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Financial crisis delays work on new tallest tower

January 14, 2009

By ADAM SCHRECK (AP Business Writer)

DUBAI, United Arab Emirates - The developer of a skyscraper planned to be the world's tallest said Wednesday it is halting work on the project for a year as the Middle East's business and entertainment capital grapples with the financial crisis.

State-owned builder Nakheel's decision to shelve the landmark development - which it unveiled only in October - came as a leading credit rating firm warned that falling real estate prices will likely hurt banks in Dubai and elsewhere in the United Arab Emirates.

Home values in the emirate tumbled 8 percent in the last three months from the previous quarter, a report Tuesday said, marking what analysts say is the first such decline in years.

The halted skyscraper was planned to soar the length of more than 10 American football fields, and analysts had said its unveiling late last year showed a lot of confidence amid the souring global economy.

In response to questions, state-owned Nakheel said in a brief statement that "further work" on its building's foundations "will commence in 12 months." The developer did not say how much work, if any, has already been completed.

"This is part of our readjustment of our immediate business plans to better reflect the current market trends and match supply with demand," the company said.

The skyscraper - billed as nearly two-thirds of a mile (one kilometer) tall or more, or the height of more than three of New York's Chrysler Buildings stacked end to end - was designed to top a Dubai rival's nearly complete tower that already is the world's highest.

Nakheel's chief competitor, Emaar Properties, has kept the final height of the silvery steel-and-glass Burj Dubai, or Dubai Tower in Arabic, a closely guarded secret. The company said late last month the building, which is still under construction, had reached a height of 780 meters (2,559 feet) and has more than 160 stories.

The final height of Nakheel's proposed tower is likewise a secret, as is the price tag.

As part of government-run conglomerate Dubai World, Nakheel has played a major role in creating modern-day Dubai, a city that has blossomed from a tiny Persian Gulf fishing and pearling village into a major business and tourism hub in a matter of decades.

Nakheel is best known for Dubai's growing archipelago of man-made islands. The new tower would be located in the rapidly growing "New Dubai" section between two of the islands.

Wednesday's disclosure is only the latest setback for the company. The developer last month cut 15 percent of its staff and said it was scaling back work on some of its ambitious island-building projects. It also delayed a much-publicized luxury hotel being built with Donald Trump.

A number of other developers have also scrambled to cope with the swift change in fortunes. Several real estate and construction companies have been laying off staff, and a new government-backed developer that unveiled a \$95 billion project around the same time of the Nakheel Harbor launch recently said it was reviewing its plans now that "investor demands have changed."

Meanwhile on Wednesday, credit rating firm Moody's Investors Service said falling real estate prices means the outlook is negative for banks in Dubai and elsewhere in the United Arab Emirates.

The firm cited concern about loans given to "opportunistic" property developers in light of falling real estate prices. Other worrying signs include tighter liquidity, falling equity values, and the steep drop in oil prices, Moody's said.

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