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CORPORATE PARTICIPANTS

Melissa Coley
Brookfield Properties Corp - VP of IR and Communications

Ric Clark
Brookfield Properties Corp - President and CEO

Bryan Davis
Brookfield Properties Corp - SVP and CFO

Tom Farley
Brookfield Properties Corp - President and CEO, Canadian Commercial Operations

Dennis Friedrich
Brookfield Properties Corp - President and CEO, US Commercial Operations

CONFERENCE CALL PARTICIPANTS

Neil Downey
RBC Capital Markets - Analyst

Karine MacIndoe
BMO Capital Markets - Analyst

Jay Habermann
Goldman Sachs - Analyst

Michael Knott
Green Street Advisors - Analyst

John Guinee
Stifel Nicolaus - Analyst

Suzanne Kim
Credit Suisse - Analyst

Jimmy Shan
National Bank Financial - Analyst

Jim Sullivan
Cowen and Company - Analyst

Sam Damiani
TD Newcrest - Analyst

Josh Attie
Citigroup - Analyst

Alex Avery
CIBC - Analyst

Mario Saric
Scotia Capital - Analyst

George Auerbach
ISI Group - Analyst

PRESENTATION

Operator

Welcome, ladies and gentlemen, to the Brookfield Office Properties third quarter 2010 conference call. This call is being recorded. (Operator Instructions) It is now my pleasure to turn the call over to Ms. Melissa Coley, Vice President, Investor Relations and Communications. Please go ahead Ms. Coley.

Melissa Coley - *Brookfield Properties Corp - VP of IR and Communications*

Thank you. Good morning and welcome to Brookfield Properties third quarter 2010 conference call.

Before we begin our presentation, let me caution you that our comments and discussions will include forward-looking statements and information and are a risk that actual results, performance, or achievements could differ materially from anticipated future results, performance, or achievements expressed or implied by such forward-looking statements and information. Certain material factors and assumptions are applied in drawing the conclusions and making the forecasts and projections in the forward-looking statements and information. You may find additional information about such material factors and assumptions, and the material factors that could cause our actual results, performance, or achievements, to differ materially set forth in our news release issued this morning. I would now like to turn the call over to Ric Clark, President and Chief Executive Officer.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thank you, Melissa. Good morning, everyone. We, as you would have seen from our press release, had an active quarter on many fronts. No surprises this quarter, though. And our performance was in line with our expectations. We experienced solid financial results and can now see a clear path to exceeding the full year guidance that we had previously given. Bryan will give you an update on where we think we may end up the year, when he gives his report in just a few minutes.

During the quarter, the trend of improving operating fundamentals continued in most of our markets. The central business districts of New York City and Washington DC continue to be the markets where there's universal confidence and noticeable visibility in this improvement. The market metrics of the other geographies vary, from small to more noticeable recovery and improvement, and Tom and Dennis will talk more about that when they dig into the details of our operating performance and what's going on in the market. And although concerns linger around local, state, and federal budget deficits and how politics might get in the way of responsible decisions and impact things like consumer confidence and job growth, leasing demand has steadily improved at least for high quality office properties in economically dynamic and resilient markets, which are the assets in the markets where we have tried to focus our investment.

Backing this up, and make a couple of points. The first is that - a couple days ago in CBRE's quarterly conference call, they reported that leasing revenue was up 27% year-over-year. Also backing this up, if you turn to page 26 of our supplemental, we leased 1.1 million square feet of space during the third quarter, and on page 27, 4.7 million square feet year-to-date.

Our pipeline of tenant interest and activity is very solid, and we expect by the end of the year to be able to meet or exceed our five-year -- our prior five-year average annual leasing which is 5.9 million square feet. Our overall occupancy for the quarter ended at 95.1%, which you'll see on page 28 of the supplemental, representing a 30 basis point overall gain from what we reported last quarter. I'd point out , though, that this pick up resulted from the inclusion of our 99.1% leased Australian portfolio in the Q3 leasing statistics. During the quarter our US occupancy rate actually declined by 20 basis points to 93.7% as a result of two leases expiring in Boston. For Q3, our Canadian portfolio remains steady at 96.9%. And, overall same store North America portfolio leasing as of the end of the third quarter was 94.8%, also 20 basis points below Q2, and 10 basis point down year to date, but about 60 basis points up from a year ago.

Q3 leasing was done at annual net rental rates exceeding in place net rents on expiring leases by $2.21 per square foot, or roughly a 10% increase. This represents the 19th consecutive quarter where we have captured mark-to-market gains in our leasing.

Because of general concerns over consumer confidence and unemployment in the US, our expectations are that basically the Fed has no choice but to keep North American interest rates at historically low levels, and this is an opportunity for us. We're working on refinancing several of our properties, including those within the US office fund. With 10 year treasuries at 2.65% and Canada's at about 2.9%, we're currently fielding all-in quotes anywhere from 4% to 5.25% for seven to 10 year type of financing. From an ownership perspective this environment is having a positive impact on cap rates. From a buyer's perspective, not so good.

The door on asset trades has opened, though, as capital from all over the world is chasing high quality merchandise, focusing specifically on New York City, Washington DC, and London, where trades are occurring at record pricing. Our view is that cap rates will go even lower, pushing values north for high quality assets, such as the ones that we own. For lesser quality assets in these markets, I think we'll see some data points which also go to prove that even the lesser quality assets in these markets are going to trade at pretty low cap rates. And, I think this -- what we're seeing is there are a handful of owners who are looking to basically make some trades before the end of the year in order to either book gains or raise cash for the year-end balance sheets. So, bottom line, it's a great time to own high quality assets in any of these markets.

So, later in today's call, as I mentioned, Dennis and Tom will provide color on office fundamentals and our operating accomplishments in our three geographies, and I will give a progress update on our major priorities and strategic initiatives as well. But, before we get into that, Bryan, how about giving the financial report.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Great. Thank you, Ric, and good morning, everyone. This morning we reported funds from operation totaling $169 million for the third quarter. This compares with FFO of $123 million for the same period in 2009. On a per share basis, FFO was $0.32 per share, compared with $0.28 per share.

Our net income for the quarter totaled $156 million, or $0.28 per share. That compares with a net loss of $288 million, or $0.66 per share for the same period in 2009. The prior year did include revaluation losses of approximately $450 million.

The increase in FFO of $46 million, or 37%, to $169 million can be attributed to a few things. You know, first off, we saw an increase in other income that was earned. This is a result of the carry associated with the repurchase of debt pursuant to the swap, as we discussed in previous quarters, which amounted to $17 million, including amortization of the discount to maturity. Secondly, we had increased contribution from our residential operations of $11 million. In addition, we had commercial property net operating income that was up $10 million. We also had lower interest expense of approximately $4 million. All of these benefits were partially offset by an increase in our general and administration expenses in the quarter of about $4 million over our typical run rate, representing transaction costs associated with the various repositioning transactions we've been working on through the quarter.

Net operating income from our continuing operations on a proportionate basis, as highlighted on page 11 of our supplemental report, was $258 million for the quarter, compared with $248 million for the same period in the prior year. This increase is a result of the reclassification of Bankers Court in Calgary, Bay Adelaide Centre in Toronto, and 1225 Connecticut in Washington DC. Lots of commercial properties -- you know, leases coming out of those buildings accounted for $8 million of the increase in the quarter. We also had lease termination and other nonrecurring of approximately $2 million received in the quarter. We, in addition to that, had $2 million incremental and recurring fee income and same store growth of $2 million or 1%. These increases were offset by reduction in net operating income from the sale of our two Washington properties in the fourth quarter of last year.

Our same store growth of 1% benefited primarily from the stronger Canadian dollar, which accounted for about $3 million of that. Absent that, same store growth in the quarter was relatively flat, as a benefit of increased rental rates on new and modified leases was offset by expirees in some of our markets. Compared to same store growth reported last quarter of approximately

2%, we did see a decline, and this is attributed to an increase in the denominator as Q3 2009 increased relative to Q2 2009, with the balance of the decrease being attributed to timing of lease rolls and occupancy erosions in some of our markets, particularly Boston. On a year-to-date basis, same store growth was 4.1%, or 1.2% excluding the impact of foreign exchange.

Our residential development operations earned $32 million in net operating income as compared to $21 million during the third quarter of 2009. As highlighted in our residential slides, which start on page 34 of supplemental, this increase was a result of increased home sales, which also closed at higher selling prices than in previous year on average. This increase was offset by a reduction in lot sales. As a result of our announced transaction to dispose of this business in early 2011, we will be classifying it as discontinued operations for next quarter.

Moving to our proportionate balance sheet, the acquisition of the Australian assets which closed at this end of the September are reflected in our Q3 balance sheet and have been highlighted on an appendix to our supplement on page 46. The impact, in summary, was an increase in commercial properties of approximately $2.6 billion. Valuation metrics have been included on slide 20 and represent a 9.1% discount rate and a 7.3% average terminal cap rate. Commercial developments increased $467 million, from the acquisition of the active development City Square in Perth.

Commercial property debt increase $1.7 billion, which includes draws on our City Square construction facility of $102 million, which we've highlighted in our active development statistics on page 33 of the supplemental. In addition to this, our corporate debt increased as we took out a bridge loan of $560 million, as well as drew on our corporate credit facility for about $170 million.

Receivables and accounts payables both increased on the assumption of associated working capital, as did non-controlling interests as a result of the consolidation of a 60%-owned Brookfield Prime Property Fund, which is a publicly listed Australian property fund that owns an outright interest, or a partial interest, in four of the acquired properties. In addition, on that slide, we highlighted the funding for the acquisition, which as I mentioned before, includes the acquisition facility of $560 million and a draw on our corporate bank line of about $170 million. Over and above that, it -- the funding included cash and cash equivalents of $600 million, which included a dividend of $180 million we received from our residential operations. I will point out that with the recent proceeds from our Preferred Share, Series P offering that we closed last week, we paid back our bank lines. And, also upon sale of our residential operations in Q1 2011, we will be in a position to repay the balance of the acquisition bridge loan.

At September 30th, the fair value of our investment properties including our unconsolidated joint ventures and recently acquired Australian properties on a proportionate basis totaled just shy of $18 billion, which translates to a value per leasable square foot of about $412. As highlighted on page 20, the values during the first nine months of 2010 increased by $3.3 billion. This is largely a result of the aforementioned Australian acquisition. In addition to that, we had the acquisition of a remaining 50% interest in 77 K Street which we discussed last quarter, and then we had the reclassification of 1225 Connecticut from development to investment properties at the beginning of the year. We also impacted from the strengthening of the Canadian dollar relative to the US dollar, and over and above that, we had value increases of about $225 million, due mainly to increased cash flows as a result of current period leasing activity and timing adjustments. As a result of the above our common equity ended the quarter at $6.9 billion or $13.68 per share, or $7.4 billion or $14.71 per share, if you don't consider our future tax liability.

Before I conclude, I did want to update our outlook for the balance of 2010. As Ric did mention, we are on track to out perform our beginning of year guidance as a result of the successful investment of our recent capital raises. Our original guidance, which was updated last quarter for the Tishman gain, was a midpoint of $1.28 per share. We are on track to achieve a midpoint of approximately $1.36 per share, plus or minus $0.01. The increase is really a result of the income contribution from the repurchase of debt at a discount. You know, this is approximately $0.06 per share increase. We also expect to earn a performance fee from our Canadian fund of approximately $0.06 per share in the fourth quarter. And in addition, with the close of Australia for a full fourth quarter, we expect to have a net contribution from Australia of approximately $0.03 per share.

These increases are offset by transaction related costs, as a result of activity associated with the Australian acquisition, the creation of our Canadian REIT BOX, as well as the sale of our residential platform. In addition, it's offset by the addition of non-real estate related depreciation, which was not otherwise factored into our original FFO guidance and also offset by cash returns on capital that we had originally forecasted in our original guidance and have now invested

So on that, I will conclude my comments on the financial results and turn the call back over to Ric.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thank you, Brian. So during the third quarter, we made good progress on a number of our strategic initiatives, and I'll just go through a few of them quickly.

As Bryan mentioned, during the third quarter, we completed part one of our international pure-play repositioning strategy by concluding the acquisition of a high quality portfolio of Australian properties located in Sidney, Melbourne, and Perth. The terms were mentioned by Bryan and also were previously disclosed and have been incorporated throughout our supplemental, where relevant.

I wanted to share with you a recent data point coming out of Australia. Yesterday, ING Management Limited announced that it received an offer for ING Industrial Fund at a price equivalent to net tangible asset values, which represents a 19% premium to where the listed security was trading prior to this activity. You know, this represented -- this price represents an unlevered IRR of about 9.4%, which I think compares favorably to our 9.1%, given that it's an industrial portfolio versus office. As has been our thesis, no portfolio of assets or platform would trade in this market at less than net asset value.

To learn more about our portfolio and the Australian market in investment dynamics, I would invite analysts and investors to join us in Australia the week after next. We have a great program lined up, including touring our Sydney and Melbourne assets and guest speakers who will talk about the investment and market landscape within Australia. So I hope that you can join us. Those dates are November 10 through 12. You can register on our website, or please give Melissa a call if you have any questions or need help signing up.

Now, working to complete our pure-play strategy, during the quarter, we also announced part two, which is the planned divestiture of our residential land development and housing business, including the agreed upon economic terms for this part of the transaction. We anticipate that this part will close early during the first quarter of next year.

Moving on to just some of the things that we're working on, on the lines of liquidity. You know, the net result of a number of things that we're working on, we expect could increase our liquidity to about $2.5 billion. And, just mentioning these things, we're refinancing two assets -- one is 245 Park Avenue in New York, as well as Three World Financial Center, and expect to bring in a little over $300 million, probably $325 million to our treasury. The refinancing of our US office fund is progressing, and as we've previously mentioned, we have, through acquiring some of the mezzanine debt through a total return swap, have previously delevered this fund and expect -- in fact, over-delevered, if that's a word -- and expect to pull $300 million, plus or minus, of proceeds out once the refinancing is complete. We're also working on, or toward, selling down part of our interest in our in Canadian-listed subsidiary, Brookfield Office Properties Canada, and that could bring in plus or minus $500 million over time. The residential land divestiture transaction will bring with it a $450 million note, and when monetized, that money would go into our treasury.

So all of this coupled with about $900 million of undrawn lines and cash on hand, give us this total liquidity in excess of $2.5 billion. Now, as far as using this liquidity, we continue to seek opportunities to put it to work accretively and at the moment are pursuing a couple of single-asset acquisitions which, if successful, we'll be able to tell you more about at a later date.

On the development side, although we don't expect to have to provide any additional funding on the City Square development in Perth, this 900,000-square foot project is advancing on schedule and should be completed at the end of next year and will generate about $60 million of net operating income once it's stabilized. The project is currently 72% leased, and we have leases out for the balance of the space, and hopefully by the end of the year, this project, even though it's twelve months away from being completed, will be 100% pre-leased. We also continue to seek anchor tenants for our London 100 Bishopsgate joint development project and hope to have more to say on this early next year.

So with that, just kind of a brief update on some of our strategic initiatives, I'd turn the call first to Tom to give specific operating report. So, Tom, do you want to talk about Canada and Australia?

Tom Farley - *Brookfield Properties Corp - President and CEO, Canadian Commercial Operations*

Sure. Thanks, Ric, and good morning, everybody.

Starting with Canada. During the third quarter, we saw positive absorption in our three largest markets, which include Toronto, Calgary, and Vancouver. And, the overall occupancy rate for Brookfield's Canadian portfolio stood at 96.9%, which is unchanged from last quarter.

So, looking at a few of our specific markets in Calgary, the overall vacancy at the end of the quarter total 13.8%, which is an improvement of 140 basis points. Year to date, there's also been positive absorption of 1.2 million square feet. However, there's also been 2.3 million square feet of new inventory delivered to the market. In terms of other new buildings under construction, we'll see a further 2.2 million square feet brought to the market in the next three years, which will put further pressure on occupancy and fundamentals unless we see improvement in commodity prices.

In Calgary, we have experience in dealing with these cycles, and we've been able to anticipate and prepare for a changing environment in this market. And, specifically in 2008, we leased 2.2 million square feet and today have a 98.3% occupancy rate, and an average lease term of nine years. Our focus for the remainder of 2010 and through 2011 is on current and future lease renewals, with a view to maintaining an above average occupancy rate. And, in fact, we're presently working on several transactions that total more than 1.2 million square feet.

In Toronto, as you will recall, both Bay Adelaide Center and Cadillac's Simcoe Street project were completed in third quarter of 2009, which added 2.4 million square feet to the downtown office inventory. And, as a result, a vacancy rate in Toronto moved from 6.8% in the first quarter of 2010, but since that time, we've seen positive absorption, and the current vacancy stands at 5.7%. We've also seen a substantial increase in tenant tours and general activity in 2010, and, in fact, we're presently working on 28 transactions totaling nearly 1.4 million square feet. Now these include 125,000 square feet of new tenants for Bay Adelaide Center, 100,000 square feet of new tenant negotiations in other properties with a balance representing lease renewals. Our Toronto portfolio ended the quarter with an occupancy rate of 95.4%, which was an improvement of 74 basis points from the second quarter.

So given our low rollover rate, long average lease term, and the increase in Toronto and Calgary leasing activity, we expect to continue to maintain better than market occupancy levels in each of our Canadian markets.

Turning to Australia, the national office vacancy increased 20 basis points in the quarter to 7.5%, and that was caused by the addition of 850,000 square feet of new inventory -- 450,000 square feet in Sydney and 400,000 square feet in Melbourne. The occupancy rate for Brookfield's Australia portfolio stood at 99.1%, which was unchanged from the previous quarter. In Sydney the overall vacancy rate moved from 7.9% to 8.1%. However, apart from the addition of new inventory, the market had 297,000 square feet of positive absorption for the quarter and 1.1 million square feet year-to-date. In Melbourne, the total vacancy rate increased 50 basis points to 6.8%, and without the addition of new inventory, the market actually absorbed 169,000 square feet, and year-to-date, the overall absorption in Melbourne totals 760,000 square feet. In Perth, the vacancy rate improved by 50 basis points to 7.9%, and total absorption year-to-date is 899,000 square feet.

In terms of leasing activity in Brookfield's portfolio, we're making progress on several fronts. We have several negotiations underway for early renewals on close to 1 million square feet, and as well, as Ric mentioned, we have conditional deals for the remainder of our new office tower at City Square in Perth. So overall strong labor markets are providing a positive demand outlook for the Australian office sector.

Ric?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thank you, Tom. Dennis, you want to talk about --

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Yes. Thanks, Ric. Good morning, everyone.

In the US, we continue to see signs that our core office markets are working their way off the bottom of the market cycle. A number of metrics point to yet another quarter of improvement or stabilization in leasing fundamentals. In virtually all our of core operating markets there was an increase in net absorption and overall leasing velocity, coupled with a drop in sublease space inventory and a drop in overall tenant concessions, which all signal an early recovery in the leasing markets. Outside of New York and DC the tightening market conditions have not yet translated into a material improvement in effective rents. However, we're definitely encouraged by the direction the markets are heading.

The positive momentum is evident in the third quarter in year-to-date leasing activity within our US portfolio. We had an active third quarter completing close to 700,000 square feet of leasing within our US-managed portfolio. Close to 40% of that leasing during the quarter represented new leasing, which is a positive sign that we are attracting tenants to our portfolio, and that tenants in the market in general are making new space decisions despite levels of uncertainty and not just simply renewing in place, which was the overwhelming case a year or so ago.

We continue to benefit from a flight to quality, given our share of the upper end of the market in terms of asset quality. Our leasing volumes through the third quarter exceeded 3.1 million square feet, which is a 40% increase over the same period leasing in 2009.

For this quarter, I'm going to focus on market conditions and our activities in our three largest US markets, New York, Washington DC, and Houston. There was no material change in conditions or major Brookfield lease transactions in Los Angeles, Boston, Denver, and Minneapolis, our other operating markets.

In starting with New York. In the Manhattan market, activity remains very healthy and involves a diverse tenant mix at this point. Overall, leasing activity reached 18 million through the third quarter in the marketplace, already ahead of the 16 million of leased velocity for all of 2009 and trending above the five-year average. In Midtown Manhattan, the vacancy continued a downward trend, decreasing from 11.5% to 11% during the quarter. Our Midtown portfolio occupancy held steady at 95%, and we have a number of lease transactions in negotiation currently. Due to this real strong demand throughout the marketplace and our limited availabilities in our Class A buildings, we've been able to improve lease economics as compared to some of the deals we completed in the prior quarter -- deals. In Lower Manhattan, after enjoying a stable vacancy below 10% for an extended period of time, the overall market vacancy increased 220 basis points, to just over 12%. The increase is attributable to Goldman Sachs' relocation into its new headquarters next to World Financial Center and the recognition of the Goldman's former lease space becoming available within the next 12 months. The increase in availability had been anticipated for some time in the marketplace. Given the limited additional new supply on the horizon in the near term, meaning 2011-2012, and a sense that the level of activity continues to pick up in the market, we'd expect that 12% to more represent a level closer to a peak than an upward trend that will continue in the upcoming quarters.

Our downtown portfolio occupancy stands at 98%. Given our limited current availabilities, we did not have any sizable lease transactions to announce during the quarter. And, our focus remains on pre-leasing the former Goldman Sachs block at One New York plaza, which expires early next year, and addressing the upcoming 2013 Banc of America/Merrill rollover at the World Financial Center. With a shortage of quality, large Class A blocks of space in Manhattan that has been tightening quarter-over-quarter in general, we have had and encouraging level of activity on both the One New York Plaza block, which totals 600,000 square feet and also the potential future availabilities at the World Financial Center. Of the World Financial Center expiring space, we are in advance lease documentation on 800,000 square feet, which is actually up from a figure Rick mentioned last quarter of 600,000 square feet. And we're also in serious dialogue with prospective tenants for a significant amount of additional space. In addition Banc of America is moving closer in their studies to making a decision on their future space needs at the Financial Center.

The progress at the World Trade Center continues to be impressive. The Memorial Plaza, which is four time the size of Midtown's Bryant Park, is on track for an opening in less than a year from now. And construction on One World Trade Center, the former Freedom Tower, has reached over 40 stories. As many of you may have read, Conde Nast has signed a letter of intent to relocate over 1 million square feet to One World Trade Center from Midtown, which is really a major strong indication of the appeal of the Lower Manhattan marketplace to a diversifying tenant mix.

Moving onto Washington DC, as you have undoubtedly been hearing from others, and as Ric alluded to early, along with New York, the Washington DC market is one of the top performing markets in the country, from both a lease standpoint and a capital market standpoint. Year-to-date positive net absorption in the District topped four million square feet, and vacancy dropped 90 basis points to 9.1% during the quarter.

The pipeline -- development pipeline, which was once a cause of concern for us and others, has been steadily absorbed and stands at 2 million square feet from close to 5 million square feet just a year ago. The absorption has been driven largely by a high level of government leasing to date. Our overall DC portfolio occupancy increased by 100 basis points to 92.7% during the quarter, and we completed a sizable lease with CQ-Roll Call for 71,000 square feet at our new development, 77 K Street, in the Capitol Hill sub market. This lease will take us to over 70% leased in that project, and we -- the previous quarter had purchased our partner's interest in that project.

Finishing up on the Houston market and conditions in the Houston marketplace -- after recovering from the implications of the oil spill in the Gulf of Mexico, there is a growing sense in the business community of optimism, particularly in the energy sector. The lifting of the moratorium on deep water drilling and the shelving of the cap and trade legislation is expected to spur job growth in the upcoming quarters. The Class A CBD vacancy remains low at just around 7%, and some return to growth by the major oil and gas players could tighten up the market further in the upcoming quarters. Our Houston portfolio occupancy remains high, at approximately 95%. We completed a large lease for 65,000 square feet with the city of Houston at our asset Continental Center II during the quarter. Our year-to-date leasing activity in Houston has exceeded 1.5 million square feet, and we have been able to successfully increase the occupancy levels in our older, class B assets from 85% to 96% since the beginning of the year. That wraps up my comments, Ric.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thanks, Dennis. So, I'd just wrap up our remarks by saying -- we're looking forward to completing the repositioning transaction and to 2011. We're excited about the way we are positioned in this environment in which we are operating. The assets that we own, lease -- they attract capital, both equity and debt, and I think as capital works its way back from fixed income investments to equities, it's going to push cap rates lower and that bodes well for our valuations and our portfolio. So, with that, operator, we'd be pleased to take any questions that anybody has.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from Neil Downey from RBC Capital Markets.

Neil Downey - *RBC Capital Markets - Analyst*

Hi, good morning, all. Ric, can you just give us a quick update on the status of the Minneapolis assets which continue to sit on the balance sheet -- are they discontinued operation?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Good morning, Neil. I'm actually going to hand that off to Dennis to speak to.

Neil Downey - *RBC Capital Markets - Analyst*

Sure.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Neil, we -- the assets continue, from an office standpoint, we've -- we're enjoying strong occupancy in both the RBC Plaza and the 33 South Sixth Street. We're making some progress on the retail component at City Center, and we are watching very closely right now performance in the capital markets. And, I think what we're expecting is that capital, as its being priced out of some of the markets like New York, DC -- what I think what we're seeing is a higher level of interest in assets in some of the secondary markets, and that includes quality assets in places like Minneapolis, where there's a good rent roll, good tenant base. I think we're thinking through that and --

Ric Clark - *Brookfield Properties Corp - President and CEO*

Neil, I'd just jump in and say that there has been a recent trade, or an announced pending trade, in the Minneapolis. So, I think that market is beginning to catch the attention of capital. To the point that Dennis is making, people are getting shut out of New York and Washington and starting to look at other markets as well, so I think our expectation is we may work towards monetizing our investment here in 2011. It's clearly not a 2010 event.

Neil Downey - *RBC Capital Markets - Analyst*

Right. I guess maybe a question for Bryan, it's probably a bit more of a technical one, but are there any tests there in terms of your accounting treatment for discontinued versus continuing? Are you going to have to reclassify those into continuing operations if you don't get them sold in the short term?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

There may be a situation like that. Typically the test is, a 12-month test. That 12-month, though, is always stressed based off market conditions, and when you look at the first 12 months that we had it listed as discontinued operations, it was in a market where nobody was transacting. But again, every quarter, as we assess the progress we make and the likelihood that we will be able to achieve a sale in the near term, we have to then go back and reflect on whether or not it should be discontinued op.

You know, the good news is that under IFRS, it's just a reclassification exercise, Neil. You know, if you're under Canadian GAAP, I think you would have stopped depreciating, so then you would be in a position where you'd have to catch up in the value of the underlying asset. But, it would just be a reclassification exercise if that were the case.

Neil Downey - *RBC Capital Markets - Analyst*

Yes. Okay. And not that I'm trying to bore anyone with the accounting, but Bryan, while I have you, can you walk us through Slide 46 in just a little bit more detail, where you've laid out the impact on the balance sheet of the BOPA acquisition? And, just maybe line-by-line, because I'm curious as to a couple of things in particular, such as the credit in the receivables and other, the residential development debt number, et cetera. Can you comment on that?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Yes. Sure. And, sorry. It was hopefully -- I guess not as clear as I thought I was in my speaking notes, but what we included in there was also the funding, Neil, for the acquisition of Australia, as you see the impact on common equity is nil, so $1.4 billion of funding is coming out of our receivables and other line item. You know, we classified our deposit with BAM in there. We also had some, assets that were otherwise monetized into cash. Over and above that, we had a dividend that was paid to us from the residential development business --

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Neil Downey - *RBC Capital Markets - Analyst*

Right.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

-- that represented the $177 million, and it was effectively a draw on their lines and a dividend to us. You know, if you go back 18 months, we paid down their bank lines with the proceeds from the equity offering, so that was just the money coming back to us.

Neil Downey - *RBC Capital Markets - Analyst*

Okay.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

You aggregate those with the acquisition bridge facility and the draw on our bank line, which is the 728 in the corporate debt, you effectively get the $1.4 billion of equity that we put into the $3 billion of investment properties, net of the $1.6 billion of debt in minority interest.

Neil Downey - *RBC Capital Markets - Analyst*

Okay.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Hopefully that helps.

Neil Downey - *RBC Capital Markets - Analyst*

Yes, I think I got most of those numbers, but they're certainly all summarized into one column here. Thanks very much.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Okay. Thanks, Neil.

Operator

And next we'll go to Karine MacIndoe from BMO Capital Markets.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Hi, thank you. The acquisition opportunities that you're taking a look at, the single asset -- can you give us any sense as to magnitude, probability, when you think that some of these could come to fruition?

Ric Clark - *Brookfield Properties Corp - President and CEO*

So, in total, the gross value of the assets I'm just going to say -- there are two of them -- are collectively somewhere between $400 and $500 million gross. And if they do come to fruition, they'd be a this-year transaction.

Karine MacIndoe - *BMO Capital Markets - Analyst*

And are these US opportunities?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Both US. I can't disclose the markets. Apologies for that. But, hopefully we'll have something to say shortly.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Okay. The US fund and the restructuring and some of that debt, is it still anticipated that maybe you could deal with, let's call it about a third of the floating rate debt, maybe by the end of this year? How is your timing looking in terms of an announcement on that front?

Ric Clark - *Brookfield Properties Corp - President and CEO*

So we're hopeful that we can get about $500 million of it put to bed this year. And another, just over $1 billion early in the first quarter of next year. And so, that's kind of the timing we're hoping to accomplish.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Oh, so -- quite a chunk of it then in the next 4 or 5 months.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Yes, we've been pretty actively on it.

Karine MacIndoe - *BMO Capital Markets - Analyst*

And, this is where you're anticipating interest rates in maybe that 4% to 5% range?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Yes. Bryan?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Yes. You know, with respect to this, we're probably in the low 5% range from a rate, but yes.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Okay. And -- yes, so I guess that disclosure that's on Page 44 that relates to Prime Property Fund, that's all related to the Australian purchase. That isn't a new investment of any sort. It just relates to Prime Property Fund having ownership of certain of the Australian assets.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Correct. Yes, it's a publicly listed Australian REIT that owns an outright interest in three of the assets that we acquired, and then a partial interest in one of the assets that we acquired as part of transaction that we closed on at the end of the quarter.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Okay. Perfect. Thank you so much.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thank you.

Operator

Our next question will come from Jay Habermann from Goldman Sachs.

Jay Habermann - *Goldman Sachs - Analyst*

Good morning, everyone. Ric, just a question on acquisitions. On the one hand, you mentioned pricing getting a little aggressive, and I think you said sort of record pricing in certain markets. And I assume you're referring to New York and some of the premier markets. But, on the other hand, you're also mentioning cap rate compression from here. I would've assumed you'd be talking more about rent growth over time. Can you walk you us through your assumptions for how you'd be modeling acquisitions at this point in the cycle?

Ric Clark - *Brookfield Properties Corp - President and CEO*

You know, we're still pretty conservative. We are not anticipating any major rent spikes in the near term in any of our acquisitions. So, you know, we haven't been aggressively chasing some of these trophy assets like others have. We're rather focusing on things that we think are a little more opportunistic and would be accretive. You know, things where we can create value through our management, redevelopment, leasing initiatives.

Jay Habermann - *Goldman Sachs - Analyst*

I guess I wasn't referring to rent spikes in the near term, but sort of longer-term rent growth? Just balancing that versus the compression in cap rates we've seen thus far?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Go ahead, Dennis.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Yes, I think it'd be a little bit on some other things we're looking at -- a combination of some optimistic view a bit out of time, but also a little bit of lease up, able to shore up the NOI. We think there's a few of these opportunities. The market is still -- able, opportunistic to get in if there's a little bit of vacancy, and we have strong leasing teams in these core markets, and we just feel like we can get the space absorbed, less than immediate rent spikes.

Jay Habermann - *Goldman Sachs - Analyst*

Okay. And, Dennis, can you comment on One New York Plaza? It sound like there might be a tenant that's looking pretty aggressively at that space. Is that something you would expect to get addressed in the first half of next year?

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Yes, we have a number of large tenants right now that are looking at a block of space. It's obviously a attractive block at the top of One New York. There were reports a few weeks ago, which we certainly picked up in the papers, on Morgan Stanley. They are a tenant in the building. They are thinking through their New York space needs, and I think it represents a good opportunity for them. But we're seeing, as I mentioned in my notes -- I think right now, there are very limited quality blocks of -- large quality blocks of space in Manhattan, and I think One New York represents one of those, so we're pretty encouraged by the depth.

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Jay Habermann - *Goldman Sachs - Analyst*

Okay. Just final question for Bryan. You know, today with the balance sheet roughly 56%, 57% debt-to-asset -- where do you think you'll be roughly a year from now? Are you looking to target perhaps the low 50% range, or even the high 40s?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

You know, I'd say that we don't necessarily set a target. You know, as it relates to the fullness of our balance sheet, as you know, our strategy is to refinance at the asset level, and so we look at every refinancing that we do in the context of the underlying asset that we're financing, and look to target anywhere between 50 and 60% leverage. So, on balance, that usually means that we're going to operate with a balance sheet on a consolidated basis in that leverage range, and I think that's no different looking out for the balance of the year.

Jay Habermann - *Goldman Sachs - Analyst*

So should we shouldn't expect to see any change going forward?

Ric Clark - *Brookfield Properties Corp - President and CEO*

We're not really changing our policy. The only change that we might notice is the function of cap rate compression, recovering values, and IFRS. You know, valuation updates, so therefore leverage levels will go down.

Jay Habermann - *Goldman Sachs - Analyst*

Okay.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Perhaps the lower level you're talking about.

Jay Habermann - *Goldman Sachs - Analyst*

Thank you.

Ric Clark - *Brookfield Properties Corp - President and CEO*

You're welcome. Thanks.

Operator

And next we'll go to Green Street Advisors Michael Knott for our next question.

Michael Knott - *Green Street Advisors - Analyst*

Hi, guys. Just a question for you on sales. I know you talked about Minneapolis, but when you went through your liquidity options, I didn't hear you mention any other sales, and I was just curious if that factors into your liquidity plans at all? I know specifically DC was one that the press had identified you as marketing and building for sale there.

Ric Clark - *Brookfield Properties Corp - President and CEO*

So we have two buildings in DC that we're actually marketing. They weren't in the liquidity projection because they're part of the US office fund portfolio, and part of what we're doing there to refinance those assets, so they weren't included in liquidity. There are a handful of assets, though, that we are on a list of ones that we're considering to monetize in -- throughout several of our markets, and all of that basically would add to the liquidity, should we try to -- should we work to sell any of them, and I suspect that we will. I think we will take advantage of where we think cap rates are going to kind of move a couple of things or bring partners in on them.

Michael Knott - *Green Street Advisors - Analyst*

And then a quick question for Dennis. Dennis, you went through the Merrill situation downtown pretty quickly in your comments. Can you just go back and just maybe give us a little more color on what your current expectations are there?

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Sure. I mean, I think as mentioned in my comments, we do have an increasing volume of space in leases right now, and -- they're never done until they're executed, but it's approaching a million square feet from that standpoint. We, behind that, have pretty strong depth. It probably represents, in total, between leases and negotiations and pretty serious dialogue, probably about 70% of the space right now. So, I think a pretty good traction, given the fact that we still have pretty much three years remaining on their lease term.

Michael Knott - *Green Street Advisors - Analyst*

Okay. So, the 70% pertains to what you're currently working on, and your expectation would be that a good chunk of that would probably come to pass? And then you have a couple years yet on the other 30%?

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Yes. I think that's a fair comment. I mean, again, things can change here and there, but these are not casual conversations, they're serious dialogue and leases in progress.

Michael Knott - *Green Street Advisors - Analyst*

Okay. Thanks.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thank you, Mike.

Operator

Our next question will come from John Guinee from Stifel Nicolaus.

John Guinee - *Stifel Nicolaus - Analyst*

John Guinee here. Just a quick sort of administrative question. You had a $36 million income tax expense. So, Bryan, is that a cash expense or a non-cash? I noticed it was added back on FFO.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Yes. And -- so John, that's a non-cash expense. It's effectively tax affecting our earnings, which we have the benefit with still having loss pools, the ability to shelter that so it's non-cash.

John Guinee - *Stifel Nicolaus - Analyst*

And will that change at all with the sale of the residential business?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

No. You mean, the sale, the residential business has, historically, been a significant user of our tax losses because it's a fairly profitable business with minimal inherent tax shelter like depreciation, et cetera. But, the actual transaction won't impact that profile going forward. You know, we're just -- what will impact the change, from a future tax position to a current cash tax position, is ultimately the use of our non-capital losses, which, if we continue to be profitable, will inevitably come, but we hope it's still two to three years away.

John Guinee - *Stifel Nicolaus - Analyst*

Great. Thank you very much.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thanks, John.

Operator

Suzanne Kim from Credit Suisse has our next question.

Suzanne Kim - *Credit Suisse - Analyst*

Hi, I have a couple questions. With regard to the call option on the US Office Fund, is there any update on that? How do we begin to understand when that would be exercised? What are the procedures involved in getting us up-to-date when that happens and transpires?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

So, the option is structured so that Blackstone -- has the ability to call their assets, effective January 1, 2011, through I think a nine-month period ending September 30, 2011. You know, that is at their option. You know, we don't have any transparency into that to report at this stage. If they don't exercise their option, then Brookfield and our fund has the ability to put the non-managed assets of the Blackstone assets to them on January 1, 2013, again for a period of nine months.

Suzanne Kim - *Credit Suisse - Analyst*

But would they be contacting you, do you think, before the January 1 timeline? January 2011 timeline? Or would they be contacting you within the time period? Would you expect that to occur in that sort of order or -- I'm just trying to understand when --

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Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Yes. This is Dennis Friedrich. I think, we're close partners, and we're both thinking through the recapitalization of the US Fund, so I don't know if I can necessarily give you a complete answer as to exactly, mechanically when that would happen. But, it's not as if we're just operating in separate pools. We're thinking about the right time on both sides, and I think both sides are encouraged by the way both the finance markets and the capital markets are headed.

Suzanne Kim - *Credit Suisse - Analyst*

Okay.

Ric Clark - *Brookfield Properties Corp - President and CEO*

It could happen anywhere up until next November, but I think the expectation is on both parties' part that it will be done well before that.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Right.

Ric Clark - *Brookfield Properties Corp - President and CEO*

And we're just looking for the optimum time to do it.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

And if the question was if it can -- as Bryan said, it can't technically happen before January, but it doesn't mean that we're not in some very meaningful dialogue.

Suzanne Kim - *Credit Suisse - Analyst*

Okay. Okay. Great. And secondly, now that you're residential business will be allocated to discontinued operations, can we expect fourth-quarter numbers to be sort of a good indication as to how 2011 will start shaping up?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Well. I think it's a little early to say. We're just working through our business plans for 2011, and typically, we give detailed guidance in February, which is our expectation this year. So it's just a little bit early, unfortunately to say.

Suzanne Kim - *Credit Suisse - Analyst*

Okay. Okay. Great. Thank you.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Okay. Thanks.

Operator

And we'll now go to Jimmy Shan from National Bank Financial.

Jimmy Shan - *National Bank Financial - Analyst*

Thanks. Good morning. Just on the asset sale, again, it looks like you've also got a couple of Edmonton properties on the market, or at least listed, or says available for sale. Can you talk a little bit about the rationale for selling and perhaps the level of interest or price expectations for those two assets?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Tom, do you want to speak to that, or would you like me to?

Tom Farley - *Brookfield Properties Corp - President and CEO, Canadian Commercial Operations*

Sure, I can address that. So, the two assets we have in Edmonton are part of the portfolio that we acquired from O & Y Canada in 2006 -- late 2005, 2006. And, the consortium partners decided that -- collectively decided that that's essentially a mature -- they're mature assets, and it was time to try marketing those properties. And so, we started a process recently. We're part way through that process right now. We do have a high level of interest from a number of parties, and we don't have anything to announce at this point, but we would expect to likely close a transaction in the fourth quarter. And in terms of pricing, I just don't want to jinx any of our negotiations, but we're pretty happy with the level of interest and the price expectations out there.

Ric Clark - *Brookfield Properties Corp - President and CEO*

I would just add, Jim, Tom and his team have very meaningfully increased the NOI in those properties, so it will be -- it will be a nice transaction for us.

Jimmy Shan - *National Bank Financial - Analyst*

Okay. And the -- I think Bryan, you referred to a $0.06 performance fee fund. Is that, is that have anything to do with that?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Yes. Tom, did you want to address that? Oops, sorry I think we lost him. The performance fee is with respect to the Canadian fund. You know, if you remember, Jimmy, going back to when we formed the fund, we actually had a core pool of assets and a non-core pool of assets, which we set out a strategy to monetize. This bucket of assets is included in the non-core and then on culmination of that exercise, effective the fourth quarter of 2010. We have a performance fee that effectively gets paid to us based on our performance as it relates to that strategy.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Yes, it's in recognition of all the assets within that non-core bucket, and I guess completion of all our obligation toward those assets.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Right.

Ric Clark - *Brookfield Properties Corp - President and CEO*

It's not just Edmonton.

Jimmy Shan - *National Bank Financial - Analyst*

Okay. And then just last question. With respect to the 800,000 square feet of space that you are currently in advance discussion at World Financial Center, can you talk a little bit about the rents that these discussions are at, relative to what Merrill is currently paying?

Ric Clark - *Brookfield Properties Corp - President and CEO*

You know, at this point, there are transactions in place. I don't think we're comfortable disclosing economics but I just say, generally, all of the discussions that we're having - for leasing down here, I think in aggregate, we expected to be right at or at least pretty close to replicating the NOI that was in place from Merrill Lynch. So, that's kind of our expectations. Day-by-day, the market gets better actually, and proposals get better each day.

Jimmy Shan - *National Bank Financial - Analyst*

Okay. Thanks.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thank you.

Operator

Our next question will come from Jim Sullivan with Cowen and Company.

Jim Sullivan - *Cowen and Company - Analyst*

Yes. Thank you. Not to increase your discomfort, but in terms of the discussion about the spreads, can you answer the same question with respect to the One New York Plaza space expiring?

Ric Clark - *Brookfield Properties Corp - President and CEO*

I don't have those numbers. Yes, that is probably a slight rent roll down I'm presuming.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

That will be, yes. Jim, that will be a roll down. If I recall off the top of my head, that's about a mid-50s gross rental on expiration, and I would say at this point, our expectation would not be to approach those numbers on the initial term average -- we'll probably average up a bit but, but --

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Jim Sullivan - *Cowen and Company - Analyst*

Okay. Having said that, there have been some, of course, well-discussed -- at least in the press, and also in some conference calls -- lease activity with some lower-quality buildings in the same submarket. Your comments -- in your prepared comments, you talked about the quality of the building and the quality of the space that's expiring. So, some of those transactions presumably are not a good guide for where you expect to be here.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Jim, I think that's absolutely right. I know some of the transactions -- I think that's absolutely right. And One New York in that submarket is probably the top asset, and this is the top of the building, with a lot of infrastructure so I wouldn't give you --

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Ric Clark - *Brookfield Properties Corp - President and CEO*

It's a different food group. I think the rents quoted -- I think I know the transaction you're referring to, probably wouldn't even cover operating and taxes in our properties. It's just that big of a difference in quality.

Jim Sullivan - *Cowen and Company - Analyst*

Okay. Good. And I wonder if you can comment a little bit more about the outlook for the site you're working out in London at Bishopsgate, particularly in light of -- I think in the last week or two, we've seen some announcements of some new products coming on in London. And, if you could address your comfort level with the competitive position of that site, and how you feel about leasing activity as you go forward there?

Ric Clark - *Brookfield Properties Corp - President and CEO*

That's actually a good question and I'd say -- make a few comments in response. The first is, the city of London vacancy has been going down consistently for the last two quarters, and what's happened there is -- the city, I guess, hasn't -- I don't know the right words, but there just hasn't been a lot of development in the city for a very long period of time, so as leases roll, tenants are looking to upgrade. They need more efficient, more modern space. So, the market clearly needs development. There was a lack of development, and the kind of tenants that we go after seem to all run off to Canary Wharf. And now, just culmination of a lot of things and cooperation between developers and the city has created a very conducive environment to getting modern office buildings built.

So, having said that, there are two -- well, there are three buildings actually working to launch construction that might be competitive with what we're trying to do. And, two of them have over the last month or two teamed up with other capital partners or developer partners and are talking about maybe even launching their developments on a speculative basis. It kind of remains to be seen whether they will or they won't, but there's enough tenant activity in the market to support a couple of developments.

Our position in here is that, you know, versus at least one of these other properties -- actually, two of the other three, they probably could go before us and be completed before us, but our view is that the footprint, the floor plate, a lot of the things that we're incorporating into our building will be very attractive to modern-office space users. So, we're pretty excited about our prospects. We're in discussions with a number of tenants that range in size, anywhere from 100,000 square feet to the entire building. And, I think it would be -- we'll be positioned to launch our development next April, which is roughly when all the leases expire, and we can go in and demolish our structures that are there. So, we've got a little bit of time, and hopefully we'll have some tenants locked up by then, in order to proceed with the development.

Jim Sullivan - *Cowen and Company - Analyst*

Okay. Good.

Ric Clark - *Brookfield Properties Corp - President and CEO*

A long winded answer. I hope it does it for you.

Jim Sullivan - *Cowen and Company - Analyst*

Nope. I appreciate it. Thank you.

Ric Clark - *Brookfield Properties Corp - President and CEO*

You're welcome

Operator

Our next question will come from Sam Damiani from TD Newcrest.

Sam Damiani - *TD Newcrest - Analyst*

Thanks. Just on the lease roll-over -- you're currently collecting income on the Goldman Sachs lease? Is that right?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Yes, we are.

Sam Damiani - *TD Newcrest - Analyst*

Okay. And in Boston, can you maybe address the roll there in 2011? Is that front-end weighted, back-end weighted? And what you're expecting for those expirees?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Yes, in Boston that relates to predominantly that the Wellington space, which expires at the end of the first quarter of 2011.

Sam Damiani - *TD Newcrest - Analyst*

And any prospects for replacing those guys at this point?

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Yes, Sam, there are. I mean, it is a challenging market in Boston right now, but what we have, the wind we do have on our back on that, is that it is, again, a rollover, not dissimilar to One New York, at the top of the building, as opposed to the lower portion, where we're finding in Boston the tenant base has gravitated toward smaller floor plates as opposed to larger. So, it has a lot of appeal to law firms, midsize market, money managers and like. So, we have some traction on the space.

Ric Clark - *Brookfield Properties Corp - President and CEO*

And the good news is -- the bad news is that that market has a high vacancy, but the good news is, it's all concentrated in the low part of the buildings, and we have a rare commodity, which is a great block and a great building at the top of the building. So, we do have lots of traction.

Sam Damiani - *TD Newcrest - Analyst*

And just switching over to Calgary, there's some space rolling next year. Could you just give us a sense as to how we should perceive that in terms of risk?

Tom Farley - *Brookfield Properties Corp - President and CEO, Canadian Commercial Operations*

Sure, Sam. It's Tom. So, we, as is typical -- we're always working well in advance of maturities, and we've had a very good success rate in Calgary. I would say that, over the years, we've probably been higher than 90% retention rate. So, we are having discussions with all of those tenants as we speak, and I would attach a very high probability that we're going to be able to be successful in retaining those tenants.

Sam Damiani - *TD Newcrest - Analyst*

So none of them have already decided, you know, to move elsewhere?

Tom Farley - *Brookfield Properties Corp - President and CEO, Canadian Commercial Operations*

No, that's right.

Sam Damiani - *TD Newcrest - Analyst*

Okay. Great. Thank you.

Tom Farley - *Brookfield Properties Corp - President and CEO, Canadian Commercial Operations*

Thanks.

Operator

We'll now go to Michael Bilerman from Citi.

Josh Attie - *Citigroup - Analyst*

Hi, thanks. It's Josh Attie with Michael. Just to follow up on the last question, can you walk through what you think the net NOI impact would be from the burn off of the Goldman lease at 110 Plaza, move out of Wellington? And then also, if there's any offset from leasing up Bay Adelaide?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Bryan, are you able to give enough information to do that here?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

I do. So just for context, One Goldman and One New York Plaza, that's approximately $25 million of NOI. And then Wellington and Boston would be about another $15 million, so I can give you context to that. I mean, as it relates to what we expect going into 2011, I'll save that until we meet back in February and work through guidance on that.

Josh Attie - *Citigroup - Analyst*

Well, and I guess, how quickly is Bay Adelaide leasing up? I know in the NAV slide you have that it's not stabilized in a certain amount of income that you expect to recognize, how front-end loaded could that be?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Oh, well, in that, we're in discussions with people -- well, hopefully we'll be close to 90% leased by the end of the year. And, we're in discussions with tenants for the rest of the space. Whether we get them or not remains to be seen. Tom, you may have more color on that?

Tom Farley - *Brookfield Properties Corp - President and CEO, Canadian Commercial Operations*

Not really. You know, we're at 85%, and we have deals conditional to take us to 88%, and as you say, we're having discussions for the balance of the space. So, we're pretty much on track. I think we're -- we'll have some good news to announce in the next short while.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Thanks. And then, Josh, I was just going to make one other point. I think by mid 2011, we'll probably be at or close to, or towards the end, stabilized levels. But, the key thing is, from a cash rent perspective, there will be periods, where we're not earning cash rents because of free rent periods, et cetera, sort of in the early part of that lease -- those lease ups.

Josh Attie - *Citigroup - Analyst*

Thanks. That's helpful. And the last question is, on the Blackstone and restructuring of the US Office Fund -- is the restructuring of the ownership in any way tied to the refinancing? Can they be done separately, or does one have to happen before the other?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

You know, so the -- this is with respect to the exercise of the put call?

Josh Attie - *Citigroup - Analyst*

Right.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Is what you're referring to?

Josh Attie - *Citigroup - Analyst*

Yes.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

You know, I think those can be done -- they don't need to be done in tandem. They're sort of separate transactions. I think when the structure was initially contemplated, the time line probably did relate -- in particular the January 1 to September 30 period -- relate to appreciating that financing takes -- the refinancing event takes place in October. But, as Dennis mentioned, we're working alongside with them on an orderly recapitalization, and so it doesn't necessarily need to occur in tandem with that.

Josh Attie - *Citigroup - Analyst*

Okay. Thank you.

Operator

Next we'll go to Alex Avery with CIBC.

Alex Avery - *CIBC - Analyst*

Thank you. Now that you've closed the Australian acquisition, and looking at the financing that's associated with that higher rates and shorter term, how are you looking at that opportunity today? In the context of the currency risk, and secured versus

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unsecured financing, the total return swap structure of that deal? Is it safe to say that you're just going to continue with the same financing strategy of secured property level mortgages, or is there another opportunity that you see there?

Ric Clark - *Brookfield Properties Corp - President and CEO*

So, high on our list of priorities for the coming months is to actually figure this out. So, I'm not avoiding the answer, it's just that we don't have the answer yet. But I'd say, no -- nothing's off the table, as far as direction goes.

You know, we clearly prefer asset level, non-recourse financings, but in the case of Australia, that might not be the best execution. So we're thinking about other options, but it's really high on our list of priorities because frankly, if we can sort that out and do meaningfully better on the refinance of those properties, it adds tremendous value to this portfolio and for the Company, so -- of course, we want to do it on a as-low-a-risk basis as possible, and therein lies the challenge. So -- but we're working on it.

Alex Avery - *CIBC - Analyst*

So, where would you put the magnitude of that opportunity? I mean, what do you think the maximum spread you could achieve on financing through another form might be?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Well, if -- you know, at the moment, I guess all-in rates in Australia are in the sevens somewhere, mid to high, maybe even closing in on 8%. So contrast that to some financings we're working on in the US is 4% -- so, in the most extreme scenario, maybe you save 400 basis points, but to the extent something's done locally, I think the ability to substantially gain is less. But you know, we are seeing improvements in the market. The market has migrated from a 2- or 3-year term market to a 5- or 7-year term market. We're seeing some of the foreign banks come in now to help basically put some money to work because everybody's having a hard time -- they're sitting on lots of cash, and there's only so many high-quality assets in the markets that they've operated in. And there's stiff competition, just from some of the things we're doing in North America -- we're getting pretty strong interest from everybody.

You know, so the environment's competitive. So, we expect the local market to open up. It's going to take a little bit of time, but -- so anyway, anywhere from 100 basis points to 400 basis points, depending on the level of risk.

Alex Avery - *CIBC - Analyst*

That's great. Good color. Thanks.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Yes. You're welcome.

Operator

Our next question will come from Mario Saric from Scotia Capital.

Mario Saric - *Scotia Capital - Analyst*

Hi. Good afternoon. Just a couple of really quick questions on the back of the last question on debt. It looks like your floating rate exposure is, post-Australia, kind of running in the 15% to 17% range of total mortgage debt. Is that a level that you're comfortable with today in going forward, or would you be looking to perhaps either increase or decrease that?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

You know, I think, in general we like to operate with fixed-rate financing, but we're always going to be in a position, particularly as it relates to construction financing, as we build out our development, that we can't avoid floating rate. I would say that, historically, we've probably been anywhere from 5% to 25%, so we'd be comfortable in that range, but probably in this environment, locking in at fixed and sort of reducing that balance, would probably be a priority.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Yes. And I -- in this environment, going fixed rate and going long on any stabilized asset is absolutely our focus. You know, we have a few assets in transition, though. They're either some leasing to be done, under development, or whatever, and those will be floating, just because that makes the most sense. I don't really have a handle on what percentage that is, but the expectation is that the level will float down here over the next three to six months.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Yes.

Mario Saric - *Scotia Capital - Analyst*

Okay. And then just turning back to the asset dispositions -- you have some in Minneapolis, Washington now, Edmonton. Ric, you mentioned declining cap rates several times. I'm just trying to get a sense of whether -- what the sensitivity is to perhaps expanding that disposition program if cap rates compress meaningfully from this point forward?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Yes. You know, I think there are a number of assets within our portfolio that it's -- sort of timed recycled capital, and believe it or not, notwithstanding my comments on reduced cap rates, we're seeing some interesting things at a higher cap rate. So, I think it's a good time to recycle capital, and we may see more transactions. That's our expectation. So -- yes.

Mario Saric - *Scotia Capital - Analyst*

Okay. And just focused maybe in New York, Washington, and Houston -- all three seem to be increasing activity from a capital standpoint -- can you give us a sense as to where you would see cap rates for your quality-type portfolio in the market today?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Just -- maybe the better way to talk about it, if you don't mind, is on an unlevered IRR basis.

Mario Saric - *Scotia Capital - Analyst*

Sure.

Ric Clark - *Brookfield Properties Corp - President and CEO*

And, I think -- we've seen some -- we've read about some trades and seen some trades that have happened for that sort of subset in 6.5% or 6%. And, I think in these markets we could see unlevered IRRs hit 5%, and I know we're working on one ourself, which is pretty close to that number. So, you know, I think we could see some unlevered IRRs 5% or less.

Mario Saric - *Scotia Capital - Analyst*

Okay. Great. Thank you.

Ric Clark - *Brookfield Properties Corp - President and CEO*

You're welcome

Operator

We now have a follow-up question from Neil Downey from RBC Capital Markets.

Neil Downey - *RBC Capital Markets - Analyst*

Hi. The TIs and leasing costs for the quarter, I believe, were $36 million on the proportionate basis. Presumably, that's a little higher than might be construed as normal. Can you comment on what we should be thinking about, maybe on an annualized basis, including BOPA?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

Yes. I'll just make a comment and then maybe Tom can give a sense of what the environment is like down in Australia. But, yes, it is a little bit higher. I mean, we did have a higher mix of new leases versus renewals in this quarter than we had in previous quarters. There may also be just timing nuances, Neil, with respect to what got recognized in Q3. But I think if you look over the first nine months of the year, we had circa 60 million of leasing costs in TIs at our proportionate share on about 3 million square feet of leasing at our proportionate square, which is about $20 per square foot. Which, I think, all told, is kind of in the ballpark that we've been at. Maybe on that, Tom, did do you have any comments on Australia?

Tom Farley - *Brookfield Properties Corp - President and CEO, Canadian Commercial Operations*

I guess the first thing to point out about our portfolio in Australia is that we have a very high occupancy rate, in excess of 99%, with low rollovers. So, in the next couple of years, we're not going to see a huge level of inducements paid. But, you know, in the Australian markets, typically you will see TIs and inducements run 15% to 30% of the net rents per annum of the lease term. And, as the market tightens and demand increases, then you're going to see inducements at the lower end of that range. So, I would say right now, it's probably in the midpoints and in that range. And, I would expect it to be declining over the next couple of years.

Neil Downey - *RBC Capital Markets - Analyst*

Okay. Thank you.

Operator

And we do have another follow-up question from Karine MacIndoe from BMO Capital Markets.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Hi. Just back to your -- the guidance midpoint. That's based on a GAAP number. Do you have the equivalent IFRS? Are you still expecting there to be about an $0.11 difference?

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

So sorry, Karine. That was an actually an IFRS number, but we did adjust it at the end of last quarter for the gain we had on the Tishman investment realization.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Oh, sorry. Okay.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

So that's the $1.28. You were thinking of $1.18, which was the $0.10 or $0.11 adjustment off of our beginning-of-year GAAP number.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Okay. And the ex-resi equivalent -- are you still prepared to put a rough number on resi for the full year.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

I think when we did our original --

Karine MacIndoe - *BMO Capital Markets - Analyst*

$0.25, I think it was.

Bryan Davis - *Brookfield Properties Corp - SVP and CFO*

-- guidance we were $0.25. I think that's as good a number as any.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Okay. Good .

Operator

We have another follow-up question from Michael Knott from Green Street Advisors.

Michael Knott - *Green Street Advisors - Analyst*

Hi, guys. Just to tie a couple things together real quick. I think early in the call, Ric, you said you were working on a couple of things, acquisitions-wise, and there was a $400 to $500 million number -- was it that in total, or was that individual?

Ric Clark - *Brookfield Properties Corp - President and CEO*

That's in total. And, that's gross asset value.

Michael Knott - *Green Street Advisors - Analyst*

Right. Okay. And then, a second ago when you talked about unlevered IRR expectations and where those might head -- which is helpful commentary by the way -- you said the 5% number was one you were working on. Is that one of the acquisition opportunities or is that one of the --

Ric Clark - *Brookfield Properties Corp - President and CEO*

No. No, no. We're not a buyer. No.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

That's an important clarification.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Yes, sorry about that. No. So we're working on a sale hopefully in the fives. You know, we've seen a bunch of trades, a little over six, maybe mid sixes. Hopefully we'll pull off a trade below that, with a five handle, on the selling side. You know on the buying side, we're a little more opportunistic -- doesn't mean we're seeking 20% levered IRRs, but we don't mind taking a little bit of leasing risk or -- where our property needs to be fixed up, brought from a B status to an A status or whatever. You know that's kind of a better formula for us.

Michael Knott - *Green Street Advisors - Analyst*

Okay.

Ric Clark - *Brookfield Properties Corp - President and CEO*

We expect higher returns.

Michael Knott - *Green Street Advisors - Analyst*

Okay. Thank you.

Ric Clark - *Brookfield Properties Corp - President and CEO*

You're welcome.

Operator

Our next follow-up question will come from Sam Damiani with TD Newcrest.

Sam Damiani - *TD Newcrest - Analyst*

Thanks. And I know you're not giving any guidance for '11 yet, but could you give us thoughts on range of same property NOI growth you're expecting, given the sort of churn in leases that we're seeing?

Ric Clark - *Brookfield Properties Corp - President and CEO*

I think -- it's just too early, Sam. We're still plowing through business plans, haven't actually gone through them in detail. So, it would be an unsubstantiated guess, which wouldn't be a good idea.

Sam Damiani - *TD Newcrest - Analyst*

Would you say it would be lower than 2010, given the lease rolloff that you're faced with?

Ric Clark - *Brookfield Properties Corp - President and CEO*

You know. I don't know Sam.

Sam Damiani - *TD Newcrest - Analyst*

Okay. Maybe next -- would you be giving guidance though at next quarter?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Next conference call, we expect to give guidance.

Sam Damiani - *TD Newcrest - Analyst*

Okay.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Thank you.

Sam Damiani - *TD Newcrest - Analyst*

Yes. Okay.

Operator

And we have a question next from George Auerbach from ISI group.

George Auerbach - *ISI Group - Analyst*

Thanks. Ric, just to clarify your comment and Michael's question, if you're seeing IRRs in the 5% range, what does that mean for cap rates?

Ric Clark - *Brookfield Properties Corp - President and CEO*

Well, it depends. You know, it's a fully leased building it could be 5%. If it's got some leasing -- 4%, sub-4%. And, you know, in our view, a couple of these things that traded may well have been cap rates in that zip code. But it's kind of hard to say. You know there's lots, you know, it depends on what kind of exit cap people use in their models.

George Auerbach - *ISI Group - Analyst*

Have you seen the rent growth people are building in sort of be appreciably higher today than it was two or three months ago?

Ric Clark - *Brookfield Properties Corp - President and CEO*

You know, I can only answer that from our own perspective, and we're a lot more conservative. We're not really expecting huge rent spikes. We don't rely on them in our modeling, and I don't know that others do as well. Dennis you might --

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Yes, I don't think it's been materially different, because it gets them download on the underwriting after. I think some of these, in some of the comps Ric is referring to a number of instances could be stable assets, where just the return premium is just getting tighter and tighter.

Ric Clark - *Brookfield Properties Corp - President and CEO*

You know, I've been to investor conferences in Canada and Asia and other places, or people who have gone to those have given me some feedback on them, and there's just so much capital. Everything everybody talks about is -- show me New York, show me Washington, show me London. And, it's -- I think, when people start to pull their money out of fixed income investments and so much money moved into it, it's going to start coming back. And, I think it just has to push cap rates down.

George Auerbach - *ISI Group - Analyst*

Would you -- one more question. Would you say the, this sort of risk premium people are building in -- is that as low as you saw, sort of at the peak of last cycle?

Ric Clark - *Brookfield Properties Corp - President and CEO*

I don't think so.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

I don't think so either. I think it would -- part of, you say risk premium -- I think part of our comments earlier is where we think we're capturing a bit of opportunity is that the market's not -- the complete market is yet ready to take lease-up risk. And, that's what we're trying to -- we're finding some pockets of opportunities. Our comment on return premium is more as I think where assets were trading at, whatever you want to call it over T-bills -- a couple hundred basis points is that's just getting tighter and tighter on core assets, stabilized assets.

George Auerbach - *ISI Group - Analyst*

Okay.

Dennis Friedrich - *Brookfield Properties Corp - President and CEO, US Commercial Operations*

Not as far as not taking the view of interest rates going up .

Ric Clark - *Brookfield Properties Corp - President and CEO*

I think, if there are no further questions, Operator.

Operator

We have no further questions at this time.

Ric Clark - *Brookfield Properties Corp - President and CEO*

Great. Thanks everyone for joining our call. Please contact Melissa or sign up for our investor tour. We hope you can join us, and we look forward to speaking to all of you on our next conference call, and in the meantime if you have questions. Thank you.

Operator

That does conclude our conference for today. Thank you for your participation.