

Principles of Value

There are twelve principles of value used to determine highest and best use and to establish value (they will be covered in detail in Valuation Concepts):

1. **Anticipation:** the anticipated future benefits to be derived from the property.
2. **Balance:** the equilibrium reached in a free market when complementary uses of neighboring property permit maximum value for individual properties and the neighborhood.
3. **Change:** the continuing effects of economic, social, and governmental forces on the property and its environment, resulting in continuous change in market value which must be anticipated.
4. **Competition:** the tendency of a highly profitable use to be duplicated by others until an excess supply of similar goods and services reduces profitability, and thus value.
5. **Conformity:** the creation of maximum market value through a reasonable degree of similarity of property use, appearance, and owner demographics.
6. **Consistent Use:** the requirement to value all aspects of a property: land, improvements, and personal property on the basis of a single class of usage at any given point in time.
7. **Contribution:** the incremental amount of value contributed to the total value of a property by any given component, as opposed to the actual cost of the component.
8. **Demand:** the amount of a commodity, good or service that would be purchased at various prices during a specific period.
9. **Substitution:** the market value of a property is affected by the cost of obtaining an equally desirable and valuable property as a substitute.
10. **Supply:** the amount of a commodity, good or service that would be offered for sale at various prices during a specific period.
11. **Surplus Productivity:** the net real property income after the costs of labor, capital, and management have been paid.
12. **Variable Proportions:** When the quantity of one productive service is increased in equal increments, while the quantities of other productive services remain fixed, the resulting increment of product will decrease after a certain point.