



December 2023 Update

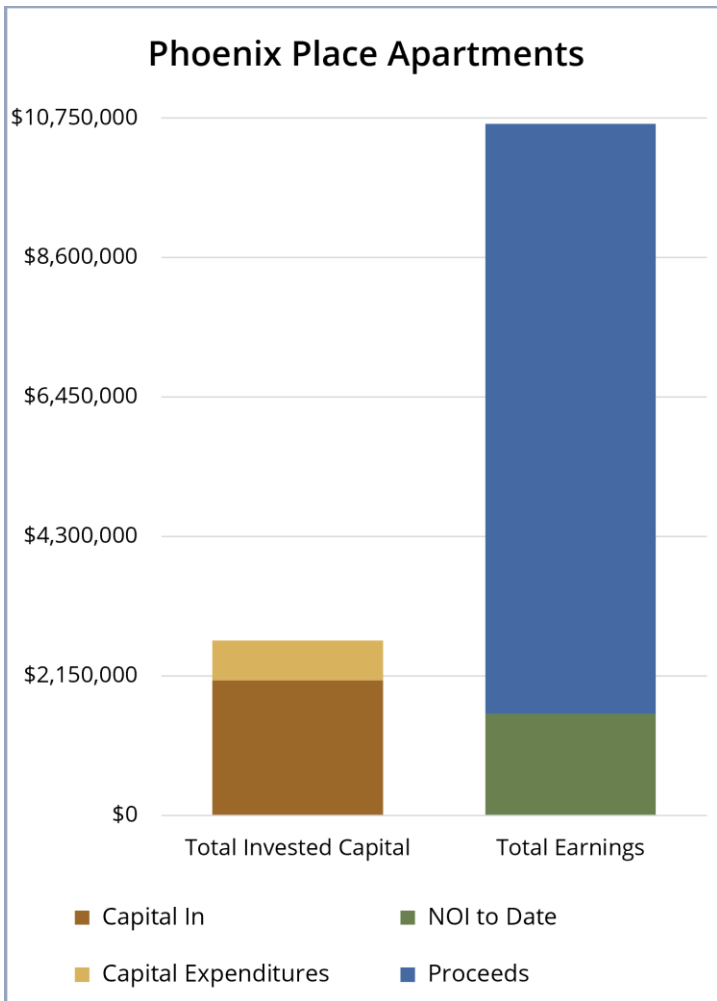
The last month has been especially busy in the PWL office. We enjoyed two successful property sales from the PWRE2 portfolio (one of PWL's blind pools) in the last three weeks. The last week in November, we also had our four remote staffers in town for a series of meetings, and we hosted our year-end investor lunch and staff holiday dinner.

Thanks to the PWL Investors who attended the winter Investor Lunch/Zoom broadcast. As expected, it was a significant improvement over last year, when I was speaking from an otherwise vacant office using my coronavirus-ravaged voice. Josh took great pains to inform me that the food wasn't very good last year; this year, the chef received rave reviews. Thanks to the staff at [Bake's Place](#), this year's venue. Bake's has live jazz on Friday and Saturday nights; check it out.

At the investor meeting, we discussed **PWREI and PWRE2 Q3 results**. In a nutshell, **PWREI** revenue, profits from operations, and free cash flow continue to improve year-over-year, with free cash flow up 8.8%. 80% of PWREI's vacancy is concentrated in two properties, and each of those properties is yielding over 11%. Each is oversized for its location. We knew at the time of purchase that we did not need to fill them to make them successful investments. **The annualized yield on PWREI's Q3 distribution was over 10%**. It's a fine-looking Q3 report, and we are very happy with PWREI's year-to-date results. Total distributions to investors are now at **97%** of the original capitalization. **PWRE2's** big news at lunch was the successful sale of Phoenix Place, aka Harmony (see below). Phoenix Place has been a small contributor to the current yield of PWRE2. While it has been cash flowing, that cash flow has been only modestly larger than the debt service. With the sale, we paid off more than half of PWRE2's long-term debt.

On November 9, 2023, PWRE2 closed on the sale of [Phoenix Place Apartments](#) with a net sale price of \$13.7M. The 144-unit apartment complex in East Point, GA, was originally purchased in August 2018 for \$6.8M.

Levered

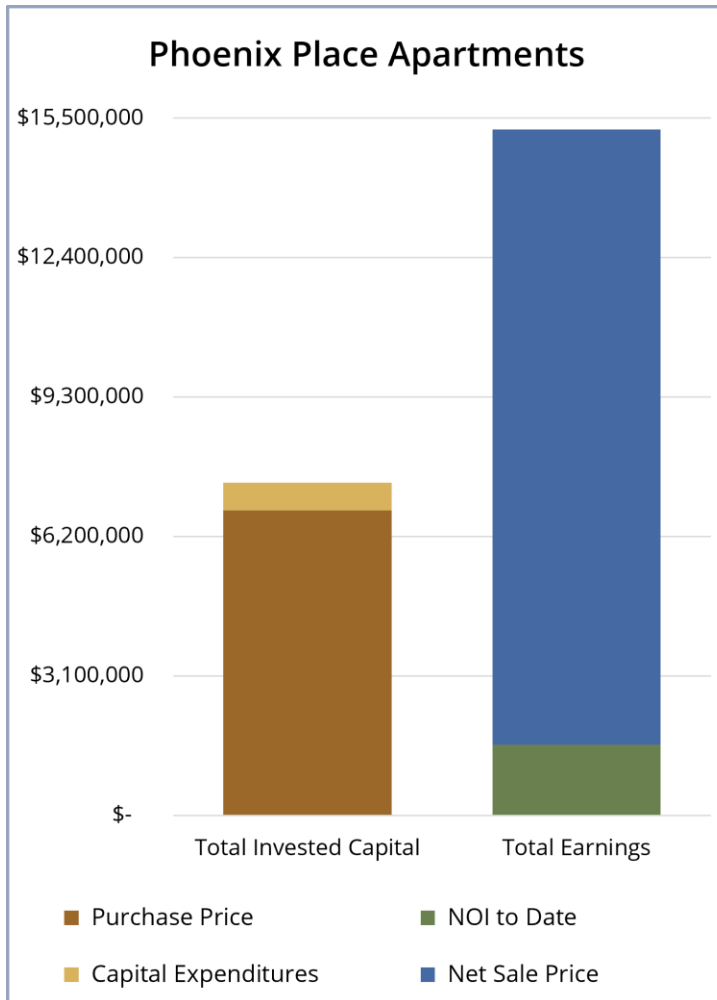


| | |
|---------------------------|----------------------|
| Equity Invested | \$ 2,075,000 |
| Capital Expenses | \$ 620,313 |
| Total | \$ 2,695,313 |
| Net Sale Price (Nov 2023) | \$ 13,686,688 |
| Loan Payoff | \$ (4,589,049) |
| NOI During Ownership | \$ 1,561,607 |
| Total | \$ 10,659,246 |

Deal Multiple | 6.33x

Deal IRR | 25.9%

Unlevered



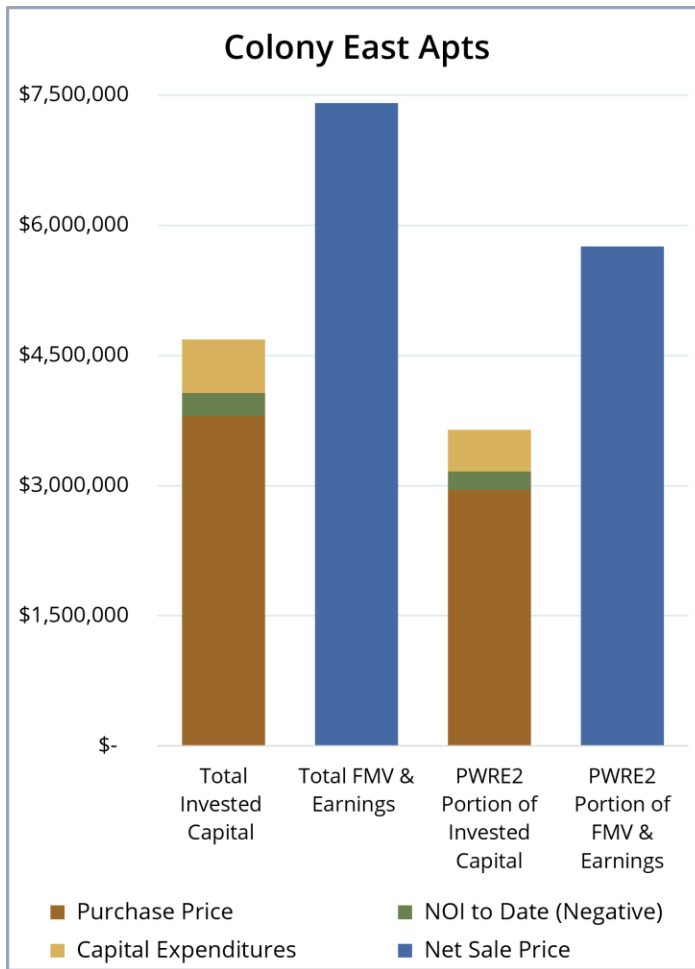
| | | |
|---------------------------|-----------|-------------------|
| Purchase Price (Aug 2018) | \$ | 6,775,000 |
| Capital Expenses | \$ | 620,313 |
| Total | \$ | 7,395,313 |
| <hr/> | | |
| Net Sale Price (Nov 2023) | \$ | 13,686,688 |
| NOI During Ownership | \$ | 1,561,607 |
| Total | \$ | 15,248,295 |

Deal Multiple | 2.14x

Deal IRR | 16.5%

The levered deal IRR was 25.9% and the Return on Invested Capital (ROIC) or Multiple was 6.33. The unlevered deal IRR was 16.5% with an ROIC or Multiple of 2.14. These results are before the Manager's participation is included. Because this property was included in a pool with a dozen others, it's difficult to isolate exactly how much the Manager has earned from this home run, but it's roughly 20% of the upside. When we wrap up PWRE2, we will publish the aggregate IRR and ROI net of Manager participation. Certainly, investors will be pleased with the result.

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 made use of 1031 exchange funds to invest in the property.



| | Total | PWRE2 Portion |
|---------------------------|---------------------|---------------------|
| Purchase Price (Jun 2019) | \$ 3,800,000 | \$ 2,954,120 |
| Capital Expenses | \$ 615,152 | \$ 478,219 |
| Total | \$ 4,415,152 | \$ 3,432,339 |
| Net Sale Price (Dec 2023) | \$ 7,406,371 | \$ 5,757,713 |
| NOI During Ownership | \$ (268,482) | \$ (208,718) |
| Total | \$ 7,137,889 | \$ 5,548,995 |

Deal Multiple | 1.45x
Deal IRR | 11.9%

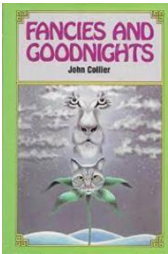
While the results of the Phoenix Place sale are excellent and the results from Colony East are good, we will always wonder how much these investments were **impaired by the pandemic**. It is difficult to calculate the total impact of eviction moratoriums on collections, work stoppages, a massive increase in material costs caused by the supply chain squeeze, and a labor shortage, all of which originated with the response to the coronavirus. My guess is that we would have completed each investment 20 months sooner and with a profit margin 50% higher, had it not been for the global health event, which flipped things upside down.

A couple of weeks ago, PWL hosted the [Gray Wolf Trail Crew's](#) annual holiday lunch in Sequim, WA. It was a fun couple of hours with a dedicated group of folks. All the hiking trails in the Olympic National Park and Olympic National Forest are maintained by volunteer groups like the Gray Wolves. I love hiking these trails, which run along the river valleys of the Olympic Mountains. They are beautiful and accessible year-round. My favorite trails are not difficult to walk. Since 2021, PWL has provided the funds for all of the Gray



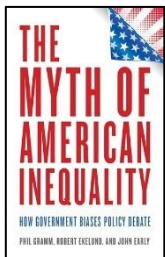
Wolves' equipment purchases. The crew posts some great pictures, including some of very large trees, on Facebook. **Thank you Gray Wolves!**

As we have published each December for several years, here are my book recommendations based on my reading and listening over the last 12 months.



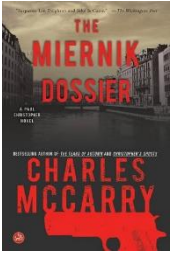
Best Fiction: *"[Fancies and Goodnights](#)"* by [John Collier](#). As a kid, I loved watching reruns of the *"Alfred Hitchcock Presents"* television program. The entire tone of that show was taken from John Collier's short stories, dark and comedic, with a very sharp karma knife cutting the plot apart in the final act. Several of the stories were adapted for *"Alfred Hitchcock Presents,"* and Collier worked on the show. Ellery Queen included this title on his Queen's Quorum list of most important detective fiction books. First published in 1951, inexpensive paperback reprints of this book are not hard to find. Special bonus for Penn & Teller fans: the two magicians spent decades trying to learn the secret of the Indian Rope Trick. Their fascination with the legendary conjuration was detailed in the documentary: *Penn & Teller's Magic and Mystery Tour: India*. In one of his stories, Collier explains both the secret of the rope trick and why it can no longer be performed.

Runners-up: *"[Requiem for a Wren](#)"* by Nevil Shute and *"[The Brass Cupcake](#)"* by John D. MacDonald.



Best Non-Fiction: *"[The Myth of American Inequality: How Government Biases Policy Debate](#)"* by Phil Gramm, Robert Ekelund, and John Early. This was one of the [Wall Street Journal's Best Books of 2022](#). This book answered a question I've had for many years. When I was 10, I nearly died of a kidney disease. I was in the hospital for a couple of weeks. The continued treatment—severely limited physical activity and a restricted diet—lasted a whole year. Today, kids who get this same disease take a course of 5 or 10 pills over a couple of weeks and might reduce their activity for the same fortnight. I have often wondered, *"How is this advancement in medicine treated when calculating inflation? The pills represent far less consumption than a two-week hospital stay. When we get a better product providing a better outcome but costing far less, that's complicated math for figuring inflation."* This book explores and explains this and many other economic issues, mostly with regard to transfer payments, the impact of taxes, and calculations of income and inflation. Each topic is taken from several angles. I do not particularly approve of the book's title because of the use of the word "myth." This word is not representative of the content and probably puts some people off. A better title would have been *"Understanding American Inequality."* Many books explaining economic data are grinds to get through; this is not one of those books. One does not need a background in economics to understand and learn from it.

Runner-up: "[*Lawrence in Arabia: War, Deceit, Imperial Folly, and the Making of the Modern Middle East*](#)" by Scott Anderson.



Best Audiobook: "[*The Miernik Dossier*](#)" by Charles McCarry. Several different narrators take the roles of spies from a handful of countries—some friends, some foes—trying to learn the motivations and goals of Miernik, a secretive Pole who may be working for the Russians to overthrow a poor, but perhaps mineral-rich, country in Africa circa 1959.

Runner-up: "[*The Exploits of Brigadier Gerard*](#)" by Arthur Conan Doyle, read by Rupert Degas. Hilarious.

Club Deals

As you can see from our recent purchase of [**Sunset Place**](#), we continue to source high-quality, tax-advantaged real estate investments even in this challenging market. 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 one new lease and two lease extensions in November:

Whimsical Wool Gallery, a high-end yarn and knitting shop, signed a new 5-year lease for 1,320 sq. ft. at [**Village Pointe**](#).



[Waxing the City](#), a body waxing salon, signed a 5-year lease renewal for their 1,760 sq. ft. space at [Castleberry Promenade](#).



[Hotworx](#), a 24 hour infrared fitness studio, extended their 2,542 sq. ft. lease for 5-years at [University Towne Center](#).

Merry Christmas and Happy Holidays from all of us at PWL –

Martin A. Stever

Partner

martin@pacificwestland.com

(206) 780-3944 direct

(206) 780-4040 office

Sally Erickson

Investor Relations & Marketing Manager

sally@pacificwestland.com

(206) 201-3212

PWREI Scorecard

Approximate investment by PWREI

Data as of 10/31/2023

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 | 2023 Q1-Q3 NOI |
|--------------------|----------------|-----------|----------------|
| \$5,625,000 | \$2,943,228 | 78% | \$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 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 | 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 12 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% | \$227,450 |

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% | \$293,093 |

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-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 6 tenants including Hanger Prosthetics and Premier Martial Arts.

| 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 Edward Jones, among others.

| Initial Investment | Net Investment | Occupancy | 2023 Q1-Q3 NOI |
|--------------------|----------------|-----------|----------------|
| \$5,117,333 | \$2,161,342 | 90% | \$175,100 |

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,

| 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 16 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% | \$196,478 |

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% |

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% |

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% |

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% |

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
