



Q1 2018 REPORT

TABLE OF CONTENTS

MANAGEMENT DISCUSSION & ANALYSIS PART 1	2
MANAGEMENT DISCUSSION & ANALYSIS PART 2	3
NORTHLINE - SEATTLE WA	4
EASTLINE - AUSTIN, TX	5
ANNUAL DASHBOARD	6
QUARTERLY DASHBOARD	7

MANAGEMENT DISCUSSION & ANALYSIS

PART 1

Austin, TX - April 16, 2018

PSW Real Estate's ("PSW's") Q1 2018 performance was all around its best since moving to Austin in 2005. The company continued its annual pace of +\$100,000,000 in revenue for the second quarter in a row while growing its shareholders' profit margin. This margin is more important to PSW and generally higher than the competition's due to PSW's segment and unique organizational structure.

PSW has \$20,000,000 of outside equity investors that are not shareholders who receive a portion of the company's profits, leaving less in the company for its shareholders and the future. That part is not unique, it's the traditional real estate capitalization model. The unique part is that PSW has approximately 500 internal shareholders that account for more than \$50,000,000 in company equity today:

Class A - Preferred Shareholders are receiving a 13-14% return on investment in 2018 with future upside.

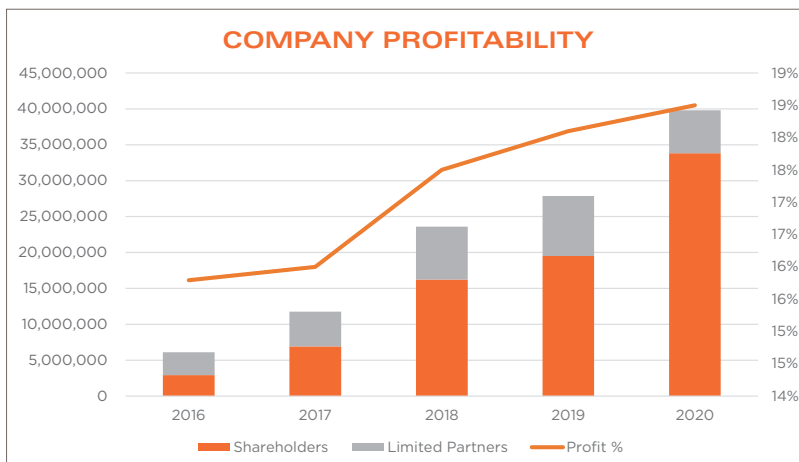
Class B - Common Shareholders (the 9 original owners) lead the company and are paid solely from profit distributions.

Class E - Employee Shareholders drive the growth of the company and are paid primarily from profit distributions (little compensation otherwise).

Employee Profit-Sharing Program - Approximately 20% of the company's profits interest is divided among the employees.

PSW shareholders are uniquely aligned with company performance. Here are some 1st quarter highlights:

- ▶ 14 Referrals: 2 new home owners, 4 new residents, 6 new Class A shareholders, 2 new employees.
- ▶ 49 Home Closings: The highest profit margin to date in 11 communities and 4 cities nationwide.
- ▶ 72 New Home Sales! The best quarter in the company's history, edging out Q2 2017 and more than doubling Q1 2017.
- ▶ New World Class Technology: An integrated ERP system has replaced all previous accounting and construction management software.



MANAGEMENT DISCUSSION & ANALYSIS

PART 2

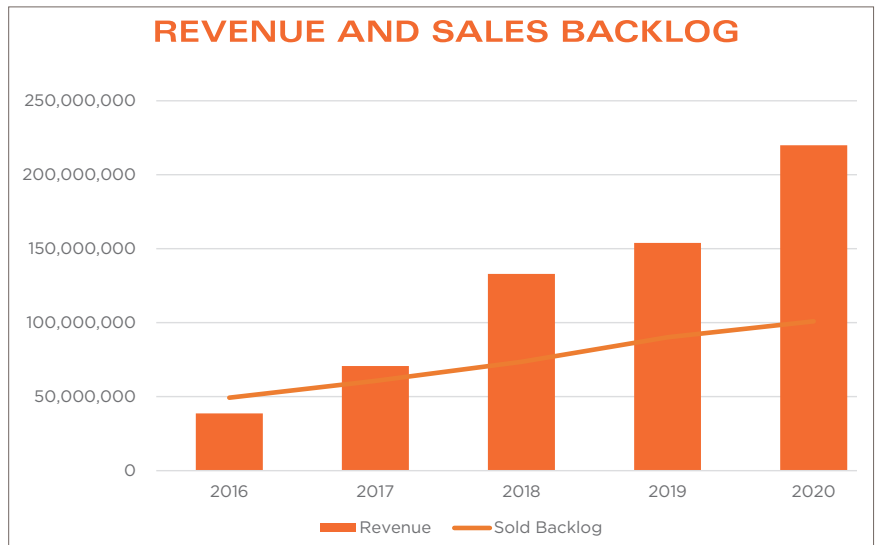
Consistently growing revenues and sales backlog over multiple markets and product types has been a focus of PSW. PSW has already executed at \$50M, \$75M, and \$100+M annual pace and is positioned with quality projects, people, and a structure to exceed this as we expand in cities like Dallas and Seattle and move into new cities such as Denver.

Our upcoming 2018 and 2019 revenue is in process and 2020 already has over \$150M in current projects secured as of the date of this report. Capacity-wise, we have

scaled personnel, capitalization, and systems to exceed \$200M in revenue as we take advantage of the brand awareness PSW has built from home buyers and land sellers alike. By 2020, we expect that our existing cities and wide range of product types will be fully operating, along with an ever-increasing income-producing business unit, to generate nearly 20% profit margin.

As a reminder, it is the combination of business execution, company structure, and capitalization that will position the company for a future liquidity event, such as an IPO, sale, or shareholder recapitalization over the next decade. The expectation is these efforts will deliver annualized returns greater than 15% to our shareholders while providing the best urban infill living opportunities to our residents and career opportunities for our employees.

The 2020 Revenue Outlook chart tracks the company’s progress towards its 2020 target of \$200M in revenue. Currently, our business plan financial model forecasts \$215M; while we have almost \$170M of this within our current work in process (WIP) and the capacity to add an additional \$60M.



FEATURED COMMUNITY

NORTHLINE - SEATTLE, WA

- ▶ PSW's first Seattle attached community with 38 townhouses + 5 live/work flats on .84 of an acre.
- ▶ Project average sales price \$550,000 vs. \$420,000 underwritten.
- ▶ Projected 2018 permit and construction start.

Northline is a 43 unit, mixed-use townhome community located 5 miles north of downtown, in North Seattle. Residents will enjoy true urban living within walking distance to transit, grocery, markets, shops, parks, and great schools. Nearby Northgate Retail Center provides residents with an expansive offering of lifestyle amenities and necessities only a short drive or bus ride away.

With townhomes ranging from 1,200 - 1,800 sf, Northline is designed with an internal elevated park over central parking areas, creating a unique urban landscape that de-emphasizes vehicles. Northline offers incredible value for homeowners, as most single-family detached homes on traditional single-family lots in the area are selling for well over \$1M.

From the urban garden at the entrance, to the internal elevated park, neighbors are connected through public outdoor spaces. Homes are designed for maximizing space and connecting indoor and outdoor entertaining through covered private decks.

We know that mass transit is an important component of urban living that improves the value of a home. Northline is well situated along the ST3 light rail expansion in North Seattle with access to both Northgate Station, opening in 2021, and 145th Station expected to open in 2024.



FEATURED COMMUNITY

EASTLINE - AUSTIN, TX

- ▶ PSW's first mixed-use community with 48 townhomes and 5,000 sf of retail on 1 acre.
- ▶ 56% sold across the project.
- ▶ Average sales price ~\$400,000 (>\$350/sf).
- ▶ Projected 2018 closeout.

Eastline embodies true infill development. This dynamic community is located only two miles from downtown Austin and surrounded by bike lanes, easy access to public transportation, and a short walk from one of Austin's best entertainment and restaurant districts.

48 townhome-style residences are built around an elevated courtyard inspired by the High Line in New York City. The homes sit above garage parking and 5,000 sf of first floor retail space fronting E. 7th Street, a major corridor into downtown Austin.

The 6,000 sf courtyard is the focal point of the community — there are multiple outdoor kitchens with bars and grills, fire pits, water features, and modern seating all nestled amongst steel planters and lush landscaping. Residents have the best of both worlds, with private gated front patios that spill into the communal courtyard where residents gather, play, and relax.

Instead of building a typical condo where you walk down a long, dark hall without any social interaction to get to your front door, we created a community that encourages connectivity with your neighbor. Three different floor plans are available with the smallest one-bedroom home at 1033 sf — far larger than a typical one bedroom condo. The community has full use of a large bike storage locker room, dog park and dog wash, and sophisticated security and surveillance equipment that allows residents to control their “smart condo” via their phone.



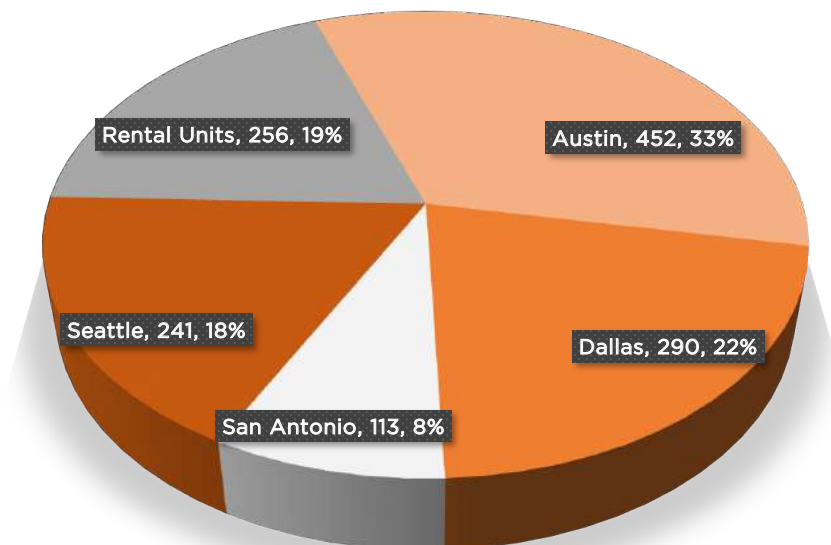
ANNUAL DASHBOARD

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Sales	183	275	343	480
Starts	283	348	357	444
Closings	139	249	309	458
Revenue	70,724,582	133,035,325	153,995,300	219,867,500
Profit	11,755,832	23,603,536	27,873,149	39,796,018
<i>*Profit Distribution A/B/E</i>	6,915,721	16,237,314	19,511,205	33,826,615
Sales Backlog	124	150	184	206
Revenue Backlog	60,760,000	73,500,000	90,160,000	100,940,000

**Profit Distribution A/B/E is after Class A Preferred Return (dividend) is paid and all LP returns are accounted for.*



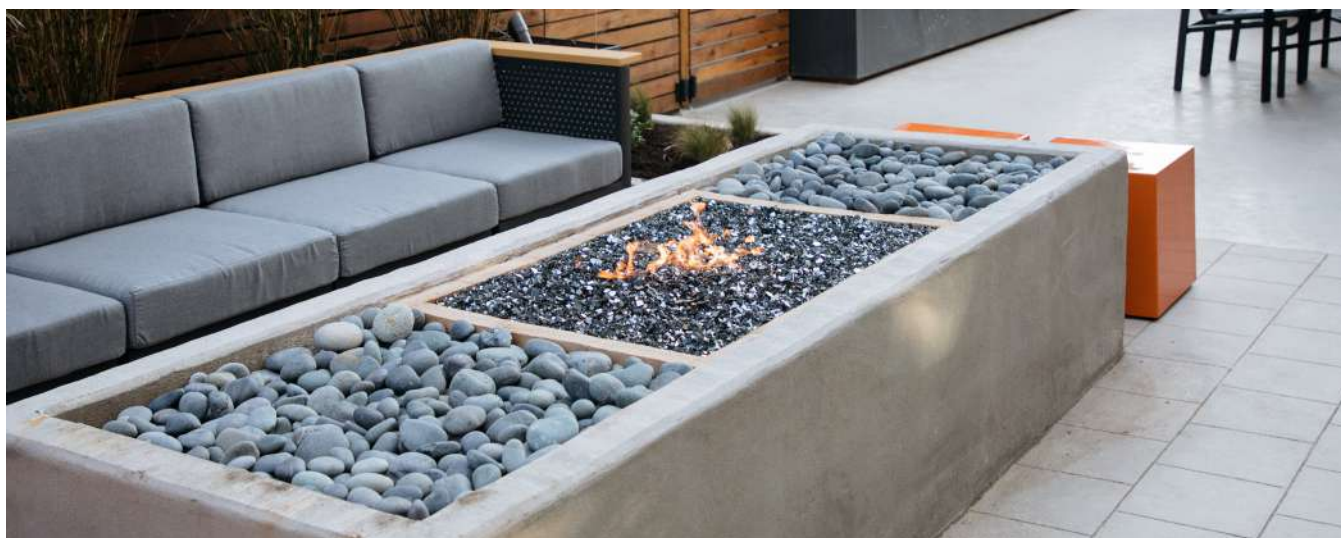
2017-2020 Number of Homes/Units



QUARTERLY DASHBOARD

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Sales	72	71	66	66
Starts	60	75	116	97
Closings	49	74	69	57
Revenue	26,022,425	41,560,500	37,749,200	27,703,200
Profit	4,710,059	7,273,088	6,606,110	5,014,279
<i>*Profit Distribution A/B/E</i>	3,500,987	4,800,238	4,426,094	3,509,995
Sales Backlog	147	144	141	150
Revenue Backlog	74,909,673	73,380,904	71,852,135	76,438,441

**Profit Distribution A/B/E is after Class A Preferred Return (dividend) is paid and all LP returns are accounted for.*



For Sale Communities		Total in Project	Sales	Starts	Closings	% Closed	% Sold
Austin	Lightsey Ridge	30	28	30	15	50%	93%
	Franklin Grove	28	23	28	12	43%	82%
	Eastline Condos	48	28	48	10	21%	58%
	900 Condos	63	28	28	0	0%	44%
	Parkside	19	10	17	6	32%	53%
	Northbluff	66	22	30	12	18%	33%
	Bouldin Court	30	0	0	0	0%	0%
Dallas	Glencoe Park	68	45	46	35	51%	66%
	Emerald Isle	30	21	30	10	33%	70%
	Verbena	31	17	23	8	26%	55%
	Meridian	53	20	0	0	0%	38%
San An	Clay Street	32	25	32	25	78%	78%
	Olmos Drive	26	14	26	13	50%	54%
	Terrell Road	10	4	10	4	40%	40%
	Brackenridge	44	0	0	0	0%	0%
SE	Clear Creek	19	12	19	3	16%	63%
	Northline	43	0	0	0	0%	0%

WE THANK YOU...

For your contributions to making PSW successful, profitable, and sustainable. We look forward to many more years of working together to build internal and external communities that enrich the lives of everyone with whom we work and live.

PSW OFFICE LOCATIONS:

AUSTIN, TX

2003 SOUTH 1ST STREET
AUSTIN, TX 78704

SAN ANTONIO, TX

222 AUSTIN HIGHWAY
SAN ANTONIO, TX 78209

DALLAS, TX

512 W. DAVIS STREET
DALLAS, TX 75208

SEATTLE, WA

5256 RAINIER AVE S.
SEATTLE, WA 98118



PSWREALESTATE.COM | 512.326.3905