The commercial real estate market
experiences upturns and downturns
more frequently than other sectors.
This market volatility can trigger
questions about the difference
between market value and insurance
reconstruction costs. In this article,
Allianz Global Corporate & Specialty
(AGCS) provides insights for policy-holders to understand the factors that
drive the reconstruction costs to repair
or replace damaged property, and
how those factors differ from both
the market value of the property and
the cost associated with brand new
construction.
Real Estate Market Value
Market value is the estimated price for
which a property could be sold on the
open market. It can depend on seve-ral factors such as location, building
age and condition, accessibility, and
availability of similar properties in the
area.
Insurance Reconstruction Cost
Reconstruction cost is the cost to
build an exact duplicate of a building
using like kind and quality materials,
construction standards, design, and
quality of workmanship at the current
prices. Allianz Global Corporate and
Specialty uses reconstruction costs in
the property underwriting to develop
an insurance-to-value estimate. This
valuation method allows for more
The Difference Between Property Values and Rebuilding Costs

Building Codes
Most jurisdictions require buildings to meet current
codes during reconstruction. This can include addition