CLIMATE CHANGE

Buyers wary of coastal flooding

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BY IAN URBINA The New York Times

A battered beach house stands beyond a destroyed seawall at Ponte Vedra Beach, Fla., in October after Hurricane Matthew passed through. Rising sea levels are changing the way people think about waterfront homes.

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Real estate agents looking to sell coastal properties usually focus on how close the home is to the water’s edge.

But buyers are increasingly asking instead how far back it is from the waterline. How many feet above sea level? Is it fortified against storm surges? Does it have emergency power and sump pumps?

Rising sea levels are changing the way people think about waterfront real estate. Though demand remains strong and developers continue to build near the water in many coastal cities, homeowners across the nation are slowly growing wary of buying property in areas most vulnerable to the effects of climate change.

A warming planet has already forced a number of industries to account for potential future costs of a changed climate. The real estate industry, particularly along the vulnerable coastlines, is slowly awakening to the need to factor in the risks of catastrophic damage from climate change, including that wrought by rising seas and storm-driven flooding.

But many economists say that this reckoning needs to happen much faster and that home-buyers urgently need to be better informed. Some analysts say the economic impact of a collapse in the waterfront property market could surpass that of the bursting dot-com and real estate bubbles of 2000 and 2008.

The fallout would be felt by property owners, developers, real estate lenders and the financial institutions that bundle and resell mortgages.

Over the past five years, home sales in flood-prone areas grew about 25 percent less quickly than in counties that do not typically flood, according to Attom Data Solutions, the parent company of RealtyTrac. Many coastal residents are rethinking their investments and heading for safer ground. “I don’t see how this town is going to defeat the water,” said Brent Dixon, a resident of Miami Beach who plans to move north and away from the coast in anticipation of worsening king tides, the highest predicted tide of the year. “The water always wins.”
These concerns have taken on a new urgency since the presidential election of Donald Trump, who has long been a skeptic of human-caused global warming.

Trump’s recent selection of Myron Ebell to lead his Environmental Protection Agency transition team intensified these worries in Florida and among many climate scientists. Ebell has helped lead the charge against the scientific consensus that global warming exists and is caused by people.

State lawmakers in Massachusetts and New Jersey are pushing to impose new rules on real estate agents and others, obligating them to disclose climate-related damage like previous flooding. Banks and insurers need to protect their collateral and investors more by improving their methods for estimating climate-change risks and creating more standardized rules for reporting them publicly, economists warn.

In April, Sean Becketti, the chief economist for Freddie Mac, the government-backed mortgage giant, issued a dire prediction. It is only a matter of time, he wrote, before sea level rise and storm surges become so unbearable along the coast that people will leave, ditching their mortgages and potentially triggering another housing meltdown — except this time, it would be unlikely that these housing prices would ever recover.

“Some residents will cash out early and suffer minimal losses,” he wrote. “Others will not be so lucky.” Florida has six of the 10 U.S. urban centers most vulnerable to storm surge, according to a 2016 report from CoreLogic, a real estate data firm. Southeast Florida experiences about 10 tidal floods per year now. That number is likely to be around 240 floods per year by 2045, according to climate researchers.

In the past year, home sales have increased 2.6 percent nationally but have dropped about 7.6 percent in high-risk flood zones in Miami-Dade County, according to housing data.

Forty percent of Americans live and work in coastal areas, and those who can afford it are protecting their investments by building private bulkheads and lifting their homes onto stilts. But skeptics question the logic of upgrading individual properties if the surrounding areas do not keep pace and flooding or the rise in sea levels swamps nearby roads.

For many homebuyers and owners, the cost of flood insurance is a growing worry. As premiums rise, property values fall, a trend already hurting home prices in places like Atlantic City, N.J.; Norfolk, Va.; and St. Petersburg, Fla., according to local real estate agents.

Norfolk is a city surrounded by water. In 2014, the Federal Emergency Management Agency expanded the area designated as highest risk for a flood in an update to regional maps, requiring thousands of new homeowners to have flood insurance.

Rising water and sinking land could push the relative sea level up in some parts by 6 feet by the end of the century, the U.S. Army Corps of Engineers estimates. Flood insurance in moderate- to low-risk areas nationally costs more than $200 a year, according to the National Flood Insurance Program, but for properties in flood zones, those rates could rise by as much as several thousand dollars. Within a year, Virginia lawmakers passed a real estate disclosure law that the industry hailed as a major step forward.

While the law encourages homebuyers to exert due diligence in investigating the risk of living in a flood hazard area, it also states that the seller of a home is not obligated to disclose whether the
home is in a zone that FEMA regards as high risk.

Some city officials said the law did not go far enough.

“It’s a nondisclosure disclosure,” Meg Pittenger, an environmental manager for the city of Portsmouth, Va., told The Virginian-Pilot. She added that it should have required sellers or agents to inform prospective buyers whether a property lies in a flood zone.

To make matters worse, the National Flood Insurance Program is more than $20 billion in debt. After several major coastal storms, Congress tried to fix the program, passing a law in 2012 requiring that insurance premiums be recalculated to reflect risk. Coastal homeowners rebelled, arguing that the legislation made insurance unaffordable, and in 2014 Congress repealed parts of the law.