

Elements of Value. — No definite and final rules can be laid down as a guide for the appraiser in reaching his conclusions relating to value. He is directly concerned with the ascertainment, as definitely as circumstances will warrant, of the net revenue both present and prospective. He must give consideration to:

The cost of construction.

The cost to reproduce the property new.

The relation of the property to actual or possible competing properties.

The condition of the property, including its adaptability to the intended purpose.

The weight to be given to these items and the method of applying them in making valuations will be discussed in the proper chapters of this publication.

When property with a salable output is valued for purchase or sale, or for capitalization, or bonding, the investigation must be extended to cost of operation and the market value, present and prospective of the service rendered or of the commodity furnished.

In the regulation of rates, also, consideration should be given to the value that will result from the earnings and this likewise involves a comparison of operating costs with earnings, present and prospective, from whatever source.

Valuation for Purchase or Sale

When property is to be valued for purchase or sale, both the seller and the purchaser desire to know the value as determined from the excess of the earnings over the cost of operation.

First Step — Determination of the Cost. — The first question to be answered in determining the amount that may reasonably be assumed to be invested in the property will be what has the property cost or what may it reasonably be assumed to have cost. Perhaps this can be ascertained from the cost records with due consideration of losses from unprofitable operation and with proper allowance for excessive promotion costs, for exces-