



Investor News

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Estimated Income Fund 1 Equity

Month/Year	November 2018	December 2018
Est. Value of Fund	\$ 203,535,820	\$ 204,201,081
Third Party Debt	\$ 116,267,048	\$ 118,290,515
Est. Total Equity of Fund	\$ 87,268,772	\$ 85,910,566
Series 1 M (Equity Cushion)	\$ 7,389,743	\$ 5,761,643
Series 1D	\$ 3,655,124	\$ 3,667,578
Series 1C	\$ 21,975,761	\$ 22,046,390
Series 1B	\$ 22,592,448	\$ 22,631,277
Series 1A	\$ 31,655,696	\$ 31,803,678
Total Member Invested Capital	\$ 79,879,029	\$ 80,148,923

"As of December 26, 2018 our fund is estimated to be valued at \$204,201,081"

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

Dear Investors,

Happy New Year to all our members, family and friends. We hope you enjoyed your holidays! As we head into the sixth year of our fund, we continue to look for opportunities that fit our investment strategy. Strategic Diversified Real Estate Holdings, LLC ("the Fund") was filed with the Securities Exchange Commission in early 2013. We started raising capital from the public in early 2014. We are very happy and proud to see the growth of the portfolio since inception. Each year we set

goals to accumulate a certain amount of quality assets or to upgrade the portfolio units.

This year, our focus is to maintain high occupancy as well as upgrade units as tenants move out. This "value-add" strategy allows us to attempt to increase our rents to market rates and stay competitive. We have also focused on selling some of our assets and buying into what we believe to be better rental markets. We are excited about the properties we have added in our portfolio, and pleased with the results of our dispositions.

Acquisitions

On April 27, 2018, Strategic Diversified Real Estate holdings purchased a 161-unit apartment complex, Sierra Hills, located in Atlanta, Georgia. The average square footage of a 2 bedroom in Atlanta is about 1,058 sq. feet while the 2-bedroom units at Sierra Hills range between 1,359 to 1,583 sq. feet. The average sq. ft. of a 3 bedroom is about 1,407 sq. feet versus the Sierra Hills 3 bedrooms which range from 1,700 to 1,785 sq. ft. We have currently spent approximately \$250,000 in capital expenditures to upgrade approximately 75 units thus far. We are targeting about another year or two to upgrade 100% of the units. This project is estimated to be completed in 18 to 24 months.



Sierra Hills | Atlanta, GA

Strategic Diversified Real Estate Holdings also invested approximately \$1.3 million in a development project, “Thompson Village 29”, located in Ventura County. The property is vacant land that has been entitled to build 29 Spanish style town home units of which 19 will be podium style homes and ten homes will be on-grade duplex and triplex units. This development is located within 1/2 mile of the the Ventura area beaches. The projected time to build is about 24 months and the total project length is expected to be about 3 years.

Lastly, the fund also purchased a 2.3-acre M-1 zoned property with seven separate buildings totaling 21,600 sq. ft on November 5, 2018 for \$5.2 million. Currently the land is being prepared to be leased up and will be attempted to be sold in 2019. Because the property is currently the only parcel in Ventura, County in a corridor designated for processing manufacturing and distribution of cannabis, it is currently in high demand from prospective tenants. Without marketing it for rent, we had several operators provide us with written offers to lease space, at a rate of \$5/sq. ft./Month. The estimated budget to deliver the property in shell condition is about \$800,000. The property is targeting earnings of \$1,080,000 plus NNN per year. In addition, there is room to build a new state of the art building totaling 30,000 sq. ft., which should also lease for \$5/sq. ft./month + NNN. The property could also be converted into industrial condominiums. The fund intends to attempt to liquidate the property before fully developed by March 31, 2019 (targeting no later than June 30, 2019).



Ventura, CA

Targeted Acquisitions

Strategic Holdings is currently under contract to purchase a 240-unit multifamily complex located in Pensacola, Florida on or about January 30, 2019. The purchase price is \$30 million with a lender directed recent appraisal of \$30,300,000. Management expects to spend approximately \$1 million on value-add projects over the next 24-36 months.



Park on the Square | Pensacola, FL

Built in 1999, this property features an average unit size of 1,100 square feet, and within its gated community, features an outdoor resort style swimming pool, dog park, business center, fitness center, barbeque and picnic area. This acquisition will be the newest and highest quality asset the fund has acquired since inception.

Since the property was placed under contract in September 2018, current management has raised rents by over \$25/unit, while maintaining a 95% plus occupancy. Based on our targets and a five-year hold, we believe the cash on cash returns will exceed a targeted 10% annually and the projected IRR is targeted to exceed 20%.

Corporate Events

As you may be aware, our community was recently challenged by numerous tragedies from the Borderline shooting to the fires. Strategic Holdings corporate that is located in Westlake Village, California came together to not only work as a team but also find creative ways to give back to our community. Our corporate office, which has approximately 32 employees (115 employees nationwide), were broken up into 4 teams to do a canned food drive as well as a toy drive. The winning team with the most creative structure using their donated goods would receive a free lunch. The donated goods were given to our local pantry and fire station toy drive. Below are some pictures of our successful event.



Food drive images continued...



Food drive donations were delivered to Manna Conejo Valley Food Bank in Thousand Oaks, CA.

HAPPY NEW YEAR!

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