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Real-Estate Developers Look to Vietnam for Cheap Financing

Vietnam gains on China as one of the biggest participants in U.S. foreign-investment program



Construction workers at the Hudson Yards development in New York City, U.S. real-estate projects are currently being advertised to Vietnamese investors through the EB-5 program. PHOTO: EMIL LENDOF/THE WALL STREET JOURNAL

As Chinese investors sour on a program that offers American residency in exchange for certain real-estate investments, U.S. developers are turning to a new, fast-growing source of cheap capital: Vietnam.

The Southeast Asian country is rapidly gaining on China as one of the biggest participants in the foreign-investment initiative known as EB-5. The program offers green cards in return for investing in job-creating U.S. businesses or real-estate projects.

About 20% of the current EB-5 investment in U.S. real estate comes from Vietnam, trailing only the 25% from India and 30% from China, according to estimates by Nicholas Mastroianni II, chief executive officer of the EB-5 regional center U.S. Immigration Fund. These centers pool money from investors and invest it in real-estate projects.

The number of EB-5 visas issued to Vietnamese nationals increased to 693 last fiscal year, up from 471 in 2017. Only four years ago, Vietnamese accounted for barely 1% of all EB-5 visas issued, a total of 121, according to the State Department.

A number of prominent New York City developers are advertising their projects to Vietnamese investors through local agencies. That includes the third phase of Related Companies' massive Hudson Yards development, which is seeking \$380 million from EB-5 investors, and Extell Development's Hard Rock Hotel project in Times Square.

Because the program's main draw is a green card, these foreign investors are often willing to accept lower returns,

making it a cheaper source of financing.

The surge in Vietnamese participation couldn't come at a better time for U.S. developers, which have bemoaned the decline of cheap funding as Chinese investors pull back.

"In the past, any large-scale capital raise, anything over \$50 million or \$100 million, particularly in New York, you had to go to China," said Phuong Le, an immigration attorney and partner at David Hirson & Partners, LLP.

Now, he added, "most of the big New York real-estate developers who were in China before are certainly all in Vietnam now."



Long Island Rail Road commuter cars parked at the West Side rail yard, part of the Hudson Yards development site, in New York City. PHOTO: EMIL LENDOF/THE WALL STREET JOURNAL

The Chinese have dominated EB-5 for years, fueled by a growing affluent class and desire for U.S. residency. In the fiscal year 2014, when the number of EB-5 visas issued to Chinese-born investors peaked at 9,128, the country accounted for around 85% of such visas.

But as Chinese interest boomed, so did the wait times for a visa, thanks to an annual cap on new EB-5 green cards that can be issued to citizens of any one country. Chinese citizens could initially expect a green card in mere months.

Someone in China who filed a visa petition in October 2018 could expect to wait 14 years for their green card, according to the State Department.

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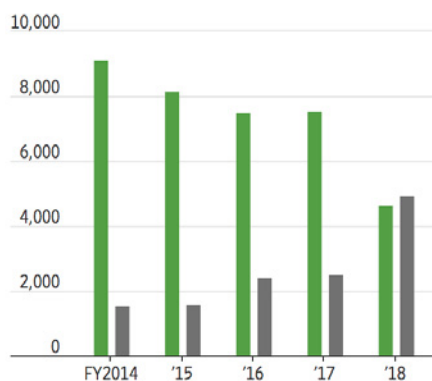
High-profile defaults by developers who had taken EB-5 money and the deteriorating political relationship between the U.S. and China have further undermined the program. The number of Chinese petitions plummeted.

“As soon as [the wait time] got over five years, that’s when the market shut down,” said Bruce Thompson, president of

Move Over, China

EB-5 visas by applicant’s origin

■ China ■ Rest of the world



Source: State Department

the regional center American Lending Center. Instead, he found an ideal target in Vietnam, a country with a booming economy, a growing class of wealthy business owners and improved ties with the U.S. ALC opened its first Vietnam office in Ho Chi Minh City in June, adding an India office in Delhi later last year. Meanwhile, the company shut down its Shanghai office. When An Nguyen, a Hanoi native, graduated from the University of California, Los Angeles in 2014 and was

looking for ways to stay in the country, she had three options: find an employer that would sponsor her, marry an American or get an EB-5 visa. The first option proved challenging and the second was out of the question, since she was dating a Vietnamese citizen who became her husband.

In September 2014, the couple invested \$500,000 in a real-estate project. The following June, they got their green cards. Today, she works as a Vietnam business development director at David Hirson & Partners, LLP, the EB-5 immigration law firm that helped her get the visa, and travels to the country several times a year.

Other U.S. visas can be hard to get for Vietnamese citizens, immigration attorneys say, and fear of political and economic instability means many wealthy Vietnamese want to be able to move abroad if necessary.

Even with growing interest from Vietnam, India and other countries, overall EB-5 investment volume is still down considerably from its peak, observers say.

Vietnam’s estimated visa wait time, up to 7.2 years last October, could become a problem.

And then there is the uncertainty over the program itself. One reform proposal would raise the minimum investment from \$500,000 to \$1.35 million. “That,” Mr. Thompson said, “could shut down the whole industry.”