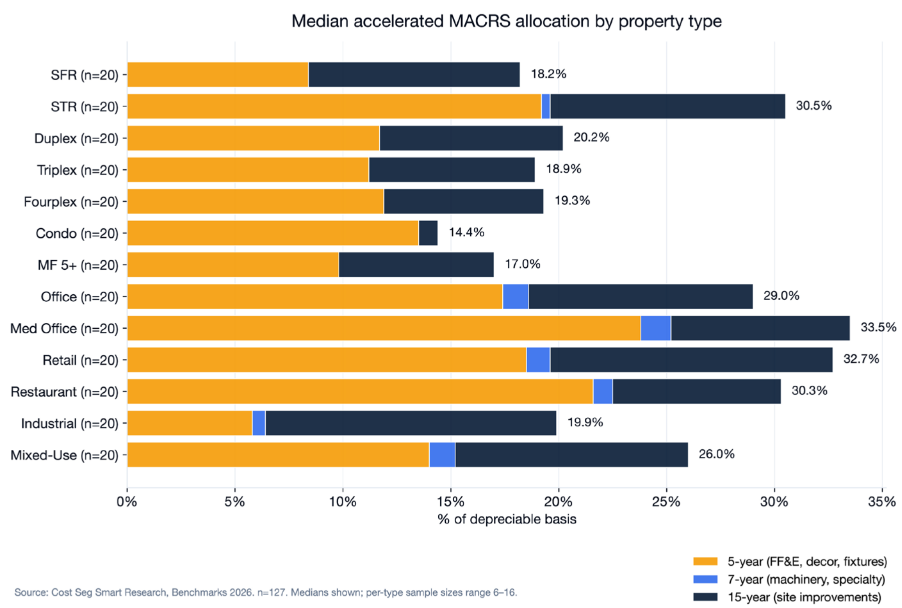
Medical Facilities Dominate Cost Segregation Benefits: Benchmarking in Commercial Real Estate

By Chris Cumella, Founder of Cypress Exchange Properties. A sponsor with a long history building and buying purpose-built healthcare real estate across the country.

Based on data from Cost Seg Smart Research's 2026 Benchmarks, **medical office buildings** historically ranked as the highest-performing asset type for cost segregation tax benefits. They outperformed all other commercial real estate and residential property types in both accelerated depreciation allocation percentages and direct first-year tax savings.



Key Benchmarks & Data Analysis

- **Highest Accelerated Allocation:** Medical offices achieved a **32.9% median accelerated allocation** percentage. As shown in the benchmarking graph, this stood as the highest reclassification rate among traditional commercial assets, beating standard offices 27.6% and restaurants 30.0%.
- **Massive Shorter-Lived Reclassi ications:** Over **23.3% of a medical office's depreciable basis** was successfully accelerated into the 5-year MACRS class (such as clinical casework, specialized exam room fixtures, and dedicated equipment.

Overcoming the “Dropped Basis” Problem

Cypress Exchange

Because a medical office DST places a massive **33.5% of the property’s depreciable basis** into accelerated 5-, 7-, and 15-year MACRS classes, it creates an immediate, highly dense pool of tax deductions.

Even if your overall carried-forward basis is low, a cost segregation study seeks to squeeze maximum tax-sheltering power out of every remaining dollar. This front-loaded depreciation helps offset the rental income generated by the DST, allowing you to potentially receive **highly sheltered, tax-free monthly distributions** early in the DST’s life cycle.

Replacing “Zero-Basis” Debt with New Shielding

Many 1031 investors must take on a portion of the DST’s institutional debt to satisfy the IRS “equal or greater debt” replacement requirement.

» **The Benefit:** This new debt increases your total depreciable basis in the DST.

» **The Synergy:** When that newly acquired debt basis is applied to a medical office building, 33.5% of it is instantly fast-tracked. You convert required institutional debt into a massive, immediate tax shelter.

Passive Loss Matching for Fractional Owners

As a DST investor, you hold a beneficial, fractional interest in the trust, meaning your share of any income and losses is treated as **passive.**

» The massive upfront passive losses generated by the medical office cost segregation study may be able to be used to fully offset any passive income from that specific DST.

» Any excess passive losses can be carried forward or used to offset potential passive income from other real estate syndications or rental properties in your portfolio.

Seamless Execution via Institutional Sponsors

The greatest practical benefit for a 1031/DST investor is that you do not have to lift a finger. Individual investors cannot easily perform a cost segregation study on a commercial property themselves.

In a DST structure, the institutional sponsor coordinates the engineering firm, pays for the cost segregation report, and passes on any front-loaded depreciation deductions. You get the high tax-shelter performance of a medical office building with zero operational headache. To find out more about our current 1031x offerings log onto our website **www.cypressxp.com** or email us direct at **info@cypressxp.com.**

For more information on Emerson Equity, please visit FINRA's BrokerCheck website. You can also download a copy of Emerson Equity's Customer Relationship Summary to learn more about their role and services.

Important Disclosure:

The contents of this communication: (i) do not constitute an offer of securities or a solicitation of an offer to buy securities, (ii) offers can be made only by the confidential Private Placement Memorandum (the "PPM") which is available upon request, (iii) do not and cannot replace the PPM and is qualified in its entirety by the PPM, and (iv) may not be relied upon in making an investment decision related to any investment offering by the issuer, or any affiliate, or partner thereof ("Issuer"). All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM. With respect to any "targeted" goals and performance levels outlined herein, these do not constitute a promise of performance, nor is there any assurance that the investment objectives of any program will be attained. An investment in the offering is speculative and involves a high degree of risk, including the risk of substantial loss of investment. These "targeted" factors are based upon reasonable assumptions more fully outlined in the Offering Documents/ PPM for the respective offering. Consult the PPM for investment conditions, risk factors, minimum requirements, fees and expenses and other pertinent information with respect to any investment. These investment opportunities have not been registered under the Securities Act of 1933 and are being offered pursuant to an exemption therefrom and from applicable state securities laws. All offerings are intended only for accredited investors unless otherwise specified. Past performance is no guarantee of future results. All information is subject to change. You should always consult a tax professional prior to investing. Investment offerings and investment decisions may only be made on the basis of a confidential private placement memorandum issued by Issuer, or one of its partner/ issuers. Issuer does not warrant the accuracy or completeness of the information contained herein. Thank you for your cooperation.

Securities through Emerson Equity LLC Member: FINRA/SIPC. Only available in states where Emerson Equity LLC is registered. Emerson Equity LLC is not affiliated with any other entities identified in this communication.

1031 Risk Disclosure:

- There is no guarantee that any strategy will be successful or achieve investment objectives;
- Potential for property value loss – All real estate investments have the potential to lose value during the life of the investments;
- Change of tax status – The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities;
- Potential for foreclosure – All financed real estate investments have potential for foreclosure;
- Illiquidity – Because 1031 exchanges are commonly offered through private placement offerings and are illiquid securities. The secondary market for these investments is very limited, and early sale is not guaranteed.
- Reduction or Elimination of Monthly Cash Flow Distributions – Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions;
- Impact of fees/expenses – Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits