



GILIBERTO-LEVY

COMMERCIAL REAL ESTATE DEBT INDEXES

G-L 2 1Q 2025 Quarterly Review

June 23, 2025

G-L 2 Return Summary: 1Q 2025

	Total Return
All Investments	1.18%
All Subordinate Positions	2.05%
<i>Mezzanine Loans</i>	0.55%
<i>Leveraged Whole Loans</i>	2.28%
<i>B-Notes and Similar *</i>	-2.13%
<i>Other Sub. Debt **</i>	2.57%
Senior Loans	1.07%
Floating Rate	1.20%
Fixed Rate	1.37%
Stabilized Assets	-0.02%
Bridge / Transitional Assets	2.57%
Value-add Projects	0.92%

* This category includes all subordinate tranches of a senior loan

** Second mortgages and preferred equity

Source: Gilberto-Levy

Note: Several loans have data needed to generate investment returns but have not yet provided categorization information. As a result, some reported sub-category returns may appear inconsistent with the G-L 2 total return.



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G-L 2 Index Performance

- G-L 2 generated 1.18% total return in 1Q 2025, compared with 2.18% (revised) reported for 4Q 2024.¹
- Income was 2.23% for the quarter. This was lower than what was recorded in 3Q and 4Q 2024. Both of those quarters were on the high side, compared with trend, due to some large receipts.
- Capital values continued to take a hit, falling 1.05% as more loans became NPLs (non-performing loans).²
- Credit event incidence increased during the quarter. Approximately 3% of total principal outstanding was non-performing.
- Performing loan values increased slightly as marks on fixed-rate deals benefited from lower U.S. Treasury yields at quarter end.

¹ Results reflect performance fully netted for use of leverage to “manufacture mezz” from senior whole loans. G-L 2 is not a “frozen” index, so results shown for prior quarters may differ from those reported previously. Reported components may not sum to totals due to rounding.

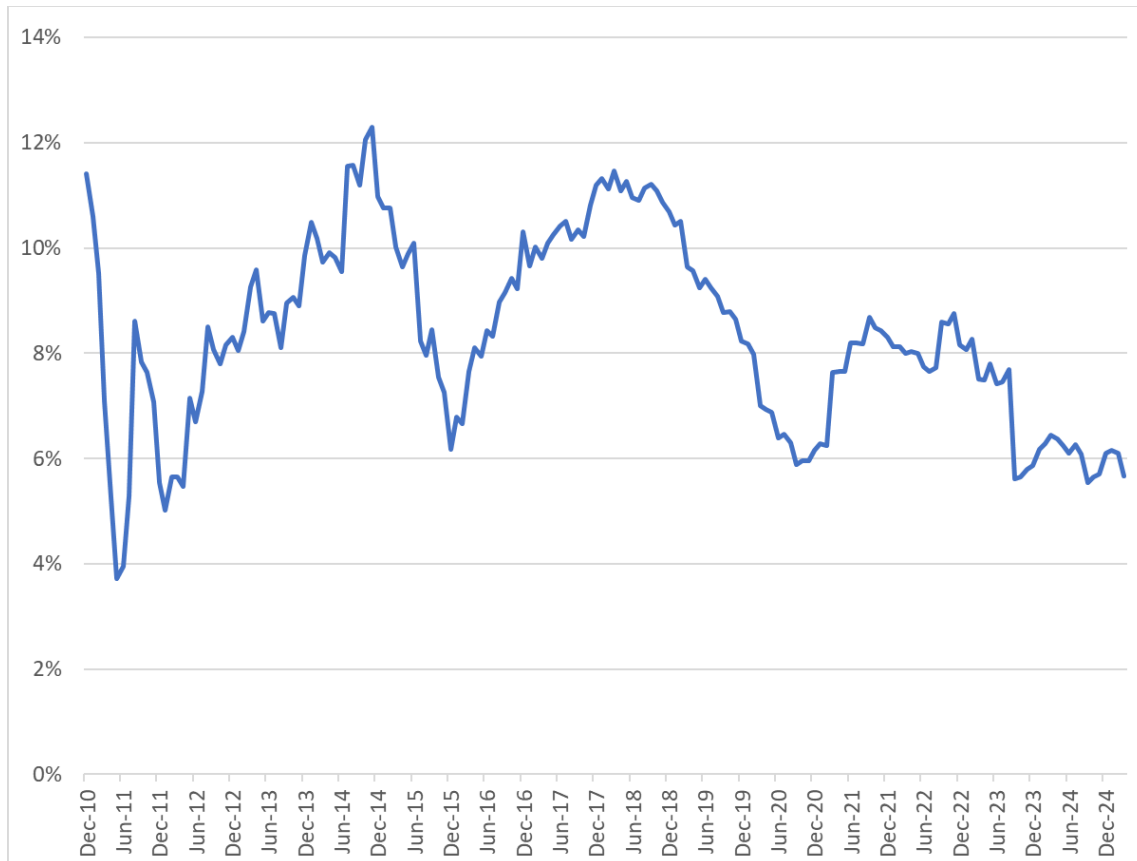
² NPL includes loans that are reported as being delinquent or in default.



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Chart 1. G-L 2 Rolling Twelve-month Total Return



Source: Gilberto-Levy

Capital Activity

We noted last quarter that net capital flows have hovered around zero for several quarters. First-quarter 2025 registered an uptick, showing the largest quarterly percentage increase since 1Q 2023.

We simplified the accompanying Chart 2 to focus on total (net) capital, which equals new borrowings minus principal repayments. Data are quarterly capital flows as a percentage of start-of-quarter unpaid principal balances; They are now shown as four-quarter moving averages to smooth out some volatility and make trends more visible.

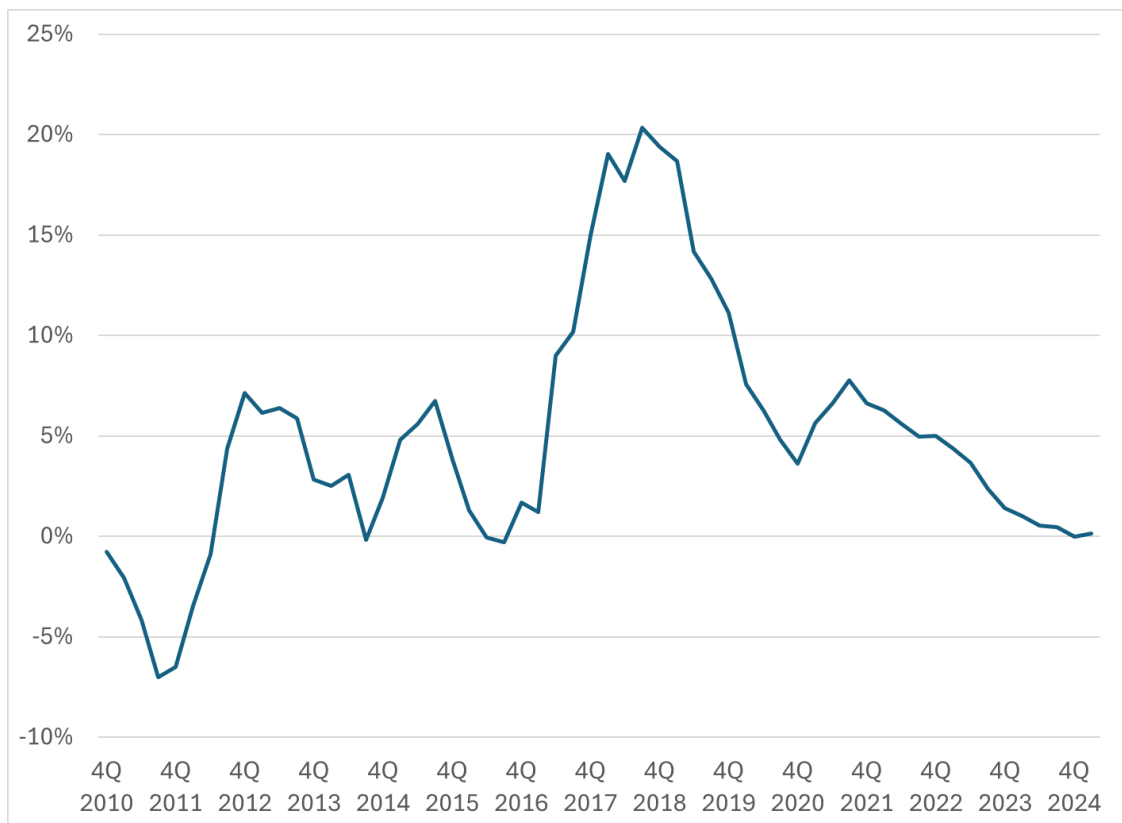


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Chart 2. Quarterly G-L 2 Net Capital Flow Into High-yield CRE Investments

As a percentage of unpaid principal balance outstanding at the start of the quarter; four-quarter moving average



Source: Gilberto-Levy

As a reminder, our report tracks flow to and from real estate assets. It does not measure flows into or out of investor vehicles such as funds and separate accounts.



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Credit Events

Credit event incidence resumed an upward trajectory in 1Q 2025 as lenders reported defaults on several previously performing loans (see Table 1).³ This supports our oft-stated view that cleaning up credit messes takes a while even after markets have stabilized. In particular, we note that more than 6% of all loans in G-L 2 are NPLs.

Table 1. G-L 2 Credit Event Incidence 1Q 2025

	\$ Incidence (% of UPB)		Incidence (% of Loan Count)	
	1/1/2025	3/31/2025	1/1/2025	3/31/2025
Loan Status				
Interest Deferral	1.22%	0.84%	0.87%	0.86%
Delinquent	0.73%	0.82%	0.87%	1.29%
In Default	1.82%	2.16%	3.69%	4.72%
All Credit Events	3.77%	3.82%	5.42%	6.87%
Delinquent and Defaulted	2.55%	2.98%	4.56%	6.01%
Average Days Delinquent				
Delinquent Loans Only	280	312		
Delinquent and Defaulted Loans	557	516		

UPB is Unpaid Principal Balance

Source: Gilberto-Levy

³ In Table 1, UPB columns show credit event statistics for the “average” dollar invested in the index. Incidence is the sum of UPB for a particular event type divided by the total UPB reported for the index. The count approach shows the same statistics for the “average” loan. Reported percentage is the number of loans experiencing a credit event divided by the total number of active loans.



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Table 2 provides incidence rates by property sector for NPLs. Retail is only about 1% of G-L 2 value; its high incidence rates arise because a few distressed loans skew results.

Table 2. G-L 2 Non-performing Loan Incidence by Sector 1Q 2025

Delinquency and Default Rates by Property Type

Property Type	\$ Incidence (% of UPB)		Incidence (% of Loan Count)	
	1/1/2025	3/31/2025	1/1/2025	3/31/2025
Office	6.64%	8.15%	11.96%	16.30%
Multifamily	1.76%	2.44%	3.13%	4.91%
Retail	36.60%	36.70%	22.22%	22.22%
Industrial	0.00%	0.00%	0.00%	0.00%
Lodging	3.48%	3.40%	4.00%	4.17%
Mixed-use	6.76%	6.86%	11.11%	11.11%
Other/Unknown	0.00%	0.00%	0.00%	0.00%
All Types	2.55%	2.98%	4.56%	6.01%

UPB is Unpaid Principal Balance

Source: Gilberto-Levy



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Valuation

Average reported values of performing loans increased modestly in 1Q 2025 (see Table 3).⁴ During the quarter, U.S. Treasury yields decline, producing increases in values for fixed-rate investments, including those in G-L 2.

Table 3. G-L 2 Loan Values by Property Sector as of March 31, 2025

Property Type	Performing	
	Loans	NPL
Office	87.2	34.7
Multifamily	100.1	47.7
Retail	97.0	33.2
Industrial	99.4	NA
All Others	94.9	58.7
All Types	96.3	43.1

The values shown are percentages of unpaid principal balances

NPL is Non-performing Loans

Source: Gilberto-Levy

Concluding Thoughts

To gain additional perspective on high-yield US CRE debt, please join us at our annual online high-yield CRE debt symposium, which will be on June 25, 2025 at 10:30 am ET. There is no charge to participate, but pre-registration is required. Please contact Julia Grant (jgrant@jblevyco.com) to sign up.

⁴ Participants provide values; they are not calculated by G-L. We check for and follow up on items that our system flags as outliers or that show inconsistencies with prior submissions, but we do not conduct audits.