

Workshop 155 – Depreciation Analysis

Course Description

Depreciation Analysis is designed to provide the students with a comprehensive, advanced treatment of the techniques of estimating depreciation of residential property. Through a series of market-oriented case studies and demonstration problems, types of depreciation and generally recognized methods for measuring depreciation are covered, with emphasis on the observed condition method. Depreciation measurements are applied to a single subject property, providing experience in analyzing the advantages and limitations of each method.

Objectives

On completion of Chapter 1, the student should be able to:

- Recognize and understand the underlying economic theory supporting the cost approach method to valuation
- Identify the steps of the cost approach
- Identify the restrictions under which the cost approach will generate the best estimate of market value
- Identify conditions under which the cost approach is inappropriate
- Know the formula for the cost approach
- Understand the definitions of cost, i.e., direct, indirect, replacement, reproduction, historical and original
- Know the four traditional methods of estimating cost, i.e., quantity survey, unit-in-place, comparative unit, and trended original cost

On completion of Chapter 2, the student should be able to:

- Define depreciation
- Identify the three types of depreciation
- Identify the two indirect methods of measuring depreciation, i.e., sales comparison and capitalization of income
- Identify three direct methods used to measure depreciation

On completion of Chapter 3, the student should be able to:

- Identify the two indirect methods of measuring depreciation, i.e., sales comparison and capitalization of income using single property appraisal techniques.
- Recognize how mass appraisal methods can be used to develop depreciation through market modeling.
- Be able to apply both single property and mass appraisal methods of estimating depreciation through indirect methods.

On completion of Chapter 4, the student should be able to:

- Identify three direct methods used to measure depreciation
- Identify the three types of depreciation
- Understand the concept of estimating total economic life, effective age, and remaining economic life
- Identify and define the difference between physical deterioration incurable, both short-lived and long-lived items
- Identify and define functional obsolescence (all forms) and external obsolescence

Timetable

Topic	Time Requirement	Day Covered
Chapter 1		
Introduction – Theory & Premises of the Cost Approach	20 Minutes	Day One
Steps in the Cost Approach to Value	10 Minutes	Day One
Concepts of Estimating Cost	15 Minutes	Day One
Four Methods of Estimating Cost	15 Minutes	Day One
Chapter 2		
Depreciation Defined	10 Minutes	Day One
Three Causes or Types of Depreciation	5 Minutes	Day One
Methods of Measuring Depreciation	15 Minutes	Day One
Chapter 3		
Capitalization of Income (Single Property Appraisal)	20 Minutes	Day One
Sales Comparison Method (Single Property Appraisal)	40 Minutes	Day One
Sales Comparison Method (Mass Appraisal Method)	300 Minutes	Day One
Chapter 4		
Age-Life Method of Measuring Depreciation	30 Minutes	Day Two
Modified Age-Life Method of Measuring Depreciation	15 Minutes	Day Two
Introduction to Breakdown Method of Depreciation	15 Minutes	Day Two
Application of Gross Rent Multiplier	30 Minutes	Day Two
Application of Breakdown Method of Depreciation	270 Minutes	Day Two
Review Questions	30 Minutes	Day Two
Exam		Day Two