Brookfield
Residential

Brookfield Residential Properties ULC

2024 Annual Report

2024 Overview and Outlook

Brookfield Residential closed out 2024 with positive operational and financial results. In the near term, housing affordability challenges remain prevalent as a result of the elevated interest rate environment as well as constrained resale markets across all of our operating regions. Despite this, our housing operations delivered a 7% year-over-year increase in home closings as new construction continues to be a favorable choice for many homebuyers. From a land operations perspective, we advanced several initiatives that will grow our managed land development business going forward as we see demand for land continue to remain at healthy levels across the markets that we operate in. This includes the expansion of our presence in Southeastern U.S. through a joint venture with Kolter Land and the sale of wholly-owned land assets to Brookfield Wealth Solutions ("BWS") and other institutional partners.

For the year ended December 31, 2024, income before income taxes was $447 million compared to $268 million in 2023. The increase was driven primarily by higher land gross margin which included the sale of a 127 acre industrial parcel in Menifee, California, which generated $221 million in revenue and $133 million in gross margin.

Operating and financial highlights for the year ended December 31, 2024 include:

Housing

- 2,417 home closings for the period which generated a gross margin percentage of 21%, compared to 2,258 home closings with a gross margin of 20% in 2023.
- 2,210 net new home orders contributing to the total backlog of 834 units with a value of $459 million.

Land

- 2,701 single family lot closings including our share of unconsolidated entities, a decrease of 5% over the prior year. In addition, we were able to close several acre parcels, including the industrial acre parcel mentioned above, as well as several acres sold in our Alberta and Arizona markets. Land gross margin percentage increased to 45%, compared to a gross margin percentage of 24% in the prior year.
- Several of our master-planned communities, through our wholly-owned and managed communities, were featured in the top 50 U.S. selling master-planned communities including Elyson (Houston, Texas), Nexton (Charleston, South Carolina) and Ontario Ranch (Ontario, California).
- Completed the sale of five land assets and entered into land option agreements with BWS, formerly known as Brookfield Reinsurance, for total cash consideration of $131 million. These sales are considered a financing arrangement with the book value of the inventory remaining on our balance sheet and an associated financial liability set up for proceeds received. Brookfield Residential will continue to manage these assets going forward.
- We continued to expand our residential land business into the growing Southeastern U.S. market through a strategic partnership with Kolter Group's land business acquiring a 50% interest for $38 million. The partnership will provide residential lots and mixed-use parcels to builders in the Southeast U.S.
- Subsequent to year end, we closed on the sale of an 80% interest in the land operations of five master planned communities across the U.S. for total proceeds of $638 million. Brookfield Residential has maintained a 20% interest and will continue to manage these assets going forward.

Corporate

- Net debt to capitalization ratio of 48% at December 31, 2024, reflects the year's activities with our credit facility drawn at $330 million, cash of $57 million, and $475 million of dividends paid to Brookfield Corporation.
- During the year, the Company finalized the amendment and extension of its North American unsecured revolving credit facility. The credit facility remained at $675 million and was extended through August 2028 at substantially the same terms and conditions.
- Subsequent to year end, the Company declared and paid $200 million of dividends and entered into an interest agreement for future cash deposits with our common shareholder, Brookfield Corporation.

Reflecting on our results in an active 2024 year, we appreciate the continued support of our team members and stakeholders. As we look to 2025, our view is that the land and housing business in both the U.S. and Canada will continue to be challenged by near-term affordability considerations as we navigate the impact of new policies such as potential tariffs and will continue to closely monitor conditions as we approach the spring selling season.

BROOKFIELD RESIDENTIAL PROPERTIES ULC

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual 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 annual report may include, among others, statements with respect to:

- the current business environment and outlook; economic and market conditions in the U.S. and Canadian housing markets and our ability to respond to such conditions; the impact of actual or potential interest rate changes in the U.S. and Canada and the resulting impact on consumer confidence and the housing market; the effect of inflation; changes in consumer behavior and preferences; current trends in home prices in our various markets and affordability levels generally; the impact of mortgage and financing rules on borrowers; the effect of seasonality on the homebuilding business; the impact and actions of the incoming U.S. administration; home prices and affordability in our communities, home closings resulting therefrom, and the timing thereof; international trade factors, including changes in trade policy, such as trade sanctions and increased tariffs; volatility in the global price of commodities, including the price of oil and lumber; unexpected cost increases that could impact our margins; disruptions in the global supply chain adversely impacting product availability and causing delays; the economic and regulatory uncertainty surrounding the energy industry and the impact thereof on demand in our markets including future investment, particularly in Alberta; our relationship with operational jurisdictions and key stakeholders; 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; 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 2025 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;
- factors affecting our competitive position within the homebuilding industry;
- the ability to create value in our land development business and meet our development plans;
- expected inventory backlog and closings and the timing thereof;
- the expected closing of transactions generally;
- the expected exercise of options contracts and lease options;
- the effect on our business of business acquisitions;
- business goals, strategy and growth plans;
- the effect of challenging conditions on us;
- the ability to generate sufficient cash flow from our assets to repay maturing bank indebtedness, obligations under our bond indentures, project specific financings and to otherwise 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 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 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;
- 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 annual report are based upon reasonable assumptions and expectations, readers of this annual 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 annual 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 this Annual Report for the fiscal year ended December 31, 2024.

The forward-looking statements and information contained in this annual 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 annual 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 ("MD&A") relates to the year ended December 31, 2024 and has been prepared with an effective date of February 20, 2025. It should be read in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this annual report. All dollar amounts discussed herein are in U.S. dollars, unless otherwise stated. Amounts in Canadian dollars are identified as “C$.” The 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 ULC (unless the context requires otherwise, references in this annual report to “we,” “our,” “us,” the “Company” and “Brookfield Residential” refer to Brookfield Residential Properties ULC and the subsidiaries through which it conducts all of its homebuilding and land development operations) is a wholly-owned subsidiary of Brookfield Corporation and has been in operation for over 60 years. We are the flagship North American residential property company of Brookfield Corporation, (NYSE:BN; TSX:BN), a global alternative asset manager.

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, Pacific U.S. 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 Calgary, Edmonton and Greater Toronto Area markets. Our Pacific U.S. operations include Arizona, Greater Los Angeles Area, Portland, Sacramento, San Diego, San Francisco Bay-Area, Seattle-Tacoma and Hawaii (Honolulu Mixed-Use). Our Central and Eastern U.S. operations include Atlanta, Austin, Charleston, Dallas, Denver, Houston, Lakeland, Ohio, Raleigh-Durham, Tampa and Washington D.C. Area.

By targeting these markets that have strong underlying economic fundamentals we believe that over the longer term they offer robust, diversified housing demand, barriers to entry for competitors 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 development - a blueprint that guides the land development process from start to finish. This tailored approach results 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. These operations include sourcing and evaluating land acquisitions, site planning, obtaining entitlements, developing the land, product design, constructing, marketing and selling homes and providing homebuyers with customer service. 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, 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 key stakeholders in the jurisdictions 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 that many customers desire today, in addition to building homes and community amenities, as part of the planning process.

Mixed-use development is a continuous 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 such as Lilia, our premier mixed-use project in Hawaii (Honolulu). With many municipalities also focused on urban intensification, we believe these trends will create a significant pipeline of redevelopment opportunities.

Our core land and homebuilding operations remain our focus and priority; however, we see our position in mixed-use development as a significant opportunity and reflects 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 December 31, 2024 were $5.3 billion.

As of December 31, 2024, we controlled 73,337 single family lots (serviced lots and future lot equivalents) and 220 multi-family, industrial and commercial serviced parcel acres. Total lots owned and controlled includes those we directly own, our share of those owned by unconsolidated entities and inventory not owned. 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 December 31, 2024 is as follows:

	Single Family Housing & Land Under and Held for Development[1]						Multi-Family, Industrial & Commercial Parcels Under Development	
	Housing & Land[2]	Unconsol Entities	Inventory Not Owned[3]	Total Lots Owned & Controlled	Status of Lots		Total Acres[2]	Total Land and Housing Inventory Under Management[4]
	Owned	Owned			Entitled	Unentitled		
Calgary	8,788	2,408	—	11,196	7,849	3,347	64	14,980
Edmonton	7,957	522	—	8,479	3,167	5,312	6	9,592
Ontario	9,729	1,807	—	11,536	4,932	6,604	2	9,771
Canada	26,474	4,737	—	31,211	15,948	15,263	72	34,343
Northern California	2,804	243	11,042	14,089	1,999	12,090	—	13,858
Southern California	1,373	452	326	2,151	876	1,275	138	3,577
Arizona	3,836	—	—	3,836	3,836	—	—	3,836
Other	—	948	—	948	948	—	—	8,762
Pacific U.S.	8,013	1,643	11,368	21,024	7,659	13,365	138	30,033
Denver	5,461	17	—	5,478	5,461	17	10	5,904
Texas	8,989	651	754	10,394	9,901	493	—	16,720
Washington DC	1,515	556	537	2,608	2,571	37	—	3,168
Carolinas	50	443	—	493	493	—	—	50
Other	—	2,129	—	2,129	710	1,419	—	14,187
Central and Eastern U.S.	16,015	3,796	1,291	21,102	19,136	1,966	10	40,029
Total December 31, 2024	50,502	10,176	12,659	73,337	42,743	30,594	220	104,405
Total December 31, 2023	53,930	8,296	11,610	73,836	45,115	28,721	85	100,497

[1] *Land held for development will include some multi-family, industrial and commercial parcels once entitled.*

[2] *Includes land units and acres that are presented as held for sale as at December 31, 2024.*

[3] *Inventory not owned includes consolidated land inventory relating to financing arrangements and land options that are consolidated and unconsolidated.*

[4] *Managed lots refer to 100% of assets under management by Brookfield Residential, including both wholly-owned and joint venture assets, irrespective of Brookfield Residential ownership interests.*

RESULTS OF OPERATIONS

Key financial results and operating data for the year ended December 31, 2024 compared to the year ended December 31, 2023 was as follows:

(US$ millions, except percentages, unit activity, average selling price, and per share amounts)	Year Ended December 31	
	2024	**2023**
Key Financial Results		
Housing revenue	$ 1,448	$ 1,489
Land revenue	623	432
Total revenue	2,071	1,921
Housing gross margin ($)	297	294
Housing gross margin (%)	21%	20%
Land gross margin ($)	279	105
Land gross margin (%)	45%	24%
Total gross margin ($)	576	399
Total gross margin (%)	28%	21%
Selling, general and administrative expense	(260)	(254)
Earnings from unconsolidated entities	58	88
Income before income taxes	447	268
Income tax expense	(79)	(48)
Consolidated net income	367	220
Net income attributable to Brookfield Residential	312	201
Earnings per share	$ 1.54	$ 0.99
Key Operating Data		
Home closings for Brookfield Residential (units)	2,417	2,258
Average home selling price for Brookfield Residential (per unit)	$ 599,000	$ 659,000
Net new home orders for Brookfield Residential (units)	2,210	2,172
Backlog for Brookfield Residential (units)	834	1,041
Backlog value for Brookfield Residential	$ 459	$ 673
Active housing communities for Brookfield Residential	80	79
Lot closings for Brookfield Residential (single family units)	2,027	2,259
Lot closings for unconsolidated entities (single family units)	674	595
Acre closings for Brookfield Residential (multi-family, industrial and commercial)	200	45
Acre closings for unconsolidated entities (multi-family, industrial and commercial)	11	25
Acre closings for Brookfield Residential (raw and partially finished)	242	401
Acre closings for unconsolidated entities (raw and partially finished)	2	35
Average lot selling price for Brookfield Residential (single family units)	$ 132,000	$ 150,000
Average lot selling price for unconsolidated entities (single family units)	$ 187,000	$ 208,000
Average per acre selling price for Brookfield Residential (multi-family, industrial and commercial)	$ 1,445,000	$ 839,000
Average per acre selling price for unconsolidated entities (multi-family, industrial and commercial)	$ 1,093,000	$ 2,464,000
Average per acre selling price for Brookfield Residential (raw and partially finished)	$ 273,000	$ 137,000
Average per acre selling price for unconsolidated entities (raw and partially finished)	$ 246,000	$ 720,000
Active land communities for Brookfield Residential	15	19
Active land communities for unconsolidated entities	27	19

Segmented Information

We operate in three operating segments within North America related to our land and housing operations: Canada, Pacific U.S., 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 years ended December 31, 2024 and 2023.

	Year Ended December 31	
(US$ millions, except unit activity and average selling price)	**2024**	**2023**
Housing revenue		
Canada	$ 495	$ 360
Pacific U.S.	529	606
Central and Eastern U.S.	424	523
Total	$ 1,448	$ 1,489
Housing gross margin		
Canada	$ 86	$ 70
Pacific U.S.	146	132
Central and Eastern U.S.	65	92
Total	$ 297	$ 294
Home closings (units)		
Canada	1,060	802
Pacific U.S.	551	587
Central and Eastern U.S.	806	869
Total	2,417	2,258
Average home selling price		
Canada	$ 467,000	$ 448,000
Pacific U.S.	960,000	1,032,000
Central and Eastern U.S.	526,000	602,000
Average	$ 599,000	$ 659,000

	As at December 31	
	2024	**2023**
Active housing communities		
Canada	43	37
Pacific U.S.	10	10
Central and Eastern U.S.	27	32
Total	80	79

(US$ millions, except unit activity and average selling price)	Year Ended December 31 2024	2023
Land revenue		
Canada	$ 153	$ 142
Pacific U.S.	420	178
Central and Eastern U.S.	50	112
	623	432
Unconsolidated entities	139	211
Total	$ 762	$ 643
Land gross margin		
Canada	$ 77	$ 49
Pacific U.S.	187	30
Central and Eastern U.S.	15	26
	279	105
Unconsolidated entities	50	91
Total	$ 329	$ 196
Lot closings (single family units)		
Canada	690	643
Pacific U.S.	740	1,031
Central and Eastern U.S.	597	585
	2,027	2,259
Unconsolidated entities	674	595
Total	2,701	2,854
Acre closings (multi-family, industrial and commercial)		
Canada	33	24
Pacific U.S.	160	—
Central and Eastern U.S.	7	21
	200	45
Unconsolidated entities	11	25
Total	211	70
Acre closings (raw and partially finished)		
Canada	128	208
Pacific U.S.	114	—
Central and Eastern U.S.	—	193
	242	401
Unconsolidated entities	2	35
Total	244	436
Average lot selling price (single family units)		
Canada	$ 130,000	$ 117,000
Pacific U.S.	180,000	173,000
Central and Eastern U.S.	76,000	147,000
	132,000	150,000
Unconsolidated entities	187,000	208,000
Average	$ 146,000	$ 162,000
Average per acre selling price (multi-family, industrial and commercial)		
Canada	$ 1,086,000	$ 1,259,000
Pacific U.S.	1,553,000	—
Central and Eastern U.S.	660,000	379,000
	1,445,000	839,000
Unconsolidated entities	1,093,000	2,464,000
Average	$ 1,426,000	$ 1,422,000

(US$ millions, except unit activity and average selling price)	Year Ended December 31	
	2024	2023
Average per acre selling price (raw and partially finished)		
Canada	$ 221,000	$ 176,000
Pacific U.S.	328,000	—
Central and Eastern U.S.	—	95,000
	273,000	137,000
Unconsolidated entities	246,000	720,000
Average	$ 273,000	$ 184,000

	As at December 31	
	2024	2023
Active land communities		
Canada	5	7
Pacific U.S.	5	6
Central and Eastern U.S.	5	6
	15	19
Unconsolidated entities	27	19
Total	42	38

(US$ millions)	As at December 31 2024	As at December 31 2023
Total assets		
Canada	$ 1,146	$ 1,167
Pacific U.S.	1,440	1,422
Central and Eastern U.S.	1,366	1,355
Corporate and other	1,331	1,222
Total	$ 5,283	$ 5,166

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

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Net Income

Consolidated net income for the years ended December 31, 2024 and 2023 is as follows:

(US$ millions, except per share amounts)	Year Ended December 31	
	2024	2023
Consolidated net income	$ 367	$ 220
Net income attributable to Brookfield Residential	$ 312	$ 201
Earnings per share	$ 1.54	$ 0.99

The increase of $147 million in consolidated net income for the year ended December 31, 2024 when compared to the same period in 2023, was primarily the result of an increase in land gross margin of $174 million largely due to the sale of an industrial parcel in Menifee, California, an increase in housing gross margin of $3 million, an increase in other income of $36 million, primarily related to investment company assets, a decrease in current income tax of $19 million and a decrease in interest expense of $2 million. This was partially offset by a decrease in earnings from unconsolidated entities of $31 million, an increase in deferred income taxes of $50 million and an increase in selling, general and administrative expense of $6 million.

Results of Operations – Housing

A breakdown of our results from housing operations for the years ended December 31, 2024 and 2023 is as follows:

Consolidated

(US$ millions, except unit activity, percentages and average selling price)	**Year Ended December 31**	
	2024	**2023**
Home closings	2,417	2,258
Revenue	$ 1,448	$ 1,489
Gross margin	$ 297	$ 294
Gross margin (%)	21%	20%
Average home selling price	$ 599,000	$ 659,000

Housing revenue and gross margin were $1,448 million and $297 million, respectively, for the year ended December 31, 2024, compared to $1,489 million and $294 million, respectively, for 2023. The decrease in revenue when compared to the prior year was primarily the result of a decline in the average home selling price due to mix. The increase in gross margin was primarily due to an additional 159 home closings when compared to 2023 as well as the geographic and product mix of homes closed which drove a 1% increase in gross margin percentage.

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

Canada

(US$ millions, except unit activity, percentages and average selling price)	**Year Ended December 31**	
	2024	**2023**
Home closings	1,060	802
Revenue	$ 495	$ 360
Gross margin	$ 86	$ 70
Gross margin (%)	17%	19%
Average home selling price	$ 467,000	$ 448,000
Average home selling price (C$)	$ 643,000	$ 605,000

Housing revenue for the year ended December 31, 2024 increased by $135 million when compared to the same period in 2023, primarily due to 258 additional home closings and an increase in average selling prices. Gross margin increased $16 million when compared to the same period in 2023 due an increased volume of home closings. Gross margin percentage decreased 2% primarily as a result of the product and geographic mix of homes closed particularly in our Ontario region.

Pacific U.S.

(US$ millions, except unit activity, percentages and average selling price)	**Year Ended December 31**	
	2024	**2023**
Home closings	551	587
Revenue	$ 529	$ 606
Gross margin	$ 146	$ 132
Gross margin (%)	28%	22%
Average home selling price	$ 960,000	$ 1,032,000

Housing revenue for the year ended December 31, 2024 decreased by $77 million when compared to the same period in 2023, primarily due to lower average selling prices related to geographic mix of homes closed and 36 fewer home closings mostly related to our Southern California market, partially offset by increased closings in our Arizona and Northern California markets. Gross margin and gross margin percentage increased primarily due to product mix and price appreciation in our California markets.

Central and Eastern U.S.

(US$ millions, except unit activity, percentages and average selling price)	Year Ended December 31 2024	2023
Home closings	806	869
Revenue	$ 424	$ 523
Gross margin	$ 65	$ 92
Gross margin (%)	15%	18%
Average home selling price	$ 526,000	$ 602,000

Housing revenue for the year ended December 31, 2024 decreased by $99 million when compared to the same period in 2023, due to 63 fewer home closings and a 13% decrease in average selling prices. The decrease in average home selling prices is primarily the result of the product mix of homes closed within the operating segment. Gross margin decreased by $27 million primarily as a result of decreased closings and gross margin percentage decreased 3% primarily as a result of the product mix of homes closed.

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 year ended December 31, 2024, total incentives recognized as a percentage of gross revenues were consistent when compared to the same period in 2023.

Our incentives on homes closed by operating segment for the years ended December 31, 2024 and 2023 were as follows:

	Year Ended December 31			
	2024		2023	
(US$ millions, except percentages)	Incentives Recognized	% of Gross Revenues	Incentives Recognized	% of Gross Revenues
Canada	$ 10	2%	$ 9	2%
Pacific U.S.	14	3%	14	2%
Central and Eastern U.S.	20	5%	30	6%
	$ 44	3%	$ 53	3%

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 year ended December 31, 2024 totaled 2,210 units, an increase of 38 units or 2% when compared to 2023. Average monthly sales per community by reportable segment for the year ended December 31, 2024 were: Canada – 2 units (2023 – 2 units); Pacific U.S. – 3 units (2023 – 4 units); Central and Eastern U.S. – 2 units (2023 – 2 units). We were selling from 80 active housing communities at December 31, 2024 compared to 79 communities at December 31, 2023.

The net new home orders for the years ended December 31, 2024 and 2023 by our operating segments were as follows:

(Units)	Year Ended December 31 2024	2023
Canada	945	942
Pacific U.S.	443	549
Central and Eastern U.S.	822	681
Total	2,210	2,172

Home Sales – Cancellations

The overall cancellation rate for the year ended December 31, 2024 was 6%, compared to 7% during 2023. The cancellation rates for the year ended December 31, 2024 and 2023 for our operating segments were as follows:

	Year Ended December 31			
	2024		2023	
(Units, except percentages)	**Units**	**% of Gross Home Orders**	**Units**	**% of Gross Home Orders**
Canada	24	2%	14	1%
Pacific U.S.	44	9%	44	7%
Central and Eastern U.S.	74	8%	112	14%
	142	6%	170	7%

Home Sales – Backlog

Our backlog, which represents the number of new homes under sales contracts, as at December 31, 2024 and 2023 by operating segment, was as follows:

	As at December 31			
	2024		2023	
(US$ millions, except unit activity)	**Units**	**Value**	**Units**	**Value**
Canada	551	$ 275	666	$ 345
Pacific U.S.	70	63	178	214
Central and Eastern U.S.	213	121	197	114
Total	834	$ 459	1,041	$ 673

We expect substantially all of our backlog to close in 2025 and 2026, subject to future cancellations. The units in backlog as at December 31, 2024 decreased by 207 units when compared to December 31, 2023. Total backlog value decreased by $214 million when compared to the same period in 2023 mainly due to increased home closings in the current year and the geographic mix of home sales which drove an overall decrease in average selling prices for homes within backlog.

Results of Operations – Land

A breakdown of our results from land operations for the years ended December 31, 2024 and 2023 is as follows:

Consolidated

	Year Ended December 31	
(US$ millions, except unit activity, percentages and average selling price)	**2024**	**2023**
Lot closings (single family units)	2,027	2,259
Acre closings (multi-family, industrial and commercial)	200	45
Acre closings (raw and partially finished)	242	401
Revenue	$ 623	$ 432
Gross margin	$ 279	$ 105
Gross margin (%)	45%	24%
Average lot selling price (single family units)	$ 132,000	$ 150,000
Average per acre selling price (multi-family, industrial and commercial)	$ 1,445,000	$ 839,000
Average per acre selling price (raw and partially finished)	$ 273,000	$ 137,000

Land revenue totaled $623 million and land gross margin totaled $279 million for the year ended December 31, 2024, compared to $432 million and $105 million, respectively, for the same period in 2023. The increase in revenue and gross margin when compared to the prior year is primarily attributable to the sale of a large industrial parcel sale of 127 acres in Menifee, California, which generated $221 million in revenue and $133 million in gross margin. Additional increases came from lot and acre closings in our Canada and Pacific U.S. markets and an increase in the average selling price associated with these.

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

Canada

	Year Ended December 31	
(US$ millions, except unit activity, percentages and average selling price)	**2024**	**2023**
Lot closings (single family units)	690	643
Acre closings (multi-family, industrial and commercial)	33	24
Acre closings (raw and partially finished)	128	208
Revenue	$ 153	$ 142
Gross margin	$ 77	$ 49
Gross margin (%)	50%	35%
Average lot selling price (single family units)	$ 130,000	$ 117,000
Average lot selling price (C$) (single family units)	$ 179,000	$ 158,000
Average per acre selling price (multi-family, industrial and commercial)	$ 1,086,000	$ 1,259,000
Average per acre selling price (C$) (multi-family, industrial and commercial)	$ 1,500,000	$ 1,699,000
Average per acre selling price (raw and partially finished)	$ 221,000	$ 176,000
Average per acre selling price (C$) (raw and partially finished)	$ 309,000	$ 240,000

Land revenue for the year ended December 31, 2024 was $153 million, an increase of $11 million when compared to the same period in 2023. The increase was primarily due to an additional 47 single family lot closings, partially offset by a decrease in raw and partially finished acre closings. Gross margin increased $28 million and gross margin percentage increased 15% when compared to the same period during 2023 primarily as a result of a raw and partially finished acre sale within our Edmonton market.

Pacific U.S.

(US$ millions, except unit activity, percentages and average selling price)	Year Ended December 31 2024	2023
Lot closings (single family units)	740	1,031
Acre closings (multi-family, industrial and commercial)	160	—
Acre closings (raw and partially finished)	114	—
Revenue	$ 419	$ 178
Gross margin	$ 187	$ 30
Gross margin (%)	45%	17%
Average lot selling price (single family units)	$ 180,000	$ 173,000
Average per acre selling price (multi-family, industrial and commercial)	$ 1,553,000	$ —
Average per acre selling price (raw and partially finished)	$ 328,000	$ —

Land revenue and gross margin for the year ended December 31, 2024 increased by $241 million and $157 million, respectively, when compared to the same period in the prior year primarily due to the the sale of 127 acres in Menifee, California, which generated $221 million in revenue and $133 million in gross margin. A large raw and partially finished acre sale in our Arizona market also contributed to the increase in both revenue and gross margin when compared to the prior year. This was partially offset by a decrease of 291 single family lot closings.

Central and Eastern U.S.

(US$ millions, except unit activity, percentages and average selling price)	Year Ended December 31 2024	2023
Lot closings (single family units)	597	585
Acre closings (multi-family, industrial and commercial)	7	21
Acre closings (raw and partially finished)	—	193
Revenue	$ 50	$ 112
Gross margin	$ 15	$ 26
Gross margin (%)	30%	23%
Average lot selling price (single family units)	$ 76,000	$ 147,000
Average per acre selling price (multi-family, industrial and commercial)	$ 660,000	$ 379,000
Average per acre selling price (raw and partially finished)	—	$ 95,000

Land revenue for the year ended December 31, 2024 was $50 million, a decrease of $62 million when compared to the same period in 2023. The decrease in land revenue and gross margin was primarily due to a 48% decrease in the average selling price of single family lots as well as raw and partially finished acre sale in the prior year with no comparable sale in the current year. The decrease in average selling price was primarily due to a bulk sale of 374 unfinished lots in our Washington D.C. market. Gross margin decreased $11 million, primarily due to decreased average selling prices partially offset by geographic mix and mix of land sold which were the primary drivers of the gross margin percentage increasing 7%.

Earnings from Unconsolidated Entities

Earnings from unconsolidated entities for the year ended December 31, 2024 totaled $58 million, compared to $88 million in 2023.

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

	Year Ended December 31	
(US$ millions, except unit activity, percentages and average selling price)	**2024**	**2023**
Lot closings (single family units)	674	595
Acre closings (multi-family, industrial and commercial)	11	25
Acre closings (raw and partially finished)	2	35
Revenue	$ 139	$ 211
Gross margin	$ 50	$ 91
Gross margin (%)	36%	43%
Average lot selling price (single family units)	$ 187,000	$ 208,000
Average per acre selling price (multi-family, industrial and commercial)	$ 1,093,000	$ 2,464,000
Average per acre selling price (raw and partially finished)	$ 246,000	$ 720,000

Brookfield Residential's share of land revenue within unconsolidated entities decreased by $72 million and gross margin decreased by $41 million for the year ended December 31, 2024 when compared to 2023. The decrease in Brookfield's share of land revenue was primarily due to an industrial acre sale in our Southern California market during 2023 which generated $56 million of revenue and $33 million in gross margin with no comparable sales in the current period. This was partially offset by increased single family lot closings. Gross margin and gross margin percentage decreased primarily due to decreased multi-family, industrial and commercial acre closings.

Selling, General and Administrative Expense

The components of selling, general and administrative expense for the years ended December 31, 2024 and 2023 are summarized as follows:

	Year Ended December 31	
(US$ millions)	**2024**	**2023**
General and administrative expense	$ 179	$ 163
Sales and marketing expense	$ 81	$ 87
Share-based compensation	—	4
	$ 260	$ 254

General and administrative expense increased by $16 million for the year ended December 31, 2024 primarily due to increased management fees paid to Brookfield Properties Development ("BPD") as well as increased incentive payments when compared to the prior year. Sales and marketing expense decreased $6 million primarily due to lower period costs offset by higher commission and closing costs resulting from increased home closings. Share based compensation decreased $4 million as all options had been exercised as at December 31, 2024.

Other Income

The components of other income for the years ended December 31, 2024 and 2023 are summarized as follows:

	Year Ended December 31	
(US$ millions)	**2024**	**2023**
Income from investment company assets	$ (57)	$ (28)
Preferred share dividend income	(24)	(24)
Investment income	(24)	(24)
Income from commercial properties	(19)	(16)
Other	(15)	(12)
Joint venture management fee income	(10)	(9)
	$ (149)	$ (113)

For the year ended December 31, 2024, other income increased by $36 million, when compared to 2023. The increase is primarily attributable to income from our investment company assets, mainly from our Brookfield Single Family Rental investment ("BSFR"), as well as increased commercial rent income.

Income Tax Expense / (Recovery)

Income tax expense for the year ended December 31, 2024 was $79 million, an increase of $31 million when compared to the same period in 2023. The components of current and deferred income tax expense are summarized as follows:

	Year Ended December 31	
(US$ millions)	**2024**	**2023**
Current income tax expense	20	39
Deferred income tax expense	59	9
	$ 79	$ 48

For the year ended December 31, 2024, current income tax expense decreased $19 million when compared to the same period in 2023. The decrease is primarily due to $18 million of current income tax recovery relating to return-to-provision adjustments in the U.S. that resulted in the use of more tax attributes to offset U.S. taxable income.

For the year ended December 31, 2024, deferred income tax expense increased $50 million when compared to the same period in 2023. The increase in deferred income tax expense is primarily due to an increase in taxable income from our Canadian and U.S. operations when compared to the same period in 2023 and $18 million of deferred income tax expense relating to return-to-provision adjustments in the U.S. as a result of the utilization of more tax attributes to offset U.S. taxable income.

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 December 31, 2024, the rate of exchange was C$1.4382 equivalent to US$1 (December 31, 2023 – C$1.3250 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 year ended December 31, 2024, the average rate of exchange was C$1.3696 equivalent to US$1 (December 31, 2023 – C$1.3493 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 consolidated statements of operations and comprehensive income as other income, 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 loss of $63 million, respectively for the year ended December 31, 2024, compared to a net gain of $17 million in 2023.

QUARTERLY OPERATING AND FINANCIAL DATA

(US$ millions, except unit activity and per share amounts)	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Quarterly Operating Data								
Home closings (units)	886	553	526	452	552	576	615	515
Lot closings (single family units)	918	197	559	353	1,194	407	386	272
Acre closings (multi-family, industrial and commercial)	160	—	3	37	30	9	7	—
Acre closings (raw and partially finished)	233	—	9	—	401	—	—	—
Net new home orders (units)	464	499	618	629	366	514	747	545
Backlog (units)	834	1,256	1,310	1,218	1,041	1,226	1,288	1,156
Backlog value	$ 459	$ 749	$ 783	$ 741	$ 673	$ 833	$ 870	$ 756
Quarterly Financial Data								
Revenue	$ 928	$ 354	$ 414	$ 375	$ 663	$ 452	$ 442	$ 364
Direct cost of sales	(619)	(274)	(324)	(279)	(525)	(349)	(356)	(292)
Gross margin	309	81	90	96	138	103	86	72
Selling, general and administrative expense	(73)	(65)	(62)	(60)	(73)	(61)	(64)	(56)
Interest expense	(17)	(14)	(13)	(11)	(12)	(15)	(16)	(14)
Earnings from unconsolidated entities	19	13	17	9	37	38	8	6
Other income	38	37	35	39	33	33	17	20
Lease and depreciation expenses	(5)	(5)	(4)	(6)	(3)	(3)	(3)	(4)
Income before income taxes	271	47	63	67	120	95	28	24
Income tax expense	(66)	—	(7)	(6)	(13)	(17)	(14)	(4)
Net income	204	46	56	61	107	78	14	20
Net income attributable to non-controlling interest	9	15	11	20	9	11	(1)	—
Net income attributable to Brookfield Residential	$ 195	$ 31	$ 45	$ 41	$ 98	$ 67	$ 15	$ 20
Foreign currency translation	(47)	9	(8)	(17)	19	(17)	14	2
Comprehensive income / (loss)	$ 148	$ 40	$ 37	$ 24	$ 117	$ 50	$ 29	$ 22
Earnings per common share attributable to Brookfield Residential								
Basic	$ 0.96	$ 0.16	$ 0.22	$ 0.20	$ 0.48	$ 0.33	$ 0.07	$ 0.10
Diluted	$ 0.96	$ 0.16	$ 0.22	$ 0.20	$ 0.48	$ 0.33	$ 0.07	$ 0.10

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 consolidated balance sheets as at December 31, 2024 and December 31, 2023:

(US$ millions)	As at December 31 2024	As at December 31 2023
Cash and restricted cash	$ 58	$ 41
Receivables and other assets	727	765
Investment company assets	470	418
Assets held for sale	918	—
Land and housing inventory	1,915	2,755
Investments in unconsolidated entities	406	359
Held-to-maturity investment	300	300
Commercial properties	321	304
Operating and financing lease right-of-use asset	61	60
Deferred income tax assets	91	148
Goodwill	16	16
	$ 5,283	$ 5,166
Accounts payable and other liabilities	$ 621	$ 485
Liabilities associated with assets held for sale	79	—
Bank indebtedness and other financings	563	367
Notes payable	1,612	1,623
Operating and financing lease liability	69	68
Total equity	2,339	2,623
	$ 5,283	$ 5,166

Assets

Our assets as at December 31, 2024 totaled $5.3 billion. Our land and housing inventory (including those presented as held for sale), investments in unconsolidated entities, and commercial properties have a combined book value of $3.5 billion, or approximately 66% of our total assets. The land and housing assets remained consistent when compared to December 31, 2023 primarily due to acquisitions as well as continued land and housing development, offset by sales activity and turnover of inventory. 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 residential land and housing portfolio, excluding unconsolidated entities, and their stage of development as at December 31, 2024 compared with December 31, 2023 is as follows:

	As at December 31, 2024		As at December 31, 2023	
(US$ millions, except units)	Units	Book Value	Units	Book Value
Land held for development (lot equivalents)	41,336	$ 705	57,803	$ 1,204
Land under development and finished lots (single family units)	2,751	431	5,972	889
Consolidated land inventory not owned (single family units) [1]	1,617	140	—	—
Housing units, including models	1,790	579	1,765	601
	47,494	$ 1,855	65,540	$ 2,694
Multi-family, industrial and commercial parcels (acres)	220	$ 60	84	$ 61
Inventory held for sale (lot equivalents and single family units)	15,667	$ 844	—	$ —

[1] *Inventory not owned includes consolidated land inventory relating to financing arrangements and land options that are consolidated and unconsolidated.*

Notes Payable

Notes payable consist of the following:

(US$ millions)	As at December 31 2024	December 31 2023
6.250% unsecured senior notes due September 15, 2027 (a)	600	600
4.875% unsecured senior notes due February 15, 2030 (b)	500	500
5.000% unsecured senior notes due June 15, 2029 (c)	350	350
5.125% unsecured senior notes due June 15, 2029 (d)	174	188
	1,624	1,638
Transaction costs	(12)	(15)
	$ 1,612	$ 1,623

(a) The Company’s $600 million principal amount of 6.250% unsecured senior notes matures on September 15, 2027 with interest payable semi-annually. The notes may be redeemed at 101.04% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually and the notes can be redeemed at par on or after September 15, 2025 through maturity.

(b) 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.

(c) The Company's $350 million principal amount of 5.000% unsecured senior notes matures on June 15, 2029, with interest payable semi-annually. The notes may be redeemed at 102.50% 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.

(d) The Company's C$250 million principal amount of 5.125% unsecured senior notes matures on June 15, 2029, with interest payable semi-annually. 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 Company and Brookfield Residential U.S. LLC ("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 a consolidated 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 December 31, 2024.

Our actual fixed charge coverage and net indebtedness to tangible net worth ratio as at December 31, 2024 are reflected in the table below:

	Covenant	Actual as at December 31 2024
Minimum fixed charge coverage	2.0 to 1	3.46 to 1
Maximum net indebtedness to consolidated tangible net worth	3.0 to 1	0.96 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. We also use secured vendor take back ("VTB") mortgages to secure and acquire land for future development. Our bank indebtedness and other financings as at December 31, 2024 were $563 million, an increase of $196 million from December 31, 2023 which was primarily due to net draws on our revolving credit facility. As at December 31, 2024 the weighted average interest rate on our bank indebtedness and other financings was 7.1% (December 31, 2023 – 8.3%).

Future debt maturities are expected to either be refinanced or repaid from home closings, lot closings, or proceeds from the sale of mixed-use developments. 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:

	As at	
(US$ millions)	**December 31 2024**	**December 31 2023**
Bank indebtedness (a)	$ 330	$ 138
Project-specific financings (b)	189	173
Secured VTB mortgages (c)	47	58
	566	369
Transaction costs (a)(b)	(3)	(2)
	$ 563	$ 367

(a) Bank indebtedness

As at December 31, 2024, there were $330 million of borrowings outstanding under the North American unsecured revolving credit facility and we had available capacity of $286 million (December 31, 2023 – $138 million of borrowings outstanding and $479 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.

During 2024, the North American unsecured revolving credit agreement was amended and extended through August 2028. The amendment also replaced the use of the Canadian Dollar Offered Rate ("CDOR") with the Canadian Overnight Repo Rate Average ("CORRA").

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 SOFR plus an applicable rate between 2.0% and 2.8% per annum or an alternative base rate ("ABR") plus an applicable rate between 1.0% and 1.8% per annum. For Canadian dollar denominated borrowings, interest is charged on the facility at a rate equal to either CORRA plus an applicable rate between 2.0% and 2.8% per annum or the Canadian prime rate plus an applicable rate between 1.0% and 1.8% 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 $1.8 billion, as well as a consolidated total debt to consolidated total capitalization of no greater than 65%. As at December 31, 2024, 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:

(US$ millions, except percentages)	**Covenant**	**Actual as at December 31 2024**
Minimum tangible net worth	$ 1,785	$ 2,322
Maximum total debt to capitalization	65%	50%

(b) Project-specific financings

(i) During 2024, OliverMcMillan Kuhio LLC, a subsidiary of the Company, exercised its second extension option on its construction loan for the Lilia mixed-use project located in Honolulu, Hawaii. The construction loan was extended through March 2025. The loan allows OliverMcMillan Kuhio LLC to borrow up to $156 million. As at December 31, 2024, there were $148 million of borrowings outstanding under the construction loan. (December 31, 2023 – $144 million).

Interest is charged on the loan at a rate equal to SOFR plus 1.5%, with a rate cap on SOFR of 7.0%.

The loan contains certain restrictive covenants including leasing and construction of the project. The loan requires BRUS LLC to maintain a minimum liquidity of $25 million and a minimum net worth of $250 million exclusive of BRUS LLC's equity in the project. The loan is secured by the assets of OliverMcMillan Kuhio LLC. The Company was in compliance with these covenants as at December 31, 2024. The following table reflects the covenants:

(US$ millions)	**Covenant**	**Actual as at December 31 2024**
Minimum liquidity	$ 25	$ 327
Minimum net worth	$ 250	$ 1,423

(ii) As at December 31, 2024, the Company has three Canadian project-specific financings totaling $41 million (C$60 million) provided by various lenders (December 31, 2023 – $29 million (C$38 million)).

Project-specific financing totaling $28 million (C$40 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, 2023 – $25 million (C$34 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 December 31, 2024.

The following table reflects the debt to equity ratio covenant:

	Covenant	Actual as at December 31 2024
Maximum debt to equity ratio	1.50 to 1	1.19 to 1

Project-specific financing totaling $9 million (C$13 million) is secured and is due upon the earlier of demand and the maturity date in August 2027. Interest is charged on the facility at the borrower's option, at a rate equal to either the CORRA plus 1.7% or the Canadian prime rate. This borrowing includes a financial covenant of 75% loan to value and 120% debt service coverage. The covenants are calculated upon first borrowing under the facility and are calculated semi-annually thereafter. The Company was in compliance with these covenants upon the first borrowing.

Project-specific financing totaling $5 million (C$7 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 30, 2025, and is secured and without covenants (December 31, 2023 – $4 million (C$5 million)).

(c) Secured VTB mortgages

Six secured VTB mortgages (December 31, 2023 – 10 secured VTB mortgages) in the amount of $47 million (December 31, 2023 – $59 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$67 million (December 31, 2023 – C$78 million). The interest rates on this debt range from fixed rates of 6.0% to 6.5% and variable rates of Canadian prime plus 1.0% to 2.0%, and the debt is secured by the related land. As at December 31, 2024, the 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 December 31, 2024 and December 31, 2023 was as follows:

	As at	
(US$ millions, except percentages)	December 31 2024	December 31 2023
Bank indebtedness and other financings	$ 563	$ 367
Notes payable	1,612	1,623
Total interest bearing debt	2,175	1,990
Less: cash and cash equivalents	(52)	(36)
	2,123	1,954
Total equity	2,339	2,623
Total capitalization	$ 4,462	$ 4,577
Net debt to total capitalization	48%	43%

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 December 31, 2024 were as follows:

	Moody's	S&P
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, 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 December 31, 2024, we had cash and cash equivalents, including restricted cash, of $58 million, compared to $41 million at December 31, 2023.

The net cash flows for the year ended December 31, 2024 and 2023 were as follows:

	Year Ended December 31	
(US$ millions)	**2024**	**2023**
Net cash provided by operating activities	$ 417	$ 200
Net cash used in investing activities	(76)	(35)
Net cash used in financing activities	(318)	(168)
Effect of foreign exchange rates on cash	(6)	3
Net change in cash and cash equivalents	$ 17	$ 0

Cash Flow (Used in) / Provided by Operating Activities

Cash flows provided by operating activities during the year ended December 31, 2024 totaled $417 million, compared to cash flows provided by operating activities of $200 million for the same period in 2023. During the year ended December 31, 2024, cash provided by operating activities was primarily impacted by our net income, an increase in accounts payable and other liabilities, a decrease in receivables and other assets, as well as distributions of earnings from unconsolidated entities. This was partially offset by an increase in land housing inventory, and an increase in commercial properties. Acquisitions of land and housing inventory for the year ended December 31, 2024 totaled $218 million, consisting of $89 million in Canada, $96 million in Pacific U.S.and $33 million in Central and Eastern U.S. During the year ended December 31, 2023, cash provided by operating activities was primarily impacted by our net income, distributions of earnings from unconsolidated entities, as well as a decrease in land and housing inventory, an increase in receivables and other assets, and and increase in commercial properties. Acquisitions of land and housing inventory for the year ended December 31, 2023 totaled $243 million, consisting of $80 million in Canada, $145 million in Pacific U.S. and $18 million in Central and Eastern U.S.

Cash Flow (Used in) / Provided by Investing Activities

During the year ended December 31, 2024, cash flows used in investing activities totaled $76 million, compared to cash flows used in investing activities of $35 million for the same period in 2023. During the year ended December 31, 2024, cash used in investing activities was primarily impacted by draws on loans receivable of $430 million and investments of $112 million in land and housing unconsolidated entities. This was partially offset by repayments on loans receivable of $407 million and $58 million of distributions of capital from our unconsolidated entities. During the year ended December 31, 2023, cash used in investing activities was primarily impacted by draws on loan receivable of $303 million and investments of $90 million in land and housing unconsolidated entities. This was partially offset by repayments on loans receivable of $291 million and $67 million of distributions from our land and housing unconsolidated entities.

Cash Flow (Used in) / Provided by Financing Activities

Cash flows used in financing activities for the year ended December 31, 2024 totaled $318 million, compared to cash flows used in financing activities of $168 million for the same period in 2023. During the year ended December 31, 2024, cash used in financing activities was primarily related to $475 million of dividends paid to common shareholders, a $91 million tax equivalent distribution, $87 million of repayments under project-specific financings, $60 million paid related to consolidated inventory not owned, and $24 million of distributions to non-controlling interests. This was partially offset from $192 million of net drawings on bank indebtedness, $100 million of drawings under project-specific financings and $131 million of proceeds from liabilities related to consolidated inventory not owned. During the year ended December 31, 2023, cash used in financing activities was primarily related to $220 million of dividends paid to common shareholders, $81 million of repayments under project-specific and other financings, $28 million of repayments on bank indebtedness and $6 million of distributions to non-controlling interests. This was partially offset by proceeds on sale of a share of the Lilia mixed-use development of $100 million as well as drawings under project-specific debt and other financings of $69 million.

Contractual Obligations and Other Commitments

See Note 18 to the consolidated financial statements, "Commitments, Contingent Liabilities and Other" for detailed information.

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 December 31, 2024, we had $7 million of primarily non-refundable option deposits and entitlement costs. The total remaining exercise price of these options was $17 million. Pursuant to the guidance in the United States Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810 *Consolidation*, we have consolidated $18 million of option contracts where we consider the Company holds the majority economic interest in the assets held under the options.

We also own 10,176 lots through our proportionate share of unconsolidated entities. As of December 31, 2024, our investment in unconsolidated entities totaled $406 million. We have provided varying levels of guarantees of debt in our unconsolidated entities. As of December 31, 2024, we had recourse guarantees of $87 million with respect to debt in our unconsolidated entities. Please refer to Note 6 to the 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 December 31, 2024, we had $58 million in letters of credit outstanding and $580 million in performance bonds for these purposes. The estimated costs to complete related to our letters of credit and performance bonds as at December 31, 2024 are $38 million and $207 million, respectively.

Transactions Between Related Parties

See Note 23 of the 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.

BUSINESS ENVIRONMENT AND RISKS

The following is a review of certain risks that could adversely impact our financial condition and results of operations. Additional risks and uncertainties not previously known to the Company, or that the Company currently deems immaterial, may also impact our operations and financial results.

Risks related to the business and industry of the Company

The land development and homebuilding industry is significantly affected by changes in general and local economic and political conditions as well as real estate markets, which could reduce sales and profits, cause cancellations of home sales orders and materially negatively affect our business, results of operations and financial condition.

The land development and homebuilding industry is cyclical and is significantly affected by changes in general and local economic, political and industry conditions such as:

- inflation and interest rates;
- employment and wage levels;
- availability and cost of financing for homebuyers including private and federal mortgage financing and mortgage insurance programs, as well as federal, provincial and state regulation of lending practices;
- regulatory changes, including zoning laws;
- competitive and market supply and demand dynamics in our key markets, including those enabling existing homeowners to sell their existing homes at acceptable prices;
- the supply of available new or existing homes for sale, as well as other housing alternatives, such as apartments and residential rental properties;
- foreclosure rates;
- real estate taxes, federal, provincial and state property and income tax provisions (including provisions for the deduction of mortgage interest payments and state property taxes and income tax rates and brackets in the U.S.), and any adverse changes in tax laws;
- the level of household debt affecting our customer base;
- the cost and availability of labor, materials and supplies;
- the Canadian, U.S. and global financial systems and credit markets, including stock market, commodities market, currency market and credit market volatility;
- the supply of land suitable for development in our markets in Canada and the U.S.;
- consumer confidence; and
- demographic housing trends, including population rates in our key markets, immigration rates and urban and suburban migration rates.

These factors could have a negative impact on housing demand and supply, which would negatively affect our business, results of operations and financial condition. For example, an oversupply of housing in general, as well as new home alternatives such as foreclosed homes, rental properties and resale homes, including homes held for sale by investors and speculators, may reduce our sales, depress prices and reduce margins, which could materially negatively affect our business, results of operations and financial condition. Despite some recent recovery, the U.S. and Canadian land development and homebuilding industry continues to face a number of challenges, with shortages in building materials and labour, fluctuating interest rates and tight credit standards continuing to have an effect on inventory and new home sale rates and prices. If these conditions persist over an extended period, this could negatively impact our profit margins.

While employment rates in Canada and the U.S. continue to improve, the pace of economic growth will depend on a multitude of factors including government mandates and policies, monetary policy actions taken by the Bank of Canada and the Federal Reserve System, the central bank of the U.S. (the “Federal Reserve”) and the fiscal policies of the federal governments of Canada and the U.S.

An increase in interest and mortgage rates or a reduction in the availability of mortgage financing could adversely affect our ability to sell new homes and the price at which we can sell them.

Virtually all of the purchasers of our homes finance their acquisitions through mortgage financing. While the Federal Reserve and Bank of Canada in prior periods held interest rates near zero, inflationary pressures kept interest rates at elevated levels throughout 2024 with modest rate cuts. Depending on how the central banks respond, there may be a prolonged period of elevated interest rates. This would reduce the availability of mortgage financing, depress new home sales, increase the effective monthly costs of mortgage financing and reduce the affordability and overall demand for our homes. Even if potential purchasers do not need financing, these conditions could make it harder for them to resell their homes in the future, which would discourage potential homebuyers. These conditions could also increase cancellation rates on home purchase contracts, which would reduce our ability to realize our backlog. As a result, increased interest and mortgage rates and reduced mortgage availability could materially adversely affect our ability to sell new homes and the price at which we can sell them, which would have a material adverse effect on our business, results of operations and financial condition.

Our business, results of operations and financial condition could be adversely affected by significant inflation or deflation.

Inflation can adversely affect us by increasing costs of land, materials and labor. We may not be able to offset inflation-related cost increases because inflation can lead to an oversupply of homes relative to demand, which would

make it difficult for us to increase the sale prices of homes. Moreover, our costs of capital could increase with inflation, and the purchasing power of our cash resources could decline. Governmental efforts to stimulate the economy have accelerated inflation and its resulting adverse impact on our business, results of operations and financial condition. In response, higher interest rates imposed by central banks have had a negative impact on mortgage financing and housing demand. In such an environment, we may not be able to raise home prices sufficiently to keep up with the rate of inflation. Any pricing adjustments or economic incentives (such as mortgage rate buy-downs or discounts) in response to inflation could also impact our gross margins and lower our overall financial results.

On the other hand, a significant period of deflation could cause a decrease in overall consumer spending and borrowing levels, lead to a higher rate of unemployment, cause the value of home inventories to decline and result in an overall deterioration in economic conditions.

Any of these factors affecting one of our master-planned communities, a region or our business as a whole, many of which are beyond our control, could cause our business, results of operations and financial condition to deteriorate.

An economic downturn in Ontario or Alberta, Canada or challenging real estate markets in the U.S. could have a material adverse effect on our business, operating results and financial condition.

Canadian mortgage rules continue to impact homebuyers and adjust what they can now afford as a result of the mortgage stress test and new government policies. In June 2022, the Canadian government enacted new legislation preventing foreign buyers from acquiring residential properties has since extended that ban to January 1, 2027. Similarly in 2023, several U.S. states also enacted legislation regulating foreign ownership of land. While we do not expect this ban to have a material impact on our business, similar types of legislation restricting home ownership of property could reduce overall demand for residential homes.

Our Alberta operations continue to depend on the economic conditions stemming from, among other things, the volatility in the price of and the long-term demand for crude oil, natural gas and other refined products, as well as market access constraints. In Ontario, there has been a drop in home prices as a result of a cooling housing market and falling demand. Any economic downturn, increase in unemployment, increase in interest rates, decrease in immigration or other changes could have a material impact on our business.

Although the U.S. housing market has shown signs of recovery, many of the factors contributing to the downturn prior to the COVID-19 pandemic remain, and improved conditions do not extend consistently to every market in which we operate. We expect these uneven conditions to continue. Elevated inflation and interest rates can also have a negative impact on demand for residential homes in the U.S. generally and these conditions could persist for an extended period of time. If the market value of our land and housing inventories declines, our business, results of operations and financial condition could be materially adversely affected by impairments and write-downs, as well as if we cannot recover our costs fully when selling homes.

We acquire land in the ordinary course of our business. There is an inherent risk that the value of our land may decline after purchase, which may also affect the value of our housing inventories and homes under construction. The valuation of property is inherently subjective and based on the individual characteristics of each property, as well as general and local real estate market conditions. The risks discussed elsewhere in this section can cause these conditions to change and thereby subject valuations to uncertainty.

Moreover, all valuations are made on the basis of assumptions that may not prove to reflect economic or demographic realities. We may acquire options on or buy and develop land at a cost we will not be able to recover fully or on which we cannot build and sell homes profitably. For example, if housing demand decreases below what we anticipated when we acquired or developed our inventory, we may not be able to recover the related costs when selling homes. In addition, our deposits for building lots under option or similar contracts may be put at risk.

We regularly review the value of our land holdings and will continue to do so on a periodic basis. If market conditions deteriorate, our assumptions prove to be inaccurate or the value of our properties otherwise declines, some of our assets may be subject to impairments and write-down charges, which could materially adversely affect our business, results of operations and financial condition. In addition, if we sell land or homes at a loss, our results of operations and financial condition could be materially adversely affected.

Budget deficits in certain regions could result in tax increases or decreased public services, discouraging buyers in these markets.

Many provincial, state, regional, local and municipal governments in our served markets have struggled in recent periods to balance their budgets due to a number of factors. As a result, there have been significant cuts to government departments, subsidies, programs and public employee staffing levels, while taxes and fees have been increased. Combined with unprecedented levels of government stimulus and relief packages, lawmakers' efforts at all governmental levels to address these budget deficit issues and/or efforts to increase governmental revenues could, among other things, cause businesses and residents to leave, or discourage businesses or households from coming to, affected served markets, thereby limiting economic growth and/or resulting in significant delays and/or higher costs in obtaining required inspections, permits or approvals with respect to the development of our communities located in such markets. These negative impacts could adversely affect our ability to generate orders and revenues and/or to maintain or increase our housing gross profit margins in such markets, the impact of which could be material and adverse to our consolidated financial statements.

More restrictive mortgage regulation and fewer mortgage products could adversely affect our ability to sell new homes.

In Canada, bank regulators, the Ministry of Finance, CMHC and the Bank of Canada work in concert to manage mortgage lending practices. In addition, mortgage insurance is mandatory for mortgages with a loan-to-value ratio greater than 80%. This insurance covers the entire loan amount for its full duration. Over the years, mortgage insurance rules have been tightened to shorten amortization periods, increase minimum equity requirements and limit the insured loan amounts, all of which have made access to mortgages more difficult and have negatively impacted homebuyers' ability to purchase homes.

Canadian mortgage rules subject homebuyers with down payments of 20% or more to stricter qualifying criteria that determine whether a homebuyer will be able to afford their principal and interest payments. The criteria uses the higher of the Bank of Canada's 5-year benchmark rate (currently 2.62%) or the potential homebuyer's mortgage interest plus 2%. The rules, which came into effect on January 1, 2018, apply to new mortgage loan agreements and have decreased the borrowing and purchasing power of homebuyers. The rules have affected the purchasing power of new homebuyers and their ability to secure mortgage financing, negatively impacting the sale of new homes and the price at which we can sell them. While the Canadian government introduced a shared equity mortgage program to assist first-time homebuyers and a tax-free First Home Savings Account, the benefits to prospective homebuyers from these programs are marginal.

Prior to the 2008 financial crisis, in the U.S., a variety of mortgage products were available. As a result, more homebuyers were able to qualify for mortgage financing. Since then, however, there has been a significant decrease in the type of mortgage products available and a general increase in the qualification requirements for mortgages. Fewer loan products and tighter loan qualifications make it more difficult for some homebuyers to finance the purchase of new homes. This, coupled with higher mortgage interest rates for some mortgage products, has discouraged people from buying new homes.

In both markets, even if potential purchasers do not need financing, these conditions could make it harder for them to resell their homes in the future, which would discourage potential homebuyers. Overall, more restrictive mortgage regulation and fewer mortgage products could materially adversely affect our ability to sell new homes and the price at which we can sell them, which would have a material adverse effect on our business, results of operations and financial condition.

Tax law changes could make home ownership more expensive or less attractive, which could have an adverse impact on demand for and sales prices of new homes.

In the U.S., unlike in Canada, there are significant expenses associated with owning a home, including mortgage interest expenses and real estate taxes, that are generally deductible expenses for an individual's U.S. federal and, in some cases, state income taxes, subject to various limitations under current tax law and policy. On December 22, 2017, the Tax Cuts and Jobs Act was enacted which limited the federal deduction for mortgage interest so that it only applies to the first $750,000 of a new mortgage (as compared to $1 million under previous tax law) and introduced a $10,000 cap on the federal deductions for state and local taxes. These changes are in effect for taxable years 2018 through to the end of 2025. These changes may adversely impact demand for and sales prices of new homes.

If the U.S. federal government or a state government further changes its income tax laws to eliminate or substantially modify these income tax deductions, the after-tax cost of owning a new home would increase for many potential purchasers of our homes. Increases in property tax rates by local governmental authorities, can also adversely impact the ability of potential purchasers of our homes to obtain financing or limit their desire to purchase new homes. Increases in sales and other taxes could also discourage potential homebuyers from purchasing one of our homes.

Any resulting loss or reduction of homeowner tax deductions, if such tax law changes were enacted without offsetting provisions or any other increase in any taxes affecting homeowners, would adversely impact demand for and sales prices of new homes.

Residential land development and homebuilding is a highly competitive industry, and competitive conditions may adversely affect our results of operations.

The residential land development and homebuilding industry is highly competitive. We compete with other local, regional and national homebuilders, often within larger communities designed, planned and developed by those homebuilders. This competition extends beyond homebuyers to include competing for desirable properties, building materials, labor and capital, all of which may be constrained and in short supply. Any improvement in the cost structure or service of these competitors will increase the competition we face. We also compete with the resale of existing homes including foreclosed homes, sales by housing speculators and investors and rental housing. These competitive conditions could result in difficulty in acquiring suitable land at acceptable prices, increased selling incentives, lower sales volumes and prices, lower profit margins, impairments in the value of our inventory and other assets or increased construction costs and delays in construction, any of which could adversely affect our business, results of operations and financial condition.

Any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and could reduce our sales.

People who are unemployed, underemployed or concerned about the loss, or potential loss, of their jobs are less likely to purchase new homes, may be forced to try to sell the homes they own and may face difficulties in making required mortgage payments. Therefore, any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and may have an adverse impact on us

both by reducing demand for the homes we build and by increasing the supply of homes for sale, which could reduce our sales, adversely affecting our business and results of operations. While the job market has largely recovered since COVID-19, recessionary concerns have prompted some companies to implement lay-offs and reductions, and unemployment may increase in the long term.

Higher cancellation rates of home purchase contracts may have an adverse effect on our business, financial condition and results of operations.

Our backlog reflects agreements of sale with homebuyers for homes that have not yet been delivered. If prices for new homes decline, interest rates increase (or remain at elevated levels), the availability of mortgage financing diminishes, current homeowners find it difficult to sell their current homes, there is a further downturn in local, regional or national economic conditions or competitors increase their use of sales incentives, homebuyers may cancel their existing home purchase contracts with us in order to negotiate a lower price or because they cannot, or become reluctant to, complete the purchase. Increases in interest rates could result in a higher number of cancellations.

In cases of cancellation, we remarket the home and usually retain any deposits we are permitted to retain. We may not have any recourse against the homebuyers other than retention of their deposit, and the deposits may not cover the additional costs involved in remarketing the home and carrying of higher inventory. A significant number of cancellations could adversely affect our business, results of operations and financial condition.

Our business is seasonal in nature and quarterly operating results can fluctuate.

Our quarterly operating results generally fluctuate by season. We typically experience the highest rate of orders for new homes 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. Because 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, which is typically when we would receive payment. As a result, our revenues from sales of homes are generally higher in the second half of the year. If, due to construction delays or other reasons, including seasonal natural disasters such as hurricanes, tornadoes, floods and fires, we are unable to deliver our expected number of homes in the second half of the calendar year, the full year results of operations may be adversely affected. In many cases, we may not be able to recapture increased costs by raising prices because we fix our prices in advance of delivery by signing new sales contracts.

Extensive and complex regulation affecting the land development and homebuilding industry could subject us to restrictions, additional costs and delays, which could limit our homebuilding or other activities or increase our expenses, which would adversely affect our business and results of operations.

We must comply with extensive and complex local, provincial, state and federal regulation affecting the land development and homebuilding industry. This includes regulation concerning building, health and safety, environmental and zoning matters, among others. Governmental regulation also affects sales activities, mortgage lending activities and other dealings with customers.

In particular, we are required to obtain the approval of numerous governmental authorities regulating matters such as permitted land uses, density levels, the installation of utility services, zoning and building standards. These governmental authorities often have broad discretion to impose significant conditions on these approvals, if they are granted at all. The industry has also experienced an increase in regulations that limit the availability or use of land. Certain jurisdictions in which we operate have in the past approved, or approved for inclusion on their ballot, various “slow growth” or “no growth” initiatives that negatively impact the availability of land and building opportunities within those localities. Further similar initiatives would reduce our ability to operate in those areas, including where we may already own land, as well as cause delays and increase our costs and administration requirements.

In addition, new development projects may be subject to various assessments for schools, parks and other open spaces, new or improved streets and highways, adequate water and sewage facilities and other local services, and may be required to include low and moderate income housing. The costs of these services can be substantial, and if developers are required to fund some or all of the costs, our expenses would increase. These assessments may also raise the price that homebuyers must pay for our homes, which could reduce our sales. In addition, expanded energy efficiency regulation may be implemented in Canada or the U.S., which, even if phased in over time, could significantly increase our costs of building homes and the prices of our homes, which could increase our expenses and reduce our sales. Furthermore, municipalities may restrict or place moratoriums on the availability of utilities such as water and sewage facilities.

We incur substantial costs related to compliance with regulatory requirements. Changes in applicable regulation or changes in circumstances may require us to apply for additional approvals or modify our existing approvals and may impose other new restrictions or requirements that may cause us to determine that a property is not feasible for development or otherwise limit or delay our activities, or impose substantial additional costs and administration requirements. Legal challenges to our proposed communities brought by governmental authorities or private parties could have a similar impact. All of these consequences could materially adversely affect our business, results of operations or financial condition.

Regulations related to the protection of the environment, health and safety subject us to additional costs and delays which could adversely affect our business and results of operations.

We must comply with various regulations concerning the protection of the environment and related to health and safety. These regulations cover, for example: the discharge of pollutants, including asbestos, into the water and air; the handling of hazardous or toxic materials; and the clean-up and remediation of contaminated sites currently or

formerly owned, leased or occupied by us. This environmental regulation results in substantial potential risk and liability, irrespective of whether we caused or knew of the pollution, and can severely restrict land development and homebuilding activity in environmentally sensitive regions or areas. The presence of hazardous or toxic substances, or the failure to remediate such substances properly, may also adversely affect our ability to sell the land or to borrow using the land as security. Environmental regulations sometimes result in delays and could cause us to implement time-consuming and expensive compliance programs. They can also have an adverse impact on the availability and price of certain raw materials, such as lumber.

Furthermore, we could incur substantial costs, including clean-up costs, fines, penalties and other sanctions and damages from third-party claims for property damage or personal injury, as a result of our failure to comply with, or liabilities under, applicable environmental laws and regulations. In addition, we are often subject to third-party challenges, such as by environmental groups, under environmental laws and regulations to the permits and other approvals required for our construction activities.

Health and safety regulations, also impose an additional compliance burden on our operations. The implementation and ongoing maintenance of such compliance programs can be costly and the failure to observe or apply any of these rules could expose us to regulatory fines and penalties.

Difficulty in obtaining or retaining qualified trades workers and other labor relations issues could delay or increase the cost of home construction, which would adversely affect our business and results or operations.

Land developers and homebuilders are subject to risks related to labor and services, including shortages of qualified tradespeople. They may also face challenges as a result of unionization and labor disputes, for example, in the context of collective bargaining.

We depend on the continued availability of and satisfactory performance by subcontractors for the construction of our homes. In addition, the difficult operating environment over the last ten years in the U.S. has resulted in the failure of some subcontractors' businesses and may result in further failures. Furthermore, restrictions on immigration can create a shortage of skilled labor which may be exacerbated by policies and reforms. The newly- elected U.S. administration has also signaled stricter immigration policies including, stricter visa requirements, increased enforcements actions and limitations on legal immigration pathways which could impact our ability to attract and retain highly skilled workers. Any reduction in the availability of qualified labor may lead to increased recruiting costs, delays in product development and/or disruptions to our operations.

We are party to a collective bargaining agreement with the Universal Workers Union L.I.U.N.A. Local 183 pursuant to which we are required to use union members in connection with construction projects undertaken in Simcoe County, an area north of Toronto. Although we believe our relations with the union to be good, we may be affected in the future by strikes, work stoppages or other labor disputes. Any such events could have a material adverse effect on our business and results of operations. Moreover, our non-union laborers may become subject to labor union organizing efforts. If any current non-union laborers were to unionize, we would face increased risk of work stoppages and possibly higher labor costs.

When any of these events occur, it causes delays and increases our costs, which could have an adverse effect on our business and results of operations.

Increases in minimum wage laws could adversely impact our labor costs for our projects in the U.S. and Canada.

Minimum wage laws in the provinces and states where we operate will result in increased labor costs for skilled laborers on our projects. If our ability to mitigate the financial impact of these increases through cost saving measures does not adequately counterbalance the increase in labor costs, our operating results on the sales of our properties may be adversely affected.

Our success depends on the availability of suitable undeveloped land and lots at acceptable prices and having sufficient liquidity to acquire those properties.

Our success in developing land and in building and selling homes depends in part upon the continued availability of suitable undeveloped land and lots at acceptable prices. The availability of undeveloped land and lots for purchase at favorable prices depends on a number of factors outside of our control, including the risk of competitive over-bidding on land and lots and restrictive governmental regulation. Should suitable land opportunities become less available, the number of homes we may be able to build and sell would be reduced, which would reduce our sales and profits, and have a material adverse effect on our business, results of operations and financial condition. In addition, our ability to make land purchases will depend upon whether we have sufficient liquidity to fund them.

If we are not able to develop and market our master-planned communities successfully or within expected timeframes, our business and results of operations will be adversely affected.

Before a master-planned community generates any revenues, material expenditures are incurred to acquire land, obtain development approvals and construct significant portions of project infrastructure, amenities, model homes and sales facilities. It generally takes several years for a master-planned community development to achieve cumulative positive cash flow. If we are unable to develop and market our master-planned communities successfully or to generate positive cash flows from these operations within expected timeframes, including as a result of unexpected costs or regulatory delay, it will have a material adverse effect on our business and results of operations.

Our business and results of operations will be adversely affected if poor relations with the residents of our communities negatively impact our sales.

As a master-planned community developer, we will sometimes be expected by community residents to resolve any issues or disputes that arise in connection with the development of our communities, including with respect to actions by subcontractors. Our sales may be negatively affected if any efforts we undertake to resolve these issues or disputes are unsatisfactory to the affected residents, which in turn would adversely affect our business and results of operations. In addition, our business and results of operations would be adversely affected if we are required to make material expenditures related to the settlement of these issues or disputes or to modify our community development plans.

A lack of availability or increased cost of required materials, supplies, utilities and resources, as well as unforeseen environmental and engineering problems, could delay or increase the cost of home construction, which would adversely affect our business and results of operations.

Land developers and homebuilders are subject to risks related to:

- the availability and cost of materials and supplies (and particularly increases in the price of lumber, wall board and cement, which are significant components of home construction costs);
- the availability of adequate utility infrastructure and services;
- material fluctuations in utility and resource costs; and
- unforeseen environmental and engineering problems.

Any of these issues could cause delays and increase our costs, which could have an adverse effect on our business and results of operations. In particular, the cost of petroleum products fluctuates and may increase as a result of natural disasters, geopolitical events or accidents. This could result in higher prices for any product utilizing petrochemicals, increased building material delivery costs and higher land development costs. For example, in 2020 and 2021 there was extreme volatility in the price of lumber as a result of curtailed production from lumber mill closures due to COVID-19, forest fires in California and the Pacific Northwest, followed by a surge in demand for single family homes in the latter half. This resulted in increased costs to our homes and products. Canadian lumber imported into the U.S. has also been subjected to steep tariffs and as of 2025, the U.S. continues to impose duties on Canadian softwood lumber products with no immediate signs of reduction. The newly-elected U.S. administration has also signaled the imposition of increased tariff rates for Canadian softwood lumber which may exceed current rates. Retaliatory measures taken by the Canadian government, such as tariffs on U.S. goods could also result in increased costs to our Canadian operations and further result in strained trade relations and economic uncertainty.

Furthermore, certain areas in which we operate have historically been subject to utility and resource shortages, including significant changes to the availability of electricity and water. These areas have also experienced material fluctuations in utility and resource costs. Shortages of natural resources, particularly water, in our markets may make it more difficult for us to obtain regulatory approval of new developments, increase our costs and cause delays in completing construction. Utility shortages and rate fluctuations may also adversely affect the regional economies in which we operate, which may have an adverse effect on our sales.

Tariffs and trade policies pose risks to our costs, margins, demand, supply chain, and overall market conditions, with potential financial and operational impacts that may not be fully mitigated.

The implementation of new tariffs by the U.S. administration, including levies on imports from Canada, could pose a significant risk to our business operations, supply chain and impact our overall financial performance. In particular, the proposed tariffs are expected to raise the cost of materials imported into the U.S., such as Canadian softwood lumber and timber products, which is essential to our US homebuilding operations. These tariffs could adversely affect our profit margins in the U.S., especially if we are unable to transfer these additional cost to homebuyers. The added costs from tariffs could also result in higher home prices which could adversely affect demand, particularly among cost-sensitive buyers which may impact our overall sales volume. Tariffs may also compel suppliers to adjust their sourcing strategies, leading to potential delays which could hinder our ability to meet construction timelines and fulfill backorders.

Canada in response has also announced retaliatory tariffs which would increase the costs of goods imported from the U.S. and have a similar negative impact on our Canadian homebuilding operations. These trade policies are expected to have broader economic implications and could result in an overall weaker Canadian economy, a decline in Canadian exports, a depreciated Canadian dollar and higher unemployment, any of which could result in a reduced demand for housing in Canada.

While we are exploring ways to mitigate the impact of increased tariffs including operational efficiencies to offset potential cost increases, there can be no assurance that we will be able to fully mitigate the impact of these tariffs, if at all. If similar or additional tariffs are introduced, reinstated or expanded, this could exacerbate the above factors.

We may incur a variety of costs to engage in future growth or expansion of our operations or acquisitions or disposals of businesses, and may not be able to realize anticipated synergies and benefits from any such endeavors.

As a part of our business strategy, we may make acquisitions of, significant investments in, or disposals of businesses. Any future acquisitions, investments or disposals would be accompanied by risks such as:

- difficulties in assimilating the operations and personnel of acquired companies or businesses, which may result in voluntary turnover or role redundancy;
- diversion of our management’s attention and financial resources from ongoing business concerns;

- our potential inability to maximize our financial and strategic position through the successful incorporation or disposition of operations;
- receipt of consent or approval from governmental authorities that could delay or prevent the completion of the acquisition;
- maintenance of uniform standards, controls, procedures and policies; and
- impairment of existing relationships with employees, contractors, suppliers and customers as a result of the integration of new management personnel and cost-saving initiatives.

In addition, acquisitions or other major investments can expose us to valuation risks, including the risk of writing off goodwill or impairing inventory and other assets related to such acquisitions. The risk of goodwill and other asset impairments increases during a cyclical housing downturn in which our profitability declines.

While we seek protection through warranties and indemnities in the case of acquisitions, for example, significant liabilities may not be identified in due diligence or come to light after the expiry of warranty or indemnity periods. Additionally, while we seek to limit our ongoing exposure, for example, through liability caps and period limits on warranties and indemnities in the case of disposals, some warranties and indemnities may give rise to unexpected and significant liabilities.

Any of these factors could have a material adverse effect on our business, results of operations and financial condition.

Home warranty and construction defect claims may subject us to liabilities as a general contractor and other losses.

As a homebuilder, we are subject to construction defect and home warranty claims arising in the ordinary course of our business. These claims are common in the homebuilding industry and can be costly.

Where we act as the general contractor, we are responsible for the performance of the entire contract, including work assigned to subcontractors. Claims may be asserted against us for construction defects, personal injury or property damage caused by the subcontractors, and if successful, these claims give rise to liability. We may not be indemnified against substantive claims, and even if we are, we may not be able to collect from the subcontracted party. Subcontractors are independent of the homebuilders that contract with them under normal management practices and the terms of trade contracts and subcontracts within the industry; however, if Canadian or U.S. regulatory agencies or courts reclassify the employees of subcontractors as employees of homebuilders, homebuilders using subcontractors could be responsible for wage, hour and other employment-related liabilities of their subcontractors.

We will sometimes become responsible for the losses or other obligations of general contractors we hire if there are unforeseen events like their bankruptcy, or an uninsured or under-insured loss claimed against them. The costs of insuring against construction defects and product liability claims are high, and the amount of coverage offered by insurance companies may be limited. There can be no assurance that this coverage will not be further restricted and become more costly. If we are not able to obtain adequate insurance against these claims in the future, our business and results of operations will be adversely affected.

Increasingly in recent years, individual and class action lawsuits have been filed against homebuilders asserting claims of personal injury and property damage caused by a variety of issues, including faulty materials and the presence of mold in residential dwellings. Furthermore, decreases in home values as a result of general economic conditions may result in an increase in both non-meritorious and meritorious construction defect claims, as well as claims based on marketing and sales practices. Our insurance may not cover all of the claims arising from such issues, or such coverage may become prohibitively expensive. If we are not able to obtain adequate insurance against these claims, we may experience significant litigation costs and losses that could reduce our net income, even if we are successful in defending such claims.

We conduct certain of our operations through unconsolidated joint ventures with independent third parties in which we do not have a controlling interest.

These investments involve risks and are highly illiquid. We currently operate through a number of unconsolidated homebuilding and land development joint ventures with independent third parties in which we do not have a controlling interest. At December 31, 2024, we had invested an aggregate of $406 million in these joint ventures. In addition, as part of our strategy, we intend to continue to evaluate additional joint venture opportunities.

There are a limited number of sources willing to provide acquisition, development, and construction financing to land development and homebuilding joint ventures, and if market conditions become more challenging, it may be difficult to obtain financing for our joint ventures on commercially reasonable terms.

In addition, we lack a controlling interest in some of these joint ventures and, therefore, are usually unable to require that our joint ventures sell assets or return invested capital, make additional capital contributions, or take any other action without the vote of at least one of our venture partners. Therefore, in some instances, absent partner agreement, we may be limited in our buy and sell decisions of assets and in such events will be unable to liquidate our joint venture investments to generate cash.

Our joint ventures typically obtain secured acquisition, development and construction financing. Historically, we and our joint ventures partners provided varying levels of guarantees of debt or other obligations of our unconsolidated joint ventures. These guarantees include construction completion guarantees, repayment guarantees and environmental indemnities. We accrue for guarantees we determine are probable and reasonably estimated, but we do not record a liability for the contingent aspects of any guarantees that we determine are reasonably possible but

not probable. As of December 31, 2024, we had $87 million outstanding in recourse guarantees related to our joint ventures.

Increased insurance risk will adversely affect our business, and, as a consequence, may result in uninsured losses or cause us to suffer material losses in excess of insurance limits, which could affect our business, results of operations and financial condition.

We are confronting reduced insurance capacity and generally lower limits for insurance against some of the risks associated with our business. Some of the actions that have been or could be taken by insurance companies include: increasing insurance premiums; requiring higher self-insured retention and deductibles; requiring collateral on surety bonds; imposing additional exclusions, such as with respect to sabotage and terrorism; and refusing to underwrite certain risks and classes of business. The imposition of any of the preceding actions will adversely affect our ability to obtain appropriate insurance coverage at reasonable costs.

In addition, certain types of risks, such as personal injury claims, may be, or may become in the future, either uninsurable or not economically insurable, or may not be currently or in the future covered by our insurance policies. Should an uninsured loss or a loss in excess of insured limits occur, we could sustain financial loss or lose capital invested in the affected property as well as anticipated future income from that property. In the U.S., the coverage offered and the availability of general liability insurance for construction defects is currently limited and costly. These risks associated with insurance cost increases could affect our business, results of operations and financial condition.

We may face substantial damages or be enjoined from pursuing important activities as a result of existing or future litigation, arbitration or other claims.

In our land development and homebuilding activities, we are exposed to potentially significant litigation, arbitration proceedings and other claims, including breach of contract, contractual disputes and disputes relating to defective title, property misdescription or construction defects. Class action lawsuits can be costly to defend, and if we were to lose any certified class action suit, it could result in substantial liability for us. With respect to certain general liability exposures, including construction defect and product liability claims, due to the complex nature of these exposures, we are required to exercise significant judgment in interpretation of underlying current and future trends, assessment of claims and the related liability and reserve estimation. Furthermore, it is difficult to determine the extent to which the assertion of construction defect claims will expand geographically. As a result, our insurance policies may not be available or adequate to cover any liability for damages.

Failure in our financial and commercial controls could result in significant cost overruns or errors in valuing sites.

We own and may purchase a number of sites each year and are therefore depending on our ability to process a number of transactions (which include, among other things, evaluating the site purchase, designing the layout of the development, sourcing materials and subcontractors and managing contractual commitments) efficiently and accurately. Errors by employees, failure to comply with regulatory requirements and conduct of business rules, failings or inadequacies in internal control processes, equipment failures, natural disasters or the failure of external systems, including those of our suppliers or counterparties, could result in operational losses that could adversely affect our business, financial condition, operating results and our relationships with our customers.

Our business is susceptible to adverse weather conditions, other environmental conditions and natural and man-made disasters, which could adversely affect our business and results of operations.

Adverse weather conditions and natural and man-made disasters such as hurricanes, tornadoes, storms, earthquakes, floods, droughts, fires, snow, blizzards and other environmental conditions, as well as terrorist attacks, riots and electrical outages, can have a significant effect on our ability to develop and market our communities. These adverse conditions can cause physical damage to work in progress and new homes, delays and increased costs in the construction of new homes and disruptions and suspensions of our operations, whether caused directly or by disrupting or suspending operations of those upon whom we rely in our operations. While none of our U.S. properties were materially adversely affected by the recent significant wildfires throughout Southern California, we could experience labour shortages, construction delays, or utility company delays, which in turn could impact our results. If fires are again experienced, our properties may be affected in which event we may suffer losses to our properties and land value which may be difficult to realize. In such event, we cannot be certain insurance will adequately cover the damage which may result in certain unrecoverable losses. These conditions can mutually cause or aggravate each other, and their incidence and severity are unpredictable.

Certain areas in which we operate, particularly parts of Arizona and California, are susceptible to extreme or exceptional drought conditions. In response to these conditions and concerns when such conditions arise and may continue for an extended period of time or worsen, government officials have taken, or have proposed taking, a number of steps to preserve potable water supplies.

To address the governmental mandates and their own available potable water supplies, local water agencies/suppliers could potentially restrict, delay the issuance of, or proscribe new water connection permits for homes or businesses; increase the costs for securing such permits, either directly or by requiring participation in impact mitigation programs; adopt higher efficiency requirements for water-using appliances or fixtures; limit or ban the use of water for construction activities; impose requirements as to the types of allowed plant material or irrigation for outdoor landscaping that are more strict than state standards and less desired by consumers; and/or impose fines and penalties for noncompliance with any such measures. These local water agencies/suppliers could also increase rates and charges to residential users for the water they use, potentially increasing the cost of homeownership. We can offer no assurance about, where and the extent to which these or additional conservation measures might be

imposed by local water agencies/suppliers in California or by other federal, state or local lawmakers or regulators in Arizona and California. However, if potable water supplies become further constrained due to persistent drought conditions, tighter conservation requirements may be imposed that could limit, impair or delay our ability to acquire and develop land, and/or build and deliver homes (even if we have obtained water connection permits); increase our production costs; cause the fair value of affected land or land interests in our inventory to decline, which could result in inventory impairment or land option contract abandonment charges, or both; or negatively affect the economies of, or diminish consumer interest in living in, water-constrained areas. These impacts, individually or collectively, could adversely affect our business and consolidated financial statements, and the effect could be material.

If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruptions or losses resulting from these conditions, our business and results of operations will be materially adversely affected. In addition, damage to new homes caused by these conditions may cause our insurance costs to increase.

The forward-looking information contained herein may prove to be incorrect.

The forward-looking information included in this annual report is based on opinions, assumptions and estimates made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate and reasonable under the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Actual results of the Company in the future may vary from the historical and estimated results and those variations may be material. There is no representation by the Company that actual results achieved by the Company in the future will be the same, in whole or in part, as those included in this annual report.

Information technology failures and data security breaches could harm our business.

We use information technology and computer resources extensively in our operations. While we have implemented systems, protocols and processes to secure and protect our information, these security measures may not be sufficient for all possible scenarios and may be vulnerable to viruses, malicious code, cyber or phishing attacks, ransomware attacks, intentional penetration, natural disasters, hardware or software failure or error, third-party failure or error, telecommunications and network failure or error, service failure or error, user or employee error, faulty password management or other irregularities.

Breaches to our data security systems, including cyber-security related incidents, could, among other things, result in unauthorized users gaining access to our systems, the disclosure or misappropriation of assets or sensitive information (including personal and confidential information), and the corruption of data or operational disruption. With the rise of artificial intelligence, phishing attacks have also become more sophisticated and convincing, making it more difficult to distinguish legitimate requests and communications. The result of these incidents could include, but is not limited to, lost revenue or loss of customers, increased insurance premiums, disrupted operations, misstated financial data, liability for stolen assets or information, increased cyber-security protection and remediation costs, regulatory penalties or fines, class action litigation and reputational damage adversely affecting our business and results of operations, all of which may result in us incurring expenses to rectify and resolve such incidents.

Data privacy laws are becoming increasingly demanding and more complex.

Laws surrounding the collection, storage, usage and transmission of personal data are becoming more demanding and complex. In particular, the California Privacy Act of 2018 ("CCPA"), which came into effect on January 1, 2020, provides a private right of action for data breaches and requires companies that process information on California residents to adopt and implement protocols with respect to the collection and disclosure of personal information. On November 3, 2020, California passed Proposition 24, titled the California Privacy Rights Act of 2020 ("CPRA") which significantly amends the CCPA, expands the privacy rights of California residents and increases compliance requirements for businesses. The majority of the CPRA became operative on January 1, 2023. Failure to abide by these new rules may result in regulatory fines and penalties, litigation and reputational damage. Other U.S. states have also enacted similar privacy legislation. The complexity of privacy laws may add to our operational burden requiring ongoing resources and costs to monitor regulatory changes, train employees, update policies and implement solutions to maintain compliance

We cannot predict the impact that changing climate conditions, including legal, regulatory and social responses thereto, may have on our business.

Various scientists, environmentalists, international organizations, regulators and other commentators believe that global climate change has added, and will continue to add, to the unpredictability, frequency and severity of natural disasters in certain parts of the world, which may cause delays in land development and construction which could increase our operating expenses and reduce our revenues. A number of legal and regulatory measures as well as social initiatives have been introduced in an effort to reduce greenhouse gas and other carbon emissions which are chief contributors to global climate change. We cannot predict the impact that changing climate conditions, if any, will have on our results of operations or our financial condition. Moreover, we cannot predict how legal, regulatory and social responses to concerns about global climate change will impact our business.

Other environmental, social and governance (“ESG”) mandates could also result in expanded diligence, additional reporting, disclosure and oversight that could increase our overall compliance costs and add additional scrutiny to our operations. A failure to incorporate ESG considerations into our operations or address ESG deficiencies could result in non-compliance with laws, rules, regulation, policies and negative public perception.

A major health and safety incident relating to our business could be costly in terms of potential liabilities and reputational damage.

Building sites are inherently dangerous, and operating in the homebuilding industry poses certain inherent health and safety risks. Due to health and safety regulatory requirements and the number of projects we work on, health and safety performance is critical to the success of our business. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities and workers' compensation claims incurred as a result. Such a failure could generate significant negative publicity, result in reputation damage, attract regulatory fines or penalties, limit our ability to win new business, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to financing and liquidity

If we are not able to raise capital on favourable terms or at all, our business and results of operations will be adversely affected.

We operate in a capital intensive industry and require capital to maintain our competitive position. The failure to secure additional debt or equity financing or the failure to do so on favorable terms will limit our ability to grow our business, which in turn will adversely affect our business and results of operations. Recent rate hikes in both Canada and the U.S. have also significantly increased the cost of capital, making refinancings or new financings more expensive and costly. We expect to make significant capital expenditures in the future to enhance and maintain the operations of our properties and to expand and develop our real estate inventory. If our plans or assumptions change or prove to be inaccurate, or if cash flow from operations proves to be insufficient due to unanticipated expenses or otherwise, we will likely seek to minimize cash expenditures and/or obtain additional financing in order to support our plan of operations.

In recent years, the availability of financing from banks and the public debt markets has been volatile in the U.S. due to the uncertainties that exist in the credit markets, economy and for homebuilders in general, we cannot be certain that we will be able to replace existing financing or find additional sources of financing. If sufficient funding, whether obtained through public or private debt, equity financing or from strategic alliances, is not available when needed or is not available on acceptable terms, our business and results of operations will be adversely affected.

Our access to capital and our ability to obtain additional financing could be affected by any downgrade of our credit ratings.

The Company's corporate credit rating and ratings on the Company's senior unsecured notes and our current credit condition affect, among other things, our ability to access new capital, especially debt. Negative changes in these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt. If our credit ratings are lowered or rating agencies issue adverse commentaries in the future, it could have a material adverse effect on our business, results of operations, financial condition and liquidity. In particular, a weakening of our financial condition, including a significant increase in our leverage or decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, result in a credit rating downgrade or change in outlook, or otherwise increase our cost of borrowing.

An inability to obtain additional performance, payment, completion and surety bonds and letters of credit could limit our future growth.

We are often required to provide performance, payment, completion and surety bonds or letters of credit to secure the completion of our construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of performance, payment, completion and surety bonds and letters of credit for our expected growth in the medium term; however, unexpected growth may require additional facilities. Our ability to obtain additional performance, payment, completion and surety bonds and letters of credit primarily depends on our capitalization, working capital, past performance, management expertise and certain external factors, including the capacity of the performance bond market. Performance, payment, completion and surety bond and letter of credit providers consider these factors, in addition to our performance and claims record and provider-specific underwriting standards, which may change from time to time.

If our claims record or our providers' requirements or policies change or if the market's capacity to provide performance and completion bonds is not sufficient and we are unable to renew or amend our existing facilities on favorable terms or at all, we could be unable to obtain additional performance, payment, completion and surety bonds or letters of credit when required, which could limit our future growth or have a material adverse effect on our existing business, results of operations and financial condition.

Changes to foreign currency exchange rates could adversely affect the value of our results of operations and financial condition.

We have businesses with earnings in both the U.S. and Canada. Our financial results are reported in U.S. dollars. Changes in the U.S. dollar/Canadian dollar exchange rate will affect the value of the reported earnings and the value of those assets and liabilities denominated in foreign currencies. For example, an increase in the value of the U.S. dollar compared to the Canadian dollar would reduce our Canadian dollar-denominated revenue when reported in U.S. dollars, which occurred several times in 2024. Our results of operations and financial condition may be adversely affected by such exchange rate fluctuations.

Our significant levels of debt and leverage could adversely affect our business, financial condition or results of operations and prevent us from fulfilling our obligations under our debt instruments.

We have a significant amount of debt. As of December 31, 2024, the total principal amount of our debt outstanding was $2 billion and we had no non-recourse guarantees of obligations of unconsolidated joint ventures. We also had $286 million in undrawn commitments under our Canadian and U.S. credit facilities as of that date.

Subject to the limits under our debt instruments, we may be able to incur substantial additional debt from time to time, including but not limited to new credit facilities, to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If we incur additional debt, the risks related to our level of debt and leverage could intensify. Specifically, a high level of debt and leverage could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- increasing our vulnerability to adverse economic or industry conditions, reducing our ability to withstand competitive pressures and making us more vulnerable to a general economic downturn;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or requiring us to make non-strategic divestitures, particularly when the availability of financing in the capital markets is limited;
- requiring a substantial portion of our cash flows from operations for the payment of interest on our debt and reducing our ability to use our cash flows to fund working capital, capital expenditures, acquisitions and general corporate requirements;
- exposing us to the risk of increased interest rates, since some of our borrowings are and will continue to be at variable rates of interest;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- placing us at a competitive disadvantage to less leveraged competitors; and
- increasing our cost of borrowing.

If any of these conditions occur, or should we be unable to repay these obligations as they become due, our financial condition will be materially adversely affected.

In addition, our various debt instruments contain financial and other restrictive covenants that may limit our ability to, among other things, borrow additional funds that might be needed in the future. We also guarantee shortfalls under some of our community bond debt when the revenues, fees and assessments which are designed to cover principal and interest and other operating costs of the bonds are not paid. Historically, we financed many of our projects located in the U.S. individually through certain of our subsidiaries, and we expect to do so to a greater extent in the future. As a result, to the extent we increase the number of projects and our related investments, our total debt obligations may increase. In general, we repay the principal of our project debt from the proceeds of home and lot closings.

An increase in interest rates under our existing credit facilities and mortgages would increase the cost of servicing our debt and could have a material adverse effect on our financial condition and ability to pay interest on our debt obligations.

A significant amount of our existing borrowings consists of secured and unsecured credit facilities, some of which bear interest at variable rates. Our project-specific borrowings bear interest at either: (i) the adjusted SOFR plus 1.5% per annum for U.S. denominated borrowings; or (ii) Canadian prime or CORRA plus an applicable rate between 0.5% and 1.65% for Canadian denominated borrowings. Our unsecured credit facility bears interest at either: (i) the adjusted SOFR plus an applicable rate between 2.0% and 2.8% per annum or an alternative base rate plus an applicable rate between 1.0% and 1.8% per annum for U.S. denominated borrowings; or (ii) CORRA plus an applicable rate between 2.0% and 2.8% per annum or the Canadian prime rate plus an applicable rate between 1.0% and 1.8% per annum. This amount of variable interest rate debt exposes us to interest rate risk. As of December 31, 2024, a 1% change up or down in interest rates would have a $5 million impact on our annual cash flows. If interest rates increase under the terms of these credit facilities or mortgages, our debt service obligations will increase even if the amount of our borrowings remain the same, which could have a material adverse effect on our net income and our ability to make timely interest payments on our debt.

We may not be able to generate sufficient cash to service all of our debt and may be forced to take other actions to satisfy our obligations under such debt, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit facilities or otherwise in an amount sufficient to enable us to pay the principal, premium, if any, and interest on our debt obligations or to fund our other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments, strategic acquisitions and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance all or a portion of our debt obligations. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all, or on terms that would not be disadvantageous to us or on terms that would not require us to breach the terms and conditions of our existing or future debt agreements. Even if successful, those alternatives may not allow us to meet our scheduled debt service obligations. The terms of some of our indebtedness restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to

consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our debt obligations on commercially reasonable terms or at all, would materially and adversely affect our financial position, results of operations and our ability to satisfy our obligations.

If we cannot make scheduled payments on our debt, we will be in default under our relevant debt agreements and holders of that debt could declare all outstanding principal and interest on that debt to be due and payable, causing a cross-acceleration or cross-default under certain of our debt agreements, and we could be forced into bankruptcy, liquidation or restructuring proceedings.

We are a holding company and depend on our subsidiaries for our cash flow. Because a significant portion of our operations are conducted through our subsidiaries, our financial condition and ability to service our debt is partly dependent on our receipt of distributions or other payments from our subsidiaries.

We are a holding company and depend on our subsidiaries for our cash flow. A significant portion of our operations are conducted through our subsidiaries. As a result, our ability to service our debt is partly dependent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries are legally distinct from us and our subsidiaries that are not guarantors of our debt have no obligation to pay amounts due on our debt or to make funds available to us for such payment. The ability of our subsidiaries to pay dividends, repay intercompany notes or make other advances to us are subject to restrictions imposed by applicable laws, tax considerations and the agreements governing our subsidiaries, including financial maintenance covenants, affiliate transaction restrictions, covenants related to the payment of dividends, limitations on liens and limitations on loans and investments. In addition, such payments may be restricted by claims against our subsidiaries by their creditors, including the holders of any debt securities they may issue, suppliers, vendors, lessors and employees.

Restrictive covenants and financial maintenance covenants in our financing agreements may restrict our ability to pursue our business strategy, react to market conditions or meet our capital or liquidity needs and increase the risk of default on our debt obligations.

The agreements governing our credit facilities and our other debt obligations will limit our ability, and the terms of any future indebtedness may limit our ability, among other things, to:

- incur or permit to exist liens;
- enter into sale and leaseback transactions;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- incur or guarantee additional debt;
- pay dividends or make distributions on our capital stock;
- make certain loans and investments;
- sell assets, including capital stock of restricted subsidiaries;
- agree to payment restrictions affecting our restricted subsidiaries;
- enter into transactions with our affiliates;
- enter into swap agreements; and
- designate any of our subsidiaries as unrestricted subsidiaries.

A breach of any of these restrictive covenants or our inability to comply with the applicable financial covenants could result in a default under the agreements governing our credit facilities, other borrowings or future borrowings. If a default occurs, lenders under our credit facilities or other debt instruments may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under our credit facilities and holders of our other debt obligations will also have the right to proceed against the collateral granted to them to secure such debt obligations, if any. If the indebtedness under our credit facilities or our other indebtedness were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness. The instruments governing certain of our credit facilities and our other debt obligations also contain cross-default provisions. Under these provisions, a default under one instrument governing our debt obligations may constitute a default under our other debt instruments.

Our guarantor subsidiaries and our U.S. project subsidiaries are also subject to financial maintenance covenants and certain default provisions that may be triggered upon a material adverse change to our business, among other events, in a number of our financing agreements. We could breach these financial maintenance covenants or default provisions due to circumstances beyond our control, such as a decline in the value of our assets.

Risks Relating to Our Structure

Affiliates are not limited in their ability to compete with us and are not obligated to offer us the opportunity to pursue additional assets or businesses.

BN and their other affiliates are not prohibited from owning assets or engaging in businesses that compete directly or indirectly with us. Any of these entities may pursue opportunities to acquire or develop properties in the future, without any obligation to offer us the opportunity.

Our sole shareholder, BN, may have interests as an equity holder that may conflict with the interests of creditors.

BN beneficially owns, or controls or directs, directly 100% of our outstanding New Common Shares. Accordingly, BN has the ability to control our policies and operations. The interests of BN may not in all cases be aligned with our creditors' interests. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of BN might conflict with our creditors' interests. In addition, BN may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investment, even though such transactions might involve risks to holders of the notes. Furthermore, BN may in the future own businesses that directly or indirectly compete with us. BN may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

Our relationship with our sole shareholder, BN, and other affiliates may be on terms more or less favorable than those that could be obtained from third parties.

BN beneficially owns, or controls or directs, directly or indirectly, 100% of our outstanding New Common Shares. Our relationship with BN and its affiliates includes certain related party transactions. See Note 23 to the consolidated financial statements for additional information on related party transactions. Additionally, we have the right to use the names "Brookfield" and "Brookfield Residential" pursuant to a license agreement between Brookfield Office Properties and Brookfield Global Asset Management Limited, a subsidiary of BN. These and other arrangements with affiliates may not be on terms at least as favorable to us as those that could be negotiated with third parties, despite procedural protections to simulate arm's length negotiations, such as the prior approval of related party transactions by our independent directors. Conversely, the terms of our agreements with affiliates could be more favorable to us than would be available from a third party. In such event, should we be required to replace these arrangements, we might not be able to obtain terms at least as favorable as those with affiliates.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of Brookfield Residential Properties ULC ("Brookfield Residential") is responsible for the integrity, consistency, objectivity and fair presentation of the financial information, including the consolidated financial statements and management's discussion and analysis and review, contained in this Annual Report. To fulfill this responsibility, the Company maintains policies, procedures, and a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable information is produced. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance, the communication of policies and code of conduct throughout the Company, and an actively defined and clearly communicated tone-at-the-top.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and, where appropriate, reflect estimates based on management's judgment. The consolidated financial statements include the accounts of Brookfield Residential and all of its subsidiaries (collectively, the "Company"). The financial information of the Company included in the Company's Annual Report is consistent with that in the consolidated financial statements.

Deloitte LLP, the independent auditors appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Board of Directors and shareholders their opinion on the consolidated financial statements. Their report as an independent auditor is set out on the following page.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for overseeing management's performance of its financial reporting. The Board of Directors carries out these responsibilities and meets periodically with management, our internal auditors and independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related reporting and internal control matters before the financial statements are approved by the Board of Directors.

/s/ Adrian Foley

Adrian Foley
President and Chief Executive Officer

/s/ Thomas Lui

Thomas Lui
Executive Vice President and Chief Financial Officer

February 20, 2025

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Brookfield Residential Properties ULC

Opinion

We have audited the financial statements of Brookfield Residential Properties ULC (the "Company"), which comprise the consolidated balance sheets as at December 31, 2024 and 2023, and the consolidated statements of operations, consolidated statements of equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
February 20, 2025

CONSOLIDATED FINANCIAL STATEMENTS

BROOKFIELD RESIDENTIAL PROPERTIES ULC
CONSOLIDATED BALANCE SHEETS
(all dollar amounts are in thousands of U.S. dollars)

	Note	As at December 31 2024	As at December 31 2023
Assets			
Cash and cash equivalents		$ 51,980	$ 36,414
Restricted cash		5,462	4,284
Receivables and other assets	2	726,894	764,862
Investment company assets	3	469,987	417,990
Assets held for sale	4	918,383	—
Land and housing inventory	5	1,914,961	2,755,029
Investments in unconsolidated entities	6	406,203	359,424
Held-to-maturity investment	7	300,000	300,000
Commercial properties	8	320,777	304,089
Operating and financing lease right-of-use asset	9	61,119	59,447
Deferred income tax assets	10	90,561	147,772
Goodwill		16,479	16,479
Total assets		$ 5,282,806	$ 5,165,790
Liabilities and Equity			
Accounts payable and other liabilities	11	$ 621,295	$ 485,236
Liabilities associated with assets held for sale	4	78,531	—
Bank indebtedness and other financings	12	563,358	367,245
Notes payable	13	1,611,689	1,623,346
Operating and financing lease liability	9	69,427	67,227
Total liabilities		2,944,300	2,543,054
Common shares	15	1,363,013	1,363,013
Additional paid-in-capital		36,308	34,225
Retained earnings		766,572	1,020,325
Non-controlling interest	14	372,464	341,691
Accumulated other comprehensive loss		(199,851)	(136,518)
Total equity		2,338,506	2,622,736
Total liabilities and equity		$ 5,282,806	$ 5,165,790
Commitments, contingent liabilities and other	18		
Guarantees	19		
Subsequent events	24		

See accompanying notes to the consolidated financial statements

BROOKFIELD RESIDENTIAL PROPERTIES ULC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(all dollar amounts are in thousands of U.S. dollars, except per share amounts)

	Note	Year Ended December 31	
		2024	**2023**
Revenue			
Housing		$ 1,447,904	$ 1,488,572
Land		623,006	432,266
Total revenue		2,070,910	1,920,838
Direct Cost of Sales			
Housing		(1,151,270)	(1,194,453)
Land		(343,614)	(327,559)
Total direct cost of sales		(1,494,884)	(1,522,012)
Gross margin		576,026	398,826
Selling, general and administrative expense		(259,854)	(254,255)
Interest expense		(55,330)	(56,987)
Earnings from unconsolidated entities	6	57,614	88,228
Other income	17	148,987	112,927
Lease expense	9	(10,911)	(11,088)
Depreciation		(9,896)	(9,895)
Income Before Income Taxes		446,636	267,756
Current income tax expense	10	(19,783)	(38,838)
Deferred income tax expense	10	(59,531)	(9,371)
Net Income		367,322	219,547
Other Comprehensive Income / (Loss)			
Unrealized foreign exchange gain / (loss) on:			
Translation of the net investment in Canadian subsidiaries		(78,183)	20,710
Translation of the Canadian dollar denominated debt designated as a hedge of the net investment in Canadian subsidiaries	20	14,850	(4,125)
Comprehensive Income		$ 303,989	$ 236,132
Net Income Attributable To:			
Consolidated		$ 367,322	$ 219,547
Non-controlling interest	14	55,138	18,668
Brookfield Residential		$ 312,184	$ 200,879
Comprehensive Income Attributable To:			
Consolidated		$ 303,989	$ 236,132
Non-controlling interest	14	55,138	18,668
Brookfield Residential		$ 248,851	$ 217,464
Common Shareholders Earnings Per Share			
Basic	16	$ 1.54	$ 0.99
Diluted	16	$ 1.54	$ 0.99
Weighted Average Common Shares Outstanding *(in thousands)*			
Basic	16	202,733	202,733
Diluted	16	202,733	202,837

See accompanying notes to the consolidated financial statements

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

	Note	Year Ended December 31	
		2024	**2023**
Common Shares	15		
Opening balance		$ 1,363,013	$ 1,363,013
Ending balance		1,363,013	1,363,013
Additional Paid-in-Capital			
Opening balance		34,225	—
Sale of partial interest in subsidiary	8	—	34,225
Other		2,083	—
Ending balance		36,308	34,225
Retained Earnings			
Opening balance		1,020,325	1,039,446
Common share dividends	23	(475,000)	(220,000)
Net income attributable to Brookfield Residential		312,184	200,879
Tax equivalent distributions	23	(90,937)	—
Ending balance		766,572	1,020,325
Accumulated Other Comprehensive Loss			
Opening balance		(136,518)	(153,103)
Other comprehensive loss		(63,333)	16,585
Ending balance		(199,851)	(136,518)
Total Brookfield Residential Equity		$ 1,966,042	$ 2,281,045
Non-Controlling Interest - Land & Housing	14		
Opening balance		$ 341,691	$ 276,035
Additions		—	53,418
Disposals		—	(728)
Net income attributable to non-controlling interest		55,138	18,668
Distributions		(24,365)	(5,702)
Ending balance		$ 372,464	$ 341,691
Total Equity		$ 2,338,506	$ 2,622,736

See accompanying notes to the consolidated financial statements

BROOKFIELD RESIDENTIAL PROPERTIES ULC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(all dollar amounts are in thousands of U.S. dollars)

	Year Ended December 31	
Cash Flows (Used in) / Provided by Operating Activities	**2024**	**2023**
Net income	$ 367,322	$ 219,547
Adjustments to reconcile net income to net cash (used in) / provided by operating activities:		
Earnings from unconsolidated entities	(57,614)	(88,228)
Deferred income tax expense	59,531	9,371
Share-based compensation expense	172	3,766
Depreciation	9,896	9,895
Right-of-use asset depreciation	5,604	3,662
Disposal of operating leases	(477)	(1,305)
Amortization of non-cash interest	4,151	4,503
Dividend income on held-to-maturity investment	(24,000)	(24,000)
Distributions of earnings from unconsolidated entities	55,116	96,028
Changes in operating assets and liabilities:		
Decrease / (Increase) in receivables and other assets	11,235	(13,107)
(Increase) / Decrease in land and housing inventory	(198,527)	41,575
Increase in commercial properties	(28,131)	(19,930)
Decrease in operating lease liabilities	(3,420)	(4,670)
Increase / (Decrease) in accounts payable and other liabilities	216,301	(36,881)
Net cash provided by operating activities	417,159	200,226
Cash Flows (Used in) / Provided by Investing Activities		
Investments in unconsolidated entities	(111,611)	(90,016)
Distribution of capital from unconsolidated entities	58,190	66,807
Draws on loans receivable	(429,620)	(303,127)
Repayments on loans receivable	407,277	291,489
Net cash used in investing activities	(75,764)	(34,847)
Cash Flows (Used in) / Provided by Financing Activities		
Drawings under project-specific and other financings	99,540	68,293
Repayments under project-specific and other financings	(87,207)	(80,784)
Net drawings on bank indebtedness	192,368	(27,985)
Proceeds from liabilities related to consolidated inventory not owned	130,759	—
Payments related to consolidated inventory not owned	(60,293)	—
Payments of debt issuance costs	(2,350)	—
Proceeds on sale of partial interest in subsidiary	—	99,612
Distributions to non-controlling interest	(24,365)	(5,702)
Dispositions of non-controlling interest	—	(728)
Tax equivalent distributions paid	(90,937)	—
Dividends paid to common shareholders	(475,000)	(220,000)
Payments made on the principal of financing leases	(952)	(282)
Net cash used in financing activities	(318,437)	(167,576)
Effect of foreign exchange rates on cash and cash equivalents	(6,214)	1,938
Change in cash, cash equivalents and restricted cash	16,744	(259)
Cash, cash equivalents and restricted cash at beginning of period	40,698	40,957
Cash, cash equivalents and restricted cash at end of period	$ 57,442	$ 40,698
Supplemental Cash Flow Information		
Cash interest paid	$ 140,691	$ 134,960
Cash taxes paid	$ 33,249	$ 16,238

See accompanying notes to the consolidated financial statements

Note 1. Significant Accounting Policies

(a) Basis of Presentation

Brookfield Residential Properties ULC (the "Company" or "Brookfield Residential") is a corporation existing under the laws of the Province of Alberta and is a wholly-owned subsidiary of Brookfield Corporation. The Company has been developing land and building homes for over 60 years.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and 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) Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a customer. Taxes collected on behalf of a government authority for a revenue-producing transaction are excluded from revenue.

Land sales are recognized when title passes to the purchaser upon closing, all material conditions of the sales contract have been met and a significant cash down payment or appropriate security is received and collectability is probable. Revenues from the sale of homes are recognized when title passes to the purchaser upon closing, wherein all proceeds are received or collectability is probable. In certain circumstances, when title transfers but material future development is required, revenue is recognized at a point in time when the performance obligation is satisfied.

The Company grants homebuyers sales incentives from time-to-time in order to promote sales of its homes. These incentives will vary by type and by amount on a community-by-community and home-by-home basis. Incentives that impact the value of the home or the sales price paid, such as additional options, are reflected as a reduction to sales revenue. Incentives are recognized at the time title passes to the homebuyer and the sale is recognized.

The following are descriptions of principal activities, from which the Company generates its revenue. See Note 22 "Segmented Information " for detailed information about the Company's reportable segments.

i. *Land Sales:* The land operations of the Company principally generate revenue from developing land for its own communities and selling lots to other homebuilders and third parties. The Company’s duration of land contracts vary; however, the typical length of a contract is less than one year. Revenues from land sales are recognized at a point in time when the Company's performance obligations are achieved and collectability of the receivable is probable. Performance obligations are satisfied when title has transferred and all material conditions of the sales contract have been met. Generally, all elements of the transaction price are allocated to one performance obligation. Certain contracts may have a significant financing component in the form of a vendor take back ("VTB") mortgage receivable. These amounts are recognized as receivables, see Note 2 "Receivables and Other Assets" for more detailed information. Certain contracts may have a component of variable consideration, in the form of profit participation. When a contract includes profit participation, the Company will receive consideration from the builder who purchased the land, as a percentage of the ultimate sale of the home. Profit participation is generally determined to be constrained at the time the revenue contract is recognized. The Company will reassess and recognize profit participation as appropriate at the end of each reporting period.

ii. *Housing Sales:* The homebuilding operations of the Company principally generate revenue from designing, constructing, and marketing single family and multi-family homes in its own and its developers’ communities. The typical contract duration for housing contracts is less than one year. Revenues from the sale of homes are recognized at a point in time when the Company's performance obligations are achieved and collectability of the receivable is probable. Performance obligations are satisfied when the home is complete, consideration has been received, and title has transferred. All elements of the transaction price are allocated to the Company's one performance obligation.

The Company has elected to apply the practical expedient under ASC Topic 606, to not disclose information for unsatisfied performance obligations, for housing or land contracts where the performance obligation will be settled within one year.

(c) Land and Housing Inventory

i. Carrying values: Inventories consist of land held for development, land under development, homes under construction, completed homes and model homes and are stated at cost, net of impairment losses. In

accordance with ASC Topic 360 *Property, Plant and Equipment*, land and housing assets owned directly by the Company are reviewed for recoverability on a regular basis; the Company assesses these assets no less than quarterly for recoverability and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indicators of impairment include, but are not limited to: significant decreases in local housing market values and selling prices of comparable homes; significant decreases in gross margins and sales absorption rates; accumulation of costs in excess of budget; actual or projected operating or cash flow losses; and current expectations that a real estate asset will more likely than not be sold before its previously estimated useful life. For communities where the current competitive and market dynamics indicate that these factors may be other than temporary, which may call into question the recoverability of the Company's investment, a formal impairment analysis is performed. The formal impairment analysis consists of both qualitative competitive market analysis and a quantitative analysis reflecting market and asset specific information.

The qualitative competitive market analysis includes review of factors such as the target buyer and the macroeconomic characteristics that impact the performance of the Company's assets, such as unemployment and the availability of mortgage financing, among other things. Based on this qualitative competitive market analysis, adjustments to sales prices may be required in order to make the Company's communities competitive. The Company incorporates these adjusted prices in the quantitative analysis for the specific community.

Recoverability is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. To arrive at the estimated fair value of land and housing inventory, the Company estimates the future undiscounted cash flow for the life of each project. Specifically, on a land project, the Company estimates the timing of future land sales and the estimated revenue per lot, as well as estimated margins with respect to future land sales. On a housing project, the Company evaluates the margins on homes that have been closed, margins on sales contracts which are in backlog and estimated margins with regard to future home sales over the life of the project. For the land and housing inventory, the Company continuously evaluates projects where inventory is turning over more slowly than expected or whose average sales price and margins are declining and are expected to continue to decline. These projections take into account the specific business plans for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market area. Such projections generally assume current home selling prices, cost estimates and sales rates for short-term projects are consistent with recent sales activity. For longer-term projects, planned sales rates for 2025 generally assume recent sales activity and normalized sales rates beyond 2025. Management identifies potentially impaired land and housing projects based on these quantitative factors as well as qualitative factors obtained from the local market areas. If the future undiscounted cash flows are less than the carrying amount, the asset is considered to be impaired and is then written down to fair value using a discounted cash flow methodology which incorporates market participant assumptions.

Due to uncertainties in the estimation process, particularly with respect to projected home sales prices and absorption rates, the timing and amount of the estimated future cash flows and discount rates, it is reasonably possible that actual results could differ from the estimates used in the impairment analysis. Assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. Because the projected cash flows used to evaluate the fair value of inventory are significantly impacted by changes in market conditions including reduced sales prices, a change in sales prices or changes in absorption estimates based on current market conditions and management's assumptions relative to future results could lead to additional impairments in certain communities during any given period.

The Company has also entered into a number of option contracts to acquire land or lots in the future in accordance with specific terms and conditions. The majority of the option contracts require a non-refundable cash deposit based on a percentage of the purchase price of the property. Option contracts are recorded at cost. In determining whether to pursue an option contract, the Company estimates the option primarily based upon the expected cash flows from the optioned property. If the intent is to no longer pursue an option contract, the Company records a charge to earnings of the deposit amounts and any other related pre-acquisition entitlement costs in the period the decision is made.

ii. *Capitalized costs:* In addition to direct land acquisitions, land development and improvement costs and home construction costs, costs also include interest, real estate taxes and direct overhead related to development and construction, which are capitalized to inventory during the year beginning with the commencement of development and ending with the completion of construction or development. The Company capitalizes interest costs to certain qualifying inventory during the development and construction period in accordance with ASC Topic 835-20 *Capitalization of Interest.* Capitalized interest is charged to cost of sales when the related inventory is delivered. Interest incurred on home building indebtedness in

excess of qualified inventory, as defined in ASC Topic 835-20, is charged to the consolidated statement of operations in the period incurred.

iii. *Consolidated land inventory not owned:* The Company may sell land to third parties and unconsolidated entities while retaining an option to repurchase the land at a later date. Based on the provisions of ASC Topic 606 *Revenue from Contracts with Customers,* a seller may not recognize revenue if it has an obligation or a right to repurchase the asset, as control is not transferred to the customer. Per ASC 606, a repurchase agreement is considered a financing arrangement if the lots will be repurchased at an amount that is equal to or greater than the original selling price. If the Company enters into a sales agreement where the repurchase is considered to be a financing arrangement, the lots will be recorded as “Consolidated land inventory not owned” within land and housing inventory, and the related liabilities under the land option agreement as “Liabilities related to consolidated land inventory not owned” in other liabilities.

The Company regularly assesses its land option contracts to determine whether it has the power to control the underlying inventory based on the guidance set out in ASC Topic 810 *Consolidation*. If it is determined that the Company is the primary beneficiary of these options, they are consolidated and recorded as "Consolidated land inventory not owned" within land and housing inventory.

(d) Commercial Properties

Commercial properties include any properties that are currently leased out by Brookfield Residential and produce leasing revenue for the Company, are being developed to produce leasing revenue at a future date, or are being developed for eventual sale. Expenditures for significant betterments and improvements are capitalized. Maintenance and repairs are charged to expense when incurred. Construction and improvement costs incurred in connection with the development of new properties or the redevelopment of existing properties are capitalized. Completed commercial properties are carried at the cost basis less accumulated depreciation. Commercial properties under development are stated at cost and are not depreciated until available for use. Real estate taxes and interest costs incurred during development periods are capitalized. Capitalized interest costs are based on qualified expenditures and interest rates in place during the development period. Capitalized real estate taxes and interest costs are amortized over lives which are consistent with the developed assets.

Pre-development costs, which generally include legal and professional fees and other directly-related third party costs, are capitalized as part of the property being developed. In the event a development is no longer deemed to be probable, the costs previously capitalized are expensed.

Depreciation of completed commercial properties is recorded over the estimated useful life of 40 years using the straight-line method.

(e) Leases

An arrangement is determined to be a lease or not at inception. Operating and financing leases are included in operating and financing lease right-of-use (“ROU”) assets and operating and financing lease liabilities on our consolidated balance sheets.

ROU assets represent the Company’s right to use an underlying asset for the lease term and the lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at a commencement date based on the present value of the lease payments over the lease term. The Company will use the implicit rate when it is readily available. As the Company’s leases do not contain an implicit rate, the Company used an incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. The Company has used an incremental borrowing rate, determined by taking a sum of: the appropriate U.S. or Canadian Government bond rate, and credit spread of the U.S. Industrial B1 and U.S. risk free rate or the Implied B1 Canadian composite bond yield and the Canadian risk free rate.

The Company’s leases typically contain terms and conditions for options to extend or terminate the lease. Leases with termination or extension options which the Company is reasonably certain to exercise have been included as part of the ROU asset and liability. Termination or extension options which the Company is reasonably certain not to exercise have been excluded in the determination of the ROU asset and liability.

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Company’s lease agreements contain both lease and non-lease components. The Company has elected to not separate non-lease components from either a lessee or lessor perspective for all classes of assets. The Company has applied the practical expedient for short term leases; short-term leases are recognized on a straight-line basis over the life of the lease, and are not recognized on the balance sheet.

For lease agreements where the Company is a sub-lessor, the Company has presented the lease expense on a gross basis on the consolidated statements of operations, and has recognized sub-lease income within “other income”.

For lease agreements where the Company is a lessor, if the lease provides for tenant improvements, the Company determines whether the tenant improvements are owned by the tenant or the Company. When the Company is the owner of the tenant improvements, depreciation begins when improvements are substantially complete. When the tenant is the owner of the tenant improvements, any tenant allowance funded by the Company is treated as a lease incentive and amortized as an adjustment to rental income over the lease term.

(f) Loans and notes receivable

Loans and notes receivable are carried at amortized cost, with interest income recognized using the effective interest rate method. The effective interest rate method is used to recognize interest income on loan receivables on the basis of the contractual cash flows over the contractual term of the loan. A provision for credit loss is established when there is objective evidence that the Company will not be able to collect all amounts due for both principal and interest according to the contractual terms of the agreement. Interest income received on loans receivable is recorded as other income.

(g) Assets Held for Sale

Long-lived assets and groups of assets and liabilities which are considered to be disposal groups are presented as assets held for sale when the criteria in ASC Topic 360 *Property, Plant and Equipment* are met. Assets are reclassified as held for sale when management commits to a plan to sell the asset, the asset is available for immediate sale in its present condition subject to usual and customary terms, an active program to find a buyer is in place, the sale of the asset is probable within one year, the asset is being actively marketed at a price that is reasonable in relation to its fair value and it is unlikely that significant changes to the plan will be made.

While classified as held for sale, assets are carried at the lower of their carrying value and the fair value less costs to sell. Assets held for sale are not depreciated.

(h) Unconsolidated Entities

The Company holds interests in a number of unconsolidated entities in which it has less than a controlling interest to build homes or to develop and sell land to the unconsolidated entity members and other third parties. These unconsolidated entities are accounted for using the equity method. The Company recognizes its proportionate share of the earnings from the sale of lots and homes to other third parties through equity earnings from unconsolidated entities. The Company does not recognize earnings from the purchase of lots from its unconsolidated entities and reduces its cost basis of the land purchased accordingly.

The Company employs the cumulative earnings approach for presenting distributions from unconsolidated entities in the Statement of Cash Flows. Distributions received from these entities are presented as returns on investment unless the cumulative distributions exceed the cumulative equity in earnings recognized by the Company. In such instances, the excess distributions are treated as returns of investment and presented within investing activities.

(i) Use of Significant Estimates and Judgements

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, assessment of variable interest entities, assets and liabilities associated with assets held for sale, tax provisions, deferred income tax assets and liabilities, and contingent liabilities including litigation. Actual results could differ materially from these estimates.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and all highly liquid short-term investments with original maturity less than 90 days. The carrying value of these investments approximates their fair value.

(k) Restricted Cash

Restricted cash includes cash collateralization of development letters of credit, as well as funds in various cash accounts reserved for letters of credit, guarantees on completion of certain improvements, and guarantees on future insurance loss deductible payments.

(l) Income Taxes

Income taxes are accounted for in accordance with ASC Topic 740 *Income Taxes*. The provision for, or benefit from, income taxes is calculated using the asset and liability method, under which deferred tax assets and liabilities are

recorded based on the difference between the accounting bases and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. Additionally, for its investments in foreign or domestic partnerships, and in accordance with ASC Topic 740, the Company recognizes a deferred tax asset or liability based on the difference between the tax basis and accounting basis of their investment, this is known as the outside basis difference.

Provisions (benefits) for federal, state and provincial income taxes are calculated on reported pretax income (losses) based on current tax law and also include, in the applicable period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions (benefits) differ from the amounts currently receivable or payable because certain items of income and expense are recognized for financial reporting purposes in different periods than for income tax purposes. Significant judgment is required in determining income tax provisions (benefits) and evaluating tax positions. The Company establishes reserves for income taxes when, despite the belief that its tax positions are fully supportable, it believes that its positions may be challenged and disallowed by various tax authorities. The consolidated tax provisions (benefits) and related accruals include the impact of such reasonably estimated disallowances as deemed appropriate. To the extent that the probable tax outcome of these matters changes, such changes in estimates will impact the income tax provision (benefit) in the period in which such determination is made.

In accordance with ASC Topic 740, the Company assesses on a quarterly basis the realizability of its deferred tax assets. Significant judgment is required in estimating valuation allowances for deferred tax assets. A valuation allowance is established against a deferred tax asset if, based on the available evidence, it is more-likely-than-not that such asset will not be realized. The Company's assessment includes evaluating the following significant factors: an assessment of recent years' profitability and losses which considers the nature, frequency, and severity of current and cumulative losses; management's forecasts or expectation of profits based on margins and volumes expected to be realized; the long duration of twenty years in Canada before the expiry of non-capital losses, and taking into consideration that a portion of the deferred tax asset is composed of deductible temporary differences that are not subject to an expiry period until realized under tax law.

The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, on business plans and other expectations about future outcomes. Changes in existing tax laws or rates could affect actual tax results, and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. The Company's accounting for deferred tax assets represents its best estimate of future events using the guidance provided by ASC Topic 740.

(m) Foreign Currency Translation

The functional and presentation currency of the Company is the U.S. dollar. 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 and have a Canadian dollar functional currency. The financial statements of its 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. 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. 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 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.

(n) Earnings Per Share

Earnings per share is computed in accordance with ASC Topic 260 *Earnings Per Share*. Basic earnings per share is calculated by dividing net income attributable to Brookfield Residential by the weighted average number of Common Shares outstanding for the period. Diluted earnings per share is calculated by dividing net income attributable to Brookfield Residential for the period by the average number of Common Shares outstanding including all potentially dilutive issuable Non-Voting Class B Common Shares under the option plan.

(o) Advertising Costs

The Company expenses advertising costs as incurred in selling, general and administrative expenses, except for those related to marketing of our master planned communities. Refer to Note 2 "Receivables and Other Assets" for further details.

(p) Warranty Costs

Estimated future warranty costs are accrued and charged to cost of sales at the time the revenue associated with the sale of each home is recognized. Factors that affect the Company's warranty liability include the number of homes sold, historical and anticipated rates of warranty claims, and cost per claim. Costs are accrued based upon historical experience.

(q) Variable Interest Entities

The Company accounts for its variable interest entities ("VIE") in accordance with ASC Topic 810 *Consolidation*. The decision to consolidate a VIE begins with establishing that a VIE exists. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investor lacks one of three characteristics associated with owning a controlling financial interest. Those characteristics are (i) the power to direct the activities of an entity that most significantly impact the entity's economic performance; (ii) the obligation to absorb the expected losses of the entity; and (iii) the right to receive the expected residual returns of the entity. The entity that has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE is considered to have a controlling financial interest in a VIE and is required to consolidate such entity. The Company has determined that it has a controlling financial interest in certain investments and land option contracts, which it considers VIEs that have been consolidated in these financial statements. See Note 5 "Land and Housing Inventory", Note 6 "Investments in Unconsolidated Entities" and Note 14 "Non-Controlling Interest" for further discussion on the consolidation of land option contracts and consolidated and unconsolidated entities.

(r) Derivative Financial Instruments and Risk Management Activities

The Company accounts for its derivative and hedging activities in accordance with ASC Topic 815 *Derivatives and Hedging*, which requires the Company to recognize all derivative instruments at their fair values as either assets or liabilities on its balance sheet. The accounting for changes in fair value (i.e. gains or losses) of a derivative instrument depends on whether the Company has designated it, and whether it qualifies, as part of a hedging relationship and on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. For hedges of net investments in foreign operations, any foreign exchange gains or losses on the hedging instrument are recorded in other comprehensive income as long as the hedge remains effective.

(s) Held-to-Maturity Investment

Held-to-maturity investments are initially recorded at fair value and are subsequently measured at amortized cost using the effective interest method, less any applicable provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Dividends received on held-to-maturity investments are recorded as other income.

(t) Investment Company Subsidiaries

The Company has interests in subsidiaries that are investment companies in accordance with ASC Topic 946 *Financial Services - Investment Companies,* which prescribes specialized accounting and reporting requirements for investment companies. As the Company consolidates these subsidiaries in accordance with ASC 810 *Consolidation*, the Company is required to retain the industry specific guidance applied by this entity under ASC 946.

The investment company assets are carried at fair value, which may be determined using a combination of observed transaction prices, industry wide accepted valuation techniques, or other valuation methodologies based on inputs that may be directly or indirectly market observable. See Note 3 "Investment Company Assets" and Note 20 "Fair Value Measurements".

(u) Goodwill

We record goodwill associated with acquisitions of businesses when the purchase price of the business exceeds the fair value of the net tangible and identifiable assets acquired. In accordance with ASC Topic 350, *Intangibles-Goodwill and Other* ("ASC 350"), we evaluate goodwill for potential impairment on at least an annual basis. We assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its

carrying amount. We estimate fair value through various valuation methods, including the use of discounted expected future cash flows of each reporting unit.

(v) Fair Value Measurements

The FASB's authoritative guidance for fair value measurements establishes a three-level hierarchy based upon the inputs to the valuation model of an asset or liability. The fair value hierarchy and its application to the Company's assets and liabilities is as follows:

i. Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.

ii. Level 2 – Valuation is determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active, or by model-based techniques in which all significant inputs are observable in the market.

iii. Level 3 – Valuation is derived from model-based techniques in which at least one significant input is unobservable and based on management's estimates about the assumptions that market participants would use to value the asset or liability.

When available, the Company uses quoted market prices in active markets to determine fair value. The Company considers the principal market and non-performance risks associated with its counterparties when determining the fair value measurements, if applicable.

(w) Common Control Transactions

The Company accounts for the purchase and sale of assets between entities under common control in accordance with ASC Topic 805-50 *Business Combinations - Related Issues,* which requires the Company to record assets and liabilities transferred between entities under common control at carrying value. Differences between the carrying amount of the consideration given or received and the carrying amount of the assets and liabilities transferred are recorded directly to additional paid-in-capital to the extent there is any, retained earnings, or common shares to the extent that common shares were issued or redeemed as part of the transaction.

The transfer of consolidated entities under common control may result in a change in reporting entity in accordance with ASC Topic 250, *Accounting Changes and Error Corrections*. Where material, this requires retrospective combination of the entities for all periods presented as if the combination had been in effect since the inception of common control. Where a transfer of entities under common control results in the Company losing control of a subsidiary due to a reduction in its ownership interests, the deconsolidation of the entity is conducted at its carrying values. No gain or loss from remeasurement of the retained interest is recognized to be consistent with the requirements of ASC Topic 805-50.

(x) Non-controlling Interest

In accordance with ASC Topic 810 *Consolidation*, the Company accounts for its non-controlling interest after considering the impact of the Company's direct and indirect interest in its subsidiaries.

Non-controlling interest represents ownership interests attributable directly or indirectly to third parties in certain consolidated subsidiaries, limited partnerships and VIEs. The portion of equity not owned by the Company in such entities is reflected as non-controlling interest within the equity section of the consolidated balance sheets. See Note 14 "Non-Controlling Interest".

In certain circumstances, the Company's equity method investee may own an interest in an entity or partnership consolidated by the Company. In these situations, the carrying amount of the investment and the Company's share of undistributed equity earnings, have been adjusted to reflect the fact that the Company has already consolidated the partnership with a corresponding adjustment made to non-controlling interest.

(y) Future Accounting Pronouncements

ASU 2023-05, *Business Combinations - Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*, was issued in August 2023, and is effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Principally, it requires a joint venture or a corporate joint venture to initially measure its assets and liabilities at fair value on the formation date. Adoption of the update is not expected to have a significant impact on the Company's financial position and results of operations.

ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, was issued in November 2024, and is effective for fiscal years beginning after December 15, 2026, and interim periods within those fiscal periods beginning after December 15, 2027. This ASU requires public business entities to provide detailed disclosures about specific expense categories within relevant expense captions in the income statement. The Company is currently evaluating the impact of this ASU on its consolidated financial statements, and the effect, if any, has not yet been determined.

Note 2. Receivables and Other Assets

The components of receivables and other assets are summarized as follows:

	As at	
	December 31 2024	December 31 2023
Receivables (a)	$ 595,673	$ 680,758
Other assets (b)	131,221	84,104
	$ 726,894	$ 764,862

(a) The components of receivables are summarized as follows:

	As at	
	December 31 2024	December 31 2023
Loan receivables (i)	$ 243,779	$ 232,107
Preferred shares dividends receivable (ii)	131,664	107,664
Development recovery receivables (iii)	81,958	193,820
Real estate receivables (iv)	52,718	52,769
Sundry receivables (v)	44,557	56,985
Proceeds and escrow receivables (vi)	33,436	31,343
Refundable deposits	7,561	6,070
	$ 595,673	$ 680,758

(i) The Company has an agreement with Homebuilder Finance, a related party of the Company to provide financing of up to $125.0 million. The loan bears interest at SOFR plus an applicable rate between 2.0% and 2.75% per annum. As at December 31, 2024, the loan had an outstanding balance of $56.8 million (December 31, 2023 – $56.3 million). During the year ended December 31, 2024, the Company recorded $4.9 million of interest income at the exchange amounts in the consolidated statement of operations within other income (year ended December 31, 2023 - $5.3 million).

The Company has an agreement with BPD, a wholly-owned subsidiary of Brookfield Corporation, which provides financing of up to $125.0 million. The loan bears interest at CORRA plus 2.0% or SOFR plus 2.0%, as applicable. As at December 31, 2024, the loan had an outstanding balance of $112.8 million (December 31, 2023 – $94.5 million). During the year ended December 31, 2024, the Company recorded $9.5 million of interest income at the exchange amounts in the consolidated statement of operations within other income (year ended December 31, 2023 – $9.6 million).

The Company has three Canadian loan receivables from joint ventures, two of which provide financing of up to $38.2 million (C$55.0 million). These loans bear interest at Canadian prime plus 0.35% to 0.50%. As at December 31, 2024 the loans had an outstanding balance of $54.2 million (C$77.9 million) (December 31, 2023 – $62.5 million (C$82.9 million)).

The Company has two loans with homeowner's associations ("HOA") for financing of the HOA facilities in the development stages of these communities. These loans bear interest at 2.00%**.** As at December 31, 2024, the loans had an outstanding balance of $13.0 million (December 31, 2023 - $16.9 million).

(ii) Preferred share dividends receivable are comprised of $131.7 million of preferred share dividends receivable from the Brookfield International Ltd. ("BIL") preferred shares (December 31, 2023 – $107.7 million). During the year ended December 31, 2024, the Company earned $24.0 million of dividends from the preferred shares of BIL (year ended December 31, 2023 – $24.0 million of dividends earned) that have been recorded in the consolidated statements of operations within other income. These transactions were recorded at the exchange amount. See Note 7 "Held-to-Maturity Investment" for details

(iii) The Company has entered into development and cost sharing arrangements for the recovery of development expenditures with certain metropolitan districts and developers whereby the Company has undertaken to put in place the infrastructure for certain communities. These receivables will be collected over the development life of the community and bear interest rates ranging from Canadian prime or U.S. prime to prime plus 1.0% or a fixed rate of 0.0% to 8.8% (December 31, 2023 – Canadian prime or U.S. prime plus 1.0% or a fixed rate of 0.0% to 6.0%).

(iv) Real estate receivables include VTB mortgage receivables. The VTB collection terms range from 10 days after the billing date to 15 years and bear interest at Canadian prime plus 3.0% or a fixed interest rate of 0.0% to 7.5% (December 31, 2023 – Canadian prime plus 3.0% or a fixed interest rate of 0.0% to 7.5%).

(v) Sundry receivables are comprised of lot interest receivables, homeowners association receivables, and other miscellaneous amounts.

(vi) Proceeds and escrow receivables relate to receivables held in trust due to timing of homes and lots closed at the period end date. The collections of these receivables typically occur shortly after the period end once the funds are released by the trust or escrow company.

As at December 31, 2024, current expected credit losses were $nil (December 31, 2023 – $nil).

(b) The components of other assets are summarized as follows:

	As at	
	December 31 2024	December 31 2023
Non-refundable earnest funds and investigation fees (i)	$ 65,168	$ 31,384
Capitalized sales and marketing costs (ii)	20,191	18,369
Other	18,829	11,807
Prepaid expenses	14,596	11,180
Capital assets (iii)	12,437	11,364
	$ 131,221	$ 84,104

(i) Non-refundable earnest funds and investigation fees relate to non-refundable deposits and due-diligence costs on potential acquisitions and options that are incurred prior to taking title of a property.

(ii) Capitalized sales and marketing costs are recorded at cost less accumulated amortization. Capitalized sales and marketing costs are amortized over unit closings and are included in selling, general and administrative expense on the consolidated statement of operations. Included in capitalized sales and marketing is accumulated amortization of $27.8 million (December 31, 2023 – $26.6 million).

(iii) Capital assets are recorded at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method. Leasehold improvements are depreciated over the term of the lease and equipment is depreciated over three to five years. Included in capital assets is accumulated depreciation of $23.5 million (December 31, 2023 – $22.8 million).

Note 3. Investment Company Assets

The components of investment company assets are summarized as follows:

	As at	
	December 31 2024	December 31 2023
Brookfield Single Family Rental Investment[1]	$ 392,397	$ 349,576
Homebuilder Finance Investments[2]	77,590	68,414
	$ 469,987	$ 417,990

(1) See Note 20 "Fair Value Measurements" for further details. The Company has a 25.5% share of the Brookfield Single Family Rental fund as at December 31, 2024.
(2) The Homebuilder Finance Investments include a 49.0% interest in Brookfield Residential US Land Holdings LLC and a 22.2% interest in Brookfield Residential US Land Holdings II LLC (collectively "Homebuilder Finance").

Note 4. Assets Held for Sale

As of December 31, 2024, there was one disposal group that was classified as held for sale which included the net assets of six subsidiaries of the Company. These subsidiaries hold the land inventory of six master planned communities across the U.S. as well as their related assets and liabilities. No gain or loss was recorded upon reclassification of the disposal group as held for sale. The assets and liabilities classified as held for sale are as follows:

	As at
	December 31 2024
Assets	
Land and housing inventory	$ 843,944
Receivables and other assets	74,439
Assets held for sale	$ 918,383
Liabilities	
Accounts payable and other liabilities	78,531
Liabilities associated with assets held for sale	$ 78,531

As of December 31, 2024, the Company entered into a purchase and sale agreement to sell a controlling interest in the six subsidiaries and the agreement is subject to customary closing conditions. Refer to Note 24 "Subsequent Events" for further details related to this transaction.

Note 5. Land and Housing Inventory

The following summarizes the components of land and housing inventory:

	As at	
	December 31 2024	December 31 2023
Land held for development	$ 704,530	$ 1,203,953
Land under development	491,569	950,034
Consolidated land inventory not owned	139,717	—
Housing inventory	502,080	517,473
Model homes	77,065	83,569
	$ 1,914,961	$ 2,755,029

The Company has reviewed all of its projects for indicators of impairment in accordance with the provisions of ASC Topic 360 *Property, Plant and Equipment* and ASC Topic 820 *Fair Value Measurements and Disclosures*. As of December 31, 2024, detailed evaluations revealed impairments in both land held for development and land under development. Consequently, $3.7 million in impairment charges were recorded on projects no longer being pursued for the year ended (December 31, 2023 - $14.4 million).

The locations and numbers of projects reviewed are as follows:

	As at	
	December 31 2024	**December 31 2023**
Canada	35	39
Pacific U.S.	37	30
Central and Eastern U.S.	23	27
	95	96
Unconsolidated entities	20	20
Total	115	116

Interest capitalized and expensed during the years ended December 31, 2024 and 2023 was as follows:

	Year Ended December 31	
	2024	**2023**
Interest capitalized, beginning of period	$ 204,503	$ 194,006
Interest capitalized	95,394	78,097
Interest expensed to cost of sales	(69,186)	(67,600)
Interest capitalized, end of period	$ 230,711	$ 204,503

In the ordinary course of business, the Company has entered into a number of option contracts to acquire land or lots in the future in accordance with specific terms and conditions. As such, the Company has advanced deposits to secure these rights. The Company is required by ASC Topic 810 *Consolidation* to qualitatively assess whether it is the primary beneficiary of these options based on whether it has the power to control the significant activities of the VIE and an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The Company has evaluated its option contracts in accordance with this guidance and determined that, for those entities considered to be VIEs, it is the primary beneficiary of options with an aggregate exercise price of $17.6 million (December 31, 2023 – $nil), which are required to be consolidated. In accordance with ASC Topic 810, the future exercise price for these options have been recorded in land and housing inventory, with a corresponding increase in accounts payable and other liabilities for the assumed third-party investment in the VIE. Where the land sellers are not required to provide the Company with financial information related to the VIE, certain assumptions by the Company are required in its assessment as to whether or not it is the primary beneficiary.

Land and housing inventory includes non-refundable deposits and other entitlement costs totaling $7.0 million (December 31, 2023 – $6.9 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 $16.6 million (December 31, 2023 – $34.4 million), including the non-refundable deposits and other entitlement costs identified above.

The number of lots in which the Company has obtained an option to purchase, excluding those already consolidated and those held through investment in unconsolidated entities, and their respective dates of expiry and aggregate exercise prices is as follows:

Years of Expiry	**Number of Lots**	**Total Exercise Price**
2024	—	$ 600
2025	4,117	4,700
2026	—	400
2027	450	10,880
	4,567	$ 16,580

The Company holds agreements for a further 576 acres (December 31, 2023 – 3,076 acres) of longer-term land, with non-refundable deposits and other entitlement costs of $13.5 million (December 31, 2023 – $13.0 million), which is included in land and housing inventory that may provide additional lots upon obtaining entitlements with an aggregate exercise price of $99.0 million (December 31, 2023 – $141.0 million). The Company has evaluated these options in accordance with ASC Topic 810, and has concluded that they are not the primary beneficiary. As such, they are not required to be consolidated.

Note 6. Investments in Unconsolidated Entities

As part of its land and housing operations, the Company participates in joint ventures and partnerships to explore opportunities while minimizing risk. As of December 31, 2024, the Company is invested in 36 unconsolidated entities (December 31, 2023 – 30 unconsolidated entities) in which it has less than a controlling interest. Summarized financial information on a 100% basis for the combined unconsolidated entities is as follows:

	As at	
	December 31 2024	December 31 2023
Assets		
Land and housing inventory	$ 1,548,450	$ 1,448,858
Investments in unconsolidated entities	27,811	28,936
Other assets	639,707	460,343
	$ 2,215,968	$ 1,938,137
Liabilities and Equity		
Bank indebtedness and other financings	$ 475,140	$ 465,049
Accounts payable and other liabilities	276,727	188,755
Brookfield Residential's interest	406,203	359,424
Others' interest	1,057,898	924,909
	$ 2,215,968	$ 1,938,137

	Year Ended December 31	
	2024	2023
Revenue and Expenses		
Revenue	$ 814,431	$ 793,665
Direct cost of sales	(540,267)	(487,622)
Other income and expenses	(26,609)	(7,267)
Net income	$ 247,555	$ 298,776
Total equity earnings	$ 57,614	$ 88,228

In reporting the Company's share of net income, all intercompany profits from unconsolidated entities are eliminated on lots purchased by the Company from unconsolidated entities until such time that the associated home is sold to a third party.

The Company and/or its unconsolidated entity partners have provided varying levels of guarantees of debt on its unconsolidated entities. As at December 31, 2024, the Company had recourse guarantees of $87.0 million (December 31, 2023 – $67.0 million) with respect to debt of its unconsolidated entities.

Note 7. Held-to-Maturity Investment

	As at	
	December 31 2024	December 31 2023
Brookfield International Ltd. Series I Class A Preference Shares ("BIL preferred shares")	300,000	300,000
	$ 300,000	$ 300,000

The Company holds $300.0 million of BIL preferred shares that entitle their holders to receive, when declared, dividend payments at a rate of 8.0%, accrued quarterly. The BIL preferred shares are redeemable and retractable at any time and must be redeemed on the tenth anniversary of their issuance.

During the year ended December 31, 2024, the Company earned $24.0 million of preferred share dividends (year ended December 31, 2023 – $24.0 million of dividends earned). As at December 31, 2024 a total of $131.7 million of accrued dividends (year ended December 31, 2023 – $107.7 million of accrued dividends) is recorded in the consolidated balance sheets within receivables and other assets. See Note 2 "Receivables and Other Assets" for details.

Note 8. Commercial Properties

Commercial properties include any properties that are currently leased out by Brookfield Residential and produce leasing revenue for the Company, are being developed to produce leasing revenue at a future date, or are being developed for eventual sale. Completed commercial properties are stated at cost, less accumulated depreciation. Commercial properties under development are stated at cost. See Note 17 "Other Income" for the income from commercial properties. The Company's components of commercial properties consist of the following:

	As at	
	December 31 2024	December 31 2023
Finished properties	$ 323,747	$ 303,817
Work in progress	17,973	13,832
	341,720	317,649
Less: accumulated depreciation	(20,943)	(13,560)
	$ 320,777	$ 304,089

Interest capitalized to commercial properties and commercial properties held for sale and expensed during the years ended December 31, 2024 and 2023 was as follows:

	Year Ended December 31	
	2024	2023
Interest capitalized, beginning of period	$ 9,673	$ 9,621
Interest capitalized	523	223
Interest expensed to depreciation	(171)	(171)
Interest capitalized, end of period	$ 10,025	$ 9,673

During the year ended December 31, 2023, the Company completed the partial interest sale of 46.6% of its investment in Kuhio, which holds an investment in our Lilia mixed-use development in Honolulu, Hawaii, for cash proceeds of $99.5 million. The equity interest was sold to BWS, an affiliate of Brookfield Corporation, the parent entity of the Company. The transaction was accounted for under ASC 810 and had the following impact on the 2023 consolidated financial statements:

Consideration from partial sale of subsidiary	$ 99,533
Carrying value attributed to non-controlling interest	(53,419)
Income tax impact	(11,969)
Transaction costs	80
Additional paid-in-capital	$ 34,225

Note 9. Leases

The nature of the Company's leases are: office space, office equipment, land, design centers, vehicles, and model homes. Select leases include variable payments in the form of rent increases, these are dependent on the market rate. The term of the Company's leases range from less than one to 65 years, and include extension terms that are reasonably expected to be exercised.

Included in lease expense are expenses for operating leases, financing lease interest and financing lease amortization.

The Company has committed to future minimum payments for leases as follows:

Years of Expiry	Operating and Financing Leases
2025	$ 7,732
2026	8,560
2027	8,311
2028	8,122
2029	7,361
Thereafter	111,505
Total lease payments	151,591
Less imputed interest	(82,164)
Total	$ 69,427

Note 10. Income Taxes

A reconciliation of the Company's effective tax rate from the Canadian statutory tax rate for the years ended December 31, 2024 and 2023 is as follows:

	Year Ended December 31	
	2024	**2023**
Statutory rate	23.0%	23.0%
Non-temporary differences	0.2	1.0
Rate difference from statutory rate	(1.1)	(1.8)
Return to provision	0.3	0.7
Non-taxable preferred share dividends	(1.4)	(2.4)
Taxable income attributable to non-controlling interests	(3.2)	(1.6)
Other	—	(0.9)
Effective tax rate	17.8 %	18.0 %

The decrease in the effective tax rate when compared to the same period in 2023 was primarily due to the change in taxable income attributable to non-controlling interests, partially offset by changes in the proportion of income earned in jurisdictions with different tax rates and non-taxable preferred share dividends.

The provision for income taxes by jurisdiction for the years ended December 31, 2024 and 2023 is set forth below:

	Year Ended December 31	
	2024	**2023**
Current		
Canada	$ 308	$ 2,434
U.S.	19,470	36,269
International	5	135
Current income tax expense	19,783	38,838
Deferred		
Canada	19,206	10,278
U.S.	40,325	(907)
International	—	—
Deferred income tax expense	59,531	9,371
Total income tax expense	$ 79,314	$ 48,209

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The differences that give rise to the net deferred tax assets / (liabilities) are as follows:

	As at	
	December 31 2024	**December 31 2023**
Net deferred tax assets / (liabilities)		
Differences relating to land and housing inventory	$ 72,015	$ 119,210
Compensation deductible for tax purposes when paid	2,104	8,529
Operating loss carryforwards	6,867	20,924
Capital loss carryforwards	2,390	2,621
Impact of foreign exchange	5,335	(104)
Other	9,575	(787)
Net deferred tax assets before valuation allowance	98,286	150,393
Cumulative valuation allowance	(7,725)	(2,621)
Net deferred tax assets	$ 90,561	$ 147,772

The Company has Canadian federal non-capital loss carryforwards of approximately $29.5 million (C$42.4 million) as at December 31, 2024 (December 31, 2023 - $90.6 million (C$120.1 million)). Federal non-capital loss carryforwards attributable to Canada may be carried forward up to 20 years to offset future taxable income and expire between 2037 and 2044. As at December 31, 2024, the Company has Canadian capital loss carryforwards of $20.7 million (C$29.9 million) (December 31, 2023 - $22.8 million (C$30.2 million)), which do not expire.

The Company records net deferred tax assets to the extent it believes these assets will more-likely-than-not be realized. At each reporting period, the Company evaluates the recoverability of its deferred tax assets by tax jurisdiction to determine if a valuation allowance is required. In making such determinations, the Company considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies and recent financial operations. This evaluation considers, among other factors, the nature, frequency and severity of cumulative losses, actual earnings, forecasts of future operating results, the duration of statutory carryforward periods, the Company's experience with loss carryforwards not expiring and the outlook of the housing industry and the broader economy.

In evaluating the need for a valuation allowance against the Company's deferred tax assets as at December 31, 2024, the Company considered all available and objectively verifiable positive and negative evidence. The valuation allowance of $7.7 million (December 31, 2023 - $2.6 million) relates to the realized capital losses in Canada and the unrealized foreign exchange losses on the Company's U.S. denominated notes that have not met the more-likely-than-not realization threshold. The Company concluded it is more-likely-than-not that all remaining U.S. and Canadian deferred tax assets will be realized in the future.

Undistributed earnings of the Company's non-Canadian corporate affiliates as of December 31, 2024 were considered to be permanently reinvested. A determination of the amount of unrecognized deferred tax liability on these undistributed earnings is not practicable.

Note 11. Accounts Payable and Other Liabilities

The components of accounts payable and other liabilities are summarized as follows:

	As at	
	December 31 2024	**December 31 2023**
Accounts payable (a)	$ 404,674	$ 380,482
Other liabilities (b)	216,621	104,754
	$ 621,295	$ 485,236

(a) The components of accounts payable are summarized as follows:

	As at	
	December 31 2024	**December 31 2023**
Customer deposits	$ 134,426	$ 77,499
Development costs payable (i)	116,389	70,495
Trade payables and other accruals	84,084	157,900
Real estate payables	27,787	20,112
Interest on notes payable	21,252	21,286
Current income taxes payable	14,590	24,950
Accrued and deferred compensation	6,146	8,240
	$ 404,674	$ 380,482

(i) Development costs payable relate to provisions accrued for costs yet to be incurred within a subdivision where sales have taken place. The provision is based on the sold lots pro rata share of costs to be incurred for specified areas within each subdivision phase.

(b) The components of other liabilities are summarized as follows:

	As at	
	December 31 2024	**December 31 2023**
Liabilities related to consolidated land inventory not owned	$ 117,258	$ —
Deferred revenue	29,521	48,137
Warranty costs (Note 18)	19,609	19,991
Other	18,460	10,585
Consolidated land option contracts (i)	17,578	—
Purchase price consideration payable	14,195	20,782
Share-based compensation	—	5,259
	$ 216,621	$ 104,754

(i) Consolidated land option contracts are the total future purchase price of land option contracts required to be consolidated under ASC Topic 810 Consolidation, with a corresponding amount recorded in land and housing inventory. See Note 5 "Land and Housing Inventory".

Note 12. Bank Indebtedness and Other Financings

Bank indebtedness and other financings consist of the following:

	As at	
	December 31 2024	December 31 2023
Bank indebtedness (a)	$ 329,963	$ 137,600
Project-specific financings (b)	189,574	172,666
Secured VTB mortgages (c)	46,807	58,488
	566,344	368,754
Transaction costs (a)(b)	(2,986)	(1,509)
	$ 563,358	$ 367,245

(a) Bank indebtedness

As at December 31, 2024, there were $330.0 million of borrowings outstanding under the North American unsecured revolving credit facility, and available capacity of $285.7 million (December 31, 2023 – $137.6 million borrowings outstanding and $479.5 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.

During 2024, the North American unsecured revolving credit agreement was amended and extended through August 2028. The amendment also replaced the use of the Canadian Dollar Offered Rate ("CDOR") with the Canadian Overnight Repo Rate Average ("CORRA").

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 SOFR plus an applicable rate between 2.0% and 2.75% per annum or an ABR plus an applicable rate between 1.0% and 1.75% per annum. For Canadian dollar denominated borrowings, interest is charged on the facility at a rate equal to either the CORRA plus an applicable rate between 2.0% and 2.75% per annum or the Canadian prime rate plus an applicable rate between 1.0% and 1.75% 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 $1.8 billion, as well as a consolidated total debt to consolidated total capitalization of no greater than 65%. As at December 31, 2024, the Company was in compliance with all of its covenants relating to this facility.

(b) Project-specific financings

(i) During 2024, OliverMcMillan Kuhio LLC, a subsidiary of the Company, exercised its second extension option on its construction loan for the Lilia mixed-use project located in Honolulu, Hawaii. The construction loan was extended through March 2025. The loan allows OliverMcMillan Kuhio LLC to borrow up to $155.7 million. As at December 31, 2024, the Company has $148.2 million of borrowings outstanding under the construction loan (December 31, 2023 – $143.7 million).

Interest is charged on the loan at a rate equal to SOFR plus 1.5%, with a rate cap on SOFR of 7.0%.

The loan contains certain restrictive covenants including leasing and construction of the project. The loan requires BRUS LLC to maintain a minimum liquidity of $25.0 million and a minimum net worth of $250.0 million exclusive of BRUS LLC's equity in the project. The loan is secured by the assets of OliverMcMillan Kuhio LLC. The Company was in compliance with these covenants as at December 31, 2024.

(ii) As at December 31, 2024, the Company has three Canadian project-specific financings (December 31, 2023 – two project-specific financings) totaling $41.4 million (C$59.5 million) provided by various lenders (December 31, 2023 – $28.9 million (C$38.3 million)).

Project-specific financing totaling $27.8 million (C$40.0 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, 2023 – $25.3 million (C$33.5 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 December 31, 2024.

Project-specific financing totaling $8.7 million (C$12.5 million) is secured and is due upon the earlier of demand and the maturity date in August 2027. Interest is charged on the facility at the borrower's option, at a rate equal to either the CORRA plus 1.65% or the Canadian prime rate. This borrowing includes a financial

covenant of 75% loan to value and 120% debt service coverage. The covenants are calculated upon first borrowing under the facility and are calculated semi-annually thereafter. The Company was in compliance with these covenants upon the first borrowing.

Project-specific financing totaling $4.8 million (C$7.0 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 2025, and is secured without covenants (December 31, 2023 – $3.6 million (C$4.8 million)).

(c) Secured VTB mortgages

The Company has six secured VTB mortgages (December 31, 2023 – 10 secured VTB mortgages) in the amount of $46.8 million (December 31, 2023 – $58.5 million). Secured VTB mortgages are repayable as follows: 2025 – $6.0 million; 2026 – $19.5 million; and 2027 and thereafter – $21.4 million.

Six secured VTB mortgages (December 31, 2023 – 10 secured VTB mortgages) in the amount of $46.8 million (December 31, 2023 – $58.5 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$67.3 million (December 31, 2023 – C$77.5 million). The interest rates on the debt range from fixed rates of 6.0% to 6.5% and variable rates of Canadian prime plus 1.0% to 2.0% and the debt is secured by the related land. As at December 31, 2024, the borrowings are not subject to any financial covenants.

Note 13. Notes Payable

	As at	
	December 31 2024	**December 31 2023**
6.250% unsecured senior notes due September 15, 2027 (a)	$ 600,000	$ 600,000
4.875% unsecured senior notes due February 15, 2030 (b)	500,000	500,000
5.000% unsecured senior notes due June 15, 2029 (c)	350,000	350,000
5.125% unsecured senior notes due June 15, 2029 (d)	173,825	188,675
	1,623,825	1,638,675
Transaction costs	(12,136)	(15,329)
	$ 1,611,689	$ 1,623,346

(a) The Company's $600 million principal amount of 6.250% unsecured senior notes matures on September 15, 2027 with interest payable semi-annually. The notes may be redeemed at 101.04% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually and the notes can be redeemed at par on or after September 15, 2025 through maturity.

	Notes Redemption Price
2025 and thereafter	100.00%

(b) 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.

	Notes Redemption Price
2025	102.44%
2026	101.63%
2027	100.81%
2028 and thereafter	100.00%

(c) The Company's $350 million principal amount of 5.000% unsecured senior notes matures on June 15, 2029, with interest payable semi-annually. The notes may be redeemed at 102.50% 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.

	Notes Redemption Price
2025	101.25%
2026 and thereafter	100.00%

(d) The Company's C$250 million principal amount of 5.125% unsecured senior notes matures on June 15, 2029, with interest payable semi-annually. 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.

	Notes Redemption Price
2025	101.28%
2026 and thereafter	100.00%

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 charge coverage ratio of 2.0 to 1, as applicable. The Company was in compliance with these financial covenants as at December 31, 2024.

Note 14. Non-Controlling Interest

In accordance with ASC Topic 810, non-controlling interest has been classified as a component of total equity and the net income on the consolidated statements of operations has been adjusted to include the net income attributable to non-controlling interest, which for the year ended December 31, 2024 was net income of $55.1 million (December 31, 2023 – net income of $18.7 million).

The non-controlling interest of land and housing of $372.5 million (December 31, 2023 – $341.7 million) includes a 74.5% share of the Brookfield Single Family Rental fund not held by the Company as at December 31, 2024.

Note 15. Equity

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 year ended December 31, 2024 or during the year ended December 31, 2023.

	For the Period Ended	
	December 31 2024	December 31 2023
Common Shares issued, beginning of period	202,732,644	202,732,644
Common Shares issued and outstanding, end of period	202,732,644	202,732,644

The Company had no Non-Voting Class B Common Shares issued and outstanding as at December 31, 2024 and December 31, 2023.

Note 16. Earnings Per Share

Basic and diluted earnings per share for the years ended December 31, 2024 and 2023 were calculated as follows:

	Year Ended December 31	
	2024	**2023**
Numerator:		
Net income attributable to Brookfield Residential	$ 312,184	$ 200,879
Denominator (in ‘000s of shares):		
Basic weighted average shares outstanding	202,733	202,733
Diluted weighted average shares outstanding	202,733	202,870
Basic earnings per share	$ 1.54	$ 0.99
Diluted earnings per share	$ 1.54	$ 0.99

Note 17. Other Income

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

	Year Ended December 31	
	2024	**2023**
Income from investment company assets	$ (56,651)	$ (27,898)
Preferred share dividend income	(24,000)	(24,000)
Investment income	(24,474)	(23,675)
Income from commercial properties	(19,436)	(16,433)
Joint venture management fee income	(10,436)	(8,665)
Other	(13,990)	(12,256)
	$ (148,987)	$ (112,927)

Note 18. Commitments, Contingent Liabilities and Other

When selling a home, the Company’s subsidiaries provide customers with a limited warranty. The Company has always maintained a strategy of being highly active in addressing construction defect claims through its customer service operation. Through this approach, the Company is able to connect with homeowners, provide maintenance advice, fix problems as they arise and prevent future defects from occurring, with the objective of addressing whatever situation presents itself before any litigation is necessary. The Company estimates the costs that may be incurred under each limited warranty and records a liability in the amount of such costs at the time the revenue associated with the sale of each home is recognized. In addition, the Company has insurance in place where its subsidiaries are subject to the respective warranty statutes in the state or province where the Company conducts business, which range up to ten years for latent construction defects. Factors that affect the Company’s warranty liability include the number of homes sold, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

The following table reflects the changes in the Company’s estimated warranty liability for the years ended December 31, 2024 and 2023:

	Year Ended December 31	
	2024	**2023**
Balance, beginning of period	$ 19,991	$ 18,289
Payments and other adjustments made during the period	(10,181)	(11,909)
Warranties issued during the period	11,863	13,149
Adjustments due to change in estimates	(2,064)	462
Balance, end of period	$ 19,609	$ 19,991

As at December 31, 2024, $51.5 million of the amounts held in other assets related to deposits on land purchase obligations (December 31, 2023 – $4.6 million). The total amount committed on these obligations is $540.0 million (December 31, 2023 – $410.6 million).

Note 19. 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 December 31, 2024, these guarantees amounted to $638.8 million (December 31, 2023 – $643.6 million) and have not been recognized in the 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 20. 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.

The BSFR investment is recorded at its fair value. 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:

	Year Ended December 31, 2024
Balance, beginning of period	$ 349,576
Change in unrealized gain from investment	42,821
Balance, end of period	$ 392,397

The following table summarizes the quantitative inputs and assumptions used to determine the investment fair value as of December 31, 2024:

Financial Instrument	Fair value as of 12/31/2024	Valuation technique	Unobservable inputs	Range (where applicable)
Single Family Rental Investment	$ 392,397	Discounted cash flow	Discount rate Capitalization rate	7.5% 5.3%

The notes payable are not recorded at fair value. The following table presents both their respective carrying value and fair value at December 31, 2024 and 2023:

	Year Ended December 31	
	2024	2023
Carrying value	$ 1,611,689	$ 1,623,346
Fair value (Level 2)	1,535,232	1,494,712

Net Investment Hedge

For the year ended December 31, 2024, a gain of $14.9 million (December 31, 2023 – loss of $4.1 million, respectively), was recorded in other comprehensive income for hedges of net investments in foreign operations.

Note 21. 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 levels as at December 31, 2024, a 1% change in interest rates would have a $5.5 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 December 31, 2024, the book value of all outstanding debt exceeded its fair value by $88.4 million (December 31, 2023 – fair value of all outstanding debt exceeded its fair value by $144.0 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$1.7 million gain on these hedging instruments as at December 31, 2024 (December 31, 2023 – C$1.9 million gain). See Note 20 "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.

A summary of the Company's contractual obligations and purchase agreements as at December 31, 2024 is as follows:

	Payment Due by Period				
	Total	**Less than 1 Year**	**1 – 3 Years**	**3 – 5 Years**	**More than 5 Years**
Notes payable[1]	$ 1,623,825	$ —	$ 600,000	$ 523,825	$ 500,000
Interest on notes payable	365,401	88,284	176,567	88,363	12,187
Secured VTB mortgages[2][3]	46,807	5,952	40,855	—	—
Bank indebtedness[2][3]	329,963	329,963	—	—	—
Project-specific financings[2][3]	189,574	189,574	—	—	—
Accounts payable and other liabilities[4]	621,295	621,295	—	—	—
Operating and financing lease obligations[5]	151,592	7,733	16,872	15,482	111,505
Purchase agreements and other obligations[6]	578,234	211,055	246,236	120,943	—

(1) Amounts are included on the consolidated balance sheets and exclude transaction costs. See Note 13 for additional information regarding notes payable.
(2) Amounts are included on the consolidated balance sheets. See Note 12 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 12 for additional information regarding floating rate debt.
(4) Amounts are included on the consolidated balance sheets. See Note 11 for additional information regarding accounts payable and other liabilities
(5) Amounts are related to non-cancellable operating and financing leases involving office space, land, design centers and model homes. See Note 9 for additional information regarding lease agreements
(6) See Note 18 for additional information regarding purchase agreements and other obligations.

Note 22. Segmented Information

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, requiring public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. In addition, this ASU requires an annual disclosure of the Chief Operating Decision Maker's ("CODM") title and a description of how the CODM uses the segment's profit/loss measure to assess segment performance and allocate resources. The Company adopted ASU 2023-07 during the year ended December 31, 2024.

In operating the business, management, including our Chief Executive Officer, who also serves as the CODM, reviews financial information and reporting packages such as segmented internal profit and loss statements. Metrics such as selling, general and administrative are analyzed to evaluate the efficiency of management teams across segments and assess the cost effectiveness of each segment. Additionally, the CODM relies on income before income taxes as a metric to assess segment profitability. This metric guides decisions on whether to reinvest in a particular segment or allocate resources to other parts of the organization. Income before income taxes is also used to monitor budget to actual performance and serves as a benchmark for comparing the company's results against competitors.

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

	Year Ended December 31, 2024				
	Canada	Pacific U.S.	Central and Eastern U.S.	Corporate and Other	Total
Housing revenue	$ 495,287	$ 528,963	$ 423,654	$ —	$ 1,447,904
Land revenue	153,227	419,435	50,344	—	623,006
	648,514	948,398	473,998	—	2,070,910
Housing cost of sales	(409,677)	(383,198)	(358,395)	—	(1,151,270)
Land cost of sales	(76,521)	(231,698)	(35,395)	—	(343,614)
	(486,198)	(614,896)	(393,790)	—	(1,494,884)
Gross margin	162,316	333,502	80,208	—	576,026
Earnings from unconsolidated entities	22,397	27,077	7,062	1,078	57,614
Selling, general and administrative expense	(74,939)	(81,374)	(86,037)	(17,504)	(259,854)
Other segment items [1]	12,727	(842)	7,628	53,337	72,850
Income before income taxes	$ 122,501	$ 278,363	$ 8,861	$ 36,911	$ 446,636

(1) Other segments items include other income, lease expense, financing lease interest and amortization, depreciation, and interest expense.

	Year Ended December 31, 2023				
	Canada	Pacific U.S.	Central and Eastern U.S.	Corporate and Other	Total
Housing revenue	$ 359,518	$ 605,614	$ 523,440	$ —	$ 1,488,572
Land revenue	141,800	178,254	112,212	—	432,266
	501,318	783,868	635,652	—	1,920,838
Housing cost of sales	(289,557)	(473,598)	(431,298)		(1,194,453)
Land cost of sales	(93,413)	(148,058)	(86,088)	—	(327,559)
	(382,970)	(621,656)	(517,386)	—	(1,522,012)
Gross margin	118,348	162,212	118,266	—	398,826
Earnings from unconsolidated entities	13,598	66,306	7,544	780	88,228
Selling, general and administrative expense	(61,323)	(92,105)	(92,647)	(8,180)	(254,255)
Other segment items [1]	10,452	(1,777)	3,038	23,244	34,957
Income before income taxes	$ 81,075	$ 134,636	$ 36,201	$ 15,844	$ 267,756

(1) Other segments items include other income, lease expense, financing lease interest and amortization, depreciation, and interest expense.

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

	As at December 31, 2024				
	Canada	Pacific U.S.	Central and Eastern U.S.	Corporate and Other	Total
Land held for development	$ 306,371	$ 170,666	$ 227,493	$ —	$ 704,530
Land under development	233,214	101,561	156,794	—	491,569
Consolidated inventory not owned	—	67,703	72,014	—	139,717
Housing inventory	249,296	103,986	148,798	—	502,080
Model homes	17,959	36,392	22,714	—	77,065
Total land and housing inventory	806,840	480,308	627,813	—	1,914,961
Commercial properties	60,561	253,317	6,899	—	320,777
Assets held for sale	—	452,674	465,709	—	918,383
Investments in unconsolidated entities	120,993	130,413	117,005	37,792	406,203
Held-to-maturity investment	—	—	—	300,000	300,000
Operating and financing lease right-of-use asset	9,599	39,114	3,975	8,431	61,119
Goodwill	—	—	—	16,479	16,479
Other assets [(1)]	147,851	84,026	144,425	968,582	1,344,884
Total assets	$ 1,145,844	$ 1,439,852	$ 1,365,826	$ 1,331,284	$ 5,282,806

(1) Other assets presented in above table within the operating segments note includes receivables and other assets, cash, restricted cash, investment company assets and deferred income tax assets.

	As at December 31, 2023				
	Canada	Pacific U.S.	Central and Eastern U.S.	Corporate and Other	Total
Land held for development	$ 357,072	$ 301,106	$ 545,775	$ —	$ 1,203,953
Land under development	211,795	482,492	255,747	—	950,034
Housing inventory	233,029	114,183	170,261	—	517,473
Model homes	21,918	35,733	25,918	—	83,569
Total land and housing inventory	823,814	933,514	997,701	—	2,755,029
Commercial properties	39,351	259,335	5,403	—	304,089
Investments in unconsolidated entities	131,777	147,360	80,287	—	359,424
Held-to-maturity investment	—	—	—	300,000	300,000
Operating and financing lease right-of-use asset	9,575	37,273	3,924	8,675	59,447
Goodwill	—	—	—	16,479	16,479
Other assets [(1)]	162,819	85,229	226,238	897,036	1,371,322
Total assets	$ 1,167,336	$ 1,462,711	$ 1,313,553	$ 1,222,190	$ 5,165,790

(1) Other assets presented in above table within the operating segments note includes receivables and other assets, cash, restricted cash, investment company assets and deferred income tax assets.

Note 23. Related Party Transactions

Related parties include the directors, executive officers, director nominees or shareholders, and their respective immediate family members. There are agreements among our affiliates to which we are a party or subject to, including a name license. The Company's additional significant related party transactions as at and for the years ended December 31, 2024 and 2023 were as follows:

- During the year ended December 31, 2024, the Company incurred $97.5 million of development and construction fees (year ended December 31, 2023 – $88.2 million, respectively), related to the management agreement with BPD. The fees were determined by applicable rates on construction and development spending. These transactions were recorded at the exchange amount within selling, general and administrative expense. As of January 1, 2025, this management agreement has been terminated.
- During the year ended December 31, 2024, the Company purchased a 50% equity interest in Brookfield Kolter Land Partners LLC from BPD for $37.5 million. This transaction was recorded at the exchange amount within investments in unconsolidated entities.
- During the year ended December 31, 2024, the Company incurred $18.4 million of asset management fees, respectively, with Brookfield Residential Real Estate JV Management and Brookfield Property Group (Canada) ULC, subsidiaries of Brookfield Asset Management Ltd. (year ended December 31, 2023 – $17.7 million). These transactions were recorded at the exchange amount within selling, general and administrative expense.
- During the year ended December 31, 2024, the Company declared and paid dividends to its common shareholder, Brookfield Corporation, of $475 million (year ended December 31, 2023 – $220 million). These transactions were recorded at the exchange amount.
- During the year ended December 31, 2024, the Company made a tax equivalent distribution of $90.9 million to BUSI, a subsidiary of Brookfield Corporation. The distribution amount was determined based on the amount of the U.S. federal and applicable state income tax that BRUSH would be required to pay if it was a corporation for U.S. tax purposes.
- During the year ended December 31, 2024, the Company sold five land assets and entered into land option agreements with BWS for total cash consideration of $130.8 million (year ended December 31, 2023 – $nil). For the year ended December 31, 2024, the Company has paid $60.3 million to repurchase lots associated with these agreements (year ended December 31, 2023 – $nil). Due to the Company's option to repurchase the finished lots, these sales are accounted for as a financing arrangement with the book value of the inventory remaining on our balance sheet and an associated liability of $117.3 million as at December 31, 2024 (year ended December 31, 2023 – $nil) recorded within accounts payable and other liabilities.
- During the year ended December 31, 2024, the Company sold land assets to BWS for total cash consideration of $12.5 million (year ended December 31, 2023 – $nil) with no option to repurchase the finished lots. Given that no land option agreements were entered into for this transaction, it was treated as a sale.
- During the year ended December 31, 2024, the Company sold an industrial land parcel located in Menifee, California, to Brookfield Strategic Real Estate Partners IV ("BSREP IV") for total proceeds of $221 million. As of December 31, 2024, the Company has an outstanding deposit of $70.8 million from BSREP IV. The deposit is non-refundable and is related to an adjacent industrial land parcel in Menifee, California. The deposit is recorded as a liability on the balance sheet within accounts payable and other liabilities.

Note 24. Subsequent Events

The Company performed an evaluation of subsequent events through February 20, 2025, which is the date that these financial statements were approved. Subsequent to December 31, 2024, Brookfield Residential closed on the sale of an 80% interest in five subsidiaries for total proceeds of $638 million. In addition, the Company declared and paid $200 million of dividends and entered into an interest agreement for future cash deposits with Brookfield Corporation.

CORPORATE INFORMATION

CORPORATE PROFILE

Brookfield Residential Properties ULC 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 Corporation, (NYSE: BN; TSX: BN), a global alternative asset manager. Further information is available at BrookfieldResidential.com or 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@brookfieldrp.com.