



# Investor News

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## Estimated Income Fund 1 Equity

Month/Year	February 2018	March 2018
<b>Est. Value of Fund</b>	\$ 179,883,732	\$ 164,541,620
<b>Third Party Debt</b>	\$ 106,254,489	\$ 93,413,618
<b>Est. Total Equity of Fund</b>	\$ 73,629,243	\$ 71,128,002
<b>Series 1 M (Equity Cushion)</b>	\$ 4,657,516	\$ 1,733,583
<b>Series 1D</b>	\$ 3,557,149	\$ 3,569,187
<b>Series 1C</b>	\$ 21,586,588	\$ 21,685,043
<b>Series 1B</b>	\$ 23,125,177	\$ 23,166,788
<b>Series 1A</b>	\$ 20,702,813	\$ 20,973,401
<b>Total Member Invested Capital</b>	\$ 68,971,727	\$ 69,394,419

*"As of March 19, 2018 our fund is estimated to be valued at \$164,541,620"*

**\*\* Currently Open: Series 1A \*\***

Dear Investors,

Multifamily housing is now in its seventh year of growth and remains one of the most active investment classes for investors. With strong capitalization, we had the ability to begin pruning and upgrading the fund's portfolio in 2017 into metropolitan statistical areas (MSA) with higher growth potential. The main real estate drivers that we look for in these MSA areas are strong job growth, population growth and rent growth.

In fourth quarter of 2017, we sold three of our non-core assets which included Patriots Place, Cedarwood Apartments, and Sunridge Townhomes. Patriots Place is a 64 unit apartment complex in Conway, SC and Cedarwood Apartments/Sunridge Townhomes is a combined 131 units located in

Memphis, TN. The proceeds were deployed to acquire 2 properties in Atlanta, Georgia, Sierra Gardens and Sierra Station. A detailed write up is available in the January 2018 newsletter issue which is archived on our website: [www.StrategicHoldings.com](http://www.StrategicHoldings.com).

In the first quarter of 2018, we successfully sold three more non-core assets and are on track to purchase more properties in markets with higher growth potential. On February 20, 2018, we sold Williamsburg Townhomes and Pine Ridge Apartments, a combined 172 units for \$6,400,000. Williamsburg Townhomes is a 60 unit townhome complex located in Gadsden, Alabama. Pine Ridge Apartments is a 112 unit apartment complex, 6.7 miles from Williamsburg, also located in Gadsden, Alabama. Strategic Holdings originally purchased the mortgages on these properties on June 17, 2013 for a



**Pine Ridge Apartments | Gadsden, AL**



**Williamsburg Apartments | Gadsden, AL**

combined purchase price of approximately \$3,116,000. The borrower deeded both properties to Strategic Holdings in October 2013 giving us clear title. On April 10, 2014, CBRE appraised both properties for a combined value of approximately \$5,300,000. Very little work was done on both properties other than some light deferred maintenance. The properties were running over 90% occupancy. The sale of the properties resulted in an estimated profit of \$2,400,000 including the “step up” profit at the time of taking title in 2013.

On March 12, 2018 we sold the remaining 400 units of Meadow View Townhomes in Newport News, Virginia for \$24,500,000. This property was acquired on November 21, 2014 for \$4,313,000. We invested a total of about \$14,000,000 in capital expenditures with an all-in cost basis of \$18,313,000, resulting in a net profit of approximately \$6,000,000. Management decided to sell this property because we believed that the appreciation had been optimized during the three years it was held

in our fund, and that there would be very little upside going forward. Management felt that the proceeds from the sale and the \$6,000,000 profit could be better optimized by reinvesting into better growth markets.

Management is currently under contract to acquire a 161 unit apartment complex in Atlanta, Georgia called Ashford Embury Hills for \$24,250,000 with an anticipated close date of April 30, 2018. Ashford Embury Hills is a class B apartment complex that features 2, 3, and 4 bedroom units. According to Apartments.com, the average square footage of a 2 bedroom in Atlanta is about 1058 square feet while the 2 bedroom units at Ashford Embury range between 1359 to 1583 square feet. The average square footage of a 3 bedroom is about 1407 square feet versus the Ashford Embury 3 bedrooms which range from 1700 to 1785 square feet. The 4 bedroom units at Ashford Embury are about 2200 square feet. We feel that by adding modest interior upgrades, we will have the ability to raise rents to current market rates. The complex currently is running at a 95% occupancy.

### **Meadow View Townhomes | Newport News, VA**

**Purchased November, 2014**

**SOLD March 2018**





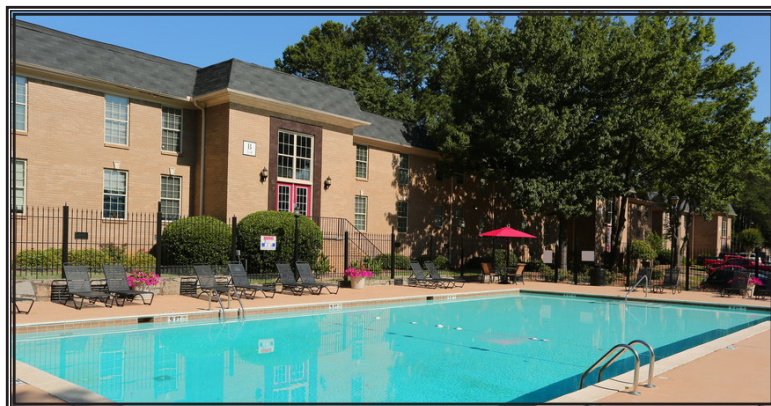
Ashford Embry will be our sixth property in Atlanta, GA. We are bullish on Atlanta especially north Atlanta, where all six properties are located. Within 3.4 miles of Ashford is a 165 acre redevelopment project of a former General Motors Plant. More than 10 million square feet of retail, office, and multifamily is planned and it is one of the most closely watched projects in Atlanta's history. In addition, and currently under development, are the Atlanta Media Campus and Studios, a \$1 billion, 107 acre campus and studios which are expected to bring nearly 10,000 new jobs to the area. Atlanta is ranked in the top 10 largest Metropolitan Statistical Area (MSA) in the United States. Atlanta has over 5.8 million people with rapid population growth fueled by healthy job growth according to the U.S. Census Bureau. Atlanta ranks 4th in the number of fortune 500 companies headquartered within city boundaries behind New York, Houston and Dallas. A few examples are Newell-Rubbermaid, Delta Airlines, AT&T, UPS, Coca-Cola and Home Depot.

We are excited to see significant improvements in our portfolio and we are reaching certain milestones as we continue to grow. We lowered our weighted cost of capital dramatically. In 2013, our weighted cost of capital was approximately 11.7%. This average included a cost of debt of 10.5% and a cost of equity of 12%. At that time, the cost of debt was mainly our PCS credit facility and the cost of capital was the dividend rate to our investors. Beginning in 2014, the fund began to take advantage of long term government agency financing in the 4.0% to 4.5% range. As a result, in the beginning of 2018, our average cost of debt was approximately 5.4%. Since then, we have paid off our PCS line of credit balance of \$14.5 million at 9.5%, which lowered our average cost of debt to 4.4%. Currently our average cost of equity is 10.38% and weighted cost of capital (including debt and equity) is now 6.93%. This is a huge savings to the fund and allows us to target better class properties since our cost of capital is now below 7%.

With a much lower cost of capital, this year we will be focusing on upgrading the quality of our multifamily apartment complexes. We started to sell our non-core assets as we mentioned earlier, and we will continue to acquire value-add properties that fit our investment strategies in markets where we believe a healthy growth potential exists.

Thank you again for all of your support. As always, management will continue to exert operational expertise and efficiencies through management practices to mitigate risk to offer a stable risk adjusted return.

## Ashford Embry Hills | Atlanta, GA



### **Investor Relations Phone numbers**

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### **Seminars & Lunch and Learns**

**Date:** Saturday - **April 21st** at 10 am

**Location:** OC Newport Beach

**Date:** Wednesday - **May 16th** at 12 pm

**Location:** Westlake Village

**Please Call Patty Franklin to  
RSVP at (805) 764-5128**



**Patty Franklin**

Chief of Investor Relations / Investment Advisor

\* Series 1A, 1B, 1C and 1D investor K-1s have been mailed. If you would like an electronic copy, please email Diane Rangel at [Diane.Rangel@StrategicHoldings.com](mailto:Diane.Rangel@StrategicHoldings.com).

\* Currently available: **Series 1A**. Please **contact Patty Franklin at (805) 764-5128** for more information.

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