



ECONOMIC UPDATE

The Impact of Tariffs and Other Policy Changes on the
Construction Market

INTRODUCTION



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Agenda

01

Economic
Overview

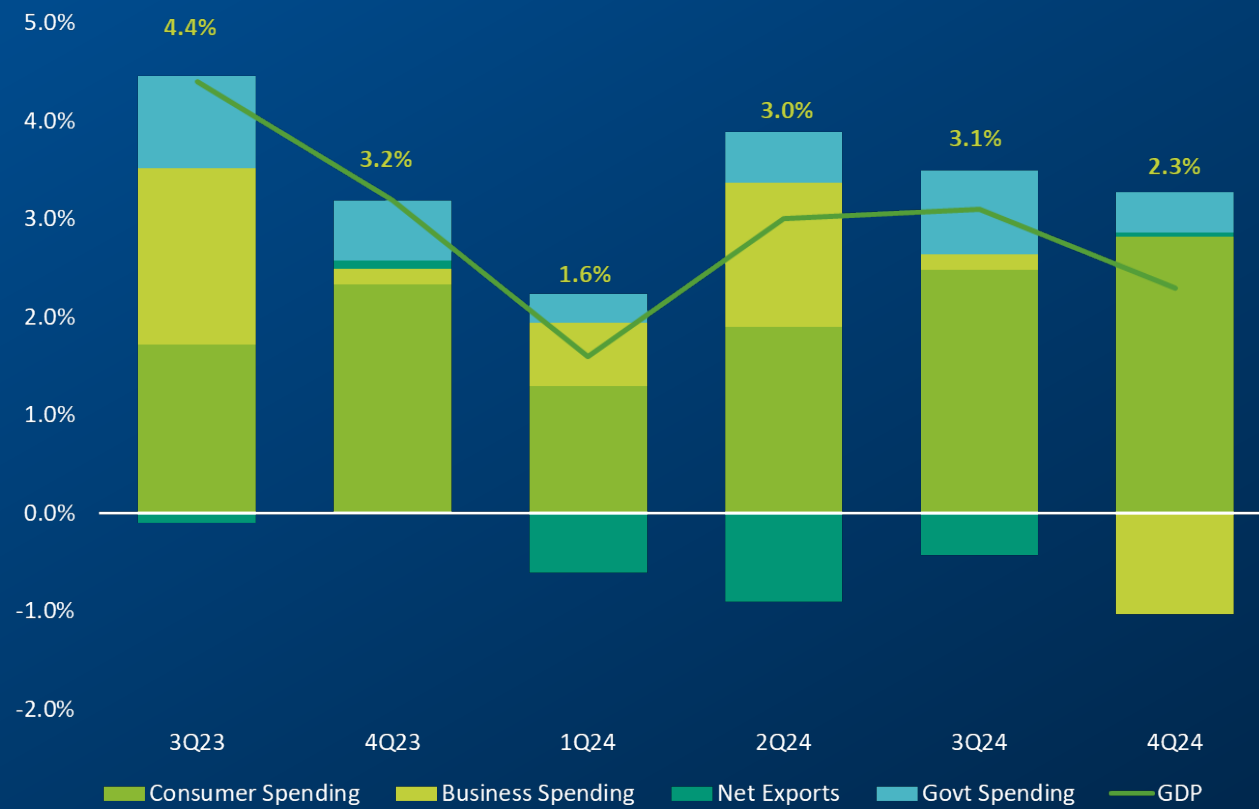
02

Active and
Proposed Tariffs

03

Potential Impact

GDP

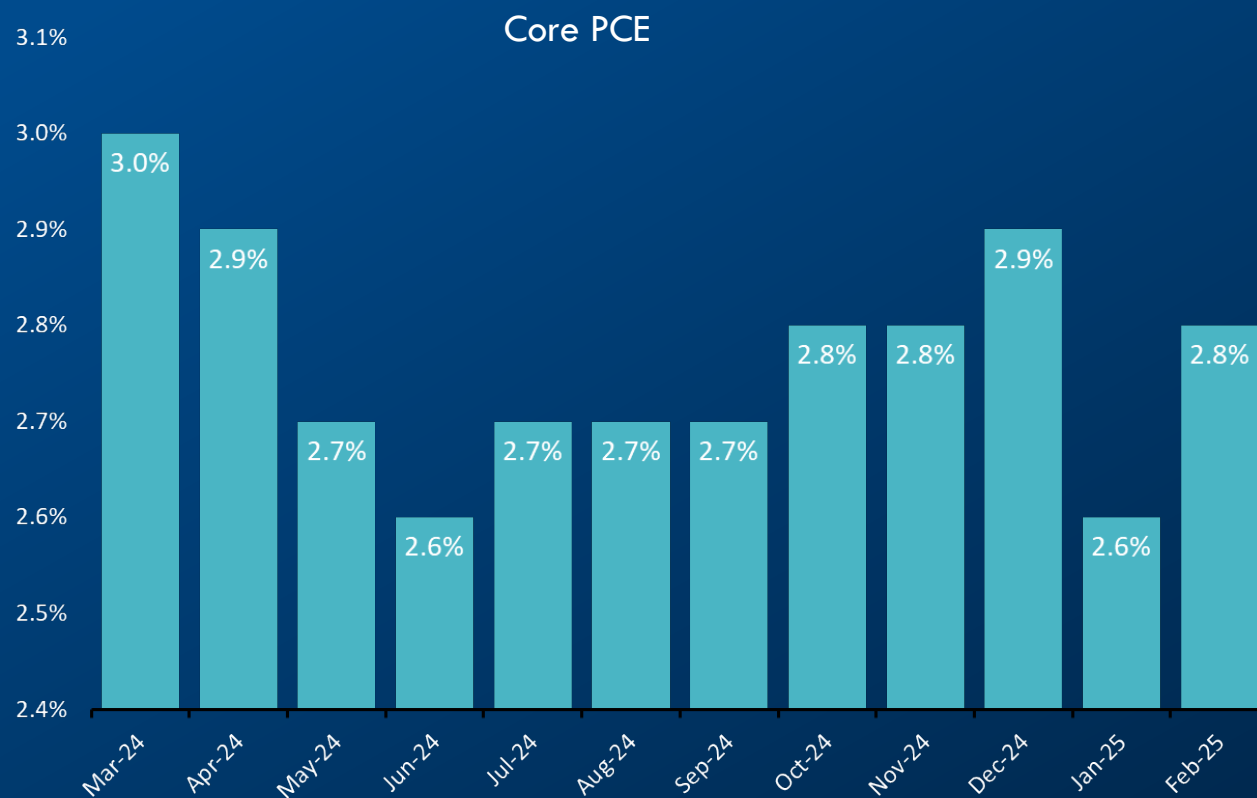


EMPLOYMENT

JOBS ADDED



INFLATION



TARIFFS

Global

- Goods: Steel
 - Effective Date: 3/12/25
 - Rate: 25%
 - Impact: This tariff is applied on top of other country-specific tariffs so steel from Canada and Mexico will have a higher total tariff rate applied than steel from Australia or India.
- Goods: Aluminum
 - Effective Date: 3/12/25
 - Rate: 25%
 - Impact: This tariff is applied on top of other country-specific tariffs so aluminum from Canada and Mexico will have a higher total tariff rate applied than aluminum from Australia or India.
- Goods: Autos
 - Effective Date: 4/3/25
 - Rate: 25%
 - Impact: The US imports just over \$300 billion worth of cars and trucks annually. The cost of imported cars will increase but domestic autos are built with many imported inputs so their prices will be on the rise as well. Used cars prices will also increase due to higher demand.

TARIFFS

Reciprocal Tariffs

- Goods: All
 - Effective Date: 4/5/25
 - Rate: 10%
 - Baseline rate levied on all countries (almost 200)
- Goods: All
 - Effective Date: 4/9/25
 - Rate: Varied
 - Roughly 60 countries are given individualized rates. Weighted average (rate applied to import volume) is 37% against \$2.5 trillion worth of goods

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POTENTIAL IMPACT

TARIFF IMPACTS April 15, 2025

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Overall

Sample Project Value: \$100,000,000

Material	% Imported	Share of Construction Cost per QCI (Material Only)	Sample Project % of Construction Cost (\$100,000,000)	CANADA*			MEXICO*			CHINA*			REST OF THE WORLD			STEEL		ALUMINUM	Final Cost Increase (\$100,000,000)
				% of Import	Tariff Rate	\$ Increase	% of Import	Tariff Rate	\$ Increase	% of Import	Tariff Rate	\$ Increase	% of Import	Tariff Rate	\$ Increase	25%	25%		
Fabricated Steel	43%	9.8%	\$9,800,000	23.00%	25%	\$240,615	11.00%	25%	\$115,077	1.80%	145%	\$109,218	64.20%	10%	\$268,651	\$1,046,150			\$12,344,541
Fabricated Copper	8%	1.5%	\$1,500,000	26.00%	25%	\$7,898	7.00%	25%	\$2,126	1.00%	145%	\$1,762	66.00%	10%	\$8,019				\$1,533,456
Fabricated Aluminum	22%	1.5%	\$1,500,000	60.00%	25%	\$48,375	2.00%	25%	\$1,613	1.00%	145%	\$4,676	37.00%	10%	\$11,933		\$80,625		\$1,733,898
Diesel Fuel	4%	2.7%	\$2,700,000	72.00%	25%	\$21,384	11.00%	25%	\$3,267	10.00%	145%	\$17,226	7.00%	10%	\$832				\$2,773,331
Lumber	21%	3.3%	\$3,300,000	30.00%	25%	\$51,975	4.00%	25%	\$6,930	1.00%	145%	\$10,049	65.00%	10%	\$45,045				\$3,481,543
Glass	13%	1.5%	\$1,500,000	5.00%	25%	\$2,475	21.00%	25%	\$10,395	28.00%	145%	\$80,388	46.00%	10%	\$9,108				\$1,669,006
Sheet Metal	8%	4.9%	\$4,900,000	23.00%	25%	\$22,258	11.00%	25%	\$10,645	1.80%	145%	\$10,103	64.20%	10%	\$24,852				\$5,014,732
Gypsum	1%	0.5%	\$500,000	4.00%	25%	\$50	71.00%	25%	\$888	1.00%	145%	\$73	24.00%	10%	\$120				\$501,969
Subtotal			\$25,700,000																
																		Subtotal	\$29,052,474
																		New Cost to Build	\$103,352,474
																		% Increase	3.35%

The % Imported column is calculated using the Bureau of Economic Analysis' Input-Output Accounts tables: <https://www.bea.gov/industry/input-output-accounts-data>

*NOTE: Recent communications from vendors, manufacturers, and suppliers are indicating domestic producers raising costs in accordance with announced tariffs; calculations include a 75% capture of the imported tariff rate for all domestic products.

OUTLOOK

- We are now at our highest effective US tariff rate since the 1930s
- The overall price level for US consumers is estimated to see an increase of 3% in the short run
- That could mean the average household will spend an additional \$4,900 (if spending is the same as in 2024).
- Decrease in GDP and employment, near-term increase in inflation
- Beyond these impacts, the increase in uncertainty may be the biggest variable

TIMING OF IMPACTS TO YOUR PROJECT

- Tariffs
 - Will not impact anything already in transit
 - Price increase occurs at the port so potential flexibility
 - There will be a lag as domestic backlog is worked through
- Q1 2025 – JE Dunn is tracking cost increases of approximately 1.10%
- Cost increases are projected guesses based on project schedules

BUT WAIT – DON'T I HAVE A GMP??

- Contract Flow – Who Owns the Risk?

1. Owner
2. General Contractor
3. Subcontractor
4. Local Distributor
5. Regional Distributor
6. National Manufacturer



RISK MITIGATION STRATEGIES

- TYPICAL STRATEGIES

- Wait and See – Exclude cost increases altogether
- Own the Risk – One party includes additional contingencies

- CREATIVE STRATEGIES

- Share the Risk – Specific Contingencies to be used as needed
- Proactive Procurement – Order material early and store it
- Alternative Products – Look for more local or different product types
- Design to lower targets and incorporate add alternates at appropriate times

OTHER MARKET DRIVERS

- Interest Rates
 - Higher rates are leading to private developer slowdown
- Labor
 - Tighter Immigration vs. Reduced Demand
- Mega Projects
 - More >\$500M projects

QUESTIONS?