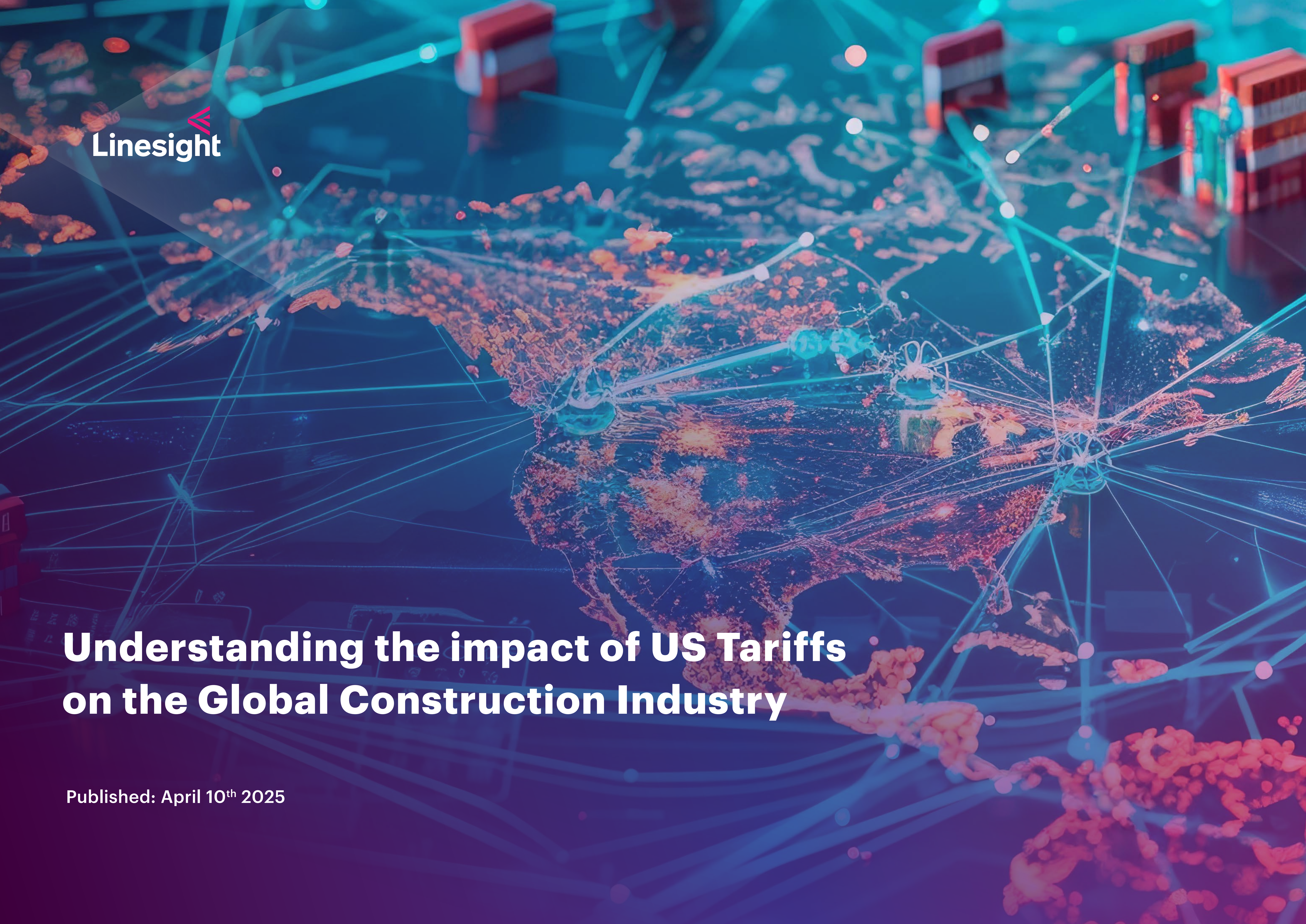

Linesight

Understanding the impact of US Tariffs on the Global Construction Industry

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Executive Summary

The global economy faces economic uncertainty as a new phase of protectionism and policy realignment comes into play following the announcement of global tariffs on all imported goods to the United States.

Despite a 90-day reprieve on reciprocal tariffs, the universal rate of 10% will have significant impact on the construction industry. The reprieve does not include China, with tariffs raised to 125% following China's retaliation of 84% on US imports.

The full impact is yet to unfold, as countries impacted consider their response. However, it is clear that the global construction industry will be significantly impacted in the short to medium term.

In order to help clients navigate this situation as it continues to evolve, Linesight has prepared this paper to provide an overview of the potential impact and guidelines on mitigating strategies for construction projects.

Linesight will continue to monitor the evolving situation and will provide updated guidance regularly as the impact becomes clearer.

What we know so far

Impact on the US

- The United States introduced a **base-level 10% tariff on all imported goods and materials**, which took effect on **April 2nd**.
- A 90-day pause was announced on April 10th on higher, **country-specific reciprocal rates for 57 countries**, with which the US has trade deficits.
- The US construction industry relies heavily on imported materials and equipment, such as steel, lumber, aluminum and electrical machinery, and therefore these **tariffs will have a significant impact on US construction delivery**.
- The **US imports 26% of iron and steel** with 46% coming from Canada and Mexico in 2023.[1]
- The **US had a net import reliance of 44% for aluminum** for the US market in 2023. Of the total aluminum imports in 2023, 41% were sourced from Canada.[2]
- **MEP equipment, such as transformers, chillers, and electrical gear, is largely sourced from China and Mexico, as are HVAC components**. Leading HVAC manufacturers like Carrier, Daikin, Lennox, and Trane, which hold over 60% of the US market, manufacture in Mexico and source critical components from China.[3]
- More than **50% of insulated wires are imported** from Mexico.[4]
- **Essential minerals for battery production and advanced energy storage solutions** are largely imported from China.
- With **limited options for diversifying supply sources**, contractors face mounting cost pressures, potentially leading to short-term supply disruptions and escalating material costs. While US manufacturers are poised to ramp up production, the transition period is expected to drive prices even higher before stabilizing at an elevated level.

Global impact

- The **full global impact of the tariffs introduced is uncertain,** although significant retaliation from China and agreement by the EU to impose retaliatory tariffs on €21bn (£18bn) of US goods have been seen. Other countries impacted are striving to negotiate the higher level of reciprocal tariffs. The 90-day pause provides additional time for negotiation but further adds to the global uncertainty and market volatility.
- One potential risk is that **material producers in countries affected by tariffs might shift their distribution away from the US**. Although this could boost supply in other regions, it might undermine domestic producers and disrupt local supply chains.
- The immediate **global impact will be price volatility for construction materials** due to the global complexity of supply chains in the sector, making it difficult to predict costs and program delivery. This uncertainty may lead to higher bids and more conservative project planning.

1 Steel Import Monitoring and Analysis (SIMA), US ITA
2 USGC, US ITA
3 North America HVAC market 2023
4 MMR

Key risks

US tariffs will drive up construction costs in the United States, primarily due to increased prices on imported materials, such as steel, aluminum, and specialized equipment. These added expenses particularly impact mission-critical projects, where reliance on foreign made components for power, cooling, and computing infrastructure will lead to budget strain and potential delays.

Supply chains that rely heavily on international vendors, particularly from tariff-targeted regions, will be especially vulnerable.

Complex construction projects in sectors such as data centres, life sciences, high-tech industrial and commercial rely on a complex web of materials sourced globally. Tariffs are expected to impact on the following areas:

1. Rising costs and project delays

Steel, aluminum, copper wiring, prefabricated modules, and electrical components are all at risk of price hikes.

Mission-critical construction projects are being significantly affected by recent US tariffs. In addition to increased costs for traditional building materials, these projects are also grappling with rising expenses and delays related to essential infrastructure systems - including computer hardware, cooling, and power equipment. Much of this equipment relies on foreign manufactured components, which are now subject to tariffs.

Although semiconductor chips themselves are technically exempt from tariffs, when imported as standalone products, this exemption does not extend to most real-world applications. In practice, chips are typically embedded within larger systems—such as servers, data storage arrays, and networking equipment, which are subject to the full weight of import duties.

Manufacturing also incurs the additional cost of tariffs on the factory equipment and tools required for fit-out.

2. Supply chain impact

The cost impact of supply chain disruptions hinges heavily on the project’s procurement stage and sourcing model. Recent US import trends show a sharp uptick in building material volumes, driven by large players securing bulk orders ahead of expected tariffs and delays.

Some projects may also have already locked in contracts for long-lead equipment, partially insulating themselves from price volatility. In contrast, smaller developers and late-stage buyers are more exposed to escalating costs.

The supply chain for long-lead items is highly complex and globally interconnected. Electrical components, particularly switchgear, illustrate this well: it includes raw material sourced from Southeast Asia and Latin America, and multi-stage assembly across multiple countries. Amid rising demand, constrained manufacturing capacity, and volatile commodity prices, even minor disruptions can trigger cascading cost increases and schedule delays across projects.

Operators will likely increase efforts to localize their supply chains, diversify vendors, and explore tariff exempt sourcing options. Even domestic goods often depend on foreign parts or raw materials, meaning tariffs will still drive-up overall costs. An accurate assessment on this would require a very deep dive on all bills of materials at subcomponent levels for all goods – this activity would prove very complex and time consuming, plus with current volatility is likely to be changing continuously.

3. Prefabrication and modular trends acceleration

While tariffs may impact prefabricated modules, US-based prefab facilities could see growth, as builders look to offset rising labor and component costs.

Original Equipment Manufacturers (OEMs) are reporting a rise in operators procuring high-value subcomponents themselves and free issuing to OEMs in order to take more control of the full product costs.

4. Trade realignments

Manufacturers in Southeast Asia, Taiwan, and Latin America are likely to explore other markets, to replace US demand. For example, exporters such as China may redirect steel shipments to other markets such as the Middle East, increasing competition in the region and potentially eroding local pricing power.

Mitigating strategies

Developers can take pre-emptive strategic action to help offset some of these risks. Critical moves include diversifying suppliers, investing in domestic manufacturing partnerships, re-evaluating budgets and timelines, and pre-purchasing long-lead equipment (where possible). Embracing modular and prefabricated construction approaches can also accelerate build timelines and reduce reliance on volatile material prices.

Recommended actions:

1. Audit and diversify supply chains (where possible)
2. Increase engagement with domestic manufacturers (US)
3. Re-evaluate project budgets and timelines
4. Leverage prefabrication and modular construction (where possible)
5. Consider pre-purchasing critical equipment (if feasible)
6. Invest in scenario planning
7. Engage and collaborate with contractors on risk management strategies

Looking ahead

Tariffs will undoubtedly challenge construction, but it also offers an opportunity for the industry to build greater resilience. By acting decisively today, developers can not only weather the current storm, but emerge stronger with a more localized supply chain.

Despite the instability and uncertainty caused by the implementation of tariffs in the construction industry, the impact can be moderated through robust planning, careful monitoring, and close collaboration with supply chains during this challenging period.

APPENDIX

The US construction industry's import dependency on countries facing these tariffs are outlined here.
This appendix guide provides:

- A summary of US tariffs announced between February 1st and April 4th, 2025
- US tariffs impact on the US construction industry
- US construction industry's import dependency on countries facing US tariffs

US tariffs summary: February 1st to April 2nd, 2025

Status	Country	Details	Retaliation	Impacted industries
Implemented - March 4th, 2025 *Announced on February 1st, 2025*	Canada and Mexico	• 25% tariffs on all imports (non-USMCA* compliant goods) • 10% on Canadian energy products • No tariffs on USMCA-compliant goods	Canada retaliated with 25% tariffs	Construction (lumber, steel, cement), auto (parts), agriculture, consumer goods
Implemented - February 4th, 2025 *Announced on February 1st, 2025*	China	• 10% tariffs on all Chinese imports	China imposed tariffs on US energy and agricultural products	Construction (MEP components), consumer goods
Implemented - March 4th, 2025 *Announced on March 4th, 2025*	China	• 10% tariffs on all Chinese imports increased to 20%	China imposed additional tariffs and suspended US lumber imports	
Implemented - March 12th, 2025 *Announced on February 10th, 2025*	World	• 25% tariffs on all steel and aluminum imports	The EU and Canada imposed counter-tariffs	Construction, manufacturing
Implemented - April 2nd, 2025 *Announced on March 25th, 2025*	World	• 25% on countries buying Venezuelan oil • Secondary tariffs on third countries importing Venezuelan oil		Energy
Implemented - April 3rd, 2025 *Announced on March 26th, 2025*	World	• 25% tariffs on automobiles • Special tariff exemptions for USMCA-compliant auto parts • Tariffs on automobile parts delayed		Automobile

**Products wholly grown and/or with content only from Canada, Mexico, or the United States generally should qualify as United States-Mexico-Canada Agreement (USMCA)-compliant. For goods produced in Canada or Mexico with third country materials or components, importers must assess compliance with the provisions of General Note 11 of the Harmonized Tariff Schedule, including the applicable tariff shift and regional value content rules.*

Source: Peterson Institute of International Economics

US tariffs summary: April 2^{nd} to April 9^{th}, 2025

<table>
<tr><th>Status</th><th>Countries</th><th>Details</th></tr>
<tr><td>Implemented
10% baseline tariff - 5^{th} April, 2025 Announced on April 2^{nd}, 2025</td><td>All countries excluding the 57 countries listed below</td><td rowspan="2">The tariffs announced on April 2^{nd}, 2025 have the following two components:
• A flat 10% baseline rate on most trade partners, entered into effect on April 5^{th}
• A set of higher, country-specific reciprocal rates on 57 countries, with which the US has trade deficits, entering into effect on April 9^{th}

Goods exempted from reciprocal tariffs
1) Articles subject to 50 USC 1702(b), including personal communications without value transfer, donations, the importation and exportation of informational materials (excluding those controlled for nonproliferation or antiterrorism), and transactions related to personal travel, including baggage importation and living expenses;
2) Steel/aluminum articles and autos/auto parts already subject to Section 232 tariffs;
3) Copper, pharmaceuticals, semiconductors, and lumber articles;
4) All articles that may become subject to future Section 232 tariffs;
5) Bullion;
6) Energy and certain other minerals that are not available in the United States.

US Content Rule
Tariffs apply only to the non-US portion of a product's value, so long as at least 20% of the good is of US origin. For instance, a product with 40% US components would receive a tariff only on the remaining 60%.

For Canada and Mexico
USMCA-compliant goods* will remain tariff-free, non-USMCA compliant goods will see a 25% tariff, and non-USMCA compliant energy and potash will see a 10% tariff.
* Products wholly grown and/or with content only from Canada, Mexico, or the United States generally should qualify as United States-Mexico-Canada Agreement (USMCA)-compliant.
For goods produced in Canada or Mexico with third country materials or components, importers must assess compliance with the provisions of General Note 11 of the Harmonized Tariff Schedule, including the applicable tariff shift and regional value content rules.</td></tr>
<tr><td>Planned
Reciprocal tariffs planned for April 9^{th} 2025
Announced on April 2nd, 2025

A 90-day pause was announced on April 9^{th} on higher country-specific reciprocal rates for all countries except China</td><td>Algeria
Angola
Bangladesh
Bosnia and Herzegovina
Botswana
Brunei
Cambodia
Cameroon
Chad
China
Côte d'Ivoire
Democratic Republic of Congo
Equatorial Guinea
European Union
Falkland Islands
Fiji
Guyana
India
Indonesia
Iraq
Israel
Japan
Jordan
Kazakhstan
Laos
Lesotho
Libya
Liechtenstein
Madagascar
Malawi
Malaysia
Mauritius
Moldova
Mozambique
Myanmar (Burma)
Namibia
Nauru
Nicaragua
Nigeria
North Macedonia
Norway
Pakistan
Philippines
Serbia
South Africa
South Korea
Sri Lanka
Switzerland
Syria
Taiwan
Thailand
Tunisia
Vanuatu
Venezuela
Vietnam
Zambia
Zimbabwe</td></tr>
</table>

Source: Peterson Institute of International Economics, EY

Countries reciprocal tariffs planned for April 9th, 2025 by US

Country	Reciprocal Tariff Adjusted (%)
Algeria	30
Angola	32
Bangladesh	37
Bosnia and Herzegovina	35
Botswana	37
Brunei	24
Cambodia	49
Cameroon	11
Chad	13
*China	34
Côte d'Ivoire	21
Democratic Republic of Congo	11
Equatorial Guinea	13
European Union	20
Falkland Islands	41
Fiji	32
Guyana	38
India	26
Indonesia	32
Iraq	39
Israel	17
Japan	24
Jordan	20
Kazakhstan	27
Laos	48
Lesotho	50
Libya	31
Liechtenstein	37
Madagascar	47
Malawi	17
Malaysia	24
Mauritius	40
Moldova	31
Mozambique	16
Myanmar (Burma)	44
Namibia	21
Nauru	30
Nicaragua	18
Nigeria	14
North Macedonia	33
Norway	15
Pakistan	29
Philippines	17
Serbia	37
South Africa	30
South Korea	25
Sri Lanka	44
Switzerland	31
Syria	41
Taiwan	32
Thailand	36
Tunisia	28
Vanuatu	22
Venezuela	15
Vietnam	46
Zambia	17
Zimbabwe	18

*in addition to 20% tariff

0% – 29%   30% – 49%   50+%

Source: Whitehouse

Impact on the US construction industry to date

Reliance on imported construction materials, commodities and materials

The US construction industry relies heavily on imported materials:

- The US imports 26% of the iron and steel it uses, with 46% coming from Canada and Mexico (in 2023). Steel prices saw an increase of 16% on a QoQ basis in Q1 2025.
- The US had a net import reliance of 44% for aluminum in 2023. Of the total aluminum imports in 2023, 41% was sourced from Canada.
- MEP equipment such as transformers, chillers, and electrical gear are largely sourced from China and Mexico, as are HVAC components. Leading HVAC manufacturers like Carrier, Daikin, Lennox, and Trane, which hold over 60% of the US market, manufacture in Mexico and source critical components from China.
- More than 50% of insulated wires are imported from Mexico.
- Essential minerals for battery production and advanced energy storage solutions are largely imported from China.

- **According to the Associated Builders and Contractors, non-residential construction input prices soared in February with a 9% annualized increase.**
- **Overall construction input prices rose by 0.6% in January 2025, as builders rushed to procure materials ahead of anticipated price hikes.**

Source: DPR construction, NAHB, BLS

US commodity tariffs overview

Commodity	Import dependency	Key importing countries	Tariffs	Status
Copper	*circa.* **45%**	Chile, Canada	Exempted for now	Tariff unspecified and currently undergoing investigation by the Department of Commerce
Steel	**26%**	Canada, Mexico, Brazil	25% tariff globally - Section 232	In effect
Aluminum	**44%**	Canada, China	25% tariff effective March 12, 2025, (up from 10%), applicable globally - Section 232	In effect
Stainless steel	NA		25% tariff - Section 232 (derivative goods included)	In effect
Crude oil	**40%** of all petroleum consumption	Canada, Mexico	non-USMCA compliant energy and potash will see a 10% tariff. 25% tariffs on countries importing Venezuelan oil.	Various tariffs in place

US commodity tariffs overview

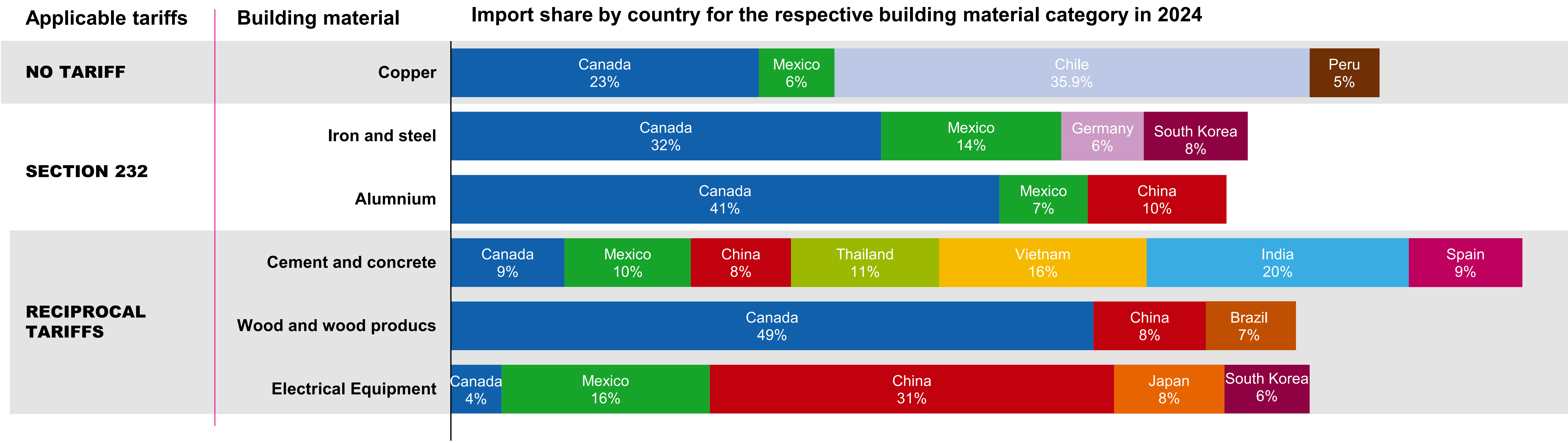
Commodity	Import dependency	Key importing countries	Tariffs
Cement	*c.***20 - 25%**	Canada, Mexico, Turkey	For Canada and Mexico, no tariffs on USMCA - compliant goods. Non-USMCA compliant goods will see a 25% tariff. Reciprocal tariffs on all other countries: For Canada – 25% tariff in addition to an effective combined 14.5% countervailing (anti-subsidy) and anti-dumping duty rate already in place for lumber.
Gypsum (lime and gypsum)	High dependency, c.**70%** of imports from Mexico	Mexico	
Insulated wires	NA	53% of insulated wires are imported from Mexico	
MEP equipment	Significant reliance on imports (variable)	China, Canada	
Lumber (softwood)	*c.***30%**	Canada	

Source: USGS; Steel Import Monitoring and Analysis (SIMA) data; International Trade Administration, The Observatory of Economic Complexity, deallabs North America HVAC market 2023; United Nations COMTRADE

US import trends: key building material

Aluminum, iron, and steel—critical materials for the construction industry—are subject to a 25% tariff when imported from Canada and Mexico under Section 232, with limited exemptions for USMCA-compliant goods. Other essential inputs such as cement, lumber, and electrical equipment also face significant duties, with Canada and Mexico being major contributors to the US supply chain.

In addition, imports of electrical equipment and cement and concrete products from Asia—particularly China, India Japan, and Thailand—are subject to elevated tariffs ranging from 26% to 54%. These measures are contributing to rising input costs and increasing supply chain uncertainty across the construction industry.



The graph above highlights each country's respective import shares for these select building material categories, each accounting for 5% or more of US imports in 2024.

Source: US ITA

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