

RESEARCH BRIEF

CANADA: SUPREME COURT TARIFF DECISION

FEBRUARY 2026

New Tariffs Offer Relief to Canada, but USMCA Remains Top Priority

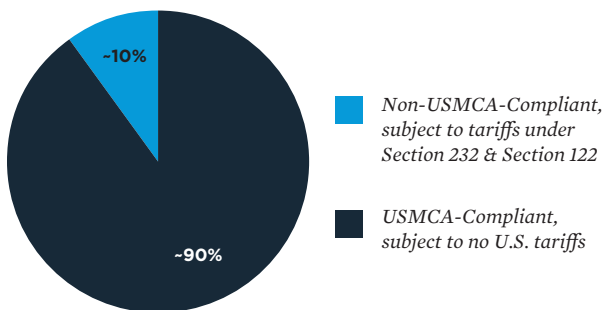
U.S. government responds to court ruling on IEEPA tariffs. On Feb. 20, the U.S. Supreme Court delivered a 6-3 decision holding that President Trump’s sweeping global import duties imposed under the International Emergency Economic Powers Act (IEEPA) lacked statutory authority. The Trump administration immediately responded by announcing a new 10 per cent global tariff under Section 122 of the Trade Act of 1974, a statutory provision that permits temporary surcharges of up to 15 per cent for up to 150 days without congressional approval. Within roughly 24 hours, the U.S. indicated it could raise the tariff rate to 15 per cent – the maximum threshold permitted under Section 122. That signalled a tactical reset of the U.S. tariff framework and underscored ongoing contention over executive trade authority.

Mid-year USMCA joint review remains in focus. For Canada, the court ruling on IEEPA and the Trump administration’s subsequent actions mean that the previously imposed 35 per cent tariffs on non-USMCA-compliant goods have been scaled back to 10 per cent, in addition to Section 232 tariffs. Moreover, most goods – roughly 90 per cent of Canada’s exports to the United States – remain tariff-free under the current USMCA framework. While this development reduces Canada’s effective tariff burden in the near term, the broader focus remains on the upcoming midyear review of the USMCA, which could alter the trajectory of North American trade policy beyond this new temporary adjustment.

Near-term uncertainty remains elevated. Following this latest development, Canada’s effective tariff rate is estimated to have declined by roughly 3 percentage points. This offers a modest but constructive tailwind for commercial real estate – particularly the industrial sector, which is most exposed to cross-border trade flows. After last year’s stronger-than-expected performance, however, the near-term outlook for the industrial sector will continue to hinge on the direction of the USMCA review. Should trade conditions stabilize or improve, leasing activity could remain strong into the second half of the year. However, with President Trump having described USMCA as “irrelevant,” policy risk remains elevated. This leaves open the possibility of further shifts in U.S. trade policy that could temper leasing momentum in the months ahead.

Property sales to remain cautious and selective this year. Last year, industrial investment activity was weighed down by elevated trade-related risks, with total transaction volume falling by 28 per cent. Against this backdrop, investors are expected to closely track ongoing trade policy developments, remain cautious in the near term, and deploy capital more selectively. This is likely to translate into a continued preference for core, well-leased assets with limited exposure to international trade flows. Markets with higher sensitivity to cross-border activity – including Toronto, Montreal, and Vancouver – may, therefore, see some investors stay on the sidelines until greater clarity emerges on the trade policy outlook.

Share of Canada’s Goods Exports to U.S.



Buyers More Selective in Trade-Exposed Metros

