- Bob Irish
Bob Irish here with our monthly call with Justin Ford of Pax Properties. Today we're going to update you on all the standalone investments in Florida and keep you abreast of all the underlying investments in the CAP Plus Diversified Income Fund. I say it every month. Here I go 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 be back with you. How are you doing?

- Justin Ford
I'm doing great, Bob. Thank you very much. Good to speak with you again.

- Bob Irish
Super. Well, I know this is the time of year when Pax Properties kind of goes into planning mode. And I know that what's big on your calendar coming up are the budgets for all these properties. So why don't we walk and you can fill us in as we go along as to, you know, as to what the budgets are looking like, or maybe we'll save the budget thing to the end. I don't know, we'll see.

- Justin Ford
Yeah, well, yeah, I mean, let's go Vero, for instance. Vero, that deal's been, we were going to lease it out to someone who's going to buy it. They've asked for another extension. So we were going to do a budget with Vero, but now we're going to do what? Basically, we're not sure we're going to close that deal. But basically, on our budget, we kind of take our best year that we ever had, and we add 5%. Either we take last year and add 5%, typically the prior year is your best year, and then you add 5%. So on your top line, which usually results in a little bit more than 5% to your bottom line, because your expenses don't move dollar for dollar with your revenue. So Vero, we're in that process right now. Vero was in the same market as Melbourne. There were slow hotel markets over the last year. The hospitality industry is down overall last year. But rather than peg to the recent year, again, we'll peg to our previous highest year. But between now and January, a lot can and will happen. We'll have an election. We'll probably have at least two rate cuts. I don't know which size. So there's going to be a lot. It could be a very different market in 2025 we are in right now. Ocala, however, has bucked the hospitality trend. And they are continuing to post record numbers since we had it. Even over the past 12 months, they're doing a little bit better than we ever have. So it's just a really strong growth market. And again, we're rated number one in the market again, that's on TripAdvisor. So we're gonna push that another 5% for 2025 the push perhaps seven or 8%.

- Justin Ford
get to Tallahassee, you know, the discussion there is budgets are on hold until we deal with Helene.

- Bob Irish
Right.

- Justin Ford
Yeah. Now you're in Utah. You don't know much about these hurricanes when you're out there, do you?

- robert irish
I frankly don't pay that much attention when I'm out here. But I know Helene is supposed to be a, you know, category four.

- Justin Ford
I think so. Yeah. You know, Bob, we used to not have to get hurricane insurance in Tallahassee because like the last hurricane was like 1965. This is like six, seven years ago when we bought our first property in Tallahassee. Since then, we've had, I think, two or three hurricanes hit there. And one of them was major. And this one looks like it could be heading there. So our construction and our two conversions are going really, really well. Cabinets are on site finally. We got countertops, one or two of the countertops, the other coming. Final Pieces of the puzzle. But this is going to push us back. If we're lucky, it'll push us back a week because everyone's already packed up and they've sort of semi evacuated the city of Tallahassee. So they're expecting a significant storm over there, a significant storm.

And then you go to Renaissance, again, just a great performer and our property manager there has successfully pushed rents as well. But again, we're just battening down the hatches. But for Tallahassee, for Renaissance, we have record revenues and NOI that we're hitting now. And 2025 will be 5% greater than the top line and 7% or 8% greater on the bottom line. The other two hotels, those budgets have been set when we did our initial underwriting. We've adjusted them a little bit. They're basically priced to what we'll get for those studio apartments. And then based on our knowledge of what it takes to run a building at that. So those budgets are set and we expect to be fully leased up by the end of the first quarter at the two conversions or early in the second quarter. We're shooting for early in the first, but realistically it could be early in the second quarter. So we'll just make allowances for that in the budget. All these budgets are tied into refinancing. That's a big part of the financial aspect of what we're doing to bring down our higher cost construction loans and bridge loans to market rate permanent loans, which right now are in the four apartments around five and a half to 6%. But we think by the time we get the regis, there'll be four and three quarters to five and three quarters, somewhere in that range, we believe. And speaking of leasing up, I'll just jump over to Oklahoma, if you don't mind, we'll talk about a set.

Yeah. So we're still at 69% economic occupancy. We've been weeding out some of the undesirables and we're making real progress in driving traffic. We have someone from our home office here in Florida out there every week helping support the marketing. We're making a change in our management out there, property management, but we're really optimistic. And one of the good things is, oddly enough, it's another one weather item of all things, that October is going to be warm out in Oklahoma, which is good because you get more traffic for your apartments than when it's freezing cold all of a sudden. So that'll give us a little boost, we hope. But overall, we've set the groundwork that we think we're going to start seeing at economic accuracy really start to tick up. And we want to be at 90% plus by the end of the year. The Elevate and Apex Performing very, very well. The only thing we're going to do in 2025, we're going to push rents about 5% and elevate the same story. Doing well, both holding low to mid 90s economic occupancy. In 2025, we're going to see if the market will allow us. We can see that it does in Tulsa and we think it will at Elevate, allow us to push that top line another 5%. That covers all our apartments and hotels. And the only remaining one would be the shopping plaza.

- Bob Irish
Yeah. Port St. John.

- Justin Ford
Port St. John, right. We just, you know, we got our drawings back from the engineer. We have the marketing out there to different types of tenants, quick service restaurants, and that kind of thing. I think we told you we got one offer already from like an oil change franchise or something like that, or auto parts. I can't remember the details at the moment. And we are, One interesting thing I'm looking at for that is electric vehicle charging. I don't know exactly what the count is, but I think we get something like well over 31,000 people a day going into that plaza. If you have your electric vehicle charging, there's a way to turn that into a nice bump in revenue. I just had a call with a couple of groups on that and we're going to be We're studying that and see if we can create yet another additional source of income for Port St. John, in addition to our negotiations with Aldi's on their subleasing a portion and us getting part of the additional rent. So that's kind of where we are. We're gearing up to stabilize in 25.

- Bob Irish
Well, stabilize in a 25 great slogan. I'm sure that if we don't get there, we'll be very close. I want to come back, to the first mortgage, because with your and many other people's interest rate forecasts, the interest rate that you're paying on that is, I mean, fantastic. And there's still a little more room for that.

- Justin Ford
When we launched this, the first mortgage, I think we started in May. The 10-year or the five-year treasury was around 5%, right? And now it's 3.5%, you know? So, or at least last I looked, it was 3.5 something. And so it's an even better relative deal right now. And of course it is a first mortgage position and it's fully collateralized and it's relatively low leverage. It's not gonna exceed, I think it's 60 or 65% loan to cost. And we've already, we passed the minimum a long time ago. The minimum was six. I think we're right around seven and a half million right now. We don't need any more, but again, if we can, if we bring out a few more investors, we'll accept it. The extra money help just gives us the cushion while we're doing lease up. And we may just have to pay off some secondary debt that has, that's bridge debt that has higher interest. So if anyone's still interested, just send me an email. But because of the falling interest

rates, a lot of people I think are seeing this as one of our best risk reward debt offerings in a very long time.

- Justin Ford
I think we'll probably pay it off within a year. We could theoretically go out as far as 36 months from May, but even then it goes up to 10% after 18 months. So we think it's a relatively good investment. If anyone wants to learn, they could just shoot me an email, justinatpaxproperties.com and they can put high yield first mortgage in the subject line and we'll send them what didn't want to look at.

- Bob Irish
All right, Justin. Well, thanks for the update. Anything more to add before we sign off?

- Justin Ford
No, Bob. All's good. Here's hoping everyone's safe from the storm. And I look forward to talking to you next month.

- Bob Irish
Me too, Justin. Take care. Thank you, Bob.