Late Cycle Trends in the Small-Balance Loan Market

February 11, 2020



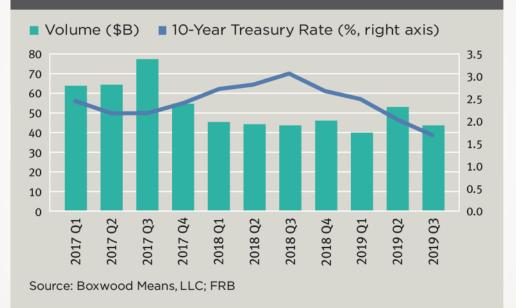
Presented by: Randy Fuchs Principal/Co-Founder Boxwood Means, LLC



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Another Solid Year for SBL Origination Volume

SBL ORIGINATIONS TREND



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Secondary Markets Have Gained Share

PRIMARY VS. SECONDARY MARKET SBL ORIGINATION TRENDS

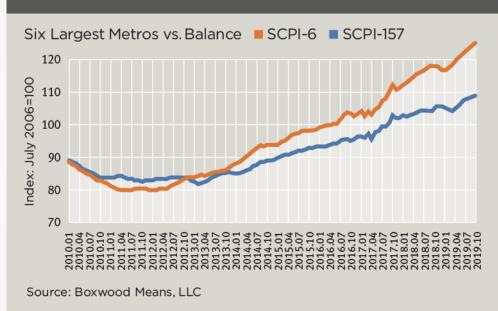


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Small-Cap CRE Prices Have Largely Recovered

SMALL-CAP COMMERCIAL PRICE TRENDS



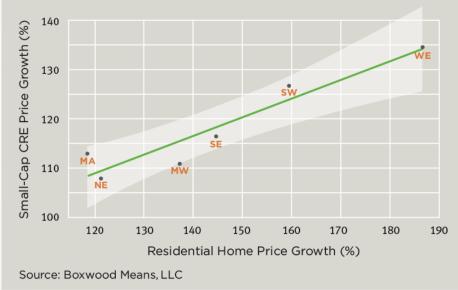


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Linkage between Small-Cap CRE and Housing Prices Endures

SMALL-CAP CRE AND HOUSING PRICE RECOVERIES

By U.S. Region, 2010-Mid-2019



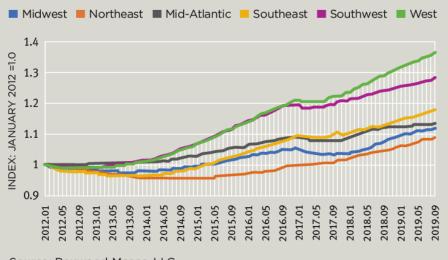
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But Price Gains Have Been Uneven

PRICE RECOVERY DIFFERS WIDELY

Regional Small-Cap CRE Trends



Source: Boxwood Means, LLC



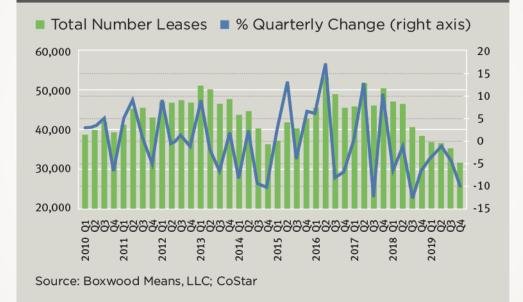
Notably though, Space Market Fundamentals Are Bending Over



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Aggregate Leasing Demand Has Plummeted

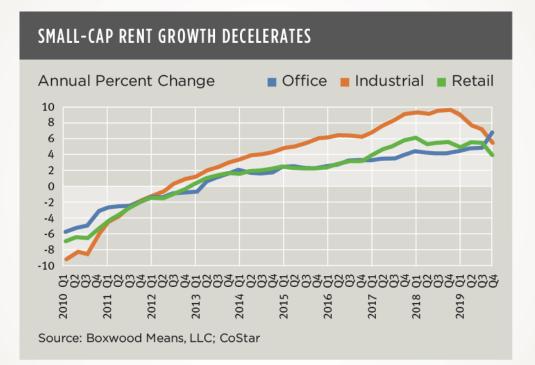
TOTAL SMALL-CAP CRE DIRECT LEASES DROP





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Commercial Rents May Have Peaked



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Watch List: Important End-of-Cycle Factors for SBL Lenders

The following are strongly correlated with small-cap CRE prices:

- Home Prices
- Small Business Establishments (under 50 employees)
- Blue-Collar Employment
- Blue-Collar Small Establishments
- Middle-Age Population (35-65 yrs.)
- Professional Small Establishments

