What Trump’s Tariffs Could Mean for CRE in the Hudson Valley - By Paul Adler, Esq., SIOR

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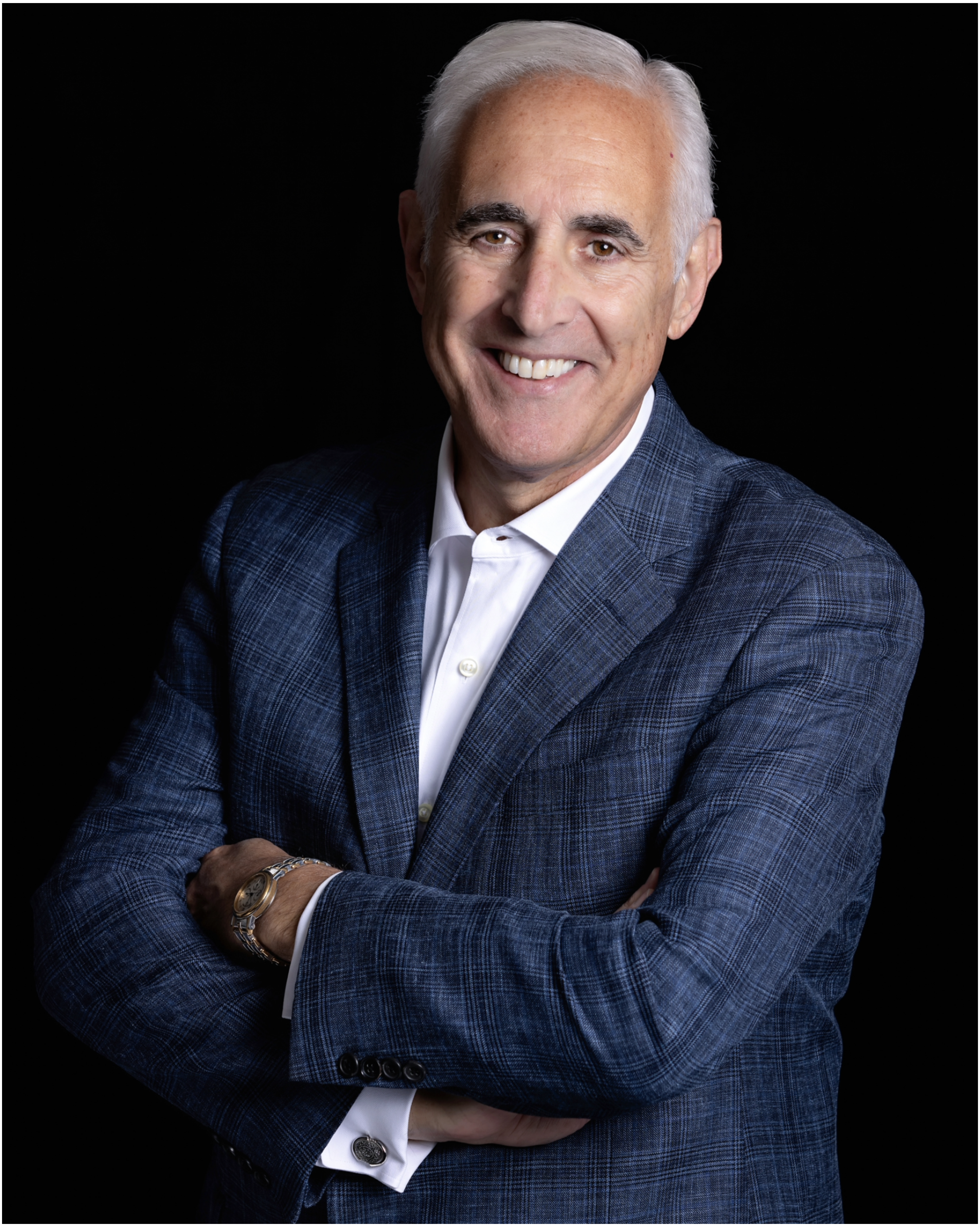

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The business outlook for the Hudson Valley has been largely positive in the wake of Donald Trump's return to the White House, with optimism stemming from promises of favorable conditions for domestic growth, business taxation, and a reduction in regulatory burdens. These factors were expected to create a climate ripe for economic expansion, offering significant opportunities for sectors like commercial real estate (CRE). However, an increasingly aggressive tariff policy, compounded by the planned deportation of immigrant labor, threatens to upend this positive outlook. The impact of these policies, particularly on the construction industry, cannot be overstated.

The Hudson Valley's real estate market has long been intertwined with both national and international trade and labor forces. As a region deeply connected to New York City's broader economic dynamics, the influx of labor and materials has been essential to the area's robust growth, particularly in the residential and commercial construction sectors. From imported flooring and roofing materials to essential appliances and lumber, the availability and cost of these materials are directly influenced by tariffs. Trump's aggressive stance on tariffs—targeting imports from China, the European Union, and other trading partners—has driven up the costs of these materials, putting additional strain on construction budgets already struggling with inflationary pressures.

The construction sector, particularly in the multi-family housing market, has been a cornerstone of economic growth in the Hudson Valley. Even as the commercial real estate market adapts to new realities post-pandemic, multi-family housing remains a leading investment sector. The demand for residential units continues to outpace supply, driven by the influx of residents fleeing high-cost areas like New York City. However, a troubling forecast looms over the construction pipeline. According to industry projections, construction starts in the region are expected to be 30% below pre-pandemic levels by mid-2025, a direct result of a combination of factors including inflation, supply chain disruptions, and most concerning, the growing financial burden of tariffs.

Tariffs have always been a contentious issue, but their impact on the Hudson Valley's CRE market has been uniquely detrimental. Imported goods, such as the aforementioned flooring, lumber, and roofing materials, have become significantly more expensive due to Trump's tariffs. The increase in material costs, coupled with labor shortages in construction, is squeezing developers and investors who rely on an efficient supply chain to meet growing demand. These tariff-induced price hikes could be the breaking point for many small- and medium-sized construction projects that are already operating with razor-thin margins.

To compound the problem, Trump's policies regarding immigration and the planned deportation of immigrant labor are particularly concerning for the construction industry. Immigrant workers, especially those from Latin American countries, have long played an indispensable role in the trades, particularly in the construction of multi-family residential buildings. The loss of this labor force would result in significant delays and increased costs for developers and contractors, further driving up the overall cost of construction projects. Even before these potential deportations, the construction industry was facing challenges in securing enough skilled labor, and now, the future looks even more uncertain.

New York State, and specifically the Hudson Valley, has a unique sensitivity to immigration and tariff policies that stray too far from the status quo. The region has a rich history of immigrant communities contributing to both its economic and cultural fabric. An attack on the labor force that fuels construction and development would reverberate throughout the local economy. Moreover, the region's dependence on affordable materials from overseas makes it vulnerable to tariffs, which can further exacerbate the rising costs that already plague builders, developers, and investors.

When combined with the economic realities of tariffs, immigration restrictions, and increasing material costs, the commercial real estate market in the Hudson Valley finds itself at a crossroads. While multi-family construction remains strong, its future is tied to more than just consumer demand; it is now tethered to the broader economic forces at play. Developers are already making tough choices—scale back on projects, delay construction, or absorb the increased costs, all of which have a significant impact on the overall economic ecosystem.

The path forward requires more than just a favorable tax climate or deregulation. It demands a careful balancing of policies that protect both the economic interests of domestic businesses and the essential role that immigrants and international trade play in fueling growth. Until these issues are addressed in a meaningful way, the Hudson Valley's CRE market will likely continue to face headwinds that could stymie the potential for the region's post-pandemic recovery.

For the Hudson Valley's commercial real estate market to thrive, it is essential for policymakers to reevaluate the impacts of Trump's tariff policies and immigration reforms. The vitality of the region's construction sector and its associated industries depend on it. Without a thoughtful approach to trade, immigration, and labor, the future of commercial real estate in the region could remain uncertain. This article first appeared in the Rockland County Business Journal.

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