



INVEST/STAY CONNECTED

INITIAL REPORT FEBRUARY 21, 2024

LAST UPDATED MARCH 29, 2026

\$7.35 / Recommendation: BUY, target \$10

ARBOR REALTY TRUST, INC.

Arbor (ABR) is a New York-based REIT specializing in two segments: lending and loan management in the multifamily and single-family rental (SFR) markets. At year-end 2025, the company held \$12.1 billion in loans and had \$36.2 billion in its servicing portfolio. The shares have traded down in 2025 and 2026 and are currently at 63% of book value and yielding 16%. The lending portfolio has been volatile, with net interest earned peaking in 2023 at \$428 million and falling to \$238 million in 2025. The 4th quarter earnings showed some of the beginning signs of improvement in the portfolio. Arbor's agency business provides annuity-like returns, which provides stability to the overall company. Both segments produced roughly \$250 million in revenue and approximately \$80 million in net income in 2025. (2025 10-K, p. 111) Our two previous reports (available on our website) rated ABR as a hold, reflecting the portfolio risk created by the 2022 interest rate surge.

Lending Portfolio

The SFR loan segment has a comparatively very low default rate of less than 1% and grew 60% in 2025 to \$3.2 billion, or 26% of the portfolio. The remaining \$8.2 billion of the portfolio is in multifamily (apartments) loans, with \$5 billion considered legacy assets, or pre-2022 originations. This segment experienced around a 15% default rate since 2023. Since the loans are floating rate, borrowers became stressed with the higher interest rates, which caused higher payments. This led to a number of modifications, defaults, and foreclosures. At year-end 2025, nonperforming assets totaled roughly \$1.1 billion, with approximately \$570 million in delinquencies and \$500 million in real estate owned (REO) — compared to \$250–300 million at year-end 2022.

Management estimates the revenue drag from nonperforming assets at \$80–100 million annually, or \$0.40–0.48 per share, but in Q4 2025 nonperforming assets fell over \$130 million from Q3, an 11% sequential improvement. The company projects reducing delinquencies by \$200–300 million in the first half of 2026 and the REO portfolio by \$250–300 million by year-end 2026. If achieved, this would add \$0.20–0.25 per share in distributable income and improve net interest income by \$40–50 million. Another sign of stabilization was that loan modifications fell sharply from \$3.7 billion in 2024 to \$1.7 billion in 2025, reflecting a stabilizing borrower base, with growing SFR loans and new multifamily originations. Also, net interest income jumped from \$38 million in Q3 2025 to \$56 million in Q4 2025. This included some one-time adjustments in the 3rd quarter but shows some stability.

Company Stats & Estimates \$

Shares & Units outstanding	209
Equity Market Cap	1,538
Total Assets	14,494
Total Liabilities & PFD	12,060
Book Value / Share	11.63
Discount to book value	37%
2026 Distributable EPS	1.21
2027 Distributable EPS	1.39
2026 Distributable Earnings	249
2027 Distributable Earnings	283
2026 Current Cash Flow Yield	16.15%
Enterprise Value	13,187
EBITDA (2024 Est.)	1,300
2026 Div Coverage @1.20	101%
Price to Dist. Earnings / Share	6.7 X
2026 EPS	\$0.77
2027 EPS	\$0.95

[ABR INVESTOR RELATIONS](#)

[RECENT PRESENTATION](#)



Management summarized the situation on the Q4 2025 earnings call: "We continue to focus heavily on legacy assets, which currently sit around \$5 billion. \$570 million of these loans are delinquent... We generated around \$2 billion of runoff in 2025 in our balance sheet loan book, approximately \$1.5 billion of which is related to the legacy book, [and have a] similar runoff projected in 2026." With the growing SFR segment, legacy book runoff, and stable interest rates, Broxton is forecasting net interest income recovering to \$322 million by 2028.

Agency / Servicing Business

The agency business originates, sells, and services real estate mortgages primarily through the GSEs and private investment vehicles. The servicing portfolio has grown from \$20 billion in 2019 to \$36.2 billion at year-end 2025. Revenue grew from \$219 million to \$273 million over the same period, reflecting a 4.5% annual CAGR. As management noted on the Q4 call: "Our servicing portfolio, now is over \$36 billion and up 8% in 2025, generates a very predictable and growing annuity of over \$128 million a year of income." Revenue as a percentage of the servicing portfolio has compressed from roughly 1.0% to 0.75% over the past five years, reflecting the interest rate environment and lingering COVID-era effects. Management predicts that this will stabilize and begin to grow in late 2026. The agency business is stable and growing and gives Arbor a meaningful differentiator from typical mortgage REITs.

In addition to common shares, Arbor has three preferred series outstanding totaling \$633 million. The Series D and E trade at approximately a 9% yield; the Series F is a fixed-to-floating rate structure currently yielding roughly 7%. The company also has publicly traded bonds, including the 7.875% notes due 2030, which trade around 93 cents on the dollar.

At this point we are raising our rating on Arbor common to buy from a hold. We have begun to see the first signs of loan portfolio improvement and the agency business continues to grow. We forecast that the distributable earnings will exceed the dividend slightly this year and grow to a 20% premium by 2028. Arbor has been the subject of short attacks and may or may not be under investigation from government authorities. Although investigations were announced in 2024, there has been no update or information since then. We addressed this in our June 2024 report and said: "We cannot make a definitive call but do not 'see' indications of fraud at this time or what the benefit would be." We are an industry leader in analyzing publicly traded loan portfolios and have a long history of analyzing accounting frauds, including Enron.

As of this report, Arbor trades at 63% of book value and has a current yield of 16.33%. Arbor has \$483 million in cash and is in good financial condition. Overall, the company can maintain its dividend in the current environment and we are forecasting improvements. We also caution against the current backdrop, which is adding a lot of volatility, and of course the fact that the company does not have to maintain its dividend. We rate the company as a buy with a price target of \$10.

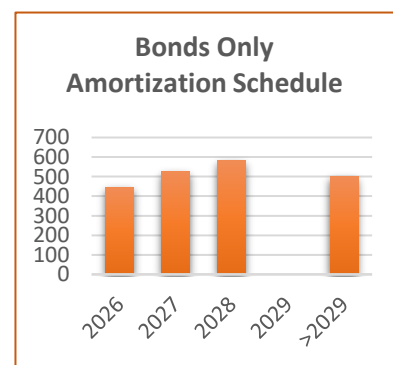
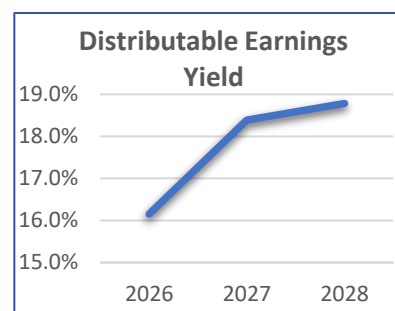
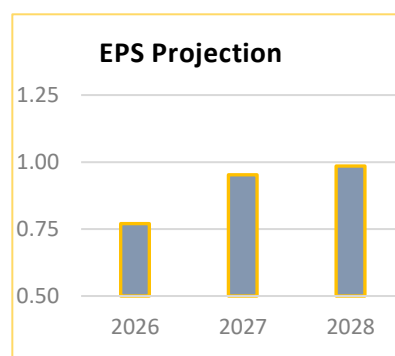
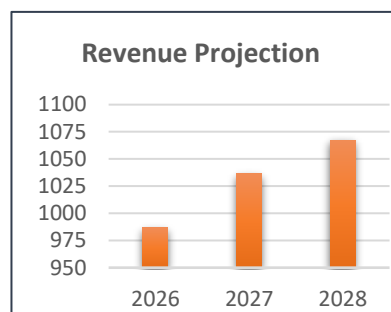
BROXTON CAPITAL ADVISORS ABR as of 12/31/2025

Sunday, March 29, 2026

share price	\$7.35		
PROJECTIONS IN MM fiscal yr	2026	2027	2028
Income Statement			
Interest Income	987	1036	1067
Interest Expense	715	725	745
Net Investment Income	272	311	322
Other Revenue	267	266	266
Total Revenue	539	577	588
Credit Provisions for losses	50	50	50
Total Expenses	330	334	339
Other Expenses	64	64	64
Net Income	145	180	186
Valuations			
Net Income / Share GAAP	0.77	0.95	0.98
Distributable Earnings	249	283	289
Distributable Earnings / Share	1.21	1.39	1.44
Interest Income YOY	14%	14%	4%
EBITDA	1,300	1,383	1,420
Cash Flow	249	283	289
Cash Flow / Share	1.21	1.39	1.44
Dividend	1.20	1.20	1.20
Common Dividend Coverage %	100.5%	116.1%	120.4%
Price to Dist Earnings / Share	6.1	5.3	5.1
Capital Structure			
Shares & Units outstanding *	209		
Senior Notes	1,617		
PFD Shares Face Value	633.7		
Liquidity Dec. 31 2025			
Cash	483		
Borrowing Availability est.	1000+		
Total Assets	14,494		
Total Liabilities & PFD	12,060		
Ratio	120%		
Totl debt + PFD	11,649		
Book Value			
BV / Share	\$11.63		
Book Value	2,434		

NOTES:

* ABR has 16.3 mm units convertible into shares on a 1 to 1 basis



Disclosures 02022025

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