

Architects Are Navigating Tariff Pressures in an Uncertain Market

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“Architects and engineers are sitting on the sidelines a little bit right now,” says [Phillip Ross](#), a building practice leader at Anchin, a consultancy. “The future owners of the buildings are the ones thinking, ‘What can I do?’ They may have gotten some funding approved and now don’t want to spend 20% more on the building.”

Most projects that have broken ground have already sourced their materials and also have material escalation clauses in their contracts. Projects in preconstruction are most impacted by the changing material marketplace. Without locked-in labor and materials costs, preconstruction projects may be pushed to start trimming amenities, shrinking common areas, and vastly rethinking material choices.

But once there’s more cost certainty and decisions get made to rework or proceed, architects will be tasked to look at the potential for redesign. Often, the moment before construction starts, when materials purchases and prices come into play, can trigger last-minute reconsiderations.

“How can we do things differently without compromising the project?” says Ross.

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Ross recommends that, based on the choices made by designers and engineers, construction teams look to diversify their suppliers early in the process and even try to lock in prices, which may necessitate earlier collaboration across design and build teams. Architects should back into budgets, factoring in cost increases and designing with variability and options in mind when it comes to finishes and material costs.

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Even with a larger shift towards material awareness and different design strategies, it's likely many projects in the works will seek some kind of redesign due to the shifting financial landscape for development. Ross says the situation with projects in preconstruction typically plays out one of two ways. First, a developer who solicited some bids and designs and hasn't signed a contract with an architect may decide the changing financials warrant another approach and put the project back out for new proposals.

The other scenario tends to happen when an architect has already signed a contract, and the project's financial picture changes, pushing developers to ask for additional savings. It's important for architects to clearly establish mutually understood processes and procedures for redesigns in case they find themselves in this situation.

"Architects and engineers need to make sure that if they're doing a lot of extra redesign work, they need to potentially get compensated," Ross said. "This is extra work that could be saving the owners millions of dollars."

This becomes all the more important as the slowdown in new projects continues. AIA chief economist Kermit Baker recently noted that, while many architecture firms still have an average of 6.5 months of backlog, the current economic limbo will likely cut into that that figure, with clients anxious about starting new projects. With fewer RFPs, and more projects potentially dragging on as clients wait for funding, holding on to existing work may become all the more important.

"A lot of clients say this period reminds them of [the coronavirus pandemic], because you simply didn't know what was going to happen," Ross said. "Obviously, we want tariffs to be lower instead of higher. But everyone just wants to know what's going on. Once you have a little certainty, you know what you're dealing with."