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When it comes to property's paranormal history, it's buyer beware

In the real estate field, when the value of a house is, or could be, affected by a history of murder, suicide, ghosts, hauntings or other unexplained happenings, it is said to be stigmatized.

This may occur when the real estate becomes psychologically affected or tainted, even if the perception is based on non-physical, non-scientific or even irrational perceptions.

In the marketplace, the big issue has always been whether there is an obligation to disclose the nature and existence of the stigma to potential buyers.

In the early 1980s Dorris Reed purchased a house in California from Robert King. Neither King nor his real estate agents told Reed that a woman and her four children were murdered there 10 years earlier. Reed learned of the gruesome episode from a neighbour after she moved in. She discovered that no one wanted to buy the house because of the stigma, and sued to set aside the sale. The California Court of Appeals ruled in Reed's favour, declaring that there was a duty to disclose facts known or accessible only to the seller if the information has a significant, measurable effect on market value.

Quoting Shakespeare's *The Merchant of Venice* (Act 2, Scene 2), the judge said, "Truth will come to light; murder cannot be hid long."

Shortly afterward, California became the first state to pass a law defining the disclosure responsibility of an owner and real estate agent when selling stigmatized property. The law requires an agent to disclose the fact of a murder on the property for a period of three years after the event.

A similar case occurred in 1989 when bond trader Jeffrey Stambovsky put a deposit on a \$650,000 house overlooking the Hudson River in Nyack, N.Y. Unknown to him, the vendor had published stories in *Reader's Digest* about the home's ghost, a cheerful little fellow in a revolutionary war uniform. The house had also been included in local walking tours and described as a "riverfront Victorian (with ghost)."

The court said the real estate broker, as agent for the seller, was "under no duty to disclose to a potential buyer the phantasmal reputation of the premises," and admitted that Stambovsky hadn't a "ghost of a chance" of proving fraud.

Nevertheless, Stambovsky got his deposit back because the house had a prominent reputation and the non-disclosure of its history struck at the very essence of the contract between buyer and seller due to the reduced value of the house.

The lesson to be learned from the Nyack case is that if the public believes it to be real, it *is* real whether the ghost exists or not.

About half of all American states have laws requiring disclosure of property stigma, as does Quebec. Disclosure rules in the rest of Canada, including Ontario, are weak, and in general, the rule is caveat emptor, or buyer beware.

Barry Lebow is a Toronto land economist, arbitrator and educator who lectures on haunted and stigmatized houses. He believes Ontario law should be amended to protect buyers and require disclosure of paranormal happenings. Frequently, says Lebow, the realtor becomes the "fall guy" for failing to disclose the history of a house, even if the seller is not totally honest with the listing agent.

There is no shortage of haunted houses in Ontario. In his 1996 book, *Haunted Toronto*, and in his newly released *The Big Book of Canadian Ghost Stories*, John Robert Colombo details the locations of many haunted properties, inhabited by made-in-Canada ghosts. For the whereabouts of more haunted premises, I also recommend torontoghosts.org, the website of the Toronto and Ontario Ghosts and Hauntings Research Society.

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