

COVER Investors scramble for stake as demand for upscale seniors' housing explodes across British Columbia

Grey a go-go

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It's an industry that enjoys a virtual guarantee of escalating growth. Analysts and experts, as well as those who will use its services, are questioning whether it's even possible to meet predicted demand over the next 20 to 30 years, and governments are already battling a public outcry about shortages.

The industry is seniors' housing, and the numbers are staggering.

Within the next 25 years, one in four people living in British Columbia will be over the age of 65. Nationwide, there will be a 113 per cent increase in the population over the age of 75. And as more and more people find themselves members of the crowd who proudly proclaims "grey is beautiful," the need for both assisted living and complex care will skyrocket by some 11,000 units nationally every year, according to industry estimates.

A survey by **Canada Mortgage and Housing Corp.** found that the overall vacancy rate for private pay care homes is tight right across British Columbia, which already has the highest ratio of seniors in the country. Greater Vancouver/Fraser Valley had a full point drop in vacancy from 4.4 per cent in 2005 to 3.4 per cent in 2006, and Vancouver Island experienced a drop from three per cent to 1.8 per cent for the same time period. Vacancies in private pay care homes in the Okanagan remained near zero at 0.6 per cent in 2006.

National Bank Financial notes in a recent study that availability is already falling behind demand with "the current seniors housing stock representing less than 20 per cent of the current population of seniors over the age of 75."

But make no mistake, the new generation of private care housing is a far cry from the impersonal, institutionalized "old folks homes" of a decade or more ago. Upscale and packed with amenities, these facilities are designed to appeal to a clientele who are acknowledged as wealthier, fitter and more active than any elder generation in our history.

"We are definitely not talking about a craft room where residents do paper cutouts," stresses **Peter Gaskill**, vice-president of development for **Chartwell Seniors Housing REIT** and CEO of **Spectrum Seniors Housing Development Corp.**, the building and construction arm of Chartwell. "These resort-style properties are propelling the industry forward into a whole new era." On-site Internet cafés, state-of-the-art theatre rooms, areas for danc-

ing, lounges often sporting a fireplace and pub-style bar, swimming pools, as well as fitness centres that surpass some private health clubs – amenities are upscale and distinctly adult-oriented. "Seniors today have significant wealth and are predisposed to spend it in part because their adult children are well off and don't need, or expect, an inheritance."

It is not uncommon for such facilities to have rents in excess of \$5,000 per month., though the average private pay rent is around \$2,450.

Boomer boom



Playing a significant role in meeting demand, Chartwell launched 12 new facilities during the first eleven months of 2006, with another two opening on December 1. "Our goal is to provide 2,000 to 2,500 new units per year," Gaskill said, adding some properties have a waiting list even before opening, and most are fully leased within six to eight months, despite the fact that the crest of the baby boomer wave is not expected to hit fully until 2020.

Samir Manji, president and CEO of **Amica Mature Lifestyles Inc.**, also sees solid growth potential and indicates his company expects to open four to six new facilities each year using a 99-year management contract business model. On September 28, the company announced it had secured its sixth such contract for "Amica at Whitby," a \$30 million, 139-suite retirement residence to be built in Whitby, Ontario. With a completion date of October 2008, this is the company's 21st retirement community and its fourth project with development partner, the **Forrest Group**. Amica will retain an 18 per cent ownership stake and will provide \$2.5 million in mezzanine financing with investors providing the balance of equity.

"An interesting phenomena in the industry today is the continued misperception among the adult children of potential residents surrounding the nature of retirement living," Manji said. "In the past, seniors' housing was equated with an institutional setting where their parents went



Peter Gaskill, vice-president development, **Chartwell Seniors Housing REIT**, and CEO of **Spectrum Seniors Housing Development Corp.**: "Resort-style properties are propelling the industry." The new retirement suites come with dining rooms, fitness centres and even a concierge.

when a crisis had occurred and there were simply no other options left. In 20 years, those same baby boomers won't wait for a triggering event [such as a fall or serious illness] before they move to a residence like Amica. They will say: I want my executive chef to prepare my dinner and the concierge to book my ticket to the opera. It will become a lifestyle choice."

Although he said the trend toward creating a home-like ambiance with plenty of amenities is clearly here to stay, **Azim Jamal**, CEO of **Retirement Concepts**, which operates 15 properties throughout B.C., notes finding a balance between providing all the "bells and whistles" expected in private pay units and working within the budgetary constraints of government subsidized rooms will remain an ongoing challenge for companies developing and operating seniors housing.

He adds that shortages of skilled labour now extend beyond the much publicized construction industry and are impacting the operation side as well. "We are seeing an increasingly acute shortage of RNs, nurses' aides and other medical professionals," Jamal said. "We now have three people working full time who do nothing but recruit for the 15 sites we have across British Columbia."

Shake up

One shake-up that occurred on October 5, 2006, when **Retirement Residences REIT**

announced it had entered into a \$2.8 billion acquisition and support agreement with the **Public Sector Pension Investment Board**, is still sending ripples throughout the industry.

With 223 retirement and long-term care facilities in its portfolio, Retirement Residences is Canada's largest provider of accommodation and care for seniors. The impact of the buy-out is still being assessed by analysts and other interested parties.

According to **Neil Downey** of **RBC Capital Markets**, the transaction is likely to have a positive impact – especially on competing REITs, such as Chartwell Seniors Housing and **Sunrise Senior Living**.

"The elimination of Retirement REIT from the public markets removes a chronic underperformer that may have had a broadly negative impact on the seniors' housing group," Downey noted.

Although it's clear developers and providers are now reacting to changing market expectations, **Danna Rutten**, executive director of the **BC Retirement Communities Association**, said the industry needs to become even more proactive.

"This is a progressive industry that's driven by people who have a real passion for what they do. But we must always be thinking ahead because the seniors who will be moving into this type of housing in 20 years are going to be very different from today's seniors. We must be able to meet the needs of current clients but still be flexible enough to adapt to the needs of our clients of the future," she said. ♦