This Tuesday was dubbed "Liberation Day" in America by President Trump and his administration. We finally received some answers to our questions on tariffs, but many questions still remain. When I see events like this dominate the headlines, I always wonder "how will this affect me?"

Tariffs in the U.S. can impact multifamily apartment owners in Iowa in several ways, primarily through increased costs and economic shifts. These changes can have positive and negative effects. Here are the key areas to watch:

1. Construction and Renovation Costs

Negative:

Material Costs: Tariffs on imported materials like steel, aluminum, and lumber can drive up prices for construction and renovations. If you're planning upgrades to your property or considering a new acquisition that needs work, your expenses could rise.

Appliance & Fixture Costs: Tariffs on foreign-made appliances, plumbing fixtures, and electrical components could make unit upgrades more expensive.

Positive:

If tariffs drive up the cost of homebuilding (due to more expensive materials), fewer people may be able to afford homeownership, leading to higher demand for rental properties. This could allow you to increase rents or keep vacancy rates low.

If multifamily development costs increase, fewer new apartment buildings may be built. This would reduce competition for existing multifamily units, potentially allowing you to command higher rents and maintain strong occupancy rates.

2. Rising Operating Expenses

Negative:

We've already been hit by rising operating expenses for the past few years. Continued increases with force owners to struggle with cash flow and increasing NOI. Higher costs for replacement parts, tools, and building materials could lead to increased maintenance costs.

Property Insurance: If tariffs contribute to inflation and higher rebuilding costs, insurance premiums could rise.

Positive:

None: I try to be optimistic, but I just don’t see what’s positive associated with higher operating expenses!

3. Interest Rates & Lending Impact

Negative:

Higher Inflation → Higher Interest Rates: If tariffs drive inflation, the Federal Reserve may respond by increasing interest rates. This would lead to higher mortgage rates, making financing new deals or refinancing existing loans more expensive.

Tighter Lending Conditions: Banks may become more conservative, making it harder to secure loans for acquisitions, renovations, or refinances.

Positive:

A weakening economy and higher unemployment could force the Federal Reserve to cut interest rates. The latest estimate is two .25pt rate cuts this year. There’s almost nothing that can get the Federal Reserve moving faster than a recession. Lower long term interest rates could help those needing to refinance or help buyers and sellers bridge that gap that still remains between sale and purchase price.

4. Economic Production & Tenant Income Strain

Negative:

Job Losses in Key Sectors: Iowa’s economy relies on agriculture and manufacturing, both of which are heavily affected by tariffs. If tariffs lead to fewer exports or higher production costs, local job losses or wage stagnation could impact tenants’ ability to pay rent.

Lower Rent Growth: If tenants are financially strained, rent growth may slow, and delinquencies could rise.

Positive:

Tariffs on foreign goods may encourage domestic production, which could benefit Iowa’s manufacturing and agricultural industries. If local companies expand and hire more workers, it could increase income levels, making tenants more capable of paying rent and even allowing for higher rents over time.

5. Market Opportunities

Positive & Negative:

Buying Opportunities: If higher costs and economic uncertainty force some landlords to sell at a discount, it could create buying opportunities for well-capitalized investors.

Shift to Rentals: If tariffs and inflation make homeownership less affordable, more people may remain renters, increasing demand for apartments.

Potential for Property Appreciation: If tariffs lead to domestic job growth and wage increases, demand for housing could rise. This could result in higher property values over time, benefiting your long-term investment strategy.