



No evidence that targeted income support causes rent inflation

Do housing benefits to renters cause rent inflation?
Not according to available evidence.

One argument against the use of income support for renters is that landlords will simply increase the rent to match the value of the benefit. However, this concern is not borne out of the evidence. The right benefit design, coupled with effective rent regulation, can effectively mitigate this risk.

For example, a CMHC-supported assessment of Manitoba's Rent Assist program – one of the largest renter benefits in the country – found that, based on an analysis of low-end of market rents compared to higher market rents, “there is no evidence to support the idea that Rent Assist led to any substantial increase in rents” since its introduction in 2014.¹ However, the analysis suggests that stronger rent regulation policies are needed to protect the affordability of units in rooming houses.

Benefit design matters

Manitoba's Rent Assist program shows how benefit design can successfully mitigate rent inflation. Rent Assist benefits are not tied to a particular unit and are not based on the actual rent paid by the tenant. Landlords have no way of knowing who receives support and how much they get.

Equally important, tenants are not required to spend the benefit on their rent. For example, if they have nothing left after paying their rent, the benefit will help put food on the table. Just as the Canada Child Benefit has not led to rapid inflation in the cost of diapers, and the Canada Groceries and Essentials Benefit is not raising the price of food, a well-designed income support for renters need not lead to inflation in rent.

Rent regulation matters

Manitoba's rent regulation policies also offer protection against all sources of rent inflation by limiting annual rent increases in both occupied and vacant units.

Contrary to popular belief, this kind of rent regulation is not an obstacle to new rental supply. A recent CMHC study found that, among Canadian rental markets, there is no significant evidence that rental starts were lower in markets with rent control compared to those without it.²

Maytree's Canada Renters Credit proposal uses all the above design concepts to limit rent inflation. Paired with stronger rent regulations, this offers a viable path to more affordable market rental housing on day one.

- 1 Cooper, S., Hajer, J., & Plaut, S. (2020). *Assisting Renters: Manitoba Rent Assist in the Context of Canada's National Housing Strategy*. Canadian Centre for Policy Alternatives. https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/publications/nhs/research_and_planning_fund_program/assisting-renters.pdf.
- 2 Canada Mortgage and Housing Corporation. (2020). *Rent Controls, Rental Prices and Rental Supply: Empirical Evidence from Canadian Metropolitan Centers*. <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-research/research-reports/housing-needs/research-insight-impact-rent-control-housing-affordability>.

