S&P Capital IQ

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Brookfield Property Partners L.P. NYSE:BPY

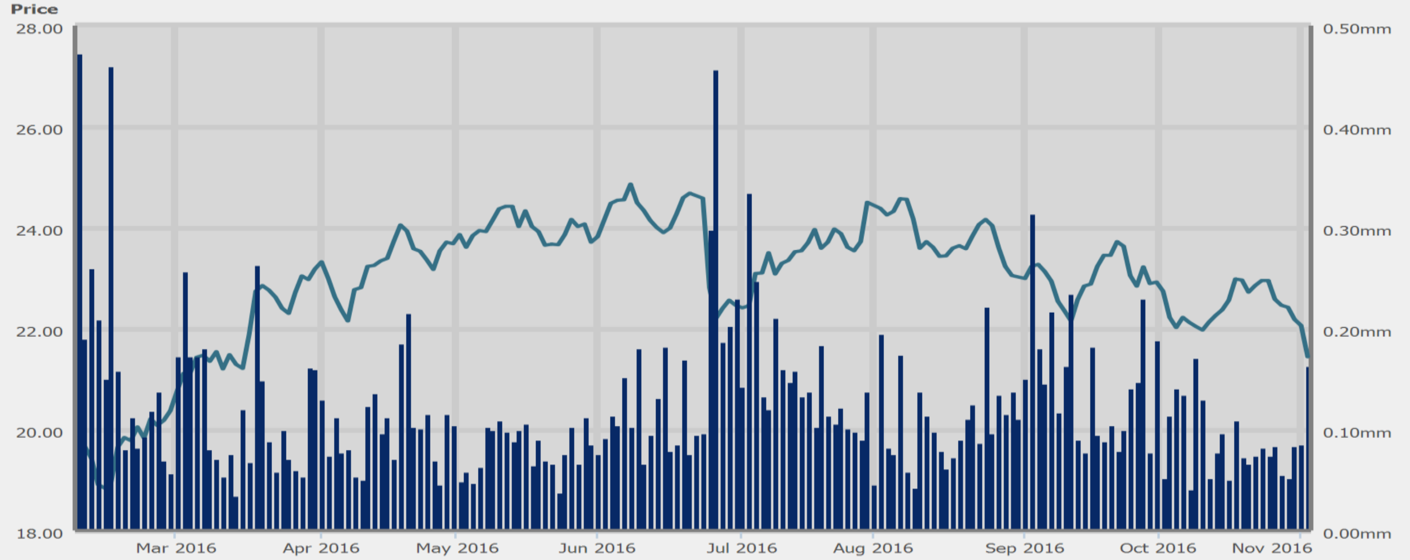
FQ1 2017 Earnings Call Transcripts

Friday, May 05, 2017 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ1 2017-			-FQ2 2017-	-FY 2017-	-FY 2018-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	-	-	-	-	2.13	2.33
Revenue (mm)	1191.00	1369.00	▲14.95	1207.00	4786.00	4925.50

Currency: USD
Consensus as of Apr-04-2017 11:43 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2016	-	-	-
FQ2 2016	-	-	-
FQ3 2016	-	-	-

Call Participants

EXECUTIVES

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Bryan Kenneth Davis
Chief Financial Officer of Brookfield Property Partners Limited and Managing Partner of Real Estate - Brookfield Property Partners Limited

Matthew P. Cherry
Senior Vice President of Investor Relations and Communications

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

ANALYSTS

Mario Saric
Scotiabank Global Banking and Markets, Research Division

Mark Rothschild
Canaccord Genuity Limited, Research Division

Sheila Kathleen McGrath
Evercore ISI, Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Brookfield Property Partners First Quarter 2017 Results Conference Call and Webcast. [Operator Instructions] As a reminder, this conference call is being recorded. I would now like to turn the conference over to your host, Mr. Matt Cherry, Senior Vice President, Investor Relations and Communications. Mr. Cherry, please go ahead.

Matthew P. Cherry
Senior Vice President of Investor Relations and Communications

Thank you, and good morning, everyone. Before we begin our presentation, let me caution you that our discussion will include forward-looking statements. These statements that relate to future results and events are based on our current expectations. Our actual results in future periods may differ materially from those currently expected because of a number of risks, uncertainties and assumptions. The risks, uncertainties and assumptions that we believe are material are outlined in our press release issued this morning.

With that, I'll turn the call over to Chief Executive Officer, Brian Kingston.

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Thank you, Matt, and good morning, everyone. Thank you for joining the call today. With me on the call are Ric Clark, Chairman of BPY; and Bryan Davis, our CFO.

In my prepared remarks, I'll discuss our activities and accomplishments from the quarter as well as providing some observations in real estate fundamentals and the investment environment that we're seeing in our various markets around the globe. Bryan will then go through the details of our quarterly financial results. And then following those comments, we'd be happy to take questions from any analysts or investors on the call today.

So as you would have seen in our disclosure this morning, we reported another strong quarter. Our company FFO was $237 million or $0.34 per unit, which is a 10% increase over the prior year period and our seventh consecutive quarter of year-over-year FFO earnings growth. Our results this quarter benefited from strong performance in our core office business as well as growth in our opportunistic investment segment.

Capital recycling remains one of our key priorities, and we've made significant progress in this initiative during the first several quarters of the -- or several months of the quarter. After raising approximately $3 billion of net equity from asset sales in 2016, we set a goal to raise an additional $1 billion to $2 billion over the course of 2017.

Premier well-leased properties in core markets continued to attract interest from global investors seeking stable bond-like yields. And consistent with the dispositions we completed last year, we expect to complete these sales at very attractive prices. The capital raised from these sales will be used in part to fund the ongoing construction of our 10 million square feet of development projects around the globe. The returns associated with these developments will be meaningfully higher than the assets that we're selling and are being developed to modern specifications to ensure they'll continue to meet our tenants' demands well into the future.

As has been reported, we are close to finalizing the sale of our 51% interest in 245 Park Avenue in Manhattan in a transaction that values that building at more than $2.2 billion and will generate net proceeds to BPY of more than $650 million. And while this is a trophy asset in the much sought-after Grand Central corridor that commands some of the higher rents in New York, we felt this capital could be better deployed elsewhere at higher returns.

In addition, our private real estate funds have begun harvesting capital through realizations of maturing investments. During the quarter, these funds returned approximately $240 million of capital to BPY, which will be used to fund our capital commitments to future opportunistic strategies.

Following the end of the quarter, we entered into an agreement with Brookfield Canada Office Properties to acquire the 17% equity interest in BOX we did not already own for approximately CAD 516 million or CAD 32.50 per unit. Similarly, we entered into an agreement to acquire the remaining 20% of the Brookfield Prime Property Fund in Australia for AUD 85 million as we continue to amalgamate our listed subsidiaries into BPY as our public -- as our flagship public vehicle. Both of these transactions will allow us to streamline operations and processes, reduce administrative cost. Shareholder meetings to approve both of these proposals are scheduled for June.

We also remained very active in putting capital to work on behalf of our opportunistic strategies, investing approximately $190 million at BPY's share through a Brookfield-managed opportunity fund to acquire a portfolio of 13 student housing assets in the U.K. and a preferred equity investment in a hospitality REIT, which owns 141 select service hotels throughout the United States.

On the corporate side, during the first quarter, we repurchased over 4.4 million BPY units at an average price of $22.90 per unit, a 25% discount to our IFRS value per unit. This significant increase in our buyback activity relative to prior years affirms our commitment to this strategy. And as long as our units continue to trade at a significant discount to their intrinsic value, we will continue to allocate resources to buybacks.

I'll now turn the call over to Bryan Davis for the detailed financial report.

Bryan Kenneth Davis
Chief Financial Officer of Brookfield Property Partners Limited and Managing Partner of Real Estate - Brookfield Property Partners Limited

Thank you, Brian. During the first quarter, we earned company FFO of $237 million compared with $217 million for the same period in 2016. On a per-unit basis, company FFO for the current quarter was $0.34 per unit compared with $0.31 per unit in the prior year, as an increase of 10% -- which was an increase of 10%. The strong operating performance across most of our business units more than offset the impact of the conversion of foreign income into fewer U.S. dollars.

BPY recorded a net loss attributed to unitholders for the quarter of $166 million or $0.23 per unit compared with net income of $251 million or $0.35 per unit in the prior year. This -- the decrease in the quarter was driven by net fair value losses, which was primarily due to adjustments to valuation models in our core office and retail businesses to reflect future cash flows and a generally higher interest rate environment in the U.S.

BPY realized gains of $206 million in the quarter as we successfully closed on the previously announced sale of a 50% interest in Principal Place office tower in London, where Amazon is a tenant, as well as the sale of various assets within our opportunistic office, multifamily, triple net lease and industrial portfolios.

In the last 12 months, we have realized gains of approximately $1.1 billion as we continue to execute our strategy of selling all or interests in assets where we feel we have maximized value. These realized gains, combined with our FFO this quarter, provide strong support for our quarterly distribution of $0.295 per unit that was paid at the end of March.

In reviewing our Q1 company FFO in a little more detail, the main drivers that contributed to the $20 million year-over-year growth were: a legal settlement related to -- earned in our London portfolio related to historic lease dispute of $20 million; we had same-store growth of 4% and 1% in our core office and core retail businesses, respectively, in natural currency, which increased net operating income by $12 million, and although our retail business had some headwinds in the quarter due to tenant bankruptcies, they continue to expect to achieve same-store growth of between 3% and 4% for the year. We had $15 million in FFO from additional capital invested in our opportunistic businesses, where we benefited from our recent investment in IFC Seoul. We increased our ownership interest in Rouse. We grew our Simply Storage and our student housing portfolios, and we closed on a significant investment in the manufactured housing sector in the U.S. These pluses were partially offset by the impact of dispositions from our core office and retail platforms, which reduced FFO by $20 million; the impact of a major renovation project and the Easter holiday falling in the first quarter last year, which reduced earnings at Atlantis on a comparable basis; and the continued strength of the U.S. dollar, which reduced FFO earned from foreign currencies by $7 million.

We do not have any merchant build gains in our results in Q1. And similar to last year, due to differences in accounting rules, we did not include in our earnings income recognized by GGP from the Ala Moana condominium development project, which was $3 million at our share. To date, this income totals $23 million at our share or $0.03 per BPY unit, which we expect to recognize in our IFRS results over the balance of 2017.

In arriving at company FFO, which we detail on Page 9 of our supplemental, amongst our standard adjustments for GGP warrants and the add-back of depreciation of nonreal estate assets, we adjusted for $14 million in transaction costs related to our recent acquisition and $5 million dollars for capitalized interest on active development projects that we now account for under the equity method due to recent sale of interest to third parties. IFRS rules allow for a return on your share of equity invested in a development only if you consolidate that development and not on that same amount of equity as the development is accounted for under the equity method. As a result, we have adjusted our FFO to reflect the return consistent with our consolidated development projects and, most importantly, to be consistent with the return we recognized on these projects in prior periods.

In comparing our results to the fourth quarter of 2016, company FFO decreased by $31 million from $268 million earned in that period. This decrease was primarily attributable to a reduction in FFO of $22 million in our core retail business due to seasonality and a net reduction in earnings from Canary Wharf, where the $44 million development fee earned in the fourth quarter of last year exceeded the $20 million legal settlement that we benefited from this quarter. These minuses were partially offset by same-store increase in our opportunistic investments, which improved FFO by $15 million, largely driven by strong results from our hospitality business in North America and $3 million in interest expense savings due to lower average corporate debt balance.

On our proportionate balance sheet. Total assets increased to $66 billion, as we completed the acquisition of a manufactured housing portfolio, continued to fund our active development pipeline and benefited from the conversion of foreign currencies into more U.S. dollars using spot rates at the end of the quarter. These investments were funded in part through incremental asset-level debt with the balance from on-hand liquidity, including available credit facilities and cash raised from asset sales.

We continue to focus on reducing corporate-level debt and pushing out maturities. During the quarter, we repaid CAD 200 million of senior unsecured bonds that were issued by our subsidiary BPO and we used available liquidity. In addition, we issued CAD 275 million of perpetual preferred shares at a rate of 5.1%, using the proceeds to redeem an equal amount of our on-demand capital securities. In addition, just subsequent to quarter end, we were able to capitalize on a strong market and issued a further $275 million of perpetual preferred shares, this time at a rate of 4.85%. The proceeds from this issuance will be used to redeem the last of the on-demand capital securities issued by our subsidiary BPO.

Issuing preferred equity under the Canadian market continues to be an accessible and efficient means of raising capital to fund our growth. Lastly, our Board of Directors yesterday declared a quarterly distribution of $0.295 per unit to be paid at the end of June.

So with that, I'll turn the call back over to you, Brian.

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Thanks, Bryan. Our core office business had an active first quarter, with several of our key operating markets reporting strong leasing. Notably New York City, where we did almost 500,000 square feet; Denver and Sydney, where we had renewals in excess of 300,000 feet; Toronto, Houston and Boston. In total, we leased 2.1 million square feet of core office space in Q1 at rents that were, on average, 25% higher than the leases that were expiring during the period.

In addition to our existing operating portfolio, the office developments that we've been constructing during the current building cycle are now beginning to deliver premier product to many of our key markets. The volume of pre-leasing activity has been very encouraging in our 2 most active development markets, London and New York City.

At our New York development, Manhattan West, we signed Whole Foods to be the local destination food hall and grocer for the area, as well as launched leasing at The Eugene, our 844-unit apartment building, to very strong demand. Our leasing pipeline remains robust at 5 Manhattan West and as well as the under-construction 1 Manhattan West. Activity and interest in this project is the strongest we've ever seen it.

In London, Amazon exercised its option to occupy the balance of the office space at Principal Place and will soon begin moving its employees into that building. At 100 Bishopsgate, which is our largest London development, we signed law firm Freshfields to a lease of more than 200,000 square feet with optionality to take an additional 100,000 square feet.

Over the next 2 years, in total, we will deliver nearly 2 million square feet of new office development in the city of London, 75% of which is already pre-leased.

Moving to our U.S. mall business. Despite the prevailing negative sentiment surrounding bricks-and-mortar retail, our high-quality portfolio continues to perform very well. Same-store leased percentage was 95% at quarter end and initial NOI-weighted rental rates for signed leases that commenced in the trailing 12 months on a suite-to-suite basis increased 15.5% when compared to the rental rate for expiring leases.

While certain retailers are experiencing challenges in adapting their business model to changing consumer tastes and the impact of e-commerce, demand for high-quality space in well-located market-dominant retail centers such as ours continues to be robust, and this is reflected in our high occupancy and leasing activity, which totaled nearly 9 million square feet in the past 12 months.

As an example of this demand, in the first quarter of 2017, approximately 1.2 million square feet of space in our portfolio was impacted by retail tenant bankruptcies. 80% of that space has already been re-leased to retailers whose businesses continue to grow.

We also have a robust pipeline of development and redevelopment opportunities within the portfolio, which will yield very attractive rates of return and continue to drive above-market earnings growth within our portfolio.

In short, our retail business is doing extremely well in spite of what you may be seeing in the press. We also noted comments from some analysts and media coming out of GGP's conference call earlier this week that referenced the company being for sale and believe that some of management's comments have been taken out of context. The board of GGP, and BPY as a very significant shareholder, are supportive of management's efforts to find ways to close the gap between their trading price and the underlying value of their assets and will work with them to evaluate various alternatives and chart a path forward. Beyond that, there's nothing else to report at this time.

So in conclusion, we had a strong financial and operational quarter. We continue to execute the business plan, fortify our balance sheet and make new strategic investments in order to generate higher returns for our unitholders.

So with those as our planned remarks, I'm now happy to open the line up to questions from analysts and investors. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Sheila McGrath with Evercore.

Sheila Kathleen McGrath
Evercore ISI, Research Division

Yes, Brian, you described the interest level in leasing in New York as robust in your letter, and I was just wondering if you could talk about the trends there. Do you see more interest from in-place tenants willing to move west to new office space? And just give us update on Manhattan West, the activity and tenant interest level there.

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Sure. I'll maybe let Ric talk about that generally in terms of what's happening in New York.

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Sheila, yes. So we have had experience of a market, sort of a pretty meaningful pickup in overall activity in Manhattan West. In fact, we had 4 tenants competing for all of the available space at 5 Manhattan West. We've got leases out for every inch of availability there, which is over 600,000 square feet. And similarly, we're seeing a lot of competition for the remaining space that we have available in our north tower, which is under development. So we expect in the next several months to be able to announce additional leasing there. These tenants, I'd say all -- most of them are coming from outside our portfolio. And in total in New York, we probably have 1 million square feet of leases in very serious negotiation stage for vacant space. So we're expecting a pretty good year on the leasing front in New York.

Sheila Kathleen McGrath
Evercore ISI, Research Division

And then just keeping with the New York theme. On the investment sales side, if you could describe the interest level at 245 Park, and if you are seeing continued interest from foreign investors or domestic in investing in office in Manhattan.

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes, that -- there's still a lot of foreign interest. There's been a lot of discussion about Asian tenants not being in the market because of concerns about getting currency out of China. That has not been our experience. We had a good level of activity when we ran the sales process for 245 Park Avenue, and it was coming from, I guess, all sort of walks, one where public companies are very interested, some private investors are interested and a lot of foreign capital as well. As Brian mentioned, we expect that transaction to close soon and at pretty robust pricing. So we haven't seen an abatement in interest in assets. Maybe it's not quite as frothy as a couple of years ago, but still very strong interest.

Sheila Kathleen McGrath
Evercore ISI, Research Division

Okay. I'll ask one, and then I'll get back in the line. But just in London, it looked like you had a lot of good leasing at some of your development. And I'm just wondering, just because everybody is worried about Brexit and tenants leaving, if you could comment on any known tenant departures. Or are you seeing any trends there with tenants wanting to exit upon expiration?

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

I -- no would be the quick answer, Sheila. But part of that is because we generally have very long-term leases in place. At Canary Wharf, I don't think there's any expiries of any note over in -- for the next 6 years. So we certainly don't have any tenants coming to talk about handing back leases or -- in advance of lease expiry. Occasionally -- and we read the same things you would in the press about some large tenants in London talking about what their plans may be for the future, but we haven't really seen evidence that anybody's actually making those space decisions yet. So I'd say the overall impact to date, really, from Brexit has been a slowdown in decision-making as tenants sort of wait to see how all of this plays out as opposed to them having a particular view on where they're going. And obviously, as you know, our view in the long term is London is going to remain a very important center of commerce and finance in particular. It's got great infrastructure, great location and tax laws, et cetera. And so we think, in the fullness of time, it's going to be fine. And we're not really seeing any evidence of what you were referring to yet, although there is a lot of discussion around the topic for sure.

Operator

[Operator Instructions] Your next question comes from the line of Mario Saric with Scotiabank.

Mario Saric
Scotiabank Global Banking and Markets, Research Division

I just wanted to circle back to the office discussion. And then [if we're] looking at the U.S. core office occupancy, it kind of fell a bit quarter-over-quarter to 88.7% after a pretty decent pickup last quarter. So Ric, I was just wondering maybe if you can provide a bit of commentary in terms of whether kind of a target mid-90% occupancy for kind of early, mid-2018 is still intact. It sounds like New York will contribute to that, but I'm just wondering if there's been any change in terms of where you think our core occupancy may end up within the next 12 to 18 months.

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes. So occupancy did dip by about 80 basis points. There's really sort of a couple of things that occurred during the quarter that contributed to that. One was we were -- we worked on early renewals with a couple of energy-sector tenants, one in Denver, one in Houston. And as part of that -- those renewals, we took back a little bit of space. So that added to our vacancy, not materially, but a little bit. We lost a law firm in Downtown L.A. for a little over 100,000 square feet, again, not material. But the biggest contributor to that vacancy dip was the Associated Press lease expiring at 5 Manhattan West. We were able to do a new lease with them at 200 Liberty Street in Lower Manhattan. And as I mentioned before, have leases out on every inch of available space at 5 Manhattan West. So the activity remains robust. I think our projection for the year still remains that we'll increase overall occupancy by about 200 basis points, and we don't see anything that jeopardizes that target at this point. It still looks pretty good.

Mario Saric
Scotiabank Global Banking and Markets, Research Division

Okay. And that 200 basis point increase, that's relative to Q4 '16?

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property

Partners Limited

Probably -- relative, yes.

Bryan Kenneth Davis
Chief Financial Officer of Brookfield Property Partners Limited and Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes.

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes, yes.

Mario Saric
Scotiabank Global Banking and Markets, Research Division

Okay. And then that's for the -- is that for the entire portfolio or just for the core U.S. portfolio?

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

That'd be overall portfolio.

Mario Saric
Scotiabank Global Banking and Markets, Research Division

Okay. And then maybe just coming back to the U.K. and, Brian, from your commentary there. So given kind of your thoughts on the operating environment in London and -- can you talk about potential further development leases that you may be able to find over the next year or so? And then, based on where current valuations are and the various asset classes that you own, do you expect to be a net buyer or seller in the U.K. over the next 12 months?

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes. So as far as leasing, as I mentioned, we did sign the lease with Freshfields at 100 Bishopsgate, which, assuming they exercise all of their options and take the full amount of space that they can under their lease, then we're about 70% leased there. So that remaining 30%, we have 18 months or so until construction completion. We've got a good pipeline of leasing. I expect the balance of that space is going to go to smaller tenants than we've been leasing to, to date. So single or a couple of floors at a time. And generally, they're making their space planning decisions in the sort of 12 to 18 months ahead of time as opposed to some of these larger ones that -- where we've been able to secure leases 3 or 4 years before the development is completed. So I'd say our leasing plan, despite all of the noise around Brexit, et cetera, is exactly on track of what we would've thought, which is to be at about 70% at this stage, and feel pretty confident by the time we get to completion or shortly thereafter, we should have the balance of that space leased up. And that's really all of the leasing that we have to do in London. As I mentioned, Amazon has taken up 100% of the office space at Principal Place, and all of our other ones are. So from a development perspective, we're in great shape on leasing. I'd say, to your question about are we a net buyer or a seller in London? We'd love to grow the business there. We like the market. I think it's going to be partly dependent on prices. And we, along like -- along with a number of others, we're hopeful that maybe some of the disruption that's coming with Brexit would create some opportunities to find some either deep value or even distressed opportunities. We haven't really seen them surface. There's a lot of capital still in London. Pricing is very strong. And so I'd say we prefer to buy, but it's really going to be dependent on whether we can find things that hit our returns.

Mario Saric
Scotiabank Global Banking and Markets, Research Division

Okay. That's great color. Maybe last question for me, more of a higher-level question. Your capital recycling, you've done a really good job in terms of buying kind of higher cap rate assets, selling lower cap rate assets. And the realized gains that you're disclosing, the $1.1 billion over the past 12 month is a testament to that. The flip side of that is if we back out kind of the lease termination fees and whatnot, the FFO per unit growth was fairly flat year-over-year. So I guess, a 2-part question, the first part being is, is there generally a time lag from a capital or recycling perspective that could impact the FFO per unit in terms of realizing that incremental positive spread? And then, secondly, when we think about the FFO-per-unit growth composition going forward, should we think about a bigger part of that growth being some of these realized gains and settlements and whatnots in our kind of traditional customary core FFO view?

Bryan Kenneth Davis
Chief Financial Officer of Brookfield Property Partners Limited and Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes, Mario, it's Bryan. I'll just say, on a sort of a year-over-year basis, sometimes there is a lag between when we raise capital and then, ultimately, can deploy it into other strategies that are higher-returning. So that will definitely impact our results. Specific to Q1 2017 versus the same period in 2016, we did have growth that is kind of masked by the fact that our year-over-year was $20 million, which exactly equals that lease settlement. But that growth was offset, to some degree, by $7 million of incremental FX headwinds related to the strength of the U.S. dollar. And similarly, the comment I mentioned about Easter falling in the first quarter of 2016, that had a fairly sizable impact on our results when you compare it on a period-over-period basis. So you back those things out, there's $12 million to $13 million of incremental earnings that we had in Q1 of 2017 that, I think, got a little bit lost in the numbers.

Operator

Your next question comes from the line of Mark Rothschild with Canaccord.

Mark Rothschild
Canaccord Genuity Limited, Research Division

You commented on GGP that maybe things were misunderstood coming out of their conference call [ago]. It appears that they are -- that they were saying that they would like to look at different strategies to surface value with their shares trading below NAV. BPY's units are obviously trading well below NAV as well. And while you have increased the unit buyback, I was curious if this is something you would potentially increase further or something we should expect to continue or if there are other options that you may consider at some point to improve the valuation relative to the NAV.

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes, so I'd say all of those things are true. So as we've sort of said in the past, as -- one of the uses of proceeds from these asset sales, of course, is to buy back our units. Over the last couple of years, we've been investing a significant portion of those proceeds into our -- building out our development pipeline and investing in our opportunistic strategy, which we thought were the right -- as well as reducing some corporate debt, which we thought were the right places. A lot of that is now largely done. The development -- the equity to go into our developments is largely funded as these projects are now getting into the later stages of development. As I mentioned, on the opportunistic side, we're starting to have real -- natural realizations out of that strategy that will fund them going forward, and we've made a lot of progress on cleaning up all of the corporate debt. So what that does, it allows us to use -- to dedicate more of the proceeds toward buying back our own units, and I think that's what you're starting to see the beginning of. So as always, we'll make the decisions at the time based on the various options that are available to us to invest in. But we certainly have more flexibility today to use those proceeds to buy back stock, and it -- certainly, at the prices where we're trading, we think that's a great use of cash. As far as considering other things, I think we've -- we'd mentioned in the past some of the things that we've been thinking about, whether it's REIT conversion or other things. And I think we spend a fair bit of time considering whether there's things we can do to either simplify the story and do a better job marketing to investors that we think will have an interest in the story that maybe aren't investing in it. And I think Bryan and I will continue on doing that, but I wouldn't expect any major strategy shift, we think, to really continue what we've been talking about for the last 3 years.

Mark Rothschild
Canaccord Genuity Limited, Research Division

Okay. And you have indicated that there would be some more asset sales. Should we expect any other large office sales like the one you're doing on Park Avenue in 2017?

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes, potentially. I'd say -- we said we're targeting $1 billion to $2 billion of net equity. 245 Park is $650 million of that number, and the balance will be a combination of maybe 1 or 2 other large things as well as some smaller portfolios or assets in there. But yes, there just could potentially be one more.

Mark Rothschild
Canaccord Genuity Limited, Research Division

Okay. And then just lastly. If you pretty much funded much of the developments and devaluation is where it is, would we expect more of the proceeds to go to unit buybacks versus acquisitions? Or will you still be focused on external growth?

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

It'll be both. It'll be both. I think we're -- when we're making these external acquisitions, as we are through the opportunistic strategy, we think these are 20%-plus IRR transactions, which are obviously very attractive. So I think that so long as we continue to find those and we've got a pretty good pipeline of those types of acquisitions, we will put some of our capital toward that. But as I mentioned, we now have a bit more flexibility to put more toward the buyback if we stay down here.

Operator

Your next question comes from line of Sheila McGrath with Evercore.

Sheila Kathleen McGrath
Evercore ISI, Research Division

Yes, Brian, maybe you could just give us a sense of how much capital you need or equity you need on the remaining development. And I think, at the beginning of the year, you said you would sell or try to source $1 billion to $2 billion of equity. And is that -- does that still stand? I'm just trying to get a sense of sources and uses for the year.

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes, the $1 billion to $2 billion of equity proceeds is still the plan for the year in terms of asset sales and the amount of equity that will come out of those. We think, for funding of development, it's probably in the order of $250 million to $300 million that's needed for that. And then the balance would go to some combination of new investments, investing, and whether that's new investments or acquisitions or otherwise funding development or redevelopment. So not necessarily ground-up development, but investing in things like Brookfield Place here as well as the buyback.

Sheila Kathleen McGrath
Evercore ISI, Research Division

Okay. And then could you give us a little more detail on the San Francisco acquisition of One -- I think it was One Post. Just in terms of pricing and how that came about and that opportunity.

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes. So look, it was a -- this was an occupier-owned building. There was a process around the sale. So they hired brokers, we participated in it. And essentially, the transaction is to buy the building from them, lease it back to them, a portion of it on a long-term basis and a portion on a shorter-term one. So they're trying to shrink their own footprint within it. And I'd say one of the key things on this transaction, or why they got comfortable with us, was it's [the tend] that we do lots within other places, and they felt comfortable that we'll be a long-term owner. The building requires some capital around the lobby and refurbishing the floors, et cetera, and they -- we think, obviously, because of -- it's a marketed process, we obviously had to pay a fair price. But we do think this is one where the seller had an -- a unique interest in who is going to own the building afterwards as opposed as to whether the check would clear. And we think that sort of helped distinguish us amongst the pool. This was bought as part of our core plus strategy, which we recently launched last year. That fund strategy is targeting 10% to 12% levered returns, and this asset would sort of fit into that profile.

Sheila Kathleen McGrath
Evercore ISI, Research Division

Okay. And then just strategically, you had -- in terms of property sectors, obviously, office and retail are main core. And in the past, you've mentioned growing multifamily away from the fund business. Are you focused on growing that business on balance sheet? And any other sectors that you think you would be looking at on balance sheet away from the funds?

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes. We are -- I'd say the distinction maybe is in the funds on multifamily. To date, a lot of our investments have been suburban, garden-style apartments. And the strategy, oftentimes, was buy it, fix it, sell it. These were assets that were maybe underinvested in and needed some repositioning. The strategy you're referring to in terms of growing and growing on the balance sheet in particular and outside of the funds is much more focused on building a multifamily business similar to our office business being in major gateway cities, in urban locations, generally high-rise, a -- much higher-value assets where you've got a lot more density. And that is -- look, we continue to do that. We've got a number of developments underway right now in Manhattan. We've got sites available to us in Los Angeles and a few other major markets around the United States. We're also looking outside of the U.S. at this. We're building assets like this on Canary Wharf. And I think this will be a meaningful part of the business going forward. Given where pricing is right now, our focus has been on [developed to hold] because we think the returns are better there. We can develop to a lower price and where, often, these assets are trading through a replacement cost. So that's really been the focus. But I think if an opportunity came along to buy for good value of a larger portfolio, we'd look to do that. And then as far as your second question, other sectors that we're looking to build on the balance sheet, we continue to like logistics as a sector longer term. I think pricing there is similar to multifamily. Right now, it's a little bit challenging to invest in scale, so we've done a few smaller things there. But I think, over time, that's another area you could see become a larger portion of our core balance sheet.

Sheila Kathleen McGrath

Evercore ISI, Research Division

Okay. And then last question. On The Eugene, how is the reception so far? If you could just give us a little bit of an update there.

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Sheila, it's -- so just a couple of quick data points on The Eugene. We opened for leasing March 1. March was a bit of a slow month, largely weather-related. I think we leased 20 units in March. We leased 60 in April, and we've leased 102 to date. So we're well above our pro forma pace of 35 to 40 units a month, and overall, things are going really well. We're getting the economics that we thought. So all is looking good. Yes.

Operator

Your next question comes from the line of Mario Saric with Scotiabank.

Mario Saric
Scotiabank Global Banking and Markets, Research Division

Just one quick follow-up. Just on the back of that $1 billion to $2 billion of target net equity sales for the year. 245 Park, Brian, as you mentioned, is part of that. It has been reported that you're looking at a partial sale of the stake at Brookfield Place New York, which, if we do the math, would take a big part of the remainder. I was just wondering if you maybe could provide a bit of color in terms of what your plans are there and the potential level of interest in Downtown New York versus what you'd lose at 245 Park.

Brian W. Kingston
Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes, that is potentially one that we could look at. I'd say the -- in terms of interest in Lower Manhattan -- and Ric could probably comment on this better than I can, but I'd say interest has never been higher in this submarket. Rents are strong down here. People are sort of seeing the transformation that's happened. So we do think investor interest in an asset like this, particularly one that's been fully repositioned and is now leased, would be high. I think we've got a couple of options available to us as we think about what that $1 billion to $2 billion. Obviously, we've got a lot more than that in a potential pipeline. And so that's possibly one of the assets. I think part of it will just be assessing the pricing we can get on that and the -- and some of the upside that you may be foregoing by selling it here versus things we can do elsewhere. So...

Richard Byron Clark
Chairman of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Yes, I don't have a whole lot to add. I just would say that Brookfield Place New York has turned out to be one of the best assets in the world. So there's a lot of interest people would be interested in owning it and holding it for a long period of time, as would we. But as Brian said, at the right price, we'll bring partners into the asset. If not, we'll work on other things to fulfill the rest of that $2 billion number. So...

Operator

There are no further questions at this time. Mr. Brian Kingston, I will turn the call back over to you.

Brian W. Kingston

Chief Executive Officer of Brookfield Property Partners Limited and Senior Managing Partner of Real Estate - Brookfield Property Partners Limited

Okay. Thank you, everyone, for dialing in, and we look forward to updating you again next quarter. Thank you.

Operator This concludes today's conference call. You may now disconnect.