THE COMPLETE GUIDE TO BUYING A STIGMATIZED PROPERTY

by [Sylvia Shalhout](https://www.mashvisor.com/blog/author/sylvia/) ,Mashvisor.com

You’ve found a great real estate deal in a hot seller’s market. But it turns out there’s a reason the price is so low – it’s a stigmatized property.

What Is a Stigmatized Property?

A[stigmatized property](https://www.mashvisor.com/) is real estate with a “dark” past that tends to deter most buyers. While the events (whether actual or alleged) had no physical impact on the property, the psychological effects can be everlasting. Essentially, the property has a bad reputation and becomes difficult to sell or rent as most people refuse to go near it.

There are many different reasons why real estate property becomes stigmatized:

* It could be the site of a murder or suicide.
* Locals may suspect a haunting or other paranormal activity.
* The property may have had an infamous owner or resident at one point in time.
* Criminal activity may have taken place on the premises in the past.
* The location itself may cause the stigma. For example, the property could be near a cemetery or in a neighborhood with a high crime rate.

It’s usually easy to identify stigmatized properties during your investment property search. Depending on the laws in the housing market, the seller and real estate agent might be obligated to disclose any events or factors that have stigmatized the real estate property. Here are a few [stigmatized property](https://www.mashvisor.com/) laws by state:

* New York: A seller in the New York real estate market is not required to disclose any factor that stigmatizes a property.
* California: In the California real estate market, a seller must disclose if someone died in the property in the last three years.
* Texas: Sellers and agents are only required to disclose information related to the condition of the real estate property.
* Florida: Florida real estate agents and sellers do not have to disclose any information pertaining to death on the premises even if it was the result of a murder or suicide.
* South Dakota: Sellers in the South Dakota housing market are legally obligated to inform buyers of any murders, suicides, or felonies that occurred on the premises in the last twelve months.

*This is a quick overview of some of the stigmatized property laws by state. Be sure to conduct your own research, especially if you decide to put a stigmatized property up for sale.*

However, many states either don’t require disclosure or have no specific laws about it. But if you’re conducting a stigmatized property search, you can directly ask the seller or real estate agent whether or not murder, for example, took place at the site. Legally, they are not allowed to lie. At the same time, there are certain facts that cannot be revealed by law, even if you ask. So be sure to check the stigmatized property laws in the state where you’re conducting your property search.

Besides asking the sellers, you can do some research online or talk to neighbors. This could help you gather more info on if and why a certain investment property for sale is stigmatized.

There are also real estate websites dedicated to stigmatized property listings and you can even do an online search for murder homes or haunted homes for sale. In other cases, the events that stigmatized the property are so infamous, that sellers proudly advertise it. Earlier in 2021, for example, [the home of Lizzie Borden was listed for $2 million](https://edition.cnn.com/2021/01/16/us/lizzie-borden-house-for-sale/index.html). Borden was accused of murdering her father and stepmother in 1892. However, she was later acquitted and the murder remains a mystery that has drawn the fascination of many. The home is actually run as a short-term rental property because of its appeal to tourists.

Should You Buy a Stigmatized Property?

When it comes to buying a stigmatized property, the general advice is to go for it if you can get past the history. However, this advice is for *homebuyers*. If a homebuyer doesn’t mind living in a stigmatized property, then they’d be getting a great deal on what could be their dream home.

But for a[real estate investor](https://www.mashvisor.com/blog/real-estate-investing-101-how-to-become-a-real-estate-investor), there is a lot more to consider than just the price tag. And the answer really depends on the type of stigmatized property you’re looking to invest in as well as your investment and rental strategy.

There are a few different types of stigma that can affect an investment property for sale including:

* Murder or Suicide Stigma
* Haunting or Paranormal Activity Stigma
* Debt Stigma
* Criminal Activity Stigma
* Public Fascination Stigma

Before investing in a stigmatized property, be sure to understand how the type of stigma affects the earning potential of the house as well as the future property value.

For example, you may be able to earn a great return on investment and cash flow by running an Airbnb business out of a haunted house. In 2019, Airbnb reported that [more than 9,000 guests](https://news.airbnb.com/check-in-to-the-trend-spooky-experiences-bring-guests-thrills-to-life/) had stayed in haunted houses. But if you decide to sell, your buyer pool may be limited *(one*[*study*](https://www.thezebra.com/resources/home/stigmatized-property/)*shows that only 1 in 3 Americans would live in a haunted house)*. This could hurt the value and force you to drop the price in order to attract a buyer.

And while the Lizzie Borden home is able to command a high real estate price, other murders have hurt property values in the past. The Amityville Horror House, where Ronald DeFeo murdered his entire family in 1974, was sold in 2017 at a loss of $250k.

An investment property located in a neighborhood riddled with crime will surely be difficult to rent at a high price, whether you choose to rent it out as a long-term or short-term rental property.

At the same time, certain stigma can eventually fade. Debt stigma probably won’t last long enough to hurt the future real estate appreciation of an investment property. And even murder homes have been able to bounce back with renovations and time. The home where OJ Simpson’s ex-wife and her friend were murdered initially took a hit on the market when it sold at a loss of $100,000. But 10 years later, with major renovations and an address change, the home sold for $1.72 million.

As you can see, the answer of whether or not to invest in a stigmatized property is not a simple yes or no. However, doing your research on the stigma and the public’s interest and opinion on the events, speaking to a real estate agent, and getting an appraisal will help you decide.

4 Steps to Buying a Stigmatized Property

If you decide that buying a stigmatized property is the right real estate investment for you, then follow these 4 steps:

#1. Do Your Research

As mentioned, it’s important that you understand the type of stigmatized property you’re dealing with. Do your research to find out if the specific stigma will hurt your cash flow, actually help you make more money with your real estate investment, or not affect you at all.

It’s also a good idea at this stage to understand disclosure laws in the real estate market. Even as a landlord, you may have to disclose certain facts about the rental property’s past to tenants, depending on the state.

#2. Conduct a Neighborhood Analysis

Next, conduct a neighborhood analysis to understand how rental properties perform in the area. While this is something you should always do before buying any type of investment property, it’s especially important if you’re buying a property that is stigmatized by its location. A neighborhood analysis will let you know how other landlords in the area of faring, despite the stigma.

You can easily conduct a neighborhood analysis using Mashvisor. Simply visit the [Neighborhood Analytics Page](https://help.mashvisor.com/en/articles/1288157-how-to-use-the-neighborhood-analytics-page) where you’ll find tons of useful neighborhood data on the area of your choice including how much rental income traditional and Airbnb rental properties are earning, cash on cash return, and more.

#3. Conduct an Investment Property Analysis

How much will the stigmatized property earn as a long-term or short-term rental property? An investment property analysis will help you answer this question. You can start your analysis by using an[Investment Property Calculator](https://www.mashvisor.com/blog/investment-property-calculator-2021) like Mashvisor’s. You’ll get key numbers like potential [rental income](https://www.mashvisor.com/blog/how-to-calculate-rental-income),[cash on cash return](https://www.mashvisor.com/blog/what-good-cash-cash-return), Airbnb occupancy rate, and more.

However, the data you get will be based on rental comps in the area. So you will have to account for the stigma – will it raise or lower rent? Perhaps the infamy will increase Airbnb occupancy rates. Use the research you conducted in Step #1 and the data provided by Mashvisor to come up with your final numbers. A real estate agent can also shed light on this.

#4. Hire a Real Estate Agent

While doing your own research is a good idea, [hiring a real estate agent](https://www.mashvisor.com/blog/benefits-of-hiring-a-real-estate-agent) who has experience with stigmatized properties is a smart move. A real estate agent can help you understand the effect the stigma has on property value and rental potential. They will also help you deal with the seller and put up the right offer to get the best deal.