

## March 2023 Update

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This time of year, Sally, Sean, and our stellar accounting and investor relations teams are turning the cranks on the tax documentation and audit machines. They are running full throttle, processing hundreds of K-1s, fulfilling year-end reporting requirements, and reviewing audit reports, along with managing the many other reports and forms that we are responsible for each year.

### Investor Relations



*Sally, Kass, Caroline*

### Accounting



*Maribina, Sabrina, Sean, Kathy*

This year has been challenging, and I expect next year to be as well. The institution of the [K2/K3 rule by the IRS](#) is putting a tremendous strain on the entire U.S. tax preparation system. That system was already stretched thin by a well-documented shortage of accountants, [down around 20% in just 3 years!](#) Like so many professions, a large number of accountants brought an end to their careers when they were sent home by the pandemic, and at the same time, not enough kids are going into accounting to make up the difference. While we sent everything over to the three accounting firms we use for K-1 prep on time or even ahead of schedule, they are behind on deliveries. We appreciate that the three firms we work with are burning the midnight oil to overcome the particular challenges that they face this year. We are turning around the K-1's and getting them out the door as quickly as they arrive to us.

I don't like to report too much about our year-end results in March, saving it for our annual meeting, but here is a sneak peek at a couple of things we are thinking about. The two megatrends we see in a tug-of-war are employment and inflation.

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For neighborhood retail, the single most important economic data point is *“how many people around here have a job.”*

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While the total number of people working has not climbed to where we would expect it should be post-pandemic, the number has been strong. At the same time, inflation is hammering people at the bottom of the income scale. It has been very frustrating to hear some talking heads wave off current

inflation rates as anything less than serious. For the affluent, spending an extra \$200 per month on gasoline or \$300 per month on groceries is a minor annoyance. For people at the lower end of the income scale, their standard of living is being quickly eroded. It's tough to watch and tougher to live through. Our talking heads need more empathy.

Looking at PWREI's and PWRE2's year-end results, it's important to remember we sold two properties in each pool last year, which will reduce the importance of many year-over-year comparisons. One result worth highlighting in PWREI is that we started the year with 25 vacant units and ended the year with only 16 – nice job, [Dennis!](#) The other headlines, which we will be repeating in the future:

- PWREI's Net Income for 2022 was \$7.6M. Member Equity at the beginning of the year was \$29.3M. Net Income over Beginning Member Equity gives a ratio of **26%, which is outstanding!**
- PWRE2's Free Cash Flow, which does not include the profits from the two property sales, increased over 50% from the prior year. PWRE2 also achieved 2022 Net Income of \$8M over the beginning-of-the-year Member Equity of \$31.4M. A ratio of **25.5% is terrific!**

Members of PWL-managed investments will be attending our annual meeting on April 11, in-person or via Zoom. We will discuss the audited 2022 results and our outlook for the year. We host three such large meetings each year in the Seattle area (also live-stream for those who can't attend), typically in April, July, and December. We host smaller Member meetings in Boise, Portland, the San Francisco Bay Area, Silicon Valley, and occasionally other places on a less predictable schedule.

## 1031-Exchange

PWL is currently under contract to purchase a couple of properties to satisfy the **1031-exchange** needs of existing PWL investors. If you are selling a property and looking at 1031-exchange options, please give me a call.

**PWL signed four new leases and two lease extensions in February.**

**Glory Nutrition** signed a new 1,000 sq. ft. 3-year lease at [Loggins Corner](#).

**Havana Tobacco and Cigars** signed a new 1,440 sq. ft. 5-year lease at [Village Pointe](#).



[Gem City Chiropractic](#) exercised their option to extend their 2,500 sq. ft. lease for another 7 years at [Sugarcreek](#).



[Mavis Discount Tire](#), a national tire and auto service chain, signed a new 6,900 Sq. ft. 5-year lease at [Dublin Village](#).



[Vetcare Animal Wellness Clinic](#), exercised their option to extend their 2,075 sq. ft. lease for another year at [Hamilton Pointe](#).



[RE/MAX](#), the international real estate company, signed a new 5-year 1,083 sq. ft. lease at [Ponderosa Village](#).

Office visitors with an appointment are welcome, although ferry rides are more fun when the sun is shining.

Stay healthy & keep smiling –

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## PWREI Scorecard

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Approximate investment by PWREI  
Data as of 1/31/2023

### Willow Hill Center

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The 21,082 sq. ft. center located in Puyallup, WA was purchased in May 2014 with an 83% stake for PWREI. We sold the Starbucks pad in October 2014 for ~\$2.35M net and the Ivar's pad in April 2015 for ~\$1.27M net. The property currently has 9 tenants with the most recognizable being Moneytree, Pho Tai Vietnamese, and Rainier Growlers.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$5,625,000	\$2,943,228	100%	\$439,113

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### Benjamin Square

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PWREI purchased this 9,950 sq. ft. property in May 2014. Benjamin Square is in a highly visible center just off I-5 in Woodland, WA. The property currently has 6 tenants; the national tenants include Starbucks (drive thru), Subway, Papa Murphy's, T-Mobile and H&R block.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$1,900,000	\$2,069,607	86%	\$178,529

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### Auburn Road

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Located in Dacula, GA, this 8,400 sq. ft. property was purchased by PWREI in August 2014. The center is located at the busy intersection of Auburn Rd. and Jim Moore Rd. and is at the center of a sprawling residential area. Auburn Road's 4 tenants include State Farm, Intracore Healthcare, Georgia Veterinary, and Center Stripe Golf.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$1,000,000	\$1,051,877	100%	\$107,975

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### Gulf Breeze

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PWREI purchased this 27,739 sq. ft. property located in Port Arthur, TX in January 2015. The property is shadow anchored by the major grocery store, H-E-B, and maintains great visibility from both HWY 347 and HWY 365. Gulf Breeze's national tenants include Edward Jones, Sprint, World Finance, Super Cuts, Republic Finance, The Nutrition Store, Pizza Hut, and a Wells Fargo ATM.

<b>Initial Investment</b>	<b>Net Investment</b>	<b>Occupancy</b>	<b>2022 NOI</b>
\$2,677,500	\$2,889,380	100%	\$433,295

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### **Log Pond Plaza**

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Located in a dense residential area just north of State Route 16 in Newark, OH, this 27,368 sq. ft. property was purchased by PWREI in March 2015. The property is shadow anchored by a Walmart Super Center with a Home Depot across the street. Log Pond boasts a healthy mix of 11 local and national tenants, which include Hertz, Cheng's Chinese, Fiesta Salon, and CATO.

<b>Initial Investment</b>	<b>Net Investment</b>	<b>Occupancy</b>	<b>2022 NOI</b>
\$1,850,000	\$2,179,603	94%	\$260,996

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### **Massard Farms**

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Located in Fort Smith, AR, this large shopping complex was purchased in April 2015. In September 2018, the Kohl's building sold for \$8.9M net. After its sale, PWREI still owns 71,592 sq. ft. leasable space. Massard Farms tenants include an IHOP, Savers, Sports Clips, Firehouse Subs, and Pad Thai Cuisine.

<b>Initial Investment</b>	<b>Net Investment</b>	<b>Occupancy</b>	<b>2022 NOI</b>
\$13,415,287	\$7,401,127	96%	\$533,056

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### **Massillon Commons**

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Located along the busy Lincoln Way corridor in Massillon, Ohio, this property was purchased in June 2015 for a 66.7% stake for PWREI. In June 2016, the Home Depot pad sold for ~\$9.36M net with the proceeds used to pay off debt. In addition to a 50,503 sq. ft. Dunham's Sports, Massillon Commons boasts 63,048 sq. ft. of leasable space that includes 12 tenants, the largest being P.S. Cook's, OakPark Preschool, and Stark Medical.

<b>Initial Investment</b>	<b>Net Investment</b>	<b>Occupancy</b>	<b>2022 NOI</b>
\$8,618,667	\$2,502,750	87%	\$294,139

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### **Greensburg Commons**

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Purchased in July 2015 for a 66.7% stake for PWREI, this large 88,953 sq. ft. shopping center is located at the intersection of I-74 and State Rd. 3 in Greensburg, IN. In December 2016, the Walmart parcel sold for ~\$13.9M net with most of the proceeds used to pay off debt. Greensburg Commons holds a mix of 15 local and national tenants. The most recognizable tenants are Jimmy

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John's, Great Clips, GameStop, GNC, Rent-A-Center, Feeder's Pet Supply, Goodwill, Open Box Outlet and Bath & Body Works.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$12,512,000	\$3,884,907	91%	\$271,596

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### Gateway Center

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PWREI purchased this 28,056 sq. ft. mixed retail space, located in Newberry, SC, in October 2015. Gateway Center sits at the intersection of US 76 and Main St. and is shadow anchored by a Walmart. With 12 tenants, the center's most notable occupants include GameStop, Quick Credit, Nexien, and T-Mobile.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$2,030,055	\$2,233,215	100%	\$361,798

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### Powder Springs

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Purchased in October 2015 by PWREI, this 15,050 sq. ft. strip center is located on Richard D. Sailors Pkwy in Powder Springs, GA. Upon purchase of the property, we acquired a vacant pad that was sold in February 2016 for ~\$280K net. Powder Springs is shadow anchored by a Home Depot and has a total of 6 tenants including Hanger Prosthetics and Premier Martial Arts.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$1,100,000	\$745,182	81%	\$147,987

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### Sugarcreek Crossing

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Located in Centerville, OH, PWREI purchased Sugarcreek Crossing in October 2015 and holds a 66.7% stake. Upon purchase, the property included three parcels: a ground leased Cracker Barrel pad that was eventually sold in May 2016 for ~\$2.28M net; a Tire Discounters pad that was sold in December 2016 for ~\$2.96M net; and a multi-tenant retail building containing a UPS store, a Chiropractic office, and Edward Jones, among others.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$5,117,333	\$2,161,342	96%	\$206,364

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### East West Market

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Purchased as a joint deal with Castleberry Promenade, PWREI acquired this 17,017 sq. ft. property in February 2016. East West Market is located along the East West Connector in Austell, GA. The 1.09-acre Dunkin Donuts pad sold in June 2020 for ~\$522K net. The property currently holds 6 tenants, the largest being WellStar Health System, American Hearing Imaging, and Thumbs Up Diner.

Initial Investment	Net Investment	Occupancy	2022 NOI
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\$2,660,000

\$2,206,308

100%

\$290,126

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### Castleberry Promenade

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PWREI acquired this 26,651 sq. ft. property in February 2016 as a joint deal with East West Market. Castleberry Promenade is located at the busy intersection of Bethelview Rd. and Castleberry Rd. in Cumming, GA. Upon purchase, the property included leasable space as well as two small developable pads. This property currently has 10 tenants, among them Liberty Tax, Kumon Learning, Castleberry Ale House, and Ovo Salon.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$2,906,000	\$3,237,237	100%	\$426,043

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### Village at Las Sendas

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PWREI purchased this 39,144 sq. ft property in June 2016 for a 33.4% stake. The Village at Las Sendas is located at the intersection of McDowell Rd. and Power Rd. in Mesa, AZ. This shopping center has a diverse mix of 16 national and local tenants, with the most recognizable being Chipotle, Jimmy John's, and Smashburger.

Initial Investment	Net Investment	Occupancy	2022 NOI
\$2,922,500	\$3,030,034	100%	\$253,118

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### Little Corona – SOLD August 2020

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Located at the busy intersection of Rural Rd. and Ray Rd. in Chandler, AZ, this 6,074 sq. ft. property was purchased by PWREI in December 2014. Little Corona was sold in August 2020 for \$1.57M. At the time of sale, Little Corona held 100% occupancy.

Initial Investment	Profit	Deal Multiple	Deal IRR
\$1,010,000	\$1,170,646	1.82x	13%

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### Dail Center – SOLD August 2020

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Dail Center was purchased by PWREI in December 2014. This 16,145 sq. ft. center is located along US Route 17 in famous Myrtle Beach, SC. Due to its popular location, the area attracts over 14 million visitors each year. In August 2020, Dail Center was sold for \$2.4M and was 100% occupied.

Initial Investment	Profit	Deal Multiple	Deal IRR
\$1,522,500	\$1,990,807	2.08x	16%

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### Roosevelt Place – SOLD November 2021

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This 14,000 sq. ft. property was purchased in August 2014 by PWREI. The property is located in the industrial corridor of Phoenix, AZ by I-10. This location allows for heavy daytime traffic. In May 2016, the Jack in the Box pad sold for ~\$1.08M. Roosevelt Place sold in November 2021 for \$5.02M.

Initial Investment	Profit	Deal Multiple	Deal IRR
\$2,960,000	\$4,620,030	2.55x	19.9%

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### Shoppes at Buford – SOLD June 2022

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This 20,844 sq. ft. property was purchased by PWREI in May 2014 and is located in Buford, GA. The centers' location across from the Mall of Georgia puts it in a retail corridor ideal for drawing shoppers. Shoppes at Buford sold in June 2022 for \$5.7M.

Initial Investment	Profit	Deal Multiple	Deal IRR
\$2,740,600	\$5,699,583	2.68x	15.1%

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### Oak Creek Commons– SOLD June 2022

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This small 10,462 sq. ft. strip center located in Oak Creek, WI was purchased by PWREI in May 2015. Being south of Milwaukee, the area's population growth and average household income are projected to outpace the national average over the next five years. Oak Creek Commons sold in June 2022 for \$2.5M.

Initial Investment	Profit	Deal Multiple	Deal IRR
\$1,191,750	\$2,499,248	2.81x	18.4%

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**Note: 2022 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 audited results on an annual basis from a PCAOB registered public accounting firm.**