

RESEARCH BY
The Economist INTELLIGENCE UNIT

New wealth rising
The Asia-Pacific wealth landscape is shifting.

Are you ready for what's next?

RBC Wealth Management



Topics ▾ Current edition More ▾

Subscribe Welcome ▾ Search

Daily chart

Haunted houses have a chilling effect on the property market

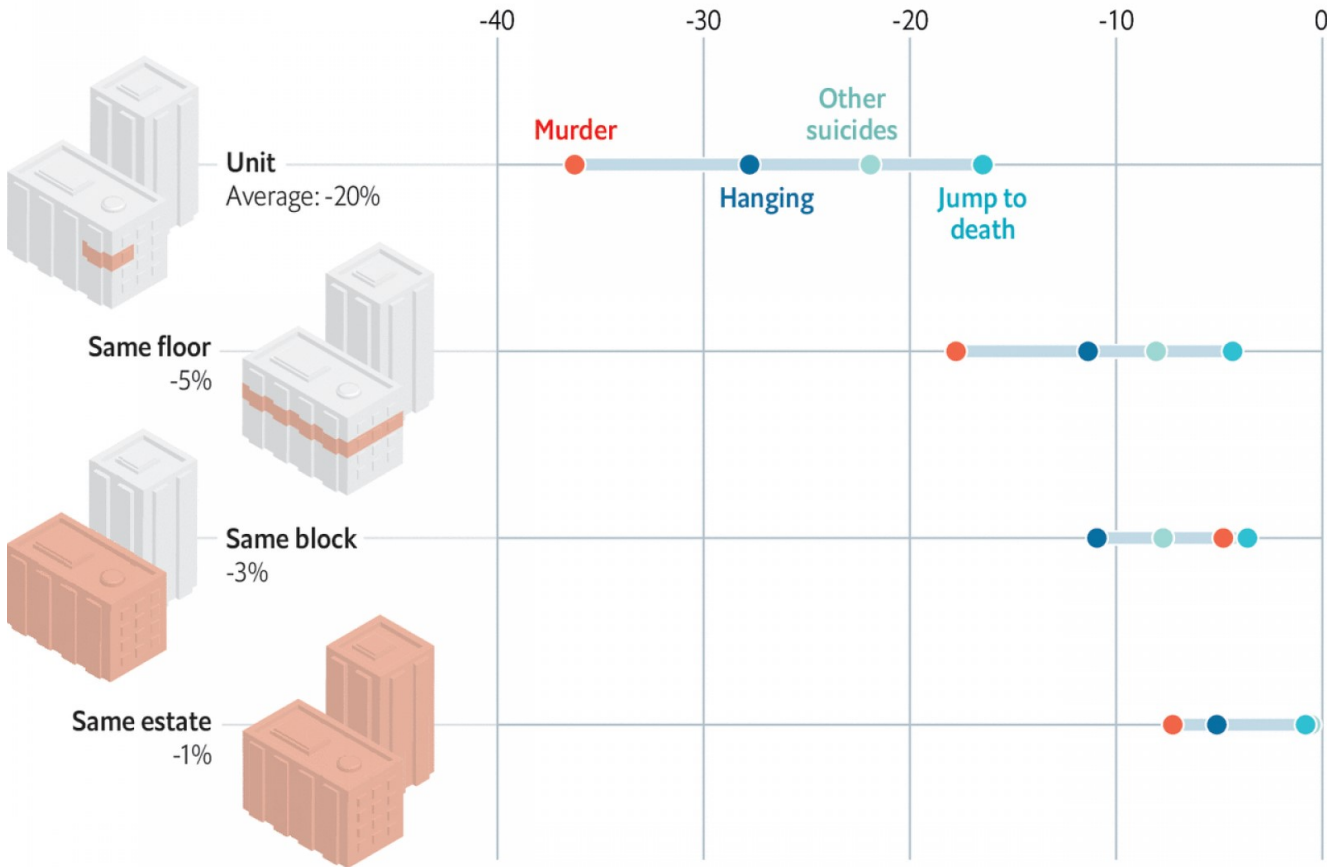
A new study finds that homes with scary backstories do indeed frighten buyers

Ghost-benefit analysis

Hong Kong, estimated effect of "haunted" houses on property sale prices*, %

By proximity to "haunted"† unit

By cause of death

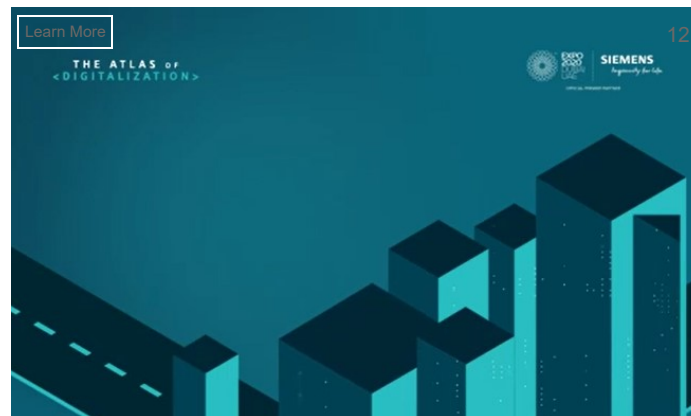


Source: "Spillovers in asset prices: the curious case of haunted houses" by Utpal Bhattacharya, Daisy Huang and Kasper Meisner Nielsen, Hong Kong University of Science and Technology working paper (2019)

*2000-2015
†Due to an unnatural death

HAUNTED HOUSES are not for the faint of heart. Deceased former tenants—normally those who have suffered violent, untimely deaths—are said to remain in residence. Living occupants complain of creaking doors and floorboards, shifting furniture, knocking, footsteps and voices. Ghostly apparitions can terrorise children; pets flee eerie spectres.

Sceptics might write such phenomena off as paranoia, but haunted houses do spook the property market. That ghosts depress prices, especially in some Asian cities such as Hong Kong, has long been recognised. But a recent [working paper](#) by Utpal Bhattacharya and Kasper Meisner Nielsen of the Hong Kong University of Science and Technology, and Daisy Huang of Nanjing Audit University, attempts to calculate the size of the ectoplasmic discount. It estimates that Hong Kong properties that become haunted, owing to the death of a former inhabitant from an accident, murder or suicide, lose on average a fifth of their value. The price of these “hongza”, or haunted flats, can remain depressed for years.



Using a database of more than 1.1m residential real-estate transactions, combined with data from four commercial haunted-house websites (see for example [Squarefoot](#)), the authors identify 898 haunted properties that changed hands between 2000 and 2015. After controlling for size and age, long-term price trends and seasonal fluctuations in demand, they find that haunted flats decline in price by an average of 20%. The authors observe a clear “ripple effect” in the local market. Neighbouring properties fall by 5%; those in the same block drop by 3%; and those in the same estate 1% (see chart).

So ghosts and ghouls are a factor for discerning Hong Kong house-hunters to weigh. But the process by which a property becomes haunted matters, too. Suicides (which account for nearly three-quarters of hauntings in the territory) lower the value of affected properties by between 16% and 28%, depending on the method used; deadly accidents depress prices by 20%. Murders, meanwhile, have the most chilling effect on values, sending prices tumbling by a whopping 36%. Shrewd buyers who ignore the gruesome history of their prospective purchase may find its value goes bump in the night.