Brookfield REIC Q2 2025 Podcast Transcript
Recorded on July 27, 2025

Dana Petitto: Hello everyone, and welcome to the next edition of our Manager Minute Podcast for Brookfield REIC for the quarter ended June 30th, 2025. We began this new podcast format earlier this year, making this our second episode, and we really appreciate the interest of those who have tuned in. My name is Dana Petitto. I'm a managing director in the real estate group at Brookfield Asset Management, and I serve as the chief operating officer and portfolio manager for Brookfield REIT, which is the organization's semi-liquid, public non-traded real estate income trust.

On today's episode, I'm very excited to be joined by Lowell Baron, a longtime Brookfield veteran and newly named global CEO of our real estate business. Lowell, congratulations on your recent appointment as real estate CEO, and thanks so much for joining us this quarter on the Brookfield REIC Podcast.

Lowell Baron: Thank you, and thank you so much for having me.

Dana: Great. So before we delve into an in-depth discussion with Lowell on the state of play in the real estate industry, both for Brookfield and the market in general, I'll first provide a quick summary of the quarterly performance and new activity and initiatives within Brookfield REIC. In Q2 2025, we generated a net total return of 0.47% on our Class F shares, as a result of positive returns in each of the last three months.

The operating performance of our $2.5 billion portfolio remains strong. Portfolio occupancy stands at 95%. The weighted average lease term in our commercial portfolio is about eight years, and the in-place leases are backed by a roster of primarily investment grade credit tenants. In addition, most of these leases have annual rent increases built in. And in our residential portfolio, we continue to drive rent and ancillary rent revenue growth, while also reducing expenses by utilizing our best in class operating platforms in multifamily single family rental and student housing.

In the first half of this year, we've been very active on the acquisitions front, having deployed or committed to approximately $230 million of capital into both real estate equity and credit investments that are expected to deliver core plus returns. Following last quarter's podcast where I spoke to Devin Barnwell, co-head of Brookfield's Global Logistics business about a recent transaction we closed and the logistics sector landscape more broadly. This quarter in June, Brookfield REIT acquired a 20% interest in a 3.6 million square foot portfolio of multi-tenant logistics buildings, strategically located across four Premier Sun Belt markets, allowing us to scale our logistics exposure while maintaining geographic and asset diversification. This portfolio carries 96% occupancy and a weighted average lease term of 2.7 years.

Shorter lease term logistics assets are more attractive in today's environment given pent-up rent growth due to strong demand and lack of new competitive supply being delivered. Additionally, it provides flexibility to further exit assets early upon realization of the in-place mark-to-market. As I mentioned, these are multi-tenanted buildings and are on the smaller side with an average building size of about 64,000 square feet. Supply growth in this particular segment of the industrial space is the tightest in the market. We estimate that Brookfield's acquisition basis here was about a 25% discount to recent comparable market trades, a 40% discount to peak trades, and a 38% discount to replacement cost.

Based on in-place rents in the portfolio today, there is an embedded 29% mark-to-market rent opportunity, which we believe should result in strong appreciation. Despite our lower bid for the entire portfolio compared to some of the parts offers received by the seller, we were chosen for our reputation, ability to execute quickly and certainty of closing on the full portfolio. Following closing of this transaction, we now have a 16% sector allocation to logistics, which is an increase from 5% coming into 2025. With all of that covered, we'll turn to our guest speaker, Lowell Baron. Welcome again, Lowell.

Lowell: Thank you.

Dana: Coincidentally, you and I both joined Brookfield 20 years ago. For veterans like us, it's been remarkable how much the company has grown and evolved over those two decades. During this time, we've experienced several real estate cycles. Where would you say we are in the current market cycle and what brings you optimism today?

Lowell: Thanks, Dana. It's a good question and it's also a great opportunity for you to make us both feel pretty old.

Dana: It's true.

Lowell: Obviously, we've been through a number of cycles in those 20 years, and even before that, I'd seen a couple of cycles previous, and I'd say every one of them is different. They all feel different. In this one, I think we're pretty early on. If I was putting it to innings, I would say we're probably in the second inning, something like that, and pretty excited about it because if you think about where we are, number one, we've had a pretty significant repricing of assets. So asset values today are at a pretty healthy discount to where they were at the recent peak. We also are experiencing really good fundamentals.

So if you think about just simple supply and demand for real estate, which is what it all comes down to, we're in a place where there's a lot less new supply happening. Construction starts are way down, and demand for the asset classes that we're investing in is very strong. Probably one of the most important points to look at, and you just mentioned it on the industrial portfolio you just bought, is thinking about values today versus replacement costs. And when you can buy high quality industrial like we're doing at almost 40% below replacement cost, that's a really great starting point, and it's something you typically would see only really in the early innings of a recovery.

Dana: Yeah. That's right, and we are really excited about that acquisition, and it follows suit characteristically to the one that we spoke about last quarter. So we've been very active in multifamily and in logistics, which are two sectors, which I think have a lot of tailwinds going for them right now, especially given the lack of new supply as you just mentioned. So what, if any, are some concerns you might have today?

Lowell: Yeah. Look, I think the place that everyone probably would point to is geopolitical risk. It's obviously very difficult to underwrite or to predict, but it certainly feels like we're in an incredibly volatile world. You never know what the headline might be the next day. The good thing is what we're doing, investing in real estate, real estate's a long-term game. We invest in assets that we're going to hold for a longer period of time, and so just being in a place where the fundamentals are good and where the starting basis is so good, as we talked about relative to replacement cost, just lets us have the ability to see through that near-term uncertainty and volatility and recognize that we're buying assets that we're going to hold through this. And when we get to the point where we're looking to exit assets, some of these headlines that everyone's talking about now, are going to be things we probably have fully forgotten and won't really matter.

Dana: The noise sometimes clouds the long-term goal here, and that's something we try to stress when we're sitting in front of our investor base.

Lowell: And it also creates the opportunity, I would say. A lot of people do react to that noise, and so it creates the opportunity to then, for us, when we think with a longer term outlook, it creates for us the opportunity to go buy from others that may have weaker hands and need that liquidity and aren't ready to ride through a bit of volatility.

Dana: And that's exactly what we started to see last year, so couldn't agree more. When we think about fundraising and the potential there, so historically, our sponsored private real estate funds have catered more toward institutional investors and the size of those funds has grown significantly over the last 15 years or so. How much runway, in your view, do you think there is for growth within private wealth for incremental allocations to private real estate and other alts moving away from more traditional equity bond portfolios?

Lowell: Yeah. This is obviously a very timely question. It's something we're seeing and hearing about in the news quite a bit too. I think we're still early in that as well, and there's going to be significant growth in private wealth, getting access to private real estate. I think private real estate has probably an important place in most investors allocations of how they invest their portfolios. So giving people broader and easier access to that is a good thing. One of the interesting things I think about, because this question comes up and people ask, does it make sense to give people that kind of allocation? Does it fit in with their risk profile? It's interesting.

We have, as you mentioned, most of our investors in our broader portfolio, our institutional real estate investors, their large institutions, but if you actually think about who they are, a lot of them are big pensions. They're essentially investing the pensions of firefighters and teachers who are therefore getting access to private real estate just through their pensions. And really the question to ask is why should they be getting access to that and earning those higher returns with lower risk, and not everybody else in their 401(K). It should be something that's available to anybody, and especially with their longer term capital that's sitting there that needs to grow for their retirements. We should be able to get everyone access to it and make sure that people invest to the right amount, have the right allocation to it, but it should be a great part of their portfolio.

Dana: Yeah. There's a lot of runway there with individual investors exposing themselves more to alternatives. That's definitely what we've seen. When we speak with financial advisors and their clients, we often tout the benefits of Brookfield's owner operator model and the capabilities given our historical roots as a vertically integrated real estate investor, which began before you and I started here, almost 30 years ago on the balance sheet. I know how that goes in the private sector with some of the clients that I'm speaking to. How does that resonate with our largest institutional LPs that have done repeat? And I guess in your view, and based on your tenure, would you say that this has had a material impact on our returns and ability to outperform?

Lowell: Yeah. So when I sit with our institutional investors, I'd say there's a number of things that we point out as differentiators. Some of those are things like the scale of our business or the amount of experience and the history of our business, how long we've been doing it for, but probably the thing that is the most interesting to them that really they view as the true differentiator is our operating capabilities. And it's about having full service operating platforms in all of the sectors, in all the markets that we're investing in. Our 30,000 Brookfield operating employees are incredibly powerful and people understand and recognize that, and I would say it's more than just people recognizing it, but to your point, how does it come through in our returns? Really everything that we're buying has a business plan attached to it.

So we are operations led in what we buy and then operations led and how we generate our returns. It's not about financial leverage creating the returns. It's not about multiple expansion that we're relying on to create returns. It's literally just about what are we doing with the assets, how do we grow occupancy, how do we grow rent, how do we manage expenses? And bottom line is we just need to grow our cash flows, and if you grow your cash flows of your real estate, you're growing those values. So that turns into, for us, I think probably most importantly, consistency of returns. So across cycles, we can create those kinds of returns, whether it's an up cycle or a down cycle, and it just makes it... So what we're doing is actually quite simple. We're just out executing prescribed business plans in every asset and growing our cash flow. Once we've done that, we can go and sell the asset and make a good return.

Dana: Yeah. That's great. Well, Lowell, thank you. I think we covered a lot of ground and we really appreciate your insights, your knowledge, your look to the future and being in that second inning with a lot of way to go. So thanks for joining me. To our listeners, thanks for tuning in. We really appreciate your support and look forward to updating you in a few months on the next Manager Minute for Q3. Thanks so much.

conjunction with the prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. For more information on fees and expenses, and the risks of the offering, please see the prospectus. A copy of the prospectus must be made available to you in connection with any offering.

Summary of Risk Factors
An investment in shares of common stock of Brookfield Real Estate Income Trust Inc. ("Brookfield REIT") involves a high degree of risk. These securities should only be purchased if you can afford to lose your complete investment. Please read the prospectus for a description of the material risks associated with an investment in Brookfield REIT. These risks include but are not limited to the following:

- Brookfield REIT has a limited operating history, and its operating history should not be relied upon due to the changes to its business resulting from the adviser transition, including the engagement of Brookfield REIT Adviser LLC (the "Adviser") and Brookfield Oaktree Wealth Solutions LLC and the changes to Brookfield REIT's board of directors, executive officers and investment portfolio. There is no assurance that Brookfield REIT will be able to successfully achieve its investment objectives.
- Brookfield REIT has only made limited investments to date and you will not have the opportunity to evaluate its future investments before Brookfield REIT makes them.
- Since there is no public trading market for shares of Brookfield REIT's common stock, repurchase of shares by it will likely be the only way to dispose of your shares. Brookfield REIT's share repurchase plan will provide stockholders with the opportunity to request that it repurchase their shares on a monthly basis, but Brookfield REIT is not obligated to repurchase any shares and may choose to repurchase only some, or even none, of the shares that have been requested to be repurchased in any particular month in its discretion. In addition, repurchases will be subject to available liquidity and other significant restrictions. Further, Brookfield REIT's board of directors may modify or suspend the share repurchase plan if it deems such action to be in our best interest and the best interest of stockholders. As a result, the shares should be considered as having only limited liquidity and at times may be illiquid.
- Brookfield REIT cannot guarantee that it will make distributions, and if it does, it may fund such distributions from sources other than cash flow from operations, and there are no limits on the amounts Brookfield REIT may pay from such sources. Brookfield REIT believes that the likelihood that it pays distributions from sources other than cash flow from operations, will be higher in the early stages of the offering.
- The purchase and repurchase price for shares of Brookfield REIT common stock will generally be based on its prior month's net asset value (NAV) (subject to material changes as described in the prospectus) and will not be based on any public trading market. While there will be independent annual appraisals of Brookfield REIT's properties, the appraisal of properties is inherently subjective, and its NAV may not accurately reflect the actual price at which its assets could be liquidated on any given day.

- Brookfield REIT has no employees and is dependent on the Adviser to conduct its operations. The Adviser will face conflicts of interest as a result of, among other things, the allocation of investment opportunities among Brookfield REIT and other Brookfield funds and accounts, the allocation of time of its investment professionals and the substantial fees that Brookfield REIT will pay to the Adviser.
- This is a "best efforts" offering. If Brookfield REIT is not able to raise a substantial amount of capital in the near term, its ability to achieve its investment objectives could be adversely affected.
- Principal and interest payments on any borrowings will reduce the amount of funds available for distribution or investment in additional real estate assets. Borrowing also increases the risk of loss and exposure to negative economic effects.
- There are limits on the ownership and transferability of Brookfield REIT's shares.
- If Brookfield REIT fails to maintain its qualification as a REIT and no relief provisions apply, its NAV and cash available for distribution to stockholders could materially decrease as a result of being subject to corporate income tax.
- Investing in commercial real estate assets involves certain risks, including but not limited to Brookfield REIT's tenants' inability to pay rent; increases in interest rates and lack of availability of financing; tenant turnover and vacancies; and changes in supply of or demand for similar properties in a given market.
- Brookfield REIT's operating results will be affected by global and national economic and market conditions generally and by the local economic conditions where its properties are located, including changes with respect to rising vacancy rates or decreasing market rental rates; fluctuations in the average occupancy; inability to lease space on favorable terms; bankruptcies, financial difficulties or lease defaults by its tenants; and changes in government rules, regulations and policies, such as property taxes, zoning laws, limitations on rental rates, and compliance costs with respect to environmental and other laws.
- The novel coronavirus ("COVID-19") may have an adverse impact on Brookfield REIT's NAV, results of operations, cash flows and fundraising, ability to source new investments, obtain financing, pay distributions to stockholders and satisfy repurchase requests, among other factors.
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