

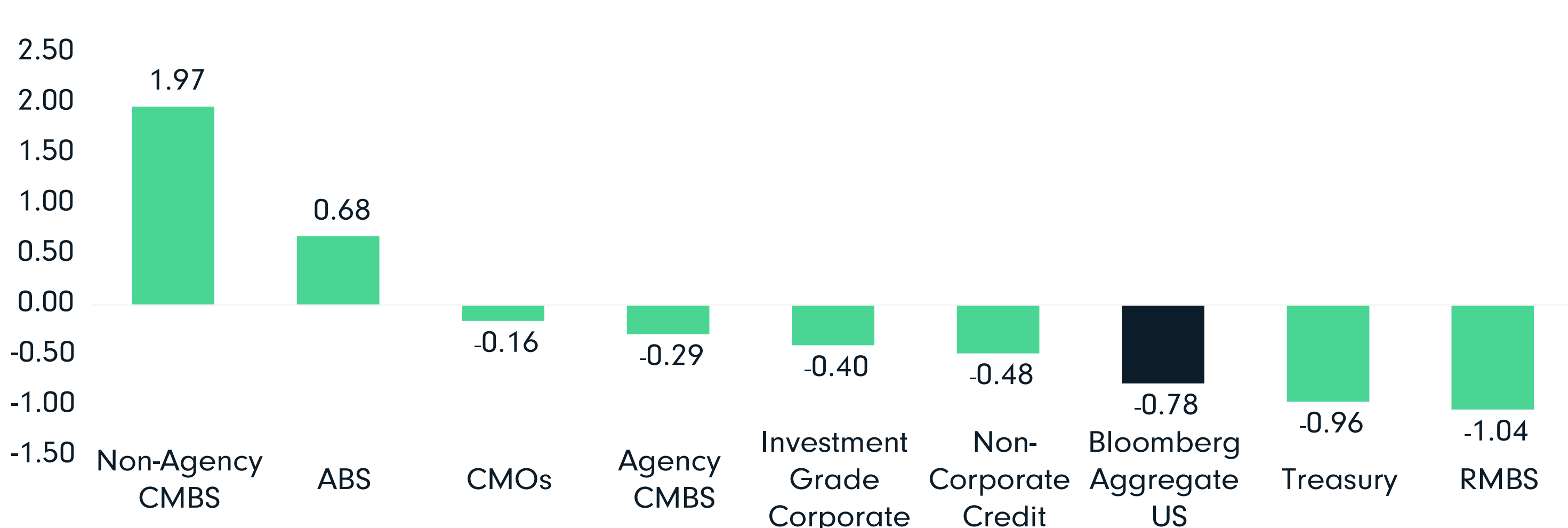
# Securitization in Focus

March 2024

## 2024 Year-to-Date Sector Performance

Investors migrated to the non-agency CMBS sector due to attractive spreads in anticipation of later-in-the-year rate cuts from the Federal Reserve.

### Q1 2024 Total Return (%)



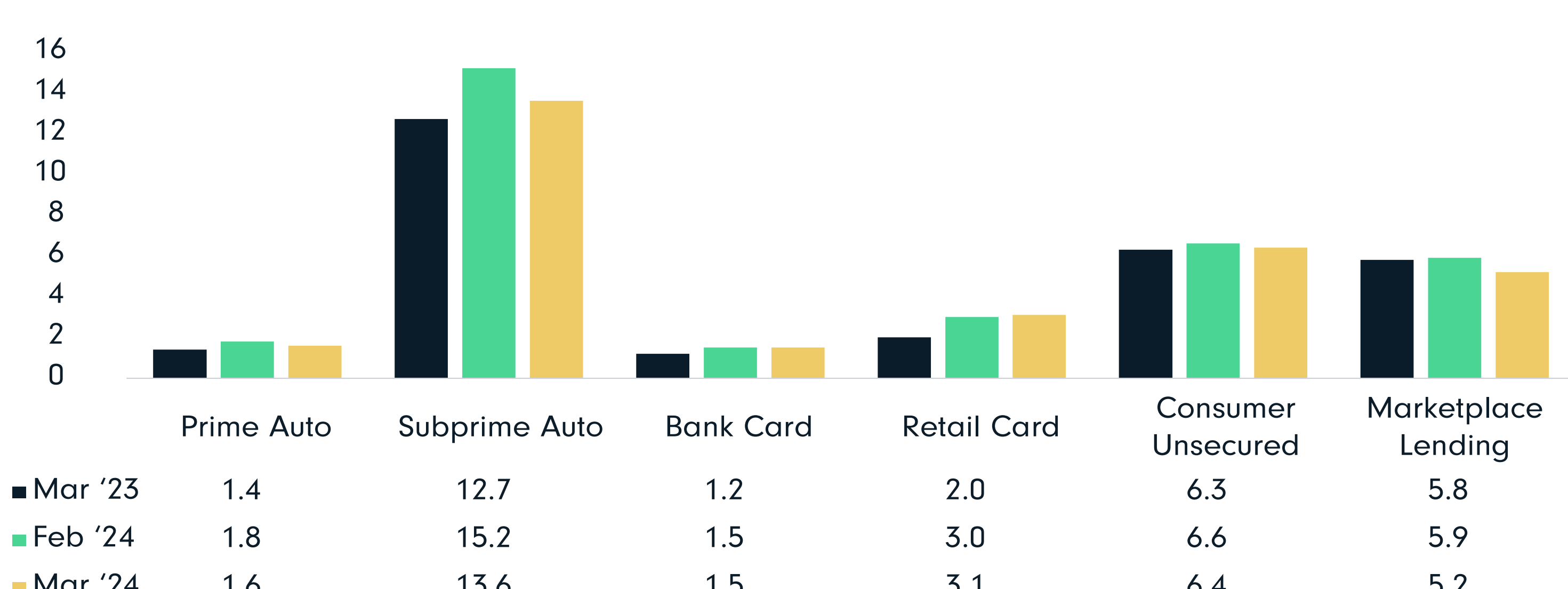
## Asset-Backed Securities (ABS)

### Issuance

Issuance continues to run hot, well ahead of past two years pace.

	2024 YTD	2023 Full Year	2024 YTD (as % of '23)	2022 Full Year	2024 YTD (as % of '22)
Auto	54.2	157.6	34.4	112.9	48.0
Credit Card	6.4	21.0	30.5	29.2	21.9
Equipment	7.4	21.8	33.9	20.4	36.3
Student Loan	2.2	6.6	33.3	7.1	31.0
Esoteric	19.7	53.8	36.6	73.5	26.8
Total	89.9	260.9	34.5	243.1	37.0

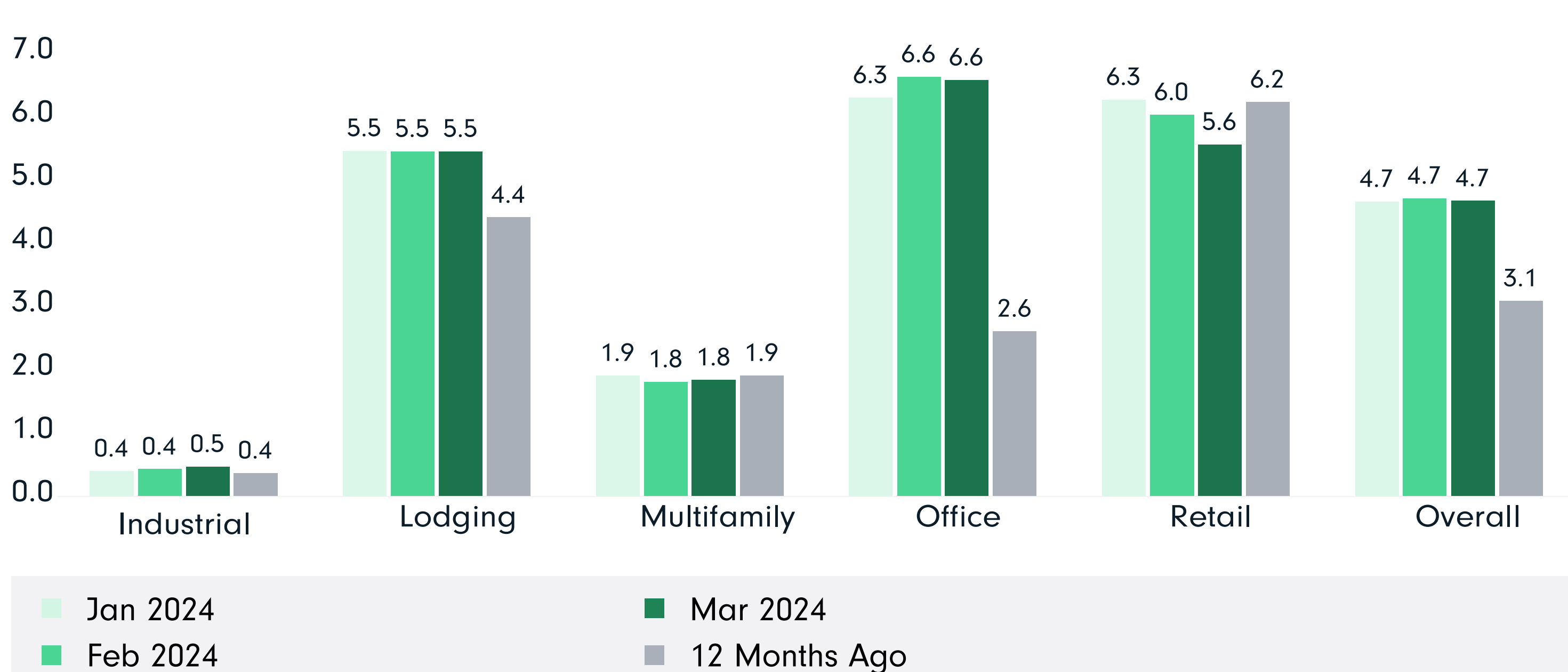
### ABS Delinquencies (%)



## Commercial Mortgage- Backed Securities (CMBS)

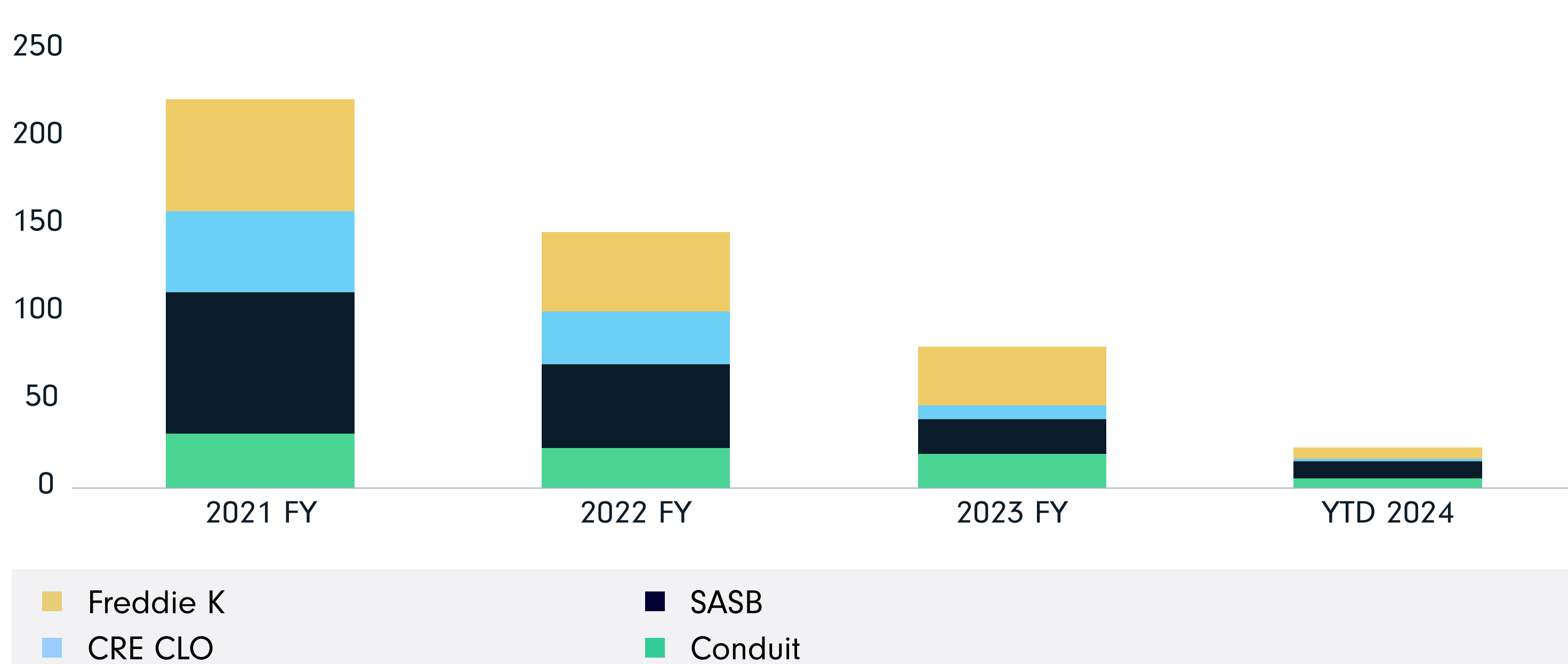
In the CMBS arena, some areas have improved recently, while others have held steady. Could the worst be behind us?

### Delinquency Rates by Property Type (30-days or longer) (%)



Private label or non-agency issuance continues to rebound from the slowdown of the past few years with March issuance (\$8.5 billion) the most since mid-2022.

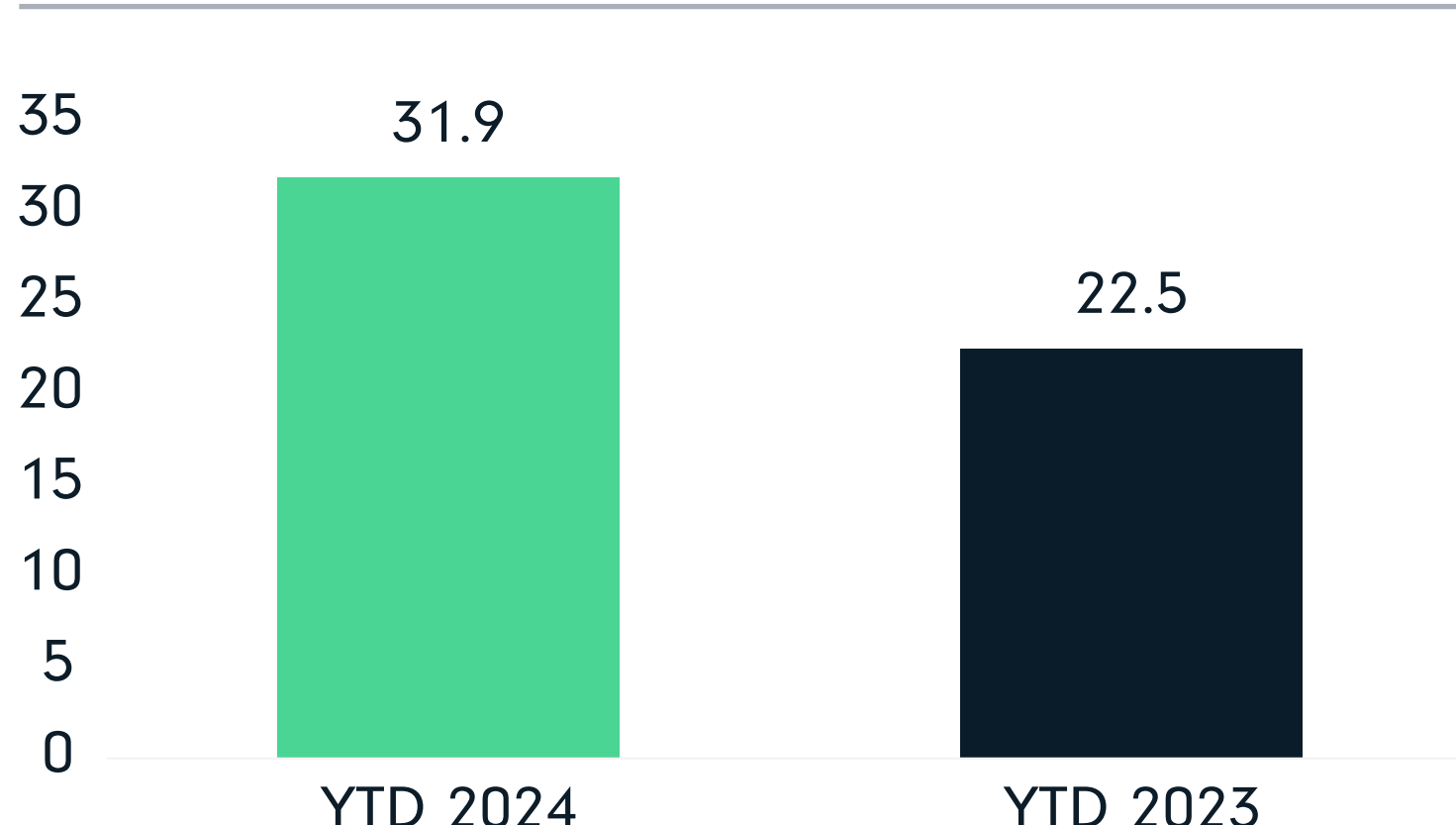
### Private Label Issuance (\$B)



## Residential Mortgage-Backed Securities (RMBS)

Year-to-date RMBS issuance is ahead of issuance over the same period last year. Full-year non-agency RMBS issuance is expected to reach close to \$100 billion, well ahead of 2023's \$80 billion, but a far cry from 2021's \$205 billion.

### RMBS Issuance (\$B)



### SECTOR HIGHLIGHT | Residential Transition Loans (RTLs)

Residential transition loans help borrowers finance short-term rehabilitation and construction projects. The borrower's goal is to eventually sell or find long-term financing as a rental property. These loans are also referred to as short-term residential investor loans, fix-and-flip loans or investor bridge loans.

The first securitization occurred in 2018, so it is a relatively new asset class within ABS. Issuance increased post-COVID amidst low rates and a housing supply shortage.

#### Unique attributes of RTLs

- Borrowers tend to be professionals whose business relies on short-term, fixed rate financing.
- High loan spreads reflect uncertain renovation costs, speculative after-repair valuation and balloon principal payments due at maturity.
- Loans have relatively short duration of 12-36 months with interest-only (IO) payments until maturity.
- Also feature "rehab draws," which is a portion of loan principal approved but not immediately disbursed to the borrower at origination; funds are disbursed only after certain renovation targets are completed.

Sources: Bloomberg, ICE BofA ML, Barclays, Trepp CMBS Research, JPMorgan.

Investment Grade is a bond quality rating of AAA, AA, A or BBB.

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