

Trump's Tariffs Roller Coaster Causing 'Major Whiplash' For CRE

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These days, keeping up with the [Trump administration](#)'s tariffs policies is enough to upend project pro formas in real time.

Take the dizzying last 72 hours: On Monday night, [President Donald Trump](#) announced [25% tariffs on Canada and Mexico](#), set to take effect Tuesday morning, hinting at further action against China.

But by Tuesday, Commerce Secretary [Howard Lutnick](#) suggested a potential compromise. And then on Wednesday, Trump granted [a one-month tariffs exemption](#) for automakers.

Thursday ended with [suspended tariffs on certain imports](#) from Canada and Mexico until April 2.

This all came just a month after Trump [first imposed tariffs](#) on the three countries — only to pause most of them 36 hours later.

For commercial real estate players, U.S. trade policy is now a moving target. The unpredictability is destabilizing decision-making, creating chaos for developers, interior build-outs and nearly every other aspect of the industry.



“The biggest takeaway of all of this is that we're all experiencing this major whiplash,” said [Julie Workman](#), real estate attorney and partner at Chicago-based law firm [Saul Ewing](#).

“What's true today might not be true tomorrow, and it might not even be true tonight. Things are changing so much. The only thing that's been successful about this tariffs policy is causing uncertainty.”

The impact of Trump's tariffs decisions go beyond just potential charge rates. CRE professionals interviewed by *Bisnow* said the back-and-forth nature of the tariffs' implementation has created an environment filled with uncertainty. Some are exercising increased caution in dealmaking and waiting

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out the storm, while others are full-speed ahead to expedite the process before conditions change once more.

“Everyone is looking for implementation and then consistency,” said Danny Diaz Leyva, a Miami-based attorney with [Day Pitney](#) who represents both lenders and developers. “Once they're implemented and they actually go into effect, what does that really mean for my product?”

CRE stakeholders are navigating the uncertainty in myriad ways: increased communication throughout the development process, more frequent reevaluations of materials costs, shifting the speed of dealmaking and stockpiling resources.

Chicago-based [Origin Investments](#), a multifamily real estate fund manager, estimated late last week that the tariffs, if fully implemented, could cause pricing spikes of up to 7.5% for all construction materials and lead to overall project cost increases of 3% to 4%. According to a survey of Origin's construction partners and contacts, the greatest concerns for pricing volatility are in lumber, which stands to go up 40.9%, electrical switchgear and components at 27.3% and concrete at 18.3%.

Even without tariffs being in place consistently, prices are jumping. U.S. lumber futures [rose to their highest level since August 2022](#) this week.

“I would say, on average, my projects take between 12 and 24 months to get fully entitled, and that, coupled with huge price increases, is problematic. Frustrating. Perplexing. Confusing. I can probably come up with more adjectives,” Workman said.

The expectation of lower taxes and regulations following Trump's election victory encouraged capital to get ready to jump off the sidelines, Diaz Leyva said. The latest tariff developments are leaving more waiting for the dust to settle before they invest.

“Initially it was 25% tariffs on Mexico and Canada,” Diaz Leyva said. “But, oh, wait, just kidding, we're going to walk that back a little bit. So maybe nothing gets done in the short term until something is formally applied and things stick. Then people will engage and transact at that point with the new realities.”



Trump has made abrupt changes to his tariffs policy.

Developers and contractors are talking to each other on a “much more frequent basis” during the construction process than they may have been in the past, said [Chris Kelly](#), a partner in New York-based [Anchin](#)’s construction group. While planning discussions usually happen before construction begins, parties are now checking in biweekly for updates, keeping an extra tab open to monitor up-to-the-minute events, he said.

In those discussions, owners are digging into who may try to bring up a price escalation clause, who is at risk of default and who may decide to absorb increased costs. Communication needs to be precise on when materials are coming in and who is going to be burdened by those costs, Kelly said.

“From a real estate owner perspective, to be silent on it is probably not the best course of action,” he said. “It’s best to be proactive and have much more advanced conversations on what the pipeline looks like and how it’s going to get executed at the stated cost.”

Whether the threat of tariffs is real or being used as a bargaining chip for a different goal within the administration, businesses need to develop a plan to manage the uncertainty, Kelly said. For existing contracts, developers and contractors need to identify diversified sourcing for materials and alternative suppliers within the U.S., with the understanding that domestic suppliers may increase their prices, he said.

“There’s a lot of challenges, logistical challenges, that existing contracts face today,” Kelly said.

“Whether it’s contract terms, or logistics, or other technicalities, there’s a lot of things that real estate owners need to work through.”

For future contracts, contractors and subcontractors may start requiring escalation clauses in agreements to insulate from some of the risk of price increases, Kelly said.

Diaz Leyva just had a conversation with a development manager for a large owner who saw an escalation clause in a contract they were quoted for. That hasn’t been standard in prior market environments, but now, both owners and contractors are seeking consistency because sudden price bumps can “materially alter” the budget prospects for a project, he said.

“From the contractors’ perspective, they want it in, because they don’t want to get hosed in the event that supplies that they quoted at a certain point change materially,” Diaz Leyva said.

Compared to December, the U.S. trade deficit [widened by 34% in January](#) to \$131.4B, according to data the [Commerce Department](#) released Thursday. The value of imports rose 10% to a record \$401.2B, while exports increased 1.2%, not adjusted for inflation.

Developers that have preordered materials for construction are in a good position to avoid the impacts of the tariffs and stay the course on construction plans, said Lanné Bennett, executive vice president at Los Angeles-based consulting and brokerage firm Urbanlime Real Estate.

As of now, she hasn’t seen a noticeable slowdown in transaction activity.

“If I didn’t read the headlines every day because I like to stay informed, with deal flow, I would not know anything’s going on,” Bennett said. “Everybody’s trying to get deals done, and it hasn’t hit to the point of ‘Stop.’”

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Workman said some deals have been expedited because dealmakers are trying to speed up and get things done while they have some idea of what's going on. The biggest discussion has been over what segment of the development pipeline absorbs increased costs, she said.

Workman said she is also taking a bit more of an aggressive approach because she knows her clients want to get projects done. The key is maintaining situational awareness.



“It's always been a mantra in the transactional world that time kills deals,” Workman said. “The longer you wait to respond, the longer you wait to get something inked, the more risk there is that the deal dies, and that's what I think we're going to start seeing.”

[Tim Bodner](#), partner and real estate deals leader at [PwC US](#), said tariffs are just one more thing that can't be controlled and another point of uncertainty in an already-complicated environment. Still, there is hope in the industry that the administration is using tariffs as a bargaining chip to enact change, he said.

Bodner hasn't seen people defer ongoing development activities or canceling set plans for projects due to fear of tariffs.

“Nobody's dramatically altering their business plans because of the existence of tariffs,” he said.

But deferrals could come for projects that haven't been fully planned as developers wait to see how the environment evolves, he added.

And new construction that hasn't been planned yet might have a tough time getting financed with elevated costs, Bennett said. Even if tariffs are only in place for a short period, disruption could linger years down the line because of the time it takes to complete transactions, she said.

“Let's say [tariffs are] a speed bump, as opposed to a roadblock. I think we're going to feel it for at least the next two years, if we even get out of it,” Bennett said. “Deals just take so long to get done, and once you pause something and you stop that cycle, the after effects of it are a ripple. It's a butterfly effect.”

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If tariffs stick, they will likely have substantial effects on construction costs. With CRE already staring down high expenses and cautious lenders, the levies add another unsavory ingredient to a bubbling pot.

Some construction materials were already hard to get domestically before the Trump administration imposed tariffs.

Lumber prices could increase as a result of tariffs.

Production had already slowed for some major construction goods, with little incentive for a near-term supply increase, [according to a JLL report](#) on 2025 industry volatility. The U.S. steel industry is running at 76% capacity but may have little motivation to offset cost increases with more production after substantial declines in prices in early 2024. Softwood lumber production capacity has also slowed since 2022, with curtailments and sawmill closures in the U.S. and Canada, according to the report.

Even if the U.S. pulls back on some of its tariffs, there's no telling how its trade partners will respond.

In the wake of Monday's decision, both Canada and China delivered swift repudiations of Trump's tariffs and signaled they were willing to escalate the trade dispute. Immediately after the U.S. tariffs went into effect, Canada responded with 25% counter-tariffs on \$30B of imported goods, potentially escalating to \$155B worth of product depending on how long the U.S. tariffs stay in effect.

"We should be working together to ensure even greater prosperity for North Americans in a very uncertain and challenging world," Canadian Prime Minister [Justin Trudeau](#) said at [a press conference](#) Tuesday. "Now, it's not in my habit to agree with the Wall Street Journal, but Donald, they point out that even though you're a very smart guy, this is a very dumb thing to do."

The Chinese embassy in the U.S. took threats even further in a post on X Tuesday.

"If war is what the U.S. wants, be it a tariff war, a trade war or any other type of war, we're ready to fight till the end," [the embassy wrote](#).

Meanwhile, for CRE, what comes tomorrow — or even in the next hour — is anyone's guess.

"I don't understand what the end game is," Workman said. "And I don't know that anybody really does understand."