**G-L 2 1Q 2021 Quarterly Review**

July 12, 2021

|  |  |  |  |
| --- | --- | --- | --- |
|   | **G-L 2 Return Summary: 1Q 2021** |   |   |
|   |  |  Total  |   |
|   |  |  Return  |   |
|   |  |  |   |
|   | All Investments | 1.87% |   |
|   |  |  |   |
|   | All Subordinate Positions | 2.15% |   |
|   |  *Mezzanine Loans* | 1.80% |   |
|   |  *Leveraged Whole Loans* | 2.44% |   |
|   |  *Other Sub. Debt \** | 2.16% |   |
|   |  |  |   |
|   | Senior Loans | 1.48% |   |
|   |  |  |   |
|   | Floating Rate | 1.64% |   |
|   | Fixed Rate | 1.82% |   |
|   |  |  |   |
|   | Stabilized Assets | 1.62% |   |
|   | Bridge / Transitional Assets | 2.03% |   |
|   | Value-add Projects | 1.73% |   |
|   |  |  |   |
|   | \* B notes, second mortgages, preferred equity and other or unknown |
|   |  |  |   |
|   | Source: Giliberto-Levy |   |   |

**Index Performance**

* **1Q 2021 total return was 1.87%, a decline from 2.12% posted for 4Q 2020.**[[1]](#footnote-1)
	+ Income return was 1.80%, up from 1.68% last quarter.
	+ Capital value return was 0.07%.
	+ There were no reported realized losses in 1Q.
	+ Rolling four-quarter total improved from 5.23% to 6.38%. The improvement was mainly driven by the difference in 1Q returns: 0.77% in 2020 versus 2021’s 1.87%.
* Monthly returns:
	+ Jan. 2021 0.59%
	+ Feb. 2021 0.56%
	+ Mar. 2021 0.71%
* **New index participants submitted more than $2.6 billion of validated performance data on seasoned loans.**
* **Credit event incidence was mostly unchanged during the quarter.**

We measure credit event incidence using unpaid principal balances (UPB). Percentage incidence is the sum of UPB for a particulate event type divided by the total UPB reported for the index (see Table 1). Loans that receive interest deferrals or are in forbearance are not counted as delinquent.

Incidence measures for 1Q 2021 reflect a considerably larger exposure base due to loans from new participants. As a result, 1Q 2021 incidence is not directly comparable to 4Q 2020.

Table 1. G-L 2 Credit Event Incidence 1Q 2021

|  |  |
| --- | --- |
|  | **Incidence (% of UPB)** |
|  |  |  |
|  | 1/1/2021 | 3/31/2021 |
| **Loan Status** |  |  |
| Interest Deferral or Forbearance | 0.65% | 0.73% |
| Delinquent | 0.52% | 0.50% |
| In Default | 0.38% | 0.38% |
|  |  |  |
| All Credit Events | 1.55% | 1.61% |
| Delinquent and Defaulted | 0.91% | 0.88% |
|  |  |  |
|  | **Average Days Delinquent** |
| Delinquent Loans Only | 120 | 210 |
| Delinquent and Defaulted Loans | 210 | 300 |

UPB Unpaid Principal Balance

Source: Giliberto-Levy

The G-L 2 June 2021 webinar introduced a chart tracking all loans with credit events. Chart 1 below is an update. As of 12/31/2020, six loans had unresolved events. In January 2021, one of these moved back to performing status. A mixed-use loan started interest deferrals February 2021.

Chart 1. G-L 2 Credit Event Tracker

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Loan | Dec-20 | Jan-21 | Feb-21 | Mar-21 |
| Lodging #2 |   |   |   |   |
| Lodging #4 |   |   |   |   |
| Lodging #5 |   |   |   |   |
| Lodging #6 |   |   |   |   |
| Office #1 |   |   |   |   |
| Lodging #7 |   |   |   |   |
| Mixed-use #4 |   |   |   |   |

|  |  |  |
| --- | --- | --- |
|  |  | Legend |
|   |  | Performing |
|   |  |  Interest Deferral |
|   |  |  Delinquent |
|   |  |  Interest Forbearance |
|   |  |  In Default |
|   |  |  Terminated |

Source: Giliberto-Levy

1. Results reflect performance fully netted for use of leverage to “manufacture mezz” from senior whole loans. Reported components may not sum to reported totals due to rounding. [↑](#footnote-ref-1)