

**Brookfield Residential  
Properties Inc.**

**Q2 2021 Interim Report**

## Second Quarter 2021 Overview and Outlook

Brookfield Residential had an active second quarter of 2021 that positions us well for the remainder of the year and undertook a series of strategic transactions that puts us in a great position for future opportunities. The overall housing market continued to perform well in both U.S. and Canada despite sales rates being lower in the second quarter of 2021. Our decline in home sales was due to a combination of a decrease in our U.S. and Ontario markets due to lower active housing selling communities as we were sold out in many offerings after months of strong sales pace and implementing an operational strategy in the quarter to limit sales on homes started while selling homes once building costs are confirmed. As the homebuilding sector continued to deal with some near-term setbacks relating to cost increases, increasing affordability concerns, product shortages and delays, we continue to believe that our land and housing business remains in a good position for the foreseeable future. This is supported by continued positive underlying fundamentals and demographic shifts in place driving household formation together with a historical supply shortage, which we believe we are well placed to satisfy.

For the three months ended June 30, 2021, income before income taxes was \$59 million compared to \$22 million in 2020. Included in these results were earnings of \$30 million from our affiliate unconsolidated entities (compared to \$2 million in 2020) and a \$16 million loss in 2021 (compared to nil in 2020) on the extinguishment of our senior unsecured notes upon the refinancing we completed. Adjusting for this, our 2021 adjusted income before income taxes relating to our residential and mixed-use operations was \$45 million compared to \$20 million in 2020.

Additional operating and financial highlights for the quarter ended June 30, 2021 include:

- Executed on our strong backlog with 788 closings at an 18% gross margin, a 24% increase in units closed and 2% improvement in housing gross margin from the second quarter of 2020.
- Land activity increased with 381 lot closings, a 132% increase when compared to the same period in 2020 due to increased demand for lots across our land development operations.
- Net new home orders of 521, a 16% decrease overall reflecting higher home sales in Canada (35% increase) offset by slower sales in the U.S. (37% decrease) when compared to the same period in 2020.
- Backlog continues to remain strong with total backlog units (including our unconsolidated entities) at June 30, 2021 of 1,942 units with a value of \$1.1 billion, an increase of 19% and 44% respectively when compared to June 30, 2020.
- Net debt to total capitalization ratio was 42% at June 30, 2021 which includes a cash balance of \$94 million and \$33 million drawn on our unsecured revolving credit facility.

During the quarter, Brookfield Residential closed on the previously announced acquisition of Newland's management company and their 5% general partner equity interest in 15 communities for total consideration of \$44 million. This strategic transaction strengthens our position as one of the largest U.S. master-planned community developers. With the addition of Newland, we have widened our geographic footprint and regional operational skill sets by adding nine incremental markets and expanding offerings in five current markets.

Brookfield Residential successfully issued \$350 million unsecured senior notes with an interest rate of 5% due in 2029 and C\$250 million unsecured senior notes with an interest rate of 5.125% due in 2029. The proceeds from the offering, together with cash on hand, were used to fund the redemption of our unsecured senior notes due in 2023 and 2025. In addition, we refinanced the Fifth + Broadway mixed-use project in Nashville with new project-specific financing that maintains the total borrowings while lowering the cost of borrowing. As a result of these capital initiatives, Brookfield Residential is expected to save approximately \$13 million per year of interest expense while extending our debt maturities.

As we look ahead to the remainder of 2021, our outlook for the balance of the year remains positive. We continue to monitor the impact on affordability of homes as home prices continue to increase to offset the rising cost of materials, such as lumber and labor, and potential supply chain delays. Current housing market conditions have resulted in continued higher demand for land in many of our U.S. and Alberta master-planned communities as our homebuilding partners look to secure additional lot supply to meet the strong housing demand. At this time, we re-affirm our previously provided limited guidance of closing 2,330 homes and 1,330 lots in the U.S. and 980 homes and 740 lots in Canada, excluding our share of unconsolidated entities. In addition, as a result of the strong demand for land, we are projecting a number of multi-family, commercial and industrial parcel sales in both countries.

# BROOKFIELD RESIDENTIAL PROPERTIES INC.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This interim report, incorporated herein by reference, contains “forward-looking statements” within the meaning of applicable Canadian securities laws and United States (“U.S.”) federal securities laws. Forward-looking statements can be identified by the words “may,” “believe,” “will,” “anticipate,” “expect,” “plan,” “intend,” “estimate,” “project,” “future,” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters. Such statements are neither historical facts nor assurances of future performance. Instead, they reflect management’s current beliefs and are based on information currently available to management as of the date on which they are made. The forward-looking statements in this interim report include, among others, statements with respect to:

- the current business environment and outlook, including statements regarding: the duration and impact of the coronavirus pandemic (“COVID-19”) on our financial position and homebuilding operations; the duration, impact and effectiveness of government measures including orders, stimulus, aid, assistance and other government programs in response to COVID-19; economic and market conditions in the U.S. and Canadian housing markets and our ability to respond to such conditions; the effect of seasonality on the homebuilding business; the impact of changes to Canadian mortgage rules affecting the ability of prospective homebuyers to qualify for mortgage financing; the potential offset of the Canadian shared equity program on the impact of stress test mortgage rules in Canada; home prices and affordability in the communities, home closings resulting therefrom, and the timing thereof; international trade factors, including changes in trade policy, such as trade sanctions and increased tariffs; the impact of actual, proposed or potential interest rate changes in the U.S. and Canada and resulting consumer confidence; volatility in the global price of commodities, including the price of oil and lumber; unexpected cost increases that could impact our margins; the economic and regulatory uncertainty surrounding the energy industry and pipeline approvals and the impact thereof on demand in our markets including future investment, particularly in Alberta; consumer confidence and the resulting impact on the housing market; change in consumer behavior and preferences; our relationship with operational jurisdictions and key stakeholders; our ability to meet our obligations under our North American unsecured credit facility; our costs to complete related to our letters of credit and performance bonds; expected project completion times; our ability to realize our deferred tax assets; our ability to grow our mixed-use development operations, identifying other mixed-use opportunities, and our ability to execute on our plans for a mixed-use operational platform and expected redevelopment opportunities resulting therefrom; home price growth rates and affordability levels generally; recovery in the housing market and the pace thereof; reduction in our debt levels and the timing thereof; our expected unit and lot sales and the timing thereof; expectations for 2021 and beyond;
- possible or assumed future results, including our outlook and any updates thereto, how we intend to use and the availability of additional cash flow, the operative cycle of our business and expected timing of income and expected performance and features of our projects, the continued strategic expansion of our business operations, our assumptions regarding normalized sales, our projections regarding revenue and housing inventory, the impact of acquisitions on our operations in certain markets;
- the expected closing of transactions;
- the expected exercise of options contracts and lease options;
- the effect on our business of business acquisitions;
- business goals, strategy and growth plans;
- trends in home prices in our various markets and generally;
- the effect of challenging conditions on us;
- factors affecting our competitive position within the homebuilding industry;
- the ability to generate sufficient cash flow from our assets to repay maturing bank indebtedness and project specific financings and take advantage of new opportunities;
- the ability to meet our covenants and re-pay interest payments on our unsecured senior notes and the requirement to make payments under our construction guarantees;
- the ability to create value in our land development business and meet our development plans;
- the visibility of our future cash flow;
- social and environmental conditions, policies and risks;
- governmental policies and risks;
- cyber-security and privacy related risks;
- health and safety risks;
- loss of key personnel;
- expected backlog and closings and the timing thereof;
- the sufficiency of our access to and the sources of our capital resources;

- the impact of foreign exchange rates on our financial performance and market opportunities;
- the impact of credit rating agencies' rating on our business;
- the timing of the effect of interest rate changes on our cash flows;
- the effect of debt and leverage on our business and financial condition;
- the effect on our business of existing lawsuits; and
- damage to our reputation from negative publicity.

Although management of Brookfield Residential believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information in this interim report are based upon reasonable assumptions and expectations, readers of this interim report should not place undue reliance on such forward-looking statements and information because they involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of Brookfield Residential to differ materially from anticipated future results, performance, or achievements expressed or implied by such forward-looking statements and information.

Various factors, in addition to those discussed elsewhere in this interim report, that could affect the future results of Brookfield Residential and could cause actual results, performance, or achievements to differ materially from those expressed in the forward-looking statements and information include, but are not limited to, those factors included under the sections entitled "Cautionary Statements Regarding Forward-Looking Statements" and "Business Environment and Risks" of the Annual Report for the fiscal year ended December 31, 2020.

The forward-looking statements and information contained in this interim report are expressly qualified by this cautionary statement. Brookfield Residential undertakes no obligation to publicly update or revise any forward-looking statements, whether written or oral, or information contained in this interim report, whether as a result of new information, future events or otherwise, except as required by law. However, any further disclosures made on related subjects in subsequent public disclosure should be consulted.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

## ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis relates to the period ended June 30, 2021 and has been prepared with an effective date of August 5, 2021. It should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this interim report. All dollar amounts discussed herein are in U.S. dollars, unless otherwise stated. Amounts in Canadian dollars are identified as "C\$." The condensed consolidated financial statements referenced herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

This MD&A includes references to gross margin percentage which is not specified, defined, or determined under U.S. GAAP and is therefore considered a non-GAAP financial measure. This non-GAAP financial measure is unlikely to be comparable to similar financial measures presented by other issuers. For a full description of this non-GAAP financial measure, please refer to "Non-GAAP Financial Measures" in this MD&A.

## OVERVIEW

Brookfield Residential Properties Inc. (unless the context requires otherwise, references in this interim report to "we," "our," "us," the "Company" and "Brookfield Residential" refer to Brookfield Residential Properties Inc. and the subsidiaries through which it conducts all of its homebuilding and land development operations) is a wholly-owned subsidiary of Brookfield Asset Management Inc. ("BAM") and has been in operation for over 60 years. We are the flagship North American residential property company of BAM, a leading global alternative asset manager with over \$600 billion of assets under management.

Brookfield Residential is a leading North American homebuilder and land developer with operations in Canada and the United States. We entitle and develop land to create master-planned communities to create shared value for our stakeholders through a balanced mix of revenue-generating consumer and commercial deliverables. We build and sell lots to third-party builders, conduct our own homebuilding operations and, in select developments, establish commercial areas. We also participate in select strategic real estate opportunities, including infill projects, mixed-use developments, infrastructure projects and joint ventures.

Our disciplined land entitlement process, synergistic operations and capital flexibility allow us to pursue land investment, traditional homebuilding and mixed-use development in typically supply-constrained markets where we have strategically invested. Canada, California and Central and Eastern U.S. are the three operating segments related to our land and housing operations that we focus on. Our Canadian operations are primarily in the Alberta (Calgary and Edmonton) and Ontario (Greater Toronto Area) markets. Our California operations include Northern California (San Francisco Bay Area and Sacramento), Southern California (Los Angeles / Southland and San Diego / Riverside), Oregon (Portland), Washington (Seattle), and Hawaii (Honolulu Mixed-Use). Our Central and Eastern U.S. operations include Washington, D.C. Area, Colorado (Denver), Texas (Austin, Houston, and Dallas), Arizona (Phoenix), Florida (Tampa), Georgia (Atlanta), North Carolina (Raleigh) and Tennessee (Nashville Mixed-Use).

By targeting these markets that have strong underlying economic fundamentals we believe over the longer term they offer robust, diversified housing demand, barriers to entry and close proximity to areas where employment growth is expected.

Brookfield Residential invests in markets for the long term, building new communities and homes where people want to live today and in the future. Our developments are places of character and value. We create a plan for each one - a blueprint that guides the land development process from start to finish, resulting in a community with attributes that make it unique - attributes that make our communities the best places to call home. It is what drives us to commit the resources needed to make a positive, lasting social impact in all of the communities in which we build.

### ***Principal Business Activities***

Through the activities of our operating subsidiaries, we develop land for our own communities and sell lots to other homebuilders and third parties and design, construct and market single family and multi-family homes in our own and others' communities. We operate through local business units which are involved in all phases of the planning and building of our master-planned communities, infill projects and mixed-use developments in each of our markets. Sourcing and evaluating land acquisitions, site planning, obtaining entitlements, developing the land, product design, constructing, marketing and selling homes and providing homebuyer customer service are included in our operations. We also develop or sell land for the construction of commercial shopping centers in our communities. By offering this flexible, integrated operating model, we maintain balanced and diversified operations providing value at the various stages of the land development process while also being responsive to the economic conditions within each market where we do business.

As a result, Brookfield Residential has developed a reputation for delivering innovative, award-winning master-planned communities and residential products. Our reputation stems from our passion to create “The Best Places to Call Home.” This goes beyond the physical structures we build. To us, it’s also about creating sustainable communities that offer a high quality of life and truly make a difference in people’s lives. That’s why our business is more than a traditional housing operation. The master-planned communities we develop typically also feature community centres, parks, recreational areas, schools, commercial areas and other amenities. As we grow our mixed-use platform, we are uniquely positioned to apply our distinct expertise to urban redevelopment projects that are residentially anchored.

### ***Land Acquisition***

Our traditional land development and homebuilding industry involves converting raw or undeveloped land into residential housing built by us and/or like-minded building partners, as well as commercial areas to add to the community placemaking strategy and provide added value creation. This process begins with the purchase or control of raw land and is followed by the entitlement and development of the land, and the marketing and sale of homes constructed on the land.

As a land developer in all of our markets, we target the acquisition of raw land during the low point of the economic cycle. Due to our local presence and collective capital strength, we are uniquely positioned to acquire underutilized land or brownfield development opportunities as they arise. We make diligent investments in supply-constrained markets with strong underlying economic fundamentals informed by strategic land studies to review growth patterns.

### ***Entitlement Process & Land Development***

Our unique approach to land development begins with our disciplined approach to acquiring land in the path of growth in dynamic and resilient markets in North America that have barriers to entry caused by infrastructure or entitlement processes. We create value through the planning and entitlement process, developing and marketing residential lots and commercial sites and working with industry partners who share the same vision and values. We plan to continue to grow this business over time by selectively acquiring land that either enhances our existing inventory or provides attractive projects that are consistent with our overall strategy and management expertise.

These larger tracts held for development afford us a true “master-planned” development opportunity that, following entitlement and assuming market conditions allow, creates a multi-year stream of cash flow. Creating this type of community requires a long-term view of how each piece of land should be developed with a vision of how our customers live in each of our communities. Through strong relationships with the jurisdictions and key stakeholders where we operate, we create shared value and infrastructure that supports great places.

We may also purchase smaller infill or re-use parcels, or in some cases finished lots for housing. As a city grows and intensifies, so do its development opportunities. Inner city revitalization opportunities contribute to the strategic expansion of our business. We develop and construct homes in previously urbanized areas on underutilized land. Urban developments provide quick turnarounds from acquisition to completion, create new revenue streams, and infuse new ideas and energy into the Company.

We also consider the opportunity for mixed-use and commercial space within the community to cultivate the live, work and play experience many customers desire today, in addition to building homes and community amenities, as part of the planning process.

Mixed-use development is a growing focus of the Company. We have been developing commercial properties within our master-planned communities for decades. Seton, in Calgary, Alberta, is a prime example of adding value to a master plan through appropriate mixed-use planning and building on our own land. A shift in consumer behavior has resulted in further demand for infill/brownfield locations. With many municipalities also focused on urban intensification, we believe these trends will create a significant pipeline of redevelopment opportunities. Premier mixed-use projects under development in Tennessee (Nashville) and Hawaii (Honolulu) allows us to design and build leading-edge mixed-use developments in some of the most vibrant urban centers in the U.S.

Our core land and homebuilding operations remain our focus and priority; however, we see increasing our position in mixed-use development as a significant opportunity and reflects our view of some potential shifts in our residential portfolio to continue to meet customer needs and lifestyle preferences. We believe Brookfield Residential has the necessary entitlement and re-entitlement expertise to implement this strategic focus, including the determination of appropriate future uses for a site, including retail, office, hospitality, for sale residential, and for rent residential.

### ***Home Construction and Consumer Deliverables***

Having a homebuilding operation allows us the opportunity to monetize our land and provides us with market knowledge through our direct contact with the homebuyers to understand customer preferences and product choices, we construct homes on lots that have been developed by us or that we purchase from others. In markets where the Company has significant land holdings, homebuilding is carried out on a portion of the land in specific market segments and the balance of lots are sold to and built on by third-party builders. Certain master-planned communities

will also include the development of mixed-use space, consisting of retail or commercial assets, which we will build and add value through leasing, before selling to a third-party operator.

### **Brookfield Residential Properties Portfolio**

Our assets consist primarily of land and housing inventory and investments in unconsolidated entities. Our total assets as at June 30, 2021 were \$5.9 billion.

As of June 30, 2021, we controlled 76,798 single family lots (serviced lots and future lot equivalents) and 140 multi-family, industrial and commercial serviced parcel acres. Controlled lots and acres include those we directly own and our share of those owned by unconsolidated entities. Our controlled lots and acres provide a strong foundation for our future lot and acre sales and homebuilding business, as well as visibility on our future cash flow. The number of building lots and acre parcels in each of our primary markets as of June 30, 2021 is as follows:

	Single Family Housing & Land Under and Held for Development <sup>(1)</sup>							Multi-Family, Industrial & Commercial Parcels Under Development		
	Unconsolidated				Status of Lots					
	Housing & Land		Entities		Total Lots		6/30/2021		Total Acres	
	Owned	Options	Owned	Options	6/30/2021	12/31/2020	Entitled	Unentitled	6/30/2021	12/31/2020
Calgary	15,777	—	2,203	—	17,980	18,306	9,635	8,345	40	56
Edmonton	10,222	—	—	—	10,222	10,479	5,012	5,210	18	15
Ontario	5,938	—	1,030	—	6,968	8,147	2,524	4,444	1	1
<b>Canada</b>	<b>31,937</b>	<b>—</b>	<b>3,233</b>	<b>—</b>	<b>35,170</b>	<b>36,932</b>	<b>17,171</b>	<b>17,999</b>	<b>59</b>	<b>72</b>
Northern California	2,590	7,255	224	—	10,069	10,095	2,814	7,255	—	—
Southern California	4,695	—	446	1,001	6,142	6,901	5,136	1,006	—	—
Hawaii	—	—	—	—	—	3	—	—	—	—
Newland <sup>(2)</sup>	—	—	567	—	567	—	567	—	3	—
<b>California</b>	<b>7,285</b>	<b>7,255</b>	<b>1,237</b>	<b>1,001</b>	<b>16,778</b>	<b>16,999</b>	<b>8,517</b>	<b>8,261</b>	<b>3</b>	<b>—</b>
Denver	6,838	—	—	—	6,838	6,927	6,838	—	10	10
Austin	10,911	—	—	—	10,911	11,092	10,911	—	37	37
Phoenix	1,514	—	1,718	—	3,232	3,431	3,232	—	21	55
Washington, D.C. Area	2,273	941	—	—	3,214	3,486	3,177	37	—	—
Newland <sup>(3)</sup>	—	—	655	—	655	—	655	—	10	—
<b>Central and Eastern U.S.</b>	<b>21,536</b>	<b>941</b>	<b>2,373</b>	<b>—</b>	<b>24,850</b>	<b>24,936</b>	<b>24,813</b>	<b>37</b>	<b>78</b>	<b>102</b>
<b>Total</b>	<b>60,758</b>	<b>8,196</b>	<b>6,843</b>	<b>1,001</b>	<b>76,798</b>	<b>78,867</b>	<b>50,501</b>	<b>26,297</b>	<b>140</b>	<b>174</b>
Entitled lots	43,713	941	5,847	—	50,501	51,070				
Unentitled lots	17,045	7,255	996	1,001	26,297	27,797				
<b>Total June 30, 2021</b>	<b>60,758</b>	<b>8,196</b>	<b>6,843</b>	<b>1,001</b>	<b>76,798</b>					
<b>Total December 31, 2020</b>				<b>1,001</b>		<b>78,867</b>				

<sup>(1)</sup> Land held for development will include some multi-family, industrial and commercial parcels once entitled.

<sup>(2)</sup> Newland includes lots acquired on June 1, 2021, which are located in the following markets: Oregon, California and Washington State. See Note 4 of the condensed consolidated financial statements "Business Combinations" for further details.

<sup>(3)</sup> Newland includes lots acquired on June 1, 2021, which are located in the following markets: North Carolina, Florida, Georgia, Texas, and Washington D.C. See Note 4 of the condensed consolidated financial statements "Business Combinations" for further details.

## RESULTS OF OPERATIONS

Key financial results and operating data for the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
<i>(US\$ millions, except percentages, unit activity, average selling price and per share amounts)</i>				
<b>Key Financial Results</b>				
Housing revenue	\$ 421	\$ 306	\$ 792	\$ 600
Land revenue	54	17	127	35
Total revenue	475	323	919	635
Housing gross margin (\$)	76	49	149	97
Housing gross margin (%)	18%	16%	19%	16%
Land gross margin (\$)	16	6	36	12
Land gross margin (%)	30%	35%	28%	34%
Total gross margin (\$)	92	55	185	109
Total gross margin (%)	19%	17%	20%	17%
Income / (loss) before income taxes	59	22	141	(4)
Income tax expense	—	(5)	—	(1)
Net income / (loss)	59	17	141	(5)
Net income / (loss) attributable to Brookfield Residential	32	12	93	(3)
Basic earnings / (loss) per share	\$ 0.25	\$ 0.10	\$ 0.72	\$ (0.02)
Diluted earnings / (loss) per share	\$ 0.25	\$ 0.10	\$ 0.71	\$ (0.02)
<b>Key Operating Data</b>				
Home closings for Brookfield Residential (units)	788	634	1,486	1,178
Average home selling price for Brookfield Residential (per unit)	\$534,000	\$483,000	\$533,000	\$509,000
Net new home orders for Brookfield Residential (units)	521	622	1,506	1,543
Net new home orders for unconsolidated entities (units)	15	—	15	—
Backlog for Brookfield Residential (units)	1,927	1,638	1,927	1,638
Backlog for unconsolidated entities (units)	15	—	15	—
Backlog value for Brookfield Residential	\$ 1,098	\$ 771	\$ 1,098	\$ 771
Backlog value for unconsolidated entities	\$ 12	\$ —	\$ 12	\$ —
Active housing communities for Brookfield Residential	79	89	79	89
Active housing communities for unconsolidated entities	1	—	1	—
Lot closings for Brookfield Residential (single family units)	381	164	969	331
Lot closings for unconsolidated entities (single family units)	153	58	451	122
Acre closings for Brookfield Residential (multi-family, industrial and commercial)	13	—	18	3
Acre closings for unconsolidated entities (multi-family, industrial and commercial)	11	—	11	1
Acre closings for Brookfield Residential (raw and partially finished)	99	—	99	—
Average lot selling price for Brookfield Residential (single family units)	\$111,000	\$105,000	\$114,000	\$ 98,000
Average lot selling price for unconsolidated entities (single family units)	\$181,000	\$178,000	\$151,000	\$153,000
Average per acre selling price for Brookfield Residential (multi-family, industrial and commercial)	\$811,000	\$ —	\$844,000	\$819,000
Average per acre selling price for unconsolidated entities (multi-family, industrial and commercial)	\$471,000	\$ —	\$471,000	\$297,000
Average per acre selling price for Brookfield Residential (raw and partially finished)	\$ 11,000	\$ —	\$ 11,000	\$ —
Active land communities for Brookfield Residential	17	26	17	26
Active land communities for unconsolidated entities	18	6	18	6

## Segmented Information

We operate in three operating segments within North America related to our land and housing operations: Canada, California and Central and Eastern U.S. Each of the Company's segments specializes in land entitlement and development and the construction of single family and multi-family homes. The Company evaluates performance and allocates capital based primarily on return on assets together with a number of risk factors. The following table summarizes information relating to revenues, gross margin and assets by operating segment for the three and six months ended June 30, 2021 and 2020.

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
<i>(US\$ millions, except unit activity and average selling price)</i>				
<b>Housing revenue</b>				
Canada	\$ 91	\$ 60	\$ 152	\$ 116
California	202	119	380	258
Central and Eastern U.S.	128	127	260	226
<b>Total</b>	<b>\$ 421</b>	<b>\$ 306</b>	<b>\$ 792</b>	<b>\$ 600</b>
<b>Land revenue</b>				
Canada	\$ 37	\$ 6	\$ 84	\$ 21
California	5	6	21	6
Central and Eastern U.S.	12	5	22	8
<b>Total</b>	<b>\$ 54</b>	<b>\$ 17</b>	<b>\$ 127</b>	<b>\$ 35</b>
<b>Housing gross margin</b>				
Canada	\$ 17	\$ 9	\$ 28	\$ 18
California	39	21	77	46
Central and Eastern U.S.	20	19	44	33
<b>Total</b>	<b>\$ 76</b>	<b>\$ 49</b>	<b>\$ 149</b>	<b>\$ 97</b>
<b>Land gross margin</b>				
Canada	\$ 11	\$ 3	\$ 26	\$ 8
California	4	1	8	2
Central and Eastern U.S.	1	2	2	2
<b>Total</b>	<b>\$ 16</b>	<b>\$ 6</b>	<b>\$ 36</b>	<b>\$ 12</b>
<b>Home closings (units)</b>				
Canada	203	180	347	338
California	316	176	609	349
Central and Eastern U.S.	269	278	530	491
<b>Total</b>	<b>788</b>	<b>634</b>	<b>1,486</b>	<b>1,178</b>
<b>Average home selling price</b>				
Canada	\$ 449,000	\$ 332,000	\$ 437,000	\$ 343,000
California	636,000	678,000	624,000	739,000
Central and Eastern U.S.	477,000	457,000	491,000	460,000
<b>Average</b>	<b>\$ 534,000</b>	<b>\$ 483,000</b>	<b>\$ 533,000</b>	<b>\$ 509,000</b>
<b>As at June 30</b>				
<b>2021</b>				
<b>2020</b>				
<b>Active housing communities</b>				
Canada			38	36
California			13	22
Central and Eastern U.S.			28	31
			79	89
Unconsolidated entities			1	—
<b>Total</b>			<b>80</b>	<b>89</b>

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
<b>Lot closings (single family units)</b>				
Canada	172	53	512	176
California	35	51	150	51
Central and Eastern U.S.	174	60	307	104
	381	164	969	331
Unconsolidated entities	153	58	451	122
Total	534	222	1,420	453
<b>Acres closings (multi-family, industrial and commercial)</b>				
Canada	13	—	18	3
California	—	—	—	—
Central and Eastern U.S.	—	—	—	—
	13	—	18	3
Unconsolidated entities	11	—	11	1
Total	24	—	29	4
<b>Acres closings (raw and partially finished)</b>				
Canada	99	—	99	—
California	—	—	—	—
Central and Eastern U.S.	—	—	—	—
	99	—	99	—
Unconsolidated entities	1	—	1	—
Total	100	—	100	—
<b>Average lot selling price (single family units)</b>				
Canada	\$ 145,000	\$ 115,000	\$ 132,000	\$ 103,000
California	150,000	126,000	141,000	125,000
Central and Eastern U.S.	69,000	80,000	72,000	77,000
	111,000	105,000	114,000	98,000
Unconsolidated entities	181,000	178,000	151,000	153,000
Average	\$ 131,000	\$ 124,000	\$ 126,000	\$ 113,000
<b>Average per acre selling price (multi-family, industrial and commercial)</b>				
Canada	\$ 811,000	\$ —	\$ 844,000	\$ 819,000
California	—	—	—	—
Central and Eastern U.S.	—	—	—	—
	811,000	—	844,000	819,000
Unconsolidated entities	471,000	—	471,000	297,000
Average	\$ 450,000	\$ —	\$ 570,000	\$ 613,000
<b>Average per acre selling price (raw and partially finished)</b>				
Canada	\$ 11,000	\$ —	\$ 11,000	\$ —
California	—	—	—	—
Central and Eastern U.S.	—	—	—	—
	11,000	—	11,000	—
Unconsolidated entities	272,000	—	272,000	—
Average	\$ 15,000	\$ —	\$ 15,000	\$ —

	<b>As at June 30</b>	
	<b>2021</b>	<b>2020</b>
Active land communities		
Canada .....	7	11
California .....	1	4
Central and Eastern U.S. ....	9	11
	17	26
Unconsolidated entities .....	18	6
Total .....	35	32
	<b>As at</b>	
	<b>June 30</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
<i>(US\$ millions)</i>		
Total assets		
Canada .....	\$ 1,098	\$ 1,065
California .....	1,106	1,087
Central and Eastern U.S. ....	2,080	1,992
Corporate and other .....	875	1,119
Equity Investment in Affiliate .....	710	606
Total .....	\$ 5,869	\$ 5,869

For additional financial information with respect to our revenues, earnings and assets, please refer to the accompanying condensed consolidated financial statements and related notes included elsewhere in this interim report.

### Three and Six Months Ended June 30, 2021 Compared with Three and Six Months Ended June 30, 2020

#### **Net Income / (Loss)**

Consolidated net income / (loss) for the three and six months ended June 30, 2021 and 2020 is as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<i>(US\$ millions, except per share amounts)</i>				
Consolidated net income / (loss) .....	\$ 59	\$ 17	\$ 141	\$ (5)
Net income / (loss) attributable to Brookfield Residential .....	\$ 32	\$ 12	\$ 93	\$ (3)
Basic earnings / (loss) per share .....	\$ 0.25	\$ 0.10	\$ 0.72	\$ (0.02)
Diluted earnings / (loss) per share .....	\$ 0.25	\$ 0.10	\$ 0.71	\$ (0.02)

The increase of \$42 million in consolidated net income for the three months ended June 30, 2021 compared to the same period in 2020 was primarily the result of an increase in housing and land gross margins of \$37 million due to increased activity, and an increase in earnings from affiliate unconsolidated entities of \$28 million. This was partially offset by an increase in interest expense of \$13 million due to the Nashville mixed-use project now operational and less interest being capitalized, an increase in selling, general and administrative expense of \$10 million primarily due to higher management fees paid to our service providers, Brookfield Properties Development ("BPD"), as a result of increased development and construction activity, and a decrease in other income of \$7 million.

The increase of \$146 million in consolidated net income for the six months ended June 30, 2021 compared to the same period in 2020 was primarily the result of an increase in housing and land gross margins of \$76 million due to increased activity, an increase in earnings from affiliate unconsolidated entities of \$92 million, and an increase in other income of \$9 million. This was partially offset by an increase in interest expense of \$22 million due to the Nashville mixed-use project now operational and less interest being capitalized, and an increase in selling, general and administrative expenses of \$13 million primarily due to higher management fees paid to BPD.

## Results of Operations – Housing

A breakdown of our results from housing operations for the three and six months ended June 30, 2021 and 2020 is as follows:

### Consolidated

<i>(US\$ millions, except unit activity, percentages and average selling price)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Home closings .....	788	634	1,486	1,178
Revenue .....	\$ 421	\$ 306	\$ 792	\$ 600
Gross margin .....	\$ 76	\$ 49	\$ 149	\$ 97
Gross margin (%) .....	18%	16%	19%	16%
Average home selling price .....	\$534,000	\$483,000	\$533,000	\$509,000

Housing revenue and gross margin were \$421 million and \$76 million, respectively, for the three months ended June 30, 2021, compared to \$306 million and \$49 million for the same period in 2020. The increase in revenue and gross margin were primarily the result of 154 additional home closings from our Canada and California operating segments, and an 11% increase in average home selling prices. Gross margin percentage increased 2% when compared to the same period in 2020 due to geographic and product mix of homes closed, combined with lower incentives on homes closed when compared to the same period in 2020.

Housing revenue and gross margin were \$792 million and \$149 million, respectively, for the six months ended June 30, 2021, compared to \$600 million and \$97 million for the same period in 2020. The increase in revenue and gross margin were primarily the result of 308 additional home closings from our California and Central and Eastern U.S. operating segments, and a 27% increase in average home selling price in our Canadian segment. Gross margin percentage increased 3% when compared to the same period in 2020 due to geographic and product mix of homes closed, combined with lower incentives on homes closed when compared to the same period in 2020.

A breakdown of our results from housing operations by our land and housing operating segments is as follows:

### Canada

<i>(US\$ millions, except unit activity, percentages and average selling price)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Home closings .....	203	180	347	338
Revenue .....	\$ 91	\$ 60	\$ 152	\$ 116
Gross margin .....	\$ 17	\$ 9	\$ 28	\$ 18
Gross margin (%) .....	19%	15%	18%	16%
Average home selling price .....	\$449,000	\$332,000	\$437,000	\$343,000
Average home selling price (C\$) .....	\$552,000	\$460,000	\$543,000	\$468,000

Housing revenue in our Canadian segment for the three months ended June 30, 2021 increased by \$31 million when compared to the same period in 2020, primarily due to 23 additional home closings and 35% higher average home selling prices. The increase in home closings was the result of additional deliveries across all Canadian markets, and the increase in average home selling prices was primarily the result of higher selling prices per home across the segment and product mix of homes closed where homes in Ontario had a higher selling price in 2021 compared to 2020 due to the product and community offerings. Gross margin increased \$8 million for the three months ended June 30, 2021 when compared to the same period in 2020 as a result of additional home closings at higher average home selling prices, and gross margin percentage increased 4% primarily as a result of the product mix of homes closed.

Housing revenue in our Canadian segment for the six months ended June 30, 2021 increased by \$36 million when compared to the same period in 2020, primarily due to nine additional home closings and 27% higher average home selling prices. The increase in home closings was primarily the result of additional closings in our Ontario and Edmonton markets, and the increase in average home selling prices was primarily the result of higher selling prices per home across the segment and product mix of homes closed where homes in Ontario had a higher selling price in 2021 compared to 2020 due to the product and community offerings. Gross margin increased \$10 million for the six months ended June 30, 2021 when compared to the same period in 2020 as a result of additional home closings at higher average home selling prices, and gross margin percentage increased 2% primarily as a result of the product mix of homes closed.

#### California

<i>(US\$ millions, except unit activity, percentages and average selling price)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Home closings .....	316	176	609	349
Revenue .....	\$ 202	\$ 119	\$ 380	\$ 258
Gross margin .....	\$ 39	\$ 21	\$ 77	\$ 46
Gross margin (%) .....	19%	18%	20%	18%
Average home selling price .....	\$636,000	\$678,000	\$624,000	\$739,000

Housing revenue in our California segment for the three months ended June 30, 2021 increased by \$83 million when compared to the same period in 2020, primarily due to 140 additional home closings, partially offset by 6% lower average home selling prices. The increase in home closings was the result of additional home closings in our Southern California and Northern California markets, and the decrease in average home selling price reflects the continued shift of product mix to more entry-level homes in our Southern California market. Gross margin increased \$18 million as a result of additional home closings, and gross margin percentage increased 1% primarily as a result of the product and geographic mix of homes closed, combined with higher selling prices per home and lower incentives provided when compared to the same period in 2020.

Housing revenue in our California segment for the six months ended June 30, 2021 increased by \$122 million when compared to the same period in 2020, primarily due to 260 additional home closings, partially offset by 16% lower average selling prices. The increase in home closings was the result of additional home closings in our Southern California and Northern California markets, and the decrease in average home selling price reflects changing product mix in our Southern California market. Gross margin increased \$31 million as a result of additional home closings, and gross margin percentage increased 2% primarily as a result of the product and geographic mix of homes closed, combined with higher selling prices per home and lower incentives provided when compared to the same period in 2020.

#### Central and Eastern

<i>(US\$ millions, except unit activity, percentages and average selling price)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Home closings .....	269	278	530	491
Revenue .....	\$ 128	\$ 127	\$ 260	\$ 226
Gross margin .....	\$ 20	\$ 19	\$ 44	\$ 33
Gross margin (%) .....	16%	15%	17%	15%
Average home selling price .....	\$477,000	\$457,000	\$491,000	\$460,000

Housing revenue in our Central and Eastern U.S. segment for the three months ended June 30, 2021 increased by \$1 million when compared to the same period in 2020, primarily due to 4% higher average home selling prices, partially offset by nine fewer home closings. The increase in average home selling price is primarily the result of geographic and product mix of homes closed within the operating segment, with a higher proportion of closings in the current period coming from our Washington D.C. market where average selling prices are typically higher, compared with the prior period's higher proportion of closings in our Austin market which typically has a lower average selling price. The decrease in home closings is mainly the result of fewer closings in our Austin market. Gross margin increased \$1 million as a result of higher average home selling prices, and gross margin percentage increased 1% primarily as a result of the product and geographic mix of homes closed, combined with lower incentives provided when compared to the same period in 2020.

Housing revenue in our Central and Eastern U.S. segment for the six months ended June 30, 2021 increased by \$34 million when compared to the same period in 2020, resulting from 39 additional home closings, primarily in our Washington D.C. market, and 7% higher average home selling prices. The increase in average home selling price is primarily the result of geographic and product mix of homes closed within the operating segment. Gross margin increased \$11 million as a result of additional homes closings at higher average selling prices, and gross margin percentage increased 2% primarily as a result of the product and geographic mix of homes closed, combined with lower incentives provided when compared to the same period in 2020.

### Home Sales – Incentives

We grant our homebuyers sales incentives from time-to-time in order to promote sales of our homes. The type and amount of incentives will vary on a community-by-community and home-by-home basis. Incentives are recognized as a reduction to sales revenue at the time title passes to the homebuyer and the sale is recognized. For the three and six months ended June 30, 2021, total incentives recognized as a percentage of gross revenues decreased 1% as a result of decreased incentives provided in our California and Central and Eastern U.S. operating segments, primarily due to improving market conditions when compared to the same period in 2020.

Our incentives on homes closed by operating segment for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30			
	2021		2020	
	Incentives Recognized	% of Gross Revenues	Incentives Recognized	% of Gross Revenues
<i>(US\$ millions, except percentages)</i>				
Canada .....	\$ 5	5%	\$ 3	5%
California .....	3	1%	3	2%
Central and Eastern U.S. ....	6	4%	6	5%
	\$ 14	3%	\$ 12	4%

	Six Months Ended June 30			
	2021		2020	
	Incentives Recognized	% of Gross Revenues	Incentives Recognized	% of Gross Revenues
<i>(US\$ millions, except percentages)</i>				
Canada .....	\$ 7	5%	\$ 6	5%
California .....	4	1%	6	2%
Central and Eastern U.S. ....	12	4%	12	5%
	\$ 23	3%	\$ 24	4%

### Home Sales – Net New Home Orders

Net new home orders for any period represent the aggregate of all homes ordered by customers, net of cancellations. Net new home orders for the three and six months ended June 30, 2021 totaled 536 and 1,521 units, a decrease of 86 units or 14%, and a decrease of 22 units or 1%, respectively when compared to the same periods in 2020. For the three months ended June 30, 2021, the decrease in net new home orders was the result of fewer active selling communities, primarily in our California operating segment, partially offset by higher net new orders in our Canadian operating segment and from our unconsolidated entities. For the six months ended June 30, 2021, the decrease in net new home orders was a result of fewer net new orders in our California operating segment, partially offset by higher net new orders in our Central and Eastern U.S. and Canadian operating segments, as well as from our unconsolidated entities. Average monthly sales per community by reportable segment for the three and six months ended June 30, 2021 were: Canada – 2 and 2 units (2020 – 2 and 2 units); California – 4 and 5 units (2020 – 3 and 4 units); Central and Eastern U.S. – 2 and 3 units (2020 – 2 and 3 units), and unconsolidated entities – 5 and 5 units (2020 – nil and nil units). We were selling from 80 active housing communities at June 30, 2021 compared to 89 at June 30, 2020.

The net new home orders for the three and six months ended June 30, 2021 and 2020 by our land and housing operating segments were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
<i>(Units)</i>				
Canada .....	239	177	541	463
California .....	145	230	390	535
Central and Eastern U.S. ....	137	215	575	545
	521	622	1,506	1,543
Unconsolidated entities	15	—	15	—
Total	536	622	1,521	1,543

### Home Sales – Cancellations

The overall cancellation rates for the three and six months ended June 30, 2021 were 7% and 6%, respectively, compared to 20% and 17% during the same period in 2020. The decrease in the cancellation rate for the three and six months ended June 30, 2021 was driven by a lower number of cancellations in all of our operating segments and higher net new orders in our Canadian operating segment, and for the six months ended our Central and Eastern U.S. segment also had an increase in net new home orders. This was partially offset by fewer net new home orders in our California operating segment. As a result of the COVID-19 pandemic, there was an increase in the numbers of cancellations across all of the Company's operating segments during the first half of 2020, which also contributes to the year over year change.

The cancellation rates for the three and six months ended June 30, 2021 and 2020 for our land and housing operating segments were as follows:

	Three Months Ended June 30			
	2021		2020	
	Units	% of Gross Home Orders	Units	% of Gross Home Orders
<i>(Units, except percentages)</i>				
Canada .....	—	—%	61	26%
California .....	11	7%	31	12%
Central and Eastern U.S. ....	29	17%	67	24%
	40	7%	159	20%

  

	Six Months Ended June 30			
	2021		2020	
	Units	% of Gross Home Orders	Units	% of Gross Home Orders
<i>(Units, except percentages)</i>				
Canada .....	3	1%	141	23%
California .....	21	5%	63	11%
Central and Eastern U.S. ....	65	10%	107	16%
	89	6%	311	17%

### Home Sales – Backlog

Our backlog, which represents the number of new homes under sales contracts, as at June 30, 2021 and 2020 by operating segment, was as follows:

	As at June 30			
	2021		2020	
	Units	Value	Units	Value
<i>(US\$ millions, except unit activity)</i>				
Canada	769	\$ 373	681	\$ 276
California	413	317	405	245
Central and Eastern U.S.	745	408	552	250
	1,927	1,098	1,638	771
Unconsolidated entities	15	12	—	—
Total	1,942	\$ 1,110	1,638	\$ 771

We expect all of our backlog to close between 2021 and 2023, subject to future cancellations. The units in our backlog as at June 30, 2021 increased when compared to the same period in 2020 as a result of increased demand and lower cancellation rates. Total backlog value increased by \$338 million when compared to the same period in 2020 mainly due to higher units in backlog across all of our operating segments and the product mix of the homes sold under contract.

### Results of Operations – Land

A breakdown of our results from land operations for the three and six months ended June 30, 2021 and 2020 is as follows:

#### Consolidated

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
<i>(US\$ millions, except unit activity, percentages and average selling price)</i>				
Lot closings (single family units)	381	164	969	331
Acre closings (multi-family, industrial and commercial)	13	—	18	3
Acre closings (raw and partially finished)	99	—	99	—
Revenue	\$ 54	\$ 17	\$ 127	\$ 35
Gross margin	\$ 16	\$ 6	\$ 36	\$ 12
Gross margin (%)	30%	35%	28%	34%
Average lot selling price (single family units)	\$111,000	\$105,000	\$114,000	\$ 98,000
Average per acre selling price (multi-family, industrial and commercial)	\$811,000	\$ —	\$844,000	\$819,000
Average per acre selling price (raw and partially finished)	\$ 11,000	\$ —	\$ 11,000	\$ —

Land revenue totaled \$54 million and land gross margin totaled \$16 million for the three months ended June 30, 2021, an increase of \$37 million and \$10 million, respectively, when compared to the same period in 2020. The increase in land revenue was primarily due to 217 additional single family lot closings and 6% higher average single family lot selling prices. The increase in single family lot closings was due to increased closings in our Canadian and Central and Eastern U.S. operating segments, partially offset by fewer closings in our California segment. The increase in average single family lot selling prices was primarily due to the product and geographic mix of lots closed. Also contributing to the increase were 13 multi-family, industrial and commercial acre closings in our Canadian segment with no comparative closings during 2020. Gross margin increased primarily due to additional single family lot sales and acre closings, and gross margin percentage decreased 5% compared to the same period in 2020, primarily due to the product and geographic mix of land sold.

Land revenue totaled \$127 million and land gross margin totaled \$36 million for the six months ended June 30, 2021, an increase of \$92 million and \$24 million, respectively, when compared to the same period in 2020. The increase in land revenue was primarily due to 638 additional single family lot closings and 16% higher average single family lot selling prices. The increase in single family lot closings was due to increased closings in all of our operating segments. The increase in average single family lot selling prices was primarily due to the product and geographic mix of lots closed. Also contributing to the increase were 18 multi-family, industrial and commercial acre closings in our Canadian segment, an increase of 15 from the same period in 2020. Gross margin increased primarily due to additional single family lot sales and acre closings, and gross margin percentage decreased 6% compared to the same period in 2020, primarily due to the product and geographic mix of land sold.

A breakdown of our results from land operations for our operating segments is as follows:

#### Canada

<i>(US\$ millions, except unit activity, percentages and average selling price)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Lot closings (single family units)	172	53	512	176
Acre closings (multi-family, industrial and commercial)	13	—	18	3
Acre closings (raw and partially finished)	99	—	99	—
Revenue	\$ 37	\$ 6	\$ 84	\$ 21
Gross margin	\$ 11	\$ 3	\$ 26	\$ 8
Gross margin (%)	30%	50%	31%	38%
Average lot selling price (single family units)	\$145,000	\$115,000	\$132,000	\$103,000
Average lot selling price (C\$) (single family units)	\$178,000	\$160,000	\$165,000	\$140,000
Average per acre selling price (multi-family, industrial and commercial)	\$811,000	\$ —	\$844,000	\$819,000
Average per acre selling price (C\$) (multi-family, industrial and commercial)	\$996,000	\$ —	\$1,045,000	\$1,100,000
Average per acre selling price (raw and partially finished)	\$ 11,000	\$ —	\$ 11,000	\$ —
Average per acre selling price (C\$) (raw and partially finished)	\$ 14,000	\$ —	\$ 14,000	\$ —

Land revenue in our Canadian segment for the three months ended June 30, 2021 was \$37 million, an increase of \$31 million when compared to the same period in 2020. The increase was primarily the result of 119 additional single family lot closings in our Calgary and Edmonton markets, and 26% higher single family lot selling prices due to the mix of land sold during the period. Also contributing to the increase was 13 multi-family, industrial and commercial acre sales with no comparative closings during 2020. Gross margin increased \$8 million compared to the same period during 2020 mainly as a result of additional lot and acre closings, and gross margin percentage decreased 20% due to the mix of land sold.

Land revenue in our Canadian segment for the six months ended June 30, 2021 was \$84 million, an increase of \$63 million when compared to the same period in 2020. The increase was primarily the result of 336 additional single family lot closings in our Calgary and Edmonton markets, and 28% higher single family lot selling prices due to the mix of land sold during the period. Also contributing to the increase was 15 additional multi-family, industrial and commercial acre sales when compared to the same period in 2020. Gross margin increased \$18 million compared to the same period during 2020 mainly as a result of additional lot and acre closings, and gross margin percentage decreased 7% due to the mix of land sold.

#### California

<i>(US\$ millions, except unit activity, percentages and average selling price)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Lot closings (single family units)	35	51	150	51
Revenue	\$ 5	\$ 6	\$ 21	\$ 6
Gross margin	\$ 4	\$ 1	\$ 8	\$ 2
Gross margin (%)	80%	17%	38%	33%
Average lot selling price (single family units)	\$150,000	\$126,000	\$141,000	\$125,000

Land revenue in our California segment for the three months ended June 30, 2021 was \$5 million, a decrease of \$1 million when compared to the same period in 2020. The decrease was primarily the result of 16 fewer single family lot closings in our Southern California market, partially offset by 19% higher single family lot selling prices. Gross margin increased \$3 million and gross margin percentage increased 63% compared to the same period during 2020 mainly as a result of the recognition of city development reimbursements of \$2 million received in our Southern California market with no corresponding lot sales.

Land revenue in our California segment for the six months ended June 30, 2021 was \$21 million, an increase of \$15 million when compared to the same period in 2020. The increase was primarily the result of 99 additional single family lot closings in our Southern California market, and 13% higher single family lot selling prices. Gross margin increased \$6 million and gross margin percentage increased 5% compared to the same period in 2020 due to additional lot closings at higher average selling prices, and the recognition of city development reimbursements of \$2 million received in our Southern California market with no corresponding lot sales.

#### Central and Eastern U.S.

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
<i>(US\$ millions, except unit activity, percentages and average selling price)</i>				
Lot closings (single family units)	174	60	307	104
Revenue	\$ 12	\$ 5	\$ 22	\$ 8
Gross margin	\$ 1	\$ 2	\$ 2	\$ 2
Gross margin (%)	8%	40%	9%	25%
Average lot selling price (single family units)	\$ 69,000	\$ 80,000	\$ 72,000	\$ 77,000

Land revenue in our Central and Eastern U.S. segment for the three months ended June 30, 2021 was \$12 million, an increase of \$7 million when compared to the same period in 2020. The increase was primarily the result of 114 additional single family lot closings, mainly in our Austin and Phoenix markets, partially offset by 14% lower average single family lot selling prices mainly resulting from product mix in our Austin market. Gross margin decreased by \$1 million and gross margin percentage decreased by 32% due to the product mix of land sold within the operating segment.

Land revenue in our Central and Eastern U.S. segment for the six months ended June 30, 2021 was \$22 million, an increase of \$14 million when compared to the same period in 2020. The increase was primarily the result of 203 additional single family lot closings across all markets within the operating segment, partially offset by 6% lower average single family lot selling prices mainly resulting from product mix in our Austin market. Gross margin remained consistent when compared to the same period in 2020, and gross margin percentage decreased by 16% due to the product mix of land sold within the operating segment.

#### Earnings from Unconsolidated Entities - Land and Housing

Earnings from land and housing unconsolidated entities for the three and six months ended June 30, 2021 totaled \$8 million and \$17 million, compared to \$3 million and \$5 million for the same period in 2020.

A summary of Brookfield Residential's share of the land operations from unconsolidated entities is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
<i>(US\$ millions, except unit activity, percentages and average selling price)</i>				
Lot closings (single family units)	153	58	451	122
Acre closings (multi-family, industrial and commercial)	11	—	11	1
Acre closings (raw and partially finished)	1	—	1	—
Revenue	33	10	\$ 74	\$ 19
Gross margin	\$ 8	\$ 4	\$ 19	\$ 6
Gross margin (%)	24%	40%	26%	32%
Average lot selling price (single family units)	\$181,000	\$178,000	\$151,000	\$153,000
Average per acre selling price (multi-family, industrial and commercial)	\$471,000	\$ —	\$471,000	\$297,000
Average per acre selling price (raw and partially finished)	\$272,000	\$ —	\$272,000	\$ —

Land revenue within unconsolidated entities increased \$23 million and gross margin increased \$4 million for the three months ended June 30, 2021 when compared to the same period in 2020. The increase was primarily the result of 95 additional single family lot closings, mainly coming from our Calgary and Southern California joint ventures, and a 2% increase in average single family lot selling price due to mix of land sold. Also contributing to the increase were 11 multi-family, industrial and commercial acre sales, primarily in our Phoenix joint ventures, with no comparative closings during 2020.

Land revenue within unconsolidated entities increased \$55 million and gross margin increased \$13 million for the six months ended June 30, 2021 when compared to the same period in 2020. The increase was primarily the result of 329 additional single family lot closings, mainly coming from bulk lot closings in our Phoenix joint ventures and increased closings in our Southern California joint ventures. Also contributing to the increase were 10 multi-family, industrial and commercial acre closings in our Phoenix joint ventures compared to only one acre closing during 2020.

#### **Earnings / (Loss) from Unconsolidated Entities - Affiliate**

A summary of Brookfield Residential's share of (loss) / earnings from affiliate unconsolidated entities is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
(US\$ millions)				
Earnings / (Loss) from unconsolidated entities - affiliate.....	\$ 30	\$ 2	\$ 69	\$ (23)

For the three and six months ended June 30, 2021, earnings from affiliate unconsolidated entities was \$30 million and \$69 million, respectively, compared to earnings / (loss) of \$2 million and \$(23) million in the prior periods. The increase was primarily the result of increased distributions and investment income, and from disposition of certain investments.

#### **Selling, General and Administrative Expense**

The components of selling, general and administrative expense for the three and six months ended June 30, 2021 and 2020 are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
(US\$ millions)				
General and administrative expense.....	\$ 38	\$ 28	\$ 72	\$ 59
Sales and marketing expense.....	25	23	51	47
Share-based compensation.....	—	2	1	5
	\$ 63	\$ 53	\$ 124	\$ 111

General and administrative expense increased \$10 million and \$13 million, respectively, for the three and six months ended June 30, 2021 primarily due to higher management fees paid to BPD as a result of increased development and construction activity when compared to the same periods in 2020. Sales and marketing expense increased \$2 million and \$4 million, respectively, when compared to the same periods in 2020, primarily due to increased commissions and closing costs, as well as increased amortization of capitalized sales and marketing expenses. Share-based compensation expense decreased \$2 million and \$4 million, respectively, primarily resulting from the change in fair value of our share-based compensation liabilities for the three and six months ended June 30, 2021 compared to the same periods in 2020.

### **Other (Income) / Expense**

The components of other (income) / expense for the three and six months ended June 30, 2021 and 2020 are summarized as follows:

<i>(US\$ millions)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Investment income.....	\$ (15)	\$ (7)	\$ (27)	\$ (15)
Preferred share dividend income.....	(6)	(6)	(12)	(12)
Other.....	(4)	(3)	(6)	(6)
Income from commercial properties.....	(3)	(2)	(2)	(2)
Joint venture management fee income.....	(2)	(3)	(4)	(6)
Loss on extinguishment of debt.....	16	—	16	15
	<b>\$ (14)</b>	<b>\$ (21)</b>	<b>\$ (35)</b>	<b>\$ (26)</b>

For the three months ended June 30, 2021, other income decreased \$7 million when compared to the same period in 2020. As a result of the extinguishment of the 2023 and 2025 unsecured senior notes, the loss of \$16 million included \$7 million of premiums for the early redemption of the 2025 unsecured senior notes, \$7 million of previously capitalized debt issuance costs and \$2 million of accrued interest were expensed (See Note 9 "Notes Payable" in the condensed consolidated financial statements for additional information). Also contributing to the change was a \$1 million decrease in joint venture management fee income. These were partially offset by an \$8 million increase in investment income from unrealized gains on the Brookfield Single Family Rental ("BSFR") investment, a \$1 million increase in income from commercial properties and a \$1 million increase in other income.

For the six months ended June 30, 2021, other income increased \$9 million when compared to the same period in 2020. This was the result of a \$12 million increase in investment income, primarily resulting from unrealized gains of \$9 million on the BSFR investment and a \$3 million gain on the sale of common share investments. This was partially offset by a \$2 million decrease in joint venture management fee income, and a \$1 million increase in debt extinguishment costs when compared to the same period in 2020.

### **Income Tax Expense / (Recovery)**

Income tax expense for the three and six months ended June 30, 2021, decreased \$5 million and \$1 million, respectively when compared to the same period in 2020. The components of current and deferred income tax expense / (recovery) are summarized as follows:

<i>(US\$ millions)</i>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current income tax expense.....	\$ —	\$ 8	\$ 1	\$ 8
Deferred income tax recovery.....	—	(3)	(1)	(7)
	<b>\$ —</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 1</b>

For the three and six months ended June 30, 2021, current income tax expense decreased \$8 million and \$7 million, respectively, when compared to the same period in 2020. The decrease in current income tax expense primarily relates to an income tax expense of \$7 million recognized due to the impact of the release of certain final U.S. tax regulations in the second quarter of 2020 with no comparable adjustment in the current period.

For the three and six months ended June 30, 2021, deferred income tax recovery decreased \$3 million and \$6 million, respectively, when compared to the same period in 2020. The decreased in deferred income tax recovery primarily relates to an overall increase in net income before tax compared to the same period in 2020.

### **Foreign Exchange Translation**

The U.S. dollar is the functional and presentation currency of the Company. Each of the Company's subsidiaries, affiliates and jointly controlled entities determines its own functional currency and items included in the financial statements of each subsidiary and affiliate are measured using that functional currency. The Company's Canadian operations are self-sustaining. The financial statements of its self-sustaining Canadian operations are translated into U.S. dollars using the current rate method.

Assets and liabilities of subsidiaries or unconsolidated entities having a functional currency other than the U.S. dollar are translated at the rate of exchange on the balance sheet date. As at June 30, 2021, the rate of exchange was C\$1.2398 equivalent to US\$1 (December 31, 2020 – C\$1.2734 equivalent to US\$1). Revenues and expenses are

translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. For the three months ended June 30, 2021, the average rate of exchange was C\$1.2281 equivalent to US\$1 (June 30, 2020 – C\$1.3851 equivalent to US\$1). The resulting foreign currency translation adjustments are recognized in other comprehensive income (“OCI”). Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Gains and losses on translation of monetary items are recognized in the condensed consolidated statements of operations as other (income) / expense, except for those related to monetary liabilities qualifying as hedges of the Company’s investment in foreign operations or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are included in OCI.

The financial results of our Canadian operations are translated into U.S. dollars for financial reporting purposes. Foreign currency translation gains and losses are recorded as the exchange rate between the two currencies fluctuates. These gains and losses are included in OCI and accumulated OCI. The translation of our Canadian operations and hedging instrument resulted in a net gain of \$9 million and \$18 million, respectively, for the three and six months ended June 30, 2021, compared to a net gain of \$26 million and a net loss of \$34 million during the same periods in 2020.

## QUARTERLY OPERATING AND FINANCIAL DATA

	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<i>(US\$ millions, except unit activity and per share amounts)</i>								
<b>Quarterly Operating Data</b>								
Home closings (units).....	788	698	845	850	634	544	882	674
Lot closings (single family units).....	381	588	1,454	726	164	167	1,578	578
Acre closings (multi-family, industrial and commercial).....	13	4	39	—	—	3	20	10
Acre closings (raw and partially finished).....	99	—	—	—	—	—	18	134
Net new home orders (units).....	521	985	817	1,144	622	921	671	768
Backlog (units).....	1,927	2,194	1,907	1,935	1,638	1,650	1,273	1,484
Backlog value.....	\$ 1,098	\$ 1,200	\$ 1,013	\$ 973	\$ 771	\$ 750	\$ 603	\$ 744
<b>Quarterly Financial Data</b>								
Revenue.....	\$ 475	\$ 444	\$ 650	\$ 453	\$ 323	\$ 312	\$ 656	\$ 461
Direct cost of sales.....	(383)	(351)	(515)	(361)	(268)	(257)	(520)	(356)
Gross margin.....	92	93	135	92	55	55	136	105
Selling, general and administrative expense.....	(63)	(62)	(88)	(61)	(53)	(58)	(53)	(60)
Interest expense.....	(13)	(12)	(5)	(2)	—	(3)	(10)	(9)
Earnings / (Loss) from unconsolidated entities.....	37	48	5	—	4	(22)	34	9
Other income.....	9	17	9	19	19	4	15	12
Lease expense.....	(3)	(3)	(4)	(4)	(3)	(3)	(3)	(3)
Income / (Loss) before income taxes.....	59	81	52	44	22	(27)	119	54
Income tax (expense) / recovery.....	—	—	(2)	—	(5)	4	2	(5)
Net income / (loss).....	59	81	50	44	17	(23)	121	49
Net income / (loss) attributable to non-controlling interest.....	27	20	47	30	5	(8)	41	1
Net income / (loss) attributable to Brookfield Residential.....	\$ 32	\$ 61	\$ 3	\$ 14	\$ 12	\$ (15)	\$ 80	\$ 48
Foreign currency translation.....	9	9	37	15	27	(60)	15	(8)
Comprehensive income / (loss).....	\$ 41	\$ 70	\$ 40	\$ 29	\$ 39	\$ (75)	\$ 95	\$ 40
Earnings / (Loss) per common share attributable to Brookfield Residential								
Basic.....	\$ 0.25	\$ 0.47	\$ 0.02	\$ 0.11	\$ 0.10	\$ (0.12)	\$ 0.61	\$ 0.37
Diluted.....	\$ 0.25	\$ 0.46	\$ 0.02	\$ 0.11	\$ 0.10	\$ (0.12)	\$ 0.61	\$ 0.37

We have historically experienced variability in our results of operations from quarter to quarter due to the seasonal nature of the homebuilding business and the timing of new community openings and the closing out of projects. We typically experience the highest rate of orders for new homes and lots in the first nine months of the calendar year, although the rate of orders for new homes is highly dependent upon the number of active communities. As new home deliveries trail orders for new homes by several months, we typically deliver a greater percentage of new homes in the second half of the year compared with the first half of the year. As a result, our revenues from the sales of homes are generally higher in the second half of the year. In terms of land sales, results are more variable from year to year given the nature of the development and monetization cycle.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

The following is a summary of the Company's condensed consolidated balance sheets as at June 30, 2021 and December 31, 2020:

	As at	
	June 30 2021	December 31 2020
<i>(US\$ millions)</i>		
Cash and restricted cash	\$ 94	\$ 368
Receivables and other assets	818	768
Land and housing inventory	2,649	2,657
Investments in unconsolidated entities - land and housing	326	307
Investment in unconsolidated entities - affiliate	710	606
Held-to-maturity investment	300	300
Commercial properties	817	710
Operating and financing lease right-of-use asset	81	82
Deferred income tax assets	58	55
Goodwill	16	16
	<b>\$ 5,869</b>	<b>\$ 5,869</b>
Accounts payable and other liabilities	\$ 693	\$ 608
Bank indebtedness and other financings	537	410
Notes payable	1,628	1,621
Operating and financing lease liability	88	89
Total equity	2,923	3,141
	<b>\$ 5,869</b>	<b>\$ 5,869</b>

### Assets

Our assets as at June 30, 2021 totaled \$5.9 billion. Our land and housing inventory, investments in land and housing unconsolidated entities, and commercial properties are our most significant assets with a combined book value of \$3.8 billion, or approximately 66% of our total assets. The land and housing assets decreased when compared to December 31, 2020 primarily due to sales activity and turnover of inventory, partially offset by continued land development and home construction activity, and the commercial properties increased primarily due to continued construction at the Lilia Waikiki mixed-use project and tenant improvement construction at Nashville Fifth + Broadway mixed-use project, partially offset by depreciation on the Nashville mixed-use project following completion of construction in the current year. Our land and housing assets include land under development and land held for development, finished lots ready for construction, homes completed and under construction and model homes.

A summary of our lots owned, excluding unconsolidated entities, and their stage of development as at June 30, 2021 compared with December 31, 2020 is as follows:

	As at			
	June 30, 2021		December 31, 2020	
	Units	Book Value	Units	Book Value
<i>(US\$ millions, except units)</i>				
Land held for development (lot equivalents)	61,535	\$ 1,300	64,213	\$ 1,307
Land under development and finished lots (single family units)	4,947	609	5,731	720
Housing units, including models	2,472	698	1,816	575
	<b>68,954</b>	<b>\$ 2,607</b>	<b>71,760</b>	<b>\$ 2,602</b>
Multi-family, industrial and commercial parcels (acres)	103	\$ 42	115	\$ 55

## Notes Payable

Notes payable consist of the following:

	As at	
	June 30 2021	December 31 2020
<i>(US\$ millions)</i>		
6.125% unsecured senior notes redeemed June 10, 2021 (a)	\$ —	\$ 196
6.375% unsecured senior notes redeemed June 10, 2021 (a)	—	350
6.250% unsecured senior notes due September 15, 2027 (b)	600	600
5.125% unsecured senior notes due June 15, 2029 (c)	202	—
5.000% unsecured senior notes due June 15, 2029 (d)	350	—
4.875% unsecured senior notes due February 15, 2030 (e)	500	500
	1,652	1,646
Transaction costs (f)	(24)	(25)
	\$ 1,628	\$ 1,621

- (a) The Company's C\$250 million principal amount of 6.125% unsecured senior notes and \$350 million principal amount of 6.375% unsecured senior notes were redeemed in full at redemption prices equal to 100.0% and 102.13% of their aggregate principal amounts, respectively, plus accrued and unpaid interest, using cash on hand and the net proceeds from the issuance of the unsecured senior notes due in 2029.
- (b) The Company's \$600 million principal amount of 6.25% unsecured senior notes mature September 15, 2027 with interest payable semi-annually. On or after September 15, 2022 the notes may be redeemed at 103.13% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the notes can be redeemed at par on or after September 15, 2025 through maturity.
- (c) On May 25, 2021, the Company and Brookfield Residential US LLC ("BRUS LLC") co-issued a private placement of C\$250 million of unsecured senior notes. The notes have an eight-year term, are due on June 15, 2029, and bear interest at a fixed rate of 5.125%. The notes require semi-annual interest payments June 15 and December 15 of each year until maturity. Obligations to pay principal and interest on the unsecured notes are guaranteed by the Company and certain of the Company's subsidiaries. On or after June 15, 2024, the notes may be redeemed at 102.56% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the notes can be redeemed at par on or after June 15, 2026 through maturity. The net proceeds of the offering were used to redeem the C\$250 million aggregate principal amount of the unsecured senior notes due in 2023.
- (d) On May 25, 2021, the Company and BRUS LLC co-issued a private placement of \$350 million of unsecured senior notes. The notes have an eight-year term, are due June 15, 2029, and bear interest at a fixed rate of 5.0%. The notes require semi-annual interest payments on June 15 and December 15 of each year until maturity. Obligations to pay principal and interest on the unsecured notes are guaranteed by the Company and certain of the Company's subsidiaries. On or after June 15, 2024, the notes may be redeemed at 102.5% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the notes can be redeemed at par on or after June 15, 2026 through maturity. The net proceeds of the offering were used to redeem the \$350 million aggregate principal amount of the unsecured senior notes due in 2025.
- (e) The Company's \$500 million principal amount of 4.875% unsecured senior notes mature February 15, 2030 with interest payable semi-annually. On or after February 15, 2025 the notes may be redeemed at 102.44% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the notes can be redeemed at par on or after February 15, 2028 through maturity.
- (f) During the six months ended June 30, 2021, the Company capitalized \$7 million of transaction costs associated with the issuance of the unsecured senior notes due in 2029. As a result of the redemption of the unsecured senior notes due in 2023 and 2025, the Company recorded a loss on extinguishment of debt in the second quarter of 2021, which included a write-off of net unamortized deferred financing fees of \$7 million.

The Company and BRUS LLC are co-issuers of all private placements of unsecured senior notes. All unsecured senior notes include covenants that, among other things, place limitations on incurring additional indebtedness and making restricted payments. Under the limitation on additional indebtedness, we are permitted to incur specified categories of indebtedness but are prohibited from incurring further indebtedness if we do not satisfy either an indebtedness to consolidated tangible net worth ratio, net indebtedness to tangible net worth ratio, or a fixed charge coverage ratio, as applicable. The Company was in compliance with these debt incurrence covenants as at June 30, 2021.

Our actual fixed charge coverage, indebtedness to consolidated tangible net worth, and net indebtedness to tangible net worth ratio as at June 30, 2021 are reflected in the table below:

	<b>Covenant</b>	<b>Actual as at June 30 2021</b>
Minimum fixed charge coverage .....	2.0 to 1	2.86 to 1
Maximum net indebtedness to consolidated tangible net worth .....	3.0 to 1	0.74 to 1

### **Bank Indebtedness and Other Financings**

Our bank indebtedness and other financings represent our corporate unsecured revolving credit facility and construction and development loans and facilities that are used to fund the operations of our communities as land is developed and homes and commercial properties are constructed. Our bank indebtedness and other financings as at June 30, 2021 were \$537 million, an increase of \$127 million from December 31, 2020. The increase was the result of our bank indebtedness used primarily to fund land development and home construction, and borrowings from our project-specific facilities increased to fund the construction at our Nashville and Honolulu mixed-use projects. As of June 30, 2021, the weighted average interest rate on our bank indebtedness and other financings was 3.2% (December 31, 2020 – 4.4%).

Future debt maturities are expected to either be refinanced or repaid from home closings, lot closings, or proceeds from mixed-use developments. Additionally, as at June 30, 2021, we had bank indebtedness capacity of \$552 million that was available to complete land development and construction activities. The “Cash Flow” section below discusses future available capital resources should proceeds from our future home and/or lot closings not be sufficient to repay our debt obligations.

Bank indebtedness and other financings consist of the following:

	<b>As at</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
<i>(US\$ millions)</i>		
Project-specific financings (a) .....	\$ 458	\$ 356
Bank indebtedness (b) .....	33	—
Secured VTB mortgages (c) .....	53	62
	544	418
Transaction costs (a)(b) .....	(7)	(8)
	<u>\$ 537</u>	<u>\$ 410</u>

#### **(a) Project-specific financings**

- (i) On June 17, 2021, OliverMcMillan Spectrum Emery LLC, a wholly-owned subsidiary of the Company, finalized the amendment of the secured construction loan for the Fifth + Broadway mixed-used project in Nashville. The loan was extended through July 2024 (December 31, 2020 - matures December 2023), allowing OliverMcMillan Spectrum Emery LLC to borrow up to \$360 million (December 31, 2020 - \$360 million). As at June 30, 2021, the Company has \$342 million of borrowings outstanding under the construction loan (December 31, 2020 - \$284 million).

Interest was amended to be charged on the loan at a rate equal to LIBOR plus 3.15%, subject to a LIBOR rate floor of 0.25%, with the ability to convert the interest charged to a prime rate loan (December 31, 2020 - LIBOR plus 3.35%, subject to a LIBOR rate floor of 1.80%).

The loan contains certain restrictive covenants including leasing and construction of the project. The loan requires BRUS LLC to maintain a minimum liquidity of \$10 million and a minimum net worth of \$100 million. The loan is secured by the assets of OliverMcMillan Spectrum Emery LLC. The Company was in compliance with these covenants as at June 30, 2021.

<i>(US\$ millions)</i>	<b>Covenant</b>	<b>Actual as at June 30 2021</b>
Minimum liquidity .....	\$ 10	\$ 618
Minimum net worth .....	\$ 100	\$ 1,197

- (ii) On March 20, 2020, OliverMcMillan Kuhio LLC, a wholly-owned subsidiary of the Company, entered into a three-year secured construction loan for the Lilia mixed-used project located in Honolulu, Hawaii. The loan allows OliverMcMillan Kuhio LLC to borrow up to \$156 million. As at June 30, 2021, there were \$80 million of borrowings outstanding under the construction loan (December 31, 2020 - \$24 million).

Interest is charged on the loan at a rate equal to LIBOR plus 2.0%, with the ability to convert the interest charged to a prime rate loan.

The loan contains certain restrictive covenants including leasing and construction of the project. The loan requires BRUS LLC to maintain a minimum liquidity of \$75 million and a minimum net worth of \$250 million. The loan is secured by the assets of OliverMcMillan Kuhio LLC. The Company was in compliance with these covenants as at June 30, 2021. The following table reflects the covenants:

<i>(US\$ millions)</i>	<b>Covenant</b>	<b>Actual as at June 30 2021</b>
Minimum liquidity .....	\$ 75	\$ 618
Minimum net worth .....	\$ 250	\$ 1,345

- (iii) As at June 30, 2021, the Company has two Canadian project-specific financings totaling \$37 million (C\$46 million) provided by various lenders (December 31, 2020 - \$47 million (C\$60 million)).

Project-specific financing totaling \$29 million (C\$36 million) has an interest rate of Canadian Prime + 0.5%, is due on demand with 240 days notice, and is secured by certain land and housing inventory assets of the Company's Alberta operations and a general charge over the property of South Seton Limited Partnership, a consolidated subsidiary of the Company (December 31, 2020 - \$39 million (C\$50 million)). This borrowing includes a minimum debt to equity covenant for South Seton Limited Partnership of no greater than 1.50 to 1. The Company was in compliance with this covenant as at June 30, 2021.

The following table reflects the debt to equity ratio covenant:

	<b>Covenant</b>	<b>Actual as at June 30 2021</b>
Maximum debt to equity ratio .....	1.50 to 1	0.44 to 1

Project-specific financing totaling \$8 million (C\$10 million) is held by a joint venture in our Alberta operations, a consolidated subsidiary of the Company, has an interest rate of Canadian Prime + 0.5%, matures in November 2021, and is secured without covenants (December 31, 2020 - \$8 million (C\$10 million)).

*(b) Bank indebtedness*

As at June 30, 2021, there were \$33 million of borrowings outstanding under the North American unsecured revolving credit facility and we had available capacity of \$552 million (December 31, 2020 - no borrowings outstanding and \$598 million of available capacity, respectively). The Company is able to borrow in either Canadian or U.S. dollars with borrowings allowable up to \$675 million.

For U.S. dollar denominated borrowings, interest is charged on the facility at a rate equal to, at the borrower's option, either the adjusted LIBOR plus an applicable rate between 2.5% and 3.0% per annum or an alternative base rate ("ABR") plus an applicable rate between 1.5% and 2.5% per annum. For Canadian dollar denominated borrowings, interest is charged on the facility at a rate equal to either the Canadian dollar offered rate ("CDOR") plus an applicable rate between 2.5% and 3.0% per annum or the Canadian prime rate plus an applicable rate between 1.5% and 2.0% per annum.

The facility contains certain restrictive covenants including limitations on liens, dividends and other distributions, investments in subsidiaries and joint ventures that are not party to the loan. The facility requires the Company to maintain a minimum consolidated tangible net worth of \$2.4 billion, as well as a consolidated total debt to consolidated total capitalization of no greater than 65%. As at June 30, 2021, the Company was in compliance with all of our covenants relating to this facility. The following table reflects consolidated tangible net worth and consolidated total debt to capitalization covenants:

		<b>Actual as at</b>
	<b>Covenant</b>	<b>June 30 2021</b>
<i>(US\$ millions, except percentages)</i>		
Minimum tangible net worth .....	\$ 2,371	\$ 2,906
Maximum total debt to capitalization .....	65%	44%

*(c) Secured VTB mortgages*

The Company has nine secured VTB mortgages (December 31, 2020 – 12 secured VTB mortgages) in the amount of \$53 million (December 31, 2020 – \$62 million).

Seven secured VTB mortgages (December 31, 2020 – 10 secured VTB mortgages) in the amount of \$38 million (December 31, 2020 – \$47 million) relate to raw land held for development by Brookfield Residential (Alberta) LP and Brookfield Residential (Ontario) LP. This debt is repayable in Canadian dollars of C\$47 million (December 31, 2020 – C\$60 million). The interest rates on this debt range from fixed rates of 4.0% to 6.0% and variable rates of Canadian Prime plus 1.0% to 2.0%, and the debt is secured by the related land. As at June 30, 2021, the borrowings are not subject to any financial covenants.

Two secured VTB mortgages (December 31, 2020 – two secured VTB mortgages) in the amount of \$15 million (December 31, 2020 – \$15 million) relate to raw land held for development by various U.S. subsidiaries of the Company. The interest rates on the debt range from fixed rates of 0.5% to 4.0% and the debt is secured by the related land. As at June 30, 2021, these borrowings are not subject to any financial covenants.

**Net Debt to Capitalization Calculation**

Brookfield Residential's net debt to total capitalization ratio is defined as total interest-bearing debt less cash divided by total capitalization. We define capitalization to include total equity and interest bearing debt, less cash.

Our net debt to total capitalization ratio as at June 30, 2021 and December 31, 2020 was as follows:

	<b>As at</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
<i>(US\$ millions, except percentages)</i>		
Bank indebtedness and other financings .....	\$ 537	\$ 410
Notes payable .....	1,628	1,621
Total interest bearing debt .....	2,165	2,031
Less: cash .....	(89)	(350)
	2,076	1,681
Total equity .....	2,923	3,141
Total capitalization .....	\$ 4,999	\$ 4,822
Net debt to total capitalization .....	42%	35%

**Credit Ratings**

Our access to financing depends on, among other things, suitable market conditions and the maintenance of suitable long-term credit ratings. Our credit ratings may be adversely affected by various factors, including but not limited to, increased debt levels, decreased earnings, declines in our customer demand, increased competition, a further deterioration in general economic and business conditions and adverse publicity. Any downgrades in our credit rating may impede our access to capital markets or raise our borrowing rates. We are currently rated by two credit rating agencies, Moody's and Standard & Poor's ("S&P"). We are committed to maintaining these ratings and improving them further over time. Our credit ratings at June 30, 2021 were as follows:

	<b>Moody's</b>	<b>S&amp;P</b>
Corporate rating .....	B1	B
Outlook .....	Stable	Stable

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuer of securities. Agency ratings are subject to change, and there can be no assurance that a rating agency will rate us and/or maintain our rating.

## Cash Flow

Our principal uses of working capital include acquisitions of land, land development, home construction and mixed-use development. Cash flows for each of our communities depend upon the applicable stage of the development cycle and can differ substantially from reported earnings. Early stages of development require significant cash outlays for land acquisitions, site approvals and entitlements, construction of model homes, roads, certain utilities and other amenities and general landscaping. As these costs are capitalized, earnings reported for financial statement purposes during such early stages may significantly exceed cash flows. Later, cash flows can exceed earnings reported for financial statement purposes as cost of sales includes charges for substantial amounts of previously expended costs.

We believe that we currently have sufficient access to capital resources and will continue to use our available capital resources to fund our operations. Our future capital resources include cash flow from operations, borrowings under project-specific and other credit facilities and proceeds from potential future debt issues or equity offerings, if required.

At June 30, 2021, we had cash and cash equivalents, including restricted cash, of \$94 million, compared to \$368 million at December 31, 2020.

The net cash flows for the six months ended June 30, 2021 and 2020 were as follows:

<i>(US\$ millions)</i>	<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Cash flows provided by / (used in) operating activities .....	\$ 35	\$ (180)
Cash flows used in investing activities .....	(2)	(38)
Cash flows (used in) / provided by financing activities .....	(306)	209
Effect of foreign exchange rates on cash .....	(1)	(3)
Net change in cash and cash equivalents .....	<u>\$ (274)</u>	<u>\$ (12)</u>

### *Cash Flow Provided by / (Used in) Operating Activities*

Cash flows provided by operating activities during the six months ended June 30, 2021 totaled \$35 million, compared to cash flows used in operating activities of \$180 million for the same period in 2020. During the six months ended June 30, 2021, cash provided by operating activities was primarily impacted by our net income, an increase in commercial properties primarily due to continued construction on the Nashville and Honolulu mixed-use development projects, a decrease in land and housing inventory due to sales activity and turnover of inventory, an increase in receivables and other assets, an increase in accounts payable and other liabilities and a decrease in operating lease liabilities. Acquisitions of land and housing inventory for the six months ended June 30, 2021 totaled \$119 million, consisting of \$16 million in Canada, \$79 million in California and \$24 million in Central and Eastern U.S. During the six months ended June 30, 2020, cash used in operating activities was primarily impacted by our net loss, an increase in commercial properties, an increase in land and housing inventory due to land development, home construction and strategic land purchases, a decrease in receivables and other assets, a decrease in accounts payable and other liabilities and a decrease in operating lease liabilities. Acquisitions of land and housing inventory for the six months ended June 30, 2020 totaled \$100 million, consisting of \$62 million in Canada, \$25 million in California and \$13 million in Central and Eastern U.S. The increase in commercial properties of \$131 million was largely due to construction at our Nashville and Honolulu mixed-use development projects.

### *Cash Flow Used in Investing Activities*

During the six months ended June 30, 2021, cash flows used in investing activities totaled \$2 million, compared to \$38 million for the same period in 2020. During the six months ended June 30, 2021, cash used in investing activities was primarily impacted by an increase in our loan receivables of \$19 million, acquisitions of \$15 million, and investments of \$9 million in land and housing unconsolidated entities. This was partially offset by \$41 million distributions from our land and housing unconsolidated entities. During the six months ended June 30, 2020, we had an increase in our loan receivables of \$27 million and had an investment of \$18 million in land and housing unconsolidated entities, primarily in our joint ventures in Southern California. This was partially offset by receiving \$7 million distributions from our unconsolidated entities.

### *Cash Flow (Used in) / Provided by Financing Activities*

Cash flows used in financing activities for the six months ended June 30, 2021 totaled \$306 million, compared to cash flows provided by financing activities of \$209 million for the same period in 2020. During the six months ended June 30, 2021, cash used in financing activities was primarily from a \$350 million dividend paid to common shareholders, distributions from non-controlling interest of \$63 million, \$9 million of costs related to the extinguishment of the unsecured senior notes due in 2023 and 2025, and \$7 million of costs related to the issuance of the unsecured senior notes due in 2029. This was partially offset by \$90 million net borrowings under project-specific and other financings, and drawings on bank indebtedness of \$33 million. For the six months ended June 30, 2020, the cash

provided by our financing activities was primarily from drawings on bank indebtedness of \$135 million, and \$97 million net borrowing under project-specific and other financings, partially offset by net contributions to non-controlling interest of \$5 million, \$9 million of costs related to the extinguishment of the unsecured senior notes due in 2022 and \$9 million of costs related to the issuance of the unsecured senior notes due in 2030.

### **Contractual Obligations and Other Commitments**

See Note 14 to the condensed consolidated financial statements, "Commitments, Contingent Liabilities and Other" for detailed information.

### **Shareholders' Equity**

At August 5, 2021, 129,756,910 Common Shares in the capital of the Company were issued and outstanding. In addition, Brookfield Residential has a stock option plan under which key officers and employees are granted options to purchase Non-Voting Class B Common Shares or settle the options in cash at the option of the holder. Each option granted can be exercised for one Non-Voting Class B Common Share or settled in cash for the fair value of one Common Share at the date of exercise. At August 5, 2021, 6,351,600 options were outstanding under the stock option plan. There was no change in the Company's Common Shares outstanding for the six months ended June 30, 2021.

### **Off-Balance Sheet Arrangements**

In the ordinary course of business, and where market conditions permit, we enter into land and lot option contracts and invest in unconsolidated entities to acquire control of land to mitigate the risk of declining land values. Option contracts for the purchase of land permit us to control the land for an extended period of time until the options expire. This reduces our financial risk associated with land ownership and development and reduces our capital and financial commitments. As of June 30, 2021, we had \$27 million of primarily non-refundable option deposits and entitlement costs. The total remaining exercise price of these options was \$58 million. Pursuant to the guidance in the United States Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 *Consolidation*, we have consolidated \$8 million of these option contracts where we consider the Company holds the majority economic interest in the assets held under the options.

We also own 6,843 lots and control under option 1,001 lots through our proportionate share of land and housing unconsolidated entities. As of June 30, 2021, our investment in land and housing unconsolidated entities totaled \$326 million. We have provided varying levels of guarantees of debt in our land and housing unconsolidated entities. As of June 30, 2021, we had recourse guarantees of \$44 million with respect to debt in our land and housing unconsolidated entities. During the six months ended June 30, 2021, we did not make any loan re-margin repayments on the debt in our land and housing unconsolidated entities. Please refer to Note 5 to the condensed consolidated financial statements, "Investments in Unconsolidated Entities", for additional information about our investments in unconsolidated entities.

We obtain letters of credit, performance bonds and other bonds to support our obligations with respect to the development of our projects. The amount of these obligations outstanding at any time varies in accordance with our development activities. If these letters of credit or bonds are drawn upon, we will be obligated to reimburse the issuer of the letter of credit or bonds. As of June 30, 2021, we had \$87 million in letters of credit outstanding and \$541 million in performance bonds for these purposes. The estimated costs to complete related to our letters of credit and performance bonds as at June 30, 2021 are \$61 million and \$173 million, respectively.

### **Transactions Between Related Parties**

See Note 19 to the condensed consolidated financial statements, "Related Party Transactions", for detailed information.

### **Non-GAAP Financial Measures**

Gross margin percentage on land and home sales are non-GAAP measures and are defined by the Company as gross margin of land and homes over respective revenues of land and homes. Management finds gross margin percentage to be an important and useful measurement, as the Company uses it to evaluate its performance and believes it is a widely accepted financial measure by users of its financial statements in analyzing its operating results. Gross margin percentage also provides comparability to similar calculations by its peers in the homebuilding industry. Additionally, gross margin percentage is important to the Company's management because it assists its management in making strategic decisions regarding its construction pace, product mix and product pricing based upon the profitability generated on homes and land actually delivered during previous periods. However, gross margin percentage as presented may not be fully comparable to similarly titled measures reported by other companies because not all companies calculate this metric in an identical manner.

This measure is not intended to represent GAAP gross margin percentage and it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**BROOKFIELD RESIDENTIAL PROPERTIES INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(all dollar amounts are in thousands of U.S. dollars)*  
*(Unaudited)*

	Note	As at	
		June 30 2021	December 31 2020
<b>Assets</b>			
Cash and cash equivalents .....		\$ 89,193	\$ 350,306
Restricted cash .....	2	4,803	17,849
Receivables and other assets .....		818,017	767,592
Land and housing inventory .....	3	2,649,016	2,656,627
Investments in unconsolidated entities - land and housing .....	5	326,402	307,250
Investments in unconsolidated entities - affiliate .....	5	709,776	605,615
Held-to-maturity investment .....		300,000	300,000
Commercial properties .....	6	817,278	709,947
Operating and financing lease right-of-use asset .....		80,151	82,109
Deferred income tax assets .....	7	57,726	54,967
Goodwill .....		16,479	16,479
Total assets .....		<u>\$ 5,868,841</u>	<u>\$ 5,868,741</u>
<b>Liabilities and Equity</b>			
Accounts payable and other liabilities .....		\$ 693,357	\$ 608,040
Bank indebtedness and other financings .....	8	537,046	409,638
Notes payable .....	9	1,628,381	1,621,500
Operating and financing lease liability .....		87,307	88,559
Total liabilities .....		<u>2,946,091</u>	<u>2,727,737</u>
Common shares .....	10	626,594	626,594
Retained earnings .....	10	1,171,826	1,393,099
Non-controlling interest - land and housing .....		108,118	155,466
Non-controlling interest - affiliate .....		1,105,260	1,073,016
Accumulated other comprehensive loss .....		(89,048)	(107,171)
Total equity .....		<u>2,922,750</u>	<u>3,141,004</u>
Total liabilities and equity .....		<u>\$ 5,868,841</u>	<u>\$ 5,868,741</u>
Commitments, contingent liabilities and other .....	14		
Guarantees .....	15		
Subsequent events .....	20		

*See accompanying notes to the condensed consolidated financial statements*

**BROOKFIELD RESIDENTIAL PROPERTIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(all dollar amounts are in thousands of U.S. dollars, except per share amounts)*  
*(Unaudited)*

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2021	2020	2021	2020
<b>Revenue</b>					
Housing .....		\$ 420,556	\$ 306,134	\$ 792,080	\$ 600,055
Land .....		54,164	17,294	127,005	35,034
Total revenue .....		474,720	323,428	919,085	635,089
<b>Direct Cost of Sales</b>					
Housing .....		(344,232)	(257,358)	(643,361)	(502,843)
Land .....		(38,110)	(11,500)	(90,736)	(23,099)
Total direct cost of sales .....		(382,342)	(268,858)	(734,097)	(525,942)
Gross margin .....		92,378	54,570	184,988	109,147
Selling, general and administrative expense .....		(62,977)	(52,921)	(124,230)	(110,710)
Interest expense .....		(13,110)	(102)	(24,827)	(2,233)
Earnings from unconsolidated entities - land & housing	5	7,880	2,505	16,808	4,592
Earnings / (Loss) from unconsolidated entities - affiliate	5	29,505	1,592	68,968	(22,889)
Other income .....	13	14,503	20,745	35,174	26,275
Lease expense .....		(3,452)	(3,243)	(6,978)	(6,475)
Depreciation .....		(5,297)	(1,098)	(9,200)	(2,159)
<b>Income / (Loss) Before Income Taxes</b>		<b>59,430</b>	<b>22,048</b>	<b>140,703</b>	<b>(4,452)</b>
Current income tax expense .....	7	(514)	(7,530)	(1,309)	(7,897)
Deferred income tax recovery .....	7	311	2,601	1,184	7,345
<b>Net Income / (Loss)</b>		<b>59,227</b>	<b>17,119</b>	<b>140,578</b>	<b>(5,004)</b>
<b>Other Comprehensive Income / (Loss)</b>					
Unrealized foreign exchange gain / (loss) on:					
Translation of the net investment in Canadian subsidiaries and unconsolidated entities - affiliate .....		11,382	32,795	23,447	(42,263)
Translation of the Canadian dollar denominated debt designated as a hedge of the net investment in Canadian subsidiaries .....		(2,625)	(6,350)	(5,325)	8,325
<b>Comprehensive Income / (Loss)</b>		<b>\$ 67,984</b>	<b>\$ 43,564</b>	<b>\$ 158,700</b>	<b>\$ (38,942)</b>
<b>Net Income / (Loss) Attributable To:</b>					
Consolidated .....		\$ 59,227	\$ 17,119	\$ 140,578	\$ (5,004)
Non-controlling interest - land and housing .....		11,331	3,105	15,354	6,365
Non-controlling interest - affiliate .....		15,475	1,592	32,244	(8,481)
Brookfield Residential .....		\$ 32,421	\$ 12,422	\$ 92,980	\$ (2,888)
<b>Comprehensive Income/ (Loss) Attributable To:</b>					
Consolidated .....		\$ 67,984	\$ 43,564	\$ 158,700	\$ (38,942)
Non-controlling interest - land and housing .....		11,331	3,105	15,354	6,365
Non-controlling interest - affiliate .....		15,475	1,592	32,244	(8,481)
Brookfield Residential .....		\$ 41,178	\$ 38,867	\$ 111,102	\$ (36,826)
<b>Common Shareholders Earnings / (Loss) Per Share</b>					
Basic .....	12	\$ 0.25	\$ 0.10	\$ 0.72	\$ (0.02)
Diluted .....	12	\$ 0.25	\$ 0.10	\$ 0.71	\$ (0.02)
<b>Weighted Average Common Shares Outstanding (in thousands)</b>					
Basic .....	12	129,757	129,757	129,757	129,757
Diluted .....	12	130,645	129,786	130,645	129,786

See accompanying notes to the condensed consolidated financial statements

**BROOKFIELD RESIDENTIAL PROPERTIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
*(all dollar amounts are in thousands of U.S. dollars)*  
*(Unaudited)*

	Note	Six Months Ended June 30	
		2021	2020
<b>Common Shares</b>	10		
Opening balance .....		\$ 626,594	\$ 626,594
Ending balance .....		626,594	626,594
<b>Retained Earnings</b>			
Opening balance .....		1,393,099	1,382,130
Common share dividends .....		(350,000)	—
Net income / (loss) attributable to Brookfield Residential .....		92,980	(2,888)
Dilution of investment in unconsolidated entities - affiliate .....	5	35,309	—
Other .....		438	5,610
Ending balance .....		1,171,826	1,384,852
<b>Accumulated Other Comprehensive Loss</b>			
Opening balance .....		(107,170)	(125,294)
Other comprehensive income / (loss) .....		18,122	(33,938)
Ending balance .....		(89,048)	(159,232)
<b>Total Brookfield Residential Equity</b>		\$ 1,709,372	\$ 1,852,214
<b>Non-Controlling Interest - Land &amp; Housing</b>			
Opening balance .....		\$ 155,464	\$ 149,574
Net income attributable to non-controlling interest .....		15,354	6,365
Distributions .....		(62,700)	(22,505)
Contributions .....		—	17,873
Other .....		—	(6,929)
Ending balance .....		\$ 108,118	\$ 144,378
<b>Non-Controlling Interest - Affiliate</b>			
Opening balance .....		\$ 1,073,016	\$ 1,012,242
Net income / (loss) attributable to non-controlling interest .....		32,244	(8,481)
Other .....		—	1,319
Ending balance .....		\$ 1,105,260	\$ 1,005,080
<b>Total Equity</b>		\$ 2,922,750	\$ 3,001,672

*See accompanying notes to the condensed consolidated financial statements*

**BROOKFIELD RESIDENTIAL PROPERTIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(all dollar amounts are in thousands of U.S. dollars)

(Unaudited)

	<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows Provided by / (Used in) Operating Activities</b>		
Net income / (Loss)	\$ 140,578	\$ (5,004)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Earnings from unconsolidated entities - land and housing	(16,808)	(4,592)
(Earnings) / Loss from unconsolidated entities - affiliate	(68,968)	22,889
Deferred income tax recovery	(1,184)	(7,345)
Share-based compensation expense	934	5,042
Depreciation	9,200	2,159
Right-of-use asset depreciation	2,301	3,886
Amortization of non-cash interest	3,525	3,749
Loss on extinguishment of debt	15,750	15,030
Dividend income on held-to-maturity investment	(11,902)	(11,968)
Distributions of earnings from unconsolidated entities	15,797	—
<b>Changes in operating assets and liabilities:</b>		
(Increase) / Decrease in receivables and other assets	(16,783)	17,321
Decrease / (Increase) in land and housing inventory	24,321	(64,633)
Increase in commercial properties	(112,476)	(130,812)
Decrease in operating lease liabilities	(1,558)	(1,973)
Increase / (Decrease) in accounts payable and other liabilities	51,894	(24,067)
Net cash provided by / (used in) operating activities	<u>34,621</u>	<u>(180,318)</u>
<b>Cash Flows Used In Investing Activities</b>		
Investments in unconsolidated entities	(9,228)	(17,642)
Distributions from unconsolidated entities	41,309	7,104
Acquisition	(14,500)	—
Increase in loan receivable	(19,737)	(27,276)
Net cash used in investing activities	<u>(2,156)</u>	<u>(37,814)</u>
<b>Cash Flows (Used In) / Provided by Financing Activities</b>		
Drawings under project-specific and other financings	103,590	118,284
Repayments under project-specific and other financings	(14,051)	(20,832)
Net drawings on bank indebtedness	33,071	134,500
Drawings under unsecured senior notes payable	551,650	500,000
Repayments under unsecured senior notes payable	(551,650)	(500,000)
Payments of debt issuance costs	(6,753)	(8,983)
Payments of debt extinguishment costs	(8,984)	(8,930)
Distributions to non-controlling interest	(62,700)	(22,505)
Contributions from non-controlling interest	—	17,873
Dividends paid to common shareholders	(350,000)	—
Payments made on the principal of financing leases	(94)	(102)
Net cash (used in) / provided by financing activities	<u>(305,921)</u>	<u>209,305</u>
Effect of foreign exchange rates on cash and cash equivalents	(703)	(3,406)
Change in cash, cash equivalents and restricted cash	(274,159)	(12,233)
Cash, cash equivalents and restricted cash at beginning of period	368,155	123,741
Cash, cash equivalents and restricted cash at end of period	<u>\$ 93,996</u>	<u>\$ 111,508</u>
<b>Supplemental Cash Flow Information</b>		
Cash interest paid	\$ 55,802	\$ 59,693
Cash taxes paid	\$ 3,390	\$ 3,337

*See accompanying notes to the condensed consolidated financial statements*

**BROOKFIELD RESIDENTIAL PROPERTIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*(all dollar amounts are in thousands of U.S. dollars)*

**Note 1. Significant Accounting Policies**

*(a) Basis of Presentation*

Brookfield Residential Properties Inc. (the “Company” or “Brookfield Residential”) was incorporated in Ontario, Canada and is a wholly-owned subsidiary of Brookfield Asset Management Inc. (“BAM”) and has been developing land and building homes for over 60 years.

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements in the Company’s Annual Report for the year ended December 31, 2020.

The condensed consolidated financial statements include the consolidated accounts of Brookfield Residential, its subsidiaries, investments in unconsolidated entities and variable interest entities in which the Company is the primary beneficiary. All intercompany accounts, transactions and balances have been eliminated upon consolidation.

All dollar amounts discussed herein are in U.S. dollars and in thousands, unless otherwise stated. Amounts in Canadian dollars are identified as “C\$.”

*(b) Use of Estimates*

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the carrying amounts of particular assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas where judgment is applied include asset valuations, investments in unconsolidated entities, assessment of variable interest entities, assets and liabilities associated with assets held for sale, tax provisions, warranty costs, deferred income tax assets and liabilities, share-based compensation, and contingent liabilities including litigation. Actual results could differ materially from these estimates.

*(c) Future Accounting Pronouncements*

ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, was issued in June 2016, and is effective January 1, 2023 with early adoption permitted. It is to be applied on a modified retrospective basis. Principally, it requires entities to use an expected credit loss methodology and to consider a broader range of reasonable and supportable information to estimate credit losses. Adoption of the update is not expected to have a significant impact on the Company’s financial position and results of operations.

ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform*, was issued in March 2020, and is effective from March 12, 2020 through December 31, 2022. The update provides optional guidance for a limited period of time to ease the potential burden of reference rate reform on financial reporting, in response to concerns about structural risks of interbank offered rates (IBOR), and particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR). Adoption of this update is not expected to have a significant impact on the Company’s financial position and results of operations.

**Note 2. Restricted Cash**

At June 30, 2021, the Company has restricted cash consisting of \$4.8 million of funds reserved for guarantees on completion of certain improvements and guarantees on future insurance loss deductible payments (December 31, 2020 – \$17.7 million of funds reserved for guarantees on completion of certain improvements and guarantees on future insurance loss deductibles, and \$0.1 million relating to cash collateralization of development letters of credit).

**Note 3. Land and Housing Inventory**

The following summarizes the components of land and housing inventory:

	<b>As at</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
Land held for development .....	\$ 1,300,370	\$ 1,307,436
Land under development .....	651,122	774,074
Housing inventory .....	612,126	476,629
Model homes .....	85,398	98,488
	<b>\$ 2,649,016</b>	<b>\$ 2,656,627</b>

**BROOKFIELD RESIDENTIAL PROPERTIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*(all dollar amounts are in thousands of U.S. dollars)*

The Company has reviewed all of its projects for impairment in accordance with the provisions of ASC Topic 360 *Property, Plant and Equipment* and ASC Topic 820 *Fair Value Measurements and Disclosures*. For the three and six months ended June 30, 2021 and 2020, no impairment indicators were identified.

Interest capitalized and expensed during the three and six months ended June 30, 2021 and 2020 was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Interest capitalized, beginning of period.....	\$ 190,554	\$ 184,415	\$ 188,646	\$ 173,352
Interest capitalized.....	17,578	22,696	35,362	43,660
Interest expensed to cost of sales.....	(19,773)	(11,928)	(35,649)	(21,829)
Interest capitalized, end of period.....	<u>\$ 188,359</u>	<u>\$ 195,183</u>	<u>\$ 188,359</u>	<u>\$ 195,183</u>

Land and housing inventory includes non-refundable deposits and other entitlement costs totaling \$27.1 million (December 31, 2020 – \$24.8 million) in connection with options that are not required to be consolidated in accordance with the guidance incorporated in ASC Topic 810. The total remaining exercise price of these options is \$58.0 million (December 31, 2020 – \$75.7 million), including the non-refundable deposits and other entitlement costs identified above.

**Note 4. Business Combinations**

On June 1, 2021, the Company acquired the management company of Newland, an established U.S. real estate land development company, and their 5% general partner equity interest in 15 land communities, for total consideration of \$44.4 million. The strategic acquisition provides the Company with an expanded geographic footprint and regional operational skill sets to increase its position in the development of master-planned communities across the United States.

As a part of the transaction, all property management agreements held by Newland as well as all related assets and liabilities were immediately assigned to BPD, a related party of the Company, for no consideration. Additionally, substantially all employees related to the property management agreements were directly hired by BPD.

The acquisition was accounted for as a business combination under the provisions of ASC Topic 805 *Business Combinations* which, among other things, requires assets acquired and liabilities assumed to be measured at their acquisition date fair values.

The following table summarizes the measurement of the assets acquired and liabilities assumed:

	Fair Value at Acquisition Date
<b>Assets</b>	
Investments in unconsolidated entities.....	\$ 44,402
Cash and cash equivalents.....	1,418
Total assets acquired.....	<u>\$ 45,820</u>
<b>Liabilities</b>	
Accounts payable and other liabilities.....	\$ 1,418
Total liabilities acquired.....	<u>\$ 1,418</u>
Net assets acquired.....	\$ 44,402
Total consideration (a).....	\$ 44,402
Goodwill / (Bargain Purchase Gain).....	\$ —

(a) The Company paid \$14.5 million of the total consideration in cash and had consideration payable outstanding of \$29.9 million as at June 30, 2021.

**BROOKFIELD RESIDENTIAL PROPERTIES INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*(all dollar amounts are in thousands of U.S. dollars)*

The following table presents the revenue and net income of Newland that are included in the condensed consolidated statements of operations from the acquisition date of June 1, 2021 through June 30, 2021:

	<b>June 1 to June 30, 2021</b>
Revenue .....	\$ —
Net income .....	\$ 13

**Note 5. Investments in Unconsolidated Entities**

*(a) Land and Housing*

As of June 30, 2021, the Company is invested in 23 unconsolidated entities (December 31, 2020 – 15 unconsolidated entities) in which it has less than a controlling interest. Investments in unconsolidated entities include \$17.3 million (December 31, 2020 – \$16.1 million) of the Company's share of non-refundable deposits and other entitlement costs in connection with 1,001 lots (December 31, 2020 – 1,001 lots) under option. The Company's share of the total exercise price of these options is \$38.0 million (December 31, 2020 – \$38.9 million). Summarized financial information on a 100% basis for the combined land and housing unconsolidated entities follows:

	<b>As at</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
<b>Assets</b>		
Land and housing inventory .....	\$ 1,395,108	\$ 710,268
Investments in unconsolidated entities .....	151,659	147,695
Other assets .....	317,589	130,702
	<u>\$ 1,864,356</u>	<u>\$ 988,665</u>
<b>Liabilities and Equity</b>		
Bank indebtedness and other financings .....	\$ 354,299	\$ 126,067
Accounts payable and other liabilities .....	237,658	117,868
Brookfield Residential's interest .....	326,402	307,250
Others' interest .....	945,997	437,480
	<u>\$ 1,864,356</u>	<u>\$ 988,665</u>

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenue and Expenses</b>				
Revenue .....	\$ 106,978	\$ 32,496	\$ 172,117	\$ 54,885
Direct cost of sales .....	(71,081)	(22,346)	(116,306)	(36,484)
Other income and expenses .....	(4,160)	(1,941)	(3,099)	(2,896)
Net income .....	<u>\$ 31,737</u>	<u>\$ 8,209</u>	<u>\$ 52,712</u>	<u>\$ 15,505</u>
Brookfield Residential's share of net income .....	<u>\$ 7,880</u>	<u>\$ 2,505</u>	<u>\$ 16,808</u>	<u>\$ 4,592</u>

The Company and/or its unconsolidated entity partners have provided varying levels of guarantees of debt on its unconsolidated entities. As at June 30, 2021, the Company had recourse guarantees of \$44.4 million (December 31, 2020 – \$32.5 million) with respect to debt of its land and housing unconsolidated entities.

*(b) Affiliates*

The Company recorded its investment in Brookfield US Inc. ("BUSI") using the equity method in accordance with ASC Topic 323 Equity Method - Investments and Joint Ventures for transactions with entities under common control. Under the equity method, the Company's investment is recorded at its proportionate share of the carrying amount of the underlying assets and liabilities of BUSI as at September 26, 2019. The Company's investment in BUSI is subsequently increased or decreased to recognize the Company's share of comprehensive income or loss after the initial recognition and for changes in ownership.

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On June 30, 2021, BUSI completed a recapitalization transaction whereby Brookfield US Holdings Inc. subscribed for 455,967 additional Class A common shares in exchange for \$700.0 million of BUSI preferred shares. As a result of the transactions, BRPI's economic interest in BUSI was diluted from 9.5% to 9.1%, and a dilution gain of \$35.3 million was recorded through retained earnings.

Summarized activity in the balance of our investment in unconsolidated entities - affiliate for the current and prior period is as follows:

	<b>For the Period Ended</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
<b>Equity Investment in BUSI</b>		
Balance, beginning of period	\$ 605,615	\$ 634,028
Dilution gain	35,309	—
Earnings / (Loss) from unconsolidated entities	68,968	(29,544)
Other comprehensive (loss) / income	(116)	1,131
Balance, end of period	<u>\$ 709,776</u>	<u>\$ 605,615</u>

Summarized financial information of BUSI, excluding the assets and liabilities of BUSI's investment in the Company's controlled subsidiaries, (presented at 100%) is as follows:

	<b>As at</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
<b>Assets</b>		
Investments	\$ 10,467,415	\$ 7,087,439
Investments in unconsolidated entities	5,099,547	5,056,923
Other assets	4,455,726	4,201,913
	<u>\$ 20,022,688</u>	<u>\$ 16,346,275</u>
<b>Liabilities and Equity</b>		
Loans payable	\$ 2,120,724	\$ 3,310,113
Other liabilities	963,420	1,000,334
Non-controlling interest	9,130,126	5,658,270
Brookfield Residential's interest	709,776	605,615
Others' Interest	7,098,642	5,771,943
	<u>\$ 20,022,688</u>	<u>\$ 16,346,275</u>

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenue and Expenses</b>				
Income	\$ 558,109	\$ 229,903	\$1,383,628	\$ 573,680
Expenses	(271,525)	(213,149)	(681,645)	(869,463)
Net income / (loss)	<u>286,584</u>	<u>16,754</u>	<u>701,983</u>	<u>(295,783)</u>
Other comprehensive income / (loss)	1,963	2,410	(1,225)	(1,368)
Comprehensive income / (loss)	<u>\$ 288,547</u>	<u>\$ 19,164</u>	<u>\$ 700,758</u>	<u>\$ (297,151)</u>

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**Note 6. Commercial Properties**

The Company's components of commercial properties consist of the following:

	<b>As at</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
Work in progress .....	\$ 177,296	\$ 469,981
Finished properties .....	651,070	243,824
	828,366	713,805
Less: accumulated depreciation .....	(11,088)	(3,858)
	<u>\$ 817,278</u>	<u>\$ 709,947</u>

Interest capitalized and expensed during the three and six months ended June 30, 2021 and 2020 was as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest capitalized, beginning of period .....	\$ 53,924	\$ 29,488	\$ 52,537	\$ 23,646
Interest capitalized .....	428	7,963	2,043	13,805
Interest expensed to depreciation .....	(229)	—	(457)	—
Interest capitalized, end of period .....	<u>\$ 54,123</u>	<u>\$ 37,451</u>	<u>\$ 54,123</u>	<u>\$ 37,451</u>

**Note 7. Income Taxes**

The Company recorded an aggregate income tax expense of \$0.1 million for the six months ended June 30, 2021 (six months ended June 30, 2020 – \$0.6 million), which is comprised of current income tax expense of \$1.3 million (six months ended June 30, 2020 - \$7.9 million) and deferred income tax recovery of \$1.2 million (six months ended June 30, 2020 - \$7.3 million).

A reconciliation of the Company's effective tax rate from the Canadian statutory tax rate for the six months ended June 30, 2021 and 2020 is as follows:

	<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Statutory rate .....	23.0%	25.0%
Non-temporary differences .....	0.3	(28.4)
Rate difference from statutory rate .....	(2.5)	196.0
Deferred tax asset valuation allowance impact .....	(25.3)	(126.1)
Portion of gains subject to different tax rates .....	13.4	—
Return to provision .....	—	(168.2)
Non-taxable preferred share dividends .....	(2.2)	71.2
Taxable income attributable to non-controlling interests .....	(9.1)	22.2
Other .....	2.5	(4.1)
Effective tax rate .....	<u>0.1%</u>	<u>(12.4%)</u>

The change in the effective tax rate when compared to the same period in 2020 was primarily due to changes in the proportion of income in jurisdictions with different tax rates, consolidation of income attributable to non-controlling interest for which the consolidated tax provision only includes our proportionate share and the release of valuation allowance relating to the recognition of capital losses for which no benefit was previously recognized and the outside basis difference in our investment in affiliate unconsolidated entities. This was partially offset by an increase in tax expense as a result of unrealized foreign exchange gains on the Company's U.S. denominated notes and realized capital gains of C\$199.0 million on the sale of common share investments which was fully offset by the utilization of capital losses.

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As at June 30, 2021, the Company recorded deferred tax assets of \$70.0 million (December 31, 2020 - \$111.2 million) which were partly offset by valuation allowances of \$12.3 million (December 31, 2020 - \$56.3 million). In evaluating the need for a valuation allowance against the Company's deferred tax assets at June 30, 2021, the Company considered all available and objectively verifiable positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies and recent financial operations. The valuation allowance of \$12.3 million mainly relates to the Company's investment in affiliate unconsolidated entities that have not met the more-likely-than-not realization threshold. The Company concluded it is more-likely-than-not that all of its remaining U.S. and Canadian deferred tax assets will be realized in the future.

**Note 8. Bank Indebtedness and Other Financings**

Bank indebtedness and other financings consist of the following:

	As at	
	June 30 2021	December 31 2020
Project-specific financings (a).....	\$ 458,507	\$ 355,815
Bank indebtedness (b).....	33,071	—
Secured VTB mortgages (c).....	52,816	61,861
	544,394	417,676
Transaction costs (a)(b).....	(7,348)	(8,038)
	<u>\$ 537,046</u>	<u>\$ 409,638</u>

(a) *Project-specific financings*

- (i) On June 17, 2021, OliverMcMillan Spectrum Emery LLC, a wholly-owned subsidiary of the Company, finalized the amendment of the secured construction loan for the Fifth + Broadway mixed-used project in Nashville. The loan was extended through July 2024 (December 31, 2020 - matures December 2023), allowing OliverMcMillan Spectrum Emery LLC to borrow up to \$360.0 million (December 31, 2020 - \$360.0 million). As at June 30, 2021, the Company has \$341.6 million of borrowings outstanding under the construction loan (December 31, 2020 - \$284.4 million).

Interest was amended to be charged on the loan at a rate equal to LIBOR plus 3.15%, subject to a LIBOR rate floor of 0.25%, with the ability to convert the interest charged to a prime rate loan (December 31, 2020 - LIBOR plus 3.35%, subject to a LIBOR rate floor of 1.80%).

The loan contains certain restrictive covenants including leasing and construction of the project. The loan requires BRUS LLC to maintain a minimum liquidity of \$10.0 million and a minimum net worth of \$100.0 million. The loan is secured by the assets of OliverMcMillan Spectrum Emery LLC. The Company was in compliance with these covenants as at June 30, 2021.

- (ii) On March 20, 2020, OliverMcMillan Kuhio LLC, a wholly-owned subsidiary of the Company, entered into a three-year secured construction loan for the Lilia mixed-used project located in Honolulu, Hawaii. The loan allows OliverMcMillan Kuhio LLC to borrow up to \$155.7 million. As at June 30, 2021, the company has \$79.7 million of borrowings outstanding under the construction loan (December 31, 2020 - \$24.1 million).

Interest is charged on the loan at a rate equal to LIBOR plus 2.0%, with the ability to convert the interest charged to a prime rate loan.

The loan contains certain restrictive covenants including leasing and construction of the project. The loan requires BRUS LLC to maintain a minimum liquidity of \$75.0 million and a minimum net worth of \$250.0 million. The loan is secured by the assets of OliverMcMillan Kuhio LLC. The Company was in compliance with these covenants as at June 30, 2021.

- (iii) As at June 30, 2021, the Company has two Canadian project-specific financings totaling \$37.2 million (C\$46.1 million) provided by various lenders (December 31, 2020 - \$47.4 million (C\$60.3 million)).

Project-specific financing totaling \$29.1 million (C\$36.1 million) has an interest rate of Canadian Prime + 0.50%, is due on demand with 240 days notice, and is secured by certain land and housing inventory assets of the Company's Alberta operations and a general charge over the property of South Seton Limited Partnership, a consolidated subsidiary of the Company (December 31, 2020 - \$39.3 million (C\$50.0 million)). This borrowing includes a minimum debt to equity covenant for South Seton Limited Partnership of no greater than 1.50 to 1. The Company was in compliance with this covenant as at June 30, 2021.

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Project-specific financing totaling \$8.1 million (C\$10.0 million), held by a joint venture in our Alberta operations, a consolidated subsidiary of the Company, has an interest rate of Canadian Prime + 0.50%, matures in November 2021, and is secured without covenants (December 31, 2020 - \$8.1 million (C\$10.3 million)).

(b) *Bank indebtedness*

As at June 30, 2021, there were \$33.1 million of borrowings outstanding under the North American unsecured revolving credit facility, and available capacity of \$551.9 million (December 31, 2020 - no borrowings outstanding and \$597.8 million of available capacity, respectively). The Company is able to borrow in either Canadian or U.S. dollars with borrowings allowable up to \$675 million.

For U.S. dollar denominated borrowings, interest is charged on the facility at a rate equal to, at the borrower's option, either the adjusted LIBOR plus an applicable rate between 2.5% and 3.0% per annum or an alternative base rate ("ABR") plus an applicable rate between 1.5% and 2.5% per annum. For Canadian dollar denominated borrowings, interest is charged on the facility at a rate equal to either the Canadian dollar offered rate ("CDOR") plus an applicable rate between 2.5% and 3.0% per annum or the Canadian prime rate plus an applicable rate between 1.5% and 2.0% per annum.

The facility contains certain restrictive covenants including limitations on liens, dividends and other distributions, investments in subsidiaries and joint ventures that are not party to the loan. The facility requires the Company to maintain a minimum consolidated tangible net worth of \$2.4 billion, as well as a consolidated total debt to consolidated total capitalization of no greater than 65%. As at June 30, 2021, the Company was in compliance with all of its covenants relating to this facility.

(c) *Secured VTB mortgages*

The Company has nine secured VTB mortgages (December 31, 2020 – 12 secured VTB mortgages) in the amount of \$52.8 million (December 31, 2020 – \$61.9 million). Secured VTB mortgages are repayable as follows: 2022 – \$24.1 million; 2023 – \$7.2 million; 2024 – \$19.2 million; and 2025 – \$2.3 million.

Seven secured VTB mortgages (December 31, 2020 – 10 secured VTB mortgages) in the amount of \$38.1 million (December 31, 2020 – \$47.1 million) relate to raw land held for development by Brookfield Residential (Alberta) LP and Brookfield Residential (Ontario) LP, wholly-owned subsidiaries of the Company. This debt is repayable in Canadian dollars of C\$47.2 million (December 31, 2020 – C\$60.0 million). The interest rates on the debt range from fixed rates of 4.0% to 6.0% and variable rates of Canadian Prime plus 1.0% to 2.0% and the debt is secured by the related land. As at June 30, 2021, these borrowings are not subject to any financial covenants.

Two secured VTB mortgages (December 31, 2020 – two secured VTB mortgages) in the amount of \$14.7 million (December 31, 2020 – \$14.7 million) relates to raw land held for development by various U.S. subsidiaries of the Company. The interest rate on the debt ranges from fixed rates of 0.48% to 4.0% and the debt is secured by related land. As at June 30, 2021, these borrowings are not subject to any financial covenants.

**Note 9. Notes Payable**

	As at	
	June 30 2021	December 31 2020
6.125% unsecured senior notes redeemed June 10, 2021 (a).....	\$ —	\$ 196,325
6.375% unsecured senior notes redeemed June 10, 2021 (a).....	—	350,000
6.250% unsecured senior notes due September 15, 2027 (b).....	600,000	600,000
5.125% unsecured senior notes due June 15, 2029 (c).....	201,650	—
5.000% unsecured senior notes due June 15, 2029 (d).....	350,000	—
4.875% unsecured senior notes due February 15, 2030 (e).....	500,000	500,000
	<u>1,651,650</u>	<u>1,646,325</u>
Transaction costs (f).....	(23,269)	(24,825)
	<u>\$ 1,628,381</u>	<u>\$ 1,621,500</u>

(a) The Company's C\$250 million principal amount of 6.125% unsecured senior notes and \$350 million principal amount of 6.375% unsecured senior notes were redeemed in full at redemption prices equal to 100.0% and 102.13% of their aggregate principal amounts, respectively, plus accrued and unpaid interest, using cash on hand and the net proceeds from the issuance of the unsecured senior notes due in 2029.

(b) The Company's \$600 million principal amount of 6.25% unsecured senior notes mature September 15, 2027 with interest payable semi-annually. On or after September 15, 2022 the notes may be redeemed at 103.13% of their

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principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the notes can be redeemed at par on or after September 15, 2025 through maturity.

- (c) On May 25, 2021, the Company and BRUS LLC co-issued a private placement of C\$250 million of unsecured senior notes. The notes have an eight-year term, are due on June 15, 2029, and bear interest at a fixed rate of 5.125%. The notes require semi-annual interest payments June 15 and December 15 of each year until maturity. Obligations to pay principal and interest on the unsecured notes are guaranteed by the Company and certain of the Company's subsidiaries. On or after June 15, 2024, the notes may be redeemed at 102.56% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the notes can be redeemed at par on or after June 15, 2026 through maturity. The net proceeds of the offering were used to redeem the C\$250 million aggregate principal amount of the unsecured senior notes due in 2023.
- (d) On May 25, 2021, the Company and BRUS LLC co-issued a private placement of \$350 million of unsecured senior notes. The notes have an eight-year term, are due June 15, 2029, and bear interest at a fixed rate of 5.0%. The notes require semi-annual interest payments on June 15 and December 15 of each year until maturity. Obligations to pay principal and interest on the unsecured notes are guaranteed by the Company and certain of the Company's subsidiaries. On or after June 15, 2024, the notes may be redeemed at 102.5% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the notes can be redeemed at par on or after June 15, 2026 through maturity. The net proceeds of the offering were used to redeem the \$350 million aggregate principal amount of the unsecured senior notes due in 2025.
- (e) The Company's \$500 million principal amount of 4.875% unsecured senior notes mature February 15, 2030 with interest payable semi-annually. On or after February 15, 2025 the notes may be redeemed at 102.44% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the notes can be redeemed at par on or after February 15, 2028 through maturity.
- (f) During the six months ended June 30, 2021, the Company capitalized \$6.8 million of transaction costs associated with the unsecured senior notes due in 2029. As a result of the redemption of the unsecured senior notes due in 2023 and 2025, the Company recorded a loss on extinguishment of debt in the second quarter of 2021, which included a write-off of net unamortized deferred financing fees of \$6.8 million.

The Company and BRUS LLC are co-issuers of all private placements of unsecured senior notes. All unsecured senior notes include covenants that, among others, place limitations on incurring additional indebtedness and restricted payments. Under the limitation on additional indebtedness, Brookfield Residential is permitted to incur specified categories of indebtedness, but is prohibited from incurring further indebtedness if it does not satisfy either a net indebtedness to tangible net worth ratio of 3.0 to 1, or a fixed coverage ratio of 2.0 to 1, as applicable. The Company was in compliance with these financial covenants as at June 30, 2021.

**Note 10. Equity**

*Common Shares*

The authorized Common Share capital of the Company consists of an unlimited number of voting Common Shares and Non-Voting Class B Common Shares.

There were no Common Shares issued during the six months ended June 30, 2021 and the year ended December 31, 2020.

	<b>For the Period Ended</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
Common Shares issued, beginning of period.....	129,756,910	129,756,910
Common Shares issued.....	—	—
Common Shares issued and outstanding, end of period.....	<u>129,756,910</u>	<u>129,756,910</u>

The Company had no Non-Voting Class B Common Shares issued and outstanding as at June 30, 2021 and December 31, 2020.

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**Note 11. Share-Based Compensation**

*(a) Management Share Option Plan*

During the three and six months ended June 30, 2021, there were no options granted to eligible employees (three and six months ended June 30, 2020 – no options granted).

The liability of \$27.3 million (December 31, 2020 – \$44.5 million) relating to stock options is included in accounts payable and other liabilities. The total stock based compensation cost recognized in selling, general and administrative expense resulting from the change in fair value of our share-based compensation liabilities for the three and six months ended June 30, 2021 was \$0.4 million and \$0.9 million, respectively (June 30, 2020 – \$2.2 million and \$5.1 million, respectively).

The following tables set out the number of Non-Voting Class B Common Shares that employees of the Company may acquire under options granted under the Company's Management Share Option Plan for the six months ended June 30, 2021 and 2020:

	June 30, 2021		June 30, 2020	
	Options	Weighted Average Per Share Exercise Price	Options	Weighted Average Per Share Exercise Price
Outstanding, beginning of period	10,409,076	\$ 22.20	12,388,886	\$ 22.21
Granted	—	—	—	—
Exercised	(4,057,476)	22.49	—	—
Cancelled	—	—	—	—
Outstanding, end of period	6,351,600	22.01	12,388,886	22.21
Options exercisable, end of period	4,807,400	\$ 22.10	9,579,286	\$ 22.38

A summary of the status of the Company's unvested options for the six months ended June 30, 2021 and 2020 are as follows:

	June 30, 2021		June 30, 2020	
	Options	Weighted Average Fair Value Per Option	Options	Weighted Average Fair Value Per Option
Unvested options outstanding, beginning of period	1,721,600	\$ 6.77	4,199,380	\$ 4.23
Granted	—	—	—	—
Vested	(177,400)	6.51	(1,389,780)	3.34
Cancelled	—	—	—	—
Unvested options outstanding, end of period	1,544,200	\$ 6.80	2,809,600	\$ 4.57

At June 30, 2021, there was \$7.8 million (June 30, 2020 - \$9.7 million) of unrecognized expense related to unvested options, which is expected to be recognized over the remaining weighted average contract period of 1.8 years (June 30, 2020 - 2.5 years).

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*(b) Deferred Share Unit Plan ("DSUP")*

The following table sets out changes in and the number of deferred share units that executives, directors and senior operating management employees may redeem under Brookfield Residential's DSUP at June 30, 2021 and December 31, 2020:

	<b>For the Period Ended</b>	
	<b>June 30 2021</b>	<b>December 31 2020</b>
Outstanding, beginning of period.....	1,382,134	1,382,134
Granted and reinvested.....	—	—
Redeemed.....	(1,382,134)	—
Outstanding, end of period.....	—	1,382,134
Deferred share units vested.....	—	1,382,134

During the six months ended June 30, 2021, the outstanding vested deferred share units were converted to a different compensation plan with BAM. As a result of the conversion, the DSUP liability at June 30, 2021 was \$nil (December 31, 2020 – \$37.2 million) and a liability of \$37.2 million has been recorded in accounts payable and other liabilities. As a result of the conversion, there was no income statement impact for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 - \$nil).

**Note 12. Earnings Per Share**

Basic and diluted earnings per share for the three and six months ended June 30, 2021 and 2020 were calculated as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Numerator:</b>				
Net (loss) / income attributable to Brookfield Residential.....	\$ 32,421	\$ 12,422	\$ 92,980	\$ (2,888)
<b>Denominator (in '000s of shares):</b>				
Basic weighted average shares outstanding.....	129,757	129,757	129,757	129,757
Diluted weighted average shares outstanding.....	130,645	129,786	130,645	129,786
Basic (loss) / earnings per share.....	\$ 0.25	\$ 0.10	\$ 0.72	\$ (0.02)
Diluted (loss) / earnings per share.....	\$ 0.25	\$ 0.10	\$ 0.71	\$ (0.02)

**Note 13. Other (Income) / Expense**

The Company's components of other income consist of the following:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Investment income.....	\$ (15,019)	\$ (7,321)	\$ (26,879)	\$ (14,700)
Preferred share dividend income.....	(5,984)	(5,984)	(11,901)	(11,968)
Other.....	(3,817)	(2,654)	(6,422)	(6,120)
Income from commercial properties.....	(3,429)	(1,873)	(1,999)	(1,873)
Joint venture management fee income.....	(2,004)	(2,913)	(3,723)	(6,644)
Loss on extinguishment of debt.....	15,750	—	15,750	15,030
	<b>\$ (14,503)</b>	<b>\$ (20,745)</b>	<b>\$ (35,174)</b>	<b>\$ (26,275)</b>

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**Note 14. Commitments, Contingent Liabilities and Other**

The following table reflects the changes in the Company's estimated warranty liability for the six months ended June 30, 2021 and 2020:

	<b>Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of period.....	\$ 16,718	\$ 18,545
Payments and other adjustments made during the period.....	(2,545)	(3,366)
Warranties issued during the period.....	4,050	4,858
Adjustments due to change in estimates.....	(815)	(360)
Balance, end of period.....	<u>\$ 17,408</u>	<u>\$ 19,677</u>

As at June 30, 2021, \$20.5 million of the amounts held in other assets related to deposits on land purchase obligations (December 31, 2020 – \$21.8 million). The total amount committed on these obligations is \$346.3 million (December 31, 2020 – \$292.7 million).

**Note 15. Guarantees**

In the ordinary course of business, the Company has provided construction guarantees in the form of letters of credit and performance bonds. As at June 30, 2021, these guarantees amounted to \$628.7 million (December 31, 2020 – \$593.3 million) and have not been recognized in the condensed consolidated financial statements. However, the proportionate development costs that relate to lots that have been sold are accrued in accounts payable and other liabilities. Such guarantees are required by the municipalities in which the Company operates before construction permission is granted.

**Note 16. Fair Value Measurements**

*Fair Value Hierarchy*

Fair value hierarchical levels are directly determined by the amount of subjectivity associated with the valuation inputs of these assets and liabilities. The fair value hierarchy requires a company to prioritize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value.

As at June 30, 2021, all of the Company's financial assets and liabilities are recorded at their carrying value as it approximates fair value due to their short term nature, with the exception of one of the Company's loan receivable balances, Homebuilder Finance assets, and Brookfield Single Family Rental investment, which are recorded at their fair values.

**Loan Receivable**

The Company has determined that the valuation of the loan receivable balance under the fair value hierarchy falls under Level 3, due to the lack of observable pricing inputs and related market activity. During the three months ended June 30, 2021, the loan receivable balance was paid in full:

	<b>Six Months Ended June 30, 2021</b>	
Balance, beginning of period.....	\$ 48,773	
Principal payments.....		(48,773)
Balance, end of period.....	<u>\$ —</u>	

**Homebuilder Finance Investment**

The Company has determined that the valuation of the Homebuilder Finance investment under the fair value hierarchy falls under Level 3, due to the lack of observable pricing inputs and related market activity. The purchases of investments classified as Level 3 are as follows:

	<b>Six Months Ended June 30, 2021</b>	
Purchases / Land development spend.....	\$ 75,059	

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The following table summarizes the quantitative inputs and assumptions used to determine the investment fair value as of June 30, 2021:

<b>Financial Instrument</b>	<b>Fair value as of 6/30/2021</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range (where applicable)</b>
Homebuilder Finance Investment	\$ 203,833	Discounted cash flow	Rate of return	12.0% - 16.4%

**Brookfield Single Family Rental Investment**

The Company has determined that the valuation of the Brookfield Single Family Rental investment under the fair value hierarchy falls under Level 3, due to the lack of observable pricing inputs and related market activity.

The change in fair value of the investment has used Level 3 inputs to determine fair value is as follows:

	<b>Six Months Ended</b>	
	<b>June 30, 2021</b>	
Balance, beginning of period	\$	23,481
Purchase of investment		6,146
Change in unrealized gain from investment		9,658
Balance, end of period	\$	39,285

The following table summarizes the quantitative inputs and assumptions used to determine the investment fair value as of June 30, 2021:

<b>Financial Instrument</b>	<b>Fair value as of 6/30/2021</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range (where applicable)</b>
Single Family Rental Investment	\$ 39,285	Discounted cash flow	Discount rate Capitalization rate	8.2% - 5.7%
		Transaction cost <sup>(1)</sup>	—	—%

(1) Valuation technique applied depends on the proximity of acquisition to the balance sheet date. For more recently acquired assets, the transaction cost best represents the fair value at June 30, 2021.

**Net Investment Hedge**

For the three and six months ended June 30, 2021, unrealized pre-tax loss of \$2.6 million and \$5.3 million, respectively (June 30, 2020 – loss of \$6.4 million and gain of \$8.3 million, respectively), was recorded in other comprehensive income for hedges of net investments in foreign operations.

**Note 17. Managing Risks**

The Company is exposed to the following risks as a result of holding financial instruments: (a) market risk (i.e. interest rate risk, currency risk and other price risk that impact the fair values of financial instruments); (b) credit risk; and (c) liquidity risk. The following is a description of these risks and how they are managed:

(a) Market Risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, commodity prices or credit spreads.

The Company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates, by funding assets with financial liabilities in the same currency and with similar interest rate characteristics, and holding financial contracts such as interest rate derivatives to minimize residual exposures.

*Interest Rate Risk*

The Company is exposed to financial risk that arises from fluctuations in interest rates. Some of the interest-bearing assets and liabilities of the Company are at floating rates and, accordingly, their fair values approximate their carrying value. The Company would be negatively impacted on balance, if interest rates were to increase. Based on net debt

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levels as at June 30, 2021, a 1% change in interest rates would have a \$5.1 million impact on the Company's cash flows.

The fair value of debt with fixed interest rates is determined by discounting contractual principal and interest payments at estimated current market interest rates determined with reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk. As at June 30, 2021, the book value of all outstanding debt exceeded its fair value by \$110.5 million (December 31, 2020 – fair value of all outstanding debt exceeded its book value by \$69.2 million).

*Currency Exchange Rate Risk*

The Company conducts business in both Canadian and U.S. dollars and, therefore, is exposed to currency risks. Cash flows from Canadian and U.S. operations are exposed to foreign exchange risk as sales and operating expenses are denominated in local currencies. Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the U.S. dollar.

The Company holds financial instruments to hedge the net investment in foreign operations whose functional and reporting currencies are other than the U.S. dollar. A 1% increase in the U.S. dollar would result in a C\$2.0 million gain on these hedging instruments as at June 30, 2021 (December 31, 2020 – C\$2.5 million gain). See Note 16 "Fair Value Measurements" for additional disclosure.

*Other Price Risk*

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

(b) Credit Risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. The Company assesses the credit worthiness of each counterparty before entering into contracts and ensures that counterparties meet minimum credit quality requirements. The Company does not expect to incur credit losses in respect of any of these counterparties. The maximum exposure in respect of receivables is equal to the carrying value.

(c) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund an obligation as it comes due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

To ensure the Company is able to react to contingencies and investment opportunities quickly, the Company maintains sources of liquidity at the corporate and subsidiary levels. The primary source of liquidity consists of cash and other financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities.

The Company is subject to the risks associated with debt financing, including the ability to refinance indebtedness at maturity. The Company believes these risks are mitigated through the use of long-term debt instruments, maintaining debt levels that are in management's opinion relatively conservative, and by diversifying maturities over an extended period of time. The Company also seeks to include in its agreements terms that protect the Company from liquidity issues of counterparties that might otherwise impact the Company's liquidity.

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A summary of the Company's contractual obligations and purchase agreements as at June 30, 2021 is as follows:

	<b>Payment Due by Period</b>				
	<b>Total</b>	<b>Less than 1 Year</b>	<b>1 – 3 Years</b>	<b>3 – 5 Years</b>	<b>More than 5 Years</b>
Notes payable <sup>(1)</sup>	\$ 1,651,650	\$ —	\$ —	\$ —	\$ 1,651,650
Interest on notes payable	731,740	120,335	194,732	179,419	237,254
Secured VTB mortgages <sup>(2)(3)</sup>	52,816	24,070	26,433	2,313	—
Bank indebtedness <sup>(2)(3)</sup>	33,071	—	33,071	—	—
Project-specific financings <sup>(2)(3)</sup>	458,507	37,167	79,715	341,625	—
Accounts payable and other liabilities	693,357	693,357	—	—	—
Operating and financing lease obligations	396,058	5,030	18,714	16,250	356,064
Purchase agreements and other obligations <sup>(4)</sup>	356,166	160,468	188,793	3,522	3,383

- (1) Amounts are included on the condensed consolidated balance sheets and exclude transaction costs. See Note 9 for additional information regarding notes payable.
- (2) Amounts are included on the condensed consolidated balance sheets. See Note 8 for additional information regarding bank indebtedness and other financings and related matters.
- (3) Amounts do not include interest due to the floating nature of the interest on the debt. See Note 8 for additional information regarding floating rate debt.
- (4) See Note 14 for additional information regarding purchase agreements and other obligations.

**Note 18. Segmented Information**

The following tables summarize select information on the Company's consolidated statements of operations by reportable segments:

	<b>Three Months Ended June 30, 2021</b>					
	<b>Canada</b>	<b>California</b>	<b>Central and Eastern U.S.</b>	<b>Corporate and Other</b>	<b>Equity Investment in BUSI</b>	<b>Total</b>
Housing revenue	\$ 91,231	\$ 201,085	\$ 128,240	\$ —	\$ —	\$ 420,556
Land revenue	36,895	5,256	12,013	—	—	54,164
	128,126	206,341	140,253	—	—	474,720
Housing cost of sales	(74,088)	(162,330)	(107,814)	—	—	(344,232)
Land cost of sales	(25,834)	(1,665)	(10,611)	—	—	(38,110)
	(99,922)	(163,995)	(118,425)	—	—	(382,342)
Gross margin	28,204	42,346	21,828	—	—	92,378
Earnings from unconsolidated entities - land and housing	2,535	2,684	2,661	—	—	7,880
Earnings from unconsolidated entities - affiliate	—	—	—	—	29,505	29,505
Expenses	(13,213)	(21,053)	(23,972)	(12,095)	—	(70,333)
Income / (loss) before income taxes	\$ 17,526	\$ 23,977	\$ 517	\$ (12,095)	\$ 29,505	\$ 59,430

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**Three Months Ended June 30, 2020**

	<b>Canada</b>	<b>California</b>	<b>Central and Eastern U.S.</b>	<b>Corporate and Other</b>	<b>Equity Investment in BUSI</b>	<b>Total</b>
Housing revenue	\$ 59,822	\$ 119,379	\$ 126,933	\$ —	\$ —	\$ 306,134
Land revenue	6,116	6,406	4,772	—	—	17,294
	65,939	125,785	131,704	—	—	323,428
Housing cost of sales	(51,440)	(98,209)	(107,709)	—	—	(257,358)
Land cost of sales	(2,905)	(5,178)	(3,417)	—	—	(11,500)
	(54,344)	(103,387)	(111,127)	—	—	(268,858)
Gross margin	11,595	22,398	20,577	—	—	54,570
Earnings / (Loss) from unconsolidated entities - land and housing	1,728	(236)	1,013	—	—	2,505
Earnings from unconsolidated entities - affiliate	—	—	—	—	1,592	1,592
(Expenses) / Income	(8,699)	(16,573)	(19,969)	8,622	—	(36,619)
Income before income taxes	\$ 4,624	\$ 5,589	\$ 1,621	\$ 8,622	\$ 1,592	\$ 22,048

**Six Months Ended June 30, 2021**

	<b>Canada</b>	<b>California</b>	<b>Central and Eastern U.S.</b>	<b>Corporate and Other</b>	<b>Equity Investment in BUSI</b>	<b>Total</b>
Housing revenue	\$ 151,659	\$ 380,106	\$ 260,315	\$ —	\$ —	\$ 792,080
Land revenue	83,430	21,209	22,366	—	—	127,005
	235,089	401,315	282,681	—	—	919,085
Housing cost of sales	(124,051)	(302,573)	(216,737)	—	—	(643,361)
Land cost of sales	(57,820)	(12,762)	(20,154)	—	—	(90,736)
	(181,871)	(315,335)	(236,891)	—	—	(734,097)
Gross margin	53,218	85,980	45,790	—	—	184,988
Earnings from unconsolidated entities - land and housing	2,578	2,906	11,324	—	—	16,808
Earnings from unconsolidated entities - affiliate	—	—	—	—	68,968	68,968
Expenses	(26,103)	(44,301)	(50,518)	(9,139)	—	(130,061)
Income / (Loss) before income taxes	\$ 29,693	\$ 44,585	\$ 6,596	\$ (9,139)	\$ 68,968	\$ 140,703

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**Six Months Ended June 30, 2020**

	<b>Canada</b>	<b>California</b>	<b>Central and Eastern U.S.</b>	<b>Corporate and Other</b>	<b>Equity Investment in BUSI</b>	<b>Total</b>
Housing revenue	\$ 116,007	\$ 257,992	\$ 226,056	\$ —	\$ —	\$ 600,055
Land revenue	20,642	6,375	8,018	—	—	35,035
	136,650	264,366	234,073	—	—	635,089
Housing cost of sales	98,280	211,834	192,729	—	—	502,843
Land cost of sales	12,215	4,456	6,427	—	—	23,099
	(110,494)	(216,292)	(199,156)	—	—	(525,942)
Gross margin	26,156	48,074	34,917	—	—	109,147
Earnings from unconsolidated entities - land and housing	2,278	289	2,025	—	—	4,592
Loss from unconsolidated entities - affiliate	—	—	—	—	(22,889)	(22,889)
Expenses	(18,578)	(34,343)	(39,431)	(2,950)	—	(95,302)
Income / (loss) before income taxes	\$ 9,856	\$ 14,020	\$ (2,489)	\$ (2,950)	\$ (22,889)	\$ (4,452)

The following tables summarize select information on the Company's consolidated balance sheets by reportable segments:

**As at June 30, 2021**

	<b>Canada</b>	<b>California</b>	<b>Central and Eastern U.S.</b>	<b>Corporate and Other</b>	<b>Equity Investment in BUSI</b>	<b>Total</b>
Land held for development	\$ 431,145	\$ 248,800	\$ 620,425	\$ —	\$ —	\$ 1,300,370
Land under development	157,963	163,341	326,901	2,917	—	651,122
Housing inventory	203,600	188,860	219,666	—	—	612,126
Model homes	22,148	38,074	25,176	—	—	85,398
Total land and housing inventory	814,856	639,075	1,192,168	2,917	—	2,649,016
Commercial properties	50,743	177,180	589,355	—	—	817,278
Investments in unconsolidated entities - land and housing	66,921	172,774	86,707	—	—	326,402
Investments in unconsolidated entities - affiliate	—	—	—	—	709,776	709,776
Held-to-maturity investment	—	—	—	300,000	—	300,000
Operating and financing lease right- of-use asset	12,441	37,645	20,525	9,540	—	80,151
Goodwill	—	—	—	16,479	—	16,479
Other assets <sup>(1)</sup>	153,114	79,262	190,831	546,532	—	969,739
Total assets	\$1,098,075	\$1,105,936	\$2,079,586	\$ 875,468	\$ 709,776	\$5,868,841

(1) Other assets presented in above table within the operating segments note includes receivables and others assets, cash, restricted cash, Homebuilder Finance investment, Brookfield Single Family Rental investment and deferred income tax assets.

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As at December 31, 2020

	Canada	California	Central and Eastern U.S.	Corporate and Other	Equity Investment in BUSI	Total
Land held for development.....	\$ 445,892	\$ 263,162	\$ 598,382	\$ —	\$ —	\$1,307,436
Land under development.....	210,605	198,366	362,092	3,011	—	774,074
Housing inventory.....	116,959	196,366	163,304	—	—	476,629
Model homes.....	20,177	52,020	26,291	—	—	98,488
Total land and housing inventory.....	793,633	709,914	1,150,069	3,011	—	2,656,627
Commercial properties.....	49,991	97,458	562,498	—	—	709,947
Investments in unconsolidated entities - land and housing.....	57,532	171,549	78,169	—	—	307,250
Investments in unconsolidated entities - affiliate.....	—	—	—	—	605,615	605,615
Held-to-maturity investment.....	—	—	—	300,000	—	300,000
Operating and financing lease right-of-use asset.....	12,821	38,732	20,850	9,706	—	82,109
Goodwill.....	—	—	—	16,479	—	16,479
Other assets <sup>(1)</sup> .....	151,023	69,629	180,225	789,837	—	1,190,714
Total assets.....	\$1,065,000	\$1,087,282	\$1,991,811	\$1,119,033	\$ 605,615	\$5,868,741

(1) Other assets presented in above table within the operating segments note includes receivables and others assets, cash, restricted cash, Homebuilder Finance investment, Brookfield Single Family Rental investment and deferred income tax assets.

**Note 19. Related Party Transactions**

The Company's significant related party transactions as at and for the three and six months ended June 30, 2021 and 2020 were as follows:

- During the three and six months ended June 30, 2021, the Company incurred \$27.5 million and \$50.9 million of management fees, respectively, (three and six months ended June 30, 2020 – \$17.4 million and \$38.4 million, respectively), related to the management agreement with BPD. The management fee is determined by applicable rates on construction and development spending as well as assets under management, as defined in the management agreement. These transactions were recorded at the exchange amount within selling, general and administrative expense and commercial properties.
- During the six months ended June 30, 2021, the Company increased the financing capacity on the loan with BPD from \$50.0 million to \$100.0 million. As at June 30, 2021, the loan had an outstanding balance of \$83.8 million that was recorded within receivables and other assets (December 31, 2020 – \$36.3 million). During the three and six months ended June 30, 2021, the Company recorded \$0.7 million and \$1.2 million, respectively, of interest income at the exchange amounts in the condensed consolidated statement of operations within other income (three and six months ended June 30, 2020 – \$0.4 million and \$0.6 million, respectively).
- During the three and six months ended June 30, 2021, the Company earned \$6.0 million and \$11.9 million, respectively, of dividends from the preferred shares of Brookfield International Ltd. (three and six months ended June 30, 2020 – \$6.0 million and \$12.0 million of dividends earned, respectively) that have been recorded in the condensed consolidated statements of operations within other income. As at June 30, 2021, a total of \$48.1 million of accrued dividends is recorded within receivables and other assets (June 30, 2020 – \$24.1 million). These transactions were recorded at the exchange amount.
- During the three months ended June 30, 2021, the Company amended a previously existing agreement with a consolidated subsidiary in order to provide financing of up to \$75.0 million to include Brookfield Residential Land Holdings II. The loan bears interest at LIBOR + 2.25%. As at June 30, 2021, the loan had an outstanding balance of \$10.6 million that was recorded within receivables and other assets.
- During the six months ended June 30, 2021, the Company declared and paid a dividend to the common shareholders, which include various subsidiaries of BAM, of \$350.0 million. The transaction was recorded at the exchange amount.
- During the six months ended June 30, 2021, the Company purchased from and immediately resold, to various subsidiaries of BAM, common shares of a publicly traded timber company resulting in a gain of \$3.2 million.

**Note 20. Subsequent Events**

The Company performed an evaluation of subsequent events through August 5, 2021, which is the date that these condensed consolidated financial statements were approved, and has determined that there were no subsequent events that require disclosure.

## CORPORATE INFORMATION

### CORPORATE PROFILE

Brookfield Residential Properties Inc. is a leading land developer and homebuilder in North America. We entitle and develop land to create master-planned communities, build and sell lots to third-party builders, and conduct our own homebuilding operations. We also participate in select, strategic real estate opportunities, including infill projects, mixed-use developments, and joint ventures. We are the flagship North American residential property company of Brookfield Asset Management Inc., a leading global alternative asset manager with over \$600 billion of assets under management. Further information is available at [BrookfieldResidential.com](http://BrookfieldResidential.com) or [Brookfield.com](http://Brookfield.com) or contact:

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### BONDHOLDER INQUIRIES

Brookfield Residential welcomes inquiries from bondholders, analysts, media representatives and other interested parties. Questions relating to bondholder relations or media inquiries can be directed to Thomas Lui, Executive Vice President & Chief Financial Officer via e-mail at [thomas.lui@brookfieldpropertiesdevelopment.com](mailto:thomas.lui@brookfieldpropertiesdevelopment.com).