

The Open Door Montréal



Brief submitted to the House of Commons
Standing Committee on Human Resources,
Skills and Social Development and the
Status of Persons with Disabilities
(HUMA)

The Financialization of Housing

Montréal, June 13, 2023

Introduction of the organization's activities and how they are affected by issues of financialization and access to housing

The Open Door Montréal is a high-tolerance emergency centre offering services to homeless and low-income people on the Plateau-Mont-Royal. The centre provides food and clothing, laundry services, shelter during the day and night, psychosocial follow-up and referral to health and addiction professionals. Our emergency shelter is equipped with 45 beds, allowing homeless people to sleep and rest in complete safety. This number is hugely inadequate to meet demand. The centre also offers the Housing First program to help people experiencing homelessness find affordable housing on the private market in Montréal. This program is exclusively for First Nations and Inuit communities. We have the capacity to house 27 people and do business with a dozen firms in the real estate sector. These communities are victims of systemic racism and stigmatization that are compounded by the financialization issues impacting the real estate market, which in turn affects our housing programs by limiting our capacity to offer affordable housing to vulnerable individuals in the system. Financialization adds enormously to the precarious situation of unhoused people by increasing the difficulty of accessing fixed housing, even with the programs offered by community organizations working with vulnerable people. In the specific context of accessible housing through funded programs, the problem is not only limited to access to housing, but also includes the fight against stigma and the lack of resources to support people reintegrating into housing.

The effect of financialization on the work of the Open Door Montréal and its clients

The real estate sector, as (Aalbers,¹ 2020) states, requires significant capital. This dependence on financial capital is a major issue when we consider that the right to housing is a social right recognized by international law through the Universal Declaration of Human Rights (August,² 2022). The right to housing involves compliance with certain criteria such as affordability, habitability and accessibility. As real estate is a sector with investment opportunities, the financialization of housing has significant effects on low-income people, considering that, to quote (Gaudreau,³ 2017) housing becomes “a financial asset.” Housing is therefore becoming more dependent on finance (Aalbers, 2020). The financialization of housing presents challenges for access to housing throughout the world. The situation in Canada is no different.

As we can see from the Summary Report for the Office of the Federal Housing Advocate, Canada is currently experiencing an affordable housing crisis, with costs that put tenants in very complicated situations, and a huge debt load for first-time buyers (August 2022). The federal government’s reduction in the supply of social housing has created a huge imbalance between the cost of housing and the income of landlords and buyers. In Canada, as August (2022) states, financial firms hold 20–30% of rental housing and 42% of retirement living properties. This trend is only increasing and will have the impact of raising rents for profit maximization.

¹ Aalbers, M. B. (2020). La financiarisation du logement en Belgique et à l’étranger [The Financialization of Housing in Belgium and Abroad]. Committee for the Abolition of Illegitimate Debt.

² August, M. (2022). THE FINANCIALIZATION OF HOUSING IN CANADA

³ Gaudreau, L. (2017). Housing as a Financial Asset. A Political Economy of Real Estate’s Financialization in Canada. *Revue Française de Socio-Économie*, 18, 143–163.

What effect has the financialization of housing had on the activities of the Open Door Montréal? As an organization that helps homeless people, one of the issues we address is access to housing. Through the Housing First program, the organization helps more than 25 people find an apartment, with support over a given period to help them no longer be homeless. It is therefore easy to understand that rising rents caused by financialization significantly affect our capacity to intervene. Financialization affects all types of housing. With rising rents far exceeding the small increases in tenants' incomes, we understand the impact of the financialization of social housing on the most vulnerable. Due to rising rents, financialization is making housing less affordable for low-income people, such as our various clients, hoping to find affordable housing. The rising costs caused by financialization increase the rate of tenant turnover, and financial firms benefit by progressively increasing rent for leases. This situation further complicates our clients' situation and our activities. Financialization also creates unequal access to housing. The various target groups of our programs, including First Nations, Inuit and Métis communities, are much more affected by this inequality. In an article by Zacharie Goudreault⁴ published on March 21, 2023, researchers at McGill University and the University of Waterloo found that the homes of financialized landlords are priced above the market average. According to health specialists, housing problems affect people's mental health. Most of the causal hypotheses of this problem have a direct or indirect connection with the financialization of housing and the ensuing devastating impact on the market.

⁴ Goudreault, Z. (2023). La financiarisation des logements plus importante que l'on croyait à Montréal [The financialization of housing in Montréal is greater than previously thought]. Le devoir. [La financiarisation des logements plus importante que l'on croyait à Montréal \[The financialization of housing in Montréal is greater than previously thought\]: r/Quebec \(reddit.com\)](https://www.ledevoir.com/actualites/quebec/2023/03/21/la-financiarisation-des-logements-plus-importante-que-l-on-croyait-a-monreal/)

In a real estate market already in crisis, real estate companies are always seeking more profits. The result is the loss of control over rent costs by governments and the reduction in the amount of affordable housing on the market.

According to a special report by the Québec Ombudsman in 2018, people from Indigenous and Inuit backgrounds, who represent a large majority of the clients of the Open Door Montréal, are increasingly leaving their communities to settle in urban areas. These people are more likely to end up homeless because of rising housing costs due to financialization. Although a minority in the general population, 52% of the homeless (12% from First Nations and 40% from Inuit communities) are individuals from Indigenous communities. It is now obvious that these percentages are still rising.

In the face of these facts, the Open Door Montréal would like to make a few recommendations to mitigate this situation, which affects our activities as a community organization working in the sector, as well as our homeless clients.

Recommendation 1

- ❖ **Prioritize the construction of social housing with the goal of providing more affordable housing over the long term for the most vulnerable people**

According to the Association des professionnels de la construction et de l'habitation du Québec (APCHQ), the province's homebuilders association, in 2021 there was a shortage of 50,000 to 60,000 housing units on the market (Radio-Canada⁵, 2021). It is understandable that the situation has since worsened in the face of growing demand. So, to cope with the impact of financialization, the construction of more social housing would ease the pressure. This measure should enable low-income people to gain access to affordable housing. On the other hand, there would be less demand for financialized housing, which would undoubtedly counterbalance rising prices in the housing market.

⁵ Radio Canada (September 2, 2021). Shortage of 40,000 to 60,000 housing units in Quebec. In [Il manque entre 40 000 et 60 000 logements au Québec, selon l'APCHQ | Radio-Canada.ca](#)

Recommendation 2

- ❖ **Government intervention in the market with the goal of setting some limits on the unchecked power of the private sector that affects the most vulnerable**

With the financialization of housing, the private sector has considerable control over the real estate market. As we all know, and as we have seen in our development, financialization simply transforms housing into a financial asset. Tenants' right to find affordable housing is controlled by the large real estate companies that look to increase profits. Can we let the lives of our citizens be controlled by the private sector⁶ that only cares about making profits? For us, the answer is no. There's a kind of disconnect on the part of the government from this housing issue. As we all know, the private sector's presence in the real estate sector is necessary. However, the government must intervene to set limits and curb this process of increasing capital for the private sector to the detriment of citizens' right to housing. Government must also intervene in the Airbnb sector,⁷ which, with financialization, is motivating some owners to take their apartments off the long-term rental market because they earn much more money through the short-term rentals offered by this platform.

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7 Vermot-Desroches (February 1, 2022) Between Airbnb and the housing shortage. In [Entre Airbnb et pénurie de logements... | Paule Vermot-Desroches | Chroniques | Le Nouvelliste-Trois-Rivières](#)

Conclusion

The housing issue requires government intervention as soon as possible, as we are in the process of losing total control of the situation. The literature demonstrates that financialization presents considerable challenges throughout the world. Neither the interests nor the missions of the private sector are the same as those of government. Vulnerable people who are most in need are the ones most affected by the government's lack of intervention in regulating the rental market. Why don't we base our actions on successful practices elsewhere if we have the same housing issues? The City of Vienna's social housing construction is a world-renowned success story that has produced interesting results in terms of access to housing for the most vulnerable (Guillas-Cavan,⁸ 2021). Such a measure may not be the ultimate solution for Canada, but it would mitigate the pressure that exists on the market.

⁸ Guillas-Cavan, K. (2021). Austria. Social housing in Vienna: an original model at a crossroads. In *Chronique Internationale de l'IRES*, Volume 173, pp. 17-32.

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