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## Green Building Surge in the Middle East Poses Opportunities and Risks for Businesses

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In recent years, the Middle East has emerged as a center for monumental buildings. Dubai is currently building the world's tallest - the Burj Dubai - while Saudi Arabia, Kuwait, Bahrain and Qatar consider building rival towers over the coming decade.

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

Despite the current economic downturn, countries around the world--including the Middle East--are embracing 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. Bahrain, Qatar and Oman are all moving towards green building design as well.

These green initiatives have been triggered by numerous international organizations with Middle East operations bringing their environmental policies and standards into the region. In the UAE, 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 organizations 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. Nonetheless, green investing is growing in the region. Currently under construction, Masdar City in Abu Dhabi plans to be the world's first zero-waste and carbon-neutral city, utilizing green and alternative energy not only in buildings but in the entire city's infrastructure.

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

While green buildings are becoming the norm in new Middle Eastern construction, converting older buildings to green technology presents daunting challenges. While elsewhere, many old architectural symbols such as New York's Empire State Building are going green, it is yet to be witnessed whether the Middle East would take on the significant task of converting its old buildings to green. However, while installing energy efficient and renewable technologies in old buildings presents developers technical challenges and increased expenditure, the long-term advantages often outweigh the initial expense.

In the current economic environment, owners and developers are realizing that green buildings offer a good investment. Green buildings have higher market values because they are cheaper and more efficient to maintain. Also, by going green owners can expect an increase in occupancy. 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 specializing 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, numerous building owners are seeking green building certifications such as the LEED certification, indicating that going green is rapidly becoming a critical business strategy in the Middle East.

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 organizations are demanding green commercial office buildings, recognizing 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 benefits, green buildings also pose legal challenges, including the need to...

- Obtain proper local building approvals,
- Maintain green improvements between tenant and landlord,
- Secure financing,
- Negotiate with insurance and financial institutions, and
- 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 business 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 of green conditions.

Despite the upside potential, 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 argue that in the current tough economic climate, developers and occupants may not want to shoulder the added expense of going green.

But while obvious challenges exist, the future of green initiatives in the Middle East remains promising. An improving economic climate will offer new opportunities to set up green technology businesses and develop green buildings in the Middle East.

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