

FORTUNE

Forget global warming: Beach property is hot

You'd think that the prospect of flooded coasts would mean that beachfront real estate prices would be sinking. But you'd be wrong. Fortune's Jon Birger dives into the topic.

<http://money.cnn.com/magazines/fortune>

By Jon Birger, Fortune senior writer

June 5 2007: 4:10 PM EDT

NEW YORK (Fortune) -- It took me a while, but I finally got around to seeing Al Gore's global warming movie, "An Inconvenient Truth". (Clearly I don't get out enough. The last first-run movie I saw was "Happy Feet" with my kids.)

Truth be told, I was bored silly by much of the movie - I'm not a documentary person, I guess - but there was one part of the movie that really stuck with me. It was Gore's assertion that, by 2100, huge swaths of coastal America would be washed away by a 20-foot rise in sea level. As someone who writes about real estate off and on, I thought it begged an interesting question: With so much attention now being paid to global warming, why isn't the market for beach homes...well...under water?

The stock price of Florida beach-community developer [St. Joe Company \(Charts\)](#) is actually up 9% since "An Inconvenient Truth" opened in May of last year. And real estate agents who specialize in selling seven-figure homes on the ocean say demand remains hot, despite the brutal market for real estate generally.

"It really hasn't been an issue," says Cape Cod, Mass. real estate agent Paul Grover. Grover has had a few warming-wary buyers who only wanted to look at homes on a bluff as opposed to right down on the beach, but such sentiments are rare. "The high end has been stable," he says. "In fact, I just sold a house [on the beach in Osterville, Mass.] for \$9 million that probably would have sold for \$7 million five years ago."

On one level, I can understand why someone looking to enjoy a beach house in 2007 might not obsess over what will happen in 2050 or 2100. Still, one of the key attractions of real estate as an investment has always been its permanence. As the saying goes, they're not making any more of it. So if a \$5 million property is going to be gradually swallowed up by the sea, to me it doesn't make a whole lot of sense to pay a premium price for what appears to be a depreciating asset. "Personally, there's no way I'd make a coastal land investment without looking at all these factors," says global warming expert Michael Oppenheimer, a professor of geosciences at Princeton University.

Do today's beach-house buyers have their collective heads in the sand? My own answer is yes - but with some caveats that suggest that they may not be buried quite as deep as Gore's movie would have you believe. First off, the sea level rise shown in "An Inconvenient Truth" is at the high end of scientists' predicted range, essentially reflecting what would happen if the entire Greenland or West Antarctic ice sheets were to melt. The United Nations' Intergovernmental Panel on Climate Change

(IPCC) posits that sea levels will rise anywhere from 4 to 35 inches by 2100.

Also, predicting changes in sea level is complicated by the fact that there are more variables than just air temperature. For instance, Oppenheimer points out sea levels are actually falling on the West Coast due to tectonic plate shifts. They're falling in Europe as well. And there's some thought that some of the glacier melt will end up in the air - in the form of higher humidity levels - as opposed to in the ocean.

I guess the bottom line is this: if you're a CEO or a hedge fund manager with \$5 million burning a hole in your pocket, go ahead and buy that beach home of your dreams. You just might want to buy the lot behind too.