

Q2 2019 INTERIM REPORT

Brookfield Property — Partners L.P.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 6-K

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

For the month of August 2019
Commission File Number 001-35505

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

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

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

Form 20-F Form 40-F

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

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

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

DOCUMENTS FILED AS PART OF THIS FORM 6-K

See the Exhibit List to this Form 6-K.

SIGNATURES

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

Date: August 9, 2019

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

By: /s/ Jane Sheere

Name: Jane Sheere

Title: Secretary

EXHIBIT LIST

<u>Exhibit</u>	<u>Description</u>
99.1	Management's Discussion and Analysis of Financial Results of Brookfield Property Partners L.P. as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018
99.2	Unaudited condensed consolidated financial statements of Brookfield Property Partners L.P. as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018
99.3	Certification of Chief Executive Officer of Brookfield Property Group LLC, a manager of Brookfield Property Partners L.P.
99.4	Certification of Chief Financial Officer of Brookfield Property Group LLC, a manager of Brookfield Property Partners L.P.

Management's Discussion and Analysis of Financial Results

INTRODUCTION

This management's discussion and analysis ("MD&A") of Brookfield Property Partners L.P. ("BPY", the "partnership", or "we") covers the financial position as of June 30, 2019 and December 31, 2018 and results of operations for the three and six months ended June 30, 2019 and 2018. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements (the "Financial Statements") and related notes as of June 30, 2019, included elsewhere in this report, and our annual report for the year ended December 31, 2018 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 direct investments are a 50% managing general partnership unit interest in Brookfield Property L.P. (the “Operating Partnership”) and an interest in BP US REIT LLC. As we have the ability to direct its activities pursuant to our rights as owners of the general partner units, we consolidate the Operating Partnership. Accordingly, our Financial Statements reflect 100% of its assets, liabilities, revenues, expenses and cash flows, including non-controlling interests therein, which capture the ownership interests of other third parties.

We also discuss the results of operations on a segment basis, consistent with how we manage our business. 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. 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”), BPY AO LTIP Units of the Operating Partnership (“AO LTIP Units”), FV LTIP Units of the Operating Partnership (“FV LTIP Units”), limited partnership units of Brookfield Office Properties Exchange LP (“Exchange LP Units”), Class A stock, par value \$0.01 per share, (“BPR Units”) of Brookfield Property REIT Inc. (“BPR”) and Class A Cumulative Redeemable Perpetual Preferred Units, Series 1 (“Preferred Equity Units”). Holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, AO LTIP Units, FV LTIP 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”), as the holders of the Redeemable/Exchangeable Partnership Units exercises this right, our partnership has the right, at its sole discretion, to satisfy the redemption request with its LP Units, rather than cash, on a one-for-one basis. As a result, Brookfield Asset Management, as holder of Redeemable/Exchangeable Partnership Units, participates in earnings and distributions on a per unit basis equivalent to the per unit participation of the LP Units of our partnership. However, given the redemption feature referenced above and the fact that they were issued by our subsidiary, we present the Redeemable/Exchangeable Partnership Units as a component of non-controlling interests. The Exchange LP Units are exchangeable at any time on a one-for-one basis, at the option of the holder, for LP Units. We present the Exchange LP Units as a component of non-controlling interests. 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 six months ended June 30, 2019 and includes material information up to August 9, 2019. Financial data has been prepared using accounting policies in accordance with IFRS as issued by the IASB. Non-IFRS measures used in this MD&A are reconciled to or calculated from such financial information. Unless otherwise specified, all operating and other statistical information is presented as if we own 100% of each property in our portfolio, regardless of whether we own all of the interests in each property. We believe this is the most appropriate basis on which to evaluate the performance of properties in the portfolio relative to each other and others in the market. All dollar references, unless otherwise stated, are in millions of U.S. Dollars. Canadian Dollars (“C\$”), Australian Dollars (“A\$”), British Pounds (“£”), Euros (“€”), Brazilian Reals (“R\$”), Indian Rupees (“Rs”), Chinese Yuan (“C¥”), South Korean Won (“₩”) and United Arab Emirates Dirham (“AED”) are identified where applicable.

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

OVERVIEW OF THE BUSINESS

We are Brookfield Asset Management's primary vehicle to make investments across all strategies in real estate. Our goal is to be a leading global owner and operator of high-quality real estate, that generates sustainable and growing distributions to our unitholders and capital appreciation of our asset base over the long term. With approximately 19,000 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

- 143 premier properties
- 96 million square feet
- 92% occupancy
- 8.2 year average lease term

CORE RETAIL PORTFOLIO

100 of the top 500 malls in the United States

- 123 best-in-class retail properties
- 121 million square feet
- 95% occupancy

LP INVESTMENTS PORTFOLIO

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

INVESTMENT STRATEGY

Our diversified Core portfolios consist of high-quality office and retail assets in some of the world's most dynamic markets which have stable cash flow as a result of their long-term leases. We target 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 target earning between 6% 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. We expect that 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, logistics, hospitality, triple net lease, self-storage, student housing and manufactured housing. We target an average gross 20% total return on our LP Investments portfolio and a 2.0x multiple of capital on the equity we invest into these vehicles. These investments, unlike our Core portfolios, have a defined hold period and typically generate the majority of profits from 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 distributions from return of capital and realization events from our LP Investments portfolio, we expect to be able to increase distributions at the targeted rate of 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 and other investments that fit into our strategic plan; and
- opportunities to dispose of peak value or non-core assets.

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

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

- *NOI*: revenues from our commercial properties operations less direct commercial property expenses (“Commercial property NOI”) and revenues from our hospitality operations less direct hospitality expenses (“Hospitality NOI”).
- *Same-property NOI*: a subset of NOI, which excludes NOI that is earned from assets acquired, disposed of or developed during the periods presented, not of a recurring nature, or from LP Investments assets.
- *FFO*: net income, prior to fair value gains, net, depreciation and amortization of real estate assets, and income taxes less non-controlling interests of others in operating subsidiaries and properties therein. When determining FFO, we include our proportionate share of the FFO of unconsolidated partnerships and joint ventures and associates, as well as gains (or losses) related to properties developed for sale.
- *Company FFO*: FFO before the impact of depreciation and amortization of non-real estate assets, transaction costs, gains (losses) associated with non-investment properties, imputed interest on equity accounted investments and the partnership’s share of Brookfield Strategic Real Estate Partners III (“BSREP III”) FFO. The partnership accounts for its investment in BSREP III as a financial asset and the income (loss) of the fund is not presented in the partnership’s results. Distributions from BSREP III, recorded as dividend income under IFRS, are removed from investment and other income for Company FFO presentation.
- *Net income attributable to Unitholders*: net income attributable to holders of GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units 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 13.

We also consider FFO an important measure of our operating performance. FFO is a widely recognized measure that is frequently used by securities analysts, investors and other interested parties in the evaluation of real estate entities, particularly those that own and operate income producing properties. Our definition of FFO includes all of the adjustments that are outlined in the National Association of Real Estate Investment Trusts (“NAREIT”) definition of FFO, including the exclusion of gains (or losses) from the sale of investment properties, the add back of any depreciation and amortization related to real estate assets and the adjustment for unconsolidated partnerships and joint ventures. In addition to the adjustments prescribed by NAREIT, we also make adjustments to exclude any unrealized fair value gains (or losses) that arise as a result of reporting under IFRS, and income taxes that arise as certain of our subsidiaries are structured as corporations as opposed to real estate investment trusts (“REITs”). These additional adjustments result in an FFO measure that is similar to that which would result if our partnership was organized as a REIT that determined net income in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), which is the type of organization on which the NAREIT definition is premised. Our FFO measure will differ from other organizations applying the NAREIT definition to the extent of certain differences between the IFRS and U.S. GAAP reporting frameworks, principally related to the timing of revenue recognition from lease terminations and sale of properties. Because FFO excludes fair value gains (losses), including equity accounted fair value gains (losses), realized gains (losses) on the sale of investment properties, depreciation and amortization of real estate assets and income taxes, it provides a performance measure that, when compared year-over-year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and interest costs, providing perspective not immediately apparent from net income. We reconcile FFO to net income on page 13 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 13.

Net income attributable to Unitholders and Equity attributable to Unitholders are used by the partnership to evaluate the performance of the partnership as a whole as each of the Unitholders participates in the economics of the partnership equally. We reconcile Net income attributable to Unitholders to net income on page 13 and Equity attributable to Unitholders to total equity on page 16.

FAIR VALUE OF INVESTMENT AND HOSPITALITY PROPERTIES

Investment properties

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

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

Under the discounted cash flow approach, cash flows for each property are forecast for an assumed holding period, generally, ten-years. A capitalization rate is applied to the terminal year net operating income and an appropriate discount rate is applied to those cash flows to determine a value at the reporting date. The forecast cash flows include assumptions prepared at the property level for lease renewal probabilities, downtime, capital expenditures, future leasing rates and associated leasing costs. The majority of property cash flows consist of contracted leases as a result of our core real estate portfolio having a combined 94% occupancy level and an average eight 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 June 30, 2019, we obtained external appraisals of 20 of our properties representing a gross property value of \$7 billion (or 4% of the portfolio). These external appraisals were within 1% of management's valuations. Also, each year we sell a number of assets, which provides support for our valuations, as we typically contract at prices comparable to IFRS values.

FINANCIAL STATEMENTS ANALYSIS

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

In this section, we review our financial position and consolidated performance as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018. Further details on our results from operations and our financial positions are contained within the “*Segment Performance*” section beginning on page 16.

The following acquisitions and dispositions affected our consolidated results for the three and six months ended June 30, 2019 and 2018:

In our Core Office segment:

- In the second quarter of 2019, we sold our interest in 2001 M Street in Washington, D.C. for approximately \$121 million and realized a gain of approximately \$32 million.
- In the fourth quarter of 2018, we sold 10 Shelley Street in Sydney for A\$533 million (\$379 million) and realized a gain of A\$149 million (\$104 million). We sold 12 Shelley Street in Sydney for A\$270 million (\$192 million) and realized a gain of A\$111 million (\$78 million). We sold Queen’s Quay Terminal in Toronto for C\$261 million (\$191 million) and realized a gain of C\$173 million (\$127 million). We sold our 25% interest in Jean Edmonds Tower in Ottawa for C\$47 million (\$34 million) and realized a gain of C\$5 million (\$4 million).
- In the fourth quarter of 2018, we launched Brookfield Premier Real Estate Partners Pooling LLC Australia (“BPREP Australia”), an open-ended fund. We contributed interests in Jessie Street, 52 Goulburn Street and 680 George Street in Sydney and 235 St Georges Terrace in Perth to BPREP Australia. Our interest in BPREP Australia is 48%, with the remaining interests of 12% and 40% held by Brookfield Asset Management and external investors, respectively. We will continue to consolidate the properties contributed to BPREP Australia, except for 680 George Street, which we will continue to account for under the equity method.
- 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. 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 our Core Retail segment:

- In the fourth quarter of 2018, we sold a 49% interest in Fashion Place in Utah for approximately \$594 million. We retained joint control of the resulting joint venture and account for our remaining interest as an equity accounted investment.
- On August 28, 2018, we acquired all of the outstanding shares of common stock of GGP Inc. (“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 second quarter of 2019, we sold a portfolio of office assets in California in the Brookfield Strategic Real Estate Partners I (“BSREP I”) fund, for approximately \$270 million and a realized gain of approximately \$114 million.
- In the first quarter of 2019, BSREP III held its final close with total equity commitments of \$15 billion. Prior to final close, we had committed to 25%, or a controlling interest in the fund and as a result, had previously consolidated the investments made to date. Upon final close, on January 31, 2019, we reduced our commitment to \$1.0 billion, representing a 7% non-voting position. As a result, we lost control and deconsolidated our investment in the fund.
- In the fourth quarter of 2018, we sold a logistics portfolio in the U.S. in the BSREP I fund, for approximately \$3.4 billion and a realized gain of approximately \$1.1 billion.
- In the fourth quarter of 2018, we acquired a portfolio of mixed-use asset across the U.S. (“Forest City acquisition”) for consideration of \$6,948 million, a student housing portfolio in France for consideration of €279 million (\$318 million) and a hotel in Florida for consideration of \$222 million. These are BSREP III investments and we have since deconsolidated them in the first quarter of 2019 as mentioned above.

- 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 \$1,299 million, and two community malls in Shanghai for consideration of C¥728 million (\$110 million). These are BSREP III investments and we have since deconsolidated them in the first quarter of 2019 as mentioned above.
- In the third quarter of 2018, we sold a portfolio of 112 self-storage properties in the Brookfield Strategic Real Estate Partners II (“BSREP II”) fund, for approximately \$1.3 billion, and realized a gain of approximately \$292 million.
- In the first quarter of 2018, we sold the Hard Rock Hotel and Casino in Las Vegas for \$510 million.

For the purposes of the following comparison between the three and six months ended June 30, 2019 and 2018, the above transactions are referred to as the investment activities. In addition to the investment activities, we will use same-property NOI from our Core Office and Core Retail segments to evaluate our operating results.

Summary Operating Results

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income	\$ 23	\$ 1,051	\$ 736	\$ 2,074
Net income attributable to Unitholders ⁽¹⁾	127	534	460	1,064
NOI ⁽¹⁾	1,104	890	2,227	1,728
FFO ⁽¹⁾	291	210	549	438
Company FFO ⁽¹⁾	335	246	642	514

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

Net income for the three months ended June 30, 2019 decreased to \$23 million from \$1,051 million for the same period in the prior year. Net income per unit attributable to Unitholders for the three months ended June 30, 2019 was \$0.12 compared with \$0.69 in the prior year. The decrease is primarily attributable to fair value losses recognized on our Core Retail portfolio, reflecting updated cashflow assumptions and valuation metrics, as well as fair value losses on our LP Investments retail portfolio. The prior year includes fair value gains associated with our since-sold logistics portfolio in the U.S and our office portfolio in India as well as a gain on extinguishment of debt associated with the sale a hospitality asset. These decreases were offset by fair value gains in the current period in our Core Office portfolio in London and Sydney, incremental NOI from an increased ownership in GGP post-acquisition and other investment activity since prior year. Also contributing to higher NOI is same-property growth in Core Office driven by leasing activity, particularly in Downtown New York, Midtown New York, Los Angeles and Toronto at average rents higher than expiring rents.

Net income for the six months ended June 30, 2019 decreased to \$736 million from \$2,074 million for the same period in prior year. Net income per unit attributable to Unitholders for the six months ended June 30, 2019 was \$0.44 compared with \$1.38 in the prior year. The decrease is primarily attributable to the reasons mentioned above as well fair value gains recognized in the prior year primarily relating to obtaining control over Brookfield Global Real Estate Special Opportunities Inc. (“BGRESOI”) after converting our loan interest in the entity into a 100% common equity interest.

FFO increased to \$291 million during the three months ended June 30, 2019 compared with \$210 million during the same period in the prior year. The increase was driven by incremental FFO from the GGP acquisition, investment activity since prior year and leasing activity as mentioned above. Also contributing to the increase was investment and other revenue recorded on an incentive fee earned on a development with a joint venture partner. These increases were partially offset by higher interest and general and administrative expenses due to the GGP acquisition and other investments and the negative impact of foreign currency translation.

FFO increased to \$549 million during the six months ended June 30, 2019 compared with \$438 million during the same period in the prior year. The increase was primarily driven by the reasons mentioned above, as well as one month of FFO from the BSREP III investments prior to deconsolidation.

Operating Results

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Commercial property revenue	\$ 1,386	\$ 1,130	\$ 2,860	\$ 2,227
Hospitality revenue	503	476	994	958
Investment and other revenue	137	45	245	86
Total revenue	2,026	1,651	4,099	3,271
Direct commercial property expense	479	421	1,001	830
Direct hospitality expense	306	295	626	627
Investment and other expense	—	—	10	—
Interest expense	710	537	1,456	1,057
Depreciation and amortization	85	76	170	148
General and administrative expense	219	183	442	352
Total expenses	1,799	1,512	3,705	3,014
Fair value gains, net	(1,092)	770	(722)	1,387
Share of earnings from equity accounted investments	826	288	1,090	516
Income before taxes	(39)	1,197	762	2,160
Income tax expense (benefit)	(62)	146	26	86
Net income	\$ 23	\$ 1,051	\$ 736	\$ 2,074
Net income attributable to non-controlling interests of others in operating subsidiaries and properties	(104)	517	276	1,010
Net income attributable to Unitholders⁽¹⁾	\$ 127	\$ 534	\$ 460	\$ 1,064

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

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

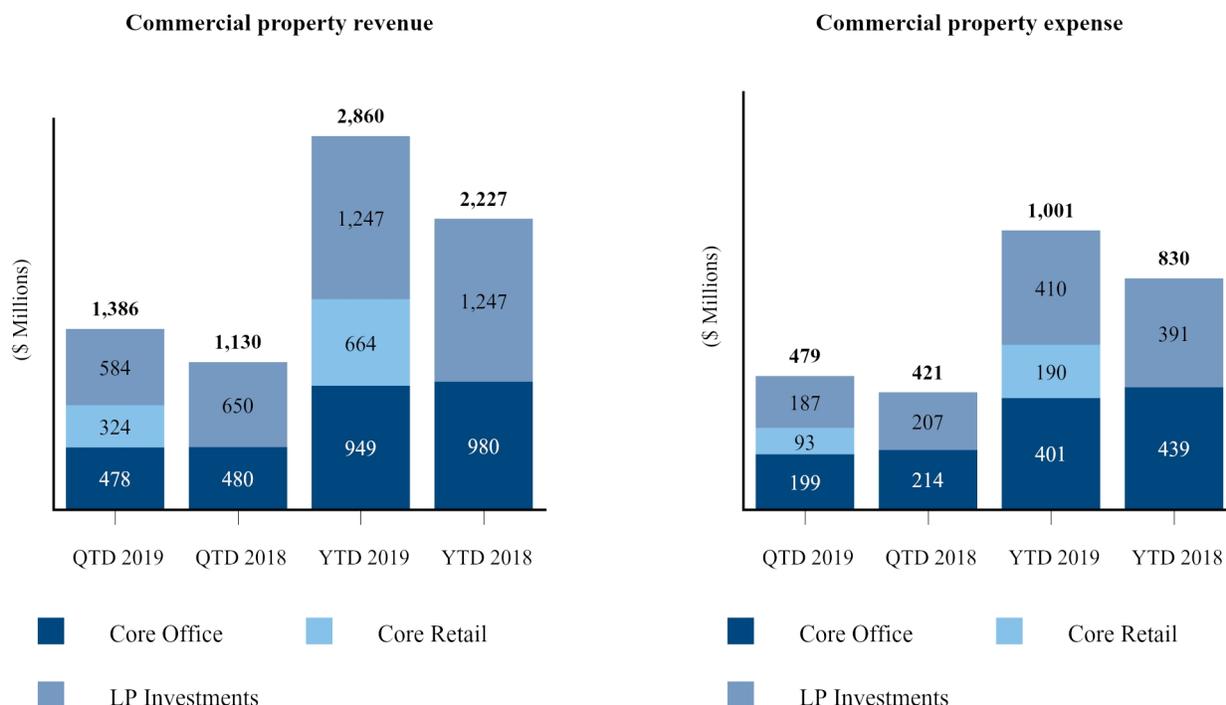
(US\$ Millions, except per share information)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income	\$ 23	\$ 1,051	\$ 736	\$ 2,074
Less: Non-controlling interests	(104)	517	276	1,010
Less: Preferred shared dividends	3	—	3	—
Net income attributable to Unitholders - basic ⁽¹⁾	\$ 124	\$ 534	\$ 457	\$ 1,064
Dilutive effect of conversion of capital securities - corporate and options ⁽²⁾	—	5	—	11
Net income attributable to Unitholders - diluted	\$ 124	\$ 539	\$ 457	\$ 1,075
Weighted average number of units outstanding - basic ⁽¹⁾	1,022.2	773.1	1,031.4	773.4
Conversion of capital securities - corporate and options ⁽²⁾	0.1	19.6	0.1	18.4
Weighted average number of units outstanding - diluted	1,022.3	792.7	1,031.5	791.8
Net income per unit attributable to Unitholders - basic⁽¹⁾⁽³⁾	\$ 0.12	\$ 0.69	\$ 0.44	\$ 1.38
Net income per unit attributable to Unitholders - diluted⁽²⁾⁽³⁾	\$ 0.12	\$ 0.68	\$ 0.44	\$ 1.36

⁽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 six months ended June 30, 2019.

⁽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 June 30, 2019, commercial property revenue increased by \$256 million compared to the same period in the prior year due to the GGP acquisition, property acquisitions in our LP Investments segment and same-property growth in our Core Office segment, 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 \$324 million to commercial property revenue as compared to nil in the prior periods as the investment was previously accounted for under the equity method. Our Core Office portfolio generated 10.3% same-property growth, largely driven by leasing activity in Downtown New York, Midtown New York, Los Angeles and Toronto.

Direct commercial property expense increased by \$58 million largely due to the acquisition of GGP and additional expenses relating to the property transactions offset by Core Office property dispositions and the negative impact of foreign currency translation. The GGP acquisition resulted in consolidation of the investment which is contributing \$93 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 2019 were 65.4%, an increase of 3% over 2018.

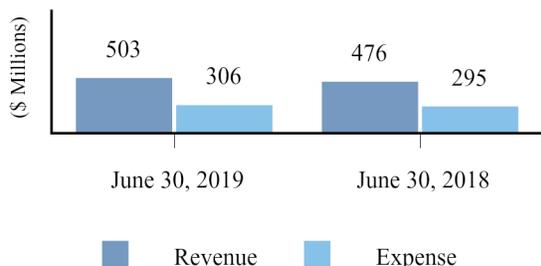
For the six months ended June 30, 2019, commercial property revenue increased by \$633 million compared to the same period in the prior year due to the GGP acquisition, property transactions, and same-property growth in our Core Office segment. The GGP acquisition resulted in consolidation of the investment which is contributing \$664 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 \$105 million increase in revenue. Our Core Office portfolio generated 7.4% same-property growth, largely driven by leasing activity in Downtown New York, Midtown New York, Los Angeles, Toronto and London. These increases were partially offset by the negative impact of foreign currency translation.

Direct commercial property expense increased by \$171 million largely due to additional expenses relating to the GGP acquisition and other investment activity. Margins in 2019 were 65.0%, an increase of 2% over 2018.

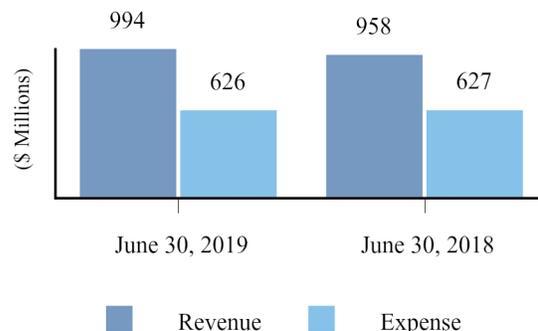
Commercial property NOI increased by \$198 million to \$907 million during the three months ended June 30, 2019 compared with \$709 million during the same period in the prior year. For the six months ended June 30, 2019, commercial property NOI increased by \$462 million to \$1,859 million compared with \$1,397 million during the same period in the prior year. The increase was primarily driven by the GGP acquisition, as well as other investment activity and same-property growth in our Core Office portfolio offset by Core Office dispositions and the impact of foreign currency translation.

Hospitality revenue and direct hospitality expense

Hospitality revenue and expense for the three months ended,



Hospitality revenue and expense for the six months ended,



For the three months ended June 30, 2019, hospitality revenue increased by \$27 million compared to the same period in the prior year. This increase reflects strong performance at the Atlantis and other North American hotel investments after recent renovations. Direct hospitality expense increased to \$306 million for the three months ended June 30, 2019, compared to \$295 million in the same period in the prior year.

For the six months ended June 30, 2019, hospitality revenue increased by \$36 million compared to the same period in the prior year. This increase was due to the reasons noted above, partially offset by the disposition of the Hard Rock Hotel and Casino in Las Vegas in prior year.

Direct hospitality expense decreased to \$626 million for the six months ended June 30, 2019, compared to \$627 million in the same period in the prior year primarily due to disposition activity, and the impact of foreign exchange. Margins were 39.2% and 37.0% for the three and six ended June 30, 2019, respectively, representing increases of 1.1% and 2.5%, respectively.

Hospitality NOI increased by \$16 million to \$197 million during three months ended June 30, 2019 compared to \$181 million during the same period in the prior year. For the six months ended June 30, 2019, hospitality NOI increased by \$37 million to \$368 million compared to \$331 million during the same period in the prior year. The increase is primarily due to incremental NOI from completed renovations at various assets, partially offset by dispositions and 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 \$92 million and increased by \$159 million for the three and six months ended June 30, 2019, respectively, as compared to the same periods in the prior year. The increase for the three and six months ended June 30, 2019 is primarily due to \$39 million and \$78 million, respectively, of investment and other revenue from Core Retail, primarily consisting of fee revenues earned from our Core Retail joint ventures as a result of the GGP acquisition. Also contributing to the increase is higher development management and joint venture partner fees within Core Office as development activity has increased and we have entered into new joint venture arrangements that provide fees. Additionally, we earned a performance-based fee of \$38 million for achieving certain milestones at Five Manhattan West during the second quarter of 2019.

Investment and other expense for the three and six months ended June 30, 2019 remained flat at nil and \$10 million, respectively, as compared the same period in the prior year.

Interest expense

Interest expense increased by \$173 million for the three months ended June 30, 2019 as compared to the same period in the prior year. Interest expense increased by \$399 million for the six months ended June 30, 2019 as compared to the same period in the prior year. The majority of this increase was due to the assumption of debt obligations as a result of GGP acquisition. Additionally, an increase in variable interest rates during the year and other property acquisitions contributed to the increase, partially offset by disposition activity.

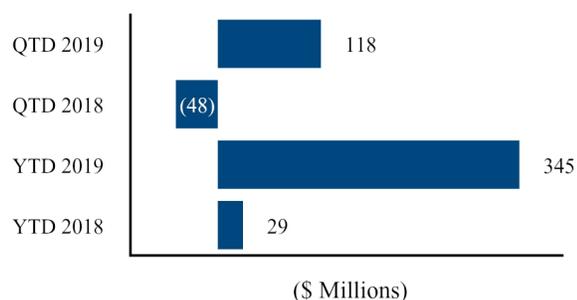
General and administrative expense

General and administrative expense increased by \$36 million for the three months ended June 30, 2019 as compared to the same period in the prior year. General and administrative expense increased by \$90 million for the six months ended June 30, 2019 as compared to the same period in the prior year. These increases were primarily attributable to operating and transaction costs related to the GGP acquisition and investment activity. The consolidation of GGP resulted in general and administrative expense of \$66 million and \$136 million for the three and six months ended June 30, 2019, respectively, compared to nil in the same periods in the prior year when our 34% interest was accounted for under the equity method.

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.

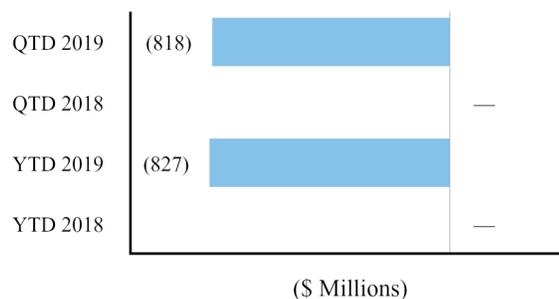
Fair value gains (losses), net - Core Office



Fair value gains, net for our Core Office segment were \$118 million for the three months ended June 30, 2019. These gains primarily relate to 100 Bishopsgate in London as the development nears substantial completion and gains in two assets in Australia. Fair value gains, net for our Core Office segment were \$345 million for the six months ended June 30, 2019 related to the gains mentioned above as well as gains recognized in the first quarter of 2019 within our New York portfolio to reflect market conditions.

The prior year included fair value gains primarily related to realized gains from the disposition of our interests in Bay Adelaide Centre East and West Towers in Toronto and 1801 California Street in Denver partially offset by losses in our Downtown New York portfolio.

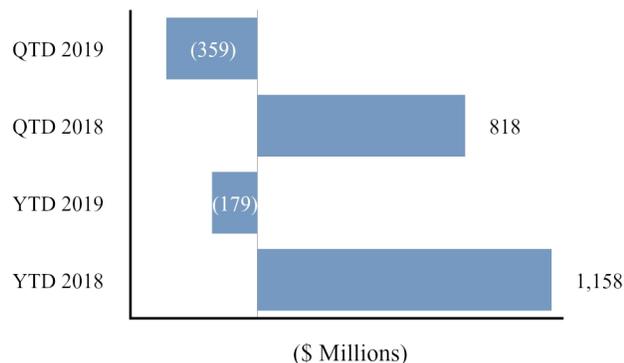
Fair values losses, net - Core Retail



Fair value losses, net for our Core Retail segment were \$818 million and \$827 million for the three and six months ended June 30, 2019. The fair value losses, net from the Core Retail portfolio reflects updated cashflow assumptions and valuation metrics agreed upon by an independent third party.

There were no fair value gains, net for the Core Retail segment in the prior period as the investment was previously accounted for under the equity method.

Fair values gains (losses), net - LP Investments



Fair value losses, net for our LP Investments segment for the three months ended June 30, 2019 were \$359 million primarily due to losses in our retail portfolio due to updated cashflow assumptions. Fair value losses, net for our LP Investments segment for the six months ended June 30, 2019 were \$179 million mainly due to the retail losses mentioned above, partially offset by fair value gains in our student housing portfolio which resulted from capitalization rate compression.

The prior year included fair value gains from our logistics portfolio due to strengthened market conditions as well as our office portfolio in India, due to increases in market rent and new leasing activity. We also recorded a gain on extinguishment of debt associated with the sale of the Hard Rock Hotel and Casino.

In addition, for the three and six months ended June 30, 2019, we recorded fair value losses, net of \$33 million and \$61 million (2018 - fair value losses, net of \$1 million and fair value gains, net of \$199 million), respectively, primarily related to mark-to-market adjustments of financial instruments and the settlement of derivative contracts during the quarter. The prior year primarily related to obtaining control over BGRESOI after converting our loan interest in the entity and becoming the 100% common equity holder.

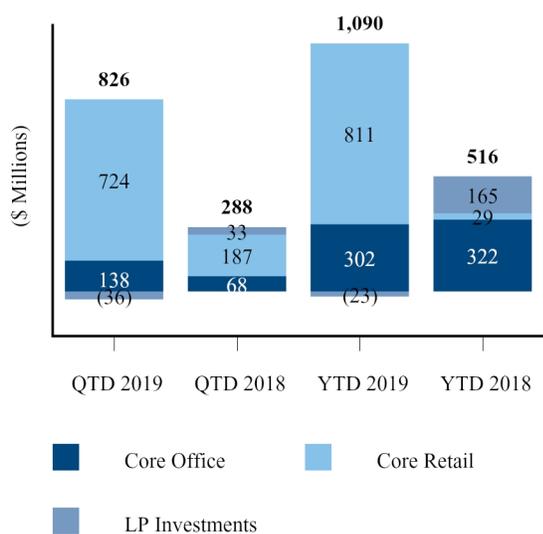
Share of net earnings from equity accounted investments

Our most material equity accounted investments are:

- In Core Office - Canary Wharf and Manhattan West.
- In Core Retail - Ala Moana Center in Hawaii, Fashion Show in Las Vegas and Grand Canal Shoppes in Las Vegas.
- In LP Investments - the Diplomat hotel and our interest in the second value-add multifamily fund.

In the prior year our then 34% interest in GGP was accounted for under the equity method.

Share of net earnings from equity accounted investments



Our share of net earnings from equity accounted investments for the three and six months ended June 30, 2019 was \$826 million and \$1,090 million, respectively, which represents an increase of \$538 million and an increase of \$574 million, respectively, compared to the prior year, primarily due to Core Retail fair value gains recognized at Ala Moana Center. This was partially offset by lower share of net earnings from equity accounted investments from LP Investments mainly due to the disposition of our logistics portfolio in the fourth quarter of 2018.

Income tax expense (benefit)

The decrease in income tax expense for the six months ended June 30, 2019 compared to the prior year is primarily due to lower book income before income taxes, and the reversal of temporary differences resulting from an internal restructuring of the ownership of certain retail investments.

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 six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Commercial property revenue	\$ 1,386	\$ 1,130	\$ 2,860	\$ 2,227
Direct commercial property expense	(479)	(421)	(1,001)	(830)
Commercial property NOI	907	709	1,859	1,397
Hospitality revenue	503	476	994	958
Direct hospitality expense	(306)	(295)	(626)	(627)
Hospitality NOI	197	181	368	331
Total NOI	1,104	890	2,227	1,728
Investment and other revenue	137	45	245	86
Share of net earnings from equity accounted investments	826	288	1,090	516
Interest expense	(710)	(537)	(1,456)	(1,057)
Depreciation and amortization	(85)	(76)	(170)	(148)
General and administrative expense	(219)	(183)	(442)	(352)
Investment and other expense	—	—	(10)	—
Fair value gains, net	(1,092)	770	(722)	1,387
Income before taxes	(39)	1,197	762	2,160
Income tax expense	62	(146)	(26)	(86)
Net income	\$ 23	\$ 1,051	\$ 736	\$ 2,074
Net income attributable to non-controlling interests	(104)	517	276	1,010
Net income attributable to Unitholders	\$ 127	\$ 534	\$ 460	\$ 1,064

The following table reconciles net income to FFO and Company FFO for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income	\$ 23	\$ 1,051	\$ 736	\$ 2,074
Add (deduct):				
Fair value gains, net	1,092	(770)	722	(1,387)
Share of equity accounted fair value (gains) losses, net	(618)	(84)	(645)	(85)
Depreciation and amortization of real estate assets	70	66	139	131
Income tax expense (benefit)	(62)	146	26	86
Non-controlling interests in above items	(214)	(199)	(429)	(381)
FFO	\$ 291	\$ 210	\$ 549	\$ 438
Add (deduct):				
Depreciation and amortization of non-real-estate assets, net ⁽¹⁾	10	6	21	15
Transaction costs, net ⁽¹⁾	18	15	37	33
(Gains)/losses associated with non-investment properties, net ⁽¹⁾	—	3	(1)	3
Imputed interest ⁽²⁾	13	12	27	25
BSREP III earnings ⁽³⁾	3	—	9	—
Company FFO	\$ 335	\$ 246	\$ 642	\$ 514

⁽¹⁾ Presented net of non-controlling interests.

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

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

Statement of Financial Position Highlights and Key Metrics

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Investment properties		
Commercial properties	\$ 65,680	\$ 76,014
Commercial developments	4,148	4,182
Equity accounted investments	21,889	22,698
Property, plant and equipment	6,854	7,506
Cash and cash equivalents	1,751	3,288
Assets held for sale	1,346	1,004
Total assets	108,028	122,520
Debt obligations	51,556	63,811
Liabilities associated with assets held for sale	765	163
Total equity	43,916	46,740
Equity attributable to Unitholders⁽¹⁾	\$ 27,852	\$ 28,284
Equity per unit⁽²⁾	\$ 28.89	\$ 28.72

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

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

As of June 30, 2019, we had \$108,028 million in total assets, compared with \$122,520 million at December 31, 2018. This \$14,492 million decrease was primarily due to the deconsolidation of BSREP III investments, due to loss of control upon reducing our commitment to the fund on final close; our commitment to the fund is 7% compared to 25% at December 31, 2018.

Commercial properties are commercial, operating, rent-producing properties. Commercial properties decreased from \$76,014 million at the end of 2018 to \$65,680 million at June 30, 2019. The decrease was largely due to deconsolidation of BSREP III investments and the full or partial disposition of certain assets during the current year. These decreases were partially offset by the impact of the adoption of IFRS 16 which requires the recognition of right-of-use assets and increased the balance by \$699 million. Additionally, asset acquisitions, incremental capital spent to maintain or enhance properties, valuation gains within our Core Office and LP Investments portfolio and the positive impact of foreign currency translation based on closing spot rates, contributed to the offset.

Commercial developments consist of commercial property development sites, density rights and related infrastructure. The total fair value of development land and infrastructure was \$4,148 million at June 30, 2019, a decrease of \$34 million from the balance at December 31, 2018. The decrease is primarily due to deconsolidation of BSREP III investments, partially offset by 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, 2018 to June 30, 2019:

(US\$ Millions)	Jun. 30, 2019	
	Commercial properties	Commercial developments
Investment properties, beginning of period	\$ 76,014	\$ 4,182
Acquisitions	1,335	94
Capital expenditures	649	512
Accounting policy change ⁽¹⁾	699	22
Dispositions ⁽²⁾	(444)	(25)
Fair value gains, net	(837)	287
Foreign currency translation	80	(10)
Transfer between commercial properties and commercial developments	87	(87)
Impact of deconsolidation due to loss of control ⁽³⁾	(10,701)	(798)
Reclassifications to assets held for sale and other changes	(1,202)	(29)
Investment properties, end of period	\$ 65,680	\$ 4,148

⁽¹⁾ Includes the impact of the adoption of IFRS 16 through the recognition of right-of-use assets. See Note 2, Summary of Significant Accounting Policies for further information.

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

⁽³⁾ Includes the impact of the deconsolidation of BSREP III investments. See Note 4, Investment Properties for further information.

Equity accounted investments decreased by \$809 million since December 31, 2018 primarily as a result of the deconsolidation of BSREP III during the first quarter of 2019, and the associated interests in properties held through joint ventures, primarily through Forest City.

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

(US\$ Millions)	Jun. 30, 2019
Equity accounted investments, beginning of period	\$ 22,698
Additions	351
Disposals and return of capital distributions	(279)
Share of net earnings from equity accounted investments	1,090
Distributions received	(193)
Foreign currency translation	(20)
Reclassification to assets held for sale	—
Impact of deconsolidation due to loss of control ⁽¹⁾	(1,434)
Other comprehensive income and other	(324)
Equity accounted investments, end of period	\$ 21,889

⁽¹⁾ Includes the impact of the deconsolidation of BSREP III investments. See Note 4, Investment Properties for further information.

Property, plant and equipment decreased by \$652 million since December 31, 2018, primarily due to deconsolidation of BSREP III investments, which include a portfolio of serviced apartments in the United Kingdom and two hotel properties in Florida. These decreases were offset by capital spend during the current year.

As of June 30, 2019, assets held for sale primarily included a portfolio of triple net lease assets and five multifamily assets in our LP Investments segment as well as our interests in two Core Office assets in Sydney and Melbourne.

The following table presents changes in our assets held for sale from December 31, 2018 to June 30, 2019:

(US\$ Millions)	Jun. 30, 2019
Balance, beginning of period	\$ 1,004
Reclassification to/(from) assets held for sale, net	1,549
Disposals	(1,245)
Fair value adjustments	33
Foreign currency translation	5
Balance, end of period	\$ 1,346

Our debt obligations decreased to \$51,556 million at June 30, 2019 from \$63,811 million at December 31, 2018. Contributing to this decrease was the deconsolidation of BSREP III due to loss of control as mentioned above as term debt associated with an investment in the fund and the BSREP III credit facilities are no longer being consolidated by the partnership. Also contributing to the decrease was a paydown of the partnership's credit facilities. These decreases were partially offset by the addition of property-specific borrowings during the period and the impact of foreign currency translation.

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

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Corporate borrowings	\$ 1,380	\$ 2,159
Funds subscription facilities	231	4,516
Non-recourse borrowings		
Property-specific borrowings	43,725	50,407
Subsidiary borrowings	6,220	6,729
Total debt obligations	\$ 51,556	\$ 63,811
Current	4,765	5,874
Non-current	46,791	57,937
Total debt obligations	\$ 51,556	\$ 63,811

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

(US\$ Millions, except unit information)	Jun. 30, 2019	Dec. 31, 2018
Total equity	\$ 43,916	\$ 46,740
Less:		
Interests of others in operating subsidiaries and properties	15,886	18,456
Preferred equity	178	—
Equity attributable to Unitholders	27,852	28,284
Mandatorily convertible preferred shares	1,636	1,622
Total equity attributable to Unitholders	29,488	29,906
Partnership units	950,678,204	971,144,432
Mandatorily convertible preferred shares	70,051,024	70,038,910
Total partnership units	1,020,729,228	1,041,183,342
Total equity attributable to Unitholders per unit	\$ 28.89	\$ 28.72

Equity attributable to Unitholders was \$27,852 million at June 30, 2019, a decrease of \$432 million from the balance at December 31, 2018. The decrease was primarily due to repurchases of LP Units and BPR Units and distributions partially offset by net income during the period. Assuming the conversion of mandatorily convertible preferred shares, equity attributable to Unitholders increased to \$28.89 per unit at June 30, 2019 from \$28.72 per unit at December 31, 2018.

Interests of others in operating subsidiaries and properties was \$15,886 million at June 30, 2019, a decrease of \$2,570 million from the balance of \$18,456 million at December 31, 2018. The decrease was primarily a result of the deconsolidation of BSREP III.

SUMMARY OF QUARTERLY RESULTS

(US\$ Millions, except per unit information)	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue ⁽¹⁾	\$2,026	\$2,073	\$2,140	\$1,828	\$1,651	\$1,620	\$1,578	\$1,510
Direct operating costs ⁽²⁾	785	842	837	793	716	741	707	668
Net income	23	713	858	722	1,051	1,023	958	659
Net income (loss) attributable to Unitholders	127	333	534	380	534	530	134	168
Net income (loss) per share attributable to Unitholders - basic	\$ 0.12	\$ 0.32	\$ 0.51	\$ 0.44	\$ 0.69	\$ 0.69	\$ 0.17	\$ 0.22
Net income (loss) per share attributable to Unitholders - diluted	\$ 0.12	\$ 0.32	\$ 0.51	\$ 0.43	\$ 0.68	\$ 0.68	\$ 0.17	\$ 0.22

⁽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.

⁽²⁾ We adopted IFRS 16, Leases ("IFRS 16") in 2019 using the modified retrospective method. The comparative information for periods prior to 2019 has not been restated and is reported under the accounting standards effective for those periods.

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

SEGMENT PERFORMANCE

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

The following table presents FFO by segment:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Core Office	\$ 165	\$ 127	\$ 289	\$ 260
Core Retail	161	117	328	229
LP Investments	70	70	145	155
Corporate	(105)	(104)	(213)	(206)
FFO	\$ 291	\$ 210	\$ 549	\$ 438

The following table presents equity attributable to Unitholders by segment as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Core Office	\$ 14,219	\$ 14,199
Core Retail	13,711	14,136
LP Investments	5,068	5,204
Corporate	(5,146)	(5,255)
Total	\$ 27,852	\$ 28,284

Core Office

Overview

Our Core Office portfolio consists of interests in 143 high-quality office properties totaling over 96 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. We believe 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 six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
FFO	\$ 165	\$ 127	\$ 289	\$ 260
Net income attributable to Unitholders	343	37	693	295

FFO from our Core Office segment was \$165 million for the three months ended June 30, 2019 as compared to \$127 million in the same period in the prior year. This increase is largely attributable to same-property growth driven by lease commencements mainly in New York as well as performance-based fee of \$38 million we earned for achieving certain milestones at Five Manhattan West during the second quarter of 2019. These increases were partially offset by dispositions as mentioned in property transactions and the negative impact of foreign currency translation.

FFO from our Core Office segment was \$289 million for the six months ended June 30, 2019 as compared to \$260 million in the same period in the prior year. This increase is largely attributable to same-property growth as mentioned above as well as higher development management and joint venture partner fees as development activity has increased and we have sold interests in assets to a number of joint venture partners. These increases were partially offset by dispositions as mentioned in property transactions and the negative impact of foreign currency translation.

Net income attributable to Unitholders increased by \$306 million to \$343 million during the three months ended June 30, 2019 as compared to \$37 million during the same period in 2018. The increase is largely attributable to fair value gains primarily related to 100 Bishopsgate in London as the development nears substantial completion and valuation gains on Australian assets to reflect market conditions. These increases were partially offset by dispositions and the negative impact of foreign currency translation.

Net income attributable to Unitholders increased by \$398 million to \$693 million during the six months ended June 30, 2019 as compared to \$295 million during the same period in 2018. The increase is largely attributable to fair value gains in London and Australia as mentioned above, as well as valuation gains on our New York assets to reflect market conditions. These increases were partially offset by dispositions and the negative impact of foreign currency translation.

Leasing Activity

The following table presents key operating metrics for our Core Office portfolio as at and for the three months ended June 30, 2019 and 2018:

(US\$ Millions, except where noted)	Consolidated		Unconsolidated	
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018
Total portfolio:				
NOI ⁽¹⁾	\$ 283	\$ 267	\$ 107	\$ 120
Number of properties	71	78	72	72
Leasable square feet (in thousands)	47,988	49,255	30,489	30,896
Occupancy	91.2%	91.7%	94.3%	94.5%
In-place net rents (per square foot) ⁽²⁾	\$ 29.34	\$ 28.46	\$ 45.11	\$ 39.58
Same-property:				
NOI ^(1,2)	\$ 278	\$ 252	\$ 107	\$ 98
Number of properties	69	69	70	70
Leasable square feet (in thousands)	46,880	46,833	30,484	30,479
Occupancy	91.5%	91.7%	94.3%	94.4%
In-place net rents (per square foot) ⁽²⁾	\$ 29.63	\$ 28.78	\$ 45.12	\$ 43.99

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

⁽²⁾ Presented using normalized foreign exchange rates, using the June 30, 2019 exchange rate.

NOI from our consolidated properties increased to \$283 million during the three months ended June 30, 2019 from \$267 million in the same quarter in 2018. Increased same-property NOI for our consolidated properties was partially offset by dispositions in Toronto, Sydney and Denver since prior year. Same-property NOI for our consolidated properties for the three months ended June 30, 2019 compared with the same period in the prior year increased by \$26 million to \$278 million. This increase was primarily the result of higher in-place net rents and lease commencements.

NOI from our unconsolidated properties, which is presented on a proportionate basis, decreased by \$13 million to \$107 million during the three months ended June 30, 2019, compared to \$120 million during the period in the prior year. This decrease is due to dispositions since the prior year and the negative impact of foreign currency translation. These decreases were partially offset by slightly higher same-property NOI.

The following table presents certain key operating metrics related to leasing activity in our Core Office segment for the six months ended June 30, 2019 and 2018:

(US\$, except where noted)	Total portfolio	
	Jun. 30, 2019	Jun. 30, 2018
Leasing activity (square feet in thousands)		
New leases	1,440	1,519
Renewal leases	1,184	767
Total leasing activity	2,624	2,286
Average term (in years)	8.2	8.3
Year one leasing net rents (per square foot) ⁽¹⁾	\$ 38.88	\$ 33.88
Average leasing net rents (per square foot) ⁽¹⁾	41.88	37.18
Expiring net rents (per square foot) ⁽¹⁾	34.85	33.09
Estimated market net rents for similar space (per square foot) ⁽¹⁾	39.08	37.94
Tenant improvement and leasing costs (per square foot)	64.69	61.16

⁽¹⁾ Presented using normalized foreign exchange rates, using the June 30, 2019 exchange rate.

For the six months ended June 30, 2019, we leased approximately 2.6 million square feet at average in-place net rents of \$41.88 per square foot. Approximately 55% of our leasing activity represented new leases. Our overall Core Office portfolio's in-place net rents are currently 9% below market net rents, which gives us confidence that we will be able to increase our NOI in the coming years as we sign new leases. For the six months ended June 30, 2019, tenant improvements and leasing costs related to leasing activity were \$64.69 per square foot, compared to \$61.16 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:

	Jun. 30, 2019			Dec. 31, 2018		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
Consolidated properties						
United States	6.9%	5.6%	12	6.9%	5.6%	12
Canada	6.0%	5.4%	10	6.0%	5.4%	10
Australia	6.9%	6.1%	10	7.0%	6.2%	10
Brazil	9.7%	7.7%	6	9.6%	7.7%	6
Unconsolidated properties						
United States	6.8%	5.0%	11	6.6%	5.1%	10
Australia	6.5%	5.4%	10	6.7%	5.7%	10
Europe ⁽¹⁾	4.7%	4.9%	10	4.7%	4.9%	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 June 30, 2019 and December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Investment properties		
Commercial properties	\$ 21,840	\$ 21,350
Commercial developments	2,881	2,182
Equity accounted investments	8,449	8,365
Participating loan interests	—	268
Accounts receivable and other	1,099	1,218
Cash and cash equivalents	637	678
Assets held for sale	473	34
Total assets	\$ 35,379	\$ 34,095
Debt obligations	12,562	11,922
Capital securities	874	813
Accounts payable and other liabilities	1,792	1,345
Deferred tax liability	1,034	953
Liabilities associated with assets held for sale	25	—
Non-controlling interests of others in operating subsidiaries and properties	4,873	4,863
Equity attributable to Unitholders	\$ 14,219	\$ 14,199

Equity attributable to Unitholders increased by \$20 million to \$14,219 million at June 30, 2019 from \$14,199 million at December 31, 2018. The increase was a result of income earned in the period, partially offset by the result of a new financing at 300 Madison Ave, where proceeds were used to repay our corporate credit facility.

Commercial properties totaled \$21,840 million at June 30, 2019, compared to \$21,350 million at December 31, 2018. The increase was driven primarily by the adoption of IFRS 16 which requires the recognition of right-of-use assets, as well as incremental capital spent to maintain or enhance properties and the positive impact of foreign currency translation based on spot rates.

Commercial developments increased by \$699 million from December 31, 2018 to June 30, 2019. The increase was primarily due to 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, 2018 to June 30, 2019:

(US\$ Millions)	Jun. 30, 2019
Equity accounted investments, beginning of period	\$ 8,365
Additions	81
Disposals and return of capital distributions	(1)
Share of net income, including fair value gains	302
Distributions received	(18)
Foreign currency translation	(23)
Reclassification to assets held for sale	—
Other	(257)
Equity accounted investments, end of period	\$ 8,449

Equity accounted investments increased by \$84 million since December 31, 2018 to \$8,449 million at June 30, 2019. The increase was driven by our share of income and contributions to our development assets held in joint ventures, partially offset by the change in treatment of Brookfield Premier Real Estate Partners Pooling LLC ("BPREP") from an equity accounted investment to financial asset due to reduction in our ownership and the negative impact of foreign currency translation.

Debt obligations increased from \$11,922 million at December 31, 2018 to \$12,562 million at June 30, 2019. This increase is the result of refinancing activity of property-level debt related to office properties and drawdowns on existing facilities to fund capital expenditures on development properties and the impact of foreign currency translation.

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

(US\$ Millions)	Shares outstanding	Cumulative dividend rate	Jun. 30, 2019	Dec. 31, 2018
Brookfield Office Properties Inc. ("BPO") Class B Preferred Shares:				
Series 1 ⁽¹⁾	3,600,000	70% of bank prime	—	—
Series 2 ⁽¹⁾	3,000,000	70% of bank prime	—	—
Capital Securities – Fund Subsidiaries			874	813
Total capital securities			\$ 874	\$ 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 \$874 million of capital securities – fund subsidiaries outstanding at June 30, 2019 as compared to \$813 million at December 31, 2018. Capital securities – fund subsidiaries includes \$808 million (December 31, 2018 - \$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 \$66 million at June 30, 2019 (December 31, 2018 - \$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 June 30, 2019:

(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	75% £	875 £	810	£	515 £	431
One Manhattan West, Midtown New York ⁽²⁾	2,081	853	Q4 2020	86% \$	778 \$	620	\$	554 \$	361
Manhattan West Retail, Midtown New York ⁽²⁾	82	46	Q1 2021	34% \$	131 \$	99	\$	— \$	—
ICD Brookfield Place, Dubai ⁽²⁾	1,156	578	Q2 2021	21% AED	1,420 AED	1,153	AED	908 AED	639
Wood Wharf - Office, London ⁽²⁾	423	211	Q2 2021	44% £	125 £	22	£	93 £	—
1 Bank Street, London ⁽²⁾	715	358	Q3 2022	89% £	257 £	212	£	225 £	147
Bay Adelaide North, Toronto	820	820	Q4 2022	78% C\$	498 C\$	102	C\$	350 C\$	—
Four Manhattan West, Midtown New York ⁽²⁾	159	89	Q2 2023	—% \$	145 \$	60	\$	— \$	—
Two Manhattan West, Midtown New York ⁽²⁾	1,955	1,095	Q4 2023	—% \$	1,329 \$	230	\$	— \$	—
Multifamily:									
Principal Place - Residential, London ⁽²⁾⁽³⁾	303	152	Q4 2019	n/a £	190 £	164	£	122 £	103
Southbank Place ⁽²⁾⁽³⁾	669	167	Q4 2019	n/a £	232 £	181	£	135 £	85
Wood Wharf - 10 Park Drive, London ⁽²⁾⁽³⁾	269	135	Q2 2020	n/a £	102 £	87	£	80 £	43
Wood Wharf - 8 Water Street & 2 George Street, London ⁽²⁾	371	186	Q4 2020	n/a £	151 £	107	£	96 £	52
Greenpoint Landing Building F, New York ⁽²⁾	348	331	Q1 2021	n/a \$	347 \$	243	\$	208 \$	49
Newfoundland, London ⁽²⁾	545	273	Q2 2021	n/a £	249 £	216	£	174 £	95
Wood Wharf - One Park Drive, London ⁽²⁾⁽³⁾	430	215	Q2 2021	n/a £	221 £	127	£	135 £	—
Total	11,264	6,447							

⁽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 generally look to secure anchor leases before launching the projects. We monitor the scope and progress of our active developments and have an established track record of completion on time and within budget. We have recently completed office towers in the prime markets of 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 Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Commercial property revenue	\$ 478	\$ 480	\$ 949	\$ 980
Hospitality revenue ⁽¹⁾	4	4	6	9
Direct commercial property expense	(199)	(214)	(401)	(439)
Direct hospitality expense ⁽¹⁾	—	(3)	(2)	(7)
Total NOI	\$ 283	\$ 267	\$ 552	\$ 543

⁽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 six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Same-property NOI	\$ 278	\$ 252	\$ 537	\$ 500
Currency variance	—	5	—	11
NOI related to acquisitions and dispositions	5	10	15	32
Total NOI	283	267	552	543
Investment and other revenue	76	35	116	62
Interest expense	(149)	(150)	(297)	(307)
Depreciation and amortization on real estate assets	(1)	(1)	(5)	(4)
General and administrative expense	(69)	(58)	(121)	(99)
Fair value gains (losses), net	118	(48)	345	29
Share of net earnings from equity accounted investments	138	68	302	322
Income before taxes	396	113	892	546
Income tax (expense) benefit	(3)	(49)	(45)	(156)
Net income	393	64	847	390
Net income attributable to non-controlling interests	50	27	154	95
Net income attributable to Unitholders	\$ 343	\$ 37	\$ 693	\$ 295

The following table reconciles Core Office net income to FFO for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income	\$ 393	\$ 64	\$ 847	\$ 390
Add (deduct):				
Fair value gains, net	(118)	48	(345)	(29)
Share of equity accounted fair value losses (gains), net	(73)	(3)	(175)	(188)
Depreciation and amortization of real estate assets	1	1	2	1
Income tax expense (benefit)	3	49	45	156
Non-controlling interests in above items	(41)	(32)	(85)	(70)
FFO	\$ 165	\$ 127	\$ 289	\$ 260

The following table reconciles Core Office share of net earnings from equity accounted investments for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Unconsolidated properties NOI	\$ 107	\$ 120	\$ 209	\$ 239
Unconsolidated properties fair value gains, net	73	3	175	188
Other expenses	(42)	(55)	(82)	(105)
Share of net earnings from equity accounted investments	\$ 138	\$ 68	\$ 302	\$ 322

Core Retail

Overview

Our Core Retail segment consists of 123 best-in-class retail properties containing approximately 121 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 operating expense monitoring that should generate same-property NOI growth. Furthermore, we expect to earn between 6% and 8% unlevered, pre-tax returns on construction costs from our development pipeline, which will also drive NOI growth.

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our Core Retail segment for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
FFO	\$ 161	\$ 117	\$ 328	\$ 229
Net income attributable to Unitholders	(3)	187	102	29

FFO earned in our Core Retail segment for the three months ended June 30, 2019 was \$161 million compared to \$117 million for the same period in the prior year. FFO increased due to higher NOI from our incremental ownership in GGP post-acquisition in the third quarter of 2018 compared to our 34% ownership in GGP in the prior year. These increases were partially offset by higher interest expense, including new corporate acquisition debt and senior note debt, and general and administrative expenses associated with our incremental ownership.

For the six months ended June 30, 2019, FFO earned in our Core Retail segment was \$328 million compared to \$229 million for the same period in the prior year. FFO increased due to the reasons mentioned above.

Net income attributable to Unitholders decreased by \$190 million to \$(3) million for the three months ended June 30, 2019 as compared to \$187 million during the same period in the prior year. The decrease in net income attributable to Unitholders is primarily attributable to fair value losses on our consolidated Core Retail portfolio as it reflects updated cashflow assumptions and valuation metrics agreed upon by an independent third party. These decreases were partially offset by FFO earnings from our incremental ownership in GGP and fair value gains recognized on our equity accounted investments, mainly Ala Moana Center.

Net income attributable to Unitholders increased by \$73 million to \$102 million for the six months ended June 30, 2019 as compared to \$29 million during the same period in the prior year. The increase in net income attributable to Unitholders is primarily attributable to FFO earnings from our incremental ownership in GGP, the fair value gains on equity accounted investments as mentioned above and a prior year fair value loss recognized on our equity accounted investment prior to the GGP acquisition. These increases were partially offset by the fair value losses on our consolidated portfolio as mentioned above.

Leasing Activity

The following table presents key operating metrics in our Core Retail portfolio as at and for the three months ended June 30, 2019 and 2018:

(US\$ Millions, except where noted)	Jun. 30, 2019	Jun. 30, 2018
NOI:		
Total portfolio ⁽¹⁾	\$ 418	\$ 195
Number of malls and urban retail properties	123	125
Leasable square feet (in thousands)	120,903	122,214
Occupancy ⁽²⁾	95.0%	95.7%
In-place net rents (per square foot) ⁽²⁾	\$ 62.27	\$ 61.86
NOI Weighted Sales (per square foot) ⁽²⁾	\$ 777	\$ 739

⁽¹⁾ NOI is presented on a proportionate basis. The current period represents 3 months of our consolidated results of BPR. The prior period represents 3 months of activity from our 34% interest in GGP (prior to the GGP acquisition in the third quarter of 2018).

⁽²⁾ Presented on a same-property basis.

NOI, which is presented on a proportionate basis, increased to \$418 million for the three months ended June 30, 2019, 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	
	Jun. 30, 2019	Jun. 30, 2018
Number of leases	1,151	1,266
Leasing activity (square feet in thousands)	4,451	4,086
Average term in years	6.9	6.7
Initial rent per square foot ⁽¹⁾	\$ 63.36	\$ 76.01
Expiring rent per square foot ⁽²⁾	59.09	67.69
Initial rent spread per square foot	4.27	8.32
% change	7.2%	12.3 %
Tenant allowances and leasing costs	\$ 45	\$ 97

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

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

Through June 30, 2019, we leased approximately 4.5 million square feet at initial rents approximately 7.2% higher than expiring net rents on a suite-to-suite basis.

Our Core Retail portfolio same-store occupancy rate at June 30, 2019 was 95.0%, relatively flat with 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 increased slightly to \$62.27 at June 30, 2019 from \$61.86 at June 30, 2018.

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.

	Jun. 30, 2019			Dec. 31, 2018		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
Consolidated properties						
United States	6.9%	5.6%	10	7.1%	6.0%	12
Unconsolidated properties						
United States	6.3%	4.8%	10	6.6%	5.3%	11

Financial Position

The following table presents an overview of the financial position of our Core Retail segment as at June 30, 2019 and December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Investment properties		
Commercial properties	\$ 16,618	\$ 17,224
Commercial developments	488	383
Equity accounted investments	11,806	11,158
Accounts receivable and other	809	646
Cash and cash equivalents	201	247
Total assets	29,922	29,658
Debt obligations	13,884	13,052
Accounts payable and other liabilities	672	674
Deferred tax liability	49	23
Non-controlling interest	1,606	1,773
Equity attributable to Unitholders	\$ 13,711	\$ 14,136

Equity attributable to Unitholders in the Core Retail segment decreased by \$425 million at June 30, 2019 from December 31, 2018 primarily due to distribution of income during the period and the \$95 million standard issuer bid buyback of BPR Units in the first quarter of 2019.

The following table presents a roll-forward of our partnership's equity accounted investments for the year ended June 30, 2019:

(US\$ Millions)	Mar 31, 2019
Equity accounted investments, beginning of year	\$ 11,158
Additions, net of disposals	(109)
Share of net earnings from equity accounted investments	811
Distributions received	(39)
Foreign currency translation and other	(15)
Equity accounted investments, end of year	\$ 11,806

Equity accounted investments increased by \$648 million to \$11,806 million, primarily due to the share of net earnings BPR's property-level joint ventures earned and fair value gains recognized at higher-tiered malls during the period, partially offset by distributions received.

Active Developments

The following table summarizes the scope and progress of active development in our Core Retail segment as of June 30, 2019:

(Millions, except square feet in thousands)	Cost		
	Stabilized year	Total	To-date ⁽¹⁾
The SoNo Collection, Connecticut	2022	\$ 460	\$ 279
Total		460	279

⁽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. We believe that 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 we believe 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 a ground up development in Norwalk, Connecticut and various other redevelopment 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 cost.

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 Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Commercial property revenue	\$ 324	\$ —	\$ 664	\$ —
Direct commercial property expense	(93)	—	(190)	—
Total NOI	\$ 231	\$ —	\$ 474	\$ —

The following table reconciles Core Retail net income to net income attributable to Unitholders for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Total NOI	\$ 231	\$ —	\$ 474	\$ —
Investment and other revenue	39	—	78	—
Interest expense	(159)	—	(310)	—
Depreciation and amortization on real estate assets	(7)	—	(13)	—
General and administrative expense	(66)	—	(136)	—
Fair value (losses) gains, net	(818)	—	(827)	—
Share of net earnings from equity accounted investments	724	187	811	29
Income before taxes	(56)	187	77	29
Income tax (expense)	36	—	27	—
Net income	\$ (20)	\$ 187	\$ 104	\$ 29
Net income attributable to non-controlling interests	(17)	—	2	—
Net income attributable to Unitholders	\$ (3)	\$ 187	\$ 102	\$ 29

The following table reconciles Core Retail net income to FFO for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income	\$ (20)	\$ 187	\$ 104	\$ 29
Add (deduct):				
Share of equity accounted fair value (gains), net	(598)	(70)	(548)	200
Fair value losses (gains) losses, net	818	—	827	—
Income tax (benefit) expense	(36)	—	(27)	—
Non-controlling interests in above items	(3)	—	(28)	—
FFO	\$ 161	\$ 117	\$ 328	\$ 229

The following table reconciles Core Retail share of net earnings from equity accounted investments for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Unconsolidated properties NOI	\$ 225	\$ 195	\$ 460	\$ 384
Unconsolidated properties fair value (losses) gains, net and income tax expense	598	70	548	(200)
Other expenses	(99)	(78)	(197)	(155)
Share of net earnings from equity accounted investments	\$ 724	\$ 187	\$ 811	\$ 29

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, logistics, hospitality, triple net lease, self-storage, student housing and manufactured housing. We target an average 20% total return on our LP Investments portfolio and a 2.0x multiple of capital on the equity we invest into these vehicles.

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

- BSREP I - 31% interest in BSREP I, which is an opportunistic real estate fund with \$4.4 billion in committed capital in aggregate, targeting gross returns of 20%. The fund is in its 8th year, is fully invested and is executing realizations.
- BSREP II - 26% interest in BSREP II, which is an opportunistic real estate fund with \$9.0 billion in committed capital in aggregate, targeting gross returns of 20%. The fund is in its 5th year and is fully invested.
- BSREP III - 7% interest in BSREP III, which is an opportunistic real estate fund with \$15.0 billion in committed capital in aggregate, targeting gross returns of 20%; the fund is in its 2nd year.
- A blended 36% interest in two value-add multifamily funds totaling \$1.8 billion targeting gross returns of 16%. These funds seek to invest in a geographically diverse portfolio of U.S. multifamily properties through acquisition and development.
- A 33% interest in a \$600 million fund which owns the Atlantis Paradise Island resort in the Bahamas.
- A blended 13% interest in a series of 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.

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

Summary of Operating Results

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

The following table presents distributions received on our LP Investments in Brookfield-sponsored real estate opportunity funds received on sale or refinancing events within the funds for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Return of invested capital	\$ 191	\$ 132	\$ 219	\$ 179
Distribution of earnings and gains on invested capital	171	51	524	153
Total LP Investments distributions	\$ 362	\$ 183	\$ 743	\$ 332
Less: Incentive fees	\$ (64)	\$ (9)	\$ (135)	\$ (9)
Total LP Investments distributions, net	\$ 298	\$ 174	\$ 608	\$ 323

During the six months ended June 30, 2019, distribution of earnings and gains on invested capital primarily related to distributions of income from our office assets in India and Brazil as well as Center Parcs in the United Kingdom, as well as the realization gains on the disposition of multifamily assets in our second value-add multifamily fund, our interest in a retail portfolio in China and an office portfolio in California. Total LP Investments distributions for the six months ended June 30, 2019 were net of incentive fees primarily from the dispositions mentioned above and upfinancing of our office portfolio in India as several developments near completion. Distribution of earnings and gains on invested capital in the prior periods are primarily due to distributions of income from our office and multifamily assets.

The following table presents FFO and net income attributable to Unitholders in our LP Investments segment for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
FFO	70	70	145	155
Net income attributable to Unitholders	(136)	421	(121)	568

FFO was flat for the three months ended June 30, 2019 and decreased by \$10 million for the six months ended June 30, 2019 primarily driven by disposition activity including a portfolio of storage assets and a North American logistics portfolio sold in 2018 coupled with higher interest expense and the negative impact of foreign currency translation. These decreases were partially offset by NOI earned from investment activity which contributed incremental NOI of \$76 million for the six months ended June 30, 2019.

Net income attributable to Unitholders decreased for the three and six months ended June 30, 2019 by \$557 million and \$689 million, respectively, driven by fair value losses in our LP Investments retail portfolio from updated cashflow assumptions. Additionally, the prior year

benefited from valuation gains, particularly related to our industrial portfolio in the U.S. and our office assets in India, as well as a gain on extinguishment of debt associated with the sale of the Hard Rock Hotel and Casino. These decreases were partially offset by current year fair value gains in our student housing portfolio due to capitalization rate compression as well incremental income relating to the property transactions.

Financial Position

The following table presents an overview of the financial position of our LP Investments segment as at June 30, 2019 and December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Investment properties	\$ 28,001	\$ 39,057
Property, plant and equipment	6,615	7,333
Equity accounted investments	1,634	3,175
Accounts receivable and other	4,566	5,777
Cash and cash equivalents	866	2,298
Assets held for sale	873	970
Total assets	\$ 42,555	\$ 58,610
Debt obligations	23,730	36,678
Capital securities	431	460
Accounts payable and other liabilities	3,196	4,303
Liabilities associated with assets held for sale	740	163
Non-controlling interests of others in operating subsidiaries and properties	9,390	11,802
Equity attributable to Unitholders	\$ 5,068	\$ 5,204

The decrease in investment properties is primarily the result of the deconsolidation of BSREP III investments and the sale of a portfolio of office assets in California, partially offset by property transactions since the prior year, mostly in our office portfolios. Additionally, we had valuation gains from our student housing portfolio in the United Kingdom.

The decrease in property, plant and equipment is the result of the deconsolidation of BSREP III investments, which include a portfolio of serviced apartments in the United Kingdom and two hotel properties in Florida. These decreases were offset by the positive impact of foreign currency translation related to our Center Parcs portfolio in the United Kingdom and capital spend during the current year.

Equity accounted investments decreased during the six months ended June 30, 2019 primarily due to the deconsolidation of BSREP III during the first quarter of 2019, as well as distributions of income and return of capital and the negative impact of foreign currency translation during the period. These decreases were partially offset by net income from these investments

Assets held for sale and related liabilities as of June 30, 2019 includes a portfolio of triple-net lease assets in the U.S., two office assets in the U.S., and five multifamily assets in the U.S., as we intend to sell controlling interests in these properties to third parties in the next 12 months.

Debt obligations decreased due to the deconsolidation of BSREP III as 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 six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Commercial property revenue	\$ 584	\$ 650	\$ 1,247	\$ 1,247
Hospitality revenue	499	472	988	949
Direct commercial property expense	(187)	(207)	(410)	(391)
Direct hospitality expense	(306)	(292)	(624)	(620)
Total NOI	590	623	1,201	1,185
Investment and other revenue	19	10	45	23
Interest expense	(336)	(314)	(717)	(609)
General and administrative expense	(42)	(93)	(98)	(186)
Investment and other expense	—	—	(10)	—
Depreciation and amortization	(77)	(75)	(152)	(144)
Fair value (losses) gains, net	(359)	818	(179)	1,158
Share of net earnings from equity accounted investments	(36)	33	(23)	165
Income before taxes	(241)	1,002	67	1,592
Income tax expense	(32)	(91)	(68)	(108)
Net income	(273)	911	(1)	1,484
Net income attributable to non-controlling interests	(137)	490	120	916
Net income attributable to Unitholders	\$ (136)	\$ 421	\$ (121)	\$ 568

The following table reconciles LP Investments net income to FFO for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income	\$ (273)	\$ 911	\$ (1)	\$ 1,484
Add (deduct):				
Fair value gains, net	359	(818)	179	(1,158)
Share of equity accounted fair value losses (gains), net	54	(11)	78	(97)
Depreciation and amortization of real estate assets	68	65	137	130
Income tax expense	32	91	68	108
Non-controlling interests in above items	(170)	(168)	(316)	(312)
FFO	\$ 70	\$ 70	\$ 145	\$ 155

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 six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
FFO	\$ (105)	\$ (104)	\$ (213)	\$ (206)
Net income attributable to Unitholders	(77)	(113)	(214)	169

FFO was a loss of \$105 million (2018 - loss of \$104 million) and \$213 million (2018 - loss of \$206 million) for the three and six months ended June 30, 2019, respectively. Corporate FFO generally includes interest expense and general and administrative expense.

Interest expense for the three months ended June 30, 2019, totaled \$66 million (2018 - \$73 million), which reflects \$36 million (2018 - \$55 million) of interest expense paid on capital securities and \$30 million (2018 - \$18 million) of interest expense on our credit facilities and corporate bonds. For the six months ended June 30, 2019, interest expense totaled \$132 million (2018 - \$141 million), which reflects \$79 million (2018 - \$109 million) of interest expense paid on capital securities and \$53 million (2018 - \$32 million) of interest expense on our credit facilities and corporate bonds.

General and administrative expense for the three months ended June 30, 2019 was \$42 million (2018 - \$32 million) and consists of \$23 million (2018 - \$24 million) of asset management fees, equity enhancement fees of \$3 (2018 - nil) and \$16 million (2018 - \$8 million) of other corporate costs. For the six months ended June 30, 2019 general and administrative expense was \$87 million (2018 - \$67 million) and consists of \$47 million (2018 - \$48 million) of asset management fees, equity enhancement fees of \$14 million (2018 - nil) and \$26 million (2018 - \$19 million) of other corporate costs.

For the three and six months ended June 30, 2019, we also recorded an income tax benefit of \$61 million and \$60 million (2018 - income tax expense of \$7 million and income tax benefit of \$177 million), respectively, allocated to the corporate segment related to the decrease of deferred tax liabilities of our holding companies and their subsidiaries. The expense in the prior year related to a 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)	Jun. 30, 2019	Dec. 31, 2018
Accounts receivable and other	\$ 125	\$ 92
Cash and cash equivalents	47	65
Total assets	172	157
Debt obligations	1,380	2,159
Capital securities	1,707	2,112
Deferred tax liabilities	96	91
Accounts payable and other liabilities	1,940	1,032
Preferred equity	178	—
Non-controlling interests	17	18
Equity attributable to Unitholders	\$ (5,146)	\$ (5,255)

The corporate balance sheet includes corporate debt and capital securities from our partnership. The increase in equity attributable to Unitholders is due to repayment of our credit facilities and redemptions of Class B Junior Preferred Shares, partially offset by an increase in loans and notes payable due to Brookfield Asset Management.

As at June 30, 2019, we issued \$178 million of our Class A Cumulative Redeemable Perpetual Preferred Units, Series 1 at a coupon rate of 6.5% per annum, payable quarterly in arrears.

In addition, as at June 30, 2019, we had \$15 million (December 31, 2018 - \$16 million) of preferred shares with a cumulative dividend rate of 5% outstanding. The preferred shares were issued by various holding entities of our partnership.

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

(US\$ Millions)	Shares Outstanding	Cumulative Dividend Rate	Jun. 30, 2019	Dec. 31, 2018
Operating Partnership Class A Preferred Equity Units:				
Series 1	24,000,000	6.25%	\$ 568	\$ 562
Series 2	24,000,000	6.50%	541	537
Series 3	24,000,000	6.75%	527	523
Brookfield BPY Holdings Inc. Junior Preferred Shares:				
Class B Junior Preferred Shares ⁽¹⁾	—	7.64%	—	420
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%	13	13
Class A Series 3	909,814	5.00%	17	17
Class A Series 4	940,486	5.20%	18	17
Total capital securities - corporate			\$ 1,707	\$ 2,112

⁽¹⁾ In the first quarter of 2019, \$420 million of the Brookfield BPY Holdings Inc. Class B Junior Preferred Shares, held by Brookfield Asset Management, were redeemed.

Reconciliation of Non-IFRS Measures – Corporate

The following table reconciles Corporate net income to net income attributable to Unitholders for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income (loss)	\$ (77)	\$ (113)	\$ (214)	\$ 169
Net income attributable to non-controlling interests	—	—	—	—
Net income (loss) attributable to Unitholders	\$ (77)	\$ (113)	\$ (214)	\$ 169

The following table reconciles Corporate net income to FFO for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income (loss)	\$ (77)	\$ (113)	\$ (214)	\$ 169
Add (deduct):				
Fair value (gains) losses, net	33	1	61	(199)
Income tax expense	(61)	7	(60)	(177)
FFO	\$ (105)	\$ (104)	\$ (213)	\$ (206)

LIQUIDITY AND CAPITAL RESOURCES

The capital of our business consists of debt obligations, capital securities, preferred stock and equity. Our objective when managing this capital is to maintain an appropriate balance between holding a sufficient amount of equity capital to support our operations and reducing our weighted average cost of capital to improve our return on equity. As at June 30, 2019, capital totaled \$98 billion (December 31, 2018 - \$114 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 \$6,206 million at June 30, 2019 as highlighted in the table below. In addition, we have the ability to supplement this liquidity through cash generated from operating activities, asset sales, co-investor interests and financing opportunities.

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Proportionate cash retained at subsidiaries	\$ 1,611	\$ 2,057
Proportionate availability under credit facilities	3,410	3,092
Proportionate availability under construction facilities	1,185	1,544
Group-wide liquidity⁽¹⁾	\$ 6,206	\$ 6,693

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

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

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

(US\$ Millions)	Jun. 30, 2019
Remainder of 2019	\$ 1,687
2020	5,756
2021	8,415
2022	2,851
2023	4,009
2024 and thereafter	15,232
Deferred financing costs	(254)
Secured debt obligations	\$ 37,696
Debt to capital ratio	54.0%

We generally believe that we will be able to either extend the maturity date, repay, or refinance the debt that is scheduled to mature in 2019-2020. Currently, our debt to capital ratio is 54.0%. 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 to 2023.

Our partnership's operating subsidiaries are subject to limited covenants in respect of their corporate debt and are in full compliance with all such covenants at June 30, 2019. The partnership's operating subsidiaries are also in compliance with all covenants and other capital requirements related to regulatory or contractual obligations of material consequence to our partnership.

For the three and six month periods ended June 30, 2019 and 2018, the partnership made distributions to Unitholders of \$635 million (2018 - \$443 million). This compares to cash flow from operating activities of \$1,461 million and \$779 million for each period. The partnership has a number of alternatives at its disposal to fund any difference between the cash flow from operating activities and distributions to Unitholders. The partnership is not a passive investor and typically holds positions of control or significant influence over assets in which it invests, enabling the partnership to influence distributions from those assets. The partnership will, from time to time, convert some or all of the unrealized fair value gains on investment properties to cash through asset sales, joint ventures or refinancings. The partnership may access its credit facilities in order to temporarily fund its distributions as a result of timing differences between the payments of distributions and cash receipts from its investments. Distributions made to Unitholders which exceed cash flow from operating activities in future periods may be considered to be a return of capital to Unitholders as defined in Canadian Securities Administrators' National Policy 41-201 - *Income Trusts and Indirect Offerings*.

RISKS AND UNCERTAINTIES

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

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

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

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

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. In addition, our retail tenants face competition from retailers at other regional malls, outlet malls and other discount shopping centers, discount shopping clubs, catalogue companies, and through internet sales and telemarketing. Competition of these types could reduce the percentage rent payable by certain retail tenants and adversely affect our revenues and cash flows.

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

For a more detailed description of the risk factors facing our business, please refer to the section entitled Item 3.D. "Key Information - Risk Factors" in our December 31, 2018 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 June 30, 2019, no one tenant comprises more than this.

The following list shows the largest tenants by leasable area in our Core Office portfolio and their respective credit ratings and exposure as at June 30, 2019:

Tenant	Primary location	Credit rating ⁽¹⁾	Exposure (%) ⁽²⁾
Government and Government Agencies	Various	AAA/AA+	8.7%
Morgan Stanley	NY/Toronto/London	A-	2.5%
Barclays	London/Toronto/Calgary	BBB-	1.9%
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	1.5%
Deloitte	Various	Not Rated	1.4%
Bank of America Merrill Lynch	Various	A-	1.2%
Amazon	NY/London	A-	1.2%
Total			23.4%

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

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

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

The following list reflects the largest tenants in our Core Retail portfolio as at June 30, 2019. The largest ten tenants in our portfolio accounted for approximately 21.3% of minimum rents, tenant recoveries and other.

Tenant	Primary Brands	Exposure (%) ⁽¹⁾
L Brands, Inc.	Victoria's Secret, Bath & Body Works, PINK	3.8 %
Foot Locker, Inc.	Footlocker, Champs Sports, Footaction USA, House of Hoops, SIX:02	2.9 %
LVMH	Louis Vuitton, Sephora	2.6 %
The Gap, Inc.	Gap, Banana Republic, Old Navy, Athleta	2.4 %
Forever 21 Retail, Inc.	Forever 21	2.0 %
Signet Jewelers Limited	Zales, Gordon's, Kay, Jared	1.6 %
Ascena Retail Group	Dress Barn, Justice, Lane Bryant, Maurices, Ann Taylor, Loft	1.5 %
American Eagle Outfitters, Inc.	American Eagle Outfitters, Aerie	1.5 %
Express, Inc.	Express, Express Men, Express Factory	1.5 %
Abercrombie & Fitch Stores, Inc.	Abercrombie, Abercrombie & Fitch, Hollister	1.5 %
Total		21.3%

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

Lease Roll-over Risk

Lease roll-over risk arises from the possibility that we may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon early lease expiry. We attempt to stagger the lease expiry profile so that we are not faced with disproportionate amounts of space expiring in any one year. On average, approximately 8% of our Core Office and Core Retail leases mature annually up to 2023. Our Core Office and Core Retail leases has a weighted average remaining lease life of approximately 7.4 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 Core Office and Core Retail portfolios at June 30, 2019, including our unconsolidated investments:

(Sq. ft. in thousands)	Current	2019	2020	2021	2022	2023	2024	2025	2026 and beyond	Total
Core Office	5,986	1,096	3,742	5,423	4,846	5,926	4,567	4,517	42,375	78,478
Total % expiring	7.6%	1.4%	4.8%	6.9%	6.2%	7.6%	5.8%	5.8%	53.9%	100.0%
Core Retail ⁽¹⁾	2,840	2,831	5,428	5,583	5,853	5,148	5,725	4,446	16,370	54,224
Total % expiring	5.2%	5.2%	10.0%	10.3%	10.8%	9.5%	10.6%	8.2%	30.2%	100.0%

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

Tax Risk

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

Environmental Risk

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

We will continue to make the necessary capital and operating expenditures to ensure that we are compliant with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a 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 43% of our outstanding debt obligations at June 30, 2019 are floating rate debt compared to 47% at December 31, 2018. 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 \$225 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 \$6 million upon refinancing. In addition, we have exposure to interest rates within our equity accounted investments. We have mitigated, to some extent, the exposure to interest rate fluctuations through interest rate derivative contracts. See “*Derivative Financial Instruments*” below in this MD&A.

At June 30, 2019, our consolidated debt to capitalization was 52% (December 31, 2018 – 56%). It is our view this level of indebtedness is conservative given the cash flow characteristics of our properties and the fair value of our assets. Based on this, we believe that all debts will be financed or repaid as they come due in the foreseeable future.

Foreign Exchange Risk

As at and for the six months ended June 30, 2019, approximately 30% of our assets and 26% of our revenues originated outside the United States and consequently are subject to foreign currency risk due to potential fluctuations in exchange rates between these currencies and the U.S. Dollar. To mitigate this risk, we attempt to maintain a natural hedged position with respect to the carrying value of assets through debt agreements denominated in local currencies and, from time to time, supplemented through the use of derivative contracts as discussed under “*Derivative Financial Instruments*”.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Interest Rate Hedging

The following table provides our outstanding derivatives that are designated as cash flow hedges of variability in interest rates associated with forecasted fixed rate financings and existing variable rate debt as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Hedging item ⁽¹⁾	Notional	Rates	Maturity dates	Fair value
Jun. 30, 2019	Interest rate caps of US\$ LIBOR debt	\$ 6,163	2.7% - 6.0%	Jul. 2019 - Sep. 2023	\$ —
	Interest rate swaps of US\$ LIBOR debt	2,947	1.6% - 2.7%	Feb. 2020 - Feb. 2024	(83)
	Interest rate caps of £ LIBOR debt	1,333	2.5%	Jan. 2021 - Jan. 2022	—
	Interest rate swaps of £ LIBOR debt	67	1.5%	Apr. 2020	—
	Interest rate caps of € EURIBOR debt	110	1.3%	Apr. 2021	—
	Interest rate caps of C\$ LIBOR debt	183	3.0%	Oct. 2020 - Oct. 2022	—
	Cross currency swaps of C\$ LIBOR Debt	600	4.30% - 4.94%	Mar. 2024	1
	Cross currency swaps of US\$ LIBOR Debt	613	4.12% - 4.97%	Oct. 2021 - Jul. 2023	1
Dec. 31, 2018	Interest rate caps of US\$ LIBOR debt	\$ 8,180	2.3% - 6.0%	Jan. 2019 - Sep. 2023	\$ 2
	Interest rate swaps of US\$ LIBOR debt	1,731	1.6% - 2.8%	Feb. 2020 - May 2024	(2)
	Interest rate caps of £ LIBOR debt	486	2.0%	Apr. 2020 - Jan. 2021	—
	Interest rate swaps of £ LIBOR debt	67	1.5%	Apr. 2020	—
	Interest rate caps of € EURIBOR debt	115	1.0% - 1.3%	Apr. 2020 - Apr. 2021	—
	Interest rate caps of C\$ LIBOR debt	176	3.0%	Oct. 2020 - Oct. 2022	—
	Interest rate swaps of C\$ LIBOR debt	56	4.6%	Sep. 2023	—
	Interest rate swaps on forecasted fixed rate debt	100	4.0%	Jun. 2019	(114)

⁽¹⁾ As of June 30, 2019, included in derivative liabilities is \$83 million of fair value loss relating to settled interest rate swaps that are being amortized over the term of the associated debt.

For the three and six months ended June 30, 2019, the amount of hedge ineffectiveness recorded in earnings in connection with the our interest rate hedging activities was nil and \$2 million (2018 - \$17 million and \$17 million).

Foreign Currency Hedging

The following table provides our outstanding derivatives that are designated as net investments of foreign subsidiaries or foreign currency cash flow hedges as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
Jun. 30, 2019	Net investment hedges	€ 184	€0.79/\$ - €0.88/\$	Aug. 2019 - Jun. 2020	\$ 5
	Net investment hedges	£ 3,260	£0.70/\$ - £0.85/\$	Jul. 2019 - Sep. 2020	66
	Net investment hedges	A\$ 1,014	A\$1.37/\$ - A\$1.45/\$	Jul. 2019 - Dec. 2020	13
	Net investment hedges	C¥ 435	C¥6.71/\$ - C¥6.93/\$	Jul. 2019 - Jun. 2020	(1)
	Net investment hedges	C\$ 285	C\$1.29/\$ - C\$1.34/\$	Oct. 2019 - Jun. 2020	2
	Net investment hedges	₩ 1,038,405	₩1,123.60/\$ - ₩1,187.00/\$	Aug. 2019 - Jun. 2020	(6)
	Net investment hedges	Rs 5,607	Rs71.78/\$ - Rs72.55/\$	Mar. 2020 - Apr. 2020	(2)
	Net investment hedges	£ 77	£0.88/€ - £0.92/€	Sep. 2019 - Feb. 2020	—
	Cross currency swap on C\$ LIBOR debt	C\$ 800	C\$1.29/\$ - C\$1.33/\$	Oct. 2021 - Jul. 2023	2
Dec. 31, 2018	Net investment hedges	€ 649	€0.78/\$ - €0.88/\$	Jan. 2019 - May 2020	\$ 13
	Net investment hedges	£ 3,175	£0.70/\$ - £0.79/\$	Feb. 2019 - Mar. 2020	104
	Net investment hedges	A\$ 1,038	A\$1.28/\$ - A\$1.42/\$	Jan. 2019 - Mar. 2020	20
	Net investment hedges	C¥ 2,672	C¥6.35/\$ - C¥6.91/\$	Jan. 2019 - Nov. 2019	6
	Net investment hedges	C\$ 118	C\$1.29/\$ - C\$1.34/\$	Oct. 2019 - Nov 2019	4
	Net investment hedges	R\$ 158	R\$3.90/\$ - R\$4.24/\$	Jan. 2019 - Jun. 2019	(9)
	Net investment hedges	₩ 618,589	₩1,087.00/\$ - ₩1,130.90/\$	Jan. 2019 - Nov. 2019	1
	Net investment hedges	Rs 31,422	Rs67.44/\$ - Rs70.39/\$	Feb. 2019 - May 2019	3
	Net investment hedges	£ 77	£0.88/€ - £0.92/€	Jan. 2019 - Feb. 2020	(1)
Cross currency swaps of C\$ LIBOR debt	C\$ 800	C\$1.29/\$ - C\$1.33/\$	Oct. 2021 - Jul. 2023	(31)	

For the three and six months ended June 30, 2019 and 2018, the amount of hedge ineffectiveness recorded in earnings in connection with our foreign currency hedging activities was not significant.

Other Derivatives

The following table presents details of our derivatives, not designated as hedges for accounting purposes, that have been entered into to manage financial risks as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Derivative type	Notional	Rates	Maturity dates	Fair value
Jun. 30, 2019	Interest rate caps	\$ 7,261	3.0% - 5.8%	Jul. 2019 - Jan. 2022	\$ —
	Interest rate swaps on forecasted fixed rate debt	1,110	2.3% - 6.1%	Nov. 2019 - Nov. 2030	(124)
	Interest rate swaps of US\$ LIBOR debt	2,103	1.7% - 4.6%	Jul. 2019 - Sep. 2023	(12)
Dec. 31, 2018	Interest rate caps	\$ 9,750	3.0% - 7.0%	Mar. 2019 - Jan. 2022	\$ 1
	Interest rate swaps on forecasted fixed rate debt	1,660	2.3% - 6.1%	Jun. 2019 - Nov. 2030	(67)
	Interest rate swaps of US\$ debt	835	2.4% - 5.8%	Jul. 2019 - Oct. 2039	(14)
	Interest rate swaps on fixed rate debt	180	4.5% - 7.3%	Feb. 2019 - Jul. 2023	2

For the three and six months ended June 30, 2019, the partnership recognized fair value losses, net of approximately \$(63) million and \$(93) million (2018 - gains of \$14 million and \$53 million), respectively, related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

RELATED PARTIES

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

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

The base management fee for the three and six months ended June 30, 2019 was \$23 million (2018 - \$24 million) and \$47 million (2018 - \$48 million), respectively. The equity enhancement distribution was \$3 million (2018 - nil) and \$14 million (2018 - nil), respectively.

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

The following table summarizes transactions with related parties:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Balances outstanding with related parties:		
Participating loan interests ⁽¹⁾	\$ 317	\$ 268
Net (payables)/receivables within equity accounted investments	(88)	(26)
Loans and notes receivable ⁽²⁾	139	54
Receivables and other assets	17	50
Deposit and promissory note from Brookfield Asset Management	(1,320)	(733)
Promissory note from a fund managed by Brookfield Asset Management	(338)	—
Property-specific debt obligations	(218)	(231)
Loans and notes payable and other liabilities	(200)	(50)
Capital securities held by Brookfield Asset Management ⁽³⁾	—	(420)
Preferred shares held by Brookfield Asset Management	(15)	(15)

⁽¹⁾ In the second quarter of 2019, we reclassified our participating loan interest to assets held for sale.

⁽²⁾ At June 30, 2019, includes \$59 million (December 31, 2018 - \$54 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.

⁽³⁾ During the six months ended June 30, 2019, \$420 million of the Brookfield BPY Holdings Inc. Class B Junior Preferred shares, held by Brookfield Asset Management, were redeemed.

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Transactions with related parties:				
Commercial property revenue ⁽¹⁾	\$ 7	\$ 5	\$ 13	\$ 10
Management fee income	8	1	16	3
Participating loan interests (including fair value gains, net)	39	14	48	32
Interest expense on debt obligations	13	12	29	20
Interest on capital securities held by Brookfield Asset Management	1	19	8	38
General and administrative expense ⁽²⁾	37	46	87	96
Construction costs ⁽³⁾	60	136	262	225

⁽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.

In the second quarter of 2019, we received \$338 million under the terms of a promissory note from a fund managed by Brookfield Asset Management.

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

The partnership adopted IFRS 16 effective January 1, 2019. The partnership adopted the standard using the modified retrospective approach with no restatement of comparatives and did not record any adjustment to equity upon adoption. See additional disclosures in Note 4, *Investment Properties*, Note 7, *Property, Plant and Equipment*, Note 16, *Other Non-Current Liabilities* and Note 17, *Accounts Payable and Other Liabilities* of the Financial Statements.

The partnership adopted the Amendments to IFRS 3 effective January 1, 2019. The partnership adopted the standard prospectively. See additional disclosures in Note 3, *Business Combinations and Acquisitions* of the Financial Statements.

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, *Summary of Significant Accounting Policies* to the December 31, 2018 consolidated financial statements and Note 2c, *Summary of Significant Accounting Policies: Adoption of Accounting Standards* of the 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 2019 and 2020, which may restrain FFO growth from this part of our portfolio in the near future. Our belief is as to the opportunities for our partnership to increase its occupancy levels, lease rates and cash flows are based on assumptions about our business and markets that management believes are reasonable in the circumstances. There can be no assurance as to growth in occupancy levels, lease rates or cash flows. See “*Statement Regarding Forward-looking Statements and Use of Non-IFRS Measures*”.

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTROLS AND PROCEDURES

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes made in our internal control over financial reporting that have occurred during the six months ended June 30, 2019, 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 \$85 billion in total assets. We are leading owners, operators and investors in commercial property assets, with a diversified portfolio of premier office and retail assets, as well as multifamily, triple net lease, logistics, hospitality, self-storage, student housing and manufactured housing assets. Brookfield Property Partners is listed on the Nasdaq Stock Market and Toronto Stock Exchange. Further information is available at bpy.brookfield.com. Important information may be disseminated exclusively via the website; investors should consult the site to access this information.

Brookfield Property Partners is the flagship listed real estate company of Brookfield Asset Management, a leading global alternative asset manager with over \$385 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 June 30, 2019 and December 31, 2018 and
for the three and six months ended June 30, 2019 and 2018

Brookfield Property Partners L.P. Condensed Consolidated Balance Sheets

Unaudited (US\$ Millions)	Note	As at	
		Jun. 30, 2019	Dec. 31, 2018
Assets			
Non-current assets			
Investment properties	4	\$ 69,828	\$ 80,196
Equity accounted investments	5	21,889	22,698
Participating loan interests	6	—	268
Property, plant and equipment	7	6,854	7,506
Goodwill	8	1,007	1,109
Intangible assets	9	1,127	1,179
Other non-current assets	10	2,149	1,856
Loans and notes receivable		569	594
Total non-current assets		103,423	115,406
Current assets			
Loans and notes receivable		48	461
Accounts receivable and other	11	1,460	2,361
Cash and cash equivalents		1,751	3,288
Total current assets		3,259	6,110
Assets held for sale	12	1,346	1,004
Total assets		\$ 108,028	\$ 122,520
Liabilities and equity			
Non-current liabilities			
Debt obligations	13	\$ 46,791	\$ 57,937
Capital securities	14	2,938	2,865
Other non-current liabilities	16	1,598	2,294
Deferred tax liabilities		2,492	2,378
Total non-current liabilities		53,819	65,474
Current liabilities			
Debt obligations	13	4,765	5,874
Capital securities	14	74	520
Accounts payable and other liabilities	17	4,689	3,749
Total current liabilities		9,528	10,143
Liabilities associated with assets held for sale	12	765	163
Total liabilities		64,112	75,780
Equity			
Limited partners	18	12,640	12,353
General partner	18	4	4
Preferred equity	18	178	—
Non-controlling interests attributable to:			
Redeemable/exchangeable and special limited partnership units	18,19	12,814	12,740
Limited partnership units of Brookfield Office Properties Exchange LP	18,19	96	96
Class A shares of Brookfield Property REIT Inc. ("BPR")	18,19	2,298	3,091
Interests of others in operating subsidiaries and properties	19	15,886	18,456
Total equity		43,916	46,740
Total liabilities and equity		\$ 108,028	\$ 122,520

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Income Statements

Unaudited (US\$ Millions, except per unit amounts)	Note	Three months ended Jun. 30,		Six months ended Jun. 30,	
		2019	2018	2019	2018
Commercial property revenue	20	\$ 1,386	\$ 1,130	\$ 2,860	\$ 2,227
Hospitality revenue	21	503	476	994	958
Investment and other revenue	22	137	45	245	86
Total revenue		2,026	1,651	4,099	3,271
Direct commercial property expense	23	479	421	1,001	830
Direct hospitality expense	24	306	295	626	627
Investment and other expense		—	—	10	—
Interest expense		710	537	1,456	1,057
Depreciation and amortization	25	85	76	170	148
General and administrative expense	26	219	183	442	352
Total expenses		1,799	1,512	3,705	3,014
Fair value (losses) gains, net	27	(1,092)	770	(722)	1,387
Share of net earnings from equity accounted investments	5	826	288	1,090	516
Income before income taxes		(39)	1,197	762	2,160
Income tax expense (benefit)	15	(62)	146	26	86
Net income		\$ 23	\$ 1,051	\$ 736	\$ 2,074
Net income attributable to:					
Limited partners		\$ 57	\$ 194	\$ 203	\$ 386
General partner		—	—	—	—
Non-controlling interests attributable to:					
Redeemable/exchangeable and special limited partnership units		59	332	209	662
Limited partnership units of Brookfield Office Properties Exchange LP		1	8	2	16
Class A shares of Brookfield Property REIT Inc.		10	—	46	—
Interests of others in operating subsidiaries and properties		(104)	517	276	1,010
Total		\$ 23	\$ 1,051	\$ 736	\$ 2,074
Net income per LP Unit:					
Basic	18	\$ 0.12	\$ 0.69	\$ 0.44	\$ 1.38
Diluted	18	\$ 0.12	\$ 0.68	\$ 0.44	\$ 1.36

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Comprehensive Income

Unaudited (US\$ Millions)	Note	Three months ended Jun. 30,		Six months ended Jun. 30,	
		2019	2018	2019	2018
Net income		\$ 23	\$ 1,051	\$ 736	\$ 2,074
Other comprehensive income (loss)	29				
Items that may be reclassified to net income:					
Foreign currency translation		(75)	(536)	77	(501)
Cash flow hedges		(8)	23	(40)	53
Equity accounted investments		(49)	6	(51)	21
Items that will not be reclassified to net income:					
Securities - fair value through other comprehensive income ("FVTOCI")		—	1	1	(4)
Remeasurement of defined benefit obligations		(1)	2	(1)	2
Revaluation surplus		—	2	—	2
Total other comprehensive income (loss)		(133)	(502)	(14)	(427)
Total comprehensive income (loss)		\$ (110)	\$ 549	\$ 722	\$ 1,647
Comprehensive income attributable to:					
Limited partners					
Net income		\$ 57	\$ 194	\$ 203	\$ 386
Other comprehensive income (loss)		(51)	(113)	(11)	(99)
		6	81	192	287
Non-controlling interests					
Redeemable/exchangeable and special limited partnership units					
Net income		59	332	209	662
Other comprehensive income (loss)		(52)	(194)	(11)	(170)
		7	138	198	492
Limited partnership units of Brookfield Office Properties Exchange LP					
Net income		1	8	2	16
Other comprehensive income (loss)		—	(5)	—	(4)
		1	3	2	12
Class A shares of Brookfield Property REIT Inc.					
Net income		10	—	46	—
Other comprehensive income (loss)		(12)	—	(2)	—
		(2)	—	44	—
Interests of others in operating subsidiaries and properties					
Net income (loss)		(104)	517	276	1,010
Other comprehensive income (loss)		(18)	(190)	10	(154)
		(122)	327	286	856
Total comprehensive income (loss)		\$ (110)	\$ 549	\$ 722	\$ 1,647

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	Preferred Equity		Non-controlling interests				Total equity
	Capital	Retained earnings	Ownership Changes	Accumulated other comprehensive (loss) income		Capital	Retained earnings	Ownership Changes	Accumulated other comprehensive (loss) income		Total preferred equity	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, 2018	\$ 8,987	\$ 2,234	\$ 1,657	\$ (525)	\$ 12,353	\$ 4	\$ 2	\$ (2)	\$ —	\$ 4	\$ —	\$ 12,740	\$ 96	\$ 3,091	\$ 18,456	\$ 46,740	
Net income	—	203	—	—	203	—	—	—	—	—	—	209	2	46	276	736	
Other comprehensive income (loss)	—	—	—	(11)	(11)	—	—	—	—	—	—	(11)	—	(2)	10	(14)	
Total comprehensive income (loss)	—	203	—	(11)	192	—	—	—	—	—	—	198	2	44	286	722	
Distributions	—	(281)	—	—	(281)	—	—	—	—	—	—	(289)	(2)	(63)	(1,752)	(2,387)	
Preferred distributions	—	(3)	—	—	(3)	—	—	—	—	—	—	—	—	—	—	(3)	
Issuance / repurchase of interests in operating subsidiaries	(333)	67	90	—	(176)	—	—	—	—	—	178	37	1	(92)	(1,104)	(1,156)	
Exchange of exchangeable units	1	—	—	—	1	—	—	—	—	—	—	—	(1)	—	—	—	
Conversion of Class A shares of Brookfield Property REIT Inc.	445	—	229	—	674	—	—	—	—	—	—	—	—	(674)	—	—	
Change in relative interests of non-controlling interests	—	—	(100)	(20)	(120)	—	—	—	—	—	—	128	—	(8)	—	—	
Balance as at Jun. 30, 2019	\$ 9,100	\$ 2,220	\$ 1,876	\$ (556)	\$ 12,640	\$ 4	\$ 2	\$ (2)	\$ —	\$ 4	\$ 178	\$ 12,814	\$ 96	\$ 2,298	\$ 15,886	\$ 43,916	
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	—	386	—	—	386	—	—	—	—	—	—	662	16	—	1,010	2,074	
Other comprehensive (loss)	—	—	—	(99)	(99)	—	—	—	—	—	—	(170)	(4)	—	(154)	(427)	
Total comprehensive income (loss)	—	386	—	(99)	287	—	—	—	—	—	—	492	12	—	856	1,647	
Distributions	—	(160)	—	—	(160)	—	—	—	—	—	—	(276)	(7)	—	(530)	(973)	
Issuance / repurchase of interest in operating subsidiaries	(12)	4	1	—	(7)	—	—	—	—	—	—	9	(2)	—	664	664	
Exchange of exchangeable units	155	—	19	(2)	172	—	—	—	—	—	—	30	(202)	—	—	—	
Balance as at Jun. 30, 2018	\$ 5,756	\$ 2,108	\$ 160	\$ (337)	\$ 7,687	\$ 4	\$ 2	\$ —	\$ —	\$ 6	\$ —	\$ 14,755	\$ 86	\$ —	\$ 13,928	\$ 36,462	

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Cash Flows

Unaudited (US\$ Millions)	Note	Six Months Ended Jun. 30,	
		2019	2018
Operating activities			
Net income		\$ 736	\$ 2,074
Share of equity accounted earnings, net of distributions		(897)	(290)
Fair value (gains), net	27	722	(1,387)
Deferred income tax expense (benefit)	15	(4)	(6)
Depreciation and amortization	25	170	148
Working capital and other		734	240
		1,461	779
Financing activities			
Debt obligations, issuance		10,411	10,535
Debt obligations, repayments		(8,975)	(7,644)
Capital securities redeemed		(420)	(13)
Preferred equity issued		178	—
Non-controlling interests, issued		559	771
Non-controlling interests, purchased		(15)	—
Repayment of lease liabilities		(8)	—
Limited partnership units, issued		13	—
Limited partnership units, repurchased		(346)	(12)
Class A shares of Brookfield Property REIT Inc., repurchased		(99)	—
Distributions to non-controlling interests in operating subsidiaries		(1,678)	(521)
Distributions to limited partnership unitholders		(281)	(160)
Distributions to redeemable/exchangeable and special limited partnership unitholders		(289)	(276)
Distributions to holders of Brookfield Office Properties Exchange LP units		(2)	(7)
Distributions to holders of Class A shares of Brookfield Property REIT Inc.		(63)	—
		(1,015)	2,673
Investing activities			
Acquisitions			
Investment properties		(1,744)	(918)
Property, plant and equipment		(203)	(175)
Equity accounted investments		(352)	(291)
Financial assets and other		(1,194)	(924)
Acquisition of subsidiaries		—	(3,351)
Dispositions			
Investment properties		1,141	610
Property, plant and equipment		—	494
Equity accounted investments		785	562
Financial assets and other		707	675
Disposition of subsidiaries		43	(1)
Cash impact of deconsolidation		(1,132)	(7)
Restricted cash and deposits		(33)	8
		(1,982)	(3,318)
Cash and cash equivalents			
Net change in cash and cash equivalents during the period		(1,536)	134
Effect of exchange rate fluctuations on cash and cash equivalents held in foreign currencies		(1)	(25)
Balance, beginning of period		3,288	1,491
Balance, end of period		\$ 1,751	\$ 1,600
Supplemental cash flow information			
Cash paid for:			
Income taxes		\$ 102	\$ 99
Interest (excluding dividends on capital securities)		\$ 1,152	\$ 917

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Notes to the Condensed Consolidated Financial Statements

NOTE 1. ORGANIZATION AND NATURE OF THE BUSINESS

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

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

These condensed consolidated financial statements as of and for the three and six months ended June 30, 2019 were approved and authorized for issue by the Board of Directors of the partnership on August 1, 2019.

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, 2018, except for accounting standards adopted as identified in Note 2c) 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, 2018.

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

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

c) Adoption of Accounting Standards

IFRS 16, *Leases* (“IFRS 16”)

The partnership adopted IFRS 16 effective January 1, 2019. It supersedes IAS 17, *Leases* and related interpretations. IFRS 16 brings most leases on-balance sheet as right-of-use (“ROU”) assets and lease liabilities 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 applied IFRS 16 using the modified retrospective approach and comparative periods are not restated. The adoption of IFRS 16 resulted in the recognition of lease liabilities for operating leases of \$873 million, ROU assets of \$721 million that are classified as investment properties, \$122 million that are classified as property, plant and equipment, \$22 million that are classified as inventory and an immaterial impact to equity. These amounts do not include the lease liabilities and ROU assets of certain investments that were deconsolidated by the partnership on January 31, 2019. See Note 4, *Investment Properties* for further information.

In applying IFRS 16 for the first time, the partnership has applied the following practical expedients permitted by the standard on a lease-by-lease basis. These practical expedients are only available upon adoption and cannot be applied for any new lease executed after adoption:

- the accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU assets;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- adjusting the measurement of the ROU assets by the amount of any provision for onerous leases recognized under IAS 37.

The partnership has also elected not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before January 1, 2019.

Lease obligations at December 31, 2018 are as follows, as disclosed in the partnership's annual report on Form 20-F for the year-ended December 31, 2018:

(US\$ Millions)	Dec. 31, 2018
Less than 1 year	\$ 104
1-5 years	401
More than 5 years	5,631
Total	\$ 6,136

The lease obligations as disclosed in the table above included leases that are classified as finance leases, short-term leases and low-value leases, which are immaterial. It also included operating leases held by certain investments that were deconsolidated as of January 31, 2019. The partnership calculated the lease liabilities for the operating leases by discounting the future lease obligations at the respective incremental borrowing rates at the date of initial adoption. The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognized at the date of initial adoption was 6.8%. Total lease liabilities for the six months ended June 30, 2019 consists of \$36 million current lease liabilities and \$839 million non-current lease liabilities.

Significant accounting policies

The partnership determines at the inception of a contract if the arrangement is, or contains, a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The criteria specified in IFRS 16 apply to contracts entered into, or changed, on or after January 1, 2019. Lease components and non-lease components are separated on a relative stand-alone selling price basis for the partnership's leases as lessor. For the partnership's leases as lessee, the partnership applies the practical expedient which is available by asset class not to allocate contract consideration between lease and non-lease components. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The partnership as lessee

The partnership recognizes a ROU asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases with a lease term of 12 months or less ("short-term leases") and leases of low value assets ("low-value leases"). For these leases, the partnership recognizes the lease payments as an expense on a straight-line basis over the term of the lease.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease if that rate can be readily determined. If the rate cannot be readily determined, the partnership uses its incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment. This rate is expected to be similar to the interest rate implicit in the lease. Where a lease contains a parental guarantee, the incremental borrowing rate may be determined with reference to the parent rather than the lessee. The partnership uses a single discount rate to account for portfolios of leases with similar characteristics. Lease payments included in the measurement of the lease liability comprise of i) fixed lease payments, less any lease incentives; ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; iii) the amount expected to be payable by the lessee under residual value guarantees; iv) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and v) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. Lease liability is presented in Accounts payable and other liabilities (current) and Other non-current liabilities (non-current) on the consolidated balance sheets. Lease liability is subsequently measured under the effective interest method that is increased by the interest expense on the lease liability recognized on the consolidated statements of income and reduced by lease payments made that is recognized on the consolidated statements of cash flows. Lease payments not included in the measurement of lease liabilities continue to be recognized in direct commercial property expense, direct hospitality expense or general and administrative expense lines on the consolidated statements of income.

ROU asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. ROU assets classified as investment properties are subsequently measured at fair value. ROU assets classified as property, plant and equipment are subsequently measured at depreciated cost basis over the lease term. If such lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the partnership expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. ROU assets classified as inventory are subsequently carried at cost subject to impairment. ROU assets are presented in the respective lines based on their classification on the consolidated balance sheets. Whenever the partnership incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related ROU asset.

The partnership remeasures lease liabilities and makes a corresponding adjustment to the related ROU assets when i) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; ii) the lease payments have changed due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or iii) a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The partnership as lessor

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Critical judgments and estimates in applying IFRS 16

The partnership has applied critical judgments in the application of IFRS 16, including: i) identifying whether a contract (or part of a contract) includes a lease; ii) determining whether it is reasonably certain that lease extension or termination option will be exercised in determining lease term; iii) determining the classification of lease agreements for lessor leases; iv) determining whether variable payments are in-substance fixed; v) establishing whether there are multiple leases in an arrangement; and vi) the fair value method of ROU assets classified as investment properties. The partnership also makes judgments in determining whether certain leases are operating or finance leases.

The partnership uses critical estimates in the application of IFRS 16, including the estimation of lease term and determination of the appropriate rate to discount the lease payments.

Amendments to IFRS 3, *Business Combination*

The partnership adopted the Amendments to IFRS 3, *Business Combinations* (“IFRS 3 Amendments”) effective January 1, 2019 in advance of its mandatory effective date. IFRS 3 Amendments clarifies the definition of a business in determining whether an acquisition is a business combination or an asset acquisition. It has removed the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs and the reference to an ability to reduce costs, and requires, at a minimum, the acquired set of activities and assets to include an input and a substantive process to meet the definition of a business. IFRS 3 Amendments also provides for an optional concentration test to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The partnership has adopted the standard prospectively.

After the adoption of the IFRS 3 Amendments, the partnership continues to account for business combinations in which control is acquired under the acquisition method. When an acquisition is made, the partnership considers the inputs, processes and outputs of the acquiree in assessing whether it meets the definition of a business. When the acquired set of activities and assets lack a substantive process in place but will be integrated into the partnership’s existing operations, the acquisition ceases to meet the definition of a business and is accounted for as asset acquisition. Assets acquired through asset acquisitions are initially measured at cost, which includes the transaction costs incurred for the acquisitions.

d) Estimates

The preparation of the partnership’s interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgment in applying the partnership’s accounting policies. The accounting policies and critical estimates and assumptions have been set out in Note 2, *Summary of Significant Accounting Policies*, to the partnership’s consolidated financial statements for the year ended December 31, 2018 and have been consistently applied in the preparation of the interim condensed consolidated financial statements as of and for the three and six months ended June 30, 2019, except for the adopted accounting policies as disclosed in Note 2c) above.

NOTE 3. BUSINESS COMBINATIONS

The partnership did not complete any business combinations in the six months ended June 30, 2019.

The partnership completed the following significant business combinations (prior to the adoption of IFRS 3 Amendments) during 2018 that were accounted for on a provisional basis in Note 4, *Acquisition of GGP* and Note 5, *Acquisitions and Business Combinations* of the partnership’s annual report on Form 20-F for the year ended December 31, 2018:

- 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 \$1,299 million. In the first quarter of 2019, the partnership completed the purchase price allocation for 666 Fifth Avenue. No material changes were made to the provisional purchase price allocation. This asset was deconsolidated by the partnership on January 31, 2019. See Note 4, *Investment Properties* for further information.
- On August 28, 2018, the partnership acquired all of the outstanding shares of common stock of GGP Inc. (“GGP”) (“GGP acquisition”) other than those shares previously held by the partnership and its 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. In the second quarter of 2019, the partnership completed the purchase price allocation for GGP. No material changes were made to the provisional purchase price allocation.
- On December 7, 2018, the partnership acquired all of the outstanding common shares of Forest City Realty Trust Inc. (“Forest City”), a publicly traded company which owns a portfolio of office, multifamily and mixed-use assets across the U.S, for consideration of \$6,948 million. During 2019, the partnership finalized the review over the fair value of the investment properties and property debt obligations as at the acquisition date and recognized an opening equity adjustment of \$493 million that mostly consisted of a bargain purchase gain. The bargain purchase gain was reflecting the discount to net asset value of the previously publicly traded shares of Forest City. The

partnership is currently reviewing the deferred tax asset and deferred tax liability as part of the provisional purchase price allocation. This portfolio was deconsolidated by the partnership on January 31, 2019. See Note 4, *Investment Properties* for further information.

NOTE 4. INVESTMENT PROPERTIES

The following table presents a roll forward of the partnership's investment property balances, all of which are considered Level 3 within the fair value hierarchy, for the six months ended June 30, 2019 and the year ended December 31, 2018:

(US\$ Millions)	Six months ended Jun. 30, 2019			Year ended Dec. 31, 2018		
	Commercial properties	Commercial developments	Total	Commercial properties	Commercial developments	Total
Balance, beginning of period	\$ 76,014	\$ 4,182	\$ 80,196	\$ 48,780	\$ 2,577	\$ 51,357
Changes resulting from:						
Property acquisitions ⁽¹⁾	1,335	94	1,429	31,783	1,658	33,441
Capital expenditures	649	512	1,161	1,098	1,185	2,283
Accounting policy change ⁽²⁾	699	22	721	—	—	—
Property dispositions ⁽³⁾	(444)	(25)	(469)	(4,115)	(451)	(4,566)
Fair value gains, net	(837)	287	(550)	784	462	1,246
Foreign currency translation	80	(10)	70	(1,387)	(121)	(1,508)
Transfer between commercial properties and commercial developments	87	(87)	—	1,123	(1,123)	—
Impact of deconsolidation due to loss of control ⁽⁴⁾	(10,701)	(798)	(11,499)	—	—	—
Reclassifications to assets held for sale and other changes	(1,202)	(29)	(1,231)	(2,052)	(5)	(2,057)
Balance, end of period ⁽⁵⁾	\$ 65,680	\$ 4,148	\$ 69,828	\$ 76,014	\$ 4,182	\$ 80,196

⁽¹⁾ The prior year primarily includes the commercial properties and developments from the GGP acquisition in 2018.

⁽²⁾ Includes the impact of the adoption of IFRS 16 through the recognition of right-of-use assets. See Note 2, *Summary of Significant Accounting Policies* for further information.

⁽³⁾ Property dispositions represent the carrying value on date of sale.

⁽⁴⁾ Includes the impact of the deconsolidation of BSREP III investments. See below for further information.

⁽⁵⁾ Includes right-of-use commercial properties and commercial developments of \$688 million and \$30 million, respectively, as of June 30, 2019. Current lease liabilities of \$31 million has been included in accounts payable and other liabilities and non-current lease liabilities of \$687 million have been included in other non-current liabilities.

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

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

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

(a) 2019 Transactions**Brookfield Strategic Real Estate Partners III (“BSREP III”) deconsolidation**

In the first quarter of 2019, BSREP III held its final close with total equity commitments of \$15 billion. Prior to final close, the partnership had committed to 25%, or a controlling interest in the fund and as a result, had previously consolidated the investments made to date. Upon final close, on January 31, 2019, the partnership reduced its commitment to \$1.0 billion, representing a 7% non-voting position. As a result, the partnership lost control and deconsolidated its investment in the fund, which primarily consists of Forest City and 666 Fifth Avenue. The partnership will recognize its investment in BSREP III as a financial asset, initially recognized at fair value and remeasured on each reporting date through fair value gain or loss. As a result of the deconsolidation, investment properties decreased by \$11,499 million, equity accounted investments decreased by \$1,434 million, property, plant and equipment decreased by \$789 million and debt obligations decreased by \$13,601 million.

Adoption of IFRS 16

The impact of the January 1, 2019 adoption of IFRS 16 resulted in the recognition of ROU investment properties of \$721 million. Fair value loss related to IFRS 16 ROU assets for the six months ended June 30, 2019 was \$1 million. As of June 30, 2019, ROU investment properties was \$718 million.

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

Consolidated properties	Primary valuation method	Jun. 30, 2019			Dec. 31, 2018		
		Discount rate	Terminal capitalization rate	Investment horizon (years)	Discount rate	Terminal capitalization rate	Investment horizon (years)
Core Office							
United States	Discounted cash flow	6.9%	5.6%	12	6.9%	5.6%	12
Canada	Discounted cash flow	6.0%	5.4%	10	6.0%	5.4%	10
Australia	Discounted cash flow	6.9%	6.1%	10	7.0%	6.2%	10
Brazil	Discounted cash flow	9.7%	7.7%	6	9.6%	7.7%	6
Core Retail	Discounted cash flow	6.9%	5.6%	10	7.1%	6.0%	12
LP Investments- Office	Discounted cash flow	10.5%	7.4%	7	10.2%	7.0%	6
LP Investments- Retail	Discounted cash flow	8.8%	7.3%	10	8.9%	7.8%	9
Mixed-use	Discounted cash flow	7.8%	5.4%	10	7.8%	5.4%	10
Logistics⁽¹⁾	Direct capitalization	5.8%	n/a	n/a	9.3%	8.3%	10
Multifamily⁽¹⁾	Direct capitalization	5.0%	n/a	n/a	4.8%	n/a	n/a
Triple Net Lease⁽¹⁾	Direct capitalization	6.5%	n/a	n/a	6.3%	n/a	n/a
Self-storage⁽¹⁾	Direct capitalization	5.7%	n/a	n/a	5.7%	n/a	n/a
Student Housing⁽¹⁾	Direct capitalization	5.5%	n/a	n/a	5.6%	n/a	n/a
Manufactured Housing⁽¹⁾	Direct capitalization	5.4%	n/a	n/a	5.4%	n/a	n/a

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

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, 2018:

(US\$ Millions)	Jun. 30, 2019				Dec. 31, 2018			
			Level 3				Level 3	
	Level 1	Level 2	Commercial properties	Commercial developments	Level 1	Level 2	Commercial properties	Commercial developments
Core Office								
United States	\$ —	\$ —	\$ 14,902	\$ 813	\$ —	\$ —	\$ 14,415	\$ 822
Canada	—	—	4,443	141	—	—	4,127	118
Australia	—	—	2,135	326	—	—	2,342	49
Europe	—	—	19	1,602	—	—	137	1,194
Brazil	—	—	342	—	—	—	329	—
Core Retail	—	—	16,618	488	—	—	17,224	383
LP Investments								
LP Investments- Office ⁽¹⁾	—	—	7,877	509	—	—	7,861	577
LP Investments- Retail	—	—	2,725	—	—	—	3,408	6
Logistics	—	—	85	10	—	—	183	—
Multifamily	—	—	3,964	—	—	—	4,151	—
Triple Net Lease	—	—	4,504	—	—	—	5,067	—
Self-storage	—	—	888	65	—	—	847	84
Student Housing	—	—	2,152	194	—	—	2,031	386
Manufactured Housing	—	—	2,392	—	—	—	2,369	—
Mixed-Use ⁽¹⁾	—	—	2,634	—	—	—	11,523	563
Total	\$ —	\$ —	\$ 65,680	\$ 4,148	\$ —	\$ —	\$ 76,014	\$ 4,182

⁽¹⁾ Includes the impact of the deconsolidation of BSREP III investments. See above for further information.

The following table presents a sensitivity analysis to the impact of a 25 basis point movement of the discount rate and terminal capitalization or overall implied capitalization rate on fair values of the partnership's commercial properties for the six months ended June 30, 2019, for properties valued using the discounted cash flow or direct capitalization method, respectively:

(US\$ Millions)	Jun. 30, 2019
	Impact on fair value of commercial properties
Core Office	
United States	\$ 806
Canada	457
Australia	219
Brazil	10
Core Retail	830
LP Investments	
LP Investments- Office	289
LP Investments- Retail	140
Logistics	4
Mixed-use	118
Multifamily	187
Triple Net Lease	206
Self-storage	31
Student Housing	93
Manufactured Housing	105
Total	\$ 3,495

NOTE 5. EQUITY ACCOUNTED INVESTMENTS

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

(US\$ Millions)	Principal activity	Principal place of business	Proportion of ownership interests		Carrying value	
			Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2019	Dec. 31, 2018
Joint Ventures						
Canary Wharf Joint Venture ⁽¹⁾	Property holding company	United Kingdom	50%	50%	\$ 3,343	\$ 3,270
BPR JV Pool A	Property holding company	United States	50%	50%	1,876	1,791
Manhattan West, New York	Property holding company	United States	56%	56%	1,684	1,619
Ala Moana Center, Hawaii	Property holding company	United States	50%	50%	2,050	1,611
Forest City Joint Ventures ⁽²⁾	Property holding company	United States	—%	—%	—	1,390
BPR JV Pool B	Property holding company	United States	51%	51%	1,333	1,217
Fashion Show, Las Vegas	Property holding company	United States	50%	50%	860	881
BPR JV Pool C	Property holding company	United States	50%	50%	738	756
BPR JV Pool D	Property holding company	United States	48%	48%	690	693
BPR JV Pool E	Property holding company	United States	35%	35%	578	629
The Grand Canal Shoppes, Las Vegas	Property holding company	United States	50%	50%	416	608
Grace Building, New York	Property holding company	United States	50%	50%	649	581
One Liberty Plaza, New York	Property holding company	United States	51%	51%	394	425
Southern Cross East, Melbourne ⁽³⁾	Property holding company	Australia	50%	50%	416	402
680 George Street, Sydney	Property holding company	Australia	50%	50%	330	319
Brookfield Brazil Retail Fundo de Investimento em Participaçõe ("Brazil Retail")	Holding company	Brazil	46%	46%	317	309
Brookfield D.C. Office Partners LLC ("D.C. Fund"), Washington, D.C.	Property holding company	United States	51%	51%	304	295
Miami Design District, Florida	Property holding company	United States	22%	22%	272	286
The Mall in Columbia, Maryland	Property holding company	United States	50%	50%	284	268
Shops at Merrick Park, Florida	Property holding company	United States	55%	55%	292	266
Other ⁽⁴⁾	Various	Various	14% - 68%	12% - 70%	4,361	4,237
					21,187	21,853
Associates						
Diplomat Resort and Spa ("Diplomat")	Property holding company	United States	90%	90%	378	390
Brookfield Premier Real Estate Partners Pooling LLC ("BPREP") ⁽⁵⁾	Property holding company	United States	—%	7%	—	106
Other	Various	Various	23% - 31%	23% - 31%	324	349
					702	845
Total					\$ 21,889	\$ 22,698

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

⁽²⁾ *Includes the impact of the deconsolidation of BSREP III investments, primarily Forest City. See below 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 47 joint ventures.*

⁽⁵⁾ *In the first quarter of 2019, the partnership accounted for its interest in BPREP as a financial asset and is no longer an equity accounted investment.*

(a) 2019 Transactions

The deconsolidation of BSREP III resulted in a decrease to equity accounted investments of \$1,434 million. Please see Note 4, *Investment Properties* for further information.

(b) 2018 Transactions

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, *Business Acquisitions and Combinations*, for further information.

The partnership obtained control of Forest City during the fourth quarter of 2018 following the acquisition. The partnership was consolidating the financial results of Forest City, including its interests in properties held through joint ventures. Forest City has since been deconsolidated as mentioned above.

The following table presents the change in the balance of the partnership's equity accounted investments as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Six months ended	Year ended
	Jun. 30, 2019	Dec. 31, 2018
Equity accounted investments, beginning of period	\$ 22,698	\$ 19,761
GGP joint ventures acquired from business acquisition ⁽¹⁾	—	10,829
Deconsolidation of pre-acquisition GGP equity interest ⁽¹⁾	—	(8,345)
Additions	351	2,174
Disposals and return of capital distributions	(279)	(1,304)
Share of net earnings from equity accounted investments	1,090	947
Distributions received	(193)	(518)
Foreign currency translation	(20)	(395)
Reclassification to assets held for sale ⁽²⁾	—	(567)
Impact of deconsolidation due to loss of control ⁽³⁾	(1,434)	—
Other comprehensive income and other	(324)	116
Equity accounted investments, end of period	\$ 21,889	\$ 22,698

⁽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 \$10,829 million was added to the balance of equity accounted investments, offset by the deconsolidation of the partnership's 34% interest of \$7,843 million and fair value loss of \$502 million from adjusting the partnership's interest in GGP to its fair value immediately prior to acquiring control.

⁽²⁾ The partnership's interest in CXTD was reclassified to assets held for sale in the fourth quarter of 2018 and sold in the first quarter in 2019.

⁽³⁾ Includes the impact of the deconsolidation of BSREP III investments, primarily Forest City. See above for further information.

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

Equity accounted investments	Primary valuation method	Jun. 30, 2019			Dec. 31, 2018		
		Discount rate	Terminal capitalization rate	Investment horizon (yrs)	Discount rate	Terminal capitalization rate	Investment horizon (yrs)
Core Office							
United States	Discounted cash flow	6.8%	5.0%	11	6.6%	5.1%	10
Australia	Discounted cash flow	6.5%	5.4%	10	6.7%	5.7%	10
Europe	Discounted cash flow	4.7%	4.9%	10	4.7%	4.9%	10
Core Retail							
United States	Discounted cash flow	6.3%	4.8%	10	6.6%	5.3%	11
LP Investments - Office	Discounted cash flow	6.0%	5.3%	10	6.9%	5.2%	9
LP Investments - Retail	Discounted cash flow	8.3%	7.1%	10	8.4%	7.1%	10
Multifamily⁽¹⁾	Direct capitalization	5.2%	n/a	n/a	5.2%	n/a	n/a

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

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

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Non-current assets	\$ 80,364	\$ 90,031
Current assets	4,365	4,395
Total assets	84,729	94,426
Non-current liabilities	30,872	37,900
Current liabilities	7,186	4,778
Total liabilities	38,058	42,678
Net assets	46,671	51,748
Partnership's share of net assets	\$ 21,889	\$ 22,698

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Revenue	\$ 1,161	\$ 1,239	\$ 2,542	\$ 2,614
Expenses	783	827	1,685	478
Income from equity accounted investments ⁽¹⁾	52	104	62	262
Income before fair value gains, net	430	516	919	2,398
Fair value (losses) gains, net	1,137	338	1,182	(1,141)
Net income	1,567	854	2,101	1,257
Partnership's share of net earnings	\$ 826	\$ 288	\$ 1,090	\$ 516

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

NOTE 6. PARTICIPATING LOAN INTERESTS

Participating loan interests represent interests in certain properties in Australia that do not provide the partnership with control over the entity that owns the underlying property and are 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, are 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 property:

(US\$ Millions)	Participation interest		Carrying value	
	Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2019	Dec. 31, 2018
Darling Park Complex, Sydney ⁽¹⁾	30%	30%	\$ —	\$ 268
Total participating loan interests			\$ —	\$ 268

⁽¹⁾ The partnership reclassified Darling Park Complex to assets held for sale in the second quarter of 2019.

For the three and six months ended June 30, 2019, the partnership recognized interest income on the participating loan interests of \$4 million (2018 - \$7 million) and \$7 million (2018 - \$13 million), respectively, and fair value gains of \$35 million (2018 - \$9 million) and \$41 million (2018 - \$20 million), respectively.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

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

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

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

The following table presents the change to the components of the partnership's hotel assets for the six months ended June 30, 2019 and for the year ended December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Cost:		
Balance at the beginning of period	\$ 7,461	\$ 5,451
Acquisitions through business combinations	—	1,748
Accounting policy change ⁽¹⁾	122	—
Additions	193	490
Disposals	(18)	(21)
Foreign currency translation	(16)	(207)
Impact of deconsolidation due to loss of control and other ⁽²⁾	(789)	—
	6,953	7,461
Accumulated fair value changes:		
Balance at the beginning of period	1,049	756
Revaluation (loss) gains, net	—	293
Impact of deconsolidation due to loss of control and other ⁽²⁾	(7)	—
	1,042	1,049
Accumulated depreciation:		
Balance at the beginning of period	(1,004)	(750)
Depreciation	(162)	(291)
Disposals	16	18
Foreign currency translation	2	19
Impact of deconsolidation due to loss of control and other ⁽²⁾	7	—
	(1,141)	(1,004)
Total property, plant and equipment	\$ 6,854	\$ 7,506

⁽¹⁾ Includes the impact of the adoption of IFRS 16 through the recognition of right-of-use assets. See Note 2, Summary of Significant Accounting Policies for further information.

⁽²⁾ Includes the impact of the deconsolidation of BSREP III investments. See Note 4, Investment properties for further information.

NOTE 8. GOODWILL

Goodwill of \$1,007 million at June 30, 2019 (December 31, 2018 - \$1,109 million) is primarily attributable to Center Parcs UK and IFC Seoul. The partnership performs a goodwill impairment test annually by assessing if the carrying value of the cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use.

NOTE 9. INTANGIBLE ASSETS

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

The trademark assets of Center Parcs UK had a carrying amount of \$919 million as of June 30, 2019 (December 31, 2018 - \$921 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these trademarks exclusively in certain territories and in perpetuity. The business model of Center Parcs UK is not subject to technological obsolescence or commercial innovations in any material way.

In addition, intangible assets include the trademark and licensing assets relating to Atlantis. At June 30, 2019, intangible assets of the Atlantis had a carrying value of \$206 million (December 31, 2018 - \$207 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these intangible assets granted under perpetual licenses. The business model of Atlantis is not subject to technological obsolescence or commercial innovations in any material way.

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

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

The following table presents the components of the partnership's intangible assets as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Cost	\$ 1,224	\$ 1,273
Accumulated amortization	(49)	(46)
Accumulated impairment losses	(48)	(48)
Balance, end of period	\$ 1,127	\$ 1,179

The following table presents a roll forward of the partnership's intangible assets for the six months ended June 30, 2019 and the year ended December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Balance, beginning of period	\$ 1,179	\$ 1,188
Acquisitions	9	67
Disposals	—	2
Amortization	(7)	(17)
Foreign currency translation	(5)	(58)
Reclassification to assets held for sale and other ⁽¹⁾	(49)	(3)
Balance, end of period	\$ 1,127	\$ 1,179

⁽¹⁾ Includes the impact of the deconsolidation of BSREP III investments. See Note 4, Investment properties for further information.

NOTE 10. OTHER NON-CURRENT ASSETS

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

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Securities - FVTPL	\$ 1,011	\$ 239
Derivative assets	52	13
Securities - FVTOCI	202	260
Restricted cash	160	161
Inventory	481	435
Other	243	748
Total other non-current assets	\$ 2,149	\$ 1,856

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. In the first quarter of 2019, the partnership purchased an additional \$222 million of convertible preferred units of a U.S. hospitality operating company. The carrying value of these convertible preferred units at June 30, 2019 was \$409 million (December 31, 2018 - \$175 million).

Also included in Securities - FVTPL is the partnership's investment in BSREP III, which is accounted for as a financial asset following the deconsolidation of its investments in the first quarter of 2019. The carrying value of the BSREP III financial asset at June 30, 2019 was \$315 million (December 31, 2018 - nil).

Securities - FVTOCI

Securities - FVTOCI represent the partnership's retained equity interests in 1625 Eye Street in Washington, D.C. and Heritage Plaza in Houston, both property holding companies, that it previously controlled and in which it retained a non-controlling interest following disposition of these properties to third parties. The partnership continues to manage these properties on behalf of the acquirer but does not exercise significant influence over the relevant activities of the properties. Included in securities - FVTOCI at June 30, 2019 are \$105 million (December 31, 2018 - \$104 million) of securities pledged as security for a loan payable to the issuer in the amount of \$93 million (December 31, 2018 - \$93 million) recognized in other current financial liabilities.

NOTE 11. ACCOUNTS RECEIVABLE AND OTHER

The components of accounts receivable and other are as follows:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Derivative assets	\$ 127	\$ 234
Accounts receivable ⁽¹⁾	481	794
Restricted cash and deposits	310	631
Prepaid expenses	239	317
Other current assets	303	385
Total accounts receivable and other	\$ 1,460	\$ 2,361

⁽¹⁾ See Note 32, Related Parties, for further discussion.

NOTE 12. HELD FOR SALE

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

The following is a summary of the assets and liabilities that were classified as held for sale as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Investment properties	\$ 989	\$ 422
Participating loan note	317	—
Equity accounted investments	35	568
Accounts receivable and other assets	5	14
Assets held for sale	1,346	1,004
Debt obligations	763	153
Accounts payable and other liabilities	2	10
Liabilities associated with assets held for sale	\$ 765	\$ 163

The following table presents the change to the components of the assets held for sale for the six months ended June 30, 2019 and the year ended December 31, 2018:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Balance, beginning of period	\$ 1,004	\$ 1,433
Reclassification to assets held for sale, net	1,549	2,382
Disposals	(1,245)	(2,819)
Fair value adjustments	33	81
Foreign currency translation	5	(32)
Other	—	(41)
Balance, end of period	\$ 1,346	\$ 1,004

At December 31, 2018, assets held for sale included ten office assets in the U.S., three office assets in Brazil, two triple-net lease assets in the U.S. and an equity accounted investment within the LP Investments portfolio.

In the first quarter of 2019, the partnership sold nine office assets in the U.S., three office assets in Brazil, one triple-net lease asset in the U.S and an equity accounted investment within the LP Investments portfolio for net proceeds of approximately \$844 million.

In the second quarter of 2019, the partnership sold a portfolio of office assets in California and three triple-net lease assets in the U.S. within the LP Investments portfolio for net proceeds of approximately \$129 million.

At June 30, 2019, assets held for sale included a portfolio of triple-net lease assets in the U.S., five multifamily assets in the U.S., two office assets in the U.S., and interests in two office assets in Australia in our Core Office portfolio, one of which was Darling Park in Sydney that is a participating loan note.

NOTE 13. DEBT OBLIGATIONS

The partnership's debt obligations include the following:

(US\$ Millions)	Jun. 30, 2019		Dec. 31, 2018	
	Weighted-average rate	Debt balance	Weighted-average rate	Debt balance
Unsecured facilities:				
Brookfield Property Partners' credit facilities	4.00%	325	4.08%	1,586
Brookfield Property Partners' corporate bonds	4.24%	1,073	4.23%	586
Brookfield Property REIT Inc. term debt	4.77%	4,397	4.88%	4,726
Brookfield Property REIT Inc. senior secured notes	5.75%	1,000	—%	—
Brookfield Property REIT Inc. corporate facility	4.65%	630	4.76%	387
Brookfield Property REIT Inc. junior subordinated notes	4.03%	206	3.97%	206
Forest City Realty Trust Inc. term debt ⁽¹⁾	—%	—	6.38%	1,247
Subsidiary borrowings	3.75%	143	5.62%	495
Secured debt obligations:				
Funds subscription credit facilities ⁽¹⁾⁽²⁾	3.11%	232	3.85%	4,517
Fixed rate	4.55%	27,413	4.41%	25,545
Variable rate	5.12%	17,212	4.97%	25,131
Deferred financing costs		(312)		(462)
Total debt obligations		\$ 52,319		\$ 63,964
Current		4,765		5,874
Non-current		46,791		57,937
Debt associated with assets held for sale		763		153
Total debt obligations		\$ 52,319		\$ 63,964

⁽¹⁾ In the first quarter of 2019, the partnership deconsolidated BSREP III due to loss of control. The Forest City term debt and the BSREP III credit facilities are no longer being consolidated. See Note 4, Investment Properties for further information.

⁽²⁾ Funds subscription credit facilities are secured by co-investors' capital commitments.

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

(Millions)	Jun. 30, 2019		Dec. 31, 2018	
	U.S. Dollars	Local currency	U.S. Dollars	Local currency
U.S. Dollars	\$ 37,728	\$ 37,728	\$ 50,682	\$ 50,682
British Pounds	5,421	£ 4,270	5,172	£ 4,053
Canadian Dollars	3,407	C\$ 4,462	2,688	C\$ 3,666
South Korean Won	1,561	₩ 1,805,000	1,617	₩ 1,805,000
Australian Dollars	1,409	A\$ 2,007	1,401	A\$ 1,988
Indian Rupee	2,036	Rs 140,397	1,469	Rs 102,016
Brazilian Reais	775	R\$ 2,972	684	R\$ 2,651
Chinese Yuan	19	C¥ 129	70	C¥ 484
Euros	275	€ 242	643	€ 561
Deferred financing costs		(312)		(462)
Total debt obligations	\$ 52,319		\$ 63,964	

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

(US\$ Millions)	Non-cash changes in debt obligations							Jun. 30, 2019
	Dec. 31, 2018	Debt obligation issuance, net of repayments	Derecognized from loss of control of subsidiaries	Assumed by purchaser	Amortization of deferred financing costs and (premium) discount	Foreign currency translation	Other	
Debt obligations	\$ 63,964	1,436	(13,601)	437	57	37	(11)	\$ 52,319

NOTE 14. CAPITAL SECURITIES

The partnership has the following capital securities outstanding as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Shares outstanding	Cumulative dividend rate	Jun. 30, 2019	Dec. 31, 2018
Operating Partnership Class A Preferred Equity Units:				
Series 1	24,000,000	6.25%	\$ 568	\$ 562
Series 2	24,000,000	6.50%	541	537
Series 3	24,000,000	6.75%	527	523
Brookfield BPY Holdings Inc. Junior Preferred Shares:				
Class B Junior Preferred Shares ⁽¹⁾	—	7.64%	—	420
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 Property Split Corp. (“BOP Split”) Senior Preferred Shares:				
Series 1	924,390	5.25%	23	23
Series 2	699,165	5.75%	13	13
Series 3	909,814	5.00%	17	17
Series 4	940,486	5.20%	18	17
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
Forest City Enterprises L.P. (“Forest City”) Preferred Capital ⁽³⁾	—	—%	—	29
Capital Securities – Fund Subsidiaries			874	813
Total capital securities			\$ 3,012	\$ 3,385
Current			74	520
Non-current			2,938	2,865
Total capital securities			\$ 3,012	\$ 3,385

⁽¹⁾ During the six months ended June 30, 2019, \$420 million of the Brookfield BPY Holdings Inc. Class B 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.

⁽³⁾ Includes the impact of the deconsolidation of BSREP III investments, primarily Forest City. See Note 4, Investment Properties for further information.

Cumulative preferred dividends on the BOP Split Senior Preferred Shares are payable quarterly, as and when declared by BOP Split. On June 19, 2019, BOP Split declared quarterly dividends payable for the BOP Split Senior Preferred Shares.

Capital securities includes \$249 million at June 30, 2019 (December 31, 2018 - \$249 million) of preferred equity interests held by a third party investor in Manufactured Housing which have been classified as a liability, rather than as a non-controlling interest, due to the fact the holders are entitled to distributions equal to their capital balance plus 9% annual return payable in monthly distributions until maturity in December 2025.

Capital securities also includes \$142 million at June 30, 2019 (December 31, 2018 - \$142 million) of preferred equity interests held by a third party investor in Rouse Properties, L.P. (“Rouse”) which have been classified as a liability, rather than as a non-controlling interest, due to the fact that the interests are mandatorily redeemable on or after November 12, 2025 for a set price per unit plus any accrued but unpaid distributions; distributions are capped and accrue regardless of available cash generated.

Capital securities also includes \$40 million at June 30, 2019 (December 31, 2018 - \$40 million) of preferred equity interests held by the partnership’s co-investor in Vintage Estate which have been classified as a liability, rather than as non-controlling interest, due to the fact that the preferred equity interests are mandatorily redeemable on April 26, 2023 for cash at an amount equal to the outstanding principal balance of the preferred equity plus any accrued but unpaid dividend.

The Capital Securities – Fund Subsidiaries includes \$808 million at June 30, 2019 (December 31, 2018 - \$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 \$66 million at June 30, 2019 (December 31, 2018 - \$38 million) which represents the equity interests held by the partnership’s co-investor in the D.C. Fund which have been classified as a liability, rather than as non-controlling interest, due to the fact that on June 18, 2023, and on every second anniversary thereafter, the holders of these interests can redeem their interests in the D.C. Fund for cash equivalent to the fair value of the interests.

At June 30, 2019, capital securities includes \$49 million (December 31, 2018 - \$47 million) repayable in Canadian Dollars of C\$64 million (December 31, 2018 - C\$64 million).

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

(US\$ Millions)	Dec. 31, 2018	Non-cash changes on capital securities				Jun. 30, 2019
		Capital securities redeemed	Derecognized from loss of control of subsidiaries	Fair value changes	Other	
Capital securities	\$ 3,385	\$ (420)	\$ (29)	\$ 75	\$ 1	3,012

NOTE 15. INCOME TAXES

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

The components of income tax expense include the following:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Current income tax	\$ (8)	\$ 42	\$ 30	\$ 92
Deferred income tax	(54)	104	(4)	(6)
Income tax expense (benefit)	\$ (62)	\$ 146	\$ 26	\$ 86

The partnership’s income tax expense decreased for the three and six months ended June 30, 2019 as compared to the same period in the prior year primarily due to lower book income before income taxes and the reversal of temporary differences resulting from an internal restructuring of the ownership of certain retail investments.

NOTE 16. OTHER NON-CURRENT LIABILITIES

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

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Accounts payable and accrued liabilities	\$ 429	\$ 1,770
Lease liabilities ⁽¹⁾	839	—
Derivative liabilities	229	159
Provisions	98	352
Loans and notes payables	—	5
Deferred revenue	3	8
Total other non-current liabilities	\$ 1,598	\$ 2,294

⁽¹⁾ The impact of the adoption of IFRS 16 requires the recognition of lease liabilities. See Note 2, Summary of Significant Accounting Policies for further information. For the three and six months ended June 30, 2019, interest expense relating to total lease liabilities (see Note 17, Accounts Payable and Other Liabilities for the current portion) was \$13 million and \$30 million, respectively.

NOTE 17. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Accounts payable and accrued liabilities	\$ 2,267	\$ 2,466
Loans and notes payable	1,857	779
Derivative liabilities	167	181
Deferred revenue	341	302
Lease liabilities ⁽¹⁾	36	—
Other liabilities	21	21
Total accounts payable and other liabilities	\$ 4,689	\$ 3,749

⁽¹⁾ The impact of the adoption of IFRS 16 requires the recognition of lease liabilities. See Note 2, Summary of Significant Accounting Policies for further information. See Note 16, Other Non-Current Liabilities for further information on the interest expense related to these liabilities.

At June 30, 2019, loans and notes payable includes \$1,320 million (December 31, 2018 - \$733 million) of on-demand deposits from Brookfield Asset Management to the partnership and \$338 million (December 31, 2018 - nil) of promissory note from a fund managed by Brookfield Asset Management. See Note 32, Related Parties, for further information.

NOTE 18. 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. In addition, the partnership issued Class A Cumulative Redeemable Perpetual Preferred Units, Series 1 ("Preferred Equity Units") in the first quarter of 2019.

a) General and limited partnership equity

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

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

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

(Thousands of units)	General partnership units		Limited partnership units	
	Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2019	Dec. 31, 2018
Outstanding, beginning of period	139	139	424,198	254,989
Issued on August 28, 2018 for the acquisition of GGP	—	—	—	109,702
Exchange LP Units exchanged	—	—	49	7,770
BPR Units exchanged	—	—	22,957	56,166
Distribution Reinvestment Program	—	—	105	175
Issued under unit-based compensation plan	—	—	785	57
Repurchase of LP Units	—	—	(16,662)	(4,661)
Outstanding, end of period	139	139	431,432	424,198

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

Redeemable/Exchangeable Partnership Units

There were 432,649,105 Redeemable/Exchangeable Partnership Units outstanding at June 30, 2019 and December 31, 2018.

Special limited partnership units

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

There were 4,759,997 Special LP Units outstanding at June 30, 2019 and December 31, 2018.

c) Limited partnership units of Brookfield Office Properties Exchange LP

The Exchange LP Units are exchangeable at any time on a one-for-one basis, at the option of the holder, subject to their terms and applicable law, for LP Units. An Exchange LP Unit provides a holder thereof with economic terms that are substantially equivalent to those of a LP Unit. Subject to certain conditions and applicable law, Exchange LP will have the right, commencing on the seventh anniversary of June 9, 2014, the completion of the acquisition of the remaining common shares of BPO, to redeem all of the then outstanding Exchange LP Units at a price equal to the 20-day volume-weighted average trading price of an LP Unit plus all declared, payable, and unpaid distributions on such units.

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

(Thousands of units)	Limited Partnership Units of Brookfield Office Properties Exchange LP	
	Jun. 30, 2019	Dec. 31, 2018
Outstanding, beginning of period	3,308	11,078
Exchange LP Units exchanged ⁽¹⁾	(49)	(7,770)
Outstanding, end of period	3,259	3,308

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

d) Class A shares of Brookfield Property REIT Inc.

BPR Units were issued to former GGP common shareholders who elected to receive BPR Units as consideration. Each BPR Unit is structured to provide an economic return equivalent to an 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 an 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 an LP Unit rather than cash. As a result, BPR Units participate in earnings and distribution on a per unit basis equivalent to the per unit participation of LP Units. 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.	
	Jun. 30, 2019	Dec. 31, 2018
Outstanding, beginning of period	106,090	—
Issued on August 28, 2018 for the acquisition of GGP	—	162,324
BPR Units exchanged ⁽¹⁾	(22,957)	(56,166)
Repurchases of BPR Units	(4,680)	—
Forfeitures	(14)	(68)
Outstanding, end of period	78,439	106,090

⁽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) Class A Cumulative Redeemable Perpetual Preferred Units, Series 1

During the six months ended June 30, 2019, the partnership issued 7,360,000 Preferred Equity Units, at \$25.00 per unit at a coupon rate of 6.5%. In total \$184 million of gross proceeds were raised and \$6 million in underwriting and issuance costs were incurred. There were 7,360,000 Preferred Equity Units outstanding with a carrying value of \$178 million at June 30, 2019.

f) Distributions

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

(US\$ Millions, except per unit information)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Limited Partners	\$ 140	\$ 80	\$ 281	\$ 160
Holder of:				
Redeemable/Exchangeable Partnership Units	144	136	286	273
Special LP Units	1	2	3	3
Exchange LP Units	1	4	2	7
BPR Units	29	—	63	—
Total	\$ 315	\$ 222	\$ 635	\$ 443
Per unit⁽¹⁾	\$ 0.330	\$ 0.315	\$ 0.660	\$ 0.630

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

g) Earnings per unit

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

(US\$ Millions, except unit information)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Net income attributable to limited partners	\$ 57	\$ 194	\$ 203	\$ 386
Income reallocation related to mandatorily convertible preferred shares	6	31	19	62
Less: Preferred share dividends	(3)	—	(3)	—
Net income attributable to limited partners – basic	60	225	219	448
Dilutive effect of conversion of preferred shares and options ⁽¹⁾	—	10	—	19
Net income attributable to limited partners – diluted	\$ 60	\$ 235	\$ 219	\$ 467
(in millions of units/shares)				
Weighted average number of LP Units outstanding	421.0	256.0	423.7	255.5
Mandatorily convertible preferred shares	70.0	70.0	70.0	70.0
Weighted average number of LP Units - basic	491.0	326.0	493.7	325.5
Dilutive effect of the conversion of preferred shares and options ⁽¹⁾	0.1	19.6	0.1	18.4
Weighted average number of LP units outstanding - diluted	491.1	345.6	493.8	343.9

⁽¹⁾ The effect of the conversion of capital securities, which would have resulted in 4.4 million and 13.0 million potential LP Units, would have been anti-dilutive and is therefore excluded from the weighted average number of LP Units outstanding for the purposes of diluted net income per LP Unit for the three and six months ended June 30, 2019.

NOTE 19. NON-CONTROLLING INTERESTS

Non-controlling interests consists of the following:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Redeemable/Exchangeable Partnership Units and Special LP Units ⁽¹⁾	\$ 12,814	\$ 12,740
Exchange LP Units ⁽¹⁾	96	96
BPR Units ⁽¹⁾	2,298	3,091
Interests of others in operating subsidiaries and properties:		
Preferred shares held by Brookfield Asset Management	15	16
Preferred equity of subsidiaries	2,977	2,830
Non-controlling interests in subsidiaries and properties	12,894	15,610
Total interests of others in operating subsidiaries and properties	15,886	18,456
Total non-controlling interests	\$ 31,094	\$ 34,383

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

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

(US\$ Millions)	Jurisdiction of formation	Proportion of economic interests held by non-controlling interests			
		Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2019	Dec. 31, 2018
BPO ⁽¹⁾	Canada	—%	—%	\$ 4,763	\$ 4,757
Forest City Realty Trust, Inc. ⁽²⁾⁽³⁾	United States	—%	85%	—	3,437
BPR Retail Holdings LLC ⁽⁴⁾	United States	—%	—%	1,606	1,773
BSREP CARS Sub-Pooling LLC ⁽²⁾	United States	71%	71%	950	957
Center Parcs UK ⁽²⁾	United Kingdom	73%	73%	586	863
BSREP II Korea Office Holdings Pte. Ltd.	South Korea	78%	78%	753	766
BSREP II MH Holdings LLC ⁽²⁾	United States	74%	74%	736	700
BSREP II PBSA Ltd.	Bermuda	75%	75%	698	687
BSREP India Office Holdings Pte. Ltd.	United States	67%	67%	424	612
BSREP II Aries Pooling LLC ⁽²⁾	United States	74%	74%	580	603
BSREP II Retail Upper Pooling LLC ⁽²⁾	United States	50%	50%	495	552
BSREP UA Holdings LLC ⁽²⁾	Cayman Islands	70%	70%	414	507
Other	Various	18% - 92%	18% - 92%	3,881	2,242
Total				\$ 15,886	\$ 18,456

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

⁽²⁾ Includes non-controlling interests representing interests held by other investors in Brookfield-sponsored real estate funds and holding entities through which the partnership participates in such funds. Also includes non-controlling interests in underlying operating entities owned by these funds.

⁽³⁾ In the first quarter of 2019, the partnership deconsolidated BSREP III due to loss of control. Forest City is an investment in BSREP III and therefore no longer being consolidated. See Note 4, Investment Properties for further information.

⁽⁴⁾ Includes non-controlling interests in BPR subsidiaries.

NOTE 20. COMMERCIAL PROPERTY REVENUE

The components of commercial property revenue are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Base rent	\$ 953	\$ 740	\$ 1,971	\$ 1,537
Straight-line rent	28	24	63	50
Lease termination	15	21	21	26
Other lease income ⁽¹⁾	150	128	324	266
Other revenue from tenants ⁽²⁾	240	217	481	348
Total commercial property revenue	\$ 1,386	\$ 1,130	\$ 2,860	\$ 2,227

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

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

NOTE 21. HOSPITALITY REVENUE

The components of hospitality revenue are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Room, food and beverage	\$ 378	\$ 348	\$ 738	\$ 675
Gaming, and other leisure activities	95	89	195	222
Other hospitality revenue	30	39	61	61
Total hospitality revenue	\$ 503	\$ 476	\$ 994	\$ 958

NOTE 22. INVESTMENT AND OTHER REVENUE

The components of investment and other revenue are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Investment income	\$ 60	\$ 15	\$ 68	\$ 21
Fee revenue	58	16	122	33
Dividend income	2	—	3	6
Interest income and other	13	7	45	13
Participating loan notes	4	7	7	13
Total investment and other revenue	\$ 137	\$ 45	\$ 245	\$ 86

NOTE 23. DIRECT COMMERCIAL PROPERTY EXPENSE

The components of direct commercial property expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Property maintenance	\$ 182	\$ 172	\$ 378	\$ 348
Real estate taxes	157	117	324	236
Employee compensation and benefits	40	54	88	98
Lease expense ⁽¹⁾	3	15	8	29
Other	97	63	203	119
Total direct commercial property expense	\$ 479	\$ 421	\$ 1,001	\$ 830

⁽¹⁾ For the three and six months ended June 30, 2019, operating expenses relating to variable lease payments not included in the measurement of the lease liability was \$3 million and \$7 million, respectively.

NOTE 24. DIRECT HOSPITALITY EXPENSE

The components of direct hospitality expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Employee compensation and benefits	\$ 111	\$ 81	\$ 194	\$ 162
Cost of food, beverage, and retail goods sold	63	68	144	137
Maintenance and utilities	37	44	79	84
Marketing and advertising	16	19	39	42
Other	79	83	170	202
Total direct hospitality expense	\$ 306	\$ 295	\$ 626	\$ 627

NOTE 25. DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Depreciation and amortization of real estate assets	\$ 70	\$ 66	\$ 139	\$ 131
Depreciation and amortization of non-real estate assets ⁽¹⁾	15	10	31	17
Total depreciation and amortization	\$ 85	\$ 76	\$ 170	\$ 148

⁽¹⁾ For the three and six months ended June 30, 2019, included \$2 million and \$4 million, respectively, of depreciation expense relating to right-of-use property, plant and equipment.

NOTE 26. GENERAL AND ADMINISTRATIVE EXPENSE

The components of general and administrative expense are as follows:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Employee compensation and benefits	\$ 94	\$ 47	\$ 182	\$ 95
Management fees	34	36	72	74
Transaction costs	20	41	42	78
Other	71	59	146	105
Total general and administrative expense	\$ 219	\$ 183	\$ 442	\$ 352

NOTE 27. FAIR VALUE GAINS (LOSSES), NET

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

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Commercial properties	\$ (1,144)	\$ (9)	\$ (837)	\$ 409
Commercial developments	124	355	287	384
Financial instruments and other ⁽¹⁾	(72)	424	(172)	594
Total fair values gains (losses), net	\$ (1,092)	\$ 770	\$ (722)	\$ 1,387

⁽¹⁾ For the three and six months ended June 30, 2019, primarily includes fair value losses on financial instruments and fair value loss on right-of-use investment properties of \$5 million and \$6 million, respectively. The prior year primarily includes a gain on bargain purchase.

NOTE 28. UNIT-BASED COMPENSATION

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

During the three and six months ended June 30, 2019, the partnership incurred \$8 million (2018 - \$1 million) and \$11 million (2018 - \$(1) 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.

There were no BPY Awards granted during the period ended June 30, 2019.

i. Equity-settled BPY Awards

The change in the number of options outstanding under the equity-settled BPY Awards at June 30, 2019 and December 31, 2018 is as follows:

	Jun. 30, 2019		Dec. 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	13,836,213	20.56	13,801,795	20.54
Granted	—	—	800,000	22.50
Exercised	(116,445)	18.75	(36,806)	17.71
Expired/forfeited	(52,829)	20.59	(291,625)	22.18
Reclassified ⁽¹⁾	—	—	(437,151)	22.48
Outstanding, end of period	13,666,939	20.58	13,836,213	20.56
Exercisable, end of period	10,618,025	20.37	9,628,246	20.26

⁽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 June 30, 2019 and December 31, 2018 under the equity-settled BPY Awards by expiry date:

Expiry date	Jun. 30, 2019		Dec. 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
2020	215,800	\$ 13.07	226,800	\$ 13.07
2021	246,400	17.44	246,400	17.44
2022	503,700	18.07	508,300	18.07
2023	636,220	16.80	656,220	16.80
2024	7,785,323	20.59	7,878,998	20.59
2025	1,376,295	25.18	1,376,295	25.18
2026	2,009,451	19.51	2,049,450	19.51
2027	93,750	22.92	93,750	22.92
2028	800,000	22.50	800,000	22.50
Total	13,666,939	\$ 20.58	13,836,213	\$ 20.56

ii. Cash-settled BPY Awards

The change in the number of options outstanding under the cash-settled BPY Awards at June 30, 2019 and December 31, 2018 is as follows:

	Jun. 30, 2019		Dec. 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	7,331,416	\$ 20.38	7,144,871	\$ 20.30
Granted	—	—	—	—
Exercised	—	—	(3,770)	19.51
Expired/forfeited	—	—	(246,836)	21.87
Reclassified ⁽¹⁾	—	—	437,151	22.48
Outstanding, end of period	7,331,416	\$ 20.38	7,331,416	\$ 20.38
Exercisable, end of period	6,144,541	\$ 20.29	5,627,610	\$ 20.17

⁽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 June 30, 2019 and December 31, 2018 under the cash-settled BPY Awards by expiry date:

Expiry date	Jun. 30, 2019		Dec. 31, 2018	
	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	4,278,663	20.59
2025	831,834	25.18	831,834	25.18
2026	944,319	19.51	944,319	19.51
Total	7,331,416	\$ 20.38	7,331,416	\$ 20.38

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.

During the six months ended June 30, 2019, the partnership granted 895,744 Restricted Units with a weighted average exercise price of \$19.24. As of June 30, 2019, the total number of Restricted Units outstanding was 1,036,471 (December 31, 2018 - 150,835) with a weighted average exercise price of \$19.47 (December 31, 2018 - \$20.97).

c) Restricted BPY LP Unit Plan (Canada)

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

As of June 30, 2019, the total number of Canadian Restricted Units outstanding was 25,058 (December 31, 2018 - 21,624) with a weighted average exercise price of C\$23.06 (December 31, 2018 - C\$22.88).

d) Restricted BPR Unit Plan

The Restricted BPR Unit Plan provides for awards to participants of BPR purchased on the Nasdaq (“Restricted BPR Units”). Under the Restricted BPR Unit Plan, units awarded generally vest over a period of five years, except as otherwise determined or for Restricted BPR 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.

During the six months ended June 30, 2019, the partnership granted 357,313 Restricted BPR Units with a weighted average exercise price of \$19.22.

e) BPY Fair Value LTIP Unit Plan

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

During the six months ended June 30, 2019, the partnership granted 895,099 BPY FV LTIP Units with a weighted average exercise price of \$19.51.

f) Deferred Share Unit Plan

In addition to the above, BPO has a deferred share unit plan. At June 30, 2019, BPO has 1,463,149 deferred share units (December 31, 2018 - 1,458,667) outstanding and vested.

g) GGP LTIP Plans

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

As of June 30, 2019, the total number of GGP Options outstanding was 237,881 (December 31, 2018 - 1,011,523) with a weighted average exercise price of \$25.39 (December 31, 2018 - \$19.71).

As of June 30, 2019, the total number of AO LTIP Options outstanding was 1,657,948 (December 31, 2018 - 1,387,289) with a weighted average exercise price of \$22.51 (December 31, 2018 - \$22.51).

NOTE 29. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) consists of the following:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Items that may be reclassified to net income:				
Foreign currency translation				
Net unrealized foreign currency translation (losses) gains in respect of foreign operations	\$ (161)	\$ (874)	\$ —	\$ (709)
Reclassification of realized foreign currency translation gains to net income on dispositions of foreign operations	—	—	26	—
Gains (losses) on hedges of net investments in foreign operations, net of income taxes for the three and six months ended Jun. 30, 2019 of (\$1) million and nil (2018 – (\$9) million and (\$5) million) ⁽¹⁾	86	338	49	208
Reclassification gains from hedges of net investment in foreign operation to net income on disposition of foreign operations	—	—	2	—
	(75)	(536)	77	(501)
Cash flow hedges				
Gains (losses) on derivatives designated as cash flow hedges, net of income taxes for the three and six months ended Jun. 30, 2019 of (\$2) million and (\$5) million (2018 – (\$11) million and (\$12) million)	(8)	23	(40)	53
	(8)	23	(40)	53
Equity accounted investments				
Share of unrealized foreign currency translation (losses) gains in respect of foreign operations	—	(2)	(1)	(1)
Reclassification gains from hedges of net investment in foreign operation to net income on disposition of foreign operations	—	—	1	—
Gains (losses) on derivatives designated as cash flow hedges	(49)	8	(51)	22
	(49)	6	(51)	21
Items that will not be reclassified to net income:				
Unrealized (losses) on securities - FVTOCI, net of income taxes for the three and six months ended Jun. 30, 2019 of (\$1) million and nil (2018 – nil and \$2 million)	—	1	1	(4)
Net remeasurement (losses) on defined benefit obligations	(1)	2	(1)	2
Revaluation surplus	—	2	—	2
	(1)	5	—	—
Total other comprehensive income (loss)	\$ (133)	\$ (502)	\$ (14)	\$ (427)

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

NOTE 30. OBLIGATIONS, GUARANTEES, CONTINGENCIES AND OTHER

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

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

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

At June 30, 2019, the partnership has commitments totaling:

- approximately \$957 million for the development of Manhattan West in Midtown New York, Greenpoint Landing in Brooklyn, as well as the redevelopment of One Allen Center, Two Allen Center, and Three Allen Center in Houston;
- approximately A\$246 million (\$173 million) for the development of Darling Park Complex, Jessie St Centre, 52 Goulburn Street, 50 George Street, 388 George Street and 680 George Street in Sydney; Southern Cross West Tower in Melbourne; 235 St Georges Terrace, 108 St George Terrace, Brookfield Place Tower 1 and Brookfield Place Tower 2 in Perth;
- approximately £75 million (\$95 million) for the development of 100 Bishopsgate and Principal Place Residential in London; and

- approximately AED 267 million (\$73 million) for the development of ICD Brookfield Place in Dubai.

During 2013, Brookfield Asset Management announced the final close on the \$4.4 billion Brookfield Strategic Real Estate Partners (“BSREP”) fund, a global private fund focused on making opportunistic investments in commercial property. The partnership, as lead investor, committed approximately \$1.3 billion to the fund. As of June 30, 2019, there remained approximately \$170 million of uncontributed capital commitments.

In April 2016, Brookfield Asset Management announced the final close on the \$9.0 billion second BSREP fund to which the partnership had committed \$2.3 billion as lead investor. As of June 30, 2019, there remained approximately \$740 million of uncontributed capital commitments.

In November 2017, Brookfield Asset Management announced the final close on the \$2.9 billion fifth Brookfield Real Estate Finance Fund (“BREF”) to which the partnership had committed \$400 million. As of June 30, 2019, there remained approximately \$270 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 June 30, 2019, there remained approximately \$225 million of uncontributed capital commitments.

In January 2019, Brookfield Asset Management announced the final close on the \$15.0 billion third BSREP fund to which the partnership has committed \$1.0 billion. As of June 30, 2019, there remained approximately \$785 million of uncontributed capital commitments.

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

NOTE 31. FINANCIAL INSTRUMENTS

a) Derivatives and hedging activities

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

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

Interest Rate Hedging

The following table provides the partnership’s outstanding derivatives that are designated as cash flow hedges of variability in interest rates associated with forecasted fixed rate financings and existing variable rate debt as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Hedging item ⁽¹⁾	Notional	Rates	Maturity dates	Fair value
Jun. 30, 2019	Interest rate caps of US\$ LIBOR debt	\$ 6,163	2.7% - 6.0%	Jul. 2019 - Sep. 2023	\$ —
	Interest rate swaps of US\$ LIBOR debt	2,947	1.6% - 2.7%	Feb. 2020 - Feb. 2024	(83)
	Interest rate caps of £ LIBOR debt	1,333	2.5%	Jan. 2021 - Jan. 2022	—
	Interest rate swaps of £ LIBOR debt	67	1.5%	Apr. 2020	—
	Interest rate caps of € EURIBOR debt	110	1.3%	Apr. 2021	—
	Interest rate caps of C\$ LIBOR debt	183	3.0%	Oct. 2020 - Oct. 2022	—
	Cross currency swaps of C\$ LIBOR Debt	600	4.30% - 4.94%	Mar. 2024	1
	Cross currency swaps of US\$ LIBOR Debt	613	4.12% - 4.97%	Oct. 2021 - Jul. 2023	1
Dec. 31, 2018	Interest rate caps of US\$ LIBOR debt	\$ 8,180	2.3% - 6.0%	Jan. 2019 - Sep. 2023	\$ 2
	Interest rate swaps of US\$ LIBOR debt	1,731	1.6% - 2.8%	Feb. 2020 - May 2024	(2)
	Interest rate caps of £ LIBOR debt	486	2.0%	Apr. 2020 - Jan. 2021	—
	Interest rate swaps of £ LIBOR debt	67	1.5%	Apr. 2020	—
	Interest rate caps of € EURIBOR debt	115	1.0% - 1.3%	Apr. 2020 - Apr. 2021	—
	Interest rate caps of C\$ LIBOR debt	176	3.0%	Oct. 2020 - Oct. 2022	—
	Interest rate swaps of C\$ LIBOR debt	56	4.6%	Sep. 2023	—
	Interest rate swaps on forecasted fixed rate debt	100	4.0%	Jun. 2019	(114)

⁽¹⁾ As of June 30, 2019, included in derivative liabilities is \$83 million of fair value loss relating to settled interest rate swaps that are being amortized over the term of the associated debt.

For the three and six months ended June 30, 2019, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's interest rate hedging activities was nil and \$2 million (2018 - \$17 million and \$17 million).

Foreign Currency Hedging

The following table provides the partnership's outstanding derivatives that are designated as net investments of foreign subsidiaries or foreign currency cash flow hedges as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Hedging item		Notional	Rates	Maturity dates	Fair value
Jun. 30, 2019	Net investment hedges	€	184	€0.79/\$ - €0.88/\$	Aug. 2019 - Jun. 2020	\$ 5
	Net investment hedges	£	3,260	£0.70/\$ - £0.85/\$	Jul. 2019 - Sep. 2020	66
	Net investment hedges	A\$	1,014	A\$1.37/\$ - A\$1.45/\$	Jul. 2019 - Dec. 2020	13
	Net investment hedges	C¥	435	C¥6.71/\$ - C¥6.93/\$	Jul. 2019 - Jun. 2020	(1)
	Net investment hedges	C\$	285	C\$1.29/\$ - C\$1.34/\$	Oct. 2019 - Jun. 2020	2
	Net investment hedges	₩	1,038,405	₩1,123.60/\$ - ₩1,187.00/\$	Aug. 2019 - Jun. 2020	(6)
	Net investment hedges	Rs	5,607	Rs71.78/\$ - Rs72.55/\$	Mar. 2020 - Apr. 2020	(2)
	Net investment hedges	£	77	£0.88/€ - £0.92/€	Sep. 2019 - Feb. 2020	—
	Cross currency swap on C\$ LIBOR debt	C\$	800	C\$1.29/\$ - C\$1.33/\$	Oct. 2021 - Jul. 2023	2
Dec. 31, 2018	Net investment hedges	€	649	€0.78/\$ - €0.88/\$	Jan. 2019 - May 2020	\$ 13
	Net investment hedges	£	3,175	£0.70/\$ - £0.79/\$	Feb. 2019 - Mar. 2020	104
	Net investment hedges	A\$	1,038	A\$1.28/\$ - A\$1.42/\$	Jan. 2019 - Mar. 2020	20
	Net investment hedges	C¥	2,672	C¥6.35/\$ - C¥6.91/\$	Jan. 2019 - Nov. 2019	6
	Net investment hedges	C\$	118	C\$1.29/\$ - C\$1.34/\$	Oct. 2019 - Nov. 2019	4
	Net investment hedges	R\$	158	R\$3.90/\$ - R\$4.24/\$	Jan. 2019 - Jun. 2019	(9)
	Net investment hedges	₩	618,589	₩1,087.00/\$ - ₩1,130.90/\$	Jan. 2019 - Nov. 2019	1
	Net investment hedges	Rs	31,422	Rs67.44/\$ - Rs70.39/\$	Feb. 2019 - May 2019	3
	Net investment hedges	£	77	£0.88/€ - £0.92/€	Jan. 2019 - Feb. 2020	(1)
	Cross currency swaps of C\$ LIBOR debt	C\$	800	C\$1.29/\$ - C\$1.33/\$	Oct. 2021 - Jul. 2023	(31)

For the three and six months ended June 30, 2019 and 2018, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's foreign currency hedging activities was not significant.

Other Derivatives

The following table presents details of the partnership's other derivatives, not designated as hedges for accounting purposes, that have been entered into to manage financial risks as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Derivative type		Notional	Rates	Maturity dates	Fair value
Jun. 30, 2019	Interest rate caps	\$	7,261	3.0% - 5.8%	Jul. 2019 - Jan. 2022	\$ —
	Interest rate swaps on forecasted fixed rate debt		1,110	2.3% - 6.1%	Nov. 2019 - Nov. 2030	(124)
	Interest rate swaps of US\$ LIBOR debt		2,103	1.7% - 4.6%	Jul. 2019 - Sep. 2023	(12)
Dec. 31, 2018	Interest rate caps	\$	9,750	3.0% - 7.0%	Mar. 2019 - Jan. 2022	\$ 1
	Interest rate swaps on forecasted fixed rate debt		1,660	2.3% - 6.1%	Jun. 2019 - Nov. 2030	(67)
	Interest rate swaps of US\$ debt		835	2.4% - 5.8%	Jul. 2019 - Oct. 2039	(14)
	Interest rate swaps on fixed rate debt		180	4.5% - 7.3%	Feb. 2019 - Jul. 2023	2

For the three and six months ended June 30, 2019, the partnership recognized fair value losses, net of approximately \$(63) million and \$(93) million (2018 - gains of \$14 million and \$53 million), respectively, related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

b) Measurement and classification of financial instruments

Classification and Measurement

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

(US\$ Millions)	Classification and measurement basis	Jun. 30, 2019		Dec. 31, 2018	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Participating loan interests ⁽¹⁾	FVTPL	\$ —	\$ —	\$ 268	\$ 268
Loans and notes receivable	Amortized cost	617	617	1,055	1,055
Other non-current assets					
Securities - FVTPL	FVTPL	1,011	1,011	239	239
Derivative assets	FVTPL	52	52	13	13
Securities - FVTOCI	FVTOCI	202	202	260	260
Restricted cash	Amortized cost	160	160	161	161
Current assets					
Derivative assets	FVTPL	127	127	234	234
Accounts receivable ⁽²⁾	Amortized cost	486	486	808	808
Restricted cash	Amortized cost	310	310	631	631
Cash and cash equivalents	Amortized cost	1,751	1,751	3,288	3,288
Total financial assets		\$ 4,716	\$ 4,716	\$ 6,957	\$ 6,957
Financial liabilities					
Debt obligations ⁽³⁾	Amortized cost	\$ 52,319	\$ 52,929	\$ 63,964	\$ 64,561
Capital securities	Amortized cost	2,138	2,145	2,572	2,578
Capital securities - fund subsidiaries	FVTPL	874	874	813	813
Other non-current liabilities					
Loan payable	FVTPL	40	40	24	24
Accounts payable	Amortized cost	429	429	1,770	1,770
Derivative liabilities	FVTPL	229	229	159	159
Accounts payable and other liabilities					
Accounts payable and other ⁽⁴⁾	Amortized cost	4,126	4,126	3,255	3,255
Derivative liabilities	FVTPL	167	167	181	181
Total financial liabilities		\$ 60,322	\$ 60,939	\$ 72,738	\$ 73,341

⁽¹⁾ In the second quarter of 2019, the partnership reclassified its participating loan interests to assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$317 million as of June 30, 2019.

⁽²⁾ Includes other receivables associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$5 million and \$14 million as of June 30, 2019 and December 31, 2018, respectively.

⁽³⁾ Includes debt obligations associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$763 million and \$153 million as of June 30, 2019 and December 31, 2018, respectively.

⁽⁴⁾ Includes accounts payable and other liabilities associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$2 million and \$10 million as of June 30, 2019 and December 31, 2018, respectively.

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurement establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Quoted market prices (unadjusted) in active markets represent a Level 1 valuation. When quoted market prices in active markets are not available, the partnership maximizes the use of observable inputs within valuation models. When all significant inputs are observable, either directly or indirectly, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3, which reflect the partnership's market assumptions and are noted below. This hierarchy requires the use of observable market data when available.

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

(US\$ Millions)	Jun. 30, 2019				Dec. 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Participating loan interests ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 268	\$ 268
Securities - FVTPL	—	—	1,011	1,011	—	—	239	239
Securities - FVTOCI	—	—	202	202	—	—	260	260
Derivative assets	—	179	—	179	—	247	—	247
Total financial assets	\$ —	\$ 179	\$ 1,213	\$ 1,392	\$ —	\$ 247	\$ 767	\$ 1,014
Financial liabilities								
Capital securities - fund subsidiaries	\$ —	\$ —	\$ 874	\$ 874	\$ —	\$ —	\$ 813	\$ 813
Derivative liabilities	—	396	—	396	—	340	—	340
Loan payable	—	—	40	40	—	—	24	24
Total financial liabilities	\$ —	\$ 396	\$ 914	\$ 1,310	\$ —	\$ 340	\$ 837	\$ 1,177

⁽¹⁾ In the second quarter of 2019, the partnership reclassified its participating loan interests to assets held for sale.

There were no transfers between levels during the three and six months ended June 30, 2019 and the year ended December 31, 2018.

The following table presents the change in the balance of financial assets and financial liabilities accounted for at fair value categorized as Level 3 as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Jun. 30, 2019		Dec. 31, 2018	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Balance, beginning of period	\$ 767	\$ 838	\$ 835	\$ 836
Acquisitions	813	—	201	—
Dispositions	(12)	—	(7)	(2)
Fair value gains, net and OCI	72	76	(14)	4
Other	(427)	—	(248)	—
Balance, end of period	\$ 1,213	\$ 914	\$ 767	\$ 838

NOTE 32. RELATED PARTIES

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

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

The base management fee for the three and six months ended June 30, 2019 was \$23 million (2018 - \$24 million) and \$47 million (2018 - \$48 million), respectively. The equity enhancement distribution for the three and six months ended June 30, 2019 was \$3 million (2018 - nil) and \$14 million (2018 - nil), respectively.

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

The following table summarizes transactions with related parties:

(US\$ Millions)	Jun. 30, 2019	Dec. 31, 2018
Balances outstanding with related parties:		
Participating loan interests ⁽¹⁾	\$ 317	\$ 268
Net (payables)/receivables within equity accounted investments	(88)	(26)
Loans and notes receivable ⁽²⁾	139	54
Receivables and other assets	17	50
Deposit and promissory note from Brookfield Asset Management	(1,320)	(733)
Promissory note from a fund managed by Brookfield Asset Management	(338)	—
Property-specific debt obligations	(218)	(231)
Loans and notes payable and other liabilities	(200)	(50)
Capital securities held by Brookfield Asset Management ⁽³⁾	—	(420)
Preferred shares held by Brookfield Asset Management	(15)	(15)

⁽¹⁾ In the second quarter of 2019, the partnership reclassified its participating loan interest to assets held for sale.

⁽²⁾ At June 30, 2019, includes \$59 million (December 31, 2018 - \$54 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.

⁽³⁾ During the six months ended June 30, 2019, \$420 million of the Brookfield BPY Holdings Inc. Class B Junior Preferred shares, held by Brookfield Asset Management, were redeemed.

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
Transactions with related parties:				
Commercial property revenue ⁽¹⁾	\$ 7	\$ 5	\$ 13	\$ 10
Management fee income	8	1	16	3
Participating loan interests (including fair value gains, net)	39	14	48	32
Interest expense on debt obligations	13	12	29	20
Interest on capital securities held by Brookfield Asset Management	1	19	8	38
General and administrative expense ⁽²⁾	37	46	87	96
Construction costs ⁽³⁾	60	136	262	225

⁽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.

In the second quarter of 2019, the partnership received \$338 million under the terms of a promissory note from a fund managed by Brookfield Asset Management.

NOTE 33. SUBSIDIARY PUBLIC ISSUERS

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

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

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

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

(US\$ Millions) For the three months ended Jun. 30, 2019	Brookfield Property Partners L.P.	BOP Split	BPO	Brookfield Property Preferred Equity Inc.	Brookfield Property Finance ULC	Holding entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating adjustments ⁽⁴⁾	Brookfield Property Partners L.P consolidated
Revenue	\$ —	\$ 12	\$ 30	\$ —	\$ 11	\$ 716	\$ 84	\$ 1,173	\$ 2,026
Net income attributable to unitholders ⁽¹⁾	62	56	149	—	(40)	127	137	(364)	127
For the three months ended Jun. 30, 2018									
Revenue	\$ —	\$ 26	\$ 42	\$ —	\$ —	\$ 222	\$ 14	\$ 1,347	\$ 1,651
Net income attributable to unitholders ⁽¹⁾	198	161	(257)	—	—	534	—	(102)	534

⁽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 six months ended Jun. 30, 2019	Brookfield Property Partners L.P.	BOP Split	BPO	Brookfield Property Preferred Equity Inc.	Brookfield Property Finance ULC	Holding entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating adjustments ⁽⁴⁾	Brookfield Property Partners L.P consolidated
Revenue	\$ —	\$ 23	\$ 60	\$ —	\$ 19	\$ 1,272	\$ 278	\$ 2,447	\$ 4,099
Net income attributable to unitholders ⁽¹⁾	224	163	598	—	(32)	460	516	(1,469)	460
For the six months ended Jun. 30, 2018									
Revenue	\$ —	\$ 14	\$ 75	\$ —	\$ —	\$ 463	\$ 15	\$ 2,704	\$ 3,271
Net income attributable to unitholders ⁽¹⁾	394	111	(328)	—	—	1,064	—	(177)	1,064

⁽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 Jun. 30, 2019	Brookfield Property Partners L.P.	BOP Split	BPO	Brookfield Property Preferred Equity Inc.	Brookfield Property Finance ULC	Holding entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating adjustments ⁽⁴⁾	Brookfield Property Partners L.P consolidated
Current assets	\$ —	\$ 4	\$ 84	\$ —	\$ 665	\$ 8,980	\$ 26	\$ (6,500)	\$ 3,259
Non-current assets	13,921	11,748	22,304	—	426	27,530	1,914	25,580	103,423
Assets held for sale	—	—	—	—	—	—	—	1,346	1,346
Current liabilities	—	1,342	207	—	17	6,340	1,316	306	9,528
Non-current liabilities	—	4,305	6,035	—	1,069	2,141	121	40,148	53,819
Liabilities associated with assets held for sale	—	—	—	—	—	—	—	765	765
Preferred equity	178	—	—	—	—	—	—	—	178
Equity attributable to interests of others in operating subsidiaries and properties	—	—	2,284	—	—	—	—	13,602	15,886
Equity attributable to unitholders ⁽¹⁾	\$ 13,743	\$ 6,105	\$ 13,862	\$ —	\$ 5	\$ 28,029	\$ 503	\$ (34,395)	\$ 27,852

⁽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, 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	\$ —	\$ 52	\$ 151	\$ —	\$ 596	\$ 6,144	\$ 330	\$ (1,163)	\$ 6,110
Non-current assets	13,273	11,748	20,359	—	—	30,277	1,775	37,974	115,406
Assets held for sale	—	—	—	—	—	—	—	1,004	1,004
Current liabilities	—	2,806	678	—	593	5,731	1,834	(1,499)	10,143
Non-current liabilities	—	3,053	4,738	—	—	2,406	5	55,272	65,474
Liabilities associated with assets held for sale	—	—	—	—	—	—	—	163	163
Equity attributable to interests of others in operating subsidiaries and properties	—	—	2,284	—	—	—	—	16,172	18,456
Equity attributable to unitholders ⁽¹⁾	\$ 13,273	\$ 5,941	\$ 12,810	\$ —	\$ 3	\$ 28,284	\$ 266	\$ (32,293)	\$ 28,284

⁽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 34. SEGMENT INFORMATION

a) Operating segments

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

b) Basis of measurement

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

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

c) Reportable segment measures

The following summaries present certain financial information regarding the partnership’s operating segments for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions) Three months ended Jun. 30,	Total revenue		FFO	
	2019	2018	2019	2018
Core Office	\$ 558	\$ 519	\$ 165	\$ 127
Core Retail	363	—	161	117
LP Investments	1,102	1,132	70	70
Corporate	3	—	(105)	(104)
Total	\$ 2,026	\$ 1,651	\$ 291	\$ 210

(US\$ Millions)	Total revenue		FFO	
	2019	2018	2019	2018
Six months ended Jun. 30,				
Core Office	\$ 1,071	\$ 1,051	\$ 289	\$ 260
Core Retail	742	—	328	229
LP Investments	2,280	2,219	145	155
Corporate	6	1	(213)	(206)
Total	\$ 4,099	\$ 3,271	\$ 549	\$ 438

The following summaries presents the detail of total revenue from the partnership's operating segments for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Lease revenue	Other revenue from tenants	Hospitality revenue	Investment and other revenue	Total revenue
Three months ended Jun. 30, 2019					
Core Office	\$ 384	\$ 94	\$ 4	\$ 76	\$ 558
Core Retail	255	69	—	39	363
LP Investments	507	77	499	19	1,102
Corporate	—	—	—	3	3
Total	\$ 1,146	\$ 240	\$ 503	\$ 137	\$ 2,026

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

(US\$ Millions)	Lease revenue	Other revenue from tenants	Hospitality revenue	Investment and other revenue	Total revenue
Six months ended Jun. 30, 2019					
Core Office	\$ 771	\$ 178	\$ 6	\$ 116	\$ 1,071
Core Retail	518	146	—	78	742
LP Investments	1,090	157	988	45	2,280
Corporate	—	—	—	6	6
Total	\$ 2,379	\$ 481	\$ 994	\$ 245	\$ 4,099

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

The following summary presents information about certain consolidated balance sheet items of the partnership, on a segmented basis, as of June 30, 2019 and December 31, 2018:

(US\$ Millions)	Total assets		Total liabilities	
	Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2019	Dec. 31, 2018
Core Office	\$ 35,379	\$ 34,095	\$ 16,287	\$ 15,033
Core Retail	29,922	29,658	14,605	13,749
LP Investments	42,555	58,610	28,097	41,604
Corporate	172	157	5,123	5,394
Total	\$ 108,028	\$ 122,520	\$ 64,112	\$ 75,780

The following summary presents a reconciliation of FFO to net income for the three and six months ended June 30, 2019 and 2018:

(US\$ Millions)	Three months ended Jun. 30,		Six months ended Jun. 30,	
	2019	2018	2019	2018
FFO⁽¹⁾	\$ 291	\$ 210	\$ 549	\$ 438
Depreciation and amortization of real estate assets	(70)	(66)	(139)	(131)
Fair value gains, net	(1,092)	770	(722)	1,387
Share of equity accounted income - non-FFO	618	84	645	85
Income tax expense	62	(146)	(26)	(86)
Non-controlling interests of others in operating subsidiaries and properties – non-FFO	318	(318)	153	(629)
Net income attributable to unitholders⁽²⁾	127	534	460	1,064
Non-controlling interests of others in operating subsidiaries and properties	(104)	517	276	1,010
Net income	\$ 23	\$ 1,051	\$ 736	\$ 2,074

⁽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 35. SUBSEQUENT EVENTS

On July 25, 2019, the partnership entered into an agreement to sell the majority of its Manhattan multifamily portfolio for approximately \$1.2 billion.

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

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

1. Review: I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Brookfield Property Partners L.P. (the “issuer”) for the interim period ended June 30, 2019.

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

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

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

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

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

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

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

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on April 1, 2019 and ended on June 30, 2019 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 9, 2019

/s/ Brian W. Kingston

Brian W. Kingston

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

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

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

1. Review: I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Brookfield Property Partners L.P. (the “issuer”) for the interim period ended June 30, 2019.

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

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

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

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

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

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

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

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on April 1, 2019 and ended on June 30, 2019 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: August 9, 2019

/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