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Global recession stalls skyscraper construction

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By Andrew Stern

CHICAGO (Reuters) - There is a gaping hole where one of the world's tallest buildings is supposed to go up.

The planned 150-story Chicago Spire would be 2,000 feet tall if it gets built atop its completed foundation, ranking the tower the tallest in the Western Hemisphere and the sixth-tallest among the world's planned skyscrapers.

The Spire was supposed to be finished by 2012 and the Irish developer staged a global marketing campaign. Buyers snapped up a third of its 1,194 luxury condominiums priced between \$750,000 and \$40 million. Ty Warner, creator of the Beanie Baby toys, opted for the top-priced penthouse.

But after digging a 76-foot-deep hole and sinking caissons, construction on the twisting Spire -- inspired, its famed architect Santiago Calatrava said, by swirling smoke from a Native American campfire -- was stalled in January by the credit crisis that is stifling construction worldwide.

Chicago has long been a showcase for tall towers since the steel-framed skyscraper was invented, its history full of developers whose ambitions sometimes crashed on the rocks of economic slowdowns, said John Norquist, president of non-profit group The Congress for the New Urbanism.

For people living in the hundreds of new condominiums near the planned Spire, the unbuilt site "starts to look like a blight," Norquist said.

"When everybody's feeling buoyant and they all think they're going to be billionaires overnight, that's when these 'biggest' plans come about. If you get them going before the bust hits, they get built right away. Otherwise you've got to wait and sometimes they don't get built at all," he said.

Globally, work has been halted on 142, or 11 percent, of 1,324 skyscraper projects, including 29 of 301 U.S. projects, according to Emporis GmbH, a German company that tracks development. Work is stalled on the five tallest buildings on five continents, including the Spire -- Emporis refers to these landmark buildings as "Babel" projects.

Work was stopped on the kilometer-tall (.6 mile) Nakheel Tower in Dubai, one of scores of construction projects idled in the former Gulf Arab boom town. A January HSBC report said \$75 billion worth of projects in the United Arab Emirates were suspended or canceled. Contractors complain of not being paid.

Other tall towers on hold are Moscow's Russia Tower and the Gran Torre Costanera office building in Santiago, Chile.

MASSIVE JOB LOSSES

The U.S. economic downturn has probably been felt most acutely in the construction industry. Some 2 million American construction workers are unemployed and the industry's 21.4 percent jobless rate is the highest of any sector.

"Every month we see massive job loss in the construction industry and every month it gets worse ... The construction industry is in a near depression," said Terry O'Sullivan, head of the Laborers' International Union of North America.

The recently passed U.S. economic stimulus bill was expected to funnel \$150 billion into building and repairing infrastructure, which the union said would employ 700,000 workers, for a while. The stimulus funding is viewed as only a downpayment on the \$2.2 trillion engineers say is needed to rebuild the nation's infrastructure. Fewer workers are needed to perform maintenance than build from scratch, laborers say.

"If there's no buildings going up, what do you do?" said James Connolly, a Laborers' union manager. "Prepare yourself because it's going to get worse

before it gets better."

Construction workers are accustomed to boom-and-bust cycles but this downturn appears deeper and longer. The impact of lost wages of \$35 to \$40 an hour ripples through the economy.

"People out of work, people lose their homes, people lose their hospitalization, people lose all their benefits," said Tom Villanova, president of the Chicago and Cook County Building Trades, which covers 100,000 construction workers.

"It's as bad as I've ever seen it, and I've been around for 30 years," he said.

Dublin-based Shelbourne Development Group has so far failed to get financing for the \$1 billion Chicago Spire. Now, construction unions are negotiating to invest their pension funds to kickstart the project. The Spire would provide 1 million paydays for ironworkers, carpenters and others.

But construction loans are hard to come by. Delinquency rates in Chicago on such loans have risen for 10 consecutive quarters to 15 percent in the fourth quarter of 2008.

Many projects never got off the ground, while other developers have scaled back or suspended work altogether. The residential market has a glut of unsold and foreclosed homes -- at least 7,000 in the Chicago area alone, Villanova said.

In downtown Chicago, canceled contracts on condominiums in the latest quarter outnumbered meager sales, which were off sharply from nearly 3,800 sales in all of 2007, according to Appraisal Research Counselors, a real estate firm. Prospective buyers surrendered downpayments of \$10,000 or more, scared off by falling prices and the bleak job market.

"I've been out of work since December," with few prospects, said sprinkler system installer Jeff Switalski, 40.

He said the number of unionized installers in Chicago has tripled to around 1,500 since he started in 1995, when the city began a building boom.

Locally, all eyes are on whether Chicago wins the 2016 Summer Olympics, which would be a huge construction project.

"Maybe if every town, every city, in the United States had an Olympics, that would be the only thing that would save us," Switalski said.

(Editing by Doina Chiacu and Michael Conlon)

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