

## newsletter

### Market Overview: Looking Past the Chatter to Real Demand

America's housing recovery continues. Vacant inventory has returned to normal. The cost of homeownership remains affordable. Credit markets continue to loosen, albeit slowly. And America's population continues to grow – particularly in Avanti's large and economically diverse target markets in the south and west.

Today, the investment market for medium-term land offers a remarkable opportunity. Why? Because the math is simple: there is greater demand for homes than there is supply. As a result, residential construction is poised to expand, and land absorption will follow in turn.

This year, demand arising from household formations, obsolescence, and second homes is exceeding the total number of new homes being built. In addition, the leading edge of nearly 80 million echo boomers (today between the ages of 15 and 32) are entering their prime home-buying years. In fact, in 2013, demand for new homes reached 1.6 million units – but fewer than 1 million were built. This gap between housing demand and housing construction is stark, and we believe that the cumulative volume of underbuilding could even exceed last decade's overbuilding. But even if it doesn't, this disparity in the face of continued demand should create significant room for expansion between now and the end of the decade.

Yet in recent weeks, headlines in the financial press have expressed concern about housing's short-term direction. Take The Wall Street Journal, for example: One article in June  
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### Avanti Re-Invests in Orlando



Lake Harris, Orlando, FL

Among Avanti's acquisitions in the past year is a 264-acre site known as Lake Harris in Lake County, a northwest suburb of metropolitan Orlando. The property, currently an active citrus grove, lies along the south shore of one of Central Florida's most beautiful lakes and across the street from the historic Mission Inn Resort and Club. Lake Harris is entitled for the development of 780 residential units and occupies more than 2,000 feet of shoreline at the intersection of State Road 19 and County Road 48.

Given the area's popularity as a retirement destination and its proximity to nearby golf courses, the property is well-suited for a retirement community. Alternatively, the property

could easily be developed for workforce housing as it offers good access to shopping, employment, and services.

As Orlando's new-home market rebounds and single-family home starts return to their long-term, historical trends, Lake Harris will benefit. Indeed, the property lies squarely within one of Orlando's primary growth corridors for the next decade, northwest of downtown along the Florida Turnpike.

Avanti acquired Lake Harris in conjunction with its developer-manager, Landon Companies, a residential developer with considerable experience in Florida that has worked with Avanti on two prior residential land investments.

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described “The Conundrum that is the US Housing Market.” In July, another headline cautioned readers to “Hold Off on America’s House Party.” Later in the month, another report stated, “Yellen, Fed Still Worried about Slowdown in Housing Recovery.” However, less than a day after highlighting the Fed’s concern, the Journal noted a more positive view, reporting that “Home-Builder Optimism Hits 6-Month High.”

Reports of fleeting ups and downs should not be surprising. Industry chatter almost always focuses exclusively on short-term trends, whether month-to-month comparisons or daily interest rate fluctuations. And, given that memories of the Great Recession remain fresh, some jitters are understandable in the face of apparently conflicting news.

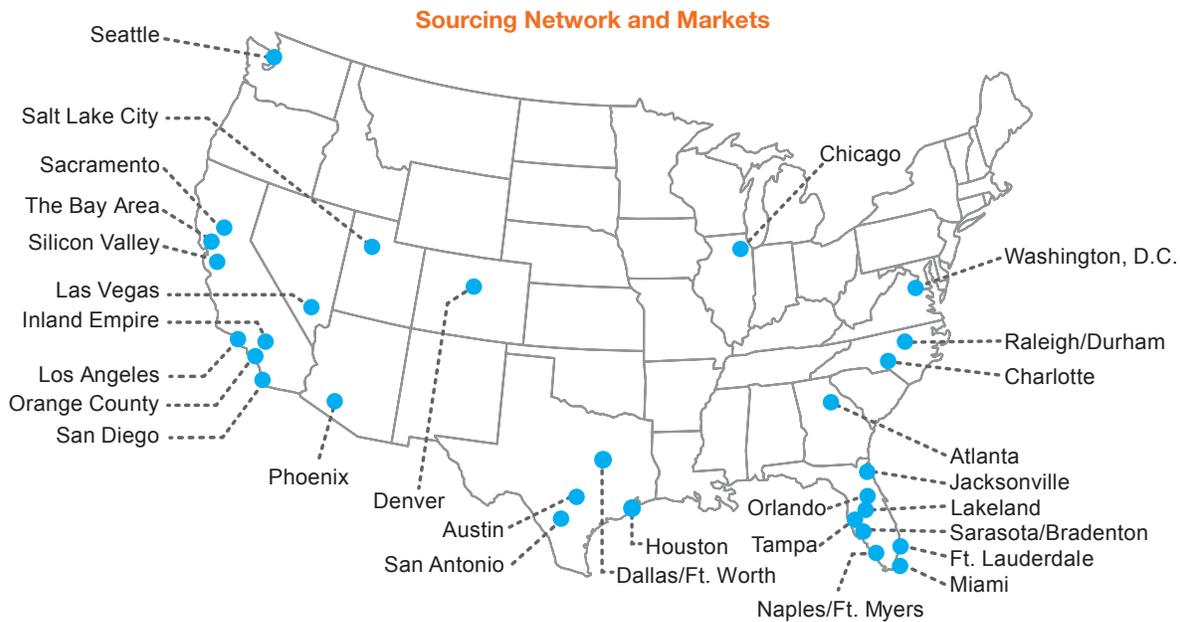
## Avanti’s Focus: Beyond the Short-Term

But for over three decades, Avanti has built a business out of looking past the chatter and focusing on proven historical trends. We invest patient equity in land for the medium term because that is where we can find enduring value

with the lowest risk – and where there has been a perennial shortage of capital. And we join with land developers and homebuilders who agree that avoiding the crowded landscape of today – with its “best-and-final offers,” unmotivated sellers, and high prices – will lead to profits tomorrow.

Of course, different markets and submarkets are recovering at different rates. Markets such as the Bay Area of California, Houston, and Dallas are outpacing markets such as Atlanta and Chicago. Nevertheless, as we continue to invest our seventh institutional land investment fund, we are finding strong value in Avanti’s target markets across the country – even in markets that are recovering more quickly than others. Because patient capital for medium-term land is rare, we are able to find value in nearly all stages of the real estate cycle.

As America’s population continues to expand, demand for land of all types – residential, commercial, retail, and industrial – follows. In the right locations, in the right markets, and, most importantly, at the right price, medium-term land has been and will continue to be a wise investment.



For more than 30 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 nearly 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- to longer-term projects requiring \$5–\$50 million.

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