• A common analytic tool used in evaluating REITs is the price to funds from operation (FFO) multiple. A trust's FFO – or in BREIT's case, adjusted funds from operations, or AFFO – is divided by its net asset value. Safe to say, among REITs, BREIT's AFFO multiple stands out. As of September 30, the trust's AFFO multiple was 30x. Camden Properties Trust and Prologis, key pureplay competitors in the Rental Housing and Industrial segments are valued, respectively, at 14x and 23x. A 50/50 blend of the two is just over 18x. This is being generous though, as BREIT's Rental Housing portfolio is twice as large as its Industrial portfolio, and the trust is highly levered. Were the trust to be valued roughly in line with these peers, the implied downside could be as high as 50 percent. To be generous, even valuing BREIT as if it was Prologis (i.e. industrial properties are generally the most sought after in commercial real estate, with most generating robust FFO) implies a 25 percent decline. Do you wish to comment why BREIT is valued at a premium to peers on an AFFO multiple basis? Moreover, I note that the trust's growth is currently not that much ahead of its peers. Also, BREIT is more levered than its peer group, which should be a negative for FFO multiples.

As described previously, BREIT's values have been consistently reaffirmed by independent third parties as reflective of private market value, including by a significant volume of completed sales. BREIT has sold 324 assets totaling $17 billion at a premium to NAV since 2022, when interest rates began to rise.

Comparing AFFO of BREIT to listed companies is not an appropriate comparison because it excludes non-income producing assets. QTS' $18+ billion pre-leased development pipeline is expected to generate significant revenue and AFFO in future years.

Further, BREIT discloses the exit cap rates used in its investment valuations, which is a blended 5.8% for the valuation of BREIT overall. Private market values are based on cap rates, not AFFO and BREIT was designed to track private real estate values.

Public REITs, which represent only ~8% of the $21 trillion U.S. commercial real estate market, are inherently more volatile than private real estate values. BREIT was designed to track private market real estate, with its NAV reflecting the fundamental fair value of its portfolio absent the effect of public market volatility.

Publicly traded REITs declined -74% during the Global Financial Crisis and -44% during COVID, far greater than any decline in private markets. This works in both directions: in 2021, publicly traded REITs in BREIT's major sectors returned +63%, far exceeding private real estate and BREIT in 2021.

Additionally, since 2010 public REITs have seen moves greater than 10% more than 50 times. This has never occurred with net asset values of private real estate over a quarterly period. Unlike most publicly traded REITs that are narrowly focused and invest in a single property type, BREIT's thematic investing across sectors where we see outsized growth potential has added significant value. This includes exposure to sectors like student housing and affordable housing, which are not readily available to investors in the public market.