



The economic age/life method (also called the straight line method) is the most common depreciation technique employed by residential appraisers. It is easy to use and easy to explain to a client.

Depreciation is calculated by multiplying the ratio of the effective life to the total economic life by the replacement cost new of the subject. The underlying assumption in the economic age/life method is that deterioration occurs at constant average annual rate.

Percentage Depreciation = $\frac{\text{Effective Age}}{\text{Total Economic Life}}$

Dollar Amount of Depreciation = $\frac{\text{Effective Age}}{\text{Total Economic Life}} \times \text{Replacement Cost New}$

Total Economic Life = $\text{Effective age} + \text{Remaining Economic Life}$