**Private Market Real Estate and Securitization- Bridging Alternative Assets and Credit Markets**

0:04  
Hello and welcome to the second in a three-part private credit webinar series hosted by CFA Institute and sponsored by PGIM.

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My name is James Adams at CFA Institute based in New York City and today's session continues our series with a conversation on private real estate credit and securitization.

0:24  
Today I'm delighted to be joined at the PGIM webinar series with our by our three panelists and that is Barbara Bernard, Jeremy Keenan and Edwin Wilches.

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Barbara is Senior Vice President in Callan's Real Assets Consulting Group, leading research efforts for real estate, non-core holdings, real estate debt and agriculture.

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She's responsible for strategic planning, implementation, performance oversight of real assets portfolios, and real estate manager evaluation for plant sponsor clients.

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Prior to joining Callan in 2017, Barbara held positions with CCM US LLC, real estate investment firm JP Morgan Investment Management, and Spaulding & Slye.

1:09  
She received an MBA from the Kellogg Graduate School of Management, Northwestern and a BS from West Virginia University.

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Jeremy is managing director at PGIM Real Estate and a portfolio manager for the commingled US Core and Core Plus Debt funds.

1:26  
He's responsible for all aspects of the funds, including strategy, investment selection, operations, balance sheet management, asset management, oversight and investor relations.

1:36  
Jeremy's held various positions at PGIM since joining PGIM Real Estate in 2011.

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And prior to PGIM, he was a real estate attorney at Jones Day specializing in real estate transactions and real estate private equity funds.

1:52  
Jeremy holds ABA in economics from Hamilton College and AJD from Cardozo Law School.

1:58  
And finally, Edwin is Managing Director and Co-head of PGIM structured products team.

2:05  
He's also Portfolio Manager for dedicated CLO tranche portfolios, among other dedicated securitized products funds and overseas securitized product security selection across the firm's multi sector investment grade, high yield, LDI, money market and general account strategies.

2:22  
Past roles at PGIM include managing and trading the firm's investments in CLO tranches as well as analyzing alternative fixed income opportunities.

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Edwin joined PGIM in 2003, receiving prior to that a bachelor’s in economics from Rutgers and an MBA from New York University.

2:41  
And Edwin is also a CFA charter holder.

2:44  
So Barbara, Jeremy, Edwin, thanks for joining me today.

2:48  
Thank you, James.

2:49  
Pleasure, it's great.

2:51  
So in today's discussion, we will address the role of private real estate credit in asset allocation, including potential diversification benefits of private real estate.

3:01  
Some of you may be just familiar with things like REITs or mortgage-backed securities.

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And today's conversation goes well beyond that.

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We're going to look at these investments from a credit perspective in the various forms they take, including securitized products.

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So what would be helpful, I think for our audience is to kick things off by classifying where private real estate credit fits.

3:21  
And so Barbara, perhaps you can begin by helping our audience understand how this growing subset of the private credit universe fits into your client portfolios.

3:31  
So is private credit combined across public and private?

3:35  
Is it, is it really more in the private world?

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Is it really more in the real estate world or is it aligned to sectors?

3:41  
How does it work and how do your clients think about it?

3:44  
OK, so first of all, good morning, everybody.

3:47  
Well, hello everybody.

3:51  
It's great to be here.

3:52  
I want to emphasize that at Callan, when we build portfolios for clients, real estate credit is classified as a real estate investment and it generally comes from the real estate allocation.

4:07  
So within the real estate portfolio, we do not allocate a certain percentage to credit versus the certain percentage to real estate equity.

4:20  
And also too we do not consider it a part of a private credit portfolio.

4:26  
And now this is at Callan.

4:28  
And the reason for that, in fact, we have a separate group at Callan that builds private credit portfolios.

4:36  
And the reason for that is at the end of the day, we feel like the real estate credit investment is all about the underlying asset that secures the investment, which is the real estate.

4:49  
So in order to do it really well, an investment manager needs to have those specific real estate skills.

4:58  
Now how we do allocate real estate credit is based on the risk associated with the debt.

5:05  
So in real estate portfolios what we do for our clients is we always establish percentages for core real estate and non-core real estate depending on the risk tolerance of the portfolio.

5:22  
Now the core investments are high quality investments, they're lower risk, lower return where non core investments are the higher risk, higher return.

5:35  
So when we look to add debt to a portfolio, we first look at the investment, we say is this a core investment or non core investment?

5:45  
And then so we can put it into the appropriate risk bucket.

5:48  
So I guess the simple answer to your question, James is real estate credit at Callan, we consider to be a real estate investment and it's based on the risk profile of the debt.

6:00  
Excellent.

6:00  
Thanks so much Barbara.

6:01  
That's, that's very interesting.

6:03  
Jeremy, let's let's get your take on how private real estate credit fits into portfolio strategy giving your role at PGIM.

6:11  
What's your perspective on how this is evolving and what what are you seeing from investors?

6:15  
Yeah.

6:16  
Thanks, James, and thanks Barbara for your introductory comments.

6:19  
I think what I would start off to say is that the real estate credit is really expanding as a as an investment option for a wide variety of investors.

6:31  
And I think kind of if you look at the some of the underlying attributes of the asset class, I can kind of explain that.

6:37  
So you know for one, it's a very large asset class.

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It's $5 trillion in the US, $11 trillion globally.

6:46  
And I think that's puts it on par with some of the traditional fixed income asset classes that you see out there.

6:53  
And it really allows you to expand the different sub strategies underneath the asset class.

6:58  
So for example, we have what we would consider an investment grade core fixed income substitute product where you're investing in stabilized assets with at a low loan to value ratio.

7:12  
And so you have very high quality, low loss ratios, fixed rate and long duration.

7:19  
So that could fit within a fixed income portfolio and you're going to get a yield premium and some diversification benefits out of that.

7:27  
As you move up the risk spectrum, you tend to go, you know you tend to increase your risk and increase your returns.

7:36  
We have floating rate product that fits in kind of a core plus profile and then we have a higher yielding type product, MEZ loans for example that can return mid teen returns on a gross, gross basis.

7:51  
So you can think about how that might slot into an investor's portfolio in some cases.

7:57  
I think where we see a lot of demand from investors is from what Barbara explained, explained with Callan.

8:03  
They're looking for a complement to their real estate allocation.

8:07  
So they're looking for a higher return because it's an alternative asset class.

8:11  
They may be concerned about their benchmark and they're thinking about what they think the real estate markets are going to do.

8:18  
So it is a very real estate intensive exercise and in other cases they're thinking about it unlike the way Callan thinks about it as a compliment or diversifier to their private fixed their private credit portfolio.

8:33  
And so there is the similar types of attributes that you're seeing in private credit where the banks are taking a less active role.

8:41  
They've shifted back in originations activity, for example, from 40-50% of the market to now 30% of the market and they're becoming a more active back lender to debt funds.

8:55  
And so that's presenting a large opportunity set for alternative players to come into the market and deliver a yield premium and bespoke customized options to borrowers that traditionally haven't been available.

9:11  
That's great.

9:12  
Thank you for your perspective, Jeremy.

9:14  
Edwin, let's bring you into the conversation here.

9:16  
You know, many debt investors, I mentioned it earlier, think about real estate that is really just being synonymous with mortgage-backed securities.

9:23  
And so obviously that's one form of securitization.

9:26  
But we'd love to get your perspective on the convergence of public and private real estate credit markets and how it's manifesting itself in the area of securitization.

9:35  
Yeah, sure thing.

9:36  
And, and it's a real privilege to, to, to, to, to be here today.

9:40  
So I'd say, you know, let's take a quick step back, right?

9:42  
Like where does securitization fit in?

9:43  
Because I think it's really critical in, in terms of, and Jeremy touched on this a little bit in terms of, you know, how the face of what banks are doing in, in the real economy and in real estate in particular is, is changing and opening up places for other alternative kind of funding providers, if you will.

10:00  
So when you look at securitization, just overall, we're talking about somewhere between 10 or 15% of the total CRE debt outstanding is financed through securitization.

10:09  
So that's pretty similar to to actually other parts of the securitization market, whether we're talking about consumer or commercial loans, you know, where, where you know, what are the alternative sources away from securitization that we normally see.

10:22  
And as Jeremy mentioned as well, you know, it's going to be banks, insurance, pension funds, you know, other balance sheet lenders and other investors alike.

10:30  
When we look at, you know, just the, the convergence piece, you know what, what I'd say is when, you know, probably 15, 20 years ago, most of the, you know, securitization that we saw in, in, in, in the commercial real estate market in particular was, was conduit.

10:47  
And what this mean is, you know, it was a, a bunch of loans that, that, you know, were usually smaller in size come together and, and you know, you'd raise debt debt against it.

10:57  
What we've seen in the last few years and it's really a, a convergence of public and private real estate is really the explosive growth of single asset single borrower deals.

11:06  
So what we're seeing here is, you know, single asset, single borrower are generally single loan securitizations on a commercial mortgage loan.

11:16  
So think of this, these transactions could be anywhere from 300 million to well over $3 billion, right?

11:21  
So fairly large deals can can happen here.

11:23  
Generally leverage in in these deals is somewhere between 50 and 65% LTV.

11:28  
So these are pretty big, big, big loans.

11:31  
Securitization market has become a pretty efficient way for to finance larger assets, whether that's a trophy office building or super regional mall or you know, other portfolios that might otherwise be too large for a balance sheet lender to finance, you know, on their own.

11:47  
So you know, we're definitely seeing securitization be a bigger part of this, of this market.

11:52  
We expect it to continue to grow quite a bit, but we're definitely seeing the convergence happening everywhere.

11:58  
And I'd say one last piece, you know, James, you mentioned about clients and, and Jeremy mentioned and Barbara as well.

12:04  
We're also seeing clients, you know, come to us and increasingly PGIM and really say like help us think about our private credit allocation overall and you know, let it help us think about maybe even a step beyond that.

12:17  
Help us think of our investment grade allocation, help us think about public versus private.

12:21  
And then within private, you know, how does securitization infrastructure, real estate, corporate, private asset back or ABF, you know, how does that fit?

12:30  
How should we be thinking about our portfolios and kind of the strategic asset allocation through through time, but also the tactical, you know bits of it in terms of how different markets are financing and and paying you for different things at different points in time.

12:44  
So a lot of convergence happening everywhere both within the assets within the markets and then within our clients.

12:50  
Oh, that's great.

12:50  
Thanks for your perspective, Edwin.

12:52  
Before I jump into the next question, I'm going to remind our viewers that we have the ability for you on Slido to put questions into the chat.

12:59  
So I am keeping an eye on them.

13:01  
I see one question about due diligence.

13:02  
Hold that thought because we have that on our docket a little bit later in our conversation.

13:07  
But one thing.

13:08  
So as we move on to the next question, one thing I wanted to point out at CFA Institute, we've actually recognized the distinct nature of private real estate across the spectrum, particularly going beyond even core, core plus, but also things like value add opportunistic segments, areas where there aren't those types of cash flows that you might have in a in a trophy office building, for example.

13:29  
And this is a separate curriculum reading at our new Level 3 private markets pathway that's being tested in 2025 curriculum.

13:35  
So I know Edwin is a CFA charter holder.

13:38  
This is pre-date to you, Edwin, but as a as a member and charter holder, you know, we have refresher reading.

13:42  
So this is something out there both for those people that are planning to take their CFA, but also that are that are seasoned charter holders in the industry that that we can, you know, point you to.

13:53  
So beyond the traditional narrative, you know, this diversification through local correlation.

13:57  
And Barbara, you mentioned, you know, what is the underlying asset in the cash flows?

14:00  
So one of the things I want maybe we'll start with you again, Barbara, is think about how should investors think about the credit characteristics of private real estate.

14:08  
So, you know, maybe there are underlyings that don't have cash flows or other things and, and, and how does that, how does that sort of sit side by side with things like direct lending, infrastructure, debt and so forth?

14:18  
We'd love to get your perspective.

14:20  
Well, yeah.

14:21  
And you know, we often think about, I mean the credit characteristics have to do with how the loan is structured.

14:29  
You know, what's the ability, how is it being monitored?

14:33  
What are the, what are really the provisions in there that make the loan and the debt lender friendly?

14:42  
I think really where we do a lot of comparisons in terms of within a portfolio is we don't say OK, do we want to put infrastructure debt or real estate debt in a portfolio.

14:56  
We look and it's important to us to really think about the underlying asset and both of them have have value where we're always comparing and contrasting is more do we want to do an equity investment or do we want to do invest a debt investment.

15:14  
And I think where the the credit comes in is it's really appealing to investors with a lower risk need.

15:23  
It can often be more appealing to them and can really help diversify and balance a more equity focused portfolio.

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So that's what we like about the credit.

15:35  
I mean also too would offer stable and predictable income because you're, you're, you're because you're getting, you're typically generating returns through regular interest payments where the private equity real estate is more volatile.

15:51  
And what we like about it too in terms of the credit characteristics is often these investments are shorter term holds.

16:01  
So a bridge loan will maybe be 3 years.

16:03  
So it's really appealing to an investor that wants quicker access to their their cash versus an equity investment that has a tendency to be longer. And like real estate in general,

16:16  
I mean, real estate debt connect is a really good inflation hedge.

16:21  
Well, that's great, a great perspective.

16:23  
And it's, it just goes to show how those underlying assets can really differ so substantially and have a different different correlation characteristics.

16:30  
Jeremy, what's your take on this, on this idea?

16:34  
Yeah, I, I have a few thoughts, James.

16:36  
So I guess the first one I would say is if you know, and, and I'm saying this truly is an outsider, if you look at the difference say between private credits and a traditional private credit and and real estate private credit, I think you'd have a very different fundamental backdrop.

16:52  
So what I mean by that is real estate values starting with the, the Fed rate hiking cycle started to go down and they've dropped 20-30% depending on the asset sub, your property type, maybe more if it's office, for example.

17:09  
And so you've had a correction cycle in the underlying assets that secure these loans.

17:14  
And so which which hasn't been there in kind of your traditional corporate lending backdrop.

17:20  
So just fundamentally, I think you start, you see those different diversification benefits in the asset class where you know something will be hot one day and, and, and, and down the next.

17:32  
And those those two things might not correlate.

17:35  
So that's one of the reasons we think that real estate credit is a very good investment opportunity today.

17:41  
And then when you look at the underlying assets themselves, because you're secured lending and you're looking at, you know, hard tangible assets, there are certain attributes that go along with that.

17:51  
One is the one that Barbara mentioned where you have the ability to to raise rents with inflation.

17:57  
Some of that can be sticky.

17:58  
So the different property types behave differently.

18:01  
You tend to have long term office loans, for example, maybe 10 years, but apartment loans are a year and storage loans are month to month, right?

18:10  
So you have different and hotels are day-to-day, right?

18:14  
So you have different ability to hedge that inflation.

18:18  
You also tend to have value add business plans if you're doing a bridge or transitional loan.

18:23  
So you're actually adding value to the asset over time.

18:27  
And then there's the one that most people are familiar with when they think about real estate, there is true scarcity buy land, they're not making any more of it, right.

18:35  
And so when you think about that, you just tend to that's part of the inflation head is is part of the value accretion over time.

18:43  
But there are are huge barriers to entry to set up new competition for existing buildings, for example.

18:50  
And that has the, the existence of a tangible asset securing your loan really does put a floor or of sorts to your recovery or to your loss if if there is something that goes wrong.

19:03  
And then the last thing I would add is, you know, when you're looking at real estate, you, your income streams are coming from tenants in place of each of the buildings.

19:13  
If you have a diversified portfolio of loans, you may have 50, a hundred buildings, those buildings may have 5/10/20 tenants.

19:23  
Each one of those is highly granular and you're getting exposure to credits that you can't really get anywhere out, you know, that kind of diverse mix anywhere else without, you know, without we can't get it anywhere else in that, in that form in nature.

19:37  
So, so that you know, those are some of the attributes that we think about.

19:40  
And then and then Barb, as Barbara mentioned, when you're talking about private real estate lending in particular, you're engaged in a bilateral relationship between lender and the borrower.

19:52  
And particularly in the private real estate credit landscape, there's a lot of room to customize those loans and to structure those loans in a way that addresses

20:06  
particular risks that you see in the cash flow and that is a place for managers to add value or lenders to add value to reduce your losses over time or to, to create the loan and make the loan more protective for the lender.

20:19  
And so we we do that in all of our loans.

20:22  
There's a high degree of of structuring that that goes into place.

20:28  
It's great.

20:28  
So, you know, it's similar to Barbara, you know, it's all it all.

20:32  
It all goes back to the underlying assets.

20:34  
You know, it may becomes much more concrete, you know, to to put a bad pun into the conversation.

20:38  
And I think I think it is it is interesting and important.

20:42  
Edwin, you know, I'd love to hear your perspective on this.

20:45  
You know, I haven't heard anybody mention data centers yet.

20:47  
I always thought that that was going to come up like it was the little birdie in the conversation.

20:51  
I don't know if data centers are fit into the mix, but I'd love to get your perspective on how the securitization the world is looking at this and, and, and, you know, the private credit angle.

21:01  
Yeah, look, I, I think it's important to at least at least from, from my perspective to kind of almost, you know, reframe it a little bit, right.

21:07  
Like I think I don't think private credit is riskier.

21:11  
I do think, you know, it's, it's, it might feel less transparent to, to, to some investors or maybe to folks that are not as involved.

21:20  
But the reality is, you know, when, you know, we, we do both public and private securitized from our team.

21:27  
And I can tell you that the level of information and you know, granularity that were afforded as a, you know, whether it's again, public or private is, is quite high.

21:36  
So, so the level of transparency we have in this as institutional investors is pretty high.

21:40  
And I would say, look, I think whether we're looking at public credit, private credit, securitized credit, we're looking at senior bonds, junior bonds, I think it all comes down to first principles.

21:49  
I'd almost say like, you know, level 2 in my mind, you know, kind of just reminded me of like how to, how to value cash flows and everything in, in any investment role.

21:58  
Honestly, it comes down to just valuing the cash flow, you know, figuring out, you know, what's the value of the property, you know, is there a theme around it?

22:06  
What is the, you know, the, the stability of that cash flow?

22:08  
Is it really volatile?

22:09  
What, what are the values?

22:10  
What are the drivers of it?

22:12  
Ultimately, I think whether it's public or private, it really comes down to that.

22:16  
And you know, there's, there's a lot of things like, you know, topically, obviously data centers or something that that's a growing theme.

22:22  
And I'm sure we'll definitely bring it up again later in the conversation, James.

22:26  
But you know, it's definitely something that is going to need a lot of capital.

22:30  
I think some of the estimates are quite hides in the trillions.

22:32  
We're definitely seeing a lot.

22:34  
And I suspect that, you know, it's going to get financed in, you know, real estate and infrastructure and ABF and securitization and corporate credit.

22:42  
It's it's going to get financed in a lot of different places and, and it definitely will get financed also in, in CRE.

22:49  
But you know, I'd say very high level, right?

22:51  
Like for us, it all comes down to trying to just value the cash flow, you know, model it, think about the volatility of it as as Jeremy mentioned, right.

23:01  
If you have, you know, a strong lease or a strong kind of location, that's going to help you kind of get comfortable around the stability of that cash flow independent of the of the lessee.

23:10  
If, if it's a different story, then, you know, you kind of have, have different ways of thinking about it.

23:14  
But for us, you know, it really just comes down to, you know, can you get your arms around it?

23:19  
How do you analyze it?

23:21  
Do you have the right teams in place to do it?

23:23  
Can you, you know, kind of conceive of different ways and, and, and different things, you know, of how value might change, whether that's, you know, interest rate shock that, you know, you know, markets didn't really think was coming, but here we are, or whether it's something else, right.

23:38  
I mean, I think COVID is something that fundamentally changed the way we all live and work and that's going to affect the way that we utilize things in the real economy, including real estate.

23:49  
So I think there's a whole lot there.

23:51  
But, but those are all things we think about whether it's public or private.

23:55  
And I would just say, you know, on the private side, we're really trying to capture not greater.

24:00  
We're not trying to capture risk premium by, by increasing our credit risk.

24:04  
We're really trying to capture it by, you know, being able to provide solutions or or even just get better covenants and and better quality investments.

24:14  
That's great.

24:15  
Thanks so much appreciate your perspective.

24:17  
So it is, it is interesting to to compare sort of the private credit side and and the private credit real estate side.

24:24  
Now I'm going to turn the tables a little bit Barb and we keep coming back to the underlying assets and so you know, the the boundaries between private real estate credit and public securitized market.

24:35  
So things like CMBS,

24:36  
MBS and so forth.

24:38  
I'd like to get your take Barbara on those lines blurring between those two areas.

24:44  
Those of us that you know, done ABS or or or mortgage-backed securities for a long time understand OK, there's some structural constraints that you face in in public securitized markets and and yet, you know, private, private real estate credit gives gives a lot more freedom to to to push back on some maybe some of those boundaries.

25:05  
What set, what types of risks and opportunities are you seeing Barbara for your clients in this space?

25:12  
Well, as I said, you know it's important to us when we are looking at investments that the investment man, it's a real estate investment, OK.

25:22  
So we don't do deal too much with investment grade CMBS, I mean that's smart.

25:28  
We being in the real estate group.

25:30  
There's other people at Callan that do and I think the underlying asset is less important when you're investing in the investment grade.

25:37  
I mean it's important, but having those real estate skills, I think we're where it's important in what where we deal with securitization is the BP’S OK.

25:48  
So it's the non-investment grade piece.

25:51  
And so we're finding that the risk retention piece, the non-investment grade piece is in a lot of real estate funds and, and, and it's a good investment.

26:03  
But again, there's real estate managers that that invest in the B pieces have real estate skills, they help shape the CMBS pool, OK?

26:17  
So they can throw loans out and they have a real say on the end product, OK, because they have to take the first, last piece.

26:28  
Other areas where we sometimes, you know, deal with their or look at the CMBS is in some real estate funds.

26:36  
Private real estate funds, managers will start investing in the CMBS market just to get the money working.

26:45  
And then at the point in time, you know, they're investing, they're investing, they're committed capital say over a three-year.

26:53  
Then when they find the appropriate loan that they want to invest in because it's so the CMBS is liquid, they'll sell it and they'll take that money and put it into a longer term investment.

27:06  
Got it.

27:07  
Yeah, yeah, No, I mean, it's really interesting.

27:10  
Obviously being at that lower tranche focuses the mind and that's and that's where your skill set comes in handy.

27:17  
So, so Jeremy, help us out where you draw these lines or see these lines blurring between private real estate credit and public securitized.

27:26  
Yeah, I, I suspect Edwin's going to have more to say on this, what he does.

27:31  
But I'll, I'll add my two cents, which is, you know, I think the, the biggest impact for us of the public markets into the private is, is the rise of the CRE CLO.

27:42  
So if you look at, you know, the rise of debt funds which really weren't that meaningful pre GFC and have grown considerably over the past, you know, 10 years say.

27:57  
And then how those debt funds are financing their activities through CRE CLO.

28:05  
And I would also say through other leverage sources like bank repo lines and note on note, you know, repo facilities and note on notes from from banks.

28:17  
I think that's had a major impact on the ability of those debt funds to be price competitive in the market and to grow their market share.

28:26  
And and again really to bring a new source of debt capital that is what we would call private real estate credit to bear on, on the real estate capital markets and drive liquidity there, right.

28:41  
And so to me that I don't know if that's a convergence James, right.

28:45  
But I think it's really, it's a, it's a big structural component of the market that's somewhat new and I think is poised to continue to grow as as debt funds grow their market share and become a bigger part of the marketplace.

29:02  
That's super, super helpful.

29:03  
And it actually touches on the next question we had in mind, which is some of the structural innovations in the market, right?

29:08  
So I'm going to zoom out a little bit, Jeremy, on what you said for our global audience, in particular CRE CLO, so commercial real estate collateralized loan obligation and then I'm going to turn to the securitization expert.

29:25  
And when you know, you know, put your CFA hat on, right and help our audience unpack this innovation that Jeremy has raised.

29:34  
And you know, how does it affect risk transfer?

29:36  
How does it affect investor protections?

29:38  
Where's the where's the benefit, you know and the risks maybe of this innovation that we see among clients?

29:47  
Yeah.

29:47  
So I think Jeremy brought up the main point, I think in terms of this convergence.

29:53  
And I'd say the fundamental difference are kind of what we're seeing within securitization or the new innovations, if you want in securitization, excuse me, is really the CRE market's a great place, right.

30:06  
So if we think about, I mentioned earlier, you know, we had conduit loans which were again kind of all the loans that, that may be the largest, you know, balance sheet lenders weren't, weren't focused on and you know see the, the securitization market acted as a source of financing for some of those loans.

30:23  
We've evolved into the single borrower again, kind of now we're talking about trophy properties, large portfolios where we can, we can lend against and, and get comfortable.

30:32  
And then more recently, you know, we've we've seen the increase or the rise of, of the CRE CLO market.

30:38  
And as you mentioned, you know, these loans are quite unique.

30:42  
And what makes them I'd say really, really unique is, is both condo and SASB are generally going to be stabilized.

30:47  
So there's going to be an underwrite on, you know, there's, there's existing tenants and you know, there's a property and you know, we're kind of doing that analysis when we're talking about CRE CLOS, a lot of these, these loans are actually transitional loans.

30:59  
So it's, you know, they're not stabilized and maybe there's a business plan attached to it where, you know, there there's, there's hopes of stabilization and, and it's a completely different underwrite.

31:10  
And I think this is, you know, both convergence between public and private, right?

31:14  
These loans used to be financed somewhere in banks OR in other, in other private credit lending places, but mostly banks.

31:21  
And now we're seeing again, back thematically to where Jeremy started much earlier, where we're seeing just the faith of how banks, you know, use their balance sheets and where they, where they lend changing and securitization was a place where, where we picked this up again, it's kind of been a bit fortuitous. 1, you know, the, the set, the conduit market, excuse me, was fixed rate.

31:41  
SASB is a mix of fixed and float, but but there was a lot more floating rate product that came in. The adjacent market in terms of size is the corporate CLO market, which you know is well over a trillion dollars today.

31:55  
That market is, is predominantly floating rate.

31:59  
And the reason I, I'm, I'm nuancing the fixed and float discussion is because CRE CLO’S generally all have some degree of floating rate.

32:07  
And again, it's things that banks were doing.

32:09  
These are effectively bridge loans, right?

32:11  
If we've kind of a nicer way of saying unstabilized assets, it's a bridge.

32:16  
So they're going to be shorter and look, you know, the, the risk it's all about again, we, we got to price the risk, right?

32:21  
So we're gonna have to price in more volatility, we're gonna have to price in less leverage.

32:25  
We're gonna have to price in the operator's ability to execute on their business plan.

32:29  
And we're gonna have to think about right during COVID, we definitely saw some pressure in some of these markets, right?

32:34  
You think about, you know, what is, you know, something that you're gonna try to stabilize.

32:38  
And if it's something like a multi family or something right now, all of a sudden you saw the price of Labor going up, you saw your price of materials going up.

32:46  
You saw the time that you thought it was going to take to stabilize the asset lengthen, right, because maybe you couldn't get in there to actually get get get your construction going.

32:53  
So it introduces different risks.

32:56  
Again, some of this is coming out of the banking system and into securitization.

33:00  
It also introduces some opportunities as investors.

33:02  
It gives us another area for one to to invest, but also for us to get insight as to what's going on in the call it bridge market that maybe before as a market participant, we weren't able to get as much color on at least real time color in terms of what's going on relative to, you know, you know, we'd have to wait for banks to report quarterly and then, you know, the accounting process that to occur for us to see that there was an issue, you know, a few quarters ago.

33:30  
So, so I think it, you know, all around, it's actually very positive, but it definitely is, is not maybe introducing, you know, I'm not going to comment on whether it's good risk or bad risk, but rather it's just introducing different risk.

33:41  
We have to think through and, and have to have some way of assessing and, and pricing ultimately.

33:47  
Interesting.

33:48  
So, so Barbara, with these structural innovations, let's call them changes and particularly the, you know, Jeremy and Edwin have mentioned the commercial real estate, you know, collateralized loan obligation market.

34:01  
What are you seeing?

34:02  
What are the trends in those lower rated tranches among these types of I guess newer products or different types of structures?

34:14  
We generally again, it all goes back to the real estate.

34:18  
So we're really seeing a lot of growth in the market, but it's more along the lines of the real estate debt funds.

34:25  
I mean, I'm looking at, I remember when Prudential came in, in 2017 and said we are doing a core plus real estate debt fund.

34:34  
And I think that there was only two that existed.

34:36  
And now I mean there's a proliferation of open and core plus real estate debt funds.

34:45  
And I think it's a good thing.

34:46  
I mean one of the ways that they've been impacted is many of those funds have office investments.

34:53  
So I mean the values have really, you know, declined in its impaired returns.

34:59  
So as you have new, new funds coming online, they're not investing in the office products.

35:06  
So they have a certain advantage. In terms of the non core space and the closed end debt,

35:14  
I mean, it's a continuation of how do we finance alternative investments, how do we finance data centers?

35:22  
There's a lot of new property types.

35:25  
Most of the debt funds we're seeing are diversified, OK.

35:29  
So they invest in all sectors, but we're seeing that we're seeing them become niche-er and particularly in the multifamily space, Freddie Mac, Fannie Mae, alternative investments, industrial things like that.

35:47  
But we don't deal too much with like CLO’S or that type of investment that got it.

35:54  
But it really focuses on, as you say, that the fund universe is also evolving in, in this direction over the past decade or so, right?

36:02  
So it's interesting the vehicles that are being used to, you know, to house these exposures and to distribute them to investors, which kind of leads me to… And I think it really gets back to the points that were made today is lenders, traditional bank lenders have really pulled back in terms of what they're willing to, to lend on.

36:24  
So the private markets have really stepped in to take a big, you know, piece of that along with CMBS.

36:33  
That's great.

36:34  
And I it's actually a theme Barbara that we raised in our first webinar.

36:38  
So anyone who hasn't had a chance when those all come online that see what we talked about with with Matt Douglas and Afsaneh from MSCI, that's a, that's a good one to take a look at.

36:51  
Now let me let me go back to the thought, because I think that the, this whole innovation that we're talking about the, the migration of the funds leads me to a question on sort of the issuer and investor dynamics.

37:05  
And Jeremy, I'm going to I'm going to pick on you first for for this one, just given where you're sitting today, I think you're working in the fund.

37:13  
I don't know if it was around in 2017 that you were there, but that that Barbara would be referring to it at PGIM.

37:20  
But from an issuer perspective, what drives the decision to raise capital and the private side versus in the public real estate credit markets?

37:28  
And when you're, you know, portfolio managers, how are they, how are they assessing these trade-offs in these choices?

37:34  
Yeah, absolutely.

37:35  
Thanks, James.

37:36  
So I, I think I start from the premise and maybe Edwin would take issue with it, that if you're a real estate owner and you want to raise debt capital for an acquisition to refinance, whatever else that your preference will be a private real estate lender or a balance sheet lender that like I had had referenced before, it's a bilateral relationship.

37:59  
If you can, if you can, you know, negotiate a set of agreements with them and you know the the counterparty, it can become highly efficient to do multiple transactions with them.

38:11  
If you run into problems, there's multiple tools available to both sides to figure out how to extend the loan or, or provide relief to to a better capital markets environment, for example.

38:24  
And you're not restricted as you might be in a public market transaction where you're dealing with a special service server you may never have met before who's representing a tranche of investors, for example.

38:37  
So, so I think I think for most borrowers that's the starting point is, you know, can I get this done efficiently at at good pricing with a relationship lender of some sort?

38:51  
What drives them away from that?

38:53  
And you know, Edwin had kind of touched on it is, you know, is it a very large deal and so therefore hard to price and get done by a single lender in the private markets?

39:06  
Or is it an out of favor deal or one with riskier set of cash flows?

39:11  
And I think you know, or, or you know, you're, you're less institutional sponsor, for example, or you're in a, you know, not a major market where, you know, private limited, you know, historically balance sheet lenders have kind of shield away from those or they price them higher, in which case you can go to the public markets, as Edwin had mentioned, you can get great execution and in SASB for a trophy New York City office building, for example, our equity side of the business just priced one last week, or maybe it was even this week.

39:45  
Very highly efficient, right, fortress type cash flows, really strong underlying credits, and you're going to get better execution there than you will in the private markets.

39:56  
And so, you know, as if you're a long term holder, that makes all the sense in the world.

40:01  
And you know, I guess maybe on the flip side is maybe you have a portfolio of hotels and secondary markets or you know you have a retail asset that some of the shine has come off.

40:13  
You know, or you're, you have good strong cash flowing office assets, but they're in markets where balance sheet lenders don't want to go today.

40:21  
But to Edwin's point, you can underwrite pretty good cash flows and maybe those were resilient even during COVID, right?

40:28  
That's the type of thing where you would go, OK, I'm going to go to the public markets.

40:31  
I'm I can get strong execution.

40:34  
I think fixed and floating also comes into the consideration there as well.

40:38  
How long do you plan to hold the assets?

40:40  
How much flexibility do you need to be able to sell off assets, remove them from the pool, etcetera?

40:47  
Right.

40:47  
So, so I think that's kind of, you know, 30,000 feet.

40:50  
That's how I would think about how issuers think through that.

40:53  
I'm sure Edwin would like to layer on top of what I said though.

40:57  
It's great.

40:58  
It's all.

40:58  
So the floor is yours, Edwin.

41:00  
Yeah, no, I mean, I think, I think you guys covered most of it.

41:03  
I mean, I think it ultimately and I and I I wouldn't take take take take anything from Jeremy's initial comments.

41:13  
I think it's really important just to know kind of where you stand in the kind of like the why, right?

41:17  
We mentioned CRE debt out there is about $5 trillion.

41:22  
You know, there's going to be a a place and time where where issuers are going to favor.

41:28  
I think you know, Jeremy and Barbara mentioned a lot around, you know, it could be the size of the portfolio, it could be the type of property, it could be the level of, of of risk with the property.

41:39  
It could simply be, you know, moment in time, right.

41:41  
There's a lot of flows into fixed income folks like ourselves that are managing, you know, broad securitized mandates or or that are doing, you know, both public and private, you know, semi liquid strategies for clients.

41:54  
You know, that might be an alternate source of capital that that will come into the CRE market that that's not, you know, going in direct, which will provide other avenues of, of funding for the market.

42:05  
And I think look, it's, it's almost like water, you know, it'll get into to, to the right place.

42:10  
I think, you know, most folks are, you know, the market's quite, you know, mature.

42:15  
The, the, the, the, the players, for lack of better terms, are quite sophisticated.

42:21  
I think people are now looking at, you know, these markets as kind of one big market and trying to think of like, OK, how do I best finance this property?

42:30  
And, you know, there's gonna be times where, you know, you want the flexibility and you want kind of that relationship piece is really important.

42:37  
There's gonna be other times where maybe, you know, you're really just looking for best execution in terms of like, you know, who's the cheapest cost of funding.

42:44  
And to Jeremy's point earlier, right, you're going to have nuances between do you want to do fixed, you want to float, you know, that's going to come with different call protection.

42:51  
So we spent a lot of time thinking about, you know, option adjusted spreads, quite critical, but you know, I think I think there's a whole lot there and it's ultimately going to be, I think very property specific, very sponsor specific and, and look like any, any good, you know, I'd say, I know, I know this is not a bank.

43:10  
It sounds like a public comment, but it's not intended to be like, you know, like any good, like bank underwrite, right?

43:15  
Like what does the dealer do?

43:17  
What the underwriter do they give you the options of how to finance your capital structure or how to best kind of execute something?

43:22  
I think this is true about just just about any asset and, and I think, you know, the, the, the owners of of these real estate properties are no different, right?

43:32  
They're thinking about, you know, where do I get the best funding from?

43:35  
So I think I think it's actually quite critical just to understand a lot of times we ask ourselves, why is it coming here?

43:41  
You know, what is it that that you know, you know that that makes this, this a good, a good place to finance commercial real estate, right?

43:49  
And a lot of times we'll be working with Jeremy and his team and, and, and he mentioned we have some equity colleagues as well to try to just understand, you know, the broader market as well.

43:58  
Like are you guys seeing these deals?

44:00  
You know, what is what's unique about this or, or, or, you know, how do we kind of bring all this together?

44:06  
That's great.

44:06  
Thanks.

44:07  
Thanks for your perspective on that, Edwin.

44:09  
Barbara, I'm going to come back to you on a topic a couple of our listeners have brought up in the chat, and that is, you know, transparency, pricing, due diligence.

44:20  
Clearly when you're in the real estate business, as you've, as you've mentioned a couple of times, obviously it's all about the underlying asset.

44:27  
But when you're in a situation where there might be less liquidity, less transparency, you know, how are your clients bridging that gap?

44:34  
How are they addressing that?

44:35  
And maybe how are they working with you to achieve those objectives of having as much transparency and you know, the best practices of due diligence is possible?

44:48  
Yeah, well, when when at Callan, when we're advising on real estate debt investments, typically what we're doing is we're looking at an open end vehicle, an open end fund or a closed end fund or separate accounts.

45:06  
And for the closed end fund in the separate accounts, you're right, you know, that's a silent investment.

45:14  
You know, the limited partner will commit a certain dollar amount to future investment.

45:19  
You know, the, the open end funds, there's an opportunity because there's more liquidity in that fund and investors can get in and out of those types of funds.

45:32  
You know, more easily is there's some investments.

45:36  
So there's an opportunity to evaluate those investments and look at the returns the fund, but you're also committing to the future with your capital commitment.

45:46  
But our assessment is really the same for any structure.

45:51  
And what we'll do is we'll diligence the fund.

45:55  
I could spend an hour talking about diligence, but let me just spotlight, you know, a, a few things is generally what we'll do is we'll, we'll take a look at a number of different aspects and we'll look at the strategy.

46:10  
You know, is the strategy relevant?

46:13  
Does the manager have experience in this, in this strategy and the markets that they're that they're proposing?

46:21  
And you'd be surprised what comes up.

46:23  
I mean, I've dealt with really strong managers that all of a sudden say, OK, well, we want to invest 25% in Canada.

46:31  
And so what is your experience in Canada?

46:33  
Well, we don't have the experience in Canada.

46:36  
Well, maybe they should go and have some separate accounts first and get that experience before they decide to make it part of the fund strategy.

46:44  
We'll look at the sponsorship is, you know, how long has this team been together?

46:50  
Have they, do they work well together?

46:52  
How does the investment committee work?

46:55  
How do they pay their employees?

46:57  
What is their commitment to the fund in terms of their dollar amount and how does carried interest get distributed because we're looking for alignment fund terms, you know are the fund terms market and you'd be surprised there too is some of the things that the managers, you know really good managers will all of a sudden come in with a new fund and say we want the right to a continuation fund.

47:23  
Well, no, you know, the investors want to get in and out of that investment.

47:28  
You don't want anybody to be investing with that type of mindset, OK, portfolio and management process, we look at that and also I would say legal and affiliate activities.

47:42  
So there's, there's a lot to evaluate and it's our really our job as a consultant to know the managers, know the funds, know what can, what it, what good performance is during cycles.

47:57  
For example, I just looked at a real estate debt fund that returned a 5.5% return, net return.

48:06  
But that was during the global financial crisis when a lot of debt funds were losing money and going out of business.

48:13  
So that was actually they didn't meet their 9 to 11 target return, but that was a good return for that cycle.

48:19  
So it's our job to know the managers understand market terms and, and what we do is we implement this full investment and we give a no go or go decision based on the needs of a portfolio.

48:36  
It's great.

48:36  
Thank you so much.

48:38  
That was a, that was a, a very, it was a master class and something that we couldn't spend an entire webinar on.

48:44  
Oh gosh, yeah.

48:46  
And there's no question.

48:47  
And there are plenty of questions asked in different ways in the chat about due diligence.

48:51  
And I think yes, we could, we could open the the floodgates there.

48:54  
So let me turn to the managers.

48:56  
Jeremy, Edwin, how do you typically respond to this?

48:59  
What are you often seeing, you know, when it comes to these due diligence requests, this desire for transparency in these funds?

49:08  
Yes, sure, I can start.

49:09  
I would say that transparency is extreme.

49:13  
We get and I spent a, a fair amount of my career on the equity side and then moved to the debt side.

49:19  
And, and my sense is that the debt side is more, more probing in terms of due diligence, but that might just be because Callan and their like have just gotten more and more curious about about all of the underlying due diligence.

49:35  
But we spent a lot of time, we have teams that that spend most of their days, you know, ensuring that we're providing answers to investor and prospective investor questions.

49:49  
We definitely as we we run it, open end funds as well as single client accounts.

49:55  
And so we got a lot of questions on valuation in that process because as as Barbara mentioned, that's critical when you're coming into an existing pool of assets that you can get comfortable with, with how those assets are valued.

50:11  
And, and we we think it's important as part of our DNA as a firm.

50:17  
You know, we've had one of we were the, one of the first open-ended real estate funds in the industry on the equity side.

50:23  
And as Barbara mentioned, we're one of the first open-ended debt funds in real estate.

50:29  
And so we take a point of pride of ensuring that we provide a high level of transparency to our investors even when the news is bad.

50:36  
And I think, yeah.

50:37  
And I can confirm that too.

50:39  
I mean, you know, I can I've diligenced your fund and you are very transparent and do an excellent job.

50:47  
Yeah.

50:47  
And I think that goes a long way, right, with investors because over multiple cycles, you're, as you know, Barbara mentioned the GFC, we had a run up and race.

50:56  
I mean, you're going to have times where you don't meet your targeted returns for reasons that are exogenous to your management skill.

51:03  
And I think that what investors appreciate the most is, is, is strong communication at at the in those times.

51:10  
And I think that that builds your brand and it makes you more reliable and trustworthy the next time around.

51:17  
And that is, as we all know, a very critical piece of the relationship between an investor and a manager.

51:23  
So, so we're very committed to that.

51:26  
That's great.

51:26  
Anything to add on this one, Edwin?

51:29  
No, I would, I would only\_underscore that, that Barbara's statements were master class.

51:34  
I'm going to have to listen to the replay just to just to put that down.

51:37  
But I, I think Jeremy nailed it.

51:39  
I think, you know, it's, it's, it's critical for us to be, you know, transparent with our clients.

51:43  
I think transparent around the process, transparent around any changes to that process or enhancements or anything else.

51:51  
And then, you know, it's critical to make sure that clients, you know, know where, where we are, where we stand.

51:56  
I actually think, you know, the iterativeness of the client manager relationship is, is, is, is excellent.

52:03  
Like we really, really welcome it.

52:05  
I, I, I really think it actually makes us better investors.

52:07  
Sometimes, you know, clients and, and folks like Barbara will ask really great questions that, you know, I'm not saying we haven't thought of it, but just kind of helping us reframe maybe how we were thinking about it or you know, I think I think questions make us better.

52:21  
So, so we really think transparency is critical, but it actually I think it's to the investor and the manager’s benefit to have that iterativeness in the process.

52:30  
And again, I think transparency around teams and process and everything else through time are are critical to to kind of trying to assess the skills and the performance ultimately of the managers.

52:43  
That's great, thank you.

52:45  
So we have a little bit of time left.

52:48  
I'm going to ask you as a final question, I'm going to ask you all to shine up your crystal balls, starting with Barbara.

52:55  
And you're, you're seeing a lot of this from your clients.

52:58  
You're seeing the demand.

53:00  
You mentioned Canada, but I think that was a hypothetical.

53:02  
That was a hypothetical.

53:03  
That's what I figured, but you never know.

53:07  
So what do you see this this asset class, sub asset class headed, you know, what are the areas to watch?

53:12  
What are the, you know, assets that are drawing the most attention among your clients and, and, and where are allocations headed from, from your perspective?

53:21  
Well, I would say given rates have increased, these open end debt funds are are having higher yields, OK.

53:32  
We're seeing that in the marketplace.

53:34  
And I remember when they first came out and they started the, the yields were low and it was, it was a little difficult to put into a real estate portfolio.

53:43  
And I used to even ask the manager who invests in these things because it was low and they had a lot of clients, but it was the insurance companies.

53:51  
And so more and more I'm seeing the opportunity to and in these core plus open end debt funds and put them in the core real estate bucket, OK.

54:06  
In terms of non core investments, as I said, I think more and more the alternative property types, I mean you know if you think about real estate portfolios, real estate managers used to have 40% in office and that's not happening anymore.

54:26  
So the money's going to industrial and multi family, but not that can't be your full load.

54:33  
I mean there has to be other things that you invest in.

54:35  
So investing in alternative property types has, be it debt or equity has really gained a lot of traction there.

54:48  
There's a lot more operational risk to those investments.

54:52  
So it's really important that you know, the manager has the skill set to do that.

54:57  
Sure.

54:58  
Always, always keeps you learning new things, which is great.

55:02  
Jeremy, Edwin, what, what are you seeing?

55:04  
What do you expect for the future?

55:07  
I think getting back almost to the beginning of what we said, I think we're going to see a continued expansion and maturity of this market.

55:16  
So if you think about it, I mean even real estate equity as an asset class is still growing.

55:22  
I think for for investors ideal allocation, target allocations, they may be over invested right now or they may be stuck in, in closed ended funds.

55:33  
But I think overall you've seen it become more of an accepted allocation within most investors’ portfolio.

55:39  
So I think there's going to continue to be expansion of real estate equity going into investor portfolios that will drive transaction activity and values and that will also open up the space for for real estate credit from a private perspective.

55:56  
And I think that on the other side of the equation, on the debt side, you will see private real estate credit go through an evolution similar to what private credit is.

56:07  
I would say is several years ahead of private real estate credit where investors start to realize it has very similar attributes, but it has those correlation and diversification benefits.

56:18  
And so they diversify their private credit exposure to include some private real estate credit as well.

56:24  
So I see, I just see a lot of, of capital continuing to flow into the sector and, and really develop and mature it, define buckets, build benchmarks.

56:35  
And that has a virtuous cycle where once there are benchmarks, people can make a, a, a core part of their portfolio, they can measure it and, and it just kind of builds its maturity as an asset class.

56:47  
And then you used to have these back leverage providers like CRE CLO and the banks all kind of bringing capital to help support the growth of the private credit.

56:55  
So, so I see that maturation. On the flip side,

56:58  
and Barbara mentioned, you know, 100 plus open-ended debt funds.

57:02  
I don't think all of them will will endure.

57:06  
I think that it feels too pervasive.

57:08  
I think that I think that you'll see some shake up as the market matures.

57:14  
Maybe you have some some type of correction event that that causes some of those weaker players to fall away and then you'll kind of have more consolidation around stronger players.

57:24  
Yeah, I agree with that too.

57:26  
Yeah.

57:26  
So that, I mean, that's kind of my my big picture view probably over the next hopefully not the correction part, but but over five years, I'm sure we'll see something, especially given how things have been going.

57:36  
So, yeah, got it.

57:37  
That's very helpful.

57:38  
Edwin, what are your thoughts?

57:40  
Yeah, maybe I'll, I'll start with a quote from a from the great philosopher Yogi Berra, right.

57:44  
It's tough to make predictions, especially about the future.

57:47  
So maybe I'll caveat everything there.

57:49  
But I I, you know, look very high level.

57:50  
I think convergence, the theme of convergence will continue.

57:54  
I think the face of securitization as as a financing, you know, avenue

58:00  
for CRE will continue to grow.

58:03  
My sense is it'll probably continue to, to, to grow in, in, in, in SASB in particular.

58:09  
And, and most likely, you know, there'll be less and less fixed rate and there'll be a lot more floating rate.

58:15  
And again, I think all of this is kind of thematically with, with all the other themes that we see going on in, in, in and, and call it the, the world of, of finance, at least with regards to banks, just just lending in a different way.

58:30  
And, and the private markets, whether that, you know, includes, you know, proper private markets or, or even securitization that that I think will continue.

58:39  
The the key, the key thing I would expect us to talk about and, and James, you mentioned this earlier, so, so I'd be remiss not to bring it up again, is data centers.

58:48  
I think this is an area where we're going to see quite a bit of growth.

58:52  
We expect a lot of growth in securitization in particular.

58:56  
You know, as you know, right now, we're seeing, you know, hundreds of billions of dollars.

59:01  
You know, it feels like almost every day there's a new headline about a new, you know, eye boggling number in terms of, of, of data center needs.

59:10  
These these are real trends.

59:11  
You know, I think to me, what's fascinating, you know, 50% of GDP growth this year is coming from data center investment.

59:18  
So this is actually real, real, real, real life.

59:22  
It gets, it needs to get financed somewhere.

59:24  
Again, I do think the CRE market and, and in particular securitization will play a big part of it.

59:29  
But you know, we're seeing everything from, you know, the need for construction.

59:34  
So again in yesteryears maybe there was triple net leases, there was infrastructure funds, there was other folks that were involved and we're definitely seeing some of these projects come more into the private synchronization place again otherwise known as ABF.

59:47  
I think we're gonna have a segment on that, but ABF as an avenue

59:51  
for investors to think about, you know, you know, these risks transform over time, right?

59:58  
There's like you're part of the land, you need the energy, then you have the construction, then you get stabilized and there's a, you know, multi year lease take out to maybe a hyperscaler just meeting a really one, you know, one of the Max 7.

1:00:10  
There's all these risks that evolve over the life of this project.

1:00:13  
In yesteryears, given that there was a defined amount of capital that was needed, folks can be really strategic around how they finance each piece and we talked about.

1:00:22  
You know, at one point saying like, you know, it was, you know, not stabilized going to stabilized and kind of where it fits into the kind of continuum of funding.

1:00:30  
We're seeing all that get compressed quite a bit, largely because there's so much need for this financing.

1:00:35  
So we definitely think that we'll start to see a lot more data center or I'd even just say, you know, digital infrastructure as a big growth.

1:00:43  
Barbara mentioned earlier, you know, you know, in, in, in decades past, you know, office was a big part of these portfolios.

1:00:49  
We're definitely also seeing other things outside of digital infrastructure.

1:00:52  
But but I think just thematically, what we're seeing kind of the, you know, the, the needs for financing and the supply demand and balance of capital, again, as as banks, you know, haven't really stepped away here, It's just the needs are too big and there's only so much banks could really do.

1:01:08  
So I suspect that'll that'll be an ongoing theme and that is global.

1:01:12  
So I wouldn't contain that just to the US we've definitely seen some some candidate deals for Barbara, but also, you know, we're seeing it, we're seeing it globally.

1:01:19  
We're this is, you know, this, this is a a trend that we will inevitably, you know, the question is not really how, you know, if, but really how large and and I'll you know, I'll leave it there.

1:01:32  
Great, thank you, Edwin, and thank you to our panelists.

1:01:35  
I really appreciate PGIM sponsoring this webinar and CFA Institute hosting the webinar.

1:01:42  
I want to give a special thanks to our panelists, Barbara Bernard from Callan, particularly because you joined us from the west coast at an early hour.

1:01:49  
Thank you, Jeremy, it's a pleasure.

1:01:51  
That's great.

1:01:52  
Jeremy Keenan and Edwin Wilches from PGIM, thanks to both of you.

1:01:59  
And you heard it here first.

1:02:00  
So not all the money flowing into AI is going to be equity.

1:02:04  
We're going to see more and more and more debt in the AI world.

1:02:07  
And with that, we're going to leave you hanging because our third webinar, our third and final webinar, which will be a week from today, will be also sponsored by PGIM, hosted by CFA Institute on asset-based finance.

1:02:17  
So please join us then.

1:02:19  
A big thanks again to our panelists and we'll see you next week.