

# NY Residential REIT



*“Pure Play” New York City Residential Real Estate  
Sponsored by Commencement Capital LLC*

Fall 2017

Offering Circular available at [www.nyresidentialreit.com](http://www.nyresidentialreit.com)

## Disclaimer

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This presentation contains forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “will likely result,” “would,” “could,” “should,” “seeks,” “intends,” “plans,” “projects,” “estimates,” “anticipates” “predicts,” or “potential” or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements as discussions of possible or assumed future results of the Company’s business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects are forward-looking by their nature: the Company’s business and investment strategy; the Company’s expected operating results; completion of acquisitions; the Company’s ability to successfully implement proposed acquisition, leasing and management structures; the Company’s ability to obtain future financing arrangements; the Company’s expected leverage levels; the Company’s understanding of its competition; market and industry trends and expectations; anticipated capital expenditures; and use of the net proceeds of this offering. Additionally, the following factors could cause actual results to vary from these forward-looking statements: general volatility of the capital markets and the market price of the Company’s common shares; performance of the residential sector and the real estate industry in general; changes in the Company’s business or investment strategy; changes in market conditions within the residential real estate sector; the Company’s ability to satisfy closing conditions and obtain regulatory, lender and other rulings, approvals and consents; availability, terms and deployment of capital; the Company’s leverage levels; the Company’s capital expenditures; the Company’s ability to satisfy the requirements for qualification and taxation as a Company for federal income tax purposes; changes in the market for residential real estate properties, interest rates or the general U.S. or international economy; and the degree and nature of the Company’s competition.

The forward-looking statements contained in this presentation reflect the Company’s beliefs, assumptions and expectations of the Company’s future performance, taking into account all information currently available to the Company. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to the Company. If a change occurs, the Company’s business, prospects, financial condition, liquidity and results of operations may vary materially from those expressed in the forward-looking statements. You should carefully consider all risks before you make an investment decision with respect to the Company’s common shares. The Company disclaims any obligation to publicly update or revise any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

## Risk Factors

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- The Company depends on Commencement NY LLC (its “Manager”) to select its investments and conduct its operations. The Company will pay fees and expenses to its Manager and its affiliates that were not determined on an arm’s-length basis, and therefore the Company does not have the benefit of arm’s-length negotiations of the type normally conducted between unrelated parties. These fees increase your risk of loss.
- The Company has no operating history and its total assets consist of approximately \$900 in cash. There can be no assurance that the Company will achieve its investment objectives.
- This is a “blind pool” offering because the Company has not identified any investments to acquire with the net proceeds of this offering. You will not be able to evaluate its investments prior to purchasing shares.
- The Company’s Manager’s executive officers are also officers, managers and key professionals of its sponsor and its affiliates. As a result, they will face conflicts of interest, including time constraints, allocation of investment opportunities and significant conflicts created by its Manager’s compensation arrangements with the Company and other affiliates of its sponsor.
- The Company’s sponsor may sponsor other companies that compete with the Company, and its sponsor does not have an exclusive management arrangement with the Company; however, its sponsor has adopted a policy for allocating investments between different companies that it sponsors with similar investment strategies.
- The Company’s advisory board members are incentivized to recommend their own services and to maximize their estimation of its need for such services, and as a result, they face conflicts of interest.
- This offering is being made pursuant to recently adopted rules and regulations under the newly revised Regulation A rules (commonly referred to as “Regulation A+”) of the Securities Act of 1933, as amended, or the Securities Act. The legal and compliance requirements of these rules and regulations, including ongoing reporting requirements related thereto, are relatively untested.
- If the Company raises substantially less than the maximum offering amount, the Company may not be able to acquire a diverse portfolio of investments and the value of your shares may vary more widely with the performance of specific assets. The Company may commence operations with as little as \$1,000,000 (including proceeds from common shares purchased by affiliates of its Manager).
- If the Company internalizes its management functions, your interest in the Company could be diluted and the Company could incur other significant costs associated with being self-managed.
- The Company may change its investment guidelines without shareholder consent, which could result in investments that are different from those described in this offering circular.
- The Company does not expect to declare any distributions until the proceeds from its public offering are invested and generating operating cash flow. While its goal is to pay distributions from its cash flow from operations, the Company may use other sources to fund distributions, including offering proceeds, borrowings or sales of assets. The Company has not established a limit on the amount of proceeds the Company may use to fund distributions. If the Company pays distributions from sources other than its cash flow from operations, the Company will have less funds available for investments and investors’ overall return may be reduced.
- The Company’s common shares will not be listed at the time of purchase and you will have no liquidity until such time as its common shares either (a) become listed on the NASDAQ or NYSE, or (b) become quoted with the OTC. There is no guarantee that its common shares will become so listed or quoted.
- Real estate investments are subject to general downturns in the industry as well as downturns in specific geographic areas. The Company cannot predict what the occupancy level will be in a particular building or that any tenant will remain solvent. The Company also cannot predict the future value of its properties. Accordingly, the Company cannot guarantee that you will receive cash distributions or appreciation of your investment.

# Offering Summary

<b>Issuer</b>	NY Residential REIT, LLC
<b>Offering Type</b>	Regulation A+ <sup>1</sup>
<b>Sponsor</b>	Commencement Capital LLC
<b>Manager</b>	Commencement NY LLC
<b>Securities Offered</b>	5,000,000 common shares
<b>Offering Price</b>	\$10/share
<b>Minimum Investment</b>	\$1,000
<b>Minimum Offering</b>	\$1,000,000 <sup>2</sup>
<b>Listing</b>	The Company intends to apply for listing with the NYSE or Nasdaq or become quoted with the OTC <sup>3</sup>
<b>Lead Underwriter</b>	W.R. Hambrecht & Co.
<b>Launch Date</b>	Fall 2017

(1) This is an offering conducted under Tier II of Regulation A. Such offerings are commonly known as Regulation A+ offerings.

(2) The Company will not start operations until the Company has raised at least \$1,000,000 in this offering (including any purchases by affiliates of the Company or its sponsor). Until the minimum threshold is met, investors' funds will remain in an escrow account. The funds will be drawn by the Company only after the \$1,000,000 minimum threshold has been met.

(3) If the Company applies to list its common shares on the NASDAQ or the NYSE, there is no guarantee that it will meet the listing standards of either organization. If the Company chooses to apply for quotation of its common shares with the OTC, its common shares may be quoted only to the extent that there is interest by broker-dealers in acting as a market maker.



## Company Summary

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New York City real estate has long attracted global investors seeking income, appreciation, and capital preservation. However, with the average apartment in Manhattan priced at more than \$2 million<sup>1</sup>, only a limited pool of investors have the resources necessary to invest directly in Manhattan residential real estate. Commencement Capital LLC has formed NY Residential REIT, LLC (the “Company”) to purchase, invest in, and manage a portfolio of residential properties located in Manhattan, which will provide both accredited and non-accredited investors with the ability to obtain exposure to Manhattan residential real estate.



(1) Average sale price of co-op and condominium sales: Douglas Elliman Q3 2017 Manhattan Sales Market Report

## Highlights

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**Experienced Management** — The Company’s Manager, through its relationship with the Company’s sponsor, retains highly experienced real estate professionals, including Jesse Stein, its Chief Executive Officer, and Jonathan Morris, its President. These executive officers provide stability in the management of the Company’s business and allow the Company to benefit from the knowledge and industry contacts they have gained through numerous real estate cycles.

**Advisory Board** — The Company’s sponsor has formed an advisory board to the Company consisting of experienced residential real estate professionals in New York City. The Company expects that the members of the advisory board will provide value to the Company by sourcing investment opportunities, providing insight on the New York City real estate market, and by providing services to the company that they individually specialize in.

**Market Knowledge and Industry Relationships** — Through their active and broad participation in the real estate capital markets, the Company’s sponsor and advisory board benefit from market information that enables them to identify attractive real estate investment opportunities and to make informed decisions with regard to the relative valuation of financial assets and capital allocation. The Company believe that the Company’s sponsor’s and advisory board’s extensive industry relationships with a wide variety of real estate owners and operators, brokers and other intermediaries will provide the Company with a competitive advantage in sourcing attractive investment opportunities to meet the Company’s investment objectives.

**Investor Accessibility** — It is difficult for smaller investors to participate directly in investments in the New York City residential real estate market. The Company’s common shares provide accessibility for individual investors to own interests in high-quality Manhattan residential real estate in the form of a public security.

**“Pure Play” Investment** — The Company intends to only acquire or invest in residential properties in Manhattan, providing investors with an allocation to a specific region of the residential real estate market.



# Strategy

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## Investment Strategy

The Company's investment objectives are to:

- preserve, protect and return invested capital
- realize cash flow and capital appreciation in the value of its investments

The Company will incorporate a flexible investment strategy that focuses on properties with the potential for significant capital appreciation, such as those requiring renovations or repositioning, those located in neighborhoods with high growth potential and those available from sellers who are distressed or face time-sensitive deadlines. Properties will consist of apartment units (e.g. condominiums and co-ops), single family homes, and multi-family properties. The Company intends to elect to be taxed as a real estate investment trust (REIT).

Specific strategies include, but are not limited to:

- Acquiring or investing in properties in need of large-scale or cosmetic renovation.
- Acquiring or investing in properties encumbered by existing tenancy.
- Acquiring or investing in properties quickly from sellers with timing restrictions.
- Acquiring or investing in bulk condominium and co-op units
- Acquiring condominium units in advance of completion.

## Joint Ventures

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The Company is likely to enter into joint ventures, partnerships, or other co-ownership arrangements with third parties for the acquisition, development or improvement of properties for the purpose of diversifying its portfolio of assets. The Company may also enter into joint ventures, partnerships, and other co-ownership arrangements or participations with real estate developers, owners and other third parties for the purpose of developing, owning and operating real properties. A joint venture creates an alignment of interest with a private source of capital for the benefit of the Company's shareholders, by leveraging the Company's acquisition, development and management expertise in order to achieve the following four primary objectives: (1) increase the return on invested capital; (2) diversify its access to equity capital; (3) "leverage" invested capital to promote the Company's brand and increase market share; and (4) obtain the participation of sophisticated partners in the Company's real estate decisions. In determining whether to invest in a particular joint venture, the Company's Manager will evaluate the real property that such joint venture owns or is being formed to own under the same criteria described elsewhere in the offering circular for the Company's selection of real property investments.



## Acquisitions through Contributions

The Company intends to market a program to owners of properties that fit the Company's criteria to contribute their interests in exchange for units of its operating partnership (UPREIT Transactions). This type of transaction allows sellers to defer taxable gains, similar to a 1031 exchange, but with the ability to diversify their holdings, reduce management responsibilities and monetize a portion or all of their property in a flexible and tax efficient way.

### Competitive Advantages \*

- Defer Taxable Gains
- Diversify Holdings
- Flexibility in Disposition
- Enhance Management
- Monetize Equity



We believe we will be the only public REIT offering UPREIT transactions for small residential units in New York City, many of which are owned as investment properties.

\*The benefits the Company anticipates and describe above from UPREIT transactions may not be realized.

## Market Opportunity

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We believe that Manhattan residential properties represent a good investment opportunity at this time due to a softening of the luxury condominium market that has occurred primarily due to an increase in supply. We expect that as an institutional buyer in a specific sector of real estate that is traditionally non-institutional, we can take advantage of what we believe is becoming a buyer's market and acquire or invest in properties at attractive valuations that have the potential for significant long-term capital appreciation.

“Manhattan’s housing market over the past few years has been at the mercy of climbing luxury prices. Now stagnating price growth is spreading from the top end of the market to the middle, while demand for lower-priced homes increases.”<sup>(1)</sup>

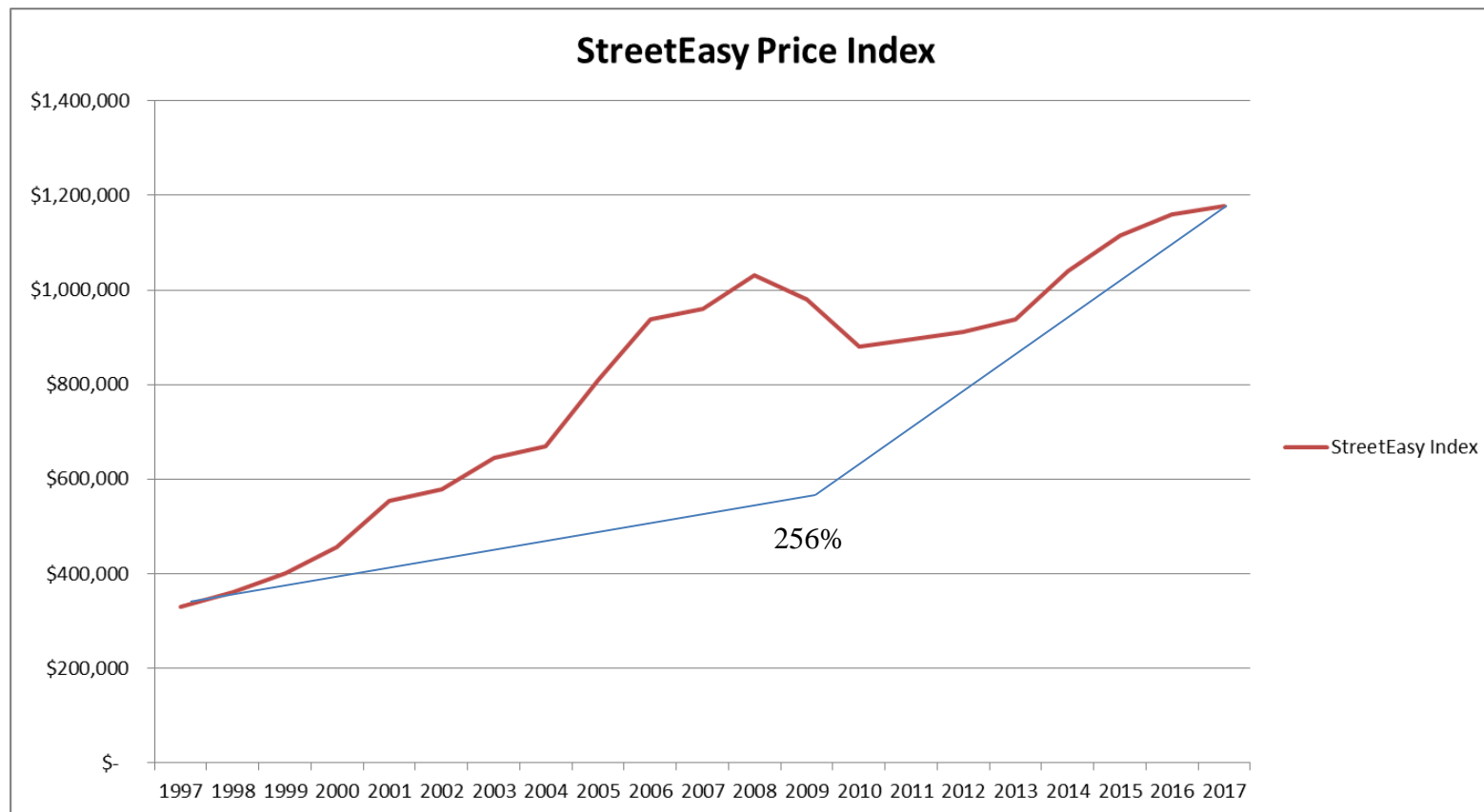
“The end of 2016 foreshadowed what we expect to see in 2017 – increased competition in relatively affordable areas like Upper Manhattan, and even more price cuts in the luxury sector as Manhattan’s market finds equilibrium.”<sup>(1)</sup>

Almost 40 percent of all Manhattan sales listings had a price cut in the fourth quarter and Manhattan sellers received a median of 97.4 percent of their asking price, compared to almost 100 percent last year.<sup>(1)</sup>

(1) StreetEasy Q4 2016 Market Report

## Market Data

### Street Easy Price Index October 2017: Manhattan



Since 1997, the StreetEasy Manhattan Price Index has increased by over 250%. The index includes condominiums, townhouses, and co-ops, providing a fuller picture of the NYC residential market. StreetEasy calculates the Price Index using a repeat sales methodology, a commonly used methodology to estimate changes in home prices over time.

## Management

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**Jesse Stein**



**Jesse Stein** has served as the Chief Executive Officer of Commencement Capital since June 2016 and the Chief Executive Officer of NY Residential REIT, LLC since December 2016. Formerly, Mr. Stein was a founding member and the Chief Operating Officer of ETRE Financial, LLC, a real estate financial services and information technology company, from August 2012 until February 2016. During his time with ETRE Financial, Mr. Stein also served as the Chief Operating Officer, Secretary, and a member of the Board of Directors of ETRE REIT, LLC. Mr. Stein previously served as the Executive Vice President of Acquisitions for United Realty Advisors, LP, an affiliate of United Realty Partners, LLC, or United Realty Partners, a privately held real estate investment and advisory firm from September 2011 through June 2013. Prior to joining United Realty Partners, Mr. Stein was a Managing Director at Multi Capital Group, a boutique real estate and investment banking firm that specializes in equity and debt placement, capital structuring, and principal investment activity. Mr. Stein also spent five years as a proprietary equities trader. Mr. Stein is also the Managing Principal of Advanced Fundamentals LLC, a data analytics and real estate indexing firm which he founded in July 2016. Mr. Stein holds a Bachelor's Degree in Industrial and Labor Relations from Cornell University and a Master's Degree in Real Estate Investment from New York University.

## Management

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### Jonathan Morris



**Jonathan Morris** experience includes significant acquisitions experience, corporate finance expertise, private sector debt and equity and in-depth asset management leadership. Mr. Morris has a 25-year history of real estate leadership in acquisitions and finance working with some of the most well respected organizations in the real estate industry. From 1991 until 1996, Mr. Morris was the Director of Acquisitions for Charles E. Smith Residential Realty, Inc., working as a key team member to convert the then private company to a public REIT. Mr. Morris then served as the Executive Vice President, Chief Operating Officer and Managing Director of Capital Markets for Government Property Investors, Inc, a \$500mm, pre-IPO private REIT owned principally by Brown Brothers Harriman. He then joined Boston Properties, Inc. as Vice-President & Mid-Atlantic Director of Acquisitions, where he facilitated a number of high quality acquisitions, many through the UPREIT transactions. Mr. Morris subsequently helped form LMH Realty Group, LLC, a private equity platform sponsored by Lerner Enterprises, Inc., the largest private owner/developer in the Washington, D.C. metropolitan region. Since 2011, Mr. Morris has taught a master's level REIT class at Georgetown University.



## Advisory Board

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We believe that the members of our advisory board will support our Manager in sourcing and evaluating investment opportunities, providing insight on the Manhattan residential real estate market, and providing services based on each advisory board member's expertise.



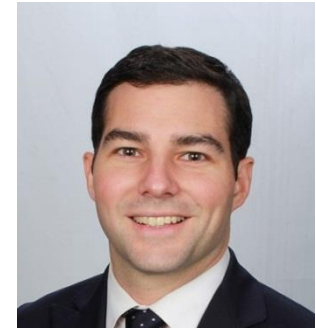
**Ryan Serhant**

Along with starring on the hit Bravo TV show “Million Dollar Listing New York” Ryan Serhant is one of the most successful real estate brokers in the world, with teams under his leadership in Manhattan, Brooklyn, Los Angeles, Miami, and the Hamptons. Mr. Serhant and his team specialize in high-end residential condo and co-op sales and leasing, multi- and single-family homes, new development sales, site acquisitions, and investment sales.



**Eric Brody**

Eric Brody started his construction career in 2003 as an owner's representative/project manager and developer. After successfully completing 15 projects, he joined Wonder Works as a Principal of the firm and is now the Chief Operating Officer, where he is responsible for some of the largest projects in the portfolio, business development, contract negotiations, and procurement.



**David Giancola**

David Giancola is a Managing Director in HFF's New York office with more than 13 years of experience in commercial real estate and finance. He specializes in investment sale transactions and equity placements throughout New York and the Tri-State area. Throughout his career, Mr. Giancola has participated in the completion of more than \$5 billion in real estate transactions.

# NY Residential REIT



*For more information please contact:*

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