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Contractors prepare for the impact of tariffs on construction

BY RELEASED

[Partner Engineering and Science](#), a construction risk management consulting firm, shared insights into the industry's response to recently imposed tariffs. Via monthly project monitoring as well as informal polling of their clients, Partner is building a picture of how much impact the tariffs will have on overall project budgets and how contractors and developers are preparing for the increases.

According to Bob Barone, Partner's director of institutional construction services, "There are so many variables – type of project, location, design, material specifications – that affect project budgets. When you hear about, say, a 25 percent tariff on steel and aluminum, it's easy to imagine construction budgets jumping significantly. But depending on the project, materials account for roughly 40 to 60 percent of total construction cost, and in most cases a relatively small percentage of that cost comes from imported materials. In the context of the overall project budget, many of our clients are expecting an increase less than 3 percent. On a multimillion-dollar project, that's a meaningful number, but more manageable than speculation might lead you to believe."

Partner solicited input on the impact of tariffs from its clients throughout the United States. Early anecdotal feedback supports Barone's estimate, with most reporting no real impact yet, and modest impact projected. A senior representative from one institutional real estate firm, which has developed millions of square feet of industrial and commercial properties throughout the United States, said, "Overall, we're mostly hearing speculation. ... The biggest speculation is around steel, but what we've been hearing is that overall construction pricing should only increase by an almost negligible amount if all the dust settles on the reciprocal tariffs." The firm sources most its steel from the recycling chain.

Another Partner client who manages development projects in the Midwest for a national investment firm responded similarly: "I can't say



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that I've seen much direct impact yet. Contractors are covering themselves contractually in case costs increase, though. We're carrying some extra contingency in budgets, but I think it's difficult to forecast."

One developer shared a recent experience in selecting a contractor for a major multifamily project now in final development planning. They asked their two leading contractor candidates to reprice their bids to account for potential impacts of tariffs and to explain how or why they're comfortable with their bids in the current environment. The contractors used very different methodologies to support their comfort level with the potential impact of rising prices as a result of tariffs, but both contractors increased their bids by only 2.5 percent to 3.0 percent for a project that will likely break ground in the next six months and work toward completion in the next 24 months.



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