

A quick highlight on PWREI & PWRE2's Q1 results:

PWREI showed solid performance:

- **Revenue** increased by **7.9%** compared to the same period last year.
- **Profits from Operations** rose **8%**.
- **Free Cash Flow** jumped **20%**.

PWRE2 also delivered strong results:

- **Revenue** grew by **12.3%** compared to the same period last year.
- **Profits from Operations** were up **12.9%**.
- **Free Cash Flow** surged by **41.3%**.

Martin recently spoke on a panel focused on commercial real estate at the **Rainier Club** in Seattle. We put together a 1-page hand-out for attendees designed to help them better **understand cap rates**, a subject we've addressed in these monthly reports many times. That one-pager is included at the end of this month's report.

Save the date! The [Bainbridge Island Auction & Rummage Sale](#) will be held **July 12, 2025**.

This huge rummage sale takes place on this one day only, while donations and set up occur during an entire week before that. This setup week is a ton of work, but also a great community event, with volunteers from Bainbridge Island coming together to support the Rotary Club and the community. Martin and other staff members volunteer each year. **It really is the best garage sale ever.**



Golfing for a great cause! The 16th Annual Bertha L. Johnson Memorial Golf Tournament returns to the beautiful [Port Ludlow Golf Course](#) on Thursday, July 24, at 1:30 pm. This four-person scramble tournament is organized by Dennis Johnson, our former Leasing Director. Please consider participating in the event for a day of food, prizes, and friendly golf while supporting a great cause. This tournament is open to golfers

of all skill levels. The Bertha L. Johnson Memorial Golf Tournament is an officially sanctioned event of the [Pancreatic Cancer Action Network \(PanCAN\)](#), a 4-star rated charity with a 97% score for impact and financial accountability according to [Charity Navigator](#), a non-profit evaluator. All proceeds will be donated to PanCAN, a 501(c) non-profit; ID #33-0841281. A golfer's \$199 entry covers green fees, cart rental, range balls, a welcome gift, dinner, and prizes. **For any PWL investor who participates in the event, we will match the golfer's \$199 entry.** Please contact Dennis (djfairwind@comcast.net) for more details and to register.

Club Deals

As you can see from our recent investments and sales, we continue to source high-quality, tax-advantaged real estate investments even in this restricted market. If you're interested in participating, please give me a call. The terms for club deals are very similar to those underlying PWRE1 & 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 normally \$250K. **Typically, Club Deals are only circulated to past PWL investors who ask about participating.**

1031 Exchanges

In the last three years, PWL helped facilitate **more than a half-dozen 1031 exchanges** for investors, including the very recent [Sunset Place](#) to [Kings Lake Center](#) exchange. 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 a lease renewal in May:



Pizza Hut, the national pizza chain, signed a new 1,400 sq. ft. lease at [Dublin Village](#) for 5 years.



Little Caesars, the national pizza chain, signed a new 5 year, 1,400 sq. ft. lease at [Loggins Corner](#).



TADA Coffee & Dessert signed a new 5 year, 1,040 sq. ft. lease at [Main Street Commons](#).



BOP's Frozen Custard, a regional ice cream chain, exercised their option to renew their 1,400 sq. ft. lease for 5 years at [Clinton Crossing](#).

If you'd like to meet for breakfast or lunch, please give Martin a shout so we can get something on the calendar.

Final thought: [The Metropolitan Grill](#) has reopened for lunch. We love that place. For dinner, [Assaggio](#) remains our favorite in Seattle.

Get out there and enjoy the sun –

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PWREI Scorecard

Approximate investment by PWREI

Data as of 4/30/25

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 8 tenants, the most recognizable being F45 Fitness, Pho Tai Vietnamese, and Rainier Growlers.

| Initial Investment | Net Investment | Occupancy | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$5,625,000 | \$2,943,228 | 66% | \$73,550 |

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, Flagship Mail Room, Pizza Hut, and a Wells Fargo ATM. A new lease with Iron Edge Nutrition was signed in December 2024.

| Initial Investment | Net Investment | Occupancy | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$2,677,500 | \$2,889,380 | 96% | \$93,666 |

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 Any Lab Test Now, Cheng's Chinese, Fiesta Salon, CX Staffing, and CATO.

| Initial Investment | Net Investment | Occupancy | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$1,850,000 | \$2,179,603 | 94% | \$73,367 |

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 | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$13,415,287 | \$7,401,127 | 98% | \$144,303 |

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 | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$8,618,667 | \$2,502,750 | 87% | \$71,802 |

Greensburg Commons

Purchased in July 2015 for a 66.7% stake for PWREI, this large 87,581 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 14 local and national tenants. The most recognizable tenants are Jimmy John's, Great Clips, Rent-A-Center, Feeder's Pet Supply, Goodwill, and Bath & Body Works. Marshalls recently opened on October 31st, 2024.

| Initial Investment | Net Investment | Occupancy | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$12,512,000 | \$3,884,907 | 87% | \$130,491 |

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 Quick Credit, Nexien, Shoe Show, CATO and T-Mobile.

| Initial Investment | Net Investment | Occupancy | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$2,030,055 | \$2,233,215 | 92% | \$83,673 |

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, Esteem Dental Studio and the newly signed Crystal Rivers Massage and Day Spa.

| Initial Investment | Net Investment | Occupancy | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$1,100,000 | \$745,182 | 100% | \$69,643 |

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 | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$5,117,333 | \$2,161,342 | 96% | \$72,260 |

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 | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$2,660,000 | \$2,206,308 | 100% | \$86,577 |

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 12 tenants, among them Kumon Learning, Castleberry Ale House, and Ovo Salon.

| Initial Investment | Net Investment | Occupancy | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$2,906,000 | \$3,237,237 | 100% | \$112,139 |

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. A new lease was signed with a specialty footwear company in December 2024.

| Initial Investment | Net Investment | Occupancy | 2025 Q1 NOI |
|--------------------|----------------|-----------|-------------|
| \$2,922,500 | \$3,030,034 | 100% | \$63,967 |

Benjamin Square – SOLD September 2024

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. Benjamin Square Sold in September 2024 for \$3.46M.

| Initial Investment | Profit | Deal Multiple | Deal IRR |
|--------------------|-------------|---------------|----------|
| \$1,900,000 | \$3,876,230 | 2.68x | 12.8% |

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: 2025 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.

Bizz Buzz Cheat Sheet:

Cap Rates

- Cap Rates are basic to the language of real estate
- Academics do not talk about Cap Rates
 - ▣ *3 pages in my 640-page grad school textbook*
- *Strange but true:* many people discussing Cap Rates do not understand them.

$$\text{Cap Rate} = \frac{\text{Net Operating Income}}{\text{Property Cost}}$$

- *Example:* A property costs \$2M to buy, annual income is expected to be \$100K, the cap rate is 5%
- Net Operating Income is always annualized in these formulas
Annual revenues less annual expenses, including property taxes, but before income taxes and *excluding* debt service
- Note that the formula is the inverse of PE ratios used for stocks
- This inversion is why people get confused. **NEVER FORGET:** When Cap Rates go down, values go up

$$\text{Property Value} = \frac{\text{Net Operating Income}}{\text{Cap Rate}}$$

- *Example:* We know our building has NOI of \$220K and that similar buildings have sold for a Cap Rate of 7.2%. Therefore, our building is worth just over \$3M
- This reveals how properties are compared before digging into the facts and data.
- Cap Rate is just a starting point. The formula does not include the impact of management fees, consider future capital expenditures and pending non-routine costs, or put any value on current vacancy
- Finally, never confuse Cap Rate with Yield. Yield is the annualized result of (distributions received ÷ capital contributed) or (distributions received ÷ liquidation value), after accounting for management fees, capital expenditures, and debt service, and before paying your income taxes.