



G-L 2 3Q 2025 Quarterly Review

December 29, 2025

G-L 2 Return Summary: 3Q 2025	
	Total Return
All Investments	1.83%
All Subordinate Positions	1.80%
<i>Mezzanine Loans</i>	-0.15%
<i>Leveraged Whole Loans</i>	3.19%
<i>B-Notes and Similar *</i>	1.17%
<i>Other Sub. Debt **</i>	4.86%
Senior Loans	2.42%
Floating Rate	2.04%
Fixed Rate	1.24%
Stabilized Assets	2.64%
Bridge / Transitional Assets	2.25%
Value-add Projects	0.72%
* 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.



G-L 2 Index Performance

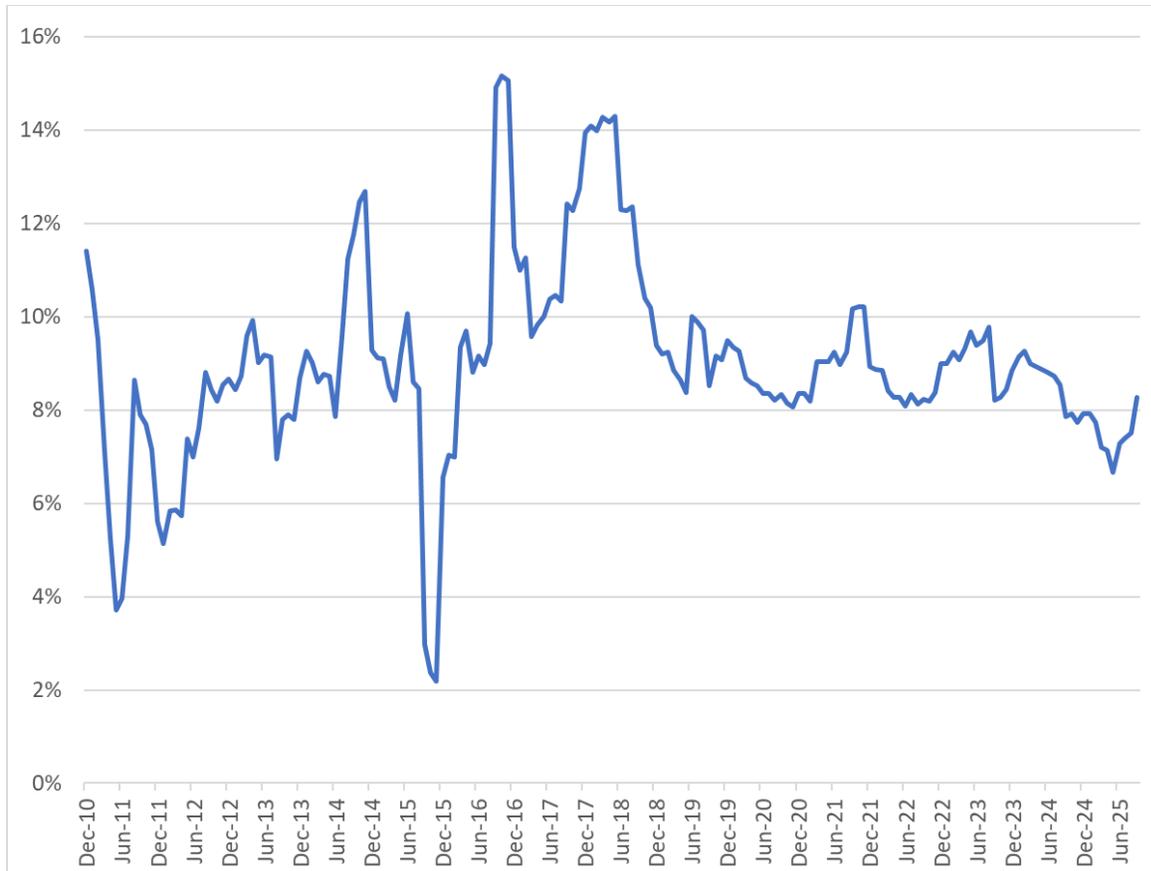
- G-L 2 generated 1.83% total return in 3Q 2025, compared with 2.30% (revised) reported for 2Q 2025.¹ We previously reported a negative return for 2Q; the substantial change is discussed in Concluding Thoughts below.
- Income was 2.68% for the quarter, quite comparable to 2Q's 2.72%. Both income returns exceeded total returns, implying returns due to changes in capital values were negative in both quarters. This is consistent with our previous report.
- Credit event incidence dipped slightly during the quarter, leaving about 3% of total principal outstanding in non-performing loans (NPLs).²
- Performing loan values decreased as marks on most property types came down. This contrasts with positive asset value changes that equity investors are recording for most sectors.

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.



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



Source: Gilberto-Levy

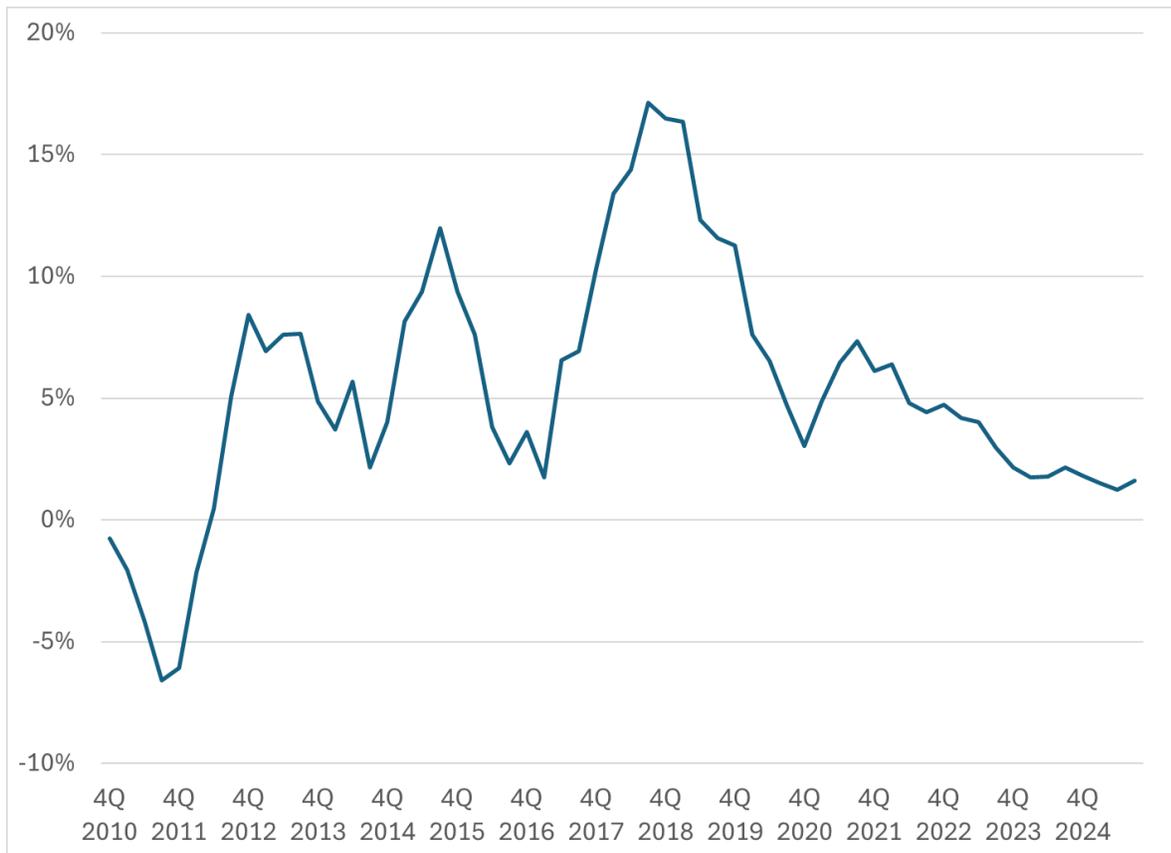


Capital Activity

Net capital flow (loan fundings minus cash principal payments) continued to be positive in 3Q 2025 (see Chart 2).

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 flows to and from real estate assets. It does not measure flows into or out of investor vehicles such as funds and separate accounts.



Credit Events

Credit event incidence dipped in 3Q 2025 (see Table 1).³ The shift reflected the combination of an increased index capital base, as shown in Chart 2, plus almost no change in the dollar amount of loans experiencing credit events.

Table 1. G-L 2 Credit Event Incidence 3Q 2025

	\$ Incidence (% of UPB)		Incidence (% of Loan Count)	
	7/1/2025	9/30/2025	7/1/2025	9/30/2025
Loan Status				
Interest Deferral	0.49%	0.47%	0.49%	0.48%
Delinquent	0.75%	0.35%	0.98%	0.64%
In Default	2.20%	2.22%	4.59%	4.16%
All Credit Events	3.44%	3.04%	6.07%	5.28%
Delinquent and Defaulted	2.95%	2.57%	5.57%	4.80%
	Average Days Delinquent			
Delinquent Loans Only	352	423		
Delinquent and Defaulted Loans	539	610		

UPB is Unpaid Principal Balance

Source: Gilberto-Levy

That said, the minimal dollar increase does not mean there was no activity. Several loans in the distressed / NPL pool on July 1, 2025 were foreclosed, becoming REO, and others had realized losses upon termination during the quarter.

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.



Table 2 provides incidence rates by property sector for NPLs. The industrial loan that became delinquent in 2Q resumed interest payments and was removed from NPL at quarter end.

Table 2. G-L 2 Non-performing Loan Incidence by Sector 3Q 2025

Property Type	\$ Incidence (% of UPB)		Incidence (% of Loan Count)	
	7/1/2025	9/30/2025	7/1/2025	9/30/2025
Office	8.66%	7.73%	14.84%	12.00%
Multifamily	1.66%	1.36%	3.72%	3.56%
Retail	36.56%	20.21%	20.00%	18.18%
Industrial	0.09%	0.00%	1.18%	0.00%
Lodging	3.95%	3.77%	8.33%	7.69%
Mixed-use	6.31%	5.15%	10.00%	9.52%
Other/Unknown	0.00%	0.00%	0.00%	0.00%
All Types	2.96%	2.57%	5.57%	4.80%

UPB is Unpaid Principal Balance

Source: Gilberto-Levy

Valuation

The average value of a performing loan was 92.4 at quarter end (see Table 4).⁴ This was down from 93.5 at the end of 2Q. All property types, except retail, showed reductions. The average reported NPL value was also lower. Interestingly, office NPL values were slightly higher; this was due to the loan terminations mentioned above. However, the positive change was not economically significant.

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.



Table 4. G-L 2 Loan Values by Property Sector as of September 30, 2025

Property Type	Performing	
	Loans	NPL
Office	76.2	25.5
Multifamily	96.8	53.5
Retail	98.1	29.8
Industrial	97.2	NA
Lodging	99.0	27.1
All Others	92.5	59.3
All Types	92.4	36.5

The values shown are percentages of unpaid principal balances

NPL is Non-performing Loans

Source: Gilberto-Levy

Concluding Thoughts

What caused G-L 2 2Q 2025's return to change from an originally reported -0.13% to 2.30%? There were multiple reasons. First, we received modifications to previously reported data. This is common, but it usually does not have a large effect on historical index results. Second, several participants did not submit data in time for it to be validated and included in time for our production schedule. Fortunately, this does not occur frequently, but it can have meaningful effects. Finally, as new participants join the index, their historical data is backfilled into the index. The combination of the latter two factors meant that the "new" 2Q results reflect a significantly larger set of loans than what we had initially.

In fact, the index's size by both loan count and principal balance has increased by about 50% since September 30, 2024. For 3Q 2025 the index included more than 600 loans with aggregate principal balance exceeding \$33 billion.