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JLR PUBLICATION

Report on the Market for Private Senior's Residences

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HIGHLIGHTS:

- Quebec has 1,768 private seniors’ residences (PSR), for a total of 133,005 units.
- In the province, 29.7% of people aged 85 and over lives in a PSR.
- Approximately 60,000 new units will have to be built over the next 10 years to maintain current market conditions.
- Despite a high proportion of seniors living in PSRs in Estrie, the region continues to have higher vacancy rates than the provincial average due to the high number of PSRs in proportion to its population aged 75 and over.

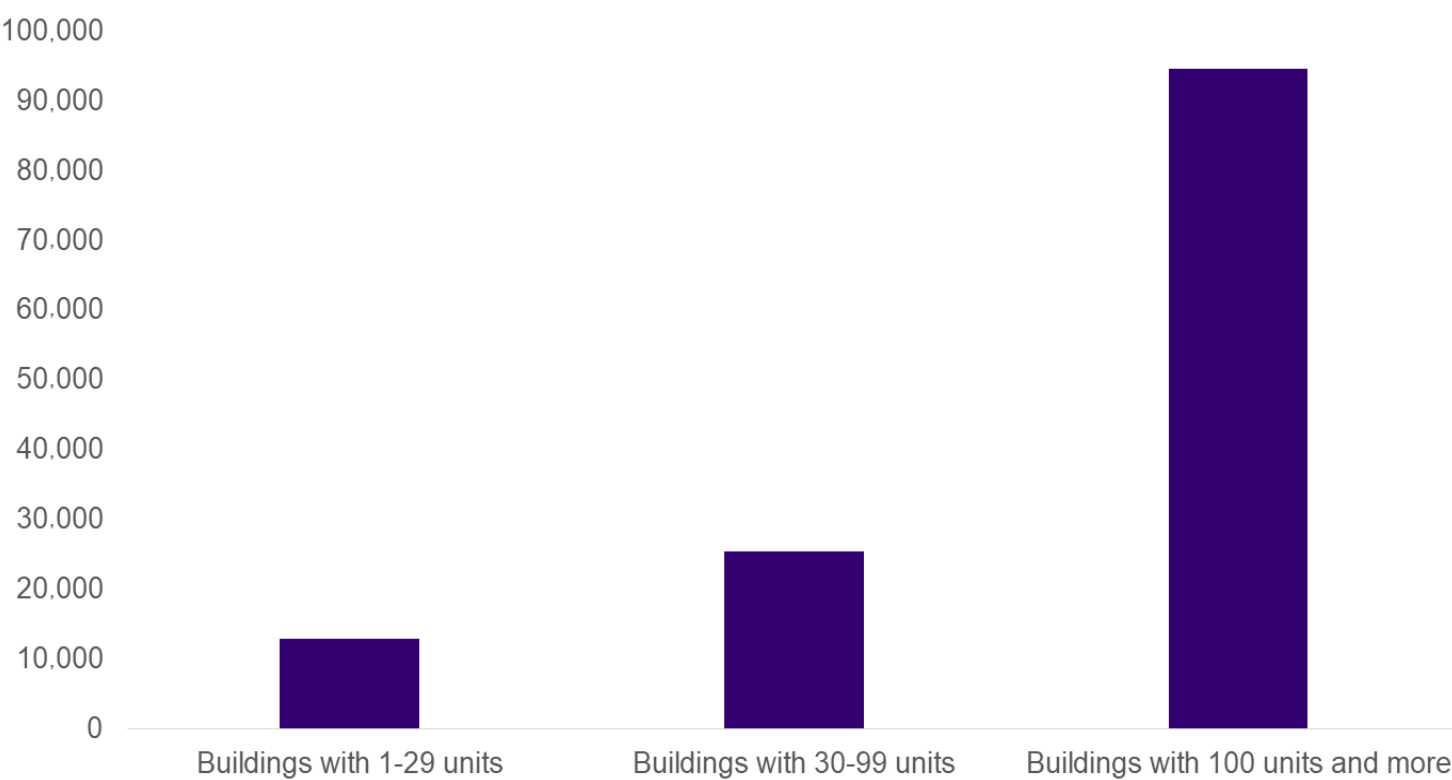
In recent years, the real estate market has adapted to Quebec’s aging population. As a result, several key players in the private seniors’ residence sector have stepped up the number of development projects. Whereas large complexes are multiplying, smaller residences are having difficulty keeping pace and complying with regulatory changes. At the end of the day, the number of units is rising, and the picture is changing.

OVERVIEW OF RESIDENCES

Data compiled on September 3, 2019, by JLR from information provided by Quebec’s *Ministère de la Santé et des Services sociaux (MSSS)* indicates that there are 1,768 private seniors’ residences (PSRs) in Quebec. These residences provide 35,851 single occupancy rooms, 4,953 double occupancy rooms, and 92,201 dwellings for a total of 133,005 units. In 2017, [the JLR study](#) had counted 1,837 residences and 121,210 units. Thus, although several residences opened, others had to close, resulting in 69 fewer PSRs in September 2019 than in March 2017. Nonetheless, although several residences closed, some large complexes opened, adding 11,795 units to the market.

In total, just over 50% of PSRs are small residences with 30 or fewer units. Despite their strong presence on the market, they offer only 9% of the units. There are 425 larger residences of 100 units or more on the market, representing 24% of all PSRs. However, these residences account for approximately 71% of the units.

Chart 1: Number of Units by Size of Residence



The market is increasingly dominated by a few big players. According to their respective websites, Chartwell owns 46 residences, Réseau Sélection 44, Groupe Maurice 34, Cogir 33 and Résidences Soleil 14. Most of these residences are mega complexes, many with a few hundred units. Some of these groups are still growing, with several projects underway.

An increase in the number of units offered by these complexes will help to meet demand, which is expected to rise over the next few years.

OVERVIEW OF CLIENTS

According to data compiled by JLR from MSSS publications, as of September 3, 2019, 129,000 people lived in a PSR, an increase of about 8,000 from two and a half years ago. This number will most likely continue to rise over the next few years given the demographic projections.

PSRs primarily attract people aged 75 and over, with 87% of the clients falling into this age group.

Despite all the talk about the need to start adapting PSRs for the baby boomers—who are now between the ages of 54 and 73—the current age of residents suggests it may be several years before this cohort becomes interested in living in residence.

The youngest baby boomers are still only approaching retirement, and some are taking care of their parents who are moving into private seniors’ residences. Currently, the majority of PSR residents are members of the silent generation.

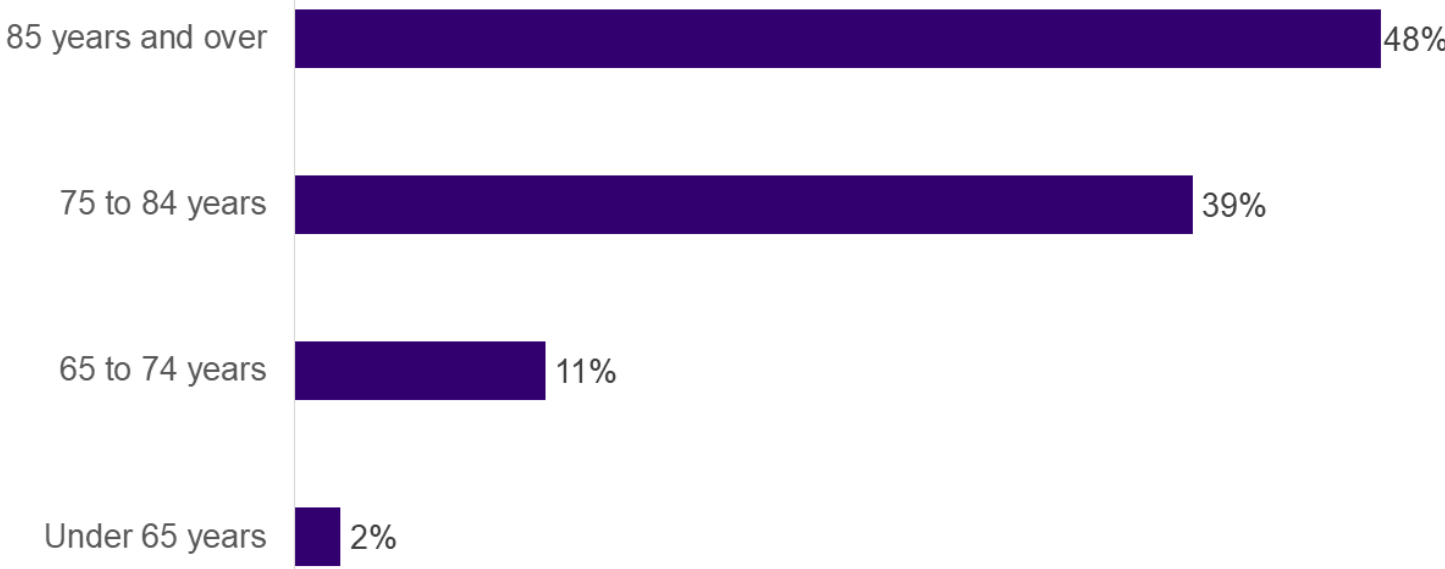
That being said, new spaces will need to be built in the coming years because demand is likely to rise as the population ages.

PROVINCIAL OUTLOOK

In 2019, 1.5% of people aged 65 to 74 lived in a PSR according to our estimates based on ISQ demographic projections and MSSS data. For those aged 75 to 84, 10.4% are PSR residents. This percentage increases to 29.7% for those aged 85 and over.

Over the next few years, the demographic weight of people aged 75 and over is expected to grow. This year, according to the Institut de la statistique du Québec (ISQ), approximately 696,000 individuals are aged 75 and over in Quebec, but this number is expected to rise to approximately 1,055,000 by 2029. As the baby boomers age, the number of individuals aged 75 to 84 will rapidly accelerate.

Chart 2: : Distribution of people living in PSR according to their age



Thus, based on the current ratios of transition to PSRs by seniors by age group, approximately 25,000 more people will be living in residences in 2024. In order to keep the vacancy rate at the same level as in 2019, some 26,000 new units will need to be built over the next 5 years. Close to 60,000 additional units will be needed in the next 10 years if the next generations follow the same pattern as the previous ones.

REGIONAL SITUATION

The popularity of seniors' private residences varies from region to region, as does the supply. The ratio of the number of residents to the number of PSR units is 1.05 and over in Laval, Nord-du-Québec and Saguenay-Lac-Saint-Jean regions, suggesting a small number of available spots (the ratio can exceed 1 because some units and rooms house more than one individual). According to CMHC published data, the PSR vacancy rate in Laval was 3.2% in 2019 and 4.6% in Saguenay, well below the provincial figure of 7.2%. However, despite very low vacancy rates, the proportion of PSR units to people aged 75 and over is high in these regions. In Laval, for example, there is one PSR unit per 5.11 seniors aged 75 and over, and one per 5.12 in Saguenay Lac-Saint-Jean. These ratios suggest a slightly larger supply in these regions than in Quebec as a whole, where the ratio is 5.23 people aged 75 and over per PSR unit. In Saguenay-Lac-Saint-Jean and in Laval, despite a large number of residences in proportion to seniors, supply is struggling to keep up with demand because of the popularity of PSRs.

On the other hand, some regions have lots of units available. In the Capitale-Nationale administrative region, Estrie and the combined Mauricie and Centre-du-Québec regions, the ratio of residents to the number of PSR units is 0.95 or less. Standard unit vacancy rates in these regions are higher than or close to the provincial vacancy rate. In all of these regions, the number of seniors per PSR unit is below the provincial average. The lowest ratio is in Estrie at 3.15 seniors aged 75 and over per PSR unit.

The picture varies greatly from region to region and may change rapidly over the next few years as some regions will experience a significant increase in the number of seniors.

REGIONAL OUTLOOK

In the Laurentides, Lanaudière, Nord-du-Québec and Outaouais regions, according to the ISQ, the age 75 and over population is expected to grow by more than 65% over the next 10 years, which will quickly push up demand for seniors' residences. For the time being, there does not appear to be a significant shortage of units in these regions¹. However, in the Lanaudière region, certain statistics already suggest that demand is quite strong relative to the number of units currently on the market.

Yet, although there currently appears to be a shortage of units in Laval, the growth in demand will be proportionately smaller than in the other regions because its population aged 75 and over is expected to only grow by 39% over the next 10 years. The Greater Montreal area has the smallest increase over 10 years, with a 30% rise in its population of seniors. Nevertheless, because these areas are heavily populated, the increase will be very high in terms of numbers. As a result, several new complexes will need to be developed in these regions to meet the upcoming demand.

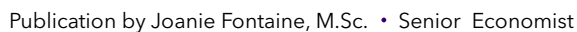
CONCLUSION

The seniors' private residence market faces major demographic changes as its client base will rapidly increase over the next few years. With all the new constructions on the horizon, it will be interesting to see how each project responds to the range of client needs. When all is said and done, the addition of new complexes is only beginning because it will be several years before a significant portion of the baby boomer generation starts thinking about moving out of their own homes into a seniors' residence.

¹ It is difficult to make projections and provide a representative portrait of the situation for PSRs in the Nord-du-Québec region because of the small population and number of residences.

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