

The Largest Residential Developer in China

An Interview with Lee Kai-yan,
Managing Director, Vanke Holdings (USA) LLC



Lee Kai-yan

EDITORS' NOTE Lee Kai-yan has held his current post with Vanke since March 2013. Before this, he was the Head of Real Estate Industry for the World Economic Forum, Senior Research Associate/Policy Analyst for the Federal Reserve Bank of Boston, a Teaching Fellow at Harvard University and Massachusetts Institute of Technology, a Rappaport Public Policy Fellow with the Massachusetts Legislature, Commissioner/Vice Chair for the Redevelopment Commission for the City of Stockton, and Regional Planner for the San Joaquin Council of Governments. He has an M.P.P. in International Trade and Finance from Harvard University, an M.C.P. in Regional Economics from M.I.T., and a B.A. in architecture from the University of California, Berkeley.

COMPANY BRIEF Established in May 1984, China Vanke Co., Ltd. (vanke.com) is one of the largest residential property developers in the People's Republic of China. The company has been selected as one of "China's Most Respected Enterprises" for five consecutive years and received the award of "China's Best Corporate Citizen" for four consecutive years. First engaged in the residential property industry in 1988, China Vanke set the development of mass market residential property development as its core business in 1993. China Vanke has more than 30,000 employees. It is the second oldest listed company in China, and is currently listed on both the Hong Kong and the Shenzhen Stock Exchanges.

Would you provide an overview of Vanke and its expansion into the U.S.?

Vanke began as a trading company and we have our roots in scientific equipment trading. Over time, we consolidated to focus on residential development, and this is what we have done for the past 30 years. At this point, we're the largest residential developer in China. We are in about 63 cities in Mainland China, which provides a geographically diverse portfolio. Last year, our revenue was \$34 billion, so it's a very large operation.

About five years ago, we diversified in two major ways: into commercial real estate, meaning we now have about 15 percent of our portfolio in commercial real estate in China, covering office, retail, service apartment, etc.; and we diversified our geography. Hong Kong was our first non-Mainland Chinese development and financial platform. In addition to the U.S., we are now also active in Singapore and the U.K.

What was the vision behind the company's move to the U.S.?

We had three major intentions in going overseas: the emerging trend was that the Chinese capital and Chinese home-buyers were going overseas.

In China, about 70 percent of Vanke projects have partners, be it on the development side or the capital side. We have long-established working relationships with the major capital partners in China, so we can serve as a platform for either the Chinese capital partners coming into Vanke U.S. projects or Chinese home-buyers who want to purchase a Vanke home in the U.S.

Also, being one of the biggest developers in the Chinese market, our learning opportunity is somewhat limited because we have already set some of the industry standards. For us to remain competitive, we also want to learn from the best in the world. Our goal was to come to a more mature market and partner with world-class industry leaders to help us continue to improve our performance.

Our third focus was on diversification because real estate is an industry that has pronounced cycles. We want to prepare ourselves properly for some of the risks in the domestic market.

That said, the Chinese market will still be our home market.

What kind of growth have you seen in the U.S. market and is this a time for opportunity?

We currently only have projects in San Francisco and New York. The market is more competitive now, but we still feel positive because market conditions are very strong. For both New York and San Francisco, there are a lot of positive drivers on the demand side, but they are very supply-constrained markets, especially for middle-price products.

Despite the competitive nature of these markets, we see opportunities with more sophisticated partners who can effectively navigate through the complex terrains of the local market.

Will you be bringing on partners for New York and San Francisco?

Yes. We always want to have local operating partners. The opportunity to work alongside some of the best practitioners is important for us.

We also take it very seriously that real estate is a local business. We see great value that local partners can provide us. They know the market very well and have extensive relationships. These values are critical to ensure the success of the projects.

What differentiates Vanke? What has been the secret to your success?

We always aspire to be the best. From when we set up the company, it has always been a very flat, transparent, and professionally oriented business.

Our founder and chairman pointed out from the very beginning that Vanke would not be one person's company but rather a company run by a team of professional talents, relying on their professional judgment and expertise.

We continue to refine ourselves, and we remain nimble and creative despite our size as one of the largest players globally.

Are there many cultural barriers in the U.S. market?

The barriers initially are probably more about name recognition in the U.S. market.

A major difference between Vanke and some of the other Chinese companies that operate in the U.S. is that we always want to hire locally, because real estate is a local business. This ensures our understanding of the market is as local as possible, which also indirectly helps minimize cultural barriers.

How is your New York project developing?

Our condo project is at Lexington and 53rd and it's our first in New York. It's a very high visibility project as RFR is our partner, Hines is our developer, the design is by Norman Foster, and it's in the heart of the Park Avenue business/financial area.

We have also closed on 130 West 42nd Street, which is an office upgrade project. Being able to learn about upgrades and repositioning is very important. Much of the recent development in China was to demolish and to redevelop. Now, in working with a 100-plus year old building, we can make sure we continue to create value for users. These are all important lessons in addition to economic return.

We look at internal impact for Vanke as well as at external impact. It's also very important for us to create architecture that can withstand the test of time because at Vanke, our motto is, "Architecture – our tribute to life."

Architecture is not just about physical structures for us. It often symbolizes a collective identity of a community, a common memory of a place, a shared aspiration of a people. We are honored and humbled to be part of this process, both in China and now in the U.S. ●