



T H E

RETIREMENT HOME

MARKET STUDY



2003 SHERBROOKE



HOME TO CANADIANS
Canada

Sherbrooke

Census Metropolitan Area

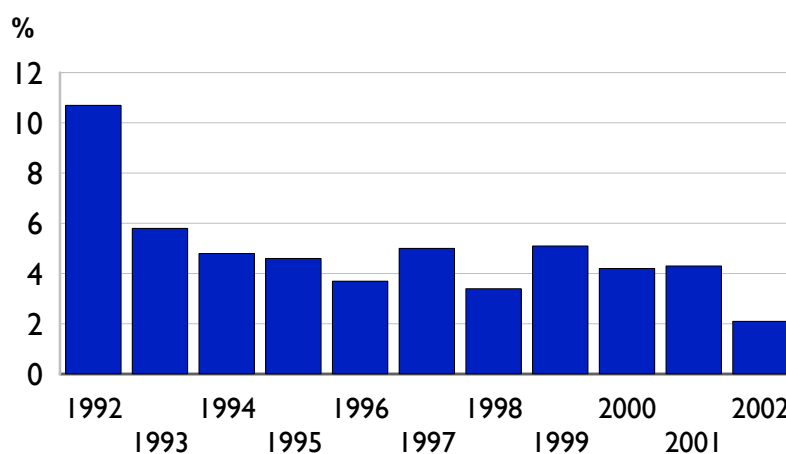
Available places on the decline

The private retirement home market survey conducted in the Sherbrooke census metropolitan area (CMA) in 2002 revealed that the number of available places declined over the past year. In October 2001, 77 beds and 36 apartments were unoccupied. One year later, vacancies were down to just 46 beds and 10 apartments. With the take-up of these 57 places, real annual demand returned to its average level, estimated at 88 places¹ in the absence of new projects.

In relative terms, the absorption of these places caused the vacancy rate on the market to fall from 4.3 per cent in 2001 to 2.1 per cent in 2002. This significant drop brought the vacancy rate down to its lowest level since 1991, that is, since Canada Mortgage and Housing Corporation (CMHC) started conducting this annual survey.

Vacancy Rate Hits All-Time Low

Sherbrooke CMA - Private Retirement Homes



Source: CMHC

¹ In 2001, according to the results of our survey and the census data, 26.1 per cent of people aged 75 years or older lived in private retirement homes. Based on the growth of this population between 1996 and 2001, annual demand is estimated at about 88 places.

This tightening of the market resulted from the fact that demand continued to grow, while supply remained stable. In 2002, no new private retirement homes were added to the Sherbrooke area landscape. If Table 5 shows that 36 retirement homes were enumerated in 2001 in the Sherbrooke CMA, compared to 37 in 2002, this is because we added to the total stock two retirement homes that opened some time ago in the Sherbrooke suburbs but that had escaped our scrutiny. Together, these two residences contain 59 places. As well, one retirement home was withdrawn from the stock, as its units could not be rented at the time of the survey due to major renovations.

The aging of the population has been contributing to the growing demand for places in private retirement homes. At the time of the 1996 census, 8,010 people aged 75 years or older lived in the Sherbrooke CMA. This number rose to 9,705 in 2001. The principal client group for retirement homes therefore went up by almost 340 people per year over the period from 1996 to 2001. Economic and business conditions also remain favourable to the increase in demand for places in private retirement homes, as existing properties are selling very quickly, disposable income is on the rise and a tax credit is offered for home support services for seniors².

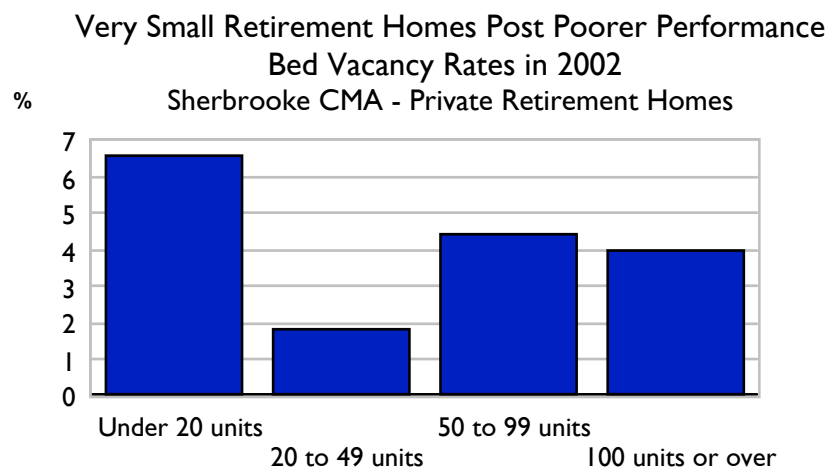
Market characterized by scarcity of places

Seniors looking for a dwelling in a private retirement home have less and less choice, whether they want a room or an apartment. In the Sherbrooke CMA, the vacancy rates are on the decline and now stand below the balanced levels³, regardless of the type of unit sought. In 2002, the vacancy rate in room-and-board residences was 3.6 per cent, while the balanced level is estimated at 6 per cent. As for apartments, conditions were even tighter, with 0.7 per cent of such units unoccupied, compared to 4 per cent on a balanced market.

A look at the different building size categories reveals that the vacancy rates are low everywhere, except perhaps in room-and-board residences with fewer than 20 units. For these retirement homes, the vacancy rate was 6.6 per cent in 2002. It should be specified, however, that only 7 per cent of the supply of rooms are found in buildings of this size.

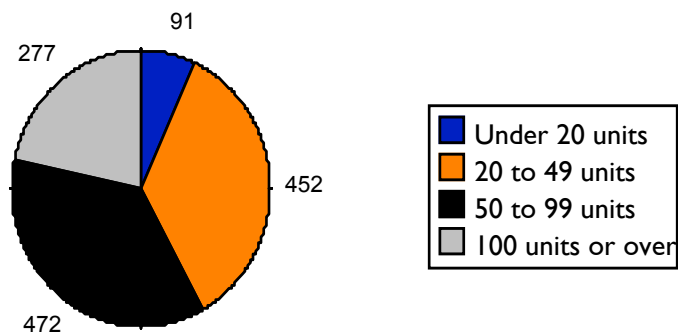
² People aged 70 years or older living in private retirement homes are entitled to this credit.

³ The balanced level represents the vacancy rate observed in a situation where neither tenants nor landlords favoured. In the case of apartments, the balanced level is about 4 per cent while, for room-and-board units, it is around 6 per cent, given the higher occupant turnover rate.



Source: CMHC

42% of Beds Offered in Small Buildings*
Sherbrooke CMA - Private Retirement Homes - 2002

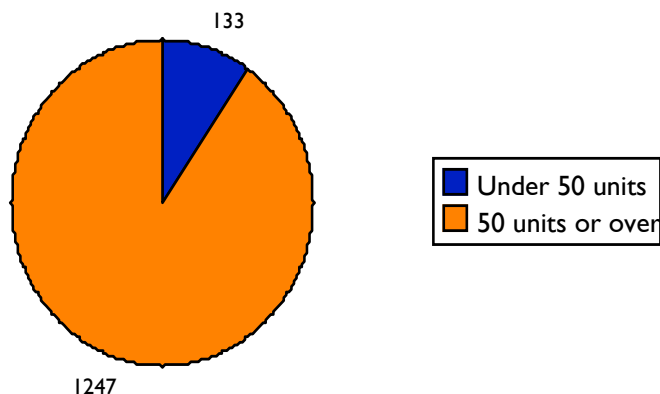


*Small buildings = buildings with under 50 units

Source: CMHC

Among the different apartments offered to them, seniors prefer those contained in large buildings, even though the scarcity of unoccupied apartments caused the vacancy rate to go down in structures with fewer than 50 units over the last five years. In fact, the vacancy rate for these buildings fell from 18.3 per cent in 1998 to 2.3 per cent in 2002. Retirement homes with 50 or more units, for their part, posted a vacancy rate of 0.6 per cent at the time of the last survey. The preference for larger buildings is even more evident, when considering the fact that 90 per cent of the supply of apartments are found in these major housing projects.

Few Apartments Offered in Small Buildings Sherbrooke CMA - Private Retirement Homes - 2002



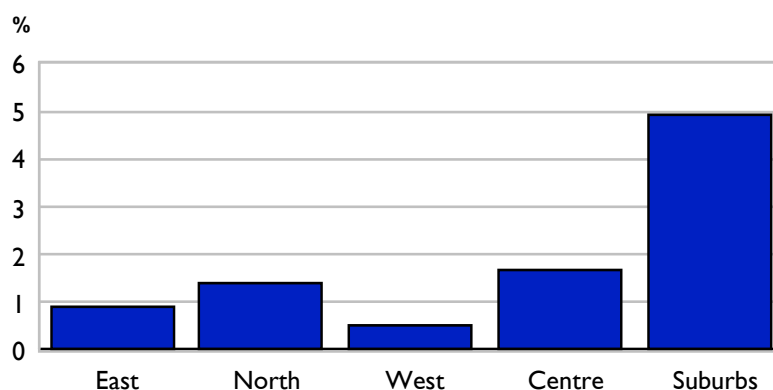
Source: CMHC

Outlying sector posting higher vacancy rate

Even if the market is showing generally tighter conditions, the availability of units is slightly greater in retirement homes located in the outlying sector than in those established in the heart of the Sherbrooke CMA. In 2002, on the territory of the former city of Sherbrooke, the vacancy rate was 1.2 per cent, compared to 4.9 per cent for all municipalities that once formed the suburbs. In these municipalities, there are 631 places in private retirement homes, or 24 per cent of the total stock. This distribution is similar to that of the seniors themselves as, according to the 2001 census, 29 per cent of people aged 75 years or older who lived in the Sherbrooke CMA resided in the suburbs.

Suburban retirement homes, most of which are situated slightly farther away from the shopping centres and major centres of interest, seem to have suffered from their relative distance.

Vacancy Rate Higher in the Suburbs Sherbrooke CMA - Private Retirement Homes - 2002

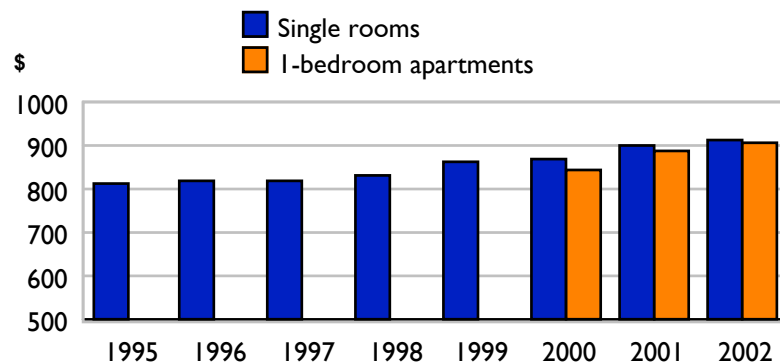


Source: CMHC

Market conditions favouring rental increases

At the time of our survey, the average rent for a single room was \$918 per month. For one-bedroom apartments, the most numerous type, the average rent stood at \$909. Contrary to rooms, the rental rates for apartments generally do not include meal costs. In 2002, meal services were mandatory for fewer than 5 per cent of apartments, and most of these units were very likely contained in mixed retirement homes with a high concentration of rooms.

Rents Keep Rising
Sherbrooke CMA - Private Retirement Homes



Source: CMHC

Although the primary purpose of the analysis is not to measure changes in rents, but to provide an indication of their level, it can still be noted that the average rent for a single room went up by \$14 per month (+1.5 per cent) between 2001 and 2002, while the hike was \$21 (+2.4 per cent) for one-bedroom apartments.

The growing demand, on a market where dwellings are scarce, stimulated the rise in rents.

Sherbrooke area seniors slightly less well-off than the average for Quebec

According to currently available 2001 census data, Sherbrooke area residents aged 65 years or older have an average income of \$20,815. While this income is appreciable, it is still 4 per cent lower than the average for all Quebec residents in the same age group. The data available for the province overall shows that the income of people aged 65 years or older went up from \$17,850 in 1997 to \$21,620 in 2001, for an increase of 21 per cent.

In 2001, half of all Sherbrooke area seniors had an income that was equal to or greater than \$16,220, which represents \$1,350 or more per month. Since the rent for a single room was then \$904 per month (including meal services), at least one in two seniors had the financial capacity to live in a private retirement home. As for apartments, the pool of potential renters was similar. The rent for a one-bedroom apartment averaged at \$888 per month, and the additional income allowed for the purchase of food and other essentials.

A study by the Conseil des aînés⁴ revealed that, in 1997, people aged 75 years or older had a higher average income than those aged 65 years or older. In fact, as seniors get older and move closer to deciding whether or not they should go live in a private retirement home, they generally become somewhat more comfortable financially. In 1997, the average income of Quebec residents aged 65 years or older was \$17,850, compared to \$19,190 for those aged 75 years or older.

For seniors living in couples, the income is double, so access to private retirement homes is much easier. However, it should be specified that, in 1996, only 31 per cent⁵ of women aged from 75 to 79 years lived in couples. This percentage fell to 19 per cent for those aged from 80 to 84 years and to 10 per cent among those aged from 85 to 89 years. And, only 5 per cent of women aged 90 years or older lived with a spouse. By applying these ratios to the 2001 Sherbrooke area female population, it can be estimated that about 20 per cent of potential clients enjoy a double income. In absolute terms, this would mean that 1,380 women aged 75 years or older live in couples, out of a total of 6,545.

⁴*La réalité des aînés québécois*, study published by the Conseil des aînés in 2001, p. 65.

⁵*La réalité des aînés québécois*, study published by the Conseil des aînés in 2001, p. 33.

No relief in sight for the market in 2003

The choice will remain limited for seniors who will decide to move into a private retirement home in 2003, as the vacancy rates will stay close to their current levels, if they do not go down again.

Even though unoccupied units are already scarce, no new retirement homes should be opening their doors from now until the next survey to be conducted in October 2003. For the moment, there is only one project that may be getting under way during the year. However, its development, which consists in converting a single-family house into a 50-room retirement home, is being delayed by a rezoning issue. It is therefore quite unlikely that this residence will open by next October.

Given that the prevailing market conditions are conducive to the arrival of new retirement homes, this almost total lack of new projects is surprising. Investors may be staying cautious on account of the fact that the market had to absorb 400 new units during the period from 2000 to 2001. They probably want to make sure that the market will remain solid in the medium term. In addition, the frenzy affecting the construction of houses and apartments intended for the traditional rental and condominium markets is putting upward pressure on construction costs and tending to lengthen delivery times. Consequently, some developers could decide to hold off on their projects until the situation returns to normal in the construction industry.

Growth in demand to slow temporarily

It is interesting to note that this slowdown in the production of new residences comes at a time when the growth in the demand for retirement housing is about to slow down until 2006. The 1991 to 2001 census data effectively shows that the 65 to 74 years' age group saw its rate of growth lose some vigour over the period from 1996 to 2001, compared to the period from 1991 to 1996. Between 1991 and 1996, the 65 to 74 years' age group grew by 625 people while, between 1996 and 2001, the increase in this age group was limited to 385 people. Consequently, over the next four to five years, the 75 years or older group will grow less rapidly than in the recent past, which could slow down the growth in the demand for private retirement housing in the Sherbrooke CMA.

Sherbrooke CMA population	1991	1996 revised*	Chg. 1991-1996	1996 revised**	2001	Chg.1996 rev.-2001
55 to 64 years	11,350	11,945	595	12,345	15,490	3,145
65 à 74 years	9,315	9,940	625	10,245	10,630	385
75 years or older	6,700	7,845	1,145	8,010	9,705	1,695

(*)Revised based on 1991 territory. (**)Revised based on 2001 territory.

This slowdown in the rate of growth of the demand will ease the pressure on the market in the absence of new residences. Normally, however, this factor would not be sufficient to prevent a further decrease in the vacancy rate for private retirement homes in 2003. But this rate could very well remain close to its current level next year, given the small number of unoccupied units. The limited choice could force some seniors to put off their decision to move into a retirement home.

Healthy life expectancy and number of people living in retirement homes⁶

Developers would very much like seniors to move into retirement homes sooner, so as to live there longer and reduce the turnover rate. The changing health of seniors is the main reason for this high turnover rate. Based on the healthy and disabled life expectancy of seniors, researchers found that men aged 65 years or older tend to live an average of 1.1 years in an institution, that is, in a care facility or a retirement home. As for women, they should live there 2.6 years.

Healthy life expectancy is an interesting concept, as it combines the notions of length and quality of life. Researchers evaluated that, in 1998, people aged 65 years could expect to live 17.9 years. Out of these 18 years or so, they could hope to live half without any disability, and then the other half with a certain disability: 3.4 years with a light disability and 5.5 years with a moderate or serious disability. More of these years of significant disability will be lived at home (3.6 years) than in an institution (1.9 years).

⁶ Drawn in part from the study entitled *La réalité des aînés québécois*, published by the Conseil des aînés in 2001, pp. 108 to 111.

Women are naturally the ones who will likely live more years with a disability, that is, 10.5 years, as their life expectancy at 65 years is much longer than men's (20 years versus 15.5 years).

It is interesting to point out that the year gained in life expectancy at 65 years, between 1986 and 1998, led to half a year less lived without any disability. Finally, it can be noted that the number of years likely to be lived with a moderate or serious disability has not changed in 12 years, which is encouraging.

Life expectancy at 65 years	Men	Men	Women	Women	Total	Total
	1986	1998	1986	1998	1986	1998
Total life expectancy	14.2	15.5	19.2	20.0	16.9	17.9
. without any disability	8.6	8.4	10.3	9.5	9.5	9.0
. with a disability	5.6	7.1	8.9	10.5	7.4	8.9
. Light	1.9	3.0	1.8	3.7	1.9	3.4
. Moderate or serious	3.7	4.1	7.0	6.8	5.5	5.5
. in an institution*	1.0	1.1	2.6	2.6	1.9	1.9
. at home**	2.7	2.9	4.5	4.1	3.7	3.6

* This category comprises care facilities and retirement homes.

** In addition to homes, this category includes multiple housing projects other than care facilities and retirement homes.

RETIREMENT HOME MARKET TIGHT IN SEVERAL CMAs ACROSS QUEBEC

Overall, the proportion of available retirement housing units is on the decline in the six census metropolitan areas (CMAs) across Quebec.

For the past four years, the vacancy rates in room-and-board retirement homes have been decreasing in Quebec's CMAs. According to the October 2002 survey, all CMAs posted vacancy rates below the 5-per-cent mark, with the exception of the Trois-Rivières CMA. Conditions tightened more significantly in the Québec CMA. In 1999, the proportion of unoccupied beds stood at 11.6 per cent, the highest among all CMAs. It has since fallen to 4.6 per cent. However, Gatineau was, once again this past year, the CMA that posted the lowest vacancy rate (2.1 per cent) in residences of this type.

In 2002, in retirement homes with apartments (offering full kitchen and bathroom), there was a shortage of available units in most CMAs. Only the Gatineau and Trois-Rivières CMAs escaped this situation. The high and very volatile vacancy rate in Gatineau is due to the greater impact of the changes that occur in a limited universe of apartments. In the Saguenay CMA, the shortage that has been lasting for years should ease in 2003, with the arrival on the market of over 200 new units.

Vacancy Rates in Private Retirement Homes with 10 or More

Room-and-board units

CMA	1999	2000	2001	2002
Trois-Rivières	9.5%	7.2%	7.0%	8.0%
Saguenay	6.2%	5.1%	4.4%	3.5%
Québec	11.6%	7.1%	7.7%	4.6%
Sherbrooke	4.4%	6.0%	5.4%	3.6%
Gatineau	3.5%	0.7%	1.0%	2.1%
Montréal*	7.2%	5.2%	5.6%	3.1%

Apartments

Trois-Rivières	3.1%	3.4%	2.5%	3.5%
Saguenay	0.6%	0.1%	0.2%	0.4%
Québec	4.1%	1.5%	1.6%	1.0%
Sherbrooke	5.9%	1.6%	3.0%	0.7%
Gatineau	2.3%	7.6%	26.6%	9.0%
Montréal*	2.0%	1.3%	1.5%	1.3%

(*) The Montréal universe is composed of retirement homes with 20 or more units.

Table 1

Apartment Vacancy Rates (%) by Unit Size Private Retirement Homes with 10 or More Units Sherbrooke CMA					
Year	Studio	1-Bedroom	2-Bedroom*	3-Bedroom	Total
1998	4.7	0.5	1.8	confidential	2.3
1999	2.0	7.0	11.3	confidential	5.9
2000	3.0	0.8	1.3*	n.a.	1.6
2001	2.8	3.4	1.6*	n.a.	3.0
2002	0.2	1.1	0.4*	n.a.	0.7
* Reflects the vacancy rate for units with 2 or more bedrooms since the October 2000 survey.					

Table 2

Number of Apartments and Residences by Building Size* Private Retirement Homes with 10 or More Units Sherbrooke CMA								
Building size	1999		2000		2001		2002	
	Apts.	Res.	Apts.	Res.	Apts.	Res.	Apts.	Res.
Under 50 units	91	6	85	5	87	5	133	5
50 or more units	1,001	10	911	12	1,128	13	1,247	11
Total	1,092	16	996	17	1,215	18	1,380	16
* Since 2000, building size is determined by the sum of the number of beds and apartments. Previously, it was determined by the sum of the number of rooms and apartments.								

Table 3

Apartment Vacancy Rates (%) by Building Size* Private Retirement Homes with 10 or More units Sherbrooke CMA					
Building size	1998	1999	2000	2001	2002
Under 50 units	18.3	6.7	5.9	1.1	2.3
50 or more units	1.0	5.8	1.2	3.1	0.6
Total	2.3	5.9	1.6	3.0	0.7
<i>* Since 2000, building size is determined by the sum of the number of beds and apartments. Previously, it was determined by the sum of the number of rooms and apartments.</i>					

Table 4

Number of Rooms and Residences by Building Size* Private Retirement Homes with 10 or More Units Sherbrooke - CMA								
Building size	1999		2000		2001		2002	
	Rooms	Res.	Rooms	Res.	Rooms	Res.	Rooms	Res.
Under 20 units	77	5	73	5	74	5	91	6
20 to 49 units	500	13	386	11	432	12	452	12
50 to 99 units	410	7	422	9	458	9	472	9
100 units or more	393	3	495	4	405	3	277	2
Total	1,380	28	1,376	29	1,369	29	1,292	29
<i>* Since 2000, building size is determined by the sum of the number of beds and apartments. Previously, it was determined by the sum of the number of rooms and apartments.</i>								

Table 5

Room Vacancy Rates (%)** by Building Size* Private Retirement Homes with 10 or More Units Sherbrooke CMA					
Building Size	1998	1999	2000**	2001**	2002**
Under 20 units	9.1	19.5	26.3	23.2	6.6
20 to 49 units	5.9	6.4	8.4	7.9	1.8
50 to 99 units	3.5	2.9	5.5	3.6	4.4
100 or more units	1.3	0.5	1.4	1.0	4.0
Total	4.0	4.4	6.0	5.4	3.6
<i>* Since 2000, building size is determined by the sum of the number of beds and apartments. Previously, it was determined by the sum of the number of rooms and apartments.</i>					
<i>** For 2000 and 2001, the figures rather refer to bed vacancy rates.</i>					

Table 6

Number of Units* and Residences by Location Private Retirement Homes with 10 or More Units Sherbrooke CMA						
Sector	2000 Units	2000 Residences	2001 Units	2001 Residences	2002 Units	2002 Residences
East District	639	7	650	7	644	7
North District	761	8	754	8	726	7
West District	203	4	192	4	192	4
Centre District	277	6	480	7	479	7
City of Sherbrooke	1,880	25	2,076	26	2,041	25
Suburbs	534	9	571	10	631	12
Sherbrooke CMA	2,414	34	2,647	36	2,672	37
<i>* Since 2000, the number of units represents the sum of the number of beds and apartments.</i>						

Table 7

Unit Vacancy Rates (%)* by Location Private Retirement Homes with 10 or More Units Sherbrooke CMA					
Sector	1998	1999	2000*	2001*	2002*
East District	4.0	9.2	2.2	3.7	0.9
North District	2.1	2.7	5.0	3.1	1.4
West District	2.5	5.9	3.0	3.1	0.5
Centre District	7.6	4.7	6.1	6.0	1.7
City of Sherbrooke	3.6	5.4	4.0	4.0	1.2
Suburbs	2.7	3.8	4.9	5.4	4.9
Sherbrooke CMA	3.4	5.1	4.2	4.3	2.1
* Since 2000, the number of units represents the sum of the number of beds and apartments.					

Table 8

Vacancy Rates (%) by Unit Type Private Retirement Homes with 10 or More Units Sherbrooke CMA			
Year	Rooms*	Apartments	Total
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
2000*	6.0	1.6	4.2
2001*	5.4	3.0	4.3
2002*	3.6	0.7	2.1
* For 2000 and 2001, the vacancy rate was calculated using the number of beds rather than the number of rooms.			

Table 9

Average Monthly Rent for a Single Room (\$) Private Retirement Homes with 10 or More Units Sherbrooke CMA	
Year	Single room (\$)
1992	724
1993	758
1994	780
1995	813
1996	822
1997	824
1998	836
1999	863
2000	874
2001	904
2002	918

Methodology

The **survey universe** includes all privately initiated retirement homes with 10 or more units, enumerated in the Sherbrooke census metropolitan area. The survey is conducted in October every year, and the retirement homes covered must have been in operation for at least three months.

The data collected on vacancy rates and rents was compiled by building type, building size, market zone and dwelling type, among other factors.

The **rent data** corresponds to the actual amount paid by tenants for their dwelling. Certain services such as meals, care and recreational activities may be included in the monthly rental rates. Monthly rents indicated in this publication reflect the average rent for the different dwellings, regardless of the services included.

Apartment retirement homes are divided into three categories, according to the type of meal service offered. As a result, in certain residences, the rental rates include meal service charges. When the meal service is optional, tenants can purchase a pass that entitles them to a certain number of meals or they can pay for their meals individually. The amount so paid is not included in the monthly rent. Finally, there may also be no meal service available.

In the case of room-and-board retirement homes, meals are included in the rental rates. As well, for double occupancy or other types of rooms, the rates are based on the rent paid by each tenant and not on the total rent paid for the room.

It should be noted that the survey does not aim to measure changes in rents, but rather to provide an indication of rent levels. As well, in each zone, the average rents may be strongly influenced by the presence of retirement homes where the rents are very different from the average, which explains some of the disparities between the zones.

The results for apartment retirement homes also take into account the apartments found in **mixed retirement homes** (including both apartments and rooms). Likewise, the results for room-and-board retirement homes take into account the rooms contained in mixed retirement homes.

Definitions

Retirement home: A housing project intended for and serving clients whose average age is 65 years or older. The project must not be linked to the public health system (admission is not controlled by the government or its representatives). The dwellings can be either apartments or rooms. Retirement homes can offer a variety of support services (supervision, medical care, housekeeping, etc.).

Apartment retirement home: A building providing self-contained dwellings, that is, units with a full kitchen and bathroom. A meal service may be mandatory (included in the rental rates), optional (for an additional charge) or unavailable.

Room-and-board retirement home: A building providing single occupancy, double occupancy or other types of rooms. As applicable, the bathroom may be private or shared. This type of retirement home offers meals.

Mixed retirement home: A building providing both apartments and rooms.

Privately initiated retirement home: A building owned by an individual or a private company and not directly subsidized by a public agency. Conversely, all publicly initiated retirement homes, such as low-rent housing and buildings owned and administered by CMHC, the Société d'habitation du Québec (SHQ), a municipal housing bureau or a non-profit organization (NPO), are excluded.

Vacancy: A unit is considered to be vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Acknowledgment

The retirement home market survey could not have been conducted without the valuable cooperation of the owners and managers of these retirement homes. We greatly acknowledge their hard work and assistance in providing timely and accurate information.

Confidentiality

The retirement home market survey aims to produce reliable statistics to provide an overview of the market in order to facilitate decision making for the various housing sector stakeholders. All the information collected on vacant units, services and rents is strictly confidential and never disclosed individually. The results are published in the form of averages for all retirement homes in a given category or survey zone.

As well, the survey results are confidential if they are compiled from a universe comprising fewer than three buildings.

This CMHC report gives the results of the annual survey conducted in the fall of 2002 on the privately initiated retirement home market in the Sherbrooke metropolitan area. This annual report presents vacancy rates, rents and an analysis of the main results derived from the information provided by the people in charge questioned at the time of the survey.

These CMHC survey results are the most comprehensive data on the retirement home market in the Sherbrooke metropolitan area. They are useful to lenders, mortgage brokers, property managers, investors, appraisers, owners, tenants, housing advisors and decision makers, various government departments and agencies, as well as several related industries.

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