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How Tariffs Impact the Home Building Industry

Material Costs

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Scarcity and an acute, sustained rise in building material costs — from softwood lumber to distribution transformers — are driving up the cost to construct homes and harming housing affordability. There are several factors driving this trend, notably inflationary pressures and global factors, including trade uncertainty.

NAHB estimates that \$204 billion worth of goods were used in the construction of both new multifamily and single-family housing in 2024. \$14 billion of those goods were imported from outside the U.S., meaning approximately 7% of all goods used in new residential construction originate from a foreign nation.

Import Tariffs on Building Materials

A tariff is essentially a tax on an imported good, meaning the importer pays an additional cost for importing such an item from another country. This effect raises the price of imported products, where the price increase is then typically absorbed by the importer or passed on to the end consumer of the good, usually in some combination. For most goods, the cost is passed on the end-users, meaning consumers. So tariffs on building materials raise the cost of housing, and consumers end up paying for the tariffs in the form of higher home prices.

Two essential materials used in new home construction, softwood lumber and gypsum (used for drywall), are largely sourced from Canada and Mexico, respectively.

- Of \$8.2 billion worth of sawmill and wood products imported in 2024, nearly 72% of these imports came from Canada. Total imports of sawmill and wood products from Canada totaled \$5.9 billion.
- The U.S. imported \$481 million worth of lime and gypsum products in 2024, with 74% of these products originating from Mexico. Imports of lime and gypsum products from Mexico totaled \$354 million in 2023.

Further aggravating the situation, the tariffs on Canadian products, which include softwood lumber critical to the U.S. home building industry, are on top of the existing 14.5% lumber tariffs previously imposed by the U.S. Department of Commerce. The Department of Commerce has signaled that it plans to roughly double the 14.5% tariff rate later this year, possibly in September, which — in addition to the proposed 25% tariff — would mean that the overall tariff rate on Canadian softwood lumber will rise above 50% in the fall and could approach 60%.

Additionally, numerous raw materials and components, ranging from steel and aluminum to home appliances, are sourced from China and are already subject to

existing 301 and 232 tariffs.

Proposed new tariffs on China, Canada and Mexico are projected to raise the cost of imported construction materials by more than \$3 billion, depending on the specific rates. For some materials, where imports are critical to supply, prices could see dramatic increases, adding layered costs that could substantially impact builders' ability to deliver new projects.

The cost of building materials has already risen by 34% since December 2020, which is far higher than the rate of inflation. Data from the NAHB/Wells Fargo Housing Market Index (HMI) March 2025 survey reveals that builders estimate a typical cost effect from recent tariff actions at \$9,200 per home.

Domestic Lumber Production

On March 1, the White House issued two executive orders on lumber. The first order centers on the need to expand American timber production and the second directive looks to examine if imports of timber and lumber threaten national security

NAHB welcomes efforts to eliminate barriers to domestic lumber production to reduce our reliance on lumber imports and meet home builders' demand. The U.S. currently imports roughly 30% of the softwood lumber the nation uses because there is not enough domestic capacity to meet demand.

While it is a worthy goal to increase domestic production, the reality is that U.S. sawmills do not currently have the capacity to meet domestic demand, so NAHB believes that any move in the short term to add tariffs or hinder the flow of lumber from Canada will only harm housing affordability.

NAHB looks forward to working with all interested stakeholders to increase the amount of harvestable timber as part of a responsible and more efficient U.S. forestry policy. However, as the U.S. seeks to reduce its reliance of imported lumber and increase domestic production, U.S. sawmill capacity must also increase to

produce harvested lumber needed to build, remodel and repair homes and apartments.

Trade Policy Recommendations

On March 4, President Trump imposed tariffs of 25% on Canadian and Mexican goods entering the U.S. and slapped an additional 10% tariff on Chinese products, which follows an initial 10% tariff last month.

Then on March 6, Trump announced a one-month tariff delay until April 2 on all products from Mexico and Canada that are covered by the United States-Mexico-Canada Agreement (USMCA), a free trade treaty that Trump negotiated in his last term to replace NAFTA. While there is no specific language in the USMCA addressing Canadian softwood lumber, NAHB worked with the White House to ensure it was covered under the latest pause on tariff implementation.

NAHB urged the president to reconsider his March 4 directive to impose tariffs on Canadian, Mexican and Chinese goods, given the long lead time and significant production capacity needed to create additional domestic supply. While the White House decision to institute a one-month delay on USMCA-compliant goods and services from Mexico and Canada is a positive development, even the threat of tariffs creates an uncertain business climate.

For years, NAHB has been leading the fight against tariffs because of their detrimental effect on housing affordability. In effect, the tariffs act as a tax on American builders, home buyers and consumers. Moving forward, NAHB will continue working with all relevant stakeholders to roll back tariffs on building materials, boost sawmill production and increase the domestic supply of timber from federally owned lands in an environmentally responsible manner to help fix building material supply chains and ease costs.

Recent efforts include:

- On March 5, NAHB Chairman Buddy Hughes met with senior staff for U.S. Trade Representative Jamieson Greer to discuss how tariffs on building materials will drive up the cost to construct homes and harm housing affordability and continued to engage with the administration to ensure Canadian lumber was included in the March 6 pause on tariff increases.
- The day before, **Hughes spoke on the same topic** (<https://www.nahb.org/news-and-economics/press-releases/2025/03/5-key-supply-side-headwinds-hurt-housing-supply-nahb-tells-congress>) while testifying before the House Financial Services Subcommittee on Housing and Insurance regarding the need to increase America's housing supply.
- NAHB Chief Advocacy Officer Ken Wingert and Senior Federal Legislative Director Alex Strong met with Quebec Premier Francois Legault and other top Canadian officials on Feb. 11 in Washington. Wingert told Legault the U.S. needs Canadian lumber and that NAHB supports Canadian efforts to reach a new trade agreement between the two nations that is fair, equitable and would eliminate tariffs.
- NAHB **sent a letter to the White House** (<https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?rev=c6ba63727dfc46fa984b40b4825572ac&hash=B42E4062A8F8F236F0A1FD1EDF4DE727>) on Jan. 31 urging the president to exempt critical building materials from his proposed 25% tariffs on Canadian and Mexican goods
- With NAHB's strong backing, the House in late January **passed the Fix our Forest Act** (<https://www.nahb.org/blog/2025/01/house-passes-forestry-bill>), legislation that would contribute to better forest management practices, help strengthen the nation's housing supply chain and promote affordable housing opportunities for all Americans.
- NAHB has been actively getting our message out to the media on the issue of tariffs. NAHB CEO Jim Tobin has been interviewed by several broadcast outlets

including CBS News, CNN, Fox Business Network and Yahoo Finance TV. NAHB spokespeople have also been quoted in The Wall Street Journal, CNN, The New York Times, CNBC, Barron's, Bloomberg, The Washington Post, Associated Press, Business Insider and other notable news organizations.

NAHB Urges White House to Exempt Building Materials From Tariffs Against Canada and Mexico

Read Letter

(<https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?rev=c6ba63727dfc46fa984b40b4825572ac>)

(<https://www.nahb.org/nahb-community/member-benefits/advocacy>).

ADVOCACY

NAHB fights for our members on Capitol Hill, in your state and in the communities where you do business.

About advocacy

(<https://www.nahb.org/nahb-community/member-benefits/advocacy>)

(<https://www.nahb.org/advocacy/top-priorities/building-materials-trade-policy/material-costs>).

MATERIAL COSTS

The rising cost of building materials is harming housing affordability.

More about material costs

(<https://www.nahb.org/advocacy/top-priorities/building-materials-trade-policy/material-costs>)

(<https://www.nahb.org/news-and-economics/housing-economics>).

HOUSING ECONOMICS

In-depth economic analyses of the home building industry to help you gain insight into the issues and trends driving the industry.

Access data

(<https://www.nahb.org/news-and-economics/housing-economics>)