securian ASSET MANAGEMENT®

Commercial Mortgage Loans Quarterly Update

As of March 31, 2024

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Market Update

Capital Markets:

- U.S. commercial real estate investment volume fell by 44% year-over-year (YOY) in Q4 2023 to $81 billion. For the year, volume fell by 52% to $348 billion—the lowest annual total since 2012.
- Multifamily led all sectors in Q4 investment volume ($26 billion), followed by industrial & logistics with $19 billion and office with $14 billion.
- New York led all markets for annual investment volume with $33 billion, followed by Los Angeles with $30 billion.

Lending:

- Lending activity increased by 1% in Q4—the first quarterly increase since Q1 2022.
- Spreads on seven- to 10-year, 55%-to-65% LTV fixed-rate permanent commercial loans widened by 15 bps to 234, while multifamily spreads widened by 19 bps to 192. However, January loan quotes indicate that spreads have tightened from these levels.
- Banks were the most active non-agency lender, accounting for 39.5% of Q4 loan volume.

Source: Securian Asset Management, Inc. As of 03/31/2024. Commercial Mortgage Lending (CML) is not an advisory service and does not involve securities but is included in the total assets under management. Lending involves many inherent risks. Loans can lose value, including the potential loss of the entire loan.

CRE Sector Update

SECTOR	COMMENTARY AND OUTLOOK
Multifamily	The overall multifamily vacancy rate increased by 20 bps quarter-over-quarter (QOQ) to 5.40%. As the market absorbs a wave of new supply throughout 2024, the vacancy rate should increase slightly over the next few quarters before returning to its long-term avg. of 5%. Net absorption was essentially unchanged QOQ at 84,800 units, which was more than 4 times the pre-pandemic Q4 avg. Average monthly rent fell by 1.2% QOQ in Q4 and was only 0.40% higher than a year ago at $2,166. Average rent growth likely will remain relatively flat over the short term.
Industrial	Concerns about the economy, interest rates, and consumer spending caused many industrial real estate occupiers and investors to curb their activity last year. Annual leasing activity fell by 8.80% YOY; however, Q4 leasing activity was up by 15.4% over Q4 2022. Sublease availability increased by 11% QOQ, the highest amount since the Global Financial Crisis. However, this total accounts for less than 1% of total U.S. industrial inventory.
Office	The U.S. office market closed 2023 with a 5th consecutive quarter of negative net absorption (-2.9M sq. ft.), although the level of quarterly negative demand eased in the 2nd half of the year. Negative net absorption and the completion of 5MM SF of new supply increased the overall office vacancy rate by 20 bps QOQ to 18.60%—a 30-year high. Certain submarkets and buildings are seeing strong demand, contrary to the performance of their broader markets. Several Sun Belt markets recorded positive absorption in 2023, while newer buildings continued to outperform lesser-grade assets. The average vacancy rate of post-2010 buildings was 3.40% below the U.S. average in Q4.
Retail	Net absorption of 12.50MM SF in Q4 brought the 2023 annual total to 40MM SF. Texas markets accounted for 5 of the top 10 U.S. markets for annual net absorption, with Dallas-Ft. Worth ranked 1st. The overall retail availability rate hit a record-low 4.70% at year-end, with the neighborhood, community & strip center segment tightening the most.
Hotel	A 1.80% YOY decrease in hotel demand and a 0.80% increase in supply led to a 2.50% drop in occupancy in Q4 2023. Occupancy declines were partially offset by a 0.70% increase in average daily rates (ADR), resulting in a 1.90% decrease in revenue per available room (RevPAR) during the quarter. Competition from other lodging sources like short-term rentals and cruise lines and continued strength in outbound international travel was a headwind to hotel demand in Q4.

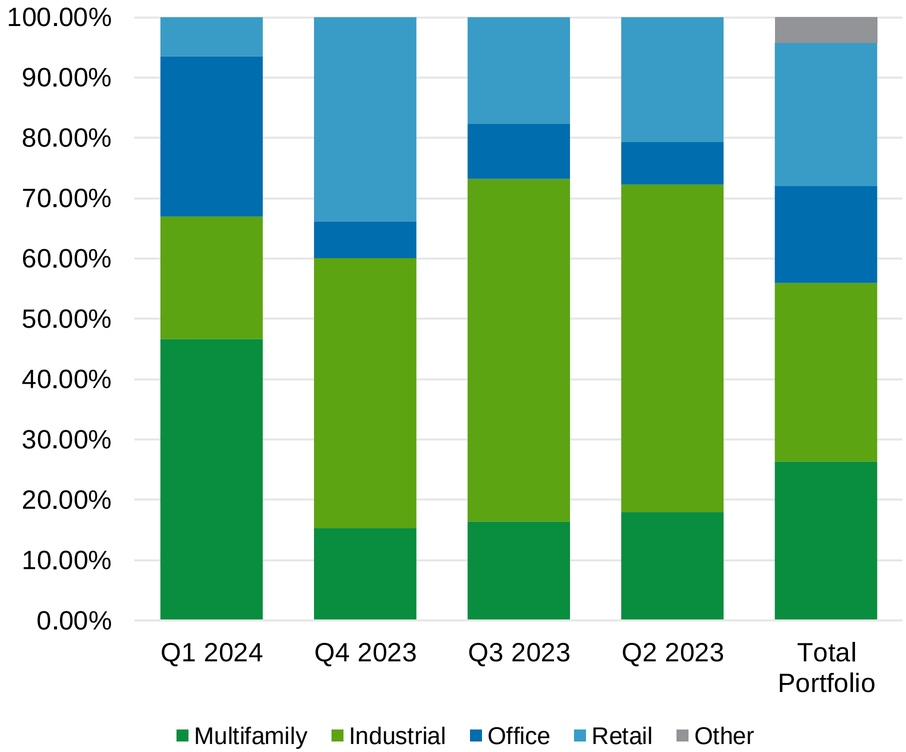
Source: Securian Asset Management, Inc. Opinions expressed herein are those of Securian AM only, and only as of 03/31/2024.

CML Production Overview

Q1 2024 PRODUCTION SUMMARY

Total Production	$121 million
Number of Transactions	14
Average Loan	$9.28 million
Loan-to-Value (appraised)*	45.99%
Debt Service Coverage*	1.60
Average Life	8.91
Net CBE Yield*	6.17%
Net CBE Spread*	1.91%

PRODUCTION BY PROPERTY TYPE



Source: Securian Asset Management, Inc. As of 03/31/2024. *Average. Loan-to-Value (appraised) is the original loan amount divided by the most recent appraised value. LTV will adjust with monthly principal payments. Debt Service Coverage is the amount of the property's annual net income as a multiple that is available to pay the annual debt service of the loan. Net CBE Yield is the net current bond equivalent interest rate or the net interest on the mortgage after deducting servicing fees. Net CBE Spread is the difference between the Treasury curve and the NET CBE interest rate. Preceding net calculations do not include Securian AM servicing fees. Loan production means loans funded during the period of 01/01/2024 to 03/31/2024.

Disclosures

Loan participations are not securities. The purchase of an ownership percentage in a commercial mortgage loan described herein is a purchase of a portion of a commercial mortgage loan and is a sale transaction between Minnesota Life Insurance Company (as lender) and the purchaser. Securian Asset Management, Inc. ("Securian AM"), an affiliate of Minnesota Life, analyzes the property and the loan terms to determine whether the loan is suitable for Minnesota Life Insurance Company only. Neither Securian AM nor Minnesota Life Insurance Company make any representations or warranties about the underwriting process to the purchaser. Securian AM is a registered investment adviser but does not act as such in performing mortgage loan underwriting and servicing and therefore does not provide investment advisory services to any purchaser in its commercial mortgage loan sale programs. It should not be assumed that loans were or will be profitable, or that such production will continue on the same terms due to changing market conditions. Lending involves many inherent risks, including the potential loss of the entire loan.

The specific loans identified herein are not representative of all of the loans produced, and it should not be assumed that the production of such loans was or will be profitable, or that such production will continue on the same terms due to changing market conditions. Lending involves many inherent risks, including the potential loss of the entire loan.

Sources: Securian Asset Management, Inc., Mba, Marcus & Millichap, Jones Lang Lasalle.

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