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Riding the Tariff Roller Coaster: Considerations for Construction

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Construction

"What goes up might take us upside down. Life ain't a merry-go-round; it's a roller coaster." – Bon Jovi

The song may not have been about international trade, but the lyrics are certainly fitting for today's unpredictable global market. The construction industry is already particularly impacted by the volatility of tariff rates, product exemptions and affected countries, which seem to shift almost daily. To succeed, construction companies, owners and developers must navigate this uncertainty carefully.

Since "living on a prayer" is not a great business strategy, we've provided some key considerations for building in this rapidly changing environment—and practical steps you can take to manage risks.

How Will Tariffs Impact Construction Projects?

Tariffs can affect construction projects at nearly every stage, from procurement to financing to final delivery. Some of the primary areas affected include:

- **Increased material costs:** Tariffs raise the cost of many essential construction materials, from steel and aluminum to electrical components and fixtures, leading to higher project budgets.
- **Supply chain disruptions:** Import restrictions and retaliatory tariffs can cause delays in material availability, forcing project teams to scramble for alternative suppliers or substitute materials.
- **Project timeliness and budget uncertainty:** As material prices fluctuate and sourcing delays occur, maintaining construction schedules and budgets becomes increasingly challenging.
- **Financing implications:** Lenders are adjusting underwriting models to account for heightened project risks, while developers may face increased scrutiny around contingency planning and liquidity.
- **Cash flow and timing pressures:** Front-loading material purchases to hedge against future price increases can strain project cash flows.
- **Procurement strategy shifts:** Owners and contractors may need to buy materials earlier and secure warehouse space for storage. Additionally, more frequent redesigns and substitutions may become necessary to stay within budget and timeline constraints.

What Evidence Supports the Impact Tariffs Have on Construction?

Several recent indicators highlight how tariffs are already influencing the construction market:

- Housing starts **dropped 11.4%** in March 2025 compared to February, with single-family starts **falling 14.2%**.
- **Sixty-eight percent** of builders reported project delays due to supplier renegotiations triggered by tariffs.
- The Dodge Momentum Index, a leading measure of nonresidential building planning, **declined 6.9%** in March.
- Warehouse planning **fell by 11%**, and retail storefront planning declined 14%, reflecting cautious consumer spending.
- Institutional construction has slowed, with healthcare planning declining for the first time since 2021 and education projects falling as states redirect funds.
- Notably, data center construction remains a strong outlier, with planning activity **up 25%** year over year and now accounting for a quarter of all commercial planning.

Considering the Impact of Tariffs: Should You Build Now or Wait?

With tariffs introducing heightened uncertainty into material costs, supply chains and project timelines, many owners and developers are grappling with a key strategic question: Is it smarter to move forward with construction now or hold off in hopes of more favorable conditions?

What Are the Reasons to Build Now?

With so much volatility in the market, there are several compelling advantages to starting construction sooner rather than later. Key reasons include:

- Locking in material and labor costs before further increases.
- Avoiding future delays as supply chains tighten even more.
- Meeting immediate operational, expansion or investment needs.

What Are the Reasons to Wait?

For some, holding off on a project may offer strategic benefits as market conditions continue to evolve. Reasons to consider delaying construction include:

- The possibility that material costs may drop if trade negotiations stabilize.
- More leverage with contractors in a softer market.
- Enhanced clarity around financing options and supply chain conditions.

Ultimately, the decision to build now or later should weigh current project needs against anticipated market shifts—and include contingency planning for both scenarios.

What Steps Can You Take to Mitigate Risks in the Construction Process?

Regardless of timing, proactive risk management strategies can help protect your project from tariff-related volatility. The following are key approaches construction companies, owners and developers can take to better navigate today's unpredictable environment:

- **Strengthen contract language:** Include escalation clauses tied to specific material price indices, expand force majeure provisions to cover tariff-related disruptions and consider risk-sharing mechanisms that allocate price risks between owners and contractors.
- **Adjust project delivery methods:** Design-build contracts can offer greater flexibility to adjust material selections and project phasing in response to market conditions.
- **Procure strategically:** Purchasing critical materials early and warehousing them can help lock in prices and ensure availability. Additionally, consider value engineering to substitute less tariff-impacted materials where feasible.

- **Phase construction thoughtfully:** Phased approaches allow project teams to move forward with early work while preserving flexibility to adjust future phases as conditions evolve.

You're Not Alone in Navigating the New Normal

While tariffs have introduced new challenges for the construction industry, thoughtful planning, flexible strategies and carefully crafted contracts can help mitigate many of the risks. Whether you choose to move forward with your project now or wait for greater market clarity, it's essential to have the right team and protections in place.

If you have questions about how tariffs may impact your construction project or would like to discuss strategies to mitigate risk, please contact a member of Gould & Ratner's [Construction Practice](#).