Brookfield | OAKTREE
WEALTH SOLUTIONS

6 Takeaways on Real Estate Markets Today

Markets have been volatile in 2022 amid concerns about rising rates, inflationary pressures and geopolitical developments, leaving many investors wondering about the implications for real estate.

As one of the world's largest investors in real estate, we have over $250 billion in assets under management across public and private real estate markets and strategies. Here are six key takeaways from our unique insight into U.S. real estate markets today.

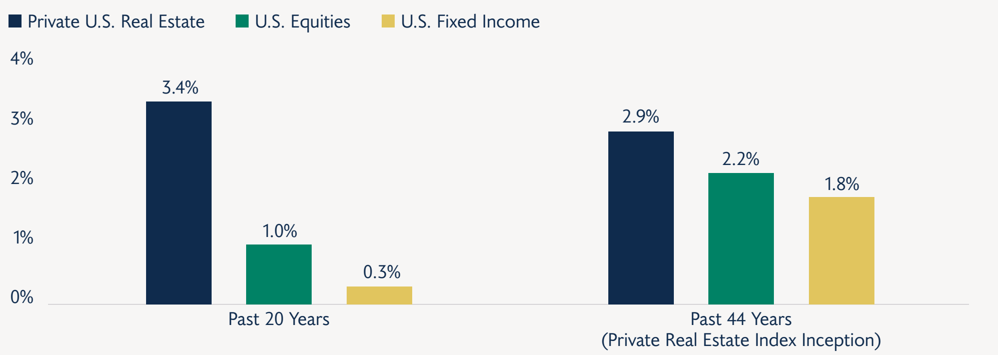
1

Real estate is well positioned for inflation.

We believe an allocation to real estate can help insulate a portfolio from the negative effects of inflation. Rents can often be increased along with inflationary expectations, and sometimes even in excess of inflation. In addition, the value of real estate assets tends to increase as replacement costs rise. As a result, we find that real estate has performed relatively well historically during periods of above-average inflation.

REAL ESTATE HAS GENERATED STRONG RETURNS AMID HIGH INFLATION

Average Quarterly Returns When U.S. Consumer Inflation Was Higher Than Average



As of December 31, 2021. Source: Bloomberg, National Council of Real Estate Investment Fiduciaries. Higher-than-average inflation is measured as when the year-over-year U.S. Consumer Price Index exceeded 4%. During those periods, we examined the average quarterly returns of private U.S. real estate (as measured by the NCREIF Property Index (NPI)); U.S. equities (as measured by the S&P 500 Index); and U.S. fixed income (as measured by the Bloomberg US Aggregate Bond Index). The 44-year time period represents the number of years since the inception of the NPI. See disclosures for full index definitions. **Past performance does not guarantee future results. It is not possible to invest directly in an index.**

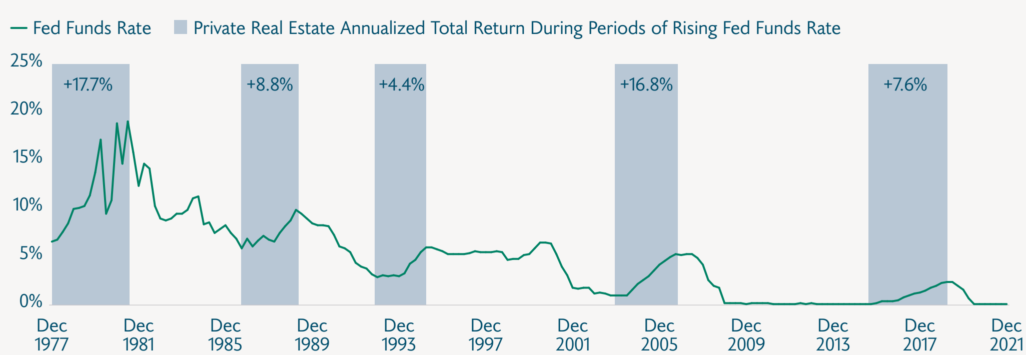
2

Rising rates aren't always negative for real estate.

Increases in rates are often viewed as negative for real estate. But if rates are moving higher as a result of a strong economic backdrop, we feel real estate can benefit. Historically, private real estate returns have been positive during Federal Reserve tightening cycles.

REAL ESTATE RETURNS HAVE BEEN POSITIVE DURING PAST TIGHTENING CYCLES

Private U.S. Real Estate Returns During Periods of Monetary Tightening



As of December 31, 2021. Source: Bloomberg. Periods of monetary tightening are measured by increases in the federal funds rate. Private U.S. real estate is represented by the NCREIF Property Index (NPI). **Past performance does not guarantee future results. It is not possible to invest directly in an index.**

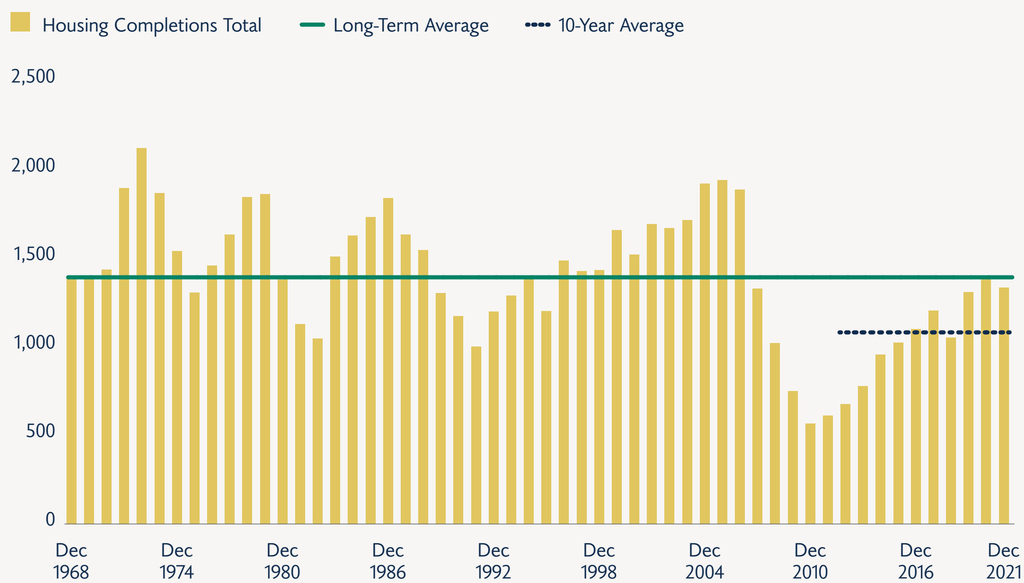
3

The strength of the rental real estate market can persist thanks to longer-term tailwinds.

The residential real estate sector—composed primarily of apartments and single-family rentals—has produced strong returns in recent years. The primary factor driving recent strength across residential rentals is the lack of affordable homes for sale. Construction of new homes over the last decade has slowed significantly from historical levels and has not kept pace with demand. This "underbuilding gap," which takes time to solve, has helped drive up housing prices. Homeownership has become less affordable and accessible, and therefore increased the attractiveness of renting. Other tailwinds are supporting the sector too, including shifting demographics and housing preferences.

A SHORTAGE OF HOMES TO PURCHASE IS BENEFITING RENTALS

U.S. Housing Completions, 1968-2021 (thousands)



As of December 31, 2021. Source: Bloomberg, U.S. Census Bureau.

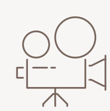
4

We see opportunities in alternative property types.

We see investment tailwinds across several "non-core" property types. One example is entertainment studio and production facilities. The digital entertainment content industry is seeing tremendous growth as streaming subscription services drive stable, long-term revenue. We also like the fragmented self-storage sector, where we see consolidation opportunities.

OPPORTUNITIES BEYOND 'NON-CORE' PROPERTY SECTORS

SELF STORAGE
Economically defensive asset class with strong fundamentals; certain markets warrant caution



STUDIOS/PRODUCTION FACILITIES
Asset class supported by continued demand for entertainment and content creation

As of February 28, 2022. Source: Brookfield Research.

5

Opportunities are emerging in real estate debt, particularly in floating-rate securities.

We see meaningful opportunities emerging within the real estate debt market. We believe the recent repricing of real estate credit, as shown by higher commercial mortgage-backed securities (CMBS) spreads, has created attractive relative valuations. Within real estate credit, we think floating-rate securities represent good risk-adjusted opportunities and are well positioned to help insulate a portfolio against a rising-rate environment.

RECENT REPRICING OF REAL ESTATE DEBT HAS CREATED ATTRACTIVE RELATIVE VALUATIONS

CMBS Spreads to U.S. Treasurys, Sept. 2021 – March 2022

As of March 31, 2022. Source: Bloomberg. The line represents the option-adjusted spread to Treasury of the Bloomberg US CMBS 2.0 Baa Index Total Return Index. Data shown encompass the six months ending at March 31, 2022.

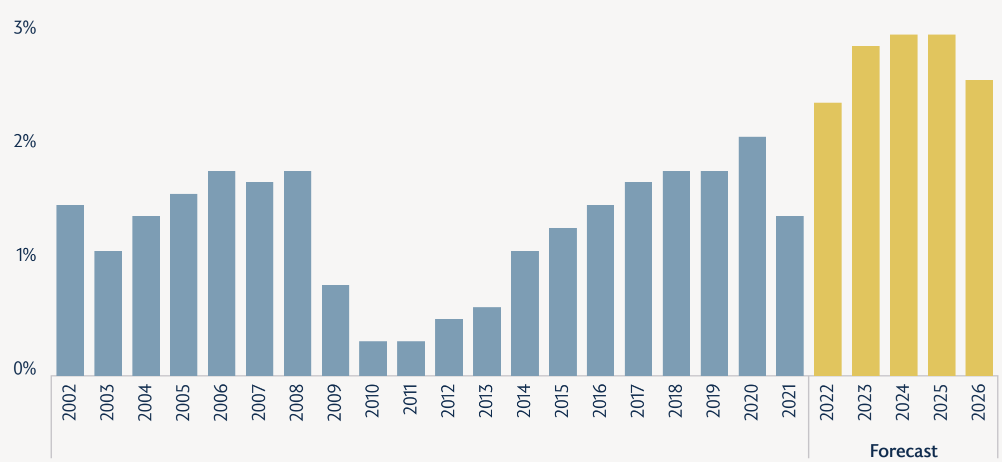
6

Industrial demand remains robust, but valuations require discipline.

The rise of e-commerce in recent years has spurred demand for industrial real estate, driving up rents and prices within the sector across markets. Demand drivers show no signs of slowing. However, elevated valuations in many markets and accelerating new supply highlight the need for a disciplined approach to underwriting asset purchases.

INDUSTRIAL VALUATIONS ARE ELEVATED AS NEW SUPPLY GROWTH IS ACCELERATING

New Supply Growth (% of Existing Supply)



As of January 24, 2022. Source: Green Street Advisors.

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INDEX DEFINITIONS

The Bloomberg US Aggregate Bond Index is a broad-based, market-capitalization-weighted bond market index representing intermediate-term investment-grade bonds traded in the United States.

The Bloomberg US CMBS 2.0 Baa Index is a rules-based index measuring the market of Baa-rated investment-grade commercial mortgage-backed securities (CMBS) 2.0 securities.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas from the U.S. Bureau of Labor Statistics.

The NCREIF Property Index (NPI) is the primary index used by institutional investors in the United States to analyze the performance of commercial real estate and use as a benchmark for actively managed real estate portfolios.

The S&P 500 Index is an equity index of 500 widely held, large-capitalization U.S. companies.

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