

From time to time a depreciation report will be requested by the CMLS Financial or the Insurer for review. Below is an important document to help brokers understand what they are and why they are important.

What is a Depreciation Report? (AKA Reserve Fund Study)	<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 view the Depreciation Report is as an encyclopedia of all of the pieces that make up a building. A full and detailed list of components, from the roof to the foundation and everything in between, is included in the report. 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>
What is the Purpose of a Depreciation Report?	<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
What are the benefits of the Depreciation Report?	<p>As the 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 and the immediate 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. • Spread 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/assessments. • 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 building's assets/services, and the likely expenses associated with replacing each item as they reach the end of its lifetime.

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