

# Zone 2

Depreciated Cost

# Uniform Residential Appraisal Report

File # \_\_\_\_\_

There are _____ comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ _____ to \$ _____.													
There are _____ comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ _____ to \$ _____.													
FEATURE	SUBJECT	COMPARABLE SALE # 1			COMPARABLE SALE # 2			COMPARABLE SALE # 3					
Address													
Proximity to Subject													
Sale Price		\$ _____			\$ _____			\$ _____					
Sale Price/Gross Liv. Area		\$ _____ sq.ft.			\$ _____ sq.ft.			\$ _____ sq.ft.					
Data Source(s)													
Verification Source(s)													
VALUE ADJUSTMENTS		DESCRIPTION			DESCRIPTION			DESCRIPTION			DESCRIPTION		
		+(-) \$ Adjustment			+(-) \$ Adjustment			+(-) \$ Adjustment			+(-) \$ Adjustment		
Sales or Financing													
Concessions													
Date of Sale/Time													
Location													
Leasehold/Fee Simple													
Site													
View													
Design (Style)													
Quality of Construction													
Actual Age													
Condition													
Above Grade		Total	Bdrms.	Baths	Total	Bdrms.	Baths	Total	Bdrms.	Baths	Total	Bdrms.	Baths
Room Count													
Gross Living Area		sq.ft.			sq.ft.			sq.ft.			sq.ft.		
Basement & Finished Rooms Below Grade													
Functional Utility													
Heating/Cooling													
Energy Efficient Items													
Garage/Carport													
Porch/Patio/Deck													
Net Adjustment (Total)													
		□ + □ - \$			□ + □ - \$			□ + □ - \$			□ + □ - \$		
Adjusted Sale Price of Comparables					Net Adj. %			Net Adj. %			Net Adj. %		
					Gross Adj. % \$			Gross Adj. % \$			Gross Adj. % \$		

ALES COMPARISON APPROACH



# Economic Age Life Depreciation

Economic Life

Effective Age

Remaining Economic Life

# The Appraisal of Real Estate

Fifteenth Edition



“An improvement’s total economic life begins when that improvement is built. It ends when the improvement no longer contributes value for the use and is no longer the highest and best use of the underlying land. This period is usually shorter than the improvement’s physical life expectancy.” – p562

## Life in Years and Depreciation for Residences

Quality Class	1	2	3	4	5	6
Single family residences	70	70	70	60	60	55
Manufactured housing	55	50	45	40	30	
Multi-family residences	60	60	55	55	50	
Motels	60	55	55	50		
Conventional recreational dwellings	70	60	60	55	55	50
A-frame cabins	60	55	55	50		

# The Appraisal of Real Estate

Fifteenth Edition



“In applying the concepts of economic life, effective age, and remaining economic life expectancy, appraisers consider all elements of depreciation in one calculation. Therefore, the effective age estimate includes not only physical wear and tear but also any loss in value for functional and external considerations.” p561

# The Appraisal of Real Estate

Fifteenth Edition



“Remaining economic life is the estimated period over which existing improvements are expected to continue to contribute economically to property value.” p565

## 2024 Cost Table - National Building Cost

### Square Foot Area

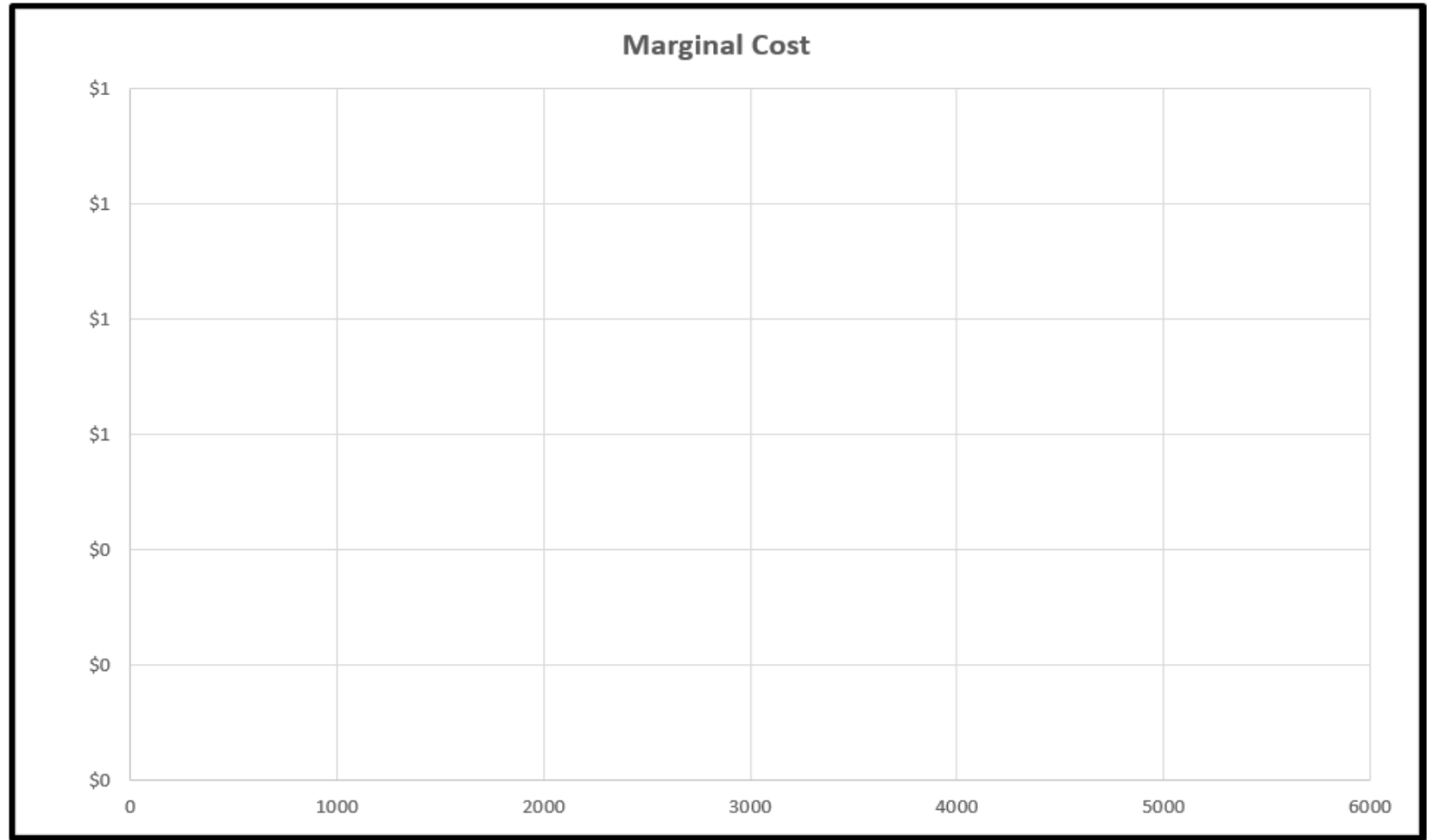
Quality Class	700	800	900	1,000	1,100	1,200	1,300	1,400	1,500	1,600	1,700	1,800	2,000
1, Luxury	608.07	582.64	561.60	543.44	529.29	516.70	505.50	495.43	487.94	480.56	473.81	468.11	457.47
1, & 2	528.77	506.64	488.37	472.58	460.29	449.23	439.57	430.82	424.27	417.91	411.94	406.98	397.77
2, Semi-Luxury	369.55	354.10	341.31	330.26	321.69	314.03	307.25	301.14	296.54	291.93	287.96	284.53	277.93
2 & 3	271.25	259.95	250.53	242.48	236.18	230.49	225.51	221.04	217.64	214.35	211.30	208.88	204.08
3, Best Std.	236.71	226.88	218.63	211.60	206.00	201.13	196.82	192.91	189.93	187.06	184.46	182.21	178.08
3 & 4	202.45	193.85	186.90	180.94	176.11	171.95	168.27	164.87	162.40	159.79	157.72	155.77	152.29
4, Good Std.	174.41	166.99	161.05	155.88	151.82	148.21	144.94	142.05	139.83	137.76	135.85	134.08	131.20
4 & 5	157.11	150.50	145.12	140.41	136.71	133.40	130.49	128.03	126.02	124.08	122.39	120.91	118.07
5 Avg. Std.	141.39	135.55	130.64	126.45	123.22	120.21	117.59	115.17	113.43	111.71	110.15	108.86	106.35
5 & 6	122.77	117.64	113.41	109.76	106.87	104.31	102.03	99.93	98.48	96.94	95.77	94.47	92.33
6, Min. Std.	111.61	106.90	103.07	99.76	97.15	94.80	92.78	90.92	89.53	88.11	86.98	85.85	83.88

### Square Foot Area

Quality Class	2,200	2,400	2,600	2,800	3,000	3,200	3,400	3,600	4,000	4,200	4,400	4,600	5,000+
1, Luxury	449.48	441.94	435.88	430.45	426.61	423.04	419.15	416.35	410.48	406.74	403.50	400.70	396.67
1, & 2	390.96	384.31	379.01	374.29	370.94	367.86	364.48	362.02	356.97	353.70	350.88	348.43	344.94
2, Semi-Luxury	273.33	268.59	264.94	261.61	259.23	257.03	254.69	253.00	249.45	247.19	245.20	243.52	241.09
2 & 3	200.55	197.18	194.48	192.07	190.26	188.62	187.02	185.72	183.13	181.49	180.01	178.76	176.98
3, Best Std.	175.02	172.04	169.64	167.60	166.10	164.69	163.16	162.02	159.77	159.79	158.53	157.41	155.85
3 & 4	149.65	147.12	145.11	143.34	141.98	140.73	139.59	138.61	136.67	135.44	134.34	133.41	132.07
4, Good Std.	128.94	126.71	125.04	123.41	122.39	121.28	120.25	119.31	117.71	116.65	115.68	114.88	113.73
4 & 5	116.10	114.23	112.47	111.20	110.14	109.29	108.18	107.54	106.06	105.09	104.30	103.54	102.51
5 Avg. Std.	104.56	102.83	101.42	100.04	99.24	98.37	97.47	96.81	95.48	94.11	93.87	93.24	92.33
5 & 6	90.77	89.26	88.00	86.88	86.17	85.31	84.55	83.94	82.90	82.04	81.51	80.88	80.14
6, Min. Std.	82.40	81.09	80.01	79.06	78.32	77.60	76.91	76.34	75.33	74.57	74.06	73.51	72.83



Average Cost	GLA	Total Cost
\$174.41	700	
\$166.99	800	
\$161.05	900	
\$155.88	1000	
\$151.82	1100	
\$148.21	1200	
\$144.94	1300	
\$142.05	1400	
\$139.83	1500	
\$137.76	1600	
\$135.85	1700	
\$134.08	1800	
\$131.20	2000	
\$128.94	2200	
\$126.71	2400	
\$125.04	2600	
\$123.41	2800	
\$122.39	3000	
\$121.28	3200	
\$120.25	3400	
\$119.31	3600	
\$117.71	4000	
\$116.65	4200	
\$115.68	4400	
\$114.88	4600	
\$113.73	5000	



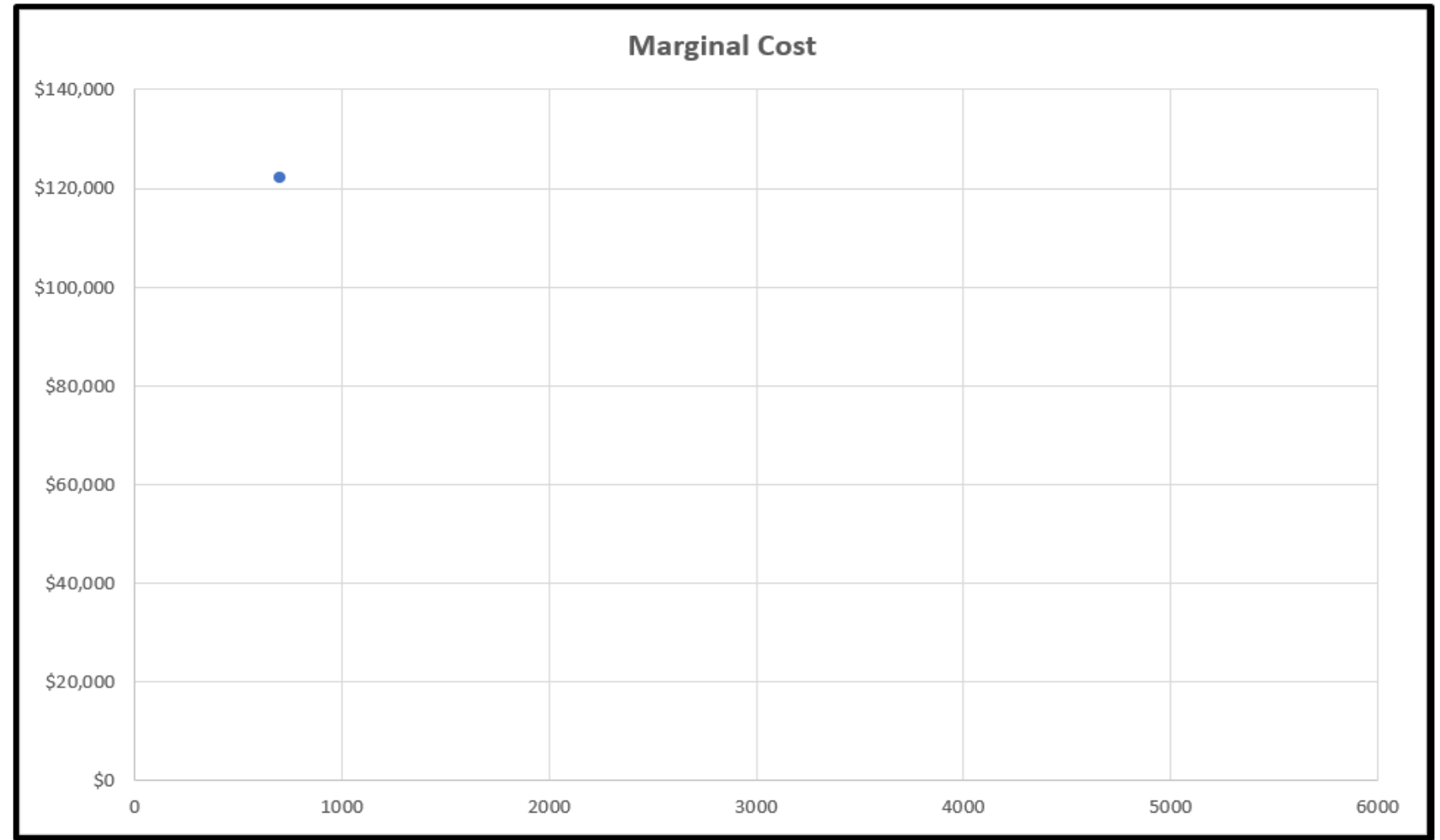
Economic Life	60
Effective Age	0
Remaining Economic Life	60

Marginal Cost  
 0% Depreciation  
 100% Contributory Value  
**GLA Adjustment**

\$ 10,951 Bath Cost  
 100% Contributory Value  
 \$ 10,951 **Bath Adjustment**

In applying the concepts of economic life, effective age, and remaining economic life expectancy, appraisers consider all elements of depreciation in one calculation.

Average Cost	GLA	Total Cost
\$174.41	700	\$122,087
\$166.99	800	
\$161.05	900	
\$155.88	1000	
\$151.82	1100	
\$148.21	1200	
\$144.94	1300	
\$142.05	1400	
\$139.83	1500	
\$137.76	1600	
\$135.85	1700	
\$134.08	1800	
\$131.20	2000	
\$128.94	2200	
\$126.71	2400	
\$125.04	2600	
\$123.41	2800	
\$122.39	3000	
\$121.28	3200	
\$120.25	3400	
\$119.31	3600	
\$117.71	4000	
\$116.65	4200	
\$115.68	4400	
\$114.88	4600	
\$113.73	5000	



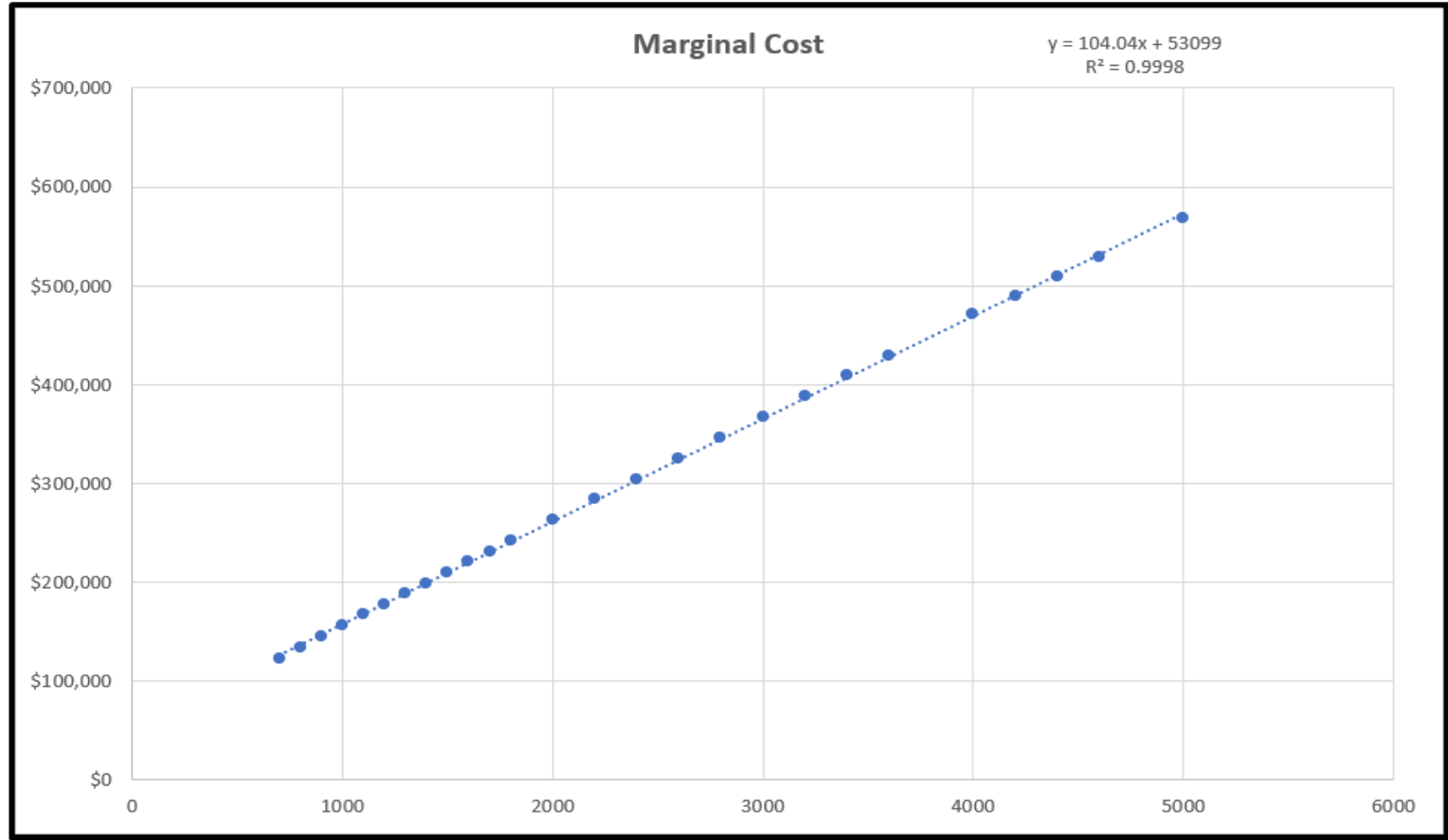
Economic Life	60
Effective Age	0
Remaining Economic Life	60

Marginal Cost  
 0% Depreciation  
 100% Contributory Value  
**GLA Adjustment**

In applying the concepts of economic life, effective age, and remaining economic life expectancy, appraisers consider all elements of depreciation in one calculation.

\$ 10,951 Bath Cost  
 100% Contributory Value  
 \$ 10,951 **Bath Adjustment**

Average Cost	GLA	Total Cost
\$174.41	700	\$122,087
\$166.99	800	\$133,592
\$161.05	900	\$144,945
\$155.88	1000	\$155,880
\$151.82	1100	\$167,002
\$148.21	1200	\$177,852
\$144.94	1300	\$188,422
\$142.05	1400	\$198,870
\$139.83	1500	\$209,745
\$137.76	1600	\$220,416
\$135.85	1700	\$230,945
\$134.08	1800	\$241,344
\$131.20	2000	\$262,400
\$128.94	2200	\$283,668
\$126.71	2400	\$304,104
\$125.04	2600	\$325,104
\$123.41	2800	\$345,548
\$122.39	3000	\$367,170
\$121.28	3200	\$388,096
\$120.25	3400	\$408,850
\$119.31	3600	\$429,516
\$117.71	4000	\$470,840
\$116.65	4200	\$489,930
\$115.68	4400	\$508,992
\$114.88	4600	\$528,448
\$113.73	5000	\$568,650



Economic Life	60
Effective Age	0
Remaining Economic Life	60

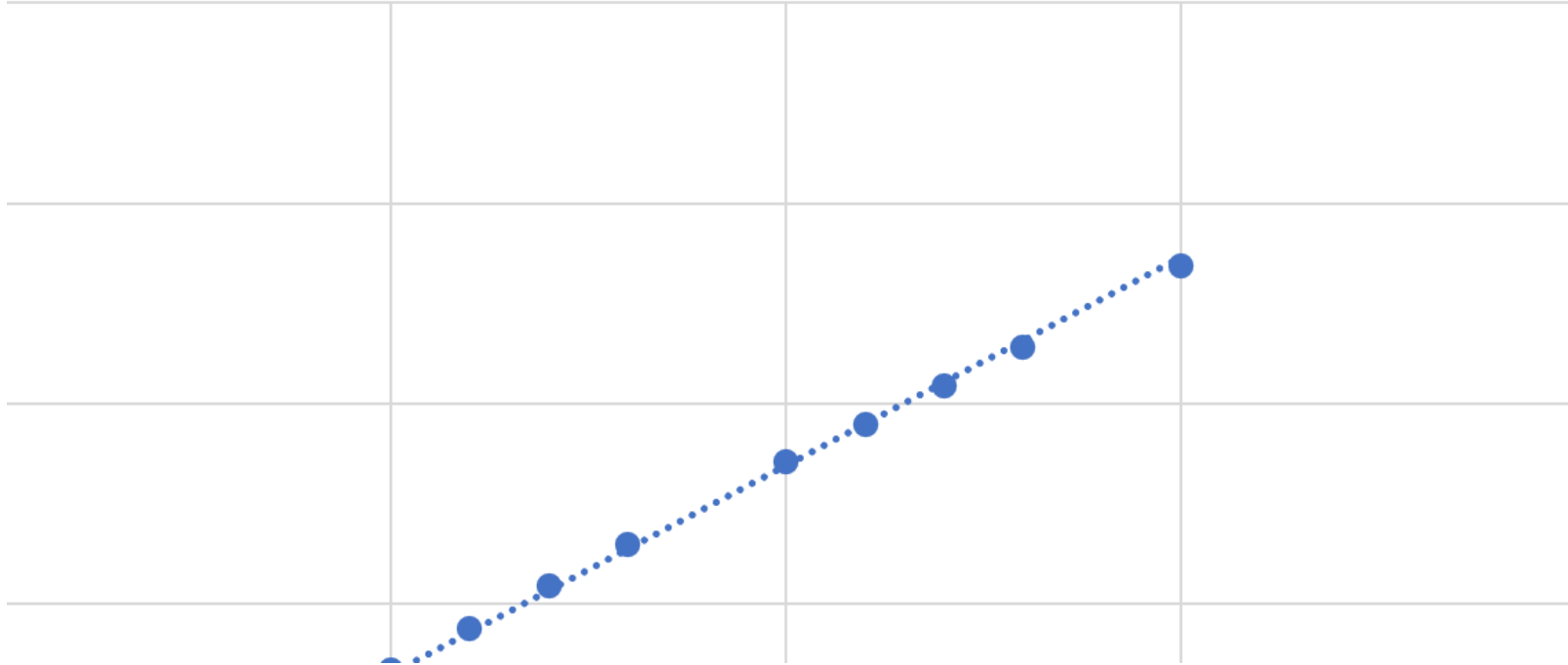
\$ 104 Marginal Cost  
 0% Depreciation  
 100% Contributory Value  
**\$ 104 GLA Adjustment**

\$ 10,951 Bath Cost  
 100% Contributory Value  
**\$ 10,951 Bath Adjustment**

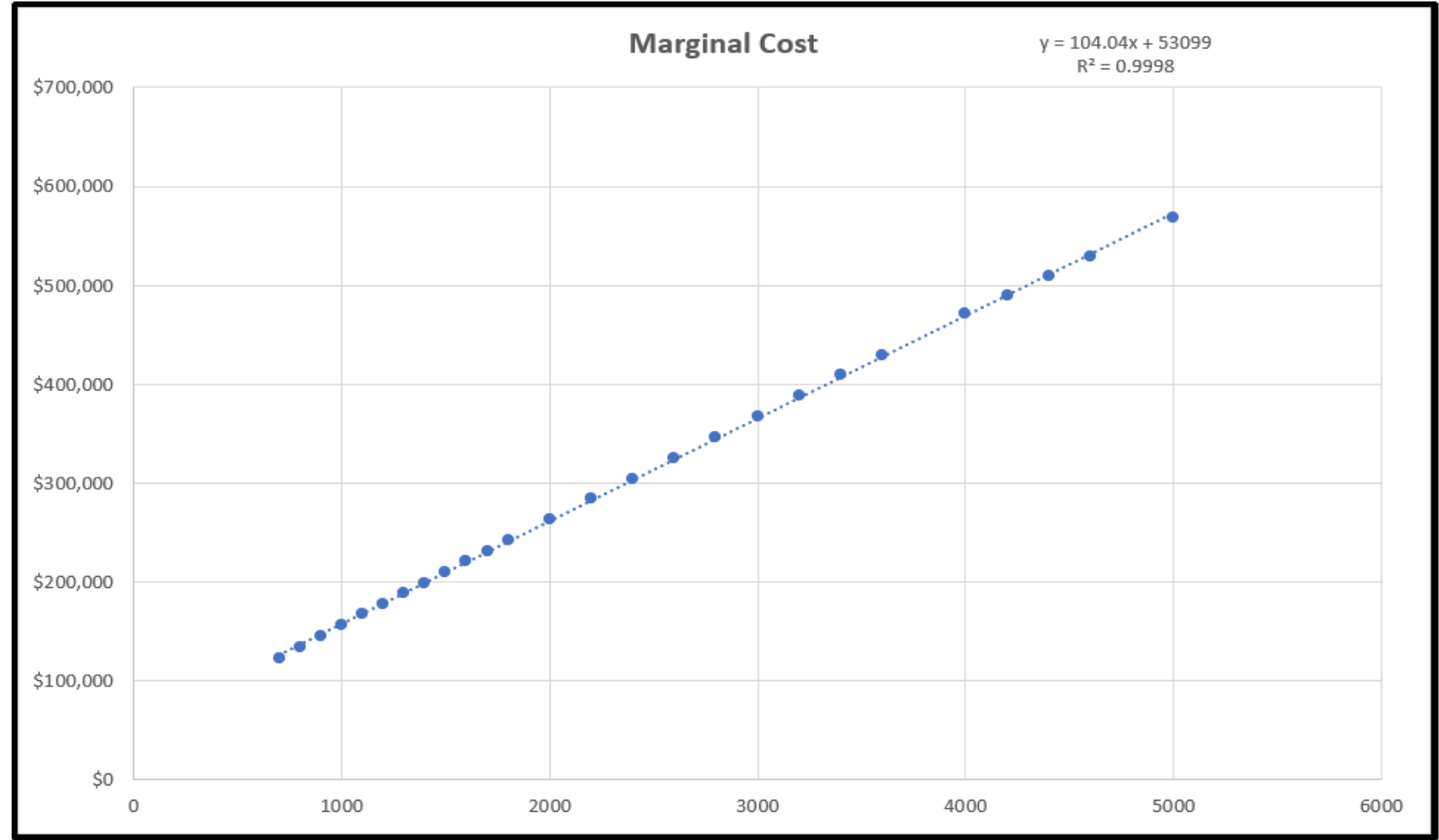
In applying the concepts of economic life, effective age, and remaining economic life expectancy, appraisers consider all elements of depreciation in one calculation.

## Marginal Cost

$$y = 104.04x + 53099$$
$$R^2 = 0.9998$$



Average Cost	GLA	Total Cost
\$174.41	700	\$122,087
\$166.99	800	\$133,592
\$161.05	900	\$144,945
\$155.88	1000	\$155,880
\$151.82	1100	\$167,002
\$148.21	1200	\$177,852
\$144.94	1300	\$188,422
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\$125.04	2600	\$325,104
\$123.41	2800	\$345,548
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\$121.28	3200	\$388,096
\$120.25	3400	\$408,850
\$119.31	3600	\$429,516
\$117.71	4000	\$470,840
\$116.65	4200	\$489,930
\$115.68	4400	\$508,992
\$114.88	4600	\$528,448
\$113.73	5000	\$568,650



Economic Life	60
Effective Age	18
Remaining Economic Life	42

\$104 Marginal Cost  
 30% Depreciation  
 70% Contributory Value

**\$ 73 GLA Adjustment**

\$ 10,951 Bath Cost  
 70% Contributory Value

**\$ 7,666 Bath Adjustment**

In applying the concepts of economic life, effective age, and remaining economic life expectancy, appraisers consider all elements of depreciation in one calculation.

Economic Life	60
Effective Age	18
Remaining Economic Life	42

\$

\$104 Marginal Cost  
30% Depreciation  
70% Contributory Value  
**73 GLA Adjustment**

\$

10,951 Bath Cost  
70% Contributory Value

\$

7,666 **Bath Adjustment**

How does depreciated cost show market reaction?

When depreciation is extracted from the market,  
depreciated cost is market reaction.



OPINION OF SITE VALUE				= \$	150,000
DWELLING	2,625	Sq.Ft. @ \$	133.55	= \$	350,569
		Sq.Ft. @ \$		= \$	
Additional Features				= \$	17,985
Garage/Carport	600	Sq.Ft. @ \$	52.41	= \$	31,446
Total Estimate of Cost-New				= \$	400,000
Less	Physical	Functional	External		
Depreciation	120,000			= \$(	120,000)
Depreciated Cost of Improvements				= \$	280,000
"As-is" Value of Site Improvements				= \$	20,000
<b>INDICATED VALUE BY COST APPROACH</b>				<b>= \$</b>	<b>450,000</b>

$$\text{\$450,000} - \text{\$150,000} - \text{\$20,000} = \text{\$280,000}$$

OPINION OF SITE VALUE				= \$	150,000
DWELLING	2,625	Sq.Ft. @ \$	133.55	= \$	350,569
		Sq.Ft. @ \$		= \$	
Additional Features				= \$	17,985
Garage/Carport	600	Sq.Ft. @ \$	52.41	= \$	31,446
Total Estimate of Cost-New				= \$	400,000
Less	Physical	Functional	External		
Depreciation	120,000			= \$(	120,000)
Depreciated Cost of Improvements				= \$	280,000
"As-is" Value of Site Improvements				= \$	20,000
<b>INDICATED VALUE BY COST APPROACH</b>				= \$	<b>450,000</b>

$$\text{\$400,000} - \text{\$280,000} = \text{\$120,000}$$

OPINION OF SITE VALUE				= \$	150,000
DWELLING	2,625	Sq.Ft. @ \$	133.55	= \$	350,569
		Sq.Ft. @ \$		= \$	
Additional Features				= \$	17,985
Garage/Carport	600	Sq.Ft. @ \$	52.41	= \$	31,446
Total Estimate of Cost-New				= \$	400,000
Less	Physical	Functional	External		
Depreciation	120,000			= \$(	120,000)
Depreciated Cost of Improvements				= \$	280,000
"As-is" Value of Site Improvements				= \$	20,000
<b>INDICATED VALUE BY COST APPROACH</b>				<b>= \$</b>	<b>450,000</b>

$$\text{\$120,000} / \text{\$400,000} = 30\%$$

OPINION OF SITE VALUE				= \$	150,000
DWELLING	2,625	Sq.Ft. @ \$	133.55	= \$	350,569
		Sq.Ft. @ \$		= \$	
Additional Features				= \$	17,985
Garage/Carport	600	Sq.Ft. @ \$	52.41	= \$	31,446
Total Estimate of Cost-New				= \$	400,000
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Depreciation	120,000			= \$(	120,000)
Depreciated Cost of Improvements				= \$	280,000
"As-is" Value of Site Improvements				= \$	20,000
<b>INDICATED VALUE BY COST APPROACH</b>				<b>= \$</b>	<b>450,000</b>

$$\text{\$280,000} / \text{\$400,000} = 70\%$$

OPINION OF SITE VALUE				= \$	150,000
DWELLING	2,625	Sq.Ft. @ \$	133.55	= \$	350,569
		Sq.Ft. @ \$		= \$	
Additional Features				= \$	17,985
Garage/Carport	600	Sq.Ft. @ \$	52.41	= \$	31,446
Total Estimate of Cost-New				= \$	400,000
Less	Physical	Functional	External		
Depreciation	120,000			= \$(	120,000)
Depreciated Cost of Improvements				= \$	280,000
"As-is" Value of Site Improvements				= \$	20,000
<b>INDICATED VALUE BY COST APPROACH</b>				<b>= \$</b>	<b>450,000</b>

**60 years Economic Life - 18 years Effective Age = 42 years REL**

OPINION OF SITE VALUE				=\$	150,000
DWELLING	2,625	Sq.Ft. @ \$	133.55	=\$	350,569
		Sq.Ft. @ \$		=\$	
Additional Features				=\$	17,985
Garage/Carport	600	Sq.Ft. @ \$	52.41	=\$	31,446
Total Estimate of Cost-New				=\$	400,000
Less	Physical	Functional	External		
Depreciation	120,000			=\$ (	120,000)
Depreciated Cost of Improvements				=\$	280,000
"As-is" Value of Site Improvements				=\$	20,000
<b>INDICATED VALUE BY COST APPROACH</b>				<b>=\$</b>	<b>450,000</b>

**42 years REL / 60 years Economic Life = 70% Contributory Value**

OPINION OF SITE VALUE				= \$	150,000
DWELLING	2,625	Sq.Ft. @ \$	133.55	= \$	350,569
		Sq.Ft. @ \$		= \$	
Additional Features				= \$	17,985
Garage/Carport	600	Sq.Ft. @ \$	52.41	= \$	31,446
Total Estimate of Cost-New				= \$	400,000
Less	Physical	Functional	External		
Depreciation	120,000			= \$(	120,000)
Depreciated Cost of Improvements				= \$	280,000
"As-is" Value of Site Improvements				= \$	20,000
<b>INDICATED VALUE BY COST APPROACH</b>				<b>= \$</b>	<b>450,000</b>

