



April 2023 Update

Members of PWL-managed investments will be attending our annual meeting tomorrow, 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.

Several investors have asked us to comment on the implications of the **Washington State Supreme Court's recent finding** that the new tax on capital gains is permissible under the state's constitution. While I disagree with the court's ruling, based only on the plain language of the state constitution, that's as far as I'll stray here into the politics of the situation. There are a few practical implications. First, per the [Department of Revenue](#) website, "*Only individuals owing capital gains tax are required to file a capital gains tax return, along with a copy of their federal tax return for the same taxable year.*" Second, the penalty for filing late is severe, think 29%+. Therefore, if you may be subject to the tax, you should probably make sure your tax professional is filing your return or an extension and you are paying the tax or an estimate by April 18.

There's nothing like a couple of bank runs to make people nervous, us included. For years I attended pension and investment conferences dominated by institutional investors who strongly preferred Class-A office buildings only in the largest cities. These huge wallets sharing the same exact preference led to these properties being priced very high with relative current cash flows, therefore, very low. There are thousands of highly paid investment professionals whose businesses and careers depend on a single thesis: Office buildings in major cities are the safest asset after treasury bonds. The investors in the buildings expected a return only slightly better than buying government bonds and holding to maturity. Typically, big office investors have been pensions, where the people making the decisions have zero skin in the game and are government or quasi-governmental employees. I never liked this setup. The people running the funds were paid exorbitant amounts of money for, in theory, buying the least risky assets and holding them. Those making the investment decisions were using other people's money and paid based on their years of seniority on the job, not their performance. From these two points of view, why not pay more for assets and borrow more to get the desired return and maintain the status quo?

I expect we will see more pain bubbling to the surface in the form of distressed lenders, those who provided funding to the thesis above. The business press loves bad news. Typically, the media confuses "Class-A office real estate" with the generic phrase "commercial real estate," making it sound as if the world is ending. This is annoying. While all commercial real estate typically declines in value *in the short term* when interest rates rise, in the long run, commercial real estate has done well coming through inflationary periods.

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 a lease extension in March:



Papa Murphy's exercised their option to extend their 1,200 sq. ft. lease for another 5 years at Benjamin Square.

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

Approximate investment by PWREI

Data as of 2/28/2023

Willow Hill Center

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

Benjamin Square

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

Auburn Road

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

Gulf Breeze

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.

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

Log Pond Plaza

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.

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

Massard Farms

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.

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

Massillon Commons

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.

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

Greensburg Commons

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 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

Gateway Center

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

Powder Springs

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

Sugarcreek Crossing

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

East West Market

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
\$2,660,000	\$2,206,308	100%	\$290,126

Castleberry Promenade

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

Village at Las Sendas

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

Little Corona – SOLD August 2020

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%

Dail Center – SOLD August 2020

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%

Roosevelt Place – SOLD November 2021

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%

Shoppes at Buford – SOLD June 2022

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%

Oak Creek Commons– SOLD June 2022

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%

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.