

LES LOYERS

EXPLOSENT



UN CONTRÔLE S'IMPOSE!

REGROUPEMENT DES
COMITÉS LOGEMENT ET
ASSOCIATIONS DE LOCATAIRES
DU QUÉBEC

RCLALQ

Housing is Increasingly Expensive

In recent years, rents have literally skyrocketed in Quebec. This phenomenon can be mainly attributed to the lack of rent control present to moderate the evolution of housing prices.

The inequalities between landlords and tenants are profound. They are particularly evident in the lease renewal process, where landlords, in the vast majority of cases, are able to obtain unreasonable rent increases against tenants whose bargaining power is diminished by fear of retaliation.

The housing shortage in several regions of Quebec is also a contributing factor to soaring rents. The lack of rental housing illustrated by the low vacancy rates across the province benefits property owners who then substantially increase rents without consequence. When housing becomes scarce, rents become expensive!

The significant speculation that is ongoing in the real estate market is also contributing to the surge in rent prices. New buyers of rental properties often pay high prices for their buildings, assured by the fact that they only need to raise the rents of existing tenants to increase their profits. Others will use various tactics to end their tenants' leases then drastically increase the rent.¹

Finally, tenant turnover is also a golden opportunity for property owners. In such cases, they will regularly increase the monthly rent by \$50, \$100, \$150 or more. While the law currently allows new tenants to turn to the *Tribunal Administratif du Logement* (TAL) to ask for a rent adjustment if they pay more than previous tenants, this right is essentially useless in practice; landlords often circumvent the rules by failing to indicate the previous rent or by falsifying the amount since tenants have no tools to verify whether the information written in the lease is accurate.

Data published annually by the Canadian Mortgage and Housing Corporation (CMHC) makes the phenomenon of exponentially rising rent costs evident. According to the CMHC, the average rent of a 4 and a half in Quebec in 2020 was \$856 a month. This amount is 5% more expensive than in 2019! In only 5 years, the average 4 and a half has increased by 18% according to the CMHC. Over the same period, inflation in Quebec was only 7%. As a result, rents are rising dramatically faster than the consumer price index.

Further, to fully assess the magnitude of the explosion of rent prices, we cannot fully rely on the CMHC's data as it focuses only on currently leased housing. For this reason, the RCLALQ evaluated nearly 61,000 listings of rental housing from the website Kijiji in

¹ In the past year, RCLALQ member groups have received more than double the number of requests for assistance from tenants who were threatened with eviction by their landlords (e.g., repossessions of housing, evictions for expansion, etc.). For 60% of these applications, the owner was a new purchaser and had purchased the building in question less than a year ago.

the winter and spring of 2020. The results we obtained are striking to say the least: for the province of Quebec, the average listed price of a 4 and a half to rent was \$1032 -- 20% more than the average price set by the CMHC. For large dwellings (3 bedrooms and more), the gap is even higher (26%). Tenants looking for housing with multiple bedrooms should expect to pay an average of \$1294 a month. However, smaller units are no exception, as our research indicates tenants need to pay on average \$770 a month for a studio and \$942 for a 3 and a half.

Average rent for housing listings on the website Kijiji, Province of Quebec, sample of 60,985 listings, collected between February and May 2020

	STUDIO	3 AND A HALF	4 AND A HALF	5 AND A HALF AND +	TOTAL
AVERAGE RENT	770\$	942\$	1032\$	1294\$	1044\$

The rapid increase in rent prices contributes to the escalating poverty of tenant households. In Quebec, according to Statistics Canada data, 34% of Quebec's tenant households pay more than 30% of their income towards housing. The situation is even more dire for the 195,000 Quebec tenant households that pay more than 50% of their income towards rent. For these households, a rent increase means having to cut back on other expenses related to basic needs.

Our Demands: Concrete Measures to Control Rent Prices

Faced with the reality of rent prices exploding, and the inefficiency of the current rent-fixation system in place in Quebec, the RCLALQ is calling on the Quebec government to introduce concrete measures to control rent prices. As a first measure, since there is an urgent need to act because the pandemic is hitting the finances of many tenant households in full force, **the RCLALQ is calling for an immediate freeze on rents in Quebec.**

Secondly, **we call for the mandatory use of the average rent rate variation in the calculation of yearly increases**(currently, it is the average estimates of rent increases by the type of heating published annually by the TAL that best reflect these average rates). Thus, when delivering rent increases property owners would be obligated to respect these estimates, according to the type of heating. In the event that such an estimate is negative, the RCLALQ calls for a rent reduction to automatically apply to the tenants concerned. Otherwise, in the case that the landlord has carried out major work or improvements in the dwelling or building or if the landlord wants to change a

condition of the lease, it would therefore be compulsory for them to go to the TAL to have the impact on the rent calculated. Mandatory rent control must also apply to newly constructed buildings (5 years and under).

The RCLALQ is also calling for the establishment of a rent registry to put an end to the phenomenon of excessive rent increases when a dwelling is rented. This registry must be public, universal and free in order to allow tenants to verify the previous rent of the prospective dwelling.

Other cities, provinces and countries around the world, have protected access to housing by introducing measures to curb soaring rents. **We call on the Quebec government to introduce such measures to protect this province's tenants.**

THERE IS NO RENT CONTROL IN QUÉBEC

Landlord associations argue that the present regulations on rent-fixation are responsible for the supposedly poor profitability of the rental real estate market in Quebec. According to them, overly strict rules for setting the cost of rents prevents landlords from being able to claim sufficient rent increases from their tenants to cover their expenses, particularly for expenses related to major renovations.

However, a crucial element is absent from the discourse coming from these associations: for a rent increase to be subject to the current regulatory framework, it must first be refused by the tenant. However, this is a right that is not well known: many tenants falsely believe that refusing a rent increase means that they will have to leave their homes. Many landlords fuel this confusion by indicating only 2 choices to tenants in their rent increase notices:

accept the increase or move out. Additionally, the rent spike further proves that landlords are not respecting the rates suggested by the *Tribunal Administratif du Logement*.

Still more tenants are afraid to refuse their increases for fear of harming their tenant-landlord relationship. This is especially true for tenants of private residences for seniors (RPAs) since their landlord also feeds them and provides them with healthcare. For other tenants, it is the fear of a future eviction or that promised improvements will not be carried out that makes them shy away from refusing a rent increase.

Rent-fixation files make up less than 1% of all files opened annually at the TAL. Many rents are negotiated between landlords and tenants, of course, but many property owners disregard the average estimates suggested by the Tribunal. A rent increase, whether it is far too high or not, is legal if the tenant does not refuse it. In addition, unlike landlords, tenants cannot ask the

Tribunal to set the cost of rent when they see a decrease in the landlord's expenses. This is an exclusive right to owners... an injustice that the RCLALQ has long denounced.

REAL ESTATE, A LUCRATIVE INVESTMENT

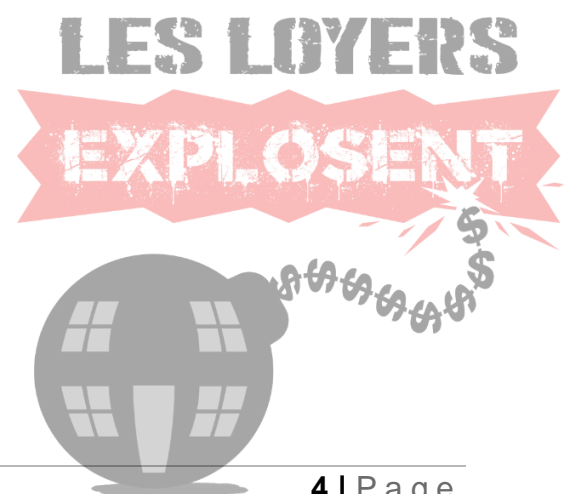
A recent study by the Institute for Research and Socioeconomic Information (IRIS) shows that for the last 15 years, the rental housing sector has been extremely lucrative. Very low mortgage interest rates, rapid rent increases, and strong real estate speculation have all been present -- all the ingredients required to make money in rental housing.

In the study entitled "Analysis of the real estate market and the profitability of rental housing", the IRIS confirms the hypothesis that it put forward in 2004 that rental real estate is a profitable investment despite the so-called restrictive legislative framework associated with increasing the cost of rents. This 'framework' has always been condemned by landlord associations as according to them it would not allow landlords to increase their rent quickly enough to reflect their costs, especially in cases where major renovations are carried out. But the reality is quite different.

Based on a 2004 simulation that took into account both pessimistic and optimistic scenarios, the IRIS estimated the average annual profitability of different building categories at 11.1% over 15 years. Meanwhile, the firm

Raymond Chabot Grant Thornton, which had done a similar exercise on behalf of property owner associations, forecast a maximum annual profitability of 7.3% for the most optimistic of its scenarios. The famous firm even went as far as to predict a negative profitability for high-density buildings located in the suburbs.

The scenarios put forward by Raymond Chabot Grant Thornton proved to be very far from reality. The IRIS concludes that the average annual profitability of residential properties over the past 15 years has been 24%. It can even reach as far as 30% for buildings located in neighbourhoods of major urban centres where demand is highest.



The RCLALQ

The Coalition of Housing Committees and Tenants Associations of Quebec (CoHCTAQ/RCLALQ) is a militant organization that advocates for the right to housing, calls for private rental market control, and greater access to justice for tenants. The RCLALQ is also a political spokesperson for tenants, in particular low-income tenant households.

The Coalition started in 1978 as a “Rent Freeze Group” to combat high rent increases. The RCLALQ now works with 55 organizations under its umbrella, whose service users are tenants’ experiencing housing problems such as unsanitary conditions, rent increases, difficulty accessing the *Tribunal Administratif du Logement*, discrimination, or the loss of their dwelling due to infringements on the rental market.

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Support our Campaign

The RCLALQ welcomes organizations, elected officials and the public to support our campaign « As Rents Explode, We Need Control ». Our demands are directed at the Quebec Government, specifically the Minister of Municipal Affairs and Housing, Andrée Laforest. **For more information please consult the RCLALQ website at: rclalq.qc.ca**