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FINANCIAL TRENDS

Treasury's targeting of cash sales seen yielding little Miami impact

BY CATHERINE LACKNER

Last year, the US Treasury Department's Financial Crimes Enforcement Network began requiring title companies to report all-cash luxury home purchases in Miami-Dade County and several other communities, but the regulation alone hasn't had an observable effect on the market, observers say.

"We didn't have any situations we had to report," said Ron Shuffield, CEO of EWM Realty International. That's probably because wire transfers were not considered cash, he said.

"Industry-wide, I think people had similar experiences, once the rules were in place and everyone understood them."

After Miami and Manhattan, the government extended its scrutiny to California and San Antonio, Texas, Mr. Shuffield said.

"It could be that people who were thinking of doing something devious were dissuaded by the requirements. Did the government accomplish its goal? It's hard to say."

Mr. Shuffield acknowledged that sales of homes priced at more than $1 million are down. "We didn't have as many international buyers as in the past, and we saw a marked difference in the number of sales."


Nothing to report: Ron Shuffield.


Managed around it, said Alan Lips.

The inventory of homes at the more-than-$1 million price point is higher than it's ever been, but factors from Zika to devaluations of foreign currencies are more likely the culprits than federal regulations, he said.

There are signs that some currencies are recovering and some buyers who were on the sidelines are entering the market," Mr. Shuffield said. "There is more pent-up demand, and also some nice reductions in value out there."

Despite initial fear when the regulations were announced, "Once people read the law, they were fine with it and able to manage around it," said Alan A. Lips, a partner in the Gerson Preston accounting firm.

Practitioners advised clients that wire transfers were fine, but checks and cash were going to be a problem, because "the government is not confident that the funds are clean. Those transactions could have had a reportable element, so most of those scenarios didn't happen."

If anything, the regulations "forced better cleanliness of transactions," Mr. Lips said.


Little sales impact: Andrew Blasi.

"When the targeting orders were first announced, there was fear that they may have a chilling effect on cash sales of real estate," said Joseph Hernandez, a member of the Weiss Serota Helfman Cole & Bierman law firm, via email. "But as the details of the order and the transactions that are within the scope of the order became clear, it was evident that very few transactions would actually qualify for disclosure. Our firm has not had one such transaction, and I doubt many firms have seen any such transactions.

"The market was strong at the time the orders were first announced and there were no signs of any immediate slowdown after the target orders were announced," Mr. Hernandez said. "The slower market we have experienced lately seems to be due more to macro issues (such as the strong dollar, eroding the buying power of foreign buyers)."

"The targeting order has little, if any, impact on the commerce of legitimate business transactions," said Andrew Blasi, a partner in the Shapiro Blasi Wasserman & Hermann law firm, via email. "The fact is that, even in situations where buyers of real properties are not obtaining financing, they are invariably delivering their funds via wire transfer."


Sales didn't slow down after the order was issued: Joseph Hernandez.