CAPSTAN
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OFFICE BUILDING
CASE STUDY

Office buildings with tenant and common areas are strong candidates for cost segregation. The combination of personal property in tenant-specific improvements, along with land improvements that accommodate the building's parking needs, consistently result in solid first-year tax savings.

Consider Project OB, a two-story office building acquired in late 2018 with a depreciable basis of $10,380,373. The 70,000SF building is entirely occupied by one tenant, and consists of the general office must-haves – perimeter offices, conference rooms, breakrooms, a cafeteria, and a vast cubicle area.

Within these spaces, the Capstan engineer was able to identify personal property including:

- Cubicle area: hundreds of dedicated circuits with duplex receptacles powering office equipment, wall mounted voice/data receptacles with CAT5 wiring
- Conference rooms: folding leaf partitions, motorized projection screens
- Breakrooms: sinks, cabinets, counters
- Cafeteria: ice machine, dishwasher, and associated rough plumbing
- Decorative millwork and wall mirrors in common areas
- Specialty lighting and closed-circuit surveillance throughout

Office buildings need ample parking, and there are 450 parking spaces with painted signs and symbols in Project OB, as well as other land improvements including a sod lawn, perimeter planting beds, and an in-ground irrigation system. Concrete pavers, fire hydrants, illuminated bollards, and an attractive monument sign are all classified as land improvements as well.

The Capstan engineer was able to move 14.7% of assets into 5-year personal property and 15.3% of assets into 15-year land improvements, resulting in a first-year tax savings of $1,024,358.

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