

**Granite Point Mortgage Trust Inc.**  
**First Quarter 2023 Earnings**  
**May 10, 2023**

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**Presenters**

**Jack Taylor, Chief Executive Officer**  
**Stephen Alpart, Chief Investment Officer & Co-Head of Originations**  
**Marcin Urbaszek, Chief Financial Officer**  
**Peter Morral, Chief Development Officer & Co-Head of Originations**  
**Steven Plust, Chief Operations Officer**  
**Chris Petta, Investor Relations**

**Q&A Participants**

**Steve Delaney – JMP Securities**  
**Stephen Laws – Raymond James**  
**Jade Rahmani – KBW**  
**Douglas Harter – Credit Suisse**

**Operator**

Good morning. My name is Kevin, and I will be your conference facilitator. At this time, I would like to welcome everyone to Granite Point Mortgage Trust first quarter 2023 financial results conference call. All participants will be in a listen only mode. After the speakers' remarks, there will be a question and answer period. Please note today's call is being recorded. I'll now turn the call over to Chris Petta with investor relations for Granite Point. Chris, please go ahead.

**Chris Petta**

Thank you, and good morning everyone. Thank you for joining our call to discuss Granite Point's first quarter 2023 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 provide a brief recap of market conditions and review our current business activities, Steve Alpart will discuss our portfolio, and Marcin will highlight key items from our financial results.

The press release with financial tables associated with today's call was filed yesterday with the SEC and is available on the investor relations section of our website, along with our Form 10-Q. I would like to remind you that remarks made by management during this call and the supporting calls 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 subject to uncertainties that could cause actual results to differ materially from expectations. Please see our filings with the SEC for a discussion of some of our risks that could affect results. We do not undertake any obligations to update any forward looking statements.

We will also refer to certain non-GAAP measures on this call. This information is not intended to be considered in isolation or as a substitute for financial information presented in accordance with GAAP. A reconciliation of these non-GAAP financial measures with the most comparable GAAP measures can be found on our earnings release end slide, which are available on our website.

I'll 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 first quarter 2023 earnings call and thank you for joining us today.

Our business delivered strong operating results in the first quarter despite the challenging macro backdrop and negative sentiment around commercial real estate. Our well diversified conservatively underwritten and granular floating rate senior loan portfolio continues to benefit from higher short term interest rates as our first quarter distributable earnings increased to \$0.20 per basic share and covered our common stock dividend. Given the highly uncertain market environment, our balance sheet remains defensively positioned, benefiting from a well diversified funding mix, leverage that is meaningfully below our target range, and a strong liquidity position.

We continue to emphasize protecting our balance sheet and our stockholders' capital while actively asset managing our portfolio and rationalizing our liabilities. The diversity of our funding and the strength of our lender relationships support the execution of our objectives. During the first quarter, we successfully delevered our FL2 CLO and released a substantial amount of capital, further strengthening our liquidity position. The loans underlying the legacy CLO were refinanced on one of our large bank credit facilities, highlighting our good standing with lenders and our ability to refinance our assets even during periods of major market dislocations.

Despite some signs of thawing and recently emerging signs of some more liquidity in the real estate capital markets, we continue to maintain our conservative approach to new loan originations. However, we have been opportunistic with respect to deploying capital into our own securities when they present attractive relative value. We've bought back our common stock, capitalizing on a deep value opportunity created by what we believe to be an unwarranted market discount versus our book value. We repurchased about one million common shares, generating attractive returns and meaningful book value accretion for our shareholders while

maintaining our strong liquidity position. These repurchases have largely used up our prior stock buyback authorization as, from time to time, we have been an active market participant over the last couple of years, accretive repurchasing almost 4 million of our common shares. As a result, and to provide us with more flexibility to actively manage our capital over time, our board has increased our buyback authorization by an additional 5 million common shares, or almost 10% of our outstanding shares. As we have done in the past, we will remain opportunistic with respect to our purchases, taking into consideration multiple factors as we manage our business.

Given our conservative stance on loan originations, we have been emphasizing proactive asset management and collaboratively working with our borrowers to ensure successful loan repayments and resolutions. In general, our borrowers continue to support their properties and protect their investments, as they recognize the embedded value in those assets and wait for the markets to stabilize and transaction volumes begin returning to more normalized levels. In the near term, we believe that the recent developments in the regional banking sector are likely to further delay market recovery and impact liquidity for commercial real estate assets, given the regional banks' significant historical presence in this market. It remains unclear when the market environment stabilizes, the commercial real estate markets improve, and for how long the Fed keeps short term interest rates elevated. Accordingly, we further increased our CECL reserves on our portfolio in the first quarter to about 3.8 % of our total loan commitments. As the ongoing market disruptions, especially for certain properties located in some of the more challenging cities are likely to continue to create uncertainty.

We remain focused on the macro trends in the office market and the individual performance of our office loans. We are keenly aware of the headwinds in the office market. But the office market is not monolithic, and the performance depends on the specific market fundamentals and the particular assets. Offerings located in our portfolio market such as Miami continue having favorable demand characteristics and fundamentals. In other markets that were more impacted by the pandemic and where the trend to returning to the office is more delayed, such as Minneapolis, there have been greater challenges. Fortunately, we have a very diversified and granular office portfolio across 19 MSAs. We have little to no office exposure in some of the most impacted markets, such as San Francisco, Washington DC, Portland, and Seattle. As for specific asset characteristics, approximately 90% of our office assets by UPB are either Class A or recently renovated. So, while we are witnessing greater stress and challenges in some of our loans for which we have established reserves and are working with the borrowers on resolutions, these situations are not indicative of the balance of our portfolio. In addition, we take comfort in the strong sponsorship profile of the owners of the office property securing our loans, the substantial cash equity invested in these properties to date, and that these sponsors are generally committed to support their properties during this period of dislocation. Over the last year, our portfolio borrowers have contributed over \$140 million of additional equity in support of their properties. In the near term, we will maintain our conservative stance, actively managing our business, protecting our balance sheet, and maintaining lower leverage, while emphasizing liquidity and

collaboratively working with our borrowers. As we've said in the past, we believe that the U.S. commercial real estate market provides attractive long-term opportunities and the significant amount of capital, which is currently on the sidelines waiting for more market stability, will ultimately be deployed providing support for the sector. As the environment stabilizes and likely increased regulations for banks occur, once we are on the other side of the current disruptions, this will allow us to take advantage, as a nonbank lender, of attractive opportunities.

I would now like to turn the call over to Steve Alpart to discuss our portfolio activities in more detail.

**Stephen Alpart**

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

We ended the first quarter with an aggregate committed balance of \$3.5 billion and an outstanding principal balance of about \$3.3 billion, with only \$205 million of future funding commitments accounting for less than 6% of our total commitments. Our portfolio is well diversified across regions and property types and includes 88 investments with an average loan size of approximately \$38 million. Our loans continue to deliver an attractive income stream with a favorable overall credit profile, generating a realized portfolio yield of about eight percent, with a weight average stabilized LTV at origination of about 63%. Given our cautious stance on originations due to the market environment, during the first quarter, we funded about \$17 million on existing commitments. Our repayments and loan pay downs totaled approximately \$60 million in the first quarter, which outpaced loan fundings and resulted in a slight decline in our portfolio balance over the quarter.

As of March 31, our portfolio weighted average risk rating was 2.6, which was largely unchanged from the prior quarter of 2.5. During the first quarter, we downgraded a \$27.5 million senior loan collateralized by an institutional quality full service hotel property located in downtown Minneapolis to a risk ranking of five. The property was recently substantially renovated and reflagged. It's owned by a well regarded institutional sponsor who invested significant cash equity to purchase and then renovate the property. Although the property's performance and the market in general have shown recent signs of improvement, operating performance continues to be negatively affected by the ongoing impact of delayed business travel trends in the Minneapolis CBD and from the lingering impact of social unrest. We are actively working with the owner of the property who has elected to market the property for sale. We anticipate the property will be listed soon and are hopeful for a resolution this year. Although the exact timing is hard to predict.

As of March 31st, we have five loans that are risk rated five and a non-accrual status totaling \$275 million in UPB for which we established specific CECL reserves of about \$67.5 million, which implies an average estimated loss rate on those loans of about 25%. As we have mentioned in

the past, we are in active discussions with all five of these borrowers and are evaluating a variety of potential resolution alternatives and will provide more information as these situations develop over the course of the year. Four of our non-accrual loans are backed by office properties, each with its own characteristics and attributes. As we evaluate a variety of resolution options for these office assets, some may include a conversion to an alternative use. While not all office properties are amenable to such outcomes, we would like to point out that the Phoenix and San Diego office loans are two where the highest and best use could be other than an office building. The recently extensively renovated properties securing the Phoenix office loan benefits from a convenient pedestrian oriented downtown location with nearby access to light rail and mass transit. The property's configuration lays out quite well for a conversion to residential use, for which there is demand in the market. Similarly, the San Diego office property has an excellent location, is recently and extensively renovated, and can be converted to hotel, residential, or mixed use. The building's physical and location attributes lend itself well to conversion. In fact, the borrower was under contract to a buyer who planned to convert the property to a hotel. But, it fell out of contract shortly after the failure of Silicon Valley Bank. For both the Phoenix and San Diego assets, we are working with the borrowers to take possession of the properties and have had multiple indications of interest for purchase for conversion. We are evaluating a range of resolution alternatives, which could include a foreclosure or deed in lieu followed by a sale of the property.

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 first quarter GAAP net loss of \$37.5 million or \$0.72 per basic share, which includes a provision for credit losses of \$46.4 million or \$0.89 per basic share, compared to the prior period, our GAAP net loss widened due to an increase in our CECL reserves driven by the unsettled market conditions.

Distributable earnings for the first quarter were \$10.7 million or \$0.20 per basic share as compared to a distributable loss last quarter, which was mainly impacted by the resolution of one of our non-accrual loans in Q4. On a pre loss basis, quarter over quarter, our distributable earnings improved by about \$0.03 per basic share, driven by higher net interest income as our floating rate portfolio continues to benefit from increases in short term interest rates. Our distributable earnings covered our common dividend in the first quarter despite us carrying over \$200 million of cash which represents over 20% of our equity, our balance sheet leverage is meaningfully below our target levels, and the five non-accrual loans, which we estimate impacted our interest income by over \$5 million in Q1 or about \$0.10 per share.

Our first quarter book value declined by about \$0.78 per common share or about five percent to \$14.08 and was mainly affected by the increase in our CECL reserves, which was partially offset by an estimated \$0.19 per share benefit from our share buy backs. As Jack mentioned earlier, during the first quarter, we repurchased about one million shares of our common stock, given what we believe is a deep value opportunity our stock price currently represents. Our board's increase in our buyback authorization of an additional five million shares furthers our ability to, over time, be opportunistic in the market, given our flexible and shareholder focused capital allocation strategy.

Our CECL reserve at quarter end stood at about \$133 million or \$2.50 per share, representing about 3.8% of our portfolio commitments. The \$46 million increase in our CECL reserve quarter over quarter was mainly related to a higher allowance on our collateral dependent loans and more recession assumptions used in our analysis reflecting the uncertain market environment. As disclosed in our earnings supplemental, slightly more than half of our CECL allowance or about \$67 million is allocated to the five non-accrual loans.

Turning to our capitalization and liquidity, as we announced in March, we successfully refinanced our legacy 2019 FL2 CLO and funded the \$269 million of loans with one of our bank facilities, which improved the efficiency of our loan level borrowings and released about \$85 million of capital, further strengthening our liquidity position. This is our second refinancing of this type following a similar transaction in the second quarter of last year related to our legacy 2018 FL1 CLO and our term financing facility. We believe this highlights the strong general quality of our loan portfolio, our ability to finance our assets during challenging market conditions, and the strength of our longstanding relationships with our lending partners as they look to do more business with us. In connection with this refinancing, we upsized our JP Morgan financing facility to \$425 million. Additionally, post quarter end, we also extended the maturity of our Morgan Stanley facility to June 2024.

As a result of this CLO refinancing, our total leverage ticked up at quarter end to two and a half times from 2.3 times in Q4. We ended the quarter with over \$220 million in cash and continue to actively manage our liquidity, focusing on protecting the balance sheet and our investors' capital, given the market environment.

Thank you again for joining us today. And now we would like to open the call for questions.

**Operator**

Thank you. We will now be conducting a question and answer session. If you would like to be placed in the question queue, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing star one. One moment please while we poll

for questions. Our first question today is coming from Steven DeLaney from JMP Securities. Your line is now live.

**Steven DeLaney**

Good morning, everyone, and thanks for taking my question. For starters, we really applaud the share buy back, I think it's a nice way to reward your shareholders during these difficult times. Both what you've done and the increase that you plan. I'm wondering if you've also considered trying to buy back some of your convertible notes through reversing inquiry or other methods. We have noticed, on this earnings call, a couple of commercial mortgage REITs have had some opportunities and bought back some debt. So, any thoughts there? I'd appreciate it. Thanks.

**Marcin Urbaszek**

Good morning, Steve. It's Marcin. Thank you for joining us. Thanks for your questions. Appreciate the nice words on the buy back. We thought it was a good use of capital in this depressed valuation. To your point on the converts, yes, it is something we have considered and will continue to consider. We've had some discussions around this internally. So, it is on the table as a potential use of our liquidity, obviously given the upcoming maturity in the fourth quarter. So, yes, it is something that has been debated internally.

**Steven DeLaney**

Okay, great. That's good to know. I want to apologize, the Dallas office loan that was new in the fourth quarter and I don't think I ever really asked or dug into that. Thank you for the details on the new Minneapolis hotel loan. But, like I said, I kind of whiffed on this one. It's a smaller loan, obviously, \$32 million compared to a couple of your other office loans that are much larger. But, here's what jumps out. It's a 2017 loan. So, it's six years old, with a \$35 million loan balance. The pricing is high at L + 540. And the other thing I noticed, it's a \$35 million loan and it's almost 400K square feet, which is similar to Minneapolis and San Diego. But, those loans are \$90 million. This one is \$35 million. So, help me understand that picture as to what is unique here. And I'm just curious whether Dallas is an older property or just in a not as attractive an area. Why the differences between Dallas and those other two office loans in your watch list? Thank you.

**Stephen Alpart**

Hey, Steve. It's Steve Alpart. Good morning and thank you for your question. So, you heard Jack say earlier in his prepared remarks that about 90% of our portfolio of office loans are Class A or recently renovated. So, they're not all in that category. We've had other assets in the Dallas market, we think the market has some good trends in it. So, obviously building by building, submarket by submarket. And the business and assets that underperform and the leasing has been sluggish. So, back to the point that it's not monolithic. This has just been an underperformer for a number of years. And we talked about resolution strategies on a few of the assets.

This one kind of falls under the same category. You can extrapolate that we're looking at all the typical options here. We're in collaborative discussions with our borrower. All options are on the table. And a sale of the property directly by the borrower or possibly a foreclosure or deed-in-lieu followed by a sale are kind of on the menu. And it's something that we're actively working on. But, I can't say anything is imminent as of this call.

**Steven DeLaney**

That's helpful to understand the status. I assume there's a specific reserve on this loan. Can you share with me what that amount would be?

**Stephen Alpart**

So, the five loans that are rated five have an aggregate of asset specific reserves of about \$67.5 million, that's about 25%. They're all a little bit different. But, you can kind of maybe estimate based on what the aggregate is.

**Steven DeLaney**

Got it. I understand and also understand probably why it's not a great idea to put your specific reserve out there when you're negotiating with buyers, et cetera. So, thank you very much for the comments. I appreciate it.

**Operator**

Our next question is coming from Stephen Laws from Raymond James. Your line is now live.

**Stephen Laws**

Hi, good morning. I want to second what Steve said about the buybacks. I think that's a good sign to support your stock, given concerns in the market, especially if these valuations weren't so accretive. First question is really more on the portfolio. Seems like in total four and five rated loans, there were nine of them. I know the hotel moved from four to five. Were there many changes from three to four back and forth, or are we seeing the portfolio kind of separate into these nine loans that are four and five and you feel good about everything else? Can you maybe talk about that a little bit.

**Stephen Alpart**

Sure. It's Steve Alpart again. Hey, Steve. Good morning. So, we talked about our aggregate risk rating was relatively stable in the quarter. It went from 2.5 to 2.6. There was no movement in the fours and fives as a group except we did move that Minneapolis hotel loan from a four to a five. But, the total of those four or five loans is the same. And then as far as the rest of the portfolio, we did have a couple other downgrades. They generally fall in the category of good performers that were not moved to a four obviously, but they moved from a two to a three where we think it's on track. Everything's fine. But, given the market environment, we thought it was prudent to



maybe move it one notch. But, it was more along those lines. Nothing at this moment we're concerned about.

**Stephen Laws**

Great. As you have discussions with borrowers around extensions or modifications, how are those discussions going? Any push backs or inability to buy new caps? Are there other protections you'd like to see in an extension modification maybe instead of a cap at this point? Can you talk about how those discussions are going with borrowers at the original maturity date?

**Stephen Alpart**

The tone of the conversation hasn't changed from what we talked about in prior quarters and is still constructive. We have a good playbook where if a borrower is coming up on an extension or more recently even a final maturity, in exchange for pay downs, additional economic spread, fees, structure, we will work with those borrowers. We're doing everything right. Some of those conversations, as you can imagine, involve getting a new cap. All things being equal, we like to have a new cap. The majority of our portfolio has either an active cap in place or other structure around the cap. So, certainly in some cases, if a borrower wants to put money into a reserve account or debt service reserve account, that's something that we would consider. But, we look at the cap or other structure as important. So, we're almost always getting one or the other.

**Stephen Laws**

Great. Appreciate the comments this morning. Thank you.

**Operator**

Thank you. As a reminder, that's star one to be placed in the question queue. Our next question is coming from Douglas Harter from Credit Suisse. Your line is now live.

**Douglas Harter**

Thanks. Can you talk about how much debt you have against the current non-accrual loans or risk rated five loans?

**Jack Taylor**

Sure. Good morning, Doug. Thanks for joining us. Thanks for the question. So, I would say most of those loans in terms of UPB are financed on the two sorts of new facilities that we put in place in Q3 and Q4. So, you see there's over \$100 million of leverage against three of those assets. I would say that's the majority of the borrowing against those loans. There's a little bit more in the other two. But, this is the majority of the leverage against them.

**Douglas Harter**

Great. Appreciate the update on the properties that Steve gave. But, just any more clarity as far as timing as to when you might be getting some of that capital back that you could then either use for the new buy back authorization or for new loans?

**Stephen Alpart**

It's Steve again. So, we are, as you can imagine, actively working on all five of these loans. They're all on a different path. Ideally, we like to resolve some or all of these in the next couple of quarters, just given the market. The timing is hard to predict. But, high level we certainly don't want to be for sellers. We're trying to be thoughtful about it. But, certainly the objective is over the next couple of quarters to start resolving as many of these as we can.

**Douglas Harter**

Great, thank you.

**Operator**

Thank you. Our next question today is coming from Jade Rahmani from KBW. Your line is now live.

**Jade Rahmani**

Thank you very much. Beyond the risk five rated bucket of office, how is everything else going? You have a substantial amount of office loans, some of which are probably slated for maturity this year given the origination date. So, I'm wondering if you can give an update there.

**Jack Taylor**

Hi, Jade. This is Jack. I'll give a more general update. And Steve, if you want to say something more specific. The headwinds are pretty intense in office nowadays. I would say that the majority of the conversation we're having with borrowers about it relates not to work from home dynamics and things like that, which seems to dominate the press a lot, but really the absolute level of rates the Fed has imposed on the market and the cost of carry as we move through this. So, I believe this is the main driver for stress in real estate, commercial real estate and in office. So, for the rest of our portfolio we've gone through our risk rankings and our CECL reserves. There are some that we have our eyes on and are having more significant conversations. But, as we've said, our portfolio is supported by borrowers that are looking at the embedded value over time and their assets and are putting money in to support it. It's difficult when rates are so high to navigate for some of them. But, I'll point out another thing too. What we've observed is, in the more middle market with substantial situational owners but not so much the mega funds, if you will, they scramble a lot more to support their properties because it's more meaningful to them as opposed to some of the larger fund operators who view it as an opportunity maybe just to move onto the next fund that they're already raised and they will exercise their option, if you will, for the lender. So, we're seeing a kind of funny dynamic in that you might think that the

bigger fund operators would be those that would stand behind their properties more. We're seeing it actually bifurcate a bit. And the little market loan at our property says that \$50 million with a \$30 million loan, they're really stepping up to the plate. I want to say, though, that this does not guarantee that we're not going to see any more credit migration downward. It's really path dependent, I believe, largely on the Fed. And I think there's a lot of inner dynamics on the effective rate, not just on the intentional destruction of value that they sought, but also the effect on much broader swathes of the economy and things like major city centers and the stress that it's putting on municipalities. So, those paths are still very uncertain and we're watching it very closely and in deep discussion with our borrowers on a daily or weekly basis.

#### **Jade Rahmani**

How on top of these loans are you in terms of asset management? What's your level of dialog? I mean, right now there's four loans within the office portfolio. I don't know, I think it's beyond the Fed that's affecting the office. I think that the Fed is affecting the other property sectors, multifamily, industrial, et cetera, where we've seen cap rates widen, but not the level of distress playing out in office. Office, it's the complete inability to underwrite rent and the lack of demand. I think, yes, you are seeing some leasing activity and the best, most renovated buildings are seeing demand, which is also somewhat surprising given your comments about the two conversions. Those are freshly renovated projects. But, what levels of dialog are you currently having with these borrowers? I mean, there's many loans that originated years ago. Can you also talk about the magnitude of the dollar amount of office maturities you'll be facing in the next quarter?

#### **Jack Taylor**

So, Jade, I thought and sorry if I misheard you. I thought you were asking me about the nature of the conversations and what we're seeing with them. And so we are in repeat frequent asset management dialog with our borrowers. And there's many that are doing quite well. There are some that are in between and there's the ones right beside it. And so, I do agree with you that rates are affecting all of commercial real estate. For example, multifamily that were originated, bought or originated last year put into CLOs are coming under significant stress compared to the separate levels that they were bought at and the level of rates. But, sticking with this, we're in intense touch with these borrowers on the office side. And I did not mean to say that the work from home dynamic and the reduction in demand was not a factor. I think it's a quite significant factor. I think in the near term though, the bigger factor is about liquidity, liquidity, liquidity. The demand affects that. But, when you have an out of favor asset category, the liquidity first drains from it. We'll see where it goes next. But, I personally believe that there will be a healing in the capital market and in the office market, generally. I was reflecting what our borrowers are reflecting back to us about where their main stresses are.

**Jade Rahmani**

And practically speaking, in terms of let's just say across the office portfolio, are you in touch with all of the borrowers? What's the frequency of dialog?

**Jack Taylor**

Well, Steve, maybe you can address it. The answer is yes, and it varies by the situation. In some of them, it's not a weekly discussion when there's not that much to be concerned about. In others it's more frequent and intense. Steve, do you want to elaborate?

**Stephen Alpart**

Jade, the way we're set up, the origination team that sources the loan, underwrites and closes the loan is responsible for that loan to repayment. So, there's a real kind of soup to nuts approach here. So, we're not really originating right now. So, this is our focus point for our reality. The amount of touch we're having is pretty significant. There's conversations about, if there's a mod coming up, it will be a little bit more intense. We're looking at leases and we're reviewing leases. There are site tours, there's reviewing business plans, budgets. There's still draws going on for capex, leasing. So, the amount of touch we're having, certainly not daily, although it can be daily at certain points. But, we're very much in touch with all these borrowers. As you can imagine, a four or five rated loan might have more of a touch than a one or a two. But, I would say the level of dialog, both with us and our borrowers, us and our lenders, is kind of daily, weekly, ongoing and constructive.

**Jack Taylor**

And Jade, I just want to point back a little bit, we had over 20% in repayments during the course of 2022 including on a run rate running through to December. And over half of that was in the office. And while we fully expect that we're going to see a decrease in the amount of prepayments this year because of the market environment and all the shocks to the system by the continued raising of rates, those office loans that repaid last year were financed or bought by third parties, as I said, including through the end of December. And we're seeing, I don't want to say anywhere near the robust pace as last year, but the significant pace of repayments in sight now, including our office loans. Now, that's evidence that we're working with our borrowers and being in touch with them and accommodating or demanding depending on the situation, their needs as we go on. And so, it is something we're working with them, extending out, renegotiating for higher rates, et cetera, has proven fruitful for us.

**Jade Rahmani**

Thank you. And on the multifamily side, I know everyone's focus is on the office. Generally, I would say summarizing first quarter earnings, multifamily has been pretty good, probably better than expected. However, there have been a few problem areas. One of your competitors, which has a GSC servicing business Freddie Mac delinquencies spiked quite notably within the portfolio.

And just today, The Wall Street Journal is talking about performance and CLOs deteriorating. How are you seeing the multifamily performance?

**Jack Taylor**

Steve, do you want to talk about performance, and I'll make another comment.

**Stephen Alpart**

So, notwithstanding the rise in rates and economic environment, the multifamily properties in our portfolio are generally exhibiting healthy fundamentals and we feel good about them. The portfolio is fairly diverse. It's mainly A's and B's. Our largest concentrations are in the southeast and the southwest. We're not just in the southeast and the southwest. Those business plans typically involve renovation, capex plan, pushing rent, not so much growing rent as far as market rent growth, but really more looking at the property next door and saying, "If we do this amount of renovation work, we can get the rent the guys are getting next door." So, we are still seeing, as rent rolls turn monthly, quarterly, we're still seeing borrowers getting those underwritten rent bumps. Obviously, the housing market is expensive and rates are high. So, that's helping the multifamily markets. We're certainly seeing rents slowing. We did some but not a ton of business. So, we don't have a ton of that vintage. The vintage that we did do at that time period, we had dialed back leverage probably, on average, about five points. And we had pushed back exit debt yields. So, I fully expect that there will be some multifamily loans that will need another turn or two of the rent roll to get to the exit. But, these are obviously three plus one plus one and a good market, they might pay off in two or three years. Maybe some need an extra year. And we have one right now, by the way, that we did kind of near the peak of the market that they ended up putting in less capex, got higher rent bumps, and they're taking it down on an agency deal. I'm not saying everything is going to look like that, but I would think in general we saw the headlines. In general, we feel good about the multifamily.

**Jade Rahmani**

That's great to hear. Thanks so much.

**Operator**

Thank you. We've reached the end of our question and answer session. I'd like to turn the call back over to Jack Taylor for any further or closing comments.

**Jack Taylor**

I'd like to thank everybody for joining us for today. We really appreciate your time and attention. And I'd like to thank our team for all the hard work that you've been putting in to maintain our portfolio and the quality of it. And I especially want to thank our investors for the support you've shown to us.

**Operator**

Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time. And have a wonderful day. We thank you for your participation today.