

Brookfield Property Partners Reports Third Quarter 2020 Results

NOV 06, 2020

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

BROOKFIELD NEWS, Nov. 06, 2020 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NASDAQ: BPY; NASDAQ: BPYU; TSX: BPY.UN) (BPY) today announced financial results for the quarter ended September 30, 2020.

We saw consistent improvement in our operations over the course of the third quarter and, while there may be temporary setbacks as different regions reach different stages of recovery, we are confident that the worst of the economic shutdown is now behind us, said Brian Kingston, Chief Executive Officer. "Our staff has done an amazing job preparing our buildings for safe re-opening and each day it is gratifying to see more office workers, retailers, customers and visitors returning to our properties around the globe."

Financial Results

Company FFO (CFFO) was \$161 million for the quarter ended September 30, 2020, compared to \$324 million in the prior-year period. CFFO was impacted this quarter by residual effects of the global economic shutdown earlier in the year. In the prior-year period, CFFO also benefited from the recognition of \$41 million in transaction income.

Net income for the quarter ended September 30, 2020 was a loss of \$135 million (\$(0.24) per LP unit) versus a gain of \$870 million (\$0.46 per LP unit) for the same period in 2019. The decrease in net income over the prior year period is primarily attributable to a non-cash and unrealized reduction of asset values of certain assets within the portfolio.

(US\$ Millions, except per unit amounts)	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2020	2019	2020	2019
Net income ⁽¹⁾	\$(135)	\$870	\$(2,020)	\$1,606
Company FFO and realized gains ⁽²⁾	\$164	\$324	\$665	\$1,053
Company FFO ⁽²⁾	\$161	\$324	\$648	\$966
Net income per LP unit ⁽³⁾⁽⁴⁾	\$(0.24)	\$0.46	\$(1.98)	\$0.90
Company FFO and realized gains per unit ⁽⁴⁾⁽⁵⁾	\$0.16	\$0.34	\$0.68	\$1.09

(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) 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 \$11 million (2019 \$5 million) and \$31 million (2019 \$8 million) for the three and nine months ended September 30, 2020, respectively, in determining per unit amounts.

(5) Company FFO and realized gains per unit are calculated based on 933.5 million (2019 950.1 million) and 937.5 million (2019 957.6 million) units outstanding for the three and nine months ended September 30, 2020, respectively.

Operating Highlights

Our Core Office business generated CFFO of \$141 million for the quarter ended September 30, 2020 compared to \$137 million on a comparable basis in the same period in 2019, and \$150 million in total when including the \$13 million performance-based fee. Results this quarter were also impacted by reduced contributions from our parking and retail operations, offset by same-store NOI growth in certain of our markets and \$18 million in contributions from condominium sales in London .

Core Office leasing activity in the third quarter totaled 644,000 square feet, which were completed at rents 13% higher on average than expiring leases in the period. Occupancy in the portfolio decreased 160 basis points to 90.7%, with a remaining weighted average lease term of 8.3 years.

Our Core Retail business generated CFFO of \$97 million for the quarter ended September 30, 2020 compared to \$173 million on a comparable basis in 2019, and \$201 million in total when including the \$28 million in transaction income. The current quarter results continue to be impacted by the global economic slowdown which caused a decline in mall revenues, fee income, and an increase in credit loss reserves. Additionally, operating expenses resumed at near normalized levels as all of our centers reopened during the quarter and we are not yet operating at 100% capacity.

Our Core Retail operations leased approximately 6.5 million square feet over the past 12 months with comparable rent spreads of 5%. Our properties were 93.4% leased at September 30, 2020, a decrease of 1.6% from the prior year. On a year-over-year basis, in-place rents were up 1.4%¹.

Our LP Investments generated CFFO and realized gains of \$26 million for the quarter ended September 30, 2020, compared to earnings of \$74 million in the comparable period in 2019. Results in the current quarter were negatively impacted by a year-over-year decrease in earnings from our Hospitality investments of \$38 million due to hotel closures and travel restrictions, as well as a decrease in contributions from our Multifamily business where we sold properties last year.

¹ In-place rents reflect retail tenants <10K square feet

(US\$ Millions)	Three months ended Sep.		Nine months ended Sep.	
	30,	2019	30,	2019
	2020	2019	2020	2019
Company FFO and realized gains:				
Core Office	\$141	\$150	\$402	\$477
Core Retail	\$97	\$201	\$432	\$555
LP Investments	\$26	\$74	\$94	\$326
Corporate	\$(100)	\$(101)	\$(263)	\$(305)
Company FFO and realized gains ⁽¹⁾	\$164	\$324	\$665	\$1,053

(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, we completed \$86 million of gross asset dispositions at our share, generating approximately \$63 million in net proceeds to BPY.

Subsequent to quarter-end, we entered into sales contracts on two transactions at higher values than our IFRS carrying values. Completion of these shortly will generate approximately \$235 million of net proceeds to BPY:

- One London Wall Place in London for 480 million (\$620 million), representing a 3.8% cap rate. We acquired the remaining half of this property from our joint venture partner in November of last year and are selling the entire property now at a strong return.
- Simply Self Storage portfolio for \$1.225 billion .

New Investments

- We reorganized our investment in the Atlantis which resulted in our ownership increasing from 33% to 41.5%. With the assistance of the Bahamian government, we have established a COVID-19 bubble at the Atlantis which will allow us to once again welcome visitors to the resort on or after December 15, 2020. We have procured rapid testing facilities which will be located on-site and will test all of our employees, and guests will be tested prior to boarding their flights. The Atlantis Bubble will follow the Cleveland Clinic protocols, allowing our guests to enjoy all of the resorts beach, water park, casino and other entertainment options. We plan to start flying planes to the resort beginning December 15 from east coast locations, including New York , Toronto and Montreal.

Balance Sheet Update

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

- Refinanced One Manhattan West in New York for \$1.8 billion for a seven-year term at a fixed-rate, weighted-average coupon of 2.94%. Net proceeds of \$138 million were generated for BPY.
- Refinanced EY Plaza in Los Angeles for \$305 million with a five-year term at a floating interest rate of LIBOR +3.25%. Net proceeds of \$19 million were generated for BPY.
- Refinanced 22 Front Street in Toronto for C\$52.5 million (\$39.4 million) with a five-year term at a floating rate of Canadian Dollar Offered Rate (CDOR) +2.5%. Net proceeds of C\$38 million (\$29 million) were generated for BPY and the cost of debt reduced by over 300 bps.
- Extended debt maturity at Brookfield Place Calgary East for a further two years at a floating rate of approximately LIBOR +3%.
- Extended mortgage maturities on five Core Retail assets totaling approximately \$1.2 billion at a blended interest rate of 3.74%.
- Issued C\$500 million in 5-year medium term notes at a fixed interest rate of 3.93%. Proceeds are being used to fund recently completed and future green initiatives.
- Subsequent to quarter-end, refinanced Oakbrook Center in Chicago for \$475 million with a two-year (three years fully extended) term at a floating interest rate of LIBOR +3.50%.

Ended the quarter with \$6.0 billion of group-wide liquidity, including \$1.6 billion of cash on hand, \$3.0 billion of corporate and subsidiary credit facilities and \$1.4 billion of undrawn construction facilities.

Unit Repurchases

On September 2, 2020, through a substantial issuer bid ("SIB"), we purchased 35.5 million of BPY's limited partnership units from the public for a price of \$12.00 per unit, for a total value of approximately \$426 million. The SIB was funded by drawing on an equity commitment with Brookfield Asset Management and certain of its institutional clients.

Utilizing our in-place normal course issuer bid (NCIB), we purchased 9,949,466 of BPY units in the third quarter of 2020 at an average price of \$11.33 per unit. The NCIB was funded by drawing on the equity commitment.

Board of Directors Update

The Board of Directors of BPY is pleased to announce the appointment of a new director, Michael Warren. Mr. Warren is the Global Managing Director of Albright Stonebridge Group, a premier strategic advisory firm advising senior executives on their mission-critical business priorities across the globe. He serves on the boards of Commonfund, Walker and Dunlop, MAXIMUS, is a trustee of the Yale University Corporation and the Yale Endowment Investment Committee.

Concurrent with Mr. Warren's appointment, the Board also announced the resignation of director Scott Cutler, who will be joining the board of affiliate company Brookfield Renewable Partners (NYSE, TSX: BEP). Mr. Cutler has been an integral member of the BPY board since February 2019 and we thank him for his various contributions and dedication and wish him well in his new role at BEP.

Distribution Declaration

The Board of Directors has declared a quarterly distribution on the partnerships LP units of \$0.3325 per unit payable on December 31, 2020 to unitholders of record at the close of business on November 30, 2020.

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 quarterly distributions on the partnerships Class A Series 1, Series 2 and Series 3 preferred units of \$0.40625 per unit, \$0.39844 per unit and \$0.35938, respectively, payable on December 31, 2020 to holders of record at the close of business on December 1, 2020.

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 6, 2020 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)

Associated Files