

FOUNDATION FOR SUCCESS

FOUNDATION *for* SUCCESS : CREATIVITY + COMMITMENT + QUALITY = PROVEN RESULTS

Shanghai Centre

Shanghai, China

Description: 2-million s.f., multi-use complex

Issue: Develop the first-ever, large-scale, multi-use real estate project in China during an era of renewed relationships with the West.

Background: When China normalized relations with the United States in 1979, Jack Portman was ready and waiting, and in fact, had already established an overseas office in Hong Kong in anticipation of opportunities in Asia. It soon became apparent, however, that having a jump on the competition wasn't enough. Success in the Chinese real estate market would require patience, resourcefulness, and above all, commitment.

Due to its tremendous financial success, the project's entire \$145 million debt was paid off within 7 years of opening.

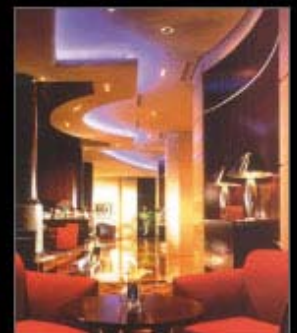
Commitment in Action I: Developing the first-ever, large-scale, multi-use real estate project in China required the resourcefulness to overcome numerous obstacles. Securing financing for the project was an enormous challenge, because lenders did not have experience with real estate investing in Communist markets. They were wary of the risks inherent in lending money to fund projects where the developer could not own the land, and where no mortgage laws existed.

Obtaining a guarantee from a state institution was a crucial first step in alleviating these fears and beginning to negotiate with investors. The road to obtaining adequate financing was long and rocky. After four years of negotiations and several partnership changes, Portman successfully secured the funds required to finance the project through American, Japanese, and Hong Kong-based institutions.

Commitment in Action II: With the money secured, the next challenge was to incorporate traditional Chinese methods into the design and construction phases to create balance between the Western mixed-use concept and its Chinese environment. Even though the project was geared toward the international community, local acceptance would be an essential factor to success. Patience, perseverance, immersion in the culture and complex foreign government regulations and sheer determination paid off yet again. Construction finally began five years into the development process.

The project was on target to open in early 1990. But in June 1989, disaster struck in the form of the the Tiananmen Square incident. The ensuing civil insurrection necessitated evacuation of project personnel for nearly a month, but Portman stayed on track and opened the project in 1990.

Proven Results: Put to the test on the first-ever foreign financed project in China, Portman Holdings demonstrated steadfast commitment to the pursuit of success. Shanghai Centre took ten years to bring to fruition and suffered a \$20 million shortfall in the first two years as a result of the Tiananmen Square incident. However, despite these initial setbacks, the project was a tremendous economic success and not only repaid the \$20 million shortfall loan, but also paid off the entire \$145 million original debt within seven years of opening. Today, the Centre is



an oasis for the international business community in Shanghai, and a landmark as the first and most significant multi-use project in China.

Development of Shanghai Centre effectively set the stage for dramatic changes that would impact the entire real estate community in Shanghai. Since the complex opened, Shanghai has become one of the most vibrant cities in the world, with one of the hottest real estate markets among major metropolitan areas.

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