



The Concord Group Newsletter

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NEW PROJECTS

Cost Management

University of Illinois at Urbana-Champaign
- Center for Wounded Veterans
- Memorial Stadium Renovations
- Daley Library Circle Reading Room
- Freer Hall
- Allerton House Renovations

University of Wisconsin - Madison
- Babcock Hall Renovation & Addition

Dear Edward,

Welcome to the most recent issue of our newsletter. This is an opportunity for us to share information about what's going on with our firm and staff.

Cost Segregation Studies are More Important than Ever **Enhancements to benefits are available with Repair vs. Capitalization Studies and Retirement Studies**

Repair vs. Capitalization Studies **Reduce Your Tax Liability and Provide Increased Cash Flow**

The IRS recently issued regulations regarding the deduction and capitalization of expenditures related to tangible property. Any building owner with past or current renovation costs in excess of \$500,000 should have these costs analyzed to see if they can be expensed. The new regulations are effective starting January 1, 2014 but may be applied to tax years 2012 and 2013.

Costs you have capitalized, even in past years, will be eligible to be reclassified as expenses. Through an analysis of your expenses for repairs and maintenance and a review of your capitalized assets, The Concord Group will be able to help reduce your tax liability and improve your cash flow by proper classification of assets.

Future repairs and maintenance costs will need to be assessed based on nine (9) different Unit of Property categories. These categories, which include the Building, HVAC, Plumbing, Electrical, Escalators, Elevators, Fire Protection, Security System and Gas Distribution System, will need to be determined in order to take advantage of repair and maintenance expenditures. The Concord Group has developed proprietary software which allows us to provide you with this information.

Retirement Studies **Provide an Immediate and Permanent Reduction in Tax Liability**

You have the ability to write off building structural components for items replaced or items abandoned during renovations. This includes any repairs or renovations done in the past. Structural components of a building include items with a long tax life (generally 39, 27.5 or 15 years) such as lighting, roofs, HVAC systems, interior and exterior walls, etc. The benefits can be astounding but the window for allowing past renovations may be closing fast. The time to perform these studies is right now for tax year 2013. Proposed regulations for 2014 require dispositions to be taken in the year they are performed and will not allow a review of previous years.

The Smith Residence
- Veteran Village

Northwestern University
- Medical Research Center

GSA
- Metcalfe 12th Floor - EPA
Data Center
- Metcalfe Building - 26th Floor
- DEA HVAC
- CBP 8th Floor & ICE 7th Floor

O'Hare
- Parking Lot Improvements

Oconto Falls
- Community Memorial
Hospital Renovations &
Additions

St. Norbert
- Schedules Sports Center

New Life Covenant Church

Public Building Commission
- Southeast Area Elementary
- Oriole Park Elementary
Addition
- Whitney Young Library
Renovation
- Payton School
- Wildwood School
- Lincoln School
- Whitney Young Library
Addition

Kohls
- 2014 Store Renovations
- Adaptive Re-use Corp Facility

Morton Arboretum
- Masonry Repair

Chicago History Museum
Renovation

Beloit Memorial Hospital
- Cardiology Renovation
- Pharmacy Renovation

Northwest Armory

University of Chicago
- 5730 S. Woodlawn
Renovation
- Rosenwald Hall Building
Renovation

Specialized Real Estate Services

Cost Segregation

Catey Dental
Gas City, IN

AK Rikk's
Grand Rapids, MI

900 Commerce
Oak Brook, IL

For more information about these studies and how The Concord Group can assist you please visit www.repairregs.com/index.php or www.refirementregs.com/index.php.

Market Update and The AIA Billing Index Update

In the latest Architecture Building Index (ABI), The American Institute of Architects (AIA) reported a slight downturn at U.S. architecture firms for the months of November and December, extending a moderation in design activity during the fourth quarter of 2013. The AIA's Architecture Billing Index stood at 48.5 for the month of December, while the ABI for November and October read 49.8 and 51.6 respectively (readings lower than 50 represent a downturn). However, inquires for new projects accelerated a bit in December offering hope that revenue may begin to turn up entering the new year.

As shown in the chart below, firms in the Northeast and Midwest reported a decline in billings activity for December, while firms in the other two sectors of the country reported an index of 50 or greater.

The ABI tracks data by three distinct sectors: Commercial/Industrial, Institutional and Residential. Residential continued to see strong gains while Commercial/Industrial and Institutional firms saw a decline for November and December. This is in contrast to recent trends in the Commercial/Industrial markets which reported an increase. Moving into 2014 the economy appears to be poised for a growth rate of close to 3 percent compared to 2 percent for 2013. The housing market appears to be a prime force behind this overall economic growth.

Langham Creek
Houston, TX

Thermoflex
Waukegan, IL

Loan Monitoring

Fifth Third Bank
- Whitecaps Baseball Park
Comstock, MI
- Quarry Dewitt Apartments
Dewitt, MI

Staff Updates

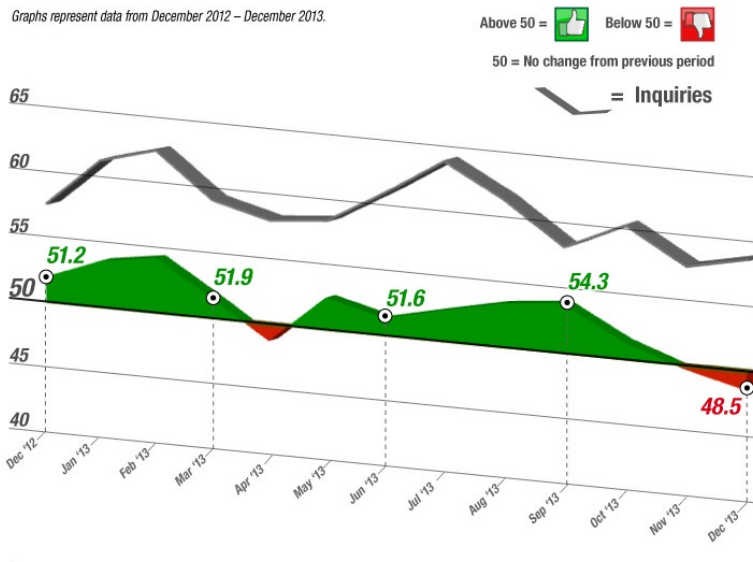
New Employees
Chicago Office

Jenny O'Connor
Director of Marketing

NATIONAL

2013 Ends With Another Downturn in Firm Billings

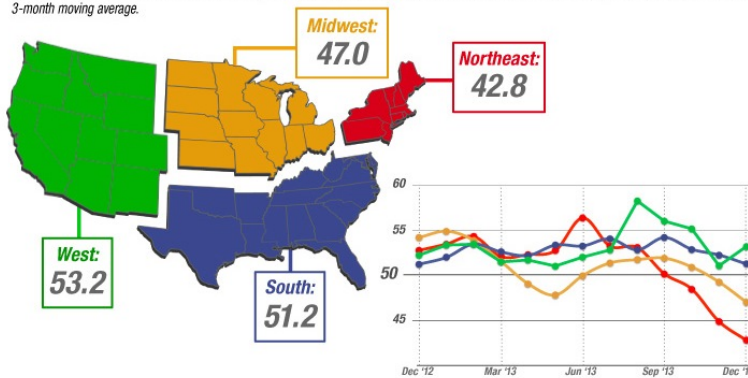
Graphs represent data from December 2012 – December 2013.



REGIONAL

Northeast and Midwest Firms Reporting Weakness

Graphs represent data from December 2012 – December 2013 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.

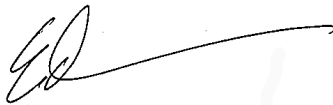


Overall, The AGC reports the construction industry's PPI Index showed modest gains for December and the year of 2013 with the larger variations occurring more in a few specific materials. For the second year in a row, the largest PPI increases among major construction materials were for gypsum products (16% in all of 2013) and lumber and plywood (9.7% in 2013). Additional major inputs had price increases for the month of December but decreases in 2013 overall: copper and brass mill shapes were down 6.1%, aluminum mill shapes (-4.6%), steel mill products (-1.0%) diesel fuel (-0.9%) and plastic construction product (-0.6%).

Graphs courtesy of the American Institute of Architects: ABI

We hope that you have found our newsletter both enjoyable and helpful. We look forward to seeing you in the near future.

Sincerely,



Ed Stritch
President and CEO
The Concord Group

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