



# LIGHTSTONE

## Value Plus REIT III

### STAYBRIDGE SUITES AUSTIN NW Austin, TX

*Property Acquired: October 2016*

#### AT A GLANCE

##### ACQUISITION PRICE

\$10,000,000 / (\$125,000/KEY)

##### EST. REPLACEMENT COST

\$13,457,760 / (\$168,222/KEY)

##### NET OPERATING INCOME (NOI)<sup>1</sup>

\$943,283

##### OCCUPANCY<sup>2</sup>

80.7%

##### AVERAGE DAILY RATE (ADR)<sup>2</sup>

\$111.58

##### REVENUE PER AVAILABLE ROOM (REVPAR)<sup>2</sup>

\$90.09

##### CAP RATE<sup>3</sup>

9.4% (\$943,283 / \$10,000,000)

#### PROPERTY OVERVIEW

Year Opened April 2009

Total Rooms 80

<sup>1</sup> Net operating income is based on the trailing 12-months, as of April 2016, and was provided by the seller. Additionally, net operating income is calculated as all gross revenues from the property less all operating expenses, including property taxes and management fees but excluding depreciation.

<sup>2</sup> STR Report, Trailing 12-months, as of April 2016.

<sup>3</sup> Capitalization rate is determined by taking the net operating income at the time of acquisition, divided by the base purchase price of the property.

<sup>4</sup> Forbes, March 2016; reasons cited include: access to tech, pharma, and biotech industries, low cost of living

<sup>5</sup> <http://www.nytimes.com/2012/12/03/us/winners-and-losers-in-texas.html>

<sup>6</sup> <http://www.techtimes.com/articles/82805/20150909/apples-austin-campus-for-7-000-employees-nears-completion.htm>

<sup>7</sup> <https://www.bostonglobe.com/business/2016/09/07/official-emc-longer-independent-company-billion-sale-dell-closes/9wLkPOa7hw6hjw2ZSmWVUK/story.html>

<sup>8</sup> <http://www.utexas.edu/>

<sup>9</sup> <http://www.austinconventioncenter.com/>

<sup>10</sup> <http://www.chron.com/sports/aggies/article/Texas-A-M-ranks-among-nation-s-football-6863611.php>

<sup>11</sup> Hunter Hotel Advisors, Offering Memo

#### THE OPPORTUNITY

The hotel is located in the Austin, Texas which was recently ranked #1 by Forbes Magazine<sup>4</sup> as the fastest-growing city for 2016. This property is situated in the heart of the "Tech Corridor," home to many technology companies such as Apple, IBM, Dell, eBay, PayPal, Texas Instruments, Cisco, and General Motors Innovation Center. These companies and others are attracted to the area based on favorable tax incentives,<sup>5</sup> amongst other things. We believe that an expanding corporate footprint will be a primary source of increased business travelers and visitors.

This asset is currently underperforming, based on what Lightstone believes to be a combination of poor revenue management disciplines and a property that requires an investment (PIP) to update and modernize the interior appearance to best compete with "newer constructed" competition that commands a higher ADR.

#### DEMAND DRIVERS

- **Economic Dynamics/Corporate Expansion:** We believe that business-related travel is likely to grow in the tech corridor. As an example, Apple is currently building its second-largest office campus, consisting of 7 building on 38 acres. It is expected to house 7,000 employees upon completion in late 2016.<sup>6</sup> Dell is completing the acquisition of Massachusetts based EMC and as it assimilates/relocates elements of EMC to Austin, the economic impact is expected to include incremental visitors.<sup>7</sup>
- **University of Texas at Austin:** A public university comprised of 50,000 undergrad and graduate students, as well as 24,000 faculty and staff. This university is a recipient of significant corporate research grants, and these grants are another large source of attracting visitors to the area.<sup>8</sup>
- **Sports & Entertainment Venues:** The Austin Convention Center stretches six city blocks and is another source of attracting visitors when hosting events such as SXSW (South by Southwest), a 10-day convergence of interactive, film, and music industries that attracts over 100,000 visitors and vendors.<sup>9</sup> The University of Texas is home to the Longhorns Football Team that attracted, on average, 90,000 fans on fall home game weekends in 2015, which adds to the expected demand.<sup>10</sup>

**THIS SALES AND ADVERTISING LITERATURE MUST BE READ IN CONJUNCTION WITH THE PROSPECTUS IN ORDER TO UNDERSTAND FULLY ALL OF THE IMPLICATIONS AND RISKS OF THE OFFERING OF SECURITIES TO WHICH IT RELATES. A COPY OF THE PROSPECTUS MUST BE MADE AVAILABLE TO YOU IN CONNECTION WITH THIS OFFERING.**

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*(Additional information, including certain risk factors, are continued on back page.)*

## PROPERTY OVERVIEW

The Staybridge Suites Austin NW opened in April 2009 and features 80 suites that offer complimentary high-speed Internet, over-sized desks with executive chairs, and a fully-equipped kitchen.

Social spaces include a living room-style lobby. Complimentary breakfast is served daily. There's also a business center with workstations, printers, and separate event space large enough to host up to 40 people. Other amenities include a heated outdoor pool, a whirlpool, a 24-hour exercise room, on-site guest self-laundry facilities and complimentary shuttle service.

The Staybridge Suites Austin NW is close to Downtown Austin, the Austin Convention Center, The University of Texas at Austin, the LBJ Presidential Library, and the Austin-Bergstrom International Airport.

## AUSTIN, TX, REGIONAL OVERVIEW<sup>11</sup>

Austin is the capital of the state of Texas and the county seat of Travis County. Austin is the 11th most populous city in the United States of America and the fourth most populous city in the state of Texas. It was ranked eighth in cities with the largest numeric population increase from July 2014–July 2015.

In 2016 Forbes Magazine's<sup>4</sup> list of "Best Cities for Jobs," the Austin metropolitan area earned sixth place nationally. With a close proximity to the University of Texas at Austin, the region benefits from a steady source of engineering and computer science graduates to feed the areas technology and defense industry employers.



Downtown Austin, TX



# LIGHTSTONE

For more information, please call: 800.304.0210

Lightstone, our sponsor, is a diversified real estate company located in the United States. Since 1988, founder David Lichtenstein has grown Lightstone to one of the largest privately-held real estate companies in the country, with holdings in 26 states. Operating in all sectors of the real estate market, Lightstone's \$2 billion portfolio of owned, advised, or managed assets currently includes over 6 million square feet of office, retail and industrial commercial properties, 10,000 residential units and 3,843 hotel keys. It also owns over 12,000 land lots across the country. Headquartered in New York City, Lightstone continues to grow its local presence with \$2.5 billion worth of projects currently under development in the residential and hospitality sectors.

Lightstone and its affiliates have been one of the largest developers of outlet shopping centers in the United States over the last 10 years. The company has owned, managed and developed 25 outlet centers totaling over 8 million leasable square feet. Additionally, Lightstone believes there still are numerous opportunities throughout the United States within the select-service hospitality sector. Since 2007, Lightstone has been an investor in the sector and currently owns numerous hotels through its public non-traded real estate investment trusts.

**Forward-Looking Statements:** All statements contained in this brochure, other than statements of historical fact, are forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "believe," "expect," "intend," "anticipate," "estimate," "project," "forecast" or similar expressions or variations thereof. These statements are based on REIT III's current plans and expectations and involve risks and uncertainties that could cause actual future events or results to be different than those described in or implied by such forward-looking statements. Investors are cautioned not to place undue reliance on any forward-looking statements.

### RISK FACTORS INCLUDE:

(1) This is an initial public offering. There is no public trading market for our Common Shares, and there may never be one; (2) We are a "blind pool" offering because we currently have not identified most of the properties that we may acquire, and you will not have the opportunity to evaluate the merits of such investments. We and our advisor have limited operating history, our advisor has limited experience investing in hotels, and we have no established financing sources; (3) We have paid and will continue to pay substantial fees to our advisor and its affiliates, and our advisor and its affiliates, including all our executive officers and some of our directors, will face conflicts of interest caused by their compensation arrangements with us; (4) We may suffer from delays in locating suitable investments, which could adversely affect the return on your investment. Our ability to achieve our investment objectives and to make distributions to our stockholders is dependent upon the performance of our advisor in the acquisition of our investments and the determination of any financing arrangements, as well as the performance of our property managers in the selection of tenants and the negotiation of leases; (5) You are limited in your ability to sell your Common Shares pursuant to our share repurchase program; (6) There is limited liquidity in our Common Shares, and there can be no assurance that a liquidity event will ever occur; (7) There is no guarantee of distributions; we have made and will continue to make distributions from sources other than cash flow from operations, including the proceeds of our public offering or from borrowings (including borrowings secured by our assets); our organizational documents do not limit the amount of distributions we can fund from sources other than operating cash flow; (8) There is no limit on the amount of offering proceeds or borrowings we may use to fund distributions. Distributions paid from offering proceeds or borrowings may constitute a return of capital and reduce investor returns. Rates of distribution to you may not be indicative of our operating results; (9) Even if we terminate our advisor for poor performance, the special limited partner (an affiliate of our advisor) may elect to (a) receive cash in an amount equal to its net investment, or (b) retain the subordinated participation interests, and in the case of (a), to receive liquidation distributions as well. Such amounts may be substantial and, as a result, may discourage us from terminating our advisor; (10) We may employ substantial leverage to acquire assets and may acquire properties that are in depressed or overbuilt markets; (11) Investors may lose their entire investment; (12) Our failure to remain qualified as a REIT would subject us to U.S. federal income tax and potentially state and local tax, and would adversely affect our operations and the market price of our Common Shares; and (13) The share ownership restrictions of the Internal Revenue Code of 1986, as amended, for REITs and the share transfer and ownership restrictions in our charter may inhibit market activity in our Common Shares.

*With the exception of the picture of Austin, TX at top right, the pictures herein are actual images of the Property, which is owned by Lightstone Value Plus REIT III.*

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