

PEABODY OFFICE FURNITURE ANALYSIS DEBUNKS MYTH THAT USED OFFICE FURNITURE COSTS LESS THAN NEW

BOSTON-Peabody Office Furniture, New England's leading full-service furniture distributor and management company, released a comparative cost analysis of new versus old furniture systems, debunking the widely held myth that used office furniture systems costs less than new.

"We discovered that hands down, new office furniture systems provided a much greater economic value in the near-term and in the long-term than used or refurbished systems," said Richard Vaughn, president and chief executive officer of Peabody Office Furniture. "The initial cash outlay for both types of systems may be similar, but after calculating tax savings and other financial impacts, new systems came out the clear winner."

The report compared a \$100,000 expenditure on both a new and a used furniture system, and found that a new system purchase creates substantial savings due to updated tax laws that provide a first-year bonus depreciation for new system purchases that is not available for used or refurbished systems.

"Let's assume that you spend \$100,000 on old furniture and that your company pays taxes at the 40 percent rate. Your first-year regular depreciation would be \$14,000, assuming a seven year double declining balance. If you spent the same amount on a new system, your first-year regular depreciation would only be \$7,143. But, you also receive a \$50,000 bonus depreciation because the furniture is new. When all the numbers are crunched under this scenario, your total first-year tax savings on the old furniture system is \$5,600. Your total first-year savings for the new system comes out to \$22,857," said Mr. Vaughn.

The Peabody analysis cited concern about the possible safety hazards of old and refurbished systems. There is no guarantee that an old or refurbished system will have up to date electrical components, the study revealed. There simply may be no UL classification at all with an old system, and office fires have occurred as a result of faulty wiring in old and refurbished systems. By comparison, all new systems are required to have proper UL approval.

"We also found that from a design standpoint, new furniture has many clear advantages," added Mr. Mark Anderson, Chief Financial Officer of Peabody Office Furniture. "There are just many more choices available to companies that choose new furniture systems, and having current choices avoid future headaches."

For instance, if a company purchases a refurbished system and a pedestal or a panel is damaged in transit, it may be difficult to find an exact match, leaving companies with mismatched furniture. This is not the case with a new furniture system because a new piece can be manufactured within a day. Also, new systems come with an availability commitment for fabrics and finishes. Many old furniture systems are made with fabrics that are now discontinued, making it impossible to ever match pieces again.

The study also discovered that features available only with new furniture systems like warranties and leasing options play an important role in increasing the value of these systems. It is difficult to determine exactly how much "life" is left in an old furniture system, the report stated. Buying a new system provides a specific time frame guarantee that assures the longevity of your furniture.

"Overall, the study concluded that purchasing a used or refurbished furniture system over a new system based on nothing more than the possible lower immediate cost can be a very expensive decision over the long run," said Mr. Anderson.