Why an Aging Population Could Spell Huge Growth for This Canadian Stock

Description

When analysts mention aging and stocks in the same breath, it's usually not with optimism. Aging populations are associated with fears of lower employment, decreased consumer spending, and higher taxes. Productivity increases can offset some of the negative consequences of an upside-down population pyramid; but in general, most analysts will tell you that too few kids equals bad economic times ahead.

There is some merit to these concerns. Generally, older Canadians spend less money than their middle-aged counterparts. Retirement usually implies a reduction in working hours—despite baby boomers embracing part-time work in their golden years. And since older people are more likely to get sick, taxes may have to increase to cover the higher healthcare costs of an older population.

Yet, as is so often the case, there is a silver lining. When the population ages, the demand for certain services increases—chief among them, elder care and senior-living accommodations. And, as it turns out, there are a few Canadian stocks set to gain from current demographic trends.

One of those stocks is a little-known real estate company

Sienna Senior Living Inc. (TSX:SIA) manages retirement accommodations. These include independent living, assisted living, and respite care facilities. The company includes many services and amenities at its facilities, including general housekeeping, group transportation, libraries, salons, and others.

A potential long-term play

There are many qualities that make Sienna a potentially strong buy.

First, it has a solid dividend yield of 5.49% at the time of this writing. Second, it has delivered steady (if not spectacular) gains to investors, roughly doubling in price since it was listed on the TSX in 2007. Third, as pointed out in a recent fool.ca article, the company is seeing significant revenue growth.

The above factors on their own make Sienna a stock worth considering.

But there are even more reasons to consider the stock as a long-term TSX play.

Room for expansion

Currently, Sienna has facilities only in Ontario and British Colombia. This means it has considerable room to expand into other markets. The trend toward an older average age is not limited to Ontario and B.C. This means that Sienna could grow its revenues significantly by expanding into other provinces (and deliver better returns to investors as a result).

A solid competitive position

Another reason to consider Sienna is its strong competitive position. Relative to its main competitor, **Chartwell Retirement Residences**, Sienna has some serious advantages. While Chartwell is the larger company, Sienna may be the better stock. As a recent fool.ca story points out, the latter company has a better distribution yield, stronger technical metrics, and lower historical losses on unit valuation. These numbers could make Sienna the better bet for investors who want to ride the growing wave of retirement residence profits.

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