

CIRANO Note prepared by Mathieu Laberge, September 2010,  
from Claude Montmarquette and Mathieu Laberge's report

*Last June, CIRANO published a study of housing assistance programs in Quebec. This study gave rise to many comments, and the debate quickly polarized proponents of social housing and the private market. The purpose of this note is to shed some light on the arguments put forth and to explore more deeply the alleged housing crisis and the implementation of government programs to facilitate access to housing.*

### **The nature of the crisis**

A frequent argument made in favour of increasing the construction of social housing is the alleged housing crisis in Quebec. While it is true that private rental vacancy rates have been considerably lower than the equilibrium rates posted in the early 2000s, they have risen in recent years. As depicted on the set of graphs presented on CIRANO's Website

<http://www.cirano.qc.ca/icirano/webevents/201008/?l=en>, two-thirds of the 27 cities that posted vacancy rates below the equilibrium rate in 2009 have reported increases in that rate. Consequently, it is not unreasonable to believe that, if private rental markets in these cities had not yet reached equilibrium in 2010, they were at least headed that way. This return to equilibrium is occurring very rapidly in some cases. Thus, the housing crisis can hardly be used to justify wholesale investment in social housing.

### **A more efficient rental market**

On the surface, it might appear that the housing crisis has abated because of the social housing building initiatives that have proliferated in the past decade. However, with social housing only making up 5.5% of Quebec's total stock of housing, this conclusion is hard to justify: At best, social housing construction has supported some needy households *at the margin*. Consequently, we must look to an adjustment in rental markets for an explanation of the magnitude of this increase in vacancy rates. With regard to this, the market has shown itself to be relatively efficient in meeting the demand for affordable housing. Certain Quebec policies, specifically those of the Régie du logement, made it possible for the private rental market to supply a stock of housing that is among the most affordable in the western world. A comparison between Montreal and Amsterdam is illustrative: At comparable income levels,

rents are 4.4 times lower in Quebec than in the Netherlands.

This relative efficiency of the private rental market does not mean that there is no need for government policies that are targeted and adapted to particular needs. For example, in certain regions affordable dwellings with more than three bedrooms are rare or nonexistent.

### **A well diversified basket of programs**

In light of this, the report CIRANO published in June concluded that the government of Quebec's housing assistance programs effectively met the needs of various clienteles. In 2006, 8.4% of Quebec households benefitted from the support of these programs. These are designed to either increase the number of affordable dwellings or to keep households in their homes by providing them with financial assistance. They meet the needs of diversified clienteles, ranging from low- and medium-income households to the elderly, and including aboriginal families and victims of violence. In 2008, the amounts devoted to the eight housing assistance programs that were considered in the report exceeded \$800 million (constant dollars). Since 1996, the amount dedicated to housing assistance programs has grown at a mean annual rate of 5.8% in real terms.

Our study concluded that the considerable difference in rent between the private rental sector and the social housing sector had the effect of increasing the demand for the latter. This creates the impression of a persistent shortage. The increase in vacancy rates, low rents, and diversified assistance suggests to us that there is currently a good balance between the private rental market, financial help to housing, and support for residential construction in Quebec, and that we must avoid compromising this equilibrium with a headlong plunge into housing assistance. In light of all the available data, this conclusion still seems appropriate to us.

To consult the report *L'aide au logement au Québec* (in French), by Mathieu Laberge and Claude Montmarquette: <http://www.cirano.qc.ca/pdf/publication/2010RP-09.pdf>