

Brookfield Office Properties Reports Strong Second Quarter 2012 Results

AUG 03, 2012

All dollar references are in U.S. dollars unless noted otherwise.

NEW YORK, August 3, 2012 – Brookfield Office Properties Inc. (BPO: NYSE, TSX) today announced that net income attributable to common shareholders for the quarter ended June 30, 2012 was \$217 million or \$0.38 per diluted share, compared with \$631 million or \$1.11 per diluted share in the second quarter of 2011. The year-over-year difference is attributable to significant fair value gains recognized on investment properties in the prior period under IFRS accounting.

Funds from operations ("FFO") for the quarter ended June 30, 2012 was \$171 million or \$0.30 per diluted common share, compared with \$166 million or \$0.30 per diluted common share during the same period in 2011.

Commercial property net operating income for the second quarter of 2012 increased to \$342 million, compared with \$217 million in the second quarter of 2011, largely due to the impact of the property acquisitions and the consolidation of the U.S. Office Fund.

OUTLOOK

"With significant new acquisitions in London, Seattle and Washington, DC, we captured a number of properties with both positive current cashflows and growth potential as we rework the assets. Furthermore, the environment is presenting us with a number of opportunities in our current and new markets," stated Dennis Friedrich, chief executive officer of Brookfield Office Properties. "We remain focused on monetizing our development pipeline and keeping our portfolio well-occupied in the face of stable but slower leasing markets."

HIGHLIGHTS OF THE SECOND QUARTER

Leased 2.6 million square feet of space during the quarter at an average net rent of \$28.59 per square foot, representing a 34% increase over expiring net rents in the period. The portfolio occupancy rate finished the quarter at 93.4%, up from 92.9% at the end of the first quarter. Highlights from the second quarter include:

New York – 1.3 million square feet

- A 17-year, 1.2-million-square-foot renewal and expansion with Morgan Stanley at One New York Plaza

Houston – 404,000 square feet

- A five-year, 164,000-square-foot renewal with Chevron at 1600 Smith St.
- An 11-year, 110,000-square-foot new lease with Rosetta Resources at Heritage Plaza

Los Angeles – 275,000 square feet

- A three-year, 94,000-square-foot renewal with the U.S. Secret Service at Ernst & Young Plaza
- A 10-year, 54,000-square-foot renewal and expansion with Jackson Lewis LLP at Ernst & Young Plaza

Acquired a portfolio of office buildings and development sites in the City of London for approximately \$871 million. The portfolio includes four operating assets totaling 884,000 square feet and two development sites which can accommodate approximately 1.4 million square feet of density. The acquisition is being funded through available cash resources, the assumption of \$106 million of debt, and additional property-level debt expected to be put in place prior to close. Brookfield Office Properties took assignment of an option agreement on London Wall Place in a 50/50 joint venture with Oxford, subsequent to the second quarter. The closing date for 99 Bishopsgate, Principal Place and other smaller assets is September 30, 2012 and 125 Old Broad Street and Leadenhall Court are expected to close in June 2013.

Entered the Seattle market with the acquisition of Metropolitan Park East and West office towers in Seattle for \$210 million. Situated in the region's largest concentration of technology and life science companies, the 856,000-square-foot Class A office campus is located adjacent to Interstate 5 and the South Lake Union submarket. The towers are a combined 83% leased.

Acquired 799 9th Street, NW in Washington, DC for \$106 million. Located in the burgeoning East End submarket, the 265,000-square-foot property is 10 stories, LEED Gold-certified, and proximate to two Class A Brookfield Office Properties assets, 650 Massachusetts Ave., NW and the Victor Building.

Completed new property-level financings totaling \$1.3 billion, netting proceeds of \$600 million, including the financing and refinancing of \$1.2 billion of debt in North America at an average rate of 4.0% with an average term of 4.6 years, generating net new proceeds of \$600 million and representing a 135-basis-point savings over existing debt, and the refinancing of \$140 million of debt in Australia for an average term of 3.4 years at an average rate of 7%, representing a 105-basis-point savings.

Issued C\$150 million of senior unsecured notes with an April 16, 2018 maturity date and a yield of 4.00%. The proceeds on the issue were used to repay higher-rate debt in an effort to continue to capitalize on the low-interest-rate environment and extend maturities.

Secured anchor tenant to commence second office tower of Bay Adelaide Centre in downtown Toronto. Deloitte signed a 420,000-square-foot lease for 43% of Bay Adelaide Centre East. Construction on the 44-story, 980,000-square-foot tower will begin later this year with an expected completion date of late 2015 / early 2016, which coincides with several large office lease expiries in the financial core.

Achieved practical completion of the 953,000-square-foot Perth development project, which has been renamed “Brookfield Place Perth.” Tenants BHP Billiton, PricewaterhouseCoopers and Barrick Gold, occupying 100% of the 45-story tower, have commenced their move-ins.

Dennis Friedrich began his tenure as CEO of Brookfield Office Properties on July 1, 2012. Tom Farley became sole president, and continues in his role as global chief operating officer. Mark Brown assumed Mr. Friedrich's prior role as global chief investment officer. Ric Clark has become chairman of the board of directors. Gordon Arnell is staying on as a director; Dennis Friedrich has become a director; and Bruce Flatt has stepped down as a director.

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Dividend Declaration

The Board of Directors of Brookfield Office Properties declared a quarterly common share dividend of \$0.14 per share payable on September 28, 2012 to shareholders of record at the close of business on September 1, 2012. Shareholders resident in the United States will receive payment in U.S. dollars and shareholders resident in Canada will receive their dividends in Canadian dollars at the exchange rate on the record date, unless they elect otherwise. Common shareholders have the option to participate in the company's Dividend Reinvestment Program, in which all or a portion of cash dividends can be automatically reinvested in common shares. The quarterly dividends payable for the Class AAA Series F, G, H, J, K, L, N, P and R preferred shares were also declared payable on September 28, 2012 to shareholders of record at the close of business on September 14, 2012.

Net Operating Income and FFO

This press release and accompanying financial information make reference to net operating income and funds from operations on a total and per share basis. Net operating income is defined as income from property operations after operating expenses have been deducted, but prior to deducting financing, administrative, fair value adjustments and income tax expenses. Brookfield Office Properties defines FFO attributable to common shareholders as income before fair value adjustments, income taxes and certain other non-cash items as and when they arise, less non-controlling interests in the foregoing. FFO is determined as FFO from consolidated properties, FFO from equity accounted investments and FFO from discontinued operations. The company uses net operating income and FFO to assess its operating results. Net operating income is important in assessing operating performance and FFO is a widely-used measure to analyze real estate. The company provides the components of net operating income and a full reconciliation from net income to FFO with the financial information accompanying this press release. The company reconciles FFO to net income as opposed to cash flow from operating activities as it believes net income is the most comparable measure. Net operating income and FFO are both measures which do not have any standard meaning and therefore may not be comparable to similar measures presented by other companies.

Forward-Looking Statements

This press release, particularly the “Outlook” section, contains forward-looking statements and information within the meaning of applicable securities legislation. Although Brookfield Office Properties believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on 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 the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information. Accordingly, the company cannot give any assurance that its expectations will in fact occur and cautions that actual results may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the company's properties; timely leasing of newly-developed properties and re-leasing of occupied square footage upon expiration; dependence on tenants' financial condition; the uncertainties of real estate development and acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; the impact of newly-adopted accounting principles on the company's accounting policies and on period-to-period comparisons of financial results, and other risks and factors described from time to time in the documents filed by the company with the securities regulators in Canada and the United States, including in the Annual Information Form under the heading “Business of Brookfield Office Properties – Company and Real Estate Industry Risks,” and in the company's most recent interim report under the heading “Management's Discussion and Analysis.” The company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law.

Conference Call

Analysts, investors and other interested parties are invited to participate in the company's live conference call reviewing second quarter 2012 results on Friday, August 3, 2012 at 11:00 a.m. eastern time. Scheduled speakers are Dennis Friedrich, chief executive officer, and Bryan Davis, chief financial officer. Management's presentation will be followed by a question and answer period.

To participate in the conference call, please dial 877.397.0292, pass code 9902354, five minutes prior to the scheduled start of the call. Live audio of the call will also be available via webcast at www.brookfieldofficeproperties.com. A replay of this call can be accessed through September 3, 2012 by dialing 888.203.1112, pass code 9902354. A replay of the webcast, as well as a podcast download, will be available at www.brookfieldofficeproperties.com for one year.

Supplemental Information

Investors, analysts and other interested parties can access Brookfield Office Properties' Supplemental Information Package before the market open on August 3, 2012 at www.brookfieldofficeproperties.com under the Investors/Financial Reports section. This additional financial information should be read in conjunction with this press release.

Brookfield Office Properties Profile

Brookfield Office Properties owns, develops and manages premier office properties in the United States, Canada and Australia. Its portfolio is comprised of interests in 112 properties totaling 80 million square feet in the downtown cores of New York, Washington, D.C., Houston,

Los Angeles, Toronto, Calgary, Ottawa, Sydney, Melbourne and Perth, making Brookfield the global leader in the ownership and management of office assets. Landmark properties include the World Financial Center in Manhattan, Brookfield Place in Toronto, Bank of America Plaza in Los Angeles, Bankers Hall in Calgary, Darling Park in Sydney and Brookfield Place in Perth. The company's common shares trade on the NYSE and TSX under the symbol BPO. For more information, visit www.brookfieldofficeproperties.com.

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Associated Files