

Brookfield Properties

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Brookfield Properties
2008
ANNUAL REPORT

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Brookfield Properties Corporation

Brookfield Properties is a leading North American commercial real estate company that invests in premier-quality office properties in high-growth markets driven by financial service, government, and energy tenants. The portfolio is composed of investments in 108 office properties comprising 74 million square feet in 12 top U.S. and Canadian markets. With stable operating income, a disciplined management team, well-occupied buildings, and a growing asset-management platform, Brookfield Properties is positioned well for these economic times.

SELECTED FINANCIAL HIGHLIGHTS

All amounts expressed in U.S. dollars unless otherwise noted.

(Millions, except per-share information)	2008	2007	2006
Results of operations			
Funds from operations and gains	\$ 790	\$ 773	\$ 487
Funds from operations excluding lease-termination income and gains	626	629	443
Net income	700	240	135
Commercial-property net operating income	1,328	1,260	800
Per diluted common share			
Funds from operations excluding lease-termination income and gains	\$ 1.59	\$ 1.57	\$ 1.25
Net income	1.77	0.60	0.37
Dividends paid	0.56	0.55	0.51
Closing market price—NYSE	7.73	19.25	26.22
Financial position			
Total assets	\$ 19,457	\$ 20,473	\$ 19,314
Shareholders' equity	3,427	3,078	3,112
Market capitalization	3,023	7,562	10,406

BROOKFIELD PROPERTIES CORPORATE INFORMATION

Head Office

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Transfer Agent

CIBC Mellon Trust Company
P.O. Box 7010, Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
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STOCK EXCHANGE LISTINGS

	Stock Symbol	Exchange	Record Date	Payment Date
Common Shares				
	BPO	NYSE, TSX	First day of March, June, September, and December	Last business day of March, June, September, and December
Class A Preferred Shares				
Series A	Not listed	—	First day of March and September	15th day of March and September
Series B	Not listed	—		
Class AA Preferred Shares				
Series E	Not listed	—	15th day of March, June, September, and December	Last business day of March, June, September, and December
Class AAA Preferred Shares				
Series F	BPO.PR.F	TSX	15th day of March, June, September, and December	Last business day of March, June, September, and December
Series G	BPO.PR.U	TSX		
Series H	BPO.PR.H	TSX		
Series I	BPO.PR.I	TSX		
Series J	BPO.PR.J	TSX		
Series K	BPO.PR.K	TSX		

Shareholder Information

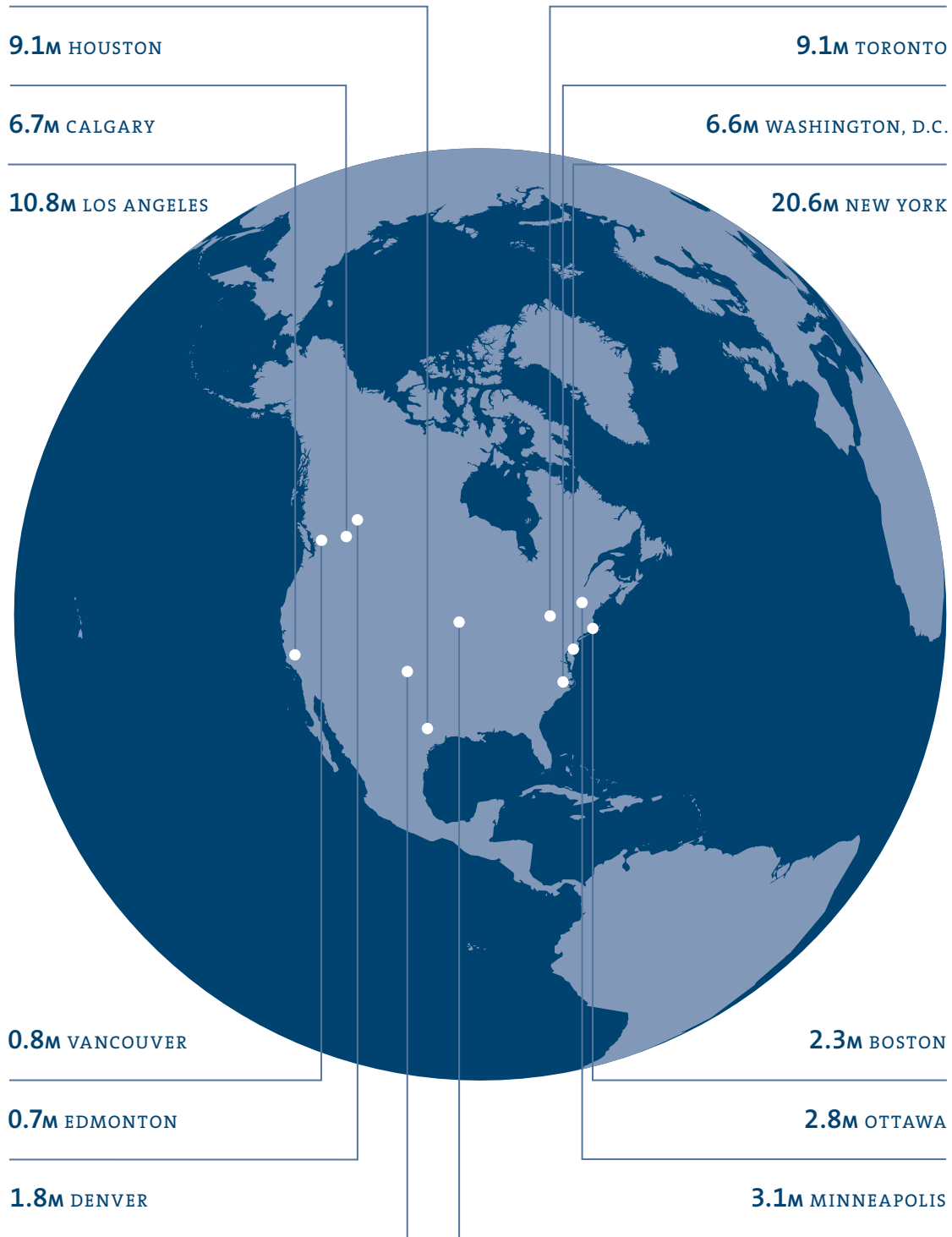
www.brookfieldproperties.com

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 melissa.coley@brookfieldproperties.com.

Shareholder questions relating to dividends, address changes, and share certificates should be directed to the company's Transfer Agent, CIBC Mellon Trust, as listed above.

Annual General Meeting

The Annual General Meeting of shareholders will be held in New York City at 300 Madison Avenue Auditorium at 10 a.m. on Thursday, April 30, 2009. Shareholders may also participate in the meeting by webcast through Brookfield Properties' Website at www.brookfieldproperties.com.



WORLD FINANCIAL CENTER
New York, New York



Dear Shareholders

As 2008 ended, the credit crisis that had initially impacted those operating with excessive leverage ratios rolled into a full-blown economic pandemic. Unemployment is on the rise, some businesses are failing, consumer and business spending is down, and debt markets are difficult to say the least.

All of this had a direct impact on North American office markets, where leasing demand has tempered, pushing direct and sublease availabilities up and associated rents and other economic fundamentals down.

Although this is certainly not good news, as an organization Brookfield Properties has a strong respect for the cyclical nature of the real estate business and financial markets. Consequently, we have always worked to limit the cyclical risk within our portfolio.

We were proud to report another year of strong performance and financial results that exceeded our beginning-of-the-year expectations. We have also accomplished a lot toward our goals for the year to better prepare for the economic downturn.

With this in mind, I'd like to highlight a few of our 2008 accomplishments.

Net income for the year totaled \$700 million, compared to \$240 million in 2007. Much of that increase was due to a gain of almost \$480 million from the conversion of some of our U.S. operations into an internal REIT. As a result of this conversion, all of our U.S. operations now function as a REIT and benefit from the ability to reduce effective tax rates on earnings. Funds from Operations in 2008 totaled \$626 million, virtually flat with 2007, notwithstanding a 39% reduction in the earnings from our residential land development operations. Our office operations posted strong earnings growth of 5% for the year.

We leased 6.4 million square feet of office space during the year, almost three times the amount

scheduled to expire, ending 2008 with an occupancy rate of 96.3%, no decline from the prior year.

In the process, we lowered our three-year lease expiry profile by 400 basis points, and have just 3.3% of our leases expiring in 2009.

We took a lot of rollover risk out of our energy sector markets, which was an important goal of ours given new development occurring in those markets, by completing the four lease renewals that we set out to accomplish. These were Petro-Canada and Imperial Oil in Calgary and Devon Energy and Continental Airlines in Houston. This reduced our 2010-2013 lease expiry exposure by 3.1 million square feet and pushed our average lease term to nine years in Calgary and seven years in Houston. Our occupancy stands at 100% in Calgary and 95% in Houston.

We completed \$1.3 billion of refinancing, successfully rolling our 2008 debt maturities.

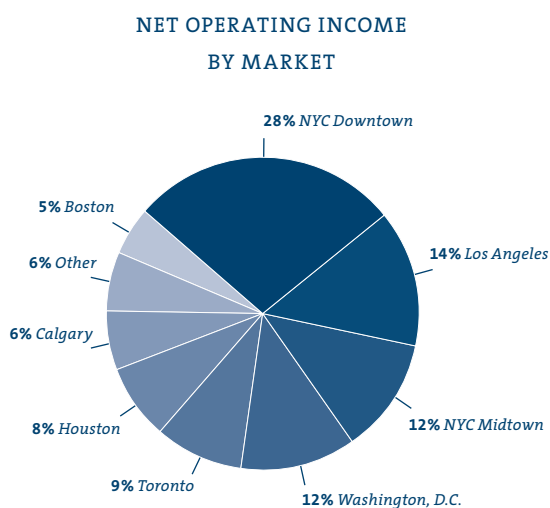
Entering into 2009, we started the year with about \$900 million of current commercial and corporate debt maturities on a proportional basis and have already completed refinancing on 44% of these, or \$388 million. We believe the remaining 2009 debt maturity exposure is manageable and are well on our way toward completing renewal or replacement financings on these assets. We have virtually no debt maturities throughout the company in 2010.

We sold our interest in the TD Canada Trust Tower in downtown Toronto for a record price for this market, as well as another small asset, for net proceeds of \$200 million. Notwithstanding this, as acquisition and disposition activity slowed considerably in 2008, we did not achieve all of our goals in this regard. Although we had hoped to launch funds in both the U.S. and Canada seeded with owned assets, the market's appetite for these types of funds waned as financial market volatility and illiquidity set in.

We brought three of our five active developments to completion. The final two are scheduled to

be concluded by the middle of 2009, requiring less than \$25 million of additional equity to complete. All other development activities and spending have been curtailed pending tenant and financing commitments. In all, these five office developments total 2.2 million square feet and are 65% leased on average.

Our residential operations achieved net income for the year of \$144 million. Although down from the previous year, it was still a solid 17% return on equity investment.



OUTLOOK

Although the battered economy will surely create challenges for us in 2009, based upon our high office occupancy levels, low near-term lease rollovers and mark-to-market rental rate uplift achieved on last year's leasing that will soon kick in, and barring any unforeseen circumstances such as tenant business failures, we are anticipating strong same-property net operating income growth for 2009 in our office division.

Lastly, and given that we are frequently asked questions on Brookfield Properties' outlook for 2009 given market conditions, I'll offer the following.

LIQUIDITY

We have approximately \$600 million of liquidity in cash and undrawn lines of credit, supported by an investment-grade rating from Standard & Poor's. Our debt maturity schedule is manageable, with the overwhelming majority of our loans recourse only to specific properties, minimizing the company's exposure to the impact of potential single-asset issues. As of the beginning of the year, our 2009 debt maturities consisted of 13 asset-level, non-recourse loans averaging \$43 million in size. These are small loans in relation to our overall debt (6%). The average loan-to-value is low (40%) and the average debt service coverage ratio is high (1.8 times cash flow), putting these loans in the sweet spot of the lending market. We are currently in discussions to renew these loans (and expect by press time many will have already been completed) and are not anticipating any refinancing issues. We have already completed the renewal of our maturing credit facility and expect to renew or refinance our term loan of \$104 million shortly. We have no further debt maturities of note until 2011.

2011 DEBT

Our \$1.6 billion share of the mezzanine debt used to finance the Trizec acquisition in 2006 does not come due until October of 2011. This debt is recourse only to the assets within the U.S. Office Fund with no corporate recourse or recourse to other Brookfield Properties assets. We are confident given the time we have that we will be able to refinance this debt with fixed-rate, asset-level financing and/or asset sales, working alongside our joint venture partner. The cash flows being generated by these assets continue to exceed our expectations.

MERRILL LYNCH

The uncertainty of Bank of America/Merrill Lynch's plans upon the expiry of their lease at the World



BAY ADELAIDE CENTRE WEST
Toronto, Canada

ALLEN CENTER
Houston, Texas



Financial Center in 2013 continues to weigh on our common stock price. Although as of this writing we do not know their plans, there are a number of mitigating factors of note to point out should they not renew all or part of their lease. First, through a self-amortization in-place financing, there will be no debt on Four World Financial Center and only a small amount on Two World Financial Center upon lease expiry. Second, Merrill has an ownership interest of 49% in 4 WFC. Of the 4.6 million square feet that they lease, 1.8 million square feet is subleased to various tenants with whom we are in direct discussions regarding lease extensions and/or expansion. Given Merrill's ownership stake and sublease occupants, our effective direct exposure to Merrill Lynch is 1.9 million square feet. And finally, we have almost five years ahead of us to secure new tenants should Merrill choose to leave the World Financial Center.

RESIDENTIAL LAND OPERATIONS

Our mainly Western Canadian-based residential land development platform had its second most successful year in 2008 despite the global economic slowdown. For 2009, we do expect Alberta's housing market to cool, but, the business prospects of this commodities-rich regional economy remain encouraging over the long term. In the meantime, we expect to limit new investments in this business and focus on harvesting cash.

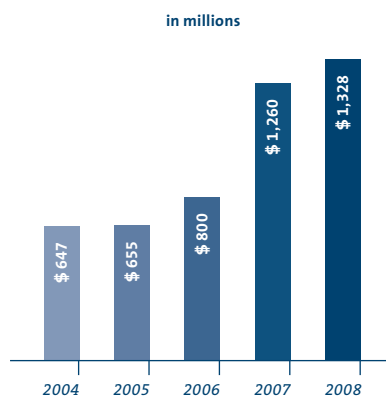
IN CLOSING

By all accounts, 2009 will continue to be a challenging year for the global economy and there is no reason why the North American real estate business will be an exception.

In the words of Joseph Werner of Peter B. Cannell & Co. Inc.: "Severe economic downturns are always frightening, but they do run their course and provide great opportunities." Those that survive will thrive.

The key to long-term success in commercial real estate, as in all businesses, is sustainable cash flow throughout business cycles. We believe our strategy of owning well-located, high-quality assets in North America's most dynamic markets, 96.3% leased to high-quality tenants, with manageable near-term lease and debt maturities, positions us well to weather this economic storm.

COMMERCIAL-PROPERTY NET OPERATING INCOME



On behalf of all Brookfield Properties employees and our Board of Directors, I thank you for your continued support.

Sincerely,

Richard B. Clark
Chief Executive Officer
March 6, 2009

Before



After

1225 CONNECTICUT AVENUE
Washington, D.C.



VALUE ENHANCEMENT THROUGH REDEVELOPMENT

Brookfield has a strong history in acquiring underperforming properties and pro-actively managing the asset to maximize occupancy, cash flow and value. 1225 Connecticut Avenue in Washington, D.C. was a functionally obsolete class C office building in a desirable location when acquired with the Trizec portfolio in 2006. Going in, we knew that the property was being vacated in its entirety due to the sole tenant moving out shortly after the closing. Therefore, in order to raise the value of the building and to attract quality tenants, we initiated a complete redevelopment program. Managed by our internal design and construction group

in collaboration with the regional leasing team, \$32 million was spent to transform the property into a sustainable, LEED Gold, class A office building. Now, completely modernized, the eight-story building gleams with all new space and superior detailing throughout, creating a stunning presence along one of the U.S. capital's most renowned business corridors. This fall, Brookfield completed a ten-year lease for the entire building with the World Bank, underscoring the strong appeal of a high-quality, well-located, environmentally friendly property to top tenants and the enduring strength of the Washington, D.C. office market.

Portfolio

COMMERCIAL PROPERTY	NUMBER OF PROPERTIES	LEASED %	(SQUARE FEET IN 000S)			(SQUARE FEET IN 000S)		OWNED INTEREST %	BROOKFIELD PROPERTIES OWNED INTEREST ⁽¹⁾	OTHER SHAREHOLDERS' 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	99.8	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	99.0	2,327	20	2,347	—	2,347	100	2,347	(14)	2,333
245 Park Avenue	1	95.4	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	98.8	12,524	391	12,915	281	13,196		11,364	(67)	11,297
Boston											
53 State Street	1	99.3	1,164	30	1,194	41	1,235	100	1,235	(8)	1,227
75 State Street	1	86.8	771	25	796	235	1,031	100	1,031	(6)	1,025
	2	94.3	1,935	55	1,990	276	2,266		2,266	(14)	2,252
Washington, D.C.											
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	94.4	836	8	844	48	892	100	892	—	892
	1	94.4	836	8	844	48	892		892	—	892
Denver											
Republic Plaza	1	97.7	1,276	48	1,324	503	1,827	100	1,827	—	1,827
	1	97.7	1,276	48	1,324	503	1,827		1,827	—	1,827
Minneapolis											
33 South Sixth Street	2	91.6	1,108	370	1,478	325	1,803	100	1,803	—	1,803
RBC Plaza	2	93.9	610	442	1,052	196	1,248	100	1,248	—	1,248
	4	92.6	1,718	812	2,530	521	3,051		3,051	—	3,051
Toronto											
Brookfield Place											
Bay Wellington Tower	1	99.4	1,299	41	1,340	—	1,340	100	1,340	—	1,340
Retail and Parking	1	100.0	—	52	52	690	742	70	519	—	519
22 Front Street	1	99.2	136	8	144	—	144	100	144	(15)	129
Exchange Tower	1	98.7	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's Bay Centre	1	99.3	536	261	797	295	1,092	100	1,092	(121)	971
Queen's Quay Terminal	1	96.4	428	76	504	—	504	100	504	(56)	448
HSBC Building	1	97.1	188	6	194	31	225	100	225	(25)	200
	8	98.8	3,726	517	4,243	1,196	5,439		4,636	(306)	4,330
Calgary											
Bankers Hall	3	100.0	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	99.9	1,428	47	1,475	206	1,681	50	841	(93)	748
	7	100.0	5,080	295	5,375	951	6,326		3,164	(349)	2,815
Vancouver											
Royal Centre	1	96.9	494	95	589	264	853	100	853	(94)	759
	1	96.9	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	38	98.1	29,329	2,283	31,612	4,611	36,223		30,426	(839)	29,587
U.S. FUND											
New York											
The Grace Building	1	94.5	1,537	20	1,557	—	1,557	49.9	777	(426)	351
One New York Plaza	1	99.0	2,554	31	2,585	—	2,585	100	2,585	(1,416)	1,169
Newport Tower	1	96.2	1,059	41	1,100	—	1,100	100	1,100	(603)	497
1065 Avenue of the Americas	1	66.3	642	40	682	—	682	99	675	(370)	305
1411 Broadway	1	80.5	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	91.6	7,152	179	7,331	36	7,367		5,857	(3,209)	2,648
Washington, D.C.											
1200 K Street	1	97.6	366	24	390	44	434	100	434	(238)	196
1250 23rd Street	1	—	128	—	128	16	144	100	144	(79)	65
1250 Connecticut Avenue	1	98.5	163	21	184	26	210	100	210	(115)	95
1400 K Street	1	100.0	178	12	190	34	224	100	224	(123)	101

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

*Italic – Non-managed properties

	NUMBER OF PROPERTIES	LEASED %	(SQUARE FEET IN 000S)			(SQUARE FEET IN 000S)		OWNED INTEREST %	BROOKFIELD PROPERTIES OWNED INTEREST ⁽¹⁾	OTHER SHAREHOLDERS' INTEREST	BROOKFIELD PROPERTIES NET OWNED INTEREST
			OFFICE	RETAIL	TOTAL LEASABLE	PARKING	TOTAL AREA				
2000 L Street	1	90.5	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	86.9	58	19	77	16	93	100	93	(51)	42
Bethesda Crescent	3	99.9	241	27	268	68	336	100	336	(184)	152
One Reston Crescent	1	100.0	185	—	185	—	185	100	185	(101)	84
Silver Spring Metro Plaza	3	94.0	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	97.5	204	19	223	—	223	100	223	(122)	101
Victor Building	1	73.1	302	45	347	—	347	49.9	173	(95)	78
1550 & 1560 Wilson Blvd	2	87.1	248	35	283	76	359	100	359	(197)	162
	22	90.2	3,526	364	3,890	399	4,289		4,110	(2,252)	1,858
Los Angeles											
601 Figueroa	1	75.3	1,037	2	1,039	123	1,162	100	1,162	(636)	526
Bank of America Plaza	1	96.0	1,383	39	1,422	343	1,765	100	1,765	(967)	798
Ernst & Young Tower	1	84.0	910	335	1,245	391	1,636	100	1,636	(896)	740
Landmark Square	1	94.4	420	23	443	212	655	100	655	(359)	296
Marina Towers	2	94.7	356	25	381	87	468	50	234	(128)	106
<i>5670 Wilshire Center</i>	1	75.8	409	19	428	—	428	100	428	(234)	194
<i>6060 Center Drive</i>	1	85.7	253	15	268	113	381	100	381	(209)	172
<i>6080 Center Drive</i>	1	96.0	316	—	316	163	479	100	479	(263)	216
<i>6100 Center Drive</i>	1	97.0	294	—	294	168	462	100	462	(253)	209
<i>701 B Street</i>	1	86.4	512	37	549	—	549	100	549	(301)	248
<i>707 Broadway</i>	1	85.2	183	—	183	128	311	100	311	(170)	141
<i>9665 Wilshire Blvd</i>	1	98.5	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	49.5	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	79.5	554	54	608	—	608	100	608	(333)	275
<i>Westwood Center</i>	1	89.7	293	25	318	—	318	100	318	(174)	144
<i>Wachovia Center</i>	1	92.0	465	14	479	161	640	100	640	(351)	289
	22	85.9	8,034	590	8,624	2,139	10,763		10,529	(5,768)	4,761
Houston											
Allen Center											
One Allen Center	1	99.0	914	79	993	—	993	100	993	(544)	449
Two Allen Center	1	98.8	987	9	996	—	996	100	996	(546)	450
Three Allen Center	1	94.4	1,173	22	1,195	—	1,195	100	1,195	(655)	540
Four Allen Center	1	100.0	1,229	38	1,267	—	1,267	100	1,267	(697)	570
Cullen Center											
Continental Center I	1	97.2	1,048	50	1,098	411	1,509	100	1,509	(826)	683
Continental Center II	1	83.8	428	21	449	81	530	100	530	(290)	240
KBR Tower	1	83.4	985	63	1,048	254	1,302	50	651	(357)	294
500 Jefferson Street	1	97.5	351	39	390	44	434	100	434	(237)	197
	8	94.9	7,115	321	7,436	790	8,226		7,575	(4,152)	3,423
TOTAL U.S. FUND	58	90.5	25,827	1,454	27,281	3,364	30,645		28,071	(15,381)	12,690
CANADIAN FUND											
Toronto											
First Canadian Place	1	96.5	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	96.7	3,116	258	3,374	323	3,697		924	(101)	823
Calgary											
Altius Centre	1	98.1	303	3	306	72	378	25	95	(11)	84
	1	98.1	303	3	306	72	378		95	(11)	84
Ottawa											
Place de Ville I	2	99.4	569	18	587	502	1,089	25	272	(30)	242
Place de Ville II	2	99.3	591	19	610	433	1,043	25	261	(29)	232
Jean Edmonds Towers	2	100.0	541	12	553	95	648	25	162	(18)	144
	6	99.5	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	99.9	555	36	591	121	712		179	(21)	158
TOTAL CANADIAN FUND	12	97.9	5,675	346	6,021	1,546	7,567		1,893	(210)	1,683
TOTAL PROPERTIES	108	94.9	60,831	4,083	64,914	9,521	74,435		60,390	(16,430)	43,960
Development and Redevelopment	—	—	16,506	—	16,506	—	16,506		15,067	(2,454)	12,613
TOTAL PORTFOLIO	108	94.9	77,337	4,083	81,420	9,521	90,941		75,457	(18,884)	56,573
TOTAL EXCLUDING NON-MANAGED	89	96.3	71,407	3,830	75,237	8,502	83,739		68,985	(15,338)	53,647

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

**Italic – Non-managed properties*