



Estimated Income Fund I Equity:

Month/Year	October 2015	November 2015
Estimated Value of Fund	\$68,138,845	\$68,138,000
Third Party Debt	\$32,965,617	\$30,912,000
Estimated Total Equity of Fund	\$35,173,228	\$37,226,000
Members' Invested Capital (1A, 1B, 1C)	\$28,920,038	\$28,920,000

Strategic Holdings is wishing you a happy holiday season!



THE CEO'S DESK

Dear Investors,

Hopefully each and every one of you enjoyed quality family time and good food over the Thanksgiving holiday. Family is everything and in many ways our investors are like family to us. We wish each and every one of you blessings during the holiday season.

Some of the top subjects on the internet news lately include the 2016 Presidential Election, the price of oil, and the Federal Open Market Committee (FOMC). The FOMC is a committee within the Federal Reserve System which sets the target level of the federal funds

rate, which is a benchmark in the financial markets. Adjusting it is meant to have macroeconomic ramifications. It was at the 5.25% range late 2006 through most of 2007, which time period can be argued as peak real estate values. An increasing federal funds rate can be interpreted as a positive sign that the economy has recovered sufficiently to warrant increasing interest rates. Justification for liftoff includes the October 2015 unemployment rate of 5.0%, 271,000 jobs added in October 2015, and a 3rd quarter GDP

This month our office will be closed on December 24th & 25th.

revised up to 3.9%. The federal funds rate has been less than 1% since late 2008 and has not been raised by the FOMC since late 2008.

How does an improving economy affect the value of multi-family housing? As the economy gains more momentum, there will be additional household formation. Following the Great Recession, many people downsized and moved in with family and friends to save money which *(Please continue to the next side...)*

Estimated Growth Fund II Equity:

Month/Year	October 2015	November 2015
Estimated Value of Fund	\$12,500,000	\$12,500,000
Third Party Debt	\$7,670,000	\$7,670,000
Estimated Total Equity of Fund	\$4,830,000	\$4,830,000
Members' Invested Capital (1A, 1B, 1C)	\$1,988,000	\$1,988,000

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HAVE REFERRED
YOUR FRIENDS
AND FAMILY TO US.

We thank you for your trust, and want you to know we offer \$500 as a token of our appreciation.



reduced demand and lowered occupancy of rental properties. In addition, people who wanted to form new households were forced to save money and delayed plans to rent their own place. Lower than normal housing stock was built following the Great Recession, which has contributed to pent-up demand for multi-family housing. We believe that there is a lot of pent-up demand that will be unleashed as more jobs are created and prosperity spreads through the various economic classes. All in all, this bodes well for multi-family housing values.

How do interest rates affect the value of multi-family housing? The answer is complex and multi-faceted. Historically, the mean capitalization rate on multi-family housing has averaged 280 basis points over the 10-year Treasury. Currently, the spread of the mean capitalization (6.0%) is 375 basis points over the 10-year Treasury (2.25%), which is 95 basis points higher than average implying that there is room for the 10-year Treasury to increase 95 basis points higher. The lower the capitalization rate, the higher the property value. Conversely, the higher the capitalization rate, the lower the property value. Most projections reflect interest rates staying lower than in prior economic cycles.

Typically interest rates increase when there is wage growth and other signs of inflationary pressure. Rental rates usually increase when there is wage growth. This is one of the many reasons why income producing property, especially multi-family housing, can be an inflation hedge. Private equity real estate funds generally follow Core, Core-Plus, Value Added, or Opportunistic strategies when making investments. Strategic Holdings prefers to be described as an Opportunistic Value Added multi-family operator with a penchant for workforce housing projects. We typically seek to acquire multi-family properties that have been mismanaged with deferred maintenance at distressed prices. It is imperative that a property be located in a sub-market with 90%+ occupancy and rental rates sufficient to generate a favorable Net Operating Income. The higher the Net Operating Income the higher the property value. One of our competitive advantages has been our ability to obtain reasonably priced capital to acquire and reposition distressed multi-family properties as well as our ability to obtain permanent long-term low rate mortgages after stabilization from Fannie Mae and Freddie Mac.

As you may recall, Strategic Diversified Real Estate Holdings, LLC ("Fund I") now has a new \$20 Million tranche called 1-D Membership Interests which have the potential for a tax-advantaged wealth-building strategy (with a monthly payment). The new 1-D Membership interests will be entitled to a 10% preferred return, 25% of depreciation, and 25% of yearly Fund I Adjusted Net Profits which include profits from a liquidation event. Please contact either Barry Levenson or Patty Franklin should you be interested in learning more about the new 1-D Membership interests. On a one time basis, we will be allowing up to \$4.6 million of capital to move from the 1-C Membership interest to the new 1-D Membership interest at no cost to investors. In addition, we will be placing a moratorium on the sale of 1-C Membership interests effective December 15, 2015 as we attempt to raise more capital in the 1-A and 1-B Membership interests.

Barry Levenson

This is not an Offer to Purchase or Sell Securities. This overview is for informational purposes and is not an offer to sell or a solicitation of an offer to buy any securities in the Private Placement Memorandum (PPM) of Strategic Diversified Real Estate Holdings, LLC. and may not be relied upon in connection with the purchase or sale of any security. Interests in the PPM, if offered, will only be available to parties who are "accredited investors" (as defined in Rule 501 promulgated pursuant to the Securities Act of 1933, as amended) and who are interested in investing in the PPM on their own behalf. Any offering or solicitation will be made only to qualified prospective investors pursuant to a confidential offering memorandum, and the subscription documents, all of which should be read in their entirety.