Brookfield Property Partners Reports Fourth Quarter & Full-Year 2017 Results

FEB 08, 2018

Net Income of $958 Million for the Quarter and $2.5 Billion for the Year;
Company FFO of $286 Million for the Quarter and $1.0 Billion for the Year;
Quarterly Distribution Raised by 7% to $0.315 per Unit

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

BROOKFIELD NEWS, Feb. 08, 2018 (GLOBE NEWSWIRE) -- Brookfield Property Partners L.P. (NASDAQ:BPY) (TSX:BPY.UN) (“the Partnership” or “BPY”) today announced financial results for the quarter and year ended December 31, 2017.

“Today we announced strong financial results for the fourth quarter and full-year 2017 and have now increased Company FFO per unit by 9% annually since the launch of BPY,” said Brian Kingston, chief executive officer. “Consistent with the goals we set out for ourselves at the start of the year, we raised over $2 billion of net equity from asset sales, increased occupancy in our office portfolio, made substantial progress with our diversified development pipeline, and increased the flexibility of our balance sheet. Due to this success, we are pleased to report that our board of directors has approved a 7% increase to our quarterly distribution.”

Financial Results

	Three months ended December 31,		*Year ended December 31,*	
(US$ Millions, except per unit amounts)	**2017**	2016	**2017**	2016
Net income(1)	**$958**	$92	**$2,468**	$2,717
Company FFO(2)	**$286**	$268	**$1,017**	$967
Net income per LP unit(3)	**$0.17**	$(0.08)	**$0.48**	$2.30
Company FFO per unit(4)	**$0.41**	$0.38	**$1.44**	$1.36

(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) Company FFO per unit is calculated based on 703.5 million units and 704.7 million units outstanding for the three and twelve months ended December 31, 2017 (2016 – 710.0 million and 710.8 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, 2017 was $958 million ($0.17 per LP unit) versus $92 million ($(0.08) per LP unit) for the same period in 2016. Net income for the year ended December 31, 2017 was $2.47 billion ($0.48 per LP unit) compared with $2.72 billion ($2.30 per LP unit) in 2016.

Company FFO was $286 million ($0.41 per unit) for the quarter ended December 31, 2017 compared with $268 million ($0.38 per unit) for the same period in 2016. Company FFO was $1.02 billion ($1.44 per unit) for the year ended December 31, 2017 compared with $967 million ($1.36 per unit) in 2016. The increase in Company FFO for the quarter and year is primarily attributable to same-property growth in our office operations and net investment activity.

Operating Highlights

Our core office operations generated Company FFO of $148 million for the quarter ended December 31, 2017 compared to $182 million in the same period in 2016 and $592 million for the year ended December 31, 2017 compared to $630 million in 2016. The decreases are primarily attributable to a one-time development fee of $44 million recognized last year as well as the impact of asset sales and the deployment of capital raised into other businesses. These decreases were partly offset by quarter-over-quarter and year-over-year same-property growth of 2.6% and 2.1%, respectively, and positive foreign exchange conversions.

Occupancy in our core office portfolio increased 80 basis points during the fourth quarter, finishing the year at 92.6% on 2.9 million square feet of total leasing, bringing total 2017 leasing activity to 9.7 million square feet. Leases signed in the fourth quarter were at average rents 33% higher than leases that expired in the period.

Our core retail operations generated Company FFO of $158 million for the quarter ended December 31, 2017 compared to $132 million in the comparable period in 2016 and $515 million for the year ended December 31, 2017 compared to $459 million in 2016. The increase in Company FFO over the prior quarter and year periods are primarily attributable to income recognized on property sales at Ala Moana in Honolulu, HI and increased ownership in GGP Inc. (“GGP”) following the settlement of warrants in the fourth quarter.

Core same-property retail occupancy finished the year at 96.2%, with average suite-to-suite rent spreads of 18.2% for leases commencing in 2017 and 2018. Tenant sales (excluding anchors) remained flat at $21.0 billion on a trailing 12-month basis.

Our opportunistic investments generated Company FFO of $99 million for the quarter ended December 31, 2017, compared to $68 million in the comparable period in 2016 and $377 million for the year ended December 31, 2017 compared to $341 million in 2016. The increase in Company FFO over the prior reporting periods was largely a result of new investments in this segment as well as same-property FFO growth in 2017.

	Three months ended December 31,		Year ended December 31,	
(US$ Millions)	**2017**	2016	**2017**	2016
Company FFO by segment				
Core Office	**$148**	$182	**$592**	$630
Core Retail	**158**	132	**515**	459
Opportunistic	**99**	68	**377**	341
Corporate	**(119)**	(114)	**(467)**	(463)
Company FFO(1)	**$286**	$268	**$1,017**	$967

(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 successfully advanced a number of our capital recycling initiatives:

- Sold 49% of One Liberty Plaza for $742 million , generating net proceeds of $328 million .
- Sold two office buildings in Washington D.C. for $186 million ($96 million at BPY’s share).
- Sold six multifamily properties in the U.S. for $277 million ($77 million at BPY’s share).
- Sold 13 industrial properties and 3,500 acres of U.S. industrial land for $212 million ($38 million at BPY’s share).

New Investments

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

- A 4.2 million-square-foot office portfolio in the Powai district of Mumbai, India for approximately $900 million ($290 million at BPY’s share).
- Houston Center, a 4.2 million-square-foot office and retail complex in Houston, TX for $825 million ($211 million at BPY’s share).
- Two office properties totaling 400,000 square feet in San Jose, CA for $128 million ($32 million at BPY’s share).
- A student housing asset in Aberdeen, UK for £51 million (£13 million at BPY’s share).
- Majority ownership (88%) in a multifamily property in Orlando, FL powered by Niido – an Airbnb-friendly apartment concept – for $58 million . We expect to invest up to $200 million in other Niido properties in the future.
- Following quarter-end, a portfolio of 105 extended-stay hotels in the U.S. for $769 million ($197 million at BPY’s share).
- Following quarter-end, the Renaissance Dupont Circle hotel in Washington, DC for $110 million ($28 million at BPY’s share).

Update on Proposed GGP Acquisition

On November 13, 2017, BPY made a non-binding proposal to acquire all of the outstanding shares of GGP not owned by BPY for consideration of $23 per share, half in cash and half in BPY units, or approximately $14.8 billion in total. We continue to believe that this transaction is in the best long-term interests of both BPY and GGP shareholders, and hope to come to an agreement in the near future with the special committee of GGP’s Board of Directors that is currently considering the proposal.

Balance Sheet Update

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

- Entered into a syndicated facility for A$1.1 billion to fund the remaining construction costs of the Wynyard Place development in Sydney .
- In our industrial portfolio, refinanced $284 million on existing assets and initiated five new development construction loans for a total of $119 million .
- Refinanced approximately $237 million of debt associated with core office properties in New York , Washington, D.C. and Toronto .
- Issued ten million cumulative minimum rate reset Class AAA preference shares, Series II for C$25.00 per share from our office subsidiary for aggregate proceeds of C$250 million . The preference shares will yield 4.85% for the initial five-year, fixed-rate period.

Unit Repurchase Program

No Limited Partnership Units were acquired during the quarter under the in-place Normal Course Issuer Bid. For the full year, BPY repurchased 5,913,672 LP units at an average price of $22.95 per unit.

Distribution Increase and Declaration

The Board of Directors approved an increase in the Partnership’s quarterly distribution from $0.295 to $0.315 per unit ($1.26 per unit on an annual basis). Accordingly, the Board has declared a quarterly distribution of $0.315 per unit payable on March 29, 2018 to unitholders of record at the close of business on February 28, 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 Partnership's SEDAR profile at www.sedar.com.

The Partnership's quarterly Letter to Unitholders and Supplemental Information Package can be accessed before the market open on February 8, 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 supplementa

Associated Files