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India, Nigeria, Vietnam Among Nations Nudging Their Way Into US Real Estate Investment

BY **KYLE CAMPBELL**

After a run of robust foreign investment capped off by a particularly strong 2016, the real estate industry saw cross-border purchasing decline considerably in 2017, dropping 23 percent year over year.

Theories abound about the cause of that dip abound: Chinese capital restrictions probably have something to do with it. A stronger dollar could be repelling European investors. Isolationism may have hampered global commerce. Most likely, it's a combination of myriad factors.

Opinions are also divided about what less investment from the world's wealthiest countries means moving forward. For some, it's an opportunity to explore new pools of funding in places such as Vietnam, India and Brazil. Others view it as merely a regression to the mean.

FAISAL ASHRAF

"What percentage of all direct acquisitions were foreign investors? That's 11 percent," Faisal Ashraf, founder and managing partner of Lotus Capital Partners, said. "What's the long term rate? It's 10 percent, so there's a little bit of return to normalcy, which is to be expected after a surge."

Last year, the U.S. saw $57.9 billion in cross-border commercial acquisitions, down from about $75.2 billion the year before, according to Real Capital Analytics. In New York, the drop was steeper, falling from $56.1 billion to $23 billion, per Eastern Consolidated's calculations.

Total direct investment in the U.S. dropped from $385 billion in 2016 to $311 billion amid a marked decline in investment into the developed economies of Europe and North America, according to reports from the United Nations Conference on Trade and Development.

For the U.S., that means its primary source of foreign capital is, once again, coming from a close ally: Canada. Our neighbor to the north purchased $21 billion worth of commercial real estate here in 2017, accounting for 36 percent of U.S. cross-border investment. Roughly $1.06 billion of that ended up in New York City.

“The Canadians have returned to their natural position as the top cross-border investor in the U.S.,” Ashraf said. “Canadian pension funds are some of the most capitalized in the entire world with enormous cash flows and the U.S. becomes a very natural outpost for their investments.”

Singapore was the next biggest investor, funneling $9.6 billion into U.S. assets, nearly $1.1 billion of that into New York alone. China, despite its government’s stricter capital controls, was still among the top sources of funding, with investors their doling out $6 billion throughout the 50 states, more than $2.5 billion of which went to the five boroughs.

However, while the list of major institutional investors reads like a roundup of the usual suspects, the U.S. is seeing an uptick in individual investments from non-traditional sources. As immigration rules tighten, well-heeled individuals from elsewhere are looking to take advantage of the EB-5 visa program.

Dating back to 1992, the EB-5 program provides visas to job creators and individuals who make necessary investments in the U.S., as well as their families. Although the vast majority of these visas go to Chinese investors, Vietnam and Brazil are the fastest growing markets for these EB-5 use.

STEVE ANNAPOLLE

Vietnamese recipients of EB-5 visas increased 41 percent from 2016 to 2017, according to a U.S. Citizenship and Immigration Services report, while Brazilian recipients increased 88 percent. Those two countries accounted for 471 and 282 visas, respectively, putting them a distant second and third behind China’s 7,567.

“More focus is being placed on those countries in response to the restrictions on Chinese capital,” said Steven Anapoell, managing partner of the George Washington Immigration Group, which specializes in EB-5 immigration and project financing. “There’s a limit on the types of visas that foreign nationals can avail themselves of and EB-5 is popular because it’s not as contentious as other of visa programs, it has bipartisan support in Congress.”

India, Nigeria and Mexico also showed modest but noteworthy increase in EB-5 visa recipients last year, jumping 16.8 percent, 53.4 percent and 49.1 percent, respectively.
Commercial projects aside, New York’s residential market remains a safe investment for wealthy individuals overseas, particularly for those who don’t plan on staying here full-time.

DYLAN PICHULIK

Dylan Pichulik corresponds with these individuals on a daily basis through his company, XL Real Property Management, services high-end condos and coops for absentee owners, many of whom live in other countries.

Although Pichulik said he’s noticed some shifting trends among his clientele—such as a preference to buy multiple one- or two-bedroom apartments rather than four-bedroom units, as was common a few years ago—interest in the New York market remains strong.

Since he launched the firm in 2012, Pichulik said China has been the primary source for his customer base, but that too is beginning to change.

“The story up until recently was the Chinese, the Chinese, the Chinese but India and other nations have seen steady growth since we started the company,” he said. “More and more, as we see the rise of the middle class in India and we see citizens there accumulating wealth, we also see them looking to put their money in safer locations and New York is certainly one of them.”