

Brookfield Property Partners Reports Second Quarter 2019 Results

AUG 02, 2019

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

BROOKFIELD NEWS, Aug. 02, 2019 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NASDAQ: BPY; NASDAQ: BPR; TSX: BPY.UN) (BPY) today announced financial results for the quarter ended June 30, 2019.

In the second quarter, we achieved earnings growth of 6% and were active in monetizing mature, de-risked assets, said Brian Kingston, Chief Executive Officer. We have continued to allocate additional capital to unit repurchases this year, acquiring over \$450 million year-to-date. We continue to believe our units represent the highest-returning investment opportunity available to us today.

Financial Results

(US\$ Millions, except per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income ⁽¹⁾	\$ 23	\$ 1,051	\$ 736	\$ 2,074
Company FFO and realized gains ⁽²⁾	\$ 362	\$ 250	\$ 729	\$ 519
Net income per LP unit ⁽³⁾⁽⁴⁾	\$ 0.12	\$ 0.69	\$ 0.44	\$ 1.38
Company FFO and realized gains per unit ⁽⁴⁾⁽⁵⁾	\$ 0.38	\$ 0.36	\$ 0.76	\$ 0.74

- (1) Consolidated basis includes amounts attributable to non-controlling interests.
- (2) Excluding realized gains, Company FFO was \$335 million compared with \$246 million in the prior year period. See "Basis of Presentation" and Reconciliation of Non-IFRS Measures in this press release for the definition and components.
- (3) Represents basic net income attributable to holders of LP units. IFRS requires the inclusion of preferred shares 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 shares.
- (4) Net income attributable to holders of LP units and Company FFO and realized gains per unit are reduced by preferred dividends of \$3 million for the three and six months ended June 30, 2019, respectively in determining per unit amounts.
- (5) Company FFO and realized gains per unit are calculated based on 952.1 million (2018 703.1 million) and 961.4 million (2018 703.3 million) units outstanding for the three and six months ended June 30, 2019. Excluding realized gains, Company FFO per unit was \$0.35, consistent with the prior year period. See reconciliation of basic net income in the "Reconciliation of Non-IFRS Measures" section in this press release.

Company FFO and realized gains was \$362 million (\$0.38 per unit) for the quarter ended June 30, 2019, compared to \$250 million (\$0.36 per unit) for the same period in 2018. The increase is attributable to higher realized gains in our LP investments segment, same-property growth in our Core Office business, and earnings from new capital invested in our Core Retail business.

Net income for the quarter ended June 30, 2019 was \$23 million (\$0.12 per LP unit) versus \$1,051 million (\$0.69 per LP unit) for the same period in 2018. The decrease is primarily attributable to higher valuation gains recognized in the prior-year period.

Operating Highlights

Our Core Office operations generated Company FFO of \$187 million for the quarter ended June 30, 2019 compared to \$149 million in the same period in 2018. The business generated 3% same-property NOI growth and fee income of \$64 million, which was \$44 million higher than in the prior period. The increase in Company FFO over the prior year is primarily due to same-property growth and a performance-based fee at Five Manhattan West, partially offset by asset sales, higher interest rates and a stronger U.S. dollar.

Occupancy in our Core Office portfolio finished the second quarter at 92.4% on 1.2 million square feet of total leasing, representing decreases in occupancy of 30 basis points year-over-year and 90 basis points sequentially driven primarily by expiries in New York and London. Leases signed in the second quarter were at rents 25% higher on average than leases that expired in the period.

Our Core Retail operations generated Company FFO of \$170 million for the quarter ended June 30, 2019 compared to \$119 million in the comparable period in 2018. The increase over the prior year reporting period is attributable to the acquisition of GGP in the third quarter of 2018. After adjusting for the temporary incremental impact of recent bankruptcies, which for the current quarter reduced NOI by \$7.7 million and on a year to date basis by \$13.9 million, same store NOI increased by 0.4% and 1.7% for the quarter and year-to-date, respectively¹. Since the beginning of 2018, tenant bankruptcies resulted in 2.7 million square feet within the portfolio becoming vacant, of which nearly 75% will be occupied with new tenants by this year end and contributing to earnings.

1) Same-store NOI including impact of bankruptcies were -1.4% for the quarter and 0.1% on a year-to-date basis.

Our Core Retail business leased over 9.8 million square feet over the past 12 months with suite-to-suite rent spreads growing at 7.2%². At quarter-end, the portfolio was 95.0% leased and we expect it to increase through the remainder of the year to 96%. In-place rents increased 2.2% throughout the portfolio, with NOI-weighted sales growing 5.2% to \$777 per square foot, a new high for the portfolio.

2) Excluding certain short-term renewals at Ala Moana Center. This metric is weighted by NOI.

Our LP Investments generated Company FFO and realized gains of \$106 million for the quarter ended June 30, 2019, compared to \$87 million in the comparable period in 2018. Strong performance in our hospitality portfolio during the quarter and contributions from investments in BSREP III were offset by the loss of income from the sale of stable and mature investments and higher average interest rates.

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
(US\$ Millions)	2019	2018	2019	2018
Company FFO and realized gains:				
Core Office	\$ 187	\$ 149	\$ 327	\$ 302
Core Retail	170	119	354	235
LP Investments	106	87	252	184
Corporate	(101)	(105)	(204)	(202)
Company FFO and realized gains ⁽¹⁾	\$ 362	\$ 250	\$ 729	\$ 519

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

Dispositions

In the second quarter of 2019 we completed \$326 million of gross asset dispositions at our share, at prices that were 9% higher than our IFRS carrying values. These sales generated \$173 million in net proceeds. Dispositions completed in the second quarter include:

- Our 43% interest in 2001 M Street in Washington, D.C. for net proceeds of \$45 million.
- Our 50% interest in the office building at 240 Queen Street in Brisbane for net proceeds of \$36 million.
- Our interest in the Marina Village office park in Alameda, CA for net proceeds of \$27 million.

In addition, subsequent to quarter-end we entered into contracts to sell:

- Our remaining 26% interest in 75 State Street in Boston for net proceeds of \$79 million.
- Our 30% stake in the Darling Park Complex in Sydney for net proceeds of A\$432 million.
- The majority of assets in our Manhattan multifamily portfolio for net proceeds of \$135 million.
- A portion of our triple net lease automotive dealership assets (CARS) for net proceeds of \$24 million.

Balance Sheet Update

To increase liquidity and extend the maturity of our debt, during and subsequent to the second quarter we executed the following financing transactions:

- In Core Office, we raised an aggregate of \$1.1 billion in fixed-rate mortgages with an average term of nine years at an average interest rate of 4.28%, as well as an aggregate of \$1.2 billion in floating-rate mortgages with an average term of five years.
- In Core Retail, we raised an aggregate of \$1.4 billion in fixed-rate mortgages with an average term of ten years at an average interest rate of 4.32%, as well as an aggregate of \$515 million in floating-rate mortgages with an average term of five years.

Unit Repurchase Program

Utilizing in-place normal course issuer bids (NCIBs), we purchased 2,880,614 of BPY units and BPR shares in the second quarter of 2019 at an average price of \$19.38 per unit/share.

Subsequent to quarter-end, we purchased 396,712 additional BPY units and BPR shares at an average price of \$18.90 per unit/share.

Distribution Declaration

The Board of Directors has declared a quarterly distribution on the partnerships LP units of \$0.33 per unit payable on September 30, 2019 to unitholders of record at the close of business on August 30, 2019.

The quarterly distributions on the LP units 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.

The Board of Directors has also declared a quarterly distribution on the partnerships preferred units of \$0.40625 per unit payable on September 30, 2019 to holders of record at the close of business on September 2, 2019.

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 Partnerships SEDAR profile at www.sedar.com.

The Partnerships quarterly letter to unitholders and supplemental information package can be accessed before the market open on August 2, 2019 at bpy.brookfield.com. This additional information should be read in conjunction with this press release.

Basis of Presentation

This press release and accompanying financial information make reference to net operating income (NOI), same-property NOI, funds from operations (FFO), Company FFO and realized gains (Company FFO and realized gains) and net income attributable to unitholders.

Company FFO and realized gains, and net income attributable to unitholders are also presented on a per unit basis. NOI, same-property NOI, FFO, Company FFO and realized gains, and net income attributable to unitholders do not have any standardized meaning prescribed by International Financial Reporting Standards (IFRS) and therefore may not be comparable to similar measures presented by other companies. The Partnership uses NOI, same-property NOI, FFO, Company FFO and realized gains, and net income attributable to unitholders to assess its operating results. These measures should not be used as alternatives to Net Income and other operating measures determined in accordance with IFRS, but rather to provide supplemental insights into performance. Further, these measures do not represent liquidity measures or cash flow from operations and are not intended to be representative of the funds available for distribution to unitholders either in aggregate or on a per unit basis, where presented.

NOI is defined as revenues from commercial and hospitality operations of consolidated properties less direct
Associated Files