

Prime Outlets, St. Augustine, FL

Acquisition Date: **March 2006**
Purchase Price: **\$26.9 million**
Appraised Value: **\$34.8 million**
Occupancy Rate: **77%**
Year Built: **1999 by
Belz Construction**
Total Sq Ft: **255,758**
Cap Rate: **8.3%**

Cap Rate equals net operating income divided by the purchase price.



Property

The property is an enclosed retail mall initially occupied by more than 65 tenants on a 34+ acre parcel. Tenants include GUESS Factory Store, Liz Claiborne Outlet Stores, Adidas Outlet, Pacific Sunwear, Nautica, and Vanity Fair.

Location

The property is located along the heavily traveled tourist route of I-95 in St. Augustine, FL, approximately 20 miles south of Jacksonville, FL. The mall draws traffic from over 1 million permanent residents and over 3 million tourists visiting the region annually.



March 2007

This transmittal must be preceded or accompanied by a prospectus for the securities of the issuer described herein. This material must be read in conjunction with the prospectus in order to fully understand all the implications and risks of the offering of securities to which this material relates. For additional prospectuses, please call Lightstone Securities at 888-808-REIT (7348).

Lightstone's Opportunity to Create Value

The St. Augustine outlet mall was not a fully occupied property – and so not the type of real estate acquisition sought these days by many bidders. It had a 23% vacancy rate and another 31% of existing leases were scheduled to expire in the next year. But Lightstone could see an opportunity and had the means to capitalize on it:

- Lightstone knew St. Augustine was one of the last outlet malls managed by the Belz family, which was focusing its attention on the hotel business and had only two part-time leasing agents working the property.
- Lightstone also recognized the mall had a great location and great potential. Property demographics showed that 63,000 cars drive past the property daily.
- As the second largest owner of outlet malls in the United States, Lightstone has an existing set of tenants, many with stores throughout the country. Lightstone knew what those tenants look for when considering locations for new stores, and after careful consideration, concluded it could lease the empty stores and get good occupancy in St. Augustine by tapping into its existing pool of national tenants.
- Lightstone believes it bought the mall at a price significantly below what the property would have been worth if fully occupied and is now in the process of leasing the remaining empty stores.

This is one example of how Lightstone can get comfortable investing in a particular property—

by recognizing a way it will be able to increase the value of the property after it is acquired. We believe it illustrates real value creation—making the investment more valuable without depending on a rising real estate market. If the whole real estate market does go up, you would expect additional return, of course. We're just not depending on it.

We encourage you to read...

Detailed descriptions of this property, the rest of the portfolio and the risks of investing in the Lightstone Value Plus Real Estate Investment Trust are in the Prospectus and any subsequent Supplements. The risks include, but are not limited to the following:

- The profitability of our acquisitions is uncertain. We may lose some or all of our investment. Also, we cannot assure you that in the future we will be able to achieve cash flows necessary to pay both our expenses and dividends, or to maintain dividends at any particular level, if at all.
- There are significant risks associated with maintaining the level of leverage permitted under our charter (which permits \$3 of debt for each \$1 of equity).
- There are limitations on ownership and transferability of our shares. Our shares are illiquid and no public market for our shares may ever exist.
- Although our sponsor has substantial experience investing in and managing real estate, neither we nor our sponsor has participated in the organization or operation of a REIT. Additionally, we may fail to qualify or continue to qualify to be treated as a REIT for taxation purposes.”