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Brookfield Property Partners L.P.
Form 20-F
March 01, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE
ACT OF 1934

OR

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

OR

..SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Commission file number: 001-35505

Brookfield Property Partners L.P.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Bermuda

(Jurisdiction of incorporation or organization)

73 Front Street, 5th Floor, Hamilton, HM 12 Bermuda

(Address of principal executive office)

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Limited Partnership Units	Nasdaq Stock Market
Limited Partnership Units	Toronto Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 424,198,012 Limited Partnership Units as of December 31, 2018.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 "Item 18 "

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes " No x

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INTRODUCTION AND USE OF CERTAIN TERMS

We have prepared this Form 20-F using a number of conventions, which you should consider when reading the information contained herein. Unless otherwise indicated or the context otherwise requires, in this Form 20-F:

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; and

- all information on financial results is presented in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB, other than certain non-IFRS financial measures which are defined under “Use of Non-IFRS Measures” below.

In this Form 20-F, unless the context suggests otherwise, references to “we”, “us” and “our” are to Brookfield Property Partners L.P., the BPR Group, the Property Partnership, the Holding Entities and the operating entities, each as defined below, taken together on a consolidated basis. Unless the context suggests otherwise, in this Form 20-F references to:

“AO LTIP Units” are to the BPY AO LTIP Units of the Property Partnership;

“assets under management” are to assets managed by us or by Brookfield on behalf of our third party investors, as well as our own assets, and also include capital commitments that have not yet been drawn. Our calculation of assets under management may differ from that employed by other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers;

- the “BPY General Partner” are to the general partner of our company, which is Brookfield Property Partners Limited, an indirect wholly-owned subsidiary of Brookfield Asset Management;

“Brookfield” are to Brookfield Asset Management and any subsidiary of Brookfield Asset Management, other than us;

“Brookfield Asset Management” are to Brookfield Asset Management Inc.;

“BPR” are to Brookfield Property REIT Inc.;

“BPR Group” are to BPR, BPR OP, L.P. and any of their direct or indirect subsidiaries;

“BPR Master Services Agreement” means the master services agreement among BPR, the service providers named therein, and certain other subsidiaries of BPR and Brookfield Asset Management who are parties thereto;

“BPR Units” are to the shares of Class A Stock of BPR which are intended to be economic equivalent to the limited partnership units of our partnership;

the “Class A Preferred Unitholder” are to the third-party holder of the Class A Preferred Units;

the “Class A Preferred Units” or “Preferred Equity Units” are to the Class A preferred limited partnership units of the Property Partnership that are exchangeable for units of our company pursuant to the Preferred Unit Exchange Mechanism;

“commercial property” or “commercial properties” are to commercial and other real property that generates or has the potential to generate income, including office, retail, multifamily, triple net lease, logistics (formerly referred to as industrial), hospitality, self-storage, student housing and manufactured housing assets, but does not include, among other things, residential land development, home building, construction, real estate advisory and other similar operations or services;

“FV LTIP Units” are to the FV LTIP Units of the Property Partnership;

“fully-exchanged basis” assume the exchange of certain issued and outstanding securities that are exchangeable into our units, including the exchange of the issued and outstanding Redemption-Exchange Units in accordance with the Redemption-Exchange Mechanism, the exchange of the issued and outstanding Class A Preferred Units in accordance with the Preferred Unit Exchange Mechanism and the exchange of the issued and outstanding exchangeable limited partnership units of Brookfield Office Properties Exchange LP not held by us;

“GGP” are to GGP Inc.;

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“Holding Entities” are to the primary holding subsidiaries of the Property Partnership, from time to time, through which it indirectly holds all of our interests in our operating entities;

“Master Services Agreement” are to the amended and restated master services agreement among the Service Recipients, the Service Providers, and certain other subsidiaries of Brookfield Asset Management who are parties thereto;

“operating entities” are to the entities in which the Holding Entities hold interests and that directly or indirectly hold our real estate assets or that perform real estate management services for our real estate assets other than entities in which the Holding Entities hold interests for investment purposes only of less than 5% of the equity securities;

“our business” are to our business of owning, operating and investing in commercial property, both directly and through our operating entities;

“our company”, “BPY” or “our partnership” are to Brookfield Property Partners L.P., a Bermuda exempted limited partnership;

“our limited partnership agreement” are to the second amended and restated limited partnership agreement of our company;

“our portfolio” are to the commercial property assets in our Core Office, Core Retail and LP Investments (formerly Opportunistic) segments, as applicable;

“our units”, “LP Units” and “units of our company” are to the non-voting limited partnership units in our company and references to “our unitholders” and “our limited partners” are to the holders of our units. References to “Unitholders” are to holders of general partnership units of our partnership, or GP Units, LP Units, Redemption-Exchange Units, special limited partnership units of the Property Partnership, or Special LP Units, AO LTIP Units, FV LTIP Units, exchangeable limited partnership units of Brookfield Office Properties Exchange L.P., or Exchange LP Units and BPR Units;

the “Preferred Unit Exchange Mechanism” are to the mechanism by which the Preferred Unitholder may exchange the Class A Preferred Units for units of our company, as more fully described in Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Preferred Unit-Exchange Mechanism”;

the “Preferred Units” are to the limited partnership units of the Property Partnership, including the Class A Preferred Units;

the “Preferred Unitholders” are to holders of Preferred Units;

the “Property Partnership” or the “Operating Partnership” are to Brookfield Property L.P., a Bermuda exempted limited partnership;

“Property Special LP” are to Brookfield Property Special L.P., an indirect wholly-owned subsidiary of Brookfield Asset Management, which is the sole special limited partner of the Property Partnership;

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the “Redemption-Exchange Mechanism” are to the mechanism by which Brookfield may request redemption of its Redemption-Exchange Units in whole or in part in exchange for cash, subject to the right of our company to acquire such interests (in lieu of such redemption) in exchange for units of our company, as more fully described in Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Redemption-Exchange Mechanism”;

the “Redemption-Exchange Units” or “Redeemable/Exchangeable Partnership Units” are to the non-voting limited partnership interests in the Property Partnership that are redeemable for cash, subject to the right of our company to acquire such interests (in lieu of such redemption) in exchange for units of our company, pursuant to the Redemption-Exchange Mechanism;

the “Service Providers” are to the subsidiaries of Brookfield Asset Management that provide services to us pursuant to our Master Services Agreement, and unless the context otherwise requires, any other affiliate of Brookfield that is appointed from time to time to act as a service provider pursuant to our Master Services Agreement or to whom any service provider has subcontracted for the provision of such services;

the “Service Recipients” are to our company, the Property Partnership, the Holding Entities and, at the option of the Holding Entities, any wholly-owned subsidiary of a Holding Entity excluding any operating entity; and

“Spin-off” are to the special dividend of our units by Brookfield Asset Management on April 15, 2013 as described under Item 4.A. “Information on the Company - History and Development of the Company”.

Historical Performance and Market Data

This Form 20-F contains information relating to our business as well as historical performance and market data for Brookfield Asset Management and certain of its business groups. When considering this data, you should bear in mind that historical results and market data may not be indicative of the future results that you should expect from us.

Financial Information

The financial information contained in this Form 20-F is presented in U.S. Dollars and, unless otherwise indicated, has been prepared in accordance with IFRS. Amounts in “\$” are to U.S. Dollars and amounts in Canadian Dollars (“C\$”), Australian Dollars (“A\$”), British Pounds (“£”), Euros (“€”), Brazilian Reals (“R\$”), Indian Rupees (“₹”), Chinese Yuan (“¥”), South Korean Won (“₩”) and United Arab Emirates Dirham (“AED”) are identified where applicable.

Use of Non-IFRS Measures

To measure our performance, we focus on Net Operating Income, or NOI, same-property NOI, funds from operations, or 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. We define each of these measures as follows:

NOI: revenues from our commercial properties operations less direct commercial property expenses, or Commercial property NOI, and revenues from our hospitality operations less direct hospitality expenses, or Hospitality NOI.

Same-property NOI: a subset of NOI, which excludes NOI that is earned from assets acquired, disposed of or developed during the periods presented, not of a recurring nature, or from LP Investments assets.

FFO: net income, prior to fair value gains, net, depreciation and amortization of real estate assets, and income taxes less non-controlling interests of others in operating subsidiaries and properties therein. When determining FFO, we include our proportionate share of the FFO of unconsolidated partnerships and joint ventures and associates, as well as gains (or losses) related to properties developed for sale.

Company FFO: FFO before the impact of depreciation and amortization of non-real estate assets, transaction costs, gains (losses) associated with non-investment properties, imputed interest associated with financing the partnership’s share of commercial developments accounted for under the equity method and the FFO that would have been attributable to the partnership’s shares of GGP if all outstanding warrants of GGP were exercised. Prior to the third quarter of 2017, the adjustment assumed net settlement of the outstanding warrants. For the third quarter of 2017, the adjustment is based on the cash settlement for all applicable warrants to reflect the partnership’s settlement of the warrants on such basis which occurred in the fourth quarter of 2017.

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, AO LTIP 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, AO LTIP 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 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, or 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, or 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, or 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.

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.

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.

Under Item 5.A. "Operating and Financial Review and Prospects - Operating Results - Financial Statements Analysis - Review of Consolidated Results - Reconciliation of Non-IFRS Measures", we provide a reconciliation to net income (loss) for the periods presented. We urge you to review the IFRS financial measures in this Form 20-F, including the financial statements, the notes thereto and the other financial information contained herein, and not to rely on any single financial measure to evaluate our company.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 20-F 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”, “t”, “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 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; volatility in the market price of BPR Units; 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.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. SELECTED FINANCIAL DATA

The following tables present selected financial data for our company as of and for the periods indicated:

(US\$ Millions, except per unit information)	Years ended Dec. 31,				
	2018	2017	2016	2015	2014
Total revenue	\$7,239	\$6,135	\$5,352	\$4,853	\$4,473
Net income	3,654	2,468	2,717	3,766	4,420
Net income attributable to LP units	764	136	660	1,064	1,154
Net income attributable to GP Units	—	—	—	1	1
Net income per LP Unit	2.28	0.48	2.30	3.72	5.59
Distributions per LP Unit	1.26	1.18	1.12	1.06	1.00
FFO ⁽¹⁾	866	873	895	710	714

FFO is a non-IFRS measure. See “Introduction and Use of Certain Terms - Use of Non-IFRS Measures” and Item (1) 5.A, “Operating and Financial Review and Prospects - Operating Results- Financial Statements Analysis - Review of Consolidated Financial Results”.

(US\$ Millions)	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
	2018	2017	2016	2015	2014
Investment properties	\$80,196	\$51,357	\$48,784	\$41,599	\$41,141
Equity accounted investments	22,698	19,761	16,844	17,638	10,356
Total assets	122,520	84,347	78,127	71,866	65,575
Debt obligations	63,811	36,884	33,519	30,526	27,006
Capital securities	3,385	4,165	4,171	4,031	4,011
Total equity	46,740	35,124	34,161	30,933	28,299
Equity attributable to Unitholders ⁽¹⁾	28,284	22,186	22,358	21,958	20,208

(1) As at December 31, 2018, 2017, 2016, 2015 and 2014, refers to holders of our units, GP Units, Redemption-Exchange Units, Special LP Units, Exchange LP Units, AO LTIP Units and BPR Units, as applicable.

3.B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

3.C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

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3.D. RISK FACTORS

Your holding of units of our company involves substantial risks. You should carefully consider the following factors in addition to the other information set forth in this Form 20-F. If any of the following risks actually occur, our business, financial condition and results of operations and the value of your units would likely suffer.

Risks Relating to Our Business

Our economic performance and the value of our assets are subject to the risks incidental to the ownership and operation of real estate assets.

Our economic performance, the value of our assets and, therefore, the value of our units are subject to the risks normally associated with the ownership and operation of real estate assets, including but not limited to:

- downturns and trends in the national, regional and local economic conditions where our properties and other assets are located;

- the cyclical nature of the real estate industry;

- local real estate market conditions, such as an oversupply of commercial properties, including space available by sublease, or a reduction in demand for such properties;

- changes in interest rates and the availability of financing;

- competition from other properties;

- changes in market rental rates and our ability to rent space on favorable terms;

- the bankruptcy, insolvency, credit deterioration or other default of our tenants;

- the need to periodically renovate, repair and re-lease space and the costs thereof;

- increases in maintenance, insurance and operating costs;

- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;

- the decrease in the attractiveness of our properties to tenants;

- the decrease in the underlying value of our properties; and

certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges that must be made regardless of whether a property is producing sufficient income to service these expenses.

In addition, following our acquisition of GGP in August 2018, the value of our units is affected by the market price of the BPR Units.

We are dependent upon the economic conditions of the markets where our assets are located.

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 will cause downward pressure on our operating margins and asset values as a result of lower demand for space.

Our properties are largely located in North America, Europe and Australia but also include a growing presence in Brazil and Asia. With our acquisition of GGP, our presence in the United States has increased. A prolonged downturn in one or more of these economies or the economy of any other country where we own property 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.

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We are subject to foreign currency risk and our risk management activities may adversely affect the performance of our operations.

Some of our assets and operations are in countries where the U.S. Dollar is not the functional currency. These operations pay distributions in currencies other than the U.S. Dollar which we must convert to U.S. Dollars prior to making distributions on our units. A significant depreciation in the value of such foreign currencies may have a material adverse effect on our business, financial condition and results of operations.

When managing our exposure to such market risks, we may use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments. The success of any hedging or other derivative transactions that we enter into generally will depend on our ability to structure contracts that appropriately offset our risk position. As a result, while we may enter into such transactions in order to reduce our exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

We are subject to interest rate risk and a rise in interest rates may adversely affect us and the value of an investment in our units.

A number of our assets are interest rate sensitive: increases in long-term interest rates will, absent all else, decrease the value of these assets by reducing the present value of the cash flows expected to be produced by the asset. If interest rates were to rise, it may affect the market perceived or actual value of our assets and/or distributions and consequently the market price of our units may decline in value. Additionally, an increase in interest rates could decrease the amount buyers may be willing to pay for our properties, thereby reducing the market value of our properties and limiting our ability to sell properties or to obtain mortgage financing secured by our properties. Further, increased interest rates may effectively increase the cost of properties we acquire to the extent we utilize leverage for those acquisitions and may result in a reduction in our acquisitions to the extent we reduce the amount we offer to pay for properties, due to the effect of increased interest rates, to a price that sellers may not accept.

We face risks associated with the use of debt to finance our business, including refinancing risk.

We incur debt in the ordinary course of our business and therefore are subject to the risks associated with debt financing. The risks associated with our debt financing, including the following, may adversely affect our financial condition and results of operations:

• cash flows may be insufficient to meet required payments of principal and interest;

• payments of principal and interest on borrowings may leave insufficient cash resources to pay operating expenses;

• we may not be able to refinance indebtedness on our properties at maturity due to business and market factors, including: disruptions in the capital and credit markets; the estimated cash flows of our properties and other assets; the value of our properties and other assets; and financial, competitive, business and other factors, including factors beyond our control; and

• if refinanced, the terms of a refinancing may not be as favorable as the original terms of the related indebtedness.

Our operating entities have a significant degree of leverage on their assets. Highly leveraged assets are inherently more sensitive to declines in revenues, increases in expenses and interest rates, and adverse market conditions. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company, all other things being equal, is generally greater than for companies with comparatively less debt. Leverage may also result in a requirement for liquidity, which may force the sale of assets at times of low demand and/or prices for such assets.

We rely on our operating entities to provide our company with the funds necessary to make distributions on our units and meet our financial obligations. The leverage on our assets may affect the funds available to our company if the terms of the debt impose restrictions on the ability of our operating entities to make distributions to our company. In addition, our operating entities generally have to service their debt obligations before making distributions to our company or their parent entity. The Property Partnership is also required to make distributions to Preferred Unitholders before making distributions to us.

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We have substantial indebtedness, and we may incur substantially more indebtedness in the future, and are subject to certain refinancing risks.

In addition to our \$2.8 billion of corporate credit facilities, we may also incur indebtedness under future credit facilities or other debt-like instruments, in addition to any asset-level indebtedness. We may also issue debt or debt-like instruments in the market in the future, which may or may not be rated. Should such debt or debt-like instruments be rated, a credit downgrade will have an adverse impact on the cost of such debt.

If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to dispose of one or more of our properties or other assets upon disadvantageous terms. In addition, prevailing interest rates or other factors at the time of refinancing could increase our interest expense, and if we mortgage property to secure payment of indebtedness and are unable to make mortgage payments, the mortgagee could foreclose upon such property or appoint a receiver to receive an assignment of our rents and leases. This may adversely affect our ability to make distributions or payments to our unitholders and lenders.

Changes in our credit ratings may have an adverse effect on our financial position and ability to raise capital. We cannot assure you that any credit rating assigned to our partnership, any of our subsidiaries or any of our subsidiaries' securities will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such ratings may have an adverse effect on our financial position and ability to raise capital.

Restrictive covenants in our indebtedness may limit management's discretion with respect to certain business matters.

Instruments governing any of our indebtedness or indebtedness of our operating entities or their subsidiaries may contain restrictive covenants limiting our discretion with respect to certain business matters. These covenants could place significant restrictions on, among other things, our ability to create liens or other encumbrances, to make distributions to our unitholders or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. These covenants could also require us to meet certain financial ratios and financial condition tests. A failure to comply with any such covenants could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness.

If we are unable to manage our interest rate risk effectively, our cash flows and operating results may suffer.

Advances under credit facilities and certain property-level mortgage debt bear interest at a variable rate. We may incur further indebtedness in the future that also bears interest at a variable rate or we may be required to refinance our debt at higher rates. In addition, though we attempt to manage interest rate risk, there can be no assurance that we will hedge such exposure effectively or at all in the future. Accordingly, increases in interest rates above that which we anticipate based upon historical trends would adversely affect our cash flows.

The Financial Conduct Authority in the U.K. has announced that it will cease to compel banks to participate in LIBOR after 2021. This change to the administration of LIBOR, and any other reforms to benchmark interest rates, could create significant risks and challenges for us. The discontinuance of, or changes to, benchmark interest rates may require adjustments to agreements to which we and other market participants are parties, as well as to related systems and processes.

We face potential adverse effects from tenant defaults, bankruptcies or insolvencies.

A commercial tenant may experience a downturn in its business, which could cause the loss of that tenant as a tenant or weaken its financial condition and result in its inability to make rental payments when due or, for retail tenants, a reduction in percentage rent payable. If a tenant defaults, we may experience delays and incur costs in enforcing our rights as landlord and protecting our investments.

We cannot evict a tenant solely because of its bankruptcy. In addition, in certain jurisdictions where we own properties, a court may authorize a tenant to reject and terminate its lease. In such a case, our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. In any event, it is unlikely that a bankrupt or insolvent tenant will pay the full amount it owes under a lease. The loss of rental payments from tenants and costs of re-leasing would adversely affect our cash flows and results of operations. In the case of our retail properties, the bankruptcy or insolvency of an anchor tenant or tenant with stores at many of our properties would cause us to suffer lower revenues and operational difficulties, including difficulties leasing the remainder of the property. Significant expenses associated with each property, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when

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circumstances cause a reduction in income from the property. In the event of a significant number of lease defaults and/or tenant bankruptcies, our cash flows may not be sufficient to pay cash distributions to our unitholders and repay maturing debt or other obligations.

Reliance on significant tenants could adversely affect our results of operations.

Many of our properties are occupied by one or more significant tenants and, therefore, our revenues from those properties are materially dependent on our relationships with and the creditworthiness and financial stability of those tenants. Our business would be adversely affected if any of those tenants failed to perform or renew certain of their significant leases for any reason, or otherwise became insolvent, declared bankruptcy or otherwise refused to pay rent in a timely fashion or at all. In the event of a default by one or more significant tenants, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-leasing the property. If a lease of a significant tenant is terminated, it may be difficult, costly and time consuming to attract new tenants and lease the property for the rent previously received. In addition, the loss of a significant tenant (particularly if related to one of our signature projects, or if otherwise widely publicized) could cause harm to our reputation.

Our inability to enter into renewal or new leases with tenants on favorable terms or at all for all or a substantial portion of space that is subject to expiring leases would adversely affect our cash flows and operating results.

Our properties generate revenue through rental payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any renewal or replacement lease may be less favorable to us than the existing lease. We would be adversely affected, in particular, if any major tenant ceases to be a tenant and cannot be replaced on similar or better terms or at all. Additionally, we may not be able to lease our properties to an appropriate mix of tenants. Retail tenants may negotiate leases containing exclusive rights to sell particular types of merchandise or services within a particular retail property. These provisions may limit the number and types of prospective tenants for the vacant space in such properties.

Our competitors may adversely affect our ability to lease our properties which may cause our cash flows and operating results to suffer.

Each segment of the real estate industry is competitive. Numerous other developers, managers and owners of commercial properties compete with us in seeking tenants and, in the case of our multifamily properties, there are numerous housing alternatives which compete with our properties in attracting residents. Some of the properties of our competitors may be newer, better located or better capitalized. These competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to make space available at lower prices than the space in our properties, particularly if there is an oversupply of space available in the market. Competition for tenants could have an adverse effect on our ability to lease our properties and on the rents that we may charge or concessions that we must grant, which may cause our cash flows and operating results to suffer.

Our ability to realize our strategies and capitalize on our competitive strengths are dependent on the ability of our operating entities to effectively operate our large group of commercial properties, maintain good relationships with tenants, and remain well-capitalized, and our failure to do any of the foregoing would affect our ability to compete effectively in the markets in which we do business.

Our insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates, which could adversely affect our financial condition and results of operations.

We maintain insurance on our properties in amounts and with deductibles that we believe are in line with what owners of similar properties carry; however, our insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates in the future.

There also are certain types of risks (such as war, environmental contamination such as toxic mold, and lease and other contract claims) that are either uninsurable or not economically insurable. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more properties, and we would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

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Possible terrorist activity could adversely affect our financial condition and results of operations and our insurance may not cover some losses due to terrorism or may not be obtainable at commercially reasonable rates.

Possible terrorist attacks in the markets where our properties are located may result in declining economic activity, which could reduce the demand for space at our properties, reduce the value of our properties and harm the demand for goods and services offered by our tenants.

Additionally, terrorist activities could directly affect the value of our properties through damage, destruction or loss. Our Core Office portfolio is concentrated in large metropolitan areas, some of which have been or may be perceived to be subject to terrorist attacks. Many of our office properties consist of high-rise buildings, which may also be subject to this actual or perceived threat. Our insurance may not cover some losses due to terrorism or may not be obtainable at commercially reasonable rates.

We are subject to risks relating to development and redevelopment projects.

On a strategic and selective basis, we may develop and redevelop properties. The real estate development and redevelopment business involves significant risks that could adversely affect our business, financial condition and results of operations, including the following:

- we may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties;

- we may not have sufficient capital to proceed with planned redevelopment or expansion activities;

- we may abandon redevelopment or expansion activities already under way, which may result in additional cost recognition;

- we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations;

- we may not be able to lease properties at all or on favorable terms, or occupancy rates and rents at a completed project might not meet projections and, therefore, the project might not be profitable;

- construction costs, total investment amounts and our share of remaining funding may exceed our estimates and projects may not be completed and delivered as planned; and

- upon completion of construction, we may not be able to obtain, or obtain on advantageous terms, permanent financing for activities that we have financed through construction loans.

We are subject to risks that affect the retail environment.

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, low consumer confidence, increased consumer debt, poor housing market conditions, adverse weather conditions, natural disasters and the need to pay down existing obligations. Any 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. Additionally, our retail tenants are dependent on perceptions by retailers and shoppers of the safety, convenience and attractiveness of our retail properties. If retailers and shoppers perceive competing properties and other retailing options such as the internet to be more convenient or of a higher quality, our revenues may be adversely affected.

Some of our retail lease agreements include a co-tenancy provision which allows the mall tenant to pay a reduced rent amount and, in certain instances, terminate the lease, if we fail to maintain certain occupancy levels at the mall. In addition, certain of our tenants have the ability to terminate their leases prior to the lease expiration date if their sales do not meet agreed upon thresholds. Therefore, if occupancy, tenancy or sales fall below certain thresholds, rents we are entitled to receive from our retail tenants would be reduced and our ability to attract new tenants may be limited.

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The computation of cost reimbursements from our retail tenants for common area maintenance, insurance and real estate taxes is complex and involves numerous judgments including interpretation of lease terms and other tenant lease provisions. Most tenants make monthly fixed payments of common area maintenance, insurance, real estate taxes and other cost reimbursements and, after the end of the calendar year, we compute each tenant's final cost reimbursements and issue a bill or credit for the full amount, after considering amounts paid by the tenant during the year. The billed amounts could be disputed by the tenant or become the subject of a tenant audit or even litigation. There can be no assurance that we will collect all or any portion of these amounts.

We are subject to risks associated with the multifamily residential industry.

We are subject to risks associated with the multifamily residential industry, including the level of mortgage interest rates which may encourage tenants to purchase rather than lease and housing and governmental programs that provide assistance and rent subsidies to tenants. If the demand for multifamily properties is reduced, income generated from our multifamily residential properties and the underlying value of such properties may be adversely affected.

In addition, certain jurisdictions regulate the relationship of an owner and its residential tenants. Commonly, these laws require a written lease, good cause for eviction, disclosure of fees, and notification to residents of changed land use, while prohibiting unreasonable rules, retaliatory evictions, and restrictions on a resident's choice of landlords. Apartment building owners have been the subject of lawsuits under various "Landlord and Tenant Acts" and other general consumer protection statutes for coercive, abusive or unconscionable leasing and sales practices. If we become subject to litigation, the outcome of any such proceedings may materially adversely affect us for long periods of time. A few jurisdictions may offer more significant protection to residential tenants. In addition to state or provincial regulation of the landlord-tenant relationship, numerous towns and municipalities impose rent control on apartment buildings. The imposition of rent control on our multifamily residential units could have a materially adverse effect on our results of operations.

Following the consummation of the GGP acquisition, we face additional risks, which may affect our results of operations.

Our business following the consummation of the GGP acquisition differs from our business prior to the acquisition and, accordingly, our results of operations and financial condition after the GGP acquisition may be affected by factors different from those affecting our results of operations and financial condition prior to the GGP acquisition. Examples of differences between our business prior to the acquisition and the new or increased risks we may face after the GGP acquisition include:

- a large increase in the amount of assets under management and a diversification of types of assets under management, which may create risks related to scaling and combining of the platforms necessary to manage the combined assets of the companies;

- increases in maintenance, insurance and operating costs;

- additional conflicts between and among our tenants and BPR;

- certain investment vehicles managed by us and BPR may compete for investment opportunities and may be adversely impacted to the extent such opportunities are allocated between them;

- Our possible failure to successfully implement its plan to optimize its combined portfolio; and

a larger and newly combined team of management and employees may require time to become fully effective and may not be able to achieve our anticipated synergies.

In addition, an inability to realize the full extent of the anticipated benefits of the GGP acquisition, as well as any delays encountered in the integration process, could have an adverse effect on the revenues, level of expenses and operating results of the combined company, which may adversely affect our results of operations or cash flows and negatively affect the price of our units.

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We are subject to risks associated with the hospitality industry.

We are subject to risks associated with the hospitality industry, including: the relative attractiveness of our hotel properties and the level of services provided to guests; dependence on business and leisure travel and tourism; the seasonality of the hotel industry, which may cause our results of operations to vary on a quarterly basis; perceptions regarding the safety and conditions at our hospitality properties; and the appeal to travelers of the local markets in which our hotels are located which could have an adverse effect on our financial condition and results of operations.

A business disruption may adversely affect our financial condition and results of operations.

Our business is vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. If we are unable to recover from a business disruption on a timely basis, our financial condition and results of operations would be adversely affected. We may also incur additional costs to remedy damages caused by such disruptions, which could adversely affect our financial condition and results of operations.

Our failure to maintain effective internal controls could have a material adverse effect on our business.

Pursuant to Section 404 of the Sarbanes-Oxley Act, our management has delivered a report that assesses the effectiveness of our internal controls over financial reporting (in which they concluded that these internal controls are effective) and our independent registered public accounting firm has delivered an attestation report on our management's assessment of, and the operating effectiveness of, our internal controls over financial reporting in conjunction with their opinion on our audited consolidated financial statements. Any failure to maintain adequate internal controls over financial reporting or to implement required, new or improved controls, or difficulties encountered in their implementation, could cause us to report material weaknesses in our internal controls over financial reporting and could result in errors or misstatements in our consolidated financial statements that could be material. If we or our independent registered public accounting firm were to conclude that our internal controls over financial reporting were not effective, investors could lose confidence in our reported financial information and the price of our units could decline. Our failure to achieve and maintain effective internal controls could have a material adverse effect on our business in the future, our access to the capital markets and investors' perception of us. In addition, material weaknesses in our internal controls could require significant expense and management time to remediate.

The failure of our information technology systems, or an act of deliberate cyber terrorism, could adversely impact our reputation and financial performance.

We operate in businesses that are dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level, either of which could have a material adverse effect on us.

We rely on third-party service providers to manage certain aspects of our business, including for certain information systems and technology, data processing systems, and the secure processing, storage and transmission of information. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of our operations and could adversely affect our business and reputation.

We rely on certain information technology systems which may be subject to cyber terrorism intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, through the introduction of computer viruses, cyber-attacks and other means, and could originate from a variety of sources including our own employees or unknown third parties. Any such breach or compromise could also go undetected for an extended period. There can be no assurance that measures implemented to protect the integrity of our systems will provide adequate protection or enable us to detect and remedy any such breaches or compromises in a timely manner or at all. If our information systems are compromised, we could suffer a disruption in one or more of our businesses. This could have a negative impact on our financial condition and results of operations or, or result in reputational damage.

Because certain of our assets are illiquid, we may not be able to sell these assets when appropriate or when desired.

Large commercial properties like the ones that we own can be hard to sell, especially if local market conditions are poor. Such illiquidity could limit our ability to diversify our assets promptly in response to changing economic or investment conditions.

Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate in times of illiquidity. These restrictions reduce our ability to respond to changes in the performance of our assets and could adversely affect our financial condition and results of operations.

We face risks associated with property acquisitions.

Competition from other well-capitalized real estate investors, including both publicly traded real estate investment trusts and institutional investment funds, may significantly increase the purchase price of, or prevent us from acquiring, a desired property. Acquisition agreements will typically contain conditions to closing, including completion of due diligence to our satisfaction or other conditions that are not within our control, which may not be satisfied. Acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, an absence of business relationships in the area or unfamiliarity with local government and applicable laws and regulations. We may be unable to finance acquisitions on favorable terms or newly acquired properties may fail to perform as expected. We may underestimate the costs necessary to bring an acquired property up to standards established for its intended market position or we may be unable to quickly and efficiently integrate new acquisitions into our existing operations. We may also acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. Each of these factors could have an adverse effect on our results of operations and financial condition.

We do not control certain businesses that our LP Investments are invested in, and therefore we may not be able to realize some or all of the benefits that we expect to realize from those entities.

We do not have control of certain businesses our LP Investments are invested in. Our interests in those entities subject us to the operating and financial risks of their businesses, the risk that the relevant company may make business, financial or management decisions that we do not agree with, and the risk that we may have differing objectives than the entities in which we have interests. Because we do not have the ability to exercise control over those entities, we may not be able to realize some or all of the benefits that we expect to realize from those entities. For example, we may not be able to cause such operating entities to make distributions to us in the amount or at the time that we need or want such distributions. In addition, we rely on the internal controls and financial reporting controls of the companies in which we invest and the failure of such companies to maintain effective controls or comply with applicable standards may adversely affect us.

We do not have sole control over the properties that we own with co-venturers, partners, fund investors or co-tenants or over the revenues and certain decisions associated with those properties, which may limit our flexibility with respect to these investments.

We participate in joint ventures, partnerships, funds and co-tenancies affecting many of our properties. Such investments involve risks not present were a third party not involved, including the possibility that our co-venturers, partners, fund investors or co-tenants might become bankrupt or otherwise fail to fund their share of required capital contributions. The bankruptcy of one of our co-venturers, partners, fund investors or co-tenants could materially and adversely affect the relevant property or properties. Pursuant to bankruptcy laws, we could be precluded from taking some actions affecting the estate of the other investor without prior court approval which would, in most cases, entail prior notice to other parties and a hearing. At a minimum, the requirement to obtain court approval may delay the actions we would or might want to take. If the relevant joint venture or other investment entity has incurred recourse obligations, the discharge in bankruptcy of one of the other investors might result in our ultimate liability for a greater portion of those obligations than would otherwise be required.

Additionally, our co-venturers, partners, fund investors or co-tenants might at any time have economic or other business interests or goals that are inconsistent with those of our company, and we could become engaged in a dispute with any of them that might affect our ability to develop or operate a property. In addition, we do not have sole control of certain major decisions relating to these properties, including decisions relating to: the sale of the properties; refinancing; timing and amount of distributions of cash from such properties; and capital improvements. For example, when we participate with institutional investors in Brookfield-sponsored or co-sponsored consortiums for asset acquisitions and as a partner in or alongside Brookfield-sponsored or co-sponsored partnerships, there is often a finite term to the investment which could lead to the investment being sold prior to the date we would otherwise choose.

In some instances, where we are the property manager for a joint venture, the joint venture retains joint approval rights over various material matters such as the budget for the property, specific leases and our leasing plan. Moreover, in certain property management arrangements the other venturer can terminate the property management agreement in limited circumstances relating to enforcement of the property managers' obligations. In addition, the sale or transfer of interests in some of our joint ventures and partnerships is subject to rights of first refusal or first offer and some joint venture and partnership agreements provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not want to sell but we may be forced to

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do so because we may not have the financial resources at that time to purchase the other party's interest. Such rights may also inhibit our ability to sell an interest in a property or a joint venture or partnership within our desired time frame or on any other desired basis.

We have interests in public companies, and changes in the market prices of the stock of such public companies, particularly during times of increased market volatility, could have a negative impact on our financial condition and results of operations.

We hold interests in public companies, such as BPR, and changes in the market prices of the stock of such public companies could have a material impact on our financial condition and results of operations. Global securities markets have been highly volatile, and continued volatility may have a material negative impact on our consolidated financial position and results of operations.

We have significant interests in Brookfield-sponsored real estate funds, and poor investment returns in these funds could have a negative impact on our financial condition and results of operations.

We have, and expect to continue to have in the future, significant interests in Brookfield-sponsored real estate funds, and poor investment returns in these funds, due to either market conditions or underperformance (relative to their competitors or to benchmarks), could negatively affect our financial condition and results of operations. In addition, interests in such funds are subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets generally.

We are subject to risks associated with commercial property loans.

We have, and expect to continue to have in the future, significant interests in Brookfield-sponsored real estate finance funds which have interests in loans or participations in loans, or securities whose underlying performance depends on loans made with respect to a variety of commercial real estate. Such interests are subject to normal credit risks as well as those generally not associated with traditional debt securities. The ability of the borrowers to repay the loans will typically depend upon the successful operation of the related real estate project and the availability of financing. Any factors that affect the ability of the project to generate sufficient cash flow could have a material effect on the value of these interests. Security underlying such interests will generally be in a junior or subordinate position to senior financing. These investments will not always benefit from the same or similar financial and other covenants as those enjoyed by the debt ranking ahead of these investments or benefit from cross-default provisions. Moreover, it is likely that these funds will be restricted in the exercise of their rights in respect of their investments by the terms of subordination agreements with the debt ranking ahead of the mezzanine capital. Accordingly, we may not be able to take the steps necessary to protect our investments in a timely manner or at all and there can be no assurance that the rate of return objectives of any particular investment will be achieved. To protect our original investment and to gain greater control over the underlying assets, these funds may elect to purchase the interest of a senior creditor or take an equity interest in the underlying assets, which may require additional investment requiring us to expend additional capital.

Our ownership of underperforming real estate properties involves significant risks and potential additional liabilities.

Our LP Investments segment holds interests in certain real estate properties with weak financial conditions, poor operating results, substantial financial needs, negative net worth or special competitive problems, or that are over-leveraged. Our ownership of underperforming real estate properties involves significant risks and potential additional liabilities. Our exposure to such underperforming properties may be substantial in relation to the market for

those interests and distressed assets may be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the fair value of such interests to ultimately reflect their intrinsic value as perceived by us.

We face risks relating to the jurisdictions of our operations.

Our operations are subject to significant political, economic and financial risks, which vary by jurisdiction, and may include:

- changes in government policies or personnel;
- restrictions on currency transfer or convertibility;
- changes in labor relations;
- less developed or efficient financial markets than in North America;
- fluctuations in foreign exchange rates;

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- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements;
- less government supervision and regulation;
- a less developed legal or regulatory environment;
- heightened exposure to corruption risk;
- political hostility to investments by foreign investors; and
- difficulty in enforcing contractual obligations and expropriation or confiscation of assets.

Political instability and unfamiliar cultural factors could adversely impact the value of our investments.

We are subject to geopolitical uncertainties in all jurisdictions in which we operate, including North America. We also make investments in businesses that are based outside of North America and we may pursue investments in unfamiliar markets, which may expose us to additional risks not typically associated with investing in North America. We may not properly adjust to the local culture and business practices in such markets, and there is the prospect that we may hire personnel or partner with local persons who might not comply with our culture and ethical business practices; either scenario could result in the failure of our initiatives in new markets and lead to financial losses for us and our operating entities. There are risks of political instability in several of our major markets and in other parts of the world in which we conduct business, including, for example, the Korean Peninsula, from factors such as political conflict, income inequality, refugee migration, terrorism, the potential break-up of political or economic unions (or the departure of a union member - e.g., Brexit) and political corruption; the materialization of one or more of these risks could negatively affect our financial performance. For example, although the long-term impact on economic conditions is uncertain, Brexit may have an adverse effect on the rate of economic growth in the U.K. and continental Europe.

Unforeseen political events in markets where we own and operate assets and may look to for further growth of our businesses, such as the U.S., Brazil, European and Asian markets, may create economic uncertainty that has a negative impact on our financial performance. Such uncertainty could cause disruptions to our businesses, including affecting the business of and/or our relationships with our customers and suppliers, as well as altering the relationship among tariffs and currencies, including the value of the British pound and the Euro relative to the U.S. dollar. Disruptions and uncertainties could adversely affect our financial condition, operating results and cash flows. In addition, political outcomes in the markets in which we operate may also result in legal uncertainty and potentially divergent national laws and regulations, which can contribute to general economic uncertainty. Economic uncertainty impacting us and our managed entities could be exacerbated by near-term political events, including those in the U.S., Brazil, Europe, Asia and elsewhere.

Our operations in China subject us to increased risks, including risks related to evolving economic, political and social conditions.

Our business is subject to risks inherent in doing business internationally. In particular, we face risks relating to our business in China. For the year ended December 31, 2018, approximately 1% of our assets were in China. In recent years, the Chinese government has been reforming its economic and political systems, and we expect this to continue. Although we believe that these reforms have had a positive effect on our ability to do business in China, we cannot

assure you that these reforms will continue or that the Chinese government will not take actions that impair our business in China. In addition, recent international unrest involving mounting trade tension between China and the United States presents additional risks and uncertainties. For example, the recent detention of Huawei's chief financial officer in Canada at the request of US authorities in connection with alleged violations of US sanctions laws could result in increased tensions between China and the United States, tariffs and other retaliatory trade measures and could increase the risk of doing business in China. If our ability to do business in China is adversely impacted, our business, results of operation and financial condition could be materially adversely affected.

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We are subject to possible health and safety and environmental liabilities and other possible liabilities.

As an owner of real property, we are subject to various laws relating to environmental matters. We could be liable under these laws for the costs of removal and remediation of certain hazardous substances or wastes present in our buildings, released or deposited on or in our properties or disposed of at other locations. These costs could be significant and reduce cash available for our business which could have an adverse effect on our business, financial condition and results of operations. The failure to remove or remediate such substances could adversely affect our ability to sell our properties or our ability to borrow using real estate as collateral and could potentially result in claims or other proceedings against us, which could have an adverse effect on our business, financial condition and results of operations. Environmental laws and regulations can change rapidly and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on our business, financial condition or results of operations.

The ownership and operation of our assets carry varying degrees of inherent risk or liability related to worker and tenant health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and potential civil liability. Compliance with health, safety and environmental standards and the requirements set out in our licenses, permits and other approvals are important to our business. We have incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental standards and to obtain and comply with licenses, permits and other approvals and to assess and manage potential liability exposure. Nevertheless, we may be unsuccessful in obtaining or maintaining an important license, permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to, or more rigorous enforcement of, health, safety and environmental standards, licenses, permits or other approvals could have a significant impact on our operations and/or result in material expenditures. As a consequence, no assurance can be given that additional environmental and health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to our business and operations.

Negative publicity could damage our reputation and business.

Our ability to attract and retain tenants, investors and employees is impacted by our reputation and negative publicity can expose us to litigation and regulatory action could damage our reputation, adversely affect our ability to attract and retain tenants and employees, and divert management's attention from day-to-day operations. The loss of significant tenants could also negatively impact our reputation. Significant harm to our reputation can also arise from employee misconduct, unethical behavior, environmental matters, litigation or regulatory outcomes, failing to deliver minimum or required standards of safety, service and quality, compliance failures, unintended disclosure of confidential information and the activities of our tenants and counterparties, including vendors.

We may be exposed to actual or alleged fraud, bribery, corruption, other illegal acts, inadequate or failed internal processes or systems or from external events which could lead to significant losses and harm to our reputation.

We may suffer a significant loss resulting from fraud, bribery, corruption, other illegal acts, inadequate or failed internal processes or systems, or from external events, such as security threats affecting our ability to operate. We operate in different markets and rely on our employees and certain third-parties to follow our policies and processes as well as applicable laws in their activities. Risk of illegal acts or failed systems is managed through our infrastructure, controls, systems, policies and people, complemented by central groups focusing on enterprise-wide management of specific operational risks such as fraud, trading, outsourcing, and business disruption, as well as personnel and

systems risks. Failure to adequately manage these risks could result in direct or indirect financial loss, reputational impact, regulatory censure or failure in the management of other risks such as credit or market risk.

There is an increasing global focus on the implementation and enforcement of anti-bribery and corruption legislation, and this focus has heightened the risks that we face in this area, particularly as we expand our operations globally. We are subject to a number of laws and regulations governing payments and contributions to public officials or other third parties, including restrictions imposed by the U.S. Foreign Corrupt Practices Act and similar laws in non-U.S. jurisdictions, such as the U.K. Bribery Act and the Canadian Corruption of Foreign Public Officials Act. This increased global focus on anti-bribery and corruption enforcement may also lead to more investigations, both formal and informal, in this area, the results of which cannot be predicted.

Different laws that are applicable to us may contain conflicting provisions, making our compliance more difficult. The policies and procedures we have implemented to protect against non-compliance with anti-bribery and corruption legislation may be inadequate. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could negatively affect

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our operating results and financial condition. In addition, we may be subject to successor liability for violations under these laws or other acts of bribery committed by companies in which we or our funds invest.

Instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. We invest in emerging market countries that may not have established stringent anti-bribery and corruption laws and regulations, or where existing laws and regulations may not be consistently enforced or that are perceived to have materially higher levels of corruptions according to international rating standards. For example, we invest in jurisdictions that are perceived to have materially higher levels of corruption according to international rating standards, such as China, India and Brazil. Due diligence on investment opportunities in these jurisdictions is frequently more challenging because consistent and uniform commercial practices in such locations may not have developed or do not meet international standards. Bribery, fraud, accounting irregularities and corrupt practices can be especially difficult to detect in such locations.

We face risks associated with our tenants and contractual counterparties being designated “Prohibited Persons” by the Office of Foreign Assets Control.

Pursuant to Executive Order 13224 and other laws, the Office of Foreign Assets Control of the United States Department of the Treasury, or OFAC, maintains a list of persons designated as terrorists or who are otherwise blocked or banned. OFAC regulations and other laws prohibit conducting business or engaging in transactions with prohibited persons. Certain of our loan and other agreements require us to comply with OFAC requirements. Our leases and other agreements, in general, require the other party to comply with OFAC requirements. If a tenant or other party with whom we contract is placed on the OFAC list, we may be required to terminate the lease or other agreement. Any such termination could result in a loss of revenue or a damage claim by the other party that the termination was wrongful.

We may be subject to litigation.

In the ordinary course of our business, we may be subject to litigation from time to time. The outcome of any such proceedings may materially adversely affect us and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of our management’s time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

The acquisition, ownership and disposition of real property expose us to certain litigation risks which could result in losses, some of which may be material. Litigation may be commenced with respect to a property we have acquired in relation to activities that took place prior to our acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosures made, if such buyer is passed over in favor of another as part of our efforts to maximize sale proceeds. Similarly, successful buyers may later sue us under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems. We may also be exposed to litigation resulting from the activities of our tenants or their customers.

Climate change may adversely impact our operations and markets.

There is growing concern from members of the scientific community and the general public that an increase in global average temperatures due to emissions of greenhouse gases and other human activities have or will cause significant changes in weather patterns and increase the frequency and severity of climate stress events. Climate change,

including the impact of global warming, creates physical and financial risk. Physical risks from climate change include an increase in sea level and changes in weather conditions, such as an increase in intense precipitation and extreme heat events, as well as tropical and non-tropical storms.

We own buildings in coastal locations that may be particularly susceptible to climate stress events or adverse localized effects of climate change, such as sea-level rise and increased storm frequency or intensity. The occurrence of one or more natural disasters, such as hurricanes, fires, floods, and earthquakes (whether or not caused by climate change), could cause considerable damage to our properties, disrupt our operations and negatively impact our financial performance. To the extent these events result in significant damage to or closure of one or more of our buildings, our operations and financial performance could be adversely affected through lost tenants and an inability to lease or re-lease the space. In addition, these events could result in significant expenses to restore or remediate a property, increases in fuel (or other energy) prices or a fuel shortage and increases in the costs of insurance if they result in significant loss of property or other insurable damage.

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Risks Relating to Us and Our Structure

Our company relies on the Property Partnership and, indirectly, the Holding Entities and our operating entities to provide us with the funds necessary to pay distributions and meet our financial obligations.

Our company's sole direct investments are its managing general partnership interest in the Property Partnership, which owns almost all of the common shares or equity interests, as applicable, of the Holding Entities, through which we hold our interests in the operating entities and an interest in BP US REIT LLC, which holds the partnership's interest in certain commercial and other income producing property operations. Our company has no independent means of generating revenue. As a result, we depend on distributions and other payments from the Property Partnership and, indirectly, the Holding Entities and our operating entities to provide us with the funds necessary to pay distributions on our units and to meet our financial obligations. The Property Partnership, the Holding Entities and our operating entities are legally distinct from our company and they are generally required to service their debt obligations before making distributions to us or their parent entity, as applicable, thereby reducing the amount of our cash flow available to pay distributions on our units, fund working capital and satisfy other needs. In addition, the Property Partnership is required to make distributions to Preferred Unitholders before making distributions to us. Any other entities through which we may conduct operations in the future will also be legally distinct from our company and may be restricted in their ability to pay dividends and distributions or otherwise make funds available to our company under certain conditions.

We anticipate that the only distributions our company will receive in respect of our managing general partnership interests in the Property Partnership will consist of amounts that are intended to assist our company in making distributions to our unitholders in accordance with our company's distribution policy and to allow our company to pay expenses as they become due.

We may not be able to continue paying comparable or growing cash distributions to our unitholders in the future.

Our company intends to make quarterly cash distributions of approximately \$1.32 per unit on an annualized basis. However, despite our projections, there can be no assurance that we will be able to make such distributions or meet our target growth rate range of 5% to 8% annually.

Although we may use distributions from our operating entities, the proceeds of sales of certain of our direct investments and/or borrowings to fund any shortfall in distributions, we may not be able to do so on a consistent and sustainable basis. Our ability to make distributions will depend on several other factors, some of which are out of our control, including, among other things, general economic conditions, our results of operations and financial condition, the amount of cash that is generated by our operations and investments, restrictions imposed by the terms of any indebtedness that is incurred to finance our operations and investments or to fund liquidity needs, levels of operating and other expenses, and contingent liabilities, any or all of which could prevent us from meeting our anticipated distribution levels. Finally, the BPY General Partner has sole authority to determine when and if our distributions will be made in respect of our units, and there can be no assurance that the BPY General Partner will declare and pay the distributions on our units as intended or at all.

Our company is not, and does not intend to become, regulated as an investment company under the U.S. Investment Company Act of 1940, or the Investment Company Act, (and similar legislation in other jurisdictions) and if our company were deemed an "investment company" under the Investment Company Act applicable restrictions would make it impractical for us to operate as contemplated.

The Investment Company Act and the rules thereunder (and similar legislation in other jurisdictions) provide certain protections to investors and impose certain restrictions on companies that are registered as investment companies. Among other things, such rules limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities and impose certain governance requirements. Our company has not been and does not intend to become regulated as an investment company and our company intends to conduct its activities so it will not be deemed to be an investment company under the Investment Company Act (and similar legislation in other jurisdictions). In order to ensure that our company is not deemed to be an investment company, we may be required to materially restrict or limit the scope of our operations or plans, we will be limited in the types of acquisitions that we may make and we may need to modify our organizational structure or dispose of assets that we would not otherwise dispose of. Moreover, if anything were to happen that would potentially cause our company to be deemed an investment company under the Investment Company Act, it would be impractical for us to operate as intended, agreements and arrangements between and among us and Brookfield would be impaired and our business, financial condition and results of operations would be materially adversely affected. Accordingly, we would be required to take extraordinary steps to address the situation, such as the amendment or termination of our Master Services Agreement, the restructuring of our company and the Holding Entities, the amendment of our limited partnership agreement or the termination of our company, any of which would materially adversely affect the value of our units. In addition, if our company were deemed to be an investment company under the Investment Company Act, it would be taxable as a corporation for U.S. federal income tax purposes, and such treatment would

materially adversely affect the value of our units. See Item 10.E. “Additional Information - Taxation - U.S. Tax Considerations - Partnership Status of Our Company and the Property Partnership”.

Our company is a “foreign private issuer” under U.S. securities laws and as a result is subject to disclosure obligations different from requirements applicable to U.S. domestic registrants listed on the Nasdaq Stock Market, or Nasdaq.

Although our company is subject to the periodic reporting requirement of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, the periodic disclosure required of foreign private issuers under the Exchange Act is different from periodic disclosure required of U.S. domestic registrants. Therefore, there may be less publicly available information about us than is regularly published by or about other public companies in the United States and our company is exempt from certain other sections of the Exchange Act that U.S. domestic registrants would otherwise be subject to, including the requirement to provide our unitholders with information statements or proxy statements that comply with the Exchange Act. In addition, insiders and large unitholders of our company are not obligated to file reports under Section 16 of the Exchange Act and certain of the governance rules imposed by the Nasdaq are inapplicable to our company.

Our company is a “SEC foreign issuer” under Canadian securities regulations and is exempt from certain requirements of Canadian securities laws.

Although our company is a reporting issuer in Canada, we are a “SEC foreign issuer” and exempt from certain Canadian securities laws relating to continuous disclosure obligations and proxy solicitation as long as we comply with certain reporting requirements applicable in the United States, provided that the relevant documents filed with the U.S. Securities and Exchange Commission, or the SEC, are filed in Canada and sent to our company’s unitholders in Canada to the extent and in the manner and within the time required by applicable U.S. requirements. Therefore, there may be less publicly available information in Canada about us than is regularly published by or about other reporting issuers in Canada.

We may be subject to the risks commonly associated with a separation of economic interest from control or the incurrence of debt at multiple levels within an organizational structure.

Our ownership and organizational structure is similar to structures whereby one company controls another company which in turn holds controlling interests in other companies; thereby, the company at the top of the chain may control the company at the bottom of the chain even if its effective equity position in the bottom company is less than a controlling interest. Brookfield is the sole shareholder of the BPY General Partner and, as a result of such ownership of the BPY General Partner, Brookfield controls the appointment and removal of the BPY General Partner’s directors and, accordingly, exercises substantial influence over us. In turn, we often have a majority controlling interest or a significant influence in our investments. In addition, Brookfield has an effective economic interest in our business of approximately 54% as of the date of this Form 20-F as a result of its ownership of our units and the Redemption-Exchange Units and over time may reduce this economic interest while still maintaining its controlling interest. Therefore Brookfield may use its control rights in a manner that conflicts with the economic interests of our other unitholders. For example, despite the fact that our company has a conflicts policy in place which addresses the requirement for independent approval and other requirements for transactions in which there is greater potential for a conflict of interest to arise, including transactions with affiliates of Brookfield, because Brookfield exerts substantial influence over us, and, in turn, over our investments, there is a greater risk of transfer of assets of our investments at non-arm’s length values to Brookfield and its affiliates. In addition, debt incurred at multiple levels within the chain of control could exacerbate the separation of economic interest from controlling interest at such levels, thereby creating an incentive to leverage our company and our investments. Any such increase in debt would also make us more

sensitive to declines in revenues, increases in expenses and interest rates, and adverse market conditions. The servicing of any such debt would also reduce the amount of funds available to pay distributions to our company and ultimately to our unitholders.

Risks Relating to Our Relationship with Brookfield

Brookfield exercises substantial influence over us and we are highly dependent on the Service Providers.

Brookfield is the sole shareholder of the BPY General Partner. As a result of its ownership of the BPY General Partner, Brookfield is able to control the appointment and removal of the BPY General Partner's directors and, accordingly, exercises substantial influence over our company and over Property Partnership for which our company is the managing general partner. In addition, the Service Providers, wholly-owned subsidiaries of Brookfield, provide management and administration services to us pursuant to our Master Services Agreement. Our company and the Property Partnership depend on the management and administration services provided by the Service Providers. Brookfield personnel that provide services to us are not required to have as their primary responsibility the management and administration of our company or the Property Partnership or to act

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exclusively for either of us. Any failure to effectively manage our business operations or to implement our strategy could have a material adverse effect on our business, financial condition and results of operations.

Brookfield has no obligation to source acquisition opportunities for us and we may not have access to all acquisitions of commercial properties that Brookfield identifies.

Our ability to grow depends in part on Brookfield's ability to identify and present us with acquisition opportunities. Brookfield established our company to be its flagship public commercial property entity and the primary entity through which it invests in real estate on a global basis. However, Brookfield has no obligation to source acquisition opportunities for us. In addition, Brookfield has not agreed to commit to us any minimum level of dedicated resources for the pursuit of acquisitions. There are a number of factors that could materially and adversely impact the extent to which suitable acquisition opportunities are made available to us by Brookfield.

For example:

it is an integral part of Brookfield's (and our) strategy to pursue acquisitions through consortium arrangements with institutional investors, strategic partners and/or financial sponsors and to form partnerships (including private funds, joint ventures and similar arrangements) to pursue such acquisitions on a specialized or global basis. Although Brookfield has agreed with us that it will not enter any such arrangements that are suitable for us without giving us opportunity to participate in them, there is no minimum level of participation to which we will be entitled;

the same professionals within Brookfield's organization that are involved in sourcing acquisitions that are suitable for us are responsible for sourcing opportunities for the vehicles, consortiums and partnerships referred to above, as well as having other responsibilities within Brookfield's broader asset management business. Limits on the availability of such individuals could result in a limitation on the number of acquisition opportunities sourced for us;

Brookfield will only recommend acquisition opportunities that it believes to be suitable and appropriate. Our focus is on investing in, owning, operating, developing and recycling a portfolio of high quality assets, not investments such as infrastructure-related, renewable power-related, or other operations-oriented enterprises that are not deemed suitable and/or appropriate for us. Legal, regulatory, tax and other commercial considerations will likewise be an important consideration in determining whether an opportunity is suitable and/or appropriate for us and will limit our ability to participate in certain acquisitions; and

in addition to structural limitations, the question of whether a particular acquisition is suitable and/or appropriate for us is highly subjective and is dependent on a number of portfolio construction and management factors including our liquidity position at the relevant time, the expected risk-return profile of the opportunity, its fit with the balance of our investments and related operations, other opportunities that we may be pursuing or otherwise considering at the relevant time, our interest in preserving capital in order to secure other opportunities and/or to meet other obligations, and other factors. If Brookfield determines that an opportunity is not suitable or appropriate for us, it may still pursue such opportunity on its own behalf or on behalf of a Brookfield-sponsored vehicle, partnership or consortium such as Brookfield Infrastructure Partners, Brookfield Renewable Partners, Brookfield Business Partners, and one or more Brookfield-sponsored private funds or other investment vehicles or programs.

In making these determinations, Brookfield may be influenced by factors that result in a misalignment or conflict of interest. See Item 7.B., "Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Conflicts of Interest."

The departure of some or all of Brookfield's professionals could prevent us from achieving our objectives.

We depend on the diligence, skill and business contacts of Brookfield's professionals and the information and opportunities they generate during the normal course of their activities. Our future success will depend on the continued service of these individuals, who are not obligated to remain employed with Brookfield. Brookfield has experienced departures of key professionals in the past and may do so in the future, and we cannot predict the impact that any such departures will have on our ability to achieve our objectives. The departure of a significant number of Brookfield's professionals for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on our ability to achieve our objectives. Our limited partnership agreement and our Master Services Agreement do not require Brookfield to maintain the employment of any of its professionals or to cause any particular professionals to provide services to us or on our behalf.

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Control of our company may be transferred directly or indirectly to a third party without unitholder consent.

The BPY General Partner may transfer its general partnership interest to a third party, including in a merger or consolidation or in a transfer of all or substantially all of its assets. Furthermore, at any time, the shareholder of the BPY General Partner may sell or transfer all or part of its shares in the BPY General Partner. Unitholder consent will not be sought in either case. If a new owner were to acquire ownership of the BPY General Partner and to appoint new directors or officers of its own choosing, it would be able to exercise substantial influence over our policies and procedures and exercise substantial influence over our management, our distributions and the types of acquisitions that we make. Such changes could result in our capital being used to make acquisitions in which Brookfield has no involvement or in making acquisitions that are substantially different from our targeted acquisitions. Additionally, we cannot predict with any certainty the effect that any transfer in the control of our company the BPY General Partner would have on the trading price of our units or our ability to raise capital or make investments in the future, because such matters would depend to a large extent on the identity of the new owner and the new owner's intentions. As a result, our future would be uncertain and our business, financial condition and results of operations may suffer.

Brookfield may increase its ownership of our company and the Property Partnership relative to other unitholders.

Brookfield currently holds a significant portion of the issued and outstanding interests in the Property Partnership through Special LP Units and Redemption-Exchange Units. The Redemption-Exchange Units are redeemable for cash or exchangeable for our units in accordance with the Redemption-Exchange Mechanism, which could result in Brookfield eventually owning a larger portion of our issued and outstanding units (including other issued and outstanding units that Brookfield currently owns).

Brookfield may also reinvest incentive distributions in exchange for Redemption-Exchange Units or our units. Additional units of the Property Partnership acquired, directly or indirectly, by Brookfield are redeemable for cash or exchangeable for our units in accordance with the Redemption-Exchange Mechanism. See Item 10.B., "Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Redemption-Exchange Mechanism". Brookfield may also purchase additional units of our company in the market. Any of these events may result in Brookfield increasing its ownership of our company.

Our organizational and ownership structure, as well as our contractual arrangements with Brookfield, may create significant conflicts of interest that may be resolved in a manner that is not in our best interests or the best interests of our unitholders.

Our organizational and ownership structure involves a number of relationships that may give rise to conflicts of interest between us and our unitholders, on the one hand, and Brookfield, on the other hand. In certain instances, the interests of Brookfield may differ from the interests of our company and our unitholders, including with respect to the types of acquisitions made, the timing and amount of our distributions, the redeployment of returns generated by our operations, the use of leverage when making acquisitions and the appointment of outside advisors and service providers, including as a result of the reasons described under Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Conflicts of Interest".

In addition, the Service Providers, affiliates of Brookfield, provide management services to us pursuant to our Master Services Agreement. Pursuant to our Master Services Agreement, we pay a base management fee to the Service Providers equal to 0.5% of the total capitalization of our partnership, subject to an annual minimum of \$50 million (plus the amount of any annual escalation by the specified inflation factor) and taking into account any management fees payable under the BPR Master Services Agreement. Additionally, the Property Partnership pays a quarterly

equity enhancement distribution to Property Special LP of 0.3125% of the amount by which the company's total capitalization value at the end of each quarter exceeds its total capitalization value determined immediately following the Spin-off, subject to certain adjustments. Property Special LP also receives incentive distributions based on an amount by which quarterly distributions on the limited partnership units of the Property Partnership exceed specified target levels as set forth in the Property Partnership's limited partnership agreement. For a further explanation of the equity enhancement and incentive distributions, together with examples of how such amounts are calculated, see Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Distributions". This relationship may give rise to conflicts of interest between us and our unitholders, on the one hand, and Brookfield, on the other, as Brookfield's interests may differ from our interests and those of our unitholders.

The BPY General Partner, the sole shareholder of which is Brookfield, has sole authority to determine whether our company will make distributions and the amount and timing of these distributions. The arrangements we have with Brookfield may create an incentive for Brookfield to take actions that would have the effect of increasing distributions and fees payable to it, which may be to the detriment of our company and our unitholders. For example, because the base management fee and the equity enhancement distribution are calculated based on our market value, it may create an incentive for Brookfield to increase or maintain our company's total capitalization over the near-term when other actions may be more favorable to us or our unitholders.

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Similarly, Brookfield may take actions to increase our distributions in order to ensure it is paid incentive distributions in the near-term when other investments or actions may be more favorable to us or our unitholders. Likewise, Brookfield may take actions to decrease distributions on our units or defer acquisitions in order to increase our market value in the near-term when making such distributions or acquisitions may be more favorable to us or our unitholders.

Our arrangements with Brookfield set in the context of an affiliated relationship and may contain terms that are less favorable than those which otherwise might have been obtained from unrelated parties.

The terms of our arrangements with Brookfield were effectively determined by Brookfield in the context of the Spin-off. While the BPY General Partner's independent directors are aware of the terms of these arrangements and approved the arrangements on our behalf at the time of the Spin-off, they did not negotiate the terms. These terms, including terms relating to compensation, contractual duties, conflicts of interest and Brookfield's ability to engage in outside activities, including activities that compete with us, our activities and limitations on liability and indemnification, may be less favorable than otherwise might have resulted if the negotiations had involved unrelated parties. The transfer agreements under which our assets and operations were acquired from Brookfield do not contain representations and warranties or indemnities relating to the underlying assets and operations.

The BPY General Partner may be unable or unwilling to terminate our Master Services Agreement.

Our Master Services Agreement provides that the Service Recipients may terminate the agreement only if: (i) the Service Providers default in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm to the Service Recipients and the default continues unremedied for a period of 60 days after written notice of the breach is given to the Service Providers; (ii) the Service Providers engage in any act of fraud, misappropriation of funds or embezzlement against any Service Recipient that results in material harm to the Service Recipients; (iii) the Service Providers are grossly negligent in the performance of their duties under the agreement and such negligence results in material harm to the Service Recipients; or (iv) upon the happening of certain events relating to the bankruptcy or insolvency of the Service Providers. In addition, because the BPY General Partner is an affiliate of Brookfield, it likely will be unwilling to terminate our Master Services Agreement, even in the case of a default. If the Service Providers' performance does not meet the expectations of investors, and the BPY General Partner is unable or unwilling to terminate our Master Services Agreement, the market price of our units could suffer. Furthermore, the termination of our Master Services Agreement would terminate our company's rights under the Relationship Agreement. See Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Relationship Agreement".

The liability of the Service Providers is limited under our arrangements with them and we have agreed to indemnify the Service Providers against claims that they may face in connection with such arrangements, which may lead them to assume greater risks when making decisions relating to us than they otherwise would if acting solely for their own account.

Under our Master Services Agreement, the Service Providers have not assumed any responsibility other than to provide or arrange for the provision of the services described in our Master Services Agreement in good faith and will not be responsible for any action that the BPY General Partner takes in following or declining to follow its advice or recommendations. In addition, under our limited partnership agreement, the liability of the BPY General Partner and its affiliates, including the Service Providers, is limited to the fullest extent permitted by law to conduct involving bad faith, fraud, gross negligence or willful misconduct or, in the case of a criminal matter, action that was known to have been unlawful. The liability of the Service Providers under our Master Services Agreement is similarly limited. In addition, we have agreed to indemnify the Service Providers to the fullest extent permitted by law from and against

any claims, liabilities, losses, damages, costs or expenses incurred them or threatened in connection with our business, investments and activities or in respect of or arising from our Master Services Agreement or the services provided by the Service Providers, except to the extent that such claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the conduct in respect of which such persons have liability as described above. These protections may result in the Service Providers tolerating greater risks when making decisions than otherwise would be the case, including when determining whether to use and the extent of leverage in connection with acquisitions. The indemnification arrangements to which the Service Providers are a party may also give rise to legal claims for indemnification that are adverse to us and our unitholders.

Risks Relating to our Units

The price of our units may fluctuate significantly and you could lose all or part of the value of your units.

The market price of our units may fluctuate significantly and you could lose all or part of the value of your units. Factors that may cause the price of our units to vary include:

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• changes in our financial performance and prospects, or in the financial performance and prospects of companies engaged in businesses that are similar to us;

• public announcements about our business, including our development projects, pending investments and significant transactions, our significant tenants and properties or any negative publicity;

• changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to us;

• sales of our units by our unitholders, including by Brookfield and/or other significant holders of our units;

• general economic trends and other external factors, including those resulting from actual or threatened acts of war, incidents of terrorism or responses to such events;

• speculation in the press or investment community regarding us or factors or events that may directly or indirectly affect us;

• our access to capital or other funding sources and our ability to raise capital on favorable terms;

• a loss of any major funding source; and

volatility in the market price of the BPR Units, which may be impacted by: (i) public announcements made by BPR; (ii) changes in stock market analyst recommendations or earnings estimates regarding BPR; (iii) actual or anticipated fluctuations in BPR's operating results or future prospects; and (iv) future issuances or sales of BPR Units by BPR and/or its significant stockholders.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies or partnerships. Any broad market fluctuations may adversely affect the trading price of our units.

The exchange of BPR Units for newly issued LP Units could negatively affect the market price of our LP Units, and additional issuances of BPR Units would be dilutive.

Each BPR Unit is redeemable by the holder thereof into the cash equivalent of one (1) LP Unit; however, we may elect, in our sole discretion, to satisfy such redemption request by acquiring such BPR Units in exchange for the issuance of a new LP Unit. If we elect to issue LP Units in satisfaction of any such redemption request, a significant amount of additional LP Units may be issued from time to time which could have a negative impact on the market price for LP Units. In addition, BPR may in the future sell additional BPR Units in connection with raising capital as well as for acquisitions. Such additional BPR Units issued in the future will also be exchangeable into LP Units as described above, and, accordingly, if so exchanged, would dilute the percentage interest of existing unitholders and may reduce the market price of our LP units.

In addition, pursuant to the Rights Agreement, Brookfield Asset Management has agreed that in the event that neither BPR nor BPY satisfies its obligations to deliver cash and/or LP Units in connection with BPR Units tendered for redemption, then Brookfield Asset Management will satisfy, or cause to be satisfied, such obligations by delivering cash and/or LP Units to the tendering holders. The delivery by Brookfield Asset Management of LP Units it owns could negatively affect the market price of our LP Units.

Our company may issue additional units in the future in lieu of incurring indebtedness which may dilute existing holders of our units or our company may issue securities that have rights and privileges that are more favorable than the rights and privileges accorded to holders of our units.

Our company may issue additional securities, including units and options, rights, warrants and appreciation rights relating to partnership securities for any purpose and for such consideration and on such terms and conditions as the BPY General Partner may determine. The BPY General Partner's board of directors will be able to determine the class, designations, preferences, rights, powers and duties of any additional partnership securities, including any rights to share in our company's profits, losses and distributions, any rights to receive partnership assets upon a dissolution or liquidation of our company and any redemption, conversion and exchange rights. The BPY General Partner may use such authority to issue additional units or additional securities exchangeable for our units, such as the Class A Preferred Units, which would dilute existing holders of our units, or to issue securities with rights and privileges that are more favorable than those of our units. You will not have any right to consent to or otherwise approve the issuance of any such securities or the terms on which any such securities may be issued.

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Future sales or issuances of our units in the public markets, or the perception of such sales, could depress the market price of our units.

The sale or issuance of a substantial number of our units or other equity-related securities (including BPR Units) in the public markets, or the perception that such sales could occur, could depress the market price of our units and impair our ability to raise capital through the sale of additional equity securities. Although Brookfield intends to maintain a significant interest in our company, Brookfield expects its interests in the Property Partnership to be reduced over time through mergers, treasury issuances or secondary sales which could also depress the market price of our units. We cannot predict the effect that future sales or issuances of units, other equity-related securities (including BPR Units), or the limited partnership units of the Property Partnership would have on the market price of our units.

Our unitholders do not have a right to vote on partnership matters or to take part in the management of our company.

Under our limited partnership agreement, our unitholders are not entitled to vote on matters relating to our company, such as acquisitions, dispositions or financings, or to participate in the management or control of our company. In particular, our unitholders do not have the right to remove the BPY General Partner, to cause the BPY General Partner to withdraw from our company, to cause a new general partner to be admitted to our partnership, to appoint new directors to the BPY General Partner's board of directors, to remove existing directors from the BPY General Partner's board of directors or to prevent a change of control of the BPY General Partner. In addition, except as prescribed by applicable laws, our unitholders' consent rights apply only with respect to certain amendments to our limited partnership agreement. As a result, unlike holders of common stock of a corporation, our unitholders are not able to influence the direction of our company, including its policies and procedures, or to cause a change in its management, even if they are dissatisfied with our performance. Consequently, our unitholders may be deprived of an opportunity to receive a premium for their units in the future through a sale of our company and the trading price of our units may be adversely affected by the absence or a reduction of a takeover premium in the trading price.

Our company is a Bermuda exempted limited partnership and it may not be possible for our investors to serve process on or enforce U.S. or Canadian judgments against us.

Our company is a Bermuda exempted limited partnership and a substantial portion of our assets are located outside the United States and Canada. In addition, certain of the directors of the BPY General Partner and certain members of the senior management team of the Service Providers who are principally responsible for providing us with management services reside outside of the United States and Canada. As a result, it may be difficult or impossible for U.S. or Canadian investors to effect service of process within the United States or Canada upon us or our directors and management of the Service Providers, or to enforce, against us or these persons, judgments obtained in the U.S. or Canadian courts predicated upon the civil liability provisions of U.S. federal securities laws or Canadian securities laws. We believe that there is doubt as to the enforceability in Bermuda, in original actions or in actions to enforce judgments of U.S. or Canadian courts, of claims predicated solely upon U.S. federal securities laws or Canadian securities laws. See Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of Our Units and Our Limited Partnership Agreement - Our Units".

Risks Relating to Taxation

General

We participate in transactions and make tax calculations for which the ultimate tax determination may be uncertain.

We participate in many transactions and make tax calculations during the course of our business for which the ultimate tax determination is uncertain. While we believe we maintain provisions for uncertain tax positions that appropriately reflect our risk, these provisions are made using estimates of the amounts expected to be paid based on a qualitative assessment of several factors. It is possible that liabilities associated with one or more transactions may exceed our provisions due to audits by, or litigation with, relevant taxing authorities which may materially affect our financial condition and results of operations.

Changes in tax law and practice may have a material adverse effect on the operations of our company, the Holding Entities, and our operating entities and, as a consequence, the value of our assets and the net amount of distributions payable to our unitholders.

Our structure, including the structure of the Holding Entities and our operating entities, is based on prevailing taxation law and practice in the local jurisdictions in which we operate. Any change in tax legislation (including in relation to taxation rates) and practice in these jurisdictions could adversely affect these entities, as well as the net amount of distributions payable to

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our unitholders. Taxes and other constraints that would apply to our operating entities in such jurisdictions may not apply to local institutions or other parties, and such parties may therefore have a significantly lower effective cost of capital and a corresponding competitive advantage in pursuing such acquisitions.

Our company's ability to make distributions depends on it receiving sufficient cash distributions from its underlying operations, and we cannot assure our unitholders that we will be able to make cash distributions to them in amounts that are sufficient to fund their tax liabilities.

Our Holding Entities and operating entities may be subject to local taxes in each of the relevant territories and jurisdictions in which they operate, including taxes on income, profits or gains and withholding taxes. As a result, our company's cash available for distribution is indirectly reduced by such taxes, and the post-tax return to our unitholders is similarly reduced by such taxes. We intend for future acquisitions to be assessed on a case-by-case basis and, where possible and commercially viable, structured so as to minimize any adverse tax consequences to our unitholders as a result of making such acquisitions.

In general, a unitholder that is subject to income tax in Canada or the United States must include in income its allocable share of our company's items of income, gain, loss, and deduction (including, so long as it is treated as a partnership for tax purposes, our company's allocable share of those items of the Property Partnership) for each of our company's fiscal years ending with or within such unitholder's tax year. See Item 10.E. "Additional Information - Taxation - U.S. Tax Considerations - Partnership Status of Our Company and the Property Partnership". However, the cash distributed to a unitholder may not be sufficient to pay the full amount of such unitholder's tax liability in respect of its investment in our company, because each unitholder's tax liability depends on such unitholder's particular tax situation and the tax treatment of the underlying activities or assets of our company. If our company is unable to distribute cash in amounts that are sufficient to fund our unitholders' tax liabilities, each of our unitholders will still be required to pay income taxes on its share of our company's taxable income.

Our unitholders may be subject to non-U.S., state and local taxes and return filing requirements as a result of owning our units.

Based on our method of operation and the ownership of our operating entities indirectly through corporate Holding Entities, we do not expect any unitholder, solely as a result of owning our units, to be subject to any additional income taxes imposed on a net basis or additional tax return filing requirements in any jurisdiction in which we conduct activities or own property. However, our method of operation and current structure may change, and there can be no assurance that our unitholders, solely as a result of owning our units, will not be subject to certain taxes, including non-U.S., state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes imposed by the various jurisdictions in which we do business or own property now or in the future, even if our unitholders do not reside in any of these jurisdictions. Consequently, our unitholders may also be required to file non-U.S., state and local income tax returns in some or all of these jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with these requirements. It is the responsibility of each unitholder to file all U.S. federal, non-U.S., state and local tax returns that may be required of such unitholder.

Our unitholders may be exposed to transfer pricing risks.

To the extent that our company, the Property Partnership, the Holding Entities or our operating entities enter into transactions or arrangements with parties with whom they do not deal at arm's length, including Brookfield, the relevant tax authorities may seek to adjust the quantum or nature of the amounts received or paid by such entities if they consider that the terms and conditions of such transactions or arrangements differ from those that would have

been made between persons dealing at arm's length. This could result in more tax (and penalties and interest) being paid by such entities, and therefore the return to investors could be reduced. For Canadian tax purposes, a transfer pricing adjustment may in certain circumstances result in additional income being allocated to a unitholder with no corresponding cash distribution or in a dividend being deemed to be paid by a Canadian-resident to a non-arm's length non-resident, which deemed dividend is subject to Canadian withholding tax.

The BPY General Partner believes that the base management fee and any other amount that is paid to the Service Providers is commensurate with the value of the services being provided by the Service Providers and comparable to the fees or other amounts that would be agreed to in an arm's length arrangement. However, no assurance can be given in this regard.

If the relevant tax authority were to assert that an adjustment should be made under the transfer pricing rules to an amount that is relevant to the computation of the income of the Property Partnership or our company, such assertion could result in adjustments to amounts of income (or loss) allocated to our unitholders by our company for tax purposes. In addition, we might also be liable for transfer pricing penalties in respect of transfer pricing adjustments unless reasonable efforts were made to determine, and use, arm's length transfer prices. Generally, reasonable efforts in this regard are only considered to be made if

contemporaneous documentation has been prepared in respect of such transactions or arrangements that support the transfer pricing methodology.

The U.S. Internal Revenue Service, or IRS, or Canada Revenue Agency, or CRA, may not agree with certain assumptions and conventions that we use to comply with applicable U.S. and Canadian federal income tax laws or to report income, gain, loss, deduction, and credit to our unitholders.

We apply certain assumptions and conventions to comply with applicable tax laws and to report income, gain, deduction, loss, and credit to a unitholder in a manner that reflects such unitholder's beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. However, these assumptions and conventions may not be in compliance with all aspects of the applicable tax requirements. A successful IRS or CRA challenge to such assumptions or conventions could adversely affect the amount of tax benefits available to our unitholders and could require that items of income, gain, deduction, loss, or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects our unitholders. See Item 10.E. "Additional Information - Taxation".

United States

If our company or the Property Partnership were to be treated as a corporation for U.S. federal income tax purposes, the value of our units might be adversely affected.

The value of our units to our unitholders depends in part on the treatment of our company and the Property Partnership as partnerships for U.S. federal income tax purposes. However, in order for our company to be treated as a partnership for U.S. federal income tax purposes, under present law, 90% or more of our company's gross income for every taxable year must consist of qualifying income, as defined in Section 7704 of the U.S. Internal Revenue Code of 1986, as amended, or the U.S. Internal Revenue Code, and our company must not be required to register, if it were a U.S. corporation, as an investment company under the Investment Company Act and related rules. Although the BPY General Partner intends to manage our affairs so that our company will not need to be registered as an investment company if it were a U.S. corporation and so that it will meet the 90% test described above in each taxable year, our company may not meet these requirements, or current law may change so as to cause, in either event, our company to be treated as a corporation for U.S. federal income tax purposes. If our company (or the Property Partnership) were treated as a corporation for U.S. federal income tax purposes, adverse U.S. federal income tax consequences could result for our unitholders and our company (or the Property Partnership, as applicable), as described in greater detail in Item 10.E. "Additional Information - Taxation - U.S. Tax Considerations - Partnership Status of Our Company and the Property Partnership".

The failure of certain of our operating entities (or certain of their subsidiaries) to qualify as REITs under U.S. federal income tax rules generally would have adverse tax consequences which could result in a material reduction in cash flow and after-tax return for our unitholders and thus could result in a reduction of the value of our units.

Certain of our operating entities (and certain of their subsidiaries), including operating entities in which we do not have a controlling interest, intend to qualify for taxation as REITs for U.S. federal income tax purposes. However, no assurance can be provided that any such entity will qualify as a REIT. An entity's ability to qualify as a REIT depends on its satisfaction of certain asset, income, organizational, distribution, shareholder ownership, and other requirements on a continuing basis. No assurance can be provided that the actual results of operations for any particular entity in a given taxable year will satisfy such requirements. If any such entity were to fail to qualify as a REIT in any taxable year, it would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on its net

taxable income at regular corporate rates, and distributions would not be deductible by it in computing its taxable income. Any such corporate tax liability could be substantial and could materially reduce the amount of cash available for distribution to our company, which in turn would materially reduce the amount of cash available for distribution to our unitholders or investment in our business and could have an adverse impact on the value of our units. Unless entitled to relief under certain U.S. federal income tax rules, any entity which so failed to qualify as a REIT would also be disqualified from taxation as a REIT for the four taxable years following the year during which it ceased to qualify as a REIT.

We may be subject to U.S. “backup” withholding tax or other U.S. withholding taxes if any unitholder fails to comply with U.S. tax reporting rules or if the IRS or other applicable state or local taxing authority does not accept our withholding methodology, and such excess withholding tax cost will be an expense borne by our company and, therefore, by all of our unitholders on a pro rata basis.

We may become subject to U.S. backup withholding tax or other U.S. withholding taxes with respect to any unitholder who fails to timely provide our company (or the applicable clearing agent or other intermediary) with an IRS Form W-9 or IRS Form W-8, as the case may be, or if the withholding methodology we use is not accepted by the IRS or other applicable state or local taxing authority. See Item 10.E. “Additional Information - Taxation - U.S. Tax Considerations - Administrative Matters -

Withholding and Backup Withholding”. To the extent that any unitholder fails to timely provide the applicable form (or such form is not properly completed), or should the IRS or other applicable state or local taxing authority not accept our withholding methodology, our company might treat such U.S. backup withholding taxes or other U.S. withholding taxes as an expense, which would be borne indirectly by all of our unitholders on a pro rata basis. As a result, our unitholders that fully comply with their U.S. tax reporting obligations may bear a share of such burden created by other unitholders that do not comply with the U.S. tax reporting rules.

Tax-exempt organizations may face certain adverse U.S. tax consequences from owning our units.

The BPY General Partner intends to use commercially reasonable efforts to structure our activities to avoid generating income connected with the conduct of a trade or business (which income generally would constitute “unrelated business taxable income”, or UBTI, to the extent allocated to a tax-exempt organization). However, no assurance can be provided that we will not generate UBTI in the future. In particular, UBTI includes income attributable to debt-financed property, and we are not prohibited from financing the acquisition of property with debt. In addition, a tax-exempt organization might be allocated UBTI if our company’s indirect investment in a REIT were to give rise to “excess inclusion income”. The potential for income to be characterized as UBTI could make our units an unsuitable investment for a tax-exempt organization, as addressed in greater detail in Item 10.E. “Additional Information - Taxation - U.S. Tax Considerations - Consequences to U.S. Holders - U.S. Taxation of Tax-Exempt U.S. Holders of Our Units”.

If our company were engaged in a U.S. trade or business, non-U.S. persons would face certain adverse U.S. tax consequences from owning our units.

Based on our organizational structure, as well as our expected income and assets, the BPY General Partner currently believes that our company is unlikely to earn income treated as effectively connected with a U.S. trade or business, including effectively connected income attributable to the sale of a “United States real property interest”, as defined in the U.S. Internal Revenue Code. If our company were deemed to be engaged in a U.S. trade or business, or to realize gain from the sale or other disposition of a U.S. real property interest, Non-U.S. Holders (as defined in Item 10.E. “Additional Information - Taxation - U.S. Tax Considerations”) generally would be required to file U.S. federal income tax returns and could be subject to U.S. federal withholding tax at the highest marginal U.S. federal income tax rates applicable to ordinary income. If, contrary to expectation, our company were engaged in a U.S. trade or business, then gain or loss from the sale of our units by a Non-U.S. Holder would be treated as effectively connected with such trade or business to the extent that such Non-U.S. Holder would have had effectively connected gain or loss had our company sold all of its assets at their fair market value as of the date of such sale. In such case, any such effectively connected gain generally would be taxable at the regular graduated U.S. federal income tax rates, and the amount realized from such sale generally would be subject to a 10% U.S. federal withholding tax. See Item 10.E. “Additional Information - Taxation - U.S. Tax Considerations - Consequences to Non-U.S. Holders”.

To meet U.S. federal income tax and other objectives, our company and the Property Partnership may invest through U.S. and non-U.S. Holding Entities that are treated as corporations for U.S. federal income tax purposes, and such Holding Entities may be subject to corporate income tax.

To meet U.S. federal income tax and other objectives, our company and the Property Partnership may invest through U.S. and non-U.S. Holding Entities that are treated as corporations for U.S. federal income tax purposes, and such Holding Entities may be subject to corporate income tax. Consequently, items of income, gain, loss, deduction, or credit realized in the first instance by our operating entities will not flow, for U.S. federal income tax purposes, directly to the Property Partnership, our company, or our unitholders, and any such income or gain may be subject to a

corporate income tax, in the U.S. or other jurisdictions, at the level of the Holding Entity. Any such additional taxes may adversely affect our company's ability to maximize its cash flow.

Our unitholders taxable in the United States may be viewed as holding an indirect interest in an entity classified as a "passive foreign investment company" or "controlled foreign corporation" for U.S. federal income tax purposes.

U.S. Holders may face adverse U.S. tax consequences arising from the ownership of an indirect interest in a "passive foreign investment company", or PFIC, or in a "controlled foreign corporation", or CFC. These investments may produce taxable income prior to the receipt of cash relating to such income, and U.S. Holders will be required to take such income into account in determining their gross income subject to tax. In addition, all or a portion of any gain realized upon the sale of a CFC may be taxable at ordinary income rates. Further, with respect to gain realized upon the sale of and excess distributions from a PFIC for which an election for current inclusions is not made, such income would be taxable at ordinary income rates and subject to an additional tax equivalent to an interest charge on the deferral of income inclusions from the PFIC. See Item 10.E. "Additional Information - Taxation - U.S. Tax Considerations - Consequences to U.S. Holders - Passive Foreign Investment Companies" and

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“Taxation - U.S. Tax Considerations - Consequences to U.S. Holders - Controlled Foreign Corporations”. Each U.S. Holder should consult its own tax adviser regarding the implications of the PFIC and CFC rules for an investment in our units.

Tax gain or loss from the disposition of our units could be more or less than expected.

Upon the sale of our units, a U.S. Holder will generally recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and such holder’s adjusted tax basis in such units. Prior distributions to a U.S. Holder in excess of the total net taxable income allocated to such holder will have decreased such unitholder’s tax basis in our units. Therefore, such excess distributions will increase a U.S. Holder’s taxable gain or decrease such holder’s taxable loss when our units are sold, and may result in a taxable gain even if the sale price is less than the original cost. A portion of the amount realized, whether or not representing gain, could be ordinary income to such U.S. Holder.

Our partnership structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. The tax characterization of our partnership structure is also subject to potential legislative, judicial, or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of our unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our unitholders should be aware that the U.S. federal income tax rules, particularly those applicable to partnerships, are constantly under review by the Congressional tax-writing committees and other persons involved in the legislative process, the IRS, the U.S. Treasury Department and the courts, frequently resulting in changes which could adversely affect the value of our units or cause our company to change the way it conducts its activities. For example, changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible for our company to be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes, change the character or treatment of portions of our company’s income, reduce the net amount of distributions available to our unitholders, or otherwise affect the tax considerations of owning our units. In addition, our company’s organizational documents and agreements permit the BPY General Partner to modify our limited partnership agreement, without the consent of our unitholders, to address such changes. These modifications could have a material adverse impact on our unitholders. See Item 10.E. “Additional Information - Taxation - U.S. Tax Considerations - Administrative Matters - New Legislation or Administrative or Judicial Action”.

Our company’s delivery of required tax information for a taxable year may be subject to delay, which could require a unitholder who is a U.S. taxpayer to request an extension of the due date for such unitholder’s income tax return.

Our company has agreed to use commercially reasonable efforts to provide U.S. tax information (including IRS Schedule K-1 information needed to determine a unitholder’s allocable share of our company’s income, gain, losses, and deductions) no later than 90 days after the close of each calendar year. However, providing this U.S. tax information to our unitholders will be subject to delay in the event of, among other reasons, the late receipt of any necessary tax information from lower-tier entities. It is therefore possible that, in any taxable year, a unitholder will need to apply for an extension of time to file such unitholder’s tax returns. See Item 10.E. “Additional Information - Taxation - U.S. Tax Considerations - Administrative Matters - Information Returns and Audit Procedures”.

If the IRS makes an audit adjustment to our income tax returns, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from us, in which case cash available for distribution to our unitholders might be substantially reduced.

For taxable years beginning after December 31, 2017, if the IRS makes an audit adjustment to our income tax returns, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from our company instead of unitholders (as under prior law). We may be permitted to elect to have the BPY General Partner and our unitholders take such audit adjustment into account in accordance with their interests in us during the taxable year under audit. However, there can be no assurance that we will choose to make such election or that it will be available in all circumstances. If we do not make the election, and we pay taxes, penalties, or interest as a result of an audit adjustment, then cash available for distribution to our unitholders might be substantially reduced. As a result, our current unitholders might bear some or all of the cost of the tax liability resulting from such audit adjustment, even if our current unitholders did not own our units during the taxable year under audit. The foregoing considerations also apply with respect to our company's interest in the Property Partnership.

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Under the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act of 2010, or FATCA, certain payments made or received by our company may be subject to a 30% federal withholding tax, unless certain requirements are met.

Under FATCA, a 30% withholding tax may apply to certain payments of U.S.-source income made to our company, the Property Partnership, the Holding Entities, or the operating entities, or by our company to a unitholder, unless certain requirements are met, as described in greater detail in Item 10.E “Additional Information - Taxation - U.S. Tax Considerations - Administrative Matters - Foreign Account Tax Compliance”. To ensure compliance with FATCA, information regarding certain unitholders’ ownership of our units may be reported to the IRS or to a non-U.S. governmental authority. Our unitholders should consult their own tax advisers regarding the consequences under FATCA of an investment in our units.

The effect of comprehensive U.S. tax reform legislation on our company and unitholders, whether adverse or favorable, is uncertain.

U.S. federal income tax reform legislation known as the “Tax Cuts and Jobs Act”, which was signed into law on December 22, 2017, has resulted in fundamental changes to the U.S. Internal Revenue Code. Among such changes, the Tax Cuts and Jobs Act reduces the marginal U.S. corporate income tax rate from 35% to 21%, limits the deduction for net interest expense, shifts the United States toward a modified territorial tax system, and imposes new taxes to combat erosion of the U.S. federal income tax base. The effect of the Tax Cuts and Jobs Act on our company, the Property Partnership, the Holding Entities, the operating entities, and unitholders, whether adverse or favorable, is uncertain, and may not become evident for some period of time. Our unitholders are urged to consult their own tax advisers regarding the implications of the Tax Cuts and Jobs Act for an investment in our units.

Canada

If the subsidiaries that are corporations, or non-resident subsidiaries, and that are not resident or deemed to be resident in Canada for purposes of the Income Tax Act (Canada), or, together with the regulations thereunder, the Tax Act, and that are “controlled foreign affiliates”, or CFAs, as defined in the Tax Act, in which the Property Partnership directly holds an equity interest earn income that is “foreign accrual property income”, or FAPI, as defined in the Tax Act, our unitholders may be required to include amounts allocated from our company in computing their income for Canadian federal income tax purposes even though there may be no corresponding cash distribution.

Any of the non-resident subsidiaries in which the Property Partnership directly holds an equity interest are expected to be CFAs of the Property Partnership. If any CFA of the Property Partnership or any direct or indirect subsidiary thereof that is itself a CFA of the Property Partnership, or an Indirect CFA, earns income that is characterized as FAPI in a particular taxation year of the CFA or Indirect CFA, the FAPI allocable to the Property Partnership must be included in computing the income of the Property Partnership for Canadian federal income tax purposes for the fiscal period of the Property Partnership in which the taxation year of that CFA or Indirect CFA ends, whether or not the Property Partnership actually receives a distribution of that FAPI. Our company will include its share of such FAPI of the Property Partnership in computing its income for Canadian federal income tax purposes and our unitholders will be required to include their proportionate share of such FAPI allocated from our company in computing their income for Canadian federal income tax purposes. As a result, our unitholders may be required to include amounts in their income for Canadian federal income tax purposes even though they have not and may not receive an actual cash distribution of such amounts. The Tax Act contains anti-avoidance rules to address certain foreign tax credit generator transactions, or the Foreign Tax Credit Generator Rules. Under the Foreign Tax Credit Generator Rules, the “foreign accrual tax”, as defined in the Tax Act, applicable to a particular amount of FAPI included in the Property Partnership’s

income in respect of a particular “foreign affiliate”, as defined in the Tax Act, of the Property Partnership may be limited in certain specified circumstances. See Item 10.E. “Additional Information - Taxation - Certain Material Canadian Federal Income Tax Considerations”.

Our unitholders may be required to include imputed amounts in their income for Canadian federal income tax purposes in accordance with section 94.1 of the Tax Act.

Section 94.1 of the Tax Act contains rules relating to interests in entities that are not resident or deemed to be resident in Canada for purposes of the Tax Act or not situated in Canada, other than a CFA of the taxpayer, or Non-Resident Entities, that could in certain circumstances cause income to be imputed to our unitholders for Canadian federal income tax purposes, either directly or by way of allocation of such income imputed to our company or to the Property Partnership. See Item 10.E. “Additional Information - Taxation - Certain Material Canadian Federal Income Tax Considerations”.

Our unitholders' foreign tax credits for Canadian federal income tax purposes will be limited if the Foreign Tax Credit Generator Rules apply in respect of the foreign "business income tax" or "non-business income tax", each as defined in the Tax Act, paid by our company or the Property Partnership to a foreign country.

Under the Foreign Tax Credit Generator Rules, the foreign "business-income tax" or "non-business-income tax" for Canadian federal income tax purposes for any taxation year may be limited in certain circumstances. If the Foreign Tax Credit Generator Rules apply, the allocation to a unitholder of foreign "business income tax" or "non-business income tax" paid by our company or the Property Partnership, and therefore, such unitholder's foreign tax credits for Canadian federal income tax purposes, will be limited. See Item 10.E. "Additional Information - Taxation - Certain Material Canadian Federal Income Tax Considerations".

Unitholders who are not and are not deemed to be resident in Canada for purposes of the Tax Act and who do not use or hold, and are not deemed to use or hold, their units of our company in connection with a business carried on in Canada, or non-resident limited partners, may be subject to Canadian federal income tax with respect to any Canadian source business income earned by our company or the Property Partnership if our company or the Property Partnership were considered to carry on business in Canada.

If our company or the Property Partnership were considered to carry on business in Canada for purposes of the Tax Act, non-resident limited partners would be subject to Canadian federal income tax on their proportionate share of any Canadian source business income earned or considered to be earned by our company, subject to the potential application of the safe harbour rule in section 115.2 of the Tax Act and any relief that may be provided by any relevant income tax treaty or convention.

The BPY General Partner intends to manage the affairs of our company and the Property Partnership, to the extent possible, so that they do not carry on business in Canada and are not considered or deemed to carry on business in Canada for purposes of the Tax Act. Nevertheless, because the determination of whether our company or the Property Partnership is carrying on business and, if so, whether that business is carried on in Canada, is a question of fact that is dependent upon the surrounding circumstances, the CRA, might contend successfully that either or both of our company and the Property Partnership carries on business in Canada for purposes of the Tax Act.

If our company or the Property Partnership is considered to carry on business in Canada or is deemed to carry on business in Canada for the purposes of the Tax Act, non-resident limited partners that are corporations would be required to file a Canadian federal income tax return for each taxation year in which they are a non-resident limited partner regardless of whether relief from Canadian taxation is available under an applicable income tax treaty or convention. Non-resident limited partners who are individuals would only be required to file a Canadian federal income tax return for any taxation year in which they are allocated income from our company from carrying on business in Canada that is not exempt from Canadian taxation under the terms of an applicable income tax treaty or convention.

Non-resident limited partners may be subject to Canadian federal income tax on capital gains realized by our company or the Property Partnership on dispositions of "taxable Canadian property" as defined in the Tax Act.

A non-resident limited partner will be subject to Canadian federal income tax on its proportionate share of capital gains realized by our company or the Property Partnership on the disposition of "taxable Canadian property" other than "treaty protected property", as defined in the Tax Act. "Taxable Canadian property" includes, but is not limited to, property that is used or held in a business carried on in Canada and shares of corporations that are not listed on a "designated stock exchange", as defined in the Tax Act, if more than 50% of the fair market value of the shares is

derived from certain Canadian properties during the 60-month period immediately preceding the particular time. Property of our company and the Property Partnership generally will be “treaty-protected property” to a non-resident limited partner if the gain from the disposition of the property would, because of an applicable income tax treaty or convention, be exempt from tax under the Tax Act. Our company and the Property Partnership are not expected to realize capital gains or losses from dispositions of “taxable Canadian property”. However, no assurance can be given in this regard. Non-resident limited partners will be required to file a Canadian federal income tax return in respect of a disposition of “taxable Canadian property” by our company or the Property Partnership unless the disposition is an “excluded disposition” for the purposes of section 150 of the Tax Act. However, non-resident limited partners that are corporations will still be required to file a Canadian federal income tax return in respect of a disposition of “taxable Canadian property” that is an “excluded disposition” for the purposes of section 150 of the Tax Act if tax would otherwise be payable under Part I of the Tax Act by such non-resident limited partners in respect of the disposition but is not because of an applicable income tax treaty or convention (otherwise than in respect of a disposition of “taxable Canadian property” that is “treaty-protected property” of the corporation). In general, an “excluded disposition” is a disposition of property by a taxpayer in a taxation year where: (a) the taxpayer is a non-resident of Canada at the time of the disposition; (b) no tax is payable by the taxpayer under Part I of the Tax Act for the taxation year; (c) the taxpayer is not liable to pay any amounts under the Tax Act in respect of any previous taxation year (other than certain amounts

for which the CRA holds adequate security); and (d) each “taxable Canadian property” disposed of by the taxpayer in the taxation year is either: (i) “excluded property” (as defined in subsection 116(6) of the Tax Act); or (ii) property in respect of the disposition of which a certificate under subsection 116(2), (4) or (5.2) of the Tax Act has been issued by the CRA. Non-resident limited partners should consult their own tax advisors with respect to the requirements to file a Canadian federal income tax return in respect of a disposition of “taxable Canadian property” by our company or the Property Partnership.

Non-resident limited partners may be subject to Canadian federal income tax on capital gains realized on the disposition of our units if our units are “taxable Canadian property”.

Any capital gain arising from the disposition or deemed disposition of our units by a non-resident limited partner will be subject to taxation in Canada, if, at the time of the disposition or deemed disposition, our units are “taxable Canadian property” of the non-resident limited partner, unless our units are “treaty-protected property” to such non-resident limited partner. In general, our units will not constitute “taxable Canadian property” of any non-resident limited partner at the time of disposition or deemed disposition, unless (a) at any time in the 60-month period immediately preceding the disposition or deemed disposition, more than 50% of the fair market value of our units was derived, directly or indirectly (excluding through a corporation, partnership or trust, the shares or interests in which were not themselves “taxable Canadian property”), from one or any combination of: (i) real or immovable property situated in Canada; (ii) “Canadian resource properties”, as defined in the Tax Act; (iii) “timber resource properties”, as defined in the Tax Act; and (iv) options in respect, of or interests in, or for civil law rights in, such property, whether or not such property exists, or (b) our units are otherwise deemed to be “taxable Canadian property”. Since our company’s assets will consist principally of units of the Property Partnership, our units would generally be “taxable Canadian property” at a particular time if the units of the Property Partnership held by our company derived, directly or indirectly (excluding through a corporation, partnership or trust, the shares or interests in which were not themselves “taxable Canadian property”) more than 50% of their fair market value from properties described in (i) to (iv) above, at any time in the 60-month period preceding the particular time. The BPY General Partner does not expect our units to be “taxable Canadian property” of any non-resident limited partner at any time but no assurance can be given in this regard. See Item 10.E. “Taxation - Certain Material Canadian Federal Income Tax Considerations”. Even if our units constitute “taxable Canadian property”, units of our company will be “treaty protected property” if the gain on the disposition of our units is exempt from tax under the Tax Act under the terms of an applicable income tax treaty or convention. If our units constitute “taxable Canadian property”, non-resident limited partners will be required to file a Canadian federal income tax return in respect of a disposition of our units unless the disposition is an “excluded disposition” (as discussed above). If our units constitute “taxable Canadian property”, non-resident limited partners should consult their own tax advisors with respect to the requirement to file a Canadian federal income tax return in respect of a disposition of our units.

Non-resident limited partners may be subject to Canadian federal income tax reporting and withholding tax requirements on the disposition of “taxable Canadian property”.

Non-resident limited partners who dispose of “taxable Canadian property”, other than “excluded property” and certain other property described in subsection 116(5.2) of the Tax Act (or who are considered to have disposed of such property on the disposition of such property by our company or the Property Partnership) are obligated to comply with the procedures set out in section 116 of the Tax Act and obtain a certificate pursuant to the Tax Act. In order to obtain such certificate, the non-resident limited partner is required to report certain particulars relating to the transaction to CRA not later than 10 days after the disposition occurs. Our units are not expected to be “taxable Canadian property” and neither our company nor the Property Partnership is expected to dispose of property that is “taxable Canadian property” but no assurance can be given in this regard.

Payments of dividends or interest (other than interest not subject to Canadian federal withholding tax) by residents of Canada to the Property Partnership will be subject to Canadian federal withholding tax and we may be unable to apply a reduced rate taking into account the residency or entitlement to relief under an applicable income tax treaty or convention of our unitholders.

Our company and the Property Partnership will each be deemed to be a non-resident person in respect of certain amounts paid or credited or deemed to be paid or credited to them by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest not subject to Canadian federal withholding tax) paid or deemed to be paid by a person resident or deemed to be resident in Canada to the Property Partnership will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, the CRA's administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to be computed by looking through the partnership and taking into account the residency of the partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-resident partners may be entitled to under an applicable income tax treaty or convention, provided that the residency status and entitlement to treaty benefits can be established. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to the Property Partnership, we expect the Holding Entities to look-through the Property Partnership and our company to the residency of the partners of our company (including partners who are resident in Canada) and to take into account any reduced rates of Canadian federal withholding tax that non-resident limited

partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to the Property Partnership. However, there can be no assurance that the CRA will apply its administrative practice in this context. If the CRA's administrative practice is not applied and the Holding Entities withhold Canadian federal withholding tax from applicable payments on a look-through basis, the Holding Entities may be liable for additional amounts of Canadian federal withholding tax plus any associated interest and penalties. Under the Canada-United States Tax Convention (1980), or the Treaty, a Canadian resident payer is required in certain circumstances to look-through fiscally transparent partnerships, such as our company and the Property Partnership, to the residency and Treaty entitlements of their partners and take into account the reduced rates of Canadian federal withholding tax that such partners may be entitled to under the Treaty.

While the BPY General Partner expects the Holding Entities to look-through our company and the Property Partnership in determining the rate of Canadian federal withholding tax applicable to amounts paid or deemed to be paid by the Holding Entities to the Property Partnership, we may be unable to accurately or timely determine the residency of our unitholders for purposes of establishing the extent to which Canadian federal withholding taxes apply or whether reduced rates of withholding tax apply to some or all of our unitholders. In such a case, the Holding Entities will withhold Canadian federal withholding tax from all payments made to the Property Partnership that are subject to Canadian federal withholding tax at the rate of 25%. Canadian resident unitholders will be entitled to claim a credit for such taxes against their Canadian federal income tax liability, but non-resident limited partners will need to take certain steps to receive a refund or credit in respect of any such Canadian federal withholding taxes withheld equal to the difference between the withholding tax at a rate of 25% and the withholding tax at the reduced rate they are entitled to under an applicable income tax treaty or convention. See Item 10.E. "Additional Information - Taxation - Certain Material Canadian Federal Income Tax Considerations" for further detail. Our unitholders should consult their own tax advisors concerning all aspects of Canadian federal withholding taxes.

Our units may or may not continue to be "qualified investments" under the Tax Act for registered plans.

Provided that our units are listed on a "designated stock exchange" (which currently includes the Nasdaq and the Toronto Stock Exchange, or the TSX), our units will be "qualified investments" under the Tax Act for a trust governed by a registered retirement savings plan, or RRSP, deferred profit sharing plan, registered retirement income fund, or RRIF, registered education savings plan, or RESP, registered disability savings plan, or RDSP and a tax-free savings account, or TFSA. However, there can be no assurance that our units will continue to be listed on a "designated stock exchange". There can also be no assurance that tax laws relating to "qualified investments" will not be changed. Taxes may be imposed in respect of the acquisition or holding of non-qualified investments by such registered plans and certain other taxpayers and with respect to the acquisition or holding of "prohibited investments", as defined in the Tax Act, by a RRSP, RRIF, TFSA, RDSP or RESP.

Generally, our units will not be a "prohibited investment" for a trust governed by an RRSP, RRIF, TFSA, RDSP or RESP provided that the annuitant under the RRSP or RRIF, the holder of the TFSA or RDSP or the subscriber of the RESP, as the case may be, deals at arm's length with our company for purposes of the Tax Act and does not have a "significant interest" as defined in the Tax Act for purposes of the prohibited investment rules, in our company. Our unitholders who will hold our units in an RRSP, RRIF, TFSA, RDSP or RESP should consult with their own tax advisors regarding the application of the foregoing prohibited investment rules having regard to their particular circumstances.

The Canadian federal income tax consequences to our unitholders could be materially different in certain respects from those described in this Form 20-F if our company or the Property Partnership is a "SIFT partnership", as defined in

the Tax Act.

Under the rules in the Tax Act applicable to a “SIFT partnership”, or the SIFT Rules, certain income and gains earned by a “SIFT partnership” will be subject to income tax at the partnership level at a rate similar to a corporation, and allocations of such income and gains to its partners will be taxed as a dividend from a “taxable Canadian corporation”, as defined in the Tax Act. In particular, a “SIFT partnership” will be required to pay a tax on the total of its income from businesses carried on in Canada, income from “non-portfolio properties”, as defined in the Tax Act, other than taxable dividends, and taxable capital gains from dispositions of “non-portfolio properties”. “Non-portfolio properties” include, among other things, equity interests or debt of corporations, trusts or partnerships that are resident in Canada, and of non-resident persons or partnerships the principal source of income of which is one or any combination of sources in Canada (other than a “portfolio investment entity” as defined in the Tax Act), that are held by the “SIFT partnership” and have a fair market value that is greater than 10% of the equity value of such entity, or that have, together with debt or equity that the “SIFT partnership” holds of entities affiliated (within the meaning of the Tax Act) with such entity, an aggregate fair market value that is greater than 50% of the equity value of the “SIFT partnership”. The tax rate that is applied to the above mentioned sources of income and gains is set at a rate equal to the “net corporate income tax rate”, plus the “provincial SIFT tax rate”, each as defined in the Tax Act.

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A partnership will be a “SIFT partnership” throughout a taxation year if at any time in the taxation year (i) it is a “Canadian resident partnership” as defined in the Tax Act, (ii) “investments”, as defined in the Tax Act, in the partnership are listed or traded on a stock exchange or other public market and (iii) it holds one or more “non-portfolio properties”. For these purposes, a partnership will be a “Canadian resident partnership” at a particular time if (a) it is a “Canadian partnership” as defined in the Tax Act at that time, (b) it would, if it were a corporation, be resident in Canada (including, for greater certainty, a partnership that has its central management and control located in Canada) or (c) it was formed under the laws of a province. A “Canadian partnership” for these purposes is a partnership all of whose members are resident in Canada or are partnerships that are “Canadian partnerships”.

Under the SIFT Rules, our company and the Property Partnership could each be a “SIFT partnership” if it is a “Canadian resident partnership”. However, the Property Partnership would not be a “SIFT partnership” if our company is a “SIFT partnership” regardless of whether the Property Partnership is a “Canadian resident partnership” on the basis that the Property Partnership would be an “excluded subsidiary entity” as defined in the Tax Act. Our company and the Property Partnership will be a “Canadian resident partnership” if the central management and control of these partnerships is located in Canada. This determination is a question of fact and is expected to depend on where the BPY General Partner is located and exercises central management and control of the partnerships. The BPY General Partner will take appropriate steps so that the central management and control of these entities is not located in Canada such that the SIFT Rules should not apply to our company or to the Property Partnership at any relevant time. However, no assurance can be given in this regard. If our company or the Property Partnership is a “SIFT partnership”, the Canadian federal income tax consequences to our unitholders could be materially different in certain respects from those described in Item 10.E. “Additional Information - Taxation - Certain Material Canadian Federal Income Tax Considerations”. In addition, there can be no assurance that the SIFT Rules will not be revised or amended in the future such that the SIFT Rules will apply.

ITEM 4. INFORMATION ON THE COMPANY

4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our company was established on January 3, 2013 as a Bermuda exempted limited partnership registered under the Bermuda Limited Partnership Act 1883, as amended, and the Bermuda Exempted Partnerships Act 1992, as amended. Our company’s head and registered office is 73 Front Street, 5th Floor, Hamilton HM 12, Bermuda, and our company’s telephone number is +441 294 3309.

Our company was established by Brookfield Asset Management as its primary vehicle to make investments across all strategies in real estate. Our goal is to be the 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. Our partnership’s limited partnership units are listed on the Nasdaq and the TSX under the symbols “BPY” and “BPY.UN”, respectively.

On April 15, 2013, Brookfield Asset Management completed a spin-off of its commercial property operations to our partnership which was effected by way of a special dividend of units of our partnership to holders of Brookfield Asset Management’s Class A and B limited voting shares. Each holder of the shares received one partnership unit for approximately every 17.42 shares, representing 44.7% of the limited partnership interest in our partnership, with Brookfield Asset Management retaining units of our partnership, Redemption-Exchange Units, and a 1% general partner interest in the Property Partnership through Property Special LP, which was then known as Brookfield Property GP L.P. Our general partner is an indirect wholly-owned subsidiary of Brookfield Asset Management. In addition, wholly-owned subsidiaries of Brookfield Asset Management provide management services to us pursuant to

our Master Services Agreement.

On August 28, 2018, we acquired all of the outstanding shares of common stock of GGP other than those shares previously held by our partnership and our affiliates (which represented a 34% interest in GGP prior to the acquisition). In connection with the acquisition, we formed Brookfield Property REIT Inc., which is an issuer of public securities that are intended to offer economic equivalence to an investment in our partnership in the form of a U.S. REIT stock. The BPR Units and Series A preferred stock of BPR trade on the Nasdaq under the symbols “BPR” and “BPRAP”, respectively. In the acquisition, 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 acquisition of GGP, approximately 161 million BPR Units and 88 million LP Units were issued to former GGP shareholders.

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4.B. BUSINESS OVERVIEW

Overview of our Business

Our partnership is 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's real estate businesses around the globe, we have built operating platforms across our three operating segments:

CORE OFFICE PORTFOLIO	CORE RETAIL PORTFOLIO
Class A office assets in gateway markets around the globe	100 of the top 500 malls in the United States
1142 premier properties	1124 best-in-class malls and urban retail properties
196 million square feet	1121 million square feet
194% occupancy	197% occupancy
18.3 year average lease term	

LP INVESTMENTS PORTFOLIO

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

143,400 multifamily units ⁽¹⁾	150 mixed-use properties ⁽¹⁾
1156 hospitality properties	149 student housing properties
1329 triple-net-lease assets	1144 office properties
191 self-storage properties	147 retail properties

⁽¹⁾ The 70 multifamily assets with approximately 23,000 units acquired in connection with the Forest City acquisition are included in Multifamily rather than Mixed-use within this table.

Our diversified Core Office and Retail 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 NOI growth without significant capital investment. Furthermore, we target earning between 8% and 11% unlevered, pre-tax returns on construction costs for our development and redevelopment projects. We currently have approximately 10 million square feet of active development projects underway with another 11 million square feet in planning stages. Our development track record reflects successful completions on time and on budget. We believe 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 20% total return on our LP Investments portfolio and a 2.0x multiple of capital on the equity we invest into these vehicles. Unlike our Core Office and Retail portfolios, these investments 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,

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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.

Our Business Strategy

Our strategy is to be the leading globally-diversified owner and operator of commercial properties. Due to the cyclical nature of the real estate industry, we believe that a real estate portfolio diversified by property type and geography will perform consistently over time. Furthermore, since property valuations fluctuate considerably based on market sentiment and other factors, we believe that the flexibility to shift capital to sectors and geographies that are out of favor will enable us to earn premium returns on the capital that we invest.

We are currently targeting investments across our various portfolios. In summary, our strategy is to acquire high-quality assets on a value basis, utilize our operating entities to add value through pro-active management, develop “best-in-class” properties at a discount to asset valuations, recycle capital for re-investment in new opportunities and finance on a non-recourse basis with investment grade metrics.

Leverage Brookfield’s operating experience, execution abilities and global relations

Through our operating entities around the globe, we receive real-time information regarding market conditions and opportunities, which helps us identify the investments that offer the best risk-adjusted returns and give us competitive advantages in the marketplace.

Our teams in each of the regions that we target have developed strong local relationships and partnerships. Through these local networks, we originate proprietary transactions that are generally priced at more favorable valuations than competitive processes.

Brookfield has a long history of leading multi-faceted transactions such as recapitalizations. We utilize our structuring expertise to execute these types of transactions, whereby we can acquire high quality assets at a discount to their intrinsic value.

Utilize our operating entities to add value through pro-active management

Within our operating entities, we pursue opportunities to maximize revenues in each market, such as optimizing tenant relationships to increase occupancy and raise rents.

We also identify opportunities to redevelop our existing assets that offer premium risk-adjusted returns.

Finally, we make add-on acquisitions that can be integrated into our operating entities.

Develop “best-in-class” properties at a discount to asset valuations

In markets where asset valuations are at a premium to development cost, we selectively pursue development projects that offer attractive risk-adjusted returns.

Our development strategy is relatively low risk. Before investing a material amount of capital, we generally meet prudent pre-leasing hurdles and secure construction financing and maximum-price contracts. We bring in capital partners on a project-specific basis in order to mitigate risk and manage our cash flow profile. Finally, we monetize

land parcels in order to reduce our investment in land.

Recycle capital for re-investment in new opportunities

Once we have stabilized an asset, we will consider a full or partial sale in order to recycle capital from these assets, which effectively have low costs of capital, for re-investment in new opportunities with higher rates of return.

For Core assets, our preference is to sell down interests in assets to institutional investors, which enables us to preserve our operating entities and earn incremental fee income.

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Finance on a non-recourse basis with investment grade metrics

- We predominantly utilize asset-level debt. We size the non-recourse debt with investment grade metrics in order to provide broad access to capital throughout market cycles and optimize our cost of capital.

In order to mitigate risk, we generally raise debt financing in local currency, and our debt portfolio is largely fixed rate through issuance of fixed coupon debt or use of interest rate derivatives.

• We seek to ladder maturities in order to reduce refinancing risk.

For LP Investments transactions, our strategy is to pursue acquisitions through private funds and/or consortium arrangements with institutional investors in order to manage our level of exposure to these higher risk investments. Brookfield has a strong track record of leading such consortiums and partnerships.

Competitive Strengths

We believe that a number of competitive strengths differentiate us from other commercial real estate companies.

Global Scale. With approximately 19,000 employees involved in Brookfield's real estate business globally, we have operating entities with scale in each of our targeted sectors and geographies. With the real-time information that we receive regarding market conditions and opportunities, we are well-positioned to opportunistically originate transactions that offer the highest risk-adjusted returns.

Sector and Geographic Diversification. With a portfolio of assets in the office, retail, multifamily, logistics, hospitality, triple net lease, self-storage, student housing and manufactured housing asset classes located primarily in North America, Europe and Australia, with a growing presence in Brazil and Asia, we have diversified cash flows that increase stability and over time should lower our cost of capital. As a result of this diversity, combined with Brookfield's sponsorship and its strong institutional relationships, we believe that we should have access to capital across market cycles. This should enable us to take advantage of attractive opportunities as they arise.

Superior Record of Executing Transactions. Brookfield's real estate group has a long track record of leading multi-faceted transactions, whereby it utilizes its structuring capabilities to invest in high-quality assets on a value basis. Additionally, Brookfield has demonstrated an ability to develop "best-in-class" assets in markets where asset valuations are in excess of development costs, earning attractive returns on equity.

Strong Organic Cash Flow Growth. As a result of escalation provisions in a majority of our leases, the mark-to-market of rents as long-term leases expire and our ability to increase occupancy/permanent occupancy primarily in our Core Office and Core Retail portfolios, we have a strong foundation for organic cash flow growth. We will have flexibility to utilize this incremental cash flow to increase our distribution to our unitholders or fund other growth initiatives.

Attractive Portfolio of Development/Redevelopment Opportunities. Within our Core Office, Core Retail and LP Investments businesses we have a portfolio of development and redevelopment opportunities that offer premium returns on invested capital. We will seek to capture the value of this pipeline through a combination of investment of capital to build-out such projects and sell-downs to partners at values that reflect the development value that has been created.

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Relationship with Brookfield. As Brookfield's flagship public commercial property entity, we are the primary vehicle through which it invests in real estate on a global basis. As a result, our unitholders benefit from Brookfield's global presence, operating experience, execution capabilities and relationships. Furthermore, with Brookfield's substantial liquidity and strong relationships with banks and institutional investors, we may be able to participate in attractive investments that we could not have executed on a stand-alone basis.

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Operating Entities

Our business is organized in three operating sectors - Core Office, Core Retail and LP Investments. The capital invested in these operating entities is through a combination of: direct investment; investments in asset level partnerships or joint venture arrangements; and participation in private equity funds and consortiums. Combining both publicly-listed and private institutional capital provides a competitive advantage in flexibility and access to capital to fund growth.

- (1) Represents assets and equity attributable to Unitholders related to our operating segments and excludes corporate assets and obligations.

Core Office

Our Core Office portfolio consists of interests in 142 high-quality office properties totaling approximately 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 10 million square feet of active office and multifamily developments. We believe that 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 target earning between 8% and 11% unlevered, pre-tax returns on construction costs from our development pipeline.

Within our Core Office business, we remain focused on the following strategic priorities:

• Realizing value from our properties through proactive leasing and select redevelopment and repositioning initiatives to convert assets to higher yielding (or cash flow generating) properties;

• Managing capital prudently, by utilizing conservative financing structures, including the disposition of select mature or non-core assets; and

• Advancing development projects to create “best-in-class” new stock in premium locations.

Our Core Office portfolio occupancy stands at 94% leased at December 31, 2018 and reflects average in-place net rent of \$35.02 compared to average market net rent of \$38.64, allowing for 10% potential to capture on higher rents on the upcoming expiration of leases.

Another important characteristic of our Core Office portfolio is the credit quality of our tenants. We focus on tenant credit quality in order to ensure the long-term sustainability of rental revenues through economic cycles. The following list shows major tenants in our Core Office portfolio by leased area and their respective credit ratings and lease commitments as at December 31, 2018.

Tenant	Primary Location	Credit Rating ⁽¹⁾	Exposure (%) ⁽²⁾	
Government and Government Agencies	Various	AA+/AAA	9.4	%
Morgan Stanley	NY/Toronto/London	A-	2.6	%
Barclays	London	BBB-	1.9	%
CIBC World Markets ⁽³⁾	Calgary/NY/Toronto	AA	1.9	%
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-	1.3	%
Amazon	NY/London	A-	1.2	%
Total			24.4	%

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

(2) Prior to considering partnership interests in partially-owned properties.

CIBC World Markets leases 1.1 million square feet at 300 Madison Avenue in New York, of which they sublease

(3) 940,000 square feet to PricewaterhouseCoopers LLP and approximately 100,000 square feet to Sumitomo Corporation of America.

Another important strategy for our Core Office business is to sign long-term leases in order to mitigate risk, reduce our overall re-tenanting costs and ensure stable and sustainable cash flows. As at December 31, 2018, the average lease term of our Core Office business was 8.3 years, compared to 8.4 years at December 31, 2017. We typically commence discussions with tenants regarding their space requirements well in advance of the contractual expiration.

A portion of our Core Office business is owned through joint venture, partnership, consortium or other arrangements with institutional partners. Prospectively, as we recycle capital, our preference is to sell down interests in assets to institutional partners and to continue to manage the assets on behalf of ourselves and the investors. We believe that this strategy enables us to enhance returns on our capital through associated fees, which represent an important area of growth.

Our development pipeline is a significant component of value of our Core Office business, and we expect this pipeline to contribute significantly to earnings and provide attractive returns on capital upon stabilization. As at December 31, 2018, we held interests in centrally located development sites with total development potential of approximately 32 million square feet primarily in the United States, Canada and Europe.

We classify our Core Office development sites into three categories: (i) active development, (ii) active planning and (iii) held for development. Of the approximately 32 million square feet in our office development pipeline, 10 million square feet are in the active development stage, 11 million square feet are in the active planning stage and 11 million square feet are held for future development. With all of our development sites, we proceed with construction when our risk adjusted return hurdles and preleasing targets have been met.

Core Retail

Our Core Retail segment consists of 124 retail properties located throughout the United States comprising approximately 121 million square feet of gross leasable area. We believe that these assets have a stable cash flow profile due to long-term leases in place. We target between a 10% and 12% total return on our Core Retail portfolio. The drivers of these targets include the mark-to-market of rents upon lease expiry, escalation provisions in leases and projected increases in occupancy, we expect will generate strong same-property NOI growth without significant capital investment. Furthermore, we target earning between 8% and 11% unlevered, pre-tax returns on construction costs from our development pipeline.

Our primary objective for this segment is to be an owner and operator of best-in-class retail properties that provide an outstanding environment and experience for our communities, retailers, and consumers. The strategy for our Core Retail business includes:

- increasing the permanent occupancy of our regional mall portfolio by converting temporary leases to permanent leases and leasing vacant space;

- renewing or replacing expiring leases at greater rental rates;

- actively recycling capital through the disposition of assets and investing in whole or partial interests in high-quality regional malls, anchor pads, our development pipeline and repaying debt; and

- continuing to execute on our existing redevelopment projects and seeking additional opportunities within our portfolio for redevelopment.

As of December 31, 2018, the portfolio was 96.5% leased, compared to 96.7% leased at December 31, 2017. On a suite-to-suite basis, the leases commencing occupancy in the trailing 12 months exhibited initial rents that were 10.6% higher than the final rents paid on expiring leases.

For the year ended December 31, 2018, the largest tenant in our Core Retail portfolio, L Brands, Inc. (based on common parent ownership), accounted for approximately 3.8% of rents. Our three largest tenants in the Core Retail portfolio, L Brands, Inc., Foot Locker, Inc., and The Gap, Inc., in aggregate, comprised approximately 9.2% of rents.

Competition within the retail property sector is strong. We compete for tenants and visitors to our malls with other malls in close proximity as well as online retailers. We believe the high quality of our properties enables us to compete effectively for retailers and consumers. In order to maintain and increase our competitive position within the marketplace we:

- strategically locate tenants within each property to achieve a merchandising strategy that promotes traffic, cross-shopping and maximizes sales;

- introduce new concepts to the property which may include restaurants, theaters, grocery stores, first-to-market retailers, and e-commerce retailers;

- utilize our properties with the opportunities to add other potential uses such as residential, hospitality and office space to complement our retail experience;

- invest capital to provide the right environment for our tenants and consumers, including aesthetic, technological, and infrastructure improvements; and

- ensure our properties are clean, secure and comfortable.

A portion of our Core Retail business is owned through joint venture, partnership or other arrangements with institutional partners. Prospectively, as we recycle capital, our preference is to sell down interests in assets to institutional partners and to continue to manage the assets on behalf of ourselves and the investors. We believe that this strategy enables us to enhance returns on our capital through associated fees, which represent an important area of growth.

Our development pipeline is a significant component of value of our Core Retail business. We have development and redevelopment activities with an estimated cost to the company totaling approximately \$638 million under construction and \$537 million in the pipeline. We continue to evaluate a number of other redevelopment projects to further enhance the quality of our assets.

LP Investments

Through investments in Brookfield-sponsored real estate funds created to earn attractive returns, we have interests in various real estate sectors around the globe including office, retail, multifamily, logistics, hospitality, triple net lease, self-storage, student housing and manufactured housing. Our ownership in these holdings ranges from 2% to 37%.

LP Investments - Office

Our LP Investments - Office business consists of 144 opportunistic office properties comprising of approximately 44 million square feet of office space in the United States, United Kingdom, Brazil and Asia. Our LP Investments - Office strategy is to acquire high-quality portfolios and/or in office properties at a discount to replacement cost or intrinsic value and execute strategies to increase occupancy and rental rates, expand on developments and achieve opportunistic returns through NOI growth and fair value appreciation.

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LP Investments - Retail

Our LP Investments - Retail business is comprised of approximately 29 million square feet of opportunistic retail space across 47 properties across the United States and in select Brazilian markets. Similar to our LP Investments - Office business, our strategy is to acquire high-quality portfolios and/or retail properties at a discount to replacement cost or intrinsic value and execute strategies to increase occupancy and rental rates, expand on developments and achieve opportunistic returns through NOI growth and fair value appreciation.

Multifamily

Our multifamily business consists of 134 properties with over 43,400 multifamily units across the United States. Our strategy is to selectively develop properties in high growth, supply-constrained markets. We leverage our track record of successfully entitling land for development of multifamily properties and managing construction in order to maximize returns. We also seek opportunities to redevelop well-located, older assets and earn an attractive return on this capital by raising rents, which are still a significant discount to new products.

Mixed-use

Our mixed-use business consists of 50 properties with over 19 million square feet of mixed-use space in Asia, Europe and the United States. Similar to our LP Investments - Office business, our strategy is to acquire high-quality portfolios at a discount to replacement cost or intrinsic value and execute strategies to increase occupancy and rental rates, expand on developments and achieve opportunistic returns through NOI growth and fair value appreciation.

Logistics

Our logistics business consists of over 2 million square feet of logistics space across 2 properties, consisting of modern logistics assets in Brazil. Our logistics strategy is to acquire older generation logistics properties that we can redevelop into state-of-the-art product. We also seek to selectively develop projects in supply constrained markets that are critical to the global supply chain. We leverage our long track record of successfully entitling land in these markets and our global relationships with retailers and other logistics companies to negotiate anchor leases to support such projects.

Hospitality

Our hospitality business consists of interests in 156 hospitality assets with over 27,550 rooms across North America, Europe and Australia. Our strategy is to employ a disciplined approach to asset selection and target investments with significant value creation opportunities. We seek to invest in hotels and hospitality related ventures in which we can use our operational expertise to add value. These strategies include, but are not limited to, renovations, repositioning, rebranding, management modification, channel distribution management, expense control and creative capital structuring.

Triple Net Lease

Our triple net lease business consists of 329 properties that are leased to automotive dealerships across the United States and Canada on a triple net lease basis. Our strategy grow the business by acquiring new locations, upgrading existing facilities and constructing new stores.

Self-storage

Our self-storage business consists of 91 self-storage facilities comprising over 7 million square feet throughout the United States. Our strategy is to acquire new locations, and upgrade existing properties in order to meet and exceed target projections.

Student Housing

Our student housing business consists of 49 student housing properties with over 17,800 beds in the United Kingdom. Our student housing business operates in strong markets with highly ranked universities throughout the United Kingdom. Our strategy to grow this business through add-on acquisitions of properties, upgrading existing properties, and internalized facilities management and marketing.

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Manufactured Housing

Our manufactured housing business consists of 136 manufactured housing communities with approximately 33,200 sites across the United States. Our strategy to grow this business through add-on acquisitions of properties, upgrading existing properties, and internalized facilities management and marketing.

Geographic Distribution

As of December 31, 2018, approximately 73% of our assets and 68% of our revenues originated from the United States with the remaining 27% of our assets and 32% of our revenues originating from Canada, Australia, United Kingdom, Europe, Brazil and Asia.

Distribution Policy

Our distribution policy is to retain sufficient cash flow within our operations to cover tenant improvements, leasing costs and other sustaining capital expenditures and to pay out substantially all remaining cash flow. In order to finance development projects, acquisitions and other investments, we plan to recycle capital or raise external capital. We believe that a payout ratio of 80% of our FFO should accomplish this objective. We have invested a substantial amount of capital in development and redevelopment projects primarily in our Core Office and Core Retail segments. Once we realize stabilized cash flow from these initiatives, we expect the growth in our payout to meet our target range of 5% to 8% per annum.

We established our distribution level and our targeted distribution growth rate based on projections of the amount of FFO that we will generate in the short to medium term. These projections reflect the in-place cash flow of all of our investments and our capital investment plans. In a number of our operating entities, we are retaining operating cash flow for reinvestment. As a result, we are required to finance, in the short term, payment of our distributions to our unitholders. To maintain our distributions at the current level, we have a number of alternatives available to us, including (a) using borrowings under our committed revolving credit facilities; (b) electing to accrue and/or waive distributions to be made in respect of the Redemption-Exchange Units that are held by Brookfield Asset Management in accordance with the Property Partnership's limited partnership agreement; (c) paying off all or a portion of the fees owed to the Service Providers pursuant to the Master Services Agreement through the issuance of our units and/or Redemption-Exchange Units; (d) paying of any equity enhancement distributions to Property Special LP through the issuance of Redemption-Exchange Units; and (e) utilizing distributions of other operating entities from cash flow from operations, asset sales and/or refinancings. We are not a passive investor and we typically hold positions of control or significant influence over assets in which we invest, enabling us to influence distributions from those assets.

On February 6, 2019, the Board of Directors of the BPY General Partner increased the quarterly distribution on our units to \$0.33 per unit (or \$1.32 per unit on an annualized basis). Despite our projections and the alternative methods available to maintain our distribution level, there can be no assurance that we will be able to maintain an annual distribution of \$1.32 per unit or meet our target growth rate. Based on amounts received in distributions from our operating entities and our projected operating cash flow from our direct investments, our proposed distributions are significantly greater than such amounts.

Additionally, our ability to make distributions will depend on a number of factors, some of which are out of our control, including, among other things, general economic conditions, our results of operations and financial condition, the amount of cash that is generated by our operations and investments, restrictions imposed by the terms of any indebtedness that is incurred to finance our operations and investments or to fund liquidity needs, levels of operating and other expenses, and contingent liabilities. Furthermore, the Property Partnership, the Holding Entities and our

operating entities are legally distinct from our company and they are generally required to service their debt and other obligations, such as distributions to Preferred Unitholders, before making distributions to us or their parent entity as applicable, thereby reducing the amount of our cash flow available to pay distributions on our units, fund working capital and satisfy other needs.

Competition and Marketing

The nature and extent of competition we face varies from property to property and business to business. Our direct competitors include other office, retail, multifamily, logistics, hospitality, triple net lease, self-storage, student housing and manufactured housing operating companies; public and private real estate companies and funds; commercial property developers and other owners of real estate that engage in similar businesses. In addition, we face competition in our retail business from alternatives to traditional mall shopping, particularly online shopping.

We believe the principal factors that our tenants consider in making their leasing decisions include: rental rates; quality, design and location of properties; total number and geographic distribution of properties; management and operational expertise; and financial position of the landlord. Based on these criteria, we believe that the size and scope of our operating entities, as well

as the overall quality and attractiveness of our individual properties, enable us to compete effectively for tenants in our local markets. We benefit from using the “Brookfield” name and the “Brookfield” logo in connection with our marketing activities in as Brookfield has a strong reputation throughout the global real estate industry.

Governmental, Legal and Arbitration Proceedings

Our company has not been since its formation and is not currently subject to any material governmental, legal or arbitration proceedings which may have or have had a significant impact on our company’s financial position or profitability nor is our company aware of any such proceedings that are pending or threatened.

We are occasionally named as a party in various claims and legal proceedings which arise during the normal course of our business. We review each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. Although there can be no assurance as to the resolution of any particular claim, we do not believe that the outcome of any claims or potential claims of which we are currently aware will have a material adverse effect on us.

Regulation

Our business is subject to a variety of federal, state, provincial and local laws and regulations relating to the ownership and operation of real property, including the following:

We are subject to various laws relating to environmental matters. We could be liable under these laws for the costs of removal and remediation of certain hazardous substances or wastes existing in, or released or deposited on or in our properties or disposed of at other locations.

We must comply with regulations under building codes and human rights codes that generally require that public buildings be made accessible to disabled persons.

We must comply with laws and regulations concerning zoning, design, construction and similar matters, including regulations which impose restrictive zoning and density requirements.

We are also subject to state, provincial and local fire and life safety requirements.

These laws and regulations may change and we may become subject to more stringent laws and regulations in the future. Compliance with more stringent laws and regulations could have an adverse effect on our business, financial condition or results of operations. We have established policies and procedures for environmental management and compliance, and we have incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licenses, permits and other approvals and to assess and manage potential liability exposure.

Environmental, Social and Governance

As a leading global owner and operator of high-quality real estate on a global basis, a strong environmental, social and governance, or ESG, culture has always been an integral part of how we operate our business. We believe that having a robust ESG strategy is crucial for us to create long-term value for our unitholders.

Brookfield has an effective economic interest in our business of approximately 54% and affiliates of Brookfield Asset Management provide services to us under the Master Services Agreement. Brookfield encourages a common set of

ESG principles across its business, while at the same time recognizing that the geographic and sector diversity of our portfolio requires tailored, local management and responsibility. The following are Brookfield's and our partnership's ESG principles:

Ensuring the well-being and safety of employees

Employee Well-Being: Meet or exceed all applicable labor laws and standards, which includes respecting human rights, offering competitive wages and implementing nondiscriminatory, fully inclusive hiring practices.

Health & Safety: Aim to have zero serious safety incidents by encouraging consistent health and safety principles across the organization.

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Be good stewards

Community Engagement: Engage with community groups to ensure that their interests, safety and well-being are appropriately integrated into our decision-making.

Philanthropy: Empower employees to participate in - and use resources to give back to - local communities.

Mitigate the impact of operations on the environment

Environmental Stewardship: Strive to minimize environmental impact and improve efficient use of resources over time.

Conduct business according to the highest ethical and legal/regulatory standards

Governance, Ethics and Fairness: Operate with high ethical standards by conducting business activities in compliance with applicable legal and regulatory requirements, and consistent with our Code of Business Conduct and Ethics.

Transparency: Be accessible to our investors and stakeholders by being responsive to requests for information and timely in our communication.

ESG and the Investment Process

ESG culture is embedded throughout the investment process, starting with the due diligence of a potential investment through to the exit process. During the initial due diligence phase, Brookfield uses its operating expertise to identify material ESG risks and opportunities relevant to a potential investment. In completing these initial assessments, internal experts are used and, as needed, third-party consultants.

To ensure ESG considerations are fully integrated in the due diligence phase, the investment team prepares a detailed memorandum outlining the merits of the transaction and disclosing potential risks, mitigants and opportunities. Senior management of our Service Providers discuss material ESG issues and potential mitigation strategies, including bribery and corruption risks, health and safety risks, and legal risks, as well as environmental and social risks.

Post-acquisition, local management teams are accountable for the implementation of ESG initiatives within their operations. This ensures full alignment between responsibility, authority, experience and execution. This approach is particularly important given the wide range of industries and locations in which we invest that require tailored ESG risk identification and management systems to mitigate unique risks and capitalize on distinct opportunities.

Environmental Initiatives

We pride ourselves on contributing positively to local communities. This means we continually strive to minimize impact on the environment, while balancing the need for economic growth. We demonstrate respect for the natural environment and take steps to protect it by investing in green technologies, encouraging environmentally sound construction methods, and promoting strategies to minimize carbon footprint. Green initiatives in our Core Office portfolio include energy reduction, water conservation, recycling, enhanced indoor air quality, alternative transportation parking, environmentally friendly cleaning materials and erosion control.

Our commitment to sustainability and intelligent design has earned us global recognition. 90% of our eligible global office area has achieved a sustainability designation, including: 49 LEED certifications in our office portfolio, 43 Energy Star certifications in the U.S., 51 BOMA 360 office certifications in the U.S. and Canada, 32 NABERS

certifications in Australia, 5 Green Star certifications and 3 BREEAM certifications.

Social Initiatives

The health and safety of employees is a top priority. This is why we target zero serious safety incidents and foster a culture of safe practice and leadership. Safety training and protocols are constantly refined by our businesses, and health and safety incident metrics are reviewed regularly.

We believe that giving back is essential to doing good business. Across our operations in the U.S., Canada, Brazil, Europe, Asia and Australia, we enhance our communities by supporting cultural initiatives and hosting local events, and we encourage our business partners to do the same. Brookfield has a history of deep involvement in philanthropy and continually works to instill a culture of charitable giving and volunteerism among employees and business partners.

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Governance Initiatives

Upholding fair and effective business practices is a cornerstone of being a responsible global citizen. Our partnership has adopted strong governance practices to ensure our activities are conducted with the utmost honesty and integrity and in full compliance with all legal and regulatory requirements. Our Code of Business Conduct and Ethics and Anti-bribery and Corruption Policy set out the commitments expected by us. We maintain a reporting hotline to report suspected unethical, illegal or unsafe behavior.

We are also deeply aware of the benefits that diversity and inclusion add to a workplace and to our ability to achieve better business outcomes. We adopted a Positive Work Environment Policy, which consolidates Brookfield's previous regional harassment policies into one global policy and sets a consistent and high standard across all jurisdictions by explicitly expressing commitment to maintaining a workplace free from discrimination, violence and harassment.

We are proud of the commitment we have made to ESG. The initiatives we undertake and the investments we make in building our business are guided by our core set of values around sustainable development and ESG, as we encourage a culture and organization that we believe can be successful today and in the future.

4.C. ORGANIZATIONAL STRUCTURE

Organizational Chart

The chart on the following page represents a simplified summary of our organizational structure as of December 31, 2018. "GP Interest" denotes a general partnership interest and "LP Interest" denotes a limited partnership interest. Certain subsidiaries through which Brookfield Asset Management holds units of our company have been omitted.

This chart should be read in conjunction with the explanation of our ownership and organizational structure on the following pages.

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- As of December 31, 2018, public holders own units of our company representing an 81% limited partnership interest in our company, and Brookfield owns the remaining units of our company, representing a 19% limited partnership interest in our company. Assuming the exchange of the Redemption-Exchange Units in accordance with the Redemption-Exchange Mechanism and the exchange of the issued and outstanding Exchange LP Units not held by us and the issued and outstanding BPR Units, Brookfield has a 54% interest in our company. On a fully-exchanged basis and taking into account the exchange of the issued and outstanding BPR Units, public holders (excluding the Class A Preferred Unitholder) would own units of our company representing a 42% interest in our company, the Class A Preferred Unitholder would own units of our company representing a 7% interest in our company and Brookfield would own the remaining units of our company, representing a 51% interest in our company. Brookfield also has an approximately 50% interest in the Property Partnership through Brookfield's ownership of Redemption-Exchange Units. On a fully-exchanged basis, our company would directly own 99% of the limited partnership interests in the Property Partnership.
- The Property Partnership owns, directly or indirectly, all of the common shares or equity interests, as applicable, of the Holding Entities. Brookfield held \$1.25 billion of redeemable preferred shares of Brookfield BPY Holdings Inc., or CanHoldco, which it received as partial consideration for causing the Property Partnership to directly acquire substantially all of Brookfield Asset Management's commercial property operations, of which \$330 million of the Class B Junior Preferred Shares and \$500 million of the Class C Junior Preferred shares were redeemed during the year ended December 31, 2018. Brookfield holds \$420 million of redeemable preferred shares as of December 31, 2018. In addition, Brookfield holds \$15 million of preferred shares of CanHoldco and four wholly-owned subsidiaries of other Holding Entities, which preferred shares are entitled to vote with the common shares of the applicable entity. Brookfield has an aggregate of 3% of the votes to be cast in respect of CanHoldco and 1% of the votes to be cast in respect of any of the other applicable entities. See Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Preferred Shares of Certain Holding Entities".
- Certain of the operating entities and intermediate holding companies that are directly or indirectly owned by the Holding Entities and that directly or indirectly hold our real estate assets are not shown on the chart. All percentages listed represent our economic interest in the applicable entity or group of assets, which may not be the same as our voting interest in those entities and groups of assets. All interests are rounded to the nearest one percent and are calculated as at December 31, 2018.
- The majority of our Core Office portfolio is held through Brookfield Office Properties, Inc. ("BPO"). We own 100% of its outstanding common shares and outstanding voting preferred shares as well as interests in certain series of its non-voting preferred shares.
- Our Australian office business consists of our economic interest in certain of our Australian office properties not held through BPO.
- Our interest in Canary Wharf is held through a joint venture owned 50% by our company and 50% by the Class A Preferred Unitholder.
- Our Brazilian office business, includes 67% ownership of an office building in Rio de Janeiro, Brazil and our interest in an office building in the Faria Lima section of São Paulo, Brazil.
- Our economic interest in BPR is 100% as BPR Units are intended to be economically equivalent to LP Units. Our voting interest is 91% of the voting stock of BPR through our 100% ownership of the BPR Class B and Class C shares. The balance of the voting rights in respect of BPR are held by the holders of the BPR Units.
- Our economic interest set forth above is reflected as a range because our LP Investments are held through Brookfield-sponsored real estate funds in which we hold varying interests.
- Our interest in one of our opportunistic real estate finance funds is owned by the Property Partnership.

The following table provides the percentage of voting securities owned, or controlled or directed, directly or indirectly, by us, and our economic interest in our operating entities included in our organizational chart set out above under “- Organizational Chart”.

Name	Economic Interest ⁽¹⁾	Voting Interest ⁽¹⁾
Core Office		
BPO ⁽²⁾	100%	100%
Australia ⁽³⁾	100%	—
Europe	100%	100%
Canary Wharf	50%	50%
Brazil	51% - 67%	51% - 67%
Core Retail		
BPR	100%	100%
LP Investments		
LP Investments - Office ^(4,5)	19% - 100%	—
Rouse	50%	33%
Brazil Retail ⁽⁴⁾	46%	—
LP Investments - Retail ⁽⁵⁾	21% - 26%	—
Logistics ^(4,5)	23% - 31%	—
Multifamily ^(4,5)	26% - 37%	—
Hospitality ^(4,5)	19% - 33%	—
Triple Net Lease ^(4,5)	29%	—
Self-storage ^(4,5)	26%	—
Student Housing ^(4,5)	19% - 26%	—
Manufactured Housing ^(4,5)	26%	—
Finance Funds ^(4,5)	2% - 18%	—
Mixed-Use ^(4,5)	15% - 31%	—

(1) All interests are rounded to the nearest one percent and are calculated as at December 31, 2018.

(2) Our interest in BPO consists of 100% of its outstanding common shares and outstanding voting preferred shares, as well as interests in certain series of its non-voting preferred shares.

(3) Our Australian office business consists of our economic interest in certain of our Australian office properties not held through BPO. This economic interest is held in the form of participating loan agreements with Brookfield, which are hybrid instruments comprising an interest bearing note, a total return swap, and an option to acquire direct or indirect legal ownership in the properties. The participating loan interests provide the holding entities (or their wholly owned subsidiaries) with an economic interest in the results of operations and changes in fair value of the properties. Brookfield retains the legal title to the properties through a wholly-owned subsidiary that is not part of the business in order to preserve existing financing arrangements. We have control or significant influence over the properties via the participating loan interests. Accordingly, the assets, liabilities and results of the entities that have direct ownership of such properties are consolidated or accounted for under the equity method by the holding entities (or their wholly owned subsidiaries).

(4) We hold our economic interest in these assets primarily through limited partnership interests in Brookfield-sponsored real estate funds. By their nature, limited partnership interests do not have any voting rights.

(5) Our economic interest set forth above is reflected as a range because our LP Investments are primarily held through Brookfield-sponsored real estate funds in which we hold varying interests.

Our Company

In connection with the Spin-off, we acquired from Brookfield Asset Management substantially all of its commercial property operations, including its office, retail, multifamily and logistics assets. We are Brookfield Asset Management's primary vehicle to make investments across all strategies in real estate. We are positioned to take advantage of Brookfield's global presence, providing our unitholders with the opportunity to benefit from Brookfield's operating experience, execution abilities and global relationships. As of December 31, 2018, Brookfield Asset Management has an effective economic interest in our business of approximately 54%.

Property Partnership

Our company's sole direct investments are a managing general partnership interest in the Property Partnership and an interest in BP US REIT LLC. Our company serves as the managing general partner of the Property Partnership and has sole authority for the management and control of the Property Partnership.

Our company owns a direct 49% interest in the Property Partnership through ownership of Managing General Partner Units. Holders of our units other than Brookfield, including the Class A Preferred Unitholder and the holders of the AO LTIP Units and FV LTIP Units, hold the remaining economic interest in the Property Partnership. Brookfield's interest in the Property Partnership includes a special limited partnership interest held by Property Special LP, a wholly-owned subsidiary of Brookfield Asset Management, which entitles it to receive equity enhancement distributions and incentive distributions from the Property Partnership. See Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Equity Enhancement and Incentive Distributions".

Our Service Providers

The Service Providers, wholly-owned subsidiaries of Brookfield Asset Management, provide management services to us pursuant to our Master Services Agreement. The senior management team that is principally responsible for providing us with management services include many of the same executives that have successfully overseen and grown Brookfield's global real estate business.

The BPY General Partner

The BPY General Partner, a wholly-owned subsidiary of Brookfield Asset Management, has sole authority for the management and control of our company. Holders of our units, in their capacities as such, may not take part in the management or control of the activities and affairs of our company and do not have any right or authority to act for or to bind our company or to take part or interfere in the conduct or management of our company. See Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of Our Units and Our Limited Partnership Agreement".

Property Special LP

Property Special LP is a special limited partner of the Property Partnership. The general partner of Property Special LP is Brookfield Asset Management. Property Special LP is entitled to receive equity enhancement distributions and incentive distributions from the Property Partnership as a result of its ownership of the Special LP Units. See Item 7.B. "Major Shareholders and Related Party Transactions Related Party Transactions".

Holding Entities

Our company indirectly holds its interests in our operating entities through the Holding Entities, most of which were formed in connection with the Spin-off. The Property Partnership owns, directly or indirectly, all of the common shares or equity interests, as applicable, of the Holding Entities. Brookfield holds \$420 million of redeemable preferred shares of CanHoldco, one of our Holding Entities, which it received as partial consideration for causing the Property Partnership to directly acquire substantially all of Brookfield Asset Management's commercial property operations. In addition, on the Spin-off, Brookfield was issued \$5 million of preferred shares of each of CanHoldco and four wholly-owned subsidiaries of other Holding Entities. The partnership has since redeemed \$10 million of these preferred shares. See Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Preferred Shares of Certain Holding Entities".

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Operating Sectors

Our business is organized in three sectors: Core Office, Core Retail and LP Investments. The capital invested in these sectors is through a combination of: direct investment; investments in asset level partnerships or joint venture arrangements; and participation in private equity funds and consortiums. Combining both publicly-listed and private institutional capital provides a competitive advantage in flexibility and access to capital to fund growth.

4.D. PROPERTY, PLANTS AND EQUIPMENT

See Item 4.B. “Information on the Company - Business Overview”, Item 4.C. “Information on the Company - Organizational Structure”, Item 5.A. “Operating and Financial Review and Prospects - Operating Results” and Item 18 “Financial Statements”.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

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ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A. OPERATING RESULTS

OBJECTIVES AND FINANCIAL HIGHLIGHTS

INTRODUCTION

This management's discussion and analysis ("MD&A") of Brookfield Property Partners L.P. ("BPY", the "partnership", "we", "us", or "our") covers the financial position as of December 31, 2018 and 2017 and results of operations for the years ended December 31, 2018, 2017, and 2016. The information in this MD&A should be read in conjunction with the audited consolidated financial statements as of December 31, 2018 and 2017 and each of the years ended December 31, 2018, 2017, and 2016 (the "Financial Statements") and related notes contained elsewhere in this Form 20-F.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Special Note Regarding Forward-Looking Statements".

BASIS OF PRESENTATION

Our sole direct investments are a 49% 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. As of December 31, 2018, the partnership is organized into four reportable segments: i) Core Office, ii) Core Retail, iii) LP Investments and iv) Corporate. These segments are independently and regularly reviewed and managed by the Chief Executive Officer, who is considered the CODM.

Our partnership's equity interests include general partnership units ("GP Units"), publicly traded limited partnership units ("LP Units"), redeemable/exchangeable partnership units of the Operating Partnership ("Redeemable/Exchangeable Partnership Units"), special limited partnership units of the Operating Partnership ("Special LP Units"), BPY AO LTIP of the Operating Partnership ("AO LTIP Units"), limited partnership units of Brookfield Office Properties Exchange LP ("Exchange LP Units") and Class A stock, par value \$0.01 per share, of Brookfield Property REIT Inc. ("BPR" or "BPR Units"). Holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, AO 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 year ended December 31, 2018 and includes material information up to the date of this Form 20-F. Financial data has been prepared using accounting policies in accordance with International Financial Reporting Standard (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Non-IFRS measures used in this MD&A are reconciled to or calculated from such financial information. Unless otherwise specified, all operating and other statistical information is presented as if we own 100% of each property in our portfolio, regardless of whether we own all of the

interests in each property, excluding information relating to our interests in China Xintiandi. We believe this is the most appropriate basis on which to evaluate the performance of properties in the portfolio relative to each other and others in the market. All dollar references, unless otherwise stated, are in millions of U.S. Dollars. Canadian Dollars (“C\$”), Australian Dollars (“A\$”), British Pounds (“£”), Euros (“€”), Brazilian Reals (“R\$”), Indian Rupees (“₹”), Chinese Yuan (“¥”), South Korean Won (“₩”) and United Arab Emirates Dirham (“AED”) are identified where applicable.

We present certain financial information on a proportionate basis. Financial information presented on a proportionate basis provides further information on the financial performance and position of the partnership as a whole, including certain investments which are accounted for under the equity method. We believe that proportionate financial information assists analysts and investors in determining the partnership’s economic interests in its consolidated and unconsolidated investments. The proportionate financial information reflects the financial position and performance of the partnership’s economic ownership of each investment that the partnership does not wholly own.

This proportionate information is not, and is not intended to be, a presentation in accordance with IFRS. Other companies may calculate their proportionate financial information differently than us, limiting its usefulness as a comparative measure. As a result of these limitations, the proportionate information should not be considered in isolation or as a substitute for the partnership’s financial statements as reported under IFRS.

OVERVIEW OF OUR 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
1142 premier properties
196 million square feet
194% occupancy
18.3 year average lease term

CORE RETAIL PORTFOLIO

100 of the top 500 malls in the United States
1124 best-in-class malls and urban retail properties
1121 million square feet
197% occupancy

LP INVESTMENTS PORTFOLIO

Invested in mispriced portfolios and / or properties with significant value-add
143,400 multifamily units⁽¹⁾
1156 hospitality properties
1329 triple-net-lease assets
191 self-storage properties

150 mixed-use properties⁽¹⁾
149 student housing properties
1144 office properties
147 retail properties

⁽¹⁾ The 70 multifamily assets with approximately 23,000 units acquired in connection with the Forest City acquisition are included in Multifamily rather than Mixed-use within this table.

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 8% and 11% unlevered, pre-tax returns on construction costs for our development and redevelopment projects. We currently have approximately 10 million square feet of active development projects underway with another 11 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

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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 also consider the following items to be important drivers of our current and anticipated financial performance:

- increases in occupancies by leasing vacant space and pre-leasing 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 associated with financing the partnership's share of commercial developments accounted for under the equity method and the FFO that would have been attributable to the partnership's shares of GGP Inc. ("GGP") if all outstanding warrants of GGP were exercised. Prior to the third quarter of 2017, the adjustment assumed net settlement of the outstanding warrants. For the third quarter of 2017, the adjustment is based on the cash settlement for all applicable warrants to reflect the partnership's settlement of the warrants on such basis which occurred in the fourth quarter of 2017.

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 71.

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 71 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 FFO to Company FFO on page 71.

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 71 and Equity attributable to Unitholders to total equity on page 72.

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FAIR VALUE OF INVESTMENT AND HOSPITALITY PROPERTIES

Investment properties

We measure all investment properties at fair value, including those held within equity accounted investments. Valuations are prepared at a balance sheet date with changes to those values recognized as gains or losses in the statement of income as mentioned above. Our valuations are generally prepared at the individual property level by internal investment professionals with the appropriate expertise in the respective industry, geography and asset type. We leverage their extensive expertise and experience in the valuation of properties accumulated through involvement in acquisitions and dispositions, negotiations with lenders and interactions with institutional private fund investors. 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, retail and logistics assets are typically valued using a discounted cash flow methodology while our multifamily, triple net lease, self-storage, student housing and manufactured housing assets are typically valued using a direct capitalization methodology.

Under the discounted cash flow approach, cash flows for each property are forecast for an assumed holding period, generally, ten-years. A capitalization rate is applied to the terminal year net operating income and an appropriate discount rate is applied to those cash flows to determine a value at the reporting date. The forecast cash flows include assumptions prepared at the property level for lease renewal probabilities, downtime, capital expenditures, future leasing rates and associated leasing costs. The majority of property cash flows consist of contracted leases as a result of our core real estate portfolio having a combined 95.2% occupancy level and an average seven year lease life. Valuation assumptions, such as discount rates and terminal value multiples, are determined by the relevant investment professionals and applied to the cash flows to determine the values.

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

Hospitality properties

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

Valuation methodology

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

research material and broker opinions as part of the review process.

External valuations

We have a number of properties externally appraised each year to support our valuation process and for other business purposes. We compare the results of those external appraisals to our internally prepared values and reconcile significant differences when they arise. During 2018 for instance, we obtained external appraisals of 93 of our properties representing a gross property value of \$36 billion (or 19% of the portfolio). These external appraisals were within 1% of management's valuations. In addition, in connection with the acquisition of GGP, we engaged an external appraiser to value our Core Retail portfolio as of the date of the transaction, August 28, 2018. Also, each year we sell a number of assets, which provides support for our valuations, as we typically contract at prices comparable to IFRS values.

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FINANCIAL STATEMENTS ANALYSIS

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

In this section, we review our consolidated performance for the years ended December 31, 2018, 2017, and 2016 and our financial position as of December 31, 2018, and 2017. Further details on our results from operations and our financial position are contained within the “Segment Performance” section on page 75.

The following acquisitions and dispositions of consolidated properties affected our consolidated results in the comparative periods for the years ended December 31, 2018, 2017, and 2016:

In our Core Office segment:

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 after the sale. The interest was sold to our parent, which is currently in the process of syndicating its entire 27.5% equity interest to third-party investors.

In the first quarter of 2018, we acquired 333 West 34th Street in New York for \$255 million through a joint venture with Brookfield Premier Real Estate Partners Pooling LLC (“BPREP”).

In the first quarter of 2018, we sold a 50% interest in Bay Adelaide Centre East and West Towers in Toronto for approximately C\$850 million (\$660 million) and we sold our interest in 1801 California Street in Denver for \$286 million.

In the fourth quarter of 2017, we sold a 49% interest in One Liberty Plaza in New York for approximately \$742 million and a realized gain of \$171 million.

- In the third quarter of 2017, we sold 20 Canada Square in London for approximately £410 million (\$537 million) and realized a gain of approximately £71 million (\$93 million).

In the third quarter of 2016, we sold One Shelley Street in Sydney for A\$525 million (\$398 million) for a realized gain of A\$174 million (\$132 million).

In the first quarter of 2016, we sold World Square Retail in Sydney for A\$285 million (\$206 million) and a realized gain of A\$147 million (\$112 million) and Royal Centre in Vancouver for C\$428 million (\$312 million) and a realized gain of C\$234 million (\$171 million).

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 (“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, approximately 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 equivalent to LP Units. BPR Units provide their holders with the right to request that their units be redeemed for cash consideration. In the event BPR stockholders exercise

this right, an affiliate of our partnership has the right, at its sole discretion, to satisfy the redemption request with LP Units, rather than cash, on a one-for-one basis. As a result, BPR Units participate in earnings and distributions on a per share 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.

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

In our LP Investments segment:

In the fourth quarter of 2018, we sold a logistics portfolio in the U.S. 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.

In the third quarter of 2018, we acquired a 100% leasehold interest in 666 Fifth Avenue, a commercial office asset in New York, for consideration of \$1,252 million, and two community malls in Shanghai for consideration of C¥728 million (\$110 million).

In the third quarter of 2018, we sold a portfolio of 112 self-storage properties for approximately \$1.3 billion, realized a gain of approximately \$292 million.

In the second quarter of 2018, we acquired an office building in Chicago for consideration of \$35 million and an office portfolio in Mumbai for consideration of 2,726 million (\$41 million).

In the first quarter of 2018, we acquired a portfolio of extended stay hotels across the U.S. for consideration of \$764 million, a portfolio of student housing properties in the United Kingdom for consideration of £518 million (\$739 million) and a United Kingdom based owner and operator of serviced apartments for consideration of £209 million (\$287 million).

In the first quarter of 2018, we sold the Hard Rock Hotel and Casino in Las Vegas for \$510 million.

In the fourth quarter of 2017, we sold a logistics portfolio in Europe for approximately €2.4 billion (\$2.8 billion) and a realized gain of approximately €1.0 billion (\$1.2 billion).

In the fourth quarter of 2017, we acquired a portfolio of office assets in Mumbai for consideration of Rs6,623 million (\$102 million), a mixed-use complex in Houston for consideration of \$819 million, a hotel property in Toronto for consideration of C\$335 million (\$270 million), and two office assets in San Jose, California for consideration of \$127 million.

In the second quarter of 2017, we entered into an amended management agreement with our co-investors in our Brazilian retail portfolio, Brookfield Brazil Retail Fundo de Investimento em Participações (“Brazil Retail”). As a result

of the terms of the agreement, we now jointly control the portfolio with our co-investors. As such, we no longer consolidate this investment and account for our investment in Brazil Retail as an equity accounted investment.

In the second quarter of 2017, we acquired an additional portfolio of student housing properties in the United Kingdom for £299 million (\$385 million).

In the first quarter of 2017, we acquired a portfolio of manufactured housing communities across the U.S. for consideration of approximately \$768 million and a portfolio of office properties across the U.S. for consideration of approximately \$214 million.

In the fourth quarter of 2016, we acquired the International Finance Center Seoul (“IFC”), a 5.4 million square feet mixed-use complex (office, retail, hotel) for consideration of approximately 2,497 billion (\$2,112 million).

In the third quarter of 2016, we sold a portfolio of hotel assets in Germany for net proceeds of approximately €240 million (\$268 million) and a realized gain of €96 million (\$107 million).

During the second quarter of 2016, we acquired a portfolio of student housing properties in the United Kingdom for approximately £273 million (\$397 million), the Vintage Estate hotel and specialty retail center in Napa Valley, CA for \$197 million and an additional portfolio of self-storage facilities for consideration of \$151 million.

During the first quarter of 2016, we acquired a portfolio of self-storage facilities across the United States for consideration of approximately \$320 million, including the assumption of debt.

The following acquisitions and dispositions of our equity accounted investments affected our income from unconsolidated properties results in the years ended December 31, 2018, 2017, and 2016:

In our Core Office segment:

In the fourth quarter of 2017, following the sale of a 49% interest in One Liberty Plaza in New York as described above, we reclassified our remaining 51% to equity accounted investments.

In the second quarter of 2017, we sold our equity accounted investment in 245 Park Avenue in Midtown New York for net proceeds of approximately \$680 million.

In the first quarter of 2017, we sold a 50% interest in the Principal Place - Commercial development for £346 million (\$429 million) and realized a gain of £164 million (\$203 million). We retained joint control of the resulting joint venture and account for our remaining interest as an equity accounted investment.

In our Core Retail segment:

In the fourth quarter of 2018, we sold a 49% interest in Fashion Place in Utah as described above. We retained joint control of the resulting joint venture and account for our remaining interest as an equity accounted investment.

In our LP Investments segment:

In the second quarter of 2017, as mentioned above, we entered into an amended management agreement with our co-investors in Brazil Retail. As a result of the terms of the agreement, we now jointly control the portfolio with our co-investors. Our investment in Brazil Retail is accounted for as an equity accounted investment.

For the purposes of the following comparison between the years ended December 31, 2018, 2017, and 2016, the above transactions are referred to as the property transactions. In addition to the property transactions, we will use same-property NOI from our Core Office and Core Retail segments to evaluate our operating results.

Summary of Operating Results

(US\$ Millions)	2018	2017	2016
Net income	\$3,654	\$2,468	\$2,717
Net income attributable to Unitholders ⁽¹⁾	1,978	375	1,793
NOI ⁽¹⁾	3,869	3,144	2,755
FFO ⁽¹⁾	866	873	895
Company FFO ⁽¹⁾	1,179	1,017	967

⁽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 59. An analysis of the measures and reconciliation to IFRS measures is included in the “Reconciliation of Non-IFRS measures” section on page 71.

Net income for the year ended December 31, 2018 increased to \$3,654 million from \$2,468 million during 2017. Net income per unit attributable to Unitholders for the year ended December 31, 2018 was \$2.28 compared with \$0.48 during 2017. The increase is primarily attributable to incremental NOI from the GGP acquisition and property transactions since prior year. Also contributing to higher NOI is leasing activity from our existing investments, particularly in our India office portfolio, and our Core Office assets in Downtown New York and Toronto at average rents higher than expiring rents, as well as our hospitality assets from property upgrades in the prior year. There were also fair value gains recognized in our LP investments segment, primarily from the sale of our U.S. logistics portfolio and on our office portfolio in India due to the completion of several developments and leasing activity. These increases were partially offset by the negative impact of foreign currency translation.

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Net income for the year ended December 31, 2017 decreased to \$2,468 million from \$2,717 million during 2016. Net income per unit attributable to Unitholders for the year ended December 31, 2017 was \$0.48 compared with \$2.30 during 2016. The decrease is primarily attributable to a material deferred tax recovery in 2016 relating to the reorganization of the partnership's interest in certain subsidiaries compared to a income tax expense in 2017. This decrease was partially offset by higher fair value gains in 2017 from our LP Investments, primarily from the sale of our European logistics portfolio, and our office assets in India and South Korea.

FFO decreased slightly to \$866 million for the year ended December 31, 2018 from \$873 million in 2017. The decrease was driven by higher interest expense due to the GGP acquisition and property transactions, higher transaction costs primarily due to the GGP acquisition and Forest City acquisition, general and administrative costs from the property transactions and the negative impact of foreign currency translation. These decrease were partially offset by the incremental NOI as mentioned above and strong same-store growth in our Core Office segment.

FFO decreased to \$873 million for the year ended December 31, 2017 from \$895 million in 2016. The decrease was driven by dispositions of mature assets throughout the period and an increase in interest expense due to a higher weighted-average interest rate on our variable rate secured debt obligations. These decreases were partially offset by property transactions in our Core Office and LP Investments segments, as well as positive same-property growth in our Core Office and Core Retail segments.

Operating Results

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Commercial property revenue	\$5,043	\$4,192	\$3,624
Hospitality revenue	1,913	1,648	1,561
Investment and other revenue	283	295	167
Total revenue	7,239	6,135	5,352
Direct commercial property expense	1,851	1,617	1,394
Direct hospitality expense	1,236	1,079	1,036
Investment and other expense	26	138	1
Interest expense	2,464	1,967	1,681
Depreciation and amortization	308	275	240
General and administrative expense	1,032	614	569
Total expenses	6,917	5,690	4,921
Fair value gains, net	2,466	1,254	692
Share of net earnings from equity accounted investments	947	961	1,019
Income before income taxes	3,735	2,660	2,142
Income tax expense (benefit)	81	192	(575)
Net income	3,654	2,468	2,717
Net income attributable to non-controlling interests of others in operating subsidiaries and properties	1,676	2,093	924
Net income attributable to Unitholders ⁽¹⁾	\$1,978	\$375	\$1,793

⁽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 59. An analysis of the measures and reconciliation to IFRS measures is included in the "Reconciliation of Non-IFRS measures" section starting on page 71.

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

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(US\$ Millions, except per units information) Years ended Dec. 31,	2018	2017	2016
Net income attributable to Unitholders – basic ⁽¹⁾	\$1,978	\$375	\$1,793
Dilutive effect of conversion of capital securities – corporate and options ⁽²⁾	27	—	39
Net income attributable to Unitholders – diluted	2,005	375	1,832
Weighted average number of units outstanding – basic ⁽¹⁾	866.9	774.7	780.8
Conversion of capital securities – corporate and options ⁽²⁾	18.5	1.2	34.8
Weighted average number of units outstanding – diluted	885.4	775.9	815.6
Net income attributable to Unitholders per unit – basic ⁽¹⁾⁽³⁾	\$2.28	\$0.48	\$2.30
Net income attributable to Unitholders per unit – diluted ⁽¹⁾⁽³⁾	\$2.26	\$0.48	\$2.25

Basic net income attributable to Unitholders per unit requires the inclusion of preferred shares of the Operating

- (1) 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 year ended December 31, 2017.
- (3) Net income attributable to Unitholders is a non-IFRS measure as described in the “Performance Measures” section on page 59.

Commercial property revenue and direct commercial property expense

In 2018, commercial property revenue increased by \$851 million compared to 2017 due to the GGP acquisition, property acquisitions in our LP Investments segment, same-property growth in our Core Office segment and leasing activity in our LP Investments portfolio, primarily in India, offset by property dispositions in our Core Office segment and the negative impact of foreign currency translation. The GGP acquisition resulted in consolidation of the investment which contributed \$511 million to commercial property revenue as compared to nil in 2017 as the investment was previously accounted for under the equity method. The property transactions contributed to a \$151 million increase in revenue. Our Core Office portfolio generated 5.9% same-property growth, largely driven by leasing activity in Downtown New York and Toronto. Same-property growth in our Core Office segment contributed \$56 million over 2017.

In 2017, commercial property revenue increased by \$568 million compared to 2016, as a result of property acquisitions in our LP Investments segment, same-property growth in our Core Office segment and the impact of foreign currency translation, offset by property dispositions primarily in our Core Office segment. The property transactions contributed to a \$686 million increase in revenue.

Direct commercial property expense increased by \$234 million largely due to additional expenses relating to the GGP acquisition and property transactions. Margins in 2018 were 63.3%; an improvement of 1.9% compared to 2017 and an improvement of 1.8% compared to 2016.

Commercial property NOI increased to \$3,192 million for the year ended December 31, 2018 compared with \$2,575 million during 2017. The increase was primarily driven by the GGP acquisition, property acquisitions and same-property growth offset by the disposition of mature assets and the deconsolidation of certain assets following partial dispositions and the negative impact of foreign currency translation.

Hospitality revenue and direct hospitality expense

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Hospitality revenue increased to \$1,913 million for the year ended December 31, 2018 from \$1,648 million in 2017. Direct hospitality expense increased to \$1,236 million in 2018 from \$1,079 million in 2017. Margins were 35.4%, an improvement of 0.9% over 2017 and 1.8% over 2016. The increase was primarily a result of property transactions and the impact of redevelopment initiatives, as well as lower revenues from the impact of Hurricane Irma at the Atlantis during the third quarter of 2017, partially offset by the disposition of the Hard Rock Hotel and Casino in Las Vegas.

Hospitality revenue increased to \$1,648 million for the year ended December 31, 2017 from \$1,561 million in 2016. Direct hospitality expense increased to \$1,079 million in 2017 from \$1,036 million in 2016. These increases were primarily a result of property transactions and completed renovations at certain properties partially offset by the impact of Hurricane Irma at the Atlantis hotel in the Bahamas and lower bookings due to renovations at certain properties.

Hospitality NOI increased to \$677 million for the year ended December 31, 2018 compared to \$569 million during the same period in the prior year. The increase is primarily due to property transactions partially offset by the negative impact of foreign currency translation.

Investment and other revenue and investment and other expense

Investment and other revenue includes management fees, leasing fees, development fees, interest income and other non-rental revenue. Investment and other revenue decreased by \$12 million for the year ended December 31, 2018 as compared to the prior year. The decrease is primarily due to higher revenue recorded in the prior period from the sale of develop-for-sale assets in our multifamily and logistics businesses, as these types of sales are sporadic in nature. These decreases were partially offset by higher management fee revenue and land sales revenue from our Core Retail segment, increased property management fee revenue from our continued management of 245 Park Avenue following its sale in the second quarter of 2017 and One Liberty Plaza in New York following the partial disposition in the fourth quarter of 2017, as well as increased asset management fees from development projects.

Investment and other revenue increased by \$128 million for the year ended December 31, 2017 as compared to 2016. The increase was primarily due to income from the sale of develop-for-sale assets in our multifamily and logistics businesses in 2017 contributing \$136 million, partially offset by a foreign exchange gain of \$12 million recognized on the sale of a partial interest in the Potsdamer Platz mixed-use portfolio in Berlin in the prior year.

Investment and other expense decreased by \$112 million for the year ended December 31, 2018 as compared to the prior year. The decrease is due to expenses associated with the sale of develop-for-sale assets in our multifamily and logistics businesses in 2017 as mentioned above partially offset by expenses due to our manufactured housing home sales.

Investment and other expense increased by \$137 million for the year ended December 31, 2017 as compared to 2016. The increase is primarily due to \$138 million of expenses associated with the sale of develop-for-sale assets in our multifamily and logistics businesses which sold in 2017 as mentioned above.

Interest expense

Interest expense increased by \$497 million for the year ended December 31, 2018 as compared to the prior year. These increases were due to the assumption of debt obligations as a result of the GGP acquisition and property acquisitions, incremental debt raised from temporary drawdowns on our credit facilities to source the capital required for acquisitions and through refinancings on individual properties, as well as an increase in the weighted average variable interest rate during the year. These increases were partially offset by disposition activity.

Interest expense increased by \$286 million for the year ended December 31, 2017 as compared to 2016. This was due to the assumption of debt obligations as a result of acquisition activity, incremental debt raised from temporary drawdowns on our credit facilities to source the capital required for acquisitions during the year and through refinancings on individual properties, as well as an increase in the weighted-average variable interest rate. These increases were partially offset by disposition activity.

General and administrative expense

General and administrative expense increased by \$418 million for the year ended December 31, 2018 compared to the prior year and increased by \$45 million for the year ended December 31, 2017 compared to 2016. These increases were primarily attributable to operating and transaction costs related to property transactions.

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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, net for our Core Office segment in the year ended December 31, 2018 were \$108 million. These gains primarily related to our Sydney and Toronto portfolios based on recent market transactions and leasing activity, and gains from disposition of an interest in Bay Adelaide Centre East and West Towers in Toronto and 1801 California Street in Denver. These gains were partially offset by losses in our Downtown New York portfolio.

Fair value losses, net for our Core Office segment in the year ended December 31, 2017 were \$807 million. These losses primarily related to valuation losses at properties in Downtown New York as a result of changes in valuation metrics and a slowdown in leasing velocity, and valuation losses on properties in the energy-dependent market of Houston. These valuation losses were partially offset by fair value gains in Sydney and Toronto as a result of rate compression and strong leasing activity.

In the year ended December 31, 2016, we recorded gains related to realized gains on property dispositions during the year primarily in New York, Sydney, London and Vancouver. These gains were offset by losses in Los Angeles and New York, due to changes in cash flow assumptions and rental curves as well as the impact of lower energy prices on cities with large exposure to the industry, including Houston and Calgary.

Fair value gains, net were recognized for Core Retail for the year ended December 31, 2018, relating to a bargain gain recognized on the GGP acquisition.

Fair value losses, net for the Core Retail segment in 2017 and 2016 relate to the depreciation of our warrants in GGP which fluctuated with changes in the market price of the underlying shares. In 2017, the loss of \$268 million is reflective of the loss in the fair value of the warrants up until October 6, 2017, when we exercised our warrants.

Fair value gains, net for the LP Investments segment in 2018 was \$1,785 million. Total net gains were attributable to the sale of our U.S. logistics portfolio in the fourth quarter of 2018 and in our office portfolio in India, due to leasing activity and the completion of several developments during the period as well as the sale of a self-storage portfolio. In the second quarter of 2018, we recorded a gain on extinguishment of debt associated with the sale of the Hard Rock Hotel and Casino. These increases were partially offset by fair value losses on our retail portfolio.

We recognized fair value gains, net of \$2.3 billion in 2017. These gains were driven by a \$1.2 billion fair value gain recognized on the sale of a logistics portfolio in Europe. Additionally, we recorded fair value gains in our India office portfolio, as a result of improved market conditions and IFC in South Korea as a result of improved leasing activity. Fair value gains, net include \$162 million of bargain purchase gains, of which \$149 million resulted from changes in underlying market conditions between the date of agreeing the transaction price and closing of the acquisition and \$13 million resulted from our ability to execute on a portfolio acquisition.

In the year ended December 31, 2016, we recognized gains primarily related to the sale of Hard Rock trademarks and the sale of a portfolio of hospitality assets in Germany. Additionally, we recorded valuation gains in our office, self-storage and triple net lease portfolios due to strengthened valuation metrics, as supported by comparable market and transaction data.

In addition, we recorded fair value gains of \$161 million (December 31, 2017 - fair value losses of \$36 million and December 31, 2016 - fair value gains of \$6 million), primarily related to obtaining control over Brookfield Global Real Estate Special Opportunities Inc. ("BGRESOI") after converting our loan interest in the entity and becoming 100% common equity holder during the year ended December 31, 2018. The prior years consisted of primarily mark-to-market adjustments on financial instruments and the settlement of derivative contracts during the year.

Share of net earnings from equity accounted investments

Our most material equity accounted investments are Canary Wharf and Manhattan West in our Core Office sector, Ala Moana Center in Hawaii, Fashion Show and Grand Canal Shoppes in Las Vegas in our Core Retail segment and the Diplomat hotel and our interest in the second value-add multifamily fund in our LP Investments segment.

Our share of net earnings from equity accounted investments was \$947 million for the year ended December 31, 2018. This represents a decrease of \$14 million compared to prior year. The decrease was primarily driven by valuation losses recognized on our Core Retail portfolio for the periods prior to the GGP acquisition, when our 34% interest in GGP was equity accounted. This decrease was partially offset by same store growth in our Core Office portfolio, primarily in New York and Berlin.

Our share of net earnings from equity accounted investments was \$961 million for the year ended December 31, 2017. This represents a decrease of \$58 million compared to prior year. The decrease was primarily driven by fair value losses recognized on our Core Retail portfolio as a result of changes in cash flow assumptions. This was partially offset by a \$442 million gain on recognition of our additional interest in GGP following exercise of the warrants, lower fair value losses in the current year from mark-to-market adjustment on certain interest rate derivative contracts, increased earnings on Five Manhattan West from higher occupancy and the inclusion of Principal Place Commercial and One Liberty Plaza as equity accounted investments due to partial sales.

Our share of net earnings from equity accounted investments was \$1,019 million for the year ended December 31, 2016, which represents a decrease of \$572 million compared to 2015. The decrease was driven by our Core Office segment as a result of higher comparative fair value gains on properties in the United States and London in 2015. Also contributing to the decrease were higher fair value gains in our Core Retail segment in 2015, which were partially offset by realized gains on asset dispositions.

Income tax expense (benefit)

The decrease in income tax expense for the year ended December 31, 2018 compared to the prior year primarily relates to a deferred tax benefit as a result of the acquisition of a controlling interest in GGP partially offset by higher income tax expense on current year operations.

Reconciliation of Non-IFRS measures

As described in the “Performance Measures” section on page 59, 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 years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Commercial property revenue	\$5,043	\$4,192	\$3,624
Direct commercial property expense	(1,851)	(1,617)	(1,394)
Commercial property NOI	3,192	2,575	2,230
Hospitality revenue	1,913	1,648	1,561
Direct hospitality expense	(1,236)	(1,079)	(1,036)
Hospitality NOI	677	569	525
Total NOI	3,869	3,144	2,755
Investment and other revenue	283	295	167
Share of net earnings from equity accounted investments	947	961	1,019
Interest expense	(2,464)	(1,967)	(1,681)
Depreciation and amortization	(308)	(275)	(240)
General and administrative expenses	(1,032)	(614)	(569)
Investment and other expense	(26)	(138)	(1)
Fair value gains, net	2,466	1,254	692
Income before income taxes	3,735	2,660	2,142
Income tax (expense) benefit	(81)	(192)	(575)
Net income	3,654	2,468	2,717
Net income attributable to non-controlling interests of others in operating subsidiaries and properties	1,676	2,093	924
Net income attributable to Unitholders	\$1,978	\$375	\$1,793

The following table reconciles net income to FFO and Company FFO for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Net income	\$3,654	\$2,468	\$2,717
Add (deduct):			
Fair value gains, net	(2,466)	(1,254)	(692)
Share of equity accounted fair value gains, net	(114)	(82)	(139)
Depreciation and amortization of real-estate assets	264	244	212
Income tax expense (benefit)	81	192	(575)
Non-controlling interests in above items	(553)	(695)	(628)
FFO	866	873	895
Add (deduct):			
Depreciation and amortization of real-estate assets, net ⁽¹⁾	35	27	26
Transaction costs, net ⁽¹⁾	221	41	44
Gains/losses associated with non-investment properties, net ⁽¹⁾	6	—	(46)
Imputed interest ⁽²⁾	51	38	—
Net contribution from GGP warrants ⁽³⁾	—	38	48
Company FFO	\$1,179	\$1,017	\$967

- (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.
Represents incremental FFO that would have been attributable to the partnership's share of GGP, if all outstanding warrants of GGP had been exercised. Prior to the third quarter of 2017, the adjustment assumed net settlement of
- (3) the outstanding warrants. For the third quarter of 2017, the adjustment is based on the cash settlement for all applicable warrants to reflect the partnership's settlement of the warrants on such basis which occurred in the fourth quarter of 2017.

Summary of Financial Position

(US\$ Millions, except per unit information)	Dec. 31, 2018	Dec. 31, 2017
Investment properties:		
Commercial properties	\$76,014	\$48,780
Commercial developments	4,182	2,577
Equity accounted investments	22,698	19,761
Property, plant and equipment	7,506	5,457
Cash and cash equivalents	3,288	1,491
Assets held for sale	1,004	1,433
Total assets	122,520	84,347
Debt obligations	63,811	36,884
Liabilities associated with assets held for sale	163	1,316
Total equity	46,740	35,124
Equity attributable to Unitholders ⁽¹⁾	\$28,284	\$22,186
Equity per unit ⁽²⁾	\$28.72	\$30.74

(1) Equity attributable to Unitholders is a non-IFRS measure as described in the "Performance Measures" section on page 59.

(2) Assumes conversion of mandatorily convertible preferred shares. See page 74 for additional information.

As of December 31, 2018, we had \$122,520 million in total assets, compared with \$84,347 million at December 31, 2017. The increase of \$38,173 million reflects the aforementioned property transactions since the prior year, primarily due to the GGP acquisition.

Commercial properties are commercial, operating, rent-producing properties. Commercial properties increased from \$48,780 million at the end of 2017 to \$76,014 million at the end of the current year. The increase was largely due to the GGP acquisition and property transactions, as well as incremental capital spent to maintain or enhance properties, and valuation gains within our LP Investments portfolio. This was offset by the full or partial disposition of certain assets during the current year and the negative impact of foreign currency translation based on closing spot rates.

Commercial developments consist of commercial property development sites, density rights and related infrastructure. The total fair value of development land and infrastructure was \$4,182 million at December 31, 2018, an increase of \$1,605 million from the balance at December 31, 2017. The increase was primarily attributable to the GGP acquisition and property transactions, incremental capital spend on our active developments, and a gain recognized at 100 Bishopsgate in London as the development is nearing completion.

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

(US\$ Millions)	Dec. 31, 2018	Commercial properties	Commercial developments
Investment properties, beginning of year	\$48,780	\$ 2,577	
Acquisitions	31,783	1,658	
Capital expenditures	1,098	1,185	
Dispositions ⁽¹⁾	(4,115)	(451))
Fair value gains, net	784	462	

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Foreign currency translation	(1,387)(121)
Transfer between commercial properties and commercial developments	1,123	(1,123)
Reclassifications to assets held for sale and other changes ⁽²⁾	(2,052	)(5)
Investment properties, end of year	\$76,014	\$	4,182

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

(2) A portfolio of self storage assets across the U.S. was reclassified to assets held for sale in the second quarter of 2018 and sold in the third quarter of 2018. Queens Quay Terminal in Toronto and our 25% interest in Jean Edwards tower were reclassified to assets held for sale in the second quarter of 2018 and both sold in the fourth quarter of 2018.

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Equity accounted investments increased by \$2,937 million since December 31, 2017 as a result of significant transaction activity in the current year, including:

In connection with the acquisition of GGP, our former equity accounted investment balance was derecognized as of August 28, 2018, as the investment was consolidated as of this date. In advance of the acquisition, GGP entered into a number of joint venture arrangements related to the sale of partial interests in certain properties, which are now accounted for under the equity method;

The partnership obtained control of Forest City Realty Trust during the fourth quarter of 2018. The partnership is consolidating the financial results of Forest City, including its interests in properties held through joint ventures; and

In addition, this net increase was offset by the weakening of the British Pound against the U.S. Dollar, primarily impacting our investment in Canary Wharf.

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

(US\$ Millions)	Dec. 31, 2018
Equity accounted investments, beginning of year	\$19,761
GGP joint ventures acquired from business acquisition ⁽¹⁾	10,829
Deconsolidation of pre-acquisition GGP equity interest ⁽¹⁾	(8,345)
Additions	2,174
Disposals and return of capital distributions	(1,304)
Share of net earnings from equity accounted investments	947
Distributions received	(518)
Foreign currency translation	(395)
Reclassification to assets held for sale ⁽²⁾	(567)
Other comprehensive income and other	116
Equity accounted investments, end of year	\$22,698

During the third quarter of 2018, we acquired the outstanding shares of common stock of GGP other than those shares previously held by our partnership, representing a 34% interest in GGP prior to the acquisition. As a result of the acquisition, GGP's interest in joint ventures of \$10,829 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 partnerships interest in GGP to its fair value immediately prior to acquiring control. See Note 4, Acquisition of GGP Inc., for further information.

⁽¹⁾ The partnership's interest in CXTD was reclassified to assets held for sale in the fourth quarter of 2018. The partnership's interest in 245 Park Avenue in Midtown New York was reclassified to assets held for sale in the first quarter of 2017 and sold in the second quarter of 2017.

Property, plant and equipment increased by \$2,049 million since December 31, 2017, primarily as a result of property transactions, capital spend at our properties and revaluation gains recognized at our hospitality assets, primarily the Atlantis and Center Parcs UK. These increases were offset by the negative impact of foreign currency translation related to our Center Parcs UK portfolio and depreciation expense during the current year.

As of 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 our LP Investments portfolio, as we intend to sell controlling interest in these assets to third parties in the next 12 months.

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

(US\$ Millions)	Dec. 31, 2018
Balance, beginning of year	\$1,433
Reclassification to/(from) assets held for sale, net	2,382
Disposals	(2,819)
Fair value adjustments	81
Foreign currency translation	(32)
Other	(41)
Assets held for sale	\$1,004

Our debt obligations increased to \$63,811 million as at December 31, 2018 from \$36,884 million as at December 31, 2017. Contributing to this increase was the addition of property-specific borrowings related to acquisition activity during the period, primarily from the GGP acquisition, as noted above, as well as higher funds subscription facilities, corporate debt facilities

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and GGP acquisition facility. These increases were partially offset by the disposition of encumbered assets during the period and the repayment of certain subsidiary borrowings.

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

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Corporate borrowings	\$2,159	\$1,359
Funds subscription facilities	4,516	432
Non-recourse borrowings:		
Property-specific borrowings	50,407	33,401
Subsidiary borrowings	6,729	1,692
Total debt obligations	63,811	36,884
Current	5,874	6,135
Non-current	57,937	30,749
Total debt obligations	\$63,811	\$36,884

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

(US\$ Millions, except unit information)	Dec. 31, 2018	Dec. 31, 2017
Total equity	\$ 46,740	\$ 35,124
Less:		
Interests of others in operating subsidiaries and properties	18,456	12,938
Equity attributable to Unitholders	28,284	22,186
Mandatorily convertible preferred shares	1,622	1,597
Total equity attributable to unitholders	29,906	23,783
Partnership units	971,144,432	703,615,432
Mandatorily convertible preferred shares	70,038,910	70,038,910
Total partnership units	1,041,183,342	773,654,342
Total equity attributable to Unitholders per unit	\$ 28.72	\$ 30.74

Equity attributable to Unitholders was \$28,284 million at December 31, 2018, an increase of \$6,098 million from the balance at December 31, 2017. The increase was primarily due to the issuance of LP Units and BPR Units relating to the GGP acquisition and net income during the period partially offset by distributions. Assuming the conversion of mandatorily convertible preferred shares, equity attributable to Unitholders decreased to \$28.72 per unit at December 31, 2018 from \$30.74 per unit at December 31, 2017.

Interests of others in operating subsidiaries and properties was \$18,456 million at December 31, 2018, an increase of \$5,518 million from the balance at December 31, 2017. The increase was primarily a result of the GGP acquisition as well as new LP Investments through Brookfield Asset Management-sponsored funds in which the partnership is a limited partner.

SUMMARY OF QUARTERLY RESULTS

(US\$ Millions, except per unit information)	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$2,140	\$1,828	\$1,651	\$1,620	\$1,578	\$1,510	\$1,519	\$1,528
Direct operating costs	837	793	716	741	707	668	689	632
Net income	858	722	1,051	1,023	958	659	664	187
Net income attributable to Unitholders	534	380	534	530	134	168	239	(166)
Net income attributable to Unitholders per unit – basic	\$0.51	\$0.44	\$0.69	\$0.69	\$0.17	\$0.22	\$0.31	\$(0.21)
Net income attributable to Unitholders per unit – diluted	\$0.51	\$0.43	\$0.68	\$0.68	\$0.17	\$0.22	\$0.31	\$(0.21)

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) Years ended Dec. 31,	2018	2017	2016
Core Office	\$520	\$534	\$620
Core Retail	552	486	429
LP Investments	228	281	303
Corporate	(434)	(428)	(457)
FFO	\$866	\$873	\$895

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

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Core Office	\$14,199	\$13,913
Core Retail	14,136	8,844
LP Investments	5,204	5,010
Corporate	(5,255)	(5,581)
Equity attributable to Unitholders	\$28,284	\$22,186

Core Office

Overview

Our Core Office portfolio consists of interests in 142 high-quality office properties totaling approximately 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 10 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 target earning between 8% and 11% unlevered, pre-tax returns on construction costs from our development pipeline.

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Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our Core Office segment for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
FFO	\$520	\$534	\$620
Net income attributable to Unitholders	934	(4)	544

FFO from our Core Office segment was \$520 million for the year ended December 31, 2018 as compared to \$534 million in 2017. This decrease was largely attributable to the impact of full or partial dispositions as we continue to recycle capital out of core, stable assets into higher-yielding opportunistic investments, higher general and administrative expense related to transactional activity and the negative impact of foreign exchange. The decrease was partially offset by positive same-property growth and lower interest expense as a result of the full or partial disposition.

Compared to 2016, FFO declined to \$534 million in 2017 from \$620 million. This decrease was largely attributable to the impact of disposition activity and higher interest expense, partially offset by same-property growth and the positive impact of foreign exchange.

Net income attributable to Unitholders from our Core Office segment for 2018 was \$934 million compared to a loss of \$4 million in 2017. Contributing to the increase in net income in 2018 were valuation gains recognized in Sydney and London as a result of rate compression and strong leasing activity. 2017 was reflective of fair value losses at properties in Downtown New York as a result of changes in valuation metrics and a slowdown in leasing velocity and valuation losses on properties in the energy-dependent market of Houston.

Net income attributable to Unitholders from our Core Office segment decreased by \$548 million from \$544 million in 2016 to a loss of \$4 million in 2017, which was reflective of aforementioned property losses.

Leasing Activity

The following table presents key operating metrics for our Core Office portfolio for the years ended December 31, 2018 and 2017:

(US\$ Millions, except where noted)	Consolidated		Unconsolidated	
As at and for the years ended Dec. 31,	2018	2017	2018	2017
Total portfolio:				
NOI ⁽¹⁾	\$1,087	\$1,085	\$451	\$423
Number of properties	71	75	71	72
Leasable square feet (in thousands)	47,480	50,027	30,479	30,887
Occupancy	92.7	%91.4	%94.6	%94.4
In-place net rents (per square foot) ⁽²⁾	\$28.99	\$29.06	\$44.57	\$42.34
Same-property:				
NOI ⁽²⁾	\$1,013	\$957	\$414	\$392
Number of properties	67	67	70	70
Leasable square feet (in thousands)	46,827	46,833	30,479	30,470
Occupancy	92.7	%91.2	%94.5	%94.4
In-place net rents (per square foot) ⁽²⁾	\$28.63	\$28.03	\$44.57	\$43.97

NOI for unconsolidated properties is presented on a proportionate basis, representing the Unitholders' interest in the

(1) 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 December 31, 2018 exchange rate.

NOI from our consolidated properties increased slightly to \$1,087 million in 2018 from \$1,085 million in 2017. New leases and higher in-place rents, primarily in Downtown New York and Toronto, contributed incremental NOI which was offset by dispositions.

Same-property NOI for our consolidated properties for the year ended December 31, 2018 compared with the prior year increased by \$56 million to \$1,013 million. This increase was primarily the result of lease commencements in Downtown and Midtown New York and Toronto, partially offset by the negative impact of foreign exchange.

NOI from our unconsolidated properties, which is presented on a proportionate basis, increased to \$451 million in 2018 from \$423 million in 2017. This increase is attributable to strong same-property growth in Midtown and Downtown New York and London, and the inclusion of One Liberty Plaza in Downtown New York in unconsolidated properties, partially offset by the disposition of our interest in 245 Park Avenue in Midtown New York.

The following table presents certain key operating metrics related to leasing activity in our Core Office segment:

(US\$ millions, except where noted)	Total portfolio year-to-date	
	Dec. 31, 2018	Dec. 31, 2017
Leasing activity (in thousands of square feet)		
New leases	3,973	5,316
Renewal leases	3,796	4,390
Total leasing activity	7,769	9,706
Average term (in years)	8.3	8.4
Year-one leasing net rents (per square foot) ⁽¹⁾	\$33.57	\$35.54
Average leasing net rents (per square foot) ⁽¹⁾	36.53	39.28
Expiring net rents (per square foot) ⁽¹⁾	33.19	28.70
Estimated market net rents for similar space ⁽¹⁾	38.64	37.98
Tenant improvements and leasing costs (per square foot)	53.04	79.86

⁽¹⁾ Presented using normalized foreign exchange rates, using the December 31, 2018 exchange rate.

For the year ended December 31, 2018, we leased approximately 7.8 million square feet at average in-place net rents approximately 10% higher than expiring net rents. Approximately 51% of our leasing activity represented new leases. Our overall Core Office portfolio's in-place net rents are currently 10% below market net rents, and accordingly we believe that we will be able to increase our NOI in the coming years, as we sign new leases. For the year ended December 31, 2018, tenant improvements and leasing costs were \$53.04 per square foot, compared to \$79.86 per square foot in the prior year.

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

Valuation Metrics

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

	Dec. 31, 2018			Dec. 31, 2017		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
Consolidated properties:						
United States	6.9	% 5.6	% 12	7.0	% 5.8	% 13
Canada	6.0	% 5.4	% 10	6.1	% 5.5	% 10

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Australia	7.0	%6.2	%10	7.0	%6.1	%10
Brazil	9.6	%7.7	%6	9.7	%7.6	%7
Unconsolidated properties:						
United States	6.6	%5.1	%10	6.5	%5.3	%11
Australia	6.7	%5.7	%10	7.0	%5.8	%10
Europe ⁽¹⁾	4.7	%4.9	%10	4.8	%4.8	%10

Certain properties in Europe accounted for under the equity method are valued using both discounted cash flow

⁽¹⁾ 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 December 31, 2018 and 2017:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Investment properties:		
Commercial properties	\$21,350	\$21,671
Commercial developments	2,182	1,598
Equity accounted investments	8,365	8,235
Participating loan interests	268	517
Accounts receivable and other	1,218	766
Cash and cash equivalents	678	360
Assets held for sale	34	648
Total assets	34,095	33,795
Debt obligations	11,922	13,124
Capital securities	813	813
Accounts payable and other liabilities	1,345	1,404
Deferred tax liability	953	1,162
Liabilities associated with assets held for sale	—	288
Non-controlling interests of others in operating subsidiaries and properties	4,863	3,091
Equity attributable to Unitholders	\$14,199	\$13,913

Equity attributable to Unitholders increased by \$286 million to \$14,199 million at December 31, 2018 from \$13,913 million at December 31, 2017. The increase was primarily a result of income earned in the current period and reduction of debt from full or partial dispositions and the termination of a corporate credit facility.

Commercial properties totaled \$21,350 million at December 31, 2018, compared to \$21,671 million at December 31, 2017. This decrease was driven by disposition activity, including our 51% interest in 1801 California Street, 10 and 12 Shelley Street in Sydney, and Queens Quay Terminal in Toronto as well as the negative impact of foreign exchange, partially offset by valuation gains in the current year.

Commercial developments increased by \$584 million between December 31, 2017 and December 31, 2018, primarily due to acquisition activity, incremental capital spend on our active developments, and a gain recognized at 100 Bishopsgate in London as the development is nearing completion.

The following table presents changes in our partnership's equity accounted investments in the Core Office segment from December 31, 2017 to December 31, 2018:

(US\$ Millions)	Dec. 31, 2018
Equity accounted investment, beginning of period	\$8,235
Additions	376
Disposals and return of capital distributions	(634)
Share of net income, including fair value gains (losses)	725
Distributions received	(68)

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Foreign exchange	(295)
Other	26
Equity accounted investments, end of year	\$8,365

Equity accounted investments increased by \$130 million to \$8,365 million at December 31, 2018 compared to the prior year-end. The increase was primarily driven by net income and the additions of Principal Place - Commercial and One Liberty Plaza that are now accounted for under the equity method as a result of partial dispositions. Partially offsetting the increase were current year dispositions, capital distributions and the negative impact of foreign exchange.

Debt obligations decreased from \$13,124 million at December 31, 2017 to \$11,922 million at December 31, 2018. This decrease is the result of reductions to debt related full or partial dispositions, particularly Principal Place - Commercial, One

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Liberty Plaza, and Bay Adelaide Centre, and the paydown of our senior notes and corporate credit facility. These decreases were partially offset by refinancing activity of property-level debt related to office properties.

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

(US\$ Millions, except where noted)	Shares outstanding	Cumulative dividend rate	Dec. 31, 2018	Dec. 31, 2017
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			813	813
Total capital securities			\$ 813	\$ 813

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

We had \$813 million of capital securities – fund subsidiaries outstanding at December 31, 2018 (December 31, 2017 - \$813 million). Capital securities – fund subsidiaries includes \$775 million (December 31, 2017 - \$775 million) of equity interests in Brookfield DTLA Holdings LLC (“DTLA”) held by our co-investors in the fund, which have been classified as a liability, rather than as non-controlling interests, as the holders of these interests can compel 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 \$38 million (December 31, 2017 - \$38 million) which represents the equity interests held by our 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 December 31, 2018:

(Millions, except square feet in thousands)	Total square feet under construction (in 000’s)	Proportionate square feet under construction (in 000’s)	Expected date of accounting stabilization	Percent pre-leased	Cost		Loan			
					Total ⁽¹⁾	To-date	Total	Drawn		
Office:										
100 Bishopsgate, London	938	938	Q2 2020	67	%£	875	£	759£	515£	387
655 New York Avenue, Washington, D.C. ⁽²⁾	766	383	Q1 2021	63	\$\$	285	\$	261\$	200\$	125
One Manhattan West, Midtown New York ⁽²⁾	2,081	853	Q3 2020	86	\$\$	778	\$	529\$	554\$	265
	715	358	Q4 2020	40	%£	257	£	210£	225£	114

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1 Bank Street, London ⁽²⁾												
ICD Brookfield Place, Dubai ⁽²⁾	1,156	578	Q2 2021	17	% AED	1,404	AED	962	AED	875	AED	461
Wood Wharf - Office, London ⁽²⁾	423	211	Q2 2021	44	% £	125	£	14	£	—	£	—
Bay Adelaide North, Toronto	820	820	Q4 2022	76	% C\$	498	C\$	80	C\$	350	C\$	—
Multifamily: Principal Place - Residential, London ⁽²⁾⁽³⁾	303	152	Q1 2019	n/a	£	190	£	157	£	122	£	96
Wood Wharf - 10 Park Drive, London ⁽²⁾⁽³⁾	269	135	Q4 2019	n/a	£	102	£	79	£	80	£	28
Studio Plaza, Maryland ⁽²⁾	343	296	Q1 2020	n/a	\$	106	\$	94	\$	69	\$	47
Southbank Place ⁽²⁾⁽³⁾	669	167	Q4 2019	n/a	£	232	£	153	£	126	£	52
Wood Wharf - 8 Water Street & 2 George Street, London ⁽²⁾	371	186	Q4 2020	n/a	£	151	£	99	£	96	£	39
Newfoundland, London ⁽²⁾	545	273	Q2 2021	n/a	£	249	£	186	£	174	£	69
Greenpoint Landing Building F, New York ⁽²⁾	348	331	Q1 2021	n/a	\$	347	\$	170	\$	208	\$	40
Wood Wharf - One Park Drive, London ⁽²⁾⁽³⁾	430	215	Q2 2021	n/a	£	221	£	98	£	135	£	—
Total	10,177	5,896										

(1) Net of NOI earned during stabilization.

(2) Cost and construction loan information is presented on a proportionate basis at our ownership in 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 budgeted total costs. We have recently completed office towers in the prime markets of Toronto, London, and Perth and completed two urban multifamily developments in New York. In the near term we expect to complete two landmark office towers in New York and London. Our recently completed developments, along with our active pipeline, are large contributing factors 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) Years ended Dec. 31,	2018	2017	2016
Commercial property revenue	\$1,962	\$2,020	\$2,094
Hospitality revenue ⁽¹⁾	17	26	—
Direct commercial property expense	(879)	(948)	(960)
Direct hospitality expense ⁽¹⁾	(13)	(13)	—
Total NOI	\$1,087	\$1,085	\$1,134

⁽¹⁾ Hospitality revenue and Direct hospitality expense within 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 years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Same-property NOI	\$996	\$940	\$928
Currency variance	—	6	(3)
NOI related to acquisitions and dispositions	91	139	209
Total NOI	1,087	1,085	1,134
Investment and other revenue	126	101	109
Interest expense	(598)	(641)	(640)
Depreciation and amortization on non-real estate assets	(13)	(14)	(16)
Investment and other expense	—	—	(1)
General and administrative expense	(197)	(164)	(150)
Fair value gains, net	108	(807)	50
Share of net earnings from equity accounted investments	725	523	259
Income before income taxes	1,238	83	745
Income tax benefit (expense)	(54)	42	(68)
Net income	1,184	125	677
Net income attributable to non-controlling interests	250	129	133
Net income attributable to Unitholders	\$934	\$(4)	\$544

The following table reconciles Core Office net income to FFO for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Net income	\$1,184	\$125	\$677

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Add (deduct):

Fair value gains, net	(108)	807	(50)
Share of equity accounted fair value gains, net	(459)	(222)	62
Depreciation and amortization of real estate assets	2	1	—
Income tax (benefit) expense	54	(42)	68
Non-controlling interests in above items	(153)	(135)	(137)
FFO	\$520	\$534	\$620

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The following table reconciles Core Office share of net earnings from equity accounted investment for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Unconsolidated properties NOI	\$451	\$423	\$467
Unconsolidated properties fair value gains, net and income tax expense	459	222	(62)
Other	(185)	(122)	(146)
Share of net earnings from equity accounted investments	\$725	\$523	\$259

Core Retail

Overview

Our Core Retail segment consists of 124 best-in-class regional malls and urban retail properties containing over 121 million square feet in the United States. 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 Retail portfolio. The drivers of these targets include the mark-to-market of rents upon lease expiry, escalation provisions in leases and projected increases in occupancy, that we expect will generate strong same-property NOI growth without significant capital investment. Furthermore, we target earning between 8% and 11% unlevered, pre-tax returns on construction costs from our development pipeline.

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

During the first quarter of 2018, we entered into a definitive agreement with GGP for our partnership to acquire all of the outstanding shares of common stock of GGP other than those shares currently held by us and our affiliates. The acquisition of GGP was finalized on August 28, 2018. In the transaction, GGP shareholders received, for each GGP common share, either \$23.50 in cash or either one LP Unit or one BPR Unit, subject to proration based on aggregate cash consideration of \$9.25 billion. We now consolidate our interest in BPR (formerly GGP). Prior to the acquisition in the third quarter of 2018, our investment in GGP was accounted for under the equity method.

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our Core Retail segment for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
FFO	\$552	\$486	\$429
Net income attributable to Unitholders	456	(89)	366

FFO earned in our Core Retail segment for the year ended December 31, 2018 was \$552 million compared to \$486 million in the prior year. The increase is driven by four months of higher NOI due to our incremental ownership subsequent to the GGP acquisition partially offset by transaction costs associated with the recapitalization of GGP, the partial asset sales that preceded the acquisition and higher interest expense from new term debt of \$4.7 billion associated with the acquisition.

The increase in FFO from \$429 million in 2016 to \$486 million in 2017 was driven primarily by same-property growth from lease commencements, an increase in our ownership of GGP from 29% to 34% as a result of the exercise of warrants, and revenue recognized from condominium sales.

Net income attributable to Unitholders from our Core Retail segment increased by \$545 million to \$456 million in 2018 compared to a loss of \$89 million in 2017. This increase is driven by a bargain gain recognized on the GGP acquisition offset by fair value losses recognized on our equity accounted investment prior to the GGP acquisition.

Net income attributable to Unitholders from our Core Retail segment decreased by \$455 million to a loss of \$89 million in 2017 compared to \$366 million in 2016. This decrease was due to fair value losses on our Core Retail portfolio due to changes in cash flow assumptions and greater mark-to-market losses on our investment in GGP warrants prior to redemption as a result of a decrease in GGP's share price. These losses were partially offset by a gain recognized on exercise of warrants, as mentioned above.

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Leasing Activity

The following table presents key operating metrics in our Core Retail portfolio for the years ended December 31, 2018 and 2017:

(US\$ Millions, except where noted)		
As at and for the years ended Dec. 31,	2018	2017
NOI:		
Total portfolio ⁽¹⁾	\$1,141	\$701
Total portfolio:		
Number of malls and urban retail properties	124	125
Leasable square feet (in thousands)	121,435	122,385
Occupancy ⁽²⁾	96.5	%96.7 %
In-place net rents (per square foot) ⁽²⁾	\$61.86	\$62.29
NOI weighted sales (per square foot) ⁽²⁾	\$746	\$705

NOI is presented on a proportionate basis. The current period represents 8 months of activity from our 34% interest in GGP prior to the acquisition and 4 months of our consolidated results of GGP. The prior period represents 9 months of activity from our 29% interest in GGP (prior to the warrant exercise in the fourth quarter of 2017) and 3 months of activity from our 34% interest in GGP following the warrant exercise.

⁽²⁾ Presented on a same-property basis.

NOI, which is presented on a proportionate basis, increased to \$1,141 million from \$701 million in the prior year due to our increased ownership in GGP.

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\$ Millions, except where noted)	Total portfolio	
	Dec. 2018	Dec. 2017
Number of leases	1,239	1,514
Leasing activity (in thousands of square feet)	4,408	4,550
Average term in years	7.1	6.4
Initial rent (per square foot) ⁽¹⁾	\$70.35	\$58.29
Expiring rent (per square foot) ⁽²⁾	63.60	53.36
Initial rent spread (per square foot)	6.75	4.93
% Change	10.6	%9.3 %
Tenant allowances and leasing costs	\$190	\$184

⁽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 December 31, 2018, we leased approximately 4.4 million square feet at initial rents approximately 10.6% higher than expiring net rents on a suite-to-suite basis. Additionally, for the year ended December 31, 2018 tenant allowances and leasing costs related to leasing activity were \$190 million compared to \$184 million in the prior year.

Our Core Retail portfolio occupancy rate at December 31, 2018 was 96.5%, which is flat compared to occupancy rates at December 31, 2017. In our Core Retail segment, we use in-place rents as a measure of leasing performance. In-place rents are calculated on a cash basis and consist of base minimum rent, plus reimbursements of common area costs, and real estate taxes. In-place rents decreased to \$61.86 at December 31, 2018 from \$62.29 at December 31, 2017, as a result of tenant bankruptcies. Strong leasing during the year from non-traditional tenants across our Core Retail portfolio kept occupancy rates relatively flat.

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Valuation Metrics

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

	Dec. 31, 2018			Dec. 31, 2017		
	Discount Rate	Terminal capitalization rate	Investment horizon	Discount Rate	Terminal capitalization rate	Investment horizon
Consolidated properties ⁽¹⁾ :						
United States	7.1	% 6.0	% 12	—	% —	% —
Unconsolidated properties:						
United States	6.6	% 5.3	% 11	7.0	% 5.6	% 10

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

Financial Position

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

Equity attributable to Unitholders in the Core Retail segment increased by \$5,292 million from December 31, 2017 to December 31, 2018 due to the GGP acquisition.

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

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Investment properties		
Commercial properties	\$ 17,224	\$ —
Commercial developments	383	—
Equity accounted investments	11,158	8,844
Accounts receivable and other	646	—
Cash and cash equivalents	247	—
Total assets	29,658	8,844
Less:		
Debt obligations	13,052	—
Accounts payable and other liabilities	674	—
Deferred tax liability	23	—
Non-controlling interests of others in operating subsidiaries and properties	1,773	—
Total equity attributable to Unitholders	\$ 14,136	\$ 8,844

Equity accounted investments increased by \$2,314 million to \$11,158 million. The balance at December 31, 2018 represents BPR's property-level joint ventures, including several entered immediately prior to the acquisition. In the prior period, equity accounted investments represented our 34% interest in GGP.

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The following table presents a roll-forward of our partnership's equity accounted investments for the year ended December 31, 2018:

(US\$ Millions)	Dec. 31, 2018
Equity accounted investments, beginning of year	\$8,844
GGP joint ventures acquired from business acquisition ⁽¹⁾	10,829
Deconsolidation of pre-acquisition GGP equity interest ⁽¹⁾	(7,843)
Additions, net of disposals	(510)
Share of net earnings from equity accounted investments	(52)
Distributions received	(243)
Foreign currency translation and other	133
Equity accounted investments, end of year	\$11,158

During the third quarter of 2018, we acquired all of the outstanding shares of common stock of GGP other than those shares currently held by us and our affiliates. We no longer consolidate our interest in GGP. As part of the GGP acquisition, we entered into a number of joint ventures, totaling \$10,829 million and deconsolidated our pre-acquisition in GGP equity interest of \$7,843 million.

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Active Developments

The following table summarizes the scope and progress of active developments in our Core Retail segment as of December 31, 2018:

(Millions, except square feet in thousands)	Stabilized year cost	Proportionate	
		Total	To-date ⁽¹⁾
The SoNo Collection, Connecticut	2022	\$ 451	\$ 188
Total		451	188

⁽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 an expansion project at the Staten Island Mall in New York, a ground up development in Norwalk, Connecticut and various other development projects. We monitor the scope and progress of our active developments in our Core Retail and expect them to be completed by the expected stabilized year and targeted total costs.

Reconciliation of Non-IFRS Measures – Core Retail

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

(US\$ Millions)	Years ended Dec. 31, 2018	2017	2016
Commercial property revenue	\$511	\$ —	—
Direct commercial property expense	(135)	—	—
Total NOI	\$376	\$ —	—

The following table reconciles Core Retail net income to net income attributable to Unitholders for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions)	Years ended Dec. 31,	2018	2017	2016
Total NOI		\$376	\$—	\$—
Investment and other revenue		73	—	—
Interest expense		(218)	—	—
Depreciation and amortization on real estate assets		(6)	—	—
Investment and other expense		—	—	—
General and administrative expense		(89)	—	—
Fair value gains (losses), net		412	(268)	(110)
Share of net earnings from equity accounted investments		(52)	179	476
Income before income taxes		496	(89)	366
Income tax benefit (expense)		(6)	—	—
Net income		\$490	\$(89)	\$366
Net income attributable to non-controlling interests of others in operating subsidiaries and properties		34	—	—

Net income attributable to Unitholders	\$456	\$(89)	\$366
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The following table reconciles Core Retail net income to FFO for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Net income	\$490	\$(89)	\$366
Add (deduct):			
Fair value (gains) losses, net	(412)	268	110
Share of equity accounted fair value gains, net	505	307	(47)
Income tax (benefit) expense	6	—	—
Non-controlling interests in above items	(37)	—	—
FFO	\$552	\$486	\$429

The following table reconciles Core Retail share of net earnings from equity accounted investment for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Unconsolidated properties NOI	\$1,141	\$701	\$676
Unconsolidated properties fair value gains, net and income tax expense	(505)	(307)	47
Other	(688)	(215)	(247)
Share of net earnings from equity accounted investments	\$(52)	\$179	\$476

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:

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

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

Brookfield Strategic Real Estate Partners III (“BSREP III”) - Effective with the final close on January 31, 2019, a \$1.0 billion commitment in BSREP III, which is an opportunistic real estate fund with \$15.0 billion in committed capital in aggregate.

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.

Summary of Operating Results

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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 years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Return of invested capital	\$446	\$385	\$241
Distribution of earnings and gains on invested capital	940	890	172
Total LP Investments distributions	1,386	1,275	413

During the year ended December 31, 2018, distribution of earnings and gains on invested capital primarily related to the realization gains on the disposition of a North American logistics portfolio and a portfolio of self-storage assets. Distribution of earnings and gains on invested capital in the prior periods are due to several assets sales including a European logistics portfolio.

The following table presents FFO and net income attributable to Unitholders in our LP Investments segment for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
FFO	\$228	\$281	\$303
Net income attributable to Unitholders	636	933	590

FFO in our LP Investments segment decreased by \$53 million for the year ended December 31, 2018 primarily driven by disposition activity, primarily a U.S. logistics portfolio and a portfolio of self-storage assets, higher interest expense and general and administrative expense from acquisition activity, higher transaction costs primarily related to the Forest City acquisition and acquisition of 666 Fifth Avenue, a reduction in investment and other income as the prior period included incremental income earned on developed-for-sale assets and the negative impact of foreign currency translation. These decreases were partially offset by acquisitions which contributed incremental NOI of \$372 million for the year ended December 31, 2018.

Net income attributable to Unitholders from our LP Investments segment decreased by \$297 million for the year ended December 31, 2018, driven by higher non-controlling interest ownership associated with the property transactions through Brookfield-sponsored real estate opportunity funds as well as incremental interest expense and general and administrative expenses associated with the acquisitions. These decreases were partially offset by incremental income relating to the property transactions as well as fair value gains, particularly related to the sale of a U.S. logistics portfolio, the sale of a portfolio of self-storage assets, our office assets in India, and a gain on extinguishment of debt associated with the sale of the Hard Rock Hotel and Casino.

The following table presents key operating metrics for our LP Investments portfolio as at December 31, 2018 and 2017:

(US\$ Millions, except where noted)	Equity attributable to Unitholders		Dec. 31, 2018	Number of properties	Total area (sq. ft. in thousands)	Units of measure	Occupancy %	
	Dec. 31, 2018	Dec. 31, 2017						
Office	\$1,134	\$1,080	144	43,551	Sq. ft.	80.2	%	
Retail	1,167	1,285	47	29,062	Sq. ft.	87.6	%	
Logistics	39	365	2	2,062	Sq. ft.	76.7	%	
Multifamily	685	745	64	19,661	Units	95.2	%	
Hospitality	882	573	156	27,551	Rooms	n/a		
Triple Net Lease	335	321	329	16,957	Sq. ft.	99.4	%	
Self-storage	81	187	91	7,493	Sq. ft.	83.3	%	
Student Housing	503	172	49	17,827	Beds	94.2	%	
Manufactured Housing	226	191	136	33,169	Sites	85.6	%	
Mixed-Use ⁽¹⁾	747	203	50	19,067	Sq. ft.	91.5	%	
Finance Funds	182	123	n/a	n/a	n/a	n/a		
Corporate	(777)	(235)	n/a	n/a	n/a	n/a		
	\$5,204	\$5,010						

⁽¹⁾ Does not include 70 multifamily assets with approximately 23,000 units from the Forest City acquisition.

Valuation Metrics

The key valuation metrics of our LP Investments properties on a weighted-average basis are presented in the following table. The valuations are most sensitive to changes in the discount rate and terminal capitalization rate.

	Dec. 31, 2018			Dec. 31, 2017		
	Discount rate	Terminal capitalization rate	Investment horizon	Discount rate	Terminal capitalization rate	Investment horizon
Consolidated properties:						
Office ⁽¹⁾	10.2	% 7.0	% 6	10.2	% 7.5	% 7
Retail	8.9	% 7.8	% 9	9.0	% 8.0	% 10
Logistics	9.3	% 8.3	% 10	6.8	% 6.2	% 10
Mixed-Use ⁽¹⁾	7.8	% 5.4	% 10	8.4	% 5.3	% 10
Multifamily ⁽²⁾	4.8	% n/a	n/a	4.8	% n/a	n/a
Triple Net Lease ⁽²⁾	6.3	% n/a	n/a	6.4	% n/a	n/a
Self-storage ⁽²⁾	5.7	% n/a	n/a	5.8	% n/a	n/a
Student Housing ⁽²⁾	5.6	% n/a	n/a	5.8	% n/a	n/a
Manufactured Housing ⁽²⁾	5.4	% n/a	n/a	5.8	% n/a	n/a
Unconsolidated properties						
Opportunistic Office	6.9	% 5.2	% 9	6.6	% 5.7	% 10
Opportunistic Retail	11.7	% 7.1	% 10	11.5	% 7.2	% 11
Logistics ⁽³⁾	—	% —	% —	6.4	% 5.8	% 10
Multifamily ⁽²⁾	5.2	% n/a	n/a	5.1	% n/a	n/a

- (1) During the third quarter of 2018, the valuation metrics for IFC are being reported under the mixed-use sector. The valuation metrics for office have been updated for both periods presented. The recently acquired Forest City portfolio has been excluded.
- (2) The valuation method used to value multifamily, triple net lease, self-storage, student housing, and manufactured housing properties is the direct capitalization method. The rates presented as the discount rate relate to the overall implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable.
- (3) During the fourth quarter of 2018, we sold our U.S. logistics portfolio.

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Financial Position

The following table presents equity attributable to Unitholders in our LP Investments segment:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Investment properties	\$39,057	\$28,088
Property, plant and equipment	7,333	5,358
Equity accounted investments	3,175	2,612
Accounts receivable and other	5,777	3,535
Cash and cash equivalents	2,298	1,093
Assets held for sale	970	785
Total assets	58,610	41,471
Less:		
Debt obligations	36,678	22,402
Capital securities	460	431
Accounts payable and other liabilities	4,303	2,769
Liabilities associated with assets held for sale	163	1,028
Non-controlling interests of others in operating subsidiaries and properties	11,802	9,831
Equity attributable to Unitholders	\$5,204	\$5,010

The increase in investment properties is primarily the result of our acquisition activity, mostly in our mixed-use, office and student housing portfolios. Additionally, we had valuation gains from our office assets in India and our manufactured housing portfolio in the U.S. These increases were offset by disposition activity.

The increase in property, plant and equipment is the result of acquisition activity as detailed in property transactions and capital spend, partially offset by depreciation expense and the negative impact of foreign currency translation.

Equity accounted investments increased primarily due to the Forest City acquisition and net income from these investments during the period, partially offset by distributions of income and return of capital during the period and the negative impact of foreign currency translation.

Assets held for sale and related liabilities as of December 31, 2018 includes 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, as we intend to sell controlling interests in these properties to third parties in the next 12 months.

Debt obligations increased due to due to the acquisitions mentioned in property transactions.

Reconciliation of Non-IFRS Measures - LP Investments

The following table reconciles LP Investments NOI to net income for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Commercial property revenue	\$2,570	\$2,172	\$1,530
Hospitality revenue	1,896	1,622	1,561
Direct commercial property expense	(837)	(669)	(434)
Direct hospitality expense	(1,223)	(1,066)	(1,036)
Total NOI	2,406	2,059	1,621
Investment and other revenue	78	193	59
Interest expense	(1,357)	(1,059)	(788)
General and administrative expense	(597)	(285)	(217)
Investment and other expense	(26)	(138)	—
Depreciation and amortization	(289)	(261)	(224)
Fair value gains, net	1,785	2,365	746
Share of net earnings from equity accounted investments	274	257	284
Income before income taxes	2,274	3,131	1,481
Income tax (expense)	(247)	(234)	(101)
Net income	2,027	2,897	1,380
Net income attributable to non-controlling interests of others in operating subsidiaries and properties	1,391	1,964	790
Net income attributable to Unitholders	\$636	\$933	\$590

The following table reconciles LP Investments net income to FFO for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Net income	\$2,027	\$2,897	\$1,380
Add (deduct):			
Fair value (gains), net	(1,785)	(2,365)	(746)
Share of equity accounted fair value gains, net	(160)	(167)	(154)
Depreciation and amortization of real estate assets	261	243	212
Income tax expense	247	234	101
Non-controlling interests in above items	(362)	(561)	(490)
FFO	\$228	\$281	\$303

Corporate

Certain amounts are allocated to our Corporate segment in our management reports as those activities are not used to evaluate our segments' operating performance.

Summary of Operating Results

The following table presents FFO and net income attributable to Unitholders in our corporate segment for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
FFO	\$(434)	\$(428)	\$(457)

Net income (loss) attributable to Unitholders (48) (465) 294

FFO from our Corporate segment was a loss of \$434 million for the year ended December 31, 2018 compared to a loss of \$428 million in the prior year.

Interest expense for the year ended December 31, 2018 was \$291 million, which reflects \$206 million of interest expense on capital securities and \$85 million of interest expense on our credit facilities. This compares to interest expense of \$267 million in the prior year and \$253 million in 2016.

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Another component of FFO is general and administrative expense, which for the year ended December 31, 2018, was \$149 million, and includes \$93 million of asset management fees, \$1 million of equity enhancement fees and \$55 million of other corporate costs. This compares to general and administrative expense of \$165 million in the prior year and \$202 million in 2016.

In addition, during 2018, we recorded fair value gains, net of \$161 million primarily related to obtaining control over BGRESOI after converting our loan interest in the entity and becoming 100% common equity holder during the year ended December 31, 2018.

In 2018, income tax benefit allocated to the corporate segment was \$226 million (2017 - income tax expense of nil and 2016 - benefit of \$744 million). The current year income tax benefit was primarily due to a deferred tax benefit as a result of the acquisition of a controlling interest in GGP. The income tax benefit in the 2016 relates to a reorganization we undertook, to consolidate the ownership of certain subsidiaries holding our Core Retail and Core Office assets. As a result of the reorganization, there was a change in the tax rate applicable to those subsidiaries, which resulted in a deferred tax recovery during the prior period, which reduced deferred tax liabilities.

Financial Position

The following table presents equity attributable to Unitholders in our Corporate segment:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Accounts receivable and other	\$92	\$129
Equity accounted investments	—	70
Cash and cash equivalents	65	38
Total assets	157	237
Debt obligations	2,159	1,358
Capital securities	2,112	2,921
Deferred tax liabilities	91	598
Accounts payable and other liabilities	1,032	925
Non-controlling interests	18	16
Equity attributable to Unitholders	\$(5,255)	\$(5,581)

The corporate balance sheet includes corporate debt and capital securities from our partnership. The increase in corporate debt obligations is due to an increase in our credit facilities and corporate bonds.

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

(US\$ Millions, except where noted)	Shares outstanding	Cumulative dividend rate	Dec. 31, 2018	Dec. 31, 2017
Operating Partnership Class A Preferred Equity Units:				
Series 1	24,000,000	6.25	%\$562	\$551
Series 2	24,000,000	6.50	%537	529
Series 3	24,000,000	6.75	%523	517
Brookfield BPY Holdings Inc. Junior Preferred Shares:				
Class B Junior Preferred Shares ⁽¹⁾	16,800,000	7.64	%420	750

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Class C Junior Preferred Shares ⁽²⁾	—	—	%—	500
BOP Split Senior Preferred Shares:				
Series 1	924,390	5.25	%23	23
Series 2	699,165	5.75	%13	14
Series 3	909,994	5.00	%17	18
Series 4	940,486	5.20	%17	19
Total capital securities				\$2,112\$2,921

(1) In the fourth quarter of 2018, \$330 million of the Brookfield BPY Holdings Inc. Class B Junior Preferred Shares, held by Brookfield Asset Management, were redeemed.

(2) In the third quarter of 2018, \$500 million of the Brookfield BPY Holdings Inc. Class C Junior Preferred Shares, held by Brookfield Asset Management, were redeemed.

In addition, as at December 31, 2018, we had \$16 million (December 31, 2017 - \$15 million) of preferred shares with a cumulative dividend rate of 5% outstanding. The preferred shares were issued by various holding entities of our partnership.

Reconciliation of Non-IFRS Measures – Corporate

The following table reconciles Corporate net income to net income attributable to Unitholders for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Net income (loss)	\$ (47)	\$ (465)	\$ 295
Net income attributable to non-controlling interests of others in operating subsidiaries and properties	1	—	1
Net income attributable to Unitholders	\$ (48)	\$ (465)	\$ 294

The following table reconciles Corporate net income to FFO for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Net income (loss)	(47)	(465)	295
Add (deduct):			
Fair value (gains) losses, net	(161)	36	(6)
Income tax (benefit) expense	(226)	—	(744)
Non-controlling interests in above items	—	1	(2)
FFO	\$ (434)	\$ (428)	\$ (457)

RISKS AND UNCERTAINTIES

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

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

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

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

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

by increasing rents.

We are subject to risks that affect the retail environment, including unemployment, weak income growth, lack of available consumer credit, industry slowdowns and plant closures, consumer confidence, increased consumer debt, poor housing market conditions, adverse weather conditions, natural disasters and the need to pay down existing obligations. All of these factors could negatively affect consumer spending, and adversely affect the sales of our retail tenants. This could have an unfavorable effect on our operations and our ability to attract new retail tenants.

As owners of office, retail, and logistics 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.

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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” elsewhere in this annual report on Form 20-F.

Credit Risk

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. We mitigate this risk by ensuring that our tenant mix is diversified and by limiting our exposure to any one tenant. We also maintain a portfolio that is diversified by property type so that exposure to a business sector is lessened. Government and government agencies comprise 9.4% of our Core Office segment tenant base and, as at December 31, 2018, no one tenant comprises more than this.

The following list shows the largest tenants by leasable area in our Core Office portfolio and their respective credit ratings and exposure as at December 31, 2018:

Tenant	Primary Location	Credit Rating ⁽¹⁾	Exposure (%) ⁽²⁾	
Government and Government Agencies	Various	AA+/AAA	9.4	%
Morgan Stanley	NY/Toronto/London	A-	2.6	%
Barclays	London	BBB-	1.9	%
CIBC World Markets ⁽³⁾	Calgary/NY/Toronto	AA	1.9	%
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-	1.3	%
Amazon	NY/London	A-	1.2	%
Total			24.4	%

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

⁽²⁾ Exposure is a percentage of total leasable square feet.

CIBC World Markets leases 1.1 million square feet at 300 Madison Avenue in New York, of which they sublease

⁽³⁾ 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 December 31, 2018. The largest ten tenants in our portfolio accounted for approximately 21.4% of minimum rents, tenant recoveries and other.

Tenant	Doing Business As:	Exposure (%) ⁽¹⁾	
L Brands, Inc.	Victoria's Secret, Bath & Body Works, PINK, Henri Bendel	3.8	%
Foot Locker, Inc.	Footlocker, Champs Sports, Footaction USA, House of Hoops, SIX:02	2.9	%
The Gap, Inc.	Gap, Banana Republic, Old Navy, Athleta	2.5	%
LVMH	Louis Vuitton, Sephora	2.3	%
Forever 21 Retail, Inc.	Forever 21, Riley Rose	2.2	%
Signet Jewelers Limited	Zales, Gordon's, Kay, Jared	1.6	%
Ascena Retail Group	Dress Barn, Justice, Lane Bryant, Maurices, Ann Taylor, Loft	1.6	%
Abercrombie & Fitch Stores, Inc.	Abercrombie, Abercrombie & Fitch, Hollister	1.5	%
American Eagle Outfitters, Inc.	American Eagle, Aerie, Martin + Osa	1.5	%
Genesco Inc.	Journeys, Lids, Underground Station, Johnston & Murphy	1.5	%
Total		21.4	%

(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 9.0% of our Core Office, Core Retail, LP Investments office, LP Investments retail and logistics leases mature annually up to 2023. Our Core Office, Core Retail, LP Investments office, LP Investments retail and logistics portfolio has a weighted average remaining lease life of approximately 6.4 years. We further mitigate this risk by maintaining a diversified portfolio mix by geographic location and by pro-actively leasing space in advance of its contractual expiry. We do not consider the lease-roll risk for our multifamily, hospitality, triple net lease, self-storage and student housing portfolios as the lease lives in each of these respective portfolios are relatively short.

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The following table sets out lease expiries, by square footage, for our office, retail and logistics portfolios at December 31, 2018, including our unconsolidated investments:

(Sq. ft. in thousands)	Current	2019	2020	2021	2022	2023	2024	2025	2026 and Beyond	Total
Core Office	5,105	1,573	4,176	4,087	6,161	4,949	5,008	5,093	41,805	77,957
Expiring %	6.5	%2.0	%5.4	%5.2	%7.9	%6.3	%6.4	%6.5	%53.8	%100.0
Core Retail ⁽¹⁾	1,991	6,477	5,539	5,377	5,448	5,218	4,991	4,446	14,827	54,314
Expiring %	3.7	%11.9	%10.2	%9.9	%10.0	%9.6	%9.2	%8.2	%27.3	%100.0
LP Investments - Office	6,955	3,956	3,854	4,563	3,751	3,807	1,378	501	5,831	34,596
Expiring %	20.1	%11.4	%11.1	%13.2	%10.8	%11.0	%4.0	%1.4	%17.0	%100.0
LP Investments- Retail	1,502	732	1,477	1,577	1,357	1,184	1,059	691	4,490	14,069
Expiring %	10.7	%5.2	%10.5	%11.2	%9.6	%8.4	%7.5	%4.9	%32.0	%100.0
Logistics	481	319	169	97	517	2	477	—	—	2,062
Expiring %	23.3	%15.5	%8.2	%4.7	%25.1	%0.1	%23.1	%—	%—	%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 pending or threatened investigations or actions by environmental regulatory authorities in connection with any of our properties or any pending or threatened claims relating to environmental conditions at our properties.

We will continue to make the necessary capital and operating expenditures to ensure that we are compliant with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a materially adverse effect on our business, financial condition or results of operations. However, environmental laws and regulations can change and we may become subject to more stringent environmental laws and regulations in the future, which could have an adverse effect on our business, financial condition or results of operations.

Economic Risk

Real estate is relatively illiquid. Such illiquidity may limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. Also, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate.

Our commercial properties generate a relatively stable source of income from contractual tenant rent payments. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. We are substantially protected against short-term market conditions, as most of our leases are long-term in nature with an average term of over six years.

Insurance Risk

Our insurance may not cover some potential losses or may not be obtainable at commercially reasonable rates. We maintain insurance on our properties in amounts and with deductibles that we believe are in line with what owners of similar properties carry. We maintain all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and weather catastrophe).

Interest Rate and Financing Risk

We have an on-going need to access debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to us or on any terms at all. Our strategy to stagger the maturities of our mortgage portfolio attempts to mitigate our exposure to excessive amounts of debt maturing in any one year and to maintain relationships with a large number of lenders to limit exposure to any one counterparty.

Approximately 47% of our outstanding debt obligations at December 31, 2018 are floating rate debt compared to 52% at December 31, 2017. This debt is subject to fluctuations in interest rates. A 100 basis point increase in interest rates relating to our corporate and commercial floating rate debt obligations would result in an increase in annual interest expense of approximately \$382 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 \$5 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 December 31, 2018, our consolidated debt to capitalization was 56% (December 31, 2017 – 48%). It is our view this level of indebtedness is conservative given the cash flow characteristics of our properties and the fair value of our assets. Based on this, we believe that all debts will be financed or repaid as they come due in the foreseeable future.

Foreign Exchange Risk

As at and for the year ended December 31, 2018, approximately 27% of our assets and 32% 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”.

The following table shows the impact of a 10% change in foreign exchange rates on net income and other comprehensive income:

(Millions)	Dec. 31, 2018		
	Equity attributable to Unitholders ⁽¹⁾	OCI	Net income
Canadian Dollar ⁽²⁾	C\$ 58	\$(4)	\$ —
Australian Dollar	A\$ 2,977	(210)	—
British Pound	£ 3,965	(506)	—
Euro	€ 505	(58)	—
Brazilian Real	R\$ 2,823	(73)	—
Indian Rupee	Rs 25,022	(36)	—
Hong Kong Dollar	HK\$ (75)	1	—
Chinese Yuan	C¥ 1,593	(23)	—
South Korean Won	245,507	(22)	—
United Arab Emirates Dirham	AED451	\$(12)	\$ —
Total		\$(943)	\$ —

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- (1) As of December 31, 2018, Unitholders are defined as holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units and BPR Units
- (2) Net of Canadian Dollar denominated loans.

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(Millions)	Dec. 31, 2017		
	Equity attributable to Unitholders ⁽¹⁾	OCI	Net income
Canadian Dollar ⁽²⁾	C\$ 4	\$—	\$ —
Australian Dollar	A\$ 2,679	(209)	—
British Pound	£ 3,719	(503)	—
Euro	€ 213	(26)	—
Brazilian Real	R\$ 2,591	(78)	—
Indian Rupee	Rs 15,904	(25)	—
Hong Kong Dollar	HK\$(75)	1	—
Chinese Yuan	C¥ 1,207	(19)	—
South Korean Won	232,345	(22)	—
United Arab Emirates Dirham	AED\$ 451	\$(12)	\$ —
Total		\$(893)	\$ —

(1) As of December 31, 2017, Unitholders are defined as holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, and Exchange LP Units.

(2) Net of Canadian Dollar denominated loans.

(Millions)	Dec. 31, 2016		
	Equity attributable to Unitholders ⁽¹⁾	OCI	Net income
Canadian Dollar ⁽²⁾	C\$ (329)	\$25	\$ —
Australian Dollar	A\$ 2,344	(169)	—
British Pound	£ 3,749	(463)	—
Euro	€ 326	(34)	—
Brazilian Real	R\$ 1,941	(60)	—
Indian Rupee	Rs 10,436	(15)	—
Hong Kong Dollar	HK\$(77)	1	—
Chinese Yuan	C¥ 1,001	(16)	—
South Korean Won	147,052	\$(12)	\$ —
Total		\$(743)	\$ —

(1) As of December 31, 2016, Unitholders are defined as holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, and Special LP Units.

(2) Net of Canadian Dollar denominated loans.

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.

We also designate Canadian Dollar financial liabilities of certain of our operating entities as hedges of our net investments in our Canadian operations.

Interest Rate Hedging

The following table provides our 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 December 31, 2018 and 2017:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
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)
Dec. 31, 2017	Interest rate caps of US\$ LIBOR debt	\$ 1,958	2.3% - 3.5%	May 2018 - Oct. 2020	\$ 1
	Interest rate swaps of US\$ LIBOR debt	1,692	0.7% - 2.2%	Jun. 2018 - Mar. 2022	19
	Interest rate caps of £ LIBOR debt	452	1.3%	Dec. 2019	—
	Interest rate swaps of £ LIBOR debt	71	1.5%	Apr. 2020	1
	Interest rate swaps of C\$ LIBOR debt	50	3.7% - 4.3%	Nov. 2021	1
	Interest rate swaps on forecasted fixed rate debt	100	4.0%	Jun. 2029	(13)

For the year ended December 31, 2018, the amount of hedge ineffectiveness recorded in earnings in connection with our partnership's interest rate hedging activities totaled \$37 million. (December 31, 2017 - \$14 million).

Foreign Currency Hedging

The following table presents the partnership's outstanding derivatives that are designated as net investment hedges in foreign subsidiaries or cash flow hedges as of December 31, 2018 and 2017:

(US\$ Millions)	Hedging item	Net Notional	Rates	Maturity dates	Fair value
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 )
Dec. 31, 2017	Net investment hedges	€ 191	€0.83/\$ - €0.92/\$	Jan. 2018 - Dec. 2018	(7)
	Net investment hedges	£ 2,923	£0.73/\$ - £0.81/\$	Jan. 2018 - Jan. 2019	(237)
	Net investment hedges	A\$768	A\$1.26/\$ - A\$1.38/\$	Jan. 2018 - Feb. 2019	(21)
	Net investment hedges	C¥1,165	C¥6.71/\$ - C¥7.09/\$	Jan. 2018 - Dec. 2018	(7)
	Net investment hedges	C\$ 127	C\$1.25/\$ - C\$1.26/\$	Oct. 2018 - Dec. 2018	—
	Cash flow hedges	C\$ 150	C\$1.27/\$	Apr. 2018	1
	Net investment hedges	616,289	1,084.95/\$ - 1,127.75/\$	Aug. 2018 - Jan. 2019	(26)
	Cash flow hedges	Rs 771	Rs65.24/\$	Mar. 2018	—

For the year ended December 31, 2018, the partnership also has fair value hedges of variability in interest rate, total rate of return swaps (“TROR”) on various tax-exempt fixed-rate borrowings. The TROR convert borrowings from a fixed rate to a variable rate, generally equivalent to the Securities Industry and Financial Markets Association (SIFMA) rate plus a spread.

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
Dec. 31, 2018	Fair value hedge on fixed rate US\$ debt	\$ 636	4.0% - 8.0%	Dec. 2019 - Apr. 2024	\$ (3)

For the years ended December 31, 2018 and 2017, 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 tables provide detail of the partnership's other derivatives, not designated as hedges for accounting purposes, that have been entered into to manage financial risks as of December 31, 2018 and December 31, 2017:

(US\$ millions)	Derivative type	Notional	Rates	Maturity dates	Fair value
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
Dec. 31, 2017	Interest rate caps	\$ 5,351	2.5% - 5.8%	Jan. 2018 - Oct. 2020	\$ 1
	Interest rate swaps on forecasted fixed rate debt	1,660	1.9% - 6.0%	Jun. 2028 - Dec. 2029	(194)
	Interest rate swaps of US\$ LIBOR debt	1,050	1.4% - 1.6%	Sep. 2018 - Nov. 2020	10
	Interest rate swaptions	560	1.0	% Jun. 2018 - Nov. 2018	—

Our partnership recognized fair value gains (losses), net of approximately \$29 million (December 31, 2017 - loss of \$29 million) related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

RELATED PARTIES

In the normal course of operations, the partnership enters into transactions with related parties. These transactions are recognized in the consolidated financial statements. These transactions have been measured at exchange value and are recognized in the consolidated financial statements. The immediate parent of the partnership is the general partner. The ultimate parent of the

partnership is Brookfield Asset Management. Other related parties of the partnership include the partnership's and 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 (“Service Providers”), wholly-owned subsidiaries of Brookfield Asset Management. Pursuant to a Master Services Agreement, prior to the third quarter of 2015, on a quarterly basis, the partnership paid a base management fee (“base management fee”), to the Service Providers equal to \$12.5 million per quarter (\$50.0 million annually).

Through the second quarter of 2015, the partnership also paid a quarterly equity enhancement distribution to Special L.P., a wholly-owned subsidiary of Brookfield Asset Management, of 0.3125% of the amount by which the operating partnership’s total capitalization value at the end of each quarter exceeded its total capitalization value that immediately followed the Spin-off of Brookfield Asset Management’s commercial property operations on April 15, 2013, subject to certain adjustments. For purposes of calculating the equity enhancement distribution at each quarter-end, the capitalization of the partnership was equal to the volume-weighted average of the closing prices of the LP Units on the Nasdaq Stock Market (or the New York Stock Exchange for periods prior to November 16, 2017) for each of the last five trading days of the applicable quarter multiplied by the number of issued and outstanding units of the partnership on the last of those days (assuming full conversion of Brookfield Asset Management’s interest in the partnership into units of the partnership), plus the amount of third-party debt, net of cash, with recourse to the partnership and the operating partnership and certain holding entities held directly by the operating partnership.

On August 3, 2015, the board of directors of the partnership approved an amendment to the base management fee and equity enhancement distribution calculations, as of the beginning of the third quarter of 2015. Pursuant to this amendment, the annual base management fee paid by the partnership to Brookfield Asset Management was changed from \$50.0 million, subject to annual inflation adjustments, to 0.5% of the total capitalization of the partnership, subject to an annual minimum of \$50.0 million plus annual inflation adjustments. The calculation of the equity enhancement distribution was amended to reduce the distribution by the amount by which the revised base management fee is greater than \$50.0 million per annum, plus annual inflation adjustments, to maintain a fee level in aggregate that would be the same as prior to the amendment. In connection with the GGP acquisition, the Master Services Agreement was amended so that the base management fee took into account any management fee payable by BPR under its master services agreement with Brookfield Asset Management and certain of its subsidiaries.

The base management fee for the year ended December 31, 2018 was \$83 million (2017 - \$104 million, 2016 - \$104 million). The equity enhancement distribution for the year ended December 31, 2018 was \$1 million (2017 - \$26 million, 2016 - \$25 million).

In connection with the issuance of Preferred Equity Units to the Class A Preferred Unitholder, Brookfield Asset Management has 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 and balances with related parties:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
-----------------	---------------------	---------------------

Balances outstanding with related parties:

Participating loan interests	\$268	\$517
Net (payables)/receivables within equity accounted investments	(26)	(49)
Loans and notes receivable ⁽¹⁾	54	96
Receivables and other assets	50	11
Deposit and promissory note from Brookfield Asset Management	(733)	(633)
Property-specific obligations	(231)	(415)
Loans and notes payable and other liabilities	(50)	(156)
Capital securities held by Brookfield Asset Management ⁽²⁾	(420)	(1,250)
Preferred shares held by Brookfield Asset Management	(15)	(15)

At December 31, 2018, includes \$54 million (December 31, 2017 - \$96 million) receivable from Brookfield Asset

⁽¹⁾ Management upon the earlier of the partnership's exercise of its option to convert its participating loan interests into direct ownership of the Australian portfolio or the maturity of the participating loan interests.

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Transactions with related parties:			
Commercial property revenue	\$ 22	\$ 19	\$ 20
Management fee income	5	6	5
Participating loan interests (including fair value gains, net) ⁽¹⁾	53	86	61
Interest expense on debt obligations	44	29	28
Interest on capital securities held by Brookfield Asset Management	64	83	76
General and administrative expense ⁽²⁾	192	204	212
Construction costs ⁽³⁾	397	295	266

⁽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 Brookfield-sponsored real estate opportunistic funds, and administrative services.

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

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

During the third quarter of 2018, we sold 27.5% of our interest in a portfolio of operating and development assets in New York. We retain control over and will continue to consolidate these assets after the sale. The interest was sold to Brookfield Asset Management for consideration of approximately \$1.4 billion. Brookfield Asset Management is currently in the process of syndicating its entire 27.5% equity interest to third-party investors.

During the fourth quarter of 2018, we launched 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.

PORTFOLIO LISTING

The following table presents details of our property portfolio as of December 31, 2018:

Core Office Property Portfolio	Dec. 31, 2018	Number of properties	Assets under management			Proportionate at subsidiary level ⁽¹⁾		Proportionate to Unitholders ⁽²⁾		Proportionate to LP Unitholders ⁽³⁾			
			Leasable	Parking	Total	Owned %	Leasable	Total	Leasable	Total	Leasable	Total	
(Sq. ft in 000's)		% of Leased properties	%	%	%	%	%	%	%	%	%	%	%
CONSOLIDATED PROPERTIES													
United States													
Midtown New York	2	99.9	% 1,483	14	1,497	80.9	% 1,197	1,211	1,197	1,211	589	596	
Downtown New York	6	97.2	% 7,953	488	8,441	72.6	% 5,773	6,125	5,773	6,125	2,843	3,016	
Washington, D.C.	13	93.0	% 3,172	1,875	5,047	90.4	% 2,843	4,563	2,843	4,563	1,400	2,247	
Los Angeles	8	87.1	% 8,565	4,277	12,842	47.3	% 4,052	6,076	4,052	6,076	1,995	2,992	
Houston	5	81.2	% 5,022	1,185	6,207	86.6	% 4,363	5,373	4,363	5,373	2,148	2,645	
San Francisco	2	94.6	% 623	6	629	33.1	% 206	208	206	208	101	102	
	36	90.6	% 26,818	7,845	34,663	68.0	% 18,434	23,556	18,434	23,556	9,076	11,598	
Canada													
Toronto	10	99.2	% 8,785	1,710	10,495	55.7	% 4,838	5,850	4,838	5,850	2,383	2,881	
Calgary	9	91.4	% 7,170	1,195	8,365	58.6	% 4,301	4,898	4,301	4,898	2,118	2,412	
Ottawa	5	90.4	% 1,181	695	1,876	25.1	% 298	471	298	471	147	232	
	24	95.3	% 17,136	3,600	20,736	54.1	% 9,437	11,219	9,437	11,219	4,648	5,525	
Australia and New Zealand													
Sydney	2	100.0	% 326	79	405	39.8	% 138	161	138	161	67	78	
Melbourne	1	99.9	% 499	15	514	50.0	% 250	257	250	257	123	126	
Brisbane	1	86.1	% 301	33	334	100.0	% 301	334	301	334	148	164	
Perth	4	96.1	% 1,888	257	2,145	81.3	% 1,536	1,744	1,536	1,744	756	858	
	8	96.2	% 3,014	384	3,398	73.5	% 2,225	2,496	2,225	2,496	1,094	1,226	
United Kingdom													
London	1	90.5	% 23	5	28	100.0	% 23	28	23	28	11	13	
	1	90.5	% 23	5	28	100.0	% 23	28	23	28	11	13	
Brazil													
São Paulo	1	100.0	% 276	209	485	51.0	% 141	248	141	248	69	122	
Rio de Janeiro	1	100.0	% 213	64	277	67.0	% 142	185	142	185	70	91	
	2	100.0	% 489	273	762	56.8	% 283	433	283	433	139	213	
Total Consolidated Properties	71	92.7	% 47,480	12,107	59,587	63.3	% 30,402	37,732	30,402	37,732	14,968	18,575	
UNCONSOLIDATED PROPERTIES													
United States													
Midtown New York	4	96.0	% 3,861	96	3,957	36.0	% 1,394	1,426	1,394	1,426	687	703	
Downtown New York	2	94.4	% 4,927	65	4,992	23.0	% 1,149	1,156	1,149	1,156	565	568	

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Washington, D.C.	12	88.8	%2,583	904	3,487	38.8 %	1,008	1,350	1,008	1,350	497	665
Boston	2	96.5	%910	245	1,155	27.7 %	255	320	255	320	125	157
Los Angeles	2	91.9	%371	389	760	42.0 %	157	321	157	321	77	158
Houston	1	98.3	%1,135	699	1,834	10.0 %	113	183	113	183	56	90
Denver	1	83.8	%1,338	511	1,849	50.0 %	669	924	669	924	330	456
Australia and New Zealand	24	93.3	%15,125	2,909	18,034	31.6 %	4,745	5,680	4,745	5,680	2,337	2,797
Sydney	5	99.5	%2,514	527	3,041	38.5 %	967	1,172	967	1,172	476	577
Melbourne	1	100.0	%858	341	1,199	50.0 %	429	599	429	599	211	295
United Kingdom	6	99.6	%3,372	868	4,240	41.7 %	1,396	1,771	1,396	1,771	687	872
London	25	96.2	%9,505	1,114	10,619	43.5 %	4,072	4,624	4,072	4,624	2,005	2,277
	25	96.2	%9,505	1,114	10,619	43.5 %	4,072	4,624	4,072	4,624	2,005	2,277
Germany												
Berlin	16	89.1	%2,477	1,169	3,646	25.0 %	620	912	620	912	305	449
	16	89.1	%2,477	1,169	3,646	25.0 %	620	912	620	912	305	449
Total Unconsolidated Properties	71	94.5	%30,479	6,060	36,539	35.6 %	10,833	12,987	10,833	12,987	5,334	6,395
Total Core Office Properties	142	93.4	%77,959	18,167	96,126	52.8 %	41,235	50,719	41,235	50,719	20,302	24,970

(1) Reflects our partnership's interest before considering non-controlling interests in operating subsidiaries.

(2) Reflects our partnership's interest net of non-controlling interests described in note (1) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (2) above and the

(3) Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

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Opportunistic Office Property Portfolio		Assets under management				Proportionate at subsidiary level ⁽¹⁾		Proportionate to Unitholders ⁽²⁾		Proportionate to LP Unitholders ⁽³⁾		
Dec. 31, 2018	Number of properties	Leasable	Parking	Total	Owned %	Leasable	Total	Leasable	Total	Leasable	Total	
(Sq. ft in 000's)	% Leased											
CONSOLIDATED PROPERTIES												
United States												
Washington, D.C.	13	81.4	% 2,048	—	2,048	100.0	% 2,048	2,048	533	533	262	262
Los Angeles	10	49.2	% 2,681	947	3,628	100.0	% 2,681	3,628	737	983	363	484
San Diego	1	56.9	% 177	—	177	100.0	% 177	177	53	53	26	26
New York	2	64.9	% 1,702	—	1,702	100.0	% 1,702	1,702	435	435	214	214
Chicago	1	61.2	% 1,448	—	1,448	100.0	% 1,448	1,448	376	376	185	185
San Francisco / San Jose	30	77.0	% 1,397	—	1,397	100.0	% 1,397	1,397	402	402	198	198
Houston	5	77.0	% 4,203	571	4,774	100.0	% 4,203	4,774	1,093	1,241	538	611
Dallas	6	66.6	% 466	—	466	100.0	% 466	466	140	140	69	69
	68	68.7	% 14,122	1,518	15,640	100.0	% 14,122	15,640	3,769	4,163	1,855	2,049
United Kingdom												
London	1	96.7	% 662	47	709	31.0	% 206	221	205	220	101	108
	1	96.7	% 662	47	709	31.0	% 206	221	205	220	101	108
Brazil												
Rio de Janeiro	5	96.0	% 1,468	—	1,468	32.0	% 470	470	470	470	231	231
São Paulo	3	96.6	% 1,229	—	1,229	32.0	% 393	393	393	393	194	194
	8	96.3	% 2,697	—	2,697	32.0	% 863	863	863	863	425	425
India												
NCR (Delhi region)	38	90.1	% 10,716	6,410	17,126	90.3	% 9,697	15,472	3,537	5,651	1,742	2,783
Kolkata	11	88.8	% 2,825	1,097	3,922	100.0	% 2,825	3,922	932	1,294	459	637
Mumbai	18	87.2	% 3,457	—	3,457	100.0	% 3,457	3,457	1,106	1,106	545	545
	67	89.3	% 16,998	7,507	24,505	93.2	% 15,979	22,851	5,575	8,051	2,746	3,965
Total Consolidated Properties	144	80.2	% 34,479	9,072	43,551	90.9	% 31,170	39,575	10,412	13,297	5,127	6,547
Total												
Opportunistic Office Properties	144	80.2	% 34,479	9,072	43,551	90.6	% 31,170	39,575	10,412	13,297	5,127	6,547

(1) Reflects our partnership's interest before considering non-controlling interests in operating subsidiaries.

(2) Reflects our partnership's interest net of non-controlling interests described in note (1) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (2) above and the

(3) Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

Core Retail Property Portfolio ⁽¹⁾		Assets under management				Proportionate at subsidiary level ⁽²⁾		Proportionate to LP Unitholders ⁽³⁾		Proportionate to LP Unitholders ⁽⁴⁾	
Dec. 31, 2018	Number of properties	Leasable	% Leased	Total	Owned %	Total	Total	Total	Total	Total	
(Sq. ft. in 000's)											
UNCONSOLIDATED PROPERTIES											

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U.S. Properties								
Pacific region	19	96.6	% 16,414	61.3	% 10,059	10,059	4,953	
Southwest region	17	97.1	% 21,292	68.2	% 14,522	14,522	7,151	
East North Central region	14	96.5	% 14,137	64.1	% 9,058	9,058	4,461	
Southeast region	17	96.0	% 16,547	51.8	% 8,577	8,577	4,224	
Mideast region	16	96.3	% 15,651	60.3	% 9,430	9,430	4,644	
Mountain region	12	96.3	% 13,276	55.7	% 7,396	7,396	3,641	
Northeast region	19	96.5	% 14,668	72.7	% 10,660	10,660	5,249	
West North Central region	10	96.2	% 9,450	71.1	% 6,718	6,718	3,308	
Total Unconsolidated Properties	124	96.5	% 121,435	62.9	% 76,420	76,420	37,631	
Total Core Retail Properties	124	96.5	% 121,435	62.9	% 76,420	76,420	37,631	

(1) Does not include non-regional malls

(2) Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries.

(3) Reflects our partnership's interest net of non-controlling interests described in note (2) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (3) above and the

(4) Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

Opportunistic Retail Property Portfolio ⁽¹⁾ Dec. 31, 2018 (Sq. ft. in 000's)		Number of properties	% Leased	Assets under management Total	Proportionate at subsidiary level ⁽²⁾ Owned % Total	Proportionate to Unitholders ⁽³⁾ Total	Proportionate to LP Unitholders ⁽⁴⁾ Total
CONSOLIDATED PROPERTIES							
U.S. Properties							
Pacific region	9	94.0	% 6,961	100.0	% 6,961	3,503	1,725
Southwest region	6	73.3	% 3,204	100.0	% 3,204	1,538	757
East North Central region	6	79.6	% 4,416	100.0	% 4,416	2,222	1,094
Southeast region	3	88.0	% 2,908	87.9	% 2,557	1,287	634
Mideast region	5	90.6	% 4,330	100.0	% 4,330	2,180	1,073
Mountain region	5	86.1	% 1,783	100.0	% 1,783	897	442
Northeast region	4	87.4	% 2,344	63.0	% 1,477	622	306
	38	86.6	% 25,946	95.3	% 24,728	12,249	6,031
China							
Shanghai	2	81.9	% 650	100.0	% 650	136	67
	2	81.9	% 650	100.0	% 650	136	67
Total Consolidated Properties	40	86.5	% 26,596	95.4	% 25,378	12,385	6,098
UNCONSOLIDATED PROPERTIES							
Brazil							
São Paulo	5	94.4	% 1,508	46.7	% 704	325	160
Rio de Janeiro	2	97.3	% 959	73.2	% 702	324	160
	7	95.5	% 2,467	57.0	% 1,406	649	320
Total Unconsolidated Properties	7	95.5	% 2,467	57.0	% 1,406	649	320
Total Opportunistic Retail Properties	47	87.2	% 29,063	93.4	% 26,784	13,034	6,418

(1) Does not include non-regional malls; includes anchor space.

(2) Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries.

(3) Reflects our partnership's interest net of non-controlling interests described in note (2) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (3) above and the

(4) Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

Logistics Property Portfolio Dec. 31, 2018 (Sq. ft. in 000's)		Number of properties	Assets under management Total	Proportionate at subsidiary level ⁽¹⁾ Owned % Total	Proportionate to Unitholders ⁽²⁾ Total	Proportionate to LP Unitholders ⁽³⁾ Total
CONSOLIDATED PROPERTIES						
Brazil						
São Paulo	2	2,062	100.0	% 2,062	480	236
	2	2,062	100.0	% 2,062	480	236
Total Logistics Properties	2	2,062	100.0	% 2,062	480	236

(1) Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries.

(2) Reflects our partnership's interest net of non-controlling interests described in note (1) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (2) above and the
(3) Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

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Multifamily Property Portfolio		Assets under management	Proportionate at subsidiary level ⁽¹⁾		Proportionate to Unitholders ⁽²⁾	Proportionate to LP Unitholders ⁽³⁾
Dec. 31, 2018	Number of properties	Total	Owned %	Total	Total	Total
(Units)						
CONSOLIDATED PROPERTIES						
United States						
New York	6	3,962	99.0 %	3,922	1,203	593
Ohio	15	2,884	100.0 %	2,884	737	363
Virginia	6	1,882	100.0 %	1,882	481	237
Michigan	5	1,534	100.0 %	1,534	392	193
California	4	1,488	100.0 %	1,488	444	219
Florida	4	1,294	100.0 %	1,294	331	163
Texas	5	1,256	100.0 %	1,256	334	165
Georgia	3	1,031	100.0 %	1,031	285	140
North Carolina	3	850	100.0 %	850	217	107
Maryland	3	841	100.0 %	841	245	121
Indiana	3	836	100.0 %	836	214	105
Total Consolidated Properties	57	17,858	99.8 %	17,818	4,883	2,406
UNCONSOLIDATED PROPERTIES						
United States						
Washington	2	443	100.0 %	443	165	81
Georgia	1	342	100.0 %	342	127	63
North Carolina	1	324	100.0 %	324	121	59
Maryland	1	300	100.0 %	300	112	55
Virginia	1	226	100.0 %	226	84	41
Connecticut	1	168	100.0 %	168	63	31
Total Unconsolidated Properties	7	1,803	100.0 %	1,803	672	330
Total Multifamily Properties	64	19,661	99.8 %	19,621	5,555	2,736

(1) Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries and properties.

(2) Reflects our partnership's interest net of non-controlling interests described in note (1) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (2) above and the

(3) Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

Hospitality Property Portfolio		Assets under management	Proportionate at subsidiary level ⁽¹⁾		Proportionate to LP Unitholders ⁽²⁾	Proportionate to LP Unitholders ⁽³⁾
Dec. 31, 2018	Number of properties	Total	Owned %	Total	Total	Total
(Rooms)						
CONSOLIDATED PROPERTIES						
North America	113	18,303	100.0 %	18,303	4,926	2,426
United Kingdom	37	5,318	100.0 %	5,318	1,379	679

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Canada	1	1,372	100.0 %	1,372	351	173
Total Consolidated Properties	151	24,993	100.0 %	24,993	6,656	3,278

UNCONSOLIDATED PROPERTIES

North America	4	2,125	73.6 %	1,564	369	182
Australia	1	433	100.0 %	433	136	67
Total Unconsolidated Properties	5	2,558	78.1 %	1,997	505	249
Total Hospitality Properties	156	27,551	98.0 %	26,990	7,161	3,527

(1) Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries.

(2) Reflects our partnership's interest net of non-controlling interests described in note (1) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (3) above and the

(3) Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

Triple Net Lease Property Portfolio		Assets under management	Proportionate at subsidiary level ⁽¹⁾	Proportionate to Unitholders ⁽²⁾	Proportionate to LP Unitholders ⁽³⁾
Dec. 31, 2018 (Sq. ft. in 000's)	Number of properties	Total	Owned %	Total	Total
CONSOLIDATED PROPERTIES					
North America	329	16,957	100.0 %	16,957	2,142
Total Consolidated Properties	329	16,957	100.0 %	16,957	2,142
Total Triple Net Lease Properties	329	16,957	100.0 %	16,957	2,142

⁽¹⁾ Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries.

⁽²⁾ Reflects our partnership's interest net of non-controlling interests described in note (1) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (2) above and the

⁽³⁾ Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

Self-Storage Property Portfolio		Assets under management	Proportionate at subsidiary level ⁽¹⁾	Proportionate to Unitholders ⁽²⁾	Proportionate to LP Unitholders ⁽³⁾
Dec. 31, 2018 (Sq. ft. in 000's)	Number of properties	Total	Owned %	Total	Total
CONSOLIDATED PROPERTIES					
United States	91	7,493	100.0 %	7,493	943
Total Consolidated Properties	91	7,493	100.0 %	7,493	943
Total Self-Storage Properties	91	7,493	100.0 %	7,493	943

⁽¹⁾ Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries.

⁽²⁾ Reflects our partnership's interest net of non-controlling interests described in note (1) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (2) above and the

⁽³⁾ Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

Student Housing Property Portfolio		Assets under management	Proportionate at subsidiary level ⁽¹⁾	Proportionate to Unitholders ⁽²⁾	Proportionate to LP Unitholders ⁽³⁾
Dec. 31, 2018 (Beds)	Number of properties	Total	Owned %	Total	Total
CONSOLIDATED PROPERTIES					
United Kingdom	49	17,827	100.0 %	17,827	2,244
Total Consolidated Properties	49	17,827	100.0 %	17,827	2,244
Total Student Housing Properties	49	17,827	100.0 %	17,827	2,244

⁽¹⁾ Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries.

⁽²⁾ Reflects our partnership's interest net of non-controlling interests described in note (1) above.

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Reflects our partnership's proportionate interest net of non-controlling interests described in note (2) above and the
 (3) Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

Manufactured Housing Property Portfolio	Assets under management	Proportionate at subsidiary level ⁽¹⁾		Proportionate to Unitholders ⁽²⁾		Proportionate to LP Unitholders ⁽³⁾
		Total	Owned %	Total	Total	Total
Dec. 31, 2018						
(Sites)	Number of properties					
CONSOLIDATED PROPERTIES						
United States	136	33,169	100.0 %	33,169	8,478	4,175
Total Consolidated Properties	136	33,169	100.0 %	33,169	8,478	4,175
Total Manufactured Housing Properties	136	33,169	100.0 %	33,169	8,478	4,175

⁽¹⁾ Reflects our partnership's interest before considering non-controlling interests of others in operating subsidiaries.

⁽²⁾ Reflects our partnership's interest net of non-controlling interests described in note (1) above.

Reflects our partnership's proportionate interest net of non-controlling interests described in note (2) above and the

⁽³⁾ Redeemable/Exchangeable Partnership Units and Special LP Units held by Brookfield Asset Management and Exchange LP Units.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our financial condition and results of operations is based upon the Financial Statements, which have been prepared in accordance with IFRS. The preparation of the consolidated financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Our most critical accounting policies are those that we believe are the most important in portraying our financial condition and results of operations, and require the most subjectivity and estimates by our management.

Investment Properties

Investment properties include commercial properties held to earn rental income and commercial developments that are being constructed or developed for future use as commercial properties. Commercial properties and commercial developments are recorded at fair value, determined based on available market evidence, at the balance sheet date. Substantially all our investment properties are valued using one of two accepted income approaches, the discounted cash flow approach or the direct capitalization approach. 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. Under the direct capitalization method, a capitalization rate is applied to estimated stabilized annual net operating income to determine value. 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. Discount and terminal capitalization rates are verified by comparing to market data, third-party reports, research material and brokers opinions. Valuations of investment properties are most sensitive to changes in the discount rate and timing or variability of cash flows. 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.

Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for development or redevelopment in the short-term but only where activities necessary to prepare the asset for development or redevelopment are in progress. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any incidental investment income. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. We consider practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Where we have pre-leased space as of or prior to the start of the development and the lease requires us to construct tenant improvements which enhance the value of the property, practical completion is considered to occur on completion of such improvements.

Initial direct leasing costs we incur in negotiating and arranging tenant leases are added to the carrying amount of investment properties.

Business Combinations

We account for business combinations in which control is acquired under the acquisition method. We consider three criteria that include input, process and output to assess whether acquired assets and assumed liabilities meet the definition of a business. The acquisition price is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. As a result, our partnership recognizes the acquiree's identifiable assets and assumed liabilities at their acquisition-date fair values, except for non-current assets classified as held-for-sale, which are recognized at fair value less costs to sell. We also evaluate whether there are intangible assets acquired that have not previously been recognized by the acquiree and recognize them as identifiable intangible assets. The interests of non-controlling shareholders in the acquiree are initially measured at their proportion of the net fair value of the identifiable assets and assumed liabilities recognized.

To the extent that the acquisition price exceeds the fair value of the net identifiable assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable assets, the excess is recognized as a bargain purchase gain in our partnership's net income for the respective reporting period.

Where a business combination is achieved in stages, previously held interests in the acquired entity are re-measured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income. Changes in our partnership's ownership interest of an investee that do not result in a change of control are accounted for as equity transactions and are recorded as a component of equity. Acquisition costs are recorded as an expense in the reporting period as incurred.

In applying this policy, judgment is applied in determining whether an acquisition meets the definition of a business combination or an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners.

Basis of Accounting for Investees

We consolidate an investee when we control the investee, with control existing if and only if we have power over the investee; exposure, or rights, to variable returns from our involvement with the investee; and the ability to use our power over the investee to affect the amount of our partnership's returns. Whether we consolidate or equity account an investee may have a significant impact on the presentation of our consolidated financial statements, especially as it relates to the consolidation of the operating partnership.

In determining if we have power over an investee, we make judgments when identifying which activities of the investee are relevant in significantly affecting returns of the investee and the extent of our existing rights that give us the current ability to direct the relevant activities of the investee. We also make judgments as to the amount of potential voting rights which provides us or unrelated parties voting powers, the existence of contractual relationships that provide us voting power, the ability to appoint directors and the ability of other investors to remove us as a manager or general partner. We enter into voting agreements to provide our partnership with the ability to contractually direct the relevant activities of the investee (formally referred to as "power" within IFRS 10, Consolidated Financial Statements). In assessing if we have exposure, or rights, to variable returns from our involvement with the investee we make judgments concerning whether returns from an investee are variable and how variable those returns are on the basis of the substance of the arrangement, the size of those returns and the size of those returns relative to others, particularly in circumstances where our voting interest differs from our ownership interest in an investee. In determining if we have the ability to use our power over the investee to affect the amount of our returns we make judgments when we are an investor as to whether we are a principal or agent and whether another entity with decision-making rights is acting as an agent for us. If we determine that we are acting as an agent, as opposed to principal, we do not control the investee.

Revaluation Method Hospitality Assets

We account for our investments in hospitality properties as property, plant and equipment under the revaluation model. Hospitality properties are recognized initially at cost or fair value if acquired in a business combination and subsequently carried at fair value at the balance sheet date less any accumulated impairment and subsequent accumulated depreciation. Fair values of North American hospitality properties and the short-break destinations across the United Kingdom owned by Center Parcs UK are determined using a depreciated replacement cost method based on the age, physical condition and the construction costs of the assets. Fair values of the hospitality assets are also reviewed in reference to each hospitality asset's enterprise value which is determined using a discounted cash flow model.

Revaluations of hospitality properties are performed annually at December 31, the end of the fiscal year, to ensure that the carrying amount does not differ significantly from fair value. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity within revaluation surplus, unless the increase reverses a previously recognized revaluation loss recorded through prior period net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset is decreased, the decrease is recognized in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in net income. Revaluation gains are recognized in other comprehensive income, and are not subsequently recycled into profit or loss. The cumulative revaluation surplus is transferred directly to retained earnings when the asset is derecognized.

In performing annual revaluations, we first qualitatively assess whether there is any indication that the hospitality properties may be impaired. If no indication is identified, no impairment will be recorded. If we have identified indicators for impairment, the asset's carrying amount (i.e., fair value less any accumulated depreciation and impairment) is compared with the recoverable amount of the hospitality property, which is determined as the higher of the estimated fair value less costs on disposal or the present value of expected future cash flows generated from the use and eventual disposal of an asset. An impairment is taken if the recoverable amount is less than the carrying amount of the asset and is accounted for in the same manner as a revaluation decrease as illustrated in previous paragraphs.

Taxation

We apply judgment in determining the tax rate applicable to our REIT operating entities and identifying the temporary differences related to such operating entities with respect to which deferred income taxes are recognized. Deferred taxes related to temporary differences arising in our partnership's REIT operating entities, joint ventures and associates are measured based on the tax rates applicable to distributions received by the investor entity on the basis that REITs can deduct dividends or distributions paid such that their liability for income taxes is substantially reduced or eliminated for the year, and we intend that these entities will continue to distribute their taxable income and continue to qualify as REITs for the foreseeable future.

We measure deferred income taxes associated with our investment properties based on our specific intention with respect to each asset at the end of the reporting period. Where we have a specific intention to sell a property in the foreseeable future or where existing contractual arrangements create an intention to sell in the future, deferred taxes on the building portion of the investment property are measured based on the tax consequences following from the disposition of the property. Otherwise, deferred taxes are measured on the basis the carrying value of the investment property will be recovered substantially through use. Judgment is required in determining the manner in which the carrying amount of each investment property will be recovered.

We also make judgments with respect to the taxation of gains inherent in our investments in foreign subsidiaries and joint ventures. While we believe that the recovery of our original investment in these foreign subsidiaries and joint ventures will not result in additional taxes, certain unremitted gains inherent in those entities could be subject to foreign taxes depending on the manner of realization.

Revenue Recognition

For investment properties, we account for our leases with tenants as operating leases as we have retained substantially all of the risks and benefits of ownership of our investment properties. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where our partnership is required to make additions to the property in the form of tenant improvements which enhance the value of the property, upon substantial completion of the improvements. The total amount of contractual rents expected from operating leases is recognized on a straight-line basis over the term of the lease, including contractual base rent and subsequent rent increases as a result of rent escalation clauses. A rent receivable, included within the carrying amount of investment properties, is used to record the difference between the rental revenue recorded and the contractual amount received.

Rent receivables and related revenue also includes percentage participating rents and recoveries of operating expenses. However, recoveries of operating expenses in relation to property taxes as well as property insurance are non-rental rental revenue, separate from the rest of recovery revenue. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries, rental or non-rental revenue, are recognized in the period that recoverable costs are chargeable to tenants.

With regards to hospitality revenue, we recognize revenue on rooms, food and other revenue as services are provided. We recognize room revenue net of taxes and levies. Advance deposits are deferred and included in accounts payable and other liabilities until services are provided to the customer. We recognize the difference between gaming wins and losses from casino gaming activities as gaming revenue. We recognize liabilities for funds deposited by patrons before gaming play occurs and for chips in the patrons' possession, both of which are included in accounts payable and other liabilities. Revenue and expenses from tour operations include the sale of travel and leisure packages and are recognized on the day the travel package begins. Amounts collected in advance from guests are deferred and included in accounts payable and other liabilities until such amounts are earned.

Financial Instruments

We classify our financial instruments into categories based on the purpose for which the instrument was acquired or issued, its characteristics and our designation of the instrument. The category into which we classify financial instruments determines its measurement basis (e.g., fair value or amortized cost) subsequent to initial recognition. We hold financial instruments that represent secured debt and equity interests in commercial properties that are measured at fair value. Estimation of the fair value of these instruments is subject to the estimates and assumptions associated with the valuation of investment properties. When designating derivatives in cash flow hedging relationships, we make assumptions about the timing and amount of forecasted transactions, including anticipated financings and refinancings.

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

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Use of Estimates

Our partnership makes estimates and assumptions that affect carried amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

(i) Fair value of investment property

Our 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 (including rental payments and other outflows) in respect of such leases. Investment property valuations are completed by undertaking one of two accepted income approach methods, which include either: i) discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows; or ii) undertaking a direct capitalization approach whereby a capitalization rate is applied to estimated current year cash flows. In determining the appropriateness of the methodology applied, the partnership considers the relative uncertainty of the timing and amount of expected cash flows and the impact such uncertainty would have in arriving at a reliable estimate of fair value. The partnership prepares these valuations considering asset and market specific factors, as well as observable transactions for similar assets. The determination of fair value requires the use of estimates, which the partnership determines using external information including market data, third-party reports and research and observable conditions, where possible, in conjunction with internal analysis.

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. We generally do not measure or record our properties prepared by external valuation professionals.

(ii) Fair value of financial instruments

Prior to exercising our warrants to acquire common shares of GGP in the fourth quarter of 2017, we determined the fair value of our warrants using a Black-Scholes option pricing model wherein we were required to make estimates and assumptions regarding expected future volatility of GGP's shares and the term of the warrants.

We have certain financial assets and liabilities with embedded participation features related to the values of investment properties whose fair values are based on the fair values of the related properties.

We hold other financial instruments that represent equity interests in investment property entities that are measured at fair value as these financial instruments are designated as fair value through profit or loss or fair value through other comprehensive income. Estimation of the fair value of these instruments is also subject to the estimates and assumptions associated with investment properties.

The fair value of interest rate caps is determined based on generally accepted pricing models using quoted market interest rates for the appropriate term. Interest rate swaps are valued at the present value of estimated future cash flows and discounted based on applicable yield curves derived from market interest rates.

Application of the effective interest method to certain financial instruments involves estimates and assumptions about the timing and amount of future principal and interest payments.

Future Accounting Policy Changes

The following are accounting policies issued that our partnership expects to adopt in the future:

IFRS 16, Leases (“IFRS 16”)

IFRS 16 supersedes IAS 17, Leases and related interpretations and is effective for the partnership beginning January 1, 2019. 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 participated in strategic planning sessions with its subsidiaries and associates and has developed and implemented an adoption project plan. Using the population of existing contractual arrangements, the partnership has completed its identification of leases that are required to be capitalized under the new standard.

The partnership has substantially quantified the present value of the identified lease contracts to determine the impact on the January 1, 2019 balance sheet. The partnership anticipates to adopt the standard under the modified retrospective approach. Any transitional impact will be recorded in equity as of January 1, 2019 and comparative periods are not restated. The partnership expects to apply certain transition reliefs, practical expedients and policy choice options on adoption of the new standard.

Based on the current estimates, adoption of IFRS 16 will result in the recognition of lease liabilities for operating leases of \$973 million, \$812 million of ROU assets that are classified as investment properties and \$158 million of ROU assets as property, plant and equipment. The partnership does not anticipate any material transitional impact to equity upon adoption. The partnership is progressing as planned in its adoption project plan. Next steps include finalizing the impact assessment of acquisitions closed immediately prior to December 31, 2018 and to other financial statement line items once the standard has been adopted.

IFRS 3, Business Combination (“IFRS 3”)

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption available. The amendment clarifies the definition of a business and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also provide supplementary guidance. The partnership will adopt the standard prospectively and is currently evaluating the impact on its consolidated financial statements

5.B. 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. At December 31, 2018, capital totaled \$114 billion compared with \$76 billion at December 31, 2017.

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:
 - Fulfilling our capital commitments to various funds;
 - 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 \$6,693 million at December 31, 2018 as highlighted in the table below. In addition, we have the ability to supplement this liquidity through cash generated from operating activities, asset sales, co-investor interests and financing opportunities.

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Proportionate cash retained at subsidiaries	2,057	1,290
Proportionate availability under construction facilities	3,092	1,814
Proportionate availability under subsidiary credit facilities	1,544	2,777
Group-wide liquidity ⁽¹⁾	\$6,693	\$5,881

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

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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, except where noted)	Dec. 31, 2018
2019	\$4,816
2020	8,721
2021	7,564
2022	3,959
2023	4,373
Thereafter	16,295
Deferred financing costs	(390)
Secured debt obligations	\$45,338
Debt to capital ratio	57 %

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 to 2020. Currently our debt to capital ratio is 57%. 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 of 2019 to 2021.

Our partnership's operating subsidiaries are subject to limited covenants in respect of their corporate debt and are in full compliance with all such covenants at December 31, 2018. The partnership's operating subsidiaries are also in compliance with all covenants and other capital requirements related to regulatory or contractual obligations of material consequence to our partnership. Summaries of our debt profile for each of our segments are included elsewhere in this Form 20-F.

For the years ended December 31, 2018, 2017 and 2016, the partnership made distributions to unitholders of \$1,059 million, \$830 million and \$796 million, respectively. This compares to cash flow from operating activities of \$1,357 million, \$639 million and \$745 million, respectively, for each of the three years then ended. In 2017 and 2016, distributions exceeded cash flow from operating activities. 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. In 2017 and 2016, the partnership funded the gap between its distributions and cash flow from operating activities through approximately \$1,779 million and \$1,180 million of realized gains from the disposition of assets with meaningful returns on capital, respectively. 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.

5.C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable.

5.D. TREND INFORMATION

We will seek to increase the cash flows from our Core Office and Core Retail property activities through continued leasing activity as described below. In particular, we are operating below our historical office occupancy level, 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. Our beliefs as to the opportunities for our partnership to increase 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 “Special Note Regarding Forward-Looking Statements”.

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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.

Given the small amount of new office and retail development that occurred over the last decade and the near total development halt during the global financial crisis, we see an opportunity to advance our development inventory in the near term in response to demand we are seeing in our major markets. In addition, we continue to reposition and redevelop existing retail properties, in particular, a number of the highest performing shopping centers in the United States.

5.E. 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.

5.F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations as of December 31, 2018:

(US\$ Millions)	Total	Payments due by period					
		< 1 Year	1 Year	2 Years	3 Years	4 Years	> 5 Years
Dec. 31, 2018							
Debt obligations	\$63,811	\$5,874	\$11,653	\$15,109	\$5,410	\$6,922	\$18,843
Capital securities	3,385	100	814	603	141	421	1,306
Lease obligations	6,136	104	103	103	98	97	5,631
Commitments ⁽¹⁾	656	599	47	9	1	—	—

Interest expense⁽²⁾:

Debt obligations	11,622	\$2,545	\$2,338	\$1,804	\$1,433	\$1,122	\$2,380
Capital securities	1,022	183	183	188	144	115	209
Interest rate swaps	4	2	2	—	—	—	—

⁽¹⁾ Primarily consists of construction commitments on commercial developments.

⁽²⁾ Represents aggregate interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on current rates.

5.G. SAFE HARBOR

See “Special Note Regarding Forward-Looking Statements”.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. DIRECTORS AND SENIOR MANAGEMENT

Governance

As required by law, our limited partnership agreement provides for the management and control of our company by a general partner rather than a board of directors and officers. The BPY General Partner serves as our company's general partner and has a board of directors. The BPY General Partner has sole responsibility and authority for the central management and control of our company, which is exercised through its board of directors. Accordingly, references herein to "our directors" and "our board" refer to the board of directors of the BPY General Partner.

The following table presents certain information concerning the current board of directors of the BPY General Partner:

Name and Residence ⁽¹⁾	Age	Position with the BPY General Partner	Principal Occupation
Caroline Atkinson Washington, D.C., United States	66	Director	Senior Advisor to Rock Creek investment firm
Jeffrey M. Blidner Toronto, Canada	70	Director	Senior Managing Partner of Brookfield Asset Management
Soon Young Chang Dubai, United Arab Emirates	59	Director	Director of Dubai World; Senior Advisor of Investment Corporation of Dubai
Richard B. Clark New York, United States	60	Chairman of the Board, Director	Senior Managing Partner of Brookfield Asset Management and Chairman, Brookfield Property Group
Omar Carneiro da Cunha ⁽³⁾ Rio de Janeiro, Brazil	72	Director	Senior Partner of Dealmaker Ltd. and BOND Consultoria Empresarial e Participacoes
Scott Cutler Los Altos, United States	49	Director	Senior Vice President, Americas at eBay
Stephen DeNardo ⁽²⁾ Stamford, United States	65	Director	Managing Director and President and Chief Executive Officer of RiverOak Investment Corp., LLC
Louis Joseph Maroun ⁽²⁾⁽³⁾ Warwick, Bermuda	68	Director	Chairman of Sigma Real Estate Advisors/Sigma Capital Corporation
Lars Rodert ⁽²⁾⁽³⁾ Stockholm, Sweden	57	Lead Independent Director, Director	Founder and Chief Executive Officer of ÖstVäst Capital Management

⁽¹⁾ The business address for each of the directors is 73 Front Street, 5th Floor, Hamilton, HM 12, Bermuda.

⁽²⁾ Member of the audit committee. Mr. DeNardo is the Chair of the audit committee and is the audit committee financial expert.

⁽³⁾ Member of the governance and nominating committee. Mr. Maroun is the Chair of the governance and nominating committee.

Set forth below is biographical information for the BPY General Partner's current directors.

Caroline Atkinson. Ms Atkinson is a Senior Adviser to Rock Creek investment firm in Washington D.C. and a trustee of the International Institute of Strategic Studies in London. Ms Atkinson is an Oxford-trained economist with more than two decades as a senior policy-maker in international economics and finance and as an executive in technology. She has held senior positions in Google, the U.S. government, International Monetary Fund (IMG) and the Bank of England. Most recently Ms. Atkinson was Head of Global Policy for Google Inc. Prior to joining Google, Ms Atkinson worked for President Barack Obama as the Deputy National Security Adviser for International Economics at the White House. She was the President's personal representative to major international economic summits, including the G-7/8 and the G-20. She was also the Advisor to Treasury Secretaries Robert Rubin and Lawrence Summers. She has advised leading U.S. companies on global business and economic issues. Ms Atkinson is a Member of the Board Executive Committee for the Peterson Institute for International Economics, and a Member of Council on Foreign Relations and the Economic Club of New York.

Jeffrey M. Blidner. Mr. Blidner is a Vice Chairman of Brookfield Asset Management and is responsible for strategic planning and fundraising. Mr. Blidner is also Chief Executive Officer of Brookfield's Private Funds Group, Chairman and a director of Brookfield Business Partners L.P. and Brookfield Renewable Partners L.P. and a director of Brookfield Asset Management and Brookfield Infrastructure Partners L.P. Prior to joining Brookfield in 2000, Mr. Blidner was a senior partner at a Canadian law firm.

Soon Young Chang. Dr. Chang is a member of the board of directors of Dubai World. Dr. Chang serves as Senior Advisor to the Investment Corporation of Dubai, providing strategic counsel and lending his global perspective to the investment arm of

the Dubai Government. Dr. Chang is the founder and chairman of Midas International Asset Management Company, an international asset management fund which manages over \$5 billion. He is also a founding partner of Sentinel Advisor, a New York-based arbitrage fund. Dr. Chang has served as an advisor to a variety of financial institutions, including Korea National Pension Corporation, Hyundai International Merchant Bank and Templeton-Ssangyong Investment Trust Company. Dr. Chang received his Master's and Doctoral degrees from the George Washington University in the United States and has authored many books and articles on the subject of financial engineering.

Richard B. Clark. Mr. Clark is a Senior Managing Partner of Brookfield Asset Management and Chairman of the board of directors of the company and a BPR. He has over 30 years of real estate experience. Mr. Clark has been employed by Brookfield and its predecessors since 1984 in various senior roles including President and Chief Executive Officer of Brookfield Property Group and BPY. Mr. Clark holds a Bachelor of Science in Business from the Indiana University of Pennsylvania.

Omar Carneiro da Cunha. Mr. Cunha is a Senior Partner with Dealmaker Ltd., a consultancy and M&A advisory firm, with a focus in telecommunications, information technology, oil & gas and retail, and has also been a Senior Partner of BOND Consultoria Empresarial e Participacoes since 1994. He was the Chairman of "Bob's", a Brazilian fast food company, from 1995 to 2008, a director of the Energisa Group since 1996, and a director of Grupo Libra since 2010. In 2005, Mr. Cunha was the Deputy Chairman and Chief Executive Officer of VARIG Brazilian Airline. From 1995 to 1998, Mr. Cunha was the President of AT&T Brasil and a member of the Management Committee of AT&T International. Prior to that, Mr. Cunha worked for 27 years in Brazil and abroad for the Royal Dutch/Shell Group, and was President of Shell Brasil, Billiton Metals and Shell Quimica from 1991 to 1994. Mr. Cunha is currently a member of the board of Cultura Inglesa S/A and of the American Chamber of Commerce for Brazil.

Scott Cutler. Mr. Cutler is the Senior Vice President, Americas at eBay, where he oversees the Americas business unit, including the United States, Latin America, and Canada. Mr. Cutler joined eBay as President of eBay's StubHub business in April 2015 after nine years as an Executive Vice President at the New York Stock Exchange, or NYSE. During his tenure at NYSE, Mr. Cutler transformed it into the number one global exchange and was responsible for over \$1 trillion in capital raised and helped take some of the world's most iconic brands of the last decade public. Mr. Cutler holds a B.S. degree in Economics from Brigham Young University, or BYU and a J.D. from the University of California, Hastings College of Law. He also serves on the board of the Mental Health Association of New York City and is a trustee on the National Advisory Committee for his alma mater BYU.

Stephen DeNardo. Mr. DeNardo is currently managing director and president and CEO of RiverOak Investment Corp., LLC and has held this position since 1999. From 1997 to 1999 he was Partner and Senior Vice President of ING Realty Partners, where he managed a \$1 billion portfolio. Prior to his employment with ING Realty Partners, he was President of ARES Realty Capital from 1991 to 1997, where he managed a \$5 billion portfolio of diversified debt and equity assets. Before joining ARES Realty Capital, he was a Partner at First Winthrop Corporation. Mr. DeNardo has held a license as a Certified Public Accountant since 1978 and has a B.S. in Accounting from Fairleigh Dickinson University.

Louis Joseph Maroun. Mr. Maroun is the Founder and Chairman of Sigma Real Estate Advisors and Sigma Capital Corporation, which specializes in international real estate advisory services. Prior to this role, Mr. Maroun was the Executive Chairman of ING Real Estate Canada, and held executive positions in a number of real estate companies where he was responsible for overseeing operations, real estate transactions, asset and property management, as well as many other related functions. Mr. Maroun also is on the board of directors of Brookfield Renewable Energy Partners L.P., and Summit Industrial Income REIT. Mr. Maroun graduated from the University of New Brunswick in 1972 with a Bachelor's degree, followed by a series of post graduate studies and in January of 2007, after a long and

successful career in investment real estate, Mr. Maroun was elected to the position of Fellow of the Royal Institute of Chartered Surveyors.

Lars Rodert. Mr. Rodert is the founder and CEO of ÖstVäst Capital Management, or OVCM. Mr. Rodert has 30 years of experience in global investment industry. Prior to OVCM, Mr. Rodert spent 11 years as a Global Investment Manager for IKEA Treasury. Before joining IKEA, Mr. Rodert was with SEB Asset Management for 10 years as CIO and responsible for SEB Global Funds. Prior to SEB, Mr. Rodert spent 10 years in North America with five years at Investment Bank Gordon Capital and five years as a partner with a private investment holding company, Robur et. Securitas. Mr. Rodert is a director of PCCW Limited, an information and communications technology company. Mr. Rodert holds a Master of Science Degree in Business and Economics from Stockholm University.

Our Management

The Service Providers, wholly-owned subsidiaries of Brookfield Asset Management, provide management services to us pursuant to our Master Services Agreement. Brookfield has built its property business through the integration of formative portfolio acquisitions and single asset transactions over several decades and throughout all phases of the real estate investment cycle. The Service Providers' investment and asset management professionals are complemented by the depth of real estate investment and

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operational expertise throughout our operating entities which specialize in office, retail, multifamily, logistics, hospitality, triple net lease, self-storage, student housing and manufactured housing assets, generating significant and stable operating cash flows. Members of Brookfield's senior management and other individuals from Brookfield's global affiliates are drawn upon to fulfill the Service Providers' obligations to provide us with management services under our Master Services Agreement.

The following table presents certain information concerning the Chief Executive Officer and the Chief Financial Officer of our Service Providers:

Name	Age	Years of Experience	Years at Brookfield	Position with one of the Service Providers
Brian W. Kingston	45	21	18	Chief Executive Officer
Bryan K. Davis	45	23	20	Chief Financial Officer

Set forth below is biographical information for Messrs. Kingston and Davis.

Brian W. Kingston. Mr. Kingston was named Chief Executive Officer in 2015. He is also a Senior Managing Partner at Brookfield Asset Management and Chief Executive Officer of Brookfield Property Group. Mr. Kingston joined Brookfield in 2001 and has been engaged in a wide range of merger and acquisition activities. From 2008 to 2013 he led Brookfield's Australian business activities, holding the positions of CEO of Brookfield Office Properties Australia, CEO of Prime Infrastructure and CFO of Multiplex.

Bryan K. Davis. Mr. Davis was named Chief Financial Officer in 2015. Prior to that, he was Chief Financial Officer of Brookfield's global office property company for eight years and spent five years in senior finance roles. Mr. Davis also held various senior finance positions including Chief Financial Officer of Trilon Financial Corporation, Brookfield Asset Management's financial services subsidiary. Prior to joining Brookfield Asset Management in 1999, Mr. Davis was involved in providing restructuring and advisory services at Deloitte & Touche LLP. He is a Chartered Accountant and holds a Bachelor of Commerce degree from Queen's University.

The directors and officers of the BPY General Partner and our Service Providers and their associates, as a group, beneficially own, directly or indirectly, or exercise control and direction over, our units representing in the aggregate less than 1% of our issued and outstanding units on a fully-exchanged basis.

6.B. COMPENSATION

The BPY General Partner pays each of its directors \$125,000 per year for serving on its board of directors and various board committees. The BPY General Partner pays the chair of the audit committee an additional \$20,000 per year and pays the other members of the audit committee an additional \$10,000 per year for serving in such positions. The BPY General Partner also pays the lead independent director an additional \$10,000 per year. Directors also receive an annual retainer of \$15,000 paid by BPR for serving as a director of BPR.

The BPY General Partner does not have any employees. Our partnership has entered into a Master Services Agreement with the Service Providers pursuant to which each Service Provider and certain other affiliates of Brookfield provide, or arrange for other Service Providers to provide, day-to-day management and administrative services for our company, the Property Partnership and the Holding Entities. The fees payable under the Master Service Agreement are set forth under Item 7.B. "Major Shareholders and Related Party Transactions - Related Party

Transactions - Our Master Services Agreement - Management Fee”.

Pursuant to our Master Services Agreement, members of Brookfield’s senior management and other individuals from Brookfield’s global affiliates are drawn upon to fulfill obligations under the Master Services Agreement. However, these individuals, including the Brookfield employees identified in the table under Item 6.A. “Directors, Senior Management and Employees - Directors and Senior Management - Our Management”, are not compensated by our company or the BPY General Partner. Instead, they are compensated by Brookfield.

6.C. BOARD PRACTICES

Board Structure, Practices and Committees

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The structure, practices and committees of the BPY General Partner's board of directors, including matters relating to the size and composition of the board of directors, the election and removal of directors, requirements relating to board action and the powers delegated to board committees, are governed by the BPY General Partner's bye-laws. The BPY General Partner's board of directors is responsible for supervising the management, control, power and authority of the BPY General Partner except as required by applicable law or the bye-laws of the BPY General Partner. The following is a summary of certain provisions of those bye-laws that affect our company's governance.

Size, Independence and Composition of the Board of Directors

The BPY General Partner's board of directors may consist of between three and eleven directors or such other number of directors as may be determined from time to time by a resolution of the BPY General Partner's shareholders and subject to its bye-laws. The board is currently set at nine directors and a majority of the directors of the BPY General Partner's board of directors are independent. In addition, the BPY General Partner's bye-laws provide that not more than 50% of the directors (as a group) or the independent directors (as a group) may be residents of any one jurisdiction (other than Bermuda and any other jurisdiction designated by the board of directors from time to time).

Pursuant to the investor agreement between us and the Class A Preferred Unitholder dated December 4, 2014, the Class A Preferred Unitholder is entitled, for so long as it owns an aggregate limited partnership interest in our company of at least 5% of our issued and outstanding units on a fully-diluted basis, to designate one individual to the BPY General Partner's board of directors. Such individual must meet the standards of independence established by the Nasdaq and the TSX and be reasonably acceptable to the board of directors. As of the date of this Form 20-F, the Class A Preferred Unitholder has not exercised this right.

Lead Independent Director

The BPY General Partner's board of directors has selected Lars Rodert to serve as lead independent director. The lead independent director's primary role is to facilitate the functioning of the board (independently of the Service Providers and Brookfield), and to maintain and enhance the quality of our company's corporate governance practices. The lead independent director presides over the private sessions of the independent directors of the BPY General Partner that take place following each meeting of the board and conveys the results of these meetings to the chair of the board. In addition, the lead independent director is available, when appropriate, for consultation and direct communication with our unitholders or other stakeholders of our company.

Election and Removal of Directors

The BPY General Partner's board of directors is appointed by its shareholders and each of its current directors will serve until the earlier of his or her death, resignation or removal from office. Any director designated by the Class A Preferred Unitholder may be removed or replaced by the Class A Preferred Unitholder at any time. Vacancies on the board of directors may be filled and additional directors may be added by a resolution of the BPY General Partner's shareholders or a vote of the directors then in office. A director may be removed from office by a resolution duly passed by the BPY General Partner's shareholders. A director will be automatically removed from the board of directors if he or she becomes bankrupt, insolvent or suspends payments to his or her creditors, or becomes prohibited by law from acting as a director.

Action by the Board of Directors

The BPY General Partner's board of directors may take action in a duly convened meeting at which a quorum is present or by a written resolution signed by all directors then holding office. The BPY General Partner's board of directors holds a minimum of four meetings per year. When action is to be taken at a meeting of the board of directors, the affirmative vote of a majority of the votes cast is required for any action to be taken. Depending on the size of the board of directors, each director shall be entitled to a number of votes set forth in the bye-laws of the BPY General Partner such that any director designated by the Class A Preferred Unitholder will have less than 10% of the aggregate number of votes that may be cast by all directors taken together.

Transactions Requiring Approval by the Governance and Nominating Committee

The BPY General Partner's governance and nominating committee has approved a conflicts policy which addresses the approval and other requirements for transactions in which there is greater potential for a conflict of interest to arise.

These transactions include:

• acquisitions by us from, and dispositions by us to, Brookfield;

the dissolution of our partnership or the Property Partnership;

any material amendment to our Master Services Agreement, the Relationship Agreement, our limited partnership agreement or the Property Partnership's limited partnership agreement;

any material service agreement or other material arrangement pursuant to which Brookfield will be paid a fee, or other consideration other than any agreement or arrangement contemplated by our Master Services Agreement;

termination of, or any determinations regarding indemnification under, our Master Services Agreement, our limited partnership agreement or the Property Partnership's limited partnership agreement; and

any other material transaction involving us and Brookfield.

Our conflicts policy requires the transactions described above to be approved by the BPY General Partner's governance and nominating committee. Pursuant to our conflicts policy, the BPY General Partner's governance and nominating committee may grant approvals for any of the transactions described above in the form of general guidelines, policies or procedures in which case no further special approval will be required in connection with a particular transaction or matter permitted thereby. The conflicts policy can be amended at the discretion of the BPY General Partner's governance and nominating committee. See Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Conflicts of Interest".

Service Contracts

There are no service contracts with directors that provide benefit upon termination of office or services.

Director Unit Ownership Requirements

The BPY General Partner believes that directors can better represent our unitholders if they have economic exposure to our company themselves. Our company expects that non-Brookfield-employed directors, or outside directors, should hold sufficient units of our company or BPR Units such that the acquisition costs of such securities held by such directors are equal to at least two times their annual retainer, as determined by the board of directors from time to time.

Outside directors are required to purchase limited partnership units and/or BPR Units on an annual basis in an amount not less than 20% of the minimum economic ownership requirement until the requirement is met. Outside directors are required to achieve this minimum economic ownership within five years of joining the board. In the event of an increase in the annual retainer fee, the outside directors will have two years from the date of the change to comply with the ownership requirement. In the case of outside directors who have served on the board less than five years at the date of the change, such directors will be required to comply with the ownership requirement by the date that is the later of: (i) the fifth anniversary of their appointment to the board, and (ii) two years following the date of the change in retainer fee. Two of our outside directors have met this minimum economic ownership requirement, two of our outside directors have until 2020 to meet these requirements due to a recent increase in the annual retainer fee and two of our outside directors have recently been appointed and intend to meet the 20% annual minimum purchase requirement.

Transactions in which a Director has an Interest

A director who directly or indirectly has an interest in a contract, transaction or arrangement with the BPY General Partner, our company or certain of our affiliates is required to disclose the nature of his or her interest to the full board of directors. Such disclosure may generally take the form of a general notice given to the board of directors to the effect that the director has an interest in a specified company or firm and is to be regarded as interested in any contract, transaction or arrangement with that company or firm or its affiliates. A director may participate in any meeting called to discuss or any vote called to approve the transaction in which the director has an interest and no transaction approved by the board of directors will be void or voidable solely because the director was present at or participates in the meeting in which the approval was given provided that the board of directors or a board committee authorizes the transaction in good faith after the director's interest has been disclosed or the transaction is fair to the BPY General Partner and our company at the time it is approved.

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Transactions Requiring Unitholder Approval

Limited partners have consent rights with respect to certain fundamental matters and related party transactions (in accordance with Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions of the Canadian Securities Administrators, or MI 61-101) and on any other matters that require their approval in accordance with applicable securities laws and stock exchange rules. See “Description of the Property Partnership Limited Partnership Agreement - Amendment of the Property Partnership Limited Partnership Agreement”, “Description of the Property Partnership Limited Partnership Agreement - Opinion of Counsel and Limited Partner Approval”, and “Description of the Property Partnership Limited Partnership Agreement - Withdrawal of the Managing General Partner”.

Audit Committee

The BPY General Partner’s board of directors is required to maintain an audit committee that operates pursuant to a written charter. The audit committee is required to consist solely of independent directors and each member must be financially literate. Not more than 50% of the audit committee members may be residents of any one jurisdiction (other than Bermuda and any other jurisdiction designated by the board of directors from time to time).

The audit committee is responsible for assisting and advising the BPY General Partner’s board of directors with respect to:

- our accounting and financial reporting processes;
- the integrity and audits of our financial statements;
- our compliance with legal and regulatory requirements; and
- the qualifications, performance and independence of our independent accountants.

The audit committee is responsible for engaging our independent auditors, reviewing the plans and results of each audit engagement with our independent auditors, approving professional services provided by our independent accountants, considering the range of audit and non-audit fees charged by our independent auditors and reviewing the adequacy of our internal accounting controls.

See Item 6.A. “Directors, Senior Management and Employees - Directors and Senior Management” for the names of the directors currently on the audit committee.

Governance and Nominating Committee

The BPY General Partner’s board of directors is required to maintain at all times a governance and nominating committee that operates pursuant to a written charter. The governance and nominating committee is required to consist solely of independent directors and not more than 50% of the governance and nominating committee members may be residents of any one jurisdiction (other than Bermuda and any other jurisdiction designated by the board of directors from time to time).

The governance and nominating committee has approved a conflicts policy which addresses the approval and other requirements for transactions in which there is a greater potential for a conflict of interest to arise. The governance and nominating committee may be required to approve any such transactions. See “- Transactions Requiring Approval by the Governance and Nominating Committee”.

The governance and nominating committee is responsible for approving the appointment by the sitting directors of a person to the office of director and for recommending a slate of nominees for election as directors by the BPY General Partner's shareholders. The governance and nominating committee is responsible for assisting and advising the BPY General Partner's board of directors with respect to matters relating to the general operation of the board of directors, our company's governance, the governance of the BPY General Partner and the performance of its board of directors. The governance and nominating committee is responsible for reviewing and making recommendations to the board of directors of the BPY General Partner concerning the remuneration of directors and committee members and any changes in the fees to be paid pursuant to our Master Services Agreement.

See Item 6.A. "Directors, Senior Management and Employees - Directors and Senior Management" for the names of the directors currently on the governance and nominating committee.

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Indemnification and Limitations on Liability

Our Limited Partnership Agreement

The laws of Bermuda permit the partnership agreement of a limited partnership, such as our company, to provide for the indemnification of a partner, the officers and directors of a partner and any other person against any and all claims and demands whatsoever, except to the extent that the indemnification may be held by the courts of Bermuda to be contrary to public policy or to the extent that the laws of Bermuda prohibit indemnification against personal liability that may be imposed under specific provisions of the laws of Bermuda. The laws of Bermuda also permit a partnership to pay or reimburse an indemnified person's expenses in advance of a final disposition of a proceeding for which indemnification is sought. See Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of Our Units and Our Limited Partnership Agreement - Indemnification; Limitations on Liability" for a description of the indemnification arrangements in place under our limited partnership agreement.

The BPY General Partner's Bye-laws

The laws of Bermuda permit the bye-laws of an exempted company, such as the BPY General Partner, to provide for the indemnification of its officers, directors and shareholders and any other person designated by the company against any and all claims and demands whatsoever, except to the extent that the indemnification may be held by the courts of Bermuda to be contrary to public policy or to the extent that the laws of Bermuda prohibit indemnification against personal liability that may be imposed under specific provisions of Bermuda law, such as the prohibition under the Bermuda Companies Act 1981 to indemnify liabilities arising from fraud or dishonesty. The BPY General Partner's bye-laws provide that, as permitted by the laws of Bermuda, it will pay or reimburse an indemnified person's expenses in advance of a final disposition of a proceeding for which indemnification is sought.

Under the BPY General Partner's bye-laws, the BPY General Partner is required to indemnify, to the fullest extent permitted by law, its affiliates, directors, officers, resident representatives, shareholders and employees, any person who serves on a governing body of the Property Partnership or any of its subsidiaries and certain others against any and all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with our company's investments and activities or in respect of or arising from their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under the BPY General Partner's bye-laws: (i) the liability of such persons has been limited to the fullest extent permitted by law and except to the extent that their conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful; and (ii) any matter that is approved by the independent directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties. The BPY General Partner's bye-laws require it to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

Insurance

Our partnership has obtained insurance coverage under which the directors of the BPY General Partner are insured, subject to the limits of the policy, against certain losses arising from claims made against such directors by reason of any acts or omissions covered under the policy in their respective capacities as directors of the BPY General Partner,

including certain liabilities under securities laws. The insurance applies in certain circumstances where we may not indemnify the BPY General Partner's directors and officers for their acts or omissions.

6.D. EMPLOYEES

While certain of our operating entities have employees, the BPY General Partner, our partnership, the Property Partnership and the Holding Entities do not have any employees. Our partnership has entered into a Master Services Agreement with the Service Providers pursuant to which each Service Provider and certain other affiliates of Brookfield provide, or arrange for other Service Providers to provide, day-to-day management and administrative services for our company, the Property Partnership and the Holding Entities. The fees payable under the Master Service Agreement are set forth under Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Our Master Services Agreement - Management Fee".

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6.E. SHARE OWNERSHIP

Each of the directors and officers of the BPY General Partner own less than 1% of our units. Units of our partnership may be issued to such directors and officers through our distribution reinvestment plan described in Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of Our Units and Our Limited Partnership Agreement - Distribution Reinvestment Plan” and through our Unit-based compensation plans described in Item 18 “Financial Statements - Note 32 - Unit-Based Compensation”.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. MAJOR SHAREHOLDERS

As of February 22, 2019, there are 427,939,159 limited partnership units of our company outstanding. To our knowledge, as of February 22, 2019, no person or company, other than Brookfield Asset Management, Partners Limited and the Class A Preferred Unitholder, beneficially owns or controls or directs, directly or indirectly, more than 5% of our units. See also the information contained in this Form 20-F under Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of our Units and our Limited Partnership Agreement”.

As of February 22, 2019, 235,177 of our outstanding units were held by 2,549 holders of record in the United States, not including units of our company held of record by the Depository Trust Company, or DTC. As of February 22, 2019, DTC was the holder of record of 162,567,787 units.

As of February 22, 2019, 227,576 of our outstanding units were held by 3,869 holders of record in Canada, not including units of our company held of record by Clearing and Depository Services Inc., or CDS. As of February 22, 2019, CDS was the holder of record of 264,882,779 units.

The following table presents information regarding the beneficial ownership of our company, as of February 22, 2019, by each person or entity that we know beneficially owns 5% or more of our company.

Name and Address	Units Outstanding Units Owned ⁽¹⁾	Percentage	
Brookfield Asset Management Inc. ⁽²⁾ Suite 300, Brookfield Place, 181 Bay Street Toronto, Ontario, M5J 2T3	517,409,307	50	%
Partners Limited ⁽³⁾ Suite 300, Brookfield Place, 181 Bay Street Toronto, Ontario, M5J 2T3	522,885,310	52	%
Qatar Investment Authority ⁽⁴⁾ Q-Tel Tower Diplomatic Area Street, West Bay Doha, Qatar	70,038,910	7	%

(1)

Units Owned includes our limited partnership units, and for Brookfield Asset Management and Partners Limited, also includes Redemption-Exchange Units, and for Brookfield Asset Management, also includes GP Units and Special LP Units.

- Brookfield beneficially owns 81,723,887 of our units, 432,649,105 Redemption-Exchange Units and 3,036,315
- (2) BPR Units. Brookfield has a 60% interest in our company assuming the exchange of the Redemption-Exchange Units and the Exchange LP Units not held by us, and a 50% interest in our company on a fully-exchanged basis. Partners Limited is a corporation whose principal business mandate is to hold shares of Brookfield Asset Management, directly or indirectly, for the long-term. Partners Limited's holdings of our company include the
 - (3) Brookfield Asset Management holdings noted in footnote (2) plus 3,613,446 of our units held directly by its subsidiary, Partners Value Investments L.P.
 - (4) Represents ownership on a fully-exchanged basis.

Our major unitholders have the same voting rights as all other holders of our units.

7.B. RELATED PARTY TRANSACTIONS

RELATIONSHIP WITH BROOKFIELD

Brookfield Asset Management

Brookfield Asset Management is a leading global alternative asset manager with over \$350 billion in assets under management. The company has a 120-year history of owning and operating assets with a focus on real estate, renewable power, infrastructure and private equity. Brookfield offers a range of public and private investment products and services, and is co-listed on the New York, Toronto and Euronext stock exchanges under the symbol BAM, BAM.A and BAMA, respectively.

Brookfield believes its operating experience is an essential differentiating factor in its past ability to generate significant risk-adjusted returns. In addition, Brookfield has demonstrated particular expertise in sourcing and executing large-scale multi-faceted transactions across a wide spectrum of real estate sectors and geographies.

As a global alternative asset manager, Brookfield brings a strong and proven corporate platform supporting legal, tax, operations oversight, investor reporting, portfolio administration and other client services functions. Brookfield's management team is multi-disciplinary, comprising investment and operations professionals, each with significant expertise in evaluating and executing investment opportunities and investing on behalf of itself and institutional investors.

We are an affiliate of Brookfield. We have entered into a number of agreements and arrangements with Brookfield in order to enable us to be established as a separate entity and pursue our vision of being a leading owner and operator of high quality commercial real estate assets. While we believe that our ongoing relationship with Brookfield provides us with a unique competitive advantage as well as access to opportunities that would otherwise not be available to us, we operate very differently from an independent, stand-alone entity. We describe below this relationship as well as potential conflicts of interest (and the methods for resolving them) and other material considerations arising from our relationship with Brookfield.

Relationship Agreement

Our company, the Property Partnership, the Holding Entities, the Service Providers and Brookfield Asset Management have entered into an agreement, referred to as the Relationship Agreement, that governs aspects of the relationship among them. Pursuant to the Relationship Agreement, Brookfield Asset Management has agreed that we will serve as the primary entity through which acquisitions of commercial property will be made by Brookfield Asset Management and its affiliates on a global basis.

In the commercial property industry, it is common for assets to be owned through consortiums and partnerships of institutional equity investors and owner/operators such as ourselves. Accordingly, an integral part of our strategy is to pursue acquisitions through arrangements with institutional investors, strategic partners or financial sponsors and to form partnerships to pursue acquisitions on a specialized or global basis.

Brookfield Asset Management has a strong track record of leading such consortiums and partnerships and actively managing underlying assets to improve performance. Brookfield has also established and manages a number of private investment entities, managed accounts, joint ventures, consortiums, partnerships and investment funds whose investment objectives include the acquisition of commercial property and Brookfield may in the future establish

similar funds. Nothing in the Relationship Agreement limits or restricts Brookfield from establishing or advising these or similar entities or limits or restricts any such entities from carrying out any investment. Brookfield Asset Management has agreed that it will offer our company the opportunity to take up Brookfield's share of any investment through these consortium arrangements or by one of these entities that involves the acquisition of commercial property that is suitable for us, subject to certain limitations.

Under the terms of the Relationship Agreement, our company, the Property Partnership and the Holding Entities have acknowledged and agreed that Brookfield carries on a diverse range of businesses worldwide, including the development, ownership and/or management of commercial property, and investing (and advising on investing) in commercial property, or loans, debt instruments and other securities with underlying collateral or exposure to commercial property and that except as explicitly provided in the Relationship Agreement, the Relationship Agreement does not in any way limit or restrict Brookfield from carrying on its business.

Our ability to grow depends in part on Brookfield identifying and presenting us with acquisition opportunities. Brookfield's commitment to us and our ability to take advantage of opportunities is subject to a number of limitations such as our financial capacity, the suitability of the acquisition in terms of the underlying asset characteristics and its fit with our strategy, limitations arising from the tax and regulatory regimes that govern our affairs and certain other restrictions. See Item 3.D. "Key Information"

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- Risk Factors - Risks Relating to Our Relationship with Brookfield". Under the terms of the Relationship Agreement, our company, the Property Partnership and the Holding Entities have acknowledged and agreed that, subject to providing us the opportunity to participate on the basis described above, Brookfield may pursue other business activities and provide services to third parties that compete directly or indirectly with us. In addition, Brookfield has established or advised, and may continue to establish or advise, other entities that rely on the diligence, skill and business contacts of Brookfield's professionals and the information and acquisition opportunities they generate during the normal course of their activities. Our company, the Property Partnership and the Holding Entities have acknowledged and agreed that some of these entities may have objectives that overlap with our objectives or may acquire commercial property that could be considered appropriate acquisitions for us, and that Brookfield may have financial incentives to assist those other entities over us. If any of the Service Providers determine that an opportunity is not suitable for us, Brookfield may still pursue such opportunity on its own behalf. Our company, the Property Partnership and the Holding Entities have further acknowledged and agreed that nothing in the Relationship Agreement will limit or restrict: (i) Brookfield's ability to make any investment recommendation or take any other action in connection with its public securities business; (ii) Brookfield from investing in any loans or debt securities or from taking any action in connection with any loan or debt security notwithstanding that the underlying collateral comprises or includes commercial property provided that the original purpose of the investment was not to acquire a controlling interest in such property; or (iii) Brookfield from acquiring or holding an investment of less than 5% of the outstanding shares of a publicly traded company or from carrying out any other investment in a company or real estate portfolio where the underlying assets do not principally constitute commercial property. Due to the foregoing, we expect to compete from time to time with other affiliates of Brookfield Asset Management or other third parties for access to the benefits that we expect to realize from Brookfield Asset Management's involvement in our business.

In the event of the termination of our Master Services Agreement, the Relationship Agreement would also terminate, including Brookfield's commitments to provide us with acquisition opportunities, as described above.

Under the Relationship Agreement, our company, the Property Partnership and the Holding Entities have agreed that none of Brookfield nor any affiliate, director, officer, employee, contractor, agent, advisor, member, partner, shareholder or other representative of Brookfield, will be liable to us for any claims, liabilities, losses, damages, costs or expenses (including legal fees) arising in connection with the business, investments and activities in respect of or arising from the Relationship Agreement, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the person's bad faith, fraud, willful misconduct or gross negligence, or in the case of a criminal matter, action that the person knew to have been unlawful. The maximum amount of the aggregate liability of Brookfield, or any of its affiliates, or of any director, officer, employee, contractor, agent, advisor, member, partner, shareholder or other representative of Brookfield, will be equal to the amounts previously paid in the two most recent calendar years by the Service Recipients pursuant to our Master Services Agreement.

Other Services

Brookfield may provide services to our operating entities which are outside the scope of our Master Services Agreement under arrangements that are on market terms and conditions, or otherwise permitted or approved by independent directors, pursuant to our conflicts policy, and pursuant to which Brookfield will receive fees. The services that may be provided under these arrangements include financial advisory, property management, facilities management, development, relocation services, construction activities, marketing or other services.

Preferred Shares of Certain Holding Entities

Brookfield holds \$420 million of Class B redeemable preferred shares of CanHoldco, one of our Holding Entities, which it received as partial consideration for causing the Property Partnership to acquire substantially all of Brookfield Asset Management's commercial property operations. The Class B preferred shares were entitled to receive a cumulative preferential dividend equal to 5.75% of their redemption value as and when declared by the board of directors of CanHoldco until the fifth anniversary of their issuance, after which the preferred shares are entitled to receive a cumulative preferential dividend equal to 5.0% plus the prevailing yield for 5-year U.S. Treasury Notes, which equals to 7.64%. CanHoldco may redeem the Class B preferred shares at any time and must redeem all of the outstanding Class B preferred shares on the tenth anniversary of their issuance. Brookfield has a right of retraction following the fifth anniversary of the issuance of the Class B preferred shares. The Class B preferred shares are entitled to vote with the common shares of CanHoldco and each class of preferred shares has an aggregate of 1% of the votes to be cast in respect of CanHoldco.

In connection with the issuance of the Class A Preferred Units, Brookfield has agreed with the Class A Preferred Unitholder that the Class A Preferred Units will rank *pari passu* with CanHoldco's Class A senior preferred shares, Class B preferred shares and Class C preferred shares in the payment of dividends, and that this will not prevent CanHoldco from redeeming its preferred shares except in the event of a dissolution, liquidation or winding-up of CanHoldco, in which case the Class A Preferred Units will rank *pari passu* with CanHoldco's preferred shares.

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In addition, Brookfield holds \$15 million of preferred shares of CanHoldco and four wholly-owned subsidiaries of other Holding Entities. These preferred shares are entitled to receive a cumulative preferential cash dividend equal to 5% as and when declared by the board of directors of the applicable entity and are redeemable at the option of the applicable entity, subject to certain limitations, at any time after the twentieth anniversary of their issuance. The preferred shares are entitled to vote with the common shares of the applicable entity and have an aggregate of 1% of the votes to be cast in respect of the applicable entity.

Redemption-Exchange Mechanism

The holders of Redemption-Exchange Units of the Property Partnership have the right to require the Property Partnership to redeem all or a portion of the Redemption-Exchange Units for either (a) cash in an amount equal to the market value of one of our units multiplied by the number of units to be redeemed (subject to certain adjustments) or (b) such other amount of cash as may be agreed by the relevant holder and the Property Partnership, subject to our company's right to acquire such interests (in lieu of redemption) in exchange for our units. See Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Redemption-Exchange Mechanism". Taken together, the effect of the redemption right and the right of exchange is that the holders of Redemption-Exchange Units will receive our units, or the value of such units, at the election of our company. Should we determine not to exercise our right of exchange, cash required to fund a redemption of Redemption-Exchange Units will likely be financed by a public offering of our units.

Registration Rights Agreement

Our company has entered into a customary registration rights agreement with Brookfield pursuant to which we have agreed that, upon the request of Brookfield, our company will file one or more registration statements to register for sale, under the U.S. Securities Act of 1933, as amended, or one or more prospectuses to qualify the distribution in Canada, any of our units held by Brookfield (including units of our company acquired pursuant to the Redemption-Exchange Mechanism). Under the registration rights agreement, our company is not required to file a U.S. registration statement or a Canadian prospectus unless Brookfield requests that units having a value of at least \$50 million be registered or qualified. In the registration rights agreement, we have agreed to pay expenses in connection with such registration and sales, except for any underwriting discounts or commissions, which will be borne by the selling unitholder, and to indemnify Brookfield for material misstatements or omissions in the registration statement and/or prospectus.

Equity Enhancement and Incentive Distributions

Property Special LP, a wholly-owned subsidiary of Brookfield Asset Management, is entitled to receive equity enhancement distributions and incentive distributions from the Property Partnership as a result of its ownership of the special limited partnership interest in the Property Partnership. Property Special LP will receive quarterly equity enhancement distributions equal to 0.3125% of the amount by which our company's total capitalization value exceeds an initial reference value determined based on the market capitalization immediately following the Spin-off, subject to certain adjustments. In addition, Property Special LP will receive incentive distributions calculated in increments based on the amount by which quarterly distributions on the limited partnership units of the Property Partnership exceed specified target levels as set forth in the Property Partnership's limited partnership agreement.

We believe these arrangements create an incentive for Brookfield to manage our company in a way that helps us achieve our goal of creating value for our unitholders both through distributions and capital appreciation. For a further

explanation of the equity enhancement and incentive distributions, together with examples of how such amounts are calculated, see Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Distributions”.

Property Special LP may, at its sole discretion, elect to reinvest equity enhancement distributions and incentive distributions in exchange for Redemption-Exchange Units.

To the extent that any Holding Entity or any operating entity pays to Brookfield any comparable performance or incentive distribution, the amount of any future incentive distributions will be reduced in an equitable manner to avoid duplication of distributions.

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General Partner Distributions

Pursuant to our limited partnership agreement, the BPY General Partner is entitled to receive a general partner distribution equal to 0.2% of the total distributions of our company.

Special Limited Partner Distributions

Pursuant to the limited partnership agreement of the Property Partnership, Property Special LP is entitled to receive a distribution from the Property Partnership equal to a share of the total distributions of the Property Partnership in proportion to Property Special LP's percentage interest in the Property Partnership which will be equal to 1% of the total distributions of the Property Partnership. See Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Distributions".

Indemnification Arrangements

Subject to certain limitations, Brookfield and its directors, officers, agents, subcontractors, contractors, delegates, members, partners, shareholders and employees generally benefit from indemnification provisions and limitations on liability that are included in our limited partnership agreement, the BPY General Partner's bye-laws, the Property Partnership's limited partnership agreement, our Master Services Agreement and other arrangements with Brookfield. See Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Our Master Services Agreement", Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of Our Units and Our Limited Partnership Agreement - Indemnification; Limitations on Liability" and Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Indemnification; Limitations on Liability".

Maturity of Class A Preferred Units

The Class A Preferred Units are exchangeable at the option of the Class A Preferred Unitholder into our units at a price of \$25.70 per unit and were issued on December 4, 2014 in three tranches of \$600 million each, with an average dividend yield of 6.5% and maturities of seven, ten and twelve years. After three years for the seven-year tranche and four years for the ten- and twelve-year tranches, we can effectively require a holder of Class A Preferred Units to exchange the Class A Preferred Units into our units as long as our units are trading at or above 125%, 130% and 135%, respectively, of the exchange price. Upon maturity, the Class A Preferred Units that remain outstanding will be redeemed in exchange for our units valued at the 20-day, volume-weighted average trading price at such time. To the extent that the market price of our units is less than 80% of the exchange price at maturity, Brookfield has contingently agreed to acquire the seven-year and ten-year tranches of Class A Preferred Units from the holder of Class A Preferred Units for the initial issuance price plus accrued and unpaid distributions and to exchange such units for Preferred Units with terms and conditions substantially similar to the twelve-year tranche. Brookfield has also agreed with the Class A Preferred Unitholder to grant Brookfield the right to purchase all or any portion of the Class A Preferred Units held by the Class A Preferred Unitholder at maturity, and to grant the Class A Preferred Unitholder the right to sell all or any portion of the Class A Preferred Units held by the Class A Preferred Unitholder at maturity, in each case at a price equal to the issue price for such Class A Preferred Units plus accrued and unpaid dividends.

Conflicts of Interest

Our organizational, ownership and management structure and strategy involve a number of aspects and relationships that may give rise to conflicts of interest between our company and our unitholders, on the one hand, and Brookfield and/or other Brookfield-sponsored vehicles, consortiums and/or partnerships (including private funds, joint ventures

and similar arrangements), collectively referred to as Brookfield Accounts, on the other hand. The discussion below sets out certain of the conflicts of interest that may arise, but does not purport to be a complete list or explanation of all such potential conflicts of interest. Dealing with conflicts of interest is complex, and it is not possible to predict all of the types of conflicts that may arise. While Brookfield acts in good faith to resolve all potential conflicts in a manner that is fair and balanced taking into account the facts and circumstances known to it at the time, there can be no assurance that any recommendation or determination made by Brookfield will be most beneficial or favorable to us, or would not have been different if additional information were available to it. Potential conflicts of interest generally will be resolved in accordance with the principles summarized herein and in accordance with our conflicts policy that has been approved by our governance and nominating committee and the BPY General Partner. The conflicts policy was put in place in recognition of the benefit to our company of our relationship with Brookfield and our intent to seek to maximize the benefits from this relationship. The conflicts policy generally provides for potential conflicts to be resolved on the basis of transparency and, required pursuant to the policy, third-party validation and approvals. The conflicts policy focuses on addressing the principal activities that may give rise to potential conflicts of interests, including our investment activities, our participation in Brookfield Accounts, transactions with Brookfield (and Brookfield Accounts), and engagements of Brookfield affiliates (or of us by Brookfield Accounts), including engagements for operational services entered into between underlying operating entities.

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We may pursue acquisition opportunities in various ways, including indirectly through investments in Brookfield Accounts or directly by investing alongside Brookfield Accounts. Any references in this section to our acquisitions, investments, assets, expenses, operating entities or other terms should be understood to mean such items held, incurred or undertaken directly by us or indirectly by us through our investment in one or more Brookfield Accounts.

Allocation of Investment Opportunities. In recommending acquisition opportunities, Brookfield has significant discretion to determine the suitability and/or appropriateness of opportunities for us and to allocate such opportunities among us, Brookfield, Brookfield Accounts, and/or third parties as it deems appropriate. Brookfield and Brookfield Accounts have (and future Brookfield Accounts may in the future have) investment mandates that overlap with our investment mandate, including Brookfield Accounts that invest in, own, operate, develop, and recycle portfolios of real estate assets, and in which we generally expect to be a significant investor. In addition, Brookfield has provided, and may in the future provide (without notice to our unitholders), priority rights with respect to certain investment opportunities, including all or a select geographic, sector or other subset of opportunities, to certain Brookfield Accounts (but not to us) or to other persons pursuant to contractual or other arrangements. For example, Brookfield Accounts with infrastructure and renewable power focused investment mandates, and Brookfield Accounts with opportunistic real estate investment mandates, generally have been (and will in the future be) given priority with respect to investment opportunities that are suitable and appropriate for them. As a result, Brookfield Accounts may compete with, or have priority over, our company in respect of investment opportunities, and opportunities that would otherwise be suitable for us may not be made available to us, we may receive a smaller allocation of such opportunities than would otherwise have been the case, or we may receive an allocation of such opportunities on different terms than Brookfield or Brookfield Accounts (which may be less favorable than otherwise would have been the case).

The question of whether a particular opportunity is suitable and/or appropriate for us, and to the extent it is the amount of such opportunity to be allocated to us, is highly subjective and will be made in Brookfield's discretion based on various portfolio construction and management factors, including: (i) the size, nature and type of the opportunity (including the expected risk-return profile of the investment, expected holding period and its fit with the balance of our investments and related operations), (ii) the amount of capital available for investment, (iii) principles of diversification of assets (including whether we will participate in the opportunity through our investment in Brookfield Accounts), (iv) the nature and extent of involvement in the transaction and the sourcing of the transaction by the Brookfield investment professionals that manage our company, (v) the nature of potential acquirers upon disposition, (vi) our expected future capacity, (vii) cash and liquidity needs (including our interest in preserving capital in order to secure other opportunities and/or to meet other obligations), (viii) the availability of other appropriate or similar investment opportunities (including other opportunities that we may be pursuing or otherwise considering at the relevant time) and (x) other considerations deemed relevant by Brookfield (including legal, regulatory, tax, timing and similar considerations). If Brookfield determines that an opportunity is not suitable or appropriate for us, it may still pursue such opportunity on its own behalf or on behalf of one or more Brookfield Accounts. As a result, there may be differences in the overall performance of our company, Brookfield and Brookfield Accounts that have overlapping investment mandates.

In allocating investment opportunities among us, Brookfield and Brookfield Accounts (including Brookfield Accounts that have investment mandates that overlap with that of our company), Brookfield will face certain potential conflicts of interest between the interests of our company, its interests and the interests of Brookfield Accounts. These potential conflicts may be exacerbated in situations where Brookfield has larger interests in Brookfield Accounts than its interest in our company, where Brookfield is entitled to higher fees from Brookfield Accounts than from our company, where portfolio managers making an allocation decision are entitled to performance-based compensation

from Brookfield or a Brookfield Account, or where there are capacity constraints with respect to a particular strategy or opportunity as a result of, for example, position limits and/or regulatory reporting obligations applicable to Brookfield. In addition, as an investment changes over time, additional conflicts of interest may arise, including as a result of earlier investment allocation decisions. Brookfield will make investment allocation decisions taking into account our company's, Brookfield's and Brookfield Accounts' investment mandates and interests.

Allocation of Broken-Deal Expenses. We will incur expenses with respect to the consideration and pursuit of transactions that are not ultimately consummated, referred to as broken-deal expenses, including through our investments in Brookfield Accounts. Examples of broken-deal expenses include (i) research costs, (ii) fees and expenses of legal, financial, tax, accounting, consulting or other advisers (including Brookfield) in connection with conducting due diligence or otherwise pursuing a particular non-consummated transaction, (iii) fees and expenses in connection with arranging financing for a particular non-consummated transaction, (iv) travel costs, (v) deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, a particular non-consummated transaction and (vi) other expenses incurred in connection with activities related to a particular non-consummated transaction. Broken-deal expenses generally will be

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allocated among our company, Brookfield and Brookfield Accounts in the manner that Brookfield determines to be fair and equitable, which may be pro rata or on a different basis.

Allocation of Co-Investment Opportunities and Expenses. Because of the scale of typical real estate related investment opportunities, we may offer portions of certain acquisition opportunities for co-investment. In addition, as our strategy includes completing acquisitions through Brookfield Accounts, we will likely make co-investments with Brookfield and with third-party investors in Brookfield Accounts. Decisions regarding whether and to which parties to offer co-investment opportunities are made by Brookfield and may be based on a number of factors, including portfolio construction, strategic or other considerations, taking into account the specific facts and circumstances relating to each potential co-investment opportunity. As a result, from time to time, we may offer (or receive from Brookfield Accounts) larger or smaller portions of co-investment opportunities than would otherwise have been the case or no portion of certain opportunities.

In our capacity as a co-investor, we will typically bear our pro rata share of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of our co-investments and we may be required to pay our pro rata share of fees, costs and expenses related to potential investments that are not consummated, such as broken deal expenses (including “reverse” breakup fees). Notwithstanding the foregoing, certain potential co-investors may not agree to pay or otherwise bear fees, costs and expenses related to unconsummated co-investments. In addition, in certain circumstances, potential co-investors may not bear such fees, costs and expenses, including because they have not yet been identified (or their anticipated allocation has not yet been identified) as of the time such potential investment ceases to be pursued, are not yet committed to such potential investment or are not contractually required to bear such fees, costs and expenses. In those events, such fees, costs and expenses will (i) be considered our operating expenses and be borne by us (in connection with co-investment opportunities that we offered) or (ii) be considered operating expenses of, and be borne by, the Brookfield Account (in connection with co-investments offered by the Brookfield Account), a pro-rata portion of which will be borne by us through our investment in the Brookfield Account.

Investments by Brookfield Personnel. The partners, members, shareholders, directors, officers and employees of Brookfield, or Brookfield Personnel, may generally buy and sell securities or other investments for their own or their family members’ accounts (including through Brookfield Accounts). Positions may be taken by such Brookfield Personnel that are the same, different from, or made at different times than positions taken directly or indirectly for us. To reduce the possibility of (a) potential conflicts between our investment activities and those of Brookfield Personnel, and (b) us being materially adversely affected by Brookfield Personnel’s personal trading activities, Brookfield has established policies and procedures relating to personal securities trading. To this end, Brookfield Personnel that participate in managing our investment activities are generally restricted from engaging in personal trading activities (unless such activities are conducted through accounts over which the personnel have no influence or control), and other personnel generally must pre-clear proposed personal trades. In addition, Brookfield’s policies include prohibitions on insider trading, front running, trading in securities that are on Brookfield’s restricted trading list, trading in securities that are subject to a black-out period and other restrictions.

Investments by the Investing Affiliate. Certain Brookfield executives own a substantial majority of an entity that makes investments for its own account, referred to as the Investing Affiliate. The Investing Affiliate’s activities are managed separately from our (or any Brookfield Account’s) activities. There is no formal informational barrier between the Investing Affiliate and the rest of Brookfield. Brookfield has adopted protocols designed to ensure that the Investing Affiliate’s activities do not materially adversely affect our (and Brookfield Accounts’) activities and to ensure that potential conflicts are resolved in a manner pursuant to which our (and Brookfield Accounts’) interests are,

to the extent feasible, prioritized relative to the Investing Affiliate's.

- Other Activities of Investment Personnel. The same professionals within Brookfield's organization who are involved in sourcing and executing acquisitions that are suitable for us are responsible for sourcing and executing opportunities for the Brookfield Accounts, as well as having other responsibilities within Brookfield's broader asset management business. Limits on the availability of such individuals will likewise result in a limitation on the availability of acquisition opportunities for us, and such individuals' broader responsibilities could conflict with their responsibilities to us.

Warehousing Investments. Where Brookfield has made an acquisition, it may transfer it to us at a later date at cost, plus a pre-agreed interest rate, after the assets have been developed or we have obtained sufficient financing. Similarly, we may warehouse one or more investments for a Brookfield Account and transfer the warehoused investment to the applicable Brookfield Account at cost, plus a pre-agreed interest rate, once the Brookfield Account has raised sufficient capital, including financing, to support the acquisition. In the event the applicable Brookfield Account does not obtain sufficient financing to purchase the warehoused investment and we cannot find another buyer for the investment, we may be forced to retain the investment, the value of which may have increased or declined.

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Transacting with Brookfield. When permitted by applicable law and subject to and in accordance with our conflicts policy, we may buy investments from or sell investments to Brookfield and/or Brookfield Accounts. Such transactions generally will require the approval of the governance and nominating committee and, in connection with transactions with a Brookfield Account, the advisory committee of the applicable Brookfield Account.

Terms of an Investment by Our Company May Benefit or Disadvantage Brookfield or A Brookfield Account. In making certain decisions with regard to a potential investment by our company (or by a Brookfield Account in which we are invested), Brookfield could face certain conflicts of interest between the interests of our company (or the Brookfield Account), on the one hand, and the interests of Brookfield, the Investing Affiliate or a Brookfield Account that has already made a related investment, on the other hand. Similarly, a prospective investment by Brookfield or a Brookfield Account may present a conflict of interest with respect to an investment by our company. Subject to applicable law and our conflicts policy, Brookfield may cause our company to invest in securities, bank loans or other obligations of companies affiliated with or advised by Brookfield or in which Brookfield, the Investing Affiliate or a Brookfield Account has an equity, debt or other interest, or to engage in investment transactions that may result in Brookfield, the Investing Affiliate or a Brookfield Account getting an economic benefit, being relieved of obligations or divested of investments. For example, we may make a debt or equity investment in an entity which is expected to use the proceeds of such investment to repay loans from Brookfield or a Brookfield Account. Depending on the circumstance, Brookfield or such Brookfield Account might benefit if our company invested more money, thus providing sufficient funds to repay Brookfield or the Brookfield Account, or it might benefit if the loans remained outstanding and Brookfield or such Brookfield Account continued to receive payment under the existing loans, if the loans were on attractive terms (including an attractive interest rate) from the perspective of Brookfield or such Brookfield Account. Alternatively, Brookfield or a Brookfield Account might be in the position of making an investment that could be used to repay loans from our company, which would present the opposite conflict. Similarly, such conflicts might also be present in other situations. For example, in certain circumstances, we may pursue a take-private, asset purchase or other material transaction with an issuer in which Brookfield, the Investing Affiliate or a Brookfield Account is invested, which may result in a benefit to Brookfield, the Investing Affiliate or the Brookfield Account. In situations where our activities may enhance Brookfield's, the Investing Affiliate's or a Brookfield Account's profitability, Brookfield may take its, the Investing Affiliate's or the Brookfield Account's interests into consideration in connection with actions it takes on our behalf.

Investments with Related Parties. In certain circumstances, we will participate in investments that involve Brookfield or Brookfield Accounts in equity or debt positions within a transaction. For example, Brookfield or Brookfield Accounts may: (a) enter into a joint transaction with us; (b) be borrowers of certain investments or lenders in respect of our company; or (c) hold debt positions (either junior or senior to our positions) or other interests in an investment's capital stack. The interests of Brookfield or Brookfield Accounts in such investments may differ from our interests and also may have been acquired at different times, at different prices and/or subject to different terms and conditions. As a result of these differences, Brookfield or Brookfield Accounts may manage such interests in a way that is different from ours (including, for example, by investing in different portions of an issuer's capital structure, investing in the same portion but on different terms, obtaining exposure to the investment using different types of securities or instruments, voting securities in a different manner, and/or acquiring or disposing of its interests at different times than us). In connection with the foregoing, Brookfield or Brookfield Accounts may pursue or enforce rights or activities, or refrain from pursuing or enforcing rights or activities, with respect to a particular investment in which we have invested, even though such actions or inaction could adversely affect us. For example, if an issuer in which we have an investment and in which Brookfield or a Brookfield Account also has an investment, but at a different portion of the capital structure, becomes distressed or defaults on its obligations, Brookfield will have conflicting loyalties between its duties to us and to itself or to the Brookfield Accounts. In such a situation Brookfield, acting on behalf of

itself or a Brookfield Account, may seek a liquidation, reorganization or restructuring of the issuer that may have an adverse effect on our holdings in the same issuer, and our transactions may be effected at prices or terms that may be less favorable than would otherwise have been the case (or vice versa). In addition, in the event that Brookfield or Brookfield Accounts hold voting securities of an issuer in which we hold loans, bonds, or other credit-related securities, Brookfield or such Brookfield Accounts may have the right to vote on certain matters that have an adverse effect on the positions held by us. Furthermore, to the extent that Brookfield or a Brookfield Account has holdings in the same issuer as us, Brookfield may be incentivized to take its interests or the interests of such Brookfield Account into consideration in connection with actions it takes on behalf of our company, even though taking such interests into account could adversely affect us.

In addition, we and Brookfield or a Brookfield Account may jointly acquire a portfolio of properties or other assets and thereafter divide up the properties or other assets. In this circumstance, Brookfield will determine the purchase price associated with each property or other asset, which price may not represent the price we would have paid if we had acquired only those properties or other assets we ultimately retain. Furthermore, we and Brookfield or a Brookfield Account may

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jointly enter into a binding agreement to acquire an investment. If Brookfield or such Brookfield Account is unable to consummate such investment, we may be subject to additional liabilities, including the potential loss of any deposit or the obligation to fund the entire investment. In addition, we may provide for the repayment of indebtedness and/or the satisfaction of guarantees on behalf of a Brookfield Account in connection with investments made by such Brookfield Account alongside our company. Likewise, a Brookfield Account in which we are invested may provide for the repayment of indebtedness and/or the satisfaction of guarantees on behalf of co-investment vehicles in connection with investments made by such vehicles alongside the Brookfield Account. In such circumstances, certain investors will benefit from such provision for repayment of indebtedness and/or the satisfaction of guarantees even though those investors are not providing the same level of credit support as our company (or the Brookfield Account, as applicable). In the event the Brookfield Account (or a co-invest vehicle) does not satisfy its share of any payment in respect of any such borrowing, we (or the Brookfield Account in which we are invested, as applicable) will be contractually obligated to satisfy their share even if our company (or the Brookfield Account) does not have recourse against the investor(s) benefiting from such support.

Subject to Brookfield policies, information barriers and applicable legal restrictions, other parts of Brookfield may (but are under no obligation to) refer investment opportunities to us, including investments in issuers in which Brookfield Accounts have existing investments. Referrals of such related investments give rise to potential conflicts of interest, including that an investment by our company may benefit such Brookfield Accounts.

In situations in which we invest alongside Brookfield or a Brookfield Account, conflicts of interest will potentially arise with respect to the nature and timing of the initial investment and purchase price, the allocation of control rights, strategic objectives, timing of transactions, such as the disposition of all or part of an investment, or resolution of a liability in connection with an investment. These conflicts may result from various factors, including investments in different levels of the capital structure, different measurements of control, different risk profiles, different rights with respect to disposition alternatives, different investment horizons and different target rates of return.

As a result of the various conflicts and related issues described above, we could sustain losses during periods where Brookfield or a Brookfield Account achieve profits generally or with respect to particular holdings, or could achieve lower profits or higher losses than would have been the case had the conflicts described above not existed.

Pursuit of Investment Opportunities by Certain Non-Controlled Affiliates. Certain companies with which Brookfield may technically be affiliated (a) are controlled, in whole or in part, by persons other than Brookfield, including, for example, joint ventures or similar arrangements with third parties where Brookfield does not have complete control; (b) are separated from Brookfield pursuant to an information barrier; or (c) do not coordinate or consult with Brookfield with respect to investment decisions, are referred to as Non-Controlled Affiliates. Such Non-Controlled Affiliates may have investment mandates that overlap with our investment mandate and conflicts may arise therefrom. For example, the possibility exists that such Non-Controlled Affiliates or investment vehicles managed by such Non-Controlled Affiliates could pursue investment opportunities which are suitable for us but which are not made available to us since such Non-Controlled Affiliates do not consult with and/or are not wholly controlled by Brookfield. Similarly, certain of Brookfield's investment activities are managed independently of, and carried out without any reference to the management of our company. In certain instances, there are information barriers in place pursuant to which investment operations are managed independently of each other and information is not generally shared relating to such activities.

Arrangements with Brookfield. Our relationship with Brookfield involves a number of arrangements pursuant to which Brookfield provides various services, including access to financing arrangements and acquisition opportunities. Certain of these arrangements were effectively determined by Brookfield in the context of the Spin-off, and therefore may contain terms that are less favorable than those which otherwise might have been negotiated between unrelated

parties. Circumstances may arise in which these arrangements will need to be amended or new arrangements will need to be entered into, and conflicts of interest between our company and Brookfield may arise in negotiating such new or amended arrangements. Furthermore, Brookfield is generally entitled to share in the returns generated by our operations, which could create an incentive for it to assume greater risks when making decisions than it otherwise would in the absence of such arrangements. In addition, our investment in Brookfield Accounts may provide Brookfield with certain ancillary benefits, such as satisfying Brookfield's commitment to invest in such accounts (which Brookfield would otherwise need to satisfy from different sources) and assisting Brookfield in marketing the Brookfield Accounts.

Fees for Services. We (or our operating entities) may be retained to perform certain services for Brookfield and/or Brookfield Accounts and/or companies and assets they are invested in that would otherwise be provided by third parties, including among others, development oversight, property management, leasing, and construction and design. To the extent we provide such services, we will generally be compensated (a) at rates for the relevant services that do not exceed the rates that Brookfield reasonably believes to be customarily charged (at such time) for similar services by (i) persons engaged in the

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same or substantially similar activities, or (ii) Brookfield in its provision of the same or substantially similar services to one or more third parties, such rates being referred to as Customary Rates; provided that, if Customary Rates are not able to be determined, such services may be provided at cost (including an allocable share of internal costs), (b) at such other rates (including flat fixed rates) for the relevant services approved by the governance and nominating committee. In determining Customary Rates, Brookfield will seek to determine what one or more comparable service providers who are engaged in the same or substantially similar activities as Brookfield charge in the ordinary course for similar services at the time of determination. While Brookfield will determine in good faith what rates it believes are customary for such services at such time, there will likely be variances in the marketplace based on an array of factors that affect service providers and the prices of their services, including loss leader pricing strategies or other marketing practices, integration efficiencies, geographic market differences and the quality of the services provided. Brookfield will make a good faith determination as to what it believes to be the Customary Rate at such time, and may base its determination on one or more factors, including market knowledge, prices charged by competitors, prices charged by Brookfield to one or more third parties, a third party valuation agent, commodity or other price forecasting, prices required in order to meet certain regulatory requirements or qualify for particular governmental programs or other subjective and objective metrics. However, there can be no assurances that the rates charged by us will not be less than those charged by certain similarly-situated service providers in any given circumstance. If the market rate for any service increases such that it is greater than the rate charged by us, then we may be obligated to continue to provide the applicable service at a below-market rate.

In the ordinary course, Brookfield employees are hired or retained by, or seconded or otherwise allocated to (in whole or in part), our company and/or operating entities that we are directly or indirectly invested in for performance of operating services or roles that in the normal course are expected to be carried out by our (or the relevant operating entity's) personnel. In connection with any such arrangement, all or a portion of the compensation and overhead expenses relating to such employees (including base salaries, benefits and incentive compensation (which may include long term incentive awards of equity or options for equity in Brookfield), among other things) will directly or indirectly be borne by us or the applicable operating entities. The compensation and overhead expenses relating to such employees generally will be within the market compensation range for the roles filled in the relevant market based on one or more of the following (i) market compensation studies or guidance provided by third parties, (ii) recent market hires made by the relevant operating entity for comparable positions, (iii) the employee's peers at Brookfield and the operating entity, and/or (iv) specific compensation reviews conducted by compensation consultants. For these purposes, given how certain compensation arrangements are structured and valued (particularly various forms of incentive compensation that vest over time and whose value upon payment is based on estimates) and how overhead expenses are generally allocated, in each case requiring certain judgments and assumptions, there can be no assurance that operating entities (and indirectly our company) will not bear higher costs than they would have such expenses been valued, allocated or charged differently.

Brookfield and its personnel will receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of our company and/or operating entities which will not reduce fees or other expenses or otherwise be shared with our company and/or our operating entities. For example, airline travel and hotel stays incurred as direct or indirect expenses of our company and/or operating entities typically may result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Brookfield and/or such personnel (and not our company and/or our operating entities) even though the cost of the underlying service is borne by directly or indirectly by our company and/or our operating entities. In addition, Brookfield may make available certain discount programs to its employees as a result of Brookfield's

relationship with an operating entity, such as “friends and family” and similar discounts.

Brookfield Investments in Companies. Brookfield (or Brookfield Accounts) will from time to time make equity or other investments in companies or businesses that provide services to or otherwise contract with us, Brookfield Accounts in which we are invested or our operating entities. In particular, Brookfield has in the past entered into, and expects to continue to enter into, relationships with companies in technology and other sectors and industries in which Brookfield has broad expertise and knowledge, whereby Brookfield acquires an equity or other interest in such companies that may, in turn, transact with us, Brookfield Accounts in which we are invested or our operating entities. For example, Brookfield (through an investment program referred to as Brookfield Ventures) invests in emerging technology companies that develop and offer technology products that are expected to be of relevance to us, Brookfield Accounts in which we are invested or our operating entities (as well as third-party companies). In connection with such relationships, Brookfield may, and often will, refer, introduce or otherwise facilitate transactions between such companies and us, Brookfield Accounts in which we are invested or our operating entities, which may, and often will, result in benefits to Brookfield, including via increased profitability of the relevant company, as well as financial incentives and/or milestones which benefit Brookfield (including through increased equity allotments), which may be significant. Such financial incentives that inure to or benefit Brookfield pose an incentive for Brookfield to cause us, Brookfield Accounts in which we are invested or our operating entities to

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enter into such transactions that may or may not have otherwise been entered into. Financial incentives derived from relationships with such companies will generally not be shared with us. Furthermore, such transactions are likely to contribute to the development of expertise, reputational benefits and/or the development of new products or services by Brookfield and/or the companies or businesses that Brookfield is invested in, which Brookfield will seek to capitalize on to generate additional benefits that are likely to inure solely to Brookfield and not to us. For the avoidance of doubt, any of the arrangements and/or benefits described in this paragraph will not require notice to, or the consent of, our unitholders.

Sharing of Services. In certain circumstances, in order to create efficiencies and optimize performance, one or more of our investments, operating entities or assets may determine to share the operational, legal, financial, back-office or other resources of another of our investments, operating entities or assets, or of an investment, operating entity or asset of Brookfield or a Brookfield Account. In connection therewith, the costs and expenses related to such services will be allocated among the relevant entities on a basis that Brookfield determines in good faith is fair and equitable.

Affiliated Transactions. In the ordinary course of business, certain of our investments may receive services from, or participate in transactions or other arrangements with, portfolio companies invested in by Brookfield or Brookfield Accounts in which we are or are not invested. Such transactions and/or arrangements may not have been entered into but for the affiliation or relationship with Brookfield and, in certain cases, may replace transactions and/or arrangements with third parties. For example, one of our investee companies may be a tenant of or may contract to acquire power from a portfolio company of Brookfield or a Brookfield Account. These transactions and/or arrangements are expected to be entered into on an arm's length basis at Customary Rates in accordance with our conflicts policy. In addition, certain such engagements may involve performance-based compensation, or Operating Performance Compensation, payable to certain management members of the applicable operating affiliate providing the service. The cost of such Operating Performance Compensation and any other related fees and expenses in connection with services provided by the operating affiliate will be borne entirely by the company receiving the service (and indirectly by us based on our direct or indirect interest in such company). For the avoidance of doubt, Brookfield or the operating affiliate may subcontract with third parties for the provision of the services Brookfield or the operating affiliate was engaged to provide.

While such transactions and/or arrangements have the potential for inherent conflicts of interest, Brookfield believes that our access to Brookfield and its Brookfield Accounts' portfolio companies enhances our capabilities and is an integral part of our operations. These transactions and/or arrangements will not require the consent of our unitholders.

Information Sharing. Because of the extensive scope of Brookfield's activities, Brookfield often has or obtains information that can be utilized by Brookfield across multiple strategies. For example, information Brookfield has or acquires through its management of Brookfield Accounts or its own investing activities may be used by Brookfield to identify or evaluate potential investments for us. Conversely, information Brookfield has or acquires in connection with our activities may be used for the benefit of Brookfield or Brookfield Accounts (and, for the avoidance of doubt, Brookfield shall have no duty (contractual, fiduciary or otherwise) to keep such information confidential from, or not to use such information in connection with the investment activities of, itself or Brookfield Accounts). Brookfield may trade, or may cause Brookfield Accounts to trade, on the basis of information it has or obtained through our investment activities. In some cases, this trading may result in Brookfield or a Brookfield Account taking a position that is different from, and potentially adverse to, a position taken by our company, or may result in Brookfield or a Brookfield Account benefiting from our investment activities. Brookfield has implemented policies and procedures to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions with respect to communication and information sharing. Such policies and procedures may reduce synergies across Brookfield's various activities, which could negatively affect Brookfield's or our ability to pursue attractive investment

opportunities that would otherwise be available to Brookfield or us if such policies and procedures were not implemented. From time to time, such policies and procedures may result in our company, Brookfield or Brookfield Accounts having reduced investment opportunities or investment flexibility, or may otherwise restrict us, Brookfield or Brookfield Accounts in their activities with respect to such information.

Regardless of the existence of information barriers, Brookfield will not have any obligation or other duty to make available for our benefit any information regarding Brookfield's trading activities, strategies or views, or the activities, strategies or views used for other Brookfield Accounts. Furthermore, to the extent that Brookfield has access to analysis, models and/or information developed by Brookfield and its personnel, Brookfield will not be under any obligation or other duty to effect transactions on behalf of our company in accordance with such analysis and models. In the event Brookfield elects not to share certain information with us, we may make investment decisions that differ from those it would have made if Brookfield had provided such information, which may be disadvantageous to us.

Material Non-Public Information; Trading Restrictions. From time to time, our ability to buy or sell certain securities may be restricted by applicable securities laws, regulatory requirements, information held by Brookfield, contractual obligations applicable to Brookfield, and potential reputational risks relating to our company, Brookfield or Brookfield Accounts (including Brookfield's internal policies designed to comply with these and similar requirements). Brookfield might not engage in transactions or other activities for, or enforce certain rights in favor of, our company due to Brookfield's activities outside our company and regulatory requirements, policies, and reputational risk assessments.

Brookfield may possess material, non-public information about a company that would limit our ability to buy and sell securities related to that company (or, potentially, to other companies). For example, Brookfield personnel take seats on boards of directors of, or have board of directors observer rights with respect to, portfolio companies in which Brookfield invests (including on our behalf). In such situations, Brookfield may be limited and/or restricted in its ability to trade in the securities of the company (or other companies about which the company has material non-public information). This may adversely affect our ability to make and/or dispose of certain investments.

Furthermore, as a result of applicable regulations, in certain circumstances, our position in an investment may be aggregated with a position held by Brookfield (including parts of Brookfield that are separated by an information barrier) and other Brookfield Accounts. This could require us, together with such other Brookfield parties, to make certain disclosure filings or could otherwise restrict our activities with respect to such investment.

In addition, certain Brookfield personnel engage in activities and provide financial and investment advice with respect to other clients or activities which may not be available to the Brookfield personnel engaging in activities and providing advice to us. Brookfield is under no obligation to disseminate and in some cases (such as research) may be prohibited from disseminating, information between certain areas within Brookfield.

Client and Other Relationships. Brookfield is permitted to pursue other business activities (including through portfolio companies that it and Brookfield Accounts invest in) and provide services to third parties that compete directly with our business and activities without providing us with an opportunity to participate, which could result in the allocation of Brookfield's resources, personnel and acquisition opportunities to others who compete with us. In addition, certain portfolio companies in which we, Brookfield and/or Brookfield Accounts are invested in may provide investment banking and other advisory services to third parties with respect to assets in which we may be invested or seeking to invest. The interests of such portfolio companies in such circumstances may conflict with (and potentially be adverse to) our interests, and we may compete with such portfolio companies (and their third party clients) in pursuing certain investments. Brookfield generally implements policies and procedures (including, for example, information barriers) to mitigate potential conflicts of interest and address certain regulatory requirements relating to these potential circumstances.

Limited Liability of Brookfield. The liability of Brookfield and its directors is limited under our arrangements with them, and we have agreed to indemnify Brookfield and its directors against claims, liabilities, losses, damages, costs or expenses which they may face in connection with those arrangements, which may lead them to assume greater risks when making decisions than they otherwise would if such decisions were being made solely for its own account, or may give rise to legal claims for indemnification that are adverse to the interests of our unitholders.

Valuation of Our Investments. Brookfield performs certain valuation services related to our securities and assets. Brookfield performs such services in accordance with its valuation policies. From time to time, Brookfield may value a similar or identical asset differently for our company than for itself or a Brookfield Account, including because our company, Brookfield and Brookfield Accounts are subject to different valuation guidelines pursuant to our and their respective governing agreements (e.g., in connection with differing applicable regulatory restrictions), different third-party vendors are hired to perform valuation functions for our company, Brookfield or the Brookfield Accounts, or otherwise. In addition, Brookfield faces a conflict with respect to valuations generally because of their effect on

Brookfield's fees and other compensation.

Brookfield Public Securities Group. Brookfield is an active participant, as agent and principal, in the global fixed income, currency, commodity, equities and other markets. Certain of Brookfield's investment activities are managed independently of, and carried out without any reference to, the management of our company. For example, Brookfield may invest, trade or make a market in the equity, debt or other interests of our operating entities without regard to the impact on us of such activities. In particular, Brookfield's Public Securities Group, or PSG, manages investment funds and accounts that invest in public debt and equity markets. There is currently an information barrier in place pursuant to which PSG manages its investment operations independently of each other and do not generally share information relating to such activities. As a result, PSG will not share investment opportunities that may otherwise be suitable for our company with us, and our company will have no rights with respect to such opportunities. In addition, in certain circumstances, funds and/or accounts managed

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by PSG may hold an interest in one of our investments and, as a result of different investment objectives and views, PSG may manage such interests in a way that is different from us (including, for example, by investing in different portions of an issuer's capital structure, short selling securities, voting securities in a different manner, and/or selling its interests at different times than us). As result of the information sharing barrier, our investment team may not be aware of, and may not have the ability to manage, such conflicts. Brookfield may decide at any time, and without notice to our unitholders, to remove or modify such information barrier. In the event that the information barrier is removed or modified, Brookfield may be subject to certain protocols, obligations and restrictions in managing our company, including, for example, conflicts-management protocols, aggregated regulatory reporting obligations and certain potential investment-related restrictions.

Service Providers. Our service providers or service providers of our operating entities (including deal sourcers, consultants, lenders, brokers, accountants, attorneys and outside directors) may be (or their affiliates may be) unitholders and/or sources of investment opportunities and counterparties therein, or may otherwise participate in transactions or other arrangements with us and/or Brookfield or Brookfield Accounts (for example, as tenants). These factors may influence Brookfield in deciding whether to select such a service provider. Notwithstanding the foregoing, Brookfield will only select a service provider to the extent Brookfield determines that doing so is appropriate for us given all surrounding facts and circumstances and is consistent with Brookfield's responsibilities under applicable law, provided that, for the avoidance of doubt, Brookfield often will not seek out the lowest-cost option when engaging such service providers as other factors or considerations typically prevail over cost. Our service providers may charge different rates to different recipients based on the specific services provided, the personnel providing the services, or other factors. As a result, the rates paid with respect to these service providers by us, on the one hand, may be more or less favorable than the rates paid by Brookfield or Brookfield Accounts, on the other hand. Brookfield or Brookfield Accounts may hold investments in companies that provide services to entities in which we invest generally, and, subject to applicable law, Brookfield may refer or introduce such companies' services to entities that have issued securities held by us.

Advisors. Brookfield may engage or retain strategic advisors, senior advisors, operating partners, executive advisors, consultants and/or other professionals who are not employees or affiliates of Brookfield (which may include former Brookfield employees as well as current and former executive officers of Brookfield portfolio companies) and who are expected, from time to time, to receive payments from, or allocations or performance-based compensation with respect to, our operating entities (as well as from us, Brookfield or Brookfield Accounts in which we are invested). In such circumstances, such payments from, or allocations or performance-based compensation with respect to, our operating entities and/or our company or Brookfield Accounts in which we are invested may be treated as expenses of our company or such Brookfield Accounts. These strategic advisors, senior advisors, operating partners, executive advisors, consultants and/or other professionals (which may include certain former Brookfield employees) may be offered the ability to co-invest alongside our company, including in those investments in which they are involved (and for which they may be entitled to receive performance-based compensation, which will reduce our returns), or otherwise participate in equity plans for management of an operating entity. In certain cases, these persons may have certain attributes of Brookfield "employees" (e.g., they may have dedicated offices at Brookfield and/or participate in certain benefit arrangements typically reserved for Brookfield employees) even though they are not considered Brookfield employees, affiliates or personnel. Brookfield expects, where applicable, to allocate the costs of such personnel to the applicable operating entities, to us and/or to Brookfield Accounts in which we are invested. Payments or allocations to Brookfield's strategic advisors, senior advisors, operating partners, executive advisors, consultants and other similar professionals can be expected to increase the overall costs and expenses borne indirectly by unitholders. There can be no assurance that any of the strategic advisors, senior advisors, operating partners, executive advisors, consultants and/or other professionals will continue to serve in such roles and / or continue their arrangements with Brookfield and/or any portfolio companies or Brookfield Accounts.

Diverse Interests. The various types of investors in and beneficiaries of our company, including Brookfield, may have conflicting investment, tax and other interests with respect to their interests. When considering a potential investment for us, Brookfield will generally consider our investment objectives, not the investment objectives of any particular investor or beneficiary. Brookfield may make decisions, including with respect to tax or other reporting positions, from time to time that may be more beneficial to one type of investor or beneficiary than another, or to Brookfield than to investors or beneficiaries unaffiliated with Brookfield. Brookfield reserves the right on behalf of itself and its affiliates to take actions adverse to us or other Brookfield Accounts in these circumstances, including withholding amounts to pay actual or potential tax liabilities.

Furthermore, our company and any entities with which we co-invest may have conflicting investment, tax and other interests with respect to the investments we make directly or indirectly. Conflicts of interest may arise in connection with the structure of the investments or decisions made by Brookfield which may be more beneficial for another investing entity and its

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partners, on the one hand, than for us and our unitholders, on the other hand (or vice versa) (for instance, the manner in which investments are structured, financed and/or harvested may produce tax results that are favorable to an investing entity targeted to non-U.S. investors, but not to us (or vice versa), or are favorable to a taxable investor, as compared to a tax-exempt investor (or vice versa)).

Reputational Considerations. Given the nature of its broader platform, Brookfield has an interest in preserving its reputation, including with respect to certain of its affiliates, and in certain circumstances, such reputational considerations may conflict with our interests. The BPY General Partner or Brookfield may make decisions on our behalf for reputational reasons that may not be directly aligned with the interests of unitholders or consistent with the determination the BPY General Partner or Brookfield otherwise would have made absent its interest in Brookfield's broader reputation. For example, Brookfield may limit transactions and activities on our behalf for reputational or other reasons, including where Brookfield is providing (or may provide) advice or services to an entity involved in such activity or transaction, where a Brookfield Account is or may be engaged in the same or a related activity or transaction to that being considered on our behalf, where a Brookfield Account has an interest in an entity involved in such activity or transaction, or where such activity or transaction on behalf of or in respect of our company could affect the BPY General Partner, Brookfield, Brookfield Accounts or their activities.

Possible Future Activities. Brookfield may expand the range of services that it provides over time. Except as provided herein, Brookfield will not be restricted in the scope of its business or in the performance of any services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. Brookfield has, and will continue to develop, relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with companies that may hold or may have held investments similar to those intended to be made by us. These companies may themselves represent appropriate investment opportunities for us or may compete with us for investment opportunities.

See Item 3.D. "Key Information - Risk Factors - Risks Relating to Our Relationship with Brookfield - Our organizational and ownership structure, as well as our contractual arrangements with Brookfield, may create significant conflicts of interest that may be resolved in a manner that is not in our best interests or the best interests of our unitholders".

As noted above, activities and transactions that give rise to potential conflicts of interests between our company and our unitholders, on the one hand, and Brookfield and Brookfield Accounts, on the other hand, generally will be resolved in accordance with the principles summarized herein and in accordance with a conflicts policy that has been approved by the governance and nominating committee and the BPY General Partner. The conflicts policy was put in place in recognition of the benefit to our company of our relationship with Brookfield and our intent to seek to maximize the benefits from this relationship, and generally provides for potential conflicts to be resolved on the basis of transparency and, where applicable, third party validation and approvals. The policy focuses on addressing the principal activities that may give rise to potential conflicts of interests, including our investment activities, our participation in Brookfield Accounts, transactions with Brookfield (and Brookfield Accounts), and engagements of Brookfield affiliates (or of us by Brookfield Accounts), including engagements for operational services entered into between underlying operating entities.

Pursuant to the conflicts policy, Brookfield is required to seek the prior approval of the governance and nominating committee for certain transactions, including: (i) acquisitions by our company from, and dispositions by our company to, Brookfield and Brookfield Accounts; (ii) the dissolution of our company; (iii) any material amendment to our Master Services Agreement, the Relationship Agreement, or our limited partnership agreement; (iv) any material service agreement or other material arrangement pursuant to which Brookfield will be paid a fee, or other

consideration other than any agreement or arrangement contemplated by our Master Services Agreement; (v) termination of, or any determinations regarding indemnification under, our Master Services Agreement, or our limited partnership agreement; and (vi) any other material transaction involving our company and Brookfield. Pursuant to the conflicts policy, the governance and nominating committee have granted (and may in the future grant) prior approvals for certain type of transactions and/or activities provided they such transactions and/or activities are conducted in accordance with pre-approved guidelines and/or parameters

In addition, the conflicts policy provides that acquisitions that are carried out jointly by us and Brookfield, or in the context of a Brookfield Account that we participate in, be carried out on the basis that the consideration paid by us be no more, on a per share or proportionate basis, than the consideration paid by Brookfield or other participants, as applicable. The policy also provides that any fees or carried interest payable in respect of our proportionate investment, or in respect of an acquisition made solely by us, must be credited in the manner contemplated by our limited partnership agreement, where applicable, or that such fees or carried interest must either have been negotiated with another arm's length participant or otherwise demonstrated to be on market terms (or better). The policy also provides that in transactions involving (i) an acquisition by our company of an asset from Brookfield, (ii) the purchase by us and Brookfield of different assets, a fairness opinion or, a valuation or appraisal by

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a qualified expert be obtained. These requirements provided for in the conflicts policy are in addition to any disclosure, approval, or valuation requirements that may arise under applicable law.

In certain circumstances, transactions and/or activities may be related party transactions and/or activities for the purposes of, and subject to certain requirements of, MI 61-101. MI 61-101 provides a number of circumstances in which a transaction between an issuer and a related party may be subject to valuation and minority approval requirements. See “Canadian Securities Law Exemptions” below for application of MI 61-101 to our company.

Canadian Securities Law Exemptions

MI 61-101 provides a number of circumstances in which a transaction between an issuer and a related party may be subject to valuation and minority approval requirements. An exemption from such requirements is available when the fair market value of the transaction is not more than 25% of the market capitalization of the issuer. Our company has been granted exemptive relief from the requirements of MI 61-101 that, subject to certain conditions, permits it to be exempt from the minority approval and valuation requirements for transactions that would have a value of less than 25% of our market capitalization, if the indirect equity interest in our company, which is held in the form of Redemption-Exchange Units, or in the form of non-voting Exchange LP Units, is included in the calculation of our company’s market capitalization. As a result, the 25% threshold, above which the minority approval and valuation requirements apply, is increased to include the approximate 50% indirect interest in our company held in the form of Redemption-Exchange Units. See Item 7.B. “Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Conflicts of Interest” above and Item 10.B. “Additional Information - Memorandum and Articles of Association – Description of Our Units and Our Limited Partnership Agreement – Exchange LP Units and the Support Agreement” below.

Although our company is a reporting issuer in Canada, it is an “SEC foreign issuer” under Canadian securities regulations and exempt from certain Canadian securities laws relating to continuous disclosure obligations and proxy solicitation as long as we comply with certain reporting requirements applicable in the United States, provided that the relevant documents filed with the SEC are filed in Canada and sent to our unitholders in Canada to the extent and in the manner and within the time required by applicable U.S. requirements. Therefore, there may be less publicly available information in Canada about us than is regularly published by or about other reporting issuers in Canada. Our company has undertaken to the provincial and territorial securities regulatory authorities in Canada that to the extent it complies with the foreign private issuer disclosure regime under U.S. securities law:

our company will only rely on the exemptions in Part 4 of National Instrument 71-102 - Continuous Disclosure and Other Exemptions Relating to Foreign Issuers;

our company will not rely on any exemption from the foreign private issuer disclosure regime;

our company will file its financial statements pursuant to Part 4 of National Instrument 51-102 - Continuous Disclosure Obligations, or NI 51-102, except that our company does not have to comply with the conditions in section 4.2 of NI 51-102 if it files such financial statements on or before the date that it is required to file its Form 20-F with the SEC;

our company will file an interim financial report as set out in Part 4 of NI 51-102 and the management’s discussion and analysis as set out in Part 5 of NI 51-102 for each period commencing on the first day of the financial year and ending nine, six, or three months before the end of the financial year;

our company will file a material change report as set out in Part 7 of NI 51-102 in respect of any material change in the affairs of our company that is not reported or filed by our company on SEC Form 6-K; and

our company will include in any prospectus filed by our company financial statements or other information about any acquisition that would have been or would be a significant acquisition for the purposes of Part 8 of NI 51-102 that our company has completed or has progressed to a state where a reasonable person would believe that the likelihood of our company completing the acquisition is high if the inclusion of the financial statements is necessary for the prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed. The requirement to include financial statements or other information will be satisfied by including or incorporating by reference (a) the financial statements or other information as set out in Part 8 of NI 51-102, or (b) satisfactory alternative financial statements or other information, unless at least nine months of the operations of the acquired business or related businesses are incorporated into our company's current annual financial statements included or incorporated by reference in the prospectus.

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OUR MASTER SERVICES AGREEMENT

The Service Recipients have entered into a Master Services Agreement pursuant to which the Service Providers have agreed to provide or arrange for other Service Providers to provide management and administration services to our company and the other Service Recipients.

The following is a summary of certain provisions of our Master Services Agreement. Because this description is only a summary of our Master Services Agreement, it does not necessarily contain all of the information that you may find useful. We therefore urge you to review our Master Services Agreement in its entirety. Our Master Services Agreement is available electronically on the website of the SEC at www.sec.gov and on our SEDAR profile at www.sedar.com and is available to our unitholders as described under Item 10.C. “Additional Information - Material Contracts” and Item 10.H. “Additional Information - Documents on Display”.

Appointment of the Service Providers and Services Rendered

Under our Master Services Agreement, the Service Recipients have appointed the Service Providers to provide or arrange for the provision of the following services:

- supervising the carrying out of all day-to-day management, secretarial, accounting, banking, treasury, administrative, liaison, representative, regulatory and reporting functions and obligations;

- providing overall strategic advice to the Holding Entities including advising with respect to the expansion of their business into new markets;

- supervising the establishment and maintenance of books and records;

- identifying and recommending to the Holding Entities acquisitions or dispositions from time to time and, where requested to do so, assisting in negotiating the terms of such acquisitions or dispositions;

- recommending and, where requested to do so, assisting in the raising of funds whether by way of debt, equity or otherwise, including the preparation, review or distribution of any prospectus or offering memorandum in respect thereof and assisting with communications support in connection therewith;

- recommending to the Holding Entities suitable candidates to serve on the boards of directors or the equivalent governing bodies of our operating entities;

- making recommendations with respect to the exercise of any voting rights to which the Holding Entities are entitled in respect of our operating entities;

- making recommendations with respect to the payment of dividends by the Holding Entities or any other distributions by the Service Recipients, including distributions by our company to our unitholders;

- monitoring and/or oversight of the applicable Service Recipient’s accountants, legal counsel and other accounting, financial or legal advisors and technical, commercial, marketing and other independent experts, and managing litigation in which a Service Recipient is sued or commencing litigation after consulting with, and subject to the approval of, the relevant board of directors or its equivalent;

attending to all matters necessary for any reorganization, bankruptcy proceedings, dissolution or winding up of a Service Recipient, subject to approval by the relevant board of directors or its equivalent;

• supervising the making of all tax elections, determinations and designations, the timely calculation and payment of taxes payable and the filing of all tax returns due, by each Service Recipient;

• supervising the preparation of the Service Recipients' annual consolidated financial statements, quarterly interim financial statements and other public disclosure;

making recommendations in relation to and effecting the entry into insurance of each Service Recipient's assets, together with other insurances against other risks, including directors and officers insurance as the relevant Service Provider and the relevant board of directors or its equivalent may from time to time agree;

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arranging for individuals to carry out the functions of principal executive, accounting and financial officers for our company only for purposes of applicable securities laws;

- providing individuals to act as senior officers of the Holding Entities as agreed from time to time, subject to the approval of the relevant board of directors or its equivalent;

providing advice, when requested, to the Service Recipients regarding the maintenance of compliance with applicable laws and other obligations; and

providing all such other services as may from time to time be agreed with the Service Recipients that are reasonably related to the Service Recipient's day-to-day operations.

The Service Providers' activities are subject to the supervision of the board of directors or equivalent governing body of the BPY General Partner and of each of the other Service Recipients, as applicable. The relevant governing body remains responsible for all investment and divestment decisions made by the Service Recipient.

Any Service Provider may, from time to time, appoint an affiliate of Brookfield to act as a new Service Provider under our Master Services Agreement, effective upon the execution of a joinder agreement by the new Service Provider.

Management Fee

Pursuant to our Master Services Agreement, we pay a base management fee to the Service Providers equal to 0.5% of the total capitalization of our partnership, subject to an annual minimum of \$50 million (plus the amount of any annual escalation by the specified inflation factor) and taking into account any management fees payable under the BPR Master Services Agreement. For any quarter in which the BPY General Partner determines that there is insufficient available cash to pay the base management fee as well as the next regular distribution on our units, the Service Recipients may elect to pay all or a portion of the base management fee in our units or Redemption-Exchange Units, subject to certain conditions.

Pursuant to the BPR Master Services Agreement, BPR and its subsidiaries pay to affiliates of Brookfield Asset Management a comparable base management fee for the provision of management services to the BPR Group. Additionally, BPR and its subsidiaries also pay comparable incentive distributions to the ones paid by the Property Partnership.

Reimbursement of Expenses and Certain Taxes

We also reimburse the Service Providers for any out-of-pocket fees, costs and expenses incurred in the provision of the management and administration services, including those of any third party. However, the Service Recipients are not required to reimburse the Service Providers for the salaries and other remuneration of their management, personnel or support staff who carry out any services or functions for such Service Recipients under the Master Services Agreement or overhead for such persons.

The relevant Service Recipient reimburses the Service Providers for all other out-of-pocket fees, costs and expenses incurred in connection with the provision of the services including those of any third party. Such out-of-pocket fees, costs and expenses include, among other things: (i) fees, costs and expenses relating to any debt or equity financing; (ii) fees, costs and expenses incurred in connection with the general administration of any Service Recipient in respect

of services; (iii) taxes, licenses and other statutory fees or penalties levied against or in respect of a Service Recipient; (iv) amounts owed by the Service Providers under indemnification, contribution or similar arrangements; (v) fees, costs and expenses relating to our financial reporting, regulatory filings and investor relations and the fees, costs and expenses of agents, advisors and other persons who provide services to or on behalf of a Service Recipient; and (vi) any other fees, costs and expenses incurred by the Service Providers that are reasonably necessary for the performance by the Service Providers of their duties and functions under our Master Services Agreement.

In addition, the Service Recipients are required to pay all fees, costs and expenses incurred in connection with the investigation, acquisition, holding or disposal of any asset or business that is made or that is proposed to be made by us. Such additional fees, expenses and costs represent out-of-pocket costs associated with investment activities that will be undertaken pursuant to our Master Services Agreement.

The Service Recipients are also required to pay or reimburse the Service Providers for all sales, use, value added, goods and services, harmonized sales, withholding or other taxes or customs duties or other governmental charges levied or imposed by

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reason of our Master Services Agreement or any agreement it contemplates, other than income taxes, corporation taxes, capital taxes or other similar taxes payable by the Service Providers, which are personal to the Service Providers.

Our company is also required to reimburse Brookfield Asset Management for all amounts paid to the rights agent (i) pursuant to the Rights Agreement between Brookfield Asset Management and Wilmington Trust, National Association, entered into in connection with the GGP acquisition including, in respect of services rendered, out-of-pocket expenses, counsel fees and other disbursements incurred in the administration and execution of the Rights Agreement and the exercise and performance of the rights agent's duties thereunder, and (ii) in respect of any indemnification provided to the rights agent pursuant to the Rights Agreement.

Assignment

Our Master Services Agreement may not be assigned by the Service Providers without the prior written consent of our company except that (i) any Service Provider may subcontract or arrange for the provision of services by another Service Provider, provided that the Service Providers remain liable under the agreement, and (ii) any of the Service Providers may assign the agreement to an affiliate or to a person that is its successor by way of merger, amalgamation or acquisition of the business of the Service Provider.

Termination

Our Master Services Agreement continues in perpetuity until terminated in accordance with its terms. However, the Service Recipients may terminate our Master Services Agreement upon written notice of termination from the BPY General Partner to the Service Providers if any of the following occurs:

any of the Service Providers defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm to the Service Recipients and the default continues unremedied for a period of 60 days after written notice of the breach is given to such Service Provider;

any of the Service Providers engages in any act of fraud, misappropriation of funds or embezzlement against any Service Recipient that results in material harm to the Service Recipients;

any of the Service Providers is grossly negligent in the performance of its obligations under the agreement and such gross negligence results in material harm to the Service Recipients; or

certain events relating to the bankruptcy or insolvency of each of the Service Providers.

The Service Recipients have no right to terminate for any other reason, including if any of the Service Providers or Brookfield experiences a change of control. The BPY General Partner may only terminate our Master Services Agreement on behalf of our company with the prior unanimous approval of the BPY General Partner's independent directors.

Our Master Services Agreement expressly provides that our Master Services Agreement may not be terminated by the BPY General Partner due solely to the poor performance or the underperformance of any of our operations.

The Service Providers may terminate our Master Services Agreement upon written notice of termination to the BPY General Partner if any Service Recipient defaults in the performance or observance of any material term, condition or

covenant contained in the agreement in a manner that results in material harm to the Service Providers and the default continues unremedied for a period of 60 days after written notice of the breach is given to the Service Recipient. The Service Providers may also terminate our Master Services Agreement upon the occurrence of certain events relating to the bankruptcy or insolvency of the Service Recipients.

If our Master Services Agreement is terminated, the Relationship Agreement and any of Brookfield Asset Management's obligations under the Relationship Agreement will also terminate.

Indemnification and Limitations on Liability

Under our Master Services Agreement, the Service Providers have not assumed and do not assume any responsibility other than to provide or arrange for the provision of the services called for thereunder in good faith and will not be responsible for any action that the Service Recipients take in following or declining to follow the advice or recommendations of the Service Providers. In addition, under our Master Services Agreement, the Service Providers and the related indemnified parties will not be liable to the Service Recipients for any act or omission, except for conduct that involved bad faith, fraud, willful misconduct, gross negligence

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or in the case of a criminal matter, conduct that the indemnified person knew was unlawful. The maximum amount of the aggregate liability of the Service Providers or any of their affiliates, or of any director, officer, agent, subcontractor, contractor, delegate, member, partner, shareholder, employee or other representative of the Service Providers or any of their affiliates, will be equal to the amounts previously paid by the Service Recipients in respect of services pursuant to our Master Services Agreement in the two most recent calendar years. The Service Recipients have agreed to indemnify the Service Providers, their affiliates, directors, officers, agents, subcontractors, delegates, members, partners, shareholders and employees to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses (including legal fees) incurred by an indemnified person or threatened in connection with our respective businesses, investments and activities or in respect of or arising from our Master Services Agreement or the services provided by the Service Providers, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, gross negligence or in the case of a criminal matter, action that the indemnified person knew to have been unlawful.

Outside Activities

Our Master Services Agreement does not prohibit the Service Providers or their affiliates from pursuing other business activities or providing services to third parties that compete directly or indirectly with us.

U.S. Investment Advisers Act of 1940

Brookfield Asset Management Private Institutional Capital Adviser US, LLC, or BAM PIC US, one of the Service Providers under our Master Services Agreement, is registered as an investment adviser under the Advisers Act. As such, BAM PIC US is subject to the rules and regulations applicable to registered investment advisers.

BAM PIC US is under common control with certain Brookfield advisory affiliates which are not currently registered under the Advisers Act. Investment professionals performing services on behalf of BAM PIC US that may be employed by such advisory affiliates are subject to the supervision of BAM PIC US. In addition to these investment professionals, BAM PIC US also uses other personnel, resources and administrative services of its advisory and non advisory affiliates.

Additional information regarding BAM PIC US is set forth in its Form ADV. A copy of Part 1 and Part 2A of the BAM PIC US Form ADV is available on the SEC's website (www.adviserinfo.sec.gov).

OTHER RELATED PARTY TRANSACTIONS

For a description of specific transactions in 2018 with Brookfield, Brookfield-related entities and other related parties, see Item 5.A. "Operating and Financial Review and Prospects - Operating Results - Related Parties".

VOTING AGREEMENTS

Our company and Brookfield have determined that it is advisable for certain subsidiaries of our company to have the ability to control the entities through which we hold certain of our operating entities, or the Specified Entities, including certain of our investments by private equity funds. Accordingly, subsidiaries of our company have entered into voting agreements to provide us with the ability to elect to have voting rights over the Specified Entities.

Pursuant to the voting agreements, voting rights, if elected, with respect to any of the Specified Entities will be voted in accordance with the direction of these subsidiaries with respect to certain matters, including: (i) the election of a majority of directors or their equivalent, if any; (ii) any merger, amalgamation, consolidation, business combination or

other similar material corporate transaction, except in connection with any internal reorganization that does not result in a change of control; (iii) any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization or any case, proceeding or action seeking relief under any existing laws or future laws relating to bankruptcy or insolvency; (iv) any amendment to its governing documents; or (v) any commitment or agreement to do any of the foregoing.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

To the knowledge of our company, no current or former director, officer or employee of our company, nor any associate or affiliate of any of them, is or was indebted to our company at any time since its formation.

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The aggregate indebtedness to BPO (one of our operating entities) or its subsidiaries of all officers, directors and employees and former officers, directors and employees of BPO and its subsidiaries is C\$698,726. No loans have been extended by BPO since July 30, 2002 to directors, executives or senior officers of BPO. Richard B. Clark, the Chairman of the board of directors of the BPY General Partner and the former CEO of BPO, has an outstanding non-interest bearing loan from BPO of C\$698,726. The largest amount outstanding of such loan during the 12 months ended December 31, 2018 was C\$698,726. Mr. Clark's securities purchased with the loan are held as security for the loan.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Form 20-F, no director or senior officer of the BPY General Partner or the Service Providers or other insider of our company, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflict of interest with our company, the Property Partnership or any of its subsidiaries or interest in any material transaction involving our company, the Property Partnership or any of its subsidiaries.

7.C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18. "Financial Statements".

8.B. SIGNIFICANT CHANGES

On January 31, 2019, Brookfield Asset Management closed on Brookfield Strategic Real Estate Partners III, or BSREP III, its latest flagship global private real estate fund, with a total aggregate equity commitment of \$15.0 billion. Our partnership has committed \$1.0 billion to BSREP III and Brookfield Asset Management has committed \$2.75 billion of the total commitment of \$3.75 billion.

On February 11, 2019, the partnership announced that it has formally commenced its substantial issuer bid to purchase up to \$405 million of its LP Units from our unitholders for cash.

On February 11, 2019, BPR announced that it has formally commenced its substantial issuer bid to purchase up to \$95 million of BPR Units from stockholders for cash.

On February 11, 2019, a subsidiary of our partnership issued medium term notes for C\$350 million at 4.30% per annum, maturing on March 1, 2024. Interest on the notes is payable semi-annually.

ITEM 9. THE OFFER AND LISTING

9.A. OFFER AND LISTING DETAILS

Our units are listed on the Nasdaq and TSX under the symbols "BPY" and "BPY.UN", respectively.

9.B. PLAN OF DISTRIBUTION

Not applicable.

9.C. MARKETS

See Item 9.A. "The Offer and Listing - Offer and Listing Details" above.

9.D. SELLING SHAREHOLDERS

Not applicable.

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9.E. DILUTION

Not applicable.

9.F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. SHARE CAPITAL

Not applicable.

10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION

DESCRIPTION OF OUR UNITS AND OUR LIMITED PARTNERSHIP AGREEMENT

The following is a description of the material terms of our units and our limited partnership agreement. Because this description is only a summary of the terms of our units and our limited partnership agreement, you should read our limited partnership agreement. The limited partnership agreement is available electronically on the website of the SEC at www.sec.gov and on our SEDAR profile at www.sedar.com and is available to our holders as described under Item 10.C. “Additional Information - Material Contracts” and Item 10.H. “Additional Information - Documents on Display”.

Formation and Duration

Our company is a Bermuda exempted limited partnership registered under the Bermuda Limited Partnership Act 1883 and the Bermuda Exempted Partnerships Act 1992. Our company has a perpetual existence and will continue as a limited liability partnership unless terminated or dissolved in accordance with our limited partnership agreement. Our partnership interests consist of our units, which represent limited partnership interests in our company, and any additional partnership interests representing limited partnership interests that we may issue in the future as described below under “- Issuance of Additional Partnership Interests”.

Management

As required by law, our limited partnership agreement provides for the management and control of our company by a general partner, the BPY General Partner.

Nature and Purpose

Under our limited partnership agreement, the purpose of our company is to: acquire and hold interests in the Property Partnership and, subject to the approval of the BPY General Partner, interests in any other entity; engage in any activity related to the capitalization and financing of our company’s interests in such entities; serve as the managing general partner of the Property Partnership and execute and deliver, and perform the functions of a managing general partner of the Property Partnership specified in, the limited partnership agreement of the Property Partnership; and engage in any other activity that is incidental to or in furtherance of the foregoing and that is approved by the BPY

General Partner and that lawfully may be conducted by a limited partnership organized under the Bermuda Limited Partnership Act 1883, the Bermuda Exempted Partnerships Act 1992 and our limited partnership agreement.

Our Units

Our units are non-voting limited partnership interests in our company. A holder of our units does not hold a share of a body corporate. As holders of units of our company, holders do not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The rights of holders of units of our company are based on our limited partnership agreement, amendments to which may be proposed only by or with the consent of the BPY General Partner as described below under “- Amendment of Our Limited Partnership Agreement”.

Units of our company represent a fractional limited partnership interest in our company and do not represent a direct investment in our company’s assets and should not be viewed by investors as direct securities of our company’s assets.
Holders

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of our units are not entitled to the withdrawal or return of capital contributions in respect of our units, except to the extent, if any, that distributions are made to such holders pursuant to our limited partnership agreement or upon the liquidation of our company as described below under “- Liquidation and Distribution of Proceeds” or as otherwise required by applicable law. Except to the extent expressly provided in our limited partnership agreement, a holder of our units does not have priority over any other holder of our units, either as to the return of capital contributions or as to profits, losses or distributions.

Holders of our units do not have the ability to call meetings of unitholders, and holders of our units are not entitled to vote on matters relating to our company except as described below under “- No Management or Control; Limited Voting”. Any action that may be taken at a meeting of unitholders may be taken without a meeting if written consent is solicited by or on behalf of the BPY General Partner and it receives approval of not less than the minimum percentage of support necessary to authorize or take such action at a meeting as described below under “- Meetings”.

Exchange LP Units and the Support Agreement

In connection with the acquisition of BPO, Canadian residents had the election to receive in exchange for their common shares an Exchange LP Unit instead of our units, which allowed for full or partial deferral of capital gains for Canadian federal income tax purposes. Holders of Exchange LP Units are entitled to receive distributions economically equivalent to the distributions, if any, paid from time to time by us on our units. Exchange LP Units are not transferrable, except upon the death of a holder.

Holders of Exchange LP Units are entitled at any time to retract (i.e., to require Exchange LP to redeem) any or all Exchange LP Units held by them and to receive in exchange one of our units, plus the full amount of all declared and unpaid distributions on the Exchange LP Units and all distributions declared on one of our units that have not yet been declared or paid on the Exchange LP Units, or the Distribution Amount, if any. Instead of Exchange LP redeeming the retracted units, we have a call right to purchase all but not less than all of the units covered by the retraction request.

Exchange LP has the right, commencing on the seventh anniversary of the initial take-up date of the Offer, to redeem all of the then outstanding Exchange LP Units for a purchase price equal to one of our units for each outstanding Exchange LP Unit plus the Distribution Amount, if any. The redemption date may be accelerated if certain conditions are met. As an alternative to Exchange LP exercising its redemption right, we can require that each holder of Exchange LP Units sell all the Exchange LP Units held by such holder to us on the redemption date upon payment by us to such holder of the purchase price for such Exchange LP Units.

Under the Support Agreement between us and Exchange LP, we have covenanted that, so long as such Exchange LP Units not owned by us or our subsidiaries are outstanding, we will, among other things: (a) not declare or pay any distribution on our units unless (i) on the same day Exchange LP declares or pays, as the case may be, an equivalent distribution on the Exchange LP Units and (ii) Exchange LP has sufficient money to pay such distribution; (b) take actions reasonably necessary to ensure that the declaration date, record date and payment date for distributions on the Exchange LP Units are the same as those for any corresponding distributions on our units; and (c) take all actions reasonably necessary to enable Exchange LP to pay the liquidation amount, the retraction price or the redemption price to the holders of the Exchange LP Units in the event of a liquidation, dissolution or winding up of Exchange LP, a retraction request by a holder of Exchange LP Units or a redemption of Exchange LP Units, as the case may be.

The Support Agreement also provides that, without the prior approval of Exchange LP and the holders of Exchange LP Units, we will not distribute our units or rights to subscribe for our units or other property or assets to all or substantially all of our holders, change any of the rights, privileges or other terms of our units, or change the then

outstanding number of our units into a lesser or greater number, unless the same or an equivalent distribution on, or change to, the Exchange LP Units is made simultaneously. In the event of any proposed cash offer, share exchange offer, issuer bid, take-over bid or similar transaction affecting our units, we and Exchange LP will use reasonable best efforts to take all actions necessary or desirable to enable holders of Exchange LP Units to participate in such transaction to the same extent and on an economically equivalent basis as our holders.

The foregoing is a summary of certain of the material terms of the Exchange LP Units, as set out in the limited partnership agreement of Exchange LP, and the Support Agreement and is qualified in its entirety by reference to the full text of the limited partnership agreement of Exchange LP and the Support Agreement, which are available electronically on the website of the SEC at www.sec.gov and on our SEDAR profile at www.sedar.com.

Class A Preferred Units and Redemption-Exchange Units

The Class A Preferred Units and Redemption-Exchange Units are exchangeable into our units in accordance with the Preferred Unit Exchange Mechanism and the Redemption-Exchange Mechanism, respectively.

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Distribution Reinvestment Plan

We have a distribution reinvestment plan for holders of our units resident in Canada and the United States. The Property Partnership also has a distribution reinvestment plan. Holders of our units who are not resident in Canada or the United States may participate in the distribution reinvestment plan provided that there are not any laws or governmental regulations that may limit or prohibit them from doing so. The following is a summary of the principal terms of our company's distribution reinvestment plan.

Pursuant to the distribution reinvestment plan, holders of our units can elect to have distributions paid on units held by them automatically reinvested in additional units in accordance with the terms of the plan. Distributions to be reinvested in our units under the distribution reinvestment plan are reduced by the amount of any applicable withholding tax.

Distributions due to plan participants are paid to the plan agent for the benefit of the plan participants and, if a plan participant has elected to have his or her distributions automatically reinvested, or applied, on behalf of such plan participant to the purchase of additional units, such purchases will be made from our company on the distribution date at a price per unit calculated by reference to the volume weighted average of the trading price for our units on the Nasdaq for the five trading days immediately preceding the date the relevant distribution is paid by our company.

As soon as reasonably practicable after each distribution payment date, a statement of account will be mailed to each participant setting out the amount of the relevant cash distribution reinvested, the price of each unit purchased, the number of units purchased under the distribution reinvestment plan on the distribution payment date and the total number of units, computed to four decimal places, held for the account of the participant under the distribution reinvestment plan (or, in the case of beneficial holders, CDS will receive such statement on behalf of the beneficial holders participating in the plan). While our company does not issue fractional units, a plan participant's entitlement to units purchased under the distribution reinvestment plan may include a fraction of a unit and such fractional units shall accumulate. A cash adjustment for any fractional units will be paid by the plan agent upon the withdrawal from or termination by a plan participant of his or her participation in the distribution reinvestment plan or upon termination of the distribution reinvestment plan at a price per unit based upon the closing price for our units on the Nasdaq on the trading day immediately preceding such withdrawal or termination. A registered holder may, at any time, obtain unit certificates for any number of whole units held for the participant's account under the plan by notifying the plan agent. Certificates for units acquired under the plan will not be issued to participants unless specifically requested. Prior to pledging, selling or otherwise transferring units held for a participant's account (except for sale of our units through the plan agent), a registered holder must request that his or her units be electronically transferred to his or her brokerage account or a unit certificate be issued. The automatic reinvestment of distributions under the plan will not relieve participants of any income tax obligations applicable to such distributions. No brokerage commissions are payable in connection with the purchase of our units under the distribution reinvestment plan and all administrative costs are borne by our company.

Unitholders can terminate their participation in the distribution reinvestment plan by providing, or by causing to be provided, notice to the plan agent. Such notice, if actually received by the plan agent no later than five business days prior to a record date, will have effect in respect of the distribution to be made as of such date. Thereafter, distributions to such unitholders will be in cash. In addition, our unitholders may request that all or part of their units be sold. When our units are sold through the plan agent, a holder will receive the proceeds less a handling charge and any brokerage trading fees. Our company is able to terminate the distribution reinvestment plan, in its sole discretion, upon notice to the plan participants and the plan agent, but such action will have no retroactive effect that would

prejudice a participant's interest. Our company is also able to amend, modify or suspend the distribution reinvestment plan at any time in its sole discretion, provided that our company, through the plan agent, gives notice of any amendment, modification or suspension to the distribution reinvestment plan that in our company's opinion may materially prejudice participants.

The Property Partnership has a corresponding distribution reinvestment plan in respect of distributions made to our company and to holders of the Redemption-Exchange Units. Our company does not intend to reinvest distributions it receives from the Property Partnership in the Property Partnership's distribution reinvestment plan except to the extent that holders of our units elect to reinvest distributions pursuant to our distribution reinvestment plan. Brookfield has advised our company that it may from time to time reinvest distributions it receives from us in respect of our units or from the Property Partnership in respect of the Redemption-Exchange Units pursuant to the distribution reinvestment plans of our company or the Property Partnership, as applicable. To the extent Brookfield reinvests distributions it receives on our units, it will receive additional units of our company. To the extent Brookfield elects to reinvest distributions it receives from the Property Partnership pursuant to the Property Partnership's distribution reinvestment plan, it will receive Redemption-Exchange Units. Such Redemption-Exchange Units received by Brookfield also would become subject to the Redemption-Exchange Mechanism and may therefore result in Brookfield acquiring additional units of our company.

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Issuance of Additional Partnership Interests

The BPY General Partner has broad rights to cause our company to issue additional partnership interests and may cause us to issue additional partnership interests (including new classes of partnership interests and options, rights, warrants and appreciation rights relating to such interests) for any partnership purpose, at any time and on such terms and conditions as it may determine without the approval of any limited partners. Any additional partnership interests may be issued in one or more classes, or one or more series of classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of partnership interests) as may be determined by the BPY General Partner in its sole discretion, all without the approval of our limited partners.

Investments in Property Partnership

If and to the extent that our company raises funds by way of the issuance of equity or debt securities, or otherwise, pursuant to a public offering, private placement or otherwise, an amount equal to the proceeds will be invested in the Property Partnership, unless otherwise agreed by us and the Property Partnership.

Capital Contributions

No partner has the right to withdraw any or all of its capital contribution. The limited partners have no liability for further capital contributions to our company. Each limited partner's liability will be limited to the amount of capital such partner is obligated to contribute to our company for its limited partner interest plus its share of any undistributed profits and assets, subject to certain exceptions. See "- Limited Liability" below.

Distributions

Distributions to partners of our company will be made only as determined by the BPY General Partner in its sole discretion. However, the BPY General Partner will not be permitted to cause our company to make a distribution if it does not have sufficient cash on hand to make the distribution (including as a result of borrowing), the distribution would render it insolvent, or if, in the opinion of the BPY General Partner, the distribution would leave it with insufficient funds to meet any future or contingent obligations, or the distribution would contravene the Bermuda Limited Partnership Act 1883. For greater certainty, our company, the Property Partnership or one or more of the Holding Entities may (but none is obligated to) borrow money in order to obtain sufficient cash to make a distribution. The amount of taxes withheld or paid by us in respect of our units held by limited partners or the BPY General Partner shall be treated either as a distribution to such partner or as a general expense of our company as determined by the BPY General Partner in its sole discretion.

The BPY General Partner has sole authority to determine whether our company will make distributions and the amount and timing of these distributions. The BPY General Partner has adopted a distribution policy pursuant to which our company intends to make quarterly cash distributions in such amounts as are determined in its sole discretion. The quarterly distribution is currently anticipated to be approximately \$1.32 per unit on an annualized basis. Our distribution policy is to retain sufficient cash flow within our operations to cover tenant improvements, leasing costs and other sustaining capital expenditures and to pay out substantially all remaining cash flow. In order to finance development projects, acquisitions and other investments, we plan to raise external capital. We believe that a payout ratio of 80% of FFO should accomplish this objective. See Item 5.A. "Operating and Financial Review and Prospects - Operating Results" for a discussion of FFO. We have invested a substantial amount of capital in development and redevelopment projects primarily in our Core Office and Core Retail businesses. Once we realize

stabilized cash flow from these initiatives, we expect the growth in our payout to meet its target range of 5% to 8% annually. Our company, the Property Partnership or one or more Holding Entities may (but none is obligated to) borrow money in order to obtain sufficient cash to make a distribution.

From time to time our distributions may exceed the above percentages as a result of acquisitions that are attractive on a long-term cash flow and/or return basis but are not immediately accretive to FFO. However, there can be no assurance that we will be able to make distributions in the amounts discussed above or meet our target growth rate. Our company's ability to make distributions will depend on our company receiving sufficient distributions from the Property Partnership, which in turn will depend on the Property Partnership receiving sufficient distributions from the Holding Entities, and we cannot assure you that our company will in fact make cash distributions as intended. In particular, the amount and timing of distributions will depend upon a number of factors, including, among others, our actual results of operations and financial condition, the amount of cash that is generated by our operations and investments, restrictions imposed by the terms of any indebtedness that is incurred to leverage our operations and investments or to fund liquidity needs, levels of operating and other expenses, contingent liabilities and other factors that the BPY General Partner deems relevant.

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Distributions made by the Property Partnership will be made pro rata with respect to the Property Partnership's managing general partnership interest owned by us and those limited partnership interests owned by Brookfield and holders of AO LTIP Units and FV LTIP Units. Our company's ability to make distributions will also be subject to additional risks and uncertainties, including those set forth in this Form 20-F under Item 3.D. "Key Information - Risk Factors - Risks Relating to Us and Our Structure" and Item 5. "Operating and Financial Review and Prospects". In particular, see Item 3.D "Key Information - Risk Factors - We may not be able to continue paying comparable or growing cash distributions to our unitholders in the future" and "Risks Relating to Our Relationship with Brookfield - Our organizational and ownership structure, as well as our contractual arrangements with Brookfield, may create significant conflicts of interest that may be resolved in a manner that is not in our best interests or the best interests of our unitholders." In addition, the BPY General Partner will not be permitted to cause our company to make a distribution if we do not have sufficient cash on hand to make the distribution, if the distribution would render our company insolvent or if, in the opinion of the BPY General Partner, the distribution would leave us with insufficient funds to meet any future or contingent obligations, or the distribution would contravene the Bermuda Limited Partnership Act of 1883.

Allocations of Income and Losses

Limited partners share in the net profits and net losses of our company generally in accordance with their respective percentage interest in our company.

Net income and net losses for U.S. federal income tax purposes will be allocated for each taxable year or other relevant period among our partners using a monthly, quarterly or other permissible convention pro rata on a per unit basis, except to the extent otherwise required by law or pursuant to tax elections made by our company. Each item of income, gain, loss and deduction so allocated to a partner of our partnership generally will be the same source and character as though such partner had realized the item directly.

The income for Canadian federal income tax purposes of our company for a given fiscal year will be allocated to each partner in an amount calculated by multiplying such income by a fraction, the numerator of which is the sum of the distributions received by such partner with respect to such fiscal year and the denominator of which is the aggregate amount of the distributions made by our company to partners with respect to such fiscal year. To such end, any person who was a partner at any time during such fiscal year but who has transferred all of their units before the last day of that fiscal year may be deemed to be a partner on the last day of such fiscal year for the purposes of subsection 96(1) of the Tax Act. Generally, the source and character of items of income so allocated to a partner with respect to a fiscal year of our company will be the same source and character as the distributions received by such partner with respect to such fiscal year. The BPY General Partner may adjust allocations of items that would otherwise be made pursuant to the terms of our limited partnership agreement to the extent necessary to avoid an adverse effect on our company's limited partners, subject to the approval of a committee of the board of directors of the BPY General Partner made up of independent directors.

If, with respect to a given fiscal year, no distribution is made by our company or we have a loss for Canadian federal income tax purposes, one quarter of the income, or loss, as the case may be, for Canadian federal income tax purposes of our company for such fiscal year, will be allocated to the partners of record at the end of each calendar quarter ending in such fiscal year pro rata to their respective percentage interests in our company, which in the case of the BPY General Partner shall mean 0.2%, and in the case of all of our limited partners shall mean in the aggregate 99.8%, which aggregate percentage interest shall be allocated among the limited partners in the proportion that the number of our units held at each such date by a limited partner is of the total number of our units issued and

outstanding at each such date. Generally, the source and character of such income or losses so allocated to a partner at the end of each calendar quarter will be the same source and character as the income or loss earned or incurred by our company in such calendar quarter.

Limited Liability

Assuming that a limited partner does not participate in the control or management of our company or conduct the affairs of, sign or execute documents for or otherwise bind our company within the meaning of the Bermuda Limited Partnership Act 1883 and otherwise acts in conformity with the provisions of our limited partnership agreement, such partner's liability under the Bermuda Limited Partnership Act 1883 and our limited partnership agreement will be limited to the amount of capital such partner is obligated to contribute to our company for its limited partner interest plus its share of any undistributed profits and assets, except as described below.

If it were determined, however, that a limited partner was participating in the control or management of our company or conducting the affairs of, signing or executing documents for or otherwise binding our company (or purporting to do any of the foregoing) within the meaning of the Bermuda Limited Partnership Act 1883 or the Bermuda Exempted Partnerships Act 1992,

such limited partner would be liable as if it were a general partner of our partnership in respect of all debts of our company incurred while that limited partner was so acting or purporting to act. Neither our limited partnership agreement nor the Bermuda Limited Partnership Act 1883 specifically provides for legal recourse against the BPY General Partner if a limited partner were to lose limited liability through any fault of the BPY General Partner. While this does preclude a limited partner from seeking legal recourse, we are not aware of any precedent for such a claim in Bermuda case law.

No Management or Control; Limited Voting

Our company's limited partners, in their capacities as such, may not take part in the management or control of the activities and affairs of our company and do not have any right or authority to act for or to bind our company or to take part or interfere in the conduct or management of our company. Limited partners are not entitled to vote on matters relating to our company, although holders of units are entitled to consent to certain matters with respect to certain amendments to our limited partnership agreement and certain matters with respect to the withdrawal of the BPY General Partner as described in further detail below. Each unit entitles the holder thereof to one vote for the purposes of any approvals of holders of units. In addition to their rights under our limited partnership agreement, limited partners have consent rights with respect to certain fundamental matters and related party transactions (in accordance with MI 61-101) and on any other matters that require their approval in accordance with applicable securities laws and stock exchange rules. Each unit entitles the holder thereof to one vote for the purposes of any approvals of holders of units.

Meetings

The BPY General Partner may call special meetings of the limited partners at a time and place outside of Canada determined by the BPY General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. The limited partners do not have the ability to call a special meeting. Only holders of record on the date set by the BPY General Partner (which may not be less than 10 nor more than 60 days before the meeting) are entitled to notice of any meeting.

Written consents may be solicited only by or on behalf of the BPY General Partner. Any such consent solicitation may specify that any written consents must be returned to our company within the time period, which may not be less than 20 days, specified by the BPY General Partner.

For purposes of determining holders of partnership interests entitled to provide consents to any action described above, the BPY General Partner may set a record date, which may be not less than 10 nor more than 60 days before the date by which record holders are requested in writing by the BPY General Partner to provide such consents. Only those holders of partnership interests on the record date established by the BPY General Partner will be entitled to provide consents with respect to matters as to which a consent right applies.

Amendment of Our Limited Partnership Agreement

Amendments to our limited partnership agreement may be proposed only by or with the consent of the BPY General Partner. To adopt a proposed amendment, other than the amendments that do not require limited partner approval discussed below, the BPY General Partner must seek approval of a majority of our outstanding units required to approve the amendment, either by way of a meeting of the limited partners to consider and vote upon the proposed amendment or by written approval.

Prohibited Amendments

No amendment may be made that would:

enlarge the obligations of any limited partner without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests may be approved by at least a majority of the type or class of partnership interests so affected;

1) or

enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by our company to, the BPY General Partner or any of its affiliates without the consent of the BPY General Partner, which may be given or withheld in its sole discretion.

2)

The provision of our limited partnership agreement preventing the amendments having the effects described in clauses (1) and (2) above can be amended upon the approval of the holders of at least 90% of the outstanding units.

No Limited Partner Approval

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Subject to applicable law, the BPY General Partner may generally make amendments to our limited partnership agreement without the approval of any limited partner to reflect:

- 1) a change in the name of our company, the location of our registered office or our registered agent;
- 2) the admission, substitution or withdrawal of partners in accordance with our limited partnership agreement;

a change that the BPY General Partner determines is reasonable and necessary or appropriate for our company to qualify or to continue our company's qualification as an exempted limited partnership under the laws of Bermuda or
- 3) a partnership in which the limited partners have limited liability under the laws of any jurisdiction or is necessary or advisable in the opinion of the BPY General Partner to ensure that our company will not be treated as an association taxable as a corporation or otherwise taxed as an entity for tax purposes;
- 4) an amendment that the BPY General Partner determines to be necessary or appropriate to address certain changes in tax regulations, legislation or interpretation;

an amendment that is necessary, in the opinion of our counsel, to prevent our company or the BPY General Partner
- 5) or its directors or officers, from in any manner being subjected to the provisions of the Investment Company Act or similar legislation in other jurisdictions;

an amendment that the BPY General Partner determines in its sole discretion to be necessary or appropriate for the
- 6) creation, authorization or issuance of any class or series of partnership interests or options, rights, warrants or appreciation rights relating to partnership securities;
- 7) any amendment expressly permitted in our limited partnership agreement to be made by the BPY General Partner acting alone;

any amendment that the BPY General Partner determines in its sole discretion to be necessary or appropriate to
- 8) reflect and account for the formation by our company of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by our limited partnership agreement;
- 9) a change in our company's fiscal year and related changes; or
- 10) any other amendments substantially similar to any of the matters described in (1) through (9) above.

In addition, the BPY General Partner may make amendments to our limited partnership agreement without the approval of any limited partner if those amendments, in the discretion of the BPY General Partner:

- 1) do not adversely affect our company's limited partners considered as a whole (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect;
- 2) are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any governmental agency or judicial authority;
- 3) are necessary or appropriate to facilitate the trading of our units or to comply with any rule, regulation, guideline or requirement of any securities exchange on which our units are or will be listed for trading;

4) are necessary or appropriate for any action taken by the BPY General Partner relating to splits or combinations of units under the provisions of our limited partnership agreement; or

5) are required to effect the intent expressed in the final registration statement and prospectus of our company filed in connection with the Spin-off or the intent of the provisions of our limited partnership agreement or are otherwise contemplated by our limited partnership agreement.

Opinion of Counsel and Limited Partner Approval

The BPY General Partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under “- No Limited Partner Approval” should

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occur. No other amendments to our limited partnership agreement will become effective without the approval of holders of at least 90% of our units, unless our company obtains an opinion of counsel to the effect that the amendment will not (i) cause our company to be treated as an association taxable as a corporation or otherwise taxable as an entity for tax purposes (provided that for U.S. tax purposes the BPY General Partner has not made the election described below under “- Election to be Treated as a Corporation”), or (ii) affect the limited liability under the Bermuda Limited Partnership Act 1883 of any of our company’s limited partners.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests will also require the approval of the holders of at least a majority of the outstanding partnership interests of the class so affected.

In addition, any amendment that reduces the voting percentage required to take any action must be approved by the written consent or affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting requirement sought to be reduced.

Sale or Other Disposition of Assets

Our limited partnership agreement generally prohibits the BPY General Partner, without the prior approval of the holders of at least 66 2/3% of the voting power of our units, from causing our company to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions. However, the BPY General Partner, in its sole discretion, may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets (including for the benefit of persons who are not our company or our company’s subsidiaries) without that approval. The BPY General Partner may also sell all or substantially all of our assets under any forced sale of any or all of our assets pursuant to the foreclosure or other realization upon those encumbrances without that approval.

Take-Over Bids

If, within 120 days after the date of a take-over bid, as defined in the Securities Act (Ontario), the take-over bid is accepted by holders of not less than 90% of our outstanding units, other than our units held at the date of the take-over bid by the offeror or any affiliate or associate of the offeror, and the offeror acquires the units deposited or tendered under the take-over bid, the offeror will be entitled to acquire our units not deposited under the take-over bid on the same terms as the units acquired under the take-over bid.

Election to be Treated as a Corporation

If the BPY General Partner determines in its sole discretion that it is no longer in our company’s best interests to continue as a partnership for U.S. federal income tax purposes, the BPY General Partner may elect to treat our company as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes.

Termination and Dissolution

Our company will terminate upon the earlier to occur of: (i) the date on which all of our company’s assets have been disposed of or otherwise realized by us and the proceeds of such disposals or realizations have been distributed to partners; (ii) the service of notice by the BPY General Partner, with the special approval of a majority of its

independent directors, that in its opinion the coming into force of any law, regulation or binding authority renders illegal or impracticable the continuation of our company; and (iii) at the election of the BPY General Partner, if our company, as determined by the BPY General Partner, is required to register as an “investment company” under the Investment Company Act or similar legislation in other jurisdictions.

Our partnership will be dissolved upon the withdrawal of the BPY General Partner as the general partner of our partnership (unless a successor entity becomes the general partner as described in the following sentence or the withdrawal is effected in compliance with the provisions of our limited partnership agreement that are described below under “- Withdrawal of the BPY General Partner”) or the date on which any court of competent jurisdiction enters a decree of judicial dissolution of our partnership or an order to wind-up or liquidate the BPY General Partner without the appointment of a successor in compliance with the provisions of our limited partnership agreement that are described below under “- Withdrawal of the BPY General Partner”. Our partnership will be reconstituted and continue without dissolution if within 30 days of the date of dissolution (and provided a notice of dissolution has not been filed with the Bermuda Monetary Authority), a successor general partner executes a transfer deed pursuant to which the new general partner assumes the rights and undertakes the obligations of the general partner, but only if our partnership receives an opinion of counsel that the admission of the new general partner will not result in the loss of limited liability of any limited partner.

Liquidation and Distribution of Proceeds

Upon our dissolution, unless our company is continued as a new limited partnership, the liquidator authorized to wind-up our company's affairs will, acting with all of the powers of the BPY General Partner that the liquidator deems necessary or appropriate in its judgment, liquidate our company's assets and apply the proceeds of the liquidation first, to discharge our company's liabilities as provided in our limited partnership agreement and by law and thereafter to the partners pro rata according to the percentages of their respective partnership interests as of a record date selected by the liquidator. The liquidator may defer liquidation of our assets for a reasonable period of time or distribute assets to partners in kind if it determines that an immediate sale or distribution of all or some of our company's assets would be impractical or would cause undue loss to the partners.

Withdrawal of the BPY General Partner

The BPY General Partner may withdraw as the general partner without first obtaining approval of our unitholders by giving written notice to the other partners, and that withdrawal will not constitute a violation of our limited partnership agreement.

Upon the withdrawal of a general partner, the holders of at least a majority of our units may select a successor to that withdrawing general partner. If a successor is not selected, or is selected but an opinion of counsel regarding limited liability, tax matters and the Investment Company Act (and similar legislation in other jurisdictions) cannot be obtained, our company will be dissolved, wound up and liquidated. See "- Termination and Dissolution" above.

In the event of the withdrawal of a general partner, where such withdrawal will violate our limited partnership agreement, a successor general partner will have the option to purchase the general partnership interest of the departing general partner for a cash payment equal to its fair market value. Under all other circumstances where a general partner withdraws, the departing general partner will have the option to require the successor general partner to purchase the general partnership interest of the departing general partner for a cash payment equal to its fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached within 30 days of the general partner's departure, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. If the departing general partner and the successor general partner cannot agree upon an expert within 45 days of the general partner's departure, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner's general partnership interest will automatically convert into units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

Transfer of the General Partnership Interest

The BPY General Partner may transfer all or any part of its general partnership interests without first obtaining approval of any unitholder. As a condition of this transfer, the transferee must: (i) be an affiliate of the general partner of the Property Partnership (or the transfer must be made concurrently with a transfer of the general partnership units of the Property Partnership to an affiliate of the transferee); (ii) agree to assume the rights and duties of the BPY General Partner to whose interest that transferee has succeeded; (iii) agree to assume and be bound by the provisions of our limited partnership agreement; and (iv) furnish an opinion of counsel regarding limited liability, tax matters and

the Investment Company Act (and similar legislation in other jurisdictions). Any transfer of the general partnership interest is subject to prior notice to and approval of the relevant Bermuda regulatory authorities. At any time, the members of the BPY General Partner may sell or transfer all or part of their shares in the BPY General Partner without the approval of our unitholders.

Partnership Name

If the BPY General Partner ceases to be the general partner of our partnership and our new general partner is not an affiliate of Brookfield, our company will be required by our limited partnership agreement to change our name to a name that does not include “Brookfield” and which could not be capable of confusion in any way with such name. Our limited partnership agreement explicitly provides that this obligation shall be enforceable and waivable by the BPY General Partner notwithstanding that it may have ceased to be the general partner of our partnership.

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Transactions with Interested Parties

The BPY General Partner, its affiliates and their respective partners, members, directors, officers, employees and shareholders, which we refer to as “interested parties,” may become limited partners or beneficially interested in limited partners and may hold, dispose of or otherwise deal with our units with the same rights they would have if the BPY General Partner was not a party to our limited partnership agreement. An interested party will not be liable to account either to other interested parties or to our company, our company’s partners or any other persons for any profits or benefits made or derived by or in connection with any such transaction.

Our limited partnership agreement permits an interested party to sell investments to, purchase assets from, vest assets in and enter into any contract, arrangement or transaction with our company, the Property Partnership, any of the Holding Entities, any operating entity or any other holding entity established by our company and may be interested in any such contract, transaction or arrangement and shall not be liable to account either to our company, the Property Partnership, any of the Holding Entities, any operating entity or any other holding entity established by our company or any other person in respect of any such contract, transaction or arrangement, or any benefits or profits made or derived therefrom, by virtue only of the relationship between the parties concerned, subject to the bye-laws of the BPY General Partner.

Outside Activities of the BPY General Partner; Conflicts of Interest

Under our limited partnership agreement, the BPY General Partner is required to maintain as its sole activity the activity of acting as the general partner of our partnership. The BPY General Partner is not permitted to engage in any business or activity or incur or guarantee any debts or liabilities except in connection with or incidental to its performance as general partner or incurring, guaranteeing, acquiring, owning or disposing of debt or equity securities of the Property Partnership, a Holding Entity or any other holding entity established by our company.

Our limited partnership agreement provides that each person who is entitled to be indemnified by our company (other than the BPY General Partner), as described below under “- Indemnification; Limitations on Liability”, will have the right to engage in businesses of every type and description and other activities for profit, and to engage in and possess interests in business ventures of any and every type or description, irrespective of whether: (i) such businesses and activities are similar to our activities; or (ii) such businesses and activities directly compete with, or disfavor or exclude, the BPY General Partner, our company, the Property Partnership, any Holding Entity, any operating entity or any other holding entity established by us. Such business interests, activities and engagements will be deemed not to constitute a breach of our limited partnership agreement or any duties stated or implied by law or equity, including fiduciary duties, owed to any of the BPY General Partner, our company, the Property Partnership, any Holding Entity, any operating entity and any other holding entity established by us (or any of their respective investors), and shall be deemed not to be a breach of the BPY General Partner’s fiduciary duties or any other obligation of any type whatsoever of the BPY General Partner. None of the BPY General Partner, our company, the Property Partnership, any Holding Entity, any operating entity, any other holding entity established by us or any other person shall have any rights by virtue of our limited partnership agreement or our partnership relationship established thereby or otherwise in any business ventures of any person who is entitled to be indemnified by our company as described below under “- Indemnification; Limitations on Liability”.

The BPY General Partner and the other indemnified persons described in the preceding paragraph do not have any obligation under our limited partnership agreement or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to our company, our limited partners, the Property Partnership, any Holding Entity, any operating entity or any other holding entity established by our company.

These provisions do not affect any obligation of an indemnified person to present business or investment opportunities to our company, the Property Partnership, any Holding Entity, any operating entity or any other holding entity established by our company pursuant to the Relationship Agreement or a separate written agreement between such persons.

Any conflicts of interest and potential conflicts of interest that are approved by the BPY General Partner's governance and nominating committee from time to time will be deemed approved by all partners. Pursuant to our conflicts policy, by a majority vote, independent directors may grant approvals for any of the transactions described above in the form of general guidelines, policies or procedures in which case no further special approval will be required in connection with a particular transaction or matter permitted thereby. See Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Conflicts of Interest".

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Indemnification; Limitations on Liability

Under our limited partnership agreement, our company is required to indemnify to the fullest extent permitted by law the BPY General Partner and any of its affiliates (and their respective officers, directors, agents, shareholders, partners, members and employees), any person who serves on a governing body of the Property Partnership, a Holding Entity, operating entity or any other holding entity established by our company and any other person designated by the BPY General Partner as an indemnified person, in each case, against all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with our investments and activities or by reason of their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under our limited partnership agreement: (i) the liability of such persons has been limited to the fullest extent permitted by law, except to the extent that their conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful; and (ii) any matter that is approved by the independent directors of the BPY General Partner will not constitute a breach of our limited partnership agreement or any duties stated or implied by law or equity, including fiduciary duties. Our limited partnership agreement requires us to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

Accounts, Reports and Other Information

Under our limited partnership agreement, within the time required by applicable laws and regulations, including any rules of any applicable securities exchange, the BPY General Partner is required to prepare financial statements in accordance with IFRS or such other appropriate accounting principles as determined from time to time and make publicly available as of a date selected by the BPY General Partner, in its sole discretion, our company's financial statements together with a statement of the accounting policies used in their preparation, such information as may be required by applicable laws and regulations and such information as the BPY General Partner deems appropriate. Our company's annual financial statements must be audited by an independent accounting firm of international standing. Our company's quarterly financial statements may be unaudited and will be made available publicly as and within the time period required by applicable laws and regulations, including any rules of any applicable securities exchange.

The BPY General Partner is also required to use commercially reasonable efforts to prepare and send to the limited partners of our partnership on an annual basis a Schedule K-1 (or equivalent). The BPY General Partner will, where reasonably possible, prepare and send information required by the non-U.S. limited partners of our partnership for U.S. federal income tax reporting purposes. The BPY General Partner will also use commercially reasonable efforts to supply information required by limited partners of our partnership for Canadian federal income tax purposes.

Governing Law; Submission to Jurisdiction

Our limited partnership agreement is governed by and will be construed in accordance with the laws of Bermuda. Under our limited partnership agreement, each of our company's partners (other than governmental entities prohibited from submitting to the jurisdiction of a particular jurisdiction) will submit to the non-exclusive jurisdiction of any court in Bermuda in any dispute, suit, action or proceeding arising out of or relating to our limited partnership agreement. Each partner waives, to the fullest extent permitted by law, any immunity from jurisdiction of any such court or from any legal process therein and further waives, to the fullest extent permitted by law, any claim of

inconvenient forum, improper venue or that any such court does not have jurisdiction over the partner. Any final judgment against a partner in any proceedings brought in a court in Bermuda will be conclusive and binding upon the partner and may be enforced in the courts of any other jurisdiction of which the partner is or may be subject, by suit upon such judgment. The foregoing submission to jurisdiction and waivers will survive the dissolution, liquidation, winding up and termination of our company.

Transfers of Units

We are not required to recognize any transfer of our units until certificates, if any, evidencing such units are surrendered for registration of transfer. Each person to whom a unit is transferred (including any nominee holder or an agent or representative acquiring such unit for the account of another person) will be admitted to our partnership as a partner with respect to the unit so transferred subject to and in accordance with the terms of our limited partnership agreement. Any transfer of a unit will not entitle the transferee to share in the profits and losses of our company, to receive distributions, to receive allocations of income, gain, loss, deduction or credit or any similar item or to any other rights to which the transferor was entitled until the transferee becomes a partner and a party to our limited partnership agreement.

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By accepting a unit for transfer in accordance with our limited partnership agreement, each transferee will be deemed to have:

executed our limited partnership agreement and become bound by the terms thereof;

granted an irrevocable power of attorney to the BPY General Partner or the liquidator of our company and any officer thereof to act as such partner's agent and attorney-in-fact to execute, swear to, acknowledge, deliver, file and record in the appropriate public offices: (i) all certificates, documents and other instruments relating to the existence or qualification of our company as an exempted limited partnership (or a partnership in which the limited partners have limited liability) in Bermuda and in all jurisdictions in which our company may conduct activities and affairs or own property; any amendment, change, modification or restatement of our limited partnership agreement, subject to the requirements of our limited partnership agreement; the dissolution and liquidation of our company; the admission or withdrawal of any partner of our partnership or any capital contribution of any partner of our partnership; the determination of the rights, preferences and privileges of any class or series of units or other partnership interests of our company, and any tax election with any limited partner or general partner on behalf of our partnership or the partners; and (ii) subject to the requirements of our limited partnership agreement, all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the sole discretion of the BPY General Partner or the liquidator of our company, to make, evidence, give, confirm or ratify any voting consent, approval, agreement or other action that is made or given by our company's partners or is consistent with the terms of our limited partnership agreement or to effectuate the terms or intent of our limited partnership agreement;

made the consents and waivers contained in our limited partnership agreement, including with respect to the approval of the transactions and agreements entered into in connection with our formation and the Spin-off; and

ratified and confirmed all contracts, agreements, assignments and instruments entered into on behalf of our company in accordance with our limited partnership agreement, including the granting of any charge or security interest over the assets of our company and the assumption of any indebtedness in connection with the affairs of our company.

The transfer of any unit and the admission of any new partner to our partnership will not constitute any amendment to our limited partnership agreement.

Book-Based System

Our units may be represented in the form of one or more fully registered unit certificates held by, or on behalf of, CDS or DTC, as applicable, as custodian of such certificates for the participants of CDS or DTC, registered in the name of CDS or DTC or their respective nominee, and registration of ownership and transfers of our units may be effected through the book-based system administered by CDS or DTC as applicable.

DESCRIPTION OF THE PROPERTY PARTNERSHIP LIMITED PARTNERSHIP AGREEMENT

The following is a description of the material terms of the Property Partnership's limited partnership agreement. You are not a limited partner of the Property Partnership and do not have any rights under its limited partnership agreement. However, our company is the managing general partner of the Property Partnership and is responsible for the management and control of the Property Partnership.

We have included a summary of what we believe are the most important provisions of the Property Partnership's limited partnership agreement because we conduct our operations through the Property Partnership and the Holding Entities and our rights with respect to our partnership interest in the Property Partnership are governed by the terms of the Property Partnership's limited partnership agreement. Because this description is only a summary of the terms of the agreement, you should read the Property Partnership's limited partnership agreement. The agreement is available electronically on the website of the SEC at www.sec.gov and on our SEDAR profile at www.sedar.com and is available to our unitholders as described under Item 10.C. "Additional Information - Material Contracts" and Item 10.H. "Additional Information - Documents on Display".

Formation and Duration

The Property Partnership is a Bermuda exempted limited partnership registered under the Bermuda Limited Partnership Act 1883 and the Bermuda Exempted Partnerships Act 1992. The Property Partnership has a perpetual existence and will continue as a limited liability partnership unless our partnership is terminated or dissolved in accordance with its limited partnership agreement.

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Management

As required by law, the Property Partnership's limited partnership agreement provides for the management and control of the Property Partnership by its managing general partner, our company.

Nature and Purpose

Under its limited partnership agreement, the purpose of the Property Partnership is to: acquire and hold interests in the Holding Entities and, subject to the approval of our company, any other entity; engage in any activity related to the capitalization and financing of the Property Partnership's interests in such entities; and engage in any other activity that is incidental to or in furtherance of the foregoing and that is approved by our company and that lawfully may be conducted by a limited partnership organized under the Bermuda Limited Partnership Act 1883, the Bermuda Exempted Partnerships Act 1992 and our limited partnership agreement.

Units

In connection with the Spin-off, Class A limited partnership units of the Property Partnership were issued to our company, the Redemption-Exchange Units were issued to certain wholly-owned subsidiaries of Brookfield Asset Management and the general partnership interests were issued to Property Special LP (formerly known as Brookfield Property GP L.P.). On August 8, 2013, we effected a restructuring pursuant to which: (i) all of the Class A limited partnership units of the Property Partnership were reclassified as Managing General Partner Units; and (ii) all of the general partnership interests in the Property Partnership were reclassified as Special LP Units.

As of the date hereof, the Property Partnership has six classes of units: Redemption-Exchange Units, Special LP Units, Managing General Partner Units, Preferred Units, AO LTIP Units and FV LTIP Units. Holders of any class of Property Partnership units are not entitled to the withdrawal or return of capital contributions in respect of their units, except to the extent, if any, that distributions are made to such holders pursuant to the Property Partnership's limited partnership agreement or upon the dissolution of the Property Partnership as described below under "- Dissolution" or as otherwise required by applicable law. Holders of the Property Partnership's units are not entitled to vote on matters relating to the Property Partnership except as described below under "- No Management or Control; No Voting". Except to the extent expressly provided in the Property Partnership's limited partnership agreement, a holder of Property Partnership units will not have priority over any other holder of Property Partnership units, either as to the return of capital contributions or as to profits, losses or distributions. Except with respect to the Class A Preferred Units, the Property Partnership's limited partnership agreement does not contain any restrictions on ownership of the Property Partnership units. The units of the Property Partnership have no par or other stated value.

All of the outstanding Redemption-Exchange Units and Special LP Units are held by certain wholly-owned subsidiaries of Brookfield Asset Management and all of the outstanding Managing General Partner Units are held by our company. As of the date hereof, all of the outstanding Preferred Units are held by the Class A Preferred Unitholder. All of the outstanding AO LTIP Units are held by certain employees and former employees of GGP, which were issued to them in connection with the GGP acquisition. All of the outstanding FV LTIP Units are held by our employees and officers and employees of Brookfield.

Issuance of Additional Partnership Interests

The Property Partnership may issue additional partnership interests (including Managing General Partner Units, Preferred Units, Special LP Units, Redemption-Exchange Units and FV LTIP Units as well as new classes of partnership interests and options, rights, warrants and appreciation rights relating to such interests) for any partnership purpose, at any time and on such terms and conditions as our company may determine without the approval of any limited partners. Any additional partnership interests may be issued in one or more classes, or one or more series of classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of partnership interests) as may be determined by our company in its sole discretion, all without the approval of our limited partners.

Redemption-Exchange Mechanism

At any time, the holders of the Redemption-Exchange Units have the right to require the Property Partnership to redeem all or a portion of the Redemption-Exchange Units for cash, subject to our company's right to acquire such interests for our units as described below. Any such holder may exercise its right of redemption by delivering a notice of redemption to the Property Partnership and our company.

A holder of Redemption-Exchange Units who delivers a notice of redemption will receive, on the redemption-exchange date and subject to our company's right to acquire such interests (in lieu of redemption) in exchange for units of our company, either (a) cash in an amount equal to the market value of one of our units (as determined by reference to the five day volume weighted average of the trading price of our units on the principal stock exchange for our units based on trading volumes) multiplied by the number of units to be redeemed or (b) such other amount of cash as may be agreed by such holder and the Property Partnership. Upon its receipt of the redemption notice, our company will have a right to elect, at its sole discretion, to acquire all (but not less than all) Redemption-Exchange Units presented to the Property Partnership for redemption in exchange for units of our company on a one-for-one basis. Upon a redemption, the holder's right to receive distributions with respect to the Redemption-Exchange Units so redeemed will cease.

The date of exchange specified in any redemption notice may not be less than five business days nor more than twenty business days after the date upon which the redemption notice is received by the Property Partnership and our company. At any time prior to the applicable redemption-exchange date, any holder of Redemption-Exchange Units who delivers a redemption notice will be entitled to withdraw such redemption notice.

Class A Preferred Units

The Class A Preferred Units were issued to the Class A Preferred Unitholder on December 4, 2014 in three tranches of \$600 million each, with an average dividend yield of 6.5% and maturities of seven, ten and twelve years. In addition, a holder of the Class A Preferred Units is entitled to receive an additional distribution, or excess distribution, in any quarter in which the greater of (i) the aggregate distributions declared on an exchange number of our units and (ii) the aggregate distributions paid on an exchange number of the Redemption-Exchange Units divided by an exchange ratio, exceeds the base distribution such holder is entitled to receive for such quarter. Pursuant to the terms of the Class A Preferred Units, the Property Partnership shall not declare or pay dividends on its Managing General Partner Units or Redemption-Exchange Units, or buy back such units, unless it has paid or also pays any arrears of dividends to the holder of the Class A Preferred Units.

In connection with the issuance of the Class A Preferred Units, our company has agreed to guarantee the obligation of the Property Partnership to pay a liquidation amount in the event of the liquidation, dissolution or winding-up of the Property Partnership equal to the issue price per Class A Preferred Unit together with all accrued and unpaid dividends. Such guarantee ranks junior to any indebtedness of our company, *pari passu* with all obligations of our company in respect of any preferred partnership interest issued by our company from time to time, and senior to all obligations of our company with respect of all other non-preferred partnership units issued by our company from time to time.

Our company has entered into an investor agreement with the Class A Preferred Unitholder in connection with the issuance of the Class A Preferred Units pursuant to which we have agreed that, upon the request of a holder of the Class A Preferred Units, our company will file up to four registration statements to register for sale, under the U.S. Securities Act of 1933, as amended or up to four prospectuses to qualify the distribution in Canada, any of our units acquired pursuant to the Preferred Unit Exchange Mechanism. Our company is not required to file a U.S. registration statement or a Canadian prospectus unless such holder requests that units having a value of at least \$50 million be registered or qualified. We have agreed to pay expenses in connection with such registration and sales, except for any underwriting discounts or commissions, which will be borne by the selling unitholder, and to indemnify the selling unitholder for material misstatements or omissions in the registration statement and/or prospectus.

Pursuant to the investor agreement, the Class A Preferred Unitholder is also entitled, for so long as it owns an aggregate limited partnership interest in our company of at least 5% of our issued and outstanding units on a fully-diluted basis, to designate one individual to the BPY General Partner's board of directors. Such individual must meet the standards of independence established by the Nasdaq and the TSX and be reasonably acceptable to the board of directors.

The Class A Preferred Unitholder is not entitled to transfer the Class A Preferred Units (or the units into which they are exchangeable) except in accordance with the investor agreement. The investor agreement permits transfers to affiliates of the Class A Preferred Unitholder. In addition, the restrictions on transfer in the investor agreement will be lifted in respect of one-third of the Class A Preferred Units of each series (or the units into which they are exchangeable) on each of the first, second and third anniversaries of the date of the agreement. The rights under the investor agreement are only transferable to an affiliate of the Class A Preferred Unitholder.

Preferred Unit Exchange Mechanism

The Class A Preferred Units are exchangeable at the option of a holder of such Class A Preferred Units into our units at an exchange price of \$25.70 per unit. After three years for the seven-year tranche and four years for the ten- and twelve-year tranches, we can effectively require a holder of such Class A Preferred Units to exchange the Class A Preferred Units into our units as long

as our units are trading at or above 125%, 130% and 135%, respectively, of the exchange price. Upon maturity, the Class A Preferred Units that remain outstanding will be redeemed in exchange for our units valued at the 20-day, volume-weighted average trading price at such time. To the extent that the market price of our units is less than 80% of the exchange price at maturity, Brookfield has contingently agreed to acquire the seven-year and ten-year tranches of Class A Preferred Units from the holder of Class A Preferred Units for the initial issuance price plus accrued and unpaid distributions and to exchange such units for Class A Preferred Units with terms and conditions substantially similar to the twelve-year tranche.

AO LTIP Units

The AO LTIP Units were granted to certain employees and former employees of GGP in connection with the closing of the GGP acquisition pursuant to the Brookfield Property Partners BPY Unit Option Plan (GGP). The vesting terms of these grants are based on the vesting terms attached to the original GGP awards that were cancelled in connection with the GGP acquisition. Each AO LTIP Unit will vest within ten years of its original grant date by GGP. Both vested and unvested AO LTIP Units are entitled to distributions by the Property Partnership as described below. Vested AO LTIP Units are convertible at the option of the holder into that number of Redemption-Exchange Units based on the increase in value of our units from the time of closing of the GGP acquisition to the time of conversion.

FV LTIP Units

The FV LTIP Units may be granted from time to time pursuant to the Brookfield Property L.P. FV LTIP Unit Plan. Unless otherwise provided in the respective award agreement, FV LTIP Units fully vest on grant for FV LTIP Units granted in lieu of cash bonus or vest 20% annually over a period of five years, subject to continued service. Both vested and unvested FV LTIP Units are entitled to distributions by the Property Partnership as described below. Distributions on unvested FV LTIP Units are subject to a clawback of 50% of the value of the distributions received on such unvested FV LTIP Units if the underlying FV LTIP Units do not vest. FV LTIP Units which are vested, “booked up” and held for at least two years are redeemable at the option of the holder for either (i) an equal number of BPR Units or our units, or (ii) cash with an equal value based on the volume weighted average trading price of our units over the five trading days prior to redemption. Our company may elect to deliver cash or equity. A holder of FV LTIP Units cannot transfer all or any portion of his or her FV LTIP Units except to the extent that rights may pass to a beneficiary or legal representative upon the death of a holder, or as expressly approved by the administrator of the Plan.

Distributions

Distributions by the Property Partnership will be made in the sole discretion of our company. However, our company will not be permitted to cause the Property Partnership to make a distribution if the Property Partnership does not have sufficient cash on hand to make the distribution, the distribution would render the Property Partnership insolvent or if, in the opinion of our company, the distribution would or might leave the Property Partnership with insufficient funds to meet any future or contingent obligations, or the distribution would contravene the Bermuda Limited Partnership Act 1883. For greater certainty, the Property Partnership or one or more of the Holding Entities may (but none is obligated to) borrow money in order to obtain sufficient cash to make a distribution.

Except as set forth below, prior to the dissolution of the Property Partnership, distributions of available cash (if any), including cash that has been borrowed for such purpose, in any given quarter will be made by the Property Partnership as follows, referred to as the Regular Distribution Waterfall:

first, 100% of any available cash to our company until our company has been distributed an amount equal to our expenses and outlays for the quarter properly incurred;

second, but only at such times as there are no Preferred Units outstanding, to the extent distributions in respect of Redemption-Exchange Units have been deferred in previous quarters (as described in the next paragraph), 100% to all the holders of Redemption-Exchange Units pro rata in proportion to their respective percentage interests (which will be calculated using Redemption-Exchange Units only) (which distribution will be treated as having been made pursuant to the sixth and seventh provision below, as applicable) of all amounts that have been deferred in previous quarters and not yet recovered to the holders of Redemption-Exchange Units;

third, an equity enhancement distribution of 100% of any available cash then remaining to Property Special LP until an amount equal to 0.3125% of the amount by which our company's total capitalization value exceeds the total capitalization value of our company determined immediately following the Spin-off has been distributed to Property Special LP, provided that for any quarter in which our company determines that there is insufficient cash to pay this equity enhancement

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distribution, our company may elect to pay all or a portion of this distribution in Redemption-Exchange Units. This distribution for any quarter will be reduced by an amount equal to (i) the proportion of each cash payment in relation to such quarter made by an Operating Entity to Brookfield, including any payment made in the form of a dividend, distribution or other profit entitlement, which our company determines to be comparable to this equity enhancement distribution that is attributable to the amount that a Service Recipient has committed and/or contributed at such time (either as debt or equity) to such Operating Entity (and, in the case of a commitment, as set forth in the terms of the subscription agreement or other underlying documentation with respect to such Operating Entity at or prior to such time), provided that the aggregate amount of any such payments under this clause (i) will not exceed an amount equal to 0.3125% of the amount the Service Recipient has so committed and/or contributed and the deduction of such amount will not result in this equity enhancement adjustment being less than zero; (ii) any dividend, distribution or other profit entitlement made by BPR operating entities to Brookfield and (iii) the amount, if any, by which 0.125% of the total capitalization value of our company on the last day of such quarter exceeds \$12.5 million (plus the amount of any annual escalation by the specified inflation factor), provided that the deduction of such amount under this clause (iv) will not result in this equity enhancement adjustment being less than zero. The total capitalization value of our company will be equal to the aggregate of the value of all of our outstanding units and the securities of other Service Recipients that are not held by our company, the Property Partnership, the Holding Entities, the operating entities or any other direct or indirect subsidiary of a Holding Entity, plus all outstanding third party debt (including, generally, debt owed to Brookfield but not amounts owed under the Brookfield revolving credit facility that was in place at closing of the Spin-off) with recourse against our company, the Property Partnership or a Holding Entity, less all cash held by such entities;

fourth, 100% of any available cash then remaining to holders of the Preferred Units, pro rata to their respective relative percentage of Preferred Units held (determined by reference to the aggregate value of the issue price of the Preferred Units held by each such holder relative to the aggregate value of the issue price of all Preferred Units outstanding), until an amount equal to all preferential distributions to which the holders of the Preferred Units are entitled under the terms of the Preferred Units then outstanding (including any excess distribution and any outstanding accrued and unpaid preferential distributions from prior periods) has been distributed in respect of each Preferred Unit outstanding during such quarter;

fifth, at any time that Preferred Units are outstanding, 100% of any available cash then remaining to holders of Redemption-Exchange Units pro rata in proportion to their respective percentage interests (which will be calculated using Redemption-Exchange Units only) (which distribution will be treated as having been made pursuant to the sixth and seventh provision below, as applicable) all amounts that have been deferred in previous quarters pursuant to the third provision above);

sixth, 100% of any available cash then remaining to the owners of the Property Partnership's partnership interests (other than owners of the Preferred Units), pro rata to their percentage interests (the percentage interests as to any Preferred Unitholder shall be zero), until an amount equal to the First Distribution Threshold, of \$0.275 per unit, has been distributed in respect of each partnership interest of the Property Partnership during such quarter;

seventh, 85% of any available cash then remaining to the owners of the Property Partnership's partnership interests (other than owners of the Preferred Units), pro rata to their percentage interests (the percentage interests as to any Preferred Unitholder shall be zero), and an incentive distribution of 15% to Property Special LP, until an amount equal to the Second Distribution Threshold, of \$0.30 per unit, has been distributed in respect of each partnership interest of the Property Partnership (other than Preferred Units) during such quarter; and

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thereafter; 75% of any available cash then remaining to the owners of the Property Partnership's partnership interests (other than owners of the Preferred Units), pro rata to their percentage interests (the percentage interests as to any Preferred Unitholder shall be zero), and an incentive distribution of 25% to Property Special LP.

Notwithstanding the above, an AO LTIP Unit participates in the distributions made by the Property Partnership as if it were a Redemption-Exchange Unit in accordance with its designated fractional percentage interest.

In 2018, we paid no equity enhancement distributions and no incentive distributions to Property Special LP. Set forth below is an example of how the base management fee, equity enhancement and incentive distributions to be made to Property Special LP are calculated on a quarterly and annualized basis. The figures used below are for illustrative purposes only and are not indicative of our company's expectations.

Illustrative Base Management Fee Calculation	Quarterly		Annualized	
	Per Unit	Total (\$m)	Per Unit	Total (\$m)
Capitalization at illustrative quarter-end ⁽¹⁾				
Market value of our company's units per unit	\$15.45	11,131.5	\$15.45	11,131.5
Add: Brookfield Group preferred shares		435.0		435.0
Add: Class A preferred shares		1,800.0		1,800.0
Add: Recourse debt, net of cash		2,607.3		2,607.3
Total capitalization		\$15,973.8		\$15,973.8
Base management fee rate	0.125	%	0.500	%
Base management fee		\$20.0		\$79.9

Based on the number of units, Exchange LP Units and Redemption-Exchange Units as of December 31, 2018. For purposes of calculating the quarter end total capitalization, securities were valued based on their volume weighted average trading price on the principal stock exchange (Nasdaq) for the preceding five trading days. For illustrative purposes only, the example above assumes a value of \$15.45 per unit.

Illustrative Equity Enhancement Distribution Calculation	Units (m)	Quarterly		Annualized		
		Per Unit	Total (\$m)	Per Unit	Total (\$m)	
Initial capitalization ⁽¹⁾						
Market value of our company's units per unit			\$21.914		\$21.914	
Our company's units	80.2					
Redemption-Exchange Units held by Brookfield ⁽²⁾	386.1					
Total units	466.3					
Total market value			\$10,218.2		\$10,218.2	
Preferred shares of holding entities held by Brookfield			1,275.0		1,275.0	
Recourse debt, net of cash			(25.0)		(25.0)	
Total capitalization			\$11,468.2		\$11,468.2	
Capitalization at illustrative quarter end ⁽³⁾						
Market value of our company's units per unit			\$15.45		\$15.45	
GP Units and LP Units	279.7					
Exchange LP Units	3.3					
Redemption-Exchange Units held by Brookfield ⁽²⁾	437.4					
Total units	720.4					
Total market value			\$11,131.5		\$11,131.5	
Preferred shares of holding entities held by Brookfield			435.0		435.0	
Class A preferred shares			1,800.0		1,800.0	
Recourse debt, net of cash			2,607.3		2,607.3	
Total capitalization			\$15,973.8		\$15,973.8	
Increase in total capitalization			\$4,505.6		\$4,505.6	
Days in quarter / year			90		365	
Fraction of quarter / year ⁽⁴⁾			100.00	%	100.00	%
Equity enhancement distribution fee rate			0.3125	%	1.25	%
Gross equity enhancement distribution to Property Special LP			\$14.1		\$56.4	

Fee offsets ⁽⁵⁾	(14.1)	(56.4)
Net equity	\$—	\$—

For purposes of calculating the equity enhancement distribution at each quarter end, the initial total capitalization against which the quarter end total capitalization is measured will always be our company's total capitalization immediately following the Spin-off. For purposes of calculating the initial total capitalization, securities were valued based on their volume weighted average trading price on the principal stock exchange (NYSE) for the 30 trading days commencing on April 15, 2013, the date of the Spin-off.

Includes (a) Redemption-Exchange Units of the Property Partnership that are held by Brookfield and that are redeemable for cash or exchangeable for our company's units in accordance with the Redemption-Exchange Mechanism and (b) Special LP Units held by Property Special LP. For purposes of calculating total capitalization, the value of these securities is assumed to be equal to the value of our company's units.

Based on the number of units, Exchange LP Units and Redemption-Exchange Units as of December 31, 2018. For purposes of calculating the quarter end total capitalization, securities were valued based on their volume weighted average trading price on the principal stock exchange (Nasdaq) for the preceding five trading days. For illustrative purposes only, the example above assumes a value of \$15.45 per unit.

The example above assumes a full illustrative quarter and a full illustrative year. The equity enhancement distribution fee will be pro-rated for any partial payment period.

The equity enhancement distribution for any quarter will be reduced by an amount equal to (i) the proportion of each cash payment in relation to such quarter made by an Operating Entity to Brookfield, including any payment made in the form of a dividend, distribution or other profit entitlement, which our company determines to be comparable to the equity enhancement distribution that is attributable to the amount that a Service Recipient has committed and/or contributed at such time (either as debt or equity) to such Operating Entity (and, in the case of a commitment, as set forth in the terms of the subscription agreement or other underlying documentation with respect to such operating entity at or prior to such time), provided that the aggregate amount of any such payments under this clause (i) will not exceed an amount equal to 0.3125% of the amount the Service Recipient has so committed and/or contributed and the deduction of such amount will not result in this equity enhancement adjustment being less than zero; (ii) any dividend, distribution or other profit entitlement made by BPR operating entities to Brookfield and (iii) the amount, if any, by which 0.125% of the total capitalization value of our company on the last day of such quarter exceeds \$12.5 million (plus the amount of any annual escalation by the specified inflation factor), provided that the deduction of such amount under this clause (ii) will not result in this equity enhancement adjustment being less than zero. For any quarter in which our company determines that there is insufficient cash to pay the equity enhancement distribution, our company may elect to pay all or a portion of this distribution in Redemption-Exchange Units.

Illustrative Incentive Distribution Calculation	Quarterly		Annualized	
	Units (m)	Per Unit (\$)	Units (m)	Per Unit (\$)
Illustrative distribution		\$0.315		\$1.260
First distribution threshold		\$0.275		\$1.100
Total units of Property Partnership ⁽¹⁾	900.2			
Total first distribution		\$ 247.5		\$ 990.0
Distribution in excess of first distribution threshold		\$0.025		\$0.100
Total units of Property Partnership ⁽¹⁾	900.2			
Second distribution to all partners		\$ 22.5		\$ 90.0
15% incentive distribution to Property Special LP		4.0		16.0
Total second distribution		\$ 26.5		\$ 106.0
Distribution in excess of second distribution threshold		\$0.015		\$0.060
Total units of Property Partnership ⁽¹⁾	900.2			
Third distribution to all partners		\$ 13.5		\$ 54.0
25% incentive distribution to Property Special LP		4.5		18.0
Total third distribution		\$ 18.0		\$ 72.0
Total distributions to partners of the Property Partnership (including incentive distributions)		\$ 292.0		\$ 1,168.0
Incentive distributions		\$ 8.5		\$ 34.0
Less: Incentive Distribution Account Credits		(8.5)		(34.0)
Net Incentive Distribution payable to Brookfield Asset Management		\$ —		\$ —
Total incentive distributions to Property Special LP		\$ —		\$ —

Based on the number of units on December 31, 2018. Includes (a) Managing General Partner Units of the Property Partnership held by our company, (b) Redemption-Exchange Units of the Property Partnership that are held by (1) Brookfield and that are redeemable for cash or exchangeable for the company's units in accordance with the Redemption-Exchange Mechanism and (c) Special LP Units of the Property Partnership held by Property Special LP.

The table below quantifies, on a quarterly and annualized basis, all management fees and equity enhancement and incentive distributions that would be earned based on the equity enhancement and incentive distribution examples set

forth above. The table below is for illustrative purposes only and is not indicative of our company's expectations.

Total Illustrative Amounts	Quarterly Annualized	
	\$m	\$m
Base management fee ⁽¹⁾	\$ 20.0	\$ 80.0
Equity enhancement distribution	—	—
Incentive distribution	—	—
Total	\$ 20.0	\$ 80.0

The annual base management fee paid by our partnership to Brookfield Asset Management is 0.5% of the total capitalization of our partnership, subject to an annual minimum of \$50 million, plus annual inflation adjustments.
⁽¹⁾ 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.

If, prior to the dissolution of the Property Partnership, except at any time that Preferred Units are outstanding, available cash in any quarter is not sufficient to pay a distribution to the owners of all Property Partnership interests, pro rata to their percentage interest, then our company may elect to pay the distribution at the then current level first to our company, in respect of the Managing General Partner Units of the Property Partnership held by our company, and then to the holders of the Redemption-Exchange Units to the extent practicable, and shall accrue any such deficiency for payment from available cash in future quarters as described above.

If, prior to the dissolution of the Property Partnership, and subject to the terms of any Preferred Units then outstanding, available cash is deemed by our company, in its sole discretion, to be (i) attributable to sales or other dispositions of the Property Partnership's assets, and (ii) representative of unrecovered capital, then such available cash shall be distributed (x) to the partners of the Property Partnership other than Preferred Unitholders in proportion to the unrecovered capital attributable to the Property Partnership interests (other than Preferred Units) held by the partners until such time as the unrecovered capital attributable to each such partnership interest is equal to zero and (y) to holders of FV LTIP Units in an amount per FV LTIP Unit equal to (A) the amount distributed per Managing General Partner Unit pursuant to clause (x) multiplied by (B) 100% or any such designated lower percentage for performance-based FV LTIP Units; provided that distributions in respect of an FV LTIP Unit shall be limited to the holder's economic capital account balance attributable to such FV LTIP Unit as of the date of distribution. Thereafter, distributions of available cash made by the Property Partnership (to the extent made prior to dissolution) will be made in accordance with the Regular Distribution Waterfall.

Upon the occurrence of an event resulting in the dissolution of the Property Partnership, all cash and property of the Property Partnership in excess of that required to discharge the Property Partnership's liabilities will be distributed as follows: (i) to the extent such cash and/or property is attributable to a realization event occurring prior to the event of dissolution, such cash and/or property will be distributed in accordance with the Regular Distribution Waterfall and/or the distribution waterfall applicable to unrecovered capital, (ii) only if there are no Preferred Units outstanding, the aggregate amount of distributions previously deferred in respect of the Redemption-Exchange Units and not previously recovered and (iii) all other cash and/or property will be distributed in the manner set forth below:

first, 100% to our company until our company has received an amount equal to the excess of: (i) the amount of our outlays and expenses incurred during the term of the Property Partnership; over (ii) the aggregate amount of distributions received by our company pursuant to the first tier of the Regular Distribution Waterfall during the term of the Property Partnership;

second, 100% to Property Special LP until Property Special LP has received an amount equal to the fair market value of the equity enhancement distribution entitlement, as determined by a qualified independent valuator in accordance with the Property Partnership's limited partnership agreement, provided that such amount may not exceed 2.5 times the aggregate equity enhancement distribution payments made to Property Special LP during the immediately prior 24 months;

third, 100% to holders of the Preferred Units, pro rata to their respective relative percentage of Preferred Units held (determined by reference to the aggregate value of the issue price of the Preferred Units held by each such holder relative to the aggregate value of the issue price of all Preferred Units outstanding), until an amount equal to all preferential distribution to which the holders of the Preferred Units are entitled in the event of dissolution, liquidation, or winding-up of the Property Partnership under the terms of the Preferred Units then outstanding (including any outstanding accrued and unpaid preferential distributions from prior periods) has been distributed in respect of each Preferred Unit outstanding;

fourth, if there are Preferred Units outstanding, an amount equal to the amount of cash or property held by the Property Partnership at such time, that is attributable to a realization event occurring prior to a dissolution event and that has been deemed by our company, in its sole discretion, to be (i) attributable to sales or other dispositions of the Property Partnership's assets, and (ii) representative of unrecovered capital, shall be distributed to the partners of the Property Partnership other than Preferred Unitholders in proportion to the unrecovered capital attributable to the Property Partnership interests (other than Preferred Units) held by the partners until such time as the unrecovered capital attributable to each such partnership interest is equal to zero, as if such distribution were a distribution

occurring prior to dissolution;

fifth, if there are Preferred Units outstanding, to holders of Redemption-Exchange Units pro rata in proportion to their respective percentage interests (which will be calculated using Redemption-Exchange Units only), the aggregate amount of distributions previously deferred and not previously recovered;

sixth, 100% to the partners of the Property Partnership other than Preferred Unitholders, in proportion to their respective amounts of unrecovered capital in the Property Partnership;

seventh, 100% to the owners of the Property Partnership's partnership interests other than Preferred Unitholders, pro rata to their percentage interests (the percentage interest as to the Preferred Unitholders shall be zero), until an amount has been distributed in respect of each partnership interest of the Property Partnership equal to the excess of: (i) the First Distribution Threshold for each quarter during the term of the Property Partnership (subject to adjustment upon the subsequent issuance of additional partnership interests in the Property Partnership); over (ii) the aggregate amount of distributions made in respect of a partnership interest of Property Partnership other than Preferred Units pursuant to the sixth tier of the Regular Distribution Waterfall during the term of the Property Partnership (subject to adjustment upon the subsequent issuance of additional partnership interests in the Property Partnership);

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eighth, 85% to the owners of the Property Partnership's partnership interests other than Preferred Unitholders, pro rata to their percentage interests (the percentage interest as to the Preferred Unitholders shall be zero), and 15% to Property Special LP, until an amount has been distributed in respect of each partnership interest of the Property Partnership equal to the excess of: (i) the Second Distribution Threshold less the First Distribution Threshold for each quarter during the term of the Property Partnership (subject to adjustment upon the subsequent issuance of additional partnership interests in the Property Partnership); over (ii) the aggregate amount of distributions made in respect of a partnership interest of the Property Partnership pursuant to the seventh tier of the Regular Distribution Waterfall during the term of the Property Partnership (subject to adjustment upon the subsequent issuance of additional partnership interests in the Property Partnership); and

thereafter, 75% to the owners of the Property Partnership's partnership interests other than Preferred Unitholders, pro rata to their percentage interests, and 25% to Property Special LP.

Notwithstanding the above, an AO LTIP Unit will participate in distributions as if it had been converted in accordance with its terms into Redemption-Exchange Units as of the date of such distributions.

Each partner's percentage interest is determined by the relative portion of all outstanding partnership interests held by that partner from time to time and is adjusted upon and reflects the issuance of additional partnership interests of the Property Partnership. In addition, the unreturned capital attributable to each of our partnership interests, as well as certain of the distribution thresholds set forth above, may be adjusted pursuant to the terms of the limited partnership agreement of the Property Partnership so as to ensure the uniformity of the economic rights and entitlements of: (i) the previously outstanding Property Partnership's partnership interests; and (ii) the subsequently-issued Property Partnership's partnership interests.

The limited partnership agreement of the Property Partnership provides that, to the extent that any Holding Entity or any operating entity pays to Brookfield any comparable performance or incentive distribution, the amount of any incentive distributions paid to Property Special LP in accordance with the distribution entitlements described above will be reduced in an equitable manner to avoid duplication of distributions.

Property Special LP may elect, at its sole discretion, to reinvest equity enhancement distributions and incentive distributions in Redemption-Exchange Units.

No Management or Control; No Voting

The Property Partnership's limited partners, in their capacities as such, may not take part in the management or control of the activities and affairs of the Property Partnership and do not have any right or authority to act for or to bind the Property Partnership or to take part or interfere in the conduct or management of the Property Partnership. Limited partners are not entitled to vote on matters relating to the Property Partnership, although holders of units are entitled to consent to certain matters as described below under "- Amendment of the Property Partnership Limited Partnership Agreement", "- Opinion of Counsel and Limited Partner Approval", and "- Withdrawal of the Managing General Partner" which may be effected only with the consent of the holders of the percentages of outstanding units of the Property Partnership specified below. For purposes of any approval required from holders of the Property Partnership's units, if holders of Redemption-Exchange Units are entitled to vote, they will be entitled to one vote per unit held subject to a maximum number of votes equal to 49% of the total voting power of all units of the Property Partnership then issued and outstanding. Each unit entitles the holder thereof to one vote for the purposes of any approvals of holders of units.

Meetings

Our company may call special meetings of the limited partners of the Property Partnership at a time and place outside of Canada determined by us on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Special meetings of the limited partners may also be called by limited partners owning 50% or more of the outstanding partnership interests of the class or classes for which a meeting is proposed. For this purpose, our partnership interests outstanding do not include partnership interests owned by our company or Brookfield. Only holders of record on the date set by our company (which may not be less than 10 days nor more than 60 days before the meeting) are entitled to notice of any meeting.

Amendment of the Property Partnership Limited Partnership Agreement

Amendments to the Property Partnership's limited partnership agreement may be proposed only by or with the consent of our company. To adopt a proposed amendment, other than the amendments that do not require limited partner approval discussed below, our company must seek approval of a majority of the Property Partnership's outstanding units required to approve the

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amendment, either by way of a meeting of the limited partners to consider and vote upon the proposed amendment or by written approval. For this purpose, the Redemption-Exchange Units will not constitute a separate class and will vote together with the other outstanding limited partnership units of the Property Partnership.

For purposes of any approval required from holders of the Property Partnership's units, if holders of Redemption-Exchange Units are entitled to vote, they will be entitled to one vote per unit held subject to a maximum number of votes equal to 49% of the total voting power of all units of the Property Partnership then issued and outstanding.

Prohibited Amendments

No amendment may be made that would:

enlarge the obligations of any limited partner of the Property Partnership without its consent, except that any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests may be approved by at least a majority of the type or class of partnership interests so affected; or

enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by the Property Partnership to Property Special LP or any of its affiliates without the consent of Property Special LP which may be given or withheld in its sole discretion.

The provision of the Property Partnership's limited partnership agreement preventing the amendments having the effects described in clauses (1) or (2) above can be amended upon the approval of the holders of at least 90% of the outstanding limited partnership units of the Property Partnership.

No Limited Partner Approval

Subject to applicable law, our company may generally make amendments to the Property Partnership's limited partnership agreement without the approval of any limited partner to reflect:

- 1) a change in the name of the Property Partnership, the location of the Property Partnership's registered office or the Property Partnership's registered agent;
- 2) the admission, substitution, withdrawal or removal of partners in accordance with the limited partnership agreement of the Property Partnership;

a change that our company determines is reasonable and necessary or appropriate for the Property Partnership to qualify or to continue its qualification as an exempted limited partnership under the laws of Bermuda or a partnership in which the limited partners have limited liability under the laws of any jurisdiction or is necessary or advisable in the opinion of our company to ensure that the Property Partnership will not be treated as an association taxable as a corporation or otherwise taxed as an entity for tax purposes;

- 3) an amendment that our company determines to be necessary or appropriate to address certain changes in tax regulations, legislation or interpretation;

5)

an amendment that is necessary, in the opinion of counsel, to prevent the Property Partnership or our company or its directors or officers, from in any manner being subjected to the provisions of the Investment Company Act or similar legislation in other jurisdictions;

an amendment that our company determines in its sole discretion to be necessary or appropriate for the creation,
6) authorization or issuance of any class or series of partnership interests or options, rights, warrants or appreciation rights relating to partnership interests;

7) any amendment expressly permitted in the Property Partnership's limited partnership agreement to be made by our company acting alone;

any amendment that our company determines in its sole discretion to be necessary or appropriate to reflect and
8) account for the formation by the Property Partnership of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by the Property Partnership's limited partnership agreement;

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9) a change in the Property Partnership's fiscal year and related changes;

any amendment concerning the computation or allocation of specific items of income, gain, expense or loss among the partners that, in the sole discretion of our company, is necessary or appropriate to: (i) comply with the requirements of applicable law; (ii) reflect the partners' interests in the Property Partnership; or (iii) consistently reflect the distributions made by the Property Partnership to the partners pursuant to the terms of the limited partnership agreement of the Property Partnership;

10) any amendment that our company determines in its sole discretion to be necessary or appropriate to address any statute, rule, regulation, notice, or announcement that affects or could affect the U.S. federal income tax treatment of any allocation or distribution related to any interest of our company in the profits of the Property Partnership; or

11) any other amendments substantially similar to any of the matters described in (1) through (11) above.

In addition, our company may make amendments to the Property Partnership's limited partnership agreement without the approval of any limited partner if those amendments, in the discretion of our company:

1) do not adversely affect the Property Partnership's limited partners considered as a whole (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect;

2) are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any governmental agency or judicial authority;

3) are necessary or appropriate for any action taken by our company relating to splits or combinations of units under the provisions of the Property Partnership's limited partnership agreement; or

4) are required to effect the intent expressed in the final registration statement and prospectus of our company filed in connection with the Spin-off or the intent of the provisions of the Property Partnership's limited partnership agreement or are otherwise contemplated by the Property Partnership's limited partnership agreement.

Opinion of Counsel and Limited Partner Approval

Our company will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under “- No Limited Partner Approval” should occur. Any other amendment to the Property Partnership's limited partnership agreement will only become effective either with the approval of at least 90% of the Property Partnership's units or if an opinion of counsel is obtained to effect that the amendment will not (i) cause the Property Partnership to be treated as an association taxable as a corporation or otherwise taxable as an entity for tax purposes (provided that for U.S. tax purposes our company has not made the election described below under “- Election to be Treated as a Corporation”), or (ii) affect the limited liability under the Bermuda Limited Partnership Act 1883 of any of the Property Partnership's limited partners.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any type or class of partnership interests in relation to other classes of partnership interests will also require the approval of the holders of at least a majority of the outstanding partnership interests of the class so affected.

In addition, any amendment that reduces the voting percentage required to take any action must be approved by the written consent or affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting requirement sought to be reduced.

Sale or Other Disposition of Assets

The Property Partnership's limited partnership agreement generally prohibits our company, without the prior approval of the holders of a majority of the units of the Property Partnership, from causing the Property Partnership to, among other things, sell, exchange or otherwise dispose of all or substantially all of the Property Partnership's assets in a single transaction or a series of related transactions, including by approving on the Property Partnership's behalf the sale, exchange or other disposition of all or substantially all of the assets of the Property Partnership's subsidiaries. However, our company, in its sole discretion, may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the Property Partnership's assets (including for the benefit of persons who are not the Property Partnership or the Property Partnership's subsidiaries) without that approval.

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Our company may also sell all or substantially all of the Property Partnership's assets under any forced sale of any or all of the Property Partnership's assets pursuant to the foreclosure or other realization upon those encumbrances without that approval.

Election to be Treated as a Corporation

If our company determines that it is no longer in the Property Partnership's best interests to continue as a partnership for U.S. federal income tax purposes, our company may elect to treat the Property Partnership as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes.

Dissolution

The Property Partnership will dissolve and its affairs will be wound up upon the earlier to occur of: (i) the service of notice by our company, with the approval of a majority of the members of the independent directors of the BPY General Partner, that in the opinion of our company the coming into force of any law, regulation or binding authority renders illegal or impracticable the continuation of the Property Partnership; (ii) the election of our company if the Property Partnership, as determined by our company, is required to register as an "investment company" under the Investment Company Act or similar legislation in other jurisdictions; (iii) the date that our company withdraws from the Property Partnership (unless a successor entity becomes the managing general partner of the Property Partnership as described below under "- Withdrawal of the Managing General Partner"); (iv) the date on which any court of competent jurisdiction enters a decree of judicial dissolution of the Property Partnership or an order to wind-up or liquidate our company without the appointment of a successor in compliance with the provisions of the Property Partnership's limited partnership agreement that are described below under "- Withdrawal of the Managing General Partner"; and (v) the date on which our company decides to dispose of, or otherwise realize proceeds in respect of, all or substantially all of the Property Partnership's assets in a single transaction or series of transactions.

The Property Partnership will be reconstituted and continue without dissolution if within 30 days of the date of dissolution (and provided that a notice of dissolution with respect to the Property Partnership has not been filed with the Bermuda Monetary Authority), a successor managing general partner executes a transfer deed pursuant to which the new managing general partner assumes the rights and undertakes the obligations of the original managing general partner, but only if the Property Partnership receives an opinion of counsel that the admission of the new managing general partner will not result in the loss of limited liability of any limited partner of the Property Partnership.

Withdrawal of the Managing General Partner

Our company may withdraw as managing general partner of the Property Partnership without first obtaining approval of unitholders of the Property Partnership by giving written notice, and that withdrawal will not constitute a violation of the limited partnership agreement.

Upon the withdrawal of our company, the holders of at least a majority of outstanding units may select a successor to that withdrawing managing general partner. If a successor is not selected, or is selected but an opinion of counsel regarding limited liability, tax matters and the Investment Company Act (and similar legislation in other jurisdictions) cannot be obtained, the Property Partnership will be dissolved, wound up and liquidated. See "- Dissolution" above.

Our company may not be removed as managing general partner by the partners of the Property Partnership.

In the event of the withdrawal of a managing general partner as a result of certain events relating to the bankruptcy, insolvency or dissolution of that managing general partner, which withdrawal will violate the Property Partnership's limited partnership agreement, a successor managing general partner will have the option to purchase the Managing General Partner Units of the departing managing general partner for a cash payment equal to its fair market value. Under all other circumstances where a managing general partner withdraws, the departing managing general partner will have the option to require the successor managing general partner to purchase the Managing General Partner Units of the departing managing general partner for a cash payment equal to its fair market value. In each case, this fair market value will be determined by agreement between the departing managing general partner and the successor managing general partner. If no agreement is reached within 30 days of the managing general partner's departure, an independent investment banking firm or other independent expert selected by the departing managing general partner and the successor managing general partner will determine the fair market value. If the departing managing general partner and the successor managing general partner cannot agree upon an expert within 45 days of the managing general partner's departure, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing managing general partner or the successor managing general partner, the departing managing general partner's Managing General Partner Units will automatically convert into units

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pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

Transfer of the Managing General Partner Units

Our company may transfer all or any part of its Managing General Partner Units without first obtaining approval of any unitholder of the Property Partnership. As a condition of this transfer, the transferee must: (i) be an affiliate of the BPY General Partner (or the transfer must be made concurrently with a transfer of the GP Units to an affiliate of the transferee); (ii) agree to assume the rights and duties of the managing general partner to whose interest that transferee has succeeded; (iii) agree to assume the provisions of the Property Partnership's limited partnership agreement; and (iv) furnish an opinion of counsel regarding limited liability, tax matters and the Investment Company Act (and similar legislation in other jurisdictions). Any transfer of the Managing General Partner Units is subject to prior notice to and approval of the relevant Bermuda regulatory authorities. At any time, the BPY General Partner may transfer all or any part of its general partnership interests in our company without the approval of our unitholders as described under Item 10.B. "Additional Information - Memorandum and Articles of Association - Description of our Units and our Limited Partnership Agreement - Transfer of the General Partnership Interest".

Transactions with Interested Parties

Our company, its affiliates and their respective partners, members, directors, officers, employees and shareholders, which we refer to as "interested parties", may become limited partners or beneficially interested in limited partners and may hold, dispose of or otherwise deal with units of the Property Partnership with the same rights they would have if our company were not a party to the limited partnership agreement of the Property Partnership. An interested party will not be liable to account either to other interested parties or to the Property Partnership, its partners or any other persons for any profits or benefits made or derived by or in connection with any such transaction.

The limited partnership agreement of the Property Partnership permits an interested party to sell investments to, purchase assets from, vest assets in and enter into any contract, arrangement or transaction with our company, the Property Partnership, any of the Holding Entities, any operating entity or any other holding entity established by the Property Partnership and may be interested in any such contract, transaction or arrangement and shall not be liable to account either to the Property Partnership, any of the Holding Entities, any operating entity or any other holding entity established by the Property Partnership or any other person in respect of any such contract, transaction or arrangement, or any benefits or profits made or derived therefrom, by virtue only of the relationship between the parties concerned, subject to the bye-laws of the BPY General Partner.

Outside Activities of the Managing General Partner

In accordance with our limited partnership agreement, our company is authorized to: (i) acquire and hold interests in the Property Partnership and, subject to the approval of the BPY General Partner, interests in any other entity; (ii) engage in any activity related to the capitalization and financing of our company's interests in the Property Partnership and such other entities; (iii) serve as the managing general partner of the Property Partnership and execute and deliver, and perform the functions of a managing general partner specified in, the limited partnership agreement of the Property Partnership; and (iv) engage in any other activity that is incidental to or in furtherance of the foregoing and that is approved by the BPY General Partner and that lawfully may be conducted by a limited partnership organized under the Bermuda Limited Partnership Act 1883, the Bermuda Exempted Partnerships Act 1992 and our limited partnership agreement.

The Property Partnership's limited partnership agreement provides that each person who is entitled to be indemnified by the Property Partnership, as described below under "- Indemnification; Limitations on Liability", will have the right to engage in businesses of every type and description and other activities for profit, and to engage in and possess interests in business ventures of any and every type or description, irrespective of whether: (i) such businesses and activities are similar to our activities; or (ii) such businesses and activities directly compete with, or disfavor or exclude, the BPY General Partner, our company, the Property Partnership, any Holding Entity, any operating entity, or any other holding entity established by the Property Partnership. Such business interests, activities and engagements will be deemed not to constitute a breach of the Property Partnership's limited partnership agreement or any duties stated or implied by law or equity, including fiduciary duties, owed to any of the BPY General Partner, our company, the Property Partnership, any Holding Entity, any operating entity, and any other holding entity established by the Property Partnership (or any of their respective investors), and shall be deemed not to be a breach of our company's fiduciary duties or any other obligation of any type whatsoever of our company. None of the BPY General Partner, our company, the Property Partnership, any Holding Entity, operating entity, any other holding entity established by the Property Partnership or any other person shall have any rights by virtue of the Property Partnership's limited partnership agreement or our partnership relationship established thereby or otherwise in any business ventures of any person who is entitled to be indemnified by the Property Partnership as described below under "- Indemnification; Limitations on Liability".

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Our company and the other indemnified persons described in the preceding paragraph do not have any obligation under the Property Partnership's limited partnership agreement or as a result of any duties stated or implied by law or equity, including fiduciary duties, to present business or investment opportunities to the Property Partnership, the limited partners of the Property Partnership, any Holding Entity, operating entity, or any other holding entity established by the Property Partnership. These provisions do not affect any obligation of such indemnified person to present business or investment opportunities to our company, the Property Partnership, any Holding Entity, any operating entity or any other holding entity established by the Property Partnership pursuant to the Relationship Agreement or any separate written agreement between such persons.

Accounts, Reports and Other Information

Under the Property Partnership's limited partnership agreement, our company is required to prepare financial statements in accordance with IFRS or such other appropriate accounting principles as determined from time to time by our company, in its sole discretion.

Our company is also required to use commercially reasonable efforts to prepare and send to the limited partners of the Property Partnership on an annual basis a Schedule K-1 (or equivalent). Our company will also, where reasonably possible, prepare and send information required by the non-U.S. limited partners of the Property Partnership for U.S. federal income tax reporting purposes.

Indemnification; Limitations on Liability

Under the Property Partnership's limited partnership agreement, it is required to indemnify to the fullest extent permitted by law the BPY General Partner, our company and any of their respective affiliates (and their respective officers, directors, agents, shareholders, partners, members and employees), any person who serves on a governing body of the Property Partnership, a Holding Entity, operating entity or any other holding entity established by our company and any other person designated by its general partner as an indemnified person, in each case, against all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with its business, investments and activities or by reason of their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under the Property Partnership's limited partnership agreement: (i) the liability of such persons has been limited to the fullest extent permitted by law, except to the extent that their conduct involves bad faith, fraud or willful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful; and (ii) any matter that is approved by the independent directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties. The Property Partnership's limited partnership agreement requires it to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

Governing Law

The Property Partnership's limited partnership agreement is governed by and will be construed in accordance with the laws of Bermuda.

10.C. MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by us in the two years preceding the date of this Form 20-F or prior to that which remain outstanding:

Support Agreement, dated March 19, 2014, between Brookfield Property Partners L.P. and Brookfield Office
1) Properties Exchange LP described under Item 10.B “Additional Information - Memorandum and Articles of Association - Description of Our Units and Our Limited Partnership Agreement”;

Second Amended and Restated Master Services Agreement dated August 27, 2018 by and among Brookfield Asset
2) Management, the Service Recipients and the Service Providers described under Item 7.B. “Major Shareholders and Related Party Transactions - Related Party Transactions - Our Master Services Agreement”;

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Relationship Agreement dated April 15, 2013 by and among Brookfield Asset Management, our company and the
3) Service Providers and others described under Item 7.B. “Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Relationship Agreement”;

Registration Rights Agreement dated April 10, 2013 between our company and Brookfield Asset Management
4) described under Item 7.B. “Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Registration Rights Agreement”;

Second Amended and Restated Limited Partnership Agreement of our partnership dated August 8, 2013 described
5) under Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of Our Units and Our Limited Partnership Agreement”;

Fourth Amended and Restated Limited Partnership Agreement of the Property Partnership dated February 20, 2019
6) described under Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement”;

Guarantee Agreement between our company and the Class A Preferred Unitholder dated December 4, 2014
7) described under Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Class A Preferred Units”;

Investor Agreement between our company and the Class A Preferred Unitholder dated December 4, 2014 described
8) under Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of the Property Partnership Limited Partnership Agreement - Class A Preferred Units”;

Refinancing Agreement by and among our company, the Property Partnership and Brookfield Asset Management
9) dated December 4, 2014 described under Item 7.B. “Major Shareholders and Related Party Transactions - Related Party Transactions - Relationship with Brookfield - Maturity of Class A Preferred Units”; and

First Amendment to the Second Amended and Restated Limited Partnership Agreement of our partnership dated
10) November 5, 2015 described under Item 10.B. “Additional Information - Memorandum and Articles of Association - Description of Our Units and Our Limited Partnership Agreement”;

Copies of the agreements noted above are available, free of charge, from the BPY General Partner and are available electronically on the website of the SEC at www.sec.gov and on our SEDAR profile at www.sedar.com. Written requests for such documents should be directed to our Corporate Secretary at 73 Front Street, 5th Floor, Hamilton HM 12, Bermuda.

10.D. EXCHANGE CONTROLS

There are currently no governmental laws, decrees, regulations or other legislation of Bermuda which restrict the import or export of capital or the remittance of dividends, interest or other payments to non-residents of Bermuda holding our units.

10.E. TAXATION

The following summary discusses certain material U.S. and Canadian tax considerations related to the holding and disposition of our units as of the date hereof. Prospective purchasers of our units are advised to consult their own tax

advisers concerning the consequences under the tax laws of the country of which they are resident or in which they are otherwise subject to tax of making an investment in our units.

U.S. Tax Considerations

This summary discusses certain material U.S. federal income tax considerations to our unitholders relating to the receipt, holding and disposition of our units as of the date hereof. This summary is based on provisions of the U.S. Internal Revenue Code, on the regulations promulgated thereunder, or the U.S. Treasury Regulations, and on published administrative rulings, judicial decisions, and other applicable authorities, all as in effect on the date hereof and all of which are subject to change at any time, possibly with retroactive effect. This summary is necessarily general and may not apply to all categories of investors, some of whom may be subject to special rules, including, without limitation, persons that own (directly or indirectly, applying certain attribution rules) 5% or more of our units, dealers in securities or currencies, financial institutions or financial services entities, mutual funds, life insurance companies, persons that hold our units as part of a straddle, hedge, constructive sale or conversion transaction with other investments, persons whose units are loaned to a short seller to cover a short sale of units, persons whose

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functional currency is not the U.S. Dollar, persons who have elected mark-to-market accounting, persons who hold our units through a partnership or other entity treated as a pass-through entity for U.S. federal income tax purposes, persons for whom our units are not a capital asset, persons who are liable for the alternative minimum tax and certain U.S. expatriates or former long-term residents of the United States. Tax-exempt organizations are addressed separately below. The actual tax consequences of the ownership and disposition of our units will vary depending on your individual circumstances.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of one or more of our units that is for U.S. federal tax purposes: (i) an individual citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (a) that is subject to the primary supervision of a court within the United States and all substantial decisions of which one or more U.S. persons have the authority to control or (b) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

A “Non-U.S. Holder” is a beneficial owner of one or more of our units, other than a U.S. Holder or an entity classified as a partnership or other fiscally transparent entity for U.S. federal tax purposes.

If a partnership holds our units, the tax treatment of a partner of such partnership generally will depend upon the status of the partner and the activities of our company. Partners of partnerships that hold our units should consult their own tax advisers.

This discussion does not constitute tax advice and is not intended to be a substitute for tax planning. You should consult your own tax adviser concerning the U.S. federal, state and local income tax consequences particular to your ownership and disposition of our units, as well as any tax consequences under the laws of any other taxing jurisdiction.

Partnership Status of Our Company and the Property Partnership

Each of our company and the Property Partnership has made a protective election to be classified as a partnership for U.S. federal tax purposes. An entity that is treated as a partnership for U.S. federal tax purposes, generally incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss, deduction, or credit of our company in computing its U.S. federal income tax liability, regardless of whether cash distributions are made. Distributions of cash by a partnership to a partner generally are not taxable unless the amount of cash distributed to a partner is in excess of the partner’s adjusted basis in its partnership interest.

Legislation that became effective for taxable years beginning after December 31, 2017, may impose liability for adjustments to a partnership’s tax returns on the partnership itself in certain circumstances, absent an election to the contrary. The effects of the application of this legislation on us are uncertain, and you should consult your own tax advisers regarding all aspects of this legislation as it affects your particular circumstances. See below under “- Administrative Matters - Information Returns and Audit Procedures”.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a “publicly traded partnership”, unless an exception applies. Our company is publicly traded. However, an exception, referred to as the “Qualifying Income Exception”, exists with respect to a publicly traded partnership if (i) at least 90% of such partnership’s gross income for every taxable year consists of “qualifying income” and (ii) the partnership would not be required to register under the Investment Company Act if it were a U.S.

corporation. Qualifying income includes certain interest income, dividends, real property rents, gains from the sale or other disposition of real property, and any gain from the sale or disposition of a capital asset or other property held for the production of income that otherwise constitutes qualifying income.

The BPY General Partner intends to manage the affairs of our company and the Property Partnership so that our company will meet the Qualifying Income Exception in each taxable year. Accordingly, the BPY General Partner believes that our company will be treated as a partnership and not as a corporation for U.S. federal income tax purposes.

If our company fails to meet the Qualifying Income Exception, other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery, or if our company is required to register under the Investment Company Act, our company will be treated as if it had transferred all of its assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which our company fails to meet the Qualifying Income Exception, in return for stock in such corporation, and then distributed the stock to our unitholders in liquidation. This deemed contribution and liquidation could result in the recognition of gain (but not loss) to U.S. Holders, except that U.S. Holders generally would not recognize the portion of such gain attributable to stock or securities of non-U.S. corporations held by us. If, at the time of such

contribution, our company were to have liabilities in excess of the tax basis of its assets, U.S. Holders generally would recognize gain in respect of such excess liabilities upon the deemed transfer. Thereafter, our company would be treated as a corporation for U.S. federal income tax purposes.

If our company were treated as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our company's items of income, gain, loss, deduction, or credit would be reflected only on our company's tax return rather than being passed through to our unitholders, and our company would be subject to U.S. corporate income tax and potentially branch profits tax with respect to its income, if any, effectively connected with a U.S. trade or business. Moreover, under certain circumstances, our company might be classified as a PFIC, for U.S. federal income tax purposes, and a U.S. Holder would be subject to the rules applicable to PFICs discussed below. See "- Consequences to U.S. Holders - Passive Foreign Investment Companies". Subject to the PFIC rules, distributions made to U.S. Holders would be treated as taxable dividend income to the extent of our company's current or accumulated earnings and profits. Any distribution in excess of current and accumulated earnings and profits would first be treated as a tax-free return of capital to the extent of a U.S. Holder's adjusted tax basis in its units. Thereafter, to the extent such distribution were to exceed a U.S. Holder's adjusted tax basis in its units, the distribution would be treated as gain from the sale or exchange of such units. The amount of a distribution treated as a dividend could be eligible for reduced rates of taxation, provided certain conditions are met. In addition, dividends, interest and certain other passive income received by our company with respect to U.S. investments generally would be subject to U.S. withholding tax at a rate of 30% (although certain Non-U.S. Holders nevertheless might be entitled to certain treaty benefits in respect of their allocable share of such income) and U.S. Holders would not be allowed a tax credit with respect to any such tax withheld. In addition, the "portfolio interest" exemption would not apply to certain interest income of our company (although certain Non-U.S. Holders nevertheless might be entitled to certain treaty benefits in respect of their allocable share of such income). Depending on the circumstances, additional adverse U.S. federal income tax consequences could result under the anti-inversion rules described in Section 7874 of the U.S. Internal Revenue Code, the U.S. Treasury Regulations under Section 385 of the U.S. Internal Revenue Code, or other provisions of the U.S. Internal Revenue Code, as implemented by the U.S. Treasury Regulations and IRS administrative guidance. Based on the foregoing consequences, the treatment of our company as a corporation could materially reduce a holder's after-tax return and therefore could result in a substantial reduction of the value of our units. If the Property Partnership were to be treated as a corporation for U.S. federal income tax purposes, consequences similar to those described above would apply.

The remainder of this summary assumes that our company and the Property Partnership will be treated as partnerships for U.S. federal tax purposes. We expect that a substantial portion of the items of income, gain, deduction, loss, or credit realized by our company will be realized in the first instance by the Property Partnership and allocated to our company for reallocation to our unitholders. Unless otherwise specified, references in this section to realization of our company's items of income, gain, loss, deduction, or credit include a realization of such items by the Property Partnership (or other lower tier partnership) and the allocation of such items to our company.

Consequences to U.S. Holders

Holding of Our Units

Income and Loss. If you are a U.S. Holder, you will be required to take into account, as described below, your allocable share of our company's items of income, gain, loss, deduction, and credit for each of our company's taxable years ending with or within your taxable year. Each item generally will have the same character and source as though you had realized the item directly. You must report such items without regard to whether any distribution has been or will be received from our company. Our company intends to make cash distributions to all unitholders on a quarterly

basis in amounts generally expected to be sufficient to permit U.S. Holders to fund their estimated U.S. tax obligations (including U.S. federal, state, and local income taxes) with respect to their allocable shares of our company's net income or gain. However, based upon your particular tax situation and simplifying assumptions that our company will make in determining the amount of such distributions, and depending upon whether you elect to reinvest such distributions pursuant to the distribution reinvestment plan, if available, your tax liability might exceed cash distributions made to you, in which case any tax liabilities arising from your ownership of our units would need to be satisfied from your own funds.

With respect to U.S. Holders who are individuals, certain dividends paid by a corporation (including certain qualified foreign corporations) to our company and that are allocable to such U.S. Holders may qualify for reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of specified income tax treaties with the United States. In addition, a foreign corporation is treated as a qualified corporation with respect to its shares that are readily tradable on an established securities market in the United States. Among other exceptions, U.S. Holders who are individuals will not be eligible for reduced rates of taxation on any dividends if the payer is a PFIC for the taxable year in which such dividends are paid or for the preceding taxable year. Nor will such reduced rates of taxation generally apply to dividends paid by a REIT.

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Dividends received by non-corporate U.S. Holders may be subject to an additional Medicare tax on unearned income of 3.8% (see “-Medicare Tax” below). U.S. Holders that are corporations generally will not be entitled to a “dividends received deduction” in respect of dividends paid by non-U.S. corporations or REITs in which our company (through the Property Partnership) owns stock. You should consult your own tax adviser regarding the application of the foregoing rules in light of your particular circumstances.

For U.S. federal income tax purposes, your allocable share of our company’s items of income, gain, loss, deduction, or credit will be governed by our limited partnership agreement if such allocations have “substantial economic effect” or are determined to be in accordance with your interest in our company. Similarly, our company’s allocable share of items of income, gain, loss, deduction, or credit of the Property Partnership will be governed by the limited partnership agreement of the Property Partnership if such allocations have “substantial economic effect” or are determined to be in accordance with our interest in the Property Partnership. The BPY General Partner believes that, for U.S. federal income tax purposes, such allocations should be given effect, and the BPY General Partner intends to prepare and file tax returns based on such allocations. If the IRS were to successfully challenge the allocations made pursuant to either our company’s limited partnership agreement or the limited partnership agreement of the Property Partnership, then the resulting allocations for U.S. federal income tax purposes might be less favorable than the allocations set forth in such agreements.

Basis. In general, you will have an initial tax basis in your units equal to the sum of (i) the amount of cash paid for our units and (ii) your share of our company’s liabilities, if any. That basis will be increased by your share of our company’s income and by increases in your share of our company’s liabilities, if any. That basis will be decreased, but not below zero, by distributions you receive from our company, by your share of our company’s losses, and by any decrease in your share of our company’s liabilities. Under applicable U.S. federal income tax rules, a partner in a partnership has a single, or “unitary”, tax basis in his or her partnership interest. As a result, any amount you pay to acquire additional units (including through the distribution reinvestment plan) will be averaged with the adjusted tax basis of units owned by you prior to the acquisition of such additional units.

For purposes of the foregoing rules, the rules discussed immediately below, and the rules applicable to a sale or exchange of our units, our company’s liabilities generally will include our company’s share of any liabilities of the Property Partnership.

Limits on Deductions for Losses and Expenses. Your deduction of your allocable share of our company’s losses will be limited to your tax basis in our units and, if you are an individual or a corporate holder that is subject to the “at risk” rules, to the amount for which you are considered to be “at risk” with respect to our company’s activities, if that is less than your tax basis. In general, you will be at risk to the extent of your tax basis in our units, reduced by (i) the portion of that basis attributable to your share of our company’s liabilities for which you will not be personally liable (excluding certain qualified non-recourse financing) and (ii) any amount of money you borrow to acquire or hold our units, if the lender of those borrowed funds owns an interest in our company, is related to you, or can look only to your units for repayment. Your at-risk amount generally will increase by your allocable share of our company’s income and gain and decrease by distributions you receive from our company and your allocable share of losses and deductions. You must recapture losses deducted in previous years to the extent that distributions cause your at-risk amount to be less than zero at the end of any taxable year. Losses disallowed or recaptured as a result of these limitations will carry forward and will be allowable to the extent that your tax basis or at-risk amount, whichever is the limiting factor, subsequently increases. Upon the taxable disposition of our units, any gain recognized by you can be offset by losses that were previously suspended by the at-risk limitation, but may not be offset by losses suspended by the basis limitation. Any excess loss above the gain previously suspended by the at-risk or basis limitations may no longer be used. Under the Tax Cuts and Jobs Act, non-corporate taxpayers are not permitted to deduct “excess business

losses” for taxable years beginning after December 31, 2017, and before January 1, 2026. You should consult your own tax adviser regarding the limitations on the deductibility of losses under the U.S. Internal Revenue Code.

Limitations on Deductibility of Organizational Expenses and Syndication Fees. In general, neither our company nor any U.S. Holder may deduct organizational or syndication expenses. Similar rules apply to organizational or syndication expenses incurred by the Property Partnership. Syndication fees (which would include any sales or placement fees or commissions) must be capitalized and cannot be amortized or otherwise deducted.

Limitations on Interest Deductions. Your share of our company’s interest expense, if any, is likely to be treated as “investment interest” expense. For a non-corporate U.S. Holder, the deductibility of “investment interest” expense generally is limited to the amount of such holder’s “net investment income”. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment. Your share of our company’s dividend and interest income will be treated as investment income, although “qualified dividend income” subject to reduced rates of tax in the hands of an individual will only be treated as investment income if such individual elects to treat such dividend as ordinary income not subject to reduced rates of tax. In addition, state and local tax laws may disallow deductions for your share of our company’s interest expense. Under Section 163(j) of the U.S.

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Internal Revenue Code, additional limitations may apply to a corporate U.S. Holder's share of our company's interest expense, if any.

Deductibility of Partnership Investment Expenditures by Individual Partners and by Trusts and Estates. Under the Tax Cuts and Jobs Act, individuals and certain estates and trusts will not be permitted to claim miscellaneous itemized deductions for taxable years beginning after December 31, 2017, and before January 1, 2026. Such miscellaneous itemized deductions may include the operating expenses of our company, including our company's allocable share of the base management fee or any other management fees.

Treatment of Distributions

Distributions of cash by our company generally will not be taxable to you to the extent of your adjusted tax basis (described above) in our units. Any cash distributions in excess of your adjusted tax basis generally will be considered to be gain from the sale or exchange of our units (described below). Such gain generally will be treated as capital gain and will be long-term capital gain if your holding period for our units exceeds one year. A reduction in your allocable share of our liabilities, and certain distributions of marketable securities by our company, if any, will be treated similar to cash distributions for U.S. federal income tax purposes.

Sale or Exchange of Our Units

You will recognize gain or loss on the sale or taxable exchange of our units equal to the difference, if any, between the amount realized and your tax basis in our units sold or exchanged. Your amount realized will be measured by the sum of the cash or the fair market value of other property received plus your share of our company's liabilities, if any.

Gain or loss recognized by you upon the sale or exchange of our units generally will be taxable as capital gain or loss and will be long-term capital gain or loss if our units were held for more than one year as of the date of such sale or exchange. Assuming you have not elected to treat your share of our company's investment in any PFIC as a "qualified electing fund", gain attributable to such investment in a PFIC would be taxable in the manner described below in "Passive Foreign Investment Companies". In addition, certain gain attributable to our investment in a CFC may be characterized as ordinary income, and certain gain attributable to "unrealized receivables" or "inventory items" could be characterized as ordinary income rather than capital gain. For example, if our company were to hold debt acquired at a market discount, accrued market discount on such debt would be treated as "unrealized receivables". The deductibility of capital losses is subject to limitations.

Each U.S. Holder who acquires our units at different times and intends to sell all or a portion of our units within a year of the most recent purchase should consult its own tax adviser regarding the application of certain "split holding period" rules to such sale and the treatment of any gain or loss as long-term or short-term capital gain or loss.

Medicare Tax

U.S. Holders that are individuals, estates, or trusts may be required to pay a 3.8% Medicare tax on the lesser of (i) the excess of such U.S. Holders' "modified adjusted gross income" (or "adjusted gross income" in the case of estates and trusts) over certain thresholds and (ii) such U.S. Holders' "net investment income" (or "undistributed net investment income" in the case of estates and trusts). Net investment income generally includes your allocable share of our company's income, as well as gain realized by you from a sale of our units. Special rules relating to the 3.8% Medicare tax may apply to dividends and gain, if any, derived by U.S. Holders with respect to our company's interest in a PFIC or CFC. See "- Consequences to U.S. Holders - Passive Foreign Investment Companies" and "- Consequences to U.S.

Holders - Controlled Foreign Corporations". U.S. Holders should consult their own tax advisers regarding the implications of the 3.8% Medicare tax for the ownership and disposition of our units.

Foreign Tax Credit Limitations

If you are a U.S. Holder, you generally will be entitled to a foreign tax credit with respect to your allocable share of creditable foreign taxes paid on our company's income and gain. Complex rules may, depending on your particular circumstances, limit the availability or use of foreign tax credits. Gain from the sale of our company's investments may be treated as U.S.-source gain. Consequently, you may not be able to use the foreign tax credit arising from any foreign taxes imposed on such gain unless the credit can be applied (subject to applicable limitations) against U.S. tax due on other income treated as derived from foreign sources. Certain losses that our company incurs may be treated as foreign-source losses, which could reduce the amount of foreign tax credits otherwise available.

Deduction for Qualified Business Income

Under the Tax Cuts and Jobs Act, for taxable years beginning after December 31, 2017, and before January 1, 2026, U.S. taxpayers who have domestic “qualified business income” from a partnership generally are entitled to deduct the lesser of such qualified business income or 20% of taxable income. The 20% deduction is also allowed for “qualified publicly traded partnership income” and “qualified REIT dividends”. A U.S. Holder’s allocable share of our company’s income is not expected to be treated as qualified business income or as qualified publicly traded partnership income. However, a non-corporate U.S. Holder’s allocable share of ordinary dividends from a REIT may qualify as “qualified REIT dividends” eligible for the 20% deduction. You should consult your own tax adviser regarding the implications of the foregoing rules for an investment in our units.

Section 754 Election

Our company and the Property Partnership have each made the election permitted by Section 754 of the U.S. Internal Revenue Code, or the Section 754 Election. The Section 754 Election cannot be revoked without the consent of the IRS. The Section 754 Election generally requires our company to adjust the tax basis in its assets, or inside basis, attributable to a transferee of our units under Section 743(b) of the U.S. Internal Revenue Code to reflect the purchase price paid by the transferee for our units. This election does not apply to a person who purchases units directly from us. For purposes of this discussion, a transferee’s inside basis in our company’s assets will be considered to have two components: (i) the transferee’s share of our company’s tax basis in our company’s assets, or common basis, and (ii) the adjustment under Section 743(b) of the U.S. Internal Revenue Code to that basis. The foregoing rules would also apply to the Property Partnership.

Generally, a Section 754 Election would be advantageous to a transferee U.S. Holder if such holder’s tax basis in its units were higher than such units’ share of the aggregate tax basis of our company’s assets immediately prior to the transfer. In that case, as a result of the Section 754 Election, the transferee U.S. Holder would have a higher tax basis in its share of our company’s assets for purposes of calculating, among other items, such holder’s share of any gain or loss on a sale of our company’s assets. Conversely, a Section 754 Election would be disadvantageous to a transferee U.S. Holder if such holder’s tax basis in its units were lower than such units’ share of the aggregate tax basis of our company’s assets immediately prior to the transfer. Thus, the fair market value of our units may be affected either favorably or adversely by the election.

Whether or not the Section 754 Election is made, if our units are transferred at a time when our company has a “substantial built-in loss” in its assets, our company will be obligated to reduce the tax basis in the portion of such assets attributable to such units.

The calculations involved in the Section 754 Election are complex, and the BPY General Partner advises that it will make such calculations on the basis of assumptions as to the value of our company’s assets and other matters. Each U.S. Holder should consult its own tax adviser as to the effects of the Section 754 Election.

Uniformity of Our Units

Because we cannot match transferors and transferees of our units, we must maintain the uniformity of the economic and tax characteristics of our units to a purchaser of our units. In the absence of uniformity, we may be unable to comply fully with a number of U.S. federal income tax requirements. A lack of uniformity can result from a literal application of certain U.S. Treasury Regulations to our company’s Section 743(b) adjustments, a determination that our company’s Section 704(c) allocations are unreasonable, or other reasons. Section 704(c) allocations would be

intended to reduce or eliminate the disparity between tax basis and the value of our company's assets in certain circumstances, including on the issuance of additional units. In order to maintain the fungibility of all of our units at all times, we will seek to achieve the uniformity of U.S. tax treatment for all purchasers of our units which are acquired at the same time and price (irrespective of the identity of the particular seller of our units or the time when our units are issued by our company), through the application of certain tax accounting principles that the BPY General Partner believes are reasonable for our company. However, the IRS may disagree with us and may successfully challenge our application of such tax accounting principles. Any non-uniformity could have a negative impact on the value of our units.

Foreign Currency Gain or Loss

Our company's functional currency is the U.S. Dollar, and our company's income or loss is calculated in U.S. Dollars. It is likely that our company will recognize "foreign currency" gain or loss with respect to transactions involving non-U.S. Dollar currencies. In general, foreign currency gain or loss is treated as ordinary income or loss. You should consult your own tax adviser regarding the tax treatment of foreign currency gain or loss.

Passive Foreign Investment Companies

U.S. Holders may be subject to special rules applicable to indirect investments in foreign corporations, including an investment through our company in a PFIC. A PFIC is defined as any foreign corporation with respect to which (after applying certain look-through rules) either (i) 75% or more of its gross income for a taxable year is “passive income” or (ii) 50% or more of its assets in any taxable year (generally based on the quarterly average of the value of its assets) produce or are held for the production of “passive income”. There are no minimum stock ownership requirements for PFICs. If you hold an interest in a foreign corporation for any taxable year during which the corporation is classified as a PFIC with respect to you, then the corporation will continue to be classified as a PFIC with respect to you for any subsequent taxable year during which you continue to hold an interest in the corporation, even if the corporation’s income or assets would not cause it to be a PFIC in such subsequent taxable year, unless an exception applies.

Subject to certain elections described below, any gain on the disposition of stock of a PFIC owned by you indirectly through our company, as well as income realized on certain “excess distributions” by such PFIC, would be treated as though realized ratably over the shorter of your holding period of our units or our company’s holding period for the PFIC. Such gain or income generally would be taxable as ordinary income, and dividends paid by the PFIC would not be eligible for the preferential tax rates for dividends paid to non-corporate U.S. Holders. In addition, an interest charge would apply, based on the tax deemed deferred from prior years.

If you were to elect to treat your share of our company’s interest in a PFIC as a “qualified electing fund”, such election a “QEF Election”, for the first year you were treated as holding such interest, then in lieu of the tax consequences described in the paragraph immediately above, you would be required to include in income each year a portion of the ordinary earnings and net capital gains of the PFIC, even if not distributed to our company or to you. A QEF Election must be made by you on an entity-by-entity basis. To make a QEF Election, you must, among other things, (i) obtain a PFIC annual information statement (through an intermediary statement supplied by our company) and (ii) prepare and submit IRS Form 8621 with your annual income tax return. To the extent reasonably practicable, we intend to timely provide you with information related to the PFIC status of each entity we are able to identify as a PFIC, including information necessary to make a QEF Election with respect to each such entity. Any such election should be made for the first year our company holds an interest in such entity or for the first year in which you hold our units, if later. Under certain circumstances, we may be permitted to make a QEF Election on behalf of all U.S. Holders with respect to a PFIC held indirectly. However, no assurance can be provided that we will make any such QEF Election, if available.

Once you have made a QEF Election for an entity, such election applies to any additional shares of interest in such entity acquired directly or indirectly, including through additional units acquired after the QEF Election is made (such as units acquired under the distribution reinvestment plan, if available). If you were to make a QEF Election after the first year that you were treated as holding an interest in a PFIC, the adverse tax consequences relating to PFIC stock would continue to apply with respect to the pre-QEF Election period, unless you were to make a “purging election”. The purging election would create a deemed sale of your previously held share of our company’s interests in a PFIC. The gain recognized by the purging election would be subject to the special tax and interest charge rules, which treat the gain as an excess distribution, as described above. As a result of the purging election, you would have a new basis and holding period in your share of our company’s interests in the PFIC. U.S. Holders should consult their own tax advisers as to the manner in which such direct inclusions could affect their allocable share of our company’s income and their tax basis in our units and the advisability of making a QEF Election or a purging election.

U.S. Treasury Regulations under Section 1411 of the U.S. Internal Revenue Code contain special rules for applying the 3.8% Medicare tax (as described above under “- Medicare Tax”) to U.S. persons owning an interest in a PFIC. Under

the special rules, if you are a non-corporate U.S. Holder that has made a QEF Election with respect to our company's interest in a PFIC, then you are permitted to make a special election to treat your share of the ordinary earnings and net capital gains of the PFIC as net investment income for purposes of the 3.8% Medicare tax. If you do not make the special election, you may be required to calculate your basis in our units for purposes of the 3.8% Medicare tax in a manner that differs from the calculation of your basis in our units for U.S. federal income tax purposes generally. You should consult your own tax adviser regarding the implications of the special election, as well as the other implications of the 3.8% Medicare tax and the U.S. Treasury Regulations under Section 1411 of the U.S. Internal Revenue Code for your ownership and disposition of our units.

In the case of a PFIC that is a publicly traded foreign company, and in lieu of making a QEF Election, an election may be made to "mark to market" the stock of such publicly traded foreign company on an annual basis. Pursuant to such an election, you would include in each year as ordinary income the excess, if any, of the fair market value of such stock over its adjusted basis at the end of the taxable year. No assurance can be provided that any of our existing or future Holding Entities or operating entities will qualify as PFICs that are publicly traded or that a mark-to-market election will be available for any such entity. You should

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consult your own tax adviser regarding the availability of the mark-to-market election with respect to any PFIC in which you are treated as owning an interest through our company.

Based on our organizational structure, as well as our company's expected income and assets, the BPY General Partner currently believes that one or more of our existing Holding Entities and operating entities are likely to be classified as PFICs. Moreover, we may in the future acquire certain investments or operating entities through one or more Holding Entities treated as corporations for U.S. federal income tax purposes, and such future Holding Entities or other companies in which we acquire an interest may be treated as PFICs. In addition, in order to ensure that we satisfy the Qualifying Income Exception, among other reasons, we may decide to hold an existing or future operating entity through a Holding Entity that would be classified as a PFIC. See "-Investment Structure" below.

Subject to certain exceptions, a U.S. person who directly or indirectly owns an interest in a PFIC generally is required to file an annual report with the IRS, and the failure to file such report could result in the imposition of penalties on such U.S. person and in the extension of the statute of limitations with respect to federal income tax returns filed by such U.S. person. You should consult your own tax adviser regarding the PFIC rules, including the foregoing filing requirements, as well as the advisability of making a QEF Election, a special election under the U.S. Treasury Regulations under Section 1411 of the U.S. Internal Revenue Code, or a mark-to-market election, as applicable, with respect to any PFIC in which you are treated as owning an interest through our company.

Controlled Foreign Corporations

A non-U.S. entity will be treated as a CFC if it is treated as a corporation for U.S. federal income tax purposes and more than 50% of (i) the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote or (ii) the total value of the stock of the non-U.S. entity is owned by U.S. Shareholders on any day during the taxable year of such non-U.S. entity. For this purpose, a "U.S. Shareholder" with respect to a non-U.S. entity means a U.S. person (including a U.S. partnership) that owns (directly, indirectly or constructively) 10% or more of the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote or 10% or more of the total value of shares of all classes of stock of the non-U.S. entity.

If a U.S. partnership in which we own an interest is a U.S. Shareholder of a CFC, then a U.S. Holder may be required to include in income its allocable share of the CFC's "Subpart F" income and "global intangible low-taxed income", or GILTI. Subpart F income generally includes dividends, interest, net gain from the sale or disposition of securities, non-actively managed rents, and certain other generally passive types of income. The aggregate Subpart F income inclusions in any taxable year relating to a particular CFC are limited to such CFC's current earnings and profits. Very generally, GILTI includes certain business income of a CFC in excess of a deemed return on the CFC's tangible assets. Each of the foregoing inclusions will be treated as ordinary income (whether or not such inclusions are attributable to net capital gains). Thus, a U.S. Holder may be required to report as ordinary income its allocable share of the CFC's Subpart F income and GILTI without corresponding receipts of cash and may not benefit from capital gain treatment with respect to the portion of any earnings attributable to net capital gains of the CFC. Corporate U.S. Holders are urged to consult their own tax advisers regarding the availability of a deduction under Section 250 of the U.S. Internal Revenue Code with respect to GILTI inclusions arising from their indirect interest in a CFC through our company.

Your tax basis in your units will be increased to reflect any required Subpart F or GILTI inclusions. Such income will be treated as income from sources within the United States, for certain foreign tax credit purposes, to the extent derived by the CFC from U.S. sources. Subpart F income and likely GILTI will not be eligible for the reduced rate of tax applicable to certain dividends paid by qualified foreign corporations to individual U.S. persons. See above under "-Consequences to U.S. Holders - Holding of Our Units - Income and Loss". Amounts included as Subpart F income or

GILT income with respect to direct and indirect investments generally will not be taxable again when actually distributed by the CFC.

Whether or not any CFC has Subpart F income or GILTI, any gain allocated to you from our disposition of an equity interest in a CFC will be treated as dividend income to the extent of your allocable share of the current and/or accumulated earnings and profits of the CFC. In this regard, earnings would not include any amounts previously taxed pursuant to the CFC rules. However, net losses (if any) of a CFC will not pass through to U.S. Holders.

As described above under “- Consequences to U.S. Holders - Passive Foreign Investment Companies”, U.S. Treasury Regulations under Section 1411 of the U.S. Internal Revenue Code contain special rules for applying the 3.8% Medicare tax to U.S. persons owning an interest in a PFIC. Similar rules apply to U.S. Shareholders of a CFC. You should consult your own tax adviser regarding the implications of these special rules.

If a non-U.S. entity held by us through a U.S. partnership (treated as a U.S. Shareholder of such non-U.S. entity) is classified as both a CFC and a PFIC, then you will be required to include amounts in income with respect to such non-U.S. entity

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either under the CFC rules described under this subheading, or under the PFIC rules described under “- Consequences to U.S. Holders - Passive Foreign Investment Companies”, but not both. The interaction of these rules is complex, and you should consult your own tax adviser in this regard.

Based on our organizational structure, the BPY General Partner currently believes that one or more of our existing Holding Entities and operating entities are likely to be classified as CFCs. Moreover, we may in the future acquire certain investments or operating entities through one or more Holding Entities treated as corporations for U.S. federal income tax purposes, and such future Holding Entities or other companies in which we acquire an interest may be treated as CFCs. The application of the CFC rules to U.S. Holders is uncertain in certain respects, and the CFC rules, as amended by the Tax Cuts and Jobs Act, remain subject proposed U.S. Treasury Regulations yet to be made final, as well as other guidance yet to be issued. You should consult your own tax adviser regarding the implications of the CFC rules for your ownership and disposition of our units.

Investment Structure

To ensure that our company meets the Qualifying Income Exception for publicly traded partnerships (discussed above) and complies with certain requirements in its limited partnership agreement, among other reasons, we may structure certain investments through an entity classified as a corporation for U.S. federal income tax purposes. Such investments will be structured as determined in the sole discretion of the BPY General Partner generally to be efficient for our unitholders. However, because our unitholders will be located in numerous taxing jurisdictions, no assurance can be given that any such investment structure will benefit all our unitholders to the same extent, and such an investment structure might even result in additional tax burdens on some unitholders. As discussed above, if any such entity were a non-U.S. corporation, it might be considered a PFIC or CFC. If any such entity were a U.S. corporation, it would be subject to U.S. federal net income tax on its income, including any gain recognized on the disposition of its investments. In addition, if the investment were to involve U.S. real property, gain recognized on the disposition of the investment by a corporation generally would be subject to corporate level tax, whether the corporation were a U.S. or a non-U.S. corporation.

U.S. Withholding Taxes

Although each U.S. Holder is required to provide us with an IRS Form W-9, we nevertheless may be unable to accurately or timely determine the tax status of our unitholders for purposes of determining whether U.S. withholding applies to payments made by our company to some or all of our unitholders. In such a case, payments made by our company to U.S. Holders might be subject to U.S. “backup” withholding at the applicable rate or other U.S. withholding taxes. You would be able to treat as a credit your allocable share of any U.S. withholding taxes paid in the taxable year in which such withholding taxes were paid and, as a result, you might be entitled to a refund of such taxes from the IRS. In the event you transfer or otherwise dispose of some or all of your units, special rules might apply for purposes of determining whether you or the transferee of such units were subject to U.S. withholding taxes in respect of income allocable to, or distributions made on account of, such units or entitled to refunds of any such taxes withheld. See below “Administrative Matters-Certain Effects of a Transfer of Units”. You should consult your own tax adviser regarding the treatment of U.S. withholding taxes.

Transferor/Transferee Allocations

Our company may allocate items of income, gain, loss, and deduction using a monthly convention, whereby any such items recognized in a given month by our company are allocated to our unitholders as of a specified date of such month. As a result, if you transfer your units, you might be allocated income, gain, loss, and deduction realized by our

company after the date of the transfer. Similarly, if you acquire additional units, you might be allocated income, gain, loss, and deduction realized by our company prior to your ownership of such units.

Section 706 of the U.S. Internal Revenue Code generally governs allocations of items of partnership income and deductions between transferors and transferees of partnership interests, and the U.S. Treasury Regulations provide a safe harbor allowing a publicly traded partnership to use a monthly simplifying convention for such purposes. However, it is not clear that our company's allocation method complies with the requirements. If our company's convention were not permitted, the IRS might contend that our company's taxable income or losses must be reallocated among our unitholders. If such a contention were sustained, your tax liabilities might be adjusted to your detriment. The BPY General Partner is authorized to revise our company's method of allocation between transferors and transferees (as well as among investors whose interests otherwise vary during a taxable period).

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U.S. Federal Estate Tax Consequences

If our units are included in the gross estate of a U.S. citizen or resident for U.S. federal estate tax purposes, then a U.S. federal estate tax might be payable in connection with the death of such person. Individual U.S. Holders should consult their own tax advisers concerning the potential U.S. federal estate tax consequences with respect to our units.

Certain Reporting Requirements

A U.S. Holder who invests more than \$100,000 in our company may be required to file IRS Form 8865 reporting the investment with such U.S. Holder's U.S. federal income tax return for the year that includes the date of the investment. You may be subject to substantial penalties if you fail to comply with this and other information reporting requirements with respect to an investment in our units. You should consult your own tax adviser regarding such reporting requirements.

U.S. Taxation of Tax-Exempt U.S. Holders of Our Units

Income recognized by a U.S. tax-exempt organization is exempt from U.S. federal income tax except to the extent of the organization's UBTI. UBTI is defined generally as any gross income derived by a tax-exempt organization from an unrelated trade or business that it regularly carries on, less the deductions directly connected with that trade or business. In addition, income arising from a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that holds operating assets or is otherwise engaged in a trade or business generally will constitute UBTI. Notwithstanding the foregoing, UBTI generally does not include any dividend income, interest income, certain other categories of passive income, or capital gains realized by a tax-exempt organization, so long as such income is not "debt-financed", as discussed below. The BPY General Partner currently believes that our company should not be regarded as engaged in a trade or business, and anticipates that any operating assets held by our company will be held through entities that are treated as corporations for U.S. federal income tax purposes.

The exclusion from UBTI does not apply to income from "debt-financed property", which is treated as UBTI to the extent of the percentage of such income that the average acquisition indebtedness with respect to the property bears to the average tax basis of the property for the taxable year. If an entity treated as a partnership for U.S. federal income tax purposes incurs acquisition indebtedness, a tax-exempt partner in such partnership will be deemed to have acquisition indebtedness equal to its allocable portion of such acquisition indebtedness. If any such indebtedness were used by our company or by the Property Partnership to acquire property, such property generally would constitute debt-financed property, and any income from or gain from the disposition of such debt-financed property allocated to a tax-exempt organization generally would constitute UBTI to such tax-exempt organization. In addition, even if such indebtedness were not used either by our company or by the Property Partnership to acquire property but were instead used to fund distributions to our unitholders, if a tax-exempt organization subject to taxation in the United States were to use such proceeds to make an investment outside our company, the IRS might assert that such investment constitutes debt-financed property to such unitholder with the consequences noted above. The BPY General Partner does not expect our company or the Property Partnership to directly incur debt to acquire property, and the BPY General Partner does not believe that our company or the Property Partnership will generate UBTI attributable to debt-financed property in the future. Moreover, the BPY General Partner intends to use commercially reasonable efforts to structure the activities of our company and the Property Partnership, respectively, to avoid generating UBTI. However, neither our company nor the Property Partnership is prohibited from incurring indebtedness, and no assurance can be provided that neither our company nor the Property Partnership will generate UBTI attributable to debt-financed property in the future.

Tax-exempt organizations will be subject to special rules applicable to an indirect investment by our company in a REIT. Based upon an IRS ruling, distributions paid by a REIT to our company and allocated to a tax-exempt organization generally should not give rise to UBTI, provided that (i) our interest in the REIT is not debt-financed, (ii) the tax-exempt organization's interest in our company is not debt-financed and is not used in an unrelated trade or business, and (iii) the REIT does not hold an asset, such as an interest in a "taxable mortgage pool" or a residual interest in a "real estate mortgage investment conduit", that gives rise to "excess inclusion income". Special rules apply to social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17), and (c)(20) of the U.S. Internal Revenue Code.

Tax-exempt U.S. Holders should consult their own tax advisers regarding the tax consequences of an investment in our units.

Consequences to Non-U.S. Holders

Based on our organizational structure, as well as our company's expected income and assets, the BPY General Partner currently believes that our company is unlikely to earn income treated as effectively connected with a U.S. trade or business,

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including effectively connected income attributable to the sale of a “United States real property interest”, as defined in the U.S. Internal Revenue Code. Specifically, our company intends not to make an investment, whether directly or through an entity which would be treated as a partnership for U.S. federal income tax purposes, if the BPY General Partner believes at the time of such investment that such investment would generate income treated as effectively connected with a U.S. trade or business. If, as anticipated, our company is not treated as engaged in a U.S. trade or business or as deriving income which is treated as effectively connected with a U.S. trade or business, and provided that a Non-U.S. Holder is not itself engaged in a U.S. trade or business, then such Non-U.S. Holder generally will not be subject to U.S. tax return filing requirements solely as a result of owning our units and generally will not be subject to U.S. federal income tax on its allocable share of our company’s interest and dividends from non-U.S.-sources or gain from the sale or other disposition of securities or real property located outside of the United States.

However, there can be no assurance that the law will not change or that the IRS will not deem our company to be engaged in a U.S. trade or business. If, contrary to the BPY General Partner’s expectations, our company is treated as engaged in a U.S. trade or business, then a Non-U.S. Holder generally would be required to file a U.S. federal income tax return, even if no effectively connected income were allocable to it. If our company were to have income treated as effectively connected with a U.S. trade or business, then a Non-U.S. Holder would be required to report that income and would be subject to U.S. federal income tax at the regular graduated rates. In addition, our company might be required to withhold U.S. federal income tax on such Non-U.S. Holder’s distributive share of such income. A corporate Non-U.S. Holder might also be subject to branch profits tax at a rate of 30%, or at a lower treaty rate, if applicable. If, contrary to expectation, our company were engaged in a U.S. trade or business, then gain or loss from the sale of our units by a Non-U.S. Holder would be treated as effectively connected with such trade or business to the extent that such Non-U.S. Holder would have had effectively connected gain or loss had our company sold all of its assets at their fair market value as of the date of such sale. In such case, any such effectively connected gain generally would be taxable at the regular graduated U.S. federal income tax rates, and the amount realized from such sale generally would be subject to a 10% U.S. federal withholding tax. The 10% U.S. federal withholding tax temporarily is suspended with respect to the disposition of an interest in a publicly traded partnership until regulations or other guidance has been made final.

In general, even if our company is not engaged in a U.S. trade or business, and assuming you are not otherwise engaged in a U.S. trade or business, you will nonetheless be subject to a withholding tax of 30% on the gross amount of certain U.S.-source income which is not effectively connected with a U.S. trade or business. Income subjected to such a flat tax rate is income of a fixed or determinable annual or periodic nature, including dividends and certain interest income. Such withholding tax may be reduced or eliminated with respect to certain types of income under an applicable income tax treaty between the United States and your country of residence or under the “portfolio interest” rules or other provisions of the U.S. Internal Revenue Code, provided that you provide proper certification as to your eligibility for such treatment. Notwithstanding the foregoing, and although each Non-U.S. Holder is required to provide us with an IRS Form W-8, we nevertheless may be unable to accurately or timely determine the tax status of our investors for purposes of establishing whether reduced rates of withholding apply to some or all of our investors. In such a case, your allocable share of distributions of U.S.-source dividends and interest income will be subject to U.S. withholding tax at a rate of 30%. Further, if you would not be subject to U.S. tax based on your tax status or otherwise were eligible for a reduced rate of U.S. withholding, you might need to take additional steps to receive a credit or refund of any excess withholding tax paid on your account, which could include the filing of a non-resident U.S. income tax return with the IRS. Among other limitations applicable to claiming treaty benefits, if you reside in a treaty jurisdiction which does not treat our company as a pass-through entity, you might not be eligible to receive a refund or credit of excess U.S. withholding taxes paid on your account. In the event you transfer or otherwise dispose of some or all of your units, special rules may apply for purposes of determining whether you or the transferee of such units are subject to U.S. withholding taxes in respect of income allocable to, or distributions made on account of, such

units or entitled to refunds of any such taxes withheld. See “-Administrative Matters-Certain Effects of a Transfer of Units”. You should consult your own tax adviser regarding the treatment of U.S. withholding taxes.

Special rules may apply to any Non-U.S. Holder (i) that has an office or fixed place of business in the United States; (ii) that is present in the United States for 183 days or more in a taxable year; or (iii) that is (a) a former citizen or long-term resident of the United States, (b) a foreign insurance company that is treated as holding a partnership interest in our company in connection with its U.S. business, (c) a PFIC, (d) a CFC or (e) a corporation that accumulates earnings to avoid U.S. federal income tax. You should consult your own tax adviser regarding the application of these special rules.

Taxes in Other Jurisdictions

Based on our expected method of operation and the ownership of our operating entities indirectly through corporate Holding Entities, we do not expect any unitholder, solely as a result of owning our units, to be subject to any additional income taxes imposed on a net basis or additional tax return filing requirements in any jurisdiction in which we conduct activities or own property. However, our method of operation and current structure may change, and there can be no assurance that, solely as a result of owning our units, you will not be subject to certain taxes, including non-U.S., state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes imposed by the various jurisdictions in which we do business or own

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property now or in the future, even if you do not reside in any of these jurisdictions. Consequently, you may also be required to file non-U.S., state and local income tax returns in some or all of these jurisdictions. Further, you may be subject to penalties for failure to comply with these requirements. It is your responsibility to file all U.S. federal, state, local, and non-U.S. tax returns that may be required of you.

Income or gain from investments held by our company may be subject to withholding or other taxes in jurisdictions outside the United States, except to the extent an income tax treaty applies. If you wish to claim the benefit of an applicable income tax treaty, you might be required to submit information to one or more of our company, an intermediary, or a tax authority in such jurisdiction. You should consult your own tax adviser regarding the U.S. federal, state, local, and non-U.S. tax consequences of an investment in our company.

Administrative Matters

Information Returns and Audit Procedures

We have agreed to use commercially reasonable efforts to furnish to you, within 90 days after the close of each calendar year, U.S. tax information (including IRS Schedule K-1), which describes on a U.S. Dollar basis your share of our company's income, gain, loss, and deduction for our preceding taxable year. However, providing this U.S. tax information to our unitholders will be subject to delay in the event of, among other reasons, the late receipt of any necessary tax information from lower-tier entities. It is therefore possible that, in any taxable year, you will need to apply for an extension of time to file your tax returns. In preparing this U.S. tax information, we will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine your share of income, gain, loss, and deduction. The IRS may successfully contend that certain of these reporting conventions are impermissible, which could result in an adjustment to your income or loss.

Our company may be audited by the IRS. Adjustments resulting from an IRS audit could require you to adjust a prior year's tax liability and result in an audit of your own tax return. Any audit of your tax return could result in adjustments not related to our company's tax returns, as well as those related to our company's tax returns. For taxable years beginning after December 31, 2017, if the IRS makes an audit adjustment to our income tax returns, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from our company instead of unitholders (as under prior law). We may be permitted to elect to have the BPY General Partner and our unitholders take such audit adjustment into account in accordance with their interests in us during the taxable year under audit. However, there can be no assurance that we will choose to make such election or that it will be available in all circumstances. If we do not make the election, and we pay taxes, penalties, or interest as a result of an audit adjustment, then cash available for distribution to our unitholders might be substantially reduced. As a result, our current unitholders might bear some or all of the cost of the tax liability resulting from such audit adjustment, even if our current unitholders did not own our units during the taxable year under audit. The foregoing considerations also apply with respect to our company's interest in the Property Partnership.

For taxable years beginning on or before December 31, 2017, the BPY General Partner will act as our company's "tax matters partner." As the tax matters partner, the BPY General Partner will have the authority, subject to certain restrictions, to act on behalf of our company in connection with any administrative or judicial review of our company's items of income, gain, loss, deduction, or credit. For taxable years beginning after December 31, 2017, a "partnership representative" designated by our company will have the sole authority to act on behalf of our company in connection with such administrative or judicial review. In particular, our partnership representative will have the sole authority to bind both our former and current unitholders and to make certain elections on behalf of our company pursuant to the partnership audit rules.

The application of the partnership audit rules to our company and our unitholders is uncertain and remains subject to U.S. Treasury Regulations and IRS guidance yet to be made final. You should consult your own tax adviser regarding the implications of the partnership audit rules for an investment in our units.

Tax Shelter Regulations and Related Reporting Requirements

If we were to engage in a “reportable transaction”, we (and possibly our unitholders) would be required to make a detailed disclosure of the transaction to the IRS in accordance with regulations governing tax shelters and other potentially tax-motivated transactions. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a “listed transaction” or “transaction of interest”, or that it produces certain kinds of losses exceeding certain thresholds. An investment in our company may be considered a “reportable transaction” if, for example, our company were to recognize certain significant losses in the future. In certain circumstances, a unitholder who disposes of an interest in a transaction resulting in the recognition by such holder of significant losses in excess of certain threshold amounts may be obligated to disclose its participation in such transaction. Certain of these rules are unclear, and the scope of

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reportable transactions can change retroactively. Therefore, it is possible that the rules may apply to transactions other than significant loss transactions.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you might be subject to significant accuracy related penalties with a broad scope, for those persons otherwise entitled to deduct interest on federal tax deficiencies, non-deductibility of interest on any resulting tax liability, and in the case of a listed transaction, an extended statute of limitations. We do not intend to participate in any reportable transaction with a significant purpose to avoid or evade tax, nor do we intend to participate in any listed transactions. However, no assurance can be provided that the IRS will not assert that we have participated in such a transaction.

You should consult your own tax adviser concerning any possible disclosure obligation under the regulations governing tax shelters with respect to the disposition of our units.

Taxable Year

Our company uses the calendar year as its taxable year for U.S. federal income tax purposes. Under certain circumstances which we currently believe are unlikely to apply, a taxable year other than the calendar year may be required for such purposes.

Withholding and Backup Withholding

For each calendar year, we will report to you and to the IRS the amount of distributions that we pay, and the amount of tax (if any) that we withhold on these distributions. The proper application to our company of the rules for withholding under Sections 1441 through 1446 of the U.S. Internal Revenue Code (applicable to certain dividends, interest, and amounts treated as effectively connected with a U.S. trade or business, among other items) is unclear. Because the documentation we receive may not properly reflect the identities of unitholders at any particular time (in light of possible sales of our units), we may over-withhold or under-withhold with respect to a particular unitholder. For example, we may impose withholding, remit such amount to the IRS and thus reduce the amount of a distribution paid to a Non-U.S. Holder. It may be the case, however, that the corresponding amount of our income was not properly allocable to such holder, and the appropriate amount of withholding should have been less than the actual amount withheld. Such Non-U.S. Holder would be entitled to a credit against the holder's U.S. federal income tax liability for all withholding, including any such excess withholding. However, if the withheld amount were to exceed the holder's U.S. federal income tax liability, the holder would need to apply for a refund to obtain the benefit of such excess withholding. Similarly, we may fail to withhold on a distribution, and it may be the case that the corresponding income was properly allocable to a Non-U.S. Holder and that withholding should have been imposed. In such case, we intend to pay the under-withheld amount to the IRS, and we may treat such under-withholding as an expense that will be borne indirectly by all unitholders on a pro rata basis (since we may be unable to allocate any such excess withholding tax cost to the relevant Non-U.S. Holder).

Under the backup withholding rules, you may be subject to backup withholding tax with respect to distributions paid unless: (i) you are an exempt recipient and demonstrate this fact when required; or (ii) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding tax, and otherwise comply with the applicable requirements of the backup withholding tax rules. A U.S. Holder that is exempt should certify such status on a properly completed IRS Form W-9. A Non-U.S. Holder may qualify as an exempt recipient by submitting a properly completed IRS Form W-8. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may

entitle you to a refund from the IRS, provided you supply the required information to the IRS in a timely manner.

If you do not timely provide our company, or the applicable nominee, broker, clearing agent, or other intermediary, with IRS Form W-9 or IRS Form W-8, as applicable, or such form is not properly completed, then our company may become subject to U.S. backup withholding taxes in excess of what would have been imposed had our company or the applicable intermediary received properly completed forms from all unitholders. For administrative reasons, and in order to maintain the fungibility of our units, such excess U.S. backup withholding taxes, and if necessary similar items, may be treated by our company as an expense that will be borne indirectly by all unitholders on a pro rata basis (e.g., since it may be impractical for us to allocate any such excess withholding tax cost to the unitholders that failed to timely provide the proper U.S. tax forms).

Foreign Account Tax Compliance

FATCA imposes a 30% withholding tax on “withholdable payments” made to a “foreign financial institution” or a “non-financial foreign entity”, unless such financial institution or entity satisfies certain information reporting or other requirements. Withholdable payments include certain U.S.-source income, such as interest, dividends, and other passive income. Recently proposed U.S. Treasury Regulations eliminate the requirement to withhold tax under FATCA on gross proceeds from the sale or

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disposition of property that can produce U.S.-source interest or dividends. The IRS has announced that taxpayers are permitted to rely on the proposed regulations until final U.S. Treasury Regulations are issued.

We intend to comply with FATCA, so as to ensure that the 30% withholding tax does not apply to any withholdable payments received by our company, the Property Partnership, the Holding Entities, or the operating entities. Nonetheless, the 30% withholding tax may apply to your allocable share of distributions attributable to withholdable payments, unless you properly certify your FATCA status on IRS Form W-8 or IRS Form W-9 (or other applicable form) and satisfy any additional requirements under FATCA.

In compliance with FATCA, information regarding certain unitholders' ownership of our units may be reported to the IRS or to a non-U.S. governmental authority. FATCA remains subject to modification by an applicable intergovernmental agreement between the United States and another country, such as the agreement in effect between the United States and Bermuda for cooperation to facilitate the implementation of FATCA, or by future U.S. Treasury Regulations or guidance. You should consult your own tax adviser regarding the consequences under FATCA of an investment in our units.

Information Reporting with Respect to Foreign Financial Assets

Under U.S. Treasury Regulations, certain U.S. persons that own "specified foreign financial assets" with an aggregate fair market value exceeding either \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year generally are required to file an information report with respect to such assets with their tax returns. Significant penalties may apply to persons who fail to comply with these rules. Specified foreign financial assets include not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person, and any interest in a foreign entity. The failure to report information required under the current regulations could result in substantial penalties and in the extension of the statute of limitations with respect to federal income tax returns filed by you. You should consult your own tax adviser regarding the possible implications of these U.S. Treasury Regulations for an investment in our units.

Certain Effects of a Transfer of Units

Our company may allocate items of income, gain, loss, deduction, and credit using a monthly convention, whereby any such items recognized in a given month by our company are allocated to our unitholders as of a specified date of such month. Any U.S. withholding taxes applicable to dividends received by the Property Partnership (and, in turn, our company) generally will be withheld by our company only when such dividends are paid. Because our company generally intends to distribute amounts received in respect of dividends shortly after receipt of such amounts, it is generally expected that any U.S. withholding taxes withheld by our company on such amounts will correspond to our unitholders who were allocated income and who received the distributions in respect of such amounts. The Property Partnership may invest in debt obligations or other securities for which the accrual of interest or income thereon is not matched by a contemporaneous receipt of cash. Any such accrued interest or other income would be allocated pursuant to such monthly convention. Consequently, our unitholders may recognize income in excess of cash distributions received from our company, and any income so included by a unitholder would increase the basis such unitholder has in our units and would offset any gain (or increase the amount of loss) realized by such unitholder on a subsequent disposition of its units. In addition, U.S. withholding taxes generally would be withheld by our company only on the payment of cash in respect of such accrued interest or other income, and, therefore, it is possible that some unitholders would be allocated income which might be distributed to a subsequent unitholder, and such subsequent

unitholder would be subject to withholding at the time of distribution. As a result, the subsequent unitholder, and not the unitholder who was allocated income, would be entitled to claim any available credit with respect to such withholding.

The Property Partnership has invested and will continue to invest in certain Holding Entities and operating entities organized in non-U.S. jurisdictions, and income and gain from such investments may be subject to withholding and other taxes in such jurisdictions. If any such non-U.S. taxes were imposed on income allocable to a U.S. Holder, and such holder were thereafter to dispose of its units prior to the date distributions were made in respect of such income, under applicable provisions of the U.S. Internal Revenue Code and U.S. Treasury Regulations, the unitholder to whom such income was allocated (and not the unitholder to whom distributions were ultimately made) would, subject to other applicable limitations, be the party permitted to claim a credit for such non-U.S. taxes for U.S. federal income tax purposes. Thus a unitholder may be affected either favorably or adversely by the foregoing rules. Complex rules may, depending on a unitholder's particular circumstances, limit the availability or use of foreign tax credits, and you are urged to consult your own tax adviser regarding all aspects of foreign tax credits.

Nominee Reporting

Persons who hold an interest in our company as a nominee for another person may be required to furnish to us:

- a) the name, address and taxpayer identification number of the beneficial owner and the nominee;
- b) whether the beneficial owner is (1) a person that is not a U.S. person, (2) a foreign government, an international organization, or any wholly owned agency or instrumentality of either of the foregoing, or (3) a tax-exempt entity;
- c) the amount and description of units held, acquired, or transferred for the beneficial owner; and
- d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions may be required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold, or transfer for their own account. A penalty of \$250 per failure (as adjusted for inflation), up to a maximum of \$3,000,000 per calendar year (as adjusted for inflation), generally is imposed by the U.S. Internal Revenue Code for the failure to report such information to us. The nominee is required to supply the beneficial owner of our units with the information furnished to us.

New Legislation or Administrative or Judicial Action

The U.S. federal income tax treatment of our unitholders depends, in some instances, on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules, particularly those applicable to partnerships, are constantly under review (including currently) by the Congressional tax-writing committees and other persons involved in the legislative process, the IRS, the U.S. Treasury Department and the courts, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations, any of which could adversely affect the value of our units and be effective on a retroactive basis. For example, changes to the U.S. federal tax laws and interpretations thereof could make it more difficult or impossible for our company to be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes, change the character or treatment of portions of our company's income, reduce the net amount of distributions available to our unitholders, or otherwise affect the tax considerations of owning our units. Such changes could also affect or cause our company to change the way it conducts its activities and adversely affect the value of our units.

Our company's organizational documents and agreements permit the BPY General Partner to modify our limited partnership agreement from time to time, without the consent of our unitholders, to elect to treat our company as a corporation for U.S. federal tax purposes, or to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all of our unitholders.

THE FOREGOING DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO OUR COMPANY AND UNITHOLDERS ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE EFFECT OF EXISTING INCOME TAX LAWS, THE MEANING AND IMPACT OF WHICH IS UNCERTAIN, AND OF PROPOSED CHANGES IN INCOME TAX LAWS WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH UNITHOLDER, AND IN REVIEWING THIS ANNUAL REPORT ON FORM 20-F THESE MATTERS SHOULD BE CONSIDERED. EACH UNITHOLDER SHOULD CONSULT ITS OWN TAX ADVISER WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES OF ANY INVESTMENT IN OUR

UNITS.

Certain Material Canadian Federal Income Tax Considerations

The following is a summary of the principal Canadian federal income tax consequences under the Tax Act of the holding and disposition of units of our company generally applicable to a unitholder, who for purposes of the Tax Act and at all relevant times, holds our units as capital property, deals at arm's length with and is not affiliated with our company, the Property Partnership, the BPY General Partner and their respective affiliates, or a Holder. Generally, our units will be considered to be capital property to a Holder, provided that the Holder does not use or hold our units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" as defined in the Tax Act for purposes of the "mark-to-market" property rules, (ii) that is a "specified financial institution" as defined in the Tax Act, (iii) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act, (iv) an interest in which would be a "tax shelter investment" as defined in the Tax Act or who acquires our units as a "tax shelter investment" (and this summary assumes

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that no such persons hold our units), (v) that has, directly or indirectly, a “significant interest” as defined in subsection 34.2(1) of the Tax Act in our company, (vi) if any affiliate of our company is, or becomes as part of a series of transactions that includes the acquisition of units of our company, a “foreign affiliate” for purposes of the Tax Act of such Holder or of any corporation that does not deal at arm’s length with such Holder for purposes of the Tax Act, or (vii) that has entered into or will enter into a “derivative forward agreement”, as defined in the Tax Act, in respect of our units. Any such Holders should consult their own tax advisors with respect to an investment in our units.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, or the Tax Proposals, and the current published administrative and assessing policies and practices of the CRA. This summary assumes that all Tax Proposals will be enacted in the form proposed but no assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, administrative or legislative decision or action, or changes in the CRA’s administrative and assessing policies and practices, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those described herein. This summary is not exhaustive of all possible Canadian federal income tax consequences that may affect unitholders. Holders should consult their own tax advisors in respect of the provincial, territorial or foreign income tax consequences to them of holding and disposing of our units.

This summary assumes that neither our company nor the Property Partnership is a “tax shelter” as defined in the Tax Act or a “tax shelter investment”. However, no assurance can be given in this regard.

This summary also assumes that neither our company nor the Property Partnership will be a “SIFT partnership” at any relevant time for purposes of the SIFT Rules on the basis that neither our company nor the Property Partnership will be a “Canadian resident partnership” at any relevant time. However, there can be no assurance that the SIFT Rules will not be revised or amended such that the SIFT Rules will apply.

This summary does not address the deductibility of interest on money borrowed to acquire our units nor whether any amounts in respect of our units could be “split income” for the purposes of the Tax Act.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representation with respect to the Canadian federal income tax consequences to any particular Holder is made. Consequently, Holders are advised to consult their own tax advisors with respect to their particular circumstances. See also Item 3.D. “Risk Factors - Risks Relating to Taxation - Canada”.

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of our units must be expressed in Canadian dollars including any distributions, adjusted cost base and proceeds of disposition. For purposes of the Tax Act, amounts denominated in a currency other than the Canadian dollar generally must be converted into Canadian dollars using the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard.

Taxation of Canadian Resident Limited Partners

The following portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada, or a Canadian Limited Partner.

Computation of Income or Loss

Each Canadian Limited Partner is required to include (or, subject to the “at-risk rules” discussed below, entitled to deduct) in computing his or her income for a particular taxation year the Canadian Limited Partner’s share of the income (or loss) of our company for its fiscal year ending in, or coincidentally with, the Canadian Limited Partner’s taxation year end, whether or not any of that income is distributed to the Canadian Limited Partner in the taxation year and regardless of whether or not our units were held throughout such year.

Our company will not itself be a taxable entity and is not expected to be required to file an income tax return in Canada for any taxation year. However, the income (or loss) of our company for a fiscal period for purposes of the Tax Act will be computed as if it were a separate person resident in Canada and the partners will be allocated a share of that income (or loss) in accordance with our limited partnership agreement. The income (or loss) of our company will include our company’s share of the income (or loss) of the Property Partnership for a fiscal year determined in accordance with the Property Partnership’s limited partnership agreement. For this purpose, our company’s fiscal year end and that of the Property Partnership will be December 31.

The income for tax purposes of our company for a given fiscal year will be allocated to each Canadian Limited Partner in an amount calculated by multiplying such income by a fraction, the numerator of which is the sum of the distributions received by such Canadian Limited Partner with respect to such fiscal year and the denominator of which is the aggregate amount of the distributions made by our company to all partners with respect to such fiscal year.

If, with respect to a given fiscal year, no distribution is made by our company to our unitholders or our company has a loss for tax purposes, one quarter of the income, or loss, as the case may be, for tax purposes for such fiscal year that is allocable to our unitholders, will be allocated to our unitholders of record at the end of each calendar quarter ending in such fiscal year in the proportion that the number of units of our company held at each such date by a unitholder is of the total number of units of our company that are issued and outstanding at each such date.

The income of our company as determined for purposes of the Tax Act may differ from its income as determined for accounting purposes and may not be matched by cash distributions. In addition, for purposes of the Tax Act, all income (or losses) of our company and the Property Partnership must be calculated in Canadian currency. Where our company (or the Property Partnership) holds investments denominated in U.S. dollars or other foreign currencies, gains and losses may be realized by our company (or the Property Partnership) as a consequence of fluctuations in the relative values of the Canadian and foreign currencies.

In computing the income (or loss) of our company, deductions may be claimed in respect of reasonable administrative costs, interest and other expenses incurred by our company for the purpose of earning income, subject to the relevant provisions of the Tax Act. Our company may also deduct from its income for the year a portion of the reasonable expenses, if any, incurred by our company to issue our units. The portion of such issue expenses deductible by our company in a taxation year is 20% of such issue expenses, pro-rated where our company's taxation year is less than 365 days.

In general, a Canadian Limited Partner's share of any income (or loss) of our company from a particular source will be treated as if it were income (or loss) of the Canadian Limited Partner from that source, and any provisions of the Tax Act applicable to that type of income (or loss) will apply to the Canadian Limited Partner. Our company will invest in GP Units of the Property Partnership. In computing our company's income (or loss) under the Tax Act, the Property Partnership will itself be deemed to be a separate person resident in Canada which computes its income (or loss) and allocates to its partners their respective share of such income (or loss). Accordingly, the source and character of amounts included in (or deducted from) the income of Canadian Limited Partners on account of income (or loss) earned by the Property Partnership generally will be determined by reference to the source and character of such amounts when earned by the Property Partnership.

A Canadian Limited Partner's share of taxable dividends received or considered to be received by our company in a fiscal year from a corporation resident in Canada will be treated as a dividend received by the Canadian Limited Partner and will be subject to the normal rules in the Tax Act applicable to such dividends, including the enhanced gross-up and dividend tax credit for "eligible dividends" as defined in the Tax Act when the dividend received by the Property Partnership is designated as an "eligible dividend".

Foreign taxes paid by our company or the Property Partnership and taxes withheld at source on amounts paid or credited to our company or the Property Partnership (other than for the account of a particular partner) will be allocated pursuant to the governing partnership agreement. Each Canadian Limited Partner's share of the "business-income tax" and "non-business-income tax" paid to the government of a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed foreign tax credit rules contained in the Tax Act. Although the foreign tax credit rules are designed to avoid double taxation, the

maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, the foreign tax credit rules may not provide a full foreign tax credit for the “business-income tax” and “non-business-income tax” paid by our company or the Property Partnership to the government of a foreign country. The Tax Act contains anti-avoidance rules to address certain foreign tax credit generator transactions. Under the Foreign Tax Credit Generator Rules, the foreign “business-income tax” or “non-business-income tax” allocated to a Canadian Limited Partner for the purpose of determining such Canadian Limited Partner’s foreign tax credit for any taxation year may be limited in certain circumstances, including where a Canadian Limited Partner’s share the income of our company or the Property Partnership under the income tax laws of any country (other than Canada) under whose laws the income of our company or the Property Partnership is subject to income taxation, or the Relevant Foreign Tax Law, is less than the Canadian Limited Partner’s share of such income for purposes of the Tax Act. For this purpose, a Canadian Limited Partner is not considered to have a lesser direct or indirect share of the income of our company or the Property Partnership under the Relevant Foreign Tax Law than for the purposes of the Tax Act solely because, among other reasons, of a difference between the Relevant Foreign Tax Law and the Tax Act in the manner of computing the income of our company or the Property Partnership or in the manner of allocating the income of our company or the Property Partnership because of the admission or withdrawal of a partner. No assurance can be given that the Foreign Tax Credit Generator Rules will not apply to any Canadian Limited Partner. If the Foreign Tax Credit Generator Rules

apply, the allocation to a Canadian Limited Partner of foreign “business-income tax” or “non-business-income tax” paid by our company or the Property Partnership, and therefore such Canadian Limited Partner’s foreign tax credits, will be limited.

Our company and the Property Partnership will each be deemed to be a non-resident person in respect of certain amounts paid or credited or deemed to be paid or credited to them by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest not subject to Canadian federal withholding tax) paid or deemed to be paid by a person resident or deemed to be resident in Canada to the Property Partnership will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, the CRA’s administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to be computed by looking through the partnership and taking into account the residency of the partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-resident limited partners may be entitled to under an applicable income tax treaty or convention, provided that the residency status and entitlement to the treaty benefits can be established. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to the Property Partnership, the BPY General Partner expects the Holding Entities to look-through the Property Partnership and our company to the residency of the partners of our company (including partners who are resident in Canada) and to take into account any reduced rates of Canadian federal withholding tax that non-resident partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to the Property Partnership. However, there can be no assurance that the CRA will apply its administrative practice in this context. Under the Treaty, a Canadian resident payer is required in certain circumstances to look-through fiscally transparent partnerships, such as our company and the Property Partnership, to the residency and Treaty entitlements of their partners and to take into account the reduced rates of Canadian federal withholding tax that such partners may be entitled to under the Treaty.

If our company incurs losses for tax purposes, each Canadian Limited Partner will be entitled to deduct in the computation of income for tax purposes the Canadian Limited Partner’s share of any net losses for tax purposes of our company for its fiscal year to the extent that the Canadian Limited Partner’s investment is “at-risk” within the meaning of the Tax Act. The Tax Act contains “at-risk rules” which may, in certain circumstances, restrict the deduction of a limited partner’s share of any losses of a limited partnership. The BPY General Partner does not anticipate that our company or the Property Partnership will incur losses but no assurance can be given in this regard. Accordingly, Canadian Limited Partners should consult their own tax advisors for specific advice with respect to the potential application of the “at-risk rules”.

Section 94.1 of the Tax Act contains rules relating to interests held by a taxpayer in Non-Resident Entities that could, in certain circumstances, cause income to be imputed to Canadian Limited Partners, either directly or by way of allocation of such income imputed to our company or the Property Partnership. These rules would apply if it is reasonable to conclude, having regard to all the circumstances, that one of the main reasons for the Canadian Limited Partner, our company or the Property Partnership acquiring, holding or having an investment in a Non-Resident Entity is to derive a benefit from “portfolio investments” in certain assets from which the Non-Resident Entity may reasonably be considered to derive its value in such a manner that taxes under the Tax Act on income, profits and gains from such assets for any year are significantly less than they would have been if such income, profits and gains had been earned directly. In determining whether this is the case, section 94.1 of the Tax Act provides that consideration must be given to, among other factors, the extent to which the income, profits and gains for any fiscal period are distributed in that or the immediately following fiscal period. No assurance can be given that section 94.1 of the Tax Act will not apply to a Canadian Limited Partner, our company or the Property Partnership. If these rules apply to a Canadian Limited Partner, our company or the Property Partnership, income, determined by reference to a prescribed rate of interest plus

two percent applied to the “designated cost”, as defined in section 94.1 of the Tax Act, of the interest in the Non-Resident Entity, will be imputed directly to the Canadian Limited Partners or to our company or the Property Partnership and allocated to the Canadian Limited Partners in accordance with the rules in section 94.1 of the Tax Act. The rules in section 94.1 of the Tax Act are complex and Canadian Limited Partners should consult their own tax advisors regarding the application of these rules to them in their particular circumstances.

Dividends paid to the Property Partnership by a CFA of the Property Partnership will be included in computing the income of the Property Partnership. To the extent that any CFA or Indirect CFA of the Property Partnership earns income that is characterized as FAPI in a particular taxation year of the CFA or Indirect CFA, the FAPI allocable to the Property Partnership under the rules in the Tax Act must be included in computing the income of the Property Partnership for Canadian federal income tax purposes for the fiscal period of the Property Partnership in which the taxation year of that CFA or Indirect CFA ends, whether or not the Property Partnership actually receives a distribution of that FAPI. Our company will include its share of such FAPI of the Property Partnership in computing its income for Canadian federal income tax purposes and Canadian Limited Partners will be required to include their proportionate share of such FAPI allocated from our company in computing their income for Canadian federal income tax purposes. As a result, Canadian Limited Partners may be required to include amounts in their income even though they have not and may not receive an actual cash distribution of such amounts. If an amount of FAPI is included in computing the income of the Property Partnership for Canadian federal income tax purposes, an amount may be deductible in respect of the “foreign

accrual tax” applicable to the FAPI. Any amount of FAPI included in income net of the amount of any deduction in respect of “foreign accrual tax” will increase the adjusted cost base to the Property Partnership of its shares of the particular CFA in respect of which the FAPI was included. At such time as the Property Partnership receives a dividend of this type of income that was previously included in the Property Partnership’s income as FAPI, such dividend will effectively not be included in computing the income of the Property Partnership and there will be a corresponding reduction in the adjusted cost base to the Property Partnership of the particular CFA shares. Under the Foreign Tax Credit Generator Rules, the “foreign accrual tax” applicable to a particular amount of FAPI included in the Property Partnership’s income in respect of a particular “foreign affiliate” of the Property Partnership may be limited in certain specified circumstances, including where the direct or indirect share of the income allocated to any member of the Property Partnership (which is deemed for this purpose to include a Canadian Limited Partner) that is a person resident in Canada or a “foreign affiliate” of such a person is, under a Relevant Foreign Tax Law, less than such member’s share of such income for purposes of the Tax Act. No assurance can be given that the Foreign Tax Credit Generator Rules will not apply to the Property Partnership. For this purpose, a Canadian Limited Partner is not considered to have a lesser direct or indirect share of the income of the Property Partnership under the Relevant Foreign Tax Law than for the purposes of the Tax Act solely because, among other reasons, of a difference between the Relevant Foreign Tax Law and the Tax Act in the manner of computing the income of the Property Partnership or in the manner of allocating the income of the Property Partnership because of the admission or withdrawal of a partner. If the Foreign Tax Credit Generator Rules apply, the “foreign accrual tax” applicable to a particular amount of FAPI included in the Property Partnership’s income in respect of a particular “foreign affiliate” of the Property Partnership will be limited.

Disposition of Our Units

The disposition (or deemed disposition) by a Canadian Limited Partner of our units will result in the realization of a capital gain (or capital loss) by such Canadian Limited Partner in the amount, if any, by which the proceeds of disposition of our units, less any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of such units. Subject to the general rules on averaging of cost base, the adjusted cost base of a Canadian Limited Partner’s units of our company would generally be equal to: (i) the actual cost of our units (excluding any portion thereof financed with limited recourse indebtedness); plus (ii) the share of the income of our company allocated to the Canadian Limited Partner for fiscal years of our company ending before the relevant time in respect of our units; less (iii) the aggregate of the pro-rata share of losses of our company allocated to the Canadian Limited Partner (other than losses which cannot be deducted because they exceed the Canadian Limited Partner’s “at-risk” amount) for the fiscal years of our company ending before the relevant time in respect of our units; and less (iv) the Canadian Limited Partner’s distributions received from our company made before the relevant time in respect of our units.

Where a Canadian Limited Partner disposes of all of its units of our company, it will no longer be a partner of our company. If, however, a Canadian Limited Partner is entitled to receive a distribution from our company after the disposition of all such units, then the Canadian Limited Partner will be deemed to dispose of such units at the later of: (i) the end of the fiscal year of our company during which the disposition occurred; and (ii) the date of the last distribution made by our company to which the Canadian Limited Partner was entitled. The share of the income (or loss) of our company for tax purposes for a particular fiscal year which is allocated to a Canadian Limited Partner who has ceased to be a partner will generally be added (or deducted) in the computation of the adjusted cost base of the Canadian Limited Partner’s units of our company immediately prior to the time of the disposition.

A Canadian Limited Partner will generally realize a deemed capital gain if, and to the extent that, the adjusted cost base of the Canadian Limited Partner’s units of our company is negative at the end of any fiscal year of our company. In such a case, the adjusted cost base of the Canadian Limited Partner’s units of our company will be nil at the

beginning of the next fiscal year of our company.

Canadian Limited Partners should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of units of our company.

Taxation of Capital Gains and Capital Losses

In general, one-half of a capital gain realized by a Canadian Limited Partner must be included in computing such Canadian Limited Partner's income as a taxable capital gain. One-half of a capital loss is deducted as an allowable capital loss against taxable capital gains realized in the year and any remainder may be deducted against net taxable capital gains in any of the three years preceding the year or any year following the year to the extent and under the circumstances described in the Tax Act.

Special rules in the Tax Act may apply to disallow the one-half treatment on all or a portion of a capital gain realized on a disposition of our units if a partnership interest is acquired by a tax-exempt person or a non-resident person (or by a partnership or trust (other than certain trusts) of which a tax-exempt person or a non-resident person is a member or beneficiary, directly or

indirectly through one or more partnerships or trusts (other than certain trusts)). Canadian Limited Partners contemplating such a disposition should consult their own tax advisors in this regard.

A Canadian Limited Partner that is throughout the relevant taxation year a “Canadian-controlled private corporation” as defined in the Tax Act may be liable to pay an additional refundable tax on its “aggregate investment income”, as defined in the Tax Act, for the year, which is defined to include taxable capital gains.

Alternative Minimum Tax

Canadian Limited Partners that are individuals or trusts may be subject to the alternative minimum tax rules. Such Canadian Limited Partners should consult their own tax advisors.

Eligibility for Investment

Provided that our units are listed on a “designated stock exchange” (which currently includes the Nasdaq and the TSX), our units will be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plan (“RRSPs”), deferred profit sharing plans, registered education savings plans (“RESPs”), registered disability savings plans (“RDSPs”) and tax-free savings accounts (“TFSA”), all as defined in the Tax Act.

Notwithstanding the foregoing, an annuitant under an RRSP or RRIF, a holder of a TFSA or an RDSP or a subscriber of an RESP, as the case may be, will be subject to a penalty tax if our units held in the RRSP, RRIF, TFSA, RDSP or RESP are a “prohibited investments”, as defined in the Tax Act, for the RRSP, RRIF, TFSA, RDSP or RESP, as the case may be. Our units will generally not be a “prohibited investment” if the annuitant under the RRSP or RRIF, the holder of the TFSA or RDSP or the subscriber of an RESP, as applicable, deals at arm’s length with our company for purposes of the Tax Act and does not have a “significant interest”, as defined in the Tax Act for purposes of the “prohibited investment” rules, in our company. Canadian Limited Partners who will hold our units in an RRSP, RRIF, TFSA, RDSP or RESP should consult with their own tax advisors regarding the application of the foregoing “prohibited investment” rules having regard to their particular circumstances.

Taxation of Non-Canadian Limited Partners

The following portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is not, and is not deemed to be, resident in Canada and who does not use or hold and is not deemed to use or hold our units in connection with a business carried on in Canada, or a Non-Canadian Limited Partner.

The following portion of the summary assumes that (i) our units are not and will not at any relevant time constitute “taxable Canadian property” of any Non-Canadian Limited Partner, and (ii) our company and the Property Partnership will not dispose of property that is “taxable Canadian property”. “Taxable Canadian property” includes, but is not limited to, property that is used or held in a business carried on in Canada and shares of corporations that are not listed on a “designated stock exchange” if more than 50% of the fair market value of the shares is derived from certain Canadian properties in the 60-month period immediately preceding the particular time. In general, our units will not constitute “taxable Canadian property” of any Non-Canadian Limited Partner at the time of disposition or deemed disposition, unless (a) at any time in the 60-month period immediately preceding the disposition or deemed disposition, more than 50% of the fair market value of our units was derived, directly or indirectly (excluding through a corporation, partnership or trust, the shares or interests in which were not themselves “taxable Canadian property”), from one or any combination of: (i) real or immovable property situated in Canada; (ii) “Canadian resource properties”; (iii) “timber resource properties”; and (iv) options in respect of, or interests in, or for civil law rights in, such property, whether or

not such property exists, or (b) our units are otherwise deemed to be “taxable Canadian property”. Since our company’s assets will consist principally of units of the Property Partnership, our units would generally be “taxable Canadian property” at a particular time if the units of the Property Partnership held by our company derived, directly or indirectly (excluding through a corporation, partnership or trust, the shares or interests in which were not themselves “taxable Canadian property”), more than 50% of their fair market value from properties described in (i) to (iv) above, at any time in the 60-month period preceding the particular time. The BPY General Partner does not expect our units to be “taxable Canadian property” at any relevant time and does not expect our company or the Property Partnership to dispose of “taxable Canadian property”. However, no assurance can be given in this regard.

The following portion of the summary also assumes that neither our company nor the Property Partnership will be considered to carry on business in Canada. The BPY General Partner intends to organize and conduct the affairs of each of these entities, to the extent possible, so that neither of these entities should be considered to carry on business in Canada for purposes of the Tax Act. However, no assurance can be given in this regard. If either of these entities carry on business in Canada, the tax

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implications to our company or the Property Partnership and to Non-Canadian Limited Partners may be materially and adversely different than as set out herein.

Special rules, which are not discussed in this summary, may apply to a Non-Canadian Limited Partner that is an insurer carrying on business in Canada and elsewhere.

Taxation of Income or Loss

A Non-Canadian Limited Partner will not be subject to Canadian federal income tax under Part I of the Tax Act on its share of income from a business carried on by our company (or the Property Partnership) outside Canada or the non-business-income earned by our company (or the Property Partnership) from sources in Canada. However, a Non-Canadian Limited Partner may be subject to Canadian federal withholding tax under Part XIII of the Tax Act, as described below.

Our company and the Property Partnership will each be deemed to be a non-resident person in respect of certain amounts paid or credited or deemed to be paid or credited to them by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest not subject to Canadian federal withholding tax) paid or deemed to be paid by a person resident or deemed to be resident in Canada to the Property Partnership will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, the CRA's administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to be computed by looking through the partnership and taking into account the residency of the partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-resident partners may be entitled to under an applicable income tax treaty or convention, provided that the residency status and entitlement to the treaty benefits can be established. In determining the rate of Canadian federal withholding tax applicable to amounts paid by the Holding Entities to the Property Partnership, the BPY General Partner expects the Holding Entities to look-through the Property Partnership and our company to the residency of the partners of our company (including partners who are resident in Canada) and to take into account any reduced rates of Canadian federal withholding tax that Non-Canadian Limited Partners may be entitled to under an applicable income tax treaty or convention in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends or interest paid to the Property Partnership. However, there can be no assurance that the CRA will apply its administrative practice in this context. Under the Treaty, a Canadian resident payer is required in certain circumstances to look-through fiscally transparent partnerships, such as our company and the Property Partnership, to the residency and Treaty entitlements of their partners and take into account the reduced rates of Canadian federal withholding tax that such partners may be entitled to under the Treaty.

10.F. DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G. STATEMENT BY EXPERTS

Not applicable.

10.H. DOCUMENTS ON DISPLAY

Our company is subject to the information filing requirements of the Exchange Act, and accordingly is required to file periodic reports and other information with the SEC. As a foreign private issuer under the SEC's regulations, we file

annual reports on Form 20-F and furnish other reports on Form 6-K. The information disclosed in our reports may be less extensive than that required to be disclosed in annual and quarterly reports on Forms 10-K and 10-Q required to be filed with the SEC by U.S. issuers. Moreover, as a foreign private issuer, we are not subject to the proxy requirements under Section 14 of the Exchange Act, and the BPY General Partner's directors and our principal unitholders are not subject to the insider short swing profit reporting and recovery rules under Section 16 of the Exchange Act. The SEC maintains an Internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. You may obtain our SEC filings on the SEC website or on our website bpy.brookfield.com.

In addition, our company is required by Canadian securities laws to file documents electronically with Canadian securities regulatory authorities and these filings are available on our SEDAR profile at www.sedar.com. Written requests for such documents should be directed to our Corporate Secretary at 73 Front Street, 5th Floor, Hamilton HM 12, Bermuda.

10.I. SUBSIDIARY INFORMATION

Not applicable.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the information contained in this Form 20-F under Item 5.A. “Operating and Financial Review and Prospects - Operating Results - Risks and Uncertainties - Derivative Financial Instruments”.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2018, an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) was carried out under the supervision and with the participation of persons performing the functions of principal executive and principal financial officers for us and our Service Providers. Based upon that evaluation, the persons performing the functions of principal executive and principal financial officers for us have concluded that, as of December 31, 2018, our disclosure controls and procedures were effective: (i) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms; and (ii) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the persons performing the functions of principal executive and principal financial officers for us, to allow timely decisions regarding required disclosure.

It should be noted that while our management, including persons performing the functions of principal executive and principal financial officers for us, believe our disclosure controls and procedures provide a reasonable level of assurance that such controls and procedures are effective, they do not expect that our disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our

management, including persons performing the functions of principal executive and principal financial officers for us, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

Our management excluded from its assessment the internal control over financial reporting at Extended-Stay Hotel Portfolio for which control was acquired on February 1, 2018, 666 Fifth Avenue for which control was acquired on August 3, 2018, BPR for which control was acquired on August 28, 2018, and Forest City Realty Trust for which control was acquired on December 7, 2018, and whose financial statements constitute 36% and 44% of total and net assets, respectively, 12% of total revenue and 8% of net income as of and for the year ended December 31, 2018.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who have also audited the financial statements of our company, as stated in their reports which are included herein.

Changes in Internal Control

There was no change in our internal control over financial reporting during the year ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERTS

The BPY General Partner's board of directors has determined that Stephen DeNardo possesses specific accounting and financial management expertise and that he is an audit committee financial expert as defined by the SEC and is independent within the meaning of the rules of the Nasdaq. The BPY General Partner's board of directors has also determined that other members of the Audit Committee have sufficient experience and ability in finance and compliance matters to enable them to adequately discharge their responsibilities.

ITEM 16B. CODE OF ETHICS

On April 4, 2013, the BPY General Partner adopted a Code of Conduct and Ethics, or the Code, that applies to the members of the board of directors of the BPY General Partner, our company and any officers or employees of the BPY General Partner. The Code is reviewed and updated annually. We have posted a copy of the Code on our website at bpy.brookfield.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The BPY General Partner has retained Deloitte LLP to act as our company's independent registered public accounting firm.

The table below summarizes the fees for professional services rendered by Deloitte LLP for the audit of our annual financial statements for the periods ended December 31, 2018 and 2017.

	December 31, 2018		December 31, 2017	
(US\$ Thousands)	Total	%	Total	%
Audit fees ⁽¹⁾	\$10,769	37	\$7,029	32
Audit-related fees ⁽²⁾	18,000	62	14,210	65

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Tax fees ⁽³⁾	441	1	%	740	3	%
Other ⁽⁴⁾	37	—	%	51	—	%
Total	\$29,247	100%		\$22,030	100%	

Audit fees include fees for the audit of our annual consolidated financial statements, internal control over financing reporting and interim reviews of the consolidated financial statements included in our quarterly interim reports.

(1) This category also includes fees for comfort letters, consents and review of certain documents filed with securities regulatory authorities.

(2) Audit-related fees include fees for the audit or review of financial statements for certain of our subsidiaries, including audits of individual properties to comply with lender, joint venture partner or tenant requirements.

(3) Tax fees are principally for assistance in tax return preparation and tax advisory services.

(4) All other fees include fees for assistance with corporate and social responsibility reporting.

The audit committee of the BPY General Partner pre-approves all audit and non-audit services provided to our partnership by Deloitte LLP.

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ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Under our normal course issuer bid, our company may, during the twelve-month period commencing August 20, 2018 and ending August 19, 2019, purchase on the TSX, the Nasdaq and any alternative Canadian trading system, up to 21,091,764 of our units, representing approximately 10 % of our issued and outstanding units. During the year ended December 31, 2018, we purchased 4,661,145 of our units at an average price of \$17.35 per unit.

As of Dec. 31, 2018

Month	(a) Total number of units purchased	(b) Average price paid per unit	(c) Total number of units purchased as part of publicly announced plans or programs	(d) Maximum number of units that may yet be purchased under the plans or programs
Apr. 2018	629,454	\$ 19.03	629,454	19,839,373
Jul. 2018	103,781	18.98	103,781	19,735,592
Aug. 2018	—	—	—	21,091,764
Sep. 2018	4,473,235	19.93	—	16,618,529
Oct. 2018	4,935,217	20.26	—	11,683,312
Nov. 2018	4,634,971	18.56	998,302	7,048,341
Dec. 2018	2,929,608	16.70	2,929,608	4,118,733
Total	17,706,266		4,661,145	

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Subject to certain exceptions, Nasdaq permits foreign private issuers to follow home country practice in lieu of Nasdaq's corporate governance requirements. Our corporate practices are not materially different from those required of domestic limited partnerships under the Nasdaq listing standards, except that we follow Bermuda law in respect of approval of equity compensation plans and material amendments thereto, which only requires approval by the board of directors of the BPY General Partner, whereas

Nasdaq rules generally require unitholder approval of such plans and amendments.

ITEM 16H. MINING SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine Safety and Health Administration, or the MSHA, under the Federal Mine Safety and Health Act of 1977, as amended, or the Mine Act. During the fiscal year ended December 31, 2018, our company did not have any mines in the United States subject to regulation by MSHA under the Mine Act.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See the list of financial statements beginning on page F-1 which are filed as part of the annual report on Form 20-F.

ITEM 19. EXHIBITS

Number Description

- 1.1 Certificate of registration of our company, registered as of January 3, 2013*
- 1.2 Second Amended and Restated Limited Partnership Agreement of our company, dated August 8, 2013**
- 1.3 First Amendment to the Second Amended and Restated Limited Partnership Agreement of our company, dated November 5, 2015***
- 4.1 Second Amended and Restated Master Services Agreement by and among Brookfield Asset Management, the Service Recipients and the Service Providers, dated August 27, 2018****
- 4.2 Fourth Amended and Restated Limited Partnership Agreement of the Property Partnership, dated February 20, 2019*****
- 4.3 Relationship Agreement among our company, the Property Partnership, the Holding Entities, the Service Providers and Brookfield Asset Management, dated April 15, 2013*****
- 4.4 Registration Rights Agreement between our company and Brookfield Asset Management dated April 10, 2013*****
- 4.5 Support Agreement, dated March 19, 2014, between Brookfield Property Partners L.P. and Brookfield Office Properties Exchange LP*****
- 4.6 Guarantee Agreement between our company and the Class A Preferred Unitholder dated December 4, 2014*****
- 4.7 Investor Agreement between our company and the Class A Preferred Unitholder dated December 4, 2014*****
- 12.1 Certification of Brian W. Kingston, Chief Executive Officer, Brookfield Property Group LLC, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*****
- 12.2 Certification of Bryan K. Davis, Chief Financial Officer, Brookfield Property Group LLC, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*****
- 13.1 Certification of Brian W. Kingston, Chief Executive Officer, Brookfield Property Group LLC, pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002*****
- 13.2 Certification of Bryan K. Davis, Chief Financial Officer, Brookfield Property Group LLC, pursuant to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002*****
- 15.1 Consent of Deloitte LLP, Independent Registered Public Accounting Firm, relating to the incorporation of the consolidated financial statements of Brookfield Property Partners L.P. into this Annual Report on Form 20-F*****

15.2 Consent of Deloitte & Touche LLP relating to the incorporation of the consolidated financial statements of Brookfield Property REIT Inc. into this Annual Report on Form 20-F*****

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101.INS XBRL Instance Document*****
101.SCH XBRL Taxonomy Extension Schema Document*****
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document*****
101.DEF XBRL Taxonomy Extension Definition Linkbase Document*****
101.LAB XBRL Taxonomy Extension Label Linkbase Document*****
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document*****

* Filed as an exhibit to Amendment No. 1 to Registration Statement on Form 20-F on June 12, 2012 and incorporated herein by reference.

** Filed as an exhibit to Form 6-K on August 8, 2013 and incorporated herein by reference.

*** Filed as an exhibit to Form 20-F on March 17, 2016 and incorporated herein by reference.

**** Filed as an exhibit to Form 6-K on August 28, 2018 and incorporated herein by reference.

***** Filed as an exhibit to Form 6-K on February 20, 2019 and incorporated herein by reference.

***** Filed as an exhibit to Form 6-K on April 16, 2013 and incorporated herein by reference.

***** Filed as an exhibit to Form 6-K on March 19, 2014 and incorporated herein by reference.

***** Filed as an exhibit to Form 6-K on December 4, 2014 and incorporated herein by reference.

***** Filed herewith.

The registrant hereby agrees to furnish to the SEC at its request copies of long-term debt instruments defining the rights of holders of outstanding long-term debt that are not required to be filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BROOKFIELD
PROPERTY
PARTNERS L.P.,
by its general partner,
BROOKFIELD
PROPERTY
PARTNERS LIMITED

By: /s/ Jane Sheere
Name: Jane Sheere
Title: Secretary

Date: March 1, 2019

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Consolidated financial statements of Brookfield Property REIT Inc. as of December 31, 2018 and 2017 and for each of the years in the three-year period ended December 31, 2018	<u>F-78</u>

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Brookfield Property Partners L.P.

Consolidated financial statements

As at December 31, 2018 and 2017 and
for the years ended December 31, 2018, 2017 and 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Unitholders of Brookfield Property Partners L.P.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Brookfield Property Partners L.P. and subsidiaries (the "Partnership") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and the supplemental schedule of investment property information (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2019 expressed an unqualified opinion on the Partnership's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/Deloitte LLP

Chartered Professional Accounts
Licensed Public Accountants

Toronto, Canada
March 1, 2019

We have served as the Partnership's auditor since 2011.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Unitholders of Brookfield Property Partners L.P.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brookfield Property Partners L.P. and subsidiaries (the “Partnership”) as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018 of the Partnership and our report dated March 1, 2019, expressed an unqualified opinion on those financial statements.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Extended-Stay Hotel Portfolio for which control was acquired on February 1, 2018, 666 Fifth Avenue for which control was acquired on August 3, 2018, Brookfield Property REIT (formerly, GGP Inc.) for which control was acquired on August 28, 2018, and Forest City Realty Trust for which control was acquired on December 7, 2018, and whose financial statements constitute 36% and 44% of total and net assets, respectively, 12% of total revenue and 8% of net income as of and for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting at Extended-Stay Hotel Portfolio, 666 Fifth Avenue, Brookfield Property REIT and Forest City Realty Trust.

Basis for Opinion

The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 1, 2019

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Brookfield Property Partners L.P.
Consolidated Balance Sheets

(US\$ Millions)	Note	Dec. 31, 2018	Dec. 31, 2017
Assets			
Non-current assets			
Investment properties	6	\$80,196	\$51,357
Equity accounted investments	8	22,698	19,761
Participating loan interests	10	268	517
Property, plant and equipment	11	7,506	5,457
Goodwill	12	1,109	1,079
Intangible assets	13	1,179	1,188
Other non-current assets	14	1,856	898
Loans and notes receivable		594	178
Total non-current assets		115,406	80,435
Current assets			
Loans and notes receivable		461	7
Accounts receivable and other	15	2,361	981
Cash and cash equivalents		3,288	1,491
Total current assets		6,110	2,479
Assets held for sale	16	1,004	1,433
Total assets		\$122,520	\$84,347
Liabilities and equity			
Non-current liabilities			
Debt obligations	17	\$57,937	\$30,749
Capital securities	18	2,865	2,839
Other non-current liabilities	20	2,294	918
Deferred tax liabilities	19	2,378	2,888
Total non-current liabilities		65,474	37,394
Current liabilities			
Debt obligations	17	5,874	6,135
Capital securities	18	520	1,326
Accounts payable and other liabilities	21	3,749	3,052
Total current liabilities		10,143	10,513
Liabilities associated with assets held for sale	16	163	1,316
Total liabilities		75,780	49,223
Equity			
Limited partners	22	12,353	7,395
General partner	22	4	6
Non-controlling interests attributable to:			
Redeemable/exchangeable and special limited partnership units	22,23	12,740	14,500
Limited partnership units of Brookfield Office Properties Exchange LP	22,23	96	285
Class A shares of Brookfield Property REIT Inc. ("BPR")	22,23	3,091	—
Interests of others in operating subsidiaries and properties	7,23	18,456	12,938

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Total equity	46,740	35,124
Total liabilities and equity	\$ 122,520	\$ 84,347

See accompanying notes to the consolidated financial statements.

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Brookfield Property Partners L.P.
Consolidated Statements of Income

(US\$ Millions, except per unit information) Years ended Dec. 31,	Note	2018	2017	2016
Commercial property revenue	24	\$5,043	\$4,192	\$3,624
Hospitality revenue	25	1,913	1,648	1,561
Investment and other revenue	26	283	295	167
Total revenue		7,239	6,135	5,352
Direct commercial property expense	27	1,851	1,617	1,394
Direct hospitality expense	28	1,236	1,079	1,036
Investment and other expense		26	138	1
Interest expense		2,464	1,967	1,681
Depreciation and amortization	29	308	275	240
General and administrative expense	30	1,032	614	569
Total expenses		6,917	5,690	4,921
Fair value gains, net	31	2,466	1,254	692
Share of net earnings from equity accounted investments	8	947	961	1,019
Income before income taxes		3,735	2,660	2,142
Income tax expense (benefit)	19	81	192	(575)
Net income		\$3,654	\$2,468	\$2,717
Net income attributable to:				
Limited partners		\$764	\$136	\$660
General partner		—	—	—
Non-controlling interests attributable to:				
Redeemable/exchangeable and special limited partnership units		1,085	233	1,103
Limited partnership units of Brookfield Office Properties Exchange LP		17	6	30
Class A shares of Brookfield Property REIT Inc.		112	—	—
Interests of others in operating subsidiaries and properties		1,676	2,093	924
Total		\$3,654	\$2,468	\$2,717
Net income per LP Unit:				
Basic	22	\$2.28	\$0.48	\$2.30
Diluted	22	\$2.26	\$0.48	\$2.25

See accompanying notes to the consolidated financial statements.

Brookfield Property Partners L.P.
Consolidated Statements of Comprehensive Income

(US\$ Millions) Years ended Dec. 31,	Note	2018	2017	2016
Net income		\$3,654	\$2,468	\$2,717
Other comprehensive income (loss)	33			
Items that may be reclassified to net income:				
Foreign currency translation		(788)	)654	(312)
Cash flow hedges		34	77	(36)
Available-for-sale securities (“AFS”)		—	(5	)5
Equity accounted investments		(8	)11	(6)
Items that will not be reclassified to net income:				
Securities - fair value through other comprehensive income (“FVTOCI”)		(2)—	—
Share of revaluation surplus on equity accounted investments		92	58	13
Remeasurement of defined benefit obligations		2	(1)—
Revaluation surplus		254	86	90
Total other comprehensive income (loss)		(416	)880	(246)
Total comprehensive income		\$3,238	\$3,348	\$2,471
Comprehensive income attributable to:				
Limited partners				
Net income		\$764	\$136	\$660
Other comprehensive income (loss)		(178	)183	(112)
		586	319	548
General partner				
Net income		—	—	—
Other comprehensive income (loss)		—	—	—
		—	—	—
Non-controlling interests				
Redeemable/exchangeable and special limited partnership units				
Net income		1,085	233	1,103
Other comprehensive income (loss)		(252	)312	(187)
		833	545	916
Limited partnership units of Brookfield Office Properties Exchange LP				
Net income		17	6	30
Other comprehensive income (loss)		(4	)8	(5)
		13	14	25
Class A shares of Brookfield Property REIT Inc.				
Net income		112	—	—
Other comprehensive income (loss)		(26)—	—
		86	—	—
Interests of others in operating subsidiaries and properties				
Net income		1,676	2,093	924
Other comprehensive income (loss)		44	377	58
		1,720	2,470	982
Total comprehensive income		\$3,238	\$3,348	\$2,471

See accompanying notes to the consolidated financial statements.

Brookfield Property Partners L.P.
Consolidated Statements of Changes in Equity

(US\$ Millions)	Limited partners					General partner		Non-controlling interests					Total equity	
	Capital	Retained earnings	Ownership changes	Accumulated other comprehensive income (loss)	Limited partnership equity	Capital	Retained earnings	Redeemable limited partnership units	Limited partnership of Office Properties Exchange LP	Class A shares of Brookfield Property REIT Inc.	Interests of others in operating subsidiaries and properties			
Balance as at Dec. 31, 2017	\$5,613	\$1,878	\$140	\$(236)	\$7,395	\$4	\$2	\$—	\$6	\$14,500	\$285	\$—	\$12,938	\$35,124
Net income	—	764	—	—	764	—	—	—	1,085	17	112	1,676	3,654	
Other comprehensive income (loss)	—	—	—	(178)	(178)	—	—	—	(252)	(4)	(26)	44	(416)	
Total comprehensive income (loss)	—	764	—	(178)	586	—	—	—	833	13	86	1,720	3,238	
Distributions	—	(410)	—	—	(410)	—	—	—	(551)	(9)	(89)	(2,739)	(3,798)	
Issuances / repurchases of equity interests in operating subsidiaries	2,137	2	86	—	2,225	—	—	—	27	—	3,387	6,537	12,176	
Exchange of exchangeable units	156	—	19	(2)	173	—	—	—	31	(204)	—	—	—	
Conversion of Class A shares of Brookfield Property REIT Inc.	1,081	—	296	—	1,377	—	—	—	305	—	(1,682)	—	—	
Change in relative interests of non-controlling interests	—	—	1,116	(109)	1,007	—	(2)	(2)	(2,405)	11	1,389	—	—	
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
Balance as at Dec. 31, 2016	\$5,743	\$2,085	\$127	\$(419)	\$7,536	\$4	\$2	\$—	\$6	\$14,523	\$293	\$—	\$11,803	\$34,161
Net income	—	136	—	—	136	—	—	—	233	6	—	2,093	2,468	

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Other comprehensive income (loss)	—	—	—	183	183	—	—	312	8	—	377	880		
Total comprehensive income (loss)	—	136	—	183	319	—	—	545	14	—	2,470	3,348		
Distributions	—	(301)	—	—	(301)	—	—	(516)	(13)	—	(2,685)	(3,515)		
Issuances / repurchases of equity interests in operating subsidiaries	(136)	(42)	13	—	(165)	—	—	(53)	(2)	—	1,350	1,130		
Exchange of exchangeable units	6	—	—	—	6	—	—	1	(7)	—	—	—		
Balance as at Dec. 31, 2017	\$5,613	\$1,878	\$140	\$(236)	\$7,395	\$4	\$2	\$—	\$6	\$14,500	\$285	\$—	\$12,938	\$35,124
Balance as at Dec. 31, 2015	\$5,815	\$1,791	\$126	\$(307)	\$7,425	\$4	\$2	\$—	\$6	\$14,218	\$309	\$—	\$8,975	\$30,933
Net income	—	660	—	—	660	—	—	1,103	30	—	924	2,717		
Other comprehensive income (loss)	—	—	—	(112)	(112)	—	—	(187)	(5)	—	58	(246)		
Total comprehensive income (loss)	—	660	—	(112)	548	—	—	916	25	—	982	2,471		
Distributions	—	(293)	—	—	(293)	—	—	(490)	(13)	—	(966)	(1,762)		
Issuances / repurchases of equity interests in operating subsidiaries	(95)	(73)	—	—	(168)	—	—	(122)	(3)	—	2,812	2,519		
Exchange of exchangeable units	23	—	1	—	24	—	—	1	(25)	—	—	—		
Balance as at Dec. 31, 2016	\$5,743	\$2,085	\$127	\$(419)	\$7,536	\$4	\$2	\$—	\$6	\$14,523	\$293	\$—	\$11,803	\$34,161

See accompanying notes to the consolidated financial statements.

Brookfield Property Partners L.P.
Consolidated Statements of Cash Flows

(US\$ Millions) Years ended Dec. 31,	Note	2018	2017	2016
Operating activities				
Net income		\$3,654	\$2,468	\$2,717
Share of equity accounted earnings, net of distributions		(429)	(592)	(495)
Fair value (gains), net	31	(2,466)	(1,254)	(692)
Deferred income tax expense (benefit)	19	(218)	20	(711)
Depreciation and amortization	29	308	275	240
Working capital and other		508	(278)	(314)
		1,357	639	745
Financing activities				
Debt obligations, issuance	17	29,804	17,154	16,769
Debt obligations, repayments	17	(19,936)	(14,124)	(14,733)
Capital securities issued		—	249	—
Capital securities redeemed	18	(905)	(297)	(171)
Non-controlling interests, issued		3,180	2,391	2,996
Non-controlling interests, purchased		—	(480)	(146)
Limited partnership units, issued		501	—	—
Limited partnership units, repurchased		(81)	(136)	(59)
Distributions to non-controlling interests in operating subsidiaries		(2,631)	(2,679)	(954)
Distributions to limited partnership unitholders		(410)	(301)	(293)
Distributions to redeemable/exchangeable and special limited partnership unitholders		(551)	(516)	(490)
Distributions to holders of Brookfield Office Properties Exchange LP units		(9)	(13)	(13)
Distributions to holders of Class A shares of Brookfield Property REIT Inc.		(89)	—	—
		8,873	1,248	2,906
Investing activities				
Investment properties and subsidiaries, proceeds of dispositions		5,520	4,729	3,312
Property acquisitions and capital expenditures		(15,393)	(5,879)	(7,711)
Investment in equity accounted investments		(622)	(1,060)	(465)
Proceeds from sale of equity accounted investments and participating loan interests		1,140	1,006	1,092
Settlement of financial assets and other		(17)	(411)	522
Property, plant and equipment and other assets, investments		(492)	(271)	(232)
Property, plant and equipment and other assets, dispositions		522	—	17
Intangible assets, dispositions		1	2	147
Cash acquired in business combinations, net of cash impact from deconsolidation		1,043	(52)	115
Restricted cash and deposits		(108)	50	(31)
		(8,406)	(1,886)	(3,234)
Cash and cash equivalents				
Net change in cash and cash equivalents during the period		1,824	1	417
Effect of exchange rate fluctuations on cash and cash equivalents held in foreign currencies		(27)	34	4
Balance, beginning of year		1,491	1,456	1,035
Balance, end of year		\$3,288	\$1,491	\$1,456

Supplemental cash flow information

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Cash paid for:

Income taxes

\$236 \$82 \$131

Interest (excluding dividends on capital securities)

\$2,253 \$1,567 \$1,383

See accompanying notes to the consolidated financial statements.

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Brookfield Property Partners L.P.
Notes to the 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 49% managing general partnership units (“GP Units”) interest in Brookfield Property L.P. (the “operating partnership”) and an interest in BP US REIT LLC, which holds 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

These consolidated financial statements of the partnership and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the partnership on February 6, 2019.

b) Basis of presentation

These consolidated financial statements have been prepared on a going concern basis and are presented in United States (“U.S.”) Dollars rounded to the nearest million unless otherwise indicated. New accounting standards issued but not yet effective for the current accounting period are described in Note 3, Future Accounting Policy Changes.

(i) Subsidiaries

The consolidated financial statements include the accounts of the partnership and its subsidiaries over which the partnership has control. Control exists when the partnership has power over its investee, has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns. The partnership considers all relevant facts and circumstances in assessing whether or not the partnership’s interests in the investee are sufficient to give it power over the investee.

Consolidation of a subsidiary begins on the date on which the partnership obtains control over the subsidiary and ceases when the partnership loses control over the subsidiary. Income and expenses of a subsidiary acquired or disposed of during a reporting period are consolidated only for the period when the partnership has control over the subsidiary. Changes in the partnership’s ownership interests in subsidiaries that do not result in loss of control over the subsidiary are accounted for as equity transactions whereby the difference between the amount by which the

non-controlling interests are adjusted and the fair value of the consideration paid or received, are recognized directly in equity and attributed to owners of the partnership.

All accounts and transactions among the partnership and its subsidiaries are eliminated on consolidation. In cases where a subsidiary reports under a different accounting policy, adjustments are made to the financial statements of the subsidiary to present its financial position and results of operations in accordance with the partnership's accounting policy.

Net income and each component of other comprehensive income are attributed to owners of the partnership and to non-controlling interests. Non-controlling interests in the partnership's operating subsidiaries and properties, redeemable/exchangeable partnership units of the operating partnership ("Redeemable/Exchangeable Partnership Units"), special limited partnership units of the operating partnership ("Special LP Units"), limited partnership units of Brookfield Office Properties Exchange LP ("Exchange LP Units") and Class A stock, par value \$0.01 per share, of Brookfield Property REIT Inc. ("BPR Units") are presented separately in equity on the consolidated balance sheets. The Redeemable/Exchangeable Partnership Units, Exchange LP Units and BPR Units

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have the same economic attributes as LP Units. Accordingly, the net income and components of other comprehensive income allocated to these units are equivalent to that allocated to the LP Units (on a per unit basis).

Net income and the components of comprehensive income of the partnership's operating subsidiaries and properties are generally allocated between the partnership and non-controlling equity holders based on the relative proportion of equity interests. Certain of the partnership's subsidiaries are subject to profit sharing arrangements with affiliated entities who hold non-controlling interests that result in allocation of income on an other than proportionate basis if specified targets are met. In these circumstances, net income is allocated between the partnership and non-controlling interests based on proportionate equity interest until the attribution of profits under the agreement is no longer subject to adjustment based on future events. In the period that allocation of the subsidiary's cumulative earnings under the profit sharing arrangement is no longer subject to adjustment, it is reflected as an allocation to non-controlling interest, reducing the amount attributable to unitholders for the period.

(ii) Associates and joint ventures

An associate is an entity over which the partnership has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee. The partnership is presumed to have significant influence when it holds 20 percent or more of the voting rights of an investee, unless it can be clearly demonstrated that this is not the case. The partnership does not control its associates.

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed upon sharing of control where decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement where the parties that have joint control have rights to the net assets of the arrangement. None of the parties involved have unilateral control of a joint venture.

The partnership accounts for its interests in associates and joint ventures using the equity method of accounting. Under the equity method, investment balances in an associate or joint venture are carried on the consolidated balance sheets at initial cost as adjusted for the partnership's proportionate share of profit or loss and other comprehensive income of the joint venture or associate. When an interest in an associate or joint venture is initially acquired or increases, the partnership determines its share of the net fair value of the identifiable assets and liabilities of the investee that it has acquired, consistent with the procedure performed when acquiring control of a business. Goodwill relating to an associate or joint venture, represented as an excess of the cost of the investment over the net fair value of the partnership's share of the net fair value of the identifiable assets and liabilities, is included in the carrying amount of the investment. Any excess of the partnership's share of the net fair value of the associate's or joint venture's identifiable assets and liabilities over the cost of the investment results in a gain that is included in the partnership's share of the associate or joint venture's profit or loss in the period in which the investment is acquired or increases.

The partnership determines at the end of each reporting period whether there exist any indications that an investment may be impaired. If any such indication exists, the partnership estimates the recoverable amount of the asset, which is the higher of (i) fair value less costs to sell and (ii) value in use. Value in use is the present value of the future cash flows expected to be derived from such an investment and may result in a measure which is different from fair value less costs to sell. For equity accounted investments, for which quoted market prices exist, the partnership also considers whether a significant or prolonged decline in the fair value of the equity instrument below its carrying value is also objective evidence of impairment.

When the partnership transacts with a joint venture or an associate, any gain or loss is eliminated only to the extent of the partnership's proportionate share and the remaining amounts are recognized in the partnership's consolidated financial statements. Outstanding balances between the partnership and jointly controlled entities are not eliminated

on the balance sheet.

(iii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to assets and obligations for liabilities relating to the arrangement. This usually results from direct interests in the assets and liabilities of an investee rather than through the establishment of a separate legal entity. None of the parties involved have unilateral control of a joint operation. The partnership recognizes its assets, its liabilities and its share of revenues and expenses of the joint operations in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When the partnership sells or contributes assets to a joint operation in which it is a joint operator, the partnership is considered to be conducting transactions with the other parties to the joint operation, and any gain or loss resulting from the transactions is recognized in the partnership's consolidated financial statements only to the extent of the other parties' interests in the joint operation. When the partnership purchases an asset from a joint operation in which it is a joint operator, the partnership does not recognize its share of the gain or loss until those assets are resold to a third party.

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c) Foreign currency translation and transactions

The U.S. Dollar is the functional currency and presentation currency of the partnership. The functional currency of each of the partnership's subsidiaries, associates, joint ventures and joint operations is determined based on their primary economic environment, the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained.

Subsidiaries, associates or joint ventures having a functional currency other than the U.S. Dollar translate the carrying amounts of their assets and liabilities when reporting to the partnership at the rate of exchange prevailing as of the balance sheet date, and their revenues and expenses at average exchange rates during the quarterly reporting period. Any gains or losses on foreign currency translation are recognized by the partnership in other comprehensive income. On disposition or partial disposition resulting in the loss of control of a foreign operation (i.e., any subsidiary, associate, or joint arrangement of the partnership with a functional currency other than the U.S. Dollar), the accumulated foreign currency translation relating to that foreign operation is reclassified to fair value gain or loss in net income. On partial disposal of a foreign operation in which control is retained, the proportionate share of the accumulated foreign currency translation relating to that foreign operation is reattributed to the non-controlling interests.

The partnership's foreign currency transactions are translated into the functional currency using exchange rates as of the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the exchange rate prevailing as of the balance sheet date with any gain or loss recognized in net income, except for those related to monetary liabilities qualified as hedges of the partnership's investment in foreign operations or intercompany loans with foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future, which are included in other comprehensive income. Non-monetary assets and liabilities measured at fair value are translated at the exchange rate prevailing as of the date when the fair value was determined. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and all non-restricted highly liquid investments with original maturities of three months or less.

e) Investment properties

Investment properties consists of commercial properties which are principally held to earn rental income and commercial developments that are being constructed or developed for future use as commercial properties. Investment properties are measured initially at cost, or fair value if acquired in a business combination (see Note 2(o), Business Combinations, for further discussion). The cost of commercial development properties includes direct development costs, realty taxes, borrowing costs directly attributable to the development and administrative costs, e.g., salaries and overhead that are specifically attributable to a development project. The partnership elects the fair value model for all investment properties and measures them at fair value subsequent to initial recognition on the consolidated balance sheet. As a result, it is not necessary to assess the carrying amounts of the investment properties for impairment.

Substantially all of the partnership's investment properties are valued using one of two accepted income approaches, the discounted cash flow approach or the direct capitalization approach. 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. Under the direct capitalization method, a capitalization rate is applied to estimated stabilized annual net operating income to determine value. 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 or annual valuations prepared by external valuation professionals. Where an external appraisal is obtained for a property that is valued using a model developed by Management, the partnership compares the results of those external appraisals to our internally prepared values and reconcile significant differences when they arise. Discount and terminal capitalization rates are verified by comparing to market data, third party reports, research material and brokers opinions. Where there has been a recent market transactions for a specific property, such as an acquisition or sale of a partial interest, the partnership values the property on that basis.

Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on those properties acquired specifically for redevelopment in the short-term where activities necessary to prepare them for redevelopment are in progress. The amount of borrowing costs capitalized is determined first by borrowings specific to a property where relevant, and then by applying a weighted average borrowing cost to eligible expenditures after adjusting for borrowings specific to other developments. Where borrowings are associated with specific developments, the amount capitalized is the gross borrowing costs incurred less any incidental investment income. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The partnership considers practical completion to have

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occurred when the property is capable of operating in the manner intended by management. Generally this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Where the partnership has pre-leased space as of or prior to the start of the development and the lease requires the partnership to construct tenant improvements which enhance the value of the property, practical completion is considered to occur on completion of such improvements.

Initial direct leasing costs incurred by the partnership in negotiating and arranging tenant leases are included in the cost of investment properties.

f) Assets 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. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be significant changes to the plan or that the plan will be withdrawn. Non-current assets and disposal groups held for sale that are not investment properties are recorded at the lesser of carrying amount and fair value less costs to sell on the consolidated balance sheet. Any gain or loss arising from the change in measurement basis as a result of reclassification is recognized in the profit or loss at the time of reclassification. Investment properties that are held for sale are recorded at fair value determined in accordance with IFRS 13, Fair Value Measurement.

Where a component of an entity has been disposed of, or is classified as held for sale, and it represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, the related results of operations and gain or loss on reclassification or disposition are presented in discontinued operations.

g) Hospitality assets

The partnership accounts for its investments in hospitality properties as property, plant and equipment under the revaluation model. Hospitality properties are recognized initially at cost, or fair value if acquired in a business combination (see Note 2(o), Business Combinations, for further discussion) and subsequently carried at fair value at the revaluation date less any accumulated impairment and subsequent accumulated depreciation. The partnership depreciates these assets on a straight-line basis over their relevant estimated useful lives. Fair values of hospitality properties are determined using a depreciated replacement cost method based on the age, physical condition and the construction costs of the assets. 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.

Revaluations of hospitality properties are performed annually at December 31, the end of the fiscal year. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity within revaluation surplus, unless the increase reverses a previously recognized revaluation loss recorded through prior period net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset is decreased, the decrease is recognized in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder recognized in net income. Revaluation gains are recognized in other comprehensive income, and are not subsequently recycled into profit or loss. The cumulative revaluation surplus is transferred directly to retained earnings when the asset is derecognized.

h) Inventory

Develop-for-sale multifamily projects, residential development lots, homes and residential condominium projects are recorded in inventory. Residential development lots are recorded at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value, which the company determines as the estimated selling price of the inventory in the ordinary course of business in its completed state, less estimated expenses, including holding costs, costs to complete and costs to sell.

i) Fair value measurement

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the partnership takes into account the characteristics of the asset or liability and how market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Inputs to fair value measurement techniques are disaggregated into three hierarchical levels, which are directly based on the degree to which inputs to fair value measurement techniques are observable by market participants:

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Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset's or liability's anticipated life.

Level 3 – Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

Fair value measurements are adopted by the partnership to calculate the carrying amounts of various assets and liabilities.

j) Intangible assets

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at fair value at the acquisition date. The partnership's intangible assets are comprised primarily of trademarks and licensing agreements.

Subsequent to initial recognition, intangible assets with a finite life are measured at cost less accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over the estimated useful life of the intangible asset and is recognized in net income for the respective reporting period. Intangible assets with an indefinite life are measured at cost as adjusted for subsequent impairment. Impairment tests for intangible assets are performed annually. Impairment losses previously taken may be subsequently reversed in net income of future reporting periods.

k) Goodwill

Goodwill represents the excess of the acquisition price paid for a business combination over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Upon initial recognition, goodwill is allocated to the cash-generating unit to which it relates. The partnership identifies a cash-generating unit as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The partnership evaluates the carrying amount of goodwill annually as of December 31 or more often when events or circumstances indicate there may be an impairment. The partnership's goodwill impairment test is performed at the cash-generating unit level. If assets within a cash-generating unit or the cash-generating unit are impaired, impairments are taken for those assets or the cash-generating unit before any goodwill impairment test is performed. In assessing whether goodwill is impaired, the partnership assesses if the carrying value of a cash-generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the present value of future cash flows expected from the cash-generating unit. Impairment losses recognized first reduce the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash-generating unit. Any goodwill impairment is charged to net income in the respective reporting period. Impairment losses on goodwill are not subsequently reversed.

On disposal of a subsidiary, any attributable amount of goodwill is included in determination of the gain or loss on disposal.

l) Financial instruments and hedge accounting

The partnership adopted IFRS 9, Financial Instruments (“IFRS 9”) and the related consequential amendments to other IFRS standards effective January 1, 2018. IFRS 9 introduced new requirements for: 1) The classification and measurement of financial assets and financial liabilities; 2) Impairment of financial assets; and 3) General hedge accounting. The partnership adopted IFRS 9 retrospectively with no restatement of comparatives. The adoption did not result in any material adjustment to the carrying amounts of financial assets, financial liabilities or opening retained earnings.

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(i) Classification and measurement

Financial assets and financial liabilities are recognized in the partnership's balance sheet when the partnership becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Debt instruments are subsequently measured at amortized cost where the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Debt instruments are measured subsequently at fair value through other comprehensive income (FVTOCI) where the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the partnership may make an irrevocable election/designation at initial recognition of a financial asset to present subsequent changes in fair value of an equity investment in other or to designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt and equity instruments issued by the partnership are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Equity instruments issued by the partnership that meet the definition of a financial liability are presented within capital securities on the partnership's consolidated balance sheets.

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are measured at FVTPL when they are (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term, or on initial recognition it is part of a portfolio of identified financial instruments that is managed together and has a recent actual pattern of short term profit taking or it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument. A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL in limited circumstances specified in IFRS 9. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

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

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

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the instrument to the gross carrying amount of the debt instrument on initial recognition. Amortized cost is the amount at which the financial instrument is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance (in the case of financial assets).

Financial instruments carried at fair value give rise to fair value gains or losses in each reporting period. Fair values of those financial instruments are determined by reference to quoted bid or ask prices or prices within the bid ask spread, as appropriate, and when unavailable, to the closing price of the most recent transaction of that instrument. Fair values of certain financial instruments also incorporate significant use of unobservable inputs which reflect the partnership's market assumptions. Fair value gains and losses on FVOCI financial assets are recognized in other comprehensive income. Fair value gains and losses on financial instruments designated as FVTPL are recognized in fair value gains, net.

(ii) Impairment of financial instruments

The partnership recognizes a loss allowance for expected credit losses ("ECL") on debt instruments that are measured at amortized cost or at FVTOCI and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For debt instruments, the partnership recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12 month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The partnership always recognizes lifetime ECL for other receivables. Any related loss allowances are recorded through profit or loss.

(iii) Derivatives and hedging

The partnership enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in net income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The partnership designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in cash flow hedges, fair value hedges, or hedges of net investments in foreign operations. The partnership also applies hedge accounting to certain non-derivative financial instruments designated as hedges of net investments in foreign subsidiaries. Hedge accounting is discontinued prospectively when the hedge relationship is terminated or no longer qualifies as a hedge, or when the hedging item is sold or terminated.

In a cash flow hedge, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income while the ineffective portion is recognized in fair value gains, net. Hedging gains and losses recognized in accumulated other comprehensive income are reclassified to net income in the periods when the hedged item affects net income, or recognized as part of the transaction price when the hedged transaction occurs. The partnership discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to net income.

In a fair value hedge relationship, the fair value change on a qualifying hedging instrument is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognized in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item. The partnership discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

In a net investment hedging relationship, the effective portion of the fair value of the hedging instruments is recognized in other comprehensive income and the ineffective portion is recognized in net income. The amounts recorded in accumulated other comprehensive income are reclassified to net income, together with the related cumulative translation gain or loss, when there is a disposition or partial disposition that results in the loss of control of foreign operations or the derivatives are not part of any other hedge relationships.

m) Income taxes

The partnership is a flow-through entity for tax purposes and as such is not subject to Bermudian taxation. However, income tax expenses are recognized for taxes payable by holding entities and their direct or indirect corporate subsidiaries.

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities by the holding entities in respect of the partnership or directly by the partnership's taxable subsidiaries, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax basis used in the computation of taxable income and carrying amounts of assets and liabilities in the consolidated financial statements. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses will be utilized. The carrying amounts of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent it is no longer probable that the income tax asset will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

n) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the partnership has a present obligation (legal or constructive) as a result of a past event, it is probable that the partnership will be required to settle the obligation and the

amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

o) Business combinations

The partnership accounts 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. Consideration is the aggregate of the fair values, at the date of exchange, of assets transferred, liabilities incurred by the partnership to the former owners, and equity instruments issued in exchange for control of the acquiree. Acquisitions related costs are recognized in net income as incurred. At the acquisition date, the partnership recognizes the identifiable assets acquired and liabilities assumed at their acquisition-date fair values, except for non-current assets classified as held-for-sale, which are recognized at fair value less costs to sell, and deferred tax assets or liabilities, which are measured in accordance with IAS 12, Income Taxes. The partnership also evaluates whether there are intangible assets acquired that have not previously been recognized by the acquiree and recognizes them as identifiable intangible assets.

Non-controlling shareholders in the acquiree are initially measured at either fair value or their proportionate share of acquiree's identifiable assets if the non-controlling interest represents a present ownership interest that entitles its holder to a proportionate share of the acquiree's net assets. Other components of non-controlling interests in acquires are recognized at fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the acquisition date values of the net assets acquired. If, after reassessment, the value of the net assets acquired exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in net income as a bargain purchase gain.

Where a business combination is achieved in stages, previously held interests in the acquired entity are re-measured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income. Changes in the partnership's ownership interest of an investee that do not result in a change of control are accounted for as equity transactions and are recorded as a component of equity. Acquisition costs are recorded as an expense in the reporting period as incurred.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the partnership reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

p) Revenue recognition

The partnership adopted IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) effective January 1, 2018. IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The partnership’s revenue from leases are outside the scope of IFRS 15. The partnership’s material revenue streams subject to IFRS 15 are hospitality revenue and non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants. The adoption of IFRS 15 did not result in any material change to the pattern of revenue recognition by the partnership. The partnership adopted the standard using the modified retrospective approach with no restatement of comparatives and did not record any adjustment upon adoption. The partnership made additional disclosures in Note 24, Commercial Property Revenue, Note 25, Hospitality Revenue and Note 40, Segment Information, as a result of the adoption. Following the adoption of IFRS 15, the partnership has separately disclosed other revenue from tenants in Note 24, Commercial Property Revenue, which consists of non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants which are accounted for in accordance with IFRS 15. Other revenue from tenants is recognized when the partnership has satisfied its performance obligation by delivering services as agreed upon in the lease agreements to tenants at an amount equal to the component of revenue allocated to such performance obligation. The recognition pattern of hospitality revenue is not impacted upon adoption of IFRS 15.

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(i) Commercial property revenue

Revenue from investment properties is presented within commercial property revenue on the consolidated statements of income. The partnership has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the partnership is required to make additions to the property in the form of tenant improvements to enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rents expected from operating leases is recognized on a straight-line basis over the term of the lease, including contractual base rent and subsequent rent increases as a result of rent escalation clauses. A rent receivable, included within the carrying amount of investment properties, is used to record the difference between the rental revenue recorded and the contractual amount received.

Rental receivables and related revenue also includes percentage participating rents and recoveries of operating expenses. However, recoveries of operating expenses related to property taxes and insurance are deemed as non-rental revenue. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries classified as rental income or non-rental income are recognized in the period that recoverable costs are chargeable to tenants. Where a tenant is legally responsible for operating expenses and pays them directly in accordance with the terms of the lease, the partnership does not recognize the expenses or any related recovery revenue.

Following the adoption of IFRS 15, the partnership has separately disclosed other revenue from tenants in Note 24, Commercial Property Revenue, which consists of non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants which are accounted for in accordance with IFRS 15.

(ii) Hospitality revenue

Revenue from hospitality properties is presented within hospitality revenue on the consolidated statements of income. Room, food and beverage and other revenues are recognized as services are provided. The partnership recognizes room revenue net of taxes and levies. Advance deposits are deferred and included as a liability until services are provided to the customer. The partnership recognizes net wins from casino gaming activities (the difference between gaming wins and losses) as gaming revenue. The partnership recognizes liabilities for funds deposited by patrons before gaming play occurs and for chips in the patrons' possession, both of which are included in accounts payable and other liabilities. Revenue and expenses from tour operations include the sale of travel and leisure packages and are recognized on the first day the travel package is in use.

(iii) Performance and management fee revenue

Fee revenue is presented on the consolidated statements of income within investment and other revenue. Fee revenue is recognized when services are provided and the amount can be estimated reliably.

q) Unit-based compensation

The partnership and its subsidiaries issue unit-based awards to certain employees and non-employee directors of certain subsidiaries. The cost of cash-settled unit-based transactions, comprised of unit options, deferred share units and restricted share units, is measured as the fair value at the grant date and expensed on a proportionate basis over the vesting period. The corresponding accrued liability is measured at each reporting date at fair value with changes in fair value recognized in net income. The cost of equity-settled unit-based transactions, comprised of unit options and restricted units, is determined as the fair value of the award on the grant date. The cost of equity-settled unit-based transactions is recognized as each tranche vests and is recorded within equity.

r) Redeemable/Exchangeable Partnership Units

The Redeemable/Exchangeable Partnership Units may, at the request of the holder, be redeemed in whole or in part, for cash in an amount equal to the market value of one of the partnership's LP Units multiplied by the number of units to be redeemed (subject to certain adjustments). This right is subject to the partnership's right, at its sole discretion, to elect to acquire any unit presented for redemption in exchange for one of the partnership's LP Units (subject to certain customary adjustments). If the partnership elects not to exchange the Redeemable/Exchangeable Partnership Units for LP Units, Redeemable/Exchangeable Partnership Units are required to be redeemed for cash. The

Redeemable/Exchangeable Partnership Units provide the holder the direct economic benefits and exposures to the underlying performance of the operating partnership and accordingly to the variability of the distributions of the operating partnership, whereas the partnership's unitholders have indirect access to the economic benefits and exposures of the operating partnership through direct ownership interest in the partnership which owned a direct interest in the managing general partnership interest. Accordingly, the Redeemable/Exchangeable Partnership Units have been presented within non-controlling interests on the consolidated balance sheets. The

Redeemable/Exchangeable Partnership Units do not entail a contractual obligation on the part of the partnership to deliver cash and can be settled by the partnership, at its sole discretion, by issuing a fixed number of its own equity instruments.

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s) BPR Units

BPR Units may, at the request of the holder, be redeemed in whole or in part, for cash in an amount equal to the market value of one of the partnership's LP Units multiplied by the number of units to be redeemed (subject to certain adjustments). This right is subject to the partnership's right, at its sole discretion, to satisfy the redemption request with its LP Units, rather than cash, on a one-for-one basis. The BPR Units provide the holder with direct economic benefits and exposures Brookfield Properties REIT Inc. ("BPR") and accordingly to the variability of the distributions of BPR. Accordingly, the BPR Units have been presented within non-controlling interests on the consolidated balance sheets. The BPR Units do not entail a contractual obligation on the part of the partnership to deliver cash and can be settled by the partnership, at its sole discretion, by issuing a fixed number of its own equity instruments.

t) Earnings per limited partnership unit

The partnership calculates basic earnings per unit by dividing net income attributable to limited partners by the weighted average number of LP Units outstanding during the period. As the Redeemable/Exchangeable Partnership Units, Exchange LP Units and BPR Units are allocated net income equivalent to that allocated to LP Units, net income attributable to limited partners is determined based on the weighted average proportionate share of LP Units outstanding compared to the total number of LP Units, Redeemable/Exchangeable Partnership Units, Exchange LP Units and BPR Unit outstanding. The impact of the potential conversion of mandatorily convertible preferred shares, such as the exchangeable preferred equity securities ("Preferred Equity Units") issued to a third party investor ("the Class A Preferred Unitholder"), is included in the calculation of the weighted average number of LP Units outstanding during the period without an add back to net income attributable to limited partners of the associated carry on such preferred shares. Refer to Note 18, Capital Securities, for further discussion of the Preferred Equity Units.

The partnership also calculates diluted earnings per unit by adjusting net income attributable to limited partners and the weighted average number of LP Units outstanding to reflect the impact of dilutive financial instruments. The calculation of diluted earnings per LP Unit of the partnership includes the dilutive impact of securities issued by the partnership's subsidiaries that are convertible into LP Units of the partnership, as well as options granted to employees pursuant to the BPY Plan.

u) Critical judgments and estimates in applying accounting policies

The preparation of the partnership's consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Critical judgments and estimates made by management and utilized in the normal course of preparing the partnership's consolidated financial statements are outlined below.

(i) Control

In determining whether the partnership has power over an investee, the partnership makes judgments in identifying relevant activities that would significantly affect the returns of an investee, in assessing the partnership's voting rights or other contractual rights that would give it power to unilaterally make decisions, and in assessing rights held by other stakeholders which might give them decision-making authority. In assessing if the partnership has exposure or rights to variable returns from its involvement with the investee, the partnership makes judgments concerning the variability of the returns from an investee based on the substance of the arrangement, the absolute and relative size of those returns. In determining if the partnership has the ability to use its power to affect its returns in an investee, the partnership makes judgments in assessing whether it is acting as a principal or agent in decision-making and whether

another entity with decision-making rights is acting as an agent for the partnership. Where other stakeholders have decision making authority, the partnership makes judgments as to whether its decision-making rights provide it with control, joint control or significant influence over the investee.

In addition to the above, the partnership makes judgments in respect of joint arrangements that are carried on through a separate vehicle in determining whether the partnership's interest represents an interest in the assets and liabilities of the arrangement (a joint operation) or in its net assets (a joint venture).

(ii) Attribution of net income

Certain of the partnership's subsidiaries are subject to profit sharing arrangements between the partnership and the non-controlling equity holders. In determining whether the attribution of profits is subject to uncertainty, the partnership makes the judgment in considering a variety of factors, including but not limited to uncertainties arising from future events, timing of anticipated acquisition, disposition and financing activities, as well as past events of similar nature.

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(iii) Common control transactions

The purchase and sale of businesses or subsidiaries between entities under common control fall outside the scope of IFRS and accordingly, management uses judgment when determining a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies.

(iii) Business combinations

Judgment is applied in determining whether an acquisition is a business combination or an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners. Judgment is also applied in identifying acquired assets and assumed liabilities and determining their fair values.

(iv) Investment properties

In applying relevant accounting policies, judgment is made in determining whether certain costs are additions to the carrying amount of the property, in identifying the point at which practical completion of the development property occurs, and in identifying borrowing costs directly attributable to the carrying amount of the development property. In certain instances, on a case by case basis, the partnership applies judgment in determining whether a significant amount of development activities undertaken would trigger the reclassification of an operating property to a development property.

The key valuation assumptions in determining the fair value of investment properties include discount rates and terminal capitalization rates for properties valued using a discounted cash flow model and capitalization rates for properties valued using a direct capitalization approach. Management also uses assumptions and estimates in determining expected future cash flows in discounted cash flow models and stabilized net operating income used in values determined using the direct capitalization approach. Properties under active development are recorded at fair value using a discounted cash flow model which includes estimates in respect of the timing and cost to complete the development.

(v) Investments in Australia

The partnership has an economic interest in a portfolio of properties in Australia owned by Brookfield Asset Management in the form of participating loan agreements that provide the partnership with an interest in the results of operations and changes in fair values of the properties in the Australian portfolio. These participating loan interests are convertible by the partnership at any time into direct ownership interests in either the properties in the Australian portfolio or the entities that have direct ownership of the property (the “property subsidiaries”). The critical judgments made in the accounting for this investment relate to the partnership’s determination that the economic interests held by the partnership in certain entities within the Australian portfolio represent controlling interests in those entities, the determination of unit of account where related financial instruments have been entered into in contemplation of each other, the recognition of certain amounts paid to the partnership’s parent as financial assets or equity transactions, and the measurement of assets and liabilities recognized as a result of transactions with entities under common control.

As a result of these judgments, the partnership has accounted for its interests in certain property subsidiaries as a controlling interest in a subsidiary or an equity accounted interest in a jointly controlled entity. Interests in other properties and entities are accounted for as participating loan notes that give rise to interest income reflecting the results of operations of the underlying property and gain or losses on an embedded derivative that corresponds to the property’s change in fair value.

(vi) Assets held for sale

The partnership's accounting policies relating to assets held for sale are described in Note 2(g), Assets Held for Sale. In applying this policy, judgment is applied in determining whether sale of certain assets is highly probable, which is a necessary condition for being presented within assets held for sale.

(vii) Revaluation of hospitality assets

When determining the carrying amounts under the revaluation method, the partnership uses the following critical assumptions and estimates: estimates of replacement cost and estimates of remaining economic life.

(viii) Income taxes

In applying relevant accounting policies, judgments are made in determining the probability of whether deductions, tax credits and tax losses can be utilized. In addition, the consolidated financial statements include estimates and assumptions for determining the future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates. The partnership measures deferred income taxes associated with its investment properties based on its specific intention with respect to each asset at the end of the reporting period. Where the partnership has a specific intention to sell a property in the foreseeable future, deferred taxes on the building portion of the investment property are measured based on the tax consequences

following from the disposition of the property. Otherwise, deferred taxes are measured on the basis that the carrying value of the investment property will be recovered substantially through use. Judgment is required in determining the manner in which the carrying amount of each investment property will be recovered.

The partnership also makes judgments with respect to the taxation of gains inherent in its investments in foreign subsidiaries and joint ventures. While the partnership believes that the recovery of its original investment in these foreign subsidiaries and joint ventures will not result in additional taxes, certain unremitted gains inherent in those entities could be subject to foreign taxes depending on the manner of realization.

(ix) Leases

In applying its accounting policy for recognition of lease revenue, the partnership makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which in turn is used to determine whether these amounts are treated as additions to operating property and the point in time to recognize revenue under the lease. In addition, where a lease allows a tenant to elect to take all or a portion of any unused tenant improvement allowance as a rent abatement, the partnership must exercise judgment in determining the extent to which the allowance represents an inducement that is amortized as a reduction of lease revenue over the term of the lease.

The partnership also makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the partnership is lessor, are operating or finance leases. The partnership has determined most of its leases are operating leases, with several finance leases that are not material. Where operating costs are paid directly by tenants, the partnership exercises judgment in determining whether those costs are expenses of the partnership or the tenant which impacts the extent to which operating costs recovery revenue is recognized.

(x) Financial instruments

The critical judgments inherent in the relevant accounting policies relate to the classification of financial assets or financial liabilities, designation of financial instruments as FVTOCI or FVTPL, the assessment of the effectiveness of hedging relationships, the determination of whether the partnership has significant influence over investees with which it has contractual relationships, and the identification of embedded derivatives subject to fair value measurement in certain hybrid instruments.

Estimates and assumptions used in determining the fair value of financial instruments are: equity and commodity prices; future interest rates; the credit risk of the partnership and its counterparties; amount and timing of estimated future cash flows; discount rates and volatility utilized in option valuations.

The partnership holds other financial instruments that represent equity interests in investment property entities that are measured at fair value as these financial instruments are designated as FVTPL or FVTOCI. Estimation of the fair value of these instruments is also subject to the estimates and assumptions associated with investment properties. The fair value of interest rate caps is determined based on generally accepted pricing models using quoted market interest rates for the appropriate term. Interest rate swaps are valued at the present value of estimated future cash flows and discounted based on applicable yield curves derived from market interest rates.

(xi) Indicators of impairment

Judgment is applied when determining whether indicators of impairment exist when assessing the carrying values of the partnership's assets for potential impairment. Consideration is given to a combination of factors, including but not limited to forecasts of revenues and expenses, values derived from publicly traded prices, and projections of market

trends and economic environments. Judgment is also applied when quantifying the amount of impairment loss where indicators of impairment exist.

(xii) Other critical judgments

Other critical judgments utilized in the preparation of the partnership's consolidated financial statements are: assets' recoverable amounts; assets' net realizable values; depreciation and amortization rates and assets' useful lives; determination of assets held for sale and discontinued operations; impairment of goodwill and intangible assets; the determination of functional currency; the likelihood and timing of anticipated transactions for hedge accounting; and the selection of accounting policies, among others.

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NOTE 3. FUTURE ACCOUNTING POLICY CHANGES

The following are accounting policies issued that the partnership expects to adopt in the future:

IFRS 16, Leases (“IFRS 16”)

IFRS 16 supersedes IAS 17, Leases and related interpretations and is effective for the partnership beginning January 1, 2019. 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 participated in strategic planning sessions with its subsidiaries and associates and has developed and implemented an adoption project plan. Using the population of existing contractual arrangements, the partnership has completed its identification of leases that are required to be recognized on the consolidated balance sheet under the new standard.

The partnership has preliminarily measured the present value of the future lease payments and the related right-of-use assets to determine the impact on the January 1, 2019 balance sheet. The partnership anticipates adopting the standard under the modified retrospective approach. Any transitional impact will be recorded in equity as of January 1, 2019 and comparative periods are not restated. The partnership expects to apply certain transition reliefs, practical expedients and policy choice options on adoption of the new standard.

Based on the current estimates, adoption of IFRS 16 will result in the recognition of lease liabilities for operating leases of \$973 million, \$812 million of ROU assets that are classified as investment properties and \$158 million of ROU assets as property, plant and equipment. The partnership does not anticipate any material transitional impact to equity upon adoption. The partnership is progressing as planned in its adoption project plan. Next steps include finalizing the impact assessment of acquisitions closed immediately prior to December 31, 2018 and to other financial statement line items once the standard has been adopted. The impact of IFRS 16 on the recently acquired business of Forest City Realty Trust (“Forest City”) and a portfolio of student housing in Europe are not reflected in the current estimates above.

IFRS 3, Business Combination (“IFRS 3”)

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption available. The amendment clarifies the definition of a business and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets. The amendment emphasizes that the output of a business is to provide goods and services to customers and also provide supplementary guidance. The partnership will adopt the standard prospectively and is currently evaluating the impact on its consolidated financial statements.

NOTE 4. ACQUISITION OF GGP INC.

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

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

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

The acquisition of GGP was accounted for as a business combination achieved in stages. The partnership’s existing equity interest in GGP was remeasured to fair value immediately prior to the acquisition date of August 28, 2018 based on the partnership’s interest in the fair value of the identifiable net assets and liabilities of GGP at the time. As a result of this remeasurement, a loss of approximately \$502 million was recognized in fair value gains, net.

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

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

As discussed in Note 22, Equity, the BPR Units issued on closing represent a non-controlling interest in the partnership.

As of December 31, 2018, the valuation of the investment properties, equity accounted investments, deferred tax liabilities, transaction costs, certain working capital balances and the acquisition date fair value of the partnership’s existing equity interest in GGP were still under evaluation by the partnership. Accordingly, the business combination has been accounted for on a provisional basis.

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

(US\$ Millions)	GGP
Investment properties	\$17,991
Equity accounted investments	10,829
Property, plant and equipment	56
Accounts receivable and other	592
Cash and cash equivalents	424
Total assets	29,892
Less:	
Debt obligations	(13,147)
Accounts payable and other	(691)
Deferred tax liabilities	(11)
Non-controlling interests ⁽¹⁾	(1,882)
Net assets acquired	\$14,161
Consideration ⁽²⁾	\$13,240
Transaction costs	32

(1) Includes non-controlling interests in a subsidiary of BPR measured as the proportionate share of the fair value of the entity's net assets on the date of acquisition.

(2) Includes the acquisition date fair value of the partnership's previously held equity interest in GGP of \$7,843 million.

In connection with the acquisition of GGP, the partnership has recognized a bargain purchase gain of \$921 million in fair value gains, net as the consideration paid exceeds the fair value of the assets acquired, liabilities assumed and non-controlling interests recognized on acquisition. On a provisional basis, the partnership has determined that it has identified all of the assets acquired and liabilities assumed and that each is appropriately measured. The fair value of the investment properties acquired was determined, for certain of the assets, based on transaction prices agreed with third parties for the sale of partial interests and valuation models prepared by an independent external appraiser.

In the period from August 28, 2018 to December 31, 2018, the partnership recorded revenue and net income in connection with this acquisition of approximately \$588 million and \$360 million, respectively. If the acquisition had occurred on January 1, 2018, the partnership's total revenue and net income would have been \$8,415 million and \$4,373 million, respectively, for the year ended December 31, 2018, only including the GGP transaction.

NOTE 5. ACQUISITIONS AND BUSINESS COMBINATIONS

a) Completed in 2018

In addition to the acquisition of GGP, discussed in Note 4, Acquisition of GGP Inc., the partnership completed the following material business combinations during 2018 through Brookfield-sponsored real estate funds:

On February 1, 2018, the partnership acquired a portfolio of 105 extended-stay hotel properties across the United States (“Extended-Stay Hotel Portfolio”) for total consideration of \$764 million.

On February 1, 2018, the partnership acquired a portfolio of 15 student housing properties in the United Kingdom (“UK Student Housing IV”), for total consideration of £527 million (\$752 million).

On August 3, 2018, the partnership acquired a 100% leasehold interest in 666 Fifth Avenue, a commercial office asset in New York, for consideration of \$1,299 million.

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.

The partnership also completed several individually immaterial acquisitions during 2018 for total consideration of \$3,948 million. The acquisitions were primarily LP Investments made by Brookfield-sponsored real estate funds to invest the funds’ capital. The partnership consolidates the acquired investments as Brookfield Asset Management’s power as general partner, together with the partnership’s LP interests, provide the partnership with control over the investments.

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

(US\$ Millions)	Extended-UK					Other	Total
	Stay Hotel Portfolio	Student Housing IV	666 Fifth Avenue ⁽³⁾	Forest City ⁽⁴⁾			
Date of acquisition	2/1/2018	2/1/2018	8/3/2018	12/7/2018	Various		
Investment properties	\$ —	\$ 742	\$ 1,292	\$ 9,397	\$ 3,846	\$ 15,277	
Property, plant and equipment	768	2	—	—	922	1,692	
Equity accounted investments	5	—	—	1,467	79	1,551	
Goodwill	—	—	—	—	96	96	
Intangible assets	—	—	—	—	54	54	
Accounts receivable and other	2	53	11	1,049	944	2,059	
Cash and cash equivalents	2	18	—	451	168	639	
Total assets	777	815	1,303	12,364	6,109	21,368	
Less:							
Debt obligations	—	—	—	(3,664)	(1,504)	(5,168)	
Accounts payable and other	(13)	(63)	(4)	(1,119)	(283)	(1,482)	
Deferred tax liabilities	—	—	—	—	(47)	(47)	
Non-controlling interests ⁽¹⁾	—	—	—	(633)	(88)	(721)	
Net assets acquired	\$ 764	\$ 752	\$ 1,299	\$ 6,948	\$ 4,187	\$ 13,950	
Consideration ⁽²⁾	\$ 764	\$ 752	\$ 1,299	\$ 6,948	\$ 3,948	\$ 13,711	
Transaction costs	\$ 9	\$ 7	\$ 44	\$ 202	\$ 67	\$ 329	

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

(2)

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

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

- (4) The valuation of the investment property, equity accounted investments, debt obligation, working capital and non-controlling interests assumed was still under evaluation by the partnership. Accordingly, this business combination has been accounted for on a provisional basis.

Excluding the acquisition of GGP, in the period from each acquisition date to December 31, 2018, the partnership recorded revenue and net income in connection with these acquisitions of approximately \$529 million and \$163 million, respectively. If the acquisitions had occurred on January 1, 2018, the partnership's total revenue and net income would have been \$8,572 million and \$4,133 million, respectively, for the twelve months ended December 31, 2018.

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

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b) Completed in 2017

The partnership completed the following business combinations during 2017 through Brookfield-sponsored real estate funds:

On December 8, 2017, the partnership acquired two office buildings comprised of 400,000 square feet in San Jose, California (“Towers @ 2nd”), for consideration of \$127 million.

On December 7, 2017, the partnership acquired 14 properties, comprising a 2.7 million square foot office portfolio in Mumbai, India (“Mumbai Office Portfolio”), for consideration of \$102 million.

On December 1, 2017, the partnership acquired a 4.2 million square foot mixed-use office and retail complex (“Houston Center”) in Houston, Texas, for total consideration of \$819 million.

On October 17, 2017, the partnership acquired a hotel in downtown Toronto, Canada (“Toronto Hotel”) for total consideration of \$270 million.

On April 10, 2017, the partnership acquired a portfolio of 13 student housing properties (“Student Housing”) across the United Kingdom for total consideration of \$358 million.

On March 31, 2017, the partnership acquired One Post Street, a 424,000 square feet office building in San Francisco for total consideration of \$153 million.

On March 31, 2017, the partnership acquired a portfolio consisting of nine office properties encompassing approximately 1.1 million square feet in the U.S. (“TA Office”), for total consideration of \$214 million.

On March 9, 2017, the partnership acquired a portfolio of manufactured housing communities (“Manufactured Housing”) in the United States for total consideration of \$768 million.

The following table summarizes the impact of business combinations during the year ended December 31, 2017:

(US\$ Millions)	Manufactured Housing ⁽³⁾	TA Office ⁽³⁾	One Post Street ⁽³⁾	Student Housing ⁽³⁾	Mumbai Office Portfolio ⁽³⁾	Houston Center ⁽³⁾	Toronto Hotel ⁽³⁾	Towers @ 2 nd ⁽³⁾	Other	Total
Investment properties	\$ 2,107	\$ 235	\$ 245	\$ 392	\$ 679	\$ 825	\$ —	\$ 128	\$ 1,014	\$ 5,625
Property, plant and equipment	—	—	—	—	—	—	281	—	—	281
Accounts receivable and other	79	5	—	—	12	22	4	—	14	136
Cash and cash equivalents	16	—	4	—	11	—	—	2	5	38
Intangible assets	—	—	—	—	—	—	—	—	—	—
Total assets	2,202	240	249	392	702	847	285	130	1,033	6,080
Less:										
Non-recourse borrowings	(1,261)	—	—	—	(511)	—	—	—	—	(1,772)
Accounts payable and other	(36)	(13)	(2)	(7)	(44)	(28)	—	(3)	(3)	(136)
Deferred income tax liabilities	—	—	—	—	(45)	—	—	—	—	(45)
Non-controlling interests ⁽¹⁾	(30)	—	(94)	—	—	—	—	—	—	(124)
Net assets acquired	\$ 875	\$ 227	\$ 153	\$ 385	\$ 102	\$ 819	\$ 285	\$ 127	\$ 1,030	\$ 4,003
Consideration ⁽²⁾	\$ 768	\$ 214	\$ 153	\$ 358	\$ 102	\$ 819	\$ 270	\$ 127	\$ 1,022	\$ 3,833
Transaction costs	\$ 16	\$ 3	\$ —	\$ 6	\$ —	\$ 5	\$ 11	\$ —	\$ 22	\$ 63

(1)

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

- (2) Includes consideration paid with funds received from issuance of non-controlling interests to certain institutional investors in funds sponsored by Brookfield Asset Management.
- (3) The partnership has completed the purchase price allocation for the acquisition. No material changes were made to the provisional purchase price allocation.

The difference between consideration and net assets acquired was primarily attributable to the bargain purchase gains from the acquisitions of Manufactured Housing, TA Office, Student Housing and Toronto Hotel of \$162 million in total.

In the period from each acquisition date to December 31, 2017, the partnership recorded revenue and net income in connection with these acquisitions of approximately \$322 million and \$148 million, respectively. If the acquisitions had occurred on January 1, 2017, the partnership's total revenue and net income would have been \$6,488 million and \$2,571 million, respectively, for the year ended December 31, 2017.

NOTE 6. INVESTMENT PROPERTIES

The following table presents a roll forward of investment property balances for the years ended December 31, 2018 and 2017:

(US\$ Millions)	Year ended Dec. 31, 2018			Year ended Dec. 31, 2017		
	Commercial properties	Commercial developments	Total	Commercial properties	Commercial developments	Total
Balance, beginning of year	\$48,780	\$ 2,577	\$51,357	\$45,699	\$ 3,085	\$48,784
Changes resulting from:						
Property acquisitions ⁽¹⁾	31,783	1,658	33,441	5,545	107	5,652
Capital expenditures	1,098	1,185	2,283	905	990	1,895
Property dispositions ⁽²⁾	(4,115)	(451)	(4,566)	(1,240)	(675)	(1,915)
Fair value gains, net	784	462	1,246	347	202	549
Foreign currency translation	(1,387)	(121)	(1,508)	1,121	159	1,280
Transfers between commercial properties and commercial developments	1,123	(1,123)	—	1,038	(1,038)	—
Reclassifications of assets held for sale and other changes ⁽³⁾	(2,052)	(5)	(2,057)	(4,635)	(253)	(4,888)
Balance, end of year	\$76,014	\$ 4,182	\$80,196	\$48,780	\$ 2,577	\$51,357

(1) Includes the commercial properties and developments acquired through business combinations. See Note 4, Acquisition of GGP Inc., and Note 5, Acquisitions and Business Combinations, for further information.

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

(3) The partnership's interest in a portfolio of self storage assets across the U.S. was reclassified to assets held for sale in the second quarter of 2018 and sold in the third quarter of 2018. The partnership's interest in Queens Quay Terminal in Toronto and Jeans Edwards Tower in Ottawa were reclassified to assets held for sale in the second quarter of 2018 and sold in the fourth quarter of 2018. The partnership's interest in 20 Canada Square in London was reclassified to assets held for sale in the second quarter of 2017 and sold in the third quarter of 2017. In the third quarter of 2017, the partnership's industrial portfolio in Europe was reclassified to assets held for sale and sold in the fourth quarter of 2017. In the fourth quarter of 2017, the partnership sold 49% of its interest in One Liberty Plaza and reclassified the remaining 51% interest to equity accounted investments. The partnership also reclassified 50% of its interest in Bay Adelaide Centre in Toronto to assets held for sale in the fourth quarter of 2017. This also includes the reclassification of our Brazil Retail investment from commercial properties to equity accounted investments as a result of the partnership entering into an amended management agreement with its co-investors in the second quarter of 2017 which resulted in the loss of control over the venture.

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 transactions 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.

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	Dec. 31, 2018			Dec. 31, 2017		
		Discount rate	Terminal capitalization rate	Investment horizon (yrs.)	Discount rate	Terminal capitalization rate	Investment horizon (yrs.)
Core Office							
United States	Discounted cash flow	6.9	% 5.6	% 12	7.0	% 5.8	% 13
Canada	Discounted cash flow	6.0	% 5.4	% 10	6.1	% 5.5	% 10
Australia	Discounted cash flow	7.0	% 6.2	% 10	7.0	% 6.1	% 10
Brazil	Discounted cash flow	9.6	% 7.7	% 6	9.7	% 7.6	% 7
Core Retail ⁽¹⁾	Discounted cash flow	7.1	% 6.0	% 12	—	% —	% —
LP Investments Office ⁽²⁾	Discounted cash flow	10.2	% 7.0	% 6	10.2	% 7.5	% 7
LP Investments Retail	Discounted cash flow	8.9	% 7.8	% 9	9.0	% 8.0	% 10
Logistics	Discounted cash flow	9.3	% 8.3	% 10	6.8	% 6.2	% 10
Mixed-use ⁽²⁾	Discounted cash flow	7.8	% 5.4	% 10	8.4	% 5.3	% 10
Multifamily ⁽³⁾	Direct capitalization	4.8	% n/a	n/a	4.8	% n/a	n/a
Triple Net Lease ⁽³⁾	Direct capitalization	6.3	% n/a	n/a	6.4	% n/a	n/a
Self-storage ⁽³⁾	Direct capitalization	5.7	% n/a	n/a	5.8	% n/a	n/a
Student Housing ⁽³⁾	Direct capitalization	5.6	% n/a	n/a	5.8	% n/a	n/a
Manufactured Housing ⁽³⁾	Direct capitalization	5.4	% n/a	n/a	5.8	% n/a	n/a

The partnership obtained control of GGP during the third quarter of 2018 following the acquisition of the common shares not held by the partnership. Subsequent to this transaction, the partnership is consolidating the financial results of GGP. Please see Note 4, Acquisition of GGP Inc., for further information.

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

(3) The valuation method used to value multifamily, triple net lease, self-storage, student housing, and manufactured housing properties is the direct capitalization method. The rates presented as the discount rate relate to the overall

implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable.

Operating investment properties with a fair value of approximately \$20.7 billion (December 31, 2017 - \$10.2 billion) are situated on land held under leases or other agreements largely expiring after the year 2065. Investment properties do not include any buildings held under operating leases.

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The following table presents the partnership's investment properties 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 in Note 2(i) above.

(US\$ Millions)	Dec. 31, 2018			Dec. 31, 2017		
	Level 3			Level 3		
	Level 1	Commercial properties	Commercial developments	Level 1	Commercial properties	Commercial developments
Core Office						
United States	\$—	\$14,415	\$ 822	\$—	\$14,259	\$ 568
Canada	—	4,127	118	—	4,493	104
Australia	—	2,342	49	—	2,472	8
Europe	—	137	1,194	—	120	920
Brazil	—	329	—	—	327	—
Core Retail ⁽¹⁾	—	17,224	383	—	—	—
LP Investments						
LP Investments Office ⁽²⁾	—	7,861	577	—	6,044	231
LP Investments Retail	—	3,408	6	—	3,406	6
Logistics	—	183	—	—	1,409	533
Multifamily	—	4,151	—	—	3,925	—
Triple Net Lease	—	5,067	—	—	4,804	—
Self-storage	—	847	84	—	1,796	58
Student Housing	—	2,031	386	—	1,204	149
Manufactured Housing	—	2,369	—	—	2,206	—
Mixed-Use ⁽²⁾	—	11,523	563	—	2,315	—
Total	\$—	\$76,014	\$ 4,182	\$—	\$48,780	\$ 2,577

⁽¹⁾ The partnership obtained control of GGP during the third quarter of 2018 following the acquisition of the common shares not previously held by the partnership. Subsequent to this transaction, the partnership is consolidating the financial results of GGP. Please see Note 4, Acquisition of GGP Inc., for further information.

⁽²⁾ During the third quarter of 2018, the commercial properties for IFC are reported under the mixed-use sector. The valuation metrics for LP Investments- Office have been updated for both periods presented.

There were no transfers between levels within the fair value hierarchy related to investment properties during the years ended December 31, 2018, 2017, and 2016. Investment properties with a fair value of \$73.5 billion (December 31, 2017 - \$49.8 billion) are pledged as security for property debt.

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 December 31, 2018, for properties valued using the discounted cash flow or direct capitalization method, respectively:

(US\$ Millions)	Dec. 31, 2018 Impact on fair value of commercial properties
Core Office	
United States	\$ 837
Canada	329
Australia	181
Brazil	10
Core Retail	612
LP Investments	
LP Investments Office	398
LP Investments Retail	143
Logistics	8
Mixed-use	140
Multifamily	207
Triple Net Lease	176
Self-storage	30
Student Housing	82
Manufactured Housing	104
Total	\$ 3,257

During the year ended December 31, 2018, the partnership capitalized a total of \$1,185 million (December 31, 2017 - \$990 million) of costs related to development properties. Included in this amount is \$1,089 million (December 31, 2017 - \$904 million) of construction and related costs and \$96 million (December 31, 2017 - \$86 million) of borrowing costs capitalized. The weighted average interest rate used for the capitalization of borrowing costs to development properties for the year ended December 31, 2018 is 4.2% (December 31, 2017 - 3.5%).

NOTE 7. INVESTMENTS IN SUBSIDIARIES

The partnership considers all relevant facts and circumstances in determining that its decision making rights over the entities listed below are sufficient to give it power over these subsidiaries. In addition, the partnership has exposure and rights to substantial variable returns from its economic interests in these subsidiaries, even after consideration of material non-controlling interests in certain subsidiaries. The partnership is able to use its power to affect the amount of its returns and consolidates these subsidiaries.

The following table presents the partnership's material subsidiaries as of December 31, 2018 and 2017:

	Jurisdiction of formation	Economic interest		Voting interest		
		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	
Subsidiary of the partnership						
Brookfield Property L.P. ⁽¹⁾	Bermuda	49	% 37	% 100	% 100	%
Holding entities of the operating partnership						
BPY Bermuda IV Holdings L.P.	Delaware	100	% 100	% 100	% 100	%
Brookfield BPY Retail Holdings II Inc.	Ontario	100	% 100	% 100	% 100	%
BPY Bermuda Holdings Limited	Bermuda	100	% 100	% 100	% 100	%
BPY Bermuda Holdings II Limited	Bermuda	100	% 100	% 100	% 100	%
Brookfield BPY Holdings Inc.	Ontario	100	% 100	% 100	% 100	%
BPY Bermuda Holdings IV Limited	Bermuda	100	% 100	% 100	% 100	%
BPY Bermuda Holdings 1A Limited	Bermuda	100	% 100	% 100	% 100	%
BPY Bermuda Holdings V Limited	Bermuda	100	% 100	% 100	% 100	%
BPY Bermuda Holdings VI Limited	Bermuda	100	% 100	% 100	% 100	%
Real estate subsidiaries of the holding entities						
Brookfield Office Properties Inc. ("BPO")	Canada	100	% 100	% 100	% 100	%
Brookfield BPY Holdings (Australia) ULC ⁽²⁾	Canada	100	% 100	%—	%—	%
Forest City Realty Trust, Inc. ⁽⁴⁾	United States	15	%—	%—	%—	%
BPR Retail Holdings LLC ⁽⁵⁾	United States	100	%—	% 91	%—	%
BSREP CARS Sub-Pooling LLC ⁽³⁾	United States	29	% 29	%—	%—	%
Center Parcs UK ⁽³⁾	United Kingdom	27	% 27	%—	%—	%
BSREP II Aries Pooling LLC ⁽³⁾	United States	26	% 26	%—	%—	%
BSREP UA Holdings LLC ⁽³⁾	Cayman Islands	30	% 30	%—	%—	%
BSREP India Office Holdings Pte. Ltd. ⁽³⁾	United States	33	% 33	%—	%—	%
BSREP II Retail Upper Pooling LLC ⁽³⁾	United States	50	% 50	% 33	% 33	%
BSREP II Korea Office Holdings Pte. Ltd. ⁽³⁾	South Korea	22	% 22	%—	%—	%
BSREP II PBSA Ltd. ⁽³⁾	Bermuda	25	% 26	%—	%—	%
BSREP II MH Holdings LLC ⁽³⁾	United States	26	% 26	%—	%—	%

BPY holds all managing general partner units of the operating partnership and therefore has the power to direct the (1) relevant activities and affairs of the operating partnership. The managing general partner units represent 49% and 37% of the total number of the operating partnership's units at December 31, 2018 and 2017, respectively.

(2) This entity holds economic interest in certain of its Australian properties not held through BPO. This economic interest is held in the form of participating loan agreements with Brookfield Asset Management.

(3) The partnership holds its economic interest in these assets primarily through limited partnership interests in Brookfield-sponsored real estate funds. By their nature, limited partnership interests do not have any voting rights. The partnership has entered into voting agreements to provide the partnership with the ability to contractually

direct the relevant activities of the investees.

- (4) Includes non-controlling interests in recently acquired Forest City portfolio. See Note 5, Acquisitions and Business Combinations, for further information.

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%

- (5) interest in GGP prior to the acquisition was deconsolidated. Please see Note 4, Acquisition of GGP Inc., for further information. The partnership controls BPR as it held 91% of the voting stock of BPR through its 100% ownership of the BPR Class B and Class C shares. The balance of the voting rights in respect of BPR are held by the holders of the BPR Units.

The table below shows details of non-wholly owned subsidiaries of the partnership that have material non-controlling interests:

(US\$ Millions)	Jurisdiction of formation	Proportion of economic interests held by non-controlling interests		Non-controlling interests: Interests of others in operating subsidiaries and properties	
		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
BPO ⁽¹⁾	Canada	—	%—	%\$4,757	\$2,982
Forest City Realty Trust, Inc. ⁽²⁾⁽³⁾	United States	85	%—	%3,437	—
BPR Retail Holdings LLC ⁽⁴⁾⁽⁵⁾	United States	—	%—	%1,773	—
BSREP CARS Sub-Pooling LLC ⁽²⁾	United States	71	%71	%957	918
Center Parcs UK ⁽²⁾	United Kingdom	73	%73	%863	869
BSREP II Korea Office Holdings Pte. Ltd.	South Korea	78	%78	%766	706
BSREP II MH Holdings LLC ⁽²⁾	United States	74	%74	%700	593
BSREP II PBSA Ltd.	Bermuda	75	%74	%687	501
BSREP India Office Holdings Pte. Ltd.	United States	67	%67	%612	424
BSREP II Aries Pooling LLC ⁽²⁾	United States	74	%74	%603	652
BSREP II Retail Upper Pooling LLC ⁽²⁾	United States	50	%50	%552	670
BSREP UA Holdings LLC ⁽²⁾	Cayman Islands	70	%70	%507	487
Other	Various	18% - 92%	18% - 76%	2,242	4,136
Total				\$18,456	\$12,938

⁽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⁾ Includes non-controlling interests in recently acquired Forest City portfolio. See Note 5, Acquisitions and Business Combinations, for further information

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%

⁽⁴⁾ interest in GGP prior to the acquisition was deconsolidated. Please see Note 4, Acquisition of GGP Inc., for further information. The partnership controls BPR as it held 91% of the voting stock of BPR through its 100% ownership of the BPR Class B and Class C shares. The balance of the voting rights in respect of BPR are held by the holders of the BPR Units.

⁽⁵⁾ Includes non-controlling interests in BPR subsidiaries.

Summarized financial information in respect of each of the partnership's subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intercompany eliminations.

Dec. 31, 2018

Equity attributable to

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(US\$ Millions)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Non- controlling interests	Owners of the entity
BPO	1,391	38,895	5,216	16,521	4,928	13,621
Forest City	1,029	11,246	602	7,741	3,437	495
BPR Retail Holdings LLC	478	29,197	507	13,241	1,773	14,154
BSREP CARS Sub-Pooling LLC	38	5,074	42	3,776	957	337
Center Parcs UK	191	4,110	242	2,869	863	327
BSREP II Korea Office Holdings Pte. Ltd.	87	2,986	56	2,030	766	221
BSREP II MH Holdings LLC	42	2,438	39	1,515	700	226
BSREP II PBSA Ltd.	72	2,196	428	918	687	235
BSREP India Office Holdings Pte. Ltd.	44	2,044	183	996	612	297
BSREP II Aries Pooling LLC	95	2,246	330	1,202	603	206
BSREP II Retail Upper Pooling LLC	88	2,956	970	976	552	546
BSREP UA Holdings LLC	51	1,583	28	880	507	219
Total	3,606	104,971	8,643	52,665	16,385	30,884

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Dec. 31, 2017

(US\$ Millions)	Current		Non-current		Equity attributable to	
	assets	assets	liabilities	liabilities	Non-controlling interests	Owners of the controlling entity
BPO	1,432	43,993	13,675	15,944	3,153	12,653
BSREP CARS Sub-Pooling LLC	70	4,811	4	3,637	918	322
Center Parcs UK	103	4,107	228	2,786	869	327
BSREP Industrial Pooling Subsidiary L.P. ⁽¹⁾	111	2,271	123	1,051	878	330
BSREP II Korea Office Holdings Pte. Ltd.	72	2,948	42	2,071	706	201
BSREP II Aries Pooling LLC	57	2,321	47	1,455	652	224
BSREP II Retail Upper Pooling LLC	68	3,321	998	1,066	670	655
BSREP II MH Holdings LLC	34	2,280	30	1,499	593	192
Brookfield Strategic Real Estate Partners II Storage REIT LLC ⁽²⁾	45	1,871	22	1,144	564	186
BSREP II PBSA Ltd.	61	1,367	121	633	501	173
BSREP UA Holdings LLC	49	1,564	32	885	487	209
BREF ONE, LLC ⁽²⁾	264	2,332	534	1,338	483	241
BSREP II Brazil Pooling LLC ⁽²⁾	26	1,261	12	578	472	225
BSREP India Office Holdings Pte. Ltd.	38	1,659	103	963	424	207
BSREP Europe Holdings L.P. ⁽²⁾	95	—	12	—	55	28
Total	2,525	76,106	15,983	35,050	11,425	16,173

⁽¹⁾ In the fourth quarter of 2018, the partnership sold its U.S. logistics portfolio.

⁽²⁾ In the current year ended December 31, 2018, these entities are presented within Other non-controlling interest as the non-controlling interests are not material.

Year ended Dec. 31, 2018

(US\$ Millions)	Attributable to non-controlling interests			Attributable to owners of the partnership		
	Net		Distributions	Net		Distributions
	Revenue	comprehensive income (loss)		Revenue	comprehensive income (loss)	
BPO	\$2,159	\$245	\$ 240	\$ 35	\$147	\$ 194
Forest City	65	(153)	(153)	)21	(27)	(27)
BPR Retail Holdings LLC	584	34	34	(1)	)457	447
BSREP CARS Sub-Pooling LLC	311	105	99	54	37	34
Center Parcs UK	644	87	50	55	33	19
BSREP II Korea Office Holdings Pte. Ltd.	211	96	69	8	28	20
BSREP II MH Holdings LLC	248	132	132	8	42	42
BSREP II PBSA Ltd.	131	68	20	—	23	7
BSREP India Office Holdings Pte. Ltd.	176	245	209	11	119	102
BSREP II Aries Pooling LLC	190	51	52	69	18	18
BSREP II Retail Upper Pooling LLC	302	(190)	(191)	)1	(189)	(190)
BSREP UA Holdings LLC	128	20	20	—	9	9
Total	\$5,149	\$740	\$ 581	\$ 261	\$697	\$ 675

(US\$ Millions)	Year ended Dec. 31, 2017						
	Attributable to non-controlling interests				Attributable to owners of the partnership		
	Net	Total			Net	Total	
Revenue	income	compre-hensive	Distributions	income	compre-hensive		
	(loss)	income		(loss)	income		
BPO	\$2,224	\$120	\$ 139	\$ 9	\$(718)	\$(672)
BSREP CARS Sub-Pooling LLC	311	87	85	377	30	29	
Center Parcs UK	587	13	94	210	5	36	
BSREP Industrial Pooling Subsidiary L.P. ⁽¹⁾	143	175	175	163	65	65	
BSREP II Korea Office Holdings Pte. Ltd.	194	144	230	119	41	66	
BSREP II Aries Pooling LLC	285	53	54	59	18	18	
BSREP II Retail Upper Pooling LLC	306	50	50	1	42	42	
BSREP II MH Holdings LLC	194	133	133	16	44	44	
Brookfield Strategic Real Estate Partners II Storage REIT LLC ⁽²⁾	168	82	82	8	27	27	
BSREP II PBSA Ltd.	74	109	131	—	37	44	
BSREP UA Holdings LLC	124	117	117	99	50	50	
BREF ONE, LLC ⁽²⁾	717	(33	)(8	)—	(17	)(5)
BSREP II Brazil Pooling LLC ⁽²⁾	70	63	55	17	30	26	
BSREP India Office Holdings Pte. Ltd.	156	130	154	47	63	75	
BSREP Europe Holdings L.P. ⁽²⁾	96	782	896	1,289	359	419	
Total	\$5,649	\$2,025	\$ 2,387	\$ 2,414	\$76	\$ 264	

(1) In the fourth quarter of 2018, the partnership sold its U.S. logistics portfolio. The remaining non-controlling interest is not material and is included in Other non-controlling interest for December 31, 2018.

(2) In the current year ended December 31, 2018, these entities are presented within Other non-controlling interest as the non-controlling interests are not material.

(US\$ Millions)	Year ended Dec. 31, 2016						
	Attributable to non-controlling interests				Attributable to owners of the partnership		
	Net	Total			Net	Total	
Revenue	income	compre-hensive	Distributions	income	compre-hensive		
	(loss)	income		(loss)	income		
BPO	\$2,221	\$81	\$ 101	\$ 254	\$277	\$ 250	
BSREP CARS Sub-Pooling LLC	300	140	140	4	49	49	
Center Parcs UK	586	74	(112	)76	28	(42)
BSREP Industrial Pooling Subsidiary L.P. ⁽¹⁾	108	158	158	114	55	55	
BSREP II Korea Office Holdings Pte. Ltd.	21	(18	)(40	)—	(3	)(7)
BSREP II Aries Pooling LLC	191	(47	)(46	)46	(16	)(16)
BSREP II Retail Upper Pooling LLC	178	3	3	—	3	3	
Brookfield Strategic Real Estate Partners II Storage REIT LLC ⁽²⁾	106	130	130	84	43	43	
BREF ONE, LLC ⁽²⁾	762	(22)37	—	(11)18	
BSREP UA Holdings LLC	117	138	138	—	59	59	

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BSREP Europe Holdings L.P. ⁽²⁾	79	51	31	13	26	15
BSREP II Brazil Pooling LLC ⁽²⁾	56	59	121	6	28	58
Brookfield Brazil Retail Fundo de Investimento em Participações ⁽²⁾	80	(42)	)35	—	(25)	)1
BSREP India Office Holdings Pte. Ltd.	130	76	67	25	37	33
Total	\$4,935	\$781	\$ 763	\$ 622	\$550	\$ 519

(1) In the fourth quarter of 2018, the partnership sold its U.S. logistics portfolio. The remaining non-controlling interest is not material and is included in Other non-controlling interest for December 31, 2018.

(2) In the current year ended December 31, 2018, these entities are presented within Other non-controlling interest as the non-controlling interests are are not material.

Certain of the partnership's subsidiaries are subject to restrictions over the extent to which they can remit funds to the partnership in the form of cash dividends, or repayment of loans and advances as a result of borrowing arrangements, regulatory restrictions and other contractual requirements.

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NOTE 8. EQUITY ACCOUNTED INVESTMENTS

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

(US\$ Millions)	Principal activity	Principal place of business	Proportion of ownership interests/voting rights held by the partnership		Carrying value	
			Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Joint ventures						
Canary Wharf Joint Venture ⁽¹⁾	Property holding company	United Kingdom	50	% 50	% \$3,270	\$3,284
BPR JV Pool A ⁽²⁾	Property holding company	United States	50	%—	% 1,791	—
Manhattan West, New York	Property holding company	United States	56	% 56	% 1,619	1,439
Ala Moana Center, Hawaii ⁽²⁾	Property holding company	United States	50	%—	% 1,611	—
Forest City Joint Ventures ⁽³⁾	Property holding company	United States	—	%—	% 1,390	—
BPR JV Pool B ⁽²⁾	Property holding company	United States	51	%—	% 1,217	—
Fashion Show, Las Vegas ⁽²⁾	Property holding company	United States	50	%—	% 881	—
BPR JV Pool C ⁽²⁾	Property holding company	United States	50	%—	% 756	—
BPR JV Pool D ⁽²⁾	Property holding company	United States	48	%—	% 693	—
BPR JV Pool E ⁽²⁾	Property holding company	United States	35	%—	% 629	—
The Grand Canal Shoppes, Las Vegas ⁽²⁾	Property holding company	United States	50	%—	% 608	—
Grace Building, New York	Property holding company	United States	50	% 50	% 581	585
One Liberty Plaza, New York	Property holding company	United States	51	% 51	% 425	408
Southern Cross East, Melbourne ⁽⁴⁾	Property holding company	Australia	50	% 50	% 402	407
680 George Street, Sydney	Property holding company	Australia	50	% 50	% 319	311
	Holding company	Brazil	46	% 46	% 309	339

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Brookfield Brazil Retail Fundo de Investimento em Participação ("Brazil Retail")

Brookfield D.C. Office Partners LLC ("D.C. Property holding Fund"), Washington, D.C.	Property holding company	United States	51	% 51	% 295	310
Miami Design District, Florida ⁽²⁾	Property holding company	United States	22	%—	% 286	—
The Mall in Columbia, Maryland ⁽²⁾	Property holding company	United States	50	%—	% 268	—
Shops at Merrick Park, Florida ⁽²⁾	Property holding company	United States	55	%—	% 266	—
Other ⁽⁵⁾	Various	Various		12% - 70%	12% - 90%	4,237 2,484
						21,853 9,567
Associates						
GGP Inc. ("GGP" ⁽²⁾)	Real estate investment trust	United States	—	% 34	%—	8,844
China Xintiandi ("CXTD" ⁽⁶⁾)	Property holding company	China	22	% 22	%—	499
Diplomat Resort and Spa ("Diplomat")	Property holding company	United States	90	% 90	% 390	339
Brookfield Premier Real Estate Partners Pooling LLC ("BPREP")	Property holding company	United States	7	% 10	% 106	122
Other	Various	Various		23% - 31%	23% - 31%	349 390
						845 10,194
Total						\$22,698 \$19,761

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

(2) Upon acquisition of GGP, the partnership recognized its interests in joint ventures. Certain joint ventures were formed as a result of the sale of partial interests in certain properties prior to closing of the GGP acquisition. Where multiple joint ventures were formed with the same terms and joint venture partners, they have been aggregated in a pool.

(3) The partnership obtained control of Forest City during the fourth quarter of 2018 following the acquisition of the common shares not previously held by the partnership. The partnership is consolidating the financial results of Forest City, including its interests in properties held through joint ventures. Please see Note 5, Acquisitions and Business Combinations, for further information.

(4) The partnership exercises joint control over these jointly controlled entities through a participating loan agreement with Brookfield Asset Management that is convertible at any time into a direct equity interest in the entity.

(5) Other joint ventures consists of approximately 70 joint ventures, all of which have a carrying value below \$250 million.

(6) The partnership's interest in CXTD is held through BSREP CXTD Holdings L.P. in which it has an approximate 31% interest. This interest has been reclassified to assets held for sale in the fourth quarter of 2018.

(a) 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 4, Acquisition of GGP Inc., for further information.

The partnership obtained control of Forest City during the fourth quarter of 2018 following the acquisition. The partnership is consolidating the financial results of Forest City, including its interests in properties held through joint ventures.

(b) 2017 Transactions

In the first quarter of 2017, the partnership sold 50% of its interest in Principal Place - Commercial for approximately £346 million (\$429 million). As a result of the transaction, the partnership retained joint control and recognized the equity accounted investment with a carrying value of \$230 million at December 31, 2017.

The partnership sold its 51% interest in 245 Park Avenue in the second quarter of 2017 for net proceeds of approximately \$680 million.

In the second quarter of 2017, the partnership entered into an amended management agreement with its co-investors in Brazil Retail resulting in the loss of control over the venture. Subsequent to entering into this agreement, the partnership recognized its interest in Brazil Retail as an equity accounted investment with a carrying value of \$339 million at December 31, 2017.

During the fourth quarter of 2017, the partnership exercised all of its outstanding warrants of GGP. Of these warrants, 16 million were exercised on a cashless basis and the remaining 43 million warrants on a full share settlement basis for approximately \$462 million of cash. The exercise resulted in the partnership's acquisition of an additional 68 million common shares of GGP, increasing its ownership from 29% to 34%. As a result of the exercise, the partnership recorded an additional equity accounted investment of approximately \$1,890 million. The partnership determined its share of the net fair value of the incremental interests acquired in GGP's identifiable assets and liabilities. The excess of its share of this net fair value over the cost of the investment of \$442 million represents a gain that is included in share of net earnings from equity accounted investments in addition to \$1,448 million of impact of warrant exercise.

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

(US\$ Millions) Years ended Dec. 31,	2018	2017
Equity accounted investments, beginning of period	\$19,761	\$16,844
GGP joint ventures acquired from business acquisition ⁽¹⁾	10,829	—
Deconsolidation of pre-acquisition GGP equity interest ⁽¹⁾	(8,345)	—
Additions	2,174	1,372
Disposals and return of capital distributions	(1,304)	(281)
Share of net earnings from equity accounted investments ⁽²⁾	947	961
Distributions received	(518)	(369)

Foreign currency translation	(395	)430
Reclassification to assets held for sale ⁽³⁾	(567	)(712)
Impact of warrant conversion ⁽²⁾	—	1,448
Other comprehensive income and other	116	68
Equity accounted investments, end of year	\$22,698	\$19,761

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. See Note 4, Acquisition of GGP Inc., for further information.

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

The partnership's interest in CXTD was reclassified to assets held for sale in the fourth quarter of 2018. The partnership's interest in 245 Park Avenue in Midtown New York was reclassified to assets held for sale in the first quarter of 2017 and sold in the second quarter of 2017.

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

Equity accounted investments	Primary valuation method	Dec. 31, 2018			Dec. 31, 2017		
		Discount rate	Terminal capitalization rate	Investment horizon (yrs.)	Discount rate	Terminal capitalization rate	Investment horizon (yrs.)
Core Office							
United States	Discounted cash flow	6.6	% 5.1	% 10	6.5	% 5.3	% 11
Australia	Discounted cash flow	6.7	% 5.7	% 10	7.0	% 5.8	% 10
Europe	Discounted cash flow	4.7	% 4.9	% 10	4.8	% 4.8	% 10
Core Retail							
United States ⁽¹⁾	Discounted cash flow	6.6	% 5.3	% 11	7.0	% 5.6	% 10
LP Investments - Office	Discounted cash flow	6.9	% 5.2	% 9	6.6	% 5.7	% 10
LP Investments - Retail	Discounted cash flow	11.7	% 7.1	% 10	11.5	% 7.2	% 11
Logistics	Discounted cash flow	—	% —	% —	6.4	% 5.8	% 10
Multifamily ⁽²⁾	Direct capitalization	5.2	% n/a	n/a	5.1	% n/a	n/a

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

⁽¹⁾ financial results of GGP. The period ended December 31, 2018 represents GGP's joint ventures acquired from the acquisition. The prior period represents the partnership's 34% interest in GGP prior to the acquisition. Please see Note 4, Acquisition of GGP Inc., for further information.

The valuation method used to value multifamily investments is the direct capitalization method. The rates

⁽²⁾ presented as the discount rate relate to the overall implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable.

The following tables present the gross assets and liabilities of the partnership's equity accounted investments as of December 31, 2018 and 2017:

(US\$ Millions)	Dec. 31, 2018				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
Joint ventures					
Canary Wharf Joint Venture	\$ 666	\$ 12,268	\$ 577	\$ 5,818	\$ 6,539
BPR JV Pool A	186	5,619	125	2,097	3,583
Manhattan West	142	5,455	681	2,027	2,889
Ala Moana	91	5,063	57	1,874	3,223
Forest City	308	7,729	330	4,152	3,555
BPR JV Pool B	99	5,909	107	3,515	2,386
Fashion Show	35	2,572	19	826	1,762
BPR JV Pool C	42	2,264	34	676	1,596
BPR JV Pool D	43	2,293	101	793	1,442
BPR JV Pool E	47	2,756	39	967	1,797
The Grand Canal Shoppes	28	1,832	23	625	1,212
Grace Building	32	2,043	19	894	1,162
One Liberty Plaza	107	1,604	23	855	833
Southern Cross East	5	805	7	—	803
680 George Street	10	1,334	14	—	1,330
Brazil Retail	30	916	13	67	866
D.C. Fund	58	1,321	31	770	578
Miami Design District	49	1,877	28	629	1,269
The Mall in Columbia	14	858	9	328	535
Shops at Merrick Park	12	660	21	166	485
Other	1,989	20,588	2,413	9,140	11,024
	3,993	85,766	4,671	36,219	48,869
Associates					
GGP	—	—	—	—	—
CXTD	—	—	—	—	—
Diplomat	24	837	23	405	433
BPREP	12	1,998	12	457	1,541
Other	366	1,430	72	819	905
	402	4,265	107	1,681	2,879
Total	\$ 4,395	\$ 90,031	\$ 4,778	\$ 37,900	\$ 51,748

(US\$ Millions)	Dec. 31, 2017				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
Joint ventures					
Canary Wharf Joint Venture	\$844	\$ 13,092	\$ 703	\$ 6,759	\$6,474
Manhattan West	74	4,248	816	941	2,565
Grace Building	35	2,042	12	891	1,174
One Liberty Plaza	129	1,527	17	839	800
Southern Cross East	94	732	11	—	815
Brazil Retail	42	982	10	65	949
680 George Street	29	611	18	—	622
D.C. Fund	41	1,351	348	436	608
VAMF II ⁽¹⁾	111	1,813	295	851	778
Principal Place - Commercial ⁽¹⁾	7	941	45	444	459
Potsdamer Platz ⁽¹⁾	60	1,835	54	1,021	820
One New York Plaza ⁽¹⁾	69	1,480	—	748	801
Republic Plaza ⁽¹⁾	28	495	20	265	238
75 State Street ⁽¹⁾	16	662	8	309	361
Other	707	5,357	736	2,080	3,248
	2,286	37,168	3,093	15,649	20,712
Associates					
GGP	1,029	37,841	947	13,062	24,861
CXTD	173	3,678	138	1,476	2,237
Diplomat	24	777	23	400	378
BPREP	18	1,670	14	456	1,218
Other	149	2,042	231	870	1,090
	1,393	46,008	1,353	16,264	29,784
Total	\$3,679	\$ 83,176	\$ 4,446	\$ 31,913	\$50,496

⁽¹⁾ In the current year ended December 31, 2018, these joint ventures are presented within Joint Ventures - Other as the carrying value are currently below \$250 million.

Summarized financial information in respect of the partnership's equity accounted investments for the years ended December 31, 2018, 2017 and 2016 is set out below:

(US\$ Millions)	Year ended Dec. 31, 2018		Fair value gains (losses)	Income from EAI ⁽¹⁾	Discontinued operations	Net income	Other comprehensive income	Partnership's share of net income	Distributions received
	Revenue	Expenses							
Joint ventures									
Canary Wharf Joint Venture	\$547	\$ 125	\$ (72)	\$(1)	\$	—\$349	\$ 8	\$ 175	\$ —
BPR JV Pool A	162	77	(5)	—	—	80	—	41	—
Manhattan West	123	104	423	—	—	442	(15)	248	—
Ala Moana	78	38	(6)	—	—	34	—	17	8
Forest City	48	35	—	—	—	13	—	8	—
BPR JV Pool B	208	112	(7)	8	—	97	—	49	1
Fashion Show	32	13	(2)	—	—	17	—	8	3
BPR JV Pool C	52	23	(1)	—	—	28	—	14	6
BPR JV Pool D	—	—	—	26	—	26	—	12	2
BPR JV Pool E	49	15	(2)	—	—	32	—	11	3
The Grand Canal Shoppes	30	18	(1)	—	—	11	—	5	2
Grace Building	125	83	(34)	—	—	8	—	4	8
One Liberty Plaza	114	84	9	—	—	39	(10)	21	9
Southern Cross East	45	7	38	—	—	76	—	38	—
680 George Street	34	9	136	—	—	161	—	56	18
Brazil Retail	61	30	59	—	—	90	—	41	20
D.C. Fund	131	81	(45)	—	—	5	—	2	22
Miami Design District	24	24	(1)	—	—	(1)	—	—	—
The Mall in Columbia	19	9	(1)	—	—	9	—	5	—
Shops at Merrick Park	17	6	—	—	—	11	—	6	1
Other	1,290	897	696	(22)	—	1,067	(19)	409	143
	3,189	1,790	1,184	11	—	2,594	(36)	1,170	246
Associates									
GGP ⁽²⁾	1,536	1,221	(1,598)	271	—	(1,012)	(15)	(274)	214
CXTD	142	60	18	(3)	—	97	—	21	10
Diplomat	174	175	—	—	—	(1)	77	(1)	18
BPREP	60	(10)	1	—	—	71	—	9	4
Other	263	261	71	1	—	74	76	22	26
	2,175	1,707	(1,508)	269	—	(771)	138	(223)	272
Total	\$5,364	\$ 3,497	\$ (324)	\$ 280	\$	—\$1,823	\$ 102	\$ 947	\$ 518

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

(2) Net income presented before allocation to non-controlling interests and preferred dividends.

(US\$ Millions)	Year ended Dec. 31, 2017								
	Revenue	Expenses	Fair value gains (losses)	Income of EAI ⁽¹⁾	Discontinued operations	Net income	Other comprehensive income	Partnership's share of net income	Distributions received
Joint ventures									
Canary Wharf Joint Venture	\$581	\$370	\$(49)	\$21	\$	-\$183	\$5	\$91	\$—
Manhattan West	81	70	308	—	—	319	—	179	1
Grace Building	120	80	(23)	—	—	17	—	9	7
One Liberty Plaza	3	2	103	—	—	104	(7)	53	—
Southern Cross East	46	7	21	—	—	60	—	30	—
Brazil Retail	48	29	31	—	—	50	—	23	11
680 George Street	34	9	17	—	—	42	—	21	—
D.C. Fund	129	76	(54)	—	—	(1)	—	(1)	23
VAMF II ⁽²⁾	154	116	117	4	—	159	—	59	—
Principal Place - Commercial ⁽²⁾	28	61	132	—	—	99	—	49	—
Potsdamer Platz ⁽²⁾	96	95	108	—	—	109	—	27	—
One New York Plaza ⁽²⁾	121	78	(4)	—	—	39	7	6	1
Republic Plaza ⁽²⁾	46	30	(33)	—	—	(17)	—	(9)	—
75 State Street ⁽²⁾	49	30	6	—	—	25	—	6	2
245 Park Avenue ⁽²⁾	54	31	(24)	—	—	(1)	—	—	10
Other	259	111	148	—	—	296	16	153	38
	1,849	1,195	804	25	—	1,483	21	696	93
Associates									
GGP ⁽³⁾⁽⁴⁾	2,405	1,207	(2,307)	518	—	(591)	12	179	240
CXTD	128	145	121	—	—	104	—	23	—
Diplomat	151	166	—	—	—	(15)	43	(14)	6
BPREP	40	27	31	71	—	115	—	12	3
Other	253	183	147	—	—	217	61	65	27
	2,977	1,728	(2,008)	589	—	(170)	116	265	276
Total	\$4,826	\$2,923	\$(1,204)	\$614	\$	-\$1,313	\$137	\$961	\$369

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

(2) In the current year ended December 31, 2018, these joint ventures are presented within Joint Ventures - Other as the carrying value are currently below \$250 million.

(3) Net income presented before allocation to non-controlling interests and preferred dividends.

(4) As a result of the partnership's exercise of GGP warrants, the additional shares that were acquired by the partnership were acquired at a discount to the net fair value of the proportionate interest in the underlying assets acquired and liabilities assumed. The partnership recognized a \$442 million gain within the partnership's share of net income.

(US\$ Millions)	Year ended December 31, 2016								
	Revenue	Expenses	Fair value gains (losses)	Income from EAI ⁽¹⁾	Discontinued operations	Net income	Other comprehensive income	Partnership's share of net income	Distributions received
Joint ventures									
Canary Wharf Joint Venture	\$ 646	\$ 284	\$ (351)	\$ 8	\$	—\$ 19	\$ (4)	\$ 10	\$ —
Manhattan West	78	51	161	—	—	188	—	105	57
245 Park Avenue ⁽²⁾	163	95	(146)	—	—	(78)	—	(39)	37
Grace Building	117	79	(24)	—	—	14	—	7	11
VAMF II ⁽²⁾	430	310	123	—	—	243	—	96	—
Southern Cross East	42	11	3	—	—	34	—	17	—
Potsdamer Platz ⁽²⁾	49	27	32	—	—	54	—	12	—
D.C. Fund	121	71	(9)	—	—	41	—	21	17
680 George Street	34	8	103	—	—	129	5	65	—
Republic Plaza ⁽²⁾	46	30	(5)	—	—	11	—	6	—
One New York Plaza ⁽²⁾	11	8	57	—	—	60	—	9	—
75 State Street ⁽²⁾	47	30	26	—	—	43	—	17	—
Other	384	196	120	—	—	308	(2)	137	124
	2,168	1,200	90	8	—	1,066	(1)	463	246
Associates									
GGP ⁽³⁾	2,427	1,371	177	502	—	1,735	4	476	266
CXTD	114	122	195	—	—	187	—	41	—
Rouse	139	140	—	—	—	(1)	35	(2)	—
Diplomat	—	3	56	—	—	53	—	10	12
Other	520	489	104	—	—	135	—	31	—
	3,200	2,125	532	502	—	2,109	39	556	278
Total	\$ 5,368	\$ 3,325	\$ 622	\$ 510	\$	—\$ 3,175	\$ 38	\$ 1,019	\$ 524

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

(2) In the current year ended December 31, 2018, these joint ventures are presented within Joint Ventures - Other as the carrying values are all currently below \$250 million.

(3) Net income presented before allocation to non-controlling interests and preferred dividends.

Certain of the partnership's investment in joint ventures and associates are subject to restrictions over the extent to which they can remit funds to the partnership in the form of the cash dividends or repayments of loans and advances as a result of borrowing arrangements, regulatory restrictions and other contractual requirements.

NOTE 9. INVESTMENTS IN JOINT OPERATIONS

The partnership's interests in the following properties are subject to joint control and, accordingly, the partnership has recorded its share of the assets, liabilities, revenues, and expenses of the properties in these consolidated financial statements:

Name of property	Principal activity	Place of incorporation and principal place of business	Ownership ⁽¹⁾		
			Dec. 31, 2018	Dec. 31, 2017	
Brookfield Place - Retail & Parking	Property	Toronto	56	% 56	%
Brookfield Place III	Development property	Toronto	54	% 54	%
Exchange Tower	Property	Toronto	50	% 50	%
First Canadian Place ⁽²⁾	Property	Toronto	25	% 25	%
2 Queen Street East	Property	Toronto	25	% 25	%
Bankers Hall	Property	Calgary	50	% 50	%
Bankers Court	Property	Calgary	50	% 50	%
Bankers West Parkade	Development property	Calgary	50	% 50	%
Suncor Energy Centre	Property	Calgary	50	% 50	%
Fifth Avenue Place	Property	Calgary	50	% 50	%
Place de Ville I	Property	Ottawa	25	% 25	%
Place de Ville II	Property	Ottawa	25	% 25	%
Jean Edmonds Towers ⁽³⁾	Property	Ottawa	—	% 25	%
300 Queen Street	Development property	Ottawa	25	% 25	%
52 Goulburn Street	Property	Sydney	50	% 50	%
235 St Georges Terrace	Property	Perth	50	% 50	%
108 St Georges Terrace	Property	Perth	50	% 50	%
Southern Cross West ⁽⁴⁾	Property	Melbourne	50	% 50	%
Shopping Patio Higienópolis	Property	São Paulo	25	% 25	%
Shopping Patio Higienópolis - Expansion	Development property	São Paulo	32	% 32	%
Shopping Patio Higienópolis - Co-Invest	Property	São Paulo	5	% 5	%
Shopping Patio Higienópolis Expansion - Co-Invest	Development property	São Paulo	6	% 6	%
G2-Infospace Gurgaon	Property	NCR-Delhi Region	72	% 72	%

(1) Represents ownership in these properties before non-controlling interests in subsidiaries that hold these ownership interests.

(2) First Canadian Place in Toronto is subject to a ground lease with respect to 50% of the land on which the property is situated. At the expiry of the ground lease, the other land owner will have the option to acquire, for a nominal amount, an undivided 50% beneficial interest in the property.

(3) The partnership sold its 25% interest in Jean Edmonds Tower in the fourth quarter of 2018.

The partnership exercises joint control over these assets through a participating loan agreement with Brookfield

(4) Asset Management that is convertible by the partnership at any time into a direct equity interest in the entities that have a direct co-ownership interest in the underlying assets.

NOTE 10. 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 consolidated balance sheet. The instruments, which are receivable from a wholly-owned subsidiary of Brookfield Asset Management, have contractual maturity dates of September 26, 2020 and February 1, 2023, subject to the partnership’s prior right to convert into direct ownership interests in the underlying commercial properties, and have contractual interest rates that vary with the results of operations of those properties.

The outstanding principal of the participating loan interests relates to the following properties:

(US\$ Millions)	Participation interest		Carrying value	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Name of property				
Darling Park Complex, Sydney	30	% 30	% \$268	\$251
IAG House, Sydney ⁽¹⁾	—	% 50	% —	111
Jessie Street, Sydney ⁽¹⁾	—	% 100	% —	155
Total participating loan interests			\$268	\$517

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

For the year ended December 31, 2018, the partnership recognized interest income on the participating loan interests of \$17 million (2017 - \$27 million; 2016 - \$32 million) and fair value gains of \$36 million (2017 - \$59 million; 2016 - \$29 million).

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Hospitality properties are accounted for under the revaluation model with revaluation to fair value performed annually at December 31. Significant unobservable inputs (Level 3) in estimating hospitality property values under the revaluation method include estimates of replacement cost and estimates of remaining economic life.

Hospitality properties with a fair value of approximately \$2.3 billion (December 31, 2017 - \$2.4 billion) are situated on land held under leases or other agreements largely expiring after the year 2065.

The following table presents the change to the components of the partnership's hospitality assets from the beginning of the year:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Cost:		
Balance, beginning of year	\$5,451	\$5,417
Acquisitions through business combinations ⁽¹⁾	1,748	281
Additions	490	271
Disposals	(21)	(34)
Foreign currency translation	(207)	262
Reclassification to assets held for sale ⁽²⁾	—	(746)
	7,461	5,451
Accumulated fair value changes:		
Balance, beginning of year	756	659
Revaluation gains, net	293	55
Reclassification to assets held for sale ⁽²⁾	—	42
	1,049	756
Accumulated depreciation:		
Balance, beginning of year	(750)	(719)
Depreciation	(291)	(267)
Disposals	18	22
Foreign currency translation	19	(8)
Reclassification to assets held for sale ⁽²⁾	—	222
	(1,004)	(750)
Total property, plant and equipment	\$7,506	\$5,457

- (1) In the first quarter of 2018, the partnership acquired the Extended-Stay Hotel portfolio. See Note 5, Business Acquisitions and Combinations, for more information.
- (2) In the fourth quarter of 2017, the Hard Rock Hotel and Casino was reclassified to assets held for sale, and was sold to a third party in the first quarter of 2018.

NOTE 12. GOODWILL

Goodwill of \$1,109 million at December 31, 2018 (December 31, 2017 - \$1,079 million) was 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.

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NOTE 13. INTANGIBLE ASSETS

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

The trademark assets of Center Parcs UK had a carrying amount of \$921 million as of December 31, 2018 (December 31, 2017 - \$964 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these trademarks exclusively in certain territories and in perpetuity. The business model of Center Parcs UK is not subject to technological obsolescence or commercial innovations in any material way.

In addition, intangible assets include the trademark and licensing assets relating to Atlantis. At December 31, 2018, intangible assets of Atlantis had a carrying values of \$207 million (December 31, 2017 - \$209 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these intangible assets granted under perpetual licenses. The business model of Atlantis is not subject to technological obsolescence or commercial innovations in any material way.

Intangible assets by class	Useful life (in years)
Trademarks	Indefinite
Management contracts	40
Customer relationships	9 to 10
Other	3 to 7

Intangible assets with indefinite useful lives and intangible assets not yet available for use, are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are amortized over their respective useful lives as listed above. Amortization 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 December 31, 2018 and December 31, 2017:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Cost	\$1,273	\$1,271
Accumulated amortization	(46)	(35)
Accumulated impairment losses	(48)	(48)
Balance, end of year	\$1,179	\$1,188

The following table presents a roll forward of the partnership's intangible assets December 31, 2018 and December 31, 2017:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Balance, beginning of year	\$1,188	\$1,141
Acquisitions	67	17
Disposals	2	—

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Amortization	(17)	(8)
Foreign currency translation	(58)	82	
Reclassification to assets held for sale and other ⁽¹⁾	(3)	(44)
Balance, end of year	\$1,179		\$1,188	

In the fourth quarter of 2017, the partnership reclassified the intangible assets of the Hard Rock Hotel and Casino, ⁽¹⁾ which had a carrying value of \$45 million, to assets held for sale. The majority of these were sold to a third party in the first quarter of 2018, and the remainder in the third quarter of 2018.

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NOTE 14. OTHER NON-CURRENT ASSETS

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

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Securities - FVTPL	\$239	\$174
Derivative assets	13	48
Securities - FVTOCI	260	150
Restricted cash	161	153
Inventory	435	216
Other	748	157
Total other non-current assets	\$1,856	\$898

Securities - FVTPL

Securities - FVTPL consists primarily of convertible preferred units of a U.S. hospitality company. The preferred units earn a cumulative dividend of 7.5% per annum compounding quarterly. Additionally, the partnership receives distributions payable in additional convertible preferred units of the U.S. hospitality operating company at 5.0% per annum compounding quarterly. The carrying value of these convertible preferred units was \$175 million (December 31, 2017 - \$147 million).

Securities - FVTOCI

Securities - FVTOCI represent the partnership's equity interests in 1625 Eye Street in Washington, D.C. and Heritage Plaza in Houston, both property holding companies 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 are \$104 million (December 31, 2017 - \$103 million) of securities pledged as security for a loan payable to the issuer in the amount of \$93 million (December 31, 2017 - \$93 million) recognized in other non-current liabilities.

NOTE 15. ACCOUNTS RECEIVABLE AND OTHER

The components of accounts receivable and other are as follows:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Derivative assets	\$234	\$37
Accounts receivable ⁽¹⁾	794	421
Restricted cash and deposits	631	237
Prepaid expenses	317	94
Other current assets	385	192
Total accounts receivable and other	\$2,361	\$981

⁽¹⁾ See Note 37, Related Parties, for further discussion.

NOTE 16. ASSETS HELD FOR SALE

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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 December 31, 2018 and December 31, 2017:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Investment properties	\$ 422	\$ 853
Property, plant and equipment	—	475
Equity accounted investments	568	—
Accounts receivables and other assets	14	105
Assets held for sale	1,004	1,433
Debt obligations	153	1,107
Accounts payable and other liabilities	10	209
Liabilities associated with assets held for sale	\$ 163	\$ 1,316

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The following table presents the change to the components of the assets held for sale from the beginning of the year:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Balance, beginning of year	\$1,433	\$147
Reclassification to/(from) assets held for sale, net	2,382	4,641
Disposals	(2,819)	(3,365)
Fair value adjustments	81	8
Foreign currency translation	(32)	7
Other	(41)	(5)
Assets held for sale	\$1,004	\$1,433

At December 31, 2017, assets held for sale included a 50% interest in Bay Adelaide Centre West and East Towers located in Toronto in the Core Office segment, the Hard Rock Hotel and Casino in Las Vegas and thirteen assets within the LP Investment portfolios, as the partnership intended to sell controlling interest in these properties to third parties in the next 12 months.

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

In the second quarter of 2018, the partnership reclassified a portfolio of self-storage assets to assets held for sale. The portfolio sold in the third quarter of 2018 for approximately \$1.3 billion.

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, as the partnership intends to sell controlling interest in these assets to third parties in the next 12 months.

NOTE 17. DEBT OBLIGATIONS

The partnership's debt obligations include the following:

(US\$ Millions)	Dec. 31, 2018		Dec. 31, 2017	
	Weighted- average rate	Debt balance	Weighted- average rate	Debt balance
Unsecured facilities:				
Brookfield Property Partners' credit facilities	4.08	% \$1,586	3.10	% \$1,363
Brookfield Property Partners' corporate bonds	4.23	% 586	—	% —
Brookfield Office Properties' revolving facility	—	% —	2.60	% 828
Brookfield Office Properties' senior unsecured notes	—	% —	4.00	% 119
Brookfield Canada Office Properties' revolving facility	—	% —	2.89	% 276
BPY BOPC LP credit facility	—	% —	2.85	% 212
Brookfield Property REIT Inc. term debt	4.88	% 4,726	—	% —
Brookfield Property REIT Inc. corporate facility	4.76	% 387	—	% —
Brookfield Property REIT Inc. junior subordinated notes	3.97	% 206	—	% —
Forest City Realty Trust Inc. term debt	6.38	% 1,247	—	% —
Subsidiary borrowings	5.62	% 495	4.40	% 622
Secured debt obligations:				
Funds subscription credit facilities ⁽¹⁾	3.85	% 4,517	2.56	% 436
Fixed rate	4.41	% 25,545	4.59	% 17,666
Variable rate	4.97	% 25,131	4.59	% 16,760
Deferred financing costs		(462)		(291)
Total debt obligations		\$63,964		\$37,991
Current		\$5,874		\$6,135
Non-current		57,937		30,749
Debt associated with assets held for sale		153		1,107
Total debt obligations		\$63,964		\$37,991

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

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

(US\$ Millions)	Dec. 31, 2018		Dec. 31, 2017	
	U.S. Dollars	Local currency	U.S. Dollars	Local currency
U.S. dollars	\$50,682	\$ 50,682	\$25,975	\$ 25,975
British pounds	5,172	£ 4,053	4,290	£ 3,173
Canadian dollars	2,688	C\$ 3,666	3,132	C\$ 3,938
South Korean Won	1,617	1,805,000	1,692	1,805,000
Australian dollars	1,401	A\$1,988	1,554	A\$1,991
Indian Rupee	1,469	Rs 102,016	1,168	Rs 74,386
Brazilian reais	684	R\$2,651	471	R\$1,558
China Yuan	70	C¥484	—	C¥—
Euros	643	€ 561	—	€ —

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Deferred financing costs	(462)	(291)
Total debt obligations	\$63,964	\$37,991

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

(US\$ Millions)	Dec. 31, 2017	Non-cash changes in debt obligations					Other	Dec. 31, 2018
		Debt obligation issuance, net of repayments	Assumed from business combinations	Derecognized on loss of control of subsidiaries	Amortization of deferred financing costs and (premium) discount	Foreign currency translation		
Debt obligations	\$37,991	9,868	18,316	(784	) 114	(961	)(580	) \$63,964

NOTE 18. CAPITAL SECURITIES

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

(US\$ Millions, except where noted)	Shares outstanding	Cumulative dividend rate	Dec. 31, 2018	Dec. 31, 2017
Operating Partnership Class A Preferred Equity Units:				
Series 1	24,000,000	6.25	% \$562	\$551
Series 2	24,000,000	6.50	% 537	529
Series 3	24,000,000	6.75	% 523	517
Brookfield BPY Holdings Inc. Junior Preferred Shares:				
Class B Junior Preferred Shares ⁽¹⁾	16,800,000	7.64	% 420	750
Class C Junior Preferred Shares ⁽²⁾	—	—	% —	500
BPO Class B Preferred Shares:				
Series 1 ⁽³⁾	3,600,000	70% of bank prime	—	—
Series 2 ⁽³⁾	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	14
Series 3	909,994	5.00	% 17	18
Series 4	940,486	5.20	% 17	19
BSREP II RH B LLC (“Manufactured Housing”) Preferred Capital	—	9.00	% 249	249
Rouse Series A Preferred Shares	5,600,000	5.00	% 142	142
Forest City Enterprises L.P. (“Forest City”) Preferred Capital	1,111,004	2.00	% 29	—
BSREP II Vintage Estate Partners LLC (“Vintage Estates”) Preferred Shares	10,000	5.00	% 40	40
Capital Securities – Fund Subsidiaries			813	813
Total capital securities			\$3,385	\$4,165
Current			\$520	\$1,326
Non-current			2,865	2,839
Total capital securities			\$3,385	\$4,165

(1) In the fourth quarter of 2018, \$330 million of the Brookfield BPY Holdings Inc. Class B Junior Preferred Shares, held by Brookfield Asset Management, were redeemed.

(2)

In the third quarter of 2018, \$500 million of the Brookfield BPY Holdings Inc. Class C Junior Preferred Shares, held by Brookfield Asset Management, were redeemed.

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

The capital securities presented above represent interests in the partnership or its subsidiaries that are in legal form equity and are accounted for as liabilities in accordance with IAS 32, Financial Instruments: Presentation due to the redemption features of these instruments.

On December 4, 2014, the partnership issued \$1,800 million of Preferred Equity Units to the Class A Preferred Unitholder. The Preferred Equity Units are exchangeable at the option of the Class A Preferred Unitholder into LP Units at a price of \$25.70 per unit and were issued in three tranches of \$600 million each, with an average dividend yield of 6.5% and maturities of seven, ten and twelve years. After three years for the seven-year tranche and four years for the ten- and twelve-year tranches, the partnership can effectively require the holder to exchange the Preferred Equity Units into LP Units as long as the LP Units are trading at or above 125%, 130% and 135%, respectively, of the exchange price. Upon maturity, the Preferred Equity Units that remain outstanding

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will be redeemed in exchange for LP Units valued at the 20-day, volume-weighted average trading price at such time. Brookfield Asset Management has 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 Class A Preferred Unitholder has the right to designate one member to the board of directors of the partnership. The Preferred Equity Units have been accounted for as a compound instrument comprised of (i) a financial liability representing the partnership's obligations to redeem the Preferred Equity Units at maturity for a variable number of BPY Units and (ii) an equity instrument representing the Class A Preferred Unitholder's right to convert the Preferred Equity Units to a fixed number of BPY Units. The cash proceeds received from issuing the Preferred Equity Units were allocated between capital securities (\$1,535 million) and limited partners' equity (\$265 million). The allocation between capital securities and equity was based on first determining the liability component by discounting the cash flows associated with these securities at market interest rates. The equity component was then assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

The \$420 million of Class B Junior redeemable preferred shares of one of the holding entities that are held by Brookfield Asset Management were issued as partial consideration for the business acquired from Brookfield Asset Management on formation of the partnership. The Class B preferred shares are entitled to receive a cumulative preferential dividend equal to 5.75% of their redemption value as and when declared by the Board of Directors of the holding entity until the fifth anniversary of their issuance. After the fifth anniversary of their issuance the Class B preferred shares will be entitled to receive a cumulative preferential dividend equal to 5.0% plus the prevailing yield for 5-year U.S. Treasury Notes, which equals 7.64%. The holding entity may redeem the Class B preferred shares at any time and must redeem all of the outstanding Class B preferred shares on the tenth anniversary of their issuance. Brookfield Asset Management will have a right of retraction following the fifth anniversary of the issuance of the Class B preferred shares. Pursuant to a retraction call right, the partnership may redeem up to an aggregate maximum of \$375 million, Class B preferred shares for LP Units. The number of LP Units to be delivered is determined by dividing the amount of Class B preferred shares to be retracted by the greater of \$2.00 and 95% of the 20-day volume-weighted average trading price of LP Units. The Class B preferred shares will be entitled to vote with the common shares of the holding entity and will have an aggregate of 1% of the votes to be cast in respect of the holding entity.

The holders of each series of the BOP Split Senior Preferred Shares are each entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors of BOP Split. Dividends on each series of the BOP Split Senior Preferred Shares are payable quarterly on the last day of March, June, September and December in each year.

Cumulative preferred dividends on the BPO Class AAA Preferred Shares and BOP Split Senior Preferred Shares are payable quarterly, as and when declared by the Boards of Directors of BPO and BOP Split. On December 22, 2017 the Boards of Directors of BPO and BOP Split declared quarterly dividends payable for the BPO Class AAA Preferred Shares and BOP Split Senior Preferred Shares, respectively.

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

Capital securities also includes \$142 million at December 31, 2018 (December 31, 2017 - \$142 million) of preferred equity interests held by a third party investor in Rouse Properties, L.P. 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 December 31, 2018 (December 31, 2017 - \$40 million) of preferred equity interests held by the partnership's co-investor in Vintage Estate which have been classified as a liability, rather than as non-controlling interest, due to the fact that the preferred equity interests are mandatorily redeemable on April 26, 2023 for cash at an amount equal to the outstanding principal balance of the preferred equity plus any accrued but unpaid dividend.

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

Capital Securities - Fund Subsidiaries also includes \$38 million at December 31, 2018 (December 31, 2017 - \$38 million) which represents the equity interests held by the partnership's co-investor in the D.C. Fund which have been classified as a liability, rather than as non-controlling interest, due to the fact that on June 18, 2023, and on every second anniversary thereafter, the holders of these interests can redeem their interests in the D.C. Fund for cash equivalent to the fair value of the interests.

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

(US\$ Millions)	Dec. 31, 2017	Non-cash changes on capital securities				Dec. 31, 2018
		Capital securities redeemed net of issued	Fair value changes	Foreign currency translation	Assumed from business combinations	
Capital securities	\$4,165	\$ (905)	\$26	(4)	\$ 103	\$3,385

Capital securities includes \$47 million (December 31, 2017 - \$51 million) repayable in Canadian Dollars of C\$64 million (December 31, 2017 - C\$64 million).

NOTE 19. 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.

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Deferred income tax assets:		
Non-capital losses (Canada)	\$41	\$54
Capital losses (Canada)	34	54
Net operating losses (United States)	291	78
Non-capital losses (foreign)	94	70
Tax credit carryforwards	36	36
Deferred financing costs	—	5
Foreign currency	4	12
Other	16	33
	516	342
Deferred income tax (liabilities):		
Properties	(2,894)	(3,086)
Investments in associates	—	(144)
	(2,894)	(3,230)
Net deferred tax (liability)	\$(2,378)	\$(2,888)

The changes in deferred tax balances are presented as follows:

(US\$ Millions)	Dec. 31, 2017	Recognized in			Dec. 31, 2018
		Income	Equity and Dispositions	Acquisitions OCI	
Deferred tax assets	\$342	\$(23)	\$ 208	\$(11)	\$516
Deferred tax (liabilities)	(3,230)	240	(32)	128	(2,894)
Net deferred tax (liability)	\$(2,888)	\$217	\$ 176	\$117	\$(2,378)

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(US\$ Millions)	Dec. 31, 2016	Recognized in			Dec. 31, 2017
		Income	Equity and Dispositions	OCI	
Deferred tax assets	\$306	\$(7)	\$6	\$14	\$23
Deferred tax (liabilities)	(2,761)	(13)	(117)	(175)	(164)
Net deferred tax (liability)	\$(2,455)	\$(20)	\$(111)	\$(161)	\$(141)

During 2018, the partnership and its subsidiaries acquired additional ownership in Brookfield Global Real Estate Special Opportunities Inc. causing the partnership to consolidate the investment. This resulted in the recognition of net deferred tax assets of \$200 million. During 2018, the purchase price allocations for certain business combinations were completed and an additional \$25 million of net deferred tax (liabilities) were recognized.

During 2017, the purchase price allocation for IFC Seoul was completed and an additional \$234 million of net deferred tax (liabilities) were recognized. This amount was partially offset by the disposition of two entities with net deferred tax (liabilities). During 2017, the partnership redeemed the non-controlling interest of BOX and entered into an amended management agreement with its co-investors in Brazil Retail resulting in the loss of control over the joint venture. The partnership has recognized the deferred income tax effects of these transactions through equity.

The Holding Entities and their Canadian subsidiaries have deferred tax assets of \$41 million (December 31, 2017 - \$54 million) related to non-capital losses that will begin to expire in 2032, and \$34 million (December 31, 2017 - \$54 million) related to capital losses that have no expiry. The Holding Entities and their U.S. subsidiaries have deferred tax assets of \$291 million (December 31, 2017 - \$78 million) related to net operating losses that will begin to expire in 2027. The Holding Entities and their foreign subsidiaries, mainly in South Korea and India, have deferred tax assets of \$94 million (December 31, 2017 - \$70 million) related to non-capital losses which will begin to expire in 2020.

The gross deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized are as follows:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Unused tax losses - gross		
Net operating losses (United States)	\$74	\$251
Net operating losses (foreign)	351	223
Unrecognized deductible temporary differences, unused tax losses, and unused tax credits	\$425	\$474

The Holding Entities, their U.S. subsidiaries, and foreign subsidiaries have gross deductible temporary differences, unused tax losses, and unused tax credits which have not been recognized of \$425 million (December 31, 2017 - \$474 million) related to net operating losses. Approximately \$83 million of the foreign net operating losses will expire by 2028. The remaining foreign net operating losses have no expiry. The majority of the U.S. net operating losses will begin to expire in 2035.

The aggregate amount of gross temporary differences associated with investments and interests in joint arrangements in subsidiaries for which deferred tax liabilities have not been recognized as of December 31, 2018 is approximately \$10 billion (December 31, 2017 - \$8 billion).

The major components of income tax expense include the following:

(US\$ Millions)	Years ended Dec. 31, 2018	2017	2016
Current income tax expense	\$299	\$172	\$136
Deferred income tax expense	(218)	20	(711)
Income tax (benefit) expense	\$81	\$192	\$(575)

The decrease in income tax expense for the year ended December 31, 2018 compared to the prior year primarily relates to the partnership recorded a significant deferred tax recovery as a result of the the acquisition of a controlling interest in GGP.

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The increase in income tax expense for the year ended December 31, 2017 compared to the prior year primarily relates to the fact the partnership recorded a significant deferred tax recovery in 2016 as a result of the reorganizations, offset in part by a deferred tax recovery recorded in 2017 to reflect a change in the U.S. federal tax applicable to certain of the partnership's U.S. subsidiaries.

Years ended Dec. 31,	2018	2017	2016
Statutory income tax rate	26	% 26	% 26
Increase (decrease) in rate resulting from:			
International operations subject to different tax rates	(10)	)% (5	)% 1
Non-controlling interests in income of flow-through entities	(11)	)% (12	)% (9
Change in tax rates applicable to temporary differences in other jurisdictions	(5	)% (5	)% (46
Other	2	% 3	% 1
Effective income tax rate	2	% 7	% (27

As the partnership is not subject to tax, the analyses used the applicable Canadian blended Federal and Provincial tax rate as the statutory income tax rate.

NOTE 20. OTHER NON-CURRENT LIABILITIES

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

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Accounts payable and accrued liabilities	\$ 1,770	\$ 540
Derivative liability	159	160
Provisions	352	216
Loans and notes payables	5	—
Deferred revenue	8	2
Total other non-current liabilities	\$ 2,294	\$ 918

NOTE 21. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Accounts payable and accrued liabilities	\$ 2,466	\$ 1,636
Loans and notes payables	779	769
Derivative liabilities	181	399
Deferred revenue	302	242
Other liabilities	21	6
Total accounts payable and other liabilities	\$ 3,749	\$ 3,052

Loans and notes payables includes \$733 million at December 31, 2018 (December 31, 2017 - \$633 million) of on-demand deposits and promissory notes from Brookfield Asset Management to the partnership. See Note 37, Related Parties, for further information.

NOTE 22. EQUITY

The partnership's capital structure is comprised of six classes of partnership units: GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, Exchange LP Units and BPR Units.

a) General and limited partnership units

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.

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

(Thousands of units), Years ended Dec. 31,	GP Units			LP Units		
	2018	2017	2016	2018	2017	2016
Outstanding, beginning of year	139	139	139	254,989	260,222	261,486
Issued LP Units ⁽¹⁾	—	—	—	109,702	—	—
Exchange LP Units exchanged	—	—	—	7,770	285	1,016
BPR Units exchanged	—	—	—	56,166	—	—
Distribution reinvestment program	—	—	—	175	181	205
Issued under unit-based compensation plan	—	—	—	57	215	278
Repurchases of LP Units	—	—	—	(4,661)	(5,914)	(2,763)
Outstanding, end of year	139	139	139	424,198	254,989	260,222

⁽¹⁾ Includes 21,277 thousand LP Units issued to Brookfield Asset Management in connection with the redemption of Class C Junior Preferred Shares. See Note 18, Capital Securities.

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 December 31, 2018, 2017 and 2016.

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 December 31, 2018, 2017 and 2016.

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 June 9, 2021, 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)	Exchange LP Units		
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Outstanding, beginning of year	11,078	11,363	12,379
Exchange LP Units exchanged ⁽¹⁾	(7,770)	(285)	(1,016)
Outstanding, end of year	3,308	11,078	11,363

Exchange LP Units issued for the acquisition of incremental BPO common shares that have been exchanged are

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

d) Class A shares of Brookfield Property REIT Inc.

As detailed in Note 4, Acquisition of GGP Inc., BPR Units were issued to former GGP common shareholders who elected to receive 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.

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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.		
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Outstanding, beginning of period	—	—	—
Issued on August 28, 2018 for the acquisition of GGP	162,324	—	—
BPR Units exchanged	(56,166)—	—
Forfeitures	(68)—	—
Outstanding, end of period	106,090	—	—

e) Distributions

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

(US\$ Millions, except per unit information)	Years ended Dec. 31,	2018	2017	2016
Limited partners		\$410	\$301	\$293
Holder of:				
Redeemable/exchangeable partnership units		545	510	485
Special LP Units		6	6	5
Exchange LP Units		9	13	13
BPR Units		89	—	—
Total distributions		\$1,059	\$830	\$796
Per unit ⁽¹⁾		\$1.26	\$1.18	\$1.12

⁽¹⁾ Per unit outstanding on the record date for each.

f) Earnings per Unit

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

(US\$ Millions)	Years ended Dec. 31,	2018	2017	2016
Net income attributable to limited partners		\$764	\$136	\$660
Income reallocation related to mandatorily convertible preferred shares		98	22	101
Net income attributable to limited partners - basic		862	158	761
Dilutive effect of conversion of preferred shares and options ⁽¹⁾		35	—	61
Net income attributable to limited partners - diluted		\$897	\$158	\$822

(Millions of units/shares)

Weighted average number of LP Units outstanding	307.7	256.0	261.5
Mandatorily convertible preferred shares	70.0	70.0	70.0
Weighted average number of LP Units outstanding - basic	377.7	326.0	331.5
Dilutive effect of conversion of preferred shares and options ⁽¹⁾	18.5	1.2	34.8
Weighted average number of LP Units outstanding - diluted	396.2	327.2	366.3

⁽¹⁾ The effect of the conversion of preferred shares is anti-dilutive for the year ended December 31, 2017.

NOTE 23. NON-CONTROLLING INTERESTS

Non-controlling interests consists of the following:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Redeemable/Exchangeable Partnership Units and Special LP Units ⁽¹⁾	\$12,740	\$14,500
Exchange LP Units ⁽¹⁾	96	285
BPR Units ⁽¹⁾	3,091	—
Interest of others in operating subsidiaries and properties:		
Preferred shares held by Brookfield Asset Management	16	15
Preferred equity of subsidiaries	2,830	2,493
Non-controlling interests in subsidiaries and properties	15,610	10,430
Total interests of others in operating subsidiaries and properties	18,456	12,938
Total non-controlling interests	\$34,383	\$27,723

Each unit within these non-controlling interests 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

- ⁽¹⁾ change as a result of the issuance of the LP Units and BPR Units. Consequently, the partnership adjusted the relative carrying amounts of the interests held by Limited Partners and non-controlling interests based on their relative share of the equivalent LP Units. The difference between the adjusted value and the carrying amounts was attributed to current LP Units as ownership changes in the Statement of Changes in Equity.

NOTE 24. COMMERCIAL PROPERTY REVENUE

The components of commercial property revenue are as follows:

(US\$ Millions)	Years ended Dec. 31, 2018	2017	2016
Base rent ⁽¹⁾	\$3,443	\$3,797	\$3,184
Straight-line rent	116	124	154
Lease termination	55	18	15
Other lease income ⁽¹⁾⁽²⁾	623	—	—
Other revenue from tenants ⁽¹⁾⁽³⁾	806	—	—
Other ⁽¹⁾	—	253	271
Total commercial property revenue	\$5,043	\$4,192	\$3,624

- ⁽¹⁾ The partnership adopted IFRS 15 in 2018 using the modified retrospective method. The comparative information has not been restated and is reported under the accounting standards effective for those periods.

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

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

The partnership leases properties under operating leases generally with lease terms of between 1 and 15 years, with options to extend. Minimum rental commitments under non-cancellable tenant operating leases are as follows:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Less than 1 year	\$3,282	\$2,285
1-5 years	11,679	8,472
More than 5 years	11,856	11,667

Total \$26,817 \$22,424

NOTE 25. HOSPITALITY REVENUE

The components of hospitality revenue are as follows:

(US\$ Millions)	2018	2017	2016
Room, food and beverage ⁽¹⁾	\$1,373	\$1,648	\$1,561
Gaming, and other leisure activities ⁽¹⁾	424	—	—
Other hospitality revenue ⁽¹⁾	116	—	—
Total hospitality revenue	\$1,913	\$1,648	\$1,561

⁽¹⁾ The partnership adopted IFRS 15 in 2018 using the modified retrospective method. The comparative information has not been restated and is reported under the accounting standards effective for those periods.

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NOTE 26. INVESTMENT AND OTHER REVENUE

The components of investment and other revenue are as follows:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Investment income	\$68	\$170	\$—
Fee revenue	131	61	51
Dividend income	10	18	12
Interest income and other	57	19	72
Participating loan interests	17	27	32
Total investment and other revenue	\$283	\$295	\$167

NOTE 27. DIRECT COMMERCIAL PROPERTY EXPENSE

The components of direct commercial property expense are as follows:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Property maintenance	\$773	\$709	\$694
Real estate taxes	528	472	436
Employee compensation and benefits	196	148	141
Ground rents	59	56	43
Other	295	232	80
Total direct commercial property expense	\$1,851	\$1,617	\$1,394

Ground rents are payments under operating leases for land on which certain of the partnership's operating properties are situated. The partnership does not have an option to purchase the leased land at the expiry of the lease periods.

Future operating and finance lease obligations are as follows:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Less than 1 year	\$104	\$34
1-5 years	401	120
More than 5 years	5,631	1,708
Total	\$6,136	\$1,862

NOTE 28. DIRECT HOSPITALITY EXPENSE

The components of direct hospitality expense are as follows:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Employee compensation and benefits	\$318	\$287	\$283
Cost of food, beverage, and retail goods sold	273	243	238
Maintenance and utilities	175	127	102
Marketing and advertising	75	55	57
Other	395	367	356
Total direct hospitality expense	\$1,236	\$1,079	\$1,036

NOTE 29. DEPRECIATION AND AMORTIZATION

The components of depreciation and amortization expense are as follows:

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(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Depreciation and amortization of real estate assets	\$264	\$244	\$212
Depreciation and amortization of non-real estate assets	44	31	28
Total depreciation and amortization	\$308	\$275	\$240

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NOTE 30. GENERAL AND ADMINISTRATIVE EXPENSE

The components of general and administrative expense are as follows:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Transaction costs	\$413	\$72	\$80
Employee compensation and benefits	247	199	171
Management fees	144	168	175
Other	228	175	143
Total general and administrative expense	\$1,032	\$614	\$569

NOTE 31. FAIR VALUE GAINS, NET

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

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Commercial properties	\$784	\$347	\$290
Commercial developments	462	202	251
Financial instruments and other	1,220	705	151
Total fair value gains, net	\$2,466	\$1,254	\$692

NOTE 32. 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 year ended December 31, 2018, the partnership incurred \$12 million (2017 - \$14 million; 2016 - \$19 million) 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 BPY 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 employees whose location of employment is Australia or Canada. In terms of measuring expected life of the BPY Awards with various term lengths and vesting periods, BPY will segregate each set of similar BPY Awards and, if different, exercise price, into subgroups and apply a weighted average within each group.

The partnership estimated the fair value of the BPY Awards granted during the years ended December 31, 2018, 2017 and 2016 using the Black-Scholes valuation model. The following assumptions were utilized:

	Unit of measurement	Years ended Dec. 31,		
		2018	2017	2016
Exercise price	US\$	22.50	22.92	19.51
Average term to exercise	In years	7.50	7.50	7.50

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Unit price volatility	%	23	%25	%30	%
Liquidity discount	%	25	%25	%25	%
Weighted average of expected annual dividend yield	%	6.50	%6.50	%6.50	%
Risk-free rate	%	2.82	%2.37	%1.57	%
Weighted average fair value per option	US\$	0.74	1.60	1.45	

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i. Equity-settled BPY Awards

The change in the number of options outstanding under the equity-settled BPY Awards for the years ended December 31, 2018, 2017 and 2016 is as follows:

Years ended Dec. 31,	2018		2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	13,801,795	\$ 20.54	16,338,511	\$ 20.49	17,349,629	\$ 20.53
Granted	800,000	22.50	93,750	22.92	3,020,931	19.51
Exercised	(36,806)	17.71	(1,194,569)	18.97	(1,180,060)	17.98
Expired/forfeited	(291,625)	22.18	(1,435,897)	21.51	(2,851,989)	19.69
Reclassified ⁽¹⁾	(437,151)	22.48	—	—	—	—
Outstanding, end of year	13,836,213	\$ 20.56	13,801,795	\$ 20.54	16,338,511	\$ 20.49
Exercisable, end of year	9,628,246	\$ 20.26	7,352,112	\$ 20.22	5,501,679	\$ 19.90

(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 December 31, 2018, 2017 and 2016 under the equity-settled BPY Awards by expiry date:

Expiry date	Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
2020	226,800	13.07	226,800	13.07	254,600	13.07
2021	246,400	17.44	246,400	17.44	316,100	17.44
2022	508,300	18.07	517,300	18.07	724,700	18.03
2023	656,220	16.80	675,420	16.80	948,980	16.80
2024	7,878,998	20.59	7,946,313	20.59	9,071,225	20.59
2025	1,376,295	25.18	1,730,210	25.18	2,153,923	25.18
2026	2,049,450	19.51	2,365,602	19.51	2,868,983	19.51
2027	93,750	22.92	93,750	22.92	—	—
2028	800,000	22.50	—	—	—	—
Total	13,836,213	\$ 20.56	13,801,795	\$ 20.54	16,338,511	\$ 20.49

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ii. Cash-settled BPY Awards

The change in the number of options outstanding under the cash-settled BPY Awards for the years ended December 31, 2018, 2017 and 2016 is as follows:

Years ended Dec. 31,	2018		2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	7,144,871	\$ 20.30	7,377,042	\$ 20.28	\$ 6,904,986	\$ 20.37
Granted	—	—	—	—	846,912	19.51
Exercised	(3,770)	)19.51	(213,106)	)19.12	(148,076)	)18.55
Expired/forfeited	(246,836)	)21.87	(19,065)	)24.42	(226,780)	)21.32
Reclassified ⁽¹⁾	437,151	22.48	—	—	—	—
Outstanding, end of year	7,331,416	\$ 20.38	7,144,871	\$ 20.30	7,377,042	\$ 20.28
Exercisable, end of year	5,627,610	\$ 20.17	3,973,290	\$ 19.93	2,772,207	\$ 19.75

(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 December 31, 2018, 2017 and 2016 under the cash-settled BPY Awards by expiry date:

Expiry date	Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
2020	69,000	13.07	69,000	13.07	78,000	13.07
2021	172,800	17.44	172,800	17.44	186,800	17.44
2022	515,800	18.09	515,800	18.09	545,800	18.08
2023	519,000	16.80	519,000	16.80	549,000	16.80
2024	4,278,663	20.59	4,330,286	20.59	4,459,230	20.59
2025	831,834	25.18	695,376	25.18	711,300	25.18
2026	944,319	19.51	842,609	19.51	846,912	19.51
Total	7,331,416	\$ 20.38	7,144,871	\$ 20.30	7,377,042	\$ 20.28

b) Restricted BPY LP Unit Plan

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

As of December 31, 2018, the total number of Restricted Units outstanding was 150,835 (December 31, 2017 - 440,527) with a weighted average exercise price of \$20.97 (December 31, 2017 - \$21.08).

c) Restricted BPY LP Unit Plan (Canada)

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

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

d)Deferred Share Unit Plan

In addition, BPO has a deferred share unit plan, the terms of which were amended to substitute LP Units for BPO common shares subject to such deferred shares. At December 31, 2018, BPO had 1,458,667 deferred share units (December 31, 2017 - 1,363,938) outstanding and vested.

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e) GGP LTIP Plans

In connection with the GGP acquisition, the partnership issued Brookfield Property Partners BPY Unit Option Plan (GGP) (“GGP Option”) and Appreciation Only LTIP Units of GGP Operating Partnership, LP (“GGP AO LTIP”) awards to certain GGP employees. Each GGP Option will vest within 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 GGP AO LTIP will vest within ten years of its original grant date and is redeemable for LP Units or a cash payment subject to a conversion adjustment.

As of December 31, 2018, the total number of GGP Options outstanding was 1,011,523 (December 31, 2017 - nil) with a weighted average exercise price of \$19.71 (December 31, 2017 - nil).

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

NOTE 33. OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income consists of the following:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Items that may be reclassified to net income:			
Foreign currency translation			
Unrealized foreign currency translation gains (losses) in respect of foreign operations	\$(1,193)	\$1,111	\$(990)
Reclassification of realized foreign currency translation gains to net income on disposition of foreign operations	19	118	—
(Losses) gains on hedges of net investments in foreign operations, net of income tax expense (benefit) of \$10 million (2017 - (\$18) million; 2016 - \$19 million)	386	(530)	678
Reclassification of hedges of net investment in foreign operations (losses) to net income on disposition of foreign operations	—	(45)	—
	(788)	654	(312)
Cash flow hedges			
Gains (losses) on derivatives designated as cash flow hedges, net of income tax expense (benefit) of \$25 million (2017 - \$18 million; 2016 - \$(23) million)	34	77	(36)
	34	77	(36)
Available-for-sale securities			
Net change in unrealized (losses) gains on available-for-sale securities, net of income tax of nil (2017 - nil; 2016 - nil)	—	(5)	5
	—	(5)	5
Equity accounted investments			
Share of unrealized foreign currency translations (losses) gains in respect of foreign operations	(9)	5	4
Share of gains (losses) on derivatives designated as cash flow hedges, net of income tax expense (benefit) of nil (2017 - \$1 million; 2016 - \$3 million)	1	—	(10)
Share of unrealized gains (losses) on available-for-sale securities, net of income tax of nil (2017 - nil; 2016 - nil)	—	6	—
	(8)	11	(6)
Items that will not be reclassified to net income:			
Unrealized gains (losses) on securities - FVTOCI, net of income tax benefit of \$2 million (2017 - nil; 2016 - nil)	(2)	—	—

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Share of revaluation surplus on equity accounted investments, net of income tax expense (benefit) of (\$5) million (2017 - nil, 2016 -\$27 million)	92	58	13
Net remeasurement gains (losses) on defined benefit plan, net of income tax expense of nil (2017 – nil; 2016 – nil)	2	(1)	—
Revaluation surplus, net of income tax expense of \$1 million (2017 –\$1 million; 2016 – nil)	254	86	90
	346	143	103
Total other comprehensive (loss) income	\$(416)	\$880	\$(246)

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NOTE 34. 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 December 31, 2018, the partnership had commitments totaling approximately \$645 million for the development of Manhattan West in Midtown New York, Greenpoint Landing in Brooklyn, Studio Plaza in Dallas, Camarillo in California and 655 New York Avenue in Washington, D.C. as well as the redevelopment of One Allen Center, Two Allen Center, and Three Allen Center in Houston, approximately £106 million (\$79 million) for the development of 100 Bishopsgate, and approximately AED450 million (\$122 million) for the development of ICD Brookfield Place in Dubai.

During 2013, Brookfield Asset Management announced the final close on the \$4.4 billion first BSREP fund ("BSREP I"), 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 December 31, 2018, there remained approximately \$170 million of uncontributed capital commitments.

In April 2016, Brookfield Asset Management announced the final close on the \$9.0 billion second BSREP fund ("BSREP II") to which the partnership had committed \$2.3 billion as lead investor. As of December 31, 2018, there remained approximately \$700 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 lead investor. As of December 31, 2018, there remained approximately \$260 million of uncontributed capital commitments.

In September 2018, Brookfield Asset Management announced the final close of the \$1.0 billion third Brookfield Fairfield U.S. Multifamily Value Add Fund ("VAMF") to which the partnership had committed \$300 million. As of December 31, 2018, 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 ("BSREP III") to which the partnership has committed \$1.0 billion.

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 35. LIQUIDITY AND CAPITAL MANAGEMENT

The capital of the partnership's business consists of debt obligations, capital securities, preferred stock and equity. The partnership's objective when managing this capital is to maintain an appropriate balance between holding a sufficient amount of equity capital to support its operations and reducing its weighted average cost of capital to improve its return on equity. As at December 31, 2018, capital totaled \$114 billion (December 31, 2017 - \$76 billion).

The partnership attempts to maintain a level of liquidity to ensure it is able to participate in investment opportunities as they arise and to better withstand sudden adverse changes in economic circumstances. The partnership's 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, the partnership structures its affairs to facilitate monetization of longer-duration assets through financings and co-investor participations.

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The partnership seeks to increase income from its existing properties by maintaining quality standards for its 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, the partnership believes its revenue, along with proceeds from financing activities and divestitures, will continue to provide the necessary funds to cover its short-term liquidity needs. However, material changes in the factors described above may adversely affect the partnership's net cash flows.

The partnership's principal liquidity needs for the current year and for periods beyond include:

- Recurring expenses;
- Debt service requirements;
- Distributions to unitholders;
- Capital expenditures deemed mandatory, including tenant improvements;
- Development costs not covered under construction loans;
- Investing activities which could include:
 - Fulfilling the partnership's capital commitments to various funds;
 - Discretionary capital expenditures;
 - Property acquisitions;
 - Future development; and
 - Repurchase of the partnership's units.

Most of the partnership's borrowings are in the form of long-term asset-specific financings with recourse only to the specific assets. Limiting recourse to specific assets ensures that poor performance within one area does not compromise the partnership's ability to finance the balance of its operations.

In addition, the partnership may, from time to time, issue equity instruments, including, but not limited to, LP Units and Redeemable/Exchangeable Partnership Units, to the public and preferred equity in private placements in certain circumstances to provide financing for significant transactions.

The 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 December 31, 2018. The partnership's operating subsidiaries are also in compliance with all covenants and other capital requirements related to regulatory or contractual obligations of material consequence to the partnership.

The partnership's strategy is to satisfy its liquidity needs in respect of the partnership using the partnership's cash on hand, cash flows generated from operating activities and provided by financing activities, as well as proceeds from asset sales, primarily held in the LP Investments segment. The operating subsidiaries of the partnership also generate liquidity by accessing capital markets on an opportunistic basis.

The partnership's principal liquidity needs for periods beyond the next year are for scheduled debt maturities, distributions, recurring and non-recurring capital expenditures, development costs, potential property acquisitions and the partnership's capital commitments to various funds. The partnership plans to meet these needs with one or more of: cash flows from operations; construction loans; creation of new funds; proceeds from sales of assets; proceeds from sale of non-controlling interests in subsidiaries and properties; and credit facilities and refinancing opportunities.

The table below presents the partnership's contractual obligations as of December 31, 2018:

(US\$ Millions)	Payments due by period						
		Total	< 1 Year	1 Year	2 Years	3 Years	4 Years	> 5 Years
Dec. 31, 2018							
Debt obligations	\$63,811	\$5,874	\$11,653	\$15,109	\$5,410	\$6,922	\$18,843
Capital securities	3,385	100	814	603	141	421	1,306
Lease obligations	6,136	104	103	103	98	97	5,631
Commitments ⁽¹⁾	656	599	47	9	1	—	—
Interest expense ⁽²⁾ :							
Long term debt	11,622	2,545	2,338	1,804	1,433	1,122	2,380
Capital securities	1,022	183	183	188	144	115	209
Interest rate swaps	4	2	2	—	—	—	—

⁽¹⁾ Primarily consists of construction commitments on commercial developments.

⁽²⁾ Represents aggregate interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on current rates.

NOTE 36. 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.

The partnership also designates Canadian Dollar financial liabilities of certain of its operating entities as hedges of its net investments in its Canadian operations.

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 December 31, 2018 and 2017:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
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	—

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	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)
Dec. 31, 2017	Interest rate caps of US\$ LIBOR debt	\$ 1,958	2.3% - 3.5%	May 2018 - Oct. 2020	\$ 1
	Interest rate swaps of US\$ LIBOR debt	1,692	0.7% - 2.2%	Jun. 2018 - Mar. 2022	19
	Interest rate caps of £ LIBOR debt	452	1.3%	Dec. 2019	—
	Interest rate swaps of £ LIBOR debt	71	1.5%	Apr. 2020	1
	Interest rate swaps of C\$ LIBOR debt	50	3.7% - 4.3%	Nov. 2021	1
	Interest rate swaps on forecasted fixed rate debt	100	4.0%	Jun. 2029	(13)

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For the year ended December 31, 2018, the partnership also has fair value hedges of variability in interest rate, total rate of return swaps (“TROR”) on various tax-exempt fixed-rate borrowings. The TROR convert borrowings from a fixed rate to a variable rate, generally equivalent to the Securities Industry and Financial Markets Association (SIFMA) rate plus a spread.

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
Dec. 31, 2018	Fair value hedge on fixed rate US\$ debt	\$ 636	4.0% - 8.0%	Dec. 2019 - Apr. 2024	\$ (3)

For the year ended December 31, 2018, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership’s interest rate hedging activities totaled \$37 million (December 31, 2017 - \$14 million).

Foreign Currency Hedging

The following table presents the partnership’s outstanding derivatives that are designated as net investment hedges in foreign subsidiaries or cash flow hedges as of December 31, 2018 and 2017:

(US\$ Millions)	Hedging item	Net Notional	Rates	Maturity dates	Fair value
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 )
Dec. 31, 2017	Net investment hedges	€ 191	€0.83/\$ - €0.92/\$	Jan. 2018 - Dec. 2018	(7)
	Net investment hedges	£ 2,923	£0.73/\$ - £0.81/\$	Jan. 2018 - Jan. 2019	(237)
	Net investment hedges	A\$768	A\$1.26/\$ - A\$1.38/\$	Jan. 2018 - Feb. 2019	(21)
	Net investment hedges	C¥1,165	C¥6.71/\$ - C¥7.09/\$	Jan. 2018 - Dec. 2018	(7)
	Net investment hedges	C\$ 127	C\$1.25/\$ - C\$1.26/\$	Oct. 2018 - Dec. 2018	—
	Cash flow hedges	C\$ 150	C\$1.27/\$	Apr. 2018	1
	Net investment hedges	616,289	1,084.95/\$ - 1,127.75/\$	Aug. 2018 - Jan. 2019	(26)
	Cash flow hedges	Rs 771	Rs65.24/\$	Mar. 2018	—

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For the years ended December 31, 2018 and 2017, 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 tables provide detail of the partnership's other derivatives, not designated as hedges for accounting purposes, that have been entered into to manage financial risks as of December 31, 2018 and 2017:

(US\$ millions)	Derivative type	Notional	Rates	Maturity dates	Fair value
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
Dec. 31, 2017	Interest rate caps	\$ 5,351	2.5% - 5.8%	Jan. 2018 - Oct. 2020	\$ 1
	Interest rate swaps on forecasted fixed rate debt	1,660	1.9% - 6.0%	Jun. 2028 - Dec. 2029	(194)
	Interest rate swaps of US\$ LIBOR debt	1,050	1.4% - 1.6%	Sep. 2018 - Nov. 2020	10
	Interest rate swaptions	560	1.0	% Jun. 2018 - Nov. 2018	—

The partnership recognized fair value gains (losses), net of approximately \$29 million (December 31, 2017 - losses of \$29 million) related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

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b) Measurement and classification of financial instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

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 consolidated financial statements:

(US\$ Millions)	Classification and measurement basis	Dec. 31, 2018		Dec. 31, 2017	
		Under IFRS 9 Carrying value	Fair value	Under IAS 39 Carrying value	Fair value
Financial assets					
Participating loan interests	FVTPL	\$268	\$268	\$517	\$517
Loans and notes receivable	Amortized cost	1,055	1,055	185	185
Other non-current assets					
Securities - FVTPL	FVTPL	239	239	174	174
Derivative assets	FVTPL	13	13	48	48
Securities - FVTOCI	FVTOCI	260	260	150	150
Restricted cash	Amortized cost	161	161	153	153
Current assets					
Derivative assets	FVTPL	234	234	37	37
Accounts receivable ⁽¹⁾	Amortized cost	808	808	536	536
Restricted cash	Amortized cost	631	631	237	237
Cash and cash equivalents	Amortized cost	3,288	3,288	1,491	1,491
Total financial assets		\$6,957	\$6,957	\$3,528	\$3,528
Financial liabilities					
Debt obligations ⁽²⁾	Amortized cost	\$63,964	\$64,561	\$37,991	\$38,726
Capital securities	Amortized cost	2,572	2,578	3,352	3,358
Capital securities - fund subsidiaries	FVTPL	813	813	813	813
Other non-current liabilities					
Loan payable	FVTPL	24	24	23	23
Accounts payable	Amortized cost	1,770	1,770	517	517
Derivative liabilities	FVTPL	159	159	160	160
Accounts payable and other liabilities					
Accounts payable and other ⁽³⁾	Amortized cost	\$3,255	\$3,255	\$2,614	\$2,614
Derivative liabilities	FVTPL	\$181	\$181	\$399	\$399
Total financial liabilities		\$72,738	\$73,341	\$45,869	\$46,610

(1) Includes other receivables associated with assets classified as held for sale on the consolidated balance sheets in the amounts of \$14 million and \$105 million as of December 31, 2018 and December 31, 2017, respectively.

(2) Includes debt obligations associated with assets classified as held for sale on the consolidated balance sheets in the amount of \$153 million and \$1,107 million as of December 31, 2018 and December 31, 2017, respectively.

(3)

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Includes accounts payable and other liabilities associated with assets classified as held for sale on the consolidated balance sheets in the amount of \$10 million and \$209 million as of December 31, 2018 and December 31, 2017, respectively.

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The following table outlines financial assets and liabilities measured at fair value in the 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)	Dec. 31, 2018				Dec. 31, 2017		
	Under IFRS 9				Under IAS 39		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets							
Participating loan interests	—	—	268	268	\$—	\$209	\$209
Securities designated as FVTPL	—	—	239	239	—	174	174
Securities designated as FVTOCI	—	—	260	260	—	150	150
Derivative assets	—	247	—	247	—85	—	85
Total financial assets	—	247	767	1,014	\$—85	\$533	\$618
Financial liabilities							
Capital securities - fund subsidiaries	—	—	813	813	\$—	\$813	\$813
Derivative liabilities	—	340	—	340	—559	—	559
Loan payable	—	—	24	24	—	23	23
Total financial liabilities	—	340	837	1,177	\$—559	\$836	\$1,395

There were no transfers between levels during the years ended December 31, 2018 and 2017. The following table presents the valuation techniques and inputs of the partnership's Level 2 assets and liabilities:

Type of asset/liability	Valuation technique
Foreign currency forward contracts	Discounted cash flow model - forward exchange rates (from observable forward exchange rates at the end of the reporting period) and discounted at a credit adjusted rate
Interest rate contracts	Discounted cash flow model - forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate

The table below presents the valuation techniques and inputs of Level 3 assets:

Type of asset/liability	Valuation techniques	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Participating loan interests	Discounted cash flow model	(a) Discount rate (b) Terminal capitalization rate	(a) Decreases (increases) in the discount rate would increase (decrease) fair value (b) Increases (decreases) in the terminal capitalization rate would (decrease) increase fair value
Securities - FVTPL/FVTOCI	Net asset valuation	(a) Forward exchange rates (from observable forward exchange rates at the end of the reporting period) (b) Discount rate	(a) Increases (decreases) in the forward exchange rate would increase (decrease) fair value (b) Decreases (increases) in the discount rate would increase (decrease) fair value

The following table presents the change in the balance of financial assets and financial liabilities classified as Level 3 as of December 31, 2018 and 2017:

(US\$ Millions)	Dec. 31, 2018		Dec. 31, 2017	
	Under IFRS 9	Under IAS 39	Under IFRS 9	Under IAS 39
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Balance, beginning of year	835	836	\$ 1,605	\$ 821
Additions	201	—	144	49
Dispositions/ Warrant exercise ⁽¹⁾	(7)	(2)	(986)	(4)
Fair value gains, net and OCI	(14)	4	(216)	(30)
Other	(248)	—	(14)	—
Balance, end of year	767	838	\$ 533	\$ 836

(1) In the fourth quarter of 2017, the partnership exercised all of its outstanding warrants of GGP. See Note 8, Equity Accounted Investments, for more information.

c) Market Risk

Interest rate risk

The partnership faces interest rate risk on its variable rate financial assets and liabilities. In addition, there is interest rate risk associated with the partnership's fixed rate debt due to the expected requirement to refinance such debt in the year of maturity. The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the partnership's variable rate liabilities and fixed rate debt maturing within one year:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Variable rate property debt	\$ 382	\$ 195
Fixed rate property debt due within one year	5	7
Total	\$ 387	\$ 202

The partnership manages interest rate risk by primarily entering into fixed rate operating property debt and staggering the maturities of its mortgage portfolio over a 10-year horizon when the market permits. The partnership also makes use of interest rate derivatives to manage interest rate risk on specific variable rate debts and on anticipated refinancing of fixed rate debt.

Foreign currency risk

The partnership is structured such that its foreign operations are primarily conducted by entities with a functional currency which is the same as the economic environment in which the operations take place. As a result, the net income impact of currency risk associated with financial instruments is limited as its financial assets and liabilities are generally denominated in the functional currency of the subsidiary that holds the financial instrument. However, the partnership is exposed to foreign currency risk on the net assets of its foreign currency denominated operations. The partnership's exposures to foreign currencies and the sensitivity of net income and other comprehensive income, on a pre-tax basis, to a 10% change in the exchange rates relative to the U.S. dollar is summarized below:

(Millions)	Dec. 31, 2018		
	Equity attributable	OCI	Net income

	to Unitholders ⁽¹⁾		
Canadian Dollar ⁽²⁾	C\$ 58	\$(4)\$	—
Australian Dollar	A\$ 2,977	(210)—	
British Pound	£ 3,965	(506)—	
Euro	€ 505	(58)—	
Brazilian Real	R\$ 2,823	(73)—	
Indian Rupee	Rs 25,022	(36)—	
Hong Kong Dollar	HK\$ (75)1	—	
Chinese Yuan	C¥ 1,593	(23)—	
South Korean Won	245,507	(22)—	
United Arab Emirates Dirham	AED451	(12)—	
Total		\$(943)\$	—

(1) As of December 31, 2018, Unitholders are defined as holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, and Exchange LP Units.

(2) Net of Canadian Dollar denominated loans.

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(Millions)	Dec. 31, 2017		
	Equity attributable to Unitholders ⁽¹⁾	OCI	Net income
Canadian Dollar ⁽²⁾	C\$ 4	\$—	\$ —
Australian Dollar	A\$ 2,679	(209)	—
British Pound	£ 3,719	(503)	—
Euro	€ 213	(26)	—
Brazilian Real	R\$ 2,591	(78)	—
Indian Rupee	Rs 15,904	(25)	—
Hong Kong Dollar	HK\$ (75)	1	—
Chinese Yuan	C¥ 1,207	(19)	—
South Korean Won	232,345	\$(22)	\$ —
United Arab Emirates Dirham	AED\$ 451	\$(12)	\$ —
Total		\$(893)	\$ —

(1) As of December 31, 2017, Unitholders are defined as holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, and Exchange LP Units.

(1) Net of Canadian Dollar denominated loans.

(Millions)	Dec. 31, 2016		
	Equity attributable to Unitholders ⁽¹⁾	OCI	Net income
Canadian Dollar ⁽²⁾	C\$ (329)	\$25	\$ —
Australian Dollar	A\$ 2,344	(169)	—
British Pound	£ 3,749	(463)	—
Euro	€ 326	(34)	—
Brazilian Real	R\$ 1,941	(60)	—
Indian Rupee	Rs 10,436	(15)	—
Hong Kong Dollar	HK\$ (77)	1	—
Chinese Yuan	C¥ 1,001	(16)	—
South Korean Won	147,052	(12)	—
Total		\$(743)	\$ —

(1) As of December 31, 2016, Unitholders are defined as holders of the GP Units, LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, and Exchange LP Units.

(1) Net of Canadian Dollar denominated loans.

d) Credit risk

The partnership's maximum exposure to credit risk associated with financial assets is equivalent to the carrying value of each class of financial asset as separately presented in loans and notes receivable, certain other non-current assets, accounts receivables and other, and cash and cash equivalents.

Credit risk arises on loans and notes receivables in the event that borrowers default on the repayment to the partnership. The partnership mitigates this risk by attempting to ensure that adequate security has been provided in

support of such loans and notes.

Credit risk related to accounts receivable arises from the possibility that tenants may be unable to fulfill their lease commitments. The partnership mitigates this risk through diversification, ensuring that tenants meet minimum credit quality requirements and by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The partnership maintains a portfolio that is diversified by property type so that exposure to a business sector is lessened.

Currently no one tenant represents more than 10% of operating property revenue.

The majority of the partnership's trade receivables are collected within 30 days. The balance of accounts receivable and loans and notes receivable past due is not significant.

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NOTE 37. 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 the BPY General Partner. The ultimate parent of the partnership is Brookfield Asset Management. Other related parties of the partnership include the partnership's and 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 calculation 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, to maintain a fee level in aggregate that would be the same as prior to the amendment. In connection with the GGP acquisition, the Master Services Agreement was amended so that the base management fee took into account any management fee payable by BPR under its master services agreement with Brookfield Asset Management and certain of its subsidiaries.

The base management fee for the year ended December 31, 2018 was \$83 million (2017 - \$104 million, 2016 - \$104 million). The equity enhancement distribution for the year ended December 31, 2018 was \$1 million (2017 - \$26 million, 2016 - \$25 million).

In connection with the issuance of Preferred Equity Units to the Class A Preferred Unitholder in 2014, Brookfield Asset Management has 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 and balances with related parties:

(US\$ Millions)	Dec. 31, 2018	Dec. 31, 2017
Balances outstanding with related parties:		
Participating loan interests	\$ 268	\$ 517
Net (payables)/receivables within equity accounted investments	(26)	(49)
Loans and notes receivable ⁽¹⁾	54	96
Receivables and other assets	50	11
Deposit and promissory note from Brookfield Asset Management	(733)	(633)
Property-specific obligations	(231)	(415)
Loans and notes payable and other liabilities	(50)	(156)
Capital securities held by Brookfield Asset Management ⁽²⁾	(420)	(1,250)
Preferred shares held by Brookfield Asset Management	(15)	(15)

At December 31, 2018, includes \$54 million (December 31, 2017 - \$96 million) receivable from Brookfield Asset

⁽¹⁾ 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.

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\$500 million of the Brookfield BPY Holdings Inc. Class C Junior Preferred shares and \$330 million of the

(2) Brookfield BPY Holdings Inc. Class B Junior Preferred shares, were redeemed in the third and fourth quarters of 2018, respectively.

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
Transactions with related parties:			
Commercial property revenue ⁽¹⁾	\$ 22	\$ 19	\$ 20
Management fee income	5	6	5
Participating loan interests (including fair value gains, net)	53	86	61
Interest expense on debt obligations	44	29	28
Interest on capital securities held by Brookfield Asset Management	64	83	76
General and administrative expense ⁽²⁾	192	204	212
Construction costs ⁽³⁾	397	295	266

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

Includes amounts paid to Brookfield Asset Management and its subsidiaries for management fees, management

(2) fees associated with the partnership's investments in Brookfield-sponsored real estate funds, and administrative services.

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

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

During the third quarter of 2018, the partnership sold 27.5% of its interest in a portfolio of operating and development assets in New York. The partnership retains control over and will continue to consolidate these assets after the sale. The interest was sold to Brookfield Asset Management for consideration of approximately \$1.4 billion. Brookfield Asset Management is currently in the process of syndicating its entire 27.5% equity interest to third-party investors.

During the fourth quarter of 2018, the partnership launched BPREP Australia, an open-ended fund. The partnership contributed interests in Jessie Street, 52 Goulburn Street and 680 George Street in Sydney and 235 St Georges Terrace in Perth to BPREP Australia. The partnership's interest in BPREP Australia is 48%, with the remaining interests of 12% and 40% held by Brookfield Asset Management and external investors, respectively. The partnership will continue to consolidate the properties contributed to BPREP Australia, except for 680 George Street, which it will continue to account for under the equity method.

NOTE 38. 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)	Brookfield Property Partners L.P.	BOP Split Corp.	BPO	Brookfield Property Preferred Equity Inc.	Brookfield Property Finance ULC	Brookfield Property Holding Entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating Adjustments ⁽⁴⁾	Brookfield Property Partners L.P. consolidated
Year ended December 31, 2018									
Revenue	\$	-\$27	\$166	\$	-\$ 8	\$ 1,192	\$ 167	\$ 5,679	\$ 7,239
Net income attributable to unitholders ⁽¹⁾	767	417	(1,419)	—	—	1,978	(34)	) 269	1,978
Year ended December 31, 2017									
Revenue	\$	-\$—	\$197	\$	-\$ —	\$ 1,518	\$ —	\$ 4,420	\$ 6,135
Net income attributable to unitholders ⁽¹⁾	138	(409)	(763)	—	—	375	17	1,017	375

Year ended December 31, 2016

Revenue	\$	—	\$201	\$	—	\$ 477	\$ —	\$ 4,674	\$ 5,352
Net income attributable to unitholders ⁽¹⁾		671	94	416	—	—	1,793	—	(1,181) 1,793

(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.

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(US\$ Millions)	Brookfield Property Partners L.P.	BOP Split Corp.	BPO	Brookfield Property Preferred Equity Inc.	Brookfield Property Finance ULC	Brookfield Holding Entities ⁽²⁾	Additional holding entities and eliminations ⁽³⁾	Consolidating Adjustments ⁽⁴⁾	Brookfield Property Partners L.P. consolidated
As of Dec. 31, 2018									
Current assets	\$—	\$52	\$151	\$—	\$—	\$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	\$—	\$—	\$28,284	\$266	\$(32,293)	\$28,284
As of Dec. 31, 2017									
Current assets	\$—	\$93	\$91	\$—	\$—	\$3,019	\$24	\$(748)	\$2,479
Non-current assets	8,190	13,310	21,234	—	—	28,194	1,532	7,975	80,435
Assets held for sale	—	—	—	—	—	—	—	1,433	1,433
Current liabilities	—	544	5,518	—	—	1,186	845	2,420	10,513
Non-current liabilities	—	4,695	1,726	—	—	7,841	743	22,389	37,394
Liabilities associated with assets held for sale	—	—	—	—	—	—	—	1,316	1,316
Equity attributable to interests of others in operating subsidiaries and properties	—	—	2,284	—	—	—	—	10,654	12,938
Equity attributable to unitholders ⁽¹⁾	\$8,190	\$8,164	\$11,797	\$—	\$—	\$22,186	\$(32)	\$(28,119)	\$22,186

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

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

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

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

NOTE 39. PAYROLL EXPENSE

The partnership has no employees or directors; therefore the partnership does not remunerate key management personnel. Key decision makers of the partnership are all employees of Brookfield Asset Management, the ultimate parent company, who provide management services under the Master Services Agreement.

Throughout the year, the partnership's general partner incurs director fees, a portion of which are charged to the partnership in accordance with the limited partnership agreement.

NOTE 40. 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. As of December 31, 2018, 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.

b) Reportable segment measures

The following summaries present certain financial information regarding the partnership's operating segments for the year ended December 31, 2018, 2017, and 2016.

(US\$ Millions)	Total revenue ⁽¹⁾			FFO		
	2018	2017	2016	2018	2017	2016
Years ended Dec. 31,	2018	2017	2016	2018	2017	2016
Core Office	\$2,105	\$2,147	\$2,203	\$520	\$534	\$620
Core Retail ⁽²⁾	584	—	—	552	486	429
LP Investments	4,544	3,986	3,149	228	281	303
Corporate	6	2	—	(434)	(428)	(457)
Total	\$7,239	\$6,135	\$5,352	\$866	\$873	\$895

(1) The partnership adopted IFRS 15 in 2018 using the modified retrospective method. The comparative information has not been restated and is reported under the accounting standards effective for those periods.

The current year represents revenue from Core Retail subsequent to the acquisition of GGP on August 28, 2018,

(2) when the partnership started consolidating Core Retail's results. See Note 4, Acquisition of GGP Inc. for further information. The prior periods presented represent the partnership's equity accounted interest in GGP prior to the acquisition, 34% as of December 31, 2017 and 29% as of December 31, 2016.

The following summary presents the detail of total revenue under IFRS 15 from the partnership's operating segments for the year ended December 31, 2018:

(US\$ Millions)	Lease revenue	Other revenue from tenants	Hospitality revenue	Investment and other revenue	Total revenue
					revenue
Year ended Dec. 31, 2018					
Core Office	\$ 1,604	\$ 358	\$ 17	\$ 126	\$ 2,105
Core Retail	400	111	—	73	584
LP Investments	2,233	337	1,896	78	4,544
Corporate	—	—	—	6	6
Total	\$ 4,237	\$ 806	\$ 1,913	\$ 283	\$ 7,239

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

(US\$ Millions)	Total assets		Total liabilities	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Core Office	\$34,095	\$33,795	\$15,033	\$16,791

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Core Retail	29,658	8,844	13,749	—
LP Investments	58,610	41,471	41,604	26,630
Corporate	157	237	5,394	5,802
Total	\$122,520	\$84,347	\$75,780	\$49,223

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The following summary presents a reconciliation of FFO to net income for the years ended December 31, 2018, 2017, and 2016:

(US\$ Millions) Years ended Dec. 31,	2018	2017	2016
FFO ⁽¹⁾	\$866	\$873	\$895
Depreciation and amortization of real estate assets	(264)	(244)	(212)
Fair value gains, net	2,466	1,254	692
Share of equity accounted income - non-FFO	114	82	139
Income tax benefit (expense)	(81)	(192)	575
Non-controlling interests of others in operating subsidiaries and properties - non-FFO	(1,123)	(1,398)	(296)
Net income attributable to unitholders ⁽²⁾	1,978	375	1,793
Non-controlling interests of others in operating subsidiaries and properties	1,676	2,093	924
Net income	\$3,654	\$2,468	\$2,717

FFO represents interests attributable to GP Units, LP Units, Exchange LP Units, Redeemable/Exchangeable

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

Includes net income attributable to general partner, limited partners, Exchange LP Units,

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

The following summary presents financial information by the partnership's geographic regions in which it operates:

(US\$ Millions)	Total revenue for the years ended Dec. 31,			Total non-current assets as at Dec. 31,	
	2018	2017	2016	2018	2017
United States	\$4,914	\$4,127	\$3,589	\$84,648	\$52,009
Canada	563	462	413	4,535	4,892
Australia	240	227	231	3,631	3,986
Europe	944	829	801	14,051	11,556
Brazil	113	134	165	1,901	2,037
China	7	1	2	389	522
India	247	161	130	3,142	2,362
South Korea	211	194	21	2,986	2,948
United Arab Emirates	—	—	—	123	123
Total	\$7,239	\$6,135	\$5,352	\$115,406	\$80,435

NOTE 41. SUBSEQUENT EVENTS

On January 31, 2019, Brookfield Asset Management closed on Brookfield Strategic Real Estate Partners III ("BSREP III"), its latest flagship global private real estate fund, with a total aggregate equity commitment of \$15.0 billion. The partnership has committed \$1.0 billion to BSREP III and Brookfield Asset Management has committed \$2.75 billion of the total commitment of \$3.75 billion. In connection with the close, the partnership will lose control and deconsolidate its investment in BSREP III. The partnership will subsequently account for its interest as a financial asset through profit and loss.

In February 2019, Brookfield Asset Management made \$1.0 billion in on-demand deposits to the partnership.

On February 11, 2019, the partnership announced that it has formally commenced its substantial issuer bid to purchase up to \$405 million of its LP Units from holders of its limited partnership units for cash.

On February 11, 2019, BPR announced that it has formally commenced its substantial issuer bid to purchase up to \$95 million of BPR Units from its stockholders for cash.

On February 11, 2019, a subsidiary of the partnership issued medium term notes for C\$350 million at 4.30% per annum, maturing on March 1, 2024. Interest on the notes is payable semi-annually.

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SCHEDULE III – SUPPLEMENTAL SCHEDULE OF INVESTMENT PROPERTY INFORMATION

The table below presents the partnership's number of commercial properties, the related fair value, debt obligations, weighted average year of acquisition and weighted average year of construction by asset class as of December 31, 2018.

(US\$ millions, except where noted)	Dec. 31, 2018		Debt ⁽²⁾	Weighted average year of acquisition	Weighted average year of construction ⁽³⁾
	Number of properties	Fair value ⁽¹⁾			
Core Office					
United States	39	\$ 14,416	\$ 7,398	2004	1985
Canada	24	4,127	1,840	2002	1993
Australia	8	2,342	1,395	2010	2006
Europe	2	137	515	2013	1976
Brazil	2	329	75	2014	2014
	75	21,351	11,223	2004	1990
Core Retail					
Opportunistic Office	57	17,224	7,713	2018	1977
Opportunistic Retail	134	7,861	4,939	2016	1990
Logistics	39	3,409	1,970	2016	1982
Multifamily	2	183	87	2018	2010
Triple Net Lease ⁽⁴⁾	57	4,151	2,857	2012	1987
Self-storage	327	4,812	3,785	2014	1990
Student Housing	95	847	627	2016	1999
Manufactured Housing	49	2,031	1,692	2017	2012
Mixed-Use ⁽¹⁾	136	2,369	1,239	2017	1974
Total	97	11,523	7,525	2018	2006
	1,068	75,761	43,657	2013	1989

⁽¹⁾ Excludes development properties and land/parking lots with a fair value of \$4,436 million.

⁽²⁾ Excludes debt related to development properties and land in the amount of \$487 million, unsecured and corporate facilities of \$13,289 million and debt on hospitality assets of \$6,223 million.

⁽³⁾ Weighted against the fair value of the properties at December 31, 2018.

⁽⁴⁾ Excludes land and parking lots.

BROOKFIELD PROPERTY REIT INC.

Consolidated financial statements of Brookfield Property REIT Inc. as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Brookfield Property REIT Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Brookfield Property REIT Inc. (formerly known as GGP Inc.) and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the accompanying consolidated financial statement schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report (not presented herein) dated March 1, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 1, 2019

We have served as the Company's auditor since 2001.

Brookfield Property REIT Inc.
(Dollars in thousands, except per share amounts)
CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
Assets:		
Investment in real estate:		
Land	\$2,706,701	\$4,013,874
Buildings and equipment	10,774,079	16,957,720
Less accumulated depreciation	(2,214,603)	(3,188,481)
Construction in progress	576,695	473,118
Net property and equipment	11,842,872	18,256,231
Investment in Unconsolidated Real Estate Affiliates	5,385,582	3,377,112
Net investment in real estate	17,228,454	21,633,343
Cash and cash equivalents	247,019	164,604
Accounts receivable, net	222,562	334,081
Notes receivable	256,937	417,558
Deferred expenses, net	145,631	284,512
Prepaid expenses and other assets	313,648	494,795
Deferred tax assets, net	619,275	18,633
Total assets	\$ 19,033,526	\$ 23,347,526
Liabilities:		
Mortgages, notes and loans payable	\$ 12,589,649	\$ 12,832,459
Investment in Unconsolidated Real Estate Affiliates	124,627	21,393
Accounts payable and accrued expenses	953,369	919,432
Dividend payable	4,668	219,508
Junior subordinated notes	206,200	206,200
Total liabilities	13,878,513	14,198,992
Redeemable equity interests	2,305,895	—
Redeemable noncontrolling interests	73,696	248,126
Total redeemable interests	2,379,591	248,126
Commitments and Contingencies (Note 19)	—	—
Equity:		
Class B Stock: 4,942,500,000 shares authorized, \$0.01 par value, 454,744,938 issued and outstanding as of December 31, 2018	4,547	—
Class C Stock: 1,000,000,000 shares authorized, \$0.01 par value, 640,051,301 issued and outstanding as of December 31, 2018	6,401	—
Common Stock: 965,000,000 shares authorized, \$0.01 par value, no shares issued or outstanding as of December 31, 2018, and 11,000,000,000 shares authorized, \$0.01 par value, 1,040,382,900 issued and 956,982,536 outstanding as of December 31, 2017	—	10,130
Preferred Stock: 500,000,000 shares authorized, \$0.01 par value, 10,000,000 shares issued and outstanding as of December 31, 2018 and December 31, 2017	242,042	242,042
Additional paid-in capital	5,772,824	11,845,532
Retained earnings (accumulated deficit)	(4,721,335)	(2,107,498)
Accumulated other comprehensive loss	(82,653)	(71,906)
Common stock in treasury, at cost, 55,969,390 shares as of December 31, 2017	—	(1,122,640)

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Total stockholders' equity	1,221,826	8,795,660
Noncontrolling interests in Consolidated Real Estate Affiliates	26,652	55,379
Noncontrolling interests of the Operating Partnership	1,526,944	49,369
Total equity	2,775,422	8,900,408
Total liabilities, redeemable interests and equity	\$ 19,033,526	\$ 23,347,526

The accompanying notes are an integral part of these consolidated financial statements.

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Brookfield Property REIT Inc.

(Dollars in thousands, except per share amounts)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended December 31,		
	2018	2017	2016
Revenues:			
Minimum rents	\$1,297,945	\$1,455,039	\$1,449,704
Tenant recoveries	540,376	643,607	668,081
Overage rents	29,659	34,874	42,534
Management fees and other corporate revenues	125,776	105,144	95,814
Other	70,278	89,198	90,313
Total revenues	2,064,034	2,327,862	2,346,446
Expenses:			
Real estate taxes	221,175	237,198	229,635
Property maintenance costs	41,637	49,784	55,027
Marketing	7,787	11,043	13,155
Other property operating costs	253,210	286,168	282,591
Provision for doubtful accounts	12,102	10,701	8,038
Provision for loan loss	—	—	29,615
Property management and other costs	172,554	145,251	138,602
General and administrative	46,441	56,133	55,745
Costs related to the BPY Transaction	202,523	—	—
Provision for impairment	45,866	—	73,039
Depreciation and amortization	633,063	693,327	660,746
Total expenses	1,636,358	1,489,605	1,546,193
Interest and dividend income	33,710	61,566	59,960
Interest expense	(576,700)	(541,945)	(571,200)
(Loss) gain on foreign currency	—	(819)	14,087
Gains from changes in control of investment properties and other, net	3,097,196	79,056	722,904
Gains on extinguishment of debt	13,983	55,112	—
Income before income taxes, equity in income of Unconsolidated Real Estate	2,995,865	491,227	1,026,004
Affiliates and allocation to noncontrolling interests			
Benefit from (provision for) income taxes	594,186	10,896	(901)
Equity in income of Unconsolidated Real Estate Affiliates	86,552	152,750	231,615
Unconsolidated Real Estate Affiliates - gain on investment, net	487,166	12,000	51,555
Net income	4,163,769	666,873	1,308,273
Allocation to noncontrolling interests	(73,228)	(9,539)	(19,906)
Net income attributable to Brookfield Property REIT Inc.	4,090,541	657,334	1,288,367
Class A Stock Earnings Per Share (August 28, 2018 through December 31, 2018) (See Note 11)			
Basic & Diluted Earnings Per Share	\$0.63	\$—	\$—
Common Stock Earnings Per Share (Through August 27, 2018) (See Note 11)			
Basic	\$4.16	\$0.72	\$1.44
Diluted	\$4.15	\$0.68	\$1.34
Comprehensive Income, Net:			
Net income	\$4,163,769	\$666,873	\$1,308,273
Other comprehensive income (loss):			

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Foreign currency translation	(10,725) (1,551) 14,319
Reclassification adjustment for realized gains on available-for-sale securities included in net income	—	—	(11,978)
Net unrealized gains on other financial instruments	16	12	5
Other comprehensive (loss) income	(10,709	) (1,539	) 2,346
Comprehensive income	4,153,060	665,334	1,310,619
Comprehensive income allocated to noncontrolling interests	(73,267	) (9,450	) (19,904)
Comprehensive income attributable to Brookfield Property REIT Inc.	4,079,793	655,884	1,290,715

The accompanying notes are an integral part of these consolidated financial statements.

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(2,886,986 common shares)									
Cancellation of repurchased common shares (1,260,490 common shares)	(15)	(19,846)	(17,805)		37,666				—
OP Unit Conversion to Common Stock (200,000 common shares)	2	5,425							5,427
Treasury stock purchases (1,887,751 common shares)					(46,225)				(46,225)
Cash dividends reinvested (DRIP) in stock (32,381 common shares)		889	(215)						674
Other comprehensive income					14,242				14,242
Amounts reclassified from Accumulated Other Comprehensive Income					(11,894)				(11,894)
Cash distributions declared (\$1.06 per share)					(936,779)				(936,779)
Cash distributions on Preferred Stock					(15,935)				(15,935)
Fair value adjustment for noncontrolling interest in Operating Partnership		21,175							21,175
Balance at December 31, 2016	\$9,407	\$—	\$242,042	\$11,417,597	\$(1,824,866)	\$(70,456)	\$(1,137,960)	\$64,965	\$8,700,729

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Brookfield Property REIT INC.

(Dollars in thousands, except per share amounts)

CONSOLIDATED STATEMENTS OF EQUITY (Continued)

	Common Stock	Class B C Stock	Class Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury	Noncontrolling Interests in Consolidated Real Estate Affiliates and Operating Partnership	Total Equity
(Dollars in thousands, except for share amounts)									
Balance at January 1, 2017	\$9,407	\$—	\$242,042	\$11,417,597	\$(1,824,866)	\$(70,456)	\$(1,137,960)	\$64,965	\$8,700,729
Cumulative effect of accounting change				2,342	(3,000)			658	—
Net income					657,334			2,842	660,176
Distributions to noncontrolling interests in consolidated Real Estate Affiliates								(5,597)	(5,597)
Acquisition/disposition of partner's noncontrolling interests in consolidated Real Estate Affiliates								10,795	10,795
Contributions received from noncontrolling interest in consolidated Real Estate Affiliates								15,258	15,258
Long Term Incentive Plan Common Unit grants, net (451,585 LTIP Units)								15,827	15,827
Restricted stock grants, net (787,484 common shares)	8			9,660					9,668
Employee stock purchase program (147,475 common shares)	1			3,520					3,521
	8			23,017					23,025

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Stock option exercise (690,969 common shares)									
Cancellation of repurchased common shares (13,278,252 common shares)	(133)		(174,098)	(115,074)		289,305			—
Treasury stock purchases (12,650,991 common shares)						(273,985)			(273,985)
Cash dividends reinvested (DRIP) in stock (43,732 common shares)			1,019	(274)					745
Other comprehensive loss						(1,450)			(1,450)
Cash distributions declared (\$0.88 per share)						(805,682)			(805,682)
Cash distributions on Preferred Stock						(15,936)			(15,936)
Exercise of Warrants (83,866,187 common shares)	839		550,357						551,196
Fair value adjustment for noncontrolling interest in Operating Partnership			12,118						12,118
Balance at December 31, 2017	\$10,130	\$—	\$242,042	\$11,845,532	\$(2,107,498)	\$(71,906)	\$(1,122,640)	\$104,748	\$8,900,400

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Brookfield Property REIT INC.

(Dollars in thousands, except per share amounts)

CONSOLIDATED STATEMENTS OF EQUITY (Continued)

	Common Stock	Class B Stock	Class C Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury	Noncontrol Interests in Consolidate Real Estate Affiliates and Operating Partnership
(Dollars in thousands, except for share amounts)									
Balance at January 1, 2018	\$10,130	\$—	\$—	\$242,042	\$11,845,532	\$(2,107,498)	\$(71,906)	\$(1,122,640)	\$104,748
Cumulative effect of accounting change						(16,864))		—
Net income						4,001,959			36,789
Distributions to noncontrolling interests in consolidated Real Estate Affiliates									(15,023)
Acquisition/disposition of partner's noncontrolling interests in consolidated Real Estate Affiliates					3,808				(25,429)
Cash dividends reinvested (DRIP) in stock (11,239 common shares)					245	(245))		
Adjust Mezzanine Equity to Fair Value					40,294				
Contributions received from noncontrolling interest in consolidated Real Estate Affiliates									894
Long Term Incentive Plan Common Unit grants, net (238,655 LTIP Units)									17,858
Restricted stock grants, net (1,000,143 Common Shares and 68,675 Class A Stock)	10				11,141				

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Employee stock purchase program (80,522 common shares)					1,797					
Stock option exercise (288,715 common shares)	3				4,972					
OP Unit Conversion to Common Stock (4,098,105 common shares)	41				87,149					
Preferred stock dividend						(15,936)			
Other comprehensive loss							(10,747)		
Dividends on Common Stock						(421,446)			
Special Pre-Closing Dividend						(9,152,446	)		(36,436
BPR Equity Recapitalization (See Note 1)	(10,184)	4,074	—	(7,428,697)	2,903,347		1,122,640	(662
Cash Contribution from BPY			6,401		193,599					
Class A Conversion to Class B (47,390,895 Class B shares)			473		1,012,984		87,794			
Adjust Class A Stock to Fair Value										
Acquisition of Noncontrolling Interest by Institutional Investor									1,470,857	
Class A Dividend										
Balance at December 31, 2018	\$—	\$4,547	\$6,401	\$242,042	\$5,772,824	\$(4,721,335)	\$(82,653)	\$—	\$1,553,596	

The accompanying notes are an integral part of these consolidated financial statements.

Brookfield Property REIT Inc.

(Dollars in thousands, except per share amounts)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2018	2017	2016
Cash Flows provided by Operating Activities:			
Net income	\$4,163,769	\$666,873	\$1,308,273
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of Unconsolidated Real Estate Affiliates	(86,552)	(152,750)	(231,615)
Distributions received from Unconsolidated Real Estate Affiliates	117,167	237,956	120,674
Provision for doubtful accounts	12,102	10,701	8,038
Depreciation and amortization	633,063	693,327	660,746
Amortization/write-off of deferred finance costs	19,294	11,880	11,876
Accretion/write-off of debt market rate adjustments	(1,585)	(4,346)	(5,184)
Amortization of intangibles other than in-place leases	16,061	28,309	41,154
Straight-line rent amortization	2,425	(2,084)	(11,867)
Deferred income taxes	(600,643)	(15,532)	15,353
Gain on dispositions, net	—	(5,356)	(37,526)
Unconsolidated Real Estate Affiliates—gain on investment, net	(487,166)	(12,000)	(51,555)
Gains from changes in control of investment properties and other, net	(3,097,196)	(79,056)	(722,904)
Loss (gain) on extinguishment of debt	(13,983)	(55,112)	5,403
Provisions for impairment	45,866	—	73,039
Provisions for loan loss	—	—	29,615
(Gain) loss on foreign currency	—	819	(14,087)
Net changes:			
Accounts and notes receivable, net	(40,790)	(6,103)	(37,489)
Prepaid expenses and other assets	(34,829)	(40,326)	(4,092)
Deferred expenses, net	(44,746)	(36,603)	(27,888)
Accounts payable and accrued expenses	(59,352)	13,777	(27,924)
Other, net	41,644	40,238	34,111
Net cash provided by operating activities	584,549	1,294,612	1,136,151
Cash Flows provided by (used in) Investing Activities:			
Acquisition of real estate and property additions	(63,700)	(230,754)	(577,845)
Development of real estate and property improvements	(674,485)	(662,762)	(547,447)
Distributions received from Unconsolidated Real Estate Affiliates in excess of income	410,578	166,867	82,800
Loans to joint venture and joint venture partners	(12,393)	(121,262)	(59,769)
Proceeds from repayment of loans to joint venture and joint venture partners	204,867	50,964	13,042
Proceeds from sales of investment properties and Unconsolidated Real Estate Affiliates	3,050,301	62,007	1,699,466
Contributions to Unconsolidated Real Estate Affiliates	(218,038)	(120,356)	(135,906)
Sale (acquisition) of marketable securities	—	—	46,408
Other, net	—	—	662
Net cash provided by (used in) investing activities	2,697,130	(855,296)	521,411
Cash Flows used in Financing Activities:			
Proceeds from refinancing/issuance of mortgages, notes and loans payable	7,031,647	1,595,000	908,479

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Principal payments on mortgages, notes and loans payable	(1,774,657)	(1,579,655)	(1,743,216)
Deferred finance costs	(112,626)	(3,133)	(13,771)
Issuances of Class C Stock	200,000	—	—
Stock Issuance Costs	(6,524)	—	—
Treasury stock purchases	—	(273,985)	(34,021)
Proceeds from warrant exercises	—	551,196	—
Cash contributions from noncontrolling interests in consolidated real estate affiliates	1,471,750	15,258	—
Cash distributions paid to common stockholders	(9,873,248)	(1,020,018)	(680,712)
Cash distributions to noncontrolling interests in consolidated real estate affiliates	(15,023)	(5,597)	(24,445)
Cash distributions reinvested (DRIP) in common stock	357	1,020	889
Cash distributions paid to preferred stockholders	(19,920)	(15,936)	(15,935)
Cash distributions and redemptions paid to holders of common units	(107,050)	(18,372)	(5,545)
Other, net	(9,631)	15,959	44,163
Net cash used in financing activities	(3,214,925)	(738,263)	(1,564,114)
Effect on foreign exchange rates on cash and cash equivalents	—	(819)	—
Net change in cash, cash equivalents and restricted cash	66,754	(299,766)	93,448
Cash, cash equivalents and restricted cash at beginning of year	231,939	531,705	438,257
Cash, cash equivalents and restricted cash at end of year	\$298,693	\$231,939	\$531,705

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Brookfield Property REIT Inc.

(Dollars in thousands, except per share amounts)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year Ended December 31,		
	2018	2017	2016
Supplemental Disclosure of Cash Flow Information:			
Interest paid	\$595,435	\$548,833	\$567,137
Interest capitalized	20,840	11,085	5,257
Income taxes paid	3,015	14,957	4,150
Accrued capital expenditures included in accounts payable and accrued expenses	267,102	219,317	115,077
Sale of Fashion Show (Refer to Note 3)			
Acquisition of Riverchase Galleria (Refer to Note 3)			
Acquisition of an additional interest in Miami Design District (Refer to Note 5)			
Acquisition of 522 Fifth Avenue (Refer to Note 3)			
Disposition of Lakeside (Refer to Note 3)			
Issuance of note collateralized by Riverchase Galleria and Tysons Galleria anchor box (Refer to Note 14)			
Acquisition and/or change of control at 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue (Refer to Note 3)			
Exercise of warrants (Note 8)			
The accompanying notes are an integral part of these consolidated financial statements.			

Brookfield Property REIT Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

NOTE 1 ORGANIZATION

GGP Inc., ("GGP" now known as Brookfield Property REIT Inc. or "BPR" and referred to as the "Company"), a Delaware corporation, was organized in July 2010 and is an externally managed real estate investment trust, referred to as a "REIT".

On March 26, 2018, GGP and Brookfield Property Partners L.P. ("BPY") entered into an agreement and plan of merger (as amended by the amendment thereto dated June 25, 2018, the "Merger Agreement") pursuant to which BPY would acquire all of the shares of GGP common stock, par value \$0.01 per share, that BPY and its affiliates did not already own through a series of transactions (collectively, the "BPY Transaction"), including, among other things, the exchange of all shares of GGP common stock owned by certain affiliates of BPY and any subsidiary of GGP for a newly authorized series of preferred stock of GGP designated Series B Preferred Stock (the "Class B Exchange") and the payment of a special dividend payable to certain holders of record of GGP common stock pursuant to the terms of the Merger Agreement (the "Pre-Closing Dividend").

On July 26, 2018, GGP obtained the requisite stockholder approval for the BPY Transaction at a special meeting of GGP stockholders. Therefore, on July 27, 2018, GGP effected the Class B Exchange by exchanging shares of GGP common stock owned by certain affiliates of BPY and any subsidiary of GGP into Series B Preferred Stock.

On August 27, 2018, pursuant to the Merger Agreement, the Pre-Closing Dividend and consideration was paid to all holders of record of GGP common stock (not including holders of GGP restricted stock, but including certain holders of GGP options who were deemed stockholders) on July 27, 2018 following the Class B Exchange. The Pre-Closing Dividend and consideration provided for the distribution of up to \$23.50 in cash or a choice of either one BPY limited partnership unit ("BPY unit") or one share of newly authorized Class A Stock of BPR, par value \$0.01 per share ("Class A Stock"), subject to proration in each case, based on an aggregate cash consideration amount of \$9.25 billion.

Pursuant to the Merger Agreement, on August 27, 2018, GGP's certificate of incorporation was amended and restated (the "Charter Amendments") to, among other things, change the Company's name to Brookfield Property REIT Inc., authorize the issuance of Class A Stock, Class B-1 Stock, par value \$0.01 per share ("Class B-1 Stock") and Class C Stock, par value \$0.01 per share ("Class C Stock") and to provide the terms governing the Series B Preferred Stock and Class B-1 Stock (collectively, "Class B Stock"). In addition, the Company amended and restated its bylaws (the "Bylaws Amendments") and the agreement of limited partnership of GGP Operating Partnership, LP ("GGPOP"), a subsidiary of GGP that was renamed BPR OP, LP ("BPROP") (the "Amended BPR OP Partnership Agreement"). The Charter Amendments superseded the certificate of designations authorizing the Company's Series B Preferred stock, such that the Series B Preferred Stock remains outstanding but is referred to following the Charter Amendments as Class B Stock, having the rights, powers, preferences and other terms given to Class B Stock in the Charter Amendments.

Each share of Class A Stock was structured to provide its holder with an economic return that is equivalent to that of a BPY unit, including rights to identical distributions. Subsequent to the BPY Transaction, Class A stockholders have the right to exchange all or a portion of their Class A Stock for cash at a price equal to the value of an equivalent number of BPY units, subject to adjustment in the event of certain dilutive or other capital events by BPY or BPR. BP US REIT LLC (formerly known as Brookfield Properties, Inc.) ("BPUS"), an affiliate of BPY, has the option, but not the obligation, to settle any exchange requests by exchanging each share of Class A Stock for one BPY unit. All

dividends to holders of Class A Stock will be paid prior and in preference to any dividends or distributions on the Class B Stock, Class C Stock or the common stock of BPR and will be fully declared and paid before any dividends are declared and paid or any other distributions are made on any Class B Stock, Class C Stock or the common stock of BPR. The holders of Class A Stock shall not be entitled to any dividends from BPR other than the Class A dividend.

Except as otherwise expressly provided in the Charter Amendments or as required by law, the holders of Class A Stock, Class B Stock and Class C Stock will vote together and not as separate classes. The holders of shares of each of Class B Stock and Class C Stock will be entitled to one vote for each share thereof held at the record date for the determination of stockholders entitled to vote on any matter. The holders of shares of Class A Stock will be entitled to one vote for each share thereof held at the record date for the determination of stockholders entitled to vote on any matter, except that holders of shares of Class A Stock will not be entitled to vote (i) on a liquidation or dissolution or conversion of the Class A Stock in connection with a market capitalization

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

liquidation event (as described in the Charter Amendments), or (ii) to reduce the voting power of the Class B Stock or Class C Stock.

BPR is an indirect subsidiary of BPY, one of the world's largest commercial real estate companies. Although the BPY Transaction resulted in a change of control of the Company, BPR remains a reporting entity. Accordingly, the Company accounted for the BPY Transaction as an equity recapitalization transaction. The BPY Transaction resulted in the consummation of a series of recapitalization and financing transactions (see Note 6) and joint venture asset sales (see Note 3).

In these notes, the terms "we", "us" and "our" refer to BPR and its subsidiaries. BPR, through its subsidiaries and affiliates, is an owner and operator of retail properties. As of December 31, 2018, we are the owner, either entirely or with joint venture partners, of 124 retail properties.

Substantially all of our business is conducted through BPROP, which we sometimes refer to herein as the Operating Partnership and its subsidiaries. As of December 31, 2018, BPR held approximately 99% of the common equity of BPROP, while the remaining 1% was held by limited partners and certain previous contributors of properties to BPROP.

In addition to holding ownership interests in various joint ventures, the Operating Partnership generally conducts its operations through BPR REIT Services LLC. ("BPRRS"), Brookfield Properties Retail Inc. ("BPRI") and General Growth Management, Inc. ("GGMI"). Each of GGMI and BPRI is a taxable REIT subsidiary ("TRS"), which provides real estate management and leasing fees, development fees, financing fees for other ancillary services for a majority of our Unconsolidated Real Estate Affiliates (defined below) and for substantially all of our Consolidated Properties (defined below). BPRI also serves as a contractor to GGMI for these services. BPRRS generally provides financial, accounting, tax, legal, development, and other services to our Consolidated Properties.

We refer to our ownership interests in properties in which we own a majority or controlling interest and are consolidated under accounting principles generally accepted in the United States of America ("GAAP") as the "Consolidated Properties." We also own interests in certain properties through joint venture entities in which we own a noncontrolling interest ("Unconsolidated Real Estate Affiliates") and we refer to those properties as the "Unconsolidated Properties".

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of BPR, our subsidiaries and joint ventures in which we have a controlling interest. For consolidated joint ventures, the noncontrolling partner's share of the assets, liabilities and operations of the joint ventures (generally computed as the joint venture partner's ownership percentage) is included in noncontrolling interests in consolidated real estate affiliates as permanent equity of the Company. Intercompany balances and transactions have been eliminated. Noncontrolling interests are included on our Consolidated Balance Sheets related to the Common, Preferred, and LTIP Units of BPROP and are presented either as redeemable noncontrolling interests or as noncontrolling interests in our permanent equity. The Operating Partnership and each of our consolidated joint ventures are variable interest entities as the limited partners do not have substantive kick-out rights or substantive participating rights. However, as the Company holds a majority voting interest in the

Operating Partnership and our consolidated joint ventures, it qualifies for the exemption from providing certain of the disclosure requirements associated with variable interest entities.

We operate in a single reportable segment, which includes the operation, development and management of retail and other rental properties. Our portfolio is targeted to a range of market sizes and consumer tastes. Each of our operating properties is considered a separate operating segment, as each property earns revenues and incurs expenses, individual property operating results are reviewed and discrete financial information is available. The Company's chief operating decision maker is comprised of a team of several members of executive management who use property operations in assessing segment operating performance. We do not distinguish or group our consolidated operations based on geography, size or type for purposes of making property operating decisions. Our operating properties have similar economic characteristics and provide similar products and services to our tenants. There are no individual operating segments that are greater than 10% of combined revenue or combined assets. When assessing segment operating performance, certain non-cash and non-comparable items such as straight-line rent, depreciation expense and intangible asset and liability amortization, are excluded from property operations, which are a result of our emergence, acquisition

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

accounting and other capital contribution or restructuring events. Further, all material operations are within the United States and no customer or tenant comprises more than 10% of consolidated revenues. As a result, the Company's operating properties are aggregated into a single reportable segment.

Properties

Real estate assets are stated at cost less any provisions for impairments. Expenditures for significant betterments and improvements are capitalized. Maintenance and repairs are charged to expense when incurred. Construction and improvement costs incurred in connection with the development of new properties or the redevelopment of existing properties are capitalized. Real estate taxes, interest costs, and internal costs associated with leasing and development overhead incurred during construction periods are capitalized. Capitalization is based on qualified expenditures and interest rates. Capitalized real estate taxes, interest costs, and internal costs associated with leasing and development overhead are amortized over lives which are consistent with the related assets.

Pre-development costs, which generally include legal and professional fees and other third-party costs directly related to the construction assets, are capitalized as part of the property being developed. In the event a development is no longer deemed to be probable of occurring, the capitalized costs are expensed (see also our impairment policies in this note below).

We periodically review the estimated useful lives of our properties, and may adjust them as necessary. The estimated useful lives of our properties range from 10-45 years.

Depreciation or amortization expense is computed using the straight-line method based upon the following estimated useful lives:

	Years
Buildings and improvements	10 - 45
Equipment and fixtures	3 - 20
Tenant improvements	Shorter of useful life or applicable lease term

Reclassifications

Certain prior period amounts included in prepaid expenses and other assets of \$21.1 million and deferred tax liabilities of \$2.4 million in the Consolidated Balance Sheets have been reclassified to deferred tax assets, net as of December 31, 2017.

Acquisitions of Operating Properties (Note 3)

Acquisitions of properties are typically accounted for as acquisitions of assets rather than acquisitions of a business. Accordingly, the results of operations of acquired properties have been included in the results of operations from the respective dates of acquisition and acquisition costs are capitalized. Estimates of future cash flows and other valuation techniques are used to allocate the purchase price of acquired property between land, buildings and improvements, equipment, assumed debt liabilities and identifiable intangible assets and liabilities such as amounts related to in-place tenant leases, acquired above and below-market tenant and ground leases, and tenant relationships.

The fair values of tangible assets are determined on an "if vacant" basis. The "if vacant" fair value is allocated to land, where applicable, buildings, equipment and tenant improvements based on comparable sales and other relevant information with respect to the property. Specifically, the "if vacant" value of the buildings and equipment was calculated using a cost approach utilizing published guidelines for current replacement cost or actual construction costs for similar, recently developed properties; and an income approach. Assumptions used in the income approach to the value of buildings include: capitalization and discount rates, lease-up time, market rents, make ready costs, land value, and site improvement value.

The estimated fair value of in-place tenant leases includes lease origination costs (the costs we would have incurred to lease the property to the current occupancy level of the property) and the lost revenues during the period necessary to lease-up from vacant to the current occupancy level. Such estimates include the fair value of leasing commissions, legal costs and tenant coordination costs that would be incurred to lease the property to this occupancy level. Additionally, we evaluate the time period over which

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

such occupancy level would be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period, which generally ranges up to one year. The fair value of acquired in-place tenant leases is included in the balance of buildings and equipment and amortized over the remaining lease term for each tenant.

Identifiable intangible assets and liabilities are calculated for above-market and below-market tenant and ground leases where we are either the lessor or the lessee. The difference between the contractual rental rates and our estimate of market rental rates is measured over a period equal to the remaining non-cancelable term of the leases, including significantly below-market renewal options for which exercise of the renewal option appears to be reasonably assured. The remaining term of leases with renewal options at terms significantly below market reflect the assumed exercise of such below-market renewal options and assume the amortization period would coincide with the extended lease term.

The gross asset balances of the in-place value of tenant leases are included in buildings and equipment in our Consolidated Balance Sheets.

	Gross Asset	Accumulated Amortization	Net Carrying Amount
As of December 31, 2018			
Tenant leases:			
In-place value	\$188,140	\$(86,510)	\$101,630
As of December 31, 2017			
Tenant leases:			
In-place value	\$347,232	\$(181,088)	\$166,144

The above-market tenant leases and below-market ground leases are included in prepaid expenses and other assets (Note 15); the below-market tenant leases, above-market ground leases and above-market headquarters office lease are included in accounts payable and accrued expenses (Note 16) in our Consolidated Balance Sheets.

Amortization/accretion of all intangibles, including the intangibles in Note 15 and Note 16, had the following effects on our income from continuing operations:

	Year Ended December 31,		
	2018	2017	2016
Amortization/accretion effect on continuing operations	\$(48,655)	\$(74,802)	\$(86,979)

Future amortization/accretion of all intangibles, including the intangibles in Note 15 and Note 16 is estimated to decrease results from continuing operations as follows:

Year	Amount
2019	\$21,490
2020	15,116
2021	10,239
2022	9,413
2023	9,084

Marketable Securities

Marketable securities are comprised of equity securities that are classified as available-for-sale. Available-for-sale securities are presented in prepaid expenses and other assets on our Consolidated Balance Sheets at fair value. Unrealized gains and losses resulting from the mark-to-market of these securities are included in other comprehensive income. Realized gains and losses are recognized in earnings only upon the sale of the securities and are recorded based on the weighted average cost of such securities.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

During the year ended December 31, 2016, we recognized gains of \$13.1 million in management fees and other corporate revenues on the Consolidated Statements of Operations and Comprehensive Income from the sale of Seritage Growth Properties stock.

Investments in Unconsolidated Real Estate Affiliates (Note 5)

We account for investments in joint ventures where we own a non-controlling joint interest using either the equity method or the cost method. If we have significant influence but not control over the investment, we utilize the equity method. If we have neither control nor significant influence, we utilize the cost method. Under the equity method, the cost of our investment is adjusted for our share of the earnings of such Unconsolidated Real Estate Affiliates from the date of acquisition, increased by our contributions and reduced by distributions received. Under the cost method, the cost of our investment is not adjusted for our share of the earnings of such Unconsolidated Real Estate Affiliates from the date of acquisition and distributions are treated as earnings when received.

To determine the method of accounting for partially owned joint ventures, we evaluate the characteristics of associated entities and determine whether an entity is a variable interest entity ("VIE"). A limited partnership or other similar entity is considered a VIE unless a simple majority of limited partners (excluding limited partners that are under common control with the general partner) have substantive kick-out rights or participating rights. Accounting guidance amended the following: (i) modified the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminated the presumption that a general partner should consolidate a limited partnership, (iii) affected the consolidation analysis of reporting entities that are involved with VIEs, and (iv) provided a scope exception for certain entities. If an entity is determined to be a VIE, we determine which party is the primary beneficiary by analyzing whether we have both the power to direct the entity's significant economic activities and the obligation to absorb potentially significant losses or receive potentially significant benefits. Significant judgments and assumptions inherent in this analysis include the nature of the entity's operations, future cash flow projections, the entity's financing and capital structure, and contractual relationship and terms.

Primary risks associated with our VIEs include the potential of funding the entities' debt obligations or making additional contributions to fund the entities' operations.

Generally, the operating agreements with respect to our Unconsolidated Real Estate Affiliates provide that assets, liabilities and funding obligations are shared in accordance with our ownership percentages. Therefore, we generally also share in the profit and losses, cash flows and other matters relating to our Unconsolidated Real Estate Affiliates in accordance with our respective ownership percentages. Except for Retained Debt (as described in Note 5), differences between the carrying amount of our investment in the Unconsolidated Real Estate Affiliates and our share of the underlying equity of our Unconsolidated Real Estate Affiliates are typically amortized over lives ranging from 5 to 45 years. When cumulative distributions exceed our investment in the joint venture, the investment is reported as a liability in our consolidated financial statements. The liability is limited to our maximum potential obligation to fund contractual obligations, including recourse related to certain debt obligations.

Partially owned joint ventures over which we have controlling financial interest are consolidated in our consolidated financial statements. In determining if we have a controlling financial interest, we consider factors such as ownership interest, authority to make decisions, kick-out rights and substantive participating rights. Partially owned joint ventures where we do not have a controlling financial interest, but have the ability to exercise significant influence, are accounted for using the equity method.

To the extent that we contribute assets to a joint venture accounted for using the equity method, our investment in the joint venture is recorded at the fair value of the consideration of the assets that were contributed to the joint venture. We will recognize gains and losses on the contribution of our real estate to joint ventures, relating to our entire investment in the property, to the extent the buyer is independent of the Company, the collection of the sales price is reasonably assured, and we will not be required to support the operations of the property or its related obligations to an extent greater than our proportionate interest.

The combined summarized financial information of unconsolidated joint ventures is disclosed in Note 5 to the Consolidated Financial Statements.

We continually analyze and assess reconsideration events, including changes in the factors mentioned above, to determine if the consolidation treatment remains appropriate. Decisions regarding consolidation of partially owned entities frequently require significant judgment by our management.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Cash and Cash Equivalents

Highly-liquid investments with initial maturities of three months or less are classified as cash equivalents, excluding amounts restricted by certain lender and other agreements.

Leases

Our leases, in which we are the lessor or lessee, are substantially all accounted for as operating leases. Leases in which we are the lessor that transfer substantially all the risks and benefits of ownership to tenants are considered finance leases and the present values of the minimum lease payments and the estimated residual values of the leased properties, if any, are accounted for as receivables. Leases in which we are the lessee that transfer substantially all the risks and benefits of ownership to us are considered capital leases and the present values of the minimum lease payments are accounted for as assets and liabilities.

Tenant improvements, either paid directly or in the form of construction allowances paid to tenants, are capitalized as buildings and equipment and depreciated over the shorter of the useful life or the applicable lease term.

In leasing tenant space, we may provide funding to the lessee through a tenant allowance. In accounting for a tenant allowance, we determine whether the allowance represents funding for the construction of leasehold improvements and evaluate the ownership of such improvements. If we are considered the owner of the leasehold improvements, we capitalize the amount of the tenant allowance and depreciate it over the shorter of the useful life of the leasehold improvements or the related lease term. If the tenant allowance represents a payment for a purpose other than funding leasehold improvements, or in the event we are not considered the owner of the leasehold improvements, the allowance is capitalized to deferred expenses and considered to be a lease incentive and is recognized over the lease term as a reduction of rental revenue on a straight-line basis.

Deferred Expenses

Deferred expenses primarily consist of leasing commissions and related costs and are amortized using the straight-line method over the life of the leases.

Revenue Recognition and Related Matters

Minimum rents are recognized on a straight-line basis over the terms of the related operating leases, including the effect of any free rent periods. Minimum rents also include lease termination income collected from tenants to allow for the tenant to vacate their space prior to their scheduled termination dates, as well as accretion related to above-market and below-market tenant leases on acquired properties and properties that were recorded at fair value at the emergence from bankruptcy. The following is a summary of amortization of straight-line rent, net amortization/accretion related to above-market and below-market tenant leases and termination income, which is included in minimum rents:

	Year Ended December 31,		
	2018	2017	2016
Amortization of straight-line rent	\$(2,425)	\$2,084	\$11,867
Net amortization/accretion of above and below-market tenant leases	(3,259)	(23,963)	(33,639)

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Lease termination income	31,297	29,081	16,021
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The following is a summary of straight-line rent receivables, which are included in accounts receivable, net in our Consolidated Balance Sheets and are reduced for allowances and amounts doubtful of collection:

	December 31, 2018	December 31, 2017
Straight-line rent receivables, net	\$ 136,007	\$ 231,290

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Overage rent is paid by a tenant when the tenant's sales exceed an agreed upon minimum amount and is recognized on an accrual basis once tenant sales exceed contractual tenant lease thresholds and is calculated by multiplying the sales in excess of the minimum amount by a percentage defined in the lease.

Tenant recoveries are established in the leases or computed based upon a formula related to real estate taxes, insurance and other property operating expenses and are generally recognized as revenues in the period the related costs are incurred.

Accounting for real estate sales distinguishes between sales to a customer or non-customer for purposes of revenue recognition. Once we, as the seller, determine that we have a contract, we will identify each distinct non-financial asset promised to the counter-party and whether the counter-party obtains control and transfers risks and rewards of ownership of each non-financial asset to determine if we should derecognize the asset.

Notes receivable are evaluated for impairment at least quarterly. Impairment occurs when it is deemed probable that we will not be able to collect all amounts due according to the contractual terms of the loan. If a loan is considered to be impaired, we record an allowance through the provision for loan losses to reduce the carrying value of the loan to the present value of expected future cash flows discounted at the loan's contractual effective rate or the fair value of the collateral, if repayment is expected solely from the collateral.

We provide an allowance for doubtful accounts against the portion of accounts receivable, net including straight-line rents, which is estimated to be uncollectible. Such allowances are reviewed each period based upon our recovery experience and the specific facts of each outstanding amount. The following table summarizes the changes in allowance for doubtful accounts:

	2018	2017	2016
Balance as of January 1,	\$19,457	\$17,883	\$14,654
Provision for doubtful accounts (1)	14,309	13,594	10,534
Write-offs	(14,109)	(12,020)	(7,305)
Balance as of December 31,	\$19,657	\$19,457	\$17,883

(1) Excludes recoveries of \$2.2 million, \$2.9 million and \$2.4 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Management Fees and Other Corporate Revenues

Management fees and other corporate revenues primarily represent real estate management and leasing fees, development fees, financing fees and fees for other ancillary services performed for the benefit of certain of the Unconsolidated Real Estate Affiliates. Management fees are reported at 100% of the revenue earned from the joint venture in management fees and other corporate revenues on our Consolidated Statements of Operations and Comprehensive Income. Our share of the management fee expense incurred by the Unconsolidated Real Estate Affiliates is reported within equity in income of Unconsolidated Real Estate Affiliates on our Consolidated Statements of Operations and Comprehensive Income and in property management and other costs in the Condensed Combined Statements of Income in Note 5.

The following table summarizes the management fees from affiliates and our share of the management fee expense:
Year Ended December 31,

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	2018	2017	2016
Management fees from affiliates (1)	\$125,555	\$97,136	\$82,742
Management fee expense	(46,953)	(38,166)	(33,049)
Net management fees from affiliates	\$78,602	\$58,970	\$49,693

Excludes \$8.0 million in corporate fees earned during the year ended December 31, 2017 and a \$13.1 million gain (1) recognized in management fees and other corporate revenues on the divestiture of our investment in Seritage Growth Properties during the year ended December 31, 2016.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Based upon the new revenue recognition guidance, we determined that typical management fees including property and asset management, construction and development management services, leasing services, property acquisition and disposition services and financing services, needed to be evaluated for each separate performance obligation included in the contract in order to determine timing of revenue recognition. Revenues from contracts within the scope of the new revenue recognition guidance were \$122.7 million for the year ended December 31, 2018. Management determined that property and asset management and construction and development management services each represent a series of stand-ready performance obligations satisfied over time with each day of service being a distinct performance obligation. For property and asset management services, we are compensated for our services through a monthly management fee earned based on a specified percentage of the monthly rental income or rental receipts generated from the property under management. For construction and development services, we are compensated for planning, administering and monitoring the design and construction of projects at our joint venture properties typically based on a percentage of project costs, hourly rate of development staff or a fixed fee. Revenues from such contracts were \$104.8 million for the year ended December 31, 2018 and are recognized over the life of the applicable contract.

Conversely, leasing services, property acquisition and disposition services and financing services are each considered to be a single performance obligation, satisfied as of a point in time. Our fee is paid upon the occurrence of certain contractual event(s) that may be contingent and pattern of revenue recognition may differ from the timing of payment. For these services, the obligation is the execution of the lease, closing of the sale or acquisition, or closing of the financing or refinancing. As such, revenues are recognized at the point in time when the respective obligation has been satisfied. Revenues from such contracts were \$17.8 million for the year ended December 31, 2018.

Following the BPY Transaction, certain Brookfield Asset Management Inc. ("BAM:)-owned entities provide certain management and administration services to BPR. BPR will pay an annual base management fee to BAM equal to 1.25% of the total capitalization of BPR, subject to certain adjustments. For the first twelve months following closing of the BPY Transaction, BAM has agreed to waive management fees payable by BPR. There were no amounts due pursuant to these services for the year ended December 31, 2018.

Following the BPY Transaction, an affiliate of BAM is entitled to receive incentive distributions based on an amount by which quarterly distributions exceed specified target levels. There were no such amounts payable for the year ended December 31, 2018.

Income Taxes (Note 7)

We expect to distribute 100% of our taxable capital gains and taxable ordinary income to stockholders annually. If, with respect to any taxable year, we fail to maintain our qualification as a REIT and cannot correct such failure, we would not be allowed to deduct distributions to stockholders in computing our taxable income and federal income tax. If any of our REIT subsidiaries fail to qualify as a REIT, such failure could result in our loss of REIT status. If we lose our REIT status, corporate level income tax would apply to our taxable income at regular corporate rates. As a result, the amount available for distribution to holders of equity securities that would otherwise receive dividends would be reduced for the year or years involved, and we would no longer be required to make distributions. In addition, unless we were entitled to relief under the relevant statutory provisions, we would be disqualified from treatment as a REIT for four subsequent taxable years.

Deferred income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns and are recorded primarily by certain of our taxable REIT subsidiaries. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred income taxes also reflect the impact of operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance that results from a change in circumstances, and which causes a change in our judgment about the realizability of the related deferred tax asset, is included in the current tax provision. In addition, we recognize and report interest and penalties, if necessary, related to uncertain tax positions within our provision for income tax expense.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

We earn investment tax credits related to solar projects at certain properties. We use the flow through method of accounting for investment tax credits. Under this method, investment tax credits are recognized as a reduction to income tax expense in the year they are earned.

Impairment

Operating Properties

We regularly review our consolidated properties for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment indicators are assessed separately for each property and include, but are not limited to, significant decreases in real estate property net operating income, significant decreases in occupancy percentage, debt maturities, changes in management's intent with respect to the properties and prevailing market conditions.

If an indicator of potential impairment exists, the property is tested for recoverability by comparing its carrying amount to the estimated future undiscounted cash flows. Although the carrying amount may exceed the estimated fair value of certain properties, a real estate asset is only considered to be impaired when its carrying amount cannot be recovered through estimated future undiscounted cash flows. To the extent an impairment provision is determined to be necessary, the excess of the carrying amount of the property over its estimated fair value is expensed to operations. In addition, the impairment provision is allocated proportionately to adjust the carrying amount of the asset group. The adjusted carrying amount, which represents the new cost basis of the property, is depreciated over the remaining useful life of the property.

Although we may market a property for sale, there can be no assurance that the transaction will be complete until the sale is finalized. However, GAAP requires us to utilize the Company's expected holding period of our properties when assessing recoverability. If we cannot recover the carrying value of these properties within the planned holding period, we will estimate the fair values of the assets and record impairment charges for properties when the estimated fair value is less than their carrying value.

Impairment indicators for pre-development costs, which are typically costs incurred during the beginning stages of a potential development and construction in progress, are assessed by project and include, but are not limited to, significant changes in the Company's plans with respect to the project, significant changes in projected completion dates, tenant demand, anticipated revenues or cash flows, development costs, market factors and sustainability of development projects.

Impairment charges are recorded in the Consolidated Statements of Operations and Comprehensive Income when the carrying value of a property is not recoverable and it exceeds the estimated fair value of the property, which can occur in accounting periods preceding disposition and/or in the period of disposition.

During the year ended December 31, 2018, we recorded a \$45.9 million impairment charge on our Consolidated Statements of Operations and Comprehensive Income related to one operating property that had non-recourse debt maturing during 2019 that exceeded the fair value of the operating property. The property was conveyed to the lender in full satisfaction of the debt on November 1, 2018.

No provisions for impairment were recognized during the year ended December 31, 2017.

During the year ended December 31, 2016, we recorded an \$73.0 million impairment charge on our Consolidated Statements of Operations and Comprehensive Income. This impairment charge related to three operating properties. We received bona fide purchase offers for two properties which were less than their respective carrying values. The other property had non-recourse debt maturing during 2016 that exceeded the fair value of the operating property. This property was transferred to a special servicer in 2016.

Changes in economic and operating conditions that occur subsequent to our review of recoverability of our properties could impact the assumptions used in that assessment and could result in future impairment if assumptions regarding those properties differ from actual results.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Investment in Unconsolidated Real Estate Affiliates

A series of operating losses of an investee or other factors may indicate that an other-than-temporary decline in value of our investment in an Unconsolidated Real Estate Affiliate has occurred. The investment in each of the Unconsolidated Real Estate Affiliates is evaluated for valuation declines below the carrying amount. Accordingly, in addition to the property-specific impairment analysis that we performed for such joint ventures (as part of our operating property impairment process described above), we also considered whether there were other-than-temporary declines with respect to the carrying values of our Unconsolidated Real Estate Affiliates.

No impairments related to our investments in Unconsolidated Real Estate Affiliates were recognized for the years ended December 31, 2018, 2017 and 2016.

Changes in economic and operating conditions that occur subsequent to our review of recoverability of our investments in Unconsolidated Real Estate Affiliates could impact the assumptions used in that assessment and could result in future impairment if assumptions regarding those investments differ from actual results.

Notes Receivable

Notes receivable are evaluated for impairment at least quarterly. Impairment occurs when it is deemed probable that we will not be able to collect all amounts due according to the contractual terms of the loan. If a loan is considered to be impaired, we record an allowance through the provision for loan losses to reduce the carrying value of the loan to the present value of expected future cash flows discounted at the loan's contractual effective rate or the fair value of the collateral, if repayment is expected solely from the collateral.

No impairments related to our notes receivable were recognized for the years ended December 31, 2018 and 2017. During the year ended December 31, 2016, we determined, based on current information and events, that it was probable that we would be unable to collect all amounts due according to the contractual terms of one of our notes receivable. We recognized a \$29.6 million loss on the note recorded in the provision for loan loss on the Consolidated Statements of Operations and Comprehensive Income based on the value of the collateral and included accrued interest of \$7.5 million in the provision for loan loss.

Property Management and Other and General and Administrative Costs

Property management and other costs represent regional and home office costs and include items such as corporate payroll, rent for office space, supplies and professional fees, which represent corporate overhead costs not generated at the properties. General and administrative costs represent the costs to run the public company and include payroll and other costs for employees, audit fees, professional fees and administrative fees related to the public company.

Fair Value Measurements (Note 4)

The accounting principles for fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

• Level 1 - defined as observable inputs such as quoted prices for identical assets or liabilities in active markets;

Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable;
and

Level 3 - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The impairment section above includes a discussion of all impairments recognized during the years ended December 31, 2018, 2017 and 2016, which were based on Level 2 and Level 3 inputs. Note 4 includes a discussion of properties measured at fair value on a non-recurring basis using Level 2 and Level 3 inputs and the fair value of debt, which is estimated on a recurring basis using Level 2 and Level 3 inputs. Note 10 includes a discussion of certain redeemable noncontrolling interests that are measured at fair value using Level 1 inputs.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We are exposed to credit risk with respect to cash held at various financial institutions and access to our credit facility. Our credit risk exposure with regard to our cash and the \$1.5 billion available under our credit facility is spread among a diversified group of investment grade financial institutions. We had \$387.0 million outstanding and no amounts outstanding under our credit facility as of December 31, 2018 and 2017, respectively.

Recently Issued Accounting Pronouncements

Based upon the new revenue recognition guidance, revenue recognized for the year ended December 31, 2018 is not significantly different as compared to what would have been recognized in the same period under guidance that was in effect before the change. Effective January 1, 2018, companies were required to apply a five-step model in accounting for revenue. The core principle of the revenue model is that a company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Lease contracts are excluded from this revenue recognition criteria; however, the sale of real estate is required to follow the new model. Expanded quantitative and qualitative disclosures regarding revenue recognition are required for contracts that are subject to this pronouncement. The new standard could be adopted either retrospectively to each prior reporting period presented or on a modified retrospective approach as a cumulative effect adjustment as of the date of adoption. The Company adopted the model effective January 1, 2018 using the modified retrospective approach for implementation. The Company elected to use the practical expedient to apply the model only to contracts not yet completed as of the date of adoption. The adoption resulted in a cumulative-effect adjustment to increase equity as of January 1, 2018 of approximately \$1.90 million related to changes in the revenue recognition pattern of lease commissions earned by the Company from our joint ventures and the sale of condos in our Unconsolidated Real Estate Affiliates (Note 5).

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases. This new guidance, including related Accounting Standard Updates ("ASUs") that have subsequently been issued, was effective January 1, 2019 and requires lessees to recognize a liability to make lease payments and a right-of-use ("ROU") asset, initially measured at the present value of lease payments, for both operating and financing leases. For leases with a term of 12 months or less, lessees will be permitted to make an accounting policy election by class of underlying asset to not recognize lease liabilities and lease assets. The guidance allows lessors to make an accounting policy election, by class of underlying asset, to not separate non-lease components from lease components if certain requirements are met. The guidance also provides an optional transition method which would allow entities to initially apply the new guidance in the period of adoption, recognizing a cumulative-effect adjustment to the opening balance of retained earnings, if necessary.

The Company adopted the new standard on January 1, 2019 and applied the new guidance prospectively from the date of adoption and will not recast prior-period comparative information presented together with the 2019 financial statements. The Company elected to use the "package of practical expedients", which allows the Company not to reassess under the new standard prior conclusions about lease identification, lease classification, and initial direct costs. The Company does not expect any material adjustments to the opening balance of retained earnings upon adoption of the new standard given the nature of the impacts and the other transition practical expedients elected by the Company.

Upon adoption, the Company expects to recognize a lease liability of approximately \$70 million to \$80 million for operating leases on our consolidated properties where we are the lessee, such as ground leases and office leases with a term of more than 12 months. For leases with a term of 12 months or less, the Company will make an accounting policy election by class of underlying asset to not recognize lease liabilities and ROU assets. All of the leases for which the Company will record a lease liability and ROU asset are classified as operating leases under existing GAAP, and the current classification will be carried forward subsequent to adoption of Topic 842. Differences in lease classification will affect only the pattern and classification of expense recognition in the income statement.

For leases where the Company is the lessor, the Company expects that accounting for lease components will be largely unchanged from existing GAAP; the Company plans to elect the practical expedient to not separate non-lease components from lease components. This election is expected to result in a change on the Company's Consolidated Statement of Operations and Comprehensive Income. The Company will no longer present minimum rents, overage rents and tenant recoveries as separate line

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

items because the Company will now account for these line items as a single combined lease component, rental income, on the basis of the lease component being the predominant component in the contract. Topic 842 introduced certain changes to the lease classification rules for lessors. Accordingly, the Company expects that some leases may be classified as sales-type leases after the new standard is adopted. This change is not expected to have a material impact on the Company's financial statements. The new standard disallows the capitalization of internal leasing costs and legal costs. The Company elected to use the practical expedient in transition to not re-evaluate costs that were previously capitalized. The Company will apply the new guidance on the capitalization of leasing costs prospectively beginning on January 1, 2019.

In June 2016, the FASB issued ASU 2016-13 which changes the model for the measurement of credit losses on financial instruments. Specifically, the amendments in the ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this ASU will be effective for the Company January 1, 2020 with early adoption permitted on January 1, 2019. The Company is evaluating the potential impact of this pronouncement on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, which changed the current income tax accounting for intra-entity asset sales to be only for inventory. The Company adopted this standard effective January 1, 2018. For those companies that did not recognize the income tax impact of a sale other than inventory before the adoption date, the new ASU was applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of January 1, 2018. This resulted in a cumulative-effect adjustment to decrease retained earnings by the unamortized balance of the \$18.8 million prepaid asset established in December 2016.

In November 2016, the FASB issued ASU 2016-18, which requires that a statement of cash flows explain the change during the reporting period in the total of cash, cash equivalents and restricted cash or restricted cash equivalents. This standard is effective for public entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted this guidance on December 31, 2017, which changed our statements of cash flows and related disclosures for all periods presented.

In February 2017, the FASB issued ASU 2017-05, which clarifies the accounting for the derecognition of nonfinancial assets by eliminating the exception in current GAAP for transfers of investments in real estate entities (including equity method investments). The amendments in this update provide guidance on the accounting of partial sales of nonfinancial assets and contributions of nonfinancial assets to a joint venture or other noncontrolling investee. Upon adoption, an entity would use the guidance in the new revenue recognition standard (discussed above) to determine whether it is transferring multiple, distinct assets and would recognize a gain or loss for each distinct asset transferred. When an entity transfers nonfinancial assets included in a subsidiary and retains or receives an equity interest, it first determines whether it has retained a controlling financial interest in the subsidiary. If so, the entity does not derecognize the assets and accounts for the sale of noncontrolling interest in the subsidiary under the consolidation guidance covering decreases in ownership which would result in recognizing a gain or loss. If an entity retains or receives a noncontrolling interest in the entity that owns the asset post-sale, that noncontrolling interest is considered noncash consideration and is included in the transaction price at its fair value. The retained noncontrolling interest is included at its fair value and results in an entity recognizing 100% of the gain on sale of the asset. The Company adopted this standard as of January 1, 2018 using the modified retrospective approach for implementation. We elected to use the practical expedient to apply the standard only to contracts not yet completed as of the date of adoption. The adoption will result in higher gains on future sales of partial real estate interests due to recognizing 100% of the gain

on the sale of the partial interest and recording the retained noncontrolling interest at fair value. As of the adoption date, January 1, 2018, there was no cumulative-effect adjustment recorded to retained earnings.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement. This new guidance is effective January 1, 2020, with early adoption permitted, and modifies the disclosure requirements on fair value measurements. Public entities will be required to disclose the following: (i) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (ii) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. In addition, public entities will no longer be required to disclose the following: (i) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) the policy for timing of transfers between levels and (iii) the valuation processes for Level 3 fair value measurements. The new pronouncement also clarifies and modifies certain existing provisions, including eliminating "at a minimum" from the phrase "an entity shall disclose at a minimum" to promote the appropriate exercise of discretion by entities when considering fair value

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

measurement disclosures and clarifying that materiality is an appropriate consideration when evaluating disclosure requirements. The Company is evaluating the potential impact of this pronouncement on its consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. For example, estimates and assumptions have been made with respect to allocating the purchase price of real estate acquisitions, the useful lives of assets, capitalization of development and leasing costs, provision for income taxes, recoverable amounts of receivables and deferred taxes, provision for loan loss, initial valuations and related amortization periods of deferred costs and intangibles, particularly with respect to acquisitions, impairment of long-lived assets, litigation related accruals and disclosures and fair value of debt. Actual results could differ from these and other estimates.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

NOTE 3 ACQUISITIONS, SALES AND JOINT VENTURE ACTIVITY

On December 14, 2018, we completed the sale of a 49% joint venture interest in Fashion Place for an initial basis in the partnership of \$179.9 million, which resulted in a gain of \$294.5 million recognized in gain from changes in control of investment properties and other, net for the year ended December 31, 2018.

On November 1, 2018, we conveyed Oak View Mall to the lender in full satisfaction of \$74.7 million in outstanding debt. This transaction resulted in a \$12.4 million gain on extinguishment of debt for the year ended December 31, 2018.

On August 27, 2018, the BPR-FF JV LLC joint venture was formed with Brookfield Real Estate Partners F LP. The Company contributed properties and recognized gains (losses) as summarized in the table below (\$ in millions):

Property	Prior Ownership	Current Ownership	Total Asset Value	Other Costs (1)	Debt Balance	Book Value of Investment	Gains from changes in control of investment properties and other, net	Unconsolidated Real Estate Affiliates - gain on investment, net
Apache Mall	100%	51%	\$143.0	\$(2.0)	\$73.5	\$56.9	\$10.6	\$ —
Augusta Mall	100%	51%	251.8	1.0	170.0	(34.1)	116.9	—
Boise Towne Square	100%	51%	354.5	1.0	142.0	41.6	171.9	—
Columbiana Centre	100%	51%	268.8	(2.0)	137.3	1.0	128.5	—
Coronado Center	100%	51%	359.2	(0.1)	182.8	54.3	122.0	—
Glenbrook Square	100%	51%	166.8	0.4	160.0	0.5	6.7	—
Governor's Square	100%	51%	105.7	0.3	66.9	39.8	(0.7)	—
Lynnhaven Mall	100%	51%	383.7	0.5	235.0	40.9	108.3	—
Market Place Shopping Center	100%	51%	153.1	2.4	113.4	20.0	22.1	—
Mizner Park	50%	26%	235.2	—	—	39.1	—	18.5
Northridge Fashion Center	100%	51%	584.7	(2.3)	221.1	79.0	282.3	—
Oglethorpe Mall	100%	51%	203.1	0.4	149.8	8.5	45.2	—
Park Place	100%	51%	269.6	0.6	176.8	84.6	8.8	—
Pembroke Lakes Mall	100%	51%	471.1	0.8	260.0	40.1	171.8	—
Riverchase Galleria	100%	51%	260.9	6.2	164.2	110.0	(7.1)	—
The Crossroads	100%	51%	108.8	1.9	92.0	15.2	3.5	—
The Gallery at Harborplace	100%	51%	122.3	0.8	74.1	37.8	11.2	—
The Maine Mall	100%	51%	339.7	1.3	235.0	4.8	101.2	—
The Oaks Mall	100%	51%	160.2	0.4	125.1	36.0	(0.5)	—
Tucson Mall	100%	51%	260.1	0.5	246.0	25.7	(11.1)	—
Westroads Mall	100%	51%	287.4	0.4	141.3	68.8	77.7	—
White Marsh Mall	100%	51%	233.5	0.3	190.0	16.1	27.7	—

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Woodbridge Center	100%	51%	247.6	5.9	245.1	10.7	(2.3) —
			\$5,970.8	\$18.7	\$3,601.4	\$797.3	\$1,394.7	\$ 18.5

(1) Includes working capital, closing costs, liabilities, and financing costs.

On August 27, 2018, joint ventures were formed with the Teachers Insurance and Annuity Association of America. The Company contributed properties and recognized gains (losses) as summarized in the table below (\$ in millions):

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Property	Prior Ownership	Current Ownership	Total Asset Value	Other Costs (1)	Debt Balance	Book Value of Investment	Gains from changes in control of investment properties and other, net	Unconsolidated Real Estate Affiliates - gain on investment, net
Baybrook Lifestyle	53%	29%	\$292.5	\$(0.1)	\$140.0	\$17.9	\$—	\$18.4
Baybrook Mall	100%	51%	683.7	(0.4)	240.3	74.3	368.7	—
The Mall in Columbia	100%	50%	838.9	(10.1)	332.3	256.6	239.9	—
The Shops at La Cantera	75%	38%	847.5	(0.4)	350.0	38.6	334.8	—
			\$2,662.6	\$(11.0)	\$1,062.6	\$387.4	\$943.4	\$18.4

(1) Includes working capital, closing costs, liabilities, and financing costs.

On August 27, 2018, joint ventures were formed with CBRE Global Investment Partners. The Company contributed properties and recognized gains (losses) as summarized in the table below (\$ in millions):

Property	Prior Ownership	Current Ownership	Total Asset Value	Other Costs (1)	Debt Balance	Book Value of Investment	Gains from changes in control of investment properties and other, net	Unconsolidated Real Estate Affiliates - gain on investment, net
Cumberland Mall	100%	51%	\$400.0	\$(7.2)	\$160.0	\$7.7	\$225.1	\$—
Parks at Arlington	100%	51%	530.0	—	239.8	40.7	249.5	—
Ridgedale Center	100%	51%	300.0	—	167.0	153.6	(20.6)	—
			\$1,230.0	\$(7.2)	\$566.8	\$202.0	\$454.0	\$—

(1) Includes working capital, closing costs, liabilities, and financing costs.

On August 27, 2018, joint ventures were formed with the California Public Employees' Retirement System. The Company contributed properties and recognized gains (losses) as summarized in the table below (\$ in millions):

Property	Prior Ownership	Current Ownership	Total Asset Value	Other Costs (1)	Debt Balance	Book Value of Investment	Gains from changes in control of investment net	Unconsolidated Real Estate Affiliates - gain on investment, net
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							properties and other, net	
Ala Moana Center	63%	50%	\$5,045.9	\$ —	\$1,900.0	\$ 112.3	\$	—\$ 280.9
Christiana Mall	50%	25%	1,036.9	3.0	550.0	(34.7)) —	159.4
			\$6,082.8	\$ 3.0	\$2,450.0	\$ 77.6	\$	—\$ 440.3

(1) Includes working capital, closing costs, liabilities, and financing costs.

On August 27, 2018, a new joint venture, BPY Retail Holdings LLC, was formed with an institutional investor who contributed approximately \$1.5 billion. As a result of this investment, the institutional investor owns a 9.75% noncontrolling interest in all retail assets of the Company, as all retail assets are wholly or partially owned by the Operating Partnership.

On August 3, 2018, we completed the sale of an anchor box at The Oaks Mall for a gross sales price of \$5.0 million, which resulted in a loss of \$13.8 million recognized in gains from changes in control of investment properties and other for the year ended December 31, 2018.

On July 13, 2018, we completed the sale of the commercial office unit at 685 Fifth Avenue for a gross sales price of \$135.0 million. In conjunction with the sale, we paid down a \$100.0 million loan and recognized a gain of \$11.4 million in gains from changes in control of investment properties and other, net for the year ended December 31, 2018.

Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

On January 29, 2018, we completed the sale of a 49.49% joint venture interest in the Sears Box at Oakbrook Center to our joint venture partner for a sales price of \$44.7 million, which resulted in a gain of \$12.7 million recognized in gains from changes in control of investment properties and other, net for the year ended December 31, 2018.

On September 15, 2016, joint ventures we formed with Simon Property Group and Authentic Brands Group LLC ("ABG") acquired Aeropostale, Inc. ("Aeropostale") for \$80.0 million in total cash which included cash for working capital requirements of the retail business. The intellectual property and brand related assets were assigned to the Aero IpCo, LLC venture ("IPCO") and the assets and liabilities necessary to run the stores were assigned to the Aero OpCo, LLC venture ("OPCO"). In connection with the transaction, our total investment was \$20.4 million of cash contributed to the ventures for an effective ownership of approximately 26% in the two joint ventures. Aeropostale is a tenant at certain properties for which we receive rental income included in minimum rents on the Consolidated Statements of Operations and Comprehensive Income. On December 29, 2017, we sold approximately 54% of our interest in IPCO to ABG for a sales price of \$16.6 million, which resulted in a gain of \$12.0 million recognized in Unconsolidated Real Estate Affiliates - gain on investment on our Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2017. On March 30, 2018, ABG exercised their call right to purchase the remaining 46% of our original interest in IPCO for a sales price of \$13.9 million, which resulted in a gain of \$10.4 million recognized in Unconsolidated Real Estate Affiliates - gain on investment on our Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2018. In addition, we invested \$30.5 million in ABG units. The investment is considered a cost method investment and is included in investment in Unconsolidated Real Estate Affiliates on the Consolidated Balance Sheets.

On December 15, 2017, we closed on the sale of The Shops at Fallen Timbers in Maumee, Ohio for \$21.0 million. The transaction resulted in a loss on sale of \$0.3 million recognized in gains from changes in control of investment properties and other for the year ended December 31, 2017.

On October 3, 2017, we acquired a 100% interest in two anchor boxes at Neshaminy Mall and Oakwood Center located in Bensalem, Pennsylvania and Gretna, Louisiana, respectively. The gross consideration of the two acquired anchor boxes was \$21.4 million.

On September 19, 2017, we entered into three transactions with affiliates of Thor Equities ("Thor") related to three separate joint ventures with Thor. First, we acquired 49.9% of its partner's interest in 218 West 57th Street based on a gross property valuation of \$104.0 million. After the acquisition, we owned a 99.9% interest in 218 West 57th Street, while Thor retained a 0.1% interest. A portion of the net proceeds from the acquisition were used by Thor to pay off their \$12.3 million note receivable to the Company related to the property. Of the remaining net proceeds, \$9.75 million was used to pay down a portion of their note receivable for 530 Fifth Avenue and \$3.36 million was used to pay down a portion of their note receivable to the Company for 685 Fifth Avenue. Second, we recapitalized the 530 Fifth Avenue joint venture based on a gross property valuation of \$334 million, whereby (i) Thor's common interest having a value of \$48.1 million was converted to a preferred equity interest with a 7.0% cumulative return in 530 Fifth Avenue, which serves as collateral for Thor's still-outstanding note receivable, and (ii) we owned a 90.23% common equity interest in 530 Fifth Avenue, while Thor retained a 9.77% common equity interest. The preferred return payable to Thor must first go toward interest and principal due to the Company under Thor's note receivable for 530 Fifth Avenue. Finally, we agreed to recapitalize the 685 Fifth Avenue joint venture based on a gross property valuation of \$652.6 million, whereby upon closing (i) Thor's common interest having a value of \$150 million was converted to a preferred equity interest with a 7.0% cumulative return in 685 Fifth Avenue, which serves as collateral for Thor's

still-outstanding note receivable, and (ii) we own a 97.03% common equity interest in 685 Fifth Avenue, while Thor retains a 2.97% common equity interest. The preferred return payable to Thor must first go toward interest and principal due to the Company under Thor's note receivable for 685 Fifth Avenue. The recapitalization was effective on December 31, 2017.

We had previously accounted for our interest in these three joint ventures using the equity method of accounting (Note 2). As a result of the transactions described above, we now consolidate these joint ventures with our joint venture partners' share of equity included in noncontrolling interest (Note 2). In addition, the \$48.1 million and \$151.3 million notes receivable due from our joint venture partner at 530 Fifth Avenue and 685 Fifth Avenue, respectively, are presented on the balance sheet in noncontrolling interests in consolidated real estate affiliates. The notes receivable and our joint venture partners' share of equity effectively net within the noncontrolling interest.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

The table below summarizes the gain from changes in control calculation (\$ in millions):

Gain from changes in control for 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue	
Net implied fair value of previous investment and consideration	\$250.0
Less: carrying value of Investment in Unconsolidated Real Estate Affiliates	198.1
Gain from changes in control of investment properties and other, net	\$51.9

The following table summarizes the allocation of the purchase price to the net assets acquired at the date of acquisition. These allocations were based on the relative fair values of the assets acquired and liabilities assumed (\$ in millions):

	218 W. 530	685
	57th	Fifth
	Street	Avenue
	Avenue	Avenue
Allocation of Thor Equities Purchase Price		
Investment in real estate, including intangible assets and liabilities	\$104.0	\$334.0
Fair value of debt (1)	(53.0)	(221.0)
Net working capital (2)	0.1	14.3
Net assets acquired	\$51.1	\$127.3
		\$314.3

530 Fifth Avenue includes \$31.0 million of an intercompany loan between 530 Fifth Avenue and the (1) Company. 218 W. 57th Street includes \$53.0 million of an intercompany loan between 218 W. 57th Street and the Company. Both loans eliminate in consolidation.
(2) 530 Fifth Avenue includes a \$9.4 million escrow.

Capitalization rates and discount rates were based on a reasonable range of current market rates for 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue. Based upon these inputs, we determined that our valuations of the properties using a discounted cash flow or a direct capitalization model were classified within Level 3 of the fair value hierarchy (Note 2).

Unobservable Quantitative Input	Range
Discount Rates	6.0% to 7.0%
Terminal capitalization rates	4.0% to 5.5%

On July 12, 2017, we closed on the acquisition of the remaining 50% interest in eight of the 12 anchor boxes included in the existing GS Portfolio Holdings LLC ("GSPH") joint venture with Seritage Growth Properties ("Seritage") for \$190.1 million based on a total valuation of \$380.2 million. We had previously owned a 50% interest in the joint venture and accounted for the joint venture using the equity method of accounting (Note 2), but as a result of the transaction we now consolidate our 100% interest in the eight acquired anchor boxes. Of the total purchase price, \$126.4 million was settled upon closing and Seritage retained certain special rights (governed by a Special Rights Agreement), which were callable by the Company for \$63.7 million and were paid in full as of December 31, 2018. Simultaneously, the four remaining anchor boxes in GSPH were distributed to a newly formed joint venture, GS Portfolio Holdings II, LLC ("GSPHII"), between the Company and Seritage in which the ownership interest remains at 50% for both joint venture partners. We account for GSPHII using the equity method of accounting (Note 2). In addition, BPROP provided a loan to GSPHII for \$127.4 million. This loan is collateralized by GSPHII's interest in the properties (Note 14). Finally, we acquired a 50% interest in five anchor boxes through a newly formed joint venture, GS Portfolio Holdings 2017 ("GSPH2017"), for \$57.5 million. We account for this joint venture using the equity method of accounting (Note 2).

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The table below summarizes the gain from changes in control calculation (\$ in millions):

Gain from a Change of Control in GSPH

Consideration paid to acquire our joint venture partner's interest	\$ 190.1
Less: carrying value of Investment in Unconsolidated Real Estate Affiliates	147.2
Gain from changes in control of investment properties and other, net	\$42.9

On June 30, 2017, we conveyed Lakeside Mall to the lender in full satisfaction of \$144.5 million in outstanding debt. This transaction resulted in a \$55.1 million gain on extinguishment of debt for the year ended December 31, 2017.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

On June 9, 2017, we closed on the acquisition of our joint venture partner's 50% interest in Neshaminy Mall located in Bensalem, Pennsylvania for a gross purchase price of \$65.0 million. Post acquisition, we own 100% of the mall. Prior to the acquisition of the remaining interest, the carrying value for our investment was \$55.2 million. As a result of this acquisition, the implied fair value of our previous investment in Neshaminy Mall is \$34.2 million, resulting in a loss of \$21.0 million, recognized in loss from changes in control of investment properties and other for the year ended December 31, 2017.

On May 12, 2017, we closed on the sale of Red Cliffs Mall in St. George, Utah for \$39.1 million. The transaction netted proceeds of approximately \$36.3 million and resulted in a gain on sale of \$5.6 million recognized in gain from changes in control of investment properties and other for the year ended December 31, 2017.

On December 1, 2016, we entered into an agreement with a qualified intermediary to acquire 605 N. Michigan Avenue located in Chicago, Illinois. The Company loaned the qualified intermediary \$140.0 million to acquire the property as replacement property in a reverse 1031 exchange pursuant to the applicable Internal Revenue Service policy. 605 N. Michigan Avenue was deemed to be a VIE for which the Company was deemed to be the primary beneficiary as it has the ability to direct the activities of the entity that most significantly impact its economic performance and has all of the risks and rewards of ownership. Accordingly, the Company consolidated 605 N. Michigan Avenue as of December 31, 2016. The reverse 1031 exchange was closed out during the year ended December 31, 2017, and the sole membership interests of the VIE were assigned to us and the respective outstanding loan was extinguished, resulting in the entity being wholly owned by us and no longer considered a VIE. The purchase price allocation was recorded in 2016 using a preliminary estimate of the net assets acquired. Certain amounts were reclassified according to the subsequent purchase price allocation recorded during 2017.

On November 1, 2016, Riverchase Galleria (located in Hoover, Alabama) redeemed the 50% interest of our joint venture partner for a gross purchase price of \$143.5 million including the assumption of our joint venture partner's \$110.3 million share of property level debt. Concurrently, the 50% interest was acquired by our joint venture through certain capital contributions. Our overall ownership in Riverchase Galleria was 75.5% as of December 31, 2016 and 86.3% as of December 31, 2017.

The table below summarizes the loss calculation (\$ in millions):

Loss from a Change of Control in Riverchase Galleria	
Cash paid to acquire our joint venture partner's interest	\$33.8
Less: carrying value of investment in Riverchase Galleria	(78.0)
Losses from changes in control of investment properties	\$(44.2)

The following table summarizes the allocation of the purchase price to the net assets acquired at the date of acquisition. These allocations were based on the relative fair values of the assets acquired and liabilities assumed. (\$ in millions):

Allocation of the Riverchase Purchase Price	
Investment in real estate, including intangible assets and liabilities	\$274.3
Fair value of debt (1)	(220.7)
Net working capital (2)	12.7
Net assets acquired	\$66.3

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- (1) Debt represents an intercompany loan between Riverchase Galleria and BPR and eliminates in consolidation.
- (2) Includes tax increment financing (TIF) associated with the city of Hoover, Alabama.

On October 28, 2016, we acquired four Macy's boxes, including the box at Tysons Galleria, at various properties for \$45.7 million for the purpose of re-tenanting and repositioning space. Subsequently on December 8, 2016, we acquired an additional Macy's box at Stonestown Galleria for \$40.7 million.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

On August 1, 2016, we closed on the sale of Rogue Valley Mall located in Medford, Oregon for a sales price of \$61.5 million. This transaction netted proceeds of approximately \$6.4 million and resulted in a loss of \$1.0 million recognized in gain from changes in control of investment properties and other for the year ended December 31, 2016.

On July 29, 2016, we reached an agreement on the sale of a 50% interest in Fashion Show located in Las Vegas, Nevada to TIAA-CREF Global Investments, LLC ("TIAACREF") for a sales price of \$1.25 billion. We closed on the sale of the initial 49% and received proceeds of approximately \$813.9 million on July 29, 2016, and we received the remaining \$16.6 million for the closing of the final 1% interest on October 4, 2016. This transaction resulted in a gain on sale of \$634.9 million recognized in gain from changes in control of investment properties and other for the year ended December 31, 2016.

The table below summarizes the gain calculation (\$ in millions):

Cash received from joint venture partner	\$830.5
Less: carrying value of previous investment in Fashion Show (195.6)	(195.6)
Gain from change in control of investment property	\$634.9

On July 21, 2016, we closed on the sale of Newgate Mall located in Ogden, Utah for a sales price of \$69.5 million. The transaction netted proceeds of approximately \$8.4 million and resulted in a loss of \$1.4 million recognized in gain from changes in control of investment properties and other for the year ended December 31, 2016.

On June 30, 2016, we closed on the sale of our 49.8% interest in One Stockton Partners, LLC in San Francisco, California to our joint venture partner for \$49.8 million. In connection with the sale, \$16.3 million in mortgage debt was assumed. This transaction netted proceeds of approximately \$33.5 million and resulted in a gain of \$22.7 million recognized in Unconsolidated Real Estate Affiliates - gain on investment on our Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2016. In addition to the sale, the joint venture partner made an \$8.0 million repayment of a note receivable.

On June 28, 2016, we closed on the sale of the office building and parking garage at Pioneer Place in Portland, Oregon for \$121.8 million. This transaction netted proceeds of approximately \$116.0 million and resulted in a gain on sale of \$35.2 million recognized in gain from changes in control of investment properties and other for the year ended December 31, 2016.

On February 2, 2016, we closed on the acquisition of our joint venture partner's 25% interest in Spokane Valley Mall in Spokane, Washington for \$37.5 million. This transaction resulted in a reduction of additional paid-in capital of \$18.4 million due to the acquisition of our partner's noncontrolling interest.

On January 29, 2016, we closed on the sale of our 75% interest in Provo Towne Center in Provo, Utah to our joint venture partner for \$37.5 million. Mortgage debt of \$31.1 million was repaid upon closing. This transaction netted proceeds of approximately \$2.8 million and resulted in a loss of \$6.7 million recognized in gain from changes in control of investment properties and other for the year ended December 31, 2016.

On January 29, 2016, we closed on the sale of our 10% interest in 522 Fifth Avenue in New York City to our joint venture partner for \$25.0 million, inclusive of the repayment of previously existing notes receivable from our joint venture partner. We received proceeds of \$10.0 million upon closing and proceeds of \$5.4 million on December 15, 2016. This transaction resulted in a gain on sale of \$11.0 million recognized in Unconsolidated Real Estate Affiliates -

gain on investment for the year ended December 31, 2016. On May 25, 2017, we received a 10% interest in 522 Fifth Avenue in full satisfaction of the remaining \$9.0 million due.

On January 15, 2016, we closed on the sale of Eastridge Mall in San Jose, California for \$225.0 million. This transaction netted proceeds of approximately \$216.3 million and resulted in a gain on sale of \$71.7 million recognized in gain from changes in control of investment properties and other for the year ended December 31, 2016.

On January 8, 2016, we closed on the sale of our 50% interest in Owings Mills Mall in Owings Mills, Maryland to our joint venture partner for \$11.6 million. This transaction netted proceeds of approximately \$11.6 million and resulted in a gain on sale of \$0.6 million recognized in Unconsolidated Real Estate Affiliates - gain on investment for the year ended December 31, 2016.

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Brookfield Property REIT Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

NOTE 4 FAIR VALUE

Nonrecurring Fair Value Measurements

We estimate fair value relating to impairment assessments based upon discounted cash flow and direct capitalization models that include all projected cash inflows and outflows over a specific holding period, or the negotiated sales price, if applicable. Such projected cash flows are comprised of contractual rental revenues and forecasted rental revenues and expenses based upon market conditions and expectations for growth. Capitalization rates and discount rates utilized in these models are based on a reasonable range of current market rates for each property analyzed. Based upon these inputs, we determined that our valuations of properties using a discounted cash flow or a direct capitalization model were classified within Level 3 of the fair value hierarchy. For our properties for which the estimated fair value was based on negotiated sales prices, we determined that our valuation was classified within Level 2 of the fair value hierarchy.

The following table summarizes certain of our assets that are measured at fair value on a nonrecurring basis as a result of impairment charges recorded during the year ended December 31, 2018. No impairment charges were recognized during the year ended December 31, 2017.

	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Provisions for Impairment
Year Ended December 31, 2018					
Investments in real estate (1)	\$ 62,490	\$ —	—	\$ 62,490	\$ 45,866

(1) Refer to Note 2 for more information regarding impairment. Investments in real estate includes consolidated properties and Unconsolidated Real Estate Affiliates.

Unobservable Quantitative Input	Range
Discount rates	9.75% to 11.00%
Terminal capitalization rates	9.50% to 10.25%

Disclosure of Fair Value of Financial Instruments

The fair values of our financial instruments approximate their carrying amount in our consolidated financial statements except for debt. Management's estimates of fair value are presented below for our debt as of December 31, 2018 and 2017.

	December 31, 2018		December 31, 2017	
	Carrying Amount (1)	Estimated Fair Value	Carrying Amount (2)	Estimated Fair Value
Fixed-rate debt	\$6,073,193	\$6,048,104	\$10,420,252	\$10,467,262
Variable-rate debt	6,516,456	6,614,172	2,412,207	2,415,457
	\$12,589,649	\$12,662,276	\$12,832,459	\$12,882,719

- (1) Includes net \$7.7 million of market rate adjustments and \$123.8 million of deferred financing costs.
- (2) Includes net \$23.5 million of market rate adjustments and \$30.3 million of deferred financing costs.

The fair value of our junior subordinated notes approximates their carrying amount as of December 31, 2018 and 2017. We estimated the fair value of mortgages, notes and other loans payable using Level 2 and Level 3 inputs based on recent financing transactions, estimates of the fair value of the property that serves as collateral for such debt, historical risk premiums for loans of comparable quality, current LIBOR, U.S. treasury obligation interest rates and on the discounted estimated future cash payments to be made on such debt. The discount rates estimated reflect our judgment as to what the approximate current lending rates for loans or groups of loans with similar maturities and assume that the debt is outstanding through maturity. We have utilized market information as available or present value techniques to estimate the amounts required to be disclosed. Since such amounts are estimates that are

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

based on limited available market information for similar transactions and do not acknowledge transfer or other repayment restrictions that may exist in specific loans, it is unlikely that the estimated fair value of any such debt could be realized by immediate settlement of the obligation.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

NOTE 5 UNCONSOLIDATED REAL ESTATE AFFILIATES

Following is summarized financial information for all of our real estate related Unconsolidated Real Estate Affiliates accounted for using the equity method and a reconciliation to our total investment in Unconsolidated Real Estate Affiliates. The reconciliation to our total investment in Unconsolidated Real Estate Affiliates is inclusive of investments accounted for using the cost method (Note 2).

	December 31, 2018	December 31, 2017
Condensed Combined Balance Sheets—Unconsolidated Real Estate Affiliates (1)		
Assets:		
Land	\$3,595,706	\$2,908,181
Buildings and equipment	23,468,110	14,014,665
Less accumulated depreciation	(4,361,210)	(3,794,792)
Construction in progress	489,250	545,305
Net property and equipment	23,191,856	13,673,359
Investments in unconsolidated joint ventures	632,060	613,136
Net investment in real estate	23,823,916	14,286,495
Cash and cash equivalents	540,905	438,664
Accounts receivable, net	348,655	386,634
Notes receivable	22,881	15,058
Deferred expenses, net	511,814	339,327
Prepaid expenses and other assets	796,815	381,980
Total assets	\$26,044,986	\$15,848,158
Liabilities and Owners' Equity:		
Mortgages, notes and loans payable	\$16,139,498	\$10,504,799
Accounts payable, accrued expenses and other liabilities	1,118,663	1,115,549
Cumulative effect of foreign currency translation ("CFCT")	(21,384)	(38,013)
Owners' equity, excluding CFCT	8,808,209	4,265,823
Total liabilities and owners' equity	\$26,044,986	\$15,848,158
Investment in Unconsolidated Real Estate Affiliates, Net:		
Owners' equity	\$8,786,824	\$4,227,810
Less: joint venture partners' equity	(4,796,896)	(2,413,822)
Plus: excess investment/basis differences	1,220,632	1,547,462
Investment in Unconsolidated Real Estate Affiliates, net (equity method)	5,210,560	3,361,450
Investment in Unconsolidated Real Estate Affiliates, net (cost method)	30,483	30,483
Elimination of consolidated real estate investment interest through joint venture	—	(52,305)
Retail investment, net	19,912	16,091
Investment in Unconsolidated Real Estate Affiliates, net	\$5,260,955	\$3,355,719
Reconciliation—Investment in Unconsolidated Real Estate Affiliates:		
Asset—Investment in Unconsolidated Real Estate Affiliates	\$5,385,582	\$3,377,112
Liability—Investment in Unconsolidated Real Estate Affiliates	(124,627)	(21,393)
Investment in Unconsolidated Real Estate Affiliates, net	\$5,260,955	\$3,355,719

(1)

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The Condensed Combined Balance Sheets - Unconsolidated Real Estate Affiliates include the joint ventures formed in conjunction with the BPY Transaction subsequent to August 27, 2018 and Fashion Place subsequent to December 14, 2018 (Note 3).

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Condensed Combined Statements of Income—Unconsolidated Real Estate Affiliates (1)			
Revenues:			
Minimum rents	\$1,402,237	\$1,186,646	\$1,106,691
Tenant recoveries	568,355	489,307	473,357
Overage rents	49,274	36,377	39,298
Condominium sales	110,792	328,237	520,360
Other	84,049	70,497	52,511
Total revenues	2,214,707	2,111,064	2,192,217
Expenses:			
Real estate taxes	182,514	140,944	124,355
Property maintenance costs	36,361	41,550	41,132
Marketing	24,282	21,338	22,368
Other property operating costs	270,071	230,930	214,071
Condominium cost of sales	79,927	239,528	379,401
Provision for doubtful accounts	9,128	6,416	13,665
Property management and other costs (2)	103,475	84,446	71,499
General and administrative	3,026	2,101	3,198
Depreciation and amortization	725,316	505,387	466,715
Total expenses	1,434,100	1,272,640	1,336,404
Interest income	7,401	11,054	9,505
Interest expense	(550,939)	(465,242)	(318,628)
Provision for income taxes	(1,842)	(1,312)	(1,278)
Equity in loss of unconsolidated joint ventures	(33,621)	(23,553)	(45,057)
Income from continuing operations	201,606	359,371	500,355
Allocation to noncontrolling interests	(78)	(103)	(128)
Net income attributable to the ventures	\$201,528	\$359,268	\$500,227
Equity In Income of Unconsolidated Real Estate Affiliates:			
Net income attributable to the ventures	\$201,528	\$359,268	\$500,227
Joint venture partners' share of income	(97,758)	(162,469)	(235,544)
Elimination of loss from consolidated real estate investment with interest owned through joint venture	679	860	1,266
Gain (loss) on retail investment	12,374	(3,874)	4,264
Amortization of capital or basis differences	(30,271)	(41,035)	(38,598)
Equity in income of Unconsolidated Real Estate Affiliates	\$86,552	\$152,750	\$231,615

(1) The Condensed Combined Statements of Income - Unconsolidated Real Estate Affiliates include income from Miami Design District subsequent to June 1, 2017, income from the joint ventures formed in conjunction with the BPY Transaction subsequent to August 27, 2018 and Fashion Place subsequent to December 14, 2018 (Note 3).

(2) Includes management fees charged to the unconsolidated joint ventures by BPRRS and BPRI.

The Unconsolidated Real Estate Affiliates represent our investments in real estate joint ventures that are not consolidated. We hold interests in 28 domestic joint ventures, comprising 67 U.S. retail properties and one joint venture in Brazil. Generally, we share in the profits and losses, cash flows and other matters relating to our investments in Unconsolidated Real Estate Affiliates in accordance with our respective ownership percentages. We manage most of the properties owned by these joint ventures. We account for investments in joint ventures where we own a non-controlling joint interest using either the equity method or the cost

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

method. If we have significant influence but not control over the investment, we utilize the equity method. If we have neither control nor significant influence, we utilize the cost method. If we control the joint venture, we account for the venture as a consolidated investment.

On June 1, 2017, we received an additional 7.3% of our joint venture partner's membership interests in Miami Design District in full satisfaction of two promissory notes for \$57.6 million and \$40.4 million, respectively, resulting in a total ownership of 22.3%. We determined that we had significant influence over the investment subsequent to the acquisition of the additional interest, and therefore we changed our method of accounting for this joint venture from the cost method to the equity method (Note 2).

On July 12, 2017, we closed on the acquisition of the remaining 50% interest in eight anchor boxes included in the GSPH joint venture with Seritage. We had previously owned a 50% interest in the joint venture and accounted for the joint venture using the equity method of accounting, but as a result of the transaction we now consolidate our 100% interest in the eight acquired anchor boxes. Simultaneously, we distributed the four remaining anchor boxes in GSPH to a newly formed joint venture, GSPHII, between the Company and Seritage in which the ownership interest remains at 50% for both joint venture partners, and we continue to account for this joint venture using the equity method of accounting. Finally, we acquired a 50% interest in five anchor boxes through a newly formed joint venture, GSPH2017, which we account for using the equity method of accounting.

On September 19, 2017, we entered into three transactions with affiliates of Thor related to joint ventures between the Company and Thor at 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue. As a result of these transactions, we changed our method of accounting for these three joint ventures from the equity method of accounting. We now consolidate the joint ventures with our joint venture partner's share of equity included in noncontrolling interest (Note 3).

Condominium Sales and Condominium Cost of Sales

On March 7, 2014, we formed a joint venture, AMX Partners, LLC, with Kahikolu Partners, LLC, for the purpose of constructing a luxury residential condominium tower (the Park Lane condominium project) on a site located within the Ala Moana Shopping Center. Under the previous revenue recognition guidance, the percentage of completion method was used to account for the sales revenue of the Park Lane condominium project. Upon adoption of the new revenue recognition standard (Note 2), risks and rewards of ownership and control over the condominium unit transfers upon the closing of the sale to the customer, and as such, the joint venture will recognize revenue for the condominium unit upon closing.

Unconsolidated Mortgages, Notes and Loans Payable and Retained Debt

Our proportionate share of the mortgages, notes and loans payable of the unconsolidated joint ventures was \$7.6 billion as of December 31, 2018 and \$5.1 billion as of December 31, 2017, including Retained Debt (as defined below). There can be no assurance that the Unconsolidated Properties will be able to refinance or restructure such debt on acceptable terms or otherwise, or that joint venture operations or contributions by us and/or our partners will be sufficient to repay such loans.

We have debt obligations in excess of our pro rata share of the debt for one of our Unconsolidated Real Estate Affiliates ("Retained Debt"). This Retained Debt represents distributed debt proceeds of the Unconsolidated Real

Estate Affiliates in excess of our pro rata share of the non-recourse mortgage indebtedness. The proceeds of the Retained Debt which were distributed to us are included as a reduction in our investment in Unconsolidated Real Estate Affiliates. We had Retained Debt of \$83.3 million at one property as of December 31, 2018, and \$85.2 million as of December 31, 2017. We are obligated to contribute funds on an ongoing basis, as needed, to our Unconsolidated Real Estate Affiliates in amounts sufficient to pay debt service on such Retained Debt. If we do not contribute such funds, our interest in or our distributions from such Unconsolidated Real Estate Affiliates could be reduced to the extent of such deficiencies. As of December 31, 2018, we do not anticipate an inability to perform on our obligations with respect to Retained Debt.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

NOTE 6 MORTGAGES, NOTES AND LOANS PAYABLE

Mortgages, notes and loans payable and the weighted-average interest rates are summarized as follows:

	December 31, 2018 (1)	Weighted-Average Interest Rate (2)	December 31, 2017 (3)	Weighted-Average Interest Rate (2)
Fixed-rate debt:				
Collateralized mortgages, notes and loans payable	\$6,073,193	4.38 %	\$10,420,252	4.41 %
Total fixed-rate debt	6,073,193	4.38 %	10,420,252	4.41 %
Variable-rate debt:				
Collateralized mortgages, notes and loans payable (4)	1,702,142	4.22 %	2,418,628	3.39 %
Unsecured corporate debt (5)	4,814,314	4.86 %	(6,421)	—
Total variable-rate debt	6,516,456	4.69 %	2,412,207	3.39 %
Total Mortgages, notes and loans payable	\$12,589,649	4.54 %	\$12,832,459	4.22 %
Junior Subordinated Notes	\$206,200	3.97 %	\$206,200	2.83 %

(1) Includes net \$7.7 million of market rate adjustments and \$123.8 million of deferred financing costs.

(2) Represents the weighted-average interest rates on our principal balances, excluding the effects of market rate adjustments and deferred financing costs.

(3) Includes net \$23.5 million of market rate adjustments and \$30.3 million of deferred financing costs.

(4) \$1.4 billion of the variable-rate balance is cross-collateralized.

(5) Includes deferred financing costs, which are shown as a reduction to the debt balance. See table below for the balance excluding deferred financing costs.

Collateralized Mortgages, Notes and Loans Payable

As of December 31, 2018, \$11.9 billion of land, buildings and equipment (before accumulated depreciation) and construction in progress have been pledged as collateral for our consolidated mortgages, notes and loans payable. Certain of these consolidated secured loans, representing \$1.4 billion of debt, are cross-collateralized. Although a majority of the \$7.8 billion of consolidated fixed and variable rate collateralized mortgages, notes and loans payable are non-recourse, \$689.4 million of such mortgages, notes and loans payable are recourse to the Company as guarantees on secured financings. In addition, certain mortgage loans contain other credit enhancement provisions which have been provided by BPR. Certain mortgages, notes and loans payable may be prepaid but are generally subject to a prepayment penalty equal to a yield-maintenance premium, defeasance or a percentage of the loan balance.

During the year ended December 31, 2018, we refinanced a consolidated mortgage note at 685 Fifth Avenue. The prior \$340.0 million variable-rate consolidated mortgage note matured on July 1, 2018 and had an interest rate of LIBOR plus 2.75%. In connection with the refinancing, \$100.0 million remained related to the commercial office unit and a new \$275.0 million fixed-rate consolidated mortgage note with a term-to-maturity of 10.0 years and an interest rate of 4.53% was obtained on the retail unit. The \$100.0 million was paid down in full in conjunction with the sale of the commercial office unit on July 13, 2018. In addition, we obtained a new fixed-rate subordinate loan at The Woodlands Mall for \$62.4 million with an interest rate of 4.05% and obtained a new fixed-rate loan at 605 North Michigan Avenue for \$80.0 million with an interest rate of 4.76%. We also refinanced mortgage notes totaling \$117.0 million at two properties. The prior loans totaling \$152.3 million had a weighted-average interest rate of 4.42%. The

new loans have a weighted-average term-to-maturity of 4.3 years and a weighted-average interest rate of 5.24%. We released Columbiana Centre from the \$1.4 billion term loan, substituting Columbia Mall and Quail Springs Mall and conveyed Oak View Mall to the lender in full satisfaction of \$74.7 million in outstanding debt. The Oak View transaction resulted in a \$12.4 million gain on extinguishment of debt for the year ended December 31, 2018.

During the year ended December 31, 2017, we paid down a \$73.4 million consolidated mortgage note at Four Seasons Town Centre. The prior loan had a term-to-maturity of 0.2 years and an interest rate of 5.6%. Four Seasons Town Centre subsequently replaced a property that was sold during the year ended December 31, 2017 as collateral in our \$1.4 billion loan secured by cross-

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

collateralized mortgages on 15 properties. In addition, we obtained a new consolidated mortgage note at Mall of Louisiana for \$325.0 million with an interest rate of 3.98%. Also, as a result of the three transactions at 218 West 57th Street, 530 Fifth Avenue and 685 Fifth Avenue (Note 3), we now consolidate a total of \$450.0 million consolidated mortgage notes with interest rates of LIBOR plus 2.75% and LIBOR plus 3.25%. Finally, we refinanced a \$190.0 million consolidated mortgage note with a \$110.0 million consolidated mortgage note at 530 Fifth Avenue. Both notes had an interest rate of LIBOR plus 3.25%. We manage our exposure to interest rate fluctuations related to this debt using interest rate cap agreements. However, our efforts to manage risks associated with interest rate volatility may not be successful.

Our \$1.4 billion loan is secured by cross-collateralized mortgages on 15 properties. The interest rate is LIBOR plus 1.75% and the recourse is 50%. The loan matures on April 25, 2019, with two one year extension options.

Corporate and Other Unsecured Loans

We have certain unsecured debt obligations, the terms of which are described below:

	December 31, 2018 (1)	Weighted-Average Interest Rate		December 31, 2017 (2)	Weighted-Average Interest Rate
Unsecured debt:					
Unsecured corporate debt	4,923,740	4.86	%	—	—
Total unsecured debt	\$4,923,740	4.86	%	\$	—

(1) Excludes deferred financing costs of \$109.4 million in 2018 that decrease the total amount that appears outstanding in our Consolidated Balance Sheets.

(2) Excludes deferred financing costs of \$6.4 million in 2017 that decrease the total amount that appears outstanding in our Consolidated Balance Sheets.

The Company entered into a new credit agreement (the "Agreement") dated as of August 24, 2018 consisting of a revolving credit facility (the "Facility"), Term A-1 and A-2 loans, and a Term B loan. The Facility provides for revolving loans of up to \$1.5 billion and borrowings bear interest at a rate equal to LIBOR plus 225 basis points. The Facility is scheduled to mature in August 2022 and had outstanding borrowings of \$387.0 million as of December 31, 2018. The Term A-1 Loan has a total commitment of \$900.0 million, with \$700.0 million attributable to BPR and \$200.0 million attributable to an affiliate, and is scheduled to mature in August 2021 bearing interest at a rate equal to LIBOR plus 225 basis points. The Term A-2 Loan has a total commitment of \$2.0 billion and is scheduled to mature in August 2023 bearing interest at a rate equal to LIBOR plus 225 basis points. The Term B Loan has a total commitment of \$2.0 billion and is scheduled to mature in August 2025 bearing interest at a rate equal to LIBOR plus 250 basis points. The Term A-1, A-2, and B Loans are contractually obligated to be prepaid through net proceeds from property level refinances and asset sales as outlined in the Agreement. The Agreement contains certain restrictive covenants which limit material changes in the nature of our business conducted, including, but not limited to, mergers, dissolutions or liquidations, dispositions of assets, liens, incurrence of additional indebtedness, dividends, transactions with affiliates, prepayment of subordinated debt, negative pledges and changes in fiscal periods. In addition, we are required not to exceed a maximum net debt-to-value ratio and fixed charge coverage ratio. As of December 31, 2018, we are not aware of any instances of non-compliance with such covenants.

Junior Subordinated Notes

GGP Capital Trust I, a Delaware statutory trust (the "Trust") completed a private placement of \$200.0 million of trust preferred securities ("TRUPS") in 2006. The Trust also issued \$6.2 million of common securities to BPROP. The Trust used the proceeds from the sale of the TRUPS and common securities to purchase \$206.2 million of floating rate junior subordinated notes of BPROP due 2036. Distributions on the TRUPS are equal to LIBOR plus 1.45%. Distributions are cumulative and accrue from the date of original issuance. The TRUPS mature on April 30, 2036, but may be redeemed beginning on April 30, 2011 if the Trust exercises its right to redeem a like amount of junior subordinated notes. The junior subordinated notes bear interest at LIBOR plus 1.45% and are fully recourse to the Company. We have recorded the junior subordinated notes as a liability and our common equity interest in the Trust as prepaid expenses and other assets in our Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Letters of Credit and Surety Bonds

We had outstanding letters of credit and surety bonds of \$42.4 million as of December 31, 2018 and \$51.3 million as of December 31, 2017. These letters of credit and bonds were issued primarily in connection with insurance requirements, special real estate assessments and construction obligations.

We are not aware of any instances of non-compliance with our financial covenants related to our mortgages, notes and loans payable as of December 31, 2018.

NOTE 7 INCOME TAXES

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. We intend to maintain REIT status. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our taxable ordinary income. In addition, the Company is required to meet certain asset and income tests.

As a REIT, we will generally not be subject to corporate level Federal income tax on taxable income we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to Federal income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent taxable years. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income or property, and to Federal income and excise taxes on our undistributed taxable income and capital gains. We are currently statutorily open to audit by the Internal Revenue Service for the years ended December 31, 2015 through 2018 and are statutorily open to audit by state taxing authorities for the years ended December 31, 2014 through 2018.

In conjunction with the BPY Transaction, certain of BPR's subsidiaries contributed in a taxable manner a portion of their interests in specific assets to a newly formed corporate subsidiary of BPRI. This taxable contribution caused an increase in the tax basis of the contributed assets to fair market value and generated a related taxable gain to the Company, which has been distributed to shareholders. The increase in tax basis in the assets created a book to tax basis temporary difference of approximately \$2.6 billion and a related deferred tax asset of \$638.5 million within the newly formed subsidiary of BPRI. We determined that this deferred tax asset was properly recorded through our income statement and that no valuation allowance is necessary on the deferred tax assets as of December 31, 2018 primarily due to our ability to recognize the benefit of the increased tax basis through operations or sale of properties.

The provision for (benefit from) income taxes for the years ended December 31, 2018, 2017, and 2016 are as follows:

	December 31, 2018	December 31, 2017	December 31, 2016
Current	\$6,499	\$8,658	\$ 804
Deferred	(600,685)	(19,554)	97
Total	\$(594,186)	\$(10,896)	\$ 901

Realization of a deferred tax benefit is dependent upon generating sufficient taxable income in future periods. The Company has \$78.7 million of federal and state loss carryforwards, the majority of which are currently scheduled to expire in subsequent years through 2037. Federal operating losses of \$7.4 million generated during 2018 and later will be carried forward indefinitely until utilized.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Each TRS and certain REIT entities subject to state income taxes are tax paying components for purposes of classifying deferred tax assets and liabilities. Net deferred tax assets (liabilities) are summarized as follows:

	December 31, 2018	December 31, 2017	December 31, 2016
Total deferred tax assets	\$630,215	\$29,801	\$22,090
Valuation allowance	(8,857)	(8,740)	(15,147)
Net deferred tax assets	621,358	21,061	6,943
Total deferred tax liabilities	(2,083)	(2,428)	(3,843)
Net deferred tax assets	\$619,275	\$18,633	\$3,100

Due to the uncertainty of the realization of certain tax carryforwards, we have established valuation allowances on those deferred tax assets that we do not reasonably expect to realize. Deferred tax assets that we believe have only a remote possibility of realization have not been recorded.

The tax effects of temporary differences and carryforwards included in the net deferred tax assets (liabilities) as of December 31, 2018, December 31, 2017 and December 31, 2016 are summarized as follows:

	December 31, 2018	December 31, 2017 (1)	December 31, 2016
Operating loss and other carryforwards (2)	\$63,604	\$47,577	\$42,496
Other TRS property, primarily differences in basis of assets and liabilities	564,528	(20,204)	(24,249)
Valuation allowance	(8,857)	(8,740)	(15,147)
Net deferred tax assets	\$619,275	\$18,633	\$3,100

(1) Due to the changes in the Tax Cuts and Jobs Act, the deferred tax assets and liabilities including the valuation allowances were revalued as of December 31, 2017 using the new corporate tax rate.

(2) Includes solar and other tax credits of \$43.5 million, \$33.6 million and \$20.6 million as of December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

We have no unrecognized tax benefits recorded pursuant to uncertain tax positions as of December 31, 2018 and December 31, 2017.

NOTE 8 WARRANTS

As of December 31, 2016, Brookfield and certain parties who were previously members of a Brookfield investor consortium owned 73,930,000 warrants (the "Warrants") to purchase common stock of GGP with an initial weighted average exercise price of \$10.70. Each Warrant was fully vested upon issuance, had a term of seven years and expired on November 9, 2017. Below is a summary of Warrants that were originally issued.

Warrant Holder	Number of Warrants	Initial Exercise Price
Brookfield - A	57,500,000	\$ 10.75
Brookfield - B	16,430,000	10.50
	73,930,000	

The exercise prices of the Warrants were subject to adjustment for future dividends, stock dividends, distribution of assets, stock splits or reverse splits of our common stock or certain other events. In accordance with the agreement, these calculations adjusted both the exercise price and the number of shares issuable for the originally issued 73,930,000 Warrants. During 2017, the number of shares issuable upon exercise of the outstanding Warrants changed as follows:

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Record Date	Issuable Shares	Exercise Price	
		Brookfield - A	Brookfield - B
April 13, 2017	94,170,214	8.44	8.24
July 13, 2017	95,057,357	8.36	8.17
October 13, 2017	17,942,385	8.27	8.08

The warrant holders had the option for 57,500,000 Warrants to either full share settle (i.e. deliver cash for the exercise price of the Warrants) or net share settle at the option of the holder. The remaining 16,430,000 Warrants had to be net share settled. As of December 31, 2017, no Warrants remained outstanding.

During 2017, 83,866,187 shares of the Company's common stock were issued for exercised Warrants. As of December 31, 2017, no Warrants remained outstanding. Refer to the following paragraphs for details pertaining to each transaction.

On October 6, 2017, Brookfield exercised Warrants to purchase shares of our common stock, par value \$0.01 per share, using a combination of the net share settlement method and the full physical settlement method. On October 6, 2017, the Warrants exercised by Brookfield were settled in accordance with the terms of the Warrant agreement. 55,296,573 shares of common stock were issued to Brookfield for an aggregate of \$462.4 million in cash and 13,523,695 shares of common stock were issued to Brookfield under net share settlement at a price of \$21.21 per share.

On October 25, 2017, Abu Dhabi Investment Authority ("ADIA") exercised 5,549,327 warrants to purchase common stock, par value \$0.01 per share, using the net share settlement method. On October 30, 2017, the Warrants exercised by ADIA were settled in accordance with the terms of the Warrant Agreement and 4,314,330 shares of common stock were issued to ADIA. The Company withheld 2,896,465 shares of common stock, valued at the closing price for the common stock on October 25, 2017 of \$20.60, to satisfy the aggregate exercise price.

On November 2, 2017, The Northern Trust Company exercised 8,258,881 Warrants to purchase common stock, par value \$0.01 per share, using the full share settlement method. On November 7, 2017, the Warrants exercised were settled in accordance with the terms of the Warrant Agreement and 10,731,589 shares of common stock were issued for an aggregate of \$88.8 million in cash.

NOTE 9 RENTALS UNDER OPERATING LEASES

We receive rental income from the leasing of retail and other space under operating leases. The minimum future rentals based on operating leases of our Consolidated Properties as of December 31, 2018 are as follows:

Year	Amount
2019	\$764,196
2020	696,381
2021	621,582
2022	543,232
2023	464,453
Subsequent	1,442,312
	\$4,532,156

Minimum future rentals exclude amounts which are payable by certain tenants based upon a percentage of their gross sales or as reimbursement of operating expenses and amortization of above and below-market tenant leases. Such operating leases are with a variety of tenants, the majority of which are national and regional retail chains and local retailers, and consequently, our credit risk is concentrated in the retail industry.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

NOTE 10 EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS

Allocation to Noncontrolling Interests

Noncontrolling interests consists of the redeemable interests related to BPROP Common, Preferred, and LTIP Units and the noncontrolling interest in our consolidated joint ventures. The following table reflects the activity included in the allocation to noncontrolling interests.

	Year Ended December 31,		
	2018	2017	2016
Distributions to preferred BPROP units ("Preferred Units")	\$(4,636)	\$(1,867)	\$(8,680)
Net income allocation to noncontrolling interests in BPROP from continuing operations ("Common Units")	(31,803)	(4,830)	(7,051)
Net income allocation to noncontrolling interests in BPROP from continuing operations ("LTIP units")	(8,159)	(1,502)	(2,920)
Net income allocated to noncontrolling interest in consolidated real estate affiliates	(915)	(1,340)	(1,255)
Net income allocated to noncontrolling interests of the Operating Partnership (1)	(27,715)	—	—
Allocation to noncontrolling interests	(73,228)	(9,539)	(19,906)
Other comprehensive (income) loss allocated to noncontrolling interests	(39)	89	2
Comprehensive income allocated to noncontrolling interests	\$(73,267)	\$(9,450)	\$(19,904)

(1) Represents the noncontrolling interest of our institutional investor (Note 3).

Noncontrolling Interests

The noncontrolling interest related to the Common, Preferred, and LTIP Units of BPROP are presented either as redeemable noncontrolling interests in mezzanine equity or as noncontrolling interests in our permanent equity on our Consolidated Balance Sheets. Classification as redeemable or permanent equity is considered on a tranche-by-tranche basis and is dependent on whether we could be required, under certain events outside of our control, to redeem the securities for cash by the holders of the securities. Those tranches for which we could be required to redeem the security for cash are included in redeemable equity. If we control the decision to redeem the securities for cash, the securities are classified as permanent equity.

The redeemable Common and Preferred Units of BPROP are recorded at the greater of the carrying amount adjusted for the noncontrolling interest's share of the allocation of income or loss (and its share of other comprehensive income or loss) and dividends or their redemption value (i.e. fair value) as of each measurement date. The excess of the fair value over the carrying amount from period to period is recorded within additional paid-in capital in our Consolidated Balance Sheets. Allocation to noncontrolling interests is presented as an adjustment to net income to arrive at net income (loss) attributable to BPR. The preferred redeemable noncontrolling interests have been recorded at carrying value.

Generally, each Series K Preferred Unit of BPROP entitles its holder to distributions and a liquidation preference identical to those established for each share of BPR's Class A Stock, and each Series L Preferred Unit of BPROP entitles its holder to distributions and a liquidation preference identical to those established for each share of BPR's Class B Stock. Each LTIP Unit of BPROP is convertible into, and, except for the level of preference, entitles its holder to regular and liquidating distributions equivalent to that of, 0.016256057 Series K Preferred Units, subject to

adjustment. Each Series K unit received by an LTIP holder in connection with the BPY Transaction is redeemable for a cash amount equal to the average closing price of BPR's Class A Stock for the five consecutive trading days ending on the date of the notice of redemption, provided that BPR may elect to satisfy such redemption by delivering one share of BPR's Class A Stock. If the holders had requested redemption of the Class A stock and Preferred Units as of December 31, 2018, the aggregate amount of cash the company would have paid would have been \$1.77 billion and \$68.6 million, respectively.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Holders of Series B Preferred Units, Series D Preferred Units, Series E Preferred Units and Series G Preferred Units of BPROP are each entitled to periodic distributions at the rates set forth in the Fifth Amended and Restated Agreement of Limited Partnership of BPROP. Holders of Common Units of BPROP are entitled to distributions of all or a portion of BPROP's remaining net operating cash flow, when and as declared by BPROP's general partner. However, the Fifth Amended and Restated Agreement of Limited Partnership of BPROP permits distributions solely to BPR if such distributions were required to allow the Company to comply with the REIT distribution requirements or to avoid the imposition of excise tax.

The Series D Preferred Units of BPROP are convertible based on a conversion ratio of 1.50821, which is the quotient of the Series D Preferred Unit's \$50 liquidation preference and \$33.151875 conversion price. Upon conversion, each Series D Preferred Unit entitles its holder to (i) \$21.9097 in cash, (ii) a number of Series K Preferred Units of BPROP equal to (x) 0.40682134 Series K Preferred Units (which is subject to adjustment), multiplied by (y) the Series D conversion ratio; and (iii) a number of Common Units of BPROP equal to (x) one Common Unit (which is subject to adjustment), multiplied by (y) the Series D conversion ratio.

The Series E Preferred Units of BPROP are convertible based on a conversion ratio of 1.29836, which is the quotient of the Series E Preferred Unit's \$50 liquidation preference and \$38.51 conversion price. Upon conversion, each Series E Preferred Unit entitles its holder to (i) \$18.8613 in cash, (ii) a number of Series K Preferred Units of BPROP equal to (x) 0.40682134 Series K Preferred Units (which is subject to adjustment), multiplied by (y) the Series E conversion ratio; and (iii) a number of Common Units of BPROP equal to (x) one Common Unit (which is subject to adjustment), multiplied by (y) the Series E conversion ratio.

As of December 31, 2018, there were 532,749.6574 Series D Preferred Units of BPROP outstanding and 502,657.8128 Series E Preferred Units of BPROP outstanding.

Also, as of December 31, 2018, there were 9,717.658 Series B Preferred Units of BPROP outstanding. As of July 10, 2017, the Series B Preferred Unit conversion option expired, and each Series B Preferred Unit now has a fixed cash redemption value of \$50 per unit. As of December 31, 2018, there were 4,176,972.006 Common Units of BPROP outstanding that had been issued upon conversion of Series B Preferred Units and 1,044,082.000 Series K Preferred Units of BPROP outstanding that were distributed with respect to such Common Units, which are both subject to certain redemption rights.

Only the holders of the Series K Preferred Units of BPROP issued upon conversion of Series D Preferred Units or Series E Preferred Units of BPROP have the right to redeem such Series K Preferred Units for a cash amount equal to the average closing price of BPR's Class A Stock for the five consecutive trading days ending on the date of the notice of redemption, provided that BPR may elect to satisfy such redemption by delivering one share of BPR's Class A Stock. The holder of each Common Unit of BPROP issued upon conversion of Series D Preferred Units or Series E Preferred Units of BPROP has the right to redeem such Common Unit for a cash amount equal to \$0.324405869, subject to adjustment.

Except as otherwise noted, the Common, Preferred, and LTIP Units of BPROP are not convertible or redeemable at the election of either the holder or BPROP.

Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

The following table reflects the activity of the redeemable noncontrolling interests for the years ended December 31, 2018, 2017, and 2016.

Balance at January 1, 2016	\$287,627
Net income	7,051
Distributions	(5,449)
Redemption of operating partnership units	(2,120)
Preferred Unit Redemption to Common Stock	(2)
Other comprehensive income	(3,205)
Fair value adjustment for redeemable noncontrolling interests in Operating Partnership	(21,175)
Balance at December 31, 2016	\$262,727
Balance at January 1, 2017	262,727
Net income	4,830
Distributions	(6,573)
Redemption of operating partnership units	(651)
Preferred Unit Redemption to Common Stock	—
Other comprehensive income	(89)
Fair value adjustment for redeemable noncontrolling interests in Operating Partnership	(12,118)
Balance at December 31, 2017	\$248,126
Balance at January 1, 2018	\$248,126
Net income	31,803
Distributions	(3,685)
Adjustment of Mezzanine Equity to fair value	(40,294)
Common Unit Redemption to Common Stock	(85,818)
Other comprehensive income	39
Reclassification of Mezzanine Equity to Permanent Equity	(37,841)
Pre-Closing Dividend	(60,673)
BPR Equity Recapitalization	21,923
LTIP Conversion to Series K	116
Balance at December 31, 2018	\$73,696

Class A Stock

Class A Stock refers to the Company's Class A Stock, par value \$0.01 per share, authorized and issued to unaffiliated GGP common stockholders as part of the BPY Transaction.

Each share of Class A Stock is entitled to cumulative dividends per share in a cash amount equal in value to the amount of any distribution made on a BPY unit. In addition, each share of Class A Stock is exchangeable for one BPY unit or its cash equivalent (the form of payment to be determined by BPUS, in its sole discretion). Such exchange and distribution rights are subject to adjustment in the event of certain dilutive or other capital events by BPY or BPR. If and to the extent declared by the Company's board of directors, the record and payment dates for the dividends or other distributions upon the shares of Class A Stock, to the extent not prohibited by applicable law, is expected to be the same as the record and payment dates for the dividends or other distributions upon the BPY units. Pursuant to the terms of the Company's charter, all such dividends to holders of Class A Stock will be paid prior and in preference to any dividends or distributions on the Class B Stock, Class C Stock or the Common Stock and will be fully declared and paid before any dividends are declared and paid or any other distributions are made on any Class B Stock, Class C

Stock or the Common Stock. The holders of Class A Stock shall not be entitled to any dividends from BPR other than the Class A dividend.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Upon any liquidation, dissolution or winding up of the Company that is not a Market Capitalization Liquidation Event (as defined below) or substantially concurrent with the liquidation, dissolution or winding up of BPY, the holders of Class A Stock are entitled to a cash amount, for each share of Class A Stock, equal to the market price of one BPY unit (subject to adjustment in the event of certain dilutive or other capital events by BPY or BPR) on the date immediately preceding announcement of such liquidation, dissolution or winding up, plus all declared and unpaid dividends. If, upon any such liquidation, dissolution or winding up, the assets of BPR are insufficient to make such payment in full, then the assets of BPR will be distributed among the holders of Class A Stock ratably in proportion to the full amounts to which they would otherwise be respectively entitled to receive.

If the market capitalization of the Class A Stock (i.e., if the price per share of Class A Stock, multiplied by the number of shares of Class A Stock outstanding) averages, over any period of 30 consecutive trading days, less than one (1) billion dollars, the Company's Board of Directors will have the right to liquidate BPR's assets and wind up BPR's operations (a "Market Capitalization Liquidation Event"). Upon any Market Capitalization Liquidation Event, the holders of Class A Stock shall be entitled to a cash amount, for each share of Class A Stock, equal to the dollar volume-weighted average price of one BPY unit over the ten (10) trading days immediately following the public announcement of such Market Capitalization Liquidation Event, plus all declared and unpaid dividends. If, upon any such market capitalization liquidation event, the assets of BPR are insufficient to make such payment in full, then the assets of BPR will be distributed among the holders of Class A Stock ratably in proportion to the full amounts which they would otherwise be respectively entitled to receive. Notwithstanding the foregoing, upon any market capitalization liquidation event, BPY may elect to exchange all of the outstanding shares of the Class A Stock for BPY units on a one-for-one basis, subject to adjustment in the event of certain dilutive or other capital events by BPY or BPR.

Holders of Class A Stock have the right to exchange all or a portion of their Class A Stock for cash at a price equal to the value of an equivalent number of BPY units, subject to adjustment in the event of certain dilutive or other capital events by BPY or BPR. Upon receipt of a request for exchange, BPR will deliver a notice of exchange to BPY within one (1) business day and will have ten (10) business days to deliver the cash amount to the tendering holder. Upon receipt of the notice of exchange, BPY may elect to satisfy BPR's exchange obligation by exchanging all of the shares of the Class A Stock tendered for BPY units on a one-for-one basis. This initial one-for-one conversion factor is subject to adjustment in the event of certain dilutive or other capital events by BPY or BPR. If so elected, BPY will have to satisfy such obligation within ten (10) business days from the date of the notice of exchange. If BPY exercises its right to assume the exchange obligation, units of BPY units will be delivered in exchange for the Class A Stock and such Class A Stock will automatically be converted into Class B Stock.

As there are certain events outside of the Company's control whereby it could be required to redeem the Class A Stock for cash by the holders of the securities, the Class A Stock is included in redeemable equity. Accordingly, the Class A Stock are recorded at the greater of the carrying amount or their redemption value (i.e. fair value) as of each measurement date. The excess of the fair value over the carrying amount from period to period is recorded within additional paid-in capital in the Company's Consolidated Balance Sheets.

Class B Stock

The following description of Class B Stock sets forth certain general terms and provisions of Class B Stock. Each share of Class B-1 Stock shall have terms (including the same powers, preferences and relative, participating, optional

and other special rights, and qualifications, limitations and restrictions) identical to the terms of a share of Class B Stock. References herein to Class B Stock shall be deemed to be a reference to Class B Stock and Class B-1 Stock, as applicable.

Pursuant to the Charter Amendments and subject to the prior rights of holders of all classes, including the Class A Stock, and any series of preferred stock at the time outstanding having prior rights as to dividends, each share of Class B Stock entitles its holder to cumulative dividends per share in a cash amount at a rate of 10% per year of the Class B liquidation amount per share, with such Class B liquidation amount per share equal to the last closing price of a share of GGP common stock on the New York Stock Exchange on the trading day immediately preceding the date the series B designations was filed with the Secretary of State of the State of Delaware. Dividends on the Class B Stock may also be paid by an in-kind distribution of additional shares of Class B Stock or any other class of shares of capital stock of BPR ranking junior to the Class A Stock. Dividends on the Class B Stock shall be cumulative and shall be payable quarterly in arrears, when, as and if declared by the Company's Board of Directors with respect to dividends on the Class B Stock.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Holders of the Class B Stock are not entitled to receive dividends, redemptions or other distributions: (i) unless and until (a) BPR has paid the aggregate dividends owed to the holders of Class A Stock and (b) the dividend coverage ratio (as defined below) is equal to or greater than 1.25:1, (ii) if any tendering holder of Class A Stock has not received the cash or BPY units due upon exchange or (iii) if holders of Class A Stock are owed cash in the event of an adjustment to the conversion factor. The dividend coverage ratio is referred to as a ratio of (i) BPR's funds from operations, as calculated in accordance with the definition of funds from operations used by Nareit, for the immediately preceding fiscal quarter, to (ii) the product of (a) the amount of the most recent regular quarterly distribution declared by BPY on each BPY unit, times (b) the number of shares of Class A Stock outstanding at such time.

Class C Stock

Class C Stock refers to the Company's Class C Stock, par value \$0.01 per share, authorized as part of the BPY Transaction. Pursuant to the amended charter and subject to the prior rights of holders of all classes, including the holders of Class A Stock and Class B Stock, and any series of preferred stock at the time outstanding having prior rights as to dividends, each share of Class C Stock entitles its holder to dividends when, as and if declared by the Company's Board of Directors out of any assets of BPR legally available therefore. The record and payment date for dividends on shares of Class C Stock shall be such date that the Company's Board of Directors shall designate.

Notwithstanding the foregoing, holders of the Class C Stock are not entitled to receive dividends, redemptions or other distributions: (i) unless and until (a) BPR has paid the aggregate dividends owed to the holders of Class A Stock and (b) the dividend coverage ratio is equal to or greater than 1.25:1, (ii) if any tendering holder of Class A Stock has not received the cash or BPY units due upon exchange, (iii) if holders of Class A Stock are owed cash in the event of an adjustment to the conversion factor or (iv) unless and until the full cumulative dividends on the Class B Stock for all past dividend periods and any current dividend periods have been (or contemporaneously are) (a) declared or paid in cash or (b) declared and a sum sufficient for the payment thereof in cash is set apart for such payment.

Class A Stock Dividend

Our Board of Directors declared Class A Stock dividends during 2018 as follows:

Declaration Date	Record Date	Payment Date	Dividend Per Share
2018			
November 1	November 30, 2018	December 31, 2018	\$ 0.315
August 28	August 31, 2018	September 28, 2018	0.315

Common Stock Dividend

Our Board of Directors declared common stock dividends during 2018 and 2017 as follows:

Declaration Date (1)	Record Date	Payment Date	Dividend Per Share
2018			

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May 3	July 13, 2018	July 31, 2018	\$ 0.22
February 7 2017	April 13, 2018	April 30, 2018	0.22
October 31	December 15, 2017	January 5, 2018	\$ 0.22
August 2	October 13, 2017	October 31, 2017	0.22
May 1	July 13, 2017	July 28, 2017	0.22
January 30	April 13, 2017	April 28, 2017	0.22

(1) Excludes the Pre-Closing Dividend (Note 1).

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Distributions paid on our common stock and their tax status, as sent to our stockholders, is presented in the following table. The tax status of the Company's distributions in 2018, 2017, and 2016 may not be indicative of future periods.

	Year Ended		
	December 31,		
	2018	2017	2016
Class A Stock (August 28, 2018 through December 31, 2018)			
Ordinary income	\$0.118	\$—	\$—
Capital gain distributions	0.512	—	—
Distributions per share	\$0.630	\$—	\$—
Common Stock (Through August 27, 2018)			
Ordinary income	\$3.742	\$0.861	\$0.685
Capital gain distributions	16.234	—	0.300
Distributions per share	\$19.976	\$0.861	\$0.985

Our Dividend Reinvestment Plan ("DRIP") provided eligible holders of GGP's common stock with a convenient method of increasing their investment in the Company by reinvesting all or a portion of cash dividends in additional shares. Pursuant to the DRIP, eligible stockholders who enrolled in the DRIP on or before the fourth business day preceding the record date for a dividend payment were able to have that dividend reinvested. As a result of the DRIP elections, no shares were issued during the year ended December 31, 2018 and 43,732 shares were issued during the year ended December 31, 2017. The Company terminated the registration statement relating to our DRIP (File No. 333-172795) with the filing of a post-effective amendment on August 28, 2018.

Preferred Stock

On February 13, 2013, we issued, in a public offering, 10,000,000 shares of 6.375% Series A Cumulative Redeemable Preferred Stock (the "Pre-Merger Preferred Stock") at a price of \$25.00 per share, resulting in net proceeds of \$242.0 million after issuance costs. In connection with the BPY Transaction, each share of Pre-Merger Preferred Stock was converted into one share of 6.375% Series A cumulative redeemable preferred stock of BPR (the "Series A Preferred Stock"). The Series A Preferred Stock is recorded net of issuance costs within equity on our Consolidated Balance Sheets, and accrues a quarterly dividend at an annual rate of 6.375%. The dividend is paid in arrears in preference to dividends on our Class A Stock, and reduces net income available to common stockholders, and therefore, earnings per share. Preferred stock dividends were \$15.9 million for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

The Series A Preferred Stock does not have a stated maturity date but we may redeem the Series A Preferred Stock for \$25.00 per share plus all accrued and unpaid dividends. Upon certain circumstances surrounding a change of control, holders of Series A Preferred Stock may elect to convert each share of their Series A Preferred Stock into a number of shares of Class A Stock or Class B Stock, at the option of the holder, equivalent to \$25.00 plus accrued and unpaid dividends, but not to exceed a cap of 2.4679 shares of Class A Stock or Class C Stock (subject to certain adjustments related to splits, subdivisions, or combinations). The BPY Transaction did not meet the definition of a change in control per the certificate of designation governing the Series A Preferred Stock.

Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Our Board of Directors declared preferred stock dividends during 2018 and 2017 as follows:

Declaration Date	Record Date	Payment Date	Dividend Per Share
2018			
November 1	December 14, 2018	January 1, 2019	\$ 0.3984
July 31	September 17, 2018	October 1, 2018	0.3984
May 3	June 15, 2018	July 2, 2018	0.3984
February 7	March 15, 2018	April 2, 2018	0.3984
2017			
October 31	December 15, 2017	January 2, 2018	\$ 0.3984
August 2	September 15, 2017	October 2, 2017	0.3984
May 1	June 15, 2017	July 3, 2017	0.3984
January 30	March 15, 2017	April 3, 2017	0.3984

NOTE 11 EARNINGS PER SHARE

Class A Stock (August 28, 2018 through December 31, 2018)

Income available to Class A stockholders is limited to distributed income or dividends declared. Additionally, for purposes of allocating earnings to Class A Stock, the portion of the change in the carrying amount of Class A Stock that reflects a redemption in excess of fair value is considered a dividend to the Class A stockholders. As the Class A Stock redemption value approximates its fair value, basic and diluted earnings per share ("EPS") for Class A Stock is equivalent to the dividends declared for the period August 28, 2018 through December 31, 2018. Shares of Class A Stock outstanding were 162,323,967 and 109,804,513 as of August 28, 2018 and December 31, 2018, respectively. EPS is not presented for Class B Stock and Class C Stock as neither class of stock is publicly traded.

Common Stock

Basic EPS for common stock is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS for common stock is computed after adjusting the numerator and denominator of the basic EPS computation for the effects of all potentially dilutive common shares. The dilutive effect of the warrants and the dilutive effect of options and their equivalents (including fixed awards and nonvested stock issued under stock-based compensation plans), are computed using the "treasury" method. The dilutive effect of the Preferred Units is computed using the "if-converted" method.

Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Information related to our EPS calculations is summarized as follows:

	January 1, 2018 through August 27, 2018	
Numerators - Basic:		
Net income	\$3,860,424	
Preferred Stock dividends	(11,952)	
Allocation to noncontrolling interests	(43,049)	
Net income attributable to common stockholders	\$3,805,423	
Numerators - Diluted:		
Distributions to Preferred Units	1,711	
Net income attributable to common stockholders	\$3,807,134	
Denominators:		
Weighted-average number of common shares outstanding - basic	914,066	
Effect of dilutive securities	3,831	
Weighted-average number of common shares outstanding - diluted	917,897	
Anti-dilutive Securities:		
Effect of Common Units	7,662	
Effect of LTIP Units	1,748	
Weighted-average number of anti-dilutive securities	9,410	
	Year Ended December 31,	
	2017	2016
Numerators—Basic:		
Net income	\$666,873	\$1,308,273
Preferred Stock dividend	(15,936)	(15,935)
Allocation to noncontrolling interests	(9,539)	(19,906)
Net income attributable to common stockholders	\$641,398	\$1,272,432
Numerators—Diluted:		
Net income attributable to common stockholders	\$641,398	\$1,272,432
Diluted net income attributable to common stockholders	\$641,398	\$1,272,432
Denominators:		
Weighted-average number of common shares outstanding—basic	897,156	884,029
Effect of dilutive securities	50,403	68,304
Weighted-average number of common shares outstanding—diluted	947,559	952,333
Anti-dilutive Securities:		
Effect of Preferred Units	1,514	5,209
Effect of Common Units	6,592	4,782
Effect of LTIP Units	1,836	1,767
	9,942	11,758

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For the period January 1, 2018 through August 27, 2018, dilutive options and dilutive shares related to the Preferred Units are included in the denominator of dilutive EPS. Distributions to Preferred Units are included in the numerator of dilutive EPS. For

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

the years ended December 31, 2017 and 2016, dilutive options and dilutive shares related to the warrants are included in the denominator of diluted EPS.

Outstanding Common Units and LTIP Units have been excluded from the diluted earnings per share calculation because including such units would also require that the share of BPROP income attributable to such units be added back to net income therefore resulting in no effect on EPS. For the years ended December 31, 2017 and 2016, outstanding Preferred Units have been excluded from the diluted EPS calculation for all periods presented because including the Preferred Units would also require that the Preferred Units dividend be added back to the net income, resulting in anti-dilution.

During the year ended December 31, 2017, warrants were exercised for 83,866,187 shares of common stock using both full and net share settlement.

BPY owned 55,969,390 shares of treasury stock of GGP as of December 31, 2017. These shares are presented as common stock in treasury, at cost, on our Consolidated Balance Sheet. Additionally, BPR Nimbus LLC, (formerly known as GGP Nimbus, LP), held 27,459,195 shares of stock as a result of warrants purchased during the year ended December 31, 2013. These shares are presented as issued, but not outstanding on our Consolidated Balance Sheet as of December 31, 2017. Accordingly, these shares have been excluded from the calculation of EPS.

NOTE 12 STOCK-BASED COMPENSATION PLANS

Incentive Stock Plans

The GGP Inc. 2010 Equity Plan (the "Equity Plan") renamed as the Amended and Restated Brookfield Property REIT Inc. 2010 Equity Incentive Plan on August 28, 2018 in connection with the BPY Transaction, reserves for the issuance of 4% of outstanding Class A Stock on a fully diluted basis. The Equity Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, other stock-based awards and performance-based compensation (collectively, "the Awards"). The Company's directors, officers and other employees and those of its subsidiaries and affiliates are eligible for the Awards. The Equity Plan is not subject to the Employee Retirement Income Security Act of 1974, as amended. No participant may be granted more than 4,000,000 shares, or the equivalent dollar value of such shares, in any year. Options granted under the Equity Plan will be designated as either nonqualified stock options or incentive stock options. An option granted as an incentive stock option will, to the extent it fails to qualify as an incentive stock option, be treated as a nonqualified option. The exercise price of an option may not be less than the fair value of a share of BPR's Class A Stock on the date of grant. The term of each option will be determined prior to the date of grant, but may not exceed 10 years.

In connection with the BPY Transaction, the Company's Equity Plan was amended and certain outstanding awards were modified. All outstanding GGP in and out of the money options were canceled and replaced with Class A Stock of BPR and BPY options, respectively. Certain existing appreciation only LTIP awards were canceled and replaced with substitute awards of a BPY affiliate. Outstanding restricted GGP shares were replaced with restricted shares of Class A Stock. As the awards were modified in conjunction with an equity restructuring, they were accounted for as modifications. Incremental compensation cost was measured as the excess of the fair value of the replacement awards over the fair value of the original awards immediately before the terms were modified. Total compensation cost measured at the date of modification was the grant-date fair value of the original awards for which the requisite service is expected to be rendered (or has already been rendered) plus the incremental cost associated with the

replacement awards. For vested awards, incremental compensation cost was recognized on the modification date. For unvested awards, incremental compensation cost is being recognized over the remaining service period.

Stock Options

Stock options under the Equity Plan generally vest in 25% increments annually from one year from the grant date (subject to certain exceptions in the case of retirement).

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

The following tables summarize stock option activity for the Equity Plan for BPR for the years ended December 31, 2018, 2017 and 2016:

	2018		2017		2016	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price (2)
Stock options Outstanding at January 1,	14,427,103	\$ 17.84	15,277,189	\$ 17.90	18,162,700	\$ 17.34
Granted (1) (3)	1,068,818	19.70	—	—	247,592	20.81
Exercised	(338,715)	16.55	(690,969)	18.00	(2,886,986)	14.45
Forfeited	(8,377)	26.41	(153,822)	22.47	(230,509)	19.94
Expired	(55,917)	23.27	(5,295)	28.86	(15,608)	17.73
Conversion Effect (3)	(14,081,389)	17.85	—	—	—	—
Stock options Outstanding at December 31,	1,011,523	\$ 19.71	14,427,103	\$ 17.84	15,277,189	\$ 17.90

(1) Included in 2016 grants are 156,331 units related to additional grants required as a result of antidilution provisions triggered by our 2016 distribution of a special dividend declared on December 13, 2016 (Note 10).

(2) Changes to prior year weighted average exercise price is due to adjustment of the strike price for the special dividend issued in 2016.

(3) In connection with the BPY Transaction, outstanding GGP in and out of the money options were canceled and replaced with Class A Stock of BPR and BPY options, respectively. The BPY options remain outstanding as of December 31, 2018 as they are held by employees of BPR subsidiaries.

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable		
	Shares	Weighted Average Remaining Contractual Term (in years)	Weighted Average Exercise Price	Shares	Weighted Average Remaining Contractual Term (in years)	Weighted Average Exercise Price
\$17.01 - \$23.00	773,642	4.52	17.91	773,642	4.52	17.91
\$23.01 - \$30.00	237,881	5.83	25.58	188,141	5.71	25.64
Total	1,011,523	4.83	\$ 19.71	961,783	4.75	\$ 19.42
Intrinsic value (\$16.12 stock price as of December 31, 2018)	\$ (3,636)		\$ (3,176)			

There were no new stock options granted in 2018 and 2017. The weighted-average fair value of stock options as of the grant date was \$4.52 for stock options granted during the year ended December 31, 2016, excluding 156,331 of special dividend shares granted during 2016 as a result of antidilution provisions that were triggered by a special dividend distribution. The intrinsic value of stock options exercised during the year was \$1.6 million, \$3.9 million, and \$42.1 million for the year ended December 31, 2018, December 31, 2017, and December 31, 2016, respectively.

Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Restricted Stock

Pursuant to the Equity Plan, BPR made restricted stock grants to certain employees and non-employee directors. The vesting terms of these grants are specific to the individual grant. The vesting terms varied in that a portion of the shares vested either immediately or on the first anniversary and the remainder vested in the equal annual amounts over the next two to five years. Participating employees were required to remain employed for vesting to occur (subject to certain exceptions in the case of retirement). Shares that did not vest were forfeited. Dividends are paid on restricted stock and are not returnable, even if the underlying stock does not ultimately vest. The following table summarizes restricted stock activity for the respective grant year ended December 31, 2018, December 31, 2017 and December 31, 2016:

	2018		2017		2016	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested restricted stock grants outstanding as of beginning of period	982,529	\$ 25.42	453,596	\$ 27.16	206,219	\$ 29.16
Granted	667,831	21.52	771,960	24.77	329,326	26.20
Vested	(319,763)	24.35	(174,806)	26.76	(71,570)	28.48
Forfeited	(136,959)	24.27	(68,221)	26.24	(10,379)	27.28
Conversion Effect (1)	(460,062)	25.22	—	—	—	—
Nonvested restricted stock grants outstanding as of end of period	733,576	\$ 22.67	982,529	\$ 25.42	453,596	\$ 27.16

(1) In connection with the BPY Transaction, outstanding restricted GGP shares were replaced with restricted shares of Class A Stock.

The weighted average remaining contractual term of nonvested awards as of December 31, 2018 was 2.5 years. The fair value of shares vested during the year was \$7.8 million, \$4.7 million, and \$2.0 million for the year ended December 31, 2018, December 31, 2017, and December 31, 2016, respectively.

LTIP Units

Pursuant to the Equity Plan, GGP made LTIP Unit grants to certain employees and non-employee directors. The vesting terms of these grants are specific to the individual grant. A portion of the shares vest either immediately or on the first anniversary and the remainder vest in equal annual amounts over the next two to four years. Participating employees are required to remain employed for vesting to occur (subject to certain exceptions in the case of retirement).

LTIP Units are classes of partnership interests that under certain conditions, including vesting, are convertible by the holder into units of BPROP Series K preferred stock of the Operating Partnership, which are redeemable by the holder for shares of Class A stock on a one-to-one ratio (subject to adjustment for changes to the Company's capital structure) or for the cash value of such shares at the option of the Company.

Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

The following table summarizes LTIP Unit activity for the Equity Plan for the Company for the years ended December 31, 2018, December 31, 2017 and December 31, 2016:

	2018		2017		2016	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value (2)
LTIP Units Outstanding at January 1,	3,779,904	\$ 27.29	3,775,802	\$ 27.40	1,724,747	\$ 29.32
Granted (1)	1,387,289	22.51	122,547	25.40	2,089,917	25.84
Exercised	(73,660)	28.95	(92,880)	29.15	—	—
Forfeited	(856,467)	25.85	(25,565)	27.69	(38,862)	28.95
Canceled (3)	(1,204,203)	25.93	—	—	—	—
LTIP Units Outstanding at December 31,	3,032,863	\$ 26.01	3,779,904	\$ 27.29	3,775,802	\$ 27.40

(1) Included in 2016 grants are 19,064 units related to additional grants required as a result of antidilution provisions triggered by our 2016 distribution of a special dividend declared on December 13, 2016 (Note 10).

(2) Changes to prior year weighted average grant date fair value is due to adjustment of the strike price for the special dividend issued in 2016.

In connection with the BPY Transaction, certain existing LTIP awards were canceled and replaced with substitute (3) awards of a BPY affiliate. The substitute LTIP awards remain outstanding as of December 31, 2018 as they are held by employees of BPR subsidiaries.

Performance Equity Compensation

Pursuant to the Equity Plan, GGP made performance restricted stock and LTIP Unit ("equity performance instruments") grants to certain employees. These grants are subject to certain performance vesting conditions based on Relative TSR of the Equity REIT Index, Relative TSR of the Retail REIT Index, TSR growth of the company, and FFO Growth of the company. The equity performance instruments are considered earned based on meeting these performance vesting conditions, which are each weighted 25% and vest at the end of the three-year performance period. The LTIP Units receive dividends at a ratio of 10% cash and 90% as a dividend reinvestment which is subject to the performance vesting conditions and three-year performance period. As a result of the BPY Transaction, all performance metrics were deemed met with outstanding awards still requiring time vesting according to original grant terms.

The following table summarizes performance restricted stock and LTIP Unit activity for the respective grant years ended December 31, 2018 and December 31, 2017:

	2018		2017	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested performance grants outstanding as of beginning of period	1,074,595	25.59	593,200	26.07
Granted	406,306	21.52	554,264	25.11

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Vested	(77,969)	21.06	—	—
Canceled	(164,074)	25.56	(72,869)	25.82
Conversion Effect (1)	(97,185)	20.11	—	—
Nonvested performance grants outstanding as of end of period	1,141,673	24.92	1,074,595	25.59

(1) In connection with the BPY Transaction, all performance metrics were deemed met with outstanding awards still requiring time vesting according to the original grant terms.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

Other Required Disclosures

Historical data, such as the past performance of our common stock and the length of service by employees, is used to estimate expected life of the stock options, restricted stock, and LTIP Units and represents the period of time the options or grants are expected to be outstanding. The weighted average estimated values of options granted were based on the following assumptions:

	Year Ended		
	December 31,		
	2018	2017	2016
Risk-free interest rate (*)	2.37 %	2.45 %	1.52 %
Dividend yield (*)	4.09 %	3.47 %	3.07 %
Expected volatility	25.50 %	40.00 %	25.00 %
Expected life (in years)	6.25	6.25	6.25

(*) Weighted average

Compensation expense related to stock-based compensation plans is summarized in the following table:

	Year Ended December 31,		
	2018 (1)	2017	2016
Stock options—Property management and other costs	\$236	\$3,366	\$5,833
Stock options—General and administrative	122	7,732	10,448
Restricted stock—Property management and other costs	10,537	5,787	2,860
Restricted stock—General and administrative	12,514	3,357	635
LTIP Units - Property management and other costs	1,538	1,366	1,346
LTIP Units - General and administrative	22,709	18,621	14,804
Total	\$47,656	\$40,229	\$35,926

(1) In connection with the BPY Transaction, outstanding equity awards were modified resulting in an acceleration of expense of \$21.5 million.

Unrecognized compensation expense as of December 31, 2018 is as follows:

Year	Amount
2019	\$8,855
2020	4,681
2021	2,372
2022	350
	\$16,258

These amounts may be impacted by future grants, changes in forfeiture estimates or vesting terms, and actual forfeiture rates which differ from estimated forfeitures.

NOTE 13 ACCOUNTS RECEIVABLE

The following table summarizes the significant components of accounts receivable, net.

Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

	December 31, 2018	December 31, 2017
Trade receivables	\$97,329	\$109,968
Short-term tenant receivables	4,378	4,776
Straight-line rent receivable	137,387	233,630
Other accounts receivable	3,126	5,165
Total accounts receivable	242,220	353,539
Provision for doubtful accounts	(19,658)	(19,458)
Total accounts receivable, net	\$222,562	\$334,081

NOTE 14 NOTES RECEIVABLE

The following table summarizes the significant components of notes receivable.

	December 31, 2018	December 31, 2017
Notes receivable	239,597	404,129
Accrued interest	17,340	13,429
Total notes receivable	256,937	417,558

On July 12, 2017, we entered into a promissory note with our joint venture GSPHII, in which we lent GSPHII \$127.4 million that bore interest at 6.3% from January 1, 2018 until the note matured on December 31, 2018. Interest payments occurred a month in arrears, commencing on the first day of the second calendar month with a final payment on the maturity date. The note was collateralized by GSPHII's interest in four anchor boxes (Note 3). The \$127.4 million outstanding was paid down in full as of December 31, 2018.

On May 23, 2017, we entered into a promissory note with our joint venture partner, Bayside Equities, LLC ("Bayside Equities"), a subsidiary of Ashkenazy Holding Co., LLC, in which we lent Bayside Equities \$19.1 million that bears interest at 12.2% per annum. The note was collateralized by Bayside Equities' economic interest in Riverchase Galleria and the Tysons Galleria anchor box and was paid down as of December 31, 2018 in conjunction with the BPY Transaction.

Notes receivable includes \$204.3 million of notes receivable from our joint venture partners related to the acquisition of 730 Fifth Avenue in New York, New York. The first note was issued for \$104.3 million to our joint venture partner in the retail portion and bears interest at 8.0% compounded annually and matures on February 12, 2025. The second note was issued for \$100.0 million to the joint venture partner acquiring the office portion of the property and bears interest at 8.0% subject to terms and conditions in the loan agreement and matures on April 17, 2025. As of December 31, 2018, there was \$183.8 million outstanding on the first note. The \$80.0 million outstanding on the second note was paid down in full during the second quarter of 2018.

NOTE 15 PREPAID EXPENSES AND OTHER ASSETS

The following table summarizes the significant components of prepaid expenses and other assets.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

	December 31, 2018			December 31, 2017		
	Gross Asset	Accumulated Amortization	Balance	Gross Asset	Accumulated Amortization	Balance
Intangible assets:						
Above-market tenant leases, net	\$160,363	\$(125,152)	\$35,211	\$411,789	\$(313,228)	\$98,561
Below-market ground leases, net	61,983	(8,293)	53,690	118,994	(14,870)	104,124
Real estate tax stabilization agreement, net	111,506	(51,393)	60,113	111,506	(45,081)	66,425
Total intangible assets	\$333,852	\$(184,838)	\$149,014	\$642,289	\$(373,179)	\$269,110
Remaining prepaid expenses and other assets:						
Restricted cash			51,674			67,335
Security and escrow deposits			1,394			2,308
Prepaid expenses			39,816			54,987
Other non-tenant receivables			53,016			31,265
Other			18,734			69,790
Total remaining prepaid expenses and other assets			164,634			225,685
Total prepaid expenses and other assets			\$313,648			\$494,795

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

NOTE 16 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table summarizes the significant components of accounts payable and accrued expenses.

	December 31, 2018			December 31, 2017		
	Gross Liability	Accumulated Accretion	Balance	Gross Liability	Accumulated Accretion	Balance
Intangible liabilities:						
Below-market tenant leases, net	\$194,858	\$(76,825)	) \$118,033	\$348,984	\$(162,228)	) \$186,756
Above-market headquarters office leases, net	—	—	) —	4,342	(3,860)	) 482
Above-market ground leases, net	754	(73)	) 681	9,880	(2,648)	) 7,232
Total intangible liabilities	\$195,612	\$(76,898)	) \$118,714	\$363,206	\$(168,736)	) \$194,470
Remaining accounts payable and accrued expenses:						
Accrued interest			29,576			43,874
Accounts payable and accrued expenses			68,425			77,405
Accrued real estate taxes			59,877			78,213
Deferred gains/income			75,841			90,379
Accrued payroll and other employee liabilities			64,515			54,520
Construction payable			267,102			221,172
Tenant and other deposits			12,248			32,106
Insurance reserve liability			12,281			12,035
Capital lease obligations			5,385			5,385
Conditional asset retirement obligation liability			2,484			6,149
Other (1)			236,921			103,724
Total remaining accounts payable and accrued expenses			834,655			724,962
Total accounts payable and accrued expenses			\$953,369			\$919,432

(1) Increase relates to sales deposits received in advance of closing.

NOTE 17 ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of accumulated other comprehensive loss as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Net unrealized gains on financial instruments	\$133	\$116
Foreign currency translation	(82,786)	(72,022)
Accumulated other comprehensive loss	\$(82,653)	\$(71,906)

NOTE 18 LITIGATION

In the normal course of business, from time to time, we are involved in legal proceedings relating to the ownership and operations of our properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material effect on our consolidated financial position, results of operations or liquidity.

The Company is subject to litigation related to the BPY Transaction. The Company cannot predict the outcome of pending litigation, nor can it predict the amount of time and expense that will be required to resolve such litigation.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

NOTE 19 COMMITMENTS AND CONTINGENCIES

We lease land or buildings at certain properties from third parties. The leases generally provide us with a right of first refusal in the event of a proposed sale of the property by the landlord. Rental payments are expensed as incurred and have, to the extent applicable, been straight-lined over the term of the lease. The following is a summary of our contractual rental expense as presented in our Consolidated Statements of Operations and Comprehensive Income:

	Year Ended December 31,		
	2018	2017	2016
Contractual rent expense, including participation rent	\$7,105	\$8,561	\$8,589
Contractual rent expense, including participation rent and excluding amortization of above and below-market ground leases and straight-line rent	5,083	6,304	6,278

See Note 7 and Note 18 for our obligations related to uncertain tax positions and for disclosure of additional contingencies.

The following table summarizes the contractual maturities of our long-term commitments. Long-term debt and ground leases include the related acquisition accounting fair value adjustments:

	2019	2020	2021	2022	2023	Subsequent/ Other	Total
Mortgages, notes and loans payable	\$419,708	\$809,880	\$2,883,611	\$1,445,297	\$3,166,904	\$3,864,249	\$12,589,649
Retained debt-principal	1,917	81,364	—	—	—	—	83,281
Purchase obligations	269,568	—	—	—	—	—	269,568
Ground lease payments	2,139	2,174	2,209	2,226	2,233	84,976	95,957
Junior Subordinated Notes (1)	—	—	—	—	—	206,200	206,200
Corporate Leases	7,809	7,990	8,177	8,366	8,561	33,859	74,762
Uncertain tax position liability	—	—	—	—	—	—	—
Total	\$701,141	\$901,408	\$2,893,997	\$1,455,889	\$3,177,698	\$4,189,284	\$13,319,417

The \$206.2 million of junior subordinated notes are due in 2036, but may be redeemed any time after April 30, (1)2011. As we do not expect to redeem the notes prior to maturity, they are included in the consolidated debt maturing subsequent to 2023.

NOTE 20 SUBSEQUENT EVENTS

On January 7, 2019, the Company completed the sale of its 12% interest in Bayside Marketplace for a gross value of \$42.0 million.

On January 30, 2019, we entered into a revolving credit facility with BPY Bermuda Holdings IV Limited in which we lent \$330.0 million. The note has an interest rate of LIBOR plus 2.50% and matures on January 30, 2020.

On February 11, 2019, the Company made an offer to purchase for cash up to \$95,000,000 in value of its class A stock, at a price between \$19.00 and \$21.00 per share.

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Brookfield Property REIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except share and per share amounts)

NOTE 21 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly data for the year ended December 31, 2018 and 2017 is summarized in the table below. In Q1 2018 and Q3 2018, they include the impact of provisions for impairment (Note 2). In Q2 2017, Q3 2017, Q4 2017, Q1 2018, Q3 2018 and Q4 2018, the adjustments include gains from changes in control of investment properties in continuing operations. In Q4 2017, Q1 2018 and Q3 2018, the adjustments include gains on investment in Unconsolidated Real Estate Affiliates (Note 3).

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	\$574,166	\$583,144	\$493,149	\$413,575
Income from continuing operations	65,896	95,564	3,712,255	290,054
Net income attributable to Brookfield Property REIT Inc.	64,036	93,615	3,683,274	249,616
Class A Stock Earnings Per Share:				
Basic & Diluted Earnings Per Share	—	—	0.315	0.315
Dividends declared per share	—	—	0.315	0.315
Common Stock Earnings Per Share:				
Basic Earnings Per Share	0.06	0.09	4.70	—
Diluted Earnings Per Share	0.06	0.09	4.68	—
Dividends declared per share	0.22	0.22	—	—
Weighted-average shares outstanding:				
Basic	957,450	958,387	777,208	—
Diluted	960,293	960,195	781,030	—
	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	\$566,332	\$555,796	\$578,357	\$627,375
Income from continuing operations	110,369	128,318	226,272	201,914
Net income attributable to Brookfield Property REIT Inc.	107,160	125,863	222,780	201,531
Basic Earnings Per Share	0.12	0.14	0.25	0.21
Diluted Earnings Per Share	0.11	0.13	0.23	0.21
Dividends declared per share	0.22	0.22	0.22	0.22
Weighted-average shares outstanding:				
Basic	884,505	882,255	878,663	942,766
Diluted	949,516	945,325	940,184	954,947

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Brookfield Property REIT Inc.
 SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2018
 (Dollars in thousands)

Name of Center	Location	Encumbrances (a)	Buildings Land and Improvements	Costs Capitalized Subsequent to Acquisition Period (c)	Gross Amounts at Close of Acquisition Period (c)	Buildings Land and Improvements	Buildings Land and Improvements	Buildings Land and Improvements	Accumulated Total Depreciation (d)	Date Acquired	Life Upon Which Latest Statement of Operation is Computed
200 LaFayette	New York, NY	26,635	29,750	0,674	(9,678)	185,693	20,342	81	55,053	April, 2015	(d)
218 W 57th Street	New York, NY	53,000	66,973	7,022	—	1,011	66,387	833	105,010	September, 2017	(d)
530 5th Avenue	New York, NY	147,612	189,494	4,481	—	25,051	289,249	532	414,626	September, 2017	(d)
605 North Michigan Avenue	Chicago, IL	79,863	50,980	0,634	—	2,831	50,980	065	144,645	December, 2016	(d)
685 Fifth Avenue	New York, NY	272,915	449,756	7,780	0,020	1,524	597,638	—	549,301	September, 2017	(d)
830 North Michigan Avenue	Chicago, IL	84,842	33,200	23,553	5,298	1,020	48,492	655	181,263	October, 2013	(d)
Beachwood Place	Beachwood, OH	212,665	99,156	96,205	3,354	8,899	66,243	1,104	311,674	November, 2010	(d)
Bellis Fair	Bellingham, WA	83,162	14,120	202,033	—	33,087	14,132	1,120	149,347	November, 2010	(d)
Brass Mill Center	Waterbury, CT	65,309	31,490	99,107	—	14,025	31,490	132	144,608	November, 2010	(d)
Coastland Center	Naples, FL	114,022	24,470	66,038	—	4,028	24,470	066	194,536	November, 2010	(d)
Columbia Mall	Columbia, MO	53,145	7,943	107,960	1,540	722	7,789	7,247	115,016	November, 2010	(d)
Coral Ridge Mall	Coralville, IA	106,912	20,178	34,512	2,219	6,405	22,160	920	183,317	November, 2010	(d)
Crossroads Center	St. Cloud, MN	94,316	15,490	03,077	—	8,179	15,490	256	126,254	November, 2010	(d)
Deerbrook Mall	Humble, TX	134,970	6,761	133,448	—	20,313	36,751	761	190,520	November, 2010	(d)
Eastridge Mall	Casper, WY	42,477	5,484	36,756	—	8,682	5,484	438	50,912	November, 2010	(d)
Four Seasons Town Centre	Greensboro, NC	30,628	17,259	26,570	—	17,102	17,259	672	160,987	November, 2010	(d)
Fox River Mall	Appleton, WI	165,352	2,259	17,931	1,037	561	42,256	493	267,649	November, 2010	(d)

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Grand Teton Mall	Idaho Falls, ID	44,601	13,065	9,658	1,073,854	11,322,804	67,793,770	November, 2010	(d)	
Greenwood Mall	Bowling Green, KY	61,440	12,458	5,370	1,416,208	13,876,788	105,254,998	November, 2010	(d)	
Hulen Mall	Fort Worth, TX	88,932	28,665	12,252	—	29,210	8,661,462	150,127,341	November, 2010	(d)
Jordan Creek Town Center	West Des Moines, IA	201,023	34,663	26,608	8,042	4,730	60,275,338	348,673,676	November, 2010	(d)
Mall of Louisiana	Baton Rouge, LA	323,978	88,743	21,097	1,411	10,100	88,379,197	417,688,541	November, 2010	(d)
Mall St. Matthews	Louisville, KY	176,284	2,014	55,809	6,522	2,994	35,492,803	212,395,836	November, 2010	(d)
Mayfair Mall	Wauwatosa, WI	341,408	4,473	52,140	1,937	1,655	82,323,795	482,818,801	November, 2010	(d)
Meadows Mall	Las Vegas, NV	141,635	0,275	36,846	1,574	190	28,740,036	168,297,257	November, 2010	(d)
Mondawmin Mall	Baltimore, MD	83,644	19,706	3,348	—	23,302	19,870,650	106,327,777	November, 2010	(d)
Neshaminy Mall	Bensalem, PA	411	11,614	8,224	4,401	5,919	16,641,643	80,159,905	June, 2017	(d)
North Point Mall	San Antonio, TX	249,703	7,902	28,517	—	11,446	57,239,963	297,863,239	November, 2010	(d)
North Star Mall	Northridge, CA	298,289	1,133	92,422	—	18,511	91,435,933	502,868,864	November, 2010	(d)
NorthTown Mall	Spokane, WA	84,954	12,310	08,857	—	31,679	12,340,536	152,846,553	November, 2010	(d)
Oakwood Center	Gretna, LA	85,219	21,103	4,228	4,302	8,209	25,402,437	127,851,958	November, 2010	(d)
Oakwood Mall	Eau Claire, WI	69,662	13,789	2,114	204	5,046	13,979,060	111,250,710	November, 2010	(d)
Oxmoor Center	Louisville, KY	83,817	—	117,814	—	15,546	—	133,360,465	November, 2010	(d)

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Name of Center	Location	Encumbrances (a)	Acquisition Cost (b)		Costs Capitalized Subsequent to Acquisition		Gross Amounts at Which Carried a Close of Period (c)		
			Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements	Total
Paramus Park	Paramus, NJ	119,626	31,320	102,054	5,563	52,275	36,883	154,329	191,212
Park City Center	Lancaster, PA	173,813	42,451	195,409	—	3,772	42,451	199,181	241,632
Peachtree Mall	Columbus, GA	75,151	13,855	92,143	734	9,022	14,589	101,165	115,754
Pecanland Mall	Monroe, LA	83,643	12,943	73,231	—	10,749	12,943	83,980	96,923
Pioneer Place	Portland, OR	124,776	21,462	97,096	(3,890)	115,032	17,572	212,128	229,700
Prince Kuhio Plaza	Hilo, HI	40,391	—	52,373	—	24,344	—	76,717	76,717
Providence Place	Providence, RI	369,763	—	400,893	—	78,232	—	479,125	479,125
Quail Springs Mall	Oklahoma City, OK	68,959	40,523	149,571	(24)	16,288	40,499	165,859	206,358
River Hills Mall	Mankato, MN	69,703	16,207	85,608	—	13,140	16,207	98,748	114,955
Rivertown Crossings	Grandville, MI	137,916	47,790	181,770	(504)	11,286	47,286	193,056	240,342
Sooner Mall	Norman, OK	70,561	9,902	69,570	—	2,956	9,902	72,526	82,428
Southwest Plaza	Littleton, CO	113,414	19,024	203,044	(16)	(12,524)	19,008	190,520	209,528
Spokane Valley Mall	Spokane, WA	55,643	16,817	100,209	—	(7,874)	16,817	92,335	109,152
Staten Island Mall	Staten Island, NY	240,010	102,227	375,612	11,118	216,340	113,345	591,952	705,297
Stonestown Galleria	San Francisco, CA	179,391	65,962	203,043	(1,686)	51,264	64,276	254,307	318,583
The Shoppes at Buckland	Manchester, CT	115,818	35,180	146,474	(280)	6,228	34,900	152,702	187,602
The Streets at SouthPoint	Durham, NC	238,444	66,045	242,189	(74)	12,418	65,971	254,607	320,578
The Woodlands Mall	The Woodlands, TX	296,788	84,889	349,315	2,315	50,103	87,204	399,418	486,622
		160,114	9,928	168,555	—	21,747	9,928	190,302	200,230

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Town East Mall	Mesquite, TX									
Tysons Galleria	McLean, VA	293,377	90,317	351,005	(105)	89,241	90,212	440,246	530,458	
Valley Plaza Mall	Bakersfield, CA	236,676	38,964	211,930	6,763	47,838	45,727	259,768	305,495	
Visalia Mall	Visalia, CA	73,974	11,912	80,185	—	4,555	11,912	84,740	96,652	
Westlake Center	Seattle, WA	45,729	19,055	129,295	(14,819)	(60,668)	4,236	68,627	72,863	
Willowbrook	Wayne, NJ	359,555	110,660	419,822	—	34,769	110,660	454,591	565,251	
Construction in progress and other (e)		4,949,781	21,447	61,894	(5,951)	988,253	15,497	1,050,147	1,065,64	
Total		\$12,795,849	\$2,785,580	\$9,134,388	\$(78,880)	\$2,216,386	\$2,706,701	\$11,350,774	\$14,057,	

(a) See description of mortgages, notes and other loans payable in Note 6 of Notes to Consolidated Financial Statements. Includes \$1.4 billion cross-collateralized loan.

(b) Acquisition for individual properties represents historical cost at the end of the month acquired.

(c) The aggregate cost of land, buildings and improvements of consolidated properties for federal income tax purposes is approximately \$11.9 billion.

(d) Depreciation is computed based upon the following estimated useful lives:

	Years
Buildings and improvements	10 - 45
Equipment and fixtures	3 - 20
Tenant improvements	Shorter of useful life or applicable lease term

(e) Other retail properties.

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Brookfield Property REIT Inc.
NOTES TO SCHEDULE III
(Dollars in thousands)

Reconciliation of Real Estate

	2018	2017	2016
(In thousands)			
Balance at beginning of period	\$21,444,712	\$19,409,217	\$20,285,046
Additions	818,570	2,428,887	958,651
Impairments	(64,699)	—	(130,619)
Dispositions, transfers and write-offs	(8,141,108)	(393,392)	(1,703,861)
Balance at end of period	\$14,057,475	\$21,444,712	\$19,409,217

Reconciliation of Accumulated Depreciation

	2018	2017	2016
(In thousands)			
Balance at beginning of period	\$3,188,481	\$2,737,286	\$2,452,127
Depreciation expense	583,024	644,148	620,540
Dispositions, transfers and write-offs	(1,556,902)	(192,953)	(335,381)
Balance at end of period	\$2,214,603	\$3,188,481	\$2,737,286

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