

Brookfield Property Partners Reports Third Quarter 2019 Results

NOV 06, 2019

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

BROOKFIELD NEWS, Nov. 06, 2019 (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, 2019.

In the third quarter we continued to execute our strategy of divesting interests in mature, stable assets at premiums to our carrying values and reinvesting proceeds into development and other higher returning opportunities, including unit buybacks, said Brian Kingston, Chief Executive Officer. Our development pipeline continues to advance and stabilize; recently we were pleased to complete and deliver to the market nearly four million square feet of modern, premier office space in New York City and London.

Financial Results

	Three months ended September 30,		Nine months ended September 30,	
(US\$ Millions, except per unit amounts)	2019	2018	2019	2018
Net income ⁽¹⁾	\$ 870	\$ 722	\$ 1,606	\$ 2,796
Company FFO and realized gains ⁽²⁾	\$ 324	\$ 302	\$ 1,053	\$ 821
Net income per LP unit ⁽³⁾⁽⁴⁾	\$ 0.46	\$ 0.44	\$ 0.90	\$ 1.79
Company FFO and realized gains per unit ⁽⁴⁾⁽⁵⁾	\$ 0.34	\$ 0.38	\$ 1.09	\$ 1.11

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

2. Excluding realized gains, Company FFO was \$324 million compared with \$249 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 \$5 million and \$8 million for the three and nine months ended September 30, 2019, respectively in determining per unit amounts.

5. Company FFO and realized gains per unit are calculated based on 950.1 million (2018 803.5 million) and 957.6 million (2018 737.1 million) units outstanding for the three and nine months ended September 30, 2019, respectively. See reconciliation of basic net income in the "Reconciliation of Non-IFRS Measures" section in this press release.

Company FFO (CFFO) and realized gains was \$324 million (\$0.34 per unit) for the quarter ended September 30, 2019, compared to \$302 million (\$0.38 per unit) for the same period in 2018. The increase in total CFFO and realized gains is primarily attributable to earnings growth related to new capital invested in our Core Retail business, same-property growth in our Core Office business, and the recognition this quarter of \$41 million in incremental transaction and fee income. The decrease in CFFO and realized gains per unit is attributable to \$0.07 per unit in realized gains in our LP investments segment recognized in the prior-year period and the issuance of units in conjunction with the acquisition of GGP in August 2018.

Net income for the quarter ended September 30, 2019 was \$870 million (\$0.46 per LP unit) versus \$722 million (\$0.44 per LP unit) for the same period in 2018.

Operating Highlights

Our Core Office operations generated Company FFO of \$150 million for the quarter ended September 30, 2019 compared to \$136 million in the same period in 2018. The business generated 2.5% same-property NOI growth and fee income of \$41 million, which was \$20 million higher than in the prior period. The increase in Company FFO over the prior year is primarily due to same-property growth and increased fee income, partially offset by asset sales, recent refinancings and a stronger U.S. dollar.

Occupancy in our Core Office portfolio finished the third quarter at 92.4% on 1.9 million square feet of total leasing, consistent with the prior quarter and a decrease of 50 basis points year-over-year. Leases signed in the third quarter were at rents over 30% higher on average than leases that expired in the period.

Our Core Retail operations generated Company FFO of \$201 million for the quarter ended September 30, 2019 compared to \$146 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, a gain of \$13 million from land parcel sales, and the \$15 million sale of an investment in an operating company.

Same-property NOI was flat for the quarter and year-to-date. Since the beginning of 2018, tenant bankruptcies have resulted in over three 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.

Our Core Retail business leased over 10 million square feet over the past 12 months with suite-to-suite NOI-weighted rent spreads of 5.4%. At quarter-end, the portfolio was 95.0% leased and we expect it to increase to 96% by year-end. On a year-over-year basis, in-place rents increased 2.4% across the portfolio, and NOI-weighted sales grew 5.4% to \$787 per square foot, a new high for the portfolio.

Our LP Investments generated Company FFO and realized gains of \$74 million for the quarter ended September 30, 2019, compared to

\$127 million in the comparable period in 2018. Excluding \$53 million of realized gains recognized in the prior-year period, year-over-year performance in this segment was flat.

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
(US\$ Millions)	2019	2018	2019	2018
Company FFO and realized gains:				
Core Office	\$ 150	\$ 136	\$ 477	\$ 438
Core Retail	201	146	555	381
LP Investments	74	127	326	311
Corporate	(101)	(107)	(305)	(309)
Company FFO and realized gains ⁽¹⁾	\$ 324	\$ 302	\$ 1,053	\$ 821

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

Dispositions

In the third quarter of 2019 we completed \$1.4 billion of gross asset dispositions at our share, at prices that were 4% higher than our IFRS carrying values. These sales generated \$723 million in net proceeds. Dispositions completed in the third quarter include:

- Our 30% stake in the Darling Park Complex in Sydney for net proceeds of \$298 million.
- The office building at 3 Spring Street in Sydney for net proceeds of \$95 million.
- A 77% interest in two of our Brooklyn multifamily developments at Greenpoint for net proceeds of \$93 million.
- Our remaining 26% interest in the office building at 75 State Street in Boston for net proceeds of \$84 million.
- An 81% interest in the SoNo Collection mall in Norwalk, CT for net proceeds of \$83 million
- A portion of our triple net lease automotive dealership assets (CARS) for net proceeds of \$32 million.

Subsequent to quarter-end:

- The majority of assets in our Manhattan multifamily portfolio for net proceeds of \$135 million.
- Our 50% direct interest in Jessie Street Centre in Sydney for net proceeds of \$79 million.

New Investments

- Acquired a further 45% interest in the retail component at the Crown Building in New York for \$703 million.

Subsequent to quarter-end:

- Agreed to acquire an interest in two million square feet of beachfront retail in Dubai for \$1.3 billion (\$91 million at BPYs share).
- Acquired an interest in a portfolio of luxury hotels and a full-service management and hospitality brand in India for \$692 million (\$48 million at BPYs share).

Balance Sheet Update

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

- Refinanced 100 Bishopsgate in London for approximately \$1.1 billion, generating net proceeds to BPY of approximately \$450 million. The new mortgage is floating-rate with a term of five years.
- In Core Retail, we raised an aggregate of \$1.3 billion in various financings, generating net proceeds to BPY of approximately \$343 million. The new asset-level mortgages are all floating-rate with an average term of over four years.
- Issued \$250 million of Perpetual Green Preferred Units (NASDAQ: BPYPO) the first of their kind in the industry at an initial distribution rate of 6.375% per annum.

Unit Repurchase Program

Utilizing in-place normal course issuer bids (NCIBs), we purchased 2,046,757 of BPY units and BPR shares in the third quarter of 2019 at an average price of \$19.10 per unit/share.

Subsequent to quarter-end, we purchased 1,041,067 additional BPY units at an average price of \$19.14 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 December 31, 2019 to unitholders of record at the close of business on November 29, 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 Class A Series 1 preferred units of \$0.40625 per unit, payable on December 31, 2019 to holders of record at the close of business on December 2, 2019.

The Board of Directors has also declared the pro-rated initial distribution on the Class A Series 2 preferred units of \$0.57995 per unit, payable on December 31, 2019 to holders of record at the close of business on December 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 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 Partnerships definition of FFO includes all of the adjustments that are outlined in the National Association of Real Estate Investment Associated Files