

The Wisconsin REALTORS® Association

REAL ESTATE ADVISOR

The Haunted House

As Halloween approaches, thoughts naturally turn to stories of ghosts and goblins. But the real estate industry faces a real challenge when it comes to supernatural encounters. If a seller believes a home is haunted, is he or she required to reveal this information to potential buyers?

The obligation of the seller to disclose a haunting is simply not clear. The seller is asked in the state-approved Offer to Purchase form if he or she has notice or knowledge of conditions or occurrences which would significantly reduce the value of the property to a reasonable person. Although it may seem far-fetched, it is possible that rumors of a haunting could significantly reduce property values or an owner's ability to resell the property.

Wisconsin courts have not addressed the issue, but in the New York case of Stambovsky v. Ackley, the buyer sued to rescind his purchase after he learned the house he had bought was reputedly possessed by poltergeists. The house had been the subject of a *Reader's Digest* article and local newspaper articles, but the buyer had not seen these publications. The court noted that a haunting was not the kind of condition that a buyer could be expected to discover by inspecting the property and the public records. The court concluded that the purchase contract was invalid because (1) the haunting impaired the value of the property; (2) the seller knew about the haunting; and (3) the buyer was not likely to discover the haunting without seller disclosure.

Over the years the Wisconsin REALTORS® Association Legal Hotline has received a handful of calls from members asking if a property reputed to be haunted required disclosure. Wisconsin's real estate license law only requires brokers to disclose a haunting if it has an effect on the physical condition of the property. In one case, a broker was told that the walls of the listed house "bled." Given the physical effect on the house, that particular haunting was required to be disclosed. Most haunting questions deal with various apparitions and chain rattling -- brokers are not required to disclose this form of haunting. Sellers, on the other hand, may have to disclose these occurrences if a reasonable person would think they have a significant impact on value.

The legal answer isn't always the final answer. Even when there is no physical damage, there may be a sort of psychological damage or stigma present. Some buyers may have cultural or religious objections. Most agents realize that the buyer will probably find out about the haunting from the neighbors within hours of moving in. For that reason, real estate agents may encourage sellers to let them disclose the haunting in order to avoid potential future disputes with the buyer.