



Residents walk through the lobby of Amica at Bayview in Toronto. Amica Mature Lifestyles Inc. is on the cutting edge of a trend toward greater acceptance of seniors' housing that could see explosive growth in the next few years. ASHLEY HUTCHESON FOR THE GLOBE AND MAIL

Banking on a happy retirement

BY LORI MCLEOD
REAL ESTATE REPORTER, TORONTO

Step into the Amica at Bayview seniors' residence in a tonny north Toronto neighbourhood and it feels like you've entered a cross between a luxury boutique hotel and a high-end private club.

Look around and you might also wonder what they're putting in the morning tea and croissants. Everywhere you turn a beaming group of residents pops up, from the breakfast room to morning aqua-fit classes to the on-site hair salon.

Rather than the Earl Grey, it's **Amica Mature Lifestyles Inc.**'s unrelenting focus on customer service that's leading an increasing number of people to shell out big bucks to live in "the Four Seasons equivalent" of seniors' accommodations, says Jimmy Khing Shan, analyst at National Bank Financial.

It's also part of the reason investors might want to take a second look at this stock that's been pounded by subprime fallout along with many others in the sector.

Founded 14 years ago by real estate executive Samir Manji, Amica spent the first half of its corporate life consolidating the fragmented seniors' housing market. Seven years later Mr. Manji refined his focus exclusively to five-star rental residences, which he now builds from the ground up. Amica has divested properties along the way that don't fit its high-end model.

Now the company has 15 residences up and running across Canada and 10 more in development. It owns varying stakes in those properties,

ranging from 100 per cent to a minority interest, with the rest owned by private investors.

Part of Amica's appeal is its share price, which at around \$7 has fallen 26 per cent year-to-date and nearly 50 per cent from its 52-week high of \$13.45 in March, 2007. By contrast Mr. Khing Shan has a \$12.50 target price on the stock, based on the value of its assets and its long-term property management contracts for the residences.

By virtue of depressed share price alone, however, you'd be left with a 'top picks' list that could encompass pretty much the entire real estate sector right now.

However Amica separates itself from other small real estate companies and real estate investment trusts for a few reasons, one of which is its unique method of raising capital, Mr. Khing Shan said.

When it finds a new property the firm signs on a network of private investors to help finance the acquisition and development on a project-by-project basis.

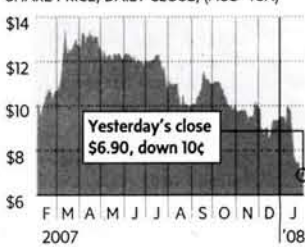
Tighter lending markets means those investors are now coming in later in the process - after zoning is complete and the shovels are ready to go into the ground. However, it's still a model important for future growth at a time of scarce and pricey bank debt, Mr. Khing Shan said.

Amica's other buffer against the general market downturn is the long-term and lucrative property management fees it generates on the residences.

Amica has 99-year management contracts for which it receives a base fee, along with a share of net operating income above a certain threshold.

Amica Mature Lifestyles

SHARE PRICE, DAILY CLOSE, (ACC-TSX)



SOURCE: THOMSON DATASTREAM

By the numbers

\$2.8-million

Cash flow from operations for Amica's last reported quarter ended November, 2007..

\$3.5-million

Earnings before interest, taxes, depreciation and amortization this past quarter.

\$1.8-million

Quarterly profit.

At a glance

At Amica, the monthly fee for an 829-square-foot two-bedroom suite starts at \$5,000 a month, while a 374 sq.-ft. studio begins at \$3,170. A second occupant in the unit costs an additional \$700 per month. There are approximately 1,700 residents at Amica. All meals, amenities and utilities are included. More expensive residences on a designated floor of the building include assisted-living services, such as medical monitoring and help bathing and dressing.

Those revenues recur regardless of the state of the market.

At its current market value not only are Amica's assets being valued at a "very conservative" level, but its property management business isn't being given any consideration at all, Mr. Khing Shan said.

"Basically the stable part of this business is trading at a big discount like the rest of the sector. But I've singled them out because they've got a nice juice to them which is the management business, which you can buy for free right now," he said.

The company is also on the cutting edge of a trend toward greater acceptance of seniors' housing that could be set to explode, albeit a number of years down the road.

"We're still very early stages, but the market is transitioning. It used to be on a need basis, you'd go to a nursing home only if you had to. Now people are entering more by choice ... and should do so even more in the future," Mr. Khing Shan said.

As a small and relatively illiquid company, Mr. Manji said he understands why Amica's share price continues to suffer with the general market downturn.

Sounding more sombre than he did a few months ago, he also says financing along with finding and sourcing new properties is becoming more difficult. Amica won't be able to meet its goal of adding four or five new residences to its portfolio this year for a number of reasons, he added.

However, for now Amica will stick to its current business model, exercise patience, and not take on any undue risk, Mr. Manji said.