# Interpreting Price Signals from Toronto's Multiplex Zoning Reform

Exploratory Evidence from TRREB Freehold Transactions (2018–2025)

# Executive Summary

In May 2023, the City of Toronto adopted a citywide zoning reform permitting two- to four-unit residential buildings ("multiplexes") as-of-right across most low-rise neighbourhoods. The reform was intended to expand housing supply by enabling gentle density and reducing regulatory friction for small-scale residential intensification.

**FAST FACT**

*Improved Freehold Sales within Toronto (2018-2025)*

**~65,700**

Source: TRREB

This report provides an exploratory assessment of whether the multiplex zoning reform was reflected in freehold residential land values. Using TRREB transaction data covering approximately 65,700 improved freehold sales in the City of Toronto between 2018 and 2025, the analysis compares price changes for lots more likely to accommodate multiplex redevelopment ("larger lots") against smaller lots, before and after May 2023.

## Key Findings

- **Sample:** Approximately 65,700 improved freehold sales (Toronto, 2018–2025).
- **Treatment definition:** "Larger lots" are proxied using lot frontage ≥ 30 ft or lot area ≥ 3,000 sq ft, which represent approximately 85% of observed transactions with recorded lot attributes.
- **Estimated effect (baseline):** Prices of larger lots increased by approximately 1–2% relative to smaller lots in the post-reform period (sensitive to thresholds and model design).
- **Pre-trend evidence:** An event-study diagnostic indicates that price differences between larger and smaller lots began widening prior to May 2023, especially around 2021–2022, suggesting anticipation effects or broader correlated dynamics.

## Interpretation

The evidence is consistent with a modest land-price response to expanded multiplex permissions. However, observed pre-trends imply that the reform may have been priced in gradually over time, rather than appearing as a discrete shock at enactment. Accordingly, the findings should be interpreted as directional evidence of price signals, not a definitive causal estimate of the May 2023 reform.

## Important Note

Lot frontage and lot area are used as practical proxies for redevelopment feasibility, but do not confirm legal eligibility or actual buildability, which depend on design constraints, servicing, zoning overlays, and other site-specific conditions.

## 1. Background and Policy Context

Toronto's low-rise neighbourhoods contain a substantial share of the city's residential land area. Historically, zoning constraints limited permissions to one-unit or two-unit forms across many neighbourhoods, contributing to a mismatch between housing demand and feasible supply expansion.

In May 2023, the City of Toronto implemented a citywide multiplex zoning reform allowing two- to four-unit residential buildings as-of-right across most low-rise areas. The policy was intended to:

- reduce zoning barriers to "gentle density,"
- enable incremental housing supply,
- expand redevelopment flexibility on existing residential lots.

From an economic perspective, zoning affects land values by changing the set of feasible future uses. If multiplex permissions increase the expected redevelopment potential of certain lots, one would expect those lots to experience a relative increase in market value, particularly where construction feasibility and buyer expectations align.

This report investigates the following question:

**Did Toronto's multiplex zoning reform coincide with a measurable increase in the relative prices of lots that are more likely to support multiplex redevelopment?**

Context note: The May 2023 bylaw change followed several years of prior policy discussion and public signalling regarding multiplex permissions. As a result, some market participants may have incorporated expectations about higher-density optionality into prices before the formal 3 reform date. This helps motivate interpreting observed pre-trends as possible

"anticipation effects," rather than a discrete policy shock at enactment.

This reform also occurred amid broader market volatility (pandemic-era interest rate shifts, construction cost inflation, and supply-demand pressure). These conditions may amplify or mask policy-driven price effects and motivate careful interpretation.

## 2. Data and Sample Construction

### 2.1 Data source

The analysis uses TRREB transaction data capturing improved freehold residential sales in the City of Toronto from **2018 through 2025**. Observations include transaction price and property characteristics such as:

- sale date,
- property type classification,
- bedroom/bathroom counts,
- lot attributes (frontage and lot area, where available),
- geographic identifiers (e.g., neighbourhood or submarket tags where available).

**Unit of analysis:** Each observation represents a single arms-length sale.

### 2.2 Sample filters and exclusions

To ensure comparability and reduce noise from structurally different assets, the sample includes:

- improved freehold residential sales within Toronto, and excludes:
  - semi-detached,
  - townhouses,
  - condos / condo townhouses,
  - vacant land sales,
  - extreme outliers,
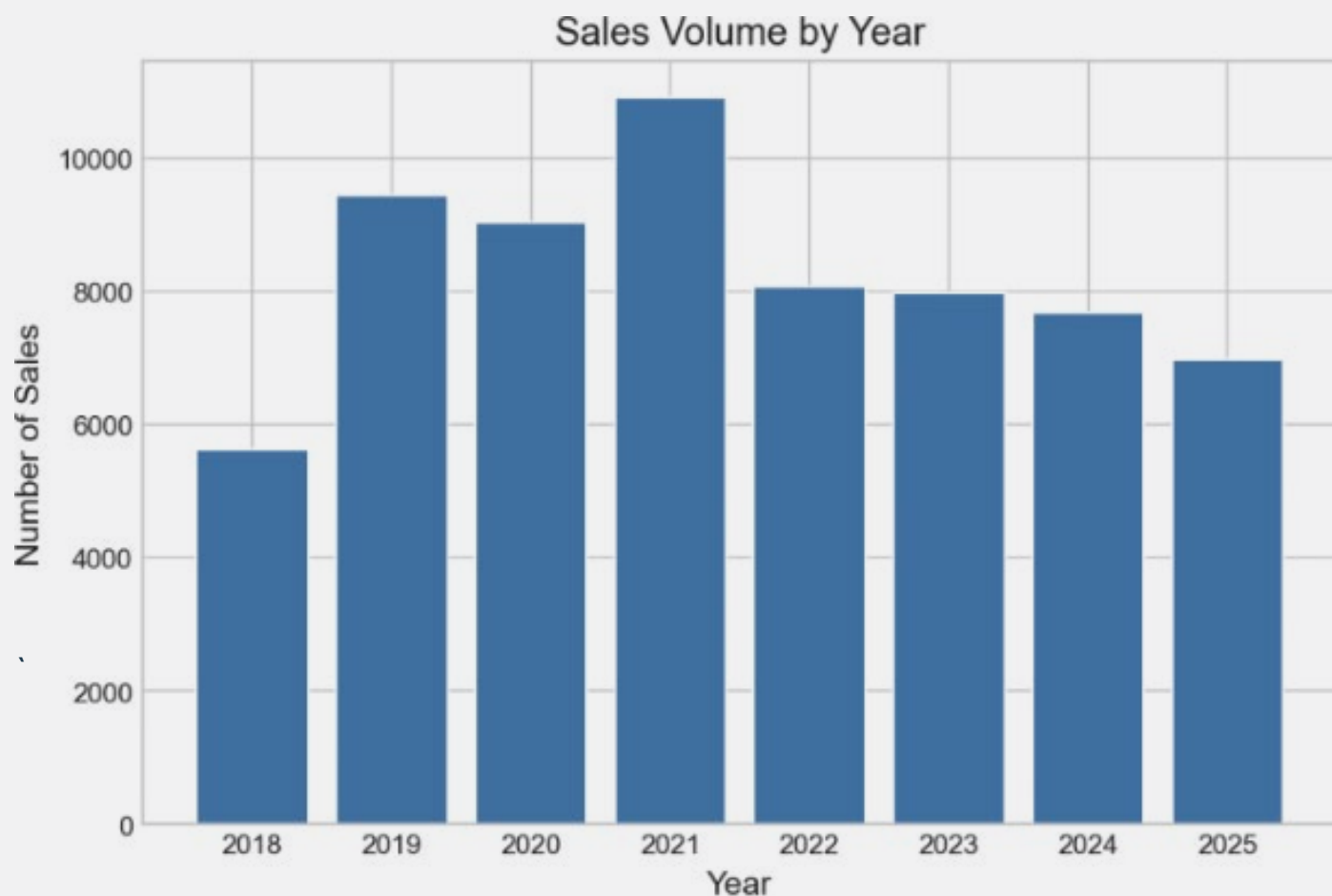  - transactions with missing key fields needed for analysis.

**Figure 1:** Sales volume by year (TRREB freehold sample, 2018-2025)

**Note on data**

Lot frontage and lot area are not uniformly recorded across all transactions. The "large lot" classification therefore relies on transactions for which these fields are available. This is a common limitation of transaction datasets and does not necessarily imply bias, though it can affect representativeness and precision.

## 3. Defining Redevelopment-Suitable Lots ("Larger Lots")

### 3.1 Rationale for using frontage and lot area

Whether a lot can practically support a multiplex depends on site conditions and regulatory constraints, including:

- setbacks and massing rules,
- building code and egress requirements,
- servicing and utility constraints,
- lot coverage limits and access requirements,
- existing built form and demolition economics.

**FAST FACT**

*Young Ontarians aged 18-34 are most likely to leave the GTA within the next five years, primarily due to concerns about housing affordability and the flexibility offered by remote work.*

**66%**

Source: Ipsos poll commissioned by TRREB

While these constraints are not directly observed in transaction data, lot dimensions provide a practical proxy. In particular:

- **very narrow lots** often face greater design constraints,
- **larger lots** generally allow more flexibility for multi-unit layout and servicing.

### 3.2 Treatment definition

This report classifies a lot as "larger" if it meets either:

- **Lot frontage ≥ 30 feet,** OR
- **Lot area ≥ 3,000 sq ft**

These thresholds are not intended as hard development cutoffs. Rather, they are used as a reasonable proxy for redevelopment feasibility consistent with typical low-rise redevelopment constraints.
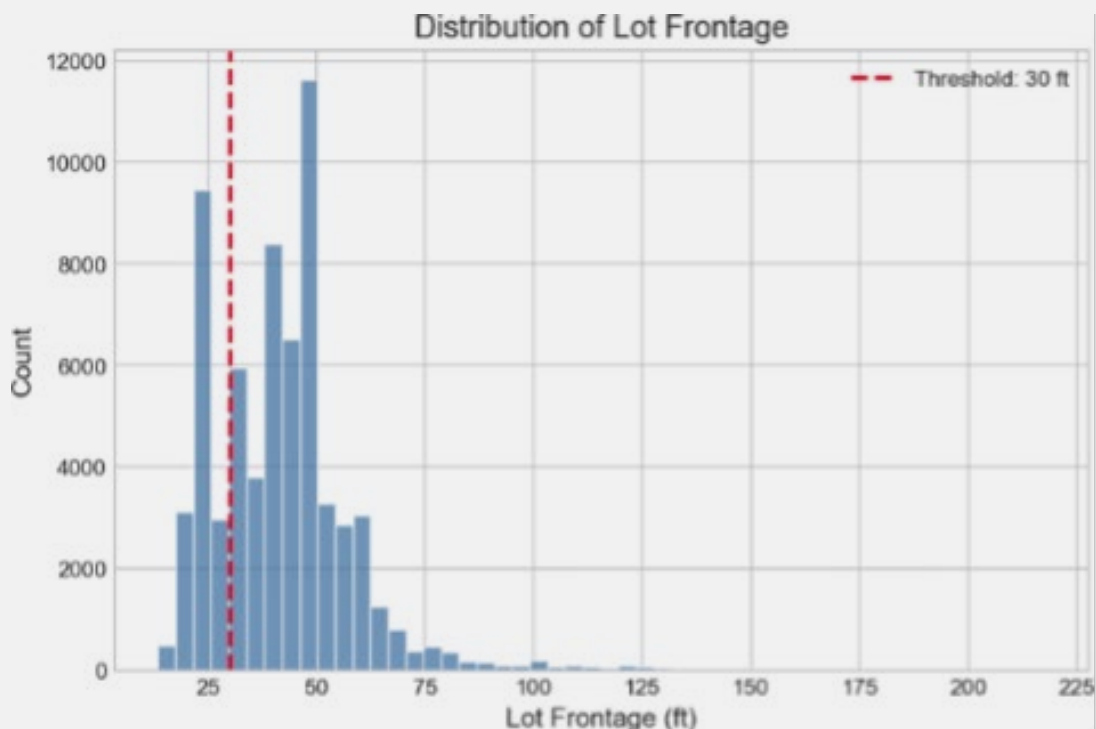
**Figure 2:** Distribution of lot frontage and 30-ft threshold
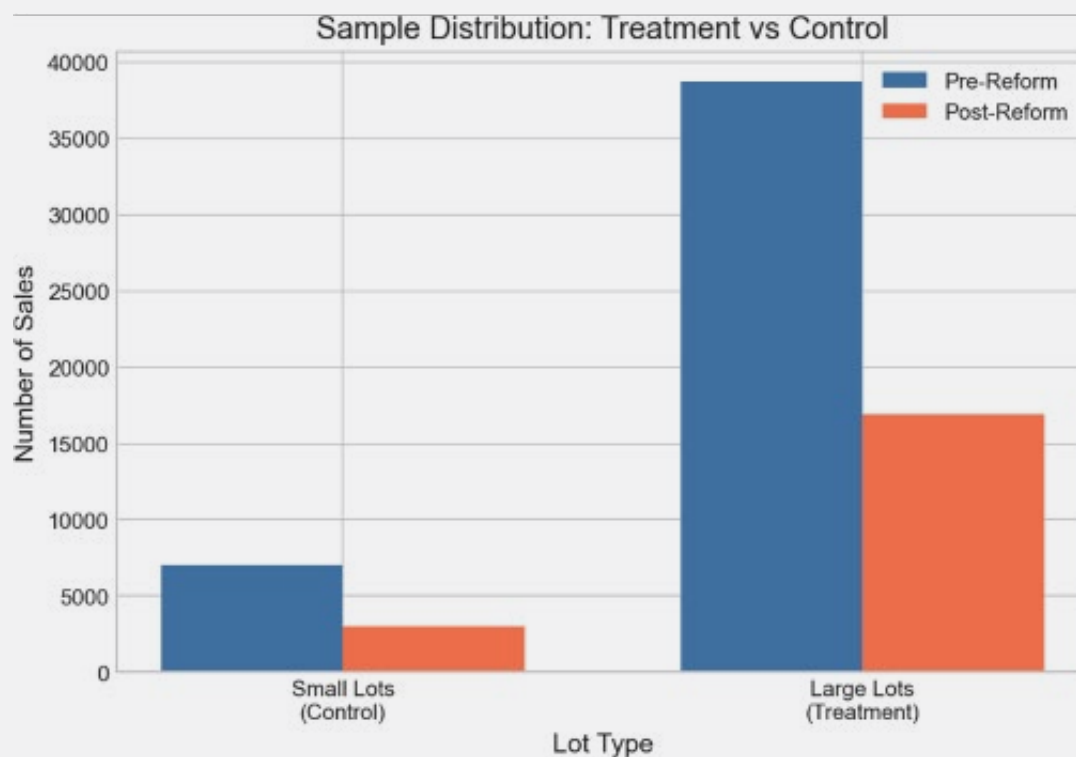(TRREB freehold sample, 2018-2025)



**Figure 3:** Treatment vs control sample counts, pre/post May 2023
(TRREB freehold sample, 2018-2025)

- Share of sales classified as "larger lots": 84.7%
- Share classified as "smaller lots": 15.3%

## 3.3 Sensitivity (robustness) plan

As feasibility thresholds are uncertain and context-dependent, additional specifications were estimated using more restrictive thresholds (e.g., frontage ≥ 35 ft or 40 ft). This helps assess whether the estimated effect is concentrated among the most clearly redevelopable lots.

- Alternative thresholds tested: 28, 32, 35 ft frontage; 2,500, 3,500 sqft area
- Summary of how results change: Effects remain 1.3–2.0% under baseline-adjacent thresholds

The estimated post-reform premium for larger lots ranges from approximately 1.3% to 2.0% across baseline-adjacent specifications and remains statistically significant when varying frontage thresholds between 28–35 feet or area thresholds between 3,000–3,500 square feet.

# 4. Method Summary (High-Level)

## 4.1 Difference-in-differences approach

To evaluate whether the May 2023 reform coincided with a change in relative pricing, the analysis uses a difference-in-differences framework.

In plain terms, the model compares:

- price changes for larger lots vs. price changes for smaller lots,
- before and after May 2023.

This design helps net out broader market movements affecting all properties (e.g., interest rates and macro demand), by focusing on relative differences between groups.

## 4.2 Controls and fixed effects

To reduce confounding from compositional shifts and neighbourhood variation, the baseline model includes:

- property-level hedonic controls (e.g., bedrooms/bathrooms),
- neighbourhood fixed effects (to compare within similar local contexts),
- time fixed effects (to account for market-wide cycles).

The outcome variable is modeled in log terms so that coefficients can be interpreted approximately as percent differences.

## 4.3 Event study diagnostic (pre-trends check)

A core assumption of difference-in-differences is that, absent the reform, larger and smaller lots would have followed similar trends ("parallel trends"). To assess this, an event-study specification estimates how relative pricing evolved over time before and after May 2023.

**FAST FACT**

*Baseline model estimates a modest 1 - 2 per cent differential price trend for larger lots post-reform.*

This diagnostic is critical: if divergence begins prior to the reform, estimates may reflect broader dynamics or anticipation effects rather than a clean causal impact.

## 5. Results

### 5.1 Raw trends (descriptive evidence)



**Figure 4:** Median sale price index over time for larger lots vs. smaller lots (Toronto, 2018–2025), with May 2023 marked.
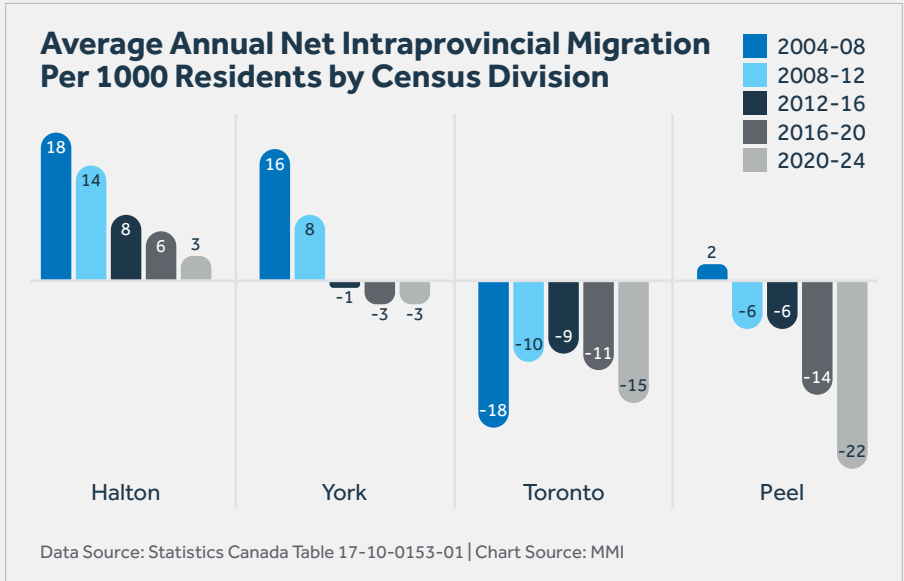
**Interpretation:**

Both groups reflect broad market cycles across 2018–2025. While the series move together broadly, slight variation in the relative gap over time suggests that the relationship between larger and smaller lot prices was not perfectly stable. This descriptive pattern is consistent with the possibility that multiplex optionality was partially priced in ahead of formal enactment, or that other correlated market dynamics affected larger-lot pricing differently. A more formal event-study specification (Section 5.4) examines these dynamics with regression controls.

## 5.2 Baseline estimate (difference-in-differences)

In the baseline model, larger lots experience an estimated ~1–2% relative price increase in the post-reform period compared to smaller lots (point estimate: 1.75%).

- Post-reform DID estimate: 0.0173 (1.75%)
- Confidence interval / statistical significance: [0.25%, 3.26%], p = 0.022
- Notes on model: includes property controls + neighbourhood FE + time FE

**Average Annual Net Intraprovincial Migration Per 1000 Residents by Census Division**

Legend:
- 2004-08
- 2008-12
- 2012-16
- 2016-20
- 2020-24

Halton: 18, 14, 8, 6, 3
York: 16, 8, -1, -3, -3
Toronto: -18, -10, -9, -11, -15
Peel: 2, -6, -6, -14, -22

Data Source: Statistics Canada Table 17-10-0153-01 | Chart Source: MMI

### Interpretation

The baseline estimate is consistent with a modest pricing response, but the magnitude is not large and should not be interpreted as dominant relative to broader market movements during the same period.

## 6. Interpretation and Practical Implications

Overall, results suggest that Toronto's multiplex reform may have been associated with modest relative price increases for lots more likely to accommodate redevelopment. However, multiple findings support a cautious interpretation:

1. **Magnitude is modest:** Point estimation relative increases of 1.75% are not large compared to typical Toronto market volatility.
2. **Pre-trends are material:** The event study suggests that the market may have been pricing in multiplex optionality prior to enactment, implying gradual expectation formation rather than an immediate policy shock.
3. **Real-world feasibility is complex:** Zoning permissions increase option value, but the ability to exercise that option depends on:
   - construction costs and financing conditions,
   - permitting and timeline uncertainty,
   - site constraints,
   - neighbourhood-level overlays and design requirements.

**FAST FACT**

*Falsification tests are most informative when applied across pre-signal and post-signal periods.*

From a policy perspective, this highlights an important dynamic: even if zoning expands allowable forms, market outcomes depend on both physical feasibility and economic conditions. Pricing effects, where present, may occur before implementation if market participants anticipate changes.

## 7. Limitations

This report is exploratory and subject to limitations typical of transaction-based zoning evaluation:

- **Proxy limitation:** Frontage and lot area are imperfect proxies and do not confirm legal multiplex eligibility or actual buildability.
- **No redevelopment observation:** The analysis does not directly observe permits, new builds, or multiplex conversions.
- **Pre-trends:** Divergence prior to May 2023 complicates causal attribution to the reform date.
- **Macro confounding:** Interest rates, inflation, and post-pandemic market dynamics may obscure modest policy signals.
- **Zoning heterogeneity:** Build constraints differ substantially across neighbourhoods and parcels even within the same policy regime.
- **Data coverage:** Missing lot attribute fields reduce sample size and may affect representativeness.

These limitations suggest the results are best interpreted as directional evidence on price signals rather than definitive proof of impact magnitude.

## 8. Next Steps (Optional Extensions)

Future work could strengthen inference and practical relevance by:

- linking transactions to permitting / construction activity (confirm conversion dynamics),
- segmenting by neighbourhood planning context (pre-existing density and constraints),
- testing alternative control structures or matching strategies,
- examining heterogeneous effects by area or built-form context.

Toronto Regional
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