Letter to Unitholders

Dear Unitholders,

We recorded Company FFO of $237 million or $0.34 per unit in the first quarter of 2017. This was a 10% increase over the same period in the prior year and our seventh consecutive quarter of year-over-year per unit Company FFO growth. Our results this quarter benefited from strong performance in our core office business, and growth from our opportunistic investments. We continue to execute our business strategy in an environment of robust capital markets and healthy operating activity.

Capital Recycling

After raising approximately $3 billion of net equity from asset sales in 2016, we set a goal at the beginning of 2017 to raise an additional $1-2 billion over the course of the year. Our premier, well-leased properties in core markets continue to attract interest from global investors seeking stable, bond-like yields, and, consistent with the dispositions we completed in 2016, we expect to complete these sales at very attractive prices. We will redeploy the capital raised from these sales to fund the continued development of our 7-million-square-foot Manhattan West project in the Hudson Yards district on the west side, as well as our other development projects around the globe. On average, these developments yield significantly higher yields than the assets we are selling and are built to the latest standards of quality for the future of office uses.

In accordance with this strategy, we are in the final stages of completing the sale of our 51% interest in 245 Park Avenue in Manhattan in a transaction that values the building at more than $2.2 billion and will generate net proceeds to Brookfield Property Partners (“BPY”) of over $650 million. While a trophy asset in the much-sought-after Grand Central corridor that commands some of the highest rents in New York, we felt the capital could be deployed elsewhere at higher returns.

In addition, Brookfield’s earlier-generation private real estate funds have begun harvesting capital through realizations of maturing investments. During the quarter, these funds returned approximately $239 million of capital to BPY. As we have mentioned in the past, our capital commitments to future opportunistic funds will be primarily funded through realizations from predecessor funds, which should continue to ramp up sequentially as the investment horizons within these funds draw near.

Subsequent to the quarter-end, we entered into two “clean-up” transactions. The first is an agreement with Brookfield Canada Office Properties (TSX: BOX.UN; NYSE: BOXC) to acquire the 17% equity interest in BOX we did not already own for approximately C$515.7 million or C$32.50 per unit. The second transaction is in Australia where we have also entered into a similar agreement to acquire the remaining 20% of the Brookfield Prime Property Fund for A$85 million. Both transactions enable us to amalgamate our listed subsidiaries into BPY and continue to establish this company as Brookfield’s flagship listed real estate vehicle. Both of these transactions will also allow us to streamline operations and reduce administrative costs.

Operating Report

Core Office

Our core office business had a strong first quarter, recording Company FFO of $156 million, a 5% increase over the prior year period. The quarterly increase is attributable to same-store growth of 4% and a one-time lease settlement, partially offset by asset sales in prior periods and the conversion of foreign currency income into fewer U.S. dollars. We are beginning to convert into operating properties the pipeline of office developments that we started early in this building cycle. This will greatly enhance our premier portfolios in many of our key markets over the next few years. The volume of pre-leasing activity is strong in both of our most active development markets, London and New York City.

The leasing environment in New York continues to be robust, allowing us to complete 486,000 square feet of leases in Manhattan during the first quarter of 2017, including a Whole Foods store at Manhattan West that will serve as the local destination food hall and grocer for the Hudson Yards neighborhood. Also at Manhattan West, we launched leasing at The Eugene – our 844-unit apartment building – to great demand.

In London, Amazon exercised its option to occupy the balance of office space at Principal Place and will soon begin moving employees in as the building’s 100% tenant. At 100 Bishopsgate, our largest London development, we signed law firm Freshfields to a lease for more than 200,000 square feet and they may take a further +/- 100,000 square feet. Over the next two years, we will deliver nearly two million square feet of new office development in the City of London, 75% of which has already been pre-leased.

Aside from development, several of our operating markets around the globe also had strong leasing quarters, notably Denver (335,000 sq. ft.), Sydney (303,000 sq. ft.), Toronto (190,000 sq. ft.), Houston (164,000 sq. ft.) and Boston (159,000 sq. ft.). In total, we leased 2.1 million square feet of core office space in Q1 at average rents 25% higher than rents on leases that expired in the quarter.

Core Retail

Our core retail business generated Company FFO of $110 million in the first quarter, consistent with the prior period total of $111 million. Same-store NOI growth was 1.4% in the quarter. This growth in earnings was offset by the incremental revenue impact due to tenant bankruptcies during the quarter and asset sales completed in 2016.

Despite negative sentiment surrounding brick and mortar retail, our 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 during the trailing 12 months, which totaled 8.9 million square feet. In the first quarter of 2017, while approximately 1.2 million square feet of space was impacted by retail tenant bankruptcies, 80% of that space was re-let in the span of 60 days.

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.

Opportunistic

As the largest investor in Brookfield's private real estate funds which are currently in their investment periods, we have remained active, committing $234 million of capital to transactions in this strategy during the quarter. Most recently, our opportunity fund – BSREP II – acquired a portfolio of 13 student housing assets in 7 university markets in the UK. Following on this fund's initial investment in this sector in 2016, we are now the 5th largest owner/operator of student housing assets in the UK. This fund also closed on a $135 million (the first tranche of a $400 million total) convertible preferred equity investment in a public, non-traded hospitality REIT which owns 141 select-service hotels throughout the U.S.

Corporate

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.

In the first quarter, we issued C$275 million of perpetual preferred shares at a 5.10% coupon, and subsequent to quarter-end we issued a further C$275 million of these securities at 4.85%. Proceeds from both issues are being used to repay capital securities that were coming due or had higher dividend rates, both reducing costs and extending duration.

Conclusion

We continue to make good progress on our strategic priorities we laid out for 2017 and on behalf of the entire management team and the Board at Brookfield Property Partners, we thank you for your continued support and sponsorship. As always, do not hesitate to contact us if you have any questions or requests.

Sincerely,

Brian Kingston
Chief Executive Officer
May 5th, 2017

Forward-looking Statement

This letter to unitholders contains "forward-looking information" within the meaning of Canadian provincial securities laws and applicable regulation and "forward looking statements" within the meaning of "safe harbor" provisions of the United States Private Security Litigation Reform Act of 1995. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding our operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts," "likely," or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could."

Forward-looking statements in this letter include, without limitation, statements regarding our anticipated FFO, NOI, cash flow and net asset value (NAV) growth; targeted returns from earnings growth drivers; the growth potential of our existing and new investments; anticipated leasing; and our strategy for asset sales and acquisitions.

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 exchanges 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.

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.