



ONGOING IMPACT OF TARIFFS ON MICHIGAN'S HOUSING ECOSYSTEM:

A REPORT SUBMITTED IN RESPONSE TO EXECUTIVE DIRECTIVE NO. 2026-2

Executive Summary:

The Administration's evolving tariff policy is reshaping economic conditions for Michigan households and for the state's already strained housing ecosystem. **The Budget Lab at Yale estimates that current tariff levels—now at an effective rate of 11.8 percent, the highest since the 1940s outside of 2025—are costing the average household between \$760 and \$1,500 per year.** These added costs come at a moment when inflation, elevated housing prices, and shrinking government supports have already increased economic pressure on low and moderate income families. For households that regularly have to cut back on food or medical care to pay rent or utilities, even modest tariff driven increases in consumer prices have meaningful consequences.

Michigan households are feeling these pressures acutely. **Inflation, as measured by the Consumer Price Index, has risen 29 percent since 2019, with food up 34 percent and shelter up 36 percent.** Rising healthcare costs, declining SNAP enrollment, and weakening health insurance protections have left many residents with less margin to absorb additional price shocks. Survey data suggests that renters in particular face significant insecurity, with nearly half reporting having skipped basic needs to keep up with housing costs. Compounding these pressures, the Kansas City Federal Reserve finds that **national job growth in 2025 was likely slowed by an average of 19,000 fewer positions per month due to tariff-related disruptions in trade-exposed industries.** Tariffs therefore reduce both real household purchasing power and employment opportunities, tightening family budgets from multiple sides.

The supply side of the housing market is being squeezed as well. Tariffs on steel, aluminum, copper, and lumber coincide with steep increases in the prices of construction materials, with copper up 25 percent year-over-year and steel up 21 percent. **Producer Price Index data shows that construction material commodity prices have risen 49 percent since 2019, while retail-level prices have increased 70 percent.** These material price shocks land on top of the earlier cost escalations triggered by the pandemic's supply chain breakdown. In such an environment, both the precise cost of delivering a project and the broader economic conditions shaping investment decisions remain uncertain, slowing the pace of new development in Michigan.

Affordable housing developers, and MSHDA-financed projects in particular, are especially vulnerable to these increases. Smaller and mission-driven developers have less ability to shift sourcing to non-tariffed alternatives, purchase in bulk, or warehouse materials ahead of price changes. Program caps and financing constraints limit their ability

to absorb unplanned cost overruns, leaving projects exposed when prices swing during construction. Development data from recent years shows dramatic escalation: **per-unit costs for new 4% Low-income Housing Tax Credit (LIHTC) projects have doubled since 2022 and nearly tripled since 2016, while new 9% LIHTC percent projects have nearly doubled since 2016.** The pandemic-era pattern of large construction change orders demonstrates the scale of unanticipated increases that can occur. The effects of the Administration's tariffs are now positioned to push those pressures higher for current projects.

Against this backdrop, **MSHDA estimates that ongoing tariff-related cost pressures could result in 350 to 400 fewer affordable housing units being produced compared with the prior fiscal year, assuming the agency's funding levels remain constant.** This production shortfall reflects the compounding effects of higher material prices, elevated interest rates, and a slightly-reduced investor appetite for LIHTC equity—all of which raises the cost and risk profile of new developments. While additional resources could offset some of these impacts, the current tariff regime is already making affordable housing more difficult both to rent and to build. Without relief, Michigan households and the state's broader housing system are likely to face even tighter conditions in the months ahead.

Introduction

In early April of 2026, the Budget Lab at Yale (BLY) estimated that tariffs imposed by the Trump Administration will likely cost the average American household between \$760 and \$1,500 per year.¹ This added cost occurs at a particularly hard time for most, since housing costs are at record high levels, and other economic and political changes challenge the ability of many to afford basic household necessities.

Tariffs are an important driver of the ongoing crisis in housing affordability, but they are occurring in an environment that includes many other housing challenges. These include insufficient housing production since the Great Recession, the spike in interest rates driving mortgage expenses, a meteoric rise in the cost of rent, a similar rise in the cost of construction materials, high inflation since the pandemic and important changes to the social safety net that leave many uncovered. We know that Michigan households prioritize shelter costs first when allocating their income, which means that the ongoing housing affordability crisis is not just a catalyst for homelessness and housing instability, but also for Michiganders skipping meals, stretching medications, and missing bill payments.

¹ The Budget Lab at Yale, State of U.S. Tariffs: April 8, 2026, accessed 4/21/26 at [State of U.S. Tariffs: April 8, 2026 | The Budget Lab](#)

We also know that the increasing costs of housing development are slowing down the increase in the supply of units that the state needs. Developers have had to change sourcing of materials, account for increasing prices, and otherwise improvise to keep projects under budget. This has also involved MSHDA filling gaps and adjusting its approaches to account for these changes.

The levying of tariffs has worsened the conditions that households, developers, and state actors are working in. To bring the situation up to date, this refreshed report on tariffs presents three sets of information. The first talks about the current state of the 2025 tariffs. The second talks about the impacts on Michigan households, with a particular focus on housing issues. Finally, it looks at how these trends will likely impact the housing industry in the state.

The Current State of Tariffs

After a year marked by impositions, changes, reversals, legal maneuvers and finally a Supreme Court decision that struck down the tariffs the Administration levied under the International Emergency Economic Powers Act (IEEPA), the effective tariff rate is currently at 11.8% according to the BLY. While this is about half of what they estimated last June, it is still historically high. Outside of 2025's level, the Lab identifies the current rate as the highest since the 1940s.² The Trump Administration's desire to levy new tariffs in place of the ones struck down despite legal challenges adds to the level of uncertainty surrounding trade policy.

Meanwhile, product-specific tariffs under the President's Section 232 authority of the Trade Expansion Act of 1962 target construction materials, including steel, aluminum, copper, and lumber/wood products, at rates higher than the 10% flat rate allowable under authority of Section 122 of the Trade Act of 1974.³

Finally, for individual renters and homeowners, the BLY estimates that "The current tariff regime implies an increase in consumer prices of 1.1%".⁴ For a household, they estimate losses of between \$760 and \$1,500, depending on whether the Section 122 tariffs expire or

² The Budget Lab at Yale, State of U.S. Tariffs: April 8, 2026, accessed 4/21/26 at [State of U.S. Tariffs: April 8, 2026 | The Budget Lab](#)

³ The Budget Lab at Yale, State of U.S. Tariffs: April 8, 2026, accessed 4/21/26 at [State of U.S. Tariffs: April 8, 2026 | The Budget Lab](#)

⁴ The Budget Lab at Yale, State of U.S. Tariffs: April 8, 2026, accessed 4/21/26 at [State of U.S. Tariffs: April 8, 2026 | The Budget Lab](#)

are made permanent. These costs hit all households, and are therefore regressive in their effects, meaning that lower-income households tend to be impacted more than their ability to absorb the extra costs.

Tariffs and Household Spending Pressures

The regressive tax represented by the tariff on Michigan households is occurring in an increasingly harsh economic environment for those earning low to moderate incomes. Growing levels of hardship come from several factors, including increased prices due to tariffs, a higher-than-national rate of unemployment, a general erosion of nutritional and healthcare benefits, and increasing housing costs. Since housing is generally the first spending priority that households have, all the factors at play erode a household's ability to maintain steady access to safe, stable shelter. In fact, among Michigan renting households in 2024 according to the US Census Bureau's Household Pulse Survey, nearly half reduced or skipped food/healthcare costs to pay for their utilities (Figure 1). Conditions have likely worsened for these households since that survey.

Working down the prioritization chain, a West Health/Gallup poll from summer 2025 found that nearly one in three people with health insurance and nearly two in three without made at least one trade-off in order to afford healthcare (Figure 2).

The affordability of food and health care for those needing government assistance has increased sharply since early 2025. Medicare premiums have continued to rise, SNAP enrollment has fallen, and the loss of Affordable Care Act premiums has driven many people to lower the cost of their healthcare plan or go uninsured. USDA SNAP enrollment shows that the number of Michiganders enrolled in SNAP has fallen by 3.81% from December 2024 to December 2025 – a loss of nearly 60,000 people.⁵ Nationally, a Kaiser Family Foundation (KFF) survey found that: “Almost four in ten (37%) 2025 enrollees are either uninsured or switched to a different Marketplace plan.”⁶

⁵ USDA, SNAP Data Tables, accessed 4/21/2026 at <https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap>

⁶ <https://www.kff.org/public-opinion/a-follow-up-survey-of-aca-marketplace-enrollees/#c255b176-f8c5-4647-ac6f-75178b0ed76c--h-costs-are-a-major-reason-why-enrollees-switched-to-a-different-marketplace-plan-or-dropped-coverage>

In the last 12 months, how many months did your household reduce or forego expenses for basic household necessities, such as medicine or food, in order to pay an energy bill? (Renters)

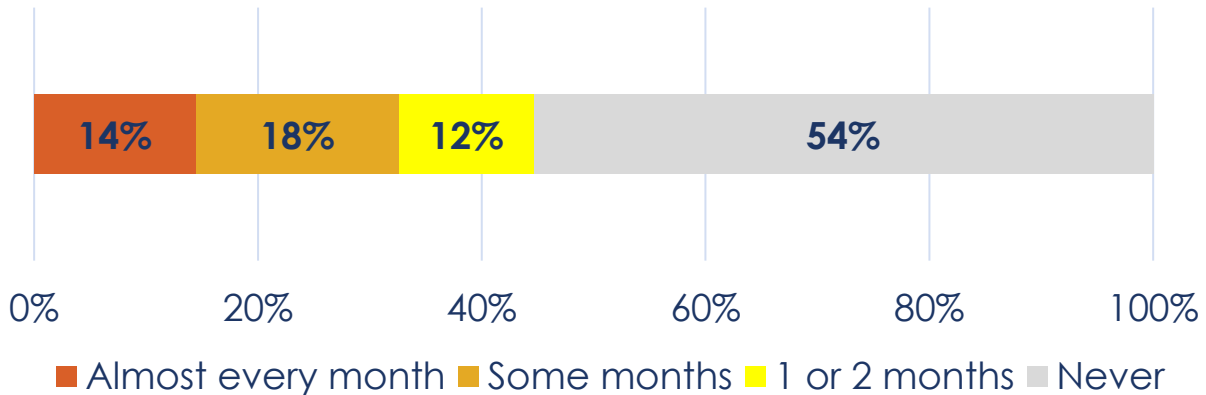
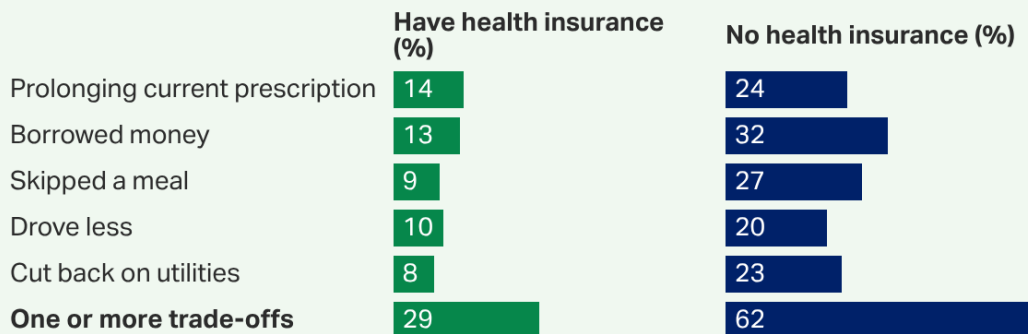


Figure 1: Utility Insecurity among Michigan Renters, 2024. Source: US Bureau of the Census, Household Pulse Survey.

Trade-Offs to Pay for Health Expenses, by Insurance Status

In the last 12 months, which of the following, if any, have you done to pay for healthcare or medicine? Select all that apply.



West Health-Gallup Center on Healthcare, June 9-Aug. 25, 2025

Eighty-nine percent of respondents report having insurance, while 8% report having no insurance and 3% say they "don't know." These figures are consistent with official federal statistics.

GALLUP

Figure 2: Healthcare Insecurity, 2025. Source: West Health-Gallup Center on Healthcare, accessed at <https://news.gallup.com/poll/702596/one-third-americans-cut-back-cover-healthcare-expenses.aspx>

Even as these health care cost issues continue, all consumers in Michigan have been hit with higher prices in general since 2019. Tariffs make this situation worse. Cumulatively, inflation increased 29% between February 2019 and February 2025. Two important categories of spending increased at a higher rate than this, however: food prices increased by 34%, and shelter costs by 36%, during that same period. Changes in price levels between February 2025 and February 2026 are also relatively high, especially for housing costs, which increased more than either the overall Consumer Price Index or food costs. Figures 3 and 4 show this data in graphic form.

Beyond higher prices, tariffs also tend to suppress short-term employment. In late 2025, the Kansas City Federal Reserve Bank estimated that average monthly job growth could be 19,000 lower nationally because of the imposition of the tariffs. Most of this decrease is concentrated in industries most affected by tariffs, i.e., those with the largest exposure to imports.⁷ Losses in employment would also tend to decrease household spending.

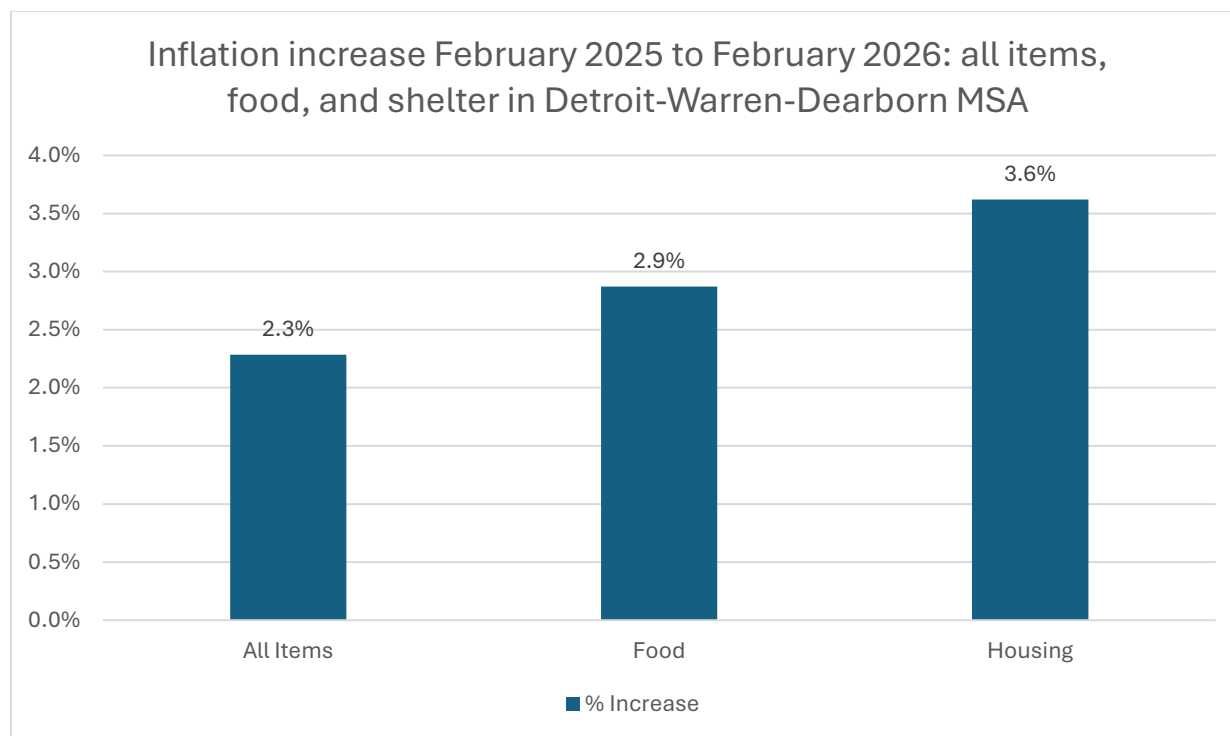


Figure 3

⁷ Matschke and Dzholos, Higher Tariffs Might Have Created Headwinds to Employment Growth in 2025, accessed 4/21/26 at <https://www.kansascityfed.org/documents/13574/EconomicBulletin25MatschkeDzholos1212.pdf>

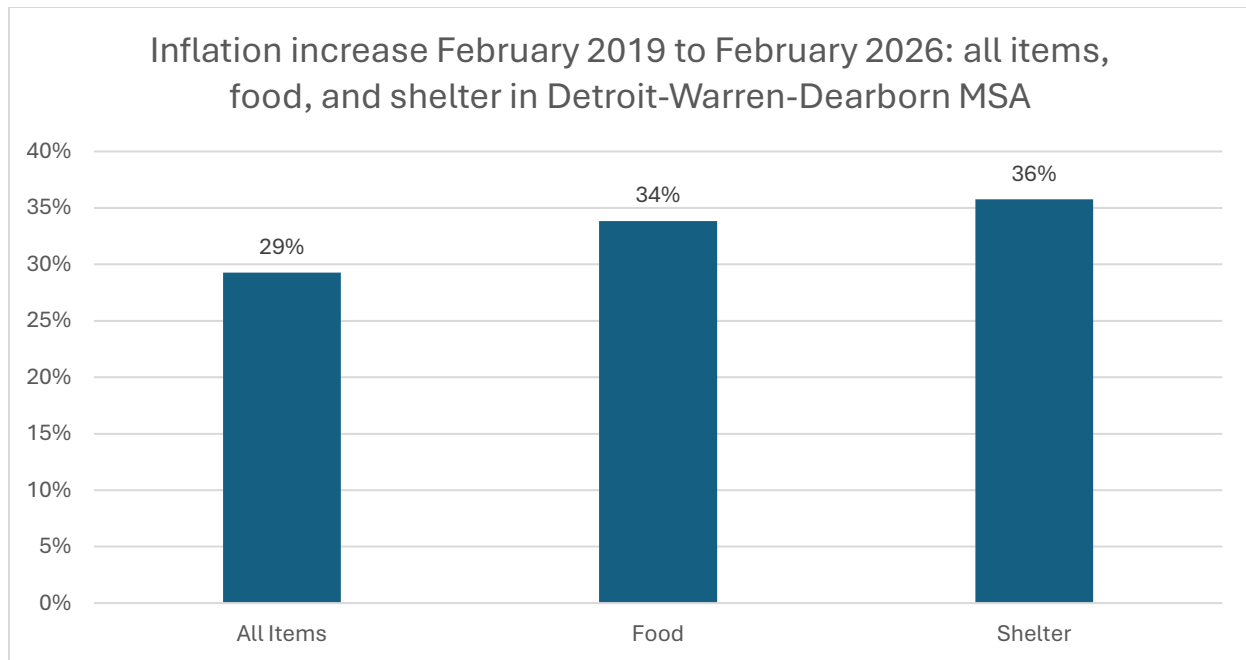


Figure 4

Impacts on Household's Ability to Pay for Shelter

The sum of all these factors has limited the ability of many Michigan households to afford basic necessities. The situation worsens when housing costs are included. The chart below shows comparisons between median contract rents, the bottom quartile contract rent, and the median renter household income over time. Post-COVID, there has only been one year (2022) that saw renter incomes growing faster than either the median rent, or the bottom quartile rent. The expected impact of tariffs on this situation would make it more difficult for renters, especially low-income renters, to continue to afford both shelter costs and other needed goods and services.

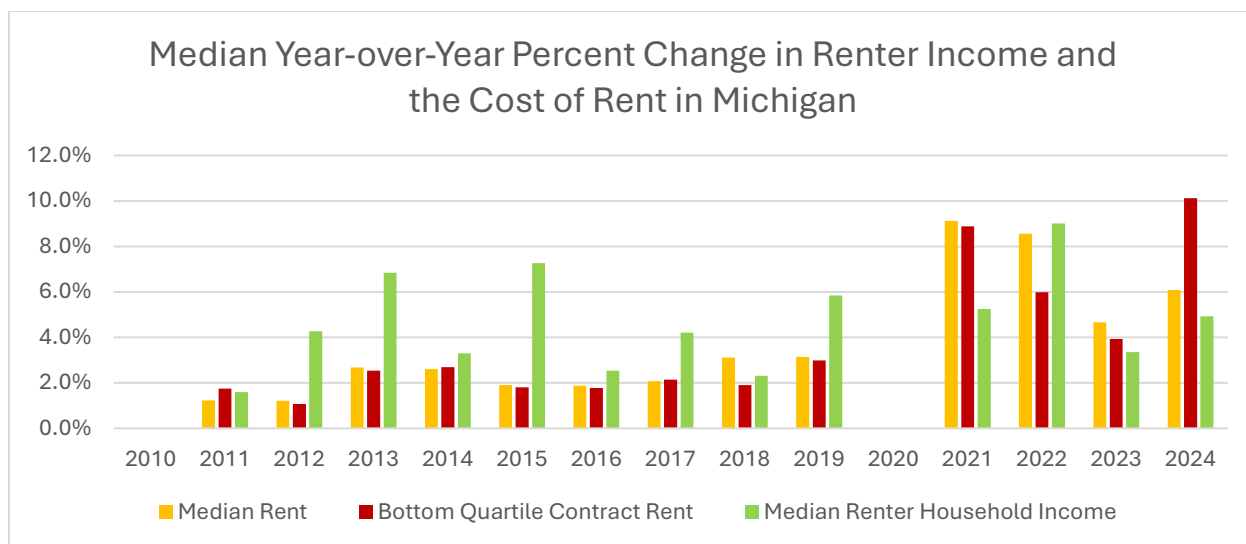


Figure 5

The chief tool used for affordable rental housing development in the United States currently is the Low Income Housing Tax Credit (LIHTC). It funds multifamily projects that are rent restricted, based on tenant incomes. The annual rent and income limits are calculated using lagged ACS data (always at least two years behind) and an inflation metric. This process leads to a situation where, in years of high inflation, LIHTC rent limits can increase faster than income. Since tariffs increase the general rate of inflation, they could cause programmatic rent maximums to increase more rapidly than they would otherwise.

Additionally, the use of Area Median Income (AMI) to set these rent limits ignores how incomes change at each income band. For example, those with the lowest incomes tend to see their incomes increase more slowly than AMI, and thus see rents increase faster than income. Taken together, this means that increased levels of inflation, influenced by tariffs, will likely cause increases in rents under the LIHTC program that are above the rate at which lower-income household's earnings grow.

Tariffs and Housing Development

Another way to understand the impact of tariffs is that they effectively reduce the disposable income households can devote to housing, which in turn dampens potential demand. Tariffs also introduce economic uncertainty that can slow household spending and decision-making. These effects are especially pronounced under the current administration's trade policies.

These same forces also affect housing supply. Ongoing uncertainty about tariff impacts, combined with rising construction material costs, could slow the pace of new housing development in Michigan. This is occurring on top of an already elevated cost environment for building materials and appliances that began during the COVID-era supply chain disruptions of 2021 and 2022.

An April 2026 report from the minority on the Senate’s Joint Economic Committee ⁸ finds that the price of copper had increased 25% year over year in February 2026, and 21% for steel, including steel products. The report also notes that finished products have increased in price – for example, ovens increased by 9%.

Producer Price Index (PPI) data from the Federal Reserve shows a similar trend. The pricing for construction materials as commodities is tracked by a special Bureau of Labor Statistics subindex. It shows a rate of increase for building materials goods of 49% between 2019 and 2026. Another PPI dataset shows changes in pricing among retailers of these commodities and is more similar to what a contractor would pay for them. It shows a much higher rate of increase (70%) during that same time.



Figure 5: Producer Price Index for Building Material and Supplies Dealers, 2016 – 2026, accessed 4/21/26 at <https://fred.stlouisfed.org/series/PCU44414441>

⁸ https://www.jec.senate.gov/public/_cache/files/fe5d79b2-97cb-4c55-aeba-3e31fdd235fd/april-2026-final-jec-report-on-housing.pdf

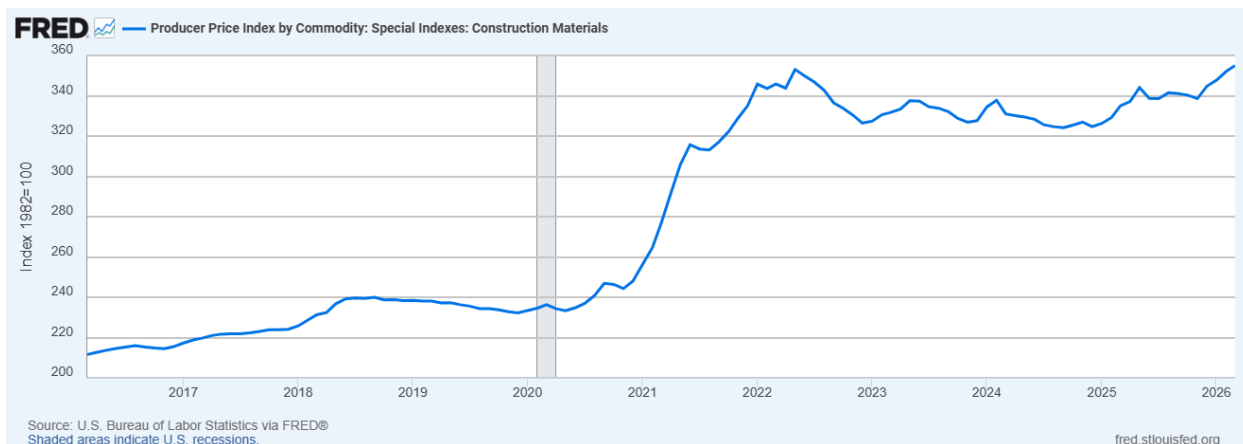


Figure 6: Producer Price Index by Commodity for Construction Materials, 2016-2026, accessed 4/21/26 at <https://fred.stlouisfed.org/series/WPUSI012011>

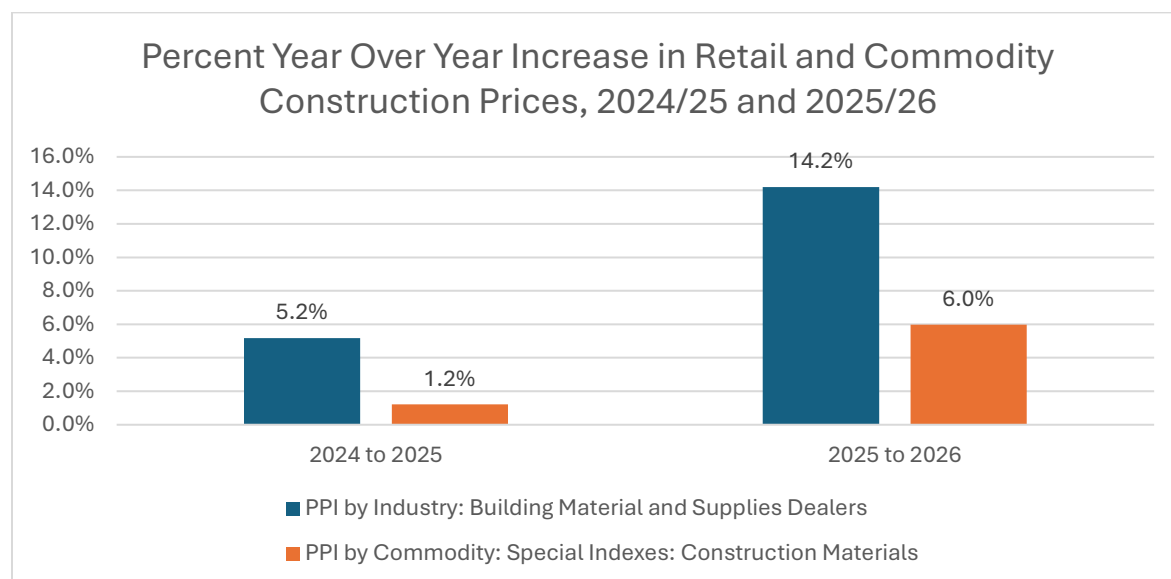


Figure 7

As both charts show, both basic pricing and retail markups for these goods are at or near historic highs and have seen significant spikes since the beginning of 2026. The third chart in this series (Figure 8) highlights the percentage year-over-year (March to March) increase in construction-related prices. It shows the likely effect of the tariffs strongly. The change in the PPI for retail sales of building supplies increased nearly threefold (5.2% vs. 14.2%), while the change in the price of the goods themselves increased fivefold. It would be difficult, given these numbers, to downplay the effect of tariffs on the pricing of these goods.

Current estimates of what these statistics mean for the for-sale housing market vary to some degree. The Center for American Progress notes that, as of December 2025, tariffs would increase the cost of a new home to consumers by about \$17,500 on average and could cost about 450,000 new homes in total across the country by 2030.⁹ Similarly, the National Association of Home Builders estimates that increase at \$10,900 per new home.¹⁰ Though these estimates were derived prior to the Supreme Court’s ruling invalidating a number of tariffs levied by the Administration under the International Emergency Economic Powers Act in February 2026, the President then enacted a global 10% tariff using other legal means. These replacement tariffs are subject to Congressional renewal after 150 days.

Increase in Costs Among MSHDA Projects

MSHDA-financed projects are particularly vulnerable to increased construction costs. Several factors contribute to this vulnerability, including ongoing labor constraints in the construction industry. The current tariff environment further amplifies these pressures. Because tariffs disproportionately affect smaller market participants, affordable housing developers—who generally operate at smaller scales—are more exposed to their effects. This can manifest as difficulty sourcing non-tariffed materials, limited ability to purchase or store materials in bulk, and reduced flexibility to absorb unplanned cost increases due to programmatic caps or other funding limitations.

These challenges are occurring at a time when the cost of developing housing overall has risen sharply. This is especially true for affordable housing. Among new-construction 4% LIHTC projects, the average total development cost per unit has increased by about 50% since 2022 and nearly doubled since 2019. For new construction 9% LIHTC projects, per-unit development costs have grown by nearly a third since 2019. Recently, the increases in new construction projects under that program have been about 10%.

Another measure of cost increases is change orders processed by MSHDA resulting from modifications in project budgets during the construction period. These reflect the pandemic supply shock as well, as projects completed between mid-2023 and mid-2024 saw significantly higher construction change order needs.

⁹ Center for American Progress, Trump Administration Tariffs Could Result in 450,000 Fewer New Homes through 2030, accessed 4/21/26 at <https://www.americanprogress.org/article/trump-administration-tariffs-could-result-in-450000-fewer-new-homes-through-2030/>

¹⁰ National Association of Home Builders, How Tariffs Impact the Home Building Industry, accessed 4/21/26 at <https://www.nahb.org/advocacy/top-priorities/building-materials-trade-policy/how-tariffs-impact-home-building>

Although these higher costs are not solely the result of tariffs, the tariff-driven increases in construction material PPI over the past year are significant enough that, without additional resources to cover the resulting funding gaps, MSHDA would be able to support fewer projects and produce fewer units each year. This is an important point to make, since the Authority accounts for a significant portion of Michigan’s multifamily production on a yearly basis. In fact, MSHDA-funded construction equates to nearly one in three multifamily building permits issued in the state.

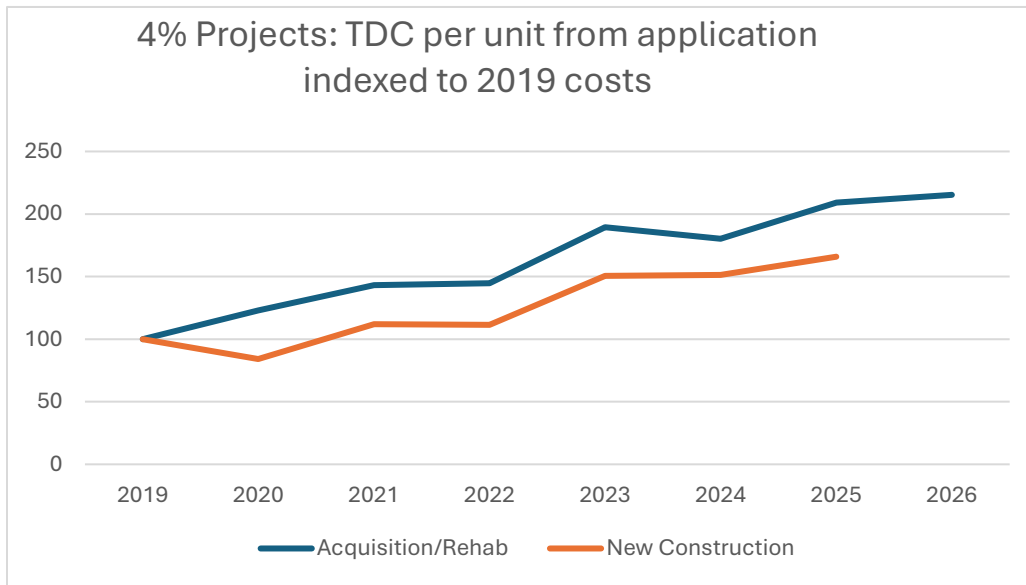


Figure 8

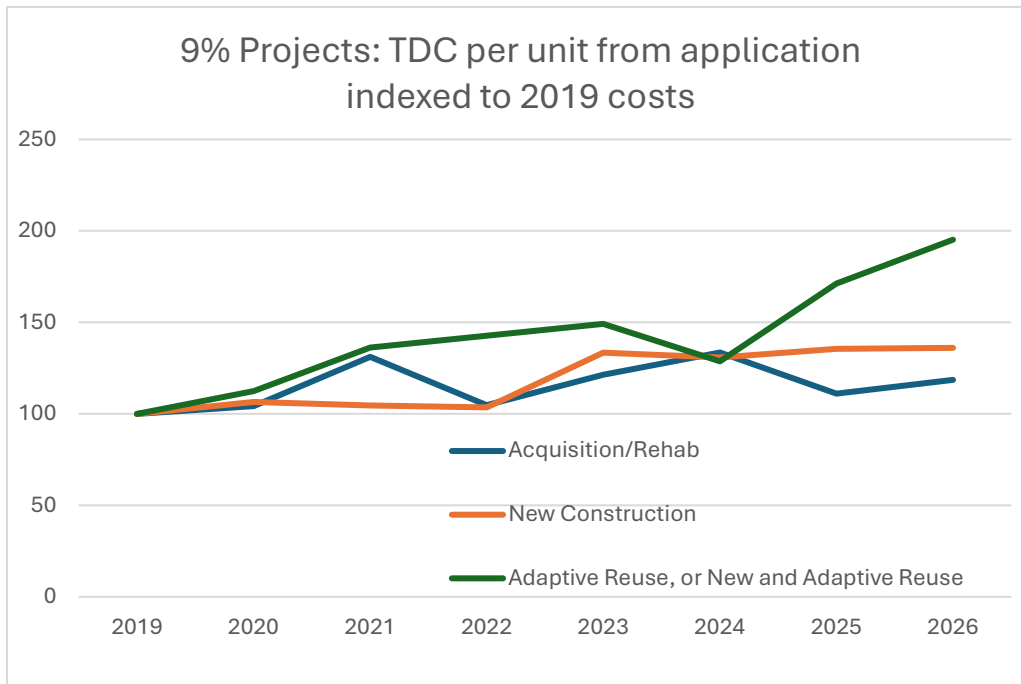


Figure 10

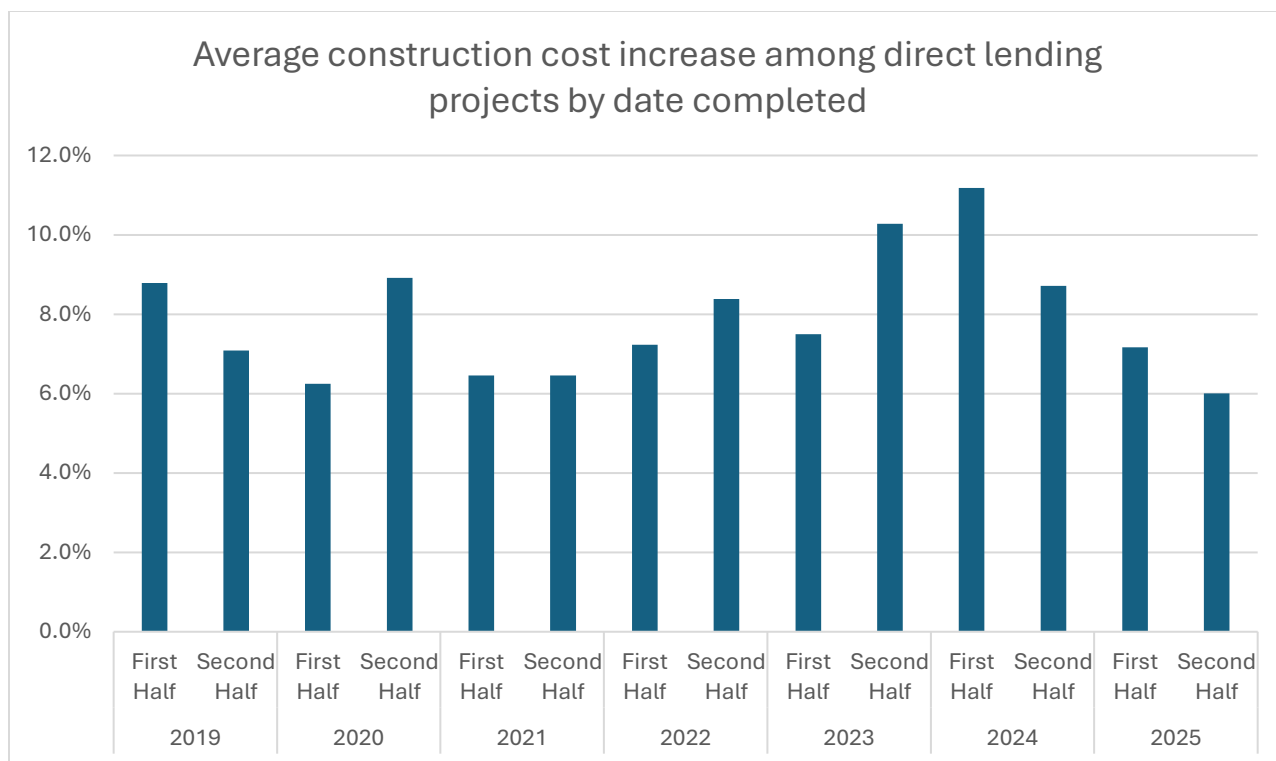


Figure 11

Due to the time it takes to fund and build housing through MSHDA’s programs, the full picture of what the impact of tariffs has been on finished projects is not available yet. However, Figure 11 shows that the pandemic supply crisis had a serious impact on MSHDA direct lending LIHTC projects, with a significant increase in construction costs. This chart shows the magnitude of cost increases that both MSHDA and its partners have had to deal with during that earlier round of price increases. Through 2025, costs have been higher than anticipated by between six and eight percent. Tariffs will likely push these increases higher for projects currently under construction.

Other Housing Development Issues

There are other impacts from current events that, along with continued pressure from tariffs, will likely increase construction costs for the short and medium term. For example, most analysts seem to agree that the cost of oil will remain elevated for a significant period, driving inflation generally and – relevant to this analysis – the cost of delivering building materials. Associated Builders and Contractors (ABC) estimates that “Construction materials prices surged in March and are now up 4.8% year over year, the largest annual increase since January 2023,” said ABC Chief Economist Anirban Basu. “This monthly increase is due to higher oil prices, a direct result of conflict in Iran, and it remains

to be seen how that seismic geopolitical event will affect other input prices in the months to come.”¹¹

Interest rates are another aspect of the development environment that is impacted by tariffs. The Federal funds rate carries a target of between 3.5% and 3.75% as of April 2026. Since tariffs act to increase prices in the economy, they tend to provide a floor for inflationary trends. This restricts the ability of the Federal Reserve to lower the target rate and still keep within their ultimate goal of keeping inflation at about 2%. Their desire to hold to this goal may change given new leadership at the Fed, but that remains to be seen.

In any case, the cost of financing affordable housing has increased over the last few years in other ways too, having to do with banks’ efforts to ameliorate risks associated with multifamily construction. For example, new affordable housing developers may have to obtain various types of bonds and insurance to make the loan more secure for lenders.¹² Increases in costs due to tariffs makes getting a project’s proforma to pencil out even harder.

Tariff Refunds

Due to the Supreme Court’s decision earlier this year that struck down tariffs the Administration put in place under the International Emergency Economic Powers Act, the Federal government must reimburse importers that directly paid tariffs on goods for these costs. The United States Customs and Border Protection has stated that tariff refunds will be rolled out in phases. The first phase began on April 20, 2026, where Importers of Record and Customs brokers can file a Consolidated Administration and Processing of Entries claim through their Automated Commercial Environment (ACE) account, limited in phase one to “certain unliquidated entries and certain entries within 80 days of liquidation.” The government website that holds information on this is: [International Emergency Economic Powers Act \(IEEPA\) Duty Refunds | U.S. Customs and Border Protection](#).

The developers of housing that MSHDA supports do not typically buy goods directly from a foreign supplier and, therefore, will not qualify for a refund under the current parameters. Because of this, there is not a role for MSHDA in the current refund process outlined by the federal government.

¹¹ <https://www.abc.org/News-Media/News-Releases/abc-oil-prices-contribute-to-march-surge-in-construction-materials-prices>

¹² Thodos, Gonzalez-Hermoso and McDaniel, The Challenges Facing Small or Emerging Multifamily Housing Developers and Strategies to Overcome Them. The Urban Institute. Accessed 4/21/26 at [The Challenges Facing Small or Emerging Multifamily Housing Developers and Strategies to Overcome Them](#)

Conclusions

In sum, the Administration's tariff policy has distinct negative impacts on stable housing for Michigan households. These include the following:

- Increasing household costs by an estimated \$760 to \$1,500 per year at a time when inflation remains elevated and public assistance resources are strained.
- Creating uncertainty around tariff implementation and legal durability, which has contributed to delays in business investment and broader hesitations in trade and capital spending.
- Slowing the pace of employment growth in Michigan as firms adjust to higher input costs and increased uncertainty.
- Raising construction costs by driving up the price of materials, thereby reducing the financial feasibility of new housing development.
- Contributing to more restrictive financing conditions for affordable housing developers, including reduced loan proceeds and diminished investor appetite for LIHTC equity, as higher costs increase project risk.

For MSHDA's housing production, we estimate that continued tariff-related pressures could result in 350 to 400 fewer units compared with the previous fiscal year. This projection applies the rise in total development costs since 2024 (about 10% for new builds) and change orders (around six to eight percent) to production and total development costs in FY 2025. It also assumes relatively stable resource levels for MSHDA programs. If additional resources become available to offset these cost increases, the reduction in unit production attributable to tariff impacts could be smaller.