November 29, 2010

TO COUNTY ASSESSORS:

ASSESSORS' HANDBOOK SECTION 531,

RESIDENTIAL BUILDING COSTS

The 2011 revision of Assessors' Handbook Section 531 (AH 531), Residential Building Costs, updates costs contained in previous editions and includes new data. The 2011 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/ahcont.htm.

It is likely that 2011 will be another difficult year for the single-family residential market in California. High foreclosure levels continue, as well as large inventories of resale homes. Median home prices in a few areas continued to decline in the latter part of 2010, while the median in other areas appeared to be in a bottoming out process. Some areas of California are actually seeing some increases in the median price of homes, and these circumstances may continue during 2011. Many of the builders of new homes, as a result, have cut back or are still avoiding single-family home construction in areas of California. The purchase of residential land and finished lots remains inconsistent.

Many of the costs in this 2011 revision of AH 531 have declined somewhat from last year, partly due to the ongoing significant reduction in developer's entrepreneurial profit and the more recent reduction in contractor's profit as they continue to seek work for themselves and their crews. Other parts of the cost structure have remained the same or have actually increased. Therefore, appraisal judgment will continue to be especially important for 2011 to adjust for any market change that would affect costs after the publication date of AH 531.

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 916-324-2742 or kenneth.king@boe.ca.gov.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:sk