

ECONOMIC VIEWPOINT

Increasing Quebec's Housing Supply

Multiple Solutions Requiring Collaboration and Involvement from All Stakeholders

By Hélène Bégin, Principal Economist, and Maëlle Boulais-Préseau, Economist

- ▶ According to [Canada Mortgage and Housing Corporation \(CMHC\)](#), Quebec needs 860,000 additional housing units by 2030.
- ▶ This is equivalent to an average of 107,500 additional units per year, on top of current construction trends.
- ▶ This would allow us to keep pace with increasing demand and restore affordability to levels last seen around 20 years ago.
- ▶ There's huge demand among several population groups, particularly low-income households, including young people, students, foreign workers and people experiencing homelessness.
- ▶ Social and affordable housing must be prioritized.
- ▶ Adding housing doesn't just require new construction, but also conversion and maintenance of existing buildings.
- ▶ Public funds need to be injected, but that alone won't ease the housing crisis. First, we need to create the right conditions by reducing regulatory barriers and relaxing taxation on homebuilding.
- ▶ Municipalities and cities are responsible for implementing these conditions—in some cases in partnership with the Government of Quebec—to help kickstart projects.
- ▶ Partners from across the board need to be more involved. In addition to the private sector and the various levels of government, the cooperative sector and non-profit organizations (NPOs) are also part of the solution.
- ▶ Many communities are already making great strides. Several initiatives have helped get projects off the ground, while others are expected to follow soon. However, more needs to be done to mitigate the current crisis.

Summary – Quebec's Housing Crisis: The Time to Act Is Now

There's ample evidence of a housing crisis looming in Quebec and across Canada. Every region, municipality and city in Quebec is facing the hard facts. Various groups in society are grappling with the crisis, especially those in the lowest income bracket and middle-class households who are hunting for affordable housing. While the focus is on the private sector to boost the number of available housing units, alternative models like housing cooperatives and non-profit organizations also need more substantial backing from different levels of government to increase the housing supply.

Many solutions have been identified, but none of them is a silver bullet. Canada is facing the same challenge, as we analyzed in a recent [Economic Viewpoint](#). Action must be taken on several fronts, including taxation, regulations and the many barriers to boosting the housing supply. And with interest rates climbing, financial support from various industry players is vital. This is a monumental challenge, and it's essential that all stakeholders be consulted and involved in resolving this crisis. Behind the scenes, many cities, municipalities and communities in Quebec have already started initiatives to develop additional housing, some examples of which are illustrated in this *Economic Viewpoint*.

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But it's time to pick up the pace. The suggested measures or policies for doing so are based on a few key factors, such as adding new housing units by constructing, increasing density and converting existing buildings. However, it's vital we prioritize affordable housing so that these additional units meet the population's needs. Next, maintaining and renovating the current aging housing stock is critical to keeping it in good repair and, most importantly, in acceptable living condition. Yet the real challenge is finding solutions to achieve this without exacerbating the surge in rents.

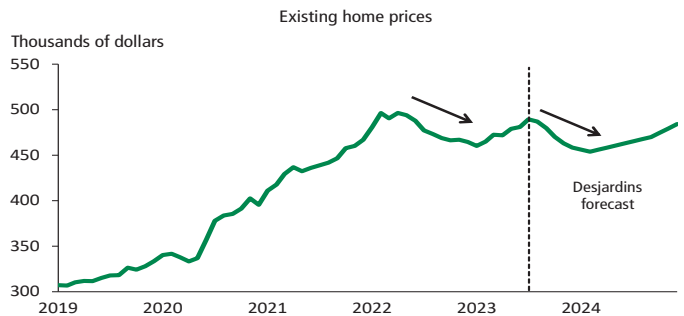
Part 1: Demand for Rental Housing Isn't Letting Up

Before turning to the possible solutions for increasing the housing supply, it's important to lay out the backstory for why demand is on the rise. Many factors are at play, and some groups have very specific requirements.

Home Ownership Is Getting Further out of Reach

Demand for rental housing remains high. Households — especially young people looking to buy their first homes—are facing an unaffordable market (graph 1). Prices skyrocketed after the pandemic and then corrected nearly 7.5% in Quebec between the spring of 2022 and early 2023. Higher interest rates cooled the market during that period before prices edged up again.

GRAPH 2
Despite the Second Wave of Price Declines Expected in Quebec, Prices Will Remain Relatively High

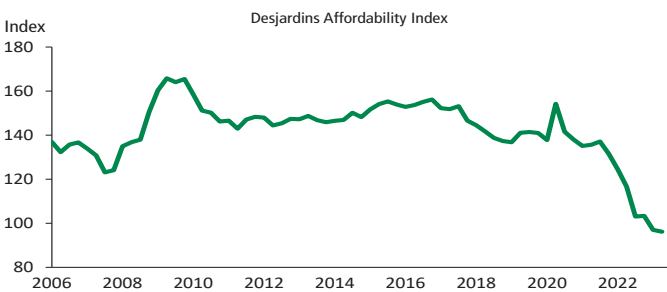


Sources: Canadian Real Estate Association and Desjardins Economic Studies

More Students to House

Post-secondary students are also adding to demand for rental housing (graph 3). CEGEPs and universities are seeing higher enrollment, and the number of new schools has been increasing for a few years now. Plus, more and more international students are in the mix (graph 4 on page 3). Students are facing a lack of places in student residence and must look to purpose-built rental apartments, which can be few near their schools. This is mainly impacting Quebec's urban centres where CEGEPs and universities are located.

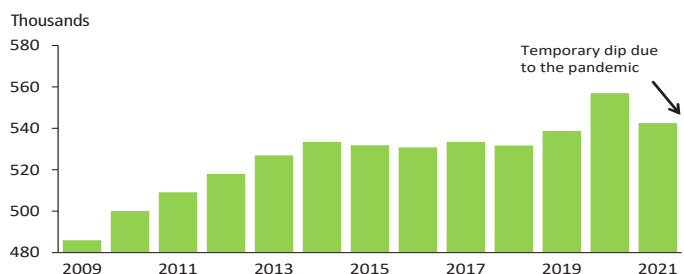
GRAPH 1
The Desjardins Affordability Index Has Plummeted in Quebec



Sources: Bank of Canada, JLR Land Title Solutions (an Equifax company), Statistics Canada, Conference Board of Canada and Desjardins Economic Studies

Based on expectations of an economic and labour market decline combined with increasingly restrictive interest rates, a second wave of decreasing prices is likely around the corner. However, the decline is expected to be similar to last year's, and prices will remain well above their pre-pandemic levels (graph 2). In the current environment, government measures would do little to support first-time home buyers. Market supply remains limited, particularly in the lower price ranges. This means that home ownership will continue to be a challenge, and rental housing demand will remain under pressure.

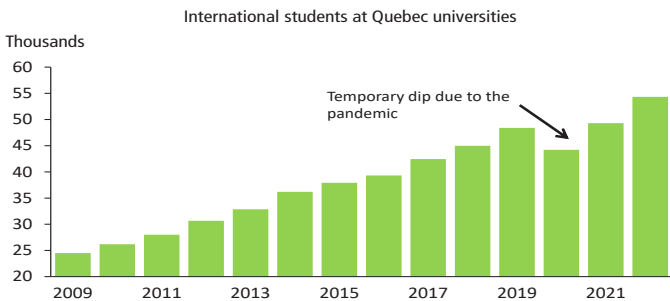
GRAPH 3
The Number of Post-secondary Students in Quebec Is Rising



Note: Data for the school year from September to the following April. Sources: Ministère de l'Enseignement supérieur, Bureau de coopération interuniversitaire and Desjardins Economic Studies

The lack of student housing is becoming more glaring by the day. From Montreal to the smallest towns throughout Quebec, many universities and CEGEPs are dealing with large numbers of students who still had nowhere to live just a few days before the start of the academic year. Many in the sector fear that the shortage will push young people away from their studies. UTILE, a social economy enterprise that specializes in student housing, revealed in a [report](#) (in French only) that student tenants in Greater Montreal have seen their rents surge by an average of 20% in two years, largely due to the lack of student housing. Montreal is not alone—similar situations have been reported in Outaouais and Estrie.

GRAPH 4
Apart from during the Pandemic, the Number of International Students Has Surged in Quebec



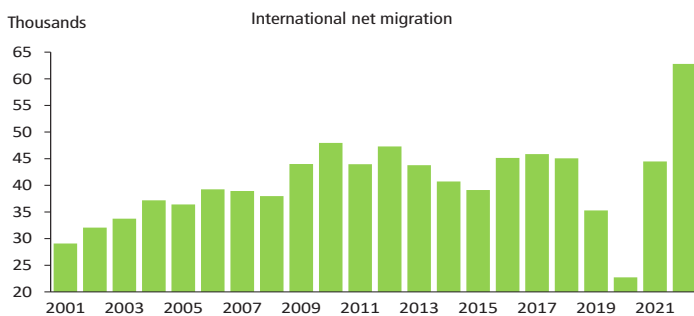
Note: Data for the school year from September to the following April.
 Sources: Ministère de l'Enseignement supérieur, Bureau de coopération interuniversitaire and Desjardins Economic Studies

However, different stakeholders are mobilizing to increase available student accommodation. Several post-secondary institutions, including some universities, have projects underway or in the pipeline to increase the number of student units or other housing near their schools. Certain real estate investors and non-profit organizations are also stepping in to give students more housing choices. Examples of these projects appear later in this article. These efforts must continue, as additional housing will help students while freeing up purpose-built rental apartments for other consumers in need.

More International Workers and Students

Quebec's population growth accelerated after a lull early in the pandemic, largely because of a sharp rise in net migration from abroad (graph 5). The number of immigrants admitted peaked in 2022 at 68,700. According to the [Institut de la statistique du Québec](#) (in French only), this number matches the target of 49,500–52,500 admissions in Quebec's immigration plan for 2022, plus a catch-up of 18,000 people to offset the pandemic-induced admissions deficit.

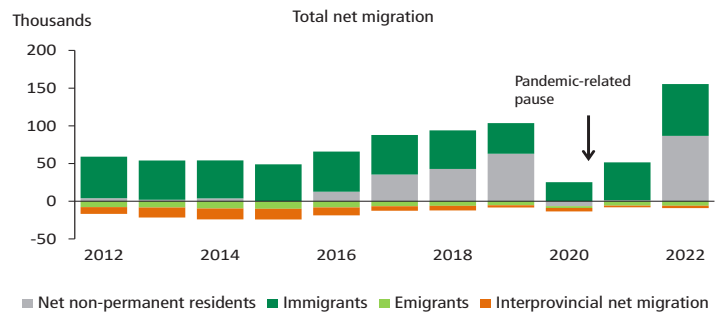
GRAPH 5
Quebec Has Seen an Increase in Net Migration from Abroad



Sources: Institut de la statistique du Québec and Desjardins Economic Studies

Non-permanent residents—most of whom are temporary workers, foreign students or asylum seekers—must also be counted (graph 6). Their numbers increased by 86,700 last year (net arrivals less departures). Per Statistics Canada's preliminary estimate, the total number of non-permanent residents in Quebec was 346,000 at January 1, 2023. This is the main source of the increase in net migration.

GRAPH 6
Non-permanent Residents Account for an Increasing Proportion of New Residents in Quebec



Sources: Institut de la statistique du Québec and Desjardins Economic Studies

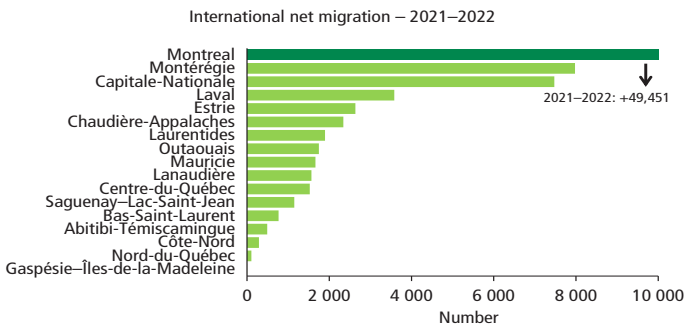
Of course, foreign workers are vital for meeting the labour needs of many industries across Quebec. So are foreign students, who have a high retention potential after graduation. They are generally completely integrated and their credentials are fully recognized, giving them easier access to the labour market.

Yet with more and more people coming in from abroad, there's additional pressure on demand for rental housing. The whole of Quebec is facing this challenge because net international migration is at record levels in many regions of the province (graph 7 on page 4). Efforts in recent years to make immigration more regional, distributing newcomers more evenly outside the major cities, have been successful. The Institut de la statistique du Québec reports that 44% of immigrants and non-permanent residents were outside the Island of Montreal in 2021 compared to 30% twenty years earlier. This has exacerbated the housing situation in every one of Quebec's cities and municipalities, and demand will remain high over the next few years.

Pressure on Rents Will Stay High

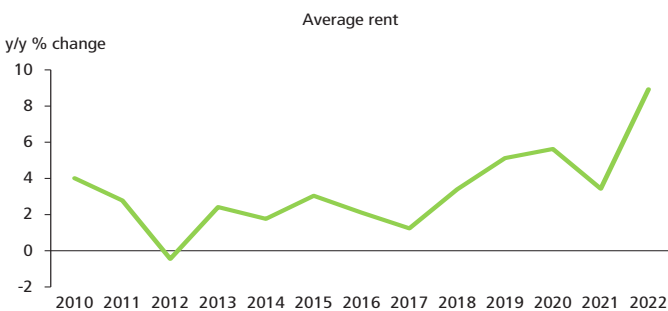
Between rising rental housing demand and short supply, rent increases are only accelerating. According to CMHC's survey, rents in Quebec rose by an average of 8.9% in 2022 to \$952 per month (graphs 8 and 9 on page 4) and are expected to increase nearly 10% this year. The affordability of purpose-built rental housing remains a crucial issue, especially for the 20% of renters with the lowest incomes. In this respect, some fast-growing vulnerable groups that have specific needs are struggling to find housing, while others simply can't put a roof over their heads.

GRAPH 7
Montreal Welcomes the Most International Newcomers



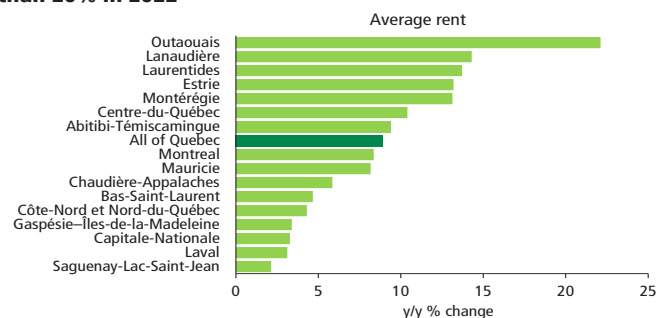
Sources: Institut de la statistique du Québec and Desjardins Economic Studies

GRAPH 8
Rent Increases Accelerated in 2022 in Quebec



Sources: Canada Mortgage and Housing Corporation and Desjardins Economic Studies

GRAPH 9
Rent Increased Particularly Sharply in Outaouais, Rising More than 20% in 2022



Sources: Canada Mortgage and Housing Corporation and Desjardins Economic Studies

The Rising Tide of Homelessness

In recent years, the number of homeless people in Quebec has surged due to the rising cost of living, soaring rents and, above all, lack of affordable housing. Quebec had some 10,000 homeless people in 2022 compared to about 6,000 in 2018 (table 1). Beyond the overall increase, regional distribution has changed a great deal. Once concentrated in Montreal, homelessness has now spread beyond the city and into some less densely populated communities. More than half of homeless people are now in areas outside Greater Montreal. Just like immigration, homelessness has become a regional reality. Many communities will need greater and more consistent financial support from the government to manage it. Without question, adding social and affordable housing will be priority one.

TABLE 1
People experiencing visible homelessness in Quebec

Region	2018	2022	Change (%)
	Number	Number	
Montreal	3,119	4,690	50.4
Capitale-Nationale	535	927	73.3
Montérégie	281	787	180.1
Outaouais	145	706	386.9
Estrie	420	664	58.1
Laurentides	185	464	150.8
Mauricie-Centre-du-Québec	296	454	53.4
Lanaudière	209	314	50.2
Chaudière-Appalaches	243	293	20.6
Saguenay–Lac-Saint-Jean	129	231	79.1
Laval	169	219	29.6
Abitibi-Témiscamingue	N/A	157	N/A
Côte-Nord	N/A	94	N/A
All of Quebec	5,731	10,000	74.5

Note: Different methods were used for each of the two years.
Sources: Ministère de la Santé et des Services sociaux and Desjardins Economic Studies

Part 2: Rental Housing Supply Isn't Meeting Demand

Few Affordable Apartments Are Vacant

CMHC states that housing is affordable when the renting household isn't paying more than 30% of their pre-tax income in rent. Currently, there's a shortage of rental units meeting that criterion, particularly for the lowest-income renters. According to a [CMHC study](#), the proportion of apartments considered affordable for households in the bottom income quintile (20%) was 23% in Montreal and 25% in Quebec CMAs. Even though this is higher than in most other metropolitan areas in Canada, there aren't enough available units to meet the increased demand.

Most of them are already occupied, and rents for these apartments are highly vulnerable to tenant turnover. When a unit is vacated, the owner usually adjusts the rent, often to reflect the costs of previous repairs and renovations. If the increase is particularly steep, it can outstrip the overall market, making many previously affordable housing units unaffordable after a change in tenants.

[CMHC](#) reports that in 2022 there was a 28% gap between average rent for units with new occupants (\$1,235) and average rent for units whose tenants had stayed the same (\$963) in the Montreal CMA. The average annual rent increase was 3.5% for renters who renewed their lease compared to 14.5% for new tenants. The overall market increase was 5.4% for two-bedroom apartments—the biggest jump in 20 years.

[New Housing Is Less Affordable](#)

Over the past few years, Quebec has experienced a rental apartment construction boom, but the supply of affordable units hasn't necessarily increased. Average rent for new rental units is decidedly higher than the overall market—57% for two-bedroom apartments in the Montreal metropolitan area, according to the CMHC study. High rents for recently built apartments make them less appealing to potential renters, simply because they can't afford them. As a result, the vacancy rate for newer apartments (built between 2020 and 2022) is quite a bit higher. In Greater Montreal, 4.2% of new rental units were unoccupied last year compared to 2.0% across the market (regardless of year built).

It's a similar story in many of Quebec's urban centres, where rental apartment construction has boomed in recent years. Rents for new apartments are consistently higher than for others, and the situation remains extremely challenging for the lowest-income households. In fact, despite the addition of new housing, it's often impossible for these households to find an affordable unit for less than 30% of their gross income. New construction alone isn't a silver bullet, but conditions need to be created to support increased affordable housing.

The market's current dynamic depends largely on the private sector, where new projects have to turn a profit, a reality that hinges on fairly high rents. Public funds will need to be injected in several forms to boost the construction of affordable housing to ease the crisis. Other partners like housing cooperatives and non-profit organizations could be put to greater use with more financial support from the government. The current model, which hinges on the private sector, isn't increasing affordable housing supply.

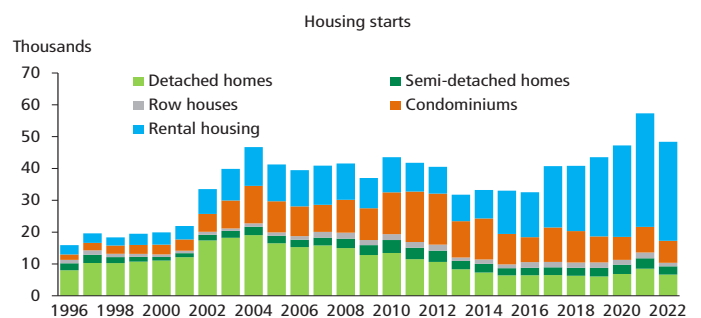
[CMHC: The Need Is Immense](#)

CMHC has concluded that Quebec needs an additional 860,000 housing units by 2030 to restore affordability to levels last seen around 20 years ago. This is equivalent to an average of 107,500 additional units per year, on top of current construction trends—an extremely ambitious goal that far exceeds the industry's construction capacity. For the past five years, annual housing starts—new structures requiring foundations—have averaged 55,000 per year. Projects to convert buildings and increase occupation density in existing buildings aren't included in these statistics, and so the total number of new units added is difficult to assess. However, it's clear that housing supply in Quebec must be increased as much as possible.

[The Construction Boom Was Short-Lived](#)

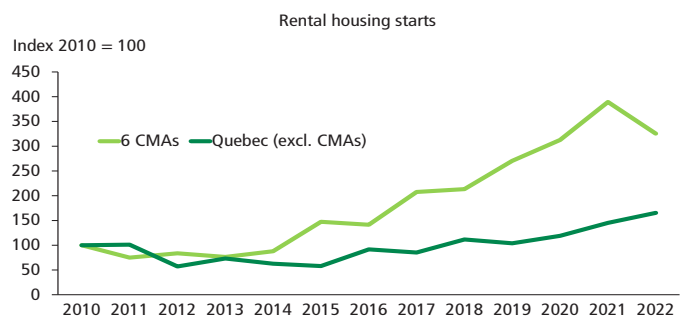
Housing construction surged during the first two years of the pandemic, with housing starts totalling 67,810 new units in 2021, the highest level since the late 1980s. The boom was felt in every market segment, including rental apartments (graph 10). Construction spiked in Quebec's major cities and in its smaller communities (graph 11). The share of rental housing has increased over the years and now makes up around 60% of new homes built in Quebec (graph 12 on page 6). This means total housing starts are particularly vulnerable to a sudden reversal in this market segment compared to other provinces (sidebar on page 6), specifically Ontario (graph 13 on page 6).

GRAPH 10
Rental Housing Starts Are Increasing in Quebec



Sources: Canada Mortgage and Housing Corporation and Desjardins Economic Studies

GRAPH 11
Rental Housing Starts Are Soaring Everywhere in Quebec



Sources: Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Sidebar: The Condo Market Is Benefiting Some Provinces

This year, new construction is down sharply in all provinces except Ontario and British Columbia. Why? Because the condominium market is booming in both provinces, where condo housing starts account for about 50% of the total, compared to less than 15% in Quebec. In part, this is because the Toronto and Vancouver condo markets have more investor activity than Montreal's. What's more, condo developers generally have a bit more cash to launch projects, because a certain percentage of apartments must be sold before construction starts. Rental apartments, on the other hand, bring in revenue once they're completed and occupied. This makes it more difficult to come up with the down payment required to secure financing on the rental market—especially when interest rates are high. With the rental segment so weighty in Quebec, this is hobbling construction even more. Total housing starts are expected to come in at 35,500 units in the province this year—the lowest level in twenty years and down some 40% from 2022.

Construction of rental apartments started to dip in 2022 for various reasons, including the labour shortage, the high cost of materials and rapid wage growth. Rising interest rates then tanked the market, driving up developer borrowing costs while also considerably increasing the down payment required to secure financing. As a result, many projects continue to be cancelled or postponed because their profitability is compromised by the new state of play.

The higher rents that would be required to break ground on many rental buildings would be out of reach for most households and poorly matched to potential tenants' ability to pay. As a result, purpose-built rental housing starts in Quebec fell by 9.0% in 2022 and 44.3% in the first half of 2023. New construction, which was supposed to pick up to meet urgent demand, is instead heading in the opposite direction.

Long Lead Times

Despite the decline in housing starts, construction costs and lead times remain high. According to CMHC, more than half of large apartment buildings are being completed in 9–18 months in Montreal. On average, 18 months elapse between breaking ground on an apartment building and completing construction in the Montreal CMA. That said, lead times are shorter in less populous cities due to the smaller size of the buildings. For example, it takes an average of 10 months to build an apartment block in Trois-Rivières and Sherbrooke. Even if multiple solutions are quickly set up to significantly increase the number of units, it'll take some time to alleviate the housing crisis.

Part 3: Solutions to Boost the Housing Supply

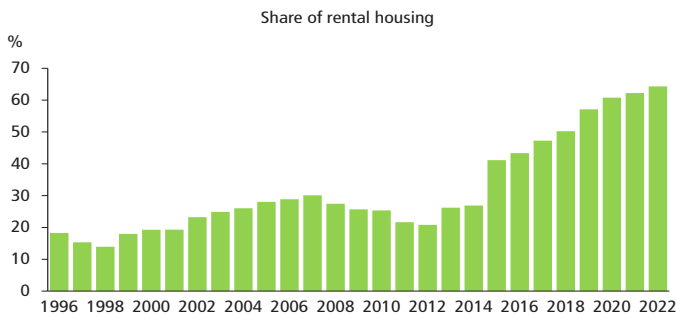
Solutions That Involve Partners from All Sectors

The drive to add more housing is slowing for two main reasons:

- ▶ Financial constraints are preventing many projects—especially for affordable housing—from breaking ground
- ▶ The administrative process in cities and municipalities complicates, lengthens and sometimes even undermines the start of construction on new buildings, the conversion of existing buildings or the addition of more units to an existing residential complex

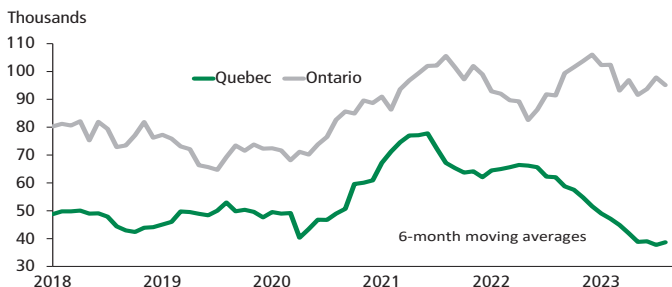
Fighting the battle on one front isn't enough. Both aspects need improving to accelerate the addition of new housing, and concurrent action is vital for success. Here are some solutions to each aspect (table 2 on page 10).

GRAPH 12
The Share of Rental Housing Starts Has Grown in Proportion to Total Housing Starts



Sources: Canada Mortgage and Housing Corporation and Desjardins Economic Studies

GRAPH 13
Housing Starts Continue to Fall in Quebec, and the Gap with Ontario Has Widened



Sources: Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Financial Aspect: Support to Get Projects Started

Examples:

- ▶ Increase government support through programs, tax incentives and, in some cases, subsidies
- ▶ Improve coordination between different levels of government
- ▶ Create financing mechanisms that reduce the burden of high interest rates
- ▶ In addition to private-sector support, give more backing to other industry operators such as housing cooperatives and non-profit organizations
- ▶ Reduce the tax burden in various ways, primarily by cutting sales taxes
- ▶ Replace royalties with tax credits

Of course, some measures are already in place. For example, since March 2022, CMHC's MLI Select plan has been facilitating funding for some rental buildings with longer amortization periods (up to 50 years) and below-market interest rates. Many projects have started up thanks to this program, but rising interest rates have triggered an unprecedented inrush of demand.

In addition, the federal government recently announced it was eliminating the GST on the construction of rental housing complexes, and some provinces followed suit with their own provincial tax. This will lower the cost of new projects, but other measures or enhancements of existing programs will be needed to further boost construction.

Taxes are an issue for cities and municipalities alike. Some have introduced royalties to fund public infrastructure for new projects. This inflates the cost of new projects and hampers development. Others, in contrast, have opted for the tax credit route, like the density bonuses offered by Trois-Rivières and Rimouski. Rather than charge royalties on new housing, these cities introduced a property tax credit for certain types of new builds. This is an example of how tax policy can be used to incentivize new rental housing projects and encourage density.

The Right Conditions: Improving Processes Is Key

Examples:

- ▶ Shorten project approval times
- ▶ Streamline regulations as much as possible
- ▶ Cut the red tape
- ▶ Reduce costly requirements for certain types of structures
- ▶ Review zoning rules for high-rise buildings and outbuildings to foster increased density and conversion of existing buildings
- ▶ Social acceptability: review the consultation processes so that decisions about new projects are more representative of the wishes of all citizens (limit the influence of a small minority)
- ▶ Improve coordination between different levels of government

Although many improvements are needed to build more new units more quickly, some trends are already on track. Different stakeholders are getting involved, and several concrete examples confirm that progress has in fact been made. The concept of increased density is taking hold, conversion of existing buildings is more common and several student housing projects are either underway or in the pipeline.

The Push for Density Has Begun, but Needs to Be Ramped Up

1. Increasing Density with New Builds

The concept of increased density—seen as a solution to urban sprawl—has gained a great deal of ground in recent years. The consequences of urban sprawl—longer commutes, threats to wildland and farmland, and huge infrastructure costs—are becoming increasingly acute. Rapid population growth, lack of space and climate change have prompted many communities to rethink this type of development. Many industry experts agree that we must start living closer together in smaller areas. As a result, communities are starting to build on existing neighbourhoods. The smart density or compact city concept, which involves focusing building around public transit, public spaces and parks, is also being held up as a solution.

One example of a property built this way is Zibi in Gatineau. Built on the riverbank, Zibi has thousands of housing units (some of which are affordable), green spaces, public spaces and more retail spaces, in addition to being located near downtown and along the main bus routes. Another example is Espace Montmorency in Laval, near the metro station that shares its name. The City of Trois-Rivières is also betting on increased density with several residential projects under construction. For example, the Florent building will feature 218 apartments in the Trois-Rivières sur Saint-Laurent district. For now, the concept of new, denser neighbourhoods is more prevalent in the major cities.

2. Increasing Density by Adding or Modifying Buildings

There's a growing number of small households, people living alone and couples for whom a single-family home no longer suits their needs. Developing additional living units—erecting a tiny house in their backyard or subdividing a single-family home into a multigenerational residence—could meet the needs of many people. Of course, this solution adds fewer units than the larger high-density complexes, but it does have the advantage of making better use of already-developed residential space. But not every city's regulations will allow it. Some communities, including Sainte-Catherine in Montérégie and Granby in Estrie, have amended their zoning rules to make this kind of project possible. The City of Longueuil also recently adopted a pilot project that will allow this kind of increased density.

Another Avenue: Converting Existing Structures

Even as the concept of increasing density becomes more common in many areas of Quebec, especially the major urban centres and suburbs, there's still a long way to go. Creation of new spaces or districts, which is good for optimally developing one sector with a well-thought-out plan, must be paired with a strategy to increase density in existing spaces, such as older buildings with smaller footprints on huge parcels of land that could be put to better use. For instance, shopping malls that are limited to one or a few storeys are good candidates for redevelopment. Adding a few residential levels above them, or even in an outdoor parking area, will both increase the number of housing units and turn the building into a mixed-use asset from the owners' viewpoint.

Since the pandemic, converting office space into living space has taken on increased relevance. Some unoccupied offices could be converted to help remedy the housing shortage. Although the concept has been mentioned repeatedly since downtown structures started losing occupants due to hybrid working arrangements, such projects are still rare in Quebec. As things stand, conversions remain costly and complicated.

That doesn't mean it's impossible to convert office buildings into housing, as demonstrated in Calgary, where the downtown office vacancy rate reached 32% in the first quarter of 2023. Many empty offices have been converted to housing since 2019. The City of Calgary established the Downtown Calgary Incentive Program to support the conversion of office buildings into apartments. It pays out a subsidy of \$75 per square foot, up to \$15M per project. Despite issues including high costs and a lack of windows in every room, industry operators agree that the benefits have outweighed the challenges.

In addition, over the past 20 years many of Montreal's former manufacturing plants—including Nordelec at the intersection of the Pointe-Saint-Charles and Griffintown districts—have been converted into condominiums. The old Northern Electric factory that produced wires and electric cables, built in 1913, was re-purposed as a residential building between 2012 and 2015. Another example is the conversion of the Angus Shops. These

former Canadian Pacific Railway plants in the Rosemont district have been transformed into housing and retail spaces and are now the Technopôle Angus.

In addition to office buildings and industrial sites, other types of buildings can go residential—even in smaller cities. Some rectories in Quebec have had a change in mission. Many workers have been housed in these rectories, transformed into residences thanks to their owner's involvement, including in Gaspésie and the Bellechasse municipality. A Granby rectory has also been converted to student housing. These measures have increased the housing supply in those areas that have fewer old buildings that can be recycled.

Student Housing

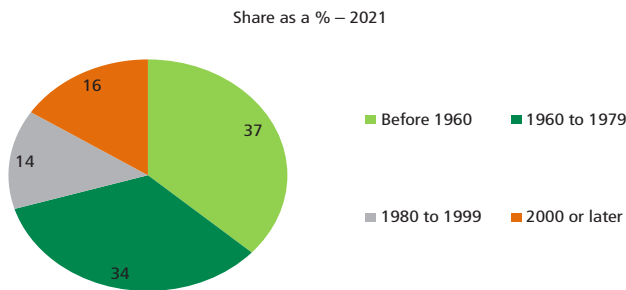
In the large urban centres, there are other options. Existing structures are also being converted into new student housing. Take the former Royal Victoria Hospital that has been derelict for many years and could be converted into more than 1,000 student units by Ivanhoé Cambridge, a subsidiary of the Caisse de dépôt et placement du Québec.

Many post-secondary schools are currently developing construction plans for new residences or modification plans to increase space in existing dorms. This should help in the medium and long term because it generally takes one to two years before these new units can be occupied. Agile solutions are the preferred option.

The Université du Québec à Trois-Rivières will inaugurate a new 179-unit student complex in 2024. In Rimouski, the Université du Québec à Rimouski will soon be submitting a plan for 100 new student housing units, which should be ready for the start of the 2025 school year. Right now, a non-profit organization is working on a project in Montreal to house hundreds of students in affordable housing starting in 2027.

However, given the rapidly growing number of foreign students, more solutions are needed. With centralized cafeterias and common areas instead of full kitchens and living rooms, student residences can achieve even greater densities than typical rental apartments. But they house just 12% of Canada's total student population, versus more than 30% in the US and UK. For want of space, students will gravitate to cheaper housing, taking up units that might otherwise be available to low-income households.

GRAPH 14
Breakdown of Rental Housing Stock in Quebec by Year of Construction



Sources: Canada Mortgage and Housing Corporation and Desjardins Economic Studies

Housing Stock Is past Its Prime

While more rental units are needed to ease the housing crisis, maintenance, repair and renovation of the existing stock also must be part of the equation. In Quebec, some 70% of apartments on the market were built about fifty years ago (graph 14). Indeed, some buildings are now verging on squalid, and others have already been condemned. This means massive investments are needed to keep units in good repair and, most importantly, in acceptable living condition. Various forms of government financial support will be needed if owners are to meet such huge costs. Yet the real challenge is finding solutions to achieve this without displacing too many tenants while the work is being done and—above all—without exacerbating the surge in rents. At the very least, at a time when new construction is slowing and labour is less in demand, more maintenance and repair work on affordable housing should be a priority.

What the Cities and Municipalities Can Do

Many local leaders are already actively involved in finding solutions to this crisis using the leverage their duties afford them. Several have already amended regulatory and tax codes to create conditions that are more conducive to building additional housing. Clearly, the movement is underway and needs to expand provincewide.

On the ground, many stakeholders need to ascertain which types of housing are required and how much of it. What’s more, simply adding housing units won’t be enough. The needs of the population and their ability to afford to live in these units must be factored in. Building new apartments with rents that are out of reach for most consumers won’t solve the affordable housing problem. Locally, increasing density seems to be the most promising option. Huge plots of occupied land can be put to better use by adjusting zoning and building height regulations.

However, these cities and municipalities have tight budgets. Their responsibilities have increased a great deal in recent years, but corresponding boosts in government funding haven’t materialized. More than half of municipal revenues come from the property tax on buildings located within their borders. Over

the past few years, the widespread housing boom across the province has expanded the tax base. But housing starts fell by about 15% in Quebec in 2022 and are on track to plummet 40% this year. With that additional source of revenue out of the running, local leaders will have to count on increased financial support from other levels of government. Adding housing, whether through new builds, increased density or conversion of buildings, requires colossal investment that far exceeds the financial capacity of these cities and municipalities. Therefore, an in-depth review of their revenue streams is a vital part of the solutions to increase the available housing supply.

TABLE 2
Housing Supply Measures in Quebec

Strategic measures	Sector of responsibility				Impact on net housing supply	Ease of implementation
	Federal	Provincial	Municipal	Industry		
<i>Reducing barriers to increasing the rental housing supply</i>						
Eliminate regulatory and policy barriers as much as possible	X	X	X		Moderate	Moderate
Improve the synergy and efficiency of decisions involving multiple levels of government	X	X	X		Moderate	Moderate
Shorten project approval times as much as possible		X	X		High	Moderate
<u>Increase occupation densities in the current stock</u>		X	X		High	Moderate
Rezone to increase building density		X	X		High	Moderate
Social acceptability: review the consultation processes so that decisions about new projects are more representative of the wishes of all citizens (limit the influence of a small minority)		X	X		High	Moderate
Relax regulations governing outbuilding construction on the same lot		X	X		Low	Easy
<i>Reducing financial barriers to increasing the rental housing supply</i>						
Eliminate sales taxes on purpose-built rental construction	X	X			Moderate	Easy
Encourage investment through other tax incentives	X	X	X		High	Easy
Reduce or waive development fees and taxes		X	X		Low	Moderate
Encourage investment through financial incentives, government programs or subsidies	X	X	X		High	Easy
Review how municipalities are funded		X	X		Moderate	Moderate
<i>Measures to support affordable housing</i>						
Increase inclusionary zoning (mixed-use buildings) and add sufficient financial incentives		X	X		Moderate	Moderate
Implement or enhance certain supply-side financial assistance measures for construction (financing programs, tax incentives, subsidies, etc.)	X	X	X		High	Moderate
Increase the effectiveness of measures impacting several levels of government to speed up projects	X	X	X		High	Moderate
Strengthen non- or mixed-profit businesses with adequate financial support	X	X	X		Moderate	Moderate
Add co-operative housing with adequate financial support	X	X	X		Moderate	Moderate
Better maintain rental and affordable housing so they remain in good condition	X	X	X	X	Low	Moderate
<i>Converting existing buildings</i>						
Recycle and reuse commercial, public and religious buildings (obsolete or partly or completely unoccupied)	X	X	X	X	Variable	Variable
Increase use of land already occupied by small-footprint buildings	X	X	X	X	High	Moderate
Convert more buildings into student accommodation	X	X	X	X	High	Moderate

Source: Desjardins Economic Studies