

Memorandum

To:	Kyle Knoeck and Deanna Chorney City of Toronto Kyle.Knoeck@toronto.ca ; Deanna.Chorney@toronto.ca		
From:	Nick Michael, MCIP, RPP, PLE Partner N. Barry Lyon Consultants Limited		
Email:	nick@nblc.com	Date:	May 9, 2025
RE:	Opinion Letter on Increasing Zoning Housing Permissions and Property Values		

1.0 Introduction

In 2023, the City of Toronto adopted zoning by-law amendments to permit multiplex dwellings – duplexes, triplexes, and fourplexes – on all residential lots in the City, subject to certain zoning standards. Toronto’s zoning by-law also permits ancillary residential accommodation – laneway suites and garden suites – on all lots, including those developed with a multiplex.

The City has retained N. Barry Lyon Consultants Limited (NBLC) to prepare an opinion letter assessing the potential impacts of upzoning from permissions for a single-unit residential home to a four-unit building and, also up to a six-unit building. This letter is meant to enable staff to consider land economic impacts and respond to questions and concerns that such upzoning may increase property values, reduce affordability levels of existing housing stock, encourage corporate buy-up of residential lots to develop multiplexes, and price out average residents from purchasing existing single-unit housing stock.

2.0 NBLC and Relevant Experience

NBLC is a real estate advisory firm specializing in development feasibility, market research, urban planning, and public policy. Established in 1976, our firm is particularly active in assessing

all forms and tenures of housing including the affordable and attainable housing sector. For 49 years we have been providing real estate consulting services to private sector developers, municipalities, upper levels of government and other government agencies, housing corporations, co-operatives, and non-profit housing providers.

NBLC has been retained by the City of Toronto on numerous occasions to assess development feasibility, land economics, policy, and real estate matters. This has included:

- An Assessment of Land Value Impacts of the Ontario Line and the Eglinton Crosstown Transit Systems;
- An Assessment of Development Charge Impacts on the Housing Market;
- Feasibility Assessment and Proposed Inclusionary Zoning Policy for the City;
- the Review and Evaluation of the City’s Rental Replacement and Large Site Policies,
- the original Open Door and subsequent Rental Housing Supply Program,
- the Housing Now Land Program,
- Business Plans for Revitalization Programs at Regent Park, Lawrence Heights, and Alexandra Park.

Of particular relevance to this assignment, NBLC has conducted feasibility and land economics studies related to multiplex and gentle density permissions through the following studies:

City of Toronto – Multi-Tenant Housing Land Economics Study (2025 - ongoing)

NBLC is retained by the City of Toronto to assess similar questions under assessment through this Opinion Letter with respect to upzoning permissions for multi-tenant housing, which is often referred to as rooming houses. This work involved significant background research, geospatial analyses, proforma and feasibility assessments, land value analyses, and a literature review to understand the feasibility and property value impacts of these expanded permissions. Many of the case studies we evaluated through proforma evaluation included a combination of multi-tenant houses and multiplex forms.

Canada Mortgage Housing Corporation (CMHC) – Low-Rise Housing Catalogue Feasibility Analysis (2025 – ongoing)

CMHC is currently in the process of developing a catalogue of low-rise housing designs that are intended to streamline the development of ‘gentle density’ in established and new neighbourhoods by providing homeowners and developers with pre-approved architectural designs, costing, and technical guidance. The catalogue includes designs for garden suites, row houses, fourplexes and sixplexes tailored to the climate, culture and regulations in seven regions across the country.

NBLC is responsible for assessing the design and floorplans of the catalogues from a market perspective as well as the financial feasibility of these housing types in over 50 markets across the County, which includes the City of Toronto.

The City of Guelph – Gentle Density Feasibility Analysis (2024)

In their efforts to explore gentle density as a means of increasing the local housing supply, the City of Guelph retained NBLC to analyse the feasibility of increasing zoning permissions for gentle density. Our assessment included expanded permissions for Additional Dwelling Units (e.g., basement suites, laneway homes), as well as multiplex forms to a maximum of four units.

The City of Ottawa – Feasibility of Missing Middle Typologies in Low-Rise Residential Areas (2024)

NBLC undertook a feasibility assessment of a variety of multiplex and other mid-rise apartment forms in Ottawa’s low-rise residential neighbourhoods. This work provided a series of recommendations to improve the feasibility and outlook for these housing types, including zoning and policy changes, incentives, and other similar considerations.

3.0 Multiplex Policy Background

In 2019, the City initiated the Expanding Housing Options in Neighbourhoods (EHON) Initiative, which explored paths towards increasing housing options and supply within areas designated as *Neighbourhoods*. Under this initiative, City staff recommended the upzoning of *Neighbourhoods* to permit the development of multiplexes, a form of missing middle/gentle density housing that would increase the number of units available in these communities while allowing for limited disruption to the characteristics of these areas.

In May 2023, the City adopted zoning by-law amendments to permit multiplex dwellings – duplexes, triplexes, and fourplexes – on all residential lots in the City, subject to certain zoning standards. Toronto’s zoning by-law also permits ancillary residential accommodation – laneway suites and garden suites – on all lots, including those developed with a multiplex.

Towards meeting the goals stated in its Housing Accelerator Fund application, the City is exploring opportunities to enable as-of-right zoning for residential buildings with up to six units and four storeys city-wide. As of April 2025, public consultations are ongoing to inform residents of the City’s work and gather information on any concerns or feedback.

Over any 18-month period between May 2023 and November 2024, the City issued a total of 452 building permits for multiplexes with between two and four units. The vast majority of the permits were for duplexes (40%), followed by triplexes (35%) and fourplexes (25%).

4.0 Background Research

City staff have completed a literature review of the property value impacts experienced in other major cities who have committed to ‘gentle density’ upzoning reforms. The cumulative research highlights that observed land value impacts from upzoning varies, with other factors such as geographic context, pre-existing neighbourhood conditions, existing market demand, and individual site redevelopment potential all having significant influence as well. While property values are not always observed to increase, where price increases are seen due to upzoning, the subsequent increase in housing supply is posited to have a moderating effect on home price increases in the longer-term, as well as creating more affordable housing options despite the land value increasing (e.g., moving from one expensive single-family home to four moderate priced apartments).

NBLC completed similar research in our Multi-Tenant Housing Land Economics Study completed for the City of Toronto. This research, combined with our technical analysis, found similar findings to the City’s research.

5.0 Core Questions Under Assessment

Through this assignment, NBLC has been asked to assess the following three questions. The response provided to each question is influenced by our experience on the topic as evidenced in Section 2 of this letter, with particular emphasis placed on our recently completed Multi-tenant House analysis for the City, as well as our experience and expertise in real estate and land economics.

5.1 **What will be the land economic impacts, if any, on lands designated Neighbourhoods in the Toronto Official Plan, of the additional zoning permissions for multiplex dwellings (4-6 units) adopted by City Council in 2023 and 2024, with respect to:**

Changes in property values?

Through our work with the City of Toronto’s Multi-Tenant House Study that assessed eight locations across the City, as well as our analysis studying the feasibility of multiplexes across the County with CMHC, we have found that there are significant economic headwinds facing the concept of converting a single-family home in the City of Toronto to a multiplex dwelling, particularly for four- and six-units.

Similar findings are also observed in the United States where similar upzoning has been occurring (e.g., California)¹, with this and other similar studies finding that all forms of gentle density are challenging to deliver from a financial feasibility perspective. The referenced study found that the densest forms of this gentle density (i.e., fourplexes) encountered the largest feasibility challenges relative to duplexes.

These economic challenges undermine the financial returns associated with converting single family homes to multiplexes in most cases and, as a result, have minimal impact on property values from the perspective of the conversion value. The following is a summary of some of our observations:

- Duplexes make up most of the City's building permits for multiplexes largely because it can be relatively simple and cost effective to convert a single family detached home, through renovation, into two separate and appealing homes.
- Larger built forms like four and sixplexes often involve significant time and costs, typically requiring the demolition of the existing home and the approvals, design, and construction of a new structure – or alternatively substantial renovation and addition. The revenue that is derived from the modest amount of incremental density frequently does not create a financial return that is sufficient to justify the significant project costs, time and associated risks.
- The supply of detached single-family homes in the City of Toronto is relatively fixed and demand is expected to remain strong. This supply/demand relationship is expected to keep upward pressure on pricing in their current single-family state. Conversions are most probable where homes are on adequately sized properties, already in a poor state of repair, and are close to transit and other amenities. In the City of Toronto these preconditions are limited.

There is no evidence at this time that the financial returns associated with conversions of single family detached homes to multiplexes are significant enough that they will impact on the price of the existing housing stock. Again, it's more probable that these parties would seek the most affordable home on the market that would typically require significant repairs to advance a new multiplex.

The above is expected to be true for all forms of multiplexes (e.g., 2-6 units). While 2 - 3 unit multiplexes have been more common and face fewer costs from a conversion perspective, the achievable density and financial returns are not sufficient to drive an increase in property values.

¹ <https://ternercenter.berkeley.edu/wp-content/uploads/2024/06/Missing-Middle-Development-Math-Final-June-2024.pdf>

In terms of neighbouring property value impacts because of a properties converting to a multiplex, again there is no evidence of any material property value changes. There are numerous examples of multiplexes existing in the City alongside single family detached homes without any observed impacts on property values. In more urban locations of the City, residents are often willing to overlook possible nuisance issues that might be associated with multiplexes (and other factors) in exchange for easy access to transit, amenities, retail, and jobs. While some existing and prospective homeowners may not wish to see multiplexes developed in a low-rise community, the significant demand for housing in these areas are likely to outweigh any real or perceived nuisance a multiplex may have.

In areas of the City where multiplexes and single family detached homes are less common its unclear what, if any, property impacts might occur as a result of a conversion. In low density communities in Scarborough, North York, and Etobicoke the introduction of a multiplex could potentially impact the desirability of an adjacent property. However, negative property value impacts could be mitigated by ensuring good design and property upkeep of any created multiplex.

Affordability levels of existing housing stock, both for purchase and for rent?

Multiplexes can act as a more affordable housing option for lower- and moderate-income households. The rent and sale value of these units are often less than the price of comparable apartments, and well below the price of larger single-family homes. Multiplexes can also lend themselves to more family-size housing, relative to the small and compact homes that characterize new apartment developments.

These homes therefore provide more affordable/attainable entry points by nature of their smaller and cost-effective built form, lack of amenities and building services, and lack of underground parking. This will likely be the case for both rental and condominium multiplexes, with condominium units achieving a further discount due to the small number of units and associated complexity/uncertainty with such a small condominium board and potential nuisance issues with others cohabitating the building. Anecdotally, there are instances of condominium units within a multiplex that are struggling to sell in Toronto due to these issues, as well as wider challenges in the market.

Should the market environment for multiplexes improve, it is important to understand that this context could change, and property values targeted for a multiplex could possibly increase. However, it is also important to acknowledge that while the land price has increased, more households would be accommodated, thereby significantly reducing the cost per household.

For Example:

Single-family home valued at \$1.2M accommodates one household.

Multiplex increases the value of the home to \$1.4M, with four units created and sold for \$800,000 each.

Speculative investment activity in real estate purchases?**Market activity by builders purchasing existing houses for redevelopment?**

The modest feasibility of developing new four and sixplexes in the City also tempers expectations that these typologies will be advanced on a large scale by investors. Rather, it is more likely that we continue to see investors buy single-family properties and rent them as-is, or as duplexes – potentially with an ADU – which has already been occurring for decades in the City, in addition the modest new supply of four and sixplexes.

There may also be concerns around developers aiming to redevelop acquired properties into luxury units targeted for end user or investor purchase to achieve higher profit margins. However, these approaches may not be financially lucrative in a market where rental prices have been generally flat, and where the investor market remains largely dormant following the recent decline in sales activity and of home prices since 2022. They will be further deterred by the expected near-term decline in international students and non-permanent residents. Moreover, higher-end renters and purchasers are more likely to own vehicles, and thus require parking spaces, particularly for multiplexes located some distance away from transit options. The additional space needed to integrate parking spaces, which may result in less leasable/sellable area, may deter developers from pursuing this path.

The above context may change in the future as the existing and incoming housing supply is absorbed into the market and when immigration rates increase in 2027. However, this shouldn't be viewed negatively, as these investors and developers are ultimately the parties who will advance this needed housing supply.

5.2 Will additional permissions for multiplexes with five or six dwelling units have any different impacts than permissions for multiplex development with up to four units?

It is not likely that the incremental increase in density from four to six units will have any meaningful land economic impact for all the reasons assessed in 4.1 above.

5.3 Would land economic impacts be different if permissions vary geographically (i.e. if some Neighborhoods have sixplex permissions while others are limited to fourplex)?

It is not likely that there would be any meaningful land economic impact resulting from some neighborhoods having permissions for four units and others having permission for six, for all the reasons assessed in 4.1 above.

Notwithstanding the above, it would be beneficial for permissions to be broad and consistent across the City that allows for the widest possible range of outcomes. Given the modest feasibility of these housing forms, and modest amount of building permits issued to date, encouraging these outcomes broadly will help encourage uptake by setting consistent parameters across the entire City.