



Member Perspective: Insights Into the Russian Investor Market from An Agent on the Ground

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The level of interest in immigration to the United States and the number of people that can potentially afford participation in the EB-5 program are two of the most important factors to consider when looking into any EB-5 market to estimate its growth potential. Based on the available information, it is possible to provide a high-level estimate of Russia's EB-5 market outlook.

First let's take a look at some general statistics on population and wealth in Russia. According to the [Global Wealth Credit Suisse report 2019](#), Russia had a population of 144 million, 3,120 ultra-high net wealth individuals (UHNWI) and 246,000 U.S. dollar millionaires. The top decile of wealth holders in Russia control an estimated 83% of all household wealth.

To compare to one of the industry's largest markets China, the top decile holds 60% of all household wealth, while the number of UHNWI is 18,130 and 4,447,000 are US dollar millionaires.

As for the level of interest in immigration to the U.S., there has not been any visible effect on the number of Russians obtaining residence status and citizenship in the U.S., despite ongoing political tensions between the two countries over the last decade.

Statistics shows that the number of people receiving permanent residence status in the U.S. was, in fact, at its highest level of the last decade in 2019 when it reached 4,618 according to Travel.State.Gov. For comparison, China had 27,541 applicants receive permanent residence in 2019 while India had 24,965 applicants approved. It is important to note that these numbers take into account number of immigrant visas issued in US consulates and are not reflective of EB-5 alone.

The number of people participating in the U.S. diversity visa lottery is an additional indicator of interest in immigration to the U.S. Diversity visa applicants from Russia have increased year over year since 2015 recently passing 434,000 in 2018.

The Russian market has a couple of strong indicators of potential future growth including a large percentage of wealthy potential investors as well as continued participation in various U.S. visa programs. While Russia may not yet be poised to compete with China or India it certainly warrants a second look for professionals looking to expand their international efforts.

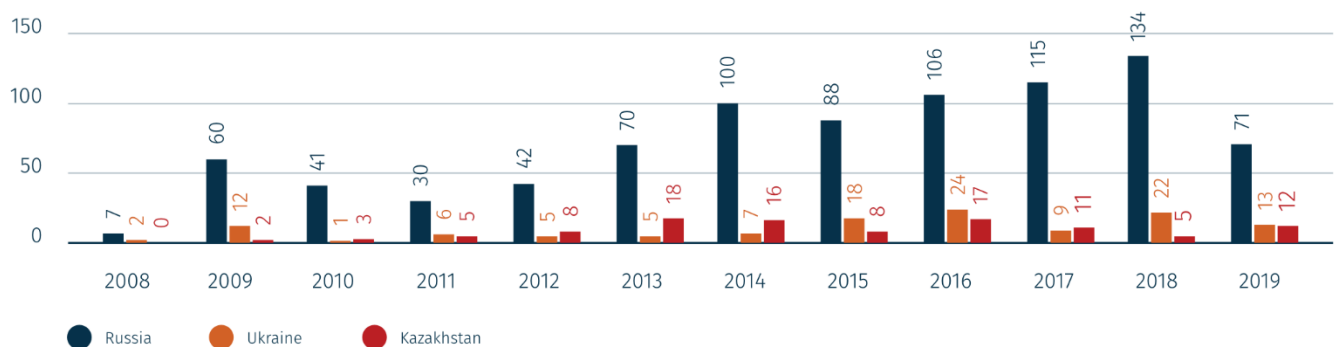
	2015	2016	2017	2018
Number of applicants for lottery, Russia	265,086	274,746	332,069	434,353

Trends and Statistics for EB-5 in Russia and CIS Countries

Given a long period in the EB-5 history when the vast majority of EB-5 investors were from China, and more recently India and Vietnam, there historical have been very few regional centers who have fully explored the Russian market, perhaps as a result of the fact that entering the market provides some unique challenges. Entering the Russian market requires a Russian speaker on staff or strong dedicated partner in Russia, along with a substantial investment of time and resources to educate the audience about the possibility of investment immigration to the US. Building trust has been an impediment to market growth as the program in Russia has often become associated with a host of myths such as “you will never get your investment back”, “you can buy a property in the US and get a green card”, “never trust a Regional center, invest in your own business”, and so on.

However, during the last few years Regional Center interest in Russia and in-market understanding of the Program have grown - but there is still a long way to go. Complicating market growth are the persistent rumors and myths, bad press, and a significant number of migration agencies on the market that offer “questionable” Regional Center projects none of which has helped grow the market. These ongoing issues help explain the relatively low EB-5 usage rate when other factors such as interest in U.S. immigration and number of potential investors both remain high. EB-5 visa usage for other CIS countries (Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.) also remains low.

The graph on Fig. 1 shows EB-5 visas issued to citizens of Russia, Ukraine and Kazakhstan. The second table below shows EB-5 visas issued to citizens of other CIS countries which are little more than zero.



	Armenia	Azerbaijan	Belarus	Georgia	Turkmenistan	Tajikistan	Uzbekistan
2008	0	0	0	0	0	0	0
2009	0	1	0	1	0	0	0
2010	4	0	1	6	0	0	0
2011	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2013	0	0	0	5	1	0	0
2014	0	4	1	0	0	0	0
2015	0	0	4	1	0	7	0
2016	0	0	5	1	0	1	5
2017	0	0	1	1	0	1	0
2018	4	3	1	0	0	0	7
2019	4	1	5	0	0	0	0

However, over the past few years we have been pleased to see reputable regional centers enter the market and begin to undertake the arduous work of educating the market on the EB-5 Program and promoting industry best practices. Further migration agents have continued to become more sophisticated and equipped to ensure their potential investors understand the in's and outs of the program. Both factors have helped lay the ground work for what we anticipate will be strong growth in the Russian EB-5 market in the years to come.

Of course no article on EB-5 can be complete without mentioning the recent investment amount increases after November 21, 2019 nor the current issues being caused by COVID-19. While both have presented their own unique shocks to the market we are again confident that after a period of readjustment EB-5 interest and market growth will resume.

Market State - Agents and Subagents

Based on our experience, we can acknowledge that many Russian agencies that started working with EB-5 face a number of challenges. First, the program is very different from programs offered by Cyprus, Malta, Spain, and UK which have historically been popular options. The EB-5 program requires more time to understand the key principles and the mechanism of its operation. The program also requires more time to be spent on “nurturing the client” before he or she is comfortable enough with the risks involved. In addition, migration agencies often work with many different programs, and one sales manager usually covers a few country programs, i.e. the Caribbean, Greece, and Cyprus. Therefore, an average staff member at a migration agency may not have the deep understanding of the EB-5 process and the ability to explain the structure and risks to financially educated investors.

If we look outside of migration agencies, private banks, legal and tax advisors, and real estate companies represent other sources of referrals for EB-5 clients and are usually open to cooperate on EB-5. However, if you are dealing with a relatively big company, they would prefer to deal with an entity registered in Russia that would be their consultant for

prospective EB-5 clients. Instead, smaller companies or individuals will quite often prefer to work directly with US partners.

Another point we think is important to mention is the tendency of Russian clients to source projects through immigration lawyers in the US. This situation particularly prevailed before 2017 and is slowly changing now as more agencies start working with EB-5 in Russia.

How to Tackle the Russia and CIS Markets

Speaking about Russia and CIS, it is worth noting that the highest concentration of HNWI's are in Moscow and St. Petersburg. However, you should keep in mind that these two cities have the best infrastructure and highest quality of life standards in Russia and CIS. Thus, incentives to immigrate are lower. At the same time wealth concentrated outside these two cities is not easy to estimate and, in many cases, investors from other regions will have more issues establishing their lawful source of funds.

Another major challenge when approaching Russia and CIS is that cities are spread all over the country and it is quite difficult to identify the ones that will have the best potential. There are less people who speak English particularly outside of St. Petersburg and Moscow which further complicates matters. Another unique dilemma is that many potential investors are to source information on immigration programs while they are already in the US (usually as B-2 visitors).

However, if you have a Russian-speaking team member and/or a strong partner in Russia, it might be worth exploring regions, too.

Russia is a large country with a wealth population and an interest in both U.S. and other immigration opportunities. When coupled with surrounding CIS countries the region presents itself as an attractive source of EB-5 investors. The market is new and certainly not without its challenges but there remains significant untapped potential.