

## Cost Approach

- Useful w/ properties that are
  - Relatively new + standard
  - Special purpose bldgs (churches)

### Steps

- 1) Estimate construction cost as new
- 2) Subtract accumulated \* depreciation
- 3) Add in value of land

## Estimating Construction Costs

- Reproduction Cost - The cost of replicating the bldg. today in exact detail.
- Replacement cost - The cost to construct a building of equal utility.
- Categories of costs
  - Direct (hard) costs
    - Labor
    - Materials
    - Contractor's profit
  - Indirect (soft) costs
    - Engineering + Arch. fees
    - Financing costs
    - leasing + sales commissions
  - Developer (entrepreneur's) profit

## Types of Depreciation

- Physical deterioration
- Functional obsolescence
- External obsolescence

## Sources of Cost Data

- a) Local contractors
  - ask them
  - Maintain files of costs of recently built buildings
- Published Cost Guides
  - Marshall-Swift
  - R.S. Means
  - F.W. Dodge

## Methods of Estimating Costs

- Comparative Unit Method
  - Size in sf.
  - Quality grade
  - Region

see example  
on pg. 191  
+ 196
- Segregated Costs (Unit in Place)
- Quantity Survey
- Index method.