



## Impact of Homicide on Housing

By: Katherine Herman

### *Conceptualizing “Stigmatized Properties”*

Homicides devalue the housing market. Homicides eliminate \$2.3 billion of the U.S. property market every year.<sup>1</sup> Houses affected by homicide are referred to as *stigmatized properties*.<sup>2</sup> A stigmatized property is a property which buyers or tenants may shun for reasons that are unrelated to its physical condition or features. These reasons can include death of an occupant, a murder, suicide, serious illness such as AIDS, or a belief that a house is haunted.<sup>3</sup>

It is easily understandable how physical defects can have a negative impact on the value of a house, whereas psychological defects are less understood. The American public has become somewhat fascinated with death and darkness, an example of which is the creation of celebrity death tours where people can pay to drive by homes where notorious crimes were committed.<sup>4</sup> Stigmatized properties are often hard to sell<sup>5</sup> because many people are superstitious, further perpetuating the conceptual idea of stigmatized property. However, prospective buyers who are able to overlook the home’s tragedy may only pay a fraction of the asking price for such a property.<sup>6</sup> The reduced price occurs because stigmatized properties often take longer to sell, which can result in a lower sale price when compared to similar non-stigmatized properties. This brief will address issues of law; situational variables such as neighborhood and racial characteristics; as well as provide relevant examples.

### *How Courts Recognize Stigmatized Properties*

People who purchase a property may want to know its history and hence its value. Many states recognize the idea of disclosure laws as a way of protecting people’s rights, though each state has specific disclosure laws. In Minnesota, for example, §82.68 states that a “licensee shall disclose to a prospective purchaser all material facts of which the licensee is aware, which could adversely and significantly affect an ordinary purchaser’s use or enjoyment of the property, or any intended use of the property of which the licensee is aware.”<sup>7</sup> However, Minnesota §513.55 does not create a duty to disclose the fact that residential property was “the site of a suicide, accidental death, natural death, or perceived paranormal activity.”<sup>8</sup>

Prospective buyers do not have an affirmative duty to find out what they are buying. For example, in *Reed v. King*, the elderly plaintiff purchased a house from the defendants before learning that a woman and her four children had been brutally murdered ten years before.<sup>9</sup> The appellate court concluded that:

The murder of innocents is highly unusual in its potential for disturbing buyers that they may be unable to reside in a home where it has occurred. This fact may foreseeably deprive a buyer of the intended use of the purchase. Murder is not such a common occurrence that buyers should be charged with anticipating and discovering this disquieting possibility. Accordingly, the fact is not one for which a duty of inquiry and discovery can sensibly be imposed on the buyer.<sup>10</sup>

This case provided that the idea that caveat emptor, or let the buyer be aware,<sup>11</sup> did not necessarily extend to the idea of murder. Therefore, courts have established that though there may be no duty to disclose placed upon real-estate agents, buyers cannot be responsible to discover details about their home without the help of a real-estate agent.

### *Avenues to Stigmatization*

There can be many variables to consider when analyzing the value of a stigmatized property. For example, the notoriety of case will effectively keep the property stigmatized for an extended period of time due to the public's fascination with the case.<sup>12</sup> Also, the number of murders, or the brutality of those murders, can have a negative impact on the reputation of the property. However, this is not always the case. Peter Muller purchased the house where Andrea Yates drowned her five children, just three years after the crime.<sup>13</sup> When asked about the gruesome deaths, Peter explained, "I really don't care about [the home's] history, I don't think about it, it doesn't bother me."<sup>14</sup>

The most important factor behind stigmatized properties is its location. The property value of homes located near stigmatized properties are often also affected; properties within 0.2 miles of the crime scene experience a 4.4% property value drop.<sup>15</sup> Once property values begin to decline, crime, including homicide, tends to rise. The groupings of these violent crimes form homicide clusters. Homicide clusters are geographic groupings of homicide, usually found in historically crime prone communities. Because poverty often leads to violence, many people necessarily live in the midst of these homicide clusters.<sup>16</sup> In these instances, the cheap housing market outweighs the violent nature of the neighborhoods and the houses within them. Alternately, a prospective buyer may purchase a devalued mansion in the Hollywood Hills that was the site of a murder, simply because of the property's location.

### *Perspectives on Long-Term Impact of Murder Sites*

Many notorious examples reveal what happens to stigmatized properties after a tragedy. Famous houses have been demolished due to the overwhelmingly gruesome nature of the crimes that have taken place within their walls. For example, the Oxford apartment complex, where twelve of Jeffrey Dahmer's dismembered victims were discovered, was razed.<sup>17</sup> The lot where the Oxford Apartments once stood remains empty a quarter of a century later. Another example is the home of John Wayne Gacy; most of his victims were found in the crawl space underneath the house or in the backyard.<sup>18</sup> However, years after the house was razed in order to search for bodies, a new house was built on the site where a family continues to reside today.<sup>19</sup>

Stigmatized properties have also been placed on the market after a deadly crime; some of these houses will not sell due to the notoriety of the case. One current example is the home where the body of 6-year-old JonBenét Ramsey was found, a case that remains unsolved. The current family that resides in the Boulder house has put it back on the market, after extensive renovations to the interior.<sup>20</sup> Though the family refers to the house as a "wonderful place to live," records have shown that they have unsuccessfully attempted to sell the property on multiple occasions,<sup>21</sup> often for almost a million less than market value.<sup>22</sup> This is largely due to the property continuing to receive unwanted crime tourists twenty years after the crime took place.<sup>23</sup>

Most of the stigmatized properties remain occupied due to necessity. Families move into houses where criminal activity has occurred because they cannot afford to live elsewhere. This practice is most common within high-poverty neighborhoods.<sup>24</sup> Since 2002, the population of high-poverty neighborhoods, where the poverty rate is 40% or higher, increased to 13.8 million.<sup>25</sup> This is the highest rate of high-poverty neighborhood residents ever recorded.<sup>26</sup> High-poverty neighborhoods are more prone to high crime rates, and poor residents are the most common victims of crimes. It is a cycle: poverty perpetuates criminal activity and the criminal activity perpetuates poverty.

Conversely, there are numerous examples of high-profile cases of stigmatized properties selling with residents continuing to occupy the property. For example, the condo where Nicole Brown Simpson was murdered sold for \$200,000 less than market value two years after the property was put on the market.<sup>27</sup> The four-bedroom condo still stands occupied today.<sup>28</sup> Similarly, the Miami mansion Gianni Versace lived in, and was murdered outside of, has since been turned into a hotel and nightclub.<sup>29</sup> Uniquely, this property appreciated in value due to the fame of the case. The Versace mansion once held the Miami-Dade County record for the highest sale price at \$19 million.<sup>30</sup> However, property appreciation is unusual; stigmatized properties typically sell for 3% less than non-stigmatized properties, and take 45% longer to sell.<sup>31</sup>

### *Destigmatizing a Property*

Perception of the house, and the immediate neighborhood, is strongly impacted by its visual image. Randall Bell runs an appraisal firm that has consulted on many stigmatized properties such as the Rancho Santa Fe mansion where the Heaven's Gate cult executed mass suicide. Bell, who is considered to be an expert, suggests not demolishing the house.<sup>32</sup> Demolishing, Bell explains, can "make the memories linger longer" than they might if the house had remained since stigma attaches both to the house and to the land itself.<sup>33</sup> Though he does not recommend demolishing, he does recommend changing the facade of the property, like with Nicole Brown Simpson's condo, so others cannot easily identify it.<sup>34</sup>

### *The Overarching Impact of Stigmatized Properties*

Stigmatized properties affect nearly every property owner in a city even though it is relatively uncommon to live in or even near a stigmatized property. It may be difficult to understand how high homicide rates impacts surrounding or even distant neighborhoods on opposite ends of a city. Poorer neighborhoods generally require greatly increased public services such as police or fire protection.<sup>35</sup> <sup>36</sup> Taxes substantively increase outside the neighborhood, because when homicide and crimes lower property values among the poor, wealthier neighborhoods must make up the overall difference by paying more in taxes.<sup>37</sup> Therefore, everyone pays more for homicide whether it occurs within your neighborhood or elsewhere.

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<sup>1</sup> Thorsby, D. (2016, Jan. 29). *How Homicide Affects Home Value*. Retrieved from <http://realestate.usnews.com/real-estate/articles/how-homicide-affects-home-values/>

<sup>2</sup> Warner, D. (1993). *Caveat Spiritus: A Jurisprudential Reflection Upon the Law of Haunted Houses and Ghosts*. Retrieved from <http://scholar.valpo.edu/vultr/vol28/iss1/4/>

<sup>3</sup> *Id.*

<sup>4</sup> Sottile, L. (2015, Aug. 13). *When Death is a fascination*. Retrieved from <http://www.theatlantic.com/health/archive/2015/08/death-obsessed/400880/>

<sup>5</sup> Saal, M. (2015, Sept. 28). *Murder, Suicide Homes Can be a Tough Sell*. Retrieved from <http://www.standard.net/Local/2015/09/28/Murder-suicide-homes-can-be-a-tough-sell>

<sup>6</sup> *Id.*

<sup>7</sup> Minn. Stat. §82.68 (2016)

<sup>8</sup> Minn. Stat. §513.55 (2016)

<sup>9</sup> *Reed v. King*, 145 Cal. App. 3d 261, 193 Cal. Rptr. 130 (Cal. Ct. App. 1983)

<sup>10</sup> *Reed v. King*, 145 Cal. App. 3d 261, 193 Cal. Rptr. 130 (Cal. Ct. App. 1983)

<sup>11</sup> Caveat Emptor. (n.d.). In *Legal Dictionaries*. Retrieved from <http://legal-dictionary.thefreedictionary.com/caveat+emptor>

<sup>12</sup> Peterson, S. (2016, Oct. 28). *How to Sell a Murder House, According to the Expert*. Retrieved from <http://www.curbed.com/2014/10/31/10028940/randall-bell-tips-selling-stigmatized-property>

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<sup>14</sup> *Id.*

<sup>15</sup> Thorsby, D. (2016, Jan. 29). *How Homicide Affects Home Value*. Retrieved from <http://realestate.usnews.com/real-estate/articles/how-homicide-affects-home-values/>

<sup>16</sup> Jargowsky, P. (2015, Aug. 7). *Architecture of Segregation*. Retrieved from <https://tcf.org/content/report/architecture-of-segregation/>

- <sup>17</sup> Rampell, C. (2006, Aug. 7). *For Sale: Scene of a Crime*. Retrieved from [http://usatoday30.usatoday.com/news/nation/2006-08-06-murder-houses\\_x.htm](http://usatoday30.usatoday.com/news/nation/2006-08-06-murder-houses_x.htm)
- <sup>18</sup> *Id.*
- <sup>19</sup> *Id.*
- <sup>20</sup> Collman, A. (2016, Sept. 8). *'It's a wonderful place to live now': New owner of the JonBenet Ramsey murder house opens up about making a home at the site of one of America's most notorious cold cases*. Retrieved from <http://www.dailymail.co.uk/news/article-3779889/It-s-wonderful-place-live-New-owner-JonBenet-Ramsey-murder-house-opens-making-home-site-one-America-s-captivating-cold-cases.html>
- <sup>21</sup> *Id.*
- <sup>22</sup> Lipsey, S. (2015, Dec. 4). *How Murder Can Drop an Entire Neighborhood's Home Values*. Retrieved from <https://www.yahoo.com/news/how-murder-can-drop-an-entire-neighborhoods-home-154600172.html?ref=gs>
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- <sup>25</sup> *Id.*
- <sup>26</sup> *Id.*
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- <sup>29</sup> Rampell, C. (2006, Aug. 7). *For Sale: Scene of a Crime*. Retrieved from [http://usatoday30.usatoday.com/news/nation/2006-08-06-murder-houses\\_x.htm](http://usatoday30.usatoday.com/news/nation/2006-08-06-murder-houses_x.htm)
- <sup>30</sup> *Id.*
- <sup>31</sup> Larsen, J. (2001, Jan.). *Psychologically Impacted Houses: Broker Disclosure Behavior and Perceived Market Effects in an Unregulated Environment*. Retrieved from [https://www.researchgate.net/publication/255721955\\_Psychologically\\_Impacted\\_Houses\\_Broker\\_Disclosure\\_Behavior\\_and\\_Perceived\\_Market\\_Effects\\_in\\_an\\_Unregulated\\_Environment](https://www.researchgate.net/publication/255721955_Psychologically_Impacted_Houses_Broker_Disclosure_Behavior_and_Perceived_Market_Effects_in_an_Unregulated_Environment)
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- <sup>33</sup> *Id.*
- <sup>34</sup> *Id.*
- <sup>35</sup> Lucy, W. (1981). Equity and planning for local services. *Journal of the American Planning Association*, 47(4), 447-457.
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