There is a regular astonishing sight at Dubai's international airport: dozens of luxury hi-tech sports cars – Mercedes, BMWs and Porsches – and family SUVs have been abandoned. The keys are in the ignition, maxed-out credit cards have been thrown across the back seat and scribbled notes of apology are taped to the windscreen. The discarded vehicles have been left by British expatriates who are hastily leaving the Gulf state because they face crippling debts as a result of Dubai's financial meltdown and their own profligate lifestyle. Known as 'skips', many of them have defaulted on loans and, rather than risk arrest and jail, they drive at top speed to the airport and jump on the first flight back to London.

Under Sharia law, bouncing a cheque or missing a credit-card payment is illegal and punishable by a three-year jail sentence. The bank immediately notifies the police, who issue an arrest warrant and place the offender on a 'stop list'. Unless they escape across the border, they face imprisonment, although many cases are arbitrated and resolved amicably. Few offenders serve out the three years because relatives or friends often pay off the debt, and the conditions are relatively benign. But the authorities show no sign of reforming the law; in 2007 a special new wing for financial crime was built at the Central Jail.

The police have reportedly found more than 3,000 cars outside Dubai's airport in recent months, and just before Christmas, 26 were dumped during one day, despite security checks. The banks pay the parking fines and then take the vehicles to the floors of showrooms or an auction lot. Golden Belt, a Dubai showroom, holds auctions every week with the hi-tech cars priced at more than AED150,000 (£29,000). So many used luxury cars are for sale that they are sometimes sold for 40 per cent less than the asking price of two months previously. In 2007, 1,450 cars were seized by the banks, and last year that number had increased by 123 per cent.

As property prices plummet and the price of everything else remains high, British and American expats are leaving Dubai in droves. In January, Dubai was cancelling 1,500 work visas every day. 'Hark, the end is nigh,' wrote one departing expat to *Arabian Business* last month. 'Stay tuned, as it [the price of property] will fall to 50 per cent of current values. Cashed-up it may be, but if no one is buying and market confidence is shot, what next?... Too much, too fast and it is all coming home to roost.' Many cannot rent or sell their houses and are returning to London. Others are moving their companies to

Sheikh Mohammed bin Rashid Al Maktoum of Dubai

GOODBYE

With snowdomes in the desert, swimming pools for racing camels and a ruler for whom no scheme them. But property prices have crashed, construction has stalled, and British debtors risk jail if they

An abandoned Mercedes in a Dubai parking garage

Rex Features. Eyevine

more affordable Gulf states such as Qatar, Oman and Bahrain.

Some are speculating that Dubai could go bankrupt this year, with $80 billion in short-term debt. Last month it was bailed out with a $20 billion package by the oil-rich neighbouring state of Abu Dhabi. 'There is a serious crisis of confidence,' Peter Bartlett, the well-connected managing director of Exotix, an investment banking boutique, told ES. 'Dubai's sovereign entities would have defaulted in 2009 if Abu Dhabi had not intervened.'

Dubai is a microcosm of the global financial crisis, but it is also particularly vulnerable. A service-orientated economy, it overborrowed to finance grandiose, trophy construction projects and was dependent on high property prices, which in turn were reliant on the presence of highly paid foreign professionals. And as 90 per cent of the population are expats and transient workers with no long-term commitment to the Gulf state, it is permanently unstable.

Like the chaotic end to a civil war, the abrupt exodus of British expats is unexpected and shocking. Just six months ago, Dubai was still being heralded as a glittering triumph of unfettered capitalism with its looming skyscrapers, luxury hotels, booming property market and thriving financial services – the Switzerland of the Gulf. Just as Hong Kong was a window to doing business in China, Dubai was regarded as the base for deal-making in the Middle East.

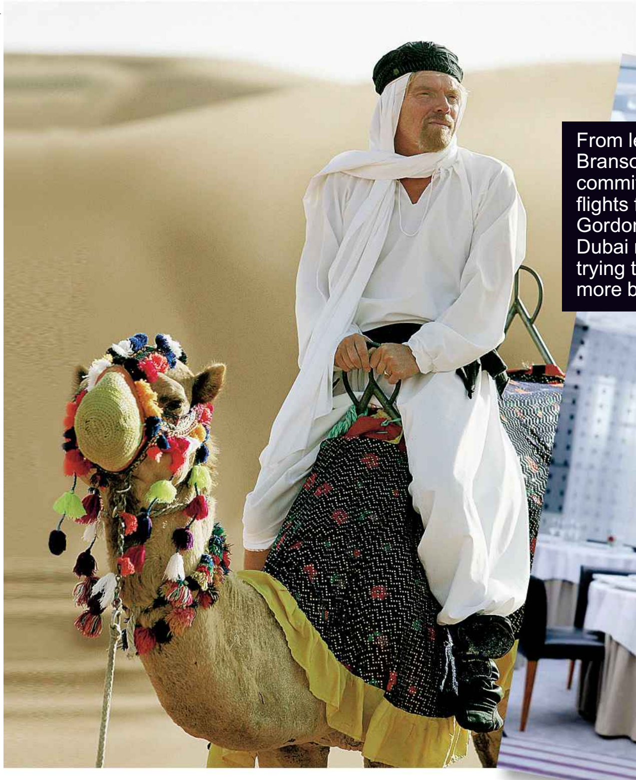
By last year, 100,000 Britons were living in Dubai. The attractions were transparent: no tax; sunshine for 330 days of the year; and even when temperatures reached 50C in the summer, supercharged air conditioning made life bearable. An army of cheap Asian labourers at their service 24 hours a day; very little crime; zero tolerance on drugs and no terrorism. Then there are the familiar restaurants and shops, notably a 137,000sq ft branch of Harvey Nichols, to make the streets more like London than an Arab souk. Living alongside the expat workers were footballers, Hollywood stars and supermodels. It was a kingdom of bling. And if life became too predictable, then Europe, Africa and Asia were just a few hours away.

While Islamic law prohibits alcohol and gambling, these were freely available in the Western hotels – as long as patrons were discreet. Prostitution is illegal and a capital offence; prostitutes risk being stoned or flogged to death. But high-class call girls from Eastern Europe flocked to Dubai. When the England rugby team took part in the Emirates Airline Dubai Rugby Sevens tournament in November, plane-loads of prostitutes descended on Dubai. 'The government don't mind because it brings money,' said one local madam. 'Hotels, taxis, restaurants, shops – everything benefits from the girls. Now tourists come here just for sex.' As the economy appeared to thrive, the Islamic state embraced a Western lifestyle. Dubai had become a place where everything was illegal and yet everything was available. It was the Las Vegas of the Middle East.

The dominating feature of the new Dubai is its breathtaking skyline. In pride of place is the Burj Dubai, a needle-like edifice →

DUBAI?

was too grandiose, Dubai became a playground for the rich and the expats who worked for
can't jump the border in time. **Mark Hollingsworth** reports from a town built on sand



From left: Sir Richard Branson hasn't committed to space flights from Dubai; Gordon Ramsay's Dubai restaurant is trying to drum up more business

which, at 818m, is the tallest in the world. Alongside is the Burj Al Arab, the world's tallest hotel, which is modestly described as the world's only 'seven-star' hotel, where suites cost up to $15,000 a night. Patrons have their own butlers and access to a fleet of Rolls-Royces and Bentleys. In 2006, Naomi Campbell booked all 18 floors for a 72-hour, £1 million party to celebrate her 36th birthday.

Then there is the Palm Jumeirah, a man-made island in the shape of a giant palm tree, which currently houses 70,000 residents, including David Beckham – whose spokesperson, Simon Oliveira, told ES that he has one property in Dubai which he has no intention of getting rid of. This wasn't the case for Simon Cowell, though. His spokesman, Max Clifford, told ES that Cowell sold his place in Dubai in 2006 and currently has no property interest there. 'Arabs making sandcastles in the sky,' joked the locals, but footballers and movie stars could not resist Dubai's temptations. Last year it was reported that Brad Pitt planned to design a five-star hotel complex in Dubai, fulfilling his dream of being an architect. And topping it all is the world's largest shopping centre, the Dubai Mall, with parking for 16,000 cars.

By 2004 Dubai was expanding faster than any other country on the planet, with plans for a million new homes, micro-cities and the world's biggest airport. This was accompanied by some surreal scenes: an indoor ski slope, and racing camels training in a hotel swimming pool. But deep beneath this glitzy desert wonderland of luxury lay a massive gamble. The bill for this spending spree was £150 billion – a huge risk for a country with no oil, dependent on the unpredictable tourism and financial services industries.

The man behind this bet was Dubai's ruler Sheikh Mohammed bin Rashid Al Maktoum, a dark-eyed, benevolent, visionary autocrat with a fascination with falcons and horse racing, and obsessed with modernity, size and speed. Business meetings with Sheikh Mohammed lasted barely a few minutes. The bigger the scheme, the more likely he would approve. It appeared due diligence barely existed. Apartments were built at breathless speed, but often with flawed design, no quality control and inadequate infrastructure. In 2003, speculators bought and sold properties without even looking at them. In the Klondike-style rush to cash in, quality suffered. In some apartments, the balconies sloped the wrong way so that rain flooded into the property rather than down the drain.

While property prices continued to soar, the poor quality and dependence on borrowed money were overlooked. But some analysts were sceptical. In July 2006, at the height of the property boom, one Dubai journalist wrote in a private memo seen by ES: 'Dubai is in danger of becoming a house of cards. As a result, the authorities are desperately trying to suppress the uncomfortable truth. Many developers are in chronic trouble and Western investors stand to see their money disappear. Projects are hideously behind schedule, and most residential projects are funded by getting up to 75 per cent of the final property value in advance to fund construction. Only it doesn't work. Construction standards are often poor, grounds and landscaping nonexistent, interiors cheap and architectural plans are changed without telling the new owners. This is all in polar opposition to the glossy brochures and propaganda of the regime.' It was a prophetic assessment, but deemed too sensitive by the authorities, and so the disclosures were suppressed and never published.

> Everything was illegal and yet available. It was the Las Vegas of the Middle East

Today there is a major panic among building corporations. Even some of the most basic repairs are not being done. Dubai's biggest construction company, Nakheel, is facing a serious crisis and could go bankrupt, according to Peter Bartlett. 'Nakheel, which is already overdue about 60 days on paying suppliers, needs to pay off a $3.52 billion bond which matures in December 2009,' he told ES. 'If Nakheel, or its guarantor Dubai World, fails to make this payment, then creditors will start bankruptcy procedures. The Abu Dhabi bail-out package appears to have staved off this eventuality. But Nakheel owes a further $1 billion due in May 2010.' A spokesperson for Nakheel said: 'We remain confident in the economic fundamentals of Dubai and in our long-term business objectives. Our projects are planned for the next ten to 20 years. We continue to develop in a responsible manner by adjusting our immediate business objectives to meet current demand. We have financial plans in place to ensure our obligations to investors are met.'

As Dubai faces economic meltdown, it is already impacting adversely on the luxury brands that set up shop in a city where Dom Pérignon Pink Gold was costing £50,000 a bottle. In 2001, Gordon Ramsay opened Verre at the Hilton Dubai Creek with great fanfare. Serving European food in a glass and steel interior, it was his first restaurant outside Britain. But now it is sending out advertisements to attract clients. Hotel bookings are down 60 per cent and the Royal Mirage is offering a 'stay three nights, get one free' deal. One hotel is even offering a free meal for the newly redundant. And completion of the Four Seasons, promoted as the centrepiece of the new Festival City, has been delayed by at least a year. Sol Kerzner's Atlantis opened last year with great fanfare but, according to the *Financial Times*, was cutting staff last week. Virgin Galactic was rumoured to be planning a space station in Dubai, but operations director Jonathan Firth was vague when he told ES: 'We have a deal with an accredited space agency in Dubai, but we have deals in over 30 countries and it doesn't necessarily mean that they will fly from Dubai. Nothing has changed in terms of our plans and if there's a demand in Dubai, then great.'

It's not all bad: last month John Galliano was the headliner at a buoyant Dubai Fashion Week. But it is the property crash that is driving out the expats. Prices have 'fallen off a cliff', according to a recent Morgan Stanley report. Up to 40 per cent of all new infrastructure projects have either been postponed or cancelled, according to a UBS report. One agent recently reported that his company has more than 20,000 properties on its books but there is no sign of a single buyer.

'The problem is that everything is still very expensive in Dubai,' a local businessman told ES. 'Sheikh Mohammed's advisors need to explain to him that he must dramatically and quickly reduce all rents and commercial sponsor fees, because otherwise the exodus will continue and this will become a ghost town.' For those who are staying, some are turning to desperate measures. One general manager of a high-end retailer has not been paid for three months and has resorted to existing on earnings from illegal poker games. Others are selling their designer clothes in flea markets. But most are heading for the airport. ■

Wenn. The Guardian