

Brookfield Property Partners L.P.

Condensed consolidated financial statements (unaudited)

As at March 31, 2022 and December 31, 2021 and
for the three months ended March 31, 2022 and 2021

Brookfield Property Partners L.P.

Condensed Consolidated Balance Sheets

Unaudited (US\$ Millions)	Note	As at	
		Mar. 31, 2022	Dec. 31, 2021
Assets			
Non-current assets			
Investment properties	4	\$ 61,544	\$ 64,613
Equity accounted investments	5	20,810	20,807
Property, plant and equipment	6	5,542	5,623
Goodwill	7	803	832
Intangible assets	8	935	964
Other non-current assets	9	4,395	3,578
Loans and notes receivable		167	152
Total non-current assets		94,196	96,569
Current assets			
Loans and notes receivable		270	73
Accounts receivable and other	10	1,517	2,276
Cash and cash equivalents		1,908	2,576
Total current assets		3,695	4,925
Assets held for sale	11	9,542	10,510
Total assets		\$ 107,433	\$ 112,004
Liabilities and equity			
Non-current liabilities			
Debt obligations	12	\$ 37,250	\$ 38,579
Capital securities	13	3,109	3,024
Other non-current liabilities	15	1,292	1,499
Deferred tax liabilities		2,673	3,250
Total non-current liabilities		44,324	46,352
Current liabilities			
Debt obligations	12	13,737	13,742
Capital securities	13	61	61
Accounts payable and other liabilities	16	3,595	3,762
Total current liabilities		17,393	17,565
Liabilities associated with assets held for sale	11	1,074	3,082
Total liabilities		62,791	66,999
Equity			
Limited partners	17	9,011	8,805
General partner	17	4	4
Preferred equity	17	699	699
Non-controlling interests attributable to:			
Redeemable/exchangeable and special limited partnership units	17, 18	16,104	15,736
FV LTIP units of the Operating Partnership	17, 18	56	55
Interests of others in operating subsidiaries and properties	18	18,768	19,706
Total equity		44,642	45,005
Total liabilities and equity		\$ 107,433	\$ 112,004

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Income Statements

Unaudited (US\$ Millions, except per unit amounts)	Note	Three months ended Mar. 31,	
		2022	2021
Commercial property revenue	19	\$ 1,255	\$ 1,285
Hospitality revenue	20	313	59
Investment and other revenue	21	486	106
Total revenue		2,054	1,450
Direct commercial property expense	22	470	506
Direct hospitality expense	23	288	121
Investment and other expense		239	8
Interest expense		600	612
General and administrative expense	24	232	213
Total expenses		1,829	1,460
Fair value gains, net	25	1,270	640
Share of net earnings from equity accounted investments	5	380	206
Income before income taxes		1,875	836
Income tax expense	14	183	105
Net income		\$ 1,692	\$ 731
Net income attributable to:			
Limited partners		\$ 251	\$ 124
General partner		—	—
Non-controlling interests attributable to:			
Redeemable/exchangeable and special limited partnership units		449	129
Limited partnership units of Brookfield Office Properties Exchange LP		—	1
FV LTIP units of the Operating Partnership		2	1
Class A shares of Brookfield Property Retail Holding LLC		—	11
Interests of others in operating subsidiaries and properties		990	465
Total		\$ 1,692	\$ 731

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Comprehensive Income

Unaudited (US\$ Millions)	Note	Three months ended Mar. 31,	
		2022	2021
Net income		\$ 1,692	\$ 731
Other comprehensive income (loss)	26		
Items that may be reclassified to net income:			
Foreign currency translation		(31)	(70)
Cash flow hedges		101	54
Equity accounted investments		53	23
Items that will not be reclassified to net income:			
Securities - fair value through other comprehensive income ("FVTOCI")		(1)	—
Total other comprehensive income		122	7
Total comprehensive income		\$ 1,814	\$ 738
Comprehensive income attributable to:			
Limited partners			
Net income		\$ 251	\$ 124
Other comprehensive income		35	17
		286	141
Non-controlling interests			
Redeemable/exchangeable and special limited partnership units			
Net income		449	129
Other comprehensive income		62	19
		511	148
Limited partnership units of Brookfield Office Properties Exchange LP			
Net income		—	1
Other comprehensive income		—	—
		—	1
FV LTIP units of the Operating Partnership			
Net income		2	1
Other comprehensive income		—	—
		2	1
Class A shares of Brookfield Property Retail Holding LLC			
Net income		—	11
Other comprehensive income		—	2
		—	13
Interests of others in operating subsidiaries and properties			
Net income		990	465
Other comprehensive income		25	(31)
		1,015	434
Total comprehensive income		\$ 1,814	\$ 738

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Changes in Equity

Unaudited (US\$ Millions)	Limited partners					Total limited partners equity	General partner				Preferred Equity		Non-controlling interests					Total equity
	Capital	Retained earnings	Ownership Changes	Accumulated other comprehensive (loss) income	Capital		Retained earnings	Ownership Changes	Accumulated other comprehensive (loss) income	Total general partner equity	Total preferred equity	Redeemable / exchangeable and special limited partnership units	Limited partnership units of Brookfield Office Properties Exchange LP	FV LTIP units of the Operating Partnership	Class A shares of Brookfield Property Retail Holding LLC	Interests of others in operating subsidiaries and properties		
Balance as at Dec. 31, 2021	\$ 5,861	\$ 457	\$ 2,598	\$ (111)	\$ 8,805	\$ 4	\$ 2	\$ (1)	\$ (1)	\$ 4	\$ 699	\$ 15,736	\$ —	\$ 55	\$ —	\$ 19,706	\$ 45,005	
Net income	—	251	—	—	251	—	—	—	—	—	—	449	—	2	—	990	1,692	
Other comprehensive income (loss)	—	—	—	35	35	—	—	—	—	—	—	62	—	—	—	25	122	
Total comprehensive income	—	251	—	35	286	—	—	—	—	—	—	511	—	2	—	1,015	1,814	
Distributions	—	(105)	—	—	(105)	—	—	—	—	—	—	(187)	—	(1)	—	(2,141)	(2,434)	
Preferred distributions	—	(4)	—	—	(4)	—	—	—	—	—	—	(7)	—	—	—	—	(11)	
Issuance / repurchase of interests in operating subsidiaries	—	25	1	—	26	—	—	—	—	—	—	45	—	9	—	188	268	
Change in relative interests of non-controlling interests	—	—	3	—	3	—	—	—	—	—	—	6	—	(9)	—	—	—	
Balance as at Mar. 31, 2022	\$ 5,861	\$ 624	\$ 2,602	\$ (76)	\$ 9,011	\$ 4	\$ 2	\$ (1)	\$ (1)	\$ 4	\$ 699	\$ 16,104	\$ —	\$ 56	\$ —	\$ 18,768	\$ 44,642	
Balance as at Dec. 31, 2020	\$ 8,562	\$ 486	\$ 3,010	\$ (349)	\$ 11,709	\$ 4	\$ 2	\$ (1)	\$ (1)	\$ 4	\$ 699	\$ 12,249	\$ 73	\$ 52	\$ 1,050	\$ 15,687	\$ 41,523	
Net (loss) income	—	124	—	—	124	—	—	—	—	—	—	129	1	1	11	465	731	
Other comprehensive (loss)	—	—	—	17	17	—	—	—	—	—	—	19	—	—	2	(31)	7	
Total comprehensive (loss)	—	124	—	17	141	—	—	—	—	—	—	148	1	1	13	434	738	
Distributions	—	(145)	—	—	(145)	—	—	—	—	—	—	(152)	(1)	(1)	(13)	(768)	(1,080)	
Preferred distributions	—	(6)	—	—	(6)	—	—	—	—	—	—	(5)	—	—	—	—	(11)	
Issuance / repurchase of interest in operating subsidiaries	2	(11)	14	—	5	—	—	—	—	—	—	7	—	1	(17)	705	701	
Exchange of exchangeable units	2	—	1	—	3	—	—	—	—	—	—	1	(4)	—	—	—	—	
Change in relative interest of non-controlling interests	—	—	(1)	—	(1)	—	—	—	—	—	—	(6)	3	(2)	6	—	—	
Balance as at Mar. 31, 2021	\$ 8,566	\$ 448	\$ 3,024	\$ (332)	\$ 11,706	\$ 4	\$ 2	\$ (1)	\$ (1)	\$ 4	\$ 699	\$ 12,242	\$ 72	\$ 51	\$ 1,039	\$ 16,058	\$ 41,871	

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Condensed Consolidated Statements of Cash Flows

Unaudited (US\$ Millions)	Note	Three Months Ended Mar. 31,	
		2022	2021
Operating activities			
Net income (loss)		\$ 1,692	\$ 731
Share of equity accounted (earnings) losses, net of distributions		(301)	(155)
Fair value (gains) losses, net	25	(1,270)	(640)
Deferred income tax expense	14	156	79
Depreciation and amortization	22,23	82	68
Working capital and other		201	916
		560	999
Financing activities			
Debt obligations, issuance		1,449	2,477
Debt obligations, repayments		(2,728)	(3,353)
Capital securities issued		57	—
Capital securities redeemed		—	(1)
Non-controlling interests, issued		249	748
Repayment of lease liabilities		(6)	(6)
Limited partnership units, repurchased		—	(18)
Distributions to non-controlling interests in operating subsidiaries		(2,122)	(736)
Preferred distributions		(11)	(11)
Distributions to limited partnership unitholders		(105)	(145)
Distributions to redeemable/exchangeable and special limited partnership unitholders		(187)	(152)
Distributions to holders of Brookfield Office Properties Exchange LP units		—	(1)
Distributions to holders of FV LTIP units of the Operating Partnership		(1)	(1)
Distributions to holders of Class A shares of Brookfield Property Retail Holding LLC		—	(13)
		(3,405)	(1,212)
Investing activities			
Acquisitions			
Investment properties		(310)	(582)
Property, plant and equipment		(89)	(27)
Equity accounted investments		(22)	(104)
Financial assets and other		(148)	(424)
Dispositions			
Investment properties		216	198
Equity accounted investments		383	67
Financial assets and other		220	370
Disposition of subsidiaries		1,980	—
Cash impact of deconsolidation and reclassification to assets held for sale		(51)	—
Restricted cash and deposits		2	(112)
		2,181	(614)
Cash and cash equivalents			
Net change in cash and cash equivalents during the period		(664)	(827)
Effect of exchange rate fluctuations on cash and cash equivalents held in foreign currencies		(4)	(11)
Balance, beginning of period		2,576	2,473
Balance, end of period		\$ 1,908	\$ 1,635
Supplemental cash flow information			
Cash paid for:			
Income taxes, net of refunds received		\$ 18	\$ 19
Interest (excluding dividends on capital securities)		\$ 537	\$ 546

See accompanying notes to the condensed consolidated financial statements.

Brookfield Property Partners L.P.

Notes to the Condensed Consolidated Financial Statements

NOTE 1. ORGANIZATION AND NATURE OF THE BUSINESS

Brookfield Property Partners L.P. (“BPY” or the “partnership”) was formed as a limited partnership under the laws of Bermuda, pursuant to a limited partnership agreement dated January 3, 2013, as amended and restated on August 8, 2013. BPY is a subsidiary of Brookfield Asset Management Inc. (“Brookfield Asset Management,” “BAM,” or the “parent company”) and is the primary entity through which the parent company and its affiliates own, operate, and invest in commercial and other income producing property on a global basis.

The partnership’s sole direct investment is a 36% managing general partnership units (“GP Units” or “GP”) interest in Brookfield Property L.P. (the “operating partnership”). The GP Units provide the partnership with the power to direct the relevant activities of the operating partnership.

The partnership’s limited partnership units (“BPY Units” or “LP Units”) were delisted from the Nasdaq Stock Market (“Nasdaq”) and the Toronto Stock Exchange (“TSX”) on July 26, 2021. See *Note 3, Privatization of the Partnership* for further information. The partnership’s 6.5% Preferred Units, Series 1, 6.375% Preferred Units, Series 2, 5.75% Preferred Units, Series 3, and Brookfield Property Preferred L.P.’s (“New LP”) 6.25% Preferred Units, Series 1 are traded on the Nasdaq under the symbols “BPYPP”, “BPYPO”, “BPYPN”, and “BPYPM” respectively. The New LP 6.25% Preferred Units, Series 1 are also traded on the TSX under the symbol “BPYP.PR.A

The registered head office and principal place of business of the partnership is 73 Front Street, 5th Floor, Hamilton HM 12, Bermuda.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The interim condensed consolidated financial statements of the partnership and its subsidiaries have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB, have been omitted or condensed.

These condensed consolidated financial statements as of and for the three months ended March 31, 2022 were approved and authorized for issue by the Board of Directors of the partnership on May 6, 2022.

b) Basis of presentation

The interim condensed consolidated financial statements are prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2021. Consequently, the information included in these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the partnership’s annual report on Form 20-F for the year ended December 31, 2021.

During the fourth quarter of 2021, as a result of a change in accounting policy, the partnership reclassified depreciation and amortization expense, which was previously presented as a separate line item, to direct commercial property expense and direct hospitality expense. Prior period amounts were also adjusted to reflect this change, which resulted in an increase to direct commercial property expense and direct hospitality expense of \$20 million and \$48 million for three months ended March 31, 2021, respectively, with equal and offsetting decreases to depreciation and amortization expense. This reclassification had no impact on revenues or net income.

The interim condensed consolidated financial statements are unaudited and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods presented in accordance with IFRS. The results reported in these interim condensed consolidated financial statements should not necessarily be regarded as indicative of results that may be expected for the entire year.

The interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in U.S. Dollars rounded to the nearest million unless otherwise indicated.

c) Critical judgements and estimates in applying accounting policies

The preparation of the partnership’s interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgment in applying the partnership’s accounting policies. The accounting policies and critical estimates and assumptions have been set out in Note 2, *Summary of Significant Accounting Policies*, to the partnership’s consolidated financial statements for the year ended December 31, 2021 and have been consistently applied in the preparation of the interim condensed consolidated financial statements as of and for the three months ended March 31, 2022.

There remains a residual risk arising from any emerging or future variants of the coronavirus (“COVID-19”), and any resulting responses from global government authorities, across the various geographies in which the partnership owns and operates investment properties, and property, plant and equipment. As a result of this residual risk, there remains uncertainty in the near-term surrounding leasing trends, market rates, and the ability to exit investments in the partnership’s expected timeframe. These circumstances have created estimation uncertainty in the determination of the fair value of investment properties as of March 31, 2022.

Judgment is applied when determining whether indicators of impairment exist when assessing the carrying values of the partnership’s property, plant and equipment and intangible assets for potential impairment as a result of COVID-19. Consideration is given to a combination of factors,

including but not limited to forecasts of revenues and expenses, valuations of assets, and projections of market trends and economic environments.

NOTE 3. PRIVATIZATION OF THE PARTNERSHIP

During the first quarter of 2021, Brookfield Asset Management announced a proposal to acquire all LP Units and limited partnership units of Brookfield Office Properties Exchange LP (“Exchange LP Units”) that it did not previously own (“Privatization”) for \$18.17 cash per unit, BAM class A limited voting shares (“BAM shares”), or BPY preferred units with a liquidation preference of \$25.00 per unit (“New LP Preferred Units”, see Note 13, *Capital Securities* for further information), subject to pro-rata. On July 16, 2021, the Privatization was approved by the unitholders. On July 26, 2021, BAM completed the Privatization and the acquisition of all Brookfield Property Retail Holding LLC (“BPYU”) Class A stock, par value \$.01 per share (“BPYU Units”) that it did not previously own. The LP Units were delisted from the TSX and Nasdaq at market close on July 26, 2021. The BPYU Units were delisted from Nasdaq at market close on the same date. The New LP Preferred Units issued in the privatization began trading on the TSX under the symbol “BPYP.PR.A” and Nasdaq under the symbol “BPYPM” on July 27, 2021.

Based on unitholder elections, together with the amounts to be delivered to holders of BPYU Units, an aggregate of 51,971,192 units elected for cash, 271,358,615 units elected for BAM shares and 17,970,971 units elected for New LP Preferred Units. As holders elected to receive more BAM shares than were available under the transaction, unitholders that elected to receive BAM shares received 54.5316% of the aggregate BAM shares they elected to receive and the balance was delivered 93.05% in cash and 6.95% in New LP Preferred Units. Unitholders who made an election to receive 100% of their consideration in cash received \$18.17 in cash and Unitholders who made an election to receive 100% of their consideration in New LP Preferred Units received 0.7268 New LP Preferred Units.

Cash consideration of approximately \$3.0 billion was paid by the partnership, whilst BAM distributed 59,279,263 BAM Class A shares and 19,287,783 New LP Preferred Units to holders of LP Units, BPYU Units and Exchange LP Units. The cash consideration was funded to the partnership by BAM in exchange for approximately \$2.5 billion of non-voting common equity of a BPY subsidiary which is accounted for as non-controlling interests by BPY (“Canholdco Class B Common Shares”) with the remainder for New LP Preferred Units. The New LP Preferred Units were recognized at a fair value of approximately \$474 million upon issuance and classified as a financial liability under the amortized cost basis on the balance sheet. See Note 13, *Capital Securities* for further information on New LP Preferred Units.

The impacts of the Privatization are disclosed separately in the Consolidated Statement of Changes in Equity for the year end December 31, 2021. The Privatization was accounted for by the partnership as a redemption of LP Units, Exchange LP Units and BPYU Units for cash and redeemable/exchangeable partnership units of the operating partnership (“Redeemable/Exchangeable Partnership Units” or “REUs”). The difference between the carrying value of the redeemed LP Units, Exchange LP Units, and BPYU Units and the fair value of the consideration paid for was recognized in Ownership Changes and was attributed pro-rata to the remaining LP Units and the REUs. After the Privatization, all of the outstanding LP Units are owned by BAM. No Exchange LP Units or BPYU Units are held by public holders following the Privatization. In connection with the Privatization, approximately \$250 million of preferred equity of BPYU was fully redeemed for cash. See Note 28, *Unit-Based Compensation* in the 2021 annual report for information on the impact to unit-based compensation resulting from the Privatization.

Subsequent to the Privatization, there are no longer publicly traded LP Units. As such, earnings per unit is no longer presented.

NOTE 4. INVESTMENT PROPERTIES

The following table presents a roll forward of the partnership’s investment property balances, all of which are considered Level 3 within the fair value hierarchy, for the three months ended March 31, 2022 and the year ended December 31, 2021:

(US\$ Millions)	Three months ended Mar. 31, 2022			Year ended Dec. 31, 2021		
	Commercial properties	Commercial developments	Total	Commercial properties	Commercial developments	Total
Balance, beginning of period	\$ 62,313	\$ 2,300	\$ 64,613	\$ 70,294	\$ 2,316	\$ 72,610
Changes resulting from:						
Property acquisitions	8	—	8	491	80	571
Capital expenditures	141	150	291	796	758	1,554
Property dispositions ⁽¹⁾	(18)	(1)	(19)	(1,299)	(351)	(1,650)
Fair value gains (losses), net	831	64	895	1,791	171	1,962
Foreign currency translation	(30)	(33)	(63)	(558)	(37)	(595)
Transfer between commercial properties and commercial developments	(44)	44	—	635	(635)	—
Reclassifications to assets held for sale and other changes	(3,731)	(450)	(4,181)	(9,837)	(2)	(9,839)
Balance, end of period ⁽²⁾	\$ 59,470	\$ 2,074	\$ 61,544	\$ 62,313	\$ 2,300	\$ 64,613

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

⁽²⁾ Includes right-of-use commercial properties and commercial developments of \$550 million and \$22 million, respectively, as of March 31, 2022 (December 31, 2021 - \$557 million and \$24 million). Current lease liabilities of \$119 million (December 31, 2021 - \$118 million) have been included in accounts payable and other liabilities and non-current lease liabilities of \$457 million (December 31, 2021 - \$558 million) have been included in other non-current liabilities.

The partnership determines the fair value of each commercial property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflows in respect of such leases. Investment property valuations are generally completed by undertaking one of two accepted income approach methods,

which include either: i) discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows; or ii) undertaking a direct capitalization approach whereby a capitalization rate is applied to estimated current year cash flows. Where there has been a recent market transaction for a specific property, such as an acquisition or sale of a partial interest, the partnership values the property on that basis. In determining the appropriateness of the methodology applied, the partnership considers the relative uncertainty of the timing and amount of expected cash flows and the impact such uncertainty would have in arriving at a reliable estimate of fair value. The partnership prepares these valuations considering asset and market specific factors, as well as observable transactions for similar assets. The determination of fair value requires the use of estimates, which are internally determined and compared with market data, third-party reports and research as well as observable conditions. Except for the impacts caused by COVID-19 and the resulting measurement uncertainty discussed in Note 2(c), *Summary of Significant Accounting Policies - Critical judgements and estimates in applying accounting policies*, there are currently no other known trends, events or uncertainties that the partnership reasonably believes could have a sufficiently pervasive impact across the partnership's businesses to materially affect the methodologies or assumptions utilized to determine the estimated fair values reflected in this report. In response to the measurement uncertainty caused by COVID-19, the partnership has adjusted cash flow assumptions for its estimate of the near-term disruption to cash flows to reflect collections, vacancy and assumptions with respect to new leasing activity. In addition, the partnership has assessed the appropriateness of the discount and terminal capitalization rates giving consideration to changes to property level cash flows and any risk premium inherent in such cash flow changes as well as the cost of capital and credit spreads. Discount rates and capitalization rates are inherently uncertain and may be impacted by, among other things, movements in interest rates in the geographies and markets in which the assets are located. Changes in estimates of discount and capitalization rates across different geographies and markets are often independent of each other and not necessarily in the same direction or of the same magnitude. Further, impacts to the partnership's fair values of commercial properties from changes in discount or capitalization rates and cash flows are usually inversely correlated. Decreases (increases) in the discount rate or capitalization rate result in increases (decreases) of fair value. Such decreases (increases) may be mitigated by decreases (increases) in cash flows included in the valuation analysis, as circumstances that typically give rise to increased interest rates (e.g., strong economic growth, inflation) usually give rise to increased cash flows at the asset level. Refer to the table below for further information on valuation methods used by the partnership for its asset classes.

Commercial developments are also measured using a discounted cash flow model, net of costs to complete, as of the balance sheet date. Development sites in the planning phases are measured using comparable market values for similar assets.

In accordance with its policy, the partnership generally measures and records its commercial properties and developments using valuations prepared by management. However, for certain subsidiaries, the partnership relies on quarterly valuations prepared by external valuation professionals. Management compares the external valuations to the partnership's internal valuations to review the work performed by the external valuation professionals. Additionally, a number of properties are externally appraised each year and the results of those appraisals are compared to the partnership's internally prepared values.

Valuation Metrics

The key valuation metrics for the partnership's consolidated commercial properties are set forth in the following tables below on a weighted-average basis:

	Primary valuation method	Mar. 31, 2022			Dec. 31, 2021		
		Discount rate	Terminal capitalization rate	Investment horizon (years)	Discount rate	Terminal capitalization rate	Investment horizon (years)
Consolidated properties							
Core Office	Discounted cash flow	6.5%	5.3 %	11	6.5%	5.3 %	11
Core Retail	Discounted cash flow	7.0%	5.3 %	10	7.0%	5.3 %	10
LP Investments ⁽¹⁾	Discounted cash flow	9.5%	7.0 %	8	9.4%	7.0 %	8

⁽¹⁾ The valuation method used to value multifamily, triple net lease, student housing, and manufactured housing properties is the direct capitalization method. At March 31, 2022, the overall implied capitalization rate used for properties using the direct capitalization method was 3.9% (December 31, 2021 - 4.3%).

Fair Value Measurement

The following table presents the partnership's investment properties measured at fair value in the condensed consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined in Note 2(i), *Summary of Significant Accounting Policies: Fair value measurement*, in the consolidated financial statements as of December 31, 2021:

(US\$ Millions)	Mar. 31, 2022					Dec. 31, 2021				
	Level 3					Level 3				
	Level 1	Level 2	Commercial properties	Commercial developments		Level 1	Level 2	Commercial properties	Commercial developments	
Core Office	\$ —	\$ —	\$ 24,804	\$ 1,107		\$ —	\$ —	\$ 24,643	\$ 1,022	
Core Retail	—	—	19,011	77		—	—	18,991	—	
LP Investments	—	—	15,655	890		—	—	18,679	1,278	
Total	\$ —	\$ —	\$ 59,470	\$ 2,074		\$ —	\$ —	\$ 62,313	\$ 2,300	

Fair Value Sensitivity

The following table presents a sensitivity analysis to the impact of a 25 basis point movement of the discount rate and terminal capitalization or overall implied capitalization rate on fair values of the partnership's commercial properties as of March 31, 2022, for properties valued using the discounted cash flow or direct capitalization method, respectively:

(US\$ Millions)	Mar. 31, 2022		
	Impact of +25bps DR	Impact of +25bps TCR	Impact of +25bps DR and +25bps TCR or +25bps ICR
Core Office	\$ 575	\$ 868	\$ 1,420
Core Retail	419	680	1,042
LP Investments ⁽¹⁾	535	390	894
Total	\$ 1,529	\$ 1,938	\$ 3,356

⁽¹⁾ The valuation method used to value multifamily and manufactured housing properties is the direct capitalization method. The rates presented as the discount rate relate to the overall implied capitalization rate. The terminal capitalization rate and investment horizon are not applicable. The impact of the sensitivity analysis on the discount rate includes properties valued using the DCF method as well as properties valued using an overall implied capitalization rate under the direct capitalization method.

NOTE 5. EQUITY ACCOUNTED INVESTMENTS

The partnership has investments in joint arrangements that are joint ventures, and also has investments in associates. Joint ventures hold individual commercial properties, hotels, and portfolios of commercial properties and developments that the partnership owns together with co-owners where decisions relating to the relevant activities of the joint venture require the unanimous consent of the co-owners. Details of the partnership's investments in joint ventures and associates, which have been accounted for in accordance with the equity method of accounting, are as follows:

(US\$ Millions)	Principal activity	Principal place of business	Proportion of ownership interests		Carrying value	
			Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2022	Dec. 31, 2021
Joint Ventures						
Canary Wharf Joint Venture ⁽¹⁾	Property holding company	United Kingdom	50 %	50 %	\$ 3,545	\$ 3,529
Manhattan West, New York	Property holding company	United States	56 %	56 %	2,180	2,396
Ala Moana Center, Hawaii	Property holding company	United States	50 %	50 %	1,926	1,939
BPYU JV Pool A	Property holding company	United States	50 %	50 %	1,829	1,810
BPYU JV Pool B	Property holding company	United States	51 %	51 %	1,179	1,140
Fashion Show, Las Vegas	Property holding company	United States	50 %	50 %	865	856
Grace Building, New York	Property holding company	United States	50 %	50 %	688	702
BPYU JV Pool C	Property holding company	United States	50 %	50 %	686	679
BPYU JV Pool D	Property holding company	United States	48 %	48 %	624	612
Southern Cross East, Melbourne	Property holding company	Australia	50 %	50 %	490	472
The Grand Canal Shoppes, Las Vegas	Property holding company	United States	50 %	50 %	463	455
One Liberty Plaza, New York	Property holding company	United States	51 %	51 %	414	402
680 George Street, Sydney	Property holding company	Australia	50 %	50 %	410	389
Brookfield Place Sydney	Property holding company	Australia	25 %	25 %	403	376
The Mall in Columbia, Maryland	Property holding company	United States	50 %	50 %	320	315
Shops at La Cantera, Texas	Property holding company	United States	50 %	50 %	272	270
ICD Brookfield Place Dubai	Property holding company	Emirates	50 %	50 %	272	250
BPYU JV Pool G	Property holding company	United States	68 %	68 %	268	263
Potsdamer Platz, Berlin	Property holding company	Germany	25 %	25 %	262	261
Baybrook Mall, Texas	Property holding company	United States	51 %	51 %	257	254
Brookfield Brazil Retail Fundo de Investimento em Participação (“Brazil Retail”)	Holding company	Brazil	43 %	43 %	242	228
BPYU JV Pool F	Property holding company	United States	51 %	51 %	226	223
Brookfield D.C. Office Partners LLC (“D.C. Venture”), Washington, D.C.	Property holding company	United States	51 %	51 %	219	225
Miami Design District, Florida	Property holding company	United States	22 %	22 %	215	212
Other ⁽²⁾	Various	Various	15% - 55%	15% - 55%	2,242	2,221
					20,497	20,479
Associates						
Various	Various	Various	13% - 31%	13% - 31%	313	328
					313	328
Total					\$ 20,810	\$ 20,807

⁽¹⁾ Stork Holdco LP is the joint venture through which the partnership acquired Canary Wharf Group plc in London.

⁽²⁾ Other joint ventures consists of approximately 36 joint ventures.

The following table presents the change in the balance of the partnership's equity accounted investments as of March 31, 2022 and December 31, 2021:

(US\$ Millions)	Three months ended Mar. 31, 2022	Year ended Dec. 31, 2021
Equity accounted investments, beginning of period	\$ 20,807	\$ 19,719
Additions	23	698
Disposals and return of capital distributions	(382)	(459)
Share of net earnings (losses) from equity accounted investments ⁽¹⁾	380	1,020
Distributions received	(79)	(172)
Foreign currency translation	(38)	(145)
Reclassification (to) from assets held for sale	—	(210)
Other comprehensive income and other	99	356
Equity accounted investments, end of period	\$ 20,810	\$ 20,807

⁽¹⁾ The partnership has not recognized \$33 million of losses related to two equity accounted investments for the period ended March 31, 2022, which have a carrying value of nil.

The key valuation metrics for the partnership's commercial properties held within the partnership's equity accounted investments are set forth in the table below on a weighted-average basis:

Equity accounted investments	Primary valuation method	Mar. 31, 2022			Dec. 31, 2021		
		Discount rate	Terminal capitalization rate	Investment horizon (yrs)	Discount rate	Terminal capitalization rate	Investment horizon (yrs)
Core Office	Discounted cash flow	6.0%	4.7 %	11	6.0 %	4.7 %	11
Core Retail	Discounted cash flow	6.3%	4.9 %	10	6.3 %	4.9 %	10
LP Investments ⁽¹⁾	Discounted cash flow	6.9%	5.7 %	10	6.9 %	5.6 %	10

⁽¹⁾ The valuation method used to value multifamily investments is the direct capitalization method. The rates used as the discount rate relate to the overall implied capitalization rate. At March 31, 2022, the overall implied capitalization used for multifamily properties was 4.0% (December 31, 2021 - 4.2%)

Summarized financial information in respect of the partnership's equity accounted investments is presented below:

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Non-current assets	\$ 75,824	\$ 78,149
Current assets	4,682	4,489
Total assets	80,506	82,638
Non-current liabilities	31,099	34,821
Current liabilities	5,447	3,914
Total liabilities	36,546	38,735
Net assets	43,960	43,903
Partnership's share of net assets	\$ 20,810	\$ 20,807

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Revenue	\$ 1,179	\$ 1,024
Expenses	898	823
Income from equity accounted investments ⁽¹⁾	25	8
Income before fair value gains, net	306	209
Fair value gains (losses), net	523	210
Net income (loss)	829	419
Partnership's share of net earnings (losses)	\$ 380	\$ 206

⁽¹⁾ Share of net earnings from equity accounted investments recorded by the partnership's joint ventures and associates.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment primarily consists of hospitality assets such as Center Parcs U.K.

The following table presents the useful lives of each hospitality asset by class:

Hospitality assets by class	Useful life (in years)
Building and building improvements	2 to 50+
Land improvements	15
Furniture, fixtures and equipment	3 to 10

On June 30, 2021, the partnership obtained control over a portfolio of select-service hotels (“Hospitality Investors Trust”) after converting its preferred equity interest and becoming the 100% common equity holder for consideration of \$464 million. The partnership’s investment in the subsidiary was accounted for as a financial asset prior to this date. This transaction was accounted for as a business combination. The purchase price allocation was finalized in 2021.

The following table presents the change to the components of the partnership’s hospitality assets for the three months ended March 31, 2022 and for the year ended December 31, 2021:

(US\$ Millions)	Three months ended Mar. 31, 2022	Year ended Dec. 31, 2021
Cost:		
Balance at the beginning of period	\$ 5,723	\$ 5,575
Additions	97	1,885
Disposals	—	(323)
Foreign currency translation	(88)	(83)
Impact of deconsolidation due to loss of control and other ⁽¹⁾	(48)	(1,331)
	5,684	5,723
Accumulated fair value changes:		
Balance at the beginning of period	763	488
Revaluation (losses) gains, net	—	930
Impact of deconsolidation due to loss of control and other ⁽¹⁾	—	(593)
Disposals	—	(65)
Provision for impairment	—	7
Foreign currency translation	(13)	(4)
	750	763
Accumulated depreciation:		
Balance at the beginning of period	(863)	(828)
Depreciation	(79)	(294)
Disposals	6	84
Foreign currency translation	19	13
Impact of deconsolidation due to loss of control and other ⁽¹⁾	25	162
	(892)	(863)
Total property, plant and equipment⁽²⁾	\$ 5,542	\$ 5,623

⁽¹⁾ The prior year reflects the reclassification of a hospitality portfolio to assets held for sale.

⁽²⁾ Includes right-of-use assets of \$211 million (December 31, 2021 - \$204 million).

NOTE 7. GOODWILL

Goodwill of \$803 million at March 31, 2022 (December 31, 2021 - \$832 million) is primarily attributable to Center Parcs UK of \$791 million (December 31, 2021 - \$815 million). The partnership performs a goodwill impairment test annually unless there are indicators of impairment identified during the year. The partnership did not identify any impairment indicators as of March 31, 2022 and for the year ended December 31, 2021.

NOTE 8. INTANGIBLE ASSETS

The partnership’s intangible assets are presented on a cost basis, net of accumulated amortization and accumulated impairment losses in the condensed consolidated balance sheets. These intangible assets primarily represent the trademark assets related to Center Parcs UK.

The trademark assets of Center Parcs UK had a carrying amount of \$935 million as of March 31, 2022 (December 31, 2021 - \$964 million). They have been determined to have an indefinite useful life as the partnership has the legal right to operate these trademarks exclusively in certain territories in perpetuity. The business model of Center Parcs UK is not subject to technological obsolescence or commercial innovations in any material way.

Intangible assets by class	Useful life (in years)
Trademarks	Indefinite
Other	4 to 7

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are amortized over their respective useful lives as listed above. Amortization expense is recorded as part of depreciation and amortization of non-real estate assets expense. The partnership did not identify any impairment indicators as of March 31, 2022 and for the year ended December 31, 2021.

The following table presents the components of the partnership's intangible assets as of March 31, 2022 and December 31, 2021:

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Cost	\$ 984	\$ 1,012
Accumulated amortization	(49)	(48)
Total intangible assets	\$ 935	\$ 964

The following table presents a roll forward of the partnership's intangible assets for the three months ended March 31, 2022 and the year ended December 31, 2021:

(US\$ Millions)	Three months ended Mar. 31, 2022	Year ended Dec. 31, 2021
Balance, beginning of period	\$ 964	\$ 982
Acquisitions	2	6
Amortization	(3)	(14)
Foreign currency translation	(28)	(10)
Balance, end of period	\$ 935	\$ 964

NOTE 9. OTHER NON-CURRENT ASSETS

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

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Securities - FVTPL	\$ 2,214	\$ 2,200
Derivative assets	179	111
Securities - FVTOCI	68	108
Restricted cash	352	356
Inventory ⁽¹⁾	912	652
Accounts receivables - non-current	494	2
Other	176	149
Total other non-current assets	\$ 4,395	\$ 3,578

⁽¹⁾ Includes right-of-use inventory assets of \$26 million (December 31, 2021 - nil).

Securities - FVTPL

Securities - FVTPL includes the partnership's investment in the Brookfield Strategic Real Estate Partners III ("BSREP III") fund, with a carrying value of the financial asset at March 31, 2022 of \$1,158 million (December 31, 2021 - \$1,154 million).

NOTE 10. ACCOUNTS RECEIVABLE AND OTHER

The components of accounts receivable and other are as follows:

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Derivative assets	\$ 114	\$ 33
Accounts receivable ⁽¹⁾ - net of expected credit loss of \$108 million (December 31, 2021 - \$112 million)	413	852
Restricted cash and deposits	355	331
Prepaid expenses	297	367
Inventory	153	574
Other current assets	185	119
Total accounts receivable and other	\$ 1,517	\$ 2,276

⁽¹⁾ See Note 29, Related Parties, for further discussion.

With respect to accounts receivable, the partnership did not record a loss allowance in commercial property operating expenses for the three months ended March 31, 2022 (2021 - \$13 million). The partnership may grant further rent concessions in the deferral or abatement of lease payments. Such rent concession requests are evaluated on a case-by-case basis. Where tenants are expected to be able to meet their lease obligations after concessions have been granted, the allowance for expected credit losses includes only a portion of expected abatements that is

deemed attributable to the current period, considering the weighted average remaining lease terms. Not all requests for rent relief will be granted as the partnership does not intend to forgo its legally enforceable contractual rights that exist under its lease agreements.

NOTE 11. HELD FOR SALE

Non-current assets and groups of assets and liabilities which comprise disposal groups are presented as assets held for sale where the asset or disposal group is available for immediate sale in its present condition, and the sale is highly probable.

The following is a summary of the assets and liabilities that were classified as held for sale as of March 31, 2022 and December 31, 2021:

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Investment properties	\$ 8,723	\$ 8,037
Property, plant and equipment	305	1,749
Accounts receivable and other assets	514	724
Assets held for sale	9,542	10,510
Debt obligations	—	3,006
Accounts payable and other liabilities	1,074	76
Liabilities associated with assets held for sale	\$ 1,074	\$ 3,082

The following table presents the change to the components of the assets held for sale for the three months ended March 31, 2022 and the year ended December 31, 2021:

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Balance, beginning of period	\$ 10,510	\$ 588
Reclassification to (from) assets held for sale, net	4,283	12,561
Disposals	(5,597)	(2,610)
Fair value adjustments	403	—
Foreign currency translation	(57)	(57)
Other	—	28
Balance, end of period	\$ 9,542	\$ 10,510

At December 31, 2021, assets held for sale included a triple net lease portfolio in the U.S, a hospitality portfolio in the U.S., a mixed-use asset in South Korea, ten malls in the U.S., an office asset in the U.S., an office asset in Brazil, a multifamily asset in the U.S. and a hotel in the U.S.

In the first quarter of 2022, the partnership sold three malls in the U.S, a triple-net lease portfolio in the U.S., a multifamily asset in the U.S, a hospitality asset in the U.S. and a hospitality portfolio in the U.S. for net proceeds of approximately \$1,481 million.

At March 31, 2022, assets held for sale included one office asset in the U.K., seven malls in the U.S., four office assets in the U.S., a portfolio of student housing assets in the U.K., a mixed-use asset in South Korea, and eleven multifamily assets in the U.S, as the partnership intends to sell controlling interests in these assets to third parties in the next 12 months.

NOTE 12. DEBT OBLIGATIONS

The partnership's debt obligations include the following:

(US\$ Millions)	Mar. 31, 2022		Dec. 31, 2021	
	Weighted-average rate	Debt balance	Weighted-average rate	Debt balance
Unsecured facilities:				
Brookfield Property Partners' credit facilities	2.21 %	1,969	2.00 %	2,257
Brookfield Property Partners' corporate bonds	4.12 %	2,002	4.11 %	1,982
Brookfield Property Retail Holding LLC term debt	2.96 %	1,853	2.61 %	1,869
Brookfield Property Retail Holding LLC senior secured notes	5.20 %	1,695	5.20 %	1,695
Brookfield Property Retail Holding LLC corporate facility	3.45 %	160	3.10 %	70
Brookfield Property Retail Holding LLC junior subordinated notes	1.75 %	192	1.58 %	206
Subsidiary borrowings	3.98 %	427	3.29 %	537
Secured debt obligations:				
Funds subscription credit facilities ⁽¹⁾	2.34 %	245	2.44 %	371
Fixed rate	4.44 %	23,606	4.31 %	26,248
Variable rate	3.61 %	19,063	3.29 %	20,341
Deferred financing costs		(225)		(249)
Total debt obligations		\$ 50,987		\$ 55,327
Current		13,737		13,742
Non-current		37,250		38,579
Debt associated with assets held for sale		—		3,006
Total debt obligations		\$ 50,987		\$ 55,327

⁽¹⁾ Funds subscription credit facilities are secured by co-investors' capital commitments.

The partnership generally believes that it will be able to either extend the maturity date, repay, or refinance the debt that is scheduled to mature in 2022-2023; however, approximately 1.4% of its debt obligations represent non-recourse mortgages where the partnership has suspended contractual payment. The partnership is currently engaging in modification or restructuring discussions with the respective creditors. These negotiations may, under certain circumstances, result in certain properties securing these loans being transferred to the lenders.

Debt obligations include foreign currency denominated debt in the functional currencies of the borrowing subsidiaries. Debt obligations by currency are as follows:

(Millions)	Mar. 31, 2022		Dec. 31, 2021	
	U.S. Dollars	Local currency	U.S. Dollars	Local currency
U.S. Dollars	\$ 33,106	\$ 33,106	\$ 37,559	\$ 37,559
British Pounds	6,871 £	5,230	7,030 £	5,196
Canadian Dollars	4,379 C\$	5,477	4,419 C\$	5,585
South Korean Won	1,876 ₩	2,280,000	1,918 ₩	2,280,000
Australian Dollars	2,127 A\$	2,843	2,014 A\$	2,773
Indian Rupee	1,902 Rs	144,085	1,801 Rs	134,378
Brazilian Reais	571 R\$	2,703	476 R\$	2,655
Chinese Yuan	98 C¥	623	69 C¥	437
Euros	282 €	255	290 €	255
Deferred financing costs	(225)		(249)	
Total debt obligations	\$ 50,987		\$ 55,327	

The components of changes in debt obligations, including changes related to cash flows from financing activities, are summarized in the table below:

(US\$ Millions)	Dec. 31, 2021	Non-cash changes in debt obligations					Mar. 31, 2022
		Debt obligation issuance, net of repayments	Assumed by purchaser	Amortization of deferred financing costs and (premium) discount	Foreign currency translation	Other	
Debt obligations	\$ 55,327	(1,279)	(3,006)	31	(90)	4	\$ 50,987

NOTE 13. CAPITAL SECURITIES

The partnership has the following capital securities outstanding as of March 31, 2022 and December 31, 2021:

(US\$ Millions)	Shares outstanding	Cumulative dividend rate	Mar. 31, 2022	Dec. 31, 2021
Operating Partnership Class A Preferred Equity Units:				
Series 2	24,000,000	6.50 %	\$ 567	\$ 565
Series 3	24,000,000	6.75 %	548	546
New LP Preferred Units ⁽¹⁾	19,273,654	6.25 %	474	474
Brookfield Office Properties Inc. (“BPO”) Class B Preferred Shares:				
Series 1 ⁽²⁾	3,600,000	70% of bank prime	—	—
Series 2 ⁽²⁾	3,000,000	70% of bank prime	—	—
Brookfield Property Split Corp. (“BOP Split”) Senior Preferred Shares:				
Series 1	842,534	5.25 %	21	21
Series 2	556,746	5.75 %	11	11
Series 3	781,592	5.00 %	16	15
Series 4	582,894	5.20 %	12	12
Rouse Properties L.P. (“Rouse”) Series A Preferred Shares	5,600,000	5.00 %	142	142
Brookfield India Real Estate Trust (“India REIT”)	155,003,656	See footnote ⁽³⁾	499	440
Capital Securities – Fund Subsidiaries			880	859
Total capital securities			\$ 3,170	\$ 3,085
Current			61	61
Non-current			3,109	3,024
Total capital securities			\$ 3,170	\$ 3,085

⁽¹⁾ New LP Preferred Units shares outstanding is presented net of intracompany shares held by the Operating Partnership.

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

⁽³⁾ The dividend rate pertaining to India REIT is equal to a minimum of 90% of net distributable cash flows.

Capital securities includes \$474 million (December 31, 2021 - \$474 million) of preferred equity interests issued in connection with the Privatization which have been classified as a liability, rather than as a non-controlling interest, due to the fact that the holders of such interests can demand cash payment upon maturity of July 26, 2081, for the liquidation preference of \$25.00 per unit and any accumulated unpaid dividends.

Cumulative preferred dividends on the BOP Split Senior Preferred Shares are payable quarterly, as and when declared by BOP Split. On February 1, 2022, BOP Split declared quarterly dividends payable for the BOP Split Senior Preferred Shares.

Capital securities also includes \$142 million at March 31, 2022 (December 31, 2021 - \$142 million) of preferred equity interests held by a third party investor in Rouse which have been classified as a liability, rather than as a non-controlling interest, due to the fact that the interests are mandatorily redeemable on or after November 12, 2025 for a set price per unit plus any accrued but unpaid distributions; distributions are capped and accrue regardless of available cash generated.

Capital securities also includes \$499 million at March 31, 2022 (December 31, 2021 - \$440 million) of preferred equity interests held by third party investors in the India REIT, which have been classified as a liability, rather than as a non-controlling interest, due to the fact that India REIT has a contractual obligation to make distributions to unitholders every six months at an amount no less than 90% of net distributable cash flows.

Capital Securities – Fund Subsidiaries includes \$833 million at March 31, 2022 (December 31, 2021 - \$810 million) of equity interests in Brookfield DTLA Holdings LLC (“DTLA”) held by co-investors in DTLA which have been classified as a liability, rather than as non-controlling interest, as holders of these interests can cause DTLA to redeem their interests in the fund for cash equivalent to the fair value of the interests on October 15, 2023, and on every fifth anniversary thereafter. Capital Securities – Fund Subsidiaries are measured at FVTPL.

Capital Securities – Fund Subsidiaries also includes \$47 million at March 31, 2022 (December 31, 2021 - \$49 million) which represents the equity interests held by the partnership’s co-investor in the D.C. Venture which have been classified as a liability, rather than as non-controlling interest, due to the fact that on June 18, 2023, and on every second anniversary thereafter, the holders of these interests can redeem their interests in the D.C. Venture for cash equivalent to the fair value of the interests.

At March 31, 2022, capital securities includes \$39 million (December 31, 2021 - \$38 million) repayable in Canadian Dollars of C\$49 million (December 31, 2021 - C\$49 million).

Reconciliation of cash flows from financing activities from capital securities is shown in the table below:

(US\$ Millions)	Dec. 31, 2021	Capital securities issued	Non-cash changes in capital securities		Mar. 31, 2022
			Fair value changes	Other	
Capital securities	\$ 3,085	\$ 57	\$ 35	\$ (7)	\$ 3,170

NOTE 14. INCOME TAXES

The partnership is a flow-through entity for tax purposes and as such is not subject to Bermudian taxation. However, income taxes are recognized for the amount of taxes payable by the primary holding subsidiaries of the partnership ("Holding Entities"), any direct or indirect corporate subsidiaries of the Holding Entities and for the impact of deferred tax assets and liabilities related to such entities.

The components of income tax expense include the following:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Current income tax	\$ 27	\$ 26
Deferred income tax	156	79
Income tax expense	\$ 183	\$ 105

The partnership's income tax expense increased for the three months ended March 31, 2022 as compared to the same period in the prior year primarily due to an increase in pre-tax income, a reduction in the benefit recognized for previously unrecognized deferred tax assets, and non-recurring tax benefits from Brookfield Opportunity Zone fund investments that occurred in the prior year. These increases were partially offset by a change in the tax rate of certain subsidiaries and the derecognition of previously recognized deferred tax assets.

NOTE 15. OTHER NON-CURRENT LIABILITIES

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

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Accounts payable and accrued liabilities	\$ 453	\$ 499
Lease liabilities ⁽¹⁾	588	690
Derivative liabilities	220	277
Deferred revenue	15	16
Provisions	14	16
Loans and notes payables	2	1
Total other non-current liabilities	\$ 1,292	\$ 1,499

⁽¹⁾ For the three months ended March 31, 2022, interest expense relating to total lease liabilities (see Note 16, Accounts Payable And Other Liabilities for the current portion) was \$14 million (2021 - \$15 million).

NOTE 16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The components of accounts payable and other liabilities are as follows:

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Accounts payable and accrued liabilities	\$ 1,892	\$ 2,021
Loans and notes payable ⁽¹⁾	815	899
Deferred revenue	469	445
Derivative liabilities	266	221
Lease liabilities ⁽²⁾	135	160
Other liabilities	18	16
Total accounts payable and other liabilities	\$ 3,595	\$ 3,762

⁽¹⁾ See Note 29, Related Parties, for further discussion

⁽²⁾ See Note 15, Other Non-Current Liabilities for further information on the interest expense related to these liabilities.

NOTE 17. EQUITY

The partnership's capital structure is comprised of five classes of partnership units: GP Units, LP Units, REUs, special limited partnership units of the operating partnership ("Special LP Units") and FV LTIP units of the operating partnership ("FV LTIP Units"). In addition, the partnership issued Class A Cumulative Redeemable Perpetual Preferred Units, Series 1 in the first quarter of 2019, Class A Cumulative Redeemable Perpetual Preferred Units, Series 2 in the third quarter of 2019 and Class A Cumulative Redeemable Perpetual Preferred Units, Series 3 in the first quarter of 2020 ("Preferred Equity Units").

As part of the Privatization, the partnership fully redeemed public holders of two classes of partnership units: Exchange LP Units and BPYU Units. Refer to Note 3, *Privatization of the Partnership* for discussion of the impacts of the Privatization to the partnership's equity structure.

a) General and limited partnership equity

GP Units entitle the holder to the right to govern the financial and operating policies of the partnership. The GP Units are entitled to a 1% general partnership interest.

LP Units entitle the holder to their proportionate share of distributions. Each LP Unit entitles the holder thereof to one vote for the purposes of any approval at a meeting of limited partners, provided that holders of the Redeemable/Exchangeable Partnership Units that are exchanged for LP Units will only be entitled to a maximum number of votes in respect of the Redeemable/Exchangeable Partnership Units equal to 49% of the total voting power of all outstanding units.

The following table presents changes to the GP Units and LP Units from the beginning of the year:

(Thousands of units)	General partnership units		Limited partnership units	
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2022	Dec. 31, 2021
Outstanding, beginning of period	139	139	298,987	435,980
Exchange LP Units exchanged	—	—	—	128
BPYU Units exchanged	—	—	—	8,922
Distribution Reinvestment Program	—	—	—	123
Issued under unit-based compensation plan	—	—	—	112
Privatization	—	—	—	(146,278)
Outstanding, end of period	139	139	298,987	298,987

b) Units of the operating partnership held by Brookfield Asset Management**Redeemable/Exchangeable Partnership Units**

There were 529,473,303 Redeemable/Exchangeable Partnership Units outstanding at March 31, 2022 and December 31, 2021.

Special limited partnership units

Brookfield Property Special L.P. is entitled to receive equity enhancement distributions and incentive distributions from the operating partnership as a result of its ownership of the Special LP Units.

There were 4,759,997 Special LP Units outstanding at March 31, 2022 and December 31, 2021.

c) FV LTIP Units

The operating partnership issued FV LTIP Units under the Brookfield Property L.P. FV LTIP Unit Plan to certain participants. Each FV LTIP unit will vest over a period of five years and is redeemable for cash payment. There were 1,816,561 and 1,818,717 FV LTIP Units outstanding at March 31, 2022 and December 31, 2021, respectively.

d) Class A stock of Brookfield Property Retail Holding LLC

In connection with the Privatization discussed in Note 3, *Privatization of the Partnership*, all public outstanding BPYU Units were acquired. The partnership indirectly owns all of the remaining outstanding Units.

e) Preferred Equity Units

The partnership's preferred equity consists of 7,360,000 Class A Cumulative Redeemable Perpetual Preferred Units, Series 1 at \$25.00 per unit at a coupon rate of 6.5%, 10,000,000 Class A Cumulative Redeemable Perpetual Preferred Units, Series 2 at \$25.00 per unit at a coupon rate of 6.375% and 11,500,000 Class A Cumulative Redeemable Perpetual Preferred Units, Series 3 at \$25.00 per unit at a coupon rate of 5.75%. At March 31, 2022, Preferred Equity Units had a total carrying value of \$699 million (December 31, 2021 - \$699 million).

f) Distributions

Distributions made to each class of partnership units, including units of subsidiaries that were exchangeable into LP Units, are as follows:

(US\$ Millions, except per unit information)	Three months ended Mar. 31,	
	2022	2021
Limited Partners	\$ 105	\$ 145
Holders of:		
Redeemable/Exchangeable Partnership Units	184	150
Special LP Units	3	2
Exchange LP Units	—	1
FV LTIP Units	1	1
BPYU Units	—	13
Total	\$ 293	\$ 312
Per unit⁽¹⁾	\$ 0.3500	\$ 0.3325

⁽¹⁾ Per unit outstanding on the distribution record date.

NOTE 18. NON-CONTROLLING INTERESTS

Non-controlling interests consisted of the following:

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Redeemable/Exchangeable Partnership Units and Special LP Units ⁽¹⁾	\$ 16,104	\$ 15,736
FV LTIP Units ⁽¹⁾	56	55
Interests of others in operating subsidiaries and properties:		
Preferred shares held by Brookfield Asset Management	1,015	1,015
Preferred equity of subsidiaries	2,754	2,750
Non-controlling interests in subsidiaries and properties	14,999	15,941
Total interests of others in operating subsidiaries and properties	18,768	19,706
Total non-controlling interests	\$ 34,928	\$ 35,497

⁽¹⁾ Each unit within these classes of non-controlling interest has economic terms substantially equivalent to those of an LP Unit. As such, income attributed to each unit or share of non-controlling interest is equivalent to that allocated to an LP Unit. The proportion of interests held by holders of the Redeemable/Exchangeable Units changes as a result of issuances, repurchases and exchanges. Consequently, the partnership adjusted the relative carrying amounts of the interests held by limited partners and non-controlling interests based on their relative share of the equivalent LP Units. The difference between the adjusted value and the previous carrying amounts was attributed to current LP Units as ownership changes in the Consolidated Statements of Changes in Equity

Non-controlling interests of others in operating subsidiaries and properties consist of the following:

(US\$ Millions)	Jurisdiction of formation	Proportion of economic interests held by non-controlling interests			
		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2022	Dec. 31, 2021
BPO ⁽¹⁾	Canada	— %	— %	\$ 5,148	\$ 5,020
BPY Subsidiary Holding Entities ⁽²⁾	Bermuda/Canada	— %	— %	3,769	3,871
BPR Retail Holdings LLC ⁽³⁾	United States	— %	— %	1,308	1,274
BSREP II MH Holdings LLC ⁽⁴⁾	United States	74 %	74 %	1,267	932
BSREP II PBSA Ltd. ⁽⁴⁾	Bermuda	75 %	75 %	1,238	1,190
BSREP II Korea Office Holdings Pte. Ltd. ⁽⁴⁾	South Korea	78 %	78 %	1,116	936
Center Parcs UK ⁽⁴⁾	United Kingdom	73 %	73 %	764	799
BSREP II Retail Upper Pooling LLC ⁽⁴⁾	United States	50 %	50 %	387	383
Brookfield Fairfield Multifamily Value Add Fund III LP ⁽⁴⁾	United States	70 %	70 %	386	383
Hospitality Investors Trust Inc. ⁽⁴⁾	United States	74 %	74 %	381	376
BSREP II Holdings Pte. Ltd. ⁽⁴⁾	India	68 %	68 %	362	355
BSREP II LA Mart Mezz LLC. (DE) ⁽⁴⁾	United States	74 %	74 %	356	352
Brookfield India Real Estate Trust ⁽⁴⁾	India	82 %	82 %	247	280
BSREP CARS Sub-Pooling LLC ⁽⁴⁾⁽⁵⁾	United States	— %	74 %	—	588
BSREP II WS Hotel Holding LLC ⁽⁴⁾⁽⁵⁾	United States	— %	74 %	—	544
Other	Various	33% - 77%	33% - 77%	2,039	2,423
Total				\$ 18,768	\$ 19,706

⁽¹⁾ Includes non-controlling interests in BPO subsidiaries which vary from 1% - 100%.

⁽²⁾ Includes non-controlling interests in various corporate entities of the partnership

⁽³⁾ Includes non-controlling interests in BPYU subsidiaries.

⁽⁴⁾ Includes non-controlling interests representing interests held by other investors in Brookfield-sponsored real estate funds and holding entities through which the partnership participates in such funds. Also includes non-controlling interests in underlying operating entities owned by these funds.

⁽⁵⁾ These subsidiaries were sold in the first quarter of 2022.

NOTE 19. COMMERCIAL PROPERTY REVENUE

The components of commercial property revenue are as follows:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Base rent	\$ 812	\$ 848
Straight-line rent	2	10
Lease termination	10	33
Other lease income ⁽¹⁾	170	159
Other revenue from tenants ⁽²⁾	261	235
Total commercial property revenue	\$ 1,255	\$ 1,285

⁽¹⁾ Other lease income includes parking revenue and recovery of property tax and insurance expenses from tenants.

⁽²⁾ Consists of recovery of certain operating expenses from tenants which are accounted for in accordance with IFRS 15, Revenue from Contracts with Customers.

As a result of pandemic-related closures and restrictions, certain of the partnership's tenants, primarily in the Core Retail segment, requested rental assistance, in the form of either a deferral or rent reduction. Lease concessions granted in response to the pandemic are accounted for as a lease modification and are recognized prospectively over the remaining lease term when they become legally enforceable. In the current period, the partnership granted abatements of \$5 million for the three months ended March 31, 2022 (2021 - \$36 million), primarily related to prior year rents in response to tenants impacted by pandemic.

NOTE 20. HOSPITALITY REVENUE

The components of hospitality revenue are as follows:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Room, food and beverage	\$ 270	\$ 53
Gaming and other leisure activities	35	—
Other hospitality revenue	8	6
Total hospitality revenue	\$ 313	\$ 59

NOTE 21. INVESTMENT AND OTHER REVENUE

The components of investment and other revenue are as follows:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Investment income	\$ 380	\$ 25
Fee revenue	74	60
Dividend income	8	11
Interest income and other	23	10
Other	1	—
Total investment and other revenue	\$ 486	\$ 106

NOTE 22. DIRECT COMMERCIAL PROPERTY EXPENSE

The components of direct commercial property expense are as follows:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Property maintenance	\$ 180	\$ 182
Real estate taxes	147	157
Employee compensation and benefits	36	38
Depreciation and amortization	9	20
Lease expense ⁽¹⁾	3	3
Other ⁽²⁾	95	106
Total direct commercial property expense	\$ 470	\$ 506

⁽¹⁾ Represents the operating expenses relating to variable lease payments not included in the measurement of the lease liability.

⁽²⁾ For the three months ended March 31, 2022, the partnership did not record a loss allowance in commercial property operating expenses (2021 - \$13 million).

NOTE 23. DIRECT HOSPITALITY EXPENSE

The components of direct hospitality expense are as follows:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Employee compensation and benefits	\$ 52	\$ 20
Cost of food, beverage, and retail goods sold	54	7
Maintenance and utilities	28	18
Depreciation and amortization	73	48
Marketing and advertising	9	6
Other	72	22
Total direct hospitality expense	\$ 288	\$ 121

NOTE 24. GENERAL AND ADMINISTRATIVE EXPENSE

The components of general and administrative expense are as follows:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Employee compensation and benefits	\$ 91	\$ 87
Management fees	70	51
Transaction costs	4	4
Other	67	71
Total general and administrative expense	\$ 232	\$ 213

NOTE 25. FAIR VALUE GAINS (LOSSES), NET

The components of fair value gains (losses), net, are as follows:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Commercial properties	\$ 831	\$ 444
Commercial developments	64	29
Incentive fees ⁽¹⁾	(32)	—
Financial instruments and other ⁽²⁾	407	167
Total fair values gains (losses), net	\$ 1,270	\$ 640

⁽¹⁾ Represents incentive fees the partnership is obligated to pay to the general partner of the partnership's various fund investments.

⁽²⁾ For the three months ended March 31, 2022, primarily includes a gain on a mixed-use asset in held for sale and fair value gains on financial instruments.

NOTE 26. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) consists of the following:

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Items that may be reclassified to net income:		
Foreign currency translation		
Net unrealized foreign currency translation gains (losses) in respect of foreign operations	\$ (103)	\$ (90)
Reclassification of realized foreign currency translation gains to net income on dispositions of foreign operations	17	—
Gains on hedges of net investments in foreign operations, net of income taxes for the three months ended Mar. 31, 2022 of nil (2021 – nil)	55	20
	(31)	(70)
Cash flow hedges		
Gains (losses) on derivatives designated as cash flow hedges, net of income taxes for the three months ended Mar. 31, 2022 of \$(6) million (2021 – \$(3) million)	101	54
	101	54
Equity accounted investments		
Share of unrealized foreign currency translation (losses) gains in respect of foreign operations	—	(1)
Gains (losses) on derivatives designated as cash flow hedges	53	24
	53	23
Items that will not be reclassified to net income:		
Unrealized gains on securities - FVTOCI, net of income taxes for the three months ended Mar. 31, 2022 of \$(3) million (2021 – \$(10) million)	(1)	—
	(1)	—
Total other comprehensive income (loss)	\$ 122	\$ 7

NOTE 27. OBLIGATIONS, GUARANTEES, CONTINGENCIES AND OTHER

In the normal course of operations, the partnership and its consolidated entities execute agreements that provide for indemnification and guarantees to third parties in transactions such as dispositions, acquisitions, sales of assets and sales of services.

Certain of the partnership's operating subsidiaries have also agreed to indemnify their directors and certain of their officers and employees. The nature of substantially all of the indemnification undertakings prevent the partnership from making a reasonable estimate of the maximum potential amount that it could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the partnership nor its consolidated subsidiaries have made significant payments under such indemnification agreements.

The partnership and its operating subsidiaries may be contingently liable with respect to litigation and claims that arise from time to time in the normal course of business or otherwise.

During 2013, Brookfield Asset Management announced the final close on the \$4.4 billion BSREP I fund, a global private fund focused on making opportunistic investments in commercial property. The partnership, as lead investor, committed approximately \$1.3 billion to the fund. As of March 31, 2022, there remained approximately \$150 million of uncontributed capital commitments.

In April 2016, Brookfield Asset Management announced the final close on the \$9.0 billion second BSREP fund to which the partnership had committed \$2.3 billion as lead investor. As of March 31, 2022, there remained approximately \$720 million of uncontributed capital commitments.

In November 2017, Brookfield Asset Management announced the final close on the \$2.9 billion fifth Brookfield Real Estate Finance Fund ("BREF") to which the partnership had committed \$400 million. As of March 31, 2022, there remained approximately \$160 million of uncontributed capital commitments.

In September 2018, Brookfield Asset Management announced the final close on the \$1.0 billion third Brookfield Fairfield U.S. Multifamily Value Add Fund to which the partnership had committed \$300 million. As of March 31, 2022, there remained approximately \$105 million of uncontributed capital commitments.

In January 2019, Brookfield Asset Management announced the final close on the \$15.0 billion third BSREP fund to which the partnership had committed \$1.0 billion. As of March 31, 2022, there remained approximately \$225 million of uncontributed capital commitments.

In October of 2020, Brookfield Asset Management announced the final close on the €619 million (\$685 million) Brookfield European Real Estate Partnership fund to which the partnership has committed €100 million (\$111 million). As of March 31, 2022, there remained approximately €11 million (\$12 million) of uncontributed capital commitments.

The partnership maintains insurance on its properties in amounts and with deductibles that it believes are in line with what owners of similar properties carry. The partnership maintains all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and named windstorm). The partnership does not conduct its operations, other than those of equity accounted investments, through entities that are not fully or proportionately consolidated in these financial statements, and has not guaranteed or otherwise contractually committed to support any material financial obligations not reflected in these financial statements.

NOTE 28. FINANCIAL INSTRUMENTS

a) Derivatives and hedging activities

The partnership and its operating entities use derivative and non-derivative instruments to manage financial risks, including interest rate, commodity, equity price and foreign exchange risks. The use of derivative contracts is governed by documented risk management policies and approved limits. The partnership does not use derivatives for speculative purposes. The partnership and its operating entities use the following derivative instruments to manage these risks:

- foreign currency forward contracts to hedge exposures to Canadian Dollar, Australian Dollar, British Pound, Euro, Chinese Yuan, Brazilian Real, Indian Rupee and South Korean Won denominated net investments in foreign subsidiaries and foreign currency denominated financial assets;
- interest rate swaps to manage interest rate risk associated with planned refinancings and existing variable rate debt;
- interest rate caps to hedge interest rate risk on certain variable rate debt; and
- cross-currency swaps to manage interest rate and foreign currency exchange rates on existing variable rate debt.

There have been no material changes to the partnership's financial risk exposure or risk management activities since December 31, 2021. Please refer to Note 32, *Financial Instruments* in the December 31, 2021 annual report on Form 20-F for a detailed description of the partnership's financial risk exposure and risk management activities.

Interest Rate Hedging

The following table provides the partnership's outstanding derivatives that are designated as cash flow hedges of variability in interest rates associated with forecasted fixed rate financings and existing variable rate debt as of March 31, 2022 and December 31, 2021:

(US\$ Millions)	Hedging item	Notional	Rates	Maturity dates	Fair value
Mar. 31, 2022	Interest rate caps of US\$ LIBOR debt	\$ 6,546	2.5% - 4.9%	Apr. 2022 - Sep. 2023	\$ 1
	Interest rate swaps of US\$ LIBOR debt	2,130	1.0% - 2.6%	Nov. 2022 - Feb. 2024	2
	Interest rate caps of £ SONIA debt	2,734	1.0% - 2.5%	Jun. 2022 - Mar. 2025	11
	Interest rate caps of € EURIBOR debt	99	1.3%	Apr. 2022	—
	Interest rate caps of C\$ LIBOR debt	192	2.0%	Oct. 2022	—
	Interest rate swaps of AUD BBSW/BBSY debt	435	0.8% - 1.6%	Apr. 2023 - Apr. 2024	8
Dec. 31, 2021	Interest rate caps of US\$ LIBOR debt	\$ 9,590	2.5% - 5.0%	Jan. 2022 - Jun. 2024	\$ —
	Interest rate swaps of US\$ LIBOR debt	2,130	1.0% - 2.6%	Nov. 2022 - Feb. 2024	(50)
	Interest rate caps of £ LIBOR debt	2,301	1.0% - 2.5%	Jan. 2022 - Dec. 2023	—
	Interest rate caps of £ SONIA debt	974	2.0%	Oct. 2022 - Mar. 2025	5
	Interest rate caps of € EURIBOR debt	102	1.3%	Apr. 2022	—
	Interest rate caps of C\$ LIBOR debt	240	2.0%	Oct. 2022	—
	Interest rate swaps of AUD BBSW/BBSY debt	422	0.8% - 1.6%	Apr. 2023 - Apr. 2024	—

For the three months ended March 31, 2022, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's interest rate hedging activities was nil (2021 - nil).

Foreign Currency Hedging

The following table provides the partnership's outstanding derivatives that are designated as net investments of foreign subsidiaries or foreign currency cash flow hedges as of March 31, 2022 and December 31, 2021:

(US\$ Millions)	Hedging item		Notional	Rates	Maturity dates	Fair value
Mar. 31, 2022	Net investment hedges	€	389	€0.85/\$ - €0.90/\$	Jul. 2022 - Sep. 2024	\$ (1)
	Net investment hedges	£	4,168	£0.71/\$ - £0.77/\$	Jun. 2022 - Jul. 2023	(38)
	Net investment hedges	A\$	956	A\$1.36/\$ - A\$1.41/\$	Jun. 2022 - Mar. 2023	(35)
	Net investment hedges	C¥	2,337	C¥6.59/\$ - C¥6.99/\$	Jun. 2022 - Jun. 2023	(14)
	Net investment hedges	C\$	192	C\$1.26/\$ - C\$1.31/\$	Mar. 2023 - Feb. 2025	(5)
	Net investment hedges	R\$	764	R\$5.29/\$ - R\$7.00/\$	Sep. 2022 - Oct. 2022	(77)
	Net investment hedges	₩	1,067,626	₩1,220.80/\$ - ₩1,232.00/\$	Jun. 2022 - Aug. 2023	(12)
	Net investment hedges	Rs	72,115	Rs75.92/\$ - Rs87.13/\$	Jun. 2022 - Jul. 2024	(21)
	Net investment hedges	£	374	£0.86/£	Jul. 2023	—
	Cross currency swaps of C\$ LIBOR debt	C\$	2,500	C\$1.25/\$ - C\$1.38/\$	Jul. 2023 - Jan. 2027	88
Dec. 31, 2021	Net investment hedges	€	389	€0.81/\$ - €0.88/\$	Jul. 2022 - Sep. 2024	\$ (2)
	Net investment hedges	£	4,395	£0.71/\$ - £0.76/\$	Jun. 2022 - Mar. 2023	(89)
	Net investment hedges	A\$	974	A\$1.35/\$ - A\$1.41/\$	Mar. 2022 - Mar. 2023	(14)
	Net investment hedges	C¥	1,596	C¥6.68/\$ - C¥6.99/\$	Jun. 2022 - Jun. 2023	(7)
	Net investment hedges	C\$	185	C\$1.26/\$ - C\$1.31/\$	Mar. 2023 - Mar. 2024	(2)
	Net investment hedges	R\$	2,546	R\$5.87/\$ - R\$6.54/\$	Sep. 2022 - Oct. 2022	(5)
	Net investment hedges	₩	720,095	₩1165.75/\$ - ₩1197.6/\$	Jun. 2022 - Jun. 2023	4
	Net investment hedges	Rs	75,690	Rs76.35/\$ - Rs87.13/\$	Jan. 2022 - Jul. 2024	(27)
	Net investment hedges	£	90	£0.91/£	Apr. 2022	9
	Cross currency swaps of C\$ LIBOR debt	C\$	2,500	C\$1.25/\$ - C\$1.38/\$	Jul. 2023 - Jan. 2027	56

For the three months ended March 31, 2022 and 2021, the amount of hedge ineffectiveness recorded in earnings in connection with the partnership's foreign currency hedging activities was not significant.

Other Derivatives

The following table presents details of the partnership's other derivatives, not designated as hedges for accounting purposes, that have been entered into to manage financial risks as of March 31, 2022 and December 31, 2021:

(US\$ Millions)	Derivative type		Notional	Rates	Maturity dates	Fair value
Mar. 31, 2022	Interest rate caps	\$	4,264	2.0% - 7.9%	Apr. 2022 - May. 2023	\$ 2
	Interest rate swaps on forecasted fixed rate debt		1,285	3.2% - 6.4%	Jun. 2022 - Jun. 2033	(160)
	Interest rate swaps of US\$ debt		1,650	0.8% - 1.6%	Nov. 2022 - Mar. 2024	20
Dec. 31, 2021	Interest rate caps	\$	5,388	2.0% - 7.9%	Jan. 2022 - Feb. 2027	\$ —
	Interest rate swaps on forecasted fixed rate debt		1,285	3.2% - 6.4%	Jun. 2022 - Jun. 2033	(253)
	Interest rate swaps of US\$ debt		1,696	0.8% - 5.1%	Nov. 2022 - Mar. 2024	(8)

For the three months ended March 31, 2022, the partnership recognized fair value gains, net of nil (2021 - gains of nil), related to the settlement of certain forward starting interest rate swaps that have not been designated as hedges.

b) Measurement and classification of financial instruments

Classification and Measurement

The following table outlines the classification and measurement basis, and related fair value for disclosures, of the financial assets and liabilities in the interim condensed consolidated financial statements:

(US\$ Millions)	Classification and measurement basis	Mar. 31, 2022		Dec. 31, 2021	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Loans and notes receivable	Amortized cost	\$ 437	\$ 437	\$ 225	\$ 225
Other non-current assets					
Securities - FVTPL	FVTPL	2,214	2,214	2,200	2,200
Derivative assets	FVTPL	179	179	111	111
Securities - FVTOCI	FVTOCI	68	68	108	108
Restricted cash	Amortized cost	352	352	356	356
Current assets					
Securities - FVTOCI	FVTOCI	50	50	—	—
Derivative assets	FVTPL	114	114	33	33
Accounts receivable ⁽¹⁾	Amortized cost	927	927	1,128	1,128
Restricted cash	Amortized cost	355	355	331	331
Cash and cash equivalents	Amortized cost	1,908	1,908	2,576	2,576
Total financial assets		\$ 6,604	\$ 6,604	\$ 7,068	\$ 7,068
Financial liabilities					
Debt obligations ⁽²⁾	Amortized cost	\$ 50,987	\$ 50,888	\$ 55,327	\$ 55,474
Capital securities	Amortized cost	2,290	2,290	2,226	2,226
Capital securities - fund subsidiaries	FVTPL	880	880	859	859
Other non-current liabilities					
Accounts payable	Amortized cost	455	455	500	500
Derivative liabilities	FVTPL	220	220	277	277
Accounts payable and other liabilities					
Accounts payable and other ⁽³⁾	Amortized cost	2,966	2,966	2,097	2,097
Loans and notes payable	Amortized cost	815	815	899	899
Derivative liabilities	FVTPL	266	266	221	221
Total financial liabilities		\$ 58,879	\$ 58,780	\$ 62,406	\$ 62,553

⁽¹⁾ Includes other receivables associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$514 million and \$276 million as of March 31, 2022 and December 31, 2021, respectively.

⁽²⁾ Includes debt obligations associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$0 million and \$3,006 million as of March 31, 2022 and December 31, 2021, respectively.

⁽³⁾ Includes accounts payable and other liabilities associated with assets classified as held for sale on the condensed consolidated balance sheet in the amount of \$1,074 million and \$76 million as of March 31, 2022 and December 31, 2021, respectively.

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurement establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Quoted market prices (unadjusted) in active markets represent a Level 1 valuation. When quoted market prices in active markets are not available, the partnership maximizes the use of observable inputs within valuation models. When all significant inputs are observable, either directly or indirectly, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3, which reflect the partnership's market assumptions and are noted below. This hierarchy requires the use of observable market data when available.

The following table outlines financial assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

(US\$ Millions)	Mar. 31, 2022				Dec. 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Securities - FVTPL	\$ 12	\$ 218	\$ 2,033	\$ 2,263	\$ 17	\$ 218	\$ 1,965	\$ 2,200
Securities - FVTOCI	50	—	18	68	13	—	95	108
Derivative assets	—	293	—	293	—	144	—	144
Total financial assets	\$ 62	\$ 511	\$ 2,051	\$ 2,624	\$ 30	\$ 362	\$ 2,060	\$ 2,452
Financial liabilities								
Capital securities - fund subsidiaries	\$ —	\$ —	\$ 880	\$ 880	\$ —	\$ —	\$ 859	\$ 859
Derivative liabilities	—	486	—	486	—	498	—	498
Total financial liabilities	\$ —	\$ 486	\$ 880	\$ 1,366	\$ —	\$ 498	\$ 859	\$ 1,357

During the period, the partnership transferred its preferred shares in an operating company from Level 3 to Level 1, as the operating company underwent an initial public offering. The carrying value of the investment at March 31, 2022 is \$19 million. For the year ended December 31, 2021, the partnership transferred its preferred shares in an operating company from Level 3 to Level 1, as the operating company underwent an initial public offering. The carrying value of the investment at December 31, 2021 was \$17 million.

The following table presents the change in the balance of financial assets and financial liabilities accounted for at fair value categorized as Level 3 as of March 31, 2022 and December 31, 2021:

(US\$ Millions)	Mar. 31, 2022		Dec. 31, 2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Balance, beginning of period	\$ 2,060	\$ 859	\$ 1,682	\$ 863
Acquisitions	14	—	553	—
Dispositions	(23)	—	(88)	—
Fair value gains, net and OCI	—	30	366	2
Other	—	(9)	(453)	(6)
Balance, end of period	\$ 2,051	\$ 880	\$ 2,060	\$ 859

NOTE 29. RELATED PARTIES

In the normal course of operations, the partnership enters into transactions with related parties. These transactions have been measured at exchange value and are recognized in the consolidated financial statements. The immediate parent of the partnership is Brookfield Property Partners Limited. The ultimate parent of the partnership is Brookfield Asset Management. Other related parties of the partnership include Brookfield Asset Management's subsidiaries and operating entities, certain joint ventures and associates accounted for under the equity method, as well as officers of such entities and their spouses.

The partnership has a management agreement with its service providers, wholly-owned subsidiaries of Brookfield Asset Management. Pursuant to a Master Services Agreement, which was amended in connection with the Privatization, the partnership pays a base management fee ("base management fee"), to the service providers. For the three months ended March 31, 2022, the base management fee was calculated one quarter in arrears based on the equity attributable to Unitholders of the Core Office, Core Retail and Corporate segments. Prior to the Privatization, the partnership paid a base management fee equal to 0.5% of the total capitalization of the partnership, subject to an annual minimum of \$50 million plus annual inflation adjustments. The amount of the equity enhancement distribution is reduced by the amount by which the base management fee is greater than \$50 million per annum, plus annual inflation adjustments. For the three months ended March 31, 2022, the partnership paid a base management fee of \$55 million (2021 - \$30 million).

In connection with the issuance of preferred equity units of the operating partnership to a third party in the fourth quarter of 2014, Brookfield Asset Management contingently agreed to acquire the seven-year and ten-year tranches of preferred equity units from the holder for the initial issuance price plus accrued and unpaid distributions and to exchange such units for preferred equity units with terms and conditions substantially similar to the twelve-year tranche to the extent that the market price of the LP Units is less than 80% of the exchange price at maturity. On December 30, 2021, Brookfield Asset Management acquired the seven-year tranche of preferred equity units from the holder and

exchanged such units for Redeemable/Exchangeable Partnership Units. The seven-year tranche of preferred equity units were subsequently canceled.

The following table summarizes transactions with related parties:

(US\$ Millions)	Mar. 31, 2022	Dec. 31, 2021
Balances outstanding with related parties:		
Net (payables)/receivables within equity accounted investments	(384)	(378)
Loans and notes receivable	177	170
Receivables and other assets	70	71
Deposit payable to Brookfield Asset Management ⁽¹⁾	(680)	(680)
Property-specific debt obligations	(294)	(250)
Loans and notes payable and other liabilities	(285)	(259)
Preferred shares held by Brookfield Asset Management	(1,015)	(1,015)
Brookfield Asset Management interest in Canholdco	(1,981)	(2,083)

⁽¹⁾ As of March 31, 2022, a \$680 million on-demand deposit was payable to Brookfield Asset Management, provided for in the deposit agreement between the partnership and Brookfield Asset Management.

(US\$ Millions)	Three months ended Mar. 31,	
	2022	2021
Transactions with related parties:		
Commercial property revenue ⁽¹⁾	\$ 8	\$ 8
Management fee income	21	7
Interest expense on debt obligations	4	5
General and administrative expense ⁽²⁾	81	65
Construction costs ⁽³⁾	24	50
Return of capital distributions on Brookfield Asset Management's interest in Canholdco	118	—
Distributions on Brookfield Assets management's interest in Canholdco	28	—
Incentive fees	32	—

⁽¹⁾ Amounts received from Brookfield Asset Management and its subsidiaries for the rental of office premises.

⁽²⁾ Includes amounts paid to Brookfield Asset Management and its subsidiaries for management fees, management fees associated with the partnership's investments in private funds, and administrative services.

⁽³⁾ Includes amounts paid to Brookfield Asset Management and its subsidiaries for construction costs of development properties.

NOTE 30. SEGMENT INFORMATION

a) Operating segments

IFRS 8, *Operating Segments*, requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and to assessing its performance. The partnership's operating segments are organized into four reportable segments: i) Core Office, ii) Core Retail, iii) LP Investments and iv) Corporate. This is consistent with how the partnership presents financial information to the CODM and investors. These segments are independently and regularly reviewed and managed by the Chief Executive Officer, who is considered the CODM.

b) Basis of measurement

The CODM measures and evaluates the performance of the partnership's operating segments based on funds from operations ("FFO"). This performance metric does not have standardized meanings prescribed by IFRS and therefore may differ from similar metrics used by other companies and organizations. Management believes that while not an IFRS measure, FFO is the most consistent metric to measure the partnership's financial statements and for the purpose of allocating resources and assessing its performance.

The partnership defines FFO as net income, prior to fair value gains, net, depreciation and amortization of real estate assets, and income taxes less non-controlling interests of others in operating subsidiaries and properties share of these items. When determining FFO, the partnership also includes its proportionate share of the FFO of unconsolidated partnerships and joint ventures and associates.

c) Reportable segment measures

The following summaries present certain financial information regarding the partnership's operating segments for the three months ended March 31, 2022 and 2021:

(US\$ Millions)	Total revenue		FFO	
	2022	2021	2022	2021
Three months ended Mar. 31,				
Core Office	\$ 568	\$ 530	\$ 139	\$ 123
Core Retail	394	364	168	95
LP Investments	1,092	555	65	(6)
Corporate	—	1	(174)	(125)
Total	\$ 2,054	\$ 1,450	\$ 198	\$ 87

The following summaries presents the detail of total revenue from the partnership's operating segments for the three months ended March 31, 2022 and 2021:

(US\$ Millions)						Total revenue
Three months ended Mar. 31, 2022	Lease revenue	Other revenue from tenants	Hospitality revenue	Investment and other revenue		
Core Office	\$ 339	\$ 133	\$ 4	\$ 92	\$ 568	
Core Retail	285	66	—	43	394	
LP Investments	373	59	309	351	1,092	
Corporate	—	—	—	—	—	
Total	\$ 997	\$ 258	\$ 313	\$ 486	\$ 2,054	

(US\$ Millions)						Total revenue
Three months ended Mar. 31, 2021	Lease revenue	Other revenue from tenants	Hospitality revenue	Investment and other revenue		
Core Office	\$ 377	\$ 108	\$ 1	\$ 44	\$ 530	
Core Retail	267	65	—	32	364	
LP Investments	405	63	58	29	555	
Corporate	—	—	—	1	1	
Total	\$ 1,049	\$ 236	\$ 59	\$ 106	\$ 1,450	

The following summaries presents share of net earnings from equity accounted investments and interest expense from the partnership's operating segments for the three months ended March 31, 2022 and 2021:

(US\$ Millions)		Share of net earnings from equity accounted investments		Interest expense	
Three months ended Mar. 31,		2022	2021	2022	2021
Core Office	\$	217	\$ 231	\$ (147)	\$ (143)
Core Retail		164	19	(144)	(163)
LP Investments		(1)	(44)	(238)	(236)
Corporate		—	—	(71)	(70)
Total	\$	380	\$ 206	\$ (600)	\$ (612)

The following summary presents information about certain consolidated balance sheet items of the partnership, on a segmented basis, as of March 31, 2022 and December 31, 2021:

(US\$ Millions)		Total assets		Total liabilities		Equity accounted investments	
		Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2022	Dec. 31, 2021
Core Office	\$	37,998	\$ 37,661	\$ 18,086	\$ 18,172	\$ 9,709	\$ 9,819
Core Retail		30,745	30,585	14,221	14,316	10,064	9,945
LP Investments		38,288	43,403	23,829	27,516	1,037	1,043
Corporate		402	355	6,655	6,995	—	—
Total	\$	107,433	\$ 112,004	\$ 62,791	\$ 66,999	\$ 20,810	\$ 20,807

The following summary presents a reconciliation of FFO to net income for the three months ended March 31, 2022 and 2021:

(US\$ Millions)		Three months ended Mar. 31,	
		2022	2021
FFO⁽¹⁾	\$	198	\$ 87
Depreciation and amortization of real estate assets		(52)	(45)
Fair value gains, net		1,270	640
Share of equity accounted income - non-FFO		192	76
Income tax expense		(183)	(105)
Non-controlling interests of others in operating subsidiaries and properties – non-FFO		(723)	(387)
Net income (loss) attributable to unitholders⁽²⁾		702	266
Non-controlling interests of others in operating subsidiaries and properties		990	465
Net income (loss)	\$	1,692	\$ 731

⁽¹⁾ FFO represents interests attributable to GP Units, LP Units, Exchange LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units and BPYU Units. The interests attributable to Exchange LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units and BPYU Units are presented as non-controlling interests in the consolidated statements of income.

⁽²⁾ Includes net income attributable to GP Units, LP Units, Exchange LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units and BPYU Units. The interests attributable to Exchange LP Units, Redeemable/Exchangeable Partnership Units, Special LP Units, FV LTIP Units and BPYU Units are presented as non-controlling interests in the consolidated statements of income.