



HE

RETIREMENT HOME

MARKET STUDY



1999 CHICOUTIMI



HOME TO CANADIANS
Canada 

Chicoutimi-Jonquière

Metropolitan Area

Highlights

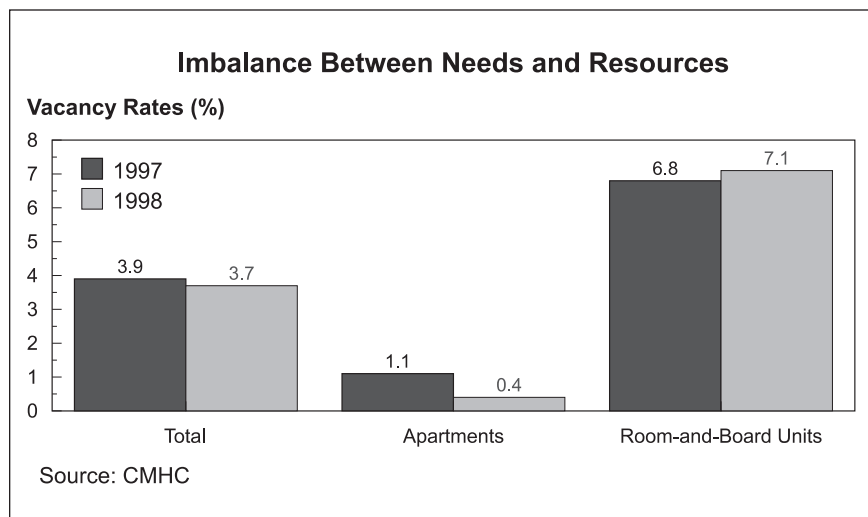
In October 1998, the vacancy rate for all retirement homes combined stood at 3.7%, compared to 3.9% the previous year.

In apartment residences, it is very difficult to find any vacant units. In October 1998, less than 1% of units were unoccupied.

Room and board residences, however, are still posting a high vacancy rate.

Two Types of Residences: Two Different Situations

Unoccupied units are scarce in private retirement homes in the Chicoutimi-Jonquière area. According to the results of the latest survey conducted by CMHC in October 1998, 3.7% of units were vacant, a situation similar to that observed one year earlier, when the vacancy rate stood at 3.9%. However, separate analyses of apartment type¹ and room and board type residences reveal different results.



¹ Apartment type residences are self-contained units which include an independent bathroom and kitchen.

Shortage in Apartment Retirement Homes

In apartment residences, the vacancy rate was practically nil at the time of the latest survey conducted in October 1998. In fact, only 0.4% of units remained vacant. Given that, on a balanced market, the vacancy rate is 4%; there is unquestionably a shortage in this type of residence.

It is not surprising to note the lack of apartments because, since the middle of the current decade, few new units have been built, notwithstanding the growth in the senior population. In 1998, approximately only 50 new apartments were built. The rapid absorption of these units and the low vacancy rate for apartments, which has been prevailing for the last three years, are evidence of an unfulfilled demand. Failing to find an apartment that meets their needs, many seniors put off leaving their current home. There is consequently room for a certain number of new units, which should be developed in line with the principal rules in this regard (good location, good value for money, quality service, etc.).

Surplus of Rooms

In room and board retirement homes, the situation is just the opposite. There is a surplus of units in relation to the needs on the market. At the time of the latest survey, 7.1% of the 686 rooms were unoccupied, while on a balanced market, the vacancy rate is approximately 6% for room and board residence type. To clearly understand the situation prevailing in rooming residences, the three structures sizes must be analyzed separately. In fact, the smaller residences are the hardest hit by the vacancy problem. Retirement homes with fewer than 20 rooms had a vacancy rate of 16.1%, more than double the percentage recorded in midsize residences (20 to 49 rooms). The greatest obstacle that smaller residences must face to remain competitive is their difficulty to offer a wide variety of services, as it is practically impossible for them to realize any economies of scale. As for retirement homes with 50 or more rooms (there are only three in the area, and they comprise over one quarter of available rooms), they are in a better position, with 2.1% of their units vacant.

It would seem obvious to think that seniors who could not find a place in apartment retirement homes would opt for a room. However, the vacancy rate trends for these two types of residences indicate otherwise. In fact, despite the shortage of apartments, the vacancy rate is rising in rooming residences. Some seniors will choose to stay longer in their current homes, if they cannot rent a suitable apartment. Above all, they want to maintain their independence for as long as possible.

Conditions in the Three Main Sectors in the Area

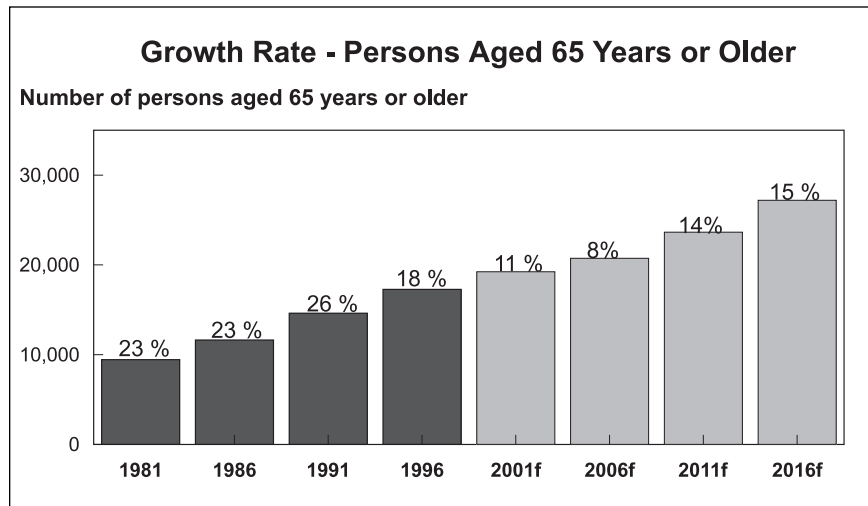
For apartment type residences, the three large sectors of the Chicoutimi-Jonquière metropolitan area posted similar vacancy rates (less than 1%) at the time of the latest fall survey, which is not the case for room and board type residences. In fact, the room and board vacancy rate stood at 10.6% in Jonquière, while it hovered between 4% and 5% in La Baie and Chicoutimi, an acceptable level considering the turnover for this type of client.

Demographic Changes: An Important Factor

The retirement home market analysis would not be complete without mentioning demographic changes, which determine the potential demand for retirement housing.

It is a fact that the population is aging more and more. According to the Statistics Canada census data, 6% of the total population of the Chicoutimi-Jonquière metropolitan area was 65 years or older in 1981 while, in 2001, this proportion will have doubled. At the time of the latest census in 1996, the number of persons 65 years or older was estimated at 17,275.

The population of this age group is expected to increase by 11% from 1996 to 2001 and by 8% over the following five years. However, these rate increases are lower than those recorded during the past 15 years. Why does the population growth start to slow down after 1996? Simply because persons who will turn 65 years after the year 2001 were born during the depression in the 1930s, a period marked by a lower birth rate and difficult social and economic conditions. This has resulted in a slower growth rate in the seniors population segment.



The pool of seniors will increase by an average of 400 persons per year between 1996 and 2001, while the annual growth will reach an average of 300 persons over the following five years. As shown in the above graph, the growth in the 65 years or older age group will not be soaring until 2001, nor during the five years after that. Considering that approximately 8% of the population aged 65 years or older live in private retirement homes and that there is a latent demand, some forty units could be added in each of the next two years without any risk of saturating the market.

The most difficult step now is to evaluate on a long term basis, what type of housing will be on demand. When the first baby boomers will join the seniors group, around 2010, their housing requirements will surely be different from today's needs. Already in the past, the retirement home market has undergone major changes. In fact, in the early 1980s, builders were mainly putting up room and board type residences, whereas the newer retirement homes comprise mostly apartments. This is a challenge that developers will be facing over the next few years.

Methodology

This CMHC report sets out the results of the survey conducted in the fall of 1998 on the privately initiated retirement home market in the Chicoutimi-Jonquière metropolitan area. This annual report contains vacancy rates, rental rates and an analysis of the main results obtained from the information provided by the persons in charge at the time of the survey.

The results of this survey constitute the most complete data on the Chicoutimi-Jonquière metropolitan area privately initiated retirement home market. The survey covers all private residences enumerated in the region and 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 assisting 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, as well as various governmental organizations and departments, and several housing-related industries.

Definitions

Unoccupied unit: A housing unit is considered to be unoccupied if, at the time of the survey, it is physically vacant and available for rent. The vacancy rate corresponds to the ratio between the number of unoccupied units and the total number of housing units. A balanced market, that is, one that favours neither tenants nor landlords, is characterized by vacancy rates of approximately 4% to 5% for apartment-type residences and 6% to 7% for retirement homes that offer rooms.

Rooming Residences: These are buildings that offer single or double rooms. The bathroom may be private or shared. This type of retirement home provides meals and offers a variety of support services (supervision, doctor visits, religious services, etc.).

Apartment Residences: These are buildings that offer self-contained housing units (that is, with a kitchen and a bathroom). Meals may be included in the rent or optional. Like rooming residences, they also offer a variety of services. In the survey, apartment residences were divided into two categories: those with a meal service (two or three meals per day are included in the rent) and those with an optional meal service (residents may take advantage of this service if they wish, but the cost of the meals is not included in the basic rent.)

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.

Table 1

Number of Apartments by Unit Size and Meal Service Type Private Apartment Type Residence								
Meal Service Type	Unit Size							
	Studio		One-Bedroom		Two-Bedroom		Total	
	1997	1998	1997	1998	1997	1998	1997	1998
Mandatory	128	116	104	116	12	12	244	244
Optional	263	299	120	136	30	30	413	465
Total	391	415	224	252	42	42	657	709

Source: CMHC

Table 2

Apartment Vacancy Rates (%) by Unit Size and Meal Service Type Private Apartment Type Residence								
Meal Service Type	Unit Size							
	Studio		One-Bedroom		Two-Bedroom		Total	
	1997	1998	1997	1998	1997	1998	1997	1998
Mandatory	1.6	0.9	1.9	0.9	n/a	n/a	1.6	0.8
Optional	0.8	0.0	0.0	0.7	n/a	n/a	0.7	0.2
Total	1.0	0.2	0.9	0.8	2.4	0.0	1.1	0.4

Source: CMHC

Note: To maintain data confidentiality, vacancy rates cannot be disclosed where there is an insufficient number of residences.

Table 3

Average Apartment Rents (\$) by Unit Size and Meal Service Type Private Apartment Type Residence						
Meal Service Type	Unit Size					
	Studio		One-Bedroom		Two-Bedroom	
	1997	1998	1997	1998	1997	1998
Mandatory	789	783	1,149	1,122	n/a	n/a
Optional	834	826	1,077	1,102	n/a	n/a
Total	824	814	1,109	1,111	1,446	1,377

Source: CMHC

Note: To maintain data confidentiality, vacancy rates cannot be disclosed where there is an insufficient number of residences.

Note 2: The reader will notice that in some structure sizes, the average rent without meals, is higher than apartments including meals. This phenomenon occurs because apartments with optional meals are generally larger. Other characteristics might also affect the average price.

Table 4

Number of Apartments and Residences by Structure Size Private Apartment Type Residence						
Structure Size	1997			1998		
	Apartments	Residences	Vacancy Rate	Apartments	Residences	Vacancy Rate
Under 100 units	173	3	2.3%	225	4	0.0%
100 units or over	472	4	0.2%	472	4	0.2%
Total	645	7	1.1%	697	8	0.1%

Source:

Note: Projects containing both apartments and rooms were placed in the category corresponding to the largest proportion of units in the residence. This is why the total number of residences by type may differ slightly from the figure appearing in the previous table.

Table 5

Number of Beds, Vacancy Rate and Average Rent per Bed Private Room and Board Retirement Homes						
	Single Rooms		Double Rooms		Total	
	1997	1998	1997	1998	1997	1998
Number of Beds	533	558	112	128	645	686
Vacancy Rate	6.6%	8.2%	8.0%	3.1%	6.8%	7.1%
Average Rent	\$792	\$801	\$654	\$649	—	—

Source: CMHC

Table 6

Number of Beds and Residences by Structure Size Private Room and Board Retirement Homes						
Structure Size	1997			1998		
	Beds	Residences	Vacancy Rate	Beds	Residences	Vacancy Rate
Under 20 rooms	77	7	10.4%	118	10	16.1%
20 to 49 rooms	379	12	6.1%	379	12	7.1%
50 rooms or over	189	3	6.9%	189	3	2.1%
Total	645	22	6.8%	686	25	7.1%

Source: CMHC

Note: Projects containing both apartments and rooms were placed in the category corresponding to the largest proportion of units in the residence. This is why the total number of residences by type may differ slightly from the figure appearing in the previous table.

Table 7

Totals and Vacancy Rate Based on Market Zone (1998)						
Market Zone	Apartments		Rooms		Total	
	Units	Vacancy Rate	Beds	Vacancy Rate	Units	Vacancy Rate
Chicoutimi	412	0.2%	288	4.2%	700	1.9%
Jonquière*	243	0.8%	311	10.6%	554	6.3%
La Baie	54	n/a	87	4.6%	141	2.8%
Metropolitan Region Total	709	0.4%	686	7.1%	1,395	3.7%

Source: CMHC

Note: To maintain data confidentiality, vacancy rates cannot be disclosed where there is an insufficient number of residences.

* Jonquière zone includes residences located in Saint-Ambroise and in Saint-Charles-de-Bourget.

For more information about this publication, please contact:

Charles Fortin at (418) 649-8100

© 1999 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this publication are based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.