



T H E

RETIREMENT HOME

MARKET STUDY



2001 SHERBROOKE



HOME TO CANADIANS
Canada

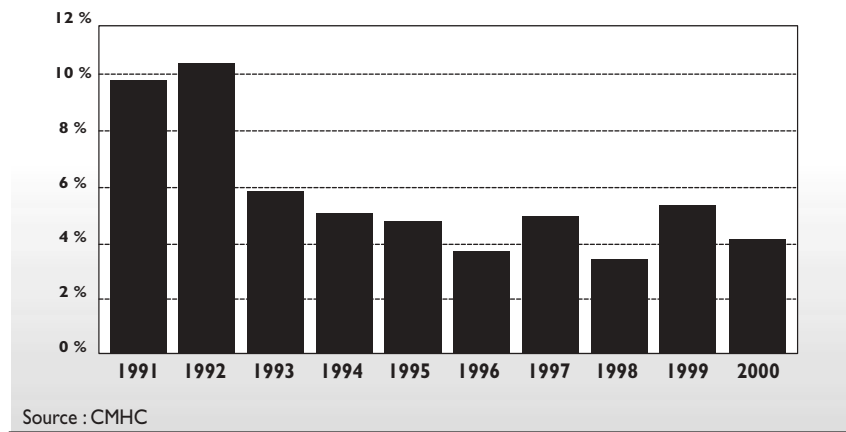
Sherbrooke

Metropolitan Area

A market in good health

The retirement home market in the Sherbrooke metropolitan area presents several interesting aspects. First, the vacancy rate, at 4.2 per cent, is very close to the level corresponding to a balanced market. Also, new projects are periodically started in the different sectors of the area, which increases and diversifies the supply of dwellings for seniors. Demand continues to grow steadily, as evidenced by the rapid absorption of the new units. Lastly, rental increases remain limited, with a rise of 1.3 per cent.

Vacancy Rate Falls in 2000
Private Retirement Homes - Sherbrooke CMA



At the time of the October 2000 survey, the vacancy rate for the overall retirement home market stood at 4.2 per cent, compared to 5.1 per cent in 1999. This rate was just under the balanced level, which is 5.0 per cent for Sherbrooke, given the distribution of the retirement housing stock between apartments and room-and-board units.

The market therefore managed to absorb very quickly and smoothly the 300 units that were added to the stock between 1998 and 1999. At the time of this survey, no new projects had arrived on the market since the previous survey. The Manoir Kayser, a 200-apartment project, only became ready for occupancy at the end of the year.

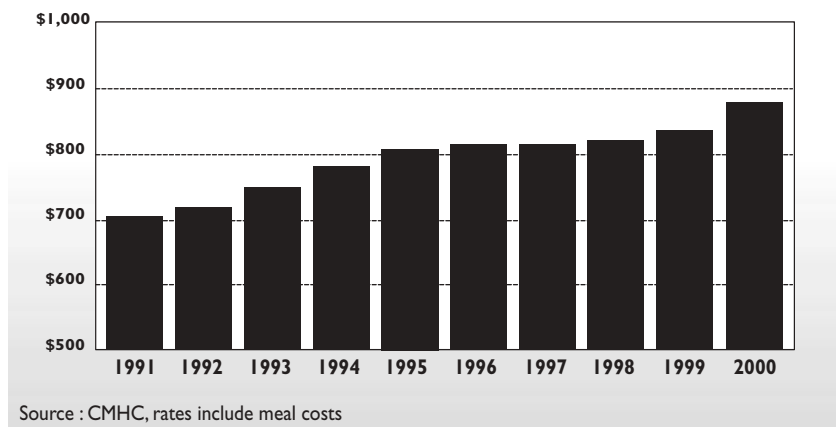
Rooms sufficient but apartments scarce

In Sherbrooke, on the private market, room-and-board units dominate the supply of dwellings, as they account for 60 per cent of the market. The survey revealed that, in this market segment, supply and demand are well balanced, as 6.0 per cent of beds are unoccupied.

This situation on the market came with another increase in the average rent for single rooms. In October 2000, the average price of a single room, including meals, reached \$874 per month, up by 1.3 per cent over the year before. It should be noted that this increase was below the inflation rate, estimated at 2.4 per cent for Quebec in 2000.

Rents Continue to Rise

Average Rent for a Single Room - Private Retirement Homes - Sherbrooke CMA



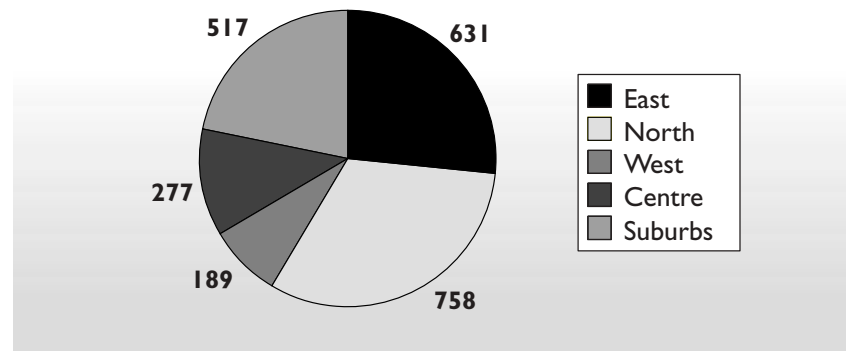
In the apartment segment, units are scarcer. At the time of the 2000 survey, just 1.6 per cent of apartments had not found takers, compared to 4.0 per cent on a balanced market. The average prices stood at \$790 per month for studio apartments and at \$844 per month for one-bedroom units.

In all, only 16 apartments and 85 beds were unoccupied in October 2000 in the Sherbrooke metropolitan area out of a total stock of 996 apartments and 1,418 beds.

Retirement Housing Stock Composition

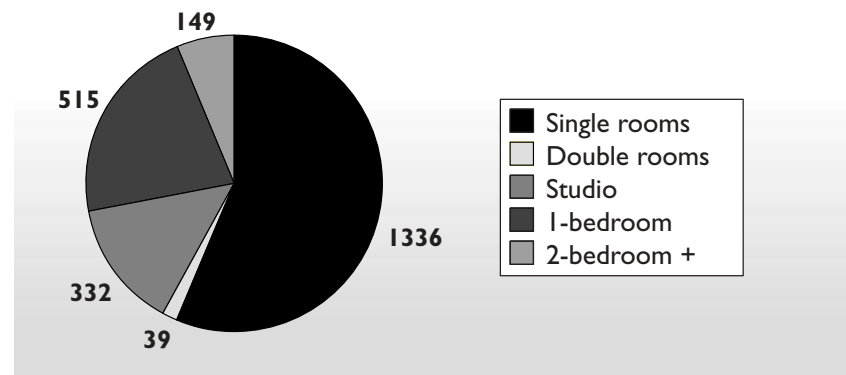
Private Retirement Housing Distribution in 2000

Sherbrooke CMA - Private Retirement Homes with 10 or More Units



Private Retirement Housing Supply in 2000

Sherbrooke CMA - Private Retirement Homes with 10 or More Units



Housing supply to increase in 2001

At the time of the next survey, in October of this year, the supply of retirement housing will have grown by 200 new apartments, located in the Centre district of the city of Sherbrooke. Three other projects had been announced in the North district of Sherbrooke, but none will be started in 2001.

The interest of developers in the retirement rental housing market niche is easy to understand when comparing the rents charged on the traditional market to those charged on the retirement home market. For a one-bedroom apartment, for example, the average monthly rent is \$362 on the traditional market, compared to \$844 on the retirement home market. Of course, the product is not the same. Retirement homes are increasingly being developed in the upscale segment, not to mention that their units are often rented with certain services: recreational activities, health services, security in the building, etc. And, retirement housing rental rates can include some meals. It would also appear, however, that people are willing to pay more to live among their peers, in a safe and quiet environment. For developers, then, this market niche potentially allows for a greater profit margin, hence the more marked interest. Developers also know that the demographic trend will assure them a gradual renewal of clients until 2011, at which time the demand will begin a rapid expansion phase as the first baby boomers will be reaching the age of 65 years.

**Vacancy rate
expected to rise
in 2001**

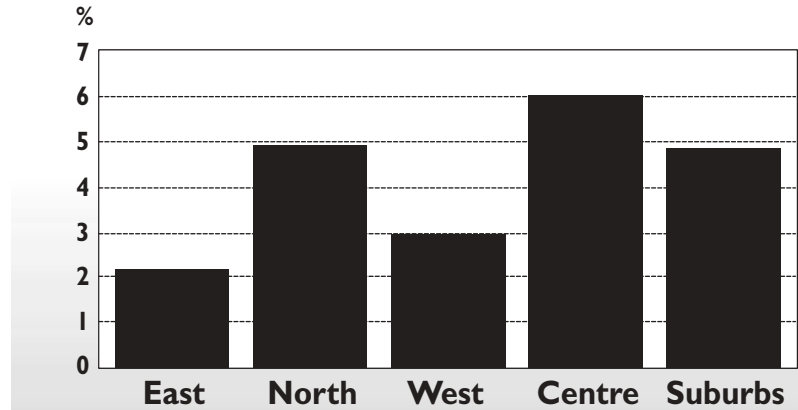
The arrival of 200 additional apartments on a market that can house at most 2,372 households will represent an increase in the supply of close to 8 per cent, which will make this a major event. The experience in recent years has shown that the demand for private retirement housing in the Sherbrooke area generally hovers between 40 and 70 units. But it has also been observed, however, that the absorption of new units is greater when major projects arrive on the market. Because such projects are announced and work begins several months before people move in, a certain latent demand is created. The addition of new projects also ensures a diversification of the supply, which could encourage some seniors to take the plunge and opt for this type of housing. The literature and surveys show, for example, that seniors like to stay in the neighbourhood where they live. The arrival of an additional retirement home in a neighbourhood sometimes allows seniors to finally gain access to the product that they had been seeking.

The increase in the housing stock will create strong upward pressure on the vacancy rate. The project is targeted, however, as it will comprise only apartments, the scarcest type of dwelling on the market. Based on past demand trends, it is anticipated that the vacancy rate will reach 6.5 per cent in 2001, compared to 4.2 per cent this year. With no new projects, though, the market should return to a balanced situation by 2002.

Market at a Glance

Vacancy Rates by Sector

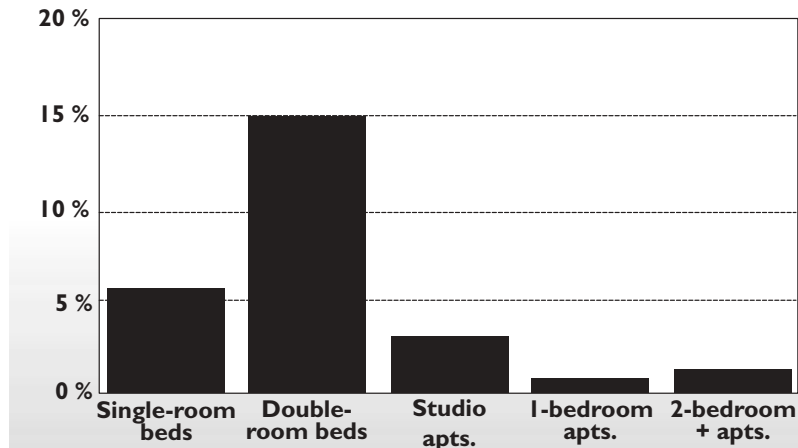
Sherbrooke CMA - Private Retirement Homes with 10 or More Units



Source : CMHC

Vacancy Rates by Product

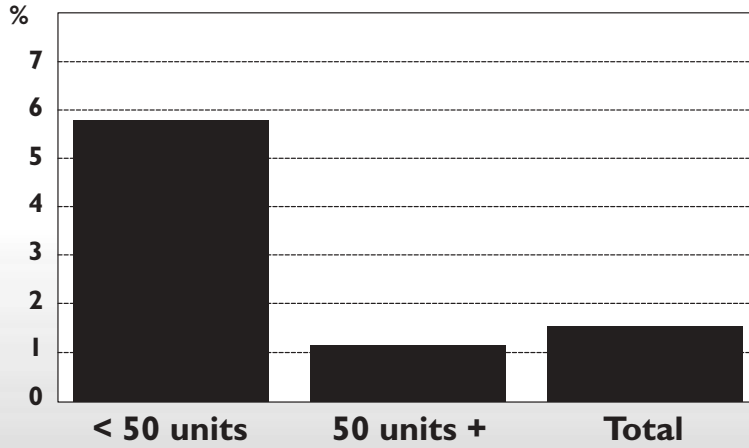
Sherbrooke CMA - Private Retirement Homes with 10 or More Units



Source : CMHC

Apartment Vacancy Rates by Building Size

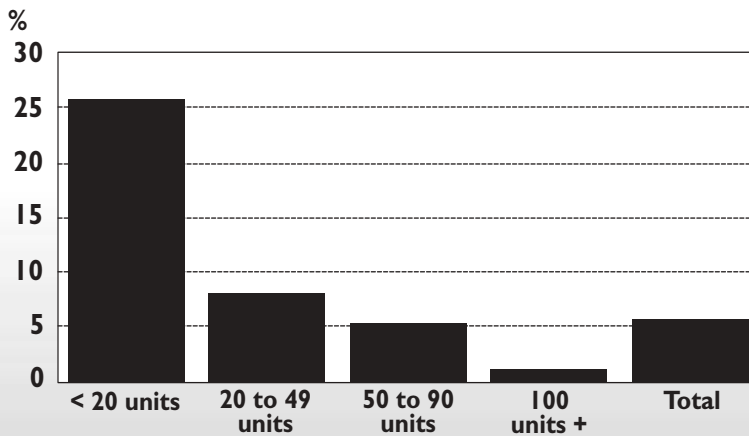
Sherbrooke CMA - Private Retirement Homes with 10 or More Units



Source : CMHC

Bed Vacancy Rates by Building Size

Sherbrooke CMA - Private Retirement Homes with 10 or More Units



Source : CMHC

Statistical Tables

Table 1

Apartment Vacancy Rates (%) by Unit Size Sherbrooke CMA - Private Retirement Homes with 10 or More Units					
Year	Studio	1-Bedroom	2-Bedroom	3-Bedroom	Total
1997	4.7	1.5	0.9	confidential	2.5
1998	4.7	0.5	1.8	confidential	2.3
1999	2.0	7.0	11.3	confidential	5.9
2000	3.0	0.8	*1.3	n.a.	1.6

* Reflects the vacancy rate for units with 2 or more bedrooms since the October 2000 survey.
Source: CMHC

Table 2

Number of Apartments and Residences by Building Size * Sherbrooke CMA - Private Retirement Homes with 10 or More Units								
	1997	1997	1998	1998	1999	1999	2000	2000
Building size	Apts.	Res.	Apts.	Res.	Apts.	Res.	Apts.	Res.
Under 50 units	60	5	60	5	91	6	85	5
50 or more units	774	10	774	10	1,001	10	911	12
Total	834	15	834	15	1,092	16	996	17

* Since 2000, building size is determined by the sum of the number of beds and apartments. Previously, it was determined by the sum of the number of rooms and apartments.
Source: CMHC

Table 3

Apartment Vacancy Rates (%) by Building Size * Sherbrooke CMA - Private Retirement Homes with 10 or More Units				
	1997	1998	1999	2000
Building size				
Under 50 units	26.7	18.3	6.7	5.9
50 or more units	0.6	1.0	5.8	1.2
Total	2.5	2.3	5.9	1.6

* Since 2000, building size is determined by the sum of the number of beds and apartments. Previously, it was determined by the sum of the number of rooms and apartments.
Source: CMHC

Table 4

Number of Rooms and Residences by Building Size * Sherbrooke CMA - Private Retirement Homes with 10 or More Units								
	1997 Rooms	1997 Res.	1998 Rooms	1998 Res.	1999 Rooms	1999 Res.	2000 Rooms	2000 Res.
Under 20 units	77	5	77	5	77	5	73	5
20 to 49 units	457	12	473	12	500	13	386	11
50 to 99 units	410	7	402	7	410	7	422	9
100 or more units	382	3	393	3	393	3	495	4
Total	1,326	27	1,345	27	1,380	28	1,376	29

* Since 2000, building size is determined by the sum of the number of beds and apartments. Previously, it was determined by the sum of the number of rooms and apartments.
Source: CMHC

Table 5

Room Vacancy Rates (%) by Building Size *				
Sherbrooke CMA - Private Retirement Homes with 10 or More Units				
	1997	1998	1999	2000**
Building size				
Under 20 units	26.0	9.1	19.5	26.3
20 to 49 units	6.6	5.9	6.4	8.4
50 to 99 units	5.1	3.5	2.9	5.5
100 or more units	4.2	1.3	0.5	1.4
Total	6.6	4.0	4.4	6.0

* Since 2000, building size is determined by the sum of the number of beds and apartments. Previously, it was determined by the sum of the number of rooms and apartments.
 ** For 2000, the figures rather refer to bed vacancy rates.
 Source: CMHC

Table 6

Number of Units and Residences by Location								
Sherbrooke CMA - Private Retirement Homes with 10 or More Units								
	1997 Units	1997 Res.	1998 Units	1998 Res.	1999 Units	1999 Res.	2000* Units	2000* Res.
East District	326	5	374	6	628	7	631	7
North District	860	9	839	8	828	8	758	8
West District	157	3	157	3	188	4	189	4
Centre Districts	296	6	288	6	296	6	277	6
City of Sherbrooke	1,639	23	1,658	23	1,940	25	1,855	25
Suburbs	521	9	521	9	532	9	517	9
Sherbrooke CMA	2,160	32	2,179	32	2,472	34	2,372	34

* Since 2000, the number of units represents the sum of the number of beds and apartments. Previously, it corresponded to the number of rooms and apartments.
 Source: SCHL

Table 7

Unit Vacancy Rates (%) by Location Sherbrooke CMA - Private Retirement Homes with 10 or More Units				
	1997	1998	1999	2000*
East District	5.5	4.0	9.2	2.2
North District	3.6	2.1	2.7	5.0
West District	3.2	2.5	5.9	3.0
Centre District	11.1	7.6	4.7	6.1
City of Sherbrooke	5.3	3.6	5.4	4.0
Suburbs	4.0	2.7	3.8	4.9
Sherbrooke CMA	5.0	3.4	5.1	4.2

* Since 2000, the number of units represents the sum of the number of beds and apartments. The vacancy rates therefore refer to beds and apartments.
Source:CMHC

Table 8

Vacancy Rates (%) Sherbrooke CMA - Private Retirement Homes with 10 or More Units			
Year	Rooms	Apartments	Total
1991	5.9	16.4	9.7
1992	8.7	14.1	10.7
1993	8.7	1.0	5.8
1994	6.2	2.4	4.8
1995	5.9	2.1	4.6
1996	5.4	1.3	3.7
1997	6.6	2.5	5.0
1998	4.0	2.3	3.4
1999	4.4	5.9	5.1
2000 *	6.0	1.6	4.2

* For 2000, the vacancy rate was calculated using the number of beds rather than the number of rooms.
Source:CMHC

Table 9

Average Monthly Rent for a Single Room (\$) Sherbrooke CMA - Private Retirement Homes with 10 or More Units	
Year	Single room (\$)
1991	712
1992	724
1993	758
1994	780
1995	813
1996	822
1997	824
1998	836
1999	863
2000	874

Source: CMHC

Methodology

The **survey universe** includes all privately initiated retirement homes with 10 or more units, enumerated in the Sherbrooke 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.

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 2000 on the privately initiated retirement home market in the Sherbrooke 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 Sherbrooke 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.

For more information about this survey, please contact:

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