

Late Cycle Trends in the Small-Balance Loan Market

February 11, 2020



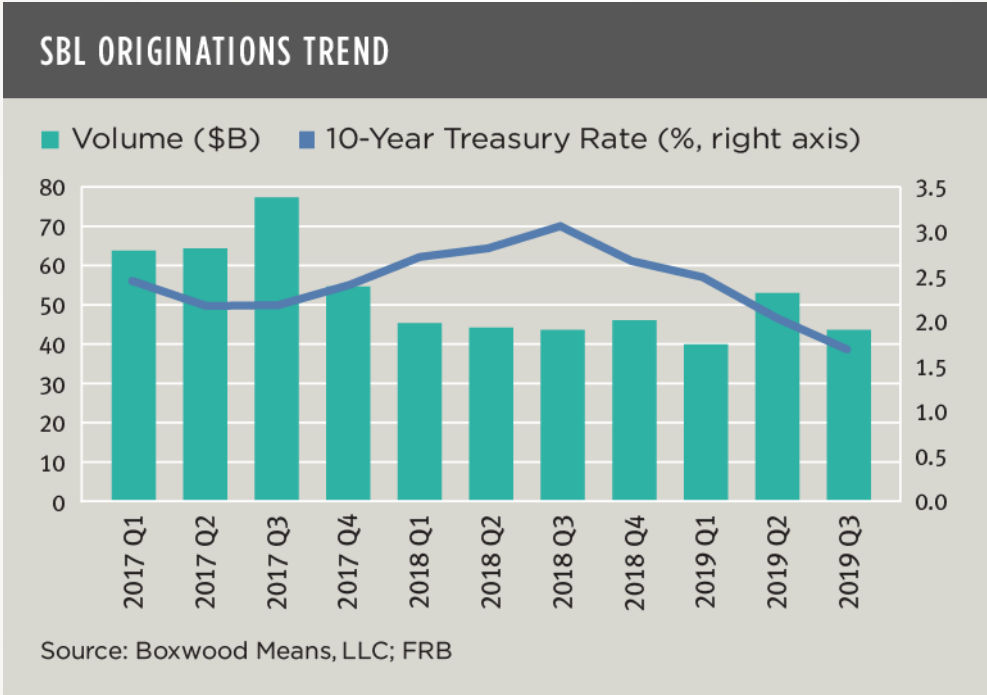
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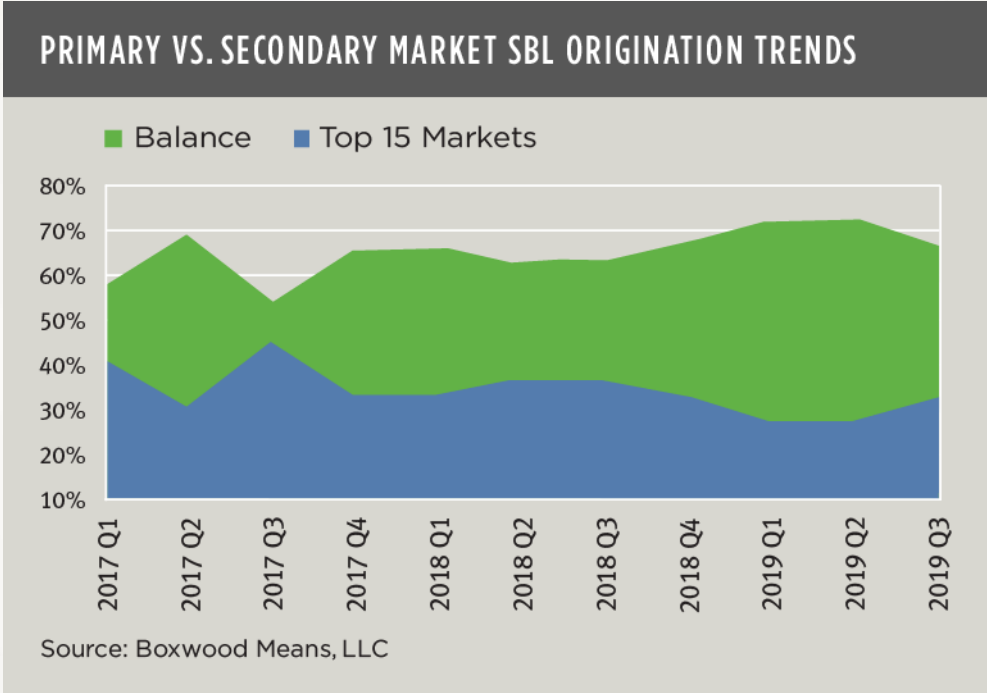
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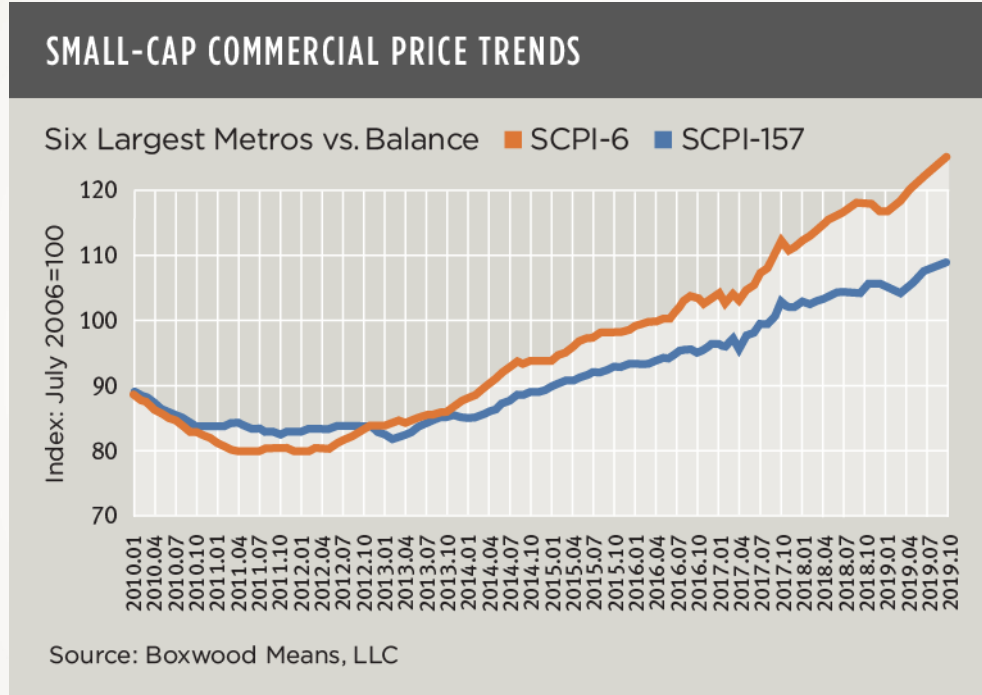
Another Solid Year for SBL Origination Volume



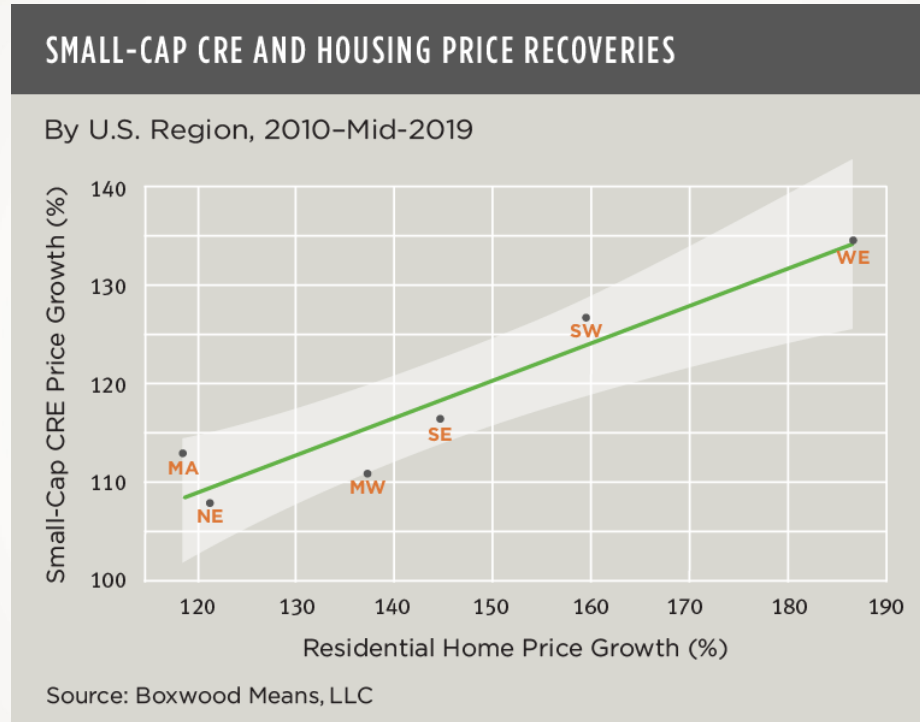
Secondary Markets Have Gained Share



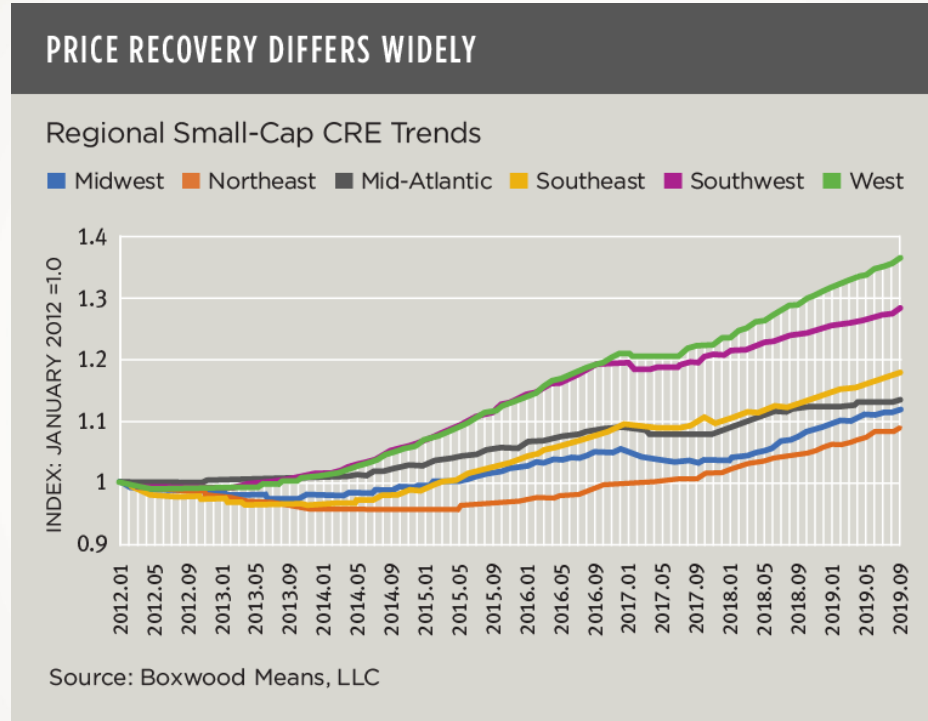
Small-Cap CRE Prices Have Largely Recovered



Linkage between Small-Cap CRE and Housing Prices Endures

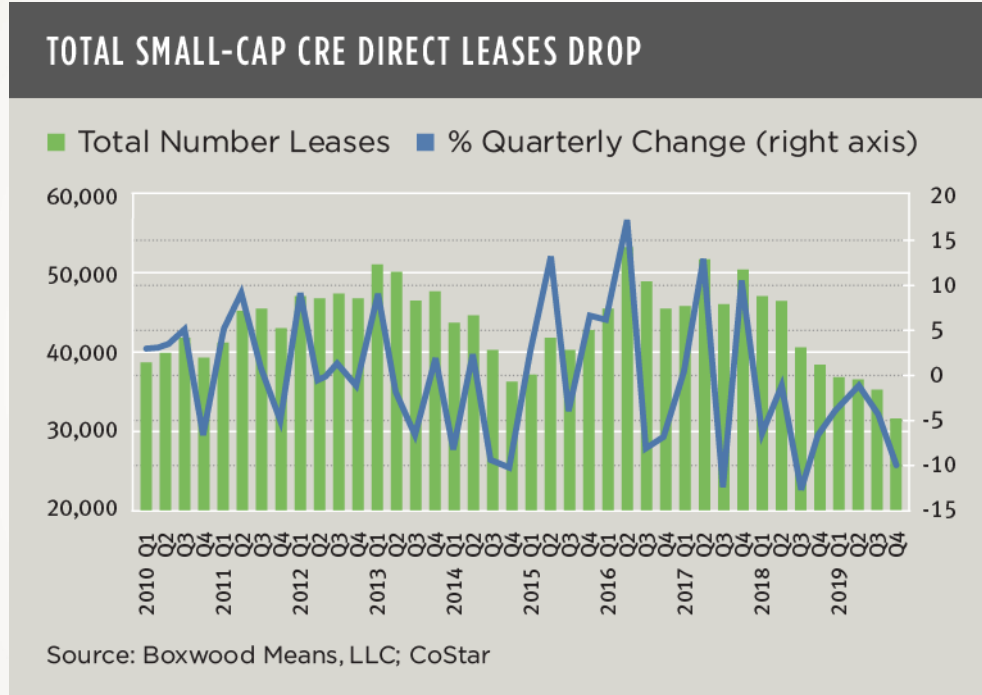


But Price Gains Have Been Uneven

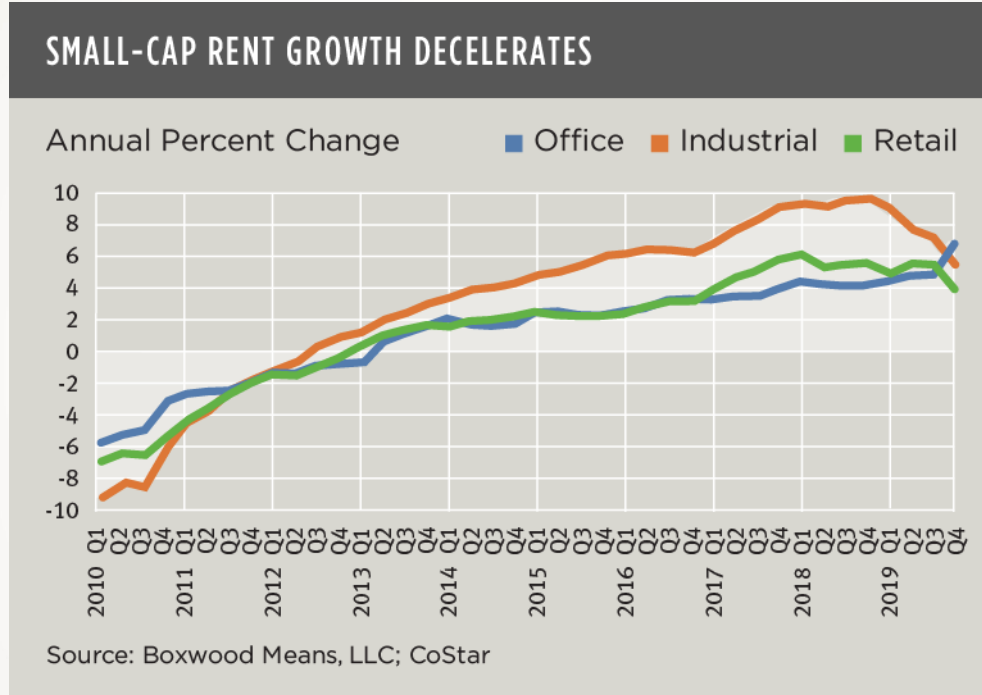


Notably though, Space Market Fundamentals Are Bending Over

Aggregate Leasing Demand Has Plummeted



Commercial Rents May Have Peaked



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