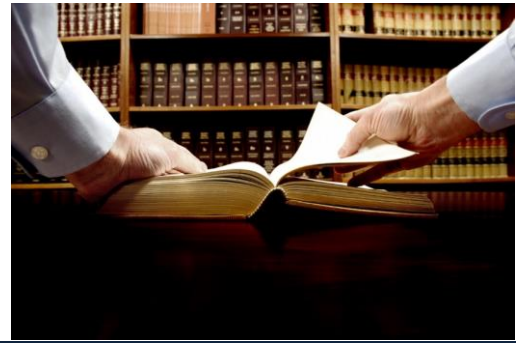


inBrief



Dubai's Resilient Property Market in the face of Climate Change

By Shahram Safai, Doneen Ennis, Anita Hajynia and Abhimanyu Chattree
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Climate change is affecting the world, and its impact is notably most seen in the rise in sea levels and flooding from major weather systems, as evident in the recent events in Florida in the US. These changes directly threaten oceanfront communities and the local real estate market.

Oceanfront properties, once considered prime real estate, are now facing significant devaluation globally due to the encroaching threat of rising waters. However, interestingly, while this trend is evident in many parts of the world, Dubai presents an anomaly where oceanfront property prices continue to defy the global trend, with property prices showing resilience and, in some places, even increasing.

The Global Scenario: Rising Water Levels and Falling Property Prices

Climate change has accelerated the melting of polar ice caps, leading to rising sea levels. According to a report by the Intergovernmental Panel on Climate Change (IPCC), global sea levels have risen by about 20 centimetres since 1880, with the rate of increase doubling over the last two decades. This rise poses a significant threat to oceanfront communities, leading to frequent flooding, erosion, and the potential eventual submersion of low-lying areas.

In US states such as Florida, a region notorious for its vulnerability to rising seas, property prices in certain oceanfront areas have dropped by as much as 20% since 2013. Additionally, the demand for houses with higher elevation has risen. Similarly, the same trend has occurred in other states, such as New York, Massachusetts, and California where oceanfront property prices are losing significant value. In Nantucket, Massachusetts, a beachside residence that should have sold for \$2 million sold instead for a fraction of the price at \$600,000. Notably, the drop in prices reflects the evident risk not just to the properties but also to life. The drop in property values has occurred over the last 10 years with the increase in flooding, along with the increase in hurricanes and their power.

However, although the UAE's long coastline increases its vulnerability to rising sea levels and with the UAE Ministry of Climate Change and Environment estimating sea level rises in the Gulf by as much as 50 centimetres by 2050, the UAE continues to see a rise in oceanfront property values, unlike other areas of the world.

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Dubai: The Exception

In contrast to the global trend, Dubai's oceanfront property market continues to thrive. The city, known for its ambitious real estate projects, has managed to maintain, and even increase, the value of its oceanfront properties.

Dubai has made significant investments in infrastructure to address the risks of rising sea levels most notably the use of innovative architectural design, preventative measures and future planning:

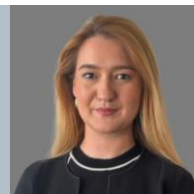
- i) Palm Jumeirah and Palm Jebel Ali are artificial islands which were designed using advanced engineering techniques to guard against flooding and erosion.
- ii) Plantation of Mangroves; Dubai is already looking to bolster its sea lines and reduce the impact of climate change in the reintroduction and addition of mangroves. Success has already been seen in Abu Dhabi on this front.
- iii) Responsible and regenerative development; new up and coming developments are dealing with environmental and climate issues at hand, most notably the rise of and introduction of greener living spaces, and forest landscaping.

Further, in order to combat the environmental challenges posed by global warming, the Government of Dubai has implemented certain programmes and zoning laws which include the Green Building Regulations & Specifications, Coastal Zone Management Framework, and the Dubai Urban 2040 Master Plan. In Dubai, the government and real estate developers have invested in sand banking i.e., raising the natural elevation of the ground level from the sea level.

Dubai's ability to use technology and advances in engineering alongside its driven and notable advanced plans to tackle and deal with climate change issues such as erosion and flooding in advance, arguably, is what drives investors and realtors' confidence in the oceanfront real estate market. Notably, Palm Jumeirah has seen an increase of 54% in the mean property price recently.

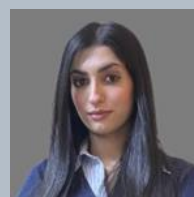
But what are the legal considerations and implications that investors should be aware of?

1. **Disclosure:** ahead of any purchase an Investor should enquire and request a full disclosure of the property's history, including any flooding history.
2. **Insurance and Liability:** investors should be aware of the potential risk of increased insurance premiums with the potential that an oceanfront property becomes uninsurable.
3. **Zoning and Development Laws:** although other global cities are having to review and implement stricter zoning laws, Dubai's rapid development is factoring in the laws and codes implemented by the government including, Dubai Municipality's Green Building Regulations and Specifications and Dubai 2040 Urban Master Plan.



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Doneen is a real estate associate based in Dubai. Her expertise encompasses a wide range of areas and she excels in skilfully navigating intricate corporate and property landscapes. Her notable experience includes advising on large real estate investment sales and purchases, conducting corporate real estate due diligence reports for a large international hotel group, and preparing high-level due diligence reports for financing matters related to real estate assets. Doneen is also part of the tax team, advising clients in relation to corporate tax matters within the UAE.



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Anita is a dedicated paralegal who provides essential support to lawyers in corporate, commercial, real estate, and tax matters. She plays a key role in conducting legal research, drafting memoranda, and reviewing a variety of contracts and documents.



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Abhimanyu is an intern who has worked in Afridi & Angell's Dubai office with knowledge in real estate and corporate regulatory compliance. Prior to interning with Afridi & Angell, Abhimanyu worked as an associate at a leading law firm in New Delhi, India.

Conclusion

Going forward, the risks posed by rising sea levels are a threat to oceanfront real estate. Innovative real estate development solutions will need to be utilised and invested in by developers and governments. Further, alternative approaches to development and areas of development shall need to be considered, including developing inland water bodies such as lakes or lagoons that replicate the aesthetics and lifestyle of oceanfront living without the rising sea level risks. Dubai has already developed master communities with inland lakes and lagoons, and continues to be at the forefront of this design with new lakes and lagoons developments underway. These inland real estate developments combine luxury living with a practical response to the growing threat of coastal erosion and flooding.

Climate change is a global issue, and rising sea levels do not respect national borders. Therefore, there needs to be a cohesive and robust international response to dealing with the increasing challenges of rising sea levels. ■

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