

From time to time a depreciation report will be requested by the lender or the insurer underwriter for review. Below is a great info piece to help you understand what they are and why they are important.

<p>What is a Depreciation Report? (AKA Reserve Fund Study)</p>	<p>A Depreciation Report is a legislated financial and planning document required for Strata/Condo Corporations. It contains an inventory and maintenance plan for a Corporation's Common Property components and is intended to identify all of the systems that make up a building, including all the services that support it and the occupants.</p> <p>Another way to think of the Depreciation Report is as an encyclopedia of all of the pieces that make up a building. A full and detailed list of components is included in a Depreciation Report, from the roof to the foundation and everything in between. The ability to quickly look up what type of boiler a building has, the traffic coating in a parkade, or the composition of wall cladding can be very valuable.</p>
<p>What is the Purpose of a Depreciation Report?</p>	<p>The purpose of a depreciation reports is to establish:</p> <ul style="list-style-type: none"> • What is owned by the Strata Corporation • How much money is in the Contingency Reserve Fund (CRF) • When each building system will likely need to be repaired/replaced • Estimates the future cost for repairs/replacement • How to prepare a financial arrangement for the future
<p>What are the benefits of the Depreciation Report?</p>	<p>As a lender, we are looking for buildings with Depreciation Reports that not only identify if the building is in good condition, but also has well-funded reserves and evidence that the strata/condo corporation is enacting a plan to deal with the long term costs of maintaining their building.</p> <p>A Depreciation Report Helps To:</p> <ul style="list-style-type: none"> • Maintain the value of the overall property by contributing to a well-managed reserve fund, providing a positive impact on value of the asset. • Even out the essential contributions required over many years to cover future replacement costs. When the payments are more regular, there is less need for special levies. • Create a secure and fair financial plan that takes care of both current and prospective owners. When managed correctly, the plan will be affordable today and in the future. • Proactive preparation ensuring organized management of the expected deterioration of the building assets/systems well in advance of failure. • Become familiar with the life expectancy of all of the buildings assets/services, and the likely expenses associated with replacing each item as they reach the end of its lifetime.

Version Code: 2019-05-16