

## Green buildings: Opportunities and risks

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**In recent years, the Middle East has emerged as a centre for monumental buildings. Dubai is currently building the world's tallest—Burj Dubai—while Saudi Arabia, Kuwait, Bahrain and Qatar all are considering building rival towers over the course of the next decade.**



Although attention-grabbing, these developments also cause enormous environmental impact. It is estimated that buildings worldwide use 42% of the world's energy and are responsible for 40% of greenhouse gas emissions.

Despite the current economic downturn, regions around the world—including the Middle East—continue to explore and embrace green building design to help address environmental concerns.

### Green developments in the Middle East

Many Gulf countries are introducing green building regulations and guidelines that govern the design and operation of all new buildings. Dubai World, the investment arm of the Dubai Government, has recently adopted the US LEED Green Building Certification scheme as a requirement for all its developments.

Additionally, in the UAE, the Emirates Green Building Council will soon be developing a specific UAE LEED version to guide future developments. Moreover, Bahrain, Qatar and Oman are all moving towards green building standards too.

These green initiatives have been triggered by numerous international organisations with Middle East operations bringing their environmental policies and standards into the region. In the UAE, for example, international businesses that have adopted green initiatives include Grand Hyatt and HSBC. UAE companies following their example include TECOM Investments and Zabeel Properties with other local and international organisations likely to follow in the near future.

Given the harsh desert climate of the Arabian Peninsula, some experts question whether buildings in the Middle East can really go green. Nevertheless, green investing continues to grow in the region. Currently under construction, Masdar City in Abu Dhabi plans to be the world's first zero-waste, carbon-neutral city and plans to utilise green and alternative energy in its buildings and throughout the city's entire infrastructure.

### New green buildings, but what about the old ones?

While green buildings are becoming the norm in Middle Eastern construction, converting older buildings to green technology presents daunting challenges. And, while many architectural icons, including New York's Empire State Building, are going green, it is yet to be seen whether the Middle East will accept the challenges associated with converting its old buildings into newer, cleaner, greener versions.

However, while installing energy efficient and renewable technologies in old buildings creates technical challenges and presents developers with increased expenditure, the long-term advantages often outweigh the initial expense.

In the current economic environment, owners and developers are realising that green buildings offer a good investment. It's often said that green buildings have higher market values because they are cheaper and often more efficient to maintain. Also, by going green owners can expect an increase in occupancy.

The point is this: Given the growing demand for green building space in both the public and private sectors in the Middle East, owners and landlords are coming under increasing pressure to think green when selling or leasing their properties.

### **Impact on businesses**

The green initiatives mean more opportunities for businesses to sell green building products, technologies and consultancy services in the region. Masdar City, for example, presents an attractive free zone for companies specialising in green technology to set up their businesses and bring their expertise to the region.

For existing businesses, adopting green building initiatives can enhance their corporate brand image. In the UAE, for example, building owners are facing Estidama in Abu Dhabi and Mandatory Progression legislation in Dubai, which indicates that going green could rapidly become a critical business strategy in the region.

Also, work-related health and safety regulations of many Middle Eastern countries require employers to ensure a safe and risk-free working environment for employees. Many large organisations are demanding green commercial office buildings, recognising that better indoor environmental quality increases employee productivity. A green building can also mitigate employer liability in growing legal actions from occupants blaming buildings for various health problems.

### **Avoiding Legal Risks**

For all of their environmental benefits, green buildings pose myriad legal challenges, which include the need to:

- Obtain proper local building approvals;
- Maintain green improvements between tenant and landlord;
- Secure financing;
- Negotiate with insurance and financial institutions;
- Resolve disputes over building projects that fail to achieve their energy conservation goals.

All of these challenges can be addressed by securing legal counsel at the inception of a building project.

For example, contracts between developer, contractor and architect should assign responsibility for obtaining required certification, while leases between tenants and landlords should contain clauses that include the parties' individual responsibilities for maintaining green improvements.

If not properly managed, these issues can lead to protracted and expensive legal proceedings. As a result, regulatory authorities such as the Real Estate Regulatory Agency (RERA) in Dubai are gearing up to deal with issues arising from breach contract regarding green conditions.

Despite the potential upside, the real estate market's approach to green buildings has been mixed, in part due to a lack of knowledge about the importance of green buildings to the environment and energy conservation. Moreover, some in the industry argue that in the current tough economic climate, developers and occupants may not want to shoulder the added expense of going green.

While obvious challenges exist, the future of green buildings in the Gulf remains promising. An improving economic climate will offer new opportunities to set up green technology businesses and, perhaps, develop several more green buildings.

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