Granite Point Mortgage Trust Inc.

Second Quarter 2021 Financial Results Call
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CORPORATE PARTICIPANTS

Jack Taylor - *President and Chief Executive Officer*

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PRESENTATION

Operator
Good morning. My name is Cole, and I will be your conference facilitator. At this time, I would like to welcome everyone to Granite Point Mortgage Trust's Second Quarter 2021 Financial Results Conference Call. All participants will be in a listen-only mode, and as a reminder this call is being recorded. After the speakers' remarks, there will be a question-and-answer period. I would now like to turn the conference over to Chris Petta, with Investor Relations for Granite. Please go ahead.

Christopher Petta
Thank you, and good morning everyone. Thank you for joining our call to discuss Granite Point's second quarter 2021 (twenty twenty-one) financial results. With me on the call this morning are Jack Taylor, our President and Chief Executive Officer; Marcin Urbaszek, our Chief Financial Officer; Steve Alpart, our Chief Investment Officer and Co-Head of Originations; Peter Morral, our Chief Development Officer and Co-Head of Originations; and Steve Plust, our Chief Operating Officer.

After my introductory comments, Jack will review our current business activities and provide a brief recap of market conditions. Steve Alpart will discuss our portfolio, and Marcin will highlight key items from our financial results.

The press release and financial tables associated with today's call, as well as our Form 10-Q, were filed yesterday with the SEC. If you do not have a copy, you may find them on our website or on the SEC's website at sec.gov. In our earnings release and slides, which are now posted in the investor relations section of our website, we have provided a reconciliation of GAAP to non-GAAP financial measures. We urge you to review this information in conjunction with today's call. I would also like to mention that this call is being webcast and may be accessed on our website in the same location.

Before I turn the call over to Jack, I would like to remind you that remarks made by management during this conference call and the supporting slides may include forward-looking statements, which are uncertain and outside of the company's control. Forward-looking statements reflect our views regarding future events and are typically associated with the use of words such as anticipate, expect, estimate and believe, or other similar expressions. We caution investors not to rely unduly on forward-looking statements. They imply risks and uncertainties, and actual results may differ materially from expectations. We urge you to carefully consider the risks described in our filings with the SEC, including our most recent 10-K and 10-Q reports, which may be obtained on the SEC's website at sec.gov. We do not undertake any obligation to update or correct any forward-looking statements if later events prove them to be inaccurate. I will now turn the call over to Jack.

Jack Taylor
Thank you Chris, and good morning everyone. We would like to welcome you all to our second quarter 2021 earnings call. We hope everyone continues to stay healthy and safe.

Our business delivered another quarter of solid operating results as we continued to successfully execute on our strategy of originating and managing a well-diversified portfolio of first mortgage loans generating attractive returns. Yesterday afternoon, we reported second quarter distributable earnings of $0.29 per share, which again comfortably covered our common stock dividend of $0.25 per share. Our earnings continue to benefit from the in-the-money

LIBOR floors on our loans and the strength of our portfolio. In addition, our book value moderately increased to $17.27 per share, partially benefiting from the share repurchases executed during the quarter.

We had an active quarter across our business with respect to both assets and liabilities. During the second quarter, we closed seven new loans, totaling over $200 million of commitments, and currently have an additional $280 million of loans that have either closed or are expected to close in the near term. To date, we have originated loans secured primarily by multifamily properties. We have also funded well-leased properties and are pursuing loans secured by industrial warehouse, self-storage, life sciences, and others. In addition to our existing pipeline of committed loans, we have been actively sourcing new investment opportunities with the goal of deploying our excess liquidity and growing our portfolio, which should help improve our earnings and dividends over time. We are currently actively reviewing several billion dollars of lending opportunities, the scope of which allows us to be selective and pick the most interesting investments for our portfolio.

The market for lending on transitional commercial real estate assets remains very active with significantly improved transaction volumes supported by robust levels of available liquidity and well-functioning capital markets. Investors are increasingly enthusiastic about deploying both equity and debt capital and adding to their exposure to U.S. commercial real estate. Granite Point benefits from this increased market activity on both sides of our balance sheet. The loan repayments we realize in our portfolio generally provide us with additionally liquidity for new investments, and we are also able to further improve our funding profile by taking advantage of the favorable capital markets' conditions. During the second quarter, the pace of our repayments accelerated, resulting in over $420 million in total volume, including $134 million of hotel loan payoffs, which contributed to the decline in our portfolio balance and earnings quarter-over-quarter as repayments occurred in advance of our new originations. We view this level of payoffs as elevated and would anticipate it to moderate for the rest of the year.

With respect to our borrowings, during the second quarter we closed our third commercial real estate CLO, an $824 million transaction, and also extended maturities on some of our financing facilities. Our CLO, at attractive cost of funds and leverage, increased our proportion of non-mark-to market borrowings to about 75 percent, achieving our targeted levels. We believe the CLO market remains very favorable for well-established and repeat issuers such as Granite Point and is a key component of our balance sheet management strategy. As we originate new loans and grow our portfolio, we intend over time to be an active participant and opportunistically access the commercial real estate CLO market, as we execute on our strategy of maintaining a well-diversified term match funding profile, emphasizing non-mark-to-market and non-recourse financing sources.

We were very pleased with the performance of our business through the first half of the year. We have delivered solid earnings, driven by the attractive income generated by our well-balanced and defensively positioned investment portfolio and supported by the benefits from the LIBOR floors embedded in our loans. We have improved our capital structure and will continue to do so to further reduce our funding costs and provide us with more balance sheet flexibility. Refinancing our existing term loan remains a strategic priority.

Given the improving market fundamentals and increased transaction volume, our healthy level of liquidity, and the strength of our origination platform, we are well-positioned to take advantage of ample investment opportunities and grow our business, while delivering attractive risk-adjusted results to our stockholders over time. Supported by our highly experienced and talented team, we intend to continue to expand our already strong forward pipeline to support our earnings and dividends, while also further rationalizing the mix of our funding sources. As an internally managed REIT, we believe we have the opportunity to realize meaningful economies of scale benefits embedded in our business as we grow over time.

I would now like to turn the call over to Steve Alpart to discuss our originations, forward pipeline, and portfolio in more detail.

Stephen Alpart
Thank you, Jack, and thank you all for joining our call this morning.

We had a very busy quarter with respect to our overall portfolio activity. We closed seven new loans with total commitments of over $200 million and initial fundings of over $160 million. We also funded an additional $30 million on existing commitments, or total portfolio fundings of over $190 million. Six of these loans, comprising over 70 percent of our Q2 originations, are secured by multifamily properties, and one loan is secured by a well-leased office building in the Southeast. The new loans carry attractive return and credit profiles, with a weighted average yield of LIBOR plus 410 and a weighted average stabilized LTV of under 68 percent, reflective of the high proportion of multifamily loans.

During the second quarter, we realized $423 million of repayments, including eight full loan payoffs and several partial paydowns. Repayments were diversified across various property types and included two of our larger hotel loans, with a combined principle balance of about $134 million, which reduced our portfolio's hotel allocation to under 15 percent. We view this volume of repayment as elevated and would anticipate it to moderate over the rest of the year. Our initial estimate for full-year repayments was between $500 million and $1 billion, which we still view as reasonable, though the exact timing of them is hard to predict. We believe that a healthy repayment activity is a result of continued improvement in market conditions and is also attributable to the overall credit quality of our portfolio.

We ended the second quarter with a portfolio outstanding principle balance of about $3.6 billion across 99 loans, with an additional $440 million in future funding commitments, which account for only about 11 percent of our total commitments and is reflective of the generally lighter transitional nature of our assets. Decline in our portfolio balance in Q2 is mainly related to the elevated volume of repayments and the timing of closing new originations. Our assets continue to generate attractive returns and exhibit healthy overall credit characteristics, with a weighted average unlevered yield of about 5.3 percent realized in Q2 and a weighted average stabilized LTV of under 64 percent. Our portfolio has generally performed well and in line with our overall expectations given the market condition. We've had strong collections of contractual interest due on our loans through the July payment date. Our overall risk ratings were relatively stable in Q2. At June 30, we had three loans that were risk-rated 5 and were placed on non-accrual status during the quarter as a result of being particularly impacted by the pandemic. While select credit concerns remain with respect to certain loans, we have a positive outlook for our portfolio, and real estate fundamentals in general. As an example, we are seeing positive trends in our hotel portfolio.

As real estate fundamentals continue to improve, we are working with our borrowers and have seen a shift in the nature of the modification requests we've received from interest deferrals towards extensions, which is a reflection that many business plans have been delayed. During Q2, we modified eight loans, with an aggregate principle balance of about $409 million, three of these loans involving interest deferrals and most of the others simply allowing borrowers more time to implement their business plans in exchange for additional financial commitments to their assets. We also deferred and capitalized approximately $4 million of interest income, which reflects some of the Q2 modifications as well as others that are currently effective from prior quarters. This strategy of granting borrowers more time has already resulted in the payment of loans that were previously modified and that have since repaid in full. We continue to see our high-quality borrowers acting responsibly and making ongoing financial commitments to their properties.

While we are actively managing our existing assets, we are committed to growing our portfolio and improving our earnings and dividends over time. We have generated a strong forward pipeline of attractive investments, with over $280 million of total commitments and over $265 million of initial fundings. So far in the third quarter, we have closed three loans and funded $125 million of principal plus another $12 million on prior commitments. These loans and those in our pipeline are secured by properties with favorable fundamentals, including multifamily, office, and self-storage assets, with attractive risk-adjusted return profiles. Despite the heavy competition among lenders, we remain disciplined and selective and continue to find ample, attractive investment for our portfolio from many repeat borrowers with compelling returns, as we review a large set of opportunities currently available in the market. Assuming stable market conditions, and depending on the volume of loan repayments, we anticipate growing our portfolio as we redeploy our excess capital over the rest of the year.

I will now turn the call over to Marcin for a more detailed review of our financial results.

Marcin Urbaszek
Thank you, Steve. Good morning, everyone, and thank you for joining us today.

Yesterday afternoon, we reported our results for the second quarter of 2021, with GAAP net income of $14.2 million, or $0.26 per basic share, as compared to $28.0 million, or $0.51 per basic share, in the first quarter. Distributable earnings for Q2 were $15.7 million, or $0.29 per basic share, versus $20.7 million, or $0.38 per share in Q1. There were a few main drivers that affected our second quarter results, compared to the prior period. First, as we disclosed previously, along with our dividend announcement in June, we realized an elevated volume of loan repayments of about $423 million in Q2, which, combined with our new originations, resulted in a $225 million net decline in our portfolio from Q1. Second, we recorded a $2.1 million reversal of interest related to three loans placed in nonaccrual status. Both of these factors drove most of the decline in our net interest income of about $5 million, or $0.09 per basic share. Finally, our total allowance for credit losses was relatively stable quarter-over-quarter as we did not realize a meaningful benefit from provision for credit losses in Q2, as compared to the $9 million, or $0.17 per basic share, reserve release we had in Q1. Our total operating expenses in Q2 of a bit under $9 million were largely in line with the first quarter.

Our distributable earnings continue to meaningfully cover our common dividend, reflecting the strong run rate earnings power of our portfolio, despite an elevated volume of loan repayments. The attractive income generated by our portfolio continues to benefit from the LIBOR floors embedded in our loans with a weighted average rate of 155 basis points. Over time, as our portfolio mix continues to shift towards new originations with lower LIBOR floors, we would anticipate this earnings benefit to moderate. However, if and when short-term rates increase, our results should benefit as our portfolio likely becomes more rate sensitive.

Partially driven by the share repurchases, our Q2 book value increased to $17.27 per share from $17.22 per share in Q1. At June 30, book value includes an allowance for credit losses of

$62.9 million, or $1.15 per share. However, it does not include the potential dilutive effect of the approximately $4.6 million warrants that remain effectively outstanding, which were issued as part of the term loan financing last year. At a recent stock price of around $14 per share, the dilutive effect on our book value would be approximately 3.5 percent, assuming a cash settlement option, and over 4 percent in the case of a net share settlement option.

As I mentioned earlier, our total CECL reserve was largely unchanged from the prior quarter at about $63 million, representing about 154 basis points of our total portfolio commitments as of June 30. We had a few offsetting factors impacting our allowance in Q2. The reserve releases associated with repayments and further improving macroeconomic forecasts were mostly offset by an increase in the reserve on one office loan that was newly rated 5 as well as an establishment of an allowance for the newly originated loans. The other two loans that were also individually assessed during the quarter had been largely reserved for previously.

Turning to liquidity and leverage, we ended the quarter with about $237 million in cash on hand. As of August 6, we had approximately $242 million in cash. In addition to the cash on the balance sheet, we also have our option to draw another $75 million in term loan proceeds through the end of September. Our total debt-to-equity ratio at June 30 was 2 times, down from 3 times in the prior quarter. Our recourse leverage at June 30 declined to 1.1 times, from 1.7 times in Q1, mainly driven by the closing of our third CRE CLO in May. We would anticipate our total leverage to increase as we continue to originate new loans and deploy the excess liquidity. Given current market conditions, we would anticipate our total leverage to be in the range of 3-3.5 times over time, depending on the pace of our new loan originations and volume repayments

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

QUESTION AND ANSWER

Operator
Thank you, and we will now begin the question-and-answer session. If you would like to ask a question, please press star, then one on your touch-tone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two.

Our first question today will come from Doug Harter with Credit Suisse. Please go ahead.

Douglas Harter
Thanks. I was hoping you could talk a little bit more about the three loans that went on to nonaccrual today, just give us the details of how reserved they are and why you're comfortable with those reserve levels.

Stephen Alpart
Hey, Doug. Good morning. It's Steve. Thanks for joining the call this morning. So, we've talked about most of these loans in prior quarters. There's not a lot new this quarter. We're very comfortable with the risk rankings. The credit profile of our portfolio was generally stable in Q2. We're closely asset managing our portfolio. We're evaluating loans each quarter, as you know. We feel very good about the reserves and as we have new information we'll share it.

Marcin Urbaszek
And this is Marcin. If you look at our 10-Q, we provide a little bit more detail on specifically kind of how much reserves are on each of these assets.

Douglas Harter
I guess, what specifically changed that led you to take the interest reversal this quarter and why you hadn't done that in the past?

Stephen Alpart
Sure, it's Steve again. So, on the Minneapolis hotel, which we talked about a little bit last quarter, we maintained the 5 ranking this quarter. There's not a lot new this quarter. We're working towards a resolution. As I said, we feel like we're adequately reserved. We just felt like, given the overall status, it made sense to put that one on non-accrual status. We moved the Southern California retail loan that we discussed previously that had been ranked a 4 in Q1. We moved it to a 5 in Q2. That was mainly due to the ongoing uncertainty around retail in general and also because it had at the time an upcoming July maturity date. And then, we moved a loan secured by an office building in D.C. to a 5, and that one was largely due to this ongoing softness in the D.C. leasing market and some borrower fatigue about putting more equity into the property. And that was the catalyst for moving that one on to nonaccrual.

Douglas Harter
Great, thanks. And then, could you talk about deploying liquidity, how you're weighing deploying that into loans versus repaying the term loan that you took out I guess a year or so ago?

Jack Taylor
Hi, Doug, we are looking to deploy that liquidity. We had what I would say a downturn or a trough in our portfolio balance because of the elevated level of repayments that were in advance of the originations of the loans to replace them. I'll let Marcin speak to the term loan here in a second. But I'll say our expectation is we have ample liquidity. Our expectation is to deploy that through the end of the year, expecting a year-end balance I would say somewhere about 5 percent maybe plus that, possibly lower over the current level of balance by year end.

Marcin Urbaszek
And, Doug, with respect to the term loan, as we mentioned earlier, it's a pretty attractive piece in our capital structure, though it is expensive. So, our strategic priority is to refinance this term loan at some point in the future. As you can imagine, it will largely depend on capital markets' conditions. We're looking at a variety of different products to accomplish that. But we can't really comment on anything with any certain high degree of certainty as of right now, since it is capital market dependent.

Douglas Harter
Great. Thank you.

Operator
And our next question will come from Steve Delaney with JMP Securities. Please go ahead.

Steven Delaney
Good morning, everyone. Thanks for taking my question. Marcin, you were discussing some items that you indicated had a $0.09 per share impact on second quarter earnings, and I believe

you were comparing that relative to first quarter. I think $2.1 million was the reversal of interest that you described on, I think, the three non-accrual loans. What would the other roughly $3 million of impact have come from to get to a $0.09 or about a $5 million total dollar amount?

Marcin Urbaszek
Good morning, Steve. Thank you for joining us.

Steven Delaney
Sure.

Marcin Urbaszek
Yeah, I would say the rest of it is largely related to the repayments. We had a really elevated level of repayments in the quarter. Some of those repayments were hotel loans, which obviously is a good sign from a credit perspective, but they tend to carry higher yields. So, I would say most of the rest of the decline is related to repayments. It was just timing of the repayments and closing of new loans.

Steven Delaney
Got it. So, smaller average portfolio size, obviously?

Marcin Urbaszek
Correct.

Steven Delaney
And just to be clear, Page 11 in the deck, these five loans, these are all 5 rated at this time, right? And I think there were, two new 5-rated loans in the quarter? I'm just trying to make sure I'm looking at the entirety of the 5-rated loans and also the number that were new in the quarter.

Marcin Urbaszek
So, we have three 5 rated loans. That's the Pasadena, California retail, the Minneapolis hotel, and then the Washington, D.C. office. The other two are not 5 rated, but they are loans that we've discussed in prior quarters on our "watch list" that we're monitoring closely.

Steven Delaney
I see. So, this is not your watch list, but it's not intended to suggest that all five of these are 5 rated. Two are not.

Marcin Urbaszek
Correct.

Steven Delaney
That's helpful. And then, Page 3 of the deck, I'm just trying to get the nuance right here you are making the statement at the top that through July of 2021, 100 percent of borrowers are making their contractual payments in accordance with agreements. And there's a footnote there, and it says, "Including loan mods and four nonaccrual loans." So, with respect to the nonaccrual loans, when you say 100 percent of borrowers are making their contractual payments, are they making interest payments, even though they're nonaccrual, and you're just recognizing the income as it comes in as opposed to accruing it?

Marcin Urbaszek
No, they're not. So, we're excluding that from our calculation.

Steven Delaney
So, when you say 100 percent of borrowers making payments, that's excluding the four nonaccrual loans, because we're assuming that they are not paying?

Marcin Urbaszek
Correct.

Steven Delaney
So other than those four loans, you've got everybody making their payments. Is that correct?

Marcin Urbaszek
Correct, adjusted for mods, which some of the modifications may involve some partial deferral of interest, not waivers but deferrals, which to Steve's point earlier, we've seen a pretty significant decline in those requests.

Steven Delaney
When you mention CECL reserve, I thought I heard you mention a figure of $63 million. I'm looking at my model, and I'm seeing $39 million, and it was down. You had released $9 million in the first quarter. Is it $39 million? Or I don't know where the $63 million came from.

Marcin Urbaszek
No, it was $63.1 in Q1, and it's $62.9 in Q2 in the total reserves. So, it was largely unchanged. But we obviously had some movement between kind of the general population and some of the loans that we individually assessed over the quarter.

Steven Delaney
Right, got it. And within that CECL reserve on the five loans on Page 11, can you tell me how much of the CECL reserve do you have specific reserves on any of the loans shown on Page 11?

Marcin Urbaszek
If you look at our 10-Q when we talk about our portfolio, we provide a little bit more detail on the three 5 rated loans. So, there's about $32 million to $35 million for those specifically assessed 5 rated loans in the pool, so more than half of our reserve as of June 30 is related to those three 5 rated loans.

Steven Delaney
Excellent. Thank you so much for the color. That's very helpful.

Marcin Urbaszek
Thank you.

Operator
And our next question will come from Stephen Laws with Raymond James. Please go ahead.

Stephen Laws
Yeah, hi. Good morning, appreciate the chance to ask questions today. Jack, to follow up on Doug's question earlier about your excess liquidity, as you think about deploying new loans, paying down more expensive capital and refinancing that, where does stock repurchase fit in? I

know you bought back a little bit of stock, I believe, during the quarter. So, can you talk about your options there?

Jack Taylor
Sure. Good morning, Steve, and thanks for joining us, and I'm happy to address that. First, I'll do the usual caveat. It's our general policy not to comment on any potential buybacks or their timing. But having said that, we always have been focused on generating the best risk-adjusted returns and what's best for the business, which has a lot of different factors that play into it.

And one of the assessments of the best use of capital, of course, is going to discount to book valuation that we would take that into consideration in assessing the best use of capital against origination opportunities, rationalization of our other liabilities, etc. And we do have authorization for more share buybacks that are available to us as we make this assessment.

Stephen Laws
Great. Thanks for the comments on that, Jack. Marcin, looking at Page 12 on the financing, can you talk to the opportunities that looks like cheaper financing, either through the repo facilities or putting into newer CLO. Can you talk about opportunities you see other than the term loan to kind of reduce financing costs going forward?

Marcin Urbaszek
Sure. Hi, Stephen. Thanks for the question. Look, when we assess our liabilities and fundings, we kind of look at everything altogether. So, you make an interesting point on FL1. It is a function of what type of assets are financed with different pools, what's available in the market. But, I can assure you that we are looking at our liabilities and funding and reassessing the best way to rationalize that and bring down our cost of funds, which we've definitely focused on. So, we can probably become a little bit more efficient on the asset finance side of our business, and we intend to do so.

Stephen Laws
Great. Thanks for the comments this morning.

Operator
And our next question will come from Jade Rahmani with KBW. Please go ahead.

Jade Rahmani
Thank you very much. Looking at the expense base of $9 million, on an annualized basis, it's 3.8 percent of common equity. The typical fee structure for even externally managed REITs is 1.5 percent base fee and probably about 20 percent above or 20 percent of excess returns above an 8 or 7 percent hurdle.

So, the peer expense ratio is 2.5 percent. For GPMT to operate at that level of efficiency, your equity base needs to be 40 percent higher. So, my question is, number one, with the existing capital base, what kind of returns on equity do you believe are achievable? And what other options do you believe there are to increase the operating leverage at the company, so that that expense base could be rationalized?

Marcin Urbaszek
Good morning, Jade. It's Marcin. Thank you for joining us and for your question. I think you're missing a couple of other pieces in the expenses across-the-board. There's additional G&A that we all incur as public companies, such as public company costs and also amortization of non-

cash equity compensation. The ratio for us that you are referring to includes all of that, so it's not just compensation costs. It's the public company costs but also close to $2 million of LTIP amortization, which all of our peers also have.

But, look, as an internally managed company, we obviously have pretty significant economies of scale available to us as we grow the company, which we intend to do. And I think as we deploy our excess liquidity, rationalize the liabilities, we fully intend to grow the equity base of this company in the future and realize those economies of scale.

Jade Rahmani
And based on the current equity base, do you have a view as to what the levered ROEs over, say, a multiyear period rolling off LIBOR floors but also rationalizing some of the high-cost liabilities do you have a view as to what range we should be thinking about as to achievable ROEs within the existing equity base because right now, book value is $17.27. The common stock price is $12.47.

So, I've seen a lot of mortgage REITs get into this situation I know my peers have as well where these companies trade below book value, and it becomes somewhat difficult to get out of that and grow the common equity base. There could be other tools at your disposal as well, so just curious what the outlook for levered returns within existing capital are.

Marcin Urbaszek
Sure. Look, I think the outlook is still high single digits. We are a little bit inefficient on the balance sheet in terms of liquidity and our liabilities. Our portfolio on a run rate basis continues to generate low double-digit growth returns. We continue to make loans in low double-digit growth returns, levered. So, I think we have enough of a capital base to grow our earnings once we deploy our liquidity and do some more work in the liability structure to get to those high single-digit net ROEs, which are kind of par for the peer group generally. I just think we just have a little bit more work to do on the balance sheet

Jade Rahmani
I guess a couple of other items. One is a clarification. The $0.04 of other to get to the $0.29 of distributable EPS, what does that relate to?

Marcin Urbaszek
You mean the difference between GAAP and distributable?

Jade Rahmani
Yes, I think you gave a walk to get to the $0.29.

Marcin Urbaszek
It's essentially a non-cash equity comp, which is about $0.03, and there was a slight benefit from provision of $0.05, so that's the difference.

Jade Rahmani
Got it.

Jade Rahmani
Great. And I actually misspoke, the $0.04 of other to get to the $17.27 of book value. Do you happen to know what that's related to?

Marcin Urbaszek
You can see in on Page 6 in the presentation, most of that is related to the benefit of the share repurchases.

Jade Rahmani
Thanks. Great. And then, a question for Jack and Stephen would be, one company I spoke with said that the majority of the increase in production they're a brokerage firm was related to debt funds. And I was wondering if you believe that the surge in repayments that we're seeing across the industry primarily reflects loan takeout's by other debt funds, or what do you believe the refinancing sorts of capital is that's driving this elevated level of activity?

Jack Taylor
I'll address that, and then Steve, if you'd like to follow on, we think it's across-the-board. There was a huge surge of, I'll call it, increased and renewed interest in the transition in debt specifically but also the debts from fund space generally, and a lot of money came into the space. Also, in the public REIT sector, there's been an acceleration of financings. So, we're seeing, I would say, primarily takeout's from the private side, but it's been across-the-board.

Stephen Alpart
Jade, I would add that.

Jade Rahmani
Well, I was just going to say so not primarily debt funds. When you guys are losing a loan, and you add a huge amount of repayments, which speaks well for the credit quality, but those loans are being taken out by traditional lenders or debt funds?

Stephen Alpart
Yeah, I would say for our portfolio, notwithstanding the three 5 rank loans, the portfolio credit has been strong, and what we're seeing is that a progression of business plans. The agencies, the GSEs, are wide open, so you're seeing multifamily loans go into kind of permanent loan take outs. You're seeing hotels that were transitional that have progressed, notwithstanding the pandemic. So, for our portfolio, a lot of it just the natural progression of business plans and being taken out by various types of permanent lenders or securitizations or GSEs. That's a lot of it.

Jade Rahmani
Thanks for taking the questions appreciate it.

Jack Taylor
Sure. Thank, Jade.

Operator
And this will conclude our question-and-answer session. I'd like to turn the conference back over to Jack Taylor for any closing remarks.

CONCLUSION

Jack Taylor
Well, thank you, everybody for joining us today. We really appreciate your questions and your time and attention. We really are excited about continuing our strong operating results and

growing our business. And I'd like to personally, and for the group, wish you all a safe and healthy quarter ahead. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time.