

FINAL TRANSCRIPT

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BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

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May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

CORPORATE PARTICIPANTS

Ric Clark

Brookfield Properties Corporation - CEO

Bryan Davis

Brookfield Properties Corporation - SVP, CFO

Dennis Friedrich

Brookfield Properties Corporation - President, CEO, US Commercial Ops

Tom Farley

Brookfield Properties Corporation - President, CEO, Canadian Commercial Ops

Alan Norris

Brookfield Properties Corporation - President, CEO, Residential Ops

Melissa Coley

Brookfield Properties Corporation - VP, IR, Communications

CONFERENCE CALL PARTICIPANTS

Sloan Bohlen

Goldman Sachs - Analyst

Sam Damiani

TD Newcrest/Waterhouse Securities - Analyst

Michael Bilerman

Citigroup - Analyst

John Guinee

Stifel Nicolaus - Analyst

Alex Avery

CIBC World Markets - Analyst

Mario Saric

Scotia Capital - Analyst

Karine MacIndoe

BMO Capital Markets - Analyst

Ross Nussbaum

UBS - Analyst

John Stewart

Green Street Advisors - Analyst

Jimmy Shan

National Bank Financial - Analyst

Neil Downey

RBC Capital Markets - Analyst

PRESENTATION

Operator

Good afternoon. My name is Andrea, and I will be your conference operator today. At this time I would like to welcome everyone to the Brookfield Properties Q1 earnings conference call. All lines have been placed on mute to prevent any background noise.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

After the speakers remarks there will be a question and answer session. (Operator Instructions). At this time I would like to thank Melissa Coley. You may now begin your conference.

Melissa Coley - Brookfield Properties Corporation - VP, IR, Communications

Good morning, and welcome to Brookfield Properties first quarter 2010 conference call. Before we begin our presentation, let me caution you that our comments and discussion will include forward-looking statements and information, and there are risks that actual results, performance, or achievements, could differ materially from anticipated future results, performance, or achievements, expressed or implied by such forward-looking statements and information. Certain material factors and assumptions were applied in drawing the conclusions, and making the forecasts and projections in the forward-looking statements and information. You may find additional information about such material factors and assumptions, and material factors that could cause our actual results and performance or achievements to differ materially, set forth in our news release issued this morning.

I would now like to turn the call over to Ric Clark, Chief Executive Officer.

Ric Clark - Brookfield Properties Corporation - CEO

Thank you, Melissa. Welcome everyone to our first quarter call. And thanks to those of you who joined us for our Annual Meeting yesterday, either in person or dialing in. So starting off, mastering the obvious I suppose, I will start by saying our business and general outlook is very meaningfully better than what it would have been a year ago, and even a quarter ago. Part of our quarter-end discipline at least lately has been to pour through the transcripts of the quarterly earnings calls from financial institutions, since financial institutions tenants drive the economies in a number of our markets, and obviously the capital and debt markets that drive our business everywhere. We thought that this would be a good thing to start to do. So looking through these transcripts for the quarter, we took away the following, all of these institutions reported improving economic conditions in general, and ignoring write-downs, better operating unit results and greatly diminished write-downs.

As for future outlook, based on those that gave commentary, comments ranged from conditions are improving and the worst is behind us, to it is better now but let's wait and see. Obviously there is a big tidal wave of loan maturities in the real estate sector alone, coming in the 2012 and 2013 timeframe that have to be sorted through, and there are issues with the financial conditions of most governments, not just the Euro zone countries that are currently dominating the headlines, but on average the consensus from looking through these reports from the financial institutions, is that conditions are improving, and the worst is in fact behind us. This consensus would be consistent with our experience within our operations over the first quarter. In general, activity in our markets has picked up. Based on our Q4 2009 experience carrying over into Q1 2010, it feels to us that our markets have in fact turned the corner. Now this is an on average comment, and applies to most of our markets. But there are of course variations from one market to the other.

The exceptions to this for us would be on the positive end in our New York City, Washington DC, Houston, and Toronto markets we are witnessing a more meaningful pickup in tenant interest and demand. In some cases rental and deal economic uplifts have already been experienced. I have asked Tom Farley and Dennis Friedrich, our Canadian and US office division heads respectively, to try to give you some data points for a frame of reference on this, which they will do in a few minutes. On the negative side, the Calgary market is beginning to grapple with new development overhang. But you would have been to have been a direct descendant of Rip Van Winkle I think to miss this train coming. The Boston market is the Boston market. It has gotten neither better or worse, as it has been for a very long time. Two items to note from Houston, one good and one possibly not so good, during the first quarter of 2010 we signed a 20-year 1.2 million square foot lease renewal and expansion with KBR in two buildings in that market. I just would like to say congratulations to Paul Layne and Paul Frazier on their teams on this.

Subsequent to Q1, Continental and United announced a merger with the consolidated headquarters to be based in Chicago. Obviously this is a bit of buzzkill to a market that has been picking up momentum over the last few quarters. Now it is too early to know how this will play out. But again, Paul and Paul did a good job minimizing this exposure somewhat, by renewing



May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Continental's lease in advance of maturity last year. And Dennis I believe in his comments will add more color on what he knows about this, and what it might mean to the Houston market. Similar to our experience in our office division, our residential operations mainly in western Canada have seen a general improvement in activity, and had a Q1 financial performance slightly better than our expectations. Alan Norris, who runs our residential division, will add more color in his remarks, which are coming shortly as well.

On the capital and debt market side, after a couple of years of a liquidity freeze, the real estate and financing markets have shown steady improvements and liquidity is returning. We are I would say far from what a healthy real estate industry needs, but liquidity is improving. We are seeing senior loan availability at the 60% to 65% loan to value level, and debt yields of around plus or minus 11%. This would have compared to 50% to 55% loan to value levels not long ago, and debt yields more like 14%. We have seen some mezz availability up to 70% to 75% loan to value levels, and spreads have tightened from 400 basis points not long ago, to about 225 to 300. All of this sounds good, but the market remains a very bifurcated market. Lending is really only done when it is done for better assets, and for the best markets and to the best sponsor. So maybe before we get to Bryan Davis, our CFO, for his remarks, and I know that just from the calls we have been getting this morning due to our changeover to IFRS, there might be lots of questions on that. So we want to make sure we leave ample time for that. So maybe the rest of our comments in general will be short this quarter versus other quarters. And if we have missed anything anybody wants to talk about please, pick it up in your questions at the end.

But a few high-level statistics before we get to Bryan, if you turn to page 21 of your supplemental, you will note overall leasing activity in our managed portfolio for the quarter was 2.3 million square feet. Now this is obviously a high-level relative to last year, it was 50% of last year's overall leasing production. And I think a good indicator, a good data point to back up our views that things are improving, and we may well have turned the corner. I would also point out that this leasing activity is double last year's quarterly average. So again, we had a very, very good quarter on the leasing side. Still on page 21 of our supplemental, this leasing was completed at initial rents that were \$1.10 per square foot greater than expiring rents, and \$4.28 greater using average contractual rents from these new transactions.

Turning to page 22 of our supplemental you will note that we finished the quarter with an overall occupancy of 94.8%. Again in our managed portfolio. This is down 20 basis points of what is noted on this slide for year end 2009. But what is not noted and I think useful to point out, is that the Q1 2010 dip is attributable to the inclusion of Bay Adelaide Centre, as an operating property for the first time, as is required under IFRS accounting. Tom will give you more details on where the Bay Adelaide Centre stands today. He has done some leasing since the end of the quarter, and I think he will get to that in a minute. The Adelaide Centre aside, overall occupancy would have increased to 95.2%. So basically a 20 basis points improvement over where we were last quarter.

So with this in mind, occupancy in our Canadian portfolio decreased by 20 basis points, versus the more meaningful decrease shown in slide 22. And the US portfolio as you will see on slide 22 shows 40 basis points improvement to 93.9%. So based on the level of pipeline activity, which Tom and Dennis will address shortly, barring any unforeseens, we are expecting a solid year from a leasing activity standpoint. So with that as background, Bryan, why don't you get to the riveting IFRS and financial statistics.

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Thank you very much, Ric. And good morning everyone. Now this morning we reported funds from operation totaling \$136 million for the first quarter of 2010, compared with funds from operation of \$105 million for the same period in 2009. On a per share basis, FFO was \$0.25 per share, compared with \$0.27 per share for the same period in 2009. Our net income for the quarter totaled \$252 million, or \$0.48 per share, compared with a loss of \$589 million, or \$1.51 per share for the same period in 2009. In the current quarter we did benefit from revaluation gains net of noncontrolling interests of \$162 million. This compares with revaluation losses on the same basis of \$728 million in the prior year.



May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

This being the first quarter reporting under International Financial Reporting Standards, or IFRS, after I discuss our operational results under the current framework, I will spend some time reconciling the changes, both to our earnings and balance sheets. I will also make reference to specific pages in our supplemental disclosure, that you will hopefully find helpful in reorienting yourselves. Our commercial property operations earned FFO of \$121 million for the quarter, versus \$99 million in 2009, representing a 22% increase. Contributing to this increase was same-store growth, the benefit of a stronger Canadian dollar, and interest in other income earned.

Net operating income from our continuing operations which we have highlighted on page 12 of the supplemental report, was \$313 million for the quarter, which compares with \$290 million for the same period in the prior year. This increase is a result of the reclassification of Bankers Court in Calgary, and Bay Adelaide Centre in Toronto to commercial properties, which accounted for \$7 million. And additional \$5 million of recurring fee income, as a result of \$3 million of leasing commissions, and \$2 million in increases in contribution from our facilities and residential management businesses, and same store growth of \$17 million, or 6.2%. These increases were offset by a reduction in lease termination income of \$2 million, and by a reduction in NOI of \$4 million associated with the sale or our monetization of our two Washington properties in the fourth quarter.

Our same store growth of 6.2% benefited from a very strong Canadian dollar, which accounted for \$10 million of that. It also accounted for the benefit of increased rental rates on new and modified leases, a slight increase in parking income in the current quarter, which was slightly offset by a 20 basis-point decrease in overall occupancy in our same store portfolio. In analyzing our same store in a little more detail, including only our managed properties, and excluding the impact of foreign exchange, we had same store increase in the quarter of 3.2%. All of this is highlighted on page 13 of our supplemental report.

Our residential development operations continued the momentum from the fourth quarter, and earned \$15 million in net operating income, an increase over the earnings of \$6 million from one year ago. As highlighted on page 31 of our supplemental report, we earned \$12 million of the \$15 million on the sale of 347 lots in the current quarter, which represents a 99% increase from a volume perspective, and a 100% increase in earnings from our land development business compared with the same period in the prior year. Our home building operations earned \$3 million, and closed 144 homes during the quarter, a 69% improvement in volumes. We set out our guidance at the beginning of the year of \$1.17 under IFRS. It was \$1.28 under Canadian GAAP with an \$0.11 adjustment for the elimination of intangible amortization.

Now if you distribute the residential earnings across the four quarters, using sort of the rule of thumb with 10% being earned in the first quarter, 10% being earned in the second quarter, 25% being earned in the third quarter, and 55% being earned in the fourth quarter, and you assume our commercial property operation earnings are evenly distributed over the four quarters, then our FFO of \$0.25 per share is in line with our guidance. As always, there are a number of puts and takes, but most net out to nil at the FFO line. For instance, in the interest in other income line, it was grossed up in the quarter by \$2 million, as a result of the structure that was put in place on the monetization of 1625 Eye Street, and similarly an offsetting interest expense was included in the interest expense line item in our P&L.

In addition, we did benefit from higher interest carry of \$3 million from warehousing and investment on bank debt, prior to bringing in institutional clients and selling our interest down to 55%. However, we also saw an increase in general and administration expenses in the quarter of about \$3 million, due to costs associated with the formation of Brookfield Office Properties Canada, our REIT up in the Canadian market.

In reflecting on our earnings under Canadian GAAP for a second, to put this quarter on a level playing field with our previously reported results, we have included a reconciliation on page 8 of the supplemental report. The major changes as discussed in previous quarters is the elimination of intangible amortization, which amounts to \$15 million net of minority share, or \$0.03 per share per quarter. In addition, a few other changes including the inclusion of the Bay Adelaide Centre as an income producing property, and certain lease modifications accounts for the balance of changes, but have minimal impact on FFO. As a result under Canadian GAAP, our FFO per share would have been \$0.27 per share, again in line with our guidance, but again impacted slightly by the puts and takes that I just discussed. Looking out over the balance of the year, considering the high level of leasing



May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

activity in the first quarter at rents above our expiring rents, and based on volumes and activities from our residential operations, we remain comfortable with our guidance for 2010 of \$1.17 per share on an IFRS reporting basis.

Now moving to our balance sheet, total assets have increased to \$16.2 billion, from \$15.4 billion at the end of the prior year. This increase is due to a couple of items. First, we had proceeds from the successful issuance of our Series N perpetual preferred shares in January of approximately \$260 million. And second, the increase in value of our commercial property assets totaling approximately \$480 million, which I will get to shortly. Our commercial property debt remained consistent at \$5.1 billion, and as a result of the preferred equity issuance, any improvement in our share price, our debt to capitalization decreased 400 basis points to 36%. The adoption of IFRS had a fairly significant impact on our balance sheet, primarily as a result of the fair value of our commercial properties, as well as the requirement to deconsolidate certain jointly controlled investments.

We have included a reconciliation between IFRS and GAAP of our balance sheet on slide five of our supplemental. As it specifically relates to the deconsolidation of certain investments on our balance sheet, these specific joint ventures include the US Office Fund, and our interest in 245 Park Avenue, Four World Financial Center, 77 K Street, and First Canadian Place. They resulted in the reduction in assets of \$9.3 billion, and a reduction in liabilities predominantly property debt of \$7.1 billion. And the inclusion of an investment in unconsolidated joint ventures as we referred to it as, representing the equity of \$2.2 billion. We have included details of these joint ventures on slide 10 of our supplemental report. At March 31, the fair value of our investment properties including our unconsolidated joint ventures totaled \$19.4 billion, which translates to a going in capitalization rate of approximately 6.7%, and a value per square foot of \$303, based on total square feet at ownership. All of this has been detailed on slide 14.

Values during the quarter as previously mentioned increased by \$480 million, primarily as a result of two things. First, balance sheet adjustments. These include further investments into our properties of \$131 million, including the acquisition of our interest in Bishopsgate development site in London, and also the impact of the appreciation of the Canadian dollar relative to the US dollar, which contributed to an increase in property values of \$145 million. Over and above that there are a few income statement adjustments. These aggregate \$208 million on a gross basis, or \$141 million on a net basis of minority share. And these are due mainly to increases in cash flows as a result of current period leasing activity, and certain timing adjustments. As a result of the above, our common equity increased to \$6.7 billion at the end of the quarter, or \$13.49 per share, or \$7.2 billion if you don't include our future tax liability, or \$14.54 per share.

Our policy for valuing assets will follow the typical practice of most international property firms, which is to perform full property by property valuations on an annual basis, with a semi-annual review of major assumptions, and a quarterly review to consider macro economic indicators, and to reflect executed transactions. Assets will be independently valued on a three-year rotating cycle. In reflecting on the adoption of IFRS, I think you will agree after you get comfortable with the changes, that it results in a cleaner FFO without any intangible amortization, and a less complex balance sheet for us, as a result of the ability to deconsolidate the US Office Fund. Although IFRS does not determine net asset value for Brookfield, as it does not permit the fair value of our residential value business, nor does it value our fee-based franchises, it also tends to focus on more historic trends to establish value. It does bridge the gap that previously existed between our historic cost base and historic equity and net asset value.

Appreciating that this is a lot to absorb this morning, I encourage you to give me a call, as I will be happy to walk through the specific changes in much more detail, and would also hope that if you have any suggestions for how to improve the current disclosure we have included in our supplemental, that you pass those onto myself or Melissa. In addition, I encourage you this quarter to review our interim report, which we will be filing in the next week or so, as it will contain a significant amount of incremental disclosure. Now on that, I will conclude my hopefully riveting comments on the financial results, and will turn the call back over to Ric.



May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Ric Clark - Brookfield Properties Corporation - CEO

Thank you, Bryan. So just an update on a couple of the strategic initiatives or accomplishments versus the goals we set out for the year. And not much, it is only the first quarter. But I did want to mention one of the things that we are focused on is this large amount of, unusually large amount of leases that were rolled within our portfolio several years down the road in 2013. And we began the year with 10.6 million square feet, or 17.8% of our managed portfolio rolling by the end of that year, and have leased about 0.5 million square feet, so we have reduced that by about 90 basis points as of today.

I would point out that between the US and Canadian office divisions, split somewhat equally we have activity on an additional 4 million square feet, which would take this number under 10%, should we be successful in concluding discussions with all 4 million square feet of those tenants. So that is just a quick update on that. Hopefully we will have more to talk about in the coming quarters. The second sort of thing was we have had a lot of liquidity. One of the things we wanted to do is start to put it to work accretively. Just a couple of things to mention. One is, as Bryan mentioned, we made an investment in a potential future development site in London called 100 Bishopsgate. We did this with a great local partner, Great Portland Estates. We are very excited about it. We are in the planning process looking for tenants, just getting it set up for a possible launch a year from now. Obviously we are not anticipating speculative development. In the meantime, there are structures in place which pay a yield of greater than 8%. So for us this was kind of a no-brainer, a good partnership, and something we are pretty excited about.

The second thing you would have noticed from our press release, and I think Bryan's comments maybe, was that we have acquired 50% of the debt surrounding a collection of assets in Washington DC. Face amount on that was roughly \$300 million, we did this with some institutional partners. Our percentage interest in it is about 55%. I won't have more to say about that, so I apologize in advance if we can't address your questions on it. It is a situation where we are a lender and just kind of working through the things that you might imagine. So those are the two things that we have done so far. Looking at lots of other things. But I think that is all I wanted to report.

So with that I would turn the call over to Dennis. Dennis, maybe you can talk a little bit about what you are seeing in the markets, just level of activity that you are seeing, and also maybe a little bit about lower Manhattan, which is always on people's mind.

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Thanks, Ric. Good morning, everyone. Based on our activities the first quarter, and our observations in the initial weeks of this quarter, there are definitely positive trends developing within our core US office markets. As Ric had indicated earlier, our view is that certain markets have turned the corner, notably in mid-town Manhattan, and certain pockets of the DC market, and that most of our other markets are firming up, or finding bottom. It is not a suggestion at this point that this early improvement has translated into wide scale rental growth, or a dramatic drop in concessions. But it points to improving lease economics, as we work our way through 2010. In general, leasing velocity is increasing in most of our US markets. The increase in volume seems to be driven by several dynamics.

First there is a sense that rents have or are bottoming out and concessions have peaked, which is prompting tenants that had been on the sidelines to move forward with space decisions, particularly if it represents an opportunity to trade up to a higher-quality building, while pricing is still soft in the cycle. Second, in discussions with our existing as well as prospective tenants, there seems to be a higher level of business confidence in general, within certain sectors, predominately the financial services sector, the renewed confidence is generating some job growth, or at least space planning for some level of growth in 2010 and 2011. The leasing completed during the first quarter within our US managed portfolio, really is indicative of the increase in velocity in the markets. We also had a very strong fourth quarter. We completed 1.9 million square feet of leases in the US in the first three months of the year, which resulted in a 40 basis points increase in our occupancy to 93.9%. In part due to the improved leasing volume and very minimal new supply coming in online in most of our markets, vacancy rates are moderating, after what has been a prolonged period of quarter to quarter increases.



May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

The blended market vacancy in our core US markets which we calculate every quarter was 12.4%, which was a slight decrease over prior quarter. I would point out that this is the first quarter in nearly two years that the average US market vacancy in our core US markets did not increase. As a last general market observation, tenants seem to have improved access to capital, and a stronger willingness to invest in their premises long term. This is driving a higher level of relocation activity, as opposed to the renewal-only mentality we faced over the past several years. The shift in mentality bodes well for owners such as Brookfield, which operate the higher quality assets in each market. We completed just under 0.5 million square feet of new leasing during the first quarter. So we are clearly capturing a share of an increasing pool of tenants choosing new space options.

Just to move on to our observations on several of our more active markets, starting with New York, the Manhattan market experienced the strongest surge in leasing activity as compared to last year. Most of the statistics we have compiled which I am sure you have also put together much of that information, really points to an impressive increase in volume, ranging from 85% to 90% as compared with the same period in 2009. And activity in the Manhattan market is falling in line with the five-year historical averages. Most of the activity so far this year has been centered in Midtown, as downtown remains about 30% off historical activity levels. But there are several sizeable deals pending in lower Manhattan today. The financial services sector in the New York market and within our portfolio has been active. The smaller and mid-sized firms, as well as the number of prominent foreign banks are striving to grow their platform in New York, and have been adding positions. These are firms that weren't impacted as much by the financial distress over the past few years. And then the large financial services companies have been rationalizing their portfolios, and have indicated head count growth for 2010.

Given the increase in demand, we increased the asking rents in our Midtown portfolio. We in the quarter completed a sizeable lease transaction for 60,000 square feet at our 245 Park asset. The rents on that lease were approximately 10% to 15% higher than the levels we would have achieved a year ago, and it pushed our Midtown managed portfolio occupancy up to 96.5% from 95.4%. In Lower Manhattan despite a lower level of leasing I indicated being completed in the market, the Class A market vacancy remains under 9%, and our portfolio stands at 98% occupied. So the market is tight, meaning that some activity is lower because there is not as much space right now. But we have seen activity pick up in our Midtown portfolio in the last 60 to 90 days at a pretty measurable clip, we are in fact exchanging paper on over 1 million square feet of lease interest, which represent several sizeable requirements.

With regard to the Bank of America/Merrill occupancy at World Financial Center, we today can't really provide any more definitive an update on their long term plans, as we have the past few quarters. But I would say since the start of the year BofA/Merrill has relocated employees into the World Financial Center from other Midtown locations, which is a positive signal. I am going to move over to the Trade Center progress, which has been very impressive over the past few months. And we actually have a great presentation that we put together, that tries to help everyone visualize what will ultimately be in place. And we would welcome making those presentations to you if you are in New York, or we can get a chance to visit you. The transformational nature of the construction is definitely beginning to take shape. Completion of the Memorial Plaza is on track for the 10th anniversary of 9/11. The steel for the memorial is actually 99% complete. 400 trees are scheduled to be planted by year end, which will immediately change the landscape of the downtown neighborhood, particularly the World Trade Center World Financial Center quarter.

Key underground connections for the Trade Center Transportation Hub are taking shape in the signature arches of the Santiago Calatrava designed transit hub will begin to take place later this year. Portions of the underpass which connect the World Financial Center into the future transit hub below West Street have already been completed. And we have actually been performing work on behalf of the Port Authority to expedite the scheduling. On the commercial side of the site, as has widely been reported, a new agreement between the Port Authority and Silverstein Properties, the ground leasee for portions of the Trade Center site has been reached, and is being finalized as we speak. The agreement will help assure that progress on the site, particularly restoration of the eastern portion of the site to street level will progress. It also provides for phased commercial development on the site, which is the right thing for the market, as opposed to all the development coming on line at one point. The first building totaling 2 million square feet, and referred to as Four World Trade Center is being developed by Silverstein Properties, and will not come online in our view until late 2013 to early 2014.



May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

The remaining two Silverstein Properties buildings being developed will phase in according to market demand, and are not projected to come online until years later. Four World Trade Center and One World Trade Center, which is being presently developed by the Port Authority, and projected for 2013 delivery, ultimately does add competitive supply to the downtown market. However both towers have significant commitments from the Fed, state and city agencies, and likely early on will be perceived as more public sector type buildings. The new supply will replenish some of the 18 million square feet of supply we have lost downtown to the destruction of the original Trade Center and also residential conversion. At a time there will be very limited supply coming online throughout the island of Manhattan. So if there is an overhang of space that ultimately results from the Bank of America/Merrill expiration, we expect the financial center space to be available well in advance of this new supply, at a time when there will be very limited supply and new development around Manhattan.

Just moving to DC, the DC market is our other core market that has gained momentum over the past two quarters. The GSA government agencies have really served as the primary driver for the new activity, and has more recently represented approximately a quarter of overall lease activity, as compared to the 10% that it represented last year. So they clearly, GSA has clearly become a much more active player in the market. Despite some near-term challenges in the DC market due to new supply, particularly in the emerging markets of North Capital, Southwest and the ball park area, the market has steadily been absorbing new product. The development pipeline which reached 9 million square feet a year ago, is down to 3.8 million square feet in the District area at this point. We had another solid quarter of leasing in our DC portfolio with over 100,000 square feet of completed transactions, and we have a healthy pipeline of 200,000 square feet of deals that are in serious discussion today.

Just moving, I want to close out on Houston, given some as Ric indicated, some major news out of the city on two fronts. It was a very active quarter for us in the Houston region. The 1.2 million square foot KBR lease, which we reported this quarter, I want to point out included 20% of expansion, which helped push up our Houston portfolio occupancy levels by 170 basis points to 95.5%. The KBR lease had a positive impact on the general market as well. Overall vacancy dropped to 10.3% from 11.2% in the prior quarter, after several quarters of vacancy creep. In general I would say that oil and gas tenant base in Houston has been more active with oil prices nearly doubling since early 2009.

The news of the Continental-United merger certainly creates some level of uncertainty within our portfolio, and also in the Houston market. Houston serves as Continental's primary hub, and Continental is a major tenant in our portfolio. They are not a strong presence much outside of our buildings in the general market. They currently lease 655,000 square feet in two of our buildings, Continental Center One and Continental Center Two in downtown Houston. We were fortunate enough to complete a lease extension with Continental in 2009, which extended their term through the end of 2014. Without getting into too much detail, it is worth pointing out that the extension was per a fixed rate right that Continental enjoyed in their lease, which was materially below market. So we estimate the current in place lease rents to be 20% to 20%-plus below market at Continental Center One, and approximately 10% below market at Continental Center Two.

So it is a bit premature to determine how the merger will impact the occupancy at our two buildings. It has been reported that Chicago will serve as the corporate headquarter city. So we will plan our affairs as if Continental will be contracting in our buildings. But we are hopeful of retaining their occupancy, and with the benefit of 4.5 years of remaining lease term, coupled with a below market in place rental structure, the situation may present a significant mark to market opportunity for us. Ric, that wraps up my report on US markets.

Ric Clark - Brookfield Properties Corporation - CEO

Thanks, Dennis. Let's move onto our Canada office. Tom?

Tom Farley - Brookfield Properties Corporation - President, CEO, Canadian Commercial Ops

Good morning, everybody. During the first quarter the overall vacancy remained flat in most of our Canadian markets except for Alberta. However, in the A and AA category we saw positive absorption in Toronto, Ottawa and Vancouver. At the end of



May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

the first quarter the occupancy rate for our Canadian portfolio stood at 98.5%, versus 98.6% at the end of 2009. And when including Bay Adelaide Centre, which is considered an operating property under IFRS, the portfolio occupancy at end of the quarter would be 96.8%. Now looking at a couple of our specific markets. In Calgary, we are seeing of course a continuation of a low natural gas prices, which contributes to a slowdown in the sector of the energy industry, and has negative consequences on the Calgary economy in general, and the office market in particular. The market vacancy at the end of the quarter totaled 12.7%, which is up 110 basis points during the quarter. And this increase was caused primarily by the delivery of new inventory to the market.

Now in terms of other new buildings under construction, we will see a further 3.2 million square feet brought to the Calgary market in the next three years, which will put further pressure on occupancy and fundamentals, unless we see an improvement in commodity prices in the meantime. Also as mentioned last quarter, we have experience in dealing with these cycles in Calgary, and we were able to anticipate and prepare for changing environments in this market. Specifically in 2008, we leased 2.2 million square feet. And today we have a 99.9% occupancy rate, and an average lease term of nine years. And our focus in Calgary in 2010, will continue to be on current and future lease renewals, with a view of maintaining an above average occupancy rate.

In Toronto, as you will recall, both Bay Adelaide Centre and Cadillac's Simcoe Street project were completed in the third quarter of 2009, which added 2.4 million square feet to the downtown office inventory, and as a result the vacancy rate in Toronto moved up to 6.8%. In the first quarter, we saw a substantial increase in tenant tours and general activity. In fact during the first quarter total market lease activity was 818,000 square feet, which is about a 35% increase in activity from a year ago. And in our Toronto portfolio, we are now at the conditional stage on nine transactions totaling 263,000 square feet. So that is above and beyond what was reported in the first quarter activity. And of these amounts, 62,000 square feet represent new tenants at Bay Adelaide Centre, and 201,000 square feet of early renewals in our other properties. As well we are at the discussion stage on more than 15 other transactions totaling almost 800,000 square feet, and these transactions consist of about 100,000 square feet of new or expansion space, while the balance would be lease renewals.

So our Toronto portfolio ended the quarter with an occupancy rate of 97.2%, and when adding in the Bay Adelaide Centre our overall occupancy is 94.2%. Now our occupancy at the Bay Adelaide Centre specifically is sitting at almost 75% at 74.8 today. I just mentioned that we have a couple deals that are at the conditional stage. Once we have moved to completing those two transactions we will be over 80%. One additional item, we were advised yesterday and pleased to hear that Bay Adelaide Centre has achieved LEED Gold certification from the Canadian Green Building Council. Now in terms of outlook for the Canadian markets, we are still well below equilibrium levels resulting in the continuation of landlord market in each of the cities that we operate, except for Calgary. Given our low rollover rate, long average lease term, and the increase in Toronto leasing activity, we expect to continue to maintain better than market occupancy levels in each of our markets. Ric?

Ric Clark - Brookfield Properties Corporation - CEO

Thanks, Tom. So last divisional report would be our residential group. Alan?

Alan Norris - Brookfield Properties Corporation - President, CEO, Residential Ops

Thanks, Ric. Good morning everyone. We had a very good quarter, as Ric pointed out and Bryan pointed out earlier on, on the residential front, with lot volumes and housing occupancies exceeding expectations for the quarter. Margins remained steady for lots, and improved slightly for housing. As we stated in the last call, low mortgage rates have fueled a lot of this activity in Canada. However, it should be noted that we have had three consecutive mortgage rate increases over the last month or so, which could slow the market somewhat if this continues. Listings have increased in most of our major markets, but in terms of balancing these two factors, it is a much more positive environment generally than 12 to 15 months ago.

In the US we are seeing national builders actively bidding on finished lots to fill the 2010-2011 housing programs. As a result, finished lot prices are moving up, albeit not yet to a level that justifies new development on a large scale. Albeit this does differ

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

on a city by city basis. All-in-all we are pleased with where we are at this time, and believe that with a more stable market environment we can meet our guidance numbers for 2010. That is all, Ric.

Ric Clark - Brookfield Properties Corporation - CEO

Great. Thanks, Alan. So I think that is it with our reports. I think we probably went on a little longer than we had expected. But operator, we are pleased to turn the call over to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Your first question come from the line of Jay Haberman with Goldman Sachs.

Sloan Bohlen - Goldman Sachs - Analyst

Hi guys, it is actually Sloan, Jay is with me as well. First question, Ric I don't think you mentioned it, but could you give us any update on the refinancing progress within the US Office Fund?

Ric Clark - Brookfield Properties Corporation - CEO

Well, not a whole lot to say now other than we have been hard at work at it. We have been talking to a number of bankers. We have been pleased, a number of possible lenders. We are pleased as to what we are hearing from people, as far as what they are able to achieve. So not a lot of meat to report at this point, hopefully soon but not yet.

Sloan Bohlen - Goldman Sachs - Analyst

Okay. And then just as a general question, the switch to IFRS, does that have any effect at all on where I guess banks would look at your loan to values, or how things are underwritten?

Ric Clark - Brookfield Properties Corporation - CEO

Bryan, why don't you take that? It shouldn't, but I will leave it to you, Bryan.

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Yes. Well, ultimately I would say that the change to IFRS is really just a representation of our financial statements. It doesn't ultimately impact any of the economics or the value of our underlying portfolio. As it relates to our specific bank covenants, most of them dealt with modified GAAP financial statements in any event, and utilized their own valuation metrics to come up with the appropriate loan to value covenants. But long and short of it, no impact.

Sloan Bohlen - Goldman Sachs - Analyst

Okay. And then lastly, Ric, you had mentioned that development opportunity at Bishopsgate. Could you wager an idea of what kind of potential yield you would look at there, and what the development cost or what the size of the project might be?

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Ric Clark - Brookfield Properties Corporation - CEO

Well, we are still working through all that. But it is roughly 900,000 square feet, all-in costs including land, interest, the whole works, I am just going to say in the 700 million Pound department. But don't hold me to it, because we are still working through everything. That is just kind of a ball park frame. Yields would be typical development yields. We would be looking for more opportunistic kind of yields, and we would be looking to get a substantial amount of pre-letting done before we launched.

Sloan Bohlen - Goldman Sachs - Analyst

And are rents today currently justifying that level of cost?

Ric Clark - Brookfield Properties Corporation - CEO

Moving in that direction. And for a large space, users looking to be accommodated is we think achievable.

Sloan Bohlen - Goldman Sachs - Analyst

Okay. All right. Thank you, Ric.

Ric Clark - Brookfield Properties Corporation - CEO

Okay. You are welcome.

Operator

Your next question comes from the line of Sam Damiani for TD Newcrest.

Sam Damiani - TD Newcrest/Waterhouse Securities - Analyst

Good morning. Bryan, your comments on the interest expense in the quarter, you mentioned some unusual items. I wonder if you would comment on that. And also page 35 of the supplemental report details the average interest rate for the fixed and floating portions of the debt, they seem to have changed versus the year end disclosures. I wonder if you could explain that as well?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

So, yes, the specific unusual item that I was referencing was with respect to the monetization of our Washington property. And I think we actually talked about this in response to a question last quarter. We had to gross up our balance sheet with an effective preferred share issue, and then gross up our other liabilities, with respect to an offsetting preferred share issue, all net within the one structure. The result of that, of course, is a gross up on the P&L of interest income included in interest and other, and offsetting interest expense, included in the interest expense line item of \$2 million.

With respect to your specific question on movement, in rates, I don't know if I have an answer for you offhand. So I may just defer that, until I could get a little bit more detail and get back to you. But on average LIBOR rates were relatively consistent through the first quarter, as they were with the end of year disclosures. So Sam, let me take that away and I will get back to you.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Sam Damiani - TD Newcrest/Waterhouse Securities - Analyst

Okay. Thank you.

Operator

Your next question comes from the line of Michael Bilerman with Citi.

Michael Bilerman - Citigroup - Analyst

Yes, Bryan. It was helpful to have the reconciliation between the GAAP and the IFRS. I guess what are your plans for the rest of the year, in terms of reporting both, and having the disclosure the way you have had it in this supp, or is this sort of a one-time, and there is not going to be any more sort of GAAP disclosure?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Well, ultimately we prepare the supplemental to make it easier on those that follow the Company to understand our financial results. And I would say to the extent that you found this helpful then, we will continue it. In an ideal world, we spend a little bit of time just getting everyone comfortable with our IFRS reporting, so that come at least the end of the year, we can ultimately jump both feet in to just full on IFRS reporting, and not have to maintain Canadian GAAP. But I am open to of course feedback from you guys. But I would expect at least another couple quarters, just to help reorient everyone.

Michael Bilerman - Citigroup - Analyst

That is helpful. Ric, I missed the Annual Meeting yesterday. What is the rationale for Bruce and Linda stepping off the Board? And lowering the Board to 10 rather than keeping it at 12?

Ric Clark - Brookfield Properties Corporation - CEO

Well, I think it kind of happened. So the rationale. I mean it, it happened kind of right as we were filing reports. And the rationale for Linda was really her own personal reasons, and other commitments and priorities. And the feeling was that we want the Board to remain, the feeling from the Board was they wanted it to remain largely more independent Directors than insiders. So one of the insiders wanted to step down, therefore, so Bruce decided that he would do it. So nothing more to it than that. We think 10 is a large enough Board, particularly relative to others in the industry. So the Board doesn't feel like they will miss a beat.

Michael Bilerman - Citigroup - Analyst

And I guess does that signal Bruce's desire from his own time, in terms of his priorities within the BAM organization of stepping off properties, versus other things as his focus?

Ric Clark - Brookfield Properties Corporation - CEO

Not at all. I wouldn't say that. He still spends lots of time with all of us. So it doesn't indicate that at all.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Michael Bilerman - Citigroup - Analyst

Bryan, Maybe just going over to BCR now, that transaction having been affected, and now properties becoming the external manager of that REIT. If you could talk about the effect that transaction is having or will have, in terms of your financials, and your plans to sell down that stake over time, and how we should think about that?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

So we still continue to own a great portion of BCR, 90%, which is slightly up from the 89% that we owned of the predecessor BPO properties. We are going to continue to consolidate the entities. So to that extent, the fees that we will be paying ourselves, with respect to the management will effectively be eliminated as a result of the consolidation. So it doesn't really have any initial financial implications up front. Where it will ultimately have implications is if at some point in time, we execute a sell down of our interest to something lower than 90%, and maybe at some point to lower than an interest that would require us to consolidate. At that point we would start to generate of course more income earned from third-party investors, and would start to get the benefit of that. Hopefully flowing through our fee income line, but it wouldn't surprise me if it somehow gets netted against minority interest as a result of consolidation. But long and short, the really only impacts start to take place once we sell our interest down with respect to the new external management of it.

Ric Clark - Brookfield Properties Corporation - CEO

So as far as timing of sell down, which I think was part of your question, we hope to do that shortly. There are administrative procedures you have to follow to get it done. So it is not going to be in a week. But our view is we want to start to do that as soon as we can. We think it would be good for the stock, good for the minority shareholders, and we hope to do it soon.

Michael Bilerman - Citigroup - Analyst

And just by way of math, if you sold down to 50% and you deconsolidated, what is the value of that 50% stake? And then what would be the fee income that properties would earn off of the other half of the stake? Speaking about --

Ric Clark - Brookfield Properties Corporation - CEO

Today's prices.

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Yes, the REIT has about \$2 billion of equity at today's price. So 50% of that.

Ric Clark - Brookfield Properties Corporation - CEO

So \$800 million would be --

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

We own \$1.8 billion.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Ric Clark - Brookfield Properties Corporation - CEO

40% of \$2 billion is \$800 million.

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Yes. And I think our forecast with respect to the fees that we would earn from the REIT, and also remember we are absorbing all of the G&A as well, is in the neighborhood of I think \$10 million a year. So to the extent that we own 50%, and we are paying half of that to ourselves, then the other half of that would be incremental fee income.

Ric Clark - Brookfield Properties Corporation - CEO

So might I just point out, I am not suggesting that we are selling down to 50. We might or we might not. But that was your example, so just to those that are listening, we followed your example.

Michael Bilerman - Citigroup - Analyst

Okay. I don't want to put words in your mouth.

Ric Clark - Brookfield Properties Corporation - CEO

No. No.

Michael Bilerman - Citigroup - Analyst

The last question is just relating to the US Fund. And I think you said you were progressing and having discussions. I guess given the improvement in the debt markets, both in terms of proceeds levels, and in terms of rate, how do you think about the equity gap that exists today within the fund, and you are thinking of meeting that first using asset sales, or using equity contributions to get there?

Ric Clark - Brookfield Properties Corporation - CEO

Well, first of all, as time goes on it is narrowing. So as the financing markets improve--

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

and the sales markets seem to be improving as well.

Ric Clark - Brookfield Properties Corporation - CEO

-- so the gap is narrowing. And the plan probably would be a combination of things. There are assets in there that aren't long-term holds. At some point we will probably move some merchandise, and a part of it would be possibly an equity infusion. But as time goes on that gap continues to narrow.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Michael Bilerman - Citigroup - Analyst

I am just wondering, take us through the last 12 to 18 months, you originally thought it was like a \$1 billion equity gap. Where do you think that is today to what you need to fund?

Ric Clark - Brookfield Properties Corporation - CEO

Yes, actually I am not even sure we ever thought it was going to be that high, Michael. And I don't think we want to, I don't think we can throw out a number right now. But I would say our is, our expectation is it is materially less than the number you just threw out.

Michael Bilerman - Citigroup - Analyst

Okay. Thank you.

Operator

Our next question comes from the line of John Guinee with Stifel Nicolaus.

John Guinee - Stifel Nicolaus - Analyst

John Guinee here. Thank you. A few quick questions. The timing of the Blackstone buy-sell being effective, how does that tie in with the big maturities on the US fund? Is that within a month or two?

Ric Clark - Brookfield Properties Corporation - CEO

So I don't know, Bryan, what of that has been disclosed in the past?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Yes. I think the timing is a period in early January, which I think coincides with pretty close to the period at which point the US fund matures in October 2011. So there is a time period that we have disclosed in our notes that covers off the first half of 2011.

John Guinee - Stifel Nicolaus - Analyst

Okay. So they are within a few months of each other, I guess.

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Yes.

John Guinee - Stifel Nicolaus - Analyst

Second, I guess probably for Dennis, Goldman Sachs when they moved from lower Broad Street to 200 West, that is almost a mile as the crow flies. It is over a mile if you actually drive it. We have seen some leases signed at 60 Broad and 125 Broad, which to indicate a much more of a back office orientation for the Broad Street submarket. Is there any sense that Goldman moving



May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

from one side of a very large market downtown being 80 or 90 million square feet, all the way to the far Northwest corner, from the southeast corner to the northwest end of that sub market will have any effect on sort of the epicenter of the sub market, or the downtown market moving?

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

I think, John, there is definitely, their presence was so significant over in that corridor that there could be a trend line there to a certain extent. Parts of that corridor have been, upper part of the Broad Street/Water Street corridor have been bringing in different types of users, some of which have added some diversity. The 1 New York, 85 Broad, some of those other more top of the market buildings in that corridor are right now we are getting interest from a number of very substantial financial services firms, and other similar-type users from that standpoint. So I think my short answer is, I think certain things have evolved prior, and now the situation we think that for certain products there is a replacement for Goldman on that side.

Ric Clark - Brookfield Properties Corporation - CEO

John, this is Ric. I just would add, look, there is no question that because of the massive amount of money spent on infrastructure on the west side, and because of the vintage just when they were built and the quality of the buildings on the west side, the properties over where we have our offices no question will demand a premium. The buildings that you mentioned actually, though, would be lesser in quality than others on the east side which I think will do well, but not as well as the highest-quality products on the west side.

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Right. I just had one other thing. There is a major infrastructure project being launched, which is going to extend the promenade from the Hudson River Park, wrap all the way around to the footsteps of the Brooklyn Bridge, which we think will create a good, great connectivity between basically the water line on the harbor downtown, which Ric is alluding to, the sort of center core where there are a lot of older buildings. And then the potential really for the east and west--

Ric Clark - Brookfield Properties Corporation - CEO

You are going to regret asking this question, John, because we're so excited about lower Manhattan that, in addition to ringing the South end, on the north end, Fulton Street, there is a tax advantaged program, where the street scape is going to be improved, trees planted and the facade actually improved, renovated and lit. And I understand over 70 owners along that line have signed up for the program. So it is actually going to make great connectivity from the east and west. But no question I think the properties in the west are more valuable for the reasons that I gave. But the higher quality properties because of many of these things, should do well on the east.

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

John, I mentioned in my comments, and we won't continue to go on. But we do actually have a presentation that has been very effective with tenants and other stakeholders here, which could give you a good sense of the way lower Manhattan is playing out from the infrastructure improvement standpoint, including these promenades and parks that we have looked at either, in your neck of the woods, or if you are in New York to have us present that to you.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

John Guinee - *Stifel Nicolaus - Analyst*

So Dennis, what you are basically saying is you think World Financial Center will do well relative to its west side competition, but 1 New York Plaza will do well relative to its competition?

Dennis Friedrich - *Brookfield Properties Corporation - President, CEO, US Commercial Ops*

Yes.

John Guinee - *Stifel Nicolaus - Analyst*

Last question. I think you may have taken out a book value page on your development schedule. Was that a one-time omission, or a permanent omission?

Ric Clark - *Brookfield Properties Corporation - CEO*

Is that because of IFRS?

Bryan Davis - *Brookfield Properties Corporation - SVP, CFO*

Yes. Yes, we do have the value of all of our developments included I think in slide 13, or the slide that we include all of our property values on, what we did though, is we just continue to maintain the listing of the development that get included in those numbers that we disclosed on slide 13. Just from a size perspective, just for your reference.

John Guinee - *Stifel Nicolaus - Analyst*

So the backup to page 28 will no longer be included?

Bryan Davis - *Brookfield Properties Corporation - SVP, CFO*

Yes. I mean, one of the things we wanted to avoid just with getting right down to the asset by asset level of disclosure, and unfortunately that is what that original slide lent itself to. But again we are going to evolve our disclosure under IFRS. So we will take that under consideration.

John Guinee - *Stifel Nicolaus - Analyst*

That is a very helpful slide. That is it, thank you.

Ric Clark - *Brookfield Properties Corporation - CEO*

Thanks, John.

Operator

Your next question comes from the line of Alex Avery with CIBC.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Alex Avery - CIBC World Markets - Analyst

Thank you. I was just hoping you could talk a little bit about your liquidity position. And I guess if you look at that liquidity position if you were to I guess allocate it into different buckets where you would see that going, whether it is dealing with the Trizec debt, some opportunistic acquisitions, or things like Washington, and then I guess lastly perhaps some development opportunities?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Maybe I will start off giving just a sort of summary of our liquidity position and then maybe I will turn it over to Ric, to just talk through the various different buckets that we would likely consider. We talk about a number probably it ranges anywhere from \$1.5 billion to \$2 billion, including our bank lines availability. Currently we continue to have our deposit with Brookfield Asset Management, it is approximately \$600 million. We have our consolidated cash position of about \$180 million. We also maintain some other sort of liquid short-term investments to the tune of about \$300 million. So in aggregate that is the \$1 billion of cash that we were successful in raising, over the course of last year. Over and above that we increased our corporate bank line. I think we ended the year at \$420 million or thereabouts. We are now up to \$460 million. That continues to be undrawn. And we also have an undrawn line with Brookfield Asset Management of \$300 million. So the aggregate of those is about \$800 million. So if you aggregate all of that together, about \$1.8 billion of liquidity. That is a backdrop in terms of bucketing.

Ric Clark - Brookfield Properties Corporation - CEO

So on the growth side, we have been active underwriting assets, both single assets and portfolios. Domestically we have looked at things. And I guess we are most interested in New York and Washington DC, but have looked at some things in some of our other markets. I think if we are going to do a single asset acquisition we are looking for four-plus kind of returns. Otherwise I don't think it makes sense to put the money out and looking for greater returns on portfolio acquisitions. We have considered some things internationally. Obviously you would have noted we did the deal in London, and continue to think that that market makes sense for Brookfield long-term. But I think there are other kind of markets that might be of interest as well. But we will see. We are looking at a lot of things. Hopefully we will find some things that make sense.

Alex Avery - CIBC World Markets - Analyst

Okay. And then with your I guess recent joint venture in London, that is certainly a positive sign seeing some new development activity. There were some comments earlier on the call about early signs of recovery, and recognizing in markets like I guess Toronto and New York. Recognizing the time required for some of the developments like your Manhattan west side project, are you beginning to reassemble a team looking at development, or is it still too early for that kind of thing?

Ric Clark - Brookfield Properties Corporation - CEO

Well, we didn't really disperse the band. So we have our development folks here. And they have been busy even in the downturn, just making sure things were positioned and entitled and are ready to go when the market returns. We have seen a few reports from analysts talking about the lack of construction over the last decade or so. And the point that we have made repeatedly, we think this is going to be a very important data point once the economy starts to get legs and recover. Just looking at vacancies relative to low spots, at this point in past cycles it's not bad. It's much better. Looking at the lack of new construction.

So in our view, we should see pretty healthy rent rises and pretty healthy tenant demand, once the economy gets legs. It is hard to say when that will be but we will be ready. And I wouldn't be surprised if we don't see development here in North America sooner than everybody expects. But nothing is imminent for us. We are just kind of ready to roll. And times like this when we like to add to our development pipeline, we either do it on a low-cost basis, or deals like we did at 100 Bishopsgate, which will

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

have a nice yield if we have to warehouse it for a while. So we are quite excited about it. And I think this big pipeline of ours, this 15 million square feet, could add substantially to our NOI and FFO going forward. So I don't know if I exactly answered your question. It is hard to peg timing but I bet it is going to be sooner than people think.

Alex Avery - CIBC World Markets - Analyst

Okay. And then just with respect to investments like the Washington one, are you currently active on any other investments of that type, or are you just underwriting sort of straight-up acquisitions?

Ric Clark - Brookfield Properties Corporation - CEO

We are doing both. We announced a couple of quarters ago that our participation in this real estate turnaround consortium as the office sponsor with Brookfield Asset Management sponsoring other real estate alternatives. And we have got a team looking at lots of things. And whether it is straight up acquisitions through the equity or through the debt, we are poised and have the skills to do either. So we are looking at other things. Nothing really to report though at this moment.

Alex Avery - CIBC World Markets - Analyst

So it would be safe to assume that the \$300 million liquid investments that Bryan referred to would correspond to the Washington portfolio?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

No. These are just for us looking to see a little bit higher return than having it sitting on deposit with a bank, and included as cash.

Ric Clark - Brookfield Properties Corporation - CEO

Just on a short-term basis.

Alex Avery - CIBC World Markets - Analyst

Okay. And then just lastly with respect to your assets held for disposition, can you just give us an update on what you think the market is what the prospects and timing are on that?

Ric Clark - Brookfield Properties Corporation - CEO

Dennis?

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Yes. Sure. Well, I think one thing that transpired which I believe we reported in the last quarter was that the, happened at the early part of the year, that ownership structure on one of the assets was cleaned up, so to speak. We held in essence the equity in a complex wrapped mortgage situation, which has now been cleaned up to be a straightforward fee interest. Both of those assets comprised I would say fairly straightforward office buildings, most of which are stable, have good strong tenancy, and then urban retail, which is a little more complicated. It hasn't been as performing as at high a level from an occupancy standpoint.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

So I think if and when we see pickup in the secondary markets, and I think I would say when, because capital is starting to get a bit impatient I think for some of the primary cities, like New York and DC, and what we are noticing is that there is more interest in some of the secondary markets like Minneapolis and Denver, and LA to a certain extent. So I think we could see some things playing out more as that moves along. But I think we would want to see markets firm up a little bit from a capital market stand point, particularly on the office side, for those types of markets.

Alex Avery - CIBC World Markets - Analyst

So it could be later in the year, or even into next year?

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Yes, potentially.

Alex Avery - CIBC World Markets - Analyst

Okay.

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

I think we would like to see firming up this year.

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

I mean, I think there has been some momentum heading in the direction of some capital startings that flow into those other types of markets, as opposed again just in New York, DC, which has been the primary interest.

Alex Avery - CIBC World Markets - Analyst

That is great. Thank you.

Operator

Your next question comes from the line of Mario Saric with Scotia Capital.

Mario Saric - Scotia Capital - Analyst

Afternoon. Just with respect to the IFRS valuation and looking at slide 13, the valuation parameters, can you just give us a bit more color on the construction of the going in cap rates, and the terminal rates, with reference to where you see longer term kind of US Treasuries and Canadian bond yields?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Yes, sure, I will take a bit of a stab at that. Ultimately with respect to the going in cap rates, that is like an output from our DCS. Of course on the discount rate front in both of our markets, you are focused at a spread over the 10-year, which I think sits around 3.5% in Canada, and maybe slightly higher in the US as a benchmark rate. I don't necessarily know if we have a collective

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

view on where rates are going to go, except there is likely a momentum that they start to trend a little bit higher. Having said that, as you have seen in the past, you may also see a narrowing of the risk spread associated with Class A commercial real estate, that gets added to that base rate.

But ultimately the discount rates that we are disclosing on slides 13 were established asset by asset in consideration of a number of things, including the tenant profile, under market versus over market lease profile, when the rolls take place, the age of the building, the type of market that they are in, and they can range anywhere from probably high-11s in some of our markets, to a 7% discount rate in other of our more stable markets. Terminal rates, I don't know. I think we would expect that, and I think the equity market is already pricing cap rates at lower than what we are coming up with from our valuation parameters. One of the comments that I made in my notes were that this tends to be more heavily influenced by historical trends than it is by future trends. And as you see some of the NAVs that I think some of the analysts have for us in the \$17 to \$18 range, it would suggest that cap rates are trending down into the low 6% range, which we would think is absolutely appropriate for a portfolio of our quality.

Mario Saric - Scotia Capital - Analyst

Okay. And I guess on the same topic but focusing on the residential business, IFRS doesn't allow you to mark up that business to fair value. Your parent Brookfield Asset Management has in the past has provided some quantification as far as the per share uplift if it were to do so. Can you may be provide some comments or color on what that number would look like at the BPO level?

Ric Clark - Brookfield Properties Corporation - CEO

I don't think we would have that with us today. So it is something we would have to get back to you on. But probably it would make sense for us to first look and see what Brookfield Asset Management has done in the past. Because I don't think any of us are familiar with what they have done. So we'll have a look at it.

Mario Saric - Scotia Capital - Analyst

Okay. But presumably given most of your inventory was accumulated back in the 1990s, would it be fair to suggest that your perception of fair value is significantly higher than the book value today?

Ric Clark - Brookfield Properties Corporation - CEO

Look, it is hard to say. There was a time where we were earning \$240 million a year, that we thought for sure it was very meaningful more than book value. And then there was last year. So I am not sure we have a firm view. It is an up and down business. But last year in a down period in the cycle, it had its fourth best year ever. So anyway, I apologize for not giving you a direct answer. I don't think we have the answer as we sit here. But we will work on it.

Mario Saric - Scotia Capital - Analyst

Okay. Great. Thank you.

Ric Clark - Brookfield Properties Corporation - CEO

Okay.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Operator

Your next question comes from the line of Karine MacIndoe with BMO Capital Markets.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Thank you. In the event that equity is required with the US Office Fund, is your early indication that the various partners are on board for that? Can you give us any color in that regard?

Ric Clark - *Brookfield Properties Corporation - CEO*

I don't know that we can. But I can tell you it would be illogical for them not to be on board. I mean, it is interesting. I think investors and analysts such as yourself, consider the worst case scenario, that our partners don't pony up the money should they be asked to do so. And honestly that is the worst case scenario is the best case scenario for us. Because there is lots of value within these assets. The NOI alone on our part of the portfolio has gone up by about a third, or will have gone up by about a third, by the time the mortgage or the loans roll over next year. So we would be quite excited about the doomsday scenario. But at this point we haven't really sat around the table and asked everybody to pony up. We are just not that far yet, I guess.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Okay. And then on slide 10, why don't you kind of go through the unconsolidated JVs. And the US Office Fund detail that we have here, I mean, that is under IFRS, and so is the best guess on fair value. Assuming that we have a relatively stable cap rate environment, and this number is somewhat accurate, I guess it would suggest if you could go as high as 65% leverage, that maybe for 100% of the portfolio there could be \$1 billion required. Is that the right way to look at this? Or do you think that true what you are looking at you could take leverage even higher through other sources?

Ric Clark - *Brookfield Properties Corporation - CEO*

I would say a couple things. So 100% of the portfolio, meaning our partners in the Blackstone side of the interest, et cetera?

Karine MacIndoe - *BMO Capital Markets - Analyst*

Yes.

Ric Clark - *Brookfield Properties Corporation - CEO*

Yes. So, I am not really studying the numbers right now. and digging into the details which aren't there. I would say that could be a ball park number, but my expectation is that if things continue that way that they are going now, we could see an increase in those values quarter by quarter, as we get, and we have got a number of quarters until we get to the expiring of the loan, one. For two, we will be selling some assets within the portfolio, and when you put them in a competitive bidding position, I bet the values will look nothing like what we have in our valuations here. Because that is not the way that valuations work.

Karine MacIndoe - *BMO Capital Markets - Analyst*

Okay.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

And could I just state one other thing as well also I think as Ric alluded to before, there is a lot of contractual NOI locking in. And its abilities to increase occupancy. So if you look at this on a debt yield standpoint, as you get closer and closer the leverage could go up.

Karine MacIndoe - BMO Capital Markets - Analyst

No. Those forecasts would going into the fair value of the properties, I would assume, right? (Overlapping Speakers).

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Yes. But it is still a point of time, though.

Karine MacIndoe - BMO Capital Markets - Analyst

Yes. Okay. The NOI that's here on this slide, what is the cash NOI equivalent? Do you have that anywhere?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Well, on this slide the majority of the noncash stuff which was the intangible amortization is no longer included.

Karine MacIndoe - BMO Capital Markets - Analyst

Oh, that is right. Okay. Alright. And then just quickly on the comment that was made about Merrill moving some employees into the World Financial Center, can you elaborate a little bit more on that, in terms of what you are seeing in term office who they are moving out, what they are moving in, and how it is netting out, and how you envision this playing out?

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

It is Dennis. I threw the comment out and we have mentioned in a few other calls that early in the merger had moved out certain functions, like investment banking and trading. And what is transpiring now is some other groups are being moved in. I really don't really have a clear picture right now what that means long-term. It is just a general positive signal that they own half of Four World Financial Center headquarters. I think that is being recognized as a good, low-cost option, partly because of the ownership. And as they have been looking at their New York envelope, they have started to move some people in. I don't really, I wouldn't want to go as far to indicate that that's going to be a picture of what's going to happen long-term. It is just really I think a positive signal that we have had some move outs early on, and now it is sort of headed in the opposite direction.

Karine MacIndoe - BMO Capital Markets - Analyst

Okay.

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

It is too early to tell. And it is different types of groups. Some support some middle management side. I think we are hopeful that we will get more and more clarity over the next few quarters.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Karine MacIndoe - BMO Capital Markets - Analyst

And last quarter you were contemplating a redevelopment for this whole complex. Is that still well underway? Do you think you are soon to announce plans?

Ric Clark - Brookfield Properties Corporation - CEO

Yes. We are hoping to soon. Possibly, don't necessarily hold me to this, but possibly by the next time we convene this call, hopefully.

Karine MacIndoe - BMO Capital Markets - Analyst

Okay. Great, thank you.

Operator

Your next question comes from the line of Ross Nussbaum with UBS.

Ross Nussbaum - UBS - Analyst

A couple of questions. Ric, I am curious, why was the London investment made by BPO rather than BAM? And then I guess along a similar line of questioning, why is the Carr America being done with Brookfield/partners, as opposed to the Opportunity Fund?

Ric Clark - Brookfield Properties Corporation - CEO

Okay. So the first question in London, why properties in, this was a very logical investment for properties. There were lots of synergies with our organization. The tenants, basically the tenants within our North American portfolio, many of them are likely candidates for kicking off this development, for one. And we have said for a number of years that we think cities like London made a lot more sense to us than most cities in the United States. I mean, it is in keeping with our strategy. So this was a logical investment for us. Within properties. So there is really nothing more to it than that. BAM has been great about recognizing when there were synergies.

And I can tell you by the phone calls we've gotten just after making this announcement, our thesis that owning assets in a number of the major cities in the world make a lot of sense, and others who have tried a broader strategy in the past, sort of talked about the synergies of savings on toilet paper. We never really bought into that. The synergies really come on the tenant and revenue side. And we are kind of seeing that on this deal. So that is kind of cutting through it is the reason why.

The other question that you asked, why was this done in the consortium versus the Opportunity Fund, you must be referring to the Opportunity Fund sponsored by BAM? The smaller fund. The mandate for those funds are, as far as I know, real estate, interest in real estate that are not directly competitive with Brookfield Properties. So this is high quality portfolio assets in a market where we are one of the dominant landlords. And it to me makes crystal clear sense that it belongs in Brookfield Properties versus the Opportunity Fund. Really there aren't assets like this in that Opportunity Fund.

Ross Nussbaum - UBS - Analyst

I would agree. Ric, how much of your time if any is being spent on regional malls, general growth, I saw that your name was on the list of proposed Directors?

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Ric Clark - Brookfield Properties Corporation - CEO

I would say not a whole lot of time, I mean we dedicated some real estate resources to this effort a very long time ago. But honestly this has been a restructuring. So the bulk of the heavy lifting over the last 12 months has been done by the restructuring group. I think you can't be a senior executive within the BAM group of companies, without chiming in on things like this from time to time. But it really has not been a lot of my time.

Ross Nussbaum - UBS - Analyst

Okay. And then finally, Bryan, question on page four with respect to the per share IFRS valuation. I am just curious, why was it disclosed on both a pretax and a post-tax basis, and was that meant in any way to suggest that the \$547 million deferred tax liability is something we should think about as Brookfield never having to pay?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Well, on a post-tax basis of course that is just calculating our equity in accordance with how it is calculated under IFRS and would have been under Canadian GAAP. Deferred tax liability is really a theoretical liability. It is to assume that if you sold your entire portfolio today at the values you carry it on your books, over and above the positive tax attributes that you may have within the system, how much would you have to pay, I suspect that that is as theoretical a liability as they come. And so for the benefit of a lot of people who prepare their net asset values, and don't include that, we just sort of did the calculations for them.

Ross Nussbaum - UBS - Analyst

Yes. The other reason I asked is that it was a material number. And obviously from the outside it is hard to figure out whether or not Brookfield will be on the hook for \$547 million at some point? Obviously the accountants think so otherwise it wouldn't appear as a liability.

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

If we wound down the company and sold everything then I guess theoretically that is possible.

Ross Nussbaum - UBS - Analyst

All right. Thanks.

Operator

Your next question comes from the line of John Stewart with Green Street Advisors.

John Stewart - Green Street Advisors - Analyst

First of all, Dennis, can you let us know what the rent was on the renewal with RBC at 1 Liberty and 3 World Financial?

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Usually, John, we usually don't disclose specific terms on the tenant leases. We tend not to do that on these calls.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Ric Clark - Brookfield Properties Corporation - CEO

We want to charge the next guy a little bit more.

John Stewart - Green Street Advisors - Analyst

Can you give us a sense for rents at the World Financial Center, as opposed to other areas of downtown?

Ric Clark - Brookfield Properties Corporation - CEO

How about just generally market rents, Dennis?

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

I can give you some of the background on the RBC transactions, because it is not an entirely straightforward type transaction. It involves a relocation of some of the requirement current occupancy at 1 Liberty over to the World Financial Center, and then an extension out in time, John, for about 76,000 square feet of that. The second part of it was an extension also out in time, for the other block of space at 1 Liberty. So it is future rents was really the key to the transaction. Preserving what their existing rent was for a block, and then locking it in long-term. So where we are right now in the Financial Center we are in sort of that 50s gross range, and for other parts we are dipping into the 40s gross.

John Stewart - Green Street Advisors - Analyst

Okay.

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Starting rent, I should say that, I emphasize, not average rent.

John Stewart - Green Street Advisors - Analyst

Got you. And then Ric, you addressed the progress you guys have made on 2013 expirations. And I believe in the context of those comments you touched on 4 million square feet of activity, which would seem like it would have to cover almost all of the Merrill space. Can you give us any color on what you were talking about there?

Ric Clark - Brookfield Properties Corporation - CEO

Yes. So formulative activity is sort of discussions with 4 million of the tenant. And it was equally distributed between the US and Canada. So it is sort of 2 million in the US and 2 million in Canada. So we have the 2013 expiring exposure extends beyond Manhattan. Just aboriginal kind of a year. That is not even the right word, I apologize.

John Stewart - Green Street Advisors - Analyst

Along those lines, what is the month of the Merrill lease maturity? Is it December or January?

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

It is September.

John Stewart - Green Street Advisors - Analyst

It is September. Okay. And what is the ground rent at the World Financial Center?

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Very minimal. It is just a few dollars a foot.

John Stewart - Green Street Advisors - Analyst

\$2 a foot. Okay.

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

Roughly \$2 a foot.

John Stewart - Green Street Advisors - Analyst

Got you. And then Bryan, can you please explain, I am sure this is an IFRS issue. But can you kind of explain the US fund acquisition option that shows up in the other assets?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Sure. Under IFRS, one of the sort of subtle nuances and differences between Canadian GAAP, is that we are required to account for the venture as if we owned, us and our fund partners owns 74% of the entire pool of assets. And Blackstone owns 26% of the entire pool of assets. Under Canadian GAAP, we were able to account for it on the basis that there is a high probability that the put call would be exercised by either party. And as a result, we effectively accounted for our interests based off of our specific pool of assets. So just stepping back into IFRS world, appreciating that there is a put call at a future date, 2011, or 2013 at our option there is a value associated with effectively the indirect interest in the Brookfield assets that are held by one of our partners that they would surrender to us when the option is exercised. And that is effectively what is included in that amount in our Accounts Receivable. And it should be read net of an amount that is included in the Accounts Payable on that same page.

John Stewart - Green Street Advisors - Analyst

So is that your best guess of the value of the true-up, and the difference in value of the managed assets versus non-managed?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Effectively, yes. And I would say another way to look at it is if you take the \$1.42 billion that we disclose is the net investment on the specific slide 10, you take into account the one other nuance that one of our fund partners actually owns their interest in the same entity that we do, and as a result their minority share is included somewhere else. If you take that off, the 283 million that we footnote, and you get down to a \$759 net investment, if you add to that the option that is included on page 34, that would be what we have valued effectively.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

John Stewart - *Green Street Advisors - Analyst*

Got it. That is helpful. Thank you. I wanted to come back to an earlier comment. I guess Ric you would said that at refinancing of the debt in 2011, the NOI will have gone up by a third? And just comparing disclosure from previous to current, it only looks like about 10% based on what I am inferring. Can you kind of help us bridge the gap there? I know Dennis may have touched on it when he referenced some contractual increases. But I guess I am not clear why that wouldn't be included in the straight line rent number? What are we missing?

Ric Clark - *Brookfield Properties Corporation - CEO*

So I am going to start with one little clarification and then let Bryan do the heavy lifting here. Hopefully he is able. But the NOI comment is a cash NOI number. It is just a rough number. And I am doing this from memory. It should go up from about \$270 million to \$370 million, if I am remembering right.

John Stewart - *Green Street Advisors - Analyst*

Right.

Ric Clark - *Brookfield Properties Corporation - CEO*

Bryan, do you want to send me a lifeline here?

Bryan Davis - *Brookfield Properties Corporation - SVP, CFO*

Yes. And one thing that doesn't always get captured in, well it doesn't get captured in the straight line rent number is just revenue recognition. I mean, as you sort of deal with the renewals of your leases, some of which start at future dates, even though you have dealt with that leasing activity in the past, you won't be recognizing those in your current NOI as reported, whether it be cash or noncash. And there is also a component of that that is mark to market. I think we also talked about in the past that the expectation is that it will be \$370 million by 2011. There was a component of that was contractually already bound, based off of leasing activity that had been done. And there was a component of it based off of the activity that we expect to do between now and that date.

John Stewart - *Green Street Advisors - Analyst*

Got it. So of that \$100 million, how much is contractual?

Ric Clark - *Brookfield Properties Corporation - CEO*

The majority.

Dennis Friedrich - *Brookfield Properties Corporation - President, CEO, US Commercial Ops*

The majority.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Dennis Friedrich - Brookfield Properties Corporation - President, CEO, US Commercial Ops

It is probably close to 90%, 85 or 90%.

John Stewart - Green Street Advisors - Analyst

Okay. Okay. And then lastly, it seems if you look at the statement that you guys planned to reduce your stake in BCR over time, that kind of seems like a reversal in course, from previously tendering for 100% of a thing. Can you kind of help us understand the rationale there?

Ric Clark - Brookfield Properties Corporation - CEO

Yes, sure. I mean, for I guess it is a couple of things. One is it is a very unique collection of assets and public entity in Canada. There really is nothing like it. Anything that was anything remotely like it has been privatized over the prior decade and a half by pension funds. So our feeling was because of the lack of supply for things like that and because of the demand, if we created the liquidity for it, it would trade really well, it would trade really well and values would creep up. So part of it was it would give us the flexibility to raise our investment up and down over time, and redeploy money into other markets that we thought would more accretive for Brookfield Properties shareholders. That was part of it, and frankly the second part of it was this would not have been an easy thing to privatize. We had tried a couple of times. Couldn't do it. There were a number of fulcrum investors that liked this thing, and wanted to stay in it. So we decided, let's just embrace it because we think by doing that we can create value for Brookfield Properties shareholders.

John Stewart - Green Street Advisors - Analyst

Got it. Thanks a lot, guys.

Ric Clark - Brookfield Properties Corporation - CEO

You are welcome.

Operator

Our next question comes from the line of Jimmy Shan with National Financial Bank.

Jimmy Shan - National Bank Financial - Analyst

Back to the US Office Fund NOI, if I look on slide 11 I believe the NOI there looks like it is cash, \$92.3 million for the US fund managed. And if I multiply that by 4, I get essentially 370. Am I missing something there? Is there like a one-time fee income in there, that would have caused this number to be basically at your 2011 target?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Not that I am aware of in 2010. The one thing you do have to consider is there are some rolls within that portfolio. In particular one roll at One New York Plaza at the end of 2010, that will ultimately reduce that for a period of time. But yes, I just did that same math, Jimmy, and you are not missing anything.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Jimmy Shan - National Bank Financial - Analyst

Okay. And then with respect to the Bishopsgate, how shall we think about that, in terms of is this a one-off opportunity, or should we expect that relatively it will have a much more meaningful presence in that market, and ultimately develop an operating platform there?

Ric Clark - Brookfield Properties Corporation - CEO

Yes. I think over time our hope would be to have a meaningful platform there. We are in no hurry. We are in no rush. I think the deals would have to make a lot of sense. I think 100 Bishopsgate did. It was just a perfect way to get introduced to the market. So we are making a little money in the meantime, and can study the market more closely, and just pick our moment. But there are just lots of synergies. I made this point before, and apologies for being repetitive. But just the incoming that we got after we made the announcement from our tenant base in North America, validated our feelings that there were lots of synergies on the revenue and relationship side, that would make this a great market for us.

Jimmy Shan - National Bank Financial - Analyst

Okay. And actually just one final. On BCR, the level of retained interest, is there a level you are comfortable with at the outset?

Ric Clark - Brookfield Properties Corporation - CEO

I think the range that, and this is just a gut thing so again don't hold me to it, but 40% to 60% ownership makes sense. I think there are, it would be a long time before we could ever get down to something like 40. But I think in general gut feeling, that level, that is a meaningful stake in this business. And I think that is sort of the goal post over time.

Jimmy Shan - National Bank Financial - Analyst

Great. Thanks.

Ric Clark - Brookfield Properties Corporation - CEO

Okay.

Operator

Your next question comes from the line of Neil Downey with RBC Capital Markets.

Neil Downey - RBC Capital Markets - Analyst

Bryan, just a quick one on your AFFO calc. I believe you disclosed \$5 million of straight line rent in consolidated properties.

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

Yes.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call

Neil Downey - RBC Capital Markets - Analyst

Yet there is a \$3 million adjustment as you go from FFO to AFFO. How do I think about that?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

So we have \$5 million of straight line rent at Bay Adelaide Centre. Offsetting that is \$2 million of sort of the opposite of straight line rent where we are actually, right. So you are looking at, oh right, and the other thing we're disclosing, too, is the net of minority share. So what we are doing is we are effectively backing out the \$5 million that relates to Bay Adelaide Centre, which is an as a result of IFRS and doesn't impact Canadian GAAP, and the minority share of straight line rent that goes the opposite way in our US portfolio. That would be included under both Canadian GAAP and IFRS.

Neil Downey - RBC Capital Markets - Analyst

Okay. And along the very same lines, you do have about two-thirds of the way through the package some disclosures on TIs and CapEx. It is also broken down between direct and effectively JVs. Do I think of all these numbers as being BPOs proportionate share of TIs and CapEx?

Bryan Davis - Brookfield Properties Corporation - SVP, CFO

No. These are consolidated numbers. In fact, yes, that is one of the things that we will include probably in a subsequent supplemental, just to make it easier to reconcile.

Neil Downey - RBC Capital Markets - Analyst

Okay. Thank you.

Ric Clark - Brookfield Properties Corporation - CEO

Operator at this point we are approaching two hours, and unfortunately are going to have to cut the call off. Many of you may still have IFRS, or other questions. Please feel free to check in with Bryan, or Melissa, or myself. And we would be happy to answer any questions that you have. And I just would wrap up by saying, although we made some really positive comments about the direction of the markets, sometimes when markets take off they take off a bit like a shot out of a bazooka. And that is not what we are suggesting. Things are definitely improving. We are excited about it. But there are some negative signs out there too. So it is kind of a wait and see. But I think all is well for us. And we are excited about the coming nine months, and the balance of the year. So thank you all. Thank you operator. We will talk to you all soon.

Operator

Thank you, ladies and gentlemen. This concludes today's conference call. You may now disconnect.

May. 06. 2010 / 3:00PM, BPO - Q1 2010 Brookfield Properties Corp Earnings Conference Call**DISCLAIMER**

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