



Article Title

The Cost Approach and Hotel Valuation: A Classic Solution to a Modern Problem.

Citation

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Abstract

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Summary

Despite its utility, the cost approach will never be used by appraisers to the same degree as the sales comparison and income approaches, and there are certainly situations in which its value is limited. Just as most appraisers using replacement cost couldn't come close to correctly estimating the market value of Bruce Springsteen's butterscotchblack Fender Esquire or Eric Clapton's "Blackie" Stratocaster (or that beat-up plywood Sears catalog piece collecting dust in the corner of the attic, for that matter), neither can appraisers expect replacement cost to reflect the value of unique hotel properties, or work effectively in every appraisal problem. This article has found that however, as long as the data are correct and reliable, appropriate verified cost bases are used, and specific local market information is the key driver of the analysis, the cost approach is a reliable and reasonable basis for developing fair, defensible, and equitable property values.