

Angus cartwright iii essay



**ASSIGN
BUSTER**

Angus Cartwright III Throughout the country, home prices are at an all-time low so what better time to purchase the correct investment property for you. When purchasing an investment property, making sure you get maximum return is important since your cash-flow depends on it. In the reading “Angus Cartwright III,” Angus himself is a well-known investment advisor, after his father. In Arlington, Virginia there is the DeRight family, which is a very wealthy group that has two family members looking to invest in the right property.

In 2003, John sold his business for an exchange in \$18 million dollars in stock, while his sister Judy owns her own chemical business that is creating plenty of revenue. With us knowing this, we can assume there will no issue with putting enough cash-down on the property of their choices. With Angus Cartwright III as there lead investor advisor, he provides an extensive breakdown on the 4 investment properties that both DeRight’s will view.

Each DeRight wanted to purchase a property large enough to attract the interest of a professional real estate management company to relieve them of the burden of daily management, and they wanted a minimum leverage return of their investments of 12% after tax. With the four promising investment properties located, Angus feels that these will be more than suitable for his clients, as the DeRight’s seem to be very enthusiastic about them. With time being valuable to Angus, he also wanted to make sure he was providing a preliminary analysis that would be worthwhile to his clients.

Out of the 4 properties they will be viewing, two of the properties will be apartment complexes, and the final two will be office buildings that are

showing great revenue returns as well as close to full occupancies.

Whichever route they chose to go, keeping the units filled with the lowest possible vacancy will be vital to remain successful over the 10 year holding periods estimated for each property. The first property that they viewed was a 100-unit apartment complex located in Maryland called Alison Green.

This property has been running with an impressive occupancy level of 95% with it producing an annual cash flow of \$870, 200 before financing. Out of the 4 properties, Alison Green Apartments shows to be one of the top 2 properties to choose from based off the average vacancies and the expected cash flows. To make this investment more inviting to the two family members, they would be able to lock a rate at 6% over a 30 year amortization period. With the hopes of selling the property at the end of year 10, either of the DeRight's would profit approximately \$2. million at the time of sale from when they purchased. The second property that was view is a 5-story office building with 67, 000 square feet of rentable space. Just like Alison Green, this property at 900 Stony Walk is running on a 5% vacancy also, with lawyers and small firms renting out about 5, 000 square feet each. The expected cash flow with this property is \$1, 057, 200, which is the top property for increased revenue and will have the best investment security.

Over the 10 year holding period this property is projecting to have the greatest annual return, with a projected profit of \$3 million at the end of year ten. The third property they viewed is a beautiful 80-unit garden apartment in Virginia called Ivy Terrace. At first glance this property may not be the ideal investment to get into since it has the lowest before tax cash flow before finance and leaseholds at \$765, 700. The payout at the end of the 10

year period will also be lower than the previous two that were viewed as well as the final property.

Some items to note that could be beneficial in their investment property decision is that this property would be the cheapest to purchase at \$8.4 million and they would be locked in at the lowest interest rate offered, at 6% over a 30 year period. This will help keep their payments low with the amortization spread out over that length of time at a very competitive rate. The last and final property is the Fowler Building, which once construction is completed will be a 2-story 60,000 square foot building that will have 50,000 square feet of rentable space.

One thing that was not noted is since this property is still under construction, they could have the right to change items on the construction list to match their wants and needs to provide a great office environment and to keep the units occupied for lengthy periods of time. This could be used as a form of leverage from Angus when selling this property to the DeRight's since this property can be purchased as the second cheapest option with a fairly reasonable cash flow before financing at \$788,300. One downfall that will need to be considered is the interest rate of 7% over only a 25 year amortization period. To validate the reasonableness of the asking prices, Angus would have to compare the capitalization rates and per-unit costs of recent sales elsewhere in Arlington and Montgomery County. With determining the potential operating cost, Angus took similar properties in the general area, which should give him close averages to provide to his clients. If they were to look into a good management company, they could find themselves with higher operation cost for their properties of choice.

An important item to note is that Angus needs to make sure he discusses the property taxes options as this is an important expense for any property ownership. In some cases if the taxes are extremely high compared to the other possible options, it could make sense to walk away from that investment and set your eyes on one of the other buildings. In the end, Angus has realized that his later financial analysis would rest on the assumption that his clients could maintain the occupancy levels that are currently in place.