BLACKSTONE MORTGAGE TRUST Second Quarter 2021 Investor Call
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Moderator: Hi. Good day and welcome to the Blackstone Mortgage Trust second quarter 2021 investor call. My name is Debra and I'm your event manager. At this time all lines are in listen only mode. If you do need any assistance at any time, you can key star zero and a coordinator will be happy to assist you. If you wish to queue for a question, please simply key star one. I will advise you when you can ask any questions. I would like to advise all parties the call is being recorded. And now I'd like to hand on to Weston Tucker, Head of Shareholder Relations. Weston, thank you. Go ahead.

Weston Tucker: Great. Thanks Debra and good morning everyone and welcome to Blackstone Mortgage Trust second quarter conference call. I'm joined today by Mike Nash, Executive Chairman, Katie Keenan, Chief Executive Officer, Jonathan Pollack, Global Head of Blackstone Real Estate Debt Strategies, Tony Marone, Chief Financial Officer and Doug Armer, Executive Vice President, Capital Markets. This morning we filed our 10Q 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 discussion of some of the risks that could affect results, please see the risk factor section of our 10K. We do not undertake any duty to update these forward-looking statements. We will also refer to certain non-GAAP measures on this call and for reconciliations you should refer to the press release and our 10Q.

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So, a quick recap of our results. We reported GAAP net income per share of $0.89 for the second quarter while distributable earnings were $0.61 per share. A few weeks ago, we paid a dividend of $0.62 per share with respect to the second quarter. If you have any questions following today's call, please let me know. And with that I'll now turn things over to Katie.

Katie Keenan: Thanks Weston. I'd like to start the call today by thanking Steve Plavin for his exceptional leadership of BXMT. Steve ran the company as CEO from its re-IPO in 2013 driving eight years of outstanding performance, growth and returns for investors – 11.1% annualized over his tenure. The premier position BXMT has maintained through its history is a testament to his vision and expertise. And we are thrilled that he will be taking his talents over to London to manage our best-in-class European real estate debt business through its next phase of expansion. I'd also like to express my gratitude to Steve on a personal basis for his collaboration with me over the years as well as his partnership in ensuring a seamless transition to the next phase of leadership for BXMT. Thank you again, Steve.

Turning to our second quarter results, as the economic reopening continues to take hold, BXMT hit its stride with strong activity across all aspects of the business. We had one of our most

productive new origination quarters ever with $2.2 billion of loans across 21 transactions, driving both portfolio and earnings growth in the period. We ended June at a record portfolio size of $19.2 billion, reflecting positive net investment of nearly $1 billion so far this year and our fourth consecutive quarter of portfolio growth. We continue to enjoy superior access to attractive sources of financing across asset level and corporate debt markets, sustaining our low cost of capital. And the recovery of economic activity drove ongoing business plan progress on our collateral assets, supporting continued credit performance and a partial release of our CECL reserve.

Our business is generating a 9% yield from a portfolio of performing low leverage first mortgage loans. And we have generated this yield consistently in the seven years prior to the pandemic, during COVID and now into the next phase of growth. Our yield is stable but the relative value we offer has become even more compelling over time as rates, spreads and returns for comparable products have compressed across the market. And our credit strategy has shown its mettle, carrying through the COVID cycle with near perfect performance. The company today is exceptionally well positioned with strong tailwinds for continued growth.

Our investment activity this quarter and indeed the first half of the year is a result of our unique vantage point in the commercial real estate space. The scale of the Blackstone Real Estate debt and equity businesses with over $200 billion of investor capital under management means we are transacting in the market every day. Across our platforms Blackstone invested nearly $5 billion of equity in the second quarter alone. The breadth of the Blackstone real estate portfolio, over 1 billion square feet of assets allows us access to extensive performance data on a real time basis. We therefore have the benefit of tremendous information to develop insights and identify trends before others can, allowing us to invest with confidence in an evolving market environment.

These dynamics drove attractive lending activity across sectors and markets this quarter. As a significant player in the multifamily space, we observed the strengths in asset performance through COVID and more recently a steep acceleration in top line growth with leasing spreads in June across the top 40 markets hitting an impressive 9.7%. We responded by acting with conviction on multifamily lending opportunities, leading to eight new loans in the space including our largest loan this quarter, a $264 million financing on a portfolio of Sunbelt Garden apartments. And like many of our best loans this transaction emanated from a deep relationship between Blackstone and our borrower, putting us in pole-position to structure an attractive financing package for a high-quality portfolio.

In the office sector, transaction flow is rebounding with the reemergence of leasing activity in many markets creating an inflection point for fundamentals. In major cities new tenant requirements reached 81% of 2019 levels. And new leasing reached 35 million square feet in the second quarter. Still below pre-COVID but the highest level since the onset of the pandemic. Our focus remains on well positioned, high quality buildings with excellent sponsorship and in many cases strong in place cash flow. Most of our office loans this quarter were for new acquisitions with sponsors including Related, LaSalle, PIMCO and Angelo Gordon investing very substantial new cash equity alongside our debt.

We saw the opportunity to lend on strong cash flowing assets and growth markets with office loans in Atlanta, Nashville and Austin all at seven to 8% in-place debt yield with upside from there. And we continue to leverage our deep experience in the Boston Life Sciences market where Blackstone owns over six million square feet to create outstanding lab office lending opportunities, closing our second large deal of the year in that sector.

Overall, we are seeing a meaningful increase in compelling lending opportunities for our business. Rents and leasing are ticking up in our target markets. Leisure travel spending is outpacing pre-COVID levels. The lingering impact of last year's volatility combined with cost inflation should keep a lid on new supply. Low rates and the global search for yield create a favorable dynamic for cap rates. And while we're mindful of the residual effects of COVID and the Delta variant we think the potential impacts will be felt in the slope of the recovery, not it's end point.

Today we have over $3.5 billion of new loans closed or in closing post-quarter end. In addition to the sectors which drove our first half activity, we are seeing increasing lending opportunities in Europe as those markets normalize and we are identifying attractive relative value in the hotel sector, well priced loans at cyclically low leverage points. The positive fundamentals driving our new lending activities are also manifest in the performance of our existing collateral. We saw over one million square feet of leasing in our office and industrial assets, 12 points of occupancy pick up in our multifamily properties and RevPAR above 2019 levels at many of our resort hotels. We upgraded 15 loans reflecting their improving performance and saw a partial reduction of our CECL reserve in the quarter, driving an increase in book value. And we continue to see repayments in the portfolio, a healthy part of our business as collateral assets progress in their business plan to stabilization.

The growth in new business activity this quarter gave us the opportunity to develop creative, efficient financing options on the right side of our balance sheet as well. Our ability to capitalize on the competitive market environment drove pricing to attractive levels on both our credit facility executions and our CLO. And we completed an upsize and repricing of a tranche of our term loan driving significant interest savings going forward. While spreads remain competitive in our target zone of high-quality credits, the scale and sophistication of our borrowing activities allow us to consistently maintain stable ROIs as we build our origination pipeline.

Looking forward, the positive outlook for our business continues. We have a strong pipeline of opportunities to execute our strategy of low leverage, floating rate lending to top quality sponsors on institutional assets. Continued portfolio growth should enhance the earnings power of our business. Our portfolio credit quality is strong and the assets most affected by COVID are regaining their footing as the economy strengthens. While an earlier than expected rate move could create a short-term headwind, over time our business benefits from higher rates as more of our portfolio comprises newer floating rate originations. And we maintain our focus on generating stable, durable current income for our shareholders which we have successfully delivered through the pandemic and its aftermath as well as for the many years before. And with that I'll now hand the call to Tony.

Tony Marone: Thank you Katie. And good morning everyone. As Katie noted, BXMT posted very strong performance this quarter, Our GAAP net income increased $0.35 to $0.89 per share and our book value similarly increased 33 cents to $26.68 per share. In both cases driven by a $0.34 reduction in our CECL loan loss reserve during the quarter. Distributable earnings which is not impacted by unrealized items such as CECL increased to $0.61 per share up from 1Q as we continue to deploy our balance sheet capital into new loan originations during the quarter. Similar to our commentary last quarter, our 2Q results did not include meaningful prepayment income as our repayments remain concentrated into more seasoned loans. We do however expect this income to return to more typical levels over time as newer vintage loans become a larger portion of the portfolio and repayments continue to occur.

To provide more color on the change in our CECL reserve we ended the quarter with a reserve of $133 million or $0.90 per share which is down $51 million from 1Q. As we continued to see improvements in the performance of our collateral assets along with positive trends in the broader economy and real estate markets. We believe our current level of reserves is appropriate at this time and reflects a return to more typical market fundamentals. However, we will continue to reassess and make any necessary adjustments to our reserve as conditions evolve over time.

We also upgraded several of our loan and risk ratings in the second quarter, a further reflection of the strong market and economic backdrop. Our weighted average portfolio risk rating improved to 2.9 from 3.0 and we notably took five loans off our four rated watch list, a 21 percent reduction versus 1Q. These upgrades reflect improved performance of these assets to pre-COVID levels as well as the full par repayment of a previously four rated New York City rent control multifamily loan. We continue to receive 100% interest collections in our portfolio with only 2% of our loans on nonaccrual status, the same as the last several quarters.

And as a final comment on credit performance, we collected $2 billion of repayments this quarter including 15 loans that repaid in full which is aligned with the pre-COVID levels as borrowers have resumed more regular way transaction activity. Notwithstanding these repayments we experienced net portfolio growth in 2Q, our second most active quarter in terms of deal count and our fifth largest originations total excluding the 2015 GE portfolio acquisition. Our $2.2 billion of originations drove our total portfolio to a record $19.2 billion. These new loans have a weighted average LTV of 65%, consistent with the existing portfolio and are secured by high quality properties in target markets with large scale institutional borrowers.

Alongside our active originations this quarter, we have several notable transactions on the right-hand side of the balance sheet. In April, we closed our $1 billion FL4 CLO with a total cash cost of only LIBOR plus 1.27 percent, a portion of which refinanced the $435 million of securities outstanding in our 2017 CLO. This transaction further cemented BXMT as an active issuer in the CLO market which provides inherently term matched, nonrecourse, non-mark to market financing for our assets at pricing comparable to our credit facilities. In June, we upsized our term loan B2 tranche by $100 million and reduced pricing on the entire $423 million tranche by 250 basis points increasing our total corporate level financing to $2 billion or 13% of our total financing outstanding.

Lastly, we closed a new $1.8 billion credit facility during the quarter with $2.5 billion of the financing across our secured credit facilities, 60% of which will price at spreads of 1.50% or less. These low rates are further validation of the high credit quality of our portfolio and BXMT's position as a premier borrower across various debt capital markets. We close the quarter with a low debt to equity ratio of only 2.7x, roughly in line with 1Q and liquidity of $1.4 billion, up $266 million despite the growth in our portfolio as we refinanced several of our assets previously this quarter.

Our earnings growth this quarter was driven by the incremental deployment of balance sheet capital and we look forward to continuing the growth as we close the $3.5 billion of loans in the pipeline that Katie mentioned. In closing, we believe our business is exceptionally well positioned to continue to generate attractive returns for our stockholders with current pay 9.1% yield on book equity and significant downside protection for our low leverage senior mortgage loans and diversified stable balance sheet. Thank you for your support. And with that I'll ask the operator to open for all questions.

Moderator: Thank you. So, everyone to ask your question, please key star one on our phone. Could you please try to limit your questions to one question and one follow-up. Then if required requeue. So that's star one on your phone. Thanks everyone. And the first question we do have from Jade Rahmani from KBW. Thank you Jade. Please go ahead.

Jade Rahmani: Thank you very much and appreciate the thorough comments. I'm curious what you all think about current inflation rates in construction materials costs and what impact if any you think that this inflation will have on loans originated with a construction element, more the heavy transition. In particular those originated pre-COVID.

Katie Keenan: Sure. Thanks Jade. I think the main impact of inflation on construction costs we're seeing is going to be lower new supply going forward as well as the benefit of the value of our existing assets as replacement cost increases. When we go into a more transitional asset, especially a construction loan, we have a guaranteed max price contract when we close. And we also have completion guarantees from our sponsors. From a lending perspective we're really protected from the potential increase in construction costs. But I think the broader point is really the enhancement of value of our existing portfolio as replacement cost increases and supplies probably is lower.

Jade Rahmani: So, in terms of completion probability of completion, probability of lease up executing the business plan, you don't believe that construction costs will have a material impact?

Katie Keenan: No. These projects were priced and put under guaranteed max price contracts years ago. What's going on today really isn't going to have a material impact on that.

Jade Rahmani: Thank you very much. Secondly on repayments do you anticipate a similar level as what was experienced during the second quarter or is there potentially an increase in repayments which is what some of the other lending companies that have reported have shown?

Katie Keenan: I don't think we anticipate an increase. Our portfolio obviously is larger and while we have large loans just the overall scale of the portfolio means the repayment of any one loan is less lumpy than maybe if we didn't have such a larger portfolio. So, I think the pace is going to be what we've seen historically pre-COVID on a pretty smooth level.

Jade Rahmani: Thanks for taking the questions.

Moderator: Thank you so much. Thank you. The next one now is Rick Shane, JP Morgan. Thank you, Rick.

Rick Shane: Good morning everybody and thank you. And Steve, I'm assuming you're listening in. Thank you for all of your time commitment over the years. We've really appreciated it. When we think about interest rates right now and sort of the headwinds that you guys face in terms of rolling off of floors can you give us an idea of how you're managing this. Obviously low base rates for a longer period of time creates challenges. But there's also the opportunity to perhaps pick something off and spread it. I'm curious how sensitive your borrowers are of this environment.

Katie Keenan: I think that from the borrower perspective what we've seen is very consistent ROIs over time in different rate environments. So, I think that obviously depending on where base rates are and spreads are, there's a little bit of back and forth there. But it doesn't change the overall returns so much from a borrower perspective or from our perspective.

Doug Armer: Hey, Rick. It's Doug. I thought I'd jump in for a minute. I mean I think you're touching on a very important point about our business model and that is how organically hedged the model is. You know the story in 2020 elevated liquidity and a slowdown in portfolio velocity created some earnings headwinds and the floors kicked in. And that correlated to lower rates. The floors kicked in and largely offset the earnings impact there. Now portfolio growth and velocity are returning, unlocking the earnings power from the capital raising that we did in 2020. Last year the average floor was 1.43%. Now it's 1.12%. Only a minority of the floors at this point are above 25 basis points. I think it's just over 40%.

So, the increasing earnings power that we're seeing in the portfolio now is correlating naturally to a return of the asset sensitive position inherent in our floating rate business model. And that upside relative to rates is something that it's really one of the favorite things about our floating rate business model for us. And I think we're seeing that play out over time in 2021 more or less exactly as designed in putting together that business model back in 2013.

Rick Shane: Got it. And so, the point being that there's a tradeoff as those floors roll off and you're putting in place new lower floors. You're picking up that asset sensitivity that would have been lost if we looked at this six months ago.

Doug Armer: I think to your point and as Katie said what we see is a lot of stability in yields in our business. And that's a function of this organic hedging that's inherent in our business model. And the other thing that's inherent in our business model that we like a lot is that asset sensitivity

and the upside relative to rates and potential for increase in LIBOR in particular over time. And we feel very good about the way that we're positioned in that regard.

Rick Shane: Ok. Great. Thank you, guys, very much.

Moderator: Thank you. And then next one now is Timothy Hayes BTIG. Thank you, Timothy.

Timothy Hayes: Hey. Good morning guys and congrats Katie on your first official quarter at head of the ship here. First question on just the cap structure. Obviously, you've done a lot there. You did the CRE CLO. You upsized and refinanced that Term Loan B tranche. What else interests you or do you kind of target right now in the capital markets world? I know you have converts coming due in May of next year, so you have a little bit of time before I assume you plan to address that. But I'm just curious how you feel especially given what seems like to be a very strong pipeline and doing another CRE CLO or maybe doing some unsecured debt or anything else you're entertaining.

Douglas Armer: Hey Tim. It's Doug. I'll take that one. I mean I think the short answer is, all of it. To your point our stock is trading well. Our corporate debt is trading very well, executing very well. We're executing very well in terms of asset level leverage across the whole array of executions available to us. I think what's most important to us is that we have the broadest array of options available to us so that we can maximize the efficiency of our cost of capital and also minimize the risk on the right-hand side of our balance sheet.

And we've done a great job of that in 2020. The markets are favorable I think for us to continue optimizing that going forward. I think with regard to what's new I think high yield stands out as an opportunity for us. That space has been active or issuers in our space have been active in high yield. We have the rating. I think we have a good following from our term loan. And so that's something that could certainly be an alternative for us in the future.

Timothy Hayes: Yeah. That's helpful Doug. And you guys have obviously been very successful on that front to echo that. And then just on warehouse lines. I know that costs had been coming down a bit on repo. And I'm just curious if you're seeing that trend continue and how much room you think there is for spread to come in on those financing lines before the banks say it's not really worth it to go any lower.

Doug Armer: Costs have come in. I mean it is a very competitive environment as Katie alluded to. I think there are two aspects to that. There's the relative spread so the net interest margin. We've been able to keep that in a historical range between 150 and 200. That's edged up a little closer to 200 in 2021 just in terms of incremental borrowing. And then there's also just the overall mix, the weighted average. That continues to fluctuate. And I think in this lower LIBOR environment there probably is something of a floor. I don't think we're at it at this point. But I do think we would approach a limit at some point. In a different LIBOR environment, I think there's a lot more room for continued efficiency in terms of the spreads on those bank executions.

It also ties to the other business that we're doing with the banks in terms of the CLO business, in terms of the corporate capital markets business that we're doing. And all of those working in

concert together both increasing the competitive dynamic and also increasing the touchpoints between us and the market and the banks helps us drive that cost down significantly. We've seen some of the benefit of that in 2021 and we expect that to increase as we increase the scale and diversification of our fund structure.

Timothy Hayes: Yeah. That makes sense. I'll leave it there. Thanks again for taking my question.

Moderator: Thank you Tim. Thank you. We now have Doug Harter from Credit Suisse. Thank you, Doug.

Doug Harter: Thanks. Your liquidity position continues to remain strong. Can you talk about now that the environment has continued to normalize what you think the right level of liquidity is and therefore how much more growth the balance sheets can support at current equity levels?

Doug Armer: Hey Doug. I think I would answer that more in terms of your latter point. What we think about in terms of our current capital structure can support significant portfolio growth. I think in terms of our convenance, that's a high single-digit billion-dollar number. I think in terms of what we would target relative to the way we're currently capitalized, that's some multiple number, some multiple number of billions of dollars of growth. That said, the capital markets alternatives available to us are accretive. Scale is a big advantage for us both technically on the capital market side and also in terms of our portfolio construction. And success breeds success. Growth breeds growth and quality breeds quality. So, we're not targeting a specific level of liquidity. I think what we're targeting is the maximum amount of high-quality growth in our portfolio. And we have a lot of latitude to do that in our current capital structure and also in terms of alternatives for growing that capital structure.

Katie Keenan: Yeah. I would just add we're really driven by ensuring that we're in a position to access the most high-quality lending opportunities that we can. And we're in a really favorable position today where we can really capture as many of those high-quality loans as we see because we have strong liquidity to support our growth.

Doug Harter: Just to follow up on that. I guess obviously you already, relative to a lot of participants already have scale. I guess how you weigh the size of the market opportunity today versus the comfort in being able to deploy that runoff two, three, four years from now when – obviously no one's crystal ball knows what the environment will look like a couple years out.

Katie Keenan: Sure. I think we've grown the portfolio every year and very consistent track record. I think we have a lot of runway to continue the momentum. I think the thing to focus on is that our business in a lot of ways is fundamentally unique. We're backed by a scale of a platform in terms of market access, relationships, ability to transact in different geographies that really is just on a different playing field from what we had before and really just continues to grow and create a virtuous cycle.

We've seen that even this quarter. The more loans we do, the more familiarity we get with different markets, the deeper the borrower relationships and the more borrower relationships we

have, that translates in a very sort of multiplying effect way into more lending opportunities. In just this quarter, we developed a new borrower relationship with one of our very strong sponsors on the multifamily side and did three or four follow-on transactions. So, it really just creates a very positive, reinforcing cycle of having more scale and more touchpoints in the market that create more lending opportunities.

Doug Harter: Great. Thank you, Katie.

Moderator: Thanks very much. So, Stephen Laws from Raymond James. Thank you, Stephen.

Stephen Laws: Hi. Good morning. First, I want to ask for a little color, more color on CECL. It looks like the European reserve declined a little bit more in the mix but not that out of weighting. I don't see in the Q a breakdown by property type. But can you talk about the main assumptions that drove the decrease in CECL reserve. And if you could remind us too, I think maybe Blackstone doesn't use the same WARM model that others. Talk about the model that you guys use for the CECL reserve. Trying to get some idea of potential GAAP book value volatility if there's more exposure here.

Tony Marone: Sure Steve. This is Tony. Happy to talk CECL. So first to hit one of your last points we do use the WARM model which I do believe some others in the space use. A lot of others in the space use more of a I'll say computerized systemic approach. So, the WARM model is actually less prevalent. But there are others who use it in addition to us. It's a very judgmental standard, CECL overall. And when you look at what drives the change – and I wouldn't speak of it in terms of a specific asset class or geography per se. I think what you're seeing is two things.

One very specifically changes in our risk ratings. So, as we're upgrading the risk ratings and moving 4s to 3s and 3s to 2s that naturally helps because CECL is designed to capture the current risk in your portfolio. CECL is also designed to capture the future risk in your portfolio. So, as we see the broader markets improve and we see the general performance of the properties underlying our loans improve and we're making new high-quality loans that we think are very similar to loans in our portfolio we're feeling better and better about that macro point.

And noting that we have a decent decrease in the reserve this quarter, last quarter we didn't really change our reserve much at all notwithstanding the improvements in the markets. If you look at some of the larger banks, they released a good chunk of their reserve last quarter and a good chunk of their reserve this quarter. I think last quarter we were in a little bit more of a wait and see. We see the market conditions improving but we wanted to have a little more time for that to season and get comfortable that that was really taking hold. This quarter when we went through our reserve process, we felt like this is really the time to reflect that in our portfolio as we continue to see that strong performance.

So, there's not a particular metric that I would point you to that is laid out in the tables in the Q but it's really that feeling about the overall quality of our loan portfolio and the improvements that we're seeing in the market. To your question on volatility CECL will move around. It's designed to move around. We think it will mostly move around on the margins. This quarter was us reflecting the resumption of more regular way market activities so I wouldn't expect to see a

30 some odd cent moving up and down quarter over quarter. I think the magnitude is going to be much smaller and then you'll have – there may be in the future another reassessment where we think the market is really legged up again or hopefully not if you ever have another COVID situation, right, where you have to increase your reserve as we did last year. But I would imagine it will be pretty stable in movement on the margins otherwise.

Stephen Laws: Very helpful color. Thank you. And one follow-up. I think a quick one, but I think on page 25 of the 10Q it talks about two multifamily loans at $340 million going on nonaccrual on July 1st. How much interest income did those two loans contribute in Q2?

Tony Marone: The nonaccrual loans did not contribute any interest in Q2.

Stephen Laws: That's great. That's what I needed. Thanks very much.

Moderator: Ok. Thank you. So, our final question comes from Steven DeLaney, JMP Securities. Thank you, Steven. Go ahead.

Steven DeLaney: Yeah. Thank you. Good morning everyone and congrats on a great quarter to kick off Katie's tenure. Tony, you mentioned that the prepayments did have a meaningful impact in terms of acceleration of fee income. Is it possible you could give us a little, quantify that for us in terms of cents per share?

Tony Marone: Sure. Maybe I mumbled through it in my script. But it did not have a meaningful impact. If that did not somehow make it in there, then I apologize.

Steven DeLaney: Oh no. My bad. I heard the word meaningful, and I jotted that down. I must have missed the not. So, my apologies there. Then I'll go straight to my follow up then. Hotels, 17% of the portfolio, about $3 billion. Katie, you talk about robust activity and would that apply to the hotel sector as well in terms of occupancy. And maybe more important in my mind just the level of sponsor commitment you are seeing behind your hotels. Any update color on your loan number 14. Thanks.

Katie Keenan: Sure. So, I think as far as the existing portfolio what we're seeing on the hotel is one, very significant recovery in a number of our hotel assets especially on the resort side. And I think that's reflected on the risk rating that we upgraded this quarter as well as what we're seeing more generally. For the assets that are a little bit further behind whether they're urban center assets or where the recovery is a little bit behind, we are seeing recovery in the performance of those assets. It's just as I said it's taking a bit longer. And where necessary we are continuing to see very strong sponsor commitments. A lot of our hotel assets have moved to covering carrying debt service this quarter which is great to see. But for the ones that are still lagging a bit and still earlier in the recovery we're seeing continued sponsor commitment.

I think on the new hotel investment side as I mentioned, especially in those areas of the hotel space that are seeing strong recovery we're seeing very attractive relative value opportunities to make new loans at low leverage points and assets that are clearly benefiting from the recovery of travel spending from the built-up consumer savings. And so, while I don't think that we're going

to – our bar remains very high for hotels and of course our underrating is very detailed and taking into account everything we're seeing. We feel good about the recovery in fundamentals in hotels generally and especially in those more resort focused assets.

Steven DeLaney: Got it. And are you seeing some improvement in New York City as well? Although maybe not as broad.

Katie Keenan: We are. I mean you can look at the overall market statistics. Market occupancy in New York City was 63% in June. That's certainly very far off where it was at trough levels. I think New York is going to take longer just given the dependence of New York on international travel which obviously is still impacted by COVID travel restrictions. But I think if you look at what we've seen in fundamentals and other markets as travel restrictions have loosened, over time I think we'll see a similar dynamic on international travel as the restrictions loosen which will happen at some point and as the overall sort of desire for travel to have those experiences, people building up savings and wanting to spend them on the ability to have a travel experience. That will come but it will take longer given the international travel aspect.

Steven DeLaney: Great. Thanks for the comments.

Moderator: Ok. Thank you. And now I'll hand back to Weston for final comments. Thank you, Weston.

Weston Tucker: Great. Thank you everyone for joining us today. And look forward to following up after the call.

Moderator: Thank you. That concludes your conference call for today. You may now disconnect. Thank you for joining and all take care.

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