

## newsletter

### Market Overview: Recovery Taking Hold

As Avanti's inaugural mid-year newsletter goes to press, America's housing markets continue their climb out of the Great Recession. In most of Avanti's target markets, housing starts and new-home sales are increasing markedly. Across the nation, employment is growing significantly, even if not at the level we would all prefer. At the same time, the cost of housing remains close to its most affordable in decades, and demand is becoming more robust.

This continued recovery offers intriguing possibilities for sustained growth. Although they are rising across the board, housing starts, new-home sales, and pricing remain well below what the long-term historical averages suggest are normal. At the same time, negative equity is declining and consumer credit quality is improving. While there are risks at any stage of the market – interest rates, job growth, the Eurozone – the foundation of this recovery continues to strengthen.

As the housing market gathers steam, it is not surprising that land prices are following. In many areas, builders are actively shopping for land, which is beginning to change sellers' expectations of value. Elsewhere, anecdotal evidence shows that the credit faucet is gradually opening. And lately, for the first time since before the recession, our phones have begun to ring with serious buyers inquiring about land we currently own.

Yet as always – even in the midst of our total national downturn – different markets behave differently. Land activity in Silicon Valley and Texas remains strong, while markets such as Atlanta and Chicago continue to lag; areas like Florida and Charlotte are somewhere in between.

As a result, we are sourcing different types of land deals in each of our markets – from in-town, urban sites to zoned land at the edge of existing development. We continue to find true infill sites at prices well below their projected sell-out values. But wherever we shop, our philosophy remains *continued on next page...*

### Featured Transaction – Atlanta, GA



Founder's Park at Tributary

Adding to decades of investment in Atlanta, Avanti acquired its third property there in as many years with its purchase of **Tributary**, a partially developed master-planned residential community in the established and growing suburb of Douglasville. Once ranked among Atlanta's top 10 best-selling communities, Tributary now has over 400 single-family homes, a 350-unit apartment complex, and high-quality amenities, including two swimming pools, a tennis center, and a well-appointed clubhouse designed for entertaining and exercising.

Avanti's investment includes 693 acres planned for 1,079 lots, nearly 300 of which have already been finished; two parcels for which 700 apartment units are planned; and acreage for future retail development. In addition, Tributary's proximity to Sweetwater Creek State Park and the Chattahoochee River offers abundant access to open space and hiking.

With a metropolitan-area population of 5.5 million, Atlanta is the economic and cultural hub of the southeastern United States. Moreover, its economically diversified employment base of 2.3 million people and well-



Tributary Neighborhood Center and Pools

defined growth corridors make it a robust market for value investors in land. Douglasville is located 30 minutes west of the city along Interstate 20, within commuting distance of the region's most significant job centers – Downtown, Midtown, Buckhead, Cumberland/Galleria, the Fulton Industrial Corridor, and Hartsfield-Jackson International Airport.

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the same: investing in land at large discounts to user values based on rational assumptions. We have always been, and remain, value investors in land in growing and economically diverse metropolitan areas.

## A Case Study in Finding Value in Complexity

Acquired from its prior lender (a national bank) in conjunction with the community's existing developer, Tributary demonstrated that there is more to buying land than buying land. In fact, Tributary offers an excellent case study of how Avanti's disciplined acquisition program can untangle a broad range of complexities, lead us to closing, in turn creating a successful foundation for our investors and our developer partners.

Before acquiring Tributary, we had to navigate the choppy waters inherent in acquiring an ongoing business - for instance, the complexities of existing homeowners' associations, a diverse array of deferred maintenance items, and a pre-existing telecommunications dispute between the community and its service provider that seemed destined for litigation. With thorough due diligence and a disciplined eye toward closing, we were able to resolve each issue to our satisfaction.

Most importantly, in doing so we acquired a strong community at an exceptional price - a mere fraction of the value

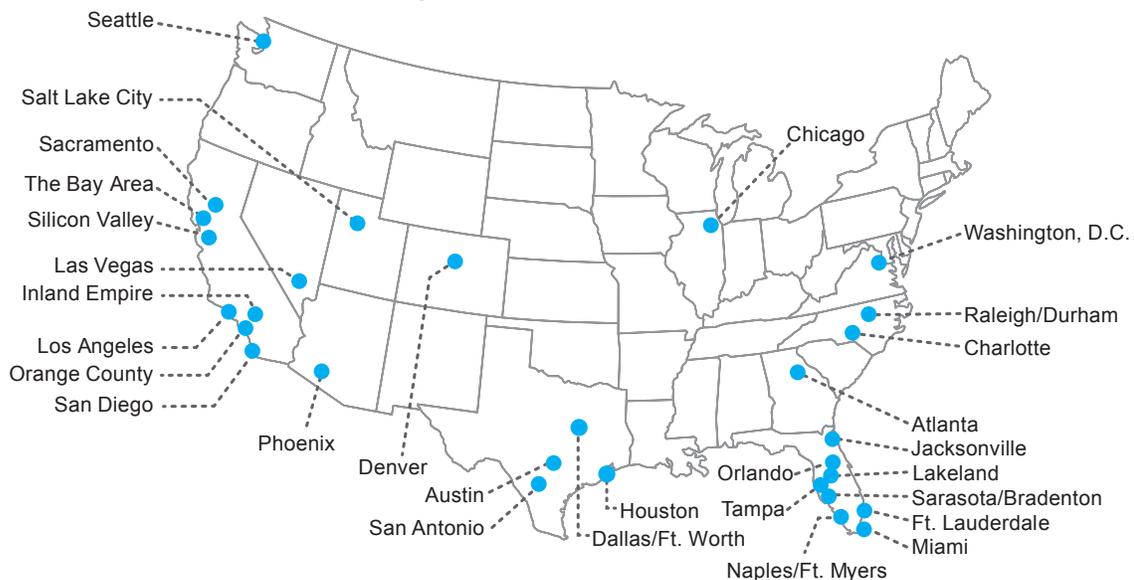
at which we believe we will sell it. Tributary illustrates how Avanti's longer-term capital can renew and sustain a well-regarded, but interrupted, development simply by offering patience and time. As 2013 continues, we look forward to pursuing more investments across the Atlanta metropolitan area - and in large, proven growth markets across the country.

## Target Investments

In the age of Twitter, Facebook, and Instagram, we'll limit our newsletter to twice a year so we can continue striving to offer close to instant, thoughtful, and non-bureaucratic analysis of your proposed land investments. As we invest our recently formed institutional land fund, Avanti Strategic Land Investors VII, our appetite for well-priced land remains ravenous. If you know of a deal you think may be of interest to us, please don't hesitate to be in touch. And if your travels take you to Orlando, feel free to stop in and chat.

For nearly 30 years, Avanti has dedicated itself to land investment, focusing on well-located sites in large, growing metropolitan areas. Today, Avanti owns land that can accommodate over 42,000 dwelling units and 8 million square feet of commercial, retail, office, and industrial space. We continue to work with experienced local land developers who benefit from having a strong equity partner for medium- and longer-term land entitlement and development deals requiring between \$5 million and \$50 million of capital.

## Sourcing Network and Markets



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