BRAMSHILL INVESTMENTS
February 2024

BRAMSHILL INSIGHTS

Revisiting & Highlighting our Outlook on Office Commercial Real Estate

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801 LAUREL OAK DRIVE STE 300 · NAPLES, FL 34108 · 239.920.7310 · WWW.BRAMSHILLINVESTMENTS.COM

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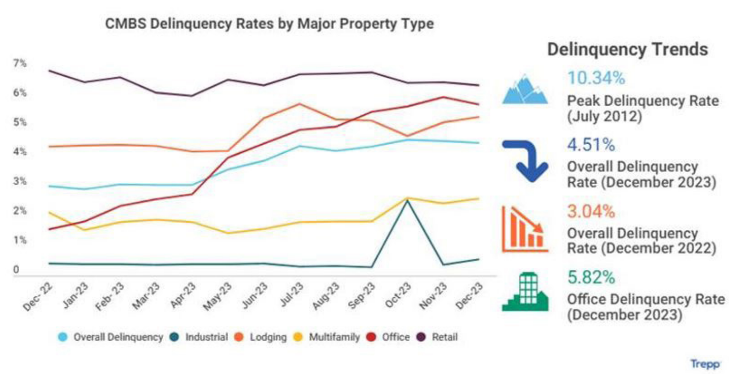
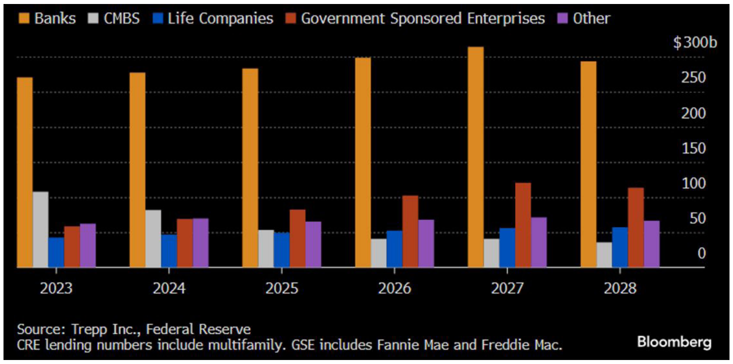
We wanted to highlight the **[Bramshill Monthly Insights]** we distributed in July of 2023 which discussed the Office Commercial Real Estate ("CRE") Market and Investment Opportunities within Securitized Products. On the heels of the recent headlines surrounding New York Community Bancorp's ("NYCB") financial strength and potential risks of CRE exposure to regional banks, we thought it would be beneficial to highlight the views we have had on the sector and the prudence we have already been employing by avoiding such risks in the CRE sectors, such as office properties.

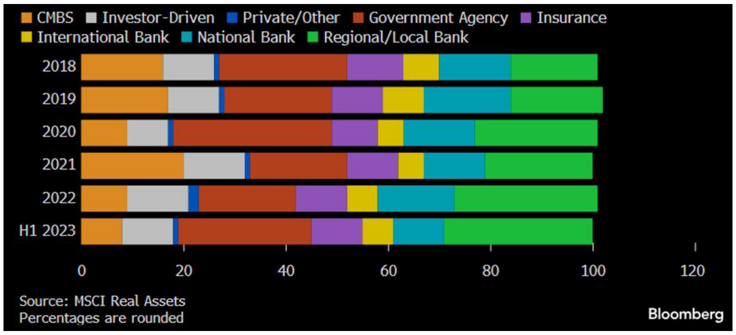
As an update the delinquency rate charts by commercial property types found in the piece from July, as seen in the chart below from Trepp, office commercial property delinquencies continued to rise above the overall delinquency rate climbing to the second highest delinquent property type behind retail.



The fundamental weakness occurring in the commercial property types seen above coupled with the impending reduction in property values due to lower occupancies and higher cap rates (which we also showed an example of in the attached piece) has led to further real-life examples of deterioration to office related properties. For NYCB mentioned earlier, they increased their loss reserves from $62 million to $552 million in the fourth quarter partly to cover expected losses on a loan used to finance an office building. In another example, Japan's Aozora Bank reported that bad loans tied to U.S. offices were partly to blame for its projected annual loss of 28 billion yen ($190 million) in 2023. Reports such as these have been suggested to be idiosyncratic by some analysts regarding the overall health of banks. We remain wary of such issues being limited and feel like they will continue to ripple throughout the entire banking sector, and more specifically to regional banks. The chart below from the Bloomberg article, Six charts That Explain the CRE Debt Crisis: Credit Weekly (2/10/2024), shows that banks have the biggest exposure to CRE lending as almost $3 trillion of U.S. CRE debt matures through 2028.

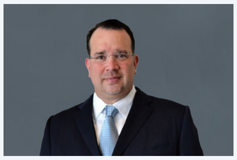


Further, another chart from the same article shows that regional banks, that faced fewer capital requirements than larger banks after the great financial crisis, took the opportunity to increase their exposure in CRE lending just as interest rates began to rise.



As we mentioned back in July 2023, we will continue to remain selective and focus on investments that are secured by underlying assets with stronger vacancy and performance fundamentals than currently being experienced in the office CRE property sector, such as the multifamily CRE sector. Once we feel the fundamentals have flowed through and "bottomed out" for such property types, such as office CRE, we may look to make more opportunistic investments in those sectors. We feel such prudence will be a good foundation for our Securitized Products investments and that good asset selection resulting from a proven repeatable process with a long track record will allow Bramshill Investments to continue to outperform our peers.

Contributors:



Paul van Lingen
Sr. Managing Dir. & Portfolio Manager
33 years experience

Ara Balabanian
Managing Dir. & Portfolio Manager
24 years experience

About Bramshill Investments

Bramshill Investments is an alternative fixed income asset manager with over $5.05 billion in assets under management as of January 31, 2024.

Founded in 2012 and headquartered in Florida, with offices in California and New York, the firm offers alternatives to traditional fixed income investment management featuring a variety of strategies across various debt and fixed income markets and specializing in preferred securities.

FLORIDA
801 Laurel Oak Dr, STE 300
Naples, FL 34108
P: 239.920.7310

NEW YORK
152 West 57th Street, FL 46
New York, NY 10019
P: 646.993.1648

CALIFORNIA
888 San Clemente Drive, STE 270
Newport Beach, CA 92660
P: 949.614.8031