

December 2020 Update

We hope everyone had a hearty, safe, and happy Thanksgiving.

At least a couple of times each week, we are asked, “*How is coronavirus affecting your business?*” In past monthlies, I’ve written about our office being shut down and how many reports were late due to third parties having their offices closed. Today, we feel that 10 months of work-at-home mandates have created some *grit* in the system. “*Grit*” is not a term they teach you in business school or that is used in the Wall Street Journal, but it is the correct word for getting the point across. While I observe that our accounting team has stepped up and done a great job managing their workflow, despite the inconvenience of remote work, many third-party providers are a little late on everything and in some instances the tardiness feels like it’s getting worse, not better.

I read (and listen to) a lot of history books. From my personal reading, the best history book of 2020 has been [*The Splendid and the Vile: A Saga of Churchill, Family, and Defiance During the Blitz*](#) by Erik Larson. I’d previously read Larson’s best-seller, [*The Devil in the White City*](#). Although I’ve read dozens of books and seen at least 250 movies about WWII, *The Splendid and the Vile* was full of information new to me, and the writing is compelling. Anyone who can author a best-selling history book, like Larson, has got to be top of the class. Although I’m sure he never planned it, 2020 is the correct time to read *The Splendid and the Vile*. There have been tough times in the past. Remembering those past struggles helps us endure this year’s trials.

I listened to *The Splendid and the Vile* while hiking; the narrator of the audiobook is excellent. The audio version ends with a nice bonus: a recording of Churchill’s speech delivered on Christmas Eve 1941 from the White House. For two years, England had been at war with Germany, and since becoming Prime Minister, Churchill had begged, pleaded, and reasoned with FDR for support in the effort. Just two weeks after the bombing of Pearl Harbor and the United States’ entry into the war, Churchill flew to the United States to strategize with FDR in person. Churchill’s Christmas Eve speech is very moving, especially when one recalls the circumstances of its delivery. This is the source for the text of this year’s PWL holiday card. Here’s a link to a [recording of the speech](#).

PWREI signed two leases in November. Coffee N’ Story, a bubble tea and coffee shop, signed a 5-year, 952 sq. ft. lease at [The Shoppes at Buford](#). MCC Connections Store, a thrift shop, signed a 2-year, 4,033 sq. ft. lease at [Massillon Commons](#).

“According to retailers across the country, they are experiencing a somewhat surprising surge in new manufactured home sales... Shoppers are motivated towards manufactured home affordability, quality of construction, features, amenities, energy efficiencies, safety, and accessibility.” – Manufacturedhomes.com, September 2020

We have gotten a few questions in the last month from PWL investors that show Opportunity Zone incentives remain confusing. Properly structured OZ investments carry 3 incentives. Here’s a simplified* list of those 3 incentives.

1. **THE BIG INCENTIVE:** If your investment in a Qualified Opportunity Zone Fund is held for 10 years, **the federal tax on the gains from the investment are zero.** This zero-tax rate applies to both the long-term gain and any depreciation recapture gain.
2. **First small incentive:** The source of your Opportunity Zone capital investment must be from a current gain. Typically, you'd be paying tax on that current gain in this tax year. Instead, the tax on the current gain is deferred until 2026.
3. **Second small incentive:** When you are taxed in 2026 on the current gain from item 2 in this list, the size of the gain is reduced by 10% then subjected to tax.

The BIG INCENTIVE is worth about 10x as much as the two small incentives taken together.

The minimum investment in our Qualified Opportunity Zone Fund is \$250,000, and the investment dollars for Opportunity Zones must be sourced from a taxable gain to realize the full tax benefit of an OZ investment. Taxable gains could be from the sale of stocks, bonds, real estate, private companies, or collectibles. **If you would like to receive a brochure Sally and I wrote explaining Opportunity Zone tax incentives,** or would like information about potentially investing in our Manufactured Home Community QOF, please contact me or Sally.

Stay healthy and keep smiling –

Martin A. Stever

President

martin@pacificwestland.com

(206) 780-3944 direct

(206) 780-4040 office

Sally Erickson

Investor Relations & Marketing Manager

sally@pacificwestland.com

(206) 201-3212

*This list has been written for brevity and clarity. There are several caveats, the investor must be “in” the investment in 2026 to get the two small incentives and for 10+ years for the big incentive. There are many requirements for the manager of a Qualified Opportunity Zone Fund, and these are our responsibility.

PWRE2 Scorecard

Approximate investment by PWRE2.
Data as of 10/31/2020

Lexington Commons

This 21,857 sq. ft. center was purchased by PWRE2 in August 2017. The property is located in a busy retail and employment corridor in Glen Allen, VA. Lexington Commons holds 13 local tenants that include: Pho Saigon, Gojo Ethiopian, Patti Alterations, Hillary Nail & Spa, and Ariya Family Chiropractic.

Initial Investment

\$4,099,862

Net Investment

\$4,114,658

Occupancy

91%

2020 Q1 – Q3 NOI

\$219,170

Rosemount Crossing

Originally purchased in September 2017, PWRE2 had a combined 59.37% stake in Rosemount Crossing. The property is located in Rosemount, MN and consists of 26,767 sq. ft. of remaining retail space after the sale of the ALDI grocery store in January 2018. The ALDI grocery store sold for \$3.19M net and was a total of 17,427 sq. ft. Having owned 100% of the ALDI building, PWRE2 now owns a 29.24% stake in the property after the sale. In the remaining retail space, is a healthy mix of national and local tenants with the most notable being Fantastic Sams, Domino's Pizza, Sprint, and Starbucks.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$4,621,712	\$1,334,461	89%	\$76,332

Main Street Commons

The 24,388 sq. ft. center was purchased by PWRE2 in November 2017. It is located just north of I-85 along State Route 317 in Suwanee, GA. The location of the property is within the busy upscale Suwanee area and attracts a consistent flow of customers. Main Street Commons consists of 13 tenants including Beto's Tacos, C2 Education, Suwanee Karate, TADA Coffee, and Asian Fusion.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$3,509,813	\$3,612,455	93%	\$221,991

The Pointe at Epps Bridge

Located in Athens, GA, this PWRE2 property was purchased in November 2017. It sits along a busy commercial corridor and is surrounded by many busy national chains such as Walmart, Lowes, Trader Joes, and Ashley Furniture. The Point at Epps Bridge is a 14,145 sq. ft. mixed retail space, which includes 9 tenants such as Sprint, Jittery Joe's Coffee, Barberito's Mexican Restaurant, and American Deli.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$3,208,250	\$3,214,610	100%	\$192,533

Bellevue West Shopping Center

The 30,210 sq. ft. strip center in Nashville, TN was originally purchased in December 2017 with a 45.42% stake in the property by PWRE2. The Bellevue West Shopping Center is located along the busy HWY 70 S corridor. In the neighboring area, well-known national chains such as Home Depot, Goodwill, Staples, Bed Bath & Beyond, and Sprouts Market keep the overall area busy. The shopping center boasts a healthy mix of 14 tenants that include a Subway, Burn Boot Camp, Scrub Shoppe, Sir Pizza, and Katie's Plates.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$1,943,374	\$2,182,307	92%	\$85,029

Hamilton Pointe

Located in northeast Columbus, OH, just off OH-161 and I-270, PWRE2 purchased an 86.06% stake of Hamilton Pointe in February 2018. The 12,166 sq. ft. mixed retail space includes the 5 tenants Sylvan Learning Center, Vetcare, Daneault Dentistry, Honey Nails, and Scrambler Marie's restaurant.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$1,868,000	\$1,919,490	100%	\$87,103

Loggins Corner

In April 2018, PWRE2 purchased this large multi-building shopping center located in Jefferson, GA along US-129 just south of I-85. Loggins Corner consists of 29,800 sq. ft. leasable space, which includes a standalone Beef O'Bradys restaurant pad and two mixed-retail strips. The mixed retail space consists of healthy mix of 18 local and national tenants. National tenants at the property include Little Caesars, H&R Block, and Great Clips.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$6,557,422	\$6,643,613	100%	\$428,506

Phoenix Place Apartments

The 144-unit multi-family property was purchased by PWRE2 in late August 2018. Originally named Harmony Pointe Apartments, we have completely re-branded, making it Phoenix Place Apartments. The apartments have a large townhome-style floor plan that makes the property attractive to many city residents. Located in East Point, GA and less than 3 miles from the Hartsfield-Jackson Airport, the multi-family property is in excellent proximity to Atlanta's largest job centers.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$6,775,000	\$7,114,129	97%	\$356,574

Dublin Village

This 98,540 sq. ft. shopping center located in Dublin, GA was originally purchased in late August 2018 by PWRE2. Upon purchase, Dublin Village included two multi-tenant buildings, a Kroger store, and three vacant pads. In April 2019, the Kroger parcel sold for ~\$5.16M (Net investment and Occupancy below has been adjusted for the Kroger Sale). The small shop spaces, located on either side of Kroger, include tenants like Great Clips, Holy Smokes BBQ, Accordia Urgent Care, Nail Dynasty, Mariner Finance, Little Tokyo Steakhouse, and Marco's Pizza.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$8,450,000	\$3,332,456	54%	\$209,385

Westminster Apartments

This 40-unit multi-family property located in Macon, GA was purchased by PWRE2 in late August 2018. Westminster Apartments is located less than 3-miles from Mercer university and through hands-on management, changes, and upgrades throughout the property it poses a significant value add opportunity. Westminster continues to be a challenge for us. Fortunately, it is PWRE2's smallest investment.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$918,750	\$1,068,146	15%	(\$246,324)

Brookfield Apartments

Located in East Point, GA, this 120-unit multi-family property was purchased by PWRE2 in late December 2018. Brookfield Apartments are in good physical condition and has significant value add opportunity. The Brookfield Apartments are less than 3 miles away from one of Atlanta's largest job centers: Hartsfield-Jackson International Airport.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$5,412,000	\$6,032,490	89%	(\$186,199)

Liberty Heights Apartments

Purchased in January 2019 for a 50% stake towards PWRE2, this 105-unit multi-family property is located in a quiet neighborhood within Lexington, KY. The Liberty Heights Apartments are within easy access to employment hubs located on the outer beltway as well as downtown Lexington and the University of Kentucky.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$1,900,000	\$2,169,128	69%	(\$20,204)

Colony East Apartments

PWRE2 purchased a 77.74% stake in this 104-unit multi-family property in June 2019. Located in Columbia, SC, Colony East Apartments is located in quiet a neighborhood setting with easy access to an employment hub located on the outer beltway as well as downtown Columbia and the University of South Carolina.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q3 NOI
\$2,954,000	\$3,579,981	92%	\$53,853

Note: 2020 NOI numbers reflect the PWRE2's portion of the total. All profit, NOI, Gross IRR, and Deal Multiple calculations presented are unaudited gross estimates. All numbers within this report are unaudited and should be considered as close approximations. Members receive the audited results on an annual basis.