RETAIL SHOPPING CENTER
CASE STUDY

CAPSTAN
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While there will always be a place for the traditional enclosed shopping mall, many consumers today prefer open-air shopping centers. These days convenience is key, and shoppers enjoy the ease of driving right up to their retailer of choice. Developers are heeding the call, and many have converted increasingly vacant indoor malls into bustling open-air shopping centers.

Consider Property SC. For several decades it was the home of a two-story shopping mall with several anchor tenants, ample parking, and the ubiquitous glass elevator. Years went by and it became clear that the mall was no longer drawing a crowd. The property was sold to developers with a new vision for the space. The mall's interior would be demolished entirely, though the anchors would remain standing, and the new development would be completely open, with the mix of retail, restaurant, and fitness establishments crucial to today's lifestyle shoppers.

The new and improved version of Property SC was placed-in-service in the end of 2018, and the Capstan team was engaged to do a cost segregation study as the developers hoped to maximize their tax savings from day one. The depreciable basis for the new construction was $48,486,069 and the property consists of several one and two-story multi-tenant buildings, with plenty of parking and attractive landscaping. The wide variety of tenant types resulted in a wealth of assets eligible for cost segregation.

Assets moved into 5-year personal property included:

- Decorative lighting, wall mirrors, carpet and/or resilient flooring throughout
- Decorative awnings and sunshades for building exteriors
- Restaurant assets: rough plumbing, refrigerator piping, floor sinks and drains, custom-built bars
- Pet store assets: grooming area, special receptacles for grooming equipment
- Fitness center assets: lockers, saunas, fitness equipment

The engineer also identified land improvements including pergolas, paving, fire hydrants, decorative fences and guardrails, and tasteful landscaping.

Much of the work done by the developers was structural in nature, but the Capstan engineer moved 6.3% of assets into 5-year personal property, and 16.1% of assets into 15-year land improvements, all of which were eligible for 100% bonus under the Tax Cuts and Jobs Act. The first-year tax savings was $1,797,398, and developers were pleased with the results and hopeful about the future of Property SC.

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