

newsletter

Double Vision

Winter can be a time for reflection. For that reason, it's no coincidence that the first month is named for Janus, the Roman god of beginnings and endings who is often portrayed with two faces — one looking forward and one backward. This depiction signals that we should not forget context when thinking about decisions ahead of us.

As we think about the housing market in 2025, the short-term outlook is murky. Today, mortgage rates remain elevated relative to recent history. The spread between the ten-year Treasury and 30-year mortgage continues to be wider than long-term averages, due in part to continued uncertainty in the bond market. And the news surrounding tariffs, immigration curbs, and deficit spending does not bode well for immediate rate relief.

Looking into the near term, none of these factors would seem to make housing more affordable, whether for working families buying their first homes or those looking to move up. It wouldn't be a surprise if housing activity slowed as a result.

But let's not forget some important context:

- First, America's nationwide housing deficit persists and now ranges

Demand for Housing Endures



Development of land, lots, and homes continues at Avanti's Berry Creek community, a 318-acre mixed-use site in the Austin, TX area entitled for 950 single-family lots, 550 multifamily units, and commercial acreage. Homebuilders featured at Berry Creek include Ashton Woods, Chesmar Homes, David Weekley Homes, and NexMetro.

from 2 to 2.5 million units. The bulk of the deficit remains largely concentrated at the affordable end of the market, where pent-up demand for shelter remains huge. Volatility that leads to a slowdown in construction would likely add to this deficit and bode well for future activity as volumes catch up to demand over time.

- Second, the nation's builders continue to boast historically strong profit margins. So robust that builders (unlike sellers in the stalled

re-sale market) are buying down the cost of their customers' mortgages to close homebuyer sales. That means that significant levels of building can continue, even if rate buy-downs slow or become less effective in a longer-term elevated interest rate environment.

- Third, dealing with local municipalities remains a chore. It is ironic that in some of the cities and towns where lack of affordable housing is most acute, they are making it more difficult to approve new residential communities.

All these factors will contribute to persistent housing undersupply. And while the large deficit may not help affordability in the near term, it does mean homebuilder demand for Avanti's investments in residential land should prove resilient, even in the face of short-term volatility. Simply put, America needs millions and millions of new homes over the next decade.

Moreover, any volatility that breeds anxiety should lead to more investment opportunities. As builders maintain their balance sheet focus and continue to avoid acquiring land ahead of their immediate need to construct, Avanti's competition for well-located, longer-term sites should remain minimal. Investing in large and growing sunbelt markets, without exposure to debt, in the face of persistent pent-up demand, will translate into profits for our partners, even if the near term is unclear.

In summary, if you're fretting about this winter's affordability, rates, and volatility, don't forget about the undersupply and America's continued

The Avanti Scholarship in Real Estate



In partnership with the University of Florida's Warrington College of Business graduate school, we are pleased to announce our fifth annual contribution to the Avanti Properties Group Scholarship, awarded annually through the Bergstrom Real Estate Center to students who are historically underrepresented in the industry and are pursuing the degree of Master of Science in Real Estate.

growth. Both make it worth staying focused on the opportunities today that will pay off in the seasons ahead.

A word about immigration

Avanti's business — and that of the nation's homebuilders and economy at large — depends on population growth. Population growth leads to demand for housing and real estate of all kinds. It really is that simple. And mature industrialized economies, over the very long-term, inevitably experience declines in fertility and increases in death rates as populations mature.

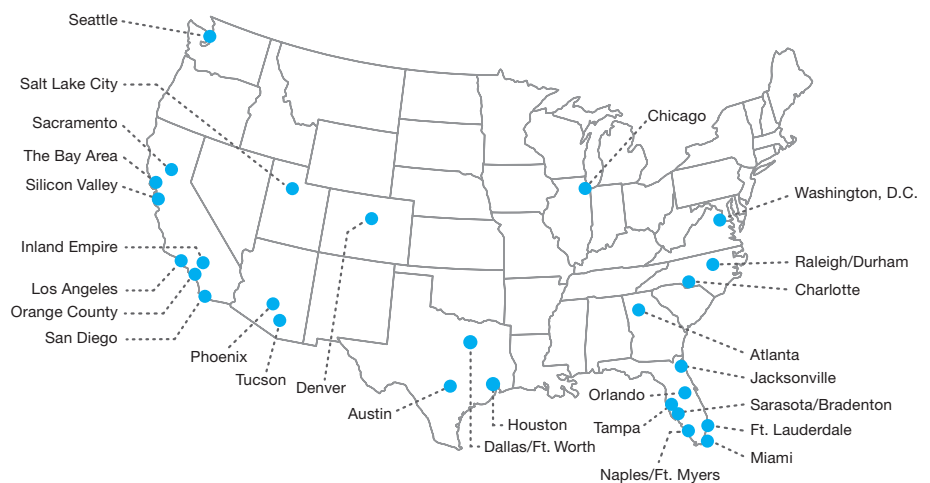
Over time, America will be no different — with a key exception. Thank-

fully, because of its virtues and despite its flaws, America remains the unique place on earth where people from all over the world would wish to live if given the chance. So, one way to counteract the adverse economic effects of these long-term demographic trends is to have a sensible approach to immigration.

Today, if the US wishes to sustain its twenty-five-year average of 1.25 million household formations as our native-born population ages, allowing reasonable levels of immigration is a key step. The more households that form, the stronger the economy will be — in the housing sector and beyond.

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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