

The Impact of Proposed Tariffs on Strata and Condominium Corporations in Canada

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The recent announcement made by the United States to implement tariffs on Canadian imports has sent ripples through various sectors of the economy, including the real estate market.

These proposed tariffs, which impose a 25% levy on imports from Canada and Mexico (with a 10% tariff on Canadian energy products), are expected to have repercussions on strata and condominium corporations in Canada. Here are some factors to consider as we navigate through these challenging times.

ECONOMIC IMPACT

The tariffs may impact the costs for building materials, many of which are imported from the United States. Monitoring is ongoing; however, it is unclear if costs for building materials will rise or fall. Tariffs may boost sourcing within Canada which could potentially lower costs as local materials become more price competitive.

Any cost fluctuations will affect expenses for valuation, construction, repairs, labor and renovations for residential properties, including lumber, steel, and other essentials. These changes will directly impact replacement value costs.

SUPPLY CHAIN DISRUPTIONS

Tariffs can potentially disrupt supply chains. Import delays could lead to increased costs for materials and services. This disruption can impact the timely completion of projects and lead to higher overall expenses.

Strata and condo corporations may face challenges in budgeting and forecasting expenses, as fluctuating costs of materials and potential delays can create financial uncertainty.

REPLACEMENT VALUES

The broader economic effects of tariffs will likely influence replacement values.

If the costs for goods and materials increase due to tariffs, this will lead to higher replacement values, which in turn could result in higher insurance premiums. Conversely, if the costs for goods and materials decrease, the replacement values will also decrease, potentially leading to lower insurance premiums.

Properties will need to keep informed regarding these impacts and adjust their budgets to account for these potential changes in replacement values.

TIPS TO MITIGATE THE IMPACT

While the exact effects of the proposed tariffs remain uncertain, there are a few steps that strata and condo corporations can take to proactively prepare:

- 1. Budget Adjustments** Properties should review and adjust their budgets to account for the potential cost fluctuations due to tariffs. Including a buffer for unexpected expenses can help manage financial uncertainty.
- 2. Long-term Contract** Where possible, secure long-term contracts with suppliers and service providers to lock in current prices and avoid sudden cost increases. This can help mitigate the impact of fluctuating material costs.
- 3. Local Sourcing** Explore options for sourcing materials locally to reduce reliance on imported goods. This can help minimize the impact of tariffs and support local businesses.
- 4. Energy Efficiency** Invest in energy-efficient upgrades and technologies to reduce overall operating costs. This can help offset the increased expenses associated with tariffs and improve the long-term sustainability of the property.
- 5. Insurance Review** Regularly review insurance policies and work with a specialized insurance broker. This can help strata and condo corporations find the best coverage options at reasonable prices.
- 6. Annual Replacement Cost Appraisals** Ensure your property obtains an annual replacement cost appraisal from an accredited appraisal firm. This will help ensure your building is insured to full replacement cost and any significant changes are captured quickly.
- 7. Education and Advocacy** Stay informed about the latest developments in trade policies and their potential impact on the housing market.

By proactively addressing the potential impacts of the proposed tariffs, strata and condo corporations in Canada can better manage their financial health and continue to safeguard a high standard of living for their residents.

WE'RE HERE TO HELP!

As a proud Canadian company, BFL CANADA is committed to supporting strata and condo corporations through these challenging times.

With a deep understanding of the Canadian market and a strong network of local suppliers and service providers, **BFL CANADA** is well-positioned to help properties navigate the complexities of the proposed tariffs.

Our team of experts provides tailored insurance solutions and strategic advice to ensure the financial health and sustainability of your property.

To find out more information about our people and our services, please visit:
bflcanada.ca/realty-insurance-services/

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