



## Sea Level To Rise One Foot by 2050, Says NOAA

**Another good reason to stop subsidizing people to live at the beach.**

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"Sea level along the U.S. coastline is projected to rise, on average, 10-12 inches (0.25-0.30 meters) in the next 30 years (2020 -050)," says a new report from the National Ocean and Atmospheric Administration (NOAA). The agency notes this "will be as much as the rise measured over the last 100 years (1920-2020)." While the report stops short of saying so, this projection is yet another excellent reason to stop subsidizing coastal living.

Sea level is rising faster as a result of thermal expansion and added water from melting glaciers caused by man-made increases in global average temperatures stemming from accumulating greenhouse gases in the atmosphere due largely to the burning of fossil fuels. Interestingly, simply extrapolating the trajectory of current observations suggests that average sea level will rise to just under 15 inches by 2050.

Whether its 10 inches or 15, however, rising sea level means that more houses and coastal infrastructure are at greater risk of damage as tide and storm surge heights increase.

However, since 1968 the U.S. government's National Flood Insurance Program (NFIP) has been subsidizing a significant number of its policyholders to build and live in flood-prone areas. As a result of losses outstripping its premiums, the NFIP is \$20.5 billion in debt. In a recent article in *Regulation*, Peter Van Doren, a senior fellow at the libertarian Cato Institute, points out that the often highly concentrated nature of flood disasters would require private insurers to charge premiums amounting to 5 to 9 times the average claim in order to remain solvent. Few people would buy such expensive policies.

Last fall the NFIP launched its Risk Rating 2.0 program which is raising the rates for nearly 75 percent of its policyholders. Premiums may increase by as much as 18 percent per year for owner-occupied homes and 25 percent for second homes. Over time, such increases will incentivize people to move away from areas where the sea is engulfing their homes and businesses.

A growing body of research suggests that at least some Americans are beginning to factor sea level rise into their purchases of beachfront property.

For example, a 2019 study in the *Journal Financial Economics* found that houses "exposed to sea level rise sell for approximately 7% less than observably equivalent unexposed properties equidistant from the beach." Another 2021 study found that residential properties on Long Island that "were exposed to future sea level rise experienced an annual price appreciation rate of roughly 1% point below unexposed properties." Researchers at Georgia Southern University calculated in 2020 that homes in Savannah "most at risk from sea level rise are associated with an approximate 3.1 percent price discount."

In a fascinating 2021 article in *The Professional Geographer*, researchers identify a distinction between how concerns about rising sea levels affect the prices of single family primary and vacation homes in Miami. They find that properties below 2 feet above sea level show a substantial 15 percent discount for houses in which the owners live full time versus no significant discount for vacation homes. The researchers suggest that wealthier buyers for Miami vacation homes are more financially flexible, more mobile, and less socially invested in the community and so have a higher risk tolerance when it comes to sea level rise.

A 2021 article in *The Review of Financial Studies* reported survey data in Rhode Island suggesting that residents significantly underestimated flood risks with result that coastal housing prices were 6 to 13 percent higher than actual flood risks warranted. Another 2021 study evaluating coastal housing trends noted that there are contradictory studies with respect to whether rising sea levels were having an effect on coastal housing prices. However, the authors suggested that rising flood insurance premiums would reduce demand for properties in locations at risk of sea level rise.