Age and Life Definitions per
IAAO's "Glossary for Property Appraisal and Assessment"

Physical Life: *"The period over which a physical property is capable of functioning without being scrapped or reconstructed."* [Scrap value remains at the end of an asset's physical life.]

Economic Life: *"The period during which a given tangible asset, building, or other Improvement to property is expected to contribute (positively) to the value of the total property. This period is typically shorter than the period during which the improvement could be left on the property, that is, its physical life."* [Salvage value remains at the end of an asset's economic life.]

Service Life: *"The period of time (or service) for an asset from the date of its installation to the date of its retirement from service."*

Useful Life: *"Estimated normal operating life in terms of utility to the owner of a fixed asset or group of assets."*

Chronological Age: *"The number of years elapsed since an original structure was built. Synonyms are actual age and historical age."*

Effective Age: *"The typical age of a structure equivalent to the one in question with respect to its utility and condition, as of the appraisal date. Knowing the effective age of an old, rehabilitated structure or a building with substantial deferred maintenance is generally more important in establishing value than knowing the chronological age."*

- With regards to deriving and using physical deterioration depreciation tables, "life" is a term generally applicable to a class or group of properties and is a known quantity. "Age" is a term generally applicable to a specific property and is an ongoing phenomenon.

- In generally accepted appraisal practice, the use of effective age is preferable to actual age in physical deterioration depreciation considerations for any particular property. Average age is never a consideration as every property should be appraised based on its own characteristics and attributes. The use of an average age is only useful when appraising a group of properties in which all the properties in the group are identical (or at least similar) in age and expected remaining life.

- For properties that are more or less substantially rebuilt before the completion of an otherwise normal expected life cycle (through application of "sustaining capital"), effective age is typically less than actual age; i.e., the property is "newer" than actual age whereas less physical deterioration depreciation should be considered in the valuation process. The preferred method to recognize the additional value attained by the property's "newer" condition is to use effective age instead of actual age in the calculation of depreciation (i.e., application of higher percent good). Alternatively, a higher floor percent good value and/or longer economic life could be implemented to accomplish this same value recognition.

- The depreciable life of a depreciation percent good table should be based on the economic life typical or expected of the class or group of properties applicable to the table. This economic life is preferably derived by analysis of actual service lives experienced by the same or similar property similarly situated in utility, geography, and/or any other meaningful valuation attribute.

- Depreciation consideration in the appraisal of a group of properties, as opposed to separate appraisals for each property, is only possible when the group is composed of like properties; i.e., all the properties in the group must be of the same vintage and have the same remaining life expectancy. Otherwise, a mismatch will occur between the cost basis and the depreciation which is tied to an assumed age and life which will not correctly represent each property in the group; the resulting group value after depreciation will be distorted.