

newsletter

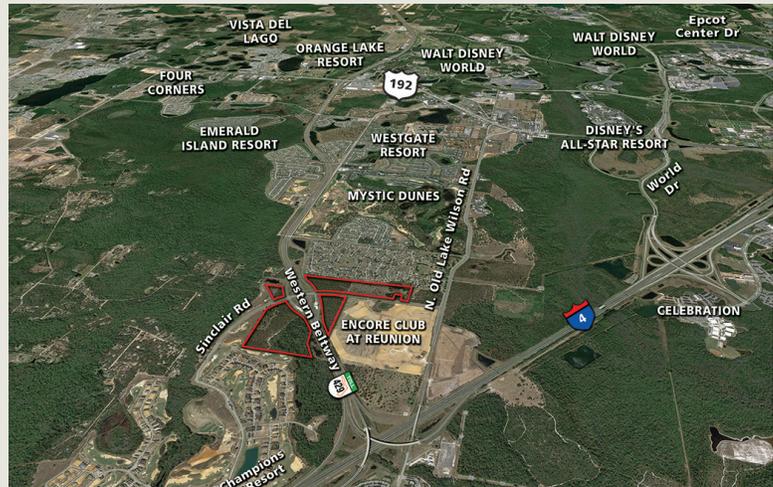
The Best of Both Worlds: Buying with Strength and Selling into Recovery

As 2015 concludes and the Great Recession retreats, this decade's better half will offer Avanti the best of both worlds. First, across our under-built target markets, we are beginning to **sell** our high-quality land portfolio into the early stages of a growing recovery. Second, as we approach historically normal levels of household formation, housing starts, and pricing, Avanti can **buy** well-located medium-term assets from motivated sellers because most developers and builders want land only when they need it for immediate vertical development.

The current environment offers a compelling opportunity for Avanti because of some simple math: we are not building enough homes in America to meet normal demand, and have not done so for some time. As our population grows, spurred by 80 million Echo Boomers, demand for housing and land of all kinds is following. Even if we can't forecast the precise instant at which historical normalcy will return, Avanti can buy at the right price today and be profitable tomorrow – even if tomorrow is a couple of days away.

In the frenzied boom period leading up to the Recession, Avanti sold over 80% of its residential land portfolio. During the Recession, we capitalized on a historically distressed market to acquire a strong portfolio of well-located assets in the best growth markets in the United States. Many of these sites were partially built, had infrastructure in place, and were well-positioned for recovery. Today, these investments are maturing, especially in recovered and growing markets such as those in Texas and Coastal and Northern California. In terms of committed and realized transactions, 2015 will generate Avanti's strongest sales since the boom; 2016 should be as strong or stronger as markets such as Avanti's
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Featured Transaction: Sinclair Road, Orlando, FL



Sinclair Road, Orlando, FL

Earlier this year, Avanti acquired a 126-acre site known as Sinclair Road in Orlando. Sinclair Road includes four tracts of land that comprise the quadrants of the interchange of Orlando's Western Beltway (State Route 429) and Sinclair Road. The site is located at the first interchange north of the Western Beltway's terminus with Interstate 4 within an established, yet growing, corridor for tourist commercial, resort, and residential land uses between Walt Disney World to the north and ChampionsGate Golf Resort to the south.

Orlando's thriving tourism industry hosts more than 60 million visitors per year, and one in every five of the area's 1.1 million workers is employed in tourism. The property benefits from tourist commercial zoning, which allows a wide variety of land uses, in-

cluding traditional retail, highway interchange uses (service stations and restaurants), and workforce housing (apartments), as well as tourism uses such as theme parks, lodging, and other related uses. This land use, coupled with the physical division of Sinclair Road into four distinct tracts of land, provides for great flexibility in the disposition of the property, which does not require any additional infrastructure to be built either on- or off-site. Utilities are already installed at Sinclair Road and each quadrant has a curb cut in place for access.

In recent years, the opening of the Western Beltway has provided additional access to Walt Disney World and Orlando's other tourist attractions and an alternative to the congestion on Interstate 4. In addition, Sinclair Road is located
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Florida cities, Phoenix, and the Washington, DC, area get closer to reaching stable levels of housing construction.

Given these trends, Avanti should be a net seller as homebuilders, homebuyers, and lenders gear up to meet normal levels of household formation and demand. Even as distress has waned and finished lot prices have strengthened, the medium-term land investment market remains deeply under-capitalized – particularly as Wall Street’s traders have moved on from land.

As we sell lots to builders and developers over the next year or two, Avanti will continue to acquire well-located residential and commercial land across our markets. These investments will, in turn, feed the appetite for lots as builder demand reaches historical norms. While the majority of our acquisitions are

unimproved, the housing recovery is underway and expansion is building, so the duration of investments will be relatively short and projected returns should therefore be strong.

In short, Avanti sees bright days between now and the end of the decade. Indeed, even in the face of some unknown macro event that could affect investments of all kinds, Avanti’s investments in land, with deep margins of safety without exposure to debt, offer a haven of value and growth. As we invest our *eighth* institutional land investment fund, we are bullish on America, see great opportunity ahead, and are looking for more investments. Please call us if you know of well-located land and development projects that would benefit from our extremely responsive, patient, sleep-at-night, non-Shark Tank equity. We look forward to hearing from you.

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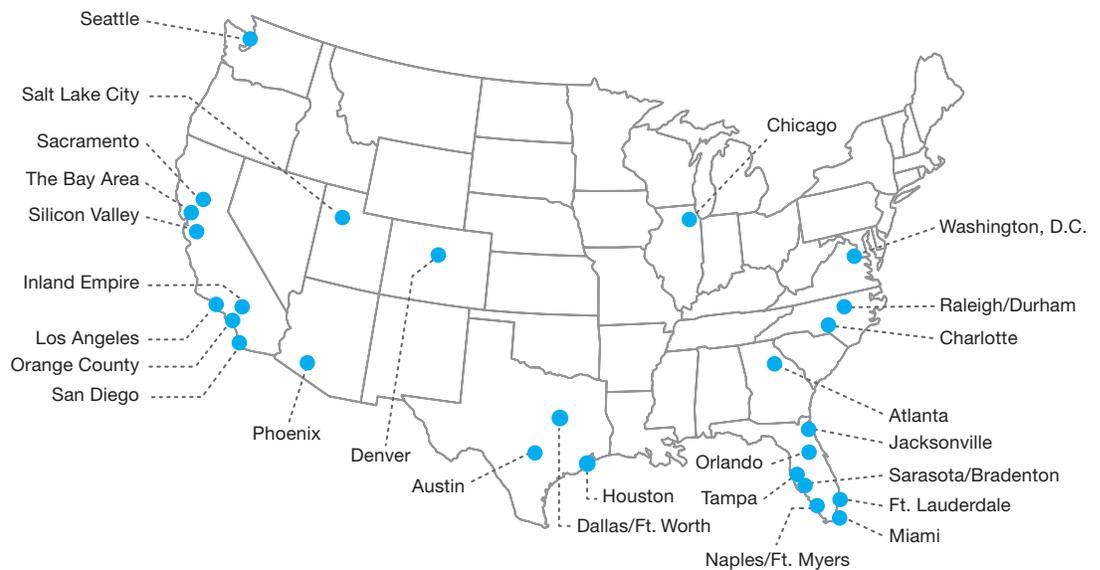
in the midst of approximately 15,000 short-term rental units, a popular product that includes flats, townhouses, and single-family homes owned by individuals and rented to vacationers. With tourists living in these private accommodations, demand for support retail and leisure activities is strong in the area and should also drive demand at Sinclair Road.

Like other Avanti markets, Orlando is strengthening. With the region’s employment growth expanding, household income and home prices are rising. Renewed vigor in housing and continued growth in tourism should also contribute to demand for a range of retail, commercial, and residential users, which in turn will drive demand for well-located sites like Sinclair Road. Avanti’s purchase of Sinclair exemplifies Avanti’s **30-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 – including **as markets strengthen**. Finally, this acquisition demonstrates Avanti’s **efficient underwriting** and **prompt due diligence**, which enabled the seller to meet its goal of selling the asset quickly.

Sinclair is Avanti’s seventh investment in Orlando.

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.

Sourcing Network and Markets



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