

Q1 2008

Brookfield Properties



BPO: NYSE / TSX

FIRST QUARTER REPORT

March 31, 2008

Dear Shareholders:

Net income for the three months ended March 31, 2008 was \$23 million or \$0.06 per diluted share, compared to \$53 million or \$0.13 per diluted share during the same period in 2007. The prior period included a net gain of \$34 million or \$0.08 per diluted share on the sale of three non-core properties in Toronto and Ottawa.

Strong commercial property results, largely offsetting slow residential operations, resulted in funds from operations ("FFO") of \$126 million or \$0.32 per diluted share for the three months ended March 31, 2008 compared with \$129 million or \$0.32 per diluted share during the same period in 2007.

Commercial property net operating income for the first quarter of 2008 was \$349 million, up 11.5% from \$313 million during the first quarter of 2007. Residential operations contributed \$18 million of net operating income, compared with \$42 million in the same period in 2007.

During the first quarter, Brookfield Properties leased over one million square feet of space at an average net rent of \$32.71 per square foot, which represents a 42% improvement versus the average in-place net rent at the beginning of the quarter of \$23.11 per square foot. The company's portfolio-wide occupancy rate finished the quarter at 95.4%.

The fundamentals of the Western Canadian residential operations remain strong despite a slow quarter as a result of higher-than-normal housing inventory levels. With oil and natural gas prices hitting new highs, Brookfield Properties expects the residential division to continue to increase its sales pace which has improved each month since the beginning of the year.

HIGHLIGHTS OF THE FIRST QUARTER

Delivered 4 Allen Center, Houston, to tenant Chevron, which has fully leased the building. The asset is being reclassified from a redevelopment to an operating property. Brookfield Properties acquired the 1.2 million square foot building at 1400 Smith Street in 2006 for \$120 million.

Completed the disposition program for the non-core portfolio acquired from O&Y with the sale of Acres House in Niagara Falls subsequent to the first quarter. Proceeds generated from the disposition program following the November 2005 O&Y acquisition total \$200 million from the sale of 15 properties comprised of 1.7 million square feet in Toronto, Calgary and Winnipeg.

Advanced developments under construction which are 53% leased in aggregate. In Toronto, the 1.2 million square foot Bay Adelaide Centre West Tower continues on budget and on schedule. The concrete core has reached the 27th floor, the structural steel is erected up to the 18th floor and the installation of the curtain wall has commenced. Total pre-leasing stands at 65%.

In Calgary, the 265,000 square foot Bankers Court project completed above-grade structural work to the sixth floor, nearing the halfway mark for the structure. Base building mechanical and electrical work is progressing and curtain wall installation is beginning. The building is 100% pre-leased.

In Washington, D.C., 77 K Street, at 327,000 square feet, continues towards completion on time by year-end. Two Reston Crescent, at 185,000 square feet, is complete; the garage will be completed in June 2008.

Refinanced or extended \$370 million of debt maturing in the quarter. Transactions included Silver Spring Metro Plaza and 1250 Connecticut Ave. for \$160 million, 2000 L Street for \$56 million, and Bethesda Crescent for \$33 million, in addition to various others. These financings carry an average interest rate of 5.5%.

Repurchased 300,000 common shares of the company at an average price of \$18.64. Since the inception of the company's normal course issuer bid in 1999, Brookfield Properties has invested \$423 million, acquiring 36.3 million common shares at an average price of \$11.66.

Leased 1,044,000 square feet of space. New leases represent 62% of the total during the first quarter while renewals represent the remainder. Highlights include:

Los Angeles – 368,000 square feet

- A 10-year lease with Analysis Group for 26,000 square feet at Bank of America Plaza.

Houston – 157,000 square feet

- A 5-year lease with Sequent Energy Management for 46,000 square feet at Two Allen Center.

Washington, D.C. – 133,000 square feet

- A 10-year lease with the Federal Labor Relations Authority for 45,000 square feet at 1400 K Street.
- A 12-year lease with Westerman Hattori for 34,000 square feet at 1250 Connecticut Avenue.

Toronto – 114,000 square feet

- A 5-year lease renewal with St. Michael's Hospital for 25,000 square feet at 2 Queen St. East.
- An 8-year lease with Ammirati Puris/Interpublic for 24,000 square feet at Queen's Quay Terminal.

New York – 92,000 square feet

- An 11-year lease with Major League Baseball for 72,000 square feet at 245 Park Avenue.

Calgary – 87,000 square feet

- A 12-year lease with Sherritt International for 68,000 square feet at Fifth Avenue Place.

OUTLOOK

With a strong tenant base and conservative lease expiry profile, Brookfield Properties is well-positioned in the face of softening U.S. economic conditions. For 2008, we are focused on positioning ourselves to take advantage of opportunities which may arise under these economic circumstances, and to advance our development pipeline.



Gordon E. Arnell
Chairman



Richard B. Clark
President & CEO

April 25, 2008

PORTFOLIO

COMMERCIAL PROPERTY	NUMBER OF PROPERTIES	LEASED %	(SQUARE FEET IN 000S)			(SQUARE FEET IN 000S)		OWNED INTEREST %	BROOKFIELD PROPERTIES OWNED INTEREST ⁽¹⁾	OTHER SHAREHOLDER'S INTEREST	BROOKFIELD PROPERTIES NET OWNED INTEREST
			OFFICE	RETAIL	TOTAL LEASABLE	PARKING	TOTAL AREA				
DIRECT											
New York											
World Financial Center											
One	1	99.2	1,603	52	1,655	58	1,713	100	1,713	(10)	1,703
Two	1	100.0	2,671	35	2,706	—	2,706	100	2,706	(16)	2,690
Three	1	99.7	1,254	—	1,254	53	1,307	100	1,307	(8)	1,299
Four	1	100.0	1,861	43	1,904	48	1,952	51	996	(6)	990
Retail		80.4	—	168	168	122	290	100	290	(2)	288
One Liberty Plaza	1	99.9	2,327	20	2,347	—	2,347	100	2,347	(14)	2,333
245 Park Avenue	1	97.6	1,719	68	1,787	—	1,787	51	911	(5)	906
300 Madison Avenue	1	100.0	1,089	5	1,094	—	1,094	100	1,094	(6)	1,088
	7	99.3	12,524	391	12,915	281	13,196		11,364	(67)	11,297
Boston											
53 State Street	1	99.9	1,164	30	1,194	41	1,235	100	1,235	(8)	1,227
75 State Street	1	92.2	771	25	796	235	1,031	100	1,031	(6)	1,025
	2	96.9	1,935	55	1,990	276	2,266		2,266	(14)	2,252
Washington, DC											
1625 Eye Street	1	100.0	370	16	386	185	571	100	571	(3)	568
701 9th Street	1	100.0	340	24	364	183	547	100	547	(3)	544
Potomac Tower	1	100.0	238	—	238	203	441	100	441	(3)	438
601 South 12th Street	1	100.0	309	—	309	—	309	100	309	—	309
701 South 12th Street	1	100.0	253	—	253	—	253	100	253	—	253
One Bethesda Center	1	100.0	160	19	179	—	179	100	179	—	179
	6	100.0	1,670	59	1,729	571	2,300		2,300	(9)	2,291
Houston											
1201 Louisiana Street	1	89.6	836	8	844	48	892	100	892	—	892
	1	89.6	836	8	844	48	892		892	—	892
Denver											
Republic Plaza	1	97.8	1,276	48	1,324	503	1,827	100	1,827	—	1,827
	1	97.8	1,276	48	1,324	503	1,827		1,827	—	1,827
Minneapolis											
33 South Sixth Street	2	91.7	1,108	370	1,478	325	1,803	100	1,803	—	1,803
RBC Plaza	2	94.3	610	442	1,052	196	1,248	100	1,248	—	1,248
	4	92.8	1,718	812	2,530	521	3,051		3,051	—	3,051
Toronto											
Brookfield Place											
Bay Wellington Tower	1	97.2	1,299	41	1,340	—	1,340	100	1,340	—	1,340
TD Canada Trust Tower	1	100.0	1,127	17	1,144	—	1,144	50	572	—	572
Retail and Parking	1	98.8	—	115	115	690	805	70	564	—	564
22 Front Street	1	99.2	136	8	144	—	144	100	144	(15)	129
Exchange Tower	1	96.3	963	66	1,029	131	1,160	50	580	(64)	516
105 Adelaide	1	100.0	176	7	183	49	232	100	232	(25)	207
Hudson Bay Centre	1	95.8	536	261	797	295	1,092	100	1,092	(121)	971
Queen's Quay Terminal	1	96.9	428	76	504	—	504	100	504	(56)	448
HSBC Building	1	100.0	188	6	194	31	225	100	225	(25)	200
	9	97.8	4,853	597	5,450	1,196	6,646		5,253	(306)	4,947
Calgary											
Bankers Hall	3	99.9	1,944	224	2,168	525	2,693	50	1,347	(149)	1,198
Petro Canada Centre	2	100.0	1,708	24	1,732	220	1,952	50	976	(107)	869
Fifth Avenue Place	2	99.6	1,428	47	1,475	206	1,681	50	841	(93)	748
	7	99.9	5,080	295	5,375	951	6,326		3,164	(349)	2,815
Vancouver											
Royal Centre	1	97.5	494	95	589	264	853	100	853	(94)	759
	1	97.5	494	95	589	264	853		853	(94)	759
Other											
Other	1	96.2	70	3	73	—	73	100	73	—	73
	1	96.2	70	3	73	—	73		73	—	73
TOTAL DIRECT	39	98.1	30,456	2,363	32,819	4,611	37,430		31,043	(839)	30,204
U.S. FUND											
New York											
The Grace Building	1	97.2	1,537	20	1,557	—	1,557	49.9	777	(426)	351
One New York Plaza	1	98.8	2,554	31	2,585	—	2,585	100	2,585	(1,416)	1,169
Newport Tower	1	94.3	1,059	41	1,100	—	1,100	100	1,100	(603)	497
1065 Avenue of the Americas	1	74.9	642	40	682	—	682	99	675	(370)	305
1411 Broadway	1	85.8	1,149	38	1,187	36	1,223	49.9	610	(334)	276
1460 Broadway	1	100.0	211	9	220	—	220	49.9	110	(60)	50
	6	93.5	7,152	179	7,331	36	7,367		5,857	(3,209)	2,648
Washington, D.C.											
1200 K Street	1	99.0	366	24	390	44	434	100	434	(238)	196
1250 23rd Street	1	6.6	128	—	128	16	144	100	144	(79)	65
1250 Connecticut Avenue	1	99.8	163	21	184	26	210	100	210	(115)	95
1400 K Street	1	97.8	178	12	190	34	224	100	224	(123)	101

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests
**Italic – Blackstone Managed*

	NUMBER OF PROPERTIES	LEASED %	(SQUARE FEET IN 000S)			(SQUARE FEET IN 000S)		BROOKFIELD PROPERTIES		OTHER	BROOKFIELD
			OFFICE	RETAIL	TOTAL LEASABLE	PARKING	TOTAL AREA	OWNED INTEREST %	OWNED INTEREST ⁽¹⁾	SHAREHOLDER'S INTEREST	NET OWNED INTEREST
2000 L Street	1	93.2	308	75	383	—	383	100	383	(210)	173
2001 M Street	1	98.9	190	39	229	35	264	98	259	(142)	117
2401 Pennsylvania Avenue	1	84.9	58	19	77	16	93	100	93	(51)	42
Bethesda Crescent	3	99.5	241	27	268	68	336	100	336	(184)	152
One Reston Crescent	1	100.0	185	—	185	—	185	100	185	(101)	84
Silver Springs Metro Plaza	3	93.9	640	47	687	84	771	100	771	(422)	349
Sunrise Tech Park	4	95.8	315	1	316	—	316	100	316	(173)	143
Two Ballston Plaza	1	94.9	204	19	223	—	223	100	223	(122)	101
Victor Building	1	64.3	302	45	347	—	347	49.9	173	(95)	78
1550 & 1560 Wilson Blvd	2	67.4	248	35	283	76	359	100	359	(197)	162
	22	88.4	3,526	364	3,890	399	4,289		4,110	(2,252)	1,858
Los Angeles											
601 Figueroa	1	69.7	1,037	2	1,039	123	1,162	100	1,162	(636)	526
Bank of America Plaza	1	95.1	1,383	39	1,422	343	1,765	100	1,765	(967)	798
Ernst & Young Tower	1	83.9	910	335	1,245	391	1,636	100	1,636	(896)	740
Landmark Square	1	95.5	420	23	443	212	655	100	655	(359)	296
Marina Towers	2	96.5	356	25	381	87	468	50	234	(128)	106
5670 Wilshire Center	1	85.6	409	19	428	—	428	100	428	(234)	194
6060 Center Drive	1	85.2	253	15	268	113	381	100	381	(209)	172
6080 Center Drive	1	97.8	316	—	316	163	479	100	479	(263)	216
6100 Center Drive	1	96.9	294	—	294	168	462	100	462	(253)	209
701 B Street	1	88.7	512	37	549	—	549	100	549	(301)	248
707 Broadway	1	78.6	183	—	183	128	311	100	311	(170)	141
9665 Wilshire Blvd	1	98.9	171	—	171	64	235	100	235	(130)	105
Howard Hughes Spectrum	1	100.0	37	—	37	—	37	100	37	(20)	17
Howard Hughes Tower	1	67.8	336	2	338	141	479	100	479	(262)	217
Northpoint	1	75.9	105	—	105	45	150	100	150	(82)	68
Arden Towers at Sorrento	4	88.8	554	54	608	—	608	100	608	(333)	275
Westwood Center	1	97.1	293	25	318	—	318	100	318	(174)	144
Wachovia Center	1	93.8	465	14	479	161	640	100	640	(351)	289
	22	87.5	8,034	590	8,624	2,139	10,763		10,529	(5,768)	4,761
Houston											
Allen Center											
One Allen Center	1	98.4	914	79	993	—	993	100	993	(544)	449
Two Allen Center	1	96.3	987	9	996	—	996	100	996	(546)	450
Three Allen Center	1	92.4	1,173	22	1,195	—	1,195	100	1,195	(655)	540
Four Allen Center	1	99.5	1,229	38	1,267	—	1,267	100	1,267	(697)	570
Cullen Center											
Continental Center I	1	97.9	1,048	50	1,098	411	1,509	100	1,509	(826)	683
Continental Center II	1	86.5	428	21	449	81	530	100	530	(290)	240
KBR Tower	1	94.6	985	63	1,048	254	1,302	50	651	(357)	294
500 Jefferson Street	1	95.9	351	39	390	44	434	100	434	(237)	197
	8	95.9	7,115	321	7,436	790	8,226		7,575	(4,152)	3,423
TOTAL U.S. FUND	58	91.5	25,827	1,454	27,281	3,364	30,645		28,071	(15,381)	12,690
CANADIAN FUND											
Toronto											
First Canadian Place	1	98.2	2,379	232	2,611	170	2,781	25	695	(76)	619
151 Yonge Street	1	94.7	289	10	299	72	371	25	93	(10)	83
2 Queen Street East	1	98.6	448	16	464	81	545	25	136	(15)	121
	3	98.0	3,116	258	3,374	323	3,697		924	(101)	823
Calgary											
Altius Centre	1	100.0	303	3	306	72	378	25	95	(11)	84
	1	100.0	303	3	306	72	378		95	(11)	84
Ottawa											
Place de Ville I	2	99.8	569	18	587	502	1,089	25	272	(30)	242
Place de Ville II	2	98.6	591	19	610	433	1,043	25	261	(29)	232
Jean Edmonds Towers	2	99.7	541	12	553	95	648	25	162	(18)	144
	6	99.3	1,701	49	1,750	1,030	2,780		695	(77)	618
Edmonton											
Canadian Western Bank	1	99.8	371	36	407	91	498	25	125	(14)	111
Enbridge Tower	1	100.0	184	—	184	30	214	25	54	(7)	47
	2	99.8	555	36	591	121	712		179	(21)	158
Niagara Falls											
Acres House	1	68.0	149	—	149	60	209	25	52	(5)	47
	1	68.0	149	—	149	60	209		52	(5)	47
TOTAL CANADIAN FUND	13	97.9	5,824	346	6,170	1,606	7,776		1,945	(215)	1,730
TOTAL PROPERTIES	110	95.4	62,107	4,163	66,270	9,581	75,851		61,059	(16,435)	44,624
Development and Redevelopment	—	—	16,506	—	16,506	—	16,506		15,155	(2,461)	12,694
TOTAL PORTFOLIO	110	95.4	78,613	4,163	82,776	9,581	92,357		76,214	(18,896)	57,318
TOTAL EXCLUDING NON-MANAGED	91	96.3	72,683	3,910	76,593	8,562	85,155		69,742	(15,350)	54,392

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

**Italic – Blackstone Managed*

Management’s Discussion and Analysis of Financial Results

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FORWARD-LOOKING STATEMENTS

This interim report to shareholders contains forward-looking statements and information within the meaning of applicable securities legislation. These forward-looking statements reflect management’s current beliefs and are based on assumptions and information currently available to management of Brookfield Properties. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “expect,” “plan,” “anticipate,” “believe,” “intend,” “estimate,” “predict,” “forecast,” “outlook,” “potential,” “continue,” “should,” “likely,” or the negative of these terms or other comparable terminology. Although management believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve assumptions, known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Brookfield Properties to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the company’s properties; timely leasing of newly developed properties and re-leasing of occupied square footage upon expiration; dependence on tenants’ financial condition; the uncertainties of real estate development and acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; the impact of newly adopted accounting principles on the company’s accounting policies and on period-to-period comparisons of financial results; and other risks and factors described from time to time in the documents filed by the company with the securities regulators in Canada and the United States including in the Annual Information Form under the heading “Business of Brookfield Properties – Company and Real Estate Industry Risks.” The company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by securities laws.

Management's Discussion and Analysis of Financial Results

April 25, 2008

PART I – OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Financial data included in Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2008 includes material information up to April 25, 2008. Financial data provided has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with non-GAAP measures such as net operating income and funds from operations being reconciled to appropriate Canadian GAAP measures. All dollar references, unless otherwise stated, are in millions of US dollars except per share amounts. Amounts in Canadian dollars are identified as "C\$."

The following discussion and analysis is intended to provide readers with an assessment of the performance of Brookfield Properties Corporation ("Brookfield Properties") over the past two years as well as our financial position and future prospects. It should be read in conjunction with the consolidated financial statements and appended notes which begin on page 50 of this report. In our discussion of operating performance, we refer to net operating income and funds from operations on a total and per share basis. Net operating income is defined as income from property operations after operating expenses have been deducted, but prior to deducting financing, administration, depreciation and amortization and income tax expenses. Funds from operations is defined as net income prior to extraordinary items, one-time transaction costs, income taxes, depreciation and amortization and certain other non-cash items. Net operating income is an important measure that we use to assess operating performance and funds from operations is a relevant measure in analyzing real estate, as commercial properties generally appreciate rather than depreciate. We provide the components of net operating income on page 28 and a full reconciliation from net income to funds from operations on page 27. Net operating income and funds from operations are both non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies.

Additional information, including our Annual Information Form, is available on our Web site at www.brookfieldproperties.com, or on www.sedar.com or www.sec.gov.

OVERVIEW OF THE BUSINESS

Brookfield Properties is a publicly-traded North American commercial real estate company listed on the New York and Toronto stock exchanges under the symbol BPO. We operate in two principal business segments, the first being the ownership, development and management of premier commercial office properties in select cities in North America, and the second being the development of residential land. In the past three years, we have established and fully invested two core office funds for the purpose of enhancing our position as a leading real estate asset manager. The U.S. Office Fund (a single-purpose fund established to acquire the Trizec portfolio) and the Canadian Office Fund (a single-purpose fund established to acquire the O&Y portfolio) are discussed in further detail in Part III and Part IV, respectively, of this MD&A. The term "Brookfield Properties Direct" ("Direct") refers to those properties that are wholly-owned or owned through property-level joint ventures. When referring to ownership of properties by the U.S. or Canadian Office Fund, such ownership percentage refers to that of the applicable fund and not the proportionate percentage ownership of Brookfield Properties.

At March 31, 2008, the book value of Brookfield Properties' assets was \$20.4 billion. During the first quarter we generated \$23 million of net income (\$0.06 per diluted share) and \$126 million of funds from operations (\$0.32 per diluted share).

FINANCIAL HIGHLIGHTS

Brookfield Properties' financial results are as follows:

(Millions, except per share amounts)	Three months ended March 31	
	2008	2007
Total revenue	\$ 665	\$ 634
Net income	23	53
Net income per share - diluted	0.06	0.13
Common share dividends paid per share	0.14	0.13
Funds from operations	126	129
Funds from operations per share - diluted	0.32	0.32

	Mar. 31, 2008	Dec. 31, 2007
Total assets	\$ 20,366	\$ 20,473
Commercial properties	15,851	15,889
Commercial property debt	12,049	12,125
Shareholders' equity	3,008	3,078

COMMERCIAL PROPERTY OPERATIONS

Our strategy of owning, proactively managing and developing premier properties in high-growth, and in many instances supply-constrained, markets with high barriers to entry has created one of North America's most distinguished portfolios of office properties. Our commercial property portfolio consists of interests in 110 properties totaling 76 million square feet, including 10 million square feet of parking. Our development/redevelopment portfolio comprises interests in 15 sites totaling 17 million square feet. Our primary markets are the financial, energy and government center cities of New York, Boston, Washington, D.C., Houston, Los Angeles, Toronto, Calgary and Ottawa. We intend to continue our strategy of maintaining a meaningful presence in a select number of North American cities with attractive tenant bases.

We remain focused on the following strategic priorities:

- Surfacing value from our properties through proactive leasing and select redevelopment initiatives;
- Prudent capital management including the refinancing of mature properties;
- Monetizing development assets as the economy rebounds and continued supply constraints create opportunities; and
- Expanding our asset management platform through the growth of our existing office funds or through the establishment of new funds.

The following table summarizes our investment by market:

Region	Number of Properties	Total Area (000's Sq. Ft.)	Brookfield Properties' Owned Interest (000's Sq. Ft.) ⁽¹⁾	Book Value (Millions)	Debt (Millions)	Net Book Equity (Millions)
Direct						
Midtown New York, New York	2	2,881	2,005	\$ 891	\$ 704	\$ 187
Downtown New York, New York	5	10,315	9,359	2,957	1,946	1,011
Boston, Massachusetts	2	2,266	2,266	835	542	293
Washington, D.C.	6	2,300	2,300	683	501	182
Toronto, Ontario	9	6,646	5,253	1,324	768	556
Calgary, Alberta	7	6,326	3,164	486	359	127
Denver, Colorado	1	1,827	1,827	278	163	115
Minneapolis, Minnesota	3	2,400	2,400	296	94	202
Houston, Texas	1	892	892	158	101	57
Other	2	926	926	117	128	(11)
Corporate debt	—	—	—	—	505	(505)
	38	36,779	30,392	8,025	5,811	2,214
U.S. Office Fund						
Midtown New York, New York	4	3,682	2,172	1,266	314	952
Downtown New York, New York	2	3,685	3,685	1,276	397	879
Washington, D.C.	22	4,289	4,110	1,129	206	923
Houston, Texas	8	8,226	7,575	1,140	240	900
Los Angeles, California	22	10,763	10,529	2,618	425	2,193
Corporate U.S. Fund debt	—	—	—	—	4,145	(4,145)
	58	30,645	28,071	7,429	5,727	1,702
Canadian Office Fund						
Toronto, Ontario	3	3,697	924	261	74	187
Calgary, Alberta	1	378	95	20	—	20
Ottawa, Ontario	6	2,780	695	99	25	74
Other	2	712	179	17	2	15
	12	7,567	1,893	397	101	296
Continuing Operations	108	74,991	60,356	\$ 15,851	\$ 11,639	\$ 4,212
Discontinued Operations ⁽²⁾	2	860	703	128	108	20
	110	75,851	61,059	\$ 15,979	\$ 11,747	\$ 4,232
Office development sites		16,237	14,886	950	410	540
Redevelopment sites		269	269	112	—	112
Total		92,357	76,214	\$ 17,041	\$ 12,157	\$ 4,884

⁽¹⁾ Represents consolidated interest before non-controlling interests

⁽²⁾ Acres House in Niagara Falls and one of the RBC Plaza buildings in Minneapolis are currently classified as discontinued operations

We have historically explored property-level joint venture opportunities with strategic institutional partners. Although we plan to continue with this endeavor, we are also pursuing the acquisition of individual assets and portfolios through joint venture fund vehicles. In 2005 we formed our Canadian Office Fund to acquire the O&Y portfolio and in 2006 we formed our U.S. Office Fund to consummate the acquisition of Trizec Properties Inc. and Trizec Canada Inc. (collectively, "Trizec"). Of our 110 commercial office properties, 27 are wholly owned, 12 are held in property-level joint ventures or co-tenancies, and 71 are held in our funds.

Our Canadian Office Fund consists of a consortium of institutional investors, led and managed by us. Affiliates of the consortium members own direct interests in property-level joint ventures and have entered into several agreements relating to property management, fees, transfer rights and other material issues related to the operation of the properties. We proportionately consolidate our interest in this Fund. Our U.S. Office Fund consists of a consortium of institutional investors, which we lead and manage, investing through direct and indirect investment vehicles who have also entered into several agreements relating to property management, fees, transfer rights and other material issues related to the operation of the properties. We fully consolidate this Fund.

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

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

An important characteristic of our portfolio is the strong credit quality of our tenants. We direct special attention to credit quality in order to ensure the long-term sustainability of rental revenues through economic cycles. Major tenants with over 1,000,000 square feet of space in the portfolio include Merrill Lynch, U.S. and Canadian governments and government agencies, Chevron U.S.A., CIBC, Wachovia, RBC Financial Group and Bank of Montreal. A detailed list of major tenants is included in Part V ("Risks and Uncertainties") of this MD&A, which begins on page 43.

Our strategy is to sign long-term leases in order to mitigate risk and reduce our overall retenanting costs. We typically commence discussions with tenants regarding their space requirements well in advance of the contractual expiration, and although each market is different, the majority of our leases, when signed, extend between 10- and 20-year terms. As a result of this strategy, less than 7% of our leases, on average, mature annually over the next five years.

The following is a breakdown of lease maturities by region with associated in-place rental rates:

Year of Expiry	Total Portfolio			Midtown New York			Downtown New York			Boston		
	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾
Currently available	3,052	4.6		426	6.5		145	1.1		63	3.2	
Remainder 2008	2,176	3.3	\$ 21	266	4.1	\$ 34	92	0.7	\$ 16	103	5.2	\$ 29
2009	3,260	4.9	19	363	5.6	23	163	1.2	18	171	8.6	23
2010	4,320	6.5	21	358	5.5	32	269	2.0	20	186	9.3	31
2011	5,352	8.1	24	137	2.1	37	666	4.9	36	411	20.7	44
2012	5,666	8.5	22	380	5.8	31	426	3.1	11	48	2.4	25
2013	12,264	18.5	28	753	11.5	33	4,824	35.2	36	32	1.6	28
2014	3,311	5.0	25	221	3.4	26	410	3.0	36	29	1.5	38
2015 & beyond	26,869	40.6	29	3,623	55.5	49	6,724	48.8	29	947	47.5	30
Parking	9,581	—	—	36	—	—	281	—	—	276	—	—
	75,851	100.0		6,563	100.0		14,000	100.0		2,266	100.0	
Average market net rent			\$ 36			\$ 84			\$ 44			\$ 35

⁽¹⁾Net rent at expiration of lease

Year of Expiry	Washington, D.C.			Houston			Los Angeles		
	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾
Currently available	452	8.0		394	4.8		1,079	12.5	
Remainder 2008	292	5.2	\$ 24	418	5.0	\$ 13	473	5.5	\$ 20
2009	555	9.9	24	245	3.0	13	557	6.5	19
2010	302	5.4	23	958	11.6	11	822	9.5	22
2011	192	3.4	26	668	8.1	13	1,003	11.6	18
2012	588	10.5	23	989	11.9	12	1,401	16.2	26
2013	274	4.9	25	731	8.8	12	818	9.5	33
2014	1,148	20.4	26	366	4.4	11	569	6.6	25
2015 & beyond	1,816	32.3	42	3,511	42.4	18	1,902	22.1	27
Parking	970	—	—	838	—	—	2,139	—	—
	6,589	100.0		9,118	100.0		10,763	100.0	
Average market net rent			\$ 35			\$ 22			\$ 25

⁽¹⁾Net rent at expiration of lease

Year of Expiry	Toronto			Calgary			Ottawa		
	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾
Currently available	196	2.2		9	0.2		11	0.6	
Remainder 2008	272	3.1	\$ 23	118	2.1	\$ 19	78	4.5	\$ 13
2009	562	6.4	19	299	5.3	23	38	2.2	16
2010	680	7.7	28	353	6.2	25	2	0.1	38
2011	579	6.6	28	1,383	24.3	20	—	—	—
2012	949	10.8	26	500	8.8	30	6	0.3	30
2013	1,518	17.2	29	1,337	23.5	25	1,063	60.7	19
2014	163	1.8	29	99	1.7	39	9	0.5	24
2015 & beyond	3,905	44.2	27	1,583	27.9	29	543	31.1	14
Parking	1,519	—	—	1,023	—	—	1,030	—	—
	10,343	100.0		6,704	100.0		2,780	100.0	
Average market net rent			\$ 26			\$ 34			\$ 20

⁽¹⁾Net rent at expiration of lease

Year of Expiry	Denver			Minneapolis			Other		
	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾
Currently available	29	2.2		182	7.2		66	4.7	
Remainder 2008	26	2.0	\$ 15	25	1.0	\$ 12	13	0.9	\$ 18
2009	20	1.5	23	219	8.7	5	68	4.9	11
2010	108	8.2	22	58	2.3	11	224	16.0	13
2011	98	7.4	20	43	1.7	17	172	12.3	15
2012	87	6.6	19	179	7.1	16	113	8.1	15
2013	143	10.8	23	670	26.5	10	101	7.2	19
2014	135	10.2	17	140	5.5	15	22	1.6	16
2015 & beyond	678	51.1	22	1,014	40.0	13	623	44.3	13
Parking	503	—	—	521	—	—	445	—	—
	1,827	100.0		3,051	100.0		1,847	100.0	
Average market net rent			\$ 22			\$ 16			\$ 22

⁽¹⁾Net rent at expiration of lease

COMMERCIAL DEVELOPMENT AND REDEVELOPMENT

We hold interests in 17 million square feet of high-quality, centrally-located development and redevelopment sites at various stages of planning and construction. We will seek to monetize these sites through development only when our risk-adjusted return hurdles are met and when preleasing targets with one or more lead tenants have been achieved. We currently have five projects under development and one project under redevelopment as outlined on page 15 of this MD&A.

The following table summarizes our commercial development projects at March 31, 2008:

(Square feet in 000's)	Region	Description	Number of Sites	Owned Interest %	Total	Owned Interest ⁽¹⁾	Other Shareholders' Interest	Net Owned Interest
Direct								
Ninth Avenue	New York	Between 31st and 33rd Streets across from the Farley Post Office	1	100%	5,400	5,400	—	5,400
77 K Street	Washington	Adjacent to Union Station	1	50%	327	164	(4)	160
Bay Adelaide Centre	Toronto	Bay and Adelaide Streets	1	100%	2,600	2,600	(286)	2,314
Brookfield Place III	Toronto	Third phase of Brookfield Place project	1	65%	800	520	(57)	463
Bankers Court	Calgary	East and West Parkades adjacent to Bankers Hall	1	50%	500	250	(28)	222
Herald Site	Calgary	One block from our existing Calgary assets	1	100%	1,200	1,200	(132)	1,068
425 15th Street	Denver	One block from Republic Plaza	1	100%	833	833	—	833
Tremont Garage	Denver	One block from Republic Plaza	1	100%	500	500	—	500
			8		12,160	11,467	(507)	10,960
U.S. Office Fund								
Reston Crescent	Washington	36 acre landscaped campus in Reston, Virginia	1	100%	1,000	1,000	(548)	452
Waterview	Washington	At the foot of the Key Bridge in Rosslyn, Virginia	1	25%	300	75	(41)	34
1500 Smith Street	Houston	Adjacent to Four Allen Center	1	100%	500	500	(274)	226
Allen Center Garage	Houston	Located in the heart of the Allen Center / Cullen Center complex	1	100%	500	500	(274)	226
Five Allen Center	Houston	Adjacent to the Allen Center	1	100%	1,200	1,200	(656)	544
			5		3,500	3,275	(1,793)	1,482
Canadian Office Fund								
300 Queen Street	Ottawa	Third phase of Place de Ville project	1	25%	577	144	(16)	128
			1		577	144	(16)	128
			14		16,237	14,886	(2,316)	12,570
Redevelopment								
1225 Connecticut	Washington	Downtown Washington, D.C.	1	100%	269	269	(147)	122
Total development and redevelopment			15		16,506	15,155	(2,463)	12,692

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

Residential Development

Through our residential development business segment, we develop residential land and conduct homebuilding operations. These business units primarily entitle and develop land in master-planned communities and sell these lots to other homebuilders. These units also build and sell homes. Operations are currently focused in five markets: Alberta and Ontario in Canada, and Colorado, Texas and Missouri in the U.S.

We intend to continue to grow this business by selectively acquiring land that provides the residential development groups with attractive projects that are consistent with our overall strategy and management expertise.

We classify our residential development business into three categories: land held for development; land under development; and housing inventory. Costs attributable to land held for development include costs of acquiring land as well as general infrastructure costs to service the land within a community. These costs are not directly related to saleable lots. Once development of a phase begins, the associated costs with that phase are transferred from land held for development to land under development, which includes all underlying costs that are attributable to the phase of saleable lots, including costs of the underlying land, roads, and parks. Included in housing inventory is associated land as well as construction costs.

The following table summarizes our residential land development at March 31, 2008:

(\$ in Millions)	Under Development		Housing Inventory		Held for Development	
	Number of Lots/Acres	Book Value	Number of Units	Book Value	Number of Acres	Book Value
Single Family (Lots)						
Alberta	3,492	\$ 301	199	\$ 23	6,318	\$ 464
Ontario	490	17	299	38	2,174	63
Colorado	858	48	—	—	2,363	122
Texas	106	5	—	—	3,328	87
Missouri	83	2	—	—	221	18
	5,029	373	498	61	14,404	754
Single Family Acre Equivalent	835	—	—	—	—	—
Multi-Family and Commercial (Acres)						
Alberta	135	46	230	28	—	—
Colorado	10	1	—	—	—	—
Total	980	\$ 420	728	\$ 89	14,404	\$ 754

PERFORMANCE MEASUREMENT

The key indicators by which we measure our performance are:

- Net income per share;
- Net operating income;
- Funds from operations per share;
- Overall indebtedness level;
- Weighted average cost of debt; and
- Occupancy levels.

Although we monitor and analyze our financial performance using a number of indicators, our primary business objective of generating reliable and growing cashflow is monitored and analyzed using net income, net operating income and funds from operations. While net income is calculated in accordance with generally accepted accounting principles ("GAAP"), net operating income and funds from operations are both non-GAAP financial measures that do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. We provide the components of net operating income on page 28 and a full reconciliation from net income to funds from operations on page 27 of this MD&A.

Net Income

Net income is calculated in accordance with GAAP. Net income is used as a key indicator in assessing the profitability of the company.

Net Operating Income

Net operating income is defined as income from property operations after operating expenses have been deducted, but prior to deducting financing, administration, depreciation and amortization and income tax expenses. Net operating income is used as a key indicator of performance as it represents a measure over which management has control. We measure the performance of management by comparing the performance of the property portfolio adjusted for the effect of current and prior year sales and acquisitions.

Funds from Operations

Funds from operations is defined as net income prior to extraordinary items, one-time transaction costs, income taxes, depreciation and amortization, and certain other non-cash items. While we believe that funds from operations is the most relevant measure to analyze real estate, as commercial properties generally appreciate rather than depreciate, we believe that funds from operations, net operating income and net income are all relevant measures. Funds from operations does not represent or approximate cash generated from operating activities determined in accordance with GAAP in Canada or the United States and should not be considered an alternative to GAAP measures. Accordingly, we provide a reconciliation of funds from operations to net income, consistent with the definition provided as set out above. A reconciliation is not provided to cashflow from operating activities, as it is often subject to fluctuations based on the timing of working capital payments.

KEY PERFORMANCE DRIVERS

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

- Increases in occupancies by leasing vacant space;
- Increases in rental rates as market conditions permit; and
- Reduction in occupancy costs through achieving economies of scale and diligently managing contracts.

We also believe that the key external performance drivers are:

- The availability of new property acquisitions that fit into our strategic plan;
- The availability of equity capital at a reasonable cost; and
- The availability of debt capital at a cost and on terms conducive to our goals.

PART II – FINANCIAL STATEMENT ANALYSIS

ASSET PROFILE

Our total asset book value was \$20.4 billion at March 31, 2008, a decrease of \$0.1 billion from December 31, 2007. The decrease in total assets is primarily attributable to a decrease in commercial properties and commercial developments, as well as the weakening of the Canadian dollar. The following is a summary of our assets:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Commercial properties	\$ 15,851	\$ 15,889
Commercial developments	1,062	1,172
Residential developments	1,263	1,228
Receivables and other	1,018	1,056
Intangible assets	760	759
Restricted cash and deposits	111	151
Cash and cash equivalents	170	214
Assets related to discontinued operations ⁽¹⁾	131	4
Total	\$ 20,366	\$ 20,473

⁽¹⁾ Includes \$128 million of commercial properties and \$3 million of other assets related to discontinued operations at March 31, 2008 (December 31, 2007 - \$3 million and \$1 million, respectively)

COMMERCIAL PROPERTIES

The book value of our commercial properties was \$15.85 billion as at March 31, 2008 slightly down from the balance at December 31, 2007. The decrease is attributable to the reclassification of a portion of RBC Plaza in Minneapolis to discontinued operations as well as the impact of foreign exchange fluctuations on our Canadian dollar-denominated assets offset by the reclassification of Four Allen Center in Houston from commercial developments to commercial properties during the first quarter of 2008. The consolidated carrying value of our North American commercial properties is approximately \$263 per square foot, significantly less than the estimated replacement cost of these assets.

A breakdown of our commercial properties by region is as follows:

Region	Total Area (000's Sq. Ft.)	Brookfield Properties' Owned Interest (000's Sq. Ft.) ⁽¹⁾	Mar. 31, 2008		Dec. 31, 2007	
			Book Value (Millions)	Book Value per Sq. Ft.	Book Value (Millions)	Book Value per Sq. Ft.
Midtown, New York, New York	6,563	4,177	\$ 2,157	\$ 516	\$ 2,160	\$ 533
Downtown, New York, New York	14,000	13,044	4,233	325	4,250	346
Boston, Massachusetts	2,266	2,266	835	368	854	395
Washington, D.C.	6,589	6,410	1,812	283	1,822	288
Houston, Texas	9,118	8,467	1,298	153	1,076	149
Los Angeles, California	10,763	10,529	2,618	249	2,637	253
Toronto, Ontario	10,343	6,177	1,585	257	1,637	265
Calgary, Alberta	6,704	3,259	506	155	523	160
Ottawa, Ontario	2,780	695	99	142	102	147
Denver, Colorado	1,827	1,827	278	152	280	156
Minneapolis, Minnesota	2,400	2,400	296	123	422	140
Other	1,638	1,105	134	121	126	114
Continuing operations	74,991	60,356	15,851	263	15,889	272
Discontinued operations	860	703	128	182	3	58
Total	75,851	61,059	\$ 15,979	\$ 262	\$ 15,892	\$ 271

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

TENANT INSTALLATION COSTS AND CAPITAL EXPENDITURES

Upon the signing of the majority of our leases, we provide a capital allowance for tenant improvements to leased space in order to accommodate the specific space requirements of the tenant. In addition to this capital, leasing commissions are paid to third-party brokers representing tenants in lease negotiations. Tenant improvements and leasing commissions are capitalized in the year incurred, amortized over the term of the lease and recovered through rental payments. Expenditures for tenant installation costs in the first quarter of 2008 totaled \$18 million, compared with the \$40 million during the same period in 2007. The decrease was due to the leasing commissions and improvements incurred as a result of a higher level of leasing activity in 2007, offset by an increase in total leasable area as compared to the same period in 2007 due to the acquisition of 1201 Louisiana as well as the purchase of the remaining interest in 53 and 75 State Street in Boston subsequent to the first quarter of 2007.

Tenant installation costs are summarized as follows:

(Millions)	Three months ended March 31	
	2008	2007
Leasing commissions	\$ 5	\$ 7
Tenant improvements	13	33
Total	\$ 18	\$ 40

We also invest in ongoing maintenance and capital improvement projects to sustain the high quality of the infrastructure and tenant service amenities in our properties. Capital expenditures for the three months ended March 31, 2008 totaled \$14 million, compared with \$6 million during the same period in 2007. These expenditures exclude repairs and maintenance costs, a portion of which are recovered through contractual tenant cost recovery payments. The increase in capital expenditures in the current quarter is due primarily to increased capital projects within the U.S. Office Fund. Capital expenditures include revenue-enhancing capital expenditures, which represent improvements to an asset or reconfiguration of space to increase rentable area or increase current rental rates, and non-revenue-enhancing expenditures, which are those required to extend the service life of an asset. These expenditures are recoverable in some cases. During the first quarter of 2008, \$3 million of our total capital expenditures is recoverable which compares with \$2 million during the same time period in 2007.

ASSETS RELATED TO DISCONTINUED OPERATIONS

In the first quarter of 2008, two properties met the criteria for being classified as discontinued operations: Acres House in Niagara Falls and one of the RBC Plaza buildings in Minneapolis. We have reclassified \$131 million of assets and \$114 million of liabilities to assets and liabilities related to discontinued operations, respectively, in connection with these properties as at March 31, 2008.

As at December 31, 2007, one property met the criteria for being classified as discontinued operations: Acres House in Niagara Falls. We reclassified \$4 million of assets and \$3 million of liabilities to assets and liabilities related to discontinued operations, respectively, in connection with this property as at December 31, 2007.

Acres House was sold subsequent to the first quarter of 2008.

COMMERCIAL DEVELOPMENTS

Commercial developments consist of commercial property development sites, density rights and related infrastructure. The total book value of this development land and infrastructure was \$1,062 million at March 31, 2008, a decrease of \$110 million from \$1,172 million at December 31, 2007. The decrease is primarily attributable to the reclassification of Four Allen Center to commercial properties. A portion of Four Allen Center in Houston, which is 100% leased to Chevron, became operational during the first quarter of 2008.

The details of the commercial property development portfolio and related book values are as follows:

(Millions)	Buildable Sq. Ft. (000's)	Sq. Ft. Currently Under Construction (000's)	Book Value Mar. 31, 2008	Book Value Dec. 31, 2007
Active developments				
Bay Adelaide Centre, Toronto	2,600	1,160	\$ 454	\$ 416
Reston Crescent, Washington, D.C.	1,000	185	60	56
Waterview, Washington, D.C.	300	300	29	27
77 K Street, Washington, D.C.	327	327	37	34
Bankers Court, Calgary	500	265	24	22
Planning				
Ninth Avenue, New York	5,400		225	207
Herald Site, Calgary	1,200		52	53
<i>Others</i>				
1500 Smith Street, Houston	500			
Five Allen Center, Houston	1,200			
Allen Center Garage, Houston	500			
425 15th Street, Denver	833			
Tremont Garage, Denver	500			
Brookfield Place III, Toronto	800			
300 Queen Street, Ottawa	577			
	4,910		69	52
Total developments	16,237	2,237	950	867
Redevelopment				
1225 Connecticut Avenue, Washington, D.C.	269	269	112	107
Reclassified to commercial				
Four Allen Center, Houston ⁽¹⁾				198
Total developments and redevelopments	16,506	2,506	\$ 1,062	\$ 1,172

⁽¹⁾ During the first quarter of 2008, this property was reclassified to commercial properties

Although we are generally not a speculative developer, we are a full-service real estate company with in-house development expertise. With 17 million square feet of high-quality, centrally-located development and redevelopment properties in New York, Washington, D.C., Houston, Toronto, Calgary, Ottawa and Denver, we will undertake developments when our risk-adjusted returns and preleasing targets have been achieved. The following development activity took place during the first quarter of 2008:

- Bay Adelaide Centre in Toronto represents one of our largest development projects. Ground-breaking on Phase I of this project took place in July of 2006 and construction is actively underway. Phase I represents 1.2 million square feet of a three-phase project that is expected to total 2.6 million square feet and be completed in 2009. Due to the continuous construction on Phase I, the book value of this site has increased by \$38 million since December 31, 2007.
- Reston Crescent, a development project acquired with the Trizec portfolio in the fourth quarter of 2006, is a 36 acre landscaped campus where construction is underway on Two Reston Crescent, a 185,000 square foot building. Completion is expected sometime in 2008. During the first quarter of 2007, demolition began on the existing Reston Unisys I and II buildings. As a result of construction progress to date, the book value of this project has increased by \$4 million since December 31, 2007.
- Construction on Bankers Court in Calgary, a 500,000 square foot, two-building project, commenced in the third quarter of 2006. Active development of the first building, totaling 265,000 square feet, is taking place and is expected to be complete by the end of 2008. The building is 100% leased. As a result of the continuous development, the book value of this site has increased by \$2 million since December 31, 2007.
- Construction on 77 K Street in Washington, D.C., a development project we acquired in July 2006, commenced in the fourth quarter of 2006. Completion is expected by the end of 2008. As a result of active construction, the book value of this site has increased by \$3 million since December 31, 2007.
- 1225 Connecticut Avenue in Washington, D.C. is a property that was acquired as part of the Trizec portfolio. The property is currently undergoing a full redevelopment of its 269,000 square feet, which is expected to be completed in the fourth quarter of 2008. This site was reclassified as a redevelopment site in the third quarter of 2007. The book value increased to \$112 million at March 31, 2008 from \$107 million at December 31, 2007 as a result of the ongoing development.

- Waterview, a development site in Washington, D.C. acquired with the Trizec portfolio, was under construction prior to the acquisition. During the second quarter of 2007, we sold the 630,000 square foot office portion of this development site. The remaining 300,000 square foot building is substantially complete and expected to be operational in the second quarter of 2008. This site is our only hotel/residential asset. The book value of this site has increased by \$2 million to \$29 million at March 31, 2008.

Expenditures for development and redevelopment of commercial properties totaled \$86 million in the three months ended March 31, 2008, compared with \$75 million during the same period in 2007.

The details of development and redevelopment expenditures are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Construction costs	\$ 71	\$ 26
Interest capitalized	14	10
Tenant improvements	—	39
Property taxes and other	1	—
Total	\$ 86	\$ 75

Further details on our active developments as at March 31, 2008 are as follows:

(Millions)	Square Feet		Owned Interest ⁽¹⁾					
	Currently Under Construction (000's)	Expected Date of Completion	% Pre-leased	Investment to Date	Estimated Total Investment	Total Construction Loan	Amount Drawn Mar. 31, 2008	Estimated NOI at Stabilization
Active developments								
Bay Adelaide Centre, Toronto	1,160	Q3 2009	65%	\$ 293	\$ 527	\$ 409	\$ 132	\$ 38
Reston Crescent, Washington, D.C.	185	Q2 2008	—	25	60	—	—	6
77 K Street, Washington, D.C.	327	Q4 2008	—	37	64	51	22	5
Bankers Court, Calgary	265	Q4 2008	100%	24	54	48	13	5
Subtotal office developments	1,937			\$ 379	\$ 705	\$ 508	\$ 167	\$ 54
Waterview, Washington, D.C. ⁽²⁾	300	Complete ⁽³⁾	—	29	34	20	16	—
Total	2,237			\$ 408	\$ 739	\$ 528	\$ 183	\$ 54
Redevelopments								
1225 Connecticut, Washington, D.C.	269	Q4 2008	8%	112	160	—	—	12
Total	269			\$ 112	\$ 160	\$ —	\$ —	\$ 12

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

⁽²⁾ Estimated value of hotel and condominium upon completion is \$45 million

⁽³⁾ Substantially complete as at March 31, 2008 and expected to become operational during the second quarter of 2008

RESIDENTIAL DEVELOPMENTS

Our residential development operations are focused in five markets: Alberta, Ontario, Colorado, Texas and Missouri. The book value of these investments at March 31, 2008 was \$1,263 million, compared with \$1,228 million at the end of 2007. The increase was attributable to additional land acquisitions and increased work in progress.

The details of our residential development property portfolio are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Land under development	\$ 420	\$ 431
Housing inventory	89	85
Land held for development	754	712
Total	\$ 1,263	\$ 1,228

The details of our land under development, housing inventory and land held for development are as follows:

Under development	Number of Lots/Acres		Book Value (Millions)	
	Mar. 31, 2008	Dec. 31, 2007	Mar. 31, 2008	Dec. 31, 2007
Single Family (Lots)				
Alberta	3,492	3,725	\$ 301	\$ 314
Ontario	490	330	17	24
Colorado	858	858	48	42
Texas	106	106	5	4
Missouri	83	88	2	2
	5,029	5,107	373	386
Single Family Acre Equivalent	835	843		
Multi-Family and Commercial (Acres)				
Alberta	135	136	46	44
Colorado	10	25	1	1
Total	980	1,004	\$ 420	\$ 431

Housing Inventory	Number of Units		Book Value (Millions)	
	Mar. 31, 2008	Dec. 31, 2007	Mar. 31, 2008	Dec. 31, 2007
Single Family				
Alberta	199	224	\$ 23	\$ 28
Ontario	299	239	38	28
	498	463	61	56
Multi-Family				
Alberta	230	174	28	29
Total	728	637	\$ 89	\$ 85

Held for Development	Number of Acres		Book Value (Millions)	
	Mar. 31, 2008	Dec. 31, 2007	Mar. 31, 2008	Dec. 31, 2007
Alberta	6,318	5,955	\$ 464	\$ 424
Ontario	2,174	2,184	63	64
Colorado	2,363	2,167	122	122
Texas	3,328	3,328	87	84
Missouri	221	226	18	18
Total	14,404	13,860	\$ 754	\$ 712

RECEIVABLES AND OTHER ASSETS

Receivables and other assets decreased to \$1,018 million at March 31, 2008 from \$1,056 million at December 31, 2007 primarily due to a reduction in our residential receivables.

The components of receivables and other assets are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Accounts receivable	\$ 156	\$ 135
Straight-line rent and free rent receivables	389	378
Real estate mortgages	62	63
Residential receivables and other assets	255	292
Prepaid expenses and other assets	156	188
Total	\$ 1,018	\$ 1,056

INTANGIBLE ASSETS

We have allocated \$760 million at March 31, 2008 (December 31, 2007 - \$759 million) to lease origination costs, tenant relationships, above-market leases and below-market ground leases, net of related amortization, in connection with acquisitions of individual commercial properties and portfolios, including the recent acquisitions in Boston and Houston as well as the Trizec acquisition, the O&Y acquisition and the 2006 acquisitions in the greater Washington, D.C. area.

The components of intangible assets are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Intangible assets		
Lease origination costs	\$ 409	\$ 377
Tenant relationships	518	501
Above-market leases and below-market ground leases	67	82
	\$ 994	\$ 960
Less accumulated amortization		
Lease originations costs	(147)	(124)
Tenant relationships	(71)	(62)
Above-market leases and below-market ground leases	(16)	(15)
Total net	\$ 760	\$ 759

RESTRICTED CASH AND DEPOSITS

Cash and deposits are considered restricted when there are limits imposed by third parties that prevent its use for current purposes. Restricted cash and deposits decreased to \$111 million at March 31, 2008 from \$151 million at December 31, 2007. The decrease is a result of the payment of tax escrows related to certain of our properties during the first quarter.

CASH AND CASH EQUIVALENTS

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

As at March 31, 2008, cash balances decreased to \$170 million from \$214 million at December 31, 2007 principally as a result of the cash utilized in development and redevelopment activities.

LIABILITIES AND SHAREHOLDERS' EQUITY

Our asset base of \$20.4 billion is financed with a combination of debt, capital securities and preferred and common equity. The components of our liabilities and shareholders' equity over the past two years are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Liabilities		
Commercial property debt	\$ 12,049	\$ 12,125
Accounts payable and other liabilities	1,319	1,357
Intangible liabilities	829	834
Future income tax liability	612	600
Liabilities related to discontinued operations ⁽¹⁾	114	3
Capital securities - corporate	1,028	1,053
Capital securities - fund subsidiaries	763	762
Non-controlling interests - fund subsidiaries	187	193
Non-controlling interests - other subsidiaries	85	86
Preferred equity - subsidiaries	372	382
Shareholders' equity		
Preferred equity - corporate	45	45
Common equity	2,963	3,033
Total	\$ 20,366	\$ 20,473

⁽¹⁾ Includes \$108 of commercial property debt and \$6 million of other liabilities related to discontinued operations at March 31, 2008 (December 31, 2007 – nil and \$3 million, respectively)

COMMERCIAL PROPERTY DEBT

Commercial property debt totaled \$12.0 billion at March 31, 2008, compared with \$12.1 billion at December 31, 2007. The decrease is primarily attributable to the reclassification of the debt associated with RBC Plaza in Minneapolis to discontinued operations, the paydown of a portion of the acquisition financing associated with 75 State Street in Boston as well as principal amortization. These decreases were offset by additional advances on our corporate revolver, as well as on our construction loans for Bay Adelaide Centre in Toronto, Bankers Court in Calgary, and 77 K Street in Washington, D.C. Commercial property debt at March 31, 2008 had an average interest rate of 5.76% (December 31, 2007 – 6.65%). The decrease is largely attributable to the reduction in LIBOR during the first quarter as \$3.7 billion of our floating rate debt within the U.S. Office Fund is based on LIBOR. Almost all of our Direct commercial property debt is recourse only to specific properties, thereby reducing the overall financial risk to the company. Our U.S. Office Fund debt is recourse to the Fund entities.

We attempt to match the maturity of our commercial property debt portfolio with the average lease term of our properties. At March 31, 2008, the average term to maturity of our commercial property debt was six years, close to our average lease term at about seven years.

During the first quarter of 2008, we refinanced \$372 million of commercial property debt. The details are as follows:

(Millions)	Refinanced	Interest Rate %	Maturity Date	Mortgage/Loan	Balance at Mar. 31, 2008 ⁽¹⁾
75 State Street	Refinanced	5.00%	May 2008	\$ 100	\$ 100
Bethesda Crescent	Refinanced	7.07%	September 2008	33	33
2000 L Street	Refinanced	6.26%	March 2009	56	56
Silver Springs Metro Plaza / 2401 Pennsylvania Avenue / 1250 Connecticut Avenue	Refinanced	LIBOR + 240bps	June 2009	160	157
105 Adelaide	Refinanced	5.77%	February 2013	23	22
Total				\$ 372	\$ 368

⁽¹⁾ Excludes transaction costs

We have \$800 million of committed corporate credit facilities consisting of a \$500 million bank credit facility and a \$300 million line from Brookfield Asset Management Inc. ("BAM"), our parent company. At March 31, 2008, the balance drawn on these facilities, which are in the form of three-year revolving facilities, was \$355 million and nil, respectively (balances at December 31, 2007 were \$251 million and nil, respectively). At the time of the Trizec acquisition, we financed a new \$600 million term loan facility at a rate of LIBOR + 150 basis points. The outstanding balance at March 31, 2008 on this facility was \$150 million (December 31, 2007 - \$150 million) and it matures on September 30, 2008 after considering two six-month extension options.

As at March 31, 2008, we had approximately \$15 million (December 31, 2007 - \$15 million) of indebtedness outstanding to BAM and its affiliates, after taking into consideration C\$200 million Class AAA Series E capital securities which BAM owns and which are offset against a similar amount on deposit with BAM. Interest expense related to this indebtedness, including preferred dividends reclassified to interest expense, totaled nil for the three months ended March 31, 2008, compared to \$4 million for the same period in 2007, and was recorded at the exchange amount.

The details of commercial property debt at March 31, 2008 are as follows:

(\$ in millions)	Location	Interest Rate %	Maturity Date	Mar. 31, 2008 ^(1,2)	Mortgage Details
Direct					
Hudson's Bay Centre	Toronto	5.21	April 2008	\$ 97	Non-recourse, floating rate
75 State Street	Boston	5.00	May 2008	100	Non-recourse, fixed rate
22 Front Street	Toronto	11.88	July 2008	6	Non-recourse, fixed rate
Royal Centre	Vancouver	5.11	November 2008	128	Non-recourse, floating rate
Petro-Canada Centre	Calgary	6.42	December 2008	119	Non-recourse, fixed rate
RBC Plaza ⁽⁴⁾	Minneapolis	4.20	June 2009	79	Non-recourse, floating rate
Bankers Court ⁽³⁾	Calgary	5.11	October 2009	13	Non-recourse, floating rate
West 31 st Street ⁽³⁾	New York	4.10	December 2009	105	Partial-recourse, floating rate
RBC Plaza ⁽⁴⁾	Minneapolis	6.00	December 2009	29	Non-recourse, fixed rate
77 K Street ⁽³⁾	Washington, D.C.	4.45	April 2010	22	Non-recourse, floating rate
245 Park Avenue	New York	6.65	February 2011	228	Non-recourse, fixed rate
Queen's Quay Terminal	Toronto	7.26	March 2011	34	Non-recourse, fixed rate
Fifth Avenue Place	Calgary	7.59	August 2011	71	Non-recourse, fixed rate
1201 Louisiana Street	Houston	6.73	September 2011	101	Non-recourse, fixed rate
Potomac Tower	Washington, D.C.	4.72	November 2011	75	Non-recourse, fixed rate
300 Madison Avenue	New York	6.09	April 2012	76	Non-recourse, floating rate
Exchange Tower	Toronto	6.83	April 2012	61	Non-recourse, fixed rate
Bay Adelaide Centre ⁽³⁾	Toronto	4.96	July 2012	132	Non-recourse, floating rate
HSBC Building	Toronto	8.19	October 2012	22	Non-recourse, fixed rate
105 Adelaide	Toronto	5.77	February 2013	22	Non-recourse, fixed rate
Bay Wellington Tower	Toronto	6.49	April 2013	333	Non-recourse, fixed rate
Two World Financial Center	New York	6.91	September 2013	438	Non-recourse, fixed rate
Four World Financial Center	New York	6.95	September 2013	260	Non-recourse, fixed rate
601 South 12th Street	Washington, D.C.	5.42	October 2013	52	Non-recourse, fixed rate
701 South 12th Street	Washington, D.C.	5.42	October 2013	43	Non-recourse, fixed rate
Bankers Hall	Calgary	7.20	November 2013	169	Non-recourse, fixed rate
Republic Plaza	Denver	5.14	April 2014	163	Non-recourse, fixed rate
1625 Eye Street	Washington, D.C.	6.00	September 2014	125	Non-recourse, fixed rate
Two World Financial Center	New York	13.84	September 2014	103	Non-recourse, floating rate
53 State Street	Boston	5.96	August 2016	279	Non-recourse, fixed rate
One Bethesda	Washington, D.C.	5.66	October 2016	53	Non-recourse, fixed rate
One World Financial Center	New York	5.83	February 2017	309	Non-recourse, fixed rate
One Liberty Plaza	New York	6.14	September 2017	836	Non-recourse, fixed rate
TD Canada Trust Tower	Toronto	5.87	December 2017	193	Non-recourse, fixed rate
West 33 rd Street ⁽³⁾	New York	5.90	April 2018	122	Non-recourse, fixed rate
33 South Sixth Street	Minneapolis	6.72	May 2028	94	Non-recourse, fixed rate
75 State Street	Boston	7.00	September 2028	163	Non-recourse, fixed rate
701 9th Street	Washington, D.C.	6.73	December 2028	153	Non-recourse, fixed rate
300 Madison Avenue	New York	7.26	April 2032	400	Non-recourse, fixed rate
Total Direct		6.37		\$ 5,808	
U.S. Office Fund					
5670 Wilshire	Los Angeles	3.97	May 2008	\$ 58	Non-recourse, floating rate
Two Ballston Plaza	Washington, D.C.	6.91	June 2008	25	Non-recourse, fixed rate
Bethesda Crescent	Washington, D.C.	7.07	September 2008	33	Non-recourse, fixed rate
2000 L Street	Washington, D.C.	6.26	March 2009	56	Non-recourse, fixed rate
Silver Springs Metro Plaza / 2401 Pennsylvania Avenue / 1250 Connecticut Avenue	Washington, D.C.	5.46	June 2009	157	Non-recourse, floating rate
Waterview ⁽³⁾	Washington, D.C.	5.12	August 2009	16	Non-recourse, floating rate
1460 Broadway	New York	5.11	November 2012	12	Non-recourse, fixed rate
Four Allen Center	Houston	5.77	October 2013	240	Non-recourse, fixed rate
Ernst & Young Plaza	Los Angeles	5.07	February 2014	112	Non-recourse, fixed rate
Grace Building	New York	5.54	July 2014	192	Non-recourse, fixed rate
1411 Broadway	New York	5.50	July 2014	110	Non-recourse, fixed rate
Bank of America Plaza	Los Angeles	5.31	September 2014	234	Non-recourse, fixed rate
2001 M Street	Washington, D.C.	5.25	December 2014	45	Non-recourse, fixed rate
Victor Building	Washington, D.C.	5.39	February 2016	47	Non-recourse, fixed rate
One New York Plaza	New York	5.50	March 2016	397	Non-recourse, fixed rate
Marina Towers	Los Angeles	5.84	April 2016	21	Non-recourse, fixed rate
U.S. Fund Corporate and other debt					
CMBS Pool debt	—	6.85	May 2011	308	Non-recourse, fixed rate
Mezzanine debt	—	5.32	October 2011	3,086	Non-recourse, floating rate
CMBS Pool debt	—	3.57	October 2011	594	Non-recourse, floating rate
Total U.S. Office Fund		5.27		\$ 5,743	

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

⁽²⁾ Net of \$34 million of transaction costs

⁽³⁾ Development debt

⁽⁴⁾ Commercial property debt of \$108 million relates to discontinued operations

(\$ in millions)	Location	Interest Rate %	Maturity Date	Mar. 31, 2008 ^(1,2)	Mortgage Details
Canadian Office Fund					
Enbridge Tower	Edmonton	6.72	June 2009	\$ 2	Non-recourse, fixed rate
Place de Ville I	Ottawa	7.81	November 2009	6	Non-recourse, fixed rate
First Canadian Place	Toronto	8.06	December 2009	63	Non-recourse, fixed rate
151 Yonge Street	Toronto	6.01	June 2012	11	Non-recourse, fixed rate
Jean Edmonds Tower	Ottawa	5.55	January 2014	2	Non-recourse, fixed rate
Jean Edmonds Tower	Ottawa	6.79	January 2024	17	Non-recourse, fixed rate
Total Canadian Office Fund		7.53		\$ 101	
Corporate					
Term facility	—	3.90	September 2008	\$ 150	Recourse, floating rate
Corporate Revolver	—	4.20	June 2009	355	Recourse, floating rate
Total Corporate				\$ 505	
Total Commercial Property Debt		5.76		\$ 12,157	

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

⁽²⁾ Net of \$34 million of transaction costs

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

(Millions)	Scheduled Amortization	Maturities	Total ⁽¹⁾	Weighted-Average Interest Rate at Mar. 31, 2008
Remainder 2008	\$ 124	\$ 718	\$ 842	5.52%
2009	173	881	1,054	5.08%
2010	190	22	212	6.39%
2011	197	4,478	4,675	5.27%
2012	206	238	444	6.19%
2013 and thereafter	675	4,255	4,930	6.24%
Total commercial property debt	\$ 1,565	\$ 10,592	\$ 12,157	5.76%

⁽¹⁾ Includes \$108 million of commercial property debt related to discontinued operations at March 31, 2008 (December 31, 2007 - nil)

CONTRACTUAL OBLIGATIONS

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

(Millions)	Total	Payments Due By Period			
		Less than 1 year	2 - 3 Years	4 - 5 Years	After 5 Years
Commercial property debt ⁽¹⁾	\$ 12,157	\$ 842	\$ 1,266	\$ 5,119	\$ 4,930
Residential development debt	487	163	316	7	1
Capital securities - corporate	1,028	—	193	—	835
Capital securities - fund subsidiaries ⁽²⁾	257	—	—	—	257
Interest expense ⁽³⁾					
Commercial property debt	3,307	642	831	603	1,231
Capital securities - corporate	362	56	112	92	102
Capital securities - fund subsidiaries ⁽²⁾	156	21	56	56	23
Minimum rental payments - ground leases ⁽⁴⁾	3,248	21	56	56	3,115

⁽¹⁾ Net of transaction costs

⁽²⁾ Excludes redeemable equity interests

⁽³⁾ Represents aggregate interest expense expected to be paid over the term of the debt, on an undiscounted basis, based on current interest and foreign exchange rates

⁽⁴⁾ Represents payments on properties situated on land held under leases or other agreements

Corporate Guarantees and Contingent Obligations

We conduct our operations through entities that are fully or proportionately consolidated in our financial statements except for our investment in Brookfield LePage Johnson Controls and a 25% investment in Oakridges, a residential development project in Toronto, which are both equity accounted.

We may be contingently liable with respect to litigation and claims that arise in the normal course of business. In addition, we may execute agreements that provide for indemnifications and guarantees to third parties. Disclosure of guarantees, contingencies and commitments can be found in Note 22 to our consolidated financial statements.

ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities totaled \$1,319 million at March 31, 2008, compared with \$1,357 million at December 31, 2007. The decrease is primarily due to a reduction in our residential payables due to the slowing activity in that market. In addition, land development debt decreased to \$487 million from \$501 million at December 31, 2007. This financing is primarily recourse in nature to

the underlying residential development properties and relates to construction and development loans, which are repaid from the sales proceeds of building lots and homes, and other short-term advances. As new homes are constructed, loans are funded on a rolling basis. This financing had a weighted average interest rate of 5.42% at March 31, 2008 (December 31, 2007 - 6.17%). Included in accounts payable and accrued liabilities is \$51 million (December 31, 2007 - \$33 million) related to the fair market value of a forward-starting interest rate swap that we entered into during 2007 to hedge the interest rate risk associated with the anticipated issuance of \$350 million of fixed rate debt.

A summary of the components of accounts payable and other liabilities is as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Accounts payable and accrued liabilities	\$ 613	\$ 613
Straight-line rent payable	62	59
Residential payables and accrued liabilities	157	184
Land development debt	487	501
Total	\$ 1,319	\$ 1,357

INTANGIBLE LIABILITIES

Intangible liabilities consist of below-market tenant leases and above-market ground lease obligations assumed on acquisitions, net of related accumulated amortization.

The components of intangible liabilities are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Intangible liabilities		
Below-market leases	\$ 1,011	\$ 971
Above-market ground lease obligations	47	58
	1,058	1,029
Less accumulated depreciation		
Below-market leases	(223)	(189)
Above-market ground lease obligations	(6)	(6)
Total net	\$ 829	\$ 834

FUTURE INCOME TAXES

At March 31, 2008, we had a net future income tax liability of \$612 million broken out as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Future income tax liabilities related to difference in tax and book basis, net	\$ (934)	\$ (944)
Future income tax assets related to non-capital losses and capital losses	322	344
Total net	\$ (612)	\$ (600)

Together with our Canadian subsidiaries, we have future income tax assets of \$118 million (December 31, 2007 - \$117 million) that relate to non-capital losses which expire over the next 20 years and \$103 million (December 31, 2007 - \$106 million) that relate to capital losses which have no expiry. Our U.S. subsidiaries have future income tax assets of \$101 million (December 31, 2007 - \$121 million) that relate to net operating losses which expire over the next 15 years. The amount of non-capital losses and deductible temporary differences, for which no future income tax assets have been recognized, is approximately \$389 million (December 31, 2007 - \$395 million) which also expire over the next 10 years.

CAPITAL SECURITIES - CORPORATE

Financial instruments that may be settled, at our option, in cash or the equivalent value of a variable number of the company's equity instruments are required to be presented as a liability. Accordingly, certain of our Class AAA preferred shares are classified as liabilities under the caption "Capital securities."

We have the following capital securities – corporate outstanding:

(Millions, except share information)	Shares Outstanding	Cumulative Dividend Rate	Mar. 31, 2008 ⁽¹⁾	Dec. 31, 2007 ⁽¹⁾
Class AAA Series F	8,000,000	6.00%	\$ 194	\$ 199
Class AAA Series G	4,400,000	5.25%	109	109
Class AAA Series H	8,000,000	5.75%	194	199
Class AAA Series I	8,000,000	5.20%	193	199
Class AAA Series J	8,000,000	5.00%	193	198
Class AAA Series K	6,000,000	5.20%	145	149
Total			\$ 1,028	\$ 1,053

⁽¹⁾Net of transaction costs of \$8 million and \$7 million at March 31, 2008 and December 31, 2007, respectively
For redemption dates, refer to Note 14 of the consolidated financial statements

CAPITAL SECURITIES – FUND SUBSIDIARIES

We consolidate our investment in the U.S. Office Fund. Capital securities within our U.S. Office Fund are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Debt securities	\$ 257	\$ 257
Redeemable equity interests	506	505
Total	\$ 763	\$ 762

Debt securities consist of partner contributions to the U.S. Office Fund by way of an unsecured debenture. The debenture matures on October 31, 2013 and bears interest at 11%.

Redeemable equity interests include \$441 million representing the equity interest in the U.S. Office Fund held by our joint venture partner, The Blackstone Group ("Blackstone"). The balance of redeemable equity interests is comprised of \$65 million of redeemable preferred securities bearing interest at 6%.

NON-CONTROLLING INTERESTS – FUND SUBSIDIARIES

At March 31, 2008, non-controlling interests – fund subsidiaries was \$187 million (December 31, 2007 – \$193 million), which represents equity contributions by other U.S. Office Fund investors in the Brookfield Properties-led consortium.

NON-CONTROLLING INTERESTS – OTHER SUBSIDIARIES

In addition to our 100% owned subsidiaries and our U.S. Office Fund, we conduct our commercial property operations through BPO Properties Ltd. ("BPO Properties") in Canada, which holds substantially all of our Canadian assets other than Brookfield Place in Toronto, and through Brookfield Financial Properties, L.P. ("Brookfield Financial Properties") in the U.S., which holds substantially all of our Direct interests in our New York, Boston and some of our Washington, D.C. assets.

The following table details the components of non-controlling interests:

(Millions)	Others' Equity Ownership	Mar. 31, 2008	Dec. 31, 2007
Common shares of BPO Properties	11.0%	\$ 72	\$ 73
Limited partnership units of Brookfield Financial Properties	0.6%	13	13
Total		\$ 85	\$ 86

Non-controlling interests in BPO Properties decreased to \$72 million at March 31, 2008 from \$73 million at December 31, 2007 primarily due to the impact of foreign exchange.

PREFERRED EQUITY – SUBSIDIARIES

In addition to the preferred equity classified as capital securities, we had \$372 million of preferred equity outstanding at March 31, 2008 issued by BPO Properties. These preferred shares represent low-cost capital to Brookfield Properties, without dilution to the common equity base. Dividends paid on these preferred shares are a component of non-controlling interests expense.

The following table details the preferred shares issued by BPO Properties:

(Millions, except share information)	Shares Outstanding	Preferred Shares Series	Cumulative Dividend Rate	Mar. 31, 2008	Dec. 31, 2007
	1,805,489	Series G	70% of bank prime	\$ 44	\$ 45
	3,816,527	Series J	70% of bank prime	93	96
	300	Series K	30-day BA + 0.4%	147	150
	2,847,711	Series M	70% of bank prime	69	71
	800,000	Series N	30-day BA + 0.4%	19	20
Total				\$ 372	\$ 382

For details regarding the terms on our preferred shares, refer to our most recent Annual Information Form

During the first three months of 2008, dividends of \$4 million were paid on preferred shares issued by BPO Properties, compared with \$3 million during the same period in 2007.

PREFERRED EQUITY – CORPORATE

At March 31, 2008 we had \$45 million of preferred equity outstanding. Similar to the preferred shares issued by subsidiaries, these preferred shares represent low-cost capital to us, without dilution to our common equity base. Dividends paid on these preferred shares are accounted for as capital distributions.

We have the following preferred shares outstanding:

(Millions, except share information)	Shares Outstanding	Cumulative Dividend Rate	Mar. 31, 2008	Dec. 31, 2007
Class A redeemable voting	14,202,000	7.50%	\$ 11	\$ 11
Class AA Series E	2,000,000	70% of bank prime	34	34
Total			\$ 45	\$ 45

For details regarding the terms on our preferred shares, refer to our most recent Annual Information Form

During the first three months of 2008, we paid preferred dividends of \$1 million, compared with \$1 million during the same period in 2007.

COMMON EQUITY

As at March 31, 2008, we had 392,931,854 issued and outstanding common shares. On a diluted basis, we had 402,807,004 common shares outstanding, calculated as follows:

	Mar. 31, 2008	Dec. 31, 2007
Common shares outstanding	392,931,854	392,805,608
Unexercised options	9,875,150	8,256,994
Common shares outstanding – diluted ⁽¹⁾	402,807,004	401,062,602
Common shares repurchased	300,000	4,513,720

⁽¹⁾ Includes all potential common shares at March 31, 2008 and December 31, 2007

During the first quarter of 2008, we repurchased 300,000 shares at an average price of \$18.64 per share. Since the inception of the normal course issuer bid in 1999, we have repurchased approximately 36 million shares at an average price of \$11.66 per share on a post-split adjusted basis.

At March 31, 2008, the book value of our common equity was \$3.0 billion, compared with a market equity capitalization of approximately \$7.6 billion, calculated as total common shares outstanding multiplied by \$19.31, the closing price per common share on the New York Stock Exchange on March 31, 2008.

CAPITAL RESOURCES AND LIQUIDITY

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

- fund recurring expenses;
- meet debt service requirements;
- make dividend payments;
- fund capital expenditures, including tenant improvements;
- fund current development costs not covered under construction loans;
- invest in the establishment of new funds;
- repurchase our stock; and
- possibly fund new property acquisitions

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

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

- cashflows from operations;
- construction loans;
- investment in new funds;
- proceeds from sales of assets; and
- our credit facilities and refinancing opportunities

Our commercial property debt is primarily fixed-rate and non-recourse to the company. These investment-grade financings are typically structured on a loan-to-appraised value basis of up to 70%. In addition, in certain circumstances where a building is leased almost exclusively to a high-credit quality tenant, a higher loan-to-value financing, based on the tenant's credit quality, is put in place at rates commensurate with the cost of funds for the tenant. This reduces our equity requirements to finance commercial property, and enhances equity returns.

OPERATING RESULTS

NET INCOME

Our net income for the quarter ended March 31, 2008 was \$23 million (\$0.06 per diluted share) compared to \$53 million (\$0.13 per diluted share) during the same period in 2007. The net decrease is largely a result of:

- a decrease in residential development operations of \$24 million (\$0.06 per diluted share) due to an increase in both labor and material costs in Alberta in addition to reduced lot and home sales;
- an increase in depreciation and amortization of \$14 million (\$0.04 per diluted share) primarily as a result of the purchase of 1201 Louisiana Street in Houston and the purchase of the remaining interest in 53 and 75 State Street in Boston subsequent to the first quarter of 2007 as well as depreciation of Four Allen Center in Houston, of which a portion became operational in 2008;
- a reduction of \$9 million (\$0.02 per diluted share) in losses absorbed by co-investors in the U.S. Office Fund as a result of increased earnings within the Fund;
- a decrease in discontinued operations of \$35 million (\$0.09 per diluted share) due to income attributable to discontinued operations of nil during the current quarter end and \$35 million during the same period in 2007 as a result of gains on the sale of three properties; offset by:
 - \$36 million of growth (\$0.09 per diluted share) from commercial property operating income, primarily as a result of the acquisition of 1201 Louisiana Street in Houston, and the purchase of the remaining interest in 53 and 75 State Street in Boston during 2007 as well as the reclassification of Four Allen Center in Houston to an operational property;
 - a decrease in interest expense of \$4 million (\$0.01 per diluted share) as a result of reduced LIBOR rates on our floating rate debt offset by the impact of refinancings completed subsequent to the first quarter of 2007;
 - a decrease in transaction costs of \$4 million (\$0.01 per diluted share) which related to the Trizec acquisition; and
 - a decrease in future income tax expense of \$9 million (\$0.02 per diluted share).

Set out below is a summary of the various components of our net income and funds from operations. Discussion of each of these components is provided on the following pages.

(Millions)	Three months ended March 31	
	2008	2007
Total revenue	\$ 665	\$ 634
Net operating income		
Commercial property operations		
Operating income from commercial properties	349	309
Lease termination, non-recurring fee and other income	—	4
Total commercial property operations	349	313
Residential development operations	18	42
Interest and other income	10	9
	377	364
Expenses		
Interest		
Commercial property debt	167	171
Capital securities – corporate	15	15
Capital securities – fund subsidiaries	(8)	(9)
General and administrative	29	29
Transaction costs	—	4
Non-controlling interests		
Fund subsidiaries	(2)	(10)
Other subsidiaries	6	4
Depreciation and amortization	138	124
Future income taxes	9	18
Net income from continuing operations	23	18
Discontinued operations, net of non-controlling interests ⁽¹⁾	—	35
Net income	\$ 23	\$ 53
Net income per share – diluted		
Continuing operations	\$ 0.06	\$ 0.04
Discontinued operations	—	0.09
	\$ 0.06	\$ 0.13
Funds from operations per share – diluted		
Continuing operations	\$ 0.32	\$ 0.31
Discontinued operations	—	0.01
Lease termination income and disposition gains	—	0.11
	\$ 0.32	\$ 0.43

⁽¹⁾ Refer to page 34 for further details on discontinued operations

It should be noted that challenges of comparability of net income exist among various real estate companies, as those entities structured as corporations, such as Brookfield Properties, are required to charge their earnings with tax expense, despite the presence of tax losses which reduce the cash tax obligation. This differs from those entities which operate as real estate investment trusts (“REITs”), as REITs are not subject to taxation, provided they remain in compliance with specific tax codes.

Our net income per share and weighted average common shares outstanding are calculated as follows:

(Millions, except per share amounts)	Three months ended March 31	
	2008	2007
Net income	\$ 23	\$ 53
Preferred share dividends	(1)	(1)
Net income available to common shareholders	\$ 22	\$ 52
Weighted average shares outstanding – basic	393.0	396.9
Net income per share – basic	\$ 0.06	\$ 0.13
Weighted average shares outstanding – diluted	394.5	400.8
Net income per share – diluted	\$ 0.06	\$ 0.13
Weighted average shares outstanding – basic	393.0	396.9
Unexercised options	1.5	3.9
Weighted average shares outstanding – diluted	\$ 394.5	\$ 400.8

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS

(Millions)	Three months ended March 31	
	2008	2007
Net income	\$ 23	\$ 53
Add (deduct) non-cash and extraordinary items:		
Depreciation and amortization	138	124
Income taxes	9	18
Transaction costs	—	4
Discontinued operations ⁽¹⁾	—	(32)
Non-controlling interests in above items ⁽²⁾	(44)	(38)
Funds from operations	\$ 126	\$ 129

⁽¹⁾ Represents depreciation and amortization, income taxes and dispositions related to discontinued operations

⁽²⁾ Includes non-cash component of capital securities – fund subsidiaries of \$22 million (March 31, 2007 – \$22 million)

After providing for preferred share dividends, our funds from operations per diluted share, excluding lease termination income and gains, is calculated as follows:

(Millions, except per share amounts)	Three months ended March 31	
	2008	2007
Funds from operations	\$ 126	\$ 129
Preferred share dividends	(1)	(1)
	125	128
Funds from operations per share – diluted	\$ 0.32	\$ 0.32

Funds from operations was \$0.32 per share during the three months ended March 31, 2008 compared with \$0.32 per share during the same period in 2007.

REVENUE

The components of revenue are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Commercial property revenue		
Revenue from continuing operations	\$ 563	\$ 502
Recurring fee income	10	8
Lease termination, non-recurring fee and other income	—	4
Total commercial property revenue	573	514
Revenue from residential development operations	82	111
Revenue from commercial property and residential development operations	655	625
Interest and other	10	9
Total	\$ 665	\$ 634

COMMERCIAL PROPERTY OPERATIONS

Commercial property net operating income totaled \$349 million in the three months ended March 31, 2008 compared with \$313 million during the same period in 2007. The components of commercial property net operating income from continuing operations are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Commercial property revenue		
Revenue from current properties	\$ 517	\$ 454
Straight-line rental income	9	15
Intangible lease amortization	37	33
Revenue from continuing operations	563	502
Recurring fee income	10	8
Lease termination, non-recurring fee and other income	—	4
Total commercial property revenue	573	514
Property operating costs	(224)	(201)
Commercial property net operating income	\$ 349	\$ 313

Our Direct net operating income as well as our net operating income from our funds for the first quarter of 2008 and 2007 is as follows:

(Millions)	Three months ended March 31	
	2008	2007
Direct		
Same property	\$ 175	\$ 162
Properties acquired	12	—
Recurring fee income	7	6
	194	168
U.S. Office Fund		
Same property	140	135
Properties reclassified from redevelopment	2	—
Recurring fee income	1	—
	143	135
Canadian Office Fund		
Same property	10	8
Recurring fee income	2	2
	12	10
Total commercial property net operating income	\$ 349	\$ 313

The components of commercial property net operating income from discontinued operations are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Discontinued operations		
Revenue	\$ 4	\$ 10
Property operating expenses	(2)	(5)
Net operating income from discontinued operations	\$ 2	\$ 5

Revenue from commercial properties includes rental revenues earned from tenant leases, straight-line rent, percentage rent and additional rent from the recovery of operating costs and property taxes. Revenue from commercial properties totaled \$573 million during the three months ended March 31, 2008 compared with \$514 million during the same period in 2007. The increase is primarily a result of the income from 1201 Louisiana Street in Houston, which was acquired subsequent to the first quarter of 2007 as well as additional income from our Boston properties due to the purchase of the remaining interest in 53 and 75 State Street in the fourth quarter of 2007 and income from Four Allen Center in Houston, which became operational during the first quarter of 2008. As a result of these increases to revenue, we saw a similar increase to our net operating income for the reasons noted above as well as an increase in same property net operating income.

Our leases generally have clauses which provide for the collection of rental revenues in amounts that increase every five years, with these increases negotiated at the signing of the lease. The large number of high-credit quality tenants in our portfolio lowers the risk of not realizing these increases. GAAP requires that these increases be recorded on a straight-line basis over the life of the lease. For the three months ended March 31, 2008, we recognized \$9 million of straight-line rental revenue, as compared to \$15 million during the same period in 2007.

Commercial property operating costs which include real estate taxes, utilities, insurance, repairs and maintenance, cleaning and other property-related expenses were \$224 million during the first quarter of 2008, as compared to \$201 million during the first quarter of 2007. The primary reason for the increased costs related to 1201 Louisiana Street in Houston, which was acquired subsequent to the first quarter of 2007 as well as the additional costs incurred on the remaining interests in our Boston properties and costs associated with Four Allen Center in Houston, which became operational during the first quarter of 2008. These acquisitions accounted for approximately \$9 million of the increase over 2007. Offsetting these increases is the sale of various properties in the Canadian Office Fund over the past year.

Substantially all of our leases are net leases in which the lessee is required to pay their proportionate share of property operating expenses such as utilities, repairs, insurance and taxes. Consequently, leasing activity, which affects both occupancy and in-place rental rates, is the principal contributor to the change in same property net operating income. During the first quarter of 2008, occupancy increased due to lease-ups in Lower Manhattan, Boston, Houston, Los Angeles, Toronto, Denver and Minneapolis as compared to the same period in 2007. At March 31, 2008, average in-place net rent throughout the portfolio was \$23.12 per square foot compared with \$22 per square foot at March 31, 2007.

The following table shows the average in-place rents and estimated current market rents for similar space in each of our markets as at March 31, 2008:

	Leasable Area (000's Sq. Ft.)	Avg. Lease Term (Years)	Avg. In-Place Net Rent (\$ per Sq. Ft.)	Avg. Market Net Rent (\$ per Sq. Ft.)
New York, New York				
Midtown	6,527	10.9	\$ 36.85	\$ 84
Downtown	13,719	9.6	26.57	44
Boston, Massachusetts	1,990	6.0	28.94	35
Washington, D.C.	5,619	6.5	24.47	35
Houston, Texas	8,280	6.7	12.19	22
Los Angeles, California	8,624	5.0	20.76	25
Toronto, Ontario	8,824	6.7	24.77	26
Calgary, Alberta	5,681	6.1	24.07	34
Ottawa, Ontario	1,750	5.6	16.98	20
Denver, Colorado	1,324	7.2	16.70	22
Minneapolis, Minnesota	2,530	6.2	9.64	16
Other	1,402	7.7	12.68	22
Total ⁽¹⁾	66,270	7.4	\$ 23.12	\$ 36

⁽¹⁾ Excludes developments

Our total portfolio occupancy rate increased by 40 basis points to 95.4% at March 31, 2008 compared with 95.0% at March 31, 2007 primarily due to the improved leasing environment subsequent to the first quarter of the previous year across almost all of our markets.

A summary of our occupancy levels at the end of the first quarter for the past two years is as follows:

(Thousands of square feet)	Mar. 31, 2008		Mar. 31, 2007	
	Leasable Sq. Ft.	% Leased	Leasable Sq. Ft.	% Leased
New York, New York				
Midtown	6,527	93.5	6,298	96.2
Downtown	13,719	98.9	12,901	96.7
Total New York, New York	20,246	97.2	19,199	96.5
Boston, Massachusetts	1,990	96.9	1,887	94.3
Washington, D.C.	5,619	92.0	5,749	94.6
Houston, Texas	8,280	95.2	6,168	93.6
Los Angeles, California	8,624	87.5	8,533	86.7
Toronto, Ontario	8,824	97.8	9,404	97.4
Calgary, Alberta	5,681	99.8	6,801	99.9
Ottawa, Ontario	1,750	99.3	1,750	99.0
Denver, Colorado	1,324	97.8	1,292	97.0
Minneapolis, Minnesota	2,530	92.8	2,487	89.9
Other	1,402	95.3	1,400	94.1
Total ⁽¹⁾	66,270	95.4	64,670	95.0

⁽¹⁾ Excludes developments

During the three months ended March 31, 2008, we leased 1.0 million square feet of space at an average leasing net rent of \$32.71 per square foot. This included 0.6 million square feet of new leases and 0.4 million square feet of renewals. Expiring net rent for the portfolio averaged \$20.42 per square foot.

The details of our leasing activity for the three months ended March 31, 2008 are as follows:

	Dec. 31, 2007		Activities During the Three Months Ended March 31, 2008					Mar. 31, 2008		
	Leasable Sq. Ft. ^(1,2)	Leased Sq. Ft. ^(1,2)	Expiries Sq. Ft. ⁽¹⁾	Average Expiring Net Rent (\$ per sq. ft.)	Leasing Sq. Ft. ⁽¹⁾	Year One Leasing Net Rent (\$ per sq. ft.)	Average Leasing Net Rent (\$ per sq. ft.)	Acq./ (Disp.) Sq. Ft. ⁽¹⁾	Leasable Sq. Ft. ⁽¹⁾	Leased Sq. Ft. ⁽¹⁾
New York, New York										
Midtown	6,527	6,214	(199)	\$ 34.57	86	\$ 117.13	\$ 121.32	—	6,527	6,101
Downtown	13,719	13,638	(70)	15.88	6	41.26	43.33	—	13,719	13,574
Boston, Massachusetts	1,990	1,921	(3)	19.06	9	42.28	43.67	—	1,990	1,927
Washington, D.C.	5,619	5,179	(145)	24.30	133	25.12	25.80	—	5,619	5,167
Houston, Texas	7,013	6,665	(203)	13.42	157	14.66	14.87	1,267	8,280	7,886
Los Angeles, California	8,624	7,536	(359)	16.36	368	22.03	24.74	—	8,624	7,545
Toronto, Ontario	8,824	8,637	(123)	21.44	114	26.62	27.29	—	8,824	8,628
Calgary, Alberta	5,681	5,667	(82)	21.90	87	37.58	39.95	—	5,681	5,672
Ottawa, Ontario	1,750	1,739	(11)	17.55	11	20.31	20.92	—	1,750	1,739
Denver, Colorado	1,324	1,291	—	—	4	22.61	23.40	—	1,324	1,295
Minneapolis, Minnesota	2,530	2,345	(42)	12.25	45	11.72	12.55	—	2,530	2,348
Other	1,402	1,329	(17)	17.13	24	27.35	28.26	—	1,402	1,336
Total ⁽¹⁾	65,003	62,161	(1,254)	\$ 20.42	1,044	\$ 30.93	\$ 32.71	1,267	66,270	63,218

⁽¹⁾ Excludes developments

⁽²⁾ Restated for remeasurements performed during the first quarter of 2008

Acquisitions

The value created in our mature commercial properties provides us with the opportunity to generate gains and a potential source of capital available to reinvest in other assets at higher returns. The acquisitions of 1201 Louisiana Street in Houston, the remaining interest in our Boston properties and the reclassification of Four Allen Center in Houston to operational provided \$14 million of net operating income during the three months ended March 31, 2008.

Recurring fee income

Fee income includes property management fees, leasing fees and project management fees relating to certain co-owned properties. Fee income serves as a cashflow supplement to enhance returns from co-owned assets. We also earn fees through Brookfield Residential Services Ltd. and Brookfield LePage Johnson Controls. Brookfield Residential Services Ltd. has been managing condominiums in the Greater Metropolitan Toronto area for the past 28 years and manages in excess of 51,000 units in over 267 condominium corporations. Brookfield LePage Johnson Controls, one of the largest facilities management operations in Canada, is owned 40% by Brookfield Properties in partnership with Johnson Controls. This joint venture, which is equity accounted, manages nearly 100 million square feet of premises for major corporations and government.

The details of our fee income are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Property management, leasing, project management and other fees	\$ 5	\$ 4
Brookfield Residential Services Ltd. fees	5	4
Brookfield LePage Johnson Controls	—	—
Total	\$ 10	\$ 8

The generation of fee income is not viewed as a separate business segment; however, with the establishment of our office funds, the associated fees represent an important area of growth for us and are expected to increase as we expand our assets under management. These fees typically include a stable base fee for providing regular ongoing services as well as performance fees that are earned when the performance of the fund exceeds certain predetermined benchmarks. We will also earn transaction fees for investment and leasing activities conducted on behalf of these funds.

RESIDENTIAL DEVELOPMENT OPERATIONS

Our residential development operations are located in five markets: Alberta, Ontario, Colorado, Texas and Missouri. Most of our land holdings were purchased in the mid-1990's, and as a result have an embedded cost advantage over many companies which are acquiring land today at much higher prices.

Our residential development operations contributed \$18 million of pre-tax income during the first three months of 2008 as compared to \$42 million during 2007. The decrease in earnings is due to an increase in both labor and material costs in Alberta as a result of shortages caused by the rapid growth in the local economy fueled by the energy sector, resulting in lower margins, as well as lower home sales and lot volumes.

The components of residential development net operating income are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Sales revenue	\$ 82	\$ 111
Operating costs	(64)	(69)
Total	\$ 18	\$ 42

Lot sales for the first quarter of the past two years and the related revenue are as follows:

Three months ended March 31	Lot Sales (Units/Acres)		Lot Sales Revenue (Millions)		Average Lot Sales Revenue (Thousands)	
	2008	2007	2008	2007	2008	2007
Single Family						
Alberta	180	549	\$ 33	\$ 73	\$ 171	\$ 125
Ontario	—	—	—	—	134	—
Colorado	—	4	—	—	—	66
Missouri	—	1	—	—	—	100
	180	554	33	73		
Single Family (Acres)	26	80	—	—		
Multi-Family and Commercial (Acres)						
Alberta	3	4	2	2	614	470
Total	29	84	\$ 35	\$ 75		

Home sales for the first quarter of the past two years and the related revenue are as follows:

Three months ended March 31	Home Sales (Units)		Home Sales Revenue (Millions)		Average Home Sales Revenue (Thousands)	
	2008	2007	2008	2007	2008	2007
Single Family						
Alberta	79	94	\$ 27	\$ 21	\$ 345	\$ 227
Ontario	28	4	9	2	324	269
	107	98	36	23		
Multi-Family						
Alberta	33	47	11	11	331	230
Ontario	—	10	—	2	—	219
Total	140	155	\$ 47	\$ 36		

Residential development operating costs, which include land costs, land servicing costs, housing development costs, property taxes and other related costs decreased to \$64 million during the first three months of 2008 from \$69 million during the same period in 2007.

INTEREST AND OTHER INCOME

Interest and other income includes interest charged on real estate mortgages and residential receivables, interest received on cash balances, and transactional gains. Interest and other income increased to \$10 million during the first quarter of 2008 as compared to \$9 million during the same time period in 2007. The 2008 results include a \$2 million incremental gain related to the sale of a portion of our Waterview property during 2007.

INTEREST EXPENSE

Commercial property debt

Interest expense relating to commercial property debt decreased to \$167 million in the first quarter of 2008 from \$171 million during the first quarter of 2007. This decrease is largely attributable to the benefit of lower LIBOR rates during the quarter. Offsetting this decrease is interest expense on 1201 Louisiana Street in Houston which was acquired subsequent to the first quarter of 2007, as well as additional interest on 53 and 75 State Street in Boston as a result of the purchase of the remaining interest during the fourth quarter of 2007.

Capital securities – corporate

Interest expense on capital securities – corporate relates to preferred share dividends reclassified to interest expense. This amount remained consistent at \$15 million during the first three months of 2008.

Capital securities – fund subsidiaries

Interest expense on capital securities – fund subsidiaries represents expenses related to the following interests in the U.S. Office Fund:

(Millions)	Three months ended March 31	
	2008	2007
Interest on debt securities	\$ 6	\$ 7
Interest on redeemable equity interests	8	6
	14	13
Non-cash component ⁽¹⁾	(22)	(22)
Total	\$ (8)	\$ (9)

⁽¹⁾ Represents co-investors share of non-cash items, such as depreciation and amortization

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs during the three months ended March 31, 2008 were \$29 million, consistent with the same period in 2007. Included in general and administrative expenses is \$4 million (March 31, 2007 - \$4 million) of expenses related to the operations of our subsidiary, Brookfield Residential Services Ltd.

TRANSACTION COSTS

Transaction costs for the three months ended March 31, 2008 were nil. During the same period in the prior year we incurred merger integration costs and employee transition costs resulting from the Trizec merger of \$4 million. We no longer expect to incur such costs going forward.

NON-CONTROLLING INTERESTS

Fund subsidiaries

Non-controlling interests in our U.S. Office Fund are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Non-controlling interests	\$ 20	\$ 6
Non-cash component ⁽¹⁾	(22)	(16)
Total	\$ (2)	\$ (10)

⁽¹⁾ Represents co-investors share of non-cash items, such as depreciation and amortization

Other subsidiaries

Non-controlling interests – other subsidiaries consists of earnings attributable to interests not owned by Brookfield Properties in BPO Properties and Brookfield Financial Properties, as well as dividends on shares issued by BPO Properties and our 100%-owned subsidiaries.

For the three months ended March 31, 2008, dividends paid on shares issued by our subsidiaries increased to \$4 million from \$3 million during the same time period in 2007. Non-controlling interests in subsidiary earnings was \$2 million in the first quarter of 2008 compared with \$1 million in the first quarter of 2007.

The following table outlines the dividends and earnings paid or attributable to other shareholders of subsidiaries of Brookfield Properties:

(Millions)	Type	Three months ended March 31	
		2008	2007
BPO Properties	Redeemable preferred shares ⁽¹⁾	\$ 4	\$ 3
BPO Properties	Participating interests	2	1
Brookfield Financial Properties	Participating interests	—	—
Total		\$ 6	\$ 4

⁽¹⁾ Non-participating

Non-controlling interests – other subsidiaries is comprised of non-controlling interests from continuing operations and discontinued operations as follows:

(Millions)	Three months ended March 31	
	2008	2007
Non-controlling interests – other subsidiaries – continuing operations	\$ 6	\$ (1)
Non-controlling interests – other subsidiaries – discontinued operations	—	5
Total non-controlling interests – other subsidiaries	\$ 6	\$ 4

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation for the three months ended March 31, 2008 increased by \$14 million to \$138 million from \$124 million during the same period in 2007. The majority of this increase was due to the recent acquisition of the remaining interest in our Boston properties as well as the acquisition of 1201 Louisiana in Houston, which was purchased subsequent to the first quarter of 2007 and the reclassification of Four Allen Center in Houston to operational during the first quarter of 2008. These increases are offset by the sale of various properties in our Canadian Office Fund in recent months.

FUTURE INCOME TAXES

Future income taxes for the three months ended March 31, 2008 decreased to \$9 million from \$18 million during the same time period in 2007 largely due to a tax recovery of \$5 million in the current quarter.

DISCONTINUED OPERATIONS

During the first quarter of 2008, two properties met the criteria to be classified as discontinued operations: Acres House in Niagara Falls and one of the RBC Plaza buildings in Minneapolis. No properties were sold during the quarter, but Acres House was sold subsequent to March 31, 2008.

During the first quarter of 2007, we sold our 50% interest in Atrium on Bay in Toronto as well as our 25% interest in both 2200 Walkley and 2204 Walkley in Ottawa. As a result of these sales, we recognized a gain of \$47 million. Excluding gains, non-controlling interests and future income taxes, income attributable to discontinued operations was \$1 million for the three months ended March 31, 2007.

The following table summarizes the income from discontinued operations:

(Millions)	Three months ended March 31	
	2008	2007
Revenue	\$ 4	\$ 10
Operating expenses	(2)	(5)
Interest expense	(2)	(2)
Funds from operations	—	3
Depreciation and amortization	—	(2)
Income from discontinued operations before gains, non-controlling interests and taxes	—	1
Gain on sale of commercial properties	—	47
Non-controlling interests	—	(5)
Future income taxes	—	(8)
Income from discontinued operations	\$ —	\$ 35

SEGMENTED INFORMATION

The company and its subsidiaries operate in the U.S. and Canada within the commercial property and the residential development businesses. The commercial markets in which we operate are primarily New York, Boston, Washington, D.C., Houston, Los Angeles, Denver and Minneapolis in the U.S., and Toronto, Calgary and Ottawa in Canada. Approximately 79% of our commercial property net operating income is derived from the U.S. Our residential development operations are focused in five markets: Alberta and Ontario in Canada and Colorado, Texas and Kansas City in the U.S. Details of the segmented financial information for our principal areas of business are as follows:

(Millions)	Commercial				Residential Development		Total	
	United States		Canada		Mar. 31, 2008	Dec. 31, 2007	Mar. 31, 2008	Dec. 31, 2007
	Mar. 31, 2008	Dec. 31, 2007	Mar. 31, 2008	Dec. 31, 2007				
Assets								
Commercial properties	\$ 13,533	\$ 13,498	\$ 2,318	\$ 2,391	\$ —	\$ —	\$ 15,851	\$ 15,889
Development properties	527	676	535	496	1,263	1,228	2,325	2,400
Receivables and other	574	569	189	195	255	292	1,018	1,056
Intangible assets	723	719	37	40	—	—	760	759
Restricted cash and deposits	105	146	2	2	4	3	111	151
Cash and cash equivalents	87	134	78	74	5	6	170	214
Assets related to discontinued operations	127	—	4	4	—	—	131	4
Total	\$ 15,676	\$ 15,742	\$ 3,163	\$ 3,202	\$ 1,527	\$ 1,529	\$ 20,366	\$ 20,473

(Millions)	Commercial				Residential Development		Total	
	United States		Canada		2008	2007	2008	2007
	2008	2007	2008	2007				
Revenues	\$ 451	\$ 410	\$ 122	\$ 104	\$ 82	\$ 111	\$ 655	\$ 625
Expenses	174	160	50	41	64	69	288	270
	277	250	72	63	18	42	367	355
Interest and other income	5	4	2	3	3	2	10	9
Net operating income from continuing operations	282	254	74	66	21	44	377	364
Interest expense								
Commercial property debt	152	160	15	11	—	—	167	171
Capital securities – corporate	2	2	13	13	—	—	15	15
Capital securities – fund subsidiaries	(8)	(9)	—	—	—	—	(8)	(9)
General and administrative	18	19	11	10	—	—	29	29
Transaction costs	—	4	—	—	—	—	—	4
Non-controlling interests								
Fund subsidiaries	(2)	(10)	—	—	—	—	(2)	(10)
Other subsidiaries	—	—	6	4	—	—	6	4
Depreciation and amortization	119	104	19	20	—	—	138	124
Income before unallocated costs	1	(16)	10	8	21	44	32	36
Future income taxes	—	—	—	—	—	—	9	18
Net income from continuing operations	—	—	—	—	—	—	\$ 23	\$ 18
Discontinued operations	—	(8)	—	43	—	—	—	35
Net income							\$ 23	\$ 53

QUARTERLY RESULTS

The 2008, 2007 and 2006 results by quarter are as follows:

(Millions, except per share amounts)	2008	2007 ⁽¹⁾				2006 ⁽¹⁾			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Revenue	\$ 665	\$ 845	\$ 701	\$ 716	\$ 634	\$ 685	\$ 417	\$ 410	\$ 383
Net operating income									
Commercial property operations	349	328	330	323	313	310	177	174	167
Residential development operations	18	80	43	72	42	51	37	31	25
Interest and other	10	12	13	10	9	14	9	8	13
	377	420	386	405	364	375	223	213	205
Expenses									
Interest									
Commercial property debt	167	172	175	171	171	190	81	78	73
Capital securities – corporate	15	15	15	16	15	13	13	13	14
Capital securities – fund subsidiaries	(8)	(5)	(8)	(5)	(9)	(12)	—	—	—
General and administrative	29	27	23	24	29	23	15	14	15
Transaction costs									
Debt defeasance	—	—	27	—	—	—	—	—	—
Other	—	2	8	3	4	15	—	—	—
Non-controlling interests									
Fund subsidiaries	(2)	(22)	(12)	(31)	(10)	(21)	—	—	—
Other subsidiaries	6	7	6	6	4	4	7	4	4
Depreciation and amortization	138	137	134	135	124	135	48	48	40
Future income taxes	9	4	19	28	18	6	23	36	27
Net income from continuing operations	\$ 23	\$ 83	\$ (1)	\$ 58	\$ 18	\$ 22	\$ 36	\$ 20	\$ 32
Discontinued operations ⁽²⁾	—	22	4	21	35	(1)	(1)	10	17
Net income	\$ 23	\$ 105	\$ 3	\$ 79	\$ 53	\$ 21	\$ 35	\$ 30	\$ 49
Net income per share – basic									
Continuing operations	\$ 0.06	\$ 0.21	\$ (0.01)	\$ 0.14	\$ 0.04	\$ 0.06	\$ 0.10	\$ 0.05	\$ 0.09
Discontinued operations ⁽²⁾	—	0.06	0.01	0.05	0.09	—	—	0.03	0.05
	\$ 0.06	\$ 0.27	\$ —	\$ 0.19	\$ 0.13	\$ 0.06	\$ 0.10	\$ 0.08	\$ 0.14
Net income per share – diluted									
Continuing operations	\$ 0.06	\$ 0.21	\$ (0.01)	\$ 0.14	\$ 0.04	\$ 0.06	\$ 0.09	\$ 0.05	\$ 0.09
Discontinued operations ⁽²⁾	—	0.06	0.01	0.05	0.09	—	—	0.03	0.05
	\$ 0.06	\$ 0.27	\$ —	\$ 0.19	\$ 0.13	\$ 0.06	\$ 0.09	\$ 0.08	\$ 0.14
Funds from operations per share – diluted									
Continuing operations	\$ 0.32	\$ 0.47	\$ 0.35	\$ 0.42	\$ 0.31	\$ 0.34	\$ 0.30	\$ 0.29	\$ 0.28
Discontinued operations ⁽²⁾	—	—	0.01	—	0.01	—	0.01	0.01	0.01
Property disposition gains ⁽²⁾	—	0.05	0.02	0.06	0.11	—	—	0.04	0.09
	\$ 0.32	\$ 0.52	\$ 0.38	\$ 0.48	\$ 0.43	\$ 0.34	\$ 0.31	\$ 0.34	\$ 0.38

⁽¹⁾ Per share amounts restated to include the effect of the three-for-two common stock split effective May 4, 2007

⁽²⁾ All quarters presented are net of non-controlling interests

PART III – U.S. OFFICE FUND SUPPLEMENTAL INFORMATION

During 2006, we established and fully invested a U.S. Office Fund. This Fund was created as a single purpose fund to acquire the Trizec portfolio. We successfully completed the acquisition of the Trizec portfolio, along with our joint venture partner, Blackstone, in the fourth quarter of 2006 for \$7.6 billion.

The U.S. Office Fund now consists of 58 commercial properties totaling 31 million square feet and six development and redevelopment sites totaling four million square feet in New York, Washington, D.C., Houston and Los Angeles. The following represents our portfolio:

(Square feet in 000's)	Number of Properties	Leased %	Office	Retail	Total Leasable	Parking	Total Area	Owned Interest %	Brookfield Properties' Owned Interest ⁽¹⁾	Other Shareholder's Interests	Brookfield Properties' Net Owned Interest
New York											
The Grace Building	1	97.2	1,537	20	1,557	—	1,557	49.9	777	(426)	351
One New York Plaza	1	98.8	2,554	31	2,585	—	2,585	100	2,585	(1,416)	1,169
Newport Tower	1	94.3	1,059	41	1,100	—	1,100	100	1,100	(603)	497
<i>1065 Avenue of the Americas</i>	1	74.9	642	40	682	—	682	99	675	(370)	305
<i>1411 Broadway</i>	1	85.8	1,149	38	1,187	36	1,223	49.9	610	(334)	276
<i>1460 Broadway</i>	1	100.0	211	9	220	—	220	49.9	110	(60)	50
	6	93.5	7,152	179	7,331	36	7,367		5,857	(3,209)	2,648
Washington, DC											
1200 K Street	1	99.0	366	24	390	44	434	100	434	(238)	196
1250 23rd Street	1	6.6	128	—	128	16	144	100	144	(79)	65
1250 Connecticut Avenue	1	99.8	163	21	184	26	210	100	210	(115)	95
1400 K Street	1	97.8	178	12	190	34	224	100	224	(123)	101
2000 L Street	1	93.2	308	75	383	—	383	100	383	(210)	173
2001 M Street	1	98.9	190	39	229	35	264	98	259	(142)	117
2401 Pennsylvania Avenue	1	84.9	58	19	77	16	93	100	93	(51)	42
Bethesda Crescent	3	99.5	241	27	268	68	336	100	336	(184)	152
One Reston Crescent	1	100.0	185	—	185	—	185	100	185	(101)	84
Silver Springs Metro Plaza	3	93.9	640	47	687	84	771	100	771	(422)	349
Sunrise Tech Park	4	95.8	315	1	316	—	316	100	316	(173)	143
Two Ballston Plaza	1	94.9	204	19	223	—	223	100	223	(122)	101
Victor Building	1	64.3	302	45	347	—	347	49.9	173	(95)	78
1550 & 1560 Wilson Blvd	2	67.4	248	35	283	76	359	100	359	(197)	162
	22	88.4	3,526	364	3,890	399	4,289		4,110	(2,252)	1,858
Houston											
Allen Center											
One Allen Center	1	98.4	914	79	993	—	993	100	993	(544)	449
Two Allen Center	1	96.3	987	9	996	—	996	100	996	(546)	450
Three Allen Center	1	92.4	1,173	22	1,195	—	1,195	100	1,195	(655)	540
Four Allen Center	1	99.5	1,229	38	1,267	—	1,267	100	1,267	(697)	570
Cullen Center											
Continental Center I	1	97.9	1,048	50	1,098	411	1,509	100	1,509	(826)	683
Continental Center II	1	86.5	428	21	449	81	530	100	530	(290)	240
KBR Tower	1	94.6	985	63	1,048	254	1,302	50	651	(357)	294
500 Jefferson Street	1	95.9	351	39	390	44	434	100	434	(237)	197
	8	95.9	7,115	321	7,436	790	8,226		7,575	(4,152)	3,423
Los Angeles											
601 Figueroa	1	69.7	1,037	2	1,039	123	1,162	100	1,162	(636)	526
Bank of America Plaza	1	95.1	1,383	39	1,422	343	1,765	100	1,765	(967)	798
Ernst & Young Tower	1	83.9	910	335	1,245	391	1,636	100	1,636	(896)	740
Landmark Square	1	95.5	420	23	443	212	655	100	655	(359)	296
Marina Towers	2	96.5	356	25	381	87	468	50	234	(128)	106
<i>5670 Wilshire Center</i>	1	85.6	409	19	428	—	428	100	428	(234)	194
<i>6060 Center Drive</i>	1	85.2	253	15	268	113	381	100	381	(209)	172
<i>6080 Center Drive</i>	1	97.8	316	—	316	163	479	100	479	(263)	216
<i>6100 Center Drive</i>	1	96.9	294	—	294	168	462	100	462	(253)	209
<i>701 B Street</i>	1	88.7	512	37	549	—	549	100	549	(301)	248
<i>707 Broadway</i>	1	78.6	183	—	183	128	311	100	311	(170)	141
<i>9665 Wilshire Blvd</i>	1	98.9	171	—	171	64	235	100	235	(130)	105
<i>Howard Hughes Spectrum</i>	1	100.0	37	—	37	—	37	100	37	(20)	17
<i>Howard Hughes Tower</i>	1	67.8	336	2	338	141	479	100	479	(262)	217
<i>Northpoint</i>	1	75.9	105	—	105	45	150	100	150	(82)	68
<i>Arden Towers at Sorrento</i>	4	88.8	554	54	608	—	608	100	608	(333)	275
<i>Westwood Center</i>	1	97.1	293	25	318	—	318	100	318	(174)	144
<i>Wachovia Center</i>	1	93.8	465	14	479	161	640	100	640	(351)	289
	22	87.5	8,034	590	8,624	2,139	10,763		10,529	(5,768)	4,761
TOTAL COMMERCIAL	58	91.5	25,827	1,454	27,281	3,364	30,645		28,071	(15,381)	12,690

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

*Italic – Blackstone Managed

(Square feet in 000's)	Number of Sites	Total Area	Owned Interest %	Brookfield Properties' Owned Interest ⁽¹⁾	Other Shareholder's Interests	Brookfield Properties' Net Owned Interest
Washington, D.C.						
Reston Crescent	1	1,000	100	1,000	(548)	452
Waterview	1	300	25	75	(41)	34
	2	1,300		1,075	(589)	486
Houston						
1500 Smith Street	1	500	100	500	(274)	226
Allen Center Garage	1	500	100	500	(274)	226
Five Allen Center	1	1,200	100	1,200	(656)	544
	3	2,200		2,200	(1,204)	996
TOTAL DEVELOPMENT	5	3,500		3,275	(1,793)	1,482
REDEVELOPMENT						
1225 Connecticut Avenue, Washington, D.C.	1	269	100	269	(147)	122
TOTAL DEVELOPMENT AND REDEVELOPMENT	6	3,769		3,544	(1,940)	1,604

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

Our 45% economic interest in the Trizec portfolio was initially purchased for \$857 million, after the assumption of debt and acquisition financing totaling \$3.7 billion in the fourth quarter of 2006.

At March 31, 2008, the impact of our investment in the U.S. Office Fund on our consolidated financial condition and results can be summarized as follows:

(Millions)	Balance Sheet	Funds from operations	
		2008	2007
Midtown New York, New York	\$ 1,266	\$ 22	\$ 22
Downtown New York, New York	1,276	26	25
Washington, D.C.	1,129	23	25
Houston, Texas	1,140	24	20
Los Angeles, California	2,618	47	43
	7,429	142	135
Property management and leasing fee income	—	1	—
Development properties	227	—	—
Total book value / Net operating income	7,656	143	135
Property specific and subsidiary debt / Interest expense	(5,743)	(80)	(96)
Partner capital (debt and equity) / Interest expense and non-controlling interests	(950)	(34)	(19)
Total	963	29	20
Other assets (liabilities), net / Other income (expenses), net	(130)	3	2
Invested capital / Funds from operations	\$ 833	\$ 32	\$ 22

⁽¹⁾ Fees paid by the Fund to Brookfield Properties are eliminated on consolidation. For the three months ended March 31, 2008, a total of \$8 million of fees were paid to Brookfield Properties (2007 - \$7 million) which resulted in a reduction of non-controlling interests expense of \$5 million (2007 - \$3 million) representing the net fees earned from partners

The U.S. Office Fund contributed \$228 million of commercial property revenue and \$143 million of net operating income during the three months ended March 31, 2008 (2007 - \$219 million and \$135 million, respectively) as follows:

(Millions)	Three months ended March 31	
	2008	2007
Commercial property revenue		
Revenue from current properties	\$ 188	\$ 175
Straight-line rental income	9	14
Intangible amortization	31	30
Total commercial property revenue	228	219
Property operating costs	(85)	(84)
Commercial property net operating income	\$ 143	\$ 135

SUMMARY OF INVESTMENT

The following summarizes our investment in the U.S. Office Fund as at March 31, 2008:

Region	Number of Properties	Total Area (000's Sq. Ft.)	Brookfield Properties' Owned Interest (000's Sq. Ft.) ⁽¹⁾	Book Value (Millions)	Debt (Millions)	Net Book Equity (Millions)
Commercial Properties						
Midtown New York, New York	4	3,682	2,172	\$ 1,266	\$ 314	\$ 952
Downtown New York, New York	2	3,685	3,685	1,276	397	879
Washington, D.C.	22	4,289	4,110	1,129	206	923
Houston, Texas	8	8,226	7,575	1,140	240	900
Los Angeles, California	22	10,763	10,529	2,618	425	2,193
Corporate U.S. Fund debt	—	—	—	—	4,145	(4,145)
	58	30,645	28,071	\$ 7,429	\$ 5,727	\$ 1,702
Office development sites	5	3,500	3,275	115	16	99
Redevelopment sites	1	269	269	112	—	112
Total	64	34,414	31,615	\$ 7,656	\$ 5,743	\$ 1,913

⁽¹⁾ Represents consolidated interest before non-controlling interests

Commercial property debt relating to the U.S. Office Fund totaled \$5.7 billion at March 31, 2008. The details are as follows:

Property	Location	Interest Rate %	Maturity Date	Brookfield Properties' Consolidated Share (Millions)	Mortgage Details
5670 Wilshire	Los Angeles	3.97	May 2008	\$ 58	Non-recourse, floating rate
Two Ballston Plaza	Washington, D.C.	6.91	June 2008	25	Non-recourse, fixed rate
Bethesda Crescent	Washington, D.C.	7.07	September 2008	33	Non-recourse, fixed rate
2000 L Street	Washington, D.C.	6.26	March 2009	56	Non-recourse, fixed rate
Silver Springs Metro Plaza/2401 Pennsylvania Avenue/1250 Connecticut Avenue	Washington, D.C.	5.46	June 2009	157	Non-recourse, floating rate
Waterview ⁽¹⁾	Washington, D.C.	5.12	August 2009	16	Non-recourse, floating rate
1460 Broadway	New York	5.11	November 2012	12	Non-recourse, fixed rate
Four Allen Center	Houston	5.77	October 2013	240	Non-recourse, fixed rate
Ernst & Young Plaza	Los Angeles	5.07	February 2014	112	Non-recourse, fixed rate
Grace Building	New York	5.54	July 2014	192	Non-recourse, fixed rate
1411 Broadway	New York	5.50	July 2014	110	Non-recourse, fixed rate
Bank of America Plaza	Los Angeles	5.31	September 2014	234	Non-recourse, fixed rate
2001 M Street	Washington, D.C.	5.25	December 2014	45	Non-recourse, fixed rate
Victor Building	Washington, D.C.	5.39	February 2016	47	Non-recourse, fixed rate
One New York Plaza	New York	5.50	March 2016	397	Non-recourse, fixed rate
Marina Towers	Los Angeles	5.84	April 2016	21	Non-recourse, fixed rate
U.S. Fund Corporate and other debt					
CMBS Pool debt	—	6.85	May 2011	308	Non-recourse, fixed rate
Mezzanine debt	—	5.32	October 2011	3,086	Non-recourse, floating rate
CMBS Pool debt	—	3.57	October 2011	594	Non-recourse, floating rate
Total U.S. Office Fund		5.27		\$ 5,743	

⁽¹⁾ Development debt

PART IV – CANADIAN OFFICE FUND SUPPLEMENTAL INFORMATION

During 2005, we established and fully invested a Canadian Office Fund. This Fund was created as a single purpose fund to acquire the O&Y portfolio. We successfully completed the acquisition of the O&Y portfolio in the fourth quarter of 2005 for \$1.8 billion.

The Canadian Office Fund, at the time of acquisition, consisted of 27 commercial properties totaling 11 million square feet in Toronto, Calgary, Ottawa, Edmonton and Winnipeg. However, certain of these properties, which were considered non-core, were disposed of in the second quarter of 2006 and throughout 2007 and the Canadian Office Fund now consists of 13 commercial properties totaling eight million square feet primarily in Toronto, Calgary, Ottawa and Edmonton.

The following represents our Canadian Office Fund portfolio as of March 31, 2008:

(Square feet in 000's)	Number of Properties	Leased %	Office	Retail	Total Leasable	Parking	Total Area	Owned Interest %	Brookfield Properties' Owned Interest ⁽¹⁾	Other Shareholder's Interests	Brookfield Properties' Net Owned Interest
Toronto											
First Canadian Place	1	98.2	2,379	232	2,611	170	2,781	25	695	(76)	619
2 Queen Street East	1	98.6	448	16	464	81	545	25	136	(15)	121
151 Yonge Street	1	94.7	289	10	299	72	371	25	93	(10)	83
	3	98.0	3,116	258	3,374	323	3,697		924	(101)	823
Calgary											
Altius Centre	1	100.0	303	3	306	72	378	25	95	(11)	84
	1	100.0	303	3	306	72	378		95	(11)	84
Ottawa											
Place de Ville I	2	99.8	569	18	587	502	1,089	25	272	(30)	242
Place de Ville II	2	98.6	591	19	610	433	1,043	25	261	(29)	232
Jean Edmonds Towers	2	99.7	541	12	553	95	648	25	162	(18)	144
	6	99.3	1,701	49	1,750	1,030	2,780		695	(77)	618
Other Commercial											
Canadian Western Bank, Edmonton	1	99.8	371	36	407	91	498	25	125	(14)	111
Enbridge Tower, Edmonton	1	100.0	184	—	184	30	214	25	54	(7)	47
Acres House, Niagara Falls ⁽²⁾	1	68.0	149	—	149	60	209	25	52	(5)	47
	3	93.5	704	36	740	181	921		231	(26)	205
TOTAL COMMERCIAL	13	97.9	5,824	346	6,170	1,606	7,776		1,945	(215)	1,730

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

⁽²⁾ Classified as discontinued operations as at March 31, 2008

(Square feet in 000's)	Number of Sites	Total Area	Owned Interest %	Brookfield Properties' Owned Interest ⁽¹⁾	Other Shareholder's Interests	Brookfield Properties' Net Owned Brookfield
Ottawa						
300 Queen Street	1	577	25	144	(16)	128
TOTAL DEVELOPMENT	1	577		144	(16)	128

⁽¹⁾ Represents the company's consolidated interest before non-controlling interests

At March 31, 2008, the impact of our investment in the Canadian Office Fund on our consolidated financial condition and results from continuing operations can be summarized as follows:

(Millions)	Balance Sheet	Funds from Operations	
		2008	2007
Toronto, Ontario	\$ 261	\$ 6	\$ 5
Calgary, Alberta	20	1	1
Ottawa, Ontario	99	2	2
Edmonton, Alberta and other	17	1	—
	397	10	8
Development properties	3	—	—
Total book value / Net operating income	400	10	8
Property specific and subsidiary debt / Interest expense	(101)	(2)	(2)
	299	8	6
Other assets (liabilities), net / Other income (expenses), net	(59)	—	—
Net investment / Funds from operations prior to fee income	240	8	6
Fee income	—	2	2
Invested capital / Funds from operations	\$ 240	\$ 10	\$ 8

The Canadian Office Fund contributed \$21 million of commercial property revenue and \$12 million of net operating income from continuing operations during the three months ended March 31, 2008 (2007 – \$19 million and \$10 million, respectively) as follows:

(Millions)	Three months ended March 31	
	2008	2007
Commercial property revenue		
Revenue from current properties	\$ 17	\$ 15
Straight-line rental income	—	—
Intangible amortization	2	2
	19	17
Recurring fee income	2	2
Total commercial property revenue	21	19
Property operating costs	(9)	(9)
Commercial property net operating income	\$ 12	\$ 10

SUMMARY OF INVESTMENT

The following summarizes our investment in the Canadian Office Fund as at March 31, 2008:

Region	Number of Properties	Total Area (000's Sq. Ft.)	Brookfield Properties ¹		Book Value (Millions)	Debt (Millions)	Net Book Equity (Millions)
			Owned Interest (000's Sq. Ft.) ⁽¹⁾				
Commercial Properties							
Toronto, Ontario	3	3,697	924	\$ 261	\$ 74	\$ 187	
Calgary, Alberta	1	378	95	20	—	20	
Ottawa, Ontario	6	2,780	695	99	25	74	
Other	2	712	179	17	2	15	
Continuing Operations	12	7,567	1,893	397	101	296	
Discontinued Operations ⁽²⁾	1	209	52	3	—	3	
	13	7,776	1,945	\$ 400	\$ 101	\$ 299	
Development sites							
Ottawa, Ontario	1	577	144	3	—	3	
Total	14	8,353	2,089	\$ 403	\$ 101	\$ 302	

⁽¹⁾ Represents consolidated interest before non-controlling interests

⁽²⁾ Acres House, Niagara Falls is currently classified as a discontinued operation

Commercial property debt relating to the Canadian Office Fund totaled \$101 million at March 31, 2008. The details are as follows:

Property	Location	Interest Rate %	Maturity Date	Brookfield Properties' Consolidated Share (Millions)	Mortgage Details
Enbridge Tower	Edmonton	6.72	June 2009	\$ 2	Non-recourse, fixed rate
Place de Ville I	Ottawa	7.81	November 2009	6	Non-recourse, fixed rate
First Canadian Place	Toronto	8.06	December 2009	63	Non-recourse, fixed rate
151 Yonge Street	Toronto	6.01	June 2012	11	Non-recourse, fixed rate
Jean Edmonds Tower	Ottawa	5.55	January 2014	2	Non-recourse, fixed rate
Jean Edmonds Tower	Ottawa	6.79	January 2024	17	Non-recourse, fixed rate
Total Canadian Office Fund		7.53		\$ 101	

PART V – RISKS AND UNCERTAINTIES

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

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

The following is a review of the material factors and the potential impact these factors may have on the company's business operations. A more detailed description of the business environment and risks is contained in our Annual Information Form which is posted on our website.

PROPERTY RELATED RISKS

Commercial properties

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

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

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Our core office properties are subject to mortgages which require substantial debt service payments. If we become unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. We believe the stability and long-term nature of our contractual revenues effectively mitigates these risks.

As owners and managers of premier office properties, lease roll-overs also present a risk factor, as continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. Refer below to "Lease Roll-Over Risk" for further details.

Residential developments

The markets within our residential development and home building operations have been favorable over the past five years with strong demand for well located building lots, particularly in Alberta, Texas and Colorado. Our operations are concentrated in high growth areas which we believe have positive demographic and economic conditions. Nonetheless, the residential home building and development industry is cyclical and may be affected by changes in general and local economic conditions such as consumer confidence, job stability, availability of financing for home buyers and higher interest rates due to their impact on home buyers' decisions. These conditions can affect the outlook of consumers and, in particular, the price and volume of home purchases. Furthermore, we are subject to risks related to the availability and cost of materials and labor, supply and cost of building lots, and adverse weather conditions that can cause delays in construction schedules and cost overruns.

INTEREST RATE AND FINANCING RISK

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

As outlined under "Capital Resources and Liquidity," beginning on page 24 of this MD&A, we have an on-going obligation to access debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to us, or on any terms at all. Our strategy to stagger the maturities of our mortgage portfolio attempts to mitigate our exposure to excessive amounts of debt maturing in any one year.

We have a floating rate bank credit facility of \$500 million, the terms of which extend to 2009, and a floating rate term facility with BAM of \$300 million, the terms of which extend to 2008. At March 31, 2008, the balances drawn on these facilities were \$355 million and nil, respectively. We also have a floating rate term loan facility established at the time of the Trizec acquisition, the terms of which extend to 2008. The balance drawn on this facility as at March 31, 2008 was \$150 million. There is a risk that bank lenders will not refinance these facilities on terms and conditions acceptable to us or on any terms at all. As a mitigating factor, we intend to negotiate a one-year term

extension option. Approximately 43% of the company's outstanding commercial property debt at March 31, 2008 is floating rate debt (December 31, 2007 – 39%) and subject to fluctuations in interest rates. The effect of a 25 basis point increase in interest rates on interest expense relating to our corporate and commercial property floating rate debt, all else being equal, is an increase in interest expense of \$13 million or approximately \$6 million, net of non-controlling interests or \$0.02 per share. Taking into account our floating rate residential development debt and preferred shares issued by BPO Properties Ltd., a 25 basis point increase in rates would increase interest expense by an additional \$2 million. As discussed in the Derivative Financial Instruments section beginning on page 46, we have mitigated to some extent the exposure to interest rate fluctuations through interest rate derivative contracts.

We currently have a level of indebtedness for the company of 65% of gross book value. It is our view that such level of indebtedness is conservative given the lending parameters currently existing in the real estate marketplace (generally 60% to 80% of current market value) and based on this, we believe that all debts will be financed or refinanced as they come due in the foreseeable future.

CREDIT RISK

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. We mitigate this risk by ensuring that our tenant mix is diversified and by limiting our exposure to any one tenant. We also maintain a portfolio that is diversified by property type so that exposure to a business sector is lessened. Currently, no one tenant represents more than 7.4% of total leasable area.

We attempt to mitigate our credit risk by signing long-term leases with tenants who have investment grade credit ratings. Additional discussion of this strategy is included on page 8 of this MD&A.

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

Tenant	Location	Year of Expiry ⁽¹⁾	000's Sq. Ft. ⁽²⁾	% of Sq. Ft. ⁽²⁾	Credit Rating ⁽³⁾
1 Merrill Lynch ⁽⁴⁾	New York/Toronto/Denver/Los Angeles	2013	4,922	7.4%	A+
2 Government and Government Agencies ⁽⁵⁾	All Markets	Various	3,100	4.6%	AAA
3 Chevron	Houston	2018	1,735	2.6%	AA
4 CIBC	New York/Toronto/Calgary	2031	1,704	2.6%	A+
5 Wachovia	New York	2015	1,435	2.2%	AA-
6 RBC Financial Group	Five Markets	2018	1,195	1.8%	AA-
7 Bank of Montreal	Toronto/Calgary	2018	1,133	1.7%	A+
8 Kellogg, Brown & Root	Houston	2017	994	1.5%	Not Rated
9 JP Morgan Chase	New York/Denver/Houston/Los Angeles	2020	977	1.5%	AA-
10 Petro-Canada	Calgary	2013	944	1.4%	BBB
11 Goldman Sachs	New York	2011	896	1.4%	AA-
12 Target Corporation	Minneapolis	2014	886	1.3%	A+
13 Devon Energy	Houston	2012	733	1.1%	BBB+
14 EnCana Corporation	Calgary/Denver	2017	707	1.1%	A-
15 Continental Airlines	Houston	2009	678	1.0%	B
16 Imperial Oil	Calgary	2011	633	1.0%	AAA
17 Cadwalader, Wickersham & Taft	New York	2024	549	0.8%	Not Rated
18 Talisman Energy	Calgary	2015	527	0.8%	BBB+
19 Clearly, Gottlieb, Steen & Hamilton	New York	2031	470	0.7%	Not Rated
20 Goodwin Procter, LLP	Boston	2016	437	0.7%	Not Rated
Total			24,655	37.2%	

⁽¹⁾ Weighted average based on square feet

⁽²⁾ Prior to considering partnership interests in partially-owned properties

⁽³⁾ From S&P, Moody's Investor Service or DBRS

⁽⁴⁾ Merrill Lynch occupies 2.6 million square feet with the balance leased to eight subtenants ranging in size from 40,000 square feet to 550,000 square feet

⁽⁵⁾ Represents various U.S. and Canadian federal governments and agencies

Because we invest in mortgages from time to time, further credit risks arise in the event that borrowers default on the repayment of their mortgages to us. We endeavor to ensure that adequate security has been provided in support of such mortgages.

Credit risk related to residential receivables is mitigated by the fact that, in the majority of cases, we retain title to the lots that are sold until the receivable balance is collected. In the remaining cases, exposure to credit risk is managed by securing the lots that are sold, which can ultimately be taken back if receivables are not paid.

LEASE ROLL-OVER RISK

Lease roll-over risk arises from the possibility that we may experience difficulty renewing leases as they expire or in releasing space vacated by tenants upon early lease expiry. We attempt to stagger the lease expiry profile so that we are not faced with disproportionate amounts of space expiring in any one year; approximately 7% of our leases mature annually. We further mitigate this risk by maintaining a diversified portfolio mix by geographic location and by proactively leasing space in advance of its contractual expiry. Additional discussion of our strategy to manage lease roll-over risk can be found on page 8 of this MD&A.

The following table sets out lease expiries, by square footage, for our portfolio at March 31, 2008:

(000's Sq. Ft.)	Currently Available	Remainder 2008	2009	2010	2011	2012	2013	2014	2015 & Beyond	Parking	Total
Midtown New York	426	266	363	358	137	380	753	221	3,623	36	6,563
Downtown New York	145	92	163	269	666	426	4,824	410	6,724	281	14,000
Boston	63	103	171	186	411	48	32	29	947	276	2,266
Washington, D.C.	452	292	555	302	192	588	274	1,148	1,816	970	6,589
Los Angeles	1,079	473	557	822	1,003	1,401	818	569	1,902	2,139	10,763
Houston	394	418	245	958	668	989	731	366	3,511	838	9,118
Toronto	196	272	562	680	579	949	1,518	163	3,905	1,519	10,343
Calgary	9	118	299	353	1,383	500	1,337	99	1,583	1,023	6,704
Ottawa	11	78	38	2	—	6	1,063	9	543	1,030	2,780
Denver	29	26	20	108	98	87	143	135	678	503	1,827
Minneapolis	182	25	219	58	43	179	670	140	1,014	521	3,051
Other	66	13	68	224	172	113	101	22	623	445	1,847
Total	3,052	2,176	3,260	4,320	5,352	5,666	12,264	3,311	26,869	9,581	75,851
	4.6%	3.3%	4.9%	6.5%	8.1%	8.5%	18.5%	5.0%	40.6%		100.0%

ENVIRONMENTAL RISKS

As an owner of real property, we are subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide that we could be liable for the costs of removing certain hazardous substances and remediating certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect our ability to sell such real estate or to borrow using such real estate as collateral and could potentially result in claims against us. We are not aware of any material non-compliance with environmental laws at any of our properties nor are we aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of our properties or any pending or threatened claims relating to environmental conditions at our properties.

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

OTHER RISKS AND UNCERTAINTIES

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

Our commercial properties generate a relatively stable source of income from contractual tenant rent payments. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies.

While the outlook for commercial office rents is positive in the long term, 2008 may not provide the same level of increases in rental rates on renewal as compared to previous years. We are, however, substantially protected against short-term market conditions, as most of our leases are long-term in nature with an average term of seven years. A protracted disruption in the economy, such as the onset of a severe recession, could place downward pressure on overall occupancy levels and net effective rents.

The Terrorism Risk Insurance Act ("TRIA") was enacted in November 2002 in response to the uncertainty surrounding the insurance market in the aftermath of the terrorist attacks of September 11, 2001 and provides protection for "certified acts" as defined by the statute. TRIA mandates that insurance carriers offer insurance covering physical damage from terrorist incidents as certified by the U.S. On December 22, 2005, the Terrorism Risk Insurance Extension Act of 2005 (the "Extension Act") was enacted, which extended the duration of the Terrorism Risk Insurance Program until December 31, 2007. The Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") was signed into law on December 26, 2007. It extends the TRIA program through December 31, 2014. TRIPRA effectively continues the Extension Act while removing the distinction between foreign and domestic acts of terrorism, among other provisions.

Our current property insurance includes coverage for certified act of terrorism up to \$500 million per occurrence and in the aggregate. We also purchase stand-alone terrorism insurance which covers non-certified acts. As our policies renew throughout the year, we will continue to monitor the insurance market so as to avail ourselves of the most comprehensive coverage on the most economically reasonable basis.

In December 2005, we formed a wholly-owned captive insurance company, Realrisk Insurance Corp. ("Realrisk"). Effective January 1, 2008 Realrisk provides \$1 billion in TRIA coverage in addition to that which is contained in our third party insurance program. It also provides protection against losses due solely to biological, chemical or radioactive contamination arising out of a certified terrorist act. In the event of a covered loss in 2008, we expect our captive insurance company to recover 85% of its losses, less certain deductibles, from the United States government. We will be required to fund the remaining 15% of a covered loss.

As a result of the merger with Trizec Properties, Inc. we acquired two wholly-owned captive insurance companies: Chapman Insurance LLC ("Chapman") and Concordia Insurance LLC ("Concordia"). Coverage for certified acts of terrorism for those buildings that we manage is contained in the applicable terrorism insurance program, for limits of \$100 million. Effective January 1, 2007, Chapman and Concordia provide up to \$400 million of TRIA coverage in addition to the \$100 million mentioned above. The coverage provided by Chapman and Concordia also provides protection against losses due solely to biological, chemical, or radioactive contamination arising out of a certified terrorist act. In the event of a covered loss in 2008, we expect these captive insurance companies to recover 85% of their losses, less certain deductibles, from the United States government. We will be required to fund the remaining 15% of a covered loss.

Third party insurers also provide Brookfield Properties with limits up to \$700 million in "Stand Alone" coverage for the entire portfolio.

FOREIGN EXCHANGE FLUCTUATIONS

Approximately 21% of our assets and 31% of our revenues originate in Canada and consequently are subject to foreign currency risk due to potential fluctuations in exchange rates between the Canadian dollar and the U.S. dollar. To mitigate this risk, we attempt to maintain a hedged position with respect to the carrying value of net assets denominated in Canadian dollars through debt agreements denominated in Canadian dollars and through the use of financial contracts as discussed below. However, even if we do so, the carrying value may not equal the economic value, and any differences therein may not be hedged. In addition, we attempt to mitigate the currency risk of revenues denominated in Canadian dollars through similar means. At March 31, 2008, based on our net Canadian dollar funds from operations, a \$0.01 change in the Canadian dollar relative to the U.S. dollar would result in a change in our funds from operations of approximately \$3 million on an annual basis.

DERIVATIVE FINANCIAL INSTRUMENTS

We utilize derivative financial instruments primarily to manage financial risks, including interest rate, commodity, equity price and foreign exchange risks. Hedge accounting is applied where the derivative is designated as a hedge of a specific exposure and there is reasonable assurance the hedge will be effective in offsetting an identified risk. Realized and unrealized gains and losses on forward exchange contracts designated as hedges of currency risks are included in other comprehensive income when the currency risk being hedged relates to a net investment in a self-sustaining subsidiary. Otherwise, realized and unrealized gains and losses on the effective portion of derivative financial instruments designated as cashflow hedges of financial risks are recorded in other comprehensive income and reclassified to income in the period the underlying hedged item impacts income.

Derivatives that are not designated as hedges are carried at estimated fair values and gains and losses arising from changes in fair values are recognized in income as a component of interest and other income or general and administrative expense, depending on the type of derivative, in the period the changes occur. The use of non-hedging derivative contracts is governed by documented risk management policies and approved limits.

At March 31, 2008, our use of derivative financial instruments was limited to the transactions identified below. Unrealized gains and losses, representing the fair value of such contracts, are determined in reference to the appropriate interest rate curve or forward exchange rate for each contract at March 31st and are reflected in receivables and other assets or accounts payable and other liabilities, as appropriate, on the balance sheet.

In 2006, we entered into a series of interest rate cap contracts that are designated as hedges of interest rate exposure associated with variable rate debt issued in October 2006 in connection with the acquisition of Trizec. At March 31, 2008, there were contracts outstanding to cap the interest rate on a notional \$3.1 billion of variable rate debt at 6.0% and \$600 million of variable rate debt at 7.0% for a period of two years. The contracts have been recorded at fair value in receivables and other with changes in fair value reported in other comprehensive income for the effective portion of the hedge. Gains or losses associated with the caps are reclassified from accumulated other comprehensive income to interest expense in the periods the hedged interest payments occur. The ineffective portion of the change in fair value of these hedges recognized in net income is nil. The fair value of the contracts at March 31, 2008 was nil. The cost of these contracts was \$2.3 million. In September 2007, we de-designated hedge relationships associated with \$350 million of the interest rate caps as they were no longer eligible for hedge accounting. The cumulative loss associated with the de-designated contracts will be amortized out of accumulated other comprehensive income to interest expense as the previously hedged interest payments occur. Subsequent changes in fair value of the de-designated contracts will be recorded in interest expense as they occur.

In June 2007, we entered into a forward-starting interest rate swap to hedge the interest rate risk associated with the anticipated issuance of fixed rate debt. The forward-starting swap hedges a notional \$350 million of fixed rate debt issuance at a rate of 5.824%. The fair value of this contract at March 31, 2008 was a loss of \$51 million. The swaps have been recorded in accounts payable and other liabilities and the effective portion of the change in fair value has been recorded in other comprehensive income. The loss on the interest rate swaps will be reclassified to interest expense as the hedged interest payments occur.

In July 2007, we entered into a forward starting interest rate swap to hedge the risk associated with debt of \$700 million that was issued in August 2007. The contract was settled in August 2007 for a loss of \$15 million. The loss was recorded in other comprehensive income and will be amortized to interest expense over the term of the hedged debt.

In September 2007, the company entered into a total return swap under which it receives the returns on a notional 966,000 Brookfield Properties Corporation common shares as an economic hedge of its exposure to variability in share price under the Deferred Share Unit program. The fair value of the total return swap was \$1 million and the change in fair value has been recorded in general and administrative expense.

At March 31, 2008, we had foreign exchange contracts to sell a notional amount of C\$800 million, maturing in June 2008, designated as hedges for accounting purposes to manage our foreign exchange risk in respect to our Canadian-denominated net investments in self-sustaining subsidiaries. The fair value of these contracts at March 31, 2008 resulted in no gain or loss. Our self-sustaining subsidiaries also had foreign exchange contracts to sell a notional amount of US\$21 million, maturing in June 2008, which have not been designated as hedges for financial reporting purposes. The fair value of these contracts at March 31, 2008 resulted in no gain or loss.

The primary risks associated with our use of derivatives are credit risk and price risk. Credit risk is the risk that losses will be incurred from the default of the counterparty on its contractual obligations. The use of derivative contracts is governed by documented risk management policies and approved limits, which includes an evaluation of the creditworthiness of counterparties, as well as managing the size, diversification and maturity of the portfolio. Price risk is the risk that we will incur losses from derivatives from adverse changes in foreign exchange rates, interest rates or share prices. We mitigate price risk by entering only into derivative transactions where we have determined a significant offset exists between changes in the fair value of, or the cashflows attributable to, the hedged item and the hedging item.

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

CHANGES IN ACCOUNTING POLICIES

Capital Disclosures

On December 1, 2006, the Canadian Institute of Chartered Accountants (“the CICA”) issued Handbook Section 1535, “Capital Disclosures.” Section 1535 requires the disclosure of (i) an entity’s objectives, policies and process for managing capital; (ii) quantitative data about an entity’s managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. The company adopted the requirements of Section 1535 on January 1, 2008 and the required disclosures are included in Note 23 to the unaudited interim financial statements.

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation.” These standards replace Section 3861, “Financial Instruments – Disclosure and Presentation” and require additional disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. Certain disclosures required under Section 3862 were made in the notes to the annual consolidated financial statements for the year ended December 31, 2007 and do not differ materially at March 31, 2008. Additional disclosures required by Section 3862 have been made to the unaudited interim consolidated financial statements. The adoption of Section 3863 did not have any impact on the company’s consolidated financial statements.

USE OF ESTIMATES

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

RELATED-PARTY TRANSACTIONS

In the normal course of operations, we enter into various transactions on market terms with related parties which have been measured at exchange value and are recognized in the consolidated financial statements.

At March 31, 2008, we had approximately \$15 million (December 31, 2007 - \$15 million) of indebtedness outstanding to our parent company, BAM and its affiliates. Interest expense related to this indebtedness, including preferred share dividends classified as interest expense in the consolidated financial statements, totaled nil million for the three months ended March 31, 2008, compared to \$4 million for the same period in 2007, and was recorded at the exchange amount. Additionally, included in rental revenues are amounts received from BAM, and its affiliates for the rental of office premises of \$0.5 million for the three months ended March 31, 2008 (2007 - \$0.4 million). These amounts have been recorded at the exchange amount. In addition, we have certain arrangements with BAM and its affiliates to acquire insurance in the normal course and at market rates or at cost. The expense for the quarter ended March 31, 2008 was nil.

ADDITIONAL INFORMATION

A supplementary information package with more detailed financial information is posted on Brookfield Properties’ website at www.brookfieldproperties.com and should be read in conjunction with this Interim Report.



Bryan K. Davis
Senior Vice President and Chief Financial Officer
April 25, 2008

DISTRIBUTIONS

Distributions paid by the company during the first quarter of 2008 and the year 2007 are as follows:

	Currency	Three months ended Mar. 31, 2008	Year ended Dec. 31, 2007
Common shares ⁽¹⁾	US\$	\$ 0.1400	\$ 0.5500
Class A preferred shares ⁽²⁾	C\$	0.0208	0.0833
Class AA Series E preferred shares	C\$	0.2582	1.0178
Class AAA Series E preferred shares	C\$	0.2470	0.4830
Class AAA Series F preferred shares	C\$	0.3750	1.5000
Class AAA Series G preferred shares	US\$	0.3281	1.3125
Class AAA Series H preferred shares	C\$	0.3594	1.4375
Class AAA Series I preferred shares	C\$	0.3250	1.3000
Class AAA Series J preferred shares	C\$	0.3125	1.2500
Class AAA Series K preferred shares	C\$	0.3250	1.3000

⁽¹⁾ Per share amounts have been restated to reflect the impact of the three-for-two common stock split effective May 4, 2007

⁽²⁾ Per share amounts have been restated to reflect the impact of the nine-for-four class A preferred share stock split effective May 4, 2007

Consolidated Balance Sheets

(US Millions)	Note	Mar. 31, 2008 Unaudited	Dec. 31, 2007 Audited
Assets			
Commercial properties	3	\$ 15,851	\$ 15,889
Commercial developments	4	1,062	1,172
Residential developments	5	1,263	1,228
Receivables and other	6	1,018	1,056
Intangible assets	7	760	759
Restricted cash and deposits	8	111	151
Cash and cash equivalents	24	170	214
Assets related to discontinued operations	9	131	4
		\$ 20,366	\$ 20,473
Liabilities			
Commercial property debt	10	\$ 12,049	\$ 12,125
Accounts payable and other liabilities	11	1,319	1,357
Intangible liabilities	12	829	834
Future income tax liabilities	13	612	600
Liabilities related to discontinued operations	9	114	3
Capital securities – corporate	14	1,028	1,053
Capital securities – fund subsidiaries	15	763	762
Non-controlling interests – fund subsidiaries	15	187	193
Non-controlling interests – other subsidiaries	16	85	86
Preferred equity – subsidiaries	17	372	382
Shareholders' equity			
Preferred equity – corporate	18	45	45
Common equity	19	2,963	3,033
		\$ 20,366	\$ 20,473

See accompanying notes to the consolidated financial statements

Consolidated Statements of Income

Unaudited (US Millions, except per share amounts)	Note	Three months ended March 31	
		2008	2007 ⁽¹⁾
Total revenue	21	\$ 665	\$ 634
Net operating income			
Commercial property operations	21	\$ 349	\$ 313
Residential development operations	21	18	42
Interest and other		10	9
		377	364
Expenses			
Interest			
Commercial property debt		167	171
Capital securities – corporate	14	15	15
Capital securities – fund subsidiaries	15	(8)	(9)
General and administrative		29	29
Transaction costs		—	4
Non-controlling interests			
Fund subsidiaries	15	(2)	(10)
Other subsidiaries		6	4
Depreciation and amortization		138	124
Future income taxes	13	9	18
Net income from continuing operations		23	18
Discontinued operations, net of non-controlling interests	9	—	35
Net income		\$ 23	\$ 53
Earnings per share – basic and diluted	19		
Continuing Operations		\$ 0.06	\$ 0.04
Net income		\$ 0.06	\$ 0.13

⁽¹⁾ Per share amounts have been restated to reflect the impact of the three-for-two common stock split effective May 4, 2007
See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Common Equity

Unaudited (US Millions)	Note	Three months ended March 31	
		2008	2007
Common shares			
Balance, beginning of period		\$ 2,282	\$ 2,303
Shares repurchased		(2)	—
Proceeds from shares issued on exercise of options		4	3
Balance, end of period	19	2,284	2,306
Contributed surplus			
Balance, beginning of period		—	2
Shares repurchased		(2)	—
Stock-based compensation awards	20	2	2
Balance, end of period		—	4
Retained earnings			
Balance, beginning of period		659	706
Net income		23	53
Shareholder distributions			
Preferred share dividends – corporate		(1)	(1)
Common share dividends		(55)	(50)
Amount paid in excess of the book value of common shares purchased for cancellation		(2)	—
Cumulative impact of changes in accounting policies, net of taxes of \$1 million		—	1
Balance, end of period		624	709
Accumulated other comprehensive income			
Balance, beginning of period		92	56
Transition adjustment on adoption of financial instruments standards		—	(4)
Other comprehensive income (loss) for the period		(37)	16
Balance, end of period		55	68
Total retained earnings and accumulated other comprehensive income		679	777
Total common equity		\$ 2,963	\$ 3,087

See accompanying notes to the consolidated financial statements

Consolidated Statements of Comprehensive Income

Unaudited (US Millions)	Three months ended March 31	
	2008	2007
Net income	\$ 23	\$ 53
Other comprehensive income		
Change in foreign currency translation (losses) gains on investments in subsidiaries	(28)	18
Gains (losses) arising from hedges of net investments in subsidiaries, net of taxes of \$7 million (2007 - \$39 million)	11	(2)
Net losses on derivatives designated as cash flow hedges, net of taxes of \$1 million (2007 – \$7 million)	(20)	(1)
Reclassification to earnings of losses, net of taxes of nil (2007 – \$1 million)	—	1
Total other comprehensive (loss) income	(37)	16
Comprehensive (loss) income	\$ (14)	\$ 69

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cashflow

Unaudited (US Millions)	Note	Three months ended March 31	
		2008	2007
Operating activities			
Net income		\$ 23	\$ 53
Depreciation and amortization		138	126
Future income taxes		9	26
Property disposition gains		—	(47)
Amortization of value of acquired operating leases to rental revenue, net		(37)	(33)
Straight-line rent, net		(9)	(15)
Amortization of deferred financing cost		2	6
Stock option and deferred share unit grant expense		2	3
Non-controlling interests – fund and other subsidiaries		4	(1)
Non-cash component of capital securities – fund subsidiaries		(22)	(22)
Deferred leasing costs		(23)	(7)
Increase in land and housing inventory and related working capital		(61)	(42)
Working capital and other		(18)	(44)
		8	3
Financing activities and capital distributions			
Commercial property debt arranged		199	316
Commercial property debt repaid		(226)	(377)
Corporate credit facilities arranged		105	47
Capital securities arranged – fund subsidiaries		23	—
Land development debt arranged		42	9
Land development debt repaid		(44)	(12)
Distributions to non-controlling interests		(5)	(4)
Common shares issued		4	3
Common shares repurchased		(6)	—
Preferred share dividends		(1)	(1)
Common share dividends		(55)	(50)
		36	(69)
Investing activities			
Loans receivable		1	65
Acquisitions of commercial properties, net	24	(16)	—
Proceeds from sale of commercial properties, net	24	—	75
Restricted cash and deposits		40	78
Commercial development and redevelopment investments		(86)	(75)
Commercial property tenant improvements		(13)	(33)
Capital expenditures		(14)	(6)
		(88)	104
(Decrease) / increase in cash resources		(44)	38
Opening cash and cash equivalents		214	188
Closing cash and cash equivalents		\$ 170	\$ 226

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

Reference is made to the most recently-issued Annual Report of Brookfield Properties Corporation (the “company” or “Brookfield Properties”) which includes information necessary or useful to understanding the company’s businesses and financial statement presentation. In particular, the company’s significant accounting policies and practices were presented as Note 1 and Note 2 to the Consolidated Financial Statements included in that report, and have been consistently applied in the preparation of these interim financial statements except for the changes in accounting policies described in Note 2. Financial information in this report reflects any adjustments that are, in the opinion of management, necessary to reflect a fair statement of results for the interim periods in accordance with Canadian generally accepted accounting principles.

The results reported in these consolidated interim financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain prior period amounts have been reclassified to conform to the current period’s presentation.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

Capital Disclosures

On December 1, 2006, the Canadian Institute of Chartered Accountants (the “CICA”) issued Handbook Section 1535, “Capital Disclosures.” Section 1535 requires the disclosure of (i) an entity’s objectives, policies and process for managing capital; (ii) quantitative data about an entity’s managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. The company adopted the requirements of Section 1535 on January 1, 2008 and the required disclosures are included in Note 23 to the unaudited interim financial statements.

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation.” These standards replace Section 3861, “Financial Instruments – Disclosure and Presentation” and require additional disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. Certain disclosures required under Section 3862 were made in the notes to the annual consolidated financial statements for the year ended December 31, 2007 and do not differ materially at March 31, 2008. Additional disclosures required by Section 3862 have been made in the notes to the unaudited interim consolidated financial statements. The adoption of Section 3863 did not have any impact on the company’s consolidated financial statements.

NOTE 3: COMMERCIAL PROPERTIES

A breakdown of commercial properties is as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Commercial properties		
Land	\$ 2,826	\$ 2,828
Building and improvements	14,240	14,253
Total commercial properties	17,066	17,081
Less: Accumulated depreciation	(1,215)	(1,192)
Total	\$ 15,851	\$ 15,889

Depreciation and amortization on commercial properties for the three months ended March 31, 2008 was \$100 million (2007 - \$88 million).

NOTE 4: COMMERCIAL DEVELOPMENTS

During the first quarter of 2008, the company capitalized a total of \$86 million (2007 - \$75 million) of costs related to commercial developments. Included in this amount is \$72 million (2007 - \$65 million) of construction and related costs and \$14 million (2007 - \$10 million) of interest capitalized to the company’s commercial development sites.

NOTE 5: RESIDENTIAL DEVELOPMENTS

Residential developments are composed of the following:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Land under development	\$ 420	\$ 431
Housing inventory	89	85
Land held for development	754	712
Total	\$ 1,263	\$ 1,228

NOTE 6: RECEIVABLES AND OTHER

The components of receivables and other assets are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Accounts receivables	\$ 156	\$ 135
Straight-line rent and free rent receivables	389	378
Real estate mortgages	62	63
Residential receivables and other assets	255	292
Prepaid expenses and other assets	156	188
Total	\$ 1,018	\$ 1,056

The company's balance of accounts receivable past due is not significant.

In regards to its residential receivables, the company retains title to the lots that are sold until the receivable balance is collected, which is typically within nine months. The company's balance of residential receivables past due is not significant.

NOTE 7: INTANGIBLE ASSETS

The components of intangible assets are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Intangible assets		
Lease origination costs	\$ 409	\$ 377
Tenant relationships	518	501
Above-market leases and below-market ground leases	67	82
	994	960
Less accumulated amortization		
Lease origination costs	(147)	(124)
Tenant relationships	(71)	(62)
Above-market leases and below-market ground leases	(16)	(15)
Total net	\$ 760	\$ 759

Amortization on intangibles for the three months ended March 31, 2008 was \$38 million (2007 - \$36 million).

NOTE 8: RESTRICTED CASH AND DEPOSITS

Cash and deposits are considered restricted when they are subject to contingent rights of third parties. Restricted cash and deposits totaled \$111 million at March 31, 2008 (December 31, 2007 - \$151 million).

NOTE 9: DISCONTINUED OPERATIONS

During the first quarter of 2008, the company made a decision to sell its 100% interest in one of the RBC Plaza buildings in Minneapolis. During the fourth quarter of 2007, the company made a decision to sell its 25% interest in Acres House in Niagara Falls. Both of these properties are classified as discontinued operations at March 31, 2008.

During the first quarter of 2007, the company sold its 50% interest in Atrium on Bay in Toronto as well as its 25% interest in both 2200 Walkley and 2204 Walkley in Ottawa. The company recognized a gain of \$47 million on the sale of these properties.

Income attributable to discontinued operations was nil during the first quarter of 2008 (2007 - \$35 million including gains).

The following table summarizes the income and gains from discontinued operations:

(Millions)	Three months ended March 31	
	2008	2007
Revenue	\$ 4	\$ 10
Operating expenses	(2)	(5)
	2	5
Interest expense	(2)	(2)
Depreciation and amortization	—	(2)
Income from discontinued operations prior to gains, non-controlling interests and taxes	—	1
Gain on sale of discontinued operations	—	47
Non-controlling interests	—	(5)
Future income taxes	—	(8)
Income and gains from discontinued operations	\$ —	\$ 35
Income and gains from discontinued operations per share – basic and diluted ⁽¹⁾	\$ —	\$ 0.09

⁽¹⁾ Per share amounts have been restated to reflect the impact of the three-for-two common stock split effective May 4, 2007

NOTE 10: COMMERCIAL PROPERTY DEBT

The weighted average interest rate at March 31, 2008 was 5.76% (December 31, 2007 - 6.65%). The company's commercial property debt is primarily fixed-rate and non-recourse to the company. Approximately 57% of the company's outstanding debt at March 31, 2008 is fixed rate debt (December 31, 2007 – 61%).

Commercial property debt includes \$1,503 million (December 31, 2007 - \$1,509 million) repayable in Canadian dollars of C\$1,543 million (December 31, 2007 - C\$1,507 million), all of which is payable by self-sustaining foreign subsidiaries.

Included in total commercial property debt is \$15 million (December 31, 2007 - \$17 million) of premiums related to mortgages assumed upon acquisition. This amount is amortized over the remaining term of the debt as an adjustment to interest expense following the effective interest method.

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

(Millions)	Scheduled Amortization	Maturities	Total ⁽¹⁾	Weighted-Average Interest Rate at Mar. 31, 2008
Remainder 2008	\$ 124	\$ 718	\$ 842	5.52%
2009	173	881	1,054	5.08%
2010	190	22	212	6.39%
2011 ⁽²⁾	197	4,478	4,675	5.27%
2012	206	238	444	6.19%
2013 and thereafter	675	4,255	4,930	6.24%
Total commercial property debt	\$ 1,565	\$ 10,592	\$ 12,157	5.76%

⁽¹⁾ Includes \$108 million of commercial property debt related to discontinued operations at March 31, 2008 (December 31, 2007 - nil)

⁽²⁾ Corporate mezzanine debt of \$3,086 million within the U.S. Office Fund matures in 2011

Commercial property debt maturing in the current year has a weighted average interest rate of 5.5%. A 25 basis point increase in interest rates would result in an increase to interest expense of approximately \$2 million on an annualized basis.

NOTE 11: ACCOUNTS PAYABLE AND OTHER LIABILITIES

The components of the company's accounts payable and other liabilities are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Accounts payable and accrued liabilities	\$ 613	\$ 613
Straight-line rent payable	62	59
Residential payables and accrued liabilities	157	184
Land development debt	487	501
Total	\$ 1,319	\$ 1,357

Financial liabilities in accounts payable and other liabilities are carried at amortized cost except for derivative contracts that are carried at fair value of \$52 million as at March 31, 2008 (December 31, 2007 – \$35 million).

Land development debt of \$487 million (December 31, 2007 - \$501 million) is secured by the underlying properties of the company. The weighted average interest rate on these advances as at March 31, 2008 was 5.42% (December 31, 2007 – 6.17%).

Advances totaling \$163 million are due by the end of 2008, with the remaining balances due prior to 2013 as follows:

(Millions)	Weighted Average Interest Rate at Mar. 31, 2008	Principal Repayments						2013 & Beyond	Mar. 31, 2008 Total	Dec. 31, 2007 Total
		Remainder 2008	2009	2010	2011	2012				
Land development debt	5.42%	\$ 163	\$ 307	\$ 9	\$ 7	\$ 1	\$ —	\$ 487	\$ 501	

NOTE 12: INTANGIBLE LIABILITIES

The components of intangible liabilities are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Intangible liabilities		
Below-market leases	\$ 1,011	\$ 971
Above-market ground lease obligations	47	58
	1,058	1,029
Less accumulated amortization		
Below-market leases	(223)	(189)
Above-market ground lease obligations	(6)	(6)
Total net	\$ 829	\$ 834

NOTE 13: FUTURE INCOME TAXES

Future income tax liabilities consist of the following:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Future income tax liabilities related to difference in tax and book basis, net	\$ (934)	\$ (944)
Future income tax assets related to non-capital losses and capital losses	322	344
Total net	\$ (612)	\$ (600)

The company and its Canadian subsidiaries have future income tax assets of \$118 million (December 31, 2007 - \$117 million) that relate to non-capital losses which expire over the next 20 years and \$103 million (December 31, 2007 - \$106 million) that relate to capital losses which have no expiry. The company's U.S. subsidiaries have future income tax assets of \$101 million (December 31, 2007 - \$121 million) that relate to net operating losses which expire over the next 15 years. The amount of non-capital losses and deductible temporary differences, for which no future income tax assets have been recognized, is approximately \$389 million (December 31, 2007 - \$395 million) which also expire over the next 10 years.

The components of income tax expense are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Income tax expense at the Canadian federal and provincial income tax rate of 33.5% (2007 – 35%)	\$ 10	\$ 11
Increase (decrease) in income tax expense due to the following:		
Non-deductible preferred share dividends	5	5
Lower income tax rates in other jurisdictions	(2)	(5)
Foreign exchange gains and losses	(5)	4
Other	1	3
Total net	\$ 9	\$ 18

NOTE 14: CAPITAL SECURITIES - CORPORATE

The company has the following capital securities outstanding:

(Millions, except share information)	Shares Authorized	Shares Outstanding	Cumulative Dividend Rate	Mar. 31, 2008	Dec. 31, 2007
Class AAA Series E ⁽¹⁾	8,000,000	8,000,000	70% of bank prime	\$ —	\$ —
Class AAA Series F	8,000,000	8,000,000	6.00%	194	199
Class AAA Series G	6,000,000	4,400,000	5.25%	109	109
Class AAA Series H	8,000,000	8,000,000	5.75%	194	199
Class AAA Series I	8,000,000	8,000,000	5.20%	193	199
Class AAA Series J	8,000,000	8,000,000	5.00%	193	198
Class AAA Series K	6,000,000	6,000,000	5.20%	145	149
Total				\$ 1,028	\$ 1,053

⁽¹⁾ Balance has been offset with a promissory note – refer to Note 24(d) for further details

⁽²⁾ Net of transaction costs of \$8 million at March 31, 2008 which are amortized to interest expense over the life of the securities

The redemption terms of the Class AAA Preferred Shares can be found in the company's Annual Information Form for the year ended December 31, 2007.

Cumulative preferred dividends are payable quarterly, as and when declared by the Board of Directors, on the last day of March, June, September and December.

Interest expense on capital securities – corporate is comprised as follows:

(Millions)	Three months ended March 31	
	2008	2007
Series E ⁽¹⁾	\$ —	\$ 2
Series' F through K	15	13
Total net	\$ 15	\$ 15

⁽¹⁾ Owned by Brookfield Asset Management Inc. – refer to Note 24(d)

NOTE 15: U.S. OFFICE FUND

Third party interests in the Fund are as follows:

(Millions)	Mar. 31, 2008	Dec. 31, 2007
Capital securities – fund subsidiaries		
Debt securities	\$ 257	\$ 257
Redeemable equity interests	506	505
	763	762
Non-controlling interests – fund subsidiaries	187	193
Total	\$ 950	\$ 955

Debt securities consist of contributions to the U.S. Office Fund by an institutional investor in the Brookfield Properties-led consortium in the form of an unsecured debenture. The debenture matures on October 31, 2013 and bears interest at 11%.

Redeemable equity interests include \$441 million representing the equity interest in the U.S. Office Fund held by the company's joint venture partner, The Blackstone Group ("Blackstone"). The balance of redeemable equity interests is comprised of \$65 million of redeemable preferred securities bearing interest at 6%.

Non-controlling interests - fund subsidiaries represent equity contributions by other U.S. Office Fund investors in the Brookfield Properties-led consortium.

The income statement effect of the aforementioned interests in the U.S. Office Fund is as follows:

(Millions)	Three months ended March 31	
	2008	2007
Interest on debt securities	\$ 6	\$ 7
Interest on redeemable equity interests	8	6
	14	13
Non-cash component ⁽¹⁾	(22)	(22)
Total interest expense – capital securities – fund subsidiaries	\$ (8)	\$ (9)

⁽¹⁾ Represents co-investors share of non-cash items, such as depreciation and amortization

(Millions)	Three months ended March 31	
	2008	2007
Non-controlling interests	\$ 20	\$ 6
Non-cash component ⁽¹⁾	(22)	(16)
Non-controlling interests – fund subsidiaries	\$ (2)	\$ (10)

⁽¹⁾ Represents co-investors share of non-cash items, such as depreciation and amortization

NOTE 16: NON-CONTROLLING INTERESTS – OTHER SUBSIDIARIES

Non-controlling interests include the amounts of common equity related to other non-controlling shareholders' interests in property ownership entities which are consolidated in the company's accounts. The balances are as follows:

(Millions)	Others' Equity Ownership	Mar. 31, 2008	Dec. 31, 2007
Common shares of BPO Properties Ltd. ⁽¹⁾	11.0%	\$ 72	\$ 73
Limited partnership units of Brookfield Financial Properties, L.P.	0.6%	13	13
Total		\$ 85	\$ 86

⁽¹⁾ Canadian dollar denominated

NOTE 17: PREFERRED EQUITY – SUBSIDIARIES

Subsidiaries preferred shares outstanding total \$372 million (December 31, 2007 - \$382 million) as follows:

(Millions, except share information)	Shares Outstanding	Preferred Shares Series	Cumulative Dividend Rate	Mar. 31, 2008	Dec. 31, 2007
BPO Properties Ltd.	1,805,489	Series G	70% of bank prime	\$ 44	\$ 45
	3,816,527	Series J	70% of bank prime	93	96
	300	Series K	30-day BA + 0.4%	147	150
	2,847,711	Series M	70% of bank prime	69	71
	800,000	Series N	30-day BA + 0.4%	19	20
Total				\$ 372	\$ 382

The redemption terms of the preferred shares issued by BPO Properties Ltd. can be found in the BPO Properties Ltd.'s Annual Information Form for the year ended December 31, 2007.

NOTE 18: PREFERRED EQUITY – CORPORATE

The company has the following preferred shares authorized and outstanding included in equity:

(Millions, except share information)	Shares Outstanding	Cumulative Dividend Rate	Mar. 31, 2008	Dec. 31, 2007
Class A redeemable voting	14,202,000	7.50%	\$ 11	\$ 11
Class AA Series E	2,000,000	70% of bank prime	34	34
Total			\$ 45	\$ 45

Cumulative preferred dividends are payable quarterly, as and when declared by the Board of Directors, on the last day of March, June, September and December.

NOTE 19: COMMON EQUITY**(a) Common shares**

The authorized common share capital consists of an unlimited number of common voting shares. Common shares issued and outstanding changed consists of:

(Millions)	Mar. 31, 2008	Dec. 31, 2007 ⁽¹⁾
Common shares outstanding, beginning of period	392,805,608	396,868,457
Shares issued as a result of exercise of options	426,246	450,871
Shares repurchased for cancellation	(300,000)	(4,513,720)
Common shares outstanding, end of period	392,931,854	392,805,608

⁽¹⁾ Share amounts have been restated to reflect the impact of the three-for-two common stock split effective May 4, 2007

(b) Accumulated other comprehensive income

As of March 31, 2008, accumulated other comprehensive income consists of the following amounts:

(Millions)	As at March 31	
	2008	2007
Unrealized foreign currency translation gains on investments in subsidiaries, net of related hedging activities, net of taxes	\$ 74	\$ 73
Losses on derivatives designated as cash flow hedges ⁽¹⁾ , net of taxes and non-controlling interests	(19)	(5)
Accumulated other comprehensive income	\$ 55	\$ 68

⁽¹⁾ Includes losses of \$0.3 million which will be reclassified to interest expense over the next 12 months

(c) Earnings per share

Net income per share and weighted average common shares outstanding are calculated as follows:

(Millions, except per share amounts)	Three months ended March 31	
	2008	2007 ⁽¹⁾
Net income from continuing operations	\$ 23	\$ 18
Preferred share dividends	(1)	(1)
Net income from continuing operations available to common shareholders	\$ 22	\$ 17
Net income	\$ 23	\$ 53
Preferred share dividends	(1)	(1)
Net income available to common shareholders	\$ 22	\$ 52
Weighted average shares outstanding – basic	393.0	396.9
Unexercised dilutive options	1.5	3.9
Weighted average shares outstanding – diluted	394.5	400.8

⁽¹⁾ Share amounts have been restated to reflect the impact of the three-for-two common stock split effective May 4, 2007

NOTE 20: STOCK-BASED COMPENSATION

Options issued under the company's Share Option Plan vest proportionately over five years and expire ten years after the grant date. The exercise price is equal to the market price at the grant date.

During the first quarter of 2008, the company granted 2,080,299 stock options (2007 – 1,528,407), on a post-split basis, under the Share Option Plan with a weighted average exercise price of \$19.11 per share (2007 - \$31.21 per share), which was equal to the market price on the grant date. The compensation expense was calculated using the Black-Scholes model of valuation, assuming a 7.5-year term, 34% volatility (2007 – 19%), a weighted average dividend yield of 3.3% (2007 – 1.6%) and a risk free interest rate of 3.4% (2007 – 4.8%). The resulting fair value of \$11 million is charged to expense over the vesting period of the options granted. A corresponding amount is initially recorded in contributed surplus and subsequently reclassified to share capital when options are exercised. Any consideration paid upon exercise of options is credited directly to common shares.

At March 31, 2008, the company had a total of 995,314 deferred share units outstanding (December 31, 2007 – 982,381) of which 982,870 were vested (December 31, 2007 – 949,206).

Employee compensation expense related to the stock option and the Deferred Share Unit plans for the three months ended March 31, 2008 was \$2 million (2007 – \$3 million).

NOTE 21: COMMERCIAL PROPERTY AND RESIDENTIAL DEVELOPMENT OPERATIONS**(a) Revenue**

The components of revenue are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Revenue from commercial property operations	\$ 573	\$ 514
Revenue from residential development operations	82	111
	655	625
Interest and other income	10	9
Total	\$ 665	\$ 634

(b) Commercial property operations

The company's commercial property operations from continuing operations are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Revenue	\$ 573	\$ 514
Property operating costs	(224)	(201)
Commercial property net operating income	\$ 349	\$ 313

Revenue earned from operating leases for the three months ended March 31, 2008 was \$573 million (March 31, 2007 – \$514 million). Included in revenue is net amortization of above- and below-market leases amounting to \$37 million (March 31, 2007 - \$33 million).

For the three months ended March 31, 2008, rental revenues from Merrill Lynch accounted for 11% of total U.S. revenues (March 31, 2007 – 13%). For the three months ended March 31, 2008, rental revenues from Merrill Lynch accounted for 1% of total Canadian revenues (March 31, 2007 – 1%). On a consolidated basis, rental revenues from Merrill Lynch accounted for 8% of total revenue for the three months ended March 31, 2008 (March 31, 2007 – 8%).

For the three months ended March 31, 2008, rental revenues from Merrill Lynch accounted for 12% of total U.S. commercial property revenues (March 31, 2007 – 13%). For the three months ended March 31, 2008, rental revenues from Merrill Lynch accounted for 1% of total Canadian commercial property revenues (March 31, 2007 – 1%). On a consolidated basis, rental revenues from Merrill Lynch accounted for 9% of total commercial property revenue for the three months ended March 31, 2008 (March 31, 2007 – 10%).

(c) Residential development operations

Residential development net operating income fluctuates depending on the timing of closings with closings historically being highest in the fourth quarter. The results of the company's residential development operations are as follows:

(Millions)	Three months ended March 31	
	2008	2007
Revenue	\$ 82	\$ 111
Expenses	(64)	(69)
Residential development net operating income	\$ 18	\$ 42

(d) Interest and other income

Interest and other income was \$10 million for the three months ended March 31, 2008 (2007 - \$9 million). Of this amount, \$3 million related to interest income and \$7 million related to other income (2007 - \$2 million and \$7 million, respectively).

NOTE 22: GUARANTEES, CONTINGENCIES AND OTHER

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

BPO Properties Ltd., a subsidiary of the company, currently has guaranteed up to C\$60 million of a C\$420 million credit facility related to construction financing on Bay Adelaide West Tower in Toronto. As a result of meeting certain leasing thresholds, the guarantee was reduced to C\$60 million at March 31, 2008 from C\$90 million at December 31, 2007. In addition, as of March 31, 2008, the company has commitments totaling C\$238 million to third parties for the development projects of Bay Adelaide Centre and Bankers Court.

NOTE 23: CAPITAL MANAGEMENT AND LIQUIDITY

The company employs a broad range of financing strategies to facilitate growth and manage financial risk, with particular emphasis on the overall reduction of the weighted average cost of capital, in order to enhance returns for common shareholders.

The company's objective is to reduce its weighted average cost of capital and improve common shareholders' equity returns through value enhancement initiatives and the consistent monitoring of the balance between debt and equity financing. As at March 31, 2008, the company's weighted average cost of capital, assuming a 12% return on common equity, was 6.89%.

The following schedule details the components of the company's capital as at March 31, 2008 and the related costs thereof:

(Millions)	Cost of Capital ⁽¹⁾		Underlying Value ⁽²⁾	
	Mar. 31, 2008	Dec. 31, 2007	Mar. 31, 2008	Dec. 31, 2007
Liabilities				
Commercial property debt	5.76%	6.65%	\$ 12,157	\$ 12,125
Residential debt	5.42%	6.17%	487	501
Capital securities – corporate	5.42%	5.42%	1,028	1,053
Capital securities – fund subsidiaries ⁽³⁾	10.00%	10.00%	763	762
Non-controlling interests – fund subsidiaries ⁽³⁾	10.00%	10.00%	187	193
Non-controlling interests – other subsidiaries	12.00%	12.00%	85	86
Preferred equity - subsidiaries	4.28%	4.40%	372	382
Shareholders' equity				
Preferred equity - corporate	5.01%	5.01%	45	45
Common equity ⁽⁴⁾	12.00%	12.00%	7,588	7,562
Total ⁽⁵⁾	6.89%	7.19%	\$ 22,712	\$ 22,709

⁽¹⁾ As a percentage of average book value

⁽²⁾ Underlying value of liabilities represents the cost to retire on maturity. Underlying value of common equity is based on the closing stock price of Brookfield Properties' common shares

⁽³⁾ Assuming 10% return on co-invested capital

⁽⁴⁾ Determined on a market value basis

⁽⁵⁾ In calculating the weighted average cost of capital, the cost of debt has been tax-effected

Commercial property debt The company's commercial property debt is primarily fixed-rate and non-recourse to the company. These financings are typically structured on a loan-to-appraised value basis of up to 70%. In addition, in certain circumstances where a building is leased almost exclusively to a high-credit quality tenant, a higher loan-to-value financing, based on the tenant's credit quality, is put in place at rates commensurate with the cost of funds for the tenant. This reduces equity requirements to finance commercial property, and enhances equity returns.

Capital securities – fund subsidiaries and Non-controlling interest – fund subsidiaries The company invests its liquidity alongside capital from strategic institutional partners in fund formats to acquire individual assets and portfolios which, together with the associated asset management fees, enables the company to increase returns on equity.

Capital securities – corporate, Preferred equity – subsidiaries and Preferred equity – corporate These represent sources of low-cost capital to the company, without dilution to the common equity base.

The company is subject to certain covenants on its credit facilities. The covenants include a total and secured leverage ratio, an interest and fixed charge ratio, as well as a dividend payout ratio and a recourse debt requirement. The company monitors the ratios on a quarterly basis. As at March 31, 2008, the company was in compliance with all of its covenants.

The company's strategy is to satisfy its liquidity needs using cash on hand, cashflows generated from operating activities and provided by financing activities, as well as proceeds from asset sales. Rental revenue, recoveries from tenants, lot and home sale proceeds, interest and other income, available cash balances, draws on corporate credit facilities and refinancings, including upward refinancings, of maturing indebtedness are the company's principal sources of capital used to pay operating expenses, dividends, debt service and recurring capital and leasing costs in its commercial property portfolio and residential development business. The company finances its residential development operations and ongoing working capital requirements with residential development debt and accounts payable. Another source of cashflow includes third-party fees generated by the company's asset management, leasing and development businesses. Consequently, management believes the company's revenue along with proceeds from financing activities will continue to provide the necessary funds for its short-term liquidity needs.

The principal liquidity needs for periods beyond the next twelve months are for development costs, potential property acquisitions, scheduled debt maturities and non-recurring capital expenditures. The company's strategy is to meet these needs with one or more of the following:

- cashflows from operations;
- construction loans;
- investment from third parties in new funds;
- proceeds from sales of assets; and
- credit facilities and refinancing opportunities

The company attempts to match the maturity of its commercial property debt portfolio with the average lease terms of its properties. At March 31, 2008, the average term to maturity of the company's commercial property debt was six years, close to its average lease term at approximately seven years.

The following table presents the contractual maturities of the company's financial liabilities:

(Millions)	Total	Payments Due By Period			
		Less than 1 year	2 - 3 Years	4 - 5 Years	After 5 Years
Commercial property debt ⁽¹⁾	\$ 12,157	\$ 842	\$ 1,266	\$ 5,119	\$ 4,930
Residential development debt	487	163	316	7	1
Capital securities - corporate	1,028	—	193	—	835
Capital securities - fund subsidiaries ⁽²⁾	257	—	—	—	257

⁽¹⁾Includes transaction costs

⁽²⁾Excludes redeemable equity interests

NOTE 24: OTHER INFORMATION

(a) At March 31, 2008, the company had foreign exchange contracts to sell a notional amount of C\$800 million at a weighted average exchange rate of C\$1.00 = US\$0.98, maturing in June 2008, designated as hedges for accounting purposes to manage the company's foreign exchange risk in respect to its Canadian-denominated net investments. The fair value of these contracts at March 31, 2008 resulted in no gain or loss. The company's self-sustaining subsidiaries also had foreign exchange contracts to sell a notional amount of US\$21 million at a weighted average exchange rate of US\$1.00 = C\$1.02, maturing in June 2008, which have not been designated as hedges for financial reporting purposes. The aggregate fair value of these contracts at March 31, 2008 resulted in no gain or loss.

The company is structured such that its foreign operations are primarily self-sustaining. As a result, the company's currency risk associated with financial instruments is limited as its financial assets and liabilities are generally denominated in the functional currency of the subsidiary that holds the financial instrument. However, the company is exposed to foreign currency risk on net Canadian dollar financial liabilities of \$874 million. The company has designated C\$550 million of these financial liabilities as hedges of its Canadian denominated net investments. Based on the balance of these financial liabilities at March 31, 2008, a 1% change in the U.S. to Canadian dollar exchange rate would have impacted other comprehensive income by \$5 million and net income by \$3 million, on a pre-tax basis. The exposure to translation of net Canadian dollar financial liabilities is in part off-set by the effects of translating the Canadian dollar denominated future income tax assets.

The company is also exposed to foreign currency risk on U.S. denominated loans receivable of a subsidiary that has the Canadian dollar as its functional currency. Based on the balance of these financial assets at March 31, 2008, a 1% change in the U.S. to Canadian dollar exchange rate would have no impact on net income.

(b) In 2006, the company entered into a series of interest rate cap contracts that are designated as hedges of interest rate exposure associated with variable rate debt issued in October 2006 in connection with the acquisition of Trizec. At March 31, 2008, there were contracts outstanding to cap the interest rate on a notional \$3.1 billion of variable rate debt at 6.0% and \$600 million of variable rate debt at 7.0% for a period of two years. The contracts have been recorded at fair value in receivables and other with changes in fair value reported in other comprehensive income for the effective portion of the hedge. Gains or losses associated with the caps are reclassified from accumulated other comprehensive income to interest expense in the periods the hedged interest payments occur. In September 2007, the company de-designated hedge relationships associated with \$350 million of the interest rate caps as they were no longer eligible for hedge accounting. The cumulative loss associated with the de-designated contracts will be amortized out of accumulated other comprehensive income to interest expense as the previously hedged interest payments occur. Subsequent changes in fair value of the de-designated contracts will be recorded in interest expense as they occur. The ineffective portion of the change in fair value of these hedges recognized in net income is nil. The fair value of the contracts at March 31, 2008 is nil. The cost of these contracts was \$2.3 million.

In June 2007, the company entered into a forward-starting interest rate swap to hedge the interest rate risk associated with the anticipated issuance of fixed rate debt. The forward-starting swap hedges a notional \$350 million of fixed rate debt issuance at a rate of 5.824%. The fair value of this contract at March 31, 2008 was a loss of \$51 million. The swap has been recorded in accounts payable and other liabilities and the effective portion of the change in fair value has been recorded in other comprehensive income. The gain or loss on the interest rate swap will be reclassified to interest expense as the hedged interest payments occur.

In July 2007, the company entered into a forward-starting interest rate swap to hedge the risk associated with anticipated debt of \$700 million that was issued in August 2007. The contract was settled in August 2007 for a loss of \$15 million. The loss was recorded in other comprehensive income and will be amortized to interest expense over the term of the hedged debt.

Based on the notional amount of interest rate swap contracts outstanding at March 31, 2008, the effect of a 25 basis point increase in interest rates is an increase in other comprehensive income of \$7 million before non-controlling interests and income taxes. The effect of a 25 basis point increase in interest rates on interest expense relating to our corporate and commercial property floating rate debt, all else being equal, is an increase in interest expense of \$13 million or approximately \$6 million, net of non-controlling interests or \$0.02 per share on an annualized basis. Taking into account our floating rate residential development debt and preferred shares issued by BPO Properties Ltd., a 25 basis point increase in rates would increase interest expense by an additional \$2 million on an annualized basis.

(c) In September 2007, the company entered into a total return swap under which it receives the returns on a notional 966,000 Brookfield Properties Corporation common shares as an economic hedge of its exposure to variability in share price under the Deferred Share Unit program (refer to Note 20). The fair value of the total return swap was \$1 million at March 31, 2008 and the change in fair value has been recorded in general and administrative expense. Based on the notional amount of the total return swap at March 31, 2008, a \$1 change in the market price of Brookfield Properties common shares would impact net income by \$1 million. Offsetting this would be a change in our employee compensation expense related to the deferred share units outstanding of an equal amount.

(d) In September 2007, the company loaned C\$200 million to Brookfield Asset Management Inc., the company's parent, at a rate of 108% of prime which has been offset against C\$200 million Class AAA Series E capital securities held by Brookfield Asset Management Inc. pursuant to the terms of the promissory note.

As at March 31, 2008, the company had approximately \$15 million (December 31, 2007 - \$15 million) of indebtedness outstanding to Brookfield Asset Management Inc. and its affiliate. The indebtedness consists of floating rate debt included in the company's commercial property debt. Interest expense related to this indebtedness, including preferred share dividends classified as interest expense, totaled nil for the three months ended March 31, 2008 compared to \$4 million for the same period in 2007, and were recorded at the exchange amount.

(e) Included in rental revenues are amounts received from Brookfield Asset Management Inc., and its affiliates for the rental of office premises of \$0.5 million for the three months ended March 31, 2008 (2007 - \$0.4 million). These amounts have been recorded at the exchange amount.

(f) Supplemental cashflow information

Three months ended March 31 (Millions)	2008	2007
Acquisitions of real estate	\$ 16	\$ —
Mortgages and other balances assumed on acquisition	—	—
Net acquisitions	\$ 16	\$ —
Dispositions of real estate	\$ —	\$ 110
Mortgages assumed by purchasers	—	(35)
Net dispositions	\$ —	\$ 75
Cash taxes paid	\$ 2	\$ 3
Cash interest paid (excluding dividends paid on capital securities)	\$ 179	\$ 164

(g) The assets and liabilities of certain of the company's subsidiaries are neither available to pay debts of, nor constitute legal obligations of the parent or other subsidiaries, respectively.

(h) In the three months ended March 31, 2008, interest expense included \$2 million relating to transaction costs included in the carrying amount of commercial property debt and capital securities – corporate which has been recognized in interest expense using the effective interest method.

(i) Included in general and administrative expenses is foreign exchange gains of \$3 million (2007 - nil).

(j) Included in cash and cash equivalents is \$22 million of short-term deposits at March 31, 2008 (December 31, 2007 - \$39 million).

NOTE 25: SUBSEQUENT EVENTS

On April 1, 2008, the company sold Acres House in Niagara Falls for cash proceeds of \$3 million.

NOTE 26: SEGMENTED INFORMATION

The company and its subsidiaries operate in the United States and Canada within the commercial property business and the residential development business. The following summary presents segmented financial information for the company's principal areas of business:

(Millions)	Commercial				Residential Development		Total	
	United States		Canada		Mar. 31, 2008	Dec. 31, 2007	Mar. 31, 2008	Dec. 31, 2007
Assets								
Commercial properties	\$ 13,533	\$ 13,498	\$ 2,318	\$ 2,391	\$ —	\$ —	\$ 15,851	\$ 15,889
Development properties	527	676	535	496	1,263	1,228	2,325	2,400
Receivables and other	574	569	189	195	255	292	1,018	1,056
Intangible assets	723	719	37	40	—	—	760	759
Restricted cash and deposits	105	146	2	2	4	3	111	151
Cash and cash equivalents	87	134	78	74	5	6	170	214
Assets related to discontinued operations	127	—	4	4	—	—	131	4
Total	\$ 15,676	\$ 15,742	\$ 3,163	\$ 3,202	\$ 1,527	\$ 1,529	\$ 20,366	\$ 20,473

The carrying amounts of properties located in the United States and Canada for the three months ended March 31, 2008 were \$14,314 million and \$3,862 million, respectively (2007 - \$14,445 million and \$3,844 million, respectively).

(Millions)	Commercial				Residential Development		Total	
	United States		Canada		2008	2007	2008	2007
Revenues	\$ 451	\$ 410	\$ 122	\$ 104	\$ 82	\$ 111	\$ 655	\$ 625
Expenses	174	160	50	41	64	69	288	270
	277	250	72	63	18	42	367	355
Interest and other income	5	4	2	3	3	2	10	9
Net operating income from continuing operations	282	254	74	66	21	44	377	364
Interest expense								
Commercial property debt	152	160	15	11	—	—	167	171
Capital securities – corporate	2	2	13	13	—	—	15	15
Capital securities – fund subsidiaries	(8)	(9)	—	—	—	—	(8)	(9)
General and administrative	18	19	11	10	—	—	29	29
Transaction costs	—	4	—	—	—	—	—	4
Non-controlling interests								
Fund subsidiaries	(2)	(10)	—	—	—	—	(2)	(10)
Other subsidiaries	—	—	6	4	—	—	6	4
Depreciation and amortization	119	104	19	20	—	—	138	124
Income before unallocated costs	1	(16)	10	8	21	44	32	36
Future income taxes	—	—	—	—	—	—	9	18
Net income from continuing operations	—	(8)	—	43	—	—	\$ 23	\$ 18
Discontinued operations	—	—	—	—	—	—	—	35
Net income	—	—	—	—	—	—	\$ 23	\$ 53
Acquisitions of commercial properties, net	16	—	—	—	—	—	16	—
Dispositions of commercial properties, net	—	—	—	(75)	—	—	—	(75)
Commercial property tenant improvements	13	31	—	2	—	—	13	33
Development and redevelopment	35	55	51	20	—	—	86	75
Capital expenditures	10	4	4	2	—	—	14	6

Total revenues earned in the United States and Canada for the three months ended March 31, 2008 were \$457 million and \$208 million, respectively (2007 - \$415 million and \$219 million, respectively).

Shareholder Information

STOCK EXCHANGE LISTINGS

	Outstanding at March 31, 2008	Symbol	Stock Exchange
Common Shares	392,931,854	BPO	New York / Toronto
Class A Preferred Shares			
Series A	4,612,500	Not listed	—
Series B	9,589,500	Not listed	—
Class AA Preferred Shares			
Series E	2,000,000	Not listed	—
Class AAA Preferred Shares			
Series E	8,000,000	Not listed	—
Series F	8,000,000	BPO.PR.F	Toronto
Series G	4,400,000	BPO.PR.U	Toronto
Series H	8,000,000	BPO.PR.H	Toronto
Series I	8,000,000	BPO.PR.I	Toronto
Series J	8,000,000	BPO.PR.J	Toronto
Series K	6,000,000	BPO.PR.K	Toronto

DIVIDEND RECORD AND PAYMENT DATES⁽¹⁾

	Record Date	Payment Date
Common Shares⁽²⁾	First day of March, June, September and December	Last business day of March, June, September and December
Class A Preferred Shares Series A, B	First day of March and September	15th day of March and September
Class AA Preferred Shares Series E	15th day of March, June, September and December	Last business day of March, June, September and December
Class AAA Preferred Shares Series E, F, G, H, I, J and K	15th day of March, June, September and December	Last business day of March, June, September and December

⁽¹⁾ All dividends are subject to declaration by the company's Board of Directors

⁽²⁾ Common shareholders resident in the United States will receive payment in U.S. dollars and shareholders resident in Canada will receive their dividends in Canadian dollars at the exchange rate on the date of record, unless they elect otherwise

FIVE-YEAR COMMON SHARE DIVIDEND HISTORY⁽³⁾

(US Dollars)	2004	2005	2006	2007	2008
March 31	\$ 0.07	\$ 0.07	\$ 0.12	\$ 0.13	\$ 0.14
June 30	0.07	0.12	0.13	0.14	0.14
September 30	0.07	0.12	0.13	0.14	
December 31	0.07	0.12	0.13	0.14	

⁽³⁾ Adjusted to reflect the three-for-two stock splits effective May 4, 2007 and March 31, 2005

Corporate Information

CORPORATE PROFILE

One of North America's largest commercial real estate companies, the corporation owns, develops and manages premier office properties. The office properties portfolio is comprised of interests in 110 properties totaling 76 million square feet in the downtown cores of New York, Boston, Washington, D.C., Los Angeles, Houston, Toronto, Calgary and Ottawa. Landmark assets include the World Financial Center in Manhattan, Brookfield Place in Toronto, Bank of America Plaza in Los Angeles and Bankers Hall in Calgary. The corporation also holds interests in over 17 million square feet of high-quality, centrally-located development and redevelopment properties in its major markets. The corporation's common shares trade on the NYSE and TSX under the symbol BPO.

BROOKFIELD PROPERTIES CORPORATION

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SHAREHOLDER INQUIRIES

Brookfield Properties welcomes inquiries from shareholders, analysts, media representatives and other interested parties. Questions relating to investor relations or media inquiries can be directed to Melissa Coley, Vice President, Investor Relations at (212) 417-7215 or via e-mail at mcoley@brookfieldproperties.com. Inquiries regarding financial results should be directed to Bryan Davis, Senior Vice President and Chief Financial Officer at (212) 417-7166 or via e-mail at bdavis@brookfieldproperties.com.

Shareholder questions relating to dividends, address changes and share certificates should be directed to the company's Transfer Agent:

CIBC MELLON TRUST COMPANY

By mail:	P.O. Box 7010 Adelaide Street Postal Station Toronto, Ontario, M5C 2W9
By courier:	199 Bay Street Commerce Court West Securities Level Toronto, Ontario, M5L 1G9 Attention: Courier Window
Tel:	(800) 387-0825; (416) 643-5500
Fax:	(416) 643-5501
Web site:	www.cibcmellon.com
E-mail:	inquiries@cibcmellon.com

COMMUNICATIONS

We strive to keep our shareholders updated on our progress through a comprehensive annual report, quarterly interim reports, periodic press releases and quarterly conference calls.

Brookfield Properties maintains a Web site, brookfieldproperties.com, which provides access to our published reports, press releases, statutory filings, supplementary information and stock and dividend information as well as summary information on the company.

We maintain an investor relations program and respond to inquiries in a timely manner. Management meets on a regular basis with investment analysts and shareholders to ensure that accurate information is available to investors, and conducts quarterly conference calls and webcasts to discuss the company's financial results. We strive to disseminate material information about the company's activities to the media in a timely, factual and accurate manner.

Brookfield Properties



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