



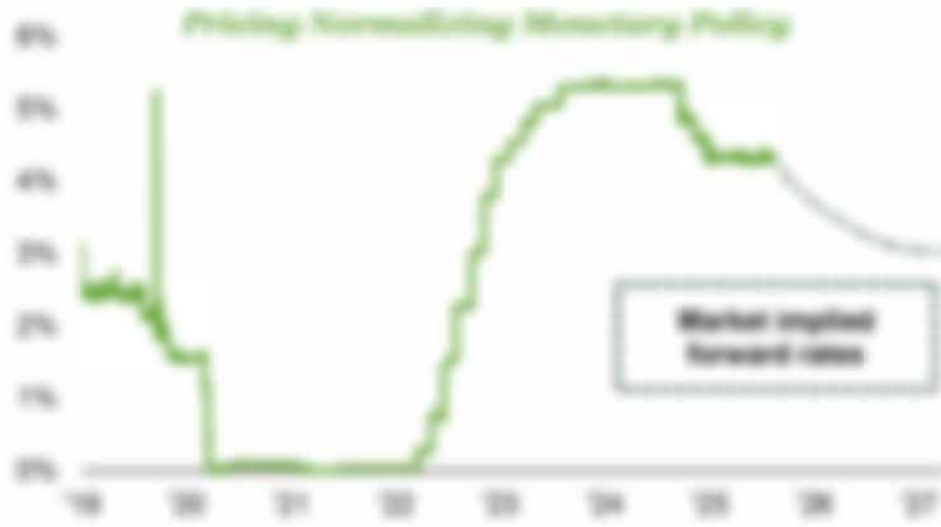
SAMPLE REPORT

Sector Update — Commercial mREITs: A Rapidly Improving Backdrop



Quarter in Review

SOFR Rates



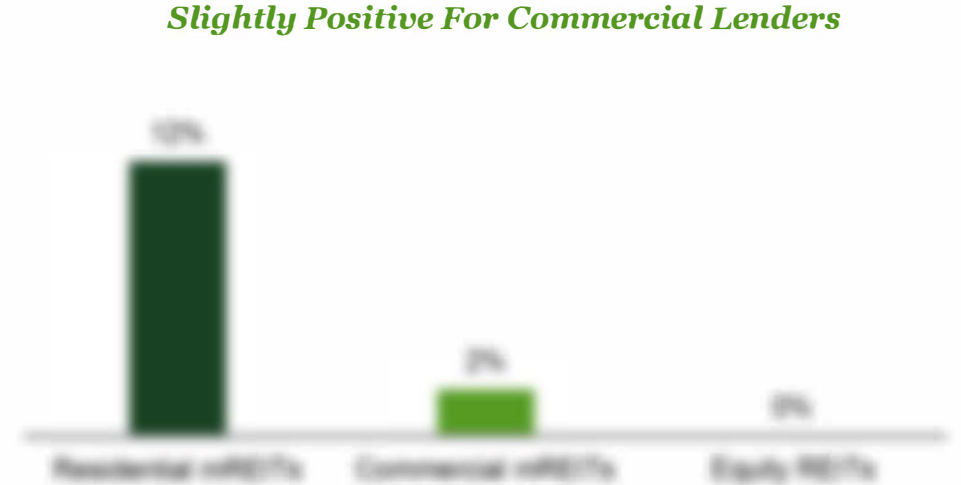
Property Values



CRE Lending Spreads*



Last 12 mo. Public Market Performance



Source: Federal Reserve, Cushman & Wakefield, Bloomberg, Green Street *spreads on fixed rate 5-10 year loans backed by stabilized assets in traditional sectors

Executive Summary


Market Backdrop

- Lending markets are vibrant, new vintage loans offer attractive expected returns with reset property values
- If priced in rate cuts materialize, refinancing prospects will improve for the wave of '21-'22 vintage maturities
- Real estate credit has outperformed corporate credit, and continues to offer better relative value
- Participation in lending markets has broadened; loan growth from banks improved significantly in 2Q
- Higher transaction volumes are helping lenders exit legacy REO assets at values they can stomach



Portfolio Growth and Cost-of-Capital

- Commercial mREITs are leaning into the attractive lending backdrop, funding net growth with incremental leverage
- Internally originated loans focused on stabilized assets in international markets and lease-up plays in the US
- Performing bank loan portfolios are emerging as a differentiated growth avenue that requires resources and scale
- BXMT and STWD view Net Lease (NL) as a strategic growth opportunity that hedges floating rate exposure
- REITs continue to lack a cost-of-equity, though financing costs have declined at both the asset and corporate level

REIT Portfolio Credit

- An analysis reveals that realized losses over the past year were between REIT reserves and our conservative ests.
- Expected losses revised lower by  bps, due to improving refinance and transaction markets and new vintage loans
- ARI's portfolio will improve materially through 1H26; should lead to better earnings and potential dividend increase

NAVs and Valuation

-  better credit + REIT risk rates up to 2% for ARI and BXMT, STWD down -1% due to premium paid on NL platform
- REIT prices imply a spread of  over base rates assuming the face value of loans is recovered
- Investment recommendations revised to capitalize on near term credit tailwinds and compression in CRE spreads

Recommendations:



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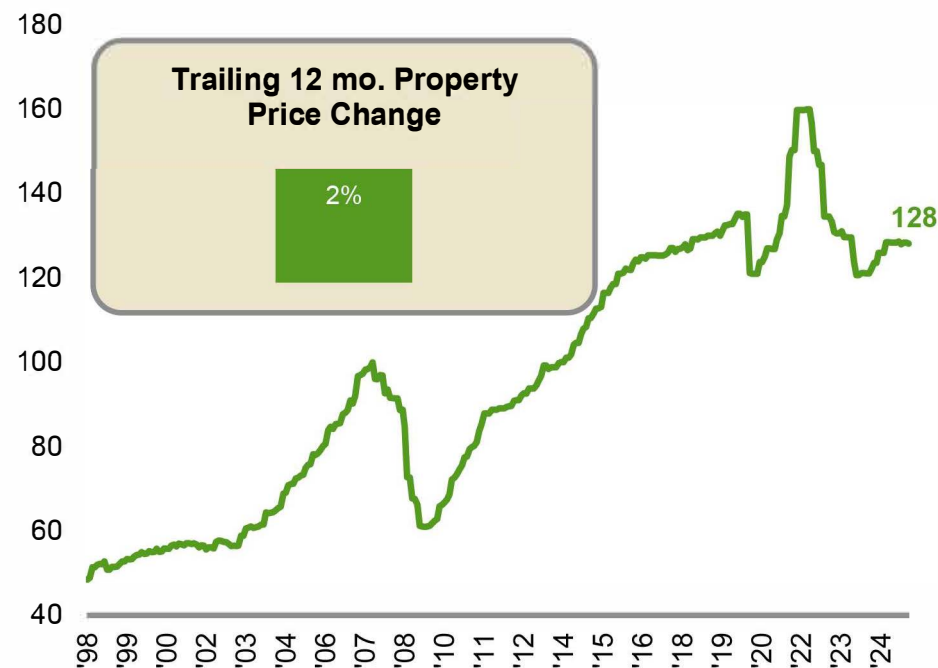
Lending Backdrop

Sweet Spot: Commercial Real Estate (CRE) values have stabilized after rebounding by ~5% off their cycle-lows, and [public market signals](#) suggest that properties are priced fairly. This limits risk from broad-based property value declines on new vintage loans. At the same time, interest rates at the front end of the curve are expected to decline – right as the wave of '21 and '22 vintage loans approach final maturity. This should help the credit profile of legacy loans. While the spread between yields on loans and financing costs are the primary driver of ROEs, base rates also play a role in ROE levels and market prices suggest that base rates will remain higher vs. pre-Covid levels, which makes for still attractive returns on new loans.

Base Rates



Green Street Traditional Sector CPPI*
(indexed to 100 in Aug '07)



Source: Federal Reserve, Green Street *equal weighted average of apartments, office, retail and industrial

CRE Capital Markets: Pricing

Competitive, but Attractive: A recovery in real estate values, coupled with [increasing capital flows from a wider base of lenders](#), has resulted in spreads continuing to grind tighter. Real estate credit spreads are now in-line with their long-term average. Real estate credit (both unsecured REIT bonds and mortgages) has outperformed corporate credit over the last twelve months, driven primarily by higher initial yields and not significant spread compression. Lenders have been drawn to the compelling relative value and attractive risk-adjusted returns in the space. While competition among lenders has increased, spreads remain attractive especially vs. corporate credit.

Stabilized CRE Lending Spreads Over



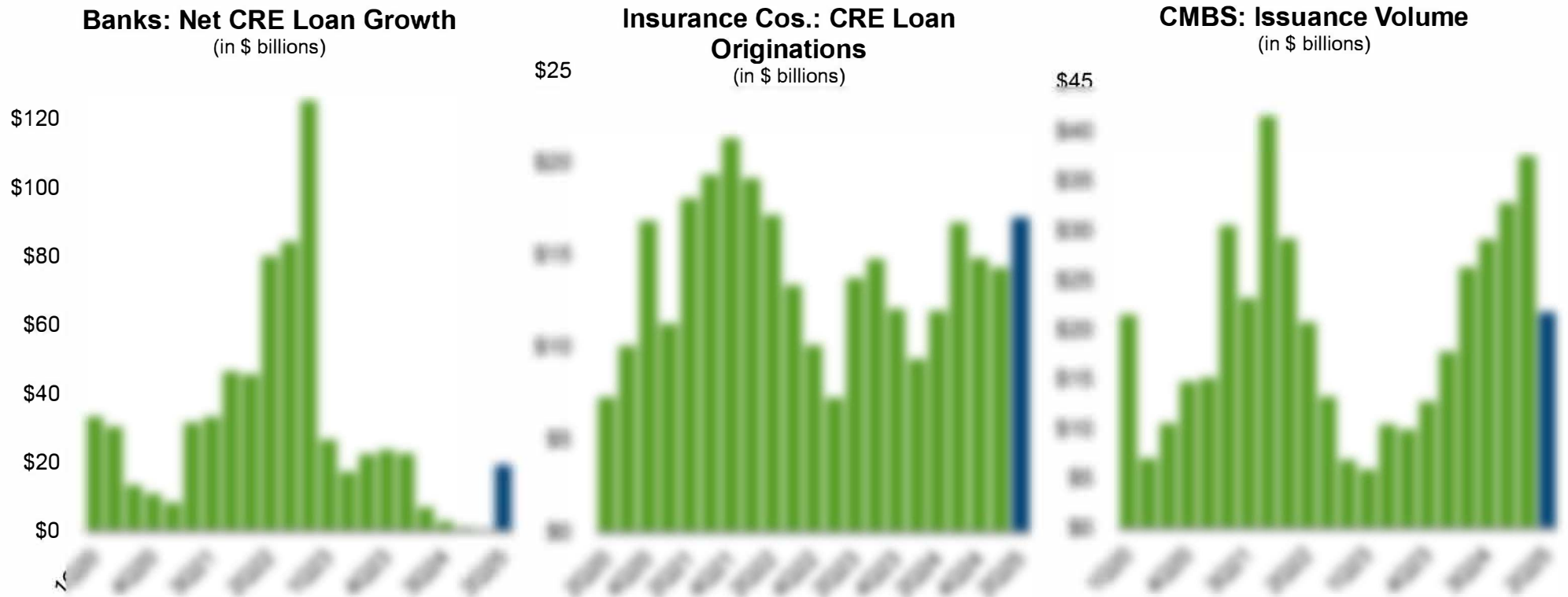
CMBS Spreads vs. Corporate IG Spread



Source: Cushman & Wakefield, Bloomberg, Green Street

CRE Capital Markets: Debt

Broadening Participation: The health of CRE capital markets is vital for repayment of mREIT loans, as it is a key source of capital for properties that have reached stabilization. Capital market liquidity has increased significantly over the last year, and has broadened in 2Q to include growth in bank portfolios (up 40% of CRE debt outstanding). Overall banks, insurers and CMBS markets, which together represent up 40% of CRE debt outstanding, are all expanding their presence in the space. This makes for a [vibrant refinance market](#), and is [helping repayment activity](#) in mREIT portfolios.



Source: Federal Reserve, ACLI, Green Street

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CRE Capital Markets: Equity

Source: Company disclosures, Green Street

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REIT Portfolios

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REIT Portfolios: Growth Avenues – 2Q25 Originations

Source: Company disclosures, Green Street. *Represents loans internally originated by GSMT only (i.e., excludes the reported bank portfolio acquisition)

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REIT Portfolios: Growth Avenues – Bank Loan Portfolios

Source: Company disclosures, Green Street. *Origination 1% for the GSMT portfolio, 1% at the time of acquisition for Bank Loan portfolio.

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REIT Portfolios: Growth Avenues – Net Lease

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REIT Portfolios: Vintage

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REIT Portfolio Quality

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REIT Portfolios: Credit – Expectations vs. Reality

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REIT Cost of Capital: Equity

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REIT Cost of Capital: Financing

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Portfolio Growth

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NAV Updates

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Valuation: Unlevered Returns

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Recommendations

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Appendix: Earnings Drivers

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