



Policy Number: 09-005
Subject: Depreciation and Life Expectancy of Property
Chapter: Application for Dispute Resolution

Legislation	s. 47
Definitions	N/A
Purpose	The purpose of this policy is to provide guidance to an adjudicator in determining the depreciated value of damaged or missing items.
Policy	<p>Physical objects deteriorate over time as a result of normal wear and tear, and they have a finite lifespan. As objects deteriorate, their perceived value depreciates.</p> <p>Where it is found that a party is responsible for the costs of replacing or repairing an object, an adjudicator should apply a straight-line depreciation calculation in determining the amount of compensation that should be awarded. A straight-line depreciation calculation is a function of the actual costs incurred to replace or repair that object, the expected lifespan of that object, and the object's age.</p>
Procedure Overview	<p>Where an applicant seeks compensation for the costs of replacing or repairing a damaged or missing item, an adjudicator would apply the following straight-line depreciation calculation to determine an amount that should be awarded.</p> $((\text{Cost of replacement/repair} \div \text{Total Years of Expected Lifespan}) \times \text{Years Remaining in Lifespan})$ <p>For example, if it is found that a tenant is responsible for the costs of replacing a carpet, which had 5 years remaining in its 10-year lifespan, and if it is established that the landlord was charged \$1000.00 to have that carpet replaced, the adjudicator would award the landlord \$500.00 in compensation.</p> $((\$1000.00 \text{ replacement costs} \div 10\text{-year life expectancy}) \times 5 \text{ years remaining in lifespan}) = \500.00 <p>Evidence would need to be presented at the hearing to establish the costs the landlord had, or would have, incurred to repair or replace that item, as well as evidence concerning the age of the item when it became damaged or went missing.</p>



Residential Tenancies Program

Policy and Procedure Guide

	With respect to the expected lifespan of objects that are found in, or make up, residential premises, the most widely cited source used by home inspectors can be found in the National Association of Home Builders Study of Life Expectancy of Home Components . That document should be consulted by an adjudicator before applying the depreciation calculation, but an adjudicator may consider other evidence concerning life expectancy if is submitted at the hearing.
Forms & Form Letters	N/A
X-Reference	Compensation for Damage to Rental Property – section 09-003 of this manual Compensation for Damage to Tenant's Personal Property – section 09-004 of this manual
Policy Developed	September, 2000
Last Revision	January, 2002 May, 2024
Other Resources	National Association of Home Builders Study of Life Expectancy of Home Components .