

## newsletter

### Too Late to Buy? Not for Avanti

It can be hard to find value in real estate today. Cap rates, vacancies, and inventories are low, and prices, costs, and demand drivers are high. So in times like these it makes sense to sell, and we are – to the tune of tens of millions of dollars per year. But does that then mean it's too late to buy? *Definitely not for Avanti.*

Whenever the location and price are right, Avanti is a rare customer for medium-term land, the best market for enduring value at virtually any stage of the cycle. And with demand growing in our target markets following years of underbuilding and the emergence of Millennial home buyers, there should be a clearer path to selling than even a few years ago, if we can buy at deep values.

#### A Tale of Two Land Markets

For nearly four decades, Avanti has served as a bridge between two land markets: the **user market**, where builders pay market prices for land (just as they buy bricks and lumber), and the **investor market**, which has much less capital but offers much more value. We buy from the second and sell to the first.

Today, the **user market** is strong. For both buyers and sellers, it can feel like the best of times. Many are paying healthy prices for land that is ready for immediate use – and for good reason. We are in the midst of a steady housing recovery driven by 1) a growing wave of unleashed pent-up demand that was created by continued underbuilding

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### Featured Acquisition: Devonshire, Dallas, TX



View from entrance boulevard, Devonshire, Dallas, TX

This year, in the largest investment in its history, Avanti acquired Devonshire, an existing master-planned community in the Dallas suburb of Forney, TX. The property consists of the remaining finished, partially finished, and future lots of a 2,300-unit development. Devonshire contains hundreds of occupied homes, full-scale recreational amenities, and an extensive backbone infrastructure.

With six national and regional homebuilders currently building in the community, Devonshire offers significant value for residents seeking affordable housing in a planned, amenitized environment, with home prices ranging from \$225,000 to \$400,000. Moreover, Devonshire offers proximity to high-caliber schools, retail services, and freeway access to key employment centers, including downtown Dallas and the Galleria.

Avanti has engaged Haynes Development Company, a longstanding Dal-

las-based residential development firm led by Ron Haynes, to develop and manage Devonshire. Haynes has developed over 30,000 single-family lots in North Texas, including an award-winning, 1,000-lot community known as Dominion at Panther Creek in Frisco, also in partnership with Avanti.

As a large, economically diverse, and business-friendly metropolitan area, Dallas-Fort Worth is poised for continued strong economic growth and, therefore, significant demand for single-family housing. For example, last year, total metropolitan employment grew 4.1% with the region's growth driven by a diverse range of industries, including transportation, hospitality, healthcare, construction, and finance. Given this economic strength, Devonshire will be well-positioned to satisfy the area's shortage of affordable housing in pleasant neighborhood environments. In

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after the Great Recession and 2) the emergence of 80 million Millennials, the oldest of whom are in their prime home-buying years and whose largest group is *still six years away* from owning even their first homes. Finally, our customers – homebuilders, apartment developers, and certain commercial and industrial users – are themselves leasing and selling with success after they buy from Avanti.

In contrast, for sellers seeking liquidity in the *investor market*, it can feel like the worst of times – that is, until Avanti comes knocking. In most cities, few buyers exist for medium-term land – fewer, in fact, than during the Great Recession. Given Avanti’s track record of closing transactions promptly and efficiently, sellers can take comfort knowing they have a capable buyer on their doorsteps. And because this capital-constrained landscape offers the opportunity to invest at a fraction

of what users will ultimately pay, land developers can use Avanti’s patient equity capital to unlock profits and absorb the risk of time.

### Bullish Buyers and Sellers

As we continue to invest our eighth institutional land investment fund, we’re scouring our target markets for good locations that offer a margin of safety for investment. Although many of our cities are still building at rates below even normal times, we’re nevertheless able to find value even in the country’s stronger regions, such as Texas, home of this issue’s featured acquisition. We’ll meet with all kinds of sellers – families, farmers, estates, builders, and developers – and we will develop for and sell to buyers of all stripes, even those who want only small bites.

But we can’t do it alone. Please call or email with your investment and development ideas to see how Avanti can find value with you.

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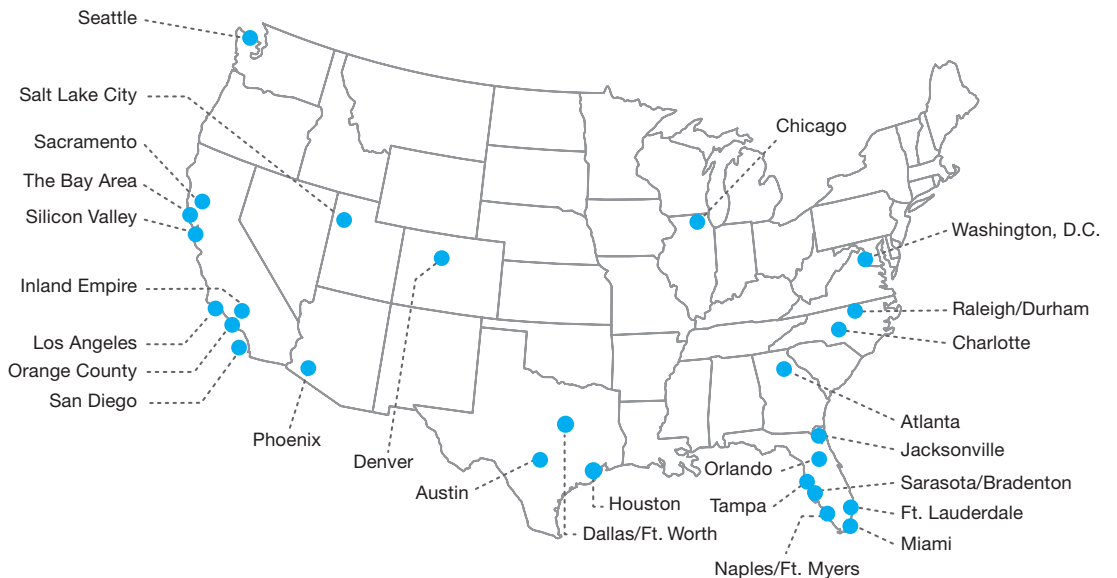
addition, Devonshire is also home to a fully approved Municipal Utility District, which will provide an ongoing source of reimbursement for land development costs and, therefore, the ability for Avanti to deliver affordable lots to homebuilders without sacrificing the community’s established level of quality.

Avanti’s purchase of Devonshire exemplifies its *35-year track record* of finding *deep value* in medium-term land not just in times of distress, but *at all stages of the economic cycle* – even in strong markets. Finally, this acquisition demonstrates how Avanti’s *efficient underwriting* and due diligence can offer *highly skilled and experienced local developers* the safety of Avanti’s patient equity to broaden their own portfolios.

Devonshire is Avanti’s eleventh investment in Dallas–Fort Worth.

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 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.

### Sourcing Network and Markets



**Corporate Headquarters:**  
923 N. Pennsylvania Ave  
Winter Park, FL 32789  
T: 407-628-8488  
F: 407-644-3115  
www.avantiprop.com

For more information on Avanti or to discuss any specific proposals, please contact any of the following by telephone at 407-628-8488 or by email.

Andrew Dubill  
[adubill@avantiprop.com](mailto:adubill@avantiprop.com)  
Ryan Lefkowitz  
[rlefkowitz@avantiprop.com](mailto:rlefkowitz@avantiprop.com)  
Marvin Shapiro  
[mshapiro@avantiprop.com](mailto:mshapiro@avantiprop.com)

*Best Wishes*  
for the Holiday Season  
and a Happy, Healthy,  
and Prosperous  
New Year.