



# S3 LB REAL ESTATE CREDIT FUND III LP

QUARTERLY REPORT  
Q1 2025

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# Fund Overview<sup>1</sup>

## During the Quarter

### 5 Loans

Added to the portfolio

**\$452.0 M / \$146.7 M<sup>2</sup>**

New loan commitments / Fund exposure

**\$115,032,414<sup>3</sup>**

Principal balance funded

**2.55%**

Quarterly cash dividend yield

## As of Quarter End

### 9 Loans

Current portfolio

**\$662.9 M / \$202.9 M<sup>2</sup>**

Total active loan commitments / Fund exposure

**\$164,736,403<sup>3</sup>**

Total principal balance of portfolio

**\$371,600,000**

Loans under deposit



<sup>1</sup>Data as of March 31, 2025

<sup>2</sup>The Fund's exposure is inclusive of both Fund and co-investment vehicles B Note commitments

<sup>3</sup>Inclusive of both A Note and B Note funding

# Executive Summary

## FUND SUMMARY

S3 LB Real Estate Credit III LP is a closed-ended private credit vehicle, aiming to provide investors attractive risk-adjusted returns with high current income throughout the Fund's life. The Fund seeks to achieve this by originating construction financing and bridge loans for mid-sized multifamily development projects in and around Tier 1 markets nationally. S3 Capital focuses on working with experienced developers, structuring and actively managing each loan to mitigate risk throughout the life of the loan. The Fund's investment period expires in November 2028, and its term matures in November 2030.

## FUND STATUS

As of March 31, 2025, the Fund has originated nine loans totaling \$662.9 million. After securing A Note financing, the Fund's exposure totals \$202.9 million.<sup>1</sup> The Fund has an additional 10 loans totaling \$371.6 million under deposit which are expected to close during 2Q 2025, subject to final due diligence.

The Fund has signed investor commitments totaling \$347.7 million plus co-investment commitments totaling \$90 million.<sup>2</sup> The Fund is targeting another close in July and anticipates remaining open to additional investor commitments through the end of 2025, with an expected total of \$650 million.

## Q1 2025 PERFORMANCE

S3 LB Real Estate Credit III LP closed the first quarter of 2025 with a dividend yield of 2.55%. The portfolio's investments are expected to generate a weighted average spread over SOFR of 12.8%.<sup>3</sup>

The Fund was active in Q1 as it continued to ramp up the portfolio, closing \$442 million in new commitments across five new loans. Four of the Fund's new loans are for properties grandfathered under New York City's now-expired 421-a tax abatement program, providing an extra level of attractiveness due to the improved long-term value of the collateral.

In Q1 2025 S3 Capital facilitated \$11.2 million in construction draws, performing site visits for each of the draws prior to a release of funds.

## CAPITAL CALLS & DISTRIBUTIONS

As of March 31, 2025, the Fund has called approximately \$43.3 million, or 15% of Fund commitments.

Q1 2025 Distribution notices will be sent to investors on or after May 15, 2025, by our fund administrator, Alter Domus. The Q1 2025 financial statements and partner-capital-statements will be sent on or before May 30, 2025.

<sup>1</sup>The Fund's exposure is inclusive of both Fund and co-investment vehicles B Note commitments

<sup>2</sup>Data as of May 1, 2025. The Fund anticipates closing additional capital in Q2 2025 that will bring total Fund commitments to \$425 million+

<sup>3</sup>Represents levered spread over SOFR, gross of the impact of fees and carried interest allocations; as of May 15, 2025, 2 loans have identified an A note provider but not yet closed, spread is indicative of anticipated terms with identified A note partner

# Executive Summary

## CURRENT MARKET OPPORTUNITY

The structural case for residential construction lending remains strong. The residential supply-demand imbalance has become even more pronounced, especially for multifamily properties. CBRE data shows that the U.S. has now experienced five consecutive quarters of renter demand outpacing new supply across Tier 1 markets nationally.<sup>2</sup> At the same time, housing affordability continues to deteriorate nationwide, with renting now cheaper than buying in all 50 U.S. states.<sup>3</sup> Combined, these factors point to a deep and durable need for multifamily residential housing which creates a clear opportunity for private construction lenders like S3 to step in and create value.

Meanwhile, bank financing for developers of new construction has continued to decline. According to recent Federal Reserve data, year-over-year growth in construction and development loan balances at small regional banks has been negative for the entirety of 2025 thus far, reflecting the ongoing retreat by traditional lenders from the sector,<sup>1</sup> and providing greater opportunity for groups like S3 Capital.

Despite recent tariff policy changes, we believe the actual impact on our portfolio will be limited. Preliminary analysis suggests only a ~1.5% increase in total project costs, which is well within the range of contingency reserves we typically underwrite. For a deeper dive into our perspective and analysis, please see our [Q2 2025 House Views: Tariff Outlook Report](#).

## Q2 2025 PREVIEW

Looking forward, the Fund will continue to focus on financing projects that offer a unique value proposition by delivering attainably priced units to undersupplied, high growth markets. After an active Q1, new loans under deposit remain strong, exceeding \$371.6 million as of quarter end. To start the second quarter, we closed our first loan in Denton, Texas (outside of Dallas-Fort Worth).



\*Rendering of development in Denton, TX closed in May 2025

<sup>1</sup>US Federal Reserve; <https://fred.stlouisfed.org/series/CLDSCBW027SBOG>

<sup>2</sup>CBRE Research, CBRE Econometric Advisors, Q1 2025; <https://www.cbre.com/insights/figures/q1-2025-us-multifamily-figures>

<sup>3</sup>Bankrate; <https://www.bankrate.com/real-estate/rent-vs-buy-affordability-study/#key-insights>

# Portfolio Diversification

## Current Portfolio

### NEW YORK

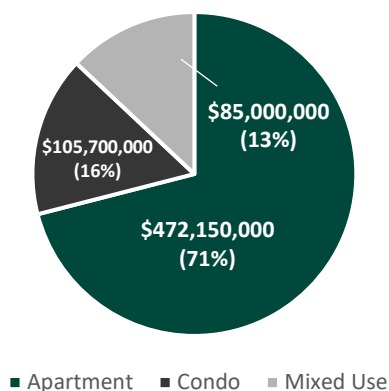
- Williamsburg, Brooklyn
- Gowanus, Brooklyn
- Midtown, Manhattan
- Midwood, Brooklyn
- Astoria, Queens
- Astoria, Queens

### FLORIDA

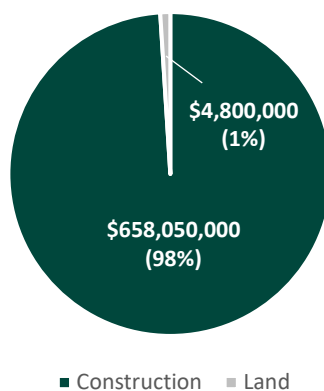
- Davenport
- Bay Harbor
- Sarasota



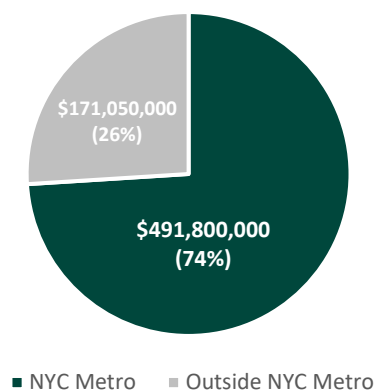
### Property Type



### Loan Type



### Geography



# Portfolio Overview

## Active Loans

Address	Location	Date		Commitment Summary	
		Whole Loan	Fund Exposure	Whole Loan	Fund Exposure*
133 Kent Avenue	Williamsburg, Brooklyn, NY	11/27/2024	11/30/2026	\$ 85,000,000	\$ 21,250,000
1121 Loblolly Lane	Davenport, FL	12/9/2024	5/31/2027	\$ 65,350,000	\$ 19,605,000
9927 E Bay Harbor Drive	Bay Harbor, FL	12/20/2024	6/30/2027	\$ 55,700,000	\$ 13,925,000
282 4th Avenue	Gowanus, Brooklyn, NY	12/31/2024	4/30/2025	\$ 4,800,000	\$ 1,512,000
250 W 49th Street	Midtown Manhattan, NY	1/13/2025	1/31/2027	\$ 79,000,000	\$ 19,750,000
1305 4th Street	Sarasota, FL	2/21/2025	2/28/2027	\$ 50,000,000	\$ 15,000,000
2892 Nostrand Avenue	Midwood, Brooklyn, NY	3/18/2025	3/31/2027	\$ 23,000,000	\$ 6,900,000
Astoria Cove I	Astoria, Queens, NY	3/21/2025	9/30/2027	\$ 94,000,000	\$ 32,900,000
Astoria Cove II	Astoria, Queens, NY	3/21/2025	9/30/2027	\$ 206,000,000	\$ 72,100,000
<b>Total Fund Portfolio - 9 Loans</b>				<b>\$ 662,850,000</b>	<b>\$202,942,000</b>

\*The Fund's exposure is inclusive of both Fund and co-investment vehicles B Note commitments. A note partner identified but not closed for two loans, Fund exposure represents anticipated terms with identified A Note provider for these loans.

## Loans Under Deposit

Location	Est. Closing	Total Loan
Denton, TX*	Q2 2025	\$ 46,500,000
Gowanus, Brooklyn, NY	Q2 2025	\$ 24,000,000
Hialeah, FL	Q2 2025	\$ 31,100,000
Park Slope, Brooklyn, NY	Q2 2025	\$ 21,000,000
North Bay Village, FL	Q2 2025	\$ 67,000,000
Satellite Beach, FL	Q2 2025	\$ 26,000,000
60 N 1st, Brooklyn, NY	Q3 2025	\$ 39,000,000
Roselle, NJ	TBD	\$ 46,500,000
Kensington, MD	TBD	\$ 40,000,000
Bay Harbor Islands, FL	TBD	\$ 30,500,000
<b>Total</b>		<b>\$ 371,600,000</b>

\*Loan closed on May 6, 2025



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