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NEW REPORT: SEATTLE LUXURY HOUSING DISRUPTION POSES PERILS FOR CITY

Luxury Units Purchased by Anonymous Buyers and Money Laundering, Growing Inequality, Rising Land Costs, are Among the Risks

Seattle, WA - Seattle is experiencing a luxury real estate boom, with thousands of new luxury residential and rental units in different stages of development. The Institute for Policy Studies is releasing a new study, ***Who is Buying Seattle? The Perils of the Luxury Real Estate Boom for Seattle*****,** that questions the benefits of Seattle's luxury housing boom while providing a closer look at who is buying Seattle and the potential risks to the city.

"The skyline of Seattle is being transformed without fully knowing who is buying luxury properties," said Chuck Collins, the lead author on the report, senior scholar at the Institute for Policy Studies and co-author, with Bill Gates Sr., of *Wealth and Our Commonwealth.* "The burden is on the city to show how this building boom will benefit ordinary Seattle residents and not worsen economic inequality in the city."

The report critically looks at 8 existing luxury condominium buildings, with a total of 1,635 units, with average values over $2 million, a price more than 23 times higher than Seattle's median household income, and nearly 28 times that of the median black family's income. It also identifies another 1,664 luxury units coming on the market in the next year that should be carefully monitored for ownership patterns.

One driver of these trends is trillions of dollars of global hidden wealth touching down in major U.S. cities and real estate markets. "While Seattle has less anonymous ownership than cities like New York and San Francisco, the city should monitor future building trends closely to protect itself," said Collins.

Key findings include:

- **Of the 1,635 luxury condos, 12 percent are owned by limited liability companies (LLCs) or trusts** that mask the real owners and beneficiaries.

- At the 99 Union condominium development, **47 percent of the units are owned by trusts, trustees, LLCs, and corporations.** In only 19 percent of units was the owner registered to vote there.

- **The more expensive the unit, the more likely it is to be owned by a trust, trustee, LLC, or other corporate entity.** 3 percent of the LLCs owning Seattle luxury properties have organized themselves in the state of Delaware, the premiere secrecy jurisdiction in the United States. In a great number more, we could not trace the registration to a level where we could *exclude* Delaware, making the 3 percent figure the "floor."

- Of the 1,635 units, **only 39 percent of owners are registered to vote at the property**, a figure nearly 40 percent lower than that of Washington State as a whole.

More millionaires and billionaires buying properties in Seattle will exacerbate the city's already grotesque inequality of income, wealth, and opportunity.

Anonymous ownership makes Seattle vulnerable to crimes ranging from international money laundering to tax avoidance. The Seattle area's high rates of cash purchases by anonymous entities led to King County being added in November 2018 to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) watchlist.

The report recommends that the city and policymakers monitor the thousands of new luxury units in the pipeline and consider increased transparency requirements around ownership.

Other recommendations include:
- Instituting greater transparency and municipal disclosure of beneficial ownership of luxury properties.
- Strengthen Washington State's Real Estate Excise Tax (REET) to include higher tax rates on luxury buildings and more resources for Seattle.
- Institute Vacancy Tax and Ordinance.
- Require New Buildings to be Carbon Emissions Neutral.
- Support State and National Transparency Policies.

The full report is available at https://ips-dc.org/report-luxury-real-estate-seattle/

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The Institute for Policy Studies is a multi-issue research center that has conducted path-breaking research on inequality for more than 20 years. The IPS Program on Inequality and the Inequality.org website provides research, advocacy and policy development on issues related to economic inequality.