



## February 2024 Update

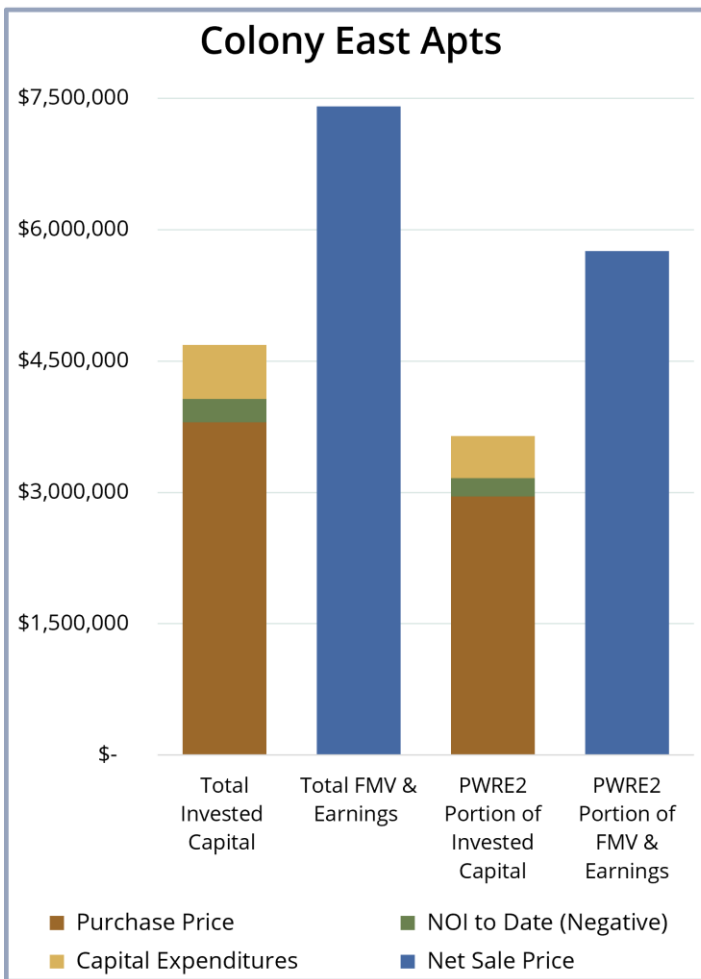
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PWL will hold its 2024 annual meeting for current investors and advisors in April in the Seattle area. For investors and advisors unable to attend in person, participation will also be available via Zoom. The annual meeting features a review of the previous year's results, including commentaries on the recently released audits and tax returns. Such meetings always include a robust question-and-answer session.

**Both PWREI and PWRE2 are doing well.** The bottom-bottom line for **PWREI** (*unaudited*) shows **profits from operations were up 9.7%** for the year. Year-to-year free cash flow was up 9.9%. Net income was down only because PWREI booked fewer capital gains from property sales in 2023 than we did in 2022. The quarter-to-quarter comparison to 2023 Q4 is especially strong. **Overall, the results are excellent.**

**PWRE2 2023** unaudited results were also excellent. PWRE2 booked 2024Q4 net income of \$10.7M. When we consider that PWRE2's total capitalization is \$41.6M, we have to be impressed by the work done by Josh and the team.

This is a bit of a replay because we've come up with another way to think about the recent Colony East sale. Please read on: On December 1, 2023, PWRE2 closed on the sale of Colony East Apartments with a net sale price of ~\$7.4M. The 104-unit apartment complex in Columbia, SC, was originally purchased in June 2019 for \$3.8M. PWRE2 owned 77.74% of Colony East. The balance was owned by a Tenant-in-Common who used 1031 exchange funds to invest in the property.



Purchase Price (Jun 2019)	\$ 3,800,000
Capital Expenses	\$ 615,152
<b>Total</b>	<b>\$ 4,415,152</b>
Net Sale Price (Dec 2023)	\$ 7,406,371
NOI During Ownership	\$ (268,482)
<b>Total</b>	<b>\$ 7,137,889</b>

	Gross	Net
IRR	12.1 %	10.0 %
MOIC	1.6 x	1.5 x
Annual Return		11.2 %

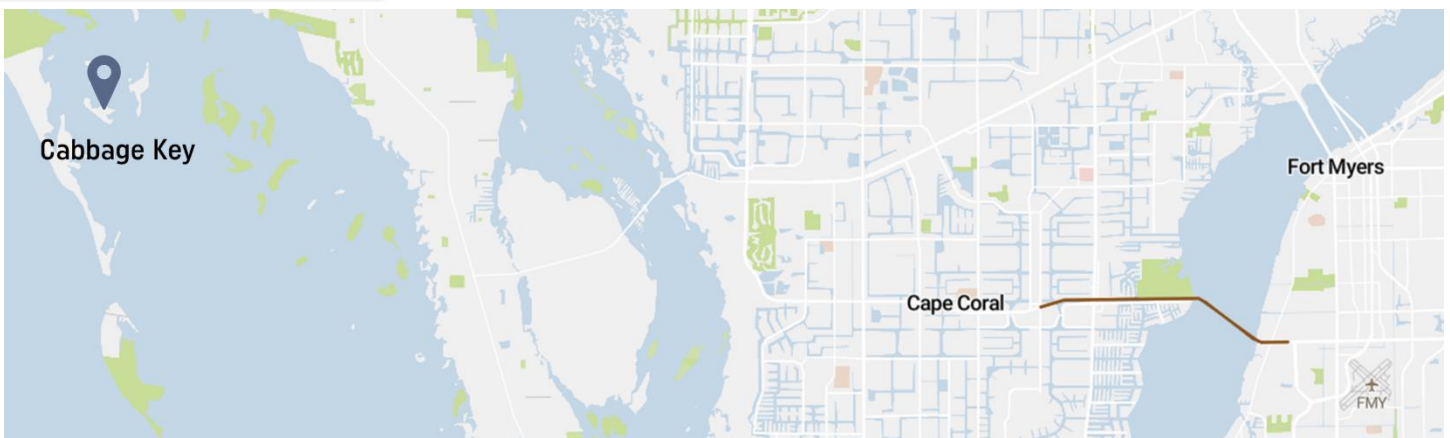
MOIC: Multiple of Invested Capital  
Net: Net return to investors

In the past, when we have reported the results of sales from any of our pools, including PWRE2, we have always provided the deal-level gross return rather than the net return to investors. This is because it is difficult to allocate fund-level expenses to any particular property, and these expenses must be part of the return calculation. There is also a question of the date on which we should start the clock for calculating compound returns. In the case of Colony East, we had an investor who owned just over 22% of the property as a tenant in common whose capital originated from a 1031 exchange. The investor paid all the same fees and received the same 80/20 split of profits as investors in PWRE2. Because of this, we can report the return net to PWRE2 investors of this particular property in isolation, even though it was part of the PWRE2 pool, by reporting the return experienced by this tenant in common investor. This return is slightly overstated, as the tenant in common investor did not cover a commensurate portion of the cost of PWRE2's annual audit and tax preparation. On the other hand, we are still expecting an inbound check to the property, and this income is not yet included.

As points of reference, the long-term annual return on the S&P 500 has been about 10%, and for REITS, as measured by the NCREIF Property Index, about 9%. Neither of these offers the tax advantages of direct real estate participation available to PWL investors.



**PWL congratulates our friend [Joseph L. Pagliari, Jr., Ph.D., CFA, CPA](#).** Professor Pagliari was recently named the inaugural holder of the John Mazarakis and Chicago Atlantic Clinical Professorship by The University of Chicago Booth School of Business. This honor is the first named clinical professorship in the school's history. Martin has been attending the annual real estate conference hosted by Professor Pagliari for over a decade. Joe's research and insights have been truly valuable to PWL. He has earned this honor for his years of superior research and teaching. We couldn't be happier for him.



**Restaurant Recommendation:** I was in Florida for a few days in January, meeting with investors and advisors. The highlight of the trip was lunch at [Cabbage Key](#), an inn and restaurant near Fort Myers. Accessible only by boat, the restaurant is fun, the service impeccable, the views fantastic, and the food delicious. It was a trip and meal I'll never forget. There are a few boat services in the area that shuttle diners to the restaurant. If you're in the area, I suggest you add this stop to your itinerary. I can't thank my hosts enough.



As you can see from our recent sales, 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

In the last two years, PWL helped facilitate **seven 1031 exchanges** for investors. The tight 45-day property identification period is the biggest challenge of the 1031 exchange process. Unlike most of us, Josh and his team analyze every single property that comes onto the market, which is critical to not miss a potentially excellent investment in the current, challenging market. This wide-net view of the current offerings, along with our thorough and conservative evaluations, means we only put opportunities in front of potential investors that we feel will make for truly high-quality investments.

We do not reduce the rigorousness of our evaluation process on properties simply because we have an investor needing to make a 1031 exchange, so the more advance notice we have, the higher the likelihood you will make a successful exchange.

### **PWL signed five new leases and one lease extension in January:**

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[H&R Block](#), a national tax preparation company franchise, exercised their option to extend their 1,350 sq. ft. lease at [Benjamin Square](#).

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[State Farm](#), a national insurance company, signed a new 1,194 sq. ft. lease at [Sunset Place](#).

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[Five Guys Burgers and Fries](#), the national fast-food burger chain, signed a new 10-year, 3,130 sq. ft. lease at [Sugarcreek Crossing](#).

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[Ariya Family Chiropractic Centers](#), a local Chiropractic and Massage Therapy Center, signed a new 1,400 sq. ft. lease for 5 years at [Lexington Commons](#).

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Groomer Has It, a local dog groomer, signed a new 5-year 1,400 sq. ft. lease at [Bellevue West Shopping Center](#).

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Meridian Skin Spa signed a new 5-year 1,200 sq. ft. lease at [Meridian Marketplace](#).

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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!

Stay healthy & keep smiling –

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## PWREI Scorecard

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Approximate investment by PWREI

Data as of 12/31/2023

### 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 F45 Fitness, Pho Tai Vietnamese, and Rainier Growlers.

Initial Investment

Net Investment

Occupancy

2023 Q1-Q3 NOI

\$5,625,000

\$2,943,228

78%

\$352,487

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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 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

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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, 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

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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 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

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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. 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

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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 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

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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 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	68%	\$293,107

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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 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

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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 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

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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 Five Guys burgers, among others.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q3 NOI
\$5,117,333	\$2,161,342	95%	\$175,107

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

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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 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

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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 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

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## Auburn Road – SOLD August 2023

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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. 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%

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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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## 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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## 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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## 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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## 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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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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