

ASX Announcement

7 December 2015

Brookfield Prime Property Fund (ASX: BPA) Sale of Properties

The Directors of Brookfield Capital Management Limited as Responsible Entity for Brookfield Prime Property Fund (BPA/Fund) provide the following update to unitholders regarding the proposed sale of two of the Fund's properties (Proposed Sale).

Key messages:

- Conditional agreements have been executed for the sale of the Fund's 25% interest in Southern Cross East (SXE) and 50% share of Southern Cross West (SXW) in Melbourne.
- The Proposed Sale price of \$228.5 million for 25% interest in SXE is 26.3% above the 30 June 2015 independent valuation (\$180.9 million). The proposed sale price of \$218.0 million for 50% share of SXW property is 41.3% above the 30 June 2015 independent valuation (\$154.3 million).
- Subject to completion of the Proposed Sale, it is expected that net proceeds will be utilised to:
 - Reduce the Fund's senior debt facility to a loan to value ratio (LVR) initially to 52% and then to approximately 47%;
 - Repay, in full, the Brookfield subordinated debt facility;
 - Supplement operating cashflows to fund ongoing capital expenditure on the Fund's remaining properties; and
 - Pay a distribution to unitholders estimated to be \$2.50 per unit (\$122.6 million).
- After completion of the Proposed Sale and payment of the potential distribution, the net asset value of the Fund is estimated to be approximately \$332 million or \$6.78 per unit on a pro-forma basis using the Fund's audited 30 June 2015 financial position adjusted for the Proposed Sale and potential distribution.

Background to the Proposed Sale

BCML continues to give consideration to the challenges facing the Fund. BCML has assessed the opportunity provided by the Proposed Sale and believes it to be in the best interests of all unitholders as it will:

- address refinancing risk via reducing gearing in the Fund and repaying the Brookfield subordinated facility that is otherwise repayable in June 2017;
- enable a significant distribution to unitholders in circumstances where the gap between net asset value and trading price has continued to exist; and
- provide flexibility to fund the ongoing cash requirements of the Fund's remaining properties in a manner that is likely to result in ongoing higher periodic distributions to unitholders.

Completion of sale

The Proposed Sale is subject to satisfaction of a number of conditions including payment of the deposit within 3 business days, the purchaser receiving FIRB approval, termination of existing co-ownership agreements, satisfaction of existing pre-emption obligations and customary conditions to transfer of title.

The Proposed Sale is expected to complete within 15 business days or five business days after the purchaser receives FIRB approval, whichever is later. BCML will advise when completion has occurred.

Expectation of a one-off distribution

Providing the conditions are satisfied and the sale completes, BCML expects to resolve a distribution estimated to be \$2.50 per unit (\$122.6 million) after completion. If resolved, BCML will announce the distribution and there is no certainty of size and timing of the distribution until resolution and announcement have occurred.

Debt facilities

It is proposed that part of the net proceeds realised from the sale of circa \$435.5 million will be used to repay the full balance of the Brookfield subordinated debt facility of \$59.6 million and repay \$201 million of the senior debt facility as required under the terms of that facility. This would initially reduce the LVR under the senior debt facility to approximately 52% utilising 30 June 2015 valuations of the remaining properties.

BCML has commenced discussions with senior lenders to amend the existing facility. If agreed, it is proposed to use excess net sale proceeds from the Proposed Sale to lower the senior debt facility to an LVR of approximately 47% and to re-draw on the facility in future years to fund future capital expenditure requirements of the properties should BCML consider that to be appropriate at the time.

BCML will advise further if and when amendments to the senior debt facility have been agreed.

Future for the Fund and its remaining properties

After completion of the Proposed Sale and potential distribution of \$2.50 per unit, the net asset value of the Fund is estimated to be approximately \$332 million or \$6.78 per unit on a pro-forma basis utilising the Fund's audited 30 June 2015 financial position adjusted for the Proposed Sale and the potential distribution.

BCML presently intends to retain the remaining properties owned by the Fund in Sydney and Perth. The remaining properties each have current or short term leasing risk and capital expenditure requirements. BCML is of the view that further value can be added through re-leasing and maximising operating performance of these properties. BCML will continue to re-assess the properties and opportunities for the Fund.

Capital expenditure for the properties will be met from cash reserves, cash drawn from the debt facility and ongoing operating cashflow from the remaining properties.

BCML believes that this strategy should facilitate an increase in distributions above current levels. Distributions will be subject to amendment to the existing senior debt facility, the performance of the properties and market conditions and BCML will periodically assess potential distribution levels and advise unitholders accordingly.

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