

Q3 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 September 30, 2018 and December 31, 2017 and results of operations for the three and nine months ended September 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 September 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 47% 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. On July 1, 2018, the partnership realigned its LP Investments segment (formerly referred to as Opportunistic) to include the corporate function of the Brookfield-sponsored real estate opportunity funds, previously included in the Corporate segment, to more closely align with the how the partnership now presents financial information to the chief operating decision maker (“CODM”) and investors. As of September 30, 2018, the partnership is organized into four reportable segments: i) Core Office, ii) Core Retail, iii) LP Investments and iv) Corporate. These segments are independently and regularly reviewed and managed by the Chief Executive Officer, who is considered the CODM.

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

This MD&A includes financial data for the three and nine months ended September 30, 2018 and includes material information up to November 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, or on www.sedar.com or www.sec.gov.

OVERVIEW OF THE BUSINESS

We are Brookfield Asset Management's primary vehicle to make investments across all strategies in real estate. Our goal is to be a leading global owner and operator of high-quality real estate, that generates sustainable and growing distributions to our Unitholders and capital appreciation of our asset base over the long term. With approximately 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 PORTFOLIO

Class A office assets in gateway markets around the globe

- 150 premier properties
- 99 million square feet
- 93% occupancy
- 8.2 year average lease term

CORE RETAIL PORTFOLIO

100 of the top 500 malls in the United States

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

LP INVESTMENTS PORTFOLIO

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

- 25,350 multifamily units
 - 155 hospitality properties
 - 322 triple-net-lease assets
 - 90 self-storage properties
 - 39 million square feet of industrial space
 - 49 student housing properties
 - 144 office properties
 - 47 retail properties
-

Our diversified Core portfolios consists of high-quality office and retail assets in some of the world's most dynamic markets which have stable cash flow as a result of their long-term leases. We target between a 10% and 12% total return on our Core portfolios. The drivers of these targets include the mark-to-market of rents upon lease expiry, escalation provisions in leases and projected increases in occupancy, that 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. We currently have approximately 11 million square feet of active development projects underway with another 9 million square feet in planning stages. Our development track record reflects successful completions on time and on budget. This portion of our balance sheet will be meaningful to earnings growth in our Core businesses throughout the next five to ten years as projects reach completion and begin to contribute rental revenue to our earnings.

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

Overall, we seek to earn leveraged after-tax total returns of 12% to 15% on our invested capital. These returns will be comprised of current cash flow, distribution growth and capital appreciation. With our diversified cash flow profile from our Core Office, Core Retail, and LP Investments portfolios, our goal is to pay an attractive annual distribution to our Unitholders and to grow our distribution by 5% to 8% per annum. Capital appreciation will be reflected in the fair value gains that flow through our income statement as a result of our revaluation of investment properties in accordance with IFRS to reflect initiatives that increase property level cash flows, change the risk profile of the asset, reflect changes in market conditions, or portfolio premiums realized upon sale of these assets. From time to time, we will convert some or all of these unrealized gains to cash through asset sales, joint ventures or refinancings.

We believe our global scale and best-in-class operating platforms provide us with a unique competitive advantage as we are able to efficiently allocate capital around the world toward those sectors and geographies where we see the greatest 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 healthy distributions and capital appreciation. Furthermore, if we are successful in increasing cash flow earned from our operations and realizing gains through the sale of assets in our LP Investments portfolio, we will be able to increase distributions at the targeted 5% to 8% per annum to Unitholders to provide them with an attractive total return on their investment.

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

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

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

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

To measure our performance against these targets, as described above, we focus on NOI, same-property NOI, funds from operations (“FFO”), Company FFO, net income attributable to Unitholders and equity attributable to Unitholders. We use NOI, same-property NOI, FFO and Company FFO to evaluate our operating performance. 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, not of a recurring nature, or from LP Investments assets.
- *FFO*: net income, prior to fair value gains, net, depreciation and amortization of real estate assets, and income taxes less non-controlling interests of others in operating subsidiaries and properties therein. When determining FFO, we include our proportionate share of the FFO of unconsolidated partnerships and joint ventures and associates, as well as gains (or losses) related to properties developed for sale.
- *Company FFO*: FFO before the impact of depreciation and amortization of non-real estate assets, transaction costs, gains (losses) associated with non-investment properties, imputed interest 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.
- *Realized fair value gain from LP Investments*: includes fair value gains from our LP Investments recognized from realization events including the sale of an asset or portfolio of assets, or exit of the entire investment. These gains have previously been recognized in earnings through fair value gains, net. These investments, unlike our Core portfolios, have a defined hold period and typically generate the majority of profits from a gain recognized from these realization events.
- *Net income attributable to Unitholders*: net income attributable to holders of GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units and BPR Units.
- *Equity attributable to Unitholders*: equity attributable to holders of GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units and BPR Units.

NOI is a key indicator of our ability to impact the operating performance of our properties. We seek to grow NOI through pro-active management and leasing of our properties. Same-property NOI in our Core Office and Core Retail segments allows us to segregate the impact of leasing and operating initiatives on the portfolio from the impact of investing activities and “one-time items”, which for the historical periods presented consist primarily of lease termination income. We reconcile NOI to net income on page 14.

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 14 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 14.

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 14 and Equity attributable to Unitholders to total equity on page 15.

FAIR VALUE OF INVESTMENT AND HOSPITALITY PROPERTIES

Investment properties

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

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 93.8% 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

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.

Valuation methodology

All of our valuations are subject to various layers of review and controls as part of our financial reporting processes. These controls are part of our system of internal control over financial reporting that is assessed by management on an annual basis. Under the discounted cash flow model, the base cash flows are determined as part of our annual business planning process, prepared within each operating business and reviewed by the senior management teams responsible for each segment, along with senior investment professionals responsible for the relevant asset classes. Valuation assumptions such as discount rates and terminal capitalization rates are compared to market data, third party reports, research material and broker opinions as part of the review process.

External valuations

We have a number of properties externally appraised each year to support our valuation process and for other business purposes. We compare the results of those external appraisals to our internally prepared values and reconcile significant differences when they arise. During the three months ended September 30, 2018, we obtained external appraisals of 28 of our properties representing a gross property value of \$12 billion (or 7% of the portfolio). These external appraisals were within 1% of management's valuations. In addition, in connection with the acquisition of GGP, we engaged an external appraiser to value our Core Retail portfolio as of the date of the transaction, August 28, 2018. Also, each year we sell a number of assets, which provides support for our valuations, as we typically contract at prices comparable to IFRS values.

FINANCIAL STATEMENTS ANALYSIS

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

In this section, we review our financial position and consolidated performance as of September 30, 2018 and December 31, 2017 and for the three and nine months ended September 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 17.

The following acquisitions and dispositions of consolidated properties affected our consolidated results in the comparative periods for the three and nine months ended September 30, 2018 and 2017:

In our Core Office segment:

- In the third quarter of 2018, we acquired a development in the South Bronx, New York for consideration of \$166 million.
- In the third quarter of 2018, the partnership sold 27.5% of our interest in a portfolio of operating and development assets in New York. We retain control over and will continue to consolidate these assets after the sale. The interest was sold to our parent, which is currently in the process of syndicating its entire 27.5% equity interest to third-party investors.
- In the first quarter of 2018, we acquired 333 West 34th Street in New York for \$255 million through a joint venture with Brookfield Premier Real Estate Partners Pooling LLC (“BPREP”).
- In the first quarter of 2018, we sold a 50% interest in Bay Adelaide Centre East and West Towers in Toronto for approximately C\$850 million (\$660 million) and we sold our interest in 1801 California Street in Denver for \$286 million.
- In the fourth quarter of 2017, we sold a 49% interest in One Liberty Plaza in New York for approximately \$742 million and a realized gain of \$171 million.
- In the third quarter of 2017, we sold 20 Canada Square in London for approximately £410 million (\$537 million) and realized a gain of approximately £71 million (\$93 million).

In our Core Retail segment:

- On August 28, 2018, we acquired all of the outstanding shares of common stock of GGP (“GGP acquisition”) other than those shares previously held by the partnership and our affiliates, which represented a 34% interest in GGP prior to the acquisition. In the transaction, former GGP shareholders elected to receive, for each GGP common share, subject to proration, either \$23.50 in cash or either one LP Unit or one BPR Unit. As a result of the GGP acquisition, 161 million BPR Units and 88 million LP Units were issued to former GGP shareholders. BPR Units represent a publicly traded U.S. REIT security structured to provide an economic return identical to LP Units. BPR Units provide their holders with the right to request that their units be redeemable for cash consideration. In the event BPR Unitholders exercise this right, our partnership has the right, at its sole discretion, to satisfy the redemption request with its LP Units, rather than cash, on a one-for-one basis. As a result, BPR Units participate in earnings and distributions on a per unit basis equivalent to the per unit participation of LP Units of our partnership. We present BPR Units as a component of non-controlling interest. We consolidated the results from BPR beginning August 28, 2018. The previous investment, which was reflected as an equity accounted investment, was derecognized at the time of acquisition.

In our LP Investments segment:

- In the third quarter of 2018, we acquired a 100% leasehold interest in 666 Fifth Avenue, a commercial office asset in New York, for consideration of \$1,252 million, and two community malls in Shanghai for consideration of C¥728 million (\$110 million).
- In the third quarter of 2018, we sold a portfolio of 112 self-storage properties for approximately \$1.3 billion, realized a gain of approximately \$292 million.
- In the second quarter of 2018, we acquired an office building in Chicago for consideration of \$35 million and an office portfolio in Mumbai for consideration of Rs2,726 million (\$41 million).
- In the first quarter of 2018, we acquired a portfolio of extended stay hotels across the U.S. for consideration of \$764 million, a portfolio of student housing properties in the United Kingdom for consideration of £518 million (\$739 million) and a United Kingdom based owner and operator of serviced apartments for consideration of £209 million (\$287 million).
- In the first quarter of 2018, we sold the Hard Rock Hotel and Casino in Las Vegas for \$510 million.
- In the fourth quarter of 2017, we sold an industrial portfolio in Europe for approximately €\$2.4 billion (\$2.8 billion) and a realized gain of approximately €1.0 billion (\$1.2 billion).
- In the fourth quarter of 2017, we acquired a portfolio of office assets in Mumbai for consideration of Rs6,623 million (\$102 million), a mixed-use complex in Houston for consideration of \$819 million, a hotel property in Toronto for consideration of C\$335 million (\$270 million), and two office assets in San Jose, California for consideration of \$127 million.

The following acquisitions and dispositions of our equity accounted investments affected our income from unconsolidated properties results in the comparative periods ended September 30, 2018 and 2017:

In our Core Office segment:

- In the fourth quarter of 2017, following the sale of a 49% interest in One Liberty Plaza in New York as described above, we reclassified our remaining 51% to equity accounted investments.
- In the second quarter of 2017, we sold our equity accounted investment in 245 Park Avenue in Midtown New York for net proceeds of approximately \$680 million.

For the purposes of the following comparison between the three and nine months ended September 30, 2018 and 2017, the above transactions are referred to as the property transactions. In addition to the property transactions, we will use same-property NOI from our Core Office and Core Retail segments to evaluate our operating results.

Summary Operating Results

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|--------|----------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 722 | \$ 659 | \$ 2,796 | \$ 1,510 |
| Net income attributable to Unitholders ⁽¹⁾ | 380 | 168 | 1,444 | 241 |
| NOI ⁽¹⁾ | 960 | 808 | 2,688 | 2,336 |
| FFO ⁽¹⁾ | 123 | 197 | 561 | 626 |
| Company FFO ⁽¹⁾ | 249 | 236 | 763 | 731 |

⁽¹⁾ This is a non-IFRS measure our partnership uses to assess the performance of its operations as described in the "Performance Measures" section on page 3. An analysis of the measures and reconciliation to IFRS measures is included in the "Reconciliation of Non-IFRS measures" section on page 14.

Net income for the three months ended September 30, 2018 increased to \$722 million from \$659 million for the same period in the prior year. Net income per unit attributable to Unitholders for the three months ended September 30, 2018 was \$0.44 compared with \$0.22 in the prior year. The increase is primarily attributable to incremental NOI from property transactions since prior year. Also contributing higher NOI is leasing activity from our existing investments, particularly in our India office portfolio, and our Core Office assets in Downtown New York and Toronto at average rents higher than expiring rents, as well as our hospitality assets from property upgrades in the prior year. There were also fair value gains recognized in our LP investments segment, primarily on our office portfolio in India due to the completion of several developments and leasing activity as well as our industrial portfolio, due to strengthened market conditions.

Net income for the nine months ended September 30, 2018 increased to \$2,796 million from \$1,510 million for the same period in prior year. Net income per unit attributable to Unitholders for the nine months ended September 30, 2018 was \$1.79 compared with \$0.31 in the prior year. The increase is primarily attributable to the reasons mentioned above as well as the extinguishment of debt associated with the sale of a hospitality asset, the impact of property transactions, same-property growth in Core Office driven by leasing activity in London, in addition to Downtown New York and Toronto, at average rents higher than expiring rents and fair value gains in our LP Investments segment.

FFO decreased to \$123 million during the three months ended September 30, 2018 compared with \$197 million during the same period in the prior year. The decrease was driven by higher interest expense due to the GGP acquisition and property transactions. Also contributing to the decrease are higher transaction costs primarily due to the acquisition of 666 Fifth Avenue and general and administrative costs from the other property transactions and the negative impact of foreign currency translation. These decreases were partially offset by incremental NOI as mentioned above.

FFO decreased to \$561 million during the nine months ended September 30, 2018 compared with \$626 million during the same period in the prior year. The decrease was driven by the reasons mentioned above as well as 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 period as these types of sales are sporadic in nature.

Operating Results

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Commercial property revenue | \$ 1,251 | \$ 1,066 | \$ 3,478 | \$ 3,111 |
| Hospitality revenue | 502 | 410 | 1,460 | 1,214 |
| Investment and other revenue | 75 | 34 | 161 | 232 |
| Total revenue | 1,828 | 1,510 | 5,099 | 4,557 |
| Direct commercial property expense | 478 | 419 | 1,308 | 1,201 |
| Direct hospitality expense | 315 | 249 | 942 | 788 |
| Investment and other expense | 17 | 1 | 17 | 123 |
| Interest expense | 632 | 493 | 1,689 | 1,475 |
| Depreciation and amortization | 81 | 69 | 229 | 201 |
| General and administrative expense | 241 | 147 | 593 | 454 |
| Total expenses | 1,764 | 1,378 | 4,778 | 4,242 |
| Fair value gains, net | 556 | 339 | 1,943 | 717 |
| Share of earnings from equity accounted investments | 65 | 371 | 581 | 897 |
| Income before taxes | 685 | 842 | 2,845 | 1,929 |
| Income tax expense (benefit) | (37) | 183 | 49 | 419 |
| Net income | \$ 722 | \$ 659 | \$ 2,796 | \$ 1,510 |
| Net income attributable to non-controlling interests of others in operating subsidiaries and properties | 342 | 491 | 1,352 | 1,269 |
| Net income attributable to Unitholders⁽¹⁾ | \$ 380 | \$ 168 | \$ 1,444 | \$ 241 |

⁽¹⁾ This is a non-IFRS measure our partnership uses to assess the performance of its operations as described in the "Performance Measures" section on page 3. An analysis of the measures and reconciliation to IFRS measures is included in the "Reconciliation of Non-IFRS measures" section on page 14.

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

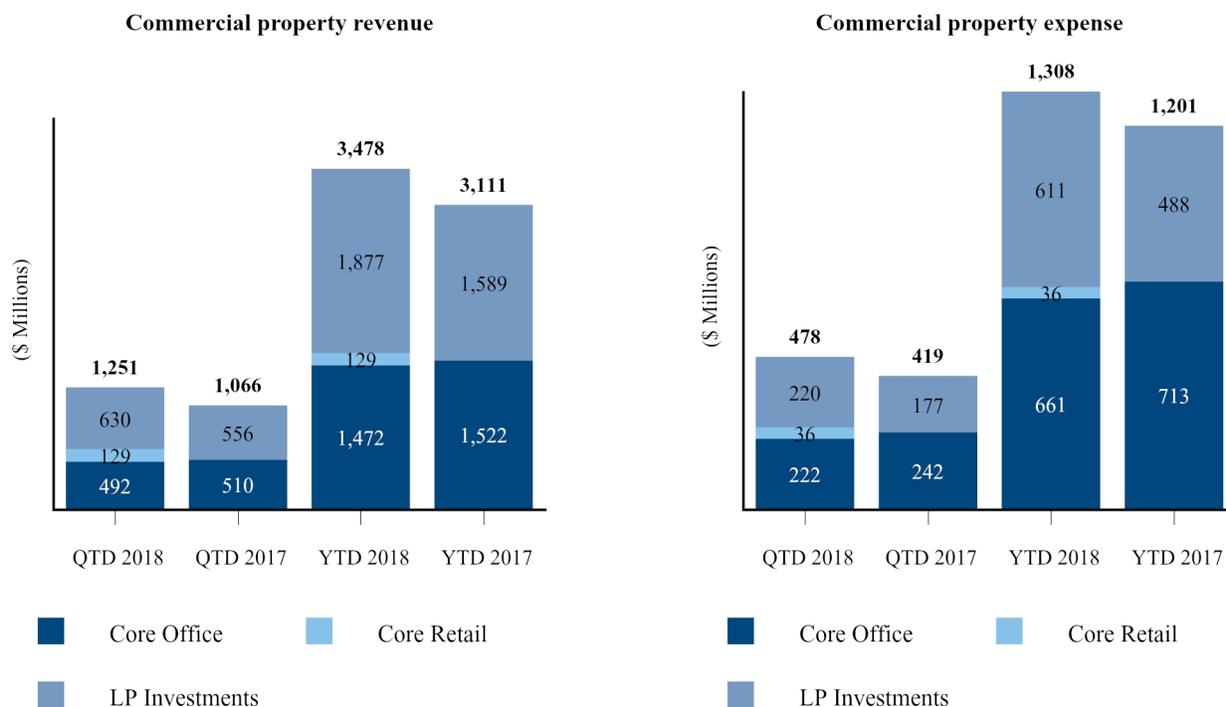
| (US\$ Millions, except per share information) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|----------------|----------------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income attributable to Unitholders - basic ⁽¹⁾ | \$ 380 | \$ 168 | \$ 1,444 | \$ 241 |
| Dilutive effect of conversion of capital securities - corporate ⁽²⁾ | 7 | — | 20 | — |
| Net income attributable to Unitholders - diluted | \$ 387 | \$ 168 | \$ 1,464 | \$ 241 |
| Weighted average number of units outstanding - basic ⁽¹⁾ | 873.5 | 774.0 | 807.1 | 775.1 |
| Conversion of capital securities - corporate and options ⁽²⁾ | 19.9 | 0.4 | 18.4 | 0.8 |
| Weighted average number of units outstanding - diluted | 893.4 | 774.4 | 825.5 | 775.9 |
| Net income per unit attributable to Unitholders - basic⁽¹⁾⁽³⁾ | \$ 0.44 | \$ 0.22 | \$ 1.79 | \$ 0.31 |
| Net income per unit attributable to Unitholders - diluted⁽²⁾⁽³⁾ | \$ 0.43 | \$ 0.22 | \$ 1.77 | \$ 0.31 |

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

⁽²⁾ The effect of the conversion of capital securities is anti-dilutive for the three and nine months ended September 30, 2017.

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

Commercial property revenue and direct commercial property expense



For the three months ended September 30, 2018, commercial property revenue increased by \$185 million compared to the same period in the prior year due to the GGP acquisition, property acquisitions in our LP Investments segment, same-property growth in our Core Office segment and leasing activity in our LP Investments portfolio, primarily in India, offset by property dispositions in our Core Office segment and the negative impact of foreign currency translation. The GGP acquisition resulted in consolidation of the investment which is contributing \$129 million to commercial property revenue as compared to nil in the prior periods as the investment was previously accounted for under the equity method. The property transactions contributed to a \$76 million increase in revenue. Our Core Office portfolio generated 5.1% same-property growth, largely driven by leasing activity in Downtown New York and Toronto.

Direct commercial property expense increased by \$59 million largely due to the acquisition of GGP and additional expenses relating to the property transactions. The GGP acquisition resulted in consolidation of the investment which is contributing \$36 million to commercial property expense as compared to nil in the prior periods as the investment was previously accounted for under the equity method. Margins in 2018 were 61.8%, an increase of 1% over 2017.

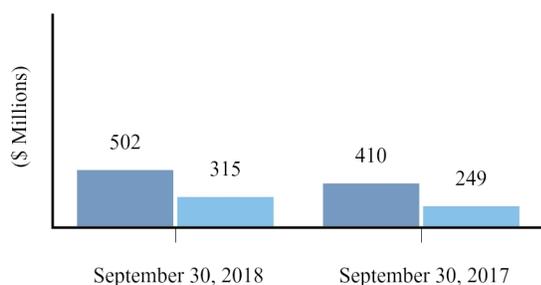
For the nine months ended September 30, 2018, commercial property revenue increased by \$367 million compared to the same period in the prior year due to the GGP acquisition, property transactions, and same-property growth in our Core Office segment. The GGP acquisition resulted in consolidation of the investment which is contributing \$129 million to commercial property revenue as compared to nil in the prior periods as the investment was previously accounted for under the equity method. Property transactions contributed to a \$254 million increase in revenue. Our Core Office portfolio generated 4.6% same-property growth, largely driven by leasing activity in Downtown New York, London and Toronto. These increases were partially offset by the negative impact of foreign currency translation.

Direct commercial property expense increased by \$107 million largely due to additional expenses relating to property transactions. Margins in 2018 were 62.4%, an increase of 1% over 2017.

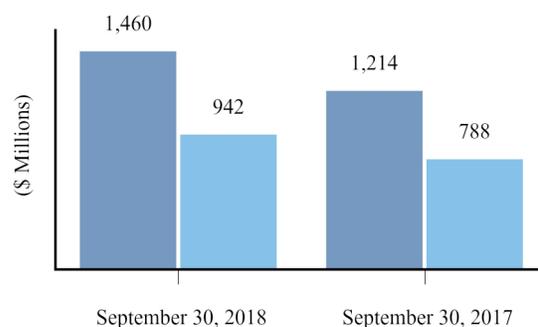
Commercial property NOI increased by \$126 million to \$773 million during the three months ended September 30, 2018 compared with \$647 million during the same period in the prior year. For the nine months ended September 30, 2018, commercial property NOI increased by \$260 million to \$2,170 million compared with \$1,910 million during the same period in the prior year. The increases was primarily driven by property transactions and same-property growth.

Hospitality revenue and direct hospitality expense

Hospitality revenue and expense for the three months ended,



Hospitality revenue and expense for the nine months ended,



For the three months ended September 30, 2018, hospitality revenue increased by \$92 million compared to the same period in the prior year. This increase was primarily a result of property transactions and the impact of redevelopment initiatives as well as lower revenues from the impact of Hurricane Irma at the Atlantis during the third quarter of 2017. Direct hospitality expense increased to \$315 million for the three months ended September 30, 2018, compared to \$249 million in the same period in the prior year.

For the nine months ended September 30, 2018, hospitality revenue increased by \$246 million compared to the same period in the prior year. This increase was due to the reasons noted above, offset by the disposition of the Hard Rock Hotel and Casino in Las Vegas.

Direct hospitality expense increased to \$942 million for the nine months ended September 30, 2018, compared to \$788 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 37.3% and 35.5% for the three and nine ended September 30, 2018, respectively, representing a decrease of 2.0% and an increase of 0.4%, respectively.

Hospitality NOI increased by \$26 million to \$187 million during the three months ended September 30, 2018 compared to \$161 million during the same period in the prior year. For the nine months ended September 30, 2018, hospitality NOI increased by \$92 million to \$518 million compared to \$426 million during the same period in the prior year. The increase is primarily due to property transactions partially offset by the negative impact of foreign currency translation.

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 \$41 million and decreased by \$71 million for the three and nine months ended September 30, 2018, respectively, as compared to the same period in the prior year. The increase for the three months ended September 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 nine months ended September 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 increased by \$16 million and decreased by \$106 million for the three and nine months ended September 30, 2018, respectively, as compared to the same period in the prior year. The increase for the three months ended September 30, 2018 was primarily due to expenses due to our manufactured housing home sales. The decrease compared to the nine months ended September 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 \$139 million for the three months ended September 30, 2018 as compared to the same period in the prior year. Interest expense increased by \$214 million for the nine months ended September 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 GGP acquisition and property transactions, 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.

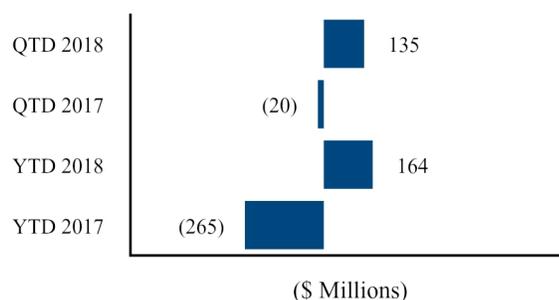
General and administrative expense

General and administrative expense increased by \$94 million for the three months ended September 30, 2018 as compared to the same period in the prior year. General and administrative expense increased by \$139 million for the nine months ended September 30, 2018 as compared to the same period in the prior year. These increases were primarily attributable to operating and transaction costs related to property transactions.

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.

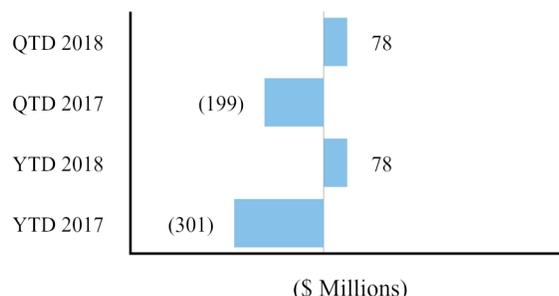
Fair value (losses) gains, net - Core Office



Fair value gains, net for our Core Office sector of \$135 million were recognized in the three months ended September 30, 2018. These gains primarily related to gains in Toronto and Sydney as a result of changes in valuation metrics. Fair value gains, net for our Core Office segment in the nine months ended September 30, 2018 were \$164 million. These gains primarily related to our Sydney portfolio as mentioned above, gains on our London portfolio, 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, the recognition of a \$50 million foreign currency loss reclassified from accumulated other comprehensive income from the sale of 20 Canada Square in London in the third quarter of 2017 as well as valuation losses in energy-dependent markets of Houston and Calgary. These losses were partially offset by fair value gains at Brookfield Place East Tower in Calgary, as well as properties in Sydney and Toronto as a result of rate compression of valuation metrics and new leasing.

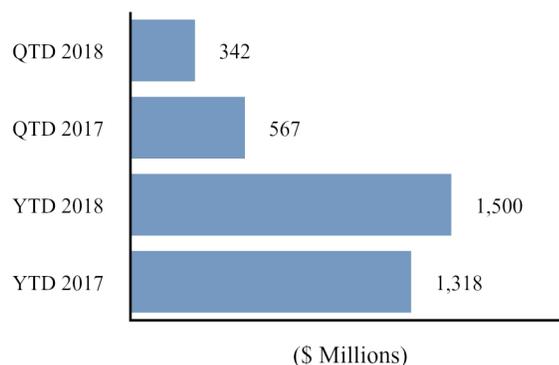
Fair values gains (losses), net - Core Retail



Fair value gains, net were recognized for Core Retail in the three and nine months ended September 30, 2018, relating to the GGP acquisition.

In the prior year, Fair value losses, net for the Core Retail segment related to the depreciation of our warrants in GGP which fluctuated with changes in the market price of the underlying shares.

Fair values gains, net - LP Investments



Fair value gains, net for the LP Investments segment in the three and nine months ended September 30, 2018 were \$342 million and \$1,500 million, respectively. We recorded fair value gains from our office portfolio in India, due to leasing activity and the completion of several developments during the period and our industrial portfolio due to strengthened market conditions in certain regions and compressed discount rates as our development portfolio nears completion. We also recorded fair value gains, net on the sale of a self-storage portfolio. In the second quarter of 2018, we recorded a gain on extinguishment of debt associated with the sale of the Hard Rock Hotel and Casino. These increases were partially offset by fair value losses on our retail portfolio.

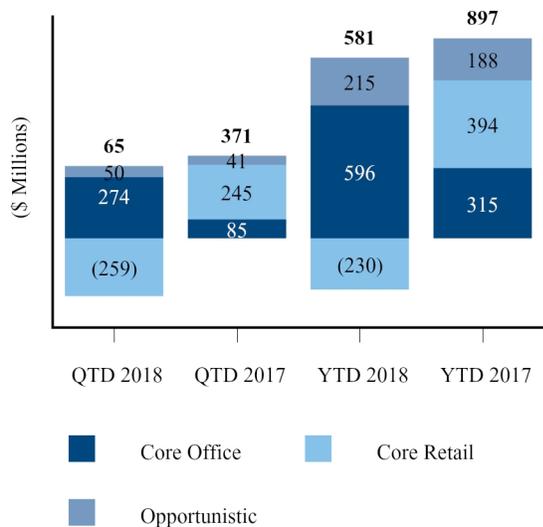
The prior year included fair value gains in our office portfolio in India and South Korea, gains on our European industrial portfolio that was sold in the fourth quarter of 2017, and gains on the acquisitions of our manufactured housing portfolio and a student housing portfolio of \$107 million and \$27 million, respectively, as a result of changes in the underlying market conditions in the period between signing the purchase and sale agreements and closing of the acquisition.

In addition, for the three months ended September 30, 2018, we recorded fair value gains, net of nil (2017 - fair value losses, net of \$9 million) and for the nine months ended September 30, 2018 we recorded fair value gains, net of \$200 million (2017 - fair value losses, net of \$35 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, Ala Moana Center in Hawaii, Fashion Show and Grand Canal Shoppes in Las Vegas in our Core Retail segment and the Diplomat hotel and our interest in the second value-add multifamily fund in our LP Investments segment.

Share of net earnings from equity accounted investments



Our share of net earnings from equity accounted investments for the three months and nine months ended September 30, 2018 of \$65 million and \$581 million, respectively, represents a decrease of \$306 million and a decrease of \$316 million, respectively compared to the prior year.

The decreases were primarily due to the valuation losses recognized on our Core Retail portfolio for the periods prior to the GGP acquisition, where our 34% interest in GGP was equity accounted.

Reconciliation of Non-IFRS measures

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

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Commercial property revenue | \$ 1,251 | \$ 1,066 | \$ 3,478 | \$ 3,111 |
| Direct commercial property expense | (478) | (419) | (1,308) | (1,201) |
| Commercial property NOI | 773 | 647 | 2,170 | 1,910 |
| Hospitality revenue | 502 | 410 | 1,460 | 1,214 |
| Direct hospitality expense | (315) | (249) | (942) | (788) |
| Hospitality NOI | 187 | 161 | 518 | 426 |
| Total NOI | 960 | 808 | 2,688 | 2,336 |
| Investment and other revenue | 75 | 34 | 161 | 232 |
| Share of net earnings from equity accounted investments | 65 | 371 | 581 | 897 |
| Interest expense | (632) | (493) | (1,689) | (1,475) |
| Depreciation and amortization | (81) | (69) | (229) | (201) |
| General and administrative expense | (241) | (147) | (593) | (454) |
| Investment and other expense | (17) | (1) | (17) | (123) |
| Fair value gains, net | 556 | 339 | 1,943 | 717 |
| Income before taxes | 685 | 842 | 2,845 | 1,929 |
| Income tax expense | 37 | (183) | (49) | (419) |
| Net income | \$ 722 | \$ 659 | \$ 2,796 | \$ 1,510 |
| Net income attributable to non-controlling interests | 342 | 491 | 1,352 | 1,269 |
| Net income attributable to Unitholders | \$ 380 | \$ 168 | \$ 1,444 | \$ 241 |

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 722 | \$ 659 | \$ 2,796 | \$ 1,510 |
| Add (deduct): | | | | |
| Fair value gains, net | (556) | (339) | (1,943) | (717) |
| Share of equity accounted fair value (gains) losses, net | 52 | (182) | (33) | (248) |
| Depreciation and amortization of real estate assets | 70 | 62 | 201 | 177 |
| Income tax expense (benefit) | (37) | 183 | 49 | 419 |
| Non-controlling interests in above items | (128) | (186) | (509) | (515) |
| FFO | \$ 123 | \$ 197 | \$ 561 | \$ 626 |
| Add (deduct): | | | | |
| Depreciation and amortization of non-real-estate assets, net ⁽¹⁾ | 9 | 7 | 24 | 20 |
| Transaction costs, net ⁽¹⁾ | 103 | 10 | 136 | 26 |
| (Gains)/losses associated with non-investment properties, net ⁽¹⁾ | 1 | (1) | 4 | (1) |
| Imputed interest ⁽²⁾ | 13 | 8 | 38 | 22 |
| Net contribution from GGP warrants ⁽³⁾ | — | 15 | — | 38 |
| Company FFO | \$ 249 | \$ 236 | \$ 763 | \$ 731 |

⁽¹⁾ Presented net of non-controlling interests.

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

⁽³⁾ 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 nine months ended September 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.

Statement of Financial Position Highlights and Key Metrics

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|------------------|------------------|
| Investment properties | | |
| Commercial properties | \$ 69,940 | \$ 48,780 |
| Commercial developments | 4,017 | 2,577 |
| Equity accounted investments | 21,940 | 19,761 |
| Property, plant and equipment | 6,863 | 5,457 |
| Cash and cash equivalents | 2,444 | 1,491 |
| Assets held for sale | 391 | 1,433 |
| Total assets | 111,583 | 84,347 |
| Debt obligations | 54,381 | 36,884 |
| Liabilities associated with assets held for sale | 148 | 1,316 |
| Total equity | 45,758 | 35,124 |
| Equity attributable to Unitholders⁽¹⁾ | \$ 28,274 | \$ 22,186 |
| Equity per unit⁽²⁾ | \$ 28.60 | \$ 30.74 |

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

⁽²⁾ Assumes conversion of mandatorily convertible preferred shares. See page 17 for additional information.

As of September 30, 2018, we had \$111,583 million in total assets, compared with \$84,347 million at December 31, 2017. This \$27,236 million increase reflects the aforementioned acquisition activity since the prior year, primarily due to the GGP acquisition.

Commercial properties are commercial, operating, rent-producing properties. Commercial properties increased from \$48,780 million at the end of 2017 to \$69,940 million at September 30, 2018. The increase was largely due to the GGP acquisition and property transactions, as well as incremental capital spent to maintain or enhance properties, and valuation gains within our LP Investments 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 \$4,017 million at September 30, 2018, an increase of \$1,440 million from the balance at December 31, 2017. The increase is primarily attributable to the GGP acquisition and property transactions, 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 September 30, 2018:

| (US\$ Millions) | Sep. 30, 2018 | |
|--|-----------------------|-------------------------|
| | Commercial properties | Commercial developments |
| Investment properties, beginning of period | \$ 48,780 | \$ 2,577 |
| Acquisitions | 22,479 | 936 |
| Capital expenditures | 614 | 837 |
| Dispositions ⁽¹⁾ | (647) | (3) |
| Fair value gains, net | 626 | 454 |
| Foreign currency translation | (1,165) | (98) |
| Transfer between commercial properties and commercial developments | 688 | (688) |
| Reclassifications to assets held for sale and other changes | (1,435) | 2 |
| Investment properties, end of period | \$ 69,940 | \$ 4,017 |

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

Equity accounted investments increased by \$2,179 million since December 31, 2017. In connection with the acquisition of GGP, our former equity accounted investment balance derecognized as of August 28, 2018, as the investment was consolidated as of this date. In advance of the acquisition, GGP entered into a number of joint venture arrangements related to the sale of partial interests in certain properties, which are now accounted for under the equity method. In addition, this net increase was offset by the weakening of the British Pound against the U.S. Dollar, primarily impacting our investment in Canary Wharf, and return of capital and distributions received during the period.

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

| (US\$ Millions) | Sep. 30, 2018 |
|--|----------------------|
| Equity accounted investments, beginning of period | \$ 19,761 |
| GGP joint ventures acquired from business acquisition ⁽¹⁾ | 10,850 |
| Write-off of pre-acquisition GGP equity interest ⁽¹⁾ | (8,349) |
| Additions | 510 |
| Disposals and return of capital distributions | (647) |
| Share of net earnings from equity accounted investments | 581 |
| Distributions received | (362) |
| Foreign currency translation | (300) |
| Other comprehensive income and other | (104) |
| Equity accounted investments, end of period | \$ 21,940 |

⁽¹⁾ During the third quarter of 2018, we acquired the outstanding shares of common stock of GGP other than those shares previously held by our partnership, representing a 34% interest in GGP prior to the acquisition. As a result of the acquisition, GGP's interest in joint ventures of \$10,850 million was added to the balance of equity accounted investments, offset by the deconsolidation of the partnership's 34% interest of \$7,769 million and fair value loss of \$580 million from adjusting the partnerships interest in GGP to its fair value immediately prior to acquiring control. See Note 3, Acquisition of GGP Inc., for further information.

Property, plant and equipment increased by \$1,406 million since December 31, 2017, primarily as a result of property transactions. 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 September 30, 2018, assets held for sale primarily included two Core Office buildings in Canada: Queens Quay Terminal in Toronto; and an interest in Jean Edwards Tower in Ottawa. These assets were sold in the fourth quarter of 2018.

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

| (US\$ Millions) | Sep. 30, 2018 |
|--|----------------------|
| Balance, beginning of period | \$ 1,433 |
| Reclassification to/(from) assets held for sale, net | 1,481 |
| Disposals | (2,535) |
| Fair value adjustments | 75 |
| Foreign currency translation | (17) |
| Other | (46) |
| Balance, end of period | \$ 391 |

Our debt obligations increased to \$54,381 million at September 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, primarily from the GGP acquisition, 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) | Sep. 30, 2018 | Dec. 31, 2017 |
|-------------------------------|----------------------|------------------|
| Corporate borrowings | \$ 1,991 | \$ 1,359 |
| Funds subscription facilities | 2,116 | 432 |
| Non-recourse borrowings | | |
| Property-specific borrowings | 44,481 | 33,401 |
| Subsidiary borrowings | 5,793 | 1,692 |
| Total debt obligations | \$ 54,381 | \$ 36,884 |
| Current | 4,472 | 6,135 |
| Non-current | 49,909 | 30,749 |
| Total debt obligations | \$ 54,381 | \$ 36,884 |

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

| (US\$ Millions, except unit information) | Sep. 30, 2018 | Dec. 31, 2017 |
|--|----------------------|--------------------|
| Total equity | \$ 45,758 | \$ 35,124 |
| Less: | | |
| Interests of others in operating subsidiaries and properties | 17,484 | 12,938 |
| Equity attributable to Unitholders | 28,274 | 22,186 |
| Mandatorily convertible preferred shares | 1,616 | 1,597 |
| Total equity attributable to Unitholders | 29,890 | 23,783 |
| Partnership units | 974,990,762 | 703,615,432 |
| Mandatorily convertible preferred shares | 70,038,910 | 70,038,910 |
| Total partnership units | 1,045,029,672 | 773,654,342 |
| Equity attributable to Unitholders per unit | \$ 28.60 | \$ 30.74 |

Equity attributable to Unitholders was \$28,274 million at September 30, 2018, an increase of \$6,088 million from the balance at December 31, 2017. The increase was primarily due to the issuance of LP Units and BPR Units relating to the GGP acquisition and net income during the period partially offset by distributions. Assuming the conversion of mandatorily convertible preferred shares, equity attributable to Unitholders decreased to \$28.60 per unit at September 30, 2018 from \$30.74 per unit at December 31, 2017.

Interests of others in operating subsidiaries and properties was \$17,484 million at September 30, 2018, an increase of \$4,546 million from the balance of \$12,938 million at December 31, 2017. The increase was primarily a result of the GGP acquisition as well as new LP 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 |
|---|---------|---------|---------|---------|---------|---------|----------|----------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Revenue ⁽¹⁾ | \$1,828 | \$1,651 | \$1,620 | \$1,578 | \$1,510 | \$1,519 | \$1,528 | \$1,363 |
| Direct operating costs | 793 | 716 | 741 | 707 | 668 | 689 | 632 | 639 |
| Net income | 722 | 1,051 | 1,023 | 958 | 659 | 664 | 187 | 92 |
| Net income (loss) attributable to Unitholders | 380 | 534 | 530 | 134 | 168 | 239 | (166) | (62) |
| Net income (loss) per share attributable to Unitholders - basic | \$ 0.44 | \$ 0.69 | \$ 0.69 | \$ 0.17 | \$ 0.22 | \$ 0.31 | \$(0.21) | \$(0.08) |
| Net income (loss) per share attributable to Unitholders - diluted | \$ 0.43 | \$ 0.68 | \$ 0.68 | \$ 0.17 | \$ 0.22 | \$ 0.31 | \$(0.21) | \$(0.08) |

⁽¹⁾ We adopted IFRS 9, Financial Instruments ("IFRS 9") and IFRS 15, Revenues from Contracts with Customers ("IFRS 15"), 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, LP Investments and Corporate.

The following table presents FFO by segment:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|-----------------|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Core Office | \$ 114 | \$ 113 | \$ 374 | \$ 408 |
| Core Retail | 71 | 113 | 300 | 331 |
| LP Investments | 45 | 79 | 200 | 205 |
| Corporate | (107) | (108) | (313) | (318) |
| FFO | \$ 123 | \$ 197 | \$ 561 | \$ 626 |

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|-----------------|------------------|------------------|
| Core Office | \$ 14,489 | \$ 13,913 |
| Core Retail | 13,618 | 8,844 |
| LP Investments | 5,585 | 5,010 |
| Corporate | (5,418) | (5,581) |
| Total | \$ 28,274 | \$ 22,186 |

Core Office

Overview

Our Core Office portfolio consists of interests in 150 high-quality office properties totaling approximately 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, as well as approximately 11 million square feet of active office and multifamily developments. These assets have a stable cash flow profile due to long-term leases in place. We target between a 10% and 12% total return on our Core Office portfolio. The drivers of these targets include the mark-to-market of rents upon lease expiry, escalation provisions in leases and projected increases in occupancy, that should generate strong same-property NOI growth without significant capital investment. Furthermore, we expect to earn between 8% and 11% unlevered, pre-tax returns on construction costs from our development pipeline.

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our Core Office segment for the three and nine months ended September 30, 2018 and 2017:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|--------|----------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| FFO | \$ 114 | \$ 113 | \$ 374 | \$ 408 |
| Net income attributable to Unitholders | 383 | 67 | 678 | 26 |

FFO from our Core Office segment was \$114 million for the three months ended September 30, 2018 as compared to \$113 million in the same period in the prior year. This increase is largely attributable to property transactions and same-property growth, offset by the negative impact of foreign translation.

FFO from our Core Office segment was \$374 million for the nine months ended September 30, 2018 as compared to \$408 million in the same period in the prior year. This decrease is largely attributable to dispositions as mentioned in property transactions, higher transaction costs relating to property transactions and the negative impact of foreign currency translation. These decreases were partially offset by same-property growth.

Net income attributable to Unitholders increased by \$316 million to \$383 million during the three months ended September 30, 2018 as compared to \$67 million during the same period in 2017. The increase was primarily a result of fair value gains recorded in the current period related to properties in Toronto and Sydney as a result of changes in valuation metrics as well as higher share of net earnings from equity accounted investments as detailed in property transactions.

Net income attributable to Unitholders increased by \$652 million to \$678 million during the nine months ended September 30, 2018 as compared to \$26 million during the same period in 2017. The increase is largely attributable to fair value gains recorded at our properties in Toronto, Sydney and London portfolios as a result of changes in valuation metrics, 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 first quarter of 2017.

Leasing Activity

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

| (US\$ Millions, except where noted) | Consolidated | | Unconsolidated | |
|---|---------------|---------------|----------------|---------------|
| | Sep. 30, 2018 | Sep. 30, 2017 | Sep. 30, 2018 | Sep. 30, 2017 |
| Total portfolio: | | | | |
| NOI ⁽¹⁾ | \$ 271 | \$ 268 | \$ 106 | \$ 101 |
| Number of properties | 78 | 76 | 72 | 70 |
| Leasable square feet (in thousands) | 49,255 | 52,368 | 30,896 | 28,237 |
| Occupancy | 91.9% | 90.7% | 94.6% | 93.6% |
| In-place net rents (per square foot) ⁽²⁾ | \$ 29.18 | \$ 27.92 | \$ 44.97 | \$ 44.99 |
| Same-property: | | | | |
| NOI ^(1,2) | \$ 249 | \$ 237 | \$ 94 | \$ 88 |
| Number of properties | 74 | 74 | 69 | 69 |
| Leasable square feet (in thousands) | 48,602 | 48,606 | 28,246 | 28,237 |
| Occupancy | 91.8% | 90.5% | 94.6% | 93.6% |
| In-place net rents (per square foot) ⁽²⁾ | \$ 28.83 | \$ 28.54 | \$ 45.57 | \$ 44.25 |

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

⁽²⁾ Prior period presented using the September 30, 2018 exchange rate.

NOI from our consolidated properties increased to \$271 million during the three months ended September 30, 2018 and 2017. Increased same-property NOI for our consolidated properties was offset by dispositions in New York, Toronto and Denver. Same-property NOI for our consolidated properties for the three months ended September 30, 2018 compared with the same period in the prior year increased by \$12 million to \$249 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 \$5 million to \$106 million during the three months ended September 30, 2018, compared to \$101 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 in the fourth quarter of 2017. This increase was partially offset by the disposition of 245 Park Avenue in New York in the third quarter of 2017. Same-property NOI for our unconsolidated properties for the three months ended September 30, 2018 increased by \$6 million compared with the same period in the prior year primarily due to leasing activity.

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

| (US\$, except where noted) | Total portfolio | |
|---|-----------------|---------------|
| | Sep. 30, 2018 | Sep. 30, 2017 |
| Leasing activity (square feet in thousands) | | |
| New leases | 2,420 | 3,470 |
| Renewal leases | 2,060 | 3,305 |
| Total leasing activity | 4,480 | 6,775 |
| Average term (in years) | 8.2 | 8.2 |
| Year one leasing net rents (per square foot) ⁽¹⁾ | \$ 31.66 | \$ 34.38 |
| Average leasing net rents (per square foot) ⁽¹⁾ | 34.48 | 37.68 |
| Expiring net rents (per square foot) ⁽¹⁾ | 30.94 | 27.63 |
| Estimated market net rents for similar space (per square foot) ⁽¹⁾ | 39.35 | 38.49 |
| Tenant improvement and leasing costs (per square foot) | 50.27 | 72.31 |

⁽¹⁾ Presented using normalized foreign exchange rates, using the September 30, 2018 exchange rate.

For the nine months ended September 30, 2018, we leased approximately 4.5 million square feet at average in-place net rents of \$34.48 per square foot. Approximately 54% of our leasing activity represented new leases. Our overall Core Office portfolio's in-place net rents are currently 10% 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 nine months ended September 30, 2018, tenant improvements and leasing costs related to leasing activity were \$50.27 per square foot, compared to \$72.31 per square foot in the prior year.

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

Valuation Metrics

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

| | Sep. 30, 2018 | | | Dec. 31, 2017 | | |
|----------------------------------|---------------|------------------------------|--------------------|---------------|------------------------------|--------------------|
| | Discount rate | Terminal capitalization rate | Investment horizon | Discount rate | Terminal capitalization rate | Investment horizon |
| Consolidated properties | | | | | | |
| United States | 7.0% | 5.6% | 12 | 7.0% | 5.8% | 13 |
| Canada | 6.0% | 5.5% | 10 | 6.1% | 5.5% | 10 |
| Australia | 6.9% | 6.1% | 10 | 7.0% | 6.1% | 10 |
| Brazil | 9.6% | 7.6% | 7 | 9.7% | 7.6% | 7 |
| Unconsolidated properties | | | | | | |
| United States | 6.6% | 5.3% | 11 | 6.5% | 5.3% | 11 |
| Australia | 6.7% | 5.8% | 10 | 7.0% | 5.8% | 10 |
| Europe ⁽¹⁾ | 4.7% | 4.8% | 10 | 4.8% | 4.8% | 10 |

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

Financial Position

The following table provides an overview of the financial position of our Core Office segment as at September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|--|------------------|------------------|
| Investment properties | | |
| Commercial properties | \$ 21,617 | \$ 21,671 |
| Commercial developments | 2,516 | 1,598 |
| Equity accounted investments | 8,399 | 8,235 |
| Participating loan interests | 266 | 517 |
| Accounts receivable and other | 1,022 | 766 |
| Cash and cash equivalents | 570 | 360 |
| Assets held for sale | 241 | 648 |
| Total assets | \$ 34,631 | \$ 33,795 |
| Debt obligations | 12,264 | 13,124 |
| Capital securities | 855 | 813 |
| Accounts payable and other liabilities | 1,446 | 1,404 |
| Deferred tax liability | 1,049 | 1,162 |
| Liabilities associated with assets held for sale | 82 | 288 |
| Non-controlling interests of others in operating subsidiaries and properties | 4,446 | 3,091 |
| Equity attributable to Unitholders | \$ 14,489 | \$ 13,913 |

Equity attributable to Unitholders increased by \$576 million to \$14,489 million at September 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 \$21,617 million at September 30, 2018, compared to \$21,671 million at December 31, 2017. The decrease was driven by disposition of our 51% interest in 1801 California Street, the negative impact of foreign currency translation and the reclassification of Queens Quay Terminal in Toronto and an interest in Jean Edwards Tower in Ottawa to assets held for sale. These assets were sold in the fourth quarter of 2018.

Commercial developments increased by \$918 million from December 31, 2017 to September 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 presents changes in our partnership's equity accounted investments in the Core Office segment from December 31, 2017 to September 30, 2018:

| (US\$ Millions) | Sep. 30, 2018 |
|--|----------------------|
| Equity accounted investments, beginning of period | \$ 8,235 |
| Additions | 289 |
| Disposals and return of capital distributions | (536) |
| Share of net income, including fair value gains | 596 |
| Distributions received | (61) |
| Foreign currency translation | (196) |
| Other | 72 |
| Equity accounted investments, end of period | \$ 8,399 |

Equity accounted investments increased by \$164 million since December 31, 2017 to \$8,399 million at September 30, 2018. The increase was driven by our share of income and additions, partially offset by dispositions, capital distributions and the negative impact of foreign currency translation.

Debt obligations decreased from \$13,124 million at December 31, 2017 to \$12,264 million at September 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 | Sep. 30, 2018 | Dec. 31, 2017 |
|---|-----------------------|-----------------------------|----------------------|---------------|
| Brookfield Office Properties Inc. (“BPO”) Class B Preferred Shares: | | | | |
| Series 1 ⁽²⁾ | 3,600,000 | 70% of bank prime | — | — |
| Series 2 ⁽²⁾ | 3,000,000 | 70% of bank prime | — | — |
| Brookfield Global Real Estate Special Opportunities Inc. (“BGRESOI”) Preferred Shares | 19,844 | 4.00% | 20 | — |
| Capital Securities – Fund Subsidiaries | | | 835 | 813 |
| Total capital securities | | | \$ 855 | \$ 813 |

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

We had \$835 million of capital securities – fund subsidiaries outstanding at September 30, 2018 as compared to \$813 million at December 31, 2017. Capital securities – fund subsidiaries includes \$798 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 \$37 million at September 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.

Active Developments

The following table summarizes the scope and progress of active developments in our Core Office segment as of September 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 ⁽¹⁾ | To-date | Total | Drawn | | | | |
| Office: | | | | | | | | | | | | |
| 100 Bishopsgate, London | 938 | 938 | Q2 2020 | 67% | £ | 875 | £ | 732 | £ | 515 | £ | 360 |
| 655 New York Avenue, Washington, D.C. ⁽²⁾ | 766 | 383 | Q3 2020 | 71% | \$ | 285 | \$ | 248 | \$ | 200 | \$ | 113 |
| One Manhattan West, Midtown New York ⁽²⁾ | 2,117 | 868 | Q3 2020 | 84% | \$ | 778 | \$ | 465 | \$ | 511 | \$ | 164 |
| 1 Bank Street, London ⁽²⁾ | 715 | 358 | Q4 2020 | 40% | £ | 257 | £ | 191 | £ | 225 | £ | 88 |
| ICD Brookfield Place, Dubai ⁽²⁾ | 1,104 | 552 | Q1 2021 | 6% | AED | 1,256 | AED | 892 | AED | 775 | AED | 362 |
| Wood Wharf - Office, London ⁽²⁾ | 423 | 211 | Q2 2021 | 42% | £ | 125 | £ | 10 | £ | — | £ | — |
| Bay Adelaide North, Toronto | 820 | 820 | Q4 2022 | 64% | C\$ | 498 | C\$ | 64 | C\$ | — | C\$ | — |
| Multifamily: | | | | | | | | | | | | |
| Principal Place - Residential, London ⁽²⁾⁽³⁾ | 303 | 152 | Q1 2019 | n/a | £ | 190 | £ | 150 | £ | 122 | £ | 88 |
| Camarillo, California ⁽²⁾ | 413 | 409 | Q2 2019 | n/a | \$ | 127 | \$ | 126 | \$ | 82 | \$ | 69 |
| Wood Wharf - 10 Park Drive, London ⁽²⁾⁽³⁾ | 269 | 135 | Q1 2020 | n/a | £ | 102 | £ | 69 | £ | 80 | £ | 20 |
| Studio Plaza, Maryland ⁽²⁾ | 343 | 296 | Q1 2020 | n/a | \$ | 106 | \$ | 90 | \$ | 69 | \$ | 20 |
| Greenpoint Landing Building G, New York ⁽²⁾ | 250 | 173 | Q4 2019 | n/a | \$ | 199 | \$ | 170 | \$ | 118 | \$ | 66 |
| Southbank Place ⁽²⁾⁽³⁾ | 669 | 167 | Q4 2019 | n/a | £ | 232 | £ | 145 | £ | 126 | £ | 41 |
| Wood Wharf - 8 Water Street & 2 George Street, London ⁽²⁾ | 371 | 186 | Q4 2020 | n/a | £ | 151 | £ | 90 | £ | 117 | £ | 55 |
| Newfoundland, London ⁽²⁾ | 545 | 273 | Q1 2021 | n/a | £ | 249 | £ | 171 | £ | 154 | £ | 57 |
| Greenpoint Landing Building F, New York ⁽²⁾ | 310 | 295 | Q2 2021 | n/a | \$ | 358 | \$ | 139 | \$ | — | \$ | — |
| Wood Wharf - One Park Drive, London ⁽²⁾⁽³⁾ | 430 | 215 | Q2 2021 | n/a | £ | 221 | £ | 87 | £ | 135 | £ | — |
| Total | 10,786 | 6,431 | | | | | | | | | | |

⁽¹⁾ Net of NOI earned during stabilization.

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

⁽³⁾ Represents condominium/market sale developments.

Our development pipeline consists of prominent, large-scale projects located primarily in the high growth markets of London and New York. For the office developments, we look to secure anchor leases before launching the projects. We monitor the scope and progress of our active developments and have an established track record of completion on time and within budget total costs. We have recently completed office towers in the prime markets of Toronto, London, and Perth and completed two urban multifamily developments in New York. In the near term we expect to complete two landmark office towers in New York and London. Our recently completed developments, along with our active pipeline are a large contributing factor to our target growth of 10% to 12% on our Core Office portfolio.

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 Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Commercial property revenue | \$ 492 | \$ 510 | \$ 1,472 | \$ 1,522 |
| Hospitality revenue ⁽¹⁾ | 5 | — | 14 | — |
| Direct commercial property expense | (222) | (242) | (661) | (713) |
| Direct hospitality expense ⁽¹⁾ | (4) | — | (11) | — |
| Total NOI | \$ 271 | \$ 268 | \$ 814 | \$ 809 |

⁽¹⁾ 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 nine months ended September 30, 2018 and 2017:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|--------------|----------------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Same-property NOI | \$ 249 | \$ 237 | \$ 748 | \$ 715 |
| Currency variance | — | 6 | — | 1 |
| NOI related to acquisitions and dispositions | 22 | 25 | 66 | 93 |
| Total NOI | 271 | 268 | 814 | 809 |
| Investment and other revenue | 29 | 26 | 91 | 69 |
| Interest expense | (153) | (164) | (460) | (484) |
| Depreciation and amortization on real estate assets | (3) | (3) | (7) | (10) |
| General and administrative expense | (53) | (40) | (152) | (124) |
| Fair value gains (losses), net | 135 | (20) | 164 | (265) |
| Share of net earnings from equity accounted investments | 274 | 85 | 596 | 315 |
| Income before taxes | 500 | 152 | 1,046 | 310 |
| Income tax (expense) benefit | (35) | (53) | (191) | (163) |
| Net income | 465 | 99 | 855 | 147 |
| Net income attributable to non-controlling interests | 82 | 32 | 177 | 121 |
| Net income attributable to Unitholders | \$ 383 | \$ 67 | \$ 678 | \$ 26 |

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 465 | \$ 99 | \$ 855 | \$ 147 |
| Add (deduct): | | | | |
| Fair value gains, net | (135) | 20 | (164) | 265 |
| Share of equity accounted fair value losses (gains), net | (208) | (27) | (396) | (65) |
| Depreciation and amortization of real estate assets | — | 1 | 1 | 1 |
| Income tax expense (benefit) | 35 | 53 | 191 | 163 |
| Non-controlling interests in above items | (43) | (33) | (113) | (103) |
| FFO | \$ 114 | \$ 113 | \$ 374 | \$ 408 |

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|--------|----------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Unconsolidated properties NOI | \$ 106 | \$ 101 | \$ 345 | \$ 320 |
| Unconsolidated properties fair value gains, net | 208 | 27 | 396 | 65 |
| Other expenses | (40) | (43) | (145) | (70) |
| Share of net earnings from equity accounted investments | \$ 274 | \$ 85 | \$ 596 | \$ 315 |

Core Retail

Overview

Our Core Retail segment consists of 125 best-in-class regional malls and urban retail properties containing over 122 million square feet in the United States. These assets have a stable cash flow profile due to long-term leases in place. We target between a 10% and 12% total return on our Core Retail portfolio. The drivers of these targets include the mark-to-market of rents upon lease expiry, escalation provisions in leases and projected increases in occupancy, that should generate strong same-property NOI growth without significant capital investment. Furthermore, we expect to earn between 8% and 11% unlevered, pre-tax returns on construction costs from our development pipeline.

During the fourth quarter of 2017, we exercised all of our outstanding warrants to acquire common shares 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. The acquisition of GGP was finalized on August 28, 2018. In the transaction, GGP shareholders received, for each GGP common share, either \$23.50 in cash or either one LP Unit or one BPR Unit, subject to proration based on aggregate cash consideration of \$9.25 billion. We now consolidate our interest in BPR (formerly GGP). Prior to the acquisition in the third quarter of 2018, our investment in GGP was accounted for under the equity method.

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our Core Retail segment for the three and nine months ended September 30, 2018 and 2017:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|--------|----------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| FFO | \$ 71 | \$ 113 | \$ 300 | \$ 331 |
| Net income attributable to Unitholders | 1 | 46 | 30 | 93 |

FFO earned in our Core Retail segment for the three months ended September 30, 2018 was \$71 million compared to \$113 million for the same period in the prior year. The decrease is driven by transaction costs associated with the recapitalization of GGP and the partial asset sales that preceded the acquisition and higher interest expense from the new term debt offset by one month of higher NOI due to our incremental ownership subsequent to the transaction.

For the nine months ended September 30, 2018, FFO earned in our Core Retail segment was \$300 million compared to \$331 million for the same period in the prior year. FFO decreased due to the reasons mentioned above.

Net income attributable to Unitholders decreased by \$45 million to \$1 million for the three months ended September 30, 2018 as compared to \$46 million during the same period in the prior year. The decrease in net income attributable to Unitholders is primarily attributable to fair value losses recognized on our equity accounted investment prior to the GGP acquisition offset by a bargain gain recognized on the GGP acquisition.

Net income attributable to Unitholders decreased by \$63 million to \$30 million for the nine months ended September 30, 2018 as compared to \$93 million during the same period in the prior year. The decrease in net income attributable to Unitholders is due to the reasons mentioned above.

Leasing Activity

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

| (US\$ Millions, except where noted) | Sep. 30, 2018 | Sep. 30, 2017 |
|---|---------------|---------------|
| NOI: | | |
| Total portfolio ⁽¹⁾ | \$ 275 | \$ 164 |
| Number of malls and urban retail properties | 125 | 126 |
| Leasable square feet (in thousands) | 122,406 | 123,016 |
| Occupancy ⁽²⁾ | 94.6% | 95.4% |
| In-place net rents (per square foot) ⁽²⁾ | 61.93 | 62.39 |
| NOI Weighted Sales (per square foot) ⁽²⁾ | 744 | 711 |

⁽¹⁾ NOI is presented on a proportionate basis. The current period represents 2 months of activity from our 34% interest in GGP prior to the acquisition and 1 month of our consolidated results of GGP. The prior period represents 3 months of activity from our 29% interest in GGP (prior to the warrant exercise in the fourth quarter of 2017).

⁽²⁾ Presented on a same-property basis.

NOI, which is presented on a proportionate basis, increased to \$275 million for the three months ended September 30, 2018, due to our increased ownership in GGP in the current period.

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

| (US\$, except where noted) | Total Portfolio | |
|--|-----------------|---------------|
| | Sep. 30, 2018 | Sep. 30, 2017 |
| Number of leases | 1,263 | 1,579 |
| Leasing activity (square feet in thousands) | 4,142 | 4,744 |
| Average term in years | 6.9 | 6.6 |
| Initial rent per square foot ⁽¹⁾ | \$ 71.40 | \$ 62.87 |
| Expiring rent per square foot ⁽²⁾ | 63.96 | 57.21 |
| Initial rent spread per square foot | 7.44 | 5.66 |
| % change | 11.6% | 9.9% |
| Tenant allowances and leasing costs | 147 | 144 |

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

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

Through September 30, 2018, we leased approximately 4.1 million square feet at initial rents approximately 11.6% higher than expiring net rents on a suite-to-suite basis.

Our Core Retail portfolio same-store occupancy rate at September 30, 2018 was 94.6%, down 0.8% from the same period of the prior year. In our Core Retail segment, we use same-store 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. Same-store in-place rents decreased to \$61.93 at September 30, 2018 from \$62.39 at September 30, 2017.

Valuation Metrics

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

| | Sep. 30, 2018 | | | Dec. 31, 2017 | | |
|--|---------------|------------------------------|--------------------|---------------|------------------------------|--------------------|
| | Discount rate | Terminal capitalization rate | Investment horizon | Discount rate | Terminal capitalization rate | Investment horizon |
| Consolidated properties⁽¹⁾ | | | | | | |
| United States | 7.1% | 6.0% | 10 | —% | —% | — |
| Unconsolidated properties | | | | | | |
| United States | 6.7% | 5.3% | 10 | 7.0% | 5.6% | 10 |

⁽¹⁾ We now consolidate our interest in GGP following the GGP acquisition. In the prior period, the entire Core Retail portfolio was accounted for under the equity method.

Financial Position

For the period from December 31, 2017 through August 27, 2018, Core Retail consisted of our equity accounted investment in GGP. Following the GGP acquisition on August 28, 2018, Core Retail consists of our consolidated interest in BPR.

Equity attributable to Unitholders in the Core Retail segment increased by \$4,774 million at September 30, 2018 from December 31, 2017 due to the GGP acquisition.

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|--|------------------|-----------------|
| Investment properties | | |
| Commercial properties | \$ 17,721 | \$ — |
| Commercial developments | 309 | — |
| Equity accounted investments | 10,879 | 8,844 |
| Accounts receivable and other | 643 | — |
| Cash and cash equivalents | 261 | — |
| Assets held for sale | — | — |
| Total assets | 29,813 | 8,844 |
| Debt obligations | 13,460 | — |
| Capital securities | — | — |
| Accounts payable and other liabilities | 760 | — |
| Deferred tax liability | 160 | — |
| Liabilities associated with assets held for sale | — | — |
| Non-controlling interest | 1,815 | — |
| Equity attributable to Unitholders | \$ 13,618 | \$ 8,844 |

Equity accounted investments increased by \$2,035 million to 10,879 million. The balance at September 30, 2018 represents BPR's property-level joint ventures, including several entered immediately prior to the acquisition. In the prior period, equity accounted investments represented our 34% interest in GGP.

Active Developments

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

| (Millions, except square feet in thousands) | Stabilized year | Cost | |
|---|--------------------|--------|------------------------|
| | | Total | To-date ⁽¹⁾ |
| The SoNo Collection, Connecticut | 2022 | \$ 474 | \$ 258 |
| Total | | 474 | 258 |

⁽¹⁾ Projected costs and investments to date exclude capitalized interest and internal overhead.

Our Core Retail portfolio consists of high-quality and well-located malls across the United States. Our operating and development capabilities allows us to drive higher returns from opportunities through redevelopment, densification and expansion of our portfolio. Redevelopment of existing properties allows for the recapture of unproductive anchor boxes to re-tenant them with other retail uses, food and beverage or entertainment tenants that will drive foot traffic to our malls. Densification will utilize our development expertise in other sectors to bring in new and complimentary uses on the well-located properties. Expansion allows us to invest in land and further add to the retail offerings at our high-quality malls. Our development and redevelopment pipeline consists of an expansion project at the Staten Island Mall in New York, a ground up development in Norwalk, Connecticut and various other development projects. We monitor the scope and progress of our active developments in our Core Retail and expect them to be completed by the expected stabilized year and targeted total costs.

Reconciliation of Non-IFRS Measures – Core Retail

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|------------------------------------|-----------------------------|-------------|----------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Commercial property revenue | \$ 129 | \$ — | \$ 129 | \$ — |
| Direct commercial property expense | (36) | — | (36) | — |
| Total NOI | \$ 93 | \$ — | \$ 93 | \$ — |

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|-------|----------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Total NOI | \$ 93 | \$ — | \$ 93 | \$ — |
| Investment and other revenue | 16 | — | 16 | — |
| Interest expense | (52) | — | (52) | — |
| Depreciation and amortization on real estate assets | (2) | — | (2) | — |
| Investment and other expense | — | — | — | — |
| General and administrative expense | (26) | — | (26) | — |
| Fair value gains, net | 78 | (199) | 78 | (301) |
| Share of net earnings from equity accounted investments | (259) | 245 | (230) | 394 |
| Income before taxes | (152) | 46 | (123) | 93 |
| Income tax (expense) | 150 | — | 150 | — |
| Net income | \$ (2) | \$ 46 | \$ 27 | \$ 93 |
| Net income attributable to non-controlling interests | (3) | — | (3) | — |
| Net income attributable to Unitholders | \$ 1 | \$ 46 | \$ 30 | \$ 93 |

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|--------|----------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ (2) | \$ 46 | \$ 27 | \$ 93 |
| Add (deduct): | | | | |
| Share of equity accounted fair value (gains), net | 298 | (132) | 498 | (63) |
| Fair value losses (gains) losses, net | (78) | 199 | (78) | 301 |
| Income tax (benefit) expense | (150) | — | (150) | — |
| Non-controlling interests in above items | 3 | — | 3 | — |
| FFO | \$ 71 | \$ 113 | \$ 300 | \$ 331 |

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|--------|----------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Unconsolidated properties NOI | \$ 275 | \$ 164 | \$ 659 | \$ 489 |
| Unconsolidated properties fair value (losses) gains, net and income tax expense | (298) | 132 | (498) | 63 |
| Other expenses | (236) | (51) | (391) | (158) |
| Share of net earnings from equity accounted investments | \$ (259) | \$ 245 | \$ (230) | \$ 394 |

LP Investments (formerly referred to as Opportunistic)

Overview

Our LP Investments portfolio includes our equity invested in Brookfield-sponsored real estate opportunity funds, which target high-quality assets with operational upside across various real estate sectors, including office, retail, multifamily, industrial, hospitality, triple net lease, self-storage, student housing and manufactured housing. We target an average 20% total return on our LP Investments portfolio and a 2.0x multiple of capital on the equity we invest into these vehicles.

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

- Brookfield Strategic Real Estate Partners I (“BSREP I”) - 31% interest in BSREP I, which is an opportunistic real estate fund with \$4.4 billion in committed capital in aggregate, targeting gross returns of 20%. The fund is in year 6 of its life, is fully invested and is starting to have realizations.
- Brookfield Strategic Real Estate Partners II (“BSREP II”) - 26% interest in BSREP II, which is an opportunistic real estate fund with \$9.0 billion in committed capital in aggregate, targeting gross returns of 20%. The fund is in year 3 of its life and is fully invested.

- We have committed to date a 25% interest in the third fund of Brookfield’s global opportunistic real estate fund series that will aggregate more than \$10 billion of commitments. As with previous funds of this series, it is targeting gross returns of 20%.
- A blended 36% interest in two value-add multifamily funds totaling \$1.8 billion targeting gross returns of 16%. These funds seek to invest in a geographically diverse portfolio of U.S. multifamily properties through acquisition and development.
- A 33% interest in a \$600 million fund which owns the Atlantis Paradise Island resort in the Bahamas.
- A blended 13% interest in a series of U.S. real estate debt funds totaling \$5.4 billion which seek to invest in U.S. commercial real estate debt secured by properties in strategic locations.

We generally consolidate the portfolios held through the LP Investments as Brookfield’s power as general partner together with our exposure to variable returns of the investments through our LP interests provide us with control over the investments.

Summary of Operating Results

In addition to FFO, realized gains from LP Investments is a non-IFRS measure our partnership uses to assess the performance of the segment. Realized gains are a component within fair value gains, net that includes gains recognized from realization events including the sale of an asset or portfolio of assets, or exit of the entire investment. These investments, unlike our Core portfolios, have a defined hold period and typically generate the majority of profits from a gain recognized from these realization events. The combination of these gains and FFO earned represent our earnings on capital invested in these funds and provide liquidity to support our target distributions. As our strategy is to drive value in these investments, targeting a 20% return, we expect gains upon most of the investments within the segment as they are sold.

The following table presents FFO, realized gains and net income attributable to Unitholders in our LP Investments segment for the three and nine months ended September 30, 2018 and 2017:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|------|----------------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| FFO | 45 | 79 | 200 | 205 |
| Realized gains | 283 | 88 | 292 | 61 |
| Net income attributable to Unitholders | 248 | 192 | 670 | 538 |

FFO decreased in the current period compared to the three months ended September 30, 2017 driven by disposition activity as mentioned in the property transactions, higher interest expense and general and administrative expense from acquisition activity, higher transaction costs primarily related to the acquisition of 666 Fifth Avenue, a reduction in investment and other income as the prior period included income earned on developed-for-sale assets and the negative impact of foreign currency translation. These decreases were partially offset by NOI from property transactions. These acquisitions contributed incremental NOI of \$83 million for the three months ended September 30, 2018. Also contributing to higher NOI is leasing activity from our existing investments, particularly in our India office portfolio.

FFO decreased by \$5 million for the nine months ended September 30, 2018 primarily driven by disposition activity as mentioned in the property transactions, higher interest expense and general and administrative expense from acquisition activity, higher transaction costs primarily related to the acquisition of 666 Fifth Avenue, a reduction in investment and other income as the prior period included income earned on developed-for-sale assets and the negative impact of foreign currency translation. These decrease were partially offset by NOI earned from the property transactions. These acquisitions contributed incremental NOI of \$258 million for the nine months ended September 30, 2018.

Realized gains for the three and nine months ended September 30, 2018 were \$283 million and \$292 million, respectively, primarily related to the disposition of a portfolio of self-storage assets contributing to fair value gains of approximately \$292 million. Realized gains in the prior periods are due to several asset sales.

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

The following table presents our equity in Brookfield-sponsored real estate opportunity funds by sector and metrics on our LP Investments portfolio as at September 30, 2018 and 2017:

| (US\$ Millions, except where noted) | Equity attributable to Unitholders | | Sep. 30, 2018 | | | |
|-------------------------------------|------------------------------------|-----------------|----------------------|-----------------------------------|------------------|-------------|
| | Sep. 30, 2018 | Dec. 31, 2017 | Number of properties | Total area (sq. ft. in thousands) | Units of measure | Occupancy % |
| Office | \$ 1,390 | \$ 1,080 | 144 | 42,296 | Sq. ft. | 80.3% |
| Retail | 1,162 | 1,285 | 47 | 29,161 | Sq. ft. | 90.4% |
| Industrial | 477 | 365 | 122 | 39,235 | Sq. ft. | 91.4% |
| Multifamily | 835 | 745 | 84 | 25,353 | Units | 94.4% |
| Hospitality | 825 | 573 | 155 | 27,453 | Rooms | n/a |
| Triple Net Lease | 338 | 321 | 322 | 16,484 | Sq. ft. | 99.3% |
| Self-storage | 81 | 187 | 90 | 7,212 | Sq. ft. | 87.8% |
| Student Housing | 261 | 172 | 49 | 17,827 | Beds | 95.0% |
| Manufactured Housing | 233 | 191 | 136 | 33,169 | Sites | 85.9% |
| Mixed-Use | 238 | 203 | 7 | 5,643 | Sq. ft. | 75.4% |
| Finance Funds | 185 | 123 | n/a | n/a | n/a | n/a |
| Corporate | (440) | (235) | n/a | n/a | n/a | n/a |
| Total | \$ 5,585 | \$ 5,010 | | | | |

Valuation Metrics

The key valuation metrics of our LP Investments 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.

| | Sep. 30, 2018 | | | Dec. 31, 2017 | | |
|-------------------------------------|---------------|------------------------------|--------------------|---------------|------------------------------|--------------------|
| | Discount rate | Terminal capitalization rate | Investment horizon | Discount rate | Terminal capitalization rate | Investment horizon |
| Consolidated properties | | | | | | |
| Office ⁽¹⁾ | 10.1% | 7.0% | 6 | 10.2% | 7.5% | 7 |
| Retail | 8.9% | 7.7% | 10 | 9.0% | 8.0% | 10 |
| Industrial | 6.6% | 5.7% | 10 | 6.8% | 6.2% | 10 |
| Mixed-Use ⁽¹⁾ | 8.2% | 5.4% | 10 | 8.4% | 5.3% | 10 |
| Multifamily ⁽²⁾ | 4.8% | n/a | n/a | 4.8% | n/a | n/a |
| Triple Net Lease ⁽²⁾ | 6.3% | n/a | n/a | 6.4% | n/a | n/a |
| Self-storage ⁽²⁾ | 5.7% | n/a | n/a | 5.8% | n/a | n/a |
| Student Housing ⁽²⁾ | 5.5% | n/a | n/a | 5.8% | n/a | n/a |
| Manufactured Housing ⁽²⁾ | 5.4% | n/a | n/a | 5.8% | n/a | n/a |
| Unconsolidated properties | | | | | | |
| Office | 6.1% | 5.0% | 10 | 6.6% | 5.7% | 10 |
| Retail | 11.3% | 7.1% | 10 | 11.5% | 7.2% | 11 |
| Industrial | 6.2% | 5.4% | 10 | 6.4% | 5.8% | 10 |
| Multifamily ⁽²⁾ | 5.1% | n/a | n/a | 5.1% | n/a | n/a |

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

⁽²⁾ The valuation method used to value multifamily, triple net lease, self-storage, student housing, and manufactured housing properties is the direct capitalization method. The rates presented as the discount rate relate to the overall implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable.

Financial Position

The following table presents an overview of the financial position of our LP Investments segment as at September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|--|------------------|------------------|
| Investment properties | \$ 31,794 | \$ 28,088 |
| Property, plant and equipment | 6,692 | 5,358 |
| Equity accounted investments | 2,662 | 2,612 |
| Accounts receivable and other | 4,107 | 3,535 |
| Cash and cash equivalents | 1,565 | 1,093 |
| Assets held for sale | 150 | 785 |
| Total assets | \$ 46,970 | \$ 41,471 |
| Debt obligations | 26,666 | 22,402 |
| Capital securities | 431 | 431 |
| Accounts payable and other liabilities | 3,016 | 2,769 |
| Liabilities associated with assets held for sale | 66 | 1,028 |
| Non-controlling interests of others in operating subsidiaries and properties | 11,206 | 9,831 |
| Equity attributable to Unitholders | \$ 5,585 | \$ 5,010 |

The increase in investment properties is primarily the result of our acquisition activity, mostly in our office and student housing portfolios. Additionally, we had valuation gains from our industrial portfolio in the U.S., our 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 as detailed in property transactions and capital spend, partially offset by depreciation expense and the negative impact of foreign currency translation

Equity accounted investments increased during the nine months ended September 30, 2018 primarily due to net income from these investments and additions during the period, partially offset by distributions of income and return of capital during the period and the negative impact of foreign currency translation.

Assets held for sale and related liabilities as of September 30, 2018 includes three triple-net lease assets in the U.S., two office assets in the U.S., one industrial asset and one multifamily asset, 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 in property transactions.

Reconciliation of Non-IFRS Measures - LP Investments

The following table reconciles LP Investments NOI to net income for the three and nine months ended September 30, 2018 and 2017:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Commercial property revenue | \$ 630 | \$ 556 | \$ 1,877 | \$ 1,589 |
| Hospitality revenue | 497 | 410 | 1,446 | 1,214 |
| Direct commercial property expense | (220) | (177) | (611) | (488) |
| Direct hospitality expense | (311) | (249) | (931) | (788) |
| Total NOI | 596 | 540 | 1,781 | 1,527 |
| Investment and other revenue | 28 | 8 | 51 | 163 |
| Interest expense | (355) | (262) | (964) | (797) |
| General and administrative expense | (124) | (67) | (310) | (207) |
| Investment and other expense | (17) | (1) | (17) | (123) |
| Depreciation and amortization | (79) | (66) | (222) | (191) |
| Fair value gains, net | 342 | 567 | 1,500 | 1,318 |
| Share of net earnings from equity accounted investments | 50 | 41 | 215 | 188 |
| Income before taxes | 441 | 760 | 2,034 | 1,878 |
| Income tax expense | (79) | (110) | (187) | (193) |
| Net income | 362 | 650 | 1,847 | 1,685 |
| Net income attributable to non-controlling interests | 261 | 457 | 1,177 | 1,146 |
| Net income attributable to Unitholders | \$ 101 | \$ 193 | \$ 670 | \$ 539 |

The following table reconciles LP Investments net income to FFO for the three and nine months ended September 30, 2018 and 2017:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|--------|----------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 362 | \$ 650 | \$ 1,847 | \$ 1,685 |
| Add (deduct): | | | | |
| Fair value gains, net | (342) | (567) | (1,500) | (1,318) |
| Share of equity accounted fair value (gains), net | (38) | (23) | (135) | (120) |
| Depreciation and amortization of real estate assets | 70 | 61 | 200 | 176 |
| Income tax expense | 79 | 110 | 187 | 193 |
| Non-controlling interests in above items | (86) | (152) | (399) | (411) |
| FFO | \$ 45 | \$ 79 | \$ 200 | \$ 205 |

Corporate

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

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our corporate segment for the three and nine months ended September 30, 2018 and 2017:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|----------|----------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| FFO | \$ (107) | \$ (108) | \$ (313) | \$ (318) |
| Net income attributable to Unitholders | (105) | (137) | 66 | (416) |

FFO was a loss of \$107 million (2017 - loss of \$108 million) and \$313 million (2017 - loss of \$318 million) for the three and nine months ended September 30, 2018, respectively.

Interest expense contributes to this loss and for the three months ended September 30, 2018 was \$72 million (2017 - \$68 million), and consists of \$51 million (2017 - \$55 million) of interest expense paid on capital securities and \$21 million (2017 - \$13 million) of interest expense on our credit facilities. For the nine months ended September 30, 2018, interest expense totaled \$212 million (2017 - \$195 million), and consists of \$160 million (2017 - \$152 million) of interest expense paid on capital securities and \$52 million (2017 - \$43 million) of interest expense on our credit facilities.

Another component of FFO is general and administrative expense, which, for the three months ended September 30, 2018 was \$36 million (2017 - \$40 million) and consists of \$25 million (2017 - \$26 million) of asset management fees, and \$10 million (2017 - \$7 million) of other corporate costs. The prior period also included \$7 million of equity enhancement fees. For the nine months ended September 30, 2018 general and administrative expense was \$103 million (2017 - \$123 million) and consists of \$73 million (2017 - \$78 million) of asset management fees and \$29 million (2017 - \$25 million) of other corporate costs. The prior period also included \$20 million of equity enhancement fees.

In addition, during the three and nine months ended September 30, 2018, we recorded fair value gains, net of nil and \$200 million (2017 - fair value losses of \$8 million and \$34 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 nine months ended September 30, 2018, we also recorded a income tax benefit of \$2 million and income tax benefit of \$179 million (2017 - income tax expense of \$20 million and \$63 million), respectively, allocated to the corporate segment related to the decrease of deferred tax liabilities of our holding companies and their subsidiaries.

Financial Position

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|-------------------|-------------------|
| Accounts receivable and other | \$ 121 | \$ 129 |
| Equity accounted investments | — | 70 |
| Cash and cash equivalents | 48 | 38 |
| Total assets | 169 | 237 |
| Debt obligations | 1,991 | 1,358 |
| Capital securities | 2,438 | 2,921 |
| Deferred tax liabilities | 235 | 598 |
| Accounts payable and other liabilities | 906 | 925 |
| Non-controlling interests | 17 | 16 |
| Equity attributable to Unitholders | \$ (5,418) | \$ (5,581) |

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.

In August 2018, we renewed our normal course issuer bid for our LP Units for a further one-year period. During the twelve-month period commencing August 20, 2018, and ending August 19, 2019, we may purchase on the Toronto Stock Exchange, the Nasdaq, and any alternative Canadian trading system, up to 21,091,764 LP Units, representing approximately 10% of our issued and outstanding LP Units. Unitholders may obtain a copy of the Notice of Intention relating to our normal course issuer bid, without charge, by contacting the partnership.

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

| (US\$ Millions) | Shares Outstanding | Cumulative Dividend Rate | Sep. 30, 2018 | Dec. 31, 2017 |
|---|--------------------|--------------------------|-----------------|-----------------|
| Operating Partnership Class A Preferred Equity Units: | | | | |
| Series 1 | 24,000,000 | 6.25% | \$ 558 | \$ 551 |
| Series 2 | 24,000,000 | 6.50% | 535 | 529 |
| Series 3 | 24,000,000 | 6.75% | 522 | 517 |
| Brookfield BPY Holdings Inc. Junior Preferred Shares: | | | | |
| Class B Junior Preferred Shares | 30,000,000 | 7.64% | 750 | 750 |
| Class C Junior Preferred Shares ⁽¹⁾ | — | —% | — | 500 |
| Brookfield Property Split Corp. Senior Preferred Shares: | | | | |
| Class A Series 1 | 924,390 | 5.25% | 23 | 23 |
| Class A Series 2 | 699,165 | 5.75% | 14 | 14 |
| Class A Series 3 | 909,994 | 5.00% | 18 | 18 |
| Class A Series 4 | 940,486 | 5.20% | 18 | 19 |
| Total capital securities - corporate | | | \$ 2,438 | \$ 2,921 |

⁽¹⁾ In the third quarter of 2018, the Brookfield BPY Holdings Inc. Class C Junior Preferred Shares, held by Brookfield Asset Management, were redeemed.

In addition, as at September 30, 2018, we had \$16 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 nine months ended September 30, 2018 and 2017:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|-----------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) | \$ (104) | \$ (136) | \$ 67 | \$ (415) |
| Net income attributable to non-controlling interests | 1 | 1 | 1 | 1 |
| Net income (loss) attributable to Unitholders | \$ (105) | \$ (137) | \$ 66 | \$ (416) |

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|-----------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) | \$ (104) | \$ (136) | \$ 67 | \$ (415) |
| Add (deduct): | | | | |
| Fair value (gains) losses, net | — | 9 | (200) | 35 |
| Income tax expense | (2) | 20 | (179) | 63 |
| Non-controlling interests in above items | (1) | (1) | (1) | (1) |
| FFO | \$ (107) | \$ (108) | \$ (313) | \$ (318) |

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 September 30, 2018, capital totaled \$104 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;
- Unfunded committed capital to funds;
- Investing activities which could include:
 - Discretionary capital expenditures;
 - Property acquisitions;
 - Future developments; and
 - Repurchase of our units.

We plan to meet these liquidity needs by accessing our group-wide liquidity of \$6,491 million at September 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) | Sep. 30, 2018 | Dec. 31, 2017 |
|--|-----------------|-----------------|
| Proportionate cash retained at subsidiaries | \$ 1,565 | \$ 1,290 |
| Proportionate availability under credit facilities | 3,270 | 1,814 |
| Proportionate availability under construction facilities | 1,656 | 2,777 |
| Group-wide liquidity⁽¹⁾ | \$ 6,491 | \$ 5,881 |

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

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

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

| (US\$ Millions) | Sep. 30, 2018 |
|---------------------------------|----------------------|
| Remainder of 2018 | \$ 1,702 |
| 2019 | 4,719 |
| 2020 | 5,812 |
| 2021 | 7,687 |
| 2022 | 2,382 |
| 2023 and thereafter | 16,509 |
| Deferred financing costs | (254) |
| Secured debt obligations | \$ 38,557 |
| Debt to capital ratio | 52.1% |

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. Currently, our debt to capital ratio is 52.1%. We are focused on decreasing our debt to capital ratio to 50% through repayment of capital securities and credit facilities with cash flows that we expect from the completion of our active development pipeline with completion dates in 2019-2021.

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 September 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 nine month periods ended September 30, 2018 and 2017, the partnership made distributions to Unitholders of \$307 million (2017 - \$207 million) and \$750 million (2017 - \$623 million), respectively. This compares to cash flow from operating activities of \$369 million and \$1,148 million for each period as well as realized gains from our LP Investments of \$283 million and \$292 million, respectively. 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.

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

We are subject to risks that affect the retail environment, including unemployment, weak income growth, lack of available consumer credit, industry slowdowns and plant closures, consumer confidence, increased consumer debt, poor housing market conditions, adverse weather conditions, natural disasters and the need to pay down existing obligations. 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 8.7% of our Core Office segment tenant base and, as at September 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 September 30, 2018:

| Tenant | Primary location | Credit rating ⁽¹⁾ | Exposure (%) ⁽²⁾ |
|------------------------------------|--------------------|------------------------------|-----------------------------|
| Government and Government Agencies | Various | AAA/AA+ | 8.7% |
| Barclays | London | BBB- | 2.5% |
| Morgan Stanley | NY/Toronto/London | A- | 2.5% |
| CIBC World Markets ⁽³⁾ | 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% |
| Total | | | 23.9% |

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

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

⁽³⁾ CIBC World Markets leases 1.1 million square feet at 300 Madison Avenue in New York, of which they sublease 925,000 square feet to PricewaterhouseCoopers LLP and approximately 100,000 square feet to Sumitomo Corporation of America.

The following list reflects the largest tenants in our Core Retail portfolio as at September 30, 2018. The largest ten tenants in our portfolio accounted for approximately 21.7% of minimum rents, tenant recoveries and other.

| Tenant | DBA | Exposure (%) ⁽¹⁾ |
|----------------------------------|---|-----------------------------|
| 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 | 3.0% |
| The Gap, Inc. | Gap, Banana Republic, Old Navy, Athleta | 2.5% |
| LVMH | Louis Vuitton, Sephora | 2.3% |
| Forever 21 Retail, Inc. | Forever 21, Riley Rose | 2.2% |
| Signet Jewelers Limited | Zales, Gordon's, Kay, Jared | 1.7% |
| 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% |
| Total | | 21.7% |

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

Lease Roll-over Risk

Lease roll-over risk arises from the possibility that we may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon early lease expiry. We attempt to stagger the lease expiry profile so that we are not faced with disproportionate amounts of space expiring in any one year. On average, approximately 10% of our office, retail and industrial leases mature annually up to 2022. 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 September 30, 2018, including our unconsolidated investments:

| (Sq. ft. in thousands) | Current | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | Total |
|--|---------|-------|-------|-------|-------|-------|-------|-------|-----------------|--------|
| Core Office | 5,662 | 1,003 | 3,208 | 4,954 | 5,741 | 5,254 | 6,129 | 4,104 | 44,096 | 80,151 |
| Total % expiring | 7.1% | 1.3% | 4.0% | 6.2% | 7.2% | 6.6% | 7.6% | 5.1% | 54.9% | 100.0% |
| Core Retail ⁽¹⁾ | 2,461 | 1,629 | 6,347 | 5,258 | 5,159 | 5,347 | 5,083 | 4,594 | 18,839 | 54,717 |
| Total % expiring | 4.5% | 3.0% | 11.6% | 9.6% | 9.4% | 9.8% | 9.3% | 8.4% | 34.4% | 100.0% |
| LP Investments - Office | 6,743 | 1,435 | 4,187 | 3,654 | 4,451 | 3,707 | 2,925 | 1,046 | 6,171 | 34,319 |
| Total % expiring | 19.6% | 4.2% | 12.2% | 10.6% | 13.0% | 10.8% | 8.5% | 3.0% | 18.1% | 100.0% |
| LP Investments - Retail ⁽¹⁾ | 1,495 | 877 | 1,530 | 1,558 | 1,387 | 1,139 | 1,003 | 623 | 4,478 | 14,090 |
| Total % expiring | 10.6% | 6.2% | 10.9% | 11.1% | 9.8% | 8.1% | 7.1% | 4.4% | 31.8% | 100.0% |
| Industrial | 3,371 | 139 | 1,799 | 5,034 | 6,593 | 2,853 | 2,475 | 2,622 | 14,349 | 39,235 |
| Total % expiring | 8.6% | 0.4% | 4.6% | 12.8% | 16.8% | 7.3% | 6.3% | 6.7% | 36.5% | 100.0% |

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

Tax Risk

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

Environmental Risk

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

We will continue to make the necessary capital and operating expenditures to ensure that we are compliant with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a 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 42% of our outstanding debt obligations at September 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 \$231 million. A 100 basis point increase in interest rates relating to fixed rate debt obligations due within one year would result in an increase in annual interest expense of approximately \$7 million upon refinancing. In addition, we have exposure to interest rates within our equity accounted investments. We have mitigated, to some extent, the exposure to interest rate fluctuations through interest rate derivative contracts. See “*Derivative Financial Instruments*” below in this MD&A.

At September 30, 2018, our consolidated debt to capitalization was 52% (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 nine months ended September 30, 2018, approximately 29% of our assets and 34% 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 September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Hedging item | Notional | Rates | Maturity dates | Fair value |
|----------------------|--|------------|-------------|-----------------------|--------------|
| Sep. 30, 2018 | Interest rate caps of US\$ LIBOR debt | \$ 4,838 | 2.3% - 4.8% | Jun. 2019 - Sep. 2023 | \$ 4 |
| | Interest rate swaps of US\$ LIBOR debt | 1,808 | 1.0% - 2.7% | Nov. 2018 - Mar. 2022 | 6 |
| | Interest rate caps of £ LIBOR debt | 937 | 1.3% - 2.0% | Dec. 2019 - Jan. 2021 | — |
| | Interest rate swaps of £ LIBOR debt | 68 | 1.5% | Apr. 2020 | (1) |
| | Interest rate swaps of € EURIBOR debt | 116 | 1.0% - 1.3% | Apr. 2020 - Apr. 2021 | 0 |
| | Interest rate caps of C\$ LIBOR debt | 186 | 3.0% | Oct. 2020 - Oct. 2022 | — |
| | 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. 2019 | (153) |
| 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 nine months ended September 30, 2018, the amount of hedge ineffectiveness recorded in earnings in connection with our interest rate hedging activities was nil and \$17 million (2017 - eleven million and \$13 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 September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Hedging item | Notional | Rates | Maturity dates | Fair value |
|----------------------|--|----------------|-----------------------------|-----------------------|------------|
| Sep. 30, 2018 | Net investment hedges | € 345 | €0.78/\$ - €0.85/\$ | Dec. 2018 - Sep. 2019 | \$ 10 |
| | Net investment hedges | £ 2,361 | £0.70/\$ - £0.78/\$ | Oct. 2018 - Nov. 2019 | 49 |
| | Net investment hedges | A\$ 687 | A\$1.28/\$ - A\$1.40/\$ | Oct. 2018 - Nov. 2019 | (3) |
| | Net investment hedges | C¥ 2,672 | C¥6.42/\$ - C¥6.94/\$ | Nov. 2018 - Aug. 2019 | 11 |
| | Net investment hedges | C\$ 118 | C\$1.31/\$ | Oct. 2018 - Dec. 2018 | (1) |
| | Net investment hedges | ¥ 616,289 | ¥1,095.80/\$ - ¥1,109.82/\$ | Dec. 2018 - Sep. 2019 | 1 |
| | Net investment hedges | Rs 30,543 | Rs67.44/\$ - Rs69.71/\$ | Oct. 2018 - May 2019 | 33 |
| | Net investment hedges | £ 77 | £0.88/€ - £0.92/€ | Jan. 2019 - Feb. 2020 | (1) |
| | Cross currency swap on C\$ LIBOR debt | C\$ 300 | C\$1.33/\$ | Jul. 2023 | 5 |
| 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 nine months ended September 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 September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Derivative type | Notional | Rates | Maturity dates | Fair value |
|----------------------|--|--------------|--------------------|------------------------------|--------------|
| Sep. 30, 2018 | Interest rate caps | \$ 4,691 | 2.8% - 5.8% | Oct. 2018 - Oct. 2021 | \$ 1 |
| | Interest rate swaps on forecasted fixed rate debt | 1,660 | 2.3% - 6.0% | Nov. 2018 - Jun. 2030 | 12 |
| | Interest rate swaps of US\$ LIBOR debt | 800 | 2.4% - 2.7% | Jul. 2019 - Nov. 2020 | (3) |
| | Interest rate swaptions | 335 | 1.0% | Nov. 2018 - Nov. 2028 | — |
| Dec. 31, 2017 | 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 nine months ended September 30, 2018, we recognized fair value gains, net of approximately \$18 million and \$71 million (2017 - losses of \$6 million and \$33 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 nine months ended September 30, 2018 was \$25 million (2017 - \$26 million) and \$73 million (2017 - \$78 million), respectively. The equity enhancement distribution is \$1 million for both the three and nine months ended September 30, 2018 (2017 - \$7 million and \$20 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) | Sep. 30, 2018 | Dec 31, 2017 |
|---|---------------|--------------|
| Balances outstanding with related parties: | | |
| Participating loan interests | \$ 266 | \$ 517 |
| Net (payables)/receivables within equity accounted investments | (23) | (49) |
| Loans and notes receivable ⁽¹⁾ | 72 | 96 |
| Receivables and other assets | 9 | 11 |
| Deposit and promissory note from Brookfield Asset Management | (733) | (633) |
| Property-specific debt obligations | (383) | (415) |
| Loans and notes payable and other liabilities | (211) | (156) |
| Capital securities held by Brookfield Asset Management ⁽²⁾ | (750) | (1,250) |
| Preferred shares held by Brookfield Asset Management | (15) | (15) |

⁽¹⁾ At September 30, 2018, includes \$72 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.

⁽²⁾ During the third quarter of 2018, the Brookfield BPY Holdings Inc. Class C Junior Preferred shares, held by Brookfield Asset Management, were redeemed.

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|------|----------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Transactions with related parties: | | | | |
| Commercial property revenue ⁽¹⁾ | \$ 4 | \$ 4 | \$ 14 | \$ 14 |
| Management fee income | 1 | 1 | 4 | 4 |
| Participating loan interests (including fair value gains, net) | 13 | 33 | 45 | 77 |
| Interest expense on debt obligations | 9 | 3 | 29 | 21 |
| Interest on capital securities held by Brookfield Asset Management | 16 | 26 | 54 | 64 |
| General and administrative expense ⁽²⁾ | 57 | 51 | 153 | 151 |
| Construction costs ⁽³⁾ | 64 | 99 | 289 | 243 |

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

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

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

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.

During the third quarter, we sold 27.5% of our interest in a portfolio of operating and development assets in New York. We retain control over and will continue to consolidate these assets after the sale. The interest was sold to Brookfield Asset Management for consideration of approximately \$1.4 billion. Brookfield Asset Management is currently in the process of syndicating its entire 27.5% equity interest to third-party investors.

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 nine months ended September 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 \$86 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. 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 \$300 billion in assets under management.

BROOKFIELD PROPERTY PARTNERS

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

UNITHOLDERS INQUIRIES

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

AST TRUST COMPANY (Canada)

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

COMMUNICATIONS

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

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

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

Brookfield Property Partners L.P.

Condensed consolidated financial statements (unaudited)
As at September 30, 2018 and December 31, 2017 and
for the three and nine months ended September 30, 2018 and 2017

Brookfield Property Partners L.P.

Condensed Consolidated Balance Sheets

| Unaudited (US\$ Millions) | Note | As at | |
|---|-------|-------------------|------------------|
| | | Sep. 30, 2018 | Dec. 31, 2017 |
| Assets | | | |
| Non-current assets | | | |
| Investment properties | 5 | \$ 73,957 | \$ 51,357 |
| Equity accounted investments | 6 | 21,940 | 19,761 |
| Participating loan interests | 7 | 266 | 517 |
| Property, plant and equipment | 8 | 6,863 | 5,457 |
| Goodwill | 9 | 1,124 | 1,079 |
| Intangible assets | 10 | 1,214 | 1,188 |
| Other non-current assets | 11 | 1,143 | 898 |
| Loans and notes receivable | | 446 | 178 |
| Total non-current assets | | 106,953 | 80,435 |
| Current assets | | | |
| Loans and notes receivable | | 105 | 7 |
| Accounts receivable and other | 12 | 1,690 | 981 |
| Cash and cash equivalents | | 2,444 | 1,491 |
| Total current assets | | 4,239 | 2,479 |
| Assets held for sale | 13 | 391 | 1,433 |
| Total assets | | \$ 111,583 | \$ 84,347 |
| Liabilities and equity | | | |
| Non-current liabilities | | | |
| Debt obligations | 14 | \$ 49,909 | \$ 30,749 |
| Capital securities | 15 | 2,900 | 2,839 |
| Other non-current liabilities | 17 | 1,519 | 918 |
| Deferred tax liabilities | | 2,659 | 2,888 |
| Total non-current liabilities | | 56,987 | 37,394 |
| Current liabilities | | | |
| Debt obligations | 14 | 4,472 | 6,135 |
| Capital securities | 15 | 824 | 1,326 |
| Accounts payable and other liabilities | 18 | 3,394 | 3,052 |
| Total current liabilities | | 8,690 | 10,513 |
| Liabilities associated with assets held for sale | 13 | 148 | 1,316 |
| Total liabilities | | 65,825 | 49,223 |
| Equity | | | |
| Limited partners | 19 | 11,212 | 7,395 |
| General partner | 19 | 4 | 6 |
| Non-controlling interests attributable to: | | | |
| Redeemable/exchangeable and special limited partnership units | 19,20 | 12,683 | 14,500 |
| Limited partnership units of Brookfield Office Properties Exchange LP | 19,20 | 98 | 285 |
| Class A shares of Brookfield Property REIT Inc. ("BPR") | 19,20 | 4,277 | — |
| Interests of others in operating subsidiaries and properties | 20 | 17,484 | 12,938 |
| Total equity | | 45,758 | 35,124 |
| Total liabilities and equity | | \$ 111,583 | \$ 84,347 |

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 Sep. 30, | | Nine months ended Sep. 30, | |
|---|------|-----------------------------|---------------|----------------------------|-----------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Commercial property revenue | 21 | \$ 1,251 | \$ 1,066 | \$ 3,478 | \$ 3,111 |
| Hospitality revenue | 22 | 502 | 410 | 1,460 | 1,214 |
| Investment and other revenue | 23 | 75 | 34 | 161 | 232 |
| Total revenue | | 1,828 | 1,510 | 5,099 | 4,557 |
| Direct commercial property expense | 24 | 478 | 419 | 1,308 | 1,201 |
| Direct hospitality expense | 25 | 315 | 249 | 942 | 788 |
| Investment and other expense | | 17 | 1 | 17 | 123 |
| Interest expense | | 632 | 493 | 1,689 | 1,475 |
| Depreciation and amortization | 26 | 81 | 69 | 229 | 201 |
| General and administrative expense | 27 | 241 | 147 | 593 | 454 |
| Total expenses | | 1,764 | 1,378 | 4,778 | 4,242 |
| Fair value gains, net | 28 | 556 | 339 | 1,943 | 717 |
| Share of net earnings from equity accounted investments | 6 | 65 | 371 | 581 | 897 |
| Income before income taxes | | 685 | 842 | 2,845 | 1,929 |
| Income tax (benefit) expense | 16 | (37) | 183 | 49 | 419 |
| Net income | | \$ 722 | \$ 659 | \$ 2,796 | \$ 1,510 |
| Net income attributable to: | | | | | |
| Limited partners | | \$ 144 | \$ 61 | \$ 532 | \$ 88 |
| General partner | | — | — | — | — |
| Non-controlling interests attributable to: | | | | | |
| Redeemable/exchangeable and special limited partnership units | | 206 | 104 | 857 | 149 |
| Limited partnership units of Brookfield Office Properties Exchange LP | | 2 | 3 | 16 | 4 |
| Class A shares of Brookfield Property REIT Inc. | | 28 | — | 39 | — |
| Interests of others in operating subsidiaries and properties | | 342 | 491 | 1,352 | 1,269 |
| Total | | \$ 722 | \$ 659 | \$ 2,796 | \$ 1,510 |
| Net income per LP Unit: | | | | | |
| Basic | 19 | \$ 0.44 | \$ 0.22 | \$ 1.79 | \$ 0.31 |
| Diluted | 19 | \$ 0.43 | \$ 0.22 | \$ 1.77 | \$ 0.31 |

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 Sep. 30, | | Nine months ended Sep. 30, | |
|--|------|-----------------------------|--------|----------------------------|----------|
| | | 2018 | 2017 | 2018 | 2017 |
| Net income | | \$ 722 | \$ 659 | \$ 2,796 | \$ 1,510 |
| Other comprehensive income (loss) | 30 | | | | |
| Items that may be reclassified to net income: | | | | | |
| Foreign currency translation | | (189) | 278 | (690) | 573 |
| Cash flow hedges | | 9 | 1 | 62 | 40 |
| Available-for-sale securities | | — | (1) | — | — |
| Equity accounted investments | | 8 | 5 | 29 | 8 |
| Items that will not be reclassified to net income: | | | | | |
| Securities - fair value through other comprehensive income ("FVTOCI") | | (1) | — | (5) | — |
| Remeasurement of defined benefit obligations | | — | — | 2 | (2) |
| Revaluation surplus | | 1 | — | 3 | — |
| Total other comprehensive income (loss) | | (172) | 283 | (599) | 619 |
| Total comprehensive income (loss) | | \$ 550 | \$ 942 | \$ 2,197 | \$ 2,129 |
| Comprehensive income attributable to: | | | | | |
| Limited partners | | | | | |
| Net income | | \$ 144 | \$ 61 | \$ 532 | \$ 88 |
| Other comprehensive income (loss) | | (37) | 77 | (136) | 145 |
| | | 107 | 138 | 396 | 233 |
| Non-controlling interests | | | | | |
| Redeemable/exchangeable and special limited partnership units | | | | | |
| Net income | | 206 | 104 | 857 | 149 |
| Other comprehensive income (loss) | | (49) | 131 | (219) | 247 |
| | | 157 | 235 | 638 | 396 |
| Limited partnership units of Brookfield Office Properties Exchange LP | | | | | |
| Net income | | 2 | 3 | 16 | 4 |
| Other comprehensive income (loss) | | — | 3 | (4) | 6 |
| | | 2 | 6 | 12 | 10 |
| Class A shares of Brookfield Property REIT Inc. | | | | | |
| Net income | | 28 | — | 39 | — |
| Other comprehensive income (loss) | | (10) | — | (10) | — |
| | | 18 | — | 29 | — |
| Interests of others in operating subsidiaries and properties | | | | | |
| Net income | | 342 | 491 | 1,352 | 1,269 |
| Other comprehensive income (loss) | | (76) | 72 | (230) | 221 |
| | | 266 | 563 | 1,122 | 1,490 |
| Total comprehensive income | | \$ 550 | \$ 942 | \$ 2,197 | \$ 2,129 |

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 comprehensiv e (loss) income | | Capital | Retained earnings | Ownership Changes | Accumulated other comprehensive (loss) income | | Redeemable / exchangeable and special limited partnership units | Limited partnership units of Brookfield Office Properties Exchange LP | Class A shares of Brookfield Property REIT Inc. | Interests of others in operating subsidiaries and properties | |
| Balance as at Dec 31, 2017 | \$ 5,613 | \$ 1,878 | \$ 140 | \$ (236) | \$ 7,395 | \$ 4 | \$ 2 | \$ — | \$ — | \$ 6 | \$ 14,500 | \$ 285 | \$ — | \$ 12,938 | \$ 35,124 |
| Net income | — | 532 | — | — | 532 | — | — | — | — | — | 857 | 16 | 39 | 1,352 | 2,796 |
| Other comprehensive income (loss) | — | — | — | (136) | (136) | — | — | — | — | — | (219) | (4) | (10) | (230) | (599) |
| Total comprehensive income (loss) | — | 532 | — | (136) | 396 | — | — | — | — | — | 638 | 12 | 29 | 1,122 | 2,197 |
| Distributions | — | (278) | — | — | (278) | — | — | — | — | — | (413) | (8) | (51) | (794) | (1,544) |
| Issuance / repurchase of interests in operating subsidiaries | 2,202 | (1) | 112 | — | 2,313 | — | — | — | — | — | 63 | 1 | 3,386 | 4,218 | 9,981 |
| Exchange of exchangeable units | 156 | — | 19 | (2) | 173 | — | — | — | — | — | 30 | (203) | — | — | — |
| Conversion of Class A shares of Brookfield Property REIT Inc. | 306 | — | 2 | — | 308 | — | — | — | — | — | 3 | — | (311) | — | — |
| Change in relative interests of non-controlling interests | — | — | 971 | (66) | 905 | — | — | (2) | — | (2) | (2,138) | 11 | 1,224 | — | — |
| Balance as at Sep. 30, 2018 | \$ 8,277 | \$ 2,131 | \$ 1,244 | \$ (440) | \$ 11,212 | \$ 4 | \$ 2 | \$ (2) | \$ — | \$ 4 | \$ 12,683 | \$ 98 | \$ 4,277 | \$ 17,484 | \$ 45,758 |
| 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 | — | 88 | — | — | 88 | — | — | — | — | — | 149 | 4 | — | 1,269 | 1,510 |
| Other comprehensive (loss) | — | — | — | 145 | 145 | — | — | — | — | — | 247 | 6 | — | 221 | 619 |
| Total comprehensive income (loss) | — | 88 | — | 145 | 233 | — | — | — | — | — | 396 | 10 | — | 1,490 | 2,129 |
| Distributions | — | (226) | — | — | (226) | — | — | — | — | — | (387) | (10) | — | (1,219) | (1,842) |
| Issuance / repurchase of interest in operating subsidiaries | (136) | (39) | 12 | — | (163) | — | — | — | — | — | (46) | — | — | 711 | 502 |
| Exchange of exchangeable units | 6 | — | — | — | 6 | — | — | — | — | — | 1 | (7) | — | — | — |
| Balance as at Sep. 30, 2017 | \$ 5,613 | \$ 1,908 | \$ 139 | \$ (274) | \$ 7,386 | \$ 4 | \$ 2 | \$ — | \$ — | \$ 6 | \$ 14,487 | \$ 286 | \$ — | \$ 12,785 | \$ 34,950 |

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Cash Flows

| Unaudited (US\$ Millions) | Note | Nine Months Ended Sep. 30, | |
|---|------|----------------------------|-----------------|
| | | 2018 | 2017 |
| Operating activities | | | |
| Net income | | \$ 2,796 | \$ 1,510 |
| Share of equity accounted earnings, net of distributions | | (219) | (660) |
| Fair value (gains), net | 28 | (1,943) | (717) |
| Deferred income tax expense | 16 | (57) | 314 |
| Depreciation and amortization | 26 | 229 | 201 |
| Working capital and other | | 342 | (261) |
| | | 1,148 | 387 |
| Financing activities | | | |
| Debt obligations, issuance | | 16,704 | 13,918 |
| Debt obligations, repayments | | (12,933) | (11,355) |
| Capital securities issued | | — | 249 |
| Capital securities redeemed | | (555) | (297) |
| Non-controlling interests, issued | | 1,643 | 1,719 |
| Non-controlling interests, purchased | | — | (483) |
| Limited partnership units, issued | | 500 | — |
| Limited partnership units, repurchased | | (14) | (136) |
| Distributions to non-controlling interests in operating subsidiaries | | (765) | (1,198) |
| Distributions to limited partnership unitholders | | (278) | (226) |
| Distributions to redeemable/exchangeable and special limited partnership unitholders | | (413) | (387) |
| Distributions to holders of Brookfield Office Properties Exchange LP units | | (8) | (10) |
| Distributions to holders of Class A shares of Brookfield Property REIT Inc. | | (51) | — |
| | | 3,830 | 1,794 |
| Investing activities | | | |
| Investment properties and subsidiaries, proceeds of dispositions | | 2,028 | 1,515 |
| Property acquisitions and capital expenditures | | (6,781) | (3,739) |
| Investment in equity accounted investments | | (424) | (471) |
| Proceeds from sale and distributions of equity accounted investments and participating loan interests | | 571 | 891 |
| Financial assets and other | | (58) | (262) |
| Property, plant and equipment investments, net of dispositions | | 172 | (187) |
| Cash acquired in business combinations, net of cash impact from deconsolidation | | 563 | (55) |
| Restricted cash and deposits | | (55) | 34 |
| | | (3,984) | (2,274) |
| Cash and cash equivalents | | | |
| Net change in cash and cash equivalents during the period | | 994 | (93) |
| Effect of exchange rate fluctuations on cash and cash equivalents held in foreign currencies | | (41) | 35 |
| Balance, beginning of period | | 1,491 | 1,456 |
| Balance, end of period | | \$ 2,444 | \$ 1,398 |
| Supplemental cash flow information | | | |
| Cash paid for: | | | |
| Income taxes | | \$ 106 | \$ 55 |
| Interest (excluding dividends on capital securities) | | \$ 1,449 | \$ 1,150 |

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 September 30, 2018 is a 47% 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 nine months ended September 30, 2018 were approved and authorized for issue by the Board of Directors of the partnership on October 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) Change in 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. On July 1, 2018, the partnership realigned its LP Investments segment (formerly referred to as Opportunistic) to include the corporate function of the Brookfield-sponsored real estate opportunity funds, previously included in the Corporate segment, to more closely align with the how the partnership now presents financial information to the CODM and investors. As of September 30, 2018, the partnership is organized into four reportable segments: i) Core Office, ii) Core Retail, iii) LP Investments and iv) Corporate. These segments are independently and regularly reviewed and managed by the Chief Executive Officer, who is considered the CODM. Segment disclosures for periods prior to the realignment of segments have been recast to reflect the changes in the partnership’s operating segments. See Note 35, *Segment Information*, for further discussion.

d) 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 |
| Financial assets | | | |
| 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 |
| Financial liabilities | | | |
| 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.

e) 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 nine months ended September 30, 2018.

f) 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 and has developed and implemented an adoption project plan. Using the population of existing contractual arrangements, the partnership has substantially completed its identification of leases that are required to be capitalized under the new standard. The partnership is currently quantifying the present value of the identified lease contracts to determine the impact on the January 1, 2019 balance sheet and is assessing the expected impact to other financial statement line items once the standard has been adopted. The partnership is progressing as planned in its adoption project plan. Next steps include completing analysis on the transitional adjustment, assessing the impact to internal controls and drafting the additional disclosures required by the new standard.

The partnership currently anticipates adopting the standard using the modified retrospective approach, whereby any transitional impact is recorded in equity as of January 1, 2019 and comparative periods are not restated. The partnership intends to complete the transition using the current definition of a lease and expects to apply certain transition reliefs, practical expedients and policy choice options on adoption of the new standard.

The partnership will continue to evaluate the overall impact of IFRS 16 on its consolidated financial statements.

NOTE 3. ACQUISITION OF GGP INC.

On March 26, 2018, the partnership entered into a definitive merger agreement with GGP Inc. ("GGP") to acquire all of the outstanding common shares of GGP other than those shares already held by the partnership and its subsidiaries. Under the terms of the agreement, GGP common shareholders had the right to elect, for each GGP share, to receive, subject to proration, (i) \$23.50 in cash or (ii) either one BPY unit or one share of Class A stock, par value \$0.01 per share, of BPR ("BPR Unit"), a new U.S. REIT security formed by recapitalizing GGP and amending its governing documents. Each BPR Unit is structured to provide an economic return equivalent to a LP Unit. The holder of a BPR Unit has the right, at any time, to request the share be redeemed for cash equivalent to the value of a LP Unit. In the event the holder of a BPR Unit exercises this right, the partnership has the right, at its sole discretion, to satisfy the redemption request with a LP Unit rather than cash.

On July 26, 2018, GGP shareholders approved the merger which closed on August 28, 2018. On closing the partnership controlled BPR as it held 87% of the voting stock of BPR through its 100% ownership of the BPR Class B and Class C shares. The balance of the voting rights in respect of BPR are held by the holders of the BPR Units.

Based on shareholder elections, which were subject to proration, cash totaling \$9.05 billion was paid by GGP to its shareholders, other than the partnership, in the form of a pre-closing dividend on August 27, 2018. According to the terms of the agreement, the consideration payable on close of the merger was reduced by the amount of the pre-closing dividend. The pre-closing dividend was funded with new term debt, property-level refinancings, proceeds from the sale of partial interests in certain GGP properties and the issuance of non-controlling interests in subsidiaries of GGP.

The acquisition of GGP was accounted for as a business combination achieved in stages. The partnership's existing equity interest in GGP was remeasured to fair value immediately prior to the acquisition date of August 28, 2018 based on the partnership's interest in the fair value of the identifiable net assets and liabilities of GGP at the time. As a result of this remeasurement, a loss of approximately \$580 million was recognized in fair value gains, net.

Consideration paid on acquisition of control by the partnership was comprised of the following:

- 88 million LP Units with a fair value of \$1,786 million determined with reference to the trading price of the LP Units on the closing date;
- 161 million BPR Units with a fair value of \$3,383 million determined with reference to the initial trading price of the BPR Unit;
- Cash consideration of \$200 million; and
- Share-based payment awards to GGP employees with a fair value of \$28 million.

As discussed in Note 19, *Equity*, the BPR Units issued on closing represent a non-controlling interest in the partnership.

As of September 30, 2018, the valuation of the investment properties, equity accounted investments, debt obligations, deferred tax liabilities, transaction costs, certain working capital balances and the acquisition date fair value of the partnership's existing equity interest in GGP were still under evaluation by the partnership. Accordingly, the business combination has been accounted for on a provisional basis.

The following table summarizes the provisional amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed in addition to the consideration paid and transaction costs incurred:

| (US\$ Millions) | GGP |
|--|-----------|
| Investment properties | \$ 17,991 |
| Equity accounted investments | 10,850 |
| Property, plant and equipment | 56 |
| Accounts receivable and other | 579 |
| Cash and cash equivalents | 423 |
| Total assets | 29,899 |
| Less: | |
| Debt obligations | (13,147) |
| Accounts payable and other | (830) |
| Deferred tax liabilities | (161) |
| Non-controlling interests ⁽¹⁾ | (1,938) |
| Net assets acquired | \$ 13,823 |
| Consideration ⁽²⁾ | \$ 13,166 |
| Transaction costs | 2 |

⁽¹⁾ Includes non-controlling interests in a subsidiary of BPR measured as the proportionate share of the fair value of the assets, liabilities and contingent liabilities on the date of acquisition.

⁽²⁾ Includes the acquisition date fair value of the partnership's previously held equity interest in GGP of \$7,770 million.

In connection with the acquisition of GGP, the partnership has recognized a bargain purchase gain of \$657 million in fair value gains, net. The agreed transaction price and the fair value of the consideration transferred was less than the aggregate fair values of the individual assets acquired net of the liabilities assumed. The partnership determined the purchase price allocation, on a provisional basis, is complete and appropriately measured giving consideration to fact that the fair value of the investment properties acquired was determined based on transaction prices agreed with third parties for the sale of partial interests in certain of the GGP assets and valuation models prepared by an independent external appraiser.

In the period from August 28, 2018 to September 30, 2018, the partnership recorded revenue and net income in connection with this acquisition of approximately \$129 million and \$77 million, respectively. If the acquisition had occurred on January 1, 2018, the partnership's total revenue and net income would have been \$6,142 million and \$3,413 million, respectively, for the nine months ended September 30, 2018.

NOTE 4. BUSINESS ACQUISITIONS AND COMBINATIONS

In addition to the acquisition of GGP, discussed in Note 3, *Acquisition of GGP Inc.*, the partnership completed the following significant business combinations during 2018:

- 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.
- 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).
- On August 3, 2018, the partnership acquired a 100% leasehold interest in 666 Fifth Avenue, a commercial office asset in New York, for consideration of \$1,252 million.

The partnership also completed several immaterial acquisitions during 2018 for total consideration of \$3,056 million. The acquisitions were primarily LP Investments made by Brookfield-sponsored real estate funds to invest the fund capital. The partnership consolidates the acquired investments as Brookfield's power as general partner, together with the partnership's LP interests, provide the partnership with control over the investments.

The following table summarizes the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed in addition to the consideration and transaction costs incurred:

| (US\$ Millions) | Extended-Stay Hotel Portfolio | UK Student Housing IV | 666 Fifth Avenue ⁽³⁾ | Other | Total |
|--|-------------------------------|-----------------------|---------------------------------|----------|----------|
| Date of acquisition | 2/1/2018 | 2/1/2018 | 8/3/2018 | Various | |
| Investment properties | \$ — | \$ 742 | \$ 1,246 | \$ 3,418 | \$ 5,406 |
| Property, plant and equipment | 768 | 2 | — | 600 | 1,370 |
| Goodwill | — | — | — | 92 | 92 |
| Intangible assets | — | — | — | 54 | 54 |
| Accounts receivable and other | 7 | 53 | 10 | 542 | 612 |
| Cash and cash equivalents | 2 | 18 | — | 132 | 152 |
| Total assets | 777 | 815 | 1,256 | 4,838 | 7,686 |
| Less: | | | | | |
| Debt obligations | — | — | — | (1,163) | (1,163) |
| Accounts payable and other | (13) | (63) | (4) | (283) | (363) |
| Deferred tax liabilities | — | — | — | (44) | (44) |
| Non-controlling interests ⁽¹⁾ | — | — | — | (53) | (53) |
| Net assets acquired | \$ 764 | \$ 752 | \$ 1,252 | \$ 3,295 | \$ 6,063 |
| Consideration ⁽²⁾ | \$ 764 | \$ 752 | \$ 1,252 | \$ 3,056 | \$ 5,824 |
| Transaction costs | \$ 9 | \$ 7 | \$ 44 | \$ 55 | \$ 115 |

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

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

⁽³⁾ The valuation of the investment property was still under evaluation by the partnership. Accordingly, this business combination has been accounted for on a provisional basis.

Excluding the acquisition of GGP, in the period from each acquisition date to September 30, 2018, the partnership recorded revenue and net income in connection with these acquisitions of approximately \$308 million and \$80 million, respectively. If the acquisitions had occurred on January 1, 2018, the partnership's total revenue and net income would have been \$5,279 million and \$2,870 million, respectively, for the nine months ended September 30, 2018.

Transaction costs, which primarily relate to legal and consulting fees, are expensed as incurred in accordance with IFRS 3, *Business Combinations* and included in general and administrative expense on the consolidated income statement.

NOTE 5. 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 nine months ended September 30, 2018 and the year ended December 31, 2017:

| (US\$ Millions) | Nine months ended Sep. 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 ⁽¹⁾ | 22,479 | 936 | 23,415 | 5,545 | 107 | 5,652 |
| Capital expenditures | 614 | 837 | 1,451 | 905 | 990 | 1,895 |
| Property dispositions ⁽²⁾ | (647) | (3) | (650) | (1,240) | (675) | (1,915) |
| Fair value gains, net | 626 | 454 | 1,080 | 347 | 202 | 549 |
| Foreign currency translation | (1,165) | (98) | (1,263) | 1,121 | 159 | 1,280 |
| Transfer between commercial properties and commercial developments | 688 | (688) | — | 1,038 | (1,038) | — |
| Reclassifications to assets held for sale and other changes | (1,435) | 2 | (1,433) | (4,635) | (253) | (4,888) |
| Balance, end of period | \$ 69,940 | \$ 4,017 | \$ 73,957 | \$ 48,780 | \$ 2,577 | \$ 51,357 |

⁽¹⁾ Includes the commercial properties and developments from the GGP acquisition. See Note 3, *Acquisition of GGP Inc.* for further information.

⁽²⁾ 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, including GGP, 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 | Sep. 30, 2018 | | | Dec. 31, 2017 | | |
|---|--------------------------|---------------|------------------------------|----------------------------|---------------|------------------------------|----------------------------|
| | | Discount rate | Terminal capitalization rate | Investment horizon (years) | Discount rate | Terminal capitalization rate | Investment horizon (years) |
| Core Office | | | | | | | |
| United States | Discounted cash flow | 7.0% | 5.6% | 12 | 7.0% | 5.8% | 13 |
| Canada | Discounted cash flow | 6.0% | 5.5% | 10 | 6.1% | 5.5% | 10 |
| Australia | Discounted cash flow | 6.9% | 6.1% | 10 | 7.0% | 6.1% | 10 |
| Brazil | Discounted cash flow | 9.6% | 7.6% | 7 | 9.7% | 7.6% | 7 |
| Core Retail⁽¹⁾ | Discounted cash flow | 7.1% | 6.0% | 10 | —% | —% | — |
| LP Investments- Office⁽²⁾ | Discounted cash flow | 10.1% | 7.0% | 6 | 10.2% | 7.5% | 7 |
| LP Investments- Retail | Discounted cash flow | 8.9% | 7.7% | 10 | 9.0% | 8.0% | 10 |
| Industrial | Discounted cash flow | 6.6% | 5.7% | 10 | 6.8% | 6.2% | 10 |
| Mixed-use⁽²⁾ | Discounted cash flow | 8.2% | 5.4% | 10 | 8.4% | 5.3% | 10 |
| Multifamily⁽³⁾ | Direct capitalization | 4.8% | n/a | n/a | 4.8% | n/a | n/a |
| Triple Net Lease⁽³⁾ | Direct capitalization | 6.3% | n/a | n/a | 6.4% | n/a | n/a |
| Self-storage⁽³⁾ | Direct capitalization | 5.7% | n/a | n/a | 5.8% | n/a | n/a |
| Student Housing⁽³⁾ | Direct capitalization | 5.5% | n/a | n/a | 5.8% | n/a | n/a |
| Manufactured Housing⁽³⁾ | Direct capitalization | 5.4% | n/a | n/a | 5.8% | n/a | n/a |

⁽¹⁾ The partnership obtained control of GGP during the third quarter of 2018 following the acquisition of the common shares not held by the partnership. Subsequent to this transaction, the partnership is consolidating the financial results of GGP. Please see Note 3, Acquisition of GGP Inc., for further information.

⁽²⁾ In the third quarter of 2018, the valuation metrics for International Finance Center Seoul ("IFC") are reported under the mixed-use sector. The valuation metrics for LP Investments- Office have been updated for both periods presented.

⁽³⁾ 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) | Sep. 30, 2018 | | | | Dec. 31, 2017 | | | |
|---------------------------------------|---------------|-------------|-----------------------|-------------------------|---------------|-------------|-----------------------|-------------------------|
| | | | Level 3 | | | | Level 3 | |
| | Level 1 | Level 2 | Commercial properties | Commercial developments | Level 1 | Level 2 | Commercial properties | Commercial developments |
| Core Office | | | | | | | | |
| United States | \$ — | \$ — | \$ 14,105 | \$ 1,148 | \$ — | \$ — | \$ 14,259 | \$ 568 |
| Canada | — | — | 4,238 | 110 | — | — | 4,493 | 104 |
| Australia | — | — | 2,843 | 49 | — | — | 2,472 | 8 |
| Europe | — | — | 130 | 1,209 | — | — | 120 | 920 |
| Brazil | — | — | 302 | — | — | — | 327 | — |
| Core Retail⁽¹⁾ | — | — | 17,721 | 309 | — | — | — | — |
| LP Investments | | | | | | | | |
| LP Investments- Office ⁽²⁾ | — | — | 7,980 | 428 | — | — | 6,044 | 231 |
| LP Investments- Retail | — | — | 3,493 | 6 | — | — | 3,406 | 6 |
| Industrial | — | — | 2,341 | 459 | — | — | 1,409 | 533 |
| Multifamily | — | — | 4,107 | — | — | — | 3,925 | — |
| Triple Net Lease | — | — | 4,974 | — | — | — | 4,804 | — |
| Self-storage | — | — | 799 | 79 | — | — | 1,796 | 58 |
| Student Housing | — | — | 2,040 | 220 | — | — | 1,204 | 149 |
| Manufactured Housing | — | — | 2,356 | — | — | — | 2,206 | — |
| Mixed-Use ⁽²⁾ | — | — | 2,511 | — | — | — | 2,315 | — |
| Total | \$ — | \$ — | \$ 69,940 | \$ 4,017 | \$ — | \$ — | \$ 48,780 | \$ 2,577 |

⁽¹⁾ The partnership obtained control of GGP during the third quarter of 2018 following the acquisition of the common shares not previously held by the partnership. Subsequent to this transaction, the partnership is consolidating the financial results of GGP. Please see Note 3, Acquisition of GGP Inc., for further information.

⁽²⁾ During the third quarter of 2018, the commercial properties for IFC are reported under the mixed-use sector. The valuation metrics for LP Investments-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 nine months ended September 30, 2018, for properties valued using the discounted cash flow or direct capitalization method, respectively:

| (US\$ Millions) | Sep. 30, 2018 |
|------------------------|---|
| | Impact on fair value of commercial properties |
| Core Office | |
| United States | \$ 897 |
| Canada | 259 |
| Australia | 154 |
| Brazil | 35 |
| Core Retail | 612 |
| LP Investments | |
| LP Investments- Office | 283 |
| LP Investments- Retail | 147 |
| Industrial | 171 |
| Mixed-use | 123 |
| Multifamily | 203 |
| Triple Net Lease | 175 |
| Self-storage | 28 |
| Student Housing | 93 |
| Manufactured Housing | 103 |
| Total | \$ 3,283 |

NOTE 6. 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. Associates are investments in which the partnership has significant influence over financial and operating decisions but does not have control or joint control. Details of the partnership's investments in joint ventures and associates, which have been accounted for in accordance with the equity method of accounting, are as follows:

| (US\$ Millions) | Principal activity | Principal place of business | Proportion of ownership interests | | Carrying value | |
|--|------------------------------|-----------------------------|-----------------------------------|---------------|------------------|------------------|
| | | | Sep. 30, 2018 | Dec. 31, 2017 | Sep. 30, 2018 | Dec. 31, 2017 |
| Joint Ventures | | | | | | |
| Canary Wharf Joint Venture ⁽¹⁾ | Property holding company | United Kingdom | 50% | 50% | \$ 3,358 | \$ 3,284 |
| BPR JV Pool A ⁽²⁾ | Property holding company | United States | 50% | —% | 1,927 | — |
| BPR JV Pool B ⁽²⁾ | Property holding company | United States | 51% | —% | 1,191 | — |
| Ala Moana Center, Hawaii ⁽²⁾ | Property holding company | United States | 50% | —% | 1,598 | — |
| Manhattan West, New York | Property holding company | United States | 56% | 56% | 1,526 | 1,439 |
| Fashion Show, Las Vegas ⁽²⁾ | Property holding company | United States | 50% | —% | 875 | — |
| The Grand Canal Shoppes, Las Vegas ⁽²⁾ | Property holding company | United States | 50% | —% | 603 | — |
| Grace Building, New York | Property holding company | United States | 50% | 50% | 582 | 585 |
| Oakbrook Center, Illinois ⁽²⁾ | Property holding company | United States | 48% | —% | 519 | — |
| One Liberty Plaza, New York | Property holding company | United States | 51% | 51% | 439 | 408 |
| Southern Cross East, Melbourne ⁽³⁾ | Property holding company | Australia | 50% | 50% | 403 | 407 |
| Brookfield Fairfield U.S. Multifamily Value Add Fund II ("VAMF II") | Property holding company | United States | 37% | 37% | 321 | 291 |
| Park Meadows, Colorado ⁽²⁾ | Property holding company | United States | 35% | —% | 311 | — |
| Miami Design District, Florida ⁽²⁾ | Property holding company | United States | 22% | —% | 298 | — |
| E&Y Complex, Sydney ⁽³⁾ | Property holding company | Australia | 50% | 50% | 298 | 311 |
| Brookfield D.C. Office Partners LLC ("D.C. Fund"), Washington, D.C. | Property holding company | United States | 51% | 51% | 294 | 310 |
| Brookfield Brazil Retail Fundo de Investimento em Participação ("Brazil Retail") | Holding company | Brazil | 46% | 46% | 282 | 339 |
| The Mall in Columbia, Maryland ⁽²⁾ | Property holding company | United States | 50% | —% | 262 | — |
| Shops at Merrick Park, Florida ⁽²⁾ | Property holding company | United States | 55% | —% | 259 | — |
| Kenwood Towne Center, Ohio ⁽²⁾ | Property holding company | United States | 50% | —% | 251 | — |
| Other ⁽⁴⁾ | Various | Various | 10% - 90% | 12% - 90% | 5,058 | 2,193 |
| | | | | | 20,655 | 9,567 |
| Associates | | | | | | |
| GGP ⁽²⁾ | Real estate investment trust | United States | —% | 34% | — | 8,844 |
| China Xintiandi ("CXTD") ⁽⁵⁾ | Property holding company | China | 22% | 22% | 492 | 499 |
| Diplomat Resort and Spa ("Diplomat") | Property holding company | United States | 90% | 90% | 324 | 339 |
| Brookfield Premier Real Estate Partners Pooling LLC ("BPREP") | Property holding company | United States | 9% | 10% | 107 | 122 |
| Other | Various | Various | 23% - 31% | 23% - 31% | 362 | 390 |
| | | | | | 1,285 | 10,194 |
| Total | | | | | \$ 21,940 | \$ 19,761 |

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

⁽²⁾ The partnership obtained control of GGP during the third quarter of 2018 following the acquisition of the common shares not previously held by the partnership. Subsequent to this transaction, the partnership is consolidating the financial results of GGP, including its interests in properties held through joint ventures. The partnership's 34% interest in GGP prior to the acquisition was deconsolidated. Please see Note 3, Acquisition of GGP Inc., for further information.

⁽³⁾ 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.

⁽⁴⁾ Other joint ventures consists of approximately 88 joint ventures, all of which have a carrying value below \$250 million.

⁽⁵⁾ The partnership's interest in CXTD is held through a subsidiary, BSREP CXTD Holdings L.P., in which it has an approximate 31% interest.

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

The following table presents the change in the balance of the partnership's equity accounted investments as of September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Nine months ended Sep. 30, 2018 | Year ended Dec. 31, 2017 |
|--|---------------------------------------|-----------------------------|
| Equity accounted investments, beginning of period | \$ 19,761 | \$ 16,844 |
| GGP joint ventures acquired from business acquisition ⁽¹⁾ | 10,850 | — |
| Deconsolidation of pre-acquisition GGP equity interest ⁽¹⁾ | (8,349) | — |
| Additions | 510 | 1,372 |
| Disposals and return of capital distributions | (647) | (281) |
| Share of net earnings from equity accounted investments ⁽²⁾ | 581 | 961 |
| Distributions received | (362) | (369) |
| Foreign currency translation | (300) | 430 |
| Reclassification to assets held for sale ⁽³⁾ | — | (712) |
| Impact of warrant conversion ⁽²⁾ | — | 1,448 |
| Other comprehensive income and other | (104) | 68 |
| Equity accounted investments, end of period | \$ 21,940 | \$ 19,761 |

⁽¹⁾ The partnership obtained control of GGP during the third quarter of 2018 following the acquisition of the common shares not previously held by the partnership. As a result of the acquisition, GGP's interest in joint ventures of \$10,850 million was added to the balance of equity accounted investments, offset by the deconsolidation of the partnership's 34% interest of \$7,769 million and fair value loss of \$580 million from adjusting the partnership's interest in GGP to its fair value immediately prior to acquiring control. See Note 3, Acquisition of GGP Inc., for further information.

⁽²⁾ 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.

⁽³⁾ 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 | Sep. 30, 2018 | | | Dec. 31, 2017 | | |
|----------------------------------|--------------------------|---------------|------------------------------|--------------------------|---------------|------------------------------|--------------------------|
| | | Discount rate | Terminal capitalization rate | Investment horizon (yrs) | Discount rate | Terminal capitalization rate | Investment horizon (yrs) |
| Core Office | | | | | | | |
| United States | Discounted cash flow | 6.6% | 5.3% | 11 | 6.5% | 5.3% | 11 |
| Australia | Discounted cash flow | 6.7% | 5.8% | 10 | 7.0% | 5.8% | 10 |
| Europe | Discounted cash flow | 4.7% | 4.8% | 10 | 4.8% | 4.8% | 10 |
| Core Retail | | | | | | | |
| United States ⁽¹⁾ | Discounted cash flow | 6.7% | 5.3% | 10 | 7.0% | 5.6% | 10 |
| LP Investments - Office | Discounted cash flow | 6.1% | 5.0% | 10 | 6.6% | 5.7% | 10 |
| LP Investments - Retail | Discounted cash flow | 11.3% | 7.1% | 10 | 11.5% | 7.2% | 11 |
| Industrial | Discounted cash flow | 6.2% | 5.4% | 10 | 6.4% | 5.8% | 10 |
| Multifamily⁽²⁾ | Direct capitalization | 5.1% | n/a | n/a | 5.1% | n/a | n/a |

⁽¹⁾ The partnership obtained control of GGP during the third quarter of 2018 following the acquisition of the common shares not previously held by the partnership. Subsequent to this transaction, the partnership is consolidating the financial results of GGP. The period ended September 30, 2018 represents GGP's joint ventures acquired from the acquisition. The prior period represents the partnership's 34% interest in GGP prior to the acquisition. Please see Note 3, Acquisition of GGP Inc., for further information.

⁽²⁾ The valuation method used to value multifamily investments is the direct capitalization method. The rates presented as the discount rate relate to the overall implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable.

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|--|------------------|------------------|
| Non-current assets | \$ 87,248 | \$ 83,176 |
| Current assets | 13,577 | 3,679 |
| Total assets | 100,825 | 86,855 |
| Non-current liabilities | 35,863 | 31,913 |
| Current liabilities | 4,744 | 4,446 |
| Total liabilities | 40,607 | 36,359 |
| Net assets | 60,218 | 50,496 |
| Partnership's share of net assets | \$ 21,940 | \$ 19,761 |

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue | \$ 1,290 | \$ 1,236 | \$ 3,904 | \$ 3,634 |
| Expenses | 1,101 | 738 | 1,579 | 2,144 |
| Income from equity accounted investments ⁽¹⁾ | 61 | 129 | 323 | 375 |
| Income before fair value gains, net | 250 | 627 | 2,648 | 1,865 |
| Fair value (losses) gains, net | (522) | 535 | (1,663) | 750 |
| Net income | (272) | 1,162 | 985 | 2,615 |
| Partnership's share of net earnings | \$ 65 | \$ 371 | \$ 581 | \$ 897 |

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

NOTE 7. 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 | |
|---|------------------------|---------------|----------------|---------------|
| | Sep. 30, 2018 | Dec. 31, 2017 | Sep. 30, 2018 | Dec. 31, 2017 |
| Darling Park Complex, Sydney | 30% | 30% | \$ 266 | \$ 251 |
| IAG House, Sydney ⁽¹⁾ | —% | 50% | — | 111 |
| Jessie Street, Sydney ⁽¹⁾ | —% | 100% | — | 155 |
| Total participating loan interests | | | \$ 266 | \$ 517 |

⁽¹⁾ In the third quarter of 2018, the partnership amended its agreements to allow the partnership to acquire the trust that holds these underlying properties instead of acquiring the properties directly. This amendment resulted in a change of control, which results in the partnership consolidating the results of these entities.

For the three and nine months ended September 30, 2018, the partnership recognized interest income on the participating loan interests of \$2 million (2017 - \$7 million) and \$15 million (2017 - \$21 million), respectively, and fair value gains of \$9 million (2017 - \$27 million) and \$29 million (2017 - \$57 million), respectively.

NOTE 8. 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.

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 nine months ended September 30, 2018 and for the year ended December 31, 2017:

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|-----------------|-----------------|
| Cost: | | |
| Balance at the beginning of period | \$ 5,451 | \$ 5,417 |
| Acquisitions through business combinations ⁽¹⁾ | 1,426 | 281 |
| Additions | 323 | 271 |
| Disposals | (14) | (34) |
| Foreign currency translation | (133) | 262 |
| Reclassification to assets held for sale ⁽²⁾ | — | (746) |
| | 7,053 | 5,451 |
| Accumulated fair value changes: | | |
| Balance at the beginning of period | 756 | 659 |
| Revaluation (loss) gains, net | (2) | 55 |
| Reclassification to assets held for sale ⁽²⁾ | — | 42 |
| | 754 | 756 |
| Accumulated depreciation: | | |
| Balance at the beginning of period | (750) | (719) |
| Depreciation | (216) | (267) |
| Disposals | 9 | 22 |
| Foreign currency translation | 13 | (8) |
| Reclassification to assets held for sale ⁽²⁾ | — | 222 |
| | (944) | (750) |
| Total property, plant and equipment | \$ 6,863 | \$ 5,457 |

⁽¹⁾ In the first quarter of 2018, the partnership acquired the Extended-Stay Hotel portfolio. See Note 4, Business Acquisitions and Combinations, for more information.

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

NOTE 9. GOODWILL

Goodwill of \$1,124 million at September 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 10. 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 \$943 million as of September 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 September 30, 2018, intangible assets of the Atlantis had a carrying value of \$207 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. The majority of the intangible assets were sold to a third party in the first quarter of 2018, with the remainder sold in the third 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 September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|-------------------------------|-----------------|-----------------|
| Cost | \$ 1,306 | \$ 1,271 |
| Accumulated amortization | (44) | (35) |
| Accumulated impairment losses | (48) | (48) |
| Balance, end of period | \$ 1,214 | \$ 1,188 |

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|-----------------|-----------------|
| Balance, beginning of period | \$ 1,188 | \$ 1,141 |
| Acquisitions | 67 | 17 |
| Amortization | (12) | (8) |
| Foreign currency translation | (38) | 82 |
| Reclassification to assets held for sale and other ⁽¹⁾ | 9 | (44) |
| Balance, end of period | \$ 1,214 | \$ 1,188 |

⁽¹⁾ 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. The majority of these were sold to a third party in the first quarter of 2018.

NOTE 11. OTHER NON-CURRENT ASSETS

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---------------------------------------|-----------------|---------------|
| Securities - FVTPL | \$ 232 | \$ 174 |
| Derivative assets | 30 | 48 |
| Securities - FVTOCI | 152 | 150 |
| Restricted cash | 171 | 153 |
| Inventory | 357 | 216 |
| Other | 201 | 157 |
| Total other non-current assets | \$ 1,143 | \$ 898 |

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 September 30, 2018 was \$172 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 September 30, 2018 are \$101 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 12. ACCOUNTS RECEIVABLE AND OTHER

The components of accounts receivable and other are as follows:

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|--|-----------------|---------------|
| Derivative assets | \$ 229 | \$ 37 |
| Accounts receivable ⁽¹⁾ | 589 | 421 |
| Restricted cash and deposits | 315 | 237 |
| Prepaid expenses | 272 | 94 |
| Other current assets | 285 | 192 |
| Total accounts receivable and other | \$ 1,690 | \$ 981 |

⁽¹⁾ See Note 33, Related Parties, for further discussion.

NOTE 13. 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 September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|---------------|-----------------|
| Investment properties | \$ 356 | \$ 853 |
| Property, plant and equipment | — | 475 |
| Accounts receivable and other assets | 35 | 105 |
| Assets held for sale | 391 | 1,433 |
| Debt obligations | 134 | 1,107 |
| Accounts payable and other liabilities | 14 | 209 |
| Liabilities associated with assets held for sale | \$ 148 | \$ 1,316 |

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|---------------|-----------------|
| Balance, beginning of period | \$ 1,433 | \$ 147 |
| Reclassification to assets held for sale, net | 1,481 | 4,641 |
| Disposals | (2,535) | (3,365) |
| Fair value adjustments | 75 | 8 |
| Foreign currency translation | (17) | 7 |
| Other | (46) | (5) |
| Balance, end of period | \$ 391 | \$ 1,433 |

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 LP 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 LP Investment portfolios sold for approximately \$144 million.

At September 30, 2018, assets held for sale included Queens Quay Terminal in Toronto, the partnership's interest in Jean Edwards Tower in Ottawa and seven assets within the LP Investment portfolios. Queens Quay Terminal and Jean Edwards Tower were both sold in the fourth quarter of 2018.

NOTE 14. DEBT OBLIGATIONS

The partnership's debt obligations include the following:

| (US\$ Millions) | Sep. 30, 2018 | | Dec. 31, 2017 | |
|--|-----------------------|--------------|-----------------------|--------------|
| | Weighted-average rate | Debt balance | Weighted-average rate | Debt balance |
| Unsecured facilities: | | | | |
| Brookfield Property Partners' credit facilities | 4.00% | 1,771 | 3.10% | 1,363 |
| Brookfield Property Partners' corporate bonds | 4.35% | 232 | —% | — |
| Brookfield Property REIT Inc. term debt | 4.56% | \$ 4,900 | —% | \$ — |
| Brookfield Property REIT Inc. corporate facility | 4.46% | 347 | —% | — |
| Brookfield Property REIT Inc. trusted preferred securities | 3.79% | 206 | —% | — |
| Brookfield Office Properties' ("BPO") revolving facility | —% | — | 2.60% | 828 |
| Brookfield Office Properties' senior unsecured note | —% | — | 4.00% | 119 |
| Brookfield Canada Office Properties revolving facility | 3.28% | 81 | 2.89% | 276 |
| BPY BOPC LP credit facility | —% | — | 2.85% | 212 |
| Subsidiary borrowings | 5.20% | 554 | 4.40% | 622 |
| Secured debt obligations: | | | | |
| Funds subscription credit facilities ⁽¹⁾ | 3.55% | 2,118 | 2.56% | 436 |
| Fixed rate | 4.40% | 31,448 | 4.59% | 17,666 |
| Variable rate | 4.94% | 13,179 | 4.59% | 16,760 |
| Deferred financing costs | | (321) | | (291) |
| Total debt obligations | | \$ 54,515 | | \$ 37,991 |
| Current | | 4,472 | | 6,135 |
| Non-current | | 49,909 | | 30,749 |
| Debt associated with assets held for sale | | 134 | | 1,107 |
| Total debt obligations | | \$ 54,515 | | \$ 37,991 |

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

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

| (Millions) | Sep. 30, 2018 | | Dec. 31, 2017 | |
|-------------------------------|---------------|----------------|---------------|----------------|
| | U.S. Dollars | Local currency | U.S. Dollars | Local currency |
| U.S. Dollars | \$ 41,740 | \$ 41,740 | \$ 25,975 | \$ 25,975 |
| British Pounds | 5,037 £ | 3,866 | 4,290 £ | 3,173 |
| Canadian Dollars | 2,557 C\$ | 3,302 | 3,132 C\$ | 3,938 |
| South Korean Won | 1,628 ₩ | 1,805,000 | 1,692 ₩ | 1,805,000 |
| Australian Dollars | 1,647 A\$ | 2,281 | 1,554 A\$ | 1,991 |
| Indian Rupee | 1,390 Rs | 100,724 | 1,168 Rs | 74,386 |
| Brazilian Reais | 472 R\$ | 1,891 | 471 R\$ | 1,558 |
| Chinese Yuan | 65 C¥ | 446 | — C¥ | — |
| Euros | 300 € | 259 | — € | — |
| Deferred financing costs | | (321) | | (291) |
| Total debt obligations | \$ 54,515 | | \$ 37,991 | |

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

| Non-cash changes in debt obligations | | | | | | | | |
|--------------------------------------|---------------|---|------------------------------------|----------------------|---|------------------------------|-------|---------------|
| (US\$ Millions) | 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 | Sep. 30, 2018 |
| Debt obligations | \$ 37,991 | 3,771 | 14,310 | (599) | 76 | (735) | (299) | \$ 54,515 |

NOTE 15. CAPITAL SECURITIES

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

| (US\$ Millions) | Shares outstanding | Cumulative dividend rate | Sep. 30, 2018 | Dec. 31, 2017 |
|---|-----------------------|-----------------------------|-----------------|-----------------|
| Operating Partnership Class A Preferred Equity Units: | | | | |
| Series 1 | 24,000,000 | 6.25% | \$ 558 | \$ 551 |
| Series 2 | 24,000,000 | 6.50% | 535 | 529 |
| Series 3 | 24,000,000 | 6.75% | 522 | 517 |
| Brookfield BPY Holdings Inc. Junior Preferred Shares: | | | | |
| Class B Junior Preferred Shares | 30,000,000 | 7.64% | 750 | 750 |
| Class C Junior Preferred Shares ⁽¹⁾ | — | —% | — | 500 |
| BPO Class B Preferred Shares: | | | | |
| Series 1 ⁽²⁾ | 3,600,000 | 70% of bank prime | — | — |
| Series 2 ⁽²⁾ | 3,000,000 | 70% of bank prime | — | — |
| Brookfield Property Split Corp. (“BOP Split”) Senior Preferred Shares: | | | | |
| Series 1 | 924,390 | 5.25% | 23 | 23 |
| Series 2 | 699,165 | 5.75% | 14 | 14 |
| Series 3 | 909,994 | 5.00% | 18 | 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 |
| Brookfield Global Real Estate Special Opportunities Inc. (“BGRESOI”) Preferred Shares | 19,844 | 4.00% | 20 | — |
| Capital Securities – Fund Subsidiaries | | | 835 | 813 |
| Total capital securities | | | \$ 3,724 | \$ 4,165 |
| Current | | | 824 | 1,326 |
| Non-current | | | 2,900 | 2,839 |
| Total capital securities | | | \$ 3,724 | \$ 4,165 |

⁽¹⁾ In the third quarter of 2018, the Brookfield BPY Holdings Inc. Class C Junior Preferred Shares, held by Brookfield Asset Management, were redeemed.

⁽²⁾ 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 October 9, 2018, BOP Split declared quarterly dividends payable for the BOP Split Senior Preferred Shares.

Capital securities includes \$249 million at September 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 September 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 September 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 \$20 million at September 30, 2018 (December 31, 2017 - nil) of preferred equity interests held by a third party investor in BGRESEOI 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 \$798 million at September 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 \$37 million at September 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 September 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 | | | Sep. 30, 2018 |
|---------------------------|---------------|--|---------------------------|--------------------|---------------|
| | | Capital securities redeemed | Capital securities issued | Fair value changes | |
| Capital securities | \$ 4,165 | \$ (555) | \$ 75 | \$ 39 | \$ 3,724 |

NOTE 16. 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 Sep. 30, | | Nine months ended Sep. 30, | |
|-------------------------------------|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current income tax | \$ 14 | \$ 3 | \$ 106 | \$ 105 |
| Deferred income tax | (51) | 180 | (57) | 314 |
| Income tax expense (benefit) | \$ (37) | \$ 183 | \$ 49 | \$ 419 |

The partnership’s income tax expense decreased for the three months ended September 30, 2018 and decreased for the nine months ended September 30, 2018 as compared to the same period in the prior year. The decrease in income tax expense in the three months ended September 30, 2018 is due to the tax impact of the GGP acquisition during the quarter. The decrease in the tax expense for the nine months ended September 30, 2018, is primarily due to legislative and entity tax status changes, the tax impact of the GGP acquisition and the recognition of previously unrecognized net operating losses.

NOTE 17. OTHER NON-CURRENT LIABILITIES

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|--|-----------------|---------------|
| Accounts payable and accrued liabilities | \$ 1,108 | \$ 540 |
| Derivative liabilities | 75 | 160 |
| Provisions | 328 | 216 |
| Loans and notes payables | 3 | — |
| Deferred revenue | 5 | 2 |
| Total other non-current liabilities | \$ 1,519 | \$ 918 |

NOTE 18. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|-----------------|-----------------|
| Accounts payable and accrued liabilities | \$ 1,951 | \$ 1,636 |
| Loans and notes payable | 940 | 769 |
| Derivative liabilities | 201 | 399 |
| Deferred revenue | 300 | 242 |
| Other liabilities | 2 | 6 |
| Total accounts payable and other liabilities | \$ 3,394 | \$ 3,052 |

At September 30, 2018, loans and notes payable includes \$733 million (December 31, 2017 - \$633 million) of on-demand deposits from Brookfield Asset Management to the partnership.

NOTE 19. EQUITY

The partnership's capital structure is comprised of six classes of partnership units: GP Units, LP Units, redeemable/exchangeable partnership units of the Operating Partnership ("Redeemable/Exchangeable Partnership Units"), special limited partnership units of the Operating Partnership ("Special LP Units"), limited partnership units of Brookfield Office Properties Exchange LP ("Exchange LP Units") and BPR 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 | |
|--|---------------------------|---------------|---------------------------|----------------|
| | Sep. 30, 2018 | Dec. 31, 2017 | Sep. 30, 2018 | Dec. 31, 2017 |
| Outstanding, beginning of period | 139 | 139 | 254,989 | 260,222 |
| Issued on August 28, 2018 for the acquisition of GGP | — | — | 109,702 | — |
| Exchange LP Units exchanged | — | — | 7,758 | 285 |
| BPR Units exchanged | — | — | 14,798 | — |
| Distribution Reinvestment Program | — | — | 124 | 181 |
| Issued under unit-based compensation plan | — | — | 7 | 215 |
| Repurchase of LP Units | — | — | (733) | (5,914) |
| Outstanding, end of period | 139 | 139 | 386,645 | 254,989 |

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 September 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 September 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 | |
|--|---|---------------|
| | Sep. 30, 2018 | Dec. 31, 2017 |
| Outstanding, beginning of period | 11,078 | 11,363 |
| Exchange LP Units exchanged ⁽¹⁾ | (7,758) | (285) |
| Outstanding, end of period | 3,320 | 11,078 |

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

d) Class A shares of Brookfield Property REIT Inc.

As detailed in Note 3, *Acquisition of GGP Inc.*, GGP common shareholders, for each GGP share, elected to receive, subject to proration, (i) \$23.50 in cash or (ii) either one BPY unit or one BPR Unit. BPR Units allow U.S. investors who are either unable or unwilling to hold LP Units to invest in the partnership. BPR Units are listed and traded on the Nasdaq. BPR Units provide its holders with the right to request that its units be redeemable for cash consideration. In the event BPR Unitholders exercises this right, the 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, BPR Units participates in earnings and distributions on a per unit basis equivalent to the per unit participation of LP Units of the partnership. The partnership presents BPR Units as a component of non-controlling interest.

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

| (Thousands of units) | Class A shares of Brookfield Property REIT Inc. | |
|--|---|---------------|
| | Sep. 30, 2018 | Dec. 31, 2017 |
| Outstanding, beginning of period | — | — |
| Issued on August 28, 2018 for the acquisition of GGP | 162,324 | — |
| BPR Units exchanged ⁽¹⁾ | (14,798) | — |
| Forfeitures | (48) | — |
| Outstanding, end of period | 147,478 | — |

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

e) 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 Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|-----------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Limited Partners | \$ 116 | \$ 75 | \$ 278 | \$ 226 |
| Holder of: | | | | |
| Redeemable/Exchangeable Partnership Units | 166 | 128 | 409 | 383 |
| Special LP Units | 1 | 1 | 4 | 4 |
| Exchange LP Units | 2 | 3 | 8 | 10 |
| BPR Units | 22 | — | 51 | — |
| Total | \$ 307 | \$ 207 | \$ 750 | \$ 623 |
| Per unit⁽¹⁾ | \$ 0.315 | \$ 0.295 | \$ 0.945 | \$ 0.885 |

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

f) 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 Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|--------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income attributable to limited partners | \$ 144 | \$ 61 | \$ 532 | \$ 88 |
| Income reallocation related to mandatorily convertible preferred shares | 19 | 10 | 80 | 13 |
| Net income attributable to limited partners – basic | 163 | 71 | 612 | 101 |
| Dilutive effect of conversion of preferred shares and options ⁽¹⁾ | 8 | 0 | 27 | 1 |
| Net income attributable to limited partners – diluted | \$ 171 | \$ 71 | \$ 639 | \$ 102 |

| (in millions of units/shares) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|-------|----------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Weighted average number of LP Units outstanding | 303.8 | 255.3 | 271.8 | 256.4 |
| Mandatorily convertible preferred shares | 70.0 | 70.0 | 70.0 | 70.0 |
| Weighted average number of LP Units - basic | 373.8 | 325.3 | 341.8 | 326.4 |
| Dilutive effect of the conversion of preferred shares and options ⁽¹⁾ | 19.9 | 0.4 | 18.4 | 0.8 |
| Weighted average number of LP units outstanding - diluted | 393.7 | 325.7 | 360.2 | 327.2 |

⁽¹⁾ The effect of the conversion of capital securities and options, which would have resulted in 17.1 million and 24.8 million potential LP Units, for the three and nine months ended September 30, 2017, 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 three and nine months ended September 30, 2017.

NOTE 20. NON-CONTROLLING INTERESTS

Non-controlling interests consists of the following:

| (US\$ Millions) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|------------------|------------------|
| Redeemable/Exchangeable Partnership Units and Special LP Units ⁽¹⁾ | \$ 12,683 | \$ 14,500 |
| Exchange LP Units ⁽¹⁾ | 98 | 285 |
| BPR Units ⁽¹⁾ | 4,277 | — |
| Interests of others in operating subsidiaries and properties: | | |
| Preferred shares held by Brookfield Asset Management | 16 | 15 |
| Preferred equity of subsidiaries | 2,818 | 2,493 |
| Non-controlling interests in subsidiaries and properties | 14,650 | 10,430 |
| Total interests of others in operating subsidiaries and properties | 17,484 | 12,938 |
| Total non-controlling interests | \$ 34,542 | \$ 27,723 |

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

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

| (US\$ Millions) | Jurisdiction of formation | Proportion of economic interests held by non-controlling interests | | Sep. 30, 2018 | Dec. 31, 2017 |
|--|---------------------------|--|---------------|------------------|------------------|
| | | Sep. 30, 2018 | Dec. 31, 2017 | | |
| BPO ⁽¹⁾ | Canada | —% | —% | \$ 4,348 | \$ 2,982 |
| Brookfield Property REIT Inc. ⁽²⁾ | United States | 12% | —% | 1,814 | — |
| BSREP Industrial Pooling Subsidiary L.P. ⁽³⁾ | United States | 70% | 70% | 1,213 | 878 |
| BSREP CARS Sub-Pooling LLC ⁽³⁾ | United States | 71% | 71% | 966 | 918 |
| Center Parcs UK ⁽³⁾ | United Kingdom | 73% | 73% | 886 | 869 |
| BSREP III Andromeda Pooling L.P. ⁽³⁾ | United States | 74% | —% | 806 | — |
| BSREP II MH Holdings LLC ⁽³⁾ | United States | 74% | 74% | 721 | 593 |
| BSREP II Korea Office Holdings Pte. Ltd. ⁽³⁾ | South Korea | 78% | 78% | 715 | 706 |
| BSREP II PBSA Ltd. ⁽³⁾ | Bermuda | 75% | 74% | 674 | 501 |
| BSREP II Aries Pooling LLC ⁽³⁾ | United States | 74% | 74% | 622 | 652 |
| BSREP II Retail Upper Pooling LLC ⁽³⁾ | United States | 50% | 50% | 602 | 670 |
| BSREP India Office Holdings Pte. Ltd. ⁽³⁾ | United States | 67% | 67% | 574 | 424 |
| BSREP UA Holdings LLC ⁽³⁾ | Cayman Islands | 70% | 70% | 500 | 487 |
| BSREP II Brazil Pooling LLC ⁽³⁾ | United States | 68% | 68% | 449 | 472 |
| BREF ONE, LLC ⁽³⁾ | United States | 67% | 67% | 280 | 483 |
| Brookfield Strategic Real Estate Partners II Storage REIT LLC ⁽³⁾ | United States | 75% | 74% | 242 | 564 |
| Other | Various | 18% - 77% | 18% - 76% | 2,072 | 1,739 |
| Total | | | | \$ 17,484 | \$ 12,938 |

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

⁽²⁾ Includes non-controlling interests in subsidiaries of BPR.

⁽³⁾ 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 21. COMMERCIAL PROPERTY REVENUE

The components of commercial property revenue are as follows:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|-----------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Base rent ⁽¹⁾ | \$ 857 | \$ 933 | \$ 2,394 | \$ 2,727 |
| Straight-line rent | 27 | 36 | 77 | 94 |
| Lease termination | 6 | 5 | 32 | 13 |
| Other lease income ⁽¹⁾⁽²⁾ | 161 | — | 427 | — |
| Other revenue from tenants ⁽³⁾ | 200 | — | 548 | — |
| Other ⁽¹⁾ | — | 92 | — | 277 |
| Total commercial property revenue | \$ 1,251 | \$ 1,066 | \$ 3,478 | \$ 3,111 |

⁽¹⁾ 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.

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

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

NOTE 22. HOSPITALITY REVENUE

The components of hospitality revenue are as follows:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Room, food and beverage ⁽¹⁾ | \$ 357 | \$ 410 | \$ 1,032 | \$ 1,214 |
| Gaming, and other leisure activities ⁽¹⁾ | 114 | — | 336 | — |
| Other hospitality revenue ⁽¹⁾ | 31 | — | 92 | — |
| Total hospitality revenue | \$ 502 | \$ 410 | \$ 1,460 | \$ 1,214 |

⁽¹⁾ The partnership adopted IFRS 15, 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 23. INVESTMENT AND OTHER REVENUE

The components of investment and other revenue are as follows:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|--------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Investment income | \$ 19 | \$ 4 | \$ 40 | \$ 144 |
| Fee revenue | 38 | 16 | 71 | 38 |
| Dividend income | 2 | 7 | 8 | 12 |
| Interest income and other | 14 | — | 27 | 17 |
| Participating loan notes | 2 | 7 | 15 | 21 |
| Total investment and other revenue | \$ 75 | \$ 34 | \$ 161 | \$ 232 |

NOTE 24. DIRECT COMMERCIAL PROPERTY EXPENSE

The components of direct commercial property expense are as follows:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Property maintenance | \$ 196 | \$ 181 | \$ 544 | \$ 523 |
| Real estate taxes | 138 | 118 | 374 | 351 |
| Employee compensation and benefits | 51 | 43 | 149 | 120 |
| Ground rents | 14 | 14 | 43 | 43 |
| Other | 79 | 63 | 198 | 164 |
| Total direct commercial property expense | \$ 478 | \$ 419 | \$ 1,308 | \$ 1,201 |

NOTE 25. DIRECT HOSPITALITY EXPENSE

The components of direct hospitality expense are as follows:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Employee compensation and benefits | \$ 77 | \$ 69 | \$ 239 | \$ 217 |
| Cost of food, beverage, and retail goods sold | 66 | 61 | 203 | 177 |
| Maintenance and utilities | 46 | 30 | 130 | 94 |
| Marketing and advertising | 15 | 11 | 57 | 41 |
| Other | 111 | 78 | 313 | 259 |
| Total direct hospitality expense | \$ 315 | \$ 249 | \$ 942 | \$ 788 |

NOTE 26. DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization expense are as follows:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|--------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Depreciation and amortization of real estate assets | \$ 70 | \$ 61 | \$ 201 | \$ 177 |
| Depreciation and amortization of non-real estate assets | 11 | 8 | 28 | 24 |
| Total depreciation and amortization | \$ 81 | \$ 69 | \$ 229 | \$ 201 |

NOTE 27. GENERAL AND ADMINISTRATIVE EXPENSE

The components of general and administrative expense are as follows:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|---|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Employee compensation and benefits | \$ 72 | \$ 47 | \$ 167 | \$ 149 |
| Management fees | 40 | 42 | 114 | 126 |
| Transaction costs and other | 129 | 58 | 312 | 179 |
| Total general and administrative expense | \$ 241 | \$ 147 | \$ 593 | \$ 454 |

NOTE 28. FAIR VALUE GAINS, NET

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Commercial properties | \$ 217 | \$ 533 | \$ 626 | \$ 678 |
| Commercial developments | 70 | 90 | 454 | 194 |
| Financial instruments and other ⁽¹⁾ | 269 | (284) | 863 | (155) |
| Total fair values gains, net | \$ 556 | \$ 339 | \$ 1,943 | \$ 717 |

⁽¹⁾ Includes bargain purchase gains from business acquisitions and combinations of \$896 million (2017 - \$157 million), including a gain on bargain purchase of GGP in the third quarter of 2018 of \$657 million. See Note 3, Acquisition of GGP Inc., for further information.

NOTE 29. 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 nine months ended September 30, 2018, the partnership incurred \$4 million (2017 - \$4 million) and \$3 million (2017 - \$13 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.

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

| | Unit of measurement | Sep. 30, 2018 |
|--|---------------------|---------------|
| Exercise price | US\$ | 22.50 |
| Average term to exercise | In years | 7.50 |
| Unit price volatility | % | 23% |
| Liquidity discount | % | 25% |
| Weighted average of expected annual dividend yield | % | 6.50% |
| Risk-free rate | % | 2.82% |
| Weighted average fair value per option | US\$ | 0.74 |

i. Equity-settled BPY Awards

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

| | Sep. 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 | 800,000 | 22.50 | 93,750 | 22.92 |
| Exercised | (36,806) | 17.71 | (1,194,569) | 18.97 |
| Expired/forfeited | (166,412) | 22.91 | (1,435,897) | 21.51 |
| Reclassified ⁽¹⁾ | (437,151) | 22.48 | — | — |
| Outstanding, end of period | 13,961,426 | \$ 20.57 | 13,801,795 | \$ 20.54 |
| Exercisable, end of period | 9,628,246 | \$ 20.26 | 7,352,112 | \$ 20.22 |

⁽¹⁾ 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 September 30, 2018 and December 31, 2017 under the equity-settled BPY Awards by expiry date:

| Expiry date | Sep. 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 | 656,220 | 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 |
| 2028 | 800,000 | 22.50 | — | — |
| Total | 13,961,426 | \$ 20.57 | 13,801,795 | \$ 20.54 |

ii. Cash-settled BPY Awards

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

| | Sep. 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 ⁽¹⁾ | 437,151 | 22.48 | — | — |
| Outstanding, end of period | 7,386,616 | \$ 20.40 | 7,144,871 | \$ 20.30 |
| Exercisable, end of period | 5,655,135 | \$ 20.18 | 3,973,290 | \$ 19.93 |

⁽¹⁾ 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 September 30, 2018 and December 31, 2017 under the cash-settled BPY Awards by expiry date:

| Expiry date | Sep. 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 |
| Total | 7,386,616 | \$ 20.40 | 7,144,871 | \$ 20.30 |

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 September 30, 2018, the total number of Restricted Units outstanding was 153,782 (December 31, 2017 - 440,527) with a weighted average exercise price of \$20.97 (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 September 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 September 30, 2018, BPO has 1,431,044 deferred share units (December 31, 2017 - 1,363,938) outstanding and vested.

e) GGP LTIP Plans

In connection with the GGP acquisition, the partnership issued Brookfield Property Partners BPY Unit Option Plan (GGP) (“GGP Option”) and Appreciation Only LTIP Units of GGP Operating Partnership, LP (“GGP AO LTIP”) awards to certain GGP employees. Each GGP Option will vest within 10 years following the original grant date and is redeemable for LP Units or a cash payment equal to the amount by which the fair market value of an LP Unit at the date exceeds the exercise price of the BPY Option. Each GGP AO LTIP will vest within ten years of its original grant date and is redeemable for LP Units or a cash payment subject to a conversion adjustment.

As of September 30, 2018, the total number of GGP Options outstanding was 1,068,818 (December 31, 2017 - nil) with a weighted average exercise price of \$19.70 (December 31, 2017 - nil).

As of September 30, 2018, the total number of GGP AO LTIP outstanding was 1,387,289 (December 31, 2017 - nil) with a weighted average exercise price of \$22.51 (December 31, 2017 - nil).

NOTE 30. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) consists of the following:

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|---------------|----------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Items that may be reclassified to net income: | | | | |
| Foreign currency translation | | | | |
| Net unrealized foreign currency translation (losses) gains in respect of foreign operations | \$ (280) | \$ 377 | \$ (989) | \$ 1,035 |
| Reclassification of realized foreign currency translation gains to net income on dispositions of foreign operations | — | 50 | — | 50 |
| Gains (losses) on hedges of net investments in foreign operations, net of income taxes for the three and nine months ended Sep. 30, 2018 of (\$2) million and (\$7) million, respectively (2017 – \$6 million and \$19 million) ⁽¹⁾ | 91 | (149) | 299 | (512) |
| | (189) | 278 | (690) | 573 |
| Cash flow hedges | | | | |
| Gains (losses) on derivatives designated as cash flow hedges, net of income taxes for the three and nine months ended Sep. 30, 2018 of (\$3) million and (\$15) million, respectively (2017 – (\$6) million and (\$13) million) | 9 | 1 | 62 | 40 |
| | 9 | 1 | 62 | 40 |
| Available-for-sale securities | | | | |
| Net change in unrealized gains on available-for-sale securities, net of income taxes | — | (1) | — | — |
| | — | (1) | — | — |
| Equity accounted investments | | | | |
| Share of unrealized foreign currency translation (losses) gains in respect of foreign operations | (1) | 3 | (2) | 5 |
| Gains (losses) on derivatives designated as cash flow hedges | 9 | 2 | 31 | 3 |
| | 8 | 5 | 29 | 8 |
| Items that will not be reclassified to net income: | | | | |
| Unrealized (losses) on securities - FVTOCI, net of income taxes for the three and nine months ended Sep. 30, 2018 of nil and \$2 million (2017 - nil and nil) | (1) | — | (5) | — |
| Net remeasurement (losses) on defined benefit obligations | — | — | 2 | (2) |
| Revaluation surplus | 1 | — | 3 | — |
| | — | — | — | (2) |
| Total other comprehensive income (loss) | \$ (172) | \$ 283 | \$ (599) | \$ 619 |

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

NOTE 31. OBLIGATIONS, GUARANTEES, CONTINGENCIES AND OTHER

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

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

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

At September 30, 2018, the partnership has commitments totaling approximately \$778 million for the development of Manhattan West in Midtown New York, Greenpoint Landing in Brooklyn, the SoNo Collection in Connecticut, the Staten Island Mall in New York, as well as the redevelopment of One Allen Center, Two Allen Center, and Three Allen Center in Houston, approximately £138 million (\$180 million) for the development of 100 Bishopsgate in London and approximately AED 364 million (\$99 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 September 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 September 30, 2018, there remained approximately \$760 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 September 30, 2018, there remained approximately \$295 million of uncontributed capital commitments.

In September 2018, Brookfield Asset Management announced the final close on the \$1.0 billion third Brookfield Fairfield U.S. Multifamily Value Add Fund ("VAMF") to which the partnership had committed \$300 million. As of September 30, 2018, there remained approximately \$240 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 32. 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 September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Hedging item | Notional | Rates | Maturity dates | Fair value |
|-----------------|---|----------|-------------|-----------------------|------------|
| Sep. 30, 2018 | Interest rate caps of US\$ LIBOR debt | \$ 4,838 | 2.3% - 4.8% | Jun. 2019 - Sep. 2023 | \$ 4 |
| | Interest rate swaps of US\$ LIBOR debt | 1,808 | 1.0% - 2.7% | Nov. 2018 - Mar. 2022 | 6 |
| | Interest rate caps of £ LIBOR debt | 937 | 1.3% - 2.0% | Dec. 2019 - Jan. 2021 | — |
| | Interest rate swaps of £ LIBOR debt | 68 | 1.5% | Apr. 2020 | (1) |
| | Interest rate swaps of € EURIBOR debt | 116 | 1.0% - 1.3% | Apr. 2020 - Apr. 2021 | — |
| | Interest rate caps of C\$ LIBOR debt | 186 | 3.0% | Oct. 2020 - Oct. 2022 | — |
| | 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. 2019 | (153) |
| 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 nine months ended September 30, 2018, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's interest rate hedging activities was nil and \$17 million (2017 - \$11 million and \$13 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 September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Hedging item | Notional | Rates | Maturity dates | Fair value |
|-----------------|---------------------------------------|-----------|-----------------------------|-----------------------|------------|
| Sep. 30, 2018 | Net investment hedges | € 345 | €0.78/\$ - €0.85/\$ | Dec. 2018 - Sep. 2019 | \$ 10 |
| | Net investment hedges | £ 2,361 | £0.70/\$ - £0.78/\$ | Oct. 2018 - Nov. 2019 | 49 |
| | Net investment hedges | A\$ 687 | A\$1.28/\$ - A\$1.40/\$ | Oct. 2018 - Nov. 2019 | (3) |
| | Net investment hedges | C¥ 2,672 | C¥6.42/\$ - C¥6.94/\$ | Nov. 2018 - Aug. 2019 | 11 |
| | Net investment hedges | C\$ 118 | C\$1.31/\$ | Oct. 2018 - Dec. 2018 | (1) |
| | Net investment hedges | ₩ 616,289 | ₩1,095.80/\$ - ₩1,109.82/\$ | Dec. 2018 - Sep. 2019 | 1 |
| | Net investment hedges | Rs 30,543 | Rs67.44/\$ - Rs69.71/\$ | Oct. 2018 - May 2019 | 33 |
| | Net investment hedges | £ 77 | £0.88/€ - £0.92/€ | Jan. 2019 - Feb. 2020 | (1) |
| | Cross currency swap on C\$ LIBOR debt | C\$ 300 | C\$1.33/\$ | Jul. 2023 | 5 |
| 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 nine months ended September 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) | Sep. 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 |
| Financial assets | | | | | | | | |
| Participating loan interests | \$ — | \$ — | \$ 266 | \$ 266 | \$ — | \$ — | \$ 209 | \$ 209 |
| Securities - FVTPL | — | — | 232 | 232 | — | — | 174 | 174 |
| Securities - FVTOCI | — | — | 152 | 152 | — | — | 150 | 150 |
| Derivative assets | — | 259 | — | 259 | — | 85 | — | 85 |
| Total financial assets | \$ — | \$ 259 | \$ 650 | \$ 909 | \$ — | \$ 85 | \$ 533 | \$ 618 |
| Financial liabilities | | | | | | | | |
| Capital securities - fund subsidiaries | \$ — | \$ — | \$ 835 | \$ 835 | \$ — | \$ — | \$ 813 | \$ 813 |
| Derivative liabilities | — | 276 | — | 276 | — | 559 | — | 559 |
| Loan payable | — | — | 24 | 24 | — | — | 23 | 23 |
| Total financial liabilities | \$ — | \$ 276 | \$ 859 | \$ 1,135 | \$ — | \$ 559 | \$ 836 | \$ 1,395 |

There were no transfers between levels during the three and nine months ended September 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 September 30, 2018 and December 31, 2017:

| (US\$ Millions) | Sep. 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 | 101 | — | 144 | 49 |
| Dispositions | (7) | (2) | (986) | (4) |
| Fair value gains, net and OCI | (28) | 25 | (216) | (30) |
| Other | (251) | — | (14) | — |
| Balance, end of period | \$ 650 | \$ 859 | \$ 533 | \$ 836 |

NOTE 33. 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 nine months ended September 30, 2018 was \$25 million (2017 - \$26 million) and \$73 million (2017 - \$78 million), respectively. The equity enhancement distribution is \$1 million both for the three and nine months ended September 30, 2018 (2017 - \$7 million and \$20 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) | Sep. 30, 2018 | Dec. 31, 2017 |
|---|---------------|---------------|
| Balances outstanding with related parties: | | |
| Participating loan interests | \$ 266 | \$ 517 |
| Net (payables)/receivables within equity accounted investments | (23) | (49) |
| Loans and notes receivable ⁽¹⁾ | 72 | 96 |
| Receivables and other assets | 9 | 11 |
| Deposit and promissory note from Brookfield Asset Management | (733) | (633) |
| Property-specific debt obligations | (383) | (415) |
| Loans and notes payable and other liabilities | (211) | (156) |
| Capital securities held by Brookfield Asset Management ⁽²⁾ | (750) | (1,250) |
| Preferred shares held by Brookfield Asset Management | (15) | (15) |

⁽¹⁾ At September 30, 2018, includes \$72 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.

⁽²⁾ During the third quarter of 2018, the Brookfield BPY Holdings Inc. Class C Junior Preferred shares, held by Brookfield Asset Management, were redeemed.

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|------|----------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Transactions with related parties: | | | | |
| Commercial property revenue ⁽¹⁾ | \$ 4 | \$ 4 | \$ 14 | \$ 14 |
| Management fee income | 1 | 1 | 4 | 4 |
| Participating loan interests (including fair value gains, net) | 13 | 33 | 45 | 77 |
| Interest expense on debt obligations | 9 | 3 | 29 | 21 |
| Interest on capital securities held by Brookfield Asset Management | 16 | 26 | 54 | 64 |
| General and administrative expense ⁽²⁾ | 57 | 51 | 153 | 151 |
| Construction costs ⁽³⁾ | 64 | 99 | 289 | 243 |

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

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

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

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.

During the third quarter, 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 Brookfield Asset Management for consideration of approximately \$1.4 billion. Brookfield Asset Management is currently in the process of syndicating its entire 27.5% equity interest to third-party investors.

NOTE 34. 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 Sep. 30, 2018 | Brookfield Property Partners L.P. | BOP Split | BPO | Brookfield Property Preferred Equity Inc. | Brookfield Property Finance ULC | Holding entities ⁽²⁾ | Additional holding entities and eliminations ⁽³⁾ | Consolidating adjustments ⁽⁴⁾ | Brookfield Property Partners L.P. consolidated |
|--|--|-----------|-------|--|--|------------------------------------|--|---|---|
| Revenue | \$ — | \$ 4 | \$ 28 | \$ — | \$ 3 | \$ 344 | \$ 15 | \$ 1,434 | \$ 1,828 |
| Net income attributable to unitholders ⁽¹⁾ | 155 | 299 | (980) | — | — | 380 | (5) | 531 | 380 |
| For the three months ended Sep. 30, 2017 | | | | | | | | | |
| Revenue | \$ — | \$ — | \$ 34 | \$ — | \$ — | \$ 116 | \$ — | \$ 1,360 | \$ 1,510 |
| Net income attributable to unitholders ⁽¹⁾ | 62 | (79) | (90) | — | — | 175 | 17 | 83 | 168 |

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

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

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

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

| (US\$ Millions) For the nine months ended Sep. 30, 2018 | Brookfield Property Partners L.P. | BOP Split | BPO | Brookfield Property Preferred Equity Inc. | Brookfield Property Finance ULC | Holding entities ⁽²⁾ | Additional holding entities and eliminations ⁽³⁾ | Consolidating adjustments ⁽⁴⁾ | Brookfield Property Partners L.P. consolidated |
|---|--|-----------|---------|--|--|------------------------------------|--|---|---|
| Revenue | \$ — | \$ 18 | \$ 103 | \$ — | \$ 3 | \$ 807 | \$ 30 | \$ 4,138 | \$ 5,099 |
| Net income attributable to unitholders ⁽¹⁾ | 549 | 409 | (1,307) | — | — | 1,444 | (25) | 374 | 1,444 |
| For the nine months ended Sep. 30, 2017 | | | | | | | | | |
| Revenue | \$ — | \$ — | \$ 178 | \$ — | \$ — | \$ 445 | \$ — | \$ 3,934 | \$ 4,557 |
| Net income attributable to unitholders ⁽¹⁾ | 89 | (294) | (471) | — | — | 248 | 17 | 652 | 241 |

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

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

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

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

| (US\$ Millions) As of Sep. 30, 2018 | Brookfield Property Partners L.P. | BOP Split | BPO | Brookfield Property Preferred Equity Inc. | Brookfield Property Finance ULC | Holding entities ⁽²⁾ | Additional holding entities and eliminations ⁽³⁾ | Consolidating adjustments ⁽⁴⁾ | Brookfield Property Partners L.P. consolidated |
|--|--|-----------|-----------|--|--|------------------------------------|--|---|---|
| Current assets | \$ — | \$ 54 | \$ 178 | \$ — | \$ 235 | \$ 5,474 | \$ 364 | \$ (2,066) | \$ 4,239 |
| Non-current assets | 13,269 | 15,265 | 19,516 | — | — | 30,134 | 1,741 | 27,028 | 106,953 |
| Assets held for sale | — | — | — | — | — | — | — | 391 | 391 |
| Current liabilities | — | 2,495 | 1,845 | — | 234 | 5,635 | 1,950 | (3,469) | 8,690 |
| Non-current liabilities | — | 3,103 | 2,730 | — | — | 1,699 | — | 49,455 | 56,987 |
| Liabilities associated with assets held for sale | — | — | — | — | — | — | — | 148 | 148 |
| Equity attributable to interests of others in operating subsidiaries and properties | — | — | 2,284 | — | — | — | — | 15,200 | 17,484 |
| Equity attributable to unitholders ⁽¹⁾ | \$ 13,269 | \$ 9,721 | \$ 12,835 | \$ — | \$ 1 | \$ 28,274 | \$ 155 | \$ (35,981) | \$ 28,274 |

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

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

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

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

| (US\$ Millions) As of Dec. 31, 2017 | Brookfield Property Partners L.P. | BOP Split | BPO | Brookfield Property Preferred Equity Inc. | Brookfield Property Finance ULC | Holding entities ⁽²⁾ | Additional holding entities and eliminations ⁽³⁾ | Consolidating adjustments ⁽⁴⁾ | Brookfield Property Partners L.P. consolidated |
|--|--|-----------|-----------|--|--|------------------------------------|--|---|---|
| Current assets | \$ — | \$ 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 ⁽¹⁾ | \$ 8,190 | \$ 8,164 | \$ 11,797 | \$ — | \$ — | \$ 22,186 | \$ (32) | \$ (28,119) | \$ 22,186 |

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

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

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

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

NOTE 35. 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. On July 1, 2018, the partnership realigned its LP Investments segment (formerly referred to as Opportunistic) to include the corporate function of the Brookfield-sponsored real estate opportunity funds, previously included in the Corporate segment, to more closely align with the how the partnership now presents financial information to the CODM and investors. As of September 30, 2018, the partnership is organized into four reportable segments: i) Core Office, ii) Core Retail, iii) LP Investments and iv) Corporate. 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 nine months ended September 30, 2018 and 2017:

| (US\$ Millions) Three months ended Sep. 30, | Total revenue ⁽¹⁾ | | FFO | |
|--|------------------------------|-----------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Core Office | \$ 526 | \$ 536 | \$ 114 | \$ 113 |
| Core Retail ⁽²⁾ | 145 | — | 71 | 113 |
| LP Investments | 1,157 | 974 | 45 | 79 |
| Corporate | — | — | (107) | (108) |
| Total | \$ 1,828 | \$ 1,510 | \$ 123 | \$ 197 |

⁽¹⁾ 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.

⁽²⁾ In the three months ended September 30, 2017, the partnership had a 34% interest in our Core Retail segment, which was equity accounted.

| (US\$ Millions) | Total revenue ⁽¹⁾ | | FFO | |
|----------------------------|------------------------------|-----------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Nine months ended Sep. 30, | | | | |
| Core Office | \$ 1,577 | \$ 1,591 | \$ 374 | \$ 408 |
| Core Retail | 145 | — | 300 | 331 |
| LP Investments | 3,374 | 2,966 | 200 | 205 |
| Corporate | 3 | — | (313) | (318) |
| Total | \$ 5,099 | \$ 4,557 | \$ 561 | \$ 626 |

⁽¹⁾ The partnership adopted IFRS 15, 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.

⁽²⁾ In the nine months ended September 30, 2017, the partnership had a 34% interest in its Core Retail segment, which was equity accounted.

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

| (US\$ Millions) | Lease revenue | Other revenue from tenants | Hospitality revenue | Investment and other revenue | Total revenue |
|----------------------------------|-----------------|----------------------------|---------------------|------------------------------|-----------------|
| Three months ended Sep. 30, 2018 | | | | | |
| Core Office | \$ 406 | \$ 86 | \$ 5 | \$ 29 | \$ 526 |
| Core Retail | 100 | 29 | — | 16 | 145 |
| LP Investments | 545 | 85 | 497 | 28 | 1,155 |
| Corporate | — | — | — | — | — |
| Total | \$ 1,051 | \$ 200 | \$ 502 | \$ 73 | \$ 1,826 |

| (US\$ Millions) | Lease revenue | Other revenue from tenants | Hospitality revenue | Investment and other revenue | Total revenue |
|---------------------------------|-----------------|----------------------------|---------------------|------------------------------|-----------------|
| Nine months ended Sep. 30, 2018 | | | | | |
| Core Office | \$ 1,207 | \$ 265 | \$ 14 | \$ 91 | \$ 1,577 |
| Core Retail | 100 | 29 | — | 16 | 145 |
| LP Investments | 1,623 | 254 | 1,446 | 51 | 3,374 |
| Corporate | — | — | — | 3 | 3 |
| Total | \$ 2,930 | \$ 548 | \$ 1,460 | \$ 161 | \$ 5,099 |

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

| (US\$ Millions) | Total assets | | Total liabilities | |
|----------------------------|-------------------|------------------|-------------------|------------------|
| | Sep. 30, 2018 | Dec. 31, 2017 | Sep. 30, 2018 | Dec. 31, 2017 |
| Core Office | \$ 34,631 | \$ 33,795 | \$ 15,696 | \$ 16,791 |
| Core Retail ⁽¹⁾ | 29,813 | 8,844 | 14,380 | — |
| LP Investments | 46,970 | 41,471 | 30,179 | 26,630 |
| Corporate | 169 | 237 | 5,570 | 5,802 |
| Total | \$ 111,583 | \$ 84,347 | \$ 65,825 | \$ 49,223 |

⁽¹⁾ In the year ended December 31, 2017, the partnership had a 34% interest in its Core Retail segment, which was equity accounted.

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

| (US\$ Millions) | Three months ended Sep. 30, | | Nine months ended Sep. 30, | |
|--|-----------------------------|---------------|----------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| FFO⁽¹⁾ | \$ 123 | \$ 197 | \$ 561 | \$ 626 |
| Depreciation and amortization of real estate assets | (70) | (62) | (201) | (177) |
| Fair value gains, net | 556 | 339 | 1,943 | 717 |
| Share of equity accounted income - non-FFO | (52) | 182 | 33 | 248 |
| Income tax expense | 37 | (183) | (49) | (419) |
| Non-controlling interests of others in operating subsidiaries and properties – non-FFO | (214) | (305) | (843) | (754) |
| Net income attributable to unitholders⁽²⁾ | 380 | 168 | 1,444 | 241 |
| Non-controlling interests of others in operating subsidiaries and properties | 342 | 491 | 1,352 | 1,269 |
| Net income | \$ 722 | \$ 659 | \$ 2,796 | \$ 1,510 |

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

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

NOTE 36. SUBSEQUENT EVENTS

On November 5, 2018, the partnership redeemed \$330 million of Brookfield BPY Holdings Inc. Class B Junior Preferred Shares, which were held by Brookfield Asset Management.

On October 31, 2018, the partnership sold a 49.9% interest in 50 & 60 Carrington Street in Sydney.

On October 30, 2018, the partnership entered into a definitive agreement to sell its industrial portfolio in the U.S. The transaction is expected to close in the fourth quarter of 2018.

On October 18, 2018, the partnership sold its 25% interest in Jean Edmonds Towers in Ottawa.

On October 16, 2018, a subsidiary of the partnership issued medium term notes for C\$100 million at 4.346% per annum and C\$400 million at 4.115% per annum, with a term of five years and three years, respectively. Interests on the notes are payable semi-annually.

On October 4, 2018, the partnership sold 100% of its interest in Queen's Quay Terminal in Toronto.

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 September 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 July 1, 2018 and ended on September 30, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: November 8, 2018

/s/ Brian W. Kingston

Brian W. Kingston

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

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

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

1. Review: I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Brookfield Property Partners L.P. (the “issuer”) for the interim period ended September 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 July 1, 2018 and ended on September 30, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: November 8, 2018

/s/ Bryan K. Davis

Bryan K. Davis

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

BROOKFIELD PROPERTY PARTNERS L.P.

bpy.brookfield.com

NASDAQ: BPY

TSX: BPY.UN