



T H E

RETIREMENT HOME

MARKET STUDY



2002 gatin eau



HOME TO CANADIANS
Canada

Gatineau

Census Metropolitan Area

Apartment supply increases in 2001

While construction had been essentially limited to new room-and-board units for seniors in 2000, the trend was clearly different in 2001. Two major housing projects stood out, as around 250 apartments were started during the past year.

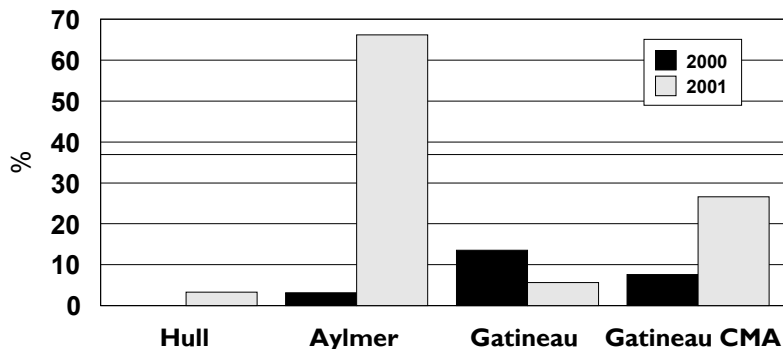
However, the vacancy rate for apartment retirement homes has been on the rise for the last two years, and yet this does not seem to have slowed down developers. While units were rather scarce in the room-and-board category, the opposite held true for apartments. As such, the vacancy rate for room-and-board retirement homes remained relatively stable in 2001. It went from 0.7 per cent the previous year to 1 per cent in 2001. In the apartment segment, on the other hand, the gap widened. From 7.6 per cent in 2000, the vacancy rate climbed to over 26 per cent in 2001. These results come from the survey conducted by CMHC in October of every year.

Major differences from one sector to another

Despite the large number of unoccupied apartments in the area overall, significant differences were observed from one sector to another. The retirement home market seems to be posting a surplus, but this is actually not the case in reality.

The statistics drawn from our latest survey reveal that the high vacancy rate observed in 2001 was almost entirely attributable to a retirement home located in Aylmer. In fact, the marketing of a new wing built in 2000 took somewhat longer than expected, which brought about an increase in the vacancy rate. As a result, the Aylmer sector lagged behind, as its vacancy rate for apartment retirement homes reached 66 per cent in 2001, compared to 3.1 per cent in 2000.

Vacancy Rates Apartment Retirement Homes



Source: CMHC

A glance at Hull and Gatineau effectively shows that vacant units did not really abound in these sectors. In 2000, there were no available apartments in the Hull sector, but the situation recovered in 2001. In fact, during our last survey, we enumerated 3 empty apartments out of 100, mostly bachelors. In the Gatineau sector, the market began absorbing the newly added units, and the vacancy rate returned to normal in 2001, at 5.6 per cent.

High quality of services overall

On account of the greater competition and the relatively limited market in the Outaouais, retirement homes provide good quality services. In fact, several major residences opened their doors in the area, offering a wider range of services. To face the competition, existing retirement homes followed suit in 2001 by proceeding with renovations, adding services and even renewing some of their staff. As a result, several new managers were appointed to head retirement homes in the Outaouais, in order to meet the needs of an increasingly demanding client group and take up the new challenges on this market.

In view of taking advantage of the “apartment era”, some retirement homes undertook innovative projects, including the construction of annexes to existing buildings. These annexes contain only apartments and consequently do not necessarily target the same clients as the former units.

Demand characteristics

All this hustle and bustle has been a good thing for clients, who are less and less limited in their choices. Since potential renters have more options available to them, they can now broaden their selection criteria.

The preliminary 2001 census data reveals that the Outaouais population aged more than 65 years appears to have increased by 32 per cent in the last 10 years, while the overall population rose by just 11 per cent over the same period. Seniors account for 10 per cent of the total population in the area, and they are more sedentary than one would expect. In fact, the considerable proportion of public sector jobs could have led to believe that many retirees would return to their home towns. In comparison with certain other areas across Quebec (15 per cent of the population in Montréal and 16 per cent in the Mauricie are aged over 65 years), the senior population in the Outaouais is growing, sufficiently in any case for special attention to be paid to this group.

In 2001, 32,628 people aged over 65 years were enumerated. Considering the fact that 45 per cent of Quebec households aged 65 years or older opt for a rental tenure (source: *Institut de la Statistique du Québec*), there is still a non-negligible potential client pool for the area’s retirement homes. However, given that construction costs are high, it remains to be seen whether or not these households will have sufficient incomes to be able to afford the rental increases.

WHAT CMHC'S EXPERIENCE REVEALS ABOUT OPERATING RETIREMENT HOMES¹

The private retirement home market offers a varied choice of housing projects, which can be grouped into four major categories: room-and-board, apartment with services, apartment without services and long-term care. The following results cover the first three categories, which represent the largest number of privately initiated housing units.

It can first be noted that the greater the services component, the smaller the unit floor area tends to be. A room-and-board unit offers an average floor area of 40 square metres, while an apartment without services is twice as large. The presence of common areas in housing projects with a wide range of services partly offsets the small size of the units themselves. Occupants generally have access to a community room, a dining room, common lounges and sometimes even arts and crafts premises, an exercise room or else a library.

**Characteristics of Retirement Homes Located in Quebec*
2000 - 2001**

	Room-and-board units	Apartments with services	Apartments without services
Average rent (\$)	1,000	1,200	900
Average floor area (m ²)	40	62	80
Average apartment size	N/A	2,6 rooms (from 2 to 3 rooms)	3 rooms (from 2 to 4 rooms)
Average number of units in the building	78 (from 30 to 187)	175 (from 55 to 429)	325 (from 200 to 465)
Total expenses (% of income ²)	60%	54%	42%
« Salary » item (\$/unit/month)	265	260	115
« Food » item (\$/unit/month)	110	85	N/A

* See note 1

In apartment retirement homes, there is \$300 difference in rents per month, depending on whether services are offered or not. In project without services, the average rent is \$900, compared to \$1,200 in projects with services, where residents can, for example, buy meals, receive care, have access to recreational equipment, etc. The \$300 gap is not just linked to the presence or absence of services, it is also attributable to the size of the units. Apartments without services generally have two to four rooms, while those with services have two to three. The size of the units also explains why rooms with services, for which the average rent is \$1,000 per month, are more affordable than apartments with services.

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The increase in operating expenses is generally proportional to the quantity of services offered. As such, room-and-board retirement homes have the highest ratio of operating expenses to income (see note 2), at 60 per cent. In apartment retirement homes with services, this ratio is 54 per cent, while it is around 42 per cent in apartment buildings without services. The “salary” item is the main component of the operating expenses, regardless of the type of retirement home, followed by the “food” item, where applicable. It should be noted that the salary portion more than doubles when retirement homes offer meal services; this is also because the services offered in such residences are generally more complete. It should further be noted that the average age of the occupants is higher in retirement homes of this type.

Economies of scale can of course be realized when buildings are large. As well, projects where the quality of the construction and the services offered are above average will have higher operating expenses-to-income ratios than other retirement homes on the market. It should also be mentioned that the smaller a project, the higher the expenses-to-income ratio. In general, this is why it is difficult to make retirement homes with services profitable when they have fewer than 75 to 100 units.

¹ Drawn from an analysis of 46 private housing projects with loans recently insured by CMHC.

² Gross operating expenses as a percentage of gross rental income (residential portion only).

PEOPLE LIVING IN RETIREMENT HOMES ARE SATISFIED WITH THEIR CHOICES

A Canada-wide user satisfaction study of housing options was conducted by CMHC¹. The sample comprised a total of 24 case studies spread among six categories.

One of the main findings of the study was that respondents were very satisfied with their current housing. The majority, i.e. 70 per cent, said that they were very happy living there and 88 per cent said that they would repeat the move if they had to do it over.

The study also identified other interesting results concerning the retirement home market. With regard to where the clients came from, the survey revealed that 44 per cent of the respondents had previously lived in the same town or city as their current residence, 21 per cent had lived in the surrounding area, 27 per cent had come from elsewhere in the province, 7 per cent from another province and 1 per cent from another country.

The most common reasons that respondents had for leaving their previous home were changes in health or physical strength (28 per cent), the difficulty of looking after a residence (20 per cent) and a wish to be with others of the same age (21 per cent).

Residents were influenced by several criteria in the choice of their current home. At the top of the list were the quality of the dwelling (40 per cent) and the attractiveness of the project (39 per cent), followed by the closeness to facilities and services (36 per cent), the services available on the premises (36 per cent) and the recreational facilities and activities (31 per cent). The human touch was also important in the choice of a residence. Friends or relatives living there or children or relatives living nearby are reasons that motivated the choice of 27 per cent of the respondents.

¹ These results were drawn from the publication "Research Highlights" Issue 83. To get a copy, visit CMHC's Web site at the following address: www.cmhc.ca/publications/en/rh-pr/index.html.

**Vacancy Rate and Average Rent by Building Size
Private Room-and-Board Retirement Homes
Gatineau CMA**

		10 to 49 units	50 to 99 units	100 units and more	Total
Vacancy rate	2000	***	***	1.0%	0.7%
	2001	***	***	1.2%	1.0%
Average rent (\$)	2000	***	***	1,191	1,275
	2001	***	***	1,478	1,484

*** Sample too small to be disclosed

**Vacancy Rate, Average Rent and Number of Beds by Type of Room
Private Room-and-Board Retirement Homes
Gatineau CMA**

		Single Room	Double Room	Total
Vacancy rate	2000	0.9%	0.4%	0.7%
	2001	1.1%	0.9%	1.0%
Average rent (\$)	2000	1,495	830	1,275
	2001	1,600	888	1,484
Number of beds	2000	454	224	678
	2001	565	110	675

**Vacancy Rate, Average Rent and Number of Apartments
Private Apartment Retirement Homes
Gatineau CMA**

		Total CMA
Vacancy rate	2000	7.6%
	2001	26.6%
Average rent (\$)	2000	1,030
	2001	1,051
Number of apartments	2000	184
	2001	184

Methodology

The **survey universe** includes all privately initiated retirement homes with 10 or more units, located in the Gatineau 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. However, some tables make a distinction between rents for apartments with mandatory meals (included in the rent) and optional meals (excluded from the rent).

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 the meals individually. The amount so paid is not included in the monthly rent. Finally, there may 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 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 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 2001 on the privately initiated retirement home market in the Gatineau Census 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 Gatineau 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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