December 24, 2014

TO COUNTY ASSESSORS:

ASSESSORS' HANDBOOK SECTION 531,
RESIDENTIAL BUILDING COSTS

The 2015 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, 2015. The 2015 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.

Mortgage loan interest rates continue to be near historically low levels. Demand continued to be strong while inventory levels remained low in the first half of 2014. This resulted in increased prices through the first half of 2014 in many areas of California. Price increases began to slow approaching the second half of the year. Prices are still below the peaks reached in 2005-2006.

Many of the costs in this 2015 revision of AH 531 have increased, partly due to developer's increased entrepreneurial profit as well as an increase in contractor's profit. Material costs have also increased slightly. Therefore, appraisal judgment continues to be important for 2015 to adjust for any market change that could affect costs after the publication date of AH 531.

The AH 531 has been updated to account for the costs associated with fire sprinklers. Effective January 1, 2011 the State of California adopted building code changes that required all new one- and two-family homes and townhouses built in the state. Fire sprinklers are now a listed component in the residential building specifications where applicable. In cases where the fire sprinkler component is present and is not included in the applicable building specification, the component should be treated as an additive. In cases where the fire sprinkler is not present and is present in the building specification, the cost associated with the component should be treated as a subtractive.

The compilation of cost factors and specifications for AH 531 is a continuous process. If you have any questions or comments regarding this handbook, please contact Mr. Michael Saunders at 1-916-274-3365 or michael.saunders@boe.ca.gov.

Sincerely,

/s/ Dean R. Kinne

Dean R. Kinnee
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DRK:mds