

## Russian Billionaires Invading U.S. Real Estate Market?

By [Teke Wiggin](#) | Posted Jan 12th 2012 3:00PM

The Russians are coming.

The mass protests that have sent shock waves across Russia's political landscape over the last month appear to have fueled Russian activity in the U.S. luxury home market. The spike in interest builds on a trend that has steadily gained steam over the last few years.

The political turmoil in Russia, says Edward Mermelstein, an attorney and consultant who guides Russians through real estate transactions in the U.S., is "definitely" leading wealthy Russians to make purchases outside of a region that "is being perceived as to some degree tumultuous, whether it's political or economic."

Russian interest in U.S. real estate has steadily risen over the last few years, according to market observers, but the last six months are a different story, Mermelstein says. Inquiries to his company from well-heeled Russians have doubled in that time, he says. Realtors who work in the luxury market note a similar jump in interest.

While the mass demonstrations protesting the allegedly rigged parliamentary elections only began in December, upper-crust Russians probably were able to anticipate the tide of unrest, Mermelstein speculates. That accounts for why the attorney and other real estate professionals first noticed the increase in activity months before the protests.

"They have somewhat advance notice on many things that will happen or are about to happen," Mermelstein says of super-wealthy Russians.

A revised estimate of money that will flow out of Russia over the next few months also suggests that the political upheaval may be spurring Russians to buy up U.S. properties. Russian Deputy Economy Minister Andrei Klepach recently said that he expects Russians to invest \$80 billion outside of Russia over the next few months, up from the \$65 billion that he predicted originally.

Until now, investment in the U.S. only accounted for a small fraction of that number. But that may be changing. Mermelstein expects Russian real estate investment in the U.S., both commercial and residential, to double from its current share of 5 percent of Russian investment abroad to 10 percent in 2012.

A few high-profile purchases by Russian oligarchs seem to lend credence to Mermelstein's forecast. In March [Yuri Milner set the record for the most expensive U.S. home purchase](#) by shelling out \$100 million for a mansion in Los Altos, Calif. (pictured below), while Russian composer [Igor Krutoy dropped \\$48 million for a Manhattan condo](#). The most recent noteworthy deal closed shortly after the protests began: [A Russian magnate's daughter looks to have smashed the New York City record](#) by purchasing an apartment for a whopping \$88 million in mid-December.

The *Institutional Investor* reports that [Russian billionaires spent \\$181 million on homes in New York City last year](#).

Many of the buyers reportedly fit the mold of the high-flying Russian oligarch. They are swaggering industrialists, market observers say -- tycoons who have cornered markets and are not afraid to flaunt their wealth. Dmitry Rybolovlev (pictured above), the father of the 22-year-old Russian who purchased the \$88 million Manhattan condo, for example, is a fertilizer titan. Many members of this privileged cohort work in commodities like metal and oil, Mermelstein says. Often the U.S. homes purchased by them are their fifth or sixth residential properties.

"They're hunting for trophy properties," says Frances Katzen, a Realtor who describes herself as currently working with two wealthy Russians looking to buy high-end properties in Manhattan. "Purchases of these residential properties are not necessarily for the purpose of profit," Mermelstein adds.

Katzen, who is managing director of Prudential Douglas Elliman Real Estate, heralds 2012 as the "Year of the Pied-a-Terre." Mega-rich buyers are now jostling for extremely expensive Manhattan properties, she says. And leading the charge are Russian silver-spooners.

"They're coming to look a lot more," she says. "They are the big ones looking."

Though Katzen says that her Russian clients have not mentioned the political upheaval in their country, she also attests to a conspicuous rise in market activity among wealthy Russians over the last six months.

"I've seen a new flux," she says.

Realtor Bob Hurwitz, who showed \$30-million-plus California properties to a few Russian billionaires last year says that he's noticed the "recent phenomenon" as well. And he has heard murmurings in the industry that the unrest may be the cause of it. In early December, he said, the agent of one Russian buyer expressed as much, albeit obliquely.

"They're pretty closed-mouthed about things," Hurwitz says.