

■ Fix Material Supply Chains

Building Materials, Trade and Tariffs

Issue Overview

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 \$184 billion worth of goods were used in the construction of both new multifamily and single-family housing in 2023. \$13 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.

Two essential materials used in new home construction, softwood lumber and gypsum (used for drywall) are largely sourced from Canada and Mexico, respectively. 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, which add increased costs to construction that are ultimately passed on to consumers in the price of a home.

Proposed new tariffs on China, Canada and Mexico are projected to raise the cost of imported construction materials by \$3 billion-\$4 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.

Solutions

- Carefully consider the potential effects of placing additional tariffs on building materials. Doing so could add tens of thousands of dollars to the cost of a home and price families out of the American dream of homeownership. If the decision is made to pursue additional tariffs, the impact on housing supply should be considered and exemptions granted for essential materials such as Canadian softwood lumber.
- Support efforts to boost domestic production of key construction inputs with an insufficient domestic supply, most notably softwood lumber.