


CONSTRUCTION

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Homebuilders say tariffs raising costs





Workers at a condominium construction site in the Long Island City neighborhood of Queens on Feb. 14. Some developers and homebuilders are already feeling the impact of trade tariffs. AHMED GABER — THE NEW YORK TIMES

BY RONDA KAYSEN

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Days after President Donald Trump enacted 10% trade tariffs on all Chinese goods in early February, Bentley Zhao called the company that supplies his cabinetry, tiles and stone. The store manager told him to expect to see a 10% price increase for any materials coming from China.

Zhao, the CEO of New Empire, which builds high-rises in New York City, was stunned to see the impact materialize so quickly.

“It’s too fast,” said Zhao, 46. “There’s no time.”

Chinese materials account for about a quarter of the \$15 million materials budget for a 19-story condo, like the one he is building in Queens Plaza in Long Island City, Zhao estimated. A 10% increase would add around \$375,000 to the overall budget, a manageable increase for a large project, he said. But Zhao is worried about larger tariffs to come.

On Thursday, Trump announced sweeping plans for reciprocal tariffs that could upend global trade, and the homebuilding industry is bracing for the impact. Some builders and developers say they are beginning to feel the squeeze: They have received contracts with escalation clauses to account for increased costs; waited as their suppliers delay updated price sheets for imported goods; and received bids that are only good for two weeks when typically they would hold for two or three months.

“If they increase an extra 30% or 60% like what the president said before, that will be trouble,” said Zhao, who develops mostly moderately-priced condos throughout the city.

Zhao is a frequent political donor whose donations to Trump include a \$25,000 contribution in 2017 to his Victory Fund. The New Empire website has pictures of Zhao at various fundraisers and events standing alongside Trump, former Vice President Mike Pence and New York City Mayor Eric Adams, who received donations from Zhao. (There is also a photo of President Joe Biden, who gave Zhao a lifetime achievement award for community service. Zhao has headed his family business since 2004.)

Zhao, who was born and raised in China, said his support for Trump has not wavered — and would not even in the face of more severe tariffs — because he thinks the president’s immigration policies will make the country safer. The looming price increases, he said, are worth the trade-off.

Builders describe an unpredictable atmosphere where they are passing the burden of tariffs placed on them by vendors onto consumers. A house that is more expensive to build becomes more expensive to buy.

Add in the risk of inflation from tariffs, and interest rates could rise in response, driving up costs even more, said Gregg Colburn, an associate professor of real estate at the University of Washington.

At Avenue Studio, the custom cabinetry and closet designer that recently raised Zhao's prices, Tracy Wu, the store manager, has been looking for ways to control the price changes. "We try to deal with the factories to see if there is any way to lower the cost, to change the materials to lower priced materials," she said. But any price changes will go to their customers, and that includes Zhao, who is an investor in Avenue Studio.

"What this is doing is creating additional uncertainty throughout the supply chain that complicates an already pretty complicated process — which is getting housing built," Colburn said.

Tariffs come at a difficult moment for the housing industry. Last year, sales of existing homes sank to their lowest level in 30 years, amid a punishing environment of high mortgage rates, expensive homes and scant inventory. A sudden spike in building costs could threaten to slow down the construction of new homes, exacerbating the national housing shortage.

"Anything we add to the cost of a house is just going to continue to lock people out of buying a new home," said Carl Harris, a builder in Wichita and chair of the National Association of Homebuilders, which sent a letter to Trump last month urging him to exempt "critical construction materials" from his tariff policies.

Spencer Levine, the president of RAL Cos., a New York City-based developer of hotels, offices and residences, has started receiving quotes for rebar, aluminum, glass and steel and facade systems for high-rises that are good for only a month or even just two weeks. Normally, such price quotes are good for two or three months. His vendors have stocked their warehouses in anticipation of a spike in prices, he said.