



Is Now the Time to Buy High-Yielding Retirement & Senior-Living Companies?

Description

Changing demographics within Canada have continued to drive long-term, growth-oriented investors to various companies providing retirement housing for seniors. After all, the ability of such firms to benefit long term from a trend of relatively affluent seniors and families looking for retirement solutions is one which should not be ignored.

Two of the most prominent Canadian companies operating in this space are **Sienna Senior Living Inc.** ([TSX:SIA](#)) and **Chartwell Retirement Residences** ([TSX:CSH.UN](#)). These companies are two unique offerings in that Chartwell focuses on the underlying real estate related to assisted living, long-term care housing, and senior-housing communities, while Sienna offers investors increased exposure to both the underlying real estate and operations of senior facilities.

These two companies have been sought after by investors looking to cash in on a sector that is expected to outperform in the long term. Over the past two years, both Chartwell and Sienna have performed reasonably well, increasing 24% and 13%, respectively. These two firms have also provided investors with a healthy dividend yield; currently, Chartwell and Sienna offer investors a yield of between 3.5% and 5% — not too bad for those looking for regular income and growth simultaneously.

I have commented on Chartwell's [fundamentals](#) in the past, and although the company's free cash flow situation appears to be improving, the company continues to trade at very elevated valuation levels. With a price-to-earnings (P/E) ratio of 112 and a price-to-sales (P/S) ratio of 4.3, investors continue to price in a great deal of growth at current levels, making this company one I would recommend caution with.

Sienna, however, provides investors with relatively similar margins and higher return on assets and return on equity numbers (3% vs. 1.8% and 7.3% vs. 3.1%, respectively), with a valuation multiple that is much more reasonable (1.7 P/S ratio). A smaller play, Sienna appears to provide a superior growth profile, as covered by its recent [acquisition](#) of 10 senior-housing assets in Ontario, well covered by fellow Fool contributor Joseph Solitro.

Bottom line

There are a variety of ways for investors to buy in to the long-term growth trends in senior living. I recommend investors dig in to the fundamentals of the companies they are interested in, with a focus on how companies such as Chartwell or Sienna perform on an operational level, as profitability and cash flow generation will remain key to how well these companies will be able to return value to shareholders over time.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:SIA (Sienna Senior Living Inc.)

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