

*California Real Estate Economics, 3<sup>rd</sup> Edition, Update*  
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**Chapter 13: The Economics of Appraisal**

- I. The Evolution of Property Valuation
  - A. The Need for Appraisal
  
- II. The Appraisal Industry
  - A. Regulation of Appraisal Activities
    - 1. Changes in the Appraisal Industry
    - 2. Educational Requirements
  
- III. Essential Elements of Value
  - A. Value
    - 1. Demand
    - 2. Utility
    - 3. Scarcity
    - 4. Transferability
  - B. Market Value
  - C. Market Value and Market Price
  - D. Market Value and Cost
  - E. Basic Principles of Value
    - 1. Anticipation
    - 2. Change
    - 3. Competition
    - 4. Conformity
    - 5. Contribution
    - 6. Highest and Best Use
    - 7. Increasing and Diminishing Returns
    - 8. Plottage
    - 9. Regression and Progression
    - 10. Substitution
    - 11. Supply and Demand

- IV. The Three Approaches to Value
  - A. The Sales Comparison Approach
    - 1. Property rights
    - 2. Financing concessions
    - 3. Conditions of sale
    - 4. Date of sale
    - 5. Location
    - 6. Physical features and amenities
  - B. The Cost Approach
    - 1. Determining Reproduction or Replacement Cost New
      - a. Square-Foot Method
      - b. Unit-in-Place Method
      - c. Quantity-Survey Method
      - d. Index Method
    - 2. Depreciation
      - a. Physical Deterioration
      - b. Functional Obsolescence
      - c. External Obsolescence
    - 3. Straight-Line Depreciation
  - C. The Income Approach
    - 1. Gross Rent of Gross Income Multipliers
  - D. Reconciliation
- V. The Appraisal Process
  - A. The Appraisal Report
  - B. Unacceptable Appraisal Practices