

Brookfield Property Partners Reports Third Quarter 2018 Results

NOV 01, 2018

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

BROOKFIELD NEWS, Nov. 01, 2018 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NASDAQ: BPY; NASDAQ: BPR; TSX: BPY.UN) ("BPY") today announced financial results for the quarter ended September 30, 2018.

"The successful acquisition of GGP Inc. marks the culmination of a five-year effort to consolidate all of our real estate investments, giving us direct ownership of our assets and cash flows, and increasing the flexibility of our balance sheet," said Brian Kingston, chief executive officer.

Financial Results

	<i>Three months ended Sept. 30,</i>		<i>Nine months ended Sept. 30,</i>	
(US\$ Millions, except per unit amounts)	2018	2017	2018	2017
Net income ⁽¹⁾	\$722	\$659	\$2,796	\$1,510
Company FFO ⁽²⁾	\$249	\$236	\$763	\$731
Realized gains on LP Investments ⁽³⁾	\$67	\$58	\$73	\$55
Net income per LP unit ⁽⁴⁾	\$0.44	\$0.22	\$1.79	\$0.31
Company FFO per unit ⁽⁵⁾	\$0.31	\$0.34	\$ 1.04	\$1.04
Company FFO and realized gains per unit ⁽⁵⁾	\$0.39	\$0.42	\$1.13	\$1.11

(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 and components.

(3) "LP Investments" refer to BPY's investments in Brookfield -sponsored private real estate funds.

(4) 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.

(5) Company FFO per unit and realized gains per unit are calculated based on 803.5 million (2017 – 704.0 million) and 737.1 million (2017 – 705.1 million) units outstanding for the three and nine months ended September 30, 2018, 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, 2018 was \$722 million versus \$659 million for the same period in 2017, reflective of higher fair value gains recognized this year in our Core Office segment.

Company FFO was \$249 million (\$0.31 per unit) for the quarter ended September 30, 2018, compared with \$236 million (\$0.34 per unit) for the same period in 2017. Growth was driven by the acquisition of GGP Inc. and improved same-property performance in our Core Office operations, offset by income recognized on the sale of residential condominiums in the prior year and the negative impact of foreign exchange. The current quarter Company FFO per unit reflects the issuance of an additional 272 million units in the acquisition of GGP. Realized gains on our LP investments was \$67 million , primarily derived from the sale of a portfolio of self-storage assets in the U.S. during the quarter. In the prior period, we earned \$58 million of realized gains on the sales of several office and multifamily assets in North America .

Operating Highlights

Our Core Office operations generated Company FFO of \$136 million for the quarter ended September 30, 2018 compared to \$126 million in the same period in 2017. This business generated 3% same-property growth, largely driven by leasing activity in Downtown New York and Washington, D.C.

Occupancy in our Core Office portfolio finished the quarter at 92.9% on 2.2 million square feet of total leasing, compared with 92.7% in the prior quarter and 91.8% in the prior-year period. New leases were signed at average rents approximately 11% higher than leases that expired during the quarter.

Through a pre-let agreement with Scotiabank, we launched the third and final phase of the Bay Adelaide Centre complex in Toronto. Scotiabank has signed a commitment to lease 420,000 square feet – approximately 51% of the building – for 15 years as the anchor tenant of Bay Adelaide Centre North.

Our Core Retail operations generated Company FFO of \$146 million for the quarter ended September 30, 2018, compared to \$128 million in the prior year period. This increase was largely attributable to the acquisition of the balance of GGP in late August, 2018.

Same-property Core Retail occupancy finished the third quarter of 2018 at 94.6%, compared to 94.2% in the prior quarter and 95.4% in the prior-year period. On a trailing 12-month basis, suite-to-suite leasing spreads were up 11.6% and NOI-weighted tenant sales per square foot were \$744 , an increase of 5% over the prior year.

Our LP Investments generated Company FFO of \$74 million for the quarter ended September 30, 2018, compared to \$88 million in the

third quarter of the prior year. The decrease is primarily attributable to the sale of our European logistics portfolio and of a hospitality asset, offset in part by acquisition activity.

Three months ended Sept. 30,

Nine months ended Sept. 30,

(US\$ Millions)	2018	2017	2018	2017
Company FFO by segment				
Core Office	\$136	\$126	\$438	\$384
Core Office gain	-	-	-	60
Core Retail	146	128	381	357
LP Investments	74	88	253	246
Corporate	(107)	(106)	(309)	(316)
Company FFO ⁽¹⁾	\$249	\$236	\$763	\$731

(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 the third quarter, we advanced several of our capital recycling initiatives:

- Reported last quarter, seeded into a new Brookfield Asset Management-sponsored New York City real estate venture, a 27.4% interest in our New York core office portfolio, for net proceeds of \$1.4 billion to BPY.
- Sold a portfolio of 112 self-storage assets for net proceeds of \$128 million generated for BPY.
- Sold the commercial office component at 685 Fifth Avenue for \$135 million .
- Sold seven triple net lease assets for \$22 million (\$6 million at BPY's share).
- Sold 60 acres of land earmarked for industrial development in the U.S. for \$11 million (\$3 million at BPY's share).

Subsequent to quarter-end:

- Sold Queen's Quay Terminal in Toronto for C\$261 million , generating net proceeds of C\$182 million .
- Sold a 49.9% interest in office buildings at 50 & 60 Carrington Street in Sydney for A\$237 million (A\$75 million at BPY's share).
- Sold our 25% interest in Jean Edmonds Towers in Ottawa for C\$47 million , generating net proceeds of C\$27 million .
- Sold the Highland Dallas hotel for \$68 million , generating net proceeds of \$11 million .

New Investments

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

- Closed on the acquisition of GGP Inc. for approximately \$15 billion .
- Reached an agreement to acquire Forest City Realty Trust, Inc. for \$25.35 per share in an all-cash transaction valued at approximately \$11.4 billion (approximately \$2.9 billion at BPY's share).
- Acquired a mixed-use development site at Mott Haven in Bronx, NY for \$165 million .
- Acquired a 90% interest in a multifamily property powered by Niido – an Airbnb-friendly apartment concept – in Nashville for \$90 million .
- Acquired two class A logistics parks totaling 192,000 square feet in Sao Paulo, Brazil for \$108 million (\$29 million at BPY's share).

Balance Sheet Update

During the quarter, we executed on the following transactions to increase our balance sheet flexibility, increase liquidity and extend the maturity of our debt:

- Issued C\$300 million of medium-term unsecured notes at an interest rate of 4.346% maturing on July 3, 2023.
- Retired a corporate unsecured revolving credit facility following repayment of the remaining drawn amount of \$653 million .
- Financed Bay Adelaide North, with a C\$350 million construction facility for a four-year term with a one-year extension option, at a rate of Banker's Acceptance + 1.40%.
- Subsequent to quarter-end, issued C\$500 million of medium-term unsecured notes at a weighted average interest rate of 4.166% and an average term to maturity of 3.3 years, with proceeds being used to retire other corporate debt.

Distribution Declaration

The Board of Directors has declared the quarterly distribution of \$0.315 per unit payable on December 31, 2018 to unitholders of record at the close of business on November 30, 2018.

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.sedar.com.

The Partnership's quarterly letter to unitholders and supplemental information package can be accessed before the market open on November 1, 2018 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 ("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
Associated Files