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MASTER BROKERS FORUM

Clean money is a long-term blessing for Miami real estate



BY **JEFF MORR**
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The Miami Herald recently published an insightful article about Sen. Marco Rubio's proposal to expand a federal anti-money laundering initiative from Miami (and a few other luxury real estate locations) to the entire nation. As you may know, in 2016 the Treasury Department's Financial Crimes Enforcement Network (FinCEN) initiated a "geographical targeting order," or GTO, here and in those other areas that required shell companies buying high-priced homes with cash to reveal their "true" owners to the government, in an effort to weed out criminals, terrorists, tax evaders, and even foreign governments attempting to use luxury real estate as a way to launder their dirty cash.

By all accounts, the GTO has been enormously successful, reducing the number of corporate cash real estate sales in Miami by an extraordinary 95 percent. While it is likely that some folks are still using "creative" means to circumvent the system, the order is clearly delivering its in-

tended result. (In fact, a safe assumption that launderers simply moved their money to other markets only furthers the argument for a national expansion of the GTO.) However you may feel about its result and its effect on privacy for some high-end buyers, the GTO addressed a glaring regulation gap that needed to be filled.

I was honored to be interviewed in this article, and here is what I said when asked about the possible impact of a nationwide GTO: "Does it stop money laundering? Probably, yes," Morr said. "Is it good for the real-estate market? Probably, no."

In the spirit of "expanding" (like the GTO itself), I would like to magnify my response just a bit. The order had a tangible, short-term, and predictable negative impact on the Miami real estate market, given our long reliance on foreign investors. However, there is no question that the flushing of dirty money from our market, combined with a fresh influx of clean money from verifiable sources, has been and will continue to be an extraordinary boon for Miami real estate's long-term health. (I liken the experience to taking some foul-tasting medicine: unpleasant for just a moment, but entirely worth the trouble.)

The proof of this may already be evident: Our market is enjoying a very

nice revival this year, as indicated by:

- A 15 percent increase in foreign investment in South Florida residential real estate from 2016 to 2017, according to the Miami Association of Realtors.

- A 6.5 percent increase in the number of \$1 million-plus homes sold during the second quarter of 2018 compared to 2017, according to a Keyes report.

- A 58.6 percent increase in \$1 million-plus condo sales sold in May 2018 vs. May 2017, according to the Miami Association of Realtors.

- My group's own recent condo re-sale, which fetched the highest price-per-square-foot for condos built after the Great Recession (any building completed after 2010) in Greater Downtown Miami.

The lesson? It appears Miami doesn't need illegal money to enjoy a healthy, thriving real estate market, and the same is likely true nationwide. The additional benefits of the order are tangible: since dirty money can trigger "artificial" price increases, we can rest assured that the recent surges are legitimate. (Or, at least more legitimate than before.) And while developers probably had concerns about the GTO when it was announced, it has likely protected them from illegitimate purchases and the inevitable legal troubles that

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would follow.

I was pleased to see Rubio's proposal — which has bipartisan support — pass in the Senate. The Treasury Department will issue a report on its program and include a feasibility study on

taking the program nationwide. (This would be another benefit for Miami, New York, and other luxury markets that were "singled out" by the original orders.) If enacted nationally, I would expect that same result experienced by Miami: short-term pains for real estate markets that traditionally rely on foreign investment, followed by

cleansing, long-term health.

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