CIFA-BC | Counter Illicit Finance Alliance British Columbia

AML Review

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Special Issue: Real Estate

About this Issue

This Special Topics Bulletin focuses on money laundering in the real estate market.

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INTRODUCTION

Welcome to *AML Review,* your resource for staying up to date with developments in anti-money laundering (AML) efforts, including scholarly outputs, government reports, and case law.

This special issue of *AML Review* focuses on money laundering in the real estate market. British Columbia's real estate market has been identified as a significant target for money laundering, with criminals using real estate transactions as a means of integrating illicit funds into the legitimate economy. In response, provincial and federal governments have implemented a range of reforms, including increased beneficial ownership transparency through the Land Owner Transparency Registry, enhanced reporting requirements under federal AML legislation, stronger regulatory oversight of financial institutions and reporting entities, and expanded collaboration with law enforcement. Despite these reforms, challenges remain.

This special issue features four academic works to provide further guidance on combating money laundering in the real estate sector. First, is an article by Barone (2023) which applies modeling to evaluate the impact of money laundering on real estate prices. Second, is an article by Bieler (2022) which discusses the necessity of data verification for beneficial ownership registries. Third, is an article by Lokanan (2026) which evaluates the ability of machine-learning and neural network models to detect properties linked to criminal activity and to identify the most influential predictors of illicit investment. Fourth, is a chapter by Zavoli (2025) which discusses implementation problems with unexplained wealth orders in the United Kingdom.

Also included in this special issue is a FINTRAC (2024) special bulletin that assists reporting entities in identifying financial transactions within the real estate sector that may be related to the laundering of proceeds derived from tax evasion.

We hope that *AML Review* will continue to be a valuable resource for you to develop your expertise in AML. If you have an idea for a future bulletin or have materials you would like to share, please contact CIFA-BC@rcmp-grc.gc.ca.

Sincerely,

Dr. Catherine Shaffer-McCuish
Editor, *AML Review*
Counter Illicit Finance Alliance of British Columbia Intelligence Hub

INCLUDED DISSEMINATIONS

Academic Articles and Book Chapters

Barone, R. (2023). Home sweet home, how money laundering pollutes the real estate market: An agent-based model. *Journal of Economic Interaction and Coordination*, *18*, 779-806.

Bieler, S. A. (2022). Peeking into the house of cards: Money laundering, luxury real estate, and the necessity of data verification for the corporate transparency act's beneficial ownership registry. *Fordham Journal of Corporate & Financial Law*, *27*, 193-258.

Lokanan, M. (2026). Detecting illicit investment in real estate: A machine-learning approach to rare-event AML risk. *The Journal of Real Estate Finance and Economics*, 1-32.

Zavoli, I. (2025). Unrealised potential? Unexplained wealth orders, money laundering, and the UK real estate market. In I. Zavoli (ed.), *Unexplained Wealth and Financial Crime* (pp. 26-50). Routledge.

Government Reports

Financial Transactions and Reports Analysis Centre of Canada (2024). *Laundering the proceeds of tax evasion in real estate*. Government of Canada.

ACADEMIC ARTICLES AND BOOK CHAPTERS

Project and Scholarly Work

Barone, R. (2023). Home sweet home, how money laundering pollutes the real estate market: An agent-based model. *Journal of Economic Interaction and Coordination*, *18*, 779-806.

Abstract

The aim of the paper is to analyse the role of the real estate market as a dirty money laundering channel for organized crime in Italy. The author contributes to the economic literature on house price determinants, providing for the first time an agent-based model to evaluate the impact of money laundering on the amount and the prices of transactions in the Italian residential real estate market. To this purpose, the author collected and processed data from the Real Estate Market Observatory of the Italian Revenue Agency, the Italian National Statistical Institute and the European Central Bank for the period 2006–2020. Then, the author enriched the data set including for each province if it is a tourist destination, a university site and the corresponding crime rate. Using AgentPy, the author built the model that consists of one agent—that can be a buyer (honest or criminal) and a seller—, banks, the real estate properties, and the environment. Buyers and sellers interact randomly according to the Italian market real estate purchase frequencies. The author shows a reverse relationship between the crime rate index and the percentage of criminal transaction out of the total. Moreover, the average price is higher for criminal transactions with a growing trend as the number of criminals increases.

Project and Scholarly Work

Bieler, S. A. (2022). Peeking into the house of cards: Money laundering, luxury real estate, and the necessity of data verification for the corporate transparency act's beneficial ownership registry. *Fordham Journal of Corporate & Financial Law*, *27*, 193-258.

Abstract

It is estimated that $800 billion to $2 trillion are laundered globally every year, funding the schemes of bad actors and terrorists alike. These astronomical sums are moved around the world without detection; this is in large part due to the ease with which anonymous shell companies, typically limited liability companies (LLCs), can be created, particularly in the United States. America is one of the most egregious enablers of this practice because most states require little to no information about the person ultimately controlling the entity, known as the "beneficial owner." Working through an LLC, bad actors often turn to America's luxury real estate market that enables the cleansing of millions of dollars of dirty money quickly and without a trace. Considering this vulnerability, the US Treasury Department's Financial Crimes Enforcement Network (FinCEN) began to track the beneficial owners behind certain all-cash real estate purchases made by entities and found that a third of buyers had also been subjects of a previous suspicious activity report.

Project and Scholarly Work

Lokanan, M. (2026). Detecting illicit investment in real estate: A machine-learning approach to rare-event AML risk. *The Journal of Real Estate Finance and Economics*, 1-32.

Abstract

Illicit investment in residential real estate poses persistent challenges for anti–money-laundering

(AML) enforcement due to ownership opacity, fragmented data, and the scarcity of confirmed criminal cases. This study evaluates supervised machine-learning and neural-network models to determine their ability to detect properties linked to criminal activity and to identify the most influential predictors of illicit investment. Using a rare-event dataset and cross-validated modelling framework, the analysis shows that meaningful patterns can be detected despite extreme class imbalance. Across logistic regression, Random Forest, XGBoost, CART oversampling experiments, and an artificial neural network, consistent predictors—market_value, owner_legal_person, owner_owns_multiple, land_acres, and out_of_state_owner—emerge as central risk indicators. The findings support Rational Choice Theory by illustrating how offenders exploit structural vulnerabilities to maximize utility. Policy implications include property-level risk scoring, early-warning systems, and enhanced support for gatekeepers. Machine-learning approaches show strong potential to strengthen real-estate AML frameworks.

Project and Scholarly Work

Zavoli, I. (2025). Unrealised potential? Unexplained wealth orders, money laundering, and the UK real estate market. In I. Zavoli (ed.), *Unexplained Wealth and Financial Crime* (pp. 26-50). Routledge.

Abstract

Since their introduction in 2018, the implementation of unexplained wealth orders (UWOs) has been problematic and ineffective, with few cases and a low success rate. These limitations are particularly relevant in the UK real estate market, where criminals infiltrate the sector with millions of pounds of illicit funds every year. UWOs are a beneficial tool for fighting money laundering in the UK real estate market because they permit national authorities to gather information when real estate transactions involve politically exposed persons and organised crime groups. However, the benefits of UWOs are limited by a series of implementation challenges that impede the realisation of their full potential. This chapter discusses the drawbacks of the current UWOs regime in the UK by focusing on its implementation in the real estate market. The author provides a critical overview of the problems emerging from the use of UWOs in the UK property sector and what lessons we can learn for the future. Ultimately, it is posited that the UWOs regime is a step in the right direction to fight financial crimes, including money laundering, but further attention needs to be given to practical factors that might pose a threat to its success.

GOVERNMENT REPORTS

Report

Financial Transactions and Reports Analysis Centre of Canada (2024). *Laundering the proceeds of tax evasion in real estate*. Government of Canada.

Summary

The purpose of this Operational Alert is to support reporting entities in recognizing financial transactions in the real estate sector suspected of being related to laundering the proceeds of tax evasion.

This Operational Alert is issued by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) in partnership with the Canada Revenue Agency (CRA). Its purpose is to provide a set of contextual risk indicators relating to non-compliance with tax laws in the

real estate sector, which includes tax evasion, in order to assist Canadian reporting entities in identifying the potential laundering of tax evasion proceeds through the financial system. By enhancing the identification of suspicious transactions linked to real estate-related tax evasion, Canada will be better equipped to address inherent tax evasion and money laundering vulnerabilities, to ensure that Canadians benefit from a strong and stable real estate sector.