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Architecture Firms Go East for Work

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Even as many building sites have been idled world-wide in the wake of the financial crisis, construction workers are expected to start work next year on the foundation of a 123-story tapered glass tower in Seoul that is vying to become South Korea's tallest building.

The project could still run into delays. But if it proceeds on schedule, the 1,821-foot Lotte Super Tower 123 would be the latest example of Asian projects that are providing a financial lifeline to U.S. architectural firms facing one of the worst markets for their services in generations.

Valued at \$1.2 billion, the mixed-use tower being developed and built by Lotte Group, a South Korean conglomerate, was designed by Kohn Pedersen Fox Associates. The prominent U.S. firm pared its staff to about 500 from a peak of 700 before the downturn through layoffs, attrition and the departure of some principals and staffers from its London office. But the firm is once again in a hiring mode thanks in part to its work in Asia, firm officials say.

"It's the toughest economy I've seen but what's different for us is we're global," says A. Eugene Kohn, KPF's chairman and a co-founder of the firm in New York in 1976. "That's saved us."

KPF also designed the Shanghai World Financial Center in China and the Northeast Asia Trade Tower under construction in Songdo, a city within a city near Seoul's international airport that is one of the world's largest commercial developments.

This year KPF signed new contracts for work that included roughly a dozen projects in China, about four in the U.S., three each in South Korea and India, about two each in Abu Dhabi and Qatar and one in Japan, according to Peter Catalano, the firm's chief financial officer. The Lotte tower was among its largest wins -- in terms of value and height.

Asia also is luring other leading U.S. architecture firms. In September, Pritzker Prize winning architect Frank Gehry unveiled his design for 53 Stubbs Road in Hong Kong, his first residential development in Asia which consists of 12 residences overlooking Victoria Harbour.

Gensler, another large U.S. firm, opened an office this year in Beijing and designed the 128-story Shanghai Tower in China, which had its official groundbreaking last November. "Asian clients are taking the risk of moving forward because they believe in the economy," says Andy Cohen, executive director at Gensler.

To be sure, the architectural industry is still suffering. Total annual gross billings for U.S. architectural firms are expected to be down by about 20% to 25% this year from about \$44.3 billion last year, according to Kermit Baker, the American Institute of Architects' chief economist. Even before the crisis, U.S. architectural firms had begun to look

abroad for more of their work. International revenue accounted for about 7% of total U.S. gross billings in 2008, up from 2.8% a decade earlier.

Mr. Baker credits Asia's faster-growing economies and populations for that continent's relatively strong demand for architecture services. South Korea's gross domestic product rose about 2.3% in the second quarter compared with the first, while the U.S. had a slight decline, according to Moody's Economy.com.

Financing for new construction remains tough world-wide. Excavation work is already under way on the project and a spokesman for Lotte Group said the company has enough initial capital on hand. He declined to comment on whether the company planned to seek a construction loan.

The Lotte tower has been in the works since about 1995. Earlier this year it overcame a significant obstacle when the South Korean Air Force dropped its opposition to the tall tower.

Lotte had also rejected numerous designs over the years, including one from another design firm inspired by the Eiffel Tower. This summer, Lotte approved KPF's plan for a light-toned glass building accented by a metal filigree. The tapered form is inspired by the Korean arts of ceramics and porcelain and calligraphy, according to James von Klemperer, a KPF design principal and the lead designer of the project. The tower will include retail, office and residential space as well as a luxury hotel and an observation deck.

KPF's Mr. Kohn also expects the building, slated to be completed in 2014, to move forward, in part because the company is eager to complete what is viewed as part of the legacy of its 87-year-old chairman, Shin Kyuk-ho.

"Barring an international crisis ... this project will happen," Mr. Kohn says.

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