

Brookfield Property — Partners L.P.

Q1 2020 INTERIM REPORT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**Report of Foreign Private Issuer Pursuant to
Rule 13a-16 or 15d-16
Under the Securities Exchange Act of 1934**

For the month of May 2020
Commission File Number 001-35505

BROOKFIELD PROPERTY PARTNERS L.P.
(Exact name of registrant as specified in its charter)

73 Front Street, 5th Floor, Hamilton, HM 12 Bermuda
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

The information contained in Exhibits 99.1 and 99.2 of this Form 6-K is incorporated by reference into the registrant's following registration statements on Form F-3: File No. 333-218503, 333-218504, 333-225158 and 333-225163; and the registrant's following registration statements on Form S-8: File Nos. 333-196622, 333-203042 and 333-227082.

DOCUMENTS FILED AS PART OF THIS FORM 6-K

See the Exhibit List to this Form 6-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 11, 2020

BROOKFIELD PROPERTY PARTNERS L.P.,
by its general partner, Brookfield Property Partners Limited

By: /s/ Jane Sheere

Name: Jane Sheere

Title: Secretary

EXHIBIT LIST

| <u>Exhibit</u> | <u>Description</u> |
|-----------------------------|--|
| <u>99.1</u> | Management's Discussion and Analysis of Financial Results of Brookfield Property Partners L.P. as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019 |
| <u>99.2</u> | Unaudited condensed consolidated financial statements of Brookfield Property Partners L.P. as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019 |
| <u>99.3</u> | Certification of Chief Executive Officer of Brookfield Property Group LLC, a manager of Brookfield Property Partners L.P. |
| <u>99.4</u> | Certification of Chief Financial Officer of Brookfield Property Group LLC, a manager of Brookfield Property Partners L.P. |

Management's Discussion and Analysis of Financial Results

INTRODUCTION

This management's discussion and analysis ("MD&A") of Brookfield Property Partners L.P. ("BPY", the "partnership", or "we") covers the financial position as of March 31, 2020 and December 31, 2019 and results of operations for the three months ended March 31, 2020 and 2019. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements (the "Financial Statements") and related notes as of March 31, 2020, included elsewhere in this report, and our annual report for the year ended December 31, 2019 on Form 20-F.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND USE OF NON-IFRS MEASURES

This MD&A, particularly "*Objectives and Financial Highlights – Overview of the Business*" and "*Additional Information – Trend Information*", contains "forward-looking information" within the meaning of applicable securities laws and regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding our operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts", "likely", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to the ownership and operation of real estate properties including local real estate conditions; the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business, including as a result of the recent novel coronavirus outbreak ("COVID-19"); the ability to enter into new leases or renew leases on favorable terms; business competition; dependence on tenants' financial condition; the use of debt to finance our business; the behavior of financial markets, including fluctuations in interest and foreign exchange rates; uncertainties of real estate development or redevelopment; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; risks relating to our insurance coverage; the possible impact of international conflicts and other developments including terrorist acts; potential environmental liabilities; changes in tax laws and other tax related risks; dependence on management personnel; illiquidity of investments; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits therefrom; operational and reputational risks; catastrophic events, such as earthquakes, hurricanes or pandemics/epidemics; and other risks and factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States, as applicable. In addition, our future results may be impacted by risks associated with a global pandemic caused by a novel strain of coronavirus, COVID-19, and the related global reduction in commerce and travel and substantial volatility in stock markets worldwide, which may result in a decrease of cash flows and a potential increase in impairment losses and/or revaluations on our investments and real estate properties, and we may be unable to achieve our expected returns.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements or information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

We disclose a number of financial measures in this MD&A that are calculated and presented using methodologies other than in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). We utilize these measures in managing our business, including performance measurement, capital allocation and valuation purposes and believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing our overall performance. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS, where applicable, are included within this MD&A.

OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Our sole direct investments are a 50% managing general partnership unit interest in Brookfield Property L.P. (the “Operating Partnership”) and an interest in BP US REIT LLC. As we have the ability to direct its activities pursuant to our rights as owners of the general partner units, we consolidate the Operating Partnership. Accordingly, our Financial Statements reflect 100% of its assets, liabilities, revenues, expenses and cash flows, including non-controlling interests therein, which capture the ownership interests of other third parties.

We also discuss the results of operations on a segment basis, consistent with how we manage our business. The partnership is organized into four reportable segments: i) Core Office, ii) Core Retail, iii) LP Investments and iv) Corporate. This is consistent with how the partnership presents financial information to the chief operating decision maker (“CODM”) and investors. These segments are independently and regularly reviewed and managed by the Chief Executive Officer, who is considered the CODM.

Our partnership’s equity interests include general partnership units (“GP Units”), publicly traded limited partnership units (“LP Units”), redeemable/exchangeable partnership units of the Operating Partnership (“Redeemable/Exchangeable Partnership Units”), special limited partnership units of the Operating Partnership (“Special LP Units”), FV LTIP Units of the Operating Partnership (“FV LTIP Units”), limited partnership units of Brookfield Office Properties Exchange LP (“Exchange LP Units”), Class A stock, par value \$0.01 per share, (“BPYU Units”) of Brookfield Property REIT Inc. (“BPYU”) and Class A Cumulative Redeemable Perpetual Preferred Units, Series 1, Series 2 and Series 3 (“Preferred Equity Units”). Holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units, Exchange LP Units and BPYU Units will be collectively referred to throughout this MD&A as “Unitholders”. The LP Units, Redeemable/Exchangeable Partnership Units, Exchange LP Units and BPYU Units have the same economic attributes in all respects, except that the holders of Redeemable/Exchangeable Partnership Units and BPYU Units have the right to request that their units be redeemed for cash consideration. In the event that Brookfield Asset Management Inc. (“Brookfield Asset Management”), as the holder of the Redeemable/Exchangeable Partnership Units exercises this right, our partnership has the right, at its sole discretion, to satisfy the redemption request with its LP Units, rather than cash, on a one-for-one basis. As a result, Brookfield Asset Management, as holder of Redeemable/Exchangeable Partnership Units, participates in earnings and distributions on a per unit basis equivalent to the per unit participation of the LP Units of our partnership. However, given the redemption feature referenced above and the fact that they were issued by our subsidiary, we present the Redeemable/Exchangeable Partnership Units as a component of non-controlling interests. The Exchange LP Units are exchangeable at any time on a one-for-one basis, at the option of the holder, for LP Units. We present the Exchange LP Units as a component of non-controlling interests. BPYU Units provide their holders with the right to request that their units be redeemed for cash consideration. In the event the holders of BPYU Units exercise this right, our partnership has the right at its sole discretion, to satisfy the redemption request with its LP Units, rather than cash, on a one-for-one basis. As a result, BPYU Units participates in earnings and distributions on a per unit basis equivalent to the per unit participation of LP Units of our partnership. We present BPYU Units as a component of non-controlling interest.

This MD&A includes financial data for the three months ended March 31, 2020 and includes material information up to May 11, 2020. Financial data has been prepared using accounting policies in accordance with IFRS as issued by the IASB. Non-IFRS measures used in this MD&A are reconciled to or calculated from such financial information. Unless otherwise specified, all operating and other statistical information is presented as if we own 100% of each property in our portfolio, regardless of whether we own all of the interests in each property. We believe this is the most appropriate basis on which to evaluate the performance of properties in the portfolio relative to each other and others in the market. All dollar references, unless otherwise stated, are in millions of U.S. Dollars. Canadian Dollars (“C\$”), Australian Dollars (“A\$”), British Pounds (“£”), Euros (“€”), Brazilian Reals (“R\$”), Indian Rupees (“Rs”), Chinese Yuan (“C¥”), South Korean Won (“₩”) and United Arab Emirates Dirham (“AED”) are identified where applicable.

Additional information is available on our website at bpy.brookfield.com, or on www.sedar.com or www.sec.gov.

OVERVIEW OF THE BUSINESS

We are Brookfield Asset Management's primary vehicle to make investments across all strategies in real estate. Our goal is to be a leading global owner and operator of high-quality real estate, that generates sustainable and growing distributions to our unitholders and capital appreciation of our asset base over the long term. With approximately 22,000 employees involved in Brookfield Asset Management's real estate businesses around the globe, we have built operating platforms in various real estate sectors, including in our:

CORE OFFICE PORTFOLIO

Class A office assets in gateway markets around the globe

- 136 premier properties
- 93 million square feet
- 93% occupancy
- 8.5 year average lease term

CORE RETAIL PORTFOLIO

100 of the top 500 malls in the United States

- 122 best-in-class malls and urban retail properties
- 120 million square feet
- 95% occupancy

LP INVESTMENTS PORTFOLIO

Invested in mispriced portfolios and/or properties with significant value-add opportunities.

INVESTMENT STRATEGY

Our diversified Core portfolios consist of high-quality office and retail assets in some of the world's most dynamic markets which have stable cash flow as a result of their long-term leases. We target to earn core plus total returns on our Core portfolios. The drivers of these targets include the mark-to-market of rents upon lease expiry, escalation provisions in leases and projected increases in occupancy, that are expected to generate same-property net operating income ("NOI") growth without significant capital investment. Furthermore, we enhance the returns on our stable properties through an active development and redevelopment pipeline that earns higher unlevered returns on construction costs. We currently have approximately 12 million square feet of active development projects underway with another 6 million square feet in planning stages. Our development track record reflects successful completions on time and on budget. We expect this portion of our balance sheet to contribute meaningfully to earnings growth in our Core businesses as projects reach completion and begin to contribute rental revenue to our earnings.

Our LP Investments portfolio includes our equity invested in Brookfield-sponsored real estate opportunity funds, which target high-quality assets with operational upside across various real estate sectors, including office, retail, multifamily, logistics, hospitality, self-storage, triple net lease, manufactured housing and student housing. We target an average gross 20% total return on our LP Investments portfolio and a 2.0x multiple of capital on the equity we invest into these vehicles. These investments, unlike our Core portfolios, have a defined hold period and typically generate the majority of profits from gains recognized from realization events including the sale of an asset or portfolio of assets, or exit of the entire investment. The combination of these realized gains and FFO earned represent our earnings on capital invested in these funds and provide liquidity to support our target distributions.

Overall, our goal is to be the leading global owner and operator of high-quality real estate, generating an attractive total return for our Unitholders comprised of: a current yield supported by stable cash flow from a diversified portfolio; distribution growth in-line with earnings growth; and capital appreciation of our asset base. We operate our business to achieve these objectives with a long term view and will continue to make decisions with that in mind, however, we will caution you that in light of the COVID-19 pandemic and its impact on the global economy, we may be unable to achieve these objectives in the near term. Capital appreciation will be reflected in the fair value gains that flow through our income statement as a result of our revaluation of investment properties in accordance with IFRS to reflect initiatives that increase property level cash flows, change the risk profile of the asset, reflect changes in market conditions, or portfolio premiums realized upon sale of these assets. From time to time, we will convert some or all of these unrealized gains to cash through asset sales, joint ventures or refinancings.

We believe our global scale and best-in-class operating platforms provide us with a unique competitive advantage as we are able to efficiently allocate capital around the world toward those sectors and geographies where we see the greatest opportunities to earn attractive returns. We actively recycle assets on our balance sheet as they mature and reinvest the proceeds into higher yielding investment strategies, further enhancing returns. Despite the recent economic disruption caused by COVID-19, we expect that the high quality nature of our stabilized properties and associated cash flows will continue to be in demand from investors, although our ability to execute on these recycling of capital initiatives will likely be impacted in the short term. In addition, due to the scale of our stabilized portfolio and flexibility of our balance sheet, our business model is self-funding and does not require us to access capital markets to fund our continued growth.

PERFORMANCE MEASURES

We expect to generate returns to Unitholders from a combination of healthy distributions and appreciation. Furthermore, if we are successful in increasing cash flow earned from our operations and distributions from return of capital and realization events from our LP Investments portfolio, we expect to be able to increase distributions to Unitholders to provide them with an attractive total return on their investment. As noted above, however, we may be unable to increase our cash flows in the near term and as a result may be unable to increase our distributions as anticipated.

We consider the following items to be important drivers of our current and anticipated financial performance, however the impact of COVID-19, which is currently unknown, could limit our potential to achieve these measures:

- increases in occupancies by leasing vacant space and pre-leasing active developments;
- increases in rental rates through maintaining or enhancing the quality of our assets and as market conditions permit; and
- reductions in operating costs through achieving economies of scale and diligently managing contracts.

We also believe that key external performance drivers include the availability of the following:

- debt capital at a cost and on terms conducive to our goals;
- equity capital at a reasonable cost;
- new property acquisitions and other investments that fit into our strategic plan; and
- opportunities to dispose of peak value or non-core assets.

In addition to monitoring, analyzing and reviewing earnings performance, we also review initiatives and market conditions that contribute to changes in the fair value of our investment properties. These fair value changes, combined with earnings, represent a total return on the equity attributable to Unitholders and form an important component in measuring how we have performed relative to our targets.

To measure our performance against these targets, as described above, and measure our operating performance, we focus on NOI, same-property NOI, funds from operations (“FFO”), Company FFO, net income attributable to Unitholders and equity attributable to Unitholders. Some of these performance metrics do not have standardized meanings prescribed by IFRS and therefore may differ from similar metrics used by other companies.

- *NOI*: revenues from our commercial properties operations less direct commercial property expenses (“Commercial property NOI”) and revenues from our hospitality operations less direct hospitality expenses (“Hospitality NOI”).
- *Same-property NOI*: a subset of NOI, which excludes NOI that is earned from assets acquired, disposed of or developed during the periods presented, not of a recurring nature, or from LP Investments assets.
- *FFO*: net income, prior to fair value gains, net, depreciation and amortization of real estate assets, and income taxes less non-controlling interests of others in operating subsidiaries and properties therein. When determining FFO, we include our proportionate share of the FFO of unconsolidated partnerships and joint ventures and associates, as well as gains (or losses) related to properties developed for sale.
- *Company FFO*: 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 and the partnership’s share of Brookfield Strategic Real Estate Partners III (“BSREP III”) FFO. The partnership accounts for its investment in BSREP III as a financial asset and the income (loss) of the fund is not presented in the partnership’s results. Distributions from BSREP III, recorded as dividend income under IFRS, are removed from investment and other income for Company FFO presentation.
- *Net income attributable to Unitholders*: net income attributable to holders of GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units, FV LTIP Units and BPYU Units.
- *Equity attributable to Unitholders*: equity attributable to holders of GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units FV LTIP Units and BPYU Units.

NOI is a key indicator of our ability to impact the operating performance of our properties. We seek to grow NOI through pro-active management and leasing of our properties. Same-property NOI in our Core Office and Core Retail segments allows us to segregate the impact of leasing and operating initiatives on the portfolio from the impact of investing activities and “one-time items”, which for the historical periods presented consist primarily of lease termination income. We reconcile NOI to net income on page 13.

We also consider FFO an important measure of our operating performance. 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. Our definition of FFO includes all of the adjustments that are outlined in the National Association of Real Estate Investment Trusts (“NAREIT”) definition of FFO, including the exclusion of gains (or losses) from the sale of investment properties, the add back of any depreciation and amortization related to real estate assets and the adjustment for unconsolidated partnerships and joint ventures. In addition to the adjustments prescribed by NAREIT, we also make 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 our 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 our 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. Our 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 timing of revenue recognition from lease terminations and sale of properties. Because FFO excludes fair value gains (losses), including equity accounted fair value gains (losses), realized gains (losses) on the sale of investment properties, depreciation and amortization of real estate assets and income taxes, it 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, providing perspective not immediately apparent from net income. We do not use FFO as a measure of cash flow generated from operating activities. We reconcile FFO to net income on page 13 as we believe net income is the most comparable measure.

In addition, we consider Company FFO a useful measure for securities analysts, investors and other interested parties in the evaluation of our partnership's performance. Company FFO, similar to FFO discussed above, provides a performance measure that reflects the impact on operations of trends in occupancy rates, rental rates, operating costs and interest costs. In addition, the adjustments to Company FFO relative to FFO allow the partnership insight into these trends for the real estate operations, by adjusting for non-real estate components. We reconcile net income to Company FFO on page 13.

Net income attributable to Unitholders and Equity attributable to Unitholders are 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. We reconcile Net income attributable to Unitholders to net income on page 13 and Equity attributable to Unitholders to total equity on page 16.

FAIR VALUE OF INVESTMENT AND HOSPITALITY PROPERTIES

Investment properties

We measure all investment properties at fair value, including those held within equity accounted investments. Valuations are prepared at a balance sheet date with changes to those values recognized as gains or losses in the statement of income. Our valuations are generally prepared at the individual property level by internal investment professionals with the appropriate expertise in the respective industry, geography and asset type. We leverage their extensive expertise and experience in the valuation of properties accumulated through involvement in acquisitions and dispositions, negotiations with lenders and interactions with institutional private fund investors. Additionally, a number of properties are externally appraised each year and the results of those appraisals are compared to the partnership's internally prepared values.

Substantially all of our investment properties are valued using one of two accepted income approaches, the discounted cash flow approach or the direct capitalization approach. The valuation methodology utilized is generally determined by asset class. Our office and retail assets are typically valued using a discounted cash flow methodology while our multifamily, self-storage, triple net lease, manufactured housing, student housing and logistics assets are typically valued using a direct capitalization methodology.

Under the discounted cash flow approach, cash flows for each property are forecast for an assumed holding period, generally, ten-years. A capitalization rate is applied to the terminal year net operating income and an appropriate discount rate is applied to those cash flows to determine a value at the reporting date. The forecast cash flows include assumptions prepared at the property level for lease renewal probabilities, downtime, capital expenditures, future leasing rates and associated leasing costs. The majority of property cash flows consist of contracted leases as a result of our core real estate portfolio having a combined 94% occupancy level and an average 6.9 year lease life. Valuation assumptions, such as discount rates and terminal value multiples, are determined by the relevant investment professionals and applied to the cash flows to determine the values.

Under the direct capitalization method, a capitalization rate is applied to estimated stabilized annual net operating income to determine value. Capitalization rates are determined by our investment professionals based on market data from comparable transactions and third-party reports.

As a result of the ongoing and developing COVID-19 pandemic and its resulting impact on the global economy, we believe that there is increased uncertainty to input factors on our fair value of investment properties, including capitalization rates and discount rates, due to a lack of market transactions since early March 2020. For the majority of our valuations as of March 31, 2020, we have made general assumptions to sensitize our cash flows based on our expected scenarios which are anticipated to occur over the near and mid-term period. We have assessed each of our asset classes to determine the level of impact on cash flows after taking into account upcoming quarter rent collection rates, renewal percentages, and the credit quality of our tenant base. It is likely that there will be further cash flow and valuation metric changes in future periods as new information related to the pandemic is understood, including the continued impact on our tenants as well as the evolution of government restrictions and travel limitations.

Hospitality properties

Our hospitality properties, including intangible assets, are carried at cost except for the property, plant and equipment which is re-valued annually, at December 31, using a depreciated replacement cost approach. Revaluation increases are generally recognized as revaluation surplus in the statement of comprehensive income, unless the increase reverses a previously recognized revaluation loss recorded through prior period net income. These assets are classified as property, plant and equipment and are depreciated each quarter during a calendar year.

The hospitality sector has had the most immediate and acute impact from COVID-19 as the majority of our hospitality investments were closed, and currently remain closed, either as a result of mandatory closure orders from various government authorities or due to severe travel restrictions. As a result of these closures, we have identified an impairment indicator and have performed an impairment test for each hospitality investment based on revised cash flows and valuation metrics. More information on the valuation and impairment of these assets is included in Note 5, *Property, Plant And Equipment*.

Valuation methodology

All of our valuations are subject to various layers of review and controls as part of our financial reporting processes. These controls are part of our system of internal control over financial reporting that is assessed by management on an annual basis. Under the discounted cash flow model, the base cash flows are determined as part of our annual business planning process, prepared within each operating business and reviewed by the senior management teams responsible for each segment, along with senior investment professionals responsible for the

relevant asset classes. Valuation assumptions such as discount rates and terminal capitalization rates are compared to market data, third party reports, research material and broker opinions as part of the review process. Due to uncertainty surrounding COVID-19, the volatility of current markets, pace and size of government policy responses and the lack of private market transactions, for the current period, the vast majority of discount rates and terminal cap rates are consistent with year-end rates. Management considered changes to risk-free borrowing rates as well as downward changes to property level cash flows built into the models which management believes at this time addresses future cash flow risks.

External valuations

We have a number of properties externally appraised each year to support our valuation process and for other business purposes. We compare the results of those external appraisals to our internally prepared values and reconcile significant differences when they arise. During the three months ended March 31, 2020, we obtained external appraisals of 26 of our properties representing a gross property value of \$14 billion (or 8% of the portfolio). These external appraisals were within less than 1% of management's valuations. Also, each year we sell a number of assets, which provides support for our valuations, as we typically contract at prices comparable to IFRS values. It is important to note that all of the appraisals performed during the current quarter were done prior to the declaration of the global pandemic. Management has since revisited these valuations to ensure that they appropriately reflect the impact of recent COVID-19 related events.

FINANCIAL STATEMENTS ANALYSIS

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

In this section, we review our financial position and consolidated performance as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019. Further details on our results from operations and our financial positions are contained within the “*Segment Performance*” section beginning on page 16.

The COVID-19 pandemic has spread globally, and actions taken in response to COVID-19 have interrupted business activities and supply chains; disrupted travel; contributed to significant volatility in the financial markets, resulting in a general decline in equity prices and lower interest rates; impacted social conditions; and adversely impacted local, regional, national and international economic conditions, as well as the labor markets. Accordingly, we caution you that our financial position and consolidated performance as of and for the periods presented below may not be indicative of our results in future periods as a result of the ongoing and developing COVID-19 pandemic and its resulting impact on the global economy.

The following acquisitions and dispositions affected our consolidated results for the three months ended March 31, 2020 and 2019:

In our Core Office segment:

- In the fourth quarter of 2019, we acquired an incremental 50% interest in One and Two London Wall Place in London for approximately £177 million (\$229 million) and as a result, gained control. These assets were previously accounted for under the equity method and are now consolidated.
- In the fourth quarter of 2019, we sold our interest in Jessie Street Centre in Sydney for approximately A\$412 million (\$282 million) and a realized gain of approximately A\$82 million (\$56 million).
- In the third quarter of 2019, we sold our interest in the Darling Park office complex in Sydney for approximately A\$638 million (\$438 million) and a realized gain of approximately A\$247 million (\$169 million). We sold 3 Spring Street in Sydney for approximately A\$173 million (\$119 million) and a realized gain of approximately A\$98 million (\$67 million).
- In the second quarter of 2019, we sold our interest in 2001 M Street in Washington, D.C. for approximately \$121 million and realized a gain of approximately \$32 million.

In our Core Retail segment:

- In the fourth quarter of 2019, we acquired our joint venture partner’s incremental interest in four properties including Park Meadows in Colorado, Towson Town Center in Maryland, Perimeter Mall in Georgia, and Shops at Merrick Park in Florida, bringing our ownership in each of the malls to 100%. Concurrently, we sold our interest in Bridgewater Commons in New Jersey to the joint venture partner. Prior to the acquisition of the four assets, our joint venture interest was accounted for under the equity method and is now consolidated.
- In the third quarter of 2019, we acquired an incremental 49.7% interest in 730 Fifth Avenue in New York for approximately \$779 million. Prior to the acquisition, our 50% joint venture interest was reflected as an equity accounted investment. As a result, we gained control of the investment and will consolidate its results.

In our LP Investments segment:

- In the first quarter of 2020, we sold an office asset in California in the Brookfield Strategic Real Estate Partners II (“BSREP II”) fund for approximately \$131 million and a realized gain of approximately \$58 million.
- In the fourth quarter of 2019, we sold five multifamily assets in the United States in the Brookfield Strategic Real Estate Partners I (“BSREP I”) fund for approximately \$1.1 billion and a realized gain of approximately \$203 million.
- In the third quarter of 2019, we sold a portfolio of triple-net lease assets in the U.S. in the BSREP I fund, for approximately \$585 million and a realized gain of approximately \$36 million.
- In the second quarter of 2019, we sold a portfolio of office assets in California in the BSREP I fund, for approximately \$270 million and a realized gain of approximately \$114 million.
- In the first quarter of 2019, BSREP III held its final close with total equity commitments of \$15 billion. Prior to final close, we had committed to 25%, or a controlling interest in the fund and as a result, had previously consolidated the investments made to date. Upon final close, on January 31, 2019, we reduced our commitment to \$1.0 billion, representing a 7% non-voting position. As a result, we lost control and deconsolidated our investment in the fund.

For the purposes of the following comparison discussion between the three months ended March 31, 2020 and 2019, the above transactions are referred to as the investment activities. In addition to the investment activities, we will use same-property NOI from our Core Office and Core Retail segments to evaluate our operating results.

Summary Operating Results

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|--------|
| | 2020 | 2019 |
| Net (loss) income | \$ (373) | \$ 713 |
| Net (loss) income attributable to Unitholders ⁽¹⁾ | (486) | 333 |
| NOI ⁽¹⁾ | 1,000 | 1,123 |
| FFO ⁽¹⁾ | 274 | 258 |
| Company FFO ⁽¹⁾ | 309 | 307 |

⁽¹⁾ This is a non-IFRS measure our partnership uses to assess the performance of its operations as described in the "Performance Measures" section on page 3. An analysis of the measures and reconciliation to IFRS measures is included in the "Reconciliation of Non-IFRS measures" section on page 13.

Net income for the three months ended March 31, 2020 decreased to \$(373) million from \$713 million for the same period in prior year. Net income per unit attributable to Unitholders for the three months ended March 31, 2020 was \$(0.49) compared with \$0.32 in the prior year. The decrease is primarily attributable to fair value losses in our Core Retail portfolio which reflects updated cash flow assumptions on a sensitized basis relating to COVID-19 and mark-to-market losses on derivatives.

FFO increased slightly to \$274 million during the three months ended March 31, 2020 compared with \$258 million during the same period in the prior year. The increase was driven by other investment income earned on the sale of two financial assets in Core Retail and lower interest expense due to impact of the historically low interest rates environment on our variable debt obligations. These increases were partially offset by lower NOI from our hospitality portfolio, due to COVID-19 related closures primarily at the Atlantis Paradise Island resort ("Atlantis") in the Bahamas, property dispositions since prior year and the negative impact of foreign currency translation.

The economic impact of COVID-19 did not materially impact our commercial property revenue earned in the quarter, however our hospitality assets did experience a significant slowing of operations in the month of March 2020 due to travel restrictions and stay-at-home orders as a direct result of COVID-19. While our commercial property revenues were not immediately impacted by the pandemic, near term cash flows have been impacted and future revenues and cash flows produced by these operating properties are more uncertain than normal as a result of the rapid impact to the global economy in response to measures put in place to control the pandemic. We have reflected in our operating results through fair value gains (losses) our estimate of near term disruptions to cash flows to reflect collections, lower vacancy and assumptions on new leasing.

Operating Results

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Commercial property revenue | \$ 1,404 | \$ 1,474 |
| Hospitality revenue | 366 | 491 |
| Investment and other revenue | 130 | 108 |
| Total revenue | 1,900 | 2,073 |
| Direct commercial property expense | 480 | 522 |
| Direct hospitality expense | 290 | 320 |
| Investment and other expense | 4 | 10 |
| Interest expense | 709 | 746 |
| Depreciation and amortization | 87 | 85 |
| General and administrative expense | 196 | 223 |
| Total expenses | 1,766 | 1,906 |
| Fair value gains (losses), net | (310) | 370 |
| Share of earnings from equity accounted investments | (36) | 264 |
| Income before taxes | (212) | 801 |
| Income tax expense (benefit) | 161 | 88 |
| Net (loss) income | \$ (373) | \$ 713 |
| Net income attributable to non-controlling interests of others in operating subsidiaries and properties | 113 | 380 |
| Net (loss) income attributable to Unitholders⁽¹⁾ | \$ (486) | \$ 333 |

⁽¹⁾ This is a non-IFRS measure our partnership uses to assess the performance of its operations as described in the "Performance Measures" section on page 3. An analysis of the measures and reconciliation to IFRS measures is included in the "Reconciliation of Non-IFRS measures" section on page 13.

Our basic and diluted net income attributable to Unitholders per unit and weighted average units outstanding are calculated as follows:

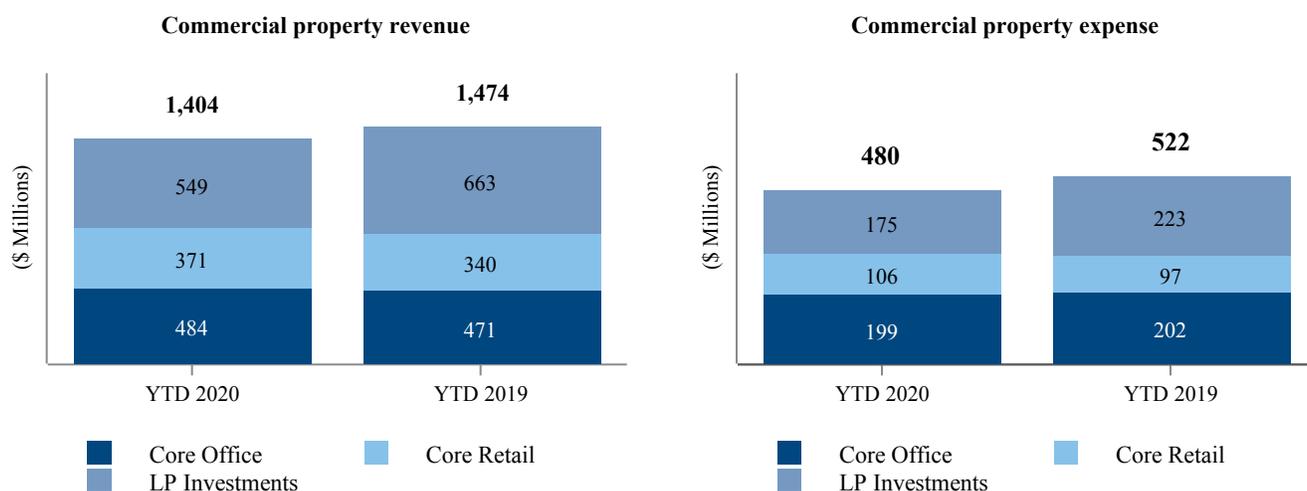
| (US\$ Millions, except per unit information) | Three months ended Mar. 31, | |
|--|-----------------------------|----------------|
| | 2020 | 2019 |
| Net (loss) income | \$ (373) | \$ 713 |
| Less: Non-controlling interests | 113 | 380 |
| Less: Preferred unit dividends | 9 | — |
| Net (loss) income attributable to Unitholders - basic ⁽¹⁾ | \$ (495) | \$ 333 |
| Dilutive effect of conversion of options ⁽²⁾ | — | 6 |
| Net (loss) income attributable to Unitholders - diluted | \$ (495) | \$ 339 |
| Weighted average number of units outstanding - basic ⁽¹⁾ | 1,013.5 | 1,040.8 |
| Conversion of options ⁽²⁾ | — | 20.8 |
| Weighted average number of units outstanding - diluted | 1,013.5 | 1,061.6 |
| Net (loss) income per unit attributable to Unitholders - basic⁽¹⁾⁽³⁾ | \$ (0.49) | \$ 0.32 |
| Net (loss) income per unit attributable to Unitholders - diluted⁽³⁾ | \$ (0.49) | \$ 0.32 |

⁽¹⁾ Basic net income attributable to Unitholders per unit requires the inclusion of preferred shares of the Operating Partnership that are mandatorily convertible into LP Units without an add back to earnings of the associated carry on the preferred shares.

⁽²⁾ The effect of the conversion of options is anti-dilutive for the three months ended March 31, 2020.

⁽³⁾ Net income attributable to Unitholders is a non-IFRS measure as described in the "Performance Measures" section on page 3.

Commercial property revenue and direct commercial property expense



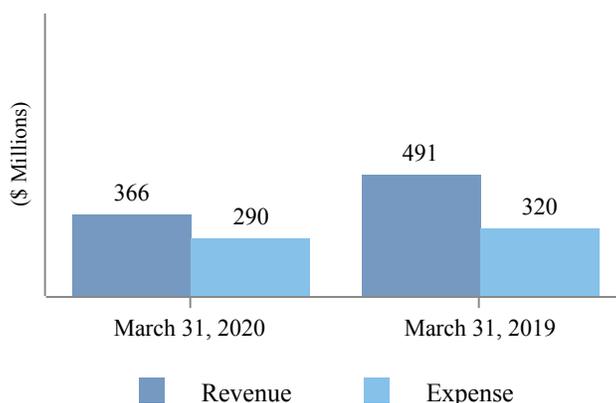
For the three months ended March 31, 2020, commercial property revenue decreased by \$70 million compared to the same period in the prior year due to the deconsolidation of BSREP III investments contributing nil in the current period compared to \$87 million in the prior period, property dispositions and the negative impact of foreign currency translation. These decreases were partially offset by investment activity, the substantial completion of 100 Bishopsgate in London and same-property growth in our Core Office segment. Our Core Office portfolio generated 3% same-property growth, largely driven by leasing activity in Toronto.

Direct commercial property expense decreased by \$42 million largely due to the deconsolidation of BSREP III investments and property dispositions since the prior period. Margins in 2020 were 65.8%, an increase of 1% over 2019.

Commercial property NOI decreased by \$28 million to \$924 million during the three months ended March 31, 2020, compared with \$952 million during the same period in the prior year. The decrease was primarily driven by the reasons as mentioned above.

Hospitality revenue and direct hospitality expense

Hospitality revenue and expense for the three months ended,



For the three months ended March 31, 2020, hospitality revenue decreased by \$125 million compared to the same period in the prior year. This decrease was due to closures and cancellations related to COVID-19 during the current period, primarily at the Atlantis, the deconsolidation of BSREP III investments contributing nil in the current period compared to \$36 million in the prior period and the negative impact of foreign currency translation.

Direct hospitality expense decreased to \$290 million for the three months ended March 31, 2020, compared to \$320 million in the same period in the prior year primarily due to the reasons mentioned above. Margins were 20.8% for the three months ended March 31, 2020, representing a decrease of 14.0%.

For the three months ended March 31, 2020, hospitality NOI decreased by \$95 million to \$76 million compared to \$171 million during the same period in the prior year. The decrease is due to the reasons mentioned above.

Investment and other revenue and investment and other expense

Investment and other revenue includes management fees, leasing fees, development fees, interest income and other non-rental revenue. Investment and other revenue increased by \$22 million for the three months ended March 31, 2020 compared to the same period in the prior year. The increase is primarily due to increased investment and other revenue from Core Retail relating to dividend income from financial assets.

Investment and other expense for the three months ended March 31, 2020 decreased by \$6 million to \$4 million compared to \$10 million during the same period in the prior year.

Interest expense

Interest expense decreased by \$37 million for the three months ended March 31, 2020 as compared to the same period in the prior year. This decrease is due to the historically low interest rate environment on our variable debt obligations, disposition activity and lower average revolving corporate debt balances. These decreases are partially offset by interest expense from property acquisitions and corporate bond issuances.

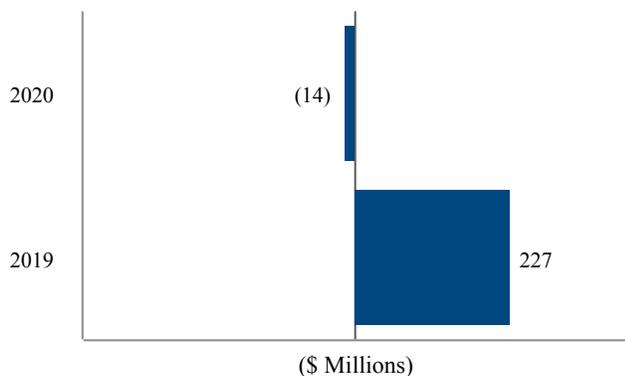
General and administrative expense

General and administrative expense decreased by \$27 million for the three months ended March 31, 2020 as compared to the same period in the prior year. These decreases were primarily attributable to lower transaction costs and management fees during the current period compared to prior year.

Fair value gains, net

Fair value gains, net includes valuation gains (losses) on commercial properties and developments as well as mark-to-market adjustments on financial instruments and derivatives and foreign currency gains (losses) on disposal of assets denominated in foreign currencies. While we measure and record our commercial properties and developments using valuations prepared by management in accordance with our policy, external appraisals and market comparables, when available, are used to support our valuations. For the current period, as a result of the recent outbreak of COVID-19, we believe that there is increased uncertainty to input factors on our fair value of investment properties, including capitalization rates and discount rates, due to a lack of market transactions since early March 2020. For the majority of our current period valuations, we have made general assumptions to sensitize our cash flows based on our expected scenarios which are anticipated to occur over the near- and mid-term period. We have assessed each of our asset classes to determine the level of impact on cash flows after taking into account upcoming quarter rent collection rates, renewal percentages, and the credit quality of our tenant base. It is likely that there will be further cash flow and valuation metric changes in future periods as new information related to the pandemic are understood, including the continued impact on our tenants as well as the evolution of government restrictions and travel limitations.

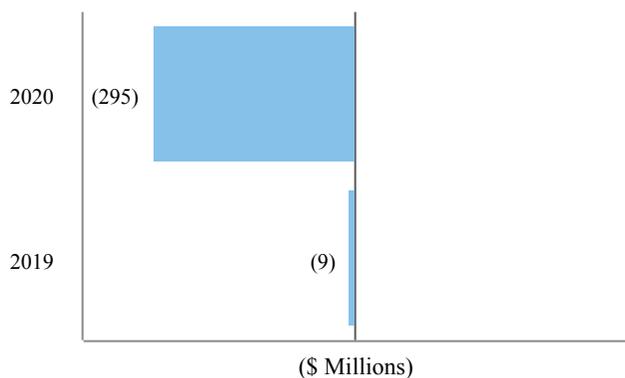
Fair value (losses) gains, net - Core Office



Fair value losses, net for our Core Office segment were \$14 million for the three months ended March 31, 2020. The current period was not materially impacted by COVID-19 as rent collections for the month of April are tracking near-normal and the long-term nature of our leases and credit quality of our tenants indicate the current assumptions in our cash flows are accurate based on known information. We will assess further the impact on cash flows as well as valuation inputs to our 10-year discounted cash flow models in the upcoming quarters as there is new information to consider.

Fair value gains, net for our Core Office segment of \$227 million for the three months ended March 31, 2019. These gains primarily related to our New York portfolio to reflect market conditions, 100 Bishopsgate in London as the development nears substantial completion and in our Australia portfolio driven by strong market demand, especially in Melbourne.

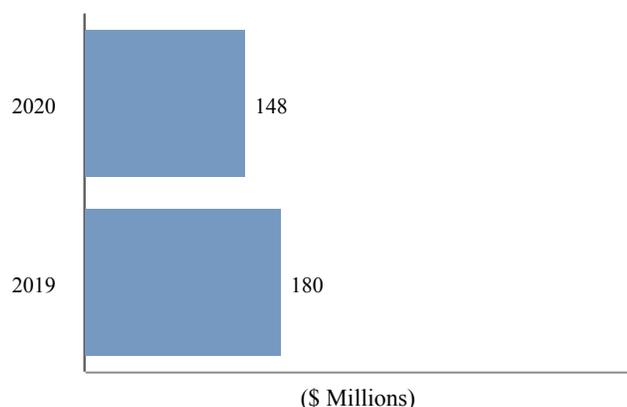
Fair values losses, net - Core Retail



Fair value losses, net for our Core Retail segment were \$295 million for the three months ended March 31, 2020. The fair value losses, net from the Core Retail portfolio reflects updated cash flow assumptions on a sensitized basis which assumes there is a percentage of rent that we will not collect over a period of time due to the pandemic and the resulting store closures. We have left valuation metrics consistent with prior period as we believe we have reflected sufficient cash flow risk in the downward adjustments to near-term cash flows whereby changes to discount rates are not required at this time.

Fair value losses, net for our Core Retail segment were \$9 million for the three months ended March 31, 2019.

Fair values gains, net - LP Investments



Fair value gains, net for our LP Investments segment for the three months ended March 31, 2020 were \$148 million primarily due to capitalization rate compression in South Korea and increased operating cash flows in certain office assets in India. Certain of our asset classes within our LP Investments were impacted more materially than others from the COVID-19 pandemic. We revisited cash flow assumptions for each of our assets and took into consideration the type of asset, the location, the credit-quality of our tenants, renewal rates, average lease term and restrictions that might be impacting our ability to collect rent. Based on this, we reflected some negative near-term cash flow assumptions into our valuation models. As of March 31, 2020, the most material adversely impacted investments include retail and certain of our office investments.

Fair value gains, net for our LP Investments segment for the three months ended March 31, 2019 were \$180 million primarily due to gains in our student housing portfolio which resulted from capitalization rate compression.

We undertook a process to assess the appropriateness of the discount and terminal capitalization rates considering changes to risk-free rates, changes to credit spreads as well as changes to property-level cash flows and any risk premium inherent in such cash flow changes. All of these considerations led us to conclude that the vast majority of discount rates and terminal cap rates for the current period should remain consistent with year-end rates. As we learn more about the mid- and longer-term impacts of the pandemic on our business we will update our valuation models accordingly.

Fair value sensitivity

The following table presents a sensitivity analysis to the impact of a 25 basis point (“bps”) increase of the discount rate and terminal capitalization or overall implied capitalization rate (“ICR”) on fair values of the partnership’s commercial properties for the three months ended March 31, 2020, for properties valued using the discounted cash flow or direct capitalization method, respectively:

| Mar. 31, 2020 | | | | | | | | | |
|-------------------------------------|-----------------------|-------------------------|----------------------|--------------------------------------|----------------------------|---------------------|----------------------|--|--|
| (US\$ Millions) | Commercial properties | Commercial developments | Discount rate (“DR”) | Terminal capitalization rate (“TCR”) | Investment horizon (years) | Impact of +25bps DR | Impact of +25bps TCR | Impact of +25bps DR and +25bps TCR or +25bps ICR | |
| Core Office | | | | | | | | | |
| United States | \$ 15,278 | \$ 601 | 7.0% | 5.6 % | 12 | \$ (339) | \$ (425) | \$ (764) | |
| Canada | 4,303 | 252 | 5.9% | 5.2 % | 10 | (84) | (124) | (208) | |
| Australia | 1,650 | 436 | 6.7% | 5.9 % | 10 | (36) | (58) | (94) | |
| Europe | 886 | 1,860 | 4.6% | 4.1 % | 11 | (55) | (102) | (157) | |
| Brazil | 278 | — | 7.9% | 7.4 % | 10 | (5) | (5) | (10) | |
| Core Retail | 21,352 | — | 6.8% | 5.4 % | 10 | (420) | (690) | (1,110) | |
| LP Investments | | | | | | | | | |
| LP Investments- Office | 7,757 | 660 | 9.9% | 7.3 % | 7 | (106) | (248) | (354) | |
| LP Investments- Retail | 2,944 | — | 8.7% | 7.0 % | 10 | (104) | (67) | (171) | |
| Mixed-use | 2,669 | — | 7.4% | 5.3 % | 10 | (50) | (75) | (125) | |
| Logistics ⁽¹⁾ | 82 | 42 | 5.8% | n/a | n/a | — | — | (3) | |
| Multifamily ⁽¹⁾ | 2,771 | — | 5.0% | n/a | n/a | — | — | (125) | |
| Triple Net Lease ⁽¹⁾ | 4,432 | — | 6.3% | n/a | n/a | — | — | (160) | |
| Self-storage ⁽¹⁾ | 995 | 18 | 5.6% | n/a | n/a | — | — | (40) | |
| Student Housing ⁽¹⁾ | 2,333 | 188 | 4.9% | n/a | n/a | — | — | (113) | |
| Manufactured Housing ⁽¹⁾ | 2,499 | — | 5.5% | n/a | n/a | — | — | (109) | |
| Investment property impact | \$ 70,229 | \$ 4,057 | | | | \$ (1,199) | \$ (1,794) | \$ (3,543) | |

⁽¹⁾ The valuation method used to value multifamily, triple net lease, self-storage, student housing, logistics and manufactured housing properties is the direct capitalization method. The rates presented as the discount rate relate to the overall implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable.

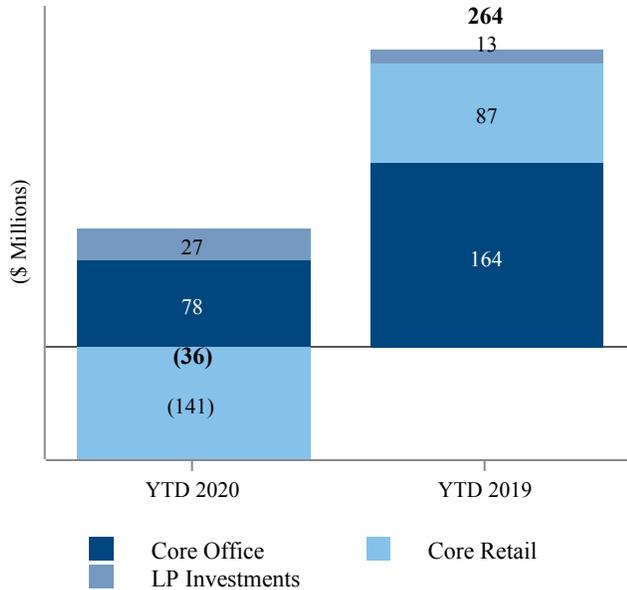
In addition, for the three months ended March 31, 2020, we recorded fair value losses, net of \$149 million (2019 - fair value losses, net of \$28 million), respectively, related to mark-to-market adjustments of financial instruments and the settlement of derivative contracts during the quarter primarily due to the decrease in market interest rates.

Share of net earnings from equity accounted investments

Our most significant equity accounted investments are:

- In Core Office - Canary Wharf and Manhattan West.
- In Core Retail - Ala Moana Center in Hawaii, Fashion Show in Las Vegas and Grand Canal Shoppes in Las Vegas.
- In LP Investments - our interest in the retail fund in Brazil.

Share of net (losses) earnings from equity accounted investments



Our share of net losses from equity accounted investments for the three months ended March 31, 2020 was \$36 million, which represents a decrease of \$300 million compared to the prior year, primarily due to Core Retail fair value losses which reflect updated cash flow assumptions on a sensitized basis that assumes there is a percentage of rent that we will not collect over a period of time due to the pandemic and the resulting store closures. We have left valuation metrics consistent with prior period as we believe we have reflected sufficient cash flow risk in the downward adjustments to near-term cash flows whereby changes to discount rates are not required at this time. Additionally, incremental acquisitions of interests in 2019 included One and Two London Wall Place in London in Core Office, and Park Meadows in Colorado, Towson Town Center in Maryland, Perimeter Mall in Georgia, Shops at Merrick Park in Florida and 730 Fifth in New York in Core Retail, contributed to the decrease in share of net earnings from equity accounted investments as the results for these properties are now consolidated in the current year.

Income tax expense

The increase in income tax expense for the three months ended March 31, 2020 compared to the prior year is primarily due to an increase of deferred tax liabilities relating to legislative changes.

Reconciliation of Non-IFRS measures

As described in the “Performance Measures” section on page 3, our partnership uses non-IFRS measures to assess the performance of its operations. An analysis of the measures and reconciliation to IFRS measures is included below.

The following table reconciles net income to NOI for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Commercial property revenue | \$ 1,404 | \$ 1,474 |
| Direct commercial property expense | (480) | (522) |
| Commercial property NOI | 924 | 952 |
| Hospitality revenue | 366 | 491 |
| Direct hospitality expense | (290) | (320) |
| Hospitality NOI | 76 | 171 |
| Total NOI | 1,000 | 1,123 |
| Investment and other revenue | 130 | 108 |
| Share of net earnings from equity accounted investments | (36) | 264 |
| Interest expense | (709) | (746) |
| Depreciation and amortization | (87) | (85) |
| General and administrative expense | (196) | (223) |
| Investment and other expense | (4) | (10) |
| Fair value gains (losses), net | (310) | 370 |
| (Loss) income before taxes | (212) | 801 |
| Income tax expense | (161) | (88) |
| Net (loss) income | \$ (373) | \$ 713 |
| Net income attributable to non-controlling interests | 113 | 380 |
| Net (loss) income attributable to Unitholders | \$ (486) | \$ 333 |

The following table reconciles net income to FFO and Company FFO for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| Net (loss) income | \$ (373) | \$ 713 |
| Add (deduct): | | |
| Fair value (gains) losses, net | 310 | (370) |
| Share of equity accounted fair value (gains) losses, net | 250 | (27) |
| Depreciation and amortization of real estate assets | 69 | 69 |
| Income tax expense (benefit) | 161 | 88 |
| Non-controlling interests in above items | (143) | (215) |
| FFO | \$ 274 | \$ 258 |
| Add (deduct): | | |
| Depreciation and amortization of non-real-estate assets, net ⁽¹⁾ | 11 | 11 |
| Transaction costs, net ⁽¹⁾ | 10 | 19 |
| (Gains)/losses associated with non-investment properties, net ⁽¹⁾ | 3 | (1) |
| Imputed interest ⁽²⁾ | 8 | 14 |
| BSREP III earnings ⁽³⁾ | 3 | 6 |
| Company FFO | \$ 309 | \$ 307 |

⁽¹⁾ Presented net of non-controlling interests.

⁽²⁾ Represents imputed interest associated with financing the partnership’s share of commercial developments accounted for under the equity method.

⁽³⁾ BSREP III is accounted for as a financial asset which results in FFO being recognized in line with distributions received. As such, the BSREP III earnings adjustment picks up our proportionate share of the Company FFO.

Statement of Financial Position Highlights and Key Metrics

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|------------------|------------------|
| Investment properties | | |
| Commercial properties | \$ 70,229 | \$ 71,565 |
| Commercial developments | 4,057 | 3,946 |
| Equity accounted investments | 20,082 | 20,764 |
| Property, plant and equipment | 6,973 | 7,278 |
| Cash and cash equivalents | 1,776 | 1,438 |
| Assets held for sale | 552 | 387 |
| Total assets | 110,061 | 111,643 |
| Debt obligations | 54,940 | 55,390 |
| Liabilities associated with assets held for sale | 194 | 140 |
| Total equity | 43,791 | 44,935 |
| Equity attributable to Unitholders⁽¹⁾ | \$ 27,096 | \$ 28,530 |
| Equity per unit⁽²⁾ | \$ 28.58 | \$ 29.72 |

⁽¹⁾ Equity attributable to Unitholders is a non-IFRS measure as described in the "Performance Measures" section on page 3.

⁽²⁾ Assumes conversion of mandatorily convertible preferred shares. See page 16 for additional information.

As of March 31, 2020, we had \$110,061 million in total assets, compared with \$111,643 million at December 31, 2019. This \$1,582 million decrease was primarily due to valuation losses on our retail portfolios and impairment losses on hospitality portfolio and the negative impact of foreign currency translation due to the strength of the U.S. Dollar across all our major foreign currencies during the period.

Commercial properties are commercial, operating, rent-producing properties. Commercial properties decreased from \$71,565 million at the end of 2019 to \$70,229 million at March 31, 2020. The decrease was largely due to the negative impact of foreign currency translation due to the strength of the U.S. Dollar across all our major foreign currencies during the period based on closing spot rates. Additionally, we had valuation losses in our retail portfolio due to updated near-term cash flows assumptions relating to COVID-19. These decreases were partially offset by both the incremental capital spent to maintain or enhance properties and valuation gains within our Core Office and LP Investments portfolios.

Commercial developments consist of commercial property development sites, density rights and related infrastructure. The total fair value of development land and infrastructure was \$4,057 million at March 31, 2020, an increase of \$111 million from the balance at December 31, 2019. The increase is primarily due to incremental capital spend on our active developments partially offset by foreign currency translation and the completion of an office development in India.

The following table presents the changes in investment properties from December 31, 2019 to March 31, 2020:

| (US\$ Millions) | Mar. 31, 2020 | |
|--|-----------------------|-------------------------|
| | Commercial properties | Commercial developments |
| Investment properties, beginning of period | \$ 71,565 | \$ 3,946 |
| Acquisitions | 38 | 92 |
| Capital expenditures | 283 | 278 |
| Dispositions ⁽¹⁾ | (25) | (21) |
| Fair value gains, net | (89) | 88 |
| Foreign currency translation | (1,560) | (235) |
| Transfer between commercial properties and commercial developments | 91 | (91) |
| Reclassifications to assets held for sale and other changes | (74) | — |
| Investment properties, end of period | \$ 70,229 | \$ 4,057 |

⁽¹⁾ Property dispositions represent the carrying value on date of sale.

Equity accounted investments decreased by \$682 million since December 31, 2019 primarily as a result of the negative impact of foreign currency translation due to the strength of the U.S. Dollar across all our major foreign currencies during the period and valuation losses within our Core Retail portfolio relating to COVID-19.

The following table presents a roll-forward of changes in our equity accounted investments:

| (US\$ Millions) | Mar. 31, 2020 |
|---|----------------------|
| Equity accounted investments, beginning of period | \$ 20,764 |
| Additions | 89 |
| Disposals and return of capital distributions | (54) |
| Share of net earnings from equity accounted investments | (36) |
| Distributions received | (105) |
| Foreign currency translation | (447) |
| Reclassification to assets held for sale | (7) |
| Other comprehensive income and other | (122) |
| Equity accounted investments, end of period | \$ 20,082 |

Property, plant and equipment decreased by \$305 million since December 31, 2019, primarily due to the negative impact of foreign currency translation, depreciation during the period and provisions for impairment for some hospitality assets relating to COVID-19. These decreases were offset by capital spend during the current year.

As of March 31, 2020, assets held for sale primarily included our equity accounted investment in the Diplomat Resort and Spa (“Diplomat”) in Florida, seven multifamily assets, four triple net lease assets and two office assets in our LP Investments segment, as we intend to sell controlling interests in these properties to third parties in the next 12 months market conditions permitting.

The following table presents changes in our assets held for sale from December 31, 2019 to March 31, 2020:

| (US\$ Millions) | Mar. 31, 2020 |
|--|----------------------|
| Balance, beginning of period | \$ 387 |
| Reclassification to/(from) assets held for sale, net | 311 |
| Disposals | (155) |
| Fair value adjustments | (1) |
| Other | 10 |
| Balance, end of period | \$ 552 |

Our debt obligations decreased to \$54,940 million at March 31, 2020 from \$55,390 million at December 31, 2019. Contributing to this decrease was the paydown of the partnership’s credit facilities and the negative impact of foreign currency translation. These decreases were partially offset by the addition of property-specific borrowings and senior secured notes during the period.

The following table presents additional information on our partnership’s outstanding debt obligations:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|-------------------------------|----------------------|------------------|
| Corporate borrowings | \$ 2,113 | \$ 1,902 |
| Funds subscription facilities | 35 | 57 |
| Non-recourse borrowings | | |
| Property-specific borrowings | 46,739 | 47,465 |
| Subsidiary borrowings | 6,053 | 5,966 |
| Total debt obligations | \$ 54,940 | \$ 55,390 |
| Current | 9,185 | 8,825 |
| Non-current | 45,755 | 46,565 |
| Total debt obligations | \$ 54,940 | \$ 55,390 |

The following table presents the components used to calculate equity attributable to Unitholders per unit:

| (US\$ Millions, except unit information) | Mar. 31, 2020 | Dec. 31, 2019 |
|--|----------------------|----------------------|
| Total equity | \$ 43,791 | \$ 44,935 |
| Less: | | |
| Interests of others in operating subsidiaries and properties | 15,996 | 15,985 |
| Preferred equity | 699 | 420 |
| Equity attributable to Unitholders | 27,096 | 28,530 |
| Mandatorily convertible preferred shares | 1,656 | 1,650 |
| Total equity attributable to Unitholders | 28,752 | 30,180 |
| Partnership units | 935,993,479 | 945,413,656 |
| Mandatorily convertible preferred shares | 70,051,024 | 70,051,024 |
| Total partnership units | 1,006,044,503 | 1,015,464,680 |
| Total equity attributable to Unitholders per unit | \$ 28.58 | \$ 29.72 |

Equity attributable to Unitholders was \$27,096 million at March 31, 2020, a decrease of \$1,434 million from the balance at December 31, 2019. The decrease was primarily due to the negative impact of foreign currency translation and net loss during the period. Assuming the conversion of mandatorily convertible preferred shares, equity attributable to Unitholders decreased to \$28.58 per unit at March 31, 2020 from \$29.72 per unit at December 31, 2019.

Interests of others in operating subsidiaries and properties was \$15,996 million at March 31, 2020, an increase of \$11 million from the balance of \$15,985 million at December 31, 2019.

| (US\$ Millions, except per unit information) | 2020 | 2019 | | | | 2018 | | |
|---|----------|---------|---------|---------|---------|---------|---------|---------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Revenue | \$1,900 | \$2,087 | \$2,017 | \$2,026 | \$2,073 | \$2,140 | \$1,828 | \$1,651 |
| Direct operating costs ⁽¹⁾ | 770 | 783 | 776 | 785 | 842 | 837 | 793 | 716 |
| Net (loss) income | (373) | 1,551 | 870 | 23 | 713 | 858 | 722 | 1,051 |
| Net (loss) income attributable to Unitholders | (486) | 1,022 | 474 | 127 | 333 | 534 | 380 | 534 |
| Net (loss) income per share attributable to Unitholders - basic | \$(0.49) | \$ 1.00 | \$ 0.46 | \$ 0.12 | \$ 0.32 | \$ 0.51 | \$ 0.44 | \$ 0.69 |
| Net (loss) income per share attributable to Unitholders - diluted | \$(0.49) | \$ 1.00 | \$ 0.46 | \$ 0.12 | \$ 0.32 | \$ 0.51 | \$ 0.43 | \$ 0.68 |

⁽¹⁾ We adopted IFRS 16 in 2019 using the modified retrospective method. The comparative information for periods prior to 2019 has not been restated and is reported under the accounting standards effective for those periods.

Revenue varies from quarter to quarter due to acquisitions and dispositions of commercial and other income producing assets, changes in occupancy levels, as well as the impact of leasing activity at market net rents. In addition, revenue also fluctuates as a result of changes in foreign exchange rates and seasonality. Seasonality primarily affects our retail assets, wherein the fourth quarter exhibits stronger performance in conjunction with the holiday season. In addition, our North American hospitality assets generally have stronger performance in the winter and spring months compared to the summer and fall months, while our European hospitality assets exhibit the strongest performance during the summer months. Fluctuations in our net income is also impacted by the fair value of properties in the period to reflect changes in valuation metrics driven by market conditions or property cash flows.

SEGMENT PERFORMANCE

Our operations are organized into four operating segments which include Core Office, Core Retail, LP Investments and Corporate.

The following table presents FFO by segment:

| (US\$ Millions) | Three months ended Mar. 31, | |
|-----------------|-----------------------------|---------------|
| | 2020 | 2019 |
| Core Office | \$ 121 | \$ 124 |
| Core Retail | 188 | 167 |
| LP Investments | 49 | 75 |
| Corporate | (84) | (108) |
| FFO | \$ 274 | \$ 258 |

The following table presents equity attributable to Unitholders by segment as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|-----------------|------------------|------------------|
| Core Office | \$ 13,651 | \$ 14,240 |
| Core Retail | 13,839 | 14,138 |
| LP Investments | 5,047 | 5,126 |
| Corporate | (5,441) | (4,974) |
| Total | \$ 27,096 | \$ 28,530 |

Core Office

Overview

Our Core Office portfolio consists of interests in 136 high-quality office properties totaling over 93 million square feet, which are located primarily in the world's leading commercial markets such as New York, London, Los Angeles, Washington, D.C., Sydney, Toronto, and Berlin, as well as approximately 12 million square feet of active office and multifamily developments and office redevelopments. We believe these assets have a stable cash flow profile due to long-term leases in place. The drivers of earnings growth in this business include the mark-to-market of rents upon lease expiry, escalation provisions in leases and projected increases in occupancy, that are expected to generate strong same-property NOI growth without significant capital investment. Furthermore, we expect to earn higher unlevered, pre-tax returns on construction costs from our development pipeline. However, we caution you that as a result of the COVID-19 pandemic and its impact on the global economy, we may be unable to achieve these returns in the near term.

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our Core Office segment for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|--------|
| | 2020 | 2019 |
| FFO | \$ 121 | \$ 124 |
| Net income attributable to Unitholders | 66 | 350 |

FFO from our Core Office segment was \$121 million for the three months ended March 31, 2020 as compared to \$124 million in the same period in the prior year. This decrease is largely attributable to dispositions as mentioned in property transactions and the negative impact of foreign currency translation. These decreases are partially offset by NOI from the substantially completed 100 Bishopsgate in London, same-property growth, property transactions as well as higher development management and joint venture partner fees as development activity has increased and we have sold interests in assets to a number of joint venture partners.

Net income attributable to Unitholders decreased by \$284 million to \$66 million during the three months ended March 31, 2020 as compared to \$350 million during the same period in 2019. The decrease is largely attributable to dispositions, the negative impact of foreign currency translation and mark-to-market adjustments of financial instruments. These decreases were partially offset by fair value gains on our development in Toronto.

Leasing Activity

The following table presents key operating metrics for our Core Office portfolio as at and for the three months ended March 31, 2020 and 2019:

| (US\$ Millions, except where noted) | Consolidated | | Unconsolidated | |
|--|---------------|---------------|----------------|---------------|
| | Mar. 31, 2020 | Mar. 31, 2019 | Mar. 31, 2020 | Mar. 31, 2019 |
| Total portfolio: | | | | |
| NOI ⁽¹⁾ | \$ 287 | \$ 269 | \$ 93 | \$ 102 |
| Number of properties | 72 | 71 | 64 | 72 |
| Leasable square feet (in thousands) | 47,643 | 47,511 | 27,750 | 30,489 |
| Occupancy | 91.1% | 92.4% | 95.1% | 94.6% |
| In-place net rents (per square foot) ⁽²⁾⁽³⁾ | \$ 29.48 | \$ 29.43 | \$ 43.27 | \$ 45.39 |
| Same-property: | | | | |
| NOI ^(1,3) | \$ 267 | \$ 260 | \$ 95 | \$ 91 |
| Number of properties | 69 | 69 | 60 | 60 |
| Leasable square feet (in thousands) | 47,148 | 47,148 | 26,272 | 26,541 |
| Occupancy | 91.0% | 92.5% | 95.4% | 94.6% |
| In-place net rents (per square foot) ⁽²⁾⁽³⁾ | \$ 28.68 | \$ 28.04 | \$ 43.96 | \$ 43.05 |

⁽¹⁾ NOI for unconsolidated properties is presented on a proportionate basis, representing the Unitholders' interest in the property. See "Reconciliation of Non-IFRS Measures - Core Office" below for a description of the key components of NOI in our Core Office segment.

⁽²⁾ Annualized cash rent from leases on a per square foot basis including tenant expense reimbursements, less operating expenses incurred for that space, but excluding the impact of straight-line rent or amortization of free rent periods.

⁽³⁾ Presented using normalized foreign exchange rates, using the March 31, 2020 exchange rate.

NOI from our consolidated properties increased to \$287 million during the three months ended March 31, 2020 from \$269 million in the same quarter in 2019. The increase was primarily due to incremental NOI in London from 100 Bishopsgate, which was substantially complete in 2019 and One and Two London Wall Place, which is now consolidated following the incremental interests acquired in 2019. Same-property NOI for our consolidated properties for the three months ended March 31, 2020 compared with the same period in the prior year increased by \$7 million to \$267 million. This increase was primarily the result of higher in-place net rents and lease commencements primarily in Toronto partially offset by dispositions and the negative impact of foreign currency translation.

NOI from our unconsolidated properties, which is presented on a proportionate basis, decreased by \$9 million to \$93 million during the three months ended March 31, 2020, compared to \$102 million during the period in the prior year. This decrease is primarily due to One and Two London Wall Place being consolidated as mentioned above, dispositions since the prior year and the negative impact of foreign currency translation. These decreases were partially offset by slightly higher same-property NOI.

The following table presents certain key operating metrics related to leasing activity in our Core Office segment for the three months ended March 31, 2020 and 2019:

| (US\$, except where noted) | Total portfolio | |
|---|-----------------|---------------|
| | Mar. 31, 2020 | Mar. 31, 2019 |
| Leasing activity (square feet in thousands) | | |
| New leases | 770 | 631 |
| Renewal leases | 1,226 | 792 |
| Total leasing activity | 1,996 | 1,423 |
| Average term (in years) | 8.5 | 8.3 |
| Year one leasing net rents (per square foot) ⁽¹⁾ | \$ 31.42 | \$ 36.41 |
| Average leasing net rents (per square foot) ⁽¹⁾ | 32.29 | 40.10 |
| Expiring net rents (per square foot) ⁽¹⁾ | 27.90 | 34.59 |
| Estimated market net rents for similar space (per square foot) ⁽¹⁾ | 38.62 | 37.67 |
| Tenant improvement and leasing costs (per square foot) | 28.28 | 73.62 |

⁽¹⁾ Presented using normalized foreign exchange rates, using the March 31, 2020 exchange rate.

For the three months ended March 31, 2020, we leased approximately 2.0 million square feet at average in-place net rents of \$32.29 per square foot. Approximately 39% of our leasing activity represented new leases. Our overall Core Office portfolio's in-place net rents are currently 7% below market net rents as at March 31, 2020. For the three months ended March 31, 2020, tenant improvements and leasing costs related to leasing activity were \$28.28 per square foot, compared to \$73.62 per square foot in the prior year.

We calculate net rent as the annualized amount of cash rent receivable from leases on a per square foot basis, including tenant expense reimbursements, less operating expenses being incurred for that space, excluding the impact of straight-lining rent escalations or amortization of free rent periods. This measure represents the amount of cash, on a per square foot basis, generated from leases in a given period.

Valuation Metrics

The key valuation metrics for commercial properties in our Core Office segment on a weighted-average basis are as follows:

| | Mar. 31, 2020 | | | Dec. 31, 2019 | | |
|----------------------------------|---------------|------------------------------|--------------------|---------------|------------------------------|--------------------|
| | Discount rate | Terminal capitalization rate | Investment horizon | Discount rate | Terminal capitalization rate | Investment horizon |
| Consolidated properties | | | | | | |
| United States | 7.0 % | 5.6 % | 12 | 7.0 % | 5.6 % | 12 |
| Canada | 5.9 % | 5.2 % | 10 | 5.9 % | 5.2 % | 10 |
| Australia | 6.7 % | 5.9 % | 10 | 6.8 % | 5.9 % | 10 |
| Europe | 4.6 % | 4.1 % | 11 | 4.6 % | 4.1 % | 11 |
| Brazil | 7.9 % | 7.4 % | 10 | 7.9 % | 7.4 % | 10 |
| Unconsolidated properties | | | | | | |
| United States | 6.8 % | 4.9 % | 11 | 6.8 % | 4.9 % | 11 |
| Australia | 7.1 % | 6.3 % | 10 | 6.5 % | 5.2 % | 10 |
| Europe ⁽¹⁾ | 4.8 % | 5.0 % | 10 | 4.6 % | 5.0 % | 10 |

⁽¹⁾ Certain properties in Europe accounted for under the equity method are valued using both discounted cash flow and yield models. For comparative purposes, the discount and terminal capitalization rates and investment horizon calculated under the discounted cash flow method are presented in the table above.

Financial Position

The following table provides an overview of the financial position of our Core Office segment as at March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|--|------------------|------------------|
| Investment properties | | |
| Commercial properties | \$ 22,395 | \$ 23,025 |
| Commercial developments | 3,149 | 3,058 |
| Equity accounted investments | 8,531 | 8,882 |
| Accounts receivable and other | 1,123 | 1,186 |
| Cash and cash equivalents | 680 | 607 |
| Total assets | \$ 35,878 | \$ 36,758 |
| Debt obligations | 13,525 | 13,856 |
| Capital securities | 956 | 922 |
| Accounts payable and other liabilities | 1,845 | 1,801 |
| Deferred tax liability | 973 | 1,013 |
| Non-controlling interests of others in operating subsidiaries and properties | 4,928 | 4,926 |
| Equity attributable to Unitholders | \$ 13,651 | \$ 14,240 |

Equity attributable to Unitholders decreased by \$589 million to \$13,651 million at March 31, 2020 from \$14,240 million at December 31, 2019. The decrease relates to negative impact of foreign currency translation offset by net income earned.

Commercial properties totaled \$22,395 million at March 31, 2020, compared to \$23,025 million at December 31, 2019. The decrease was driven primarily by the negative impact of foreign currency translation based on spot rates partially offset by incremental capital spent to maintain or enhance properties.

Commercial developments increased by \$91 million from December 31, 2019 to March 31, 2020. The increase was primarily due to incremental capital spend on our active developments and a gain recognized at Bay Adelaide North in Toronto.

The following table presents changes in our partnership's equity accounted investments in the Core Office segment from December 31, 2019 to March 31, 2020:

| (US\$ Millions) | Mar. 31, 2020 |
|--|-----------------|
| Equity accounted investments, beginning of period | \$ 8,882 |
| Additions | 50 |
| Share of net income, including fair value gains | 78 |
| Distributions received | (63) |
| Foreign currency translation | (345) |
| Other comprehensive income and Other | (71) |
| Equity accounted investments, end of period | \$ 8,531 |

Equity accounted investments decreased by \$351 million since December 31, 2019 to \$8,531 million at March 31, 2020. The decrease was driven by the negative impact of foreign currency translation partially offset by our share of income and contributions to our development assets held in joint ventures.

Debt obligations decreased from \$13,856 million at December 31, 2019 to \$13,525 million at March 31, 2020. This decrease is the result of the negative impact of foreign currency translation partially offset by refinancing activity of property-level debt related to office properties and drawdowns on existing facilities to fund capital expenditures on development properties.

The following table provides additional information on our outstanding capital securities – Core Office:

| (US\$ Millions) | Shares outstanding | Cumulative dividend rate | Mar. 31, 2020 | Dec. 31, 2019 |
|---|--------------------|--------------------------|---------------|---------------|
| Brookfield Office Properties Inc. (“BPO”) Class B Preferred Shares: | | | | |
| Series 1 ⁽¹⁾ | 3,600,000 | 70% of bank prime | — | — |
| Series 2 ⁽¹⁾ | 3,000,000 | 70% of bank prime | — | — |
| Capital Securities – Fund Subsidiaries | | | 956 | 922 |
| Total capital securities | | | \$ 956 | \$ 922 |

⁽¹⁾ BPO Class B Preferred Shares, Series 1 and 2 capital securities are owned by Brookfield Asset Management. BPO has an offsetting loan receivable against these securities earning interest at 95% of bank prime.

We had \$956 million of capital securities – fund subsidiaries outstanding at March 31, 2020 as compared to \$922 million at December 31, 2019. Capital securities – fund subsidiaries includes \$894 million (December 31, 2019 - \$859 million) of equity interests in Brookfield DTLA Holdings LLC (“DTLA”) held by co-investors in the fund, which have been classified as a liability, rather than as non-controlling interest, as holders of these interests can cause DTLA to redeem their interests in the fund for cash equivalent to the fair value of the interests on October 15, 2023, and on every fifth anniversary thereafter. In addition, capital securities – fund subsidiaries also includes \$62 million at March 31, 2020 (December 31, 2019 - \$62 million) which represents the equity interests held by the partnership’s co-investor in Brookfield D.C. Office Partners LLC (“D.C. Fund”), which have been classified as a liability, rather than as non-controlling interest, due to the fact that on June 18, 2023, and on every second anniversary thereafter, the holders of these interests can redeem their interests in the D.C. Fund for cash equivalent to the fair value of the interests.

Active Developments

The following table summarizes the scope and progress of active developments in our Core Office segment as of March 31, 2020:

| (Millions, except square feet in thousands) | Total square feet under construction (in 000’s) | Proportionate square feet under construction (in 000’s) | Expected date of accounting stabilization | Percent pre-leased | Cost | | Loan | |
|--|---|---|---|--------------------|----------------------|-----------|---------|---------|
| | | | | | Total ⁽¹⁾ | To-date | Total | Drawn |
| Office: | | | | | | | | |
| 100 Bishopsgate, London | 938 | 938 | Q4 2020 | 87 % | £ 845 | £ 792 | £ 491 | £ 491 |
| One Manhattan West, Midtown New York ⁽²⁾ | 2,081 | 853 | Q4 2020 | 94 % | \$ 795 | \$ 697 | \$ 554 | \$ 455 |
| Manhattan West Retail, Midtown New York ⁽²⁾ | 70 | 39 | Q1 2021 | 50 % | \$ 117 | \$ 84 | \$ 64 | \$ 12 |
| Wood Wharf, Office, London ⁽²⁾ | 423 | 211 | Q1 2022 | 44 % | £ 125 | £ 48 | £ 93 | £ 11 |
| ICD Brookfield Place, Dubai ⁽²⁾ | 1,091 | 545 | Q1 2022 | 23 % | AED 1,487 | AED 1,344 | AED 908 | AED 823 |
| Bay Adelaide North, Toronto | 820 | 820 | Q3 2023 | 86 % | C\$ 498 | C\$ 149 | C\$ 350 | C\$ — |
| Two Manhattan West, Midtown New York ⁽²⁾ | 1,955 | 1,095 | Q4 2023 | 25 % | \$ 1,329 | \$ 418 | \$ 812 | \$ 184 |
| Office Redevelopment: | | | | | | | | |
| 388 George Street, Sydney | 441 | 221 | Q3 2021 | 53 % | A\$ 185 | A\$ 88 | A\$ 167 | A\$ 67 |
| 1100 Avenue of the Americas, Midtown New York | 376 | 136 | Q2 2022 | 95 % | \$ 113 | \$ 45 | \$ — | \$ — |
| Multifamily: | | | | | | | | |
| Wood Wharf - 10 Park Drive, London ⁽²⁾⁽³⁾ | 269 | 135 | Q4 2020 | n/a | £ 102 | £ 95 | £ 80 | £ 58 |
| Southbank Place ⁽²⁾⁽³⁾ | 541 | 135 | Q4 2020 | n/a | £ 168 | £ 152 | £ 95 | £ 80 |
| Two Blue Slip, New York ⁽²⁾ | 348 | 331 | Q1 2021 | n/a | \$ 347 | \$ 292 | \$ 206 | \$ 120 |
| Newfoundland, London ⁽²⁾ | 545 | 273 | Q3 2021 | n/a | £ 249 | £ 242 | £ 174 | £ 130 |
| Wood Wharf - One Park Drive, London ⁽²⁾⁽³⁾ | 430 | 215 | Q3 2021 | n/a | £ 221 | £ 181 | £ 135 | £ 32 |
| Wood Wharf - 8 Water Street, London ⁽²⁾ | 131 | 66 | Q4 2021 | n/a | £ 46 | £ 38 | £ 30 | £ 17 |
| Halley Rise, Phase I, Washington D.C. ⁽⁴⁾ | 359 | 359 | Q1 2023 | n/a | \$ 157 | \$ 38 | \$ — | \$ — |
| 755 Figueroa, Los Angeles ⁽²⁾ | 791 | 374 | Q2 2024 | n/a | \$ 257 | \$ 39 | \$ 166 | \$ 5 |
| Hotel: | | | | | | | | |
| Pendry Manhattan West, Midtown New York ⁽²⁾ | 184 | 103 | Q2 2023 | — % | \$ 157 | \$ 89 | \$ 62 | \$ 16 |
| Total | 11,793 | 6,849 | | | | | | |

⁽¹⁾ Net of NOI earned during stabilization.

⁽²⁾ Presented on a proportionate basis at our ownership interest in each of these developments.

⁽³⁾ Represents condominium/market sale developments.

⁽⁴⁾ Includes retail square feet that is 94% leased to Wegmans Food Market and other retailers.

Our development pipeline consists of prominent, large-scale projects located primarily in the high growth markets of London and New York. For the office developments, we generally look to secure anchor leases before launching the projects. We monitor the scope and progress of our active developments and have an established track record of completion on time and within budget. We have recently completed office towers in the prime markets of New York, Toronto and London and completed two urban multifamily developments in New York. Our current office and redevelopment projects stand at an average 61% pre-leased and prior to COVID-19 were generally tracking on time and budget. The impact of the pandemic and associated restrictions that have been put in place by local governments may cause delays in construction and may impact our ability to progress pre-leasing efforts.

Reconciliation of Non-IFRS Measures – Core Office

The key components of NOI in our Core Office segment are presented below:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Commercial property revenue | \$ 484 | \$ 471 |
| Hospitality revenue ⁽¹⁾ | 7 | 2 |
| Direct commercial property expense | (199) | (202) |
| Direct hospitality expense ⁽¹⁾ | (5) | (2) |
| Total NOI | \$ 287 | \$ 269 |

⁽¹⁾ Hospitality revenue and direct hospitality expense within our Core Office segment primarily consists of revenue and expenses incurred at a hotel adjacent to the Allen Center in Houston.

The following table reconciles Core Office NOI to net income for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Same-property NOI | \$ 267 | \$ 260 |
| Currency variance | — | 4 |
| NOI related to acquisitions and dispositions | 20 | 5 |
| Total NOI | 287 | 269 |
| Investment and other revenue | 39 | 40 |
| Interest expense | (156) | (148) |
| Depreciation and amortization on real estate assets | (3) | (4) |
| Investment and other expense | (4) | — |
| General and administrative expense | (65) | (52) |
| Fair value (losses) gains, net | (14) | 227 |
| Share of net earnings from equity accounted investments | 78 | 164 |
| Income before taxes | 162 | 496 |
| Income tax (expense) | (22) | (42) |
| Net income | 140 | 454 |
| Net income attributable to non-controlling interests | 74 | 104 |
| Net income attributable to Unitholders | \$ 66 | \$ 350 |

The following table reconciles Core Office net income to FFO for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| Net income | \$ 140 | \$ 454 |
| Add (deduct): | | |
| Fair value losses (gains), net | 14 | (227) |
| Share of equity accounted fair value losses (gains), net | (12) | (102) |
| Depreciation and amortization of real estate assets | 1 | 1 |
| Income tax expense | 22 | 42 |
| Non-controlling interests in above items | (44) | (44) |
| FFO | \$ 121 | \$ 124 |

The following table reconciles Core Office share of net earnings from equity accounted investments for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|--------|
| | 2020 | 2019 |
| Unconsolidated properties NOI | \$ 93 | \$ 102 |
| Unconsolidated properties fair value gains, net | 12 | 102 |
| Other expenses | (27) | (40) |
| Share of net earnings from equity accounted investments | \$ 78 | \$ 164 |

Core Retail

Overview

Our Core Retail segment consists of 122 best-in-class retail properties containing approximately 120 million square feet in the United States. These assets have a stable cash flow profile due to long-term leases in place. The drivers of these targets in the business include the mark-to-market of rents upon lease expiry, escalation provisions in leases and operating expense monitoring that are expected to generate same-property NOI growth. Furthermore, we expect to earn higher unlevered, pre-tax returns on construction costs from our redevelopment pipeline, which will also drive NOI growth. NOI growth has been partially offset by the impact of tenant bankruptcies over the last 12 to 18 months of which approximately 60% of that space is already re-occupied by new tenants, and we expect to lease more by year-end. However, we caution you that as a result of the COVID-19 pandemic and its impact on the global economy, we may be unable to achieve earnings growth in the near term.

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our Core Retail segment for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|--------|
| | 2020 | 2019 |
| FFO | \$ 188 | \$ 167 |
| Net (loss) income attributable to Unitholders | (298) | 105 |

For the three months ended March 31, 2020, FFO earned in our Core Retail segment was \$188 million compared to \$167 million for the same period in the prior year. FFO increased due to the incremental acquisitions of interests in 2019 of Park Meadows in Colorado, Towson Town Center in Maryland, Perimeter Mall in Georgia, Shops at Merrick Park in Florida and 730 Fifth in New York as the results for these properties are now consolidated in the current year.

Net income attributable to Unitholders decreased by \$403 million to \$(298) million for the three months ended March 31, 2020 as compared to \$105 million during the same period in the prior year. The decrease in net income attributable to Unitholders is primarily attributable to valuation losses in our Core Retail portfolio that reflects updated cash flow assumptions on a sensitized basis which assumes there is a percentage of rent that we will not collect over a period of time due to the pandemic and the resulting store closures. We have left valuation metrics consistent with prior period as we believe we have reflected sufficient cash flow risk in the downward adjustments to near-term cash flows whereby changes to discount rates are not required at this time.

Leasing Activity

The following table presents key operating metrics in our Core Retail portfolio as at and for the three months ended March 31, 2020 and 2019:

| (US\$ Millions, except where noted) | Consolidated | | Unconsolidated | |
|--|---------------|---------------|----------------|---------------|
| | Mar. 31, 2020 | Mar. 31, 2019 | Mar. 31, 2020 | Mar. 31, 2019 |
| Total portfolio: | | | | |
| NOI | \$ 265 | \$ 243 | \$ 205 | \$ 235 |
| Number of malls and urban retail properties | 62 | 57 | 60 | 66 |
| Leasable square feet (in thousands) | 54,764 | 50,153 | 65,176 | 71,075 |
| Same-property: | | | | |
| Number of malls and urban retail properties | 57 | 57 | 59 | 59 |
| Leasable square feet- mall and freestanding (in thousands) | 23,162 | 23,163 | 30,265 | 30,165 |
| Leased % ⁽¹⁾ | 94.1 % | 94.7 % | 96.0 % | 96.0 % |
| Occupancy % ⁽¹⁾ | 93.4 % | 93.5 % | 95.1 % | 94.9 % |
| Permanent Occupancy % ⁽¹⁾ | 88.5 % | 89.7 % | 91.6 % | 92.1 % |
| Sales per square foot (<10K square feet) (in whole dollars) ⁽¹⁾ | \$ 566 | \$ 519 | \$ 695 | \$ 664 |

⁽¹⁾ Presented on a same-property basis.

NOI from our consolidated properties increased to \$265 million during the three months ended March 31, 2020 from \$243 million in the same quarter in 2019 primarily due to the incremental acquisitions mentioned above.

NOI from our unconsolidated properties decreased to \$205 million during the three months ended March 31, 2020 from \$235 million in the same quarter in 2019 primarily due incremental acquisitions mentioned above as they were unconsolidated in the prior period.

The results of our operations are primarily driven by changes in occupancy and in-place rental rates. The following table presents new and renewal leases for the trailing 12 months compared to expiring leases for the prior tenant in the same suite, for leases where the downtime between new and previous tenant is less than 24 months, among other metrics.

| (US\$, except where noted) | Total Portfolio | |
|--|-----------------|---------------|
| | Mar. 31, 2020 | Mar. 31, 2019 |
| Number of leases | 1,200 | 1,105 |
| Leasing activity (square feet in thousands) | 4,399 | 4,488 |
| Average term in years | 7.0 | 7.5 |
| Initial rent per square foot ⁽¹⁾ | \$ 50.20 | \$ 61.55 |
| Expiring rent per square foot ⁽²⁾ | 46.33 | 57.45 |
| Initial rent spread per square foot | 3.87 | 4.10 |
| % change | 8.4 % | 7.1 % |
| Tenant allowances and leasing costs (US\$ in millions) | \$ 29 | \$ 46 |

⁽¹⁾ Represents initial rent over the term consisting of base minimum rent and common area costs.

⁽²⁾ Represents expiring rent at end of lease consisting of base minimum rent and common area costs.

Through March 31, 2020, we leased approximately 4.4 million square feet at initial rents approximately 8.4% higher than expiring net rents on a suite-to-suite basis.

Our Core Retail portfolio same-property occupancy rate at March 31, 2020 was 93.4% and 95.1%, for consolidated and unconsolidated properties, respectively, relatively flat with the same period of the prior year. In our Core Retail segment, we use same-property sales per square foot a measure of leasing performance. Same-property sales per square foot (in whole dollars) increased to \$566 and \$695 for consolidated and unconsolidated properties, respectively at March 31, 2020 from \$519 and \$664 at March 31, 2019.

Valuation Metrics

The key valuation metrics of the properties in our Core Retail segment on a weighted-average basis are presented in the following table. The valuations are most sensitive to changes in the discount rate, terminal capitalization rate, and timing or variability of cash flows.

| | Mar. 31, 2020 | | | Dec. 31, 2019 | | |
|----------------------------------|---------------|------------------------------|--------------------|---------------|------------------------------|--------------------|
| | Discount rate | Terminal capitalization rate | Investment horizon | Discount rate | Terminal capitalization rate | Investment horizon |
| Consolidated properties | | | | | | |
| United States | 6.8 % | 5.4 % | 10 | 6.7 % | 5.4 % | 10 |
| Unconsolidated properties | | | | | | |
| United States | 6.3 % | 4.9 % | 10 | 6.3 % | 4.9 % | 10 |

Financial Position

The following table presents an overview of the financial position of our Core Retail segment as at March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|------------------|------------------|
| Investment properties | | |
| Commercial properties | \$ 21,352 | \$ 21,561 |
| Commercial developments | — | — |
| Equity accounted investments | 10,370 | 10,555 |
| Accounts receivable and other | 519 | 609 |
| Cash and cash equivalents | 224 | 196 |
| Total assets | 32,465 | 32,921 |
| Debt obligations | 16,103 | 16,107 |
| Accounts payable and other liabilities | 737 | 821 |
| Deferred tax liability | 55 | 68 |
| Non-controlling interest | 1,731 | 1,787 |
| Equity attributable to Unitholders | \$ 13,839 | \$ 14,138 |

Equity attributable to Unitholders in the Core Retail segment decreased by \$299 million at March 31, 2020 from December 31, 2019 primarily due to distribution of income during the period.

The following table presents a roll-forward of our partnership's equity accounted investments for the year ended March 31, 2020:

| (US\$ Millions) | Mar. 31, 2020 |
|---|------------------|
| Equity accounted investments, beginning of year | \$ 10,555 |
| Additions | 4 |
| Disposals and return of capital | (4) |
| Share of net earnings from equity accounted investments | (141) |
| Distributions | (44) |
| Equity accounted investments, end of year | \$ 10,370 |

Equity accounted investments decreased by \$185 million to \$10,370 million, primarily due to valuation losses mentioned above partially offset by share of net earnings from BPYU's property-level joint ventures.

Reconciliation of Non-IFRS Measures – Core Retail

The key components of NOI in our Core Retail segment are presented below:

| (US\$ Millions) | Three months ended Mar. 31, | |
|------------------------------------|-----------------------------|---------------|
| | 2020 | 2019 |
| Commercial property revenue | \$ 371 | \$ 340 |
| Direct commercial property expense | (106) | (97) |
| Total NOI | \$ 265 | \$ 243 |

The following table reconciles Core Retail net income to net income attributable to Unitholders for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| Total NOI | \$ 265 | \$ 243 |
| Investment and other revenue | 73 | 39 |
| Interest expense | (174) | (151) |
| Depreciation and amortization on real estate assets | (7) | (6) |
| Investment and other expense | — | — |
| General and administrative expense | (66) | (70) |
| Fair value (losses), net | (295) | (9) |
| Share of net (losses) earnings from equity accounted investments | (141) | 87 |
| (Loss) income before taxes | (345) | 133 |
| Income tax benefit (expense) | 14 | (9) |
| Net (loss) income | \$ (331) | \$ 124 |
| Net (loss) income attributable to non-controlling interests | (33) | 19 |
| Net (loss) income attributable to Unitholders | \$ (298) | \$ 105 |

The following table reconciles Core Retail net income to FFO for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Net (loss) income | \$ (331) | \$ 124 |
| Add (deduct): | | |
| Share of equity accounted fair value (gains), net | 259 | 50 |
| Fair value losses, net | 295 | 9 |
| Income tax (benefit) expense | (14) | 9 |
| Non-controlling interests in above items | (21) | (25) |
| FFO | \$ 188 | \$ 167 |

The following table reconciles Core Retail share of net earnings from equity accounted investments for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|--------------|
| | 2020 | 2019 |
| Unconsolidated properties NOI | \$ 205 | \$ 235 |
| Unconsolidated properties fair value (losses) gains, net and income tax expense | (259) | (50) |
| Other expenses | (87) | (98) |
| Share of net earnings from equity accounted investments | \$ (141) | \$ 87 |

LP Investments

Overview

Our LP Investments portfolio includes our equity invested in Brookfield-sponsored real estate opportunity funds, which target high-quality assets with operational upside across various real estate sectors, including office, retail, multifamily, logistics, hospitality, triple net lease, self-storage, student housing and manufactured housing. We target an average 20% total return on our LP Investments portfolio and a 2.0x multiple of capital on the equity we invest into these vehicles. We caution you that in light of the COVID-19 pandemic and its impact on the global economy and stock markets worldwide, we may be unable to achieve these returns in the near term.

The partnership has interests in the following Brookfield-sponsored real estate opportunity funds:

- BSREP I - 31% interest in BSREP I, which is an opportunistic real estate fund with \$4.4 billion in committed capital in aggregate, targeting gross returns of 20%. The fund is in its 8th year, is fully invested and is executing realizations.
- BSREP II - 26% interest in BSREP II, which is an opportunistic real estate fund with \$9.0 billion in committed capital in aggregate, targeting gross returns of 20%. The fund is in its 5th year and is fully invested.
- BSREP III - 7% interest in BSREP III, which is an opportunistic real estate fund with \$15.0 billion in committed capital in aggregate, targeting gross returns of 20%; the fund is in its 3rd year.
- A blended 36% interest in two value-add multifamily funds totaling \$1.8 billion targeting gross returns of 16%. These funds seek to invest in a geographically diverse portfolio of U.S. multifamily properties through acquisition and development.
- A 33% interest in a \$600 million fund which owns the Atlantis Paradise Island resort in the Bahamas.
- A blended 13% interest in a series of real estate debt funds totaling \$5.4 billion which seek to invest in commercial real estate debt secured by properties in strategic locations.

While our economic interest in these funds are less than 50% in each case, we generally consolidate the portfolios held through the LP Investments as Brookfield Asset Management's oversight as general partner together with our exposure to variable returns of the investments through our LP interests provide us with control over the investments. We do not consolidate our interest in BSREP III as our 7% non-voting interest does not provide us with control over the investment and therefore is accounted for as a financial asset.

Summary of Operating Results

Our LP investments, unlike our Core portfolios, have a defined hold period and typically generate the majority of profits from realization events including the sale of an asset or portfolio of assets, or the exit of the entire investment. The combination of gains from realization events and FFO earned during the hold period represent our earnings on capital invested in these funds and, once distributed by the Brookfield-sponsored real estate opportunity funds, provide liquidity to support our target distributions.

The following table presents distributions received on our LP Investments in Brookfield-sponsored real estate opportunity funds received on sale or refinancing events within the funds for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| Return of invested capital | \$ 14 | \$ 27 |
| Distribution of earnings and gains on invested capital | 49 | 352 |
| Total LP Investments distributions | \$ 63 | \$ 379 |
| Less: Incentive fees | (7) | (71) |
| Total LP Investments distributions, net | \$ 56 | \$ 308 |

During the three months ended March 31, 2020, distribution of earnings and gains on invested capital primarily related to realized gains on the disposition of multifamily assets in our second value-add multifamily fund and an office asset in BSREP II and distributions of income from our hotel and multifamily assets. Total LP Investments distributions for the three months ended March 31, 2020 were net of

incentive fees primarily from the dispositions mentioned above. Distribution of earnings and gains on invested capital in the prior period are primarily due to distributions of income from our office assets in India and Brazil as well as Center Parcs in the United Kingdom, as well as the realization gains on the disposition of multifamily assets in our second value-add multifamily fund.

The following table presents FFO and net income attributable to Unitholders in our LP Investments segment for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|------|
| | 2020 | 2019 |
| FFO | 49 | 75 |
| Net (loss) income attributable to Unitholders | (24) | 15 |

FFO decreased by \$26 million for the three months ended March 31, 2020 primarily due to lower NOI from our hospitality properties, primarily the Atlantis and Center Parcs, due to COVID-19 related cancellations and closures. Additionally, property dispositions since the prior year and the negative impact of foreign currency translation contributed to the decrease. These decreases were partially offset by lower interest and general and administrative expenses than prior period relating to the deconsolidation of the BSREP III investments.

Net income attributable to Unitholders decreased for the three months ended March 31, 2020 by \$39 million driven by fair value losses in our LP Investments retail portfolio from updated near-term cash flow assumptions on a sensitized basis which assumes there is a percentage of rent that we will not collect over a period of time due to the pandemic and the resulting store closures. We revisited cash flow assumptions for each of our assets and took into consideration the type of asset, the location, the credit-quality of our tenants, renewal rates, average lease term and restrictions that might be impacting our ability to collect rent. These decreases were partially offset by current year fair value gains in our mixed-use and manufactured housing portfolios. It is likely that there will be further cash flow and valuation metric changes in future periods in our asset classes as new information related to the pandemic are understood, including the continued impact on our tenants.

Financial Position

The following table presents an overview of the financial position of our LP Investments segment as at March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|--|------------------|------------------|
| Investment properties | \$ 27,390 | \$ 27,867 |
| Property, plant and equipment | 6,735 | 7,028 |
| Equity accounted investments | 1,181 | 1,327 |
| Accounts receivable and other | 4,753 | 4,634 |
| Cash and cash equivalents | 849 | 595 |
| Assets held for sale | 552 | 387 |
| Total assets | \$ 41,460 | \$ 41,838 |
| Debt obligations | 23,199 | 23,525 |
| Capital securities | 431 | 431 |
| Accounts payable and other liabilities | 3,269 | 3,361 |
| Liabilities associated with assets held for sale | 194 | 140 |
| Non-controlling interests of others in operating subsidiaries and properties | 9,320 | 9,255 |
| Equity attributable to Unitholders | \$ 5,047 | \$ 5,126 |

The decrease in investment properties is primarily the result of the negative impact of foreign currency translation and fair value losses in our retail portfolio, partially offset by capital spend and valuation gains from certain asset classes not yet impacted by COVID-19, including our mixed-use and manufactured housing portfolios.

The decrease in property, plant and equipment is the result of the negative impact of foreign currency translation related to our Center Parcs portfolio in the United Kingdom. These decreases were offset by capital spend during the current year.

Equity accounted investments decreased during the three months ended March 31, 2020 primarily due to the negative impact of foreign currency translation during the period and distributions of income and return of capital. These decreases were partially offset by net income from these investments.

Assets held for sale and related liabilities as of March 31, 2020 includes our equity accounted investment in the Diplomat in Florida, seven multifamily assets, four triple net lease assets and two office assets in the United States, as we intend to sell controlling interests in these properties to third parties in the next 12 months market conditions permitting.

Debt obligations decreased primarily due to the negative impact of foreign currency translations partially offset by upfinancing of property level-debt on triple net lease portfolio.

Reconciliation of Non-IFRS Measures - LP Investments

The following table reconciles LP Investments NOI to net income for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|--------------|
| | 2020 | 2019 |
| Commercial property revenue | \$ 549 | \$ 663 |
| Hospitality revenue | 359 | 489 |
| Direct commercial property expense | (175) | (223) |
| Direct hospitality expense | (285) | (318) |
| Total NOI | 448 | 611 |
| Investment and other revenue | 16 | 26 |
| Interest expense | (319) | (381) |
| General and administrative expense | (39) | (56) |
| Investment and other expense | — | (10) |
| Depreciation and amortization | (77) | (75) |
| Fair value (losses) gains, net | 148 | 180 |
| Share of net earnings from equity accounted investments | 27 | 13 |
| Income before taxes | 204 | 308 |
| Income tax expense | (156) | (36) |
| Net income | 48 | 272 |
| Net income attributable to non-controlling interests | 72 | 257 |
| Net (loss) income attributable to Unitholders | \$ (24) | \$ 15 |

The following table reconciles LP Investments net income to FFO for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| Net income | \$ 48 | \$ 272 |
| Add (deduct): | | |
| Fair value gains, net | (148) | (180) |
| Share of equity accounted fair value losses (gains), net | 3 | 24 |
| Depreciation and amortization of real estate assets | 68 | 69 |
| Income tax expense | 156 | 36 |
| Non-controlling interests in above items | (78) | (146) |
| FFO | \$ 49 | \$ 75 |

Corporate

Certain amounts are allocated to our corporate segment as those activities should not be used to evaluate our other segments' operating performance.

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our corporate segment for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|----------|
| | 2020 | 2019 |
| FFO | \$ (84) | \$ (108) |
| Net income (loss) attributable to Unitholders | (230) | (137) |

FFO was a loss of \$84 million (2019 - loss of \$108 million) for the three months ended March 31, 2020. Corporate FFO generally includes interest expense and general and administrative expense.

Interest expense contributed to this loss for the three months ended March 31, 2020, interest expense totaled \$60 million (2019 - \$66 million), which reflects \$36 million (2019 - \$43 million) of interest expense paid on capital securities and \$24 million (2019 - \$23 million) of interest expense on our credit facilities and corporate bonds.

Another component of FFO is general and administrative expense, which, for the three months ended March 31, 2020 general and administrative expense was \$26 million (2019 - \$45 million) and consists of \$14 million (2019 - \$24 million) of asset management fees, equity enhancement fees of nil (2019 - \$4 million) and \$12 million (2019 - \$17 million) of other corporate costs.

For the three months ended March 31, 2020, we also recorded an income tax expense \$3 million (2019 - income tax expense of \$1 million), allocated to the corporate segment related to the decrease of deferred tax liabilities of our holding companies and their subsidiaries.

Financial Position

The following table presents equity attributable to Unitholders at the corporate level:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|-------------------|-------------------|
| Accounts receivable and other | \$ 235 | \$ 86 |
| Cash and cash equivalents | 23 | 40 |
| Total assets | 258 | 126 |
| Debt obligations | 2,113 | 1,902 |
| Capital securities | 1,725 | 1,722 |
| Deferred tax liabilities | 66 | 101 |
| Accounts payable and other liabilities | 1,079 | 938 |
| Preferred equity | 699 | 420 |
| Non-controlling interests | 17 | 17 |
| Equity attributable to Unitholders | \$ (5,441) | \$ (4,974) |

The corporate balance sheet includes corporate debt and capital securities from our partnership. The decrease in equity attributable to Unitholders is primarily due to the current period net loss and the use of proceeds from issuance of corporate bonds and preferred equity to invest in our operating segments.

During the first quarter of 2019, we issued \$178 million of our Class A Cumulative Redeemable Perpetual Preferred Units, Series 1 at a coupon rate of 6.5% per annum, payable quarterly in arrears.

During the third quarter of 2019, we issued \$242 million of our Class A Cumulative Redeemable Perpetual Preferred Units, Series 2 at a coupon rate of 6.375% per annum, payable quarterly in arrears.

During the first quarter of 2020, we issued \$279 million of our Class A Cumulative Redeemable Perpetual Preferred Units, Series 3 at a coupon rate of 5.75% per annum, payable quarterly in arrears.

In addition, as at March 31, 2020, we had \$15 million (December 31, 2019 - \$15 million) of preferred shares with a cumulative dividend rate of 5% outstanding. The preferred shares were issued by various holding entities of our partnership.

The following table provides additional information on our outstanding capital securities – corporate:

| (US\$ Millions) | Shares Outstanding | Cumulative Dividend Rate | Mar. 31, 2020 | Dec. 31, 2019 |
|---|--------------------|--------------------------|-----------------|-----------------|
| Operating Partnership Class A Preferred Equity Units: | | | | |
| Series 1 | 24,000,000 | 6.25 % | \$ 577 | \$ 574 |
| Series 2 | 24,000,000 | 6.50 % | 548 | 546 |
| Series 3 | 24,000,000 | 6.75 % | 532 | 530 |
| Brookfield Property Split Corp. Senior Preferred Shares: | | | | |
| Class A Series 1 | 924,390 | 5.25 % | 23 | 23 |
| Class A Series 2 | 699,165 | 5.75 % | 12 | 13 |
| Class A Series 3 | 909,814 | 5.00 % | 16 | 18 |
| Class A Series 4 | 940,486 | 5.20 % | 17 | 18 |
| Total capital securities - corporate | | | \$ 1,725 | \$ 1,722 |

Reconciliation of Non-IFRS Measures – Corporate

The following table reconciles Corporate net income to net income attributable to Unitholders for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|-----------------|
| | 2020 | 2019 |
| Net income (loss) | \$ (230) | \$ (137) |
| Net income attributable to non-controlling interests | — | — |
| Net income (loss) attributable to Unitholders | \$ (230) | \$ (137) |

The following table reconciles Corporate net income to FFO for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|-----------------|
| | 2020 | 2019 |
| Net income (loss) | \$ (230) | \$ (137) |
| Add (deduct): | | |
| Fair value (gains) losses, net | 149 | 28 |
| Income tax expense | (3) | 1 |
| Non-controlling interests in above items | — | — |
| FFO | \$ (84) | \$ (108) |

LIQUIDITY AND CAPITAL RESOURCES

The capital of our business consists of debt obligations, capital securities, preferred stock and equity. Our objective when managing this capital is to maintain an appropriate balance between holding a sufficient amount of equity capital to support our operations and reducing our weighted average cost of capital to improve our return on equity. As at March 31, 2020, capital totaled \$102 billion (December 31, 2019 - \$103 billion).

We attempt to maintain a level of liquidity to ensure we are able to participate in investment opportunities as they arise and to better withstand sudden adverse changes in economic circumstances. Our primary sources of liquidity include cash, undrawn committed credit facilities, construction facilities, cash flow from operating activities and access to public and private capital markets. In addition, we structure our affairs to facilitate monetization of longer-duration assets through financings and co-investor participations.

We seek to increase income from our existing properties by maintaining quality standards for our properties that promote high occupancy rates and support increases in rental rates while reducing tenant turnover and related costs, and by controlling operating expenses. Consequently, we believe our revenue, along with proceeds from financing activities and divestitures, will continue to provide the necessary funds to cover our short-term liquidity needs. However, material changes in the factors described above may adversely affect our net cash flows.

The future impact of COVID-19 on our level of liquidity is uncertain at this time. Measures undertaken by governments and companies around the world in our principal markets have resulted in the temporary closure of many of our operating assets. The duration of such measures may impact our ability to collect rental income, particularly in our retail assets, and to generate hospitality revenue. The longer-term impact of the pandemic and resulting economic downturn could reduce demand for office, retail and logistics space, reduce demand for market-rate multifamily rentals and hospitality bookings.

Consequently, we are reviewing, and where appropriate adjusting, our current capital expenditure and financing assumptions on existing and future projects to reflect any potential shorter- and longer-term impact of the pandemic. Adjustments may include, but are not limited to, additional draws on existing development facilities, pursuing additional development facilities on certain projects, extension of payment terms to suppliers, and temporary cessation of additional construction work (and related incurrence of expenditures).

We are also reviewing contractual arrangements with our tenants to assess the rights and responsibilities of the partnership and our tenants in response to the impact of the measures undertaken by governments and/or tenants. Potential responses may include, but are not limited to, payment holidays / extension of payment terms from tenants, adjustments to the duration of leases, and renegotiation of lease terms.

We expect to be able to refinance the majority of debt obligations maturing in the near term or to exercise contractual extension options thereon. In certain instances, particularly where a property has been required to close temporarily, we plan to seek certain modifications to mortgages, including lease restructuring approvals and technical default waivers, and potentially interest deferrals on many loans until the property has reopened. Certain development assets with construction facilities in place will require development waivers subject to a protracted work stoppage.

In addition, certain debt obligations are subject to financial covenants. As a result, in the shorter-term, the COVID-19 pandemic may negatively impact our ability to meet such covenants. We are reviewing the financial covenants of each debt instrument and, where

applicable, working with our lenders to address debt instruments which may potentially approach or breach covenant limits. Such adjustments may include, but are not limited to, adjustment to the covenant limits, interest payment holidays, and temporary suspension of covenant testing.

In order to maintain financial flexibility, we maintain capacity under credit facilities at BPY and certain subsidiaries. As at March 31, 2020, the available liquidity under such credit facility was \$2,031 million. We believe we will be able to continue to borrow funds on these facilities from our lenders when and as required.

Our principal liquidity needs for the current year and for periods beyond include:

- Recurring expenses;
- Debt service requirements;
- Distributions to Unitholders;
- Capital expenditures deemed mandatory, including tenant improvements;
- Development costs not covered under construction loans;
- Unfunded committed capital to funds;
- Investing activities which could include:
 - Discretionary capital expenditures;
 - Property acquisitions;
 - Future developments; and
 - Repurchase of our units.

We plan to meet these liquidity needs by accessing our group-wide liquidity of \$7,159 million at March 31, 2020 as highlighted in the table below. In addition, we have the ability to supplement this liquidity through cash generated from operating activities, asset sales, co-investor interests and financing opportunities.

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|-----------------|-----------------|
| Proportionate cash retained at subsidiaries | \$ 1,781 | \$ 1,587 |
| Proportionate availability under subsidiary credit facilities | 3,682 | 4,058 |
| Proportionate availability under construction facilities | 1,696 | 1,236 |
| Group-wide liquidity⁽¹⁾ | \$ 7,159 | \$ 6,881 |

⁽¹⁾ This includes liquidity of investments which are not controlled and can only be obtained through distributions which the partnership does not control.

We finance our assets principally at the operating company level with asset-specific debt that generally has long maturities, few restrictive covenants and with recourse only to the asset. We endeavor to maintain prudent levels of debt and strive to ladder our principal repayments over a number of years.

The following table summarizes our secured debt obligations on investment properties by contractual maturity over the next five years and thereafter:

| (US\$ Millions) | Mar. 31, 2020 |
|---------------------------------|------------------|
| Remainder of 2020 | \$ 4,965 |
| 2021 | 8,784 |
| 2022 | 3,821 |
| 2023 | 3,745 |
| 2024 | 7,531 |
| 2025 and thereafter | 12,140 |
| Deferred financing costs | (346) |
| Secured debt obligations | \$ 40,640 |
| Debt to capital ratio | 54.7 % |

We generally believe that we will be able to either extend the maturity date, repay, or refinance the debt that is scheduled to mature in 2020-2021. Currently, our debt to capital ratio is 54.7%. We expect to be able to decrease our debt to capital ratios from these levels through the repayment of capital securities, credit facilities and debt related to the acquisition of a further interest in our retail assets with cash flow generated in the business and raised from asset sales. In addition, we expect to improve other credit metrics through the benefit of additional earnings from the completion and stabilization of our active development pipeline. The timing of achieving these expectations may be delayed due to the impact of COVID-19.

Our partnership's operating subsidiaries are subject to limited financial covenants in respect of their corporate debt and are in compliance with all material covenants at March 31, 2020. The partnership's operating subsidiaries are also in compliance with all covenants and other capital requirements related to regulatory or contractual obligations of material consequence to our partnership.

For the three month periods ended March 31, 2020 and 2019, the partnership made distributions to Unitholders of \$311 million (2019 - \$320 million). This compares to cash flow from operating activities of \$373 million and \$1,478 million for each period. The

partnership has a number of alternatives at its disposal to fund any difference between the cash flow from operating activities and distributions to Unitholders. The partnership is not a passive investor and typically holds positions of control or significant influence over assets in which it invests, enabling the partnership to influence distributions from those assets. The partnership will, from time to time, convert some or all of the unrealized fair value gains on investment properties to cash through asset sales, joint ventures or refinancings. The partnership may access its credit facilities in order to temporarily fund its distributions as a result of timing differences between the payments of distributions and cash receipts from its investments. Distributions made to Unitholders which exceed cash flow from operating activities in future periods may be considered to be a return of capital to Unitholders as defined in Canadian Securities Administrators' National Policy 41-201 - *Income Trusts and Indirect Offerings*.

RISKS AND UNCERTAINTIES

The financial results of our business are impacted by the performance of our properties and various external factors influencing the specific sectors and geographic locations in which we operate, including: macro-economic factors such as economic growth, changes in currency, inflation and interest rates; regulatory requirements and initiatives; and litigation and claims that arise in the normal course of business. In particular, in the near term, we expect to be impacted by the ongoing and developing COVID-19 pandemic, which has interrupted business activities and supply chains; disrupted travel; contributed to significant volatility in the financial markets, resulting in a general decline in equity prices and lower interest rates; impacted social conditions; and adversely impacted local, regional, national and international economic conditions, as well as the labor markets.

Our property investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (including the availability and costs of mortgage funds), local conditions (including an oversupply of space or a reduction in demand for real estate in the markets in which we operate), the attractiveness of the properties to tenants, competition from other landlords with competitive space and our ability to provide adequate maintenance at an economical cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether a property is producing sufficient income to service these expenses. Certain properties are subject to mortgages which require substantial debt service payments. If we become unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. We believe the stability and long-term nature of our contractual revenues effectively mitigates these risks.

We are affected by local, regional, national and international economic conditions and other events and occurrences that affect the markets in which we own assets. As noted above, economic conditions have been impacted substantially by the COVID-19 pandemic. A protracted decline in economic conditions would cause downward pressure on our operating margins and asset values as a result of lower demand for space.

The majority of our properties are located in North America, Europe and Australia, with a growing presence in South America and Asia. A prolonged downturn in the economies of these regions would result in reduced demand for space and number of prospective tenants and will affect the ability of our properties to generate significant revenue. If there is an increase in operating costs resulting from inflation and other factors, we may not be able to offset such increases by increasing rents.

We are subject to risks that affect the retail environment, including unemployment, weak income growth, lack of available consumer credit, industry slowdowns and plant closures, consumer confidence, increased consumer debt, poor housing market conditions, adverse weather conditions, natural disasters and the need to pay down existing obligations. These risks may be exacerbated by the ongoing and developing COVID-19 pandemic. All of these factors could negatively affect consumer spending, and adversely affect the sales of our retail tenants. This could have an unfavorable effect on our operations and our ability to attract new retail tenants. In addition, our retail tenants face competition from retailers at other regional malls, outlet malls and other discount shopping centers, discount shopping clubs, catalogue companies, and through internet sales and telemarketing. Competition of these types could reduce the percentage rent payable by certain retail tenants and adversely affect our revenues and cash flows.

As owners of office and retail properties, lease rollovers also present a risk, as continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. Refer to "Lease Rollover Risk" below for further details.

For a more detailed description of the risk factors facing our business, please refer to the section entitled Item 3.D. "Key Information - Risk Factors" in our December 31, 2019 annual report on Form 20-F.

Public Health Risk

Our business could be materially adversely affected by the effects of the COVID-19 pandemic and the future outbreak of other highly infectious or contagious diseases. As a result of the rapid spread of COVID-19, many companies and various governments have imposed restrictions on business activity and travel which may continue and could expand. Business has slowed around the globe including in our hospitality, retail, student housing, triple-net lease, mixed-use and office businesses, and there can be no assurance that strategies to address potential disruptions in operations will mitigate the adverse impacts related to the outbreak. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of this coronavirus outbreak, including any responses to it, will be on the global economy, our company and our businesses or for how long disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and cannot be predicted, including new information which may emerge concerning the severity of this coronavirus and actions taken to contain the COVID-19 or its impact, among

others. Such developments, depending on their nature, duration, and intensity, could have a material adverse effect on our business, financial position, results of operations or cash flows.

We operate in industries or geographies impacted by COVID-19. Many of these are facing financial and operational hardships due to COVID-19 and responses to it. Adverse impacts on our business may include:

- a complete or partial closure of, or other operational issues at, one or more of our properties resulting from government or tenant action;
- a slowdown in business activity may severely impact our tenants' businesses, financial condition and liquidity and may cause one or more of our tenants to be unable to fund their business operations, meet their obligations to us in full, or at all, or to otherwise seek modifications of such obligations;
- an increase in re-leasing timelines, potential delays in lease-up of vacant space and the market rates at which such lease will be executed;
- reduced economic activity could result in a prolonged recession, which could negatively impact consumer discretionary spending; and
- expected completion dates for our development and redevelopment projects may be subject to delay as a result of local economic conditions that may continue to be disrupted as a result of the COVID-19 pandemic.

If these and potential other disruptions caused by COVID-19 continue, our business could be materially adversely affected.

Credit Risk

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. We mitigate this risk by ensuring that our tenant mix is diversified and by limiting our exposure to any one tenant. We also maintain a portfolio that is diversified by property type so that exposure to a business sector is lessened. The recent COVID-19 outbreak has increased the risk in the near-term of our tenants' ability to fulfill lease commitments, which has been materially impacted by retail store closures, quarantines and stay-at-home orders. Many of our tenants could declare bankruptcy or become insolvent and cease business operations as a result of prolonged mitigation efforts. Our retail, student housing and triple-net lease assets are experiencing the most immediate impact. Our office asset tenants, while facing hardships from stay-at-home orders, do not presently have as acute difficulty in fulfilling lease commitments in near-term, they could face increased difficulty if prolonged mitigation efforts material impact their business.

In March 2020, the Federal Reserve cut its benchmark target interest rate by 1.0%, which should indicate a decrease in discount and cap rates. Conversely, spreads on the debt markets increased over the quarter which should have an opposite effect. Since the debt markets have a correlation but not a direct effect on equity rates, the best estimate at this point is that these events had an offsetting effect. We have not materially adjusted our discount rates and believe we had adequate risk built into our long-term cash flows at this time.

Government and government agencies comprise 7.7% of our Core Office segment tenant base and, as at March 31, 2020, no one tenant comprises more than this.

The following list shows the largest tenants by leasable area in our Core Office portfolio and their respective credit ratings and exposure as at March 31, 2020:

| Tenant | Primary location | Credit rating ⁽¹⁾ | Exposure (%) ⁽²⁾ |
|------------------------------------|------------------------|------------------------------|-----------------------------|
| Government and Government Agencies | Various | AAA/AA+ | 7.7 % |
| Morgan Stanley | NY/London | A- | 2.7 % |
| Barclays | London/Toronto/Calgary | BBB- | 2.1 % |
| CIBC World Markets ⁽³⁾ | Calgary/NY/Toronto | AA | 1.9 % |
| Suncor Energy Inc. | Calgary | BBB+ | 1.8 % |
| Cenovus | Calgary | BB+ | 1.5 % |
| Bank of Montreal | Calgary/Toronto | AA | 1.5 % |
| Deloitte | Various | Not Rated | 1.4 % |
| EY | Various | Not Rated | 1.4 % |
| Royal Bank of Canada | Various | AA | 1.3 % |
| Total | | | 23.3 % |

⁽¹⁾ From Standard & Poor's Rating Services, Moody's Investment Services, Inc. or DBRS Limited.

⁽²⁾ Prior to considering the partnership's interest in partially-owned properties.

⁽³⁾ CIBC World Markets leases 1.1 million square feet at 300 Madison Avenue in New York, of which they sublease 940,000 square feet to PricewaterhouseCoopers LLP and approximately 100,000 square feet to Sumitomo Corporation of America.

The following list reflects the largest tenants in our Core Retail portfolio as at March 31, 2020. The largest ten tenants in our portfolio accounted for approximately 21.1% of minimum rents, tenant recoveries and other.

| Tenant | Primary Brands | Exposure (%) ⁽¹⁾ |
|----------------------------------|---|-----------------------------|
| L Brands, Inc. | Victoria's Secret, Bath & Body Works, PINK | 3.7 % |
| LVMH | Louis Vuitton, Sephora, Fendi, Bulgari, Dior, Tag Heuer | 2.9 % |
| Foot Locker, Inc. | Footlocker, Champs Sports, Footaction USA, House of Hoops | 2.9 % |
| The Gap, Inc. | Gap, Banana Republic, Old Navy, Athleta | 2.2 % |
| Forever 21 Retail, Inc. | Forever 21 | 1.9 % |
| Signet Jewelers Limited | Zales, Gordon's, Kay, Jared | 1.6 % |
| American Eagle Outfitters, Inc. | American Eagle Outfitters, Aerie | 1.6 % |
| Ascena Retail Group | Ann Taylor, Loft, Justice, Lane Bryant | 1.5 % |
| Abercrombie & Fitch Stores, Inc. | Abercrombie, Abercrombie & Fitch, Hollister | 1.4 % |
| Express, Inc. | Express, Express Men, Express Factory | 1.4 % |
| Total | | 21.1 % |

⁽¹⁾ Exposure is a percentage of minimum rents and tenant recoveries.

Lease Roll-over Risk

Lease roll-over risk arises from the possibility that we may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon early lease expiry. Due to COVID-19, we may experience an increase in re-leasing timelines, potential delays in lease-up of vacant space and the market rates at which such leases will be executed could be impacted. We attempt to stagger the lease expiry profile so that we are not faced with disproportionate amounts of space expiring in any one year. On average, approximately 7.9% of our Core Office and Core Retail leases mature annually up to 2024. Our Core Office and Core Retail leases has a weighted average remaining lease life of approximately 7.3 years. We further mitigate this risk by maintaining a diversified portfolio mix by geographic location and by pro-actively leasing space in advance of its contractual expiry.

The following table sets out lease expiries, by square footage, for our Core Office and Core Retail portfolios at March 31, 2020, including our unconsolidated investments:

| (Sq. ft. in thousands) | Current | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and beyond | Total |
|----------------------------|---------|-------|--------|--------|-------|--------|-------|-------|-----------------|---------|
| Core Office | 5,826 | 1,731 | 4,576 | 4,158 | 4,012 | 4,601 | 4,676 | 4,191 | 43,465 | 77,236 |
| Total % expiring | 7.5 % | 2.2 % | 5.9 % | 5.4 % | 5.2 % | 6.0 % | 6.1 % | 5.4 % | 56.3 % | 100.0 % |
| Core Retail ⁽¹⁾ | 2,661 | 3,917 | 6,030 | 6,368 | 5,287 | 6,068 | 5,306 | 3,998 | 14,010 | 53,645 |
| Total % expiring | 4.8 % | 7.3 % | 11.2 % | 11.9 % | 9.9 % | 11.3 % | 9.9 % | 7.5 % | 26.2 % | 100.0 % |

⁽¹⁾ Represents regional malls only and excludes traditional anchor and specialty leasing agreements.

Tax Risk

We are subject to income taxes in various jurisdictions, and our tax liabilities are dependent upon the distribution of income among these different jurisdictions. Our effective income tax rate is influenced by a number of factors, including changes in tax law, tax treaties, interpretation of existing laws, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our profitability and results of operations.

Environmental Risk

As an owner of real property, we are subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide that we could be liable for the costs of removing certain hazardous substances and remediating certain hazardous locations. The failure to remove such substances or remediate such locations, if any, could adversely affect our ability to sell such real estate or to borrow using such real estate as collateral and could potentially result in claims against us. We are not aware of any material non-compliance with environmental laws at any of our properties nor are we aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with any of our properties or any material pending or threatened claims relating to environmental conditions at our properties.

We will continue to make the necessary capital and operating expenditures to ensure that we are compliant with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a material adverse effect on our business, financial condition or results of operations. However, environmental laws and regulations can change and we may become subject to more stringent environmental laws and regulations in the future, which could have an adverse effect on our business, financial condition or results of operations.

Economic Risk

Real estate is relatively illiquid and may be even more illiquid in the context of an economic downturn that may result from the COVID-19 pandemic. Such illiquidity may limit our ability to vary our portfolio promptly in response to changing economic or investment

conditions. Also, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate.

Our commercial properties generate a relatively stable source of income from contractual tenant rent payments. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. We are substantially protected against short-term market conditions, as most of our leases are long-term in nature with an average term of over six years.

Insurance Risk

Our insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates. We maintain insurance on our properties in amounts and with deductibles that we believe are in line with what owners of similar properties carry. We maintain all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and weather catastrophe).

Interest Rate and Financing Risk

We have an on-going need to access debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to us or on any terms at all. This risk may be increased as a result of disrupted market conditions resulting from the COVID-19 pandemic. Our strategy to stagger the maturities of our mortgage portfolio attempts to mitigate our exposure to excessive amounts of debt maturing in any one year and to maintain relationships with a large number of lenders to limit exposure to any one counterparty.

Approximately 43 % of our outstanding debt obligations at March 31, 2020 are floating rate debt compared to 45% at December 31, 2019. This debt is subject to fluctuations in interest rates. A 100 basis point increase in interest rates relating to our corporate and commercial floating rate debt obligations would result in an increase in annual interest expense of approximately \$238 million. A 100 basis point increase in interest rates relating to fixed rate debt obligations due within one year would result in an increase in annual interest expense of approximately \$7 million upon refinancing. In addition, we have exposure to interest rates within our equity accounted investments. We have mitigated, to some extent, the exposure to interest rate fluctuations through interest rate derivative contracts. See “*Derivative Financial Instruments*” below in this MD&A.

At March 31, 2020, our consolidated debt to capitalization was 54 % (December 31, 2019 – 54%). It is our view this level of indebtedness is conservative given the cash flow characteristics of our properties and the fair value of our assets. Based on this, we believe that all debts will be financed or repaid as they come due in the foreseeable future.

Foreign Exchange Risk

As at and for the three months ended March 31, 2020, approximately 31% of our assets and 28% of our revenues originated outside the United States and consequently are subject to foreign currency risk due to potential fluctuations in exchange rates between these currencies and the U.S. Dollar. To mitigate this risk, we attempt to maintain a natural hedged position with respect to the carrying value of assets through debt agreements denominated in local currencies and, from time to time, supplemented through the use of derivative contracts as discussed under “*Derivative Financial Instruments*”.

DERIVATIVE FINANCIAL INSTRUMENTS

We and our operating entities use derivative and non-derivative instruments to manage financial risks, including interest rate, commodity, equity price and foreign exchange risks. The use of derivative contracts is governed by documented risk management policies and approved limits. We do not use derivatives for speculative purposes. We and our operating entities use the following derivative instruments to manage these risks:

- foreign currency forward contracts to hedge exposures to Canadian Dollar, Australian Dollar, British Pound, Euro, Chinese Yuan, Brazilian Real, Indian Rupee and South Korean Won denominated investments in foreign subsidiaries and foreign currency denominated financial assets;
- interest rate swaps to manage interest rate risk associated with planned refinancings and existing variable rate debt;
- interest rate caps to hedge interest rate risk on certain variable rate debt; and
- cross-currency swaps to manage interest rate and foreign currency exchange rates on existing variable rate debt.

The COVID-19 pandemic has impacted business across the globe and we are monitoring its impact on our business. While it is difficult to predict how significant the impact of COVID-19 will be, our business is highly resilient in some of the most critical sectors in the world and have a robust balance sheet with a strong investment grade rating.

There have been no other material changes to our financial risk exposure or risk management activities since December 31, 2019. Please refer to Note 35, *Financial Instruments* in our December 31, 2019 annual report on Form 20-F for a detailed description of our financial risk exposure and risk management activities.

Interest Rate Hedging

The following table provides our outstanding derivatives that are designated as cash flow hedges of variability in interest rates associated with forecasted fixed rate financings and existing variable rate debt as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Hedging item ⁽¹⁾ | Notional | Rates | Maturity dates | Fair value |
|----------------------|--|----------|-------------|-----------------------|------------|
| Mar. 31, 2020 | Interest rate caps of US\$ LIBOR debt | \$ 7,803 | 2.7% - 6.0% | May. 2020 - Sep. 2023 | \$ — |
| | Interest rate swaps of US\$ LIBOR debt | 2,719 | 1.4% - 2.7% | Oct. 2020 - Feb. 2024 | (124) |
| | Interest rate caps of £ LIBOR debt | 2,901 | 2.0% - 2.5% | Jan. 2021 - Jan. 2022 | — |
| | Interest rate swaps of £ LIBOR debt | 65 | 1.5% | Apr. 2020 | — |
| | Interest rate caps of € EURIBOR debt | 110 | 1.3% | Apr. 2021 | — |
| | Interest rate caps of C\$ LIBOR debt | 171 | 3.0% | Oct. 2020 - Oct. 2022 | — |
| | Interest rate swaps of AUD BBSW/BBSY debt | 356 | 0.8% - 1.6% | Apr. 2023 - Apr. 2024 | (7) |
| | Cross currency swaps of C\$ LIBOR Debt | 800 | 4.1% - 5.0% | Oct. 2021 - Jul. 2023 | (59) |
| Dec. 31, 2019 | Interest rate caps of US\$ LIBOR debt | \$ 7,774 | 2.7% - 6.0% | May. 2020 - Sep. 2023 | \$ — |
| | Interest rate swaps of US\$ LIBOR debt | 2,877 | 1.4% - 2.7% | Feb. 2020 - Feb. 2024 | (57) |
| | Interest rate caps of £ LIBOR debt | 3,096 | 2.0% - 2.5% | Jan. 2021 - Jan. 2022 | — |
| | Interest rate swaps of £ LIBOR debt | 74 | 1.5% | Apr. 2020 | — |
| | Interest rate caps of € EURIBOR debt | 109 | 1.3% | Apr. 2021 | — |
| | Interest rate caps of C\$ LIBOR debt | 184 | 3.0% | Oct. 2020 - Oct. 2022 | — |
| | Cross currency swaps of C\$ LIBOR Debt | 600 | 4.3% - 5.0% | Oct. 2021 - Mar. 2024 | (95) |

⁽¹⁾ As of March 31, 2020, included in derivative liabilities is \$19 million of fair value loss relating to settled interest rate swaps that are being amortized over the term of the associated debt.

For the three months ended March 31, 2020, the amount of hedge ineffectiveness recorded in earnings in connection with our interest rate hedging activities was nil (2019 - \$2 million).

Foreign Currency Hedging

The following table provides our outstanding derivatives that are designated as net investments of foreign subsidiaries or foreign currency cash flow hedges as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Hedging item | Notional | Rates | Maturity dates | Fair value |
|----------------------|---|-----------|-----------------------------|-----------------------|------------|
| Mar. 31, 2020 | Net investment hedges | € 191 | €0.85/\$ - €1.15/\$ | Jun. 2020 - Sep. 2021 | \$ 6 |
| | Net investment hedges | £ 983 | £0.75/\$ - £1.32/\$ | Apr. 2020 - Mar. 2022 | 174 |
| | Net investment hedges | A\$ 132 | A\$0.66/\$ - A\$0.69/\$ | Sep. 2020 - Jun. 2021 | (7) |
| | Net investment hedges | C¥ 962 | C¥6.75/\$ - C¥7.16/\$ | Apr. 2020 - Jun. 2021 | 2 |
| | Net investment hedges | C\$ 167 | C\$1.31/\$ - C\$1.46/\$ | Jun. 2020 - Sep. 2021 | 6 |
| | Net investment hedges | R\$ — | R\$4.16/\$ - R\$5.03/\$ | Apr. 2020 - Jun. 2020 | 66 |
| | Net investment hedges | ¥ 720,095 | ¥1,149.50/\$ - ¥1,217.90/\$ | Jun. 2020 - Mar. 2021 | 14 |
| | Net investment hedges | Rs — | Rs72.01/\$ - Rs73.01/\$ | Apr. 2020 - Apr. 2020 | — |
| | Net investment hedges | £ 77 | £0.89/€ - £0.93/€ | Apr. 2020 - Apr. 2021 | — |
| | Cross currency swaps of C\$ LIBOR debt | C\$ 1,100 | C\$1.20/\$ - C\$1.34/\$ | Jul. 2023 - Jan. 2027 | (55) |
| Dec. 31, 2019 | Net investment hedges | € 245 | €0.85/\$ - €0.91/\$ | Mar. 2020 - Jul. 2020 | \$ 7 |
| | Net investment hedges | £ 2,444 | £0.74/\$ - £0.85/\$ | Jan. 2020 - Sep. 2021 | (247) |
| | Net investment hedges | A\$ 238 | A\$1.38/\$ - A\$1.48/\$ | Mar. 2020 - Mar. 2021 | (5) |
| | Net investment hedges | C¥ 962 | C¥6.75/\$ - C¥7.16/\$ | Apr. 2020 - Jun. 2021 | 0 |
| | Net investment hedges | C\$ 355 | C\$1.31/\$ - C\$1.33/\$ | Jun. 2020 - Sep. 2021 | — |
| | Net investment hedges | R\$ 1,582 | R\$4.16/\$ - R\$4.16/\$ | Jun. 2020 - Jun. 2020 | (10) |
| | Net investment hedges | ¥ 720,095 | ¥1,149.50/\$ - ¥1,174.30/\$ | Mar. 2020 - Mar. 2021 | (7) |
| | Net investment hedges | Rs — | Rs71.78/\$ - Rs73.01/\$ | Mar. 2020 - Apr. 2020 | — |
| | Net investment hedges | £ 77 | £0.88/€ - £0.93/€ | Jan. 2020 - Apr. 2021 | — |
| | Cross currency swaps of C\$ LIBOR debt | C\$ 800 | C\$1.29/\$ - C\$1.33/\$ | Oct. 2021 - Jul. 2023 | (8) |

For the three months ended March 31, 2020 and 2019, the amount of hedge ineffectiveness recorded in earnings in connection with our foreign currency hedging activities was not significant.

Other Derivatives

The following table presents details of our derivatives, not designated as hedges for accounting purposes, that have been entered into to manage financial risks as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Derivative type | Notional | Rates | Maturity dates | Fair value |
|----------------------|--|----------|-------------|-----------------------|------------|
| Mar. 31, 2020 | Interest rate caps | \$ 7,112 | 3.0% - 5.0% | Apr. 2020 - Feb. 2027 | \$ — |
| | Interest rate swaps on forecasted fixed rate debt | 1,285 | 2.7% - 6.4% | Jun. 2020 - Sep. 2031 | (313) |
| | Interest rate swaps of US\$ debt | 2,001 | 1.8% - 4.6% | Nov. 2020 - Sep. 2023 | (43) |
| | Interest rate swaptions | 800 | 2.0% | Oct. 2030 - Mar. 2031 | 2 |
| Dec. 31, 2019 | Interest rate caps | \$ 5,663 | 2.5% - 5.0% | Mar. 2020 - Nov. 2021 | \$ — |
| | Interest rate swaps on forecasted fixed rate debt | 1,285 | 1.1% - 6.4% | Jun. 2020 - Sep. 2031 | (149) |
| | Interest rate swaps of US\$ debt | 2,003 | 1.7% - 4.6% | Nov. 2020 - Sep. 2023 | (14) |

For the three months ended March 31, 2020, the partnership recognized fair value losses, net of approximately \$52 million (2019 - losses \$30 million), related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

RELATED PARTIES

In the normal course of operations, the partnership enters into transactions with related parties. These transactions are recognized in the consolidated financial statements. These transactions have been measured at exchange value and are recognized in the consolidated financial statements. The immediate parent of the partnership is Brookfield Property Partners Limited. The ultimate parent of the partnership is Brookfield Asset Management. Other related parties of the partnership include Brookfield Asset Management's subsidiaries and operating entities, certain joint ventures and associates accounted for under the equity method, as well as officers of such entities and their spouses.

We have a management agreement with our service providers, wholly-owned subsidiaries of Brookfield Asset Management. Pursuant to a Master Services Agreement, we pay a base management fee ("base management fee"), to the service providers equal to 0.5% of the total capitalization of the partnership, subject to an annual minimum of \$50.0 million plus annual inflation adjustments. The amount of the equity enhancement distribution is reduced by the amount by which the base management fee is greater than \$50 million per annum, plus annual inflation adjustments.

The base management fee for the three months ended March 31, 2020 was \$14 million (2019 - \$24 million). The equity enhancement distribution was nil (2019 - \$4 million).

In connection with the issuance of preferred equity units of the operating partnership ("Preferred Equity Units") to a third party in the fourth quarter of 2014, Brookfield Asset Management has contingently agreed to acquire the seven-year and ten-year tranches of Preferred Equity Units from such investor for the initial issuance price plus accrued and unpaid distributions and to exchange such units for Preferred Equity Units with terms and conditions substantially similar to the twelve-year tranche to the extent that the market price of the LP Units is less than 80% of the exchange price at maturity.

The following table summarizes transactions with related parties:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|--|---------------|---------------|
| Balances outstanding with related parties: | | |
| Net (payables)/receivables within equity accounted investments | (80) | (81) |
| Loans and notes receivable | 106 | 102 |
| Receivables and other assets | 16 | 17 |
| Loans and notes payable and other liabilities | (214) | (196) |
| Preferred shares held by Brookfield Asset Management | (15) | (15) |

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|-------|
| | 2020 | 2019 |
| Transactions with related parties: | | |
| Commercial property revenue ⁽¹⁾ | \$ 7 | \$ 13 |
| Management fee income | 10 | 1 |
| Participating loan interests (including fair value gains, net) | — | 9 |
| Interest expense on debt obligations | 7 | 17 |
| Interest on capital securities held by Brookfield Asset Management | — | 7 |
| General and administrative expense ⁽²⁾ | 38 | 50 |
| Construction costs ⁽³⁾ | 118 | 202 |
| Incentive fees | 6 | — |

⁽¹⁾ Amounts received from Brookfield Asset Management and its subsidiaries for the rental of office premises.

⁽²⁾ Includes amounts paid to Brookfield Asset Management and its subsidiaries for management fees, management fees associated with the partnership's private fund investments, and administrative services.

⁽³⁾ Includes amounts paid to Brookfield Asset Management and its subsidiaries for construction costs of development properties.

ADDITIONAL INFORMATION
CRITICAL ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS
USE OF ESTIMATES

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions.

Prior to the end of the first quarter, the COVID-19 pandemic prompted certain responses from global government authorities across the various geographies in which the partnership owns and operates investment properties. Such responses, have included mandatory temporary closure of, or imposed limitations on, the operations of certain non-essential properties and businesses including office properties and retail malls and associated businesses which operate within these properties such as retailers and restaurants. In addition, shelter-in-place mandates and severe travel restrictions have had a significant adverse impact on consumer spending and demand in the near term. These negative economic indicators, restrictions and closure have created significant estimation uncertainty in the determination of the fair value of investment properties as of March 31, 2020. Specifically, while discount and capitalization rates are inherently uncertain, there has been an absence of recently observed market transactions across the partnership's geographies to support changes in such rates which is a key input into the determination of fair value. In addition, the partnership has had to make assumptions with respect to the length and severity of these restrictions and closures as well as the recovery period in estimating the impact and timing of future cash flows generated from investment properties and used in the discounted cash flow model used to determine fair value. As a result of this material estimation uncertainty there is a risk that the assumptions used to determine fair value as of March 31, 2020 may result in a material adjustment to the fair value of investment properties in future reporting periods as more information becomes available.

For further reference on accounting policies and critical judgments and estimates, see our significant accounting policies contained in Note 2, *Summary of Significant Accounting Policies* to the December 31, 2019 consolidated financial statements and Note 2c, *Summary of Significant Accounting Policies: Adoption of Accounting Standards* of the Financial Statements.

TREND INFORMATION

We seek to increase the cash flows from our office and retail property activities through continued leasing activity as described below. In particular, we are operating below our historical office occupancy level in the United States, which provides the opportunity to expand cash flows through higher occupancy. However, our future results may be impacted by risks associated with the global pandemic caused by a novel strain of coronavirus, COVID-19, and the related global reduction in commerce and travel and substantial volatility in stock markets worldwide, which may result in a decrease of cash flows and impairment losses and/or revaluations on our investments and real estate properties, and we may be unable to achieve our expected returns. In addition, we expect to face a meaningful amount of lease rollover in 2020 and 2021, which may restrain FFO growth from this part of our portfolio in the near future. Our belief is as to the opportunities for our partnership to increase its occupancy levels, lease rates and cash flows are based on assumptions about our business and markets that management believes are reasonable in the circumstances. There can be no assurance as to growth in occupancy levels, lease rates or cash flows. See "*Statement Regarding Forward-looking Statements and Use of Non-IFRS Measures*".

Transaction activity continues to be high and we are considering a number of different opportunities to acquire single assets, development sites and portfolios at attractive returns. In our continued effort to enhance returns through capital reallocation, we are also looking to divest all of, or a partial interest in, a number of mature assets to capitalize on existing market conditions.

We continue to make progress on our development pipeline, using our expertise to not only build new Class A core assets but also to reposition and redevelop existing assets in our various other sectors, particularly in retail and hospitality, where we believe we can add value and drive higher returns.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

CONTROLS AND PROCEDURES

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes made in our internal control over financial reporting that have occurred during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 pandemic on our internal controls to minimize the impact on their design and operating effectiveness.

Corporate Information

CORPORATE PROFILE

Brookfield Property Partners is one of the world's largest commercial real estate companies, with over \$85 billion in total assets. We are leading owners, operators and investors in commercial property assets, with a diversified portfolio of premier office and retail assets, as well as multifamily, triple net lease, logistics, hospitality, self-storage, student housing and manufactured housing assets. Brookfield Property Partners is listed on the Nasdaq Stock Market and Toronto Stock Exchange. Further information is available at bpy.brookfield.com. Important information may be disseminated exclusively via the website; investors should consult the site to access this information.

Brookfield Property Partners is the flagship listed real estate company of Brookfield Asset Management, a leading global alternative asset manager with over \$540 billion in assets under management.

BROOKFIELD PROPERTY PARTNERS

73 Front Street, 5th Floor
Hamilton, HM 12
Bermuda
Tel: (441) 294-3309
bpy.brookfield.com

UNITHOLDERS INQUIRIES

Brookfield Property Partners welcomes inquiries from Unitholders, analysts, media representatives and other interested parties. Questions relating to investor relations or media inquiries can be directed to Matt Cherry, Senior Vice President, Investor Relations and Communications at (212) 417-7488 or via e-mail at matthew.cherry@brookfield.com. Inquiries regarding financial results can be directed to Bryan Davis, Chief Financial Officer at (212) 417-7166 or via e-mail at bryan.davis@brookfield.com. Unitholder questions relating to distributions, address changes and unit certificates should be directed to the partnership's transfer agent, AST Trust Company, as listed below.

AST TRUST COMPANY (Canada)

By mail: P.O. Box 4229
Station A
Toronto, Ontario, M5W 0G1
Tel: (416) 682-3860; (800) 387-0825
Fax: (888) 249-6189
E-mail: inquiries@astfinancial.com
Web site: www.astfinancial.com/ca

COMMUNICATIONS

We strive to keep our Unitholders updated on our progress through a comprehensive annual report, quarterly interim reports and periodic press releases.

Brookfield Property Partners maintains a website, bpy.brookfield.com, which provides access to our published reports, press releases, statutory filings, supplementary information and unit and distribution information as well as summary information on the partnership.

We maintain an investor relations program and respond to inquiries in a timely manner. Management meets on a regular basis with investment analysts and Unitholders to ensure that accurate information is available to investors.

Brookfield Property Partners L.P.

Condensed consolidated financial statements (unaudited)

As at March 31, 2020 and December 31, 2019 and
for the three months ended March 31, 2020 and 2019

Brookfield Property Partners L.P.

Condensed Consolidated Balance Sheets

| Unaudited (US\$ Millions) | Note | As at | |
|---|--------|-------------------|-------------------|
| | | Mar. 31, 2020 | Dec. 31, 2019 |
| Assets | | | |
| Non-current assets | | | |
| Investment properties | 3 | \$ 74,286 | \$ 75,511 |
| Equity accounted investments | 4 | 20,082 | 20,764 |
| Property, plant and equipment | 5 | 6,973 | 7,278 |
| Goodwill | 6 | 978 | 1,041 |
| Intangible assets | 7 | 1,097 | 1,162 |
| Other non-current assets | 8 | 2,536 | 2,326 |
| Loans and notes receivable | | 211 | 272 |
| Total non-current assets | | 106,163 | 108,354 |
| Current assets | | | |
| Loans and notes receivable | | 89 | 57 |
| Accounts receivable and other | 9 | 1,481 | 1,407 |
| Cash and cash equivalents | | 1,776 | 1,438 |
| Total current assets | | 3,346 | 2,902 |
| Assets held for sale | 10 | 552 | 387 |
| Total assets | | \$ 110,061 | \$ 111,643 |
| Liabilities and equity | | | |
| Non-current liabilities | | | |
| Debt obligations | 11 | \$ 45,755 | \$ 46,565 |
| Capital securities | 12 | 3,040 | 3,000 |
| Other non-current liabilities | 14 | 2,358 | 2,162 |
| Deferred tax liabilities | | 2,527 | 2,515 |
| Total non-current liabilities | | 53,680 | 54,242 |
| Current liabilities | | | |
| Debt obligations | 11 | 9,185 | 8,825 |
| Capital securities | 12 | 72 | 75 |
| Accounts payable and other liabilities | 15 | 3,139 | 3,426 |
| Total current liabilities | | 12,396 | 12,326 |
| Liabilities associated with assets held for sale | 10 | 194 | 140 |
| Total liabilities | | 66,270 | 66,708 |
| Equity | | | |
| Limited partners | 16 | 12,701 | 13,274 |
| General partner | 16 | 4 | 4 |
| Preferred equity | 16 | 699 | 420 |
| Non-controlling interests attributable to: | | | |
| Redeemable/exchangeable and special limited partnership units | 16, 17 | 12,637 | 13,200 |
| Limited partnership units of Brookfield Office Properties Exchange LP | 16, 17 | 83 | 87 |
| FV LTIP units of the Operating Partnership | 16, 17 | 55 | 35 |
| Class A shares of Brookfield Property REIT Inc. ("BPYU") | 16, 17 | 1,616 | 1,930 |
| Interests of others in operating subsidiaries and properties | 17 | 15,996 | 15,985 |
| Total equity | | 43,791 | 44,935 |
| Total liabilities and equity | | \$ 110,061 | \$ 111,643 |

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Income Statements

| Unaudited (US\$ Millions, except per unit amounts) | Note | Three months ended Mar. 31, | |
|---|------|-----------------------------|---------------|
| | | 2020 | 2019 |
| Commercial property revenue | 18 | \$ 1,404 | \$ 1,474 |
| Hospitality revenue | 19 | 366 | 491 |
| Investment and other revenue | 20 | 130 | 108 |
| Total revenue | | 1,900 | 2,073 |
| Direct commercial property expense | 21 | 480 | 522 |
| Direct hospitality expense | 22 | 290 | 320 |
| Investment and other expense | | 4 | 10 |
| Interest expense | | 709 | 746 |
| Depreciation and amortization | 23 | 87 | 85 |
| General and administrative expense | 24 | 196 | 223 |
| Total expenses | | 1,766 | 1,906 |
| Fair value (losses) gains, net | 25 | (310) | 370 |
| Share of net (losses) earnings from equity accounted investments | 4 | (36) | 264 |
| (Loss) income before income taxes | | (212) | 801 |
| Income tax expense | 13 | 161 | 88 |
| Net (loss) income | | \$ (373) | \$ 713 |
| Net (less) income attributable to: | | | |
| Limited partners | | \$ (228) | \$ 146 |
| General partner | | — | — |
| Non-controlling interests attributable to: | | | |
| Redeemable/exchangeable and special limited partnership units | | (226) | 150 |
| Limited partnership units of Brookfield Office Properties Exchange LP | | (1) | 1 |
| FV LTIP units of the Operating Partnership | | — | — |
| Class A shares of Brookfield Property REIT Inc. | | (31) | 36 |
| Interests of others in operating subsidiaries and properties | | 113 | 380 |
| Total | | \$ (373) | \$ 713 |
| Net (loss) income per LP Unit: | | | |
| Basic | 16 | \$ (0.49) | \$ 0.32 |
| Diluted | 16 | \$ (0.49) | \$ 0.32 |

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Comprehensive (Loss) Income

| Unaudited (US\$ Millions) | Note | Three months ended Mar. 31, | |
|--|------|-----------------------------|--------|
| | | 2020 | 2019 |
| Net (loss) income | | \$ (373) | \$ 713 |
| Other comprehensive (loss) income | 27 | | |
| Items that may be reclassified to net income: | | | |
| Foreign currency translation | | (354) | 152 |
| Cash flow hedges | | (154) | (32) |
| Equity accounted investments | | (69) | (2) |
| Items that will not be reclassified to net income: | | | |
| Securities - fair value through other comprehensive income ("FVTOCI") | | 22 | 1 |
| Share of revaluation surplus on equity accounted investments | | (21) | — |
| Revaluation surplus | | (96) | — |
| Total other comprehensive (loss) income | | (672) | 119 |
| Total comprehensive (loss) income | | \$ (1,045) | \$ 832 |
| Comprehensive (loss) income attributable to: | | | |
| Limited partners | | | |
| Net (loss) income | | \$ (228) | \$ 146 |
| Other comprehensive (loss) income | | (249) | 40 |
| | | (477) | 186 |
| Non-controlling interests | | | |
| Redeemable/exchangeable and special limited partnership units | | | |
| Net (loss) income | | (226) | 150 |
| Other comprehensive (loss) income | | (247) | 41 |
| | | (473) | 191 |
| Limited partnership units of Brookfield Office Properties Exchange LP | | | |
| Net (loss) income | | (1) | 1 |
| Other comprehensive (loss) income | | (2) | — |
| | | (3) | 1 |
| FV LTIP units of the Operating Partnership | | | |
| Net (loss) income | | — | — |
| Other comprehensive (loss) income | | (1) | — |
| | | (1) | — |
| Class A shares of Brookfield Property REIT Inc. | | | |
| Net (loss) income | | (31) | 36 |
| Other comprehensive (loss) income | | (34) | 10 |
| | | (65) | 46 |
| Interests of others in operating subsidiaries and properties | | | |
| Net income | | 113 | 380 |
| Other comprehensive (loss) income | | (139) | 28 |
| | | (26) | 408 |
| Total comprehensive (loss) income | | \$ (1,045) | \$ 832 |

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Changes in Equity

| Unaudited (US\$ Millions) | Limited partners | | | | Total limited partners equity | General partner | | | | Preferred Equity | | Non-controlling interests | | | | | Total equity |
|---|------------------|----------------------|----------------------|--|--|-----------------|----------------------|----------------------|--|---------------------------------------|------------------------------|--|---|---|---|---|--------------|
| | Capital | Retained earnings | Ownership Changes | Accumulated other comprehensive (loss) income | | Capital | Retained earnings | Ownership Changes | Accumulated other comprehensive (loss) income | Total general partner equity | Total preferred equity | Redeemable / exchangeable and special limited partnership units | Limited partnership units of Brookfield Office Properties Exchange LP | FV LTIP units of the Operating Partnership | Class A shares of Brookfield Property REIT Inc. | Interests of others in operating subsidiaries and properties | |
| Balance as at Dec. 31, 2019 | \$ 9,257 | \$ 2,539 | \$ 1,960 | \$ (482) | \$ 13,274 | \$ 4 | \$ 2 | \$ (1) | \$ (1) | \$ 4 | \$ 420 | \$ 13,200 | \$ 87 | \$ 35 | \$ 1,930 | \$ 15,985 | \$ 44,935 |
| Net (loss) income | — | (228) | — | — | (228) | — | — | — | — | — | — | (226) | (1) | — | (31) | 113 | (373) |
| Other comprehensive (loss) | — | — | — | (249) | (249) | — | — | — | — | — | — | (247) | (2) | (1) | (34) | (139) | (672) |
| Total comprehensive (loss) | — | (228) | — | (249) | (477) | — | — | — | — | — | — | (473) | (3) | (1) | (65) | (26) | (1,045) |
| Distributions | — | (146) | — | — | (146) | — | — | — | — | — | — | (144) | (1) | — | (20) | (118) | (429) |
| Preferred distributions | — | (4) | — | — | (4) | — | — | — | — | — | — | (3) | — | — | — | — | (7) |
| Issuance / repurchase of interests in operating subsidiaries | (158) | 1 | 57 | — | (100) | — | — | — | — | — | 279 | 3 | — | 1 | (1) | 155 | 337 |
| Exchange of exchangeable units | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Conversion of Class A shares of Brookfield Property REIT Inc. | 110 | — | 111 | — | 221 | — | — | — | — | — | — | — | — | — | (221) | — | — |
| Change in relative interests of non-controlling interests | — | — | (62) | (5) | (67) | — | — | — | — | — | — | 54 | — | 20 | (7) | — | — |
| Balance as at Mar. 31, 2020 | \$ 9,209 | \$ 2,162 | \$ 2,066 | \$ (736) | \$ 12,701 | \$ 4 | \$ 2 | \$ (1) | \$ (1) | \$ 4 | \$ 699 | \$ 12,637 | \$ 83 | \$ 55 | \$ 1,616 | \$ 15,996 | \$ 43,791 |
| Balance as at Dec. 31, 2018 | \$ 8,987 | \$ 2,234 | \$ 1,657 | \$ (525) | \$ 12,353 | \$ 4 | \$ 2 | \$ (2) | \$ — | \$ 4 | \$ — | \$ 12,740 | \$ 96 | \$ — | \$ 3,091 | \$ 18,456 | \$ 46,740 |
| Net income | — | 146 | — | — | 146 | — | — | — | — | — | — | 150 | 1 | — | 36 | 380 | 713 |
| Other comprehensive income | — | — | — | 40 | 40 | — | — | — | — | — | — | 41 | — | — | 10 | 28 | 119 |
| Total comprehensive income | — | 146 | — | 40 | 186 | — | — | — | — | — | — | 191 | 1 | — | 46 | 408 | 832 |
| Distributions | — | (141) | — | — | (141) | — | — | — | — | — | — | (144) | (1) | — | (34) | (728) | (1,048) |
| Issuance / repurchase of interest in operating subsidiaries | (280) | 56 | (99) | — | (323) | — | — | — | — | — | 156 | 25 | — | — | (90) | (1,540) | (1,772) |
| Exchange of exchangeable units | 1 | — | — | — | 1 | — | — | — | — | — | — | — | (1) | — | — | — | — |
| Conversion of Class A shares of Brookfield Property REIT Inc. | 53 | — | 34 | — | 87 | — | — | — | — | — | — | — | — | — | (87) | — | — |
| Change in relative interest of non-controlling interests | — | — | (4) | 3 | (1) | — | — | — | — | — | — | 35 | 1 | — | (35) | — | — |
| Balance as at Mar. 31, 2019 | \$ 8,761 | \$ 2,295 | \$ 1,588 | \$ (482) | \$ 12,162 | \$ 4 | \$ 2 | \$ (2) | \$ — | \$ 4 | \$ 156 | \$ 12,847 | \$ 96 | \$ — | \$ 2,891 | \$ 16,596 | \$ 44,752 |

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Cash Flows

| Unaudited (US\$ Millions) | Note | Three Months Ended Mar. 31, | |
|--|------|-----------------------------|-----------------|
| | | 2020 | 2019 |
| Operating activities | | | |
| Net (loss) income | | \$ (373) | \$ 713 |
| Share of equity accounted losses (earnings), net of distributions | | 141 | (140) |
| Fair value losses (gains), net | 25 | 310 | (370) |
| Deferred income tax expense | 13 | 136 | 50 |
| Depreciation and amortization | 23 | 87 | 85 |
| Working capital and other | | 72 | 1,140 |
| | | 373 | 1,478 |
| Financing activities | | | |
| Debt obligations, issuance | | 3,952 | 3,454 |
| Debt obligations, repayments | | (3,362) | (2,806) |
| Capital securities redeemed | | — | (269) |
| Preferred equity issued | | 279 | 156 |
| Non-controlling interests, issued | | 89 | 88 |
| Non-controlling interests, purchased | | (29) | (15) |
| Repayment of lease liabilities | | (4) | (5) |
| Limited partnership units, issued | | — | 14 |
| Limited partnership units, repurchased | | (101) | (294) |
| Class A shares of Brookfield Property REIT Inc., repurchased | | (18) | (95) |
| Distributions to non-controlling interests in operating subsidiaries | | (122) | (712) |
| Preferred distributions | | (7) | — |
| Distributions to limited partnership unitholders | | (146) | (141) |
| Distributions to redeemable/exchangeable and special limited partnership unitholders | | (144) | (144) |
| Distributions to holders of Brookfield Office Properties Exchange LP units | | (1) | (1) |
| Distributions to holders of FV LTIP units of the Operating Partnership | | — | — |
| Distributions to holders of Class A shares of Brookfield Property REIT Inc. | | (20) | (34) |
| | | 366 | (804) |
| Investing activities | | | |
| Acquisitions | | | |
| Investment properties | | (583) | (816) |
| Property, plant and equipment | | (63) | (102) |
| Equity accounted investments | | (89) | (104) |
| Financial assets and other | | (390) | (503) |
| Acquisition of subsidiaries | | — | (21) |
| Dispositions | | | |
| Investment properties | | 201 | 460 |
| Property, plant and equipment | | 2 | — |
| Equity accounted investments | | 51 | 552 |
| Financial assets and other | | 499 | 269 |
| Disposition of subsidiaries | | — | 43 |
| Cash impact of deconsolidation | | — | (1,141) |
| Restricted cash and deposits | | 13 | (49) |
| | | (359) | (1,412) |
| Cash and cash equivalents | | | |
| Net change in cash and cash equivalents during the period | | 380 | (738) |
| Effect of exchange rate fluctuations on cash and cash equivalents held in foreign currencies | | (42) | (8) |
| Balance, beginning of period | | 1,438 | 3,288 |
| Balance, end of period | | \$ 1,776 | \$ 2,542 |
| Supplemental cash flow information | | | |
| Cash paid for: | | | |
| Income taxes | | \$ 21 | \$ 53 |
| Interest (excluding dividends on capital securities) | | \$ 827 | \$ 660 |

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Notes to the Condensed Consolidated Financial Statements

NOTE 1. ORGANIZATION AND NATURE OF THE BUSINESS

Brookfield Property Partners L.P. (“BPY” or the “partnership”) was formed as a limited partnership under the laws of Bermuda, pursuant to a limited partnership agreement dated January 3, 2013, as amended and restated on August 8, 2013. BPY is a subsidiary of Brookfield Asset Management Inc. (“Brookfield Asset Management” or the “parent company”) and is the primary entity through which the parent company and its affiliates own, operate, and invest in commercial and other income producing property on a global basis.

The partnership’s sole direct investments are a 50% managing general partnership units (“GP Units” or “GP”) interest in Brookfield Property L.P. (the “operating partnership”) and an interest in BP US REIT LLC, which hold the partnership’s interest in commercial and other income producing property operations. The GP Units provide the partnership with the power to direct the relevant activities of the operating partnership.

The partnership’s limited partnership units (“BPY Units” or “LP Units”) are listed and publicly traded on the Nasdaq Stock Market (“Nasdaq”) and the Toronto Stock Exchange (“TSX”) under the symbols “BPY” and “BPY.UN”, respectively.

The registered head office and principal place of business of the partnership is 73 Front Street, 5th Floor, Hamilton HM 12, Bermuda.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The interim condensed consolidated financial statements of the partnership and its subsidiaries have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB, have been omitted or condensed.

These condensed consolidated financial statements as of and for the three months ended March 31, 2020 were approved and authorized for issue by the Board of Directors of the partnership on May 7, 2020.

b) Basis of presentation

The interim condensed consolidated financial statements are prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2019. Consequently, the information included in these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the partnership’s annual report on Form 20-F for the year ended December 31, 2019.

The interim condensed consolidated financial statements are unaudited and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods presented in accordance with IFRS. The results reported in these interim condensed consolidated financial statements should not necessarily be regarded as indicative of results that may be expected for the entire year.

The interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in U.S. Dollars rounded to the nearest million unless otherwise indicated.

c) Estimates

The preparation of the partnership’s interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgment in applying the partnership’s accounting policies. The accounting policies and critical estimates and assumptions have been set out in Note 2, *Summary of Significant Accounting Policies*, to the partnership’s consolidated financial statements for the year ended December 31, 2019 and have been consistently applied in the preparation of the interim condensed consolidated financial statements as of and for the three months ended March 31, 2020.

Prior to the end of the first quarter, there was a global outbreak of a new strain of Coronavirus (“COVID-19”) which prompted certain responses from global government authorities across the various geographies in which the partnership owns and operates investment properties. Such responses, have included mandatory temporary closure of, or imposed limitations on, the operations of certain non-essential properties and businesses including office properties and retail malls and associated businesses which operate within these properties such as retailers and restaurants. In addition, shelter-in-place mandates and severe travel restrictions have had a significant adverse impact on consumer spending and demand in the near term. These negative economic indicators, restrictions and closure have created significant estimation uncertainty in the determination of the fair value of investment properties as of March 31, 2020. Specifically, while discount and capitalization rates are inherently uncertain, there has been an absence of recently observed market transactions across the partnership’s geographies to support changes in such rates which is a key input into the determination of fair value. In addition, the partnership has had to make assumptions with respect to the length and severity of these restrictions and closures as well as the recovery period in estimating the impact and timing of future cash flows generated from investment properties and used in the discounted cash flow model used to determine fair value. As a result of this material estimation uncertainty there is a risk that the assumptions used to determine fair value as of March 31, 2020 may result in a material adjustment to the fair value of investment properties in future reporting periods as more information becomes available.

NOTE 3. INVESTMENT PROPERTIES

The following table presents a roll forward of the partnership's investment property balances, all of which are considered Level 3 within the fair value hierarchy, for the three months ended March 31, 2020 and the year ended December 31, 2019:

| (US\$ Millions) | Three months ended Mar. 31, 2020 | | | Year ended Dec. 31, 2019 | | |
|--|----------------------------------|-------------------------|-----------|--------------------------|-------------------------|-----------|
| | Commercial properties | Commercial developments | Total | Commercial properties | Commercial developments | Total |
| Balance, beginning of period | \$ 71,565 | \$ 3,946 | \$ 75,511 | \$ 76,014 | \$ 4,182 | \$ 80,196 |
| Changes resulting from: | | | | | | |
| Property acquisitions | 38 | 92 | 130 | 6,797 | 246 | 7,043 |
| Capital expenditures | 283 | 278 | 561 | 1,540 | 1,229 | 2,769 |
| Accounting policy change ⁽¹⁾ | — | — | — | 704 | 22 | 726 |
| Property dispositions ⁽²⁾ | (25) | (21) | (46) | (742) | (37) | (779) |
| Fair value gains (losses), net | (89) | 88 | (1) | 301 | 557 | 858 |
| Foreign currency translation | (1,560) | (235) | (1,795) | 69 | 72 | 141 |
| Transfer between commercial properties and commercial developments | 91 | (91) | — | 354 | (354) | — |
| Impact of deconsolidation due to loss of control ⁽³⁾ | — | — | — | (10,701) | (798) | (11,499) |
| Reclassifications to assets held for sale and other changes | (74) | — | (74) | (2,771) | (1,173) | (3,944) |
| Balance, end of period ⁽⁴⁾ | \$ 70,229 | \$ 4,057 | \$ 74,286 | \$ 71,565 | \$ 3,946 | \$ 75,511 |

⁽¹⁾ The prior year primarily includes the impact of the adoption of IFRS 16, Leases ("IFRS 16") through the recognition of right-of-use ("ROU") assets.

⁽²⁾ Property dispositions represent the fair value on date of sale.

⁽³⁾ The prior year primarily includes the impact of the deconsolidation of Brookfield Strategic Real Estate Partners III ("BSREP III") investments. See below for further information.

⁽⁴⁾ Includes right-of-use commercial properties and commercial developments of \$707 million and \$30 million, respectively, as of March 31, 2020. Current lease liabilities of \$37 million have been included in accounts payable and other liabilities and non-current lease liabilities of \$700 million have been included in other non-current liabilities.

The partnership determines the fair value of each commercial property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflows in respect of such leases. Investment property valuations are generally completed by undertaking one of two accepted income approach methods, which include either: i) discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows; or ii) undertaking a direct capitalization approach whereby a capitalization rate is applied to estimated current year cash flows. Where there has been a recent market transaction for a specific property, such as an acquisition or sale of a partial interest, the partnership values the property on that basis. In determining the appropriateness of the methodology applied, the partnership considers the relative uncertainty of the timing and amount of expected cash flows and the impact such uncertainty would have in arriving at a reliable estimate of fair value. The partnership prepares these valuations considering asset and market specific factors, as well as observable transactions for similar assets. The determination of fair value requires the use of estimates, which are internally determined and compared with market data, third-party reports and research as well as observable conditions. Except for the impacts of the COVID-19 pandemic which are discussed below, there are currently no other known trends, events or uncertainties that the partnership reasonably believes could have a sufficiently pervasive impact across the partnership's businesses to materially affect the methodologies or assumptions utilized to determine the estimated fair values reflected in this report. Discount rates and capitalization rates are inherently uncertain and may be impacted by, among other things, movements in interest rates in the geographies and markets in which the assets are located. Changes in estimates of discount and capitalization rates across different geographies and markets are often independent of each other and not necessarily in the same direction or of the same magnitude. Further, impacts to the partnership's fair values of commercial properties from changes in discount or capitalization rates and cash flows are usually inversely correlated. Decreases (increases) in the discount rate or capitalization rate result in increases (decreases) of fair value. Such decreases (increases) may be mitigated by decreases (increases) in cash flows included in the valuation analysis, as circumstances that typically give rise to increased interest rates (e.g., strong economic growth, inflation) usually give rise to increased cash flows at the asset level. Refer to the table below for further information on valuation methods used by the partnership for its asset classes.

Commercial developments are also measured using a discounted cash flow model, net of costs to complete, as of the balance sheet date. Development sites in the planning phases are measured using comparable market values for similar assets.

In accordance with its policy, the partnership generally measures and records its commercial properties and developments using valuations prepared by management. However, for certain subsidiaries, the partnership relies on quarterly valuations prepared by external valuation professionals. Management compares the external valuations to the partnership's internal valuations to review the work performed by the external valuation professionals. Additionally, a number of properties are externally appraised each year and the results of those appraisals are compared to the partnership's internally prepared values.

2020 Conditions

COVID-19

The COVID-19 pandemic has spread globally, and actions taken in response to COVID-19 have interrupted business activities and supply chains; disrupted travel; contributed to significant volatility in the financial markets, resulting in a general decline in equity prices and lower interest rates; impacted social conditions; and adversely impacted local, regional, national and international economic conditions, as well as the labor markets. The economic impact of COVID-19 did not materially impact the partnership's commercial property revenue earned in the quarter. While its commercial property revenues were not immediately impacted by the pandemic, near term cash flows have been impacted and future revenues and cash flows produced by these operating properties are more uncertain than normal as a result of the rapid impact to the global economy in response to measures put in place to control the pandemic. The partnership has adjusted cash flow assumptions for its estimate of near term disruptions to cash flows to reflect collections, vacancy and assumptions on new leasing.

The partnership undertook a process to assess the appropriateness of the discount and terminal capitalization rates considering changes to risk-free rates, changes to credit spreads as well as changes to property-level cash flows and any risk premium inherent in such cash flow changes. All of these considerations led the partnership to conclude that the vast majority of discount rates and terminal cap rates for the current period should remain consistent with year-end rates. As the partnership learns more about the mid- and longer-term impacts of the pandemic on its business the partnership will update its valuation models accordingly.

2019 Transactions

BSREP III deconsolidation

In the first quarter of 2019, BSREP III held its final close with total equity commitments of \$15 billion. Prior to final close, the partnership had committed to 25%, or a controlling interest in the fund and as a result, had previously consolidated the investments made to date. Upon final close, on January 31, 2019, the partnership reduced its commitment to \$1.0 billion, representing a 7% non-voting position. As a result, the partnership lost control and deconsolidated its investment in the fund, which primarily consists of Forest City and 660 Fifth Avenue. The partnership recognizes its investment in BSREP III as a financial asset, initially recognized at fair value and remeasured on each reporting date through fair value gain or loss. As a result of the deconsolidation, investment properties decreased by \$11,499 million, equity accounted investments decreased by \$1,434 million, property, plant and equipment decreased by \$789 million and debt obligations decreased by \$13,601 million.

Adoption of IFRS 16

The impact of the January 1, 2019 adoption of IFRS 16 resulted in the recognition of ROU investment properties of \$726 million. Fair value gains (loss) related to IFRS 16 ROU assets for the three months ended March 31, 2020 was \$(1) million (2019 - \$(1) million). As of March 31, 2020, ROU investment properties was \$737 million (December 31, 2019 - \$752 million).

Valuation Metrics

The key valuation metrics for the partnership's consolidated commercial properties are set forth in the following tables below on a weighted-average basis:

| Consolidated properties | Primary valuation method | Mar. 31, 2020 | | | Dec. 31, 2019 | | |
|---|--------------------------|---------------|------------------------------|----------------------------|---------------|------------------------------|----------------------------|
| | | Discount rate | Terminal capitalization rate | Investment horizon (years) | Discount rate | Terminal capitalization rate | Investment horizon (years) |
| Core Office | | | | | | | |
| United States | Discounted cash flow | 7.0% | 5.6 % | 12 | 7.0% | 5.6 % | 12 |
| Canada | Discounted cash flow | 5.9% | 5.2 % | 10 | 5.9% | 5.2 % | 10 |
| Australia | Discounted cash flow | 6.7% | 5.9 % | 10 | 6.8% | 5.9 % | 10 |
| Europe | Discounted cash flow | 4.6% | 4.1 % | 11 | 4.6% | 4.1 % | 11 |
| Brazil | Discounted cash flow | 7.9% | 7.4 % | 10 | 7.9% | 7.4 % | 10 |
| Core Retail | Discounted cash flow | 6.8% | 5.4 % | 10 | 6.7% | 5.4 % | 10 |
| LP Investments- Office | Discounted cash flow | 9.9% | 7.3 % | 7 | 10.0% | 7.3 % | 7 |
| LP Investments- Retail | Discounted cash flow | 8.7% | 7.0 % | 10 | 8.8% | 7.3 % | 10 |
| Mixed-use | Discounted cash flow | 7.4% | 5.3 % | 10 | 7.6% | 5.4 % | 10 |
| Logistics⁽¹⁾ | Direct capitalization | 5.8% | n/a | n/a | 5.8% | n/a | n/a |
| Multifamily⁽¹⁾ | Direct capitalization | 5.0% | n/a | n/a | 5.1% | n/a | n/a |
| Triple Net Lease⁽¹⁾ | Direct capitalization | 6.3% | n/a | n/a | 6.3% | n/a | n/a |
| Self-storage⁽¹⁾ | Direct capitalization | 5.6% | n/a | n/a | 5.6% | n/a | n/a |
| Student Housing⁽¹⁾ | Direct capitalization | 4.9% | n/a | n/a | 5.1% | n/a | n/a |
| Manufactured Housing⁽¹⁾ | Direct capitalization | 5.5% | n/a | n/a | 5.5% | n/a | n/a |

⁽¹⁾ The valuation method used to value multifamily, triple net lease, self-storage, student housing, logistics and manufactured housing properties is the direct capitalization method. The rates presented as the discount rate relate to the overall implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable.

Fair Value Measurement

The following table presents the partnership's investment properties measured at fair value in the condensed consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined in Note 2(i), *Summary of Significant Accounting Policies: Fair value measurement*, in the consolidated financial statements as of December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | | | | Dec. 31, 2019 | | | |
|------------------------|---------------|-------------|-----------------------|-------------------------|---------------|-------------|-----------------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| | | | Commercial properties | Commercial developments | | | Commercial properties | Commercial developments |
| Core Office | | | | | | | | |
| United States | \$ — | \$ — | \$ 15,278 | \$ 601 | \$ — | \$ — | \$ 15,213 | \$ 535 |
| Canada | — | — | 4,303 | 252 | — | — | 4,633 | 173 |
| Australia | — | — | 1,650 | 436 | — | — | 1,881 | 419 |
| Europe | — | — | 886 | 1,860 | — | — | 936 | 1,931 |
| Brazil | — | — | 278 | — | — | — | 361 | — |
| Core Retail | — | — | 21,352 | — | — | — | 21,561 | — |
| LP Investments | | | | | | | | |
| LP Investments- Office | — | — | 7,757 | 660 | — | — | 8,054 | 702 |
| LP Investments- Retail | — | — | 2,944 | — | — | — | 2,812 | — |
| Logistics | — | — | 82 | 42 | — | — | 84 | 10 |
| Multifamily | — | — | 2,771 | — | — | — | 2,937 | — |
| Triple Net Lease | — | — | 4,432 | — | — | — | 4,508 | — |
| Self-storage | — | — | 995 | 18 | — | — | 991 | 16 |
| Student Housing | — | — | 2,333 | 188 | — | — | 2,445 | 160 |
| Manufactured Housing | — | — | 2,499 | — | — | — | 2,446 | — |
| Mixed-Use | — | — | 2,669 | — | — | — | 2,703 | — |
| Total | \$ — | \$ — | \$ 70,229 | \$ 4,057 | \$ — | \$ — | \$ 71,565 | \$ 3,946 |

Fair Value Sensitivity

The following table presents a sensitivity analysis to the impact of a 25 basis point movement of the discount rate and terminal capitalization or overall implied capitalization rate on fair values of the partnership's commercial properties for the three months ended March 31, 2020, for properties valued using the discounted cash flow or direct capitalization method, respectively:

| (US\$ Millions) | Mar. 31, 2020 |
|------------------------|---|
| | Impact on fair value of commercial properties |
| Core Office | |
| United States | 764 |
| Canada | 208 |
| Australia | 94 |
| Europe | 157 |
| Brazil | 10 |
| Core Retail | 1,110 |
| LP Investments | |
| LP Investments- Office | 354 |
| LP Investments- Retail | 171 |
| Mixed-use | 125 |
| Logistics | 3 |
| Multifamily | 125 |
| Triple Net Lease | 160 |
| Self-storage | 40 |
| Student Housing | 113 |
| Manufactured Housing | 109 |
| Total | \$ 3,543 |

NOTE 4. EQUITY ACCOUNTED INVESTMENTS

The partnership has investments in joint arrangements that are joint ventures, and also has investments in associates. Joint ventures hold individual commercial properties and portfolios of commercial properties and developments that the partnership owns together with co-owners where decisions relating to the relevant activities of the joint venture require the unanimous consent of the co-owners. Details of the partnership's investments in joint ventures and associates, which have been accounted for in accordance with the equity method of accounting, are as follows:

| (US\$ Millions) | Principal activity | Principal place of business | Proportion of ownership interests | | Carrying value | |
|---|--------------------------|-----------------------------|-----------------------------------|---------------|------------------|------------------|
| | | | Mar. 31, 2020 | Dec. 31, 2019 | Mar. 31, 2020 | Dec. 31, 2019 |
| Joint Ventures | | | | | | |
| Canary Wharf Joint Venture ⁽¹⁾ | Property holding company | United Kingdom | 50 % | 50 % | \$ 3,294 | \$ 3,578 |
| Ala Moana Center, Hawaii | Property holding company | United States | 50 % | 50 % | 1,929 | 1,946 |
| Manhattan West, New York | Property holding company | United States | 56 % | 56 % | 1,973 | 1,918 |
| BPYU JV Pool A | Property holding company | United States | 50 % | 50 % | 1,925 | 1,882 |
| BPYU JV Pool B | Property holding company | United States | 51 % | 51 % | 1,337 | 1,366 |
| Fashion Show, Las Vegas | Property holding company | United States | 50 % | 50 % | 822 | 832 |
| BPYU JV Pool C | Property holding company | United States | 50 % | 50 % | 770 | 777 |
| Grace Building, New York | Property holding company | United States | 50 % | 50 % | 737 | 716 |
| BPYU JV Pool D | Property holding company | United States | 48 % | 48 % | 622 | 649 |
| Southern Cross East, Melbourne | Property holding company | Australia | 50 % | 50 % | 411 | 466 |
| The Grand Canal Shoppes, Las Vegas | Property holding company | United States | 50 % | 50 % | 398 | 414 |
| One Liberty Plaza, New York | Property holding company | United States | 51 % | 51 % | 389 | 409 |
| 680 George Street, Sydney | Property holding company | Australia | 50 % | 50 % | 298 | 340 |
| Brookfield Brazil Retail Fundo de Investimento em Participação | Holding company | Brazil | 46 % | 46 % | 261 | 335 |
| Baybrook Mall, Texas | Property holding company | United States | 51 % | 51 % | 316 | 332 |
| Brookfield D.C. Office Partners LLC ("D.C. Fund"), Washington, D.C. | Property holding company | United States | 51 % | 51 % | 285 | 283 |
| The Mall in Columbia, Maryland | Property holding company | United States | 50 % | 50 % | 280 | 282 |
| BPYU JV Pool F | Property holding company | United States | 51 % | 51 % | 277 | 278 |
| BPYU JV Pool G | Property holding company | United States | 68 % | 68 % | 251 | 254 |
| Miami Design District, Florida | Property holding company | United States | 22 % | 22 % | 249 | 252 |
| Other ⁽²⁾ | Various | Various | 14% - 55% | 14% - 55% | 2,972 | 3,119 |
| | | | | | 19,796 | 20,428 |
| Associates | | | | | | |
| Other | Various | Various | 16% - 31% | 23% - 31% | 286 | 336 |
| | | | | | 286 | 336 |
| Total | | | | | \$ 20,082 | \$ 20,764 |

⁽¹⁾ *Stork Holdco LP is the joint venture through which the partnership acquired Canary Wharf Group plc in London.*

⁽²⁾ *Other joint ventures consists of approximately 37 joint ventures.*

2020 Conditions

In the first quarter of 2020, due to the market uncertainty from COVID-19, the partnership has made adjustments to its cash flow models for all properties within the partnership's equity accounted investments to reflect its assumptions with respect to rent collections, potential tenant bankruptcies, anticipated length of closures and travel restrictions. These assumptions considered all information available to the partnership at the time of the valuation. The partnership's share of fair value losses primarily from the partnership's Core Retail joint ventures reflects updated cashflow assumptions on a sensitized basis which assumes there is a percentage of rent that the partnership will not collect over a period of time due to the pandemic and the resulting store closures. The partnership has left valuation metrics consistent with prior period as the partnership believes it has reflected sufficient cash flow risk in the downward adjustments to near-term cash flows whereby changes to discount rates are not required at this time. Please see Note 3, *Investment Properties* for further information.

2019 Transactions

In the first quarter of 2019, the deconsolidation of BSREP III resulted in a decrease to equity accounted investments of \$1,434 million. Please see Note 3, *Investment Properties* for further information.

In the fourth quarter of 2019, the partnership acquired its joint venture partners' incremental interest in Park Meadows in Colorado, Towson Town Center in Maryland, Perimeter Mall in Georgia, and Shops at Merrick Park in Florida, to bring its ownership to 100% and concurrently sold its interest in Bridgewater Commons in New Jersey to the joint venture partner. Prior to the acquisition, the partnership's joint venture interest was reflected as equity accounted investments. As a result, the partnership gained control of the investments and consolidate its results.

The following table presents the change in the balance of the partnership's equity accounted investments as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Three months ended | |
|---|--------------------|--------------------------|
| | Mar. 31, 2020 | Year ended Dec. 31, 2019 |
| Equity accounted investments, beginning of period | \$ 20,764 | \$ 22,698 |
| Additions | 89 | 684 |
| Disposals and return of capital distributions | (54) | (764) |
| Share of net earnings from equity accounted investments | (36) | 1,969 |
| Distributions received | (105) | (470) |
| Foreign currency translation | (447) | 127 |
| Reclassification to assets held for sale ⁽¹⁾ | (7) | (189) |
| Impact of deconsolidation due to loss of control ⁽²⁾ | — | (1,434) |
| Other comprehensive income and other ⁽³⁾ | (122) | (1,857) |
| Equity accounted investments, end of period | \$ 20,082 | \$ 20,764 |

⁽¹⁾ The partnership's interest in the Diplomat Resort and Spa ("Diplomat") in Florida was reclassified to assets held for sale in the fourth quarter of 2019.

⁽²⁾ The prior year includes the impact of the deconsolidation of BSREP III investments, primarily Forest City. See above for further information.

⁽³⁾ The partnership acquired an incremental interest in Park Meadows in Colorado, Towson Town Center in Maryland, Perimeter Mall in Georgia, Shops at Merrick Park in Florida and 730 Fifth Avenue in New York during 2019, bringing its ownership in each of the malls to 100%. As a result, the partnership now consolidates its interest in the assets. The partnership also acquired an incremental interest in One and Two London Wall Place in London during 2019. As a result, the partnership now consolidates its interest in the assets

The key valuation metrics for the partnership's commercial properties held within the partnership's equity accounted investments are set forth in the table below on a weighted-average basis:

| Equity accounted investments | Primary valuation method | Mar. 31, 2020 | | | Dec. 31, 2019 | | |
|----------------------------------|--------------------------|---------------|------------------------------|--------------------------|---------------|------------------------------|--------------------------|
| | | Discount rate | Terminal capitalization rate | Investment horizon (yrs) | Discount rate | Terminal capitalization rate | Investment horizon (yrs) |
| Core Office | | | | | | | |
| United States | Discounted cash flow | 6.8% | 4.9 % | 11 | 6.8 % | 4.9 % | 11 |
| Australia | Discounted cash flow | 7.1% | 6.3 % | 10 | 6.5 % | 5.2 % | 10 |
| Europe | Discounted cash flow | 4.8% | 5.0 % | 10 | 4.6% | 5.0 % | 10 |
| Core Retail | | | | | | | |
| United States | Discounted cash flow | 6.3% | 4.9 % | 10 | 6.3% | 4.9 % | 10 |
| LP Investments - Office | Discounted cash flow | 6.0% | 5.3 % | 10 | 6.0% | 5.3 % | 10 |
| LP Investments - Retail | Discounted cash flow | 7.4% | 6.1 % | 10 | 7.4 % | 6.2 % | 10 |
| Multifamily⁽¹⁾ | Direct capitalization | 5.1% | n/a | n/a | 5.3 % | n/a | n/a |

⁽¹⁾ The valuation method used to value multifamily investments is the direct capitalization method. The rates presented as the discount rate relate to the overall implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable.

Summarized financial information in respect of the partnership's equity accounted investments is presented below:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|--|------------------|------------------|
| Non-current assets | \$ 74,197 | \$ 75,715 |
| Current assets | 4,014 | 4,386 |
| Total assets | 78,211 | 80,101 |
| Non-current liabilities | 29,612 | 30,093 |
| Current liabilities | 5,611 | 5,786 |
| Total liabilities | 35,223 | 35,879 |
| Net assets | 42,988 | 44,222 |
| Partnership's share of net assets | \$ 20,082 | \$ 20,764 |

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Revenue | \$ 1,243 | \$ 1,381 |
| Expenses | 826 | 902 |
| Income from equity accounted investments ⁽¹⁾ | 18 | 10 |
| Income before fair value gains, net | 435 | 489 |
| Fair value (losses) gains, net | (480) | 45 |
| Net (loss) income | (45) | 534 |
| Partnership's share of net (losses) earnings | \$ (36) | \$ 264 |

⁽¹⁾ Share of net earnings from equity accounted investments recorded by the partnership's joint ventures and associates.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment primarily consists of hospitality assets such as Center Parcs UK, Paradise Island Holdings Limited ("Atlantis"), a portfolio of extended-stay hotels in the U.S. and a hotel at IFC Seoul.

The following table presents the useful lives of each hospitality asset by class:

| Hospitality assets by class | Useful life (in years) |
|------------------------------------|------------------------|
| Building and building improvements | 5 to 50+ |
| Land improvements | 14 to 15 |
| Furniture, fixtures and equipment | 2 to 15 |

In the first quarter of 2020, the hospitality sector had the most immediate and acute impact from COVID-19 as the majority of the partnership's hospitality investments were closed, and currently remain closed, either as a result of mandatory closure orders from various government authorities or due to severe travel restrictions. As a result of these closures, the partnership identified impairment indicators and performed impairment tests for each of the partnership's hospitality investments based on revised cash flows and valuation metrics.

For the three months ended March 31, 2020, the partnership recognized an impairment of its property, plant and equipment, primarily related to Atlantis of \$26 million, as a result of the impacts of COVID-19 on estimated operating cash flows. The recoverable amount was determined based on a value-in-use approach based on a terminal growth rate of 2.5% and a discount rate of 10.5%. The impairment was recorded as a reduction in the revaluation surplus included in other comprehensive income.

The following table presents the change to the components of the partnership's hospitality assets for the three months ended March 31, 2020 and for the year ended December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|-----------------|-----------------|
| Cost: | | |
| Balance at the beginning of period | \$ 7,246 | \$ 7,461 |
| Acquisitions through business acquisitions | — | — |
| Accounting policy change ⁽¹⁾ | — | 122 |
| Additions | 64 | 387 |
| Disposals | (26) | (52) |
| Foreign currency translation | (233) | 98 |
| Impact of deconsolidation due to loss of control and other ⁽²⁾ | — | (770) |
| | 7,051 | 7,246 |
| Accumulated fair value changes: | | |
| Balance at the beginning of period | 1,343 | 1,049 |
| Revaluation (losses) gains, net ⁽³⁾ | (57) | 301 |
| Impact of deconsolidation due to loss of control and other ⁽²⁾ | — | (7) |
| Provision for impairment ⁽³⁾ | (7) | — |
| Foreign currency translation | (15) | — |
| | 1,264 | 1,343 |
| Accumulated depreciation: | | |
| Balance at the beginning of period | (1,311) | (1,004) |
| Depreciation | (83) | (329) |
| Disposals | 20 | 30 |
| Foreign currency translation | 32 | (15) |
| Impact of deconsolidation due to loss of control and other ⁽²⁾ | — | 7 |
| | (1,342) | (1,311) |
| Total property, plant and equipment | \$ 6,973 | \$ 7,278 |

⁽¹⁾ The prior year includes the impact of the adoption of IFRS 16 through the recognition of right-of-use assets.

⁽²⁾ The prior year includes the impact of the deconsolidation of BSREP III investments. See Note 3, Investment Properties for further information.

⁽³⁾ The current year impairment losses were recorded as revaluation losses, net in other comprehensive income and impairment expense in the income statement as a result of the impairment tests performed on each of the partnership's hospitality investments from the impact of COVID-19 as discussed above.

NOTE 6. GOODWILL

Goodwill of \$978 million at March 31, 2020 (December 31, 2019 - \$1,041 million) is primarily attributable to Center Parcs UK and IFC Seoul. The partnership normally performs a goodwill impairment test annually by assessing if the carrying value of the cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use.

The partnership tested the goodwill attributed to Center Parcs UK for impairment and trademark assets as of March 31, 2020 as a result of the closure of its villages due to COVID-19. Based on the impairment test, no impairment was recorded as the recoverable amount of the cash-generating unit of \$3,788 million exceeded the carrying value of the cash-generating unit of \$3,688 million. The recoverable amount was determined based on a value-in-use approach based on a terminal growth rate of 2.0% and a discount rate of 7.9%.

NOTE 7. INTANGIBLE ASSETS

The partnership's intangible assets are presented on a cost basis, net of accumulated amortization and accumulated impairment losses in the condensed consolidated balance sheets. These intangible assets primarily represent the trademark assets related to Center Parcs UK.

The trademark assets of Center Parcs UK had a carrying amount of \$893 million as of March 31, 2020 (December 31, 2019 - \$956 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these trademarks exclusively in certain territories and in perpetuity. The business model of Center Parcs UK is not subject to technological obsolescence or commercial innovations in any material way.

In addition, intangible assets include the trademark and licensing assets relating to Atlantis. At March 31, 2020, intangible assets of the Atlantis had a carrying value of \$202 million (December 31, 2019 - \$205 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these intangible assets granted under perpetual licenses. The business model of Atlantis is not subject to technological obsolescence or commercial innovations in any material way.

| Intangible assets by class | Useful life (in years) |
|----------------------------|------------------------|
| Trademarks | Indefinite |
| Management contracts | 40 |
| Customer relationships | 9 |
| Other | 4 to 7 |

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are amortized over their respective useful lives as listed above. Amortization expense is recorded as part of depreciation and amortization of non-real estate assets expense.

For the three months ended March 31, 2020, the partnership recognized an impairment of its intangible assets related to Atlantis of \$3 million as a result of the impacts of COVID-19 on estimated operating cash flows. The recoverable amount was determined based on a value-in-use approach based on a terminal growth rate of 2.5% and a discount rate of 10.5%. The impairment was recorded as a charge through the income statement during the period.

The following table presents the components of the partnership's intangible assets as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|-------------------------------|-----------------|-----------------|
| Cost | \$ 1,205 | \$ 1,265 |
| Accumulated amortization | (57) | (55) |
| Accumulated impairment losses | (51) | (48) |
| Balance, end of period | \$ 1,097 | \$ 1,162 |

The following table presents a roll forward of the partnership's intangible assets for the three months ended March 31, 2020 and the year ended December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|-----------------|-----------------|
| Balance, beginning of period | \$ 1,162 | \$ 1,179 |
| Acquisitions | — | 9 |
| Disposals | — | — |
| Amortization | (2) | (12) |
| Impairment losses | (3) | — |
| Foreign currency translation | (60) | 36 |
| Reclassification to assets held for sale and other ⁽¹⁾ | — | (50) |
| Balance, end of period | \$ 1,097 | \$ 1,162 |

⁽¹⁾ Includes the impact of the deconsolidation of BSREP III investments. See Note 3, Investment Properties for further information.

NOTE 8. OTHER NON-CURRENT ASSETS

The components of other non-current assets are as follows:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---------------------------------------|-----------------|-----------------|
| Securities - FVTPL | \$ 1,358 | \$ 1,250 |
| Derivative assets | 100 | 10 |
| Securities - FVTOCI | 81 | 121 |
| Restricted cash | 128 | 154 |
| Inventory | 586 | 507 |
| Other | 283 | 284 |
| Total other non-current assets | \$ 2,536 | \$ 2,326 |

Securities - FVTPL

Securities - FVTPL consists of its investment in convertible preferred units of a U.S. hospitality operating company. The preferred units earn a fixed cumulative dividend of 7.5% per annum compounding quarterly. Additionally, the partnership receives distributions in additional convertible preferred units of the U.S. hospitality operating company at 5.0% per annum compounding quarterly. In 2019, the partnership purchased an additional \$238 million of convertible preferred units of a U.S. hospitality operating company. The carrying value of these convertible preferred units at March 31, 2020 was \$423 million (December 31, 2019 - \$418 million).

Also included in Securities - FVTPL is the partnership's investment in BSREP III, which is accounted for as a financial asset following the deconsolidation of its investments in the first quarter of 2019. The carrying value of the BSREP III financial asset at March 31, 2020 was \$480 million (December 31, 2019 - \$417 million).

NOTE 9. ACCOUNTS RECEIVABLE AND OTHER

The components of accounts receivable and other are as follows:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|--|-----------------|-----------------|
| Derivative assets | \$ 242 | \$ 80 |
| Accounts receivable ⁽¹⁾ | 469 | 510 |
| Restricted cash and deposits | 248 | 239 |
| Prepaid expenses | 251 | 278 |
| Other current assets | 271 | 300 |
| Total accounts receivable and other | \$ 1,481 | \$ 1,407 |

⁽¹⁾ See Note 30, Related Parties, for further discussion

NOTE 10. HELD FOR SALE

Non-current assets and groups of assets and liabilities which comprise disposal groups are presented as assets held for sale where the asset or disposal group is available for immediate sale in its present condition, and the sale is highly probable.

The following is a summary of the assets and liabilities that were classified as held for sale as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|---------------|---------------|
| Investment properties | \$ 318 | \$ 160 |
| Equity accounted investments | 230 | 223 |
| Accounts receivable and other assets | 4 | 4 |
| Assets held for sale | 552 | 387 |
| Debt obligations | 190 | 138 |
| Accounts payable and other liabilities | 4 | 2 |
| Liabilities associated with assets held for sale | \$ 194 | \$ 140 |

The following table presents the change to the components of the assets held for sale for the three months ended March 31, 2020 and the year ended December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|---------------|---------------|
| Balance, beginning of period | \$ 387 | \$ 1,004 |
| Reclassification to assets held for sale, net | 311 | 3,387 |
| Disposals | (155) | (4,038) |
| Fair value adjustments | (1) | 14 |
| Foreign currency translation | — | (5) |
| Other | 10 | 25 |
| Balance, end of period | \$ 552 | \$ 387 |

At December 31, 2019, assets held for sale included its equity accounted investment in the Diplomat in Florida, an office asset in California and six triple net lease assets in the United States.

In the first quarter of 2019, the partnership sold an office asset in California and five triple-net lease asset in the U.S within the LP Investments portfolio for net proceeds of approximately \$73 million.

At March 31, 2020, assets held for sale included its equity accounted investment in the Diplomat in Florida, two office assets in the U.S., four triple net lease assets in the United States and seven multifamily assets in the U.S., as the partnership intends to sell controlling interest in these assets to third parties in the next 12 months.

NOTE 11. DEBT OBLIGATIONS

The partnership's debt obligations include the following:

| (US\$ Millions) | Mar. 31, 2020 | | Dec. 31, 2019 | |
|---|-----------------------|------------------|-----------------------|------------------|
| | Weighted-average rate | Debt balance | Weighted-average rate | Debt balance |
| Unsecured facilities: | | | | |
| Brookfield Property Partners' credit facilities | 2.49 % | 772 | 3.33 % | 836 |
| Brookfield Property Partners' corporate bonds | 3.35 % | 1,357 | 4.25 % | 1,082 |
| Brookfield Property REIT Inc. term debt | 3.36 % | 4,005 | 4.17 % | 4,010 |
| Brookfield Property REIT Inc. senior secured notes | 5.75 % | 1,000 | 5.75 % | 1,000 |
| Brookfield Property REIT Inc. corporate facility | 3.18 % | 765 | 4.03 % | 715 |
| Brookfield Property REIT Inc. junior subordinated notes | 3.22 % | 206 | 3.39 % | 206 |
| Subsidiary borrowings | 2.92 % | 260 | 3.27 % | 202 |
| Secured debt obligations: | | | | |
| Funds subscription credit facilities ⁽¹⁾ | 2.19 % | 35 | 2.83 % | 57 |
| Fixed rate | 4.31 % | 29,356 | 4.35 % | 28,717 |
| Variable rate | 4.10 % | 17,771 | 4.52 % | 19,121 |
| Deferred financing costs | | (397) | | (418) |
| Total debt obligations | | \$ 55,130 | | \$ 55,528 |
| Current | | 9,185 | | 8,825 |
| Non-current | | 45,755 | | 46,565 |
| Debt associated with assets held for sale | | 190 | | 138 |
| Total debt obligations | | \$ 55,130 | | \$ 55,528 |

⁽¹⁾ Funds subscription credit facilities are secured by co-investors' capital commitments.

Debt obligations include foreign currency denominated debt in the functional currencies of the borrowing subsidiaries. Debt obligations by currency are as follows:

| (Millions) | Mar. 31, 2020 | | Dec. 31, 2019 | |
|-------------------------------|------------------|----------------|------------------|----------------|
| | U.S. Dollars | Local currency | U.S. Dollars | Local currency |
| U.S. Dollars | \$ 39,634 | \$ 39,634 | \$ 39,286 | \$ 39,286 |
| British Pounds | 6,558 £ | 5,280 | 6,997 £ | 5,279 |
| Canadian Dollars | 3,557 C\$ | 5,001 | 3,431 C\$ | 4,457 |
| South Korean Won | 1,870 ₩ | 2,280,000 | 1,973 ₩ | 2,280,000 |
| Australian Dollars | 1,124 A\$ | 1,834 | 1,273 A\$ | 1,814 |
| Indian Rupee | 2,112 Rs | 158,803 | 2,209 Rs | 157,797 |
| Brazilian Reais | 372 R\$ | 1,932 | 480 R\$ | 1,935 |
| Chinese Yuan | 11 C¥ | 78 | 11 C¥ | 78 |
| Euros | 289 € | 262 | 286 € | 255 |
| Deferred financing costs | | (397) | | (418) |
| Total debt obligations | \$ 55,130 | | \$ 55,528 | |

The components of changes in debt obligations, including changes related to cash flows from financing activities, are summarized in the table below:

| (US\$ Millions) | Non-cash changes in debt obligations | | | | | Mar. 31, 2020 |
|-------------------------|--------------------------------------|---|---|------------------------------|-------|------------------|
| | Dec. 31, 2019 | Debt obligation issuance, net of repayments | Amortization of deferred financing costs and (premium) discount | Foreign currency translation | Other | |
| Debt obligations | \$ 55,528 | 590 | 26 | (1,214) | 200 | \$ 55,130 |

NOTE 12. CAPITAL SECURITIES

The partnership has the following capital securities outstanding as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Shares outstanding | Cumulative dividend rate | Mar. 31, 2020 | Dec. 31, 2019 |
|---|-----------------------|-----------------------------|-----------------|-----------------|
| Operating Partnership Class A Preferred Equity Units: | | | | |
| Series 1 | 24,000,000 | 6.25 % | \$ 577 | \$ 574 |
| Series 2 | 24,000,000 | 6.50 % | 548 | 546 |
| Series 3 | 24,000,000 | 6.75 % | 532 | 530 |
| Brookfield Office Properties Inc. (“BPO”) Class B Preferred Shares: | | | | |
| Series 1 ⁽¹⁾ | 3,600,000 | 70% of bank prime | — | — |
| Series 2 ⁽¹⁾ | 3,000,000 | 70% of bank prime | — | — |
| Brookfield Property Split Corp. (“BOP Split”) Senior Preferred Shares: | | | | |
| Series 1 | 924,390 | 5.25 % | 23 | 23 |
| Series 2 | 699,165 | 5.75 % | 12 | 13 |
| Series 3 | 909,814 | 5.00 % | 16 | 18 |
| Series 4 | 940,486 | 5.20 % | 17 | 18 |
| BSREP II RH B LLC (“Manufactured Housing”) Preferred Capital | — | 9.00 % | 249 | 249 |
| Rouse Series A Preferred Shares | 5,600,000 | 5.00 % | 142 | 142 |
| BSREP II Vintage Estate Partners LLC (“Vintage Estate”) Preferred Shares | 10,000 | 5.00 % | 40 | 40 |
| Capital Securities – Fund Subsidiaries | | | 956 | 922 |
| Total capital securities | | | \$ 3,112 | \$ 3,075 |
| Current | | | 72 | 75 |
| Non-current | | | 3,040 | 3,000 |
| Total capital securities | | | \$ 3,112 | \$ 3,075 |

⁽¹⁾ BPO Class B Preferred Shares, Series 1 and 2 capital securities are owned by Brookfield Asset Management. BPO has an offsetting loan receivable against these securities earning interest at 95% of bank prime.

Cumulative preferred dividends on the BOP Split Senior Preferred Shares are payable quarterly, as and when declared by BOP Split. On March 27, 2020, BOP Split declared quarterly dividends payable for the BOP Split Senior Preferred Shares.

Capital securities includes \$249 million at March 31, 2020 (December 31, 2019 - \$249 million) of preferred equity interests held by a third party investor in Manufactured Housing which have been classified as a liability, rather than as a non-controlling interest, due to the fact the holders are entitled to distributions equal to their capital balance plus 9% annual return payable in monthly distributions until maturity in December 2025.

Capital securities also includes \$142 million at March 31, 2020 (December 31, 2019 - \$142 million) of preferred equity interests held by a third party investor in Rouse Properties, L.P. (“Rouse”) which have been classified as a liability, rather than as a non-controlling interest, due to the fact that the interests are mandatorily redeemable on or after November 12, 2025 for a set price per unit plus any accrued but unpaid distributions; distributions are capped and accrue regardless of available cash generated.

Capital securities also includes \$40 million at March 31, 2020 (December 31, 2019 - \$40 million) of preferred equity interests held by the partnership’s co-investor in Vintage Estate which have been classified as a liability, rather than as non-controlling interest, due to the fact that the preferred equity interests are mandatorily redeemable on April 26, 2023 for cash at an amount equal to the outstanding principal balance of the preferred equity plus any accrued but unpaid dividend.

The Capital Securities – Fund Subsidiaries includes \$894 million at March 31, 2020 (December 31, 2019 - \$859 million) of equity interests in Brookfield DTLA Holdings LLC (“DTLA”) held by co-investors in DTLA which have been classified as a liability, rather than as non-controlling interest, as holders of these interests can cause DTLA to redeem their interests in the fund for cash equivalent to the fair value of the interests on October 15, 2023, and on every fifth anniversary thereafter. Capital Securities – Fund Subsidiaries are measured at FVTPL.

Capital Securities – Fund Subsidiaries also includes \$62 million at March 31, 2020 (December 31, 2019 - \$62 million) which represents the equity interests held by the partnership’s co-investor in the D.C. Fund which have been classified as a liability, rather than as non-controlling interest, due to the fact that on June 18, 2023, and on every second anniversary thereafter, the holders of these interests can redeem their interests in the D.C. Fund for cash equivalent to the fair value of the interests.

At March 31, 2020, capital securities includes \$45 million (December 31, 2019 - \$49 million) repayable in Canadian Dollars of C\$64 million (December 31, 2019 - C\$64 million).

Reconciliation of cash flows from financing activities from capital securities is shown in the table below:

| (US\$ Millions) | Non-cash changes on capital securities | | | | | Mar. 31, 2020 |
|---------------------------|--|--------------------|------------------------------|--------|--|---------------|
| | Dec. 31, 2019 | Fair value changes | Foreign currency translation | Other | | |
| Capital securities | \$ 3,075 | \$ 42 | \$ 3 | \$ (8) | | 3,112 |

NOTE 13. INCOME TAXES

The partnership is a flow-through entity for tax purposes and as such is not subject to Bermudian taxation. However, income taxes are recognized for the amount of taxes payable by the primary holding subsidiaries of the partnership (“Holding Entities”), any direct or indirect corporate subsidiaries of the Holding Entities and for the impact of deferred tax assets and liabilities related to such entities.

The components of income tax expense include the following:

| (US\$ Millions) | Three months ended Mar. 31, | |
|-------------------------------------|-----------------------------|--------------|
| | 2020 | 2019 |
| Current income tax | \$ 25 | \$ 38 |
| Deferred income tax | 136 | 50 |
| Income tax expense (benefit) | \$ 161 | \$ 88 |

The partnership’s income tax expense increased for the three months ended March 31, 2020 as compared to the same period in the prior year primarily due to an increased in deferred tax liabilities relating to legislative changes.

NOTE 14. OTHER NON-CURRENT LIABILITIES

The components of other non-current liabilities are as follows:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|--|-----------------|-----------------|
| Accounts payable and accrued liabilities | \$ 860 | \$ 760 |
| Lease liabilities ⁽¹⁾ | 870 | 889 |
| Derivative liabilities | 481 | 413 |
| Provisions | 93 | 78 |
| Loans and notes payables | — | 18 |
| Deferred revenue | 54 | 4 |
| Total other non-current liabilities | \$ 2,358 | \$ 2,162 |

⁽¹⁾ For the three months ended March 31, 2020, interest expense relating to total lease liabilities (see Note 15, Accounts Payable And Other Liabilities for the current portion) was \$14 million (2019 - \$17 million).

NOTE 15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The components of accounts payable and other liabilities are as follows:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|-----------------|-----------------|
| Accounts payable and accrued liabilities | \$ 2,232 | \$ 2,537 |
| Loans and notes payable | 211 | 172 |
| Derivative liabilities | 215 | 289 |
| Deferred revenue | 402 | 342 |
| Lease liabilities ⁽¹⁾ | 42 | 43 |
| Other liabilities | 37 | 43 |
| Total accounts payable and other liabilities | \$ 3,139 | \$ 3,426 |

⁽¹⁾ See Note 14, Other Non-Current Liabilities for further information on the interest expense related to these liabilities.

NOTE 16. EQUITY

The partnership's capital structure is comprised of seven classes of partnership units: GP Units, LP Units, redeemable/exchangeable partnership units of the Operating Partnership ("Redeemable/Exchangeable Partnership Units"), special limited partnership units of the Operating Partnership ("Special LP Units"), limited partnership units of Brookfield Office Properties Exchange LP ("Exchange LP Units"), FV LTIP units of the Operating Partnership and BPYU Units. In addition, the partnership issued Class A Cumulative Redeemable Perpetual Preferred Units, Series 1 in the first quarter of 2019, Class A Cumulative Redeemable Perpetual Preferred Units, Series 2 in the third quarter of 2019 and Class A Cumulative Redeemable Perpetual Preferred Units, Series 3 in the first quarter of 2020 ("Preferred Equity Units").

a) General and limited partnership equity

GP Units entitle the holder to the right to govern the financial and operating policies of the partnership. The GP Units are entitled to a 1% general partnership interest.

LP Units entitle the holder to their proportionate share of distributions and are listed and publicly traded on the Nasdaq and the TSX. Each LP Unit entitles the holder thereof to one vote for the purposes of any approval at a meeting of limited partners, provided that holders of the Redeemable/Exchangeable Partnership Units that are exchanged for LP Units will only be entitled to a maximum number of votes in respect of the Redeemable/Exchangeable Partnership Units equal to 49% of the total voting power of all outstanding units.

The following table presents changes to the GP Units and LP Units from the beginning of the year:

| (Thousands of units) | General partnership units | | Limited partnership units | |
|---|---------------------------|---------------|---------------------------|----------------|
| | Mar. 31, 2020 | Dec. 31, 2019 | Mar. 31, 2020 | Dec. 31, 2019 |
| Outstanding, beginning of period | 139 | 139 | 439,802 | 424,198 |
| Exchange LP Units exchanged | — | — | 19 | 425 |
| BPYU Units exchanged | — | — | 7,327 | 36,316 |
| Distribution Reinvestment Program | — | — | 223 | 257 |
| Issued under unit-based compensation plan | — | — | — | 858 |
| Repurchase of LP Units | — | — | (7,753) | (22,252) |
| Outstanding, end of period | 139 | 139 | 439,618 | 439,802 |

b) Units of the operating partnership held by Brookfield Asset Management

Redeemable/Exchangeable Partnership Units

There were 432,649,105 Redeemable/Exchangeable Partnership Units outstanding at March 31, 2020 and December 31, 2019.

Special limited partnership units

Brookfield Property Special L.P. is entitled to receive equity enhancement distributions and incentive distributions from the operating partnership as a result of its ownership of the Special LP Units.

There were 4,759,997 Special LP Units outstanding at March 31, 2020 and December 31, 2019.

c) Limited partnership units of Brookfield Office Properties Exchange LP ("Exchange LP")

The Exchange LP Units are exchangeable at any time on a one-for-one basis, at the option of the holder, subject to their terms and applicable law, for LP Units. An Exchange LP Unit provides a holder thereof with economic terms that are substantially equivalent to those of a LP Unit. Subject to certain conditions and applicable law, Exchange LP will have the right, commencing June 9, 2021, to redeem all of the then outstanding Exchange LP Units at a price equal to the 20-day volume-weighted average trading price of an LP Unit plus all declared, payable, and unpaid distributions on such units.

The following table presents changes to the Exchange LP Units from the beginning of the year:

| (Thousands of units) | Limited Partnership Units of Brookfield Office Properties Exchange LP | |
|--|---|---------------|
| | Mar. 31, 2020 | Dec. 31, 2019 |
| Outstanding, beginning of period | 2,883 | 3,308 |
| Exchange LP Units exchanged ⁽¹⁾ | (19) | (425) |
| Outstanding, end of period | 2,864 | 2,883 |

⁽¹⁾ Exchange LP Units that have been exchanged are held by an indirect subsidiary of the partnership. Refer to the Condensed Consolidated Statements of Changes in Equity for the impact of such exchanges on the carrying value of Exchange LP Units.

d) FV LTIP units of the Operating Partnership

The partnership issued Brookfield Property Partners BPY FV LTIP Unit Plan (“FV LTIP”) to certain participants in the third quarter of 2019. Each FV LTIP unit will vest over a period of five years and is redeemable for LP Units, BPYU Units or a cash payment subject to a conversion adjustment. There were 1,894,777 and 1,156,114 FV LTIP Units outstanding at March 31, 2020 and December 31, 2019, respectively.

e) Class A shares of Brookfield Property REIT Inc.

BPYU Units were issued to former GGP common shareholders who elected to receive BPYU Units as consideration. Each BPYU Unit is structured to provide an economic return equivalent to an LP Unit. The holder of a BPYU Unit has the right, at any time, to request the unit be redeemed for cash equivalent to the value of an LP Unit. In the event the holder of a BPYU Unit exercises this right, the partnership has the right, at its sole discretion, to satisfy the redemption request with an LP Unit rather than cash. As a result, BPYU Units participate in earnings and distribution on a per unit basis equivalent to the per unit participation of LP Units. The partnership presents BPYU Units as a component of non-controlling interest.

The following table presents changes to the BPYU Units from the beginning of the year:

| (Thousands of units) | Class A shares of Brookfield Property REIT Inc. | |
|---|---|---------------|
| | Mar. 31, 2020 | Dec. 31, 2019 |
| Outstanding, beginning of period | 64,025 | 106,090 |
| BPYU Units exchanged ⁽¹⁾ | (7,327) | (36,316) |
| Repurchases of BPYU Units | (855) | (5,724) |
| BPYU Units vested | 85 | — |
| Forfeitures | — | (25) |
| Outstanding, end of period⁽²⁾ | 55,928 | 64,025 |

⁽¹⁾ Represents BPYU Units that have been exchanged for LP Units. Refer to the Condensed Consolidated Statements of Changes in Equity for the impact of such exchanges on the carrying value of BPYU Units.

⁽²⁾ In addition, there were 1,418 thousand BPYU Units held in treasury as of March 31, 2020.

f) Class A Cumulative Redeemable Perpetual Preferred Units, Series 1, Series 2 and Series 3 (“Preferred Equity Units”)

During the year ended December 31, 2019, the partnership issued 7,360,000 Class A Cumulative Redeemable Perpetual Preferred Units, Series 1 at \$25.00 per unit at a coupon rate of 6.5% and 10,000,000 Class A Cumulative Redeemable Perpetual Preferred Units, Series 2 at \$25.00 per unit at a coupon rate of 6.375%. In total \$434 million of gross proceeds were raised and \$14 million in underwriting and issuance costs were incurred.

During the three months ended March 31, 2020, the partnership issued 11,500,000 Class A Cumulative Redeemable Perpetual Preferred Units, Series 3 at \$25.00 per unit at a coupon rate of 5.75%. In total \$288 million of gross proceeds were raised and \$9 million in underwriting and issuance costs were incurred. At March 31, 2020, Preferred Equity Units had a total carrying value of \$699 million (December 31, 2019 - \$420 million).

g) Distributions

Distributions made to each class of partnership units, including units of subsidiaries that are exchangeable into LP Units, are as follows:

| (US\$ Millions, except per unit information) | Three months ended Mar. 31, | |
|--|-----------------------------|-----------------|
| | 2020 | 2019 |
| Limited Partners | \$ 146 | \$ 141 |
| Holder of: | | |
| Redeemable/Exchangeable Partnership Units | 142 | 142 |
| Special LP Units | 2 | 2 |
| Exchange LP Units | 1 | 1 |
| FV LTIP units of the Operating Partnership | — | — |
| BPYU Units | 20 | 34 |
| Total | \$ 311 | \$ 320 |
| Per unit⁽¹⁾ | \$ 0.3325 | \$ 0.330 |

⁽¹⁾ Per unit outstanding on the distribution record date.

h) Earnings per unit

The partnership's net income per LP Unit and weighted average units outstanding are calculated as follows:

| (US\$ Millions, except unit information) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| Net (loss) income attributable to limited partners | \$ (228) | \$ 146 |
| (Loss) income reallocation related to mandatorily convertible preferred shares | (17) | 13 |
| Less: Preferred unit dividends attributable to limited partners | (5) | — |
| Net (loss) income attributable to limited partners – basic | (250) | 159 |
| Dilutive effect of conversion of preferred shares and options | — | 6 |
| Net (loss) income attributable to limited partners – diluted | \$ (250) | \$ 165 |
| (in millions of units/shares) | | |
| Weighted average number of LP Units outstanding | 440.7 | 426.4 |
| Mandatorily convertible preferred shares | 70.1 | 70.0 |
| Weighted average number of LP Units - basic | 510.8 | 496.4 |
| Dilutive effect of the conversion of preferred shares and options | — | 20.8 |
| Weighted average number of LP units outstanding - diluted | 510.8 | 517.2 |

NOTE 17. NON-CONTROLLING INTERESTS

Non-controlling interests consists of the following:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|---|------------------|------------------|
| Redeemable/Exchangeable Partnership Units and Special LP Units ⁽¹⁾ | \$ 12,637 | \$ 13,200 |
| Exchange LP Units ⁽¹⁾ | 83 | 87 |
| FV LTIP units of the Operating Partnership ⁽¹⁾ | 55 | 35 |
| BPYU Units ⁽¹⁾ | 1,616 | 1,930 |
| Interests of others in operating subsidiaries and properties: | | |
| Preferred shares held by Brookfield Asset Management | 15 | 15 |
| Preferred equity of subsidiaries | 2,991 | 3,017 |
| Non-controlling interests in subsidiaries and properties | 12,990 | 12,953 |
| Total interests of others in operating subsidiaries and properties | 15,996 | 15,985 |
| Total non-controlling interests | \$ 30,387 | \$ 31,237 |

⁽¹⁾ Each unit within these classes of non-controlling interest has economic terms substantially equivalent to those of an LP Unit. As such, income attributed to each unit or share of non-controlling interest is equivalent to that allocated to an LP Unit. The proportion of interests held by holders of the Redeemable/Exchangeable Units and Exchange LP Units changes as a result of issuances, repurchases and exchanges. Consequently, the partnership adjusted the relative carrying amounts of the interests held by limited partners and non-controlling interests based on their relative share of the equivalent LP Units. The difference between the adjusted value and the previous carrying amounts was attributed to current LP Units as ownership changes in the Condensed Consolidated Statement of Changes in Equity.

Non-controlling interests of others in operating subsidiaries and properties consist of the following:

| (US\$ Millions) | Jurisdiction of formation | Proportion of economic interests held by non-controlling interests | | Mar. 31, 2020 | Dec. 31, 2019 |
|---|---------------------------|--|---------------|------------------|------------------|
| | | Mar. 31, 2020 | Dec. 31, 2019 | | |
| BPO ⁽¹⁾ | Canada | — % | — % | \$ 4,836 | \$ 4,808 |
| BPR Retail Holdings LLC ⁽²⁾ | United States | — % | — % | 1,730 | 1,787 |
| BSREP CARS Sub-Pooling LLC ⁽³⁾ | United States | 74 % | 71 % | 967 | 973 |
| BSREP II PBSA Ltd. ⁽³⁾ | Bermuda | 75 % | 75 % | 771 | 791 |
| BSREP II MH Holdings LLC ⁽³⁾ | United States | 74 % | 74 % | 817 | 773 |
| Center Parcs UK ⁽³⁾ | United Kingdom | 73 % | 73 % | 577 | 675 |
| BSREP II Aries Pooling LLC ⁽³⁾ | United States | 74 % | 74 % | 567 | 554 |
| BSREP II Retail Upper Pooling LLC ⁽³⁾ | United States | 50 % | 50 % | 544 | 541 |
| BSREP II Korea Office Holdings Pte. Ltd. ⁽³⁾ | South Korea | 78 % | 78 % | 519 | 484 |
| BSREP India Office Holdings Pte. Ltd. ⁽³⁾ | United States | 67 % | 67 % | 349 | 403 |
| Other | Various | 18% - 84% | 18 - 76% | 4,319 | 4,196 |
| Total | | | | \$ 15,996 | \$ 15,985 |

⁽¹⁾ Includes non-controlling interests in BPO subsidiaries which vary from 1% - 100%.

⁽²⁾ Includes non-controlling interests in BPYU subsidiaries.

⁽³⁾ Includes non-controlling interests representing interests held by other investors in Brookfield-sponsored real estate funds and holding entities through which the partnership participates in such funds. Also includes non-controlling interests in underlying operating entities owned by these funds.

NOTE 18. COMMERCIAL PROPERTY REVENUE

The components of commercial property revenue are as follows:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|-----------------|
| | 2020 | 2019 |
| Base rent | \$ 919 | \$ 1,018 |
| Straight-line rent | 19 | 35 |
| Lease termination | 7 | 6 |
| Other lease income ⁽¹⁾ | 197 | 174 |
| Other revenue from tenants ⁽²⁾ | 262 | 241 |
| Total commercial property revenue | \$ 1,404 | \$ 1,474 |

⁽¹⁾ Other lease income includes parking revenue and recovery of property tax and insurance expenses from tenants.

⁽²⁾ Consists of recovery of certain operating expenses from tenants which are accounted for in accordance with IFRS 15, Revenue from Contracts with Customers.

NOTE 19. HOSPITALITY REVENUE

The components of hospitality revenue are as follows:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--------------------------------------|-----------------------------|---------------|
| | 2020 | 2019 |
| Room, food and beverage | \$ 276 | \$ 360 |
| Gaming, and other leisure activities | 67 | 100 |
| Other hospitality revenue | 23 | 31 |
| Total hospitality revenue | \$ 366 | \$ 491 |

NOTE 20. INVESTMENT AND OTHER REVENUE

The components of investment and other revenue are as follows:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Investment income | \$ 23 | \$ 8 |
| Fee revenue | 63 | 64 |
| Dividend income | 34 | 1 |
| Interest income and other | 10 | 32 |
| Participating loan notes | — | 3 |
| Total investment and other revenue | \$ 130 | \$ 108 |

NOTE 21. DIRECT COMMERCIAL PROPERTY EXPENSE

The components of direct commercial property expense are as follows:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Property maintenance | \$ 174 | \$ 196 |
| Real estate taxes | 157 | 167 |
| Employee compensation and benefits | 42 | 48 |
| Lease expense ⁽¹⁾ | 4 | 5 |
| Other | 103 | 106 |
| Total direct commercial property expense | \$ 480 | \$ 522 |

⁽¹⁾ For the three months ended March 31, 2020, operating expenses relating to variable lease payments not included in the measurement of the lease liability was \$4 million (2019 - \$4 million).

NOTE 22. DIRECT HOSPITALITY EXPENSE

The components of direct hospitality expense are as follows:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Employee compensation and benefits | \$ 82 | \$ 83 |
| Cost of food, beverage, and retail goods sold | 69 | 81 |
| Maintenance and utilities | 37 | 42 |
| Marketing and advertising | 20 | 23 |
| Other | 82 | 91 |
| Total direct hospitality expense | \$ 290 | \$ 320 |

NOTE 23. DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization expense are as follows:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|--------------|
| | 2020 | 2019 |
| Depreciation and amortization of real estate assets | \$ 69 | \$ 69 |
| Depreciation and amortization of non-real estate assets ⁽¹⁾ | 18 | 16 |
| Total depreciation and amortization | \$ 87 | \$ 85 |

⁽¹⁾ For the three months ended March 31, 2020, included \$2 million (2019 - \$2 million), of depreciation expense relating to right-of-use property, plant and equipment.

NOTE 24. GENERAL AND ADMINISTRATIVE EXPENSE

The components of general and administrative expense are as follows:

| (US\$ Millions) | Three months ended Mar. 31, | |
|---|-----------------------------|---------------|
| | 2020 | 2019 |
| Employee compensation and benefits | \$ 99 | \$ 88 |
| Management fees | 24 | 38 |
| Transaction costs | 3 | 22 |
| Other | 70 | 75 |
| Total general and administrative expense | \$ 196 | \$ 223 |

NOTE 25. FAIR VALUE GAINS (LOSSES), NET

The components of fair value gains (losses), net, are as follows:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| Commercial properties | \$ (89) | \$ 307 |
| Commercial developments | 88 | 163 |
| Incentive fees ⁽¹⁾ | (6) | — |
| Financial instruments and other ⁽²⁾ | (303) | (100) |
| Total fair values gains (losses), net | \$ (310) | \$ 370 |

⁽¹⁾ Represents incentive fees the partnership is obligated to pay to the general partner of the partnership's various fund investments.

⁽²⁾ For the three months ended March 31, 2020, primarily includes fair value losses on financial instruments.

NOTE 26. UNIT-BASED COMPENSATION

The partnership grants options to certain employees under its amended and restated BPY Unit Option Plan ("BPY Plan"). Pursuant to the BPY Plan, options may be settled for the in-the-money amount of the option in LP Units upon exercise. Consequently, options granted to employees under the BPY Plan are accounted for as an equity-based compensation agreement.

During the three months ended March 31, 2020, the partnership incurred \$6 million (2019 - \$3 million), respectively, of expense in connection with its unit-based compensation plans.

a) BPY Unit Option Plan

Awards under the BPY Plan ("BPY Awards") generally vest 20% per year over a period of five years and expire 10 years after the grant date, with the exercise price set at the time such options were granted. Upon exercise of a vested BPY Award, the participant is entitled to receive LP Units or a cash payment equal to the amount by which the fair market value of an LP Unit at the date of exercise exceeds the exercise price of the BPY Award. Subject to a separate adjustment arising from forfeitures, the estimated expense is revalued every reporting period using the Black-Scholes model as a result of the cash settlement provisions of the plan for certain employees. In terms of measuring expected life of the

BPY Awards with various term lengths and vesting periods, BPY will segregate each set of similar BPY Awards and, if different, exercise price, into subgroups and apply a weighted average within each group.

There were no BPY Awards granted during the period ended March 31, 2020.

i. Equity-settled BPY Awards

The change in the number of options outstanding under the equity-settled BPY Awards at March 31, 2020 and December 31, 2019 is as follows:

| | Mar. 31, 2020 | | Dec. 31, 2019 | |
|-----------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 19,915,189 | \$ 20.58 | 13,836,213 | \$ 20.56 |
| Granted | — | — | — | — |
| Exercised | — | — | (425,171) | 15.06 |
| Expired/forfeited | (43,802) | 21.07 | (203,978) | 21.60 |
| Reclassified ⁽¹⁾ | — | — | 6,708,125 | 20.20 |
| Outstanding, end of period | 19,871,387 | 20.58 | 19,915,189 | 20.58 |
| Exercisable, end of period | 11,484,219 | \$ 20.56 | 11,484,219 | \$ 20.56 |

⁽¹⁾ Relates to the reclassification of cash-settled options for employees in Canada to equity-settled options subsequent to the amendment of the BPY Plan, which was amended on September 30, 2019.

The following table sets out details of options issued and outstanding at March 31, 2020 and December 31, 2019 under the equity-settled BPY Awards by expiry date:

| Expiry date | Mar. 31, 2020 | | Dec. 31, 2019 | |
|--------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| 2020 | — | \$ — | — | \$ — |
| 2021 | 389,800 | 17.44 | 389,800 | 17.44 |
| 2022 | 987,700 | 18.09 | 987,700 | 18.09 |
| 2023 | 1,108,420 | 16.80 | 1,108,420 | 16.80 |
| 2024 | 11,787,572 | 20.59 | 11,794,215 | 20.59 |
| 2025 | 1,937,175 | 25.18 | 1,947,979 | 25.18 |
| 2026 | 2,766,970 | 19.51 | 2,793,325 | 19.51 |
| 2027 | 93,750 | 22.92 | 93,750 | 22.92 |
| 2028 | 800,000 | 22.50 | 800,000 | 22.50 |
| Total | 19,871,387 | \$ 20.58 | 19,915,189 | \$ 20.58 |

ii. Cash-settled BPY Awards

The change in the number of options outstanding under the cash-settled BPY Awards at March 31, 2020 and December 31, 2019 is as follows:

| | Mar. 31, 2020 | | Dec. 31, 2019 | |
|-----------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 603,891 | \$ 21.55 | 7,331,416 | \$ 20.38 |
| Granted | — | — | — | — |
| Exercised | — | — | (19,400) | 12.63 |
| Expired/forfeited | — | — | — | — |
| Reclassified ⁽¹⁾ | — | — | (6,708,125) | 20.20 |
| Outstanding, end of period | 603,891 | 21.55 | 603,891 | 21.55 |
| Exercisable, end of period | 505,092 | \$ 21.48 | 505,092 | \$ 21.48 |

⁽¹⁾ Relates to the reclassification of cash-settled options for employees in Canada to equity-settled options subsequent to the amendment of the BPY Plan, which was amended on September 30, 2019.

The following table sets out details of options issued and outstanding at March 31, 2020 and December 31, 2019 under the cash-settled BPY Awards by expiry date:

| Expiry date | Mar. 31, 2020 | | Dec. 31, 2019 | |
|--------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| 2020 | — | \$ — | — | \$ — |
| 2021 | 24,000 | 17.44 | 24,000 | 17.44 |
| 2022 | 22,200 | 17.93 | 22,200 | 17.93 |
| 2023 | 28,800 | 16.80 | 28,800 | 16.80 |
| 2024 | 175,416 | 20.59 | 175,416 | 20.59 |
| 2025 | 213,038 | 25.18 | 213,038 | 25.18 |
| 2026 | 140,437 | 19.51 | 140,437 | 19.51 |
| Total | 603,891 | \$ 21.55 | 603,891 | \$ 21.55 |

b) Restricted BPY LP Unit Plan

The Brookfield Property Group Restricted BPY LP Unit Plan provides for awards to participants of LP Units purchased on the Nasdaq (“Restricted Units”). Under the Restricted BPY LP Unit Plan, units awarded generally vest over a period of five years, except as otherwise determined or for Restricted Units awarded in lieu of a cash bonus as elected by the participant, which may vest immediately. The estimated total compensation cost measured at grant date is evenly recognized over the vesting period of five years.

As of March 31, 2020, the total number of Restricted Units outstanding was 513,451 (December 31, 2019 - 797,674) with a weighted average exercise price of \$19.51 (December 31, 2019 - \$19.53).

c) Restricted BPY LP Unit Plan (Canada)

The Restricted BPY LP Unit Plan (Canada) is substantially similar to the Restricted BPY LP Unit Plan described above, except that it is for Canadian employees, there is a five-year hold period, and purchases of units are made on the TSX instead of the Nasdaq.

As of March 31, 2020, the total number of Canadian Restricted Units outstanding was 489,035 (December 31, 2019 - 393,980) with a weighted average exercise price of C\$25.38 (December 31, 2019 - C\$25.59).

d) Restricted BPYU Unit Plan

The Restricted BPYU Unit Plan provides for awards to participants of BPYU Units purchased on the Nasdaq (“Restricted BPYU Units”). Under the Restricted BPYU Unit Plan, units awarded generally vest over a period of five years, except as otherwise determined or for Restricted BPYU Units awarded in lieu of a cash bonus as elected by the participant, which may vest immediately. The estimated total compensation cost measured at grant date is evenly recognized over the vesting period of five years.

As of March 31, 2020, the total number of Restricted BPYU Units outstanding was 1,872,093 (December 31, 2019 - 357,313) with a weighted average exercise price of \$19.17 (December 31, 2019 - \$19.22).

e) BPY FV LTIP Unit Plan

The partnership issued units of the operating partnership pursuant to the Brookfield Property Partners BPY FV LTIP Unit Plan (“BPY FV LTIP Unit”) to certain participants. Each BPY FV LTIP Unit will vest over a period of five years and is redeemable for LP Units, BPYU Units or a cash payment subject to a conversion adjustment.

As of March 31, 2020, the total number of BPY FV LTIP Units was 1,894,777 (December 31, 2019 - 1,156,114) with a weighted average exercise price of \$18.75 (December 31, 2019 - \$18.87).

f) Deferred Share Unit Plan

In addition to the above, BPO has a deferred share unit plan. At March 31, 2020, BPO has 1,514,124 deferred share units (December 31, 2019 - 1,514,124) outstanding and vested.

g) GGP LTIP Plans

In connection with the GGP acquisition, the partnership issued options under the Brookfield Property Partners BPY Unit Option Plan (GGP (“GGP Options”) and BPY AO LTIP Units of the operating partnership (“AO LTIP Options”) to certain participants. Each GGP Option will vest within ten years following the original grant date and is redeemable for LP Units or a cash payment equal to the amount by which the fair market value of an LP Unit at the date exceeds the exercise price of the BPY Option. Each AO LTIP will vest within ten years of its original grant date and is redeemable for LP Units or a cash payment subject to a conversion adjustment.

As of March 31, 2020, the total number of GGP Options outstanding was 175,799 (December 31, 2019 - 237,881) with a weighted average exercise price of \$25.39 (December 31, 2019 - \$25.39).

As of March 31, 2020, the total number of AO LTIP Options outstanding was 1,367,496 (December 31, 2019 - 1,657,948) with a weighted average exercise price of \$22.51 (December 31, 2019 - \$22.51).

NOTE 27. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) consists of the following:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| Items that may be reclassified to net income: | | |
| Foreign currency translation | | |
| Net unrealized foreign currency translation (losses) gains in respect of foreign operations | \$ (1,173) | \$ 161 |
| Reclassification of realized foreign currency translation gains to net income on dispositions of foreign operations | — | 26 |
| Gains (losses) on hedges of net investments in foreign operations, net of income taxes for the three months ended Mar. 31, 2020 of nil (2019 – \$1 million) ⁽¹⁾ | 819 | (37) |
| Reclassification gains from hedges of net investment in foreign operation to net income on disposition of foreign operations | — | 2 |
| | (354) | 152 |
| Cash flow hedges | | |
| Gains (losses) on derivatives designated as cash flow hedges, net of income taxes for the three months ended Mar. 31, 2020 of (\$1) million (2019 – (\$3) million) | (154) | (32) |
| | (154) | (32) |
| Equity accounted investments | | |
| Share of unrealized foreign currency translation (losses) gains in respect of foreign operations | — | (1) |
| Reclassification gains from hedges of net investment in foreign operation to net income on disposition of foreign operations | — | 1 |
| Gains (losses) on derivatives designated as cash flow hedges | (69) | (2) |
| | (69) | (2) |
| Items that will not be reclassified to net income: | | |
| Unrealized (losses) on securities - FVTOCI, net of income taxes for the three months ended Mar. 31, 2020 of \$22 million (2019 – \$1 million) | 22 | 1 |
| Share of revaluation surplus on equity accounted investments | (21) | — |
| Revaluation surplus, net of income taxes for the three months ended Mar. 31, 2020 of (\$39) million (2019 – nil) | (96) | — |
| | (95) | 1 |
| Total other comprehensive income (loss) | \$ (672) | \$ 119 |

⁽¹⁾ Unrealized gains (losses) on a number of hedges of net investments in foreign operations are with a related party.

NOTE 28. OBLIGATIONS, GUARANTEES, CONTINGENCIES AND OTHER

In the normal course of operations, the partnership and its consolidated entities execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets and sales of services.

Certain of the partnership's operating subsidiaries have also agreed to indemnify their directors and certain of their officers and employees. The nature of substantially all of the indemnification undertakings prevent the partnership from making a reasonable estimate of the maximum potential amount that it could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the partnership nor its consolidated subsidiaries have made significant payments under such indemnification agreements.

The partnership and its operating subsidiaries may be contingently liable with respect to litigation and claims that arise from time to time in the normal course of business or otherwise.

At March 31, 2020, the partnership has commitments totaling:

- approximately \$2,127 million for the development of Manhattan West in Midtown New York, Greenpoint Landing in Brooklyn, 755 Figueroa in Los Angeles and Halley Rise in Washington D.C. as well as the redevelopment of One Allen Center, Two Allen Center, and Three Allen Center in Houston;
- approximately A\$281 million (\$172 million) for the development of 388 George Street in Sydney; 405 Bourke Street in Melbourne; and Elizabeth Quay in Perth;
- approximately £22 million (\$27 million) for the development of 100 Bishopsgate and Principal Place Residential in London; and
- approximately AED 143 million (\$39 million) for the development of ICD Brookfield Place in Dubai.

During 2013, Brookfield Asset Management announced the final close on the \$4.4 billion Brookfield Strategic Real Estate Partners ("BSREP") fund, a global private fund focused on making opportunistic investments in commercial property. The partnership, as lead investor, committed

approximately \$1.3 billion to the fund. As of March 31, 2020, there remained approximately \$170 million of uncontributed capital commitments.

In April 2016, Brookfield Asset Management announced the final close on the \$9.0 billion second BSREP fund to which the partnership had committed \$2.3 billion as lead investor. As of March 31, 2020, there remained approximately \$750 million of uncontributed capital commitments.

In November 2017, Brookfield Asset Management announced the final close on the \$2.9 billion fifth Brookfield Real Estate Finance Fund (“BREF”) to which the partnership had committed \$400 million. As of March 31, 2020, there remained approximately \$210 million of uncontributed capital commitments.

In September 2018, Brookfield Asset Management announced the final close on the \$1.0 billion third Brookfield Fairfield U.S. Multifamily Value Add Fund (“VAMF”) to which the partnership had committed \$300 million. As of March 31, 2020, there remained approximately \$180 million of uncontributed capital commitments.

In January 2019, Brookfield Asset Management announced the final close on the \$15.0 billion third BSREP fund to which the partnership has committed \$1.0 billion. As of March 31, 2020, there remained approximately \$695 million of uncontributed capital commitments.

The partnership maintains insurance on its properties in amounts and with deductibles that it believes are in line with what owners of similar properties carry. The partnership maintains all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and named windstorm). The partnership does not conduct its operations, other than those of equity accounted investments, through entities that are not fully or proportionately consolidated in these financial statements, and has not guaranteed or otherwise contractually committed to support any material financial obligations not reflected in these financial statements.

NOTE 29. FINANCIAL INSTRUMENTS

a) Derivatives and hedging activities

The partnership and its operating entities use derivative and non-derivative instruments to manage financial risks, including interest rate, commodity, equity price and foreign exchange risks. The use of derivative contracts is governed by documented risk management policies and approved limits. The partnership does not use derivatives for speculative purposes. The partnership and its operating entities use the following derivative instruments to manage these risks:

- foreign currency forward contracts to hedge exposures to Canadian Dollar, Australian Dollar, British Pound, Euro, Chinese Yuan, Brazilian Real, Indian Rupee and South Korean Won denominated net investments in foreign subsidiaries and foreign currency denominated financial assets;
- interest rate swaps to manage interest rate risk associated with planned refinancings and existing variable rate debt;
- interest rate caps to hedge interest rate risk on certain variable rate debt; and
- cross-currency swaps to manage interest rate and foreign currency exchange rates on existing variable rate debt.

The COVID-19 pandemic has impacted business across the globe and we are monitoring its impact on the business. While it is difficult to predict how significant the impact of COVID-19 will be, the business is highly resilient in some of the most critical sectors in the world and have a robust balance sheet with a strong investment grade rating.

There have been no other material changes to the partnership’s financial risk exposure or risk management activities since December 31, 2019. Please refer to Note 35, *Financial Instruments* in the December 31, 2019 annual report on Form 20-F for a detailed description of the partnership’s financial risk exposure and risk management activities.

Interest Rate Hedging

The following table provides the partnership's outstanding derivatives that are designated as cash flow hedges of variability in interest rates associated with forecasted fixed rate financings and existing variable rate debt as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Hedging item ⁽¹⁾ | Notional | Rates | Maturity dates | Fair value |
|-----------------|---|----------|-------------|-----------------------|------------|
| Mar. 31, 2020 | Interest rate caps of US\$ LIBOR debt | \$ 7,803 | 2.7% - 6.0% | May. 2020 - Sep. 2023 | \$ — |
| | Interest rate swaps of US\$ LIBOR debt | 2,719 | 1.4% - 2.7% | Oct. 2020 - Feb. 2024 | (124) |
| | Interest rate caps of £ LIBOR debt | 2,901 | 2.0% - 2.5% | Jan. 2021 - Jan. 2022 | — |
| | Interest rate swaps of £ LIBOR debt | 65 | 1.5% | Apr. 2020 | — |
| | Interest rate caps of € EURIBOR debt | 110 | 1.3% | Apr. 2021 | — |
| | Interest rate caps of C\$ LIBOR debt | 171 | 3.0% | Oct. 2020 - Oct. 2022 | — |
| | Interest rate swaps of AUD BBSW/BBSY debt | 356 | 0.8% - 1.6% | Apr. 2023 - Apr. 2024 | (7) |
| | Cross currency swaps of C\$ LIBOR Debt | 800 | 4.1% - 5.0% | Oct. 2021 - Jul. 2023 | (59) |
| Dec. 31, 2019 | Interest rate caps of US\$ LIBOR debt | \$ 7,774 | 2.7% - 6.0% | May. 2020 - Sep. 2023 | \$ — |
| | Interest rate swaps of US\$ LIBOR debt | 2,877 | 1.4% - 2.7% | Feb. 2020 - Feb. 2024 | (57) |
| | Interest rate caps of £ LIBOR debt | 3,096 | 2.0% - 2.5% | Jan. 2021 - Jan. 2022 | — |
| | Interest rate swaps of £ LIBOR debt | 74 | 1.5% | Apr. 2020 | — |
| | Interest rate caps of € EURIBOR debt | 109 | 1.3% | Apr. 2021 | — |
| | Interest rate caps of C\$ LIBOR debt | 184 | 3.0% | Oct. 2020 - Oct. 2022 | — |
| | Cross currency swaps of C\$ LIBOR Debt | 600 | 4.3% - 5.0% | Oct. 2021 - Mar. 2024 | (95) |

⁽¹⁾ As of March 31, 2020, included in derivative liabilities is \$19 million of fair value loss relating to settled interest rate swaps that are being amortized over the term of the associated debt.

For the three months ended March 31, 2020, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's interest rate hedging activities was nil (2019 - \$2 million).

Foreign Currency Hedging

The following table provides the partnership's outstanding derivatives that are designated as net investments of foreign subsidiaries or foreign currency cash flow hedges as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Hedging item | Notional | Rates | Maturity dates | Fair value |
|-----------------|--|-----------|-----------------------------|-----------------------|------------|
| Mar. 31, 2020 | Net investment hedges | € 191 | €0.85/\$ - €1.15/\$ | Jun. 2020 - Sep. 2021 | \$ 6 |
| | Net investment hedges | £ 983 | £0.75/\$ - £1.32/\$ | Apr. 2020 - Mar. 2022 | 174 |
| | Net investment hedges | A\$ 132 | A\$0.66/\$ - A\$0.69/\$ | Sep. 2020 - Jun. 2021 | (7) |
| | Net investment hedges | C¥ 962 | C¥6.75/\$ - C¥7.16/\$ | Apr. 2020 - Jun. 2021 | 2 |
| | Net investment hedges | C\$ 167 | C\$1.31/\$ - C\$1.46/\$ | Jun. 2020 - Sep. 2021 | 6 |
| | Net investment hedges | R\$ — | R\$4.16/\$ - R\$5.03/\$ | Apr. 2020 - Jun. 2020 | 66 |
| | Net investment hedges | ₩ 720,095 | ₩1,149.50/\$ - ₩1,217.90/\$ | Jun. 2020 - Mar. 2021 | 14 |
| | Net investment hedges | Rs — | Rs72.01/\$ - Rs73.01/\$ | Apr. 2020 - Apr. 2020 | — |
| | Net investment hedges | £ 77 | £0.89/€ - £0.93/€ | Apr. 2020 - Apr. 2021 | — |
| | Cross currency swaps of C\$ LIBOR debt | C\$ 1,100 | C\$1.20/\$ - C\$1.34/\$ | Jul. 2023 - Jan. 2027 | (55) |
| Dec. 31, 2019 | Net investment hedges | € 245 | €0.85/\$ - €0.91/\$ | Mar. 2020 - Jul. 2020 | \$ 7 |
| | Net investment hedges | £ 2,444 | £0.74/\$ - £0.85/\$ | Jan. 2020 - Sep. 2021 | (247) |
| | Net investment hedges | A\$ 238 | A\$1.38/\$ - A\$1.48/\$ | Mar. 2020 - Mar. 2021 | (5) |
| | Net investment hedges | C¥ 962 | C¥6.75/\$ - C¥7.16/\$ | Apr. 2020 - Jun. 2021 | — |
| | Net investment hedges | C\$ 355 | C\$1.31/\$ - C\$1.33/\$ | Jun. 2020 - Sep. 2021 | — |
| | Net investment hedges | R\$ 1,582 | R\$4.16/\$ - R\$4.16/\$ | Jun. 2020 - Jun. 2020 | (10) |
| | Net investment hedges | ₩ 720,095 | ₩1,149.50/\$ - ₩1,174.30/\$ | Mar. 2020 - Mar. 2021 | (7) |
| | Net investment hedges | Rs — | Rs71.78/\$ - Rs73.01/\$ | Mar. 2020 - Apr. 2020 | — |
| | Net investment hedges | £ 77 | £0.88/€ - £0.93/€ | Jan. 2020 - Apr. 2021 | — |
| | Cross currency swaps of C\$ LIBOR debt | C\$ 800 | C\$1.29/\$ - C\$1.33/\$ | Oct. 2021 - Jul. 2023 | (8) |

For the three months ended March 31, 2020 and 2019, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's foreign currency hedging activities was not significant.

Other Derivatives

The following table presents details of the partnership's other derivatives, not designated as hedges for accounting purposes, that have been entered into to manage financial risks as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Derivative type | Notional | Rates | Maturity dates | Fair value |
|-----------------|---|----------|-------------|-----------------------|------------|
| Mar. 31, 2020 | Interest rate caps | \$ 7,112 | 3.0% - 5.0% | Apr. 2020 - Feb. 2027 | \$ — |
| | Interest rate swaps on forecasted fixed rate debt | 1,285 | 2.7% - 6.4% | Jun. 2020 - Sep. 2031 | (313) |
| | Interest rate swaps of US\$ debt | 2,001 | 1.8% - 4.6% | Nov. 2020 - Sep. 2023 | (43) |
| | Interest rate swaptions | 800 | 2.0% | Oct. 2030 - Mar. 2031 | 2 |
| Dec. 31, 2019 | Interest rate caps | \$ 5,663 | 2.5% - 5.0% | Mar. 2020 - Nov. 2021 | \$ — |
| | Interest rate swaps on forecasted fixed rate debt | 1,285 | 1.1% - 6.4% | Jun. 2020 - Sep. 2031 | (149) |
| | Interest rate swaps of US\$ debt | 2,003 | 1.7% - 4.6% | Nov. 2020 - Sep. 2023 | (14) |

For the three months ended March 31, 2020, the partnership recognized fair value losses, net of approximately \$52 million (2019 - losses of \$30 million), respectively, related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

b) Measurement and classification of financial instruments

Classification and Measurement

The following table outlines the classification and measurement basis, and related fair value for disclosures, of the financial assets and liabilities in the interim condensed consolidated financial statements:

| (US\$ Millions) | Classification and measurement basis | Mar. 31, 2020 | | Dec. 31, 2019 | |
|---|--------------------------------------|------------------|------------------|------------------|------------------|
| | | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets | | | | | |
| Loans and notes receivable | Amortized cost | \$ 178 | \$ 178 | \$ 329 | \$ 329 |
| Other non-current assets | | | | | |
| Securities - FVTPL | FVTPL | 1,358 | 1,358 | 1,250 | 1,250 |
| Derivative assets | FVTPL | 100 | 100 | 10 | 10 |
| Securities - FVTOCI | FVTOCI | 81 | 81 | 121 | 121 |
| Restricted cash | Amortized cost | 128 | 128 | 154 | 154 |
| Current assets | | | | | |
| Derivative assets | FVTPL | 242 | 242 | 80 | 80 |
| Accounts receivable ⁽¹⁾ | Amortized cost | 473 | 473 | 514 | 514 |
| Restricted cash | Amortized cost | 128 | 128 | 239 | 239 |
| Cash and cash equivalents | Amortized cost | 1,776 | 1,776 | 1,438 | 1,438 |
| Total financial assets | | \$ 4,464 | \$ 4,464 | \$ 4,135 | \$ 4,135 |
| Financial liabilities | | | | | |
| Debt obligations ⁽²⁾ | Amortized cost | \$ 55,130 | \$ 55,265 | \$ 55,528 | \$ 56,112 |
| Capital securities | Amortized cost | 2,156 | 2,156 | 2,153 | 2,160 |
| Capital securities - fund subsidiaries | FVTPL | 956 | 956 | 922 | 922 |
| Other non-current liabilities | | | | | |
| Loan payable | FVTPL | — | — | — | — |
| Accounts payable | Amortized cost | 860 | 860 | 778 | 778 |
| Derivative liabilities | FVTPL | 481 | 481 | 413 | 413 |
| Accounts payable and other liabilities | | | | | |
| Accounts payable and other ⁽³⁾ | Amortized cost | 2,447 | 2,447 | 2,711 | 2,711 |
| Derivative liabilities | FVTPL | 215 | 215 | 289 | 289 |
| Total financial liabilities | | \$ 62,245 | \$ 62,380 | \$ 62,794 | \$ 63,385 |

⁽¹⁾ Includes other receivables associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$4 million and \$4 million as of March 31, 2020 and December 31, 2019, respectively.

⁽²⁾ Includes debt obligations associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$190 million and \$138 million as of March 31, 2020 and December 31, 2019, respectively.

⁽³⁾ Includes accounts payable and other liabilities associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$4 million and \$2 million as of March 31, 2020 and December 31, 2019, respectively.

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurement establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Quoted market prices (unadjusted) in active markets represent a Level 1 valuation. When quoted market prices in active markets are not available, the partnership maximizes the use of observable inputs

within valuation models. When all significant inputs are observable, either directly or indirectly, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3, which reflect the partnership's market assumptions and are noted below. This hierarchy requires the use of observable market data when available.

The following table outlines financial assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

| (US\$ Millions) | Mar. 31, 2020 | | | | Dec. 31, 2019 | | | |
|--|---------------|---------------|-----------------|-----------------|---------------|---------------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Securities - FVTPL | — | — | 1,358 | 1,358 | — | — | 1,250 | 1,250 |
| Securities - FVTOCI | — | — | 81 | 81 | — | — | 121 | 121 |
| Derivative assets | — | 342 | — | 342 | — | 90 | — | 90 |
| Total financial assets | \$ — | \$ 342 | \$ 1,439 | \$ 1,781 | \$ — | \$ 90 | \$ 1,371 | \$ 1,461 |
| Financial liabilities | | | | | | | | |
| Capital securities - fund subsidiaries | \$ — | \$ — | \$ 956 | \$ 956 | \$ — | \$ — | \$ 922 | \$ 922 |
| Derivative liabilities | — | 696 | — | 696 | — | 702 | — | 702 |
| Loan payable | — | — | — | — | — | — | — | — |
| Total financial liabilities | \$ — | \$ 696 | \$ 956 | \$ 1,652 | \$ — | \$ 702 | \$ 922 | \$ 1,624 |

There were no transfers between levels during the three months ended March 31, 2020 and the year ended December 31, 2019.

The following table presents the change in the balance of financial assets and financial liabilities accounted for at fair value categorized as Level 3 as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Mar. 31, 2020 | | Dec. 31, 2019 | |
|-------------------------------|------------------|-----------------------|------------------|-----------------------|
| | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
| Balance, beginning of period | \$ 1,371 | \$ 922 | \$ 767 | \$ 838 |
| Acquisitions | 136 | — | 950 | — |
| Dispositions | (43) | — | (125) | — |
| Fair value gains, net and OCI | (2) | 42 | 206 | 8 |
| Other | (23) | (8) | (427) | 76 |
| Balance, end of period | \$ 1,439 | \$ 956 | \$ 1,371 | \$ 922 |

NOTE 30. RELATED PARTIES

In the normal course of operations, the partnership enters into transactions with related parties. These transactions have been measured at exchange value and are recognized in the consolidated financial statements. The immediate parent of the partnership is Brookfield Property Partners Limited. The ultimate parent of the partnership is Brookfield Asset Management. Other related parties of the partnership include Brookfield Asset Management's subsidiaries and operating entities, certain joint ventures and associates accounted for under the equity method, as well as officers of such entities and their spouses.

The partnership has a management agreement with its service providers, wholly-owned subsidiaries of Brookfield Asset Management. Pursuant to a Master Services Agreement, the partnership pays a base management fee ("base management fee"), to the service providers equal to 0.5% of the total capitalization of the partnership, subject to an annual minimum of \$50 million plus annual inflation adjustments. The amount of the equity enhancement distribution is reduced by the amount by which the base management fee is greater than \$50 million per annum, plus annual inflation adjustments.

The base management fee for the three months ended March 31, 2020 was \$14 million (2019 - \$24 million). The equity enhancement distribution for the three months ended March 31, 2020 was nil (2019 - \$4 million).

In connection with the issuance of preferred equity units of the operating partnership to a third party in the fourth quarter of 2014, Brookfield Asset Management contingently agreed to acquire the seven-year and ten-year tranches of preferred equity units from the Unitholder for the initial issuance price plus accrued and unpaid distributions and to exchange such units for Preferred Equity Units with terms and conditions substantially similar to the twelve-year tranche to the extent that the market price of the LP Units is less than 80% of the exchange price at maturity.

The following table summarizes transactions with related parties:

| (US\$ Millions) | Mar. 31, 2020 | Dec. 31, 2019 |
|--|---------------|---------------|
| Balances outstanding with related parties: | | |
| Net (payables)/receivables within equity accounted investments | (80) | (81) |
| Loans and notes receivable | 106 | 102 |
| Receivables and other assets | 16 | 17 |
| Loans and notes payable and other liabilities | (214) | (196) |
| Preferred shares held by Brookfield Asset Management | (15) | (15) |

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|-------|
| | 2020 | 2019 |
| Transactions with related parties: | | |
| Commercial property revenue ⁽¹⁾ | \$ 7 | \$ 13 |
| Management fee income | 10 | 1 |
| Participating loan interests (including fair value gains, net) | — | 9 |
| Interest expense on debt obligations | 7 | 17 |
| Interest on capital securities held by Brookfield Asset Management | — | 7 |
| General and administrative expense ⁽²⁾ | 38 | 50 |
| Construction costs ⁽³⁾ | 118 | 202 |
| Incentive fees | 6 | — |

⁽¹⁾ Amounts received from Brookfield Asset Management and its subsidiaries for the rental of office premises.

⁽²⁾ Includes amounts paid to Brookfield Asset Management and its subsidiaries for management fees, management fees associated with the partnership's investments in private funds, and administrative services.

⁽³⁾ Includes amounts paid to Brookfield Asset Management and its subsidiaries for construction costs of development properties.

NOTE 31. SUBSIDIARY PUBLIC ISSUERS

BOP Split was incorporated for the purpose of being an issuer of preferred shares and owning a portion of the partnership's investment in BPO common shares. Pursuant to the terms of a Plan of Arrangement, holders of outstanding BPO Class AAA Preferred Shares Series G, H, J and K, which were convertible into BPO common shares, were able to exchange their shares for BOP Split Senior Preferred Shares, subject to certain conditions. The BOP Split Senior Preferred shares are listed on the TSX and began trading on June 11, 2014. All shares issued by BOP Split are retractable by the holders at any time for cash.

In connection with an internal restructuring completed in July 2016, the partnership and certain of its related entities agreed to guarantee all of BPO's Class AAA Preferred Shares and all of BPO's debt securities issued pursuant to BPO's indenture dated December 8, 2009.

In April 2018, the partnership formed two subsidiaries, Brookfield Property Finance ULC and Brookfield Property Preferred Equity Inc. to act as issuers of debt and preferred securities, respectively. The partnership and certain of its related entities have agreed to guarantee securities issued by these entities.

The following table provides consolidated summary financial information for the partnership, BOP Split, BPO, Brookfield Property Finance ULC, Brookfield Property Preferred Equity Inc. and the holding entities:

| (US\$ Millions) For the three months ended Mar. 31, 2020 | Brookfield Property Partners L.P. | BOP Split | BPO | Brookfield Property Preferred Equity Inc. | Brookfield Property Finance ULC | Holding entities ⁽²⁾ | Additional holding entities and eliminations ⁽³⁾ | Consolidating adjustments ⁽⁴⁾ | Brookfield Property Partners L.P. consolidated |
|--|--|-----------|-------|--|--|------------------------------------|--|---|---|
| Revenue | \$ — | \$ 64 | \$ 39 | \$ — | \$ 15 | \$ 200 | \$ 4 | \$ 1,578 | \$ 1,900 |
| Net income attributable to unitholders ⁽¹⁾ | (244) | 56 | 27 | — | 112 | (486) | (73) | 122 | (486) |
| For the three months ended Mar. 31, 2019 | | | | | | | | | |
| Revenue | \$ — | \$ 11 | \$ 30 | \$ — | \$ 8 | \$ 556 | \$ 194 | \$ 1,274 | \$ 2,073 |
| Net income attributable to unitholders ⁽¹⁾ | 162 | 107 | 449 | — | 8 | 333 | 379 | (1,105) | 333 |

⁽¹⁾ Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units, FV LTIP Units and BPYU Units.

⁽²⁾ Includes the operating partnership, Brookfield BPY Holdings Inc., Brookfield BPY Retail Holdings II Inc., BPY Bermuda Holdings Limited, and BPY Bermuda Holdings II Limited.

⁽³⁾ Includes BPY Bermuda Holdings IV Limited, BPY Bermuda Holdings V Limited and BPY Bermuda Holdings VI Limited, which serve as guarantors for BPO but not BOP Split, net of intercompany balances and transactions with other holding entities.

⁽⁴⁾ Includes elimination of intercompany transactions and balances necessary to present the partnership on a consolidated basis.

| (US\$ Millions) As of Mar. 31, 2020 | Brookfield Property Partners L.P. | BOP Split | BPO | Brookfield Property Preferred Equity Inc. | Brookfield Property Finance ULC | Holding entities ⁽²⁾ | Additional holding entities and eliminations ⁽³⁾ | Consolidating adjustments ⁽⁴⁾ | Brookfield Property Partners L.P. consolidated |
|--|--|-----------|-----------|--|--|------------------------------------|--|---|---|
| Current assets | \$ — | \$ 538 | \$ 81 | \$ — | \$ 1,006 | \$ 8,419 | \$ 181 | \$ (6,879) | \$ 3,346 |
| Non-current assets | 13,935 | 30,589 | 23,397 | — | 397 | 32,348 | 2,088 | 3,409 | 106,163 |
| Assets held for sale | — | — | — | — | — | — | — | 552 | 552 |
| Current liabilities | — | 3,229 | 218 | — | 14 | 6,108 | 1,446 | 1,381 | 12,396 |
| Non-current liabilities | — | 7,086 | 6,392 | — | 1,352 | 6,864 | 468 | 31,518 | 53,680 |
| Liabilities associated with assets held for sale | — | — | — | — | — | — | — | 194 | 194 |
| Preferred equity | 699 | — | — | — | — | — | — | — | 699 |
| Equity attributable to interests of others in operating subsidiaries and properties | — | — | 2,284 | — | — | — | — | 13,712 | 15,996 |
| Equity attributable to unitholders ⁽¹⁾ | \$ 13,236 | \$ 20,812 | \$ 14,584 | \$ — | \$ 37 | \$ 27,795 | \$ 355 | \$ (49,723) | \$ 27,096 |

⁽¹⁾ Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units, FV LTIP Units and BPYU Units.

⁽²⁾ Includes the operating partnership, Brookfield BPY Holdings Inc., Brookfield BPY Retail Holdings II Inc., BPY Bermuda Holdings Limited, and BPY Bermuda Holdings II Limited.

⁽³⁾ Includes BPY Bermuda Holdings IV Limited, BPY Bermuda Holdings V Limited and BPY Bermuda Holdings VI Limited, which serve as guarantors for BPO but not BOP Split, net of intercompany balances and transactions with other holding entities.

⁽⁴⁾ Includes elimination of intercompany transactions and balances necessary to present the partnership on a consolidated basis.

| (US\$ Millions) As of Dec. 31, 2019 | Brookfield Property Partners L.P. | BOP Split | BPO | Brookfield Property Preferred Equity Inc. | Brookfield Property Finance ULC | Holding entities ⁽²⁾ | Additional holding entities and eliminations ⁽³⁾ | Consolidating adjustments ⁽⁴⁾ | Brookfield Property Partners L.P. consolidated |
|--|--|-----------|-----------|--|--|------------------------------------|--|---|---|
| Current assets | \$ — | \$ 12 | \$ 127 | \$ — | \$ 673 | \$ 8,436 | \$ 176 | \$ (6,522) | \$ 2,902 |
| Non-current assets | 14,517 | 11,739 | 23,830 | — | 429 | 29,367 | 2,049 | 26,423 | 108,354 |
| Assets held for sale | — | — | — | — | — | — | — | 387 | 387 |
| Current liabilities | — | 995 | 131 | — | 15 | 5,981 | 1,129 | 4,075 | 12,326 |
| Non-current liabilities | — | 6,173 | 6,744 | — | 1,078 | 2,871 | 519 | 36,857 | 54,242 |
| Liabilities associated with assets held for sale | — | — | — | — | — | — | — | 140 | 140 |
| Preferred equity | 420 | — | — | — | — | — | — | — | 420 |
| Equity attributable to interests of others in operating subsidiaries and properties | — | — | 2,284 | — | — | — | — | 13,701 | 15,985 |
| Equity attributable to unitholders ⁽¹⁾ | \$ 14,097 | \$ 4,583 | \$ 14,798 | \$ — | \$ 9 | \$ 28,951 | \$ 577 | \$ (34,485) | \$ 28,530 |

⁽¹⁾ Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units, FV LTIP Units and BPYU Units.

⁽²⁾ Includes the operating partnership, Brookfield BPY Holdings Inc., Brookfield BPY Retail Holdings II Inc., BPY Bermuda Holdings Limited, and BPY Bermuda Holdings II Limited.

⁽³⁾ Includes BPY Bermuda Holdings IV Limited, BPY Bermuda Holdings V Limited and BPY Bermuda Holdings VI Limited, which serve as guarantors for BPO but not BOP Split, net of intercompany balances and transactions with other holding entities.

⁽⁴⁾ Includes elimination of intercompany transactions and balances necessary to present the partnership on a consolidated basis.

NOTE 32. SEGMENT INFORMATION

a) Operating segments

IFRS 8, *Operating Segments*, requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and to assessing its performance. The partnership’s operating segments are organized into four reportable segments: i) Core Office, ii) Core Retail, iii) LP Investments and iv) Corporate. This is consistent with how the partnership presents financial information to the CODM and investors. These segments are independently and regularly reviewed and managed by the Chief Executive Officer, who is considered the CODM.

b) Basis of measurement

The CODM measures and evaluates the performance of the partnership’s operating segments based on funds from operations (“FFO”). This performance metric does not have standardized meanings prescribed by IFRS and therefore may differ from similar metrics used by other companies and organizations. Management believes that while not an IFRS measure, FFO is the most consistent metric to measure the partnership’s financial statements and for the purpose of allocating resources and assessing its performance.

The partnership defines FFO as net income, prior to fair value gains, net, depreciation and amortization of real estate assets, and income taxes less non-controlling interests of others in operating subsidiaries and properties share of these items. When determining FFO, the partnership also includes its proportionate share of the FFO of unconsolidated partnerships and joint ventures and associates.

c) Reportable segment measures

The following summaries present certain financial information regarding the partnership’s operating segments for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) Three months ended Mar. 31, | Total revenue | | FFO | |
|--|-----------------|-----------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Core Office | \$ 530 | \$ 513 | \$ 121 | \$ 124 |
| Core Retail | 444 | 379 | 188 | 167 |
| LP Investments | 924 | 1,178 | 49 | 75 |
| Corporate | 2 | 3 | (84) | (108) |
| Total | \$ 1,900 | \$ 2,073 | \$ 274 | \$ 258 |

The following summaries presents the detail of total revenue from the partnership's operating segments for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Lease revenue | Other revenue from tenants | Hospitality revenue | Investment and other revenue | Total revenue |
|----------------------------------|-----------------|----------------------------|---------------------|------------------------------|-----------------|
| Three months ended Mar. 31, 2020 | | | | | |
| Core Office | \$ 369 | \$ 115 | \$ 7 | \$ 39 | \$ 530 |
| Core Retail | 296 | 75 | — | 73 | 444 |
| LP Investments | 478 | 71 | 359 | 16 | 924 |
| Corporate | — | — | — | 2 | 2 |
| Total | \$ 1,143 | \$ 261 | \$ 366 | \$ 130 | \$ 1,900 |

| (US\$ Millions) | Lease revenue | Other revenue from tenants | Hospitality revenue | Investment and other revenue | Total revenue |
|----------------------------------|-----------------|----------------------------|---------------------|------------------------------|-----------------|
| Three months ended Mar. 31, 2019 | | | | | |
| Core Office | \$ 387 | \$ 84 | \$ 2 | \$ 40 | \$ 513 |
| Core Retail | 263 | 77 | — | 39 | 379 |
| LP Investments | 583 | 80 | 489 | 26 | 1,178 |
| Corporate | — | — | — | 3 | 3 |
| Total | \$ 1,233 | \$ 241 | \$ 491 | \$ 108 | \$ 2,073 |

The following summary presents information about certain consolidated balance sheet items of the partnership, on a segmented basis, as of March 31, 2020 and December 31, 2019:

| (US\$ Millions) | Total assets | | Total liabilities | |
|-----------------|-------------------|-------------------|-------------------|------------------|
| | Mar. 31, 2020 | Dec. 31, 2019 | Mar. 31, 2020 | Dec. 31, 2019 |
| Core Office | \$ 35,878 | \$ 36,758 | \$ 17,299 | \$ 17,592 |
| Core Retail | 32,465 | 32,921 | 16,895 | 16,996 |
| LP Investments | 41,460 | 41,838 | 27,093 | 27,457 |
| Corporate | 258 | 126 | 4,983 | 4,663 |
| Total | \$ 110,061 | \$ 111,643 | \$ 66,270 | \$ 66,708 |

The following summary presents a reconciliation of FFO to net income for the three months ended March 31, 2020 and 2019:

| (US\$ Millions) | Three months ended Mar. 31, | |
|--|-----------------------------|---------------|
| | 2020 | 2019 |
| FFO⁽¹⁾ | \$ 274 | \$ 258 |
| Depreciation and amortization of real estate assets | (69) | (69) |
| Fair value gains, net | (310) | 370 |
| Share of equity accounted income - non-FFO | (250) | 27 |
| Income tax expense | (161) | (88) |
| Non-controlling interests of others in operating subsidiaries and properties – non-FFO | 30 | (165) |
| Net (loss) income attributable to unitholders⁽²⁾ | (486) | 333 |
| Non-controlling interests of others in operating subsidiaries and properties | 113 | 380 |
| Net (loss) income | \$ (373) | \$ 713 |

⁽¹⁾ FFO represents interests attributable to GP Units, LP Units, Exchange LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units and BPYU Units. The interests attributable to Exchange LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units and BPYU Units are presented as non-controlling interests in the consolidated statements of income.

⁽²⁾ Includes net income attributable to GP Units, LP Units, Exchange LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units and BPYU Units. The interests attributable to Exchange LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units and BPYU Units are presented as non-controlling interests in the consolidated statements of income.

NOTE 33. SUBSEQUENT EVENTS

In April 2020, Brookfield Asset Management made \$350 million in on-demand deposits to the partnership.

On May 7, 2020, the board of directors declared a quarterly distribution on the partnership's LP Units of \$0.3325 per unit (\$1.33 on an annualized basis) payable on June 30, 2020 to unitholders of record at the close of business on May 29, 2020.

On May 8, 2020, the purchase sale agreement for the Diplomat, which was classified as held for sale as of March 31, 2020, was terminated by the third-party purchaser.

As noted throughout this document, in March 2020, the World Health Organization declared COVID-19 to be a global pandemic which has resulted in the enactment of emergency measures to contain the spread across the world. Travel bans, quarantines, physical and social distancing, and the closure of non-essential businesses have all been put into place as precautionary measures and have resulted in a material disruption to businesses around the globe. At this time, it is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on our business and operations, both in the short term and in the long term.

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS – FULL CERTIFICATE

I, Brian W. Kingston, Chief Executive Officer of Brookfield Property Group LLC, a manager of Brookfield Property Partners L.P., certify the following:

1. Review: I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Brookfield Property Partners L.P. (the “issuer”) for the interim period ended March 31, 2020.

2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. Responsibility: The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings

- (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 Control framework: The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

5.2 ICFR – material weakness relating to design: N/A

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on July 1, 2019 and ended on March 31, 2020 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: May 11, 2020

/s/ Brian W. Kingston

Brian W. Kingston
Chief Executive Officer of Brookfield Property Group LLC,
a manager of the issuer

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS – FULL CERTIFICATE

I, Bryan K. Davis, Chief Financial Officer of Brookfield Property Group LLC, a manager of Brookfield Property Partners L.P., certify the following:

1. Review: I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Brookfield Property Partners L.P. (the “issuer”) for the interim period ended March 31, 2020.

2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. Responsibility: The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings

- (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

5.1 Control framework: The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

5.2 ICFR – material weakness relating to design: N/A

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on July 1, 2019 and ended on March 31, 2020 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: May 11, 2020

/s/ Bryan K. Davis

Bryan K. Davis
Chief Financial Officer of Brookfield Property Group LLC,
a manager of the issuer

BROOKFIELD PROPERTY PARTNERS L.P.

bpy.brookfield.com

NASDAQ: BPY
TSX: BPY.UN