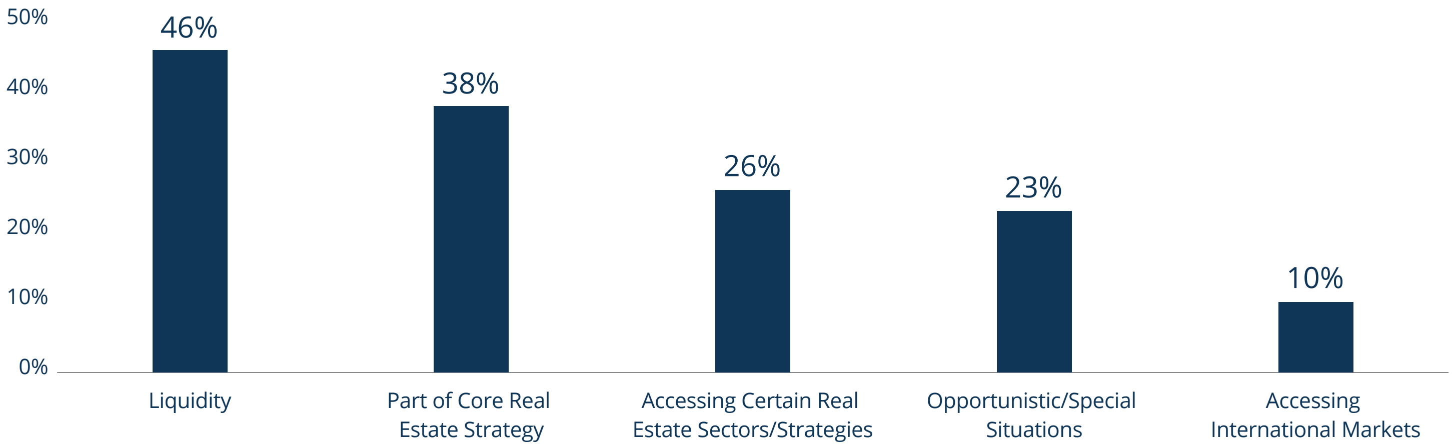
The Potential Benefits of Allocating Across Public and Private Real Estate

The investment case for real estate is strong. Real estate offers potential investment benefits that include income generation, diversification, inflation protection and attractive absolute returns. For this reason, institutions typically allocate more than 10% of their portfolios to the asset class. Within these allocations, investors determine their optimal implementation across:

- Equity investments: private/direct, or public
- Debt investments: private debt or loans, or public

While the potential benefits of real estate can be found in both public and private markets, it is our view that public real estate investment trusts (REITs) and private real estate exposures are complementary, offering a "whole picture" exposure to the asset class with additional benefits. These added benefits can be both strategic and tactical in nature, and include portfolio completion, investing speed and flexibility, and enhanced diversification and risk management.

REASONS INSTITUTIONAL INVESTORS ALLOCATE TO REITS



Source: Weill, D. (2023). 2023 Institutional Real Estate Allocations Monitor. Ithaca, NY: Cornell University's Baker Program in Real Estate and Hodes Weill & Associates, LP, November 2023. The 2023 Real Estate Allocations Monitor includes research collected on a blind basis from 175 institutional investors in 25 countries. The survey consisted of 27 questions concerning portfolio allocations to the asset class, current and future investments in real estate, investor conviction, investment management trends and the role of various investment strategies and vehicles within the context of the real estate allocation.

PORTFOLIO COMPLETION

Including exposures to both public and private real estate in a portfolio can potentially provide a more comprehensive allocation to the asset class across property types and/or geographies. Investors can use listed REITs to construct customized portfolios to efficiently gain exposure to sectors and regions they feel are underrepresented in their private allocations.

For example, core private U.S. real estate allocations historically have focused on four traditional property types: residential, office, industrial and retail. Public real estate exposures access more property types and regions and offer investors the ability to access underrepresented property types that increasingly support the new economy.

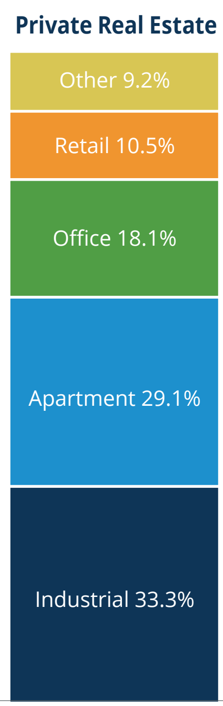
As a result, a completion approach can help create a more precise allocation to real estate that is reflective of economic trends and quickly changing real estate fundamentals. It also offers investors the potential to better align real estate portfolios with a desired level of risk/reward.

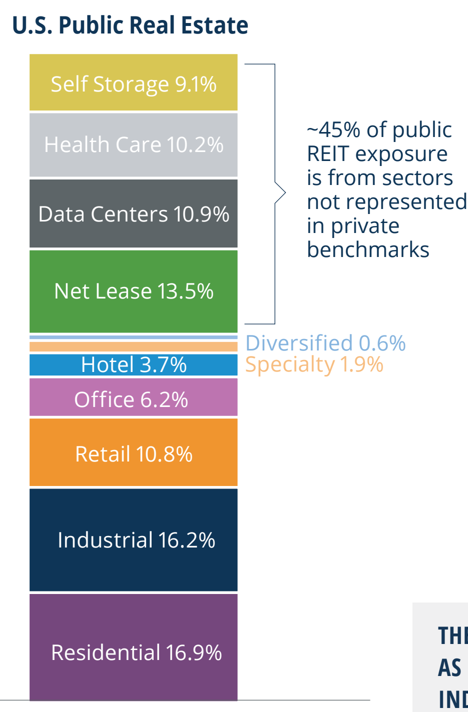
PUBLIC REAL ESTATE COMPLETION PORTFOLIOS CAN COMPLEMENT CORE REAL ESTATE EXPOSURES

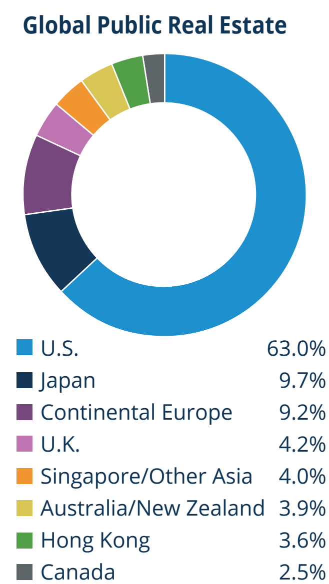
Non-Core Sectors and Regions Readily Accessible Via Public Markets

Property Type	Region
• **Global data centers.** This property type benefits from technological and secular shifts, such as the digitization of the global economy and growth of artificial intelligence. • **Specialty health care.** Landlords focused on senior living facilities, hospitals, medical office buildings and skilled nursing facilities benefit from aging demographics.	• **Asia Pacific.** This region is home to some of the world's largest family-owned enterprises. Many of these enterprises are publicly traded real estate companies that own scarcely traded, marquee properties. Public markets offer access to these trophy assets in growing economies.

Differences in Property Type and Geographic Exposures Across Private and Public Real Estate







THE GLOBAL REAL ESTATE SECURITIES UNIVERSE, AS MEASURED BY THE FTSE EPRA NAREIT DEVELOPED INDEX, COMPRISES ROUGHLY 400 COMPANIES, SPANNING 11 PROPERTY TYPES AND 20 COUNTRIES.

Data are as of December 31, 2023. Source: National Council of Real Estate Investment Fiduciaries (NCREIF), MSCI, FTSE. Private real estate is represented by the NCREIF Open End Diversified Core Equity Index. U.S. Public real estate is represented by the MSCI U.S. REIT Index. Global public real estate is represented by the FTSE EPRA Nareit Developed Index. See disclosures for index definitions. Indexes are unmanaged, and it is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance is not indicative of future results.**

INVESTING SPEED AND FLEXIBILITY

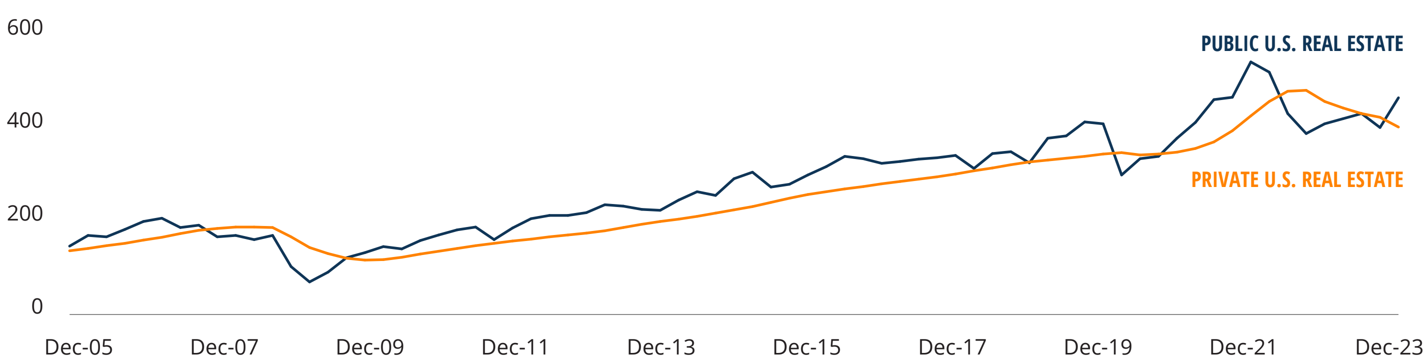
Over the long term, public and private real estate historically have generated similar returns. The paths by which they arrive at those returns can diverge, however, creating what we believe is an opportunity to optimize returns and manage risk.

The liquidity profile of public real estate offers allocators two key potential benefits:

1. The ability to quickly rebalance based on market conditions
2. The ability to quickly adjust sector and regional exposures in response to changing real estate fundamentals

REAL ESTATE ASSETS HAVE GENERATED SIMILAR LONG-TERM RETURNS, BUT PRICING DISLOCATIONS CAN OCCUR

20-Year Total Returns of U.S. Public and Private Real Estate (Indexed to 100 and as of December 2023)



As of December 31, 2023. Source: Bloomberg, NCREIF. Public real estate is represented by the MSCI US REIT Total Return Index. Private real estate is represented by the NFI-ODCE Index. See disclosures for index definitions. Indexes are unmanaged, and it is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance is not indicative of future results.**

The daily mark-to-market of real estate equities can result in an imbalance between stock valuations and net asset values (NAVs) in private markets—where price discovery unfolds more slowly. The liquid nature of public markets means investors have the potential to quickly adjust allocations when the disconnect between public and private valuations widens. This is particularly relevant when meaningful public market dislocations present value opportunities.

The table below shows how buying real estate equities at deep discounts can result in strong absolute returns. To illustrate this concept, we highlight the one-, two- and three-year forward-looking returns when NAV discounts were greatest, back to 2000. The average public real estate returns since those bottoms were 46.5%, 33.5% and 21.6%, respectively.

HISTORICALLY, BUYING GLOBAL REAL ESTATE EQUITIES AT A DISCOUNT SUGGESTS ATTRACTIVE FUTURE RETURNS

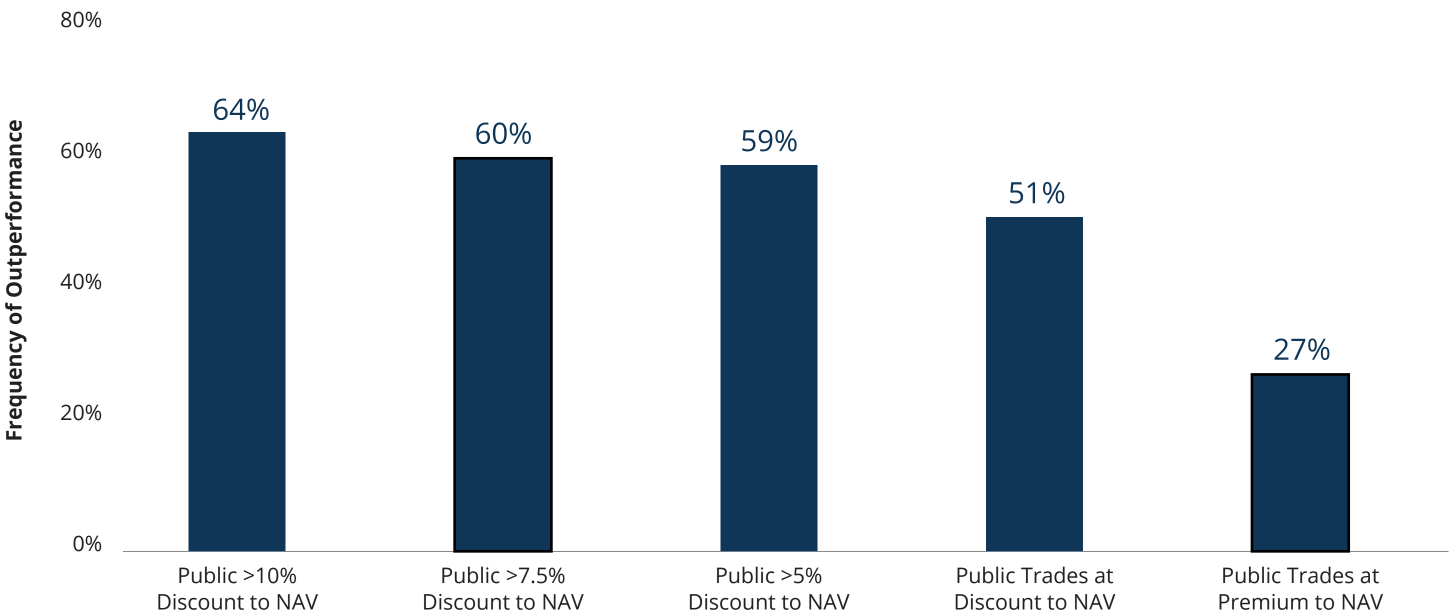
FTSE EPRA/Nareit Developed Index Annualized Returns Following a NAV Discount Bottom	1-Year	2-Year (Annualized)	3-Year (Annualized)
October 31, 2002	35.1%	33.9%	29.4%
February 28, 2009	84.5%	54.4%	33.9%
September 30, 2011	30.6%	20.4%	15.6%
March 31, 2020	35.9%	25.2%	7.6%
Average	**46.5%**	**33.5%**	**21.6%**

Source: Bloomberg. Represents the annualized returns of the FTSE EPRA/Nareit Developed Index for the one-, two- and three-year periods following the bottom of the biggest discounts to NAVs since 2000. Data shown are for illustrative purposes only and do not represent the performance of any investment. See disclosures for index definition. Indexes are unmanaged, and it is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance is not indicative of future results.**

Our analysis shows that the premiums and discounts to NAV of real estate securities are a strong predictor of future relative performance of public vs. private real estate. The chart below shows the historical relationship between real estate securities' discount/premium to NAV at the start of an investment period and the subsequent relative performance of public vs. private real estate over a three-year time horizon. Results suggest that allocators would benefit by tactically overweighting listed REITs during periods of significant discounts to NAVs; and conversely, by using allocations to fund private investments when listed REITs trade at premiums to NAV.

REAL ESTATE SECURITIES' DISCOUNT/PREMIUM TO NAV HAS HISTORICALLY BEEN A STRONG INDICATOR OF FUTURE RELATIVE PERFORMANCE OF PUBLIC VS. PRIVATE REAL ESTATE

Frequency of Outperformance of Public Real Estate vs. Private Real Estate Based on Discount/Premium to NAV



As of September 30, 2023. Represents forward-looking three-year returns data from the time period December 31, 1999 through September 30, 2023, the most recent Cambridge data point. Source: Brookfield Public Securities Group LLC, Bloomberg, Cambridge Associates. Public real estate is represented by the FTSE EPRA Nareit Developed Index and private real estate by the Cambridge Associates LLC Real Estate Index. See disclosures for index definitions. Indexes are unmanaged, and it is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. There is no assurance that such events or projections will occur, and actual outcomes may be significantly different than those shown here. **Past performance is not indicative of future results.**

In addition to rebalancing in response to market movements, public real estate exposures can be quickly adjusted in response to structural changes impacting real estate fundamentals. Examples include current headwinds faced by low-quality office assets; or the tailwinds supporting assets benefiting from rising e-commerce adoption. The ability for investors to quickly lean into property types where fundamentals are rapidly shifting from emerging themes (like the rise of artificial intelligence or "near-shoring," for example), can result in the potential for outperformance.

ENHANCED DIVERSIFICATION AND RISK MANAGEMENT

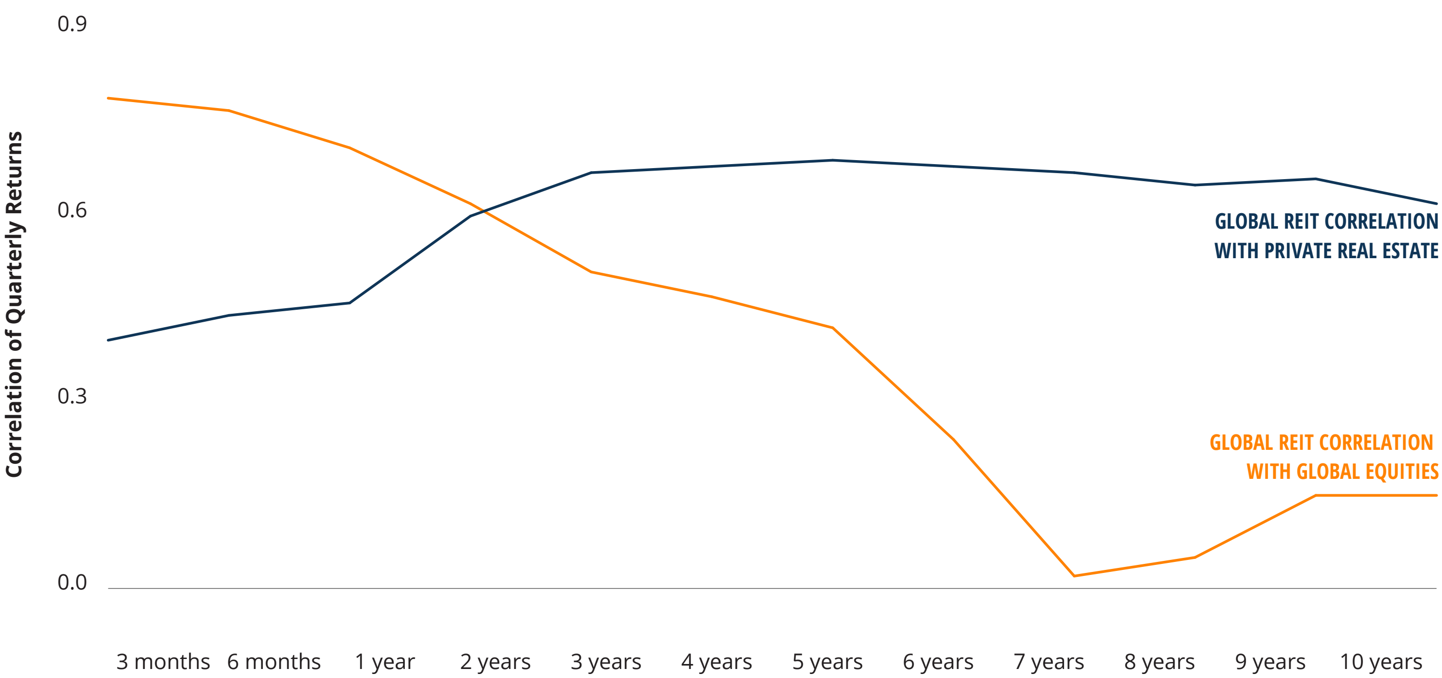
We believe there are diversification and risk management benefits to building portfolios with both public and private real estate.

Broader Portfolio Diversification

Given that they are publicly traded securities with daily liquidity, REITs move more closely with equities over the near term. Over longer time periods, however, the correlation between REITs and broader equities falls, indicating that REITs can help provide a diversification benefit to broader equity portfolios. In contrast, as the investment horizon increases, public and private real estate are more highly correlated. The implication is that REITs behave more like private real estate over longer time frames—but with the added benefit of liquidity.

REITS ARE MODERATELY CORRELATED WITH EQUITIES IN THE SHORT TERM BUT BEHAVE LIKE REAL ESTATE OVER THE LONG TERM

Correlation of Global REITs With Private Real Estate and Global Equities



As of September 30, 2023. Represents time period from December 31, 1994 through September 30, 2023. Source: Bloomberg, Cambridge Associates. Global REITs are represented by the FTSE EPRA Nareit Developed Index. Private real estate is represented by the Cambridge Associates LLC Real Estate Index, and global equities are represented by the MSCI World Index. See disclosures for index definitions. Indexes are unmanaged, and it is not possible to invest directly in an index. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance is not indicative of future results.**

Geographical Diversification

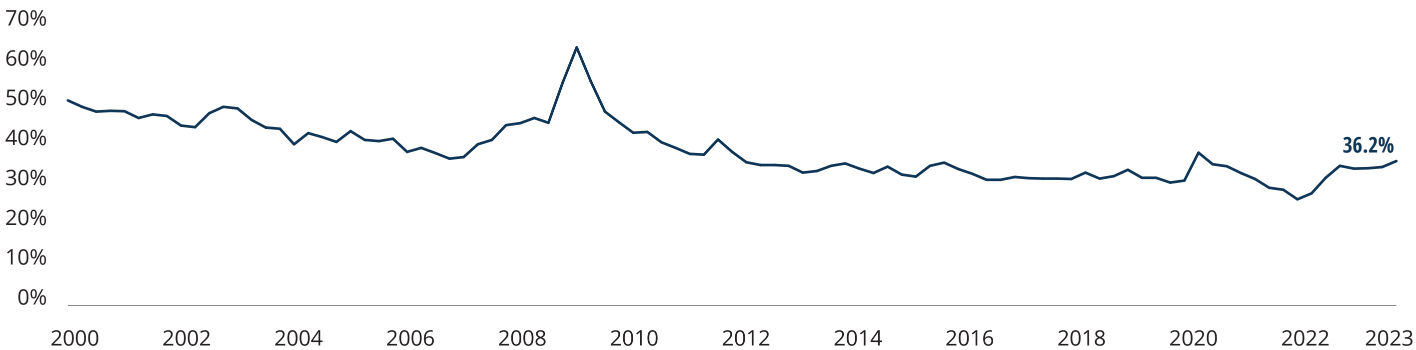
Private real estate investments tend to be concentrated among a smaller number of assets than their listed counterparts. This concentration is one of the primary drivers of private real estate's return potential, though it also makes a private portfolio inherently susceptible to asset-level risk. Real estate is, after all, local. An adverse geopolitical or regulatory outcome that negatively impacts an asset in a private real estate portfolio can have meaningful impacts to returns, given the higher level of asset concentration. The global real estate securities universe offers access to 20 developed markets, which can help mitigate potential risks associated with asset concentration.

Lower Leverage

REIT investors benefit from corporate governance and measures in place to align investor interests with management. Balance sheet management and prudent allocation of capital are key factors investors monitor to ensure risk management. Recent data highlight this dynamic, with U.S. REIT management teams steadily reducing leverage and locking in long-term debt at low rates.

REIT LEVERAGE HAS DECLINED SINCE THE GLOBAL FINANCIAL CRISIS

Debt to Market Asset Value – All Equity REITs (%)



Source: S&P Capital IQ Pro, Nareit T-Tracker, as of 2023 Q3.

Perpetual Access to Capital Markets

Throughout 2023 liquidity was a key consideration in the commercial real estate sector. High-profile events brought the importance of liquid investments to the forefront of allocators' minds. A key competitive advantage for public REITs is their ability to opportunistically tap capital markets and acquire properties to grow their portfolios. Through capital markets, REITs have access to numerous forms of financing. These include:

- Debt issuance: Including senior debt, term loans and secured mortgage debt
- Equity issuance: Through traditional follow-on equity offerings, or at-the-market offerings

Given this flexibility, REITs can identify external growth opportunities and quickly execute on opportunities, particularly in times of market stress.

ACCESSING THE OPPORTUNITY

We believe an optimal real estate portfolio combines public and private exposures. We find this combination has the potential to offer many benefits to a real estate portfolio, including portfolio completion, investing speed and flexibility, and enhanced diversification and risk management.

To access this opportunity, we believe it's crucial to work with an active manager with a dedicated focus on real estate and deep expertise in both private and public markets. At Brookfield, our real estate offerings span the full liquidity spectrum. Our Public Securities Group's seasoned real estate securities team has extensive understanding of how real estate assets behave across market cycles, and the team leverages the expertise of the broader Brookfield Asset Management, one of the world's largest investors in real estate, with a 100-year heritage as a global owner and operator.

We believe we are uniquely positioned to help our clients identify the best relative value opportunities, and the right mix of public and private, at any given time, and adjust exposures accordingly.

THE WHOLE PICTURE: MORE INSIGHTS

Read more in our series on the potential benefits of building portfolios with public and private real asset exposures by scanning the QR code below or visiting this link: https://publicsecurities.brookfield.com/insights/the-whole-picture.

SCAN TO READ MORE

RISK DISCLOSURES

All investing involves risk. The value of an investment will fluctuate over time, and an investor may gain or lose money, or the entire investment. REITs are dependent upon management skills and generally may not be diversified. REITs are subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate.

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Information herein contains, includes or is based on forward-looking statements within the meaning of the federal securities laws, specifically Section 21E of the Securities Exchange Act of 1934, as amended, and Canadian securities laws. Forward-looking statements include all statements, other than statements of historical fact, that address future activities, events or developments, including, without limitation, business or investment strategy or measures to implement strategy, competitive strengths, goals, expansion and growth of our business, plans, prospects and references to our future success. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other similar words are intended to identify these forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results or outcomes. Consequently, no forward-looking statement can be guaranteed. Our actual results or outcomes may vary materially. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

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INDEX DEFINITIONS

The Cambridge Associates LLC Real Estate Index is an end-to-end calculation based on data compiled from real estate funds (including opportunistic and value-added real estate funds), including fully liquidated partnerships, formed beginning in 1986.

The FTSE EPRA Nareit Developed Index is an unmanaged market-capitalization-weighted total-return index that consists of publicly traded equity REITs and listed property companies from developed markets.

The MSCI U.S. REIT Index is a free-float-adjusted market-capitalization-weighted index that is comprised of equity REITs. With 153 constituents (large-, mid- and small-cap), it represents about 99% of the U.S. REIT universe.

The NCREIF Fund Index – Open End Diversified Core Equity (NFI-ODCE) is a capitalization-weighted, gross-of-fee, time-weighted return index with an inception date of December 31, 1977.

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