

Q2 2018 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, 2018 and December 31, 2017 and results of operations for the three and six months ended June 30, 2018 and 2017. 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, 2018, included elsewhere in this report, and our annual report for the year ended December 31, 2017 on Form 20-F.

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

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

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

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to the ownership and operation of real estate properties including local real estate conditions; the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business; 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, 2018 and includes material information up to August 8, 2018. 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](http://bpy.brookfield.com), or on [www.sedar.com](http://www.sedar.com) or [www.sec.gov](http://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 17,000 employees involved in Brookfield Asset Management’s real estate businesses around the globe, we have built operating platforms in various real estate sectors, including in our:

- Core Office segment through our direct investments in core office assets and our 50% interest in Canary Wharf Group plc (“Canary Wharf”);
- Core Retail segment through our 34% interest in GGP Inc. (“GGP”); 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:

- 150 office properties totaling approximately 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 approximately 30 million square feet of new properties;
- 125 regional malls and urban retail properties containing over 122 million square feet in the United States;
- 138 opportunistic office properties comprising of approximately 40 million square feet of office space in the United States, United Kingdom, Brazil, and Asia;
- Approximately 29 million square feet of opportunistic retail space across 45 properties across the United States and in select Brazilian markets;
- Over 34 million square feet of industrial space across 114 industrial properties, primarily consisting of modern logistics assets in North America;
- Approximately 25,700 multifamily units across 87 properties throughout the United States;
- 156 hospitality assets with over 27,500 rooms across North America, Europe and Australia;

- 326 properties that are leased to automotive dealerships across the United States and Canada on a triple net lease basis;
- 202 self-storage facilities comprising approximately 16 million square feet throughout the United States;
- 45 student housing properties with approximately 16,600 beds in the United Kingdom;
- 136 manufactured housing communities with approximately 33,200 sites across the United States; and
- Two mixed-use investments with approximately 6 million square feet of mixed-use space in South Korea and Germany.

Our diversified portfolio of high-quality core office and core 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 properties operations less direct commercial property expenses ("Commercial property NOI") and revenues from our hospitality operations less direct hospitality expenses ("Hospitality NOI").
- *Same-property NOI*: a subset of NOI, which excludes NOI that is earned from assets acquired, disposed of or developed during the periods presented, 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 associated with financing the partnership's share of commercial developments accounted for under the equity method and the FFO that would have been attributable to the partnership's shares of GGP if all outstanding warrants of GGP were exercised. Prior to the third quarter of 2017, the adjustment assumed net settlement of the outstanding warrants. For the third quarter of 2017, the adjustment is based on the cash settlement for all applicable warrants to reflect the partnership's settlement of the warrants on such basis which occurred in the fourth quarter of 2017.
- *Fair value changes*: includes the increase or decrease in the value of investment properties, as well as our proportionate share of the increase or decrease in the value of investment property held within our unconsolidated partnerships and joint ventures and associates, that is reflected in the consolidated statements of income.
- *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 reconcile NOI to net income on page 12.

We also consider FFO an important measure of our operating performance. FFO is a widely recognized measure that is frequently used by securities analysts, investors and other interested parties in the evaluation of real estate entities, particularly those that own and operate income producing properties. Our definition of FFO includes all of the adjustments that are outlined in the National Association of Real Estate

Investment Trusts (“NAREIT”) definition of FFO, including the exclusion of gains (or losses) from the sale of investment properties, the add back of any depreciation and amortization related to real estate assets and the adjustment for unconsolidated partnerships and joint ventures. In addition to the adjustments prescribed by NAREIT, we also make adjustments to exclude any unrealized fair value gains (or losses) that arise as a result of reporting under IFRS, and income taxes that arise as certain of our subsidiaries are structured as corporations as opposed to real estate investment trusts (“REITs”). These additional adjustments result in an FFO measure that is similar to that which would result if our partnership was organized as a REIT that determined net income in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), which is the type of organization on which the NAREIT definition is premised. Our FFO measure will differ from other organizations applying the NAREIT definition to the extent of certain differences between the IFRS and U.S. GAAP reporting frameworks, principally related to the timing of revenue recognition from lease terminations and sale of properties. Because FFO excludes fair value gains (losses), including equity accounted fair value gains (losses), realized gains (losses) on the sale of investment properties, depreciation and amortization of real estate assets and income taxes, it provides a performance measure that, when compared year-over-year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and interest costs, providing perspective not immediately apparent from net income. We reconcile FFO to net income on page 12 as we believe net income is the most comparable measure. We do not use FFO as a measure of cash flow generated from operating activities.

In addition, we consider Company FFO a useful measure for securities analysts, investors and other interested parties in the evaluation of our partnership’s performance. Company FFO, similar to FFO discussed above, provides a performance measure that reflects the impact on operations of trends in occupancy rates, rental rates, operating costs and interest costs. In addition, the adjustments to Company FFO relative to FFO allow the partnership insight into these trends for the real estate operations, by adjusting for non-real estate components. We reconcile net income to Company FFO on page 12.

Net income attributable to Unitholders and Equity attributable to Unitholders are used by the partnership to evaluate the performance of the partnership as a whole as each of the Unitholders participates in the economics of the partnership equally. In calculating Net income attributable to Unitholders per unit and Equity 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. We reconcile Net income attributable to Unitholders to net income on page 12 and Equity attributable to Unitholders to total equity on page 13.

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 and pre-leasing pending developments;
- Increases in rental rates through maintaining or enhancing the quality of our assets and as market conditions permit; and
- Reductions in operating costs through achieving economies of scale and diligently managing contracts.

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

- Debt capital at a cost and on terms conducive to our goals;
- Equity capital at a reasonable cost;
- New property acquisitions that fit into our strategic plan; and
- Investors for dispositions of peak value or non-core assets.

## FAIR VALUE OF INVESTMENT AND HOSPITALITY PROPERTIES

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

Substantially all of our investment properties are valued using one of two accepted income approaches, the discounted cash flow approach or the direct capitalization approach. The valuation methodology utilized is generally determined by asset class. Our office, retail and industrial assets are typically valued using a discounted cash flow methodology while our multifamily, triple net lease, self-storage, student housing and manufactured housing assets are typically valued using a direct capitalization methodology. Under the discounted cash flow approach, cash flows for each property are forecast for an assumed holding period, generally, ten-years. A capitalization rate is applied to the terminal year net operating income and an appropriate discount rate is applied to those cash flows to determine a value at the reporting date. The forecast cash flows include assumptions prepared at the property level for lease renewal probabilities, downtime, capital expenditures, future leasing rates and associated leasing costs. The majority of property cash flows consist of contracted leases as a result of our core real estate portfolio having a combined 94.3% occupancy level and an average seven year lease life. Valuation assumptions, such as discount rates and terminal value multiples, are determined by the relevant investment professionals and applied to the cash flows to determine the values.

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

Hospitality properties are valued annually, at December 31, with increases in fair value generally recognized as revaluation surplus in the statement of comprehensive income, unless the increase reverses a previously recognized revaluation loss recorded through prior period net income. Our hospitality properties are valued on an individual location basis using a depreciated replacement cost approach. These valuations are generally prepared by external valuation professionals using information provided by management of the operating business. The fair value estimates for hospitality properties represent the estimated fair value of the property, plant and equipment of the hospitality business only and do not include any associated intangible assets.

All of our valuations are subject to various layers of review and controls as part of our financial reporting processes. These controls are part of our system of internal control over financial reporting that is assessed by management on an annual basis. Under the discounted cash flow model, the base cash flows are determined as part of our annual business planning process, prepared within each operating business and reviewed by the senior management teams responsible for each segment, along with senior investment professionals responsible for the relevant asset classes. Valuation assumptions such as discount rates and terminal capitalization rates are compared to market data, third party reports, research material and broker opinions as part of the review process. We have a number of properties externally appraised each year to support our valuation process and for other business purposes. We compare the results of those external appraisals to our internally prepared values and reconcile significant differences when they arise. During the six months ended June 30, 2018, we obtained external appraisals of 31 of our properties representing a gross property value of \$11 billion (or 7% of the portfolio). These external appraisals were within 1% of management's valuations. Additionally, each year we sell a number of assets, which provides support for our valuations, as we typically contract at prices comparable to IFRS values.

## **FINANCIAL STATEMENTS ANALYSIS**

### **REVIEW OF CONSOLIDATED FINANCIAL RESULTS**

In this section, we review our financial position and consolidated performance as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017. Further details on our results from operations and our financial positions are contained within the “*Segment Performance*” section beginning on page 15.

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 during the second quarter of 2018**

In our Opportunistic segment:

- We acquired an office building in Chicago for consideration of \$35 million; and
- We acquired an office portfolio in Mumbai for consideration of Rs2,726 million (\$41 million).

#### **Significant Developments during the second quarter of 2017**

In our Opportunistic segment:

- 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; and
- We acquired an additional portfolio of student housing properties in the United Kingdom for £299 million (\$385 million).

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; and
- We redeemed all of the public units outstanding of Brookfield Canada Office Properties for C\$32.50 per unit, or C\$516 million.

## Summary Operating Results

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Commercial property revenue	\$ 1,130	\$ 1,050	\$ 2,227	\$ 2,045
Hospitality revenue	476	430	958	804
Investment and other revenue	45	39	86	198
Total revenue	1,651	1,519	3,271	3,047
Direct commercial property expense	421	413	830	782
Direct hospitality expense	295	276	627	539
Investment and other expense	—	—	—	122
Interest expense	537	510	1,057	982
Depreciation and amortization	76	69	148	132
General and administrative expense	183	156	352	307
Total expenses	1,512	1,424	3,014	2,864
Fair value gains, net	770	454	1,387	378
Share of earnings from equity accounted investments	288	193	516	526
Income before taxes	1,197	742	2,160	1,087
Income tax expense (benefit)	146	78	86	236
<b>Net income</b>	<b>\$ 1,051</b>	<b>\$ 664</b>	<b>\$ 2,074</b>	<b>\$ 851</b>
Net income attributable to non-controlling interests of others in operating subsidiaries and properties	517	425	1,010	778
<b>Net income attributable to Unitholders<sup>(1)</sup></b>	<b>\$ 534</b>	<b>\$ 239</b>	<b>\$ 1,064</b>	<b>\$ 73</b>
<b>NOI<sup>(1)</sup></b>	<b>\$ 890</b>	<b>\$ 791</b>	<b>\$ 1,728</b>	<b>\$ 1,528</b>
<b>FFO<sup>(1)</sup></b>	<b>\$ 210</b>	<b>\$ 227</b>	<b>\$ 438</b>	<b>\$ 429</b>
<b>Company FFO<sup>(1)</sup></b>	<b>\$ 246</b>	<b>\$ 258</b>	<b>\$ 514</b>	<b>\$ 495</b>

<sup>(1)</sup> 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 11.

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,	
	2018	2017	2018	2017
Net income attributable to Unitholders - basic <sup>(1)</sup>	\$ 534	\$ 239	\$ 1,064	\$ 73
Dilutive effect of conversion of capital securities - corporate <sup>(2)</sup>	5	7	11	—
Net income attributable to Unitholders - diluted	\$ 539	\$ 246	\$ 1,075	\$ 73
Weighted average number of units outstanding - basic <sup>(1)</sup>	773.1	774.6	773.4	775.8
Conversion of capital securities - corporate and options <sup>(2)</sup>	19.6	22.3	18.4	0.2
Weighted average number of units outstanding - diluted	792.7	796.9	791.8	776.0
<b>Net income per unit attributable to Unitholders - basic<sup>(1)(3)</sup></b>	<b>\$ 0.69</b>	<b>\$ 0.31</b>	<b>\$ 1.38</b>	<b>\$ 0.09</b>
<b>Net income per unit attributable to Unitholders - diluted<sup>(2)(3)</sup></b>	<b>\$ 0.68</b>	<b>\$ 0.31</b>	<b>\$ 1.36</b>	<b>\$ 0.09</b>

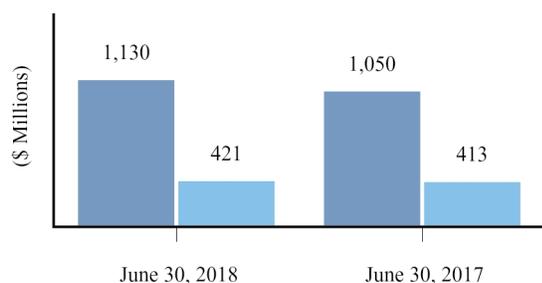
<sup>(1)</sup> Basic net income attributable to Unitholders per unit requires the inclusion of preferred shares of the Operating Partnership that are mandatorily convertible into LP Units without an add back to earnings of the associated carry on the preferred shares.

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

<sup>(3)</sup> Net income attributable to Unitholders is a non-IFRS measure as described in the “Performance Measures” section on page 3.

## Commercial property revenue and direct commercial property expense

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, 2018, commercial property revenue increased by \$80 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 2018, including the acquisition of a student housing portfolio in the United Kingdom, 333 West 34th Street in New York, a Class-A office park in Mumbai and 175 West Jackson in Chicago and the impact of acquisitions made in 2017, including office assets in Mumbai, Houston, and San Jose, all of which combined, contributed to a \$71 million increase in revenue. These increases were offset by the disposition or partial disposition of mature office assets. In 2018, significant dispositions, full or partial, included: Bay Adelaide Centre East and West Towers in Toronto and 1801 California Street in Denver; in 2017, significant dispositions included: an industrial portfolio in Europe, 20 Canada Square in London and One Liberty Plaza in New York.

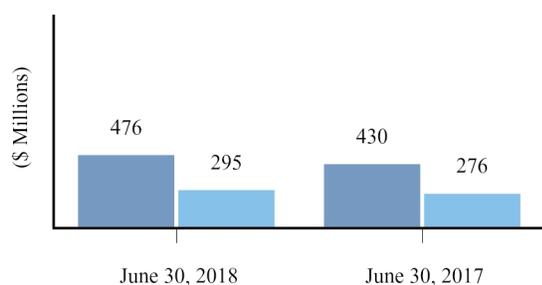
Direct commercial property expense increased by \$8 million largely due to additional expenses relating to acquisitions during 2018 and 2017 as mentioned above. These increases were partially offset by the disposition of mature assets and the deconsolidation of certain commercial assets upon partial. Margins in 2018 were 62.7%, an increase of 2% over 2017.

For the six months ended June 30, 2018, commercial property revenue increased by \$182 million compared to the same period in the prior year as a result of acquisition activity, as noted above, same-property growth in our Core Office segment, particularly in downtown New York and Toronto as a result of lease commencements and the positive impact of foreign currency translation. Acquisitions made in 2017 and 2018 contributed to a \$178 million increase in revenue. These increases were offset by the disposition or partial disposition of mature assets as noted above.

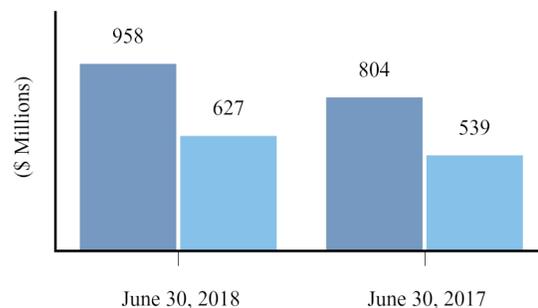
Direct commercial property expense increased by \$48 million largely due to additional expenses relating to acquisitions during 2017 and 2018 as mentioned above, partially offset by the disposition of mature assets and the deconsolidation of certain commercial assets. Margins in 2018 were 62.7%, an increase of 1% over 2017.

## Hospitality revenue and direct hospitality expense

Hospitality revenue and expense for the three months ended,



Hospitality revenue and expense for the six months ended,



For the three months ended June 30, 2018, hospitality revenue increased by \$46 million compared to the same period in the prior year. This increase was primarily a result of acquisition made in 2018, including a portfolio of extended-stay hotels across the U.S., a portfolio of serviced apartments in the United Kingdom and a hotel property in Florida, and the impact of acquisitions made in 2017, including a hotel in Toronto, and the positive impact of foreign currency translation. These increases were partially offset by the disposition of the Hard Rock Hotel and Casino in Las Vegas in the first quarter of 2018. Direct hospitality expense increased to \$295 million for the three months ended June 30, 2018, compared to \$276 million in the same period in the prior year.

For the six months ended June 30, 2018, hospitality revenue increased by \$154 million compared to the same period in the prior year. This increase was as a result of acquisition activity and positive foreign currency translation, as noted above, offset by the disposition of the Hard Rock Hotel and Casino in Las Vegas and lower bookings due to renovations at certain properties. Direct hospitality expense increased to \$627 million for the six months ended June 30, 2018, compared to \$539 million in the same period in the prior year primarily due to acquisitions, and the impact of foreign exchange, offset by the renovations mentioned above. Margins were 38.0% and 34.6% for the three and six ended June 30, 2018, respectively, representing increases of 2.2% and 1.6%, respectively.

**Investment and other revenue and investment and other expense**

Investment and other revenue includes management fees, leasing fees, development fees, interest income and other non-rental revenue. Investment and other revenue increased by \$6 million and decreased by \$112 million for the three and six months ended June 30, 2018, respectively, as compared to the same period in the prior year. The increase for the three months ended June 30, 2018 is primarily due to increased property management fee revenue from our continued management of 245 Park Avenue following its sale in the second quarter of 2017 and One Liberty Plaza in New York following the partial disposition in the fourth quarter of 2017 as well as increased asset management fees from development projects. The decrease for the six months ended June 30, 2018 is primarily due to revenue recorded from the sale of develop-for-sale assets in our multifamily and industrial businesses in the prior periods compared to nil in the current periods, as these types of sales are sporadic in nature.

Investment and other expense remained flat and decreased by \$122 million for the three and six months ended June 30, 2018, respectively, as compared to the same period in the prior year. The decrease compared to the six months ended June 30, 2017 is primarily due to expenses associated with the sale of develop-for-sale assets in our multifamily and industrial businesses in the prior periods as mentioned above.

**Interest expense**

Interest expense increased by \$27 million for the three months ended June 30, 2018 as compared to the same period in the prior year. Interest expense increased by \$75 million for the six months ended June 30, 2018 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, incremental debt raised from temporary drawdowns on our credit facilities to source the capital required for acquisitions and through refinancings on individual properties, as well as an increase in the weighted average variable interest rate during the year. These increases were partially offset by disposition activity.

**General and administrative expense**

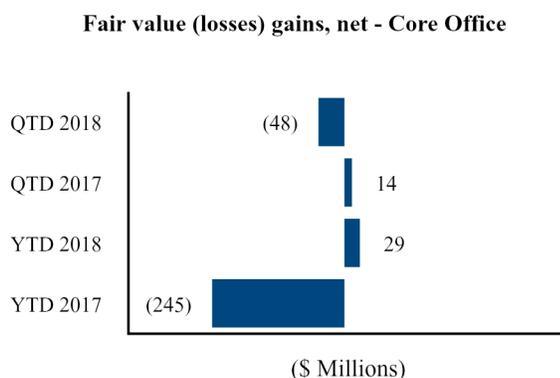
General and administrative expense increased by \$27 million for the three months ended June 30, 2018 as compared to the same period in the prior year. General and administrative expense increased by \$45 million for the six months ended June 30, 2018 as compared to the same period in the prior year. These increases were primarily attributable to operating and transaction costs related to newly acquired entities as mentioned above.

**Fair value gains, net**

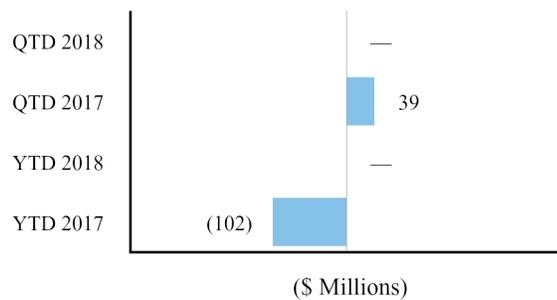
Fair value gains, net includes valuation gains (losses) on commercial properties and developments as well as mark-to-market adjustments on financial instruments and derivatives and foreign currency gains (losses) on disposal of assets denominated in foreign currencies. While we measure and record our commercial properties and developments using valuations prepared by management in accordance with our policy, external appraisals and market comparables, when available, are used to support our valuations.

Fair value losses, net for our Core Office sector of \$48 million were recognized in the three months ended June 30, 2018. These losses primarily related to markdowns of our Downtown New York assets as a result of changes in valuation metrics. Partially offsetting these losses are fair value gains in our UK portfolio. Fair value gains, net for our Core Office segment in the six months ended June 30, 2018 were \$29 million. These gains primarily related to our UK portfolio as mentioned above, gains on our Australian portfolio due to leasing activity, and gains from disposition of an interest in Bay Adelaide Centre East and West Towers in Toronto and 1801 California Street in Denver. These gains were partially offset by losses in our Downtown New York portfolio.

The prior year included fair value 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.



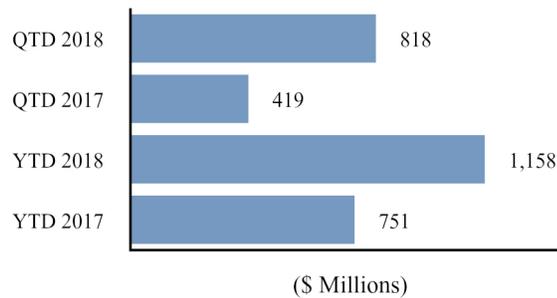
**Fair values gains (losses), net - Core Retail**



No fair value gains (losses), net were recognized for Core Retail in the three and six months ended June 30, 2018, as all of our warrants in GGP were exercised during the fourth quarter of 2017.

In the prior year, Fair value losses, net for the Core Retail segment related to the appreciation or depreciation of our warrants in GGP which fluctuated 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, 2018 were \$818 million and \$1,158 million, respectively. We recorded fair value gains from our industrial portfolio due to strengthened market conditions in certain regions and compressed discount rates as our development portfolio nears completion as well as in our office portfolio in India, where we recorded fair value gains, net due to leasing activity and increased density approvals. We also recorded a gain on extinguishment of debt associated with the sale of the Hard Rock Hotel and Casino.

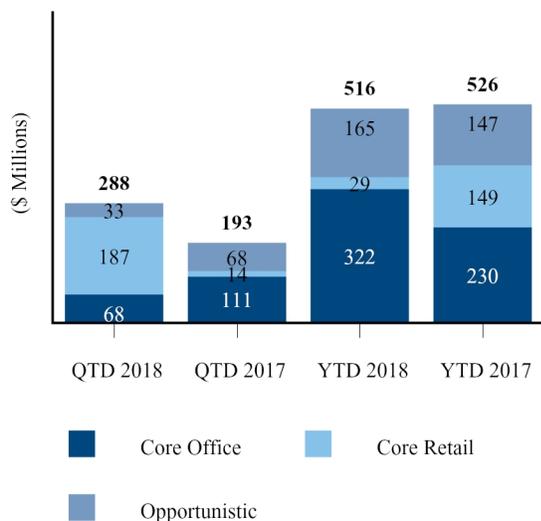
The prior year included gains on the acquisitions of our manufactured housing portfolio and a student housing portfolio of \$115 million and \$27 million, respectively, as a result of changes in the underlying market conditions since signing the purchase and sale agreements.

In addition, for the three months ended June 30, 2018, we recorded fair value gains, net of nil (2017 - fair value losses, net of \$18 million) and for the six months ended June 30, 2018 we recorded fair value gains, net of \$200 million (2017 - fair value losses, net of \$26 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, 2018 of \$288 million and \$516 million, respectively, represents an increase of \$95 million and a decrease of \$10 million, respectively compared to the prior year.

The increase compared to the three months ended June 30, 2017 was primarily driven by an increase in ownership coupled with fair value gains in our Core Retail sector.

The decrease compared to the six months ended June 30, 2017 was primarily driven by fair value losses in our Core Retail portfolio as a result of market activity in the first quarter of 2018. This decrease was partially offset by a gain resulting from a tax restructuring at Canary Wharf and the sale of a developed-for-sale asset in the value-add multifamily fund.

### 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 \$72 million to \$709 million during the three months ended June 30, 2018 compared with \$637 million during the same period in the prior year. For the six months ended June 30, 2018, commercial property NOI increased by \$134 million to \$1,397 million compared with \$1,263 million during the same period in the prior year. The increase was primarily driven by new acquisitions, the positive impact of foreign currency translation and same-property growth offset by the disposition of mature assets and the deconsolidation of certain assets following partial dispositions thereof.

Hospitality NOI increased by \$27 million to \$181 million during the three months ended June 30, 2018 compared to \$154 million during the same period in the prior year. For the six months ended June 30, 2018, hospitality NOI increased by \$66 million to \$331 million compared to \$265 million during the same period in the prior year. The increase is primarily due to acquisitions made during 2018 and the positive impact of foreign currency translation.

The following table reconciles NOI to net income for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Commercial property revenue	\$ 1,130	\$ 1,050	\$ 2,227	\$ 2,045
Direct commercial property expense	(421)	(413)	(830)	(782)
Commercial property NOI	709	637	1,397	1,263
Hospitality revenue	476	430	958	804
Direct hospitality expense	(295)	(276)	(627)	(539)
Hospitality NOI	181	154	331	265
<b>Total NOI</b>	<b>890</b>	<b>791</b>	<b>1,728</b>	<b>1,528</b>
Investment and other revenue	45	39	86	198
Share of net earnings from equity accounted investments	288	193	516	526
Interest expense	(537)	(510)	(1,057)	(982)
Depreciation and amortization	(76)	(69)	(148)	(132)
General and administrative expense	(183)	(156)	(352)	(307)
Investment and other expense	—	—	—	(122)
Fair value gains, net	770	454	1,387	378
Income before taxes	1,197	742	2,160	1,087
Income tax expense	(146)	(78)	(86)	(236)
<b>Net income</b>	<b>\$ 1,051</b>	<b>\$ 664</b>	<b>\$ 2,074</b>	<b>\$ 851</b>
Net income attributable to non-controlling interests	517	425	1,010	778
<b>Net income attributable to Unitholders</b>	<b>\$ 534</b>	<b>\$ 239</b>	<b>\$ 1,064</b>	<b>\$ 73</b>

The following table reconciles net income to FFO and Company FFO for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Net income	\$ 1,051	\$ 664	\$ 2,074	\$ 851
Add (deduct):				
Fair value gains, net	(770)	(454)	(1,387)	(378)
Share of equity accounted fair value (gains) losses, net	(84)	55	(85)	(66)
Depreciation and amortization of real estate assets	66	58	131	115
Income tax expense (benefit)	146	78	86	236
Non-controlling interests in above items	(199)	(174)	(381)	(329)
<b>FFO</b>	<b>\$ 210</b>	<b>\$ 227</b>	<b>\$ 438</b>	<b>\$ 429</b>
Add (deduct):				
Depreciation and amortization of non-real-estate assets, net <sup>(1)</sup>	6	7	15	13
Transaction costs, net <sup>(1)</sup>	15	2	33	16
(Gains)/losses associated with non-investment properties, net <sup>(1)</sup>	3	1	3	—
Imputed interest <sup>(2)</sup>	12	9	25	14
Net contribution from GGP warrants <sup>(3)</sup>	—	12	—	23
<b>Company FFO</b>	<b>\$ 246</b>	<b>\$ 258</b>	<b>\$ 514</b>	<b>\$ 495</b>

<sup>(1)</sup> Presented net of non-controlling interests.

<sup>(2)</sup> Represents imputed interest associated with financing the partnership's share of commercial developments accounted for under the equity method.

<sup>(3)</sup> Represents incremental FFO that would have been attributable to the partnership's share of GGP, if all outstanding warrants of GGP had been exercised. In the three and six months ended June 30, 2017, the adjustment assumed net settlement of the outstanding warrants. All of our outstanding warrants of GGP were exercised and settled in the fourth quarter of 2017.

FFO decreased to \$210 million during the three months ended June 30, 2018 compared with \$227 million during the same period in the prior year. The decrease was driven by a decrease in investment and other revenue recorded from the sale of develop-for-sale assets in our multifamily and industrial businesses in the prior periods compared to nil in the current periods, as these types of sales are sporadic in nature, dispositions of mature assets throughout the period, higher transaction costs in the current period and an increase in interest expense due to a higher weighted-average interest rate on variable rate secured debt obligations. These decreases were offset by net income from acquisition activity since the prior period.

For the six months ended June 30, 2018, FFO increased to \$438 million compared with \$429 million during the same period in the prior year. The increase was driven by acquisitions made in 2018, including student housing portfolio, a portfolio of extended-stay hotels in the United States, a portfolio of serviced-apartments in the United Kingdom, our interest in 333 West 34th Street in New York, an office park in Mumbai and 175 West Jackson in Chicago; the impact of acquisitions made in 2017, including office assets in Mumbai, Houston, and San Jose,

California, and a hotel property in Toronto; as well as the positive impact of foreign currency translation and positive same-property growth in our Core Office segment. These increases were offset by a decrease in investment and other revenue recorded from the sale of develop-for-sale assets, as mentioned above, dispositions of mature assets throughout the period, higher transaction costs in the current period and an increase in interest expense due to a higher weighted-average interest rate on variable rate secured debt obligations.

### Statement of Financial Position Highlights and Key Metrics

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
<b>Investment properties</b>		
Commercial properties	\$ 49,247	\$ 48,780
Commercial developments	3,798	2,577
Equity accounted investments	19,462	19,761
Property, plant and equipment	6,774	5,457
Cash and cash equivalents	1,600	1,491
Assets held for sale	1,547	1,433
<b>Total assets</b>	<b>87,971</b>	<b>84,347</b>
<b>Debt obligations</b>	<b>39,351</b>	<b>36,884</b>
Liabilities associated with assets held for sale	924	1,316
<b>Total equity</b>	<b>36,462</b>	<b>35,124</b>
<b>Equity attributable to Unitholders<sup>(1)</sup></b>	<b>\$ 22,534</b>	<b>\$ 22,186</b>
<b>Equity per unit<sup>(2)</sup></b>	<b>\$ 31.23</b>	<b>\$ 30.74</b>

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

<sup>(2)</sup> Assumes conversion of mandatorily convertible preferred shares. See page 15 for additional information.

As of June 30, 2018, we had \$87,971 million in total assets, compared with \$84,347 million at December 31, 2017. This \$3,624 million increase reflects the aforementioned acquisition activity since the prior year. We also obtained control over Brookfield Global Real Estate Special Opportunities Inc. ("BGRESOI") after converting our loan interest in the entity.

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 \$48,780 million at the end of 2017 to \$49,247 million at June 30, 2018. The increase was largely due to aforementioned acquisitions, as well as incremental capital spent to maintain or enhance properties, and valuation gains within our opportunistic portfolio. This was offset by the full or partial disposition of certain assets during the current year and the negative impact of foreign currency translation based on closing spot rates.

Commercial developments consist of commercial property development sites, density rights and related infrastructure. The total fair value of development land and infrastructure was \$3,798 million at June 30, 2018, an increase of \$1,221 million from the balance at December 31, 2017. The increase is primarily attributable to acquisition activity, incremental capital spend on our active developments, and a gain recognized at 100 Bishopsgate in London as the development is nearing completion.

The following table presents the changes in investment properties from December 31, 2017 to June 30, 2018:

(US\$ Millions)	Jun. 30, 2018	
	Commercial properties	Commercial developments
Investment properties, beginning of period	\$ 48,780	\$ 2,577
Acquisitions	2,441	523
Capital expenditures	357	526
Dispositions <sup>(1)</sup>	(556)	(1)
Fair value gains, net	409	384
Foreign currency translation	(936)	(64)
Transfer between commercial properties and commercial developments	145	(145)
Reclassifications to assets held for sale and other changes	(1,393)	(2)
<b>Investment properties, end of period</b>	<b>\$ 49,247</b>	<b>\$ 3,798</b>

<sup>(1)</sup> Property dispositions represent the carrying value on date of sale.

Equity accounted investments decreased by \$299 million since December 31, 2017 primarily due to return of capital and distributions received during the period and lower share of net earnings from equity accounted investments driven by valuation losses on our Core Retail portfolio and the weakening of the British Pound against the U.S. Dollar, primarily related to our investment in Canary Wharf.

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

(US\$ Millions)	<b>Jun. 30, 2018</b>
Equity accounted investments, beginning of period	\$ 19,761
Additions	334
Disposals and return of capital distributions	(636)
Share of net earnings from equity accounted investments	516
Distributions received	(226)
Foreign currency translation	(196)
Other comprehensive income and other	(91)
<b>Equity accounted investments, end of period</b>	<b>\$ 19,462</b>

Property, plant and equipment increased by \$1,317 million since December 31, 2017, primarily as a result of acquisition activity during the period including a portfolio of extended-stay hotels across the U.S., a portfolio of serviced apartments in the United Kingdom and a hotel property in Florida. These increases were offset by the negative impact of foreign currency translation related to our Center Parcs UK portfolio and depreciation expense during the current year.

As of June 30, 2018, assets held for sale included a portfolio of self-storage assets across the United States, and two Core Office buildings in Canada: Queens Quay Terminal in Toronto; and an interest in Jean Edwards Tower in Ottawa. These dispositions are expected to close in the next few months.

The following table presents changes in our assets held for sale from December 31, 2017 to June 30, 2018:

(US\$ Millions)	<b>Jun. 30, 2018</b>
Balance, beginning of period	\$ 1,433
Reclassification to/(from) assets held for sale, net	1,431
Disposals	(1,306)
Fair value adjustments	35
Foreign currency translation	(17)
Other	(29)
<b>Balance, end of period</b>	<b>\$ 1,547</b>

Our debt obligations increased to \$39,351 million at June 30, 2018 from \$36,884 million at December 31, 2017. Contributing to this increase was the addition of property-specific borrowings related to acquisition activity during the period, as noted above, as well as higher funds subscription facilities and corporate debt facilities. These increases were partially offset by the disposition of encumbered assets during the period and the repayment of certain subsidiary borrowings.

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

(US\$ Millions)	<b>Jun. 30, 2018</b>	Dec. 31, 2017
Corporate borrowings	\$ 1,725	\$ 1,359
Funds subscription facilities	1,166	432
Non-recourse borrowings		
Property-specific borrowings	35,469	33,401
Subsidiary borrowings	991	1,692
<b>Total debt obligations</b>	<b>\$ 39,351</b>	<b>\$ 36,884</b>
Current	5,597	6,135
Non-current	33,754	30,749
<b>Total debt obligations</b>	<b>\$ 39,351</b>	<b>\$ 36,884</b>

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

(US\$ Millions, except unit information)	Jun. 30, 2018	Dec. 31, 2017
Total equity	\$ 36,462	\$ 35,124
Less:		
Interests of others in operating subsidiaries and properties	13,928	12,938
<b>Equity attributable to Unitholders</b>	<b>22,534</b>	<b>22,186</b>
Mandatorily convertible preferred shares	1,610	1,597
<b>Total equity attributable to Unitholders</b>	<b>24,144</b>	<b>23,783</b>
Partnership units	703,073,711	703,615,432
Mandatorily convertible preferred shares	70,038,910	70,038,910
<b>Total partnership units</b>	<b>773,112,621</b>	<b>773,654,342</b>
<b>Equity attributable to Unitholders per unit</b>	<b>\$ 31.23</b>	<b>\$ 30.74</b>

Equity attributable to Unitholders was \$22,534 million at June 30, 2018, an increase of \$348 million from the balance at December 31, 2017. The increase was primarily due to fair value gains on our opportunistic assets partially offset by result of distributions and fair value losses on our Core Retail assets. Assuming the conversion of mandatorily convertible preferred shares, equity attributable to Unitholders increased to \$31.23 per unit at June 30, 2018 from \$30.74 per unit at December 31, 2017.

Interests of others in operating subsidiaries and properties was \$13,928 million at June 30, 2018, an increase of \$990 million from the balance of \$12,938 million at December 31, 2017. 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)	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue <sup>(1)</sup>	\$1,651	\$1,620	\$1,578	\$1,510	\$1,519	\$1,528	\$1,363	\$1,409
Direct operating costs	716	741	707	668	689	632	639	621
Net income	1,045	1,023	958	659	664	187	92	1,616
Net income (loss) attributable to Unitholders	534	530	134	168	239	(166)	(62)	1,255
Net income (loss) per share attributable to Unitholders - basic	\$ 0.69	\$ 0.69	\$ 0.17	\$ 0.22	\$ 0.31	\$(0.21)	\$(0.08)	\$ 1.61
Net income (loss) per share attributable to Unitholders - diluted	\$ 0.68	\$ 0.68	\$ 0.17	\$ 0.22	\$ 0.31	\$(0.21)	\$(0.08)	\$ 1.56

<sup>(1)</sup> We adopted IFRS 9, Financial Instruments and IFRS 15, Revenues from Contracts with Customers, in 2018 using the modified retrospective method. The comparative information for periods prior to 2018 has not been restated and is reported under the accounting standards effective for those periods.

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

## SEGMENT PERFORMANCE

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

The following table presents FFO by segment:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Core Office	\$ 127	\$ 148	\$ 260	\$ 295
Core Retail	117	119	229	218
Opportunistic	88	80	192	149
Corporate	(122)	(120)	(243)	(233)
<b>FFO</b>	<b>\$ 210</b>	<b>\$ 227</b>	<b>\$ 438</b>	<b>\$ 429</b>

The following table presents equity attributable to Unitholders by segment as of June 30, 2018 and December 31, 2017:

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Core Office	\$ 14,397	\$ 13,913
Core Retail	8,723	8,844
Opportunistic	5,825	5,238
Corporate	(6,411)	(5,809)
<b>Total</b>	<b>\$ 22,534</b>	<b>\$ 22,186</b>

### Core Office

Our Core Office segment consists of interests in 150 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 direct investments in core office assets 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, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
FFO	\$ 127	\$ 148	\$ 260	\$ 295
Net income attributable to Unitholders	37	149	295	(41)

FFO from our Core Office segment was \$127 million for the three months ended June 30, 2018 as compared to \$148 million in the same period in the prior year. For the six months ended June 30, 2018, FFO from our Core Office segment was \$260 million as compared to \$295 million in the same period in the prior year. This decrease is largely attributable to the impact of full or partial dispositions, including 245 Park Avenue in Midtown New York in the second quarter of 2017, 20 Canada Square in London in the third quarter of 2017, One Liberty Plaza in New York in the fourth quarter of 2017, and Bay Adelaide Centre in Toronto in the first quarter of 2018 as we continue to recycle capital out of core, stable assets into higher-yielding opportunistic investments. These decreases are partially offset by the positive impact of foreign currency translation and same-property growth.

Net income attributable to Unitholders decreased by \$112 million to \$37 million during the three months ended June 30, 2018 as compared to \$149 million during the same period in 2017. The decrease was primarily a result of fair value losses recorded in the current period related to properties in Downtown New York as a result of changes in valuation metrics observed from recent market transactions.

Net income attributable to Unitholders increased by \$336 million to \$295 million during the six months ended June 30, 2018 as compared to a loss of \$41 million during the same period in 2017. The increase is largely attributable to a gain resulting from a change in the tax status of Canary Wharf and fair value gains realized on the dispositions of Bay Adelaide Centre East and West Towers in Toronto and 1801 California Street in Denver compared to fair value losses in Downtown New York in the prior period.

The following table presents key operating metrics for our Core Office portfolio as at and for the three months ended June 30, 2018 and 2017:

(US\$ Millions, except where noted)	Consolidated		Unconsolidated	
	Jun. 30, 2018	Jun. 30, 2017	Jun. 30, 2018	Jun. 30, 2017
<b>Total portfolio:</b>				
NOI <sup>(1)</sup>	\$ 267	\$ 267	\$ 120	\$ 108
Number of properties	78	76	72	70
Leasable square feet (in thousands)	49,255	51,488	30,896	28,729
Occupancy	91.7%	90.9%	94.5%	93.6%
In-place net rents (per square foot) <sup>(2)</sup>	\$ 28.46	\$ 30.82	\$ 39.58	\$ 39.13
<b>Same-property:</b>				
NOI <sup>(1,2)</sup>	\$ 255	\$ 234	\$ 107	\$ 106
Number of properties	73	73	66	66
Leasable square feet (in thousands)	47,162	47,147	26,538	26,527
Occupancy	91.9%	91.0%	95.0%	93.2%
In-place net rents (per square foot) <sup>(2)</sup>	\$ 28.67	\$ 28.20	\$ 46.70	\$ 44.94

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

<sup>(2)</sup> Prior period presented using the June 30, 2018 exchange rate.

NOI from our consolidated properties remained unchanged at \$267 million during the three months ended June 30, 2018 and 2017. Increased same-property NOI for our consolidated properties was offset by dispositions in New York and Toronto.

Same-property NOI for our consolidated properties for the three months ended June 30, 2018 compared with the same period in the prior year increased by \$21 million to \$255 million. This increase was primarily the result of lease commencements in Downtown New York and Toronto and higher in-place net rents.

NOI from our unconsolidated properties, which is presented on a proportionate basis, increased by \$12 million to \$120 million during the three months ended June 30, 2018, compared to \$108 million during the period in the prior year. This increase is attributable to the inclusion of One Liberty Plaza in New York in unconsolidated properties following the sale of a 49% interest during the fourth quarter of 2017. This increase was partially offset by the disposition of 245 Park Avenue in the third quarter of 2017.

The following table presents certain key operating metrics related to leasing activity in our Core Office segment for the six months ended June 30, 2018 and 2017:

(US\$, except where noted)	Total portfolio	
	Jun. 30, 2018	Jun. 30, 2017
Leasing activity (square feet in thousands)		
New leases	1,519	2,041
Renewal leases	767	1,875
Total leasing activity	2,286	3,916
Average term (in years)	8.3	8.0
Year one leasing net rents (per square foot) <sup>(1)</sup>	\$ 34.45	\$ 34.53
Average leasing net rents (per square foot) <sup>(1)</sup>	37.77	37.76
Expiring net rents (per square foot) <sup>(1)</sup>	33.60	28.81
Estimated market net rents for similar space (per square foot) <sup>(1)</sup>	38.55	39.40
Tenant improvement and leasing costs (per square foot)	61.16	79.86

<sup>(1)</sup> Presented using normalized foreign exchange rates, using the June 30, 2018 exchange rate.

For the six months ended June 30, 2018, we leased approximately 2.3 million square feet at average in-place net rents of \$37.77 per square foot. Approximately 66% of our leasing activity represented new leases. Our overall Core Office portfolio's in-place net rents are currently 9% 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, 2018, tenant improvements and leasing costs related to leasing activity were \$61.16 per square foot, compared to \$79.86 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, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Consolidated investments	\$ (48)	\$ 14	\$ 29	\$ (245)
Unconsolidated investments <sup>(1)</sup>	3	9	188	38
<b>Total fair value (losses) gains, net</b>	<b>\$ (45)</b>	<b>\$ 23</b>	<b>\$ 217</b>	<b>\$ (207)</b>

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

We recorded fair value losses, net of \$45 million in the three months ended June 30, 2018 as compared to fair value gains, net of \$23 million in the same period in the prior year. These losses were primarily related to properties in Downtown New York as a result of recent market transactions and changes to valuation metrics.

For the six months ended June 30, 2018, we recorded fair value gains, net of \$217 million as compared to \$207 million of losses in the same period in the prior year. The gain was driven by a change in the tax status of Canary Wharf and the fair value gains realized on dispositions as mentioned above, as well as the positive impact of foreign currency translation, partially offset by losses on our Downtown New York properties. The prior year included fair value losses on our New York office portfolios, partially offset by fair value gains in our Sydney and Toronto office portfolios.

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

	Jun. 30, 2018			Dec. 31, 2017		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
<b>Consolidated properties</b>						
United States	7.0%	5.8%	12	7.0%	5.8%	13
Canada	6.0%	5.6%	10	6.1%	5.5%	10
Australia	6.9%	6.1%	10	7.0%	6.1%	10
Brazil	9.8%	7.6%	7	9.7%	7.6%	7
<b>Unconsolidated properties</b>						
United States	6.5%	5.4%	11	6.5%	5.3%	11
Australia	6.9%	5.9%	10	7.0%	5.8%	10
Europe <sup>(1)</sup>	4.8%	4.9%	10	4.8%	4.8%	10

<sup>(1)</sup> 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, 2018 and December 31, 2017:

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
<b>Investment properties</b>		
Commercial properties	\$ 20,928	\$ 21,671
Commercial developments	2,235	1,598
Equity accounted investments	8,158	8,235
Participating loan interests	521	517
Accounts receivable and other	951	766
Cash and cash equivalents	420	360
Assets held for sale	198	648
<b>Total assets</b>	<b>\$ 33,411</b>	<b>\$ 33,795</b>
Debt obligations	12,473	13,124
Capital securities	907	813
Accounts payable and other liabilities	1,311	1,404
Deferred tax liability	1,166	1,162
Liabilities associated with assets held for sale	74	288
Non-controlling interests of others in operating subsidiaries and properties	3,083	3,091
<b>Equity attributable to Unitholders</b>	<b>\$ 14,397</b>	<b>\$ 13,913</b>

Equity attributable to Unitholders increased by \$484 million to \$14,397 million at June 30, 2018 from \$13,913 million at December 31, 2017. The increase was primarily a result of income earned in the current period.

Commercial properties totaled \$20,928 million at June 30, 2018, compared to \$21,671 million at December 31, 2017. The decrease was driven by dispositions of 50% of our interest in Bay Adelaide Centre East and West Towers and our 51% interest in 1801 California Street, and the negative impact of foreign currency translation.

Commercial developments increased by \$637 million from December 31, 2017 to June 30, 2018. The increase was primarily due to acquisition activity, incremental capital spend on our active developments, and a gain recognized at 100 Bishopsgate in London as the development is nearing completion.

The following table summarizes the scope and progress of active developments in our Core Office segment as of June 30, 2018:

(Millions, except square feet in thousands)	Total square feet under construction (in 000's)	Proportionate square feet under construction (in 000's)	Expected date of accounting stabilization	Percent pre-leased	Cost			Loan	
					Total <sup>(1)</sup>	To-date	Total	Drawn	
<b>Office:</b>									
100 Bishopsgate, London	938	938	Q2 2020	67%	£ 875	£ 688	£ 515	£ 323	
655 New York Avenue, Washington, D.C. <sup>(2)</sup>	766	383	Q3 2020	70%	\$ 285	\$ 200	\$ 200	\$ 102	
One Manhattan West, Midtown New York <sup>(2)</sup>	2,117	1,186	Q3 2020	84%	\$ 1,063	\$ 590	\$ 698	\$ 175	
1 Bank Street, London <sup>(2)</sup>	715	358	Q4 2020	40%	£ 257	£ 171	£ 225	£ 68	
ICD Brookfield Place, Dubai <sup>(2)</sup>	1,104	552	Q1 2021	6%	AED1,256	AED 794	AED 775	AED 288	
New District - Office, London <sup>(2)</sup>	423	211	Q2 2021	33%	£ 125	£ 9	£ —	£ —	
<b>Multifamily:</b>									
Principal Place - Residential, London <sup>(2)(3)</sup>	303	152	Q1 2019	n/a	£ 190	£ 141	£ 122	£ 78	
Camarillo, California <sup>(2)</sup>	413	409	Q2 2019	n/a	\$ 127	\$ 117	\$ 82	\$ 60	
New District - 10 Park Drive, London <sup>(2)(3)</sup>	269	135	Q4 2019	n/a	£ 118	£ 62	£ 98	£ 34	
Studio Plaza, Maryland <sup>(2)</sup>	343	296	Q1 2020	n/a	\$ 106	\$ 75	\$ 69	\$ 23	
Greenpoint Landing Building G, New York <sup>(2)</sup>	250	238	Q4 2019	n/a	\$ 273	\$ 196	\$ 162	\$ 73	
Southbank Place <sup>(2)(3)</sup>	669	167	Q4 2019	n/a	£ 224	£ 129	£ 115	£ 50	
New District - 8 Water Street & 2 George Street, London <sup>(2)</sup>	371	186	Q4 2020	n/a	£ 151	£ 83	£ 117	£ 44	
Newfoundland, London <sup>(2)</sup>	545	273	Q1 2021	n/a	£ 249	£ 161	£ 154	£ 42	
Greenpoint Landing Building F, New York <sup>(2)</sup>	310	295	Q2 2021	n/a	\$ 358	\$ 124	\$ —	\$ —	
New District-One Park Drive, London <sup>(2)(3)</sup>	430	215	Q2 2021	n/a	£ 221	£ 80	£ 119	£ —	
<b>Total</b>	<b>9,966</b>	<b>5,994</b>							

<sup>(1)</sup> Net of NOI earned during stabilization.

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

<sup>(3)</sup> 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, 2017 to June 30, 2018:

(US\$ Millions)	Jun. 30, 2018
Equity accounted investments, beginning of period	\$ 8,235
Additions	194
Disposals and return of capital distributions	(460)
Share of net income, including fair value gains	311
Distributions received	(25)
Foreign currency translation	(126)
Other	29
<b>Equity accounted investments, end of period</b>	<b>\$ 8,158</b>

Equity accounted investments decreased by \$77 million since December 31, 2017 to \$8,158 million at June 30, 2018. The decrease was primarily driven by distributions received and the negative impact of foreign currency translation, partially offset by our share of net income during the period.

Debt obligations decreased from \$13,124 million at December 31, 2017 to \$12,473 million at June 30, 2018. This decrease is the result of repayment of debt for the dispositions in Toronto and Denver. This decrease is partially offset by refinancing activity of property-level debt related to office properties and drawdowns on existing facilities to fund capital expenditures on development properties.

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

(US\$ Millions)	Shares outstanding	Cumulative dividend rate	Jun. 30, 2018	Dec. 31, 2017
Brookfield Office Properties Inc. (“BPO”) Class B Preferred Shares:				
Series 1 <sup>(1)</sup>	3,600,000	70% of bank prime	—	—
Series 2 <sup>(1)</sup>	3,000,000	70% of bank prime	—	—
BGRESOI Preferred Shares	62,244	4.00%	62	—
Capital Securities – Fund Subsidiaries			845	813
<b>Total capital securities</b>			<b>\$ 907</b>	<b>\$ 813</b>

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

We had \$845 million of capital securities – fund subsidiaries outstanding at June 30, 2018 as compared to \$813 million at December 31, 2017. Capital securities – fund subsidiaries includes \$803 million (December 31, 2017 - \$775 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 \$42 million at June 30, 2018 (December 31, 2017 - \$38 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,	
	2018	2017	2018	2017
Commercial property revenue	\$ 480	\$ 509	\$ 980	\$ 1,012
Hospitality revenue <sup>(1)</sup>	4	—	9	—
Direct commercial property expense	(214)	(242)	(439)	(471)
Direct hospitality expense <sup>(1)</sup>	(3)	—	(7)	—
<b>Total NOI</b>	<b>\$ 267</b>	<b>\$ 267</b>	<b>\$ 543</b>	<b>\$ 541</b>

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

The following table reconciles Core Office NOI to net income for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Same-property NOI	\$ 255	\$ 234	\$ 516	\$ 480
Currency variance	—	(2)	—	(5)
NOI related to acquisitions and dispositions	12	35	27	66
<b>Total NOI</b>	<b>267</b>	<b>267</b>	<b>543</b>	<b>541</b>
Investment and other revenue	35	21	62	43
Interest expense	(150)	(159)	(307)	(320)
Depreciation and amortization on non-real estate assets	(1)	(4)	(4)	(7)
General and administrative expense	(58)	(42)	(99)	(84)
Fair value gains (losses), net	(48)	14	29	(245)
Share of net earnings from equity accounted investments	68	111	322	230
Income before taxes	113	208	546	158
Income tax (expense) benefit	(49)	(19)	(156)	(110)
<b>Net income</b>	<b>64</b>	<b>189</b>	<b>390</b>	<b>48</b>
Net income attributable to non-controlling interests	27	40	95	89
<b>Net income attributable to Unitholders</b>	<b>\$ 37</b>	<b>\$ 149</b>	<b>\$ 295</b>	<b>\$ (41)</b>

The following table reconciles Core Office net income to FFO for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>Net income</b>	\$ 64	\$ 189	\$ 390	\$ 48
Add (deduct):				
Fair value gains, net	48	(14)	(29)	245
Share of equity accounted fair value losses (gains), net	(3)	(9)	(188)	(38)
Depreciation and amortization of real estate assets	1	0	1	—
Income tax expense (benefit)	49	19	156	110
Non-controlling interests in above items	(32)	(37)	(70)	(70)
<b>FFO</b>	\$ 127	\$ 148	\$ 260	\$ 295

The following table reconciles Core Office share of net earnings from equity accounted investments for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Unconsolidated properties NOI	\$ 120	\$ 108	\$ 239	\$ 219
Unconsolidated properties fair value gains, net	3	9	188	38
Other expenses	(55)	(6)	(105)	(27)
Share of net earnings from equity accounted investments	\$ 68	\$ 111	\$ 322	\$ 230

### Core Retail

Our Core Retail segment consists of 125 regional malls and urban retail properties containing over 122 million square feet in the United States through our 34% interest in GGP. Our investment in GGP is accounted for under the equity method.

During the fourth quarter of 2017, we exercised all of our outstanding warrants of GGP. Of these warrants, 16 million were exercised on a cashless basis and the remaining 43 million warrants on a full share settlement basis for approximately \$462 million of cash. The exercise resulted in our acquisition of an additional 68 million common shares of GGP, increasing our ownership from 29% to 34%.

During the first quarter of 2018, we entered into a definitive agreement with GGP for our partnership to acquire all of the outstanding shares of common stock of GGP other than those shares currently held by us and our affiliates. See Note 30, *Obligations Guarantees, Contingencies and Other* in the financial statements for additional information.

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, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>FFO</b>	\$ 117	\$ 119	\$ 229	\$ 218
Net income attributable to Unitholders	187	53	29	47

FFO earned in our Core Retail segment for the three months ended June 30, 2018 was \$117 million compared to \$119 million for the same period in the prior year. The decrease is driven by one-time gains recognized in the prior period on both the sale of develop-for-sale assets and a gain on extinguishment of debt. These decreases were offset by higher FFO in the current period due to an increase in our ownership of GGP from 29% to 34% as a result of the exercise of warrants.

For the six months ended June 30, 2018, FFO earned in our Core Retail segment was \$229 million compared to \$218 million for the same period in the prior year. FFO increased primarily due to an increase in our ownership of GGP from the exercise of warrants.

Net income attributable to Unitholders increased by \$134 million to \$187 million for the three months ended June 30, 2018 as compared to \$53 million during the same period in the prior year. The increase in net income attributable to Unitholders is primarily attributable to valuation gains as a result of updated valuation models compared to fair value losses on lower earning assets in the prior year.

Net income attributable to Unitholders decreased by \$18 million to \$29 million for the six months ended June 30, 2018 as compared to \$47 million during the same period in the prior year. The decrease in net income attributable to Unitholders is due to valuation losses on our Core Retail portfolio due to recent market activity in the first quarter of 2018.

The following table presents key operating metrics in our Core Retail portfolio as at and for the three months ended June 30, 2018 and 2017:

(US\$ Millions, except where noted)	Unconsolidated	
	Jun. 30, 2018	Jun. 30, 2017
<b>NOI:</b>		
Total portfolio <sup>(1)</sup>	\$ 195	\$ 161
Same-property <sup>(1)</sup>	194	187
Number of malls and urban retail properties	125	126
Leasable square feet (in thousands)	122,214	123,215
Occupancy <sup>(2)</sup>	94.2%	94.6%
In-place net rents (per square foot) <sup>(2)</sup>	61.92	62.66
NOI Weighted Sales (per square foot) <sup>(2)</sup>	739	709

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

<sup>(2)</sup> Presented on a same-property basis.

NOI, which is presented on a proportionate basis, increased to \$195 million for the three months ended June 30, 2018, due to our increased ownership in GGP. On a same-property basis, NOI on unconsolidated properties increased by \$7 million.

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

(US\$, except where noted)	Total Portfolio	
	Jun. 30, 2018	Jun. 30, 2017
Number of leases	1,266	1,524
Leasing activity (square feet in thousands)	4,086	4,731
Average term in years	6.7	6.9
Initial rent per square foot <sup>(1)</sup>	\$ 76.01	\$ 62.51
Expiring rent per square foot <sup>(2)</sup>	67.69	56.84
Initial rent spread per square foot	8.32	5.67
% change	12.3%	10.0%
Tenant allowances and leasing costs	97	91

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

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

Through June 30, 2018, we leased approximately 4.1 million square feet at initial rents approximately 12.3% higher than expiring net rents on a suite-to-suite basis.

Our Core Retail portfolio occupancy rate at June 30, 2018 was 94.2%, down 0.4% 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 decreased to \$61.92 at June 30, 2018 from \$62.66 at June 30, 2017.

The following table presents our fair value gains (losses), net from our investment in GGP for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Fair value (losses) gains, net from GGP warrants	\$ —	\$ 39	\$ —	\$ (102)
Fair value (losses) gains, net from GGP <sup>(1)</sup>	70	(105)	(200)	(69)
<b>Total fair value (losses) gains</b>	<b>\$ 70</b>	<b>\$ (66)</b>	<b>\$ (200)</b>	<b>\$ (171)</b>

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

We recorded total fair value gains, net of \$70 million and losses of \$66 million in our Core Retail segment for the three months ended June 30, 2018 and 2017, respectively. The increase is driven by an increase in ownership coupled with fair value gains in our Core Retail sector.

We recorded total fair value losses, net of \$200 million and losses of \$171 million in our Core Retail segment for the six months ended June 30, 2018 and 2017, respectively. The decrease is primarily due to valuation losses on our Core Retail portfolio due to recent market activity. The prior year losses were primarily attributable to depreciation of the GGP warrants as a result of a decrease in the market price of the underlying shares.

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, 2018			Dec. 31, 2017		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
<b>Unconsolidated properties</b>						
United States	7.0%	5.6%	10	7.0%	5.6%	10

Equity attributable to Unitholders in the Core Retail segment decreased by \$(121) million at June 30, 2018 from December 31, 2017 due to a decrease in our equity accounted investments balance.

The following table presents an overview of the financial position of our Core Retail segment as at June 30, 2018 and December 31, 2017:

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Equity accounted investments	\$ 8,723	\$ 8,844
<b>Total assets</b>	\$ 8,723	\$ 8,844
<b>Total liabilities</b>	—	—
<b>Equity attributable to Unitholders</b>	\$ 8,723	\$ 8,844

Equity accounted investments decreased by \$121 million driven by dividends received from GGP, partially offset by positive net income during the current period.

The following table presents a roll-forward of our partnership's equity accounted investments from December 31, 2017 to June 30, 2018:

(US\$ Millions)	Jun. 30, 2018
Equity accounted investments, beginning of period	\$ 8,844
Share of net income, including fair value (losses)	29
Distributions received	(142)
Foreign currency translation	—
Other	(8)
<b>Equity accounted investments, end of period</b>	\$ 8,723

#### Reconciliation of Non-IFRS Measures – Core Retail

The following table reconciles Core Retail net income to net income attributable to Unitholders for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>Net income</b>	\$ 187	\$ 53	\$ 29	\$ 47
Net income attributable to non-controlling interests	—	—	—	—
<b>Net income attributable to Unitholders</b>	\$ 187	\$ 53	\$ 29	\$ 47

The following table reconciles Core Retail net income to FFO for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>Net income</b>	\$ 187	\$ 53	\$ 29	\$ 47
Add (deduct):				
Share of equity accounted fair value (gains), net	(70)	105	200	69
Fair value losses (gains) losses, net	—	(39)	—	102
<b>FFO</b>	\$ 117	\$ 119	\$ 229	\$ 218

The following table reconciles Core Retail share of net earnings from equity accounted investment for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Unconsolidated properties NOI	\$ 195	\$ 161	\$ 384	\$ 325
Unconsolidated properties fair value (losses) gains, net and income tax expense	70	(105)	(200)	(69)
Other expenses	(78)	(42)	(155)	(107)
<b>Share of net earnings from equity accounted investments</b>	\$ 187	\$ 14	\$ 29	\$ 149

### Opportunistic

Our Opportunistic segment is comprised of the following:

- 138 office properties comprising approximately 40 million square feet of office space in the United States, United Kingdom, Brazil and Asia;
- Approximately 29 million square feet of retail space across 45 properties across the United States and in select Brazilian markets;
- Over 34 million square feet of industrial space across 114 industrial properties, primarily consisting of modern logistics assets in North America;
- Approximately 25,700 multifamily units across 87 properties throughout the United States;
- 156 hospitality assets with over 27,500 rooms in North America, Europe and Australia;
- 326 properties that are leased to automotive dealerships across North America on a triple net lease basis;
- 202 self-storage facilities comprising of approximately 16 million square feet throughout the United States;
- 45 student housing properties with approximately 16,600 beds in the United Kingdom;
- 136 manufactured housing communities with approximately 33,200 sites across the United States; and
- Two mixed-use investments with approximately 6 million square feet of mixed-use space in South Korea and Germany.

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, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
NOI	\$ 623	\$ 524	\$ 1,185	\$ 987
FFO	88	80	192	149
Net income attributable to Unitholders	440	186	606	369

Since the prior year, we have made significant investments in our Opportunistic segment. These investments are the primary driver of the increased earnings for the periods presented. These investments include the following:

- Acquired a hotel property in Florida in the second quarter of 2018;
- Acquired a portfolio of mixed-use hospitality properties in Germany in the second quarter of 2018;
- Acquired a Class-A office park in Mumbai in the second quarter of 2018;
- Acquired an office building in downtown Chicago in the second quarter of 2018;
- Acquired a portfolio of 15 student housing properties in the first quarter of 2018;
- Acquired a portfolio of 105 extended-stay hotels across the U.S. in the first quarter of 2018;
- Acquired a United Kingdom based owner and operator of serviced apartments in the first quarter of 2018;
- Acquired a hotel property in Toronto in the fourth quarter of 2017;
- Acquired two office buildings in California in the fourth quarter of 2017;
- Acquired a portfolio of 14 office assets in India in the fourth quarter of 2017; and
- Acquired the Houston Center, a 4.2 million square feet mixed-use complex in the fourth quarter of 2017.

Contributing to the increase in NOI for the three and six months ended June 30, 2018 was NOI from the acquisitions noted above and the positive impact of foreign currency translation. These acquisitions contributed incremental NOI of \$91 million and \$175 million for the three and six months ended June 30, 2018, respectively. These increases were partially offset by the sale of an industrial portfolio in Europe in the fourth quarter of 2017.

FFO increased in the current period compared to the three months ended June 30, 2017 as increases in NOI were offset by increased interest expense and a reduction in investment and other income as the prior period included income earned on developed-for-sale assets.

FFO increased by \$43 million for the six months ended June 30, 2018 primarily driven by NOI earned from the acquisitions noted above and the impact of foreign exchange partially offset by higher interest expense and general and administrative expenses relating to the acquisitions noted above.

Net income attributable to Unitholders increased for the three and six months ended June 30, 2018, driven by incremental income relating to the acquisitions as well as fair value gains, particularly related to our industrial portfolio in the U.S., our opportunistic office assets in India, and our manufactured housing assets in the U.S, a gain on extinguishment of debt associated with the sale of the Hard Rock Hotel and Casino and the positive impact of foreign exchange. These increases were partially offset by higher non-controlling interest ownership associated with the acquisitions of new investments through Brookfield Asset Management-sponsored real estate funds, as noted above, as well as incremental interest expense and general and administrative expenses associated with the acquisitions.

The following table presents key operating metrics for our Opportunistic portfolio as at June 30, 2018 and 2017:

(US\$ Millions, except where noted)	Equity attributable to Unitholders		Jun. 30, 2018			
	Jun. 30, 2018	Dec. 31, 2017	Number of properties	Total area (sq. ft. in thousands)	Units of measure	Occupancy %
Opportunistic Office	\$ 1,056	\$ 1,080	138	39,574	Sq. ft.	82.9%
Opportunistic Retail	1,208	1,285	45	28,603	Sq. ft.	88.0%
Industrial	446	358	114	34,163	Sq. ft.	92.6%
Multifamily	849	745	87	25,692	Units	95.1%
Hospitality	832	573	156	27,532	Rooms	n/a
Triple Net Lease	327	321	326	16,586	Sq. ft.	99.5%
Self-storage	214	187	202	15,956	Sq. ft.	90.6%
Student Housing	271	172	45	16,582	Beds	96.6%
Manufactured Housing	222	191	136	33,169	Sites	86.2%
Mixed-Use	228	203	7	5,643	Sq. ft.	75.4%
Finance Funds	172	123	n/a	n/a	n/a	n/a
<b>Total</b>	<b>\$ 5,825</b>	<b>\$ 5,238</b>				

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,	
	2018	2017	2018	2017
Consolidated investments	\$ 819	\$ 419	\$ 1,159	\$ 751
Unconsolidated investments <sup>(1)</sup>	11	41	97	97
<b>Total fair value gains, net</b>	<b>\$ 830</b>	<b>\$ 460</b>	<b>\$ 1,256</b>	<b>\$ 848</b>

<sup>(1)</sup> 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 and terminal capitalization rate and timing or variability of cash flows.

	Jun. 30, 2018			Dec. 31, 2017		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
<b>Consolidated properties</b>						
Opportunistic Office <sup>(1)</sup>	10.3%	7.5%	6	10.2%	7.5%	7
Opportunistic Retail	8.9%	8.0%	10	9.0%	8.0%	10
Industrial	6.6%	5.7%	10	6.8%	6.2%	10
Mixed-Use <sup>(1)</sup>	8.4%	5.4%	10	8.4%	5.3%	10
Multifamily <sup>(2)</sup>	4.8%	n/a	n/a	4.8%	n/a	n/a
Triple Net Lease <sup>(2)</sup>	6.5%	n/a	n/a	6.4%	n/a	n/a
Self-storage <sup>(2)</sup>	5.8%	n/a	n/a	5.8%	n/a	n/a
Student Housing <sup>(2)</sup>	5.8%	n/a	n/a	5.8%	n/a	n/a
Manufactured Housing <sup>(2)</sup>	5.4%	n/a	n/a	5.8%	n/a	n/a
<b>Unconsolidated properties</b>						
Opportunistic Office	6.6%	5.6%	10	6.6%	5.7%	10
Opportunistic Retail	11.3%	7.1%	10	11.5%	7.2%	11
Industrial	6.3%	5.4%	10	6.4%	5.8%	10
Multifamily <sup>(2)</sup>	5.2%	n/a	n/a	5.1%	n/a	n/a

<sup>(1)</sup> During the second quarter of 2018, the valuation metrics for International Finance Center Seoul ("IFC") are being reported under the mixed-use sector. The valuation metrics for opportunistic office have been updated for both periods presented.

<sup>(2)</sup> 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, 2018	Dec. 31, 2017
Investment properties	\$ 29,882	\$ 28,088
Property, plant and equipment	6,663	5,358
Equity accounted investments	2,581	2,612
Accounts receivable and other	3,832	3,497
Cash and cash equivalents	844	962
Assets held for sale	1,349	785
<b>Total assets</b>	<b>\$ 45,151</b>	<b>\$ 41,302</b>
Debt obligations	23,987	21,970
Capital securities	431	431
Accounts payable and other liabilities	2,637	2,491
Liabilities associated with assets held for sale	850	1,028
Non-controlling interests of others in operating subsidiaries and properties	11,421	10,144
<b>Equity attributable to Unitholders</b>	<b>\$ 5,825</b>	<b>\$ 5,238</b>

The increase in investment properties is primarily the result of our acquisition activity, mostly in our student housing and opportunistic office portfolios. Additionally, we had valuation gains from our industrial portfolio in the U.S., our opportunistic office assets in India and our manufactured housing portfolio in the U.S.

The increase in property, plant and equipment is the result of acquisition activity during the period, including a portfolio of extended-stay hotels across the U.S, a portfolio of serviced apartments in the United Kingdom and a hotel property in Florida, capital spend and the positive impact of foreign currency translation, partially offset by depreciation expense.

Equity accounted investments decreased during the six months ended June 30, 2018 primarily due distributions of income and return of capital result during the period and the negative impact of foreign currency translation. These decreases were partially offset by net income from these investments during the period.

Assets held for sale and related liabilities as of June 30, 2018 includes a portfolio of self-storage assets, nine triple-net lease assets in the U.S., three opportunistic office assets in the U.S. and two industrial development sites, 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

The following table reconciles Opportunistic NOI to net income for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Commercial property revenue	\$ 650	\$ 541	\$ 1,247	\$ 1,033
Hospitality revenue	472	430	949	804
Direct commercial property expense	(207)	(171)	(391)	(311)
Direct hospitality expense	(292)	(276)	(620)	(539)
<b>Total NOI</b>	<b>623</b>	<b>524</b>	<b>1,185</b>	<b>987</b>
Investment and other revenue	10	18	23	155
Interest expense	(305)	(277)	(588)	(517)
General and administrative expense	(72)	(59)	(149)	(120)
Investment and other expense	—	—	—	(122)
Depreciation and amortization	(75)	(65)	(144)	(125)
Fair value gains, net	818	419	1,158	751
Share of net earnings from equity accounted investments	33	68	165	147
Income before taxes	1,032	628	1,650	1,156
Income tax expense	(91)	(48)	(108)	(83)
<b>Net income</b>	<b>941</b>	<b>580</b>	<b>1,542</b>	<b>1,073</b>
Net income attributable to non-controlling interests	501	394	936	704
<b>Net income attributable to Unitholders</b>	<b>\$ 440</b>	<b>\$ 186</b>	<b>\$ 606</b>	<b>\$ 369</b>

The following table reconciles Opportunistic net income to FFO for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>Net income</b>	<b>\$ 941</b>	<b>\$ 580</b>	<b>\$ 1,542</b>	<b>\$ 1,073</b>
Add (deduct):				
Fair value gains, net	(818)	(419)	(1,158)	(751)
Share of equity accounted fair value (gains), net	(11)	(41)	(97)	(97)
Depreciation and amortization of real estate assets	65	58	130	115
Income tax expense	91	48	108	83
Non-controlling interests in above items	(180)	(146)	(333)	(274)
<b>FFO</b>	<b>\$ 88</b>	<b>\$ 80</b>	<b>\$ 192</b>	<b>\$ 149</b>

### 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, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
FFO	\$ (122)	\$ (120)	\$ (243)	\$ (233)
Net income attributable to Unitholders	(130)	(149)	134	(302)

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

FFO was a loss of \$122 million (2017 - loss of \$120 million) and \$243 million (2017 - loss of \$233 million) for the three and six months ended June 30, 2018, respectively.

Interest expense contributes to this loss and for the three months ended June 30, 2018 was \$82 million (2017 - \$74 million), and consists of \$55 million (2017 - \$37 million) of interest expense paid on capital securities and \$27 million (2017 - \$37 million) of interest expense on our credit facilities. For the six months ended June 30, 2018, interest expense totaled \$162 million (2017 - \$145 million), and consists of \$109 million (2017 - \$77 million) of interest expense paid on capital securities and \$53 million (2017 - \$68 million) of interest expense on our credit facilities.

Another component of FFO is general and administrative expense, which, for the three months ended June 30, 2018 was \$53 million (2017 - \$55 million) and consists of \$24 million (2017 - \$27 million) of asset management fees, and \$29 million (2017 - \$20 million) of other corporate costs. The prior period also included \$8 million of equity enhancement fees. For the six months ended June 30, 2018 general and administrative expense was \$104 million (2017 - \$103 million) and consists of \$48 million (2017 - \$52 million) of asset management fees and \$56 million (2017 - \$38 million) of other corporate costs. The prior period also included \$13 million of equity enhancement fees.

In addition, during the three and six months ended June 30, 2018, we recorded fair value gains, net of nil and \$200 million (2017 - fair value losses of \$18 million and \$26 million), respectively, primarily related the recognition of net operating tax losses upon consolidation of BGREOSI after converting our loan interest in the entity and becoming sole equity holder. See Note 3, *Business Acquisitions and Combinations* for more information.

For the three and six months ended June 30, 2018, we also recorded a income tax expense of \$7 million and income tax benefit of \$177 million (2017 - income tax expense of \$11 million and \$43 million), respectively, allocated to the corporate segment related to the decrease of 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, 2018	Dec. 31, 2017
Accounts receivable and other	\$ 350	\$ 167
Equity accounted investments	—	70
Cash and cash equivalents	336	169
<b>Total assets</b>	<b>686</b>	<b>406</b>
Debt obligations	2,891	1,790
Capital securities	2,931	2,921
Deferred tax liabilities	268	598
Accounts payable and other liabilities	1,583	1,203
Non-controlling interests	(576)	(297)
<b>Equity attributable to Unitholders</b>	<b>\$ (6,411)</b>	<b>\$ (5,809)</b>

The corporate balance sheet includes corporate debt and capital securities from our partnership. The increase in corporate debt obligations is due to an increase in our credit facilities to fund acquisitions in the second Brookfield Asset Management-sponsored real estate opportunity fund during the period.

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 certain 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, 2018	Dec. 31, 2017
<b>Operating Partnership Class A Preferred Equity Units:</b>				
Series 1	24,000,000	6.25%	\$ 556	\$ 551
Series 2	24,000,000	6.50%	534	529
Series 3	24,000,000	6.75%	520	517
<b>Brookfield BPY Holdings Inc. Junior Preferred Shares:</b>				
Class B Junior Preferred Shares	30,000,000	5.75%	750	750
Class C Junior Preferred Shares	20,000,000	6.75%	500	500
<b>Brookfield Property Split Corp. Senior Preferred Shares:</b>				
Class A Series 1	924,390	5.25%	23	23
Class A Series 2	699,165	5.75%	13	14
Class A Series 3	909,994	5.00%	17	18
Class A Series 4	940,486	5.20%	18	19
<b>Total capital securities - corporate</b>			<b>\$ 2,931</b>	<b>\$ 2,921</b>

In addition, as at June 30, 2018, we had \$15 million (December 31, 2017 - \$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

The following table reconciles Corporate net income to net income attributable to Unitholders for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>Net income (loss)</b>	\$ (141)	\$ (158)	\$ 113	\$ (317)
Net income attributable to non-controlling interests	(11)	(9)	(21)	(15)
<b>Net income (loss) attributable to Unitholders</b>	\$ (130)	\$ (149)	\$ 134	\$ (302)

The following table reconciles Corporate net income to FFO for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>Net income (loss)</b>	\$ (141)	\$ (158)	\$ 113	\$ (317)
Add (deduct):				
Fair value (gains) losses, net	—	18	(200)	26
Income tax expense	7	11	(177)	43
Non-controlling interests in above items	12	9	21	15
<b>FFO</b>	\$ (122)	\$ (120)	\$ (243)	\$ (233)

## 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, 2018, capital totaled \$80 billion (December 31, 2017 - \$76 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 \$4,419 million at June 30, 2018 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, 2018	Dec. 31, 2017
Proportionate cash retained at subsidiaries	\$ 1,296	\$ 1,290
Proportionate availability under credit facilities	1,075	1,814
Proportionate availability under construction facilities	2,048	2,777
<b>Group-wide liquidity<sup>(1)</sup></b>	<b>\$ 4,419</b>	<b>\$ 5,881</b>

<sup>(1)</sup> 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, 2018
Remainder of 2018	\$ 1,824
2019	4,840
2020	3,714
2021	4,998
2022	1,947
2023 and thereafter	12,405
Deferred financing costs	(253)
<b>Secured debt obligations</b>	<b>\$ 29,475</b>
<b>Loan to value</b>	<b>55.6%</b>

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 2018-2019.

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, 2018. 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, 2018 and 2017, the partnership made distributions to Unitholders of \$222 million (2017 - \$209 million) and \$443 million (2017 - \$416 million), respectively. This compares to cash flow from operating activities of \$401 million and \$779 million for each period. The partnership has a number of alternatives at its disposal to fund any difference between the cash flow from operating activities and distributions to Unitholders. The partnership is not a passive investor and typically holds positions of control or significant influence over assets in which it invests, enabling the partnership to influence distributions from those assets. The partnership will, from time to time, convert some or all of the unrealized fair value gains on investment properties to cash through asset sales, joint ventures or refinancings. The partnership may access its credit facilities in order to temporarily fund its distributions as a result of timing differences between the payments of distributions and cash receipts from its investments. Distributions made to Unitholders which exceed cash flow from operating activities in future periods may be considered to be a return of capital to Unitholders as defined in Canadian Securities Administrators' National Policy 41-201 - *Income Trusts and Indirect Offerings*.

## RISKS AND UNCERTAINTIES

The financial results of our business are impacted by the performance of our properties and various external factors influencing the specific sectors and geographic locations in which we operate, including: macro-economic factors such as economic growth, changes in currency, inflation and interest rates; regulatory requirements and initiatives; and litigation and claims that arise in the normal course of business.

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, 2017 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 9.1% of our Core Office segment tenant base and, as at June 30, 2018, 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, 2018:

Tenant	Primary location	Credit rating <sup>(1)</sup>	Exposure (%) <sup>(2)</sup>
Government and Government Agencies	Various	AAA/AA+	9.1 %
Barclays	London	BBB-	2.5 %
Morgan Stanley	NY/Toronto	A-	2.5 %
CIBC World Markets <sup>(3)</sup>	Calgary/NY/Toronto	AA	1.8 %
Suncor Energy Inc.	Calgary	BBB+	1.7 %
Cenovus	Calgary	BB	1.5 %
Bank of Montreal	Calgary/Toronto	AA	1.4 %
Deloitte	Various	Not Rated	1.3 %
Bank of America   Merrill Lynch	Various	A-	1.3 %
Amazon	NY/London	BBB+	1.2 %
<b>Total</b>			<b>24.3%</b>

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

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

<sup>(3)</sup> 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, 2018. The largest ten tenants in our portfolio accounted for approximately 21.4% of minimum rents, tenant recoveries and other.

Tenant	DBA	Exposure (%) <sup>(1)</sup>
L Brands, Inc.	Victoria's Secret, Bath & Body Works, PINK, Henri Bendel	3.8%
Foot Locker, Inc.	Footlocker, Champs Sports, Footaction USA, House of Hoops, SIX:02	2.9%
The Gap, Inc.	Gap, Banana Republic, Old Navy, Athleta	2.5%
LVMH	Louis Vuitton, Sephora	2.2%
Forever 21 Retail, Inc.	Forever 21, Riley Rose	2.2%
Signet Jewelers Limited	Zales, Gordon's, Kay, Jared	1.6%
Ascena Retail Group	Dress Barn, Justice, Lane Bryant, Maurices, Ann Taylor, Loft	1.6%
Abercrombie & Fitch Stores, Inc.	Abercrombie, Abercrombie & Fitch, Hollister	1.6%
Express, Inc.	Express, Express Men	1.5%
American Eagle Outfitters, Inc.	American Eagle, Aerie, Martin + Osa	1.5%
<b>Total</b>		<b>21.4%</b>

<sup>(1)</sup> 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 6.4 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, 2018, including our unconsolidated investments:

(Sq. ft. in thousands)	Current	2018	2019	2020	2021	2022	2023	2024	2025 and beyond	Total
Core Office	5,819	1,689	3,443	5,186	5,876	5,175	6,060	4,057	42,846	80,151
Total % expiring	7.3%	2.1%	4.3%	6.5%	7.3%	6.5%	7.6%	5.1%	53.3%	100.0%
Core Retail <sup>(1)</sup>	2,473	2,215	6,633	5,173	5,045	5,365	5,006	4,366	18,101	54,377
Total % expiring	4.5%	4.1%	12.2%	9.5%	9.3%	9.9%	9.2%	8.0%	33.3%	100.0%
Opportunistic Office	6,393	1,890	4,149	3,951	4,661	4,024	2,526	968	6,291	34,853
Total % expiring	18.3%	5.4%	11.9%	11.3%	13.4%	11.5%	7.2%	2.8%	18.2%	100.0%
Opportunistic Retail <sup>(1)</sup>	1,451	1,101	1,636	1,544	1,326	1,067	971	608	4,317	14,021
Total % expiring	10.3%	7.9%	11.7%	11.0%	9.5%	7.6%	6.9%	4.3%	30.8%	100.0%
Industrial	2,545	480	1,541	4,828	5,915	2,689	2,231	2,177	11,758	34,164
Total % expiring	7.4%	1.4%	4.5%	14.1%	17.3%	7.9%	6.5%	6.4%	34.5%	100.0%

<sup>(1)</sup> 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 54% of our outstanding debt obligations at June 30, 2018 are floating rate debt compared to 52% at December 31, 2017. 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 \$213 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 \$3 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, 2018, our consolidated debt to capitalization was 49% (December 31, 2017 – 48%). 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, 2018, approximately 35% of our assets and 35% 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.

### 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, 2018 and December 31, 2017:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
<b>Jun. 30, 2018</b>	<b>Interest rate caps of US\$ LIBOR debt</b>	\$ 4,872	2.3% - 4.2%	Jul. 2018 - Dec. 2020	\$ 3
	Interest rate swaps of US\$ LIBOR debt	1,694	0.7% - 2.7%	Sep. 2018 - Mar. 2022	5
	Interest rate caps of £ LIBOR debt	945	1.3% - 2.0%	Dec. 2019 - Jan. 2021	—
	Interest rate swaps of £ LIBOR debt	69	1.5%	Apr. 2020	(1)
	Interest rate swaps of € EURIBOR debt	118	1.0% - 1.3%	Apr. 2020 - Apr. 2021	0
	Interest rate caps of C\$ LIBOR debt	183	3.0%	Oct. 2020 - Oct. 2022	1
	Interest rate swaps of C\$ LIBOR debt	38	3.7% - 4.3%	Nov. 2021	1
	<b>Interest rate swaps on forecasted fixed rate debt</b>	<b>100</b>	<b>4.0%</b>	<b>Jun. 2019</b>	<b>(154)</b>
Dec. 31, 2017	Interest rate caps of US\$ LIBOR debt	\$ 1,958	2.3% - 3.5%	May 2018 - Oct. 2020	\$ 1
	Interest rate swaps of US\$ LIBOR debt	1,692	0.7% - 2.2%	Jun. 2018 - Mar. 2022	19
	Interest rate caps of £ LIBOR debt	452	1.3%	Dec. 2019	—
	Interest rate swaps of £ LIBOR debt	71	1.5%	Apr. 2020	1
	Interest rate swaps of C\$ LIBOR debt	50	3.7% - 4.3%	Nov. 2021	1
	Interest rate swaps on forecasted fixed rate debt	100	4.0%	Jun. 2029	(13)

For the three and six months ended June 30, 2018, the amount of hedge ineffectiveness recorded in earnings in connection with the our interest rate hedging activities was \$17 million and \$17 million (2017 - nil and \$2 million), respectively.

### Foreign Currency Hedging

The following table provides our outstanding derivatives that are designated as net investments of foreign subsidiaries or foreign currency cash flow hedges as of June 30, 2018 and December 31, 2017:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
<b>Jun. 30, 2018</b>	<b>Net investment hedges</b>	€ 322	€0.78/\$ - €0.84/\$	Sep. 2018 - Aug. 2019	\$ 21
	Net investment hedges	£ 3,556	£0.69/\$ - £0.76/\$	Jul. 2018 - Oct. 2019	110
	Net investment hedges	A\$ 687	A\$1.27/\$ - A\$1.36/\$	Jul. 2018 - Sep. 2019	14
	Net investment hedges	C¥ 1,171	C¥6.34/\$ - C¥7.01/\$	Jul. 2018 - Jun. 2019	(3)
	Net investment hedges	C\$ 118	C\$1.31/\$	Oct. 2018 - Dec. 2018	4
	Net investment hedges	₩ 616,289	₩1,106.90/\$ - ₩1,113.04/\$	Aug. 2018 - Jan. 2019	—
	Net investment hedges	Rs 19,834	Rs67.44/\$ - Rs68.37/\$	Feb. 2019 - May 2019	14
	Net investment hedges	£ 77	£0.88/€ - £0.92/€	Jan. 2019 - Feb. 2020	—
Dec 31, 2017	Net investment hedges	€ 191	€0.83/\$ - €0.92/\$	Jan. 2018 - Dec. 2018	\$ (7)
	Net investment hedges	£ 2,923	£0.73/\$ - £0.81/\$	Jan. 2018 - Jan. 2019	(237)
	Net investment hedges	A\$ 768	A\$1.26/\$ - A\$1.38/\$	Jan. 2018 - Feb. 2019	(21)
	Net investment hedges	C¥ 1,165	C¥6.71/\$ - C¥7.09/\$	Jan. 2018 - Dec. 2018	(7)
	Net investment hedges	C\$ 127	C\$1.25/\$ - C\$1.26/\$	Oct. 2018 - Dec. 2018	—
	Cash flow hedges	C\$ 150	C\$1.27/\$	Apr. 2018	1
	Net investment hedges	₩ 616,289	₩1,084.95/\$ - ₩1,127.75/\$	Aug. 2018 - Jan. 2019	(26)
	Cash flow hedges	Rs 771	Rs65.24/\$	Mar. 2018	—

For the three and six months ended June 30, 2018 and 2017, the amount of hedge ineffectiveness recorded in earnings in connection with our foreign currency hedging activities was not significant.

## Other Derivatives

The following table presents details of our derivatives, not designated as hedges for accounting purposes, that have been entered into to manage financial risks as of June 30, 2018 and December 31, 2017:

(US\$ Millions)	Derivative type	Notional	Rates	Maturity dates	Fair value
<b>Jun. 30, 2018</b>	<b>Interest rate caps</b>	\$ 4,222	2.8% - 4.7%	Oct. 2018 - May 2020	\$ —
	Interest rate swaps on forecasted fixed rate debt	1,660	2.3% - 6.0%	Nov. 2018 - Jun. 2030	(10)
	Interest rate swaps of US\$ LIBOR debt	1,489	1.4% - 2.7%	Sep. 2018 - Nov. 2020	(1)
	Interest rate swaptions	335	1.0%	Nov. 2018 - Nov. 2018	(1)
<b>Dec. 31, 2017</b>	Interest rate caps	\$ 5,351	2.5% - 5.8%	Jan. 2018 - Oct. 2020	\$ 1
	Interest rate swaps on forecasted fixed rate debt	1,660	1.9% - 6.0%	Jun. 2028 - Dec. 2029	(194)
	Interest rate swaps of US\$ LIBOR debt	1,050	1.4% - 1.6%	Sep. 2018 - Nov. 2020	10
	Interest rate swaptions	560	1.0%	Jun. 2018 - Nov. 2018	—

For the three and six months ended June 30, 2018, we recognized fair value gains, net of approximately \$14 million and \$53 million (2017 - losses of \$25 million and \$27 million) related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

## RELATED PARTIES

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

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

The base management fee for the three and six months ended June 30, 2018 was \$24 million (2017 - \$27 million) and \$48 million (2017 - \$52 million), respectively. The equity enhancement distribution was nil for both the three and six months ended June 30, 2018 (2017 - \$8 million and \$13 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, 2018	Dec 31, 2017
<b>Balances outstanding with related parties:</b>		
Participating loan interests	\$ 521	\$ 517
Net (payables)/receivables within equity accounted investments	(21)	(49)
Loans and notes receivable <sup>(1)</sup>	47	96
Receivables and other assets	7	11
Deposit and promissory note from Brookfield Asset Management	(1,233)	(633)
Property-specific debt obligations	(393)	(415)
Loans and notes payable and other liabilities	(161)	(156)
Capital securities held by Brookfield Asset Management	(1,250)	(1,250)
Preferred shares held by Brookfield Asset Management	(15)	(15)

<sup>(1)</sup> At June 30, 2018, includes \$47 million (December 31, 2017 - \$96 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,	
	2018	2017	2018	2017
<b>Transactions with related parties:</b>				
Commercial property revenue <sup>(1)</sup>	\$ 5	\$ 5	\$ 10	\$ 10
Management fee income	1	1	3	3
Participating loan interests (including fair value gains, net)	14	32	32	44
Interest expense on debt obligations	12	8	20	18
Interest on capital securities held by Brookfield Asset Management	19	19	38	38
General and administrative expense <sup>(2)</sup>	46	51	96	100
Construction costs <sup>(3)</sup>	136	74	225	144

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

<sup>(2)</sup> 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.

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

During the first quarter of 2018, we along with BPREP acquired a 25% and 75% interest, respectively, in 333 West 34th Street, an office building in New York for \$255 million.

**ADDITIONAL INFORMATION**  
**CRITICAL ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS**  
**ADOPTION OF ACCOUNTING STANDARDS**

The partnership adopted IFRS 15 effective January 1, 2018. The partnership adopted the standard using the modified retrospective approach with no restatement of comparatives and did not record any adjustment upon adoption. See additional disclosures in Note 20, *Commercial Property Revenue*, Note 21, *Hospitality Revenue* and Note 34, *Segment Information* of the financial statements

The partnership adopted IFRS 9 retrospectively with no restatement of comparatives. The adoption did not result in any material adjustment to the carrying amounts of financial assets, financial liabilities or opening retained earnings.

Refer to Note 2c, *Summary of Significant Accounting Policies: Adoption of Accounting Standards* of the financial statements for additional information.

**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, 2017 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 2018 and 2019, 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 continues to be high and we are considering a number of different opportunities to acquire single assets, development sites and portfolios at attractive returns. In our continued effort to enhance returns through capital reallocation, we are also looking to divest all of, or a partial interest in, a number of mature assets to capitalize on existing market conditions.

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

**OFF-BALANCE SHEET ARRANGEMENTS**

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

**CONTROLS AND PROCEDURES**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes made in our internal control over financial reporting that have occurred during the six months ended June 30, 2018, 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 \$69 billion in total assets. We are leading owners, operators and investors in commercial property assets, with a diversified portfolio of premier office and retail assets, as well as multifamily, triple net lease, industrial, hospitality, self-storage, student housing and manufactured housing assets. Brookfield Property Partners is listed on the Nasdaq Stock Market and Toronto Stock Exchange. Further information is available at [bpy.brookfield.com](http://bpy.brookfield.com). Important information may be disseminated exclusively via the website; investors should consult the site to access this information.

Brookfield Property Partners is the flagship listed real estate company of Brookfield Asset Management, a leading global alternative asset manager with over \$285 billion in assets under management.

### BROOKFIELD PROPERTY PARTNERS

73 Front Street, 5<sup>th</sup> Floor  
Hamilton, HM 12  
Bermuda  
Tel: (441) 294-3309  
[bpy.brookfield.com](http://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](mailto: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](mailto: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@astfinancial.com](mailto:inquiries@astfinancial.com)  
Web site: [www.astfinancial.com/ca](http://www.astfinancial.com/ca)

### COMMUNICATIONS

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

Brookfield Property Partners maintains a website, [bpy.brookfield.com](http://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, 2018 and December 31, 2017 and  
for the three and six months ended June 30, 2018 and 2017

## Brookfield Property Partners L.P. Condensed Consolidated Balance Sheets

Unaudited (US\$ Millions)	Note	As at	
		Jun. 30, 2018	Dec. 31, 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	4	\$ 53,045	\$ 51,357
Equity accounted investments	5	19,462	19,761
Participating loan interests	6	521	517
Property, plant and equipment	7	6,774	5,457
Goodwill	8	1,112	1,079
Intangible assets	9	1,205	1,188
Other non-current assets	10	1,078	898
Loans and notes receivable		163	178
<b>Total non-current assets</b>		<b>83,360</b>	<b>80,435</b>
<b>Current assets</b>			
Loans and notes receivable		44	7
Accounts receivable and other	11	1,420	981
Cash and cash equivalents		1,600	1,491
<b>Total current assets</b>		<b>3,064</b>	<b>2,479</b>
Assets held for sale	12	1,547	1,433
<b>Total assets</b>		<b>\$ 87,971</b>	<b>\$ 84,347</b>
<b>Liabilities and equity</b>			
<b>Non-current liabilities</b>			
Debt obligations	13	\$ 33,754	\$ 30,749
Capital securities	14	2,946	2,839
Other non-current liabilities	16	871	918
Deferred tax liabilities		2,586	2,888
<b>Total non-current liabilities</b>		<b>40,157</b>	<b>37,394</b>
<b>Current liabilities</b>			
Debt obligations	13	5,597	6,135
Capital securities	14	1,323	1,326
Accounts payable and other liabilities	17	3,508	3,052
<b>Total current liabilities</b>		<b>10,428</b>	<b>10,513</b>
Liabilities associated with assets held for sale	12	924	1,316
<b>Total liabilities</b>		<b>51,509</b>	<b>49,223</b>
<b>Equity</b>			
Limited partners	18	7,687	7,395
General partner	18	6	6
Non-controlling interests attributable to:			
Redeemable/exchangeable and special limited partnership units	18,19	14,755	14,500
Limited partnership units of Brookfield Office Properties Exchange LP	18,19	86	285
Interests of others in operating subsidiaries and properties	19	13,928	12,938
<b>Total equity</b>		<b>36,462</b>	<b>35,124</b>
<b>Total liabilities and equity</b>		<b>\$ 87,971</b>	<b>\$ 84,347</b>

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,	
		2018	2017	2018	2017
Commercial property revenue	20	\$ 1,130	\$ 1,050	\$ 2,227	\$ 2,045
Hospitality revenue	21	476	430	958	804
Investment and other revenue	22	45	39	86	198
<b>Total revenue</b>		<b>1,651</b>	<b>1,519</b>	<b>3,271</b>	<b>3,047</b>
Direct commercial property expense	23	421	413	830	782
Direct hospitality expense	24	295	276	627	539
Investment and other expense		—	—	—	122
Interest expense		537	510	1,057	982
Depreciation and amortization	25	76	69	148	132
General and administrative expense	26	183	156	352	307
<b>Total expenses</b>		<b>1,512</b>	<b>1,424</b>	<b>3,014</b>	<b>2,864</b>
Fair value gains, net	27	770	454	1,387	378
Share of net earnings from equity accounted investments	5	288	193	516	526
<b>Income before income taxes</b>		<b>1,197</b>	<b>742</b>	<b>2,160</b>	<b>1,087</b>
Income tax expense	15	146	78	86	236
<b>Net income</b>		<b>\$ 1,051</b>	<b>\$ 664</b>	<b>\$ 2,074</b>	<b>\$ 851</b>
<b>Net income attributable to:</b>					
Limited partners		\$ 194	\$ 87	\$ 386	\$ 27
General partner		—	—	—	—
Non-controlling interests attributable to:					
Redeemable/exchangeable and special limited partnership units		332	148	662	45
Limited partnership units of Brookfield Office Properties Exchange LP		8	4	16	1
Interests of others in operating subsidiaries and properties		517	425	1,010	778
<b>Total</b>		<b>\$ 1,051</b>	<b>\$ 664</b>	<b>\$ 2,074</b>	<b>\$ 851</b>
<b>Net income per LP Unit:</b>					
Basic	18	\$ 0.69	\$ 0.31	\$ 1.38	\$ 0.09
Diluted	18	\$ 0.68	\$ 0.31	\$ 1.36	\$ 0.09

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,	
		2018	2017	2018	2017
<b>Net income</b>		\$ 1,051	\$ 664	\$ 2,074	\$ 851
<b>Other comprehensive income (loss)</b>	29				
Items that may be reclassified to net income:					
Foreign currency translation		(536)	105	(501)	295
Cash flow hedges		23	11	53	39
Available-for-sale securities		—	—	—	1
Equity accounted investments		6	—	21	3
Items that will not be reclassified to net income:					
Securities - fair value through other comprehensive income ("FVTOCI")		1	—	(4)	—
Remeasurement of defined benefit obligations		2	(2)	2	(2)
Revaluation surplus		2	—	2	—
<b>Total other comprehensive income (loss)</b>		(502)	114	(427)	336
<b>Total comprehensive income (loss)</b>		\$ 549	\$ 778	\$ 1,647	\$ 1,187
<b>Comprehensive income attributable to:</b>					
<b>Limited partners</b>					
Net income		\$ 194	\$ 87	\$ 386	\$ 27
Other comprehensive income (loss)		(113)	27	(99)	68
		81	114	287	95
<b>Non-controlling interests</b>					
<b>Redeemable/exchangeable and special limited partnership units</b>					
Net income		332	148	662	45
Other comprehensive income (loss)		(194)	45	(170)	116
		138	193	492	161
<b>Limited partnership units of Brookfield Office Properties Exchange LP</b>					
Net income		8	4	16	1
Other comprehensive income (loss)		(5)	1	(4)	3
		3	5	12	4
<b>Interests of others in operating subsidiaries and properties</b>					
Net income		517	425	1,010	778
Other comprehensive income (loss)		(190)	41	(154)	149
		327	466	856	927
<b>Total comprehensive income</b>		\$ 549	\$ 778	\$ 1,647	\$ 1,187

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	
<b>Balance as at Dec 31, 2017</b>	\$ 5,613	\$ 1,878	\$ 140	\$ (236)	\$ 7,395	\$ 4	\$ 2	\$ —	\$ 6	\$ 14,500	\$ 285	\$ 12,938	\$ 35,124
Net income	—	386	—	—	386	—	—	—	—	662	16	1,010	2,074
Other comprehensive income	—	—	—	(99)	(99)	—	—	—	—	(170)	(4)	(154)	(427)
Total comprehensive income	—	386	—	(99)	287	—	—	—	—	492	12	856	1,647
Distributions	—	(160)	—	—	(160)	—	—	—	—	(276)	(7)	(530)	(973)
Issuance / repurchase of interests in operating subsidiaries	(12)	4	1	—	(7)	—	—	—	—	9	(2)	664	664
Exchange of exchangeable units	155	—	19	(2)	172	—	—	—	—	30	(202)	—	—
<b>Balance as at Jun. 30, 2018</b>	\$ 5,756	\$ 2,108	\$ 160	\$ (337)	\$ 7,687	\$ 4	\$ 2	\$ —	\$ 6	\$ 14,755	\$ 86	\$ 13,928	\$ 36,462
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 (loss)	—	—	—	68	68	—	—	—	—	116	3	149	336
Total comprehensive income (loss)	—	27	—	68	95	—	—	—	—	161	4	927	1,187
Distributions	—	(151)	—	—	(151)	—	—	—	—	(258)	(7)	(768)	(1,184)
Issuance / repurchase of interest in operating subsidiaries	(112)	(43)	11	—	(144)	—	—	—	—	(55)	(1)	545	345
Exchange of exchangeable units	5	—	—	—	5	—	—	—	—	1	(6)	—	—
<b>Balance as at Jun. 30, 2017</b>	\$ 5,636	\$ 1,918	\$ 138	\$ (351)	\$ 7,341	\$ 4	\$ 2	\$ —	\$ 6	\$ 14,372	\$ 283	\$ 12,507	\$ 34,509

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,	
		2018	2017
<b>Operating activities</b>			
Net income		\$ 2,074	\$ 851
Share of equity accounted earnings, net of distributions		(290)	(366)
Fair value (gains), net	27	(1,387)	(378)
Deferred income tax expense	15	(6)	134
Depreciation and amortization	25	148	132
Working capital and other		240	104
		779	477
<b>Financing activities</b>			
Debt obligations, issuance		10,535	11,432
Debt obligations, repayments		(7,644)	(9,282)
Capital securities issued		—	249
Capital securities redeemed		(13)	(299)
Non-controlling interests, issued		771	1,549
Non-controlling interests, purchased		—	(483)
Repurchases of limited partnership units		(12)	(112)
Distributions to non-controlling interests in operating subsidiaries		(521)	(768)
Distributions to limited partnership unitholders		(160)	(151)
Distributions to redeemable/exchangeable and special limited partnership unitholders		(276)	(258)
Distributions to holders of Brookfield Office Properties Exchange LP units		(7)	(7)
		2,673	1,870
<b>Investing activities</b>			
Investment properties and subsidiaries, proceeds of dispositions		609	708
Property acquisitions and capital expenditures		(4,392)	(2,818)
Investment in equity accounted investments		(291)	(368)
Proceeds from sale and distributions of equity accounted investments and participating loan interests		562	778
Financial assets and other		(235)	(220)
Property, plant and equipment investments, net of dispositions		305	(131)
Cash acquired in business combinations, net of cash impact from deconsolidation		116	10
Restricted cash and deposits		8	(30)
		(3,318)	(2,071)
<b>Cash and cash equivalents</b>			
Net change in cash and cash equivalents during the period		134	276
Effect of exchange rate fluctuations on cash and cash equivalents held in foreign currencies		(25)	22
Balance, beginning of period		1,491	1,456
<b>Balance, end of period</b>		\$ 1,600	\$ 1,754
<b>Supplemental cash flow information</b>			
<b>Cash paid for:</b>			
Income taxes		\$ 99	\$ 29
Interest (excluding dividends on capital securities)		\$ 917	\$ 782

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, 2018 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 Nasdaq Stock Market (“Nasdaq”) and the Toronto Stock Exchange (“TSX”) under the symbols “BPY” and “BPY.UN”, respectively.

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

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

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

These condensed consolidated financial statements as of and for the three and six months ended June 30, 2018 were approved and authorized for issue by the Board of Directors of the partnership on July 31, 2018.

#### 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, 2017, except for accounting standards adopted as identified in Note 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, 2017.

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

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”)

The partnership adopted IFRS 15 effective January 1, 2018. IFRS 15 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. The partnership’s revenue from leases are outside the scope of IFRS 15. The partnership’s material revenue streams subject to IFRS 15 are hospitality revenue and non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants. The adoption of IFRS 15 did not result in any material change to the pattern of revenue recognition by the partnership. The partnership adopted the standard using the modified retrospective approach with no restatement of comparatives and did not record any adjustment upon adoption. The partnership made additional disclosures in Note 20, *Commercial Property Revenue*, Note 21, *Hospitality Revenue* and Note 34, *Segment Information*, as a result of the adoption.

Following the adoption of IFRS 15, the partnership has separately disclosed other revenue from tenants in Note 20, *Commercial Property Revenue*, which consists of non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants which are accounted for in accordance with IFRS 15. Other revenue from tenants is recognized when the partnership has satisfied its performance obligation by delivering services as agreed upon in the lease agreements to tenants at an amount equal to the component of revenue allocated to such performance obligation.

The recognition pattern of hospitality revenue is not impacted upon adoption of IFRS 15. Room revenue is recognized net of taxes and levies. The partnership recognizes net wins from casino gaming activities, the difference between gaming wins and losses, as gaming revenue. Advance deposits

from guests' bookings of rooms and leisure activities are deferred and included as a liability until services are provided to guests. Similarly, the partnership recognizes a liability for deposits received from patrons before gaming activities occurs as well as for chips in patron's possession. Revenue from accommodation is recognized over the period that the guest stays at the hotel; food and beverage revenue is recognized when goods and services are provided; and revenue from leisure activities is recognized when leisure activities are completed given the short duration.

The recognition pattern of fee revenue is not impacted upon adoption of IFRS 15. It is recognized over a period of time as the partnership satisfies its performance obligations as agreed upon in contracts with customers.

#### IFRS 9, *Financial Instruments* ("IFRS 9")

The partnership adopted IFRS 9 effective January 1, 2018. IFRS 9 supersedes IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). 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 to 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 partnership adopted IFRS 9 retrospectively with no restatement of comparatives. The adoption did not result in any material adjustment to the carrying amounts of financial assets, financial liabilities or opening retained earnings.

The following table presents the types of financial instruments held by the partnership within each financial instrument classification under IAS 39 and IFRS 9:

	IAS 39		IFRS 9
	Classification	Measurement basis	Classification and measurement basis
<b>Financial assets</b>			
Participating loan interests	Loans and receivables	Amortized cost	FVTPL
Loans and notes receivable	Loans and receivables	Amortized cost	Amortized cost
Other non-current assets			
Securities designated as FVTPL	FVTPL	Fair value	FVTPL
Derivative assets	FVTPL	Fair value	FVTPL
Securities designated as AFS	AFS	Fair value	FVTOCI
Restricted cash	Loans and receivables	Amortized cost	Amortized cost
Accounts receivable and other			
Derivative assets	FVTPL	Fair value	FVTPL
Other receivables	Loans and receivables	Amortized cost	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost	Amortized cost
<b>Financial liabilities</b>			
Debt obligations	Other liabilities	Amortized cost	Amortized cost
Capital securities	Other liabilities	Amortized cost	Amortized cost
Capital securities - fund subsidiaries	Other liabilities	Fair value	FVTPL
Other non-current liabilities			
Loan payable	FVTPL	Fair value	FVTPL
Other non-current financial liabilities	Other liabilities	Amortized cost	Amortized cost
Derivative liabilities	FVTPL	Fair value	FVTPL
Accounts payable and other liabilities	Other liabilities	Amortized cost	Amortized cost

For financial instruments measured at amortized cost, the partnership assesses if there have been significant increases in credit risk since initial recognition to determine whether lifetime or 12-month expected credit losses should be recognized. Any related loss allowances are recorded through profit or loss. The change in impairment policy did not have a material impact on the partnership's financial statements.

The adoption of IFRS 9 did not have any material impact to the partnership's policy for hedge accounting applied to certain derivative instruments. The partnership's accounting policy is outlined in Note 2, *Summary of Significant Accounting Policies*, of the consolidated financial statements for the year ended December 31, 2017.

#### 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, 2017 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, 2018.

### e) Future Accounting Policy

#### IFRS 16, *Leases* (“IFRS 16”)

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. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained.

The partnership has participated in strategic planning sessions with its subsidiaries and associates in order to provide guidance regarding the key considerations and to develop an adoption project plan. The partnership is completing its assessment of existing contractual arrangements to identify the existing population of leases that would be capitalized under the new standard. Next steps include performing an initial quantification of the existing obligations, assessing any potential impact to IT systems and internal controls and reviewing the additional disclosures required by the new standard.

The partnership currently anticipates adopting the standard using the modified retrospective approach, which results in a one-time adjustment to opening retained earnings as of January 1, 2019 as if the standard had always been in effect, and intends to complete the transition using the current definition of a lease. The partnership is evaluating the practical expedients and policy choice options to determine which ones will be adopted.

The partnership will continue to evaluate the overall 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 20, 2018, the partnership acquired a 1.3 million square foot Class-A office park in Mumbai (“Mumbai Office Park”) that consists of four buildings for total cash consideration of \$41 million (Rs2,726 million). As of June 30, 2018, the valuation of the investment property acquired and assumed liability was still under evaluation by the partnership. Accordingly, the business combination has been accounted for on a provisional basis.

On April 12, 2018, the partnership acquired a 1.4 million square foot office building located in downtown Chicago (“175 West Jackson”), for total cash consideration of \$35 million. As of June 30, 2018, the valuation of the investment property acquired and assumed liability was still under evaluation by the partnership. Accordingly, the business combination has been accounted for on a provisional basis.

On March 9, 2018, the partnership obtained control over Brookfield Global Real Estate Special Opportunities Inc. (“BGRESOI”) after converting its loan interest in the entity and becoming 100% common equity holder. The partnership’s investment in the subsidiary was accounted for as a joint venture prior to this date. The previous joint partner converted its common equity into preferred equity, which is accounted for as capital security on the partnership’s consolidated balance sheet. This acquisition was accounted for as a business combination through step acquisition in accordance with IFRS 3. The partnership recognized a gain of \$190 million as a result of the recognition of a deferred tax asset upon acquisition of control that was not reflected in the carrying amount of the investment in BGRESOI prior to the business combination. As of June 30, 2018, the valuation of the investments and the related tax asset were still under evaluation by the partnership. Accordingly, the business combination has been accounted for on a provisional basis.

On February 26, 2018, the partnership acquired an owner and operator of a portfolio of serviced apartments across the United Kingdom and Europe (“UK Serviced Apartments”), for total consideration of £209 million (\$287 million). The acquisition was funded with \$193 million of cash, with the remainder funded through debt financing. During the second quarter of 2018, the partnership updated the purchase price allocation for the acquisition of UK Serviced Apartments and recognized property, plant and equipment of \$247 million and intangible assets of \$28 million. As of June 30, 2018, the valuation of the property, plant and equipment and intangible assets acquired and liabilities assumed were still under evaluation by the partnership. Accordingly, the business combination has been accounted for on a provisional basis.

On February 1, 2018, the partnership acquired a portfolio of 105 extended-stay hotel properties across the United States (“Extended-Stay Hotel Portfolio”), for total consideration of \$764 million. The acquisition was funded with \$169 million of cash, with the remainder funded through debt financing. As of June 30, 2018, the valuation of the property, plant and equipment acquired was still under evaluation by the partnership. Accordingly, the business combination has been accounted for on a provisional basis.

On February 1, 2018, the partnership acquired a portfolio of 15 student housing properties in the United Kingdom (“UK Student Housing IV”), for total consideration of £527 million (\$752 million). The acquisition was funded with \$194 million of cash, with the remainder funded through debt financing. As of June 30, 2018, the partnership completed the purchase price allocation for the acquisition. No material changes were made to the provisional purchase price allocations.

On January 5, 2018, the partnership along with Brookfield Premier Real Estate Partners Pooling LLC (“BPREP”), acquired a 25% and 75% interest, respectively, in 333 West 34th Street, a 350,000 square foot office building in Midtown New York (“333 West 34th Street”), for total consideration of \$255 million. The acquisition was funded with \$125 million of cash, with the remainder funded through debt financing. As of June 30, 2018, the valuation of the investment property acquired was still under evaluation by the partnership. Accordingly, the business combination has been accounted for on a provisional basis.

During the second quarter of 2018, the partnership completed the purchase price allocation for the acquisition of a 2.7 million square foot portfolio of office space in Mumbai, India (“Mumbai Office Portfolio”), which was provisional as of December 31, 2017. No material changes were made to the provisional purchase price allocations.

During the first quarter of 2018, the partnership completed the purchase price allocation for the acquisitions of two office buildings comprised of 400,000 square feet in San Jose, California (“Towers @ 2<sup>nd</sup>”), a 4.2 million square foot mixed-use office and retail complex (“Houston Center”) in Houston, Texas and a hotel in downtown Toronto, Canada (“Toronto Hotel”), which were provisional as of December 31, 2017. No material changes were made to the provisional purchase price allocations.

The following table summarizes the impact of significant business combinations during the six months ended June 30, 2018:

(US\$ Millions)	Extended-Stay Hotel Portfolio	UK Student Housing IV	UK Serviced Apartments	333 West 34th Street	BGRESOI	Mumbai Office Park	175 West Jackson	Other	Total
Investment properties	\$ —	\$ 742	\$ —	\$ 255	\$ —	\$ 369	\$ 304	\$ 1,289	\$ 2,959
Property, plant and equipment	768	10	247	—	—	—	—	349	1,374
Goodwill	—	—	67	—	—	—	—	—	67
Intangible assets	—	—	28	—	—	—	—	—	28
Accounts receivable and other	7	45	8	—	370	5	21	95	551
Cash and cash equivalents	2	18	5	—	23	27	2	44	121
<b>Total assets</b>	<b>777</b>	<b>815</b>	<b>355</b>	<b>255</b>	<b>393</b>	<b>401</b>	<b>327</b>	<b>1,777</b>	<b>5,100</b>
Less:									
Debt obligations	—	—	(10)	—	—	(315)	(274)	(197)	(796)
Accounts payable and other	(13)	(63)	(50)	—	(81)	(33)	(18)	(47)	(305)
Deferred tax liabilities	—	—	(8)	—	—	(12)	—	(4)	(24)
Non-controlling interests <sup>(1)</sup>	—	—	—	—	—	—	—	(52)	(52)
<b>Net assets acquired</b>	<b>\$ 764</b>	<b>\$ 752</b>	<b>\$ 287</b>	<b>\$ 255</b>	<b>\$ 312</b>	<b>\$ 41</b>	<b>\$ 35</b>	<b>\$ 1,477</b>	<b>\$ 3,923</b>
Consideration <sup>(2)</sup>	\$ 764	\$ 752	\$ 287	\$ 255	\$ 122	\$ 41	\$ 35	\$ 1,452	\$ 3,708
Transaction costs	\$ 9	\$ 7	\$ 11	\$ 1	\$ —	\$ 1	\$ 6	\$ 23	\$ 58

<sup>(1)</sup> 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.

<sup>(2)</sup> 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, 2018, the partnership recorded revenue and net income in connection with these acquisitions of approximately \$161 million and \$35 million, respectively. If the acquisitions had occurred on January 1, 2018, the partnership’s total revenue and net income would have been \$3,359 million and \$2,089 million, respectively, for the six months ended June 30, 2018.

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, 2018 and the year ended December 31, 2017:

(US\$ Millions)	Six months ended Jun. 30, 2018			Year ended Dec. 31, 2017		
	Commercial properties	Commercial developments	Total	Commercial properties	Commercial developments	Total
Balance, beginning of period	\$ 48,780	\$ 2,577	\$ 51,357	\$ 45,699	\$ 3,085	\$ 48,784
Changes resulting from:						
Property acquisitions	2,441	523	2,964	5,545	107	5,652
Capital expenditures	357	526	883	905	990	1,895
Property dispositions <sup>(1)</sup>	(556)	(1)	(557)	(1,240)	(675)	(1,915)
Fair value gains, net	409	384	793	347	202	549
Foreign currency translation	(936)	(64)	(1,000)	1,121	159	1,280
Transfer between commercial properties and commercial developments	145	(145)	—	1,038	(1,038)	—
Reclassifications to assets held for sale and other changes	(1,393)	(2)	(1,395)	(4,635)	(253)	(4,888)
<b>Balance, end of period</b>	<b>\$ 49,247</b>	<b>\$ 3,798</b>	<b>\$ 53,045</b>	<b>\$ 48,780</b>	<b>\$ 2,577</b>	<b>\$ 51,357</b>

<sup>(1)</sup> 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 are internally determined and compared with market data, third-party reports and research as well as observable conditions. 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 these financial statements. Discount rates and capitalization rates are inherently uncertain and may be impacted by, among other things, movements in interest rates in the geographies and markets in which the assets are located. Changes in estimates of discount and capitalization rates across different geographies and markets are often independent of each other and not necessarily in the same direction or of the same magnitude. Further, impacts to the partnership's fair values of commercial properties from changes in discount or capitalization rates and cash flows are usually inversely correlated. Decreases (increases) in the discount rate or capitalization rate result in increases (decreases) of fair value. Such decreases (increases) may be mitigated by decreases (increases) in cash flows included in the valuation analysis, as circumstances that typically give rise to increased interest rates (e.g., strong economic growth, inflation) usually give rise to increased cash flows at the asset level. Refer to the table below for further information on valuation methods used by the partnership for its asset classes.

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

In accordance with its policy, the partnership generally measures and records its commercial properties and developments using valuations prepared by management. However, for certain recently acquired subsidiaries, the partnership has used valuations prepared by external valuation professionals. Additionally, a number of properties are externally appraised each year and the results of those appraisals are compared to the partnership's internally prepared values.

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, 2018			Dec. 31, 2017		
		Discount rate	Terminal capitalization rate	Investment horizon (years)	Discount rate	Terminal capitalization rate	Investment horizon (years)
<b>Core Office</b>							
United States	Discounted cash flow	7.0%	5.8%	12	7.0%	5.8%	13
Canada	Discounted cash flow	6.0%	5.6%	10	6.1%	5.5%	10
Australia	Discounted cash flow	6.9%	6.1%	10	7.0%	6.1%	10
Brazil	Discounted cash flow	9.8%	7.6%	7	9.7%	7.6%	7
<b>Opportunistic Office<sup>(1)</sup></b>	Discounted cash flow	10.3%	7.5%	6	10.2%	7.5%	7
<b>Opportunistic Retail</b>	Discounted cash flow	8.9%	8.0%	10	9.0%	8.0%	10
<b>Industrial</b>	Discounted cash flow	6.6%	5.7%	10	6.8%	6.2%	10
<b>Mixed-use<sup>(1)</sup></b>	Discounted cash flow	8.4%	5.4%	10	8.4%	5.3%	10
<b>Multifamily<sup>(2)</sup></b>	Direct capitalization	4.8%	n/a	n/a	4.8%	n/a	n/a
<b>Triple Net Lease<sup>(2)</sup></b>	Direct capitalization	6.5%	n/a	n/a	6.4%	n/a	n/a
<b>Self-storage<sup>(2)</sup></b>	Direct capitalization	5.8%	n/a	n/a	5.8%	n/a	n/a
<b>Student Housing<sup>(2)</sup></b>	Direct capitalization	5.8%	n/a	n/a	5.8%	n/a	n/a
<b>Manufactured Housing<sup>(2)</sup></b>	Direct capitalization	5.4%	n/a	n/a	5.8%	n/a	n/a

<sup>(1)</sup> During the second quarter of 2018, the valuation metrics for International Finance Center Seoul ("IFC") are being reported under the mixed-use sector. The valuation metrics for opportunistic office have been updated for both periods presented.

<sup>(2)</sup> 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 condensed consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined in Note 2(i), *Summary of Significant Accounting Policies: Fair value measurement*, in the consolidated financial statements as of December 31, 2017:

(US\$ Millions)	Jun. 30, 2018				Dec. 31, 2017			
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
			Commercial properties	Commercial developments			Commercial properties	Commercial developments
<b>Core Office</b>								
United States	\$ —	\$ —	\$ 13,964	\$ 904	\$ —	\$ —	\$ 14,259	\$ 568
Canada	—	—	4,140	103	—	—	4,493	104
Australia	—	—	2,407	51	—	—	2,472	8
Europe	—	—	126	1,176	—	—	120	920
Brazil	—	—	291	—	—	—	327	—
<b>Opportunistic</b>								
Opportunistic Office <sup>(1)</sup>	—	—	6,529	477	—	—	6,044	231
Opportunistic Retail	—	—	3,346	6	—	—	3,406	6
Industrial	—	—	1,969	633	—	—	1,409	533
Multifamily	—	—	4,141	—	—	—	3,925	—
Triple Net Lease	—	—	4,876	—	—	—	4,804	—
Self-storage	—	—	748	79	—	—	1,796	58
Student Housing	—	—	1,930	369	—	—	1,204	149
Manufactured Housing	—	—	2,320	—	—	—	2,206	—
Mixed-Use <sup>(1)</sup>	—	—	2,460	—	—	—	2,315	—
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 49,247</b>	<b>\$ 3,798</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 48,780</b>	<b>\$ 2,577</b>

<sup>(1)</sup> During the second quarter of 2018, the commercial properties for International Finance Center Seoul ("IFC") are being reported under the mixed-use sector. The valuation metrics for opportunistic office have been updated for both periods presented.

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, 2018, for properties valued using the discounted cash flow or direct capitalization method, respectively:

(US\$ Millions)	Jun. 30, 2018
	Impact on fair value of commercial properties
<b>Core Office</b>	
United States	\$ 830
Canada	215
Australia	150
Brazil	35
<b>Opportunistic</b>	
Opportunistic Office	289
Opportunistic Retail	129
Industrial	91
Mixed-use	121
Multifamily	205
Triple Net Lease	169
Self-storage	58
Student Housing	59
Manufactured Housing	102
<b>Total</b>	<b>\$ 2,453</b>

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

(US\$ Millions)	Principal activity	Principal place of business	Proportion of ownership interests/voting rights held by the partnership		Carrying value	
			Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
<b>Joint Ventures</b>						
Canary Wharf Joint Venture <sup>(1)</sup>	Property holding company	United Kingdom	50%	50%	\$ 3,347	\$ 3,284
Manhattan West, New York	Property holding company	United States	56%	56%	1,362	1,439
Grace Building, New York	Property holding company	United States	50%	50%	576	585
One Liberty Plaza, New York	Property holding company	United States	51%	51%	412	408
Southern Cross East, Melbourne <sup>(2)</sup>	Property holding company	Australia	50%	50%	400	407
Brookfield Brazil Retail Fundo de Investimento em Participaçõe ("Brazil Retail")	Holding company	Brazil	46%	46%	294	339
Brookfield D.C. Office Partners LLC ("D.C. Fund"), Washington, D.C.	Property holding company	United States	51%	51%	327	310
E&Y Complex, Sydney <sup>(2)</sup>	Property holding company	Australia	50%	50%	311	311
Brookfield Fairfield U.S. Multifamily Value Add Fund II ("VAMF II")	Property holding company	United States	37%	37%	300	291
Potsdamer Platz, Berlin	Holding company	Germany	25%	25%	210	205
One New York Plaza, New York	Property holding company	United States	15%	15%	126	120
Republic Plaza, Denver	Property holding company	United States	50%	50%	124	119
75 State Street, Boston	Property holding company	United States	26%	26%	92	94
Principal Place - Commercial, London	Property holding company	United Kingdom	50%	50%	98	230
Other	Various	Various	12% - 90%	12% - 90%	1,456	1,425
					9,435	9,567
<b>Associates</b>						
GGP Inc. ("GGP")	Real estate investment trust	United States	34%	34%	8,723	8,844
China Xintiandi ("CXTD") <sup>(3)</sup>	Property holding company	China	22%	22%	494	499
Diplomat Resort and Spa ("Diplomat")	Property holding company	United States	90%	90%	331	339
Brookfield Premier Real Estate Partners Pooling LLC ("BPREP")	Property holding company	United States	9%	10%	127	122
Other	Various	Various	23% - 31%	23% - 31%	352	390
					10,027	10,194
<b>Total</b>					<b>\$ 19,462</b>	<b>\$ 19,761</b>

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

<sup>(2)</sup> *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.*

<sup>(3)</sup> *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, 2018 was \$6,612 million (December 31, 2017 - \$7,570 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, 2018 and December 31, 2017:

(US\$ Millions)	Six months ended	Year ended
	Jun. 30, 2018	Dec. 31, 2017
Equity accounted investments, beginning of period	\$ 19,761	\$ 16,844
Additions	334	1,372
Disposals and return of capital distributions	(636)	(281)
Share of net earnings from equity accounted investments <sup>(1)</sup>	516	961
Distributions received	(226)	(369)
Foreign currency translation	(196)	430
Reclassification to assets held for sale <sup>(2)</sup>	—	(712)
Impact of warrant conversion <sup>(1)</sup>	—	1,448
Other comprehensive income and other	(91)	68
<b>Equity accounted investments, end of period</b>	<b>\$ 19,462</b>	<b>\$ 19,761</b>

<sup>(1)</sup> During the fourth quarter of 2017, in the Core Retail segment, the partnership exercised all of its outstanding warrants of GGP. Of these warrants, 16 million were exercised on a cashless basis and the remaining 43 million warrants on a full share settlement basis for approximately \$462 million. The exercise resulted in the partnership's acquisition of an additional 68 million common shares of GGP, increasing its ownership from 29% to 34%. The partnership determined its share of the net fair value of the incremental interests acquired in GGP's identifiable assets and liabilities. The excess of its share of this net fair value over the cost of the investment of \$442 million represents a gain that is included in share of net earnings from equity accounted investments for the year ended December 31, 2017.

<sup>(2)</sup> The partnership's 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.

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, 2018			Dec. 31, 2017		
		Discount rate	Terminal capitalization rate	Investment horizon (yrs)	Discount rate	Terminal capitalization rate	Investment horizon (yrs)
<b>Core Office</b>							
United States	Discounted cash flow	6.5%	5.4%	11	6.5%	5.3%	11
Australia	Discounted cash flow	6.9%	5.9%	10	7.0%	5.8%	10
Europe	Discounted cash flow	4.8%	4.9%	10	4.8%	4.8%	10
<b>Core Retail</b>							
United States	Discounted cash flow	7.0%	5.6%	10	7.0%	5.6%	10
<b>Opportunistic Office</b>	Discounted cash flow	6.6%	5.6%	10	6.6%	5.7%	10
<b>Opportunistic Retail</b>	Discounted cash flow	11.3%	7.1%	10	11.5%	7.2%	11
<b>Industrial</b>	Discounted cash flow	6.3%	5.4%	10	6.4%	5.8%	10
<b>Multifamily<sup>(1)</sup></b>	Direct capitalization	5.2%	n/a	n/a	5.1%	n/a	n/a

<sup>(1)</sup> 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, 2018	Dec. 31, 2017
Non-current assets	\$ 84,337	\$ 83,176
Current assets	3,559	3,679
<b>Total assets</b>	<b>87,896</b>	<b>86,855</b>
Non-current liabilities	32,306	31,913
Current liabilities	4,857	4,446
<b>Total liabilities</b>	<b>37,163</b>	<b>36,359</b>
Net assets	50,733	50,496
<b>Partnership's share of net assets</b>	<b>\$ 19,462</b>	<b>\$ 19,761</b>

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Revenue	\$ 1,239	\$ 1,180	\$ 2,614	\$ 2,398
Expenses	827	701	478	1,406
Income from equity accounted investments <sup>(1)</sup>	104	159	262	246
Income before fair value gains, net	516	638	2,398	1,238
Fair value (losses) gains, net	338	(139)	(1,141)	215
Net income	854	499	1,257	1,453
<b>Partnership's share of net earnings</b>	<b>\$ 288</b>	<b>\$ 193</b>	<b>\$ 516</b>	<b>\$ 526</b>

<sup>(1)</sup> 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 held at fair value through profit or loss ("FVTPL") on the condensed 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, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
Darling Park Complex, Sydney	30%	30%	\$ 259	\$ 251
IAG House, Sydney	50%	50%	111	111
Jessie Street, Sydney	100%	100%	151	155
<b>Total participating loan interests</b>			<b>\$ 521</b>	<b>\$ 517</b>

For the three and six months ended June 30, 2018, the partnership recognized interest income on the participating loan interests of \$7 million (2017 - \$7 million) and \$13 million (2017 - \$14 million), respectively, and fair value gains of \$9 million (2017 - \$25 million) and \$20 million (2017 - \$30 million), respectively.

#### 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"), a portfolio of extended-stay hotels in the U.S. and a hotel at IFC Seoul.

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

Hospitality assets by class	Useful life (in years)
Building and building improvements	5 to 50+
Land improvements	13 to 15
Furniture, fixtures and equipment	2 to 15

The following table presents the change to the components of the partnership's hotel assets for the six months ended June 30, 2018 and for the year ended December 31, 2017:

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
<b>Cost:</b>		
Balance at the beginning of period	\$ 5,451	\$ 5,417
Acquisitions through business combinations <sup>(1)</sup>	1,374	281
Additions	178	271
Disposals	(12)	(34)
Foreign currency translation	(103)	262
Reclassification to assets held for sale <sup>(2)</sup>	—	(746)
	<b>6,888</b>	<b>5,451</b>
<b>Accumulated fair value changes:</b>		
Balance at the beginning of period	756	659
Revaluation (loss) gains, net	(2)	55
Reclassification to assets held for sale <sup>(2)</sup>	—	42
	<b>754</b>	<b>756</b>
<b>Accumulated depreciation:</b>		
Balance at the beginning of period	(750)	(719)
Depreciation	(138)	(267)
Disposals	8	22
Foreign currency translation	12	(8)
Reclassification to assets held for sale <sup>(2)</sup>	—	222
	<b>(868)</b>	<b>(750)</b>
<b>Total property, plant and equipment</b>	<b>\$ 6,774</b>	<b>\$ 5,457</b>

<sup>(1)</sup> In the first quarter of 2018, the partnership acquired the Extended-Stay Hotel portfolio and UK Serviced Apartments portfolio. See Note 3, Business Acquisitions and Combinations for more information.

<sup>(2)</sup> In the fourth quarter of 2017, the Hard Rock Hotel and Casino was reclassified to assets held for sale, which sold to a third party in the first quarter of 2018.

#### NOTE 8. GOODWILL

Goodwill of \$1,112 million at June 30, 2018 (December 31, 2017 - \$1,079 million) is primarily attributable to 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 condensed consolidated balance sheets. These intangible assets primarily represent the trademark assets related to Center Parcs UK and Atlantis.

The trademark assets of Center Parcs UK had a carrying amount of \$958 million as of June 30, 2018 (December 31, 2017 - \$964 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these trademarks exclusively in certain territories and in perpetuity. The business model of Center Parcs UK is not subject to technological obsolescence or commercial innovations in any material way.

In addition, intangible assets include the trademark and licensing assets relating to Atlantis. At June 30, 2018, intangible assets of the Atlantis had a carrying value of \$208 million (December 31, 2017 - \$209 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these intangible assets granted under perpetual licenses. The business model of Atlantis is not subject to technological obsolescence or commercial innovations in any material way.

During the year ended December 31, 2017, the partnership reclassified the intangible assets of the Hard Rock Hotel and Casino, which had a carrying value of \$45 million, to assets held for sale, most of which was sold to a third party in the first quarter of 2018.

Intangible assets by class	Useful life (in years)
Trademarks	5 to Indefinite
Management contracts	40
Customer relationships	9
Other	3 to 7

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

The following table presents the components of the partnership's intangible assets as of June 30, 2018 and December 31, 2017:

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Cost	\$ 1,294	\$ 1,271
Accumulated amortization	(41)	(35)
Accumulated impairment losses	(48)	(48)
<b>Balance, end of period</b>	<b>\$ 1,205</b>	<b>\$ 1,188</b>

The following table presents a roll forward of the partnership's intangible assets for the six months ended June 30, 2018 and the year ended December 31, 2017:

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Balance, beginning of period	\$ 1,188	\$ 1,141
Acquisitions	50	17
Amortization	(9)	(8)
Foreign currency translation	(24)	82
Reclassification to assets held for sale and other <sup>(1)</sup>	—	(44)
<b>Balance, end of period</b>	<b>\$ 1,205</b>	<b>\$ 1,188</b>

<sup>(1)</sup> In the fourth quarter of 2017, the partnership reclassified the intangible assets of the Hard Rock Hotel and Casino, which had a carrying value of \$45 million, to assets held for sale, most of which was sold to a third party in the first quarter of 2018.

#### NOTE 10. OTHER NON-CURRENT ASSETS

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

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Securities - FVTPL	\$ 238	\$ 174
Derivative assets	38	48
Securities - FVTOCI	150	150
Restricted cash	133	153
Inventory	301	216
Other	218	157
<b>Total other non-current assets</b>	<b>\$ 1,078</b>	<b>\$ 898</b>

#### Securities - FVTPL

Securities - FVTPL consists primarily of the partnership's investment in convertible preferred units of a U.S. hospitality operating company. The preferred units earn a fixed cumulative dividend of 7.5% per annum compounding quarterly. Additionally, the partnership receives distributions in additional convertible preferred units of the U.S. hospitality operating company at 5.0% per annum compounding quarterly. The carrying value of these convertible preferred units at June 30, 2018 was \$171 million (December 31, 2017 - \$147 million).

#### Securities - FVTOCI

Securities - FVTOCI 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 - FVTOCI at June 30, 2018 are \$103 million (December 31, 2017 - \$103 million) of securities pledged as security for a loan payable to the issuer in the amount of \$93 million (December 31, 2017 - \$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, 2018	Dec. 31, 2017
Derivative assets	\$ 247	\$ 37
Accounts receivable <sup>(1)</sup>	443	421
Restricted cash and deposits	249	237
Prepaid expenses	162	94
Other current assets	319	192
<b>Total accounts receivable and other</b>	<b>\$ 1,420</b>	<b>\$ 981</b>

<sup>(1)</sup> See Note 32, Related Parties, for further discussion.

**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, 2018 and December 31, 2017:

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Investment properties	\$ 1,513	\$ 853
Property, plant and equipment	—	475
Accounts receivable and other assets	34	105
<b>Assets held for sale</b>	<b>1,547</b>	<b>1,433</b>
Debt obligations	907	1,107
Accounts payable and other liabilities	17	209
<b>Liabilities associated with assets held for sale</b>	<b>\$ 924</b>	<b>\$ 1,316</b>

The following table presents the change to the components of the assets held for sale for the six months ended June 30, 2018 and the year ended December 31, 2017:

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Balance, beginning of period	1,433	147
Reclassification to assets held for sale, net	1,431	4,641
Disposals	(1,306)	(3,365)
Fair value adjustments	35	8
Foreign currency translation	(17)	7
Other	(29)	(5)
<b>Balance, end of period</b>	<b>\$ 1,547</b>	<b>\$ 1,433</b>

At December 31, 2017, assets held for sale included a 50% interest in Bay Adelaide Centre East and West Towers located in Toronto in the Core Office segment, the Hard Rock Hotel and Casino in Las Vegas and thirteen assets within the opportunistic fund investment portfolios.

In the first quarter of 2018, the partnership sold 50% of its interest in Bay Adelaide Centre East and West Towers for approximately C\$850 million (\$660 million), the Hard Rock Hotel and Casino sold for approximately \$510 million and eight assets within the opportunistic fund investment portfolios sold for approximately \$144 million.

At June 30, 2018, assets held for sale included a portfolio of self-storage assets, Queens Quay Terminal in Toronto, the partnership's interest in Jean Edwards Tower in Ottawa, eleven assets within the opportunistic fund investment portfolios and an intangible asset relating to the Hard Rock Hotel and Casino in Las Vegas, 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, 2018		Dec. 31, 2017	
	Weighted-average rate	Debt balance	Weighted-average rate	Debt balance
<b>Unsecured facilities:</b>				
Brookfield Property Partners' credit facilities	3.73%	\$ 1,735	3.10%	\$ 1,363
Brookfield Office Properties' ("BPO") revolving facility	3.17%	653	2.60%	828
Brookfield Office Properties' senior unsecured note	—%	—	4.00%	119
Brookfield Canada Office Properties revolving facility	3.12%	80	2.89%	276
BPY BOPC LP credit facility	—%	—	2.85%	212
Subsidiary borrowings	5.19%	523	4.40%	622
<b>Secured debt obligations:</b>				
Funds subscription credit facilities <sup>(1)</sup>	3.39%	1,169	2.56%	436
Fixed rate	4.38%	19,219	4.59%	17,666
Variable rate	4.94%	17,206	4.59%	16,760
Deferred financing costs		(327)		(291)
<b>Total debt obligations</b>		<b>\$ 40,258</b>		<b>\$ 37,991</b>
Current		5,597		6,135
Non-current		33,754		30,749
Debt associated with assets held for sale		907		1,107
<b>Total debt obligations</b>		<b>\$ 40,258</b>		<b>\$ 37,991</b>

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

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

(Millions)	Jun. 30, 2018		Dec. 31, 2017	
	U.S. Dollars	Local currency	U.S. Dollars	Local currency
U.S. Dollars	\$ 28,051	\$ 28,051	\$ 25,975	\$ 25,975
British Pounds	5,018 £	3,798	4,290 £	3,173
Canadian Dollars	2,297 C\$	3,018	3,132 C\$	3,938
South Korean Won	1,617 ₩	1,805,000	1,692 ₩	1,805,000
Australian Dollars	1,481 A\$	2,000	1,554 A\$	1,991
Indian Rupee	1,447 Rs	99,103	1,168 Rs	74,386
Brazilian Reais	414 R\$	1,596	471 R\$	1,558
Chinese Yuan	6 C¥	43	— C¥	—
Euros	254 €	217	— €	—
Deferred financing costs		(327)		(291)
<b>Total debt obligations</b>	<b>\$ 40,258</b>		<b>\$ 37,991</b>	

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

(US\$ Millions)	Non-cash changes in debt obligations							Jun. 30, 2018
	Dec. 31, 2017	Debt obligation issuance, net of repayments	Assumed from business combinations	Assumed by purchaser	Amortization of deferred financing costs and (premium) discount	Foreign currency translation	Other	
<b>Debt obligations</b>	\$ 37,991	2,891	796	(599)	31	(585)	(267)	<b>\$ 40,258</b>

**NOTE 14. CAPITAL SECURITIES**

The partnership has the following capital securities outstanding as of June 30, 2018 and December 31, 2017:

(US\$ Millions)	Shares outstanding	Cumulative dividend rate	Jun. 30, 2018	Dec. 31, 2017
<b>Operating Partnership Class A Preferred Equity Units:</b>				
Series 1	24,000,000	6.25%	\$ 556	\$ 551
Series 2	24,000,000	6.50%	534	529
Series 3	24,000,000	6.75%	520	517
<b>Brookfield BPY Holdings Inc. Junior Preferred Shares:</b>				
Class B Junior Preferred Shares	30,000,000	5.75%	750	750
Class C Junior Preferred Shares	20,000,000	6.75%	500	500
<b>BPO Class B Preferred Shares:</b>				
Series 1 <sup>(1)</sup>	3,600,000	70% of bank prime	—	—
Series 2 <sup>(1)</sup>	3,000,000	70% of bank prime	—	—
<b>Brookfield Property Split Corp. (“BOP Split”) Senior Preferred Shares:</b>				
Series 1	924,390	5.25%	23	23
Series 2	699,165	5.75%	13	14
Series 3	909,994	5.00%	17	18
Series 4	940,486	5.20%	18	19
BSREP II RH B LLC (“Manufactured Housing”) Preferred Capital	—	9.00%	249	249
Rouse Series A Preferred Shares	5,600,000	5.00%	142	142
BSREP II Vintage Estate Partners LLC (“Vintage Estate”) Preferred Shares	10,000	5.00%	40	40
BGRESOI Preferred Shares	62,244	4.00%	62	—
Capital Securities – Fund Subsidiaries			845	813
<b>Total capital securities</b>			<b>\$ 4,269</b>	<b>\$ 4,165</b>
Current			1,323	1,326
Non-current			2,946	2,839
<b>Total capital securities</b>			<b>\$ 4,269</b>	<b>\$ 4,165</b>

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

Cumulative preferred dividends on the BOP Split Senior Preferred Shares are payable quarterly, as and when declared by BOP Split. On June 25, 2018, BOP Split declared quarterly dividends payable for the BOP Split Senior Preferred Shares.

Capital securities includes \$249 million at June 30, 2018 (December 31, 2017 - \$249 million) of preferred equity interests held by a third party investor in Manufactured Housing which have been classified as a liability, rather than as a non-controlling interest, due to the fact the holders are entitled to distributions equal to their capital balance plus 9% annual return payable in monthly distributions until maturity in December 2025.

Capital securities also includes \$142 million at June 30, 2018 (December 31, 2017 - \$142 million) of preferred equity interests held by a third party investor in Rouse Properties, L.P. (“Rouse”) which have been classified as a liability, rather than as a non-controlling interest, due to the fact that the interests are mandatorily redeemable on or after November 12, 2025 for a set price per unit plus any accrued but unpaid distributions; distributions are capped and accrue regardless of available cash generated.

Capital securities also includes \$40 million at June 30, 2018 (December 31, 2017 - \$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.

Capital securities also includes \$62 million at June 30, 2018 (December 31, 2017 - nil) of preferred equity interests held by a third party investor in BGRESOI 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 March 9, 2023 for a set price per unit plus any accrued but unpaid distributions; distributions are capped and accrue regardless of available cash generated.

The Capital Securities – Fund Subsidiaries includes \$803 million at June 30, 2018 (December 31, 2017 - \$775 million) of equity interests in Brookfield DTLA Holdings LLC (“DTLA”) held by co-investors in DTLA which have been classified as a liability, rather than as non-controlling interest, as holders of these interests can cause DTLA to redeem their interests in the fund for cash equivalent to the fair value of the interests on October 15, 2023, and on every fifth anniversary thereafter. Capital Securities – Fund Subsidiaries are measured at FVTPL.

Capital Securities – Fund Subsidiaries also includes \$42 million at June 30, 2018 (December 31, 2017 - \$38 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, 2018, capital securities includes \$49 million (December 31, 2017 - \$51 million) repayable in Canadian Dollars of C\$64 million (December 31, 2017 - C\$64 million).

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

(US\$ Millions)	Dec. 31, 2017	Non-cash changes on capital securities			Jun. 30, 2018
		Capital securities redeemed	Capital securities issued	Fair value changes	
<b>Capital securities</b>	\$ 4,165	\$ (13)	\$ 75	\$ 42	\$ 4,269

#### 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,	
	2018	2017	2018	2017
Current income tax	\$ 42	\$ 91	\$ 92	\$ 102
Deferred income tax	104	(13)	(6)	134
<b>Income tax expense (benefit)</b>	\$ 146	\$ 78	\$ 86	\$ 236

The partnership’s income tax expense increased for the three months ended June 30, 2018 and decreased for the six months ended June 30, 2018 as compared to the same period in the prior year. The increase in income tax expense in the three months ended June 30, 2018 is due to the tax impact of higher book income before income taxes. The decrease to the tax expense for the six months ended June 30, 2018, is primarily due to changes in the substantively enacted tax rate applicable to certain subsidiaries, changes in the entity tax status of certain subsidiaries and the recognition of the tax benefit of previously unrecognized net operating losses, partially offset by higher book income before income taxes.

#### NOTE 16. OTHER NON-CURRENT LIABILITIES

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

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Accounts payable and accrued liabilities	\$ 534	\$ 540
Derivative liabilities	95	160
Provisions	241	216
Deferred revenue	1	2
<b>Total other non-current liabilities</b>	\$ 871	\$ 918

#### NOTE 17. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

(US\$ Millions)	Jun. 30, 2018	Dec. 31, 2017
Accounts payable and accrued liabilities	\$ 1,659	\$ 1,636
Loans and notes payable	1,392	769
Derivative liabilities	182	399
Deferred revenue	271	242
Other liabilities	4	6
<b>Total accounts payable and other liabilities</b>	\$ 3,508	\$ 3,052

At June 30, 2018, loans and notes payable includes \$1,233 million (December 31, 2017 - \$633 million) of on-demand deposits from Brookfield Asset Management to the partnership.

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

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

(Thousands of units)	General partnership units		Limited partnership units	
	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
Outstanding, beginning of period	139	139	254,989	260,222
Exchange LP Units exchanged	—	—	7,743	285
Distribution Reinvestment Program	—	—	82	181
Issued under unit-based compensation plan	—	—	6	215
Repurchase of LP Units	—	—	(629)	(5,914)
<b>Outstanding, end of period</b>	<b>139</b>	<b>139</b>	<b>262,191</b>	<b>254,989</b>

### 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, 2018 and December 31, 2017.

#### 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, 2018 and December 31, 2017.

### 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, 2018	Dec. 31, 2017
Outstanding, beginning of period	11,078	11,363
Exchange LP Units exchanged <sup>(1)</sup>	(7,743)	(285)
<b>Outstanding, end of period</b>	<b>3,335</b>	<b>11,078</b>

<sup>(1)</sup> 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,	
	2018	2017	2018	2017
Limited Partners	\$ 80	\$ 76	\$ 160	\$ 151
Holder of:				
Redeemable/exchangeable partnership units	136	127	273	255
Special limited partnership units	2	2	3	3
Limited partnership units of Exchange LP	4	4	7	7
Total	\$ 222	\$ 209	\$ 443	\$ 416
<b>Per unit<sup>(1)</sup></b>	<b>\$ 0.315</b>	<b>\$ 0.295</b>	<b>\$ 0.630</b>	<b>\$ 0.590</b>

<sup>(1)</sup> 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,	
	2018	2017	2018	2017
<b>Net income attributable to limited partners</b>	<b>\$ 194</b>	<b>\$ 87</b>	<b>\$ 386</b>	<b>\$ 27</b>
Income reallocation related to mandatorily convertible preferred shares	31	14	62	4
<b>Net income attributable to limited partners – basic</b>	<b>225</b>	<b>101</b>	<b>448</b>	<b>31</b>
Dilutive effect of conversion of preferred shares and options <sup>(1)</sup>	10	6	19	—
<b>Net income attributable to limited partners – diluted</b>	<b>\$ 235</b>	<b>\$ 107</b>	<b>\$ 467</b>	<b>\$ 31</b>

(in millions of units/shares)				
<b>Weighted average number of LP Units outstanding</b>	<b>256.0</b>	255.9	<b>255.5</b>	257.0
Mandatorily convertible preferred shares	70.0	70.0	70.0	70.0
<b>Weighted average number of LP Units - basic</b>	<b>326.0</b>	325.9	<b>325.5</b>	327.0
Dilutive effect of the conversion of preferred shares and options <sup>(1)</sup>	19.6	22.3	18.4	0.2
<b>Weighted average number of LP units outstanding - diluted</b>	<b>345.6</b>	348.2	<b>343.9</b>	327.2

<sup>(1)</sup> 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, 2018	Dec. 31, 2017
Redeemable/Exchangeable and special limited partnership units	\$ 14,755	\$ 14,500
Limited partnership units of Brookfield Office Properties Exchange L.P.	86	285
Interests of others in operating subsidiaries and properties:		
Preferred shares held by Brookfield Asset Management Inc.	15	15
Preferred equity of subsidiaries	2,503	2,493
Non-controlling interests in subsidiaries and properties	11,410	10,430
Total interests of others in operating subsidiaries and properties	13,928	12,938
<b>Total non-controlling interests</b>	<b>\$ 28,769</b>	<b>\$ 27,723</b>

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, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
BPO <sup>(1)</sup>	Canada	—%	—%	\$ 2,985	\$ 2,982
BSREP Industrial Pooling Subsidiary L.P. <sup>(2)</sup>	United States	70%	70%	1,155	878
BSREP CARS Sub-Pooling LLC <sup>(2)</sup>	United States	71%	71%	943	918
Center Parcs UK <sup>(2)</sup>	United Kingdom	73%	73%	870	869
BSREP II Korea Office Holdings Pte. Ltd.	South Korea	78%	78%	689	706
BSREP II PBSA Ltd.	Bermuda	74%	74%	688	501
BSREP II Retail Upper Pooling LLC <sup>(2)</sup>	United States	50%	50%	666	670
BSREP II Aries Pooling LLC <sup>(2)</sup>	United States	74%	74%	671	652
BSREP II MH Holdings LLC <sup>(2)</sup>	United States	74%	74%	687	593
Brookfield Strategic Real Estate Partners II Storage REIT LLC <sup>(2)</sup>	United States	74%	74%	645	564
BSREP India Office Holdings Pte. Ltd.	United States	67%	67%	506	424
BSREP UA Holdings LLC <sup>(2)</sup>	Cayman Islands	70%	70%	501	487
BSREP II Brazil Pooling LLC	United States	68%	68%	431	472
BREF ONE, LLC	United States	67%	67%	307	483
Other	Various	18% - 76%	18% - 76%	2,184	1,739
<b>Total</b>				<b>\$ 13,928</b>	<b>\$ 12,938</b>

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

<sup>(2)</sup> Includes non-controlling interests representing interests held by other investors in Brookfield Asset Management-sponsored funds and holding entities through which the partnership participates in Brookfield Asset Management -sponsored funds. Also includes non-controlling interests in underlying operating entities owned by Brookfield Asset Management sponsored funds.

#### 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,	
	2018	2017	2018	2017
Base rent <sup>(1)</sup>	\$ 740	\$ 920	\$ 1,537	\$ 1,794
Straight-line rent	24	33	50	58
Lease termination	21	4	26	8
Other lease income <sup>(1)(2)</sup>	128	—	266	—
Other revenue from tenants <sup>(3)</sup>	217	—	348	—
Other <sup>(1)</sup>	—	93	—	185
<b>Total commercial property revenue</b>	<b>\$ 1,130</b>	<b>\$ 1,050</b>	<b>\$ 2,227</b>	<b>\$ 2,045</b>

<sup>(1)</sup> The partnership adopted IFRS 15, Revenues from Contracts with Customers, in 2018 using the modified retrospective method. The comparative information has not been restated and is reported under the accounting standards effective for those periods.

<sup>(2)</sup> Other lease income includes parking revenue and recovery of property tax and insurance expenses from tenants.

<sup>(3)</sup> Consists of recovery of certain operating expenses from tenants which are accounted for in accordance with IFRS 15.

#### NOTE 21. HOSPITALITY REVENUE

The components of hospitality revenue are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Room, food and beverage <sup>(1)</sup>	\$ 348	\$ 430	\$ 675	\$ 804
Gaming, and other leisure activities <sup>(1)</sup>	89	—	222	—
Other hospitality revenue <sup>(1)</sup>	39	—	61	—
<b>Total hospitality revenue</b>	<b>\$ 476</b>	<b>\$ 430</b>	<b>\$ 958</b>	<b>\$ 804</b>

<sup>(1)</sup> The partnership adopted IFRS 15, Revenues from Contracts with Customers, in 2018 using the modified retrospective method. The comparative information has not been restated and is reported under the accounting standards effective for those periods.

**NOTE 22. 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,	
	2018	2017	2018	2017
Investment income	\$ 15	\$ 6	\$ 21	\$ 140
Fee revenue	16	11	33	22
Dividend income	—	3	6	5
Interest income and other	7	12	13	17
Participating loan notes	7	7	13	14
<b>Total investment and other revenue</b>	<b>\$ 45</b>	<b>\$ 39</b>	<b>\$ 86</b>	<b>\$ 198</b>

**NOTE 23. 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,	
	2018	2017	2018	2017
Property maintenance	\$ 172	\$ 178	\$ 348	\$ 342
Real estate taxes	117	118	236	233
Employee compensation and benefits	54	36	98	77
Ground rents	15	16	29	29
Other	63	65	119	101
<b>Total direct commercial property expense</b>	<b>\$ 421</b>	<b>\$ 413</b>	<b>\$ 830</b>	<b>\$ 782</b>

**NOTE 24. DIRECT HOSPITALITY EXPENSE**

The components of direct hospitality expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
Employee compensation and benefits	\$ 81	\$ 70	\$ 162	\$ 148
Cost of food, beverage, and retail goods sold	68	63	137	116
Maintenance and utilities	44	35	84	64
Marketing and advertising	19	15	42	30
Other	83	93	202	181
<b>Total direct hospitality expense</b>	<b>\$ 295</b>	<b>\$ 276</b>	<b>\$ 627</b>	<b>\$ 539</b>

**NOTE 25. 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,	
	2018	2017	2018	2017
Depreciation and amortization of real estate assets	\$ 66	\$ 59	\$ 131	\$ 116
Depreciation and amortization of non-real estate assets	10	10	17	16
<b>Total depreciation and amortization</b>	<b>\$ 76</b>	<b>\$ 69</b>	<b>\$ 148</b>	<b>\$ 132</b>

**NOTE 26. 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,	
	2018	2017	2018	2017
Employee compensation and benefits	\$ 47	\$ 52	\$ 95	\$ 102
Management fees	36	43	74	84
Transaction costs and other	100	61	183	121
<b>Total general and administrative expense</b>	<b>\$ 183</b>	<b>\$ 156</b>	<b>\$ 352</b>	<b>\$ 307</b>

**NOTE 27. 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,	
	2018	2017	2018	2017
Commercial properties	\$ (9)	\$ 293	\$ 409	\$ 145
Commercial developments	355	60	384	104
Financial instruments and other <sup>(1)</sup>	424	101	594	129
<b>Total fair values gains, net</b>	<b>\$ 770</b>	<b>\$ 454</b>	<b>\$ 1,387</b>	<b>\$ 378</b>

<sup>(1)</sup> Includes bargain purchase gains from business acquisitions and combinations of \$215 million (2017 - \$168 million). See Note 3, Business Acquisitions and Combinations, for further information.

**NOTE 28. 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, 2018, the partnership incurred \$1 million (2017 - \$4 million) and \$(1) million (2017 - \$9 million), respectively, of expense in connection with its unit-based compensation plans.

**a) BPY Unit Option Plan**

Awards under the BPY Plan (“BPY Awards”) generally vest 20% per year over a period of five years and expire 10 years after the grant date, with the exercise price set at the time such options were granted and generally equal to the market price of an LP Unit on the Nasdaq 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.

**i. Equity-settled BPY Awards**

The change in the number of options outstanding under the equity-settled BPY Awards at June 30, 2018 and December 31, 2017 is as follows:

	Jun. 30, 2018		Dec. 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	13,801,795	\$ 20.54	16,338,511	\$ 20.49
Granted	—	—	93,750	22.92
Exercised	(28,806)	17.96	(1,194,569)	18.97
Expired/forfeited	(166,412)	22.91	(1,435,897)	21.51
Reclassified <sup>(1)</sup>	(437,151)	22.48	—	—
<b>Outstanding, end of period</b>	<b>13,169,426</b>	<b>\$ 20.45</b>	<b>13,801,795</b>	<b>\$ 20.54</b>
<b>Exercisable, end of period</b>	<b>9,636,246</b>	<b>\$ 20.25</b>	<b>7,352,112</b>	<b>\$ 20.22</b>

<sup>(1)</sup> Relates to the reclassification of equity-settled options for employees in Brazil to cash-settled options subsequent to the amendment of the BPY Plan, which was amended on February 7, 2018.

The following table sets out details of options issued and outstanding at June 30, 2018 and December 31, 2017 under the equity-settled BPY Awards by expiry date:

Expiry date	Jun. 30, 2018		Dec. 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
2020	226,800	\$ 13.07	226,800	\$ 13.07
2021	246,400	17.44	246,400	17.44
2022	508,300	18.07	517,300	18.07
2023	664,220	16.80	675,420	16.80
2024	7,912,800	20.59	7,946,313	20.59
2025	1,407,705	25.18	1,730,210	25.18
2026	2,109,451	19.51	2,365,602	19.51
2027	93,750	22.92	93,750	22.92
<b>Total</b>	<b>13,169,426</b>	<b>\$ 20.45</b>	<b>13,801,795</b>	<b>\$ 20.54</b>

**ii. Cash-settled BPY Awards**

The change in the number of options outstanding under the cash-settled BPY Awards at June 30, 2018 and December 31, 2017 is as follows:

	Jun. 30, 2018		Dec. 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	7,144,871	\$ 20.30	7,377,042	\$ 20.28
Granted	—	—	—	—
Exercised	(3,770)	19.51	(213,106)	19.12
Expired/forfeited	(191,636)	21.74	(19,065)	24.42
Reclassified <sup>(1)</sup>	437,151	22.48	—	—
<b>Outstanding, end of period</b>	<b>7,386,616</b>	<b>\$ 20.40</b>	<b>7,144,871</b>	<b>\$ 20.30</b>
<b>Exercisable, end of period</b>	<b>5,655,135</b>	<b>\$ 20.18</b>	<b>3,973,290</b>	<b>\$ 19.93</b>

<sup>(1)</sup> Relates to the reclassification of equity-settled options for employees in Brazil to cash-settled options subsequent to the amendment of the BPY Plan, which was amended on February 7, 2018.

The following table sets out details of options issued and outstanding at June 30, 2018 and December 31, 2017 under the cash-settled BPY Awards by expiry date:

Expiry date	Jun. 30, 2018		Dec. 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
2020	69,000	\$ 13.07	69,000	\$ 13.07
2021	172,800	17.44	172,800	17.44
2022	515,800	18.09	515,800	18.09
2023	519,000	16.80	519,000	16.80
2024	4,278,663	20.59	4,330,286	20.59
2025	859,059	25.18	695,376	25.18
2026	972,294	19.51	842,609	19.51
<b>Total</b>	<b>7,386,616</b>	<b>\$ 20.40</b>	<b>7,144,871</b>	<b>\$ 20.30</b>

**b) Restricted BPY LP Unit Plan**

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

As of June 30, 2018, the total number of Restricted Units outstanding was 170,886 (December 31, 2017 - 440,527) with a weighted average exercise price of \$21.01 (December 31, 2017 - \$21.08).

**c) Restricted BPY LP Unit Plan (Canada)**

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

As of June 30, 2018, the total number of Canadian Restricted Units outstanding was 21,624 (December 31, 2017 - 21,624) with a weighted average exercise price of C\$22.88 (December 31, 2017 - C\$22.88).

**d) Deferred Share Unit Plan**

In addition to the above, BPO has a deferred share unit plan. At June 30, 2018, BPO has 1,409,692 deferred share units (December 31, 2017 - 1,363,938) outstanding and vested.

**NOTE 29. OTHER COMPREHENSIVE INCOME (LOSS)**

Other comprehensive income (loss) consists of the following:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>Items that may be reclassified to net income:</b>				
Foreign currency translation				
Net unrealized foreign currency translation (losses) gains in respect of foreign operations	\$ (874)	\$ 301	\$ (709)	\$ 658
Gains (losses) on hedges of net investments in foreign operations, net of income taxes for the three and six months ended Jun. 30, 2018 of (\$9) million and (\$5) million, respectively (2017 – (\$5) million and (\$13) million) <sup>(1)</sup>	338	(196)	208	(363)
	(536)	105	(501)	295
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, 2018 of (\$11) million and (\$12) million, respectively (2017 – \$3 million and \$7 million)	23	11	53	39
	23	11	53	39
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	(2)	(1)	(1)	2
Gains (losses) on derivatives designated as cash flow hedges	8	1	22	1
	6	—	21	3
<b>Items that will not be reclassified to net income:</b>				
Unrealized (losses) on securities - FVTOCI, net of income taxes for the three and six months ended Jun. 30, 2018 of nil and \$2 million (2017 - nil and nil)	1	—	(4)	—
Net remeasurement (losses) on defined benefit obligations	2	(2)	2	(2)
Revaluation surplus	2	—	2	—
	5	(2)	—	(2)
<b>Total other comprehensive income (loss)</b>	<b>\$ (502)</b>	<b>\$ 114</b>	<b>\$ (427)</b>	<b>\$ 336</b>

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

### **NOTE 30. 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.

On March 26, 2018, the partnership entered into a definitive agreement with GGP for the partnership to acquire all of the outstanding shares of common stock of GGP other than those shares currently held by the partnership and its affiliates. In the transaction, GGP shareholders will be entitled to elect to receive, for each GGP common share, either \$23.50 in cash or either one LP Unit or one share of a new U.S. REIT security from the partnership, subject to proration based on aggregate cash consideration of \$9.25 billion. The transaction is subject to the approval of (1) GGP shareholders representing at least two-thirds of the outstanding GGP common stock and (2) GGP shareholders representing a majority of the outstanding GGP common stock not owned by partnership and its affiliates. On July 26, 2018, GGP shareholders approved of the transaction. See Note 35, *Subsequent Events* for further information.

At June 30, 2018, the partnership has commitments totaling approximately \$1,033 million for the development of Manhattan West in Midtown New York, Greenpoint Landing in Brooklyn, as well as the redevelopment of One Allen Center, Two Allen Center, and Three Allen Center in Houston, approximately £171 million (\$226 million) for the development of 100 Bishopsgate in London and approximately AED 462 million (\$126 million) for the development of ICD Brookfield Place in Dubai.

During 2013, Brookfield Asset Management announced the final close on the \$4.4 billion Brookfield Strategic Real Estate Partners ("BSREP") fund, a global private fund focused on making opportunistic investments in commercial property. The partnership, as lead investor, committed approximately \$1.3 billion to the fund. As of June 30, 2018, there remained approximately \$170 million of uncontributed capital commitments.

In April 2016, Brookfield Asset Management announced the final close on the \$9.0 billion second BSREP fund to which the partnership had committed \$2.3 billion as lead investor. As of June 30, 2018, there remained approximately \$860 million of uncontributed capital commitments.

In November 2017, Brookfield Asset Management announced the final close on the \$2.9 billion fifth Brookfield Real Estate Finance Fund ("BREF") to which the partnership had committed \$400 million. As of June 30, 2018, there remained approximately \$300 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 31. FINANCIAL INSTRUMENTS**

#### **a) Derivatives and hedging activities**

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

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

### 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, 2018 and December 31, 2017:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
<b>Jun. 30, 2018</b>	<b>Interest rate caps of US\$ LIBOR debt</b>	\$ 4,872	2.3% - 4.2%	Jul. 2018 - Dec. 2020	\$ 3
	<b>Interest rate swaps of US\$ LIBOR debt</b>	1,694	0.7% - 2.7%	Sep. 2018 - Mar. 2022	5
	<b>Interest rate caps of £ LIBOR debt</b>	945	1.3% - 2.0%	Dec. 2019 - Jan. 2021	—
	<b>Interest rate swaps of £ LIBOR debt</b>	69	1.5%	Apr. 2020	(1)
	<b>Interest rate swaps of € EURIBOR debt</b>	118	1.0% - 1.3%	Apr. 2020 - Apr. 2021	—
	<b>Interest rate caps of C\$ LIBOR debt</b>	183	3.0%	Oct. 2020 - Oct. 2022	1
	<b>Interest rate swaps of C\$ LIBOR debt</b>	38	3.7% - 4.3%	Nov. 2021	1
	<b>Interest rate swaps on forecasted fixed rate debt</b>	100	4.0%	Jun. 2019	(154)
<b>Dec. 31, 2017</b>	<b>Interest rate caps of US\$ LIBOR debt</b>	\$ 1,958	2.3% - 3.5%	May 2018 - Oct. 2020	\$ 1
	<b>Interest rate swaps of US\$ LIBOR debt</b>	1,692	0.7% - 2.2%	Jun. 2018 - Mar. 2022	19
	<b>Interest rate caps of £ LIBOR debt</b>	452	1.3%	Dec. 2019	—
	<b>Interest rate swaps of £ LIBOR debt</b>	71	1.5%	Apr. 2020	1
	<b>Interest rate swaps of C\$ LIBOR debt</b>	50	3.7% - 4.3%	Nov. 2021	1
	<b>Interest rate swaps on forecasted fixed rate debt</b>	100	4.0%	Jun. 2029	(13)

For the three and six months ended June 30, 2018, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's interest rate hedging activities was \$17 million and \$17 million (2017 - nil and \$2 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, 2018 and December 31, 2017:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
<b>Jun. 30, 2018</b>	<b>Net investment hedges</b>	€ 322	€0.78/\$ - €0.84/\$	Sep. 2018 - Aug. 2019	\$ 21
	<b>Net investment hedges</b>	£ 3,556	£0.69/\$ - £0.76/\$	Jul. 2018 - Oct. 2019	110
	<b>Net investment hedges</b>	A\$ 687	A\$1.27/\$ - A\$1.36/\$	Jul. 2018 - Sep. 2019	14
	<b>Net investment hedges</b>	C¥ 1,171	C¥6.34/\$ - C¥7.01/\$	Jul. 2018 - Jun. 2019	(3)
	<b>Net investment hedges</b>	C\$ 118	C\$1.31/\$	Oct. 2018 - Dec. 2018	4
	<b>Net investment hedges</b>	₩ 616,289	₩1,106.90/\$ - ₩1,113.04/\$	Aug. 2018 - Jan. 2019	—
	<b>Net investment hedges</b>	Rs 19,834	Rs67.44/\$ - Rs68.37/\$	Feb. 2019 - May 2019	14
	<b>Net investment hedges</b>	£ 77	£0.88/€ - £0.92/€	Jan. 2019 - Feb. 2020	—
<b>Dec. 31, 2017</b>	<b>Net investment hedges</b>	€ 191	€0.83/\$ - €0.92/\$	Jan. 2018 - Dec. 2018	\$ (7)
	<b>Net investment hedges</b>	£ 2,923	£0.73/\$ - £0.81/\$	Jan. 2018 - Jan. 2019	(237)
	<b>Net investment hedges</b>	A\$ 768	A\$1.26/\$ - A\$1.38/\$	Jan. 2018 - Feb. 2019	(21)
	<b>Net investment hedges</b>	C¥ 1,165	C¥6.71/\$ - C¥7.09/\$	Jan. 2018 - Dec. 2018	(7)
	<b>Net investment hedges</b>	C\$ 127	C\$1.25/\$ - C\$1.26/\$	Oct. 2018 - Dec. 2018	—
	<b>Cash flow hedges</b>	C\$ 150	C\$1.27/\$	Apr. 2018	1
	<b>Net investment hedges</b>	₩ 616,289	₩1,084.95/\$ - ₩1,127.75/\$	Aug. 2018 - Jan. 2019	(26)
	<b>Cash flow hedges</b>	Rs 771	Rs65.24/\$	Mar. 2018	—

For the three and six months ended June 30, 2018 and 2017, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's foreign currency hedging activities was not significant.



### 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, 2018				Dec. 31, 2017			
	Under IFRS 9				Under IAS 39			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Participating loan interests	\$ —	\$ —	\$ 521	\$ 521	\$ —	\$ —	\$ 209	\$ 209
Securities - FVTPL	—	5	240	245	—	—	174	174
Securities - FVTOCI	—	—	150	150	—	—	150	150
Derivative assets	—	285	—	285	—	85	—	85
<b>Total financial assets</b>	<b>\$ —</b>	<b>\$ 290</b>	<b>\$ 911</b>	<b>\$ 1,201</b>	<b>\$ —</b>	<b>\$ 85</b>	<b>\$ 533</b>	<b>\$ 618</b>
<b>Financial liabilities</b>								
Capital securities - fund subsidiaries	\$ —	\$ —	\$ 845	\$ 845	\$ —	\$ —	\$ 813	\$ 813
Derivative liabilities	—	277	—	277	—	559	—	559
Loan payable	—	—	27	27	—	—	23	23
<b>Total financial liabilities</b>	<b>\$ —</b>	<b>\$ 277</b>	<b>\$ 872</b>	<b>\$ 1,149</b>	<b>\$ —</b>	<b>\$ 559</b>	<b>\$ 836</b>	<b>\$ 1,395</b>

There were no transfers between levels during the three and six months ended June 30, 2018 and the year ended December 31, 2017.

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, 2018 and December 31, 2017:

(US\$ Millions)	Jun. 30, 2018		Dec. 31, 2017	
	Under IFRS 9		Under IAS 39	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Balance, beginning of period	\$ 835	\$ 836	\$ 1,605	\$ 821
Acquisitions	83	—	144	49
Dispositions	(6)	(2)	(986)	(4)
Fair value gains, net and OCI	(1)	38	(216)	(30)
Other	—	—	(14)	—
<b>Balance, end of period</b>	<b>\$ 911</b>	<b>\$ 872</b>	<b>\$ 533</b>	<b>\$ 836</b>

### NOTE 32. RELATED PARTIES

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

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

The base management fee for the three and six months ended June 30, 2018 was \$24 million (2017 - \$27 million) and \$48 million (2017 - \$52 million), respectively. The equity enhancement distribution nil both for the three and six months ended June 30, 2018 (2017 - \$8 million and \$13 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, 2018	Dec. 31, 2017
<b>Balances outstanding with related parties:</b>		
Participating loan interests	\$ 521	\$ 517
Net (payables)/receivables within equity accounted investments	(21)	(49)
Loans and notes receivable <sup>(1)</sup>	47	96
Receivables and other assets	7	11
Deposit and promissory note from Brookfield Asset Management	(1,233)	(633)
Property-specific debt obligations	(393)	(415)
Loans and notes payable and other liabilities	(161)	(156)
Capital securities held by Brookfield Asset Management	(1,250)	(1,250)
Preferred shares held by Brookfield Asset Management	(15)	(15)

<sup>(1)</sup> At June 30, 2018, includes \$47 million (December 31, 2017 - \$96 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,	
	2018	2017	2018	2017
<b>Transactions with related parties:</b>				
Commercial property revenue <sup>(1)</sup>	\$ 5	\$ 5	\$ 10	\$ 10
Management fee income	1	1	3	3
Participating loan interests (including fair value gains, net)	14	32	32	44
Interest expense on debt obligations	12	8	20	18
Interest on capital securities held by Brookfield Asset Management	19	19	38	38
General and administrative expense <sup>(2)</sup>	46	51	96	100
Construction costs <sup>(3)</sup>	136	74	225	144

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

<sup>(2)</sup> 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.

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

During the first quarter of 2018, the partnership along with BPREP acquired a 25% and 75% interest, respectively, in 333 West 34th Street, an office building in New York for \$255 million.

### NOTE 33. 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, 2018	Brookfield Property Partners L.P.	BOP Split	BPO	Holding entities <sup>(2)</sup>	Additional holding entities and eliminations <sup>(3)</sup>	Consolidating adjustments <sup>(4)</sup>	Brookfield Property Partners L.P consolidated
Revenue	\$ —	\$ 26	\$ 42	\$ 222	\$ 14	\$ 1,347	\$ 1,651
Net income attributable to unitholders <sup>(1)</sup>	198	161	(257)	534	—	(102)	534
For the three months ended Jun. 30, 2017							
Revenue	\$ —	\$ —	\$ 72	\$ 167	\$ —	\$ 1,280	\$ 1,519
Net income attributable to unitholders <sup>(1)</sup>	88	(47)	(31)	239	—	(10)	239

<sup>(1)</sup> Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP Units.

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

<sup>(3)</sup> 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.

<sup>(4)</sup> 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, 2018	Brookfield Property Partners L.P.	BOP Split	BPO	Holding entities <sup>(2)</sup>	Additional holding entities and eliminations <sup>(3)</sup>	Consolidating adjustments <sup>(4)</sup>	Brookfield Property Partners L.P consolidated
Revenue	\$ —	\$ 14	\$ 75	\$ 463	\$ 15	\$ 2,704	\$ 3,271
Net income attributable to unitholders <sup>(1)</sup>	394	111	(328)	1,064	—	(177)	1,064
For the six months ended Jun. 30, 2017							
Revenue	\$ —	\$ —	\$ 144	\$ 329	\$ —	\$ 2,574	\$ 3,047
Net income attributable to unitholders <sup>(1)</sup>	27	(215)	(381)	73	—	569	73

<sup>(1)</sup> Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP Units.

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

<sup>(3)</sup> 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.

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

(US\$ Millions) As of Jun. 30, 2018	Brookfield Property Partners L.P.	BOP Split	BPO	Holding entities <sup>(2)</sup>	Additional holding entities and eliminations <sup>(3)</sup>	Consolidating adjustments <sup>(4)</sup>	Brookfield Property Partners L.P consolidated
Current assets	\$ —	\$ 54	\$ 199	\$ 2,835	\$ 45	\$ (69)	\$ 3,064
Non-current assets	8,448	13,368	21,788	28,782	1,583	9,391	83,360
Assets held for sale	—	—	198	—	—	1,349	1,547
Current liabilities	—	2,292	5,505	918	878	835	10,428
Non-current liabilities	—	3,256	2,720	8,164	761	25,256	40,157
Liabilities associated with assets held for sale	—	—	74	—	—	850	924
Equity attributable to interests of others in operating subsidiaries and properties	—	—	2,280	—	—	11,648	13,928
Equity attributable to unitholders <sup>(1)</sup>	\$ 8,448	\$ 7,874	\$ 11,606	\$ 22,535	\$ (11)	\$ (27,918)	\$ 22,534

<sup>(1)</sup> Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP Units.

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

<sup>(3)</sup> 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.

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

(US\$ Millions) As of Dec. 31, 2017	Brookfield Property Partners L.P.	BOP Split	BPO	Holding entities <sup>(2)</sup>	Additional holding entities and eliminations <sup>(3)</sup>	Consolidating adjustments <sup>(4)</sup>	Brookfield Property Partners L.P consolidated
Current assets	\$ —	\$ 93	\$ 91	\$ 3,019	\$ 24	\$ (748)	\$ 2,479
Non-current assets	8,190	13,310	21,234	28,194	1,532	7,975	80,435
Assets held for sale	—	—	—	—	—	1,433	1,433
Current liabilities	—	544	5,518	1,186	845	2,420	10,513
Non-current liabilities	—	4,695	1,726	7,841	743	22,389	37,394
Liabilities associated with assets held for sale	—	—	—	—	—	1,316	1,316
Equity attributable to interests of others in operating subsidiaries and properties	—	—	2,284	—	—	10,654	12,938
Equity attributable to unitholders <sup>(1)</sup>	\$ 8,190	\$ 8,164	\$ 11,797	\$ 22,186	\$ (32)	\$ (28,119)	\$ 22,186

<sup>(1)</sup> Includes net income attributable to LP Units, GP Units, Redeemable/Exchangeable Partnership Units, Special LP Units and Exchange LP Units.

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

<sup>(3)</sup> 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.

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

### NOTE 34. 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:

*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 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, 2018 and 2017:

(US\$ Millions)	Total revenue <sup>(1)</sup>		FFO	
	2018	2017	2018	2017
Three months ended Jun. 30,				
Core Office	\$ 519	\$ 530	\$ 127	\$ 148
Core Retail	—	—	117	119
Opportunistic	1,132	989	88	80
Corporate	—	—	(122)	(120)
<b>Total</b>	<b>\$ 1,651</b>	<b>\$ 1,519</b>	<b>\$ 210</b>	<b>\$ 227</b>

<sup>(1)</sup> The partnership adopted IFRS 15, *Revenues from Contracts with Customers*, in 2018 using the modified retrospective method. The comparative information has not been restated and is reported under the accounting standards effective for those periods.

(US\$ Millions)	Total revenue <sup>(1)</sup>		FFO	
	2018	2017	2018	2017
Six months ended Jun. 30,				
Core Office	\$ 1,051	\$ 1,055	\$ 260	\$ 295
Core Retail	—	—	229	218
Opportunistic	2,219	1,992	192	149
Corporate	1	—	(243)	(233)
<b>Total</b>	<b>\$ 3,271</b>	<b>\$ 3,047</b>	<b>\$ 438</b>	<b>\$ 429</b>

<sup>(1)</sup> The partnership adopted IFRS 15, *Revenues from Contracts with Customers*, in 2018 using the modified retrospective method. The comparative information has not been restated and is reported under the accounting standards effective for those periods.

The following summaries presents the detail of total revenue from the partnership's operating segments for the three and six months ended June 30, 2018:

(US\$ Millions)	Lease revenue	Other revenue from tenants	Hospitality revenue	Investment and other revenue	Total revenue
Three months ended Jun. 30, 2018					
Core Office	\$ 354	\$ 126	\$ 4	\$ 35	\$ 519
Core Retail	—	—	—	—	—
Opportunistic	560	90	472	10	1,132
Corporate	—	—	—	—	—
<b>Total</b>	<b>\$ 914</b>	<b>\$ 216</b>	<b>\$ 476</b>	<b>\$ 45</b>	<b>\$ 1,651</b>

(US\$ Millions)	Lease revenue	Other revenue from tenants	Hospitality revenue	Investment and other revenue	Total revenue
Six months ended Jun. 30, 2018					
Core Office	\$ 801	\$ 179	\$ 9	\$ 62	\$ 1,051
Core Retail	—	—	—	—	—
Opportunistic	1,079	168	949	23	2,219
Corporate	—	—	—	1	1
<b>Total</b>	<b>\$ 1,880</b>	<b>\$ 347</b>	<b>\$ 958</b>	<b>\$ 86</b>	<b>\$ 3,271</b>

The following summary presents information about certain consolidated balance sheet items of the partnership, on a segmented basis, as of June 30, 2018 and December 31, 2017:

(US\$ Millions)	Total assets		Total liabilities	
	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
Core Office	\$ 33,411	\$ 33,795	\$ 15,931	\$ 16,791
Core Retail	8,723	8,844	—	—
Opportunistic	45,151	41,302	27,905	25,920
Corporate	686	406	7,673	6,512
<b>Total</b>	<b>\$ 87,971</b>	<b>\$ 84,347</b>	<b>\$ 51,509</b>	<b>\$ 49,223</b>

The following summary presents a reconciliation of FFO to net income for the three and six months ended June 30, 2018 and 2017:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2018	2017	2018	2017
<b>FFO<sup>(1)</sup></b>	<b>\$ 210</b>	<b>\$ 227</b>	<b>\$ 438</b>	<b>\$ 429</b>
Depreciation and amortization of real estate assets	(66)	(58)	(131)	(115)
Fair value gains, net	770	454	1,387	378
Share of equity accounted income - non-FFO	84	(55)	85	66
Income tax expense	(146)	(78)	(86)	(236)
Non-controlling interests of others in operating subsidiaries and properties – non-FFO	(318)	(251)	(629)	(449)
<b>Net income attributable to unitholders<sup>(2)</sup></b>	<b>534</b>	<b>239</b>	<b>1,064</b>	<b>73</b>
Non-controlling interests of others in operating subsidiaries and properties	517	425	1,010	778
<b>Net income</b>	<b>\$ 1,051</b>	<b>\$ 664</b>	<b>\$ 2,074</b>	<b>\$ 851</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 35. SUBSEQUENT EVENTS

On August 3, 2018, through a Brookfield Asset Management-sponsored real estate opportunity fund, acquired a 100% leasehold interest with a term of 99 years, in 666 Fifth Avenue, a 1.5 million square foot office condo building in the New York Metro area. The partnership has not completed its valuation of the assets acquired and liabilities assumed. As a result, the partnership is not able to provide the disclosure otherwise required under IFRS 3 in these financial statements.

On July 31, 2018, Brookfield Asset Management entered into a definitive agreement to acquire Forest City Realty Trust, Inc. ("Forest City"), under which a Brookfield real estate investment fund will acquire all of the outstanding shares of common stock of Forest City for \$25.35 per share. The Forest City portfolio is comprised of a number of iconic assets across major gateway U.S. cities, including 6.3 million square feet of high-quality office space, 2.3 million square feet of premier life science assets, primarily in Cambridge, MA, 2.2 million square feet of retail space and 18,500 multifamily units, as well as five large-scale development projects in the New York Metro area, San Francisco and Washington, D.C. The transaction is expected to close in the fourth quarter of 2018. The transaction is expected to be accounted for as a business combination.

On July 26, 2018, common stockholders of GGP approved the proposed acquisition of GGP by the partnership, as well as all the other proposals voted upon at a special meeting. The partnership expects the acquisition to close in August 2018. The transaction is expected to be accounted for as a business combination.

On July 6, 2018, the partnership, through a Brookfield Asset Management-sponsored real estate opportunity fund, closed on the acquisition of two community malls of approximately 650,000 net leasable square feet in suburban Shanghai. The partnership has not completed its valuation of the assets acquired and liabilities assumed. As a result, the partnership is not able to provide the disclosure otherwise required under IFRS 3 in these financial statements.

On July 6, 2018, the partnership sold 27.5% of its interest in a portfolio of operating and development assets in New York. The partnership retains control over and will continue to consolidate these assets after the sale. The interest was sold to the parent, which is currently in the process of syndicating its entire 27.5% equity interest to third-party investors.

On July 3, 2018, a subsidiary of the partnership issued a medium term notes for C\$300 million and a term of five years. The medium term notes will bear interest at 4.346% per annum, payable semi-annual.

**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, 2018.

**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, 2018 and ended on June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 8, 2018

*/s/ Brian W. Kingston*

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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, 2018.

**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, 2018 and ended on June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 8, 2018

*/s/ Bryan K. Davis*

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Bryan K. Davis

Chief Financial Officer of Brookfield Property Group LLC,  
a manager of the issuer

**BROOKFIELD PROPERTY PARTNERS L.P.**

[bpy.brookfield.com](http://bpy.brookfield.com)

NASDAQ: BPY

TSX: BPY.UN