

OPINION

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Tariffs are only one challenge weighing on construction



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As recently reported by LIBN, more than half of U.S. metros experienced a decline in construction jobs over the 12-month period from March 2024 to March 2025. Long Island's building trades are suffering, with more than 3,000 jobs lost, signaling our local market has slowed over this past year, after the previous year's gains. This trend is likely to continue as older projects make their way through construction lifecycles, and newer projects experience unfortunate delays.

Coming off a post-election rally in real estate industry sentiments, the tariff turmoil has sent shock waves through the residential and commercial sectors alike. Felt in real time, the reshuffling of product supply chains has created volatility in commodity pricing for major trade items like lumber and steel. Broad uncertainty has yielded a significant decline in overall industry confidence.

For many developers, exacerbated estimating and purchasing challenges prompted a visceral reaction to hit the pause button and re-evaluate. This recent period of recomposing ourselves and level-setting has prompted renegotiations, stalled construction starts, and led to downstream ripple effects felt across the construction trades and labor market.

However, this disruption should stabilize in relatively short order as the construction industry in 2025 is poised to pivot quickly. We have readily available, viable solutions at play and are armed with lessons learned through other past crises, including COVID supply chain disruptions and the Canadian lumber volatility and steel price increases of Trump 1.0. Today, we're more prepared for material storage challenges, or to respond to improprieties like bad actors engaging in price gouging.

And while we cannot escape overzealous media commentary on tariffs, we might want to recognize it as noise, and consider that this situation might not be catastrophic. Maybe, the current administration will implement "The Art of the Deal," on international trade negotiations. Maybe, all will be forgiven between the U.S. and China. Maybe not, but either way we will find our way to stability and our new normal.

For the project pipeline to fully reopen, though, we should consider a much longer brewing and more fundamental issue: unhealthy capital markets. Investors are sitting on the sidelines keeping dry powder, the availability of debt and equity (particularly for construction) remains relatively low and historically expensive, commercial tenants have hit the brakes, and government spending is on the decline.

While media reports suggest we may get some additional interest rate relief this year from the Fed, it'll likely be too modest (capped by inflationary risk) to alleviate the difficulties we will face in getting new real estate projects off the ground.

The construction job market is highly fluid; directly related to the amount of work being put in place at any given time. When construction starts are delayed, jobs are lost imminently, and it's logical to assume job recovery should be prompt once market conditions improve. But how do we get there? In the grand scheme of things, the road to recovery won't be without hazards. However, finance problems may prove to be our glacial obstacle and tariffs just a quick detour.

It's time to move past the noise.

Show us the money.

Scott Burman is founder and president of Burman RE, a real estate development company based on Long Island.