LIGHTSTONE VALUE PLUS REAL ESTATE INVESTMENT TRUST, INC.
SUPPLEMENT NO. 3 DATED SEPTEMBER 25, 2008
TO THE PROSPECTUS DATED JANUARY 23, 2008

This prospectus supplement (this ''Supplement'') is part of the prospectus of Lightstone Value Plus Real Estate Investment Trust, Inc. (the ''Company''), dated January 23, 2008 (the ''Prospectus''). This Supplement supplements, modifies or supersedes certain information contained in our Prospectus and must be read in conjunction with our Prospectus and Prospectus Supplement No. 1 thereto, dated April 17, 2008. Unless otherwise indicated, the information contained herein is current as of the filing date of the prospectus supplement in which the Company initially disclosed such information. This Supplement will be delivered with the Prospectus.

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Recent Developments

As of August 31, 2008, we had a portfolio of 32 properties, 16% of which are retail properties, 50% of which are industrial or office properties, 6% of which are lodging properties and 28% of which are residential properties. We hold a 100% fee interest in 29 of the 32 properties comprising our real estate portfolio. As of June 30, 2008, we have 11 mortgage loans outstanding secured by our properties in the aggregate amount of approximately $238.9 million as follows on our fixed rate loans and an average of 2.37% over LIBOR on our variable rate loans.

Property	Loan Amount	Interest Rate	Maturity Date	Amount Due at maturity
St. Augustine	$ 26,897,310	6.09%	April 2016	$ 23,747,523
Southeastern Michigan Multi Family Properties	40,725,00	5.96%	July 2016	38,138,605
Oakview Plaza	27,500,000	5.49%	January 2017	25,583,137
Gulf Coast Industrial Portfolio . .	53,025,000	5.83%	February 2017	49,556,985
Houston Extended Stay Hotels (Two Individual Loans)	11,517,858	LIBOR + 1.75%	October 2008	10,040,000
Camden Multi Family Properties (Five Individual Loans)	79,268,800	5.44%	December 2014	74,955,771
Total of eleven outstanding mortgage loans at June 30, 2008	$238,933,968			$222,022,021

On January 4, 2007, 1407 Broadway Real Estate LLC (''NY Owner''), an indirect, wholly owned subsidiary of 1407 Broadway Mezz II LLC (''Mezz II''), consummated the acquisition of a sub-leasehold interest in an office building located at 1407 Broadway, New York, New York (the ''NY Property''). Mezz II is a joint venture between LVP 1407 Broadway LLC (''LVP LLC''), a wholly owned subsidiary of the operating partnership of the Company, and Lightstone 1407 Manager LLC (''Manager''), which is wholly-owned by David Lichtenstein, member, and Shifra Lichtenstein, his wife.

The Property is collateralized by a loan and is subject to various covenants, including maintaining a cash escrow account for the payment of real estate taxes. The loan bears interest at various LIBOR rates, as defined (5.5% at June 30, 2008), plus 3.00% (the ''Applicable Interest Rate'') totaling 8.03% at June 30, 2008, with monthly payments of interest only through maturity on January 9, 2010. The outstanding loan balance at June 30, 2008 was $113.3 million.

Since April 11, 2008, we have (i) made a preferred equity contribution of $11,000,000 in exchange for membership interests of a wholly owned subsidiary of Park Avenue Funding, LLC, a real estate lending company and (ii) acquired a 22.54% interest in Prime Outlets International, which consists of two retail properties located in Orlando, Florida, and entered into an agreement to acquire a 25% interest a company with a portfolio of 18 factory outlet shopping centers located in 15 different states across the United States for an aggregate acquisition price of $458 million, including assumed debt but excluding acquisition fees and expenses. The aggregate amount of indebtedness on these 20 retail properties is approximately $1.5 billion with an average interest rate of 5.54%.

We commenced our initial public offering of 30,000,000 shares of common stock on May 23, 2005. As of September 22, 2008, we had received aggregate gross offering proceeds of approximately $276.9 million from the sale of approximately 27.9 million shares in our initial public offering. Additionally, Lightstone SLP, LLC, an affiliate of The Lightstone Group LLC (our ''Sponsor''), has contributed approximately $28 million to the operating partnership pursuant to the arrangement described in the ''Compensation Table'' and ''Capital Resources'' sections of our Prospectus. After allowing for the payment of approximately $22.2 million, or 8%, in selling commissions and dealer manager fees, and $5.5 million, or 2%, in other organization and offering expenses, as of September 22, 2008, we had raised aggregate net offering proceeds of approximately $276.9 million.

Summary of Current Portfolio

The following table replaces the table in the section captioned ‘‘Prospectus Summary — Summary of Current Portfolio’’ beginning on page 8 of the Prospectus:

As of August 31, 2008, we owned 100% fee simple interests in 29 properties comprising approximately 1.7 million of gross rentable square feet, 2,593 leaseable units, and 26,390 available rooms. We also hold a minority interest in two joint ventures which own approximately 1.0 million of gross rentable square feet of commercial space each. The following table summarizes the properties acquired by the Company as of September 15, 2008. Unless otherwise indicated, we have acquired a 100% fee simple interest in the properties listed below. For further information, see ‘‘Real Property Investments — Specified Investments’’ beginning on page 103.

Property	Location	Total Leaseable Square Feet/Number of Units, Available Rooms at June 30, 2008[(1)]	Date Acquired	Initial Capitalization Rate	Occupancy % at June 30, 2008	Annual Rent Rolls for Year Ended June 30, 2008
Florida factory outlet mall	St. Augustine, Florida	251,186	3/31/2006	8.3%	57.0%	2.4 million
Portfolio of four apartment communities	Dearborn Heights, MI (2 properties) Roseville Heights, MI (1 property) Westland, MI (1 property)	1,017	6/29/2006	7.7%	91.5%	7.9 million
Oakview power center	Omaha, NE	177,331	12/21/2006	7.5%	99.2%	2.5 million
Sub-leasehold interest in a Manhattan office building[(2)]	New York, NY	930,140	1/4/2007	7.3%	84.7%	37.2 million
Portfolio of industrial and office properties	New Orleans, LA (7 properties) Baton Rouge, LA (3 properties) San Antonio, TX (4 properties)	1,006,752	2/1/2007	7.7%	89.3%	6.1 million
Brazos Crossing power center	Lake Jackson, TX	61,213	6/29/2007	7.3%	100%	0.5 million
Sarasota industrial property	Sarasota, FL	281,276	11/15/2007	—[(4)]	—%	$ —
Portfolio of five apartment communities	Charlotte, NC (2 properties) Greensboro, NC (2 properties) Tampa, FL	1,576	11/16/2007	7.4%	84%	$9.8 million
Houston Extended Stay Hotels	Houston, TX Sugar Land, TX	26,390	10/17/2007	—[(4)]	68.8%	$34.71 million[(5)]
Prime Outlets International[(3)]	Orlando, FL (2 properties)	978,665	6/26/2008	7.2%	76.1%	$24 million

(1) All figures for total square footage and number of units occupied are approximations.

(2) The New York office property is held by a joint venture, of which we hold a 49% membership interest.

(3) We acquired a 22.54% interest in Mill Run, LLC, the beneficial owner of the Prime Outlets International, which consists of two retail shopping malls located in Orlando, Florida.

(4) Properties purchased with intent to stabilize, in-place capitalization rate not relevant.

(5) Revenue per available room at June 30, 2008.

In addition to the table above, we own preferred membership interests in a wholly owned subsidiary of Park Avenue Funding, LLC, a real estate lending company making loans, including first or second mortgages, mezzanine loans and collateral pledges of mortgages, to finance real estate transactions. We also hold two promissory notes with an aggregate principal amount of $17,660,000 maturing on June 26, 2016, payable semi-annually and accrues interest at an annual rate of 4%. These promissory notes were issued in connection with the acquisition of the Prime Interest and Mill Run Interest and are secured by certain interests in our operating partnership that were issued as part of transaction. See the section of this Prospectus captioned ‘‘Real Property Investments — Specified Investments’’ for more information.

Specified Investments

The following information supplements the section of our Prospectus captioned "Real Property Investments – Specified Investments" on page 103 of the Prospectus.

Prime Outlets — Prime Outlets Acquisition Company Portfolio

On June 26, 2008, the Company, through its operating partnership, entered into agreements with certain affiliates of Arbor Realty Trust, Inc. to acquire a 25% membership interest in Prime Outlets Acquisition Company, a Delaware limited liability company ("Prime"). Of the approximately $1.2 billion of outstanding indebtedness on these properties, $1.1 billion provides for amortization payments. Each of the loans securing the properties owned by Prime has a maturity date in 2016 with interest rates that range between 5.51% and 6.01%.

The operating partnership entered into a Contribution and Conveyance Agreement with AR Prime Holdings LLC, a Delaware limited liability company ("AR Prime"), pursuant to which AR Prime will contribute to the Operating Partnership a 25% membership interest (the "Prime Interest") in Prime. Prime Interest is a non-managing interest, with certain consent rights with respect to major decisions. An affiliate of The Lightstone Group, the Company's sponsor, is the majority owner and manager of Prime. The acquisition price for the Prime Interest is approximately $373 million, $55 million of which will be in the form of equity and $318 million of which will be in the form of indebtedness secured by the Prime Properties (as defined below). In connection with the transaction, Lightstone Value Plus REIT LLC, our advisor, will receive an acquisition fee equal to 2.75% of the acquisition price, or approximately $9.7 million at closing.

The closing of the acquisition of the Prime Interest is subject to customary closing conditions. The closing of the acquisition of the Prime Interest is scheduled for the earlier of December 15, 2008 or a maximum 30 days after the Operating Partnership obtains audited financial statements of Prime for the last three fiscal years (the "Financial Statements"), but in no event later than June 26, 2009. If the Operating Partnership does not obtain the Financial Statements by June 26, 2009 and does not close the transaction, it would be required to pay liquidated damages in the amount of $6.08 million. However, AR Prime cannot specifically enforce the Contribution and Conveyance Agreement if the Operating Partnership does not obtain the Financial Statements.

Prime is a fully integrated real estate operating company specializing in the development, redevelopment, acquisition, leasing and management of factory outlet shopping centers. Founded in 1988, Prime is the third largest owner of factory outlet centers in the United States as measured by gross leasable area. Prime manages and leases its properties with in-house personnel, thereby reducing reliance on third-party providers and enabling Prime to monitor and control expenses. Prime's 18 outlet centers (the "Prime Properties"), built between 1986 and 1998, have an aggregate 6,389,526 square feet of gross leasable area and average occupancy of 93.8% as of May 31, 2008. Of the approximately $1.2 billion of outstanding indebtedness on the Prime Properties, $1.1 billion provides for amortization payments. A brief description of the Prime Properties follows. All of the Prime Properties are managed by Prime Retail Property Management and pay a 5% management. Prime Retail Management Company is wholly owned by Prime Outlets Acquisition Company.

The following table provides information as of May 31, 2008 regarding the Prime Properties.

Trade Name of Property	Location of Property	Occupancy	Gross Leasable Area
Prime Outlets – San Marcos I & II	San Marcos, Texas	95.9%	671,272
Prime Outlets – Grove City	Grove City, Pennsylvania	96.4%	532,056
Prime Outlets – Williamsburg	Williamsburg, Pennsylvania	97.1%	343,924
Prime Outlets – Hagerstown	Hagerstown, Maryland	94.7%	485,231
Prime Outlets – Ellenton	Ellenton, Florida	96.7%	476,651
Prime Outlets – Jeffersonville	Jeffersonville, Ohio	98.2%	409,811
Prime Outlets – Pleasant Prairie I & II	Pleasant Prairie, Wisconsin	95.3%	401,585
Prime Outlets – Gaffney	Gaffney, South Carolina	96.4%	303,599
Prime Outlets – Gulfport	Gulfport, Mississippi	92.8%	302,857

Trade Name of Property	Location of Property	Occupancy	Gross Leasable Area
Prime Outlets – Queenstown	Queenstown, Maryland	94.3%	297,820
Prime Outlets – Huntley	Huntley, Illinois	87.2%	278,759
Prime Outlets – Birch Run	Birch Run, Michigan	91.4%	679,664
Prime Outlets – Calhoun	Calhoun, Georgia	94.3%	253,667
Prime Outlets – Lebanon	Lebanon, Tennessee	90.2%	226,869
Prime Outlets – Lee	Lee, Massachusetts	96.8%	224,526
Prime Outlets – Florida City	Florida City, Florida	92.1%	207,873
Prime Outlets – Pismo Beach	Pismo Beach, California	98.5%	147,396
Prime Outlets – Naples	Naples, Florida	80.5%	145,966

The following table summarizes the top ten tenants of Prime Properties by gross leasable area.

Tenant	Number of Centers	Gross Leasable Area (SF)	% of Gross Leasable Area (SF)
Gap	17	447,481	6.1%
Phillips Van Heusen	20	442,462	6.0%
Nike	14	199,814	2.7%
Vanity Fair	17	197,022	2.7%
Jones Retail	20	181,103	2.5%
Ralph Lauren	16	161,834	2.2%
Liz Claiborne	14	146,987	2.0%
William Sonoma	4	142,247	1.9%
Dress Barn	17	134,277	1.8%
Ann Taylor Retail	15	117,410	1.6%
Total		2,170,587	29.5%

All of the leased space is commercial with leases ranging from an initial term of one to ten years. The average historical occupancy rate is as follows:

As of May 31, 2008	94.4%
For the year ended December 31, 2007	96.8%
For the year ended December 31, 2006	94.3%

Per square foot, comparable sales at the Prime Properties were as follows:

Year Ended December 31, 2007	$365
Year Ended December 31, 2006	$359
Year Ended December 31, 2005	$331
Year Ended December 31, 2004	$305

The following table summarizes the outstanding indebtedness of each of the Prime Properties as of May 31, 2008:

Prime Outlets	Lender	Amount Outstanding	Maturity Date	Interest Rate	Payment Terms
Ellenton[(1)]	Wachovia	$111,516,463	1/11/2016	5.510%	Interest Only until 2/11/2008
Florida City[(1)]	Wachovia	$ 11,380,449	1/11/2016	5.510%	Interest Only until 2/11/2008
Grove City[(1)]	Wachovia	$120,608,885	1/11/2016	5.510%	Interest Only until 2/11/2008
Gulfport[(1)]	Wachovia	$ 26,859,451	1/11/2016	5.510%	Interest Only until 2/11/2008
Huntley[(1)]	Wachovia	$ 31,833,424	1/11/2016	5.510%	Interest Only until 2/11/2008

Prime Outlets	Lender	Amount Outstanding	Maturity Date	Interest Rate	Payment Terms
Jeffersonville[(1)]	Wachovia	$ 74,709,067	1/11/2016	5.510%	Interest Only until 2/11/2008
Lebanon[(1)]	Wachovia	$ 16,513,589	1/11/2016	5.510%	Interest Only until 2/11/2008
Naples[(1)]	Wachovia	$ 17,110,465	1/11/2016	5.510%	Interest Only until 2/11/2008
San Marcos[(1)]	Wachovia	$152,700,956	1/11/2016	5.510%	Interest Only until 2/11/2008
Pleasant Prairie[(1)]	Wachovia	$ 64,164,245	1/11/2016	5.510%	Interest Only until 2/11/2008
Pismo Beach[(2)]	Citigroup	$ 33,850,000	11/6/2016	5.842%	Interest Only
Queenstown[(2)]	Citigroup	$ 61,500,000	11/6/2016	5.842%	Interest Only
Calhoun[(3)]	CIBC	$ 21,600,000	9/1/2016	5.790%	Interest Only until 8/1/2008
Gaffney[(3)]	CIBC	$ 39,200,000	9/1/2016	5.790%	Interest Only until 8/1/2008
Lee[(3)]	CIBC	$ 53,920,000	9/1/2016	5.790%	Interest Only until 8/1/2008
Pleasant Prairie II	CIBC	$ 38,300,000	12/1/2016	6.010%	Interest Only until 1/1/2009
Birch Run[(4)]	Wachovia	$112,563,726	4/11/2016	5.95%	Interest Only until 5/11/2008
Hagerstown[(4)]	Wachovia	$ 94,552,260	4/11/2016	5.95%	Interest Only until 5/11/2008
Williamsburg[(4)]	Wachovia	$109,293,864	4/11/2016	5.95%	Interest Only until 5/11/2008

(1) Properties are cross-collateralized under one loan.

(2) Properties are cross-collateralized under one loan.

(3) Properties are cross-collateralized under one loan.

(4) Properties are cross-collateralized under one loan.

General competitive conditions affecting the Prime Properties include those identified in the section of our Prospectus captioned ‘‘Competition.’’ Prime Retail Property Management LLC, a subsidiary of our Sponsor and an affiliate of our Advisor, acts as the property manager of each of the Prime Properties. We believe that each of the Prime Properties are adequately insured.

Realty taxes paid on the Prime Properties for the fiscal year ended December 31, 2007 were $11.7 million.

The Prime Properties are depreciated for federal income tax purposes on a straight-line basis using an estimated useful life of 39 years.

In addition, Prime has three development projects in its pipeline, including Grand Prairie (Dallas Metro), Texas, Livermore Valley (San Francisco), California and Holley Springs (Atlanta Metro), Georgia. The projects are scheduled to be completed in 2009-2012 and when completed will be in excess of 1.2 million square feet.

Subject to the fulfillment of the closing conditions, the Operating Partnership will issue to AR Prime (i) 275,000 Common Units and 52,250 Preferred Units with an aggregate liquidation preference of $52,250,000 (this amount will be reduced by the amount of any distributions by Prime to AR Prime prior to closing) and (ii) Common Units with a value equal to 5% of the Adjustment Amount (as defined below) and additional Preferred Units with a liquidation preference equal to 95% of the Adjustment Amount. The ‘‘Adjustment Amount’’ is the amount of interest that would have accrued on a loan in the principal amount of $52,250,000, at an interest rate of 4.6316%, from June 26, 2008 until the closing.

In connection with the contribution of the Prime Interest, the Company made a loan to AR Prime in the principal amount of $49.5 million (the "Prime Loan"). The Prime Loan is payable semi-annually and accrues interest at an annual rate of 4%. The Prime Loan matures on June 26, 2016 and contains customary events of default and default remedies. The Prime Loan contains provisions requiring AR Prime to prepay the Prime Loan (i) in full upon the redemption by the Operating Partnership of the Preferred Units to be issued to AR Prime in connection with the closing of the acquisition of the Prime Interest and (ii) in part, with the proceeds of any distribution received by AR Prime from Prime prior to such closing. The Prime Loan is secured by AR Prime's interest in the Prime Interest. Upon the closing, the Common Units and Preferred Units issued to AR Prime will replace the Prime Interest as the security for the Prime Loan. Also, upon the closing, the Company will make an additional loan to AR Prime, on the same terms and conditions as the Prime Loan, in the principal amount equal to 90% of the Adjustment Amount.

Prime Outlets International — Orlando, Florida

The Company, through the Operating Partnership, entered into Contribution and Conveyance Agreements dated as of June 26, 2008 between the Operating Partnership and (i) Arbor Mill Run JRM LLC, a Delaware limited liability company ("Arbor JRM") and (ii) Arbor National CJ, LLC, a New York limited liability company ("Arbor CJ"), pursuant to which Arbor JRM and Arbor CJ contributed to the Operating Partnership an aggregate 22.54% membership interest (the "Mill Run Interest") in Mill Run. The Mill Run Interest is a non-managing interest, with consent rights with respect to certain major decisions. An affiliate of The Lightstone Group, the Company's sponsor, is the managing member and majority owner of Mill Run. The acquisition price for the Mill Run Interest was approximately $85 million, $19.6 million of which was in the form of equity and $65.4 million in the form of indebtedness secured by the Mill Run Properties (as defined below). In connection with this transaction, Lightstone Value Plus REIT LLC, our advisor, received an acquisition fee equal to 2.75% of the acquisition price, or approximately $2.4 million. Closing costs totaled approximately $1.1 million.

Mill Run is the beneficial owner of the Prime Outlets International, which consists of the Outlets Orlando I and Prime Outlets Orlando II retail shopping malls located in Orlando, Florida (the "Mill Run Properties"). Mill Run acquired the Mill Run Properties in 2005, and subsequently renovated and expanded both shopping malls. The two assets, referred to as the Orlando Outlet World and the Orlando Design Center, represent 773,935 and 204,730 total gross leasable area, respectively. The assets were 89.6% and 66.7% occupied, respectively, as of August 31, 2008. An additional 78,000 square feet has become available for lease since acquisition.

Trade Name of Property	Location of Property	Occupancy	Monthly Base Rents at Closing	Gross Leasable Area	Mortgage	Mortgage Interest Rate	Property Management Agent	Annual Property Management Fee
Orlando Outlet Center	Orlando, Florida	93.2%	$1,659,240	694,188	$257,480,000	LIBOR + 2.1%	Prime Retail Property Management	5% of gross revenues
Orlando Design Center	Orlando, Florida	64.1%	$ 198,935	204,730	$ 32,520,000	LIBOR + 2.1%	Prime Retail Property Management	5% of gross revenues

The expanded and redeveloped Orlando Outlet World opened in two phases, and hosted its grand opening in May 2008. Orlando Outlet World currently has 153 tenants as of August 31, 2008, including tenants such as Neiman Marcus Last Call, Saks Fifth Avenue OFF 5TH, Polo Ralph Lauren Factory Store, Kate Spade, and Hugo Boss. Orlando Design Center currently has 24 tenants as of August 31, 2008, which include Guess, G.H. Bass & Company, Calvin Klein, and Texas de Brazil.

All of the leased space is commercial with leases ranging from an initial term of one year to fourteen years. The average historical occupancy rate is as follows:

June 30, 2008	89.0%
2007	82.3%
2006	82.8%
2005	83.8%

The average effective net annual rental revenue per square foot at the Mill Run Properties is as follows:

Trailing 12 Months Ended June 30, 2008	$33.09
Year Ended December 31, 2007	$30.87
Year Ended December 31, 2006	$16.12
Year Ended December 31, 2005	$16.76

The existing leases for Mill Run expire as follows:

	# of Leases	Sq. Ft.
For the six months ending December 31, 2008	3	6,852
For the twelve months ending December 31, 2009	4	17,598
For the twelve months ending December 31, 2010	3	10,694
For the twelve months ending December 31, 2011	5	19,774
For the twelve months ending December 31, 2012	15	78,140
Thereafter	139	608,992
Total	169	742,050

Minimum base rents for the Mill Run Properties for the next five years and thereafter are as follows:

For the six months ending December 31, 2008	$ 12,075,369
For the twelve months ending December 31, 2009	24,210,872
For the twelve months ending December 31, 2010	24,108,360
For the twelve months ending December 31, 2011	24,515,731
For the twelve months ending December 31, 2012	24,018,128
Thereafter	21,899,501
Total	$130,827,961

The Mill Run Properties are depreciated for federal income tax purposes on a straight-line basis using an estimated useful life of 39 years.

The Mill Run Properties are subject to an aggregate of approximately $290 million of indebtedness in the form of construction loans secured by the Orlando Outlet Center and the Orlando Design Center (the ‘‘Orlando Loans’’). The Orlando Loans provide for interest only payments until their maturity date and bear interest at a variable rate equal to LIBOR plus 210 basis points. The Orlando Loans will mature on November 21, 2009, at which time a balance of approximately $290 million will be due, assuming no prior principal prepayment. The aggregate loan amount is secured the Mill Run Properties.

In exchange for the Mill Run Interest, the Operating Partnership issued (i) 96,000 units of common limited partnership interest in the Operating Partnership (‘‘Common Units’’) and 18,240 Preferred limited partnership units in the Operating Partnership (the ‘‘Preferred Units’’) with an aggregate liquidation preference of $18,240,000 to Arbor JRM and (ii) 2,000 Common Units and 380 Preferred Units with an aggregate liquidation preference of $380,000 to Arbor CJ. The total aggregate value of the Common Units and Preferred Units issued by the Operating Partnership in exchange for the Mill Run Interest was $19,600,000.

In connection with the contribution of the Mill Run Interest, the Company made loans to Arbor JRM and Arbor CJ in the aggregate principal amount of $17.6 million (the ‘‘Mill Loans’’). The Mill Loans are payable semi-annually and shall accrue interest at an annual rate of 4%. The Mill Loans mature on June 26, 2016 and contain customary events of default and default remedies. The Mill Loans mature on June 26, 2016 and contain customary events of default and default remedies. The Mill Loans require Arbor JRM and Arbor CJ to prepay their respective loans in full upon the redemption of the Preferred Units by the Operating Partnership. The Mill Loans are secured by the Preferred Units and Common Units issued in connection with the acquisition of the Mill Interest.

In connection with the contribution of the Mill Run Interest, the Operating Partnership entered into a Tax Protection Agreement with Arbor JRM and Arbor CJ (collectively, the ‘‘Contributors’’), dated as of June 26,

2008. Under the Tax Protection Agreement, the Operating Partnership is required to indemnify Arbor JRM and Arbor CJ for a period of five years from June 26, 2008 for, among other things, certain income tax liability that would result from the income or gain which Arbor JRM and Arbor CJ would recognize upon the Operating Partnership's failure to maintain the current level of debt encumbering the Mill Run Properties or the sale or other disposition of the Mill Run Properties or the Mill Run Interest (each, an "Indemnifiable Event"). Under the terms of the Tax Protection Agreements, the Operating Partnership is indemnifying the Contributors for certain income tax liabilities based on income or gain which the Contributors are deemed to be required to include in their gross income for federal or state income tax purposes (assuming the Contributors are subject to tax at the highest regional, federal, state and local tax rates imposed on individuals residing in New York City) as a result of an Indemnifiable Event. This indemnity covers income taxes, interest and penalties and is required to be made on a "grossed up" basis that effectively results in the Contributors receiving the indemnity payment on a net, after-tax basis. The Tax Protection Agreement imposes certain restrictions upon the Operating Partnership relating to transactions involving the Mill Run Properties which could result in taxable income or gain to the Contributors. The Operating Partnership may not dispose or transfer any Mill Run Property without first proving that the Operating Partnership possesses the requisite liquidity, including the proceeds from any such transaction, to make any payments that would come due pursuant to the Tax Protection Agreement.

Park Avenue Funding Contribution

On April 16, 2008, the Company made a preferred equity contribution of $11,000,000 (the "Contribution") to PAF-SUB LLC ("*PAF*"), a wholly-owned subsidiary of Park Avenue Funding LLC ("Park Avenue"), in exchange for membership interests of PAF with certain rights and preferences described below (the "Preferred Units"). Park Avenue is a real estate lending company making loans, including first or second mortgages, mezzanine loans and collateral pledges of mortgages, to finance real estate transactions. Property types considered include multi-family, office, industrial, retail, self-storage, parking and land. Both PAF and Park Avenue are affiliates of our The Lightstone Group, our sponsor.

PAF's limited liability company agreement was amended on April 16, 2008 to create the Preferred Units and admit the Company as a member. The Preferred Units are entitled to a cumulative preferred distribution at the rate of 10% per annum, payable quarterly. In the event that PAF fails to pay such distribution when due, the preferred distribution rate increases to 17% per annum. The Preferred Units are redeemable, in whole or in part, at any time at the option of the Registrant upon at least 180 days' prior written notice (the "Redemption"). In addition, the Preferred Units are entitled to a liquidation preference senior to any distribution upon dissolution with respect to other equity interests of PAF in an amount equal to (x) the Contribution plus any accrued but unpaid distributions less (y) any Redemption payments.

In connection with the Contribution, the Company and Park Avenue entered into a guarantee agreement on April 16, 2008, whereby Park Avenue unconditionally and irrevocably guarantees payment of the Redemption amounts when due (the "*Guarantee*"). Also, Park Avenue agrees to pay all costs and expenses incurred by the Company in connection with the enforcement of the Guarantee.

Dividends Declared by the Board of Directors

The following data supplements, and should be read in conjunction with, the section captioned "Investment Objectives and Policies — Distributions" on page 95 of the Prospectus:

Since the period beginning February 1, 2006, our board of directors has declared quarterly dividends in an amount of $0.0019178 per share per day payable to shareholders of record at the close of business each day during the applicable period. The annualized rate declared was equal to 7%, which represents the annualized rate of return on an investment of $10.00 per share attributable to these daily amounts, if paid for each day for a 365 day period. We have paid aggregate distributions in the amount of $15 million, which includes cash distributions paid to stockholders and common stock issued under our distribution reinvestment program. For the period beginning April 1, 2008 through the period ending September 30, 2008, we funded or will fund our distributions paid or payable with cash flows from our operating activities.

SELECTED FINANCIAL DATA

All of the following selected consolidated and combined financial data are qualified by reference to and should be read in conjunction with our Consolidated Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 126 of our Prospectus.

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
Operating Data:					
Revenues	$ 9,937,419	$ 6,006,174	$ 25,259,655	$ 8,262,667	—
Loss from investment in unconsolidated Joint Venture	(617,829)	(2,169,104)	(7,267,949)	—	—
Net loss before loss allocated to minority interest	(6,218,694)	(2,451,829)	(9,242,416)	(1,536,430)	(117,571)
Loss allocated to minority interest	94	1	26	86	1,164
Net loss applicable to common shares	(6,218,600)	(2,451,828)	(9,242,390)	(1,536,344)	(116,407)
Basic and diluted loss per common share	$ (0.31)	$ (0.32)	(0.98)	(0.96)	(5.82)
Distributions declared	9,279,259	4,289,568	7,125,331	1,101,708	—
Weighted average common shares outstanding – basic and diluted	19,797,471	7,765,475	9,195,369	1,594,060	20,000
Balance Sheet Data:					
Total assets	$445,058,607	$242,714,829	$369,701,354	$140,708,217	$ 430,996
Long-term obligations	$245,935,427	$148,451,142	$243,435,657	95,475,000	$ —
Stockholder's Equity	$161,959,318	$ 77,465,282	$100,112,198	$ 35,975,704	$ 83,593

Capitalization

The following replaces the table in the section of our Prospectus captioned "Capitalization" on page 124 of the Prospectus:

The following table sets forth our historical capitalization as of June 30, 2008, and our pro forma capitalization as of that date as adjusted to give effect to the sale of the maximum offering as if 30,000,000 shares were sold, and the application of the estimated net proceeds from such sales as described in "Estimated Use of Proceeds." The information set forth in the following table excludes our historical results of operations and the financial impact of accounting for offering costs, and should be read in conjunction with our historical financial statements included elsewhere in this Prospectus.

	June 30, 2008 Historical	Maximum Offering
Minority Interest in Partnership	21,936,895	2,000(1)
Stockholders' Equity:		
Preferred Stock, $.01 par value, 10,000,000 authorized, none outstanding	18,620	—
Common Stock, $.01 par value, 60,000,000 authorized, 13,606,608 shares issued and outstanding (historical only)	$ 227,392	$ 300,000(2)
Additional paid-in capital	$221,749,442	$299,700,000
Notes receivable from stockholders	(17,640,000)	—
Accumulated Other Comprehensive Income	(8,324,120)	
Accumulated distribution in addition to net loss	(34,162,016)	—
Total stockholders' equity	$161,959,318	$300,000,000
Total capitalization	$183,896,213	$300,002,000

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(1) Excludes any future issuance of limited partnership units by the operating partnership in exchange for cash or property. In addition, does not include the special general partner interests issued to Lightstone

SLP, LLC at a cost of $100,000 per unit, the proceeds of which will be used to pay all dealer manager fees, selling commissions and other organization and offering expenses.

(2) We are authorized to issue 60,000,000 shares of common stock of which 13,606,608 million shares are issued and outstanding as of June 30, 2008. Does not include 200 shares of common stock reserved for issuance on exchange of 200 outstanding limited partnership units of the operating partnership, up to 4,000,000 shares of common stock available pursuant to our dividend reinvestment plan or 75,000 shares of common stock that are reserved for issuance under our stock option plan.

Compensation Paid to The Lightstone Group and Its Affiliates

The following data supplements, and should be read in conjunction with the section of our prospectus captioned ''Management Compensation'' beginning on page 67 of the Prospectus:

The following table summarizes the cumulative compensation, fees and reimbursements we have paid to The Lightstone Group and its affiliates related to the offering stage at June 30, 2008 and December 31, 2007.

	As of June 30, 2008	As of December 31, 2007
Selling commissions and dealer manager fees	$16.0 million	$9.5 million
Selling commissions and dealer manager fees reallowed	$13.6 million	$8.2 million
Other organization and offering expenses	$ 5.4 million	$3.7 million

The following table summarizes the compensation, fees and reimbursements we have paid to The Lightstone Group and its affiliates related to the operational stage during the respective periods.

	For the Six Months Ended June 30, 2008	For the Year Ended December 31, 2007
Acquisition and advisory fee(1)	$2.3 million	$6.6 million
Acquisition expenses reimbursed to the Advisor	$1.3 million	$0.6 million
Asset management fees	$1.0 million	$1.0 million
Property management fees	$0.8 million	$1.1 million

(1) The acquisition and advisory fee does not include approximately $10.0 million, which is payable to our sponsor and its affiliates upon the closing of our acquisition a 25% membership interest in Prime Outlets Acquisition Company, a Delaware limited liability company, as described elsewhere in this Prospectus.

Incorporation by Reference

The Commission allows us to ''incorporate by reference'' certain information that we file with it, which means that we can disclose important information to you by referring you to various documents. The information incorporated by reference is an important part of this Supplement and the information that we file later with the Commission may update and supersede the information in this Supplement including the information we incorporated by reference. For information on how to access this information, see the following section of this Supplement entitled, ''Where You Can Find More Information.''

We incorporate by reference the following documents that we have previously filed with the Commission:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed on March 31, 2008, including information specifically incorporated by reference therein from the Proxy Statement for our 2008 Annual Meeting;
- Definitive Proxy Statement on Schedule 14A filed on June 6, 2008;
- Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 filed on August 14, 2008;
- Periodic Report on Form 8-K filed on August 18, 2008;
- Periodic Report on Form 8-K filed on August 1, 2008;

- Periodic Report on Form 8-K filed on July 1, 2008;
- Periodic Report on Form 8-K filed on June 30, 2008; and
- Periodic Report on Form 8-K filed on May 20, 2008.

More specifically, our most recent Management's Discussion and Analysis of Financial Condition and Results of Operations, along with our most current information related to certain relationships and related transactions, is incorporated by reference herein from our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008.

You may read and copy our registration statement and all of its exhibits and schedules which we have filed with the SEC and which may be inspected and copied at the Public Reference Room at 100 F. Street, N.E., Washington, D.C. 20549. This material, as well as copies of all other documents filed with the SEC, may be obtained from the Public Reference Section of the SEC, 100 F. Street, N.E., Washington D.C. 20549 upon payment of the fee prescribed by the SEC. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site that contains reports, proxies, information statements and other information regarding registrants that file electronically with the SEC, including us. The address of this website is *http://www.sec.gov*.

In addition, we will provide to each person, including any beneficial owner of our common stock, to whom this prospectus is delivered, a copy of any or all of the information that we have incorporated by reference into this prospectus, as supplemented, but not delivered with this prospectus. To receive a free copy of any of the documents incorporated by reference in this prospectus, other than exhibits, unless they are specifically incorporated by reference in those documents, write us at 326 Third Street, Lakewood, New Jersey 08701, or contact our offices at (732) 367-0129. The documents also may be accessed on our website at *www.lightstonereit.com.* The information relating to us contained in this prospectus does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference in this prospectus.