

Blackstone Mortgage Trust Second Quarter 2026 Investor Call
July 30, 2026 at 9:00am ET

Tim Hayes: Good morning, and welcome everyone to Blackstone Mortgage Trust's second quarter 2026 earnings conference call. I'm joined today by Tim Johnson, Chief Executive Officer; Austin Peña, President and Marcin Urbaszek, Chief Financial Officer.

This morning, we filed our 10-Q and issued a press release and 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 subject to risks, uncertainties and other factors 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 most recent 10-K. 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 10-Q. This audiocast is copyrighted material of Blackstone Mortgage Trust may not be duplicated without our consent.

For the second quarter, we reported a GAAP net loss of \$0.48 per share, while distributable earnings were \$0.31 per share and distributable earnings prior to realized gains and losses were \$0.48 per share. A few weeks ago, we paid a dividend of \$0.47 per share with respect to the second quarter.

With that, I'll now turn the call over to Tim.

Tim Johnson: Thanks, Tim.

BXMT's second quarter results reflect continued execution of our goal of driving portfolio turnover and reallocating our capital into high conviction investment themes. We received \$1.2 billion of repayments in the second quarter, nearly all of which were seasoned loans originated before 2023. We reinvested our capital into \$1.4 billion of new investments concentrated in sectors with strong underlying fundamentals such as residential, industrial and net lease. Over the past year, these sectors have accounted for approximately 80% of our total portfolio deployment and we've leveraged our global platform to source investments offering highly compelling relative value.

Our investment activity this quarter includes our entry into the single-family homebuilder finance sector. This is an area where there has been significant pullback from the banking system and our platform positions us well to gain market share amidst a fragmented competitive landscape. We see a large-scale growth opportunity with a total addressable market of \$200 billion. Investments in this sector helped to further diversify BXMT's portfolio with granular, well-structured loans delivering some of the most attractive risk-adjusted returns we see today with mid-to-high teens levered yields. This strategy is reflective of our intentional approach to invest in high-conviction sectors, increase the granularity and diversity of our portfolio, and leverage our franchise to capture the best relative value opportunities across global markets.

Another component of our portfolio turnover strategy is working our way through our legacy investments. On that front, we continued to make progress, resolving an impaired multifamily loan and completing a modification of our largest watchlist loan, contributing to a 23% reduction in our overall watchlist from last quarter. We are also taking advantage of current market liquidity to strategically sell certain assets. This week, we expect to launch a sales process for one of our largest assets, a 686 key Hyatt Hotel in San Francisco. Capitalizing on the sharp fundamental recovery and increasing investor demand in that market. And we recently initiated sales processes for over \$1 billion of loans, mostly office. We are disciplined strategic sellers and expect only to transact at levels that we deem attractive.

But at the right price, we believe reallocating this capital into our highest conviction investment themes is in the best long-term interest of our shareholders.

Turning to portfolio performance. The overall trends we see are consistent with prior quarters with the exception being that we're seeing higher rates impact some of our legacy watchlist assets. We saw the pillars of the real-estate recovery beginning to emerge in 2024, and they remain in-place today. CMBS issuance is tracking a near 20-year high, new supply is down approximately 60% to 90% across major asset classes, and values have steadily improved for 10 consecutive quarters. These market tailwinds have supported strong performance in the vast majority of our portfolio, driving approximately \$13 billion of repayments over the period and bringing back capital that we've reinvested into new investments that reflect today's fundamental backdrop. As a result, we've reduced our total office exposure from 36% of our portfolio to just 21% today, significantly enhancing the composition of our \$20 billion portfolio.

Recently, we've observed increased pressure on a subset of our portfolio, approximately \$1 billion of watchlist loans, or about 5% of our total investments. These loans are predominantly secured by office assets with lower in-place cash-flow and where fundamentals have lagged the broader real estate market, making them more sensitive to changes in the rate environment. These loans are on our watchlist precisely for these reasons, but have been performing and supported by our institutional borrowers who have invested nearly \$800 million of subordinate capital into these assets since the end of 2023. These borrowers have been playing through a challenging environment with the expectation that a recovery in fundamentals and lower rates were on the horizon. But given headwinds in these specific sectors and markets, performance has taken longer to recover and rates, of course, have remained elevated with the 10-year up more than 60 basis-points since early March. This dynamic was at play this quarter as we took three new impairments on loans where borrowers had previously been supporting them. As we engage with borrowers on this \$1 billion subset of loans as they approach upcoming maturities or other decision points, some may be similarly less willing to invest subordinate capital than they have been in the past. We think addressing these watchlist assets is critical to driving BXMT's long-term performance.

Importantly, we believe the profile of these assets is different from what we see in the rest of our office portfolio. All of our other office watchlist loans have been modified or restructured with significant new equity invested at a basis that reflects today's environment. And we've seen recent leasing momentum across these assets further supporting performance. And for our other performing office loans with risk rating three or better, nearly half are currently in the market for refinancing, while the remainder have strong in-place cash flow with an average debt yield of 10%.

As we execute these strategies to accelerate portfolio turnover and address our watch lists, we may see some impact on-book value and earnings, which as always, we will take into account along with other factors such as interest rates and the investment environment as we discuss our dividend with the Board. We expect these initiatives to produce tangible near-term results. Between increased repayment activity and our proactive asset management approach, we see a path to reducing our exposure to both office loans and to legacy pre-2023 loans by 40% or more by year-end. And our new investments are laying the groundwork for a more diversified granular BXMT as evidenced by our average investment size declining from over \$130 million just a few years ago to approximately \$20 million today.

This is our path forward: address the tail of our portfolio and complete the transition to a more diversified business. We believe this best positions us to deliver strong long-term performance for our shareholders, and we are well on our way.

I'll now turn it over to Austin to discuss our investments and portfolio in greater detail.

Austin Peña: Thanks, Tim.

In the second quarter, BXMT closed \$1.4 billion of investments across multiple strategies,

underscoring the breadth and diversification of our global real-estate credit platform. We originated \$1.1 billion of loans with an average LTV of 61%, mostly secured by residential and industrial. 80% of our lending was in the US and the remainder was in Europe and secured by well-leased diversified portfolios.

We continue to grow our net lease strategy, where we acquired over \$135 million of properties at share. Our portfolio now stands at \$661 million. When we entered the net lease sector, we were faced with a choice, buy an existing platform to scale quickly, but likely at premium pricing, or build from scratch, invest time and resources to hire an experienced, dedicated team to thoughtfully assemble a portfolio underwritten with the benefit of the unique data and insights from the Blackstone platform.

We chose the latter, allowing BXMT to capture that aggregation premium for our investors. Our curated high-quality portfolio adds granularity and duration with long-term steadily increasing cash flows that serve as a natural complement to our floating-rate lending strategy. And while just 3% of our portfolio today, we see continued growth ahead with over \$150 million of acquisitions closed or in closing so-far in July.

As Tim mentioned earlier, we continue to evolve and diversify our investment strategies. We entered the homebuilder finance sector, acquiring approximately \$130 million of loans at share in a newly established joint-venture. Like net lease, homebuilder finance loans are geographically diverse and granular. The initial portfolio consisted of 36 loans across 10 states with an average loan commitment of just \$12 million.

Our joint venture with the largest private lender in the sector positions BXMT to grow our footprint in this attractive area over time. With a healthy real estate capital markets backdrop, we are seeing active pipeline activity across our origination channels. As well as robust repayments in our floating-rate loan portfolio. This is a good setup to execute our various strategic initiatives and accelerate turnover of our portfolio.

As Tim mentioned, we collected \$1.2 billion of repayments in the quarter, effectively all originated prior to 2023. And in July, we've collected another \$1.4 billion of similar vintage. This includes a €450 million paydown on our Dublin mixed-use loan, our largest position as of last quarter. This loan now represents just 25% of our initial commitment and generates a double-digit debt yield.

Our loan portfolio ended the quarter at \$17 billion across 133 loans, with the majority in multifamily and industrial sectors. Our portfolio was 97% performing at quarter-end, down slightly from 98% last quarter, reflecting impairments of three loans, two traditional office assets and one mixed-use asset with a sizable office component and the resolution of a Dallas multifamily loan, which we foreclosed on in June.

Our most significant impairment in the quarter was a \$345 million Chicago office loan originated in 2018. We downgraded this loan to our watchlist in 2022, reflecting well-known challenges in the Chicago office market following the COVID-19 pandemic. While this asset has secured over 500,000 square feet of leasing over the last 2.5 years, and the borrower had been supportive, investing incremental equity to fund leasing costs. The combination of elevated interest rates and continued headwinds in the Chicago market ultimately put more pressure on the borrower, who defaulted on the loan in June. Our asset management team acted quickly and subsequent to quarter-end, we substantially agreed terms on a restructure with the borrower who intends to commit significant new capital at a reset basis in exchange for additional term and a reduction of our loan balance, which is reflected in our CECL reserves as of quarter-end.

Following this modification, the asset will be well-capitalized to reach stabilization with a seven year

average remaining lease term and minimal near-term rollover. Our watchlist today sits at \$2 billion, down from \$2.5 billion last quarter. This reflects an upgrade of our largest watchlist loan after completing a credit-enhancing modification that we mentioned on last quarter's call.

In exchange for a term extension and slightly reduced economics, the borrower invested significant new equity, putting this loan on stable footing for the long term. We added three loans to our watchlist this quarter, a Denver office loan and a hotel loan in Hawaii, both originated prior to 2023, and a multifamily loan in Australia secured by a high-quality new-build asset in Melbourne, a strong market with less than 2% vacancy.

Our owned real-estate portfolio consisted of 14 assets with \$1.4 billion of carrying value at quarter-end. As Tim mentioned, we expect to launch the sale of our Hyatt Hotel in San Francisco, our second-largest owned asset. We have several others that we are evaluating to bring to market this year as we remain highly focused on reducing this portion of our portfolio and reinvesting that capital accretively into target investments.

With a deeply experienced team of 170 real estate debt professionals and the resources of the broader Blackstone real estate platform, we are well-positioned to execute our various strategic initiatives with a relentless focus on maximizing outcomes and delivering for our investors.

With that, I will turn things over to Marcin.

Marcin Urbaszek: Thank you, Austin, and good morning, everyone. In the second quarter, BXMT reported a GAAP net loss of \$0.48 per share and distributable earnings or DE of \$0.31 per share. DE included \$29 million of realized losses primarily related to the resolution of an impaired Dallas multifamily loan following the foreclosure of the collateral property. We now hold the asset on the balance sheet as owned real estate at a significant discount to prior ownership's basis. DE prior to realized gains and losses was \$0.48 per share, which covered our \$0.47 per share dividend, but was down from the prior quarter.

DE prior to realized gains and losses benefited from continued growth in our unconsolidated joint-ventures as we actively deployed capital across our net lease and single-family homebuilder finance businesses. Altogether, we had \$322 million of capital invested in our joint venture investments at quarter end, up from \$244 million as in Q1 and recognized a little over \$9 million of DE this quarter from these diversified strategies.

We also recognized higher seasonal net revenues generated by our New York hotel which contributed to \$15 million of NOI we earned from our owned real-estate assets this quarter, up about \$1 million from Q1. Looking ahead to Q3, we expect DE will be impacted by the new loan impairments recognized in the quarter and the timing of several large repayments collected in July. Book value ended the second quarter at \$19.31 per share, down 4% from Q1 primarily due to an \$0.80 per share increase in CECL reserves and \$0.12 per share of depreciation and amortization related to our owned real-estate assets.

In total, book value includes \$2.43 per share of total CECL reserves of which \$1.13 per share is the general reserve and \$1.30 per share are asset-specific reserves. The majority of the net increase in the CECL reserve this quarter was related to the impairment of a large Chicago office loan Austin discussed earlier, which we believe is appropriately reserved for. The modest decline in our Q2 general reserve reflects risk rating movements this quarter, including a smaller balance of watchlist loans.

Turning to BXMT's capitalization. We ended the quarter with \$1.2 billion of liquidity. Our Q2 debt-to-equity ratio increased to 3.9 times from 3.7 times in Q1 mainly due to the timing of repayments and

the increase in CECL. We remain active across the capital markets. In May, we issued \$450 million of senior secured notes which largely prefunded our corporate debt maturity set to occur in the first quarter of 2027. The offering was met with strong investor demand and priced at the tightest new issue spread we've ever achieved across our corporate debt complex. Upon repayment of the 2027 notes we will have nearly five years of weighted-average remaining term on our corporate debt and no maturities until 2029.

Working closely with our sophisticated capital markets team, we continue to drive lower financing costs and are now regularly borrowing at or near our historical all-time tights. We also closed on a new non-mark-to-market lending facility with a major bank in the UK. Our ability to source unique and attractive investments for our portfolio combined with our broad access to various and attractively priced sources of capital remains some of our key competitive advantages.

Our balance sheet continues to be very well-positioned with total non-mark-to-market borrowings now representing about 88% of total debt, and with no capital markets mark-to-market provisions throughout our capital structure.

Thank you again for joining us today, and I will now ask the operator to open the call to questions.

Operator: Thank you. We'll take our first question from Tom Catherwood with BTIG.

Tom Catherwood: Thanks and good morning, everybody. Maybe either Tim or Austin, I just want to square up the commentary on CECL reserves and the potential sale of \$1 billion or \$1 billion-plus in loans. So it sounds like CECL reserves were -- especially the specific ones -- were primarily on the three assets downgraded into the five rated bucket. But when you think of the \$1 billion in loans that's out there, from a marking standpoint, is that marked to where you where you're getting bids at right now? What's the process for maybe adjusting that going forward and the potential for additional reserves as you get towards the sale?

Tim Johnson: Yeah. Thanks, Tom. This is Tim. I'd say that process is still pretty early on in terms of the loan sales. So we're going to review what we get. And as we noted in the prepared remarks, that is kind of an optional sale. We're looking to take advantage of what we think is a reasonably liquid market to sell loans. And so there are not reserves against those \$1 billion of loans today. And as we evaluate what we receive in terms of bids, we'll walk through that next quarter after we have more information.

Tom Catherwood: Perfect. Perfect. And then as a follow-up, obviously, that's an optional sale, but there are other sales you have teed-up. You mentioned the sale of the Hyatt Hotel in San Francisco. When you think of this goal of kind of being a more diversified platform, what are your capital allocation priorities for the proceeds from these sales as they come in? Do you primarily put them into loans or could you look to accelerate net lease investments or invest kind of elsewhere in a variety of different strategies? What are your thoughts on those priorities?

Tim Johnson: Yeah, it's a great question and it really is about that rotation into the strategies that we have the most conviction and we think have the best relative value today. And as we highlighted in the prepared remarks, net lease, homebuilder finance, as well as our traditional lending businesses are all provide compelling opportunities.

So we're going to take that capital back in and we'll evaluate each and every option we have in the market to determine where the best relative value is. But we highlighted some of those areas and you've seen it in our recent investment activity where we're putting that capital, it's really concentrated in the sectors where we see the best underlying fundamentals and where we think we can continue to

develop returns.

Tom Catherwood: Great, great. Thanks for the answers.

Operator: Thank you. We'll take our next question from Jade Rahmani from KBW.

Jade Rahmani: Thank you very much. So the \$1 billion of watchlist loans that or you said at the margin are impacted by higher rates, are those risk four rated loans?

Austin Peña: Yes, Jade, this is Austin. Those are on our watchlist, which, yes, have a risk rating of four.

Jade Rahmani: Okay. And those are primarily office?

Austin Peña: Yes, ,that would – yes.

Jade Rahmani: Okay. My main question is if you're starting to see pressure in multifamily loan performance. You know, how do you think sponsors are thinking about the outlook today? I think that multifamily rent growth was about flat this quarter year-on-year. The negative rent growth in Sunbelt is a little bit better than it had been, but still negative. So are investors seeing the light at the end of the tunnel on supply for 2027 and looking to hold through this period of high rates or are they more worried about rates where they are and ability to cover debt service and kind of value recovery? So just what are your views on multifamily credit risk?

Tim Johnson: Yeah. I think we continue to see broadly really good liquidity in multifamily, both within our portfolio and more broadly in the markets. And I think a good thing to highlight would be that we've received about \$5 billion of repayments on multifamily loans originated in '21 and '22 and there have been repayments recently and we're expecting repayments in the near-term that are pre-22 vintage multifamily.

I think that the diversity of capital sources in that space is a real valuable thing for refinancing activity. You've got a broad base of investor appetite for multifamily loans. And as you noted, we are seeing fundamentals generally improve in multifamily. Net absorption nationally in the first half was the strongest in five years. So we are seeing positive trends there. And I'd say in our portfolio, we continue to see good fundamentals and good liquidity and repayment activity.

Jade Rahmani: Thank you very much. If I could squeeze one more in and just be on special situations and M&A. We've seen a pickup in the real estate space, whether it be equity REITs, but then even in the commercial mortgage REIT space, one company selling its portfolio and liquidating and another announcing strategic alternatives. Do you expect to participate in M&A? And do you think this could be a source of attractive opportunities?

Tim Johnson: Sure, Jade, it's Tim again. I'd say, first, we're always going to evaluate opportunities to maximize shareholder value, and we see what's going on in the markets. I think we are pursuing some attractive things today, like we've talked about with portfolio turnover, looking to sell a loan portfolio to do some of that redeployment of capital. I really think when we look at things like M&A, we kind of look at it as a build versus a buy concept and we've generally chosen build, in terms of our net lease strategy and our homebuilder strategy, and we think we offer a really compelling investment opportunity to the market broadly, given our \$78 billion overall real-estate debt platform. We can create some very compelling opportunities that are very difficult to access. We think we have a platform that can deliver something that's really valuable to shareholders and we're going to continue on that path, but we'll always evaluate opportunity as they arise.

Jade Rahmani: Thank you.

Operator: Thank you. We'll take our next question from Harsh Hemnani with Green Street.

Harsh Hemnani: Thank you. As we sort of think through the decision to sell a portion of the office loan portfolio, could you maybe talk through the thinking behind that? So I guess on the one hand, it makes sense the office market is not great even though fundamentals are starting to improve. But I guess on the one side, right, fundamentals are starting to improve and there could be -- if you wait for a little bit recovery might be higher? And on the flip side of that, you've talked about this when entering the bank loan portfolio joint-ventures, there's certain accruing and earning assets that may fit better in a REIT wrapper in the public markets? And it's sort of fair to expect that some of these office loans may be non-accruing and a drag on distributable earnings in the short-term. So I guess, how do you address the question as to this decision was made more from a perspective of long-term shareholder value-creation than from it being an exercise in near-term earnings management or how do you address sort of investor concerns around that? And how are you thinking of that internally?

Tim Johnson: Thanks, Harsh. I'd say -- this is Tim. I'd say, first of all, the loan sale process is early-stage and an underway. And as we noted, we're under no obligation to sell, and we may look at selling some, all, or none of it. So there are many options here. I think it's really about rotating our portfolio more than sort of something driven by a near-term earnings impact. It's really about rotating our portfolio into the sectors where we see the best fundamentals, the best risk-adjusted returns, and the best relative value. And what's underpinning it is that, as I noted before, we're very active in the loan trading market and you noted it as well, both as a -- really more as a buyer than a seller, but we see good liquidity in that space. So if we can take advantage of an opportunity to rotate out of office into other sectors, we think that is going to be the best outcome for long-term value for our shareholders. But of course, we're going to look at price and it's going to work for us and make sense relative to the risk of those underlying loan themselves.

Harsh Hemnani: Got it. That's helpful. And then maybe in terms of the balance sheet, right, total leverage has ticked up a little bit in the high 4s if you include the CLOs. And as you've sort of diversified all the new ventures, the net lease portfolios, the bank loan portfolios that show up as equity interests on the balance sheet have their own leverage added on to it. I guess how are you thinking about leverage at this point if and when there are any office asset sales, does part of it get used to delever the balance sheet or are you fairly comfortable with leverage levels where they are?

Marcin Urbaszek: Thanks, Harsh. It's Marcin. Thank you for joining us. Thanks for your question. Look, I think as I mentioned in my prepared remarks, the leverage was a little elevated at the end of the quarter. Largely driven by the timing of repayments and obviously the CECL reserves. It's within our 3-4x debt to equity range. And with the repayments we've realized in July that I mentioned earlier, it takes leverage down quite a bit in this quarter. But I think our overall leverage strategy is not shifting or changing at the moment. It's obviously a function of the market conditions, balance sheet structure, cost and structure of leverage. We intend to be in that 3-4x debt-to-equity range going forward. But again, quarter-to-quarter, there will be some variability depending on the timing of closing of repayments and originations and things like that.

Harsh Hemnani: Got it. Thank you.

Operator: Thank you. We'll take our next question from Rick Shane with J.P. Morgan.

Rick Shane: Hey guys, thanks for taking my question. I want quick clean-up question, and I just apologize, I forgot. Policies diverge across the industry. Do you guys realize losses when you put REO and mark it down or do you wait until you actually complete the sale for the realization event?

Marcin Urbaszek: Hey, Rick, it's Marcin. We -- so the -- we realize the loss when we take-over the --

when we foreclose or consolidate the asset. That happened in the -- in this quarter with that Dallas multifamily loan. And then obviously, as we own real estate, we are required to assess them for any potential impairments every quarter, we should go through a robust process, but that initial charge-off happens when you take ownership.

Rick Shane: Got it. So assuming, for example, the San Francisco hotel is sold close to your carrying value, no further realized losses associated with that.

Marcin Urbaszek: Yes. We look at what the net proceeds are vis-a-vis where we carry it and then if there needs to be an adjustment there is one. Correct.

Rich Shane: Got it. Okay, great. Thank you. Look, Marcin, you alluded to the fact that there's going to be some drag versus distributable ex-losses in the third quarter. Can you help us think about where that run-rate is versus the \$0.48 that you guys reported in the second?

Marcin Urbaszek: Look, I think it's hard given all the moving pieces right now, and it's still early in the quarter. Obviously, given some of the impairments we took in Q2 and the pretty substantial repayment volume that we had this quarter, we do expect some impact to the third-quarter. But again, it will take us probably a couple of quarters to be fully deployed with the money that we're getting back. So it's hard to say exactly where we're going to be right now on a run-rate basis. There's a lot of things moving around at the moment.

Rick Shane: Got it. Okay. And that actually leads to my final question, which is how should we think about that in the context of dividend and dividend policy? If, for example, do you guys -- how far forward do you look in setting that policy? If we are in a situation over the next, for example, two to three quarters where there is a shortfall, does it make sense to recalibrate the dividend that quickly or are you looking at a sort of more optimistic dividend run-rate once you're fully redeployed? Because again, you're sort of saying, hey, look, DEPS is going to come down, there was a comment about reevaluating dividend. And again, I think that's sort of a generic comment that you do that every quarter. But I think everybody really needs to know the interplay between the drag on earnings and the dividend policy in the near-term.

Tim Johnson: Yeah. Thanks, Rick. It's Tim. I'd say conceptually the dividend is really focused around long-term earnings power of the business, and that's how we've always looked at it. Marcin noted, there's some short-term impacts and there are a number of moving pieces. Obviously, as Marcin said, we had impairments in the second quarter, and given the initiatives that we're undertaking to drive portfolio turnover, as we noted in the prepared remarks, it's possible we see impacts from that.

So there's a number of moving pieces that we'll have to evaluate with the Board, and it's too early to kind of tell what that's going to look like right now. But what we're going to evaluate really is the long-term earnings power of the business and that's what we evaluate when we look at the dividend.

Rick Shane: Got it. Okay. Thank you guys very much. Appreciate it.

Operator: Thank you. We will take our final question from Marissa Lobo with UBS.

Marissa Lobo: Good morning. Thanks for taking my question. You mentioned that nearly half of your performing office loans were three-rated or better, and they're currently in the refi market. And with the 10-year up, what are you seeing in terms of lender appetite for these processes? And what's the contingency if they don't close by year end?

Austin Peña: Yeah. Thanks, Marissa. It's Austin. I think as we noted, obviously, rates are moving around. But what we've seen very recently, as we noted earlier, is a really liquid debt market. We've

gotten a lot of repayments - a lot in the second-quarter, another nearly \$1.5 billion so far in July. And so you see an active CMBS market, as Tim mentioned earlier. So we really see pretty active capital markets out there and strong demand from lenders to finance good assets.

And as Tim mentioned and as you alluded to, that includes a lot of different sectors, including a lot of our office loans. And so today, we continue to see a lot of activity in the refinance market and the capital markets and nothing has really changed, I would say, sitting here today.

Marissa Lobo: Okay. Thank you. And then just shifting to the portfolio rotation. You cited a \$200 billion TAM in homebuilder finance. So what is the realistic allocation for BXMT in this sector like over the next year? And how does the credit profile of these loans compare to your transitional lending book?

Austin Peña: Yeah, thanks. This is Austin. We're really excited about this new opportunity in this sector. And we really see a few things that make this what we think is a really attractive and compelling opportunity. The first is overall sector of housing in the US is undersupplied and that creates a good fundamental setup. And secondly, there's been a pretty big pullback in lending to the space, particularly with regional banks that have historically been big lenders to this sector.

And then finally, as Tim mentioned earlier, this is a sector where it's really hard to access these investments without a platform. And in terms of the underlying loans, they're very granular, they're very geographically diverse. So you really need a national footprint and a presence in this space to access these investments. And for those reasons, what we're seeing in this space is really an interesting and pretty compelling yield opportunity. In terms of the underlying loans themselves, they're really well-structured, typically carry very good recourse to corporate entities and in many cases individuals, they're often on cross portfolios. And so from an underlying credit perspective, we really like the credit. And of course, the return also we think is attractive. The last thing I would say is we've partnered with the largest private lender to the space. They have a really great product suite that they can offer to this market.

And so we think that really sets us up well to grow in this space and we're just getting started, but we think we have a really good foundation.

Marissa Lobo: Got it. Appreciate the answers.

Operator: Thank you. With no additional questions in queue, I will turn the call back over to Tim Hayes for any additional or closing remarks.

Tim Hayes: Thank you, Katie, and to everyone on today's call. Please reach out with any questions.