

25% Tariffs On Mexico, Canada Begin, Complicating CRE Outlook

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President [Donald Trump](#) imposed 25% tariffs on Canada and Mexico starting Tuesday, ruling out an eleventh-hour deal to avoid penalties on some of the country's top trading partners — a measure that will reverberate through commercial real estate.

"They're all set. They go into effect tomorrow," Trump said Monday afternoon from the Oval Office, [according to CNBC](#).

Trump said there was "no room left for [Mexico](#) or for [Canada](#)" to avoid the new tariffs, [stoking fears of a North American trade war](#) that could ripple through multiple industries. He has said the tariffs are intended to push the two U.S. neighbors to combat fentanyl trafficking into the U.S.

Canada announced it will impose 25% tariffs on \$100B of U.S. goods in retaliation.

Trump also plans to implement an additional 10% tariff on [China](#) — on top of the 10% he imposed in February. China said it would take unspecified countermeasures. Earlier in February, he signed two proclamations that would impose a 25% tariff on [steel](#) and aluminum from all countries, and he vowed to [impose reciprocal tariffs](#) on other nations that would reshape the global trading system.

"Reciprocal tariffs start on April 2," Trump told reporters on Monday afternoon. "I wanted to make it April 1, but I didn't want to go April Fool's Day."

It is still unclear whether these tariffs will stick or Trump will make an abrupt about-face on the levies, as he did in early February after [signing an order](#) implementing a 25% charge on goods imported from Mexico and Canada as well as tariffs on China. Two days later, he paused tariffs on the country's northern and southern neighbors for 30 days.

That period is up, and CRE is bracing for impact.

"The threat of tariffs has already caused significant uncertainty in the development world — whether or not the proposed tariffs become reality," Julie Workman, an Illinois-based real estate attorney and partner at [Saul Ewing](#), said in an email. "Uncertainty causes delay, and ultimately, delay kills deals."

While tariffs could be a boon for [industrial real estate](#), which stands to [benefit from onshoring](#), they also have the potential to impact [construction costs](#), slow projects and increase [housing costs](#). The latter point prompted the [National Association of Home Builders](#) to [push for an exemption on building materials](#) before Trump's stalled tariffs implementation in February.

Late last year, some in the construction industry were [already stockpiling materials](#). And even anticipation of tariffs was making an impact.

The cost of materials that the construction industry uses [went up in January](#) at their fastest monthly pace in two years as contractors raced to secure products before sweeping tariffs.

[Spencer Levine](#), the president of New York City-based luxury developer [RAL Cos.](#), told *Bisnow* that the unpredictability of what could be was giving vendors and clients pause.

“Quotes for products like rebar, glass, steel and aluminum for our upcoming projects are now expiring after only days,” Levine said. “Typically, quotes for such contracts remain in place for months at a time.”

Levine said uncertainty has made it difficult to plan ahead even as vendors load up on overstock.

“This is very much gray zone, which is creating tremendous disruption and appears to be counter to the initial intent,” Levine said.

Mexico is a supplier of concrete, cement, roofing materials, steel, glass and windows for the U.S., while Canada supplies lumber, aggregates, steel, aluminum and asphalt. China is also the primary source of many materials developers use in construction.

Roughly 54% of the world’s crude steel is produced in China, [DPR Construction](#) Supply Chain Leader [Tim Jed](#) told *Bisnow* in November. Between a fifth and a quarter of common materials like building stone or cement articles come from China, as does 57% of glazing glass.

“Lenders will need to consider the possible increase in costs to projects they are financing given the impact of tariffs on materials used in such construction,” said Daniel Diaz Leyva, chair of the real estate practice at Florida-based Day Pitney. “Although not clear by exactly how much, suppliers will most likely pass along the cost of tariffs to their customers.”

The imposition of tariffs comes after Canadian Prime Minister [Justin Trudeau](#) attempted to stave them off by investing 1.3B Canadian dollars (about \$900M) on a series of measures to fortify the border, [according to The New York Times](#). He appointed a “fentanyl czar,” provided the Royal Canadian Mounted Police with two Black Hawk helicopters to monitor the border, assigned a large number of its officers to border patrol and purchased a host of electronic surveillance devices.

Mexican President Claudia Sheinbaum also [made a pitch](#) to avoid American tariffs, pointing to Mexico sending 10,000 National Guard troops to help secure the border as well as the country dismantling more than 100 synthetic drug labs.

Treasury Secretary [Scott Bessent](#) said on Sunday that Mexico had offered to match the tariffs the U.S. will impose on China, according to The Associated Press.

But Sheinbaum said she had multiple backup plans in case the U.S. followed through on its tariff threats, declining to elaborate on them Monday. Canada has also threatened retaliatory tariffs.

“It’s very important that the people know that we have made a very important effort of coordination, of collaboration, but it depends on the United States,” Sheinbaum said, according to the AP. “We have to respond to this decision.”

Many economists and investment pros have warned that tariffs could send rising inflation soaring. On Monday, [Berkshire Hathaway](#) CEO [Warren Buffett](#) sounded off in [an interview with CBS News' Norah O'Donnell](#), saying they could trigger inflation and hurt consumers.

"Tariffs are actually, we've had a lot of experience with them. They're an act of war, to some degree," Buffett said.

"Over time, they are a tax on goods," he added. "I mean, the tooth fairy doesn't pay 'em! And then what?"

Business groups also panned the decision, saying a [trade war](#) would harm tourism and interrupt the orderly flow of goods and services.

"We strongly oppose the imposition of these tariffs on our top trading partners, particularly Canada," [Jessica Walker](#), president and CEO of the [Manhattan Chamber of Commerce](#), said in an email to *Bisnow*.

"Canada bought \$23 billion worth of goods and services from New York in 2023. One million Canadians traveled here last year, helping to feed our tourism economy. All of that is threatened by the imposition of these tariffs, not to mention the negative impact they will have on our cost of living."