

Angus cartwright jr. essay sample

[Finance](#), [Investment](#)



It was 1995. Mr. Angus Cartwright, the financial advisor based in Arlington, Virginia had to make recommendations to his two clients: John DeRight and Judy DeRight, who both require 12% return on investment but different types of investment in their different life stages. The four properties that Cartwright was looking at are: 1) Alison Green, an existing garden apartment based in Montgomery County, Maryland; 2) 900 Stony building, an existing 5 story office building also located in Montgomery County; 3) Ivy Terrace, a garden apartment in construction located near Arlington, Virginia; and 4) The Fowler Building, a 2 story office building under construction located in Arlington, Virginia. Investors

John DeRight just retired and had most of his wealth in common stock of a company. Therefore, his main source of income came from the dividends. The retiree was a risk averted investor who expected stable income. On the other hand, Judy DeRight was a mid-career entrepreneur with high income tax bracket and probably didn't need immediate cash flows. She could tolerate higher risks but expected higher return in the long run. Property Analysis

Both Montgomery County and Arlington are among the richest counties in the States. The economy in Arlington is probably more stable because of the large number of government departments located there. All four buildings met the bar of 12% internal required index. Among them, Alison Green has the highest internal required return (16. 5%), highest net present value (\$358, 774), and highest profitability index (29. 9%) among the four properties. The capitalization rate of sale is second highest, too. However, in the short run, it has the lowest capitalization rate for purchase and increase <https://assignbuster.com/angus-cartwright-jr-essay-sample/>

in capital value. As it was an existing apartment with occupancy of 97% while the break-even occupancy was 82%, the cash flow was expected to be more stable than other office buildings. There was also no waiting time to lease the building. All of these were perfect to meet John DeRight's investing requirement. Ivy Terrace, with its high internal required rate and profitability index, only 71% of break-even occupancy rate could be a second favorite for John DeRight. Arlington is a more favorable location for office buildings due to its stable government backed economy. Although The Fowler Building is still under construction, it has a very low break-even occupancy rate company to 900 Stony Walk. Based on the rent and the description of the building, it is likely to be a new Class A building, which will have potential to attract and maintain high end tenants. The increase in capital value is the highest among the four (66%). Conclusion

To conclude, Angus Cartwright Jr. would recommend the property Alison Green for John DeRight's investment to generate steady income with lower risks, and the Fowler Building at Arlington to Judy DeRight because of its great potential.