

Brookfield Property Partners Reports Fourth Quarter and Full-Year 2020 Results

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

BROOKFIELD NEWS, Feb. 02, 2021 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NASDAQ: BPY; NASDAQ: BPYU; TSX: BPY.UN) (BPY) today announced financial results for the quarter and year ended December 31, 2020.

We were encouraged by a noticeable increase in private market activity in the fourth quarter, as we closed on several sizable asset sales, including One London Wall Place and our self-storage business, executed at premiums to both our current and pre-pandemic carrying values, said Brian Kingston, Chief Executive Officer. "Our office operations have continued to perform well, and we were pleased by the resilience of our retail portfolio leading up to and through the holiday shopping season."

Financial Results

Company FFO (CFFO) was \$167 million for the quarter ended December 31, 2020, compared to \$379 million in the prior-year period. Company FFO was \$815 million for the year ended December 31, 2020, compared to \$1.35 billion in 2019. CFFO was impacted over the course of the year by the effects of the global economic slowdown during much of 2020.

Net income for the quarter ended December 31, 2020 was a loss of \$38 million or \$0.40 per LP unit compared to a gain of \$1.55 billion or \$1.00 per LP unit for the same period in 2019. The prior year period benefited from higher valuation gains in our Canada and UK office portfolios, as well as strong performance in several of our LP investments. Net income for the year ended December 31, 2020 was a loss of \$2.06 billion or \$2.39 per LP unit compared to a gain of \$3.16 billion or \$1.89 per LP unit in 2019. The decrease this year is primarily attributable to unrealized reductions of values of certain assets within the portfolio.

(US\$ Millions, except per unit amounts)	Three months ended Dec. 31,		Twelve months ended Dec. 31,	
	2020	2019	2020	2019
Net (loss) income ⁽¹⁾	\$(38)	\$1,551	\$(2,058)	\$3,157
Company FFO and realized gains ⁽²⁾	\$287	\$459	\$952	\$1,512
Company FFO ⁽²⁾	\$167	\$379	\$815	\$1,345
Net (loss) income per LP unit ⁽³⁾⁽⁴⁾	\$(0.40)	\$1.00	\$(2.39)	\$1.89
Company FFO and realized gains per unit ⁽⁴⁾⁽⁵⁾	\$0.30	\$0.48	\$0.97	\$1.57

(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 \$7 million) and \$42 million (2019 \$15 million) for three and twelve months ended December 31, 2020, respectively, in determining per unit amounts.

(5) Company FFO and realized gains per unit are calculated based on 927.3 million (2019 947.2 million) and 934.9 million (2019 955.0 million) units outstanding for the three and twelve months ended December 31, 2020, respectively.

Operating Highlights

Our Core Office business generated CFFO of \$138 million for the quarter ended December 31, 2020 compared to \$185 million in the same period in 2019 and \$540 million for the year ended December 31, 2020 compared to \$662 million on a comparable basis in 2019. Results this quarter were mainly impacted by reduced contributions from our parking and retail operations. Results in the prior-year period included incremental transaction income of \$25 million.

Core Office leasing activity in the fourth quarter totaled 870,000 square feet, which were completed at rents 16% higher on average than expiring leases in the period. Occupancy in the portfolio decreased 90 basis points to 89.8%, with a remaining weighted average lease term of 8.2 years.

Our Core Retail business generated CFFO of \$118 million for the quarter ended December 31, 2020 compared to \$217 million in the comparable period in 2019 and \$550 million for the year ended December 31, 2020 compared to \$772 million in 2019. The quarterly and

yearly declines are primarily attributable to the impact of the global economic slowdown during much of 2020.

Our Core Retail operations leased approximately 6.3 million square feet over the past 12 months with comparable rent spreads of 1%. Our properties were 92.5% leased at December 31, 2020, a decrease of 90 basis points from the prior period. On a year-over-year basis, in-place rents were up 0.7%¹.

Our LP Investments generated CFFO and realized gains of \$138 million for the quarter ended December 31, 2020, compared to earnings of \$150 million in the comparable period in 2019 and \$232 million for the year ended December 31, 2020 compared to \$476 million in 2019. Results this quarter were negatively impacted by a \$51 million decrease in earnings from our Hospitality investments due to pandemic-related hotel closures and travel restrictions, offset in part by a \$40 million increase in realized gains related to the sales of mature assets.

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

(US\$ Millions)	Three months ended Dec.		Twelve months ended Dec.	
	31,	2019	31,	2019
Company FFO and realized gains:				
Core Office	\$138	\$185	\$540	\$662
Core Retail	\$118	\$217	\$550	\$772
LP Investments	\$138	\$150	\$232	\$476
Corporate	\$(107)	\$(93)	\$(370)	\$(398)
Company FFO and realized gains ⁽¹⁾	\$287	\$459	\$952	\$1,512

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

Dispositions

In the fourth quarter, we completed \$1.37 billion of gross asset dispositions at our share, at prices that were 10% higher on average than our IFRS carrying values. These sales generated approximately \$530 million in net proceeds to BPY.

Dispositions completed in the fourth quarter include:

- Completed the sale of One London Wall Place in London for \$614 million, generating net proceeds of \$262 million to BPY.
- Completed the sale of Simply Self Storage for \$1.22 billion, generating net proceeds of \$109 million to BPY.
- Sold two Brazil office assets, EZ Tower B and WT Morumbi, for an aggregate of \$379 million, generating net proceeds of \$50 million to BPY.
- Sold assets in our triple net lease automotive dealership portfolio (CARS) for an aggregate of \$786 million, generating net proceeds of \$52 million to BPY.
- Entered into contract to sell our Northeast U.S. life sciences office portfolio at a gross sales price of \$3.5 billion, generating approximately \$100 million in net proceeds to BPY.

Balance Sheet Update

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

- Refinanced the Grace Building in New York for \$1.25 billion for a ten-year term at a fixed-rate, weighted average coupon of 2.69%.
- Refinanced One New York Plaza in New York for \$835 million with a two-year (five years fully extended without credit tests) term at a floating interest rate of LIBOR +1.52%.
- Refinanced or extended mortgage maturities for an average of three years on five Core Retail assets totaling approximately \$0.9 billion at a blended interest rate of 4.12%.

Ended the quarter with \$5.5 billion of group-wide liquidity, including \$1.7 billion of cash on hand, \$2.4 billion of corporate and subsidiary credit facilities and \$1.4 billion of undrawn construction facilities.

Privatization Proposal from Brookfield Asset Management

On January 4, 2021, Brookfield Asset Management announced a proposal to acquire 100% of the limited partnership units of BPY that it does not already own (approximately 357.6 million Units) for a price of \$16.50 per Unit, or \$5.9 billion in total value. A Special Committee of the Independent Directors of BPY's Board has engaged external legal and financial advisors and collectively they are currently considering the proposal. Neither BPY unitholders nor BPYU class A stockholders need to take any action related to the proposal at this time.

Unit Repurchases

Utilizing our in-place normal course issuer bid (NCIB), we purchased 20,222,827 of BPY units in the fourth quarter of 2020 at an average price of \$13.49 per unit. The NCIB was funded by drawing on the equity commitment with Brookfield Asset Management and certain of its institutional clients.

Distribution Declaration

The Board of Directors has declared a quarterly distribution on the partnerships LP units of \$0.3325 per unit payable on March 31, 2021 to unitholders of record at the close of business on February 26, 2021.

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 March 31, 2021 to holders of record at the close of business on March 1, 2021.

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 February 2, 2021 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 Trusts (NAREIT) definition of FFO. In addition to the adjustments prescribed by NAREIT, the Partnership also makes adjustments to exclude any unrealized fair value gains (or losses) that arise as a result of reporting under IFRS, and income taxes that arise as certain of its subsidiaries are structured as corporations as opposed to real estate investment trusts (REITs). These additional adjustments result in an FFO measure that is similar to that which would result if the Partnership was organized as a REIT that determined net income in accordance with generally accepted accounting principles in the United States (U.S. GAAP), which is the type of organization on which the NAREIT definition is premised. The Partnerships FFO measure will differ from other organizations applying the NAREIT definition to the extent of certain differences between the IFRS and U.S. GAAP reporting frameworks, principally related to the recognition of lease termination income. FFO provides a performance measure that, when compared year-over-year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and interest costs.

Company FFO and realized gains is defined as FFO before the impact of depreciation and amortization of non-real estate assets, transaction costs, gains (losses) associated with non-investment properties, imputed interest on equity accounted investments, realized gains in the partnerships LP Investment segment and the partnerships share of BSREP III Company FFO and realized gains. Realized LP Investment gains represent income earned on investing activity when fund investments are realized, inclusive of associated change in carried interest to be due at a future date to the general partner of the relevant Brookfield Asset Management-sponsored funds. The partnership accounts for the investment in BSREP III as a financial asset and income (loss) of the fund is not presented in the partnerships results. Distributions from BSREP III, recorded as dividend income under IFRS, are removed from investment and other income for Company FFO and realized gains presentation.

Net income attributable to unitholders is defined as net income attributable to holders of general partnership units and limited partnership units of the Partnership, redeemable/exchangeable and special limited partnership units of Brookfield Property L.P., limited partnership units of Brookfield Office Properties Exchange LP and Class A shares of Brookfield Property REIT Inc. Net income attributable to unitholders is used by the Partnership to evaluate the performance of the Partnership as a whole as each of the unitholders participates in

the economics of the Partnership equally. In calculating
Associated Files