BLACKSTONE MORTGAGE TRUST Third Quarter 2021 Investor Call
October 27, 2021 at 9:00AM ET

Moderator: Good day, everyone, and welcome to the Blackstone Mortgage Trust third quarter 2021 investor call, hosted by Weston Tucker, Head of Shareholder 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. If you wish to ask a question during the Q&A session, please press 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, and welcome to Blackstone Mortgage Trust's third quarter conference call. I'm joined today by Mike Nash, Executive Chairman, Katie Keenan, Chief Executive Officer, Jonathan Pollack, Global Head of 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 with a 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 factor section of our most recent 10K. We do not undertake any duty to update 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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For the third quarter, we reported GAAP net income per share of $0.56, while distributable earnings were $0.63 per share. A few weeks ago, we paid a dividend of $0.62 per share with respect to the third 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. In the first quarter of this year, we highlighted emerging portfolio growth as a leading indicator for earnings growth, and we saw the momentum building in the pace of our originations. Today, it's clear that we've delivered. This quarter, we originated a record $4.7 billion of new loans, bringing us to $8.6 billion year to date, solidly on pace with our long-term upward trajectory.

Our strong investment activity drove $3.8 billion of net portfolio growth for the year thus far, taking our portfolio to a record $22 billion. And as our deployment has increased, the earnings power of our business is accelerating. We generated distributable earnings of $0.63 per share in the third quarter, more than covering our longstanding dividend.

Our performance this year is reflective of the core advantages that continue to differentiate BXMT. Deep, established relationships with the largest sponsors in the market mean that as they become more active, we have more opportunities to find our target investments - low leverage first mortgage loans on institutional assets. It's a virtuous cycle - the more we participate in the market, the more sponsors experience the advantages of borrowing from BXMT, the more activity we see going forward, further growing our pipeline.

We're lending in more markets across the US, Europe, and Australia, and continually build upon our deep local knowledge and sponsor relationships within each region. And our scale and expertise allow us to be

a single source solution for top tier global sponsors, bringing the same creative, innovative, and knowledgeable approach that BXMT is known for all over the world.

This quarter, we closed three loans with Brookfield on assets in New York, Spain, and across Europe, three with Morgan Stanley across multiple US markets, and new transactions with Tishman Speyer, Shorenstein, Rockpoint, and Northwood, all repeat borrowers many times over.

And for first time borrowers, their experience with us, both at the origination stage and over the life of the loan, often turns them into core repeat relationships. This quarter, we closed nine loans with borrowers that were new to us earlier this year, who are now making us their lender of choice as they ramp up activity.

And our pipeline of compelling lending opportunities continues to build. Today, we have over $4 billion of additional loans closed or in closing post-quarter end, supporting continued portfolio growth as we look ahead.

Given our productivity this year, post-COVID originations represented 31% of the portfolio at quarter end, overlaying a significant component of newer vintage originations atop our stable pre-COVID base.

We continue to find strong credit opportunities in our tried-and-true sectors and markets, and within these areas, we've further accelerated activity in segments where we see the strongest growth in today's economy.

Multifamily represented 54% of our third quarter originations. Market fundamentals in that sector continue to shine. Strong rental demand led to nationwide occupancy of 97%, and year over year rent growth of over 10% in the third quarter. Sunbelt markets, where in-migration is driving rents and absorption across sectors, were nearly 40% of our originations this quarter.

As a result of this robust activity, our multifamily investments have nearly doubled, from 10% of the portfolio at the end of 2020 to 20% today. And our Sunbelt presence has increased from 19% to 25% over the same period.

As always, we're sticking to our core credit principles, including never reaching for yield – our originations this year have averaged 66% LTV, in line with our overall portfolio and our long-term strategy.

Our new loans this quarter exemplify our disciplined credit criteria, targeting low leverage loans to top quality assets and sponsors in strong markets. In July, we closed a $500 million, 58% LTV loan to a premier global sponsor on a new construction apartment project in Brooklyn, part of the Affordable Housing New York program. Our unique access to information drove our investment thesis here, and allowed us to act with confidence while others remained uncertain.

We began underwriting the loan in February, when New York City was just emerging from the depths of COVID's second wave. Inventory was elevated, and concessions were widespread. But with a portfolio of over 10,000 units in the city across our platform, we saw leading indicators of leasing activity reemerging, concessions beginning to inflect, and demand building. Ultimately, New York had its strongest summer of leasing in over a decade, a performance we saw reflected across our portfolio of city multifamily assets, and which proved out our thesis on this high-quality lending opportunity.

Multifamily has been a consistent area of expansion for us this year, as we continue to see strengthening fundamentals across the country. We closed 24 multifamily loans this quarter, $2.6 billion, including

$600 million in Texas, $200 million in South Florida, and another $500 million elsewhere in the Sunbelt. And we continue to see a steady stream of compelling opportunities to land on stable cash flowing assets with upside in today's rent growth environment.

We've established a differentiated process for multifamily flow business, where we provide certainty and ease of execution to active, top-quality borrowers, and see them come back to us again and again. In a sector where transaction volumes are up 50% over 2019 levels, this efficiency matters - our sponsors can focus on closing and executing their business plans, knowing they'll have reliable, consistent performance on the financing side.

Elsewhere in the portfolio, we continue to be focused on newer vintage, high quality office, well-amenitized buildings that foster culture, talent retention, and ingenuity. These buildings are particularly appealing to tenants who are growing, like creative tech-based companies, content generators, life science firms, and they are outperforming in today's leasing market.

This quarter, we closed a $312 million loan on a portfolio of recently completed, LEED silver office adjacent to the new metro line in Northern Virginia. It's a market driven by technology, information, and digital infrastructure, one of our highest conviction investment themes. Our collateral assets are 84% leased on a long-term basis to an institutional rent roll, including Google, ICF, and Neustar, data driven, knowledge economy tenants who need a workplace environment that supports connectivity and innovation.

Our asset selection over time continues to be validated by the performance of our portfolio. This quarter, we saw additional positive credit migration building on the year-long trend. Occupancies of our collateral continue to rise across asset classes. For example, our New York City multifamily collateral assets are currently 88% occupied, up 30 points from one year ago. We counted over 1 million square feet of leasing in our office assets this quarter, and our hotel portfolio continues to improve, with the majority of our assets now covering debt service, and several exceeding 2019 RevPAR levels.

While we are mindful of broader economic impacts of inflation, for our portfolio, it translates to rent and NOI growth, further supporting the low basis and insulated credit position we have in our loans.

The scale and growth of our portfolio allows us to continue the innovation and sophisticated execution that is the hallmark of our balance sheet strategy. We have consistently achieved best in class terms across both our corporate and asset level financing, reflective of the quality of our track record, investments, and Blackstone management.

Last month, we issued our first secured bond, a $400 million transaction that adds favorably priced and structured corporate capital to our already well-diversified balance sheet.

Along with the debt capital raised this quarter, we also funded our growth with an equity issuance that was meaningfully accretive to book value per share. Over the last year, we have tapped the full array of corporate and asset-backed capital markets for our business – term loan, bond, CLO, credit facility, and premium equity – and our ready access across these diverse sources ensures that we can be opportunistic with achieving the best structure and cost of capital for our company.

Our performance this quarter and throughout the year continues to underscore the stability and strength of our business model. We are growing, capitalizing on the ever-expanding reach of the Blackstone Real Estate platform, and generating strong lending opportunities in our highest conviction asset classes.

Our portfolio is performing, with excellent credit metrics and continued business plan progress. We are innovating with new sources of accretive capital. We are driving earnings growth, supporting the attractive cash dividend we have held consistent through the COVID period. And we see great prospects for continued momentum to come. And with that, I'll turn the call over to Tony.

Tony Marone: Thank you, Katie, and good morning, everyone. This quarter's results illustrate the positive dynamics of our business in 2021, as BXMT deployed capital into new loans, driving increased earnings as our portfolio grows. Distributable earnings increased to $0.63 per share from $0.61 last quarter, exceeding our quarterly $0.62 dividend paid earlier this month.

Growth in earnings this quarter is a direct result of the strong origination pace Katie highlighted earlier, and does not reflect any material prepayment income or nonrecurring items. The tailwind from loans closed in the latter part of the third quarter will further support our near-term earnings trajectory.

In the third quarter, we originated $4.7 billion of loans across 38 transactions, driving our total portfolio to a record $22 billion, an increase of 15% for the quarter. This portfolio growth is net of $886 million of repayments, reflecting a return to more typical market conditions, as our borrowers complete their repositioning plans, and either sell or refinance assets.

These dynamics bring the proportion of our portfolio originated since 3Q 2020, the first quarter following the trough of the pandemic, to 31%, providing greater potential to earn prepayment income on these newer vintage loans in future quarters, similar to our experience in 2019 and prior.

Apart from our active origination pace, the third quarter reflected another period of stable credit metrics in our portfolio. We upgraded the risk rating on ten loans, with only one downgrade, and no changes to our four rated watch list loans.

Overall, our weighted average risk rating of 2.8 declined from 2.9 last quarter, reflecting the continued fundamental strength of our portfolio. These rating upgrades, among other factors, contributed to a four basis point reduction in our general CECL reserves to 27 basis points, equal to $0.42 per share of book value.

We continue to receive 100% of interest due, with virtually no interest deferral, and no changes to our non-accrual or non-performing loans. Our weighted average origination LTV of 65% has remained consistent over the last year, and reflects the significant equity capital our borrowers have invested subordinate to our loan.

We had an active quarter on the right hand side of the balance sheet, and continued to benefit from attractive executions of our asset level financing. This quarter, over two-thirds of our $2.8 billion of asset financing priced at the L+ 125 to L+150 range, reflecting the premium credit profile of our loans, the strength of our balance sheet, and our deep relationships with credit providers.

In addition, we priced our debut $400 million senior bond offering in September, which closed shortly after quarter end. The transaction priced at a fixed 3.75% for 5 years with no OID, very attractive level to lock in ahead of what will likely be a period of rising interest rates.

Lastly, we issued 10 million new shares of premium equity this quarter, raising $312 million, and adding $0.25 to book value.

We closed the quarter with liquidity of $1.1 million, including the bond proceeds received in early October, and a debt-to-equity ratio of only 3.1x. We look forward to closing our $4 billion loan pipeline,

which will continue to increase our earnings power as we focus, as always, on discreet credit selection, maintaining the strength of our balance sheet, and delivering consistent, compelling returns to our stockholders.

Thank you for your support, and with that, I'll ask the operator to open the call to questions.

Moderator: Thank you, and thank you, everyone. Your question and answer session will now begin. If you wish to ask a question, it is star, then one, on your telephone. If you want to withdraw that question, it's star, two. If you could just ask a question plus a follow-up question. If you have any further questions, if you could just dial back in. Thank you.

The first question comes from Tim Hayes from BTIG. You're live in the call, Tim. Please go ahead.

Tim Hayes: Good morning, guys. Congrats on a nice quarter. First question here, just about the all-in yields on the portfolio. You had a very strong quarter from an origination standpoint, but only saw a modest degradation in the all-in yield, while also focusing on kind of more defensive assets, multifamily, Sunbelt, where I'd expect competition is a little bit more intense than other parts of the market. So can you touch on – and I think you did touch on it a little bit in terms of the power of the broader Blackstone platform, and being able to be a consistent, efficient capital provider, but maybe if there's anything more to that, like how you're able to sustain these all-in yields. Are you focusing on heavier transitional assets now? Have we seen construction pick up a little bit, or is that where you're getting a little bit of spread? Any comments around that would be helpful.

Katie Keenan: Sure. Thanks, Tim. I think your point is exactly right, in that we've seen real consistency in the yields in our portfolio, including as we kind of expand into multifamily, Sunbelt, and I think it really does get to exactly as you pointed out, the differentiation in terms of our origination efforts, scale, larger loans, deep relationships with our counterparties, the ability to provide speed and certainty and move quickly, leveraging all the information we have within our platform, that really allows us to continue finding what we see as compelling lending opportunities.

I wouldn't read too much into any individual quarter, but I think if you look over time, including this quarter, the yields have really been very consistent, as have our LTVs. And I think that just speaks to our ability to find the compelling lending opportunities that are a good fit for our portfolio.

Tim Hayes: Okay. Got it. So it doesn't sound like any real change in strategy, or at least more concentrated focus on different asset types that might get you a little bit more spread there?

Katie Keenan: No. To your point, if anything, 54% of our originations this quarter were multifamily, so it really is a very consistent theme.

Tim Hayes: Yeah. Got it. And then just my follow-up there, I know you mentioned some comments about the fuller pipeline. It sounded like obviously you have a lot of activity going on still in the fourth quarter. And I know repayments are lumpy and not always easy to predict. But I would say broadly across the sector we're seeing repayments pick up. This past quarter was certainly a step back from what you saw in the second quarter. But just curious what your outlook is for repayments in the near/intermediate term, if you think that you might see some elevated activity there, and if that might be a source of kind of prepayment income for you guys over the next couple of quarters. Thanks.

Katie Keenan: Sure. Yeah. I do think we'll see a return to a normalized level of prepayments or repayments, because it is all correlated with the activity in the capital markets. I think that's certainly a possibility.

The other thing to think about, though, is the pace of prepayments is really more correlated with where our portfolio was two, three years ago versus the size of the portfolio today. I think if you think about the relative originations versus repayments, it's important to think about that. But certainly, the prospects for early prepayments, acceleration of income, as our portfolio gets newer, as the capital markets are reopening, we think that a return to more normalized levels there makes sense.

Tim Hayes: Got it. Thanks, Katie.

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

Stephen Laws: All right. Thank you. Good morning. Katie, to follow up, I guess, on the pipeline, looks like after a couple of years of running a portfolio of around 125 loans, we're up over 150 now. None of the new originations seem to have made the top 15 table. Can you talk about that pipeline? Is it more loans and smaller loans than what we've historically seen? And does that move you out of the top five MSAs? Can you talk about whether the pipeline continues to have larger stuff, or if that's a focus to Sunbelt, obviously, and more loans, and smaller in size?

Katie Keenan: Yeah. It's a great question. The way I think about the activity in our pipeline is we're still targeting the same types of loans we've always targeted, but we've also overlaid increased activity in multifamily and in some of the smaller growth markets. I think you'll still see us pursuing those great, large-scale opportunities with very strong sponsors, a lot of cash equity, where we can differentiate in terms of scale. That's always been a great area of activity for us, and we really like that opportunity.

But we're also overlaying more activity particularly in multifamily, where the deals tend to be potentially a little bit smaller. I think our average multifamily size this quarter was around $100 million, so we're not talking about substantial difference in terms of our long-term average. But we are overlaying more activity in that multifamily space.

Stephen Laws: Great. And then on the origination side, appreciate the chart in the supplement that really shows kind of the trailing 12-month annual origination number. And if you look back to COVID, it seems like $8 to $9 billion a year is sort of a normalized run rate. Is that how we should think about growth from here? Is that number going to get bigger as you expand this focus? Can you talk about what we should think about as far as an annual origination expectation?

Katie Keenan: Yeah. I think we've seen over and over for the years that growth in our business and across the Blackstone real estate platform creates a virtuous cycle. And we're growing all over our business. We have increasingly sophisticated data, a larger market presence, and we've grown our origination team as well to address the pipeline that we're generating from that larger scale by over 40% in the last two years.

I think it's certainly possible that we'll continue to see the long-term trajectory, and we've really grown the portfolio every year in the history of the company, so I think that long-term trajectory is clear. And we'd expect to see it continue.

Stephen Laws: Great. Thanks for your time this morning.

Moderator: Thank you. Your next question comes from Rick Shane from JP Morgan. Please go ahead, Rick. You're live in the call.

Rick Shane: Thanks, everybody, for taking my questions this morning. I'm curious as we look forward how to think about the floors. One of the things that stands out is that disproportionately your non-US dollar denominated loans have a much higher percentage of zero floors or no floors on them. I'm curious if that is a timing issue as a function of when that portfolio was created? Is it a function of sort of local practice? Or is there something embedded in your currency hedges to structurally provide effectively a floor that we're just not seeing in terms of the way things are disclosed?

Doug Armer: Hey, Rick. It's Doug. I'll take that one. I think the answer is both, actually, in short. The zero floors in the European portfolio are really a function of where rates have been in EURIBOR, and also in the UK over the preceding several years when those loans were originated. Rates never increased on the continent in particular, the way they did in the US.

But you're onto something in referencing the hedging strategy. With the rolling forward contract strategy that we do, we essentially swap EURIBOR or sterling LIBOR for US dollar LIBOR, and so that provides a very substantial hedge to the floor income in our US dollar portfolio, because it essentially represents a non-floor component of our capital structure that is exposed to US dollar LIBOR.

Rick Shane: Got it. Okay. That actually makes a great deal of sense. It's really helpful, just because it – in the context of things, the distribution seemed a little bit odd. I'm just trying to understand how to think about that going forward. Thank you.

Moderator: Thank you. Your next question comes from Don Fandetti from Wells Fargo. You're live in the call, Don. Please go ahead.

Don Fandetti: Hi. Good morning. Katie, could you talk a little bit about New York office and what your view is, and then also provide an update on how RevPAR and occupancy are trending in your hotel portfolio?

Katie Keenan: Sure. I think our view on New York office remains very consistent with what we've been saying over the last year, which is that the outperformance from a leasing activity perspective, from a capital markets perspective, that we're seeing in the high quality, newer vintage, well-amenitized office buildings that we've always been focused on, so that really continues. I think there's been a couple of great examples of that over the last couple of quarters, obviously, Google's acquisition of the St. John's Terminal being the most highly published one.

But we're really seeing it across the market, whether it's Hudson Yards or near Grand Central. The newer quality buildings continue to attract really great tenant demand. And we're seeing that in the numbers. Tenant activity in the market, leasing activities, all bouncing back, and again, really concentrated in those high-quality buildings. We continue to see the bifurcation that we've identified.

I think on the occupancy and RevPAR side, again, continued progress there. I mentioned in the call we're seeing really good coverage across our portfolio. Resorts continue to significantly outperform. Select service has been very stable. The urban hotel side is going to take a little bit longer, but I do think the reopening of international travel in November will be a plus for that part of the market.

Don Fandetti: Thank you.

Moderator: 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. Katie, I was wondering, with the strong growth across the portfolio, could you just explain the portfolio management process? How frequent are asset level reviews, and what information gets passed upstream to yourself as well as other members of the management team?

Katie Keenan: Absolutely. I think our integrated and really sophisticated asset management process is one of the kind of areas of secret sauce of our business. We've got a great asset management team. They all sit with us here on the same floor in the same building. We've worked with them a really long time. And we go through every loan in the portfolio every quarter, really looking at individual performance, leasing, occupancy, what's happening in the short-term, in the long-term, with the entire BXMT management team, and then roll that up to the overall BREDS management team. So it's a very detailed, sophisticated process.

And it's also quite proactive. We use those reviews to look at which great loans are doing well that we can try and keep around longer, looking at call protection, and thinking about how to maintain the high quality portfolio, and also really using that to extend all the touch points we have with our borrowers.

We've got as strong relationships with our borrowers on the asset management side as we have on the origination side, and it really keeps the positive dynamics flowing in terms of seeing new lending opportunities.

Jade Rahmani: Thank you. And a follow-up would be in today's environment, how do you make sure you're not lending into an overly frothy market based on current low interest rates above historical valuations, and risks to the outlook based on overseeing the supply chain, which I assume will eventually impact commercial real estate construction, as well as inflation in the system?

Katie Keenan: Sure. I think really it comes down to information. We own a $400 billion real estate portfolio across the Blackstone platform. We have 50 portfolio companies. And they're always every day feeding information into every aspect of the investment process here at Blackstone. And I think having that access to information flow really keeps us up to the minute in terms of what we're seeing in individual asset classes and individual markets, so I think it really gives us a big advantage in terms of making sure we're making the right investments, overlaying that obviously with the low LTV loans. We're making strong sponsors, asset classes that we've seen, stable performance over time, all of those areas I think help us really mitigate risk, even as the market is changing.

I think on the supply chain and construction side, as a lender on existing assets, or in the small cases we do construction, where we have GMPs and completion guarantees, that really just means less new supply over time, increasing replacement costs, should translate through to increasing value for existing assets.

I think as a lender on hard assets in a potentially inflationary environment, that's really just going to translate to more value protection and credit support for our loans.

Jade Rahmani: Okay. Thank you very much.

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

Steven DeLaney: Good morning, everyone. Congrats on your strong results. Katie, as far as just velocity in the commercial real estate markets, or this level of activity, how does that impact in your mind the expected average life of your new loans? I'm assuming that when you talked about your sponsors, it sounded like a lot of these loans are new acquisitions. So the business plans through your sponsors, are

you still seeing sort of the historical three to four year average outlook? Just trying to get a sense for the life of these new originations. Thank you very much.

Katie Keenan: Yeah, that's a great question. I think that the life of our loans tends to be driven by the business plans of our sponsors, more so than what's going on in the capital markets. Most of our sponsors are employing a buy it, fix it, sell it strategy, much like we have across the business here. The life of the loans really are driven by the fix it part of the business plan. And I don't think that's really changed substantially. We've always had an array of different types of business plans in our portfolio, whether it's a straight lease up strategy, unit renovations, rebranding of an asset, whatever sort of type of transition. And we've always had sort of a mix of light transition to a little bit more transitional.

And I don't think the trend on that has changed substantially. We did see obviously an elongation in the duration of the portfolio in COVID. As the capital markets were quieter, I think there were assets that were ready to be sold just before COVID that obviously hung around a bit longer because of the capital markets. But I think that as the market returns to a more normalized level, what we'll see is a return to a more normalized duration, similar to what we were seeing in '18 and '19.

Steven DeLaney: Got it. Okay. Thanks. And obviously, these heavy originations in 3Q and coming up in 4Q will likely – the fresh loans likely sort of extend the weighted average expected maturity, I would assume. Just to close, my follow-up quickly is you made a positive comment with respect to RevPAR in the hospitality holdings. Would you say that applies similarly to your loan 14 in New York City?

Katie Keenan: Yeah. I think we're seeing positive trends in hotel across the board. And what really differs is the pace or the slope of the recovery. If you look at New York generally, I think the market occupancy was – it could have been single digits at one point two years ago, and today it's more like 60, 70%. It's really moved a lot. There's still a lot more to go in a city like New York, because the underlying international demand, the corporate demand, that's going to take time to recover. But I think the direction we're seeing across the hotel space is all upward. It's just a question of the slope.

Steven DeLaney: Great. Thank you for the comments.

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

Jade Rahmani: Thank you very much. In terms of the repayment outlook, what do you think drove the modest level of repayments in the third quarter, despite the surge in volumes we're seeing across the sector? And do you expect that to increase going forward? I believe you earlier indicated that is the case.

Katie Keenan: Yeah. I think it really goes back to when the loans were originated. And when you think about the pace of the repayments, the repayments happen when loans get through their business plans. When you think about the scale of the repayments we've had over the last three quarters, and obviously, quarters are lumpy, so we try and look at it over a little bit of a longer period, and compare that to the size of the portfolio three or four years ago– it's a pretty reasonable number when you think about the weighted average duration of loans.

I think the differential you're seeing in new originations versus repayments is really a factor of the growth of the portfolio over time, and I think that that's the primary driver. I think we're getting to a pretty normalized pace this year, and you'll see it continue to track the growth of the portfolio two or three years ago, which is really sort of the corollary data point to look at.

Jade Rahmani: Thanks. And lastly, a question I get a lot from investors, and I know everyone asks you guys this all the time, which is about adding business lines. But from the perspective of liability management, do you think that it's an interesting prospect to add a different business line in order to allow BXMT to eventually be able to issue unsecured debt?

Katie Keenan: I'll start, and Doug can add to it. I think we're always going to be driven first by what we think the best investment opportunity is for our business. We're not going to be driven by what we see on the liability side. We really start with how do we make the best relative value investments, and then we think about the best way to capitalize those investments.

Doug Armer: And I wouldn't add anything to that. It's all about the investment, and then we best capitalize the given investment strategy.

Jade Rahmani: Thank you very much.

Katie Keenan: Thanks, Jade.

Moderator: Okay. Thank you. And now I'd like to hand you back to Weston for closing remarks.

Weston Tucker: Thanks everyone for joining us today, and look forward to following up after the call.

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