

How Will Trump's Tariffs Affect Homebuyers?

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Key materials for new home construction, such as lumber, drywall and steel, could be more expensive soon.

Key Takeaways:

- Tariffs are taxes charged on goods that are imported from another country. When homebuilders purchase materials, they pay those taxes and usually pass on the costs to the homebuyer.
- A tariff on goods from China is planned, and Trump has announced a 25% tariff on all steel and aluminum imports.
- Tariffs could add several thousand dollars to the price of a new home.

If you're hoping to buy a new home, you may be concerned by talk about tariffs.

A 10% tariff on Chinese goods took effect a day after President Donald Trump agreed to pause threatened tariffs against Mexico and Canada for 30 days. On Monday, Trump announced a 25% tariff on all steel and aluminum imports, which includes materials from Canada and Mexico.

The back-and-forth about U.S. tariffs and potential reciprocal action has sparked uncertainty about the financial impacts of a global trade war.

How much more expensive could a new home be if tariffs are added to a range of imported goods? Here are some parts of a house that could become more expensive and how much they may cost you.

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What Are Tariffs?

Tariffs are taxes charged on anything purchased from other countries.

So if a homebuilder in the United States buys lumber or steel from another country, a tariff will make those materials more expensive. That, at least in theory and often in practice, will be passed on to the cost of a new home.

Tariff Impacts on Lumber

A lot of wood for homes comes from Canada. "While the U.S. has increased its production of lumber over the past years, we still rely on Canadian lumber," says Patricia Jordan, associate professor of professional practice in the information systems and supply chain management department at Texas Christian University's Neeley School of Business. "Approximately 30% of lumber is imported from Canada."

The proposed 25% tariff on softwood lumber products from Canada would be in addition to an effective 14.5% duty rate already in place, meaning Canadian lumber tariffs, in total, will rise to nearly 40%, Jordan says.

She adds that construction companies would likely try to get more lumber from American companies, with mixed results. "The sawmills will more than likely not be able to absorb the cost of the new tariff amount, leading to higher prices," she says.

Tariff Impacts on Gypsum

Gypsum is the key component in drywall, plaster and cement, so it will generally be in any new construction house.

“Gypsum is also imported from Canada, Mexico and China,” Jordan says, name-checking the three countries on which the Trump administration has focused.

Other countries produce a lot of gypsum, Jordan says. So builders have options. “Spain imports approximately 44% of the product,” she says.

Tariff Impacts on Steel and Aluminum

Much of the steel and aluminum in homes comes from China, says Usha Haley, professor of international business and management at the Wichita State Barton School of Business in Kansas. “The new tariffs could raise the costs of construction materials by about \$4 billion,” Haley says.

Canada is the largest steel exporter to the United States, and Mexico is third. So China’s steel is more expensive now, and soon, Canada and Mexico’s may be. However, more than 180 countries import steel to the United States. So theoretically, a homebuilder could get steel elsewhere, or from the United States, to keep prices down. That may sound easier than it would be in practice. Most homebuilders have developed relationships with companies and countries and can’t always make immediate changes.

Builders will face significant financial pressure to pass the higher costs on to consumers, according to Pelin Pekgun, a business professor who studies supply chains and pricing at Wake Forest University School of Business in Winston-Salem, North Carolina.

Pekgun says some homebuilders may feel they have to scale back or delay projects if critical materials become too expensive or scarce. That, Pekgun says, could result “in slower construction and fewer homes on the market. Limited supply could then push prices even higher, intensifying affordability challenges.”

She says smaller homebuilders who work on thinner margins and have fewer resources could be in trouble. And if smaller homebuilders go out of business, that means fewer houses would be built. The lowered supply could create pressure, causing home prices to rise.

Tariff Impacts on Appliances

Many appliances in new homes come from China, Haley points out. So whether your refrigerator or oven comes with your new house or you buy it on your own, those tariffs will add to your costs.

Tariffs on food that comes from Mexico, Canada or China could also make it more expensive to fill your refrigerator.

Tariff Impacts on the 'Guts' of the House

Heating and cooling systems, plumbing, and electrical materials could also see tariffs applied, Jordan says.

These components form the "guts" of your home – and many are imported from Canada. The Canadian Institute of Plumbing and Heating and the Mechanical Contractors Association of Canada, advocating on behalf of the industry to the Canadian government, cited downstream effects of tariffs including added housing costs, increased operating budget costs for institutional construction and supply chain issues.

Tariffs and Home Prices

Buying a home is already stressful, and the addition of tariffs can make it even more nerve-racking. It's important to remember that nobody knows how this will all play out. Maybe the tariffs will never come, or there will be exceptions carved out for certain industries, and Canadian plumbers won't have to worry about their goods becoming cost-prohibitive. But if the tariffs all come to pass, prices may not go up too drastically, according to Marshall Toplansky, clinical associate professor of management science at the George L. Argyros College of Business and Economics at Chapman University in Orange, California.

Toplansky has done the math, and he says that according to the National Association of Home Builders, about 7% of the total cost of materials for building homes in the United States comes from materials sourced from outside the country.

"Much of that is from Canada," Toplansky says. He adds that the amount of imported goods from around the world totaled \$13 billion in 2023, and says that about 1.63 million homes were built in the U.S. in 2024.

"So, if there is a 25% tariff on foreign-sourced building materials, that would add about \$3.25 billion to the cost of building all the homes in a year," Toplansky says. "If we look at that per home, it would add about \$2,000 to the cost of building a home."

Considering how much homes cost, \$2,000 may not sound bad. That said, Toplansky points out that because builders naturally want to make a profit, "that additional cost would likely be marked up, so the increase in the price, as opposed to the cost of the building, would likely be in the \$3,000 to \$4,000 range per average home."

Even \$4,000 added to a house may not sound too bad to some people. But for others, it could be an additional barrier to homeownership. Rising prices have been hurting middle-class families. A December 2024 Primerica's Financial Security Monitor report polled 1,085 adults nationwide from Dec. 20 to Dec. 23, 2024, and found that 65% of respondents said their income wasn't keeping up with the cost of living.

And while new homes may cost \$4,000 more, other factors that may drive prices up more if tariffs do end up saddled onto Canadian and Mexican imports. Haley says that immigration policies could exacerbate the labor shortage in the housing sector, also causing home prices to increase.

Many of these tariffs are designed to increase manufacturing in the United States and help American businesses and homeowners, and Haley says that it could eventually work out that way.

“Shifting gears to domestic products for construction is possible, but will take time. The United States has over 300 billion trees, but not the industrial capacity to meet housing demand within the next couple of years,” Haley says. And as long as homes can’t be built fast enough to keep up with demand, home prices aren’t likely to stop rising.