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Skyscraper Curse serves as intriguing economic indicator

As this columnist has pointed out periodically, there's an uncanny, if unscientific, correlation between financial crises and efforts to build the world's tallest building. Look no further than Kuala Lumpur in 1997, Chicago in 1974, New York in 1930 and the Tower of Babel in biblical times.

The human propensity for architectural overreach has been a surprisingly reliable omen. It's not a stretch to think of such projects as visual punctuation marks.

A giant billboard made of steel, glass, concrete and money. A common thread between skyscrapers and economic disasters has to be easy credit, which fuels irrational growth, valuations and hubris.

The gleaming Burj Dubai, as fate would have it, recently overtook Taipei 101 as the tallest building at 818 metres. Right on cue, Dubai's economy is looking unthinkably shaky. A year ago, with oil prices heading towards \$200 (R1 915 at the current exchange rate) a barrel, few dared question property prices in the United Arab Emirates (UAE).

Now there was evidence 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 report issued last month.

Strong language, 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 fallen off the same cliff as the UAE's asset markets.

Thanks to deteriorating economic conditions, job cuts and the unavailability of mortgages, Dubai property prices were down 25 percent from the market peak in September, said Morgan Stanley. The implications of that will travel the globe.

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, a 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 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 actor 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 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. However, architectural one-upmanship can say as much about wealth, ambition and financial imbalances as technology.

Where else should we be looking? Well, China: of the 10 tallest high-rise buildings listed by Germany-based Emporis Buildings, five are in the third-biggest economy and one is 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 below 6 percent is arguably a recession and anything below 5 percent is crisis territory.

Russia may avoid a meltdown, thanks to billionaire Chelva Tchigirinski. In November, Tchigirinski halted construction on the Russia Tower, which would have been Europe's tallest. Ditto for the US, where Donald Trump reined in his ambitions to erect that nation's tallest building.

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

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

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