



# Investor Presentation

Q3 2016



# Forward-Looking Statements and Other Disclaimers

## IMPORTANT NOTICE:

This presentation contains forward-looking statements, within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 (the "Reform Act"). All such forward-looking statements are intended to be subject to the safe harbor and other protections provided by the Reform Act and applicable securities laws. The forward-looking statements included in this presentation reflect Owens Realty Mortgage, Inc.'s ("ORM's") current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause ORM's actual results to differ significantly from those expressed in any forward-looking statement and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Statements regarding the following subjects, among others, may be forward-looking: ORM's business and investment strategy; projected dividend yields; ORM's projected expenses and operating results; ORM's projected capital expenditures and construction related expenses; economic, demographic, lending or real estate developments in ORM's markets; early terminations of or non-renewal of leases by ORM's tenants; ORM's ability to obtain financing arrangements; general volatility of the markets in which ORM participates; construction progress and completion dates, permit, entitlement, zoning and other property related approvals, expected real estate planning and policies of city, county, state, and other regional municipalities, including zoning, land annexation, and building and development approvals, expected listing and sale dates, occupancy rates and dates, and marketability of ORM's real estate assets; ORM's ability to qualify and maintain ORM's qualification as a REIT; market trends in ORM's industry, including interest rates, real estate values, vacancy and absorption rates, lease rates, land, residential and commercial property statistics, regional population and income growth, or the general economy; and statements about ORM's current expectations, plans, strategies, prospects, beliefs, targets, assumptions, and forecasts. Words such as "expect," "target," "assume," "estimate," "project," "budget," "forecast," "anticipate," "intend," "approximate," "plan," "may," "will," "could," "should," "believe," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements.

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## DISCLAIMERS:

### Pro Forma Dividend Yield

The projected dividend yield in this presentation is meant to provide an estimated dividend yield range, for informational purposes only and is not a forecast of expected results. The pro forma dividend represents annualized distributions of \$1.70 to \$1.95 per share, based on an average annualized loan investment rate of 8.50%, less projected 5.50% weighted average cost of capital, divided by a hypothetical stock price of \$20.00 per share.

# Company Overview

- Owens Realty Mortgage, Inc. is a specialty finance company organized as a REIT that focuses on the origination, investment and management of small-balance and middle-market commercial real estate loans.
- We provide customized, short-term acquisition and transition capital to commercial real estate investors that require speed and flexibility.

Ticker (NYSE MKT)	ORM
Shares Outstanding <sup>1</sup>	10,247,477
Market Capitalization <sup>2</sup>	\$180M
Recent Share Price <sup>2</sup>	\$17.58
Book Value per Common Share <sup>1</sup>	\$21.28
Dividend Yield <sup>3</sup>	1.80%
Price to Book Ratio <sup>4</sup>	0.83x

(1) As of quarter ending September 30, 2016.

(2) As of December 1, 2016

(3) Based on the \$0.08 regular quarterly dividend per share of common stock, annualized, and ORM's closing price per share of \$17.58 on December 1, 2016.

(4) Based on the closing price per share of \$17.58 on December 1, 2016 and the book value per common share of \$21.28 as of quarter ending September 30, 2016.

# Company Overview

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- During recession, beginning in 2009, foreclosed on 50%+ of loan portfolio, LP redemptions and lending activity suspended. During recovery repositioned and improved real estate assets, maximizing potential market value.
  - In May 2013, ORM completed a reorganization into a publicly-traded REIT. Its predecessor, Owens Mortgage Investment Fund, a California LP, was formed in 1983 and became a SEC registered public filer in 1988.
  - We are managed by Owens Financial Group, Inc., a specialized commercial real estate management company that has originated, serviced and managed alternative commercial real estate investments since 1951.
  - Strategy is to liquidate real estate assets, invest proceeds into commercial real estate loans, and deliver a consistent, competitive risk-adjusted yield to shareholders.
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# Our Strategy



## ▶ Liquidate Real Estate Owned Assets

- Seven Sales/20 Percent Rule
- Sell majority of REO by end of 2017<sup>1</sup>
- Complete property improvement/development projects

## ▶ Grow Commercial Loan Investment Portfolio

- Strong market demand
- Minimize non-performing loans

## ▶ Increase Leverage to 1x Stockholders' Equity

- Continue to improve lending facility rates and terms

## ▶ Increase Dividends

- REITs must distribute at least 90% of net taxable income
- Average yield 1989 – 2007 was ~ 8.40%<sup>2</sup>
- Pro forma dividend yield ~ 8.50% - 9.50%<sup>3</sup>

(1) Based on GAAP book basis

(2) Based upon annual income distributions to investors from 1989 through 2007 divided by year end book capital and averaged over applicable period. The average dividend from 2008 through 2012 was 2.70%

(3) Constitutes forward-looking information. Actual future dividend yields could vary significantly from the pro forma projection presented. See Forward-Looking Statements and Other Disclaimers disclosure on page 1

# Investment Opportunity



## ☑ **ORM trading at discount to book value and NAV**

- Recent closing price per share \$17.58 vs. book value per share \$21.28<sup>1</sup>

## ☑ **Unlock Embedded NAV Gains Potential in Real Estate Portfolio**

- Analyst estimates \$2.50-\$3.00 book value per share<sup>2</sup>

## ☑ **Favorable Market Conditions**

- CRE fundamentals strong
- Regulatory environment limiting lending capacity of banks
- Increased demand for speed

## ☑ **Commitment to Increasing Dividends**

- Current annualized regular dividend \$0.32 per common share<sup>3</sup>
- Pro forma dividend ~ \$1.70 - \$1.95 per common share<sup>4</sup>

(1) Closing price per share on December 1, 2016 and book value per common share as of quarter ending September 30, 2016.

(2) As per JMP Securities analyst initiating report dated November 17, 2016. Potential NAV gains per share as of the 9/30/16 real estate portfolio.

(3) Based on the \$0.08 regular quarterly dividend per share of common stock, annualized.

(4) Constitutes forward-looking information. Actual future dividend yields could vary significantly from the pro forma projection presented. See Forward-Looking Statements and Other Disclaimers disclosure on page 1

# Significant Progress Since 2015



- ▶ **Real Estate Owned Assets Decreased**
  - 9 properties or 32% net decrease<sup>1</sup>
- ▶ **Increased Stockholder's Equity**
  - \$4.14 per share or 24.2% increase in book value per share
- ▶ **Increased Commercial Loan Investment Portfolio**
  - \$45M or 67% net increase<sup>2</sup>
- ▶ **Reduced Non-Performing Loans**
  - \$15M or 66% net decrease<sup>3</sup>
- ▶ **Increased Leverage**
  - Potential borrowing capacity increased to \$50M (with \$25M accordion feature)<sup>4</sup>
- ▶ **Share Repurchases**
  - Repurchased total of 950,642 ORM common shares or ~ 8.5% of total outstanding shares for \$13.52 average price per share<sup>5</sup>
- ▶ **Analyst Coverage**
  - JMP Securities initiated coverage on January 15, 2016

(1) Represents net of real estate properties owned between January 1, 2015 and September 30, 2016.

(2) Represents net of loan originations and loan repayments between January 1, 2015 and September 30, 2016.

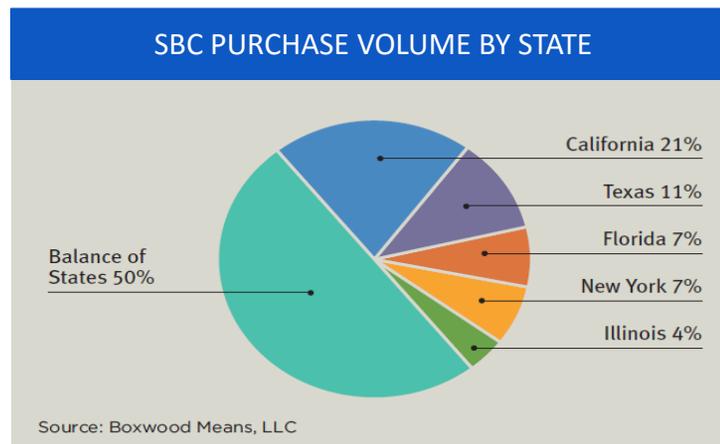
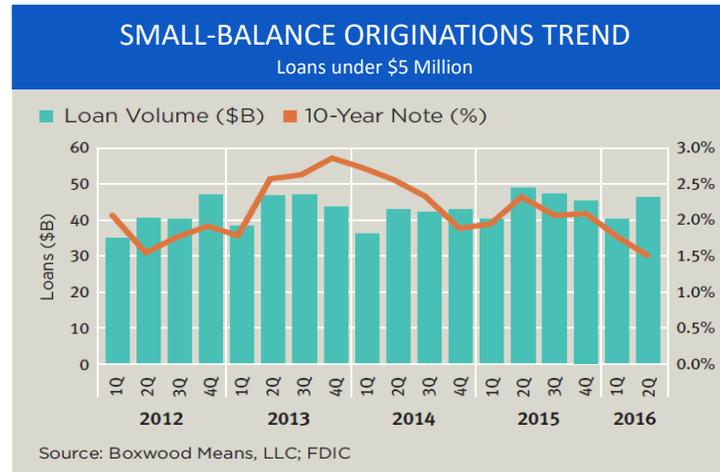
(3) Represents net of non-performing loan payoffs and additions between January 1, 2015 and September 30, 2016.

(4) Credit facility with syndicate led by California Bank and Trust includes potential to increase borrowing capacity by an additional \$25M.

(5) Based on total ORM shares repurchased between September 1, 2013 and September 30, 2016, and 11,198,112 beginning total outstanding common shares.

# Small Balance Commercial (SBC) Market

- Owens competes primarily in the Small Balance Commercial Lending market (\$500K - \$10M) but also lends in the Middle-Market (\$10M - \$50M)
- \$181B loan volume for 2015 (loans under \$5M)
- Majority transaction volume in Western U.S.
- Fragmented and inefficient market opportunity to be exploited
  - The top 20 lenders command only 23% total production in 2015
- National SBC market mimics overall CRE market fundamentals

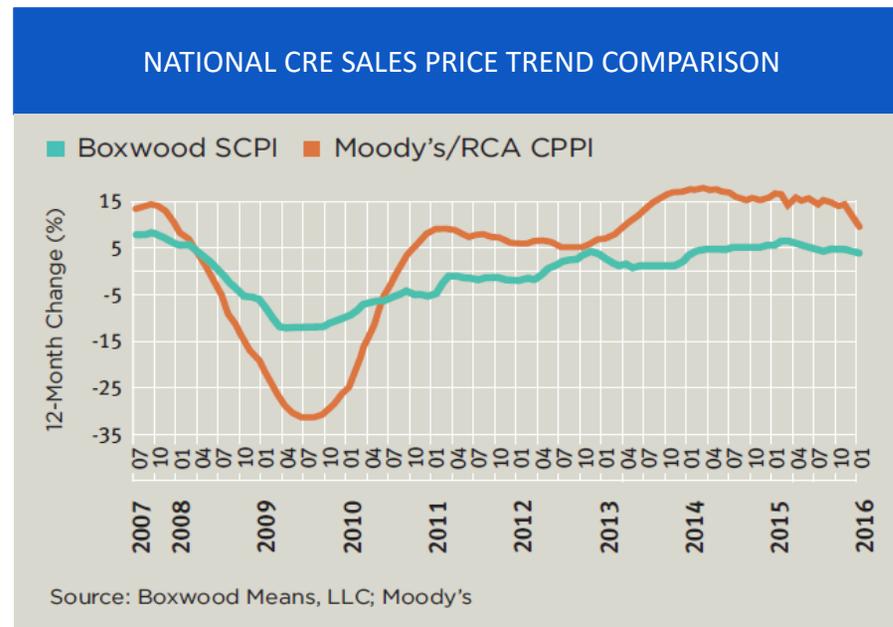


Source: Boxwood Means, Inc., March 2016

# Commercial Real Estate (CRE) Market



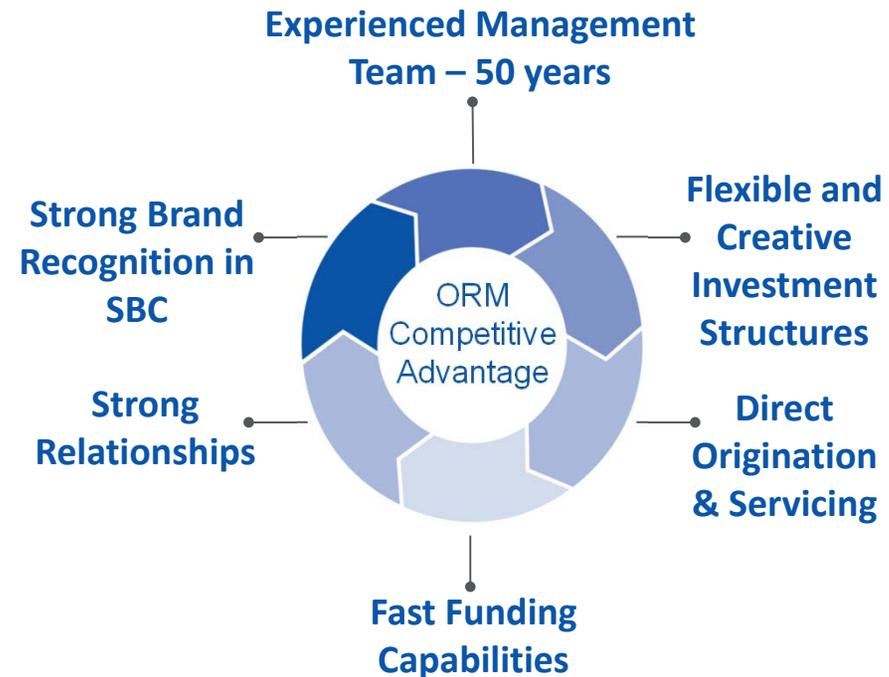
- CRE prices are recovering from recessionary lows – positive macro fundamentals
- Increased regulation creating opportunities for alternative lenders
  - Basel III/Dodd-Frank/Volcker Rule
  - tightening underwriting standards
- Increasing CRE Sales Volume
- Limited supply of new commercial construction
- Stable interest rate environment



Source: Boxwood Means, Inc., March 2016

# Competitive Advantage

- ❑ **Strong Brand Identity in Western U.S.**
  - Commercial lending business for over 50 years
- ❑ **Direct Origination Platform**
- ❑ **Specialty Financing**
  - Management structure designed to allow creative, customized financing structures
- ❑ **Transaction Speed**
  - Our structure also provides the ability to fund commercial RE loans very rapidly – loan commitments in as little as 24 hours and funding in less than 2 weeks
- ❑ **REO Asset Manager**
- ❑ **Proven ability to manage non-performing loans and foreclosed real estate assets**
  - Loss mitigation through experienced property management, repositioning, and development – maximizing terminal asset value
- ❑ **Minimal Interest Rate Sensitivity**
  - Short-term bridge loans (1-3 years)
  - Portfolio turns over on average every 18 months providing hedge against interest rate volatility



# Loan Investment Profile

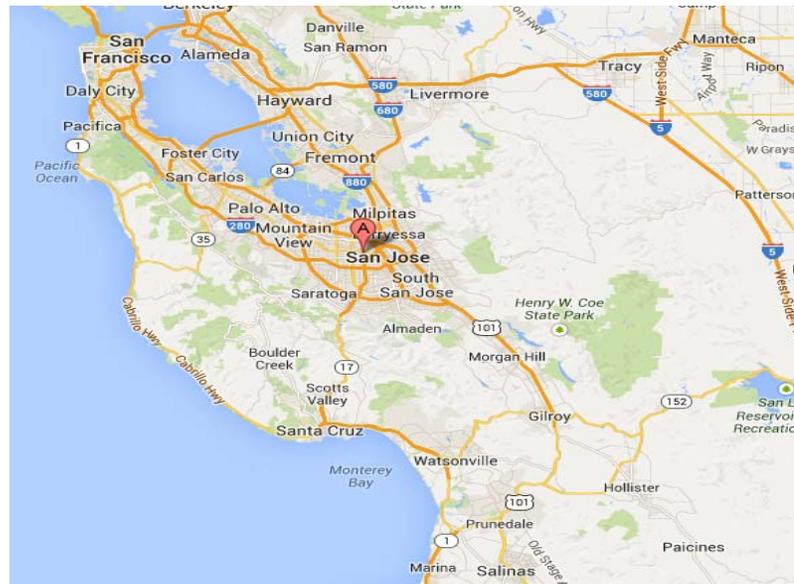
## INVESTMENT STRATEGY

Loan Size	\$500K - \$20M
Security:	Primarily first deed position
Property Type	All commercial types
Geography	USA (focus Western US)
Loan-to-Value	Up to 75%
Term	1 – 3 years
Rates	7% - 10% (fixed and floating rates)
Amortization	Typically Interest only

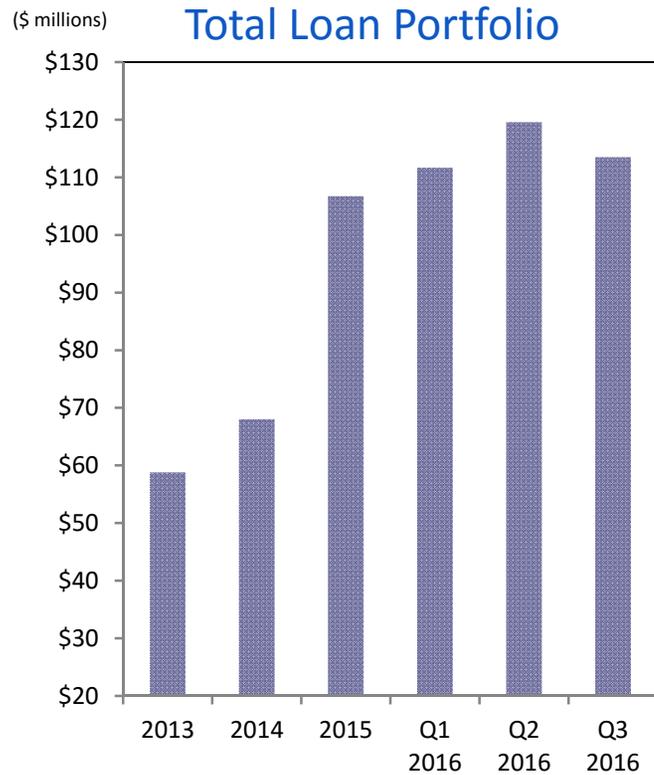
# Sample Transaction:

University Plaza, Santa Clara CA

- \$5.85M first position trust deed
- 8.0% interest only loan
- 2-year term
- 73% LTV
- 51,978 SF Retail over Office
- Acquisition bridge financing required
- 3 week close
- Strong sponsor, direct origination through relationship

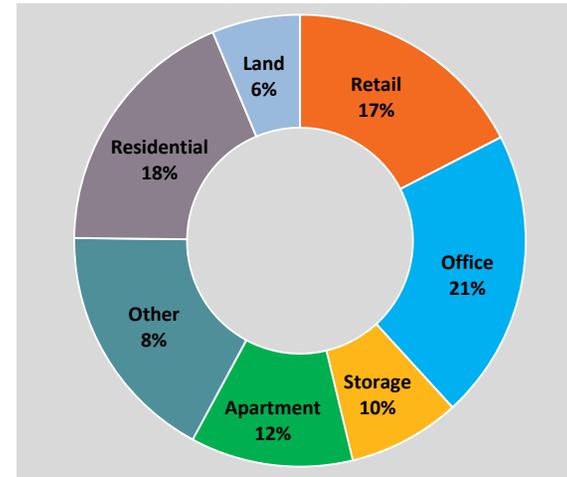


# Loan Portfolio Overview

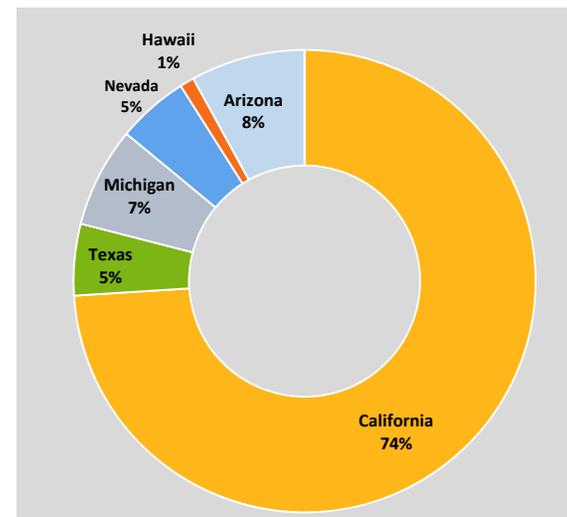


- \$113M total loan portfolio<sup>1</sup>
- 59% weighted-average LTV<sup>2</sup>
- 8% weighted average interest rate
- 98% senior collateral position

## Property Type



## Property Location

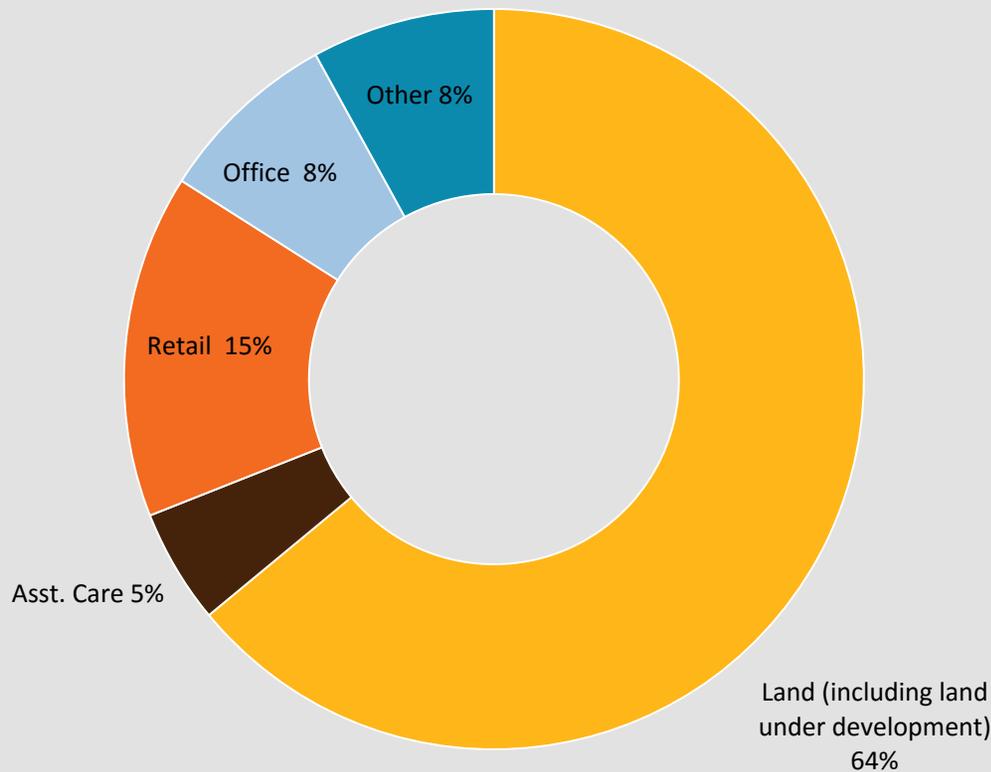


(1) As of quarter ended September 30, 2016

(2) LTV refers to loan-to-value ratio of the loans in the portfolio at the time of origination.

# Real Estate Portfolio Overview

23 Properties<sup>1</sup>



**\$168M<sup>2</sup>**

Tax Basis



**\$111M<sup>2</sup>**

GAAP Book Value

(1) Total properties does not include book value of equity investment in 1850 De La Cruz, LLC

(2) As of quarter ended September 30, 2016

# Property at Lake Tahoe

## ▶ 11.5 acre Resort Property Located at Stateline CA/NV

### ▶ Phase I – Chateau at Lake Tahoe Retail

- \$17M book value / \$17M tax basis<sup>1</sup>
- 23k rentable SF
- \$61 average annual NNN per SF<sup>2</sup>
- 96% occupancy<sup>3</sup>

### ▶ Phase II – Zalanta Resort at the Village 1 & 2

- Condominium / retail project under development
- Zalanta Phase 1 – 30 condos over ~ 19k SF of retail
- Zalanta Phase II – 60 condos
- \$30M book value / \$32M tax basis<sup>1</sup>
- Expected completion Zalanta 1 - Q1 2017
- Listed for sale

### ▶ Phase III – Chateau at Lake Tahoe Residential

- Residential / hospitality land
- ~387 units available for development
- \$29M book value / \$38M tax basis<sup>1</sup>
- In contract for \$42.5M net

### ▶ \$29M Bank Financing<sup>1</sup>

South Lake Tahoe, CA



(1) As of quarter ended September 30, 2016  
 (2) Rent per square foot (as of September 30, 2016) is calculated by dividing total base rent per month by total rented square feet, multiplied by 12 to annualize. Common area maintenance fees and other income are not included in these amounts.  
 (3) Occupancy rates are approximate and calculated by dividing square footage leased by total rentable square feet.

# Investment Highlights

Back to Basics Execution → Simplifying Balance Sheet and Increasing Income

## Liquidate Real Estate Assets

- Improving CRE market conditions
- Increasing demand for transitional assets
- Complete improvement/redevelopment projects

## Grow Loan Portfolio

- Leverage management domain experience, brand identity, and origination platform
- Focus on new investment originations
- Reduce non-performing loans

## Lower Cost of Capital and Create Value Through Prudent Use of Leverage

- Improve balance sheet ratios
- Lower cost and improved capital terms
- Prudent leverage of up to 1x stockholder's equity, providing opportunity to deliver attractive returns

## Consistently Deliver Attractive Dividend Yields

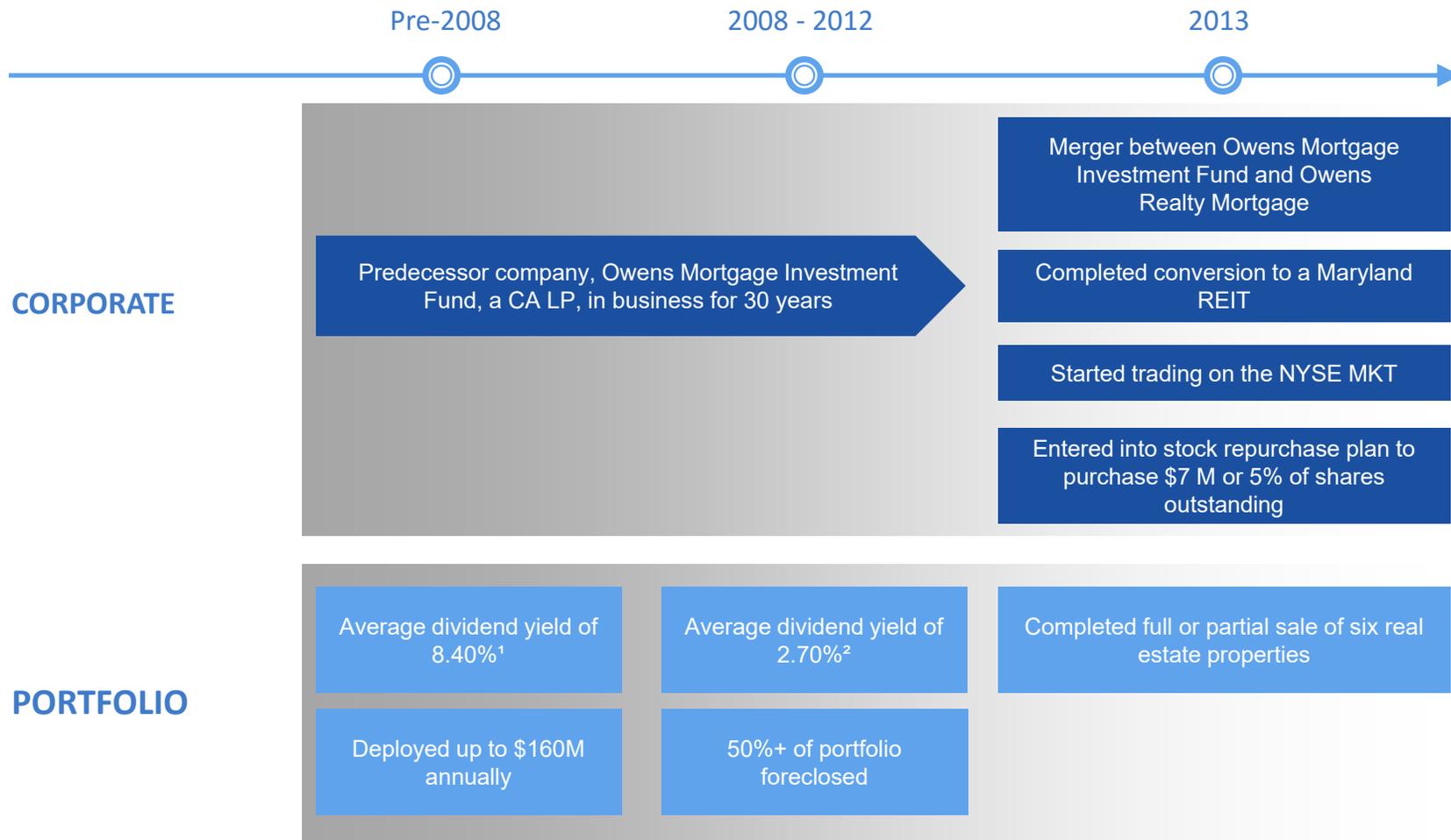
- Committed to increasing dividends as income increases
- Average yield 1989 – 2007 ~ 8.40%<sup>1</sup>
- Pro forma dividend yield ~ 8.50% - 9.50%<sup>2</sup>

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# Appendix

# Timeline



(1) Based upon annual income distributions to investors from 1989 through 2007 divided by year end book capital and averaged over applicable period.  
 (2) Based upon annual income distributions to investors from 2008 through 2012 divided by year end book capital and averaged over applicable period.

# Timeline

