

Brookfield Property Partners Reports Third Quarter 2017 Results

NOV 02, 2017

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

BROOKFIELD NEWS, Nov. 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 September 30, 2017.

Financial Results

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
(US\$ Millions, except per unit amounts)	2017	2016	2017	2016
Net income ⁽¹⁾	\$ 659	\$ 1,616	\$ 1,510	\$ 2,625
Company FFO ⁽²⁾	\$ 236	\$ 232	\$ 731	\$ 699
Net income per LP unit ⁽³⁾	\$ 0.22	\$ 1.61	\$ 0.31	\$ 2.37
Company FFO per unit ⁽⁴⁾	\$ 0.34	\$ 0.33	\$ 1.04	\$ 0.98

(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 definitions 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) Company FFO per unit is calculated based on 704.0 million (2016 710.9 million) and 705.1 million (2016 711.1 million) units outstanding for the three and nine months ended September 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 September 30, 2017 was \$659 million (\$0.22 per LP unit) versus \$1,616 million (\$1.61 per LP unit) for the same period in 2016. The decrease in net income for the quarter is primarily attributable to the recognition in the prior year period of approximately \$900 million in deferred tax income as a result of a restructuring the Partnership undertook to consolidate the ownership of its core retail and core office assets in the U.S. into an existing REIT subsidiary.

Company FFO was \$236 million (\$0.34 per unit) for the quarter ended September 30, 2017 compared with \$232 million (\$0.33 per unit) for the same period in 2016.

Operating Highlights

Our core office operations generated Company FFO of \$126 million for the quarter ended September 30, 2017 compared to \$149 million in the same period in 2016. Although same-property NOI was up 4% to \$326 million, the primary factor in the decline in Company FFO versus the prior period was the disposition of stable, core assets in alignment with the company's ongoing capital recycling strategy.

Occupancy in our core office portfolio finished the quarter at 91.8% on 2.9 million square feet of total leasing. New leases were signed at average rents approximately 46% higher than expiring leases in the quarter.

Our core retail operations generated Company FFO of \$128 million for the quarter ended September 30, 2017 compared to \$108 million in the comparable period in 2016. The primary factor in the increase in Company FFO over the prior period was income recognized on condominium sales at Ala Moana in Honolulu, HI and 2% same-property growth.

Core same-property retail occupancy finished the third quarter at 95.4%, with average suite-to-suite rent spreads of 20% for leases commencing in the trailing 12 months. Tenant sales (excluding anchors) were up modestly on a trailing 12-month basis to \$21.1 billion.

Our opportunistic segment generated Company FFO of \$99 million for the quarter ended September 30, 2017, compared to \$90 million in the third quarter of the prior year. The increase in Company FFO over the prior year was largely the result of incremental capital invested in this segment.

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

Company FFO by segment

Core Office	\$ 126	\$ 149	\$ 444	\$ 448
Core Retail	128	108	357	327
Opportunistic	99	90	278	273
Corporate	(117)	(115)	(348)	(349)
Company FFO ⁽¹⁾	\$ 236	\$ 232	\$ 731	\$ 699

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

Strategic Initiatives

We continue to raise equity capital through the disposition of mature, stabilized assets held both on our balance sheet as well as through our interests in Brookfield-managed private funds, said Brian Kingston, chief executive officer. As highlighted during our recent Investor Day presentation, we are very excited about the many opportunities we are seeing in the marketplace to deploy this capital and continue to grow our business.

Dispositions

During and subsequent to the third quarter, we continued to advance our capital recycling initiatives via the sales of (or firm agreements to sell):

- Our European logistics business for 2.4 billion (826 million at BPYs share), generating net proceeds to BPY of \$615 million.
- 20 Fenchurch Street in London for 1.3 billion (96 million at BPYs share), generating net proceeds to BPY of \$67 million.
- Eleven multifamily properties in the U.S. for \$466 million (\$113 million at BPYs share), generating net proceeds to BPY of \$47 million.
- A mixed-use property in Toronto for C\$123 million (C\$65 million at BPYs share), generating net proceeds to BPY of \$42 million.

New Investments

The proceeds raised from asset sales were used to invest in our active development pipeline and to fund new acquisitions, either closed or currently under contract, including:

- Interests in two fully entitled multifamily developments in the New York Tri-State area for \$412 million (\$92 million at BPYs share).
- The Sheraton Toronto hotel and convention center for C\$335 million (C\$86 million at BPYs share).
- The class AAA, 500,000-square-foot EZ Tower B office building in Sao Paulo for \$210 million (\$67 million at BPYs share).
- A 500-unit multifamily property in greater Atlanta, GA for \$59 million (\$39 million at BPYs share).
- Interests in eight Sears parcels (six acquisitions; two lease terminations) in the U.S. for \$66 million (\$30 million at BPYs share).
- Seven triple net lease properties in the U.S. for \$71 million (\$20 million at BPYs share).

In addition, subsequent to quarter-end, we exercised all of the outstanding GGP warrants that were set to expire on November 9, 2017, resulting in the acquisition of 68 million GGP shares for approximately \$462 million. As a result, our common equity ownership of GGP increased from 29% to 34%.

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:

- Refinanced One Liberty Plaza in New York with an \$850 million interest-only term loan at a fixed rate of 3.72%, resulting in net proceeds of \$66 million and lowering the cost of debt on this asset by 240 basis points.
- Obtained \$325 million of new, 10-year fixed rate debt at 3.98% within our core retail business.
- Placed construction loans on five U.S. industrial assets for a total of \$74 million.

Unit Repurchase Program

Utilizing the in-place Normal Course Issuer Bid, the Partnership purchased 1,002,900 of its Limited Partnership units in the third quarter of 2017 at an average price of \$23.64 per unit.

Distribution Declaration

The Board of Directors has declared the quarterly distribution of \$0.295 per unit payable on December 29, 2017 to unitholders of record at the close of business on November 30, 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 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 November 2, 2017 at <http://bpy.brookfield.com>. This additional information should be read in conjunction with this press release.

The Board has reviewed and approved this press release, including the summarized unaudited consolidated financial statements contained herein.

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.

Associated Files