



# Brand + beauty + utility = property value

Stephen E. Roulac

*Roulac Global Places LLC, San Rafael, California, USA*

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## Abstract

**Purpose** – The purpose of this paper is to introduce the significant role that brand, beauty and utility play in defining property value.

**Design/methodology/approach** – Beyond introducing the idea that property value is composed of brand, beauty and utility, the factors that comprise these three components of property value are explored. The relative contributions that brand, beauty and utility make to understanding the source of property value are examined through empirical research evaluating the perceptions of the relative contributions that each of these three factors make to property value, based on the analysis of data on some 55 single family residential properties drawn from throughout the world.

**Findings** – The findings explain reasons why certain properties command premium prices, relative to other properties. As commerce prioritizes branding in merchandising generally – and especially for luxury goods – that brand would assume a growing significant role in property markets is not surprising.

**Originality/value** – These findings challenge traditional thinking and introduce a new, powerful explanation of the source of property values.

**Keywords** Asset valuation, Brands, Premium pricing, Property

**Paper type** Research paper

## Context

On a conceptual level, a property's value is determined by its use, specifically what people will pay for the right to the use of the property. Asked to explain the bridge from the right to use a space in a property and the value of a property interest, appraisers and property value theoreticians default to the observation that the value of the right to use the property interest is determined by supply and demand.

When pressed to provide more specificity as to the meaning and application of supply and demand, these property value theoreticians often amplify their statement to say that supply is the amount of similar and/or prospectively competing property and spaces that would be available for consideration by a space user which is considering the subject property interest. Similarly, demand reflects the cumulative aggregate of space users' property interest, manifesting attributes similar to the subject property. Still not articulated in any explicit manner, however, is what attributes people seek from and why people demand to use a particular space.

In microeconomics, relevant differences among attributes of one type or another are generally not addressed. The theoretic presumption is that the "consumer calculus" essentially treats all attributes alike. But in applied economics, differences in attributes are the source of much research. In the domain of property valuation, which can be



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considered to be a subset of applied economics, the techniques of regression and econometrics are used in mass appraisal research, especially for tax assessment purposes, to distinguish relevant attributes that have explanatory power for differences in properties' transaction prices. Applications of hedonics to mass valuation of properties represent a more sophisticated approach to the same issues of research into what explains the differences in prices.

The price that a property commands in the marketplace effectively is a payment for the right to rent and control the sensory experiences of utility, beauty and brand. The agreement to pay a particular rent represents the determination by the purchaser that the property's value package of brand, beauty and utility is sufficiently valuable to the purchaser to pay the price asked by the property owner. The same theory applies to rental property, as the rent the tenant pays reflects the tenant's assessment of the worth of the value package of brand, beauty and utility.

The particularly powerful application of the brand, beauty and utility value trilogy is its contribution to explaining the components of value and the differences in values of various property interests. A particular property integrates in one property interest the market offers for three resources – brand, beauty and utility – whose distinctive combination represents a property's uniqueness and determines a property's value.

Evidence that any meaningful number of consumers of property goods and services and property professionals, in addressing decisions concerning property occupancy and investment, explicitly address brand, beauty and utility in their decision process, is more anecdotal than documented. Indeed, the majority of people think implicitly of the contribution of brand, beauty and utility to their perception of a property interests, if they think of these topics at all.

While there is general recognition amongst property professionals and property consumers that the elements of brand, beauty and utility meaningfully contribute to a particular property's commanding a price superior to another property that lacks those elements, to date this proposition was first explicitly articulated in Stephen Roulac on Place and Property Strategy (Roulac, 2001). This paper is the first empirical research of this theory and quantified the first assessment of the relative contributions that brand, beauty and utility make to property value. It is helpful, nonetheless, to review literature relevant to this theory of property value.

## Literature

In a sweeping survey of the literature of real estate appraisal education and theory, Pearson identified a number of shortcomings in and critiques of appraisal theory (Pearson, 1998). Pearson's critique continues a long history of scholars, researchers, and practitioners calling for advances in appraisal theory and practice. Nearly a half century ago Wendt concluded that traditional appraisal theory insufficiently incorporates contemporary economic theory (Wendt, 1956). More than four decades ago, Brown argued for the need for a more generalist education, expanding the appraiser's body of knowledge of general economics, market analysis, and planning and zoning (Brown, 1960). More than three decades ago, Bernard asserted that appraisers were insufficiently aware of demand in land economics and that because of a lack of research, the appraisal body of knowledge was not appreciably growing (Bernard, 1965). More than a third of a century ago, Hoppe advocated understanding the why, rather than merely the how to determine the applicability of appraisal procedures and methods (Hoppe, 1967).

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Wendt (1969) asserted that appraisers institutionalized certain techniques and practices but concurrently ignored innovations being introduced by academicians, brokers and mortgage lenders. A third of a century ago Ratcliff (1972) asserted that appraisers placed disproportionate emphasis on technological-mechanical issues of calculation methodology and computer applications at the expense of a behavioral orientation placing a primary emphasis on understanding human behavior in the real estate market. Boyce (1984) noted that the rigidity and inflexibility of appraisal applications and appraisal education do not serve client needs.

Property researchers over the last decade have devoted considerable attention to advancing the state of the art of predictive property valuation models by application of multiple regression analysis and artificial neural networks to single family housing sales data sets. (Goodman, 1978; Palmquist, 1979; Linneman, 1980; Mark and Goldberg, 1988; Tay and Ho, 1991; Borst, 1992; Do and Grudnitski, 1992; Goodman and Thibodeau, 1995; and Nguyen and Cripps, 2001). These studies predominantly employ physical metrics, such as age, size, numbers of bedrooms and bathrooms, and other measures of physical features and scale, as the explanatory variables that determine a residential property's value relative to the values of the collection of properties that comprise the data set in which the particular property is a member. While considerable energy, initiative and innovation have been devoted to extending the application of advanced statistics and econometrics techniques to the data concerning metrics of the attributes of property values, the emphasis has been more on correlation than fundamental causation. The causation emphasis that has been applied considers utility within sets of data, which can be considered to be market cohorts of similar and competing properties, then across sets of data of different markets comprised of properties in which differences other than physically quantified attributes are the primary explanations for price and value differences.

Simply stated, the emphasis has been more on the technical than fundamental, more on correlation and causation. The advances in analyzing data concerning property values have not been matched by advances in understanding the source of property value. This research here advances the theory of property value by emphasizing causation and fundamentals.

Over the last two decades, appraisers have been chastised for not providing reliable appraisals, challenged to learn new mandated government requirements, required to be licensed, and more recently favored by active transactions and refinancing markets that have generated substantial demand for appraisal services. During this time, coping with and adapting to change have dominated the concerns of the appraisal discipline than have questions of appraisal theory, despite there being abundant evidence of the need for new thinking concerning the theory of property value and property valuation.

Today, in appraisal practice, form is too often emphasized at the expense of function. So much attention has been placed on meeting requirements of FIRREA, USPAP, and lending institutions' own appraisal guidelines, that the appraiser can lose sight of the purpose of the explicit content, quality and reliability of the valuation analysis to provide an accurate assessment of the property's value. Indeed, financial institutions that reject appraisal reports primarily do so because "the value conclusion is not logical and therefore does not make sense," even though the report complies with FIRREA, USPAP, and the institution's appraisal instructions (White, 1992).

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This paper is an early installment of a major undertaking to develop and articulate an advance appraisal theory. The thesis that the value of a property is comprised of brand, beauty, and utility, is proposed as a significant advance in value theory, for a property interest consists of the right to get access to these three offers.

Brand, beauty and utility represent a more robust construct of property value than use *per se* or functionality *per se*. The theory of property value being comprised of brand, beauty, and utility, provides more specificity and direct connection to the users' objectives, priorities, and experience in the twenty-first century.

Decisions made for the universe of choices, made possible by technology and implemented through value preferences, result in expressions of societal spatial patterns. Collectively, these decisions represent the votes of what consumers of property goods and services seek and contract for through property transactions, in the form of experiences of brand, beauty and utility.

### **The theory: beauty and brand in addition to utility**

When a purchaser buys an existing property, the purchaser is paying for a combination of utility, brand, and beauty. And, people choose to use a particular space to gain access to these three ingredients of brand, beauty, and utility. These three ingredients may be the explanatory factors as to why a property that appears very similar to another may command a very different rental rate or sales price.

In valuation of residential properties the usual objective is to specify a point estimate with implied high confidence as to its representativeness and reliability. The more common the property, the easier that is to accomplish. The more distinctive or unique, the more difficult. Polar opposites in this regard are represented by tract homes versus fully custom homes – with special architecture and materials on unique sites in prestigious communities. For economists, “utility” includes everything, so “utility” includes brand and beauty. This perspective is insufficiently specific, however, to explain property value divergences, especially in non-commoditized property markets. Brand, beauty and utility provide much more insight and explanatory power.

A property's value theoretically can be decomposed into component ingredients of brand, beauty and utility, in aggregate, and into subcomponents of each of these three value elements. Such an approach can yield powerful insights into the comprehension of the sources of property value.

One approach to the decomposition of property value elements appears in Table I. Every property reflects to some degree the value components identified in that Table. That degree might be valued by various individual potential buyers as strongly positive, strongly negative, varying ranges in between, or even nominal/neutral. By comprehending what is important to individual purchasers, more informed decisions can be made about the development, improvement, building, merchandising, and evaluation of property interests.

### *Utility*

The particular functions and features desired of a property and especially the relationship of that property as part of the larger fabric of urban form, in a community as well as the very design of that fabric of urban form are largely shaped and molded by societal spatial patterns. Room sizes, configurations, and systems, both support living experiences, in greater or lesser degrees, as well as what is desired. The utility of a property is a function

PM 25,5		Location factors	Non-location factors
432	<i>Brand</i>		
	Country	✓	✓
	State	✓	✓
	Region	✓	✓
	Metro	✓	✓
	Community	✓	✓
	Neighborhood	✓	✓
	Street	✓	✓
	Building		✓
	Architect		✓
	Builder		✓
	Landscape designer		✓
	Building components		✓
	<i>Beauty</i>		
	Improvements – exterior		✓
	Improvements – interior		✓
	Site – Natural features		✓
	Site – Landscaping		✓
	Views/vistas	✓	✓
	<i>Utility</i>		
Design		✓	
Interior functionality		✓	
Structural quality		✓	
Exterior functionality		✓	
Access	✓	✓	
Proximity and quality of resources	✓		
Opportunity	✓		

**Table I.**  
Decomposing the  
value trilogy

of its design, interior functionality, external functionality, structural quality, access, proximity and quality of resources, and opportunity. Shifting societal spatial patterns can cause the relative appeal of these factors to change.

A particularly important element of utility is the degree to which a property enjoys connectivity with others. Consequently, properties that have superior connectivity to cable and video services, telecommunications, and Internet access are more valued than those that do not.

### *Beauty*

An important component of value is the sensory experience derived from the beauty of the property and its environs. Much of the uniqueness factor of a property, in terms of its physical features, is captured in the concept of beauty. Beauty encompasses: the improvements, both the exterior treatment and interior architectural detail; the site, its natural features and improvements, specifically landscaping, trees, topography; and the views, of both the natural and the built environment.

Essential to beauty is the sensory experience that enhances the day-to-day living in the property for those who occupy it as well as the occasional visitor whose overall encounter with the property is enhanced by virtue of the visual experience of that property.

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The preferences of society for different forms of beauty, which preferences in the realms of place and space are reflected in societal spatial patterns, is translated into changing priorities in the desirability and therefore value of certain attributes of the natural and built environment. As certain architectural styles are favored, properties with that architecture are more desired and therefore more valuable than others. Similarly, as certain designs are less popular, their desirability and associated value decline. Parallel phenomena apply to landscaping elements and features of the natural environment.

### *Brand*

Just as consumer product brands incur phases of greater and lesser appeal, distinctiveness and therefore value, so, too, do place brands. Certain regions of the world, countries, regions within countries, metropolitan markets, communities and streets have greater appeal and popularity over time. As those places that become more popular and command higher prices, the place brand component of their value increases both absolutely and, selectively, relative to other aspects of the value proposition that that property represents.

The place brand of a property is an integral element of its value. Properties with a California place brand command a premium over properties that do not have California identity. Beyond the place of identity, expressed through such major regions as state and metropolitan area is the specific community. As a case in point, in California, Marin County commands a premium over other place brands. Part of the premium is related to utility and beauty and part of the premium is related to brand. Within Marin County there are explicit premiums for certain communities, which premium is partially attributable to beauty and utility and partially attributable to brand. Then, within a community there can be premium for a particular neighborhood and street. In Manhattan a substantial place brand premium is paid for Park Avenue relative to Third Avenue.

### **Non-market agencies**

Numerous non-market agencies, at differing levels of government, charged with implementing land use controls, planning objectives, zoning restrictions, building quality standards, environmental compliance and the like, can exert very explicit influence on brand, beauty and utility. Government regulations concerning building performance, energy use, etc. may involve both positive and negative influences upon utility. In certain circumstances, such government regulations may enhance the utility of what the structure might otherwise be, but for the government regulation. In other instances, government regulations may constrain building function and operation, so that the utility of that structure to particular users' priorities and objectives is less than it would be, absent those regulations.

Further, the very influence of government regulations on societal spatial patterns necessarily shape and inform utility functions of properties that are located within this spatial landscape. In particular, the access to certain properties may be enhanced, but for other properties diminished, because of these regulations. In practice, these regulations can lead to funding of social services, including particularly transportation, infrastructure, that may be positive to a property or negative, either because the previously available transit resources are reduced, or, alternatively, more and undesirable traffic routed by a particular property results as a consequence of government policy.

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In the realm of beauty, government regulations may protect or hinder a subject property, both generally and from particular persons' perspectives. The design review process, as a case in point, may discourage what might otherwise be a building project whose aesthetic features could be less than exalted. At the same time, the design review process could suppress more innovative, progressive, distinctive design expression. As an application, regulation of the manifestation of the concept of beauty being in the eye of the beholder, can have a positive or negative consequence, depending upon how it is interpreted and implemented.

Brand considerations are very much influenced by the role of government agencies. To the extent government agencies initiate actions and promote itself in ways that are positive generally, and well received in the market, then a place's brand may be enhanced. On the flipside, to the extent the government engages in conduct that is adversely perceived, then the brand stature of that place will suffer. Governments promoting certain values may be positively received by some audiences and negatively perceived by other audiences, for just as with beauty, values appeal lies in the perception of the beholder.

On balance, non-market considerations, implemented through various government agencies, can contribute to enhancing brand beauty and utility for a property interest – or, contrarily, suppress the brand, beauty and utility of a property interest. Different levels of government agencies may have positive aspects on one element, while other government agencies may have negative aspects on the same element. The interplay of these non-market forces, through government action, may result in a net positive or a net negative, impact on the value in aggregate and, as reflected in a specific element of brand, beauty and utility. Just as the challenge in evaluating a particular property involves the synthesis and consideration of multiple factors, so, too, can it be challenging to assess the implication on a net basis of government policies and regulator actions on property's brand, beauty and utility elements.

### **“Location, location, location”**

When you ask an appraiser or other real estate professional, knowledgeable about property value, the question of why a particular property is worth more than another property, more often than not the answer is “location, location, location.” If you inquire of a developer what is especially crucial in seeking a site for a new project, you most likely will be told “location, location, location.”

While one can explain a lot of the difference in value by location factors, location factors do not explain the value itself. Few real estate professionals can articulate why and how one location commands a value premium over another location. If all else but location is identical, then the value differential is due to location. And if location is identical, then the value differential is due to non-location factors.

The mantra of “location, location, location” is a less-than-articulate expression of what drives property appeal, value, and development potential. It is almost akin to saying that people want a “good property.” Sure they do. But what exactly is a “good property”? Too seldom do real estate practitioners, teachers and scholars address, in any useful manner, the theory and practice of property valuation. They tend to verge towards a highly pragmatic, nuts and bolts, how to do it approach. Missing is consideration of the why ... the rationale ... the cause in “cause and effect.” Various valuation methodologies, such as hedonic, regression and factor methods, are often more about relationships and correlation than cause.

Interestingly, if certain adjustments are made, the “location, location, location” mantra may be an illuminating explanation of the underlying source of property value. If one considers that the first “location” represents utility, then a basic explanatory source of property value is provided. A property’s utility encompasses both the experiences of life that that property provides and also the access to economic opportunity, specifically to obtain employment and to engage in business and entrepreneurial activities in ways that are disproportionately rewarded, relative to what they might be for other properties located in less rewarding regions.

If one then considers that the second “location” of the “location, location, location” mantra represents beauty, then still further illumination as to the source of property value is provided. Properties in certain locations, both by virtue of their inherent features and their outlooks towards adjacent properties, possess superior aesthetic attributes, relative to other properties, which otherwise might be virtually identical.

Finally, if the third “location” of the “location, location, location” mantra is determined to represent brand, recognizing that people will pay much more for a known, desired and distinctive brand, than they will for an unknown, unwanted, and undesired brand, then the third element of the “location, location, location” mantra adds much explanatory contribution to the source of property value.

### Value trilogy application

The implications of brand, beauty, utility in application are reflected in the pricing differentials of space in the same building. Identical location, building quality, materials, systems, management services and address all apply; only the level of the floors differ. Yet, the price of space in suite 2900, an upper floor, is generally clearly

#### Assignment 3

#### BRAND-BEAUTY-UTILITY VALUATION

**Submit by the beginning class your property value assessment applying the *brand-beauty-utility* model to single family residential properties.** In your analysis, include residential properties from at least two continents, four countries, and six metropolitan markets. In your property value assessment you should attribute the composition of the property’s value to these three categories and subcategories within each of the three broad categories.

While you may not necessarily cover every level and aspect of a property that has brand-value significance, at a minimum you should address continent, country, region, state, metropolitan market, community, neighborhood and street. For the utility aspect of this assignment, you need to address both the physical functional utility of the property itself and the financial economic utility represented by the access to employment and business opportunities that the property provides.

You should be imaginative and creative in seeking the sources of your information generally, and especially in how you analyze, organize and present your work.

**Figure 1.**  
Assignment for property  
strategy course

Property location	Brand (%)	Property value composition		Value (\$)
		Beauty (%)	Utility (%)	
Briarwood, ND	75.5	21.1	3.4	15,000,000
New York, NY	66.0	18.0	16.0	15,000,000
New York, NY	64.2	23.4	12.4	12,950,000
Brussels, Belgium	38.0	34.8	27.3	6,600,000
Houston, TX	13.6	44.1	42.4	5,900,000
Dallas, TX	30.6	35.3	34.1	4,250,000
Wang fung Ter, HK	44.0	0.0	55.6	3,600,000
Boston, MA	50.8	1.7	47.5	2,950,000
Jerusalem, Israel	73.0	12.8	14.1	7,800,000
London, England	57.0	19.0	23.8	2,625,000
San Francisco, CA	65.8	22.8	11.4	2,195,000
Washington, DC	31.7	26.4	42.0	1,895,000
Monaco	63.0	26.1	11.4	1,842,300
Alamo, CA	57.7	21.3	21.0	1,550,000
S Aoyama, Japan	70.0	1.8	28.0	1,428,000
Costa Baneras, Mexico	21.0	71.9	7.0	1,425,000
Kensington, England	62.0	24.6	13.4	1,420,000
San Francisco, CA	46.2	15.4	38.5	1,300,000
Ozemaya, Russia	16.0	64.5	19.4	3,100,000
London, England	66.0	4.3	29.8	1,288,800
Santa Fe, NM	35.6	20.0	44.4	1,125,000
Paris, France	64.0	9.1	27.3	1,100,000
Los Gatos, CA	45.7	9.1	45.2	1,095,000
Vancouver, Canada	69.0	29.2	32.0	1,029,000
Edinburgh, Scotland	49.0	30.8	20.5	975,000
Nashville, TN	37.9	39.5	22.7	950,500
Larrain, Chile	18.0	64.5	18.0	930,000
Putnam Valley, NY	35.3	35.3	29.4	850,000
Bondi Beach, Australia	48.0	53.3	-1.5	646,750
Enton, England	56.0	14.0	29.8	640,800
Sydney, Australia	37.0	31.7	31.7	630,000
San Diego, CA	41.0	38.0	21.0	449,000
Buckinghamshire, England	58.0	23.1	18.8	396,000
Davis, CA	48.6	25.7	25.7	389,000
Celebration, FL	66.3	5.5	28.2	375,516
Portland, OR	65.8	11.2	23.0	365,000
Funabashi, Japan	67.0	7.3	25.2	342,400
Toronto, Canada	53.0	22.6	24.2	332,667
Mace Ranch, CA	49.0	11.7	39.2	254,900
Folsom, CA	38.2	29.6	32.2	253,626
Vancouver, Canada	49.0	34.5	16.2	246,300
Cabo San Lucas, Mexico	48.0	38.6	13.6	220,000
London, England	39.0	32.4	28.3	216,100
Montreal, Canada	43.0	29.6	27.2	199,333
Orlando, FL	57.7	12.9	29.7	193,900
Kodiak, AK	35.0	55.0	10.0	189,000
Puerta Vallarta, Mexico	20.0	72.0	8.0	150,000

**Table II.**  
Composition of sample  
property value  
components

(continued)

Property location	Brand (%)	Property value composition		Value (\$)
		Beauty (%)	Utility (%)	
Nelson, New Zealand	21.0	59.5	19.5	146,000
Brampton, Canada	28.0	19.1	52.9	139,000
Kissimmee, FL	54.8	23.0	22.2	135,000
La Salle, Canada	28.0	26.7	45.3	117,900
Calgary, Canada	34.0	42.6	23.6	103,400
Edmonton, Canada	135.0	35.0	-70.1	99,900
Cape Town, S. Africa	-27.0	92.1	34.5	86,888
Lasana, Chile	19.0	37.7	43.4	26,500

Table II.

greater than the price of space for suite 200, a lower floor. Why should their prices vary? The answers are found in consideration of brand, beauty, utility in application.

Considering, first, brand, suite 2900 has more status than suite 200. Suite 2900 commands a premium price for that status. Readily and figuratively, the suite 2900 address is more elevated than suite 200. The image of the upper floor address commands a higher rent price.

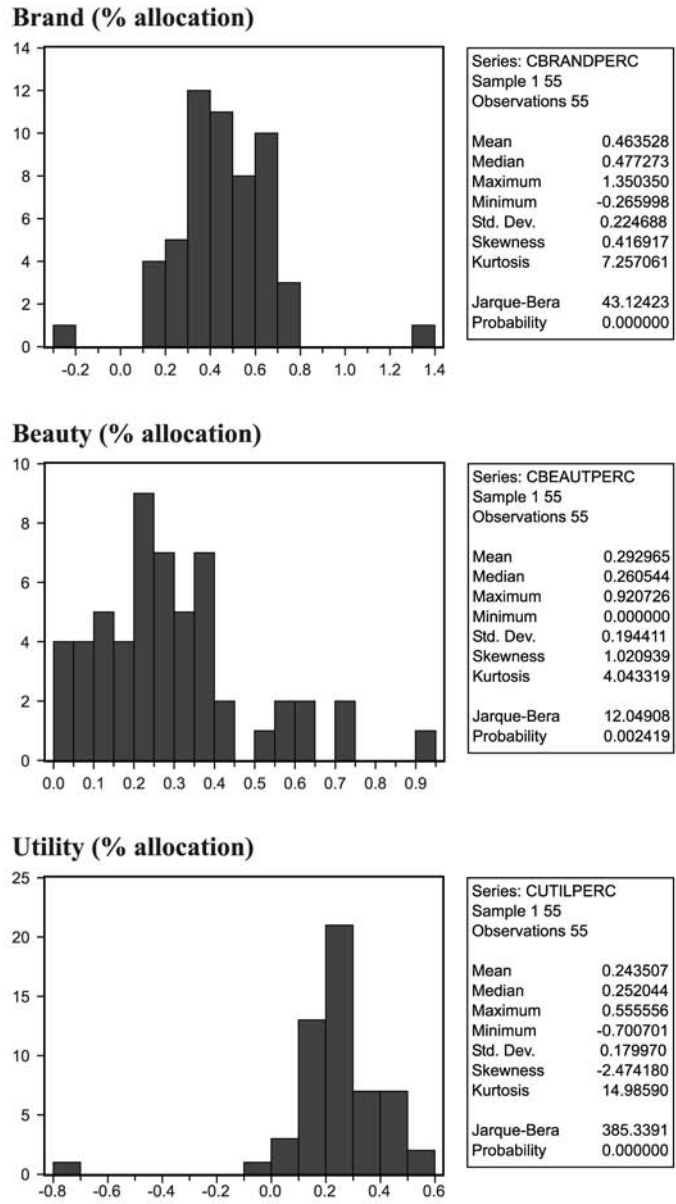
In the context of beauty, the higher floor has superior views and vistas to what is available from the lower floor. In many urban areas, the lower floors have constrained, limited view attributes, looking at other properties and less than attractive forms. Higher floors, by contrast, often provide outlooks of nature – varying terrain, hills and mountains, bodies of water – as well as more striking forms of the built environment, including the outlines and details of buildings near and distant, cityscape collages of different structures, and bridges.

	Non-US (%)	US (%)
Brand	44.89	48.39
Beauty	33.29	23.74
Utility	21.82	27.88

**Table III.**  
Value components in properties located in the US compared to non-US

	Brand (\$)	Beauty (\$)	Utility (\$)	Total value (\$)
<i>Mean:</i>	1,082,211.0	486,569.8	422,519.3	1,991,300.0
Median	300,000.0	100,000.0	190,000.0	850,000.0
Maximum	11,320,000.0	3,170,000.0	2,500,000.0	15,000,000.0
Minimum	-23,112.00	0.000000	-70000.00	26,500.00
Std dev.	2,313,888.0.	819,255.3	620,206.5	3,414,638.0
Skewness	3.336800	2.185764	2.021218	2.788578
Kurtosis	13.33073	6.531415	6.175264	10.24069
Jarque-Bera	346.6395	72.37345	60.55405	191.4282
Probability	0.000000	0.000000	0.000000	0.000000
Observations	55	55	55	55

**Table IV.**  
Descriptive statistics for combined properties in the sample



**Figure 2.** Percentage allocation of property value to brand, beauty and utility for combined properties

**Note:** Some assessments reflect a *negative* allocation of that fact or, reflecting perception that brand or utility, overall *detract* from property value.

	Brand (\$)	Beauty (\$)	Utility (\$)	Total value (\$)
Mean	623,299.3	330,754.8	293,009.5	1,247,064.0
Median	230,500.0	89,327.50	93,150.00	635,400.0
Max	5,700,000.0	2,300,000.0	2,000,000.0	7,800,000.0
Min	-23,112.00	0.000000	-70000.00	26,500.00
Std dev.	1,087,657.0	545,703.9	483,193.9	1,807,099.0
Skewness	3.479337	2.527188	2.523439	2.432444
Kurtosis	16.17303	8.771349	8.659026	8.528821
Jarque – Bera	295.9358	78.47358	76.66072	72.31333
Probability	0.000000	0.000000	0.000000	0.000000
Observations	32	32	32	32

**Table V.**  
Descriptive statistics for  
non-US properties in the  
sample

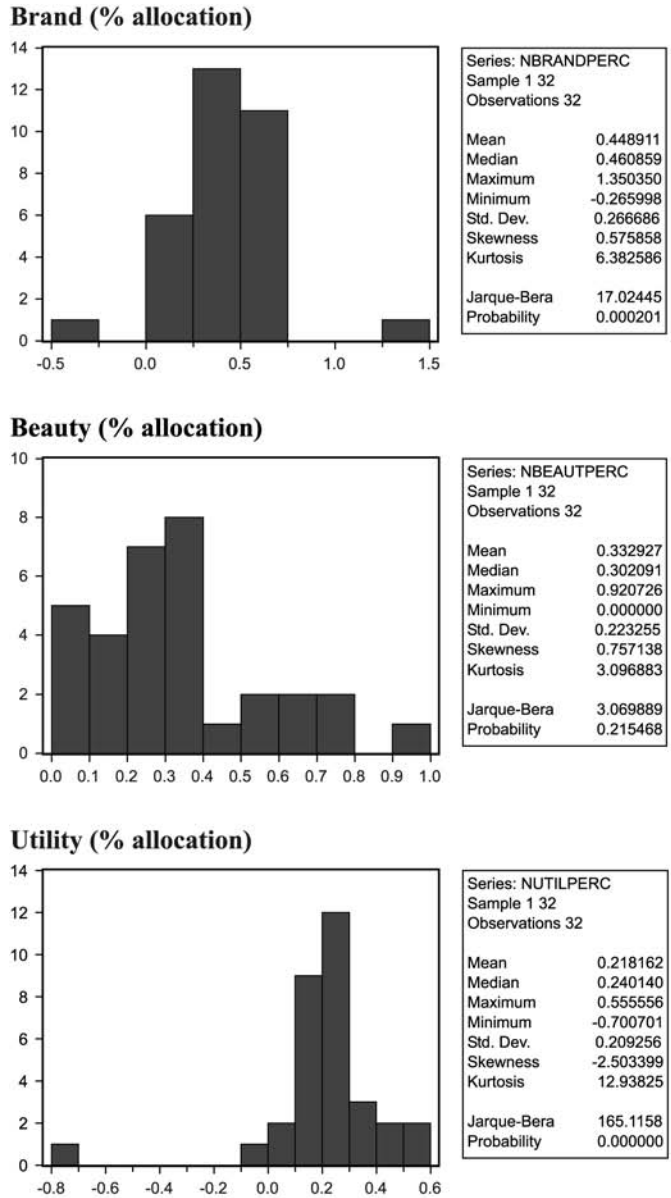
The interplay of the built and natural environment can make for fascinating visual art forms. These attributes of beauty in terms of view and vista, available to the upper floors but not available to the lower floors, command a price premium.

The upper floors additionally offer enhanced utility. Upper floors are often much more quiet, as there is less street noise from vehicles, machines, and people. Upper floors are often cleaner, as there is less trash and soot from the street level activity. The upper floors offer a more pleasant environment, as these residences are really “above it all”, elevated above the grappling with all the street activity, enjoying cleaner air and a quieter environment.

Upper levels may have more security, including dedicated secure elevators. On the contrary side of the ledger, access via to the elevator to the upper floors may take somewhat more time and in the event of a breakdown of elevators service, be less convenient. Because the positive utility elements of the upper floors offset the negative utility elements for a subset of the population with the financial means to pay a premium price, upper floors command a premium price over the lower floors.

A brand that is highly desired and relatively limited in its supply, commands a much greater price than a brand that is either less desired or much more prevalently available. Similarly, features conceived of as epitomizing beauty are more desired than are those that are not. And, elements that are perceived as contributing to the utility of the living experience, and thereby in demand, are more valuable than other elements that are perceived as not so integral or important to the living experience.

Concepts of desirability, uniqueness and scarcity in the property value components of brand, beauty and utility are integral to the theory of property value. Those properties that command the highest prices epitomize the highest level of demand relative to supply in terms of their physical beauty, their brand distinction, and their utility. The top apartments in New York that command the highest prices do so because of the brand identity of their street addresses, most often Park Avenue or Fifth Avenue; their beauty, vistas of Central Park and/or the New York skyline as well as exquisite external features and interior details; and utility, the floor plans, interior features, building services, and especially the access to the experience, resources, and opportunities of the Upper East Side, Manhattan, New York City and the northeast of the USA.



**Figure 3.** Percentage allocation of property value to brand, beauty and utility for non-US properties

**Note:** Some assessments reflect a *negative* allocation of that factor, reflecting perception that brand or utility, overall *detract* from property value

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## Quantifying brand, beauty and utility

Among the hypotheses formulated for the application of the concept of brand, beauty and utility as the components of property market value are the following:

- properties that command premiere prices do so because of premiums paid for one or more of the brand, beauty, and utility components of property value;
- higher-priced properties tend to command higher prices because a greater proportion of the price is paid for brand and beauty than for utility;
- differences in beauty and brand are the reason that properties with similar physical features may sell for very different prices;
- for certain properties, brand accounts for a disproportionate amount of the property's price;
- for certain properties beauty accounts for a disproportionate amount of the property's price; and
- for certain properties, utility accounts for a disproportionate amount of the property's price.

In the research described below, certain of these hypotheses concerning the relative contribution of brand, beauty and utility to property value are tested.

The research described here involved the analysis of quantified perceptions of the relative explanatory role of brand, beauty and utility as contribution to property value. The perceptions are those of graduate students in the Property Strategy course, taught in spring 2001 at the Graduate School of Management, University of California, Davis. The students had been exposed to the concept through lectures and reading (Roulac, 2001).

The data evaluated here is drawn from student papers, submitted in response to an assignment requiring them to allocate the relative components of brand, beauty and utility reflected in the prices of a single family residential property. The specific assignment that the students implemented appears in Figure 1. From the student papers, some 23 properties located in the USA and 32 properties located outside the USA, were deemed to be useable for purposes of the analysis.

The property values within the USA ranged from \$135,000 to \$15,000,000, and outside the USA ranged from \$26,500 to \$6,000,000 (Table II). Students predominantly relied upon the Internet for obtaining information about the properties. For the 55 total

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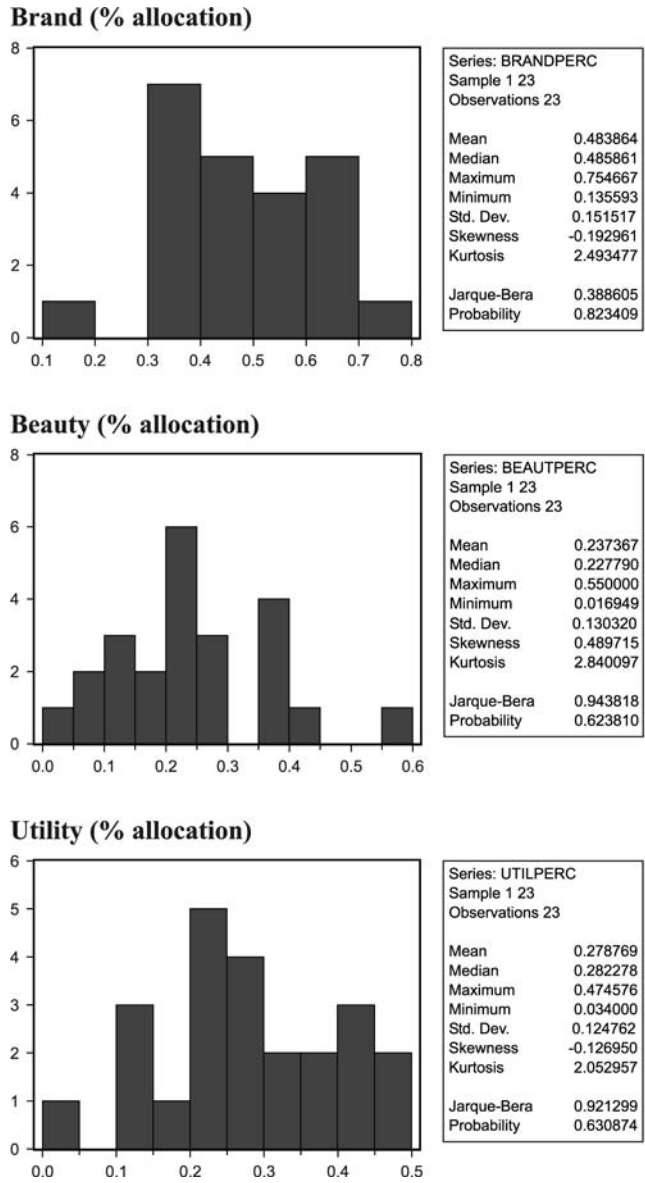
	Brand(\$)	Beauty(\$)	Utility(\$)	Total value(\$)
Mean	1,720,696.0	703,355.7	602,706.9	3,026,758.0
Median	400,000.0	200,000.0	250,000.0	1,095,000.0
Max	11,320,000.0	3,170,000.0	2,500,000.0	15,000,000.0
Min	66,150.00	20,516.00	18,900.00	135,000.0
Std dev.	3,277,553.0	1,069,288.0	746,208.0	4,700,138.0
Skewness	2.204724	1.506151	1.480903	1.882873
Kurtosis	6.150657	3.547041	3.996606	5.011176
Jarque-Bera	28.14613	8.982667	9.358626	17.46626
Probability	0.000001	0.011206	0.009285	0.000161
Observations	23	23	23	23

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**Table VI.**  
Descriptive statistics for  
US properties in the  
sample

properties evaluated, the overall perception of relative allocation of value amongst the three components is as follows:

- (1) brand (46.35 percent);
- (2) beauty (29.30 percent); and
- (3) utility (24.35 percent).



**Figure 4.** Percentage allocation of property value to brand, beauty and utility for US properties

The overall perception of relative allocation of value components in the USA as compared to properties located outside the USA is shown in Table III.

Significantly, overall perceptions were that approximately 3/4 of the value of the properties assessed here was represented by factors other than utility. Notably, the value of properties in the USA reflects more an emphasis on utility and less on beauty, than for non-US properties, where the reverse relationship prevails.

Descriptive statistics for the students' perceptions in regard to the 55 properties drawn from different parts of the world in this sample appear in Table IV. The statistics on and graphic depictions of overall perception of relative percentages of property value allocated to brand, beauty and utility for the 55 properties in the world are shown in Figure 2.

For the combined property values, brand was perceived as playing the most significant role in explaining values of properties and was perceived as most important for the lower range of total property values. Perceptions of utility factor allocation confirm that lower valued properties were perceived as assigning more significance to utility relative to the other two factors.

Descriptive statistics for the non-US properties appear in Table V. The graphic depiction and descriptive statistics of percentage allocations of the non-US properties in the sample are shown in Figure 3. For non-US property values the total values do not follow normal distribution. Distribution of total values is skewed to the left and properties with lower values occur more in the sample. For the non-US properties, a portion of overall perception of property value allocated to the beauty factor follows normal distribution, with a mean of 33.29 percent and with standard deviation of 22.32 percent.

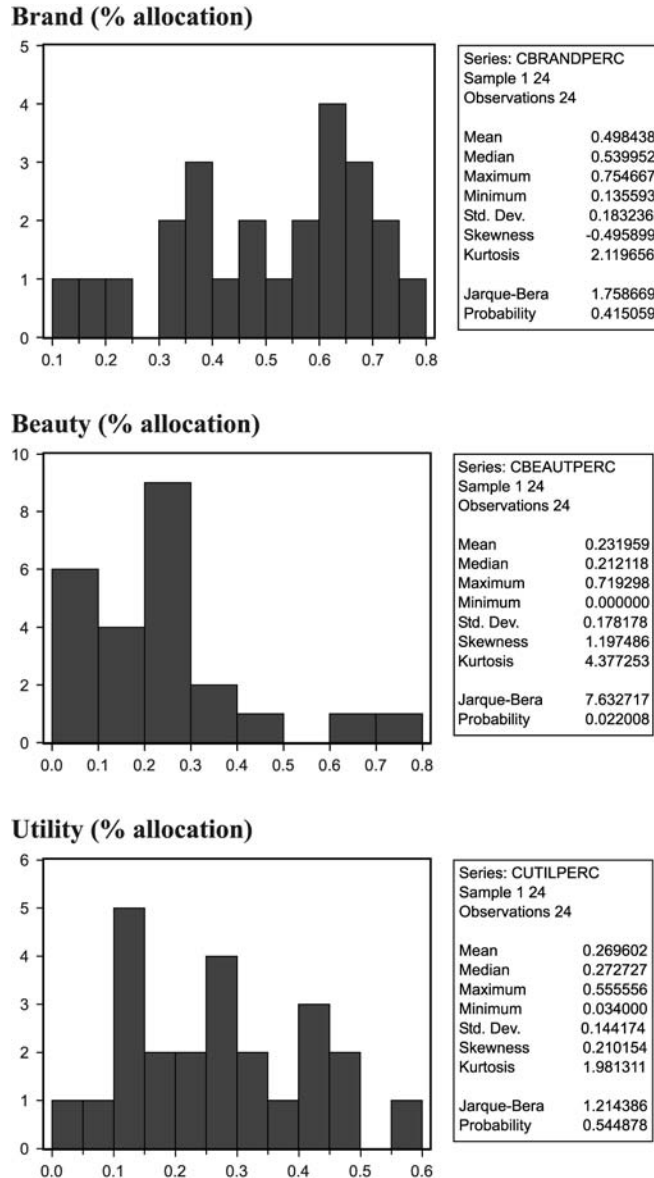
The descriptive statistics for US properties in the sample appear in Table VI. The graphic depiction and descriptive statistics for the percentage composition of brand, beauty and utility in the sample of US properties appear in Figure 4. Across the sample of the US properties, the overall perception of percentage allocation among brand, beauty and utility is more predictably distributed. Brand represents overall the highest weight in overall perception of assigning value to the property. Next in the overall perception of value allocation is utility, trailed by beauty. Based on the data points, it seems that beauty and utility complement each other (and trade off of each other as well).

The descriptive statistics for the combined properties in the sample of values over \$1 million appear in Table VII. The graphic depiction and descriptive statistics for the relative composition of brand, beauty and utility for properties with values in excess of

	Brand (\$)	Beauty (\$)	Utility (\$)	Total value (\$)
Mean	2277717.0	960008.3	865112.5	4102838.0
Median	948950.0	490000.0	505000.0	2045000.0
Maximum	11320000	3170000.0	2500000.0	15000000
Minimum	300000.0	0.000000	100000.0	1029000.0
Std dev.	3147342.0	1066694.0	730455.3	4361471.0
Skewness	1.965196	0.971865	1.006011	1.653587
Kurtosis	5.379987	2.398857	2.699116	4.424371
Jarque-Bera	21.11231	4.139458	4.138766	12.96623
Probability	0.000026	0.126220	0.126264	0.001529
Observations	24	24	24	24

**Table VII.**  
Descriptive statistics for  
combined properties with  
values over \$1 million

\$1 million appear in Figure 5. For the combined sample of properties with values in excess of \$1 million, overall perception of property values as a percentage of brand value allocation increase with the value of the property. In other words, the higher the property value, the larger is the overall perception of weight of the brand component of value. The overall perception of the beauty factor is close to a normally distributed sample. As a percentage of the total value of a property, the overall perception of the



**Figure 5.** Percentage allocation of property value to brand, beauty and utility for combined properties with values over \$1 million

beauty factor reflects less skewness. As a percentage of the total value of a property, the overall perception of the beauty factor has relatively lower importance for the properties of the highest values. Most likely, high priced property may have a somewhat shallower market for certain desired aesthetic features such as seclusion or landscape, and a rather deeper market for brand, which is broadly influenced by image and cultural constructs. Another explanation may be that the overall perception of the brand factor already includes the effects of the beauty factor. For the higher valued properties, overall perception of utility does not play the most significant role, which finding confirms the thesis that valuation should, beyond a certain threshold, shift from considerations of utility to considerations of beauty and brand.

Overall, overall perception of brand is the most important factor in the overall perception of value determination of the high priced property, followed by utility and beauty. Additionally, the higher is the property value, the higher is the overall perception of brand percentage allocation. Then, value is traded off between beauty and utility factors in the high value properties. The overall perception of utility percentage allocation is relatively lower in comparison with brand and beauty weights.

Perception of brand factor seems to be a universal theme across a sample, while variation in the perception of beauty factor plainly reflects the fact that values of properties were collected from various parts of the world, and therefore cultural effects of different places are present.

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#### **Corresponding author**

Stephen E. Roulac can be contacted at: [experts@roulacglobal.com](mailto:experts@roulacglobal.com) or [www.roulacglobal.com](http://www.roulacglobal.com)

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