

What's the Deal By [Daniel Lesser](#)

Daniel Lesser, president and CEO, LW Hospitality Advisors, New York City



Global warming

(The views and opinions expressed in this blog are strictly those of the author.)

Global warming is the term used to describe a gradual increase in the average temperature of the earth's atmosphere and its oceans, a change that is believed by many to be altering the planet's climate permanently.

While the topic has been widely debated, with some even referring to it as a hoax, the fact is that during the past century the planet has warmed. Changes resulting from global warming have included the melting of the polar ice caps, which has led to rising sea levels, as well as an increase in the number and severity of storms and other harsh climatic events (such as Hurricane Sandy) which have had a devastating impacts on various parts of the world.

During the balance of this century, the combination of rising seas and increasing population growth along much of both U.S. coastlines is anticipated to be an existential risk for millions of people. Left unchecked, continuation of global warming is anticipated to result in permanent flooding in many low-lying areas of major coastal U.S. cities in New England, the Mid-Atlantic, South Florida, the Pacific Northwest and California. These locales represent the nation's most desirable real estate (including hotels) investment markets.

The real estate industry is slowly awakening to the risks of climate change and its impact on sea levels worldwide. Zillow, the online property database firm, published a [report](#) last year suggesting that sea level rise could cause upward of US\$1 trillion in property losses by the end of this century. The fallout would be felt by property owners, developers, real estate lenders and the financial institutions that bundle and resell mortgages.

As difficult as it is to predict the pace of climate change, modeling how it will affect real estate markets is even more complicated. Like a game of hot potato, developers, banks, flood insurers and buyers of securitized mortgages try to hand off risky properties before getting burned.

Considering what is anticipated to occur with sea levels rising over the next 30 years, it is daunting to contemplate the negative impact of dramatic increases in flood insurance premiums on real estate values. Much of the uncertainty surrounding climate change focuses on the speed of the rise in sea levels. However, property values may be vulnerable to end up financially under water long before the properties themselves literally do. What is often referred to as "nuisance" flooding, inundation caused more by tides than weather, is in some areas already negatively impacting property values. A foot or two deep of flooding stops traffic, swamps basements, damages cars and contaminates groundwater.

As time marches on, global warming and its resultant negative effects will be an issue that garners greater consideration when underwriting all types of real estate investments situated in coastal areas throughout the world. Hopefully, surrounding infrastructure of locales at risk keep pace with defensive coastal protection plans to mitigate the threats posed by global warming.

1/30/2017