

Cost Segregation and the Apartment Complex

SCENARIO #1

An investor purchases a **\$15 million** apartment complex in 2005.

\$12 million of the purchase price is allocated to the building.
\$3 million is allocated to land.

The apartment is in service for **five years**.

Without a Cost Segregation Study the owner expensed 1/27.5 of the building each year, which is approximately \$436,000 per year, resulting in a **total depreciation expense of \$2.1 million**.

SCENARIO #2

Same investor purchases a **\$15 million** apartment complex in 2005.

A Cost Segregation Study is ordered (at an owner investment of \$8,000-12,000). The study reallocates portions of the purchase price away from real property to personal property and land improvements.

In fact, **\$1.2 million** is attributed to personal property, things like carpeting, wall coverings, cabinetry, counters, built-in shelving, and specialty lighting.

Another **\$1.5 million** is allocated to land improvements, such as asphalt, sidewalks, parking lot lighting, landscaping, and drainage.

During the same **five years** of service, approximately **\$3.3 million** is expensed through depreciation, compared to the **\$2.1 million** in SCENARIO #1, resulting in **additional tax deductions of over \$1.2 million**.

The owner, as a result, saved up to \$480,000 in income taxes over these five year.

In the end, for every dollar spent on a quality Cost Segregation Study, the owner will generate \$48 in cash savings, an ROI of 4800%.

Harvey Bilisoly
Marketing Director

The Cost Segregation Group
555 E Main Street, Suite 1600
Norfolk, VA 23510
(757) 533-4156 - Main
(757) 533-4125- Direct
(757) 625-6351 - Fax
Website - www.costsegregationgroup.com

