

# Intelligence MEMOS



From: Mario Polèse

To: Housing Observers

Date: November 24, 2023

Re: **QUEBEC'S SOFT RENT CONTROL. A DELICATE BALANCING ACT.**

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Aside from serial bombing, the most efficient technique for destroying a city is rent control, Swedish economist Assar Lindbeck once famously said. If rents are capped, why invest in new houses or maintain older ones if costs cannot be recovered through rents?

That said, some form of government intervention, especially during periods of rising housing prices, is difficult to resist. But, how does one both “control” prices and encourage investment in housing? It’s a classic case of conflicting objectives.

Quebec’s rent control model seems to be managing the straddle, and offers lessons for other provinces.

Urban rents in the province have remained [markedly](#) lower than those in similar sized Canadian cities. This has historical roots, notably the absence of development charges and the high proportion of duplexes and triplexes with lower unit building costs – the so-called missing middle – in Quebec’s rental housing stock.

The ratio of average rents to average housing prices is also [lower in Quebec](#), pointing to a distinct renter advantage.

Even so, rental housing remains a profitable investment, one reason rental [starts](#) per capita over the last two decades have, on average, exceeded Ontario’s. Meanwhile, 90 percent of Quebec tenants [surveyed](#) declared their apartments well maintained.

What might be behind Quebec’s rental success?

The Régie du logement was founded in 1980, changed to [Tribunal administratif du logement](#) (TAL) in 2020. It still bears the fingerprints of its founding director, Claude Chapdelaine, an economist with a social conscience, and the tribunal is generally perceived as a balanced arbiter of landlord/tenant interests.

TAL’s success owes as much to the spirit as the letter of the law. Three key phrases from the mission statement in its [2020-2023 strategic plan](#) reflect this.

The Tribunal:

“Renders judgments in a framework, keeping administrative procedures simple, that respects the principles of natural justice.”

“Favours conciliation between landlords and renters.”

“Oversees . . . the maintenance of the rental housing stock.”

The key words here are “conciliation” and “natural justice,” where the latter can be rephrased as “duty to act fairly.” Quebec’s distinct housing structure also matters. Landlords and tenants often live side-by-side in those duplexes and triplexes, encouraging “conciliation” as a general rule. The Régie, in the words of its founding father, saw its role as a last resort with a declared preference for mutual agreements arrived upon outside TAL. Requests for arbitration account, annually, for less than 1 percent of the rental housing stock. Disputes are generally resolved in five months or less.

Last June, Quebec tabled [Bill 31](#), amending various housing provisions, but essentially left TAL’s mandate intact.

There is no rent control for new buildings. TAL’s mandate is limited to buildings five years old or over. Below that, landlords remain free to set rents. TAL’s core task is setting rent increase rules for mature housing stock. These can be divided into three categories: 1) annual lease renewals; 2) major improvements and renovations; 3) vacated apartments.

The first, past history suggests, is the least problematic. Every year, TAL publishes an [on-line form](#) for landlords to report income and expenses – heating, property taxes, repairs etc. – also available to tenants, as the basis for calculating proposed rent for the coming year. TAL also publishes [general guidelines](#) for calculating allowable rent increases, predictably criticized as too high by tenant advocacy groups and too low by landlords. It, however, acts as a marker for arbitrations and to tenants and landlords as to what they can realistically expect, which forestalls many wasteful disputes. In contrast, Ontario’s [allowed rent increases](#) are much more rigid, calculated using only Ontario-wide price indexes and capped at 2.5 percent.

Major renovations are another matter, sometimes requiring evictions. This is where the mission statement’s third goal kicks in. If buildings are to be maintained, landlords must be ensured a reasonable return and, where applicable, evicted tenants adequately compensated and/or rehoused. Both remain sticking points. Evictions remain problematic not only because of tenant compensation issues but also because promised renovations are difficult to verify post factum, not to mention notorious cases of evictions under the (false) pretense of housing the landlord’s ailing grandparents.

The third category, vacancy control, is the chief weakness of the Quebec model. Unsurprisingly, it is also the chief point of contention of Bill 31. New leases formally fall under TAL’s jurisdiction; however, landlords have been largely free to set new rents.

On the other hand, tenants, have the right to transfer leases to newcomers, which has been increasingly invoked in recent years, blocking increases. Bill 31 abolishes that right, and naturally faces tenant [denunciations](#). Compromises are currently being debated, including a strengthened requirement that landlords record the previous rent in new leases, which is probably impossible to effectively enforce. The end result will most likely be a regime in which there is no effective vacancy control.

Any workable rent control model (if indeed we can call it that) must continually navigate between conflicting objectives. TAL’s primary assets are its stability and reputation for fairness, helped in no small part by its tradition of independent nominations and absence of political interference. Other provinces should look to its success.

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