

Q2 2017 INTERIM REPORT

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 June 30, 2017 and December 31, 2016 and results of operations for the three and six months ended June 30, 2017 and 2016. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements (the "Financial Statements") and related notes as of June 30, 2017, included elsewhere in this report, and our annual report for the year ended December 31, 2016 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 Canadian provincial securities laws and applicable regulations and "forward-looking statements" within the meaning of "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. 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; 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 and hurricanes; 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.

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 material asset is our 37% interest in Brookfield Property L.P. (the “Operating Partnership”). 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’s operating segments are organized into four reportable segments: i) Core Office, ii) Core Retail, iii) Opportunistic and iv) Corporate. These segments are independently and regularly reviewed and managed by the Chief Executive Officer, who is considered the Chief Operating Decision Maker.

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”) and limited partnership units of Brookfield Office Properties Exchange LP (“Exchange LP Units”). Holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, and Exchange LP Units will be collectively referred to throughout this MD&A as “Unitholders”. The LP Units, Redeemable/Exchangeable Partnership Units, and Exchange LP Units have the same economic attributes in all respects, except that the Redeemable/Exchangeable Partnership Units have provided Brookfield Asset Management Inc. (“Brookfield Asset Management”) the right to request that its units be redeemed for cash consideration. In the event that Brookfield Asset Management 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. As a result of this redemption feature, we present the Exchange LP Units as a component of non-controlling interests.

This MD&A includes financial data for the three and six months ended June 30, 2017 and includes material information up to August 9, 2017. 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, excluding information relating to our interests in China Xintiandi. 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 flagship public commercial property entity and the primary vehicle through which it invests in real estate on a global basis. We are a globally-diversified owner and operator of high-quality properties that typically generate stable and sustainable cash flows over the long term. Our goal is to be a leading global owner and operator of real estate, providing investors with a diversified exposure to some of the most iconic properties in the world and to acquire high-quality assets at a discount to replacement cost or intrinsic value. With approximately 16,000 employees involved in Brookfield Asset Management’s real estate businesses around the globe, we have built operating platforms in various real estate sectors, including:

- Core Office segment through our 100% common equity interest in Brookfield Office Properties Inc. (“BPO”) and our 50% interest in Canary Wharf Group plc (“Canary Wharf”);
- Core Retail segment through our 29% interest in GGP Inc. (“GGP”) (33% on a fully diluted basis, assuming all outstanding warrants are exercised); and
- Opportunistic segment through investments in Brookfield Asset Management-sponsored real estate funds.

Through these platforms, we have amassed a portfolio of premier properties and development sites around the globe, including:

- 146 office properties totaling over 99 million square feet primarily located in the world’s leading commercial markets such as New York, London, Los Angeles, Washington, D.C., Sydney, Toronto, and Berlin;
- Office and urban multifamily development sites that enable the construction of 32 million square feet of new properties;
- 126 regional malls and urban retail properties containing over 123 million square feet in the United States;
- 114 opportunistic office properties comprising of approximately 30 million square feet of office space in the United States, United Kingdom, Brazil, India and South Korea;
- Approximately 29 million square feet of opportunistic retail space across 46 properties across the United States and in select Brazilian markets;
- Approximately 45 million square feet of industrial space across 179 industrial properties, primarily consisting of modern logistics assets in North America and Europe;
- Approximately 30,400 multifamily units across 103 properties throughout the United States;
- Nineteen hospitality assets with over 13,800 rooms across North America, Europe and Australia;

- 338 properties that are leased to automotive dealerships across the United States and Canada on a triple net lease basis;
- 201 self-storage facilities comprising approximately 15 million square feet throughout the United States;
- 29 student housing properties with over 11,000 beds in the United Kingdom; and
- 135 manufactured housing communities with approximately 32,300 sites across the United States.

Our diversified portfolio of high-quality office and retail assets in some of the world's most dynamic markets has a stable cash flow profile due to its long-term leases. In addition, as a result of the mark-to-market of rents upon lease expiry, escalation provisions in leases and projected increases in occupancy, these assets should generate strong same-property net operating income ("NOI") growth without significant capital investment. Furthermore, we expect to earn between 8% and 11% unlevered, pre-tax returns on construction costs for our development and redevelopment projects and 20% on our equity invested in Brookfield-sponsored real estate opportunity funds. With this cash flow profile, our goal is to pay an attractive annual distribution to our Unitholders and to grow our distribution by 5% to 8% per annum.

Overall, we seek to earn leveraged after-tax returns of 12% to 15% on our invested capital. These returns will be comprised of current cash flow and capital appreciation. 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, or to reflect changes in market conditions. 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 returns. We actively recycle assets on our balance sheet as they mature and reinvest the proceeds into higher yielding investment strategies, further enhancing returns. 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 cash flow earned from our operations and capital appreciation. Furthermore, if we are successful in increasing cash flow earned from our operations we will be able to increase distributions to Unitholders to provide them with an attractive current yield on their investment.

To measure our performance against these targets, we focus on NOI, same-property NOI, funds from operations ("FFO"), Company FFO, fair value changes, 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. We define each of these measures as follows:

- *NOI*: revenues from our commercial and hospitality operations of consolidated properties less direct commercial property and hospitality expenses.
- *Same-property NOI*: a subset of NOI, which excludes NOI that is earned from assets acquired, disposed of or developed during the periods presented, or not of a recurring nature, and from opportunistic assets.
- *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 and the FFO that would have been attributable to the partnership's shares of GGP if all outstanding warrants of GGP were exercised on a noncash basis. It also includes dilution adjustments to undiluted FFO as a result of the net settled warrants.
- *Fair value changes*: includes the increase or decrease in the value of investment properties that is reflected in the consolidated income statements.
- *Net income attributable to Unitholders*: net income attributable to holders of GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP Units.
- *Equity attributable to Unitholders*: equity attributable to holders of GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP 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 allows us to segregate the performance of leasing and operating initiatives on the portfolio from the impact to performance of investing activities and "one-time items", which for the historical periods presented consist primarily of lease termination income.

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. We also add back the gains (or losses) related to properties developed for sale. 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 recognition of lease termination income. 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 reconcile FFO to net income on page 10 rather than cash flow from operating activities 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.

Net income attributable to Unitholders is used by the partnership to evaluate the performance of the partnership as a whole as each of the Unitholders participates in the economics of the partnership equally. In calculating net income attributable to Unitholders per unit, the partnership excludes the impact of mandatorily convertible preferred units in determining the average number of units outstanding as the holders of mandatorily convertible preferred units do not participate in current earnings.

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 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.

We also consider the following items to be important drivers of our current and anticipated financial performance:

- Increases in occupancies by leasing vacant space;
- 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 that fit into our strategic plan; and
- Investors for dispositions of peak value or non-core assets.

FINANCIAL STATEMENTS ANALYSIS

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

In this section, we review our financial position and consolidated performance as of June 30, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and 2016. Further details on our results from operations and our financial positions are contained within the “*Segment Performance*” section beginning on page 13.

Our investment approach is to acquire high-quality assets at a discount to replacement cost or intrinsic value. We have been actively pursuing this strategy through our flexibility to allocate capital to real estate sectors and geographies with the best risk-adjusted returns and to participate in transactions through our investments in various Brookfield Asset Management-sponsored real estate funds. Some of the more significant transactions are highlighted below:

Significant Developments through the second quarter of 2017

During the first quarter of 2017, we acquired a portfolio of manufactured housing communities across the U.S. for consideration of approximately \$768 million in our Opportunistic segment, including the assumption of debt. We also acquired a portfolio of office properties across the U.S. for consideration of approximately \$214 million in our Opportunistic segment. In our Core Office segment, we sold a 50% interest in the Principal Place - Commercial development for £346 million and a realized gain of \$203 million. We retained joint control of the resulting joint venture and will account for our remaining interest as an equity accounted investment.

During the second quarter of 2017, we entered into an amended management agreement with our co-investors in our Brazilian retail portfolio, Brookfield Brazil Retail Fundo de Investimento em Participações (“Brazil Retail”). As a result of the terms of the agreement, we now jointly control the portfolio with our co-investors. As such, we no longer consolidate this investment and will account for our investment in Brazil Retail as an equity accounted investment. In our Core Office segment, we sold our equity accounted investment in 245 Park Avenue in Midtown New York for net proceeds of approximately \$680 million. Additionally, we redeemed all of the public units outstanding of Brookfield Canada Office Properties for C\$32.50 per unit, or C\$516 million. Finally, in our Opportunistic segment, we acquired an additional portfolio of student housing properties in the United Kingdom for £299 million.

Significant Developments through the second quarter of 2016

During the first quarter of 2016, we acquired a portfolio of self-storage facilities across the U.S. for consideration of approximately \$320 million in our Opportunistic segment, including the assumption of debt. In our Core Office segment, we sold World Square Retail in Sydney for A\$285 million and a realized gain of \$112 million and Royal Centre in Vancouver for C\$428 million and a realized gain of \$171 million.

During the second quarter of 2016, we acquired a portfolio of student housing properties in the United Kingdom for approximately \$397 million, the Vintage Estate hotel and specialty retail center in Napa Valley, CA for \$197 million and an additional portfolio of self-storage facilities for consideration of \$151 million in our Opportunistic segment.

Summary Operating Results

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Commercial property revenue	\$ 1,050	\$ 866	\$ 2,045	\$ 1,686
Hospitality revenue	430	416	804	808
Investment and other revenue	39	51	198	86
Total revenue	1,519	1,333	3,047	2,580
Direct commercial property expense	413	330	782	641
Direct hospitality expense	276	264	539	529
Investment and other expense	—	1	122	1
Interest expense	510	401	982	817
Depreciation and amortization	69	61	132	125
General and administrative expense	156	138	307	269
Total expenses	1,424	1,195	2,864	2,382
Fair value gains, net	454	286	378	623
Share of earnings from equity accounted investments	193	286	526	416
Income before taxes	742	710	1,087	1,237
Income tax expense	78	141	236	228
Net income	\$ 664	\$ 569	\$ 851	\$ 1,009
Net income attributable to non-controlling interests of others in operating subsidiaries and properties	425	220	778	409
Net income attributable to Unitholders⁽¹⁾	\$ 239	\$ 349	\$ 73	\$ 600
NOI⁽¹⁾	\$ 791	\$ 688	\$ 1,528	\$ 1,324
FFO⁽¹⁾	\$ 227	\$ 239	\$ 429	\$ 434
Company FFO⁽¹⁾	\$ 258	\$ 250	\$ 495	\$ 467

⁽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 10.

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

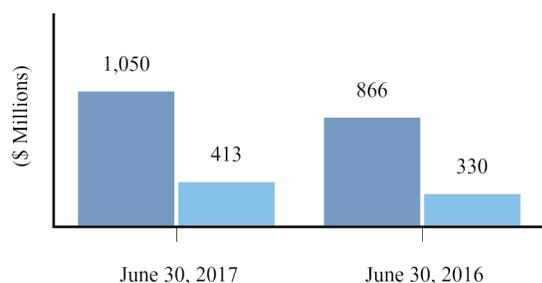
(US\$ Millions, except per share information)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Net income attributable to Unitholders - basic ⁽¹⁾	\$ 239	\$ 349	\$ 73	\$ 600
Dilutive effect of conversion of capital securities - corporate ⁽²⁾	7	10	—	21
Net income attributable to Unitholders - diluted	\$ 246	\$ 359	\$ 73	\$ 621
Weighted average number of units outstanding - basic ⁽¹⁾	774.6	781.2	775.8	781.2
Conversion of capital securities - corporate and options ⁽²⁾	22.3	37.3	0.2	37.1
Weighted average number of units outstanding - diluted	796.9	818.5	776.0	818.3
Net income per unit attributable to Unitholders - basic⁽¹⁾	\$ 0.31	\$ 0.45	\$ 0.09	\$ 0.77
Net income per unit attributable to Unitholders - diluted⁽²⁾	\$ 0.31	\$ 0.44	\$ 0.09	\$ 0.76

⁽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.

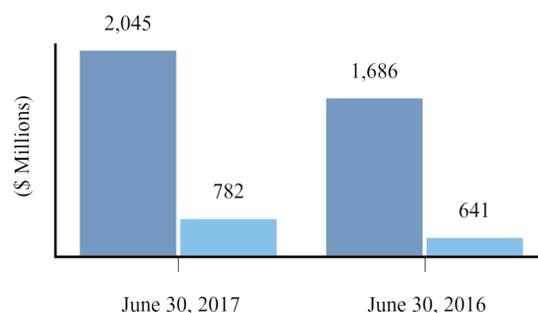
⁽²⁾ The effect of the conversion of capital securities and options is anti-dilutive for the six months ended June 30, 2017.

Commercial property revenue and direct commercial property expense

Commercial property revenue and expense for the three months ended,



Commercial property revenue and expense for the six months ended,



For the three months ended June 30, 2017, commercial property revenue increased by \$184 million compared to the same period in the prior year as a result of incremental capital allocated to higher yielding opportunistic investments and same-property growth in our Core Office segment. Acquisitions made in 2016 and 2017, including the acquisition of the mixed-use International Finance Center Seoul (“IFC”) complex, the privatization of Rouse Properties, Inc. (“Rouse”), and acquisitions of self-storage, student housing and manufactured housing portfolios contributed to a \$266 million increase in revenue. These increases were offset by the disposition or partial disposition of mature office assets, some of which resulted in the deconsolidation of certain commercial properties that provided the capital to pursue the aforementioned acquisitions. Significant dispositions, full or partial, include One Shelley Street in Sydney, One New York Plaza in New York City and Moor Place in London.

Direct commercial property expense increased by \$83 million largely due to additional expenses relating to acquisitions during 2016 and 2017 as mentioned above. These increases were partially offset by the disposition of mature assets and the deconsolidation of certain commercial assets. Margins in 2017 were 60.7%, a decrease of 1.2% over 2016.

For the six months ended June 30, 2017, commercial property revenue increased by \$359 million compared to the same period in the prior year as a result of acquisition activity, as noted above, and same-property growth in our Core Office segment, particularly in downtown New York as a result of lease commencements at Brookfield Place New York. Acquisitions made in 2016 and 2017 contributed to a \$476 million increase in revenue. These increases were offset by the disposition or partial disposition of mature assets, including those noted above, as well as the dispositions of Royal Centre in Vancouver and World Square Retail in Sydney in the first quarter of 2016.

Direct commercial property expense increased by \$141 million largely due to additional expenses relating to acquisitions during 2016 and 2017 as mentioned above, partially offset by the disposition of mature assets and the deconsolidation of certain commercial assets. Margins in 2017 were 61.8%, an increase of 0.2% over 2016.

Hospitality revenue and direct hospitality expense

Hospitality revenue increased to \$430 million for the three months ended June 30, 2017, compared to \$416 million in the same period in the prior year. Direct hospitality expense increased to \$276 million for the three months ended June 30, 2017, compared to \$264 million in the same period in the prior year. These increases were primarily driven by acquisitions, offset by the impact of foreign exchange. Hospitality revenue decreased to \$804 million for the six months ended June 30, 2017, compared to \$808 million in the same period in the prior year. This decrease was primarily due to decreased bookings during the renovation of certain properties and the impact of foreign exchange, offset by acquisitions. Direct hospitality expense increased to \$539 million for the six months ended June 30, 2017, compared to \$529 million in the same period in the prior year primarily due to acquisitions and the renovations mentioned above, offset by the impact of foreign exchange. Margins were 35.8% and 33.0% for the three and six months ended June 30, 2017, respectively, representing decreases of 0.7% and 1.5%.

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 decreased by \$12 million for the three months ended June 30, 2017 as compared to the same period in the prior year. The decrease is primarily attributable to a foreign exchange gain of \$12 million recognized on the sale of a partial interest in the Potsdamer Platz mixed-use portfolio in Berlin in the second quarter of 2016.

Investment and other revenue increased by \$112 million for the six months ended June 30, 2017 as compared to the same period in the prior year. The increase was primarily due to income from the sale of develop-for-sale assets in our multifamily and industrial businesses in the first quarter of 2017.

Investment and other expense decreased by \$1 million and increased by \$121 million for the three and six months ended June 30, 2017, respectively, as compared to the same period in the prior year. The increase compared to the six months ended June 30, 2016 is primarily

due to expenses associated with the sale of develop-for-sale assets in our multifamily and industrial businesses which sold in the first quarter of 2017 as mentioned above.

Interest expense

Interest expense increased by \$109 million for the three months ended June 30, 2017 as compared to the same period in the prior year. Interest expense increased by \$165 million for the six months ended June 30, 2017 as compared to the same period in the prior year. These increases were due to the assumption of debt obligations as a result of acquisition activity and through incremental debt raised from temporary drawdowns on our credit facilities to source the capital required for acquisitions and an increase in the weighted average variable interest rate during the year. These increases were partially offset by disposition activity and the impact of foreign exchange.

General and administrative expense

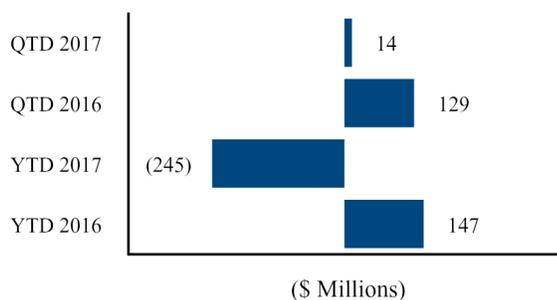
General and administrative expense increased by \$18 million for the three months ended June 30, 2017 as compared to the same period in the prior year. General and administrative expense increased by \$38 million for the six months ended June 30, 2017 as compared to the same period in the prior year. These increases were primarily attributable to operating and transaction costs related to newly acquired investments.

Fair value gains, net

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.

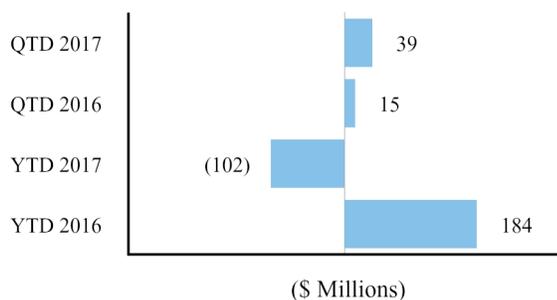
Fair value gains, net for our Core Office sector of \$14 million were recognized in the three months ended June 30, 2017. The valuation gains were primarily related to properties in Sydney and Toronto as a result of compression of valuation metrics and new leasing. The gains were partially offset by losses on properties in the energy-dependent markets of Houston and Calgary. Fair value losses, net for our Core Office segment in the six months ended June 30, 2017 were \$245 million. These losses primarily related to properties in Downtown New York as a result of changes in valuation metrics and leasing activity in the first quarter of 2017.

Fair value gains (loss), net - Core Office



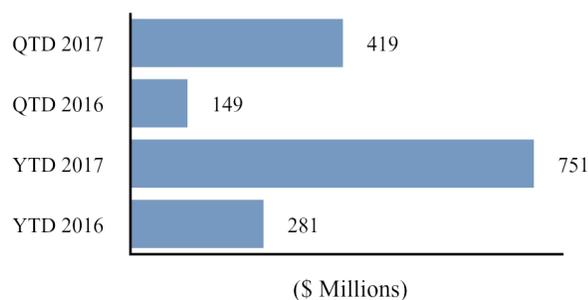
The prior year included significant fair value gains related to properties in New York, London and Sydney as a result of leasing and transaction activity, including a fair value gain on the Principal Place - Commercial development in London to reflect a lower risk associated with the project completion. These gains were offset by fair value losses on energy-dependent markets in Calgary and Houston.

Fair values gains (losses), net - Core Retail



Fair value gains (losses), net for the Core Retail segment relate to the depreciation or appreciation of our warrants in GGP which fluctuate with changes in the market price of the underlying shares.

Fair values gains, net - Opportunistic



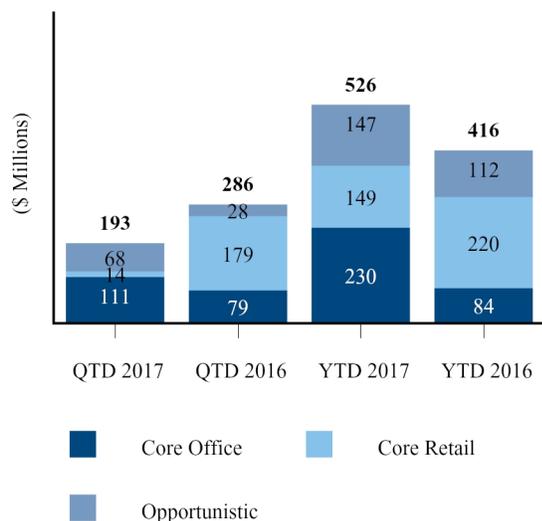
Fair value gains, net for the Opportunistic segment in the three and six months ended June 30, 2017 were \$419 million and \$751 million, respectively. These gains included a \$115 million bargain purchase gain on our manufactured housing portfolio acquired in the first quarter of 2017 and a \$27 million bargain purchase gain on a student housing portfolio acquired in the second quarter of 2017, both as a result of changes in the underlying market conditions since signing the purchase and sale agreements. In addition, we recorded fair value gains from our industrial portfolio, due to improved rental rate assumptions and compression of discount rate and terminal capitalization rates. Additionally, in our opportunistic office portfolio, we recorded fair value gains from our India office portfolio as a result of the improvement of market conditions and additional leasing.

In addition, for the three months ended June 30, 2017, we recorded fair value losses, net of \$18 million (2016 - fair value losses, net of \$7 million) and for the six months ended June 30, 2017 we recorded fair value losses, net of \$26 million (2016 - fair value gains, net of \$11 million), primarily related to mark-to-market adjustments of financial instruments and the settlement of derivative contracts during the quarter.

Share of net earnings from equity accounted investments

Our most material equity accounted investments are Canary Wharf and Manhattan West in our Core Office sector, GGP in our Core Retail segment and the Diplomat hotel and our interest in the second value-add multifamily fund in our Opportunistic segment.

Share of net earnings from equity accounted investments



Our share of net earnings from equity accounted investments for the three months and six months ended June 30, 2017 of \$193 million and \$526 million, respectively, represents a decrease of \$93 million and increase of \$110 million, respectively compared to the prior year. The decrease compared to the three months ended June 30, 2016 was primarily driven by valuation losses at lower earning properties within our Core Retail segment. The increase compared to six months ended June 30, 2016 was primarily driven by the equity accounting for our interest in One New York Plaza in Downtown New York upon partial disposition in the prior year, offset by the valuation losses in our Core Retail segment mentioned above.

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.

Commercial property NOI increased by \$101 million to \$637 million during the three months ended June 30, 2017 compared with \$536 million during the same period in the prior year. For the six months ended June 30, 2017, commercial property NOI increased by \$218 million to \$1,263 million compared with \$1,045 million during the same period in the prior year. The increases are primarily driven by new acquisitions across our portfolio and same-property growth, offset by the disposition of mature assets, the deconsolidation of certain assets following partial dispositions thereof and the negative impact of foreign exchange.

Hospitality NOI increased by \$2 million to \$154 million during the three months ended June 30, 2017 compared to \$152 million during the same period in the prior year. For the six months ended June 30, 2017, hospitality NOI decreased by \$14 million to \$265 million compared

to \$279 million during the same period in the prior year. The decrease is primarily due to decreased bookings at certain properties due to ongoing renovations and the impact of foreign exchange, offset by acquisitions.

The following table reconciles NOI to net income for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Commercial property revenue	\$ 1,050	\$ 866	\$ 2,045	\$ 1,686
Direct commercial property expense	(413)	(330)	(782)	(641)
Commercial property NOI	637	536	1,263	1,045
Hospitality revenue	430	416	804	808
Direct hospitality expense	(276)	(264)	(539)	(529)
Hospitality NOI	154	152	265	279
Total NOI	791	688	1,528	1,324
Investment and other revenue	39	51	198	86
Share of net earnings from equity accounted investments	193	286	526	416
Interest expense	(510)	(401)	(982)	(817)
Depreciation and amortization	(69)	(61)	(132)	(125)
General and administrative expense	(156)	(138)	(307)	(269)
Investment and other expense	—	(1)	(122)	(1)
Fair value gains, net	454	286	378	623
Income before taxes	742	710	1,087	1,237
Income tax expense	(78)	(141)	(236)	(228)
Net income	\$ 664	\$ 569	\$ 851	\$ 1,009
Net income attributable to non-controlling interests	425	220	778	409
Net income attributable to Unitholders	\$ 239	\$ 349	\$ 73	\$ 600

The following table reconciles net income to FFO and Company FFO for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Net income	\$ 664	\$ 569	\$ 851	\$ 1,009
Add (deduct):				
Fair value gains, net	(454)	(286)	(378)	(623)
Share of equity accounted fair value gains, net	55	(66)	(66)	22
Depreciation and amortization of real estate assets	58	56	115	115
Income tax expense	78	141	236	228
Non-controlling interests in above items	(174)	(175)	(329)	(317)
FFO	\$ 227	\$ 239	\$ 429	\$ 434
Add (deduct):				
Depreciation and amortization of real-estate assets, net ⁽¹⁾	7	5	13	11
Transaction costs, net ⁽¹⁾	2	10	16	19
Gains/losses associated with non-investment properties, net ⁽¹⁾	1	(14)	—	(20)
Imputed interest ⁽²⁾	9	—	14	—
Net contribution from GGP warrants ⁽³⁾	12	10	23	23
Company FFO	\$ 258	\$ 250	\$ 495	\$ 467

⁽¹⁾ Presented net of non-controlling interests.

⁽²⁾ Represents imputed interest on commercial developments accounted for under the equity method.

⁽³⁾ Represents incremental FFO that would have been attributable to the partnership's share of GGP, if all outstanding warrants of GGP had been exercised on a cashless basis. It also includes the dilution adjustments to FFO as a result of the net settled warrants.

FFO decreased to \$227 million during the three months ended June 30, 2017 compared with \$239 million during the same period in the prior year. For the six months ended June 30, 2017, FFO decreased to \$429 million compared with \$434 million during the same period in the prior year. These decreases were driven by dispositions of mature assets throughout the period, higher interest expense on our variable rate debt and the negative impact of foreign exchange. These decreases were partially offset by acquisition activity since the prior period, including IFC, Rouse, a self-storage portfolio in the U.S., two student housing portfolios in the U.K. and a manufactured housing portfolio in the U.S. FFO also increased as a result of positive same-property growth in our Core Office and Core Retail segments.

Statement of Financial Position Highlights and Key Metrics

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Investment properties		
Commercial properties	\$ 48,271	\$ 45,699
Commercial developments	2,974	3,085
Equity accounted investments	17,493	16,844
Property, plant and equipment	5,476	5,357
Cash and cash equivalents	1,754	1,456
Assets held for sale	934	147
Total assets	82,810	78,127
Debt obligations	36,436	33,519
Liabilities associated with assets held for sale	563	61
Total equity	34,509	34,161
Equity attributable to Unitholders	\$ 22,002	\$ 22,358
Equity per unit⁽¹⁾	\$ 30.46	\$ 30.72

⁽¹⁾ Assumes conversion of mandatorily convertible preferred shares. See page 13 for additional information.

As of June 30, 2017, we had \$82,810 million in total assets, compared with \$78,127 million at December 31, 2016. This \$4,683 million increase reflects acquisition activity since the prior year, including the acquisition of a manufactured housing portfolio, an office portfolio in the U.S., One Post Street in San Francisco and a student housing portfolio in the United Kingdom.

Our investment properties are comprised of commercial, operating, rent-producing properties and commercial developments including active sites and those in planning for future development and land. Commercial properties increased from \$45,699 million at the end of 2016 to \$48,271 million at June 30, 2017. The increase was largely due to the acquisitions mentioned above, the reclassification of L'Oreal Brazil Headquarters in Rio de Janeiro from commercial development to commercial property upon substantial completion as well as incremental capital spent to maintain or enhance properties, valuation gains and the positive impact of foreign exchange. This was offset by the full or partial disposition of certain assets during the current year, the reclassification of 20 Canada Square in London to assets held for sale and the deconsolidation of our Brazil Retail investment after entering into an amended management agreement with our co-investors which resulted in joint control.

Commercial developments consist of commercial property development sites, density rights and related infrastructure. The total fair value of development land and infrastructure was \$2,974 million at June 30, 2017, a decrease of \$111 million from the balance at December 31, 2016. The decrease is primarily attributable to the sale of a 50% interest in Principal Place - Commercial in the United Kingdom during the first quarter of 2017 and the reclassification of L'Oreal Brazil Headquarters to commercial property upon substantial completion. These decreases were offset by incremental capital spend on our active developments, the positive impact of foreign exchange and valuation gains.

The following table presents the changes in investment properties from December 31, 2016 to June 30, 2017:

(US\$ Millions)	Jun. 30, 2017	
	Commercial properties	Commercial developments
Commercial properties, beginning of period	\$ 45,699	\$ 3,085
Acquisitions	3,364	58
Capital expenditures	332	444
Dispositions	(288)	(651)
Fair value gains, net	145	104
Foreign currency translation	638	85
Transfer between commercial properties and commercial developments	156	(156)
Reclassifications to assets held for sale and other changes	(1,775)	5
Commercial properties, end of period	\$ 48,271	\$ 2,974

Equity accounted investments increased by \$649 million since December 31, 2016 primarily due to the reclassification of our Brazil Retail investment which is now equity accounted, the addition of our remaining interest in Principal Place - Commercial upon sale of a 50% interest in the property in the first quarter and the strengthening of the British Pound against the U.S. Dollar. This increase was partially offset by the reclassification of our interest in 245 Park Avenue to assets held for sale in the first quarter and subsequent disposal in the second quarter.

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

(US\$ Millions)	Jun. 30, 2017
Equity accounted investments, beginning of period	\$ 16,844
Additions	789
Disposals and return of capital distributions	(52)
Share of net income	526
Distributions received	(160)
Foreign exchange	259
Reclassification to assets held for sale ⁽¹⁾	(704)
Other	(9)
Equity accounted investments, end of period	\$ 17,493

⁽¹⁾ Our interest in 245 Park Avenue in Midtown New York was reclassified to assets held for sale in the first quarter of 2017 and sold in the second quarter of 2017.

Property, plant and equipment increased by \$119 million since December 31, 2016, primarily as the result of capital spend and the positive impact of foreign exchange related to our Center Parcs UK portfolio and a hotel at the IFC, partially offset by depreciation expense during the current year.

As of June 30, 2017, assets held for sale included 20 Canada Square in London and ten assets within our opportunistic fund investment portfolios, as we intend to sell controlling interests in these properties to third parties in the next 12 months.

The following table presents changes in our assets held for sale from December 31, 2016 to June 30, 2017:

(US\$ Millions)	Jun. 30, 2017
Balance, beginning of period	147
Reclassification to/(from) assets held for sale, net	1,583
Disposals	(861)
Fair value adjustments	24
Foreign currency translation	46
Other	(5)
Balance, end of period	\$ 934

Our debt obligations increased to \$36,436 million at June 30, 2017 from \$33,519 million at December 31, 2016. Contributing to this increase was the addition of property-specific borrowings related to acquisition activity during the period, as noted above. These increases were partially offset by the disposition of encumbered assets during the period and the repayment of temporary draws on credit facilities used to fund these acquisitions.

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

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Corporate borrowings	\$ 1,230	\$ 1,152
Funds subscription facilities	392	828
Non-recourse borrowings		
Property-specific borrowings	33,263	30,070
Subsidiary borrowings	1,551	1,469
Total debt obligations	\$ 36,436	\$ 33,519
Current	4,446	5,096
Non-current	31,990	28,423
Total debt obligations	\$ 36,436	\$ 33,519

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

(US\$ Millions, except unit information)	Jun. 30, 2017	Dec. 31, 2016
Total equity	\$ 34,509	\$ 34,161
Less:		
Interests of others in operating subsidiaries and properties	12,507	11,803
Equity attributable to Unitholders	22,002	22,358
Mandatorily convertible preferred shares	1,586	1,574
Total equity attributable to Unitholders	23,588	23,932
Partnership units	704,490,671	709,133,314
Mandatorily convertible preferred shares	70,038,910	70,038,910
Total partnership units	774,529,581	779,172,224
Equity attributable to Unitholders per unit	\$ 30.46	\$ 30.72

Equity attributable to Unitholders was \$22,002 million at June 30, 2017, a decrease of \$356 million from the balance at December 31, 2016. Assuming the conversion of mandatorily convertible preferred shares, equity attributable to Unitholders decreased to \$30.46 per unit at June 30, 2017 from \$30.72 per unit at December 31, 2016. The decrease was a result of an increase in interests of others in operating subsidiaries following new acquisitions during the period. This decrease was partially offset by fair value gains and income from equity accounted investments recorded during the period, as well as income from new investments.

Interests of others in operating subsidiaries and properties was \$12,507 million at June 30, 2017, an increase of \$704 million from the balance of \$11,803 million at December 31, 2016. The increase was primarily a result of the acquisition of new investments through Brookfield Asset Management-sponsored funds in which the partnership is a limited partner.

SUMMARY OF QUARTERLY RESULTS

(US\$ Millions, except per unit information)	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$1,519	\$1,528	\$1,363	\$1,409	\$1,333	\$1,247	\$1,267	\$1,267
Direct operating costs	689	632	639	621	594	576	573	573
Net income	664	187	92	1,616	569	440	1,157	435
Net income (loss) attributable to Unitholders	239	(166)	(62)	1,255	349	251	863	193
Net income (loss) per share attributable to Unitholders - basic	\$ 0.31	\$(0.21)	\$(0.08)	\$ 1.61	\$ 0.45	\$ 0.32	\$ 1.10	\$ 0.25
Net income (loss) per share attributable to Unitholders - diluted	\$ 0.31	\$(0.21)	\$(0.08)	\$ 1.56	\$ 0.44	\$ 0.32	\$ 1.06	\$ 0.25

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, Opportunistic and Corporate.

The following table presents FFO by segment:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Core Office	\$ 148	\$ 159	\$ 295	\$ 303
Core Retail	119	99	218	202
Opportunistic	80	101	149	165
Corporate	(120)	(120)	(233)	(236)
FFO	\$ 227	\$ 239	\$ 429	\$ 434

The following table presents equity attributable to Unitholders by segment as of June 30, 2017 and December 31, 2016:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Core Office	\$ 14,126	\$ 14,626
Core Retail	8,643	8,707
Opportunistic	5,230	4,653
Corporate	(5,997)	(5,628)
Total	\$ 22,002	\$ 22,358

Core Office

Our Core Office segment consists of interests in 146 office properties totaling over 99 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, among others and consists primarily of our 100% common share interest in BPO and our 50% joint venture interest in Canary Wharf.

The following table presents FFO and net income attributable to Unitholders in our Core Office segment for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
FFO	\$ 148	\$ 159	\$ 295	\$ 303
Net income attributable to Unitholders	149	271	(41)	354

FFO from our Core Office segment was \$148 million for the three months ended June 30, 2017 as compared to \$159 million in the same period in the prior year. For the six months ended June 30, 2017, FFO from our Core Office segment was \$295 million as compared to \$303 million in the same period in the prior year. This decrease is largely attributable to the impact of full or partial dispositions as we continue to recycle capital out of core, stable assets into higher-yielding opportunistic investments. Additionally, higher interest expense on variable rate debt and the impact of foreign exchange also contributed to the decrease. This was offset by same-property growth.

Net income attributable to Unitholders decreased by \$122 million to \$149 million during the three months ended June 30, 2017 as compared to \$271 million during the same period in 2016. The decrease was primarily a result of higher fair value gains recorded in the prior period related to properties in New York, London and Sydney as a result of leasing activity and supporting market transactions.

Net income attributable to Unitholders decreased by \$395 million to \$(41) million during the six months ended June 30, 2017 as compared to \$354 million during the same period in 2016. The decrease was primarily a result of fair value losses recorded due to changes in valuation metrics and leasing during the period primarily in Downtown New York in the first quarter of 2017.

The following table presents key operating metrics for our Core Office portfolio as at and for the three months ended June 30, 2017 and 2016:

(US\$ Millions, except where noted)	Consolidated		Unconsolidated	
	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2017	Jun. 30, 2016
Total portfolio:				
NOI ⁽¹⁾	\$ 267	\$ 292	\$ 108	\$ 123
Number of properties	76	81	70	68
Leasable square feet (in thousands)	51,488	54,383	28,729	27,109
Occupancy	90.9%	90.7%	93.6%	93.7%
In-place net rents (per square foot) ⁽²⁾	\$ 28.82	\$ 27.88	\$ 39.04	\$ 41.12
Same-property:				
NOI ^(1,2)	\$ 258	\$ 257	\$ 96	\$ 101
Number of properties	66	66	56	56
Leasable square feet (in thousands)	50,782	50,690	25,882	25,889
Occupancy	90.8%	90.5%	93.2%	93.9%
In-place net rents (per square foot) ⁽²⁾	\$ 28.74	\$ 28.17	\$ 45.03	\$ 43.68

⁽¹⁾ NOI for unconsolidated properties is presented on a proportionate basis, representing the Unitholders' interest in the property.

⁽²⁾ Prior period presented using the June 30, 2017 exchange rate.

NOI from our consolidated properties decreased to \$267 million during the three months ended June 30, 2017 from \$292 million during the same period in 2016. This decrease was primarily due to dispositions in New York, Sydney, and London, offset by the incremental NOI contribution from new leases, primarily in Downtown New York.

Same-property NOI for our consolidated properties for the three months ended June 30, 2017 compared with the same period in the prior year increased by \$1 million to \$258 million. This increase was primarily the result of lease commencements in Downtown New York and higher in-place net rents.

NOI from our unconsolidated properties, which is presented on a proportionate basis, decreased by \$15 million to \$108 million during the three months ended June 30, 2017, compared to \$123 million during the period in the prior year. This decrease primarily reflects the disposition of our interest in 245 Park Avenue in Midtown New York, offset by the inclusion of Principal Place - Commercial in unconsolidated properties.

The following table presents certain key operating metrics related to leasing activity in our Core Office segment for the six months ended June 30, 2017 and 2016:

(US\$ Millions, except where noted)	Total portfolio	
	Jun. 30, 2017	Jun. 30, 2016
Leasing activity (square feet in thousands)		
New leases	2,041	1,596
Renewal leases	1,875	1,274
Total leasing activity	3,916	2,870
Average term (in years)	8.0	8.2
Year one leasing net rents (per square foot) ⁽¹⁾	\$ 34.67	\$ 30.75
Average leasing net rents (per square foot) ⁽¹⁾	37.93	31.82
Expiring net rents (per square foot) ⁽¹⁾	28.92	29.05
Estimated market net rents for similar space (per square foot) ⁽¹⁾	39.56	39.14
Tenant improvement and leasing costs (per square foot)	79.86	32.69

⁽¹⁾ Presented using normalized foreign exchange rates, using the June 30, 2017 exchange rate.

For the six months ended June 30, 2017, we leased approximately 3.9 million square feet at average in-place net rents of \$37.93 per square foot. Approximately 52% of our leasing activity represented new leases. Our overall Core Office portfolio's in-place net rents are currently 17% below market net rents, which gives us confidence that we will be able to increase our NOI in the coming years as we sign new leases. For the six months ended June 30, 2017, tenant improvements and leasing costs related to leasing activity were \$79.86 per square foot, compared to \$32.69 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.

The following table presents fair value gains (losses) from consolidated and unconsolidated investments in our Core Office segment for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Consolidated properties	\$ 14	\$ 129	\$ (245)	\$ 147
Unconsolidated properties ⁽¹⁾	9	9	38	(66)
Total fair value (losses) gains, net	\$ 23	\$ 138	\$ (207)	\$ 81

⁽¹⁾ Fair value gains for unconsolidated properties are presented on a proportionate basis, representing the Unitholders' interest in the investment.

We recorded fair value gains, net of \$23 million in the three months ended June 30, 2017 as compared to \$138 million in the same period in the prior year. These gains were primarily related to properties in Sydney and Toronto as a result of compression of valuation metrics and leasing activity. The losses were partially offset by losses on properties in the energy-dependent markets of Houston and Calgary. The prior year included fair value gains in our New York and London office portfolios.

For the six months ended June 30, 2017, we recorded fair value losses, net of \$(207) million as compared to \$81 million of gains in the same period in the prior year. The losses primarily related to properties in Downtown New York as a result of changes in valuation metrics in the first quarter of 2017. The prior year included fair value gains recognized in the second quarter of 2016 mentioned above offset by fair value losses on derivative contracts in Canary Wharf.

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

	Jun. 30, 2017			Dec. 31, 2016		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
Consolidated properties						
United States	7.0%	5.7%	12	6.8%	5.6%	12
Canada	6.2%	5.4%	10	6.2%	5.5%	10
Australia	7.1%	6.1%	10	7.3%	6.1%	10
Europe ⁽¹⁾	—	—	—	6.0%	5.0%	12
Brazil	9.3%	7.5%	10	9.3%	7.5%	10
Unconsolidated properties						
United States	6.5%	5.4%	11	6.3%	5.3%	11
Australia	7.1%	6.0%	10	7.1%	6.0%	10
Europe ⁽²⁾	4.7%	4.8%	10	5.1%	4.8%	10

⁽¹⁾ In the second quarter of 2017, 20 Canada Square in London was reclassified to assets held for sale.

⁽²⁾ 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.

The following table provides an overview of the financial position of our Core Office segment as at June 30, 2017 and December 31, 2016:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Investment properties		
Commercial properties	\$ 23,081	\$ 23,102
Commercial developments	1,874	2,297
Equity accounted investments	7,407	7,390
Participating loan interests	474	471
Accounts receivable and other	779	869
Cash and cash equivalents	366	398
Assets held for sale	539	—
Total assets	\$ 34,520	\$ 34,527
Debt obligations	13,718	13,328
Capital securities	823	1,091
Accounts payable and other liabilities	1,320	1,403
Deferred tax liability	1,303	1,310
Liabilities associated with assets held for sale	406	—
Non-controlling interests of others in operating subsidiaries and properties	2,824	2,769
Equity attributable to Unitholders	\$ 14,126	\$ 14,626

Equity attributable to Unitholders decreased by \$500 million to \$14,126 million at June 30, 2017 from \$14,626 million at December 31, 2016. The decrease was primarily a result of reinvesting the net proceeds from the disposition of mature assets into higher-yielding opportunistic investments.

Commercial properties totaled \$23,081 million at June 30, 2017, compared to \$23,102 million at December 31, 2016. The decrease was primarily due to the reclassification of 20 Canada Square in London to assets held for sale and valuation losses, offset by the acquisition of One Post Street in San Francisco, the reclassification of the L'Oreal Brazil Headquarters development in Rio de Janeiro to commercial property upon reaching substantial completion and the positive impact of foreign exchange.

Commercial developments decreased by \$423 million from December 31, 2016 to June 30, 2017. The decrease is a result of the subsequent transfer of our interest in Principal Place - Commercial to equity accounted investments as a result of the sale of a 50% interest in the property and the reclassification of L'Oreal Brazil Headquarters to commercial property, partially offset by incremental capital expenditures on active developments during the period.

The following table summarizes the scope and progress of active developments in our Core Office segment as of June 30, 2017:

(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 cash stabilization	Percent pre-released	Cost			Loan	
					Total ⁽¹⁾	To-date	Total	Drawn	
Office:									
Brookfield Place East Tower, Calgary	1,400	1,400	Q3 2018	81%	C\$ 726	C\$ 654	C\$ 575	C\$ 382	
London Wall Place, London ⁽²⁾	505	253	Q2 2020	71%	£ 203	£ 183	£ 137	£ 104	
One Manhattan West, Midtown New York ⁽²⁾	2,117	1,186	Q4 2020	40%	\$ 1,063	\$ 368	\$ 700	\$ 161	
ICD Brookfield Place, Dubai ⁽²⁾	1,104	552	Q1 2021	—%	AED1,256	AED 554	AED 775	AED 25	
655 New York Avenue, Washington, D.C. ⁽²⁾	766	383	Q2 2021	70%	\$ 285	\$ 134	\$ 200	\$ 41	
100 Bishopsgate, London	938	938	Q1 2023	60%	£ 875	£ 507	£ 515	£ 160	
1 Bank Street, London ⁽²⁾	715	358	Q1 2023	40%	£ 247	£ 104	£ 225	£ 13	
Multifamily:									
Camarillo, California ⁽²⁾	413	409	Q1 2019	n/a	\$ 127	\$ 65	\$ 83	\$ 15	
Principal Place - Residential, London ⁽²⁾	303	152	Q1 2019	n/a	£ 190	£ 83	£ 122	£ 24	
One and Three York Square & Belvedere Gardens, London ⁽²⁾⁽³⁾	529	132	Q3 2019	n/a	£ 164	£ 72	£ 96	£ 19	
New District - 10 Park Drive, London ⁽²⁾	269	135	Q4 2019	n/a	£ 117	£ 78	£ 98	£ 15	
Studio Plaza, Maryland ⁽²⁾	343	296	Q4 2019	n/a	\$ 106	\$ 36	\$ 69	\$ —	
Greenpoint Landing Building G, New York ⁽²⁾	250	238	Q4 2019	n/a	\$ 273	\$ 110	\$ 179	\$ —	
Newfoundland, London ⁽²⁾	546	273	Q4 2020	n/a	£ 242	£ 110	£ 174	£ —	
New District - 8 Water Street & 2 George Street, London ⁽²⁾	371	186	Q4 2020	n/a	£ 151	£ 88	£ 115	£ 16	
Total	10,569	6,891							

⁽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.

The following table presents changes in our partnership's equity accounted investments in the Core Office segment from December 31, 2016 to June 30, 2017:

(US\$ Millions)	Jun. 30, 2017
Equity accounted investments, beginning of period	\$ 7,390
Additions	286
Disposals and return of capital distributions	—
Share of net income, including fair value gains	230
Distributions received	(31)
Foreign exchange	238
Reclassification to assets held for sale ⁽¹⁾	(704)
Other	(2)
Equity accounted investments, end of period	\$ 7,407

⁽¹⁾ Our interest in 245 Park Avenue in Midtown New York was reclassified to assets held for sale in the first quarter of 2017 and sold in the second quarter of 2017.

Equity accounted investments increased by \$17 million since December 31, 2016 to \$7,407 million at June 30, 2017. The increase was primarily driven by the addition of Principal Place - Commercial that was deconsolidated as a result of a partial disposition, the strengthening of the British Pound and share of net income. This increase was partially offset by the transfer of our interest in 245 Park Avenue to assets held for sale during the first quarter of 2017.

At June 30, 2017, our interest in 20 Canada Square in London was classified as an asset held for sale as we intend to sell a controlling interest in this property to a third party in the next 12 months.

Debt obligations increased from \$13,328 million at December 31, 2016 to \$13,718 million at June 30, 2017. This increase is the result of 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	Jun. 30, 2017	Dec. 31, 2016
BPO Class AAA Preferred Shares:				
Series G ⁽¹⁾	—	5.25%	\$ —	\$ 81
Series J ⁽¹⁾	—	5.00%	—	123
Series K ⁽¹⁾	—	5.20%	—	93
BPO Class B Preferred Shares:				
Series 1 ⁽²⁾	3,600,000	70% of bank prime	—	—
Series 2 ⁽²⁾	3,000,000	70% of bank prime	—	—
Capital Securities – Fund Subsidiaries			823	794
Total capital securities			\$ 823	\$ 1,091

⁽¹⁾ As of June 30, 2017, BPO had redeemed all of its 4,239,857 shares of Series G, 7,592,443 shares of Series J and 6,000,000 shares of Series K Class AAA preferred shares of BPO for \$25.00, C\$25.00 and C\$25.00 plus accrued and unpaid dividends, respectively, outstanding as of December 31, 2016. The partnership held 1,003,549, 1,000,000 and 1,004,586 shares of the Series G, J and K shares, respectively, prior to redemption during the period ended June 30, 2017.

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

We had \$823 million of capital securities – fund subsidiaries outstanding at June 30, 2017 as compared to \$794 million at December 31, 2016. Capital securities – fund subsidiaries includes \$782 million (December 31, 2016 - \$753 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 \$41 million at June 30, 2017 (December 31, 2016 - \$41 million) which represents the equity interests held by the partnership’s co-investor in the 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.

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 Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Commercial property revenue	\$ 509	\$ 527	\$ 1,012	\$ 1,041
Direct commercial property expense	(242)	(235)	(471)	(466)
Total NOI	\$ 267	\$ 292	\$ 541	\$ 575

The following table reconciles Core Office NOI to net income for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Same-property net operating income	\$ 258	\$ 257	\$ 536	\$ 520
Currency variance	—	3	—	(3)
Net operating income related to acquisitions and dispositions	9	32	5	58
Total NOI	267	292	541	575
Investment and other revenue	21	35	43	55
Investment and other expense	—	(1)	—	(1)
Share of net earnings from equity accounted investments	111	79	230	84
Interest expense	(159)	(161)	(320)	(328)
Depreciation and amortization	(4)	(3)	(7)	(7)
General and administrative expense	(42)	(39)	(84)	(74)
Fair value gains, net	14	129	(245)	147
Income before taxes	208	331	158	451
Income tax (expense) benefit	(19)	(39)	(110)	(60)
Net income	189	292	48	391
Net income attributable to non-controlling interests	40	21	89	37
Net income attributable to Unitholders	\$ 149	\$ 271	\$ (41)	\$ 354

The following table reconciles Core Office net income to FFO for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Net income	\$ 189	\$ 292	\$ 48	\$ 391
Add (deduct):				
Fair value gains, net	(14)	(129)	245	(147)
Share of equity accounted fair value losses (gains), net	(9)	(9)	(38)	66
Income tax expense (benefit)	19	39	110	60
Non-controlling interests in above items	(37)	(34)	(70)	(67)
FFO	\$ 148	\$ 159	\$ 295	\$ 303

The following table reconciles Core Office share of net earnings from equity accounted investments for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Unconsolidated properties NOI	\$ 108	\$ 123	\$ 219	\$ 247
Unconsolidated properties fair value gains, net	9	9	38	(66)
Other	(6)	(53)	(27)	(97)
Share of net earnings from equity accounted investments	\$ 111	\$ 79	\$ 230	\$ 84

Core Retail

Our Core Retail segment consists of 126 regional malls and urban retail properties containing 123 million square feet in the United States through our 29% interest in GGP (33% on a fully-diluted basis, assuming all outstanding warrants are exercised). Our investment in GGP is accounted for under the equity method.

The following table presents FFO and net income attributable to Unitholders in our Core Retail segment for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
FFO	\$ 119	\$ 99	\$ 218	\$ 202
Net income attributable to Unitholders	53	194	47	404

FFO earned in our Core Retail segment for the three months ended June 30, 2017 was \$119 million compared to \$99 million for the same period in the prior year. For the six months ended June 30, 2017, FFO earned in our Core Retail segment was \$218 million compared to \$202 million for the same period in the prior year. FFO increased primarily due to gains recognized on the sale of develop-for-sale assets, a one-time gain on extinguishment of debt and same-property growth partially offset by dispositions.

Net income attributable to Unitholders decreased by \$141 million to \$53 million for the three months ended June 30, 2017 as compared to \$194 million during the same period in the prior year. The decrease in net income attributable to Unitholders is primarily attributable to valuation losses recognized on some lower income earning assets within the segment.

Net income attributable to Unitholders decreased by \$357 million to \$47 million for the six months ended June 30, 2017 as compared to \$404 million during the same period in the prior year. The decrease in net income attributable to Unitholders is due to greater mark-to-market adjustments on our investment in GGP warrants, as a result of a decrease in GGP's share price in the current period compared to an increase in the prior year and the valuation losses mentioned above.

The following table presents key operating metrics in our Core Retail portfolio as at and for the three months ended June 30, 2017 and 2016:

(US\$ Millions, except where noted)	Unconsolidated	
	Jun. 30, 2017	Jun. 30, 2016
NOI:		
Total portfolio ⁽¹⁾	\$ 161	\$ 161
Same-property ⁽¹⁾	158	157
Number of malls and urban retail properties	126	128
Leasable square feet (in thousands)	123,215	125,245
Occupancy ⁽²⁾	94.6%	95.1%
In-place net rents (per square foot) ⁽²⁾	62.81	61.52
Tenant Sales (per square foot) ⁽²⁾	591	583

⁽¹⁾ NOI for unconsolidated properties is presented on a proportionate basis, representing the Unitholders' interest in the investments.

⁽²⁾ Presented on a same-property basis.

NOI, which is presented on a proportionate basis, was \$161 million for the three months ended June 30, 2017 consistent with the prior year, as a result of same property growth partially offset by dispositions. Same-property NOI growth of \$1 million was due to increases in rental rates and higher tenant sales.

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\$ Millions, except where noted)	Total Portfolio	
	Jun. 30, 2017	Jun. 30, 2016
Number of leases	1,524	1,318
Leasing activity (square feet in thousands)	4,731	4,107
Average term in years	6.9	6.8
Initial rent per square foot ⁽¹⁾	\$ 62.51	\$ 65.98
Expiring rent per square foot ⁽²⁾	56.84	58.62
Initial rent spread per square foot	5.67	7.36
% change	10.0%	12.6%
Tenant allowances and leasing costs	91	71

⁽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 June 30, 2017, we leased approximately 4.7 million square feet at initial rents approximately 10.0% higher than expiring net rents on a suite-to-suite basis. Additionally, for the six months ended June 30, 2017, tenant allowances and leasing costs related to leasing activity were \$91 million compared to \$71 million during the same period in the prior year.

Our Core Retail portfolio occupancy rate at June 30, 2017 was 94.6%, down 0.5% from the same period of the prior year. In our Core Retail segment, we use in-place rents as a measure of leasing performance. In-place rents are calculated on a cash basis and consist of base minimum rent, plus reimbursements of common area costs, and real estate taxes. In-place rents increased to \$62.81 at June 30, 2017 from \$61.52 at June 30, 2016, as a result of strong leasing activity across our portfolio.

The following table presents our fair value gains (losses), net from our investment in GGP for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Fair value (losses) gains, net from GGP warrants	\$ 39	\$ 15	\$ (102)	\$ 184
Fair value (losses) gains, net from GGP ⁽¹⁾	(105)	80	(69)	18
Total fair value (losses) gains	\$ (66)	\$ 95	\$ (171)	\$ 202

⁽¹⁾ Fair value gains for unconsolidated properties are presented on a proportionate basis, representing the Unitholders' interest in the investments.

We recorded total fair value losses, net of \$66 million and gains of \$95 million in our Core Retail segment for the three months ended June 30, 2017 and 2016, respectively. We recorded total fair value losses, net of \$171 million and gains of \$202 million in our Core Retail segment for the six months ended June 30, 2017 and 2016, respectively. The mark-to-market adjustment of the GGP warrants we hold is determined each quarter with the corresponding gain or loss comprising part of the balance of fair value gains, net. Additionally, the commercial properties are fair valued on a quarterly basis. For the six months ended June 30, 2017, we recorded \$102 million of fair value losses, net attributable to depreciation of the GGP warrants as a result of a decrease in GGP's stock price (2016 - gains of \$184 million).

The key valuation metrics of these 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.

	Jun. 30, 2017			Dec. 31, 2016		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
Unconsolidated properties						
United States	6.9%	5.4%	10	7.4%	5.9%	10

Equity attributable to Unitholders in the Core Retail segment decreased by \$(64) million at June 30, 2017 from December 31, 2016 due to the net income attributable to Unitholders, primarily related to the decrease in the value of GGP warrants discussed above.

The following table presents an overview of the financial position of our Core Retail segment as at June 30, 2017 and December 31, 2016:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Equity accounted investments	\$ 7,491	\$ 7,453
GGP warrants	1,152	1,254
Total assets	\$ 8,643	\$ 8,707
Total liabilities	—	—
Equity attributable to Unitholders	\$ 8,643	\$ 8,707

Equity accounted investments increased by \$38 million driven by positive net income, partially offset by dividends received from GGP during the current period.

The following table presents a roll-forward of our partnership's equity accounted investments from December 31, 2016 to June 30, 2017:

(US\$ Millions)	Jun. 30, 2017
Equity accounted investments, beginning of period	\$ 7,453
Share of net income, including fair value gains	149
Distributions received	(113)
Foreign exchange	2
Equity accounted investments, end of period	\$ 7,491

Reconciliation of Non-IFRS Measures – Core Retail

The following table reconciles Core Retail NOI to net income for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Commercial property revenue	\$ —	\$ —	\$ —	\$ —
Direct commercial property expense	—	—	—	—
Total NOI	—	—	—	—
Fair value gains, net	39	15	(102)	184
Share of net earnings from equity accounted investments	14	179	149	220
Income before taxes	53	194	47	404
Income tax (expense)	—	—	—	—
Net income	53	194	47	404
Net income attributable to non-controlling interests	—	—	—	—
Net income attributable to Unitholders	\$ 53	\$ 194	\$ 47	\$ 404

The following table reconciles Core Retail net income to FFO for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Net income	\$ 53	\$ 194	\$ 47	\$ 404
Add (deduct):				
Share of equity accounted fair value (gains), net	105	(80)	69	(18)
Fair value losses (gains) losses, net	(39)	(15)	102	(184)
FFO	\$ 119	\$ 99	\$ 218	\$ 202

Opportunistic

Our Opportunistic segment is comprised of the following:

- 114 office properties comprising approximately 30 million square feet of office space in the United States, United Kingdom, Brazil and Asia;
- Approximately 29 million square feet of retail space across 46 properties across the United States and in select Brazilian markets;
- Approximately 45 million square feet of industrial space across 179 industrial properties, primarily consisting of modern logistics assets in North America and Europe;
- Approximately 30,400 multifamily units across 103 properties throughout the United States;
- Nineteen hospitality assets with over 13,800 rooms in North America, Europe and Australia;
- 338 properties that are leased to automotive dealerships across North America on a triple net lease basis;
- 201 self-storage facilities comprising of approximately 15 million square feet throughout the United States;
- 29 student housing properties with over 11,000 beds in the United Kingdom; and
- 135 manufactured housing communities with approximately 32,300 sites across the United States.

The following table presents NOI, FFO and net income attributable to Unitholders in our Opportunistic segment for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
NOI	\$ 524	\$ 396	\$ 987	\$ 749
FFO	80	101	149	165
Net income attributable to Unitholders	186	63	369	174

Since the prior year, we have made significant investments in our Opportunistic segment. We have also invested in new asset classes, including manufactured housing. These investments are the primary driver of the increased earnings for the periods presented. These investments include the following:

- Acquired a portfolio of 13 student housing properties in the second quarter of 2017;
- Acquired a manufactured housing portfolio in the first quarter of 2017;
- Acquired the IFC in South Korea, a 5.4 million square feet mixed-use complex in the fourth quarter of 2016;
- Acquired the remaining common shares of Rouse in the third quarter of 2016;
- Acquired a portfolio of 16 student housing properties across the United Kingdom throughout 2016;
- Acquired the Vintage Estate hotel and specialty retail center in Napa Valley, CA in the second quarter of 2016;
- Acquired a portfolio of 189 self-storage facilities across the United States throughout 2016 and 2017;

Contributing to the increase in NOI and net income attributable to Unitholders was NOI from the acquisitions noted above, as well as fair value gains, particularly related to our manufactured housing assets in the U.S., our student housing portfolio in the United Kingdom, our opportunistic office portfolio in India and our Industrial portfolios in North America and Europe.

FFO decreased by \$21 million and \$16 million for the three and six months ended June 30, 2017 respectively, primarily driven by the impact of foreign exchange and income from the sale of develop-for-sale assets in our multifamily business earned in the second quarter of 2016, partially offset by NOI earned from acquisitions noted above.

The following table presents key operating metrics for our Opportunistic portfolio as at June 30, 2017 and 2016:

(US\$ Millions, except where noted)	Equity attributable to Unitholders		Jun. 30, 2017			
	Jun. 30, 2017	Dec. 31, 2016	Number of properties	Total area (sq. ft. in thousands)	Units of measure	Occupancy %
Opportunistic Office	\$ 1,062	\$ 951	114	29,853	Sq. ft.	85.4%
Opportunistic Retail	1,189	967	46	28,884	Sq. ft.	88.7%
Industrial	604	558	179	44,996	Sq. ft.	94.1%
Multifamily	741	762	103	30,362	Units	95.0%
Hospitality	632	598	19	13,861	Rooms	n/a
Triple Net Lease	320	428	338	16,643	Sq. ft.	100.0%
Self-storage	168	158	201	14,810	Sq. ft.	90.7%
Student Housing	146	69	29	11,011	Beds	95.9%
Manufactured Housing	179	—	135	32,272	Sites	85.7%
Finance Funds	189	162	n/a	n/a	n/a	n/a
Total	\$ 5,230	\$ 4,653				

The following table presents the contributions to fair value gains, net from consolidated and unconsolidated investments in our Opportunistic segment:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Consolidated properties	\$ 419	\$ 149	\$ 751	\$ 281
Unconsolidated properties ⁽¹⁾	41	(23)	97	26
Total fair value gains, net	\$ 460	\$ 126	\$ 848	\$ 307

⁽¹⁾ Fair value gains for unconsolidated investments are presented on a proportionate basis, representing the Unitholders' interest in the investments.

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

	Jun. 30, 2017			Dec. 31, 2016		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
Consolidated properties						
Opportunistic Office	9.0%	6.8%	8	9.9%	7.6%	7
Opportunistic Retail	8.5%	7.5%	11	10.2%	8.1%	12
Industrial	7.1%	6.3%	10	7.4%	6.6%	10
Multifamily ⁽¹⁾	4.7%	n/a	n/a	4.9%	n/a	n/a
Triple Net Lease ⁽¹⁾	6.3%	n/a	n/a	6.1%	n/a	n/a
Self-storage ⁽¹⁾	5.7%	n/a	n/a	6.2%	n/a	n/a
Student Housing ⁽¹⁾	5.8%	n/a	n/a	5.9%	n/a	n/a
Manufactured Housing ⁽¹⁾	5.8%	n/a	n/a	n/a	n/a	n/a
Unconsolidated properties						
Opportunistic Office	7.5%	6.2%	10	7.7%	6.0%	10
Opportunistic Retail	13.5%	8.0%	10	11.0%	9.0%	10
Industrial	6.5%	6.0%	10	6.9%	6.1%	10
Multifamily ⁽¹⁾	5.0%	n/a	n/a	5.1%	n/a	n/a

⁽¹⁾ The valuation method used to value multifamily, triple net lease, self-storage, student housing, 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.

The following table presents equity attributable to Unitholders in our Opportunistic segment:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Investment properties	\$ 26,290	\$ 23,385
Property, plant and equipment	5,389	5,278
Equity accounted investments	2,595	2,001
Accounts receivable and other	3,489	2,899
Cash and cash equivalents	1,077	808
Assets held for sale	395	147
Total assets	\$ 39,235	\$ 34,518
Debt obligations	21,096	18,211
Capital securities	433	183
Accounts payable and other liabilities	2,461	1,980
Liabilities associated with assets held for sale	157	61
Non-controlling interests of others in operating subsidiaries and properties	9,858	9,430
Equity attributable to Unitholders	\$ 5,230	\$ 4,653

The increase in investment properties is primarily the result of acquisition activity, including our manufactured housing portfolio and a student housing portfolio, and valuation gains, as well as capital spend. This increase is partially offset by the reclassification of Brazil Retail to equity accounted investments upon losing control.

The increase in property, plant and equipment was the result of capital spend during the period and the positive impact of foreign exchange, partially offset by depreciation.

Equity accounted investments increased during the six months ended June 30, 2017 as a result of net income from these investments during the period, as well as the reclassification of our interest in Brazil Retail mentioned above.

Assets held for sale and related liabilities as of June 30, 2017 include one industrial asset in France as well as one industrial asset, three office assets, three multifamily assets and two triple net lease assets all in the United States as we intend to sell controlling interests in these properties to third parties in the next 12 months.

Debt obligations increased due to the acquisitions mentioned above.

Reconciliation of Non-IFRS Measures - Opportunistic

NOI to net income:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Commercial property revenue	\$ 541	\$ 339	\$ 1,033	\$ 645
Hospitality revenue	430	416	804	808
Direct commercial property expense	(171)	(95)	(311)	(175)
Direct hospitality expense	(276)	(264)	(539)	(529)
Total NOI	524	396	\$ 987	\$ 749
Investment and other revenue	18	16	155	31
Interest expense	(277)	(171)	(517)	(346)
General and administrative expense	(59)	(46)	(120)	(95)
Investment and other expense	—	—	(122)	—
Depreciation and amortization	(65)	(58)	(125)	(118)
Fair value gains, net	419	149	751	281
Share of net earnings from equity accounted investments	68	28	147	112
Income before taxes	628	314	1,156	614
Income tax expense	(48)	(50)	(83)	(61)
Net income	580	264	\$ 1,073	\$ 553
Net income attributable to non-controlling interests	394	201	704	379
Net income attributable to Unitholders	\$ 186	\$ 63	\$ 369	\$ 174

The following table reconciles Opportunistic net income to FFO for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Net income	\$ 580	\$ 264	\$ 1,073	\$ 553
Add (deduct):				
Fair value gains, net	(419)	(149)	(751)	(281)
Share of equity accounted fair value (gains), net	(41)	23	(97)	(26)
Depreciation and amortization of real estate assets	58	56	115	115
Income tax expense	48	50	83	61
Non-controlling interests in above items	(146)	(143)	(274)	(257)
FFO	\$ 80	\$ 101	\$ 149	\$ 165

Corporate

The following table presents FFO and net income attributable to Unitholders in our corporate segment for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
FFO	\$ (120)	\$ (120)	\$ (233)	\$ (236)
Net income attributable to Unitholders	(149)	(179)	(302)	(332)

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

FFO was a loss of \$120 million (2016 - loss of \$120 million) and \$233 million (2016 - loss of \$236 million) for the three and six months ended June 30, 2017, respectively.

Interest expense contributed to this loss and for the three months ended June 30, 2017 was \$74 million, and comprised \$37 million of interest expense paid on capital securities and \$37 million of interest expense on our credit facilities. This compares to interest expense of \$69 million in the same period in the prior year. For the six months ended June 30, 2017, interest expense totaled \$145 million, and comprised of \$77 million of interest expense paid on capital securities and \$68 million of interest expense on our credit facilities. This compares to interest expense of \$143 million in the same period in the prior year.

Another component of FFO is general and administrative expense, which, for the three months ended June 30, 2017 was \$55 million and comprised \$27 million of asset management fees, \$8 million of equity enhancement fees and \$20 million of other corporate costs. General and administrative expense for the three months ended June 30, 2016 was \$53 million. For the six months ended June 30, 2017 general and administrative expense was \$103 million and comprised \$52 million of asset management fees, \$13 million of equity enhancement fees and \$38 million of other corporate costs. General and administrative expense for the six months ended June 30, 2016 was \$100 million.

In addition, during the three and six months ended June 30, 2017, we recorded fair value losses, net of \$18 million and \$26 million, respectively, primarily related to the settlement of foreign currency forward contracts during the period. Consistent with our risk management policy, the partnership uses such derivative instruments to hedge cash flows in foreign currencies. For further information on the partnership's use of derivative contracts, please refer to "*Derivative Financial Instruments*" below.

For the three and six months ended June 30, 2017, we also recorded \$11 million and \$43 million of income tax expense, respectively, allocated to the corporate segment compared to \$52 million and \$107 million in the same period in the prior year related to deferred tax liabilities of our holding companies and their subsidiaries.

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

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Accounts receivable and other	\$ 101	\$ 125
Cash and cash equivalents	311	250
Total assets	412	375
Debt obligations	1,622	1,980
Capital securities	2,908	2,897
Deferred tax liabilities	637	431
Accounts payable and other liabilities	1,417	1,091
Non-controlling interests	(175)	(396)
Equity attributable to Unitholders	\$ (5,997)	\$ (5,628)

The corporate balance sheet includes corporate debt and capital securities from our partnership. The decrease in corporate debt obligations is primarily a result of repayment of some of our funds subscription credit facilities during the period.

On December 4, 2014, our partnership issued \$1,800 million of exchangeable preferred equity securities (“Preferred Equity Units”) to Qatar Investment Authority (“QIA”). At June 30, 2017 and December 31, 2016, the balance related to the Preferred Equity Units recorded within capital securities was \$1,586 million and \$1,574 million, respectively.

The change in non-controlling interest is primarily related to non-controlling interests in the second Brookfield Asset Management-sponsored opportunity fund and repayment of some of our funds subscription credit facilities during the period.

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

(US\$ Millions)	Shares Outstanding	Cumulative Dividend Rate	Jun. 30, 2017	Dec. 31, 2016
Operating Partnership Class A Preferred Equity Units:				
Series 1	24,000,000	6.25%	\$ 546	\$ 541
Series 2	24,000,000	6.50%	526	522
Series 3	24,000,000	6.75%	514	511
Brookfield BPY Holdings Inc. Junior Preferred Shares:				
Class B Junior Preferred Shares	30,000,000	5.75%	750	750
Class C Junior Preferred Shares	20,000,000	6.75%	500	500
Brookfield Property Split Corp. Senior Preferred Shares:				
Class A Series 1	924,390	5.25%	23	24
Class A Series 2	699,165	5.75%	13	13
Class A Series 3	913,194	5.00%	17	17
Class A Series 4	984,586	5.20%	19	19
Total capital securities - corporate			\$ 2,908	\$ 2,897

In addition, as at June 30, 2017, we had \$15 million (December 31, 2016 - \$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.

Reconciliation of Non-IFRS Measures – Corporate

Net income to FFO:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Net income (loss)	\$ (158)	\$ (181)	\$ (317)	\$ (339)
Add (deduct):				
Fair value (gains) losses, net	18	7	26	(11)
Income tax expense	11	52	43	107
Non-controlling interests in above items	9	2	15	7
FFO	\$ (120)	\$ (120)	\$ (233)	\$ (236)

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 June 30, 2017, capital totaled \$75 billion (December 31, 2016 - \$72 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.

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;
- 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 \$6,260 million at June 30, 2017 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)	Jun. 30, 2017	Dec. 31, 2016
Corporate cash and cash equivalents	\$ 147	\$ 125
Available committed corporate credit facilities	866	869
Available subordinated credit facilities	268	253
Corporate liquidity	1,281	1,247
Proportionate cash retained at subsidiaries	1,157	1,102
Proportionate availability under construction facilities	2,887	3,013
Proportionate availability under subsidiary credit facilities	935	992
Group-wide liquidity⁽¹⁾	\$ 6,260	\$ 6,354

⁽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)	Jun. 30, 2017
Remainder of 2017	\$ 1,214
2018	4,176
2019	3,697
2020	2,038
2021	4,743
2022 and thereafter	12,324
Deferred financing costs	(269)
Secured debt obligations	\$ 27,923
Loan to value	55.0%

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 2017-2018.

Our partnership's operating subsidiaries are subject to limited covenants in respect of their corporate debt and are in full compliance with all such covenants at June 30, 2017. 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 and six month periods ended June 30, 2017 and 2016, the partnership made distributions to Unitholders of \$209 million (2016 - \$200 million) and \$416 million (2016 - \$399 million), respectively. This compares to cash flow from operating activities of \$(309) million and \$477 million for each period. During the three and six month periods ended June 30, 2017, cash flow from operating activities included net repayments of \$600 million and \$100 million in deposit from Brookfield Asset Management. Excluding this repayment, cash flow from operating activities would have been \$291 million and \$577 million for the three and six month periods ended June 30, 2017, respectively, exceeding distributions to Unitholders.

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. For the three and six month periods ended June 30, 2017 and 2016, the partnership funded the gap between its distributions and cash flow from operating activities through approximately \$718 million and \$924 million of realized gains on the disposition of assets with meaningful returns on capital, respectively. 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.

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. 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.

Substantially all 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. 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.

As owners of office, retail, and industrial 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, 2016 annual report on Form 20-F.

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. Government and government agencies comprise 8.5% of our Core Office segment tenant base and, as at June 30, 2017, 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 June 30, 2017:

Tenant	Primary location	Credit rating ⁽¹⁾	Exposure (%) ⁽²⁾
Government and Government Agencies	Various	AAA/AA+	8.5 %
Barclays	London	BBB	2.5 %
Morgan Stanley	NY/Toronto/London	BBB+	2.4 %
CIBC World Markets ⁽³⁾	Calgary/NY/Toronto	A+	1.8 %
Suncor Energy Inc.	Calgary/Houston	A-	1.7 %
Bank of Montreal	Calgary/Toronto	A+	1.4 %
Bank of America Merrill Lynch	Denver/NY/LA/Toronto/D.C.	A+	1.4 %
Deloitte	Calgary/Houston/LA/Toronto	Not Rated	1.3 %
Royal Bank of Canada	Boston/Calgary/Denver/NY/LA/Toronto/D.C.	AA-	1.1 %
BHP Billiton	Perth	A	0.9 %
Total			23.0%

⁽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 925,000 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 June 30, 2017. The largest ten tenants in our portfolio accounted for approximately 21.3% of minimum rents, tenant recoveries and other.

Tenant	DBA	Exposure (%) ⁽¹⁾
L Brands, Inc.	Victoria's Secret, Bath & Body Works, PINK, Henri Bendel	3.7%
Foot Locker, Inc.	Footlocker, Champs Sports, Footaction USA, House of Hoops, SIX:02	2.9%
The Gap, Inc.	Gap, Banana Republic, Old Navy, Athleta	2.7%
Forever 21 Retail, Inc.	Forever 21	2.2%
Abercrombie & Fitch Stores, Inc.	Abercrombie, Abercrombie & Fitch, Hollister	2.0%
Ascena Retail Group	Dress Barn, Justice, Lane Bryant, Maurices, Ann Taylor, Loft	1.7%
Signet Jewelers Limited	Zales, Gordon's, Kay, Jared	1.7%
Genesco Inc	Journeys, Lids, Underground Station, Johnston & Murphy	1.5%
Luxottica Group S.p.A.	Lenscrafters, Sunglass Hut, Pearle Vision	1.5%
American Eagle Outfitters, Inc.	American Eagle, Aerie, Martin + Osa	1.4%
Total		21.3%

⁽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. 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 10% of our office, retail and industrial leases mature annually up to 2021. Our office, retail and industrial portfolio has a weighted average remaining lease life of approximately 5.8 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 office, retail and industrial portfolios at June 30, 2017, including our unconsolidated investments:

(Sq. ft. in thousands)	Current	2017	2018	2019	2020	2021	2022	2023	2024 and beyond	Total
Core Office	6,506	1,109	4,392	3,969	5,541	5,633	5,291	5,808	41,968	80,217
Total % expiring	8.1%	1.4%	5.5%	4.9%	6.9%	7.0%	6.6%	7.2%	52.4%	100.0%
Core Retail ⁽¹⁾	2,394	2,364	6,168	6,104	4,513	4,667	4,631	3,543	18,919	53,303
Total % expiring	4.5%	4.4%	11.6%	11.5%	8.5%	8.8%	8.7%	6.6%	35.4%	100.0%
Opportunistic Office	3,253	1,031	1,896	3,019	3,325	3,518	1,907	311	3,995	22,255
Total % expiring	14.6%	4.6%	8.5%	13.6%	14.9%	15.8%	8.6%	1.4%	18.0%	100.0%
Opportunistic Retail ⁽¹⁾	1,592	845	1,767	1,356	1,389	1,288	955	654	4,587	14,433
Total % expiring	11.0%	5.9%	12.2%	9.4%	9.6%	8.9%	6.6%	4.5%	31.9%	100.0%
Industrial	2,670	1,251	6,793	5,668	6,513	5,879	3,284	2,081	10,857	44,996
Total % expiring	5.9%	2.8%	15.1%	12.6%	14.5%	13.1%	7.3%	4.6%	24.1%	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 pending or threatened investigations or actions by environmental regulatory authorities in connection with any of our properties or any 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 materially 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. 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. 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 51% of our outstanding debt obligations at June 30, 2017 are floating rate debt compared to 50% at December 31, 2016. 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 \$188 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 \$13 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 June 30, 2017, our consolidated debt to capitalization was 49% (December 31, 2016 – 47%). 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 six months ended June 30, 2017, approximately 35% of our assets and 31% 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; and
- Interest rate caps to hedge interest rate risk on certain variable rate debt.

We also designate Canadian Dollar financial liabilities of certain of our operating entities as hedges of our net investments in our Canadian operations.

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 June 30, 2017 and December 31, 2016:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
Jun. 30, 2017	Interest rate caps of US\$ LIBOR debt	\$ 5,982	2.3% - 5.8%	Aug. 2017 - Apr. 2020	\$ 1
	Interest rate swaps of US\$ LIBOR debt	775	0.7% - 2.2%	Jun. 2018 - Nov. 2020	(3)
	Interest rate caps of £ LIBOR debt	475	1.3% - 2.5%	Aug. 2017 - Dec. 2019	—
	Interest rate swaps of £ LIBOR debt	89	1.0% - 1.5%	Apr. 2020 - Jun. 2021	1
	Interest rate swaps of € EURIBOR debt	38	0.7% - 1.4%	Oct. 2017 - Apr. 2021	(1)
	Interest rate swaps of C\$ LIBOR debt	44	3.7%	Nov. 2021	—
	Interest rate swaps of A\$ BBSW/BBSY debt	70	3.5%	Jul. 2017	—
	Interest rate swaps on forecasted fixed rate debt	100	4.0%	Jun. 2029	(13)
Dec. 31, 2016	Interest rate caps of US\$ LIBOR debt	\$ 4,933	2.5% - 5.8%	Jan. 2017 - Jun. 2020	\$ —
	Interest rate swaps of US\$ LIBOR debt	502	1.5% - 2.2%	Jun. 2018 - Nov. 2020	(6)
	Interest rate caps of £ LIBOR debt	37	2.5%	Aug. 2017	—
	Interest rate swaps of £ LIBOR debt	85	1.0% - 1.5%	Apr. 2020 - Jun. 2021	2
	Interest rate swaps of € EURIBOR debt	146	0.3% - 1.4%	Oct. 2017 - Apr. 2021	(4)
	Interest rate swaps of C\$ LIBOR debt	44	3.7%	Nov. 2021	—
	Interest rate swaps of A\$ BBSW/BBSY debt	65	1.9%	Jul. 2017	(1)
	Interest rate swaps on forecasted fixed rate debt	300	3.7% - 4.0%	Jun. 2027 - Jun. 2029	(34)

For the three and six months ended June 30, 2017, the amount of hedge ineffectiveness recorded in earnings in connection with the our interest rate hedging activities was nil and \$2 million (2016 - \$6 million and \$11 million), respectively.

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 June 30, 2017 and December 31, 2016:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
Jun. 30, 2017	Net investment hedges €	680	€0.88/\$ - €0.94/\$	Jul. 2017 - Apr. 2018	\$ (49)
	Net investment hedges £	4,244	£0.76/\$ - £0.82/\$	Jul. 2017 - Sep. 2018	(225)
	Net investment hedges A\$	2,247	A\$1.31/\$ - A\$1.39/\$	Jul. 2017 - Aug. 2018	(37)
	Net investment hedges C¥	2,163	C¥6.86/\$ - C¥7.20/\$	Jul. 2017 - Jun. 2018	(9)
	Net investment hedges ₩	590,600	₩1,135.30/\$ - ₩1,181.45/\$	Sep. 2017 - Dec. 2017	(4)
	Net investment hedges C\$	45	C\$1.35/\$ - C\$1.36/\$	Sep. 2017 - Dec. 2017	(1)
	Cash flow hedges Rs	12,000	Rs66.12/\$ - Rs70.60/\$	Sep. 2017	17
Dec 31, 2016	Net investment hedges €	600	€0.87/\$ - €0.94/\$	Feb. 2017 - Feb. 2018	\$ 8
	Net investment hedges £	3,664	£0.68/\$ - £0.82/\$	Jan. 2017 - Jan. 2018	(18)
	Net investment hedges A\$	1,967	A\$1.32/\$ - A\$1.41/\$	Jan. 2017 - Dec. 2017	36
	Net investment hedges C¥	1,750	C¥6.77/\$ - C¥7.20/\$	Feb. 2017 - Dec. 2017	7
	Net investment hedges R\$	—	R\$3.27/\$ - R\$3.83/\$	Jan. 2017 - Feb. 2017	(9)
	Cash flow hedges R\$	500	R\$3.35/\$	Mar. 2017	1
	Net investment hedges ₩	585,600	₩1,135.30/\$ - ₩1,167.90/\$	Sep. 2017 - Dec. 2017	22
	Cash flow hedges Rs	12,500	Rs67.84/\$ - Rs70.60/\$	Feb. 2017 - Sep. 2017	1

In addition to the above, we have designated C\$150 million (December 31, 2016 - C\$690 million) of Canadian Dollar financial liabilities as hedges against our net investment in Canadian operations.

For the three and six months ended June 30, 2017 and 2016, 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 other derivatives that have been entered into to manage financial risks as of June 30, 2017 and December 31, 2016:

(US\$ Millions)	Derivative type	Notional	Maturity dates	Rates	Fair value
Jun. 30, 2017	Interest rate swaps on forecasted fixed rate debt	\$ 1,660	Jun. 2028 - Jun. 2029	2.3% - 6.0%	\$ (194)
	Interest rate caps	1,320	Jul. 2017 - Dec. 2019	2.0% - 11.0%	—
	Interest rate swaps of € EURIBOR debt	112	Sept. 2018 - Oct. 2019	0.3% - 1.4%	(2)
Dec. 31, 2016	Interest rate swaps on forecasted fixed rate debt	\$ 1,460	Jun. 2018 - Nov. 2028	1.9% - 6.0%	\$ (172)
	Interest rate caps	350	Jul. 2017	3.3%	—

As of June 30, 2017, we recognized fair value losses, net of approximately \$27 million related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

As of June 30, 2017, we have swaptions with a notional amount of totaling \$685 million (December 31, 2016 - 1,660 million), with a 1.00% rate and maturity dates from June 2018 to November 2018. The fair value of these derivatives as of June 30, 2017 was nil.

The other derivatives have not been designated as hedges for accounting purposes.

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 and six months ended June 30, 2017 was \$27 million (2016 - \$27 million) and \$52 million (2016 - \$53 million), respectively. The equity enhancement distribution for the three and six months ended June 30, 2017 was \$8 million (2016 - \$9 million) and \$13 million (2016 - \$17 million), respectively.

In connection with the issuance of Preferred Equity Units to QIA 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 QIA 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)	Jun. 30, 2017	Dec 31, 2016
Balances outstanding with related parties:		
Participating loan interests	\$ 474	\$ 471
Equity accounted investments	88	110
Loans and notes receivable ⁽¹⁾	49	46
Receivables and other assets	8	71
Deposit from Brookfield Asset Management	(400)	(500)
Property-specific debt obligations	(344)	(323)
Other liabilities	(115)	(136)
Capital securities held by Brookfield Asset Management	(1,250)	(1,250)
Preferred shares held by Brookfield Asset Management	(15)	(15)

⁽¹⁾ At June 30, 2017, includes \$49 million (December 31, 2016 - \$46 million) receivable from Brookfield Asset Management upon the earlier of our partnership's exercise of its option to convert its participating loan interests into direct ownership of the Australian portfolio or the maturity of the participating loan interests.

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Transactions with related parties:				
Commercial property revenue ⁽¹⁾	\$ 5	\$ 4	\$ 10	\$ 9
Management fee income	1	1	3	2
Interest and other income	1	1	2	2
Participating loan interests (including fair value gains, net)	32	10	44	35
Interest expense on debt obligations	8	22	18	52
Interest on capital securities held by Brookfield Asset Management	19	19	38	38
General and administrative expense ⁽²⁾	51	88	100	145
Construction costs ⁽³⁾	74	42	144	139

⁽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 funds, and administrative services.

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

During the first quarter of 2017, we and QIA each acquired a 25% interest in two multifamily developments from Canary Wharf for a combined consideration of £70 million, representing costs incurred to the date of sale plus the equity funding required to complete the developments.

During the first quarter of 2017, we along with Brookfield Premier Real Estate Partners Pooling LLC ("BPREP"), acquired a 25% and 75% interest, respectively, of One Post Street, an office building in San Francisco, California for \$245 million.

During the second quarter of 2017, we redeemed all of the public units outstanding of Brookfield Canada Office Properties ("BOX"), for C\$32.50 per unit, or C\$516 million.

During the second quarter of 2017, we redeemed all of the public units outstanding of Brookfield Prime Property Fund ("BPPF"), for A\$8.815 per unit, or A\$85 million.

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.

For further reference on accounting policies and critical judgments and estimates, see our significant accounting policies contained in Note 2 to the December 31, 2016 consolidated financial statements.

TREND INFORMATION

We will 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. In addition, we believe that most of our markets have favorable outlooks, which we believe also provides an opportunity for strong growth in lease rates. We do, however, still face a meaningful amount of lease rollover in 2017 and 2018, which may restrain FFO growth from this part of our portfolio in the near future. Our beliefs 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 is picking up across our global real estate markets 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.

Given the small amount of new office and retail development that occurred over the last decade and the near total development halt during the global financial crisis, we see an opportunity to advance our development inventory in the near term in response to demand we are seeing in our major markets. In addition, we continue to reposition and redevelop existing retail properties, in particular, a number of the highest performing shopping centers in the United States.

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 six months ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Corporate Information

CORPORATE PROFILE

Brookfield Property Partners is one of the world's largest commercial real estate companies, with over \$65 billion in total assets. We are leading owners, operators and investors in commercial property assets, with a diversified portfolio that includes 146 premier office properties and 127 best-in-class retail malls around the world. We also hold interests in multifamily, triple net lease, industrial, hospitality, self-storage, student housing and manufactured housing assets. Brookfield Property Partners is listed on the New York and Toronto stock exchanges. 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 approximately \$250 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, CST 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@canstockta.com
Web site: www.canstockta.com

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 June 30, 2017 and December 31, 2016 and
for the three and six months ended June 30, 2017 and 2016

Brookfield Property Partners L.P.

Condensed Consolidated Balance Sheets

Unaudited (US\$ Millions)	Note	As at	
		Jun. 30, 2017	Dec. 31, 2016
Assets			
Non-current assets			
Investment properties	4	\$ 51,245	\$ 48,784
Equity accounted investments	5	17,493	16,844
Participating loan interests	6	474	471
Property, plant and equipment	7	5,476	5,357
Goodwill	8	1,028	761
Intangible assets	9	1,218	1,141
Other non-current assets	10	771	500
Loans and notes receivable		143	71
Total non-current assets		77,848	73,929
Current assets			
Loans and notes receivable		24	2
Accounts receivable and other	11	2,250	2,593
Cash and cash equivalents		1,754	1,456
Total current assets		4,028	4,051
Assets held for sale	12	934	147
Total assets		\$ 82,810	\$ 78,127
Liabilities and equity			
Non-current liabilities			
Debt obligations	13	\$ 31,990	\$ 28,423
Capital securities	14	4,092	3,801
Other non-current liabilities	16	1,196	1,011
Deferred tax liabilities		2,956	2,455
Total non-current liabilities		40,234	35,690
Current liabilities			
Debt obligations	13	4,446	5,096
Capital securities	14	72	370
Accounts payable and other liabilities	17	2,986	2,749
Total current liabilities		7,504	8,215
Liabilities associated with assets held for sale	12	563	61
Total liabilities		48,301	43,966
Equity			
Limited partners	18	7,341	7,536
General partner	18	6	6
Non-controlling interests attributable to:			
Redeemable/exchangeable and special limited partnership units	18,19	14,372	14,523
Limited partnership units of Brookfield Office Properties Exchange LP	18,19	283	293
Interests of others in operating subsidiaries and properties	19	12,507	11,803
Total equity		34,509	34,161
Total liabilities and equity		\$ 82,810	\$ 78,127

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 Jun. 30,		Six months ended Jun. 30,	
		2017	2016	2017	2016
Commercial property revenue	20	\$ 1,050	\$ 866	\$ 2,045	\$ 1,686
Hospitality revenue		430	416	804	808
Investment and other revenue	21	39	51	198	86
Total revenue		1,519	1,333	3,047	2,580
Direct commercial property expense	22	413	330	782	641
Direct hospitality expense	23	276	264	539	529
Investment and other expense		—	1	122	1
Interest expense		510	401	982	817
Depreciation and amortization	24	69	61	132	125
General and administrative expense	25	156	138	307	269
Total expenses		1,424	1,195	2,864	2,382
Fair value gains, net	26	454	286	378	623
Share of net earnings from equity accounted investments	5	193	286	526	416
Income before income taxes		742	710	1,087	1,237
Income tax expense	15	78	141	236	228
Net income		\$ 664	\$ 569	\$ 851	\$ 1,009
Net income attributable to:					
Limited partners		\$ 87	\$ 129	\$ 27	\$ 221
General partner		—	—	—	—
Non-controlling interests attributable to:					
Redeemable/exchangeable and special limited partnership units		148	214	45	369
Limited partnership units of Brookfield Office Properties Exchange LP		4	6	1	10
Interests of others in operating subsidiaries and properties		425	220	778	409
Total		\$ 664	\$ 569	\$ 851	\$ 1,009
Net income per LP Unit:					
Basic	18	\$ 0.31	\$ 0.45	\$ 0.09	\$ 0.77
Diluted	18	\$ 0.31	\$ 0.44	\$ 0.09	\$ 0.76

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Comprehensive Income

Unaudited (US\$ Millions)	Note	Three months ended Jun. 30,		Six months ended Jun. 30,	
		2017	2016	2017	2016
Net income		\$ 664	\$ 569	\$ 851	\$ 1,009
Other comprehensive income (loss)	28				
Items that may be reclassified to net income:					
Foreign currency translation		105	(269)	295	(51)
Cash flow hedges		11	20	39	(88)
Available-for-sale securities		—	—	1	—
Equity accounted investments		—	4	3	—
Items that will not be reclassified to net income:					
Share of revaluation surplus on equity accounted investments		—	2	—	(10)
Remeasurement of defined benefit obligations		(2)	—	(2)	—
Total other comprehensive income (loss)		114	(243)	336	(149)
Total comprehensive income (loss)		\$ 778	\$ 326	\$ 1,187	\$ 860
Comprehensive income attributable to:					
Limited partners					
Net income		\$ 87	\$ 129	\$ 27	\$ 221
Other comprehensive income (loss)		27	(96)	68	(86)
		114	33	95	135
Non-controlling interests					
Redeemable/exchangeable and special limited partnership units					
Net income		148	214	45	369
Other comprehensive income (loss)		45	(162)	116	(144)
		193	52	161	225
Limited partnership units of Brookfield Office Properties Exchange LP					
Net income		4	6	1	10
Other comprehensive income (loss)		1	(4)	3	(4)
		5	2	4	6
Interests of others in operating subsidiaries and properties					
Net income		425	220	778	409
Other comprehensive income (loss)		41	19	149	85
		466	239	927	494
Total comprehensive income		\$ 778	\$ 326	\$ 1,187	\$ 860

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			Total general partner equity	Non-controlling interests			Total equity
	Capital	Retained earnings	Ownership Changes	Accumulated other comprehensive (loss) income		Capital	Retained earnings	Accumulated other comprehensive (loss) income		Redeemable / exchangeable and special limited partnership units	Limited partnership units of Brookfield Office Properties Exchange LP	Interests of others in operating subsidiaries and properties	
Balance as at Dec 31, 2016	\$ 5,743	\$ 2,085	\$ 127	\$ (419)	\$ 7,536	\$ 4	\$ 2	\$ —	\$ 6	\$ 14,523	\$ 293	\$ 11,803	\$ 34,161
Net income	—	27	—	—	27	—	—	—	—	45	1	778	851
Other comprehensive income	—	—	—	68	68	—	—	—	—	116	3	149	336
Total comprehensive income	—	27	—	68	95	—	—	—	—	161	4	927	1,187
Distributions	—	(151)	—	—	(151)	—	—	—	—	(258)	(7)	(768)	(1,184)
Issuance / repurchase of interests in operating subsidiaries	(112)	(43)	11	—	(144)	—	—	—	—	(55)	(1)	545	345
Exchange of exchangeable units	5	—	—	—	5	—	—	—	—	1	(6)	—	—
Balance as at Jun. 30, 2017	\$ 5,636	\$ 1,918	\$ 138	\$ (351)	\$ 7,341	\$ 4	\$ 2	\$ —	\$ 6	\$ 14,372	\$ 283	\$ 12,507	\$ 34,509
Balance as at Dec 31, 2015	\$ 5,815	\$ 1,791	\$ 126	\$ (307)	\$ 7,425	\$ 4	\$ 2	\$ —	\$ 6	\$ 14,218	\$ 309	\$ 8,975	\$ 30,933
Net income	—	221	—	—	221	—	—	—	—	369	10	409	1,009
Other comprehensive (loss)	—	—	—	(86)	(86)	—	—	—	—	(144)	(4)	85	(149)
Total comprehensive income (loss)	—	221	—	(86)	135	—	—	—	—	225	6	494	860
Distributions	—	(146)	—	—	(146)	—	—	—	—	(246)	(7)	(592)	(991)
Issuance / repurchase of interest in operating subsidiaries	—	(94)	—	—	(94)	—	—	—	—	(156)	(4)	2,270	2,016
Exchange of exchangeable units	16	—	1	—	17	—	—	—	—	—	(17)	—	—
Balance as at Jun. 30, 2016	\$ 5,831	\$ 1,772	\$ 127	\$ (393)	\$ 7,337	\$ 4	\$ 2	\$ —	\$ 6	\$ 14,041	\$ 287	\$ 11,147	\$ 32,818

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Cash Flows

Unaudited (US\$ Millions)	Note	Six Months Ended Jun. 30,	
		2017	2016
Operating activities			
Net income		\$ 851	\$ 1,009
Share of equity accounted earnings, net of distributions		(366)	(258)
Fair value (gains), net	26	(378)	(623)
Deferred income tax expense	15	134	182
Depreciation and amortization	24	132	125
Working capital and other		104	(680)
		477	(245)
Financing activities			
Debt obligations, issuance		11,432	8,794
Debt obligations, repayments		(9,282)	(8,056)
Capital securities issued		249	—
Capital securities redeemed		(299)	(170)
Non-controlling interests, issued		1,549	1,993
Non-controlling interests, purchased		(483)	—
Repurchases of limited partnership units		(112)	(14)
Distributions to non-controlling interests in operating subsidiaries		(768)	(616)
Distributions to limited partnership unitholders		(151)	(146)
Distributions to redeemable/exchangeable and special limited partnership unitholders		(258)	(246)
Distributions to holders of Brookfield Office Properties Exchange LP units		(7)	(7)
		1,870	1,532
Investing activities			
Investment properties and subsidiaries, proceeds of dispositions		708	1,518
Property acquisitions and capital expenditures		(2,818)	(2,637)
Investment in equity accounted investments		(368)	(279)
Proceeds from sale and distributions of equity accounted investments and participating loan interests		778	390
Financial assets and other		(220)	7
Other property, plant and equipment investments, net of dispositions		(131)	(78)
Cash acquired in business combinations, net of cash impact from deconsolidation		10	53
Restricted cash and deposits		(30)	(72)
		(2,071)	(1,098)
Cash and cash equivalents			
Net change in cash and cash equivalents during the period		276	189
Effect of exchange rate fluctuations on cash and cash equivalents held in foreign currencies		22	20
Balance, beginning of period		1,456	1,035
Balance, end of period		\$ 1,754	\$ 1,244
Supplemental cash flow information			
Cash paid for:			
Income taxes		\$ 29	\$ 42
Interest (excluding dividends on capital securities)		\$ 782	\$ 555

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 material asset at June 30, 2017 is a 37% managing general partnership unit interest in Brookfield Property L.P. (the “operating partnership”), which holds the partnership’s interest in commercial and other income producing property operations. The partnership’s interest in the operating partnership is comprised solely of an interest in managing general partner units (“GP Units”). 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 New York Stock Exchange (“NYSE”) 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 and six months ended June 30, 2017 were approved and authorized for issue by the Board of Directors of the partnership on August 1, 2017.

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, 2016 with the exception of the adoption of Amendments to IAS 12, *Income Taxes*, effective January 1, 2017, as discussed in Note 2(c) below. 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, 2016.

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) Adoption of Accounting Standards

The partnership adopted an Amendment to IAS 12, *Income Taxes* effective January 1, 2017. The amendment clarifies the following aspects: (i) unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; (ii) the carrying amount of an asset does not limit the estimation of probable future taxable profits; (iii) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and (iv) an entity assesses a deferred tax asset in combination with other deferred tax assets. The amendment does not have any impact to the consolidated financial statements of the partnership as the partnership previously calculated the deferred tax assets and liabilities in accordance with the clarified guidance.

d) 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, 2016 and have been consistently applied in the preparation of the interim condensed consolidated financial statements as of and for the three and six months ended June 30, 2017.

e) Future Accounting Policy

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts* and a number of revenue-related

interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied for periods beginning on or after January 1, 2018 with early application permitted. The partnership has a global team in place to evaluate the financial statement and the administrative impact of IFRS 15. The partnership has concluded on a preliminary basis to use the modified retrospective transition method, in which a cumulative catch-up adjustment, if any, will be recorded through equity upon initial adoption. The partnership has also commenced the impact assessment phase of the transition project. Additionally, we continue to monitor international developments in the standard as a component of our ongoing impact evaluation.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9, *Financial Instruments*, superseding the current IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will allow more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. The partnership has a global team in place to evaluate the financial statement and the administrative impact of IFRS 9 on its consolidated financial statements. The partnership has concluded on a preliminary basis to adopt the standard retrospectively with no restatement of comparatives. A cumulative catch-up adjustment, if any, will be recorded through equity upon initial adoption. The partnership has also commenced the issue identification phase of the transition project and expects to commence impact assessment in the third quarter of 2017.

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16, *Leases*. The new standard brings most leases on balance sheets, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, *Leases* and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. The partnership is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

NOTE 3. BUSINESS ACQUISITIONS AND COMBINATIONS

The partnership accounts for business combinations using the acquisition method of accounting under IFRS 3, *Business Combinations* pursuant to which the cost of acquiring a business is allocated to its identifiable tangible and intangible assets and liabilities on the basis of the estimated fair values at the date of acquisition. Financial results of each transaction are included within the partnership's condensed consolidated statements of income from the dates of each acquisition.

On April 10, 2017, the partnership acquired a portfolio of 13 student housing properties ("Student Housing") across the United Kingdom for total consideration of \$358 million. The acquisition was funded with a cash contribution of \$223 million from a fund sponsored by Brookfield Asset Management which was drawn on subscription facilities, with the remainder funded through debt financing. The partnership recognized a bargain purchase gain of \$27 million in fair value gains, net on its consolidated statements of income, which was driven by the an improved operational forecast that was of a higher certainty as of the acquisition date than at the time the total consideration was agreed upon. As of June 30, 2017, the valuation of investment properties, property debt obligations and bargain purchase gain were still under evaluation by the partnership. Accordingly, they have been accounted for on a provisional basis.

On March 31, 2017, the partnership acquired One Post Street, a 424,000 square feet office building in San Francisco for total consideration of \$153 million. The acquisition was funded with a cash contribution of \$31 million from the partnership, with the remainder from a fund sponsored by Brookfield Asset Management. As of June 30, 2017, the valuation of investment property was still under evaluation by the partnership. Accordingly, it has been accounted for on a provisional basis.

On March 31, 2017, the partnership acquired a portfolio consisting of nine office properties encompassing approximately 1.1 million square feet in the U.S. ("TA Office"), for total consideration of \$214 million. The acquisition was funded with a cash contribution of \$81 million from a fund sponsored by Brookfield Asset Management which was drawn on subscription facilities, with the remainder funded through debt financing. The acquisition resulted in an approximately \$10 million bargain purchase gain, which was recognized in fair value gains, net in the partnership's consolidated income statements. The bargain purchase gain reflected a portfolio discount negotiated with the seller as a result of the partnership's capability to execute the portfolio acquisition. As of June 30, 2017, the valuations of investment properties were still under evaluation by the partnership. Accordingly, they have been accounted for on a provisional basis.

On March 9, 2017, the partnership acquired a portfolio of manufactured housing communities ("Manufactured Housing") in the United States for total consideration of \$768 million. The acquisition was funded with a cash contribution of \$578 million from a fund sponsored by Brookfield Asset Management which was drawn on subscription facilities, with the remainder funded through debt financing. The acquisition of the Manufactured Housing portfolio generated a bargain gain of \$118 million as a result of changes in the underlying market conditions since signing the purchase and sale agreement in the second quarter of 2016. As of June 30, 2017, the valuations of investment properties, property debt obligations and tax obligations were still under evaluation by the partnership. Accordingly, they have been accounted for on a provisional basis.

On July 6, 2016, the partnership acquired an additional 67% of the voting equity of Rouse Properties, Inc. ("Rouse") for consideration of \$1,063 million or \$18.25 per share. Rouse is a real estate investment trust focused on a diverse portfolio of malls and retail centers encompassing approximately 24.1 million square feet across the United States at the time of acquisition. On the acquisition date, the partnership previously owned 33% of the voting equity of Rouse and accounted for its interest as an equity accounted investment. As a result of the acquisition, the partnership

owns 100% of the voting equity of Rouse. The partnership accounted for the acquisition as a step acquisition and remeasured its existing 33% equity interest in Rouse to fair value at the acquisition date. At the time of the acquisition, holders of 12% of the voting equity of Rouse exercised their appraisal rights, which delayed the partnership's payment for their shares of Rouse until the fair value of their equity as at the acquisition date is determined through legal proceedings. The partnership recorded a provision of \$123 million in other non-current liabilities representing the partnership's obligation to the third party former equity-holders of Rouse who exercised their rights. Total consideration for the acquisition consisted of cash contribution of \$587 million from a fund sponsored by Brookfield Asset Management, which was drawn on subscription facilities, the fair value of the partnership's existing 33% equity in Rouse as at the acquisition, and the fair value of the delayed settlement to the shareholders who have exercised their appraisal rights. During the second quarter of 2017, the partnership completed the purchase price allocation for the acquisition of Rouse. No material changes were made to the provisional purchase price allocation.

The following table summarizes the impact of significant business combinations during the six months ended June 30, 2017:

(US\$ Millions)	Manufactured Housing	TA Office	One Post Street	Student Housing	Other	Total
Investment properties	\$ 2,107	\$ 235	\$ 245	\$ 392	\$ 401	\$ 3,380
Accounts receivable and other	90	5	—	—	13	108
Cash and cash equivalents	16	—	4	—	2	22
Total assets	2,213	240	249	392	416	3,510
Less:						
Debt obligations	(1,261)	—	—	—	—	(1,261)
Accounts payable and other	(36)	(13)	(2)	(7)	(2)	(60)
Non-controlling interests ⁽¹⁾	(30)	—	(94)	—	—	(124)
Net assets acquired	\$ 886	\$ 227	\$ 153	\$ 385	\$ 414	\$ 2,065
Consideration ⁽²⁾	\$ 768	\$ 214	\$ 153	\$ 358	\$ 405	\$ 1,898
Transaction costs	\$ 16	\$ 2	\$ —	\$ 6	\$ 5	\$ 29

⁽¹⁾ Includes non-controlling interests recognized on business combinations measured as the proportionate share of the fair value of the assets, liabilities and contingent liabilities on the date of acquisition.

⁽²⁾ Includes consideration paid with funds received from issuance of non-controlling interests to certain institutional investors in funds sponsored by Brookfield Asset Management.

In the period from each acquisition date to June 30, 2017, the partnership recorded revenue and net income in connection with these acquisitions of approximately \$99 million and \$37 million, respectively. If the acquisitions had occurred on January 1, 2017, the partnership's total revenue and net income would have been \$3,115 million and \$883 million, respectively, for the six months ended June 30, 2017.

Acquisition-related transaction costs, which primarily relate to legal and consulting fees, are expensed as incurred in accordance with IFRS 3 and included in general and administrative expense on the consolidated income statement.

NOTE 4. 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 six months ended June 30, 2017 and the year ended December 31, 2016:

(US\$ Millions)	Six months ended Jun. 30, 2017			Year ended Dec. 31, 2016		
	Commercial properties	Commercial developments	Total	Commercial properties	Commercial developments	Total
Balance, beginning of period	\$ 45,699	\$ 3,085	\$ 48,784	\$ 39,111	\$ 2,488	\$ 41,599
Changes resulting from:						
Property acquisitions	3,364	58	3,422	8,697	310	9,007
Capital expenditures	332	444	776	770	835	1,605
Property dispositions ⁽¹⁾	(288)	(651)	(939)	(876)	(13)	(889)
Fair value gains, net	145	104	249	290	251	541
Foreign currency translation	638	85	723	68	(213)	(145)
Transfer between commercial properties and commercial developments	156	(156)	—	562	(562)	—
Reclassifications to assets held for sale and other changes	(1,775)	5	(1,770)	(2,923)	(11)	(2,934)
Balance, end of period	\$ 48,271	\$ 2,974	\$ 51,245	\$ 45,699	\$ 3,085	\$ 48,784

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

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 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. 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 the partnership determines using external information and observable conditions, where possible, in conjunction with internal analysis. There are currently no 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. The partnership generally does not measure or record its properties based on valuations prepared by external valuation professionals.

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

Consolidated properties	Primary valuation method	Jun. 30, 2017			Dec. 31, 2016		
		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%	5.7%	12	6.8%	5.6%	12
Canada	Discounted cash flow	6.2%	5.4%	10	6.2%	5.5%	10
Australia	Discounted cash flow	7.1%	6.1%	10	7.3%	6.1%	10
Europe ⁽¹⁾	Discounted cash flow	—	—	—	6.0%	5.0%	12
Brazil	Discounted cash flow	9.3%	7.5%	10	9.3%	7.5%	10
Opportunistic Office	Discounted cash flow	9.0%	6.8%	8	9.9%	7.6%	7
Opportunistic Retail	Discounted cash flow	8.5%	7.5%	11	10.2%	8.1%	12
Industrial	Discounted cash flow	7.1%	6.3%	10	7.4%	6.6%	10
Multifamily⁽²⁾	Direct capitalization	4.7%	n/a	n/a	4.9%	n/a	n/a
Triple Net Lease⁽²⁾	Direct capitalization	6.3%	n/a	n/a	6.1%	n/a	n/a
Self-storage⁽²⁾	Direct capitalization	5.7%	n/a	n/a	6.2%	n/a	n/a
Student Housing⁽²⁾	Direct capitalization	5.8%	n/a	n/a	5.9%	n/a	n/a
Manufactured Housing⁽²⁾	Direct capitalization	5.8%	n/a	n/a	n/a	n/a	n/a

⁽¹⁾ In the second quarter of 2017, 20 Canada Square in London was reclassified to assets held for sale.

⁽²⁾ The valuation method used to value multifamily, triple net lease, self-storage, student housing, 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.

The following table presents the partnership's investment properties 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 disclosed in Note 2(j) of the consolidated financial statements for the year ended December 31, 2016:

(US\$ Millions)	Jun. 30, 2017				Dec. 31, 2016			
			Level 3				Level 3	
	Level 1	Level 2	Commercial properties	Commercial developments	Level 1	Level 2	Commercial properties	Commercial developments
Core Office								
United States	\$ —	\$ —	\$ 16,018	\$ 447	\$ —	\$ —	\$ 16,142	\$ 387
Canada	—	—	4,294	671	—	—	4,015	598
Australia	—	—	2,353	—	—	—	2,112	—
Europe	—	—	97	756	—	—	583	1,247
Brazil	—	—	320	—	—	—	250	65
Opportunistic								
Opportunistic Office	—	—	5,979	268	—	—	5,645	208
Opportunistic Retail	—	—	3,300	6	—	—	4,214	3
Industrial	—	—	2,385	710	—	—	2,173	505
Multifamily	—	—	3,804	—	—	—	3,574	—
Triple Net Lease	—	—	4,773	—	—	—	4,790	—
Self-storage	—	—	1,696	45	—	—	1,592	32
Student Housing	—	—	1,119	71	—	—	609	40
Manufactured Housing	—	—	2,133	—	—	—	—	—
Total	\$ —	\$ —	\$ 48,271	\$ 2,974	\$ —	\$ —	\$ 45,699	\$ 3,085

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 six months ended June 30, 2017, for properties valued using the discounted cash flow or direct capitalization method, respectively:

(US\$ Millions)	Jun. 30, 2017
	Impact on fair value of commercial properties
Core Office	
United States	\$ 828
Canada	239
Australia	123
Europe	—
Brazil	10
Opportunistic	
Opportunistic Office	220
Opportunistic Retail	186
Industrial	103
Multifamily	195
Triple Net Lease	183
Self-storage	71
Student Housing	47
Manufactured Housing	88
Total	\$ 2,293

NOTE 5. EQUITY ACCOUNTED INVESTMENTS

The partnership has investments in joint arrangements that are joint ventures, and also has investments in associates. Joint ventures hold individual 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/voting rights held by the partnership		Carrying value	
			Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Joint Ventures						
Canary Wharf Joint Venture ⁽¹⁾	Property holding company	United Kingdom	50%	50%	\$ 3,170	\$ 2,866
Manhattan West, New York	Property holding company	United States	56%	56%	1,253	1,214
Grace Building, New York	Property holding company	United States	50%	50%	600	585
Southern Cross East, Melbourne ⁽²⁾	Property holding company	Australia	50%	50%	390	346
Brookfield D.C. Office Partners LLC ("D.C.Fund"), Washington, D.C.	Property holding company	United States	51%	51%	332	327
Brookfield Fairfield U.S. Multifamily Value Add Fund II, L.P. ("VAMF II")	Property holding company	United States	37%	37%	300	296
E&Y Complex, Sydney	Property holding company	Australia	50%	50%	286	263
Principal Place - Commercial, London ⁽³⁾	Property holding company	United Kingdom	50%	100%	203	—
Potsdamer Platz, Berlin	Holding company	Germany	25%	25%	177	161
Republic Plaza, Denver	Property holding company	United States	50%	50%	128	128
One New York Plaza, New York	Property holding company	United States	15%	15%	119	116
75 State Street, Boston	Property holding company	United States	26%	26%	93	90
245 Park Avenue, New York ⁽⁴⁾	Property holding company	United States	—%	51%	—	706
Brookfield Brazil Retail Fundo de Investimento em Participação ("Brazil Retail") ⁽⁵⁾	Holding company	Brazil	46%	46%	332	—
Other	Various	Various	13%-83%	13%-83%	1,283	1,055
					8,666	8,153
Associates						
General Growth Properties, Inc. ("GGP")	Real estate investment trust	United States	29%	29%	7,491	7,453
China Xintiandi ("CXTD") ⁽⁶⁾	Property holding company	China	22%	22%	469	446
Diplomat Resort and Spa ("Diplomat")	Real estate investment trust	United States	90%	90%	356	355
Brookfield Premier Real Estate Partners Pooling LLC ("BPREP")	Property holding company	United States	10%	19%	119	113
Other	Various	Various	23% - 49%	23% - 49%	392	324
					8,827	8,691
Total					\$ 17,493	\$ 16,844

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

⁽²⁾ The partnership exercises joint control over these jointly controlled assets through a participating loan agreement with Brookfield Asset Management that is convertible at any time into a direct equity interest in the entity.

⁽³⁾ The partnership sold 50% of its interest in Principal Place - Commercial during the first quarter of 2017. As a result of the transaction, the partnership retained joint control and will recognize this as an equity accounted investment.

⁽⁴⁾ The partnership sold its interest in 245 Park Avenue in Manhattan, New York during the second quarter of 2017.

⁽⁵⁾ The partnership entered into an amended management agreement with its co-investors in Brazil Retail resulting in the loss of control over the venture. Subsequent to entering into this agreement, the partnership will recognize its interest in Brazil Retail as an equity accounted investment.

⁽⁶⁾ The partnership's interest in CXTD is held through a subsidiary, BSREP CXTD Holdings L.P., in which it has an approximate 31% interest.

The fair value of the common shares of GGP held by the partnership based on the trading price of GGP common stock as of June 30, 2017 was \$6,016 million (December 31, 2016 - \$6,379 million).

There are no quoted market prices for the partnership's other equity accounted investments.

The following table presents the change in the balance of the partnership's equity accounted investments as of June 30, 2017 and December 31, 2016:

(US\$ Millions)	Six months ended	Year ended
	Jun. 30, 2017	Dec. 31, 2016
Equity accounted investments, beginning of period	\$ 16,844	\$ 17,638
Additions	789	715
Disposals and return of capital distributions	(52)	(1,180)
Share of net income	526	1,019
Distributions received	(160)	(524)
Foreign currency translation	259	(646)
Reclassification to assets held for sale	(704)	(340)
Other	(9)	162
Equity accounted investments, end of period	\$ 17,493	\$ 16,844

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	Jun. 30, 2017			Dec. 31, 2016		
		Discount rate	Terminal capitalization rate	Investment horizon (yrs)	Discount rate	Terminal capitalization rate	Investment horizon (yrs)
Core Office							
United States	Discounted cash flow	6.5%	5.4%	11	6.3%	5.3%	11
Australia	Discounted cash flow	7.1%	6.0%	10	7.1%	6.0%	10
Europe ⁽¹⁾	Discounted cash flow	4.7%	4.8%	10	5.1%	4.8%	10
Core Retail							
United States	Discounted cash flow	6.9%	5.4%	10	7.4%	5.9%	10
Opportunistic Office	Discounted cash flow	7.5%	6.2%	10	7.7%	6.0%	10
Opportunistic Retail	Discounted cash flow	13.5%	8.0%	10	11.0%	9.0%	10
Industrial	Discounted cash flow	6.5%	6.0%	10	6.9%	6.1%	10
Multifamily⁽²⁾	Direct capitalization	5.0%	n/a	n/a	5.1%	n/a	n/a

⁽¹⁾ Certain properties in Europe accounted 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 horizons calculated under the discounted cash flow method are presented in the table above.

⁽²⁾ 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)	Jun. 30, 2017	Dec. 31, 2016
Non-current assets	\$ 79,686	\$ 76,422
Current assets	3,886	3,776
Total assets	83,572	80,198
Non-current liabilities	29,458	27,728
Current liabilities	5,339	6,110
Total liabilities	34,797	33,838
Net assets	48,775	46,360
Partnership's share of net assets	\$ 17,493	\$ 16,844

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Revenue	\$ 1,180	\$ 845	\$ 2,398	\$ 2,565
Expenses	701	765	1,406	2,051
Income from equity accounted investments ⁽¹⁾	159	95	246	235
Income before fair value gains, net	638	175	1,238	749
Fair value (losses) gains, net	(139)	197	215	177
Net income	499	372	1,453	926
Partnership's share of net earnings	\$ 193	\$ 286	\$ 526	\$ 416

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

NOTE 6. PARTICIPATING LOAN INTERESTS

Participating loan interests represent interests in certain properties in Australia that do not provide the partnership with control over the entity that owns the underlying property and are accounted for as loans and receivables and held at amortized cost on the consolidated balance sheets. The instruments, which are receivable from a wholly-owned subsidiary of Brookfield Asset Management, have contractual maturity dates of September 26, 2020 and February 1, 2023, subject to the partnership's prior right to convert into direct ownership interests in the underlying commercial properties, and have contractual interest rates that vary with the results of operations of those properties.

The outstanding principal of the participating loan interests relates to the following properties:

(US\$ Millions)	Participation interest		Carrying value	
	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Name of property				
Darling Park Complex, Sydney	30%	30%	\$ 224	\$ 215
IAG House, Sydney	50%	50%	108	101
Jessie Street, Sydney	100%	100%	142	155
Total participating loan interests			\$ 474	\$ 471

Included in the balance of participating loan interests is an embedded derivative representing the partnership's right to participate in the changes in the fair value of the referenced properties. The embedded derivative is measured at fair value with changes in fair value reported through earnings in fair value gains, net in the condensed consolidated statements of income. As of June 30, 2017, the carrying value of the embedded derivative is \$121 million (December 31, 2016 - \$100 million).

For the three and six months ended June 30, 2017, the partnership recognized interest income on the participating loan interests of \$7 million (2016 - \$8 million) and \$14 million (2016 - \$16 million), respectively, and fair value gains of \$25 million (2016 - \$3 million) and \$30 million (2016 - \$19 million), respectively.

Summarized financial information in respect of the properties underlying the partnership's investment in participating loan interests is set out below:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Non-current assets	\$ 1,851	\$ 1,589
Current assets	—	10
Total assets	1,851	1,599
Non-current liabilities	787	94
Current liabilities	—	478
Total liabilities	787	572
Net assets	\$ 1,064	\$ 1,027

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Revenues	\$ 32	\$ 31	\$ 62	\$ 63
Expenses	15	16	30	31
Earnings before fair value gains, net	17	15	32	32
Fair value gains, net	42	6	56	33
Net earnings	\$ 59	\$ 21	\$ 88	\$ 65

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment primarily consists of hospitality assets such as Center Parcs UK, Paradise Island Holdings Limited ("Atlantis"), BREF HR, LLC ("Hard Rock Hotel and Casino"), Vintage Estates and a hotel at IFC Seoul. Hospitality assets are presented on a cost basis, net of accumulated fair value changes and accumulated depreciation. Accumulated fair value changes include unrealized revaluations of hospitality assets

using the revaluation method, which are recorded in revaluation surplus as a component of equity, as well as unrealized impairment losses recorded in net income. The partnership depreciates these assets on a straight-line basis over their relevant estimated useful lives.

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	7 to 50+
Land improvements	14 to 30
Furniture, fixtures and equipment	3 to 20

The following table presents the change to the components of the partnership's hotel assets for the six months ended June 30, 2017 and for the year ended December 31, 2016:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Cost:		
Balance, beginning of period	\$ 5,417	\$ 4,969
Acquisitions through business combinations	—	650
Additions	102	248
Disposals	(9)	(28)
Foreign currency translation	144	(422)
	5,654	5,417
Accumulated fair value changes:		
Balance, beginning of period	659	585
Increase from revaluation	—	74
	659	659
Accumulated depreciation:		
Balance, beginning of period	(719)	(531)
Depreciation	(126)	(231)
Disposals	9	22
Foreign currency translation	(1)	21
	(837)	(719)
Total property, plant and equipment	\$ 5,476	\$ 5,357

NOTE 8. GOODWILL

Goodwill of \$1,028 million at June 30, 2017 (December 31, 2016 - \$761 million) is primarily attributable to the investments in Center Parcs UK and IFC Seoul. The partnership 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.

NOTE 9. INTANGIBLE ASSETS

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

The trademark assets of Center Parcs UK had a carrying amount of \$929 million as of June 30, 2017 (December 31, 2016 - \$875 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 acquired as part of the historical acquisitions of Atlantis and Hard Rock Hotel and Casino. At June 30, 2017, intangible assets with carrying values of \$210 million (December 31, 2016 - \$210 million) and \$45 million (December 31, 2016 - \$45 million), for Atlantis and Hard Rock Hotel and Casino respectively, were determined to have an indefinite useful life. These assets consisted primarily of trademark rights for these two properties granted under perpetual licenses. The business models of the Atlantis and Hard Rock Hotel and Casino are not subject to technological obsolescence or commercial innovations in any material way.

Intangible assets by class	Useful life (in years)
Trademarks	Indefinite
Gaming rights	Indefinite
Water/ electricity rights	Indefinite
Management contracts	40
Customer relationships	9 to 10
Other	6 to 10

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.

The following table presents the components of the partnership's intangible assets as of June 30, 2017 and December 31, 2016:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Cost	\$ 1,325	\$ 1,243
Accumulated amortization	(59)	(54)
Accumulated impairment losses	(48)	(48)
Balance, end of period	\$ 1,218	\$ 1,141

The following table presents a roll forward of the partnership's intangible assets for the six months ended June 30, 2017 and the year ended December 31, 2016:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Balance, beginning of period	\$ 1,141	\$ 1,321
Acquisitions	35	12
Disposals ⁽¹⁾	—	(15)
Amortization	(5)	(9)
Foreign currency translation	47	(168)
Balance, end of period	\$ 1,218	\$ 1,141

⁽¹⁾ Includes the sale of the Hard Rock trademarks to a third party during the third quarter of 2016. At the date of the transaction, the carrying value of the trademarks was \$15 million.

NOTE 10. OTHER NON-CURRENT ASSETS

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

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Securities designated as FVTPL	\$ 172	\$ 37
Derivative assets	42	12
Securities designated as AFS	155	168
Restricted cash	140	104
Other	262	179
Total other non-current assets	\$ 771	\$ 500

a) Securities designated as FVTPL

In the first quarter of 2017, the partnership made an investment of \$135 million 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 payable in additional convertible preferred units of the U.S. hospitality operating company at 5.0% per annum compounding quarterly.

b) Securities designated as AFS

Securities designated as AFS represent the partnership's retained equity interests in 1625 Eye Street in Washington, D.C. and Heritage Plaza in Houston, both property holding companies, that it previously controlled and in which it retained a non-controlling interest following disposition of these properties to third parties. The partnership continues to manage these properties on behalf of the acquirer but does not exercise significant influence over the relevant activities of the properties. Included in securities designated as AFS at June 30, 2017 are \$107 million (December 31, 2016 - \$106 million) of securities pledged as security for a loan payable to the issuer in the amount of \$93 million (December 31, 2016 - \$93 million) recognized in other non-current financial liabilities.

NOTE 11. ACCOUNTS RECEIVABLE AND OTHER

The components of accounts receivable and other are as follows:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Derivative assets	\$ 1,209	\$ 1,338
Accounts receivable ⁽¹⁾	332	414
Restricted cash and deposits	312	313
Prepaid expenses	129	130
Other current assets	268	398
Total accounts receivable and other	\$ 2,250	\$ 2,593

⁽¹⁾ See Note 31, Related Parties, for further discussion.

Derivative assets

As of June 30, 2017, derivative assets with a carrying amount \$1,209 million (December 31, 2016 - \$1,338 million) include warrants to purchase shares of common stock of GGP measured at FVTPL. The fair value of the GGP warrants was \$1,152 million (December 31, 2016 - \$1,254 million) determined using a Black-Scholes option pricing model, assuming a 0.4 year term (December 31, 2016 - 0.9 year term), 70% volatility (December 31, 2016 - 69% volatility), and a risk free interest rate of 1.01% (December 31, 2016 - 0.75%).

NOTE 12. 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 June 30, 2017 and December 31, 2016:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Investment properties	\$ 905	\$ 146
Accounts receivable and other assets	29	1
Assets held for sale	934	147
Debt obligations	516	60
Accounts payable and other liabilities	47	1
Liabilities associated with assets held for sale	\$ 563	\$ 61

The following table presents the change to the components of the assets held for sale for the six months ended June 30, 2017 and the year ended December 31, 2016:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Balance, beginning of period	147	805
Reclassification to/(from) assets held for sale, net	1,583	3,316
Disposals	(861)	(4,033)
Fair value adjustments	24	79
Foreign currency translation	46	(18)
Other	(5)	(2)
Balance, end of period	\$ 934	\$ 147

At December 31, 2016, assets held for sale included two industrial assets in France, a portfolio of multifamily assets in the United States and seven triple net lease assets in the United States. In the first quarter of 2017, the portfolio of multifamily assets was sold for approximately \$73 million. One industrial and three triple net lease assets were subsequently reclassified back to operating assets.

At June 30, 2017, assets held for sale included included 20 Canada Square in London and ten assets within the opportunistic fund investment portfolios, as we intend to sell controlling interests in these properties to third parties in the next 12 months.

NOTE 13. DEBT OBLIGATIONS

The partnership's debt obligations include the following:

(US\$ Millions)	Jun. 30, 2017		Dec. 31, 2016	
	Weighted-average rate	Debt balance	Weighted-average rate	Debt balance
Unsecured facilities:				
Brookfield Property Partners' credit facilities	2.78%	\$ 1,234	2.47%	\$ 1,156
Brookfield Office Properties' revolving facility	2.28%	708	1.81%	699
Brookfield Office Properties' senior unsecured notes	4.00%	116	4.17%	261
Brookfield Canada Office Properties revolving facility	2.43%	267	2.36%	45
BPY BOPC LP credit facility	3.15%	205	—	—
Subsidiary borrowings	4.23%	579	4.06%	467
Secured debt obligations:				
Funds subscription credit facilities	2.40%	398	2.17%	836
Fixed rate	4.66%	18,128	5.06%	16,652
Variable rate	4.18%	15,621	4.31%	13,692
Deferred financing costs		(304)		(229)
Total debt obligations		\$ 36,952		\$ 33,579
Current		4,446		5,096
Non-current		31,990		28,423
Debt associated with assets held for sale		516		60
Total debt obligations		\$ 36,952		\$ 33,579

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

(Millions)	Jun. 30, 2017		Dec. 31, 2016	
	U.S. Dollars	Local currency	U.S. Dollars	Local currency
U.S. Dollars	\$ 25,659	\$ 25,659	\$ 23,349	\$ 23,349
British Pounds	4,465	£ 3,428	3,817	£ 3,089
Canadian Dollars	2,820	C\$ 3,654	2,425	C\$ 3,260
Australian Dollars	1,531	A\$ 1,992	1,332	A\$ 1,851
South Korean Won	1,397	₩ 1,600,000	1,325	₩ 1,600,193
Brazilian Reais	290	R\$ 960	637	R\$ 2,078
Indian Rupee	610	₹ 39,428	521	₹ 35,434
Euros	484	€ 423	402	€ 382
Deferred financing costs		(304)		(229)
Total debt obligations	\$ 36,952		\$ 33,579	

NOTE 14. CAPITAL SECURITIES

The partnership has the following capital securities outstanding as of June 30, 2017 and December 31, 2016:

(US\$ Millions)	Shares outstanding	Cumulative dividend rate	Jun. 30, 2017	Dec. 31, 2016
Operating Partnership Class A Preferred Equity Units:				
Series 1	24,000,000	6.25%	\$ 546	\$ 541
Series 2	24,000,000	6.50%	526	522
Series 3	24,000,000	6.75%	514	511
Brookfield BPY Holdings Inc. Junior Preferred Shares:				
Class B Junior Preferred Shares	30,000,000	5.75%	750	750
Class C Junior Preferred Shares	20,000,000	6.75%	500	500
Brookfield Office Properties Inc. ("BPO") Class AAA Preferred Shares:				
Series G ⁽¹⁾	—	5.25%	—	81
Series J ⁽¹⁾	—	5.00%	—	123
Series K ⁽¹⁾	—	5.20%	—	93
BPO Class B Preferred Shares:				
Series 1 ⁽²⁾	3,600,000	70% of bank prime	—	—
Series 2 ⁽²⁾	3,000,000	70% of bank prime	—	—
Brookfield Property Split Corp. ("BOP Split") Senior Preferred Shares:				
Series 1	924,390	5.25%	23	24
Series 2	699,165	5.75%	13	13
Series 3	913,194	5.00%	17	17
Series 4	984,586	5.20%	19	19
BSREP II RH B LLC ("Manufactured Housing") Preferred Capital	—	9.00%	249	—
Rouse Series A Preferred Shares	5,600,000	5.00%	144	143
BSREP II Vintage Estate Partners LLC ("Vintage Estate") Preferred Shares	10,000	5.00%	40	40
Capital Securities – Fund Subsidiaries			823	794
Total capital securities			\$ 4,164	\$ 4,171
Current			72	370
Non-current			4,092	3,801
Total capital securities			\$ 4,164	\$ 4,171

⁽¹⁾ As of June 30, 2017, BPO had redeemed all of its 4,239,857 shares of Series G, 7,592,443 shares of Series J and 6,000,000 shares of Series K Class AAA preferred shares of BPO for \$25.00, C\$25.00 and C\$25.00 plus accrued and unpaid dividends, respectively, outstanding as of December 31, 2016. The partnership held 1,003,549, 1,000,000 and 1,004,586 shares of the Series G, J and K shares, respectively, prior to redemption during the period ended June 30, 2017.

⁽²⁾ BPO Class B Preferred Shares, Series 1 and 2 capital securities - corporate 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 BPO Class AAA Preferred Shares and BOP Split Senior Preferred Shares are payable quarterly, as and when declared by the Board of Directors of BPO and BOP Split. On May 30, 2017, the Boards of Directors of BPO and BOP Split declared quarterly dividends payable for the BPO Class AAA Preferred Shares and BOP Split Senior Preferred Shares.

Capital securities includes \$249 million at June 30, 2017 (December 31, 2016 - nil) 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 only entitled to distributions equal to their capital balance plus 9% annual return payable in monthly distributions until maturity in December 2025. The capital securities were issued to partially fund the acquisition of the Manufactured Housing portfolio during the first quarter of 2017.

Capital securities also includes \$144 million at June 30, 2017 (December 31, 2016 - \$143 million) of preferred equity interests held by a third party investor in Rouse Properties, L.P. 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 June 30, 2017 (December 31, 2016 - \$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 \$782 million at June 30, 2017 (December 31, 2016 - \$753 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. Capital Securities – Fund Subsidiaries are measured at redemption amount.

Capital Securities – Fund Subsidiaries also includes \$41 million at June 30, 2017 (December 31, 2016 - \$41 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 June 30, 2017, capital securities includes \$50 million (December 31, 2016 - \$264 million) repayable in Canadian Dollars of C\$65 million (December 31, 2016 - C\$355 million).

NOTE 15. 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 Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Current income tax	\$ 91	\$ 8	\$ 102	\$ 46
Deferred income tax	(13)	133	134	182
Income tax expense (benefit)	\$ 78	\$ 141	\$ 236	\$ 228

The partnership’s income tax expense decreased for the three months ended June 30, 2017 and increased for the six months ended June 30, 2017 as compared to the same period in the prior year. The primary reason for the decrease to the three month period is due to reorganization of the partnership’s interests in 2016 which lowered the tax rate applicable to certain subsidiaries, offset in part by applying a higher future tax rate to certain assets. The increase to the tax expense for the six months ended June 30, 2017, is primarily due to applying a higher future tax rate to certain of the partnership’s assets, offset by the tax impact of lower income before income taxes and the reorganization in 2016 which lowered the tax rate applicable to certain subsidiaries.

NOTE 16. OTHER NON-CURRENT LIABILITIES

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

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Accounts payable and accrued liabilities	\$ 756	\$ 751
Derivative liabilities	229	22
Provisions	209	231
Deferred revenue	2	7
Total other non-current liabilities	\$ 1,196	\$ 1,011

NOTE 17. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Accounts payable and accrued liabilities	\$ 2,010	\$ 1,810
Deferred revenue	223	195
Loans and notes payable	405	500
Derivative liabilities	326	242
Other liabilities	22	2
Total accounts payable and other liabilities	\$ 2,986	\$ 2,749

At June 30, 2017, loans and notes payable includes \$400 million (December 31, 2016 - \$500 million) of on-demand deposits from Brookfield Asset Management to the partnership. See Note 31, *Related Parties*, for further information.

NOTE 18. EQUITY

The partnership’s capital structure is comprised of five 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”) and limited partnership units of Brookfield Office Properties Exchange LP (“Exchange LP 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 NYSE 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	
	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Outstanding, beginning of period	139	139	260,222	261,486
Exchange LP Units exchanged	—	—	223	1,016
Distribution Reinvestment Program	—	—	91	205
Issued under unit-based compensation plan	—	—	178	278
Repurchase of LP Units	—	—	(4,911)	(2,763)
Outstanding, end of period	139	139	255,803	260,222

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 June 30, 2017 and December 31, 2016.

Special limited partnership units

Brookfield Property Special L.P. (“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 June 30, 2017 and December 31, 2016.

c) Limited partnership units of Brookfield Office Properties 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 on the seventh anniversary of June 9, 2014, the completion of the acquisition of the remaining common shares of BPO, 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	
	Jun. 30, 2017	Dec. 31, 2016
Outstanding, beginning of period	11,363	12,379
Exchange LP Units exchanged ⁽¹⁾	(223)	(1,016)
Outstanding, end of period	11,140	11,363

⁽¹⁾ Exchange LP Units issued for the acquisition of incremental BPO shares 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) 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 Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
General Partner	\$ —	\$ —	\$ —	\$ —
Limited Partners	76	73	151	146
Holder of:				
Redeemable/exchangeable partnership units	127	121	255	243
Special limited partnership units	2	2	3	3
Limited partnership units of Exchange LP	4	4	7	7
Total	\$ 209	\$ 200	\$ 416	\$ 399
Per unit⁽¹⁾	\$ 0.295	\$ 0.280	\$ 0.590	\$ 0.560

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

e) 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 Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Net income attributable to limited partners	\$ 87	\$ 129	\$ 27	\$ 221
Income reallocation related to mandatorily convertible preferred shares	14	19	4	35
Net income attributable to limited partners – basic	101	148	31	256
Dilutive effect of conversion of preferred shares and options ⁽¹⁾	6	15	—	24
Net income attributable to limited partners – diluted	\$ 107	\$ 163	\$ 31	\$ 280

(in millions of units/shares)				
Weighted average number of LP Units outstanding	255.9	261.7	257.0	261.6
Mandatorily convertible preferred shares	70.0	70.0	70.0	70.0
Weighted average number of LP Units - basic	325.9	331.7	327.0	331.6
Dilutive effect of the conversion of preferred shares and options ⁽¹⁾	22.3	37.3	0.2	37.1
Weighted average number of LP units outstanding - diluted	348.2	369.0	327.2	368.7

⁽¹⁾ The effect of the conversion of capital securities and options, which would have resulted in 28.0 million potential LP Units, would have been anti-dilutive and is therefore excluded from the weighted average number of LP Units outstanding for the purposes of diluted net income per LP Unit for the six months ended June 30, 2017.

NOTE 19. NON-CONTROLLING INTERESTS

Non-controlling interests consists of the following:

(US\$ Millions)	Jun. 30, 2017	Dec. 31, 2016
Redeemable/Exchangeable and special limited partnership units	\$ 14,372	\$ 14,523
Limited partnership units of Brookfield Office Properties Exchange L.P.	283	293
Interests of others in operating subsidiaries and properties:		
Preferred shares held by Brookfield Asset Management Inc.	15	15
Preferred equity of subsidiaries	2,216	1,816
Non-controlling interests in subsidiaries and properties	10,276	9,972
Total interests of others in operating subsidiaries and properties	12,507	11,803
Total non-controlling interests	\$ 27,162	\$ 26,619

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			
		Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
BPO ⁽¹⁾	Canada	—%	—%	\$ 2,715	\$ 2,663
Center Parcs UK	United Kingdom	73%	73%	1,027	982
BSREP CARS Sub-Pooling LLC ⁽²⁾	United States	71%	71%	932	1,208
BSREP Industrial Pooling Subsidiary L.P. ⁽²⁾	United States	70%	70%	825	887
BSREP II Korea Office Holdings Pte. Ltd.	South Korea	78%	78%	642	638
BSREP II Aries Pooling LLC ⁽²⁾	United States	74%	74%	608	635
BSREP II BPY Rouse JV LLC ⁽²⁾	United States	50%	50%	591	545
BSREP II RH B LLC ⁽²⁾⁽³⁾	United States	74%	—%	548	—
BSREP UA Holdings LLC ⁽²⁾	Cayman Islands	70%	70%	456	469
BREF ONE, LLC	United States	67%	67%	489	491
Brookfield Strategic Real Estate Partners II Storage REIT LLC ⁽²⁾	United States	74%	74%	507	479
BSREP Europe Holdings L.P. ⁽²⁾	Cayman Islands	66%	66%	567	447
BSREP II Brazil Pooling LLC	United States	68%	68%	427	423
Brookfield Brazil Retail Fundo de Investimento em Participações ⁽⁴⁾	Brazil	—%	54%	—	412
BSREP India Office Holdings Pte. Ltd.	United States	67%	67%	357	316
Other	Various	18% - 88%	18% - 88%	1,816	1,208
Total				\$ 12,507	\$ 11,803

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

⁽²⁾ Includes subsidiary-level non-controlling interests.

⁽³⁾ Includes non-controlling interests in recently acquired manufactured housing portfolio. See Note 3, Business Acquisitions and Combinations for further information.

⁽⁴⁾ The partnership entered into an amended management agreement with its co-investors in Brazil Retail resulting in the loss of control over the venture. Subsequent to entering into this agreement, the partnership will recognize its interest in Brazil Retail as an equity accounted investment. See Note 5, Equity Accounted Investments for further information.

NOTE 20. COMMERCIAL PROPERTY REVENUE

The components of commercial property revenue are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Base rent	\$ 920	\$ 780	\$ 1,794	\$ 1,516
Straight-line rent	33	38	58	70
Lease termination	4	—	8	6
Other	93	48	185	94
Total commercial property revenue	\$ 1,050	\$ 866	\$ 2,045	\$ 1,686

NOTE 21. INVESTMENT AND OTHER REVENUE

The components of investment and other revenue are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Investment income	\$ 6	\$ 3	\$ 140	\$ 5
Fee revenue	11	11	22	21
Dividend income	3	5	5	8
Interest income	5	11	9	19
Participating loan notes	7	8	14	16
Other	7	13	8	17
Total investment and other revenue	\$ 39	\$ 51	\$ 198	\$ 86

NOTE 22. DIRECT COMMERCIAL PROPERTY EXPENSE

The components of direct commercial property expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Property maintenance	\$ 178	\$ 163	\$ 342	\$ 317
Real estate taxes	118	103	233	204
Employee compensation and benefits	36	36	77	66
Ground rents	16	10	29	20
Other	65	18	101	34
Total direct commercial property expense	\$ 413	\$ 330	\$ 782	\$ 641

NOTE 23. DIRECT HOSPITALITY EXPENSE

The components of direct hospitality expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Employee compensation and benefits	\$ 70	\$ 70	\$ 148	\$ 145
Cost of food, beverage, and retail goods sold	63	63	116	123
Maintenance and utilities	35	25	64	49
Marketing and advertising	15	15	30	32
Other	93	91	181	180
Total direct hospitality expense	\$ 276	\$ 264	\$ 539	\$ 529

NOTE 24. DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Depreciation and amortization of real estate assets	\$ 59	\$ 56	\$ 116	\$ 115
Depreciation and amortization of non-real estate assets	10	5	16	10
Total depreciation and amortization	\$ 69	\$ 61	\$ 132	\$ 125

NOTE 25. GENERAL AND ADMINISTRATIVE EXPENSE

The components of general and administrative expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Employee compensation and benefits	\$ 52	\$ 43	\$ 102	\$ 80
Management fees	43	46	84	93
Transaction costs and other	61	49	121	96
Total general and administrative expense	\$ 156	\$ 138	\$ 307	\$ 269

NOTE 26. FAIR VALUE GAINS, NET

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

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Commercial properties	\$ 293	\$ 157	\$ 145	\$ 290
Commercial developments	60	126	104	133
Financial instruments and other ⁽¹⁾	101	3	129	200
Total fair values gains, net	\$ 454	\$ 286	\$ 378	\$ 623

⁽¹⁾ Includes bargain purchase gains from business acquisitions and combinations of \$168 million (2016 - \$23 million). See Note 3, Business Acquisitions and Combinations, for further information.

NOTE 27. 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 and six months ended June 30, 2017, the partnership incurred \$4 million (2016 - \$5 million) and \$9 million (2016 - \$8 million), respectively, of expense in connection with its unit-based compensation plans.

a) BPY 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 and generally equal to the market price of an LP Unit on the NYSE on the last trading day preceding the grant date. 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.

The partnership estimated the fair value of BPY Awards granted during the period using the Black-Scholes valuation model, with inputs to the model and resulting weighted average fair value per option as follows:

	Unit of measure	Jun. 30, 2017
Exercise price	US\$	22.92
Average term to exercise	In Years	7.50
Unit price volatility	%	25
Liquidity discount	%	25
Weighted average of expected annual dividend yield	%	6.50
Risk-free rate	%	2.37
Weighted average fair value per option	US\$	1.60

i. Equity-settled BPY Awards

The change in the number of options outstanding under the equity-settled BPY Awards at June 30, 2017 and December 31, 2016 is as follows:

	Jun. 30, 2017		Dec. 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	16,338,511	\$ 20.49	17,349,629	\$ 20.53
Granted	93,750	22.92	3,020,931	19.51
Exercised	(1,051,261)	19.18	(1,180,060)	17.98
Expired/forfeited	(1,159,985)	21.22	(2,851,989)	19.69
Outstanding, end of period	14,221,015	\$ 20.55	16,338,511	\$ 20.49
Exercisable, end of period	7,557,186	\$ 20.21	5,501,679	\$ 19.90

The following table sets out details of options issued and outstanding at June 30, 2017 and December 31, 2016 under the equity-settled BPY Awards by expiry date:

Expiry date	Jun. 30, 2017		Dec. 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
2020	236,800	\$ 13.07	254,600	\$ 13.07
2021	278,400	17.44	316,100	17.44
2022	560,500	18.06	724,700	18.03
2023	724,120	16.80	948,980	16.80
2024	8,036,820	20.59	9,071,225	20.59
2025	1,874,078	25.18	2,153,923	25.18
2026	2,416,547	19.51	2,868,983	19.51
2027	93,750	22.92	—	—
Total	14,221,015	\$ 20.55	16,338,511	\$ 20.49

ii. Cash-settled BPY Awards

The change in the number of options outstanding under the cash-settled BPY Awards at June 30, 2017 and December 31, 2016 is as follows:

	Jun. 30, 2017		Dec. 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	7,377,042	\$ 20.28	6,904,986	\$ 20.37
Granted	—	—	846,912	19.51
Exercised	(213,106)	19.12	(148,076)	18.55
Expired/forfeited	(12,573)	24.03	(226,780)	21.32
Outstanding, end of period	7,151,363	\$ 20.31	7,377,042	\$ 20.28
Exercisable, end of period	3,923,890	\$ 19.95	2,772,207	\$ 19.75

The following table sets out details of options issued and outstanding at June 30, 2017 and December 31, 2016 under the cash-settled BPY Awards by expiry date:

Expiry date	Jun. 30, 2017		Dec. 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
2020	69,000	\$ 13.07	78,000	\$ 13.07
2021	172,800	17.44	186,800	17.44
2022	515,800	18.09	545,800	18.08
2023	519,000	16.80	549,000	16.80
2024	4,330,286	20.59	4,459,230	20.59
2025	701,868	25.18	711,300	25.18
2026	842,609	19.51	846,912	19.51
2027	—	—	—	—
Total	7,151,363	\$ 20.31	7,377,042	\$ 20.28

b) Restricted BPY LP Unit Plan

The Restricted BPY LP Unit Plan provides for awards to participants of LP Units purchased on the NYSE (“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 June 30, 2017, the total number of Restricted Units outstanding was 445,059 (December 31, 2016 - 327,636) with a weighted average exercise price of \$21.08 (December 31, 2016 - \$20.89).

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 NYSE.

As of June 30, 2017, the total number of Canadian Restricted Units outstanding was 21,624 (December 31, 2016 - 19,410) with a weighted average exercise price of C\$22.88 (December 31, 2016 - C\$22.14).

d) Deferred Share Unit Plan

In addition to the above, BPO has a deferred share unit plan. At June 30, 2017, BPO has 1,440,158 deferred share units (December 31, 2016 - 1,402,373) outstanding and vested.

NOTE 28. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) consists of the following:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Items that may be reclassified to net income:				
Foreign currency translation				
Net unrealized foreign currency translation gains (losses) in respect of foreign operations	\$ 301	\$ (496)	\$ 658	\$ (270)
(Losses) gains on hedges of net investments in foreign operations, net of income taxes for the three and six months ended Jun. 30, 2017 of (\$5) million and (\$13) million, respectively (2016 – (\$9) million and (\$5) million) ⁽¹⁾	(196)	227	(363)	219
	105	(269)	295	(51)
Cash flow hedges				
Gains (losses) on derivatives designated as cash flow hedges, net of income taxes for the three and six months ended Jun. 30, 2017 of \$3 million and \$7 million, respectively (2016 – \$18 million and \$45 million)	11	20	39	(88)
	11	20	39	(88)
Available-for-sale securities				
Net change in unrealized gains on available-for-sale securities, net of income taxes	—	—	1	—
	—	—	1	—
Equity accounted investments				
Share of unrealized foreign currency translation (losses) gains in respect of foreign operations	(1)	4	2	2
Gains (losses) on derivatives designated as cash flow hedges	1	—	1	(2)
	—	4	3	—
Items that will not be reclassified to net income:				
Share of revaluation surplus on equity accounted investments	—	2	—	(10)
Net remeasurement (losses) on defined benefit obligations	(2)	—	(2)	—
	(2)	2	(2)	(10)
Total other comprehensive income (loss)	\$ 114	\$ (243)	\$ 336	\$ (149)

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

NOTE 29. 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 June 30, 2017, the partnership has commitments totaling approximately \$1,410 million for the development of Manhattan West in Midtown New York, Greenpoint Landing in Brooklyn, Studio Plaza in Dallas, Camarillo in California and 655 New York Avenue in Washington, D.C. as well as the redevelopment of One Allen Center, Two Allen Center and Three Allen Center in Houston, approximately C\$63 million for the development of Brookfield Place East Tower in Calgary, approximately £395 million for the development of London Wall Place, 100 Bishopsgate and Principal Place Residential in London and approximately AED 1.4 billion 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 June 30, 2017, there remained approximately \$217 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 June 30, 2017, there remained approximately \$960 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 30. 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 and zero cost collars 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; and
- interest rate caps to hedge interest rate risk on certain variable rate debt.

The partnership also designates Canadian Dollar financial liabilities of certain of its operating entities as hedges of its net investments in its Canadian operations.

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 June 30, 2017 and December 31, 2016:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
Jun. 30, 2017	Interest rate caps of US\$ LIBOR debt	\$ 5,982	2.3% - 5.8%	Aug. 2017 - Apr. 2020	\$ 1
	Interest rate swaps of US\$ LIBOR debt	775	0.7% - 2.2%	Jun. 2018 - Nov. 2020	(3)
	Interest rate caps of £ LIBOR debt	475	1.3% - 2.5%	Aug. 2017 - Dec. 2019	—
	Interest rate swaps of £ LIBOR debt	89	1.0% - 1.5%	Apr. 2020 - Jun. 2021	1
	Interest rate swaps of € EURIBOR debt	38	0.7% - 1.4%	Oct. 2017 - Apr. 2021	(1)
	Interest rate swaps of C\$ LIBOR debt	44	3.7%	Nov. 2021	—
	Interest rate swaps of A\$ BBSW/BBSY debt	70	3.5%	Jul. 2017	—
	Interest rate swaps on forecasted fixed rate debt	100	4.0%	Jun. 2029	(13)
Dec. 31, 2016	Interest rate caps of US\$ LIBOR debt	\$ 4,933	2.5% - 5.8%	Jan. 2017 - Jun. 2020	\$ —
	Interest rate swaps of US\$ LIBOR debt	502	1.5% - 2.2%	Jun. 2018 - Nov. 2020	(6)
	Interest rate caps of £ LIBOR debt	37	2.5%	Aug. 2017	—
	Interest rate swaps of £ LIBOR debt	85	1.0% - 1.5%	Apr. 2020 - Jun. 2021	2
	Interest rate swaps of € EURIBOR debt	146	0.3% - 1.4%	Oct. 2017 - Apr. 2021	(4)
	Interest rate swaps of C\$ LIBOR debt	44	3.7%	Nov. 2021	—
	Interest rate swaps of A\$ BBSW/BBSY debt	65	1.9%	Jul. 2017	(1)
	Interest rate swaps on forecasted fixed rate debt	300	3.7% - 4.0%	Jun. 2027 - Jun. 2029	(34)

For the three and six months ended June 30, 2017, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's interest rate hedging activities was nil and \$2 million (2016 - \$6 million and \$11 million), respectively.

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 June 30, 2017 and December 31, 2016:

(US\$ Millions)	Hedging item		Notional	Rates	Maturity dates	Fair value
Jun. 30, 2017	Net investment hedges	€	680	€0.88/\$ - €0.94/\$	Jul. 2017 - Apr. 2018	\$ (49)
	Net investment hedges	£	4,244	£0.76/\$ - £0.82/\$	Jul. 2017 - Sep. 2018	(225)
	Net investment hedges	A\$	2,247	A\$1.31/\$ - A\$1.39/\$	Jul. 2017 - Aug. 2018	(37)
	Net investment hedges	C¥	2,163	C¥6.86/\$ - C¥7.20/\$	Jul. 2017 - Jun. 2018	(9)
	Net investment hedges	₩	590,600	₩1,135.30/\$ - ₩1,181.45/\$	Sep. 2017 - Dec. 2017	(4)
	Net investment hedges	C\$	45	C\$1.35/\$ - C\$1.36/\$	Sep. 2017 - Dec. 2017	(1)
	Cash flow hedges	Rs	12,000	Rs66.12/\$ - Rs70.60/\$	Sep. 2017	17
Dec. 31, 2016	Net investment hedges	€	600	€0.87/\$ - €0.94/\$	Feb. 2017 - Feb. 2018	\$ 8
	Net investment hedges	£	3,664	£0.68/\$ - £0.82/\$	Jan. 2017 - Jan. 2018	(18)
	Net investment hedges	A\$	1,967	A\$1.32/\$ - A\$1.41/\$	Jan. 2017 - Dec. 2017	36
	Net investment hedges	C¥	1,750	C¥6.77/\$ - C¥7.20/\$	Feb. 2017 - Dec. 2017	7
	Net investment hedges	R\$	—	R\$3.27/\$ - R\$3.83/\$	Jan. 2017 - Feb. 2017	(9)
	Cash flow hedges	R\$	500	R\$3.35/\$	Mar. 2017	1
	Net investment hedges	₩	585,600	₩1,135.30/\$ - ₩1,167.90/\$	Sep. 2017 - Dec. 2017	22
	Cash flow hedges	Rs	12,500	Rs67.84/\$ - Rs70.60/\$	Feb. 2017 - Sep. 2017	1

In addition, as of June 30, 2017, the partnership had designated C\$150 million (December 31, 2016 - C\$690 million) of Canadian Dollar financial liabilities as hedges against the partnership's net investment in Canadian operations.

For the three and six months ended June 30, 2017 and 2016, 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 that have been entered into to manage financial risks as of June 30, 2017 and December 31, 2016:

(US\$ Millions)	Derivative type		Notional	Maturity dates	Rates	Fair value
Jun. 30, 2017	Interest rate swaps on forecasted fixed rate debt	\$	1,660	Jun. 2028 - Jun. 2029	2.3% - 6.0%	\$ (194)
	Interest rate caps		1,320	Jul. 2017 - Dec. 2019	2.0% - 11.0%	—
	Interest rate swaps of € EURIBOR debt		112	Sept. 2018 - Oct. 2019	0.3% - 1.4%	(2)
Dec. 31, 2016	Interest rate swaps on forecasted fixed rate debt	\$	1,460	Jun. 2018 - Nov. 2028	1.9% - 6.0%	\$ (172)
	Interest rate caps		350	Jul. 2017	3.3%	—

As of June 30, 2017, the partnership recognized fair value losses, net of approximately \$27 million related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

As of June 30, 2017, the partnership have swaptions with a notional amount of \$685 million (December 31, 2016 - 1,660 million), with a 1.00% rate and maturity dates from June 2018 to November 2018. The fair value of these derivatives as of June 30, 2017 was nil.

The other derivatives have not been designated as hedges for accounting purposes.

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	Measurement basis	Jun. 30, 2017		Dec. 31, 2016	
			Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Participating loan interests	Loans and receivables	Amortized cost	\$ 474	\$ 474	\$ 471	\$ 471
Loans and notes receivable	Loans and receivables	Amortized cost	167	167	73	73
Other non-current assets						
Securities designated as FVTPL	FVTPL	Fair value	172	172	37	37
Derivative assets	FVTPL	Fair value	42	42	12	12
Securities designated as AFS	AFS	Fair value	155	155	168	168
Current assets						
Derivative assets	FVTPL	Fair value	1,209	1,209	1,338	1,338
Other receivables ⁽¹⁾	Loans and receivables	Amortized cost	1,070	1,070	1,256	1,256
Cash and cash equivalents	Loans and receivables	Amortized cost	1,754	1,754	1,456	1,456
Total financial assets			\$ 5,043	\$ 5,043	\$ 4,811	\$ 4,811
Financial liabilities						
Debt obligations ⁽²⁾	Other liabilities	Amortized cost	\$ 36,952	\$ 37,354	\$ 33,579	\$ 33,900
Capital securities	Other liabilities	Amortized cost	3,341	3,341	3,377	3,379
Capital securities - fund subsidiaries	Other liabilities	Amortized cost	823	823	794	794
Other non-current liabilities						
Loan payable	FVTPL	Fair value	27	27	26	26
Other non-current financial liabilities	Other liabilities	Amortized cost ⁽³⁾	1,196	1,196	985	985
Accounts payable and other liabilities ⁽⁴⁾	Other liabilities	Amortized cost ⁽⁵⁾	3,033	3,033	2,750	2,750
Total financial liabilities			\$ 45,372	\$ 45,774	\$ 41,511	\$ 41,834

⁽¹⁾ Includes other receivables associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$29 million and \$1 million as of June 30, 2017 and December 31, 2016, respectively.

⁽²⁾ Includes debt obligations associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$516 million and \$60 million as of June 30, 2017 and December 31, 2016, respectively.

⁽³⁾ Includes derivative liabilities measured at fair value of approximately \$229 million and \$22 million as of June 30, 2017 and December 31, 2016, respectively.

⁽⁴⁾ Includes accounts payable and other liabilities associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$47 million and \$1 million as of June 30, 2017 and December 31, 2016, respectively.

⁽⁵⁾ Includes derivative liabilities measured at fair value of approximately \$326 million and \$242 million as of June 30, 2017 and December 31, 2016, 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)	Jun. 30, 2017				Dec. 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Participating loan interests – embedded derivative	\$ —	\$ —	\$ 121	\$ 121	\$ —	\$ —	\$ 100	\$ 100
Securities designated as FVTPL	—	—	172	172	—	—	37	37
Securities designated as AFS	—	—	155	155	—	—	168	168
Derivative assets	—	99	1,152	1,251	—	96	1,254	1,350
Total financial assets	\$ —	\$ 99	\$ 1,600	\$ 1,699	\$ —	\$ 96	\$ 1,559	\$ 1,655
Financial liabilities								
Accounts payable and other liabilities	\$ —	\$ 555	\$ —	\$ 555	\$ —	\$ 264	\$ —	\$ 264
Loan payable	—	—	27	27	—	—	26	26
Total financial liabilities	\$ —	\$ 555	\$ 27	\$ 582	\$ —	\$ 264	\$ 26	\$ 290

There were no transfers between levels during the three and six months ended June 30, 2017 and the year ended December 31, 2016.

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 June 30, 2017 and December 31, 2016:

(US\$ Millions)	Jun. 30, 2017		Dec. 31, 2016	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Balance, beginning of period	\$ 1,559	\$ 26	\$ 1,664	\$ 26
Acquisitions	137	—	47	—
Dispositions	(14)	—	(31)	—
Fair value gains, net and OCI	(82)	1	(121)	—
Other	—	—	—	—
Balance, end of period	\$ 1,600	\$ 27	\$ 1,559	\$ 26

NOTE 31. 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 \$50.0 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 and six months ended June 30, 2017 was \$27 million (2016 - \$27 million) and \$52 million (2016 - \$53 million), respectively. The equity enhancement distribution for the three and six months ended June 30, 2017 was \$8 million (2016 - \$9 million) and \$13 million (2016 - \$17 million), respectively.

In connection with the issuance of Preferred Equity Units to Qatar Investment Authority (“QIA”) 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 QIA 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)	Jun. 30, 2017	Dec. 31, 2016
Balances outstanding with related parties:		
Participating loan interests	\$ 474	\$ 471
Equity accounted investments	88	110
Loans and notes receivable ⁽¹⁾	49	46
Receivables and other assets	8	71
Deposit from Brookfield Asset Management	(400)	(500)
Property-specific debt obligations	(344)	(323)
Other liabilities	(115)	(136)
Capital securities held by Brookfield Asset Management	(1,250)	(1,250)
Preferred shares held by Brookfield Asset Management	(15)	(15)

⁽¹⁾ At June 30, 2017, includes \$49 million (December 31, 2016 - \$46 million) receivable from Brookfield Asset Management upon the earlier of the partnership's exercise of its option to convert its participating loan interests into direct ownership of the Australian portfolio or the maturity of the participating loan interests.

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
Transactions with related parties:				
Commercial property revenue ⁽¹⁾	\$ 5	\$ 4	\$ 10	\$ 9
Management fee income	1	1	3	2
Interest and other income	1	1	2	2
Participating loan interests (including fair value gains, net)	32	10	44	35
Interest expense on debt obligations	8	22	18	52
Interest on capital securities held by Brookfield Asset Management	19	19	38	38
General and administrative expense ⁽²⁾	51	88	100	145
Construction costs ⁽³⁾	74	42	144	139

⁽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 funds, and administrative services.

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

During the first quarter of 2017, the partnership and QIA each acquired a 25% interest in two multifamily developments from Canary Wharf for a combined consideration of £70 million, representing costs incurred to the date of sale plus the equity funding required to complete the developments.

During the first quarter of 2017, the partnership along with BPREP, acquired a 25% and 75% interest, respectively, of One Post Street, an office building in San Francisco, California for \$245 million.

During the second quarter of 2017, the partnership redeemed all of the public units outstanding of Brookfield Canada Office Properties ("BOX"), for C\$32.50 per unit, or C\$516 million.

During the second quarter of 2017, the partnership redeemed all of the public units outstanding of Brookfield Prime Property Fund ("BPPF"), for A\$8.815 per unit, or A\$85 million.

NOTE 32. SUBSIDIARY PUBLIC ISSUERS

BOP Split was incorporated for the purpose of being an issuer of preferred shares and owning the partnership's additional 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.

The following table provides consolidated summary financial information for the partnership, BOP Split, BPO, and the holding entities:

(US\$ Millions) For the three months ended Jun. 30, 2017	Brookfield Property Partners L.P.	BOP Split	BPO	Holding entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating adjustments ⁽⁴⁾	Brookfield Property Partners L.P consolidated
Revenue	\$ —	\$ —	\$ 72	\$ 167	\$ —	\$ 1,280	\$ 1,519
Net income attributable to unitholders ⁽¹⁾	88	(47)	(31)	239	—	(10)	239
For the three months ended Jun. 30, 2016							
Revenue	\$ —	\$ —	\$ 32	\$ 80	\$ —	\$ 1,221	\$ 1,333
Net income attributable to unitholders ⁽¹⁾	131	126	270	349	—	(527)	349

⁽¹⁾ Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP 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 and BPY Bermuda Holdings V 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) For the six months ended Jun. 30, 2017	Brookfield Property Partners L.P.	BOP Split	BPO	Holding entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating adjustments ⁽⁴⁾	Brookfield Property Partners L.P consolidated
Revenue	\$ —	\$ —	\$ 144	\$ 329	\$ —	\$ 2,574	\$ 3,047
Net income attributable to unitholders ⁽¹⁾	27	(215)	(381)	73	—	569	73
For the six months ended Jun. 30, 2016							
Revenue	\$ —	\$ —	\$ 63	\$ 160	\$ —	\$ 2,357	\$ 2,580
Net income attributable to unitholders ⁽¹⁾	225	195	422	600	—	(842)	600

⁽¹⁾ Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP 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 and BPY Bermuda Holdings V 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 Jun. 30, 2017	Brookfield Property Partners L.P.	BOP Split	BPO	Holding entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating adjustments ⁽⁴⁾	Brookfield Property Partners L.P consolidated
Current assets	\$ —	\$ 93	\$ 75	\$ 2,986	\$ 69	\$ 805	\$ 4,028
Non-current assets	8,122	12,666	21,409	28,914	773	5,964	77,848
Assets held for sale	—	—	—	—	—	934	934
Current liabilities	—	717	5,443	3,294	1,108	(3,058)	7,504
Non-current liabilities	—	4,268	1,715	6,604	(237)	27,884	40,234
Liabilities associated with assets held for sale	—	—	—	—	—	563	563
Equity attributable to interests of others in operating subsidiaries and properties	—	—	2,094	—	—	10,413	12,507
Equity attributable to unitholders ⁽¹⁾	\$ 8,122	\$ 7,774	\$ 12,232	\$ 22,002	\$ (29)	\$ (28,099)	\$ 22,002

⁽¹⁾ Includes equity attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP 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 and BPY Bermuda Holdings V 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, 2016	Brookfield Property Partners L.P.	BOP Split	BPO	Holding entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating adjustments ⁽⁴⁾	Brookfield Property Partners L.P consolidated
Current assets	\$ —	\$ 3	\$ 60	\$ 93	\$ 4	\$ 3,891	\$ 4,051
Non-current assets	8,371	5,320	22,393	31,259	(413)	6,999	73,929
Assets held for sale	—	—	—	—	—	147	147
Current liabilities	—	3	401	480	348	6,983	8,215
Non-current liabilities	—	3,090	7,725	8,514	468	15,893	35,690
Liabilities associated with assets held for sale	—	—	—	—	—	61	61
Equity attributable to interests of others in operating subsidiaries and properties	—	—	1,692	—	—	10,111	11,803
Equity attributable to unitholders ⁽¹⁾	\$ 8,371	\$ 2,230	\$ 12,635	\$ 22,358	\$ (1,225)	\$ (22,011)	\$ 22,358

⁽¹⁾ Includes equity attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP 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 and BPY Bermuda Holdings V 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 33. 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. 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 a standardized meaning 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 follows:

- i. 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 and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Total revenue		FFO	
	2017	2016	2017	2016
Three months ended Jun. 30,				
Core Office	\$ 530	\$ 562	\$ 148	\$ 159
Core Retail	—	—	119	99
Opportunistic	989	771	80	101
Corporate	—	—	(120)	(120)
Total	\$ 1,519	\$ 1,333	\$ 227	\$ 239

(US\$ Millions)	Total revenue		FFO	
	2017	2016	2017	2016
Six months ended Jun. 30,				
Core Office	\$ 1,055	\$ 1,096	\$ 295	\$ 303
Core Retail	—	—	218	202
Opportunistic	1,992	1,484	149	165
Corporate	—	—	(233)	(236)
Total	\$ 3,047	\$ 2,580	\$ 429	\$ 434

The following summary presents information about certain consolidated balance sheet items of the partnership, on a segmented basis, as of June 30, 2017 and December 31, 2016:

(US\$ Millions)	Total assets		Total liabilities	
	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Core Office	\$ 34,520	\$ 34,527	\$ 17,570	\$ 17,132
Core Retail	8,643	8,707	—	—
Opportunistic	39,235	34,518	24,147	20,435
Corporate	412	375	6,584	6,399
Total	\$ 82,810	\$ 78,127	\$ 48,301	\$ 43,966

The following summary presents a reconciliation of FFO to net income for the three and six months ended June 30, 2017 and 2016:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2017	2016	2017	2016
FFO⁽¹⁾	227	239	429	434
Depreciation and amortization of real estate assets	(58)	(56)	(115)	(115)
Fair value gains, net	454	286	378	623
Share of equity accounted income - non-FFO	(55)	66	66	(22)
Income tax expense	(78)	(141)	(236)	(228)
Non-controlling interests of others in operating subsidiaries and properties – non-FFO	(251)	(45)	(449)	(92)
Net income attributable to unitholders⁽²⁾	239	349	73	600
Non-controlling interests of others in operating subsidiaries and properties	425	220	778	409
Net income	\$ 664	\$ 569	\$ 851	\$ 1,009

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

NOTE 34. SUBSEQUENT EVENTS

On July 13, 2017, the partnership closed on the sale of its interest in 20 Canada Square in London for net proceeds of approximately £95 million.

In the period subsequent to June 30, 2017, the partnership repaid a \$400 million on-demand deposit to Brookfield Asset Management.

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 June 30, 2017.

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
 - (a) 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
 - (b) 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 April 1, 2017 and ended on June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 9, 2017

/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 June 30, 2017.

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
 - (a) 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
 - (b) 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 April 1, 2017 and ended on June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 9, 2017

/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

NYSE: BPY

TSX: BPY.UN