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December 20, 2013

TO COUNTY ASSESSORS:

## ASSESSORS' HANDBOOK SECTION 531, RESIDENTIAL BUILDING COSTS

The 2014 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, 2014. The 2014 revision of AH 531 is available only on the BOE website. The entire text, photographs, and drawings of AH 531 are posted to the BOE website at www.boe.ca.gov/proptaxes/ah531.htm.

The combination of historically low mortgage interest rates, low inventory, and increased demand resulted in increased sale prices during the first half of the year for single-family homes located mainly in metropolitan areas such as San Diego, Los Angeles, and San Francisco. However, prices remain far below the peaks reached in 2005-2006. The changes in the AH 531 costs reflect not only increased demand earlier in 2013, but also consider slowing sale price increases in the last half of 2013, most likely due to higher interest rates.

Many of the costs in this 2014 revision of AH 531 have increased, partly due to the ability of single-family residential developers to increase their entrepreneurial profit as well as an increase in contractor's profit. Other parts of the cost structure have remained the same. Therefore, appraisal judgment continues to be important for 2014 to adjust for any market change that could 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 1-916-274-3359 or kenneth.king@boe.ca.gov.

Sincerely,

/s/ David J. Gau

David J. Gau Deputy Director Property and Special Taxes Department