



A Retirement Community Owner That Would Make a Good Fit for Your RRSP Retirement Portfolio

Description

Sienna Senior Living Inc. ([TSX:SIA](#)) is one of Canada's largest owners of seniors housing and the very largest licensed long-term care (LTC) provider in Ontario.

With the aging population being one of the fastest—not to mention one of the wealthiest—demographics in Canada, find out what makes Sienna Senior Living one of the more [attractive long-term holdings](#) available anywhere in the Canadian market.

Understanding what makes Sienna's business model so great

When Sienna came to the market with its initial public offering (IPO) back in 2010, the company was primarily a LTC operator.

LTC facilities are government subsidized by the provincial governments, which helps to make them more affordable for Canadians and also helps to make sure operators abide by standard levels of accommodations for their residents.

The great thing about being an established licensed LTC provider like Sienna is that in general, the government holds a high standard for giving these types of licences out. Sienna is less likely to face new competition from a new company wanting to enter the market.

It also tends to mean that when one of Canada's provincial governments decides that, based on market demands, it needs a new LTC facility in the province, that the government is more likely to award the licence to a company like Sienna that already has a demonstrable track record in place that it can point to as being a responsible operator.

The other thing that makes being a LTC owner and operator so attractive is that at some point in their lives, many Canadians will inevitably require the type of assisted-living services that LTC facilities offer.

Making a great business model even better

Management at Sienna has [done a great job](#) of making a winning business model that much stronger in the years since its IPO.

Back in 2010, the company had just 82 retirement suites and generated only 6% of its net operating income (NOI) from retirement living services.

But thanks to a string of acquisitions, the company, at the end of 2017, had 1,978 retirement suites that helped to generate 44% of NOI, with that number expected to approach a 50/50 split with LTC services before too long.

While the LTC business is great, there are certain added benefits from running a portfolio of retirement communities.

One is that retirement communities are generally less regulated than LTC facilities, meaning that owners like Sienna can charge higher fees for rents and other ancillary services, like meal preparation and laundry.

The other advantage is a natural synergy built in to the ownership of balanced portfolio of retirement and LTC properties.

The idea is that seniors who initially move into retirement communities because they don't require the additional service care of LTC services are more likely to "graduate" into one of Sienna's LTC facilities if and when that time comes.

So, not only does Sienna benefit from a higher-margin business model through its retirement communities, but it's also gaining a type of sales funnel for its existing LTC business.

Bottom line

Sienna's share price has experienced a pretty decent run-up in recent years thanks to some recent acquisitions. That doesn't necessarily mean that it doesn't make for a great long-term holding in your retirement savings account, but it does suggest that a more conservative strategy, like dollar-cost-averaging, or buying a few shares in the company every couple of months, might be the right way to go.

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