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Anonymous Condo Buyers Thrive Despite Disclosure Rules

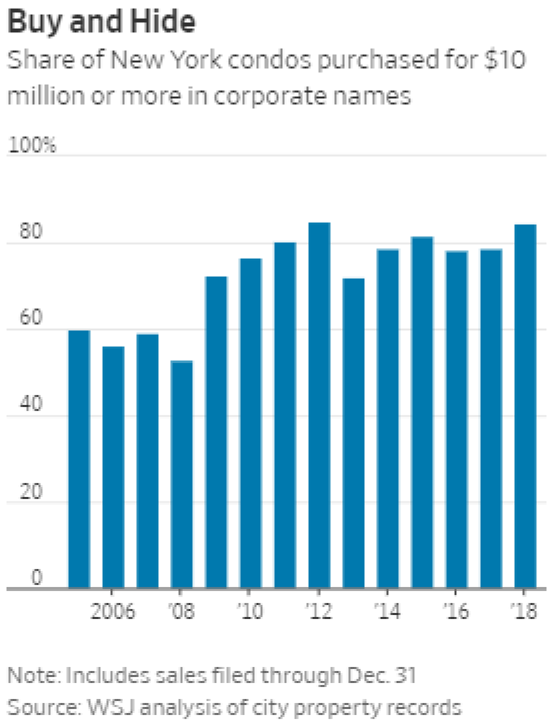
Title-insurance companies are required to report identity of buyer for residential deals of $300,000 or more made in a corporate name and without a mortgage

In New York City last year, 84% of condos costing $10 million or more were bought in a corporate name.
PHOTO: BEBETO MATTHEWS/ASSOCIATED PRESS

The federal government set off a wave of fear among brokers and buyers when it first imposed disclosure rules for anonymous cash buyers of some of the most expensive homes in Miami and New York City.

But three years later, as the government expands the rules and lowers the threshold required for reporting, brokers say the new disclosure rules have had limited impact on the market or buyer behavior.

Title-insurance companies are now required to report the identity of the purchaser for all residential deals of $300,000 or more that are made in a corporate name and without a mortgage. That is down from the $1 million minimum in Miami and $3 million in New York when the rule went into effect in 2016. The Treasury Department last year also extended the rule to 12 metro areas, including San Francisco, Dallas and Chicago.



While the Treasury says these "shell companies" provide opportunities for money laundering, brokers say limited-liability companies are in widespread use because they protect the privacy of buyers.

A Wall Street Journal analysis of New York City property records suggests the new law has had no discernible effect on very high-end purchases. Last year, 84% of condos costing $10 million or more were bought in a corporate name, a bigger share than the 78.5% in the year the rules took effect.

The rules had an initial dampening effect on sales, said Jonathan Miller, an appraiser who compiles market reports in many cities, But the effect. if any, was impossible to measure, because the rules took effect soon after the Manhattan luxury market had already begun to decline.

Information turned over to the Treasury Department is matched against a government database of reports of suspicious financial activity and can be made available to local law enforcement agencies, but isn't made public. Some brokers add that after an early sense of alarm, buyers understood that their names and identifying information would be kept confidential, and confidence returned.

"I really don't think anything has changed," said Pamela Liebman, president of the Corcoran Group, which has brokers in New York City, the Hamptons and South Florida.

The real-estate sector generally has been exempt from U.S. anti-money-laundering rules, but the program is the government's attempt to grapple with a part of the sector not captured when buyers take out mortgages.

Emily Beare, a broker at CORE, said that many international buyers, particularly Russians and Chinese, are staying away for other reasons. "I don't think they are not coming because of the treasury rules," she said. "They are not coming because of the uncertainty of what is going on in their own countries."