



T H E

RETIREMENT HOME

MARKET STUDY



2004 Gatineau



HOME TO CANADIANS
Canada

TABLE OF CONTENTS

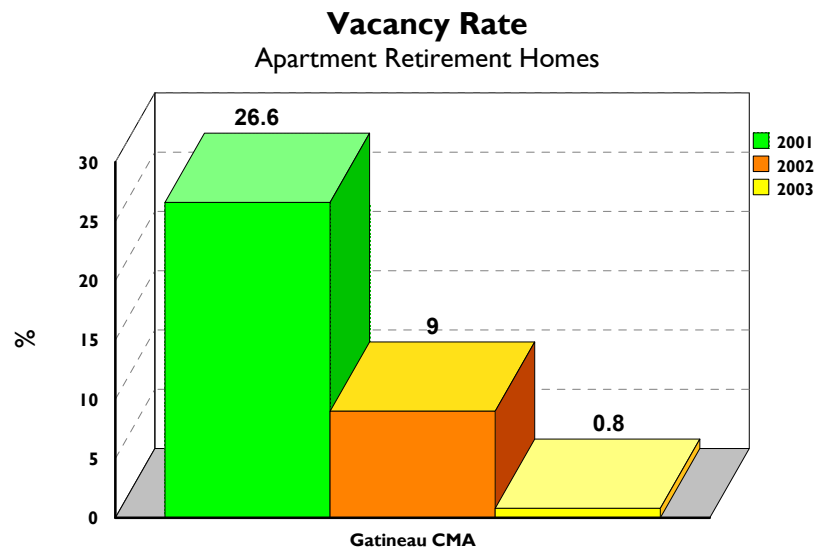
Few units available in retirement homes	I
Large dwellings preferred by clients	2
Increase in supply not slowing down rental hikes	3
Spotlight on older clients	4
Financial context still favourable	5
Market tight everywhere...or almost	6
Statistical Tables	7
Methodology	8
Definitions	10
Acknowledgment	11
Confidentiality	11

Gatineau

Census Metropolitan Area

Few units available in retirement homes

As in the case of conventional rental housing, very few units are available on the retirement home market in the Outaouais. In fact, for the past three years, vacancy rates have been falling steadily.



Source: CMHC

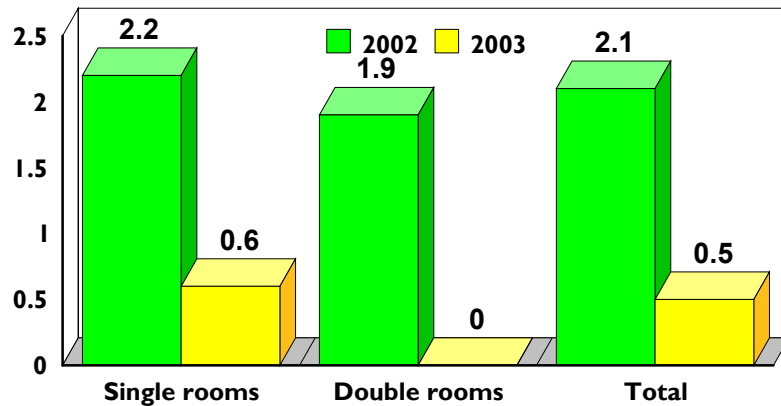
The vacancy rate for apartment retirement homes went down from 26.6 per cent in 2001 to 9 per cent in 2002, and then fell below the 1-per-cent mark in 2003. In fact, at the time of our last survey, only 8 units out of 1,000 were available. After having accumulated a surplus in 2001, the market has not only absorbed all the new units, but it even seems to be asking for more.

In the room-and-board retirement home segment, a downward trend can also be observed. From 2.1 per cent in 2002, the vacancy rate fell to 0.5 per cent in 2003. As in the case of apartments, the new rooms that arrived on the market starting in 2002 rapidly found takers and had no negative impact on the vacancy rate in this segment in 2003.

Large dwellings preferred by clients

Like for traditional rental housing, retirement home clients have a definite preference for larger dwellings. In the case of room-and-board units, it can be seen that no double rooms were available for rent. However, with a vacancy rate of 0.6 per cent for single rooms, it is obvious that even smaller units found takers.

**Vacancy Rates
Room-and-Board Retirement Homes**



Source: CMHC

The trend was the same in the apartment segment. No one-bedroom or two-bedroom apartments were available, while a number of bachelor units were still vacant. Clients prefer large projects and lots of space.

Although many seniors move into retirement homes because they can no longer take care of their home, they still want to maintain as much privacy as possible in their new dwelling. The need for space therefore comes as no surprise and, even with the recreational and community services made available to them, residents spend a non-negligible portion of their time in their units.

**Increase in supply
not slowing down
rental hikes**

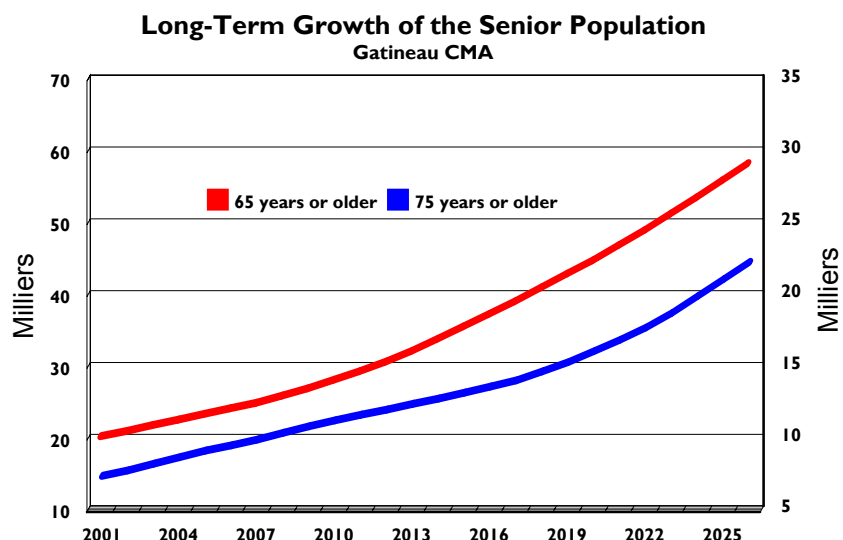
In 2003, the scarcity of dwellings for seniors put upward pressure on rents. In the Gatineau census metropolitan area, the average rent for rooms rose by 10 per cent in 2003. As well, 58 rooms (mostly single) were added to this market. In general, the new units were the ones that contributed to raising the rental rates. In fact, it can be noted that retirement homes with over 100 rooms (which benefited from certain expansions, and therefore new units) posted an increase in rates of 14 per cent, above the average of 10 per cent.

This hike was mainly concentrated in the double room category, where the rental increase attained 20 per cent, compared to only 9 per cent for single rooms. It should be pointed out that, already in 2002, the vacancy rate for double rooms was low (1.9 per cent). Despite this situation, mostly single rooms were added to the existing stock, which helped ease conditions in this market segment and bring about a more moderate increase in rents.

As for apartments, the rents went up by 7 per cent, just like for conventional rental housing. Given that no apartments have been available for two years, it was not surprising to see that the rents for two-bedroom units registered a more significant hike, with a rise of over 20 per cent. In the one-bedroom apartment category, the rental increase was much smaller, at 4 per cent.

In this market segment, construction was quite strong, though, as 80 new units were built, for an increase of 30 per cent in the stock. Nearly 4 in 10 of these new units have two bedrooms, but this new supply was not sufficient to ease the market. And, even though conditions were less tight in 2002 for the one-bedroom apartment category, it still benefited from as many new constructions as the two-bedroom segment. This new supply was also completely absorbed, but the rents rose moderately. If the vacancy rate stays this low next year, the rental increase will then be more substantial for this segment.

Spotlight on older clients



Source: Statistics Canada

Today, with the advances in medicine and physical activity, seniors stay in shape longer and longer. As a result, they tend to wait as late as they can to move into a retirement home. For example, at the time of the latest census, 5 per cent of households in the Outaouais (8 per cent in Quebec) had a senior aged 75 years or older as the major income earner. This is of course a small proportion, but it is still revealing of the place that seniors continue to hold in society. The average age of clients living in retirement homes in the Outaouais is 80 years—quite far from the generally cited age of 65 years or older. To better define demand over the medium term, it would certainly be more appropriate to look at the situation of people aged 75 years or older. Even though they are less numerous, seniors aged 75 years or older will grow, from now until 2005, at a rate above or equal to that of people aged 65 years or older.

With very few exceptions, all these people declare incomes. In the Outaouais, the average income of seniors is \$21,000, the lowest of all CMAs in Quebec. Still, Gatineau seniors have a shelter-to-income ratio that is close to the Quebec average. In fact, as in the province overall, 85 per cent of Gatineau residents aged 75 years or older spend less than 30 per cent of their income on housing. Among these households, 60 per cent are homeowners (55 per cent in Quebec), and they will take advantage of the sale of their house to improve their situation before moving into a retirement home. As well, given the favourable economic situation in the area and the strong job creation, it would be logical to think that children will provide financial assistance to their parents.

FINANCIAL CONTEXT STILL FAVOURABLE

Wealth: seniors rank first

Having accumulated significant assets and still benefiting from non-negligible income, seniors continue to enjoy a favourable financial context. According to the results of the 2001 Census and the latest Survey of Financial Security conducted by Statistics Canada, Canadian families whose major income earner was a senior registered the highest net worth of all family unit types (\$202,000). By comparison, in 1999, this value stood at \$155,000, more than double that of younger families (\$69,000).

In addition to this value, there are the *non-financial* assets, the main component of which is the residence. The survey revealed that around 70 per cent of older Canadians own a principal residence with a median value between \$120,000 and \$130,000. Another important factor is that few elderly families are in debt (27 per cent in 1999, compared to 62 per cent for people aged from 55 to 64 years and to 77 per cent for those aged from 45 to 50 years). Among this group, 82 per cent said that they were comfortable with their level of debt. As well, the debt per \$100 of assets was \$3 for elderly families and \$14 for younger ones.

As for tomorrow's seniors, the Survey of Financial Security revealed that 25 per cent of family units whose major income earner was aged from 45 to 64 years had no private retirement assets or had not sufficiently saved up for their retirement. This situation was more marked among renters. Also, the wealth of unattached individuals (all categories combined) was much less significant.

Income: smaller but not negligible

The most striking fact associated with retirement is the decrease in income. According to the results of the Survey of Financial Security, families whose major income earner was a senior had a clearly lower median after-tax income (\$32,000) than other families (\$43,000). Government transfers account for the largest share of seniors' income (67 per cent), followed by private pensions (20 per cent).

However, for 46 per cent of elderly families, income exceeds expenses. They are therefore still saving. In addition, according to the Survey of Financial Security, in economic families, less than 5 per cent of seniors had an income below the low-income threshold. For seniors living alone, this proportion rose to around 20 per cent.

Expenses: essentials above all

After 65 years of age, Quebec residents concentrate their spending on essential goods and services. The latest data compiled by the Institut de la statistique du Québec revealed that, in relation to the other age groups, seniors spend less on accessories, personal care and recreation and use a greater percentage of their income for food, housing and health care.

As for housing-related expenses, renters aged 65 years or older spend from 30 per cent to 50 per cent of their income on housing. Overall, 21 per cent of households aged from 65 to 74 years and 12 per cent of households aged 75 years or older still have a mortgage to pay off.

MARKET TIGHT EVERYWHERE... OR ALMOST

In the six census metropolitan areas (CMAs) across Quebec, retirement home market conditions were tight everywhere, except in the Saguenay CMA. In fact, while all other centres posted vacancy rates ranging from 0.6 per cent to 3.3 per cent, this proportion reached a high point of 7.7 per cent in the Saguenay CMA.

It was in apartment retirement homes that the difference between the Saguenay area and the other centres was most marked. Apartment residences registered a vacancy rate of nearly 11 per cent in this area while, in the other five CMAs, shortages were observed (from 0.8 per cent to 1.8 per cent of apartments were vacant). This situation is very recent in the Saguenay area, as the apartment vacancy rate stood at just 0.4 per cent in 2002. This increase was due to the arrival of many units intended for seniors within a short time. Fortunately, this situation should be only temporary. Right from the next CMHC survey, in the fall of 2004, the retirement home market should be more balanced in the Saguenay CMA, with a vacancy rate between 4 per cent and 5 per cent.

As for room-and-board retirement homes, none of the CMAs in Quebec were above the balanced level, estimated at about 6 per cent. In Gatineau, residences of this type were quite scarce, posting a vacancy rate of barely 0.5 per cent. Once again, the Saguenay area had the highest vacancy rate, with 5.3 per cent of its rooms available for rent.

Vacancy Rates in 2003 (%)

CMA	Rooms	Apts.	Total
Montréal	3.2	1.1	1.7
Québec	3.4	1.2	1.9
Gatineau	0.5	0.8	0.6
Sherbrooke	2.0	1.0	1.5
Trois-Rivières	4.7	1.8	3.3
Saguenay	5.3	10.9	7.7

Source: CMHC

Table 1.1

Vacancy Rate, Average Rent and Number of Beds by Building Size Private Room-and-Board Retirement Homes Gatineau CMA					
		10 to 49 units	50 to 99 units	100 or more units	Total
Vacancy rate	2002	***	***	2.0%	2.1%
	2003	***	***	0.4%	0.5%
Average rent (\$)	2002	***	***	1,325	1,367
	2003	***	***	1,516	1,513
Number of beds	2002	***	***	505	699
	2003	***	***	567	761

Table 1.2

Vacancy Rate, Average Rent and Number of Beds by Room Type Private Room-and-Board Retirement Homes Gatineau CMA				
		Single room	Double room	Total
Vacancy rate	2002	2.2%	1.9%	2.1%
	2003	0.6%	0.0%	0.5%
Average rent (\$)	2002	1,458	857	1,367
	2003	1,598	1,031	1,513
Number of beds	2002	593	106	699
	2003	647	114	761

Table 1.3

Vacancy Rate, Average Rent and Number of Apartments by Unit Type Private Apartment Retirement Homes Gatineau CMA					
		Bachelor	1-bedroom	2-bedroom	Total - CMA
Vacancy rate	2002	***	6.1%	0.0%	9.0%
	2003	***	0.0%	0.0%	0.8%
Average rent (\$)	2002	***	1,451	1,022	1,249
	2003	***	1,515	1,230	1,337
Number of apartments	2002	***	114	82	277
	2003	***	146	111	357

Methodology

The **survey universe** includes all privately initiated retirement homes with 10 or more units, enumerated 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), optional meals (excluded from the rent) and unavailable meals.

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 2003 on the privately initiated retirement home market in the Gatineau 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 Quebec 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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