

# Longpoint Realty Partners, LP

## Part 2A of Form ADV

### Firm Brochure

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This Brochure provides information about the qualifications and business practices of Longpoint Realty Partners, LP (“Longpoint” or “Advisor”). If you have any questions about the contents of this Brochure, please contact us at 617.861.9760.

Additional information about Longpoint is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Longpoint is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

In September 2016, Longpoint filed its initial application to register as an investment adviser with the SEC. Accordingly, pursuant to disclosure rules under the Advisers Act, this is the first Brochure compiled by Longpoint to provide new and prospective investors with clearly written, meaningful, current disclosure of its business practices, conflicts of interest and background of its advisory personnel. We encourage all recipients of this Brochure to read it carefully in its entirety.

In the future, this Item will identify and discuss the material changes since the last annual update to assist investors and make them aware of certain information that has changed since the prior year's Brochure and that may be important to them.

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## **Item 4: Advisory Business**

Longpoint Realty Partners, LP is an investment advisor, founded in 2015, that specializes in acquiring and managing real estate in the middle markets throughout the United States of America. Longpoint is registered with the SEC as an investment adviser under the Advisers Act.

Longpoint serves as an investment advisor and provides advisory services to one client. The advice provided by the Advisor is tailored to meet the investment objectives and restrictions of each client. Longpoint is majority owned and operated by its four founding partners.

As of September 2016, Longpoint managed \$115,000,000 on a non-discretionary basis.

## **Item 5: Fees and Compensation**

Longpoint provides investment advisory services to clients pursuant to separate investment advisory or letter agreements (the “Agreements”). The Agreements for each client set forth in detail the fee structure relevant to each such client. The terms of the Agreements are generally established at the outset of the relationship.

Longpoint typically receives compensation from fees based on a percentage of net of operating income from real estate assets (“Management Fee”) and other deal related fees associated with the acquisition, disposition or financing of assets. Management Fees are generally billed to clients quarterly in arrears.

Longpoint, according to individual Agreements, may seek reimbursement from clients for certain expenses, which may include expenses associated with: property management, insurance, interest, taxes, assessments, maintenance, development, repair, financing, leasing tenant improvement, construction management services, accountants, attorneys, third party appraisers, real estate brokers, contractors, engineers, insurance brokers, out-of-pocket expenses, title holding entities, and any other direct expenses incurred with respect to the operation and management of real estate assets.

Investors should review all fees and reimbursable expenses charged by the Advisor to fully understand the total amount of fees to be paid.

## **Item 6: Performance Based Fees and Side-by-Side Management**

Longpoint does not charge performance based fees.

## **Item 7: Types of Clients**

Longpoint provides investment advisory services to family offices and their associated trusts, estates, foundations, and other legal entities.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

Longpoint assists in formulating each client’s investment objective and strategies based on the client’s unique circumstances and needs. Longpoint, however, generally employs a fundamental

value approach to investing, focused on select properties across geographic regions in major US markets. Based on its fundamental value approach and insights into how demographics, consumption patterns, e-commerce technology and the macro-economic landscape are disrupting the real estate market, Longpoint's objective is to construct portfolios that will provide a combination of current income and asset appreciation. The Advisor will strive to create value at the asset level by executing hands-on asset management strategies, including: i) physical repositioning/ redevelopment, ii) proactive leasing strategies, iii) creating operational efficiencies, and iv) development. To maximize risk-adjusted returns, Longpoint will seek to exercise strict exit discipline, continuously monitoring exit potential based on capital market conditions and asset level fundamentals. The Advisor will primarily focus on opportunities in the industrial and retail sectors in the middle market, which it believes is the most active, inefficient and imperfect segment of the capital markets spectrum, thus providing the greatest opportunity for superior risk-adjusted returns.

Investing in real estate assets involves the risk of loss, including but not limited to those listed below, that should be carefully considered by potential clients. There can be no assurance that Longpoint will meet its investment objectives or otherwise be able to carry out its investment program successfully or that a client will receive a return of its capital. The possibility of partial or total loss of capital exists and clients must be prepared to bear capital losses.

**General Risks.** Real property investments are subject to varying degrees of risk. The returns available from equity investments in real estate depend on the amount of income generated and expenses incurred. If the investments do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, cash flow and ability to make distributions will be adversely affected. Operating results will be subject to risks generally incident to the ownership of real estate, including:

- changes in the national and local economic climate;
- changes in the supply of or demand for similar or competing properties;
- changes in population or employment in the regions in which the properties are located;
- changes in tenant preferences that may reduce the attractiveness of particular properties;
- fluctuations in inflation and interest rates; and
- increases in operating costs (including real estate taxes, insurance and utilities and the cost of compliance with zoning and other governmental regulations).

**Risks Related to Tenants.** While Longpoint will conduct due diligence on the financial condition of the tenants of each proposed real property investment, any delays in payments of rent or the default of a single major tenant or a number of smaller tenants would adversely affect income from a property and ultimately the value that may be realized upon the disposition of the property. Therefore, financial success is indirectly dependent on the success of the businesses operated by the tenants in the properties or in the properties securing loans. Tenants may have the right to terminate their leases at specified times or upon the occurrence of certain customary events of default and, in other circumstances, may not renew their leases or, because of market conditions, may be able to renew their leases on terms that are less favorable than the terms of the current

leases. Vacancies caused by terminations by tenants or the expiration of leases, and less favorable terms in any future leases, may adversely affect operations. Some properties may be leased to a single or significant tenant and, accordingly, may be suited to the particular or unique needs of such tenant. There may be difficulty replacing such a tenant if the floor plan of the vacant space limits the types of businesses that can use the space without major renovation or require significant capital to reconfigure the space for multiple tenants. In addition, the resale value of the property could be diminished due to such risks because the market value of a particular property will depend principally upon the value of the leases of such property.

**Market Risks.** In the past, the commercial real estate market has experienced a substantial influx of capital from investors. This substantial flow of capital, combined with significant competition for real estate, may have resulted in inflated purchase prices for such assets. To the extent the Advisor purchases real estate in the future in such an environment, clients will be subject to the risks that the value of those assets may not appreciate or may decrease significantly below the amount paid for such assets if the real estate market ceases to attract the same level of capital investment in the future as it has recently attracted, or if the number of companies seeking to acquire such assets decreases.

**Certain Considerations Relating to Retail Centers.** A lease termination by a tenant that occupies a large area of a retail center (commonly referred to as an anchor tenant) could impact leases of other tenants. Other tenants may be entitled to modify the terms of their existing leases in the event of a lease termination by an anchor tenant, or the closure of the business of an anchor tenant that leaves its space vacant even if the anchor tenant continues to pay rent. Additionally, major tenant closures may result in decreased customer traffic, which could lead to decreased sales at other stores and resulting lease defaults or terminations.

**Cost Risks.** At the time of a real estate investment, the Advisor will make certain estimates of the costs of maintaining, developing, improving or repositioning the acquired property. Some costs associated with a real estate investment, such as maintenance and repairs, may be subject to cost increases beyond the control of the Advisor. Should the initial estimates prove too low, the profitability of the investment may be adversely affected.

**New Construction Risk.** The construction of a new development in the areas surrounding the property may also affect the ability to lease space under favorable conditions. Although the Advisor will seek to make property investments that have structural barriers to new developments that compete with existing properties owned by clients, the arrival of new competitors in the immediate trade areas could require unplanned investments to meet competitive pressures, which may adversely affect the property's financial condition. The Advisor may also have difficulty in renewing leases or in leasing to new tenants, which may lead to a reduction in cash flow and operating income, since the proximity of new competitors could divert existing or new tenants to such competitors, resulting in vacancies.

**Effect of Property Taxes.** Many of the real property investments will be subject to real and, in certain instances, personal property taxes and assessments. The real and personal property taxes on such real properties may increase or decrease as property tax rates change and as such properties are assessed or reassessed by taxing authorities. If property taxes on the real property

investments increase, cash available for distribution to clients may be materially and adversely affected.

***Geographic Concentration Risk.*** Investments may be concentrated in a limited number of geographic areas. As a result, operating results and ability to make distributions could be impacted by economic changes specifically affecting the real estate markets in that area. Investments will therefore be subject to greater risk than a geographically diversified portfolio.

***Liquidity Risk.*** Liquidity relates to the ability to dispose of an investment in a timely manner at a price that reflects fair market value. At the desired time of liquidation of an investment, there may not be a ready market for the investment, based on either property-specific factors (e.g., location, condition, tenants) or general market and economic conditions, including the unavailability of financing at favorable rates. Inability to liquidate investments at fair market value could adversely affect the ability to make distributions and ultimately affect the return from investment.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the adviser or the integrity of the adviser's management. Neither Longpoint nor any of its officers, directors, members, partners or employees (the "Employees"), have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

## **Item 10: Other Financial Industry Activities and Affiliations**

Longpoint's existing client owns a minority stake in the adviser.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Longpoint has adopted a written Code of Ethics (the "Code") that is applicable to all Employees. Among other things, the Code requires Longpoint and its Employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Longpoint's restrictions on personal securities trading apply to Employees, as well as Employees' family members living in the same household. A copy of Longpoint's Code is available for review and will be provided to any client upon request.

## **Item 12: Brokerage Practices**

Longpoint focuses on making investments in private real estate assets, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer. Therefore, issues relating to soft dollars, directed brokerage or block trades do not exist with respect to Longpoint.

Longpoint currently has one client, effectively eliminating issues regarding allocation of investment opportunities. The Advisor has developed allocation policies and procedures in the event it begins to provide investment advice to multiple clients.

### **Item 13: Review of Accounts**

All investments are carefully reviewed and approved by Longpoint's investment team. Clients' investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

Longpoint provides quarterly and annual reports to each client.

### **Item 14: Client Referrals and Other Compensation**

Longpoint does not receive economic benefits from non-clients for providing investment advice and other advisory services.

Longpoint does not currently compensate anyone for client referrals.

### **Item 15: Custody**

Longpoint is deemed to have custody of client funds as a result of access to client bank accounts. All client accounts are held in custody by unaffiliated banks. Accounts for which Longpoint and/or its employees have custody are subject to an annual surprise verification audit performed by an independent accounting firm. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Longpoint.

### **Item 16: Investment Discretion**

Longpoint currently provides only non-discretionary investment advice.

### **Item 17: Voting Client Securities**

Longpoint invests in real estate assets that do not issue proxies and therefore is not required to vote proxy proposals, amendments, consents or resolution.

### **Item 18: Financial Information**

A balance sheet is not required to be provided as Longpoint (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.