



Uncharted Territory for Chartwell Retirement Residences

Description

REIT Investors concerned about the recent policy changes by Bank of Canada and the future of some REITs in Canada should look no further than **Chartwell Retirement Residences** ([TSX:CSH.UN](https://www.chartwell.ca/TSX:CSH.UN)). It is an open-ended trust that owns and operates 132 communities, or 16,547 beds/suites. It is also a partial owner and operator of another 46 communities or 8,224 beds/suites. The company reported a 93% occupancy rate as of Q2 2016: a 2% increase year over year.

Uncharted territory

Canada is about to witness one of its largest demographic shifts as its population of baby boomers embraces its senior years. Recently, Statistics Canada released their quarterly demographics estimates which highlight this fact; between now and 2026 the population over the age of 65 will increase by six million, or 5%.

These baby boomers are expected to be wealthier, having lived through one of the longest bull markets, with savings that will give them freedom and autonomy in their retirement years. Many will seek housing that provides a full suite of amenities that can manage their active lifestyles but provide the assurance that they'll have access to sufficient health care and security.

Unfortunately, there is already a shortfall of seniors' housing in Canada, and local municipalities are putting pressure on their elected officials to lobby the federal government to fund this shortfall. Several provincial health ministers said in interviews this month that they want to see increased federal health transfers that are weighted to prioritize regions facing the most pressing demographic pressures.

The Liberal's election platform promised three billion over four years for home care. However, Federal health minister Dr. Philpott has said she has no plans to reverse next year's scheduled change to the health transfer formula. That change will end the automatic 6% annual increase that has been in place since 2004. The new formula is said to be based on economic growth with a guaranteed minimum transfer increase of 3%.

The shortfall of infrastructure for seniors is not only housing, but also the transportation required for seniors who still consider driving their primary mode of transportation. More than two-thirds of

Canadians aged 65-74 drive as their main form of transportation, while one-third of those aged 85 or older rely on driving.

Municipalities are concerned about the lack of infrastructure to support Canada's aging population. A report on October 19, 2016, by the Conference Board of Canada from the Canadian Alliance for Sustainable Health Care and the Center for Transportation and Infrastructure said Canada has not adequately addressed the changing transportation needs of seniors, leaving many without a range of accessible, affordable, and appropriate transportation options to support active and healthy living.

Charting your retirement years

Chartwell should benefit from the growing concern over the shortage of housing and health services for seniors. Consider the company is one of Canada's largest owners of retirement residences with about 26,231 suites, and if you consider the projected growth rate of 10% for the next 10 years, that still only leaves the company with just over 1% of the market.

Governments could start looking to the private sector as a way to bridge this gap and fund some of these projects. Potential incentives could include subsidies, land grants, tax credits, or assistance with permitting and site due diligence.

The company is unlikely to bank its growth plans on public funding or incentives, as it continues with its development pipeline of 2,129 suites with two projects now complete, six projects in construction, and four projects in pre-development.

Chartwell noted that it will continue to leverage its internal development program to partner with reputable developers and gain access to sites in strong markets. So far this year, the company announced five acquisitions for a total of \$211.7 million.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:CSH.UN (Chartwell Retirement Residences)

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