# CMBS Market Commentary:
## Navigating Opportunities in Today's CMBS Market

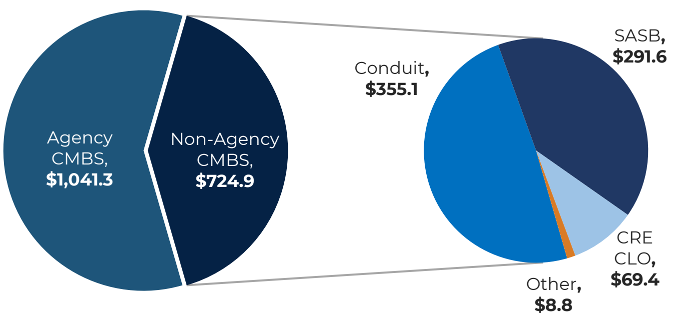
Shelter Growth Capital Partners

May 2025

The Commercial Mortgage-Backed Securities (CMBS) market stands at approximately $2 trillion in outstanding debt. With over $230 billion in average annual issuance, and monthly trading volume between $20-25 billion, CMBS provide investors with both meaningful scale and liquidity.

Non-Agency CMBS transactions are primarily comprised of Single Asset, Single Borrower (SASB) deals or Conduit deals-diversified pools of loans from multiple borrowers. SASB securities typically provide greater asset-level transparency and higher spreads, allowing greater ability to underwrite individual assets directly. Spreads levels vary by collateral type, providing opportunities to target specific risk-return profiles. Incorporating SASB into a broader allocation also adds valuable diversification at the portfolio level.

**Size of the Outstanding CMBS Market ($B)**




### Market Dynamics

The post-Liberation Day volatility was felt broadly by both debt and equity markets. CMBS spreads widened significantly, echoing movements in broader credit markets. Hotel-backed securities were among the most affected, due largely in part to their daily rent reset structures, with AAA spreads reaching as wide as SOFR +250 basis points. With heightened uncertainty, issuance slowed, and several deals were pulled from the market. In April, new issue volume dropped to $4.5 billion, down from an average of $15 billion per month in the first quarter of this year. Though spreads have since largely recovered, they still remain wider than February tights.

**New Issue Spread Changes**

| SASB AAA | Feb Tights | Post-Lib Day | Current | Chg vs Feb |
|---|---|---|---|---|
| **Industrial/MF** | +115 | +190 | +140 | *+25* |
| **Office** | +95 | +175 | +135 | *+40* |
| **Hotel** | +140 | +250 | +180 | *+40* |
| **Retail** | +120 | +225 | +150 | *+30* |
| **Conduit** | +77 | +120 | +88 | *+11* |
| **IG Corps** | +47 | +81 | +57 | *+10* |
| **HY Corps** | +290 | +480 | +362 | *+72* |

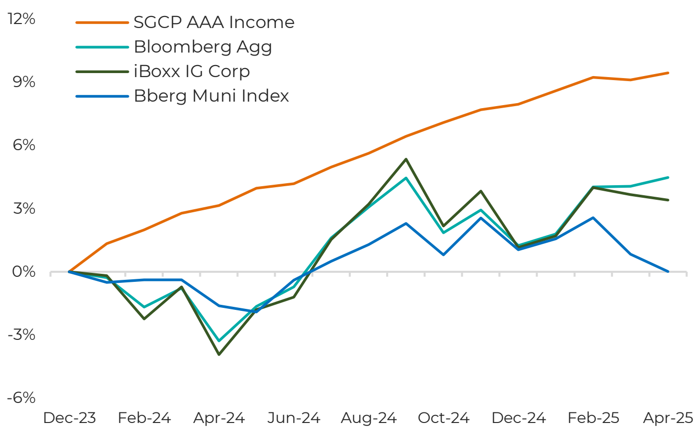
### Attractive Entry Point in AAA SASB

We continue to see value in AAA-rated SASB securities as a compelling risk-adjusted carry trade in today's environment, especially for investors focused on maintaining liquidity. With substantial subordination of approximately 50% and high current debt yields (~12+% in the hotel sector), we view these as attractive opportunities to add low-leverage, high-carry profiles.

We see particular value in 2021-2022 vintage, higher coupon, floating-rate multi-asset SASB securities trading around par. These securities are typically backed by portfolios of 20 to 100+ assets, all held by a single borrower. As the underlying loans season, higher-performing properties are often sold or refinanced at a premium and released from the collateral pool. The proceeds from these payoffs are used to pay down the AAA bonds first, which can support faster deleveraging and greater price stability for senior tranches.

A disciplined approach to allocating within this segment can allow investors to benefit from the structural advantages offered by these securities. By focusing on 100% floating-rate securities and short spread duration, a portfolio of AAA CMBS can navigate through market volatility.

**Cumulative Returns Since 12/23***




Despite broader market uncertainty, we continue to see attractive opportunities within the CMBS space. AAA SASB securities, in particular, offer a compelling blend of income, credit protection, and liquidity in today's fixed income market.

If you are interested in learning more or discussing opportunities in this space, we would be happy to schedule a call.

Source: BofA Research, Bloomberg, JP Morgan, SGCP estimates.

*The net returns reflect the actual gross returns of the Fund net of assumed 0.75% management fees and 0.50% expenses. Those reflect the midpoint of updated and current management fee options and an assumed expense ratio given that the expense ratio can change depending on the size of the Fund. Actual historical net returns to investors were lower due to a previously higher fee structure and higher expense load during early Fund ramp up.

# CMBS Market Commentary:
## Navigating Opportunities in Today's CMBS Market

SHELTER GROWTH CAPITAL PARTNERS

May 2025

### Disclosures

These presentation materials (collectively, this "**Presentation**") are intended to provide a high-level overview of Shelter Growth Capital Partners LLC (the "**Investment Manager**"), certain of its operational and advisory programs and processes, and certain of its key personnel.

This Presentation does not constitute an offer to sell or a solicitation to buy any securities in a private investment fund managed by the Investment Manager ( the "**Fund**"), and may not be relied upon in connection with any offer or sale of securities. Any such offer or solicitation may only be made pursuant to the current Confidential Private Placement Memorandum or equivalent for the Fund (the "**Memorandum**"), which will be provided only to qualified offerees.

This Presentation should be read in conjunction with, and is qualified in its entirety by, information appearing in the Memorandum and the limited partnership agreement of the Fund, which should be carefully reviewed prior to investing.

This communication is provided for information purposes only. In addition, because this communication is preliminary and only a high-level summary, it does not contain all material terms pertinent to an investment decision, including important disclosures of conflicts and risk factors associated with an investment in the Fund. This Presentation in and of itself should not form the basis for any investment decision. The information herein has not been provided in a fiduciary capacity, and it is not intended to be, and should not be considered as, impartial investment advice.

This Presentation and the material contained herein are confidential and may not be distributed in whole or in part to anyone other than the intended recipients. By accepting receipt of this Presentation, the recipients will be deemed to represent that they possess, either individually or through their advisers, sufficient investment expertise to understand the risks involved in any purchase or sale of any financial instruments discussed herein. Unauthorized reproduction or distribution of all or any of this material or the information contained herein is strictly prohibited.

Notwithstanding anything set forth herein, each recipient of this document (and each of the employees, representatives or other agents of such recipient) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of (i) the Fund and the Master Fund (as defined in the Memorandum) and (ii) any of the Fund's or the Master Fund's transactions, and all materials of any kind (including opinions or other tax analyses) that are provided to such investor relating to such tax treatment and tax structure, it being understood that "tax treatment" and "tax structure" do not include the name or the identifying information of (i) the Fund or the Master Fund, or (ii) the parties to a transaction.

Certain information contained in this Presentation constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual policies, procedures and processes of the Investment Manager and the performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements and no undue reliance should be placed on these forward-looking statements, nor should the inclusion of these statements be regarded as the Investment Manager's representation that the Fund will achieve any strategy, objectives or other plans.

Unless otherwise indicated, the information contained in this Presentation is current as of the date indicated on its cover. Such information is believed to be reliable and has been obtained from sources believed to be reliable, but no representation or warranty is made, expressed or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information and opinions. Additionally, there is no obligation to update, modify or amend this Presentation or to otherwise notify a reader in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Past performance is not necessarily indicative of or a guarantee of future results. Targeted returns are no guarantee of future performance and are based on our current perspective of future economic and market conditions. Future operating results may change based on changes in credit spreads, regulations impacting our operations, and economic forecasts. We have modeled these targeted returns based on our analysis of market growth, current/anticipated business capabilities and market counterparty appetite for our products. We cannot control every variable and returns may not meet our anticipated targets.

#### Risks

An investment in the Fund is speculative and entails substantial risks, including the fact that such an investment would be illiquid and be subject to significant restrictions on transferability. No market is expected to develop for interests in the Fund.

Financial instruments and investment opportunities discussed or referenced herein may not be suitable for all investors, and potential investors must make an independent assessment of the appropriateness of any transaction in light of their own objectives and circumstances, including the possible risk and benefits of entering into such a transaction.

An investor in the Fund could lose all or a substantial amount of his or her investment. Returns generated from an investment in the Fund may not adequately compensate investors for the business and financial risks assumed. While the Fund is subject to market risks common to other types of investments, including market volatility, the Fund employs certain trading techniques, such as the use of leverage and other speculative investment practices that may increase the risk of investment loss. The products and strategies in which the Fund expects to invest may involve above-average risk. Please see the section of the Memorandum entitled "Certain Risk Factors" for certain risks associated with an investment in the Fund.

## CONTACT

**Scott Barringer**
203-355-6109
sbarringer@sgcp.com

**Investor Relations**
203-355-6100
sgcp_ir@sgcp.com

Signatory of:

PRI Principles for Responsible Investment