



Japan - December 2017

CAN A DEATH KILL PROPERTY VALUE? 1

Can a death kill property value?

The apartment in Zama, Kanagawa Prefecture, where police found the remains of nine bodies in late October is one of 12 units in a two-story wooden apartment building located 10 minutes from Sobudai Station on the Odakyu Odawara line. Each unit consists of one room and a kitchen and, according to various media, rents for about ¥20,000 a month. The suspect in the murder case moved into the apartment in August, even though he didn't have a job at the time.

A real estate industry person told Tokyo Shimbun that he would advise the owner of the property to tear the apartment building down and build a new one on the land, because it will be very difficult to rent out any of the rooms in the building from now on, owing to its notoriety. In fact, neighbors may also want the owner to rebuild, thinking that property values in the immediate vicinity will go down as long as it stands.

However, 10 of the 12 units are presently occupied, and apparently none of the remaining tenants wants to move out.

Article 47 of the Real Estate Transaction Law obliges agents to disclose any information about a property to a potential buyer or tenant that could affect the buyer's or tenant's decision. This means that if someone died on the property, the agent must be upfront about it. But there is no stipulation in the law saying how long after the incident in question has occurred does the agent have to continue disclosing the information. Though it isn't written down, the stigma, as it were, can be erased once someone actually moves into the tainted property, so what landlords almost always do is reduce the rent substantially, at least for a limited time, thus making them easier to let.

Something similar is done when selling a property where a murder occurred. Last May, the city of Chiba auctioned off a house where a murder was committed two years ago. The starting price for the auction was ¥7.56 million, though the normal market value for the house would have been ¥35 million. What will likely happen is a real estate company will buy the property and then sell it to another real estate company for a profit. That second company will then sell it at an even bigger profit, since the previous transactions negate the need to disclose the murder.

These properties have a special name: jiko bukken (literally, "incident properties"). According to a website called Oshimaland, there are about 40,000 jiko bukken in Japan at any given time. The website, in fact, tracks these properties for anyone who is interested: Just choose a city or neighborhood — anywhere in the world — and the site will tell you exactly where these properties are and what happened there. Many people use the site to find out if a property they are interested in has any problems, because while agents are required to disclose such information, many do not, and there have been a number of lawsuits brought against realtors and landlords for not disclosing such information. Since 1990, 40 of these cases ended in victories for plaintiffs.

Though jiko bukken are generally properties where people were killed or committed suicide, even if a person dies from natural causes, the property can be stigmatized, so the agent must also disclose that information to potential tenants or buyers. This is one of the main reasons why landlords don't want to rent to elderly people. If someone dies in their apartment, it could be rendered unrentable indefinitely. Even if it is rented, it would probably be at much less than market rates. There is even insurance for such situations.

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Local governments throughout Japan have had to address this problem as society has aged and the central government, attempting to keep down medical costs, tries to get people to die at home rather than in a hospital.

An article that appeared in the Mainichi Shimbun on Sept. 16 described what the city of Matsudo, Chiba Prefecture, did after the remains of a man was found in his apartment in 2001. He had apparently been dead for three years, but he had no friends or family, and his rent was paid automatically every month from his account. Matsudo's famous Tokiwadaira apartment complex, one of the first government housing projects in Japan, has many elderly residents, and so the management of the complex has started a kind of community watch program in which elderly tenants check up on one another on a periodic basis. It's not just for compassion's sake. If anyone dies in their apartment, it will become difficult for the building management to rent it out again. If someone is sick, they will try to persuade them to move to a nursing home.

Tokiwadaira is managed by the semi-public housing corporation UR, the biggest landlord in Japan, so they have a lot of experience with people dying in their apartments. They even have a web page listing all such properties under their authority, complete with rental fees, which are generally about half the market rate but only available for up to two years at the longest. Almost all of these are in older buildings, thus suggesting that an elderly person who had probably lived in the unit for a long time died there.

Interestingly, UR says that these units tend to be rented out very quickly, especially if they are in the 23 wards of Tokyo. Obviously, people who are looking for bargains don't care if someone died in an apartment. UR leases them on a first-come, first-served basis, but the interested party still has to make an appointment to inspect the property and submit all the proper paperwork beforehand.

The UR site may indicate that people aren't as superstitious as the authorities think they are. In fact, the owner of the apartment in Zama told the media that he probably won't tear down the building, despite its horror house image, because his current tenants asked him not to. He told the tabloid Nikkan Sports that after the police finish their investigation he'll probably just have a priest come in to pray for the victims and purify the apartment.

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