

PWL

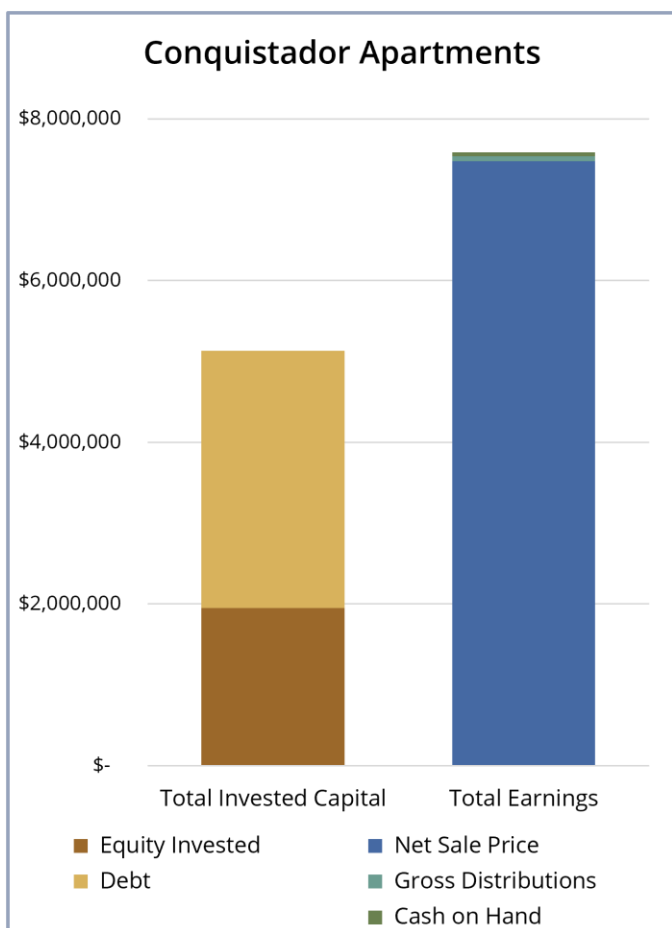
PACIFIC WEST LAND™

January 2024 Update

Happy New Year! We hope your year is off to a great start and your holidays were filled with good cheer. Thank you to everyone who sent us cards and notes over the last few weeks. It is a lot of fun to see everyone's photos and read what you all have been up to.

We are very pleased to announce that PWL hit a home run when we sold [Conquistador Apartments](#) last month. The property sold for ~\$7.5M. The 94-unit apartment complex in Casper, Wyoming, was originally purchased in February 2021 for ~\$4.2M on a capital raise of just ~\$1.95M. This is a nice example of one of our Club Deals.

Levered*



Equity Invested (Feb 2021)	\$	1,947,235
Debt	\$	3,185,000
Total	\$	5,132,235
Net Sale Price (Dec 2023)	\$	7,476,139
Gross Distributions	\$	62,106
Cash on Hand	\$	45,945
Total	\$	7,584,190

Gross IRR | 33.2% Net IRR | 27.7%

Gross MOIC | 2.2x Net MOIC | 2.0x

*Unaudited, subject to adjustment

From the \$1.95M capital invested, ~\$570K was earmarked for capital improvements, which included adding a BBQ in the community courtyard space for grilling; a new roof; a new, more efficient boiler system; and refurbishing 90% of the units. In some cases, the refurbishments meant replacing carpet, appliances, and painting, though some units required more extensive work, including new kitchen cabinets and countertops. We invested an average of \$3,400 per door on unit improvements. Conquistador had a vacancy of roughly 35% at the time of purchase, with many tenants either paying below-market rents or holding large accounts receivable balances. After purchase, we committed to the planned capital improvements, keeping the grounds clean, having maintenance staff accessible to the residents, and adding new controls to tenant qualifications to develop a stable tenant base. We raised rents to be competitive with the local market and improved collections by nearly 125%.

After about 18 months of ownership, we were averaging over 98% occupancy each month with less than 2% delinquency.

Once we brought the income to market rates, we decided to test the water on a sale to see if we could get an interested party. We were content to hold it for cash flow, but happened to find a buyer who was exiting out of a coastal market and wanted to take advantage of Wyoming's lack of state income tax and more landlord-friendly laws.

The PWL team should be especially proud of this return, as the wind was *not* at our backs. During the nearly 3 years of ownership, interest rates were rising, which tends to drive the values of multifamily properties down. At the same time, some multifamily costs, e.g. insurance and tenant turnover, were also rising dramatically for the entire sector. Investors in Conquistador were patient, as over the holding period nearly all the income the property generated went back into property improvements. Along the way, we only made distributions equal to 3.2% of funds raised.

This was a very tax-efficient investment. For tax year 2021 investors saw a passive loss of 65% on their K-1s. For 2022 the passive loss was 5.7%. For investors in a position to use those passive losses to offset 2021 and 2022 gains, that could increase the after-tax return on this investment by as much as 27%. This number would be even larger for someone living in a high income tax state. The funds from this sale are now in a 1031 exchange account and are likely to be rolled forward into a new acquisition.

All of our investors have heard us use the phrase, "***This is a plan, not a promise.***" We looked back at what we had told investors at the time they were deciding whether or not to join us in this particular investment. In our original modeling of the investment, which we shared with

investors, we predicted a 13.3 Net IRR and a Net MOIC of 2.7 on a 10-year hold. Clearly, we did much better.

The idea we were modeling for a 10-year hold and only held for 3 years may seem odd. When we were getting this investment launched a few years ago, talking with potential investors, we said the plan was to complete the property improvements, stabilize the property, and then we'd take a look at rents and expenses and then decide: hold or sell? Investors needed to be comfortable with either potential strategy or not participate. **We often say we make our pre-acquisition modeling conservative, and Conquistador proves a good example.**

PWRE2's sale of [Phoenix Place Apartments](#) in December made the [Atlanta Agent Magazine's Top 5 Local Real Estate stories for 2023](#). The list features Atlanta's top local news articles that received the most page views during 2023.

PWL will be holding its next in-person meeting for current investors and advisors in April in the Seattle area. Participation will also be available via Zoom. The April meeting features a review of the previous year's results including commentaries on the recently released audits and tax returns. Such meetings always include a robust question and answer session.

There is some tremendous confusion or perhaps massive oversimplification in some investors' minds when comparing **the difference between simple returns and compound returns**, which we publish as [Internal Rates of Return \(IRR\)](#). I was talking last month to...someone, and it became clear that he may have thought the difference between a simple rate of return and a published IRR was just marketing, spin, no big deal. Let us illustrate the truth with a simple example. Building One provides a 10% simple rate of return for 10 years. Building Two provides a smooth net IRR to investors of 10% for 10 years. At the end of those 10 years, investors in Building One will have doubled their money, **2.0x**. Investors in Building Two will have multiplied their money by **2.6x**. OK, we don't need [Milton Friedman](#) to point out that the magnitude of the difference is substantial.

We publish various return numbers, both simple and compound returns, primarily to make it easier for people to compare us to other investment opportunities. When we read the S&P has had an average return of x over the last 20 years, x is almost always a simple return. This is good marketing; when looking backward at any positive return over time, the simple return will be a larger number than a compound return. While I hate to write this, a large portion of the population believes that a 10% simple return is better than a 9.9% compound return because 10 is greater than 9.9. Over the last 20 years, many firms and industry groups that once only published compound returns now instead show their simple rate of return because of this *very*

depressing fact. If another investment manager or industry group is providing only simple returns in their marketing, there is no way to easily compare their numbers to the compound return we have made our longstanding habit of reporting. We now choose to show both numbers in some marketing materials so that readers may easily make comparisons.

When we analyze a prospective investment or review our results, we are only concerned with compound returns, aka IRRs. It is important to note this, as I've had a couple of our investors, for whom investing is their profession, express their exasperation with the trend towards publishing simple returns rather than compound returns in financial marketing materials. It is similar to the mix of exasperation and bewilderment one feels when seeing an amplifier that can be dialed up to 11. Consistently publishing compound returns, while sometimes including simple returns, is a marketing decision that has no effect on how we analyze the opportunities we find or the results we produce.

$$MOIC = \frac{\text{Realized Value} + \text{Unrealized Value}}{\text{Initial Investment}}$$

Over the coming year, you may notice a change in the PWL lexicon. For the last 20 years, we've been using **Return on Invested Capital (ROIC)** to illustrate a simple mathematical outcome: for each dollar an investor put in, how many dollars did they receive in return? Unlike IRR, this formula does not include any time component. We have also sometimes called this **Multiple**. Other firms and groups have used these, and other terms, to describe the (dollars out/dollars in) ratio.

Recently, the Federal government has demanded that all firms now refer to this ratio as Multiple of Invested Capital or MOIC. While we question whether or not the demand applies to our firm in particular, we anticipate almost everyone in the business will be using MOIC exclusively by the end of 2024. Rather than repeatedly write "*ROIC (which means the same thing as MOIC)*," **we have switched to "MOIC."**

Another costly new regulation, [The Corporate Transparency Act \(CTA\)](#), takes full effect this year. The handful of PWL investors this regulation affects will be hearing from us in a few months. We have been advised not to take any action regarding the CTA until later in the year, as the deadline for compliance is the end of 2024 (in most cases), and many suspect there may be some regulatory relief before then.

Club Deals

As you can see from our recent sale of [Conquistador Apartments](#), we continue to source high-quality, tax-advantaged real estate investments even in this challenging market. If you're interested in participating, please give me a call. The terms for club deals are very similar to those underlying PWREI & PWRE2. We charge a 1% one-time acquisition fee and 1% per year of asset value. We split the profits 80/20, in favor of investors. The minimum investment is typically \$250K.

1031 Exchanges

PWL's purchase of [Meridian Marketplace](#), the property we discussed in the May update, satisfied the **1031 exchange** need of an investor. This investor is a client of a financial advisor who has incorporated PWL investments into their clients' portfolios for 14 years. If you are selling a property and looking at 1031 exchange options, please give me a call. One important note, the more advance notice we receive about a possible 1031 exchange, the more likely it is we will be able to make a successful exchange. The tight 45-day identification period is the most difficult challenge of the 1031 exchange process. Advance notice and planning can overcome this potential obstacle.

PWL signed six new leases and one lease extension in December:



[Pamer Family Chiropractic](#) exercised their option to extend their current 2,460 sq. ft. lease at [Village Pointe Center](#).



[Regional Finance](#), a national loan provider, signed a new 5-year lease for 3,500 sq. ft. at [Tupelo Market](#).



[Cledis Burgers](#), a fast-casual burger, sandwich, and wings restaurant, signed a new 5-year lease for 2,400 sq. ft. at [Bellevue West Shopping Center](#).



Tejas Liquor, a local liquor franchise, exercised their option to renew their 3,218 sq. ft. lease at [Gulf Breeze](#).



[Newberry Spa & Nails](#) signed a new 5-year lease for a 4,000 sq. ft. space at [Gateway Center](#).

Oranda Aquarium, a specialty fish and aquarium store that offers custom fish tanks, signed a new 1,300 sq. ft. lease for 5-years at [Main Street Commons](#).

VIP Wireless and Tobacco signed a new 5-year 1,000 sq. ft. lease at [Sugarcreek Crossing](#).

If you'd like to meet for breakfast or lunch, please give me a shout so we can get something on the calendar. Office visitors with an appointment are welcome, and I'm always happy to get out of the office, especially during the winter!

Cheers to a good start to 2024, from all of us at PWL –

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PWREI Scorecard

Approximate investment by PWREI

Data as of 11/30/2023

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 F45 Fitness, Pho Tai Vietnamese, and Rainier Growlers.

Initial Investment

\$5,625,000

Net Investment

\$2,943,228

Occupancy

78%

2023 Q1-Q3 NOI

\$352,487

Benjamin Square

PWREI purchased this 9,950 sq. ft. property in May 2014. Benjamin Square is in a highly visible center just off of I-5 in Woodland, WA. The property has 7 tenants and is now 100% leased; the national tenants include Starbucks (drive-thru), Subway, Papa Murphy's, T-Mobile and H&R block.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$1,900,000	\$2,069,607	100%	\$137,466

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, World Finance, Super Cuts, Republic Finance, The Nutrition Store, Pizza Hut, and a Wells Fargo ATM.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$2,677,500	\$2,889,380	100%	\$427,779

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 13 local and national tenants, which include Hertz, Cheng's Chinese, Fiesta Salon, CX Staffing and CATO.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$1,850,000	\$2,179,603	94%	\$260,840

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. of leasable space. Massard Farms tenants include an IHOP, Savers, Sports Clips and Pad Thai Cuisine.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$13,415,287	\$7,401,127	94%	\$404,111

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 11 tenants, the largest being P.S. Cook's, OakPark Preschool, and Stark Medical.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$8,618,667	\$2,502,750	86%	\$227,460

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 16 local and national tenants. The most recognizable tenants are Jimmy John's, Great Clips, GameStop, GNC, Rent-A-Center, Feeder's Pet Supply, Goodwill, and Bath & Body Works.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$12,512,000	\$3,884,907	70%	\$293,107

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 11 tenants, the center's most notable occupants include GameStop, Quick Credit, Nexien, and T-Mobile.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$2,030,055	\$2,233,215	100%	\$261,827

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 8 tenants including Hanger Prosthetics and Premier Martial Arts as well as the new tenant, Esteem Dental Studio. The property is now 100% leased.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$1,100,000	\$745,182	100%	\$101,914

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 Five Guys burgers, among others.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$5,117,333	\$2,161,342	90%	\$175,107

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	2023 Q1-Q3 NOI
\$2,660,000	\$2,206,308	100%	\$245,365

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 Kumon Learning, Castleberry Ale House, and Ovo Salon.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$2,906,000	\$3,237,237	96%	\$334,943

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 17 national and local tenants, with the most recognizable being Chipotle, Jimmy John's, and Smashburger.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$2,922,500	\$3,030,034	100%	\$196,475

Auburn Road – SOLD August 2023

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. Auburn Road sold in August 2023 for \$2.2M

Initial Investment	Profit	Deal Multiple	Deal IRR
\$1,000,000	\$2,457,306	3.1x	16.3%

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%

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%

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%

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%

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%

Note: 2023 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.

Pacific West Land, LLC • 403 Madison Ave N, Ste 230 • Bainbridge Island, WA 98110 • March 13, 2024

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