Cost Segregation on a Multifamily Property: A Real-World Walkthrough

By Timothy C. Franklin · April 15, 2026 · 6 min read

The Numbers People Never See

Most real estate investors know cost segregation exists. What they rarely get to see is what it actually looks like on a real property. This is a five-unit apartment building in San Francisco. The study was completed May 2025.

The Property

5-Unit Apartment San Francisco, CA | 6,155 sq ft	**$2,250,000** Purchase price — $1,800,000 depreciable after land

What Happens Without a Study

Under standard tax rules, residential rental property depreciates over 27.5 years using straight-line depreciation. On this building that is $40,914 per year. No acceleration. No front-loading. Just a slow, steady trickle that the IRS permits by default. Most investors accept this and never know what they left behind.

> *The government gives you a choice. You can depreciate slowly over 27.5 years, or you can front-load that deduction to the year you actually need it. Most people just do not know they have the choice.*

What Happens With a Study

A cost segregation study reclassifies components into shorter depreciation categories under MACRS. On this San Francisco building: 15% of cost qualified for the 5-year schedule, 1% for the 15-year schedule, and 84% remained on the standard 27.5-year timeline.

	Without Study	With Study
Year One Depreciation	$40,914	$322,368
Additional Deduction	—	+$281,454
Tax Savings (37% rate)	—	$104,138
Study Fee	—	$4,900
Net Cost After Tax	—	$3,087

The Return on Investment

34:1	**$104,138**	**$3,087**
Return on study fee in year one	Year-one tax savings	Net cost of study after its own deduction

For every dollar spent on the study, the investor got back 34 dollars in tax savings. Not over a lifetime. In year one. And with 100% bonus depreciation restored, those 5-year and 15-year assets can be taken in full in year one.

What This Actually Means for You

This was one study. One building. A five-unit apartment most people would say was too small to bother. It generated $104,138 in savings for a $3,087 investment. Now imagine a 20-unit building. Or a portfolio of three to five smaller properties that have never been studied. The math scales.

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The First Step

We run a free preliminary analysis before any study is ordered. We look at your property type, purchase price, acquisition date, and tax situation and tell you whether cost segregation makes sense. No fee. No commitment. If the numbers do not pencil out, we will tell you. But in most cases, they pencil out very well. This one penciled out at 34 to 1.

IRS OFFICIAL REFERENCE

IRS Publication 946: How to Depreciate Property (IRS.gov)

Official IRS guidance covering MACRS depreciation, component classification, and bonus depreciation.

See What Your Property Would Look Like

Run a free preliminary analysis. We will model your property and show you exactly what a cost segregation study would produce before you spend a dollar.

triplestarstrategy.com/free-analysis