



- · High break even rate and low Debt Coverage Ratio
- · Low Cash-on-Cash
- Sale price has greatest bearing on total benefits
- · 4% increase in cash flow assumption
- · Lowest Cap Rate



Judy's Recommendations





"Show me the

- 66% benefits from future value Lowest equity, freeing up the rest of her money for other investments
 Lowest taxable income, therefore taxed much less per year during ownership
- Highest capital gains, making more money and less tax on higher payout at the
- Despite high risk, can deduct tax losses occurred against other income

Real Estate Finance Angus Cartright III Analysis

Justin Kreamer Chris Whong Evan Tousey Alda Chan

Considerations for John



- 1 Cash Flow
- 2 Tax Benefits
- 3 Appreciation





- 1- Appreciation
- 2- Tax Benefits
- 3- Cash Flow









"I need a SAFE investment"

- Stable, high cash flows
 Low breakeven remains profitable if market is weak.
- · Highest DCR
- Good Cash-on-Cash
 -74% of total benefits from tash flows less risky
- because get portion of benefits up front every year.

 Monatorium on building cash flow protected in the



Questions?

Angus Cartwright Case Memorandum Harvard Case Solution & Analysis



John DeRight

- -Retired
- -Risk Averse
- -Willing to Spend \$9M
- -Good income from Stock Dividends

Currently making \$1M/year



- -Business owner with stable income
- -Risk tolerant
- -Further from retirement
- -\$16M Available for Investment

Currently making \$1.1M/year

-Both want diversification, protection from inflation, and tax advantages

TheCaseSolutions.com



The Properties:

Residential

Alison Green

- · Highest Net Present Value, \$734
- · Lowest breakeven occupancy, 64%
- · Best Debt Coverage Ratio, 2
- · Highest Cash-on-Cash, 12.06%
- · 74% of total benefits derived from cash flow
- · 44% of total benefits from future value
- · Cap rate indicates that the value of the building will stay the same
- · Highest After Tax Cash Flow



Office

Stony Walk

- · Second best NPV
- · Second highest equity investment
- · Second highest breakeven, 75.99%
- · Highest Cap Rate, 9.19% · Cap rate increases
- + 65% of Total Benefits from Cash Flow; 61% is FV
- · Lowest IRR
- · Highest Net Cash From Sale, \$8,347.87
- · Highest Net Book Value, \$9,649.72
- · Highest Amortization and Reserve
- · Highest Taxable Income
- · Highest Tax Benefits, -26.65%
- Highest Monthly Mortgage Rate (\$8000)
- · Lowest Gain on Sale



Ivy Terrace

- . Lowest Net Present Value, \$619.60
- · Lowest Monthly Mortgage, \$5,500
- · Greatest Increase in Cap Rate from Purchase to Sale Price, 9.12% - 9.51%
- · 72% of Total Benefits from Cash Flow
- · 41% Total Benefits from FV
- · Second highest After Tax Cash Flow
- · Lowest remaining loan balance at sale
- · Lowest Net Cash from Sale
- · Lowest Net Book Value
- · Lowest Capital Gains
- · Highest Depreciation, -\$305,45
- · Lowest % of total benefit from FV
- · Lowest Amortization and Reserve
- · Developer guarantee of 93% occupancy



- · Highest Profitability Index
- · Highest Breakeven Occupancy
- Lowest Equity Investment, \$2,400 · Lowest Debt Cover Ratio
- * Lowest Cap Rate
- · Highest IRR, 15.38%
- · Second best Net Cash from Sale
- * 42.5% total benefits from cash flow: 66% value from EV
- . Lowest After Tax Cash Flow
- Highest Increase in Capital Value, 41.49%
- . Highest Gain on Sale, \$6,160.26
- · Highest Capital Gains, \$3,750
- Highest Tax Benefits, -8.26% . High percent of total benefits from FV, 65.69%
- . Least amount of taxes paid per year
- · Lowest Amount of Taxable Income/Year

Fowler Building

Under Construction

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Fowler Building

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