Brookfield Property Partners L.P.
2017 Investor Day Presentation
Transcript

Date: **Wednesday, September 27, 2017**

Time: **3:45 PM ET**

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Brian Kingston:

Okay. Good afternoon, everyone. For those of you who've been here all day, thank you. We appreciate it. This is the last section, which is for Brookfield Property Partners. I'm Brian Kingston, CEO of the Company. A couple of my colleagues who'll be joining me up here on the stage, Ric Clark who's our Chairman, and Bryan Davis, our CFO. Then following our presentation, obviously we'd be happy to take any questions on the business.

Just by way of background or introduction, Brookfield Property Partners is Brookfield's publicly traded primary vehicle to make all of our investments across everything that we do in real estate. Really, our goal is to be a leading owner and operator of real estate assets around the world, generating 12% to 15% total returns for our investors. Those investments are really generated from three primary areas. One is a high and growing distribution yield, as well as combined with an appreciation in the asset value over time as the cash flows continue to grow.

Over the last four years we've been delivering on that. Distributions since 2014 have grown at an average 6% annual compound rate, and including appreciation in our share price, we've been delivering total returns right in our targeted zone. Notwithstanding that, the shares do continue to trade at a discount to what we think the underlying value of our real estate would be worth in private markets, and so over the last couple of years we've been adding and committing an increasing amount of our capital toward buybacks of our own units at very attractive prices, and you'll continue to see us do that.

Last year at our Investor Day 12 months ago, in an effort to trying to address that trading share price or the discount that we saw to the underlying value, we talked about the idea of potentially looking at converting BPY to a REIT. Over the last 12 months, what we've concluded is technically it's possible. It can be done, and really, the advantages of something like would be to make the stock appeal to a broader universe of investors through index inclusion.

On the negative side, though, as we've worked through it, there would be substantial costs associated with such a conversion. It would take a long time and it would put some restrictions on how we operate our business, including the tax attributes of some of our income and our assets. At the same time—and I'm going to come back to this in a later slide in a couple of minutes—it's not totally certain that it would necessarily result in a higher share price. With all of that really as context, at the moment it's not something that we're currently pursuing actively, although it does still remain a possibility at some point in the future and it's possible that maybe it's something in conjunction with a broader strategic initiative that we undertake at some point in the future.

Throughout the day, as you know, we have been doing a number of polling questions. I'm going to do the first one now, which does relate to our share price. If I were to ask you how you think our shares have performed relative to the MSCI U.S. REIT Index this year over the last 12 months since the last Investor Day, if you have an iPad, you have four choices here. We either outperformed by 5%; outperformed but by less than 5%; underperformed by greater than 5%; or underperformed by less than 5%. By the way, we can tell if you're checking this on Google Finance before you've entered it, so—and I'd say probably 45% of you did, or maybe it was an obvious question the way it was phrased.

Maybe just turning back to the slides for a second, we did in fact outperform the RMZ by 6% over the last 12 months. We also track a shadow REIT, which is a group of our public peers weighted by the equity components of our business to create a shadow REIT of BPY. Again, it’s that REIT Index we actually outperformed by 19% over the last 12 months. In case you think it had something to do with us saying we were thinking about converting to a REIT 12 months ago, it's actually held true over the last four years, really since the acquisition of BPO closed, Brookfield Office Properties, in 2014. We've outperformed both indexes.

As I said earlier, with the whole discussion around REIT conversion, it's technically possible, it's expensive, and the benefits are questionable, so at this point it's not something high on our list of priorities. What is high on our priorities, though, is continuing to deliver on our financial performance. We keep you updated regularly in our Letters to Unitholders each quarter on how we're doing against our various strategic initiatives and things like recycling capital in our earnings.

But today we really wanted to focus on three things in particular that we really think are going to define the future over the next five years and really make BPY very unique as an investment vehicle compared to some of our other peers. Really, those three things, in summary, are the ability to invest in these opportunistic strategies. I'm going to talk a little bit about this in a few minutes, but this is primarily our LP investments through Brookfield-sponsored real estate private equity funds. These are very high-quality portfolios diversified around the world, across multiple sectors and are generally earning us north of 20% returns, which is obviously far in excess of a simple buy-and-hold real estate strategy.

Number two, Ric's going to talk a little bit about some of the things that we're seeing in major cities around the world. Obviously, urbanization is a huge trend and we're seeing some great opportunities to deliver premier mixed-used office and multifamily projects in these cities, and it's really going to be an engine of growth for the business over the next five years as some of these projects begin to come online and new ones, as well, come into the portfolio.

Then finally, we think there's a real opportunity right now in the U.S., in retail in particular, given a dislocation that's happening there. Obviously, everybody here has read headlines about the challenges that retailers are facing. We think this is one of these classic Brookfield moments where others are fearful and there are opportunities if you have a long-term focus and the right operating capability to take advantage of these situations.

That's really what we're going to cover over the next hour or so. Starting first with Opportunistic investments, as I said, we currently have a little over $5 billion or 20% of our balance sheet invested in these strategies and we anticipate over the next three years that this will continue to grow. Really, our competitive advantages—and in addition to the overall scale of our business, really our—we've got a long history of building businesses. We have 16,000 people in our real estate operating platforms around the world that we leverage them extensively to help us identify investment opportunities and then, ultimately, to manage them. As I mentioned earlier, we're not afraid to pursue multifaceted or complex transactions that discourage others and limit competition or take contrarian views whether that's in particular markets or sectors.

Although it's not easy, it is a very simple and very repeatable business model. It really is about finding high-quality real estate, buying it on a value basis—oftentimes that means below replacement cost—working the assets very hard to unlock value on them; and ultimately thinking about how we protect ourselves against the downside because real state is cyclical and we always remember that when we're making our investments, and sometimes you get your timing wrong. But if you've got the right capital structure in place, you've got enough protection or margin of safety through buying on a value basis, you can ride out those cycles, and ultimately, that's how you make these kinds of returns over the long-term.

A lot of that's pretty theoretical. I thought it might be helpful to walk through a couple of case studies or real-life examples of where we've been putting this into work over the last several years. Starting first with IDI Gazeley, in 2013 we assembled a global logistics platform North American and European-wide through the acquisition of three businesses which we then subsequently merged together, streamlined

the operations pretty extensively, and really reworked the management team. The idea here was at the time we saw tremendous demand happening around logistics, particularly around new construction and logistics. These businesses all had an extensive development capability and a land bank we were able to acquire on a very attractive basis. Over the last five years since we've owned it, we've developed, delivered, and leased up over 25 million square feet of logisticsspace. We've leased a further 40 million square feet, improving the overall occupancy of this portfolio to a stabilized 94%.
Much like with all of our other businesses, we've recycled nearly $2 billion of capital out of slower growth, smaller markets, and really created a very focused portfolio in the best markets in Europe and the U.S. As we were doing all of that, we increased rents on average about 12%.

The net result of that, in 2013, we invested about $1.3 billion of equity. Over the four years that we've owned the business, it's returned or distributed almost $600 million, or nearly half of our capital has already come back. We continue to own 100% of the business today and it has a net asset value of north of $2 billion and is running in a mid double digits cash-on-cash yield. So, very successful, and as I say, easy to describe, not easy to do but a good example of how by buying three subscale platforms we were able to integrate it into a much larger one and then really put some heft behind the business.

This is one of the assets we developed for Amazon in Europe.

I talked a little earlier about the importance of having these operating platforms and being able to leverage our operating people around the world. Nowhere is that more true than in India, and I think as—for those of you who've been here all day, you probably heard a great deal about India and why we like the market—but we opened our first office in India in 2007, and it wasn't until 2014 that we actually felt comfortable enough in the market to make our first investment. We spent a long time learning about it, building up our capabilities and the team there, but, ultimately, in 2014 we bought this business which was a partially constructed 15.5 million square foot office portfolio. It was a very complicated transaction, so again, in the vein of not many people would have spent three years pursuing a privatization of two companies and merging them together, it created a really unique opportunity for us to buy high-quality assets at a big discount. Then once we got a hold of it, we really put our entire office platform behind this business. We brought our global best practices, our tenant relationships—and a lot of the tenants that we were dealing with in India are the same ones we deal with here in North America.

As a result of that, we've leased over 4 million square feet in the three years that we've owned it.

We've completed almost 3 million square feet of new development which is now fully leased up as well, and, fortunately, along the way, the currency and interest rates have cooperated with us and we've been able to take some capital out of that business through refinancing.

Again, the summary of the investment: we put about $350 million of equity into this business in 2014. Including the distributions to date that we have and the current value of that business, it's nearly three times our initial investment and we think by the time that we're done and we've completed all of the remaining developments, this investment will return nearly four times our original capital. These are assets that if they were in any other developed market around the world you'd be very fortunate to earn high single-digit returns on them, so they're very consistent with the type of assets that you'd be familiar with us owning around the world.

Brazil's another place where obviously we've been much longer than India and another place where it's really important to have people on the ground and understand what's happening so that when opportunities do present themselves you're able to move quickly. So, 2009 to 2013, when the BRICs economies were the darling of the world, there was a lot of capital coming into Brazil and we weren't terribly active on the real estate side. But then things turned in 2014, 2015, and ultimately we had an opportunity to acquire one of the highest quality office portfolios in the country located in Rio and São Paulo, brand-new office portfolio. All of these assets were less than four years old at a 30% discount to what it had cost the previous owner to build them. It was a contrarian investment. Capital was running through the hills. We were the only ones running into the burning building. At the time, it was unclear how much lower things could go in Brazil and I think this was a classic example of looking at the assets, taking a longer-term view, and having enough knowledge about the market to know that this was a great opportunity.

For the first 12 months that we owned this portfolio, the phone didn't ring. There was not a whole lot of leasing activity that happened. But over the last nine months, we've actually leased up about 400,000 square feet of the vacant space and taken the occupancy of this portfolio from 70% to the mid-80%, and we should be north of 90% occupied by the end of this year.

Again, you can see the kind of returns at the bottom. Importantly, along with this investment, interest rates were 14% in Brazil at the time we made it, so we made a decision not to put financing on the portfolio. As Bruce mentioned earlier, rates have gone from 14% to 8%. There's a tremendous opportunity now to refinance this portfolio and take out most of our capital at much more attractive returns. Again, similar to India, these are exactly the kind of office buildings that we'd expect to own here and where investors are very happy to get 8% or 9% returns.

Lest you think that I just selected three really good ones and used those as the case study, since going back to 2006, we've actually put $17 billion of equity to work in our various Opportunistic Fund strategies in real estate and you can see the returns across that entire investment spectrum is in the mid-20s. As I say, it's not easy but it's simple, it's repeatable, and when we look forward over the next five years, we think we can continue to do this.

Where we'll invest, the types of assets that we're investing in will change as markets change, but I think having that core underlying philosophy is really what's allowed us to have a very long-term track record through multiple cycles.

Then importantly for BPY, I mentioned earlier that we see the capital or the amount of capital that we have allocated to this strategy increasing over the next five years. We're now in a situation where some of these earlier vintage funds are starting their realization periods and we'll actually start to return significant amounts of capital to us, obviously at multiples of what we put in, in the original investment. So this strategy becomes largely self-funding as those earlier funds liquidate and return capital, that provides us the capital we need to keep reinvesting in this strategy. You can see over the next five years it begins to ramp up pretty substantially.

The second area that we really want to talk about today and take you through relates to our urban footprint and the development of some of our mixed-use complexes around the world, and so Ric Clark has been spearheading all of that for us and he's going to give you a bit more background.

Ric Clark:

Thank you, Brian. Good afternoon, everyone. Office, as a property sector, has historically been pretty straightforward, if not a bit boring. But innovation, the changing attitudes and demands of the age group that is increasingly driving the world's economy—the millennials—has caught up to the office sector, forcing landlords to be a bit on their toes and to think more like those in the hospitality business. I'd like to think at Brookfield we've anticipated this and, as a result, have been employing strategies to maximize the desirability and success of our Core Office and multifamily holdings. We call this place-making, and if you'll forgive me for a little bit of selfless self-promotion here, shameless self-promotion, Brookfield Place-making. I'm going to spend the next few minutes talking about that approach and our core business as well.

Through a combination of large acquisitions, recapitalizations, some single asset purchases, and a bunch of developments, Brookfield has compiled one of the most highly regarded premier office portfolios in the world. Today, as you know, we're in Brookfield Place New York, one of the most widely known complexes within our portfolio, if not the world, and it's a good place to start to showcase how we think about this place-making.

Five years ago—and this won't be news to many of you here—but Brookfield faced a real estate challenge of near biblical proportions at this flagship Lower Manhattan property. At the height of the global financial crisis, Merrill Lynch, our largest tenant in the complex, merged into Bank of America and moved its 3 million square feet out of the complex and into BofA's shiny new tower on 42nd Street.

Financial firms have long since stopped needing to be co-located downtown like those Wolf of Wall Street glory days gone by. Merrill's exit from this complex and the scale of the hole that needed to be filled was nearly unprecedented. They were about 40% of the property's 7.5 million square feet, which was expected to become vacant, and the industry that have driven the market in this complex's success for so long, financial services, was real reeling from the 2008 financial crisis. So some industry observers looked on with what would be understandable skepticism about the enormity of the challenge before us.

The New York Times said, “Filling the office space there is likely to be daunting. The enormity of the challenge seems to be pretty striking.” *Bloomberg* called it, ‘A perfect real estate storm. The leasing task in front of them,’ they said, ‘remains monumental.’ Fortunately, thanks to hard and creative and perceptive work by an undeterred team, the skepticism didn't last that long.

Not even 18 months later we struck a deal with Time Inc. to move its headquarters into this complex, and thanks to them today for allowing us to use their auditorium. Four months after that we did the same with Saks Fifth Avenue's owner, Hudson Bay Company, which was looking to open a Saks store in New York outside of its flagship location. They liked the complex so much when they came down looking at retail space, they not only opened a women's store but they also opened a men's store and also moved their Corporate, Saks and Lord and Taylor headquarters into the complex as well.

Tenant after tenant followed and soon the headlines turned around. In March 2015, the *New York Post* wrote, 'The biggest news might be Brookfield's methodical piece-by-piece refilling of the former World Financial Center's Office Towers, which seemed to be reeling a few years ago from an Empire State Building's worth of empty space.' Earlier this year they wrote, after a deal that we signed with Rauxa, 'Brings Brookfield Place's 8.5 million square feet of office floors to nearly 100% occupied, a Tom Brady Super Bowl comeback.'

So what happened? How did we go from this daunting task and perfect real estate storm to this Super Bowl-scale kind of come back? The answer is really Brookfield place-making, which increasingly is guiding our real estate strategy across the globe. Over the years we have worked hard to anticipate and invest in important lasting trends but to also avoid banking on fads. Before spending a dime on reinventing the World Financial Center, we took a multiyear step back to listen to our existing and potential tenants and to think about what we could do to help them address their future needs and help facilitate the success of their business. In that process, we observed some really important global trends.

The first is that cities are growing very dramatically. Meanwhile, millennials are increasingly driving today's businesses and the world's economy, and their attitudes, behaviours, how they work, how they learn, what they want out of life and work are all evolving. But what is crystal clear is that it's very different from the age cohorts that preceded them. In thinking about that, it's also important to consider the very clear growth of cities, something we see firsthand given Brookfield's reach as a global property enterprise.

In 1950, 725 million people, or 29% of the world's population lived in cities. By 2014, that number grew to 3.9 billion people or 54% of the population, and in 25 years, many estimate that our cities will be home to 6 billion people, a full two-thirds of the world's population. What we know for sure is that the world's population is growing and is increasingly re-urbanizing. This growing population is going to need a place to live, to work, and clearly, that presents an opportunity as well as a challenge for those of us in the real estate business.

At the same time, it's not merely the growth that it's interesting but the makeup of the working population. In just a few short years, millennials—and those are the group born between 1980 and 2000—will make up a full half of the global workforce. To be successful in the Office sector, it's important to understand their attitudes and behaviours, about how they want to work, how they want to live, how they want to play, and it's changing fast and it's simply very different, as I said, from the office workforce of previous generations.

For the millennial generation, the work, play, life balances is paramount. They want immediate access to all three as they often switch from one to the other in a moment's notice and at non-traditional hours. They may come in at 10:00 a.m. and work for four or five hours, disappear for two hours, and come back and work to midnight.

They care a lot about their work environment. More than three-quarters see workplace quality as important when choosing a job. More than half say their office location is very or extremely important. They want proximity to amenities, retail, restaurants, culture, social aspects and that kind of thing. They want to live in proximity to where they work. Half of the millennials say that the longest commute that they will tolerate is simply 30 minutes, and 20% say they won't tolerate more than 20 minutes.

Contrary to popular belief, millennials are not as disloyal to their employers as many people think. Today's workforce is certainly more likely to change jobs than that of previous generations, but most millennials say they are not looking for new opportunities. Companies have to invest to attract and retain them, but if they do, it can pay off very handsomely.

Employers have sensed this and have changed the way that they think about their office space. It wasn't long ago that the rise in remote working led some companies to develop flexible policies that had many people build out home offices and led to predictions by many of those that followed the real estate business or invested in it, of the great reduction in the need for traditional office space. They were right about one thing: the desire for traditional office space was affected, but somewhat like the premature obituary for physical retail that Bryan will talk about in a few minutes, the effect was to change office space, not to eliminate the need for it. Open plans, collaborative environments, and social spaces have increasingly become the norm for employers, certainly in Australia and Europe and most parts of the world, with the U.S. stubbornly getting on the program. We've past the high point of remote work with the trend now heading in the other direction.

Out of observing the actions and desires of this millennial group and the changing face of office environments, we developed this Brookfield place-making approach. We recognize that simply building a good office building was no longer good enough. At the end of the day, we concluded that we could only be successful if our clients—our tenants—were successful. It's a competitive world and what often makes the difference between winning and losing firms is its people. Through a combination of ground-up development and innovative repositioning of existing assets, we've been working to create vibrant, experiential destinations that help employers attract, retain, and motivate top talent, which is the lifeblood of their businesses.

In addition to premiere Class A office space, a good place combines attractive of-the-moment retail, great amenities, the best thinking and design sustainability, and the new trend which is wellness. How does an office space and the products that were used in building it impact the way a person feels when they go home and when they're at work? It also includes great public spaces enlivened with year-round arts and events, with hotels and residential properties in the complex or nearby. While these criteria are common to most of our complexes, we know that no two destinations should be exactly alike.

As we implement this framework around the world, it's important to understand the local market trends and conditions, and think about what the market will get excited about and respond to in that particular market. So, we not only bring some of the world's top people involved in design, sustainability, wellness, and retail and property reposition into each project, but we also match them up with local resources in design, construction, leasing, to help advise our local teams in order to carefully dialogue about what will work and what will not work, which we think is really important.

Now that I've described sort of our place-making approach, let's circle back to how we implemented it here at Brookfield Place in New York. First of all, we made a major $300 million investment and created brand new public spaces. What were long a series of dated closed-in office lobbies were repurposed essential meeting and social places, and vibrant hubs of activity for tens of thousands of office tenants, community residents, and visitors every day were created.

We also redesigned the entire retail environment within the complex, focusing on opening the space with the expansive use of the Hudson River, Statue of Liberty, and other outdoor water spaces. We resisted the urge to create as much retail space as we could, closing the complex back in, but instead opened it up to the outside. We created better access to the Winter Garden, the immense pavilion with the glass dome ceiling that serves as the retail development's Central Plaza, and we were successful in creating one of the finest curated retail communities in New York. The world's leading luxury brands have established signature stores here within the complex as have highly desired, more moderately priced offerings as well.

Foot traffic throughout the complex has grown dramatically. More than 25 million people came through last year, up more than 50% over the prior year, and retailers are all reporting highly successful sales growth. We focused on experiential amenities and created Hudson Eats, a major upscale dining terrace overlooking the Hudson River, as well as the District of French Food Hall and Marketplace. We assumed operational control of the North Cove Marina as well and put in a sailing school to serve the local community.

We also enlivened all of it, inside and out, with our Arts Brookfield award-winning Arts and Events Program. In the end, we created a vibrant, thriving mixed-use district that has become one of New York City's most exciting commercial and retail destinations and most sought after office locations.

When stabilized—and I guess this is the important part—the complex will have increased in value by $1.3 billion or four times the amount of capital that we put into repositioning it. The retail value alone increased about $645 million or 2.8 times the capital that we invested in that particular component.

Today, we're continuing to take this place-making approach to destinations around the world. In fact, we built a network of 11 of these places around the world. I can't think of any other owner of properties that has this many. Together, they will constitute a global network of world class, iconic properties that are among the top mixed-use complexes in the respective cities. These destinations represent just one piece of our portfolio for sure, but together they represent nearly $30 billion in assets or a full fifth of the Brookfield Property Group's total assets under management, or roughly half of the equity base within BPY, and they also represent a big part of our strategy.

I'll take a minute maybe to just briefly take you through a few of these places around the world. Canary Wharf, which I imagine most of you are aware of, is an internationally renowned 17 million square foot district in London built on acres of underutilized docklands. The district features 31 office buildings that are home to leading companies and a diverse range of industries, five shopping malls with about a million square feet of retail space, top-tier events menu, and nearly 20 acres of landscaped open space. At Canary Wharf, I think the exciting thing for us is the adjacent New District formerly referred to as Wood Wharf, directly to the east. There's 11 million square feet of new density there, half of which has been earmarked for residential, which will bring a brand-new 24-hour population to the area.

Our first Brookfield Place was in Toronto. It's on a 6-acre site, two major office towers, and again, with a bunch of retail and a beautiful glass atrium and Arts and Events program.

A recent addition to our Brookfield Places is in Perth, Australia, a major commercial district in one of Australia's most significant commercial precincts. The centrepiece of the complex is a 45-storey office tower incorporating the latest in workplace design, high-end retail and dining options, which have really changed the complexion of the downtown city of Perth. It's actually been an important addition to that city.

At the end of 2015, we acquired Potsdamer Platz in Central Berlin. This massive estate sits on the site of the former Berlin Wall and is composed of 17 buildings with a mix of office, retail, residential, a hotel, 10 streets and 2 squares. When we took this property over, just 53% of the office space was leased. While we worked to recruit a local team to look after this asset, we parachuted in resources from our London and New York City offices, leveraging Brookfield's strong global teams and relationships, and immediately saw results. Within a year, the office component of the complex went from 53% to 90% leased and now we're in the final stages of planning a retail repositioning similar to what we've done here at Brookfield Place in New York.

I should point out that not all of these destinations around the world are referred to as Brookfield Place. Where it fits and makes sense, for sure, we take advantage of that branding identity, but in other places, it might not. If you can imagine, Potsdamer Platz, rich in history and well-known within Berlin, probably wouldn't have work well as Brookfield Platz.

Last year we acquired IFC Seoul, a 5.4 million square foot complex, our first foray into South Korea. The property has three just magnificent Class A office towers, high-end retail, and one of the best luxury hotels in all of Seoul. Supply of high-end, quality office space in Seoul is severely limited while demand for this kind of product is actually very strong. So, current regional events notwithstanding, we're exciting about the prospects of the value we can generate here once we apply Brookfield's operating expertise and tap into our global relationships.

We have four more properties. I'm just going to run through them really quickly. Not to diminish any of them, but our largest of these and possibly the most well-known is Manhattan West, in Manhattan's west side. It's an 8-acre, six-building complex immediately adjacent to what would be known as the Empire Station Complex that New York State is creating out of the current Penn Station. This project will feature 5.8 million square feet of Class A office, all of which continues to draw interest from companies looking for space at levels that, frankly, have exceeded our expectations.

In a moment I'll talk more about 5 Manhattan West, but between that is a brand-new tower going up—1 Manhattan West—the 67-storey tower which we're nearing. We recently topped—actually, we're not quite topped off yet but we'll be done in a couple of years—but we've recently signed about a million square foot of space between these two buildings in the last four months alone. If leases that are out and we're working on currently get done in the next 30 days, as we think they will, we'll have leased 1.7 million square feet in this complex, bringing our office properties to 90% occupancy.

We've got a lot of demand for the second office tower there, a 2 million square foot tower, which ranges from a million square feet to the entire building. In April we opened an 844-unit apartment building with an 18-month projection on leasing it up, and within six months we're at 60% leased, so it's exceeding our expectations as well. This property will include 250,000 square feet of retail, and it'll be a lot like Brookfield Place New York.

Just rounding it out quickly, we've just opened a Brookfield Place in Calgary, first phase of a two-building complex there, and then very excited about Wynyard Place in the heart of Sydney's Central Business District, which will feature 800,000 square foot of premium office space and retail, located, again, above a major transportation hub. Almost all of these projects have that one common element; I think they all do, actually. Finally, ICD Brookfield Place in Dubai, 53-storey, about a million square foot building, 137,000 square foot of retail.

Just wrapping it up, I mentioned our strong leasing activity and pipeline in Manhattan West, but the strength of this activity actually flows throughout our entire portfolio. Based on leases that are in the works today, we think by year-end, our year-end occupancy should increase to between 93% and 94% or a good 130 basis points from what we reported in the last quarter, so strong momentum in demand for the type of properties that we own within this portfolio.

I'm actually, just in the interest of time, going to skim over this. I wanted to give a couple of quick case studies on value creation within this portfolio. One I'll talk about is 5 Manhattan West. We acquired a few years ago what was highly regarded as the ugliest office building in Manhattan, commonly referred to as The Elephant's Foot. It was one time a warehouse, 1.7 million square feet. We invested $350 million in this property, putting in a new façade, a new lobby, and effectively turning around a building that when we acquired it was generating rents in the mid-$30s per square foot to leases where we signed most recently at $90 a square foot. With the likes of JPMorgan—they took 0.5 million square feet in the building—and Amazon, we just last week we announced a 360,000 square foot lease. That building is now 99% leased and has yielded approximately $900 million increase in value since we acquired it, or almost $600 million net of our redevelopment investment.

Those are the kind of things that we're doing within our office business. I'll round out this presentation maybe by just mentioning two final things. The first is we've got 7.5 million square feet of active office developments around the world within BPY. The properties are currently about 53% leased, but with leases that are in the works, we expect that number to increase to about 63% and generate about a 7% yield on cost.

Finally, Brian mentioned our focus on urban multifamily development as well. We've got about 3 million square feet of this product underway. It's a great complement to our existing portfolio and we expect when these are all completed that they'll add about $80 million of NOI to Brookfield Property Partners as well.

That's quickly the update on our urban activities. I'm going to turn the podium back over to Brian to talk about retail, and remind you at the end we'll take any questions that anybody has.

Brian Kingston:
Thanks, Ric. I'm just going to spend a couple of minutes on retail. Obviously, many of you read headlines and have probably thought or heard a lot about this. I wanted to sort of give you our perspective based on what we're really seeing in our underlying operations. It's clear, negative headlines continue to dominate. There's news of a new bankrupt retailer virtually every day and we're seeing that reflected in share prices of various retail REITs, including General Growth Properties where we own a 34% interest in it, so it's really starting to infect sentiment. But the reality is, when we actually look at the performance of the underlying real estate, high-quality, well-located malls or other retail assets still enjoy pretty sound fundamentals and have good demand from tenants and consumers. That is not to say there aren't some challenges that face the retail sector today. We really try and boil them down into three main things.

I would say as a general comment, retail is a very dynamic environment. It's always faced challenges and it's always been a very evolving sector. I think the difference today is the scale of these is quite large and it's happening at a very rapid pace and you're seeing it all at once. So, a lot of that is coming together and it obviously makes for great headlines.

But as Ric mentioned, the importance of millennials and the way that they behave and the way that they act applies not only to where they want to live and where they want to work, but how they shop and the types of things that they want to buy. We're seeing a real impact as they come into their peak earning, and therefore peak spending years, an impact on retailers, and, as always, with these kinds of changes, there's winners and there's losers.

Number two, technological change. Obviously, the simplest to think about are the Amazons or other ways where you can order things from your phone and have them delivered to you rather than going out to buy them in a store, but technology has a lot broader impact than that, even on retail, including changing how the retailers themselves are running their business models, how they're executing their distribution chains, and frankly, where they want to be located in their stores.

Then the final area that's having a disproportionate impact right now is there's too much retail space in the United States. We went through a long period over the last 20 years where there was a great amount of construction, and with the combination of the first two items that I mentioned, we do find ourselves in a place where there is a lot of space out there, and not all of it will continue to be productive retail space in the future.

Those are the facts. Those are the challenges. I think if you sort of look at each one of them, though, none are insurmountable, and really the opportunity for investors like ourselves in looking at these kind of situations is what's the solution and how do you actually address some of these challenges?

Starting first of all with the millennials and change in consumers, really, what does it mean? It's not that people want to sit in their apartment and never leave and just order things and have it delivered to their front door, but they do want to have the convenience of being able to shop online, to compare prices, have price transparency and convenience. The successful retailers are the ones that are adopting to this, are the ones focusing on an omnichannel approach where they have a good online presence but they do still need to have a physical store presence in order to really be effective in this. I think five years from now when we're talking about this, you won't talk about whether a retailer is an online retailer or a bricks-and-mortar retailer. They'll either be a successful retailer who has learned to integrate both of those things or they'll be an unsuccessful retailer, and I think that goes in both directions. So we as landlords need to adapt the premises and the facilities that we're providing to our tenants to allow them to do that, to help facilitate the impact of online shopping to help drive sales through our stores.

A popular misconception is millennials don't like to shop. As Ric said, they do like to work hard, they do have loyalty to their employers if they're treated the right way, and they love to shop. In fact, they have a higher propensity to visit a mall than any generation before in history. The difference is what they like to do there and what draws them into the mall. They're less apt to buy things and more apt to look for experiences, and so as we look at how can we change and adapt the malls to appeal to those kind of customers and continue to draw them in, it's an increased focus on the experience, whether it's the shopping experience itself or other entertainment features in the mall to draw them in, things you can't get on the Internet.

As far as technology, as I mentioned, there really is this trend toward having, not just online but, in fact, mobile, the ability to shop mobile and really have it integrated, and retailers are all revamping all of their systems to adapt to this, to allow people to buy things online, pick up in-store, return in-store, have it delivered to home, buy it in the store, and have it delivered later. Again, the use of that technology and understanding how our tenants are using it and how we can adapt the mall, whether it's through store sizes, through improved technology within the malls, through our overall access to the customers as they come in is really a key part of being able to react to that and ensure that your malls are future-proofed.

Back to the polling questions, our second one, it really relates to retail sales. There's a lot of numbers that get thrown around, but this question really is what proportion of U.S. retail sales in 2017 are derived from e-commerce? Is it greater than 20%, 10% to 20%, 5% to 10%, or less than 5%? It looks like we're evenly split between 5% to 10% and 10% to 20%, so let's say somewhere between 5% and 20%, which is a wide enough band that you're right, of course. The right answer, though, is 7%, if we go back to the slides. Seven percent of retail sales in America are through e-commerce and more than 50% of that is through Amazon. The reality of e-commerce and the number of competitors that are coming out, etc. is definitely a growing number, but today still 91% of all retail sales are happening in a physical storefront. The mall's not going anywhere.

Finally, the last point I made was excess supply. Again, I think real estate is always the same, which is it's always important to have a macro view on things, but, ultimately, it comes down to the market, the location, and the specific asset that we're talking about. There is excess supply out there. It's in poor locations or it's underinvested in poor quality real estate, and that will continue to be challenged, and we think over the next number of years you'll see more of it disappear. That doesn't mean all of it ends up on deadmalls.com and eventually gets converted back to farmland, but there are opportunities to convert this into other uses, alternate uses, shrinking the overall retail footprint and densifying with other things like multifamily, self-storage, and other uses like that. That is a long process that will take place, but I think if you look at new supply today, there is only one enclosed mall under construction anywhere in the continental United States. Supply has ground to a halt and you will see us work through this oversupply over time.

To the point of location being important and it is only the strong that will survive, there is a huge difference between high-quality, well-located retail and the performance that our tenants see in those locations. Recently, one of our major apparel tenants announced that their same-store sales were down 6% year-over-year. That same tenant's sales within our GGP portfolio were actually up 4.5% in the stores that they have with us. So when they think through their portfolio and look at which stores are less productive, it is going to be the ones that are in the Class B or B-minus assets, the Class A ones continue to still show very healthy—if they had reported 4% same-store sales growth, their stock would've been a 52-week high, not a 52-week low, so that's a very strong performance in those malls and just really highlights the difference between great quality real estate and more challenging.

How are we combatting it? I think obviously if you go back to 2013 as an example, about 43% of the new leases that we were signing in 2013 were to apparel tenants; today that's 25%. In 2013 it was 4% that we were leasing to entertainment; today it's 18%. It's all about that evolution, changing the mall from goods or things that you can just buy on the Internet. They're commodity-like and that's really where the Internet is a competitive threat, and replacing it with things that you can only get in person, and whether that's services or other entertainment or food and beverage in the shopping centres. I think you'll continue to see that evolve. That's really the job of the mall landlord is to stay ahead of these trends and continue to make our malls relevant and a place where people do want to go to shop in our tenant stores.

Again, one more case study for you. As an example, right here in New York on Staten Island, we're spending $230 million expanding the existing shopping centre. We're going to add 242,000 square feet, but importantly, 55% of that new expansion space that we're putting in is entertainment. It's going to transfer the composition overall of the mall. Today it's 72% apparel; that will go to 62%, and entertainment will become 9% from having virtually none there. These types of investments for high-quality, well-located real estate like this that are in densely populated areas exist. The incremental NOI that we'll get from this expansion and from this new space will deliver an 8% or a 9% unlevered return and mid-teens return on our equity, so the returns, when you own these great quality assets and you have capital and a willingness to invest in them, and invest in them in an intelligent way, the returns are very high for a mall that would probably trade today at a 4% cap rate and your returns on this new development are nearly double that.

That leaves the obvious question: what to do with the rest of the malls and where do we really see the great investment opportunity? We do think, notwithstanding all of those challenges and all of the things I said about B malls, that within some of these less productive malls, oftentimes they occupy a great location. They're in densely populated areas and there are alternate uses for them or opportunities to increase density on them. We do think this is one of the great investment opportunities available to us today, but you have to have capital and you have to have creativity, and you've got to have the skills to actually be able to deliver on these things. That's really where we come in.

By having a broad-based real estate approach, when we're looking at these shopping centres, we're not just a retail investor. We've got a very substantial business in multifamily and office and self-storage and in student housing and numerous other sectors, and we can bring all of that to bear to look at these and come up with creative solutions. Over the course of 2017, we've actually acquired three shopping centres, three enclosed malls here in the U.S. The plan for all three of them is an extensive renovation repositioning. In fact, all of them are going to be converted from enclosed malls into something else - open-air lifestyle centres with a substantial amount of multifamily and other alternate uses on them, and we think we'll be earning well north of 20% returns overall on these investments. We do think this is a very unique moment because not many people are looking at this particular situation and really having a creative approach. In all three of these cases there was no auction; there is no broker involved. It was a one-off negotiated situation. For those of you in the business of investing, you know how rare that is today in the U.S. with all of the capital that's floating around. These are very unique situations and it was really because of the capability that we were bringing to the table that these were able to be surfaced.

I guess, in conclusion, there's no question, there are some challenges around retail. That's exactly what we look forward when I talk about multifaceted or contrarian investment approach. This is what it feels like. It's not always obvious what the answer is or where the solution ultimately ends up, but we do think that in a sector like this where others are so very convinced that everything is going to zero, there is going to be great opportunities that fall out of it. So, we do think over the next five years we're going to uncover more and more opportunities like this to be able to put capital to work, either in our existing assets to reposition them or new acquisitions like the three that I've highlighted here.

With that as a summary, I'm going to turn it over to Bryan just to run through a financial update and talk a little bit about the stock.

Bryan Davis:
All right. Thank you, Brian. I'm going to begin my section, actually, with a last polling question of the day. The question is, which of the below would you consider the most important potential catalyst in deciding to establish a position in BPY? Four choices: continued FFO growth, a meaningful increase in buyback activity, converting to a REIT or alternate LP structure, or a reduction in leverage. Let's see what some of these answers are. Perfect. That's a great segue in what I wanted to cover. I'm going to try to just keep my comments to about seven minutes or so.

Brian mentioned this and I think it's worth repeating, but we've now entered into our fourth full year as a public company. In those years we have steadily increased FFO to $1.36 in 2016 and we expect to be over $1.40 per unit in 2017, a 9% compound annual growth rate. In addition, during that time, we've also steadily increased our distribution per unit. We're now at $1.18 per unit, which is a 6% overall annual growth, all the while reducing our payout ratio to be more in line with what our target is.

We do think that establishing a solid track record is very important to demonstrate to our investors that, one, we set and communicate realistic goals, and two, that we are able to achieve those targets that we set out. Although past performance is never a guarantee of what we're going to be able to accomplish in the future, what BPY benefits from is a long-tenured and experienced management team and a consistent underwriting and operating discipline, which hopefully those themes you took out of the previous presentation. This should give you confidence in our ability to achieve this going forward.

We do believe that this track record and consistent communication has benefitted our share price performance. Brian showed you a few charts. This same time last year we were under $23. We're currently trading at about $23.50. Although this is only a moderate improvement in our share price, I think the real story is that we've been able to achieve this in light of a significant reduction in how the market is valuing a large component of our balance sheet, which is our retail footprint. That industry is trading off more than 20% in 2017.

Said another way, we feel the market has a better appreciation of our Office and Opportunistic business, as illustrated in this simple picture. It is reflected in the fact that our investments and apartments and hotels and industrial and manufactured housing is now getting pieced into our stock and all of those industries are up pretty significantly on a year-over-year period. I think this really goes back to our diversified investment strategy, which makes us very similar to an index, but I think in the case of BPY, you benefit from a consistent approach to capital allocation, a consistent approach to operations, and then a consistent approach to value creation.

Future drivers of growth over the next three or next four years, five years, until 2021, are really the same three building blocks that we talked to you about last year at last year's Investor Day. The first is same-store growth; the second is being able to complete our active development pipeline; and the last is our continued recycling of capital. The benefit where we are today is we're one year closer to 2021 and we're one year closer to being able to achieve our target of $2.00-plus of Company FFO per unit. This will equate to 8% annual growth rate and will deliver $450 million to $500 million of incremental earnings, and most importantly, will fund our ability to increase our distribution to greater than $1.60 per unit or a 7% annual growth rate. This is all achievable.

Maybe I'll just start a little bit with same-store growth. Over the next four years we expect to be able to deliver 2% to 3% of annual same-store growth in our Core Office and our Core Retail businesses. We have $2 billion of same-store core earnings, and achieving those targets will drop about $200 million of incremental FFO to the bottom line. Part of this will come from, as Ric pointed out in his comments, increasing occupancy in our Office portfolio where we have an active leasing pipeline and we expect to be able to achieve stabilized levels of 95% in the next few years. In addition to that, we continue to lease at rents higher than expiring rents, so that will be the other component. We have a long track record of being able to achieve these levels of same-store growth. In fact, looking back a number of years, we have actually achieved about 4% average same-store growth across all of our core businesses.

The next thing, which Ric also alluded to, is our active development pipeline. In 2016, if you remember, we completed Brookfield Place Perth, the second tower in that complex. We also completed Bay Adelaide East in Toronto. Both of those complexes are now over 90% leased. In fact, Bay Adelaide East is at 98% leased.

In the earlier part of this year we delivered Principal Place Commercial to Amazon to begin building out their space. Amazon went from being a significant lead-off tenant in about the 60% range to now occupying the entire building, and they're already starting to move some of their people in.

We also finished our first tower at Manhattan West and started renting the apartments into significant demand. In 2017, we continue to advance our development leasing with an expectation of over 1.2 million square feet of development leasing by the end of the year, but importantly, we have also advanced our construction and reduced our risk associated with that by continuing to build on time and on budget. This pipeline will deliver about $150 million to $175 million of incremental FFO as we cease capitalizing interest and finally start collecting rents.

I'd say perhaps the most important and unique aspect of our business model—a theme I hope has been consistent throughout the rest of the presentations—is our ability to choose which sector and which geography we feel most comfortable investing in. We don't take this decision lightly. As we mentioned, we typically spend many years getting comfortable with new, whether it's a region or an asset. But where we are today, we have done our due diligence on most of those regions and most of those asset classes. We now have 40% of our assets that are invested outside of the United States, up significantly from where we were two years ago, and we now have $10 billion of assets that are invested outside of Core Office and Core Retail. This flexibility alone gives us confidence to continue to be able to redeploy capital into new investments, providing Core Plus and Opportunistic returns.

I'd say, conservatively, if we're able to execute $1 billion in recycling of capital initiatives each year, selling at a 5% FFO yield and investing at a 7% FFO yield, we can generate an incremental $220 million in annual earnings or $100 million over the next five years. I will say we have a track record of executing at levels well in excess of these and we have been doing that for the last number of years.

We approach the right side of our balance sheet in the same way we approach the left side of our balance sheet, and it's really focused on sourcing the right capital and protecting that capital. I will just say that there's four things that mainly we deal with, which is asset level financing, which limits recourse of BPY; we maintain a credit facility that provides a short-term liquidity; we issue preferred shares despite potentially a higher cost because they are perpetual in nature and we are committed to keeping an investment grade corporate credit rating. We feel that this approach, combined with the high-quality cash flows that we generate from our assets, supports a debt-to-capital ratio of 50% over the long term, and that's ultimately our target. Although we're not at those levels today, we expect to be there by 2021.

As it relates to our payout ratio, I mentioned our target is 80% of Company FFO. We feel this payout protects our ability to maintain and grow our distributions by retaining enough capital to sustain our existing assets and invest in new ones. On the surface, when you compare it to a typical REIT, it may look high, but we actually do not think it is. This is because unique to BPY we have $5 billion of capital that we have invested in Opportunistic Funds, which Brian talked about. A significant portion of their return actually comes from when businesses or assets are sold. These gains do not get reflected anywhere in our FFO, and the amount is meaningful. Our investment in the BSREP Series of Opportunistic Funds alone, we expect to earn about $2 billion in gains over the next five years. This is $0.55 per unit per year. If you add those to the 20% of FFO retained, we can fund the costs that are typically associated in AFFO and we have $0.35 per unit left over. Said another way, it means our FFO payout ratio is probably closer to 60% when you take into consideration those gains.

I'm just going to skip to the last slide, and really, it's what I wanted to finish off our presentation. It's a compelling opportunity that exists to invest in BPY today. As Ric and Brian both highlighted, we are excited about the opportunities to invest in high-quality real estate at 18% returns, to deliver brand new office and multifamily assets, and to recycle capital. If we execute on those, we are going to be able to achieve a 14% compound annual return on your investment between now and 2021, and even better, if we can get our discount to net asset value to shrink, we'll be able to deliver you a 19% return.

With that, and on behalf of my colleagues, I did want to end off our formal presentation by thanking all of the investors, the analysts, the advisors that we have here today and that are listening in on the webcast for all of your support, and then I wanted to invite Brian back up to the stage to moderate our Q&A session.

Brian Kingston:
Okay. I was going to start with the iPad question. I think I'll start with one on the iPad and then if people have questions in the audience, there are microphones floating around and I'll get to you in one second.

The first question says that—and I'll sort of paraphrase it. But this morning Bruce mentioned in his presentation one of the opportunities that we're looking at is to build out our Core Funds platform. The question was, what does this mean for BPY? How would BPY invest in Core Funds and are these funds perpetual in nature?

Really, the way I would think about our Opportunistic strategies, it allows us to invest in these multiple sectors and in multiple geographies with built-in partners. So BPY is always 25% to 30% of the LP capital that's in these funds and then we have other partners alongside of us for the remaining 75%. That gives us a great diversification without taking undue risk or having excessive concentration in any one individual investment.

The Core Funds are typically investing at the lower end of some of the things that we do. If we're trying to deliver overall 12% to 15% returns and our Opportunistic capital is at 20%, and we would say our Core Office and Core Retail are generally generating 10% to 12%; these Core Funds are generally targeting 10% to 12% returns. This, much like with the Opportunistic Funds, BPY would be able to invest alongside of those funds or through them in much the same way that we do and it allows us to diversify, so it doesn't have a big impact on our strategy. In fact, for the last 25 years we have brought partners in throughout the capital stack, including Potsdamer Platz and others that Ric spoke about where we have partners on individual assets. This is really just a more organized way of bringing those partners in to invest alongside of us.

Hopefully that answered that question. Are there any in the audience? Mr. Billerman (phon)?

Mr. Billerman:
Thank you. Good afternoon. Brian, you talked about retail being a contrarian investment, and for those three retail assets there was no bidders, no broker, and you were able to get them. Can you flip the coin over and talk about where you're seeing too much capital and where assets are getting too expensive? What type of property types, what geographies are just being overpriced, in your opinion, when you're going to look or where you're going to sell?

Brian Kingston:
Yes. I mean, overpriced is always hard to pinpoint because I think it ultimately depends on where we think things are going to go over the next couple of years. What I can tell you is where we're de-emphasizing our capital allocation. I think, generally—Bruce talked about it this morning—our view is interest rates will go up modestly over the next couple of years, there's no question. Assets that have fixed income-like characteristics where the cash flows are locked in for very long periods of time and really the only opportunity to grow the earnings is very far out in the future, we're tending to de-emphasize those that have been bringing in partners or selling down our interest in those types of assets. That could be office buildings in New York or in Sydney or in London where there are investors who have a much lower cost of capital. They understand what those returns are likely to be and are benchmarking themselves against another one.

I don't know that that—I think the implication to your question was what part of the market is going to crash or what's overvalued. I think for us there are lower cost of capital out there for those types of investments, and when we look at it, if we can take money out of those investments and put them to work in things where we're earning better returns or where we've got shorter duration and are therefore able to capture rental growth, that's really what we've been emphasizing more.

Male Speaker:
(Inaudible 1:08:58)?

Brian Kingston:
Right. It's hard to make a blanket statement and say every industrial asset that sells is overvalued, but it is certainly a sector that is very much in favour at the moment, unlike 2012 and '13 when we were investing in IDI Gazeley, and so it's increasingly hard for us to find those opportunities to put money to work in these ones, but there are other places and the world is a big place. So, you're talking specifically about maybe U.S. and European logistics; there are other markets that we're investing in where it could be an interesting sector.

Robert Sackhauser:
Robert Sackhauser (phon). You were talking earlier about general growth properties and we know some of the problems that the retail malls have. Can give us an idea of what you think the intrinsic value or net asset value is? I know that general growth properties was selling about $30 and now it's something about $20. I was wondering why, if you own a good portion of it, they're not buying back more shares more rapidly?

Brian Kingston:
It's a good question. I think obviously net asset value is difficult to pin down, particularly in a sector like these Class A shopping centres where transactions are very few and far between. I think what captures a lot of headlines or where people try to pinpoint values are based more on where people think they could or they would be willing to buy a mall as opposed to where someone would be willing to sell them.

I think GGP, the management team has been very vocal in their view that the $20 is clearly below what they think the underlying value of their real estate is and I think there's a few transactions but not a lot you can point to, frankly, to show exactly where cap rates are. But to your question about buying back stock, much like we have been doing at BPY, the company has become much more active in buying back their own shares. As you probably know, we own warrants in the company which we'll be exercising in about a month to increase, take our ownership interest from 29% up to 35%, so we do certainly think where it's trading today is below the intrinsic value of those assets.

Sheila McGrath:
Hi, Brian. Sheila McGrath from Evercore. At the beginning of your presentation you highlighted office and multifamily in urban centres. I'm just wondering—multifamily is still smaller for you guys—if you have intention of growing that closer to the Office footprint and how you would go about that, acquiring assets or development.

Brian Kingston:
Thank you. The approach to date, and Ric highlighted—he had a slide in there on our Urban Multifamily Development program. At the moment, when we look at—sort of similar to the answer to Michael's question—when we look at urban high-rise multifamily in major gateway cities in the United States, the yields a very low. For us, acquisitions and getting these kind of returns by simply buying assets has been challenging. However, as part of a mixed-use complex, like we've done at Manhattan West or we're doing in Greenpoint, where we're actually creating the product and these assets, if they were trading, would sell well in excess of replacement costs, we are able to get our returns.

It's hard and it takes a long time, and it's slow to build that portfolio up, but at the moment that's how we're approaching it. At some point over the next 5 or 10 years there may be a moment in time, like we found with Retail and GGP in 2009, to do something in much larger scale, but at the moment, it's more of a development focus for us.

Male Speaker:
Thank you. Brookfield has 8.5 million square foot of office space in downtown L.A. I didn't see downtown L.A. on the Brookfield Place slide. I was wonder if you can—also the occupancy in this market is relatively challenged relative to the other office markets. I was wondering if you can talk about plans for creating value or surfacing value in this market, specifically if you can talk about challenges or opportunities in this market.

Brian Kingston:
Yes. Ric did have a slide that ran through the criteria for a Brookfield Place. One of them obviously is

having—it's more than just a big office building in a downtown location. There needs to be a sense of place around it, mixed use, and most of the portfolio that we own in Los Angeles really is heavily concentrated toward office; there's a little bit of retail. It's not anything about the L.A. market, but I think those assets themselves and their location and proximity to one another don't really lend themselves to that type of situation, which is why it's not a Brookfield Place.

Our investment in L.A. goes back about four or five years ago. We see a lot of similarities between that market and Lower Manhattan. If you go back 10 to 12 years ago in Lower Manhattan, it's an area where there's a huge amount of migration, particularly from younger people. There's a lot of residential development happening in that market and people are beginning to move into it. Obviously, transportation is a big issue in Los Angeles in proximity to where people live is a big driver of office demand. So we do think, much like we've seen in Lower Manhattan, over the next five years, as that population gets established, other businesses start to grow around it, there is going to be above-market growth in that market. Occupancy at the moment is not bad, but it's not where you'd want to see it on a fully stabilized basis, but we do think it's got a lot of the same similarities that we saw here in Lower Manhattan and it just—we saw it here—it just takes time.

I think we have time for one more question.

Male Speaker:
Hi. Yes. Thanks. Just two quick ones on the new retail kind of environment that we're all witnessing. Number one, as you replace retail square footage in malls with experiences, the experiences-over-things trend, just curious if you could give us some colour on what you've learned over some of the redevelopments that you've now done, perhaps a hierarchy of types of experiences that are perhaps the most productive versus others?

Then, secondarily, just curious, as you look out, is there an opportunity for another core platform? That being Core Industrial? I ask just because the Brookfield Business folks were talking about the great growth of data, as an example. I would argue that the growth of industrial, if you were to pair that on a chart with the attrition of retail, there's a similar disparity there. You all have operational expertise. We've seen some now-listed vehicles, from Ali Baba, among others, that show us kind of how poorly these industrial assets are as standalone businesses. I would speculate you guys could offer a lot of value there. Just curious if that's an opportunity for a platform henceforth. Thanks.

Brian Kingston:

Sure. Two questions, the first really was in relation to retail and the repositioning that we're going through and bringing in entertainment or other, I'll call it non-traditional uses into the mall and what we've learned or what's worked and what hasn't worked. I think obviously one of the key objectives is to try and bring foot traffic into the mall, but you want to bring foot traffic into the mall that's going to spend money on other things, not just foot traffic into the mall. Things like self-storage, for example, you can often get rent on it, but it doesn't do a whole lot to drive traffic into the mall because often people are just coming in and picking up.

Services, though, like spas or other health and beauty services, tend to get people to come into the mall. They tend to spend several hours when they come into there, and oftentimes that translates into better sales productivity. The downside is it's generally capital-intensive. As opposed to department stores where they didn't pay a whole lot of rent but we didn't have to invest a lot in tenant incentives, these types of tenants with larger, more expensive fit-outs, there tends to be more capital with them and so it's a balance.

Food and beverage really is probably the best performing driver of foot traffic. If you think back to the mall 20 years ago, it was a food court in the basement at the back. Today it's Dave & Buster's or its' P.F. Chang's and it's got a very prominent location. It's bringing people into the mall. Oftentimes they have to wait for a table and that overflow ends up in the mall, and so that's really—the food and beverage has been a really tremendous driver. Movie theaters and gyms have been two other successful ones.

Then the second part of the question really was could industrial one day become a core operating platform. Absolutely. I think when we look at the core part of the business, which today is primarily office and retail, and we think forward to what could one day be—and really what you want have is businesses that are very scalable that we think have sort of long term, very durable cash flows. industrial and multifamily are the two that really fit that category. Some of the other sectors—hospitality, for example, is a much more transitional investment strategy. You want to get in, fix it, and sell it. But a business like industrial, we do think ultimately could be something that we develop a long-term core strategy in.

Okay. With that, I will thank everyone and turn it back over to Bruce for some closing remarks.

Bruce Flatt:
Okay. We have no more word clouds to go, but I'm going to wrap up in less than five minutes and then Suzanne will just tell you where we're going in a minute, or anybody that can stay with us.

First, I'd just like to say thank you for coming. We're grateful that you took the time to be with us. We know that it's a lot of time. We hope it was useful to you.

There's six points I thought I'd make just as a wrap up of the day and leave you, hopefully, with these six points. Point number one, on the four Partnerships we have that presented to you, each one of them is financially strong and we have large addressable markets, and we think each one of them can grow into a large business on their own. Therefore, we're very excited about each one of them.

Second point is our goal at BAM is to make each one of those Partnerships and all of the funds we have that are private and invest beside them into very successful organizations in their own right, and their success is our success, and each one of their successes is our success. Often we get asked which one should you invest in and what you should do. We actually don't care. If you like one, that's fantastic; you should invest in that one. We like them all and we're here. Brookfield Asset Management's goal is to ensure it has the capital available to allow those funds to achieve things that they otherwise couldn't do on a standalone basis by themselves. That's what we're trying to do every day with the capital that we have at Brookfield Asset Management.

Fourth point, the real asset sector is growing in quantums and in percentages of the amounts of institutional clients allocating to real assets. There's a compounding effect there that is very significant in the future to everybody within our space.

Fifth point, we have three competitive advantages and we like to use each of these all the time in everything we do, and hopefully it came through in the presentations that you saw today. Point number one is the scale we have. There's not that many people that have the scale of capital that we have; two, we have a global platform, so we can continue to be value investors and move money from opportunity to opportunity around the world. Part of the reason for being able to do that is we have 70,000 operating people and those people give us a differentiation to be able to put capital to work and get proper returns out of it.

Lastly, I'd just say if all of that comes true, then the Brookfield Asset Management story is actually very positive. We do still have winds behind our backs for a number of years. Obviously, every day in some of the businesses we have things that change and we have complications we have to work through, but the story is very positive and the growth trajectory of the Asset Management business is very significant.

With all that, I'd just end again on saying we're grateful for your support. We're grateful for everybody online and in the room here and that spent the time with us. We really appreciate you being here. Any information that you can feed back to us on the things we said in the presentations or how we've conducted the day, maybe after the 20th year we'll get it right. But we really appreciate you being here, so thank you.