**G-L 2 3Q 2021 Quarterly Review**

December 19, 2021

|  |  |  |  |
| --- | --- | --- | --- |
|  | **G-L 2 Return Summary: 3Q 2021** |  |  |
|  |  | Total |  |
|  |  | Return |  |
|  |  |  |  |
|  | All Investments | 1.90% |  |
|  |  |  |  |
|  | All Subordinate Positions | 1.96% |  |
|  | *Mezzanine Loans* | 1.85% |  |
|  | *Leveraged Whole Loans* | 2.02% |  |
|  | *Other Sub. Debt \** | 2.17% |  |
|  |  |  |  |
|  | Senior Loans | 1.53% |  |
|  |  |  |  |
|  | Floating Rate | 1.78% |  |
|  | Fixed Rate | 1.85% |  |
|  |  |  |  |
|  | Stabilized Assets | 1.73% |  |
|  | Bridge / Transitional Assets | 1.90% |  |
|  | Value-add Projects | 1.87% |  |
|  |  |  |  |
|  | \* B notes, second mortgages, preferred equity and other or unknown | | |
|  |  |  |  |
|  | Source: Giliberto-Levy |  |  |

Note: Several loans have all data needed to generate investment returns but have not yet provided attribute data. As a result, some reported sub-category returns, e.g., payment type, are each less than the G-L 2 total return.

**Index Performance**

* **3Q 2021 total return was 1.90%. This was consistent with last quarter’s 1.88%.**[[1]](#footnote-1)
  + Income return was 1.89%, up slightly from 1.85% in 2Q.
  + Capital value return was 0.01%.
  + Rolling four-quarter total return ticked up to 6.61%. Again, this was about the same as the prior quarter.
* Monthly returns:
  + Jul. 2021 0.58%
  + Aug. 2021 0.48%
  + Sep. 2021 0.82%
* **Index participants reported about $1.5 billion of new loans, based on anticipated balances when loans are fully funded.** New index participants provided data on about $390 million of seasoned and new subordinate debt.
* **Credit event incidence modestly decreased.**

We measure credit event incidence using unpaid principal balance (UPB). Percentage incidence is the sum of UPB for a particular 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. Table 1 includes seasoned loans reported by new participants that are experiencing credit events.

Incidence measures for 3Q 2021 reflect a somewhat larger exposure base due to the addition of loans from new participants. As a result, starting incidence for 3Q 2021 (on July 1, 2021) is not identical to what was reported previously for June 30, 2021.

Table 1. G-L 2 Credit Event Incidence 3Q 2021

|  |  |  |
| --- | --- | --- |
|  | **Incidence (% of UPB)** | |
|  |  |  |
|  | 7/1/2021 | 9/30/2021 |
| **Loan Status** |  |  |
| Interest Deferral or Forbearance | 0.40% | 0.44% |
| Delinquent | 0.89% | 0.49% |
| In Default | 0.41% | 0.72% |
|  |  |  |
| All Credit Events | 1.70% | 1.65% |
| Delinquent and Defaulted | 1.30% | 1.21% |
|  |  |  |
|  | **Average Days Delinquent** | |
| Delinquent Loans Only | 270 | 375 |
| Delinquent and Defaulted Loans | 312 | 375 |

UPB Unpaid Principal Balance

Source: Giliberto-Levy

Chart 1 provides an update on specific credit events within the index. The chart includes ongoing and new credit events. Loans that had credit events but paid off or otherwise terminated in prior quarters are not shown.

Chart 1. G-L 2 Credit Event Tracker 3Q 2021

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Loan | Jun-21 | Jul-21 | Aug-21 | Sep-21 |
| Lodging #2 |  |  |  |  |
| Lodging #4 |  |  |  |  |
| Lodging #6 |  |  |  |  |
| Lodging #7 |  |  |  |  |
| Lodging #9 |  | SOLD |  |  |
| Mixed-use #4 |  |  |  |  |
| Multifamily #1 |  |  |  | PAID OFF |
| Multifamily #2 |  |  |  |  |
| Multifamily #3 |  |  |  |  |
| Office #2 |  |  |  |  |
| Office #3 |  |  |  |  |

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

Source: Giliberto-Levy

Note that Table 1 reflects one office loan transitioning from delinquent to in default.

The average mark to market on loans with known credit events was 63% of par as of September 30, 2021. Excluding those loans valued at par – generally loans receiving interest deferrals – the average mark was about 50% of par.

Several participants mentioned they anticipated selling some loans in 4Q 2021. If sales do take place, we will report average selling prices.

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