

Cost Segregation and a Self Storage Facility

SCENARIO #1

An investor constructs a **\$5 million** mini-storage facility on an existing parcel of land.

Without a Cost Segregation Study the owner expenses 1/39th of the building each year, which is approximately \$128,000 per year, resulting in **depreciation expense of \$1,282,000 over the first ten years.**

SCENARIO #2

Same investor constructs a **\$5 million** mini-storage facility on an existing parcel of land.

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

\$680,000 is attributed to personal property, things like moveable metal partitions, temperature control systems for the units, security cameras and access systems, and office fixtures.

Another **\$590,000** is allocated to land improvements, such as asphalt, sidewalks, parking lot lighting, signage, and security fences and gates.

During the first **ten years** of service, approximately **\$2,035,000** will be expensed through depreciation, compared to the **\$1,282,000** in SCENARIO #1, resulting in **additional tax deductions of over \$753,000.**

The owner, as a result, could save about \$263,000 in federal income taxes over the first ten years, resulting in a ROI up to 3300% or more.

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