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The condo market is tanking in Toronto and no one can find anywhere to live. Here's one major reason why

“One- or one-plus bedroom condos serve neither of these societal segments,” contributor John Lorinc writes. “It’s as if the apparel industry had suddenly stopped manufacturing M, L and XL-sized clothing.”

John Lorinc Contributor || July 2, 2024



Stanley Kedzierski, seen in a 2006 file photo, is pictured in a condominium’s living room, with primary bedroom to the left. Michael Stuparyk Toronto Star File Photo.

The cognitive dissonance could scarcely be more jarring.

While realtors complain about a glut of unsold condos and a sluggish home resale market, politicians from one end of the country to the other talk endlessly, and correctly, about a housing shortage the likes of which hasn't been seen in Canada, and many other places, since the end of the Second World War.

There are all sorts of reasons for what seems like a deeply contradictory condition, including unaffordable prices, stubbornly high interest rates, location and so on. But an important factor often seems to be overlooked when it comes to parsing this issue: unit size.

We're at a juncture as the millennial generation, the largest demographic bulge since the baby boomers, are starting and building families — a period of life when young parents are juggling many costs and building careers. What's more, increased immigration levels also tend to bring more young families, including multi-generational families, who are seeking homes.

One- or one-plus bedroom condos serve neither of these societal segments. It's as if the apparel industry had suddenly stopped manufacturing M, L and XL-sized clothing.

The mismatch, moreover, is well-documented and hardly a recent phenomenon. Statistics Canada's housing surveys include a category called "suitability," defined as "whether the dwelling has enough bedrooms for the size and composition of the household."

The latest figures are bracing, especially in big cities. In 2021, about 9.1 per cent of all Canadian families with children were living in unsuitable housing. For Toronto, that proportion shoots up to 22.6 per cent. And for renters, the proportion is almost half, by far the highest in Canada. Over the past three censuses, the trend lines are all heading in the wrong direction.

Former city council Adam Vaughan launched his political career in 2006 with a pledge to push developers to add more family-sized units to the mix of condos they were selling. Since then, the city's made some progress, in terms of policy, but clearly not enough.

This leaves us with some very basic questions and answers.

Q: Is the shortage of family-sized apartments unique to Toronto?

A: No, although Toronto families who rent are by far the most squeezed in Canada. Some GTA cities, such as Mississauga and Brampton, are not far behind. Montreal's overall numbers are comparable to Toronto's. In Vancouver, the total number of families living in unsuitably sized dwellings is less than Toronto's rate (15.6 per cent) and significantly fewer tenants experience the housing crunch that Toronto renter families face.

What about the not-for-profit sector?

Thanks to federal and provincial political choices made in the 1980s and 1990s to severely cut the production of public, non-profit and co-op housing, the bulk of Canada's new housing is built by the private sector, more than in most other Organisation for Economic Co-operation and Development (OECD) countries.

Non-profits and public housing companies do have family-sized units but these are much in demand, and often don't become available for years due to lengthy applicant backlogs.

Other high-demand cities, like New York, face similar problems when it comes to providing larger subsidized units for families. A recent investigation by Gothamist, a New York online news organization, found that 70 per cent of the 24,000 subsidized affordable rental apartments that have been built since Mayor Eric Adams took office in 2022 have been studios or one-bedrooms.

How does price factor into this debate?

Because the market overwhelmingly determines both condo prices and lease rates in new purpose-built rental apartments, the old "Field of Dreams" adage — build it and they will come — definitely does not apply to family-sized units. Builders and resellers ask more for larger units, which have, obviously, more sellable floor space, the key determining factor in price.

According to data compiled by Urbanation for the first quarter of 2024, the average sale price for two- and three-bedroom apartments ranged from just over \$800,000 to almost \$1.2 million (typical sizes vary from 917-square-feet to 1,284-square-feet).

Recent data from the National Bank of Canada estimates that a \$1 million home requires a household income over more than \$200,000 a year to support a \$5,000 a month mortgage. Average monthly rents for two- and three-bedroom apartments ranges from about \$2,000 to \$2,250, and slightly less for comparably sized townhouses, according to the City of Toronto.

Do affordability requirements by the city, or mortgage subsidies from Canada Mortgage and Housing Corporation, bring down prices?

The answer is, a little bit. Both the city and CMHC talk a lot about incentivizing “affordable” units. But the working definition of affordable is 80 per cent of average market rates, even though housing experts and advocates all agree that households that spend more than 30 per cent of their net income on housing have already tipped over into a financially precarious state.

What has city council and the planning department done to alleviate these pressures?

Beginning in the mid-2015s, city planners turned their attention to what families with children needed in order to make apartments in multi-unit residential buildings their permanent, as opposed to provisional, homes. That investigation, which culminated in the so-called Growing Up Guidelines (2020), didn’t just focus on the number of bedrooms.

The planners sought out interviews with parents raising children in highrises as part of their canvas of the issues, and found a host of other pain points like inadequate storage space for bulky items like strollers, common-area amenities that didn’t take children’s needs into account, and sound transmission between units, as well as access to community amenities.

Among the design recommendations: if developers are going to plan for families, situate the family-sized units on the lower floors.

The guidelines also strongly encourage builders to set aside 25 per cent of the total number of units as two- and three-bedrooms apartments (15 per cent and 10 per cent, respectively). While the guidelines are not prescriptive, developers know that they'll have a smoother journey through the approvals process if they heed these directives.

Have the Growing Up guidelines delivered the goods?

According to data provided by the city, developers have completed 30,547 two-bedroom apartments and 8,580 three-bedroom units in buildings over five storeys since 2019. Almost 50,000 more have received all the technical approvals needed to begin construction, and more are in the earlier phases of the development pipeline.

Census data for the City of Toronto also reveals that just over 26,000 households were living in two- or three-bedroom apartments constructed between 2016 and 2021, the vast majority of them condos. Indeed, just 10 per cent of these recently constructed units were in purpose-built rental apartment buildings. According to a growing chorus of experts, rentals with family-sized units are precisely the kind of housing most needed in the current environment.