

# GRANT'S

## INTEREST RATE OBSERVER®

Vol. 38, No. 19e

233 Broadway, New York, New York 10279 • www.grantspub.com

OCTOBER 2, 2020

### Suburban land rush

Not in any old recession do housing starts accelerate, lumber prices skyrocket and land prices chase house prices higher—or, for that matter, do basement-dwelling young people en masse venture out of their parents' homes to find their own places in the world. Then, again, in 2020, what's odd is what's normal.

A ground-level view of the boom in affordable housing is the subject at hand. Avanti Properties Group, a general partnership that buys and sells tracts of land for residential real-estate development, is the point of focus, and Marvin Shapiro, a principal of the firm, is our spokes-investor. Shapiro says that the "exuberance" of the Avanti homebuilder customer base is something he hasn't seen since the boom that preceded the Great Recession.

Avanti manages about \$900 million's worth of land measured at cost, Shapiro says. It owns 16,000 acres suitable for development and 2,500 separate single-family lots. The portfolio has shrunk over the past year, says Shapiro, because his partners and he are finding more things to sell than to buy.

Shapiro credits the post-February plunge in borrowing costs—on the 30-year fixed-rate mortgage, to 3.07% from 3.62%—for flipping the sentiment switch to manic from depressive. "There was this sudden, and I mean sudden, big surge of activity that exceeded pre-Covid levels. And it's continued through spring, summer and now fall."

Measured year-over-year, Shapiro

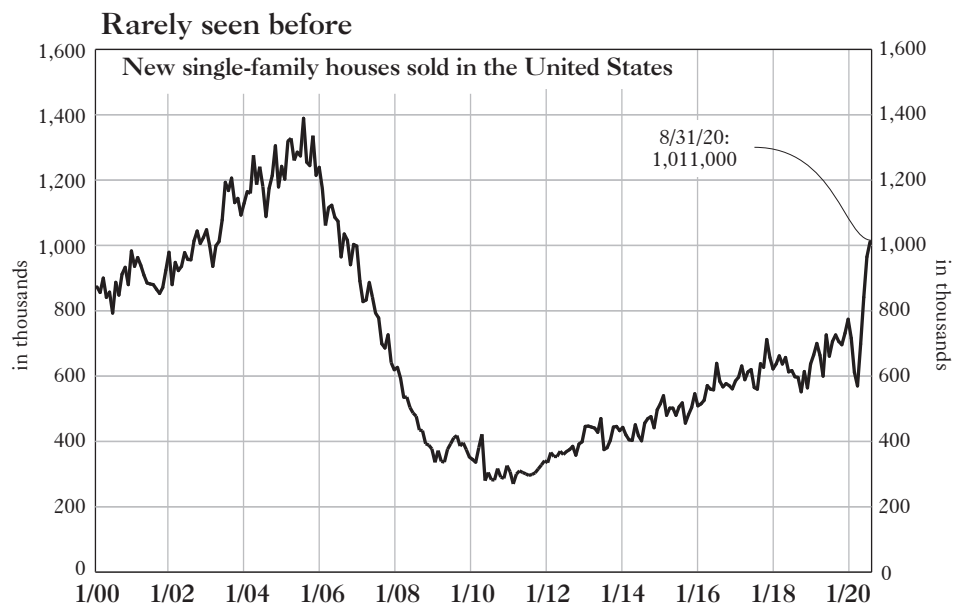
reckons, land prices are up by more than 10%. Builders are bidding for plots that can accommodate 400 or 500 houses. "And that is new," he says. "We haven't seen that in any systematic way since the period leading up to the Great Recession."

What he doesn't see, Shapiro goes on, is the speculative stockpiling of land. Nor does he encounter much competition to buy for the purposes of investment, as distinct from immediate use. Though high-end houses are more profitable to build, the affordable

market segment is the hot ticket of the cycle: "Anything we have that can be sold at reasonable prices, where we can sell lots or land that will work for a homebuilder producing an affordable home, say under \$300,000 in the suburbs, is flying off our shelves."

Before 2008, big builders controlled perhaps 25% to 30% of the market, Shapiro estimates. "And now, in many of our markets, it's over 50%. That appears to be yet another trend accelerated by the Covid-19 period."

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source: The Bloomberg

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