

newsletter

In An Anxious Market, 10 Good Things for 2026

Despite a strong stock market to close out 2025 (13%, 16%, and 20% gains for the Dow, S&P, and NASDAQ, respectively), the economy elsewhere is iffy, especially for housing. In markets across the country, homebuilders are either reducing lot purchases, asking for more time to close, lowering prices, or some combination of all three. Homebuyers continue to struggle with affordability, as prices and rents in many markets exceed rational relationships to household incomes. And more broadly, the cost of everyday consumer goods is expensive and employment has weakened.

Washington isn't helping. Immigration policy is hurting both housing supply and demand by decreasing the amount of people who build *and* buy new homes. On-and-off tariffs raise prices and make it difficult for builders, housing suppliers, and consumers to make future plans. And bond market, currency, and federal fiscal concerns have caused the 30-year mortgage rate to *increase* when the Fed has announced interest rate *decreases*. Given all of this, plus attacks on Fed independence and the uncertain employment picture, it's no surprise that the housing waters have been choppy.

But when a river is rough, one of the best things to do is to keep paddling. And when it comes to investing, it is critical to sift through the noise to understand which trends are relevant and which are worth ignoring. When we do, we continue to find powerful reasons to invest in land in the right markets, the right corridors, and only at the right price. Here are 10:

Avanti Continues to Develop and Sell Land



Homes, homesites under development, and a new school at Avanti's Berry Creek community, a 318-acre residential site in the Austin, TX area entitled for 1,500 homes and apartments as well as commercial acreage.

- 1. Market anxiety leads to opportunity.** For anyone who has followed Warren Buffet and Charlie Munger, the philosophy is familiar: "Be greedy when others are fearful." After four decades of deep value investing, we've learned that market uncertainty can lead to new investment opportunities. Searching for them is one of the reasons we wake up in the morning.
- 2. Today's environment has even more limited competition.** Investing in land ahead of user demand has always been a highly inefficient, capital-constrained niche of the real estate market. Because of this, Avanti faces minimal competition, no matter the cycle. And in today's market, this lack of competition is even greater. Being patient buyers who don't need debt leads to pricing power when

Avanti buys today while remaining focused on the long-term fundamentals that augur well for sales tomorrow.

- 3. America remains significantly underbuilt.** Most credible calculations place America's housing deficit in the range of 1.5 to 2 million units. Conversely, if one assumes (wrongly, we believe) there is no undersupply, America still built about 1.3 million single and multifamily units during a difficult 2025. Even in this current time of diminished immigration, there will still be demand for millions and millions of new homes over the next decade. In the next several years, we believe this demand may accelerate.
- 4. Significant pent-up demand for housing persists.** For decades, the average age of the first-time home-

buyer in America was 33 years old. Today, it is 40, amid prevailing economic uncertainty and lack of affordability. These concerns have caused many to defer the most important investment of their lives until they can afford to do so. Because we've never been big believers in short-term trends leading to so-called paradigm shifts, we think that this trend will return toward its long-term average over time.

5. The majority of Americans want to own homes. In a recent Harris Poll, conducted during this time of high prices and decreased affordability, 56% of respondents still report that homeownership represents "the American Dream," to them – even more than marriage, retiring by age 67, or earning a college degree. At Avanti, we are seeing powerful anecdotal evidence of this demand in our own portfolio.

6. Today, we are selling land – if it is ready for production. For specific markets and locations, builders are contracting for and closing on near-term land that is ready for immediate demand, whether it is a stand-alone parcel, part of an existing community, or already developed. But because builders have almost no interest in owning land beyond such parcels, those landowners who *are* capitalized to process land planning, engineer-

ing, and other approvals should do so now. Avanti is. Better to navigate slow-moving municipalities and agencies to secure approvals today, so we can be ready when markets improve.

7. Builders are avoiding land ahead of their immediate need to build. To lighten their balance sheets and improve their profit margins, builders avoid buying land. Instead, they would rather shift sites to others and buy it back when they are ready to go vertical. Luckily for builders, Wall Street in recent years has raised billions of dollars to fuel these short-term, so-called "land banking" groups. These high-octane, low-margin capital sources don't compete with Avanti because they pay retail prices and take short-term risks, often with debt. Nevertheless, they do create a broader user market for Avanti's land. So, while it's not a business for us (see our last newsletter), we're more than happy to sell to them.

8. Builders have tools to meet pent-up consumer demand, even as their profit margins narrow. Ultimately, homebuilders are in the business of building houses. In the face of soft demand, they have plenty of tools to adjust. For example, they can build houses on smaller lots with more efficient designs. Or they can sustain lower profit margins by offering mort-

gage and other incentives to drive volumes. And they will continue to focus on those cities where growth is most robust.

9. Avanti's Sunbelt markets outpace the rest of the country for growth, economic vitality, and housing demand. Houston, TX has led the nation in single-family housing starts in each of the past 19 years. Phoenix, AZ added 460,000 jobs over the last decade. Atlanta, GA is home to 330 global and North American headquarters. Over the long term, we believe these cities and Avanti's 22 other Sunbelt markets will continue to capture the majority of America's growth and drive demand for Avanti's land.

10. Despite this country's challenges, the world would rush to live in America if given the chance. The current administration has slowed immigration to a standstill. But over time, if America is to continue its accustomed economic growth, it will have to reach a meaningful consensus on immigration policy, especially if current demographic trends continue. Eventually, we believe that the business community and everyday voters will demand it. Until that day arrives, Avanti will continue to go where the growth is now, with discipline, without debt, and only at the right price.

Sourcing Network and Markets

For 35 years, Avanti has dedicated itself to land investment, focusing on well-located sites in fast-growing metropolitan areas. Today, Avanti owns land that can accommodate more than 45,000 homes in its residential holdings alone. Avanti looks forward to working with experienced local land developers who benefit from having a strong equity partner for medium-term projects requiring \$5–\$50 million.



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