

COMMENTARY

## Dubai's edifice complex is falling on hard times

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As construction cranes littering Dubai's skyline go idle, it's time to revisit that ever intriguing economic indicator: the Sky



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As this columnist has pointed out periodically, there's an uncanny, if unscientific, if not a little morbid, link between economic crises and efforts to build the world's tallest building. Look no further than Kuala Lumpur in 1974, New York in 1930 and in biblical times with the Tower of Babel.

The human propensity for architectural overreach has been a surprisingly reliable predictor of such projects as visual punctuation marks. A giant billboard made of steel, glass and concrete is a common thread between skyscrapers and economic disasters has to be easy credit valuations, and hubris.

The gleaming Burj Dubai, as fate would have it, recently overtook Taipei 101 as the tallest building at 818 metres (2,684 feet). The global economy is looking unthinkably shaky.

A year ago, with oil prices heading toward \$200 a barrel, few dared question property prices in the United Arab Emirates. They "fell off a cliff" as banks reduced lending and speculators withdrew amid the worsening global crisis, Mai Attia, a Morgan Stanley analyst, said in a Jan 30 report.

Strong language, and yet it's a reminder of how far and wide a credit crisis that began in the US is travelling.

China, that other supposed juggernaut, is looking shaky, too. Japan is back in recession, while Singapore seems to have frozen its UAE's asset markets.

Thanks to deteriorating economic conditions, job cuts and the unavailability of mortgages, Dubai property prices are down 20% in September, Morgan Stanley said.

The implications of that will travel the globe. Take the Philippines, where money sent home from overseas workers in booming economies such as Dubai's are taking a hit. Remittances make up about 10% of the Philippine economy, fuelling purchases of homes and cars in a nation where private consumption accounts for about two-thirds of gross domestic product. That support is now questionable.

It's easy now to look back and say we should have seen this coming. Some did, of course. After a Dubai visit in late 2006, Claudia Zeisberger, programme director of the Asia-Pacific Institute of Finance at Insead in Singapore, told me: "All the building going on made me feel like I was experiencing the last days of ancient Rome."

The point here isn't to pick on Dubai. This is a global crisis and no economy - large, small or resource-rich - will avoid its fallout. If only more attention had been paid to the Skyscraper Curse, more investors could have been prepared as markets slide.

Not that what Brad Pitt does matters, but his deal with Dubai's Zabeel Properties should have rung alarm bells. It's wonderful that the star of *Fight Club* and *Ocean's 11* professes a passion for architecture. It's quite another matter for Pitt to be tapped last June as a design consultant for an 800-room hotel and resort.

Again, the economic utility of skyscraper-watching is questionable. What's intriguing, though, is how architectural one-upmanship can say as much about wealth, ambition and financial imbalances as technology. Let's face it, cocksureness has long pulsed through the streets of nations now erecting the world's architectural monstrosities.

Few seriously doubt Dubai is a development miracle. Yet it's fair to wonder if it's the epicentre of an Arabian asset bubble tied largely to surging energy prices. With crude oil now around \$35, fortunes are shifting. Construction booms

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of trouble.

Where else should we be looking?

Well, China. Of the 10 tallest high-rise buildings listed by Darmstadt, Germany-based Emporis Buildings, five are in the in its special administrative region, Hong Kong. Of the 20 tallest, nine are in mainland China or Hong Kong.

Hong Kong is already in recession and China may be heading that way. For a nation at China's level of development, growth recession and anything below 5% is crisis territory. What skyscrapers say about China is investor overreach. The conversion could grow 10% indefinitely. That view meant the numerous mini-Manhattans popping up around the nation were a logic was it merely a textbook case of an easy credit-driven boom going bust?

Russia may avoid a meltdown, meanwhile, thanks to billionaire Chalva Tchigirinski. In November, Tchigirinski halted construction which would have been Europe's tallest. Ditto for the US, where Donald Trump reined in his ambitions to erect America International Hotel is the world's 11th-tallest high-rise.

The Skyscraper Curse may be nothing more than a whimsical exercise to entertain, not inform. Then again, it's proving to foundations as an economic barometer.

William Pesek is a Bloomberg News columnist. The opinions expressed are his own.

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