

# HOUSING FOR OLDER CANADIANS:

The Definitive Guide to the Over-55 Market



VOLUME **2** Responding to the Market

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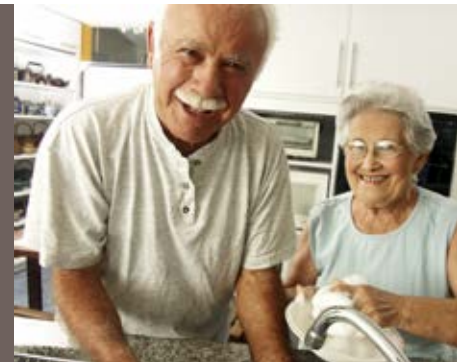
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# INTRODUCTION and Overview



What are the primary business sectors in the seniors' housing industry? Why is it important to define a target market? How can the housing market for seniors be segmented? What steps are involved in completing a project feasibility analysis? How do you assess the competition? These are just some of the many questions that need to be answered before embarking on a new housing development aimed at older Canadians.

There are no quick and easy ways to accurately assess market demand or the feasibility of a project concept, especially one that proposes to incorporate innovative features or services. At the same time, developers know that inaccurate market forecasts can result in costly mistakes, if not outright project failure.<sup>1</sup> It is therefore essential that data gathered through market research be guided by a clear understanding of the variables critical to success.

This volume provides information on market factors to consider and analyze when contemplating a new housing development targeted to older Canadians. It has been written for developers, project sponsors and other industry stakeholders, and offers tools, techniques and approaches to help answer the questions noted above.

The volume begins with a brief overview of the seniors' market in Canada using the current and historical data available through Statistics Canada and other sources. Possible housing options are identified and described as an essential first step in deciding on a particular project concept.

Next is a section on defining a target market as well as a description of some of the ways by which the housing market for older Canadians can be segmented. The following sections outline the steps involved in completing a project feasibility assessment, including market analysis, site selection, competitive analysis and financial feasibility analysis. With this information, housing providers should be able to determine if their project concept is likely to meet with market acceptance. A description follows of some of the new and emerging trends in the seniors' housing market. Understanding these trends and developing a strategy to respond to them could spell the difference between success and failure in an increasingly competitive industry.

This volume builds upon and complements information presented in *Volume 1: Understanding the Market*, which provides a detailed overview of the seniors' market in Canada, including the impacts of the baby-boomer generation on the marketplace.<sup>2</sup> Other volumes in the series include:

- *Volume 3: Planning the Project*
- *Volume 4: Designing the Project*
- *Volume 5: Services and Amenities*

<sup>1</sup> Hambrook, Ann, (1989). "Market Research – Devil or Angel?" *Retirement Housing Report*, 3(12): 2-4.

<sup>2</sup> See Canada Mortgage and Housing Corporation (2011). *Housing for Older Canadians: The Definitive Guide to the Over-55 Market – Volume 1: Understanding the Market*.

This guide defines an “older Canadian” as anyone who is at least 55 years old. This encompasses a broad swath of the adult population, including individuals still in the workforce, couples with school-aged children at home, empty nesters, recent retirees, as well as people who have been retired for some time.

Within this age range, for example, there will be many who are comfortable in their current homes and have no need or desire to move. Others, however, may be planning to downsize or relocate closer to family or to locations with more accessible amenities. Some might be looking for independent living and active lifestyle accommodation, whereas others might seek housing that supports independent living, while providing assistance with basic needs such as meal preparation and housekeeping. Others still may require more service-oriented accommodation that offers personal support and nursing care to address their health care needs.

As explained in *Volume 1*, the number of older Canadians is growing and rapidly forming a larger proportion of the total population. The generation now entering retirement is, on average, better educated, more active and healthier than previous generations of retirees. For example, most older Canadians report good to excellent health and live independently with little or no reliance on the health-care system. Self-perceived health declines with age, but many older seniors report that they are in excellent health.<sup>3</sup> Although Canada’s institutionalization rate is slightly higher than that of other industrialized countries, it is starting to decline. Moreover, a majority of seniors are financially secure with stable incomes and mortgage-free homes. This allows them to be selective in their future housing and lifestyle choices.<sup>4</sup>

## UNDERSTANDING the Housing Options for Older Canadians



Developers and housing sponsors need to decide which housing form, tenure option and segment of the seniors’ housing market to pursue. Although the industry combines elements and services from several different fields of practice, including real estate development, hospitality and health care, there are distinct sectors that together form a spectrum of seniors’ housing, roughly corresponding to the stages of aging.<sup>5</sup> The spectrum ranges from a segment

<sup>3</sup> Statistics Canada (2006). *A Portrait of Seniors in Canada*. Catalogue no. 89-519-XIE.

<sup>4</sup> For a detailed discussion on demographic trends by province and territory and more information on the trends in employment, mobility, tenure status and health among seniors, see Canada Mortgage and Housing Corporation (2011). *Housing for Older Canadians: The Definitive Guide to the Over-55 Market – Volume 1: Understanding the Market*. (see <http://www.cmhc-schl.gc.ca/odpub/pdf/67514.pdf?lang=en>)

<sup>5</sup> Mancer, Kate and Holmes, Carol (2004). *70 Ways to Reduce the Cost of Developing and Operating Supportive Housing for Seniors*. Real Estate Foundation of British Columbia and British Columbia Non-Profit Housing Association.

of the mainstream market to independent living and active lifestyle accommodation through to long-term care. At each stage along the spectrum, the health care element becomes increasingly important (see figure 1).

**Figure 1: Seniors' Housing Industry Spectrum**



## MAINSTREAM HOUSING

Many seniors can and will remain in mainstream housing. This includes those who stay in the housing they have occupied all their working lives and those who downsize to condominiums or rental apartments. Many seniors prefer to stay in their homes, especially since most are healthy enough not to need assisted care. They often already have supports in place, including neighbours, family and friends, and do not want to move far from them and into unfamiliar surroundings.

As noted in *Volume 1* of this series, *all* housing providers are, in a sense, providing housing for seniors, if not immediately, then in the long term. Ideally, any housing unit anywhere should be adaptable as its residents age. Growth is expected in home remodelling, whereby seniors retrofit their homes to allow them to age in place and in support services for family members who provide care for their aging parents.<sup>6</sup>

Many communities are made up largely of seniors aging in place. This trend, which has been referred to as Naturally Occurring Retirement Communities (NORCs),<sup>7</sup> can particularly be seen in the United States in neighbourhood developments not purposely built for seniors where large concentrations of seniors now reside. While this trend has not manifested itself in

Canada to the same degree as it has in the U.S., many Canadian cities have large populations of seniors and could develop similar profiles over time.

Developers in the larger urban centres in Canada and elsewhere are starting to build and market condominium projects that appeal not only to seniors and “empty nesters,” but also to singles or young couples without children. The built form can range from mid-rise (5 to 12 storeys in major centres) to high-rise, but the common denominator is that the locations are rich in amenities and offer good transit service. There is evidence that well-located, mid-rise buildings appeal to purchasers in the 55-65 age range.<sup>8</sup>

One explanation for the appeal of this kind of housing to seniors is that the attitude and self-image of aging baby boomers differs markedly from those of older generations of Canadians. According to some developers, many baby boomers see old age as “happening to someone else” and consciously seek out locations that emphasize “the urban experience,” rather than developments associated with seniors.

Developers in Germany, Switzerland, Sweden, Denmark and the Netherlands have been building multi-generational projects for some time. The organizations responsible for these developments take the view that senior citizens

<sup>6</sup> Bonetti, Rick (2009). Trends in 50+ Housing. Saratoga Voice. Retrieved from <http://saratogavoice.com/wordpress/2009/03/04/trends-in-50-housing/>.

<sup>7</sup> Ibid.

<sup>8</sup> Canadian Urban Institute (2009). Breaking Barriers, Building Confidence: Making Mid-Rise Work in Ontario.

thrive in an environment where they can mix freely with people of all ages. These projects are often created in partnership between the private sector and government, faith groups or other non-profit groups. An example in Switzerland comprises five apartment buildings with 75 units each. The mix of residents includes singles, couples, families, as well as senior citizens. The environment promotes an independent living style with barrier-free development and safety features such as well-lit common areas and non-slip tiles. Services and amenities are located nearby. Walking trails link each building to a nursery school, cafeteria, garden and recreation area.<sup>9</sup>

As the proportion of seniors in the population continues to increase, developers will need to ensure that the needs of seniors are provided for in all kinds of housing, not just housing specifically marketed to seniors.

## INDEPENDENT LIVING AND ACTIVE LIFESTYLE ACCOMMODATION

Independent living or active lifestyle accommodation is targeted to seniors who require minimal or no assistance with their daily living needs. For the most part, this segment includes those at the youngest end of the seniors' housing spectrum. This type of development often takes the form of adult lifestyle communities that frequently combine housing with recreational amenities such as golf courses, hiking trails, club houses or tennis courts. Independent living accommodation can take any number of forms, from detached homes to units within multi-storey apartment buildings. However, in most cases, the accommodation forms part of a larger seniors' community.

Just as the form of housing can vary, so too can the tenure options. Although the most common options are freehold ownership or rental, other options exist. For example, many independent living and active lifestyle projects are developed by sponsors as condominiums, or common-element condominiums where homeowners own the freehold land and the freehold buildings on the

land but share one or more common elements(s), such as a road, a swimming pool, or a park.

Many independent living and active lifestyle projects are developed as for-profit equity co-operatives. Equity co-operatives are member-controlled corporations that own both the land and the building(s) in a multi-unit residential project. What sets co-operatives apart is that they are democratic communities where the residents make decisions on how the co-operative operates. The owners of an equity co-operative own shares of the corporation and a proprietary lease or right to occupy a particular unit within the project. Unlike a condominium, owners of an equity co-operative do not acquire a deed to a particular unit. The developer of an equity co-operative sees the project to completion, sells the shares to the co-operative and does not retain any residual interest.

Non-share or non-profit co-operatives also exist. They differ from equity co-operatives insofar as members do not acquire an ownership stake in the corporation and cannot sell their shares. Thus, occupancy in a non-profit co-operative is similar to a conventional rental arrangement, although residents, as members, are expected to participate in the business and operation of the co-operative, including electing the board of directors, approving the annual budget and maintaining the development. Many non-profit co-operatives are developed by charitable or affinity groups (that is, cultural or faith-based) and, in some cases, may have some form of capital or ongoing operating subsidy provided by the government for a certain number of units. If a co-operative receives money from the government, it must operate in accordance not only with its own rules or bylaws but also with the operating agreement between the co-operative and the government funding partner. The sponsor of a non-equity co-operative will see the project to completion and typically retain an ongoing interest as a member.

Some projects are developed as life leases. A life lease is a legal agreement that permits the purchaser to occupy a dwelling unit for life or until the agreement is ended, in

<sup>9</sup> Project Wohnüberbauung Steinacker Age Award 2005. Retrieved from <http://www.age-stiftung.ch/Age-Award-2005-Wohnungen-zum.23.0.html>.

exchange for a lump-sum payment (that is, an entrance fee) and a monthly payment to cover project management fees, maintenance costs and operating expenses. Some life-lease projects require entrance fees to be paid in full when the occupant moves in; others allow for longer-term financing. Other variations exist with respect to how entrance fees are refunded on exit (including death or change of residence), sponsor buyback provisions if the occupant moves out or dies,<sup>10</sup> and the range of services provided.<sup>11</sup> Sponsors of life-lease projects can be for-profit, not-for profit or charitable organizations. These organizations see the project to completion and retain an ongoing residual interest as owner/operator.

Depending on the age of the target market, some sponsors of independent living or active lifestyle projects, especially developments that are built near an existing retirement home or long-term care facility, may offer the residents the opportunity to purchase a basic service package as an add-on to the rental or condominium fee. In an emerging trend, the sponsor of an independent living or active lifestyle project may develop and build the project as a condominium but offer a greater range of amenities than those typically offered in a conventional seniors' lifestyle community or life-lease development. Under this model, condominium



owners are required, by title, to buy into a monthly service package (similar to a club fee) that entitles them to various services. While this type of housing is still considered an independent living form of development, unit owners can avail themselves of enhanced amenities whenever they want to, which is generally less often than those who reside in a retirement home or other form of assisted living accommodation. Sponsors of these types of developments generally retain a residual interest in the project and generate ongoing revenues through the provision of services.

## ASSISTED LIVING ACCOMMODATION

Seniors who need or want more personal and health care services than those available through an independent living or active lifestyle development may choose some form of assisted living accommodation.

The form and degree of care provided in different assisted living arrangements can vary. Some developments are targeted to seniors who are still fairly independent and offer, for example, social and physical activities and other forms of recreational activity. However, most are focused on meeting daily needs, such as meal preparation, housekeeping and laundry. Other forms of assisted living place more emphasis on personal and health care services, such as bathing, grooming, dressing and taking medication. Some provinces restrict the form and amount of personal care that can be provided without a licence. In both cases, the accommodation is designed for people who require only minimal to moderate care in order to live independently, although 24-hour supervision and emergency response are customarily included.<sup>12</sup>

Accommodation usually consists of rental units within an apartment building, although in some cases it can take the form of a small group residence, commonly known as co-housing. Co-housing represents a small niche market opportunity with unique characteristics. In this

<sup>10</sup> Many developers and sponsors will reserve a right of first refusal to buy back or repurchase the life-lease units at the time they are released by the resident(s).

<sup>11</sup> Canada Mortgage and Housing Corporation. *Research Highlights (Socio-Economic Series Issue 65): Alternative Tenure Arrangements*.

<sup>12</sup> Ontario Ministry of Health and Long-Term Care (2010). Public Information, Seniors' Care: Supportive Housing. Retrieved from [http://www.health.gov.on.ca/en/public/programs/ltc/13\\_housing.aspx](http://www.health.gov.on.ca/en/public/programs/ltc/13_housing.aspx).

model, individuals come together to work with a developer. The future residents of a project contribute to the design and help shape the development. By providing equity down payments early in the development process, co-housing participants help a developer minimize risk. An added benefit is that the project is less likely to attract objectors because the future residents have a stake in the project.<sup>13</sup> Freehold, condominium ownership and life leases are not typical of assisted living accommodation, as they usually require a greater level of independence.

The most common form of assisted living accommodation is the retirement residence or retirement home. Retirement residences play the most significant role in the seniors' housing industry across Canada. Most retirement residences are privately owned and operated, but some are owned and operated by municipal governments or non-profit organizations such as faith groups, seniors' organizations, service clubs and cultural groups.

The nature and extent of government regulation of assisted living accommodation, including retirement residences, varies across Canada, although in most provinces there is some form of government oversight. In British Columbia, Alberta and Saskatchewan, for example, there is fairly extensive government involvement in the licensing and monitoring of assisted living, supportive living and personal care homes.

Most sponsors of assisted living accommodation also belong to industry associations that set minimum standards of operation and practice.

The role of faith groups and culture-specific organizations is already extensive and is likely to increase over time, as Canada's ethnically diverse population ages. Although a higher proportion of seniors than of younger Canadians are immigrants (29 per cent vs. 21 per cent), most immigrant seniors have already lived in this country for decades. At the same time, the principal countries of origin are different today from those typical in the 1970s, when 61 per cent of Canada's immigrants came from Europe. By 2006, only 16 per cent of immigrants

came from Europe. Most of today's immigrants hail from Asia, the Middle East, Central and South America, the Caribbean and Africa.<sup>14</sup>

A sampling of ethnically specific housing projects across the country reflects these trends. For example, on the west coast, it is common to find housing developments developed by Japanese cultural organizations. These developments may be privately financed, or they may receive some government assistance. In other parts of western Canada, there are many Ukrainian and Filipino projects. In the Greater Toronto Area, the mix of options reflects the ethno-cultural mix of the region: For example, Chinese, Finnish and Italian. Over time, however, as migration patterns continue to change, the pool of potential residents from a particular ethnic group may decline, and the tenants of these developments may become more diverse.

Depending on the province, residents of retirement homes and other forms of assisted living accommodation may be responsible for all or a portion of their accommodation, care and service costs, which can vary significantly from region to region.

Accommodation in most retirement residences includes bachelor, one-bedroom and two-bedroom apartments, although the size of the suites, the number of common areas and the amenities available can vary widely. While most feature some form of dining room and common area or lounge, those targeting affluent seniors may resemble luxury hotels and feature gift shops, beauty salons, chapels, libraries, gardens, computer rooms, swimming pools and rooms for special events.<sup>15</sup>

Another type of housing that can be developed for seniors is supportive housing. Supportive housing helps seniors and others who need additional services, such as individuals with disabilities, in their daily living by combining a physical environment that is specifically designed to be safe, secure, enabling and home-like with support services such as personal care, meals, housekeeping, and social and recreational activities. This arrangement allows residents to maximize their

<sup>13</sup> For information on co-housing in Canada, see <http://www.cohousing.ca/index.htm>.

<sup>14</sup> Statistics Canada (2006). *Ethnic Diversity Survey: Portrait of Multicultural Society*.

<sup>15</sup> Ontario Ministry of Health and Long-Term Care (2010). Public Information, Seniors' Care: Retirement Homes. Retrieved from [http://www.health.gov.on.ca/en/public/programs/ltc/14\\_retirement.aspx](http://www.health.gov.on.ca/en/public/programs/ltc/14_retirement.aspx).

independence, privacy, dignity and decision-making abilities. Supportive housing can be developed in many forms depending on the types and level of services to be provided, the project size desired, the types of accommodation preferred, the types of tenure wanted and the types of sponsorship available. Services can be provided through a combination of on-site and off-site arrangements and can be made available to both residents and other older people living in the surrounding neighbourhood. Highly service-enriched supportive housing can be an alternative to unnecessarily accommodating people in a nursing home or long-term care facility.

Supportive housing may be developed by the for-profit, not-for-profit or public sector—or through partnerships between these sectors. It can be made available in a range of tenure types, such as rental, leasehold, condominium and life lease. It is also possible to combine different tenure types in individual projects. Several provinces have developed their own definitions of supportive housing that is eligible for public funding.<sup>16</sup>

## LONG-TERM CARE ACCOMMODATION

Long-term care homes, also known as residential continuing care facilities (Yukon), special care homes (Saskatchewan) or centres d'hébergement et de soins de longue durée (Quebec), are designed for people who can no longer live independently and require 24-hour nursing care and supervision, sometimes within a secure setting when necessary to safeguard residents with Alzheimer's or other types of dementia. Long-term care homes offer more personal care and support than that offered by retirement residences and other forms of supportive housing.<sup>17</sup> Accommodation may be shared

(more than two residents in a room), semi-private or private. Units are typically furnished with a bed, chair, closets and other basic fixtures. All long-term care homes have dining rooms and common rooms, and may feature lounges, gift shops, beauty salons, chapels and outside patio or garden areas.

Long-term care homes may be built, owned and operated by various types of sponsors. Nursing homes, for example, are usually operated by private corporations. Municipal homes for the aged are publicly operated facilities owned by municipalities. Charitable homes are usually owned and operated by non-profit, charitable corporations such as faith, ethnic or cultural groups.<sup>18</sup>

Long-term care homes are subject to government regulation and typically require a licence to operate. In return, sponsors receive some form of fixed government funding, calculated on a per diem basis, to provide accommodation and health care services. In most cases, residents may be expected to pay a government-regulated co-payment for their accommodation, which covers basic services such as meals, housekeeping, laundry, property maintenance and administration. The exception is for residents with very low incomes who cannot afford the cost of basic accommodation. In these instances, the co-payments are generally paid by the province or health authority for the area in which the long-term care facility is located.

Long-term care homes usually offer optional services to residents for a fee. These can include cable television, telephone service and transportation. Operators of long-term care facilities can improve their profitability by providing these optional services and by attracting residents willing and able to pay a premium for semi-private or private accommodation.

<sup>16</sup> Canada Mortgage and Housing Corporation. *Research Highlights (Socio-Economic Series 56): Supportive Housing for Seniors*. March 2000.

<sup>17</sup> Ontario Retirement Communities Association (2010). Residential Care Options, Retirement Residence. Retrieved from <http://www.orcaretirement.com/public/master2.php>.

<sup>18</sup> Ontario Ministry of Health and Long-Term Care (2010). Public Information, Seniors' Care: Long-Term Care Homes. Retrieved from [http://www.health.gov.on.ca/en/public/programs/ltc/15\\_facilities.aspx](http://www.health.gov.on.ca/en/public/programs/ltc/15_facilities.aspx).

## WHY IS IT IMPORTANT to Define a Target Market?



Defining the target market in terms of geographic area, product type or end consumer serves as the foundation for all subsequent project feasibility and market analysis activities. How the target market is defined will depend, to a large extent, on the goals of the sponsor and the assets within its control. According to the Urban Land Institute (ULI), developers need at least one of four assets: land, capital, knowledge or tenants. Yet, in the end, all development is ultimately driven by demand.<sup>19</sup>

Since older Canadians are a diverse group with varied wants, needs, and expectations, it is necessary to further subdivide or—in the language of the development industry—segment the marketplace. Market segmentation is the process of dividing a large, diverse population, such as older Canadians, into smaller, more uniform categories. The more specifically a developer or sponsor can define the target market, the more specific are the requirements for subsequent site selection and project design. If the target market is not accurately identified, delivering a product that best serves the market needs will be all but impossible.<sup>20</sup> At the same time, developers do not want to overspecialize, which may entail increased risk. The market must be identifiable to ensure that appropriate amenities and services are provided, but not so narrow that its appeal will be restricted to only a small group.



<sup>19</sup> Peiser, Richard B and Schwanke, Dean (1992). *Professional Real Estate Development: The ULI Guide to the Business*. Washington, D.C.: ULI and Dearborn Financial Publishing Inc.

<sup>20</sup> Ibid.

# HOW CAN THE HOUSING MARKET FOR SENIORS be Segmented?



The market for older Canadians may be segmented by age, lifestyle, income, cultural affiliation and needs.

## AGE

Segmenting the population into defined age groups or cohorts allows for reliable data collection, which, as discussed later, is very important when completing a market feasibility analysis. In this guide, older Canadians are grouped into the following four age cohorts:

**Pre-seniors, aged 55 to 64; younger seniors, aged 65 to 74; older seniors, aged 75 to 84; and elderly seniors, aged 85 and older.**<sup>21</sup>

Historically, the two most significant transition points along this aging spectrum were (1) the time of retirement and (2) the age at which health starts to play a bigger role in defining accommodation requirements. However, as documented in *Volume 1*,<sup>22</sup> these transition points are becoming blurred and generally occur later in people's lives than has been assumed in the past. Today, the mean age at which residents move into seniors housing development is estimated to be close to 85, and the average age of residents is older still.

A sponsor planning a supportive housing project or long-term care facility targeted to, say, the entire over-65 group may therefore find that it has grossly overestimated the pool of prospective residents.

Targeting the right age group means accurately estimating the target market. For facilities offering 24-hour nursing care and secure accommodation, sponsors should either exclude most pre- and younger seniors from the demand calculation or weight their numbers based on that age cohort's share of residents in similar projects.

## LIFESTYLE

Grouping people by age frequently misses subtle differences among older individuals. Segmentation by lifestyle<sup>23</sup> offers a finer degree of distinction. Lifestyle segmentation categorizes individuals according to how they prefer to spend their time, what they consider important about their immediate surroundings, their opinions on various issues, and their interests, regardless of age.

Segmentation based on one's degree of independence, desired amenities and health care needs is one way to group the seniors' market by lifestyle. Other approaches are possible. For example, one approach suggests grouping seniors into six categories (explorers, adapters, pragmatists, preservers, martyrs and attainers) based

<sup>21</sup> For more information about these seniors cohorts and their size relative to the total senior population, see Canada Mortgage and Housing Corporation (2011). *Housing for Older Canadians: The Definitive Guide to the Over-55 Market. Volume 1: Understanding the Market* (available at <http://www.cmhc-schl.gc.ca/odpub/pdf/67514.pdf?lang=en>).

<sup>22</sup> Ibid.

<sup>23</sup> Segmentation by lifestyle is often referred to as psychographic segmentation. For more information see Cahill, D. J.: *Lifestyle Market Segmentation*. New York, 2006.

on defined character traits, and then combining these traits, which take into account health status, income, introversion/extroversion, family status and age, to map selected housing preferences for individuals within each category.<sup>24</sup>

Another segmentation<sup>25</sup> system combines demographic, consumer behaviour and geographic data to help developers identify, understand and target consumers and prospects. It groups households into market segments that share demographic and behavioural characteristics on the assumption that people with similar characteristics, preferences and consumer behaviours will prefer the same forms of accommodation.

For developers and sponsors not wishing to invest in a pre-packaged system, a number of market research firms across Canada specialize in completing segmentation analysis.

## INCOME AND ASSETS

Another way to segment the market is by the income and assets of the prospective buyers or tenants. This is a two-step process. Step 1 is to segment the market by age to determine the number of seniors that fall within the target age profile of the sponsor in the market area. Step 2 is to analyze this group according to its members' income profile and net worth.

Assets (of which peoples' homes are generally the largest) can help determine the level of financial resources available to older Canadians when considering various housing options. It is common to estimate the income that would be generated if the home owned and occupied by seniors in the primary market area were sold, the proceeds converted to cash and the money invested. This calculation requires estimating not only the average value of homes in the catchment area but also residual mortgage values and the rate of mortgage-free homeownership among those within the target age cohort.

When a project involves an upfront investment such as a condominium or a life-lease suite, the rate of homeownership, the value of the homes and the amount of remaining mortgage on the homes can indicate whether the target group has the assets to afford the purchase price or ongoing occupancy or co-payments.

## CULTURAL AFFILIATION

Cultural segmentation is becoming more and more common as the ethnic diversity of the Canadian population increases. Just as culturally based values influence the purchase of other goods and services, they can drive housing preferences and the demand for various forms of accommodation. The two most common cultural factors used to segment the housing market for older Canadians are ethnicity and religious affiliation.

At the same time, within different ethnic communities, characteristics such as education, occupation, income and lifestyle may vary widely. As a result, when segmenting by ethnicity, it is important to use other segmentation approaches as well. Even within a particular ethnic community, housing preferences and needs may differ according to factors such as time of immigration.

Segmentation by religious affiliation is similar to segmentation by ethnicity. Just as there are a range of demographic profiles among different ethnic communities, so too are there a range of profiles among faith groups. Other factors such as age, income and lifestyle should, therefore, also be considered.

One of the benefits of segmenting by cultural affiliation is the collection of information that can assist with the competitive market analysis. In particular, projects that target a particular cultural group can overcome the draw of unaffiliated competitors and attract buyers from that group. Ethnic or faith-based sponsors or those targeting a particular cultural group should, therefore, consider some form of cultural segmentation, as they can derive additional benefits from the information they gather.

<sup>24</sup> Brecht, Susan. *Retirement Housing Markets: Project Planning and Feasibility Analysis*. John Wiley and Sons Inc., New York, 1991.

<sup>25</sup> PRIZM, developed by Environics Analytics in Toronto.

## DISTINCT NEEDS

Segmentation by need can be one of the most reliable ways of subdividing the seniors' housing market, particularly when a project proposal incorporates personal or health care services. Seniors' needs can, however, affect other factors beyond the provision of services. For instance, developers of seniors-oriented housing will often incorporate design features that respond to the varied social needs of residents. This can include building elements such as outside seating areas or libraries or this might include game rooms and larger common areas more suited for social interaction.<sup>26</sup>

Developers and sponsors unsure whether to enter the urban or the rural market are particularly encouraged to focus on "needs." Sponsors of rural developments, for example, may have to provide a more extensive range of "in-house" programs and services, as there will typically be few other providers in the immediate community who can offer such services. Sponsors of projects in urban areas may provide more limited services if there are other options available in the area. The cost implications of these decisions must of course be factored into the financial feasibility analysis.

## PROJECT FEASIBILITY ANALYSIS, Step by Step



This section describes how to determine if there is sufficient demand from the chosen target market to support the proposed development, the factors to consider when selecting a site, how to evaluate the competition and how to assess the financial feasibility of the proposed undertaking. This information is needed for project planning and design (see *Volume 3: Planning the Project* and *Volume 4: Designing the Project*) and can be used to secure construction or mortgage financing.

<sup>26</sup> Fisker, Christian (Ontario Retirement Communities Association and Chartwell REIT), personal interview, September 30, 2010.

Project feasibility analysis is a multi-step exercise. As the analysis progresses, the developer or sponsor will gradually acquire more information that will help determine whether or not to proceed further.<sup>27</sup>

The following four activities may be performed sequentially, although more often than not, they are done simultaneously:

- market analysis;
- site selection and analysis;
- competitive market analysis; and
- financial feasibility analysis.

## MARKET ANALYSIS

The qualitative and quantitative data gathered through market analysis serves to identify any untapped market opportunities, refine the target market, confirm the features that will most likely attract the target market, and develop a market strategy.<sup>28</sup> These and other reasons for conducting a market analysis are shown in table 1.

Many large, well-established development companies conduct market analysis both before and after site selection. Market analysis *before* site selection can help identify gaps in a given market area that could present future development opportunities. Market analysis *after* site selection focuses on refining the target market, finalizing the project concept and securing financing. For most developers and sponsors, however, market analysis takes place before a site has been selected, as the initial process of defining the target market and completing the market analysis will ultimately drive the choice of a particular site.

## MARKET AREA DEFINITION

The first step is to define the geographic market area that will form the basis of the investigation. Defining the market area is important, because it carves out the survey area for testing the project's marketability and the

focus of marketing efforts. Misjudging this territory will undermine the usefulness of marketing activities. As well, it can result in competitive and financial analysis that is unreasonably optimistic by, for example, omitting competing projects or overestimating the rate of take-up in the local market.

**Table 1: Reasons for Conducting a Market Analysis**

Reason	Key Considerations
<b>To define the market</b>	<ul style="list-style-type: none"> <li>■ What is the market area for the project?</li> <li>■ What is the size of the target market segment?</li> <li>■ What are the financial resources (income and assets) of the potential residents?</li> </ul>
<b>To estimate the marketability of the project</b>	<ul style="list-style-type: none"> <li>■ Is the location appropriate for a seniors-oriented development?</li> <li>■ What is the impact of current and prospective competitors?</li> <li>■ What are the real estate trends for the area?</li> <li>■ Does the neighbourhood possess the amenities required by the prospective residents?</li> </ul>
<b>To create the product</b>	<ul style="list-style-type: none"> <li>■ What are the market preferences relating to design features; unit types and sizes; pricing; and financial, tenure and management structures?</li> <li>■ What amenities will prospective residents require to be offered in the project?</li> </ul>
<b>To identify and assess the need for personal, health and medical services</b>	<ul style="list-style-type: none"> <li>■ What form of personal care services will prospective residents require?</li> <li>■ What form of health and/or medical care services will prospective residents require?</li> <li>■ How extensive are the personal, health and medical care needs of the prospective residents?</li> <li>■ How can services best be delivered?</li> </ul>
<b>To substantiate the project</b>	<ul style="list-style-type: none"> <li>■ What degree of quantitative evidence will satisfy partners, investors, lenders and regulatory authorities?</li> </ul>
<b>To assist with marketing efforts</b>	<ul style="list-style-type: none"> <li>■ What marketing strategy or theme will assist to reach the target market?</li> </ul>

<sup>27</sup> Peiser, Richard B and Schwanke, Dean (1992). *Professional Real Estate Development: The ULI Guide to the Business*. Washington, D.C.: ULI and Dearborn Financial Publishing Inc.

<sup>28</sup> Ibid.

The market for a housing project aimed at an older population will have a relatively narrow geographic draw. The draw widens if the project is linked to a club, cultural group or other distinct body representing a well-defined, less geographically limited community, or if amenities such as recreational facilities associated with active adult housing have their own separate appeal.

The study usually starts with an analysis of data at the level of the census agglomeration (CA), census metropolitan area (CMA) or municipality in which the project is to be located. Ultimately, however, the study will narrow to a much smaller submarket consisting of one or two neighbourhoods. In most cases, the immediate area surrounding the site will supply most of the residents for the project. The primary market area is usually the area from which approximately 70 per cent of the residents will come. It is generally expressed as a radius from the prospective development site. The following ranges can serve as a useful guide:

- 1.5 to 4.5 kilometres in a central urban community;
- 8 to 16 kilometres in an urban area;
- 10 to 15 kilometres in a suburban location;
- 15 to 25 kilometres within a census metropolitan area;
- 30 to 40 kilometres in a rural or semi-rural area;
- 65 to 120 kilometres in a regional centre surrounded by sparsely populated rural areas; and
- 150 kilometres or more in very small, remote communities.

A radius estimate may, however, be an oversimplification. Areas of a city or town are distinguished by natural boundaries, different socio-economic neighbourhoods, varied demographics, elements of psychological identity, such as municipal boundaries, and ease of travel from one area to another. These must be taken into account when determining the natural market area for the project. Therefore, municipal boundaries, postal code areas, and Statistics Canada census subdivisions are also important to consider, as these are the geographic areas from which socio-economic and demographic data will be most readily available.

Surveying prospective residents to see if a location is within their moving range would help to fine-tune the market area. The pattern of answers would identify the likely primary market area for a given site.

## QUANTITATIVE RESEARCH

Once the boundaries of the primary and secondary market areas have been estimated, the size (in terms of number of potential clients), living arrangements and other characteristics of the target market residing within these areas needs to be assessed.

Before collecting and analyzing any statistical data on the market areas, it is important to identify the variables relevant to the analysis. Population size, age and income distribution will obviously be important, but so too will educational attainment and social characteristics such as marital status, language, and ethnicity. Statistics on household composition and the number of dwelling units in the market area, as well as tenure (rental or ownership) and dwelling types (such as single-detached housing, townhouses, bungalows) will also prove helpful in projecting demand. Perhaps less obvious, but no less important, is data on mobility and labour force composition. This will help to identify if the area is attracting immigrants and growing, or losing population as employment wanes.

Two of the best sources of market information for quantitative research are Statistics Canada ([www.statcan.gc.ca](http://www.statcan.gc.ca)) and CMHC ([www.cmhc.ca](http://www.cmhc.ca)). Statistics Canada publishes detailed information on Canada's population, resources, economy, society and culture, collected every five years through the Census and the National Household Survey. CMHC collects and publishes an extensive array of housing market information, and has an Affordable Housing Centre staffed by a team of experts on affordable housing who work with the private, public and non-profit sectors to help develop affordable housing, including that targeted to seniors. Data is also available from local health authorities, municipalities and private research firm. These publications, tools and resources contain information that developers and sponsors will find invaluable when

planning and conducting their quantitative research activities. If boundaries of the market area for a project do not correspond directly to established Statistics Canada boundaries for data collection purposes, municipal planning offices, economic development authorities or local chambers of commerce may be able to help fine-tune data to more closely align with the market area for the project. Consulting with them about household data and population projections could also prove useful for gaining a fuller appreciation of local trends.

Each of the variables needs to be carefully analyzed to accurately establish the profile of the primary market area relative to the target market for the proposed undertaking. When analyzing the data, the following factors should be taken into consideration:

- Population data should refer to households, not individuals, since it is households who move. Where information is available only on a population basis, divide the population figure by the average number of people per household. For households headed by seniors, the average number of persons per household will generally be lower than that for all households.
- Analyze data for the previous 10 to 15 years to establish past trends and as a basis for projecting future trends. Data should be divided into age cohorts so that market segments can be clearly differentiated.
- Data on income should be divided into segments. When assessing ability to pay, the typical approach is to assume that housing costs should be below 30 per cent of gross household income. Affordability problems could exist when a household is paying 30 per cent or more of household income on shelter costs including rent, utilities and taxes.<sup>29</sup> However, the percentage of household income spent on housing can be much higher when health care and support costs are included in the cost. Older Canadians typically draw upon their capital to pay for living costs and expenses during their retirement years.
- Do not assume that older homebuyers will use all the proceeds of the sale of their current homes on their new homes. Although the statistical data presented

in *Volume 1* indicate that many older Canadian homeowners do not carry a mortgage, the full value of the current property should not be included when calculating the equity available for a new project that requires an upfront investment.

## QUALITATIVE RESEARCH

The data collected through the quantitative research can be used to form hypotheses. To test these hypotheses and better define what the statistics indicate, developers and sponsors should conduct qualitative research as well. This may involve a review of the literature and studies as well as interviews, surveys and other forms of consumer market research. In all instances, only members of the target market should be questioned. With the emergence of social media as an increasingly popular form of mass communication, developers and sponsors should also be on the lookout for innovative opportunities. The recent experience of a Toronto condominium developer is instructive in this regard: the site office for the project—which was originally targeted to a mix of potential end users—was equipped with iPads. Visitors were encouraged to use these devices to learn about the project and then send e-mails to friends who shared their interests. As a result, the developer was able to fine-tune his marketing methods to respond accordingly.

The primary objectives of qualitative research are to better understand the needs and preferences of the prospective target market, to assess their willingness and ability to pay for the proposed accommodation and support services, and to gauge their interest in the proposed product.

Qualitative research can also help identify the push and pull factors that might motivate people to leave their current home for a new development. These can be difficult to ascertain accurately through quantitative research alone.

Table 2 presents the primary techniques of consumer market research and the manner in which they are best employed.

Alone or in combination, these techniques can produce insights, which, coupled with quantitative analysis, can

<sup>29</sup> Warren, Clark (Autumn 2005). “What do seniors spend on housing?” *Canadian Social Trends*. Statistics Canada catalogue no. 11 – 008.

help developers and sponsors customize the final product to suit the expectations of the market and attract the targeted residents. These qualitative techniques also offer opportunities for interaction with potential customers, thereby publicizing the project, while getting useful feedback from the target market on refining the development. Among the preferences that developers and sponsors can probe through qualitative research are the following:

- maintenance-free lifestyle and freedom to travel;
- use of space and esthetic design;
- need for accessible, universally designed projects;
- recreation and amenities available on or near the site;

- financial security and investment value;
- physical security from crime;
- wish to relocate closer to family;
- access to medical resources, health care and other service offerings;
- arrangements for medical emergencies; and
- opportunities for social interaction.

### DATA ANALYSIS

Analyzing the data involves combining the numbers and comparing them to see what they reveal about the preferences of subcategories within the target population. Cross-tabulation, which involves comparing

**Table 2: Techniques of Consumer Market Research**

Research Technique	Key Considerations
<b>Surveys</b>	<ul style="list-style-type: none"> <li>■ Designed for a large number of respondents</li> <li>■ Sample size needs to be large enough to accurately reflect views of target market</li> <li>■ Should be short and easy to complete</li> <li>■ Participants can be recruited through open houses, public meetings, newsletters, websites, and newsletters organized and prepared by the project sponsor</li> </ul>
<b>Mail questionnaires</b>	<ul style="list-style-type: none"> <li>■ Should be no longer than two pages, accompanied by a cover letter and self-addressed, postage-paid return envelope</li> <li>■ Anonymity should be assured</li> <li>■ Questions should help to define the target market and shape the product</li> </ul>
<b>Telephone questionnaires</b>	<ul style="list-style-type: none"> <li>■ Quicker but more expensive than mail questionnaires</li> <li>■ Higher response rate than mail questionnaires</li> <li>■ Questions must be simply and directly worded</li> <li>■ Respondents cannot respond to visual information</li> </ul>
<b>Personal interviews</b>	<ul style="list-style-type: none"> <li>■ High response rate and excellent quality of responses</li> <li>■ Interviewers can present visual information</li> <li>■ Allow for in-depth probing for information</li> <li>■ Allow for more complex, open-ended questions</li> <li>■ Can be costly and time-consuming to administer</li> </ul>
<b>Discussion groups</b>	<ul style="list-style-type: none"> <li>■ Used to gather impressions from members of the target market</li> <li>■ Usually informal</li> <li>■ Can help draw out concerns and priorities</li> <li>■ Can be costly and time-consuming to administer</li> </ul>
<b>Focus groups</b>	<ul style="list-style-type: none"> <li>■ More structured and directed than discussion groups</li> <li>■ Should be led by experienced professionals</li> <li>■ Generally consist of 8 to 15 participants representing a cross-section of the target market</li> <li>■ Can allow for in-depth probing of people's preferences, and reasons and motives for moving</li> <li>■ Participants are often paid for their participation</li> <li>■ Can be costly and time-consuming to administer</li> </ul>

data on the target market according to different attributes, and distilling the findings into categories are the two main tasks that need to take place during the analysis stage. For example, it would be useful to know whether single women are more inclined to favour a particular service than single men, or that higher-income households seek a particular amenity in greater proportion than lower-income households.

The analysis should confirm if there is sufficient need and demand among the chosen target market in the primary market area to warrant further investigation, including more focused analysis of the prospective development site, the surrounding competition and the financial feasibility of the proposal. Each of these matters is discussed at greater length in the sections below.

## SITE SELECTION AND ANALYSIS

The process described above assumes that the developer or sponsor does not yet own a parcel of land and is, instead, exploring alternative sites located in neighbourhoods with population characteristics that match the chosen target market profile and proposed development concept. If the market analysis suggests sufficient demand to support a feasible project, the next step is to explore in detail the viability of the proposed development site.

When selecting a site, the preferences, needs and demands of the target market must be carefully balanced against the realities of cost and other site-specific conditions and constraints. These include location, proximity to services and amenities, and the character of the surrounding neighbourhood. Developers and sponsors also need to consider whether neighbourhood residents will support the project or express opposition, an issue discussed in more detail in *Volume 3: Planning the Project*.

Unfortunately, the best-located sites and those that offer the greatest development opportunity are often priced to reflect their preferential status in the marketplace. Hence, narrowing the search down to a particular site requires a number of trade-offs.

## PRICE

The price of land depends on relative supply, location and neighbourhood, size and shape, accessibility and visibility, site conditions, zoning and environmental status, and development potential with respect to legal constraints and utilities.<sup>30</sup> In the parlance of the development industry, land is generally priced to reflect what is believed to be its *highest and best use*; that is, the use that maximizes the value of the property. In practical terms, this means a site that could accommodate a very large, dense or exclusive form of development will be priced to reflect such development potential.

When deciding if the price of a parcel of land is appropriate, developers and sponsors need to consider the target market's income range and willingness to pay a premium for access to nearby services and amenities. More costly sites may be justifiable for projects that target those with very high incomes. Sites in remote locations may be more affordable but are unlikely to offer the range of services and amenities available in more central neighbourhoods.

Land costs affect both demand and ongoing operating costs. Developers and housing providers considering sites located in more remote locations may be able to secure land at a reasonable price but could subsequently find they are unable to cost-effectively deliver the services and amenities that their target market needs and wants.

Government funding or other forms of public sector financial assistance may be available to help offset the cost of site acquisition for housing targeted to low-income seniors. At a local level, developers and sponsors could qualify for assistance from the municipality, including feasibility study grants or fee waivers, if the site is located in an area targeted for redevelopment or revitalization. Even if financial assistance is not available, sponsors should still consult with public sector stakeholders, as this could result in leads on surplus public lands that may be available for purchase or area landowners who may be anxious to sell or partner in a new development.

<sup>30</sup> Peiser, Richard B and Schwanke, Dean (1992). *Professional Real Estate Development: The ULI Guide to the Business*. Washington, D.C.: ULI and Dearborn Financial Publishing Inc.

## LOCATION AND NEIGHBOURHOOD

Location and neighbourhood define the site's access to amenities, services and the target market. The location and neighbourhood can also be a symbol. Some neighbourhoods convey a status or a particular socio-economic standing, as well as a lifestyle. For example, rural locations and suburban neighbourhoods may appeal to those seeking privacy, leisure and tranquility. To others, however, they may be perceived as isolated. While rural locations may better accommodate certain recreational facilities, such as golf courses or marinas, they can present challenges to those with mobility restrictions.

The key to choosing the right location and neighbourhood, therefore, lies in clearly understanding the needs, wants and demands of the target market and how these relate to the current and evolving character of the surrounding community. Questions which need to be answered include: Is the demographic make-up of the neighbourhood appropriate for a development that houses an older population? Are there current or future developments planned that might not be compatible with the proposed project? How will the local residents respond to the proposed project? Is there a concentration of pre-seniors or seniors who might be in the market for "aging in place" in their current neighbourhood?

Although situations can vary, the following location and neighbourhood selection considerations apply generally to the seniors' market:

- neighbourhoods with diverse populations, housing types, and community services and facilities will more likely address the varied demands of the older market;
- proximity to public transit and easy access to nearby community services and facilities can substantially increase the convenience and independence of residents; and
- attractive, visually stimulating environments, enriched by pleasant physical features are likely to have a positive effect on residents' day-to-day quality of life.

## PROXIMITY TO SERVICES AND AMENITIES

For older Canadians, the ability to participate in community activities, engage with friends and family, and safely attend to daily shopping and other needs is

vital to maintaining their independence and quality of life. Services and amenities, including public transit, should, therefore, be close by or easily accessible.

No matter how large the development, it is unlikely to offer all the services and amenities that a typical resident might desire. Developers and sponsors should, therefore, identify the locally available services and amenities that will fulfill most of the target market's needs and expectations. Table 3 lists some of the services and amenities that seniors want. Developers and housing providers planning projects in rural or remote areas will need to consider how their clients will access these services, particularly if they no longer drive or have family in the immediate vicinity.

## ZONING, SERVICING AND SITE CONDITIONS

The highest and best use that can be made of a particular parcel of land is often tied to its zoning, servicing and site conditions. Sites that may be ideally located relative to the target market could yield little development potential if the zoning precludes housing or the site requires extensive environmental remediation before any construction may occur.

Zoning determines, among other things, the use, building size and density of development permitted on a particular parcel, as well as the amount of parking required for a given use. While many seniors-oriented housing developments are subjected to reduced parking standards, the need to accommodate parking is often a challenge, particularly in built-up urban areas. Sites for which the appropriate zoning is not in place should not be dismissed, as it is possible to apply to the local planning authority for a zoning change. However, this can be a long and costly process.

Servicing generally refers to the utilities (such as water, sewer, electricity, gas, cable, telephone) and infrastructure (such as roads, sidewalks) that connect to a parcel of land. Most urban and suburban sites have access to municipal services and infrastructure already in place. However, constraints, such as limited wastewater treatment capacity, could limit the density of development. Developers and sponsors are therefore advised to consult with municipal engineering

**Table 3: Complementary Services and Facilities<sup>31</sup>**

<p><b>Services and amenities that ideally should be located no more than half a kilometre from the proposed project site include:</b></p> <ul style="list-style-type: none"> <li>▪ supermarkets or grocery stores</li> <li>▪ other shopping and consumer service destinations such as dry cleaners, drug stores, coffee shops or restaurants</li> <li>▪ banks and a post office</li> <li>▪ a public transit stop</li> <li>▪ hairdressers and barbers</li> <li>▪ seniors' social clubs</li> <li>▪ recreation or community centres</li> </ul>
<p><b>Services and facilities that ideally should be located no more than one and a half kilometres from proposed project site include:</b></p> <ul style="list-style-type: none"> <li>▪ medical, dental and other health service providers</li> <li>▪ places of worship</li> <li>▪ libraries</li> <li>▪ shopping centres</li> <li>▪ financial services firms such as accountants and tax advisors</li> <li>▪ travel agencies</li> <li>▪ parks and green spaces</li> <li>▪ theatres and other cultural venues</li> </ul>

departments to ensure there is sufficient capacity for the proposed undertaking before closing on the land purchase.

Projects planned for remote and rural sites may not have ready access to existing municipal utilities or infrastructure. In such instances, the developer or sponsor may be required by the local engineering authority to pay the cost of extending the services to the property. This could be an exceedingly costly proposition, especially if no other projects are planned for the area that could share the upfront servicing expenses.

Site conditions can either facilitate development or make it more costly and difficult. Topography (the slope or hilliness of a site) can influence the amount of soil that needs to be moved around, brought in or removed from the property prior to development. Flat terrain is easier to build on, requires little cut and fill, and rarely requires the installation of costly retaining walls, ramps, stairs or other support structures. However, gradual slopes can help with drainage and provide for interesting views. Since seniors in the older age cohorts may rely on walkers and mobility aides, developers and housing providers should look for sites that allow for barrier-free accessibility throughout the entire parcel. If slopes do exist, their grade should generally be kept to less than 5 per cent, which is appropriate for pedestrian movement.

Developers and sponsors must also assess the environmental status of the property. Throughout Canada, thousands of vacant parcels of land offer easy access to services and amenities typically sought after by seniors. Many are in older neighbourhoods in which the socio-economic profiles of the surrounding residents may be a perfect match with the chosen target market. However, because of past industrial, manufacturing or commercial uses, a site may have become contaminated and cannot readily be built upon without first completing extensive environmental remediation.

Typically referred to as a brownfield, such a site can sometimes be acquired at very low cost and offer excellent opportunities for redevelopment, provided the risks and anticipated cleanup costs have been properly assessed. To do so, developers and sponsors should engage the services of a qualified environmental consultant to complete an environmental site assessment. Such assessments will determine whether a site has had a use that could pose an environmental risk. If so, more detailed investigation will generally be recommended to confirm if any contaminants remain.

As the brownfield redevelopment sector matures, the process for gaining approvals related to site cleanup is becoming more straightforward, although requirements vary considerably across the country. Also, many municipalities encourage brownfield development by

<sup>31</sup> Canada Mortgage and Housing Corporation (2008). *Research Highlight (Socio-Economic series 08-014): Community Indicators for an Aging Population.*

offering financial assistance for the necessary studies. This is particularly helpful where the market is not strong enough to balance the costs of remediation. However, it is becoming increasingly common for municipal planning authorities and financial institutions to require housing providers to undertake environmental site assessments, regardless of whether the site is contaminated or not. The cost of such studies should therefore be factored into construction budgets.

Other site conditions that should be considered when assessing a potential development site include the following:

- soil properties, particularly if the project is planned for an area with unstable slopes or areas characterized by sandy or clay soil;
- vegetation and wildlife, especially if a site is located in a rural or remote area that is known to contain threatened or endangered species or environmentally sensitive landscapes;
- existing structures that may need to be demolished prior to development; and
- legal constraints, such as utility easements and covenants on the land which place restrictions on the amount of the land that can be built out.

## SIZE AND SHAPE

The ideal size and shape of a site will vary according to local market conditions, proposed building design and minimum density required to achieve efficiency of operation. If demand in the market area is modest, as can be the case in remote communities, a developer or sponsor may not require a particularly large site.

On the other hand, larger sites can sometimes be more appropriate in remote communities in which access to local contractors and maintenance personnel can be difficult. By eliminating the need for an elevator and locating all accommodation and services on one floor, a developer or sponsor can avoid not only the upfront capital costs but also the ongoing maintenance expenses. This can be significant, as many maintenance contractors

apply premiums to service contracts for projects located in geographically isolated areas.

In general, design options and opportunities for efficiencies increase with the size of the site. Very narrow sites, for example, may preclude back-to-back units, which can increase efficiency and reduce building costs. A site that is very deep may require a loop road that ties into two municipal streets or a turnaround for fire trucks.<sup>32</sup> Hence, when assessing sites, efficiency of design should remain a paramount consideration.

Scale and efficiency of operation is particularly important for retirement homes and long-term care facilities that employ large numbers of staff. Without a minimum number of units, a project will not generate sufficient cash flow to support the required maintenance and programming staff.

The optimal size of a project is generally a function of three variables, namely: cost to develop, ability to efficiently provide services, and a sustainable occupancy level.

## POTENTIAL DEVELOPMENT PARTNERS

A beginning developer or a housing provider new to the seniors' market may consider partnering with another organization. Partnering can allow for the pooling of resources and the combining of skills and experience. For site analysis and selection, it is not uncommon for two or more partners to combine resources to acquire, service and develop a large piece of land. Upon completion, each partner then retains ownership of a particular parcel, in either freehold or condominium tenure. Given the upfront fixed costs that may go into site servicing alone, it can make good financial sense to partner with another organization to help lower the initial capital costs.

Partnerships can also be formed with organizations that may already own land upon which a seniors' housing project could later be developed. Many faith groups, for example, own large parcels of land and have aging members, some of whom will eventually require retirement and long-term care accommodation. A developer or sponsor

<sup>32</sup> Peiser, Richard B and Schwanke, Dean (1992). *Professional Real Estate Development: The ULI Guide to the Business*. Washington, D.C.: ULI and Dearborn Financial Publishing Inc.

contemplating a new project could consider partnering with such a group, which provides the land in return for guaranteed accommodation for members of the congregation. In this case, as in all good partnerships, a benefit would accrue to both partners; one acquires land, the other acquires safe, appropriate accommodation.

Other types of partnership arrangements could also be explored. In each case, however, the goal remains the same: to identify situations in which each party realizes a greater net benefit by partnering than it would achieve by operating alone.

### MUNICIPAL FEES AND CHARGES

Most municipalities and other approval agencies levy fees, such as building permits and development charges, on new development, including residential and institutional accommodation. Generally, these fees offset the cost of reviewing development applications, or providing services such as library services and policing to the future residents of the subject site. Some municipalities and approval agencies will waive, rebate or provide grants for some or all of these fees to encourage development in target growth areas, such as their downtowns. When these waivers, rebates and grants result in upfront cost savings, developers and sponsors should consider sites that fall within these defined areas. However, as with all site selection decisions, the needs, wants and demands of the target market should remain paramount.

### COMPETITIVE MARKET ANALYSIS

Analyzing the competition's market positioning provides insights into local market preferences and can help to identify unmet needs. It involves studying the profile of older people living in other seniors' developments in the market area and noting whether the housing is appropriate to their needs with respect to financial, social, recreation, service and lifestyle factors. Properly analyzing the competition is a time-consuming process, but it is essential.

Essential to a comprehensive description of the market and to identifying gaps in the market is a macro-level understanding of the socio-demographic characteristics

of the population aged 55 and over in the market area. This is achieved through the market analysis process described above. Once you have gained a statistical picture of the relevant population in the market area, develop a list of all existing seniors' housing projects in or near the primary market area that represent potential choices for residents in the neighbourhood. The competing projects should be recorded by:

- municipal address;
- sponsorship;
- year of opening;
- building condition;
- number and type of units;
- tenure;
- costs (rental rates or purchase price);
- services and amenity offerings; and
- type of project (independent, assisted living or supportive housing).

This data can generally be obtained through brochures, websites and other promotional materials. The insights gained will assist with future product positioning. For example, information on the number of projects in the area and the year in which they opened will help indicate how familiar the market is with different housing forms targeted to older residents. Information on the number and type of units will help to confirm if supply meets or exceeds demand. Data on tenure, cost, and service and amenity offerings will indicate which market segments are currently being served and which are not.

The next step is to focus on a narrower range of projects for more in-depth examination. Three to five projects serving the same target market should be examined in detail with respect to:

- unit sizes;
- vacancy rates;
- waiting lists;
- building features and attributes;
- service offerings and activities (basic and optional upgrades);

- pricing and rate structure;
- optional service take-up;
- resident demographics and socio-economic profile;
- marketing and promotional activities; and
- position in the seniors' housing industry spectrum (for example, assisted living or supportive housing).

This information will reveal which market is being served, the level of demand and the primary market for each project. Research on the history of competitors' projects will disclose whether changes have been made over time and why, thereby helping to identify evolving market preferences and gaps. Problems encountered by these projects, indicated by high vacancy rates, may also serve as a lesson in design features, marketing image and unit mix.

Identifying projects that have not yet opened but are well into the planning and development phase is another critical task. Another developer or sponsor may be in the midst of an active marketing and promotional campaign for a new project about to open in the same market area. Find out when the project is scheduled to open, the unit profile, the pricing strategy and other project attributes. Some of this information may be gleaned from municipal and provincial government sources or industry associations, especially for projects that receive operating subsidies. Other information on new and pending completion can often be obtained from local market housing analysts, planning and development consultants, and real estate agents. Information about projects that are still at the concept stage may be available through informal networks.

Information on current and planned projects can generally be obtained from municipal planning authorities, local developer or builder associations, trade associations and seniors' associations, as well as by word-of-mouth in the neighbourhood.

The information on current and planned projects targeting the same primary market and market segment and offering similar services and amenities should be analyzed for:

- the number of households within target age and income profile of the proposed project currently residing in competing projects;
- average vacancy and turnover rates within these projects; and
- the number of other units that will be in operation and drawing from the same market segment as the proposed project when it opens.

Comparing these numbers with the data collected through the earlier market analysis will identify the size of the market (the total number of qualified households) for the project.

Throughout the analysis, use the following assumptions to ensure that risks are conservatively estimated:

- People who already live in one form of housing in the seniors' housing industry spectrum, such as assisted living accommodation, will not generally move to the same form of housing offered by another assisted living provider and should, therefore, be subtracted from the pool of prospective residents.
- Residents living in a different form of housing in the seniors' housing industry spectrum may be attracted to the proposed development, provided their current accommodation represents an earlier stage along the spectrum. For example, residents of assisted living accommodation are unlikely to move back into a newly constructed independent living or active lifestyle development, but those in mainstream housing may be attracted to independent living accommodation aimed at the seniors' market.
- All competing projects in the planning and development stages that are not yet completed will be occupied first, at a market rate of 95-per-cent occupancy, so that the pool of qualified households will be further reduced.
- Turnover in existing projects will be replaced by the prospective market pool at the current turnover rate, estimated at 10 per cent.
- For the last two calculations, assume between 70 per cent and 80 per cent of residents will come from the primary market area, and the rest from elsewhere.

## FINANCIAL FEASIBILITY ANALYSIS

Financial feasibility analysis uses information from each of the previous steps to evaluate whether a project can be delivered within a price range the target market can afford over the period of time it will take to plan, develop, construct and fully occupy the building or sell off all of the units. This can be determined only by a detailed comparison of costs and revenues using a tool known as a financial pro forma.

### COSTS

It is important to differentiate between the hard costs and soft costs, and among fixed, variable and discretionary costs.

- Hard costs are directly attributable to the construction and finishing process and include labour, materials, appliances, furniture and equipment. They may also include the purchase price of the land and the value of any external improvements made to the property, such as site servicing and landscaping.
- Soft costs are those incurred in the planning and design of the project and include architectural and engineering fees, legal fees, permit fees, environmental assessments, and advertising and promotion expenses.
- Fixed costs are those that do not depend on the number of units constructed. The costs associated with a real estate appraisal or the completion of a Phase 1 Environmental Site Assessment would be considered fixed costs, since they would be the same regardless of the number of units proposed.
- Variable costs change based on the overall scale of development. Development charges would be an example of a variable soft cost, as the total fee payable to the municipality is usually based on the number of units constructed.
- Discretionary costs can be decreased, eliminated or postponed without affecting the accomplishment of essential objectives, especially in the short term. An important example in residential development is the cost of advertising and marketing.

One of the most difficult decisions faced by most beginning developers and sponsors is deciding on the optimal size of a project, the correct mix of units, the

range of services and amenities to offer and the size of the marketing budget. No less challenging is determining what impact these decisions will have on construction costs, personnel costs and other operating expenses.

In most cases, developers or housing providers create high and low scenarios to establish a range of costs and to help project future expenditures over the first two or three years of operation. In all cases, cost estimates should be as detailed as possible and properly account for inflation and escalation, which can occur over time and as the project is occupied.

### REVENUES

The revenue sources associated with most seniors' projects are limited and include entrance fees, selling prices and rents; service fees; and non-operating revenues, such as interest income and bequests. The size of the project, the rate at which it is occupied or the units sold (known as the absorption rate) and market demand all affect revenues. Developers and housing providers should prepare several revenue scenarios to cover both optimistic and pessimistic market predictions over the first few years of the project.

### FINANCIAL PRO FORMA

In real estate, a pro forma is used to assemble all relevant financial information about a project. It is separated into a capital budget and an operating budget.

The capital budget conveys the primary sources and uses of the funds that go into planning, designing and constructing a project. The uses of the funds in a capital budget are expressed as costs and the sources of funds are referred to as capital.

There are many different ways to raise the capital to finance a real estate development; however, the two common forms are equity and debt. In practical terms, equity refers to the amount of funds developers or sponsors contribute to the project themselves. This could take the form of cash or, if land is already owned, the value of the property contributed to the project. However, developers and housing providers who do not have sufficient liquid funds to cover all costs secure financing to cover the difference between the total cost

of the project and the amount of equity that has been invested. For more information on financing see Arranging Financing in *Volume 3: Planning the Project*.<sup>33</sup>

The operating budget (also called the operating cash flow statement) conveys the expenses and revenues associated with the operation of a rental project or the

sale of the units to owners. Rental projects, such as retirement homes, incur expenses for utilities, staff salaries and other costs, and generate income through rents and other fees collected from the tenants. Income is calculated by subtracting the cost of operating the project from the revenues collected through rents and the provision of services.

For ownership projects, the process is more or less the same, although instead of a series of ongoing expenses and revenues, the expenses are incurred during the construction period and sales phase, and the revenues are incurred as a single lump-sum payment at closing. The key components of a typical operating budget are illustrated in table 4.

**Table 4: Key Components of Typical Operating Budget/Operating Cash Flow Statement**

<b>Operating revenue</b>	Total annual revenue expected from rents. Depending on the project, the rent may be set by the provincial government.
<b>+ Funding</b>	Additional funding received. Most long-term care projects, for example, receive funding from the provincial government or local health authority.
<b>– Operating expenses</b>	Costs incurred to receive rent from the property, such as utilities, insurance, property taxes, maintenance and repairs, or capital reserves.
<b>– Debt service</b>	The annual total of payments necessary to pay off the mortgage.
<b>= Net operating income</b>	Income the project produces after expenses are paid (the “bottom line”). An income analysis approach will exclude debt service costs from operating expenses; however, in some cases operating expenses include debt service.

### FEASIBILITY RATIOS

The operating cash flow statement will reveal if a proposal will generate a net income, but not if it will be profitable. To understand the feasibility of a proposed real estate project, it is necessary to consider key feasibility ratios, for example the return on investment, the return on equity and the debt coverage ratio, as shown in table 5.<sup>34</sup>

**Table 5: Feasibility Ratios**

<b>Return on Investment (ROI)</b>	Used to evaluate the investor's gain from an investment. This ratio must be used with caution in the beginning, since most of the initial investment of the project may be held by the mortgage lender.	$\frac{\text{Net Operating Income}}{\text{Total Cost of Project}}$
<b>Return on Equity (ROE)</b>	A tool to evaluate the investor's gain from a real estate transaction.	$\frac{\text{Net Operating Income}}{\text{Equity}}$
<b>Debt Coverage Ratio (DCR)</b>	The lender's primary tool for evaluating the project. It represents the amount of annual cash flow available to meet annual interest and principal payments on debt. The minimum DCR required varies according to prevailing local economic and real estate market conditions.	$\frac{\text{Net Operating Income}}{\text{Debt Service}}$

<sup>33</sup> There exists an extensive literature on the financing of projects. For a discussion, see Collier, N./Collier, C./Halperin, D. (2008). *Construction Funding: The Process of Real Estate Development, Appraisal, and Finance*; Nachem, I. (2007). *The Complete Guide to Financing Real Estate Developments*; Miles, M. et al (2007). *Real Estate Development: Principles and Process*; Peiser, R./Freij, A. (2003). *Professional Real Estate Development: The ULI Guide to the Business*.

<sup>34</sup> This is not a comprehensive list of feasibility ratios, and there are many other ratios that can be useful in assessing the feasibility of a project. For a detailed discussion with case studies, see Peiser, R./Freij, A. (2003): *Professional Real Estate Development: The ULI Guide to the Business*.

Different scenarios, assuming different rates of occupancy, can be used to test the financial viability of the proposed development concept under varying market conditions. Adjustments may be needed to ensure that the proposed undertaking provides a healthy return on investment or return on equity. The following questions can help in amending the operating cash flow statement if the initial project concept is found to be unfeasible:

- What compromises, in terms of unit mix, unit sizes, design features, amenities and services, will reduce costs?
- What impact would these compromises have on demand?
- What services and amenities must be available on opening day, and what can be phased in later?
- Could the project be developed in two stages?

These issues are made slightly more complex by the nature of the product and the characteristics of the market. A well-prepared project feasibility analysis can help answer many of these questions. However, the final determination will always be a judgment call. The better the research, the more likely it is that the risk will have been accurately assessed.

### LENDER EXPECTATIONS

Financial feasibility analysis can generate useful information not only for the developer or sponsor of a proposed undertaking but also for financial institutions, which expect to see detailed financial pro forma statements on a project proposal before they offer a construction loan, a take-out mortgage, or mortgage insurance. They want assurances that a project will generate sufficient cash flow to cover annual interest and principal payments on the debt, both during the immediate rental or sales period and over the life of the loan. Lenders and mortgage insurers will also be concerned with risk and measures taken to reduce risk. For more information on financing, see *Arranging Financing* in *Volume 3: Planning the Project*.

### RISK ANALYSIS

Developers and sponsors of seniors' housing projects can calculate the risk of their proposed undertakings by understanding the factors that affect demand and the rate at which units are sold or occupied. While some of these factors will be within their control, others will not.

Although it is possible to estimate the size of a target population on the basis of age, income and other variables, it is harder to estimate how many will actually move. The best approach is to err on the side of caution.

Older people present particular challenges as prospective consumers of new housing, since many are already well housed and can continue to live comfortably where they are. Any decision to move will generally be made over an extended period, especially by those in the younger age cohorts. Older cohorts may have more reason to move, particularly if their current residences no longer suit their needs. Nonetheless, many will stay put. The reluctance to move can stem from resistance to change, fear of what such a move signals, and lack of knowledge about the range of housing and service options available, as well as the comfort and familiarity of their current home and neighbourhood.

To help reduce the imprecision associated with calculating demand, it is essential to know the benchmarks or the rate of sale or occupancy for comparable projects in the same primary market areas, as well as the target market's preferences in design, housing types, services and amenities. Finally, a strong and consistent marketing plan and an effective advertising campaign can influence the occupancy rate for a new project proposal.

### MARKET SATURATION AND PENETRATION RATES

The market saturation rate is the degree to which the total market is being served by existing and proposed projects. The higher the market saturation rate, the harder it will be to attract clients to a new development. Market penetration refers to the level of unit sales or leases expected of a particular housing project in a given market as a proportion of the relevant market population.

To estimate the size of the potential market, developers and sponsors should first create several scenarios, ranging from pessimistic to optimistic, using the factors shown in table 6.

**Table 6: Hypothetical Development Scenarios**

Factors	Scenarios		
	Pessimistic	Medium	Optimistic
<b>Market area</b>	Small	Medium	Large
<b>Age range</b>	Narrow	Medium	Wide
<b>Income range</b>	Narrow	Medium	Wide

The most pessimistic estimate of the potential market for the development sees the primary market area confined to the smallest area and selects the narrowest age and income bands as the target group. In housing that includes support services, such as assisted living or long-term care, this could mean the oldest age cohort and the highest income bracket.

The next step combines—using established industry formulas—the ranges from table 6 with the findings of the competitive market analysis. This process produces a series of ratios that define the rate of market saturation and the rate of market penetration that can be compared to standard industry norms. In this step, it is necessary to calculate the draw of new supply and the draw of new development from the market area.

An illustration of an evaluation of market saturation and penetration rates for a hypothetical housing development offering support services to higher-income older adults can be found in table 7.

Traditionally, a 5-per-cent saturation rate has been accepted as a measure of a stable market, although many communities have proven to be oversupplied or undersupplied with that amount of housing available. Benchmark saturation rates from communities across Canada that have stable markets indicate a wide range

in sustainable saturation rates, ranging from 3 per cent to as high as 12 per cent. Most have rates well below 7 per cent, and most take considerable time to achieve and sustain a 5-per-cent saturation rate.<sup>37</sup>

Because market penetration rates vary widely from one area to another, no standard norms can be applied across the board. However, for sophisticated urban markets, whose residents understand and appreciate diverse forms of housing being offered, or where a narrowly targeted market is selected, the penetration rate can be higher. In the past, a low penetration rate might have been considered reasonable and safe. Today, however, projects may require much higher penetration rates in order to adapt to better educated markets.

### ABSORPTION RATE

The absorption rate is the rate at which the units in a project will be leased or sold, usually expressed as a number of units leased or sold per month. This rate is affected by factors under the housing provider’s control, such as the marketing plan and the attractiveness of the project, as well as less controllable factors, such as the market’s familiarity with housing for seniors, the number of competitors, the number of vacant units on the market and the ease with which prospective residents can sell their current homes. Dividing the total number of units by the number of units that are expected to be leased or sold per month yields the number of months it will take before the project is filled. “Filled” does not mean that 100 per cent of the units have been taken up; a project is generally considered filled when 93 per cent to 95 per cent of the total number of units are occupied or sold. If potential customers are less sure of the product and the market offers more choice, then decision making and, by extension, absorption, will likely take longer.

The absorption rate determines the timing of projected revenues from the rental or sale of the units and the amount of debt that will need to be serviced during the initial rental or sales period. It therefore directly affects the financial feasibility of the project.

<sup>37</sup> Mancer, Kate and Holmes, Carol (2004). *70 Ways to Reduce the Cost of Developing and Operating Supportive Housing for Seniors*. Real Estate Foundation of British Columbia and British Columbia Non-Profit Housing Association.

**Table 7: Illustration of Market Saturation and Penetration Rates Evaluation**

<b>1. Calculation of target market number</b>			
<b>Factors</b>	<b>Scenarios</b>		
	<b>Pessimistic</b>	<b>Medium</b>	<b>Optimistic</b>
<b>Market area</b>	8 km	15 km	30 km
<b>Age</b>	80 years +	75 years +	70 years +
<b>Income</b>	\$35,000 +	\$30,000+	\$25,000+
<b>Number of households</b>	1,000	4,000	15,000
<b>2. Calculation of competition and subject development draw (number of units)</b>			
Existing units			<b>200</b>
Projected turnover in next 2 years (10% of 200, per year)			<b>40</b>
New projects (units in all planned projects excluding the subject development)			<b>+ 80</b>
Total new supply (total of turnover units in existing supply and units in planned projects excluding the subject development)			<b>= 120</b>
Draw of new supply from market area (80% of total new supply)			<b>120 x 80%= 96</b>
Subject development (assumed number of units in proposed development)			<b>80</b>
Draw of subject development from market area (80% of subject development)			<b>80 x 80%= 64</b>
<b>3. Calculation of market saturation rate and market penetration rate</b>			
Market saturation rate (without subject development)	$\frac{\text{Total existing (less turnover) and draw of new supply from market area}}{\text{total age- and income-qualified households within the market area}}$		
Market saturation rate (with subject development)	$\frac{\text{Total existing (less turnover) and draw of new supply from market area} + \text{draw of subject development units from market area}}{\text{total age- and income-qualified households within the market area}}$		
Market penetration rate	$\frac{\text{Draw of subject development units from market area}}{(\text{total age- and income-qualified households within the market area}) - (\text{total existing (less turnover) and draw of new supply from market area})}$		

**Table 7 (cont.):** Illustration of Market Saturation and Penetration Rates Evaluation

	Calculation	Result
<b>Pessimistic scenario</b>		
Market saturation rate (without subject development)	$\frac{(160+96)}{1,000}$	25.6%
Market saturation (with subject development)	$\frac{(160+96+64)}{1,000}$	32.0%
Market penetration rate	$\frac{64}{(1,000-[160+96])}$	8.6%
<b>Medium scenario</b>		
Market saturation rate (without subject development)	$\frac{(160+96)}{4,000}$	6.4%
Market saturation (with subject development)	$\frac{(160+96+64)}{4,000}$	8.0%
Market penetration rate	$\frac{64}{(4,000-[160+96])}$	1.7%
<b>Optimistic scenario</b>		
Market saturation rate (without subject development)	$\frac{(160+96)}{15,000}$	1.7%
Market saturation (with subject development)	$\frac{(160+96+64)}{15,000}$	2.1%
Market penetration rate	$\frac{64}{(15,000-[160+96])}$	0.4%

#### 4. Assessment of risk for different market saturation rates

Saturation Rate	Degree of Risk
Less than 5%	Relatively low
5 to 10%	Moderate
10 to 15%	Relatively high
Over 15%	Speculative
Subject development (assumed number of units in proposed development)	80
Draw of subject development from market area (80% of subject development)	$80 \times 80\% = 64$

As with penetration rates, absorption rates will vary significantly from one community to another. Very importantly, absorption rates are generally lower and absorption periods are longer for seniors rental housing than for conventional rental housing. Existing research suggests that seniors make many more visits to view units in seniors housing projects before deciding to buy or to lease such a unit than do other prospective renters or condominium buyers.<sup>38</sup> Absorption can also fluctuate during different times of the year and at different stages of the real estate market cycle.

Industry standards can help housing providers estimate the expected absorption rate for a new project offering, but these standards should be tested against absorption rates of similar, existing seniors projects in and around the primary market area. Differences may be due to the timing of the project launch, the penetration rate in the market and variations in product offerings. In the absence of any industry standards, a conservative estimate would be to assume approximately 24 months for full leasing. Factors that can affect penetration and absorption rates are listed in table 8.

**Table 8: Factors Affecting Penetration and Absorption Rates**

<b>Residents from outside</b>	<ul style="list-style-type: none"> <li>▪ The attractiveness of the development to residents from beyond the primary market area affects penetration and absorption</li> </ul>
<b>Influence of children</b>	<ul style="list-style-type: none"> <li>▪ Older Canadians often move be to closer to their families, and children often provide financial assistance, elevating certain households into an income-qualifying category</li> </ul>
<b>Affiliation</b>	<ul style="list-style-type: none"> <li>▪ The credibility and the reputation of the sponsor and affiliation with community organizations can influence the market range, the timing of decisions and the ability to overcome the draw of unaffiliated competitors</li> </ul>
<b>Varying absorption rate</b>	<ul style="list-style-type: none"> <li>▪ The absorption rate varies over time, being slightly accelerated after the opening and slowing down during the holidays, summers and winters</li> <li>▪ More attractive or better situated units will go first; others will take longer to fill</li> </ul>
<b>Turnover in project</b>	<ul style="list-style-type: none"> <li>▪ Turnover in new projects begins before full occupancy has been reached; this fact needs to be incorporated into occupancy projections and cash flow calculations</li> </ul>

<sup>38</sup> Brett, D./Schmitz, A. (2009). *Real Estate Market Analysis: Methods and Case Studies*. Urban Land Institute.

# NEW AND EMERGING TRENDS in Seniors' Housing



Developers and sponsors planning housing targeted to Canada's 55-plus population should also consider the new and emerging trends described below, which present both challenges and opportunities.

## COMMITMENT TO ENVIRONMENTAL SUSTAINABILITY AND ENERGY EFFICIENCY

With increased competition driving the pursuit of efficiency, operators of retirement homes and long-term care facilities are looking for ways to improve the environmental sustainability of their projects while lowering their utility costs.

## MORE DIVERSIFIED PROGRAMMING AND AMENITIES

Older Canadians are increasingly demanding more diversified programs and amenities and service packages that offer greater independence, partly because of the changing demographic profile of seniors' housing projects. As most retirement homes and other seniors' housing developments used to provide accommodation primarily for women, programming and amenities were designed around their needs. As more men enter seniors' housing projects, activities need to be planned to take their needs into account.

Moreover, the generation now entering retirement is, on average, better educated and more active and healthier than previous generations of retirees. The programming that appeals to them is very different from the programming that would have appealed to their parents.

## GREATER EMPHASIS ON MARKETING AND PROMOTION

With greater competition in the marketplace, developers and sponsors are increasingly looking for more innovative ways to market and promote their accommodation. While brochures and flyers still remain important tools, operators are increasingly turning to the Internet to create awareness, especially among the adult children of seniors, who can influence the decision to move.

With the expanding range of residences and programs being offered, it is necessary to educate consumers on the choices available and dispel the image of old-fashioned seniors' homes. Effective marketing also helps reduce the time to achieve lease-up. Finally, effective marketing in the local community, through market positioning, understanding local needs and good relations with local health professionals, helps to ensure future referrals of new residents.

## MORE FLEXIBLE, WELCOMING AND ACCESSIBLE BUILDING DESIGNS

In contrast to the institutional feel that characterized many "old folks' homes" of the past, seniors' residences today offer larger suites and more common areas. Some contemporary retirement homes resemble hotels more

than the nursing homes of previous generations. These buildings offer increasingly sophisticated fire and safety systems, better heating and cooling, and advanced communications and emergency response technologies. In the long-term care sector, new design standards and models are leading to the creation of friendlier, less institutional residences where the residents can better cope with their limitations and can do so with more dignity.

Buildings designed and constructed today are also more flexible than buildings in the past and can change and adapt as the market evolves. For example, movable partition walls can be adjusted for changing office and staffing requirements. Pre-installing plumbing runs to permit flexibility for shifting the unit mix, conduits for emergency response systems and automatic door openers; roughing in the future ability to install elevators; and blocking for the future installation of grab bars are also simple and relatively inexpensive steps at the construction stage. So, too, is creating room sizes, doorways and hallways that can accommodate wheelchairs and special equipment, which can be added if and when required. Thoughtful design during the initial construction stage can facilitate future retrofitting while camouflaging full accessibility, which may appear institutional to those not immediately in need. While expanding the overall floor area and adding materials may increase initial construction expenses, these pale in comparison to the cost of major renovations in the future.

Developing projects around the principles of universal design is also becoming more commonplace. Universal design, sometimes known as barrier-free building design or inclusive design, is the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design. The intent of universal design is to simplify life for everyone by making products, communications and the built environment more usable by as many people as possible at little or no extra cost.

Universal design recognizes that people have a range of capabilities and that the designs of buildings and tools should reflect this range.<sup>39</sup> In most cases, achieving universal design entails small changes, such as lowering light switches, raising electrical outlets, installing lever door handles instead of door knobs or providing features such as adjustable closet rods or kitchen counters.

Universal design and its implications is discussed in greater depth in *Volume 4*.

## IMPROVEMENTS IN TECHNOLOGY, TREATMENTS AND OPTIONS

Continuing improvements in technologies, features and options for seniors include sophisticated resident tracking and emergency response systems, enhanced ventilation systems, anti-microbial carpets, new food preparation systems, and computer-based monitoring and communications systems. The increased use of the Internet has also led to the introduction of computers and wireless networks as standard components in the design of new residences. As well, to take into account the increased reliance on motorized scooters, developers now have to provide for scooter access, parking and recharging.



<sup>39</sup> Institute for Universal Design (n.d.). Universal Design. Manitoba Committee of the Active Living Alliance for Canadians with a Disability. Retrieved from <http://temp.waterlooregion.org/spc/trends/disabilities/design.html>.

# CONCLUSION



Older Canadians are a large, growing and highly diverse segment of the Canadian population. They are also a changing and evolving group, with needs, wants and preferences that are different from those of previous generations of seniors. As a result, developers and sponsors need to understand the key types of housing projects in the seniors' housing spectrum and the demands, needs and expectations of the target market for each of the housing types along this spectrum.

The process of completing a project feasibility analysis can be time-consuming and at times complex, but it is impossible to deliver a product that fulfills the needs of the target market without a detailed understanding of the site and market area, the competition and the financial feasibility of the project concept. Information gathered through the project feasibility analysis, combined with data on new and emerging trends presented above, will provide developers and sponsors with the essential inputs needed to decide whether or not to proceed with their proposed undertakings and advance to the next stages in the development process.



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