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TO COUNTY ASSESSORS:

ASSESSORS' HANDBOOK SECTION 531, RESIDENTIAL BUILDING COSTS

The 2012 revision of Assessors' Handbook Section 531 (AH 531), *Residential Building Costs*, updates costs contained in previous editions and includes new data. These costs become effective on January 1, 2012. The 2012 revision of AH 531 is available only on the Board's website. The entire text, photographs, and drawings of AH 531 are posted to the Board's website at www.boe.ca.gov/proptaxes/ah531.htm.

Appraisal judgment will be very important during 2012 in order to adjust for any market change that could affect single-family home values and costs after our publication date. Current market conditions with high foreclosure and unemployment levels, as well as large inventories of resale homes, are likely to continue throughout 2012. While median home prices in some areas of California appear to be in a bottoming out process, 2012 will most likely be another difficult year for the single-family residential market in the state. Median home prices in a few areas continued to decline in the latter part of 2011. Some areas of California are actually seeing some increases in the median price of homes, and these circumstances may continue during 2012. The purchase of residential land and finished lots remains inconsistent.

Entrepreneurial profit remains low and consequently many new home builders have reduced their production or are avoiding single-family home construction in areas of California. A record low level of construction has also negatively affected contractor's profit in a competitive field. The result is that some of the costs in this revision have declined somewhat from last year while other parts of the cost structure are the same or have increased.

The compilation of cost factors and specifications for AH 531 is a continuous process. Your comments and input, particularly information regarding the locale adjustment factor for your county, will help to make this handbook a more useful product. If you have any questions or comments regarding this handbook, please contact Mr. Ken King at 916-274-3359 or kenneth.king@boe.ca.gov.

Sincerely,

/s/ David J. Gau

David J. Gau Deputy Director Property and Special Taxes Department