

ASX Announcement

24 February 2017

Brookfield Prime Property Fund (ASX: BPA) Half Year Results 2017

Brookfield Capital Management Limited (BCML), as Responsible Entity for Brookfield Prime Property Fund (the Fund), announces the Fund's interim results for the six month period to 31 December 2016.

The Fund reported a net profit of \$65.7 million for the period, compared to a net profit of \$111.1 million for the same period last year. The decrease was mainly due to net gains from the sale of the Fund's interests in Southern Cross East and West in the prior period.

Key financial results as at 31 December 2016 are:

- net assets of \$433.4 million (30 June 2016: \$373.6 million) or \$8.84 per unit (30 June 2016: \$7.62 per unit);
- portfolio value of \$707.0 million (30 June 2016: \$644.5 million); and
- portfolio occupancy of 91% (30 June 2016: 92%) with weighted average lease expiry (WALE) by income and by ownership of 4.7 years (30 June 2016: 3.6 years).

As announced on 8 February 2017, American Express International Inc. renewed their lease at 12 Shelley Street, Sydney for 10 years from 1 January 2019. BCML obtained an independent valuation which was \$9.0 million higher than the valuation prior to the renewal of \$178.0 million. As a result of the valuation uplift, and assuming the remainder of assets and liabilities of the Fund are unaltered from the 31 December 2016 financial statements, the Fund's net assets increased to \$442.3 million or \$9.02 per unit and the portfolio WALE increased to 6.8 years.

Property Portfolio

All three properties were externally valued as at 31 December 2016. The total property portfolio increased in value to \$707.0 million from \$644.5 million in 30 June 2016, a 9.7% increase during the six-month period. Portfolio occupancy was 91% and WALE by ownership and income was 4.7 years.

Property valuations as at 31 December 2016:

PROPERTY	LOCATION	FUND SHARE %	Value as at 31 DEC 2016 \$M	Value as at 30 JUN 2016 \$M	% CHANGE 6 MONTHS
680 George Street and 50 Goulburn Street	Sydney	50	363.0	305.0	19.0
American Express House, 12 Shelley Street	Sydney	100	178.0	174.5	2.0
108 St Georges Terrace	Perth	50	166.0	165.0	0.6
Total			707.0	644.5	9.7

Debt

As at 31 December 2016, the Fund's \$340.0 million senior debt facility was drawn to \$315.0 million and the Fund's \$50 million subordinated debt facility with the Brookfield Group remains undrawn and the Fund is compliant with all debt covenants.

There is no requirement to hedge interest rates under the senior facility and the Fund remains unhedged. BCML will continued to monitor this position.

Tax Position

The Fund currently does not qualify as a Managed Investment Trust for purposes of the Tax Act. Therefore, taxable distributions (not including interest, dividends, royalties) made by the Fund to non-resident unitholders will be subject to a non-final withholding tax of 30% or the highest marginal tax rate (depending on the tax profile of the unitholder). Resident unitholders should not be adversely affected.

Distributions

The Board continues to closely monitor the ongoing cash requirements within the Fund's portfolio of properties and will make adjustments to its current distribution policy where appropriate.

Further information

Further information regarding the Fund's half year financials to 31 December 2016 is available at www.au.brookfield.com. It is recommended that investors review this document.

For more information please contact:

Brookfield Customer Service
Ph: 1800 570 000
Email: clientenquiries@au.brookfield.com

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2017

INTERIM REPORT

BROOKFIELD PRIME PROPERTY FUND

ARSN 110 096 663

Responsible Entity
**Brookfield Capital
Management Limited**
ACN 094 936 866
AFSL 223809

Brookfield

MESSAGE FROM THE CHAIRMAN

On behalf of the Board of Brookfield Capital Management Limited (BCML), enclosed is the Brookfield Prime Property Fund (Fund) interim financial report for the six-month period to 31 December 2016.

FINANCIAL RESULTS

The Fund reported a net profit of \$65.7 million for the period, compared to a net profit of \$111.1 million for the same period last year. The decrease was mainly due to net gains from the sale of the Fund's interests in Southern Cross East and West in the prior period. As at 31 December 2016, net assets of the Fund was \$433.4 million (30 June 2016: \$373.6 million) or \$8.84 per unit (30 June 2016: \$7.62 per unit).

As announced on 8 February 2017, American Express International Inc. renewed their lease at 12 Shelley Street, Sydney for 10 years from 1 January 2019. BCML obtained an independent valuation which was \$9.0 million higher than the valuation prior to the renewal of \$178.0 million. As a result of the valuation uplift and assuming the remainder of assets and liabilities of the Fund are unaltered from the 31 December 2016 financial statements, the Fund's net assets increased to \$442.3 million or \$9.02 per unit and the portfolio weighted average lease expiry (WALE) by ownership and income increased to 6.8 years.

PROPERTY PORTFOLIO

The Fund's three properties were valued at \$707.0 million as at 31 December 2016. Portfolio occupancy was 91% (30 June 2016: 92%) and WALE was 4.7 years (30 June 2016: 3.6 years). Post the American Express lease renewal, the portfolio WALE increased to 6.8 years. During the period, a number of new lease transactions were executed, maximising the Fund's operating performance.

OUTLOOK AND CAPITAL MANAGEMENT

The Board continues to closely monitor the ongoing cash requirements within the Fund's portfolio of properties and will make adjustments to its current distribution policy where appropriate.

On behalf of the Board, thank you for your ongoing support.



F. Allan McDonald,
Independent Chairman

CONTENTS

Message from the Chairman	1	Property Analysis	6	Condensed Consolidated Interim Statement of Financial Position	10
Half Year Review	2	Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	9	Corporate Directory	IBC
Portfolio Analysis	5				

HALF YEAR IN REVIEW

Brookfield Capital Management Limited (BCML), the Responsible Entity of Brookfield Prime Property Fund (Fund) provides a review of the half year ended 31 December 2016.

FINANCIAL RESULTS

Key financial results as at 31 December 2016 are:

- net assets of \$433.4 million (30 June 2016: \$373.6 million) or net assets per unit of \$8.84 per unit (30 June 2016: \$7.62);
- portfolio value of \$707.0 million (30 June 2016: \$644.5 million); and
- portfolio occupancy of 91% (30 June 2016: 92%) with WALE by income and by ownership of 4.7 years (30 June 2016: 3.6 years).

As announced on 8 February 2017, American Express International Inc. renewed their lease at 12 Shelley Street, Sydney for 10 years from 1 January 2019. BCML obtained an independent valuation which was \$9.0 million higher than the valuation prior to the lease renewal of \$178.0 million.

EARNINGS

Net profit for the half year ended 31 December 2016 decreased to \$65.7 million (31 December 2015: \$111.1 million) due to net gains made from the sale of the Fund's interests in Southern Cross East and West in the prior period.

DISTRIBUTIONS

During the period, the Fund declared \$5.9 million in distributions reflecting a quarterly distribution rate of 6.0 cents per unit.

PROPERTY PORTFOLIO

All three properties were externally valued as at 31 December 2016. The Fund's property portfolio increased in value to \$707.0 million from \$644.5 million in 30 June 2016, a 9.7% increase during the six-month period.

To arrive at an opinion of value, external valuations were undertaken using a number of methodologies, including the discounted cash flow approach, capitalisation approach and direct comparison.

As at 31 December 2016, the Fund's portfolio occupancy rate was 91% (30 June 2016: 92%).

The Fund's portfolio WALE by ownership and income was 4.7 years (30 June 2016: 3.6 years). Post the American Express lease renewal, the portfolio WALE increased to 6.8 years.

The Fund's Sydney properties benefited from continued yield compression for investment grade properties during the period to 31 December 2016. The Fund's Perth asset has maintained value, benefitting from recent lease extensions and an increasing appetite from investors for quality assets with strong lease profiles.

680 George Street and 50 Goulburn Street, Sydney

During the period, 680 George Street and 50 Goulburn Street recorded a 19% increase in their combined value to \$363.0 million from \$305.0 million as at 30 June 2016. This reflects continued yield compression for prime grade properties in the Sydney CBD, coupled with strong leasing outcomes achieved.

The combined WALE as at 31 December 2016 was 6.0 years and the combined occupancy rate was 97%.

Asset management and leasing initiatives during the period to 31 December 2016 resulted in 39.1% of the NLA previously leased to EY being re-leased to new tenants. As at 31 December 2016, EY's lease represented 7.4% of the NLA at 680 George Street compared to 46.5% of NLA at 30 June 2016.

The 31 December 2016 valuation for 680 George Street and 50 Goulburn Street takes into account leasing risks associated with current vacant space, as well as the EY expiry and other pending lease expirations. Allowances for leasing costs and capital expenditure have been factored into the valuation and the adopted yield has been adjusted for risks associated with re-leasing.

American Express House, 12 Shelley Street, Sydney

During the period, the value of 12 Shelley Street increased to \$178.0 million from \$174.5 million. The property benefited from continued yield compression and strong leasing fundamentals for quality office properties located in the Sydney CBD, after taking into account leasing risks associated with American Express's pending lease expiry on 31 December 2018.

The WALE at 12 Shelley Street as at 31 December 2016 was 1.9 years. Post the American Express lease renewal for a 10 year term from 1 January 2019, the WALE increased to 10.7 years. The property's occupancy rate at 31 December 2016 was 99%.

108 St Georges Terrace, Perth

The value of 108 St Georges Terrace increased to \$166.0 million from \$165.0 million during the period. The increase can be attributed to a combination of the property's relatively strong WALE of 4.8 years as at 31 December 2016, strong passing income and increasing appetite from the investors for quality assets with strong lease profiles. The occupancy rate as at 31 December 2016 was approximately 78%.

Despite leasing conditions in the Perth market continuing to be restrained by low net tenant demand, subdued office market net rental growth and high levels of vacancy, domestic and foreign investment demand for tenanted assets with good lease profiles is increasing. Incentive allowances and leasing up periods appropriate to the level of vacancy within the building have been factored into the property's valuation.

MANAGEMENT SERVICES AGREEMENT

After expiry of the initial term on 16 September 2016, the Fund's Management Services Agreement with Brookfield Multiplex Capital Pty Ltd continues in accordance with the PDS.

DEBT

As at 31 December 2016, the Fund's \$340.0 million senior bank debt facility was drawn to \$315.0 million and the Fund's \$50.0 million subordinated debt facility with the Brookfield Group remains undrawn and the Fund is compliant with all debt covenants.

There is no requirement to hedge interest rates under the senior facility, BCML will continue to monitor this position.

TAX POSITION

The Fund currently does not qualify as a Managed Investment Trust for the purposes of the Tax Act. Therefore, taxable distributions (not including interest, dividends, royalties) made by the Fund to non-resident unitholders will be subject to a non-final withholding tax of 30% or the highest marginal tax rate (depending on the tax profile of the unitholder). Resident unitholders should not be adversely affected.

SUMMARY

PROPERTY	LOCATION	FUND SHARE %	VALUE AS AT 31 DECEMBER 2016 \$M	VALUE AS AT 30 JUNE 2016 \$M	% CHANGE 6 MONTHS
680 George Street and 50 Goulburn Street	Sydney	50	363.0	305.0	19.0
American Express House, 12 Shelley Street	Sydney	100	178.0	174.5	2.0
108 St Georges Terrace	Perth	50	166.0	165.0	0.6
Total			707.0	644.5	9.7

NET ASSETS RECONCILIATION

Net Assets per unit (\$)

10										
9		1.28	0.22	0.03	0.01	(0.12)	(0.15)	(0.05)		8.84
8	7.62									
7										
6										
5										
4										
3										
2										
1										
0	Net assets 30 June 2016	Share of net profits in associates	Net property income	Revaluation of investment properties	Investment income	Distributions declared	Finance costs	Management fees		Net assets 31 December 2016

HALF YEAR IN REVIEW

FUND SNAPSHOT

Market capitalisation	\$310.4 million
Funds under management	\$760.9 million
Listing date	15 September 2006
Net Assets per unit	\$8.84
Portfolio occupancy	91%
Portfolio weighted average lease term by income	4.7
Loan to value ratio	44%
Management fee	0.65% p.a. (excluding GST) of gross asset value
Performance fee	Tier 1–5%, Tier 2–15% (excluding GST) of benchmark ¹ outperformance

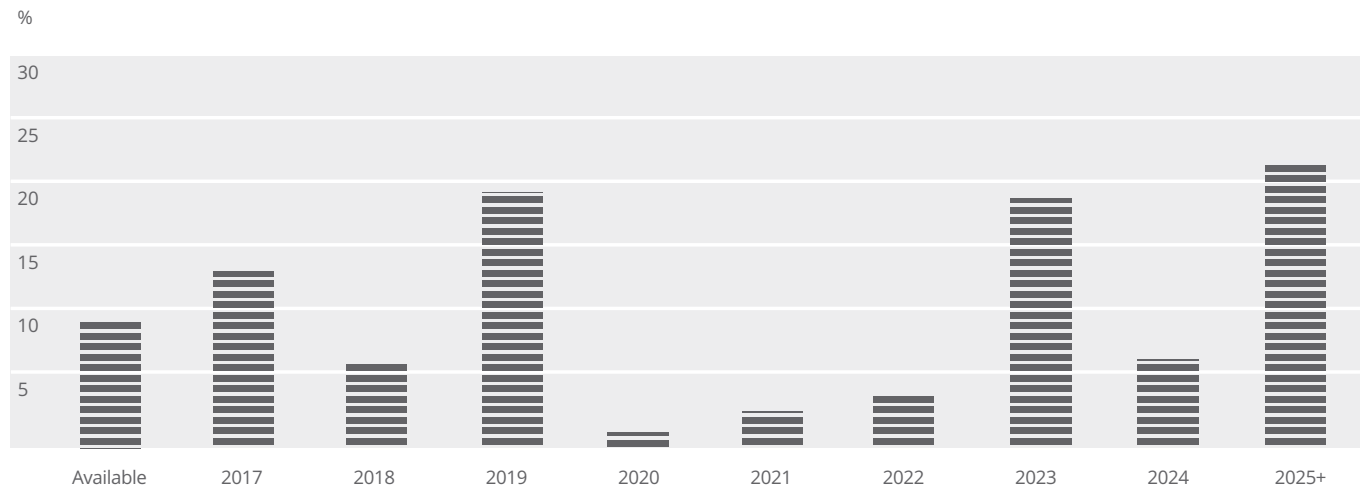
Note:

1 UBS Commercial Property Accumulation (200) index.

PORTFOLIO ANALYSIS

AS AT 31 DECEMBER 2016

LEASE EXPIRY PROFILE (BY OWNERSHIP AND INCOME)



GEOGRAPHIC ALLOCATION (BY VALUE)

- 76% New South Wales
- 24% Western Australia

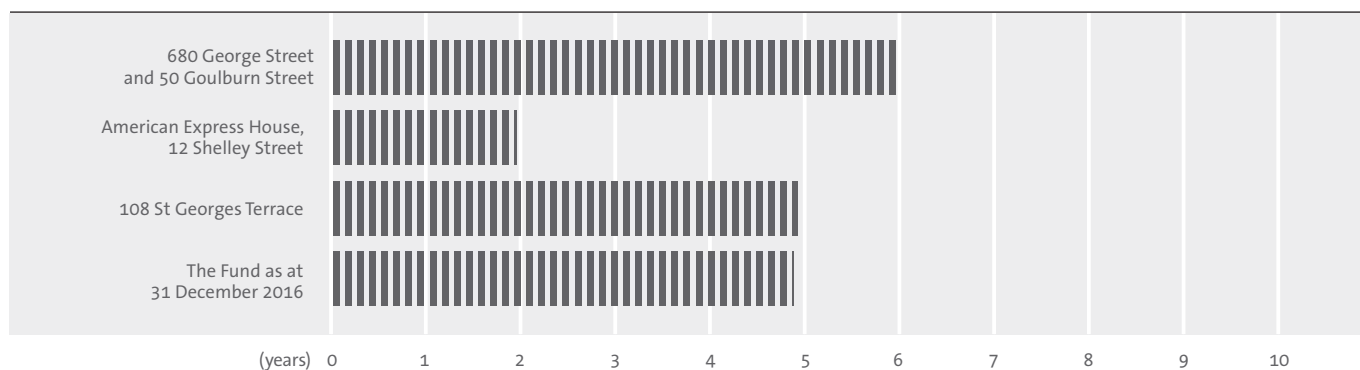


TENANCY MIX (BY INCOME)

- 48% Other
- 14% American Express
- 14% EY
- 8% South 32
- 7% Government Property NSW
- 5% Link Market Services
- 4% Tabcorp



WEIGHTED AVERAGE LEASE EXPIRY PROFILE (BY OWNERSHIP AND INCOME)



PROPERTY ANALYSIS



680 GEORGE STREET AND 50 GOULBURN STREET, SYDNEY

PROPERTY DESCRIPTION

680 George Street is a landmark commercial office tower in the southern periphery of the midtown precinct of Sydney's CBD. The property comprises a substantial lobby with retail area and 35 upper levels of office accommodation. The property is well serviced by public transport facilities.

50 Goulburn Street is an A Grade commercial office building on the corner of George and Goulburn Streets. It incorporates ground floor cafe, four levels of office accommodation, a rooftop terrace and car parking for 28 vehicles. The property's services are integrated with 680 George Street.

KEY FEATURES

Ownership (%)	50
Net lettable area – whole building (sqm)	67,899
Occupancy (%)	97
Weighted average lease expiry (years by income)	6.0
Acquisition date	May 2006

SUSTAINABILITY CREDENTIALS

NABERS Energy	★★★★★
NABERS Water	★★★★
NABERS Indoor Environment Quality	★★★★

VALUATION SUMMARY

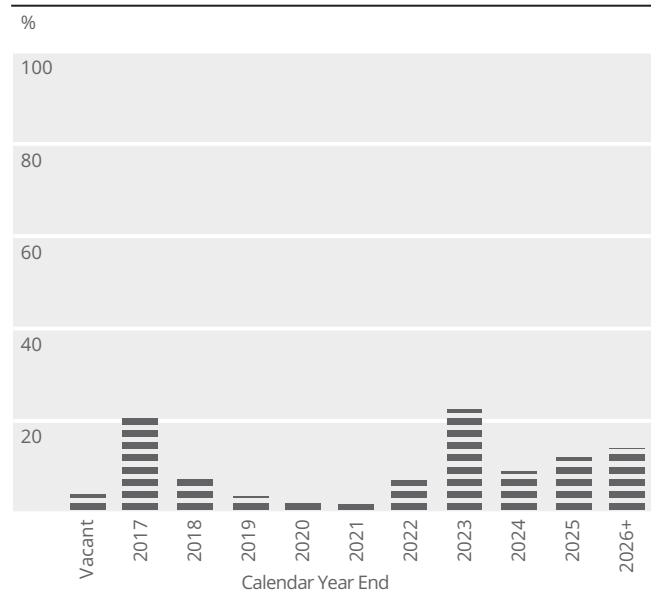
External Valuation (50%)	\$363.0 million
External Valuation date	31 December 2016

TENANCY MIX (BY INCOME)

- 26% EY
- 15% Government Property NSW
- 9% Link Market Services
- 9% Tabcorp
- 7% Parsons Brinckerhoff
- 34% Other



LEASE EXPIRY (BY AREA)



Note: The space available for lease in 2017 includes the space vacated by EY after their 31 December 2016 lease expiry as well as space from other leases that expire during 2017.



AMERICAN EXPRESS HOUSE, 12 SHELLEY STREET, SYDNEY

PROPERTY DESCRIPTION

American Express House is an A Grade commercial office building with 10 levels of office, ground floor retail and underground parking. The property is located in the western corridor of the Sydney CBD with frontage onto Shelley Street.

KEY FEATURES

Ownership (%)	100
Net lettable area – whole building (sqm)	14,969
Occupancy (%)	99
Weighted average lease expiry (years by income)	1.9
Acquisition date	December 2007*

*Date Practical Completion achieved.

SUSTAINABILITY CREDENTIALS

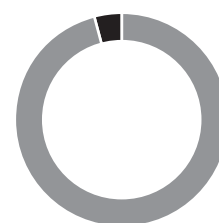
NABERS Energy	★★★★★
NABERS Water	★★★★★
NABERS Indoor Environment Quality	★★★★★

VALUATION SUMMARY

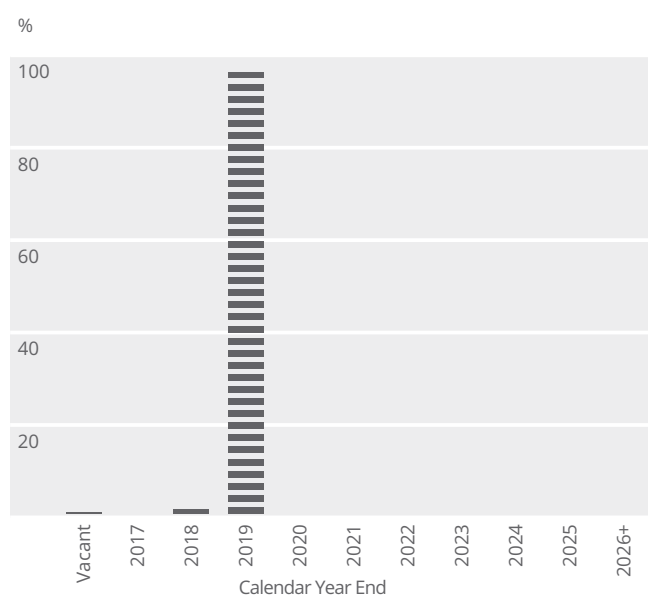
External Valuation (100%)	\$178.0 million
External Valuation date	31 December 2016

TENANCY MIX (BY INCOME)

- 97% American Express
- 3% Other



LEASE EXPIRY (BY AREA)



Note: Subsequent to 31 December 2016, American Express International Inc. renewed its lease at American Express House, 12 Shelley Street, Sydney for 10 years from 1 January 2019.

PROPERTY ANALYSIS



108 ST GEORGES TERRACE, PERTH

PROPERTY DESCRIPTION

108 St Georges Terrace is an A Grade property with 49 levels of office accommodation and includes the four level heritage listed Palace Building. The building is prominently located in the core of Perth's CBD and has expansive city and river views from the upper floors.

KEY FEATURES

Ownership (%)	50
Net lettable area - whole building (sqm)	38,521
Occupancy (%)	78
Weighted average lease expiry (years by income)	4.8
Acquisition date	July 2011

SUSTAINABILITY CREDENTIALS

NABERS Energy ★★☆☆*

NABERS Water ★★☆☆

*The proposed building upgrade is likely to achieve a NABERS Energy Rating of 4.5 Stars to 5.0 Stars.

VALUATION SUMMARY

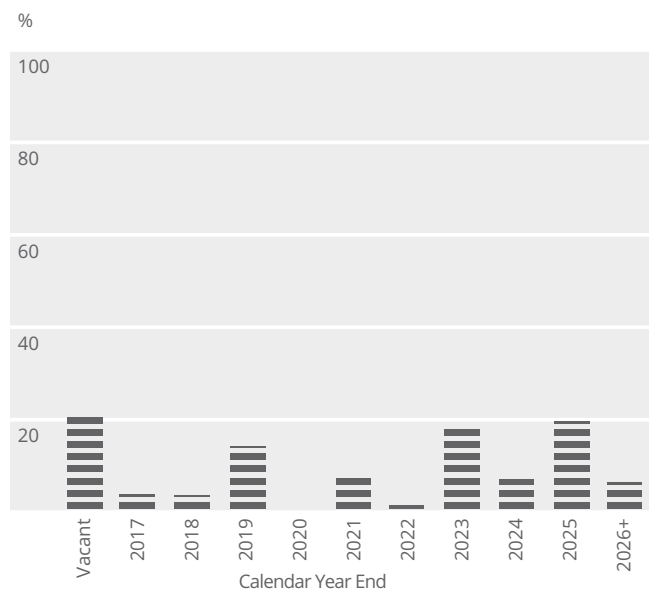
External Valuation (50%)	\$166.0 million
External Valuation date	31 December 2016

Tenancy mix (BY INCOME)

- 24% South 32
- 12% Quadrant Energy
- 9% Norton Rose
- 8% Pioneer Credit
- 47% Other



LEASE EXPIRY (BY AREA)



CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2016 \$'000	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2015 \$'000
Revenue and other income		
Property rental income	14,248	19,875
Share of net profit of investments accounted for using the equity method	62,490	21,384
Net gain on revaluation of investment properties	1,449	–
Net gain on sale of assets	100	100,922
Net gain on revaluation of financial derivatives	–	2,997
Interest income	482	161
Other income	193	3
Total revenue and other income	78,962	145,342
Expenses		
Property expenses	3,364	5,812
Finance costs	7,316	20,289
Net loss on revaluation of investment properties	–	5,151
Management fees	2,466	2,811
Other expenses	143	196
Total expenses	13,289	34,259
Net profit for the period	65,673	111,083
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Change in cash flow hedge reserve	–	5,465
Change in fair value of available for sale financial assets	(10)	3
Other comprehensive (loss)/income for the period	(10)	5,468
Total comprehensive income for the period	65,663	116,551
Net profit attributable to ordinary unitholders	65,673	111,083
Total comprehensive income attributable to ordinary unitholders	65,663	116,551
Earnings per unit		
Basic and diluted earnings per ordinary unit (cents)	133.95	226.57

The Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	CONSOLIDATED 31 DECEMBER 2016 \$'000	CONSOLIDATED 30 JUNE 2016 \$'000
Assets		
Current assets		
Cash and cash equivalents	42,447	50,763
Trade and other receivables	6,043	5,819
Total current assets	48,490	56,582
Non-current assets		
Investments properties	344,000	339,500
Investments accounted for using the equity method	368,405	305,915
Total non-current assets	712,405	645,415
Total assets	760,895	701,997
Liabilities		
Current liabilities		
Trade and other payables	14,488	10,432
Interest bearing liabilities	–	317,991
Total current liabilities	14,488	328,423
Non-current liabilities		
Interest bearing liabilities	313,054	–
Total non-current liabilities	313,054	–
Total liabilities	327,542	328,423
Net assets	433,353	373,574
Equity		
Units on issue	179,474	179,474
Reserves	2	12
Undistributed profits	253,877	194,088
Total equity	433,353	373,574

The Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the Notes to the Condensed Consolidated Interim Financial Statements.

CORPORATE DIRECTORY

REGISTERED OFFICE OF RESPONSIBLE ENTITY

Brookfield Capital Management Limited
Level 22
135 King Street
Sydney NSW 2000
Telephone: +61 2 9322 2000
Facsimile: +61 2 9322 2001

DIRECTORS OF BROOKFIELD CAPITAL MANAGEMENT LIMITED

F. Allan McDonald
Barbara Ward
Shane Ross

COMPANY SECRETARIES OF BROOKFIELD CAPITAL MANAGEMENT LIMITED

Men (Mandy) Chiang (appointed on 15 November 2016)
Neil Olofsson

CUSTODIAN

Brookfield Funds Management Limited
Level 22
135 King Street
Sydney NSW 2000

STOCK EXCHANGE

The Fund is listed on the Australian Securities Exchange (ASX Code: BPA). The Home Exchange is Sydney.

SHARE REGISTRY

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone: +61 1800 685 455
Facsimile: +61 2 9287 0303

AUDITOR

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: +61 2 9322 7000
Facsimile: +61 2 9322 7001

