

Economics

A \$12,800 Tariff Hit Has Some Homebuilders Eyeing Side Gigs



Lance Thomas, a homebuilder in New Orleans, is considering driving for Uber. *Source: Lance Thomas*

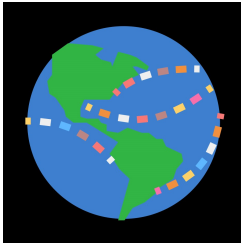
By [Prashant Gopal](#) and [Norah Mulinda](#)

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✦✦ **Takeaways** by Bloomberg AI

- Lance Thomas, a homebuilder in New Orleans, is worried about tariffs on materials from Asia and Europe driving up his costs and is considering driving for Uber Black as a contingency plan.
- The latest tariffs are expected to increase the cost to build a single-family home by roughly \$12,800, which will hurt small builders like Thomas the most.
- Builders across the US are facing uncertainty due to rising materials costs, labor concerns, and high mortgage rates, making it difficult for them to make decisions and plan their production timelines.

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Lance Thomas became a homebuilder in New Orleans in the aftermath of Hurricane Katrina in 2005. In the years that followed, he got used to economic disruptions – from Covid-19 to sky-high insurance premiums that are tanking housing demand in the area.

Now he worries that tariffs on materials from Asia and Europe are about to drive up his costs on everything from kitchen cabinets to plumbing fixtures. If things get bad, he's already put a contingency plan in place to supplement his income: drive for Uber Black with his new Cadillac Escalade.

"I never wanted to be a driver," said Thomas, who owns LA Construction Company. "I'm definitely not a fan of that. But I'm open to doing what I have to do."

Thomas is among the thousands of builders across the US sorting out how to respond to rising materials costs just as the spring sales season gets off to a disappointing start. Even before President Trump's tariff announcement last week, high mortgage rates and weakening consumer confidence were pushing some buyers to the sidelines.

Materials may rise an additional 5% in the wake of the new duties, while appliances, hardware, plumbing fixtures and flooring should jump higher than that because of their exposure to Asia, according to John Burns Research & Consulting, a data-gathering outfit for the building industry.

All told, the latest tariffs translate to a roughly \$12,800 increase in the cost to build one single-family home. That will surge much higher if lumber – so far exempt – gets swept up in future taxes.

"This is going to increase the cost of materials and products in this environment where builders don't have pricing power to fully pass on those costs," said Matt Saunders, senior vice president of building products

research at John Burns. “Because of that there will be margin erosion – affordability is strained so households are price sensitive. The costs can’t be passed on.”

Small builders like Thomas will get hurt the hardest. Companies like his get by on thin margins and are more vulnerable in downturns.

National builders have been enticing homebuyers with perks like rate buydowns, where companies offer below-market mortgage rates to steer customers toward a new home. Big builders are likely to gain more market share and can use their size to get better prices on materials, according to Jody Kahn, senior vice president of research surveys for John Burns.

But the short-term pain is impossible to ignore. The stock of homebuilder Lennar Corp. is down 21% so far this year after hitting an all-time high in September. D.R. Horton Inc. fell more than 5% Monday while Toll Brothers Inc. shed nearly 8% in a single day last week.

“It’s sort of like we’re on tornado watch,” said Garrett Manis, managing partner at BMH Supply, which sells interior doors and trim to builders in Atlanta. One of his vendors has already slapped a 25% surcharge on all of their products, as many of the materials come from China.

Manis takes a matter-of-fact approach to the tariffs. His company, which does about \$500,000 in sales per month, will have to pass any higher costs on to customers, he said. The company imports a lot of moldings, especially from Chile and Brazil. Manis hasn’t yet decided whether he’ll opt for a temporary surcharge or a permanent rate reset.

More concerning than tariffs is labor, Manis said. Trump has kicked off a sweeping immigration crackdown, igniting high-profile court battles as his administration arrests thousands of people it claims are illegal aliens. That’s spurring more turnover than usual among crews of workers that underpin much of the homebuilding across the country.

“There are a lot of workers who are afraid,” said Brett Martin, senior vice president of real estate at Tilson Home in Houston. “I’ve heard of many

instances – not with us, but with other builders – that their workers are afraid to come in.”

Builders need to anticipate future economic conditions to plan their production timelines. Whether to accelerate starts, hold off or scrap projects entirely is based on market signals. And while the precise concerns of builders across the country vary, they are united by one theme: uncertainty.

Developer Todd Michael Glaser, who builds luxury homes in Florida, said that even architects are calling around for work because development has slowed. For now, his strategy is to renovate homes. He has three such projects he expects to be ready in the fall.

“Renovating is the only way you’re going to get product out,” Glaser said.

Justin MacDonald, president and chief executive officer of the MacDonald Companies in Texas, is a third-generation homebuilder. The company, founded in the 1950s, focuses on both affordable and market-rate multifamily housing. He’s hearing as much talk as anybody about chaos in the labor pool, a coming surge in the price of supplies and, of course, bellyaching about persistently high interest rates.

All of that boils down to a difficult environment for making decisions. The company is in the middle of bidding out a few projects right now, and “it’s kind of anybody’s guess as to what the numbers come back as,” MacDonald said.

“Uncertainty right now is the biggest killer,” he said. “You have to constantly be reading the market and be willing to make changes on the fly as necessary.”

– *With assistance from Amanda L Gordon*

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