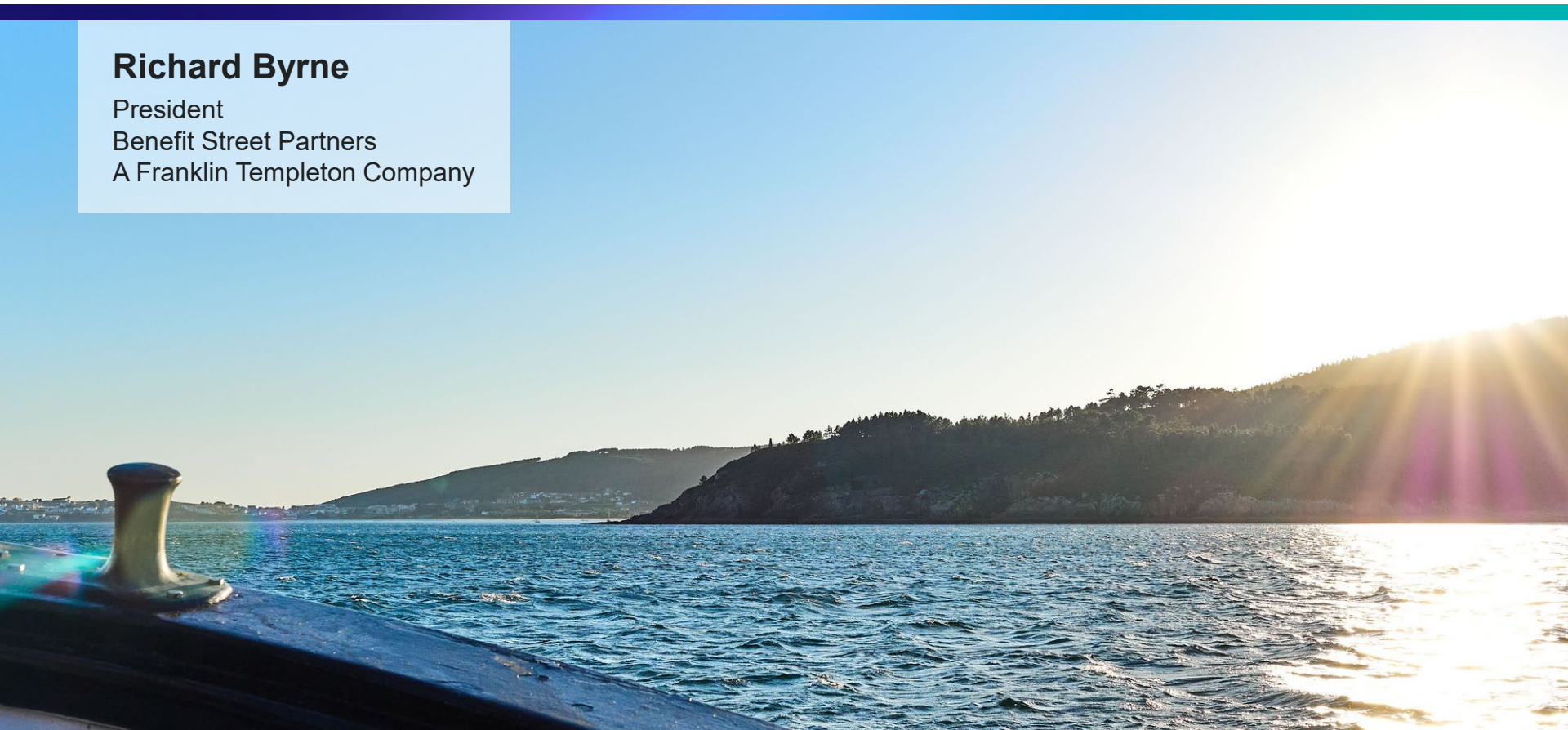


# Commercial Real Estate Debt is struggling

What a great opportunity

**Richard Byrne**

President  
Benefit Street Partners  
A Franklin Templeton Company



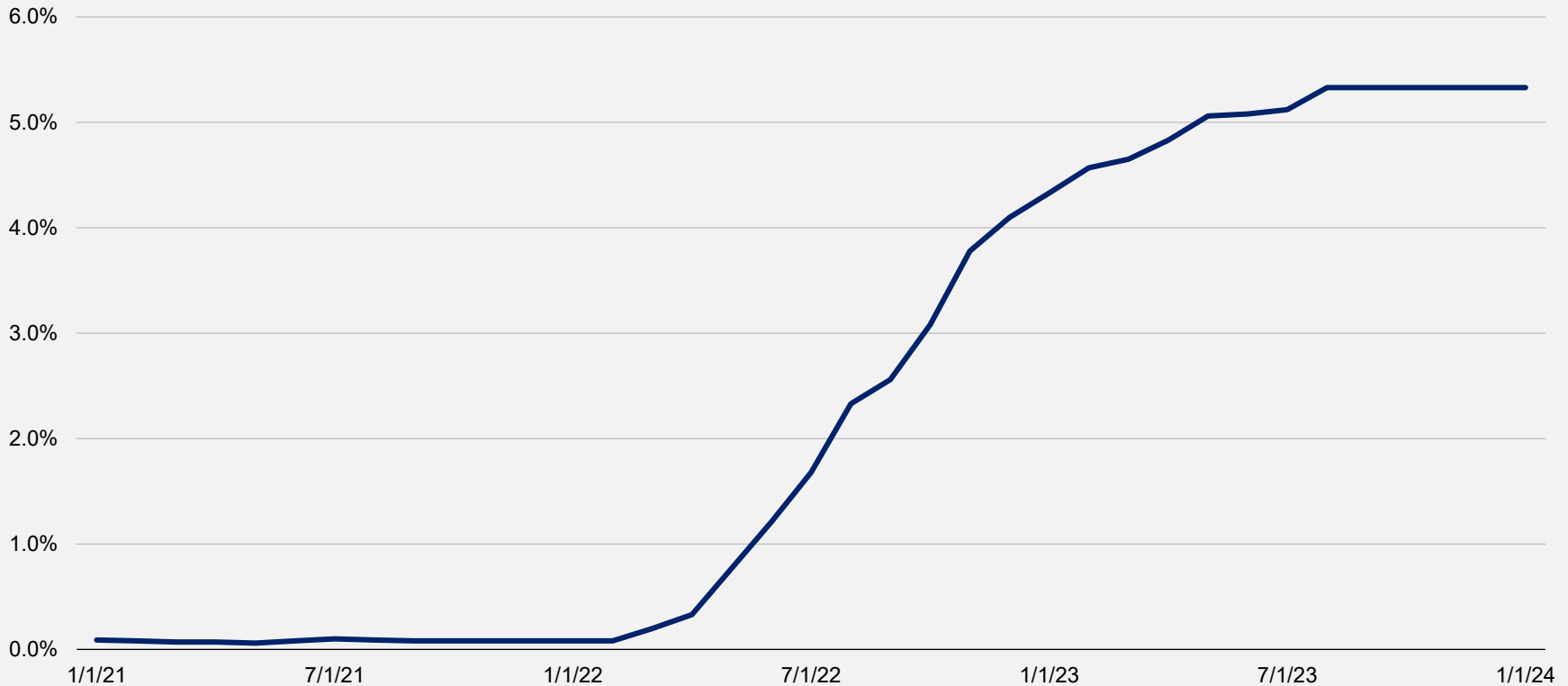


# Forrest Gump and the story of CRE Debt



## Federal fund rate rises at the fastest pace since the 1980s

### Historical Federal Funds Rate

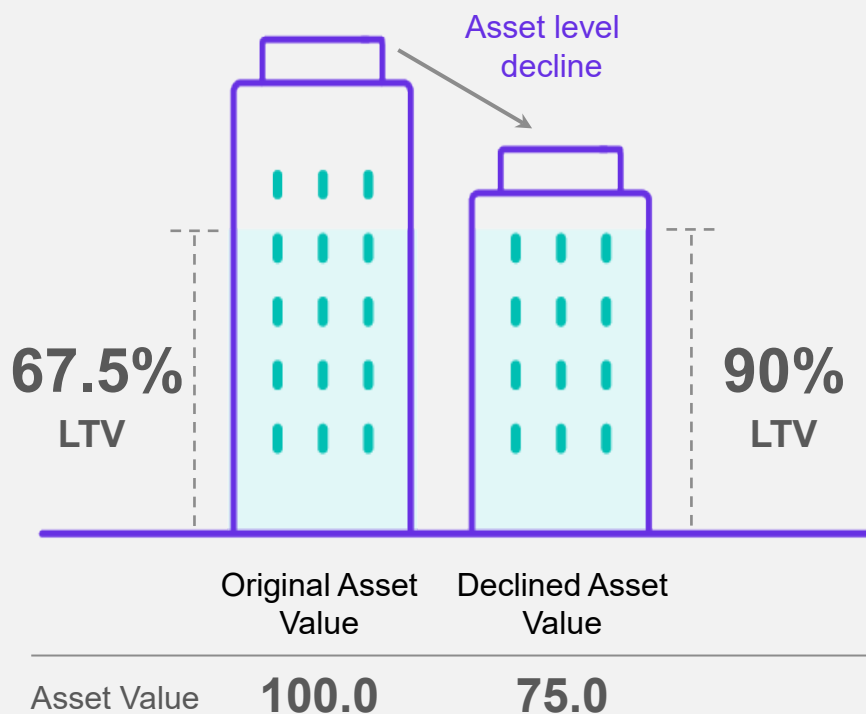


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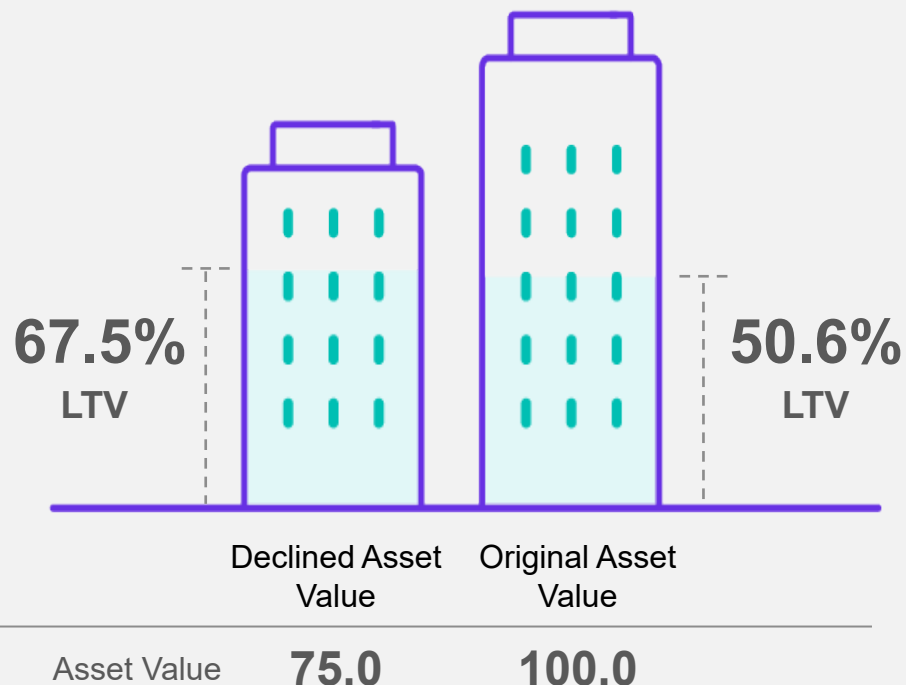
Source: Federal Reserve Bank of St. Louis, Economic Research Division.

## High-quality properties at discounted LTVs

### OLD LOANS

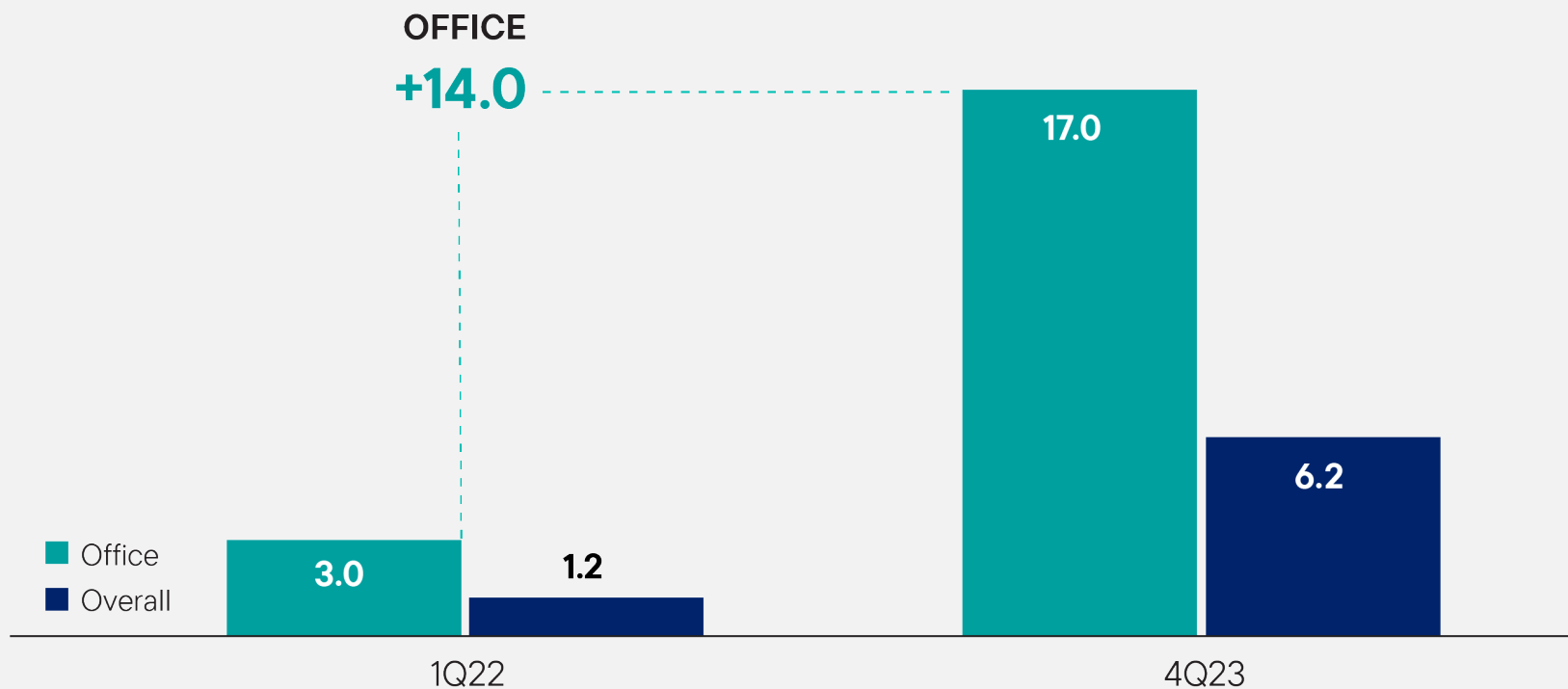


### NEW LOANS



## Delinquency rates on the rise

### Delinquency Rates (%)

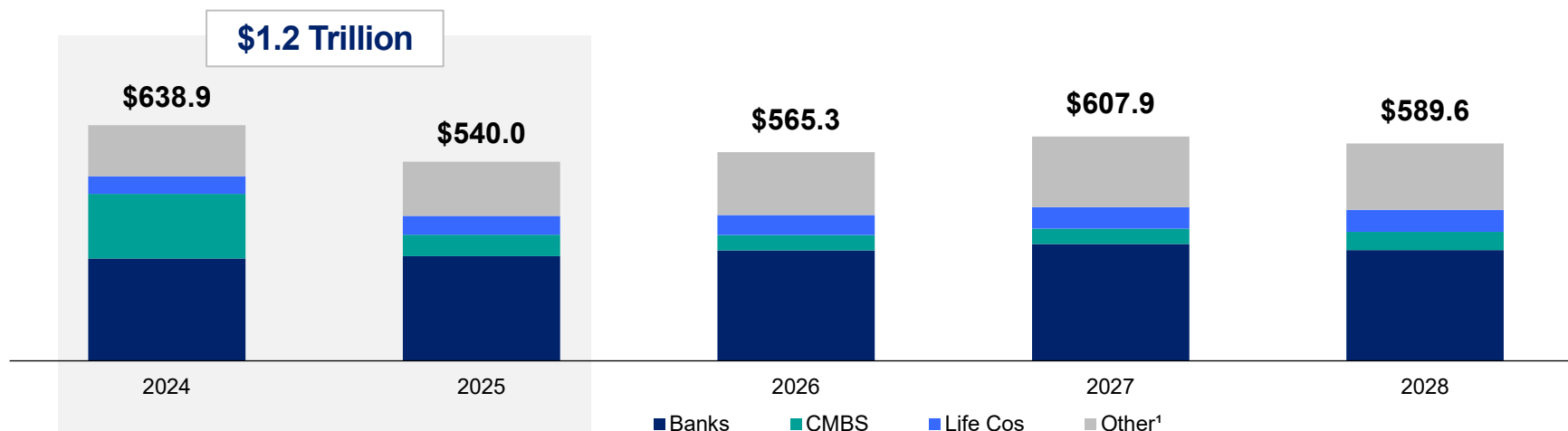


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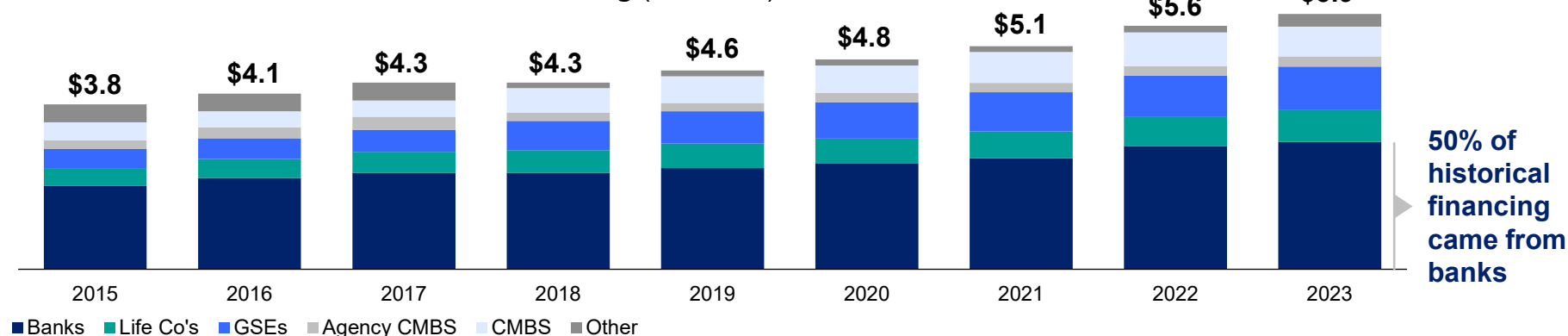
Source: DBS Morningstar, February 16, 2024, and May 9, 2022.

## Wall of maturities

Total Commercial Real Estate Loan Maturities (\$ Billions)



Total Commercial Real Estate Debt Outstanding (\$ Trillions)



Past performance is not indicative of future results. Please see the disclaimers at the end of this Presentation. Source: Trepp, Q4 2023.

1. Other: Primarily comprised of multifamily lending by Fannie Mae and Freddie Mac. This could also include finance companies (private debt funds, REITs, CLOs, etc.), pension funds, government or other sources.

## What happens at maturity?

### DOOR 1

**The loan gets  
paid off**



### DOOR 2

**The lender  
forecloses on  
the asset,  
or the sponsor  
voluntarily  
transfers  
ownership  
through a  
Deed in Lieu  
transaction.**



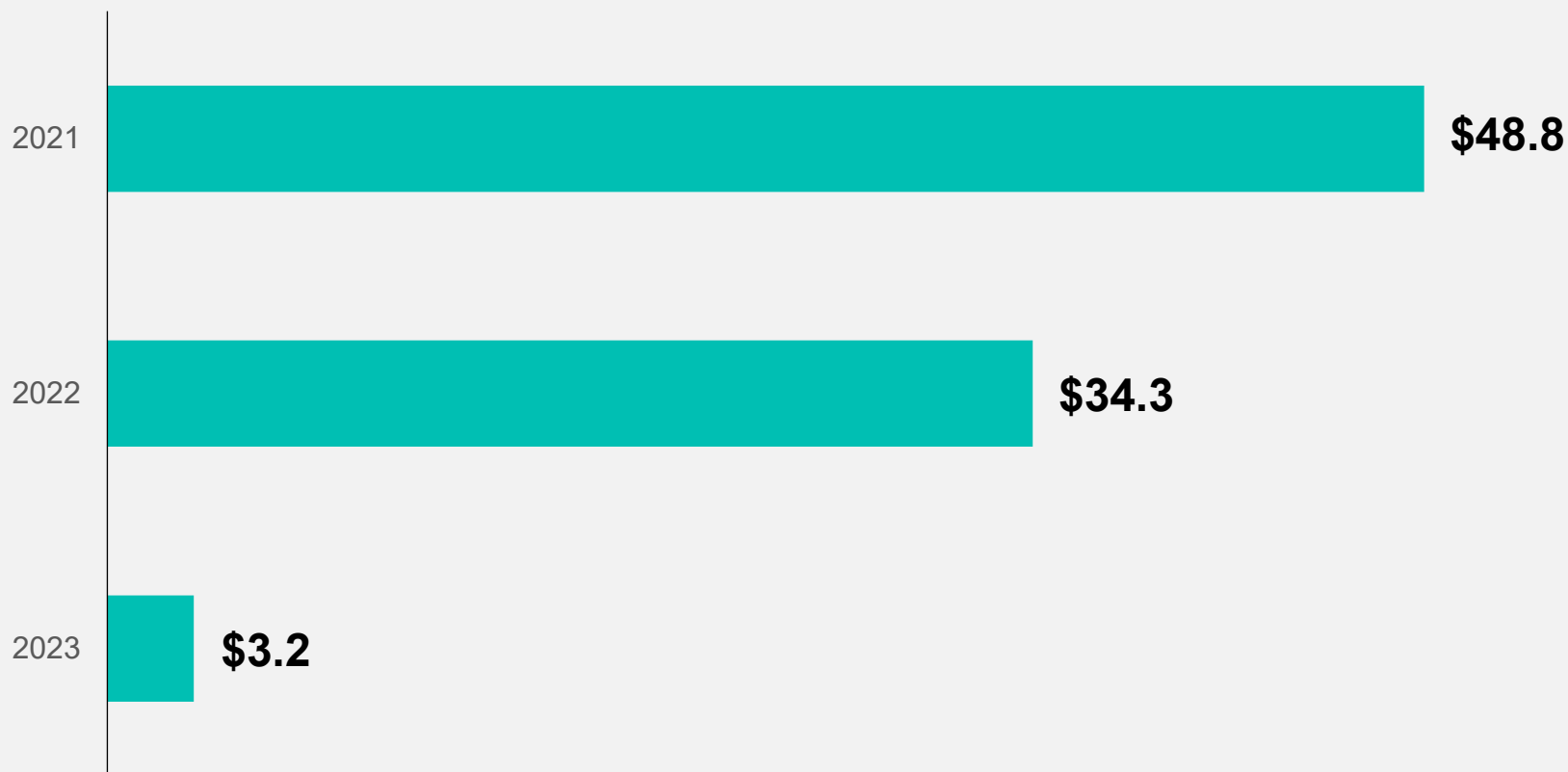
### DOOR 3

**The loan is  
modified or  
restructured**



## CRE loan originations 2021-2023

### Select Publicly-Traded Mortgage REIT Originations (\$ Billions)

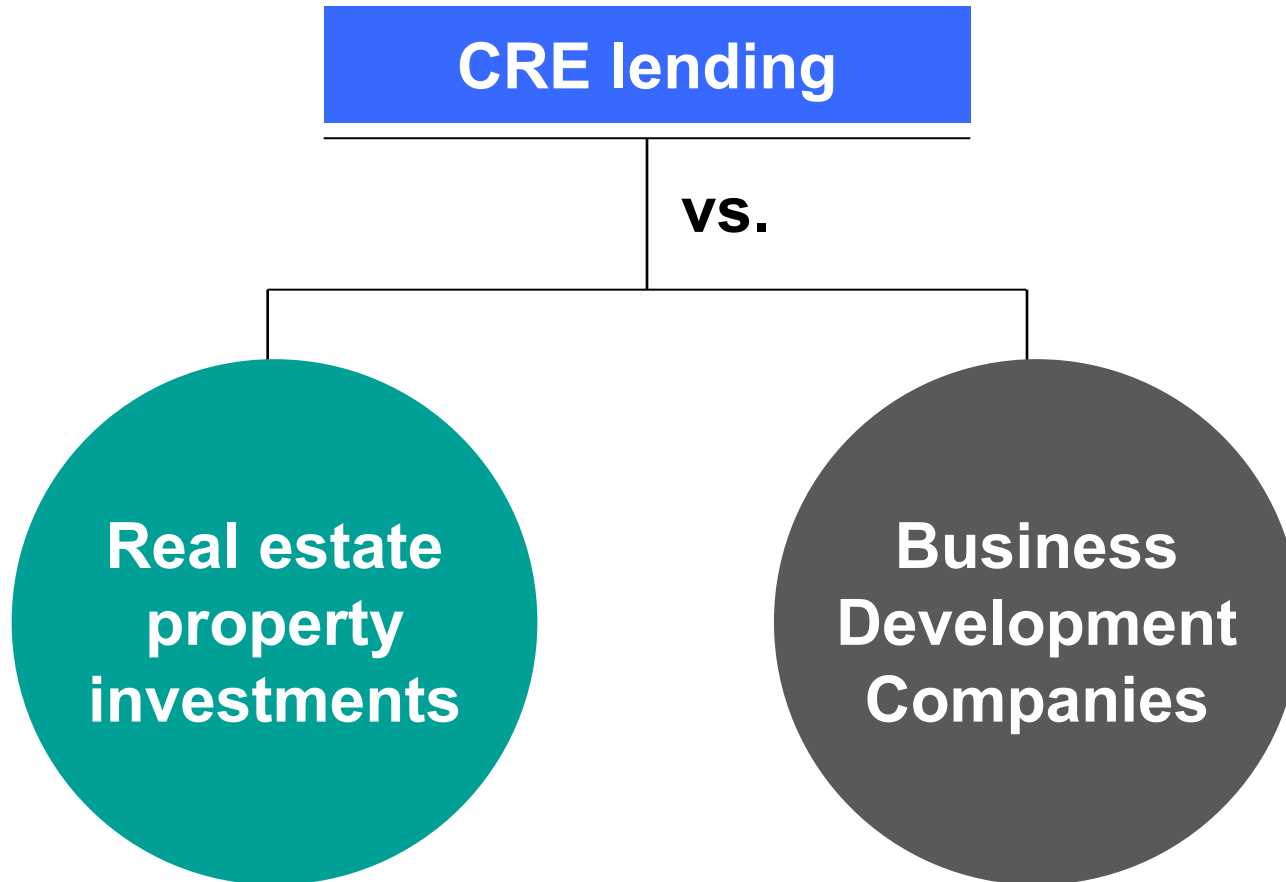


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Source: Company filings, 2021-2023. Competitors included are STWD, BXMT, CMTG, ARI, LADR, RC, KREF, BRSP, ACRE, TRTX, GPMT. Represents total commitment of new loans and excludes add-on funding.

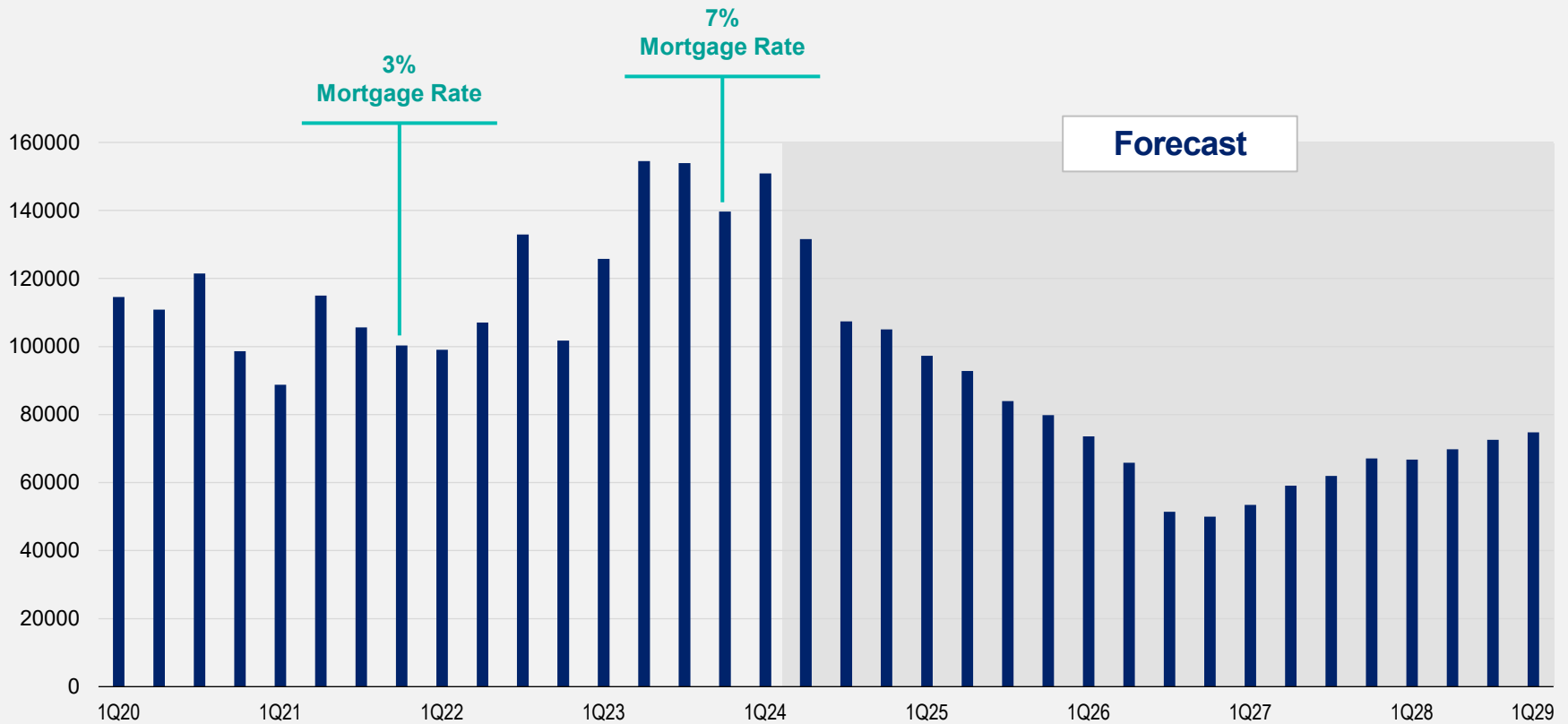


## CRE debt's edge over CRE equity and BDCs



# Spike in multifamily supply, then a cliff

## Multifamily Deliveries



**Past performance is not indicative of future results.** Forecasts are inherently uncertain and subject to change. Actual results may vary. Please see the disclaimers at the end of this Presentation.  
Source: Costar US Multifamily Report, April 2024. Mortgage Rate source from National Association of Realtors.

A large, dark brown woven basket is filled to the brim with fresh, greyish-brown shrimp. The shrimp are piled together, showing their characteristic curved bodies and long antennae. The basket's woven texture is visible, and the lighting highlights the natural color of the seafood.

**“After that, shrimpin’  
was easy”**

**— Forrest Gump**

## WHAT ARE THE RISKS?

**Past performance does not guarantee future results. All investments involve risks, including possible loss of principal.**

Risks of investing in **real estate investments** include but are not limited to fluctuations in lease occupancy rates and operating expenses, variations in rental schedules, which in turn may be adversely affected by local, state, national or international economic conditions. Such conditions may be impacted by the supply and demand for real estate properties, zoning laws, rent control laws, real property taxes, the availability and costs of financing, and environmental laws. Furthermore, investments in real estate are also impacted by market disruptions caused by regional concerns, political upheaval, sovereign debt crises, and uninsured losses (generally from catastrophic events such as earthquakes, floods and wars). Investments in real estate related securities, such as asset-backed or mortgage-backed securities are subject to prepayment and extension risks.

**Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. Low-rated, high-yield bonds are subject to greater price volatility, illiquidity and possibility of default.

**Equity securities** are subject to price fluctuation and possible loss of principal.

An investment in **private securities** (such as private equity or private credit) or vehicles which invest in them, should be viewed as illiquid and may require a long-term commitment with no certainty of return. The value of and return on such investments will vary due to, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the investments. There also can be no assurance that companies will list their securities on a securities exchange, as such, the lack of an established, liquid secondary market for some investments may have an adverse effect on the market value of those investments and on an investor's ability to dispose of them at a favorable time or price.

**Diversification** does not guarantee a profit or protect against a loss.

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