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## Canadian businesses say housing crisis is forcing them to boost pay: survey

Ian Bickis || March 27, 2024

Business leaders see the housing crisis as the biggest risk to the economy, a new survey from KPMG Canada shows.

It found 94 per cent of respondents agreed that high housing costs and a lack of supply are the top risk, and that housing should be a main focus in the upcoming federal budget. The survey questioned 534 businesses.

Housing issues are forcing businesses to boost pay to better attract talent and budget for higher labour costs, agreed 87 per cent of respondents.

“What we’re seeing in the survey is that the businesses are needing to pay more to enable their workers to absorb these higher costs of living,” said Caroline Charest, an economist and Montreal-based partner at KPMG.

The need to pay more not only directly affects business finances, but is also making it harder to tamp down the inflation that is keeping interest rates high, said Charest.

High housing costs and interest rates are straining households that are already struggling under high debt, she said.

“It leaves household balance sheets more vulnerable, in particular, in a period of economic slowdown. So it creates areas of vulnerability in the economy.”

Higher housing costs are themselves a big contributor to inflation, also making it harder to get the measure down to allow for lower rates ahead, she said.

Businesses have been raising the alarm for some time.

A report out last year from the Ontario Chamber of Commerce also emphasized how much the housing crisis is affecting how well businesses can attract talent.

Almost 90 per cent of businesses want to see more public-private collaboration to help solve the crisis, the KPMG survey found.

“How can we work bringing all stakeholders, that being governments, not-for-profit organizations and the community and the private sector together, to find solutions to develop new models to deliver housing,” said Charest.

“That came out pretty strong from our survey of businesses.”

The federal government has been working to roll out more funding supports for other levels of government, and introduced measures like a GST rebate for rental housing construction, but it only has limited direct control on the file.

Part of the federal funding has been to link funding to measures provinces and municipalities adopt that could help boost supply.

The vast majority of respondents to the KPMG survey supported tax measures to make housing payments more affordable, such as making mortgage interest tax deductible, but also want to maintain the capital gains tax exemption for a primary residence.

The survey of companies was conducted in February using Sago’s Methodify online research platform. Respondents were business owners or executive-level decision makers.

About a third of the leaders are at companies with revenue over \$500 million, about half have revenue between \$100 million and \$500 million, with the rest below.