Brookfield

Brookfield Real Estate Income Trust Inc.

9.34%
TOTAL RETURN SINCE INCEPTION FOR CLASS I[1]

97%
PORTFOLIO OCCUPANCY

5.94%
DISTRIBUTION RATE FOR CLASS I[2]

With 2023 now behind us, we enter the new year with confidence, supported by the strong operating performance of our portfolio and the likelihood that we have seen interest rates at their peak. Occupancy remains high at 97%, and our same-property net operating income ("SPNOI") was up over 3% in 2023. In rental housing – our largest sector – SPNOI growth was more than 7%.

Real Estate Is a Cyclical Business – What Makes This Cycle Different?

Real estate is a cyclical business, and this is not the first cycle we have been through. Typically, a down cycle in real estate is characterized by deteriorating fundamentals – too much supply hitting the market at a time when rents are falling. What is unique this time is that real estate fundamentals have remained very healthy across most asset classes.

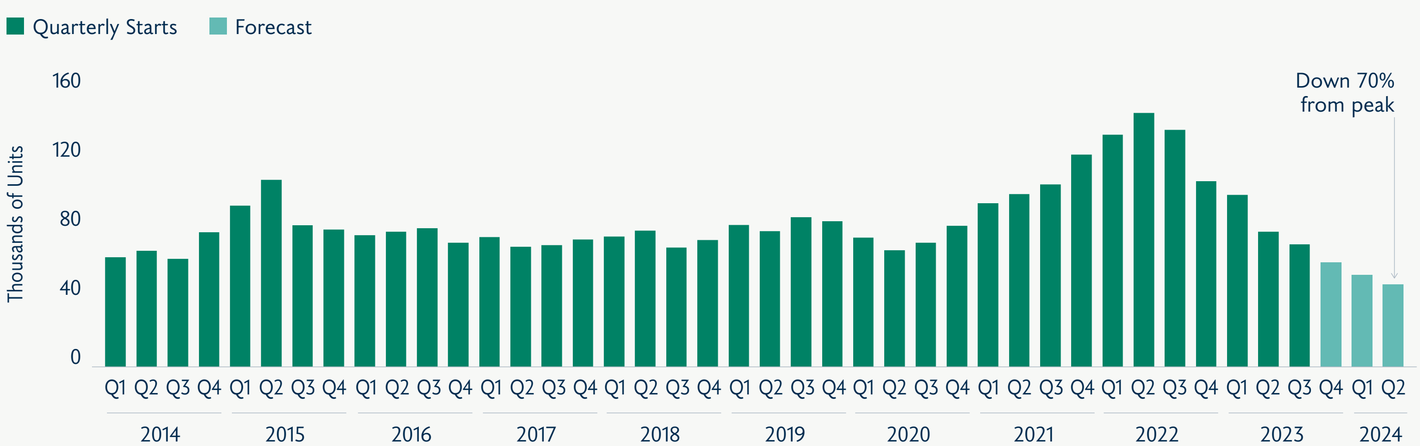
For example, multifamily construction starts are now almost 44% lower than they were in Q4 2022. It is expected starts will decline by 45% in 2024 from their pre-pandemic average, and by 70% from their 2022 peak (**Figure 1**). Additionally, the issuance of multifamily building permits in the U.S. declined nearly 20% year-over-year, meaning there is even less new supply coming. At the same time, multifamily occupancy across the United States is at record levels (**Figure 2**).

Similarly, construction starts in the logistics sector have declined in each of the past five quarters and are now down 75% since mid-2022 (**Figure 3**). The 44 million square feet started in Q4 2023 was the lowest quarterly total in over eight years, and vacancy still remains very tight at 4.5% in the top 50 U.S. markets.

In short, occupancy is high, new construction starts are low, and rents are growing, reflecting the higher costs associated with new construction.

Figure 1: Falling New Multifamily Starts Provide a Tailwind for Investors

Historical and Forecast Multifamily Construction Starts



Source: CBRE Research as of Q3 2023.

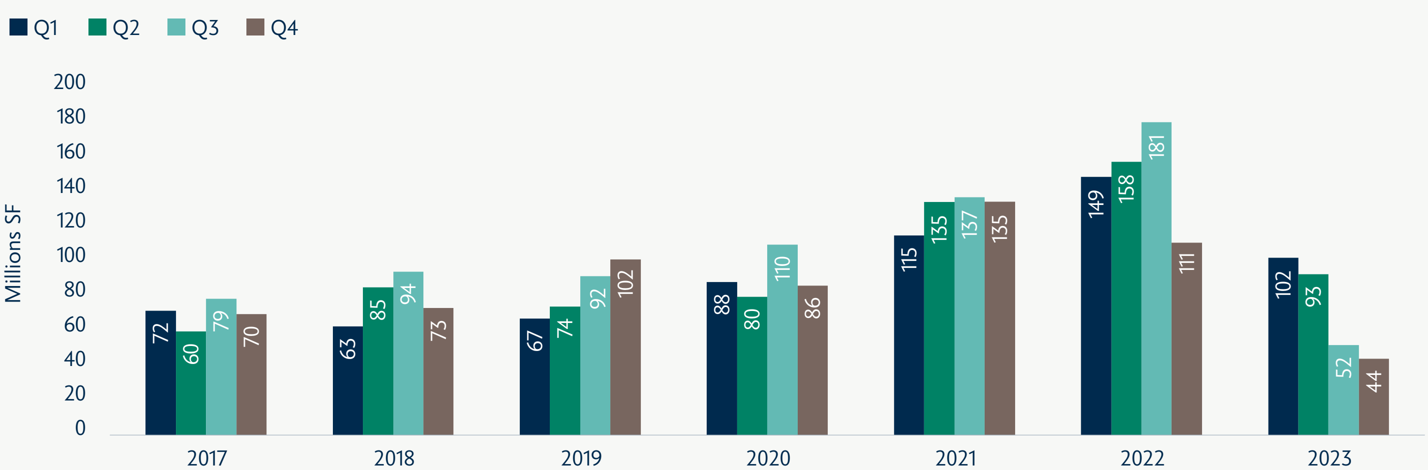
What has driven the negative performance of real estate over the past 16 months has been the impact of higher interest rates – the cost of debt is higher, and investors have been presented with many alternative sources of yield for the first time in a decade. As we move into 2024, it appears that the interest rate environment is changing. And while there is still some debate as to the timing and quantum of interest rate declines, a stable or declining interest rate environment is an exceptional backdrop for real estate returns.

Figure 2: Multifamily Occupancy Remains High

Source: CoStar as of Q4 2023.

Figure 3: Significant Drop in Logistics Starts Is Keeping New Supply in Check

Millions Square Feet



Source: CoStar, as of September 30, 2023.

Investment Opportunities in Focus

As a result, we believe this is the beginning of a very attractive time to invest in real estate, potentially for a prolonged period. The pool of buyers is not as crowded as it was, which is advantageous to those with access to capital like Brookfield REIT.

In addition to finding opportunities in the multifamily and logistics sectors to add to our existing investments, we are beginning to see some new themes emerging. The data center sector is underpinned by an explosion in demand brought on by the proliferation of cloud computing and breakthroughs in AI. Best-in-class data centers, with tightly controlled physical structures and access to renewable power, provide the optimal environment to house this mission-critical infrastructure and while we have seen a dramatic increase in new supply, demand is still far outstripping any new supply, leading to very high rental growth.

While the retail real estate sector has gone through a structural change over the past decade, one area that has proven resilient against the impact of e-commerce and online shopping is needs-based retail, located close to residential populations and leased to tenants offering essential services, including food and beverage, health and wellness, beauty, and retail banking. Tenant retention and rent collection rates are both high for this type of real estate and because of the focus on small-suite property formats, capital expenditures are relatively low compared to other segments of the market. The sector also benefits from favorable supply and demand trends, with very low vacancy rates and very limited near-term new supply being constructed. Today, it is a highly fragmented sector that is poised for consolidation, with only a handful of institutional landlords owning sizable portfolios.

With no unsatisfied repurchase requests to be funded and access to total liquidity in excess of $600 million, we believe Brookfield REIT is well-positioned to take advantage of these types of opportunities to buy high-quality real estate on a value basis.

We are optimistic that we will be positioned to capitalize on the opportunities that present themselves to grow the fund this year and provide attractive stable income and capital appreciation to our investors.

We thank you for your continued investment and support.

This communication is for stockholder use only and is not an offer to sell or a solicitation of an offer to buy any securities.

Total Returns as of December 31, 2023[1]

	YTD	1-Year	3-Year	Since Inception	Distribution Rate[2]
Class D No Sales Load	-5.39%	-5.39%	N/A	-3.79%	5.64%
Class D With Sales Load	-6.79%	-6.79%	N/A	-4.69%	5.56%
Class S No Sales Load	-7.55%	-7.55%	8.31%	8.27%	5.13%
Class S With Sales Load	-10.68%	-10.68%	7.07%	7.35%	4.95%
Class I	-6.71%	-6.71%	9.03%	9.34%	5.94%

Past performance is historical and not a guarantee of future results.

1 Total Return is calculated as the percent change in the net asset value (NAV) per share from the beginning of the applicable period plus the amount of any net distribution per share declared in the period. Total return is not a measure used under GAAP in the United States. Returns greater than one year are annualized. All returns shown assume reinvestment of distributions pursuant to Brookfield REIT's distribution reinvestment plan, are derived from unaudited financial information, and are net of all Brookfield REIT expenses, including general and administrative expenses, transaction-related expenses, management fees, performance fees and share-class-specific fees, but exclude the impact of early repurchase deductions on the repurchase of shares that have been outstanding for less than one year. Past performance is historical and not a guarantee of future results. Class D and Class S shares listed as "With Sales Load" reflect the returns after the maximum up-front selling commission and dealer manager fees. Class D and Class S shares listed as "No Sales Load" exclude up-front selling commissions and dealer manager fees. The returns have been prepared using unaudited data and valuations of the underlying investments in the Brookfield REIT portfolio, which are estimates of fair value and form the basis for Brookfield REIT's NAV. Valuations based upon unaudited reports from the underlying investments may be subject to later adjustments, may not correspond to realized value, and may not accurately reflect the price at which assets could be liquidated. Please refer to Brookfield REIT's annual and quarterly reports filed with the SEC, which are available at BrookfieldREIT.com, for a full reconciliation of NAV to GAAP measures. For information on how Brookfield REIT calculates NAV, see the "Net Asset Value Calculation and Valuation Guidelines" section of Brookfield REIT's prospectus.

2 Distribution Rate reflects the current month's distribution annualized and divided by the prior month's NAV. NAV-based calculations involve significant professional judgment. The calculated value of Brookfield REIT's assets and liabilities may differ from actual realizable value or future value, which would affect the NAV as well as any returns derived from that NAV, and ultimately the value of your investment. As return information is calculated based on NAV, return information presented will be impacted should the assumptions on which NAV was determined prove to be different. There is no assurance Brookfield REIT will pay distributions in any particular amount, if at all. Any distributions Brookfield REIT makes will be at the discretion of the Brookfield REIT board of directors. Brookfield REIT may fund any distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and Brookfield REIT has no limits on the amounts Brookfield REIT may pay from such sources. Brookfield REIT cannot guarantee that it will make distributions. 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 following table reconciles preliminary estimated GAAP net loss to preliminary estimated same-property NOI for the year ended December 31, 2023 and 2022 (Unaudited, $ in thousands).

	Year Ended December 31,		
	2023 Estimated		2022 Actual ($)
	Low ($)	High ($)	
Net Loss	(31,170)	(30,249)	(39,206)
Adjustments to reconcile to same-property NOI			
Management fee	13,895	13,895	10,512
Performance fee	—	—	6,566
Depreciation and amortization	51,691	51,691	55,684
Income from real estate-related loans and securities	(22,986)	(22,306)	(11,322)
Interest expense	57,698	59,456	39,718
Realized gain on real estate investments, net	(3,094)	(3,003)	(726)
Realized loss (gain) on financial instruments	4,081	4,205	(10,572)
Unrealized (gain) loss on investments, net	5,779	5,608	16,750
General and administrative	8,263	8,515	9,562
Other*	(1,652)	(1,603)	(1,513)
NOI	82,505	86,209	75,453
Less: Non-same-property NOI	18,930	19,507	12,514
Same-property NOI	$63,575	$66,702	$62,939

* Includes straight-line rental income/expense, lease termination fees, amortization of above- and below-market leases, and other property expenses not core to the operations of such properties.

FORWARD-LOOKING STATEMENTS

Statements contained in this letter that are not historical facts are based on our current expectations, estimates, projections, opinions or beliefs. Such statements are not facts and involve known and unknown risks, uncertainties and other factors. Stockholders should not rely on these statements as if they were fact. Certain information contained in this letter constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “target,” “estimate,” “intend,” “continue,” “forecast” or “believe” or the negatives thereof or other variations thereon or other comparable terminology. Due to various risks and uncertainties, including those described in our annual and quarterly reports filed with the SEC, actual events or results or our actual performance may differ materially from those reflected or contemplated in such forward-looking statements.

No representation or warranty is made as to future performance or such forward-looking statements. In light of the significant uncertainties inherent in these forward-looking statements, the inclusion of this information should not be regarded as a representation by us or any other person or entity that our objectives and plans, which we consider to be reasonable, will be achieved. Stockholders should carefully review the “Risk Factors” section of our annual and quarterly reports filed with the SEC for a discussion of the risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition. Except as otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

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