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## Housing Committee

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### HB 1732

**Brief Description:** Preserving homeownership options by limiting excessive home buying by certain entities.

**Sponsors:** Representatives Thomas, Fosse, Simmons, Street, Berry, Kloba, Ryu, Parshley, Obras, Reed, Zahn, Ormsby, Cortes, Hill, Scott, Pollet, Macri and Ramel.

#### Brief Summary of Bill

- Prohibits an investment entity, or a business entity that has an interest in more than 25 single-family residential properties, from purchasing, acquiring, or otherwise obtaining an interest in another single-family residential property, with certain exceptions.
- Creates a civil penalty that may be enforced by the Attorney General's Office under the Consumer Protection Act.

**Hearing Date:** 2/10/25

**Staff:** Serena Dolly (786-7150).

#### Background:

Business entities in Washington include associations, companies, firms, partnerships, corporations, limited liability companies, and limited liability partnerships. These entities are regulated by various state laws, which govern such things as registration, licensing, and tax requirements.

Investment entities, such as real estate investment trusts (REITs), are companies that own or finance income-producing real estate that may include residential or commercial real estate properties, or both. Most REITs trade on major stock exchanges and are regulated by federal

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securities laws and, under certain circumstances, the Securities Act of Washington. REITs are also subject to regulations that cover other business entities.

The Consumer Protection Act (CPA) prohibits unfair or deceptive acts or practices in: trade or commerce; the formation of contracts, combinations, and conspiracies in restraint of trade or commerce; and monopolies. A person injured by a violation of the CPA may bring a civil action to enjoin further violations and recover actual damages, costs, and attorneys' fees.

The Attorney General (AG) may also bring an action to enjoin violations of the CPA and obtain restitution. The AG may seek civil penalties up to the statutorily authorized maximums against any person who violates the CPA. Civil penalties are paid to the state.

**Summary of Bill:**

A business entity that has an interest in more than 25 single-family residential properties may not purchase, acquire, or otherwise obtain an interest in another single-family residential property.

An investment entity may not purchase, acquire, or otherwise obtain an interest in a single-family residential property.

A business entity or investment entity is not subject to this prohibition if the entity is:

- a nonprofit corporation or nonprofit legal entity;
- purchasing an existing single-family residential property and making modifications necessary to achieve substantial compliance with existing building codes;
- purchasing an existing single-family residential property to increase the number of residential units on the property, only if the entity does not hold a single-family residential structure for more than five years without applying for building permits; or
- acquiring an ownership in a single-family residential property through the construction of new properties.

A violation of an ownership prohibition is a violation under the Consumer Protection Act, subject to a civil penalty of not more than \$100,000. In addition, an entity must sell any property found to be in violation to an independent third party within one year of a judgment.

By June 30, 2026, the Department of Commerce must submit a report to the appropriate committees of the Legislature with recommendations to disincentivize business and investment entities from maintaining ownership of single-family residential properties.

**Appropriation:** None.

**Fiscal Note:** Requested on February 6, 2025.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.