



# Investor News

July 2015 Volume 17 (805) 764-5128 www.StrategicHoldings.com

## Estimated Fund Equity: June 2015\*

Month/Year	April 2015	May 2015
Estimated Value of Fund	\$61,600,000	\$74,300,000
Third Party Debt	\$30,365,000	\$38,000,000
Estimated Total Equity of Fund	\$31,235,000	\$36,300,000
Members' Invested Capital (1A, 1B, 1C)	\$17,400,000	\$20,475,000

\*As of June 30, 2015



For access to more exclusive content, follow us on Facebook!  
Facebook.com/StrategicHoldings

## STRATEGIC UPDATE

### Dear Investors,

We are happy to announce that our second Fund is now open! The Strategic Holdings Growth Fund II is designed for Investors who want reasonable cash-flow and equity upside over a 5 to 7 year time horizon (if redeemed sooner, there are no early withdrawal penalties, just the preferred rate will be earned for the time in the Fund). Strategic Holdings Growth Fund II, LLC (the "LLC") is organized as a California limited liability company. The manager of the LLC is Strategic Diversified Management, Inc., a California corporation (the "Manager"). The primary objective of the LLC is to acquire stable multi-family residential properties (and other income producing commercial properties) and operating at or near market rate occupancies or "value-add" opportunities that involve cosmetic refurbishment.

Investors will be entitled to an 8% preferred return as well as 70% of operational profits and any upside appreciation. The overall goal will be to buy properties with slightly above market cap rates (targeted at 7-8%+) and then leverage the properties with Fannie Mae/ Freddie Mac fixed rate financing at prevailing market rates (currently 4.5%). Based upon 2% annual appreciation, buying properties at 8% cap rates, and obtaining fixed rate mortgages around 4.5%, we anticipate Investors earning annual returns between 18% to 22%. The bulk of the returns will be realized when the properties are sold.

We encourage you to talk to us to learn all the details regarding Growth Fund II. If you

*The Strategic Holdings Growth Fund II is now open!*

invest prior to July 15th, you can place your investment in any of the 3 tranches of Fund I and then move it over to Fund II, with no charge, on July 15th.

If you would like to learn more about the new Fund please contact Patty Franklin at (805)764-5128 or PFranklin@StrategicHoldings.com or myself.

**As a nice benefit for our current Investors, anyone who is already in Fund I and adds an incremental investment into Fund II will receive a \$500 cash bonus!**

### Summary: Growth Fund II Available Equity Membership Interests upon issuance

OFFERING SERIES	OFFERING STATUS	PREFERRED RETURN	PRICE PER UNIT	MINIMUM PURCHASE (50 UNITS)	MAXIMUM OFFERING UNITS	MAXIMUM OFFERING RAISED	MINIMUM OFFERING RAISED
1-A Equity	AVAILABLE	8%	\$1,000	\$50,000	29,500	\$29,500,000	NONE
1-B Manager	FUNDED/ Manager	8% (subordinated)	\$1,000	\$500,000 (subordinated)	500	\$500,000	\$500,000



## Newly Acquired Property!

### 2230 W. Woodley Square, Montgomery AL

The 432 unit Jackson Square Apartment complex was purchased on May 8, 2015. The property was built in 1967 and 1970 and constructed with concrete foundation, brick exterior, and flat roofing. The property offers 14 floor plans ranging from studios to 3 bedroom apartments, an on-site laundry room, a clubhouse, and a leasing office. The property is located near numerous retailers, and its residents have easy access to major transportation arterials. Strategic Holdings plans to renovate, lease up, and rebrand the property with a new name, Garden Grove Apartments.

The acquisition price of \$4,150,000, plus the renovation budget of \$4,700,000, results in all in cost of \$8,850,000 or \$20,486/unit. Once the property is renovated and stabilized, its estimated value will be \$12,750,000 or \$29,513/unit; an increase of 44%. The property is currently only 25.9% occupied in a market with a 95% occupancy rate. We see tremendous potential in this property and this market. The low occupancy was due to the previous owner's mismanagement and neglect, and it failed to keep the property competitive. At acquisition, \$4.7 million was allocated to renovate the property's exterior and unit interiors.

Many units require extensive renovation in order to be made rent ready, which is the main reason for the low occupancy. The seller was simply not willing to invest the necessary capital to maintain the property. Once the renovations are completed the property will be leased up to market occupancy.

Montgomery is the capital of the state of Alabama and has a population of 201,332. The Montgomery Metropolitan Statistical Area has an estimated population of 374,536. Montgomery's central location in Alabama makes it a processing hub for crops such as cotton, peanuts, and soybeans. Montgomery has a long history of metal fabrication and lumber production facilitated by its location along the Alabama River, and extensive rail connections. In recent years employment has increased in sectors such as healthcare, business, government, and manufacturing. Today the city's Gross Metropolitan Product is \$12.15 billion.

Montgomery's largest employers include Maxwell-Gunter Air Force Base (12,280), State of Alabama (9,500), Baptist Health Systems (4,300), Hyundai Motor Manufacturing (2,700), ALFA Insurance Companies (2,568), 754th Electronic Systems Group (1,943), and Jackson Hospital & Clinic, Inc. (1,300). Montgomery has several institutions of higher learning with large student bodies that include Alabama State University (5,600), Troy University (3,000), Auburn University at Montgomery (5,123), Faulkner University (3,500), and Huntingdon College (1,000).

According to REIS reports dated May 13, 2015, Montgomery's multi-family vacancy rate is 4.8%. This indicates a strong apartment rental demand. According to Moody's, Montgomery's unemployment rate is currently 5.8% with a forecasted unemployment rate in 2018 to be 4.3%.

Many of you 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.

### Ask Patty



#### *EVP of Investor Relations*

Since we announced the new Fund, several people have asked me when they can make an investment in the Growth Fund II. I'm happy to announce you can invest in our Growth Fund II now! Your initial investment will be placed in the Income Fund I Series 1A at 8.5% where your money will immediately earn dividends. In July 2015, we will be transferring all of the intended Growth Fund II investments to the Growth Fund II (with a 8% preferred annual rate). Our goal is to transfer one lump sum into the Growth Fund II. Please contact me if you have any questions.

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.