

ValueX Vail, June 2018

Trinity Place Holdings (TPHS)

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Overview

- ❖ **Trinity Place Holdings**
- ❖ **Classification: Real Estate / Special Situation**
- ❖ Current price: \$ 6.8 (6/19/18) # shares: 31.6 (mil)
- ❖ **Market cap: \$ 219.8 (mil)**
- ❖ **Concentrated shareholder base:**
 - ❖ 15.6% Third Avenue Real Estate Fund (board representation)
 - ❖ 14.1% MFP Investors (board representation)
 - ❖ 12.1% Marcato Capital
 - ❖ 8.1% DS Fund
 - ❖ 5.3% Horse Island
 - ❖ 3.4% Matthew Messenger (CEO)
- ❖ Three new equity offerings over past five years, backstopped / supported by Third Avenue / MFP Investors.

Background

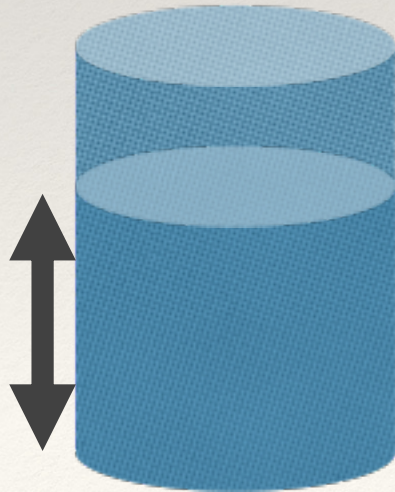
- ❖ **TPHS is the corporate entity that arose from the bankruptcy of Syms (incl. Filene's Basement), an off-price retailer which filed for bankruptcy in 2011.**
- ❖ **Post bankruptcy it had a portfolio of real estate, intellectual property and tax assets.** It started a process of disposing real estate assets but kept several for redevelopment.
- ❖ **Oct 2013** named Matt Messinger as CEO (prior 18yrs at Forest City Ratner) and had its **first equity raise, \$13M @\$4/shs**
- ❖ **In 2015** started development of key asset, **77 Greenwich**. Also raised equity again, **\$30M @\$6/shs**.
- ❖ **2016** launched multi-family initiative for Metro NY, primarily Brooklyn. Two initial acquisitions since.
- ❖ **2017** third equity raise **\$41M @ 7.5/shs**. Commenced construction on **Greenwich 77**.

Investment Thesis

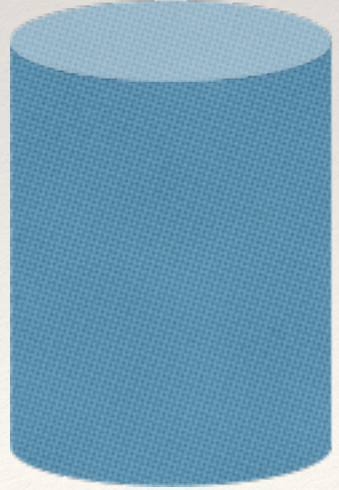

Legacy Asset
Repositioning and
Development



Portfolio of Class
A multi family
properties in
growth
neighborhoods in
Metro NYC



Pay 60-70cents for a \$1 which
over next 3 years is
stabilized in a portfolio of
structurally attractive and
more liquid, cash flow
producing assets .



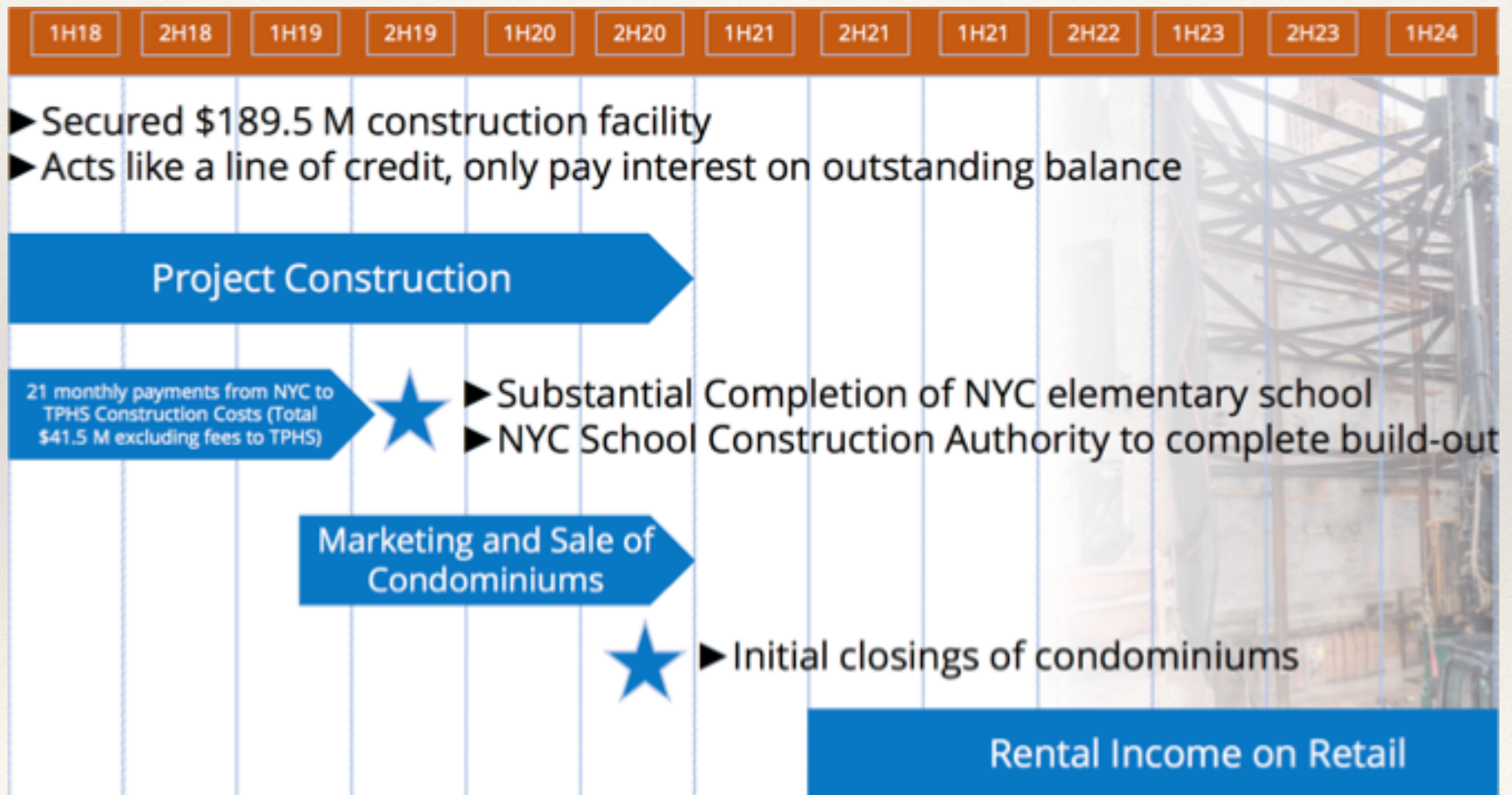
Legacy Assets

1. 77 Greenwich Development (~76% of estimated NAV)

- Former Syms retail site is used to build a **500 foot (40 story) tall mixed use tower**
- **90 luxury condominiums** with water views over Hudson River and NY Harbor (~\$3000/sqft)
- **7,500 GSF ground floor retail**
- **First eight floors will house a new 476 seat public elementary school, build and sold as a commercial condo to NYC school authority for \$41.5M + \$5M fee to oversee construction. NYC pays separately for construction cost.**
- **Fully funded through construction loan and 21 monthly prepayments by NYC**
- **Construction loan facility of \$189.5M with 4yr term and 1yr extension option. Cost of facility: on amounts drawn pays greater of Libor plus 8.25% and 9.25%. They bought 2.5% interest cap on Libor for the entire notional amount. Interest can be capitalized and facility can be prepaid from sales proceeds.**
- **Guaranteed Maximum Price Contract – Construction Manager at Risk**

Legacy Assets

77 Greenwich timeline:



Legacy Assets

77 Greenwich



Legacy Assets

Value of residential component only:

- Recent comps suggest a price range per sqft of \$2,400 - \$3,400, but not all are equal.
- Due to school in lower 8 floors, apartments start at 150feet with all of them having views of New York Harbor/Hudson River/Skyline – suggests average per sqft at higher end of comp range.



| Recent comparison transactions | | | |
|------------------------------------|-----------------|----------------|----------------|
| Building | Estimated \$/SF | Sales Period | |
| 125 Greenwich St | \$2,900/SF | Q4'17/Q1'18 | |
| 45 Park Place | \$3,400/SF | Q3'17/Q1'18 | |
| 25 Park Row | \$3,200/SF | Q4'17/Q1'18 | |
| 130 William St | \$2,400/SF | Q1'18 | |
| 1 Wall St | \$2,500/SF | Q1'18 | |
| 50 West St | \$2,800/SF | 2017 | |
| 30 Park Place | \$3,200/SF | 2H'16/1H'17 | |
| One Seaport (161 Maiden Lane) | \$2,350/SF | 2H'16/1H'17 | |
| Beekman Residences (5 Beekman St.) | \$2,400/SF | 2H'16/1H'17 | |
| 111 Murray St | \$3,200/SF | 2H'16/1H'17 | |
| Price/sqft | \$2,400 | \$ 2,700 | \$ 3,000 |
| Total SSF | 136000 | 136,000 | 136,000 |
| Gross value | \$ 326,400,000 | \$ 367,200,000 | \$ 408,000,000 |
| Construction Loan | \$ 189,500,000 | \$ 189,500,000 | \$ 189,500,000 |
| Net value | \$ 136,900,000 | \$ 177,700,000 | \$ 218,500,000 |
| per share | \$ 4.34 | \$ 5.63 | \$ 6.93 |

Legacy Assets

2. **West Palm Beach** (~4% of NAV) – **strip mall** – 112,000 rentable sqft, land 515,000 sqft
 - Redeveloped in 2016
 - Walmart anchor tenant (41,662 sqft), Tire Kingdom (5,400 sqft)
 - 69% leased (for supermarket anchored centers in WPB area, avg occupancy is only 72%)

3. **Paramus, NJ** (~5% of NAV) – currently retail box but **to be redeveloped as Carmax location**.
 - Currently 77,000 sqft two story retail box leased short term to Restoration Hardware
 - Lot size 292,000 sqft
 - **Agreement with Carmax (KMX)**. KMX will build new building. Fully negotiated lease subject to town approval. Beginning 05/2018 KMX will pay \$56k/month for 12 months, thereafter \$106k/month

4. **Intellectual property rights:** Filene's Basement, Running of the Brides, Stanley Blacker.
 - TPHS has an online marketplace maintained by a third party to sell name brand discounted items under the Filene's Basement brand.

5. **Loss carry forwards: \$201M** of Federal NOLs, **\$102M** of State NOLs (NY, NJ, FL).
 - Expiration between 2029 and 2037.
 - Can be used to offset ordinary income or capital gains (e.g. 77 Greenwich, fee income etc.)

NAV Estimate

| Assets | Base Case | | Bear Case | * |
|---|-------------------|-----------------------|------------------|-----------------------|
| 77 Greenwich Residential | \$2700/sqf | \$ 370,000,000 | 2400/sqf | \$ 326,400,000 |
| Paramus | 7% cap | \$ 17,142,857 | 8% cap | \$ 15,000,000 |
| West Palm Beach | comps | \$ 22,000,000 | -20% | \$ 17,600,000 |
| 77 Greenwich school condominium and fee | deal terms | \$ 46,500,000 | deal terms | \$ 46,500,000 |
| 77 Greenwich commercial retail | 7% cap | \$ 35,714,286 | 8% cap | \$ 31,250,000 |
| The Berkley Brooklyn Equity in JV (recent deal) | BV | \$ 12,500,000 | BV | \$ 12,500,000 |
| Park Slope Brooklyn (recent deal) | BV | \$ 81,000,000 | BV | \$ 81,000,000 |
| Intellectual property | 50% of BV | \$ 2,000,000 | 0% of BV | \$ - |
| Current assets | BV | \$ 27,000,000 | BV | \$ 27,000,000 |
| Total assets | | \$ 613,857,143 | | \$ 557,250,000 |
| | | | | |
| Mortgage West Palm Beach mall | | \$ (9,100,000) | | \$ (9,100,000) |
| Construction loan 77 Greenwich | | \$ (189,500,000) | | \$ (189,500,000) |
| Mtg & mezz loan for Park Slope property | | \$ (67,800,000) | | \$ (67,800,000) |
| | | | | |
| Total NAV estimate | | \$ 347,457,143 | | \$ 290,850,000 |
| | | | | |
| NAV per share | | \$ 11.01 | | \$ 9.22 |
| Current share price | | \$ 6.80 | | \$ 6.80 |
| Discount to NAV | | 38% | | 26% |
| Upside to NAV | | 62% | | 36% |
| CAGR if realized over 3 years | | 17.6% | | |
| CAGR if realized over 4 years | | 13.0% | | |

* Bear Case does not equal worst case, simply reflects potential outcome under moderately worse market conditions

Future Capital Allocation



Portfolio of Class
A multi family
properties in
growth
neighborhoods in
Metro NYC

Already did two deals of newly constructed properties:

- 2016 50% JV to purchase 95 units in Williamsburg \$69.5M
- 2017/2018 purchased 105 units +retail in Park Slope \$81M

\$500M + in pipeline assets for multi-family strategy

Focus on high-quality, newly-delivered assets in prime neighborhoods of Brooklyn and Manhattan.

Capitalize on price dislocations and /or favorable supply / demand characteristics

Locations with income growth, close to public transportation and strong local demand drivers such as universities and hospitals

- Third Avenue / MFP Investors board presence important check on capital allocation
- Longer-term working towards a REIT structure would make sense.

NYC Residential Real Estate

Concerns:

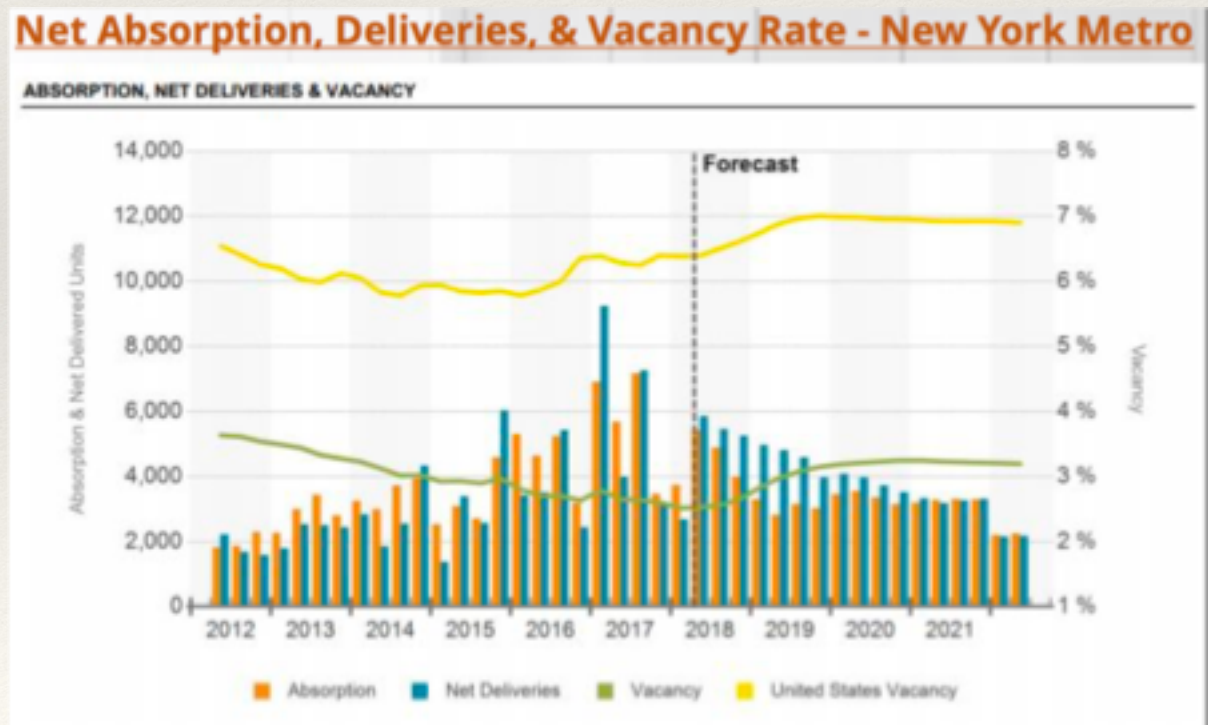
- ❖ NY residential real estate prices peaked in 2016
- ❖ New supply has outstripped strong demand
- ❖ Less foreign capital
- ❖ Concerns about tax reform related relocations
- ❖ Higher interest rates

NYC Residential Real Estate

- ❖ Deal flow and volume declined substantially during 1H'17 but since then activity accelerated again.
- ❖ Contraction most prevalent in Brooklyn over L Train closure and the future of 421-a developments. But is also recovering with tenant mix rapidly improving.
- ❖ Cap rates have increased on average by 0.5% points (=prices down by 10%).
- ❖ Metrowide, cap rates have stabilized in the mid 4% range, with premier properties in core submarkets in the high 3% range.
- ❖ Deliveries peaked in 2017, now at tail end of supply cycle. New deliveries already falling off substantially and new supply is being curtailed.

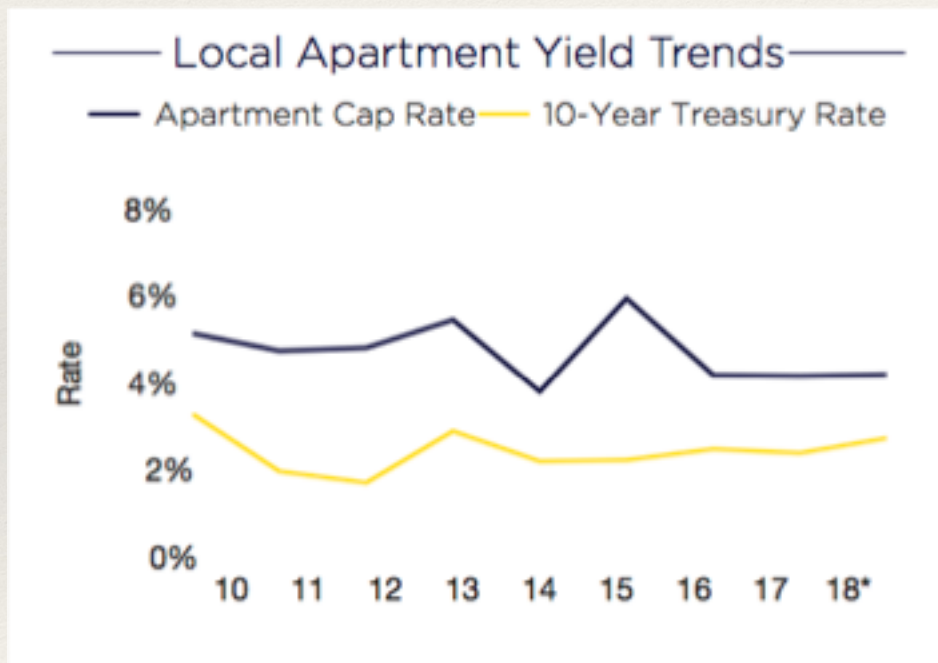
NYC Residential Real Estate

- ❖ Building permits for new units were ~16k in 2017, 71% less than 2015 and the first reduction since 2009. The cycle is projected to end in 2019/20.
- ❖ Not all of new supply consists of market rental units. New supply was heavily influenced by NY's 421 tax abatement program expiration in Jan 2016. New program "Affordable New York" will offer 35 yr abatement for setting 25% of units aside for low income. Tough for mid-size multi family construction to be profitable given high land prices.



NYC Residential Real Estate

❖ Metrowide

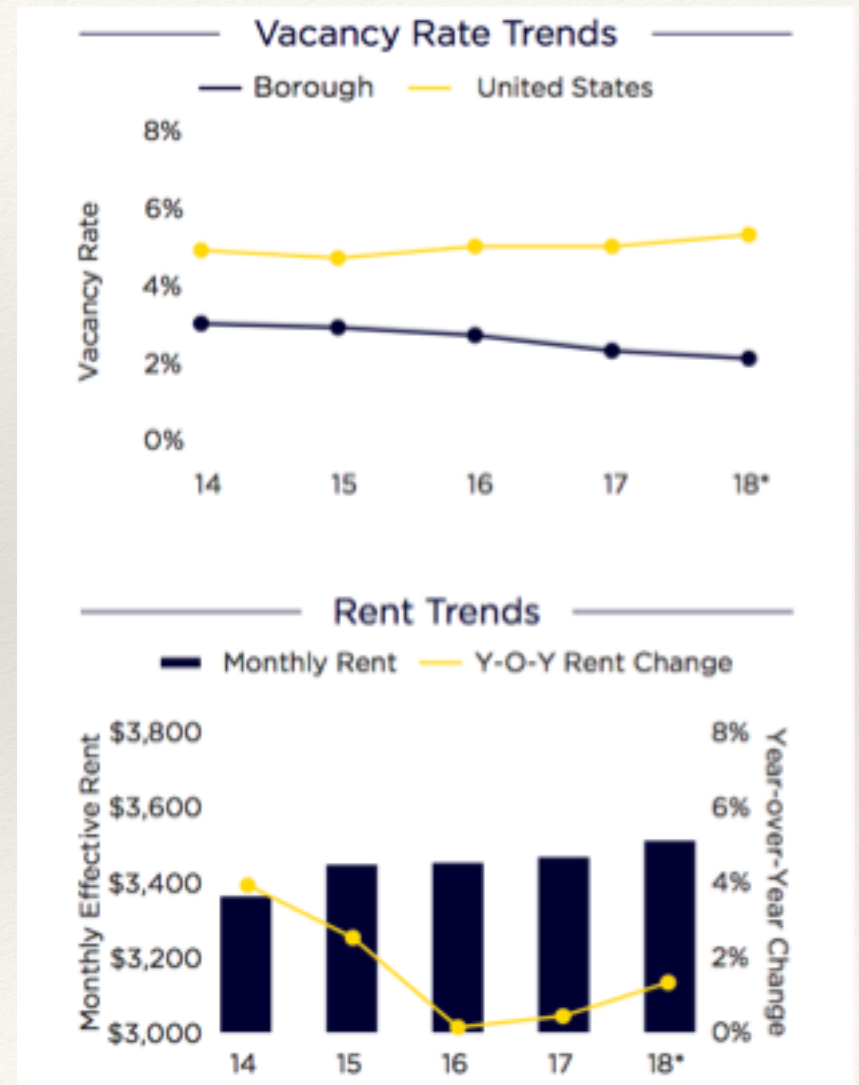
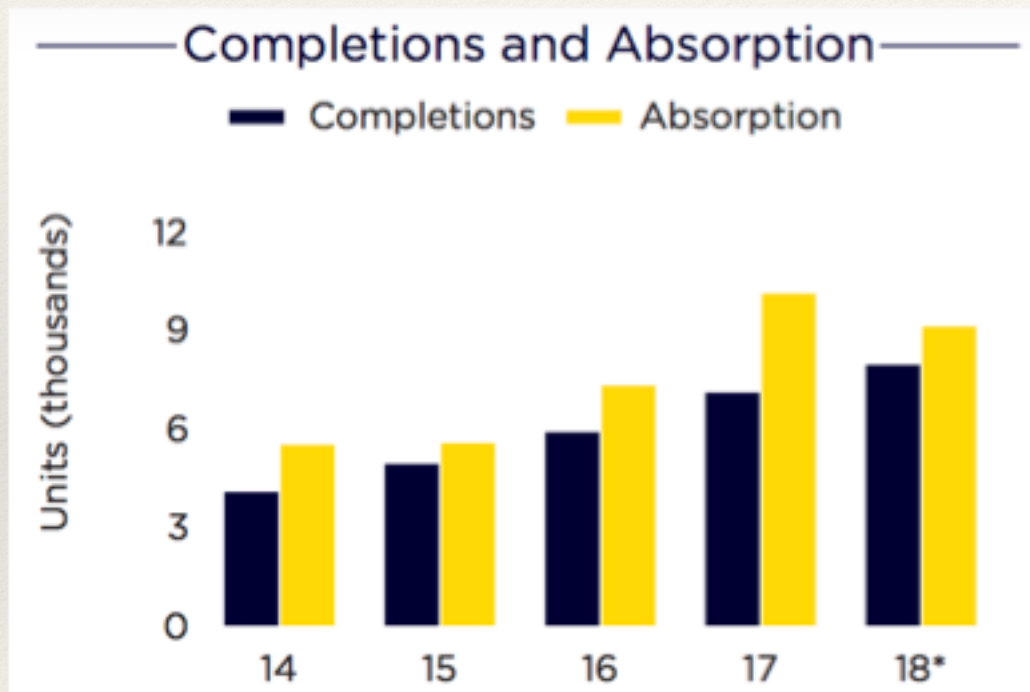


Multifamily 2018 Outlook



| Metro | Vacancy | Y-O-Y Basis Point Change | Effective Rent | Y-O-Y Change |
|--------------------|---------|--------------------------|----------------|--------------|
| Bronx | 1.0% | -10 | \$1,425 | 2.0% |
| Brooklyn | 2.0% | -20 | \$2,150 | 2.3% |
| Manhattan | 2.1% | -20 | \$3,510 | 1.3% |
| Queens | 1.5% | -30 | \$2,060 | 3.0% |
| Staten Island | 3.6% | 20 | \$1,550 | 1.7% |
| Westchester County | 3.8% | -20 | \$1,945 | 1.4% |

Manhattan



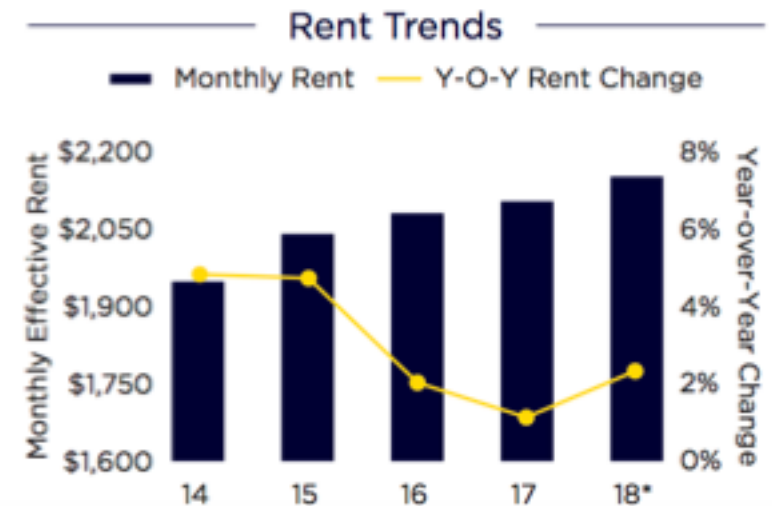
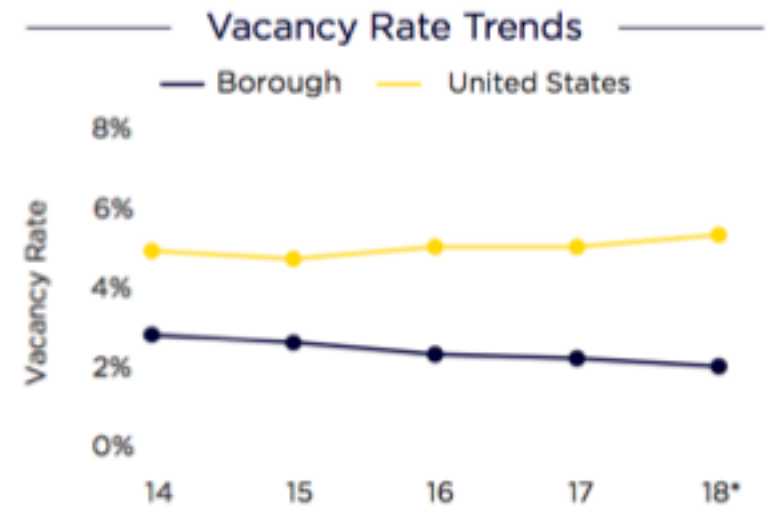
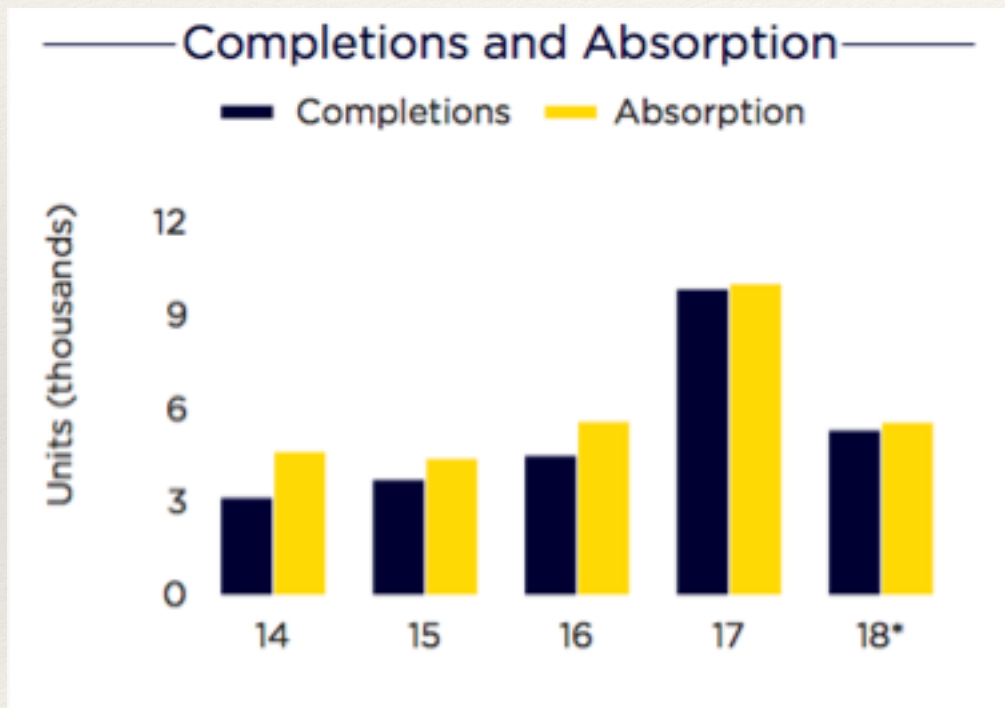
Manhattan con'td

Lowest Vacancy Rates 1Q18

| Submarket | Vacancy Rate | Y-O-Y Basis Point Change | Effective Rents | Y-O-Y % Change |
|------------------|--------------|--------------------------|-----------------|----------------|
| Harlem | 1.8% | -40 | \$2,130 | 2.1% |
| Lower Manhattan | 1.9% | -50 | \$4,049 | 2.0% |
| Upper Manhattan | 2.2% | -30 | \$3,904 | 0.2% |
| Midtown South | 2.7% | -150 | \$3,990 | -1.0% |
| Midtown | 2.8% | -70 | \$3,974 | 0.4% |
| Roosevelt Island | 3.9% | 170 | \$3,305 | -7.0% |
| Manhattan | 2.2% | -50 | \$3,492 | 0.8% |

SUBMARKET TRENDS

Brooklyn



Brooklyn cont'd

Lowest Vacancy Rates 1Q18

| Submarket | Vacancy Rate | Y-O-Y Basis Point Change | Effective Rents | Y-O-Y % Change |
|---|--------------|--------------------------|-----------------|----------------|
| Southern Southeast Brooklyn | 0.6% | -30 | \$1,765 | 2.3% |
| Ditmas Park/Flatbush | 0.8% | 0 | \$1,912 | 1.9% |
| Southwest Brooklyn | 1.5% | -20 | \$1,586 | 1.2% |
| Crown Heights/Prospect Lefferts Gardens | 1.7% | -30 | \$1,570 | 0.5% |
| Bed-Stuy/Fort Greene/Bushwick | 2.3% | -50 | \$2,291 | 1.3% |
| Park Slope/Prospect Heights | 2.9% | -60 | \$2,412 | 0.2% |
| Williamsburg/Greenpoint/Navy Yard | 3.8% | 0 | \$3,166 | -1.3% |
| Downtown Brooklyn | 7.2% | -430 | \$3,460 | 1.3% |
| Brooklyn | 2.2% | -50 | \$2,122 | 1.3% |

SUBMARKET TRENDS

Multi Family Metro NYC

- ❖ **Apartment demand has largely kept up with supply due to consistent job growth and rising household formation**
- ❖ **NYC metro population projected to grow by over 3% over next decade**
- ❖ **NYC economy is diversifying** with universities and health care showing largest increases. High wage industries are generating a stable base of renter households.
- ❖ **High prices for single family homes (due to low stock) leads many new households to seek rental accommodations**, particularly in core boroughs of Manhattan and Brooklyn. Leading to **healthy net absorption and low vacancy rates of 2% on average**.
- ❖ **Brooklyn is gaining high-income resident market share & greater investor acceptance** (already most populous borough with 2.6m residents).
- ❖ **Over past 25 yrs, NYC rental growth has been over 4% p.a. on average for market rents. New supply has temporarily reduced this to 2.5%-3%**

Recent Aquisitions



Recent Acquisitions

- ❖ The Berkley – 223 N. 8th St Williamsburg Brooklyn (4% of NAV)
- ❖ Completed in June 2016, Acquired in Dec 2016
- ❖ 95 units (76 market / 19 affordable)
- ❖ private terraces, on-site parking and tenant storage
- ❖ Benefits from 421 A real estate tax abatement for 25 yrs
- ❖ Price paid \$68.9M through 50/50 JV (with family owned Pacolet Milliken)
- ❖ 62% financed 10yr non-recourse loan at 216bps over Libor., 4.04% as of 03/31/18, five yrs IO, pre-payable after 2 yrs with 1% penalty.
- ❖ Occupancy at acquisition 71%, now 99%. Likely to be refinanced at higher LTV with longer term fixed rate.

Recent Acquisitions

- ❖ 237 11th St Park Slope, Brooklyn (4% of NAV)
- ❖ Completed in fall 2017, Agreed to acquire in Sep '17, closed May '18
- ❖ 105 market units, panoramic views, on-site parking, balconies
- ❖ Includes 6,264 sqf ground floor retail, rented to Starbucks
- ❖ Benefits from 421 A real estate tax abatement for 15 yrs
- ❖ Price paid \$81M
- ❖ 83%% financed (mtg+mezz loan) for 2yr IO (L+372), 1yr extension option. To be refinanced once stabilized.
- ❖ As of March 31 2018: 67% leased

Management

- ❖ Experienced and incentivized through stock based comp

- ❖ CEO - Matthew Messinger (since 2013)

Prior 18yrs at Forest City Ratner. Headed the co's NY investment committee and served on the investment committee and executive mgt committee at parent FCE.

- ❖ CFO – Steven Kahn (since 2015)

Prior CFO of United Realty Trust inc, a small SEC registered non-traded REIT that was sold in 2015 to First Capital Real Estate Investments.

Catalysts

- ❖ Don't expect any short term catalyst, instead slow but steady execution.
- ❖ Monetisation of 77 Greenwich – 2019/20
- ❖ Further asset sales: West Palm Beach, Paramus
- ❖ Refinancings
- ❖ Progress on multi family portfolio

Risks

- ❖ Recession with falling demand in core NYC markets.
- ❖ Rising interest rates and cap rates.
- ❖ A sharp drop in foreign demand due to escalating trade frictions or due to other geopolitical reasons.
- ❖ A significant delay in completion of 77 Greenwich.
- ❖ Inability to monetize remaining non-core assets.

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