



Trump's Tariffs and What They Mean for Canada's Residential Construction Industry

Webinar – February 5, 2025



**SUPPORTED BY
CHBA'S ALLIANCE NETWORK**



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Agenda



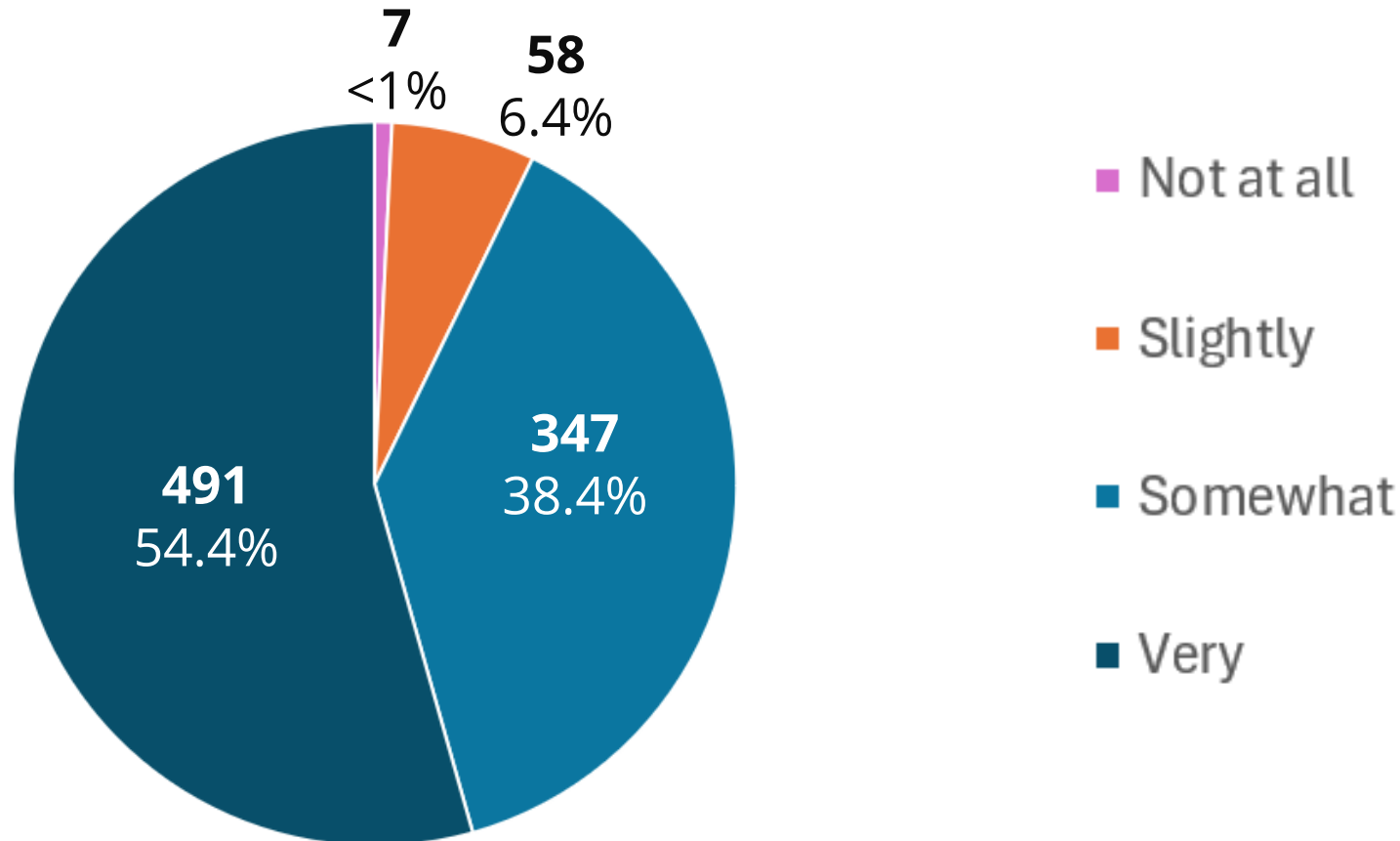
- Political scene
- Tariffs and Countervailing Tariffs Overview
- Overview of Potential Impacts
- CHBA Actions



What best describes your business?
(select all that apply)



How concerned are you about the impact of Trump's tariffs on your business?





- **Trade wars are never good**
- **Trump's desired outcome is not clear**
 - Not about border issues for drugs and illegal immigrants in Canada's case
 - Less than 1 per cent of the fentanyl and illegal crossings into the U.S.
- **Likely to be a roller coaster throughout Trump's presidency**
- **Currently on 30-day reprieve**
- **In terms of the tariffs (*per RBC Capital Markets*)**
 1. This is the most significant trade shock since the tariffs of the 1930s,
 2. A persistent U.S. 25% tariff on Canadian imports would be recessionary for Canada,
 3. Canadian retaliatory tariffs were designed to asymmetrically challenge the U.S economy more than the Canadian economy,
 4. Canada's manufacturing sector would most exposed, but the knock-on effects would also matter in many other indirectly exposed industries
 5. Tariffs are hitting the Canadian economy at a moment during which it is already struggling,
 6. Tariffs will also be damaging to the U.S. economy.



TARIFFS and POLITICAL TIMELINES



- **November 5, 2024** – Donald Trump re-elected
- **November 25, 2024** – Trump announces his intention to impose a 25% tariff on all products imported into the U.S. from Canada and Mexico
- **November 29, 2024** – Prime Minister and key advisors fly to Florida to meet with Trump
- **December 16, 2024** – Chrystia Freeland quits as finance minister and deputy prime minister
- **December 17, 2024** – Government of Canada announces border security plan
- **December 20, 2024** – Prime Minister shuffles his Cabinet
- **January 6, 2025** – Justin Trudeau asks Governor General to prorogue Parliament. He also announced his intention to step down as Prime Minister after a new party leader is chosen.
- **January 21, 2025** – Trump's inauguration
- **February 1, 2025** – Trump signs Executive Order imposing tariffs to take effect February 4
- **February 3, 2025** – Trump announces a 30-day pause on bringing forth tariffs after Canada agrees to numerous measures to reinforce the Canada-U.S. border
- **March 9, 2025** – Liberals choose new leader
- **March 24, 2025** – Parliament to reconvene after prorogation

POLITICAL OVERVIEW



This is happening at a time of extreme domestic political turmoil.

- Parliament is not sitting.
- Governing party is in a rush leadership race to replace Justin Trudeau – who is considered to be a lame duck Prime Minister leading a lame duck government.
- New Liberal leader (chosen March 9) will immediately become Canada's next Prime Minister.
- New Prime Minister will need to appoint a new Cabinet.
- High likelihood of an election once Parliament resumes.



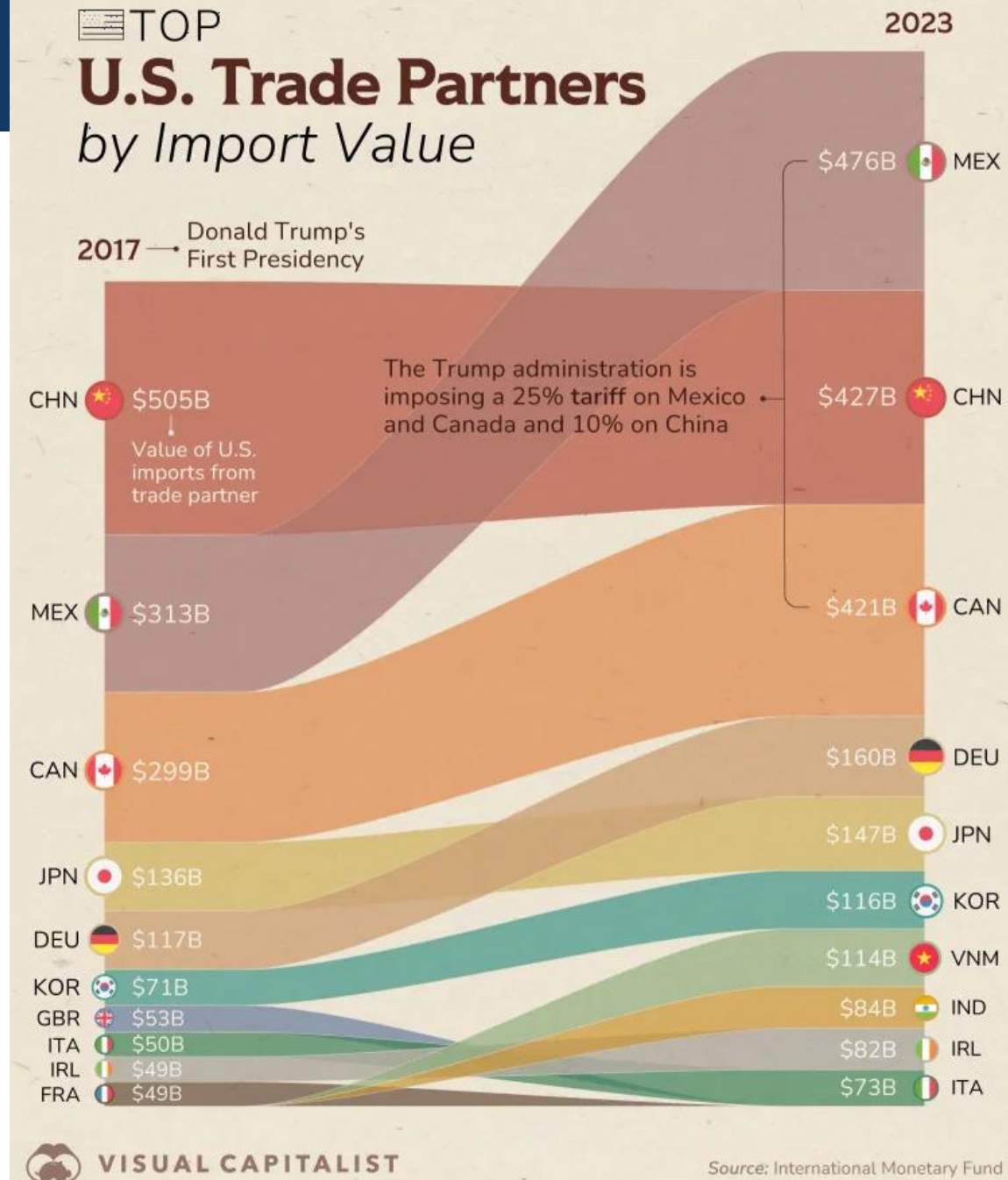
POLITICAL OVERVIEW

- The government and public service are wholly consumed by this – very little else is happening.
- Last time Canada-US-Mexico were renegotiating NAFTA (which became USMCA), the then-Foreign Affairs minister was the lead
 - Now, Prime Minister, Foreign Affairs Minister, Finance Minister, and Minister of Public Safety are all front and centre.
- Justin Trudeau floated the idea of a COVID-like bailout package for companies impacted by tariffs.
 - NDP have indicated they would keep Liberals in power to get a bailout package passed through Parliament.
 - Conservatives presented their own plan on how to deal with Trump and tariffs.
- Impact on Liberal leadership candidates?



US/CAN Trade

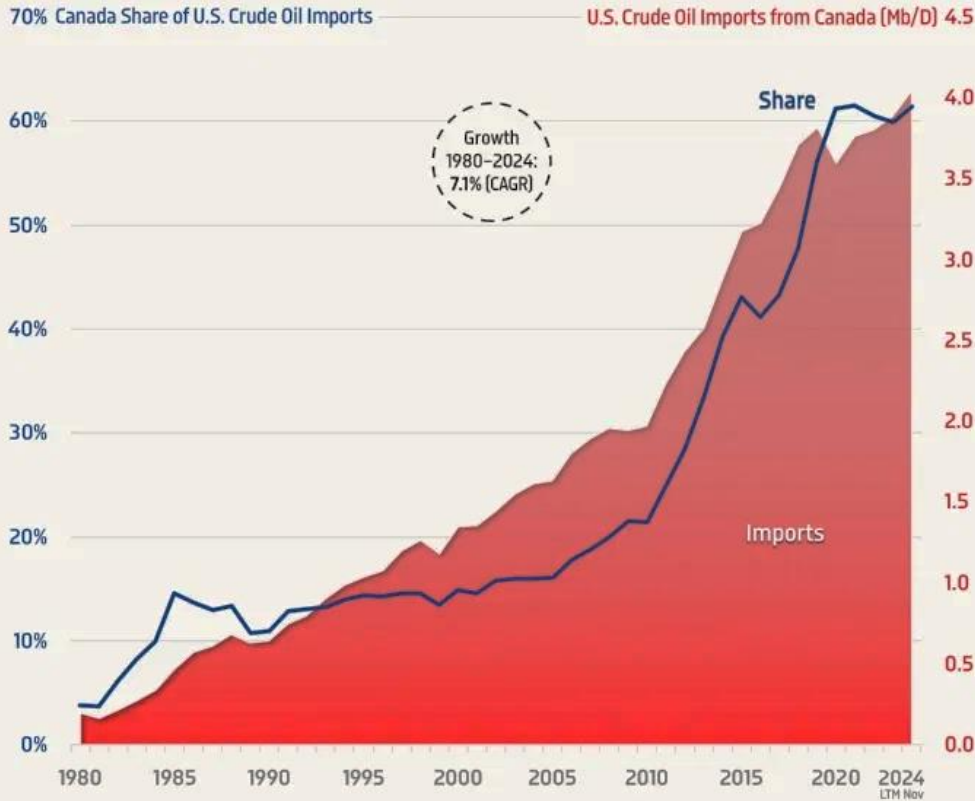
- Trump is going after the top 3 import trading companies of the U.S.
- Imports (2023):
 - Mexico \$476B
 - China \$427B
 - Canada \$421B
- Over \$2.5 billion worth of goods and services cross the Canada/U.S. border each day



U.S. - CAN & MEX Imports



Canada Supplied 61% of U.S. Crude Oil Imports in 2024, Reaching a Record 4.0 Mb/D



Machinery & Transport



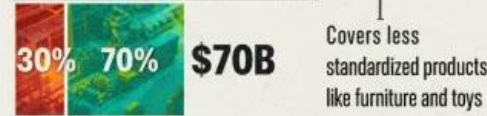
Mineral fuels & Lubricants



Manufactured Goods



Miscellaneous Manufactured



Food & Live Animals



Other Commodities



Chemicals



Crude Materials excl. Fuels



Beverages & Tobacco



● Canada ● Mexico

What the U.S. Imports from

Canada & Mexico

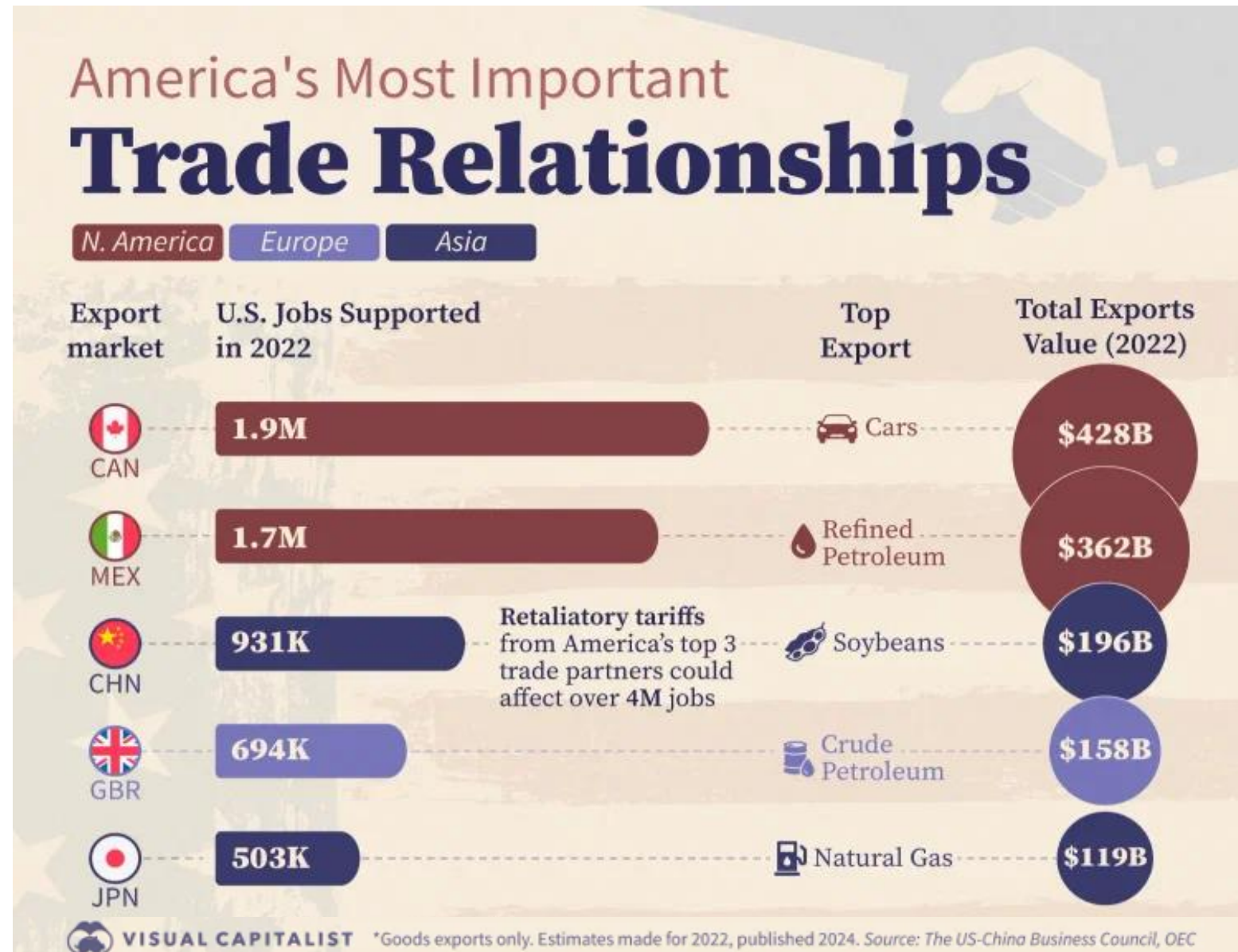
Based on total imports of \$893B in 2023



U.S. Exports – Destination Countries



- Canada is a/the top export market supporting U.S. jobs
- Note that Canada targeted cars (#1 U.S. Export to Canada) in its countervailing tariffs
- Retaliatory tariffs from CAN, MEX, CHN could affect 4M U.S. jobs





- Over \$2.5 billion worth of goods and services cross the border every day
- In 2023, Canada exported \$593 billion CAD worth of goods to the United States.
 - This was responsible for about 19% of Canada's GDP.
- Adding 25 percent tariffs to many of those goods will drive up costs for consumers and erode housing affordability
- Negative impacts for the economy in both countries
- Further limiting purchasing power for housing and no doubt slowing housing starts



- A tariff is basically a tax on an imported good
 - The importer pays an additional cost to the government for importing such an item from another country.
- This raises the price of imported products
 - While some of the cost may be absorbed by the importer, typically most – if not all – of that cost is passed on to the consumer.
- Tariffs on building materials raise construction costs leading to higher home prices for consumers
- The Trump tariffs will therefore raise the cost of housing in the U.S.
 - Trump tariffs would have no direct cost impact on Canadian housing
- Any countervailing Canadian tariffs on construction goods would do the same in Canada

CHBA on Drywall - \$300M savings/yr for industry & consumers



The screenshot shows the Mondaq website interface. At the top, there is a search bar and navigation links for 'TOPICS | REGIONS | CONTRIBUTORS | ADVICE CENTRE | OUR SERVICES'. Below this is a horizontal menu with categories like 'Commercial', 'Employment', 'Tax', 'Energy', 'Litigation', 'IP', 'Real Estate', 'Finance', 'Environment', 'Immigration', 'Privacy', 'Insurance', and 'More'. The breadcrumb trail reads 'Home > Canada > Government, Public Sector'. The article title is 'Canada: Canada Acknowledges Antidumping', last updated on October 19, 2016, by Cyndee Todgham Cherniak. A red circle highlights the first sentence of the article: 'This has never happened before. This is very important. Trade lawyers outside Canada (and inside Canada) will be shocked by the steps being taken in Canada during an active antidumping proceeding.' The article text continues: 'On October 16, 2016, the Department of Finance asked the Canadian International Trade Tribunal to commence a section 18 (of the Canadian International Trade Tribunal Act) reference concerning the effect of preliminary and final antidumping duties on gypsum board (also called drywall and wall board) from the United States into Western Canada (British Columbia, Alberta, Saskatchewan, Manitoba and the Yukon and Northwest Territories). The antidumping proceedings at the center of the request are the Canada Border Services Agency ("CBSA") dumping investigation that commenced on June 8, 2016 and the Canadian International Trade Tribunal ("CITT") injury inquiry that commenced on September 6, 2016. The CITT issued a

- In 2017, CHBA successfully dramatically reduced drywall tariffs in a manner and speed never before seen
- In 2023, CHBA again successfully engaged at renewal to avoid tariffs increasing
- Key for CHBA was getting end-users impacts considered (vs. manufacturers)

The screenshot shows a tweet from François-P Champagne (@FPCChampagne) dated October 17. The tweet text reads: 'We listened and acted in the best interests of Canadians @CHBANational #housing'. The tweet is retweeted by Kevin Lee and liked by FinanceCanada (@FinanceCanada). A reply from FinanceCanada (@FinanceCanada) says: '#GoC takes action to help middle class families in Fort McMurray and across Western Canada #ymm ow.ly/2LZh305gxzy'. The tweet interface shows 3 retweets and 3 likes.

"This has never happened before."

CHBA Action on Tariffs



- CHBA has been engaged on this issue since prior to the inauguration of President Trump.
- CHBA CEO Kevin Lee testified at the House of Commons Standing Committee on International Trade
- CHBA has been engaged with the Bank of Canada, officials from Infrastructure, Housing, and Communities, and the Minister of Foreign Affairs
- In its formal letter to the government CHBA explained the dangers of both U.S. and Canadian tariffs
- Seeking that construction products and materials be exempt from countervailing tariffs, based on housing affordability and supply

House of Commons Committee on International Trade (December 2024)



Engaging with Other Associations



- CHBA has also been in contact with our U.S. counterparts, NAHB
- NAHB lobbying for construction materials and products to be exempt from the Trump tariffs, to no avail



New Tariffs on Canada and Mexico a Blow to Housing Affordability

Home construction costs are expected to rise.

[READ MORE](#)

Related: [NAHB Chairman Issues Statement on 25% Tariff Hike](#) | [NAHB Urges Building Material Exemption from Tariffs](#)

- CHBA has engaged with other national Canadian associations to collaborate:
 - Forest Products Association of Canada
 - Supply-Build Canada
 - Canadian Steel Producers Association
 - Mechanical Contractors Association of Canada
 - Fenestration Canada
 - Canadian Chamber of Commerce
 - Others...

The Tariffs



- Currently on 30-day pause (to March 4th)
- February 1st announcement by President Trump of the 25% tariffs across the board (and 10% on energy products)
- Canada responded with countervailing tariffs on \$155 billion in U.S. imports in two phases
- Phase 1: tariffs on \$30 billion in goods imported from the U.S., effective Feb 4
- Phase 2: additional list of imported U.S. goods worth \$125 billion, slated for a 21-day public comment period first
- CHBA advocated that construction goods not be included in these countervailing tariffs, and the initial lists suggested that this was mostly been attained, with the important exception of appliances and steel/aluminum.

Initial Notice of First Phase



- The first phase of tariffs on \$30 billion in goods imported from the U.S., which was to be effective February 4, 2025
- The list included products such as:
 - orange juice,
 - peanut butter,
 - wine, spirits, beer,
 - coffee,
 - **appliances**, ←*issue for residential construction (38% of imports valued at \$1.2B)*
 - apparel, footwear,
 - motorcycles,
 - cosmetics, and
 - pulp and paper.
- Mostly be on consumer products where there is ample choice from other alternative countries

Initial Notice of Second Phase



- Second Phase list of imported U.S. goods worth \$125 billion.
- A full list of these goods will be made available for a 21-day public comment period prior to implementation
- Was to include products such as:
 - passenger vehicles and **trucks**, including electric vehicles,
 - **steel and aluminum products**, ←*issue for residential construction*
 - certain fruits and vegetables,
 - aerospace products,
 - beef, pork, dairy, trucks and
 - buses, recreational vehicles, and recreational boats.

Commodity	Total Exports	Total Imports	Trade Balance (+surplus/-deficit)
Aluminum	\$10.5B	\$2.9B	\$7.6B
Steel	\$9.9B	\$14.1B	-\$4.3B

Phase 1 Listed Building Material Imports



On February 3, the detailed list of Phase 1 products that would have been implemented by Canada were published. Canada and the U.S. agreed to delay the imposition of respective tariffs later that day.

The list went beyond what was in the original high level announcement, including some construction products.

However, a detailed look at the import values of US products compared to products imported from elsewhere shows the intent to maximize impact on the US while enabling Canada to look elsewhere for imports

Hundreds of product categories were listed. These were top residential construction-related ones:

- **Softwood lumber:** \$244M of \$345M, 70% of imports from US; but we export ~\$9B...
- **Other finished lumber:** \$71M of \$184M, 39% of imports
- **OSB:** Not exposed to US imports
- **Plywood, LVL, battenboard:** \$111M of \$253M, 44% of imports from US
- **Wood frames, shakes, flooring panels, engineered timber:** \$583M of \$744M, 78% of imports
- **Ceramic sinks, baths, bidets:** Not significantly exposed to US imports
- **Gas stoves/ranges:** \$153M of \$547M, 28% of imports
- **Wall/Window/Ceiling fans:** \$26M of \$188M, 14% of imports
- **Refrigeration (excluding heat pumps & AC units):** \$1B of \$2.4B, 43% of imports
- **Washing Machines:** \$240M of \$456M, 52% of imports
- **Electric heaters/stoves/ranges/microwaves (Ex. Water heaters):** \$397M of \$1.7B, 23% of imports
- **Chandeliers and other ceiling or wall lighting:** \$121M of \$886M, 14% of imports

Trade Balances – Indicate Alternate Sources



The trade balance table below show some exposure, but limited exposure to the tariffs for Canadian residential construction companies

	Trade balance with world, including US	Trade balance with US	Notes
Softwood	\$8.1B	\$7.0B	We have domestic capacity, since nearly all exports are to the US
OSB	\$2.6B	\$2.6B	We have domestic capacity, since nearly all exports are to the US
Ceramic sinks and baths	(\$295M)	(\$10.5M)	We don't source these imports from US
Gas stoves	(\$244M)	\$58M	Small surplus with the US, we source imports from other countries
Refrigerators	(\$144M)	(\$1B)	We import over 6x more from other countries
Dishwashers	(\$403M)	(\$201M)	We import and get 50% of them from the US, almost no Canadian Exports
Electric Stoves and Microwaves	(\$1.2B)	(\$354M)	We get most imports outside of the US, very little in exports
Wall and Ceiling LED fixtures	(\$163)	\$514M	We export \$635M to the US, but import \$120M from US and \$765M from other countries



1. Impact on the Economy

- #1 Issue: overall **economic slowdown**, given that recessions always mean **fewer housing starts and less renovation activity**
- **Canada is heavily reliant on exports to the U.S.**, particularly in sectors like lumber, steel, aluminum, and automotive.
- A tariff could reduce Canadian exports, slow economic growth, and weaken many industries.
- Reduced exports may lead to job losses in export-reliant sectors, depending on government relief programs, lowering consumer income and spending power.
- Would create **economic uncertainty**, leading to **reduced consumer confidence**.
- All of this in turn would **stifle housing investment, slowing starts and renovation activity**.



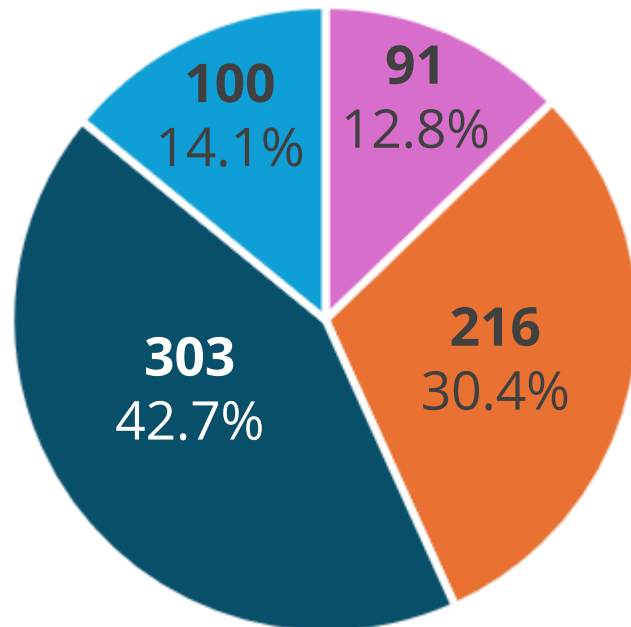
2. Supply Chain and Construction Costs

- U.S. tariffs could initially lower prices for Canadian industry on domestic products and materials
 - struggling manufacturers trying to stay afloat may not be able to lower prices.
- Any retaliatory Canadian tariffs on construction materials would have effects on the cost of construction.
- All importers in the residential supply chain will need to look at alternatives to U.S. goods (Canada/Other)
- Products will still likely be more expensive than the U.S. goods prior to tariffs, but may be less than the 25% increase.
 - Government analysis suggests cheaper commodities could come from elsewhere, but drive multinational firms to relocate from Canada to the U.S.
- This adjustment period to alternate sources could be difficult, though it may create more resiliency and certainty through diversification for industry in the long run.
- All efforts to “buy Canadian” will also serve to bolster the economy now and into the future.



Question: Builders/Renovators/Developers:

Do you have a good handle on how much of your construction goods are imported from the United States?

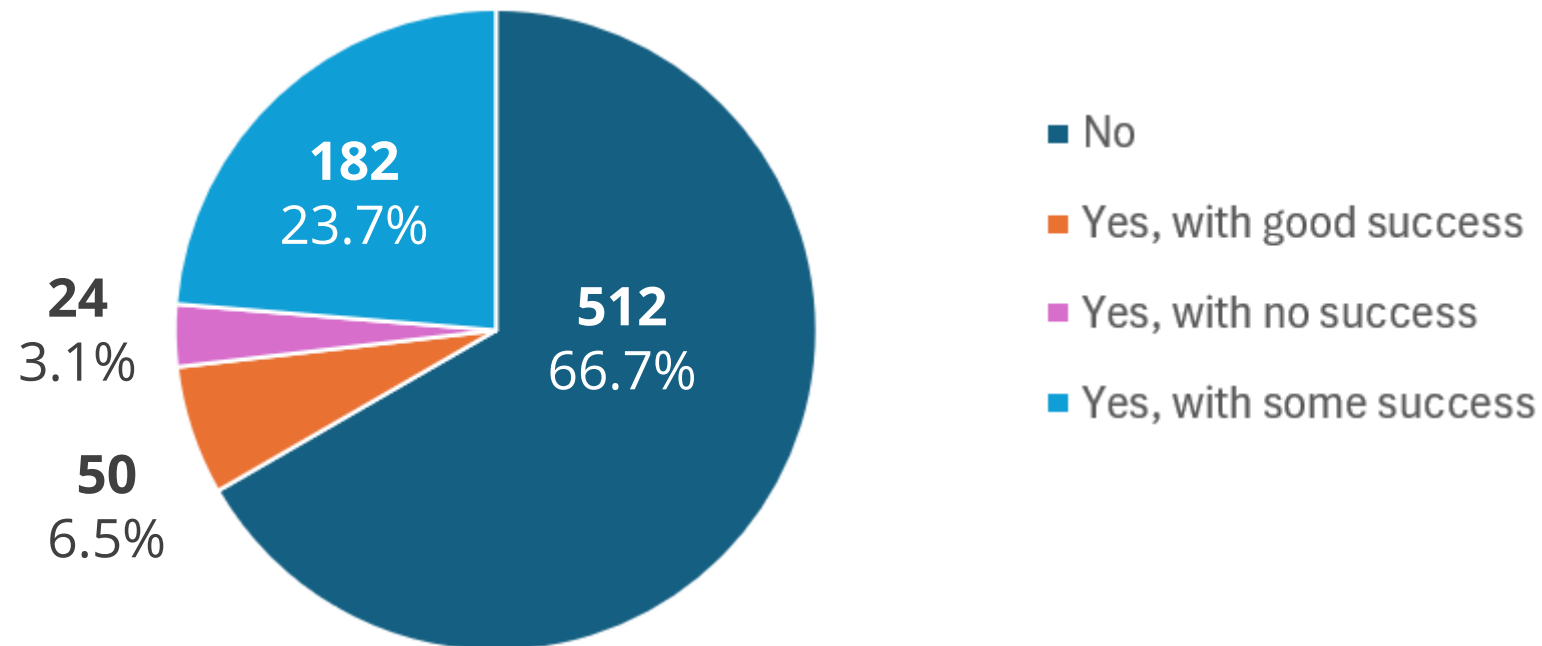


- No, I'm not aware and I don't think there's an easy way to figure it out
- No, I'm not aware but I plan to figure it out
- Somewhat aware
- Yes, I'm very aware



Anyone who sources materials/products:

Have you started looking into sourcing from countries other than the U.S.?





2. Supply Chain and Construction Costs (cont'd)

Lumber

- It is worth noting that very worrisome with these tariffs is the potential impact on the Canadian lumber industry
- Tariffs and resultant reduced exports could cause Canadian mills to shut down, permanently reducing lumber output capacity for the Canadian market and increasing costs domestically over time.
- Support for Canada's lumber industry will be very important for residential construction as well.
- A similar trade war is expected on steel/aluminum



ECONOMIC RECOVERY IN CANADA'S FORESTRY SECTOR



Gross Domestic Product
\$23.7 billion
(1.1% of GDP in 2019)



Communities
Approximately 300 communities
relied on the economic activity
(jobs and income) generated by
the forestry industry in 2019



2. Supply Chain and Construction Costs (cont'd)

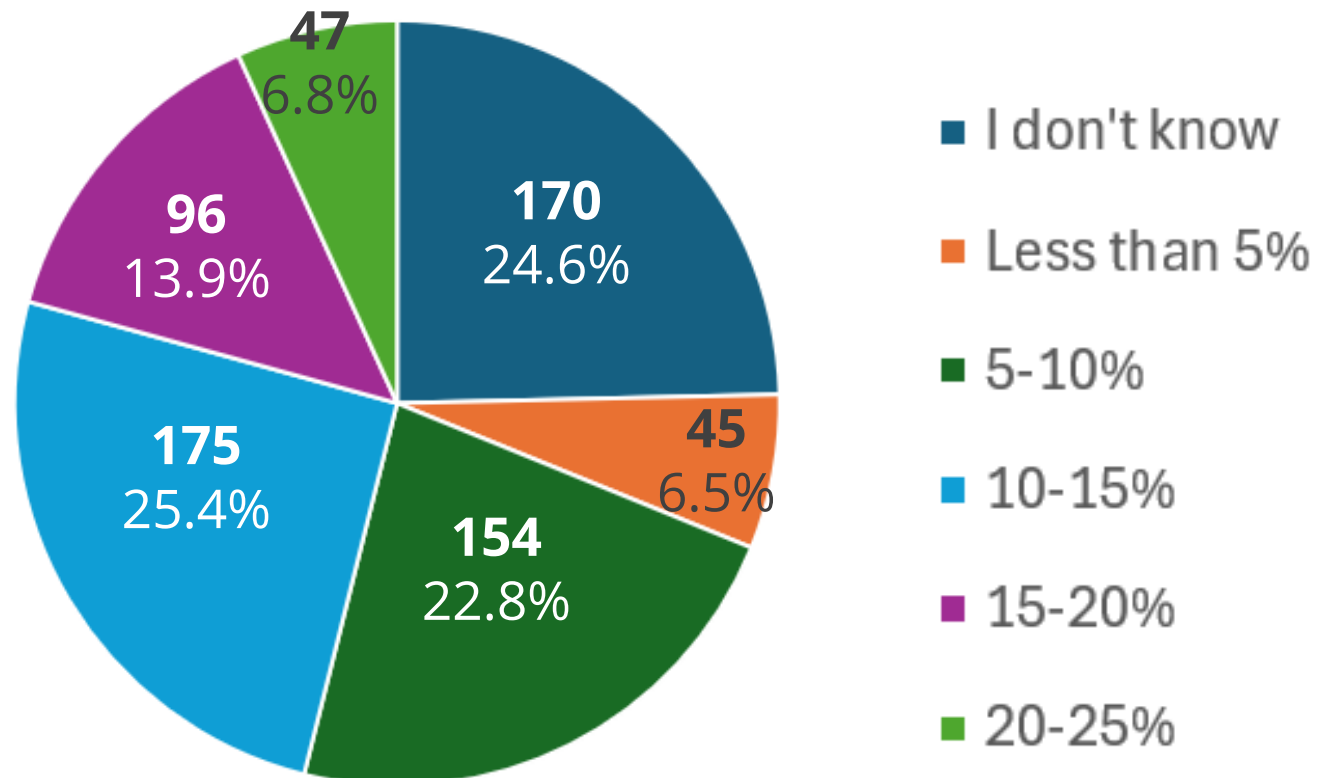
Average Impacts

- A common question is “how much of the products and materials used in a typical house are imported from the U.S.?”
 - Very challenging to estimate due to the complexity of supply chains and variability in purchases, and regional variations.
 - Data collected by Statistics Canada and CMHC does not break down to that level.
 - Further, many products may be assembled in Canada using components sourced from multiple countries, including the U.S., complicating the assessment of origin.
 - We are using macro numbers to explain impact to government
 - Members should work with their suppliers to determine their own impacts
 - CHBA welcomes any data that members wish to provide on their own situations



Builders/Renovators/Developers: By what percentage do you think your construction costs would increase if the current tariff threats (for both phases) were to be enacted?

NOTE: CHBA will be following up with similar questions in the HMI survey.





3. Currency Effects

- If the tariff weakens Canada's trade balance, the Canadian dollar could depreciate relative to the U.S. dollar and relative to the currencies of other countries.
- A weaker Canadian dollar makes imported goods (like building materials not sourced domestically) more expensive, potentially raising construction costs in Canada.

REUTERS

Canadian dollar notches 13-day high as greenback slides

The U.S. dollar fell against a basket of major currencies as President Donald Trump's tariff threats were interpreted more as a negotiating tactic rather than an end goal.





4. Inflationary Pressures

- Tariffs could lead to inflation in Canada due to currency effects or increased costs in the supply chain
- In such situations, central banks might respond to inflation with interest rate adjustments
- CHBA has just met with the Bank of Canada on CHBA's concerns
- While raising interest rates can control inflation, it cannot address tariffs that would be driving inflation, and would slow economic growth.
- A sluggish economy would typically point to lowering interest rates.
- The Bank of Canada would need to balance these risks carefully

Follow-Up CHBA Actions

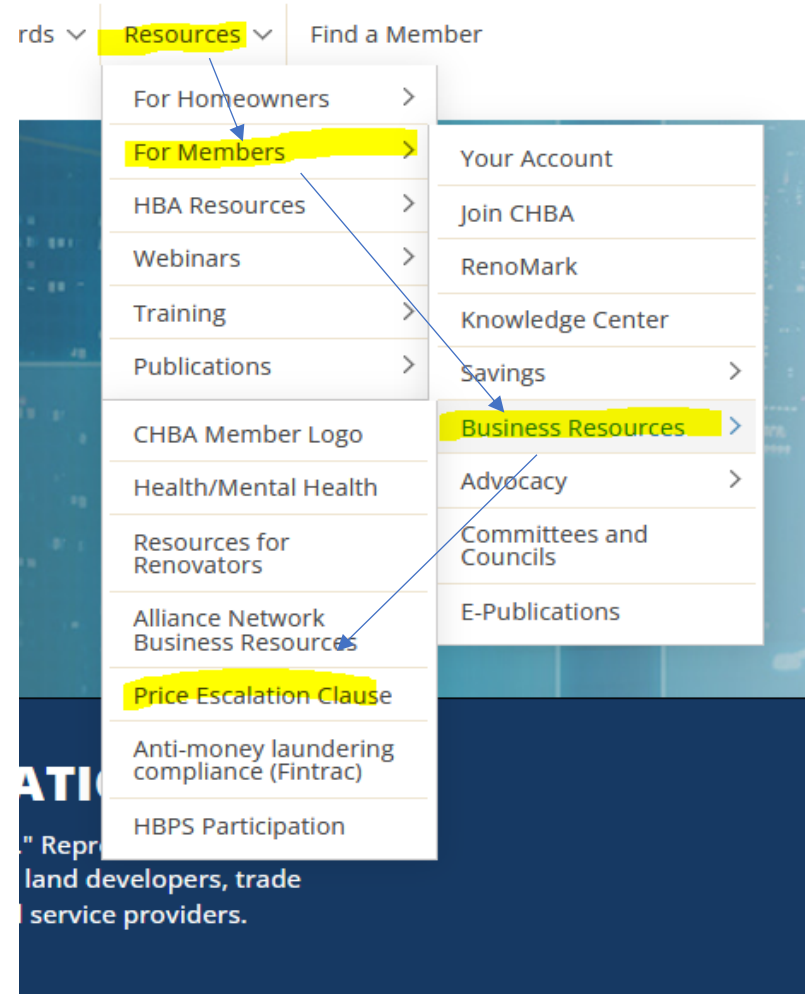


- CHBA will continue to engage with government
- Meeting with Foreign Affairs Minister Joly's office on Monday
- Continue to advocate that construction products and materials be exempt from countervailing tariffs
 - Note: key to solving this is quickest end possible to trade war
- The government is establishing a remission process to consider requests for exceptional relief from Canada's countervailing tariffs
- Government states it is ready to support affected workers and businesses
- CHBA advises that immediate relieve to counter cost increases can be:
 - Removing GST/HST/PST on new residential construction
 - Reducing municipal development taxes

Price Escalation Clauses



- All members should always have price escalation clauses in their contracts
- During the pandemic, CHBA produced a sample price escalation clause for contracts
- Should be reviewed/edited by your legal counsel
- Based on NAHB version produced by their legal team



CAUTION - The sample language provided in this clause is intended for general informational purposes only, and may not be appropriate for some agreements. Care should be taken in the drafting of any contractual clause, and it is recommended that an attorney be consulted concerning both applicable law, and the phrasing of particular contract provisions.

ESCALATION CLAUSE FOR SPECIFIED BUILDING MATERIALS

The contract price for this residential construction project has been calculated based on the current prices for the component building materials. However, the market for the building materials that are hereafter specified is considered to be volatile, and sudden price increases could occur. The Builder agrees to use best efforts to obtain the lowest possible prices from available building material suppliers, but should there be an increase in the prices of these specified materials that are purchased after execution of contract for use in this residential construction project, the Owner agrees to pay that cost increase to the Builder. Any claim by the Builder for payment of a cost increase, as provided above, shall require written notice delivered by the Builder to the Owner stating the increased cost, the building material or materials in question, and the source of supply, supported by invoices or bills of sale.

Specified Building Material / Current Price per (Unit of Measurement) / Date / Supplier
1) _____ / _____ / _____ / _____
2) _____ / _____ / _____ / _____
3) _____ / _____ / _____ / _____
4) _____ / _____ / _____ / _____
5) _____ / _____ / _____ / _____

SPECIAL CIRCUMSTANCES - RIGHT OF TERMINATION

Should there be a rise in the cost of any specified building material or materials, exclusive of any other price changes, that would cause the total contract price to increase by more than ____(%), the Builder shall, before making any additional purchases of specified material or materials, provide to the Owner a written statement expressing the percentage increase of the contract price, the building material or materials in question, and the dollar amount of the price increase to be incurred. The Owner may then, at his option, terminate the contract by providing within ____ business days both written notice of termination to the Builder, and payment to the Builder for all costs expended in performance of the contract to the date of termination, plus payment of a prorated percentage of the Builder's profits based on the percent of completion. Should both notice of termination and full payment not be forthcoming within ____ business days, as provided herein, the Builder shall have the option to terminate the contract, or to proceed with the contract and purchase the specified building materials at the increased price. If termination is elected, the Builder shall provide to the Owner a written notice of termination, and the Owner shall be required to pay the Builder for all his costs expended in performance of the contract to the date of termination, plus payment of a prorated percentage of the Builder's profits based on the percent of completion. If the Builder elects to proceed on the contract, he may then purchase the specified material or materials at the increased price, and the Owner shall be required to pay the increased cost incurred.

To Do List



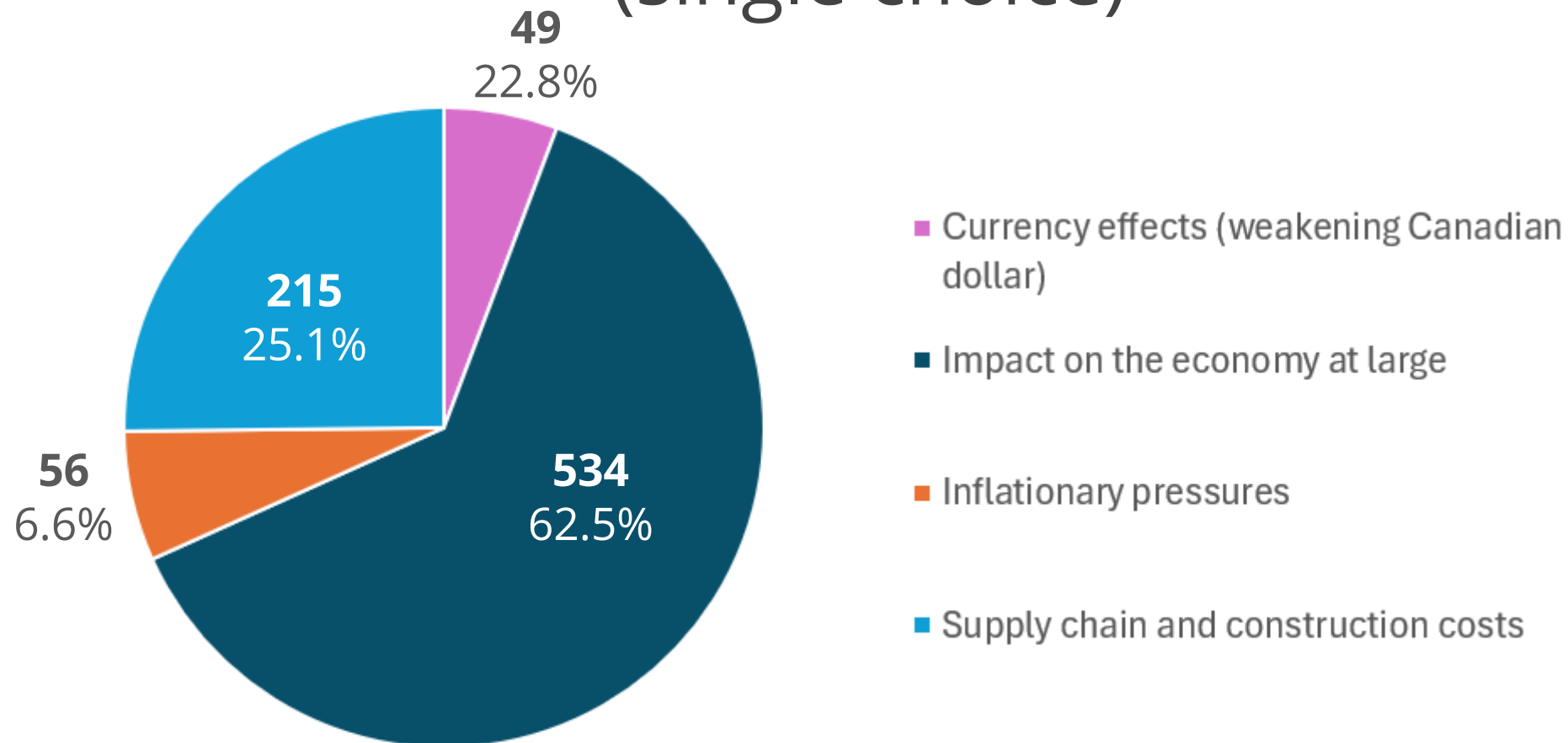
- CHBA will continue advocacy on your behalf
- Participate in **CHBA's Housing Market Index Survey!** →
- CHBA welcomes any calculations on how tariffs would affect your projects in terms of increased construction costs from import tariffs
- **Buy Canadian** as much as is feasible
- Talk to your suppliers to see what they are doing to source non-American alternatives
- **Add price escalation clauses** to your standard contracts

CHBA HMI Sign-Up





What is your top area of concern? (single choice)



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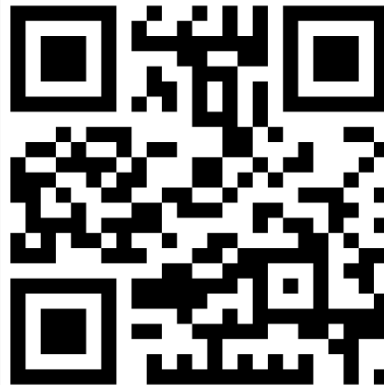


Questions

Canadian
Home Builders'
Association



CHBA HMI Sign-Up



Price Escalation Clause

