



Skeletons in the closet

Dubai World – the name rings out like a theme park owned by Merlin Entertainment (in which Dubai International Capital, one of its tentacles, has a 16 percent stake).

Indeed, its tentacles spread all over the globe and reach into the centre of London's prime West End property market.

Estates Review was going to bring readers a completely different leader column this issue, posing the question whether commercial property was becoming sexy again?

Then Dubai broke and we had to tear up what we wrote and start again. Perhaps by the time this appears, the markets will have calmed down and more sober analysis will have set in. The problem at the time of writing is that with the current deafening silence coming from Dubai, trying to sort out fact from speculation is nigh on an impossible task. On how the situation will develop in the weeks to come, we can reach no firm conclusions.

The markets do not like uncertainty and commercial property is no different. That is what has been dogging our sector at a time when the word "recovery" was being whispered in board rooms all over the land.

We thought we were starting to see the wood for the trees. Now where are we? Dubai upset the applecart but, more sinister is the further uncertainty it created. There is a question many of us are wise enough not to ask: "Surely things can't get any worse?".

We don't subscribe any more to the old Labour mantra: "Things can only get better." We are in uncharted territory. And it is not palatable to think what could happen next in the worst case scenario when we have already lived through so many worse case scenarios in this recession already.

Years ago, a journalist could write about UK commercial property and not worry much about what was happening beyond their own back yard. This has changed vastly in the last 10-20 years when it has become patently obvious that everything has become interlinked. Let one knot slip and the whole lot is in danger of unravelling. We certainly saw that with our own banks.

The day after the Dubai news broke, property pundits played up the prospect that the sale of Dubai World's Istithmar international property could raise hundreds of millions of pounds. The national press recorded that Dubai World had prime investments in the West End of London - even after selling developments there to Great Portland Estates. King Sturge was quoted as saying there would be a "feeding frenzy" for some of the buildings in the West End. UK property investors were said to be compiling lists of property assets owned by various arms, including P&Os £1bn global property portfolio.

The City feared capital coming into UK commercial property would be cut short from Middle Eastern nations. The impact the news had on key stocks, from Land Securities to Liberty International, showed very clearly how the knee bone is connected to the thigh bone in the business world. Some commentators speculated the London commercial property market recovery could be wiped out.

So what happens from here? We'll be damned if we forecast it right and damned if we don't.

Sentiment had shifted before Dubai broke. The deals were coming through and it was apparent that tremendous value was to be had. But fear was palpable that as 2010 developed, the post-general election government would cut public expenditure, feeding through to demand and hitting an upward property curve and that we could find ourselves bouncing along the bottom for a long time – a little peak here, a little dip there but nothing to get terribly excited about.

There are still many imponderables and this may all blow over as far as both the UK commercial property market and wider economy is concerned - but only a fool would hazard a guess at this stage.

What other skeletons lurk in global closets? That is the question everyone is asking.