Exercise 108

A condominium in an upscale part of the city was purchased for $432,000. In 35 years it is worth $60,500. Find the rate of depreciation.

Solution

The rate of depreciation is the slope of the line going through $(0, 432\,000)$ and $(35, 60\,500)$.

$$m = \frac{60\,500 - 432\,000}{35 - 0} = -\frac{74\,300}{7} \approx -10\,614.29$$

On average the condominium loses $10\,614.29 per year in value.