

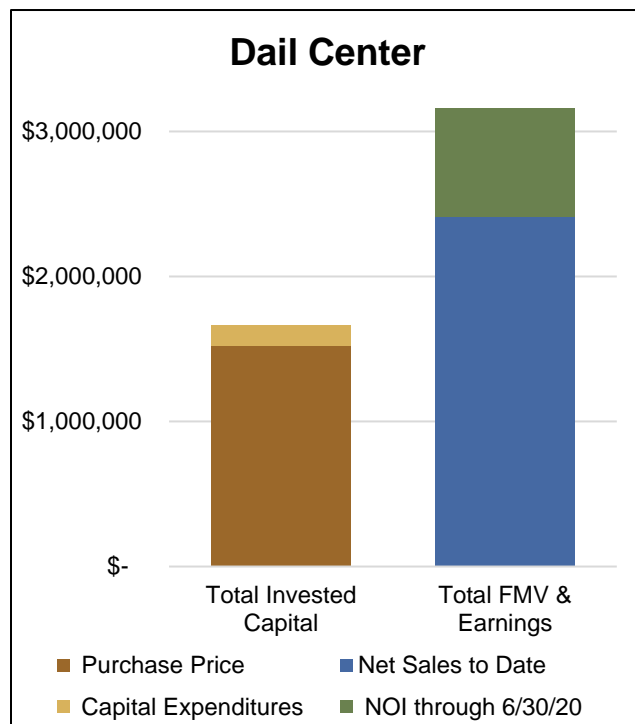
## September 2020 Update

We are pleased to report the sale of two properties that were both purchased in December 2014 by Pacific West Real Estate Income Fund, LLC (PWREI).

**Dail Center** was sold on August 13, 2020 for \$2.4M.

This 16,145-sq. ft. retail center in beautiful Myrtle Beach, South Carolina was 100% owned by PWREI and originally purchased for \$1.5M. When we acquired Dail Center at the end of 2014 it was 38% vacant. The plan was to complete a few big property upgrades, which included putting on a new roof and painting the buildings. These improvements increased the property's curb appeal and helped attract new tenants to fill the vacant units. Thanks to the efforts of our Leasing Director, Dennis Johnson, we completely filled the vacancy, signed four new leases, and signed lease renewals with four tenants that were in place at purchase.

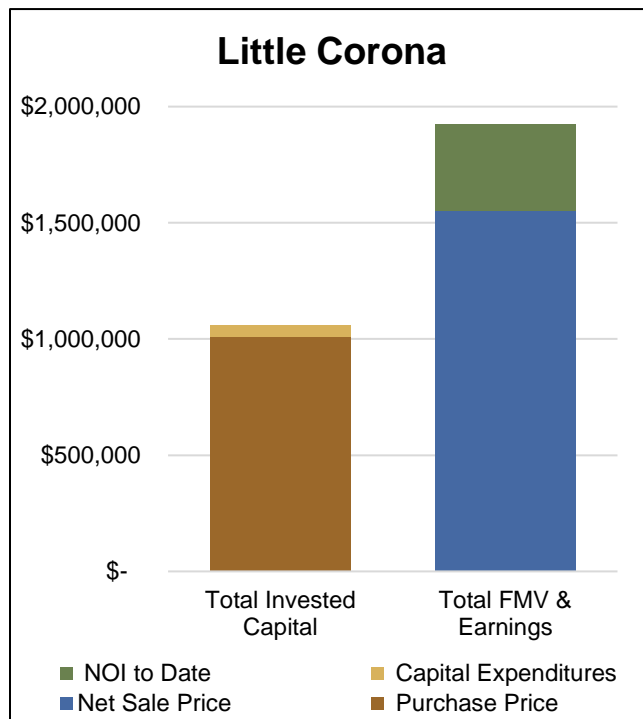
Purchase Price (Dec 2014)	1,522,500
Capital Expenses	138,989
<b>Total</b>	<b>\$ 1,661,489</b>
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Net Sale Price (Aug 2020)	2,414,643
NOI thru 6/30/20	746,350
<b>Total</b>	<b>\$ 3,160,993</b>



While we owned the Dail Center, our leasing and property management teams felt it was, of all the PWREI's properties, the most difficult to keep filled. It seemed like we were always on the verge of losing tenants, and it never felt stable the way properties typically do after a refresh and achievement of 100% occupancy. We had decided, probably two years ago, *"If we ever get Dail to 100% occupancy, and if we get a good offer, we're going to sell it."* That's what has happened.

**Little Corona** was sold on August 28, 2020, for \$1.55M. This small 6,074-sq. ft. Arizona property was also 100% owned by PWREI. It was originally purchased for \$1M. When we purchased Little Corona at the end of 2014 it was fully occupied. It had one tenant tottering and one tenant with a lease rate well below market. We painted the exterior of the building to give it a renewed look. We were able to complete lease renewals for both restaurant tenants and raise their rents. The decision was made to allow an endcap tenant to vacate, due to a lower than market rent rate on their lease. Although it took some time, we were able to lease the endcap space to a national user, [Athletico](#), at a market rent rate for a seven-year term.

Purchase Price (Dec 2014)	1,010,000
Capital Expenses	51,547
<b>Total</b>	<b>\$ 1,061,547</b>
Net Sale Price (Aug 2020)	1,551,302
NOI thru 6/30/20	371,504
<b>Total</b>	<b>\$ 1,922,806</b>



We typically don't buy properties this small, in terms of both deal size and footprint. The size of such a deal is typically not large enough to move the needle. If we did [activity-based accounting](#), we would probably see that ultimately PWL doesn't make much money on an investment this small. (My wife made her career in activity-based accounting, so the importance of thinking this way has been drilled into me.) However, Little Corona is

positioned out in front of a large shopping center that PWL had managed through one of our earlier investment pools. Little Corona is literally in the parking lot of that larger center. We'd done very well for investors with that property, and we felt we got a tremendous bargain on Little Corona at \$1M. We had decided a year or two ago that if we got 3 good tenants into the 3 spaces, we would sell if we got a good offer. We could never achieve a good price with even one of the 3 spaces empty, and we didn't want to hit the 10-year mark with a vacant space while also obliged to wrap it up. Fortunately, we did achieve a very good sale price

With the sale of Little Corona and Dail Center, PWREI now holds 17 properties in its portfolio.

In reading the narratives above, I hope you'll get the message we are sending: The decisions to sell these two properties were not made as a reaction to this year's particular challenges. We had decided to sell if we achieved our goals for each property long before the coronavirus plague. **We will be returning the long-term capital gains from the sales to PWREI investors as part of their next quarterly distribution.**

The prices achieved in these two sales shows there is strong demand for fully occupied neighborhood retail centers. **Investors, big and small, remain starved for yield.** I just saw one report that claimed neighborhood shopping property values were down 30% from the peak. We certainly have not seen anything like that at all in the markets where we are active. There are many neighborhood retail properties we'd like to buy if that were the case.

*According to the U.S. Census Bureau, there are currently 22 million Americans living in 6.8 million manufactured homes across the U.S. After years of decline starting in the late 1990's, manufactured housing has been rising in popularity over the last few years. – ManufacturedHomes.com, July 2020*

Our Qualified Opportunity Fund (QOF) focused on manufactured home communities, also known as mobile home parks, put its fourth property under contract to buy this week. The tax incentives of a properly structured Opportunity Zone investment **will increase the return net of taxation by about 30%** to investors in the top tax brackets. It's been almost 3 years since this tax incentive became

available, and I am surprised how often I talk with people who have not understood the magnitude of the incentives.

We are projecting our QOF will provide **regular quarterly income distributions**, growing to double digits over the required 10-year hold.

**An investment in this QOF is a socially conscious investment**, as these properties are in areas that typically do not attract investment dollars. We are making housing available to senior citizens and others of limited means.

### IRS Opportunity Zone Deadline Relief

The IRS has given Opportunity Zone investors [deadline relief](#) in response to the corona chaos. The 6-month deadline for investors to join a QOF after receiving a gain has been extended to [anytime in 2020](#). If you have any gains that were reported to you via a K-1 you received earlier this year, those gains are eligible for OZ tax incentives if invested this year. Any direct gain received, for instance from the sale of stocks, bonds, property, or a business that was booked October 2019 or later can also be used for Opportunity Zone investment this year. Many of our QOF investors applied gains they received while strategically trimming their exposure to stocks.

The minimum investment 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. **If you would like to receive the 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 –

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## PWREI Scorecard

Approximate investment by PWREI

Data as of 08/31/2020

### Willow Hill Center

PWREI purchased this property in May 2014. The 21,082 sq. ft. center is located in Puyallup, WA. Tenants include Moneytree, Rainier Growlers, Omar Beauty, and F45. PWREI owns 83% of this property. Starbucks' parcel sold for ~\$2.35M net on October 15, 2014. Ivar's pad sold for ~\$1.27M net on April 28, 2015.

Initial Investment

\$5,625,000

Net Investment

\$2,889,595

Occupancy

100%

2020 Q1 – Q2 NOI

\$199,363

## Benjamin Square

PWREI purchased this property in May 2014. The 9,950 sq. ft. center is located in Woodland, WA, and is just off I-5. Tenants include AT&T, Starbucks, Subway, Papa Murphy's, and H&R Block.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$1,900,000	\$1,978,735	86%	\$97,400

## Shoppes at Buford

PWREI purchased this 20,844 sq. ft. property in May 2014. The property is located in Buford, GA, and is located across from the Mall of Georgia. The tenants include Play It Again Sports, Foot Traveler, Edible Arrangements, Ideal Image, and a Sushi restaurant.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$2,740,600	\$3,011,339	95%	\$153,118

## Auburn Road

PWREI purchased this property in August 2014. The 8,400 sq. ft. property is located in Dacula, GA. The tenants include a World Finance, a medical care facility, a large veterinary office, and a hair salon.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$1,000,000	\$1,031,598	86%	\$64,778

## Roosevelt Place

PWREI purchased this property in August 2014. The 14,000 sq. ft. center is located in Phoenix, AZ, off the busy I-10. The tenants include Port of Subs, Teramar Staffing, Cash America, Boba Donuts, and a drive-thru Filiberto's Mexican restaurant. The Jack in the Box pad sold on May 2, 2016 for ~\$1.08M net.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$2,960,000	\$1,945,965	81%	\$113,384

## Little Corona

PWREI purchased this property in December 2014. The property consists of 6,074 sq. ft. of leasable space located at the busy intersection of Rural Rd and Ray Rd in Chandler, AZ. The property is now 100% occupied. Current tenants include Athletico, a Greek restaurant, and Fullers Bar & Grill.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$1,010,000	\$1,053,737	100%	\$21,607

## Dail Center

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This property was purchased in December 2014. The 16,145 sq. ft. strip is located along US Route 17 in Myrtle Beach, SC, which boasts over 14 million visitors a year. Current tenants include State Farm, Regional Finance, Batteries Plus, Atlantic Kitchens, Tao Wellness Spa, Painting with a Twist, Guardian Security, and Palmetto School.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$1,522,500	\$1,661,489	100%	\$102,968

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## Gulf Breeze

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PWREI purchased this 27,736 sq. ft. property in January 2015. The property is located in Port Arthur, TX, and is shadow anchored by H-E-B, a major grocery chain based out of San Antonio, with great visibility from both Hwy 347 and 365. Current tenants include Pizza Hut, Edward Jones, Sprint, Supercuts, The Nutrition Store, World Finance, and Fancy Nails.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$2,677,500	\$2,805,419	91%	\$183,372

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## Log Pond Plaza

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PWREI purchased this 27,368 sq. ft. property in March 2015. This property, located in Newark, OH, is shadow anchored by a Walmart Super Center and across the street from a Home Depot, in a dense residential area just north of SR-16. The center boasts a healthy mix of local and national tenants including Hertz, Cheng's Chinese, Fiesta Salon, Big Apple Cafe, and CATO.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$1,850,000	\$2,037,905	78%	\$154,676

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## Massard Farms

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PWREI purchased this large shopping complex in April 2015, located in Fort Smith, AR. We own a total of 71,592 sq. ft. of leasable space, consisting of the Kohl's remainder space, IHOP, Savers, and an 8,000 sq. ft. mixed tenant building including Sport Clips, Firehouse Subs, Catherine's, and Pad Thai Cuisine. The Kohl's building sold in September 2018 for \$8.9M net. A new lease was signed with 10-Gym in November 2019.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$13,415,287	\$6,896,494	100%	\$117,972

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## Oak Creek Commons

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PWREI purchased this small strip center in May 2015. Located south of Milwaukee, the population growth and average household income of Oak Creek, WI, are projected to outpace the national average over the next five years. The 10,462 sq. ft. property has a healthy mix of tenants including Dunkin' Donuts, Great Clips, Empress Nail Spa, and an insurance agency

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$1,191,750	\$1,275,862	90%	\$38,284

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## Massillon Commons

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PWREI is 66.7% owner of this shopping center purchased in June 2015. It is located along the busy Lincoln Way corridor in Massillon, OH. Home Depot sold on June 30, 2016 for ~\$9.36M net and proceeds were used to pay off debt. In addition to a 50,503 sq. ft. Dunham's Sports, this property boasts 63,048 sq. ft. of leasable shop space. Tenants include Oakpark Preschool, Stark Medical, P.S. Cook's, and Agavero Bar & Grill.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$8,618,667	\$2,457,590	85%	\$111,573

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## Greensburg Commons

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This property was purchased in July 2015 and is 66.7% owned by PWREI. The large shopping center is located at the intersection of I-74 and State Rd 3 in Greensburg, IN. It currently consists of 88,953 sq. ft. of leasable retail space and boasts a healthy mix of tenants including Jimmy Johns, Great Clips, GameStop, GNC, Rent A Center, Goodwill, Cricket Wireless, and Bath & Body Works. The Walmart parcel sold on December 2, 2016 for ~\$13.9M net, with most of the proceeds used to pay off debt.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$12,512,000	\$3,450,124	81%	\$166,826

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## Gateway Center

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PWREI purchased this center in October 2015. It consists of 28,056 sq. ft. of mixed retail space located at the intersection of US 76 and Main St in Newberry, SC. It is shadow anchored by a Walmart. Current tenants include GameStop, T-Mobile, Nexien, Newberry Nails & Spa, CATO, It's Fashion, Shoe Show, Groucho's Deli, and China Town Restaurant.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$2,030,055	\$2,233,215	100%	\$149,821

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## Powder Springs

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This property was purchased by PWREI in October 2015. It is located on Richard D Sailors Pkwy in Powder Springs, GA, and is shadow anchored by a Home Depot. The small strip center has a total of 15,050 sq. ft. and has Johnny's Pizza, Allen Chiropractic, Hanger Prosthetics, and Benchmark Therapy as tenants. The vacant pad we bought with the building was sold on February 12, 2016 for ~\$280k net.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$1,100,000	\$976,903	91%	\$67,022

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## Sugarcreek Crossing

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PWREI is 66.7% owner of this shopping center in Centerville, OH, purchased in October 2015. The property at purchase included three parcels – a ground leased Cracker Barrel pad, a Tire Discounters pad, and a multi-tenant retail building containing a UPS Store, a Chiropractic office, and Edward Jones, among others. The Cracker Barrel parcel was sold on May 6, 2016 for ~\$2.28M net. The Tire Discounter's parcel sold on December 23, 2016 for ~\$2.96M net. Work is complete on the project to create an additional 3,425 sq. ft. of retail space in what used to be a bank drive-thru in the middle of the strip center, with new tenant Milan Laser scheduled to open in this space later in 2020.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$5,117,333	\$2,069,157	92%	\$88,765

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## East West Market

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PWREI purchased this property as a joint deal with Castleberry Promenade in February 2016. This center is located along East West Connector in Austell, GA, and consists of 17,017 sq. ft. of leasable space and a 1.09-acre developable pad. Current tenants include 100% Chiropractic, WellStar, and American Health Imaging.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$2,660,000	\$2,704,587	100%	\$138,198

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## Castleberry Promenade

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PWREI purchased this property as a joint deal with East West Market in February 2016. It consists of 26,651 sq. ft. of leasable space with two small developable pads, and is located at the busy intersection of Bethelview Rd and Castleberry Rd in Cumming, GA. Current tenants include Kumon Learning, Liberty Tax, Castleberry Ale House, My Running Store, Fitness Foundation, Grimaldi's Restaurant, and Arise Chiropractic. A new lease with HotWorx Yoga was signed in April 2020 for 1,760 square feet.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$2,906,000	\$3,040,460	100%	\$161,320

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## Village at Las Sendas

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PWREI purchased a 33.4% stake in this property in June 2016. The shopping center is located in Mesa, AZ, at the intersection of McDowell Rd and Power Rd and consists of 39,144 sq. ft. of leasable space. Current tenancy is a diverse mix of local and national tenants including Jimmy Johns, Smashburger, Chipotle, Sunnyside Breakfast, Pacino's Italian, D'Vine Wine, Two Wheel Jones, Royal Tobacco, and Echo 5 Sports Pub, with Board & Brush scheduled to open mid-2020.

Initial Investment	Net Investment	Occupancy	2020 Q1 – Q2 NOI
\$2,922,500	\$2,988,043	95%	\$76,399

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**Note: 2020 NOI numbers reflect the PWREI'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.**