

FINNEO: Tech and Data in Commercial Real Estate Debt

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Presentation Agenda

1. Speaker Introductions
 2. Who and What is FINNEO?
 3. A Brief Market Update
 4. The BIG Problem in the Debt Market – Pain, Problems and Inefficiency
 - Legacy Processes Lead to Legacy Problems
 - Lender Cyclicalities
 5. The FINNEO Way – Opportunities and Results in a Challenging Market
 - Big Data and AI Technology – A Clear Competitive Advantage
 - Utilizing Lender Market Intelligence
 - Lender Matching Algorithm
 - An Automated Process is an Efficient Process
 - Transparency Creates Trust
 - The Results
 6. Q & A
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Introduction and Background of Speakers



Austin James

Team Lead and VP, Debt Capital Markets

Austin is a leading commercial real estate finance professional with nearly a decade of experience in various financial services roles ranging from commercial real estate and development financing to business owner wealth and estate planning, insurance, strategic growth planning for mid-market commercial banking clients and more.

Prior to joining team FINNEO, Austin was a consistently awarded commercial real estate originator and portfolio manager with RBC Royal Bank in Downtown Toronto. Austin specializes in commercial mortgages, land and construction financing, bridge financing and CMHC.

Introduction and Background of Speakers



Bryce Carlin CPA, CA, CBV
VP, Debt Capital Markets

A former lender having worked in both senior underwriting and origination roles with MarshallZehr Group originating and managing a large book of development and construction loans, Bryce understands and smoothly navigates the nuances and complexities involved with commercial real estate financing to achieve optimal client solutions.

Bryce specializes in CMHC, conventional construction and land development financing. He services SouthWestern Ontario and is based out of Kitchener.

What is FINNEO?

FINNEO is a CRE debt advisory platform that uses the power of technology and data to source the most competitive financing solutions for our clients and partners.

FINNEO was founded in 2017 with Venture Capital backing by TechStars, a \$98 Billion AUM Venture Fund. Together, our experienced group of advisors have successfully funded over \$4B in CRE debt solutions with offices in Toronto, Vancouver, Montreal, New York, Miami and San Francisco.

The 'BIG' Problem in the Debt Market...

- 'Higher for Longer' Rates
- Lower Leverage
- Restrictive Covenants
- Market Inefficiencies
- Increasing Collateral
- Increasing Equity Requirements
- Diluted Investment Returns
- Unpredictable Lender Cyclicalty

**Problems, pain and uncertainty
lead to inaction**



GOC Bond Yields - 12 Months at a Glance:

To close out February 2024, the Government of Canada's **5-year bond yield had moved just 2 basis points (0.02%) lower** than its closing price 12 months prior, March 1st, 2023. However, over the same 12-month stretch the market endured **fluctuations by as much as 167 basis points (from 2.75% to 4.42%)**. Market sentiment swirled month over month causing the bond market to dip and rise unpredictably resulting in lower CRE trading volume and borrowing activity, broadly speaking. The unpredictable shifts reflect the market's response to continued inflationary pressures and economist forecasts regarding interest rates.

GOC Bond Yields - What Happens Next?

Looking ahead, we expect the 5-year Bond to settle into a comfortable trading range which may persist for the remainder of 2024. As far as price levels and targets, the short-term range sits between the February high at 3.800% and the current yearly low at 3.150%. The yearly high is currently being tested after CPI data announcement last week and represents a pivotal level for the 5-year yields. A strong breakout could set the stage for a continued rate increases while a rejection could see rates roll back over and trend to yearly lows. As of this writing, bond traders are currently pricing in about a 50% chance of a 25 bps rate cut coming in June 2024 and a 75% chance of 50 bps cuts by September 2024.

Yield | 4:55 PM EDT

3.771% ▲ +0.073

1D 5D 1M 3M 6M YTD 1Y 5Y ALL

+ Comparison

1D ▾ Display ▾ Studies ▾ ⚙️ | ✎ + ☰



GOC Bond Yields - Impact on CRE Interest Rates

Lender Type	Life Co/ Pension Fund	Schedule A and Credit Union
Best Cost of Borrowing	GOC Bond Yields	Internal Cost of Funds
Low Quote on Spread	+153 bps	+75 bps
All in Rate (March 1, 2024)	5.03% Fixed	5.86% Fixed
High Quote on Spread	+235 bps	+150 bps
All in Rate (March 1, 2024)	5.85% Fixed	6.66% Fixed

Construction Financing Activity and Local Market Trends:

In the realm of construction financing, we observe a robust appetite among lenders to fund projects for Multifamily, Industrial, and Hospitality assets within the GTA. Despite the uncertainty around the cost of capital and construction, demand for new developments remains buoyant, driven by population growth and sustained interest from institutional and private investors. With a focus on major arterial routes, public transit locations as well as innovative, energy-efficient designs, developers are capitalizing on evolving consumer preferences and urbanization trends.

Bridge Financing Activity and Local Market Trends:

Bridge financing continues to play a pivotal role in facilitating property acquisitions and repositioning strategies within the GTA. As investors seize opportunities in a competitive market, bridge loans offer flexibility and expedited execution, bridging the gap between short-term financing needs and long-term capital structures for those who are looking to pick up distressed assets.

Market dynamics suggest a tightening of underwriting standards for bridge financing, with lenders exercising caution amid evolving risk profiles as bridge extensions become commonplace. Nevertheless, nimble borrowers with strong business plans and value-add strategies can leverage bridge financing to capitalize on market inefficiencies and unlock value in transitional assets.

Commercial Mortgage Financing and Local Market Trends:

Traditional lenders, alternative financiers, and institutional investors are returning to the market and have been increasingly offering competitive terms and innovative structures, empowering borrowers to optimize their capital stack and enhance returns.

Local market trends indicate a preference for fixed-rate financing as borrowers seek to mitigate interest rate risk as capital costs normalize with mid to long-term rates.

CMHC Financing:

CMHC provides mortgage loan insurance for both construction and term financing for new and existing multi-residential buildings across Canada – minimum of 5 units

MLI Select – Points based programs (energy efficiency, affordability, accessibility). Most popular program due to the benefits associated.

Timelines – Certificate of insurance issued within 1-2 months plus time to funding thereafter

Reach out to discuss your specific situation

Is your Debt Strategy Aligned with your Investment Strategy?

As we navigate the evolving landscape of commercial real estate in 2024, it's essential to ensure that your financing strategy is aligned with your objectives and market dynamics. Whether you're exploring new opportunities, refinancing existing assets, or optimizing your capital structure, now is the time to engage in strategic discussions.

Reach out to us today to schedule a conversation and assess whether your commercial real estate debt strategy is well-positioned for the year ahead. Our team of CRE Debt Professionals stands ready to provide personalized insights and tailored solutions to empower your success.

Legacy Processes Lead to Legacy Problems

The 'Current State' of Accessing a CRE Debt Solution

Relationship Lenders

- 2-3 Long Standing Relationships
- Successfully Funded Past Transactions
- Policy and Sponsor Comfort

Traditional Brokers

- 5-25 Lender Relationships
- Local Market Expertise
- Friendly with a Select Few Lenders

**How do you KNOW you have the Best Deal?
and
What can you do about it?**

The FINNEO Way – Opportunities and Results in a Problematic Market

Finneo: Reinventing the Entire Process

Our Team of Highly Experienced Advisors Will Guide You Along The Way

SEARCH LENDERS

Lender Name
ABC LM

Loan Amount
eg. \$1,000,000

Loan Type
eg. Term, Construction, CMHC, etc.

Property Types
eg. Multifamily, Office, Retail, etc.

Markets
eg. Primary, Secondary, etc.

State
eg. Ontario, Quebec, etc.

Term
eg. 5, 7, 10 years

Amortization
eg. 20, 25, 30 years

Interest Only
eg. Yes or No

Reset

Regional Bank	Domestic Bank	Credit Union	Mutual Equity Firm	Debt Fund (Direct)	Life Company	Debt Fund (Target)
1136	511	281	166	137	122	87
BNB (Large)	Institutional Investment Manager	ESOC	Foreign Lender	Pension Fund	Trust Co.	Foreign Bank Branch
69	67	52	37	31	11	10

Relationship Based Lending / Borrowing

Finneo is Ranked as the #1 Platform in the CRE Debt Industry for having the most depth and breadth in The Lender Programs (3,000+)

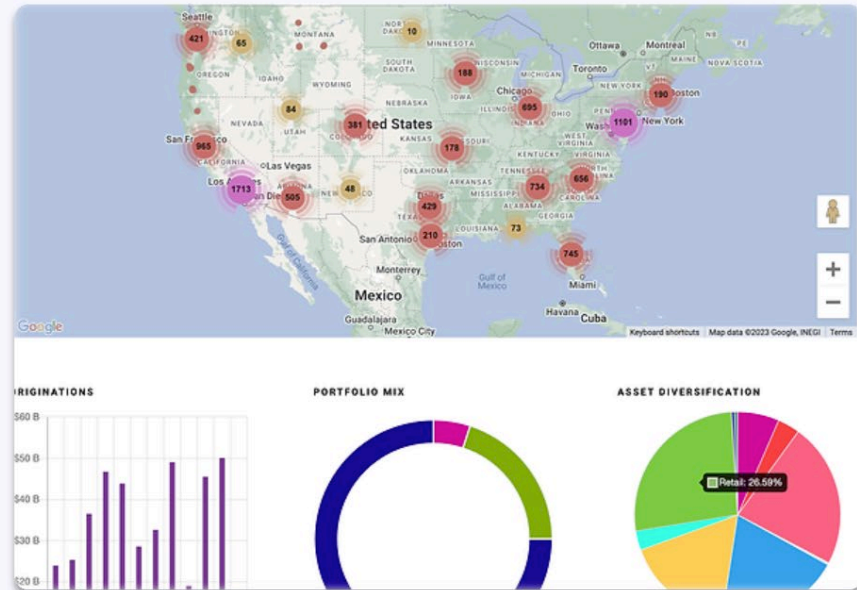
A Clear Competitive Advantage:

Actively tracking over 3000 Lenders in Real Time Through Industry Leading 'Big Data Science'

The FINNEO Way – Opportunities and Results in a Problematic Market

Transparent Access and Insights

Our In House Data Engineers work hand in hand with our Tech and Lender Program Team to Track Lending Activity in Real Time. With over 3,000 lenders on the supply side of money, Borrowers work with our Advisors to fully understand and navigate the pitfalls of an inefficient market.



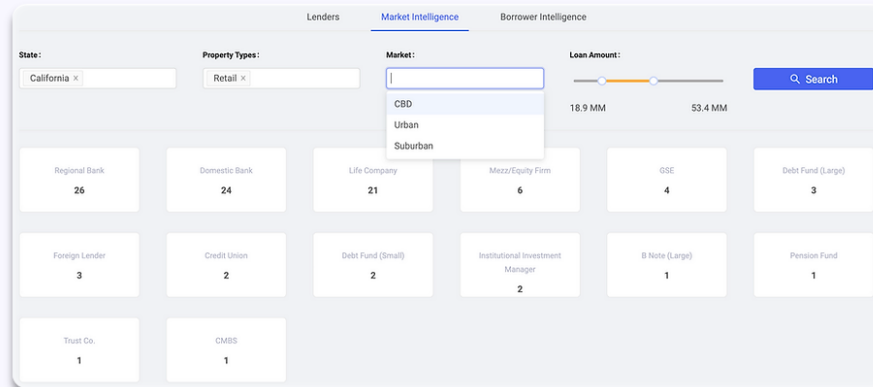
Lender Market Intelligence:

Real time lender insights into capital allocations, recent transaction data, asset preference trends analysis and loan volumes

The FINNEO Way – Opportunities and Results in a Challenging Market

Data Enabled Lender Insights

Our Advisors use the Finneo Platform to offer you best in class intelligence on the Lending Market - Historic Trends and Current Lending Appetites.



Lender Matching Algorithm:

Our proprietary AI technology which filters for the most aggressive lenders based on real time risk appetite specific to the deal terms which you are actively seeking

The FINNEO Way – Opportunities and Results in a Challenging Market

CUMULATIVE (LAST 5 YEARS)			RECENT (LAST 12 MONTHS)		
Lender Name	#	Loan Amount (%)	Lender Name	#	Loan Amount (%)
	14.45%	14.22%		46.94%	47.44%
	13.54%	15.23%		10.20%	12.85%
	12.42%	12.14%		6.12%	5.99%
	8.80%	8.79%		6.12%	3.99%
	8.35%	8.28%		6.12%	4.07%
	4.97%	5.16%	canada	4.08%	4.21%
	4.06%	3.34%		2.04%	1.09%
	3.16%	3.47%		2.04%	3.17%
	2.71%	2.53%	Meridian	2.04%	1.09%
	2.71%	2.61%		2.04%	1.54%
canada	2.71%	3.35%		2.04%	2.18%
Meridian	2.26%	2.11%		2.04%	3.28%
	2.03%	1.89%		2.04%	1.97%
	1.81%	1.64%	CLIFTON BLAKE	2.04%	2.36%
	1.81%	1.95%		2.04%	1.72%
	1.81%	2.36%		2.04%	3.05%

Automated and Efficient Processes:

Lenders are constantly rebalancing their portfolio's, resulting in suboptimal financing offers in the absence of FINNEO's active tracking and filtering of the broader market. Lender Cyclicalities and the lack of market dissemination at each financing event is the most common cause of CRE debt underperformance.

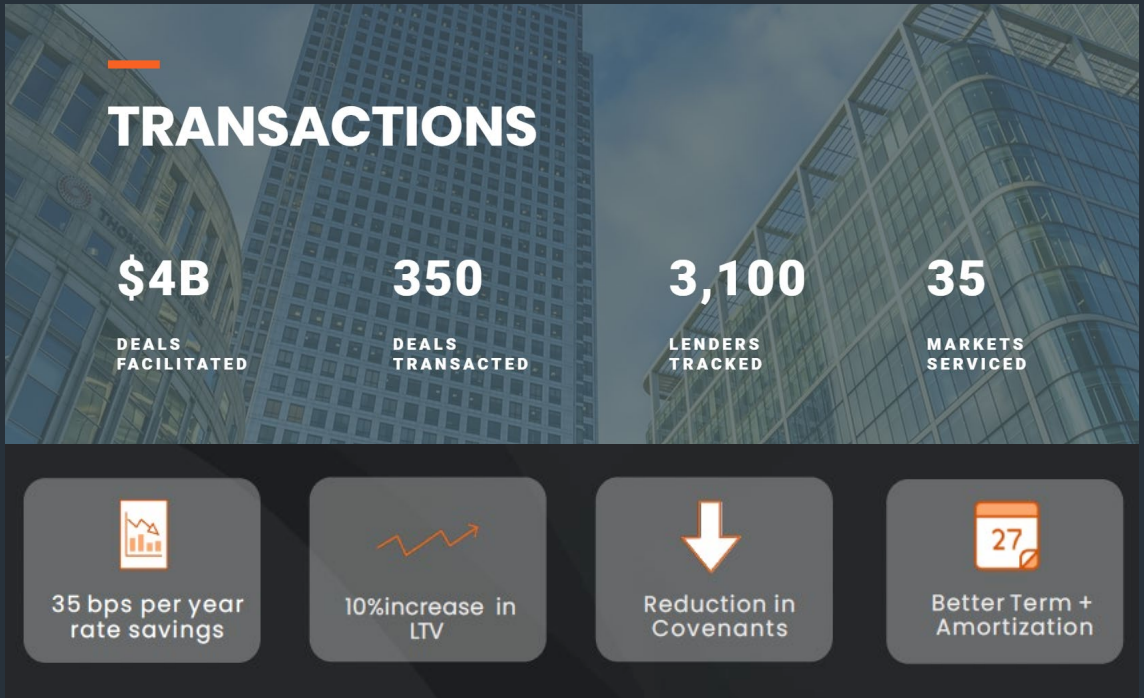
The FINNEO Way – Opportunities and Results in a Challenging Market

	Activity	#	Lender	Loan LTV	Term Amortization	Type Index	Coupon Spread	Fee (bps)	Follow-up Status	Link	CA
		1	 Glasslake Funding Jake Bannister - Regional Sales Manager	\$3,250,000 65%	2 30	Fixed	12.25%	150	High		
		2	 Tandia Junaid Alam - Senior Commercial Account Manager	\$3,250,000 65%	5 25	Fixed	7.75%	75	High		
		3	 OWEMANCO Canada Sohail Zayana - Principal, Origination	\$3,250,000 65%	1 10	Variable	11.5%	200	High		
		4	 Laurentian Bank Brad Freund - Senior Manager	\$3,150,000 63%	3 25	Fixed	7.6%	50	High		
		5	 Canadian Western Bank Matthew Hancock - Senior Relationship Manager, Commercial Banking	\$3,000,000 70%	5 25	Fixed	7.65%	50	High		
		6	 Moskowitz Capital Brian Moskowitz - Founder & President	\$3,000,000 60%	1 10	Variable Canada Prime Rate	13.2% 6%	200	High		
		7	 TD Bank Canada Bowen Lin - Relationship Manager	\$3,000,000 60%	5 20	Fixed	7.3%	25	High		

Transparency Creates Trust:

The only platform with 100% transparent client access to view deal packages, lender offers, stage of completion and automatic pre-funding condition updates all at the click of a button

The Results...



FINNEO is Your Partner in CRE Debt Success

Questions? Reach out any time!

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