

Lowell Baron looks to make his mark

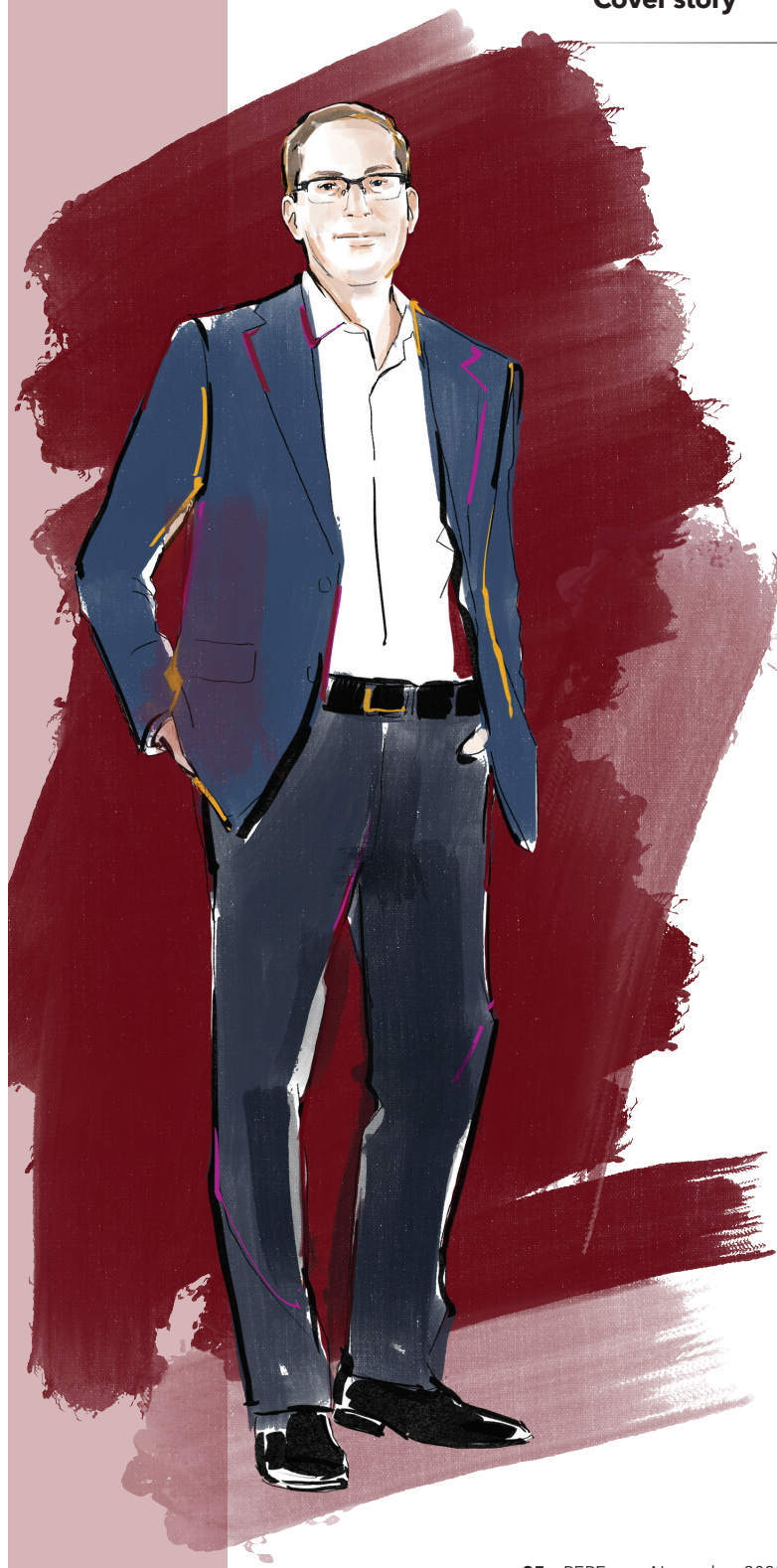


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Brookfield's new real estate CEO readies a major initiative just months after taking the helm of one of the world's largest managers.

By Harrison Connery

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owell Baron's rise to CEO of Brookfield Asset Management's real estate business in June was the culmination of a life-long desire to prove himself.

Growing up in Fairlawn, New Jersey, the now-49-year-old started high school as the youngest and smallest student in his class; at 4'10 and 90 pounds, he could barely open the building's front door. But what he lacked in size, he sought to make up with smarts. Four years later, he graduated with an offer from New York's Yeshiva University, his top-choice school where he would go on to study finance. It was also during high school that he met his wife, to whom he has now been married for 28 years. The pair have five children together.

"I suspect that that probably has had an impact on me," says Baron. "I always wanted to prove myself, being the youngest and the smallest."

The drive the executive has had since those early days in New Jersey has propelled him to the helm of Brookfield's \$270 billion real estate business.

Real estate was not always in the cards, however. Baron initially assumed he would go to law school after graduating from Yeshiva, but a summer job at New York City real estate brokerage Grubb & Ellis changed his mind. He worked in the research department, supporting leasing brokers with data on building occupancy, sales comparisons and operational details.

"Once I did that, I decided real estate was a forever thing," says Baron. "The real estate, the transactions, the whole environment – it's very exciting and very interesting to me."

After graduating from Yeshiva in 1997, he went into the investment banking side of the business by joining Bankers Trust, which was acquired by Deutsche Bank two years later. He

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worked on the debt team at Deutsche “before real estate credit was cool,” as he puts it, eventually leaving for Brookfield in 2005.

Twenty years later, the executive has spent the majority of his 28-year career at the New York-based mega-manager. In June, Baron was elevated to real estate CEO, succeeding longtime real estate boss Brian Kingston, who was promoted to executive chair.

However, the succession plan was several years in the making, with Baron taking over as CIO in 2018 after Kingston assumed the CEO role. Two years ago, Baron became president of the platform. The role proved to be pivotal for his career at Brookfield by expanding his responsibilities beyond investing and into asset management and the day-to-day realities of running a global enterprise.

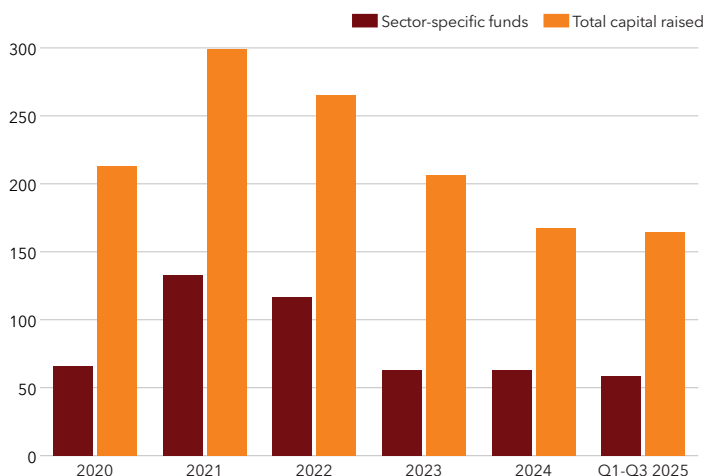
“At that time, I had a sense for the direction we were going,” says Baron on his promotion to president. “Brian and I talked about succession on and off.”

In his first year on the job, Baron aims to prove he can grow the business like his predecessor did; Kingston nearly doubled the firm’s real estate assets under management to \$270 billion from \$145 billion since 2015.

One way he envisions doing so is expanding Brookfield’s real estate platform into sector-specific, value-add funds, a strategy that would entail in-house portfolio aggregation. Baron believes Brookfield can be both a global asset manager and a sharpshooter by tapping the expertise of its operating companies and their 30,000-odd real estate professionals, without adding much operational burden to the company.

Brookfield’s operating companies already identify many value-add deals which Brookfield passes on because they do not fit into the firm’s opportunistic and core-plus fund strategies. At the same time, the operating companies have expertise in property maintenance and renovations critical to value-add

Since 2023, fundraising for sector-specific closed-end real estate funds has remained steady, and is slated to grow year-on-year in 2025, despite a decline in overall fundraising (\$bn)



Source: PERE

strategies.

“We’re known to do the big deals, but we could do a lot more where we’re aggregating our own portfolios, buying one asset at a time and building an institutional-quality portfolio of scale,” says Baron.

The potential push into sector-specific funds is driven by investor interest, Baron explains. As private real estate matures, institutional investors are increasingly focused on portfolio construction and seeking to reduce the number of managers with which they invest to reduce fees. While Brookfield has established sector-specific platforms in the past, they have been capitalized by the firm’s diversified funds or other vehicles like joint ventures.

Though portfolios would be aggregated in-house, any potential vehicles born out of Baron’s strategy would be relatively large given the company’s scale. Sector-specific vehicles could also run the gamut of separately managed accounts, funds-of-one or sidecars depending on the investor. For context, Brookfield held a final close in May on the institutional capital raise for its largest-ever real estate fund, Brookfield Strategic Real Estate Partners V, with \$16 billion in commitments.

Secret to growth

To date, Baron has been a self-proclaimed generalist in real estate, an approach he believes has positioned him well to run a business as large as Brookfield.

“I wonder: is it better to specialize or to be broad? You can do either with real estate,” says Baron. “I’m not sure whether this was a conscious decision or not, but I ended up staying very broad and having a diverse set of experiences. I do think ultimately having that broad experience within real estate definitely helps to run a very large business.”

Yet few people understand Brookfield’s real estate operating companies better than Baron, who spent his early days at the firm learning how to establish or acquire operating companies, which form the basis for the firm’s approach to real estate investing.

Brookfield’s philosophy is that with in-house operating companies, the business can develop a greater degree of expertise in its targeted sectors, thereby creating more value for investors. The strategy dates back to its initial investments in the 1990s in the office sector and has been “the secret to Brookfield’s growth and our success” ever since, Baron says.

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Brookfield has raised three of the 10 largest-ever diversified funds, but none of the sector-specific counterparts

Largest diversified

Fund	Size (\$bn)	Year closed
Blackstone Real Estate Partners X	30.4	2023
Blackstone Real Estate Partners IX	20.5	2019
Brookfield Strategic Real Estate Partners IV	17.0	2022
Blackstone Real Estate Partners VIII	16.4	2015
Brookfield Strategic Real Estate Partners V	16.0	2025
Brookfield Strategic Real Estate Partners III	15.0	2019
Blackstone Real Estate Partners VII	13.5	2012
Blackstone Real Estate Partners Europe VII	11.3	2025
Blackstone Real Estate Partners Europe VI	11.2	2020
Blackstone Real Estate Partners VI	11.1	2008

Largest single-sector

Fund	Size (\$bn)	Year closed
Blue Owl Digital Infrastructure Fund III	7.0	2025
CalEast Global Logistics	5.4	2010
GLP China Income Fund V	5.0	2022
EQT Exeter Industrial Value Fund VI	4.9	2023
Beacon Capital Strategic Partners V	4.0	2007
GLP China Logistics Fund II	3.7	2017
European Outlet Mall Fund	3.7	2004
Principal Data Center Growth & Income Fund	3.6	2025
Wessal Capital	3.3	2014
GLP Japan Development Partners IV	3.1	2022

Source: PERE

Operating platforms also mark important milestones in Baron's career at the firm. For example, he played a key role in Brookfield's expansion into the multifamily sector via the purchase of Fairfield Residential out of bankruptcy in 2010 for \$19 million, with additional investments of \$29 million from both companies' management teams to recapitalize it.

Brookfield raised three funds with Fairfield, the first of which closed on \$323 million against a \$250 million target in 2013. The third fund, Brookfield Fairfield US Multifamily Value Add Fund III, closed on \$1 billion in 2018, a year before Brookfield sold its 65 percent stake in Fairfield to the California State Teachers Retirement System.

Baron also helped Brookfield break into the hospitality industry by acquiring asset manager Thayer Lodging in 2014, after the inaugural Brookfield Strategic Real Estate Partners fund had become a "major contributor" to Thayer's Thayer Hotel Investors VI fund. With the deal, Brookfield absorbed Thayer's 20 employees and \$1 billion in AUM, *PERE* reported at the time.

"We used Thayer as a launch pad to grow and invest in hotel assets and companies around the world, including platforms like Center Parc, Leela, Se-lenta, Watermark and, most recently, Generator," says Baron. "Thayer had less than \$1 billion of hotel AUM when we acquired it but had the expertise and track record that was additive to our business. We fully integrated Thayer into our real estate platform and have grown our hotel business to \$23 billion of AUM today."

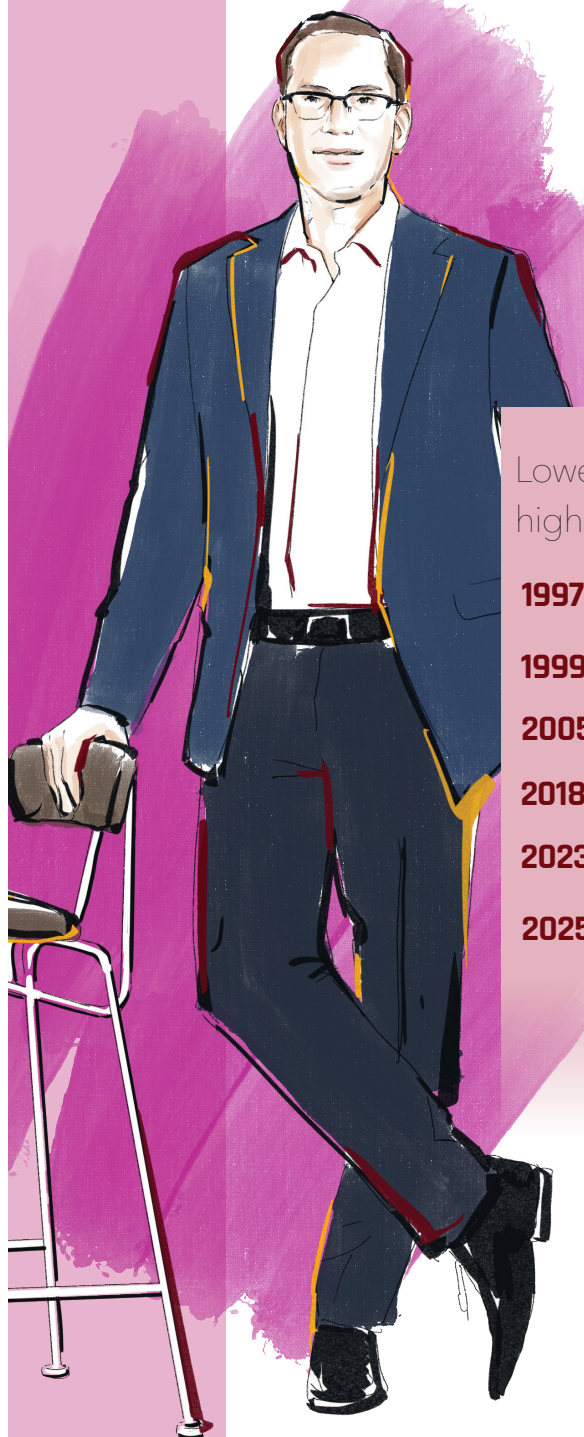
Getting specific

While Brookfield is eyeing sector-specific strategies, several other megamanagers have already adopted this approach. Ares Management last year bought Asian logistics specialist GLP

"I always wanted to prove myself, being the youngest and the smallest"

LOWELL BARON

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Lowell's career highlights

- 1997** • Graduates from Yeshiva University and joins Bankers Trust
- 1999** • Bankers Trust bought by Deutsche Bank
- 2005** • Joins Brookfield as vice-president
- 2018** • Promoted to CIO of real estate
- 2023** • Appointed president of real estate in addition to CIO
- 2025** • Becomes CEO of real estate

Capital Partners' non-China business for \$3.7 billion. In February, Ares announced it would launch the second vintage of GCP SecureSpace Property Partners, a self-storage vehicle that closed on \$1.5 billion in commitments in 2022, and the fifth vintage of GLP Japan Development Partners, a logistics development fund, the fourth vintage of which closed on \$2.7 billion in 2022.

Indeed, among single-sector funds that reached a final close in 2024, 18 attracted at least \$1 billion, which is the third-highest annual total in the past decade, according to *PERE* data. By comparison, 28 single-sector funds closed with at least \$1 billion in 2021, while 27 did in 2022.

Overall fundraising volumes for sector-focused funds have held steady over the past three years. This year, single-sector funds have attracted \$58.3 billion through September, nearly equal to the \$63 billion raised in each of the past two calendar years.

The interest from investors in sector-specific funds comes from a greater focus on the operational aspects of real estate, says Nancy Lashine, managing partner and founder of capital advisory firm Park Madison Partners.

"Investors have come to understand that value creation is also done at the asset level, and that you benefit from having operators who are really good at what they do, and have them as part of your investment team," she says.

Historically, that has meant relying on smaller managers that could not rival the scale of the world's largest firms, but that developed deep knowledge in a single sector or region.

Allocations to single-sector funds have also trended on the smaller side, meaning as mega-managers like Brookfield have ballooned in size, sector-specific managers have been able to carve out niches by raising capital on a smaller, more focused scale.

Although sector-specific vehicles can reach mega-fund scale, they typically

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Sector-specific track record

Behind Brookfield's \$15bn in realizations this year is the sale of four operating companies for more than \$1bn each

Even without an organic single-sector fund series, Baron says Brookfield's focus on specialist operating companies has helped the company to drum up investor interest and build a track record in the space.

So far this year, Brookfield sold its Australian senior living platform, Aveo Group, for \$2.5 billion; its US triple net lease platform, Fundamental Income Properties, for \$2.2 billion; and Livensa Living, a student housing platform in Spain and Portugal, for \$1.4 billion.

The mega-manager also listed The Leela Palaces, Hotels and Resorts, an Indian hotel platform, on the Bombay Stock Exchange at a value of \$1.8 billion. Brookfield said the 21x enterprise multiple, a measure of a company's enterprise value divided by its earnings, is the highest ever achieved for an Indian hospitality IPO, according to an investor letter obtained by *PERE*.

"A wide range of buyers – from sovereign wealth funds to pension funds, regional operators and public markets – were all excited to get involved, which was a pleasant surprise," says Baron.

are much smaller in size than their diversified counterparts. The largest-ever diversified closed-end real estate fund, Blackstone Real Estate Partners X, brought in a record \$30.4 billion in 2023. By contrast, the largest closed-end sector-specific fund, Blue Owl's value-add Digital Infrastructure Fund III, closed in the second quarter of this year with \$7 billion. Brookfield, for its part, has raised three of the 10 largest-ever diversified real estate funds.

Brookfield declined to share further details of how it intends to size or structure its sector-specific strategies.

"If you've raised a multibillion-dollar fund, you can't have your team running around closing \$3 million deals," says Lashine. "Many of these niche strategies don't lend themselves to larger transactions, unless you're effectively buying a company that does that."

But investors today are increasingly looking for a "one-stop shop" for their alternatives allocations, says Lashine, driven in part by the growing convergence of real estate and infrastructure

assets, and in part by the real estate downturn.

However, there are some risks associated with single-sector strategies, says Joshua Kahr, assistant professor at the NYU Schack Institute of Real Estate. "You're making a long bet," he says. "What happens when the sector stops being hot?"

Additionally, Kahr believes that, generally speaking, overweighting a particular sector does not yield better results for investors than committing to a diversified fund due to fluctuations in the market.

"Market timing in commercial real estate is almost impossible. It's not like stocks, where you just press a button," says Kahr. "But I can also understand why certain people might say they just don't want exposure to certain things."

Working it out

Baron has plans to grow the business outside of sector-specific vehicles. His real estate credit experience at Bankers Trust and his early years at Brookfield position him well to lead the firm's

expansion in the space.

Last year, Kingston announced plans to grow the credit platform from \$30 billion in assets to a scale that will eventually rival its \$270 billion equity business.

Brookfield's insurance companies, which have more than \$100 billion in assets under management, according to affiliate publication *PERE Credit*, will play a significant role in that expansion, as real estate debt represents a relatively low-risk solution to achieve the slow but steady growth needed to increase their reserves for payouts.

Investing in credit and equity allows Brookfield to remain active in sectors where it would not invest with only equity. Baron pointed to the office sector as an area in which Brookfield invested only on the credit side in the years following the covid-19 pandemic and is now beginning to see equity opportunities emerge again.

Baron also sees opportunities for growth in the real estate secondaries market, where Brookfield has been investing in GP stakes.

Its initial fund targeting the strategy, Brookfield Real Estate Secondaries Fund, attracted \$1.3 billion, and was 80 percent deployed in February, split roughly evenly between logistics assets and housing.

Via the strategy, Brookfield invests in smaller sponsors that require more time to execute their business plans but whose investors want to exit. Brookfield is well positioned to invest on the manager side because it can step in and operate the assets if needed, Baron explains.

At a time when many real estate groups are waiting for pricing, borrowing terms or other market conditions to change, Baron notes that Brookfield has remained active in the marketplace, producing roughly \$15 billion in realizations year-to-date.

"Our view is that just waiting for the market to get better is not a strategy," he says. ■

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