ECONOMIC VIEWPOINT

Rent Affordability Will Improve Slowly in Quebec

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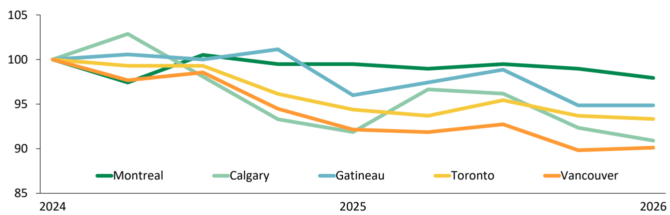
Moving season may be behind us, but rent affordability remains a top concern for many Quebec households. Despite some signs of easing elsewhere in Canada, rents continue to rise at a relatively steady pace in Quebec. Asking rents are falling slower in the Montreal metropolitan area than in several other major Canadian markets (graph 1).

Graph 1
Asking Rents Are Falling, but Less So in Montreal than Elsewhere in Canada
Asking rents by CMA
Index, Q4 2024 = 100



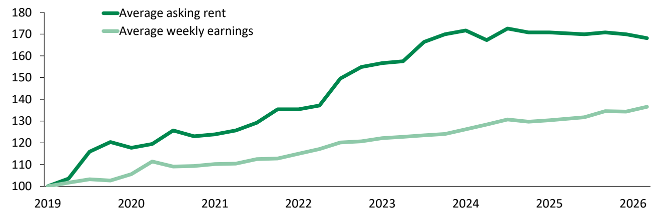
CMA: Census metropolitan area
Statistics Canada and Desjardins Economic Studies

Yet the rental housing supply has been growing in recent years. This has gradually pushed up the vacancy rate, with some segments of the Montreal market now back in balanced territory. In theory, more supply should mean less pressure on rents and greater affordability, but this has been slow to materialize. That's because new rental units usually come with much higher asking rents than existing units do. The post-pandemic spike in construction costs has made it much harder to turn a profit on rental projects, forcing developers to target tenants who can afford well-above-market rents. In other words, increasing the rental supply won't necessarily help those households hit hardest by the affordability crisis.

Background: Declining Rent Affordability

Over the past 5+ years, rents have been going up faster than household incomes in Quebec (graph 2). That means households have been spending a growing share of their incomes on rent, putting a squeeze on their budgets (graph 3).

Graph 2
While It Has Slowed, Rent Growth Has Outpaced Wage Growth Since 2019
Montreal CMA rents and Quebec wages
Index, 2019 = 100



CMA: Census metropolitan area
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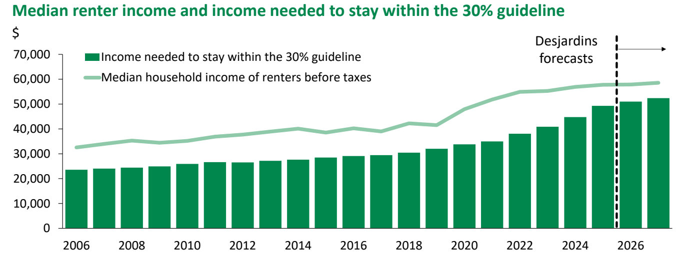
Graph 3
Rent Affordability Has Deteriorated in Quebec in Recent Years
Median renter income and income needed to stay within the 30% guideline
$



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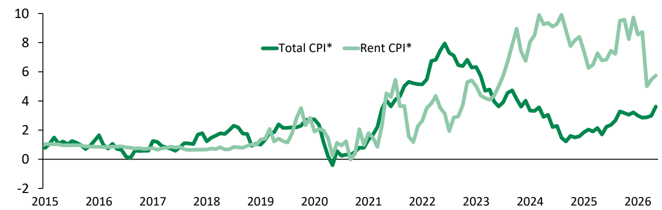
This declining affordability is also showing up in recent rent trends. Since 2023, rents have been rising much faster than overall inflation (graph 4 on page 2). This is true for both new units, which typically come with higher asking rents, and existing rental stock. The Tribunal administratif du logement (TAL), which sets the criteria for rent adjustments in Quebec, recommended rent increases of up to 5.9% in 2025 and 3.1% in 2026 for some units.

Graph 4
Rent Inflation Is Outpacing Total Inflation

CPI – Quebec
y/y % change



* Total consumer price index (CPI). Rent CPI is a subcomponent of the shelter index.
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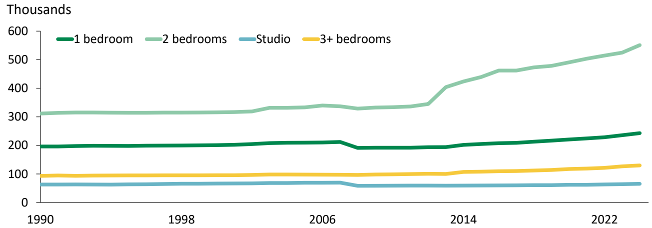
This has fuelled concerns about Quebec's rent affordability crisis. Even when asking rents for new units begin to stabilize or fall, existing tenants typically continue to see annual increases. The average rent in Quebec rose 10.1% in 2025. It's important here to make the distinction between asking rent and average rent. An asking rent is what a vacant unit is listed for, while average rent is the average of all rents actually paid by tenants, including those who've been living in the same unit for several years. It often takes time for rent adjustments in the new rental market to work their way into the existing rental market, which means most tenants will have a longer wait before affordability improves.

Supply Has Surged in Recent Years

The rental housing supply has expanded quickly in recent years in response to sustained demand growth (graph 5). This has been fuelled in part by strong immigration, rapid growth in the adult population and an increase in the number of households. Affordability has declined post-pandemic due to both unusually strong demand growth and a persistent supply shortage despite recent construction activity.

Graph 5
Most Apartments in Quebec Are Two Bedrooms

Number of rental units in Quebec
Thousands



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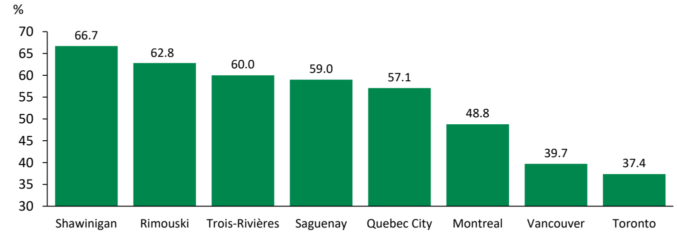
Demographic change has driven up demand for housing. As the population ages and more people live alone, more units are needed to house everyone. The issue therefore isn't just building enough housing, it's building enough of the right housing. Demand for affordable housing continues to grow rapidly, so building new units—which usually come with higher rents—doesn't necessarily improve affordability right away. The solution therefore lies in building enough of the units that households need.

Singles Hit Hardest

Quebec's rental market largely consists of single-person households. In Quebec, singles account for 52% of all renter households despite representing just 35% of the total population. This number tends to be lower in the priciest markets, possibly reflecting the growing challenge many single people have finding housing they can afford (graph 6).

Graph 6
More People Live Alone in the Most Affordable Cities

Share of single-person renter households, 2021
%



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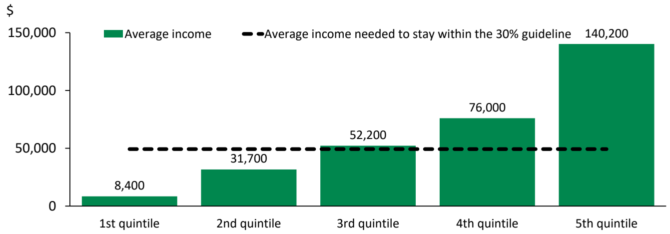
Finding affordable housing is especially hard for single-person households. Housing costs generally shouldn't exceed 30% of gross household income. In Quebec, that means a household would need an annual income of about $49,300 to afford the average rent. For people who live alone, their only source of household income is their own income, but the median individual income in Quebec is around $40,600.

According to 2021 census data, nearly a quarter of renter households in Quebec spent more than 30% of their income on housing costs. Given that rents have gone up considerably since then, this number has likely increased and could be even higher in the next census. And if we go by income quintiles, the average rent is only affordable for single people in the top three quintiles (graph 7 on page 3). That means rent increases hit lower income households especially hard.

Graph 7
In Quebec, the Average Rent Is Only Considered Affordable for the Top Three Income Quintiles
Average income by quintile and income needed to stay within the 30% guideline in Quebec, 2022



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Regional Differences

The affordability picture varies widely across Quebec. In 2025, Gaspésie–Îles-de-la-Madeleine and Bas-Saint-Laurent had the lowest average rents in the province, at $819 and $854 per month respectively, compared with the provincial average of $1,232. These regions have lower housing costs, but incomes are usually lower there as well.

Some regional county municipalities (RCMs) remain relatively affordable thanks to a combination of moderate rents and higher incomes. This is the case in Caniapiscau, Minganie and Sept-Rivières in the Côte-Nord region, where incomes are supported by well-paying industries. The same is true in many areas of Chaudière-Appalaches, including Lévis, Beauce-Sartigan and Bellechasse, where relatively high incomes help maintain better affordability despite an overall increase in housing costs.

On the flip side, the Gatineau metropolitan area and many surrounding RCMs are among the places where households spend the most on housing. This is due in part to their proximity to Ottawa, which puts upward pressure on rents, while incomes in many surrounding RCMs remain below the Quebec average. The result is a larger share of household income spent on housing here than in most other areas.

Why Boosting Supply Doesn't Immediately Improve Affordability

Rising Construction Costs Are Driving Up Rents for New Units

Increasing the housing supply doesn't necessarily improve affordability overnight. This is especially true in the new rental segment, where asking rents are significantly higher than they are in the existing rental segment.

One reason for this is skyrocketing building costs. The Building Construction Price Index is up more than 65% since late 2019, far outpacing the 17.2% increase in overall inflation. This spike reflects not only higher material costs, which have been exacerbated by supply chain disruptions and trade tensions with the United States, but also the rising cost of labour. The ongoing skilled labour shortage and recently renegotiated collective agreements have driven up wage costs across the industry.

To turn a profit, developers have no choice but to charge higher rents to offset the sharp rise in costs. And with construction costs expected to climb another 7% in 2026, rents on new units aren't likely to fall much anytime soon.

Demand Remains Strongest for the Most Affordable Units

Meanwhile, demand continues to be strongest for the most affordable segments of the rental market, which are primarily older units. This sustained pressure is driving faster rent growth in the existing stock, even as more new units hit the market.

This is partly attributable to the sizeable gap between rents for new units and rents for existing units. For many households, new units are simply too expensive. Because older units are often the most affordable, competition for them is fierce.

Families' Needs Still Aren't Being Met

The rental supply has also changed in recent years. Although most new units have two bedrooms, their total area rarely exceeds 1,000 square feet. These units are fine for single people and couples, but they're usually not suitable for families with children.

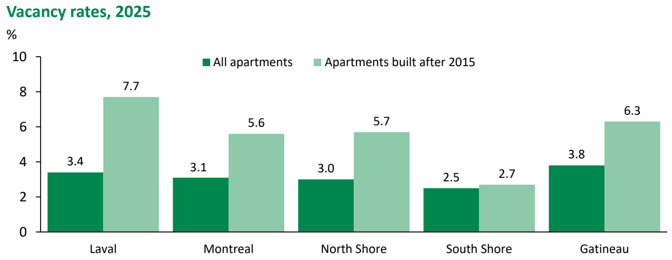
At the same time, declining homeownership rates are supporting demand for larger rentals. High home prices and borrowing costs have delayed homeownership for many households, which means families are increasingly renting for longer than before. This demographic shift is supporting demand for larger rentals even as the supply of these units remains relatively limited.

So while the growing number of single-person households is fuelling demand for smaller units, delayed homeownership is supporting demand for larger rentals that can accommodate families. We're therefore seeing pressure at both ends of the market.

Mismatched Supply and Demand

The vacancy data further illustrate the mismatch between supply and demand. The vacancy rate has increased much faster for new units than for existing units (graph 8 on page 4). This suggests that the asking rents for many new units are higher than many tenants can afford.

Graph 8
New Apartments Have Higher Vacancy Rates



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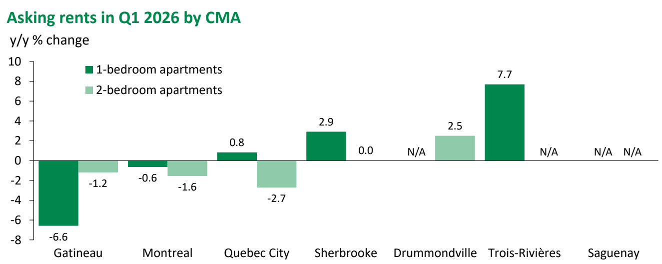
Faced with increased competition, many new-unit landlords have begun offering incentives to attract tenants, including free months of rent, moving allowances and other promotions.

The recent decline in rents in some markets therefore doesn't necessarily signal a widespread improvement in affordability. Instead, it reflects an adjustment in the new rental segment, where supply is beginning to exceed demand (graph 9). There continues to be significant pressure in the existing rental market, especially in the most affordable and sought-after segments. As a result, increased supply is helping to gradually bring the market back into balanced territory, but the effects on overall affordability are being felt with a lag and unevenly across rental categories.

Graph 9
Asking Rents Continue to Fall in Gatineau, Montreal and Quebec City



CMA: Census metropolitan area; N/A: Data not available
Statistics Canada and Desjardins Economic Studies

The Economic Implications

Declining rent affordability has implications far beyond the housing market. It affects where households can live, how much they can save and whether they can buy a home. It also has an impact on regional economic vitality.

In Montreal, where rents are relatively higher, 48% of renter households are people living alone. In Quebec City, which is more affordable, that number is 57%, while it's just 37% in Toronto and 40% in Vancouver. This suggests that in the priciest markets, more renters are coping with rising rents by living with roommates, which has an impact on household formation and where people can live. However, having roommates isn't always an option as new units are often smaller.

Today's increasingly unaffordable rental market may also be hampering household formation. When affordable housing is scarce, some young adults delay leaving home or continue living with roommates or family members. This pent-up demand will likely drive housing demand for years to come, even amid slowing population growth.

High rents also affect household finances. When a larger share of household income is spent on housing, there's less money left over, making it harder to save for a down payment on a home. This forces many households—especially young adults—to delay homeownership. We've seen this in the declining homeownership rates across many areas of Canada in recent years.

Increased housing spending also limits discretionary spending. Households that spend a larger share of their income on housing have less money left over for recreation, durable goods and services. On a larger scale, this can slow consumer spending growth and affect some sectors of the economy.

The affordability crisis also has implications for regional labour markets. It can be challenging to attract and retain labour in high-rent areas. Housing costs become a barrier to worker mobility, which can limit economic development and reduce the vitality of some population centres.

Finally, there's a risk of slowing future supply growth. The recent rise in vacancy rates for new units is making some residential projects less profitable. Faced with decreasing profitability, some developers could opt to cancel or delay projects. If this happens, rental supply growth could slow even as demand remains high. Progress on the affordability front could then be hampered by declining housing starts, further delaying the return to a balanced market.

Affordability Will Improve Gradually

Despite the current challenges, several indicators suggest that the rental market is gradually returning to balanced territory. New units tend to be smaller and more expensive than existing units, limiting the pool of renters who can afford them right away. This is leading to higher vacancy rates in the new rental segment.

Increased competition in the new rental segment is also starting to put downward pressure on asking rents in some markets. Rents should continue to gradually come down as excess supply is absorbed, but it will take time. When people move into a new unit, they generally vacate the unit they previously occupied. The previous unit then becomes available to another household, which in turn may free up another unit. So while building new units has a domino effect on the entire rental market, it can take several years for affordability to improve meaningfully.

And building truly affordable housing is difficult given today's high construction costs. Although federal, provincial and municipal governments have taken steps to increase the housing supply, including financial aid programs, density incentives and initiatives to fast-track project approvals, many developers continue to face major financial constraints. That's why many projects require partnerships between the public sector, the private sector and the community to ensure their financial viability. These collaborations will likely play a key role in growing the housing supply for low- and moderate-income households.

In the longer term, productivity will need to increase in the construction sector before we see lasting affordability improvements. Streamlining the development process, cutting approval times and adopting more efficient construction methods such as prefabricated and modular construction techniques would help contain costs and get more shovels in the ground. In short, the market is gradually returning to balanced territory, but developers will need to build enough of the units that households need and can afford.

Conclusion

Quebec's rental market is in transition. The sharp increase in supply in recent years is beginning to ease pressure in the new rental segment, as evidenced by rising vacancy rates and some moderation in asking rents.

But most tenants haven't seen affordability improve much yet. Rents for existing units continue to rise, especially in the most affordable and sought-after segments. Individuals living alone, low-income households and families remain the hardest hit.

Improving affordability in the long run will require not just more supply, but more units that households need and can afford, alongside productivity gains that will bring down construction costs.