

## CATEGORY: COST APPROACH

## TOPIC: DEPRECIATION (MODIFIED AGE/LIFE METHOD)

*Problem – What is the depreciated value of the improvements using the modified economic age/life method?*

Cost new (current cost) for residence is estimated to be \$815,000

Amount of curable physical depreciation is estimated to be \$6,600

Amount of curable functional obsolescence is estimated to be \$11,310

The economic life of the building is 65 years

The remaining economic life (after consideration for curable items) is 45 years

*Problem Solution – NEXT PAGE*

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### Problem Solution

Current cost		\$ 815,000
Curable physical depreciation	\$ 6,600	
Curable functional obsolescence	<u>\$ 11,310</u>	
Total curable depreciation	\$ 17,910	
Remaining undepreciated current cost		\$ 797,090
Depreciation as a %	$20 \div 65 = .31$ (31%)	
Depreciation as \$	$\$797,090 \times .31$	- \$ 247,098
Depreciated value of the improvements		\$ 549,992