the next two years, the market will rapidly return to a balanced level after 2001. Since the market is small, a few vacant dwellings make the vacancy rate rise markedly. Considering the size of the stock, every 25 units without tenants is reflected by an increase of one percentage point in the vacancy rate.

The retirement housing market at the beginning of the millennium: a demographic outlook

What will the retirement housing needs be in the coming decades? Before answering this question, we need to find out more about what supports the demand for this type of housing, particularly the aging of the population. What is its pace in the region? What are the trends? Are they similar throughout all of Quebec? Canada Mortgage and Housing Corporation (CMHC) recently produced¹ a document on the demographic outlook from now until 2011. This document, which focuses on Quebec and its metropolitan areas, provides some answers to the preceding questions.

Concerning the Sherbrooke area, the population will age at a steady pace between now and 2011. Therefore, the population aged 65 years or older, which stood at 18,030 persons in 1996, will attain 25,390 in 2011, for a 40.8% growth over a period of 15 years. This represents an annual increase of 2.7%, whereas the overall population is growing at an annual rate of 0.7%. As a result, the proportion of seniors among the population, which was 12.2% in 1996, will reach 15.6% in 2011. The following table shows the changes in the number of seniors by age group for the Sherbrooke area.

Changes in the number of seniors by age group, Sherbrooke

Age	1996	2001	2006	2011
65 to 74 years	10,110	10,285	11,146	14,053
75 years or older	7,920	9,482	10,491	11,337
65 years or older	18,030	19,767	21,637	25,390

The group of people aged between 65 and 74 years will increasingly rise from 1996 to 2011. This group's growth will even attain 26.1% between 2006 and 2011. On the other hand, a reverse trend will be felt among those aged 75 years or older, since their numbers will grow from now until 2011, but at a decreasing pace. The combination of these two phenomena will lead to a 17.4% growth surge in the population aged 65 years or older between 2006 and 2011.

The aging of the population across Quebec's metropolitan areas is illustrated in the following table. As can be seen, the aging of the population in the Sherbrooke area will be quite similar to that of the province, but at a slightly slower pace. Among the extreme cases, Hull stands out as the youngest metropolitan area, while Trois-Rivières is shown to be the oldest. As for the Chicoutimi area, it displays the greatest change in its proportion of seniors. In fact, from being among the lowest in 1996, it will rank among the highest in 2001, with a 55.1% growth.

¹ *Long-Term Housing Outlook: Population and Households, 1996-2011, CMHC Quebec Region.*

Proportion of persons aged 65 years or older, metropolitan areas and province

Region	1996	2011	Variation 2011-1996
Montréal	12.0%	15.7%	30.7%
Québec	11.6%	16.2%	39.3%
Hull	7.9%	12.0%	52.6%
Chicoutimi	10.8%	16.7%	55.1%
Sherbrooke	12.2%	15.6%	27.3%
Trois-Rivières	13.1%	18.0%	37.3%
Province of Québec	12.1%	15.9%	31.5%

Since the housing demand is based primarily on the number of households, it is therefore just as important to look at the trends in this area. While annual household formation will grow at a declining pace for all households, the situation is different for households aged 65 years or older. In fact, annual household formation for this age group shows strong growth between 2006 and 2011. In addition, given the appeal of the Sherbrooke area for seniors, the number of Sherbrooke households aged 65 to 74 years will rise at a growing pace from now until 2011. The following table illustrates the changes in the number of households in the Sherbrooke metropolitan area.

Changes in the number of senior households by age group, Sherbrooke

Age	1996	2001	2006	2011
65 to 74 years	6,256	6,399	6,947	8,807
75 years or older	4,083	5,031	5,482	6,024
65 years or older	10,339	11,430	12,429	14,831
Proportion of households aged 65 years or older	17.0%	17.4%	17.9%	20.4%

Another sign of the aging of the population is reflected in the progression in the proportion of senior households. In the Sherbrooke area, the proportion was 17.0% in 1996, but it will reach 20.4% in 2011; however, these percentages are among the lowest across the metropolitan areas. In fact, Trois-Rivières, Chicoutimi, Québec and Montréal show proportions of close to 25% in 2011.

This demographic analysis therefore reveals that the need for housing units for independent seniors is evident, although it is relatively modest for the moment, considering the projected changes in the number of households aged from 65 to 74 years old. However, this need will be felt to a greater degree after 2006. Furthermore, dwellings that offer more specialized care (room and board) will also be necessary between now and 2011. But it will only be in twenty years that the needs will be more acute, when the baby boomers will turn 75 years old.

Table 1

Apartment Vacancy Rates (%) by Unit Size Sherbrooke CMA, Private Retirement Homes with 10 or More Units					
Year	Unit Size				
	Studio	1 Bedroom	2 Bedroom	3 Bedroom	Total
1997	4.7	1.5	0.9	confidential	2.5
1998	4.7	0.5	1.8	confidential	2.3
1999	2.0	7.0	11.3	confidential	5.9

Source: CMHC

Table 2

Number of Apartments and Residences by Structure Size * Sherbrooke CMA, Private Retirement Homes with 10 or More Units						
Structure Size	1997		1998		1999	
	Apartments	Residences	Apartments	Residences	Apartments	Residences
Under 50 units	60	5	60	5	91	6
Over 50 units	774	10	774	10	1,001	10
Total	834	15	834	15	1,092	16

Source: CMHC

* Structure size is determined by the sum of the number of rooms and apartments.

Table 3

Apartment Vacancy Rates (%) by Structure Size Sherbrooke CMA, Private Retirement Homes with 10 or More Units			
Structure Size	1997	1998	1999
Under 50 units	26.7	18.3	6.7
Over 50 units	0.6	1.0	5.8
Total	2.5	2.3	5.9

Source: CMHC

Table 4

Number of Rooms* and Residences by Structure Size Sherbrooke CMA, Private Retirement Homes with 10 or More Units						
Structure Size	1997		1998		1999	
	Rooms	Residences	Rooms	Residences	Rooms	Residences
Under 20 units	77	5	77	5	77	5
20 to 49 units	457	12	473	12	500	13
50 to 99 units	410	7	402	7	410	7
100 or more units	382	3	393	3	393	3
Total	1,326	27	1,345	27	1,380	28

Source: CMHC

* A double room is considered as a single unit, whether it contains one or two beds.

Table 5

Room Vacancy Rates (%) by Structure Size Sherbrooke CMA, Private Retirement Homes with 10 or More Units			
Structure Size	1997	1998	1999
Under 20 units	26.0	9.1	19.5
20 to 49 units	6.6	5.9	6.4
50 to 99 units	5.1	3.5	2.9
100 or more units	4.2	1.3	0.5
Total	6.6	4.0	4.4

Source: CMHC

Table 6

Number of Units* and Residences by Location of Structure Sherbrooke CMA, Private Retirement Homes with 10 or More Units						
Zone	1997		1998		1999	
	Units	Residences	Units	Residences	Units	Residences
East District	326	5	374	6	628	7
North District	860	9	839	8	828	8
West District	157	3	157	3	188	4
Centre District	296	6	288	6	296	6
City of Sherbrooke	1,639	23	1,658	23	1,940	25
Suburbs	521	9	521	9	532	9
Sherbrooke CMA	2,160	32	2,179	32	2,472	34

Source: CMHC

* The term «Units» correspond to the total of apartments and rooms.

Table 7

Units Vacancy Rates (%) by Location of Structure Sherbrooke CMA, Private Retirement Homes with 10 or More Units			
Zone	1997	1998	1999
East District	5.5	4.0	9.2
North District	3.6	2.1	2.7
West District	3.2	2.5	5.9
Centre District	11.1	7.6	4.7
City of Sherbrooke	5.3	3.6	5.4
Suburbs	4.0	2.7	3.8
Sherbrooke CMA	5.0	3.4	5.1

Source: CMHC

Table 8

Vacancy Rates (%) Sherbrooke CMA, Private Retirement Homes with 10 or More Units			
Year	Rooms	Apartments	Total
1991	5.9	16.4	9.7
1992	8.7	14.1	10.7
1993	8.7	1.0	5.8
1994	6.2	2.4	4.8
1995	5.9	2.1	4.6
1996	5.4	1.3	3.7
1997	6.6	2.5	5.0
1998	4.0	2.3	3.4
1999	4.4	5.9	5.1

Source: CMHC

Table 9

Average Monthly Rent for a Single Room (\$) Sherbrooke CMA, Private Retirement Homes with 10 or More Units	
Year	\$
1991	712
1992	724
1993	758
1994	780
1995	813
1996	822
1997	824
1998	836
1999	863

Source: CMHC

Methodology

This CMHC report sets out the results of the survey conducted in the fall of 1999 on the privately initiated retirement home market in the Sherbrooke metropolitan area. This annual report presents vacancy rates, rental rates and an analysis of the principal results obtained from the information provided by the persons in charge reached at the time of the survey.

The results of this survey constitute the most complete data on the Sherbrooke metropolitan area privately initiated retirement home market. The survey covers all private residences enumerated in the area that have been on the market for at least three months. The results were compiled in various manners, including by residence type, market zone, unit type and residence size.

All players and observers on the market will find this information useful. In addition to serving CMHC, these survey results will be useful to lenders, mortgage brokers, property managers, investors, appraisers, landlords, tenants, decision makers and advisors in the area of housing, various governmental organizations and departments, and several housing-related industries.

Acknowledgments

The retirement home market survey could not have been conducted without the invaluable cooperation of the owners and managers of these residences. We thank them greatly for their efforts and for having assisted us in quickly obtaining specific information.

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***What are the Vacancy Rates and Average Rents
for the Private Rental Market in the Sherbrooke
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