BLACKSTONE MORTGAGE TRUST Fourth Quarter and Full Year 2020 Investor Call
February 10, 2021 at 9:00 a.m. ET

Coordinator: Good day, everyone, and welcome to the Blackstone Mortgage Trust fourth quarter and full year 2020 investor call, hosted by Weston Tucker, Head of Investor Relations. My name is Leslie, and I'm the event manager. During the presentation, your lines will remain on listen only, and if you require assistance at any time, please key star-zero on your telephone, and a coordinator will be happy to assist you. I'd like to advise all parties that the conference is being recorded for replay purposes. And also, if you wish to ask a question, it is just star, then one, on your telephone. And now I'd like to hand you over to your host for today. Weston, please go ahead.

Weston Tucker: Great. Thanks, Leslie, and good morning, everyone. Welcome to Blackstone Mortgage Trust's fourth quarter conference call. I'm joined today by Mike Nash, Executive Chairman, Steve Plavin, Chief Executive Officer, Jonathan Pollack, Global Head of Real Estate Debt Strategies, Katie Keenan, President, Tony Marone, Chief Financial Officer, and Doug Armer, Executive Vice President, Capital Markets.

This morning, we filed our 10-K and issued a press release for the presentation of our results, which are available on our website, and have been filed with the SEC. I'd like to remind everyone that today's call may include forward-looking statements, which are uncertain and outside of the company's control. Actual results may differ materially. For a discussion of some of the risks that could affect results, please see the risk factors section of our 10-K. We do not undertake any duty to update forward-looking statements.

We'll also refer to certain non-GAAP measures on this call, and for reconciliations, you should refer to the press release and our 10-K. This audiocast is copyrighted material of Blackstone Mortgage Trust, and may not be duplicated without our consent.

So a quick recap of our results. We reported GAAP net income per share at $0.57 for the fourth quarter, while distributable earnings were $0.60 per share. Last month, we paid a dividend of $0.62 per share with respect to the fourth quarter. If you have any questions following today's call, please let me know. And with that, I'll now turn things over to Steve.

Steve Plavin: Thanks, Weston. Amid the backdrop of the pandemic and extraordinary economic upheaval that stress-tested our business like never before, BXMT outperformed, just as it did during the seven year growth period that preceded COVID.

In 2020, our loan portfolio had near perfect collections and excellent credit performance, with loan fundings and repayments remaining in balance. We earned our considerable dividend while increasing liquidity and decreasing asset level leverage. And we accessed the capital markets throughout the year, opportunistically raising equity to premium to book value and a corporate term loan, as well as issuing two CRE CLOs. In addition, this morning, we launched an upsize of our term loan.

We always believed that our strategy of originating senior loans on large-scale, high-quality assets with financially strong sponsors would better endure periods of market volatility, and that our business would deliver differentiated results throughout cycles. BXMT's borrowers have equity to protect their assets, and the financial wherewithal to do so, so the ability and the willingness to support our loans, even when property cash flow is temporarily reduced from the pandemic.

As always, we benefit from asset and sponsor underwriting by way of the Blackstone Real Estate Investment Committee, bringing to bear all of the knowledge and resources that come from our market leading global real estate ownership and finance footprint.

Our banks trust our track record as a lender and a borrower, as well as our asset management and relationship focus. When our banks were most pressured amid the pandemic, we opted to de-lever them on their most impacted assets. Today, our lenders are not only secure with their existing portfolios, but are actively seeking to grow their facility utilization with new BXMT originations.

We run BXMT with substantial liquidity to position us for the high-quality, large-scale opportunities that we covet, and also to maintain the significant level of protection from unexpected credit events.

We ended the quarter with over $1.1 billion of liquidity, building up firepower for the increasing loan demand we expect in 2021. As we look ahead, we feel great about the current returns BXMT is able to generate, even in this extremely low yield environment. And while the real estate recovery from COVID still has a way to go in certain sectors and markets, we believe that our business model remains very well-positioned for periods ahead. And with that, I'll turn it over to Katie.

Katie Keenan: Thanks, Steve. We built the BXMT business to be stable and resilient, with a portfolio of low volatility first mortgage loans supported by a match-funded balance sheet. That business model proved out last year, enabling us to weather the impacts of the pandemic and produce steady distributable earnings, up $2.48 per share, covering our dividend despite the unprecedented backdrop.

Our earnings translate to a yield on book of over 9%, even with LIBOR near zero. And we generated these earnings while simultaneously increasing our liquidity by over 50%, lowering our debt-to-equity ratio from 3.0 to 2.5, and maintaining strong credit performance across the portfolio.

Over the full year, we collected 99.7% of interest due under our loans, including 100% in the fourth quarter, with less than 1 percent of interest deferred. Our sponsors are steadfast in their commitments, and have contributed over half a billion dollars of fresh equity since the start of the pandemic to support the assets backing our loans.

Regular-way repayments, while slower, have continued throughout the year. We've had $1.4 billion since March, including repayments in New York City, Chicago, and San Francisco this quarter, which is indicative of the continued health of the markets and strength of our collateral.

The performance of our underlying office, industrial, and multi-family assets remains strong, with rent collections consistently in the mid-nineties, and growth leasing across our portfolio of over three million square feet since March.

Although the exact shape of the recovery remains fluid, the performance of our assets to date is a clear, positive indicator of their long term prospects. And meanwhile, the large and growing equity investments subordinate to our loans provides substantial insulation from further volatility.

Over the year, we built up an enhanced level of liquidity on our balance sheet as well, which helped ensure our stability through 2020, and puts us in an opportune position to build our portfolio as we enter 2021.

In the last quarter, and accelerating into the new year, we have seen a marked increase in the origination pipeline. Given the vaccine and prospects for additional stimulus, our borrowers are feeling more confident that it's time to direct new capital toward acquisitions and value-added repositioning, deploy some of the dry powder in their investment vehicles, and recapitalize assets that have progressed in their business plans.

Today, we have over $1.5 billion of new post-COVID originations closed and in closing across 15 transactions. This includes five new loans in the fourth quarter, all to repeat borrowers on high quality real estate, comprising four nearly built multi-family assets and a well-leased office building in South Florida.

At the core of the Blackstone approach is a collaborative process that ensures the insights from across our global portfolio are incorporated into BXMT's credit decisions. With the recovery still uneven, we are focused on the assets and markets that are working best, multi-family, industrial, and lab, which have strong secular trends, and continue to demonstrate both resilience and fundamental strength, markets catering to tech, life sciences, and content creation, which are among the most vibrant, and where tenants are moving, and high-quality real estate at a low basis, where values will endure over time.

These themes aren't novel. We've long invested with a view towards newer assets, knowledge-based industries, and dynamic markets where the best talent is located, a focus that is already apparent in our portfolio today. Our latest vintage of transactions also reflect a continued adherence to our core principles of lending to experienced, well-capitalized sponsors on high quality institutional assets, a view we hold more strongly than ever, having seen our portfolio withstand the volatility last year.

And as always, we're making senior mortgage loans. We have a weighted average LTV of 61% for our fourth quarter deals, consistent with the overall portfolio.

The pipeline today reflects capital markets that are healthy and liquid, but maintaining good credit discipline. With significant capital available in our sector, and indeed across the investment universe, there is an increasingly competitive search for yield in many segments of the lending market, including ours. But while we face this dynamic on the lending side, we are also a beneficiary on the borrowing side, where we have consistently been able to access the best available terms based on our credit track record and our position as part of the Blackstone platform.

Our recent originations reflect net returns in line with historical levels. So while the market is moving, the spread between where we lend and where we borrow remains in synch.

The stability of our business through 2020 provides a robust foundation for the coming year, and the activity in our pipeline suggests strong momentum for new investments.

Our portfolio is generating steady cash flow, and we are well-positioned to pursue the next wave of new lending opportunities, while maintaining appropriate protection against any lingering effects of the pandemic. And we continue to draw upon the tremendous scale and reach of the Blackstone platform to create compelling, well-protected investments for our shareholders. With that, I'll pass it over to Tony.

Tony Marone: Thank you, Katie, and good morning, everyone. Before I get into our financial results, I would like to briefly comment on our non-GAAP earnings measure, core earnings, which we have renamed distributable earnings starting this quarter. Historically, we have disclosed core earnings as an important financial metric that we use in addition to GAAP net income to assess the performance of our business. Most importantly, I want to be clear that this is only a change in terminology, and not how we calculate this metric. Distributable earnings is calculated the same way as core earnings was before.

We're making this change following discussions between the mortgage REIT industry and the SEC over the past several months to adopt terminology that is more descriptive of what this metric represents, which is a measurement of our results anchored in GAAP net income and adjusted for certain non-cash items to be a better indicator of our performance within the context of our potential dividend. Note that just like with core earnings, there will be differences between distributable earnings and our dividend in any given quarter, but we expect them to generally correlate over time.

This quarter, we generated GAAP EPS of $0.57 per share, and $0.97 per share for 2020, with 4Q distributable earnings of $0.60 per share, and $2.48 for the year. Despite the turbulence of 2020, our dividend remained at $2.48 this year, the same level as the past four years.

The success of BXMT's business model in 2020 can best be summarized by reviewing what components have endured this year alongside the positive changes we have made, starting with what has stayed the same. The ratio of our distributable earnings to our book value, or our yield on book, is effectively unchanged at 9.2% for 2020 relative to 9.5% for 2019, reflecting the stability of our portfolio and its enduring earnings power, despite a decline of 170 basis points in average USD LIBOR year over year.

Importantly, as before the pandemic, nearly all of our interest income is paid currently, with less than one percent of interest deferred across our entire portfolio.

We continue to benefit from the LIBOR floors embedded in our loan portfolio in this historically low rate environment, with $9.6 billion of active floors as of 12/31, on our USD portfolio alone generating incremental earnings for our stockholders, which we expect to continue in the near term as well.

The size of our portfolio at $18.2 billion is largely unchanged, with loan fundings in step with repayments during 2020. This includes $1.1 billion of incremental loan fundings during the year on previously originated loans, which bolstered our portfolio during a period of fewer new loan originations, and provides a tail wind to our portfolio's earnings power, as we see regular-way business begin to resume.

Lastly, we continue to enjoy market-leading terms for the $8.7 billion of currency tenor and index matched credit facilities that we use to finance our assets, including all of our 4Q originations, which were financed at levels approaching pre-COVID terms, generating similar ROIs for these loans as our 2019 originations. And our corporate level financings have long durations with no maturities until 2022.

On the other hand, there have been some notable changes during the year. We issued two CLOs, generating $2.1 billion of proceeds, increasing our total non-recourse, non-mark to market securitizations and syndications to nearly 50% of our USD asset level financings, and reducing our debt-to-equity ratio to 2.5 times from 3.0 times in 2019.

Looking at our earnings in context, this year we generated similar returns to our stockholders, while even further insulating the right hand side of our balance sheet. Similarly, we increased liquidity to $1.1 billion, a level we have maintained since 2Q, and a 52% increase from where we started the year.

As we have mentioned in the past, this capital allows us to be nimble as the initial COVID shock subsides, so we can originate new loans as the CRE lending markets reopen, or defend our existing portfolio, should the need arise.

We had our most active asset management year by far, with 18 loan modifications closed in 4Q, and 49 year to date, representing an aggregate principal balance of $6.5 billion as of December 31st. The vast majority of these modifications reflect true commercial arrangements involving new financial commitments from our sponsors, with virtually no interest deferrals or forgiveness.

Lastly, during 2020, we adopted the CECL accounting standard, with an aggregate provision of $185 million, or $1.26 per share, as of 12/31, to reflect the heightened risk of the current macroeconomic environment on our portfolio. Following the initial reserves we recorded in 1Q and 2Q as COVID unfolded, we reduced our provision modestly the second half of 2020, as markets began to normalize, and our portfolio showed continued stable credit performance over time.

Overall, we are proud of our results of the fourth quarter and full year of 2020, and look forward to a resumption of our ordinary course of business and continued opportunity to generate value for our stockholders in 2021. Thank you for your support, and with that, I will ask the operator to open the call to questions.

Weston Tucker: And Leslie, before you open it up for questions, if I could just remind everyone to limit your first question to one question and one follow-on, and then re-enter the queue if you have further questions, that'd be great. Thank you.

Coordinator: Okay, thank you, and thank you, everyone. Your question and answer session will now begin. If you wish to ask a question, it's just star then one on your telephone. If you want to withdraw your question, it's star, two. And just to remind you, if you wish to ask a question, it's star then one on your telephone.

And we do have some questions. Your first question comes from the line of Charlie Arestia from JP Morgan. Please go ahead, Charlie. You're live in the call.

Charlie Arestia: Good morning, everybody. Thanks for taking the questions. I was wondering with the risk ratings that are disclosed in the 10-K, now there's over $3 billion of loans risk-rated four or higher, which assumes that there's a risk of a principal loss on those loans, can you just talk a bit about how we can think about quantifying that risk in the context of the $18 billion portfolio, and also, the specific loan reserves. What macroeconomic drivers might lead towards principal loss?

Katie Keenan: Sure. So starting with thinking about how we address the risk ratings, a four risk rating, which we moved a number of our hotels and other most affected assets into in the first quarter, as COVID was coming in, really reflects an interruption or a decline in the business plan, but not really a principal loss. But the five risk rating would be assets where we are thinking that that may be a possibility, or assets that are impaired.

So when you're thinking about the magnitude, I would look at the four as more as underperforming business plan, but not necessarily expecting a loss. And the other thing I would really note is we made a move of the portfolio to reflect the pandemic earlier in the year, and since then, we have not seen any material change to the negative in the credit performance of the portfolio. And conversely, really what we've seen is continued performance from our sponsors, over $500 million of equity coming in, sponsors writing checks every month to carry the assets, and increasing tailwinds as far as fundamentals.

Now for hotels in particular, as we look at coming out of the pandemic, increasing adoption of the vaccine, pent up consumer demand, we're seeing the possibility of a recovery on the horizon, and we think that will ultimately benefit the hotels, which comprise most of the four-rated assets.

And in the meantime, the sponsors are taking a similar approach that we are, which is knowing that this is an interrupted period, but they believe in the long term value of the assets. And so that's the way we conceptualize the four and five rated assets. And on the fives, we think that the

impairments we took are adequate. There's been no material change on those assets. And we're really focused on the ongoing stable performance of the portfolio, and really the new loans we're making, which are very high quality from a credit perspective.

Charlie Arestia: Okay. Thanks, Katie. I appreciate that. And a quick follow-up on the hotel portfolio, since you mentioned it. Are you guys seeing any distinctions in collateral performance between leisure focused and sort of corporate travel focused hotels? And I guess broadly speaking, how are you guys thinking about that as an asset class in 2021?

Katie Keenan: In terms of performance to date, we really aren't seeing a distinction. The assets we lent on originally were high quality assets, are high quality assets, strong markets, very strong sponsors, and business plans that we think made sense for the assets. We never did a lot of group convention focused assets. Our collateral is more focused on the leisure market and on select service.

As far as we think about the recovery, I think you're right that we expect the recovery to take hold earlier for more leisure focused assets, and that's great for us. We have a lot of hotels in Hawaii, where we think travel will bounce back. And I think the sponsors are feeling that way as well.

Charlie Arestia: Thanks very much.

Coordinator: Okay. Thank you. Your next question comes from the line of Stephen Laws from Raymond James. Please go ahead, Stephen. You're live in the call.

Stephen Laws: Hi. Good morning. Appreciate the color so far. First question, can you talk about as you're looking at the new originations in the pipeline and underwriting those, can you talk about what differences you may have underwriting loans today versus pre-COVID? And maybe it would be helpful to compare to say like loan three, which was originated a few months before COVID hit, if that loan was underwritten today, how much would the V or LTV at origination have changed today versus when that loan was originated in Q4 of '19?

Katie Keenan: I think I'll start with what stays the same, which is every loan we originate, we are pulling information from across the Blackstone platform, and really getting the latest information, real time data, on what we're seeing, both in our lending portfolio and in our ownership portfolio across the platform. And that gives us I think a real advantage in terms of assessing credit.

So if we look at assets today, we're pulling in all of that information. We're looking at where we see the recovery taking hold, where we see the most activity, and as I mentioned, we're looking at a lot of multi-family and life sciences deals. Our pipeline is very strong in those sectors. Looking at both growth markets and more core markets, where we see very high-quality real estate at attractive bases. So I think that's how we're looking at the new pipeline.

The loan you referenced is the headquarters of Peloton, so we're feeling great about the credit of that asset, and it's also in Hudson Yards, where we're seeing the most activity in terms of tenant activity and new leases through COVID. So we feel very good about the credit there.

Stephen Laws: Okay. And as a follow-up on the financing side, how much cost is it to as you move more of your financing from warehouse to non-mark to market? You're giving up 20 basis points, is it 50? Can you somewhat quantify that for us, and maybe what a target mix is on the non-mark to market front?

Douglas Armer: Hey, Stephen. It's Doug. That's a great question. I think we've had very good fortune in terms of our market timing, and the shift to a greater proportion of CLO financing in particular hasn't represented a material increase in cost. And that's partly been a function of the fact that the tenor of the loans has increased, and that we've been able to really issue in very large scale. The fixed cost in securitization, when you spread those across a longer tenor and a bigger notional are actually much more efficient than some of the more variable costs in the credit facility execution.

I think in terms of target allocations, where we are now feels like a pretty good place to be. The strategies really work in concert, between syndications, bilateral credit facilities, and securitization. But I think there is a lot of room to grow the proportion of securitization in the European portfolio overall. So I think in terms of a target, we might expect to see that 50% number that Tony referenced across the entire portfolio, as opposed to specifically in the US portfolio.

Stephen Laws: Great. Thanks for taking my questions today.

Coordinator: Thank you. Your next question comes from Doug Harter from Credit Suisse. You're live in the call, Doug. Please go ahead.

Josh Bolton: Good morning, everyone. This is Josh on for Doug. Thanks for taking the question. As we see transaction volumes picking up, can you give us a sense of where you're seeing loan spreads on new loans today, and how those compare to the current portfolio? Thanks.

Katie Keenan: Sure. On the long spreads today, we're really seeing loan spreads roughly consistent with where we were pre-pandemic, and similarly on the financing side. Those two really move in step. And so, we're seeing very consistent net spreads on our new originations relative to where we were originating this time last year.

Josh Bolton: Thanks. And then just one on the LIBOR floors. Can you give us any sense of where floors are being set on new originations? Just trying to help us get a sense of the difference between the floors on those new loans and on loans paying off. Thanks.

Katie Keenan: Yes. LIBOR floors typically and in the current market as well are really set close to where LIBOR is currently at closing, and so that's what we're seeing on our new originations.

Douglas Armer: And Josh, hey it's Doug. I thought I might just add to that that we like LIBOR floors that are right at the money as much as like LIBOR floors that are right in the money, because our balance sheet overall is asset sensitive. And since we're running a floating rate book, we like our debt floating rate as well, in terms of matching assets and liabilities. So that's a good place for us to be in terms of asset liability management.

And as Tony and Katie both mentioned, the ROIs that we're generating in this new origination environment are consistent with the ROIs that we have in the portfolio and that we've generated historically.

Josh Bolton: Great. Thanks, Doug. Appreciate it.

Coordinator: Thank you. Your next question comes from Jade Rahmani from KBW. You're live in the call, Jade. Please go ahead.

Jade Rahmani: Thank you very much, and good to speak with you all. I was wondering, on the 100% interest collections, I know that's contractual interest collections, and obviously, there's been 49 loan modifications totaling $6.5 billion, which is about 40% of the portfolio. So therefore indicating that the nature of the contract has changed. How do you think that interest collections compare with what may have taken place on the portfolio prior to either any modifications or the onset of the pandemic, just so investors have a sense of that?

Katie Keenan: Thanks, Jade. That's a great question, and we included some specific disclosure on that in the release. In our modifications, we've had less than one percent interest deferral, so virtually no deferral. The modifications really have been characterized by sponsors putting in additional equity and us giving them a little bit more time in terms of the execution of the business plan. So that's the vast majority of what we're doing. The interest deferral has been almost nonexistent. Our sponsors have been wanting to continue to support their assets and show their long term commitment to the business plans.

Jade Rahmani: And so when you say interest deferral, to put a finer point on it, would that encompass a reduction in interest rate, or would you say that the 100% interest collections would include loans that have undertaken a reduction in interest rate?

Katie Keenan: We really have not seen that. I really can't think of any examples of that. That's not the way the conversations have gone with the sponsors.

Steve Plavin: So Jade, this is Steve. We haven't had any significant reductions of rates on any of our loans. We're really collecting the same amount of interest currently now that we were before the onset of COVID.

Douglas Armer: And Jade, just to put a finer point on that, you can see that in our financials. So if you look at our top line, you'll see in particular with regard to the LIBOR floors and the performance of the loans in general, you'll see that we've had consistent interest collections in absolute dollars.

Jade Rahmani: Thanks. I'll get back in the queue.

Coordinator: Thank you. Your next question comes from Steve DeLaney from JMP Securities. You're live in the call, Steve. Please go ahead.

Steve DeLaney: Good morning, everyone. Hope you are all well. Katie, you mentioned the five loans and the new originations in 4Q, and the roll forward looks like about $500 million funded. Can you let us know what was the total commitment amount on those five loans, if you have that handy?

Katie Keenan: The total commitment amount on the loans that we closed in the fourth quarter was about $229 million, and that included a couple of upsizes, and then to your point, as we've had consistently, we have future fundings in our loan portfolio as well, which creates a really great sort of tail wind for the stability of the portfolio. And we've had future fundings at a reasonably predictable pace, adding to our new originations and creating more income for the portfolio.

Steve DeLaney: Interesting. Okay. So yeah, the $229 was related to the five, and the $500 million I saw included future fundings on prior originations. So looking at the $229 million, five loans, that's about a $50 million average. I think your portfolio is closer to $150. Does that just have to do with the fact that you had more multi-family? And was it a specific focus to maybe spread risk around, or to make smaller loans, or is that just coincidental?

Katie Keenan: That's a great question. I would say it's pretty idiosyncratic. We have smaller loans in the portfolio. We obviously have larger loans in the portfolio. We're always very, very focused on strength of sponsorship, and large sponsors tend to do large loans.

In this case, a number of the loans we did were with a very strong, high-quality, well-capitalized private equity sponsor that just happened to have a lot of multi-family, which is a little bit more granular. So it's very consistent with the quality of the assets and the quality of the sponsor we look for.

On the pipeline, looking forward, we are seeing very large loans consistent with our historical levels. So we don't anticipate any change to the strategy. This is really just a little bit of an idiosyncratic situation of what closed in the fourth quarter versus what we expect to close in the first quarter.

Steve DeLaney: Thanks very much.

Coordinator: Thank you. Your next question comes from Matthew Hollis from Wolfe. You're live in the call, Matthew. Please go ahead.

Matthew Hollis: Thanks for taking my question. In the office sector, as your largest concentration, maybe you could just take a minute to comment on your thoughts on the office market generally, particularly in the major cities, what the world might look like post-COVID.

And then maybe hitting on your exposure, what lease-up rates look like. You mentioned Peloton, but generally, what do lease-up rates look like on the portfolio? Thanks.

Katie Keenan: Sure. So as far as office, we believe that as the vaccine becomes more widely distributed, and the perception of safety improves, people will return to offices, and employers will look for a resumption of the creativity and collaboration and talent development that really is best done in the office. Work from home will have some impact on the margin, but we've always been most focused on offices that cater to tenants that are growing, strong markets, talent centers, knowledge-based businesses, life sciences, content creation. Those activities really cannot be done at home. They're best done in the office. And we think that'll make our portfolio resilient.

I think today, modern office amenities, more flexible space is also more important than ever, and that also is something that we've always been focused on in making our loans. As far as our portfolio, I mentioned Peloton – our largest office exposure is the future headquarters of Pfizer, and we have a lot of loans on the west side of LA, where the content creation dynamic is very strong. In Hudson Yards, Midtown Atlanta, Nashville, other locations where we're continuing to see tenant take-up and new leases signed even through COVID. So we feel very good about how we positioned the portfolio, which was really on the back of what we saw as the overall macro trends toward more knowledge-centered industries being the growing office users in the future.

Matthew Hollis: Great. Thank you.

Coordinator: Thank you. And your final question comes from Jade Rahmani from KBW. You're live in the call, Jade. Please go ahead.

Jade Rahmani: Great. I know we've never compared the BXMT portfolio to CMBS, but CMBS is the market that does provide the most granular and transparent information. Looking at the January statistics, December continued to show modest improvement in delinquency trends, but grace period loans have up-ticked, and I'm wondering if you're seeing that as any potential warning sign of a future increase in credit impacts that may transpire over the next couple of months.

Katie Keenan: I think there's a real distinction between the types of assets and loans that are in the CMBS market and the loans that we are making with our borrowers, the types of assets that we're looking for. I think the divergence that we see is really in the quality of sponsors, the size of the assets, the business plan for the assets, the leverage that we pursue on our loans, which is low to mid-sixties. And I think that really has been reflected in the performance.

If you look at the performance of the CMBS market through the last year versus the performance of our portfolio, there is a very significant distinction in what we've seen there, and I would expect that distinction to continue.

Jade Rahmani: Okay. Understood, and appreciate that. Definitely have noticed the difference in the loan size that BXMT carries, much greater loan sizes, suggesting more sponsorship behind

these loans, more equity, as well as the shorter nature of the business plan, so there's more CapEx in place, and also noting the focus on new originated assets, which you talked about.

This last question, is the $0.60 of distributable earnings this quarter, with a 2.5% decline in interest income, but with the pipeline in place that you mentioned, do you expect earnings to ramp up back to maybe the average over the past few quarters, and thereby cover the current dividend? Is there any comment you can provide as to that?

Douglas Armer: Yeah. Hey, Jade. It's Doug. I think we weathered 2020 very well, and I think that was a great validation of our business model, and to your question, our earnings power. We currently have a very good array of accretive capital markets options available to us, and I think that we're very well-positioned to grow the portfolio in terms of the pipeline that Katie referenced and those capital markets options available to us. And in turn, we would expect earnings to grow with the portfolio growth.

Jade Rahmani: Thanks very much.

Douglas Armer: Thanks, Jade.

Coordinator: Thank you very much. That was your last question, and now I'd like to turn the call back to Weston Tucker for final remarks.

Weston Tucker: Great. Thanks, everyone, for joining us this morning, and if you have any follow-ups, please let me know after the call. Take care.

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