

Members of PWL-managed investments will be attending our annual meeting in April, in person or via Zoom. We will discuss the audited 2023 results and our outlook for the year. We host three such large meetings each year in the Seattle area (two of which we live-stream for those who can't attend in person), typically in April, July, and December. We also host smaller Member meetings in Boise, Portland, the San Francisco Bay Area, Silicon Valley, and occasionally other places on a less predictable schedule.

Something that happens after preparing this monthly for 14 years is that we are sometimes afforded the opportunity to write, "*Told them so.*" Over a decade ago, [FASB](#), with the SEC's full support, demanded that illiquid asset value changes be run through the income statement and recognized on the balance sheet each year. Before this mandate, the information had been required as a footnote to the financial statements, and many assets that were not intended for sale were not subject to repricing and could be simply shown at book value as long as the footnote was included. I didn't like FASB's regulatory changes and wrote about it here. I prefer income statements to reveal the results from operations. Pretty simple: Revenue, expense, gain from sales, and net result.

We decided to keep changes in asset values at the back of our audits. The income statement and the balance sheet at the front of our audit reports, like those in our quarterly reports, do not include changes in current values because their inclusion makes it difficult to understand the business results. Operations may improve over time, but as asset values bounce around, it is difficult to see trends or even make year-to-year comparisons with regard to how well the business is operating. *We also prefer to avoid counting our chickens before they hatch.* Estimating changes in value involves judgment and is imprecise. **We only discover the true price of a real estate asset the day we sell.** We like booking the profits from investments on that day of sale when values morph from opinions into fact.

I was happy to learn that the late [Charles Munger](#) agreed with me. He wrote and spoke about these same issues: the difficulty even seasoned investors may have in determining the health of a firm when operating results and unrealized changes in asset values are both run through the books. While Mr. Munger expressed his thoughts on the pages of the Wall Street

Journal's Opinion section, I wrote FASB directly. The feedback from Mr. Munger and myself did not affect the new public accounting standards.

The terrible and yet fully anticipated result of the mandatory accounting changes showed up on the front page of the Wall Street Journal on February 9, "[A Property Giant Falls in Europe](#)." Signa Holdings, a large European real estate investment firm whose holdings include the iconic [Chrysler Building](#), has imploded. The firm's operations showed losses in 5 of the last 7 years. These losses from operations, to the tune of hundreds of millions, were hidden as growing asset values dominated Signa's income statements. Booking increases in value as income led to strictly paper or phantom profits and to the sorts of investing mistakes that Munger had warned of. As assets on the company's balance sheet showed increases in value, the firm aggressively used the higher valuations to justify taking on more debt. As such stories often end, one day Signa Holdings couldn't find a new lender to join the dance, and the \$30B house of cards collapsed, hurting banks, pensions, and ultimately, mom-and-pop shareholders and pensioners.

The situation may have been avoided if unrealized gains and losses on illiquid assets were once again returned to footnote status. You'd think the people at FASB would read the *Wall Street Journal* and be concerned that their rules, which set the pace around the globe, reduced the general usefulness of audited financial statements and contributed to such massive losses.

Here we will note that returns from operations for both PWREI and PWRE2 improved in 2023 over 2022, even though both pool's asset bases were smaller due to property sales. **In fact, PWL's portfolio outperformed Signa Holdings' by hundreds of millions of dollars again in 2023.**

The logo consists of the words "Club Deals" in a blue, sans-serif font, stacked vertically. The text is centered within a light blue rectangular background that has a subtle gradient and a slight shadow effect.

Club Deals

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 three new leases and two lease extensions in February:



[Marshalls](#), the national department store chain, signed a new 21,650 sq. ft. 10-year lease at [Greensburg Commons](#).



[Pizza Hut](#), the American multinational pizza chain, exercised their option to renew their 1,680 sq. ft. lease for another 5 years at [Gulf Breeze Shopping Center](#).



[Orchid Nails and Spa](#) exercised their option to extend their 1,420 sq. ft. lease for 5 years at [Rosemount Crossing](#).



[Another Broken Egg Café](#) signed a new 5,200 sq. ft. 10-year lease at [University Towne Center](#).

Supermarket La Guadalupana signed a new 2,845 sq. ft. lease for 5 years at [Tupelo Marketplace](#).

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.

Stay healthy & keep smiling -

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PWREI Scorecard

Approximate investment by PWREI
Data as of 1/31/2024

Willow Hill Center

The 21,082 sq. ft. center located in Puyallup, WA, was purchased in May 2014 with an 83% stake by 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, the most recognizable being F45 Fitness, Pho Tai Vietnamese, and Rainier Growlers.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q4 NOI
\$5,625,000	\$2,943,228	78%	\$452,596

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-Q4 NOI
\$1,900,000	\$2,069,607	100%	\$181,290

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 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-Q4 NOI
\$2,677,500	\$2,889,380	96%	\$552,156

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

Initial Investment	Net Investment	Occupancy	2023 Q1-Q4 NOI
\$1,850,000	\$2,179,603	90%	\$360,543

Massard Farms

This large shopping complex in Fort Smith, AR 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-Q4 NOI
\$13,415,287	\$7,401,127	94%	\$ 523,405

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

Initial Investment	Net Investment	Occupancy	2023 Q1-Q4 NOI
\$8,618,667	\$2,502,750	87%	\$300,606

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, and Bath & Body Works.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q4 NOI
\$12,512,000	\$3,884,907	68%	\$424,198

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

Initial Investment	Net Investment	Occupancy	2023 Q1-Q4 NOI
\$2,030,055	\$2,233,215	100%	\$342,326

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 purchasing the property, we also acquired a vacant pad that we sold in February 2016 for ~\$280K net. Powder Springs is shadow-anchored by a Home Depot and has 8 tenants total, including Hanger Prosthetics, Premier Martial Arts, and Esteem Dental Studio. The property is now 100% leased.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q4 NOI
\$1,100,000	\$745,182	100%	\$141,344

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-Q4 NOI
\$5,117,333	\$2,161,342	95%	\$265,992

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 Health Imaging, and Thumbs Up Diner.

Initial Investment	Net Investment	Occupancy	2023 Q1-Q4 NOI
\$2,660,000	\$2,206,308	100%	\$350,708

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-Q4 NOI
\$2,906,000	\$3,237,237	86%	\$ 508,799

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	2023 Q1-Q4 NOI
\$2,922,500	\$3,030,034	96%	\$271,786

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 center's 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

PWREI purchased Dail Center 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 Real Estate Income Fund, LLC • 403 Madison Ave N, Ste 230 • Bainbridge Is, WA 98110 • Mar 13, 2024
