



THE

RETIREMENT HOME

MARKET STUDY



2000 TROIS-RIVIÈRES



HOME TO CANADIANS
Canada 

Trois-Rivières

Metropolitan Area

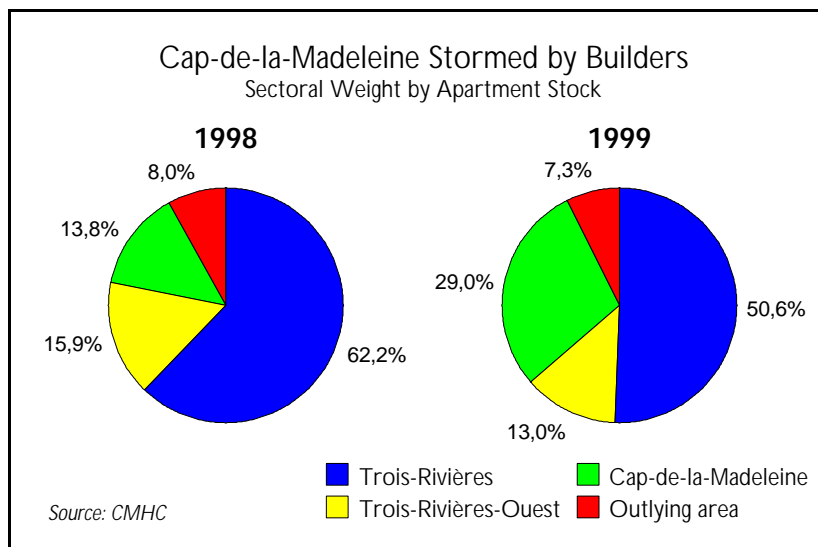
Highlights

- *The vacancy rate for private retirement homes in the area attained 6.6% in the fall of 1999, a relatively stable level in relation to the previous year (6.7%). The situation differs, however, depending on the type of residence.*
- *The apartment retirement home segment continues to improve with a vacancy rate of only 3.3%.*
- *Room-and-board residences still show a surplus with a vacancy rate of 9.5%.*

New apartments were very well absorbed

The healthier conditions in apartment retirement homes in the area brought new developers to this market segment in the last few years. During the second half of 1998, the construction of housing projects for seniors virtually exploded. Contractors took the municipality of Cap-de-la-Madeleine by storm and three projects were started for a total of over 150 new units. The very old population in this sector, the lack of available apartments and the low vacancy rate (3%) rapidly attracted the attention of quite a few investors. Even if the need for additional units seemed obvious, the practically simultaneous arrival of several residences raised some concern. In just one year, the share of retirement homes in Cap-de-la-Madeleine literally doubled, rising from 14% to 29%. But the latest survey confirmed that the developers were right. In fact, even with the massive addition of apartments, the sector saw its vacancy rate drop to only 2%, a level that is now even further away from the balanced value of 4% to 5% for residences of this type.

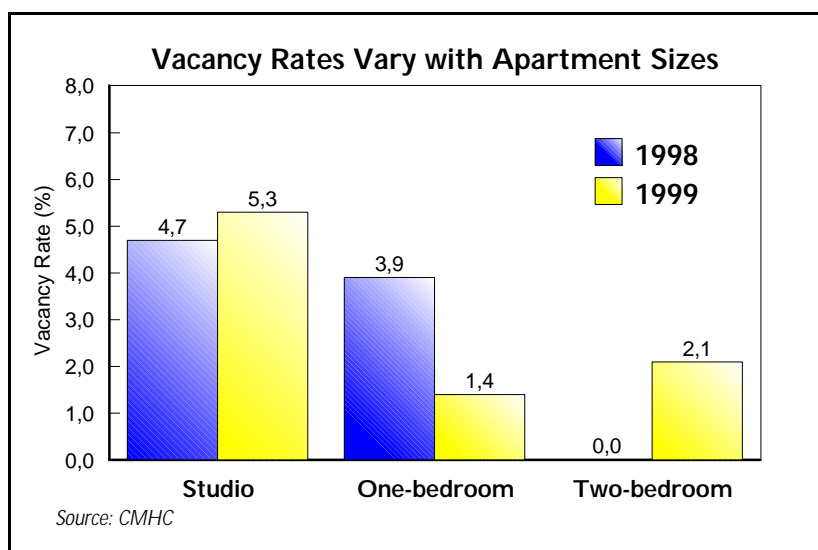
In the fall of 2000, it will be the turn of Trois-Rivières-Ouest to post a gain in its market share with the arrival of a new project (Les Résidences Richelieu). Since the population is much younger there than in Cap-de-la-Madeleine, it will be interesting to see the impact of the new project on the vacancy rate in the sector, and also on that of the overall Trois-Rivières metropolitan area.



The overall vacancy rate for apartments was only 3.3% but ...

As the newly arrived apartments on the market were rapidly absorbed, they largely contributed to the new decrease in the vacancy rate, which fell from 4% in 1998 to 3.3% at the time of the last fall survey.

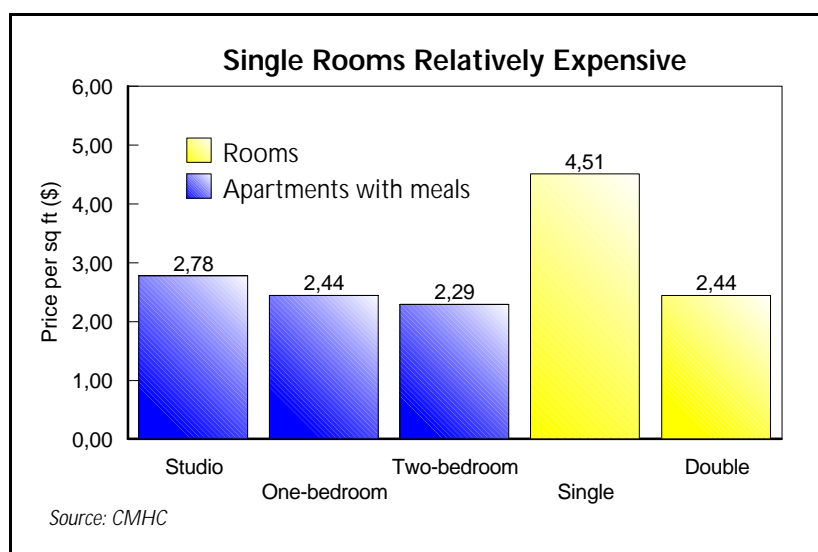
The vacancy rate varied, though, with the type of unit. While one-bedroom units gained in popularity and posted a vacancy rate decrease from 3.9% to just 1.4%, the rate for studio apartments increased slightly to 5.3%. As for two-bedroom units, which account for only 11% of the total stock of apartments, two units were available in 1999, compared to none one year earlier.



... nearly one out of every ten rooms was vacant

In the room-and-board retirement home segment, however, the situation deteriorated. The latest available results confirm that these residences are still experiencing rental difficulties. In fact, the improvement noted at the time of the previous survey will have been short-lived. In the fall of 1999, 9.5% of beds were unoccupied and available, while the vacancy rate should hover around 6% to 7% in a balanced market, in the case of room-and-board retirement homes. The latest observations once again corroborate the fact that seniors who are fully independent prefer newer, more modern and competitively priced apartment residences providing security and offering a more diversified range of services. Several rooming residences unfortunately run the risk of losing their most independent tenants, who will be tempted to leave and take one of the few places available in apartment projects.

This year, the report presents median values for the prices and sizes of the different units available on the market. The most interesting comparison is that between single rooms and studio apartments with meals included. The median price of a single room is \$750 and its size attains 180 square feet. For a studio unit with meals, the rent is \$950, but it offers twice as much space at 350 square feet. This comparison becomes even more striking when considering the median price per square foot values, which stand at \$4.51 for the room but at only \$2.78 for the studio, a considerable gap. This significant difference constitutes a partial explanation for the higher vacancy rate noted for rooms, compared to studio apartments.



Retirement homes with 50 or more rooms are managing quite well

The general situation for room-and-board residences is not rosy. But, while those comprising less than 50 rooms are experiencing serious rental difficulties, with a vacancy rate above 11%, larger complexes are doing very well with a rate below 5%. Given their size, these residences can offer a more comprehensive range of services to their occupants and are comparable to apartment projects.

Over the years, smaller residences have found themselves with a less and less independent group of clients. Since these older people require more and costlier special care, but usually have limited financial means, several smaller retirement homes have ended up with profitability problems. Some landlords in difficulty are effectively being forced to shut down, even after many years of operation. A few closings were in fact recorded between the last two surveys.

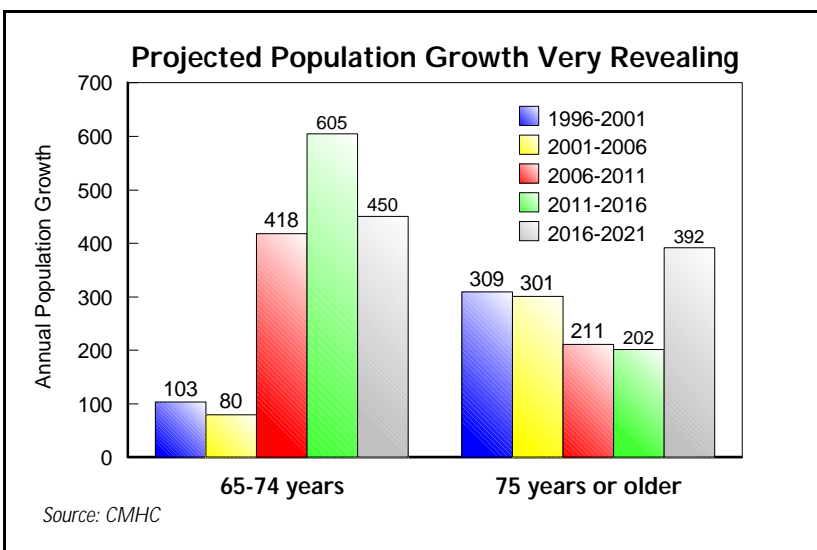
A longer-term view of the market

In view of identifying future housing market trends, we must inevitably analyze the demographics, which play a major role with regard to housing. One just has to recall the significant impact of the famous baby boomer group (the postwar generation) on the housing demand some ten years ago to see that demographics and the housing market are closely linked. So, what can we learn from the changes in the Trois-Rivières population in the short and medium terms?

To this end, let us carefully examine the graph on the next page, which presents CMHC's forecast for the period from 1996 to 2021 concerning the annual formation of households aged 65 years or older in the Trois-Rivières metropolitan area. We will separately analyze two main groups, those aged from 65 to 74 years, clients living mainly in apartment residences for young retirees, and those aged 75 years or older.

The young retiree client will explode in ten years

In the Trois-Rivières area, the young retirees group (aged from 65 to 74 years) will post a good progression for the years to come. From now until 2006, however, the growth rate of this group will be relatively low, since the people who will be turning 65 at that time will be the children who were born during 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.



But the numerous baby boomers are aging and, starting in 2010, they will be massively entering the golden age. At that time, the growth of those aged from 65 to 74 years will be impressive. Many baby boomers will then be selling their principal residence, which will require too much maintenance, and seeking a new home. Some will decide to permanently move to their secondary residence, while others will opt for the purchase of a condominium, a relatively scarce product in the Trois-Rivières area. However, many will want to return to renting and fully enjoy their freedom. This future pool of renters will be very demanding, though, with regard to quality of construction, security and proximity of services. Since baby boomers often have a favourable financial situation, they will be prepared to pay more for their housing, but they will also demand more in return.

The demand for new apartment residences should therefore accelerate towards the end of this decade, but it should still remain weak in the short term. Builders will therefore have to show some patience, study the wishes of future retirees and find the winning formula to succeed on the retirement home market.

For those aged 75 years or older, clients who are often losing their independence and living in apartment residences offering a wide range of services or room-and-board retirement homes, the growth will continue, but at a slower pace for the next 20 years. It is only as of the 2020s that their growth rate will embark on a strong upward trend, when the famous baby boomers will start joining this group.

Caution is a must

As we have just seen, the older population will be growing at a slower pace over the next ten years. Developers will therefore have to be cautious before undertaking new projects. As well, it must be kept in mind that the success of future projects will depend not only on the potential demand, but also on numerous other factors such as the quality of the services offered, the rental rates, the location and the competition from other residences in the vicinity.

In order to maximize the economies of scale and increase their profitability, most of the next retirement homes to be built will comprise 50 or more apartments. In view of adapting to client needs, there will be an increasing number of major real estate complexes with a combination of buildings designed for people aged 75 years or older and offering a wide range of services (including health care) and units for young retirees attracted by the availability of many services on an occasional basis. In this manner, developers will ensure a natural supply of clients for their projects.

The key to success in the retirement home niche lies in the ability of residences to adapt to new 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 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 Trois-Rivières 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 Trois-Rivières 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.

All stakeholders and observers on the market will find this information useful. 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.

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. 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.

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

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Table 1

Number of Apartments by Unit Size and Meal Service Formula Private Apartments Retirement Homes Trois-Rivières Metropolitan Area								
Meal Service Formula	Unit Size							
	Studio		1 Bedroom		2 Bedroom		Total	
	1998	1999	1998	1999	1998	1999	1998	1999
Meals Mandatory	223	309	62	204	0	12	285	525
Meals Optional	120	87	244	161	47	84	411	332
Total	343	396	306	365	47	96	696	857

Source: CMHC

Table 2

Apartment Vacancy Rates (%) by Unit Size and Meal Service Formula Private Apartments Retirement Homes Trois-Rivières Metropolitan Area								
Meal Service Formula	Unit Size							
	Studio		1 Bedroom		2 Bedroom		Total	
	1998	1999	1998	1999	1998	1999	1998	1999
Meals Mandatory	5.4	2.6	1.6	1.5	---	16.7	4.6	3.1
Meals Optional	3.3	14.9	4.5	1.2	0.0	0.0	3.6	4.5
Total	4.7	5.3	3.9	1.4	0.0	2.1	4.0	3.3

Note: To ensure data confidentiality, we cannot disclose the information when there is an insufficient number of retirement homes.

Source: CMHC

Table 3

Average Apartment Rents (\$) by Unit Size and Meal Service Formula Private Apartments Retirement Homes Trois-Rivières Metropolitan Area						
Meal Service Formula	Unit Size					
	Studio		1 Bedroom		2 Bedroom	
	1998	1999	1998	1999	1998	1999
Meals Mandatory	880	950	1,250	1,250	---	1,700
Meals Optional	825	692	868	730	650	1,340
Total	880	900	925	1,100	650	1,340

Source: CMHC

Table 4

Apartment Rents and Floor Areas by Unit Size and Meal Service Formula Private Apartments Retirement Homes Trois-Rivières Metropolitan Area						
Unit Size	Rents (\$)	Rents Boundaries (\$)	Floor Area (sq ft)	Floor Area Boundaries (sq ft)	Rents per sq ft (\$)	Rents per sq ft Boundaries (\$)
APARTMENTS - MEALS MANDATORY						
Studio	950	850 - 1,000	350	324 - 359	2.78	2.09 - 2.93
1 Bedroom	1,250	1,100 - 1,395	500	500 - 600	2.44	1.83 - 2.79
2 Bedroom	1,700	1,500 - 1,715	725	684 - 750	2.29	2.14 - 2.42
APARTMENTS - MEALS OPTIONAL						
Studio	692	692 - 825	463	220 - 463	1.49	1.49 - 3.75
1 Bedroom	730	550 - 1,000	480	310 - 825	1.33	1.15 - 1.77
2 Bedroom	1,340	715 - 1,340	807	807 - 1,000	1.47	0.72 - 1.66

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 Apartments Retirement Homes Trois-Rivières 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	0	0	---	2	88	3.4
50 to 99 units	2	145	3.4	3	210	1.9
100 or more units	4	470	3.6	4	470	3.6
Total	6	615	3.6	9	768	3.1

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 6

Number of Beds, Vacancy Rates and Median Rent per Bed by Type of Room Private Room-and-Board Retirement Homes Trois-Rivières Metropolitan Area						
Statistics	Single Rooms		Double Rooms		Total	
	1998	1999	1998	1999	1998	1999
Number of Beds	986	912	34	54	1,020	966
Vacancy Rate (%)	7.8	9.4	29.4	11.1	8.5	9.5
Median Rent (\$)	770	750	625	650	---	---

Table 7

Room Rents and Floor Areas Private Room-and-Board Retirement Homes Trois-Rivières Metropolitan Area						
Type of Room	Rents (\$)	Rents (\$) Boundaries	Floor Area (sq ft)	Floor Area Boundaries (sq ft)	Rents (\$) per sq ft	Rents per sq ft Boundaries (\$)
Single	750	700 - 900	180	132 - 240	4.51	3.13 - 5.68
Double	650	625 - 665	252	192 - 375	2.44	1.73 - 3.26

Table 8

Number of Residences, Beds and Vacancy Rates by Building Size Private Room-and-Board Retirement Homes Trois-Rivières 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	37	363	9.9	32	300	12.0
20 to 49 rooms	11	335	9.0	14	386	11.1
50 or more rooms	5	322	6.5	4	280	4.6
Total	53	1,020	8.5	50	966	9.5

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 Apartments and Room-and-Board Retirement Homes Trois-Rivières 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- Trois-Rivières	435	5.1	5.3	223	7.5	10.3	658	6.1	7.0
2- Trois-Rivières Ouest	112	1.8	0.0	206	6.0	3.9	318	4.5	2.5
3- Cap-de-la-Madeleine	249	3.1	2.0	196	11.4	11.7	445	8.6	6.3
4- Outlying Area*	63	1.8	0.0	341	9.4	11.1	404	8.3	9.4
Total / Trois-Rivières Metropolitan Area	859	4.0	3.3	966	8.5	9.5	1,825	6.7	6.6

* The outlying area includes Bécancour, Champlain, Pointe-du-Lac, St-Louis-de-France, St-Maurice and Ste-Marthe-du-Cap-de-la-Madeleine.