Tariffs Threaten Commercial Construction Budgets with Projected 4.6% Project Cost Hike

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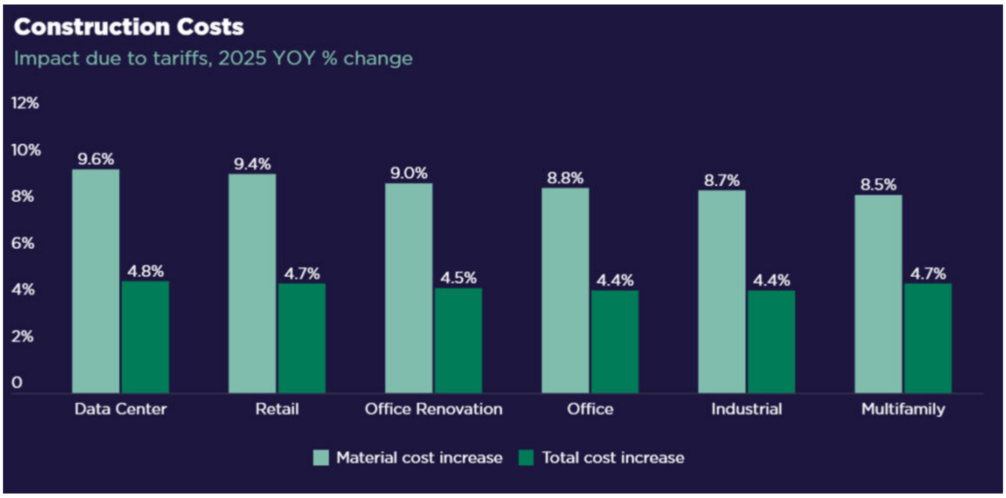

Shifting U.S. trade policy is creating significant new financial challenges for the commercial real estate (CRE) construction sector, according to new research from Cushman & Wakefield. The firm's latest analysis forecasts that tariffs on imported building materials are expected to increase materials costs by an average of 9% in 2025, leading to a 4.6% increase in total project costs in Q4 2025 compared to Q4 2024.

The research focuses on the isolated impact of current tariff policy as of September 30, excluding other market-driven shifts like labor costs or supply/demand fundamentals.

Metals Drive Steepest Cost Increases

Metals are facing the steepest cost increases, with steel, aluminum, and copper subject to tariff rates of up to **50%**. Projects that are highly copper-intensive, such as **data centers**, are facing the largest financial impact. Some of these massive facilities require as much as **50,000 tons of copper per site**, leaving them particularly exposed to this tariff-driven inflation.

"Construction pipelines were already thinning due to high interest rates, cautious lending, and supply/demand fundamentals," said James Bohnaker, Senior Economist. "Tariffs add another layer of uncertainty, amplifying cost pressures and complicating decisions for developers, contractors and occupiers."

Key findings from the report highlight the pressure points across the sector:

- Materials cost increases range from **8.5% to 9.6%** depending on the property type.

- Total project costs are projected to rise **4.4% to 4.8%**, assuming no changes to labor and other building costs.
- **Metals account for up to two-thirds** of the tariff-driven increases.
- Approximately **40% of CRE construction materials are imported**, with Canada, Mexico, and the EU representing the largest sources.
- Tariff pass-through to end-users is estimated at **75%**, meaning most of the costs will ultimately be absorbed by contractors, developers, and tenants.

Strategic Planning Essential for Risk Mitigation

While domestic sourcing offers limited relief, the report notes that U.S. production capacity cannot currently meet demand for key inputs like copper and aluminum. Building new domestic facilities would take years, forcing construction stakeholders to navigate a persistently volatile pricing environment.

Cushman & Wakefield advises developers to adopt proactive strategies to mitigate cost overruns, including **diversifying procurement channels**, considering **prefabricated systems**, and engaging project management experts.

“Trade policy uncertainty is proving just as disruptive as the tariffs themselves,” Bohnaker added. “Developers need to plan strategically, manage risks aggressively, and build flexibility into project underwriting.”

Cushman & Wakefield’s full analysis is available here.