

China EB-5 Market: 2015 (Part 2)

What's New and Hot in the China EB-5 Market

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April 1, 2015

In my last blog, I discussed a number of factors that are having and could have an impact on the market for Chinese EB-5 investors. In this blog, I will list and discuss hot topics and new developments regarding EB-5 projects and agents in China.

1. Types of projects – While hotels remain at or near the front of the line, the hottest projects appear to be health care-related projects (hospitals, ALFs), residential and multi-family and infrastructure projects or any projects with government money or government support.
2. Escrow – Among the major agents, there is near-uniform understanding that traditional escrow is no longer feasible given government processing times of 14 months and higher. There is greater receptivity to release of funds upon I-526 filing or at least release of some percentage of the funds with the others held back until I-526 and/or exemplar approval. However, a credible developer guaranty of return of the funds to the investor if the I-526 petition is denied is critical.
3. Geography – Manhattan is hotter than ever. It is followed closely by Los Angeles and San Francisco. Seattle is also very hot. The next tier includes Las Vegas, Florida (mostly Miami and Orlando), Houston and Dallas. Chicago still lags. However, most agents agree that a strong project with a strong developer trumps the lack of a first tier location.
4. Chinese developers – Many of the major Chinese developers are getting into the U.S. EB-5 market. It is interesting that there are strong differences of opinion regarding the interest of Chinese investors in investing in projects developed by Chinese developers. Some think there is an added comfort level, while others prefer investing in the U.S. with U.S. developers.
5. Administrative fees – Like everything else, they may be going up. While the market is still \$45,000 to \$50,000, some projects are moving forward at \$55,000 or \$60,000. It is not yet clear whether these projects with increased administrative fees will meet resistance in the market or become the new norm.
6. Timing of EB-5 – One theme shared among many agents is a preference to have EB-5 money come into the project after construction has already started. This adds a level of assurance that the project will actually go forward. This ties into a related theme that agents and investors like to invest in projects that would go forward with or without EB-5 money.

7. Private equity investments – Agents and EB-5 investors are more interested than ever in considering private equity investments instead of or in addition to EB-5 investments on desirable projects.
8. Multiple EB-5s – While most of the impact of impending EB-5 quota retrogression in China is negative, one positive impact for the EB-5 market is that some investors, at the urging of agents, are filing multiple EB-5 petitions based on multiple investments where their children would likely age out because of the quota retrogression.
9. Returning money – It is interesting that there are differing opinions in the Chinese market regarding the importance of projects returning money to the investors. Some view this as a critical element for the future of the EB-5 program, while others seem to assume that many projects will not return the money and that this will not have a major impact on EB-5. All agree that the number one priority is that investors get their conditions removed.
10. Big name regional centers – Multiple agents commented on the decline of some of the biggest name regional centers in the China market. It's not clear why this has occurred, whether it is related to rumors of SEC investigations or otherwise.
11. Taxes – For whatever reason, Chinese agents and Chinese investors appear to be more concerned about U.S. taxation issues than ever before. The pattern of having the investment in the name of the spouse (usually the wife), having the spouse and child immigrate and having the principal breadwinner remain in China and use a multiple entry visitors visa to enter the U.S. remains a strong trend. However, some investors whose family are in the U.S. as permanent residents have had trouble obtaining B-1/B-2 visas.

I have not attempted to recount many of the developments in the China market that I have covered in previous blogs. However, many of those factors remain prevalent in 2015. I would urge the readers of this blog to refer to those previous blogs for further information.