

Press Releases 2018

Brookfield Property Partners Reports Second Quarter 2018 Results

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

BROOKFIELD NEWS, Aug. 01, 2018 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NASDAQ: BPY; TSX: BPY.UN) (the Partnership or BPY) today announced financial results for the quarter ended June 30, 2018.

Strong operating performance across our businesses contributed to year-over-year Company FFO per unit growth of 13% on a comparable basis, said Brian Kingston, chief executive officer. We look forward to completing the acquisition of GGP following the affirmative shareholder vote on July 26. We are thrilled with the opportunity to fully integrate GGP's premier U.S. retail business into Brookfield's global, best-in-class diversified property portfolio, creating significant value for both current and new BPY unitholders.

Financial Results

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2018	2017	2018	2017
(US\$ Millions, except per unit amounts)				
Net income ⁽¹⁾	\$1,051	\$664	\$2,074	\$851
Company FFO ⁽²⁾	\$246	\$258	\$514	\$495
Comparable Company FFO ⁽³⁾	\$246	\$218	\$514	\$435
Net income per LP unit ⁽⁴⁾	\$0.69	\$0.31	\$1.38	\$0.09
Company FFO per unit ⁽⁵⁾	\$0.35	\$0.37	\$0.73	\$0.70
Comparable Company FFO per unit ⁽³⁾	\$0.35	\$0.31	\$0.73	\$0.62

(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) Excludes \$40 million and \$60 million of non-recurring gains in the Core Office business for the three and six-month periods ended June 30, 2017, respectively.

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

(4) on the preferred shares.

Company FFO per unit is calculated based on 703.1 million (2017 704.6 million) and 703.3 million (2017 705.7 million) units outstanding for the three and six months ended June 30, 2018, respectively. See reconciliation of basic net income in

(5) the "Reconciliation of Non-IFRS Measures" section in this press release.

Net income for the quarter ended June 30, 2018 was \$1.1 billion versus \$664 million for the same period in 2017. Net income per LP unit for the current quarter was \$0.69 compared with \$0.31 in the prior year. The increase is primarily attributable to the extinguishment of debt associated with the sale of a hospitality asset and a higher level of gains reflective of strong operating results.

On a comparable basis, Company FFO was \$246 million (\$0.35 per unit) for the quarter ended June 30, 2018, compared with

\$218 million (\$0.31 per unit) for the same period in 2017. The comparative period excludes a one-time \$40 million non-recurring legal settlement earned last year. Growth was driven by improved same-property performance and growth in the overall operations. Company FFO including the non-recurring legal settlement was \$258 million (\$0.37 per unit) for the same period in 2017.

Operating Highlights

Our Core Office operations generated Company FFO of \$149 million for the quarter ended June 30, 2018 compared to \$122 million on a comparable basis in the same period in 2017. Our Core Office portfolio generated 6.6% same-property growth, largely driven by leasing activity in Downtown New York, London and Toronto.

Occupancy in our Core Office portfolio finished the quarter at 92.7% on 1.4 million square feet of total leasing, compared with 92.6% in the prior quarter and 91.9% in the prior-year period. New leases were signed at average rents approximately 10% higher than leases that expired during the quarter.

Our Core Retail operations generated Company FFO of \$119 million for the quarter ended June 30, 2018, consistent with the comparable period performance in 2017.

Same-property Core Retail occupancy finished the second quarter of 2018 at 94.2%, a decrease of 0.4% over the prior-year period, with average suite-to-suite rent spreads of 20% for leases commencing in the trailing 12 months. On a trailing 12-month basis, NOI-weighted tenant sales per square foot were \$739, an increase of 4.2% over the prior year.

Our opportunistic investments generated Company FFO of \$99 million for the quarter ended June 30, 2018, compared to \$96 million in the second quarter of the prior year. The increase was due to additional capital allocated to this business and strong same-property growth, offset in part by the disposition of our European logistics portfolio.

(US\$ Millions)	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2018	2017	2018	2017
Company FFO by segment				
Comparable Core Office ⁽¹⁾	\$149	\$122	\$302	\$258
Core Retail	119	119	235	229
Opportunistic	99	96	213	179
Corporate	(121)	(119)	(236)	(231)
Comparable Company FFO ⁽²⁾	\$246	\$218	\$514	\$435

(1) Excludes \$40 million and \$60 million of non-recurring gains for the three and six-month periods ending June 30, 2017, respectively.

(2) 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 second quarter, we advanced a number of our capital recycling initiatives:

Sold the Hilton Los Cabos hotel for \$167 million (\$51 million at BPYs share).

Subsequent to quarter-end, seeded a new Brookfield Asset Management (BAM)-sponsored New York City real estate venture with a 28% interest in our New York core office portfolio. We plan to syndicate up to an additional 7% interest in this portfolio, with total projected proceeds of \$1.8 billion to BPY.

Subsequent to quarter-end, executed a sale agreement for 112 assets in our self storage portfolio for \$1.3 billion (\$334 million at BPYs share). This transaction is expected to close in September.

New Investments

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

Land for two additional sites at our residential development in Greenpoint, Brooklyn, for \$144 million.

Two office buildings in Northern Virginia for \$95 million.

Interests in three industrial properties in New Jersey for \$250 million (\$75 million at BPYs share).

The Hilton Fort Lauderdale Hotel & Marina for \$177 million (\$45 million at BPYs share).
A 79% interest in IC Campus, a student housing company in Europe, for \$148 million (\$37 million at BPYs share).
660,000 square feet of office space on seven floors above Macys State Street department store in Chicago for \$27 million (\$7 million at BPYs share).

Additional acquisitions occurred subsequent to quarter-end:

Two retail malls totaling 650,000 square feet in Shanghai, China for \$285 million (\$72 million at BPYs share).
On July 31, BAM came to agreement with Forest City Realty Trust, Inc. (NYSE: FCEA) for a BAM real estate investment fund to acquire the company for \$25.35 per share, or approximately \$11.4 billion (\$2.9 billion at BPYs share) including Forest Citys proportionate share of consolidated and unconsolidated debt.

GGP Transaction Update

At a special meeting for GGP Inc. (GGP) shareholders on July 26, GGP shareholders voted for the merger agreement and all of the associated proposals. This affirmative vote will enable us to close our transaction to acquire GGP in August.

As announced on July 27, the election period for shareholders to elect their form of consideration (cash, BPY units or BPR stock) in exchange of their GGP shares is now underway and runs until August 21, 2018.

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:

Refinanced the Atlantis Resort in the Bahamas for \$1.9 billion at an interest rate of LIBOR + 350 bps with a term of two years.
Refinanced the Powai office portfolio in Mumbai, India for \$484 million at a floating interest rate of 8.85% and a term of 13 years.

Added a further financing to Ala Moana Center in Honolulu for \$500 million at a fixed interest rate of 3.8% and a term of five years.

Refinanced Two Allen Center in Houston for \$210 million at an interest rate of LIBOR + 250 bps and a term of three years.
Subsequent to quarter-end, completed a medium-term note issue for C\$300 million at an interest rate of 4.346% and a term of five years.

Distribution Declaration

The Board of Directors has declared the quarterly distribution of \$0.315 per unit payable on September 28, 2018 to unitholders of record at the close of business on August 31, 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 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 1, 2018 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) (i

Associated Files

Title	Document
English	