



FOUR GREAT FORCES INFLUENCING VALUE

There are four great forces that influence the value of real estate.

They are physical forces, economic forces, political forces, and social forces. These four great forces are present in every real estate market in the country. How they influence your target area is up to you to determine. The acronym PEPS is used as a memory aid to keep the four great forces that influence value in mind.



1. Physical Forces

- The first of the great forces that influence the value of real estate is physical forces.
 - ∞ The availability of schools, shopping, churches, transportation, and parks are physical forces that influence real estate value.
 - If these physical amenities are present in your target area, they influence the value of the area in an upward manner. If these physical amenities are not present or are minimally present in your target area, they influence the value of the area in a downward manner.

2. Economic Forces

- The second of the great forces that influence the value of real estate are economic forces.
 - ∞ The number and types of jobs available, the wages being paid, where in the economic cycle the economy is nationally, and the interest rates for real estate loans are economic forces that influence real estate value.
 - The economic cycle is a repeating expansion-prosperity-recession-depression cycle. Real estate value is greatly influenced by the economic cycle.
 - Real estate is said to do well in the expansion and prosperity phases of the economic cycle and do poorly in the recession and depression phases of the economic cycle.



3. Political Forces

- ↳ The third of the great forces that influence the value of real estate are political forces.
 - ∞ The types of zoning, pro-growth or no-growth policies, and environmental regulations are political forces that influence the value of real estate.
 - It is important to know the political forces that influence the value of real estate in the area, both for the present investment climate and for the future investment climate.

4. Social Forces

- ↳ Social forces are the fourth of the great forces that influence the value of real estate.
 - ∞ The quality and the number of schools in the area, blighted neighborhoods or well-kept neighborhoods, racial or ethnic strife, and social amenities are the social forces that influence the value of real estate.