

Retirement Homes ~ A Business Opportunity



By Brian Madigan LL.B.

Did you ever consider a retirement home as a business opportunity? Did you know that it is one of the fastest growing sectors in the market.

Obviously, this is due to the aging population. And, the demand for space in retirement homes will continue to grow.

You should be aware that retirement homes unlike Homes for the Aged, Nursing Homes and Private Hospitals are **largely unregulated**. Space, accommodation and the services provided are all subject to the market forces of supply and demand. A good and successful facility will house a good mix of people. It will have a reasonable division between private areas and common areas. There should be plenty of places to sit and relax, and simply catch up on one's reading. If you don't have the time to read in your retirement, then just when are you going to read?

There is also a need for physical activities. Today's aging population is far more active than were previous generations. A place for a gym, yoga class or dance class would work well. Playing cards and pottery classes are becoming less popular.

If you are considering starting a retirement home or acquiring an existing one, you should think about the **maturation of the home population** over time. A retirement home which opens up to new residents, will soon fill up with the young elderly. These are people in their seventies, often with an average age around 75. However, as time goes on, the retirement home will find that its average age increases with its residents. In 10 years, the home will have a population of 85 year olds, and in a further decade the average age will be 95.

Now, of course, there's attrition. Some residents will move, some will become ill and require a nursing home and others will pass away. But, the important matter to note is that the average age is increasing. As new residents move in, they are likely to be attracted to a home with an average age close to their own. So, if your average age has increased to 85, then you are likely to attract 85 year olds. The 75 year olds will go elsewhere. That issue becomes the most difficult matter to manage when you are running a retirement home. So, what's the solution?

Actually, the solution is obvious. You expand! You continue to build onto your existing facility. You need to attract the young elderly and in order to do so, you will have to offer relatively new facilities catering to the young elderly.

So, when you are looking for a facility you will need to ensure that there's lots of **room for expansion**. You need to have a 20 year strategic building plan.

To simply acquire an existing facility and hope that the business will maintain itself would be rather foolhardy. Your business success is in the "mix". The changes in demand for services will never be greater than the 75 to 95 age range. Residents will become more and more dependent and require more and more services to assist them in their daily living routines. Each of these additional services becomes an additional profit centre.

So, if you're thinking about buying a retirement home, be sure you know the average age of the residents and be sure that you have room to expand.

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