

2022 Quarterly Update

# Commercial Mortgage Loans



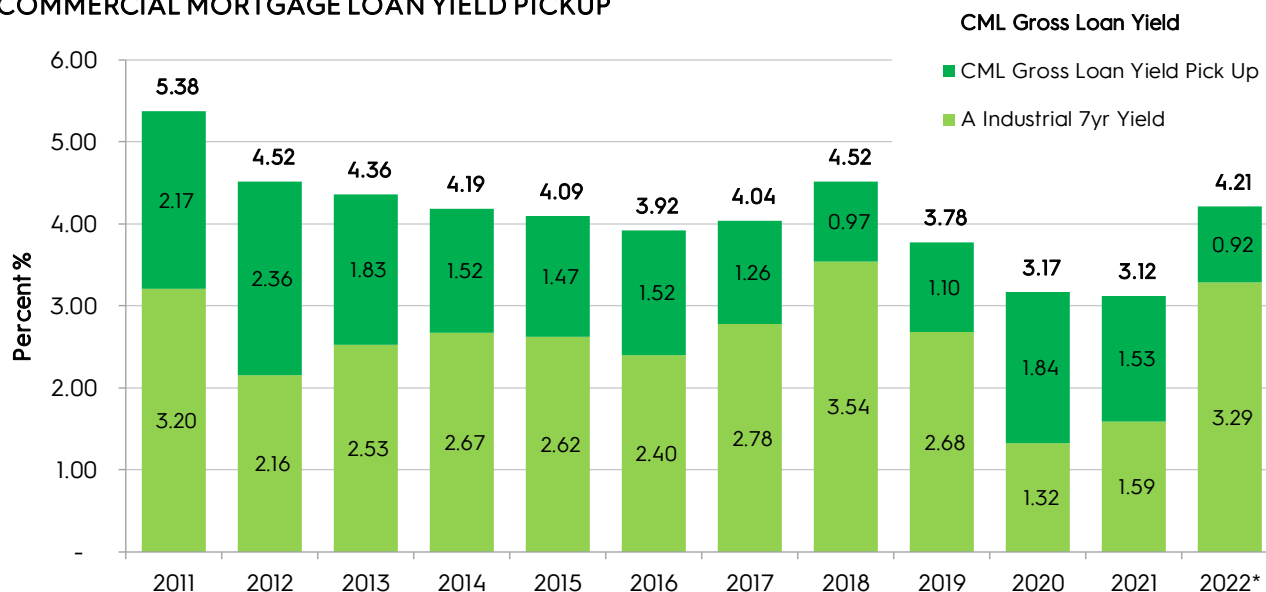
**Q3**

# A new landscape

Securian AM’s commercial mortgage team originated **\$210.3 million** in loans across **18 transactions** at an average net CBE spread of **1.65%**, and an average appraised LTV of **46.6%** in Q3 2022.

With the Federal Reserve executing the steepest rate hikes in decades, lenders that benchmark to credit markets are beginning to push their spreads and quoted rates higher. Debt is a big component of commercial investors' decisions around deals. With higher interest rates, the likelihood of additional rate hikes, and the looming backdrop of a potential recession, it’s a significantly different landscape than just a year ago. In many cases, there’s reduced leverage on commercial real estate deals.

## COMMERCIAL MORTGAGE LOAN YIELD PICKUP



## COMMERCIAL MORTGAGE LOAN EXAMPLE – Multifamily

- Omaha, NE
- 100-unit Class B apartment community situated on 5.4 acres
- DSC 1.62x based on 25-year amortization
- CM 1 rating
- Loan is below replacement cost and completely amortizes over the lease term
- Long time borrower of Minnesota Life



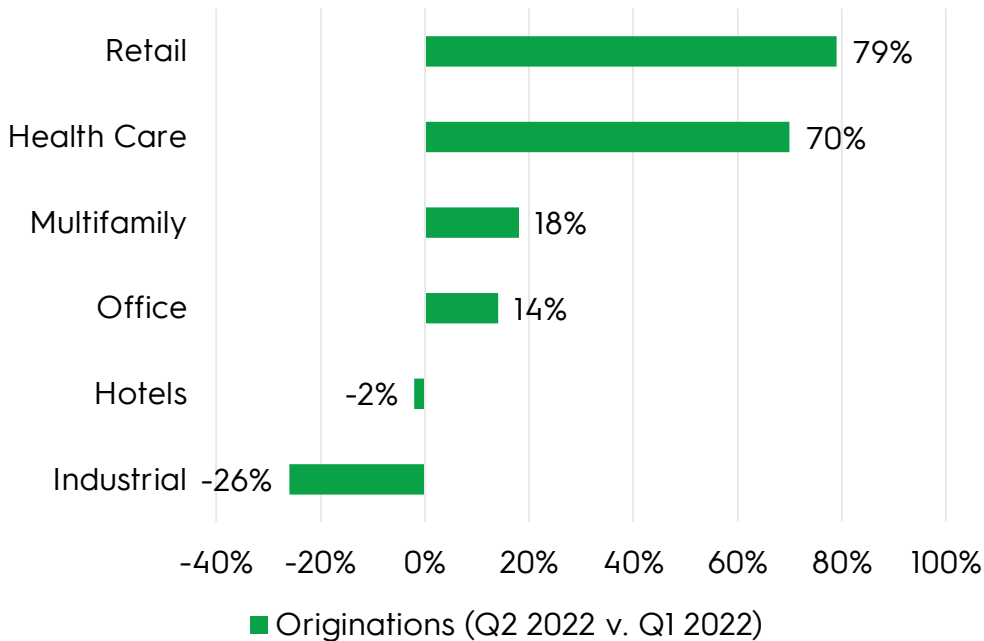
Source: Securian Asset Management, Inc, MBA. Data as of 09/30/2022. \*Year-to-date. Commercial Mortgage Lending (CML) is not an advisory service and does not involve securities but is included in the total assets under management. Lending involves many inherent risks. CBE: Corporate Bond Equivalent. LTV: Loan-to-Value. CRE is Commercial Real Estate. Loans can lose value, including the potential loss of the entire loan. Commercial Mortgage Loan Yield represents the gross current bond equivalent yield (BEY) of the Securian AM Commercial Mortgage Loans for this period. Commercial Mortgage Loan yield is net of fees, except Securian AM servicing fee. The A Industrial 7-year index includes industrial sector fixed income securities rated A with a 7-year duration, as defined on Bloomberg under the code C0067Y. Yield Advantage represents the difference between the Commercial Mortgage Loan Yield and the A Industrial 7-year yield. The Index is unmanaged and is not subject to fee. Remittance information as of 09/30/2022.

# Retail leads origination growth

Total commercial/multifamily mortgage debt outstanding rose to \$4.4 trillion at the end of Q2 2022, increasing by \$99.5 billion (+2.3%) from Q1 2022.

Retail properties (+79%) are leading the increase in Q2 2022 originations compared to Q1 2022.

## ORIGINATIONS BY PROPERTY TYPE



**\$210.3MM**

Total production

**18**

Transactions

**\$11.7MM**

Average Loan

**46.6%**

Loan-to-Value (appraised)\*

**1.88**

Debt Service Coverage\*

**9.63**

Average Life

**4.04%**

Net CBE Yield\*

**1.65%**

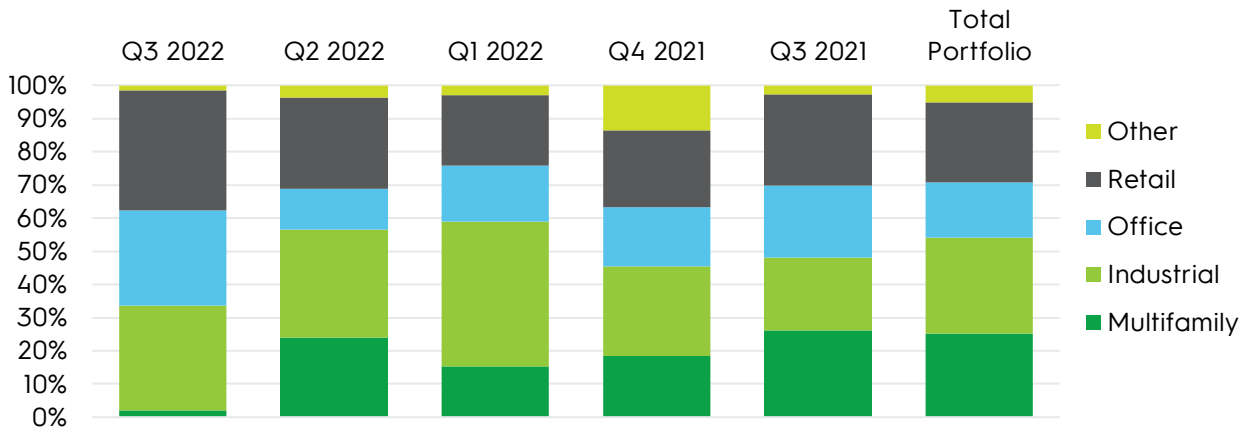
Net CBE Spread\*

The competition for retail listings lifted the average sale price for the most recent four-quarter period to \$222 per square foot, up 5.2% year-over-year, with a corresponding 30-basis-point dip in the mean cap rate to 6.0%.

Source: Marcus & Millichap, Jones Lang LaSalle, MBA Report. Data as of 09/30/2022. Securian Asset Management, Inc. As of 09/30/2022. \*Average. Loan-to-Value (appraised) is the original loan amount divided by the most recent appraised value. LTV will adjust with monthly principal payments. LTV adjusts with July and December updates to adjusted appraisal values. Debt Service Coverage is the amount of the property's net income from the current year as a multiple that is available to pay annual debt service of the loan assuming a 25-year amortization. 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 07/01/2022 to 09/30/2022.

## COMMERCIAL MORTGAGE LOANS Q3 2022 PRODUCTION

### PRODUCTION BY PROPERTY TYPE



Property Type	Location	Loan Amount	LTV %	DSC	Term/ Amortization	Avg. Life	Net CBE %	Net CBE Spread %
Office	New Jersey	\$32,000,000	47.31	1.85	10/25	8.60	3.74	1.58
Industrial	Vermont	\$29,000,000	47.46	1.93	10/25	9.28	2.85	1.37
Office	Florida	\$4,200,000	54.87	1.88	10/25	8.64	4.00	1.83
Industrial	Michigan	\$11,440,000	58.52	1.74	10/25	8.59	3.57	1.63
Industrial	Oregon	\$5,700,000	32.51	1.79	10/25	8.66	4.35	1.60
Industrial	California	\$10,500,000	25.06	3.48	10/10 IO	9.98	3.27	1.42
Retail	Florida	\$35,000,000	48.95	1.65	12/30	10.52	4.25	1.76
Office	New York	\$15,000,000	56.11	1.54	15/30	12.90	5.06	1.82
Office	New York	\$9,300,000	45.53	1.57	15/30	12.90	5.04	1.80
Industrial	California	\$7,000,000	41.67	2.08	10/30	9.78	4.57	1.60
Multifamily	Nebraska	\$4,140,000	50.04	1.52	25/25	15.05	4.97	1.85
Industrial	Florida	\$3,000,000	29.78	3.95	5/30	4.73	4.25	1.45
Retail	California	\$23,000,000	41.82	1.95	10/30	9.84	4.11	1.79
Retail	Missouri	\$6,125,000	64.27	1.43	7/25	6.35	4.45	1.58
Retail	Texas	\$4,875,000	51.05	1.52	7/25	6.35	4.45	1.58
Retail	Indiana	\$3,800,000	56.72	1.50	7/25	6.35	4.45	1.58
Retail	California	\$3,000,000	19.74	1.00	8/8	4.28	5.03	1.45
Mixed	Minnesota	\$3,200,000	38.32	2.11	12.75/20	9.84	5.36	2.38

Source, Securian Asset Management, Inc. As of 09/30/2022. LTV = Loan-to-Value, the original loan amount divided by the most recent appraised value. LTV will adjust with monthly principal payments. LTV adjusts with July and December updates to adjusted appraisal values. DSC = the amount of the property's net income from the current year as a multiple that is available to pay annual debt service of the loan assuming a 25 year amortization. IO = Interest Only. Net CBE 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.



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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.

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

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