

# Brookfield Property Partners Reports Fourth Quarter & Full-Year 2016 Results

FEB 03, 2017

*Net Income of \$92 Million for the Quarter and \$2.7 Billion for the Year;  
Company FFO of \$268 Million for the Quarter and \$967 Million for the Year;  
Quarterly Distribution Raised by 5.4%*

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

BROOKFIELD NEWS, Feb. 03, 2017 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NYSE:BPY) (TSX:BPY.UN) ("the Partnership" or "BPY") today announced financial results for the quarter and year ended December 31, 2016.

"We achieved meaningful earnings growth, enhanced the flexibility of our balance sheet, made strategic acquisitions in several new real estate sectors, and continued to expand our global investment and operating footprint," said Brian Kingston, chief executive officer. "We are positioned for further growth in 2017 and, to reflect this, our Board of Directors approved a 5.4% increase to our annual distribution."

## Financial Results

(US\$ Millions, except per unit amounts)	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Net income <sup>(1)</sup>	\$ 92	\$ 1,157	\$ 2,717	\$ 3,766
Company FFO <sup>(2)</sup>	\$ 268	\$ 242	\$ 967	\$ 839
Net income per LP unit <sup>(3)</sup>	\$ (0.08)	\$ 1.10	\$ 2.30	\$ 3.72
Company FFO per unit <sup>(4)</sup>	\$ 0.38	\$ 0.34	\$ 1.36	\$ 1.18

(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.

(3) Represents basic net income attributable to holders of LP units. IFRS requires the inclusion of preferred units 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 units.

(4) Company FFO per unit is calculated based on 710.0 million units and 710.8 million units outstanding for the three and twelve months ended December 31, 2016 (2015 – 712.0 million and 712.6 million), 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 December 31, 2016 was \$92 million (( \$0.08 ) per LP unit) versus \$1,157 million ( \$1.10 per LP unit) for the same period in 2015. Net income for the year ended December 31, 2016 was \$2,717 million ( \$2.30 per LP unit) compared with \$3,766 million ( \$3.72 per LP unit) in 2015. The decrease in net income for the quarter and year is primarily attributable to higher fair value gains in the prior year comparative periods.

Company FFO was \$268 million ( \$0.38 per unit) for the quarter ended December 31, 2016 compared with \$242 million ( \$0.34 per unit) for the same period in 2015. Company FFO was \$967 million ( \$1.36 per unit) for the year ended December 31, 2016 compared with \$839 million ( \$1.18 per unit) in 2015. The increase in Company FFO for the quarter and year is primarily attributable to same-property NOI growth in the core office and retail portfolios and new investments made in 2016 in the opportunistic strategy, offset in part by the disposition of core office and retail assets and the conversion of foreign income into our U.S. dollar-reported results.

## Operating Highlights

Our core office operations generated Company FFO of \$182 million for the quarter ended December 31, 2016 compared to \$160 million in the same period in 2015 and \$630 million for the year ended December 31, 2016 compared to \$612 million in 2015. The quarterly and annual increases are primarily attributable to same-property NOI growth of 6.6% in 2016, mainly derived from rent commencements at Brookfield Place New York, and a development fee in London recognized in the fourth quarter, offset by asset sales and the conversion of foreign income into our U.S. dollar-reported results.

Occupancy in our core office portfolio finished the quarter at 92.3% on 2.9 million square feet of total leasing, bringing the year-end total to 8.2 million square feet. New leases were signed at average rents approximately 14% higher than expiring leases in the quarter. We also continued to advance our development pre-leasing with a 176,000-square-foot lease with the National Hockey League (NHL) at One Manhattan West, bringing that project to 37% pre-leased. In addition, we secured an anchor tenant at Wynyard Place in Sydney with a 334,000-square-foot lease, bringing that project to 53% committed.

Our core retail operations generated Company FFO of \$132 million for the quarter ended December 31, 2016 compared to \$131 million in the comparable period in 2015 and \$459 million for the year ended December 31, 2016 compared to \$452 million in 2015. The modest quarterly and annual increases over the prior year periods are mainly attributable to same-property NOI growth of more than 5%, offset partly by the impact of asset sales.

Core same-property retail occupancy finished the fourth quarter of 2016 at 96.5%, with average suite-to-suite rent spreads of 20% for leases commencing in 2016 and 2017. Tenant sales (excluding anchors) increased by 0.9% on a trailing 12-month basis to \$20.5 billion .

Our opportunistic investments generated Company FFO of \$68 million for the quarter ended December 31, 2016, flat with the comparable

period in 2015 and \$341 million for the year ended December 31, 2016 compared to \$245 million in 2015. The significant increase in Company FFO over the prior year was largely a result of new investments made in this strategy in 2016 and income earned on multifamily development dispositions.

(US\$ Millions)	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Company FFO by segment				
Core Office	\$ 182	\$ 160	\$ 630	\$ 612
Core Retail	132	131	459	452
Opportunistic	68	68	341	245
Corporate	(114)	(117)	(463)	(470)
Company FFO <sup>(1)</sup>	\$ 268	\$ 242	\$ 967	\$ 839

(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 fourth quarter, we advanced a number of our capital recycling initiatives:

- Contributed interests in eight U.S. office and multifamily assets for \$337 million of cash proceeds and an 18.7% interest in a new, Brookfield -sponsored open-ended core fund.
- Completed the sale of the Moor Place office building in London for £271 million, generating net proceeds of approximately £130 million.
- Sold a further 16% interest in One New York Plaza, generating net proceeds of \$75 million .
- Sold two Australian office assets for A\$143 million , generating net proceeds of A\$82 million .
- Sold 13 U.S. suburban office assets for \$173 million , generating net proceeds of \$29 million .
- Sold seven U.S. multifamily assets for approximately \$314 million ( \$68 million at BPY's share).
- Sold the Ritz-Carlton San Francisco hotel for \$280 million ( \$84 million at BPY's share).
- Sold interests in two retail malls for \$57 million ( \$23 million at BPY's share).
- Sold eight European logistics assets for €153 million (€55 million at BPY's share).
- Subsequent to quarter-end, completed the 50:50 joint venture on the office development at Principal Place, London , raising net proceeds of approximately £243 million.

#### New Investments

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

- A premier, mixed-use project in Seoul, South Korea consisting of three office buildings, a retail mall and a five-star hotel for \$2.1 billion ( \$550 million at BPY's share).
- As part of a debt-to-equity conversion, we acquired the CityPoint Tower office building in London for £607 million (£186 million at BPY's share).
- Three multifamily properties in the U.S. for \$157 million ( \$77 million at BPY's share).
- 14 self-storage assets in the U.S. for \$114 million ( \$29 million at BPY's share).
- The Marriott Bethesda North hotel for \$85 million ( \$21 million at BPY's share).
- Five triple net leased assets for \$45 million ( \$12 million at BPY's share).
- The Shops at Somerset Square in Glastonbury, CT for \$42 million ( \$21 million at BPY's share).
- Two student housing assets in the UK for £72 million (£18 million at BPY's share).
- 605 N. Michigan Avenue for \$140 million ( \$40 million at BPY's share).
- A further 25% interest in Riverchase Galleria for \$73 million ( \$21 million at BPY's share).
- Five Macy's stores for approximately \$86 million ( \$26 million at BPY's share).
- Subsequent to quarter-end, an agreement to invest up to \$400 million ( \$100 million at BPY's share) of convertible preferred equity in a non-traded hospitality REIT which owns 141 hotels encompassing 17,200 keys throughout the U.S.
- Subsequent to quarter-end, a proposal to acquire the approximately 16.9% interest in our Canadian REIT subsidiary Brookfield Canada Office Properties ("BOX") that we or our affiliates do not own (approximately 15.8 million units) for C\$30.10 cash per unit. A special committee of the Board of Trustees of BOX is currently evaluating the offer.

#### Balance Sheet Update

To increase our balance sheet flexibility by increasing liquidity and extending the maturity of our debt, we executed on the following during the quarter:

- Refinanced a total of approximately \$1 billion of property-level loans on seven U.S. core office buildings.
- Refinanced the Canary Wharf Group retail loan facility for £700M.
- Received AED 1.55 billion of construction financing for ICD Brookfield Place Dubai.
- Subsequent to quarter-end, received a special dividend from GGP of \$66 million .

#### Unit Repurchase Program

Utilizing the in-place Normal Course Issuer Bid, the Partnership purchased 1,600,753 of its Limited Partnership units in the fourth quarter

of 2016 at an average price of \$21.30 per unit. In 2016, we repurchased 2,762,752 units at an average price of \$21.35 per unit.

***Distribution Increase and Declaration***

The Board of Directors has announced an increase in the company's quarterly distribution from \$0.28 to \$0.295 per unit ( \$1.18 per unit on an annual basis). The Board has also declared the quarterly distribution of \$0.295 per unit payable on March 31, 2017 to unitholders of record at the close of business on February 28, 2017. 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 noon exchange rate on the record date. Registered unitholders residing in the United States have the option, through Brookfield Property Partners' transfer Associated Files