

# Cost Segregation Studies



**Jim Morris**  
**Morris Cost Seg Consultants**

## Morris Cost Seg Consultants Studies: Over 30-Years of Experience

### Disclaimer

The information contained in *Cost Segregation Studies* is provided for **educational and informational purposes only** and is not intended to be, nor should it be construed as, **tax, legal, or accounting advice.**

Cost segregation is a complex tax strategy governed by the Internal Revenue Code, Treasury Regulations, IRS guidance, and applicable case law, all of which are subject to change. The applicability, benefits, and outcomes of a cost segregation study vary based on individual circumstances, property characteristics, ownership structure, and current tax laws.

Morris Cost Seg Consultants does not provide legal or tax advice and makes no representations or warranties regarding the accuracy, completeness, or suitability of the information contained in this publication for any specific purpose. Readers should not act upon the information presented without first consulting with their **qualified tax advisor, CPA, attorney, or other licensed professional** regarding their specific situation.

Any examples, scenarios, calculations, or case studies included in this publication are for illustrative purposes only and do not guarantee similar results. Past performance or outcomes are not indicative of future results.

By reading or using this publication, you acknowledge and agree that **Morris Cost Seg Consultants**, its affiliates, employees, and representatives shall not be held liable for any direct, indirect, incidental, or consequential damages arising from the use or reliance upon the information contained herein.

**Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

## Copyright

**Copyright © 2026 Morris Cost Seg Consultants. All rights reserved.**

No part of this publication, *Cost Segregation Studies*, may be reproduced, distributed, transmitted, stored in a retrieval system, or shared in any form or by any means—electronic, mechanical, photocopying, recording, scanning, or otherwise—without the prior written permission of Morris Cost Seg Consultants, except as permitted under applicable copyright law.

This publication is provided for educational and informational purposes only. The content does not constitute legal, tax, or accounting advice. Unauthorized reproduction or distribution of this material may result in civil and criminal penalties under applicable copyright laws.

Printed and distributed in the United States of America.

# Morris Cost Seg Consultants Studies: Over 30-Years of Experience

## Table of Contents

Disclaimer .....	1
Copyright.....	2
IRS Audit-Risk Disclosure Addendum.....	6
Apartment Complexes .....	8
Real Results: Cost Segregation Case Studies for Apartment Buildings .....	8
Case Study 1: 150-Unit Garden-Style Apartment Complex.....	8
Case Study 2: New Construction 200-Unit Mid-Rise Development .....	9
Case Study 3: Value-Add Apartment Acquisition and Renovation .....	10
Automobile Industry.....	12
Real-World Savings: Case Studies from Automobile Dealerships.....	12
Case Study 1: Luxury Import Dealership - New Construction .....	12
Case Study 2: Domestic Brand Dealership - Acquisition and Renovation.....	13
Case Study 3: Multi-Brand Dealership Campus .....	14
Manufacturing Facilities .....	15
Detailed Cost Savings: Real Numbers from Manufacturing Studies .....	15
Case Study: Automotive Parts Manufacturing Facility .	15
Case Study: Food Processing and Packaging Facility ..	16
Case Study: Industrial Metalworking and Fabrication Plant.....	17

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

Medical and Dental Practices .....	20
Real-World Cost Segregation Results for Medical and Dental Practices .....	20
Case Study 1: Multi-Specialty Dental Practice .....	20
Case Study 2: Orthodontic Specialty Practice .....	21
Case Study 3: Primary Care Medical Office .....	22
Restaurants .....	24
Real Results: Cost Segregation Case Studies for Restaurants.....	24
Case Study 1: Fast-Casual Restaurant New Construction .....	24
Case Study 2: Full-Service Restaurant Renovation.....	25
Case Study 3: Multi-Location Restaurant Portfolio .....	26
Case Study 4: Small Independent Restaurant with Outdoor Dining .....	27
Retail Buildings .....	28
Real-World Results: Cost Segregation Case Studies for Retail Buildings .....	28
Case Study 1: Standalone Retail Store Renovation .....	28
Case Study 2: Strip Mall Acquisition and Improvement	29
Case Study 3: Mixed-Use Retail Development .....	30
Self-Storage Properties .....	31
Real-World Cost Segregation Results for Self-Storage Properties .....	31
Case Study 1: Climate-Controlled Facility Expansion .	31
Case Study 2: Multi-Site Self-Storage Portfolio .....	32
Case Study 3: Ground-Up Development Project .....	33

**Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

Shopping Centers ..... 35

    Real-World Shopping Center Cost Segregation Results .. 35

        Case Study 1: Regional Shopping Center - \$42 Million Acquisition ..... 35

        Case Study 2: Community Shopping Center - \$18 Million Development ..... 36

        Case Study 3: Lifestyle Center Repositioning - \$28 Million Renovation ..... 37

## IRS Audit-Risk Disclosure

### Addendum

Cost segregation studies are a recognized tax planning strategy supported by the Internal Revenue Code, Treasury Regulations, and applicable IRS guidance, including the IRS Cost Segregation Audit Technique Guide. However, the implementation of cost segregation may increase the likelihood of **IRS examination or review**, particularly when significant depreciation acceleration, bonus depreciation, or retroactive depreciation adjustments are claimed.

The Internal Revenue Service retains full discretion to examine, challenge, adjust, or disallow any portion of a cost segregation study and related depreciation deductions. Audit outcomes may vary based on numerous factors, including but not limited to property type, acquisition date, construction details, documentation quality, classification methodology, and the taxpayer's overall filing position.

Morris Cost Seg Consultants endeavors to apply industry-recognized methodologies, engineering-based analysis, and reasonable asset classifications consistent with available IRS guidance. However, **no guarantee is made or implied** that a cost segregation study will not be audited, challenged, or adjusted by the IRS or any other taxing authority.

In the event of an IRS examination, the taxpayer is solely responsible for responding to the audit and for any additional taxes, penalties, interest, or professional fees that may arise. Morris Cost Seg Consultants does not represent taxpayers before the IRS unless separately contracted in writing and does not assume responsibility for audit defense unless explicitly agreed upon in a separate engagement.

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

Taxpayers are strongly encouraged to consult with their **CPA, tax advisor, or legal counsel** to evaluate audit risk, compliance requirements, and the appropriateness of a cost segregation study for their specific tax situation prior to implementation.

By proceeding with or relying upon information related to cost segregation, the reader or taxpayer acknowledges and accepts the potential for IRS review and agrees that Morris Cost Seg Consultants shall not be held liable for audit selection, audit outcomes, or any resulting tax adjustments.

## Apartment Complexes

### Real Results: Cost Segregation Case Studies for Apartment Buildings

#### Case Study 1: 150-Unit Garden-Style Apartment Complex

**Property Details:**

- Purchase price: \$18,500,000
- Location: Suburban market in the Southeast
- Property type: Three-story garden-style apartments built in 2019
- Amenities: Pool, fitness center, clubhouse, playground

**Cost Segregation Results:** Morris Cost Seg Consultants identified \$6,290,000 (34% of total cost) in assets eligible for accelerated depreciation:

- 5-year property: \$2,035,000 (carpet, vinyl plank flooring, appliances, unit lighting)
- 7-year property: \$485,000 (clubhouse furniture, fitness equipment, decorative fixtures)
- 15-year property: \$3,770,000 (parking areas, sidewalks, landscaping, site lighting, pool deck, fencing)

**First-Year Tax Benefit:** Using bonus depreciation, the owner realized approximately \$2,200,000 in additional first-year

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

deductions, resulting in tax savings of approximately \$770,000 (assuming a 35% combined federal and state tax rate).

**What the Owner Did with the Savings:** The ownership group used the accelerated cash flow to fund renovations on two additional properties in their portfolio, upgrading unit interiors with modern finishes to increase rental rates by an average of \$125 per unit per month.

## **Case Study 2: New Construction 200-Unit Mid-Rise Development**

### **Property Details:**

- Total development cost: \$42,000,000
- Location: Urban infill project in the Southwest
- Property type: Five-story mid-rise with ground-floor retail and structured parking
- Built: 2023

**Cost Segregation Results:** Morris Cost Seg Consultants completed a comprehensive study during the construction phase, identifying \$13,860,000 (33% of total cost) in accelerated depreciation components:

- 5-year property: \$3,990,000 (luxury vinyl tile, carpet, high-end appliance packages, unit-specific HVAC controls, decorative lighting throughout units)
- 7-year property: \$1,050,000 (lobby furniture, coworking space equipment, rooftop lounge fixtures)

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

- 15-year property: \$8,820,000 (structured parking garage components, extensive landscaping, rooftop terrace improvements, decorative paving, site utilities, retaining walls)

**Tax Impact:** The developer accelerated approximately \$4,850,000 in deductions to year one through bonus depreciation, generating tax savings of approximately \$1,700,000.

**Strategic Use of Tax Savings:** The developer used the substantial tax savings to reduce construction loan debt ahead of schedule, improving debt service coverage ratios and positioning the property for favorable refinancing terms. The improved financial profile allowed the developer to secure acquisition financing for their next multifamily development project six months earlier than originally planned.

## **Case Study 3: Value-Add Apartment Acquisition and Renovation**

### **Property Details:**

- Acquisition price: \$9,200,000
- Renovation budget: \$2,800,000
- Total investment: \$12,000,000
- Location: Secondary market in the Midwest
- Property type: 1970s-era two-story apartment community (96 units)

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

**Cost Segregation Results:** Morris Cost Seg Consultants conducted studies on both the existing structure and the renovation work:

### **Existing Building Study:**

- Total reclassified: \$2,944,000 (32% of acquisition price)
- Key components: Original parking lots, mature landscaping, unit appliances and flooring scheduled for replacement, site lighting

### **Renovation Study:**

- Total accelerated: \$1,960,000 (70% of renovation budget)
- Renovations included: New luxury vinyl plank flooring in all units, stainless steel appliance packages, upgraded lighting fixtures, fresh landscaping, repaved parking areas, new pool furniture and equipment

**Combined Tax Benefit:** Total accelerated depreciation: \$4,904,000 First-year tax savings: Approximately \$1,715,000

**Impact on Investment Returns:** The syndicator used the tax savings to return capital to limited partners 18 months earlier than projected, significantly boosting investor IRR. The accelerated returns enhanced the sponsor's reputation and made it easier to raise capital for subsequent acquisitions.

## Automobile Industry

### Real-World Savings: Case Studies from Automobile Dealerships

#### Case Study 1: Luxury Import Dealership - New Construction

A luxury import automobile dealership in the Southwest completed construction of a 45,000 square foot facility with a total project cost of \$12.5 million. The facility included a 15,000 square foot showroom with floor-to-ceiling windows, premium tile and hardwood flooring, and sophisticated LED lighting systems. The service department featured 16 service bays with state-of-the-art vehicle lifts, specialized exhaust systems, and epoxy flooring designed for heavy use.

Morris Cost Seg Consultants conducted a comprehensive cost segregation study and identified \$4.2 million in assets eligible for accelerated depreciation. Key reclassifications included specialty lighting systems valued at \$385,000 (7-year property), custom millwork and cabinetry at \$295,000 (7-year property), decorative finishes and accent walls at \$340,000 (5-year property), HVAC systems allocated to specific zones at \$615,000 (5-year property), parking lot paving and striping at \$825,000 (15-year property), exterior LED parking lot lighting at \$245,000 (15-year property), vehicle lift systems at \$420,000 (7-year property), and branded signage package at \$180,000 (7-year property).

The result was a first-year tax deduction increase of \$1.47 million, generating immediate tax savings of approximately \$515,000 (assuming a 35% effective tax rate). Over five years,

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

the accelerated depreciation strategy created cumulative tax savings of \$892,000 compared to straight-line 39-year depreciation.

### **Case Study 2: Domestic Brand Dealership - Acquisition and Renovation**

A dealership group acquired an existing domestic brand dealership for \$8.3 million and invested an additional \$2.1 million in renovations to modernize the facility. The renovation included updating the showroom with contemporary finishes, expanding the service department from 10 to 14 bays, resurfacing the entire parking lot, and installing new LED lighting throughout the property.

Our cost segregation analysis identified \$2.8 million in eligible assets from the acquisition and an additional \$1.2 million from the renovation work. Significant reclassifications included upgraded HVAC zoning systems at \$340,000, replacement LED lighting package at \$215,000, refinished showroom flooring and wall coverings at \$285,000, new vehicle lift installations at \$190,000, parking lot resurfacing and seal coating at \$465,000, upgraded signage and monument signs at \$155,000, and customer lounge finishes and fixtures at \$120,000.

The dealership realized immediate tax savings of \$378,000 in year one, with total five-year savings exceeding \$625,000. This cash infusion allowed the dealership to expand their certified pre-owned inventory by 40 vehicles, directly contributing to a 23% increase in used vehicle sales over the following 18 months.

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

### **Case Study 3: Multi-Brand Dealership Campus**

A dealership operator developed a campus-style facility housing three separate brand franchises on 12 acres, with a combined investment of \$28 million. The project included three distinct showroom buildings, a centralized service facility with 32 bays, extensive paving for vehicle storage and customer parking, and comprehensive landscaping.

Morris Cost Seg Consultants identified \$9.7 million in reclassifiable assets across the campus. Major categories included site work and paving improvements at \$2.8 million (15-year property), specialized service department systems at \$1.4 million (5 and 7-year property), showroom lighting and electrical systems at \$985,000 (7-year property), HVAC systems and controls at \$1.2 million (5-year property), interior finishes across all buildings at \$1.1 million (5 and 7-year property), signage and wayfinding systems at \$445,000 (7-year property), and parking lot lighting at \$520,000 (15-year property).

The accelerated depreciation strategy generated first-year tax savings of approximately \$1.2 million, providing the capital needed to establish an on-site collision center that became a significant profit center for the organization.

## Manufacturing Facilities

### Detailed Cost Savings: Real Numbers from Manufacturing Studies

The financial impact of cost segregation for manufacturing facilities can be transformative. Let's examine specific results from actual studies conducted by Morris Cost Seg Consultants:

#### Case Study: Automotive Parts Manufacturing Facility

A 180,000-square-foot automotive parts manufacturing facility in the Midwest underwent a comprehensive cost segregation study following a \$12.8 million acquisition and renovation. The property featured extensive specialized systems to support precision machining operations.

**Reclassified Assets Included:**

- Three-phase electrical distribution system with 4,000-amp service and dedicated circuits for CNC machines
- Industrial-grade compressed air system with multiple compressors and distribution piping throughout the facility
- Reinforced concrete flooring with epoxy coating rated for 2,000 PSF loading
- Process cooling system for machining equipment with dedicated chillers and piping
- Overhead crane system with reinforced structural supports

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

- Oil mist collection and industrial ventilation systems
- Equipment-specific power drops and disconnect boxes

### **Financial Results:**

- Total assets reclassified: \$4.2 million (33% of total basis)
- 5-year property: \$1.8 million
- 7-year property: \$1.6 million
- 15-year property: \$800,000
- First-year tax deferral: \$1,386,000
- Five-year cumulative benefit: \$2,240,000

The manufacturing company used these tax savings to purchase three additional CNC machines, expand their workforce by 22 employees, and establish a second shift to meet growing customer demand.

## **Case Study: Food Processing and Packaging Facility**

A 95,000-square-foot food processing facility in the Southeast completed a cost segregation study after investing \$8.3 million in building acquisition and equipment installation. The study focused on production-specific infrastructure required for food safety and processing operations.

### **Reclassified Components:**

- Specialized refrigeration systems with multiple temperature zones

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

- Stainless steel process piping for product handling and CIP (clean-in-place) systems
- Enhanced electrical systems for processing equipment and material handling
- Industrial floor drains and sloped concrete floors for sanitation
- High-efficiency ventilation and air handling for temperature and humidity control
- Water treatment and filtration systems
- Backup power generation for critical refrigeration

### **Financial Impact:**

- Assets reclassified: \$2.9 million (35% of building basis)
- First-year federal tax savings: \$957,000
- Additional state tax benefits: \$178,000
- Total five-year benefit: \$1,640,000

The food processor invested their tax savings into expanding cold storage capacity, implementing automated packaging lines, and obtaining additional food safety certifications that opened new distribution channels.

## **Case Study: Industrial Metalworking and Fabrication Plant**

A metal fabrication company purchased a 142,000-square-foot manufacturing building for \$9.7 million and invested an additional \$3.2 million in facility improvements. The cost

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

segregation study identified substantial production-related infrastructure.

### **Key Reclassified Systems:**

- Heavy-duty electrical system with 6,000-amp service and multiple substations
- Overhead bridge crane systems (three separate crane runways)
- Reinforced structural steel supports for crane loads
- Industrial compressed air system with 300 HP compressors
- Welding gas distribution piping throughout production areas
- Enhanced ventilation and fume extraction for welding operations
- Dust collection systems for grinding and cutting operations
- Specialized lighting systems for inspection and precision work

### **Tax Benefit Summary:**

- Total reclassification: \$5.1 million (39% of combined basis)
- Year-one federal tax deferral: \$1,683,000
- Bonus depreciation acceleration: \$1,240,000
- Five-year cumulative savings: \$2,890,000

This fabrication company redirected their tax savings toward acquiring a competitor's client list, purchasing advanced

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

laser cutting equipment, and implementing an enterprise resource planning system to improve production efficiency.

**Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

## Medical and Dental Practices

### Real-World Cost Segregation Results for Medical and Dental Practices

#### Case Study 1: Multi-Specialty Dental Practice

A comprehensive dental practice in suburban Philadelphia purchased and renovated a 6,000-square-foot space for \$2.1 million, including \$800,000 in tenant improvements. The facility featured eight operatories, a sterilization center, panoramic imaging room, and consultation areas.

#### **Property Components Identified for Reclassification:**

- Custom operatory cabinetry and countertops: \$145,000 (5-year property)
- Specialized dental plumbing (water/suction lines, air systems): \$98,000 (5-year property)
- Operatory lighting and dedicated electrical circuits: \$72,000 (5-year property)
- Removable partition walls between treatment rooms: \$124,000 (15-year QIP)
- Dental equipment hookups and compressor/vacuum infrastructure: \$67,000 (7-year property)
- Flooring in clinical areas: \$43,000 (5-year property)

**Total Reclassified from 39-Year to Accelerated Schedules:**  
\$549,000

#### **Tax Impact (Assuming 100% Bonus Depreciation):**

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

- **First-Year Additional Deduction:** \$549,000
- **Federal Tax Savings (37% bracket):** \$203,130
- **State Tax Savings (estimated 6%):** \$32,940
- **Total Immediate Tax Savings:** \$236,070

This represented a cash flow improvement that allowed the practice to purchase additional equipment, hire another associate dentist ahead of schedule, and expand marketing efforts—all without taking on additional debt.

## **Case Study 2: Orthodontic Specialty Practice**

An orthodontist invested \$1.4 million in building out a 3,500-square-foot space within a medical office building. The modern facility included specialized orthodontic chairs, digital imaging systems, and an open-bay treatment area with individual workstations.

### **Property Components Identified for Reclassification:**

- Open-bay cabinetry and workstation dividers: \$89,000 (5-year property)
- Specialized plumbing for orthodontic stations: \$54,000 (5-year property)
- Track lighting system and treatment area lighting: \$38,000 (5-year property)
- Custom reception desk and administrative cabinetry: \$31,000 (7-year property)
- Non-structural partition walls and glass dividers: \$76,000 (15-year QIP)

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

- Carpet and vinyl flooring throughout: \$34,000 (5-year property)
- Dedicated electrical circuits for imaging equipment: \$28,000 (7-year property)

**Total Reclassified:** \$350,000

### **Tax Impact (Assuming 100% Bonus Depreciation):**

- **First-Year Additional Deduction:** \$350,000
- **Federal Tax Savings (35% bracket):** \$122,500
- **State Tax Savings (estimated 5.5%):** \$19,250
- **Total Immediate Tax Savings:** \$141,750

The orthodontist used these savings to implement a comprehensive digital marketing campaign and invest in cone beam CT technology, significantly enhancing both patient attraction and treatment capabilities.

## **Case Study 3: Primary Care Medical Office**

A group of three physicians purchased a medical office building for \$3.2 million and invested an additional \$650,000 in renovations. The 8,000-square-foot facility included twelve examination rooms, two procedure rooms, a laboratory area, and administrative spaces.

### **Property Components Identified for Reclassification:**

- Examination room cabinetry and countertops: \$112,000 (5-year property)
- Medical gas delivery system (oxygen, vacuum): \$84,000 (7-year property)

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

- Specialized sinks and plumbing in clinical areas: \$68,000 (5-year property)
- Examination room lighting and dedicated circuits: \$57,000 (5-year property)
- Non-load-bearing walls creating examination rooms: \$186,000 (15-year QIP)
- Laboratory cabinetry and specialized fixtures: \$47,000 (5-year property)
- Flooring in patient care areas: \$52,000 (5-year property)
- Parking lot and exterior lighting improvements: \$73,000 (15-year property)

**Total Reclassified:** \$679,000

### **Tax Impact (Assuming 100% Bonus Depreciation):**

- **First-Year Additional Deduction:** \$679,000
- **Federal Tax Savings (37% bracket):** \$251,230
- **State Tax Savings (estimated 6.5%):** \$44,135
- **Total Immediate Tax Savings:** \$295,365

This substantial tax savings allowed the medical practice to hire an additional physician, expand patient hours, implement a new electronic health records system, and create a financial reserve for future expansion.

## Morris Cost Seg Consultants Studies: Over 30-Years of Experience

# Restaurants

## Real Results: Cost Segregation Case Studies for Restaurants

Morris Cost Seg Consultants has helped hundreds of restaurant owners unlock substantial tax savings. Here are examples of typical results:

### Case Study 1: Fast-Casual Restaurant New Construction

A fast-casual restaurant chain constructed a new 3,500 square-foot location with a total project cost of \$1.8 million, including land and building. After excluding the land value, the depreciable basis was \$1.5 million.

**Traditional Depreciation Approach:** Under standard depreciation, the building would be depreciated over 39 years, resulting in annual deductions of approximately \$38,462.

**Cost Segregation Results:** Morris Cost Seg Consultants conducted a comprehensive study and identified the following reclassified components:

- 5-year property (kitchen equipment, specialized systems): \$420,000
- 7-year property (furniture, fixtures, equipment): \$215,000
- 15-year property (qualified improvement property, site improvements): \$340,000
- 39-year property (building structure): \$525,000

## Morris Cost Seg Consultants Studies: Over 30-Years of Experience

**First-Year Tax Impact:** By accelerating depreciation, the restaurant owner claimed approximately \$285,000 in additional first-year deductions using bonus depreciation, resulting in tax savings of approximately \$95,000 (assuming a combined federal and state tax rate of 33%).

The improved cash flow allowed the ownership group to accelerate the opening of their next location by six months, avoiding delays that would have occurred while raising additional capital.

### Case Study 2: Full-Service Restaurant Renovation

An established full-service restaurant underwent a \$950,000 renovation, including complete kitchen modernization, dining room updates, new restrooms, and an expanded outdoor patio.

**Traditional Depreciation:** The renovation costs would normally be depreciated as qualified improvement property over 15 years (under current tax law) or potentially 39 years, resulting in annual deductions of \$63,333 or less.

**Cost Segregation Results:** Morris Cost Seg Consultants's detailed analysis identified:

- 5-year property (grease traps, hood systems, kitchen-specific HVAC, equipment electrical): \$285,000
- 7-year property (decorative finishes, specialty lighting, built-in furniture): \$195,000
- 15-year property (general improvements, outdoor structures): \$315,000
- 39-year property (structural improvements): \$155,000

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

**Tax Savings:** The accelerated depreciation generated approximately \$325,000 in additional first-year deductions with bonus depreciation, producing roughly \$107,000 in tax savings.

The restaurant owner used these tax savings to launch a targeted marketing campaign and hire two additional experienced servers, which contributed to a 22% increase in revenue over the following 12 months.

### **Case Study 3: Multi-Location Restaurant Portfolio**

A restaurant group owning five locations ranging from 5 to 15 years old had never performed cost segregation studies. The properties had original acquisition and improvement costs totaling \$8.2 million across all locations.

**Look-Back Study Results:** Morris Cost Seg Consultants performed look-back studies on all five properties and identified approximately \$3.1 million in assets that should have been depreciated over shorter lives.

**Catch-Up Deductions:** Through the IRS's allowable catch-up provisions, the restaurant group claimed approximately \$1.9 million in previously missed depreciation deductions in a single tax year, resulting in immediate tax savings of approximately \$627,000.

This substantial one-time cash infusion allowed the ownership group to negotiate favorable lease terms on a prime new location and accelerate their expansion plans by two years.

## Morris Cost Seg Consultants Studies: Over 30-Years of Experience

### Case Study 4: Small Independent Restaurant with Outdoor Dining

A family-owned Italian restaurant purchased an existing property for \$725,000 and invested an additional \$175,000 in improvements, including a new outdoor dining pergola structure, kitchen equipment upgrades, and interior refreshing.

**Cost Segregation Analysis:** The total depreciable basis of \$850,000 (excluding land) was analyzed, and Morris Cost Seg Consultants identified:

- 5-year property (kitchen systems, grease trap, ventilation): \$175,000
- 7-year property (furniture, decorative improvements, specialty lighting): \$98,000
- 15-year property (pergola structure, patio improvements, walkways): \$127,000
- 39-year property (building): \$450,000

**First-Year Impact:** The accelerated depreciation produced approximately \$185,000 in first-year deductions using bonus depreciation, generating tax savings of roughly \$61,000.

The family used these savings to purchase a new point-of-sale system, invest in staff training, and build a cash reserve for the slower winter months—significantly reducing their financial stress during seasonal downturns.

## Retail Buildings

### Real-World Results: Cost Segregation Case Studies for Retail Buildings

#### Case Study 1: Standalone Retail Store Renovation

A national retailer invested \$2.3 million in renovating a 12,000 square foot standalone building in a high-traffic suburban location. The renovation included complete interior demolition, new HVAC systems, custom lighting throughout, luxury vinyl plank flooring, new storefront glass and entry systems, and complete exterior refresh with new signage.

Morris Cost Seg Consultants performed a detailed cost segregation study that identified \$847,000 in assets eligible for accelerated depreciation. The breakdown included \$198,000 in lighting and electrical systems (5-year property), \$156,000 in specialty flooring and fixtures (7-year property), and \$493,000 in site improvements including parking lot resurfacing and landscaping (15-year property).

**Tax Impact:** Using bonus depreciation provisions available under current tax law, the property owner deducted approximately \$720,000 in the first year rather than spreading depreciation over 39 years. At a 35% combined federal and state tax rate, this generated immediate tax savings of approximately \$252,000—cash that remained in the business rather than going to tax payments.

The accelerated depreciation reduced the effective after-tax cost of the renovation from \$2.3 million to approximately

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

\$2.05 million, improving the project's return on investment significantly.

### **Case Study 2: Strip Mall Acquisition and Improvement**

A real estate investment group purchased a 45,000 square foot strip mall for \$6.8 million and immediately invested an additional \$1.2 million in property improvements. The center featured eight retail tenants including restaurants, service businesses, and retail shops.

The improvements included facade renovation, parking lot reconstruction, new monument signage, common area lighting upgrades, and tenant improvement allowances for new businesses moving in.

Morris Cost Seg Consultants conducted a comprehensive study covering both the acquisition and the subsequent improvements. We identified \$2.1 million in personal property and land improvements eligible for accelerated depreciation from the total \$8 million basis.

**Tax Impact:** The cost segregation study generated approximately \$1.89 million in first-year depreciation deductions when combined with bonus depreciation. At the investors' 37% tax bracket, this created immediate tax savings of approximately \$700,000.

This substantial cash infusion improved the investment's cash-on-cash return in year one from 7.2% to 16.8%, dramatically enhancing the project's financial performance and providing capital for additional property improvements.

## Morris Cost Seg Consultants Studies: Over 30-Years of Experience

### Case Study 3: Mixed-Use Retail Development

A developer completed a ground-up mixed-use project featuring 32,000 square feet of retail space on the ground floor with residential units above. The total project cost was \$18 million, with \$7.5 million allocated to the retail component.

The retail space included multiple tenant spaces with custom build-outs, extensive parking facilities, elaborate landscaping, decorative concrete and paver systems in pedestrian areas, and sophisticated lighting throughout interior and exterior common areas.

Morris Cost Seg Consultants's engineering team performed a detailed analysis and identified \$3.2 million in accelerated depreciation opportunities within the retail portion alone. This included \$680,000 in tenant improvement assets, \$1.1 million in site improvements, \$890,000 in specialty lighting and electrical, and \$530,000 in decorative finishes and fixtures.

**Tax Impact:** The developer claimed approximately \$2.88 million in first-year depreciation deductions through bonus depreciation, generating tax savings of over \$1 million. This cash remained available for lease-up costs, marketing, and maintaining healthy cash reserves during the critical lease-up period.

## Self-Storage Properties

### Real-World Cost Segregation Results for Self-Storage Properties

The tax savings from cost segregation studies on self-storage facilities can be transformative. Here are detailed examples demonstrating the tangible benefits:

#### Case Study 1: Climate-Controlled Facility Expansion

A self-storage operator in Texas completed a \$2.8 million expansion adding 60,000 square feet of climate-controlled storage units. The project included new metal buildings, extensive paving for drive aisles, perimeter security fencing, digital gate systems, and comprehensive LED site lighting.

Morris Cost Seg Consultants conducted a detailed engineering-based cost segregation study and identified the following reclassifications:

- **Site work and paving:** \$340,000 reclassified to 15-year property
- **Security systems and gates:** \$95,000 reclassified to 5-7 year property
- **Site lighting systems:** \$78,000 reclassified to 15-year property
- **Drainage and utilities:** \$125,000 reclassified to 15-year property
- **Office build-out components:** \$42,000 reclassified to 5-7 year property

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

- **Concrete work and curbing:** \$88,000 reclassified to 15-year property

**Total reclassified assets:** \$768,000 (27.4% of total project cost)

Assuming a 35% combined federal and state tax rate, this cost segregation study generated approximately \$187,000 in net present value tax savings over the first five years compared to straight-line 39-year depreciation. In year one alone, the facility owner received an additional \$115,000 in depreciation deductions, creating immediate cash flow of approximately \$40,000.

### **Case Study 2: Multi-Site Self-Storage Portfolio**

A regional self-storage investor acquired a portfolio of four existing facilities for \$12.5 million. The properties included a mix of traditional and climate-controlled units, with ages ranging from 8 to 15 years. Despite the properties being previously owned, a cost segregation study still provided substantial benefits through a "look-back" approach.

Morris Cost Seg Consultants's analysis identified:

- **Asphalt and concrete:** \$1,150,000 across all properties
- **Site lighting and electrical:** \$285,000
- **Security systems, fencing, and gates:** \$420,000
- **Drainage and site utilities:** \$310,000
- **Office improvements:** \$125,000

**Total reclassified assets:** \$2,290,000 (18.3% of purchase price)

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

Through proper application of catch-up depreciation allowed under IRS regulations, the investor received approximately \$425,000 in additional first-year deductions. At a 37% tax rate (federal), this created immediate tax savings of \$157,000—money that was reinvested into facility improvements and competitive upgrades.

### **Case Study 3: Ground-Up Development Project**

A developer constructed a brand-new 75,000 square foot self-storage facility with state-of-the-art amenities at a total cost of \$4.2 million. The facility featured climate-controlled units, advanced security technology, electric gate access, comprehensive LED lighting, and extensive paving for customer access.

The cost segregation study revealed:

- **Paved drive paths and asphalt:** \$485,000 (15-year)
- **Site lighting systems:** \$142,000 (15-year)
- **Security infrastructure:** \$168,000 (5-7 year)
- **Gates and perimeter fencing:** \$135,000 (7-15 year)
- **Concrete sidewalks and curbing:** \$118,000 (15-year)
- **Drainage systems:** \$156,000 (15-year)
- **Office space components:** \$89,000 (5-7 year)
- **Electrical distribution for units:** \$95,000 (7-year)

**Total reclassified assets:** \$1,388,000 (33% of total development cost)

The accelerated depreciation schedule provided approximately \$310,000 in additional deductions during the

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

first five years. With a 35% effective tax rate, this represented over \$108,000 in tax savings that significantly improved the project's return on investment and provided working capital during the critical lease-up phase.

## Shopping Centers

### Real-World Shopping Center Cost Segregation Results

#### Case Study 1: Regional Shopping Center - \$42 Million Acquisition

A real estate investment trust acquired a 185,000-square-foot regional shopping center in the Southeast for \$42 million. The property featured three anchor tenants, 28 inline retail spaces, a food court, and extensive parking facilities serving over 800 vehicles.

Morris Cost Seg Consultants conducted a comprehensive cost segregation study that identified \$12.8 million in assets eligible for accelerated depreciation:

- **5-Year Property:** \$4.2 million (specialty lighting, decorative fixtures, tenant improvements, signage)
- **7-Year Property:** \$1.8 million (furniture and fixtures, specialized equipment)
- **15-Year Property:** \$6.8 million (site improvements, parking infrastructure, qualified improvement property)
- **39-Year Property:** \$29.2 million (building structure and core systems)

**Tax Savings Results:** In the first year, the REIT realized \$3.1 million in accelerated depreciation deductions, resulting in approximately \$1.09 million in federal tax savings (at a 35% corporate tax rate). Over a five-year period, the cumulative tax

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

deferral exceeded \$2.4 million, significantly improving the property's cash-on-cash return and providing capital for strategic improvements.

The REIT reinvested \$800,000 of the tax savings into renovating the food court and common areas, which led to a 12% increase in foot traffic and enabled the property to command premium rents from new tenants seeking to capitalize on the improved customer experience.

### **Case Study 2: Community Shopping Center - \$18 Million Development**

A developer completed construction of a 72,000-square-foot community shopping center anchored by a grocery store, with additional retail and restaurant tenants. The total development cost reached \$18 million.

Our cost segregation study identified \$6.4 million in accelerated depreciation assets:

- **5-Year Property:** \$2.1 million (including extensive specialized lighting, tenant allowance improvements, decorative elements, and signage packages)
- **15-Year Property:** \$4.3 million (land improvements, parking lot infrastructure, site utilities, and qualified improvement property)

**Tax Savings Results:** The developer achieved first-year tax savings of approximately \$720,000, with total five-year tax deferral of \$1.3 million. This immediate cash flow improvement reduced the effective cost of capital and allowed the developer to accelerate debt paydown by 18 months, saving significant interest expense.

## **Morris Cost Seg Consultants Studies: Over 30-Years of Experience**

### **Case Study 3: Lifestyle Center Repositioning - \$28 Million Renovation**

A private equity firm acquired an underperforming shopping center for \$25 million and invested an additional \$3 million in comprehensive renovations to reposition the property as a lifestyle center. The renovation included updated tenant spaces, enhanced common areas, improved parking and landscaping, and new exterior facades.

Morris Cost Seg Consultants performed a cost segregation study covering both the acquisition basis and the substantial improvements:

#### **Total Accelerated Depreciation Identified: \$9.2 million**

- Tenant improvement allowances and buildouts: \$3.4 million
- Common area upgrades and finishes: \$2.1 million
- Lighting and electrical improvements: \$1.6 million
- Site improvements and parking upgrades: \$2.1 million

**Tax Savings Results:** The owners realized approximately \$975,000 in first-year tax savings and projected five-year tax deferral exceeding \$1.8 million. The improved cash flow supported the property's transition period and funded targeted marketing campaigns that successfully attracted several national retailers, increasing the property's occupancy from 73% to 94% within two years.



### About the Author...

Jim Morris is the Founder of Morris Cost Seg Consultants. Jim has over 30 years' experience and has done thousands of Cost Segregation Studies in every industry across the United States. He is known as a trustworthy and reliable partner when it comes to helping business owners, real estate developers save money.

*Morris Cost Seg Consultants is a trusted provider of cost segregation studies, helping commercial property owners, investors, and real estate professionals unlock significant tax savings through accelerated depreciation. With a disciplined, engineering-based approach and a strong understanding of IRS guidelines, Morris Cost Seg Consultants delivers studies designed to withstand scrutiny while maximizing financial benefits.*

*This eBook, Cost Segregation Studies, reflects Morris Cost Seg Consultants' commitment to education, transparency, and strategic tax planning. It explains how cost segregation works, which properties may qualify, and how properly structured studies can improve cash flow, increase reinvestment opportunities, and support long-term portfolio growth.*

*Focused on accuracy, documentation, and compliance, Morris Cost Seg Consultants collaborates with CPAs and tax advisors to ensure each study aligns with a client's broader tax strategy. Whether you own a single property or manage a growing real estate portfolio, Morris Cost Seg Consultants provides the insight and expertise needed to make informed decisions and capture the full value of your real estate investments.*