

Brookfield Property Partners Reports Third Quarter 2016 Results

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BROOKFIELD NEWS, Nov. 02, 2016 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NYSE:BPY) (TSX:BPY.UN) ("the Partnership" or "BPY") today announced financial results for the quarter ended September 30, 2016.

"Our active capital recycling strategy and same-property growth from our core businesses continue to generate meaningful earnings growth; we have delivered five consecutive quarters of year-over-year Company FFO per unit increases for our shareholders," said Brian Kingston, chief executive officer. "As we approach the final months of the year we are well-positioned to achieve the majority of our strategic objectives for 2016."

Financial Results

(US\$ Millions, except per unit amounts)	Three months ended		Nine months ended	
	2016	2015	2016	2015
Net income ⁽¹⁾	\$1,616	\$435	\$2,625	\$2,609
Company FFO ⁽²⁾	\$232	\$218	\$699	\$597
Net income per LP unit ⁽³⁾	\$1.61	\$0.25	\$2.37	\$2.62
Company FFO per unit ⁽⁴⁾	\$0.33	\$0.31	\$0.98	\$0.84

(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 710.9 million units and 711.1 units outstanding for the three and nine months ended September 30, 2016 (2015 - 712.6 million and 712.7 million), 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 September 30, 2016 was \$1,616 million (\$1.61 per LP unit) versus \$435 million (\$0.25 per LP unit) for the same period in 2015. The substantial increase is attributable to a restructuring the Partnership undertook to consolidate the ownership of its core retail and core office assets within the United States into an existing REIT subsidiary, resulting in approximately \$900 million of deferred tax income.

Company FFO was \$232 million (\$0.33 per unit) for the quarter ended September 30, 2016 compared with \$218 million (\$0.31 per unit) for the same period in 2015. The year-over-year increase was largely attributable to earnings from incremental capital invested in the opportunistic segment, offset by the disposition of assets in the core office portfolio.

Operating Highlights

Our core office operations generated Company FFO of \$149 million for the quarter ended September 30, 2016 compared to \$163 million in the same period in 2015. The decrease over the prior year is primarily attributable to asset sales and the negative impact of FX, offset by same-property NOI growth of 5%, mainly derived from rent commencements at Brookfield Place New York.

Occupancy in our core office portfolio finished the quarter at 91.4% on 2.4 million square feet of total leasing, bringing the year-to-date total to 5.3 million square feet. New leases were signed at average rents approximately 17% higher than expiring leases in the quarter. We also continued to advance our development pre-leasing with a 140,000-square-foot lease signed at Brookfield Place Calgary with the Bank of Nova Scotia, bringing that project to 81% pre-leased. In addition, we are in the final stages of negotiating a 160,000-square-foot lease at One Manhattan West which would bring that project to 37% committed.

Our core retail operations generated Company FFO of \$108 million for the quarter ended September 30, 2016 compared to \$109 million in the comparable period in 2015. This modest decrease is attributable to the sale of a 49% (16% at BPY's fully diluted interest) interest in Fashion Show Mall in Las Vegas during the quarter and higher overall interest expense, offset by positive same-property NOI growth of 4% derived from higher occupancy and rental rates.

Core same-property retail occupancy finished the third quarter of 2016 at 95.5%. Signed leases in the quarter totaled 11 million square feet, with average suite-to-suite rent spreads of 21% for leases commencing in 2016 and 2017. Tenant sales (excluding anchors) increased by 1.4% on a trailing 12-month basis to \$19.5 billion.

Our opportunistic investments generated Company FFO of \$90 million for the quarter ended September 30, 2016 compared to \$66 million in the same period in 2015. The significant increase in Company FFO over the prior year was largely a result of new investments made in

this strategy over the last 12 months which generated incremental income of \$8 million , income earned on multifamily development dispositions of \$10 million , and higher same-property growth in certain of our hospitality assets.

	<i>Three months ended Sept. 30,</i>		<i>Nine months ended Sept. 30,</i>	
(US\$ Millions)	2016	2015	2016	2015
Company FFO by segment				
Core Office	\$149	\$163	\$448	\$452
Core Retail	108	109	327	321
Opportunistic	90	66	273	177
Corporate	(115)	(120)	(349)	(353)
Company FFO ⁽¹⁾	\$232	\$218	\$699	\$597
Net income attributable to unitholders by segment				
Core Office	\$141	\$112	\$495	\$1,966
Core Retail	9	162	413	334
Opportunistic	335	104	509	253
Corporate	770	(185)	438	(501)
Net income attributable to unitholders ^{(1),(2)}	\$1,255	\$193	\$1,855	\$2,052

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

(2) Unitholders refers to holders of general partner units and limited partner units of the Partnership, limited partner units of Brookfield Property L.P., and limited partner units of Brookfield Office Properties Exchange LP.

Strategic Initiatives

Dispositions

During the third quarter, in addition to those previously discussed, we advanced a number of our capital recycling initiatives through the sales of:

- 11 suburban multifamily assets in the U.S. for approximately \$534 million (\$107 million at BPY's share).
- One Shelley Street in Sydney for A\$525M , generating net proceeds of approximately \$250 million .
- Three retail malls for \$170 million (\$64 million at BPY's share).
- Interests in over 30 industrial assets and entitled land parcels representing gross values of approximately \$800 million (\$240 million at BPY's share).

In addition to these closed transactions, we also advanced further asset sales through entering into contracts to sell:

- Our 50% ownership in 324 Queen Street in Brisbane for approximately A\$66 million .
- The Moor Place office building in the City of London for £271 million, generating net proceeds of approximately \$170 million .

New Investments

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

- 3 Spring Street in Sydney for A\$74 million .
- An 87% interest in Studio Plaza – a multifamily development site in Silver Spring, MD , for \$23 million .
- In our opportunistic investing strategy:
 - The Hotel Nine Zero, a 190-key hotel in downtown Boston , for \$102 million (\$27 million at BPY's share).
 - The second tranche of assets in an office portfolio in suburban Maryland for \$129 million (\$32 million at BPY's share).
 - Maple Tree Place, a 500,000-square-foot retail and office complex in Williston, VT , for \$90 million (\$23 million at BPY's share).
 - And, subsequent to quarter-end, The Shops at Somerset Square, a 115,000-square-foot lifestyle shopping center in Glastonbury, CT for \$42 million (\$21 million at BPY's share).

Balance Sheet Update

To increase our balance sheet flexibility by increasing liquidity and extending the maturity of our debt, we executed on the following during the quarter:

- Refinanced an office tower in Los Angeles with a senior and mezzanine note totaling \$450 million, both with a 5-year term and bearing interest at a blended fixed average of 4.35%, a decrease of 75 basis points from the previous maturing loan which was repaid.
- Refinanced three Australian office assets for A\$340M for a 4-year term at a floating rate of BBSY + 1.90%.
- Refinanced 102 self-storage properties with a senior note and two mezzanine notes totaling \$750 million (\$195 million at BPY's share) with 5-year terms and bearing interest at a blended average of 4.7%.

Unit Repurchase Program

Utilizing the in-place Normal Course Issuer Bid, the Partnership purchased 469,143 of its Limited Partnership units in the third quarter of 2016 at an average price of \$22.42 per unit. Year-to-date, we have repurchased 1,161,999 units at an average price of \$21.42 per unit.

Distribution Declaration

Our Board of Directors has declared the quarterly distribution of \$0.28 per unit payable on December 30, 2016 to unitholders of record at the close of business on November 30, 2016. The quarterly distributions are declared in U.S. dollars. Unitholders resident in the United States will receive payment in U.S. dollars and unitholders resident in Canada will receive the Canadian dollar equivalent unless they request otherwise. The Canadian dollar equivalent of the quarterly distribution is based on the Bank of Canada noon exchange rate on the record date or, if this falls on a weekend or holiday, on the preceding business day.

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.sedar.com.

The Partnership's quarterly [Letter to Unitholders](#) and [Supplemental Information Package](#) can be accessed before the market open on November 2, 2016 at <http://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 ("Company FFO") and net income attributable to unitholders.

Company FFO and net income attributable to unitholders are also presented on a per unit basis. NOI, same-property NOI, FFO, Company FFO 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 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 commercial property and hospitality expenses. As NOI includes the revenues and expenses directly associated with owning and operating commercial property and hospitality assets, it provides a measure to evaluate the performance of the property operations.

Same-property NOI is a subset of NOI, which excludes NOI that is earned from assets acquired, disposed of or developed during the periods presented, or not of a recurring nature, and from opportunistic assets. Same-property NOI allows the Partnership to segregate the performance of leasing and operating initiatives on the portfolio from the impact to performance from investing activities and "one-time items", which for the historical periods presented consist primarily of lease termination income.

FFO is defined as income, including equity accounted income, before realized gains (losses) from the sale of investment property (except gains (losses) related to properties developed for sale), fair value gains (losses) (including equity accounted fair value gains (losses)), depreciation and amortization of real estate assets, income tax expense (benefit), and less non-controlling interests of others in operating subsidiaries and properties. FFO is a widely recognized measure that is frequently used by securities analysts, investors and other interested parties in the evaluation of real estate entities, particularly those that own and operate income producing properties. The Partnership's definition of FFO includes all of the adjustments that are outlined in the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO. In addition to the adjustments prescribed by NAREIT, the Partnership also makes adjustments to exclude any unrealized fair value gains (or losses) that arise as a result of reporting under IFRS, and income taxes that arise as certain of its subsidiaries are structured as corporations as opposed to real estate investment trusts ("REITs"). These additional adjustments result in an FFO measure that is similar to that which would result if our partnership was organized as a REIT that determined net income in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), which is the type of organization on which the NAREIT definition is premised. The Partnership's FFO measure will differ from other organizations applying the NAREIT definition to the extent of certain differences between the IFRS and U.S.

Associated Files