- **Bob Irish**

Bob Irish here with our monthly call with Justin Ford of Pax Properties. Today, we will update you on all the standalone investments in Florida, as well as keep you abreast of the underlying investments in the cap diversified income fund, I say it every month, really important for newer investors. Throughout real estate booms and busts, Pax Property has never failed to produce a positive result for investors or missed a mortgage payment. So Justin, with that said, how are you? I'm doing great, Bob.

- Justin Ford

How are you? I'm doing super.

- **Bob Irish**

It's nice to be in Florida. I understand that we got a little bit of a snowstorm up in Tallahassee. And I thought to kick things off, we might talk about Swan and Monarch, the two pivots that are going on up there. Does that sound okay to you? You want to start there?

- Justin Ford

Yeah, let's start there. Absolutely. So we'll start with the Monarch, which is at 2850 Apalachee Parkway. That's 135 unit, the former Baymont Inn, which we converted to an independent hotel because our other independent hotels were doing so well. But then COVID hit, so we've been trying to revive that and now we've been converting it to apartments for the last year and a half. We're getting closer. My hope was that by now, we would be 100% done on half of it and finishing the other half, but instead we're 85% done on all of it. Part of the reason for that is because 80, 85%, let's say. The holidays are always a challenge. For when you're doing renovations, your subs go away, the building department goes on holidays. And then also we had a couple of cases of COVID, we had some issues in the family of certain subcontractors, just a bunch of things that really, really put us much slower progress over the last month than we were hoping. But it seems we're finally getting past those hurdles. The big thing we're waiting for is for the transformer to be installed by the city, transformer to feed one of the two principal buildings there and that is scheduled to take place next week finally. It also involves sort of revamping electrical plans because the person at the city was actually giving some incorrect information. Long story short, that next week the installation of that transformer should allow us to button up the first building within the next three weeks and we could be starting to lease up finally the first building at Monarch in March, early March. So that's the goal at Monarch. Again, we didn't make the progress we wanted to so far, but we continue to make a little bit of progress everywhere. So once we do get that major transformer put in, we'll be able to move quickly in closing up units.

- **Bob Irish**
So what's demand look like at Monarch? Have you got a sense for that at this point?

- Justin Ford
Yes, it does. I'll talk about demand. In conjunction with Swan, because you know, they're both in the same market, the same type of thing. So let me just update you on Swan. Again, our project managers who are out and so forth, and the snowstorm in Tallahassee, the whole city was covered in snow. Very unusual for up there. These things helped put us behind. But that right there, today we're expecting to be able to receive our certificate of completion on one of the buildings finally, which means means we move 29 tenants into that building over the weekend or early next week, which means that we now can start actually taking new tenants into units that now have full kitchens. The 29 tenants we have now are in basically the hotel rooms, very nice and all that, but without a full kitchen. Now they're gonna be moving to an actual studio apartment with a full kitchen, stove, full-size refrigerator, all that good stuff. So as soon as that happens, happens, we should also be getting the certificate of completion for the two other buildings within also two weeks. So we expect to be in full lease up mode at the Swan basically this month, in February. So that's where we're heading there.

Now, as far as demand, we've had really tremendous response. Unfortunately, we've had to, we just haven't been able to accept people because the time has always gotten pushed back as far as delivering units. But we've done extensive studies of the rents in the market. The city is supporting us, certain of their departments. Our luxury studios at The Swamp will be priced at about $795, plus about $195 for water, gas, sewer, electric, cable, and internet. So the total is 990 all included. Plus we're giving the furniture package which is worth about $100 for free during lease up. So for $990, person's in a beautiful luxury studio apartment that's really been well appointed. You should be seeing some pictures on your screen now. We created this little partition wall that gives it more of a feel of a one bedroom. So we have received great demand and we expect to continue to receive great demand. It's just a question of finally getting our tenants Now, I will tell you something else. The whole thing about the, oddly enough, the immigration crackdown that's going on everywhere, including in Tallahassee, apparently it got word today that it's basically halting a bunch of new construction projects that's going on in Tallahassee right now, putting them behind schedule. And so a lot of the people who were going to have leases there may not be able to be accommodated there for a few months more. That that may actually end up driving some of those folks to us. But even regardless of that, in our pre-marketing, we've seen very strong demand. The main issue has just been our ability to deliver the finished units. As of today, we may be able to say we've delivered that on one of the buildings at Swan. And this month, we expect to be able to say that at the Monarch.

- **Bob Irish**
Well, I'll look forward to next month's call and see how all this kind of shakes out. But it sounds like and making great strides in getting both of these leased up and stabilized in 25. Absolutely.

- Justin Ford
And another issue on demand, the reason we also are very generally bullish on demand, not only the reactions we're getting, the applications and so forth, but of course we own the Renaissance there, which I can touch on right now

- **Bob Irish**
if you like, Sure. Let's talk about the Renaissance.

- Justin Ford
So that's a conventional multifamily community, 168 units, one bedrooms, two bedrooms. Three bedrooms. And we just finished our best year ever. We brought in over $1.2 million in net operating income. And our manager there does a really extraordinary job, and she's helping us with lease up on these other two properties as well. And she's extremely bullish as well on our ability to lease up these units at a good pace. And Renaissance, we've owned that since 2017, and we've consistently obviously gotten stronger year after year. And we're on track, we believe in 2025 to bring it as much as $1.4 million in NOI, perhaps a bit more. So we like the demand overall, and we think we're well positioned to capture demand for off-campus student housing, especially given the high quality nature of our apartments.

- **Bob Irish**
Yeah, well, it sounds like both are gonna be very high quality products. And like I said, I'll look forward to next month, find out how things are going. As long as we're in North Florida, you want to go over to Equus. I know there's usually not much to say because it's like, you know, the crown jewel of hotels.

- Justin Ford
Exactly. Right. If Equus was my brother, I'd be annoyed because he keeps getting better and better report cards. And Equus did again. Equus, you know, for a long time, it was NOI was hovering just a little bit below a million. We ended the year at 1.24 million in net operating income at Equus. So we blew past our previous by more than 20%. It even just eked out Renaissance, which is always our top net operating income producer. And again, it's always at number one, number two in the market, I haven't checked today, but we even got an unsolicited offer on it, but then they turned out to be a bit flaky and we're not interested selling it right now, but we're entering season now in South and Central Florida. And that 1.224 million in NOI looks like that on a trailing 12-month basis, by the time we get to the end of March, could be north of 1.35, because this January is looking better than last January. Our projections for February, including bookings already in place, are stronger than last February. And we think the same to happen with March. So not only did it wrap up an extraordinary year, it looks like it may have an even better year in 2025.

- **Bob Irish**
Any thoughts of selling Equus? When the time is right.

- Justin Ford
So we're generating so much income from that right now, net operating income, that on a strictly net operating income basis, we would be able to get that. But we're a beautiful hotel, but we're exterior corridor. And for us to sell at the number we want, which would be somewhere between 14 and a half and 15, let's say. That's over 90,000 a door, 92 as much as almost $100,000 a door. And exterior corridors in this market with these high interest rates are not quite there yet. We think it's a possibility that they'll be there within the next year or two. But for the moment, we've paid 10% cash on cash yields at Equus basically since inception. During construction and so forth or during COVID, but then we caught up. So everyone's made a 10% cash on cash yield, which is very strong. And we see the ability to continue to pay that indefinitely in the future. But we'll be keeping an eye on the market when the market presents the opportunity, we'll consider an exit at that point.But right now we're enjoying very strong cash flow.

- **Bob Irish**
Okay. Hey, any news on Vero Beach?

- Justin Ford
So Vero is the opposite of Ocala City. And that's, it's a great little hotel. It's the oldest property we've, longest owned property we've had. We'll be going on 12 years come September. But come September, we may not own it because we're getting more offers to buy it again. But before I get to that part, so last year, Vero's market was down while Ocala's market stayed strong. And in both those, we basically kept up with our peers. We have the industry reports, they're called Smith Travel Research or STAR reports. And often we're doing a bit better than our peers, but Vero was significantly down that market, but now it's coming back again, really strong. And I think we actually may be on track for perhaps our best high season ever at Vero Beach as well. So we have such a reasonably low cost basis that even though last year the market was down, didn't hurt us that much because again, we bought it for $2 million, what was it, almost 12 years ago over time put maybe 3 million into it and so forth. But we are getting offers from people, from hoteliers in the market and offers at good prices that we're considering selling at. So we had two, one of them is particularly interesting. It depends on an SBA loan, which is a long process, but the woman has a track record, but she has some other hotels. And there's another one that we think we're going to receive another offer by tomorrow, another hotel who's been looking at it in great detail. So we think we'll know by next week, we should probably, we may be at, have a signed letter of intent with one of those two and perhaps move on to contract. But the nice situation here is again, Vero is bouncing back so strong, the property looks so great, we've maintained it well, that if we hold it, we're just gonna hold it. At Vero, we've averaged paying over 15% cash on cash. And So over the long-term, it's probably been even a bit higher than that. So we're happy to hold it if holding is what is the best option. But we think

there's a good possibility that we may take one of these offers in the first half of the year, perhaps as soon as the next week or two.

- **Bob Irish**
We'll certainly let you know. Okay. Yeah, absolutely. Why don't we talk about what's going on inside the cap plus diversified income fund? Let's go to Oklahoma.

- Justin Ford
Okay. We'll start with the one property we're stabilizing there. We have four properties there. Three are stabilized, one we're stabilizing. So that lease up, as you'll recall, we stalled for a while. We were making progress, then we ended up signing bad tenants, going through some other issues, so we fell back. But now we've really buttoned down on quality, and we've hit a new high in occupancy. As of today, we're at 190. Units, not counting any of those facing eviction or anything like that. And we have three more move-ins scheduled by this Saturday, which is two days from now. So that would put us at 76% occupancy. So if we continue to go at this rate, we'll be at 90% sometime in March. So, so far, so good. We would have hoped to have been leased up much sooner, but right now we finally seem that we're on a good track. And by this time next month, I believe there's a good chance we'll report over 80% economic occupancy and 90% the month after that.

- **Bob Irish**
Excellent. Excellent. Well, let's move on. That's great news there. What's going on at Elevate? So Elevate, again, is stabilizing.

- Justin Ford
I mean, not stabilizing, it really hit 90% occupancy back in April. I think it was. So Elevate is doing well. It consistently averages over 92, 93% occupancy. We just want to bring it up to consistently averaging in the mid-90s. Rents have softened a little bit in that market. We never count on super high increases, but they've softened a little bit. But really, we wanted to streamline operations to maximize our net operating income there. And we're making slow progress on that. But in the meantime, It continues to pay its bills and average mid 90% occupancy. It's a great product in a great location. And there's also some very important development going on right by there that will also help boost demand. But Elevate is doing okay. And we think by the end of this first quarter, it's going to start to approach its pro forma NOI, what we're budgeting for it to hit. That would be about a year after we initially hit 90% occupancy. We should have high occupancy and streamlined operations, both operating simultaneously. That's basically what happened at Ocala. At Ocala, we were generating a high income for a while, but we needed to trim our operating expenses. And that's been a big success. And we think we're going to be heading that way with Elevate by the end of this quarter.

- **Bob Irish**
All right. Well, we're coming to the end of our call. Anything going on with in Port St. John?

- Justin Ford
Yep, before we get there, I'll just touch on Apex. Apex is another strong performer. How about Apex? Yep, been 90% occupancy. And again, and it for this, I don't have the numbers with me, but it did finish the year with its best ever revenue and NOI. So that is performing well. It's coming very close to hitting its budget at NOI. So Apex has been a really good steady performer for us.

- Justin Ford
Terrific.

- **Bob Irish**
I'm always curious about Port St. John. We've talked a lot about the out parcel thing going on there and how's that conversion, Winn-Dixie is a sublet or another supermarket is taking over a portion of their space, right? So it's all that on schedule? Yes, it is.

- Justin Ford
So we had Winn-Dixie, which is like a C plus supermarket, let's say, it's now being taken over by Aldi's, and Aldi's is the fastest growing value supermarket in the country. And they have a formula where they take a big box like Winn-Dixie, which takes up, I think, about 55,000 of our 78,500 square feet. And then they sub-lease a portion of it, but they're responsible for all of it. So we signed that deal with Aldi's. We went through all the back and forth. We finalized the deal a couple of weeks ago. And they also, which was very important, these negotiations, I reached out to them and I said, hey, are you guys okay if this out parcel, if we lease it or sell it to someone like a Murphy's Oil? I asked that question because the original lease written 40 years ago basically said that you couldn't have someone selling like beer and wine to go without their approval and so forth. But they know that Murphy's Oil, which is a stop where you get your gas mostly, that goes very well with stop, get your gas, get your groceries. It would be a complimentary strong chain there. And they were fine with it. So right now we have Murphy's Oil looking at that. And we also recently had one of the major car wash chains also saying they may be making an offer soon. So now it's a competitive environment once again.

So that out parcel is looking interesting. We don't count our chickens to their hats, but we did the work to make it marketable and the market is reacting so fast In a serious way, we're waiting to see if we get to LOI soon. But within the center, all these, I think they shut down, Bob, maybe a week ago or 10 days ago to start their renovations. They're gonna be doing their conversions and their timeline is fairly short. I think they're gonna be down for like two months and then they'll be up again and we'll have the new sub-tenant in place. I was inquiring about what that was. I've heard from others that typically They will often put in like a Burlington there, which is a decent national chain. So you'll have an Aldi's, you'll have a Burlington. And then right next door to that, we have a, and again, I think they're going to be done with their renovations about two or three months is their timeline. Right next door to that, we had this 5,800 square foot space that was, it's a good little space because it's just adjacent to the supermarket. But we had an arcade there when we bought it, they went bad, then we put another arcade and bad idea, they went bad too. So now when I contracted with the engineers to see if we can move the stormwater retainage function somewhere else so that we could market the out parcel, I also had them look at that 5,800 square feet bay and say, hey, can we bump this out? How far can we go back without interfering with the service road around the property? And can we get at least 10,000 square feet? And the answer was yes. And so now we've marketed it with that. And Ace Hardware is now knocking on our door, you know, talking about possibly- Really? Yeah. So now when you end up with a chain that had the old, you know, Windex, now you've got an Aldi's and I have maybe something like a Burlington's and perhaps you've got a Murphy's Hall and now you have also this Ace. I mean, none of this is cinched yet, right? It's not as close, but we're creating these possibilities. And so far we're getting people inquiring and looking at it. We just like the long-term prospects of the shopping center.

- **Bob Irish**
That's fantastic news out of Port St. John. Justin, glad to hear it. Anything else you'd like to add before we sign off today?

- Justin Ford
We have one debt offering, one note offering. We have about, I think, around $500,000 or $600,000 left. The conversion of the Monarch, we never refinance that. Usually when you do a conversion, you refinance, you get a new a new first mortgage to take everything. But we had such a cheap first mortgage. It's like less than 5%, I think. We had an idle loan from COVID at three and a quarter percent. That made up like $5 million of our debt stack. So we didn't wanna replace that with a bridge loan at 12%. So instead we're just financing a 1% a month note to finance the rest of the construction. I think we have about 500, maybe $600,000 left on that. So if anyone is interested in potentially We've got a lot of people already stepped up and participated. Just send an email to Justin at PaxProperties.com and copy Chris at PaxProperties.com. And then the subject head, please put 1% a month note offering. Okay, great. Yeah. Well, Justin, thank you.

- **Bob Irish**
It's been a great call. I look forward to getting another update in a month or so.

- Justin Ford
Bob, always a pleasure. Thank you. Take care.