

TRANSCRIPT: Q1 2023 CONFERENCE CALL / WEBCAST

May 11 2023 at 10.00 am (ET)

Corporate Speakers:

Angela Yulo, *Vice President*

Bruce Flatt, *Chief Executive Officer*

Nick Goodman, *President*

Brian Kingston, *Chief Executive Officer, Real Estate*

PRESENTATION

Operator

Hello, and welcome to the Brookfield Corporation First Quarter 2023 Conference Call and Webcast. (Operator Instructions)

I would now like to hand the conference over to our first speaker, Ms. Angela Yulo, Vice President. Please go ahead.

Angela Yulo, *Vice President*

Thank you, operator, and good morning. Welcome to Brookfield Corporation's First Quarter 2023 Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer; Nick Goodman, President of Brookfield Corporation; and Brian Kingston, Chief Executive Officer of our Real Estate business. Bruce will start off by giving a business update, followed by Nick, who will discuss our financial and operating results for the quarter. And finally, Brian will give an update on our real estate business. After our formal comments, we'll turn the call over to the operator and take analyst questions. In order to accommodate all those who want to ask questions, we ask that you refrain from asking more than two questions.

I would like to remind you that in today's comments, including in responding to questions and in discussing new initiatives and our financial and operating performance, we may make forward-looking statements, including forward-looking statements within the meaning of applicable Canadian and U.S. securities laws. These statements reflect predictions of future events and trends and do not relate to historic events. They are subject to known and unknown risks, and future events and results may differ materially from such statements. For further information on these risks and their potential impacts on our company, please see our filings with the securities regulators in Canada and the U.S. and the information available on our website.

And with that, I'll turn the call over to Bruce.

Bruce Flatt, *Chief Executive Officer*

Thank you, Angela, and welcome to everyone on the call. Results for the quarter were very strong. Distributable earnings before realizations were \$945 million in the quarter and \$4.3 billion for the last 12 months, up 15% and 24%, respectively, on a comparable basis year-over-year when you take into account the distribution of 25% of the manager back in December. We continue to see strong performance in our asset management business. And our insurance business continues to build scale with earnings benefiting from an attractive investment backdrop.

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Earnings from our operating businesses are also strong underlining the quality of our assets and companies, growing nearly 25% on a comparable basis over the last 12 months across our renewal power and transition, infrastructure and private equity businesses. And in contrast to what you may be reading in the headlines, our real estate business continues to demonstrate its quality and resilience. Brian Kingston will spend more time on this in his remarks.

Focusing first on the market environment. One of the fastest rate hiking cycles in history appears to have achieved its primary objective with inflation currently in the process of abating. While for much of the world, it remains above where many central banks want it. It is tracking lower, reducing the risk of rates going much higher than today's levels. Despite overall borrowing rates being low-ish in a historical context, rates rising so quickly has had some unintended consequences as we are all seeing in the U.S. regional banking sector.

While the immediate actions taken by governments and central banks appear to have isolated these issues and prevented a broader crisis of confidence, recent events have led to a further tightening of financial conditions, making capital scarcer and more expensive for many. The strength of our franchise is and always will be underpinned by a significant capital base that is conservatively capitalized with high levels of liquidity and access to many different sources of capital. That has always been the great differentiator of our business and in the current market, this advantage is even more pronounced.

We have the scale and flexibility to navigate our existing portfolio through tougher, tighter credit conditions and liquidity and access to capital to focus on growth when many others cannot. Bottom line, this will allow us to emerge from all of this once again much stronger.

As we look ahead, we see a number of opportunities to put our vast resources to work. On our call yesterday for Brookfield Asset Management, we talked about the opportunities to accelerate growth for our asset management franchise, highlighting the great opportunities we see in distressed debt, private credit more broadly, and an opportunity to acquire great businesses at fair prices in the public markets today. While those opportunities help our manager to accelerate its growth and we at Brookfield Corporation have committed large sums of our balance sheet capital to each, I'll focus my remarks today on a couple of opportunities we are seeing in the rest of our business.

First, insurance growth. Our insurance business is benefiting from the same tailwinds we are seeing in private credit, and we continue to invest our existing assets at yields well in excess of the cost of our liabilities. On a strategic level, we are also seeing opportunities on the M&A front to meaningfully add to the size and scope of the business. Today, our insurance business oversees \$45 billion of assets and generates approximately \$700 million net of annualized distributable earnings.

We have excess capital that we plan to use to further drive transactions such as the recently announced acquisition of Argo Group. We expect to close that transaction by the end of the year, adding a further \$4 billion of insurance assets to the portfolio. We're excited by the prospects of continuing to grow this business while staying disciplined to earn excellent returns on capital while doing so.

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Second, we expect to find opportunity not just in the debt markets related to real estate, but also selectively acquiring portfolios of assets. Brian will provide a more detailed update on our real estate business. But I'll say just that it is worth emphasizing that the real estate business that we have built over the last 40 years is focused on owning the highest quality assets in all categories.

On top of this, and maybe most importantly, our vast capital resources and highly diversified global business always allows us to emerge from a downturn in a more dominant and powerful position. Said very specifically, single industry participants just do not have the resources that we have, and therefore, the opportunities come to us. So while others in this environment possibly are having to be more defensive, we are looking ahead to what could be a significant opportunity to acquire great real estate at fractions of long-term intrinsic value where some do not have the staying power.

We are currently raising our fifth real estate flagship fund. And when combined with our large capital resources at Brookfield Corporation, we have significant firepower to potentially acquire some exceptional real estate.

Third, and not least, buybacks. Given the trading levels of our shares, which we believe represents a significant discount to the intrinsic value of the business, we are continuing to allocate capital to buybacks of our Class A shares in the open market. We acquired close to \$300 million in the first quarter, and we'll continue to opportunistically do so when we see such a large discount to intrinsic value.

It may also interest you that we and me as individuals continue to buy more Brookfield Corporation's shares and have acquired over \$100 million of Brookfield Corporation shares in the open market since the distribution of our manager. This should tell you something.

All opportunities that I highlight have the potential to accelerate the growth of each of our businesses. They could also lead to new investment verticals for Brookfield that will further diversify and globalize the business, but also provide innovative ways for our clients and partners to invest with us. We have a long history of successfully investing through many cycles and our deep resources mean that we should be able to capitalize on the investment opportunities that may inevitably present themselves during this period of time.

As always, thank you for your continued support and interest in overall Brookfield. I will now turn the call over to Nick.

Nick Goodman, *President*

Thank you, Bruce, and good morning, everyone. Financial results were strong in the first quarter, supported by the growth and resilience of our franchise, with each of our businesses performing well, generating stable and growing cash flows in line with our objective of creating long-term wealth for all of our stakeholders.

As Bruce mentioned, distributable earnings, or DE, before realizations were \$945 million for the quarter and \$4.3 billion over the last 12 months, up 15% and 24%, respectively, after adjusting for the special distribution of 25% of our asset management business that we completed in

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December last year. Total DE was \$1.2 billion for the quarter and \$5.2 billion over the last 12 months, respectively, with net income of \$424 million and \$2.7 billion over those respective periods.

Now turning to the operating results. Our asset management business continues to perform well, delivering another quarter of strong results. Distributions from our asset management business were \$678 million in the quarter, up 15% year-over-year, benefiting from continued strong fundraising, which led to inflows of \$19 billion year-to-date and almost \$100 billion over the past 12 months. The outlook for 2023 and beyond remains very strong with each of our flagship funds either currently in the market or expected to be so later this year and our complementary offerings, raising and deploying capital.

Our Insurance Solutions business had a very strong quarter and contributed meaningfully to our earnings, generating distributable operating earnings of \$145 million in the quarter and \$520 million over the last 12 months, significantly higher than the comparative periods. The business continues to benefit from the redeployment of its liquid short duration investment portfolio into assets earning higher risk-adjusted returns.

During the first quarter alone, our insurance business redeployed an additional nearly \$2 billion across our portfolio, an average yield of almost 9%, with the average investment book yield now approximately 5%, supporting liabilities with an average cost of 3%. This business now generates annualized earnings of \$700 million. And looking forward with the significant investment opportunities we see, we remain on track to grow annualized earnings to \$800 million by the end of the year.

Distributions from our operating businesses were \$304 million in the quarter and \$1.5 billion over the last 12 months. The growth in cash distributions received from our renewable power and transition, infrastructure and private equity businesses were supported by strong underlying earnings growth. In aggregate, over the past 12 months, these businesses have increased their operating earnings by 25%, and we expect to see continued strong growth from these businesses given the essential services they provide, the inflation linkage in the revenues and the high cash margins they generate.

Distributions from our real estate business were stable with strong net operating income performance across the portfolio being offset by higher interest rates on floating rate financings. Brian will speak to our real estate portfolio in more detail, but it is important to remember that as rates plateau and eventually come down, the continued compounding growth of our operating cash flows will more than offset the sharp onetime rise in rates.

Performance was particularly strong in our prime retail and office assets with same-store NOI growing by 5% over the last 12 months, which reflects the strong underlying fundamentals for our best-in-class assets. This is good for our results and great for our values. Remember that rates rise once but our cash flows keep compounding.

Moving on to monetization activity more broadly. We continue to see a strong appetite for the cash generating real assets and businesses that we own. For instance, during the quarter, we closed the sale of a hospitality investment in the U.S. for over \$800 million, returning a 2x multiple of capital. Total accumulated unrealized carried interest now stands at \$9.4 billion, with

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\$8.3 billion of that directly owned by Brookfield Corporation and we expect to realize over \$500 million of realized carried interest into income this year.

During the quarter and over the last 12 months, we have been allocating our retained cash flow to enhance the value of our business. In the quarter, we have reinvested over \$1 billion back into the business predominantly into our private funds, which have a strong track record of earning excellent returns over the long term. On top of that, we returned \$404 million to shareholders through regular dividends and share repurchases. Our share buybacks totaled nearly \$300 million in the quarter and \$746 million over the last 12 months. We will continue to opportunistically repurchase shares when they are undervalued. Weighing that use of capital against the investment opportunities that we see ahead, as highlighted by Bruce. In summary, the overall earnings power of our business remains incredibly strong and well positioned to deliver growth and compound value over the long term.

Outside of our financial results, I also want to briefly speak to the strength of our balance sheet, liquidity and access to capital and how our funding model that we have developed over the past 25 years is serving us a significant competitive advantage in this environment. At the end of the first quarter, we had group-wide liquidity of \$113 billion, which includes \$5.3 billion of corporate liquidity at BN made up of \$2.8 billion of cash and financial assets and \$2.5 billion of undrawn credit lines. In addition, we have one of the world's largest pools of discretionary capital with an approximately \$135 billion balance sheet comprised mostly of liquid assets against which we borrow only a modest amount of corporate debt of \$12 billion.

This conservatively capitalized balance sheet gives us tremendous flexibility to execute on opportunities that inevitably arise. In conjunction with our strong liquidity and conservative balance sheet, we also take a very disciplined approach to financing each of our assets and businesses, setting them up to be resilient through cycles. As Brian will discuss, we inevitably have certain circumstances that will require extra attention but in those circumstances, we are committed to acting responsibly and preserving our strong reputation in the capital markets that we have developed over many years. This allows us to maintain strong access to capital, which is crucial to the success of our business and our ability to grow.

In just the last few weeks, during the market volatility and tighter financial conditions, we've transacted in over \$20 billion of financings across our business. Whether it be refinancing a hospitality asset in the U.K. that was 3x oversubscribed at a lower rate than the previous financing; a large refinancing at our advanced energy storage business; or how we were able to reduce pricing and add duration to the debt or the significant issuances we recently did associated with the Origin and Triton transactions.

These financings are examples of our continued access to capital, which is not the case for everyone right now and is a key differentiator of our franchise. Time and time again, our funding model with layers of returning capital has ensured that in periods of less robust liquidity, we not only survive, we thrive, emerging from each period in better shape than we entered it. We are confident that this period of volatility will be no different.

Before finishing my remarks, I also want to mention that this represents the first full reporting quarter for the Corporation, subsequent to the special distribution of 25% of our manager. Now that the manager is trading and reporting separately, we've taken this as an opportunity to

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evolve our public materials with a specific focus on enhancing disclosure on each of our businesses. By setting out the key performance metrics, value drivers and valuation methodology of each business, we believe that our disclosure will help in assisting you better assess the current and future performance potential of the corporation.

Finally, I'm pleased to confirm that our Board of Directors has declared a quarterly dividend of \$0.07 per share payable at the end of June to shareholders of record at the close of business on May 31, 2023. Thank you for your time, and I'll now pass it over to Brian.

Brian Kingston, Chief Executive Officer, Real Estate

Thank you, Nick, and good morning, everyone. Given the volatility in markets and headlines around real estate, we thought it was worthwhile to provide you with our latest perspectives on real estate markets and what we're seeing on the ground. Hopefully, this will clear up some misconceptions that you may be reading in the news.

As a company, we've been successfully investing in real estate around the world for many, many decades. Our perspective comes from our team of almost 30,000 operating personnel in 30 countries, operating over 7,000 properties in every sector of real estate. And this gives us unique insights in which most don't have access to.

By leveraging our underground data collected from our global operations, we're able to make unbiased assessments of individual properties in the broader real estate markets. This data is increasingly showing us that real estate fundamentals are a tale of two cities. Fundamentals for high-quality real estate remains strong with many parts of the real estate market doing very well, including hotels, industrial properties, high-quality retail, premier office and multifamily residential.

For example, our U.S. multifamily portfolio recorded 22% growth in cash flows last year. Our retail properties recorded their highest tenant sales ever, up 17% over 2019 levels and rents in our logistics portfolio were up 22% on average over the past 12 months. And contrary to what you may have read, high-quality office properties also continue to perform very well. Same-store net operating income for our core office properties were up 5% last year.

On the other hand, certain segments of the property market, particularly commodity office buildings in weaker locations or secondary markets have underperformed. This is not a recent phenomenon. Even prior to the onset of the COVID pandemic, we saw office tenants increasingly gravitate toward newer, more modern office buildings and away from poorly located older products. Today, companies are seeking offices that foster collaboration, creativity and community among their workers. And to that end, modern office buildings have never been in higher demand. However, properties that don't provide these modern amenities are quickly becoming functionally obsolete, which has widened the gap in performance between premier and commodity real estate.

Fortunately, the vast majority of our commercial portfolio is premier and as a result, continues to perform well. For example, despite a sluggish leasing market in New York City, we completed over one million square feet of leasing in the past 12 months as the soon to be completed to

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Manhattan West. At rents there's 35% higher than those at 1 Manhattan West, which was leased just prior to the onset of the pandemic.

At another of our prime office buildings in Manhattan, we are actively seeking leases, signing leases at over \$200 per square foot to high-quality tenants. In fact, New York City's trophy building saw more leases signed at rents starting above \$200 a square foot in 2022 than they have in the prior five years combined. In London, we're completing leases at over GBP 90 per square foot in a new soon-to-be opened office tower, which is a new high watermark for that submarket. And Brookfield Place Dubai is now 100% leased with rents that are almost double what we underwrote when we started the project.

In our view, premier properties are in a category of their own now and should no longer be compared to traditional commodity office properties. Of course, not every property in our portfolio has been unaffected by recent volatility. When you own 7,000 properties, it's impossible not to make a few mistakes. To protect against these inevitable errors and ensure that they always remain small mistakes, we've always financed each asset on a stand-alone nonrecourse basis. This means any problems with a particular property do not affect other properties or businesses. We've had a few issues recently in our Los Angeles and Washington, D.C. portfolios due to market stress in those areas, but they're isolated incidents and discrete to those assets and this does not impact our overall real estate business let alone Brookfield as a whole.

We take pride in being a responsible borrower, and our track record in the capital market speaks to that. Our team works closely with lenders to address issues that come up and they're typically from smaller assets that were acquired as part of larger portfolios. We've also been very diligent in staggering our debt maturities to ensure that we never have a large amount of debt coming due at any one time. We capitalized on strong debt capital markets over the past two years and have completed more than \$12 billion of financing on our U.S. office portfolio alone since March of 2020. As a result, we have minimal debt maturing this year, allowing us to focus on the long-term success of the real estate business.

Another area of discussion in the press today is interest rates and their impact on real estate values. There are three basic inputs that go into a real estate value. The discount rate or unlevered return that an investor expects to earn. The terminal cap rate, which determines the exit value of the asset, and the cash flows that the investor expects to earn during their period of ownership. The cash flows and the expected exit price are discounted back to a present value today to determine the value. When rates rise or fall, investors typically demand a higher or lower unlevered return and this is reflected as a higher or lower discount rate. However, this relationship is not linear.

For example, in 2021, when we saw interest rates declined by almost 300 basis points, discount rates probably only moved by 50 or 60 basis points. This is because investors did not expect rates to remain at close to zero for a long period of time and it turns out they were right.

Similarly, over the past year, as long-term interest rates rose by 300 basis points, discount rates moved up, but not more than 50 to 75 basis points, essentially to settle back to where they were prior to the pandemic. But that's not the full story. The reason that interest rates rose so

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dramatically over the past 12 months was due to the Federal Reserve's response to a dramatic spike in inflation.

High-quality real estate is considered a good hedge against inflation as it's typically able to increase its income in line with or sometimes in excess of inflation. Our valuations are now discounting higher cash flows than they were a year ago, which offset the impacts of higher discount rates and supports our real estate values. For example, the value of our LP investments increased by \$600 million this quarter due to increases in their operating cash flow. This \$600 million was offset by a \$300 million negative impact due to increases in discount rates and cap rates to reflect the current interest rate environment.

The net impact, however, is that our properties went up in value because the impact of higher cash flows more than offset the impact of higher interest rates. Higher inflation also means the cost to build new competing real estate has gone up significantly, making our existing properties even more valuable. So in summary, we're confident the property market will continue to offer compelling investment returns over the next several years across multiple sectors. In fact, we believe there is an opportunity to earn outsized returns given the disconnect between what we are seeing on the ground and broad generalized statements in the press as well as the scarcity of capital across financial markets.

Importantly, we have plenty of liquidity on our balance sheet to enable us to navigate any and all of these challenges on your behalf and take advantage of stress or distress that we may see to generate the kind of returns that you've come to expect from Brookfield.

As always, thank you for your continued support. And I will now pass the call over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

[Operator Instructions] Our first question comes from the line of Sohrab Movahedi with BMO Capital Markets.

Sohrab Movahedi, Analyst, BMO Capital Markets

Nick, thank you for the enhanced disclosure you've started to provide this quarter. I wanted to start off by just asking maybe a bit more of a detailed question specific to the real estate portfolio. I think the property value, or property level loan to value, sorry, basically for the aggregated portfolio, I think you're reporting around 51%. But you have a footnote that says you're excluding about \$7 billion or so of debt. What would the LTV be if you included that \$7 billion?

Nick Goodman, President

Obviously, it takes the LTV higher probably from 50, you can do the math probably up to the high 50s. But the point of that, Sohrab, is we're showing you the property level debt, so you can understand what the leverage looks like in the portfolio, the value and the quality of financings

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that were done -- and then if you remember in BPY we have corporate debts. We allocate it across the portfolio based on the duration of the investment. But it's a modest amount of additional leverage that we add complementary to returns and is consistent with prior keeping, which you have to carve it up for the separate reporting.

Sohrab Movahedi, Analyst, BMO Capital Markets

Okay. I appreciate that colour. And then I guess -- my second question maybe for you and Bruce. I mean, ultimately, Brookfield Corporation, I think, is a capital allocator, and you talk about looking for opportunities to invest for long-term growth, but also where there's this mispriced, I guess value. You've also talked about the disconnect between management's perception of intrinsic value and a market valuation of your business. So I guess what I would like to know how much is how much wider would that discount have to be for you to view it as a meaningful capital deployment opportunity?

Nick Goodman, President

So, if we take a step back and think about the business today, we're generating about \$4 billion annualized cash flow at the corporation. And as we think about how to allocate that cash flow, I guess what you're getting at is we have a couple of things in mind. One, we want to invest that capital to earn good returns and invest in areas that can enhance the overall broader franchise. And if you think over the last couple of years, we've grown an insurance business, which is earning excellent returns on our capital is also facilitating the growth of our credit franchise in the business and benefiting the broader asset management and giving us tremendous flexibility in the organization. So we look at opportunities like that, and we see opportunity beyond just the return. Now obviously, where the share price is trading. It's a very attractive point today, and we're at the level where we're already allocating a significant amount of capital over the last 12 months, getting closer to about 25% of free cash flow.

So I'd say we're already allocating capital. And as the discount persists, we're obviously conscious that we have other areas in the portfolio where we could raise capital to think about doing something more significant. But it's very front of mind right now, and it's an important component of how we allocate on an ongoing basis.

Sohrab Movahedi, Analyst, BMO Capital Markets

But it would have to be wider discounts than this before you would take action?

Nick Goodman, President

Potentially, not necessarily. It's already trading at a big discount. It just depends on what's in front of us and the capital available to us at that time.

Operator

Our next question comes from the line of Geoffrey Kwan with RBC Capital Markets.

Geoff Kwan, Analyst, RBC Capital Markets

Maybe just a follow-up on the, just to clarify, Nick, your comments on the capital allocation and the buyback. So would that mean something along the lines of it, there's an asset in the

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portfolio that might be monetized that could be a trigger to get you to be more active on the buyback. Is that the right way to think about it?

Nick Goodman, *President*

Yes. Yes, that's right, Jeff.

Geoff Kwan, *Analyst, RBC Capital Markets*

Okay. And just my second question, I just want to clarify, the number that was being talked about in terms of that 5% same-store NOI growth in office, is that all office? Or was that just trophy or was it Trophy and Class A; because I'm just trying to understand if it was just in the trophy what would that same store NOI across the entire portfolio? Or if it was for just the entire portfolio, then I'm assuming it would probably bit higher for just the trophy assets.

Nick Goodman, *President*

Yes, that 5%, Jeff, was for the core portfolio. So we had 5% growth in an LTM across course that would also include its core office, core retail at similar growth. The transitional and development business to NOI was largely flat year-over-year, which is also important because it also shows you that we have good quality asset portfolio in T&D. We just didn't have as much leasing activity because there was higher occupancy coming into that period.

Operator

Our next question comes from the line of Cherilyn Radbourne with TD Securities.

Cherilyn Radbourne, *Analyst, TD Securities*

Just given the way the alternative manager space is consolidating, which you think would be accelerated by a more difficult fundraising environment. How likely do you think it is that you'll be assisting the asset manager with a large transaction over the next five years to add to that franchise?

Nick Goodman, *President*

Cherilyn, listen, I think the asset manager, as you heard on the call, yes, the outlook for the organic growth of the manager is incredibly strong, still targeting to grow their business 15% to 20% a year. So I think they have plenty of levers organically in that business to still deliver excellent returns. But your observation is right, there will be consolidation, maybe more constrained access to capital will be a catalyst for consolidation opportunities. I think as we think about the manager, it would have to be something that's additive to the franchise.

We have a global franchise market-leading in many areas. And so it has to be something that is additive, like when we added Oaktree, where we had a gap for credit, we don't have many gaps today. But should something come along that's interesting, and it's a good cultural fit, then we could consider it, and the Corporation would support the manager if it needs that support.

Cherilyn Radbourne, *Analyst, TD Securities*

Okay. And then I'd actually -- what's been said about the enhanced disclosure on real estate and insurance this quarter. That's very much appreciated. On insurance specifically, most of the liabilities currently relates to annuities, which you do have a bit of P&C exposure. So I was

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hoping you could just remind us and elaborate on the types of liabilities that you're comfortable underwriting? And how comfortable you would be going out a little further on the risk spectrum?

Nick Goodman, *President*

Yes. Your observations are right. To date, it has been largely life and annuity business, which is focusing on those stable, long-dated liabilities with effectively no liquidity risk within them, that allows us to take those assets and invest in would comfort over a long period of time and earn the kind of returns we're now earning. But as we broaden out the business and diversify it, we have through ANICO a small P&C exposure. And with Argo, we will be adding another \$4 billion, still small in the context of the overall portfolio. But it will introduce some flexibility into our investment options with a lot shorter dated assets that maybe lend themselves to investment outside of credit.

It just gives us a bit more flexibility. So, I'd say our risk tolerance is still low. We're still focused on buying businesses even if it's in P&C, where we are comfortable with the risk. We're not taking undue insurance risk and introducing too much risk or volatility to the business. But we're enhancing our flexibility for investment. So we will look to stay low on the risk profile, but we will look to grow where we can enhance the franchise.

Operator

Our next question comes from the line of Mario Saric with Scotiabank.

Mario Saric, *Analyst, Scotiabank*

So maybe a question for either Bruce or Brian. Bruce, you touched on the opportunity to acquire portfolios of real estate assets like good valuations, and you've also touched on kind of the bifurcation between premier quality and commodity. Given that bifurcation, is there a similar opportunity to dispose of assets that maybe aren't the best assets, but good assets, with good returns? Or do you envision kind of real estate allocations rising on a net basis in the near term, given the existent market discount?

Brian Kingston, *Chief Executive Officer, Real Estate*

Mario, it's Brian. Look, I think the way we think about the real estate exposure overall, obviously, as we're in, as I mentioned earlier, we're in 30 countries. And so, not all of them are moving at exactly the same pace. A lot of our comments were sort of focused on what's happening here in the U.S., and I think that's the most topical right now. But we are seeing opportunities in some of our other markets around the world to continue to monetize assets at good value, right? And as you know, in our, particularly in the opportunity business, the opportunity fund business, it's a lot about buying good assets substantially improving, making them great assets and then selling them at attractive returns.

So, for example, we're in the process of monetizing a large office portfolio in India right now that will be a very attractive cap rates relative to what we can see. So, I think the answer is we think there's going to be markets where there's more volatility and capital will be more scarce, and that's a great market to be buying in and allocating capital to and some of our markets, there will be opportunities to take money off the table as well.

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Mario Saric, Analyst, Scotiabank

Got it. And just as a follow-on, how should we think about the planned BN co-investment in BSREP V versus traditional Brookfield investments as a percentage of the fund?

Brian Kingston, Chief Executive Officer, Real Estate

We've historically been between 25% and 1/3 of all of those funds, and I would expect that would continue.

Mario Saric, Analyst, Scotiabank

Okay. And if I may, just one more clarification question for Nick. Just with respect to the realized carry this year, the target of \$500 million, is that inclusive or exclusive of the \$200 million generated this quarter?

Nick Goodman, President

Realizing this quarter, that would be an inclusive number of this year, so a bit more sales activity. And remember, that carry is not necessarily reflective of sales activity because it has to be for assets or properties in funds that are through their preferred return to actually realize the carry, but that's our net projection number for this year, inclusive of Q1.

Operator

Our next question comes from the line of Mike Brown with KBW.

Mike Brown, Analyst, Keefe, Bruyette & Woods

Okay. Great. So understanding you've got 7,000 properties, but I just wanted to hear a little bit more about on the real estate business here and hear some additional thoughts there. And is there any way to think about, what's the potential risk to some of the carrying values there? What could trigger any write-downs? And then as you look across the portfolio, are there any upcoming debt maturities that could be a challenge in this market? And how could you navigate some of the challenges in the financing markets right now?

Brian Kingston, Chief Executive Officer, Real Estate

Yes. So I'll maybe do them in reverse order. On financing, as I mentioned in my comments, we all of our properties are financed on a non-recourse asset-level basis. And we pay a lot of attention to maturity profiles and making sure that we've staggered those maturities. So over the balance of this year, there really is nothing major that is coming due. It's a more challenging than normal environment. I think for groups like ourselves are large, have relationships really across capital markets with banks, with insurance companies, with other institutional lenders, we have a lot of relationships that we can lean on to get those financings done where others who are more concentrated in, let's just say, borrowing from regional banks or in particular markets, it may be a harder lift for them.

So I think it will be challenging for everyone, but we're not overly concerned over any maturities that we've got coming up this year, both as a result of the profile of them, but also just the depth of the relationships. And look, on valuations, again, as I mentioned, we are, the biggest impact, obviously, from rising rates is the discount rates and cap rates that are being applied in valuations, we have been, like everyone else, adjusting those upwards. So our cap rates are

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higher today than on our valuations higher today than they were a year ago. Discount rates are higher. But at the same time, we're seeing good growth in many of the real estate values and it somewhat offsets that.

So look, I think the area where you always have risk on valuations is when you get into a no-growth environment with rates rising, and I don't think that's the situation we see ourselves in. As Nick mentioned, rates have risen pretty dramatically over the last year, but so have cash flows that have largely offset that. We think we're nearing the end of rates going higher. They may not come lower for a while. But as long as they sit stable, the cash flow growth that we've had stays and continues to comp out.

So I think a long-winded way of saying, on valuations, we don't think there's major, major write-downs across the real estate sector more broadly. I think within certain sectors, certain markets, if you see performance falling off, so vacancy is going up or rents coming down, then those types of assets or those types of owners of assets may see a larger impact on valuations. But I think when you have portfolios like ours that are largely fully occupied but continue to grow their cash flows each year. We don't see a big move in valuations.

Mike Brown, Analyst, Keefe, Bruyette & Woods

Okay. Great. And then if you could change gears and maybe another follow-up on the buyback commentary that you made, Nick. So you kind of talked about there might be some opportunities to monetize things in the portfolio and perhaps that could help the share buyback. One thought is could be -- that I've gotten as the -- given the asset manager trades at a very attractive valuation, is -- obviously, Brookfield Corp. continues to trade at a discount. Would there be a scenario where you would consider floating more of the manager and then redeploy those proceeds into share buybacks at the Brookfield Corp. level to help close the gap to intrinsic value?

Nick Goodman, President

Look, I think the first objective of separately listing the manager was to create another strong access to capital optionality for the franchise. It's trading well. It's got really good access to capital that creates options for the manager as it looks to grow. So we bear that in mind as we think about our interest. But yes, it's trading well. We have many other things in the organization are also trading well. As Brian mentioned, core real estate, trading at great values. Infrastructure renewable. We have other things in the organization trading well. So as we assess the portfolio, we have many different levers we could pull to surface capital to think about allocating that into buybacks for BN.

Mike Brown, Analyst, Keefe, Bruyette & Woods

Is there any contractual restriction there to pursuing that?

Nick Goodman, President

There's none.

Operator

Our next question comes from the line of Dean Wilkinson with CIBC.

Brookfield

Dean Wilkinson, Analyst, CIBC Capital Markets

Hello. Real estate question from a different angle. Never one to waste the crisis - maybe that's too strong of a term. Are there opportunities out there to maybe acquire debt given what we're seeing with some of the regional bank issues and sort of looking at debt portfolios and opportunities to come at it from another way?

Brian Kingston, Chief Executive Officer, Real Estate

The short answer, Dean, is yes. We do think that some of the things that are happening in the U.S. banking market generally are going to mean that many of these institutions will look to reduce their exposure. Obviously, one way for them to do that is wait for loans to mature and then not renew them or have them refinanced away, but another is for them to look to sell. And so we do think there are a number of potentially force situations like with, say, a Signature Bank or some of the others that really got into trouble. But I think more broadly across all of the banks, there may be opportunities to buy debt attractively from them.

Now that may result in situations where you end up owning the asset. But in a lot of cases, it may just be acquiring debt and earning a good risk-adjusted return. And what's really interesting about it is these are performing loans. There's nothing wrong with the underlying collateral, and you're still collecting it. The distress is with the current owner of that loan, and that's what's creating the pricing opportunity.

Dean Wilkinson, Analyst, CIBC Capital Markets

Right. And would that be something that happened through Oaktree -- or would that go through sort of the BN balance sheet?

Brian Kingston, Chief Executive Officer, Real Estate

All of the above. I think obviously, Oaktree is very active in that market and has a number of funds with capital to deploy as does Brookfield.

Operator

Our next question comes from the line of Andrew Kuske with Credit Suisse.

Andrew Kuske, Analyst, Credit Suisse

Given the group's success and just fundraising for third-party capital, historically, you've had quite an evolution. And I'm not trying to be patronizing about it; just the fundraising cycles. But you've always offered these co-investments to your larger clients. Given the fundraising success that you've had, does that still wind up being a key feature and a key value proposition for some of your clients?

Nick Goodman, President

Absolutely, Andrew. Like I think if you look at the recent transactions we've done of scale and quite a few of them, we have had significant co-invest. And it is something that's very attractive to the clients. It's also something that's highly positive for our franchise because it allows us to pursue transactions of significant size with strong partners who are investing long-dated capital.

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So it's a benefit to our partners and a benefit to our franchise and our ability to continue to pursue scale growth.

Andrew Kuske, Analyst, Credit Suisse

Okay. I appreciate the colour. And then maybe just continuing on our longer-term views on things and with the enhanced disclosure and the segregation between core and the transitional development categories in the real estate side, maybe directed to Brian, given he's on the call.

Just maybe it's a philosophical question. Given we saw the negative FFO and the transitional development, is that somewhat expected just in the context of most of those assets, you've invested for turnaround potential and value enhancement. And so generally speaking, on a quarter-to-quarter basis, you may have weaker performance, but you're really playing for the redevelopment and the amplification of returns on a longer-term basis.

Brian Kingston, Chief Executive Officer, Real Estate

Yes. I think that's fair. I think within that transitional and development portfolio, we are focused on total return. And the components of that total return often times are more heavily weighted toward the back end, what the building is. So if it's a development, it's obviously not earning any FFO right now. In some cases, we're buying buildings deliberately with vacancy and spending a year or two enhancing them and leasing them back up. So again, they're not generating a lot of FFO there but the value creations on the back end versus the core portfolio, which is very highly occupied and is really just about cash flow growth year-on-year.

Operator

Our next question comes from the line of Alexander Bernstein with JPMorgan.

Alexander Bernstein, Analyst, JP Morgan

Maybe to start at a higher level, we definitely noticed that you highlighted some of the larger transactions you were able to complete alongside the asset manager recently: Triton, Origin Energy, et cetera. It definitely struck us as well that there seems to be a pretty unique competitive advantage you have, just having the various platforms, different access to capital publicly traded securities in various places to do some of the larger deals when others cannot.

On a similar note, we recall that in some of your prior presentations, I think it was last year, you talked about potentially looking at something transformative that would be, say, in the tens of billions of dollars. I think you mentioned maybe green economy or something on the new infrastructure type point. We noticed that didn't seem to be a topic that got right up or noted more recently. Is that still something you look at? Or, is it just that the opportunity set with some of the dislocations in your normal businesses now are so attractive? Or am I trading into that?

Nick Goodman, President

It's Nick. Look, I think a little bit of everything. But listen, when we think about large transactions that offer good returns, as you know, we have many pools of capital that they can fit into. So in many circumstances, in most circumstances, they would be transactions for the asset management business in one of the private funds likely at scale with our partners who can

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comment alongside us and maybe BN comes into the transaction as a co-investor as well, and we consolidate many pools of capital to do things at scale, but predominantly through the asset management business.

As we think about the allocation of capital at BN, if we are looking at that sort of new vertical or new growth, it would be something that is strategic and additive to the overall franchise most likely. and we weigh that up, as you said, against the opportunity to allocate capital back into the business and buy back stock. And obviously, at this point in time, the stock looks increasingly attractive. Although we do also expect that in this environment, there could be other very attractive opportunities. But to your point, it will be where the right pool of capital is in the franchise.

Alexander Bernstein, Analyst, JP Morgan

Got it. And maybe to ask one that's a bit more in the weeds. We saw a recent filing from BPY around acquiring some of the LP foreign investments from BSREP. Just to better understand kind of what's actually happening there and the right way for us to think about that and some of the accounting implications. Is that just really moving around assets from some of these different pools of capital? And are the implications, things like various fee rates and perhaps what's the motivation behind a transaction like that?

Nick Goodman, President

It's Nick, I think of a transaction for BSREP-BPY buying assets from BSREP, I'm not sure what you're referring to as part of the spin-off of the asset manager, we did do some restructuring in the organization, but we didn't move around BSREP holdings to BPY. But I can follow up with you afterwards to work through that.

Operator

Thank you. I would now like to turn the call back over to Angela Yulo for closing remarks.

Angela Yulo, Vice President

Thank you, everybody, for joining us today. And with that, we'll end the call.

Operator

This concludes today's conference call. Thank you for participating, and you may now disconnect.