



Cost Segregation and the Medical Office Complex

SCENARIO #1

An investor purchases a **\$46 million** seven-building medical office complex with a parking garage.

\$36 million of the purchase price is allocated to the building.
\$10 million is allocated to land.

Without a Cost Segregation Study the owner expenses 1/39th of the building each year, which is approximately **\$923,000 each year**, resulting in **depreciation expense of \$9.23 million over the first ten years**.

SCENARIO #2

An investor purchases a **\$46 million** seven-building medical office complex with a parking garage.

A Cost Segregation Study is ordered (at an owner investment of \$23,000). The study reallocates portions of the purchase price away from real property to personal property and land improvements.

\$4 million is attributed to personal property, things like carpet, baseboards, wallcoverings, specialty electrical systems, built-in filing systems, telecommunication systems, exam room sinks and plumbing, and specialty lighting.

Another **\$2 million** is allocated to land improvements, such as asphalt, sidewalks, parking lot lighting, flag poles, and drainage.

During the **first year**, over **\$1.6 million** is expensed, resulting in **immediate savings exceeding \$250,000**. After **ten years** of service, approximately **\$13 million** will be expensed through depreciation, compared to the **\$9 million** in SCENARIO #1, resulting in **additional tax deductions of over \$4 million**.

The owner, as a result, could save about \$1.4 million in federal income taxes over the first ten years, while the cost of the study is recuperated 10 times over in the first year of operation.

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

