



## FOUR ELEMENTS OF VALUE



Real estate has four elements of value. They are demand, utility, scarcity, and transferability. The value of a piece of real estate constitutes these four elements of value.

The acronym DUST or STUD is used as a memory aid to keep the four elements of value in mind.

### 1. Demand

- Demand is the first element of value. Demand is the number of people that want the property. The more people that want the property, the more valuable the property becomes.

### 2. Utility

- Utility is the second element of value. Utility is the use to which a property can be put or of which it can be made. The more uses that a property can be put to or made of, the more valuable the property.

### 3. Scarcity

- Scarcity is the third element of value. Scarcity has to do with the supply of real estate available. This supply could be what is on the market or the total possible number of properties in an area. The scarcer the supply of real estate available, the more valuable the property.

### 4. Transferability

- Transferability is the fourth element of value. Transferability is the key element of value in real estate. Your property could be worth millions of dollars, but if you cannot transfer the title to the property to a buyer, then you have no sale. Likewise if a real estate buyer has written a great wholesale offer that has been accepted by the seller, the deal is worthless unless the seller can transfer a clear property title to the buyer.