Types of Depreciation Considered and/or Utilized: Depreciation is the loss in value from any cause, and is typically associated with reasons that are "physical" (loss in value due to physical deterioration and/or ageing), "functional" (due to deficiencies in the structure's design) and/or "economic" (loss in value due to factors external to the appraised property).

In the appraisal of a single property (not Mass Appraisal), the three primary methods for estimating depreciation are: the "market extraction method", the "age-life" method, and the "breakdown" method. Typically, the market extraction and age-life calculation techniques are utilized to capture the total depreciation in a property from all sources. The "breakdown" method is a more rigorous exercise that attempts to isolate the specific components for each type of depreciation, physical, functional, and economic.

Typically, in mass appraisal, the identification of depreciation relies upon the application of computer modeling techniques. For instance, once such mass appraisal technique to identify "age-related" depreciation is to take the square root of the actual age of the improvement, and multiply the result by a "condition" factor. For example, the depreciation for a 75-year old house in average condition would be calculated as follows: The square root of 75 is equal to 8.7, x an "average" condition factor of 2.5 = 22% depreciation (rounded).

Importantly, regardless of the methodology utilized to identify depreciation, it is imperative that the final estimate of depreciation reflects the loss in value from all sources.

The calculation of both "functional" and "economic" depreciation, when applicable, was performed either by utilizing a "matched-pair" analysis wherein sales of conforming properties were compared and the functional and/or economic loss in value was isolated, or by capitalizing the economic loss attributable to each issue.

In the report that follows, all three types of depreciation were considered and utilized, where applicable, and an explanation for the derivation of the depreciation factors follows:

Physical Depreciation

4/1/2017   **Commercial/Industrial**

Physical Depreciation Guidelines

Actual Year Built	Depreciation %						
	Excellent (E)	**V. Good** (VG)	**Good** (G)	**Avg.** (A)	**Fair** (F)	**Poor** (P)	**V. Poor** (VP)
2017	0%	0%	0%	0%	6%	12%	20%
2016	0%	0%	0%	0%	6%	12%	20%
2015	0%	0%	0%	2%	8%	14%	22%
2014	0%	0%	0%	2%	8%	14%	22%
2013	0%	0%	0%	4%	10%	16%	24%
2012	0%	0%	0%	4%	10%	16%	24%
2011	0%	0%	2%	4%	10%	16%	24%
2010	0%	0%	2%	6%	12%	18%	26%
2009	0%	2%	2%	6%	12%	18%	26%
2008	0%	2%	4%	8%	14%	20%	28%
2006-07	2%	2%	4%	8%	14%	20%	28%
2004-05	2%	4%	4%	10%	16%	22%	30%
2002-03	2%	4%	6%	12%	18%	24%	32%
1999-01	2%	4%	8%	14%	20%	26%	34%
1997-98	4%	6%	10%	16%	22%	28%	36%
1995-96	4%	6%	12%	18%	24%	30%	38%
1993-94	6%	8%	14%	20%	26%	32%	40%
1991-92	8%	10%	16%	22%	28%	34%	42%
1989-90	8%	12%	18%	24%	30%	36%	44%
1987-88	8%	14%	20%	26%	32%	38%	46%
1985-86	8%	16%	22%	28%	34%	40%	48%
1983-84	10%	18%	24%	30%	36%	42%	50%
1981-82	12%	20%	26%	32%	38%	44%	52%
1979-80	14%	22%	28%	34%	40%	46%	54%
1977-78	14%	22%	28%	34%	40%	46%	54%
Pre-1977	16%	24%	30%	36%	42%	48%	56%

Buildings with either extensive renovation/additions or physical neglect may exceed these
guidelines on an individual basis as warranted and may include AP or MA or UC adjustments.

Functional Obsolescence
Functional adjustments are given for poor layout, ceiling height, shape,
excess SF, upper floor retail space or difficult access, etc.
Other adjustments may apply and should be noted on the indvidual property record

Eco./External Obsolescence
Applied where all or part of an improvement is not the highest and best use.
EX: Residence or apartment in undesirable commercial location. Also may be applied
on income property where the income doesn't support RCN less physical and functional depreciation.

Functional Depreciation

Functional adjustments were given for poor layout, low ceiling height, undesirable building shape, undesirable upper floor retail space, and/or space which had difficult access, etc. Other functional adjustments may apply and would be noted on the individual property record card.

Economic/External Depreciation

The previous Comparable Sales Unit Analysis in Section 3 for various property types provides support for the overall values developed by cost. These along with developed income values (See subsequent Detailed Income Reports and Cost vs. Income Approach Report in this Section 7) were used to check for any market wide external/economic depreciation. No market wide external depreciation was apparent or applied.

See "Land-Value-Extraction spreadsheet. Without market wide external obsolescence applied the New A/S Ratios (Assessed Value/Sale Price) were coming in at about 100% with a good quality rating or COD.

Individual properties, however, may have economic applied when a property is clearly not the highest and best use for a particular location such as a single or two family residential building in a highly desirable retail location or a retail building in a remote residential location, etc.