

Brookfield Property Partners Reports Second Quarter 2017 Results

AUG 02, 2017

BROOKFIELD NEWS, Aug. 02, 2017 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NYSE:BPY) (TSX:BPY.UN) ("the Partnership" or "BPY") today announced financial results for the quarter ended June 30, 2017.

"We continued with another quarter of FFO growth, fueled largely by organic drivers within our business," said Brian Kingston, chief executive officer. "We also continued to reallocate capital from mature, stable assets into higher returning investment opportunities."

Financial Results

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
(US\$ Millions, except per unit amounts)	2017	2016	2017	2016
Net income⁽¹⁾	\$ 664	\$ 569	\$ 851	\$ 1,009
Company FFO ⁽²⁾	\$ 258	\$ 250	\$ 495	\$ 467
Net income per LP unit ⁽³⁾	\$ 0.31	\$ 0.45	\$ 0.09	\$ 0.77
Company FFO per unit ⁽⁴⁾	\$ 0.37	\$ 0.35	\$ 0.70	\$ 0.66

(1) Consolidated basis – includes amounts attributable to non-controlling interests.

(2) See "Basis of Presentation" and "Reconciliation of Non-IFRS Measures" in this press release for the definition.

(3) Represents basic net income attributable to holders of LP units. IFRS requires the inclusion of preferred units that are mandatorily convertible into LP units at a price of \$25.70 without an add-back to earnings of the associated carry on the preferred units.

(4) Company FFO per unit is calculated based on 704.6 million (2016 – 711.2 million) and 705.7 million (2016 – 711.2 million) units outstanding for the three and six months ended June 30, 2017, respectively. See reconciliation of basic net income in the "Reconciliation of Non-IFRS Measures" section in this press release.

?Net income for the quarter ended June 30, 2017 was \$664 million (\$0.31 per LP unit) versus \$569 million (\$0.45 per LP unit) for the same period in 2016. The increase in net income for the quarter is primarily attributable to valuation gains in our Opportunistic segment, specifically in our industrial and student housing businesses.

Company FFO was \$258 million (\$0.37 per unit) for the quarter ended June 30, 2017 compared with \$250 million (\$0.35 per unit) for the same period in 2016.

Operating Highlights

Our core office operations generated Company FFO of \$162 million for the quarter ended June 30, 2017 compared to \$150 million in the same period in 2016. Our current quarter results benefitted from moderate same-property growth in source currency as a result of continued progress on leasing and a one-time gain of \$32 million in our U.K. office operations. These benefits were partially offset by the impact of reallocating capital raised from asset sales and the conversion of foreign currencies into fewer U.S. dollars.

Occupancy in our core office portfolio finished the quarter at 91.9% – an increase of 40 basis points over the prior quarter – on 1.8 million square feet of total leasing. New leases were signed at average rents approximately 42% higher than expiring leases in the quarter.

Our core retail operations generated Company FFO of \$119 million for the quarter ended June 30, 2017 compared to \$108 million in the comparable period in 2016. The increase in Company FFO is attributable to recognized revenue on property sales at Ala Moana in Honolulu and modest same-property growth.

Core same-property retail occupancy finished the second quarter of 2017 at 94.6%, with average suite-to-suite rent spreads of 20% for leases commencing in the trailing 12 months. Tenant sales (excluding anchors) increased by 0.8% on a trailing 12-month basis to \$21.2 billion.

Our opportunistic segment generated Company FFO of \$96 million for the quarter ended June 30, 2017, compared to \$110 million in the second quarter of the prior year. The decrease in Company FFO over the prior year was largely the result of a merchant-build disposition gain of \$21 million in the prior year period.

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
(US\$ Millions)	2017	2016	2017	2016

Company FFO by segment

Core Office	\$ 162	\$ 150	\$ 318	\$ 299
Core Retail	119	108	229	219
Opportunistic	96	110	179	183
Corporate	(119)	(118)	(231)	(234)
Company FFO ⁽¹⁾	\$ 258	\$ 250	\$ 495	\$ 467

(1) See "Basis of Presentation" and "Reconciliation of Non-IFRS Measures" below in this press release for the definitions and components.

Strategic Initiatives

Dispositions

During and subsequent to the second quarter, we continued to advance our capital recycling initiatives via the dispositions of:

- Our 51% interest in 245 Park Avenue in New York City for \$1.1 billion, generating net proceeds of approximately \$689 million.
- 20 Canada Square in London for £410 million, generating net proceeds of approximately \$125 million.
- Nine triple net lease properties in the U.S., generating net proceeds of \$58 million (\$17 million at BPY's share).
- Red Cliffs Mall in St. George, UT, generating net proceeds of \$39 million (\$11 million at BPY's share).

New Investments

The proceeds raised from asset sales were used to invest in our active development pipeline and to fund new acquisitions, including the:

- Redemption of the remaining 16.7% of Brookfield Canada Office Properties that BPY did not own for approximately C\$516 million.
- Acquisition of the remaining 19.5% public float of Brookfield Prime Property Fund (Australia) that BPY did not own for approximately A\$90 million.
- Acquisition of an interest in the 1.8-million-square-foot, mixed-use California Market Center in Los Angeles' Fashion District for \$437 million (\$114 million at BPY's share).
- Acquisition of two multifamily properties in Orange County, CA and Metro Washington, DC for \$168 million (\$110 million at BPY's share).
- Acquisition of interests in three opportunistic U.S. malls for \$152 million (\$77 million at BPY's share).
- Acquisition of partner's 50% interest in Neshaminy Mall in Bensalem, PA for \$34 million (\$10 million at BPY's share).
- Subsequent to quarter-end, the acquisition of interests in 13 Sears parcels in the U.S. earmarked for redevelopment and repositioning for \$248 million (\$74 million at BPY's share).

Balance Sheet Update

We also executed on the following transactions to increase our balance sheet flexibility by increasing liquidity and extending the maturity of our debt:

- We refinanced a portfolio of U.S. triple net lease assets for \$970 million for a term of six years at an average coupon rate of 4.03%, lowering the cost of debt on these assets by 150 basis points.
- Our U.K. hospitality business raised £830 million in three tranches of notes with a blended coupon rate of 4.36% for an average term of six years. A portion of the proceeds were used to repay £560 million of 7.00% notes. Net proceeds to BPY were \$93 million.
- We refinanced a portfolio of our Manhattan multifamily properties with a new, seven-year \$714 million loan facility at a floating interest rate of L+1.94%. Net proceeds to BPY were \$42 million.

Unit Repurchase Program

Utilizing the in-place Normal Course Issuer Bid, the Partnership purchased 493,622 of its Limited Partnership units in the second quarter of 2017 at an average price of \$22.04 per unit.

Distribution Declaration

The Board of Directors has declared the quarterly distribution of \$0.295 per unit payable on September 29, 2017 to unitholders of record at the close of business on August 31, 2017.

The quarterly distributions are declared in U.S. dollars. Registered unitholders residing in the United States shall receive quarterly cash distributions in U.S. dollars and registered unitholders not residing in the United States shall receive quarterly cash distributions in the Canadian dollar equivalent, based on the Bank of Canada exchange rate on the record date. Registered unitholders residing in the United States have the option, through Brookfield Property Partners' transfer agent, AST Trust Company (Canada) ("AST"), to elect to receive quarterly cash distributions in the Canadian dollar equivalent and registered unitholders not residing in the United States have the option through AST to elect to receive quarterly cash distributions in U.S. dollars. Beneficial unitholders (i.e., those holding their units in street name with their brokerage) should contact the broker with whom their units are held to discuss their options regarding distribution currency.

Additional Information

Further details regarding the operations of the Partnership are set forth in regulatory filings. A copy of the filings may be obtained through the website of the SEC at www.sec.gov and on the Partnership's SEDAR profile at www.brookfieldproperty.com.

Associated Files

