



THE

RETIREMENT HOME

MARKET STUDY



2000 QUÉBEC



HOME TO CANADIANS
Canada 

Québec

Metropolitan Area

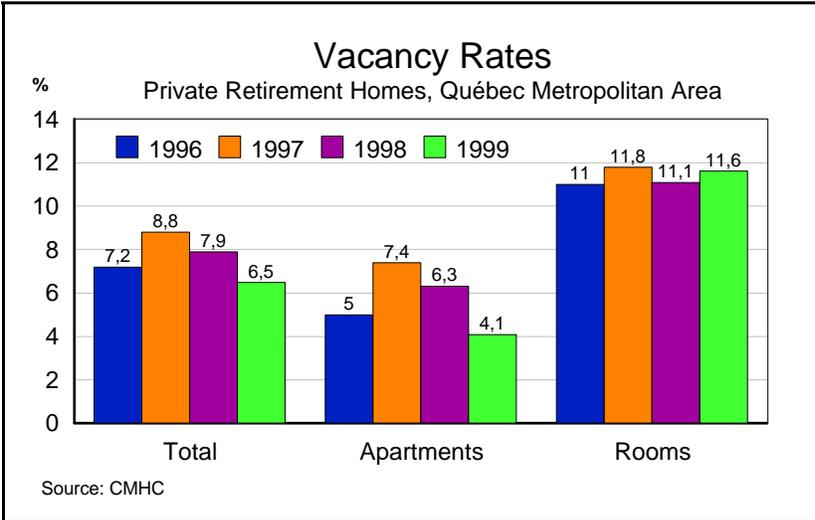
Vacancy rate declines in Québec area retirement homes

At the time of the October 1999 survey, the **private retirement home** market was doing better than in 1998 in the Québec metropolitan area. The vacancy rate effectively posted a second consecutive decrease in the Québec area. In 1999, 6.5% of these units were available for rent, compared to 7.9% one year earlier. Even with this drop, though, the vacancy rate remains above the balanced market rate¹ for room-and-board residences.

In the Québec metropolitan area, the retirement housing stock is mainly composed of apartments. In fact, out of the 7,104 privately initiated retirement housing units, 4,869 are apartments. As for rooms, which number 2,235, they represent 31% of this housing supply.

Highlights

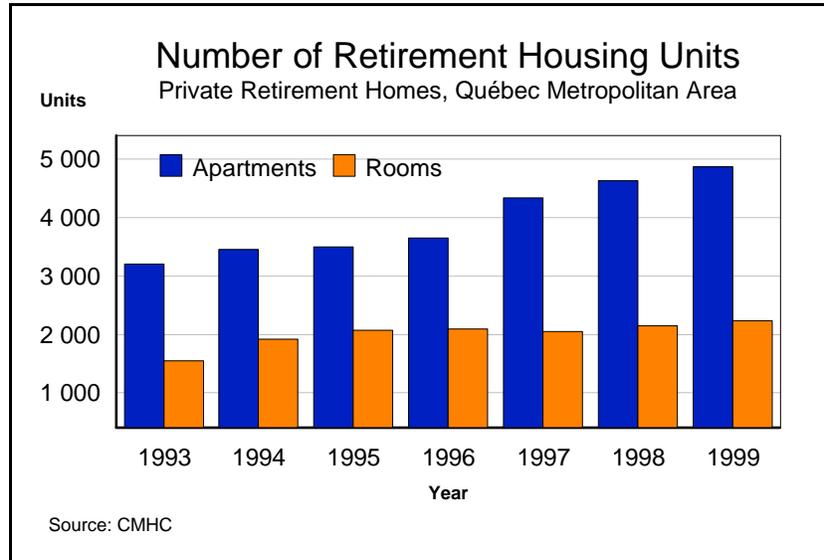
- ◆ Apartment retirement homes have now attained balanced conditions in Québec, with a vacancy rate of 4.1%.
- ◆ The situation remains difficult for room-and-board residences, as their vacancy rate stands at 11.6%.
- ◆ Val-Bélair and the Haute-Ville sector post good performances in 1999.



¹ In a balanced market, that is, a market that favours neither tenants nor landlords, vacancy rates are 4% to 5% for apartment retirement homes and 6% to 7% for room-and-board residences. These rates are higher than that of the traditional rental market (3%) due to the greater turnover rate associated with older clients.

Apartment retirement home segment now balanced

The apartment retirement home market can now be considered to be balanced in Québec. For residences of this type, the vacancy rate went from 6.3% in 1998 down to 4.1% in 1999. This decrease was attributable to a sustained demand and a weak growth in the stock of apartments. In fact, there were only 239 new units during the period from October 1998 to October 1999, compared to a total of nearly 1,000 units in the two previous years (292 in 1998 and 682 in 1997).



In the room-and-board retirement home segment, the situation remains difficult. The October 1999 survey revealed a vacancy rate of 11.6%, slightly up over October 1998 (11.1%). This situation was mainly due to a weak demand for this type of housing, rather than overabundant construction. Older clients prefer newer apartment residences that are safe, modern and offer a wide range of services.

Vacancy rate goes up for larger units

In the last few years, it has been observed that larger units (those with two bedrooms) were easier to rent than smaller ones. This year, though, it can be seen that two-bedroom apartments are the only ones that registered an increase in their vacancy rate. In fact, this rate doubled and has now attained 4.5%. It should be noted, however, that dwellings of this type posted the greatest gain in terms of number of units. It is therefore safe to say that the considerable production of two-bedroom apartments caused a certain abundance on the market.

Larger housing projects enjoy great popularity

For a few years now, larger buildings that can offer a wide range of services are those that have been the most popular among older clients. In October 1999, retirement homes with 50 or more rooms posted a better rental performance than buildings with 49 rooms or less (see Table 8).

The situation is less obvious, however, in the case of apartment buildings. In this segment, buildings with 50 to 99 units are the ones that have the lowest vacancy rate (2.7%). Complexes with over 100 units show a higher proportion of vacant units (4.8%).

Generally, the economies of scale realized in the larger rental projects allow them to offer more services to meet the many needs of seniors, including health care, organized group activities and security. They can thereby attract more clients while being more cost-effective thanks to the distribution of costs.

Val-Bélair and the Haute-Ville sector post good performances in 1999

In all, zone 5 (Val-Bélair, Saint-Émile, Loretteville, etc.) and the Québec Haute-Ville sector have vacancy rates below the balance point for retirement homes.

In the more specific case of apartment residences, the Québec area recorded a solid performance overall. In fact, only the Québec Basse-Ville sector and zone 7 (Beauport, Sainte-Brigitte-de-Laval, Boischatel, etc.) are above the balance point, and several zones are even experiencing shortages.

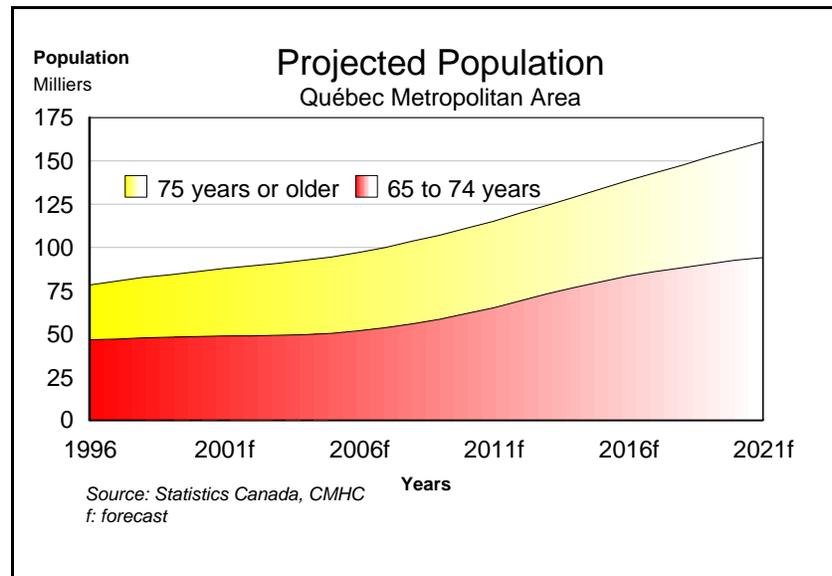
Room-and-board retirement homes, for their part, have achieved less brilliant results. Only zones 1 (Basse-Ville, Vanier) and 5 (Val-Bélair, Saint-Émile, Loretteville, etc.) are balanced. All other sectors have a surplus of units of this type. In general, the situation has remained stable in relation to 1998, except for zone 2 (Haute-Ville) and zone 3 (Québec des Rivières, Ancienne-Lorette), which sustained major increases in their vacancy rates. However, these disappointing results are due to the poor performance of one residence in each of these zones.

The situation in the apartment retirement home segment is therefore more enviable than that prevailing for room-and-board residences.

The future of private retirement homes in the area

In view of identifying future housing market trends, a demographic analysis must be performed. It is a known fact that the large baby boomer cohort (those born during the postwar period) strongly influenced the real estate market in the late 1980s and early 1990s. It is therefore reasonable to think that they will have a significant impact on the retirement home market in the years to come.

As everyone knows, the low birth rate registered in the last few decades and the growing life expectancy have inevitably resulted in the aging of the population, a phenomenon that represents a positive factor for the retirement home market. But at what rate exactly is the aging taking place in the Québec metropolitan area? Will it keep going at a faster and faster pace? What can be expected in terms of the housing demand?



In the Québec area, the population aged 65 years or older, which numbered 78,165 persons in 1996, will attain 115,132 in 2011 and 161,224 in 2021. This represents an annual increase of 3.2%, while the overall population will be growing at a yearly rate of 0.4%. As a result, the proportion of seniors, which stood at 11.6% in 1996, will reach 16.2% in 2011 and 22.6% in 2021.

Now for a look at the situation of the population segment composed of persons aged from 65 to 74 years: people in this age category are those most likely to make a decision to move into an apartment residence for young retirees. The number of people aged from 65 to 74 years will rise significantly over the next 20 years. From 2001 to 2006, however, the growth rate of this group will slow down somewhat, as those who will be turning 65 at that time will be the children who were born in the decade that followed the 1929 economic crisis. During these difficult times, young couples who were at the age of starting a family did not have the financial means to have many children, which explains the drop in the birth rate registered during this period.

The many baby boomers are also aging, but it must be kept in mind that the first members of this cohort will not be turning 65 until the 2010s. While the population may effectively be aging, this does not mean that there will be a pressing need for housing in the very short term. Developers must be cautious in the short term before undertaking the construction of new residences in the area.

For the segment of the population aged 75 years or older, made up of clients who are more often losing their independence and living in room-and-board retirement homes or apartment residences offering a wide range of services, the growth rate will remain strong for several years. First, this group will post a slowdown until about the 2010s. Then, the growth rate of this cohort will progressively rise, and the increase in this population segment will be greater than that of the 65 to 74 years age group before the 2020s. Between 1996 and 2011, the growth rate of those aged 75 years or older will attain 4.8% per year. And, it could possibly be even greater thanks to modern medicine, which enables humans to significantly extend their lives, as progress is still anticipated in this area for many years to come. It is therefore probable that the retirement home client group will follow this same trend. For this reason, special attention will have to be paid to the 75 years age group sooner or later.

Caution is a must

Even in a balanced market like that of Québec, it should not be forgotten that retirement homes are not risk-free; the financial difficulties encountered by certain projects are a reminder of the particular conditions prevailing on this market. The success of upcoming projects depends not only on the potential demand, but also on several other factors such as the quality of the services, the rental rates, the proximity of various services and the competition from other residences in the same sector.

It is probable that, in order to maximize the economies of scale and thereby increase profitability, the next retirement homes to be built will be mainly residences with 50 or more apartments. There will also be an increasing number of real estate complexes with a combination of buildings designed for people aged 75 years or older and offering a wide range of services (particularly health care services) and buildings for young retirees who may need services on an occasional basis. In this manner, developers make sure to retain their clients longer.

The key to success in this niche therefore lies in the ability of residences to adapt to new any trends that emerge. The clients who live in these complexes dictate the new avenues to be explored, and developers must remain attentive to the different needs expressed by our seniors.

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 Québec 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 comprehensive data on the Québec metropolitan area private 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 by residence type and size, market zone and unit type, among other factors.

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.

Market Zones

Zone 1: Québec Basse-Ville (Limoilou, Saint-Roch, Saint-Sauveur), Vanier

Zone 2: Québec Haute-Ville (Saint-Jean-Baptiste, Champlain, Montcalm)

Zone 3: Québec des Rivières (Neufchâtel, Duberger, Les Saules, Lebourgneuf), Ancienne-Lorette

Zone 4: Sainte-Foy, Sillery, Cap-Rouge, Saint-Augustin

Zone 5: Val-Bélair, Saint-Émile, Loretteville, Lac Saint-Charles, Lac Delage, Valcartier, Shannon, Lac Saint-Joseph, Sainte-Catherine-de-la-J.C., Fossambault

Zone 6: Charlesbourg, Lac Beauport, Stoneham-Tewkesbury

Zone 7: Beauport, Sainte-Brigitte-de-Laval, Boischâtel, L'Ange-Gardien, Château-Richer, Île d'Orléans

Zone 8: Charny, Saint-Romuald, Saint-Jean-Chrysostôme, Saint-Nicolas, Saint-Rédempteur, Breakeyville, Saint-Lambert, Saint-Étienne

Zone 9: Lévis, Pintendre, Saint-Joseph-de-Lévy, Saint-Étienne-de-Beaumont

Definitions

Vacant unit: A housing unit is considered to be vacant if, at the time of the survey, it is unoccupied and available for rent.

Vacancy rate: The vacancy rate corresponds to the ratio between the number of vacant units and the total number of housing units. In a balanced market, that is, a market that favours neither tenants nor landlords, vacancy rates are 4% to 5% for apartment retirement homes and 6% to 7% for room-and-board residences.

Room-and-board retirement homes: 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 retirement homes: 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 room-and-board retirement homes, they also offer a variety of services. In the survey, apartment retirement homes were divided into two categories: those with a mandatory meal service (two or three meals per day 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).

Acknowledgements

The Retirement Home Market Survey could not have been conducted without the invaluable cooperation of the owners and managers of these residences. We greatly thank them for their efforts and for having assisted us in rapidly obtaining accurate information.

Table 1

Number of Apartments by Unit Size and Meal Service Formula Private Apartment Retirement Homes, Québec CMA								
Meal Service Formula	Unit Size							
	Studio		1 Bedroom		2 Bedroom		Total	
	1998	1999	1998	1999	1998	1999	1998	1999
Meals Mandatory	1,277	1,309	1,072	1,044	110	151	2,459	2,504
Meals Optional	578	620	1,281	1,385	293	339	2,171	2,365
Total	1,855	1,929	2,353	2,429	403	490	4,630	4,869

Source : CMHC

Table 2

Apartment Vacancy Rates (%) by Unit Size and Meal Service Formula Private Apartment Retirement Homes, Québec CMA								
Meal Service Formula	Unit Size							
	Studio		1 Bedroom		2 Bedroom		Total	
	1998	1999	1998	1999	1998	1999	1998	1999
Meals Mandatory	8.8	4.0	6.9	3.1	2.7	7.3	7.7	3.8
Meals Optional	7.8	7.3	4.2	3.5	2.0	3.2	4.8	4.4
Total	8.5	5.0	5.4	3.3	2.2	4.5	6.3	4.1

Source : CMHC

Table 3

Average Apartment Rents (\$) by Unit Size and Meal Service Formula Private Apartment Retirement Homes, Québec CMA						
Meal Service Formula	Unit Size					
	Studio		1 Bedroom		2 Bedroom	
	1998	1999	1998	1999	1998	1999
Meals Mandatory	965	950	1,275	1,180	1,550	1,595
Meals Optional	603	720	975	975	1,200	1,100
Total	900	910	1,080	1,080	1,250	1,250

Source : CMHC

Table 4

Apartment Rents and Floor Areas by Unit Size and Meal Service Formula Private Apartment Retirement Homes Québec Metropolitan Area						
Unit Size	Rent (\$)	Rent Boundaries (\$)	Floor Area (sq ft)	Floor Area Boundaries (sq ft)	Rent per sq ft (\$)	Rent per sq ft Boundaries (\$)
APARTMENTS - MEALS MANDATORY						
Studio	950	900 - 995	305	260 - 350	3.20	2.71 - 3.67
1 Bedroom	1,180	1,080 - 1,375	550	472 - 600	2.34	1.91 - 2.65
2 Bedroom	1,500	1,325 - 1,800	850	788 - 936	1.62	1.51 - 2.22
APARTMENTS - MEALS OPTIONAL						
Studio	720	372 - 830	253	240 - 336	1.77	1.55 - 2.96
1 Bedroom	975	850 - 1,100	576	468 - 626	1.77	1.40 - 1.87
2 Bedroom	1,125	990 - 1,250	866	800 - 913	1.25	1.24 - 1.48

Note: The lower and upper median values, called boundaries, indicate the interval that includes 50% of the observations. This means that one of every two values falls within the limits represented by these boundaries.

Source: CMHC

Table 5

Number of Residences, Apartments and Vacancy Rates by Building Size Private Apartment Retirement Homes Québec Metropolitan Area						
Building Size	1998			1999		
	Number of Residences	Number of Apartments	Vacancy Rates (%)	Number of Residences	Number of Apartments	Vacancy Rates (%)
Less than 50 units	12	329	4.6	15	373	3.8
50 to 99 units	18	1,291	5.4	16	1,184	2.7
100 or more units	18	2,986	6.9	20	3,238	4.8
Total	48	4,606	6.3	51	4,795	4.2

Note: Retirement homes comprising both apartments and rooms were categorized according to the type with the most units. For this reason, the totals per type may slightly differ from the results in previous tables.

Source: CMHC

Table 6

Number of Beds, Vacancy Rate and Median Rent per Bed by Type of Room Private Room-and-Board Retirement Homes Québec Metropolitan Area						
Statistics	Single Rooms		Double Rooms		Total	
	1998	1999	1998	1999	1998	1999
Number of Beds	2,003	2,088	144	140	2,147	2,235
Vacancy Rate (%)	10.9	12.2	13.2	5.7	11.1	11.6
Median Rent (\$)	850	875	750	750	---	---

Table 7

Room Rents and Floor Areas Private Room-and-Board Retirement Homes Québec Metropolitan Area						
Type of Room	Rent (\$)	Rent Boundaries (\$)	Floor Area (sq ft)	Floor Area Boundaries (sq ft)	Rent per sq ft	Rent per sq ft Boundaries (\$)
Single	875	800 - 1,180	165	144 - 200	5.56	4.49 - 6.74
Double	750	650 - 790	300	224 - 384	2.88	2.14 - 3.83

Table 8

Number of Residences, Beds and Vacancy Rates by Building Size Private Room-and-Board Retirement Homes Québec Metropolitan Area						
Building Size	1998			1999		
	Number of Residences	Number of Beds	Vacancy Rates (%)	Number of Residences	Number of Beds	Vacancy Rates (%)
Less than 20 rooms	72	734	15.1	64	642	11.7
20 to 49 rooms	33	980	11.2	32	946	13.8
50 or more rooms	6	374	3.7	8	546	7.9
Total	111	2,088	11.3	104	2,134	11.7

Note: Retirement homes comprising both apartments and rooms were categorized according to the type with the most units. For this reason, the totals per type may slightly differ from the results in previous tables.

Table 9

Number of Units and Vacancy Rates by Residence Type and Market Zone Private Apartment and Room-and-Board Retirement Homes Québec Metropolitan Area									
Market Zone	Apartments			Rooms			Total		
	Number of Units	Vacancy Rates (%)		Number of Units	Vacancy Rates (%)		Number of Units	Vacancy Rates (%)	
	1999	1998	1999	1999	1998	1999	1999	1998	1999
1- Québec Basse-Ville Vanier	732	9.2	7.1	348	6.9	5.5	1,080	8.3	6.6
2- Québec Haute-Ville	1,165	2.2	2.7	195	0.6	8.7	1,360	2.0	3.6
3- Québec des Rivières, Acienne-Lorette	550	7.4	4.2	78	29.5	38.5	628	10.1	8.4
4- Ste-Foy, Sillery, Cap-Rouge, St-Augustin	886	3.9	3.0	327	16.1	12.5	1,213	6.4	5.6
5- Val Bélair, St-Émile, Loretteville	148	4.1	0.7	136	9.7	6.6	284	7.1	3.5
6- Greater Charlesbourg, Stoneham, etc...	416	3.9	1.4	122	13.0	15.6	538	6.1	4.6
7- Boischatel, Île d'Orléans, etc...	383	22.3	10.2	633	9.4	10.9	1,016	14.3	10.6
8- Charny, St-Romuald, St-Jean-Chrysostôme, etc...	94	7.4	0.0	225	17.7	16.0	319	14.7	11.3
9- Greater Lévis, Pintendre	495	5.7	3.8	171	12.3	11.7	666	7.4	5.9
Total - Québec Metropolitan Area	4,869	6.3	4.1	2,235	11.1	11.6	7,104	7.9	6.5

Source : CMHC

***What were the vacancy rates and average rents
on the private rental market in the
Québec area at the end of 1999?***

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For more information about this publication, please contact:

Jean-François Dion

Market Analyst

at (418) 649-8101

Email: jfdion@cmhc-schl.gc.ca