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Should murder or suicide be disclosed?

Shortly after Sidney and his wife bought their Toronto home last fall, a number of their new neighbours told them that there had been a suicide there just prior to their purchase.

The neighbours knew in great detail that the event occurred in the basement washroom, and was soon followed by a crime scene-like display of 10 police cars, fire trucks and an ambulance.

Sidney emailed me to report that the seller told them that her brother, the original owner, died of a heart attack.

The property was inherited by the owner's sister, who sold the house right afterward.

At the time of the sale, the house was in its original condition except that the basement washroom had been gutted and renovated. The buyers were told that the reason for new basement washroom was due to "renovations they never ended up finishing."

The new owners are very unhappy. They wanted to know whether the seller was required by law to reveal the truth about the suicide, and how this impacts them when they resell the house.

In Ontario, sellers and real estate agents have no legal obligation to disclose information about suicides, murders, or any other matters which might stigmatize the house.

Nevertheless, real estate agents are required by their regulator, the Real Estate Council of Ontario (RECO), to "discover and verify the pertinent facts relating to the property and the transaction." RECO interprets its rules to mean that material facts regarding stigmatized properties need to be disclosed so that agents can treat all parties to the transaction "fairly, honestly and with integrity."

The key element here is that if the agent is not informed about the property's stigma — whether it is murder, suicide, a marijuana grow-op, meth lab, sex scandal, or even hauntings — there is no obligation to disclose something beyond the agent's knowledge.

No real estate agents were involved in Sidney's purchase transaction. "The owners stressed a great deal they'd only do it privately on both ends. Now I think I know why," he told me.

No law required the sister of the deceased owner to disclose the suicide or the reasons behind the renovation of the basement washroom.

About half of all American states have laws requiring disclosure of property stigma, some with certain time limits. Quebec does, but the rest of Canada does not. Generally the rule is *caveat emptor*, or buyer beware.

Sidney plans to renovate the entire house and put it on the market. It seems he is not required to tell his real estate agent, or any prospective buyers, of the gruesome event in the basement. But if he did, would it have any impact on the price?

In 2001, Wright State University professors James Larsen and Joseph Coleman studied psychologically-impacted houses in Ohio. They found that real estate brokers in the state reported that homes with bad histories sold for about 3 per cent less than non-impacted houses, but they stayed on the market 45 per cent longer than the average home.

The study concluded that owners of these properties had to keep their homes on the market until they eventually found a buyer who didn't care about the home's history or who were happy with the price.

Sidney told me that for his Toronto "suicide" home, "we never would have paid anything like what we did had the seller not withheld this information. We find this extremely unfair and were misled into paying what we would not have otherwise."

Some interesting questions arise from Sidney's story and hundreds of others just like it across the continent.

*Should Ontario have laws making disclosure of stigmatizing events compulsory?

*If so, should there be a time limit on disclosure?

*Should sellers as well as agents be required to disclose?

*Is it true that what a buyer doesn't know won't hurt him?

Shakespeare put it best in *The Merchant of Venice* when Launcelot says, "Truth will come to light; murder cannot be hid long."

Is Ontario ready for a disclosure law so that murder or suicide cannot be hid long?

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