**Bob Irish**: Bob Irish here with our monthly call with Justin Ford of Pax Properties. Today as usual, we're going to update you on all the standalone investments in Florida and keep you abreast of the underlying investments in the Cap plus Diversified income fund. I say it every month, I'm going to say it again. Throughout real estate booms and busts, Pax Properties has never failed to produce a positive result for investors or missed a mortgage payment. With that said Justin, great to have you back. How are you doing?

**Justin Ford**: I'm doing great, Bob. Thank you.

**Bob Irish**: Oh, terrific. Why don't we concluded our last call or talked about quite a bit of the pivot that's going on at the two hotels in Tallahassee. Why don't we start there? I want to get updated on what's going on there.

**Justin Ford**: Very good. So, that's the Seven Hill Suites, which is our 160-unit property on nine rolling acres on Monroe Street, and the Casa Bella, which is the former Baymont, right on Apalachee Parkway. So, our plans for the engineer and the architect, we should have had them this week. I'm going to see if we have them tomorrow. We will go over the final revisions tomorrow for Seven Hills. I mean either tomorrow or early next week, and we hope to submit the plans by the end of next week. But we're still having pre-leasing going on at Seven Hills because we have 40 rooms there that basically have kitchenettes without the appliances. But you could do a plugin cooktop and it's a very beautiful room. We'll show some pictures while we're talking here.

So, right now we have an effort going out of Preleasing In fact, in the market, there's only one other property in the market that had converted from hotel to apartment, and they are in the process of leasing up, even though their construction is still going on and they have much more extensive construction because they were renovating from the get-go gutting walls and doing everything. Their finished product is perfectly fine, and I don't say this as a biased parent, but ours are quite a bit better I believe, although there's perfectly suitable, and the person who is working there, who was their manager, and their lease agent recently left them to come to join us. So, she's been working with us and she has terrific experience in the market. So, I'm hoping by this time next month I can report that our plans are in and that our pre-leasing is starting to make significant progress.

**Bob Irish**: Now with pre-leasing those 40 units that you've got, does that mean they will be occupied in the not-too-distant future and rents will be coming in?

**Justin Ford**: That's the goal that we will rent those even while we operate the other 120 units as a hotel. At the same time at Casa Bella, we do have perhaps almost 10 leases there, but really they're month to month because they're not set up yet. They don't have wet bars. A little kitchenette without appliances is called a wet bar. It has a full fridge, has a microwave, but without the power for the either stove or an oven you call it a wet bar. That's the industry term, but it's a very nice little kitchenette. We don't have those yet connected to a Casa Bella because of permits. But we do have 40 of them that we originally designed at Seven Hills. So, at Casa Bella, we're leasing out on a month-to-month basis for people who just want a very nice hotel room, and again, we did all the exterior amenities at Casa Bella. We expanded the pool area. We did a lot of things to really bring it up to speed. So, we're hoping that a month from now, our pre-leasing will show some very good results and that we'll have our permits in hand and start to add two kitchenettes to both properties.

**Bob Irish**: Well, terrific it sounds like the pivot is going well. I look forward to hearing next month where we're at. Let's shift gears and talk about the hotels in Florida. You want to start with Vero or Melbourne?

**Justin Ford**: Yeah, let's start with Vero. We'll go south to north. So, Vero, you know all our hotels were having record years and still continue to have them. Not only did Vero close out 2022 with a record year in sales and earnings this quarter it looks like it may come posted first quarter of a million dollars in a single quarter.

**Bob Irish**: Wow.

**Justin Ford**: So, it's really changing the whole structure of the hotel. We have an exceptional GM there. They have been with us about eight months and it is so for the property never looked better. It's our oldest property we're about to go in and put tub liners over some of the older tubs. We'll do that in Vero and we'll do that in Melbourne because these tubs get old, they get rusty, and you can refinish them. You can sort of repaint them, but that usually doesn't hold very long. It might hold a year, but sometimes it gives a little quicker than that. But these tub liners, you basically, it's like a slip you put over the tub and you re-put the drain in and you seal and basically just looks like a new tub. But you don't have to pull the tub out.

You don't have to go through all that permitting process and all that kind of stuff. So, Vero looks remarkable. And there's a gentleman who's an investor of mine who's also been a very big mentor of mine, and he started on a delivery truck, and he ended up building a billion dollar company selling it to Wall Street, and he's invested with us in a number of our projects, and but his mentorship is worth much more than everything else, and he had a lot of stores, and he used to say, you want to know how your property's going. Just go right into the bathroom, and see how the bathroom is. If you, if you the bathroom, and the reason I mentioned that is in Vero, all the details are so impressive and you walk in, everything's spotless.

And when I originally designed Vero, I had these hanging plants in the courtyard, and the hanging plants that they look really nice because we had ac drips coming from the top floor. So, the AC would drip onto the grass down below. But instead of that, I just put a basket beneath it so the drip would irrigate the hanging plants. So, we sort of adapted there and every time I used to go, sometimes the plants would be there, sometimes they wouldn't. I went there, and every time I go, the plants are there and they were beautiful. Now, to me the plants are canary in the coal mine, just like the bathroom visit or whatever it is, it's, if they're taking care of those little visits as well as you're seeing strong, strong performance on the balance sheet. Plus, Vero for the first time, cracked the top 10 on TripAdvisor, all the other hotels, all the other three independent hotels have gone to number one on TripAdvisor. Some stay in the top 1, 2, 3. There was Jock ya from possession, but Vero is gone recently from 14 to number nine. So, the first million-dollar quarter looking beautiful and performed great. So, things couldn't be better at Vero very happy though.

**Bob Irish**: Oh, that's great. Let's go up to Melbourne.

**Justin Ford**: So, Melbourne, similar growth, again I didn't get the numbers this morning. I hope to get them, but we had a software glitch, but probably close to a million dollars in the first quarter as well. Oh, by the way, going back to Vero, we have a new restaurant tenant who's starting in a month there, and I mentioned that because I was at our restaurant in Melbourne, we leased out the restaurant to a sushi.

**Bob Irish**: The sushi. Yeah.

**Justin Ford**: Yeah. It's called the Sushi Factory, and this gentleman has four of these restaurants in the area, different areas, and I ate there the other day, and it's really good. It's one of those places where you come, the little piece of paper and you fill out the items you want, and they bring you as much as you want. It's like a buffet where they serve you what you want to eat. They actually had that, and then they had a little robot come over and bring us the sushi.

**Bob Irish**: Robot.

**Justin Ford**: A robot. There were people, and there's a robot bringing us our sushi. Very interesting so our Melbourne property's doing great. Again, that whole area is booming, but Melbourne is going well.

**Bob Irish**: Oh, that's great.

**Justin Ford**: You want me to go to Ocala?

**Bob Irish**: Yeah, let's go to Equus.

**Justin Ford**: All right. So, horse country again that was our leading property in sales last year. Again, it's having a very strong first quarter that did 3.6 million last year, nearly a million in profits. We're working on efficiencies to bring more to the bottom line, but the property always stays typically it's usually one or two in the market on TripAdvisor, our sales are strong and our rates are growing. We're getting higher and higher rates. So, Ocala, I think all the work we did, the design, everything else, and we also invested in a video sign out front, spent around 30-$35,000 in video signage, shows our rooms. So, it shows from the outside, we have a lovely curb appeal. But we're a little bit tucked away, but you can see how beautiful the rooms are because of the video sign, and I think that's made a big difference, but we see Ocala having another record year in 2023.

**Bob Irish**: Oh, that's super. Let's talk about Renaissance our former Governors Square, the apartment complex.

**Justin Ford**: Yeah. So, the Renaissance is 168 units in Tallahassee. It's the last one of the properties to talk about on the south side of the fund. We recently had a dip in occupancy. We had a change in management. We've recently gone in and taken care of some issues in those apartments, and now we're leasing up, we're at 91 to 92% right now, I would expect by the end of this month to be back at 97, 98% occupancy. Property is brilliant in pristine shape as far as all the amenities are well taken care of, we just put really good materials into place many years ago and we're maintaining it. So, we expect to continue to operate that at 97, 98% occupancy, and we believe that we can continue to push rents a little bit about 102% on a monthly basis, even though everyone talks about there's a cap as much you can raise rents, that's true.

But our rents are typically what's called naturally occurring affordable. In other words, we don't try to push rents to the max. We keep occupancy high, but we realize there's room here to grow without trading occupancy for rents, and we think that we think that we can push our rent role within the next six months by another 5% on average as far as the average rents, and still be very competitive with the market. Still have an excellent value. So, again getting up back up to set 97, 98% occupancy this month, and we think, well, we'll have a higher rent role throughout the rest of the year.

**Bob Irish**: Cool. All right. Well, we're finished with the standalone investments. Let's talk about what's going on inside the Cap plus diversified income fund. We'll go to Oklahoma.

**Justin Ford**: Yep. Let's go to Oklahoma. So, Tulsa we finished the renovations probably around June, or July. We are now, again, we're 98, 99% occupied. We might even be a hundred percent occupied. The place is just in really great condition, there was one issue we still had to do, which was connect the individual meters. 40 of the units were commonly metered. We're finally getting those connected now so we can put those on individual meters and take those off sort of the landlord's responsibility that should be complete in April. But other than that, Tulsa's performing great, and Tulsa is a really strong market. You know, when you research it, the markets that rose the most in price. I can't remember It might have been CBRE or some report they had Tulsa like number three at the rising, I think it was 40% in 20, which is crazy. So, we liked the fact that we got in there two years ago, and our property's performing well. So, Tulsa is a really great town, and we have a great property there.

**Bob Irish**: Oh, that's super. All right. Where do you want to go next?

**Justin Ford**: Well, I guess we'll go to Oklahoma City. So, Oklahoma City was our next acquisition. We bought that in late August of 2021, and we expect to be done with renovations entirely within one month. So, by time...

**Bob Irish**: Oh, good.

**Justin Ford**: By the time you and I speak next, we hope to report that right now management has about 92 to 93 units already in its possession leased up at the higher rents, something like the high seventies. But with a lot of strong demand, and we're turning over, this week we're turning over probably a dozen units by Monday. Because there are a lot of last finishing touches all the common areas are done. We're just, the last one to do is the courtyard where there were some containers and things like that. All the exteriors have been done in the exteriors have transformed the property. We removed that old Maynard you may recall and put on this beautiful ifu kind of stucco finish. The property is in I used to think of it as a B area. It's really like an A-minus area.

**Bob Irish**: Okay.

**Justin Ford**: It's an outstanding area. Again, across from Barnes and Noble, the last bookstore, maybe in all of Oklahoma, I don't know, or Oklahoma City. There's a Chick-fil-A. There's that, there's a Bed Bath and beyond there's are these retailers that did their demographic studies in the day where those types of folks live in that area, and we are transforming that as often happens when we're transforming the property physically, we're transforming the community that's there to a more responsible community, and one month everything done, we might still be doing the final one, which is paving the parking lot. But other than that, all the interior should be done and we should, we should be over 90% occupancy or very close to it one month from today.

**Bob Irish**: Wow. Great progress report. Justin. That is super.

**Justin Ford**: Well, we'll go to Moore. We'll stay in the apartments. So, Moore is 15, minutes outside of about 15 to 20 minutes outside of Oklahoma City, and Moore, we have about, we've gone aggressive on our construction there and we have about 90 units in progress right now. We've sacrificed occupancy for speed. We have an excellent outside group that's turning over to us around six units a week, and they do really good work. It's clean.

**Bob Irish**: Wow.

**Justin Ford**: When they're done. It's almost moving-ready. The issue there that and is often the issue you know in the beginning stages, we were dealing with all this infrastructure problem there are old pipes, we dug up just hundreds of yards of pipes and replaced cast iron with CPVC and things like that, and we dealt with an old chiller boiler system, which is now becoming obsolete because we're putting in new mini-split ACS and those have heat, and cooling. But electric is involved and more that electric inspector, he's inspect. I inspect a few other things. Well, basically it's just AC and electric, that's the permanent part there. He wants one building entirely ready before he will inspect it, and that was a curve ball that he threw at us because rather than having four units in this building's pass and three units over there passed, now we have to get a whole building. That means juggling existing tenants, moving this one there, moving that one there, and all that kind of stuff. So, it's a little bit of a sort of a rearrangement game.

But we're expecting we have six units fully passed. We're expecting our first building to pass early next week, and after that our goal is to produce two buildings per week as fully passed with all the permits and so forth. If we could continue on that track, we should complete that property I would say by July 1st entirely, we've done a lot of the outside already. So, right about within a year turning 146 units, that would be, we did Tulsa in a little over a year, but Tulsa was 91 units. So, if we can stay on that track, it's going to be our fastest conversion, or I'm sorry, renovation today. Major renovation today and a part of that is we're working with these outside parties now. We still have some in-house guys going there, but we're paying them a premium. But they're worth a premium. They move very fast, and they do good work and it's a real pleasure. So, we look at them as sort of partners now for expansions of our portfolio. So, so good a month from now, we hope to have at least 40 to 50 units coed, meaning you have their certificate of occupancy and are on the way to Lisa.

**Bob Irish**: Excellent. Well, sounds like you're paying a little bit more, but the revenue stream starts much earlier.

**Justin Ford**: Correct.

**Bob Irish**: So, that seems like a fair trade and probably advantageous for Pax.

**Justin Ford**: Absolutely. Absolutely.

**Bob Irish**: Okay. Hey, let's go to the supermarket. I want to know what's going on with Winn Dixie.

**Justin Ford**: Yeah, Winn Dixie and 16 other retailers including pinch Penny, planet Fitness, and Winn Dixie Liquors. These are perennial businesses, subway, et cetera, et cetera. So, for that property, we have one vacancy of about 5,000 square feet. That was an arcade that was paying for a while, and then it went, and then it stopped paying, and so they're basically out now and we're pursuing them in court for the funds there, and we have two arcades competing to take over that space. One of them has six locations. One of them has, it's his first location. If we take the guys, it's the first location, we require a much higher deposit. So, we're negotiating on all that, we could have some agreement as early as tomorrow, but that's still being negotiated. But as far as economic occupancy goes, we're still something like 94%, even with that space, not least yet. So going, going very, very strong. Melbourne we finally just we're finishing this Sunday, today's Thursday. So, three days from today, we're finishing putting on the roof. We waited a year, one year for those.

**Bob Irish**: This has been a long, long story getting this roof done.

**Justin Ford**: Just incredible, and in fact, we also put a roof on half of the buildings at Melbourne that needed as well. Which is the same crew, the same material supplier. But we were supposed to get the materials. We were hoping as early as October, September, and October. Here we are, we're going to be April finishing up. We finally got the materials, but the roofs look good. Stop the leaking. Happy tenants. Happy life.

**Bob Irish**: Hey, that's great, that's a wonderful roundup. Justin. Anything else you'd like to add before we say goodbye?

**Justin Ford**: No, just that I think we have maybe one or two spots on the Vero, and actually I was wrong about the GSA loan. It, it might be one or two at a hundred thousand each. Those are the loans that pay 8% plus a point plus they have an inflation. Have an inflation and inflation hedge that can pay up to 10%, and I think they're total about 36-month notes, 18 to 36, and we may have, we have at least two spots. We might have three between those two properties. Renaissance is the property that's the apartments with the Fannie Mae loan on it, and then the other one, Vero Beach is the hotel that's now having its first million-dollar quarter and is posting records. So, we may have two or three spots left there as we speak.

**Bob Irish**: Okay. So, if one of our listeners wants to look into that, they should email you the correct one, and the subject line should be a promissory note.

**Justin Ford**: Perfect. That would be great. Yes. Just Justin a tax properties.com.

**Bob Irish**: Justin, always great talking to you. I look forward to chatting again next month.

**Justin Ford**: Thank you, Bob. A real pleasure. Thank you.