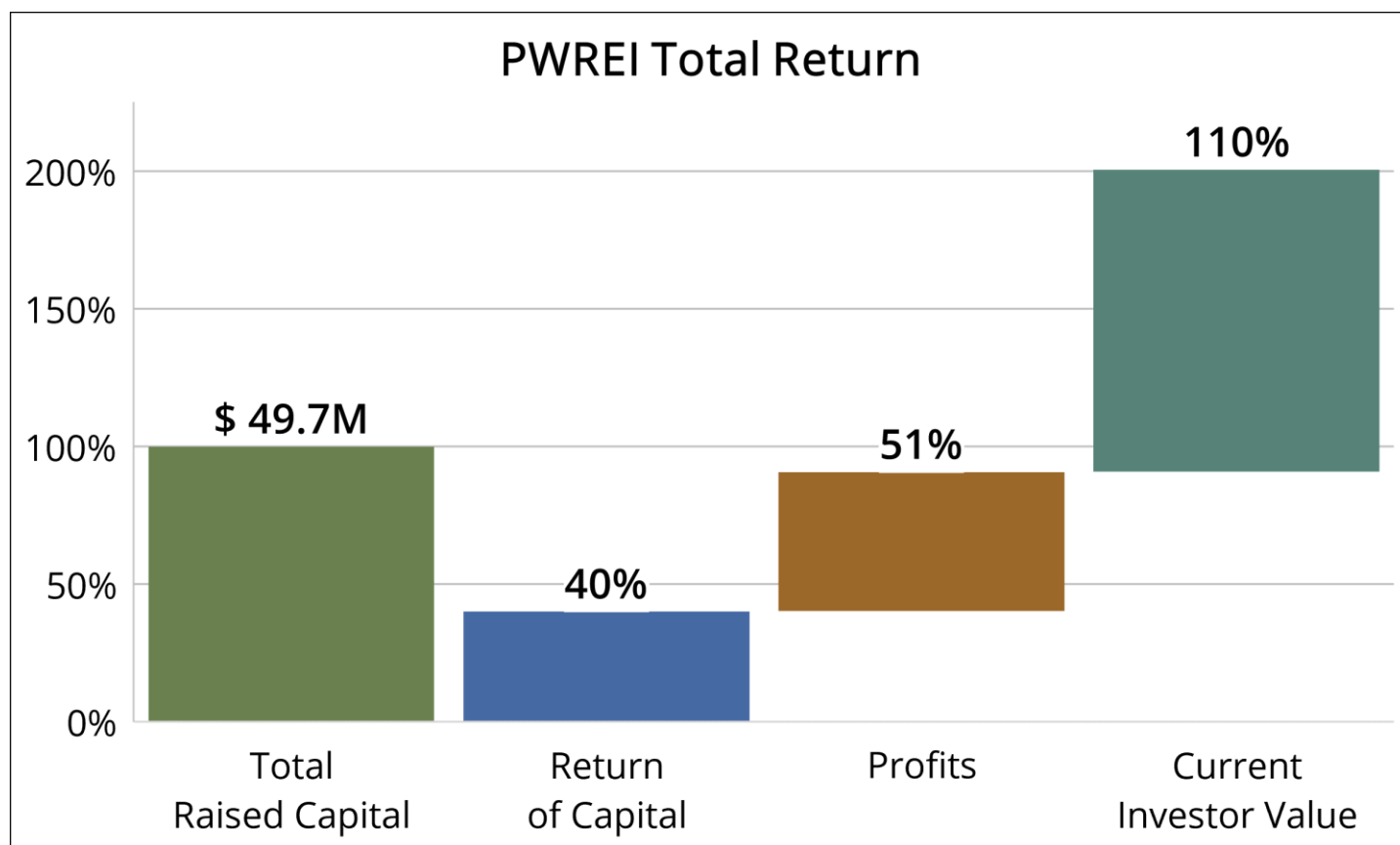


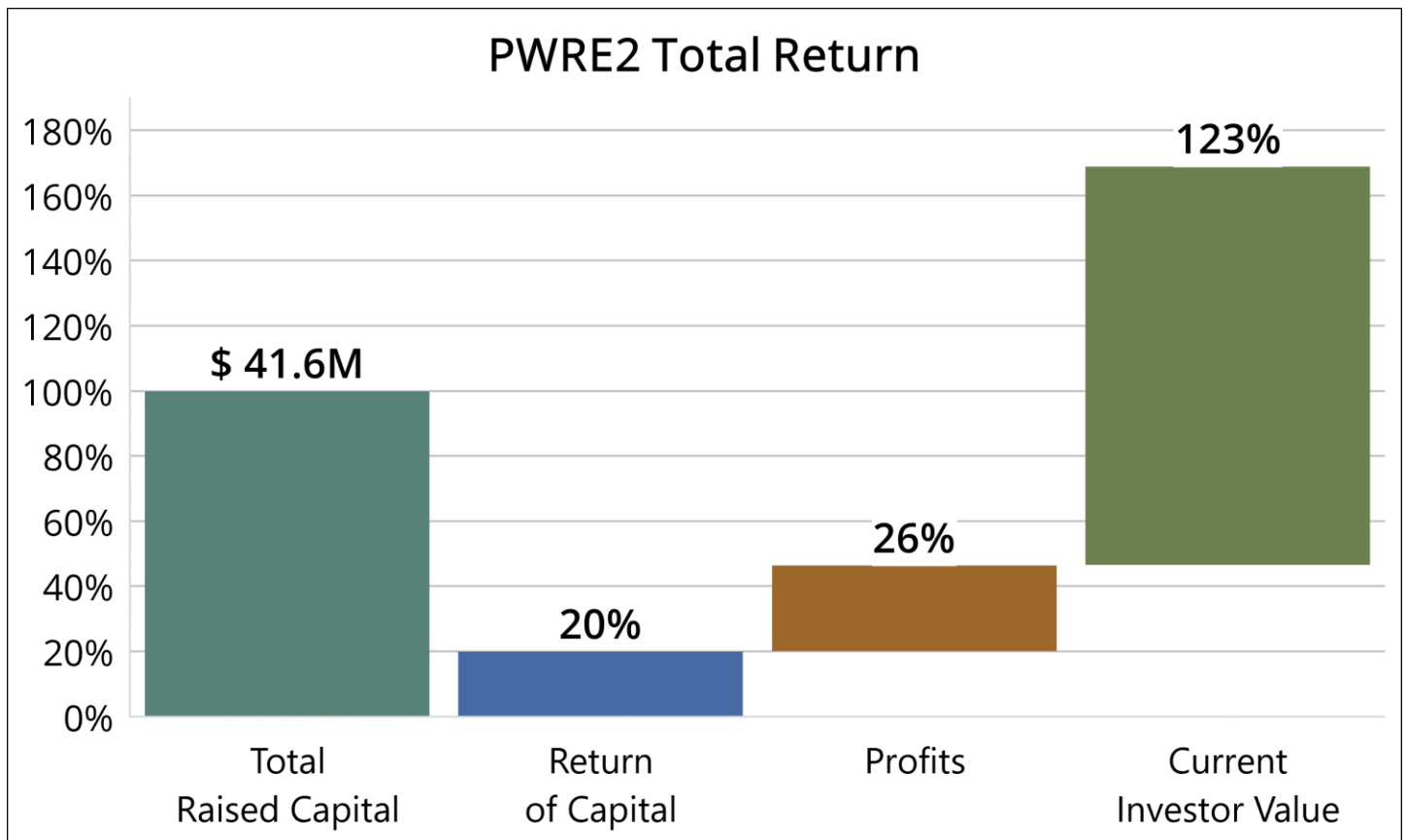
August 2023 Update

Thank you to everyone who attended our July lunch in Bellevue. With no internet simulcast, it was a little less formal than our April and late-year meetings. We especially thank [BDO Tax Partner Codi Scott](#) who gave an excellent educational presentation on the new, repugnant [Washington State capital gains tax](#). This tax only affects Washington State residents and does not apply to real estate, making it of little interest to our non-local investors. Codi answered many questions about the new tax and the unorthodox method for its collection. We also chalk this up as a success, as this was the first meeting since the pandemic that did not include coronavirus cancellations.

Here are a few exciting data points from the lunch regarding PWREI and PWRE2.



PWREI Total Return to investors has passed the 200% mark. May to May net returns to investors, meaning both cash distributions and estimated change in value, were up 11% compared to original capitalization and up 18.3% compared to current unreturned capitalization.



PWRE2's quarterly cash flow is +62% year-over-year, as we have completed most of the value-adding to the multifamily properties. PWRE2's May to May net returns to investors were up 9% compared to original capitalization and up 11.25% compared to current unreturned capitalization.

A question we've received a few times this year is, "Why would you publish any return numbers that are anything other than IRR?" Twenty years ago, anyone who published anything other than IRR as a measure of returns might be taken as very serious. These days we see simple annual returns published frequently. From a marketing perspective, this makes sense as the number appears larger and most people have trouble internalizing the magnitude of difference between a simple return and a compounding return over time. An 11% simple return over 10 years leaves you with \$2,100 for every \$1,000 invested. A 10% compounding return over 10 years leaves you with \$2,600.

While IRR remains my favorite measurement, Return on Invested Capital (ROIC) or Multiple is also important. We were recently asked by a colleague to review the results of another firm. Their IRRs were in the teens, but their ROIC's were less than 1.25. They got their investors' money returned to them very quickly, probably by replacing equity with debt as property values increased. This led to high IRRs, but the absolute returns were less than pedestrian. Looking at IRR and ROIC together helps the conversation zero in on the biggest risk factor, leverage or debt, compared to value.

The weakness of IRR is that not everyone publishes theirs, and without apple-to-apple comparisons, it's a marketing challenge. IRR is great for measuring PWL's results because IRR values the money we've put back into investors' pockets over time. The quicker the money is back in your pocket, the higher the IRR. When we look at stock market returns, they are almost always calculated such that the investors only get their money out once on the last day of the investment period and are expressed as simple annual returns.

As we have done with our previous pooled funds, we will publish the final IRRs and ROICs net to investors once we wrap up PWREI and PWRE2.

The Wall Street Journal has published an article of special interest in the last week. First, *Heard on the Street* finally had something [nice to say about neighborhood retail real estate](#). This column has been nothing but retail doom and gloom for 14 years. Someone must have retired.

On July 31, [the Wall Street Journal ran a long article](#) on another massive real estate crowdfunding scam coming to light. This time \$63M disappeared. We first talked about the dangers of the real estate crowdfunding movement just over ten years ago, when it was getting started, after meeting with several of the crowdfunding firms in person. Those warnings were correct.

Pacific West Land is adding a new philanthropy to the list of those we regularly sponsor. As many of you know, I like to hike in the Olympic National Park and Olympic National Forest, both of which are near Bainbridge Island. I don't want to paint the wrong picture. All trails are rated 1 to 5 stars for difficulty, and I'm definitely a 2-star hiker. A one-star trail is a mostly flat paved path. For anything 4- or 5-star, you need some climbing gear. My often repeated joke is, "*Where I grew up in Michigan, there are no Washington 3-star trails.*"

I recently learned that all these trails are all maintained by volunteer groups and that these groups receive almost no government support. Many of these groups permanently adopt a set of trails that they maintain year-round. Maintaining trails in the Olympics means lots of chainsaws, as we have BIG trees fall every year as the weather blows through. It means shoveling out the ditches that run along most trails; otherwise, the trails themselves will turn to mush during our long months of rain. It means cutting in new trails, as erosion will take out trails that run along rivers. Most trails in the Olympics run through river valleys. For big jobs, like clearing giant trees that have fallen and building bridges, pack mules and horses are used to carry equipment into the mountains.



One of these groups, **The Gray Wolves Trail Crew**, maintains many of my favorite trails, including the [Lower Big Quilcene River Trail](#). The group meets almost every Wednesday year-round to do trail work. If you know our weather, you'll understand they are a hearty group! Pacific West Land is now making an annual donation large enough to cover all their routine equipment replacement. We will be adding something about this to the PWL website in the near future. The Gray Wolves do not have a website; you can find them on Facebook. You will be very impressed by their efforts, should you take a look.

The 14th Annual Bertha L. Johnson Memorial Golf Tournament was a success. The tournament was a fun-filled day out on the course that raised just over **\$6,500**. The Bertha L. Johnson Memorial Golf Tournament is an officially sanctioned event with all proceeds split equally and donated to [PanCAN](#), a 501(c) non-profit ID #33-0841281, and [Fred Hutch Cancer Center](#). A huge shoutout to our Leasing Director, [Dennis Johnson](#), and his wife, Mary, for hosting another successful tournament that supports a fantastic cause. Thank you to our generous investors who sent donations to support Dennis and Mary's efforts. PWL matched all such donations dollar-for-dollar.

Club Deals

In our monthly reports, we note when PWL has purchased a new property, like [Magna Carta Place](#). These new investments are organized as a stand-alone LLC funded by a handful of current PWL investors. The terms for club deals are very similar to those underlying PWREI & PWRE2. We charge a 1% one-time acquisition fee and 1% of asset value per year. We split the profits 80/20 in favor of investors. The minimum investment is typically \$250K. We keep a rolling list of current PWL investors who would like to participate in such opportunities. If such an investment suits you, we would happily add you to this list at your request.

1031 Exchanges

PWL's recent 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 call me. One important note, the more advance notice we receive about a possible 1031 exchange, the more likely 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 a new lease and three lease extensions in July:

The Low Carb Market, a retailer that sells specialized keto and low-carb foods, exercised their option to extend their 1,100 sq. ft. lease for another 2 years at [Village Pointe Center](#).



[T-Mobile](#) signed a new 5-year 1,650 sq. ft. lease at [Greensburg Commons](#).



Also at [Greensburg Commons](#), V-Nails signed a 3-year lease extension for renewing their lease in their current 1,600 sq. ft. space.

BIG APPLE CAFE

Big Apple Cafe signed a lease amendment to extend their 2,250 sq. ft. lease at [Log Pond Plaza](#).

Last year we sent PWL investors “*The Snow Goose*” by Paul Gallico as part of our holiday package. We have a few copies of the book here in our office. If you would like a copy, please email kass@pacificwestland.com.

Stay healthy & keep smiling –

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PWREI Scorecard

Approximate investment by PWREI

Data as of 6/30/2023

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 Moneytree, Pho Tai Vietnamese, and Rainier Growlers.

Initial Investment

\$5,625,000

Net Investment

\$2,943,228

Occupancy

100%

2023 Q1 NOI

\$105,371

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 currently has 6 tenants; the national tenants include Starbucks (drive thru), Subway, Papa Murphy’s, T-Mobile and H&R block.

Initial Investment

\$1,900,000

Net Investment

\$2,069,607

Occupancy

86%

2023 Q1 NOI

\$43,506

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	2023 Q1 NOI
\$1,000,000	\$1,051,877	100%	\$40,115

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 NOI
\$2,677,500	\$2,889,380	100%	\$164,130

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 NOI
\$1,850,000	\$2,179,603	94%	\$72,514

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 NOI
\$13,415,287	\$7,401,127	94%	\$146,519

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	2023 Q1 NOI
\$8,618,667	\$2,502,750	88%	\$47,531

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 NOI
\$12,512,000	\$3,884,907	91%	\$99,703

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	2023 Q1 NOI
\$2,030,055	\$2,233,215	100%	\$77,684

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	2023 Q1 NOI
\$1,100,000	\$745,182	81%	\$30,726

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	2023 Q1 NOI
\$5,117,333	\$2,161,342	96%	\$56,184

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 NOI
\$2,660,000	\$2,206,308	100%	\$100,776

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 NOI
\$2,906,000	\$3,237,237	96%	\$159,147

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 NOI
\$2,922,500	\$3,030,034	100%	\$59,786

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	Gross 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	Gross 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: 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 • August 18, 2023
