

What is the cost approach?

The Cost Approach is used to produce an indication of property value by adding the estimated value of land to the current cost of reproducing or replacing the improvements (typically replacement cost is used) and subtracting the amount of depreciation in the improvements from all causes: physical deterioration, functional obsolescence, and economic (external) obsolescence. This approach is most useful in valuing new or nearly new improved properties, valuing special use properties, and valuing properties that are not frequently exchanged in the market.