Management's Discussion and Analysis of Financial Results

August 12, 2015

PART I – OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2015, includes material information up to August 12, 2015. Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All dollar references, unless otherwise stated, are in millions of U.S. dollars, except per share amounts. Amounts in Canadian dollars and Australian dollars are identified as "C$" and "A$," respectively. Amounts in British pounds are identified as "GBP" or "£."

The following discussion and analysis is intended to provide readers with an assessment of the performance of Brookfield Office Properties Inc. ("Brookfield Office Properties" or the "company") over the past three months as well as our financial position and future prospects. It should be read in conjunction with the condensed consolidated financial statements and appended notes, which begin on page 47 of this report. In Part II – Financial Statement Analysis of this MD&A, beginning on page 12, we review our operating performance and financial position as presented in our financial statements prepared in accordance with IFRS followed by a discussion of non-IFRS measures and corresponding reconciliations to comparable IFRS measures.

Additional information, including our Annual Information Form, is available on our website at www.brookfieldofficeproperties.com or on www.sedar.com.

OVERVIEW OF THE BUSINESS

Brookfield Office Properties is a global commercial real estate company that owns, develops and manages premier office properties in the United States, Canada, Australia and the United Kingdom. The portfolio consists of 108 properties totaling 86 million square feet that are either wholly owned, owned through property-level joint ventures or through four, fully invested, core office funds that were established for the purpose of enhancing our position as a leading real estate asset manager.

FINANCIAL HIGHLIGHTS

Brookfield Office Properties' financial results are as follows:

	Three months ended Jun 30		Six months ended Jun 30	
(Millions)	**2015**	2014	**2015**	2014
Results of operations				
Commercial property revenue	**$ 549**	$ 597	**$ 1,106**	$ 1,179
Net income attributable to shareholders	**864**	768	**1,490**	861
			Jun. 30, 2015	Dec. 31, 2014
Balance sheet				
Total assets			**$ 34,200**	$ 34,405
Commercial properties[1]			**26,144**	27,550
Commercial property debt[1]			**14,000**	14,849
Total non-current financial liabilities			**11,220**	13,508
Total shareholders' equity			**14,602**	13,527

(1) *Includes commercial properties held for sale and associated commercial property debt*

COMMERCIAL PROPERTY OPERATIONS

Our commercial property portfolio consists of interests in 108 properties totaling 86 million square feet, including 18 million square feet of parking and other. Our development portfolio comprises interests in 20 sites totaling 19 million square feet. Our primary markets are the financial, energy and government center cities of New York, Washington, D.C., Houston, Los Angeles, Toronto, Calgary and Ottawa in North America as well as Sydney, Melbourne and Perth in Australia and London in the United Kingdom. Landmark assets include Brookfield Places in New York, Toronto and Perth, Bank of America Plaza in Los Angeles, Bankers Hall in Calgary and Darling Park Complex in Sydney.

We remain focused on the following strategic priorities:

- Realizing value from our investment properties through proactive leasing and select redevelopment initiatives;
- Prudent capital management, including the refinancing of mature investment properties and disposition of select mature or non-core assets; and
- Advancing development assets as the economy rebounds and supply constraints create opportunities.

Our commercial property investments are held through wholly or partially owned subsidiaries, which are fully consolidated on our balance sheet, and through entities that we jointly control with our partners, for which we recognize our interests in the net assets of such entities following the equity method of accounting or, in the case of joint operations, by recording our share of the assets and liabilities. We also recognize our investments in certain assets in Australia in the form of participating loan interests.

We believe that investing our liquidity with partners through joint ventures or funds enables us to enhance returns. The funds and associated asset management fees represent an important area of growth as we expand our assets under management. Purchasing properties or portfolios of properties in a fund format allows us to earn the following categories of fees:

- Asset Management — Stable base fee for providing regular, ongoing services.
- Transaction — Development, redevelopment and leasing activities conducted on behalf of these funds.
- Performance — Earned when certain predetermined benchmarks are exceeded. Performance fees, which can add considerably to fee revenue, typically arise later in a fund's life cycle and are therefore not fully reflected in current results.

An important characteristic of our portfolio is the strong credit quality of our tenants. We direct special attention to credit quality, particularly in the current economic environment, in order to ensure the long-term sustainability of rental revenues through economic cycles. Major tenants with over 1,000,000 square feet of space in the portfolio include government and government agencies, CIBC World Markets, Suncor Energy Inc., Morgan Stanley, Bank of Montreal, Bank of America/Merrill Lynch, Royal Bank of Canada and JPMorgan Chase & Co. A detailed list of major tenants is included in Part III – Risks and Uncertainties of this MD&A, beginning on page 37.

Our strategy is to sign long-term leases in order to mitigate risk and reduce our overall re-tenanting costs. We typically commence discussions with tenants regarding their space requirements well in advance of the contractual expiration, and although each market is different, the majority of our leases, when signed, extend between 10- and 20-year terms. As a result of this strategy, only five percent of our leases, on average, mature annually up to 2019.

Our Canadian Office Fund, which consists of eight properties in Toronto and Ottawa, and a 0.6 million square foot development site, is a consortium of institutional investors, led and managed by us. Affiliates of the consortium members own direct interests in property-level joint arrangements and have entered into several agreements relating to property management, fees, transfer rights and other material issues associated with the operation of the properties. We account for our interest in this fund by recognizing our share of the assets, liabilities and results of operations of the properties.

Our U.S. Office Fund, which consists of 21 properties in New York, Washington, D.C., Houston and Los Angeles, and 2.9 million square feet of development sites, which we lead and manage, invests through direct and indirect investment vehicles that have also entered into several agreements relating to property management, fees, transfer rights and other material issues associated with the operation of the properties. Our 84.3% interest in the U.S. Office Fund is held through an indirect interest in TRZ Holdings LLC which is reflected as a consolidated subsidiary in our condensed consolidated financial statements.

Brookfield DTLA Holdings LLC ("DTLA"), which consists of seven properties in Los Angeles, and a 0.8 million square foot development site, which we lead and manage, invests through direct and indirect investment vehicles that have also entered into several agreements relating to property management, fees, transfer rights and other material issues associated with the operation of the properties. We have a 47.3% interest in DTLA which is reflected as a consolidated subsidiary in our condensed consolidated financial statements.

Brookfield D.C. Office Partners LLC ("D.C. Fund"), which consists of 8 properties in Washington, D.C., which we lead and manage, invests through direct and indirect investment vehicles that have also entered into several agreements relating to property management, fees, transfer rights and other material issues associated with the operation of the properties. We have a 39.8% interest in D.C. Fund which is reflected as a 51% equity accounted investment less convertible notes payable and capital securities held by an institutional investor in our condensed consolidated financial statements.

In the third quarter of 2010, we acquired an interest in a portfolio of properties in Australia (the "Australian portfolio") through an investment of A$1.6 billion in exchange for participating loan interests that provide us with an interest in the results of operations and changes in fair values of the properties. These participating loan interests are a hybrid instrument consisting of an interest bearing note, a total return swap and an option to acquire direct or indirect legal ownership of the properties (the "property subsidiaries"). Certain of these participating loan interests provide us with control or joint control over the property subsidiaries and are consolidated or equity accounted as joint ventures, accordingly. Where the participating loan interests do not provide us with control over a property subsidiary, they are presented as participating loan interests. As a result of this arrangement, we also hold an 80.5% controlling interest in Prime, an entity that holds direct ownership interest in five properties in the Australian portfolio, and we have recognized the non-controlling interests in the net assets of Prime in equity.

On June 9, 2014, Brookfield Property Partners L.P. ("BPY") and its indirect subsidiaries, by way of a plan of arrangement, completed the acquisition of 100% of the issued and outstanding common shares of Brookfield Office Properties.

On June 18, 2015, we formed the D.C. Fund by contributing 650 Massachusetts Avenue, 77 K Street, 799 9th Avenue and interests in five properties formerly held in our US Office Fund (1400 K Street, 1200 K Street, 1250 Connecticut Avenue, Bethesda Crescent and the Victor Building) from our Washington, D.C. portfolio. An institutional investor in our US Office Fund also contributed its share of our US Office Fund assets mentioned above to the D.C. Fund. We sold an interest in the D.C. Fund for proceeds of approximately $250 million and initially recognized a 51% equity accounted investment at its fair value of $305 million less $26 million of notes payable and capital securities of $39 million, both held by our US Office Fund investor which are both convertible into equity interests in the D.C. Fund. We retained a 39.8% economic interest in the D.C. Fund.

COMMERCIAL DEVELOPMENT

We hold interests in 19 million square feet of high-quality, centrally-located development sites. With the exception of Manhattan West in Midtown New York, Bay Adelaide East in Toronto, Brookfield Place East Tower in Calgary, Brookfield Place Tower 2 in Perth and London Wall Place and Principal Place Commercial in London, these development sites are in planning stages. We will seek to monetize these sites through development only when we meet our risk-adjusted return hurdles and when we achieve pre-leasing targets.

The following table summarizes our commercial developments at June 30, 2015:

(Square Feet in Thousands)	Region	Location	Number of Sites	Ownership	Assets Under Management	Proportionate[1]	Proportionate net of Non-Controlling Interests[2]
Active Developments							
U.S. Developments							
Manhattan West	Midtown, NY	Between 31st and 33rd Street across from Moynihan train station	1	100%	5,000	5,000	5,000
Canadian Developments							
Bay Adelaide East	Toronto	Bay and Adelaide Streets	1	62%	980	980	608
Brookfield Place East Tower	Calgary	Within one block of Fifth Avenue Place, Bankers Hall and Suncor Energy Centre	1	62%	1,400	1,400	868
Australian Developments							
Brookfield Place Tower 2	Perth	16-story tower adjacent to Brookfield Place	1	100%	362	362	362
U.K. Developments							
London Wall Place[3]	London	Located in the heart of the City of London Financial	1	50%	505	253	253
Principal Place Commercial	London	Located on the City of London/Shoreditch border	1	100%	621	621	621
Total Active Developments			**6**		**8,868**	**8,616**	**7,712**
Developments in Planning							
U.S. Developments							
1501 Tremont Place	Denver	One block from Republic Plaza	1	100%	733	733	733
Block 173	Denver	One block from Republic Plaza	1	100%	600	600	600
Reston Crescent[4]	Washington, D.C.	36-acre landscaped campus adjacent to Reston, Virginia	1	84%	724	610	610
755 Figueroa[5]	Los Angeles	Located adjacent to 777 Tower and Ernst & Young Tower	1	47%	792	375	375
1500 Smith Street[4]	Houston	Between 1600 and 1400 Smith Street	1	84%	500	422	422
Five Allen Center[4]	Houston	A sky bridge connection to the Allen Center	1	84%	1,100	927	927
Allen Center Clay Street[4]	Houston	Located in the heart of the Allen Center/Cullen Center complex	1	84%	600	506	506
Canadian Developments							
Bay Adelaide North	Toronto	Bay and Adelaide Streets	1	100%	825	825	825
Brookfield Place III	Toronto	Third tower of current project	1	54%	800	432	432
Bankers West Parkade	Calgary	West Parkade adjacent to Bankers Hall	1	50%	250	125	125
Brookfield Place West Tower	Calgary	Within one block of Fifth Avenue Place, Bankers Hall and Suncor Energy Centre	1	100%	1,000	1,000	1,000
300 Queen Street[6]	Ottawa	Third phase of Place de Ville project	1	25%	577	144	144
U.K. Developments							
100 Bishopsgate	London	Located in the central core of the City of London	1	100%	962	962	962
Principal Place Residential[3]	London	Located on the City of London/Shoreditch	1	50%	303	152	152
Total Developments in Planning			**14**		**9,766**	**7,813**	**7,813**
Total Commercial Developments			**20**		**18,634**	**16,429**	**15,525**

(1) *Represents Brookfield Office Properties' interest before considering non-controlling interest in BOX of 38.0%. U.S. Office Fund and DTLA assets are presented net of non-controlling interests held by co-investors in the funds*
(2) *Represents Brookfield Office Properties' interest net of non-controlling interests described in note above*
(3) *Represents jointly controlled interest*
(4) *Represents U.S. Office Fund asset*
(5) *Represents DTLA asset*
(6) *Represents Canadian Office Fund asset*

PERFORMANCE MEASUREMENT

The key indicators by which we measure our performance are:

- Net income attributable to shareholders;
- Funds from operations;
- Overall indebtedness level;
- Weighted average cost of debt; and
- Occupancy levels.

Net Income Attributable to Shareholders

Net income attributable to shareholders is calculated in accordance with IFRS. Net income attributable to shareholders is used as a key indicator in assessing the profitability of the company.

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing performance in terms of net income attributable to shareholders, we consider the following items to be important drivers of our current and anticipated financial performance:

- Increases in occupancies by leasing vacant space;
- Increases in rental rates through maintaining or enhancing the quality of our assets and as market conditions permit; and
- Reduction in operating costs through achieving economies of scale and diligently managing contracts.

We also believe that the key external performance drivers include the availability of:

- Debt capital at a cost and on terms conducive to our goals;
- Equity capital at a reasonable cost;
- New property acquisitions that fit into our strategic plan; and
- Investors for dispositions of peak value or non-core assets.

PART II – FINANCIAL STATEMENT ANALYSIS

ASSET PROFILE

Our total asset carrying value was $34,200 million at June 30, 2015, a decrease of $205 million from the balance at December 31, 2014.

The following is a summary of our assets:

(Millions)		Jun. 30, 2015		Dec. 31, 2014
Assets				
Non-current assets				
Investment properties				
Commercial properties	**$**	**25,533**	$	25,912
Commercial developments		**3,003**		2,465
Equity accounted investments and participating loan interests				
Investments in joint ventures		**2,334**		1,794
Investments in associates		**201**		159
Participating loan interests		**437**		426
Other non-current financial assets		**1,068**		820
		32,576		31,576
Current assets				
Receivables and other assets		**365**		434
Restricted cash and deposits		**124**		162
Cash and cash equivalents		**508**		557
		997		1,153
Assets held for sale		**627**		1,676
Total assets	**$**	**34,200**	$	34,405

COMMERCIAL PROPERTIES

Commercial properties comprise our direct and indirect interests in wholly owned commercial properties, as well as our share of commercial properties held through joint operations.

The fair value of our commercial properties was $25,533 million at June 30, 2015, a decrease of $379 million from the balance at December 31, 2014. The decrease is primarily attributable to the reclassification of 75 State Street in Boston, 99 Bishopsgate in London and HSBC Building in Toronto to assets held for sale and the impact of foreign exchange offset by the recognition of valuation gains and capital expenditures. The consolidated fair value of our commercial properties in the United States, Canada, Australia and the United Kingdom at June 30, 2015 is approximately $426 per square foot.

A breakdown of our consolidated commercial properties is as follows:

	Jun. 30, 2015					Dec. 31, 2014			
(Millions, except per square feet)		**Value**	**000's Sq. Ft.**		**Value per Sq. Ft.**		Value	000's Sq. Ft.[1]		Value per Sq. Ft.
United States	**$**	**18,063**	**43,607**	**$**	**414**	$	17,713	45,924	$	386
Canada		**4,106**	**11,456**		**358**		4,417	11,791		375
Australia		**2,851**	**4,448**		**641**		2,848	4,448		640
United Kingdom		**513**	**436**		**1,177**		934	718		1,301
Total	**$**	**25,533**	**59,947**	**$**	**426**	$	25,912	62,881	$	412

(1) *Restated for re-measurements performed during the first quarter of 2015*

The key valuation metrics for commercial properties, including properties accounted for under the equity method ("EAIs"), are set out in the following table:

	Jun. 30, 2015			Dec. 31, 2014		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Consolidated Properties and EAIs						
United States						
Discount rate	**7.00%**	**6.00%**	**6.13%**	9.25%	6.00%	6.87%
Terminal cap rate	**6.25%**	**5.00%**	**5.15%**	7.00%	5.00%	5.72%
Investment horizon (years)	**11**	**9**	**9**	19	3	10
Canada						
Discount rate	**6.75%**	**5.85%**	**6.24%**	7.00%	6.00%	6.32%
Terminal cap rate	**6.25%**	**5.00%**	**5.59%**	6.50%	5.25%	5.63%
Investment horizon (years)	**15**	**10**	**10**	15	10	11
Australia						
Discount rate	**9.00%**	**7.00%**	**7.99%**	8.51%	8.00%	8.24%
Terminal cap rate	**7.00%**	**6.00%**	**6.45%**	7.50%	6.73%	6.78%
Investment horizon (years)	**10**	**10**	**10**	10	10	10
United Kingdom						
Discount rate	**6.00%**	**6.00%**	**6.00%**	8.40%	6.50%	7.25%
Terminal cap rate	**5.00%**	**5.00%**	**5.00%**	5.00%	5.00%	5.00%
Investment horizon (years)	**10**	**10**	**10**	10	2	7

Upon the signing of the majority of our leases, we provide a capital allowance for tenant improvements for leased space in order to accommodate the specific space requirements of the tenant. In addition to this capital allowance, leasing commissions are paid to third-party brokers representing tenants in lease negotiations. Capital expenditures for tenant improvements that enhance the value of our properties and leasing commissions are capitalized in the period incurred. For the three and six months ended June 30, 2015, expenditures for these tenant installation costs totaled $108 million and $202 million, respectively, compared with $104 million and $168 million expended during the same period in 2014. The increase was due to higher leasing activity and timing of expenditures.

We also invest in ongoing maintenance and capital improvement projects to sustain the high quality of the infrastructure and tenant service amenities in our properties. Capital expenditures for the three and six months ended June 30, 2015 totaled $93 million and $197 million, respectively, compared with $90 million and $151 million during the same period in 2014. These expenditures exclude repairs and maintenance costs, a portion of which are recovered through contractual tenant cost recovery payments. Fluctuations in our capital expenditures vary period over period based on required and planned expenditures on our properties. In the current period, we incurred costs related to redevelopment and lobby, retail and facade renovations at various properties. Capital expenditures include recoverable capital expenditures, which represent improvements to an asset or reconfiguration of space to increase rentable area or increase current rental rates, and non-recoverable expenditures, which are those required to extend the service life of an asset. Capital expenditures included $58 million and $135 million, respectively, related to redevelopment initiatives at Brookfield Place in Downtown New York and Five Manhattan West in Midtown New York for the three and six months ended June 30, 2015, compared with $48 million and $118 million during the same period in 2014. For the three and six months ended June 30, 2015, $7 million and $10 million of our total capital expenditures were recoverable, compared with $7 million and $9 million during the same period in 2014.

The following table summarizes the changes in value of our commercial properties for the six months ended June 30, 2015:

(Millions)	**Jun. 30, 2015**
Commercial properties, beginning of period	**$ 25,912**
Fair value gains (losses)	**788**
Reclassification to assets held for sale	**(1,198)**
Expenditures and other	**495**
Foreign currency translation	**(464)**
Commercial properties, end of period	**$ 25,533**

COMMERCIAL DEVELOPMENTS

Commercial developments consist of commercial property development sites, density rights and related infrastructure. The total fair value of development land and infrastructure was $3,003 million at June 30, 2015, an increase of $538 million from the balance at December 31, 2014. The increase is primarily attributable to capital expenditures and the recognition of valuation gains offset by the impact of foreign exchange and the disposition of 65-68 Leadenhall in London. Based on 19 million square feet of commercial developments, the fair value at June 30, 2015 represents approximately $161 per square foot.

Although we are generally not a speculative developer, we are a full-service real estate company with in-house development expertise. With 19 million square feet of high-quality, centrally-located development properties in New York, Denver, Washington, D.C., Los Angeles, Houston, Toronto, Calgary, Ottawa, Perth and London, we will undertake developments when we achieve our risk-adjusted returns and pre-leasing targets.

Expenditures for development of commercial properties totaled $237 million and $488 million, respectively, for the three and six months ended June 30, 2015 as compared with $132 million and $239 million during the same period in 2014. The increase is primarily attributable to construction costs associated with our active development sites, Manhattan West in Midtown New York, Bay Adelaide East in Toronto, Brookfield Place East Tower in Calgary, Brookfield Place Tower 2 in Perth and London Wall Place and Principal Place Commercial in London as well as increased associated borrowing costs.

The details of development and redevelopment expenditures are as follows:

(Millions)	Three months ended Jun. 30 **2015**	Three months ended Jun. 30 2014	Six months ended Jun. 30 **2015**	Six months ended Jun. 30 2014
Construction costs	**$ 191**	$ 113	**$ 417**	$ 200
Capitalized borrowing costs	**23**	18	**44**	36
Property taxes and other	**23**	1	**27**	3
Total development and redevelopment expenditures	**$ 237**	$ 132	**$ 488**	$ 239

The following table summarizes the changes in value of our commercial developments for the three and six months ended June 30, 2015:

(Millions)	**Jun. 30, 2015**
Commercial developments, beginning of period	**$ 2,465**
Fair value gains (losses)	**109**
Dispositions	**(25)**
Expenditures and other	**503**
Foreign currency translation	**(49)**
Commercial developments, end of period	**$ 3,003**

INVESTMENTS IN JOINT VENTURES

We have investments in joint arrangements that are joint ventures. These joint ventures hold individual commercial properties or developments that we own together with co-owners.

Details of our investments in joint ventures, which have been accounted for following the equity method, are as follows:

	Location	Ownership Interest **Jun. 30, 2015**	Ownership Interest Dec. 31, 2014
Commercial properties:			
The Grace Building	Midtown New York	**50%**	50%
Marina Towers	Los Angeles	**50%**	50%
245 Park Avenue	Midtown New York	**51%**	51%
Republic Plaza	Denver	**50%**	50%
E&Y Centre	Sydney	**50%**	50%
75 State Street	Boston	**51%**	—
D.C. Fund	Washington, D.C.	**51%**	—
Commercial developments:			
London Wall Place	London	**50%**	50%
Principal Place – Residential	London	**50%**	50%

On April 30, 2015, we sold a 49% interest in 75 State Street in Boston, which was previously consolidated within commercial properties, for proceeds of approximately $238 million, net of assumed debt. We retained joint control of the resulting joint venture and initially recognized the equity accounted investment at its fair value of $148 million.

On June 18, 2015, we formed the D.C. Fund by contributing 650 Massachusetts Avenue, 77 K Street, 799 9th Avenue and interests in five properties formerly held in our US Office Fund (1400 K Street, 1200 K Street, 1250 Connecticut Avenue, Bethesda Crescent and the Victor Building) from our Washington, D.C. portfolio. An institutional investor in our US Office Fund also contributed its share of our US Office Fund assets mentioned above to the D.C. Fund. We sold an interest in the D.C. Fund for proceeds of approximately $250 million and initially recognized a 51% equity accounted investment at its fair value of $305 million less $26 million of notes payable and capital securities of $39 million, both held by our US Office Fund investor which are both convertible into equity interests in the D.C. Fund. We retained a 39.8% economic interest in the D.C. Fund.

Summarized financial information in respect of our investments in these joint ventures is set out below:

(Millions)	Jun. 30, 2015	Dec. 31, 2014
Non-current assets		
Commercial properties	$ 7,246	$ 5,149
Commercial developments	465	392
Current assets	203	152
Total assets	7,914	5,693
Non-current liabilities		
Commercial property debt	3,061	1,985
Other non-current liabilities	81	68
Current liabilities	150	85
Total liabilities	3,292	2,138
Net assets	$ 4,622	$ 3,555
Our share of net assets	$ 2,334	$ 1,794

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	2015	2014	2015	2014
Revenue	114	$ 82	$ 204	$ 161
Expense	(77)	(38)	(119)	(78)
Fair value gains (losses)	20	147	158	142
Net earnings	57	$ 191	$ 243	$ 225
Our share of net earnings	28	$ 96	$ 122	$ 114

INVESTMENTS IN ASSOCIATES

We exercise significant influence over the following investments which have been accounted for using the equity method:

(Millions)		Ownership Interest			
Name of Investment	Principal activity	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
BSREP Australia Trust	Investment properties	31.5%	31.5%	$ 107	$ 110
Brookfield Global FM Limited Partnership	Facilities management	42.1%	42.1%	92	47
Oakridges	Residential development	23.8%	23.8%	2	2
Our net investment				$ 201	$ 159

Included in investments in associates is our 31.5% investment in BSREP Australia Trust, the entity that owns the outstanding shares of the Wynyard Holdings Group and our 42.1% investment in Brookfield Global FM Limited Partnership (“FM Co.”), a facilities management business which includes various Middle Eastern and Asian facilities management businesses and Brookfield Condominium Services Ltd., formerly known as Brookfield Residential Services Ltd. Also included in investments in associates is our 23.8% investment in Oakridges, which is a residential development project in Toronto.

On February 18, 2015, FM Co. sold its interest in Brookfield Johnson Controls Australia (“BJCA”) and Brookfield Johnson Controls Canada (“BJCC”), which were previously owned by FM Co., to a subsidiary of Brookfield Asset Management Inc. (“BAM”).

PARTICIPATING LOAN INTERESTS

Participating loan interests, which represent interests in certain properties in Australia that do not provide us with control over the entity that owns the underlying property, are accounted for as loans and receivables. The instruments, which are receivable from a wholly-owned subsidiary of BAM, have a contractual maturity date of September 26, 2020, subject to our prior right to convert into direct ownership interests in the underlying commercial properties, and have a contractual interest rate that varies with the results of operations of those properties.

The outstanding principal of the participating loan interests relates to the following commercial properties:

(Millions)	Participation Interest			
Name of Property	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Darling Park Complex, Sydney	30%	30%	$ 178	$ 155
IAG House, Sydney	50%	50%	98	103
Bourke Place Trust, Melbourne	43%	43%	161	168
Total participating loan interests			$ 437	$ 426

Participating loan interests were $437 million at June 30, 2015, an increase of $11 million from the balance at December 31, 2014.

Included in the balance of participating loan interests is an embedded derivative representing our right to participate in the changes in the fair value of the referenced properties. The embedded derivative is measured at fair value with changes in fair value reported in earnings as fair value gains or losses, net. The carrying value of the embedded derivative at June 30, 2015 is $79 million (December 31, 2014 – $43 million). For the three and six months ended June 30, 2015, we recognized interest income of $7 million and $14 million, respectively, (2014 – $9 million and $18 million) on the participating loan interests and fair value gains (losses) on the associated embedded derivative of $22 million and $41 million, respectively, (2014 – $1 million and ($3) million).

OTHER NON-CURRENT FINANCIAL ASSETS

The components of other non-current financial assets are as follows:

(Millions)		**Jun. 30, 2015**		Dec. 31, 2014
Preferred shares in affiliate	**$**	**273**	$	293
Notes from affiliates		**578**		308
Equity securities designated as available-for-sale (“AFS”)		**140**		137
Other loans receivable		**77**		82
Total other non-current financial assets	**$**	**1,068**	$	820

a) Preferred shares in affiliate

At June 30, 2015, preferred shares in affiliate consists of 13,629,794 Class C Junior preferred shares of a subsidiary of BPY with a carrying value of $273 million (December 31, 2014 – $293 million).

b) Notes from affiliates

At June 30, 2015, notes from affiliates includes $156 million (December 31, 2014 – $164 million) of 4.5% Canadian dollar denominated interest bearing notes including accrued interest and $422 million (December 31, 2014 – $144 million) of 3.6% interest bearing notes including accrued interest from a subsidiary of BPY.

c) Equity securities designated as AFS

At June 30, 2015, equity securities designated as AFS includes $106 million (December 31, 2014 – $106 million) which represents our 10% common equity interest and $92 million preferred equity interest in 1625 Eye Street in Washington, D.C. The preferred equity securities, bearing a fixed dividend of 6.5%, are redeemable by the issuer at par in 2016 and are pledged as security for a loan payable to the issuer in the amount of $92 million at June 30, 2015 (December 31, 2014 – $92 million) recognized in other non-current financial liabilities.

Equity securities designated as AFS also includes $34 million at June 30, 2015 (December 31, 2014 – $31 million) which represents our 10% common equity interest in Heritage Plaza in Houston.

d) Other loans receivable

At June 30, 2015, other loans receivable includes $77 million (December 31, 2014 – $82 million) receivable from BAM due upon the earlier of the exercise of our option to convert our participating loan interests into direct ownership of the Australian portfolio or the maturity of the participating loan notes.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets was $365 million at June 30, 2015, a decrease of $69 million from the balance at December 31, 2014. Included in receivables and other assets are derivative assets with a carrying value of $3 million at June 30, 2015 (December 31, 2014 – $19 million).

The components of receivables and other assets are as follows:

(Millions)		**Jun. 30, 2015**		Dec. 31, 2014
Accounts receivable	**$**	**249**	$	321
Prepaid expenses and other assets		**116**		113
Total receivables and other assets	**$**	**365**	$	434

RESTRICTED CASH AND DEPOSITS

Cash and deposits are considered restricted when third parties impose limits that prevent the assets' use for current purposes. Restricted cash and deposits was $124 million at June 30, 2015, a decrease of $38 million from the balance at December 31, 2014. The decrease is primarily attributable to the release of escrow funds used to fund development spending at Five Manhattan West in Midtown New York.

CASH AND CASH EQUIVALENTS

We endeavor to maintain high levels of liquidity to ensure that we can react quickly to potential investment opportunities. This liquidity consists of cash, which contributes investment returns, as well as committed lines of credit. To ensure we maximize our returns, cash balances are generally carried at a modest level and excess cash is used to repay revolving credit lines.

Cash and cash equivalents was $508 million at June 30, 2015, a decrease of $49 million from the balance at December 31, 2014. The decrease is primarily attributable to capital expenditures, leasing costs, loans to BPY and dividend payments offset by dispositions and draws on our corporate revolving credit facility.

ASSETS AND ASSOCIATED LIABILITIES HELD FOR SALE

During the current period, we reclassified HSBC Building in Toronto and 99 Bishopsgate in London to assets held for sale as we intend to sell controlling interests in these properties to third parties in the next 12 months.

On January 22, 2015, we sold 151 Yonge Street in Toronto for C$38 million. In addition, on March 26, 2015, we sold Metropolitan Park East & West in Seattle for $273 million.

At December 31, 2014, 1250 Connecticut Avenue, 650 Massachusetts Avenue, 77 K Street, 799 9th Street, 1400 K Street, 1200 K Street, Bethesda Crescent and Victor Building, all in Washington D.C., 151 Yonge Street in Toronto and Metropolitan Park East & West in Seattle were presented in assets held for sale.

(Millions)	**Jun. 30, 2015**	Dec. 31, 2014
Assets		
Commercial properties	**$ 611**	$ 1,638
Receivables and other assets	**16**	38
Assets held for sale	**$ 627**	$ 1,676
Liabilities		
Commercial property debt	**$ 236**	$ 794
Accounts payable and other liabilities	**31**	31
Liabilities associated with assets held for sale	**$ 267**	$ 825

LIABILITIES AND EQUITY

Our asset base of $34,200 million at June 30, 2015 is financed with a combination of debt, capital securities and equity. The following is a summary of our liabilities and equity:

(Millions)	Jun. 30, 2015	Dec. 31, 2014
Liabilities		
Non-current liabilities		
Commercial property debt	**$ 10,165**	$ 12,405
Capital securities – corporate	**120**	129
Capital securities – fund subsidiaries	**684**	643
Other non-current financial liabilities	**251**	331
Deferred tax liabilities	**1,095**	1,400
	12,315	14,908
Current liabilities		
Commercial property debt	**3,599**	1,650
Capital securities – corporate	**429**	454
Accounts payable and accrued liabilities	**1,139**	1,032
	5,167	3,136
Liabilities associated with assets held for sale	**267**	825
Total liabilities	**$ 17,749**	$ 18,869
Equity		
Preferred equity – corporate	**$ 1,543**	$ 1,542
Common equity	**13,059**	11,985
Total shareholder’s equity	**14,602**	13,527
Preferred equity – subsidiaries	**249**	261
Other non-controlling interests	**1,600**	1,748
Total equity	**$ 16,451**	$ 15,536
Total liabilities and equity	**$ 34,200**	$ 34,405

COMMERCIAL PROPERTY DEBT

Commercial property debt including debt associated with assets held for sale totaled $14,000 million at June 30, 2015, a decrease of $849 million from the balance at December 31, 2014. The decrease is primarily attributable to dispositions, principal amortization payments and the impact of foreign exchange offset by draws on development facilities and our corporate revolving credit facility. Commercial property debt at June 30, 2015 had a weighted average interest rate of 4.03% (December 31, 2014 – 4.16%). Debt on our investment properties is mainly non-recourse, thereby reducing overall financial risk to the company.

We attempt to match the maturity of our commercial property debt portfolio with the lease term of our properties. At June 30, 2015, the average remaining term to maturity of our commercial property debt was four years, compared to the average remaining lease term of eight years. In Australia, the market for property debt tends to only extend to three to five year terms at most, and as a result it is difficult to match to lease term. In the United States, we have executed a number of shorter term financings on properties that are being repositioned. Once these properties stabilize, we expect to put in place long-term financings that are more in line with average remaining lease terms.

On May 21, 2015, we increased our BOX corporate revolving credit facility from C$280 million to C$350 million through a syndicate of lending institutions. We may extend the maturity date once, for an additional period of one year.

We have $1,280 million of committed corporate credit facilities consisting of the $1 billion corporate revolving credit facility which also features an accordion option through which we can draw an additional $250 million with the consent of the lenders. In addition we have a C$350 million revolving credit facility in the form of bilateral agreements between BOX, our 62.0% owned subsidiary, and a number of Canadian chartered banks. At June 30, 2015, the balance drawn on these facilities was $1,050 million, net of transaction costs of $5 million (December 31, 2014 – $842 million). For the three and six months ended June 30, 2015, we incurred $7 million and $12 million, respectively, in interest expense related to the balance on the corporate credit facilities (2014 – $5 million and $9 million).

The details of commercial property debt at June 30, 2015, are as follows:

($ in Millions)	Location	Rate	Maturity Date		Jun. 30, 2015[1]	Mortgage Details[2]
Commercial property debt						
Leadenhall Court	London	2.77%	August	2015	$ 47	Non-recourse, floating rate
Silver Spring Metro Plaza[3]	Washington, D.C.	2.33%	September	2015	98	Non-recourse, floating rate
200 Vesey Street	New York	2.50%	December	2015	225	Non-recourse, floating rate
One & Two Reston Crescent[3]	Washington, D.C.	1.94%	December	2015	72	Non-recourse, floating rate
1801 California Street	Denver	3.44%	December	2015	192	Non-recourse, floating rate
Manhattan West[4]	New York	2.68%	January	2016	303	Recourse, floating rate
One Shelley Street[5]	Sydney	6.86%	January	2016	149	Non-recourse, fixed/floating rate
Mezzanine Loan	Various	5.69%	January	2016	200	Non-recourse, floating rate
1550 & 1560 Wilson Boulevard[3]	Washington, D.C.	2.68%	January	2016	53	Non-recourse, floating rate
One New York Plaza[3]	New York	5.50%	March	2016	350	Non-recourse, fixed rate
KPMG Tower[5,6]	Sydney	4.41%	March	2016	106	Non-recourse, fixed/floating rate
Three Allen Center[3]	Houston	6.12%	May	2016	157	Non-recourse, fixed rate
Hudson's Bay Centre	Toronto	2.39%	May	2016	78	Non-recourse, floating rate
1600 Smith Street[3]	Houston	2.69%	May	2016	139	Non-recourse, floating rate
Two Ballston Plaza[3]	Washington, D.C.	2.69%	May	2016	44	Non-recourse, floating rate
One Allen Center[3]	Houston	2.69%	May	2016	117	Non-recourse, floating rate
225 Liberty Street	New York	3.43%	June	2016	619	Non-recourse, floating rate
250 Vesey Street	New York	3.43%	June	2016	506	Non-recourse, floating rate
Royal Centre	Vancouver	2.49%	June	2016	110	Non-recourse, floating rate
The Gas Company Tower[7]	Los Angeles	5.10%	August	2016	458	Non-recourse, fixed rate
685 Market Street	San Francisco	2.48%	October	2016	52	Non-recourse, floating rate
Wells Fargo Center - South Tower[7]	Los Angeles	1.99%	December	2016	290	Non-recourse, floating rate
Bay Adelaide East[4]	Toronto	2.86%	December	2016	176	Non-recourse, floating rate
200 Liberty Street	New York	5.83%	February	2017	310	Non-recourse, fixed rate
235 St Georges Terrace	Perth	3.94%	March	2017	35	Non-recourse, floating rate
Wells Fargo Center - North Tower[7]	Los Angeles	5.70%	April	2017	550	Non-recourse, fixed rate
Brookfield Prime Property Fund pool debt[5]	Various	3.84%	June	2017	400	Non-recourse, floating rate
Five Manhattan West	New York	2.93%	July	2017	421	Non-recourse, floating rate
52 Goulburn Street[5]	Sydney	5.24%	July	2017	46	Non-recourse, fixed/floating rate
One Liberty Plaza	New York	6.14%	August	2017	810	Non-recourse, fixed rate
FIGat7th[7]	Los Angeles	2.44%	September	2017	35	Non-recourse, floating rate
Southern Cross West Tower[5]	Melbourne	4.34%	November	2017	61	Non-recourse, floating rate
Brookfield Place Calgary East[4]	Calgary	2.72%	November	2017	23	Non-recourse, floating rate
One North End Avenue	New York	2.94%	December	2017	151	Non-recourse, floating rate
2 Queen Street East[8]	Toronto	5.64%	December	2017	23	Non-recourse, fixed rate
Manhattan West[4]	New York	5.90%	April	2018	122	Non-recourse, fixed rate
Two Allen Center[3]	Houston	6.45%	May	2018	193	Non-recourse, fixed rate
Three Bethesda Metro Center	Washington, D.C.	1.78%	June	2018	110	Non-recourse, floating rate
Brookfield Place Tower 2[4]	Perth	4.34%	June	2018	121	Non-recourse, floating rate
Principal Place – Commercial[4]	London	2.91%	June	2018	62	Non-recourse, floating rate
Brookfield Place	Perth	3.72%	July	2018	501	Non-recourse, floating rate
777 Tower[7]	Los Angeles	1.89%	November	2018	200	Non-recourse, floating rate
1201 Louisiana Street	Houston	4.65%	November	2018	92	Non-recourse, fixed rate
601 South 12th Street	Washington, D.C.	2.29%	November	2018	55	Non-recourse, floating rate
701 South 12th Street	Washington, D.C.	2.29%	November	2018	45	Non-recourse, floating rate
Potomac Tower	Washington, D.C.	4.50%	January	2019	82	Non-recourse, fixed rate
Southern Cross East Tower[6]	Melbourne	3.69%	June	2019	236	Non-recourse, floating rate
King Street Wharf Retail[6]	Sydney	3.69%	June	2019	35	Non-recourse, floating rate
2001 M Street[3]	Washington, D.C.	2.93%	October	2019	68	Non-recourse, floating rate
Moor Place	London	2.57%	December	2019	217	Non-recourse, floating rate
Bay Wellington Tower	Toronto	3.24%	January	2020	403	Non-recourse, fixed rate
22 Front Street	Toronto	6.24%	October	2020	14	Non-recourse, fixed rate
Ernst & Young Tower[5,7]	Los Angeles	3.93%	November	2020	185	Non-recourse, fixed rate
Bankers Court	Calgary	4.96%	November	2020	34	Non-recourse, fixed rate
Queen's Quay Terminal	Toronto	5.40%	April	2021	66	Non-recourse, fixed rate
Fifth Avenue Place	Calgary	4.71%	August	2021	129	Non-recourse, fixed rate
Bay Adelaide West	Toronto	4.43%	December	2021	305	Non-recourse, fixed rate
Exchange Tower	Toronto	4.03%	April	2022	88	Non-recourse, fixed rate
105 Adelaide	Toronto	3.87%	May	2023	28	Non-recourse, fixed rate
601 Figueroa[7]	Los Angeles	3.49%	July	2023	250	Non-recourse, fixed rate
Sunrise Tech Park[3]	Washington, D.C.	3.70%	July	2023	40	Non-recourse, fixed rate
Bankers Hall	Calgary	4.38%	November	2023	234	Non-recourse, fixed rate
First Canadian Place[8]	Toronto	3.56%	December	2023	62	Non-recourse, fixed rate
Jean Edmonds Towers[8]	Ottawa	6.79%	January	2024	12	Non-recourse, fixed rate

($ in Millions)	Location	Rate	Maturity Date		Jun. 30, 2015[1]	Mortgage Details[2]
Commercial property debt continued						
Bank of America Plaza[7]	Los Angeles	4.05%	September	2024	$ 400	Non-recourse, fixed rate
Place de Ville I	Ottawa	3.75%	June	2025	17	Non-recourse, fixed rate
Place de Ville II	Ottawa	3.75%	June	2025	18	Non-recourse, fixed rate
701 9th Street	Washington, D.C.	6.73%	December	2028	146	Non-recourse, fixed rate
300 Madison Avenue	New York	7.26%	April	2032	338	Non-recourse, fixed rate
Suncor Energy Centre	Calgary	5.19%	August	2033	214	Non-recourse, fixed rate
Total commercial property debt		4.19%			$ 12,528	
Corporate debt						
Senior Notes	—	4.30%	January	2017	160	Recourse, fixed rate
$1B Corporate Revolver	—	1.97%	January	2018	907	Recourse, floating rate
Senior Notes	—	4.00%	April	2018	120	Recourse, fixed rate
C$350M BOX Corporate Revolver	—	2.44%	August	2018	148	Non-recourse, floating rate
Total corporate debt		2.48%			$ 1,335	
Total commercial property debt		4.03%			$ 13,863	
Commercial property debt associated with assets held for sale						
99 Bishopsgate	London	4.27%	September	2017	204	Non-recourse, fixed rate
HSBC Building	Toronto	4.06%	January	2023	34	Non-recourse, fixed rate
Total commercial property debt associated with assets held for sale		4.24%			$ 238	
Transaction costs					(101)	
Total		4.03%			$ 14,000	

(1) *Represents our consolidated interest before non-controlling interests*
(2) *Non-recourse to Brookfield Office Properties*
(3) *U.S. Office Fund debt*
(4) *Development debt*
(5) *These debt balances are floating, but a portion of each balance has interest rate swaps in place to fix the interest rate through maturity*
(6) *Represents liability payable to a subsidiary of BAM*
(7) *DTLA debt*
(8) *Canadian Office Fund debt*

Commercial property debt maturities for the next five years and thereafter are as follows:

(Millions)	Scheduled Amortization[1,2]	Maturities	Total[3]	Weighted-Average Interest Rate at Jun. 30, 2015
Remainder 2015	$ 28	$ 631	$ 659	2.89%
2016	70	3,879	3,949	3.91%
2017	72	3,200	3,272	4.84%
2018	73	2,659	2,732	3.18%
2019	79	629	708	3.53%
2020 and thereafter	518	2,162	2,680	4.51%
Total commercial property debt	$ 840	$ 13,160	$ 14,000	4.03%

(1) *Paid through our annual cash flows*
(2) *Net of $101 million of transaction costs*
(3) *Commercial property debt maturities, contained in this table, take into consideration the timing of payments*

CONTRACTUAL OBLIGATIONS

The following table presents our contractual obligations over the next five years and beyond:

		Payments Due by Period			
(Millions)	Total	Less than 1 Year	2 – 3 Years	4 – 5 Years	After 5 Years
Commercial property debt[1]	$ 14,000	$ 659	$ 7,221	$ 3,440	$ 2,680
Capital securities – corporate	549	429	120	—	—
Capital securities – fund subsidiaries	684	—	—	—	684
Interest expense[2]					
Commercial property debt	2,090	277	822	430	561
Capital securities – corporate	15	9	6	—	—
Other non-current financial liabilities	251	—	21	124	106
Accounts payable and accrued liabilities	1,076	1,076	—	—	—

(1) *Net of $101 million of transaction costs and includes commercial property debt associated with assets held for sale at June 30, 2015*

(2) *Represents aggregate interest expense expected to be paid over the term of the debt, on an undiscounted basis, based on current interest and foreign exchange rates*

Refer to page 25 for our liquidity analysis.

Corporate Guarantees, Contingent Obligations and Other

We conduct our operations through entities that are fully consolidated in our financial statements or through joint operations for which we present our share of assets and liabilities in the financial statements, except for our investment in certain commercial properties held through joint ventures or participating loan notes, and our investments in associates.

We and our operating subsidiaries may be contingently liable with respect to litigation and claims that arise from time to time in the normal course of business or otherwise. During the quarter, we reached an agreement to settle a specific litigation brought by the former MPG Office Trust, Inc.'s preferred shareholders related to the acquisition of MPG Office Trust, Inc. As per the settlement, we are required to pay a portion of previously accrued and unpaid preferred dividends as well as the plaintiffs' attorney fees which are not yet estimable.

At June 30, 2015, we have commitments totaling approximately $1,201 million for the development of Manhattan West in Midtown New York, approximately C$388 million for the development of Bay Adelaide East in Toronto and Brookfield Place East Tower in Calgary, approximately A$154 million for the development of Brookfield Place Perth Tower 2 and approximately £238 million for the development of London Wall Place and Principal Place Commercial in London.

In addition, we may execute agreements that provide for indemnifications and guarantees to third parties. Disclosure of guarantees, commitments and contingencies can be found in Note 22, Guarantees, Contingencies and Other.

CAPITAL SECURITIES – CORPORATE

We have the following capital securities – corporate outstanding:

(Millions, except share information)	Shares Outstanding	Cumulative Dividend Rate	**Jun. 30, 2015**	Dec. 31, 2014
Class AAA Series E[1]	8,000,000	70% of bank prime	**$ —**	$ —
Class AAA Series G[2]	4,400,000	5.25%	**110**	110
Class AAA Series H[2]	8,000,000	5.75%	**160**	172
Class AAA Series J[2]	7,954,756	5.00%	**159**	172
Class AAA Series K[2]	6,000,000	5.20%	**120**	129
Total capital securities – corporate			**$ 549**	$ 583

For details regarding the terms on our Class AAA preferred shares, refer to our Annual Information Form

(1) *Class AAA, Series E capital securities – corporate are owned by BPY, our parent. We have an offsetting loan receivable against these securities earning interest at 108% of bank prime*

(2) *BPY and its subsidiaries own 1,003,549, 1,000,000, 1,000,000 and 1,004,586 shares of Class AAA Series G, H, J and K capital securities, respectively*

On June 30, 2015, 45,244 Class AAA Series J shares were redeemed at C$25 per share following the tender for conversion by the holders.

The amended redemption and conversion terms of capital securities – corporate are as follows:

	Redemption Date[1]	Redemption Price[1,2]	Company's Option[3]	Holder's Option[4]
Class AAA Series E	Retractable at par	—	—	—
Class AAA Series G	June 30, 2011	$25.00	June 30, 2011	September 30, 2015
Class AAA Series H	December 31, 2011	C$25.00	December 31, 2011	December 31, 2015
Class AAA Series J	June 30, 2010	C$25.00	June 30, 2010	December 31, 2014
Class AAA Series K	December 31, 2012	C$25.33	December 31, 2012	December 31, 2016

(1) *Subject to applicable law and our rights, we may, on or after the dates specified above, redeem Class AAA preferred shares Series K at a price of C$26.00 if redeemed during the 12 months commencing December 31, 2012 and decreasing by C$0.33 each 12-month period thereafter to a price per share of C$25.00 if redeemed on or after December 31, 2015*

(2) *Subject to applicable law and our rights, we may purchase Class AAA preferred shares for cancellation at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable*

(3) *Subject to the applicable law and, if required, other regulatory approvals, we may, on or after the dates specified above, convert the Class AAA Series G, H, J and K into units of BPY. The Class AAA Series G, H, J and K preferred shares may be converted into that number of BPY units determined by dividing the then applicable redemption price by the greater of C$2.00 (Series G - $2.00) or 95% of the weighted average trading price of BPY units at such time*

(4) *Subject to applicable law, BPY's call rights and our right to redeem or find substitute purchasers, the holder may, on the dates specified above and on specified dates thereafter, convert Class AAA Series G, H, J and K preferred shares into that number of BPY units determined by dividing the then applicable redemption price by the greater of C$2.00 (Series G - $2.00) or 95% of the weighted average trading price of units at such time*

CAPITAL SECURITIES – FUND SUBSIDIARIES

We have $684 million of capital securities – fund subsidiaries outstanding at June 30, 2015 (December 31, 2014 – $643 million). Capital securities – fund subsidiaries includes $645 million (December 31, 2014 – $643 million) of equity interests in DTLA held by our co-investors in the fund which have been classified as a liability, rather than as non-controlling interest, due to the fact that on October 15, 2023, and on every fifth anniversary thereafter, the holders of these interests can cause DTLA to redeem their interests in the fund for cash equivalent to the fair value of the interests. Capital securities – fund subsidiaries are measured at redemption amount. Earnings attributable to the equity interests presented as capital securities – fund subsidiaries, including changes in redemption amount, are recognized as interest expense in the statement of income.

Capital securities – fund subsidiaries also includes $39 million at June 30, 2015 (December 31, 2014 – nil) which represents the equity interests held by our co-investor in the D.C. Fund which have been classified as a liability, rather than as non-controlling interest, due to the fact that on June 18, 2023, and on every second anniversary thereafter, the holders of these interests can redeem their interest in the D.C. Fund for cash equivalent to the fair value of the interests.

OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities were $251 million at June 30, 2015, a decrease of $80 million from the balance at December 31, 2014.

The components of other non-current financial liabilities are as follows:

(Millions)	**Jun. 30, 2015**	Dec. 31, 2014
Loan payable	**$ 126**	$ 100
Other financial liabilities	**125**	231
Total other non-current financial liabilities	**$ 251**	$ 331

Included in other non-current financial liabilities is a loan payable of $92 million at June 30, 2015 (December 31, 2014 – $92 million) maturing in 2019, bearing interest at 7% and secured by our preferred equity interest in 1625 Eye Street in Washington, D.C. and convertible notes of $26 million (December 31, 2014 – nil) maturing in 2018, bearing interest at 6%.

At June 30, 2015, other non-current financial liabilities also includes derivative liabilities with a carrying amount of $34 million (December 31, 2014 – $142 million) and obligations under ground leases accounted for as finance leases in the United Kingdom of $91 million (December 31, 2014 – $89 million).

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At June 30, 2015, accounts payable and accrued liabilities were $1,139 million, an increase of $107 million from the balance at December 31, 2014. Included in accounts payable and accrued liabilities are derivative liabilities with a carrying amount of $251 million (December 31, 2014 – $161 million).

DEFERRED INCOME TAXES

At June 30, 2015, we had a net deferred tax liability of $1,095 million (December 31, 2014 – $1,400 million). The decrease in the current period is mainly a result of the company reorganizing its interests in certain subsidiaries that resulted in a reduction in the tax rate applied to those subsidiaries.

The sources and movements of deferred income tax balances are as follows:

(Millions)	Dec. 31, 2014	Recognized in Income	Recognized in OCI	Recognized in Reclassified	**Jun. 30, 2015**
Deferred tax assets related to non-capital losses and capital losses	$ 219	$ (28)	$ (17)	$ —	**$ 174**
Deferred tax liabilities related to differences in tax and book basis, net	(1,619)	304	30	16	**(1,269)**
Net deferred tax liabilities	$ (1,400)	$ 276	$ 13	$ 16	**$ (1,095)**

At June 30, 2015, together with our Canadian subsidiaries, we have deferred tax assets of $71 million (December 31, 2014 – $94 million) related to non-capital losses that expire over the next 20 years, and $74 million (December 31, 2014 – $85 million) related to capital losses that have no expiry. At June 30, 2015 our U.S. subsidiaries have deferred tax assets of $29 million (December 31, 2014 – $40 million) related to net operating losses that expire over the next 20 years. Income earned in our Canadian and U.S. operations conducted outside of real estate investment trust ("REIT") structures, as well as distributions from our REIT structures, are subject to corporate tax. Our tax loss pools are available to reduce cash tax obligations.

COMMON EQUITY

At June 30, 2015, we had 484,839,782 issued and outstanding common shares (December 31, 2014 – 484,839,782).

PREFERRED EQUITY – CORPORATE

At June 30, 2015, we had $1,543 million of preferred equity outstanding. Dividends paid on these preferred shares are accounted for as equity distributions. We have the following preferred shares authorized and outstanding included in equity:

(Millions, except share information)	Shares Outstanding	Cumulative Dividend Rate	**Jun. 30, 2015**	Dec. 31, 2014
Class A Series A and B redeemable voting[1]	13,797,320	7.50%	**$ 10**	$ 10
Class AA Series E[2]	2,000,000	70% of bank prime	**34**	34
Class AAA Series N	11,000,000	6.15%	**257**	257
Class AAA Series P	12,000,000	5.15%	**287**	287
Class AAA Series R	10,000,000	5.10%	**247**	247
Class AAA Series T	10,000,000	4.60%	**250**	250
Class AAA Series V[3]	1,805,489	70% of bank prime	**25**	25
Class AAA Series W[3]	3,816,527	70% of bank prime	**55**	55
Class AAA Series X[3]	300	30-day BA + 0.4%	**66**	66
Class AAA Series Y[3]	2,847,711	70% of bank prime	**42**	42
Class AAA Series Z[3]	800,000	30-day BA + 0.4%	**9**	9
Class AAA Series AA	12,000,000	4.75%	**261**	260
Total preferred equity			**$ 1,543**	$ 1,542

For details regarding the terms on our Class A, Class AA and Class AAA preferred shares, refer to our Annual Information Form

(1) *BPY and its subsidiaries own all 13,797,320 of the Class A redeemable voting preferred shares*

(2) *BPY and its subsidiaries own 1,997,701 of the Class AA Series E preferred shares*

(3) *BPY and its subsidiaries own 514,700, 1,932,100, 300, 1,604,800 and 200,000 shares of Class AAA Series V, W, X, Y and Z preferred shares, respectively*

For the three and six months ended June 30, 2015, we paid preferred dividends of $16 million and $32 million, respectively (2014 – $20 million and $40 million).

PREFERRED EQUITY – SUBSIDIARIES

Subsidiaries' preferred shares outstanding totaled $249 million at June 30, 2015 (December 31, 2014 – $261 million) as follows:

(Millions, except share information)	Shares Outstanding	Preferred Shares Series	Cumulative Dividend Rate	**Jun. 30, 2015**	Dec. 31, 2014
Brookfield DTLA Fund Office Trust Investor Inc. ("DTLA Investor")	9,357,469	Series A	7.63%	**$ 249**	$ 261

OTHER NON-CONTROLLING INTERESTS

Other non-controlling interests include the amounts of common equity related to other non-controlling shareholders' interests in our subsidiaries. The balances are as follows:

(Millions)	Others' Equity Ownership	**Jun. 30, 2015**	Dec. 31, 2014
Units of BOX[(1)]	38.0%	**$ 992**	$ 1,037
Units of Prime[(2)]	19.5%	**47**	47
Interest in 1801 California Street	49.0%	**110**	102
Members interest in BOP Met Park LLC	—	**—**	69
Members interest in Broadway West 33rd JV LLC	1.0%	**10**	9
U.S. Office Fund	15.7%	**439**	484
Shares of 9165789 Canada Inc.	100%	**2**	—
Total other non-controlling interests		**$ 1,600**	$ 1,748

(1) *Canadian dollar denominated*
(2) *Australian dollar denominated*

On June 5, 2015, 9165789 Canada Inc. acquired $12 million of voting preferred shares of our subsidiary, BOP Management Holdings Inc., representing a 60% voting interest. 9165789 Canada Inc. was formed by us and 16 individuals who are senior officers in the company and other BAM subsidiaries, who were given the opportunity to invest in 9165789 Canada Inc. as part of our goal of retaining top executives and aligning executives' interests with those of the company. The senior officers acquired an aggregate of $2 million of common shares of 9165789 Canada Inc. for investment purposes in exchange for cash in an amount equal to the fair value of the shares. These shares are accounted for as a non-controlling interest. We also hold a $10 million non-voting preferred share interest in 9165789 Canada Inc. BOP Management Holdings Inc. indirectly owns 33% of our economic interest in DTLA and an interest in our U.S. asset management and certain promote fee streams.

During the first quarter of 2015, we completed the sale of Metropolitan Park East & West in Seattle for $273 million. The 50% non-controlling interest previously consolidated was redeemed.

CAPITAL RESOURCES AND LIQUIDITY

We employ a broad range of financing strategies to facilitate growth and manage financial risk, with particular emphasis on the overall reduction of the weighted average cost of capital, in order to enhance returns. Our principal liquidity needs for the next twelve months are to:

- Fund recurring expenses;
- Meet debt service requirements;
- Make dividend payments;
- Fund those capital expenditures deemed mandatory, including tenant improvements;
- Fund current development costs not covered under construction loans; and
- Fund investing activities, which could include:
  - discretionary capital expenditures;
  - property acquisitions; and
  - future developments.

We believe that our liquidity needs will be satisfied using cash on hand, cashflows generated from operating and financing activities, as well as proceeds from asset sales. Rental revenue, recoveries from tenants, interest and other income, available cash balances, draws on our corporate credit facilities and refinancings (including upward refinancings) of maturing indebtedness are our principal sources of capital used to pay operating expenses, dividends, debt service, capital expenditures and leasing costs in our commercial property portfolio. We seek to increase income from our existing properties by controlling operating expenses and by maintaining quality standards for our properties that promote high occupancy rates and support increases in rental rates while reducing tenant turnover. Another source of cashflow includes third-party fees generated by our asset management, leasing and development businesses. In addition, our tax status and tax loss pools allow us to retain and reinvest cash generated by our operations without incurring significant cash taxes. Consequently, we believe our revenue, along with proceeds from financing activities, will continue to provide the necessary funds for our short-term liquidity needs. However, material changes in the factors may adversely affect our net cashflows.

Our principal liquidity needs for periods beyond the next year are for scheduled debt maturities, recurring and non-recurring capital expenditures, development costs and potential property acquisitions. We plan to meet these needs with one or more of the following:

- cashflows from operating activities;
- construction loans;
- proceeds from sales of assets;
- proceeds from sales of non-controlling interests in subsidiaries; and
- credit facilities and refinancing opportunities.

Our commercial property debt is primarily fixed-rate and non-recourse to the company. These investment-grade financings are typically structured on a loan-to-appraised-value basis of between 50% and 65% as market conditions permit. In addition, in certain circumstances where a building is leased almost exclusively to a high-credit-quality tenant, a higher loan-to-value financing, based on the tenant's credit quality, is put in place at rates commensurate with the cost of funds for the tenant. This reduces our equity requirements to finance commercial property and enhances equity returns.

Most of our borrowings are in the form of long-term property-specific financings with recourse only to the specific assets. Limiting recourse to specific assets ensures that poor performance within one area does not compromise our ability to finance the balance of our operations. Our maturity schedule is fairly diversified so that financing requirements in any given year are manageable.

Our focus on structuring financings with investment-grade characteristics ensures that debt levels on any particular asset can typically be maintained throughout a business cycle. This enables us to limit covenants and other performance requirements, thereby reducing the risk of early payment requirements or restrictions on the distribution of cash from the assets being financed.

To help ensure we are able to react to investment opportunities quickly and on a value basis, we attempt to maintain a level of liquidity. Our primary sources of liquidity consist of cash and undrawn committed credit facilities. In addition, we structure our affairs to facilitate monetization of longer-duration assets through financings, co-investor participations or refinancings.

At June 30, 2015, our available liquidity consists of $508 million of cash on hand and $170 million of undrawn capacity on our corporate credit facilities.

Cashflow from operating activities represents a source of liquidity to service debt, to fund capital expenditures and leasing costs and to fund distributions on shares. Cashflow from commercial operating activities depends on occupancy levels, rental rates and the timing of receivables and payables. For the six months ended June 30, 2015, common share dividends paid exceeded cashflow from operating activities by $91 million (2014 – $18 million) and at June 30, 2014 and 2015, current liabilities exceed current assets. We intend to meet the obligations under our current liabilities through refinancing current debt upon maturity, cash flow from operations, as well as disposition of assets.

OPERATING RESULTS

Included on the following pages is a discussion of the various components of our operating results in accordance with IFRS followed by a discussion of non-IFRS measures and corresponding reconciliations to comparable IFRS measures.

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Commercial property revenue	**$ 549**	$ 597	**$ 1,106**	$ 1,179
Direct commercial property expense	**252**	271	**504**	523
Interest and other income	**15**	14	**30**	43
Interest expense				
Commercial property debt	**145**	159	**295**	320
Capital securities – corporate	**8**	8	**15**	16
Capital securities – fund subsidiaries	**(7)**	59	**13**	115
Administrative expense	**36**	44	**77**	80
Gains (losses) and other items, net	**(37)**	—	**(37)**	—
Fair value gains (losses), net	**411**	768	**939**	1,122
Share of net earnings from equity accounted investments	**32**	105	**174**	126
Income (loss) before income taxes	**536**	943	**1,308**	1,416
Income taxes	**(375)**	112	**(260)**	450
Net income (loss)	**911**	831	**1,568**	966
Net income (loss) attributable to non-controlling interests	**47**	63	**78**	105
Net income (loss) attributable to shareholders	**$ 864**	$ 768	**$ 1,490**	$ 861

COMMERCIAL PROPERTY REVENUE

Commercial property revenue includes rental revenues earned from tenant leases, straight-line rent, percentage rent and additional rent from the recovery of operating costs and property taxes, as well as recurring fee income, lease terminations, fee and other income. Commercial property revenue was $549 million and $1,106 million for the three and six months ended June 30, 2015, compared with $597 million and $1,179 during the same period in 2014. The decrease in commercial property revenue period over period is attributable to the dispositions of Heritage Plaza in Houston in the first quarter of 2014 and Republic Plaza in Denver in the second quarter of 2014, 125 Old Broad Street in London in the third quarter of 2014, 2401 Pennsylvania Avenue in Washington D.C. and Continental Center II in Houston in the fourth quarter of 2014, 151 Yonge Street in Toronto and Metropolitan Park East & West in Seattle in the first quarter of 2015, 75 State Street in Boston, 1250 Connecticut Avenue, 650 Massachusetts Avenue, 77 K Street, 799 9th Avenue, 1400 K Street, 1200 K Street, Bethesda Crescent and Victor Building, all in Washington D.C., in the second quarter of 2015 and the impact of foreign exchange. The decrease is offset by the acquisitions of Five Manhattan West in Midtown New York in the first quarter of 2014, KPMG Tower in Sydney in the second quarter of 2014 and Moor Place in London in the fourth quarter of 2014.

The components of commercial property revenue are as follows:

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Rental revenue	**$ 514**	$ 571	**$ 1,037**	$ 1,126
Straight-line rental income	**21**	20	**45**	40
Recurring fee income	**14**	4	**23**	11
Lease termination, fee and other income	**—**	2	**1**	2
Total commercial property revenue	**$ 549**	$ 597	**$ 1,106**	$ 1,179

Straight-line rental income

Our leases generally have clauses that provide for the collection of rental revenues in amounts that increase every few years, with these increases negotiated at the signing of the lease. IFRS requires that rental revenue be recorded on a straight-line basis over the life of the lease. For the three and six months ended June 30, 2015, we recognized $21 million and $45 million, respectively, of straight-line rental income compared with $20 million and $40 million during the same period in 2014.

Recurring fee income

Recurring fee income includes property management fees, leasing fees and project management fees relating to certain co-owned properties. Fee income serves to enhance returns from co-owned assets. For the three and six months ended June 30, 2015, we recognized $14 million and $23 million, respectively, of recurring fee income compared with $4 million and $11 million during the same period in 2014.

The generation of fee income is not viewed as a separate business segment; however, with the establishment of our office funds, the associated fees represent a potential area of growth for us and are expected to increase as we expand our assets under management.

DIRECT COMMERCIAL PROPERTY EXPENSE

Direct commercial property expense, which includes real estate taxes, utilities, insurance, repairs and maintenance, cleaning and other property-related expenses, was $252 million and $504 million, respectively, for the three and six months ended June 30, 2015 compared with $271 million and $523 million during the same period in 2014.

As a result of our strategy of owning, proactively managing and developing premier properties in high-growth, and in many instances supply-constrained markets with high barriers to entry, along with our focus on executing long-term leases with strong credit rated tenants, we have been able to reduce the exposure of our commercial property revenues to the cyclical nature of the real estate business and ensure stability of cash flows associated with our properties. We have relatively strong occupancy levels across our portfolio, outperforming market occupancy levels across most of our portfolio. In addition, we continue to reduce our lease expiry profile for the upcoming years, and our average in-place net rent is lower than the market net rent which is reflective of the fact that a portion of our leases were executed at a point in time wherein market rents were lower. In a market of increasing rents, this below-market gap provides an earnings growth opportunity for us as we replace lower in-place rents with higher market rents. Accordingly, we anticipate steady growth in our commercial property revenue as the two rates converge over time.

More than 95% of our leases are net leases, in which the lessee is required to pay its proportionate share of property operating expenses such as utilities, repairs, insurance and taxes. After giving consideration to amounts recovered from tenants, the company's responsibility for operating expenses is limited to property operating expenses attributable to vacant space and operating costs specifically identified as non-recoverable under certain leases, such as ground rent. Consequently, leasing activity, which affects both occupancy and average in-place net rent, is the principal contributor to the change in same property commercial property revenue and direct commercial property expense.

Our total portfolio occupancy was 92.3% at June 30, 2015 compared with 90.6% at June 30, 2014. Our total portfolio average in-place net rent was $30.55 per square foot at June 30, 2015 compared with $30.82 per square foot at June 30, 2014. Our total portfolio occupancy increased as a result of significant leasing of the former Bank of America/Merrill Lynch space at Brookfield Place in New York and new leases for space that was previously unoccupied offset by opportunistic acquisitions of certain assets at lower occupancy rates. Our average in-place net rent decreased due to the impact of foreign exchange offset by leasing at higher market rents compared to expiring net rents.

The following table shows the average remaining lease term, in-place net rent and market net rent at June 30, 2015, including our equity accounted investments, interests in assets held through participating loan interests and assets held for sale.

	Leasable Area[1,2] (000's Sq. Ft.)	Avg. Remaining Lease Term (Years)	Avg. In-Place Net Rent[3] ($ per Sq. Ft.)	Avg. Market Net Rent[4] ($ per Sq. Ft.)
New York				
Midtown[5]	6,243	11.0	$ 46.95	$ 70
Downtown	12,814	11.2	30.36	43
Washington, D.C.	6,178	5.6	30.77	32
Los Angeles	8,936	7.0	23.57	24
Houston	6,187	5.1	21.35	26
Boston	835	6.6	23.19	33
Denver	2,642	6.8	21.57	22
San Francisco	199	5.8	39.06	48
Toronto	8,434	6.6	23.15	26
Calgary	5,635	10.6	24.94	24
Ottawa	1,730	8.2	16.41	14
Vancouver and other	584	9.2	18.84	20
Sydney	3,649	5.7	52.95	61
Melbourne	2,062	4.9	35.65	32
Perth	1,530	8.8	52.44	47
London	686	10.0	77.95	102
Total	68,344	8.1	$ 30.55	$ 37

(1) *Leasing data presented based on 100% of leasable area*
(2) *Excludes developments*
(3) *In-place net rent represents the cash rent at a point in time on a per square foot basis including tenant expense reimbursements, less operating expenses being incurred for that space*
(4) *Market net rent represents the year one leasing net rent that we expect to be able to achieve on similar space based off of market asking rents*
(5) *Midtown New York includes Five Manhattan West. Excluding this commercial property, Midtown New York in-place rent would be $51.45*

A summary of our current and historical occupancy levels at June 30 for the past two years, including our equity accounted investments, interests in assets held through participating loan interests and assets held for sale is as follows:

	Jun. 30, 2015		Jun. 30, 2014	
	Leasable[1,2] Sq. Ft.	**Percent Leased**	Leasable[1,2] Sq. Ft.	Percent Leased
New York				
Midtown	**6,243**	**93.6%**	6,243	88.9%
Downtown	**12,814**	**92.3%**	12,890	88.3%
Total New York	**19,057**	**92.7%**	19,133	88.5%
Washington, D.C.	**6,178**	**88.6%**	6,235	89.8%
Los Angeles	**8,936**	**85.1%**	8,946	85.3%
Houston	**6,187**	**91.8%**	6,601	93.8%
Boston	**835**	**99.4%**	796	78.3%
Denver	**2,642**	**88.1%**	2,643	75.8%
Seattle	**—**	**—**	699	90.8%
San Francisco	**199**	**92.7%**	199	77.2%
Toronto	**8,434**	**93.4%**	8,747	91.7%
Calgary	**5,635**	**97.6%**	5,634	99.8%
Ottawa	**1,730**	**95.3%**	1,743	93.6%
Vancouver and other	**584**	**91.5%**	585	88.0%
Sydney	**3,649**	**98.8%**	3,662	99.0%
Melbourne	**2,062**	**97.8%**	2,062	98.3%
Perth	**1,530**	**93.4%**	1,536	99.0%
London	**686**	**99.7%**	790	90.5%
Total	**68,344**	**92.3%**	70,011	90.6%

(1) *Leasing data presented based on 100% of leasable area*
(2) *Excludes developments*

For the six months ended June 30, 2015, we leased 4.2 million square feet, which included 2.4 million square feet of new leasing, 1.0 million square feet of renewals and 0.8 million square feet of early renewals, compared to 4.1 million square feet of expiries. The average leasing net rent was $33.32 per square foot, which is an increase of 45% over the average expiring net rent of $23.05 per square foot. For the current period through 2017 we have reduced our rollover exposure, which is the percentage of our total leasable space currently scheduled to expire, by 450 basis points.

The details of our leasing activity for the six months ended June 30, 2015, including our equity accounted investments and interests in assets held through participating loan interests, are as follows:

	Dec. 31, 2014			Expiring	Leasing		Year One Leasing	Average Leasing	Acq. /	**Jun. 30, 2015**	
(Square feet in 000's)	Leasable Sq. Ft[(1,2,3)]	Leased Sq. Ft.[(1,2,3)]	Expiries Sq. Ft.[(1,2)]	Net Rent ($ per Sq. Ft.)[(4)]	New Sq. Ft.[(1,2)]	Renewal Sq. Ft.[(1,2)]	Net Rent ($ per Sq. Ft.)[(5)]	Net Rent ($ per Sq. Ft.)[(6)]	(Disp.) Sq. Ft.[(1,2)]	**Leasable Sq. Ft.[(1,2)]**	**Leased Sq. Ft.[(1,2)]**
New York											
Midtown	6,243	5,872	(450)	$ 26.07	387	35	$ 39.28	$ 43.89	—	**6,243**	**5,844**
Downtown	12,814	12,131	(463)	23.85	157	2	40.90	44.23	—	**12,814**	**11,827**
Washington, D.C.	6,178	5,451	(428)	22.31	270	182	26.42	29.64	—	**6,178**	**5,475**
Los Angeles	8,936	7,514	(724)	23.21	234	579	21.41	25.78	—	**8,936**	**7,603**
Houston	6,187	5,817	(264)	21.85	93	32	23.17	24.55	—	**6,187**	**5,678**
Boston	835	822	(3)	32.67	11	—	36.35	37.56	—	**835**	**830**
Denver	2,642	2,070	(149)	20.59	334	73	25.73	27.24	—	**2,642**	**2,328**
Seattle	699	677	—	—	—	—	—	—	(677)	**—**	**—**
San Francisco	199	155	(8)	24.69	38	—	54.88	61.31	—	**199**	**185**
Toronto	8,734	8,142	(395)	21.03	232	181	22.51	23.26	(285)	**8,434**	**7,875**
Calgary	5,635	5,603	(293)	22.08	182	8	28.95	29.03	—	**5,635**	**5,500**
Ottawa	1,745	1,628	(563)	13.04	35	551	12.60	12.89	(2)	**1,730**	**1,649**
Vancouver/Other	584	567	(59)	19.84	16	10	21.89	22.93	—	**584**	**534**
Sydney	3,649	3,630	(135)	47.61	58	53	52.36	64.58	—	**3,649**	**3,606**
Melbourne	2,062	2,033	(108)	36.65	49	43	36.88	41.67	—	**2,062**	**2,017**
Perth	1,530	1,360	(32)	62.01	101	—	49.81	59.23	—	**1,530**	**1,429**
London	686	470	(9)	18.40	221	2	83.05	97.94	—	**686**	**684**
Total	69,358	63,942	(4,083)	$ 23.05	2,418	1,751	$ 29.69	$ 33.32	(964)	**68,344**	**63,064**

(1) *Leasing data presented based on 100% of leasable area*
(2) *Excludes developments*
(3) *Restated for re-measurements performed during the first quarter of 2015*
(4) *Expiring net rent represents the escalated cash rent at the end of the lease term on a per square foot basis including tenant expense reimbursements, less operating expenses being incurred for that space*
(5) *Year one leasing net rent represents the cash rent at the commencement of the lease term on a per square foot basis including tenant expense reimbursements, less operating expenses being incurred for that space*
(6) *Average leasing net rent represents the average cash rent over the lease term on a per square foot basis including tenant expense reimbursements, less operating expense being incurred for that space*

For the six months ended June 30, 2015, tenant improvements and leasing costs related to leasing activity that occurred averaged $56.02 per square foot compared with $69.83 per square foot during the same period in 2014.

INTEREST AND OTHER INCOME

Interest and other income increased to $15 million and decreased to $30 million for the three and six months ended June 30, 2015, compared with $14 million and $43 million during the same period in 2014. The decrease period over period is primarily attributable to a fee recognized in connection with the disposition of Heritage Plaza in Houston and a gain on a loan settlement during the first quarter of 2014.

The components of interest and other income are as follows:

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Interest income on loans receivable from parent companies	**$ 4**	$ 2	**$ 7**	$ 3
Interest income on participating loan interests with subsidiaries of BAM	**7**	9	**14**	18
Other interest income	**—**	1	**—**	7
Other income[1]	**4**	2	**9**	15
Total interest and other income	**$ 15**	$ 14	**$ 30**	$ 43

[1] *Includes $9 million fee related to the disposition of Heritage Plaza in Houston and $4 million gain on a loan settlement for the six months ended June 30, 2014*

INTEREST EXPENSE

Commercial Property Debt

Interest expense relating to commercial property debt decreased to $145 million and $295 million for the three and six months ended June 30, 2015, compared with $159 million and $320 million during the same period in 2014. The decrease period over period is primarily attributable to repayments, property dispositions, capitalized interest and the impact of foreign exchange offset by development and facilities draws.

Capital Securities – corporate

Interest expense relating to capital securities – corporate remained constant at $8 million and decreased to $15 million, for the three and six months ended June 30, 2015, compared with $8 million and $16 million during the same period in 2014. The decrease is primarily attributable to the impact of foreign exchange. Interest expense recorded on capital securities – corporate relates to preferred share dividends recorded as interest expense under IFRS.

Capital Securities – fund subsidiaries

Interest expense relating to capital securities – fund subsidiaries decreased to ($7) million and $13 million for the three and six months ended June 30, 2015, compared with $59 million and $115 million during the same period in 2014. The decrease is primarily due to a reduction in valuation gains attributable to the equity interests in DTLA held by our co-investors in the fund.

ADMINISTRATIVE EXPENSE

Administrative expense decreased to $36 million and $77 million for the three and six months ended June 30, 2015, compared with $44 million and $80 million during the same period in 2014. The decrease in general and administrative expense is primarily attributable to decreased employee benefits, share-based compensation costs and professional fees in the second quarter of 2015.

The components of administrative expense are as follows:

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
General and administrative expense	**$ 31**	40	**$ 69**	$ 71
Depreciation	**5**	4	**8**	9
Total administrative expense	**$ 36**	44	**$ 77**	$ 80

GAINS (LOSSES) AND OTHER ITEMS, NET

During the current period, we recognized a loss of ($37) million primarily related to the difference between the carrying value and fair value of commercial property debt on the eight assets contributed to the D.C. Fund.

FAIR VALUE GAINS (LOSSES), NET

For the three and six months ended June 30, 2015, we recognized fair value gains of $411 million and $939 million, compared with $768 million and $1,122 million during the same period in 2014. Fair value adjustments are determined based on the movement of various parameters on a quarterly basis, including changes in projected cash flows as a result of leasing and timing, discount rates and terminal capitalization rates.

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Investment properties				
Commercial properties	**$ 354**	635	**$ 788**	$ 978
Commercial developments	**6**	133	**109**	148
	360	768	**897**	1,126
Gain (loss) on assets held for sale	**26**	—	**2**	—
Gain (loss) on foreign exchange collar contracts	**3**	—	**(1)**	—
Participating loan interests	**22**	1	**41**	(3)
Other financial instruments designated as FVTPL	**—**	(1)	**—**	(1)
Total fair value gains (losses), net	**$ 411**	768	**$ 939**	$ 1,122

SHARE OF NET EARNINGS FROM EQUITY ACCOUNTED INVESTMENTS

(Millions)	Fair Value Adjustments and Other		Share of Earnings	
Total share of net earnings from equity accounted investments	**2015**	2014	**2015**	2014
Three months ended Jun. 30	**$ 1**	$ 78	**$ 32**	$ 105
Six months ended Jun. 30	**$ 118**	$ 74	**$ 174**	$ 126

Share of net earnings from equity accounted investments were $32 million and $174 million for the three and six months ended June 30, 2015, compared with $105 million and $126 million during the same period in 2014. The increase is primarily attributable to a higher amount of valuation gains recognized in the current year from joint ventures.

INCOME TAXES

Income tax (recovery) expense decreased to a recovery of ($375) million and ($260) million for the three and six months ended June 30, 2015, compared with an expense of $112 million and $450 million during the same period in 2014. The decrease in the current period is primarily attributable to 2014 including tax expense relating to a change in state tax legislation which resulted in an increase in our effective tax rate applicable to earnings from certain subsidiaries in the impacted jurisdictions and the current period including an income tax recovery as a result of the company reorganizing its interests in certain subsidiaries that resulted in a reduction in the tax rate applied to those subsidiaries.

The major components of income tax expense include the following:

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Current tax expense	**$ 8**	12	**$ 18**	$ 26
Deferred tax (recovery) expense(1)	**(383)**	100	**(278)**	424
Total income taxes	**$ (375)**	112	**$ (260)**	$ 450

(1) *Includes for the three and six months ended $1 million and $2 million, respectively, tax benefit amortization recorded in accumulated other comprehensive income (loss) related to losses on derivatives designated as cash flow hedges (2014 – $1 million and $2 million, respectively)*

During the current period, we undertook a reorganization of our interests in certain subsidiaries that resulted in a change in the tax rate applicable to those subsidiaries. As a result of this reorganization, a $464 million deferred tax recovery was recorded, which reduced deferred tax liabilities.

NON-CONTROLLING INTERESTS

The following table outlines income attributable to non-controlling interests:

(Millions)	Three months ended Jun. 30 **2015**	2014	Six months ended Jun. 30 **2015**	2014
Preferred shares – subsidiaries	**$ 5**	4	**$ 9**	$ 8
Other non-controlling interests	**42**	59	**69**	97
Total net income attributable to non-controlling interests	**$ 47**	63	**$ 78**	$ 105

Preferred Shares – Subsidiaries

For the three and six months ended June 30, 2015, preferred shares – subsidiaries consists of dividends on preferred shares issued by DTLA Investor and for the three and six months ended June 30, 2014, preferred shares – subsidiaries consists of dividends on preferred shares issued by DTLA Investor and BPO Properties Ltd.

For the three and six months ended June 30, 2015, dividends of $5 million and $9 million were accrued on preferred shares issued by DTLA Investor, compared with $4 million and $8 million during the same period in 2014.

Other Non-Controlling Interests

Other non-controlling interests consist of earnings attributable to interests not owned by us in BOX, Broadway West 33rd JV LLC, Prime, 1801 California Street, BOP Met Park LLC and the U.S. Office Fund. For the three and six months ended June 30, 2014 other non-controlling interests consists of earnings attributable to interests not owned by us in the aforementioned plus Brookfield Financial Properties L.P. ("BFP") and Brookfield Heritage Partners LLC.

Non-controlling interests in subsidiary earnings decreased to $42 million and $69 million for the three and six months ended June 30, 2015, compared with $59 million and $97 million during the same period in 2014.

The following table outlines the earnings attributable to other shareholders of our subsidiaries:

(Millions)	Type	Three months ended Jun. 30 **2015**	2014	Six months ended Jun. 30 **2015**	2014
BOX	Participating interests	**$ 25**	8	**$ 43**	$ 15
BFP	Participating interests	**—**	1	**—**	1
Prime	Participating interests	**2**	1	**2**	1
Brookfield Heritage Partners LLC	Participating interests	**—**	1	**—**	1
Broadway West 33rd JV LLC	Participating interests	**1**	—	**2**	—
1801 California Street	Participating interests	**3**	11	**5**	23
BOP Met Park LLC	Participating interests	**—**	2	**(3)**	11
U.S. Office Fund	Participating interests	**11**	35	**20**	45
Total other non-controlling interests		**$ 42**	59	**$ 69**	$ 97

NON-IFRS MEASURES

Although we monitor and analyze our financial performance using a number of indicators, our primary business objective of generating reliable and growing cashflow is monitored and analyzed using commercial property net operating income and funds from operations in addition to net income. Commercial property net operating income and funds from operations do not have any standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies.

Commercial Property Net Operating Income

Commercial property net operating income is defined by us as revenue from commercial property operations less direct commercial property expense. Commercial property net operating income is a key indicator of performance as it represents a measure over which management of the commercial property operations has control. We evaluate the performance of management by comparing the performance of the commercial property portfolio on a same property basis. Same property commercial property net operating income is defined as properties included in our consolidated results that we own and operate throughout both the current and prior period. Accordingly, same property results exclude properties acquired, sold, or reclassified from commercial development to commercial properties during each period as well as fees earned from management and other services provided to co-investors in our funds and commercial properties. We may also exclude from our same property results any property that is undergoing a redevelopment that may impact the comparability of the results between the current and prior period.

Funds from Operations

Our definition of funds from operations or "FFO" includes all of the adjustments that are outlined in the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO such as the exclusion of gains (or losses) from the sale of real estate property, the add back of any depreciation and amortization related to real estate assets and the adjustment to reflect our interest in unconsolidated partnerships and joint ventures. In addition to the adjustments prescribed by NAREIT, we also make adjustments to exclude any unrealized fair value gains (or losses) that arise as a result of reporting under IFRS and income taxes that arise as a result of our structure as a corporation as opposed to a REIT. These additional adjustments result in an FFO measure that is similar to that which would result if the company was organized as a REIT that determined net income in accordance with U.S. GAAP, which is the type of organization on which the NAREIT definition is premised. Our FFO measure will differ from other organizations applying the NAREIT definition to the extent of certain differences between the IFRS and U.S. GAAP reporting frameworks, principally related to the recognition of lease termination income, which do not have a significant impact on the FFO measure reported.

Although funds from operations is a widely used measure to analyze real estate, we believe that net income, commercial property net operating income and funds from operations are all relevant measures. Funds from operations does not represent or approximate cash generated from operating activities determined in accordance with IFRS. We provide a reconciliation of funds from operations to net income attributable to shareholders as we believe net income attributable to shareholders is the most comparable measure.

COMMERCIAL PROPERTY NET OPERATING INCOME

Commercial property net operating income is commercial property revenue less direct commercial property expense and is a key indicator of performance as it represents a measure over which management of the commercial property operations has control. Commercial property net operating income totaled $297 million and $602 million for the three and six months ended June 30, 2015, compared with $326 million and $656 million during the same period in 2014. A reconciliation of commercial property net operating income to the most directly comparable measure, net income, calculated in accordance with IFRS is as follows:

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Commercial property revenue	**$ 549**	597	**$ 1,106**	$ 1,179
Direct commercial property expense	**252**	271	**504**	523
Commercial property net operating income	**297**	326	**602**	656
Interest and other income	**15**	14	**30**	43
Interest expense				
Commercial property debt	**145**	159	**295**	320
Capital securities – corporate	**8**	8	**15**	16
Capital securities – fund subsidiaries	**(7)**	59	**13**	115
Administrative expense	**36**	44	**77**	80
Gains (losses) and other items, net	**(37)**	—	**(37)**	—
Fair value gains (losses), net	**411**	768	**939**	1,122
Share of net earnings from equity accounted investments	**32**	105	**174**	126
Income (loss) before income taxes	**536**	943	**1,308**	1,416
Income taxes	**(375)**	112	**(260)**	450
Net income (loss)	**$ 911**	831	**$ 1,568**	$ 966

The following is a reconciliation from same property commercial property net operating income to total commercial property net operating income for the three and six months ended June 30, 2015 and 2014:

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Same property commercial property net operating income	**$ 266**	283	**$ 521**	$ 550
Lease terminations, fee and other income	**—**	2	**1**	2
Recurring fee income	**14**	4	**23**	11
Properties acquired during the period	**5**	3	**20**	16
Properties sold during the period	**12**	34	**37**	77
Commercial property net operating income	**$ 297**	326	**$ 602**	$ 656

	Jun. 30, 2015	Jun. 30, 2014
Same property average in-place net rent	**$ 27.72**	$ 26.76
Same property occupancy	**91.5%**	89.6%

Same property commercial property net operating income decreased $17 million or 6.0% quarter over quarter primarily due to the impact of foreign exchange. Absent the impact of foreign exchange same property net operating income remained constant in the current quarter.

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Net income attributable to shareholders	**$ 864**	768	**$ 1,490**	$ 861
Add (deduct) non-cash and certain non-recurring items:				
Fair value gains, net	**(411)**	(768)	**(939)**	(1,122)
Fair value adjustments in net earnings from equity accounted investments	**(1)**	(78)	**(118)**	(74)
(Gains) losses and other items, net	**37**	—	**37**	—
Interest expense – capital securities – fund subsidiaries in above items	**(15)**	50	**(2)**	100
Non-controlling interests in above items	**28**	43	**36**	68
Income taxes	**(377)**	110	**(264)**	446
Amortization of lease incentives	**3**	3	**6**	5
Funds from operations	**$ 128**	128	**$ 246**	$ 284

SEGMENTED INFORMATION

We operate four reportable segments, the United States, Canada, Australia and the United Kingdom, in the commercial property business. The commercial markets in which we operate are primarily New York, Boston, Washington, D.C., Houston, Los Angeles, Denver and San Francisco in the United States; Toronto, Calgary, Ottawa and Vancouver in Canada; Sydney, Melbourne and Perth in Australia; and London in the United Kingdom.

For the six months ended June 30, 2015, approximately 66% of our commercial property revenue is derived from the United States (2014 – 64%) and at June 30, 2014, approximately 66% of our total assets are invested in the United States (December 31, 2014 – 67%).

Information regarding the results of each reportable segment is included below. Performance is measured based upon funds from operations, the measure used by management in assessing segment profit or loss. Although funds from operations is a non-IFRS measure on a total basis, it is an IFRS measure on a segment basis because it is the measure of segment profit and loss.

	United States		Canada		Australia		United Kingdom		Total	
(Millions) Six months ended	**Jun. 30, 2015**	Jun. 30, 2014	**Jun. 30, 2015**	Jun. 30, 2014	**Jun. 30, 2015**	Jun. 30, 2014	**Jun. 30, 2015**	Jun. 30, 2014	**Jun. 30, 2015**	Jun. 30, 2014
Commercial property revenue	**$ 733**	$ 756	**$ 216**	$ 238	**$ 126**	$ 141	**$ 31**	$ 44	**$ 1,106**	$ 1,179
Direct commercial property expense	**(364)**	(373)	**(98)**	(101)	**(30)**	(34)	**(12)**	(15)	**(504)**	(523)
Interest and other income	**10**	21	**4**	3	**15**	21	**1**	(2)	**30**	43
Interest expense(1)	**(236)**	(237)	**(51)**	(62)	**(40)**	(47)	**2**	(5)	**(325)**	(351)
Administrative expense(2)	**(49)**	(54)	**(17)**	(19)	**(6)**	(5)	**(5)**	(2)	**(77)**	(80)
Other	**—**	(1)	**1**	2	**2**	1	**(1)**	(1)	**2**	1
Funds from operations of equity accounted investments	**37**	33	**2**	5	**14**	11	**3**	3	**56**	52
Non-controlling interests	**(20)**	(21)	**(22)**	(15)	**—**	(1)	**—**	—	**(42)**	(37)
Funds from operations	**111**	124	**35**	51	**81**	87	**19**	22	**246**	284
Gains (losses) and other items, net	**(37)**	—	**—**	—	**—**	—	**—**	—	**(37)**	—
Fair value gains (losses), net	**611**	1,108	**59**	5	**190**	(4)	**79**	13	**939**	1,122
Fair value gains (losses), net of equity accounted investments	**78**	74	**45**	—	**(1)**	—	**(4)**	—	**118**	74
Other	**4**	2	**—**	(1)	**(2)**	2	**(8)**	(8)	**(6)**	(5)
Income taxes	**397**	(403)	**(46)**	(21)	**(72)**	(19)	**(15)**	(3)	**264**	(446)
Interest expense – capital securities – fund subsidiaries	**2**	(100)	**—**	—	**—**	—	**—**	—	**2**	(100)
Non-controlling interests	**20**	21	**22**	15	**—**	1	**—**	—	**42**	37
Net income (loss)	**1,186**	826	**115**	49	**196**	67	**71**	24	**1,568**	966
Net income (loss) attributable to non-controlling interests	**32**	89	**43**	15	**3**	1	**—**	—	**78**	105
Net income (loss) attributable to shareholders	**$ 1,154**	$ 737	**$ 72**	$ 34	**$ 193**	$ 66	**$ 71**	$ 24	**$ 1,490**	$ 861

(1) *Includes allocation of interest expense on corporate debt and capital securities – corporate of $12 million to United States and $19 million to Canada for the six months ended June 30, 2015 (2014 - $11 million and $24 million, respectively)*

(2) *Includes allocation of corporate level administrative expenses of $8 million to United States and $3 million to Canada for the six months ended June 30, 2015 (2014 - $11 million and $4 million, respectively)*

	United States		Canada		Australia		United Kingdom		Total	
(Millions)	**Jun. 30, 2015**	Dec. 31, 2014	**Jun. 30, 2015**	Dec. 31, 2014	**Jun. 30, 2015**	Dec. 31, 2014	**Jun. 30, 2015**	Dec. 31, 2014	**Jun. 30, 2015**	Dec. 31, 2014
Total assets	**$ 22,659**	$ 22,963	**$ 5,570**	$ 5,753	**$ 3,921**	$ 3,926	**$ 2,050**	$ 1,763	**$ 34,200**	$ 34,405
Total liabilities	**$ 11,538**	$ 12,663	**$ 3,433**	$ 3,546	**$ 1,989**	$ 2,004	**$ 789**	$ 656	**$ 17,749**	$ 18,869

QUARTERLY RESULTS

The results by quarter are as follows:

	2015		2014				2013			
(Millions, except per share information)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Commercial property revenue	**$ 549**	$ 557	$ 600	$ 593	$ 597	$ 582	$ 595	$ 574	$ 569	$ 566
Net income attributable to shareholders	**864**	626	1,008	745	768	93	152	223	441	275
Net income (loss) per share attributable to common shareholders – basic[1]	**$ —**	$ —	$ —	$ —	$ —	$ 0.15	$ 0.26	$ 0.40	$ 0.83	$ 0.51
Net income (loss) per share attributable to common shareholders – diluted[1]	**$ —**	$ —	$ —	$ —	$ —	$ 0.15	$ 0.25	$ 0.38	$ 0.78	$ 0.48

[(1)] *On June 9, 2014, BPY completed the acquisition of 100% of the issued and outstanding common shares of BPO*

Commercial property revenue varies quarter to quarter due to acquisitions and dispositions of investment properties as well as new leases and renewals at market net rents offset by expiries. In addition to the variations in commercial property revenue, net income attributable to shareholders varies largely due to fair value gains and losses in each given period.

PART III – RISKS AND UNCERTAINTIES

Brookfield Office Properties' financial results are affected by the performance of our operations and various external factors influencing the specific sectors and geographic locations in which we operate, as well as macro-economic factors such as economic growth, foreign exchange rates, inflation, interest rates; regulatory requirements and initiatives; and litigation and claims that arise in the normal course of business.

Our strategy is to invest in premier assets that generate sustainable streams of cashflow. Although high-quality assets may initially generate lower returns on capital, we believe that the sustainability and future growth of their cashflows is more assured over the long-term and, as a result, warrant higher valuation levels. We also believe that the high quality of our asset base protects the company against future uncertainty and enables us to invest with confidence when opportunities arise.

The following is a review of the material factors that may impact our financial results and the potential impact these factors may have on our business operations. A more detailed description of our business environment and risks is contained in our Annual Information Form, which is posted on our website at www.brookfieldofficeproperties.com and at www.sedar.com.

PROPERTY RELATED RISKS

Our strategy is to invest in high-quality office properties as defined by the physical characteristic of the asset and, more important, the certainty of receiving rental payments from the large corporate tenants (with investment grade credit ratings – see "Credit Risk" below) that these properties attract. Nonetheless, we remain exposed to certain risks inherent in the core office property business.

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

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

As owners of premier office properties, lease rollovers also present a risk, as continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. Refer to "Lease Roll-over Risk" on page 40 of this MD&A for further details.

INTEREST RATE AND FINANCING RISK

We attempt to stagger the maturities of our mortgage portfolio evenly over a 10-year time horizon. We believe that this strategy will most effectively manage interest rate risk.

As outlined under "Capital Resources and Liquidity," on page 25 of this MD&A, we have an ongoing obligation to access debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to us or on any terms at all. Our strategy of staggering the maturities of our mortgage portfolio attempts to mitigate our exposure to excessive amounts of debt maturing in any one year.

At June 30, 2015, we had a floating rate bank credit facility of $1 billion which matures in January 2018 with two six-month extension options. The facility also features an accordion option through which we can draw an additional $250 million with the consent of the lenders. Additionally, one of our subsidiaries has bilateral agreements with a number of Canadian chartered banks for an aggregate floating rate bank credit facility of C$350 million, the terms of which extend to August 2018. At June 30, 2015, the balances drawn on these facilities were $1,050 million net of transaction costs of $5 million.

Approximately 51% of our outstanding commercial property and corporate debt at June 30, 2015 is floating rate debt (December 31, 2014 – 47%) and subject to fluctuations in interest rates. The effect of a 100-basis point increase in interest rates on interest expense relating to our floating rate debt, up to 5% LIBOR, is an increase in interest expense of $71 million on an annual basis. In addition, there is interest rate risk associated with the company's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. The exposure to interest rates on fixed rate debt that is maturing in the near term, which we define as three years, totals $2,622 million based on the amount of debt at maturity. We also have exposure to interest rates within our equity accounted investments.

As discussed in the Derivative Financial Instruments section beginning on page 43, we have mitigated, to some extent, the exposure to interest rate fluctuations on variable rate debt and near term maturities of fixed rate debt through interest rate derivative contracts.

This analysis does not reflect the impact a changing interest rate environment could have on our overall performance and, as a result, it does not reflect the actions management may take in such an environment.

We currently have a level of indebtedness of 46% of the fair market value of our commercial properties based on June 30, 2015 commercial property valuations (December 31, 2014 – 47%). This level of indebtedness is considered by the company to be conservative given the lending parameters currently existing in the real estate marketplace and the fair market value of our commercial properties. Based on this, the company believes that all debts will be financed or refinanced as they come due in the foreseeable future.

CREDIT RISK

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. We mitigate this risk by ensuring that our tenant mix is diversified and by limiting our exposure to any one tenant. We also maintain a portfolio that is diversified by property type so that exposure to a business sector is lessened. Currently, government and government agencies represent 7.5% of total leasable area and no single tenant represents more than this.

We attempt to mitigate our credit risk by signing long-term leases with tenants who have investment grade credit ratings. We direct special attention to credit quality of our tenants in order to ensure long-term sustainability of rental revenues through economic cycles. Once a lease has been signed, we proactively monitor the financial performance of significant tenants on a regular basis and review the status of arrears. We regularly monitor indicators of increased risk within our tenant portfolio and maintain a formalized tenant credit report to identify changes in credit quality.

The following list shows our top 20 largest tenants by leasable area in our portfolio and their respective lease commitments:

				000's Sq. Ft.									
	Tenant	Primary Location	Credit Rating[1]	2015	2016	2017	2018	2019	2020	Beyond	Year of Expiry[2]	Total	Percent of Sq. Ft.[3]
1	Government & Government Agencies	Various	AAA/AA+	314	103		844	644	239	2,980	Various	5,124	7.5%
2	CIBC World Markets[4]	Calgary/Houston/NY/Toronto	A+		7				160	1,261	2036	1,428	2.1%
3	Suncor Energy Inc.	Calgary/Houston	A-					3		1,332	2028	1,335	2.0%
4	Morgan Stanley	Denver/NY/Toronto	A-	24					17	1,205	2030	1,246	1.8%
5	Bank of Montreal	Calgary/Toronto	A+		27		27			1,076	2023	1,130	1.7%
6	Bank of America/Merrill Lynch	Denver/NY/LA/Toronto/D.C.	A-	5			27	98	319	648	2023	1,097	1.6%
7	Royal Bank of Canada	Various	AA-		12	150	1	42	18	788	2026	1,011	1.5%
8	JPMorgan Chase & Co.	Denver/Houston/LA/NY	A		11	8			7	981	2023	1,007	1.5%
9	Deloitte	Cal./ Houston/LA/Toronto	Not Rated	122	49				287	265	2028	723	1.1%
10	BHP Billiton	Perth	A+							722	2025	722	1.1%
11	PricewaterhouseCoopers	Cal./Houston/LA/Perth/Sydney	Not Rated		392					321	2026	713	1.0%
12	Time Inc.	NY	BB							696	2033	696	1.0%
13	KPMG	Perth/Sydney/Toronto	Not Rated		298			74		297	2025	669	1.0%
14	Hudson's Bay Company	NY/Toronto	Not Rated					164	15	480	2033	659	1.0%
15	Imperial Oil	Calgary	AAA	136	514							650	1.0%
16	Devon Energy	Houston	BBB+						641			641	0.9%
17	Chevron	Houston	AA				336	299				635	0.9%
18	Commonwealth Bank	Melbourne/Sydney	AA-		5		3	20		561	2022	589	0.9%
19	Cadwalader, Wickersham & Taft LLP	NY/Houston	Not Rated						13	548	2025	561	0.7%
20	Cleary, Gottlieb, Steen & Hamilton LLP	NY	Not Rated							552	2031	552	0.7%
	Total			601	1,418	158	1,238	1,344	1,716	14,713		21,188	31.0%
	Percent of Total			2.8%	6.7%	0.7%	5.8%	6.3%	8.1%	69.4%		100.0%	

(1) From Standard & Poor's, Moody's Investors Service, Inc. or Dominion Bond Rating Service, Inc.

(2) Reflects the year of maturity related to lease(s) included in the 'Beyond' column and is calculated for multiple leases on a weighted average basis based on square feet where applicable

(3) Percentage of total leasable area, prior to considering partnership interests in partially owned properties

(4) CIBC World Markets leases 1.1 million square feet at 300 Madison Avenue in New York, of which they sublease 925,000 square feet to PricewaterhouseCoopers and approximately 100,000 square feet to Sumitomo Corporation of America

When we make loans or enter into other financial arrangements with related parties, we manage credit risk by entering into such transactions under normal commercial terms.

LEASE ROLL-OVER RISK

Lease roll-over risk arises from the possibility that we may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon early lease expiry. We attempt to stagger the lease expiry profile so that we are not faced with disproportionate amounts of space expiring in any one year. Approximately five percent of our leases mature annually up to 2019. Our portfolio has a weighted average remaining lease life of eight years. We further mitigate this risk by maintaining a diversified portfolio mix by geographic location and by proactively leasing space in advance of its contractual expiry.

The following is a breakdown of lease maturities by region with associated expiring net rents at June 30, 2015, including our equity accounted investments:

	Current	2015		2016		2017		2018	
(Square Feet in Thousands)	Square Feet	Square Feet	Net Rent	Square Feet	Net Rent	Square Feet	Net Rent	Square Feet	Net Rent
U.S. Properties									
Midtown New York	399	12	$38	374	$37	55	$49	160	$28
Downtown New York	987	108	21	619	27	562	28	78	23
Washington, D.C.	703	260	35	337	24	288	30	1,392	32
Los Angeles	1,333	188	23	441	26	629	28	794	21
Houston	509	93	16	288	20	415	22	652	23
Boston	5	6	39	12	25	38	27	266	23
Denver	314	65	17	30	23	177	16	68	20
San Francisco	14	5	12	7	52	5	34	1	90
	4,264	737	$26	2,108	$27	2,169	$27	3,411	$26
Canadian Properties									
Toronto	559	188	$30	318	$23	493	$26	577	$26
Calgary	135	24	32	360	20	63	22	142	34
Ottawa	81	2	22	50	16	6	19	3	16
Vancouver and other	50	3	2	45	22	13	25	30	28
	825	217	$30	773	$21	575	$26	752	$28
Australian Properties									
Sydney	43	33	$141	495	$54	404	$51	543	$55
Melbourne	45	112	34	86	42	157	38	5	55
Perth	101	2	63	9	61	90	51	24	65
	189	147	$59	590	$52	651	$48	572	$55
U.K. Properties									
London	2	2	$20	56	$93	53	$74	98	$53
	2	2	$20	56	$93	53	$74	98	$53
Total Properties	**5,280**	**1,103**	**$31**	**3,527**	**$31**	**3,448**	**$32**	**4,833**	**$30**

	2019		2020		2021		Beyond		Total
(Square Feet in Thousands)	Square Feet	Net Rent	Square Feet	Net Rent	Square Feet	Net Rent	Square Feet	Net Rent	Square Feet
U.S. Properties									
Midtown New York	854	$41	85	$46	137	$56	4,167	$55	6,243
Downtown New York	93	25	633	37	685	35	9,049	41	12,814
Washington, D.C.	438	32	854	34	404	34	1,502	50	6,178
Los Angeles	675	30	369	30	460	30	4,047	32	8,936
Houston	551	23	1,836	24	262	17	1,581	27	6,187
Boston	30	28	15	31	51	24	412	29	835
Denver	512	22	55	24	189	25	1,232	27	2,642
San Francisco	9	35	27	25	—	—	131	50	199
	3,162	$31	3,874	$29	2,188	$32	22,121	$41	44,034
Canadian Properties									
Toronto	707	$22	1,167	$26	525	$27	3,900	$22	8,434
Calgary	79	34	271	34	105	34	4,456	27	5,635
Ottawa	86	18	9	22	566	18	927	15	1,730
Other	42	22	65	26	25	31	311	15	584
	914	$23	1,512	$27	1,221	$24	9,594	$24	16,383
Australian Properties									
Sydney	262	$63	49	$76	237	$74	1,583	$69	3,649
Melbourne	520	35	111	40	649	50	377	39	2,062
Perth	219	55	1	154	29	65	1,055	77	1,530
	1,001	$47	161	$52	915	$57	3,015	$68	7,241
U.K. Properties									
London	7	$35	5	$33	149	$80	314	$104	686
	7	$35	5	$33	149	$80	314	$104	686
Total Properties	**5,084**	**$33**	**5,552**	**$29**	**4,473**	**$37**	**35,044**	**$39**	**68,344**

(Square Feet in Thousands)	Current Square Feet	2015 Square Feet	2015 Net Rent	2016 Square Feet	2016 Net Rent	2017 Square Feet	2017 Net Rent	2018 Square Feet	2018 Net Rent
Total	**5,280**	**1,103**	**$31**	**3,527**	**$31**	**3,448**	**$32**	**4,833**	**$30**
Total Percent Expiring	7.7%	1.6%		5.2%		5.0%		7.1%	
Beginning of Year	7.9%	4.6%		6.2%		5.3%		8.3%	
Difference	(0.2%)	(3.0%)		(1.0%)		(0.3%)		(1.2%)	

(Square Feet in Thousands)	2019 Square Feet	2019 Net Rent	2020 Square Feet	2020 Net Rent	2021 Square Feet	2021 Net Rent	Beyond Square Feet	Beyond Net Rent	Total Square Feet
Total	**5,084**	**$33**	**5,552**	**$29**	**4,473**	**$37**	**35,044**	**$39**	**68,344**
Total Percent Expiring	7.4%		8.1%		6.5%		51.4%		100%
Beginning of Year	7.5%		7.5%		6.0%		46.7%		100%
Difference	(0.1%)		0.6%		0.5%		4.7%		

TAX RISK

We are subject to income taxes in Canada and other foreign jurisdictions, and our domestic and international tax liabilities are dependent upon the distribution of income among these different jurisdictions. Our effective income tax rate is influenced by a number of factors, including changes in tax law, tax treaties, interpretation of existing laws, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our profitability and results of operations.

ENVIRONMENTAL RISKS

As an owner of real property, we are subject to various laws relating to environmental matters. These laws could hold result in liability for the costs of removal and remediation of certain hazardous substances or wastes present in our buildings, released or deposited on or in our properties or disposed of at other locations. These costs could be significant and would reduce cash available for our business. The failure to remove or remediate such substances could adversely affect our ability to sell our properties or our ability to borrow using such real estate as collateral and could potentially result in claims or other proceedings against us. We are not aware of any material non-compliance with environmental laws at any of our properties, nor are we aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of our properties or any pending or threatened claims relating to environmental conditions at our properties.

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

OTHER RISKS AND UNCERTAINTIES

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

Our investment properties generate a relatively stable source of income from contractual tenant rent payments. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed or new tenants are found promptly to fill vacancies at attractive rental rates. With leasing markets performance being impacted by the strength of the economies in which we operate, it is possible we could see downward pressure on overall occupancy levels and net effective rents if economic recovery slows or stalls. We are, however, substantially protected against short-term market conditions, as most of our leases are long-term in nature with an average remaining term of eight years.

INSURANCE RISKS

United States

We maintain insurance on our properties in amounts and with deductibles that we believe are in line with what owners of similar properties carry. We maintain all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and weather catastrophe). Our all risk policy limit is $2.5 billion per occurrence. Our earthquake limit is $300 million per occurrence and in the annual aggregate for our California properties and a separate $300 million per occurrence and annual aggregate limit for all other U.S. properties. This coverage is subject to a deductible of 5% of the value of the affected property for California locations and $100,000 for all other locations. The weather catastrophe limit is $300 million per occurrence and subject to a deductible of 3% of the value of the affected property for U.S. locations located in traditional windstorm-exposed areas. All other locations are subject to a $50,000 deductible. The flood limit is $300 million per occurrence and in the annual aggregate subject to a deductible of $50,000 per occurrence, with the exception of five insurers that have a deductible equal to 5% of the total insured values subject to a minimum of $1,000,000 and a maximum of $5,000,000 for those locations within a Special Flood Hazard Area. Where properties are insured by our partners, all risk property insurance and rental value coverage is provided with limits that we believe are in line with what owners of similar properties carry.

The Terrorism Risk Insurance Act ("TRIA") was enacted in November 2002 in response to the uncertainty surrounding the insurance market in the aftermath of the terrorist attacks of September 11, 2001, and provides protection for "certified acts" as defined by the statute. TRIA mandates that insurance carriers offer insurance covering physical damage from terrorist incidents as certified by the U.S. Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the U.S. Attorney. The Terrorism Risk Insurance Program Reauthorization Act of 2007 was signed into law on December 26, 2007 and extended the TRIA program through December 2014. The Terrorism Risk Insurance Program Reauthorization Act of 2015 was signed into law on January 12, 2015 and extended the program through December 31, 2020.

With respect to our U.S. properties (including our U.S. Office Fund and DTLA), in October 2008, we formed a segregated cell captive facility, Liberty IC Casualty, LLC ("Liberty"). Liberty provides $4.0 billion of TRIA coverage for all U.S. properties. In 2009 we formed a second segregated cell captive facility, Liberty IC Casualty II, LLC ("Liberty II"). Liberty II provides protection against losses due solely to nuclear, biological, chemical or radioactive contamination arising out of a certified terrorist act. In the event of a covered loss in 2015, we expect Liberty II to recover 85% of its losses, less certain deductibles, from the United States government with the remaining 15% to be funded by us. Commencing in 2016 through 2020, Liberty and Liberty II will be required to fund for an additional 1% increase of covered losses in January of each year, due to the changes in the Terrorism Risk Insurance Program Reauthorization Act program requirements.

Canada

We maintain insurance on our properties in amounts and with deductibles that we believe are in line with what owners of similar properties carry. We maintain all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and windstorm). Our all risk policy limit is C$1.5 billion per occurrence. Our earthquake limit is C$500 million per occurrence and in the annual aggregate. This coverage is subject to a C$100,000 deductible for all locations except for British Columbia where the deductible is 3% of the values for all locations where the physical loss, damage or destruction occurred. The flood limit is C$500 million per occurrence and in the annual aggregate, and is subject to a deductible of C$25,000 for all losses arising from the same occurrence. Windstorm is included under the all risk coverage limit of C$1.5 billion.

With respect to our Canadian properties, we purchase an insurance policy that covers acts of terrorism for limits up to C$1.5 billion.

Australia

We maintain insurance on our properties in amounts and with deductibles that we believe are in line with what owners of similar properties carry. We maintain all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and weather catastrophe). Our all risk policy limit (including flood and weather catastrophe) is A$1.9 billion per occurrence. Our earthquake limit is also included up to the policy limit. Earthquake coverage in Australia is subject to a deductible of 1% of the values at the location where the damage occurs. Where properties are insured by our partners, all risk property insurance and rental value coverage is provided with limits that we believe are in line with what owners of similar properties carry.

Terrorism insurance is provided through the Australian Reinsurance Pool Corporation ("ARPC"). ARPC is a statutory corporation established under the Terrorism Insurance Act 2003 to offer reinsurance for terrorism risk in Australia. The Terrorism Insurance Act 2003 renders terrorism exclusion clauses in eligible insurance contracts ineffective in relation to loss or liabilities arising from a declared terrorist incident affecting eligible property located in Australia.

United Kingdom

We maintain insurance on our properties in amounts and with deductibles that we believe are in line with what owners of similar properties carry. We maintain all risk property insurance and rental value coverage up to the replacement cost value of the asset. Flood, earthquake, wind and terrorism coverage is included in the coverage provided all subject to a £250 deductible.

FOREIGN EXCHANGE FLUCTUATIONS

Approximately 34% of our assets and 34% of our revenues originate in Canada, Australia and the United Kingdom and consequently are subject to foreign currency risk due to potential fluctuations in exchange rates between these currencies and the U.S. dollar. To mitigate this risk, we attempt to maintain a natural hedged position with respect to the carrying value of assets through debt agreements denominated in local currencies. Similarly, we attempt to mitigate the currency risk on revenues by incurring associated operating costs and interest expense in local currencies. As discussed under Derivative Financial Instruments our hedging policy does not require us to hedge the remaining net capital invested in non-U.S. operations, due to the long-term ownership profile of our assets. We will, however, enter into hedging arrangements from time to time if we believe currency valuations are misaligned and to protect shorter term capital flows. However, even if we do so, the carrying value may not equal the economic value, and any differences therein may not be hedged. At June 30, 2015, based on our net Canadian dollar funds from operations, a $0.01 appreciation in the Canadian dollar relative to the U.S. dollar would result in an increase in our funds from operations of $1 million on an annual basis. At June 30, 2015, based on our net Australian dollar funds from operations, a $0.01 appreciation in the Australian dollar relative to the U.S. dollar would result in an increase in our funds from operations of $1 million on an annual basis. At June 30, 2015, based on our net British pound funds from operations, a $0.01 appreciation in the British pound relative to the U.S. dollar would result in an increase in our funds from operations of $1 million on an annual basis.

DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative and non-derivative instruments to manage financial risks, including interest rate, commodity, equity price and foreign exchange risks. The use of derivative contracts is governed by documented risk management policies and approved limits. We do not use derivatives for speculative purposes. Over the last two years, we may have used the following derivative instruments to manage these risks:

- Foreign currency forward contracts to hedge exposures to Australian dollar and British pound denominated net investments in foreign subsidiaries and foreign currency denominated financial assets;
- Foreign currency forward contracts to hedge exposures to Canadian dollar, Australian dollar and British pound denominated transactions;
- Interest rate swaps to manage interest rate risk associated with planned refinancings and existing variable rate debt;
- Interest rate caps to hedge interest rate risk on a portion of our variable rate debt; and
- Total return swaps on our shares to economically hedge exposure to variability in share price under our Deferred Share Unit Plans.

We also designate certain of our financial liabilities as hedges of our Canadian dollar net investments in self-sustaining subsidiaries.

Interest Rate Hedging

The following table provides details of derivatives designated as cash flow hedges in interest rate hedging relationships outstanding as of June 30, 2015 and December 31, 2014:

(Millions)	Hedging Item		Notional	Rates	Maturity Dates		Fair Value
Jun. 30, 2015	Interest rate caps of US$ LIBOR debt	$	1,930	3.0% to 5.8%	Sep 2015 to Oct 2018	$	—
	Interest rate swaps of US$ LIBOR debt	$	285	2.1% to 2.2%	Oct 2020 to Nov 2020	$	(7)
	Interest rate swaps on forecasted fixed rate debt	$	1,885	2.8% to 5.3%	Nov 2025 to Jun 2029	$	(245)
	Interest rate caps of £ LIBOR debt	£	138	3.0%	Dec 2016	$	—
	Interest rate swaps of £ LIBOR debt	£	130	1.1%	Sep 2017	$	—
	Interest rate swaps of A$ BBSW/BBSY debt	A$	670	3.5% to 5.9%	Jan 2016 to Jul 2017	$	(18)
Dec. 31, 2014	Interest rate caps of US$ LIBOR debt	$	2,137	3.0% to 5.8%	Jan 2015 to Oct 2018	$	—
	Interest rate swaps of US$ LIBOR debt	$	483	0.6% to 2.2%	Dec 2015 to Nov 2020	$	(7)
	Interest rate swaps of forecasted fixed rate debt	$	1,995	2.3% to 5.1%	May 2025 to Jun 2029	$	(262)
	Interest rate swaps of £ LIBOR debt	£	131	1.1%	Sep 2017	$	(1)
	Interest rate swaps of A$ BBSW/BBSY debt	A$	670	3.5% to 5.9%	Jan 2016 to Jul 2017	$	(26)

We enter into interest rate caps to limit debt service costs on certain LIBOR-based debt as required by the lender. We enter into interest rate swaps to fix the interest rate on certain floating rate debt to limit exposure to fluctuations in floating interest rates. We enter into swaps, from time to time, on forecasted fixed rate debt to lock in interest rates on future refinancings and protect against higher debt service costs in a rising interest rate environment.

For the three and six months ended June 30, 2015 and 2014, the amount of hedge ineffectiveness recorded in earnings in connection with our interest rate hedging activities was not significant.

The fair value of interest rate caps is determined based on generally accepted pricing models using quoted market interest rates for the appropriate term. Interest rate swaps are valued at the present value of estimated future cashflows and discounted based on applicable swap curves derived from market interest rates.

Foreign Currency Hedging

The following table provides details of derivatives designated as foreign currency hedges outstanding as of June 30, 2015:

(Millions)	Hedging Item	Hedged Currency	Notional		Rate	Fair Value	Maturity	Hedged Item
Jun. 30, 2015	Foreign currency forward	Australian dollars	A$	576	A$1.28/US$ to A$1.33/US$	$(9)	Jul 2015 to Feb 2016	A$ denominated net investment
	Foreign currency forward	British pounds	£	329	£0.64/US$ to £0.65/US$	$(5)	Oct 2015 to Dec 2015	£$denominated net investment

(Millions)	Hedging Item	Hedged Currency	Notional		Forward rate	Call Strike Price	Put Strike Price	Maturity	Fair Value
Jun. 30, 2015	Zero cost collar(1)	A$ denominated net investment	A$	150	A$1.31/US$	A$0.82/US$	A$0.69/US$	Apr 2016	$2
	Zero cost collar(1)	A$ denominated net investment	A$	150	A$1.31/US$	A$0.82/US$	A$0.68/US$	Apr 2016	—
	Zero cost collar(1)	A$ denominated net investment	A$	250	A$1.29/US$	A$0.82/US$	A$0.68/US$	Apr 2016	—

(1) *Zero cost collar consists of bought call and sold put together with foreign currency forward agreements*

In connection with these hedges $3 million and ($1) million relating to the time value component of their valuation has been recorded in fair value gains, net on the condensed consolidated income statement for the three and six months ended June 30, 2015, respectively (2014 – nil and nil, respectively).

At June 30, 2015, we have designated C$750 million (December 31, 2014 – C$900 million) of our Canadian dollar financial liabilities as hedges of our net investment in our Canadian operations.

For the three and six months ended June 30, 2015 and 2014, the amount of hedge ineffectiveness recorded in earnings in connection with our foreign currency hedging activities was not significant.

PART IV – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

USE OF ESTIMATES

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions.

RELATED PARTY TRANSACTIONS

In the normal course of operations, we enter into various transactions on market terms with related parties, which have been measured at exchange value. The following table summarizes transactions and balances with BAM and its subsidiaries:

	Three months ended Jun. 30		Six months ended Jun. 30	
(Millions)	**2015**	2014	**2015**	2014
Transactions with related parties				
Commercial property revenue[1]	**$ 3**	$ 3	**$ 8**	$ 6
Interest and other income	**12**	11	**22**	21
Interest expense	**5**	2	**10**	4
Management fees paid	**2**	3	**2**	7
Administrative expense[2]	**9**	13	**16**	26
Construction costs[3]	**73**	45	**139**	80
			Jun. 30, 2015	Dec. 31, 2014
Balances with related parties				
Participating loan interests			**$ 437**	$ 426
Other non-current financial assets			**928**	683
Receivables and other assets			**18**	73
Commercial property debt			**(375)**	(397)
Capital securities – corporate			**(87)**	(91)
Other liabilities			**(101)**	(51)

(1) *Amounts received from BAM and its subsidiaries for the rental of office premises*
(2) *Amounts paid to BAM and its subsidiaries for administrative services*
(3) *Amounts paid to BAM and its subsidiaries for construction costs of development property*

On February 18, 2015, FM Co., an associate of the company accounted for by the equity method, sold its interest in BJCA and BJCC to a subsidiary of BAM.

On June 5, 2015, 9165789 Canada Inc. acquired $12 million of voting preferred shares of our subsidiary, BOP Management Holdings Inc., representing a 60% voting interest. 9165789 Canada Inc. was formed by us and 16 individuals who are senior officers in the company and other BAM subsidiaries, who were given the opportunity to invest in 9165789 Canada Inc. as part of our goal of retaining top executives and aligning executives' interests with those of the company. The senior officers acquired an aggregate of $2 million of common shares of 9165789 Canada Inc. for investment purposes in exchange for cash in an amount equal to the fair value of the shares. We also hold a $10 million non-voting preferred share interest in 9165789 Canada Inc. BOP Management Holdings Inc. indirectly owns 33% of our economic interest in DTLA and an interest in our U.S. asset management and certain promote fee streams.

DIVIDENDS

Dividends paid per share by Brookfield Office Properties during the first and second quarter of 2015, and the year ended December 31, 2014, are as follows:

	Currency	**Three months ended Jun. 30, 2015**	Three months ended Mar. 31, 2015	Year ended Dec. 31, 2014
Common shares	US$	**$ 0.4125**	$ —	$ 0.8266
Class A preferred shares	C$	**—**	0.0417	0.0833
Class AA Series E preferred shares	C$	**0.1247**	0.1312	0.5250
Class AAA Series E preferred shares	C$	**0.1243**	0.1270	0.5250
Class AAA Series G preferred shares	US$	**0.3281**	0.3281	1.3125
Class AAA Series H preferred shares	C$	**0.3594**	0.3594	1.4375
Class AAA Series J preferred shares	C$	**0.3125**	0.3125	1.2500
Class AAA Series K preferred shares	C$	**0.3250**	0.3250	1.3000
Class AAA Series L preferred shares	C$	**—**	—	1.2657
Class AAA Series N preferred shares	C$	**0.3844**	0.3844	1.5375
Class AAA Series P preferred shares	C$	**0.3219**	0.3219	1.2875
Class AAA Series R preferred shares	C$	**0.3188**	0.3188	1.2750
Class AAA Series T preferred shares	C$	**0.2875**	0.2875	1.1500
Class AAA Series V preferred shares	C$	**0.1300**	0.1313	0.5251
Class AAA Series W preferred shares	C$	**0.1267**	0.1313	0.5251
Class AAA Series X preferred shares	C$	**1,735.2329**	1,884.2466	8,086.3684
Class AAA Series Y preferred shares	C$	**0.1267**	0.1313	0.5251
Class AAA Series Z preferred shares	C$	**0.0868**	0.0942	0.4043
Class AAA Series AA preferred shares	C$	**0.2969**	0.2969	0.2245