

JOB GROWTH ₁	Area New Jobs	1 Mo	6 Mo	12 Mo
	Estimate	End 2/29	End 2/29	End 2/29
	Dallas/Plano/Irving	15,500	1,400	53,400
	Fort Worth/Arlington	6,100	6,500	26,000
		21,600	7,900	79,400
INTEREST RATES ₂	Rates	END 3/31		Yr. Ago
	10 Year Treasury	2.22%		3.46%
	11th District COFI	1.21%		1.47%
	1 Mo. LIBOR	0.24%		0.25
	Spreads over the above indexes have been increasing as rates have decreased. Best all in rates for the best properties are around 4.0%.			
SUPPLY/ DEMAND ₃	Units Added/ Absorbed	6 Mo End 3/31	12 Mo End 3/31	24 Mo End 3/31
	<u>Dallas County</u>			
	Added	2,192	4,405	8,474
	Absorbed	1,148	6,180	16,318
	<u>Tarrant County</u>			
	Added	1,094	2,967	3,907
	Absorbed	1,405	4,619	9,076
OCCUPANCY RATES ₃	Dallas County	3/31/2012	6 Mo Ago	12 Mo Ago
	2000's	91.6%	93.3%	92.2%
	1990's	94.8%	95.0%	94.7%
	1980's	91.5%	91.1%	90.7%
	1970's or Older	88.9%	89.2%	87.4%
	<u>Tarrant County</u>			
	2000's	93.2%	93.8%	92.8%
	1990's	94.9%	94.9%	94.8%
	1980's	92.3%	92.0%	91.0%
	1970's or Older	87.9%	86.8%	85.7%
RENTAL RATES ₃	Dallas County	3/31/2012	6 Mo Ago	12 Mo Ago
	2000's	\$1,206	\$1,193	\$1,154
	1990's	\$1,075	\$1,060	\$1,016
	1980's	\$656	\$647	\$636
	1970's or Older	\$658	\$647	\$632
	<u>Tarrant County</u>			
	2000's	\$1,002	\$986	\$942
	1990's	\$927	\$922	\$897
	1980's	\$624	\$613	\$604
	1970's or Older	\$588	\$576	\$571
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's	1 Texas Workforce Commission		
	2007 82,200	2 Banxquote.com		
2008 2,500	3 ALNsys.com - Rental rates are after concessions.			
2009 (94,900)	Approx. 25% of 70's or older are all bills paid.			
2010 50,800				
2011 45,700				

Tax Court disallows Cost Segregation of Apartment Building Components

Journal of Accountancy
by Alistair M Nevius

In a case exploring the extent of allowable cost segregation in depreciable rental real estate, the Tax Court held that all but a small handful of items identified by the building's owner had to be depreciated over the life of the building (*AmeriSouth XXXII, Ltd., T.C. Memo. 2012-67*).

AmeriSouth, a limited partnership, bought an apartment complex in 2003 for \$10.25 million. AmeriSouth commissioned a cost-segregation study and then attempted to depreciate more than 1,000 building components over five- or 15-year spans, instead of the 27.5 years applicable to rental real estate under MACRS. Using its cost-segregation method, AmeriSouth deducted \$3,029,029 for depreciation in the years 2003-2005.

The IRS audited the partnership under TEFRA and disagreed with AmeriSouth's treatment of the components; it denied \$1,079,751 in deductions for those years. The case ended up in Tax Court, where the IRS also argued that AmeriSouth was attempting to depreciate some assets it did not own.

About the time the case was tried, AmeriSouth sold the apartment complex and subsequently stopped responding to communications from the court, the IRS, and even its own attorneys. The court allowed the attorneys to withdraw from the case. When AmeriSouth failed to file a post-trial brief, the court could have dismissed the case entirely, but instead it decided the case, deeming any factual matters not contested to be conceded by AmeriSouth.

The court looked in depth at the components in each of the 12 categories AmeriSouth had identified for faster depreciation: site preparation and earthwork; water distribution system; sanitary-sewer system; gas line; site electric; special HVAC; special plumbing; special electric; finish carpentry; millwork; interior windows and mirrors; and special painting.

Based on its examination of the facts, the court sided with the IRS in all but a small handful of instances, holding that most components were structural components, integral to the buildings' operation and maintenance, and therefore depreciable over the life of the building.

The only components AmeriSouth won on were clothes dryer vents; gate components; outlets and timers relating to watering of the grounds; surveillance components (camera and TV); refrigerator, stove, and washer/dryer outlets; and cable, telephone, and data outlets.

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