



MULTI-FAMILY PROPERTIES

See What's Possible with Cost Segregation

WHAT IS COST SEGREGATION

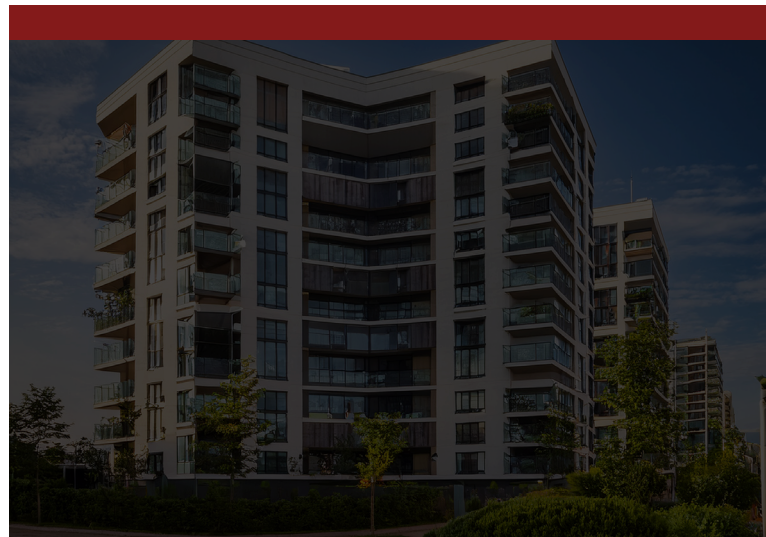
- Engineering-based analysis that identifies and quantifies building components
- Components are then reclassified into shorter-lived tax categories, resulting in accelerated depreciation, tax deferral, and increased cash flow
- Front-loading of depreciation leverages the time value of money

WHY PERFORM COST SEGREGATION

- Accelerated depreciation of a multi-family property can create \$75,000-\$300,000 in federal tax benefits for every \$1M spent. Engineers generally accelerate 10-30% of assets in a multi-family property.
- IRS-preferred strategy leverages your fixed assets while serving as an excellent asset management tool
- Vehicle for tax savings – study methodology provides data supporting a myriad of additional tax strategies on your multi-family property
 - The Tangible Property Regulations may be applied in renovation scenarios
 - In the case of energy-efficient construction or retrofits, projects may be eligible for 179D Deductions or 45L Tax Credits

WHICH MULTI-FAMILY PROPERTY ASSETS ARE COMMONLY SEGREGATED?

- Shorter-lived 5-year assets may include:
 - Carpet
 - Wallpaper
 - Window Treatments
 - Crown Molding
 - Counters and Cabinets
 - Decorative Lighting
 - Paddle Fans
 - Fire Extinguishers
- Shorter-lived land improvements may include:
 - Landscaping
 - Paved Parking Lots
 - Sidewalks
 - Pools
 - Sports Courts





EXAMPLE NEWLY CONSTRUCTED HIGH-RISE APARTMENT BUILDING (URBAN)

- 312 units over 27 stories
- Amenities include indoor and rooftop lounges, fitness center.
- Depreciable basis: \$146,831,160
- Placed-in-Service 12/2021
- Engineers moved 11.3% to 5-year personal property, 0.6% to 15-year land improvements (Urban setting means little potential for land improvements)
- First Year Net Tax Savings: **\$5,816,618**



EXAMPLE ACQUIRED GARDEN-STYLE APARTMENT COMPLEX (SUBURBAN)

- 18 buildings, 340 luxury 1,2, or 3 bedroom units
- Amenities include volleyball court, dog park, basketball court, pool, barbeque area – will all contribute to depreciable land improvements
- Depreciable basis: \$81,496,710
- Placed-in-Service August 2022
- Engineers moved 20.5% to 5-year personal property, 7.5% to 15-year land improvements
- First Year Net Tax Savings: **\$7,648,642**



EXAMPLE NEWLY CONSTRUCTED MID-RISE APARTMENT BUILDING

- 38 units, fitness center, parking lot
- Depreciable Basis: \$7,256,192
- Placed-in-Service 9/2022
- Engineers moved 12.1% to 5-year personal property, 8.1% to 15-year land improvements
- First Year Net Tax Savings: **\$501,769**



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