



**THIRD QUARTER REPORT
SEPTEMBER 30, 2010**

Dear Unitholders:

Brookfield Office Properties Canada (the “Trust” or “BOX”) adopted International Financial Reporting Standards (“IFRS”) presenting current and prior period comparatives in conformity with IFRS. Refer to Part II of Management’s Discussion and Analysis for more information.

Net income for the three months ended September 30, 2010 was \$39.0 million (\$0.42 per unit). On a comparative basis, due to fair value changes, the Trust recorded a net loss of \$120.1 million (\$1.29 per unit) during the same period in 2009. Net operating income from commercial properties increased by \$11.5 million to \$60.3 million for the three months ended September 30, 2010, compared to \$48.8 million during the same period in 2009.

Funds from operations was \$34.9 million (\$0.38 per unit) for the three months ended September 30, 2010, compared to \$27.0 million (\$0.29 per unit) during the same period in 2009. Adjusted funds from operations was \$27.0 million (\$0.29 per unit) for the three months ended September 30, 2010, compared to \$21.9 million (\$0.24 per unit) during the same period in 2009.

HIGHLIGHTS FOR THE THIRD QUARTER

Brookfield Office Properties Canada continued its pro-active leasing strategy in the third quarter of 2010, capitalizing on new and renewal leasing opportunities throughout the portfolio. During the quarter, the Trust leased 305,000 square feet of space, at an average net rent of \$32 per square foot compared to an average expiring rent of \$30 per square foot. The Trust’s portfolio occupancy rate finished the third quarter of 2010 at 96.6% compared to 96.7% at the end of the second quarter. This compares favourably with the Canadian national average of 91.1%.

Leasing highlights from the third quarter include:

- 135,000 square feet in Toronto
 - An average four-year, 34,000-square-foot lease with Astral Media Inc. at Bay Wellington Tower
 - Three new leases totaling 47,000 square feet at Bay Adelaide Centre West Tower, increasing occupancy to 84.9%
- 132,000 square feet in Calgary
 - A 16-year, 99,000-square-foot lease with a professional services firm at Bankers Court
 - A four-year, 20,000-square-foot lease with Alta Corporation Capital Inc. at Bankers Hall
- 38,000 square feet in Vancouver
 - An average two-year, 32,000-square-foot new lease and renewal with Fluor Canada Ltd. at Royal Centre

Refinanced the debt on Bankers Court, Calgary. Subsequent to the quarter-end, the construction financing was repaid and replaced with permanent financing totaling \$48.0 million. The new loan has a 10-year term maturing November 1, 2020, bearing interest at 4.96% per annum.

Undertook Normal Course Issuer Bid. The Toronto Stock Exchange accepted a notice filed by the Trust of its intention to undertake a normal course issuer bid. At times our Trust units trade in price ranges that do not fully reflect their value. As a result, from time to time, acquiring trust units represents an attractive and a desirable use of available funds.

The notice provides that the Trust may, during the twelve month period commencing November 5, 2010 and ending November 4, 2011, purchase on the Toronto Stock Exchange up to 1,014,948 Trust units, representing approximately 5% of its issued and outstanding Trust units. Under the normal course issuer bid, the Trust may purchase up to 1,000 Trust units on the Toronto Stock Exchange during any trading day. This limitation does not apply to purchases made pursuant to block purchase exemptions and purchases made on another exchange.

The price to be paid for the Trust units under the normal course issuer bid will be the market price at the time of purchase. The actual number of Trust units to be purchased and the timing of such purchases will be determined by the Trust, and all purchases of shares will be effected through the facilities of the Toronto Stock Exchange. All Trust units purchased by the Trust under this bid will be promptly cancelled.

DISTRIBUTION DECLARATION

The Board of Trustees of Brookfield Office Properties Canada announced a distribution of \$0.08 per Trust unit payable on December 15, 2010 to holders of Trust Units of record at the close of business on November 30, 2010.

DISTRIBUTION INCREASE

The Board of Trustees of Brookfield Office Properties Canada has declared a 12.5% increase to the yearly distribution per Trust unit from \$0.96 to \$1.08, effective with the distribution payable on February 15, 2011 to holders of trust units of record at the close of business on January 31, 2011. The distribution approximates 90% of AFFO adjusted for the stabilization of Bay Adelaide Centre West Tower. Distribution payments on Trust units is reviewed quarterly by the Trustees to assess the appropriateness of the distribution in light of changes to reported cash-flow.

OUTLOOK

Our first full quarter operating as a REIT was a successful one and we're beginning to see occupancy rebound in all three of our markets.



Thomas F. Farley
Chief Executive Officer
November 2, 2010

Portfolio by City

Brookfield Office Properties Canada's portfolio is comprised of interests in 19 premier office properties totaling 14.4 million square feet, including 2.7 million square feet of parking. Landmark properties include Brookfield Place in Toronto and Bankers Hall in Calgary.

September 30, 2010	Number of Properties	Leased %	Office 000's Sq. Ft.	Retail 000's Sq. Ft.	Leasable Area 000's Sq. Ft.	Parking 000's Sq. Ft.	Total 000's Sq. Ft.	Ownership Interest %	Owned Interest 000's Sq. Ft.
TORONTO									
Bay Wellington Tower	1	97.8%	1,298	42	1,340	—	1,340	100%	1,340
Brookfield Place Retail & Parking ⁽¹⁾	1	95.6%	—	53	53	690	743	56%	413
Bay Adelaide Centre West Tower	1	84.9%	1,155	37	1,192	382	1,574	100%	1,574
Exchange Tower	1	93.6%	963	66	1,029	131	1,160	50%	580
Hudson's Bay Centre	1	99.7%	536	261	797	295	1,092	100%	1,092
Queen's Quay Terminal	1	98.7%	427	77	504	—	504	100%	504
105 Adelaide St. West	1	99.5%	177	7	184	48	232	100%	232
HSBC Building	1	100.0%	188	6	194	31	225	100%	225
22 Front St. West	1	100.0%	135	8	143	—	143	100%	143
	9	94.7%	4,879	557	5,436	1,577	7,013		6,103
CALGARY									
Bankers Hall	3	98.8%	1,944	224	2,168	409	2,577	50%	1,289
Bankers Court	1	100.0%	255	7	262	62	324	50%	162
Suncor Energy Centre	2	96.3%	1,710	22	1,732	220	1,952	50%	976
Fifth Avenue Place	2	99.9%	1,430	46	1,476	206	1,682	50%	841
	8	98.4%	5,339	299	5,638	897	6,535		3,268
VANCOUVER									
Royal Centre	1	97.5%	493	96	589	264	853	100%	853
OTHER									
Merivale Place, Nepean	1	100.0%	—	3	3	—	3	100%	3
TOTAL PORTFOLIO	19	96.6%	10,711	955	11,666	2,738	14,404	—	10,227

⁽¹⁾ Brookfield Office Properties Canada owns a 56% interest in the parking operations and a 50% interest in the retail operations.

Management’s Discussion and Analysis of Financial Results

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FORWARD-LOOKING STATEMENTS

This interim report to unitholders 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 the management of Brookfield Office Properties Canada. 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 Office Properties Canada 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 Trust’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 Trust’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 Trust with the securities regulators in Canada. The Trust 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 law.

PART I – OBJECTIVES AND FINANCIAL HIGHLIGHTS

November 2, 2010

BASIS OF PRESENTATION

Financial data included in Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2010 includes material information up to November 2, 2010. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar references, unless otherwise stated, are in millions of Canadian dollars except per unit amounts. Amounts in U.S. dollars are identified as "US\$."

Pursuant to the exemptive relief granted by the Ontario Securities Commission, effective January 1, 2010, Brookfield Office Properties Canada (the "Trust" or "BOX") has adopted IFRS as its basis of financial reporting commencing with its interim financial statements for the three and six months ended June 30, 2010 and using January 1, 2009 as its transition date. The adoption of IFRS by the Trust is one year ahead of the mandatory conversion date for Canadian public companies.

The Trust was formed in connection with the reorganization of BPO Properties Ltd. ("BPP") on May 1, 2010 in which its directly owned office assets were transferred to the Trust. In connection with the reorganization, the Trust also acquired Brookfield Office Properties' ("BPO") interest in Brookfield Place, which includes Bay Wellington Tower and partial interests in the retail concourse and parking operations. The transfers and acquisition of office assets were under common control before and after the reorganization, therefore, financial results of the Trust are presented on a continuity-of-interest basis. Comparatives shown in the MD&A are on the basis as if the Trust had always been in existence and represent a carve-out from the consolidated financial statements of BPP combined with the acquired interest in Brookfield Place.

The following discussion and analysis is intended to provide readers with an assessment of the performance of BOX during the third quarter over the past two years as well as our financial position and future prospects. It should be read in conjunction with the consolidated interim financial statements and appended notes, which begin on page 29 of this report. In our discussion of operating performance, we refer to net operating income, funds from operations and adjusted funds from operations on a total and per unit basis. We define net operating income as income from property operations after operating expenses have been deducted but prior to deducting interest expense, general and administrative expenses and fair value gains (losses). We define funds from operations as net income prior to extraordinary items, one-time transaction costs, fair value gains (losses) and certain other non-cash items, if any. Adjusted funds from operations is defined as funds from operations net of normalized second generation leasing commissions and tenant improvements, normalized sustaining capital expenditures and straight-line rental income. Net operating income is an important measure that we use to assess operating performance, and funds from operations is a widely used measure in analyzing real estate. Adjusted funds from operations is typically a measure used to assess an entity's ability to pay distributions. We provide the components of net operating income on page 18, a reconciliation of net income to funds from operations and adjusted funds from operations on page 21 and a reconciliation of cash generated from operations to adjusted funds from operations on page 21. Net operating income, funds from operations and adjusted funds from operations do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Additional information is available on our Web site at www.brookfieldofficepropertiescanada.com or at www.sedar.com.

OVERVIEW OF THE BUSINESS

The Trust invests and operates commercial office properties mainly in Toronto, Calgary and Vancouver.

At September 30, 2010, the fair value of BOX's total assets was \$3,799.0 million. During the three months ended September 30, 2010, we generated \$39.0 million of net income (\$0.42 per unit), \$34.9 million of funds from operations (\$0.38 per unit) and \$27.0 million of adjusted funds from operations (\$0.29 per unit).

FINANCIAL HIGHLIGHTS

BOX's financial results are as follows:

(Millions, except per-unit amounts)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Results of operations				
Total revenue	\$ 111.2	\$ 86.5	\$ 318.0	\$ 260.8
Net income (loss)	39.0	(120.1)	94.6	(177.2)
Funds from operations	34.9	27.0	92.2	80.9
Adjusted funds from operations	27.0	21.9	63.8	67.9
Distributions	22.3	—	37.2	—
Per unit amounts – attributable to unitholders				
Net income (loss)	0.42	(1.29)	1.02	(1.90)
Funds from operations	0.38	0.29	0.99	0.87
Adjusted funds from operations	0.29	0.24	0.68	0.73

(Millions, except per-unit amounts)	Sept. 30, 2010	Dec. 31, 2009
Balance sheet data		
Total assets	\$ 3,779.0	\$ 3,740.7
Commercial properties	3,732.1	3,673.4
Commercial property debt	1,596.7	1,596.2
Total equity	2,137.0	2,070.0
Value per Trust unit	22.95	22.23

COMMERCIAL PROPERTY OPERATIONS

Our strategy of owning premier properties in high-growth, and in many instances, supply-constrained markets with high barriers to entry, has created one of Canada's most distinguished portfolios of office properties. Our commercial property portfolio consists of interests in 19 properties totaling 14.4 million square feet, including 2.7 million square feet of parking. Our primary markets are the financial and energy sectors in the cities of Toronto, Calgary, and Vancouver. Our strategy is concentrating operations within a select number of Canadian gateway cities with attractive tenant bases in order to maintain a meaningful presence and build on the strength of our tenant relationships within these markets.

We remain focused on the following strategic priorities:

- Realizing value from our properties through proactive leasing initiatives;
- Prudent capital management including the refinancing of mature properties; and
- Acquiring high quality commercial properties in our primary markets for value when opportunities arise.

The following table summarizes our commercial property portfolio by region:

Region	Number of Properties	Total Area (000's Sq. Ft.)	BOX's		Fair Value (Millions)	Fair Value Per Sq. Ft.	Debt (Millions)	Net Book Equity (Millions)
			Owned Interest (000's Sq. Ft.)					
Eastern region	10	7,016	6,106	\$ 2,229.9	\$ 365	\$ 984.9	\$ 1,245.0	
Western region	9	7,388	4,121	1,502.2	365	611.8	890.4	
Total	19	14,404	10,227	\$ 3,732.1	\$ 365	\$ 1,596.7	\$ 2,135.4	

An important characteristic of our portfolio is the strong credit quality of our tenants. We direct special attention to credit quality, particularly in the current economic environment, in order to ensure the long-term sustainability of rental revenues through economic cycles. Major tenants with over 500,000 square feet of space in the portfolio include Suncor Energy Inc., Imperial Oil, Talisman Energy and Government and related agencies. A detailed list of major tenants is included in Part IV ("Risks and Uncertainties") of this MD&A, beginning on page 23.

Our strategy is to sign long-term leases in order to mitigate risk and reduce our overall re-tenanting 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 five and 10-year terms. As a result of this strategy, approximately 6.5% of our leases, on average, mature annually over the next four years, excluding 0.5% maturing during the remainder of 2010.

Our average lease term is 8.5 years. The following is a breakdown of lease maturities by region with associated in-place rental rates:

Total Portfolio				Toronto, Ontario			Calgary, Alberta		
Year of Expiry	000's		Net Rent	000's		Net Rent	000's		Net Rent
	Sq. Ft.	%	per Sq. Ft. ⁽¹⁾	Sq. Ft.	%	per Sq. Ft. ⁽¹⁾	Sq. Ft.	%	Per Sq. Ft. ⁽¹⁾
Currently available	394	3.4		287	5.3		93	1.6	
2010	58	0.5	\$ 33	41	0.8	\$ 35	9	0.1	\$ 34
2011	574	4.9	29	236	4.3	27	286	5.1	31
2012	882	7.6	27	473	8.7	26	353	6.3	29
2013	1,241	10.6	30	645	11.8	30	488	8.7	32
2014	319	2.7	32	200	3.7	31	99	1.8	37
2015	1,552	13.3	30	303	5.6	28	1,174	20.8	30
2016	1,187	10.2	24	414	7.6	26	749	13.3	22
2017 & beyond	5,459	46.8	32	2,837	52.2	32	2,387	42.3	34
Parking	2,738	—	—	1,577	—	—	897	—	—
Total	14,404	100.0		7,013	100.0		6,535	100.0	
Average market net rent ⁽²⁾			\$ 25			\$ 24			\$ 26

Year of Expiry	Vancouver, B.C.			Other		
	000's Sq. Ft.	%	Net Rent per Sq. Ft. ⁽¹⁾	000's Sq. Ft.	%	Net Rent Per Sq. Ft. ⁽¹⁾
Currently available	14	2.5		—	—	
2010	8	1.4	\$ 23	—	—	\$ —
2011	52	8.8	22	—	—	—
2012	56	9.3	22	—	—	—
2013	107	18.0	23	1	33.3	32
2014	20	3.4	26	—	—	—
2015	75	12.7	25	—	—	—
2016	24	4.1	21	—	—	—
2017 & beyond	233	39.8	12	2	66.7	28
Parking	264	—	—	—	—	—
Average market net rent ⁽²⁾	853	100.0	\$ 26	3	100.0	\$ 27

⁽¹⁾ Net rent at expiration of lease

⁽²⁾ Average market rent represents managements' estimate of average rent per square foot for buildings of similar quality to our portfolio. However, it may not necessarily be representative of the specific space that is rolling in any specific year. Included on page 20 is the average leasing net rent achieved on our YTD leasing as compared to the average expiring net rent.

PERFORMANCE MEASUREMENT

The key indicators by which we measure our performance are:

- Net operating income;
- Funds from operations per unit;
- Adjusted funds from operations per unit;
- Net income per unit;
- 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 cash flow is monitored and analyzed using net income, net operating income, funds from operations and adjusted funds from operations. Although net income is calculated in accordance with IFRS, net operating income, funds from operations and adjusted funds from operations do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other entities. We provide the components of net operating income and a full reconciliation of net income to funds from operations and adjusted funds from operations beginning on page 21 of this MD&A.

Net Operating Income

Net operating income is defined as income from property operations after operating expenses have been deducted but prior to deducting interest expense, general and administrative expenses and fair value gains (losses). Net operating income is used as a key indicator of performance as it represents a measure over which management has control.

Funds From Operations

We define funds from operations as net income prior to extraordinary items, one-time transaction costs, fair value gains (losses) and certain other non-cash items, if any. Although we believe funds from operations is a widely used measure to analyze real estate, we believe that funds from operations, adjusted 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 IFRS. We provide a reconciliation of net income to funds from operations on page 21.

Adjusted Funds From Operations

Adjusted funds from operations is defined as funds from operations net of normalized second generation leasing commissions and tenant improvements, normalized sustaining capital expenditures and straight-line rental income. Adjusted funds from operations is typically a measure used to assess an entity's ability to pay distributions. We provide a reconciliation of cash generated from operations to adjusted funds from operations on page 21.

Net Income

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

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing performance in terms of net income, net operating income, funds from operations, and adjusted 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 operating costs through achieving economies of scale and diligently managing contracts.

We also believe that the key external performance drivers are:

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

PART II – INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1: First-Time Adoption of IFRS

The Trust's adoption of IFRS required the application of IFRS 1, "First-time Adoption of International Financial Reporting Standards", which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and permits limited optional exemptions to retroactive application. The following is the optional exemption available under IFRS 1 which is significant to the Trust and which the Trust applied in preparation of its first financial statements under IFRS:

Business combinations

IFRS 1 permits a first-time adopter to elect not to apply IFRS 3, "Business Combinations", retrospectively to business combinations that occurred before the date of transition to IFRS. BOX made this election in order to only apply IFRS 3 to business combinations prospectively (i.e. to those that occur on or after January 1, 2009).

IFRS 1 allows for certain other optional exemptions; however, such exemptions were not deemed to be significant to the Trust in its adoption of IFRS.

The financial statement discussion has been prepared using the standards and interpretations currently issued and expected to be effective at the end of the Trust's first annual IFRS reporting period, which will be the year ending December 31, 2010. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and, as a result, the impact of the Trust's conversion to IFRS may be different than its current expectation.

The Trust has not included a discussion of the impact of IFRS on the financial position and results of operations compared to a previous GAAP given that June 30, 2010 was the first reporting period of the Trust.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The conversion to IFRS from Canadian GAAP impacts the way we present our financial results and the accompanying disclosures. We have evaluated the impact of the conversion on our financial reporting systems, processes and controls and have noted that the most significant change to our internal controls and disclosure environment is the requirement to measure and report our portfolio of investment properties at fair value. This change has required the Trust to design and implement new processes and internal controls surrounding the determination of fair values which include, but are not limited to, management's consideration of recent and comparable transactions, discount rates, estimates of future rental rates and leasing activities, and future capital expenditures, as well as, where appropriate, engaging external specialists to assist with the evaluation of fair value.

PART III – FINANCIAL STATEMENT ANALYSIS

ASSET PROFILE

Our total asset carrying value was \$3,799.0 million at September 30, 2010 (compared to \$3,740.7 million on December 31, 2009). The following is a summary of our assets:

(Millions)	Sept. 30, 2010	Dec. 31, 2009
Non-current assets		
Commercial properties	\$ 3,732.1	\$ 3,673.4
Current assets		
Tenant receivables and other assets	25.8	29.4
Cash and cash equivalents	41.1	37.9
	66.9	67.3
Total	\$ 3,799.0	\$ 3,740.7

COMMERCIAL PROPERTIES

Commercial properties comprises our direct interests in wholly owned properties and our proportionate share in jointly controlled properties.

The fair value of our commercial properties was \$3,732.1 million as at September 30, 2010 (compared to \$3,673.4 million on December 31, 2009). The increase in value of commercial properties is primarily attributable to increases at Bay Adelaide Centre West Tower and Bay Wellington Tower, in Toronto and Suncor Energy Centre in Calgary, during the nine months ended September 30, 2010.

A breakdown of our commercial properties is as follows:

	Number of Properties	Total Area (000's Sq. Ft.)	BOX's Owned Interest (000's Sq. Ft.)	Fair Market Value Sept. 30, 2010 (Millions)	Fair Market Value Dec. 31, 2009 (Millions)
Eastern region	10	7,016	6,106	\$ 2,229.9	\$ 2,181.0
Western region	9	7,388	4,121	1,502.2	1,492.4
Total commercial properties	19	14,404	10,227	\$ 3,732.1	\$ 3,673.4
Fair value per sq. ft.				\$ 365	\$ 359

The key valuation metrics for our commercial properties are as follows:

(Millions)	September 30, 2010				December 31, 2009			
	Value psf	Discount Rate	Terminal Rate	Hold Period (yrs)	Value psf	Discount Rate	Terminal Rate	Hold Period (yrs)
Eastern region	\$ 365	7.2%	6.5%	10	\$ 357	7.2%	6.5%	10
Western region	365	7.6%	6.8%	11	362	7.6%	6.8%	10
Average	\$ 365	7.3%	6.6%	10	\$ 359	7.3%	6.6%	10

Upon the signing of the majority of our leases, we provide a capital allowance for tenant improvements for leased space in order to accommodate the specific space requirements of the tenant. In addition to this capital allowance, leasing commissions are paid to third-party brokers representing tenants in lease negotiations. Capital expenditures for tenant improvements that enhance the value of our properties and leasing commissions are capitalized in the year incurred. For the three and nine months ended September 30, 2010, such expenditures totaled \$9.3 million and \$21.0 million, respectively, compared to \$3.2 million and \$8.6 million during the same periods in 2009. The increase is primarily related to tenant installation costs incurred on the lease up of space at Bay Wellington Tower, Bay Adelaide Centre West Tower, Suncor Energy Centre and Fifth Avenue Place.

We also invest in on-going 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 and nine months ended September 30, 2010 totaled \$3.0 million and \$7.8 million, respectively, compared to \$5.1 million and \$7.8 million during the same periods in 2009. These expenditures exclude repairs and maintenance costs. Fluctuations to our capital expenditures vary period over period based on required and planned expenditures on our properties. Capital expenditures include non-sustainable capital expenditures, which represent improvements to an asset or reconfiguration of space to increase rentable area or increase current rental rates, and sustainable expenditures, which are those required in order to sustain the properties at their original state and represent expenditures required to ensure that the properties can continue with their normal operations. In the current year, non-sustainable capital expenditures primarily consist of washroom upgrades and fire alarm system upgrades at various properties. Capital expenditures are recoverable in some cases through contractual tenant cost-recovery payments. During the three and nine months ended September 30, 2010, \$1.7 million and \$4.3 million respectively, of our total capital expenditures were recoverable, compared with \$1.1 million and \$3.0 million during the same periods in the prior year.

The following table summarizes the sustainable capital expenditures, and second generation leasing commissions and tenant improvements recorded on our commercial properties during the three and nine months ended September 30, 2010 and the quarterly normalized level of activities. The normalized quarterly activities are used in calculating adjusted funds from operations and they are estimated based on historical spend levels as well as anticipated spend levels over the next few years. Second generation leasing commissions and tenant improvements vary with the timing of renewals, vacancies, and tenant mix. These costs historically have been lower for renewals of existing tenants compared to new tenants. Refer to the reconciliation of funds from operations to adjusted funds from operations on page 21.

(Millions)	Three months ended Sept. 30 2010	Nine months ended Sept. 30 2010	Normalized quarterly activities 2010
2 nd generation leasing commissions and tenant improvements	\$ 5.7	\$ 13.5	\$ 3.5
Sustainable capital expenditures	0.4	0.5	0.8
Total	\$ 6.1	\$ 14.0	\$ 4.3

The following table summarizes the changes in value of our commercial properties during the nine months ended September 30, 2010:

(Millions)	Sept. 30, 2010
Balance at beginning of period	\$ 3,673.4
Additions:	
Capital expenditures	19.3
Leasing commissions	9.5
Revaluation gain, net	7.3
Other changes	22.6
Balance at end of period	\$ 3,732.1

TENANT RECEIVABLES AND OTHER ASSETS

Tenant receivables and other assets decreased to \$25.8 million on September 30, 2010, from \$29.4 million at December 31, 2009. The decrease is primarily due to the repayment of collateral held against letters of credit previously issued with respect to Bay Adelaide Centre West Tower, offset by an increase in prepaid realty taxes.

The components of tenant receivables and other assets are as follows:

(Millions)	Sept. 30, 2010	Dec. 31, 2009
Tenant and other receivables	\$ 16.5	\$ 23.4
Prepaid expenses and other assets	8.5	5.2
Restricted cash	0.8	0.8
Total	\$ 25.8	\$ 29.4

CASH AND CASH EQUIVALENTS

We endeavor to maintain high levels of liquidity to ensure that we can meet distribution requirements and react quickly to potential investment opportunities. At September 30, 2010, cash balances were \$41.1 million, compared to \$37.9 million at December 31, 2009.

LIABILITIES AND EQUITY

Our asset base of \$3,799.0 million is financed with a combination of debt and equity. The components of our liabilities and equity are as follows:

(Millions)	Sept. 30, 2010	Dec. 31, 2009
Liabilities		
Non-current liabilities		
Commercial property debt	\$ 1,025.9	\$ 1,135.7
Current liabilities		
Commercial property debt	570.8	460.5
Accounts payable and other liabilities	65.3	74.5
	1,662.0	1,670.7
Equity		
Trust units	422.6	422.6
Retained earnings	188.0	173.4
Unitholders' equity	610.6	596.0
Non-controlling interest	1,526.4	1,474.0
	2,137.0	2,070.0
Total liabilities and equity	\$ 3,799.0	\$ 3,740.7

COMMERCIAL PROPERTY DEBT

Commercial property debt (current and non-current) totaled \$1,596.7 million at September 30, 2010 (compared to \$1,596.2 million at December 31, 2009).

Commercial property debt at September 30, 2010, had a weighted-average interest rate of 5.3%. Debt on our commercial properties are non-recourse, with the exception of Hudson's Bay Centre, Bay Adelaide Centre West Tower and Suncor Energy Centre which have limited-recourse to the Trust's parent, BPP, thereby reducing overall financial risk to the Trust.

We attempt to match the maturity of our commercial property debt portfolio with the average lease term of our properties. At September 30, 2010, the average term to maturity of our commercial property debt was three years, compared to our average lease term of 8.5 years. The lower average term to maturity on our debt is largely a result of short-term construction financings on Bay Adelaide Centre West Tower and Bankers Court. Upon refinancing these floating-rate debts with long-term debt, the debt maturity profile will better match the average lease term of our properties. Subsequent to the quarter-end of 2010, the Bankers Court construction loan was replaced with permanent financing totaling \$48.0 million with a 10-year term, bearing interest at 4.96% per annum.

During the second quarter of 2010, we exercised the first extension option on the Bay Adelaide Centre West Tower debt to extend the maturity out one year to 2011. As at September 30, 2010 the criteria to extend the maturity one additional year to 2012 has been met.

The details of commercial property debt at September 30, 2010, are as follows:

Commercial Property	Location	Interest Rate %	Maturity Date	BOX's Share (Millions)	Mortgage Details
Bankers Court ⁽¹⁾	Calgary	2.5	October 2010	\$ 48.1	Non-recourse - floating rate
Queen's Quay Terminal	Toronto	7.3	March 2011	32.2	Non-recourse - fixed rate
Bay Adelaide Centre West Tower ⁽²⁾	Toronto	2.6	July 2011	397.4	Limited recourse - floating rate
Fifth Avenue Place	Calgary	7.6	August 2011	67.8	Non-recourse - fixed rate
Exchange Tower	Toronto	6.8	April 2012	58.6	Non-recourse - fixed rate
Royal Centre	Vancouver	5.0	May 2012	116.1	Non-recourse - fixed rate
HSBC Building	Toronto	8.2	October 2012	21.5	Non-recourse - fixed rate
105 Adelaide	Toronto	5.3	February 2013	21.9	Non-recourse - fixed rate
Bay Wellington Tower	Toronto	6.4	April 2013	263.5	Non-recourse - fixed rate
Bay Wellington Tower	Toronto	6.8	April 2013	63.4	Non-recourse - fixed rate
Hudson's Bay Centre ⁽³⁾	Toronto	5.2	May 2013	109.3	Limited recourse - fixed rate
Bankers Hall	Calgary	6.7	November 2013	10.7	Non-recourse - fixed rate
Bankers Hall	Calgary	7.2	November 2013	155.2	Non-recourse - fixed rate
Suncor Energy Centre ⁽⁴⁾	Calgary	6.4	June 2014	216.2	Limited recourse - fixed rate
22 Front St.	Toronto	6.2	October 2020	19.3	Non-recourse - fixed rate
Debt before deferred financing costs		5.3%		1,601.2	
Deferred financing costs				(4.5)	
Total				\$ 1,596.7	

⁽¹⁾ Subsequent to the third quarter, this construction loan has been replaced with permanent financing totaling \$48.0 million with a 10-year term, bearing interest at 4.96% per annum

⁽²⁾ This loan has limited recourse to the Trust's parent, BPP, for up to \$60.0 million. A one-year extension option is available at maturity in July 2011. The criteria has been met to extend the maturity to 2012 as at September 30, 2010.

⁽³⁾ This loan has limited recourse to the Trust's parent, BPP, for up to \$15.0 million. A two-year extension option that extends the maturity to May 2015 is available to the Trust provided that certain debt service and loan-to-value thresholds are met.

⁽⁴⁾ This loan includes a \$34.4 million unsecured loan payable to the property's joint venture partner.

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

(Millions, except interest data)	Scheduled Amortization	Maturities	Total	Weighted-Average Interest Rate (%) at Sept. 30, 2010
Remainder of 2010	\$ 9.6	\$ 48.1	\$ 57.7	2.5%
2011 ⁽¹⁾	24.6	494.7	519.3	3.6%
2012	21.7	185.7	207.4	5.9%
2013	9.6	584.0	593.6	6.4%
2014	2.7	198.6	201.3	6.4%
2015 and thereafter	3.4	14.0	17.4	6.2%
Total	\$ 71.6	\$ 1,525.1	\$ 1,596.7	5.3%

⁽¹⁾ Includes maturity of \$397.4 million related to Bay Adelaide Centre West Tower which has a one-year extension option available at maturity in July 2011. The criteria has been met to extend the maturity to 2012 as at September 30, 2010.

CONTRACTUAL OBLIGATIONS

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

(Millions)	Payments Due By Period				
	Total	1 year	2-3 years	4 – 5 Years	After 5 Years
Commercial property debt	\$ 1,596.7	\$ 570.8	\$ 804.8	\$ 204.1	\$ 17.0
Interest expense – commercial property debt ⁽¹⁾	190.3	65.1	102.9	17.4	4.9
Minimum rental payments - ground leases ⁽²⁾	341.0	3.7	7.5	7.4	322.4
	\$ 2,128.0	\$ 639.6	\$ 915.2	\$ 228.9	\$ 344.3

⁽¹⁾ Represents aggregate interest expense expected to be paid over the term of the debt, on an undiscounted basis, based at current interest rates

⁽²⁾ Represents minimum rental payments, on an undiscounted basis, on land leases or other agreements

CORPORATE GUARANTEES AND CONTINGENT OBLIGATIONS

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 commitments, guarantees and contingencies can be found in Note 15 of the consolidated financial statements.

INCOME TAXES

The Trust is a “mutual fund trust” pursuant to the *Income Tax Act* (Canada). The Trust distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation to pay tax rests with each unitholder and no current and deferred tax provisions are required on the Trust’s income.

ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities totaled \$65.3 million at September 30, 2010 (compared to \$74.5 million on December 31, 2009). The decrease is primarily related to payment of accrued development management fees related to Bay Adelaide Centre West Tower, offset by an increase in accrued interest related to semi-annual interest payments at Bay Wellington Tower, Exchange Tower and Suncor Energy Centre.

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

(Millions)	Sept. 30, 2010	Dec. 31, 2009
Accounts payable and accrued liabilities	\$ 47.4	\$ 65.4
Accrued interest	17.9	9.1
Total	\$ 65.3	\$ 74.5

EQUITY

The components of equity are as follows:

(Millions)	Sept. 30, 2010	Dec. 31, 2009
Trust units	\$ 422.6	\$ 422.6
Retained earnings	188.0	173.4
Unitholders’ equity	610.6	596.0
Non-controlling interest	1,526.4	1,474.0
Total	\$ 2,137.0	\$ 2,070.0

The following table summarizes the changes in the units outstanding during the three and nine months ended September 30, 2010:

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30 ⁽¹⁾	
	Trust Units	Class B LP Units	Trust Units	Class B LP Units
Units issued and outstanding at beginning of period	20,297,813	72,883,405	20,297,801	72,883,405
Units issued pursuant to Distribution Reinvestment Plan ("DRIP")	812	—	824	—
Total units outstanding on September 30, 2010	20,298,625	72,883,405	20,298,625	72,883,405

⁽¹⁾ Actual units were issued on May 1, 2010 as part of the formation of BOX

Trust Units

Each Trust Unit is transferable and represents an equal, undivided beneficial interest in BOX and any distributions, whether of net income, net realized capital gains or other amounts, and, in the event of the termination or winding-up of the Trust, in the Trust's net assets remaining after satisfaction of all liabilities. All Trust Units rank among themselves equally and rateably without discrimination, preference or priority. Each Trust Unit entitles the holder thereof to one vote at all meetings of unitholders or in respect of any written resolution of unitholders. The Trust Units have no conversion, retraction or redemption rights.

Special Voting Units

Special Voting Units are only issued in tandem with Class B limited partnership units ("Class B LP Units") of Brookfield Properties Office Canada LP ("BOPC LP") and are not transferable separately from the Class B LP Units to which they relate and upon any transfer of Class B LP Units, such Special Voting Units will automatically be transferred to the transferee of the Class B LP Units. As Class B LP Units are exchanged for Trust Units or purchased for cancellation, the corresponding Special Voting Units will be cancelled for no consideration.

Each Special Voting Unit entitles the holder thereof to one vote at all meetings of unitholders or in respect of any resolution in writing of unitholders. Except for the right to attend and vote at meetings of the unitholders or in respect of written resolutions of the unitholders, special voting units do not confer upon the holders thereof any other rights. A Special Voting Unit does not entitle its holder to any economic interest in BOX, or to any interest or share in BOX, or any distributions (whether of net income, net realized capital gains or other amounts) or in any net assets in the event of termination or winding-up.

Non-controlling interest

The Trust classifies the outstanding Class B LP Units as non-controlling interest for financial statement purposes in accordance with IFRS. The Class B LP Units are exchangeable on a one-for-one basis (subject to customary anti-dilution provisions) for Trust Units at the option of the holder. Each Class B LP Unit is accompanied by a Special Voting Unit which entitles the holder thereof to receive notice of, to attend and to vote at all meetings of unitholders of BOX. The holders of Class B LP Units are entitled to receive distributions when declared by BOPC LP equal to the per unit amount of distributions payable to each holder of Trust Units. However, the Class B LP Units have limited voting rights over BOPC LP.

The following table presents distributions declared to Trust unitholders and non-controlling interest for the three and nine months ended September 30, 2010:

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30 ⁽¹⁾	
	Trust Units	Class B LP Units	Trust Units	Class B LP Units
Paid in cash	\$ 3.2	\$ 11.7	\$ 6.4	\$ 23.4
Payable as of September 30	1.6	5.8	1.6	5.8
Total	\$ 4.8	\$ 17.5	\$ 8.0	\$ 29.2

⁽¹⁾ Represents five months of distributions in the year as the Trust was formed on May 1, 2010 – See Note 2 of the consolidated financial statements

The Trust determines annual distributions to unitholders by looking at forward-looking cash flow information including forecasts and budgets and the future business prospects of the Trust. The Trust does not consider periodic cash flow fluctuations resulting from items such as the timing of property operating costs and property tax installments, and semi-annual debenture and mortgage payable interest payments in determining the level of distributions to unitholders. To determine the level of cash distributions made to unitholders, the Trust considers the impact of, among other items, the future growth in the income producing portfolio, future acquisitions and leasing related to the income producing portfolio. Annual distributions to unitholders are expected to continue to be funded by cash flows generated from BOX's portfolio.

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 unitholders. Our principal liquidity needs for the next twelve months are to:

- fund recurring expenses;
- meet debt service requirements;
- make distributions;
- fund those capital expenditures deemed mandatory, including tenant improvements; and
- fund investing activities which could include:
 - discretionary capital expenditures; and
 - property acquisitions.

We believe that our liquidity needs will be satisfied using cash on hand, and cash flows generated from operating and financing activities. Rental revenue, recoveries from tenants, interest and other income, available cash balances, draws on our credit facilities and refinancings, including upward refinancings, of maturing indebtedness are our principal sources of capital used to pay operating expenses, distribution payments, debt service and capital expenditures 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 by controlling operating expenses. We believe our revenue along with proceeds from financing activities will continue to provide the necessary funds for our short-term liquidity needs and to fund anticipated ongoing distributions. However, material changes in these factors may adversely affect our net cash flows.

Our principal liquidity needs for periods beyond the next year are for scheduled debt maturities, unit distributions and capital expenditures. We plan to meet these needs with one or more of the following:

- cash flow from operations; and
- refinancing opportunities.

Our commercial property debt is primarily fixed-rate and non-recourse to the Trust. These investment-grade financings are typically structured on a loan-to-appraised-value basis of between 55% and 65% as market conditions permit. 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.

Most of our borrowings are in the form of long-term property-specific financings with recourse only to the specific assets. Limiting recourse to specific assets ensures that poor performance within one area does not compromise our ability to finance the balance of our operations. Our maturity schedule is fairly diversified so that financing requirements in any given year are manageable.

Our focus on structuring financings with investment-grade characteristics ensures that debt levels on any particular asset can typically be maintained throughout a business cycle, and so enables us to limit covenants and other performance requirements, thereby reducing the risk of early payment requirements or restrictions on the distribution of cash from the assets being financed.

To help ensure we are able to react to investment opportunities quickly and on a value basis, we attempt to maintain a high level of liquidity. Our primary sources of liquidity consist of cash and cash equivalents. In addition, we structure our affairs to facilitate monetization of longer-duration assets through financings, co-investor participations or refinancings.

At September 30, 2010, we had approximately \$41.1 million of liquidity consisting of cash on hand.

Cost of capital

We continually strive to reduce our weighted-average cost of capital and improve unitholders' equity returns through value-enhancement initiatives and the consistent monitoring of the balance between debt and equity financing.

As of September 30, 2010, our weighted-average cost of capital, assuming a 9.0% return on equity, was 7.3%, compared to 7.3% on December 31, 2009. Our cost of capital is lower than many of our peers because of the greater amount of investment-grade financing that can be placed on our assets, which is a function of the high-quality nature of both the assets and the tenant base that comprises our portfolio.

The following schedule details the capitalization of the Trust and the related costs thereof:

(Millions, except cost of capital data)	Cost of Capital ⁽¹⁾		Underlying Value ⁽²⁾	
	Sept. 30, 2010	Dec. 31, 2009 ⁽⁴⁾	Sept. 30, 2010	Dec. 31, 2009 ⁽⁴⁾
Liabilities				
Commercial property debt	5.3%	5.2%	\$ 1,596.7	\$ 1,596.2
Unitholders' equity				
Trust units ⁽³⁾	9.0%	9.0%	426.9	411.1
Other Equity				
Non-controlling interest ⁽³⁾	9.0%	9.0%	1,533.1	1,476.2
Total	7.3%	7.3%	\$ 3,556.7	\$ 3,483.5

⁽¹⁾ Total weighted-average cost of capital is calculated on the weighted-average of underlying value.

⁽²⁾ Underlying value of liabilities presents the cost to retire debt on maturity. Underlying value of unitholders' equity and other equity is based on the closing unit price of BOX as at September 30, 2010.

⁽³⁾ Assumes a 9.0% return on equity

⁽⁴⁾ Cost of capital and underlying value of liabilities as at December 31, 2009, presented as if the Trust had always been in existence. It represents a carve-out from the consolidated financial statements of BPP combined with the acquired interest in the Brookfield Place Interest. Underlying value of unitholders' equity and other equity is based on the closing unit price of BOX on its first trading day.

OPERATING RESULTS

Set out below is a summary of the various components of our income statement results. Discussion of each of these components is provided on the following pages.

(Millions, except per unit amounts)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Commercial property operations				
Revenue	\$ 111.1	\$ 86.8	\$ 317.0	\$ 259.2
Operating expenses	50.8	38.0	150.2	120.4
	60.3	48.8	166.8	138.8
Investment and other income	0.1	(0.3)	1.0	1.6
	60.4	48.5	167.8	140.4
Expenses				
Interest	21.7	17.7	64.2	48.1
General and administrative	3.8	3.8	11.4	11.4
Transaction costs	—	0.4	4.9	0.4
Income before fair value gains (losses)	34.9	26.6	87.3	80.5
Fair value gains (losses)	4.1	(146.7)	7.3	(257.7)
Net income (loss)	\$ 39.0	\$ (120.1)	\$ 94.6	\$ (177.2)
Net income (loss) attributable to:				
Unitholders	8.5	(26.2)	20.6	(38.6)
Non-controlling interest	30.5	(93.9)	74.0	(138.6)
	39.0	(120.1)	94.6	(177.2)
Net income (loss) per Trust unit	\$ 0.42	\$ (1.29)	\$ 1.02	\$ (1.90)

REVENUE

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 \$111.1 million and \$317.0 million for the three and nine months ended September 30, 2010, respectively (compared to \$86.8 million and \$259.2 million during the same periods in 2009). The increase is primarily due to the transition of Bankers Court and Bay Adelaide Centre West Tower from development to income producing properties during the third quarter of 2009, the continued growth in same property revenues and termination income earned at Bankers Court.

The components of revenue are as follows:

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Revenue from commercial property operations	\$ 111.1	\$ 86.8	\$ 317.0	\$ 259.2
Investment and other income	0.1	(0.3)	1.0	1.6
Total	\$ 111.2	\$ 86.5	\$ 318.0	\$ 260.8

NET OPERATING INCOME

Our commercial property net operating income for the three and nine months ended September 30, 2010 was \$60.3 million and \$166.8 million, respectively (compared to \$48.8 million and \$138.8 million during the same period in 2009.) The increase is primarily due to the transition of Bankers Court and Bay Adelaide Centre West Tower from development to income producing properties during third quarter of 2009, the continued growth in same property revenues and termination income earned at Bankers Court.

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

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Revenue from commercial property operations	\$ 111.1	\$ 86.8	\$ 317.0	\$ 259.2
Operating expenses	50.8	38.0	150.2	120.4
Total	\$ 60.3	\$ 48.8	\$ 166.8	\$ 138.8

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Net operating income – same property	\$ 48.0	\$ 46.4	\$ 140.9	\$ 137.5
Net operating income – development transferred to commercial property	7.3	2.4	20.3	1.0
Lease termination income	5.0	—	5.6	0.3
Total	\$ 60.3	\$ 48.8	\$ 166.8	\$ 138.8

Our strategy of owning premier properties in high-growth, and in many instances supply-constrained markets with high barriers to entry, along with our focus on executing long-term leases with strong credit rated tenants, has created one of Canada's most distinguished portfolios of office properties. In the past, this strategy has reduced our exposure to the cyclical nature of the real estate business. In the third quarter of 2010 we continue to reduce our lease expiry profile in the upcoming year. We feel confident with our current rollover risk exposure and are focused on working towards renewals on expiries in the upcoming months, as well as continuing to manage our rollover exposure in the future years.

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. IFRS requires that these increases be recorded on a straight-line basis over the life of the lease. For the three and nine months ended September 30, 2010, we recognized \$3.6 million and \$15.5 million, respectively, of straight-line rental revenue (compared to \$0.8 million and \$0.1 million during the same periods in 2009). The increase over the prior period is primarily due to the incentives provided to the first generation tenants at Bay Adelaide Centre West Tower in Toronto and a second generation tenant at Suncor Energy Centre in Calgary.

Commercial property operating costs which include real estate taxes, utilities, insurance, repairs and maintenance, cleaning and other property-related expenses, were \$50.8 million and \$150.2 million for the three and nine months ended September 30, 2010, respectively (compared to \$38.0 million and \$120.4 million during the same periods in 2009). The increase was the result of transitioning Bankers Court and Bay Adelaide Centre West Tower from development to income producing properties during the third quarter of 2009.

Substantially all of our leases are net leases in which the lessee is required to pay its proportionate share of the property's operating expenses such as utilities, repairs, insurance, and taxes. Consequently, leasing activity is the principal contributor to the change in same-property net operating income. Our total portfolio rate remained stable during the quarter at 96.6% at September 30, 2010. At September 30, 2010, average in-place net rent throughout the portfolio was \$27 per square foot, compared with an average market rent of \$25 per square foot.

The following table shows the average lease term, in-place rents and estimated current market rents for similar space in each of our markets as of September 30, 2010:

Region	Total Area (000's Sq. Ft.)	Avg. Lease Term (Years)	Avg. In-Place Net Rent (\$ per Sq. Ft.)	Avg. Market Net Rent (\$ per Sq. Ft.)
Toronto, Ontario	7,013	7.7	28	24
Calgary, Alberta	6,535	9.3	26	26
Vancouver, B.C.	853	8.7	18	26
Other	3	5.8	29	27
Total	14,404	8.5	27	25

A summary of current and historical occupancy levels for the past two periods ended September 30 is as follows:

(000's Sq. Ft., except % leased data)	Sept. 30, 2010		Sept. 30, 2009	
	Total Sq. Ft.	% Leased	Total Sq. Ft.	% Leased
Toronto, Ontario ⁽¹⁾	7,013	94.7	7,012	93.1%
Calgary, Alberta	6,535	98.4	6,534	99.8%
Vancouver, B.C.	853	97.5	853	94.1%
Other	3	100.0	3	100.0%
Total	14,404	96.6	14,402	96.4%

⁽¹⁾ Includes Bay Wellington Tower and Brookfield Place Retail and Parking as at September 30, 2010 and September 30, 2009

During the nine months of 2010, we leased 1,382,000 square feet of space which included 559,000 square feet of new leasing and 823,000 square feet of renewals, compared to expiries of 509,000 square feet and accelerated expiries of 864,000 square feet. The average leasing net rent was \$32 per square foot, which is an increase of 6.7% over the average expiring net rent of \$30 per square foot.

The details of our leasing activity for the nine months ended September 30, 2010 are as follows:

(000's Sq. Ft.)	Dec. 31, 2009		Activities year to date Sept. 30, 2010					Sept. 30, 2010		
	Total Area	Leased	Expiries	Average Expiring Net Rent	Year One ⁽¹⁾ Leasing	Average ⁽²⁾ Leasing Net Rent	Acq. (Disp.)	Total Area	Leased	
Toronto, Ontario	7,012	5,076	(721)	\$ 31	793	\$ 33	\$ 35	1	7,013	5,148
Calgary, Alberta	6,534	5,628	(605)	29	522	24	27	1	6,535	5,545
Vancouver, B.C.	853	554	(47)	24	67	26	26	—	853	574
Other	3	3	—	—	—	—	—	—	3	3
Total Leasing	14,402	11,261	(1,373)	\$ 30	1,382	\$ 30	\$ 32	2	14,404	11,270

⁽¹⁾ Represents net rent in the first year

⁽²⁾ Represents average net rent over lease term

INVESTMENT AND OTHER INCOME

Investment and other income totaled \$0.1 million and \$1.0 million during the three and nine months ended September 30, 2010, respectively (compared to a loss of \$0.3 million and income of \$1.6 million during the same periods in 2009). The decrease primarily relates to a decrease in interest income due to the repayment of the loans receivable during the first half of 2009.

INTEREST EXPENSE

Interest expense totaled \$21.7 million and \$64.2 million during the three and nine months ended September 30, 2010, respectively (compared to \$17.7 million and \$48.1 million during the same periods in 2009). The increase for the nine months ended September 30, 2010 is due to an increase in interest expense relating to the reduction in capitalized interest with the transition of Bankers Court and Bay Adelaide Centre West Tower from development to commercial property during the third quarter in 2009, coupled with the increase in debt service with the up-financing that occurred during the second quarter of 2009 at Suncor Energy Centre.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were \$3.8 million and \$11.4 million during the three and nine months ended September 30, 2010, respectively, consistent with the same periods in 2009.

TRANSACTION COSTS

Transaction costs were \$nil and \$4.9 million during the three and nine months ended September 30, 2010, respectively (compared to \$0.4 million and \$0.4 million during the same periods in 2009). The increase is due to one-time professional fees incurred related to consulting and legal services in connection with the reorganization of certain assets of BPP into BOX.

INCOME TAX EXPENSE

The Trust is a "mutual fund trust" pursuant to the *Income Tax Act* (Canada). The Trust distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation to pay tax rests with each unitholder and no current and deferred tax provisions are required on the Trust's income.

FAIR VALUE GAINS (LOSSES)

Fair value gains (losses) were \$4.1 million and \$7.3 million during the three and nine months ended September 30, 2010, respectively (compared to losses of \$146.7 million and \$257.7 million during the same periods in 2009). The decrease in losses is primarily related to an increase in the valuations of commercial properties including changes in straight-line receivables and other related balances included in the carrying amount of investment properties..

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS

(Millions, except per unit amounts)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Net income (loss)	\$ 39.0	\$ (120.1)	\$ 94.6	\$ (177.2)
Add (deduct):				
Fair value (gains) losses	(4.1)	146.7	(7.3)	257.7
Transaction costs	—	0.4	4.9	0.4
Funds from operations	\$ 34.9	\$ 27.0	\$ 92.2	\$ 80.9
Funds from operations – unitholders	7.6	5.9	20.1	17.6
Funds from operations – non-controlling interest	27.3	21.1	72.1	63.3
	34.9	27.0	92.2	80.9
Weighted average Trust units outstanding	20.3	20.3	20.3	20.3
Funds from operations per Trust unit	\$ 0.38	\$ 0.29	\$ 0.99	\$ 0.87

Funds from operations was \$0.38 per unit and \$0.99 per unit during the three and nine months ended September 30, 2010, respectively (compared to \$0.29 per unit and \$0.87 per unit during the same periods in 2009).

RECONCILIATION OF FUNDS FROM OPERATIONS TO ADJUSTED FUNDS FROM OPERATIONS

(Millions, except per unit amounts)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Funds from operations	\$ 34.9	\$ 27.0	\$ 92.2	\$ 80.9
Deduct:				
Normalized 2 nd generation leasing commissions and tenant improvements	(3.5)	(3.5)	(10.5)	(10.5)
Straight-line rental income	(3.6)	(0.8)	(15.5)	(0.1)
Normalized sustaining capital expenditures	(0.8)	(0.8)	(2.4)	(2.4)
Adjusted funds from operations	\$ 27.0	\$ 21.9	\$ 63.8	\$ 67.9
Adjusted funds from operations – unitholders	5.9	4.8	13.9	14.8
Adjusted funds from operations – non-controlling interest	21.1	17.1	49.9	53.1
	27.0	21.9	63.8	67.9
Weighted average Trust units outstanding	20.3	20.3	20.3	20.3
Adjusted funds from operations per Trust unit	\$ 0.29	\$ 0.24	\$ 0.68	\$ 0.73
Trust unit distributions declared	0.24	—	0.72 ⁽¹⁾	—
Distribution ratio	83%	—	106%	—

⁽¹⁾ Distributions prorated for nine months.

Adjusted funds from operations was \$0.29 per unit and \$0.68 per unit during the three and nine months ended September 30, 2010, respectively (compared to \$0.24 per unit and \$0.73 per unit during the same periods in 2009).

Adjusted funds from operations is calculated by adjusting funds from operations for straight-line rental income, normalized second generation leasing commissions and tenant improvements and sustaining capital expenditures for maintaining the infrastructure and current rental revenues of our properties. There is no standard industry defined measure of adjusted funds from operations, therefore, our methodology of calculating adjusted funds from operations will differ from other entities and may not be comparable to similar measures presented by other entities.

RECONCILIATION OF CASH FROM OPERATIONS TO ADJUSTED FUNDS FROM OPERATIONS

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Cash generated from operating activities	\$ 11.2	\$ 21.8	\$ 49.8	\$ 82.7
Add (deduct):				
Working capital and other	14.7	4.6	11.7	(1.0)
Initial direct leasing costs	6.0	—	12.4	2.3
Amortization of deferred financing costs	(0.6)	(0.6)	(2.1)	(3.6)
Transaction costs	—	0.4	4.9	0.4
Normalized 2 nd generation leasing commissions and tenant improvements	(3.5)	(3.5)	(10.5)	(10.5)
Normalized sustaining capital expenditures	(0.8)	(0.8)	(2.4)	(2.4)
Adjusted funds from operations	\$ 27.0	\$ 21.9	\$ 63.8	\$ 67.9

QUARTERLY RESULTS

The results by quarter are as follows:

(Millions, except per unit amounts)	2010			2009				2008 ⁽¹⁾
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 111.2	\$ 104.3	\$ 102.5	\$ 111.9	\$ 86.5	\$ 85.9	\$ 88.4	\$ 101.2
Net operating income	60.4	55.0	52.4	57.5	48.5	45.5	46.5	57.3
Net income (loss)	\$ 39.0	\$ 12.0	\$ 43.6	\$ (44.1)	\$ (120.1)	\$ (52.8)	\$ (4.3)	\$ 18.9
Net income (loss) per Trust unit	\$ 0.42	\$ 0.13	\$ 0.47	\$ (0.47)	\$ (1.29)	\$ (0.57)	\$ (0.04)	\$ 0.20

⁽¹⁾ Results reported under Canadian GAAP

PART IV – RISKS AND UNCERTAINTIES

BOX's financial results are affected by the performance of our operations and various external factors influencing the specific sectors and geographic locations in which we operate, as well as macroeconomic factors such as economic growth, inflation, 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 that generate sustainable streams of cash flow. Although high-quality assets may initially generate lower returns on capital, we believe that the sustainability and future growth of their cash flows is more ensured 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 Trust 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 our business operations. A more detailed description of the business environment and risks is contained in our Non-Offering Prospectus which is posted on our Web site at www.brookfieldofficepropertiescanada.com or at www.sedar.com.

PROPERTY-RELATED RISKS

Our strategy is to invest in high-quality core office properties as defined by the physical characteristics 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) that 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 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 rollovers 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 to “Lease Rollover Risk” on page 24 of this MD&A for further details.

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 most effectively manage interest rate risk.

As outlined under “Capital Resources and Liquidity,” on page 16 of this MD&A, we have an ongoing need 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.

Approximately 27.9% of our outstanding commercial property debt at September 30, 2010 is floating-rate debt (December 31, 2009 – 27.0%) and subject to fluctuations in interest rates. The effect of a 100-basis point increase in interest rates on interest expense relating to our floating rate debt, all else being equal, is an increase in interest expense of \$4.5 million on an annual basis or approximately \$0.05 per unit. The analysis does not reflect the impact a changing interest rate environment could have on our overall performance and, as a result, it does not reflect the actions management may take in such an environment.

We currently have a level of indebtedness for the Trust of 43% of the fair market value of our properties based on the September 30, 2010 IFRS commercial property valuations. This level of indebtedness is considered by the Trust to be conservative and, based on this, the Trust believes 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 single tenant represents more than 8.7% of total leasable area and 4.5% of commercial property revenue.

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 6 of this MD&A.

The following list shows our top 20 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 Suncor Energy Inc.	Calgary	2028	1,015	8.7	BBB+
2 Imperial Oil	Calgary	2016	717	6.1	AAA
3 Talisman Energy	Calgary	2015	539	4.6	BBB
4 Government and related agencies	Toronto, Calgary	Various	514	4.4	AAA
5 RBC Financial Group	Toronto, Calgary, Vancouver	Various	489	4.2	AA-
6 Canadian Natural Resources	Calgary	2026	305	2.6	BBB
7 KPMG Management Services LP	Toronto	2025	297	2.5	Not Rated
8 CIBC	Toronto, Calgary	Various	288	2.5	A+
9 Enbridge Inc.	Calgary	2013	255	2.2	A-
10 EnCana Corporation	Calgary	2015	241	2.1	BBB+
11 Deloitte & Touche	Toronto, Calgary	Various	220	1.9	Not Rated
12 The Bay	Toronto	2020	209	1.8	Not Rated
13 Goodmans LLP	Toronto	2026	182	1.6	Not Rated
14 Fasken Martineau	Toronto	2030	165	1.4	Not Rated
15 Bennett Jones	Calgary	2015	161	1.4	Not Rated
16 Heenan Blaikie Management Ltd.	Toronto, Calgary	2022	153	1.3	Not Rated
17 Lombard Insurance	Toronto	2012	144	1.2	A-
18 Crescent Point Resources	Calgary	2020	140	1.2	Not Rated
19 Westcoast Energy	Calgary, Vancouver	2013	139	1.2	BBB+
20 Macquarie North America	Toronto, Calgary	Various	139	1.2	A-
Total			6,312	54.1	

⁽¹⁾ Weighted average based on square feet

⁽²⁾ Prior to considering partnership interests in partially owned properties and excludes parking

⁽³⁾ From Standard & Poor's, Moody's, or Dominion Bond Rating Service

LEASE ROLLOVER RISK

Lease rollover risk arises from the possibility that we may experience difficulty renewing leases as they expire or in re-leasing 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 6.5% of our leases mature annually over the next four years (the majority of which is in 2013), excluding 0.5% maturing during the remainder of 2010. Our portfolio has a weighted-average lease life of 8.5 years. 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.

The following table sets out lease expiries, by square footage, for our portfolio at September 30, 2010:

(000's Sq. Ft.)	Currently Available	Remainder 2010	2017							Leasable	Parking	Total
			2011	2012	2013	2014	2015	2016	& Beyond			
Toronto, Ontario	287	41	236	473	645	200	303	414	2,837	5,436	1,577	7,013
Calgary, Alberta	93	9	286	353	488	99	1,174	749	2,387	5,638	897	6,535
Vancouver, B.C	14	8	52	56	107	20	75	24	233	589	264	853
Other	—	—	—	—	1	—	—	—	2	3	—	3
Total	394	58	574	882	1,241	319	1,552	1,187	5,459	11,666	2,738	14,404
% of total	3.4%	0.5%	4.9%	7.6%	10.6%	2.7%	13.3%	10.2%	46.8%	100.0%	—	100.0%

ENVIRONMENTAL RISKS

As an owner of real property, we are subject to various federal, provincial 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.

Taking into account the current state of the economy, 2010 may not provide the same level of increases in rental rates on renewals as compared with 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 8.5 years. Given the economic recovery has been slow and continues to be fragile, it is possible we will see downward pressure on overall occupancy levels and net effective rents, particularly in Calgary and Toronto.

The Trust maintains insurance on its properties. The Trust maintains all risk property insurance and rental value coverage (including coverage for the perils of flood and earthquake). The Trust's all risk policy limit is \$1.5 billion per occurrence. The Trust's earthquake limit is \$500.0 million per occurrence and in the annual aggregate, and is subject to a \$100,000 deductible for all locations except British Columbia where the deductible is 3% of the values for all locations where the physical loss, damage or destruction occurred. The flood limit is \$500.0 million per occurrence and in the annual aggregate, and is subject to a deductible of \$25,000 combined for all losses arising from the same occurrence. Windstorm is included under the all risk coverage and has \$1.5 billion limits per occurrence with a \$10,000 deductible.

The Trust has insurance covering certain acts of terrorism for up to \$1.0 billion of damage and resulting business interruption costs. The Trust continues to seek additional coverage equal to the full replacement cost of its assets; however, until this type of coverage becomes commercially available on an economically reasonable basis, any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to the Trust.

DERIVATIVE FINANCIAL INSTRUMENTS

We utilize derivative financial instruments from time to time, primarily to manage financial risks, including interest rate, commodity 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 derivative financial instruments designated as hedges of financial risks are included in income as an offset to the hedged item in the period the underlying asset, liability or anticipated transaction to which they relate arise.

Financial instruments 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 in the period the changes occur. The use of non-hedging derivative contracts is governed by documented risk management policies and approved limits.

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 and gas 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 cash flows attributable to, the hedged item and the hedging item.

PART V – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

CHANGES IN ACCOUNTING POLICIES

Pursuant to the exemptive relief granted by the Ontario Securities Commission, effective January 1, 2010, the Trust has adopted IFRS as its basis of financial reporting commencing with our interim financial statements for the three and nine months ended September 30, 2010 and using January 1, 2009 as our transition date. The adoption of IFRS by the Trust is one year ahead of the mandatory conversion date for Canadian public companies. Refer to Part II (“International Financial Reporting Standards”) of this MD&A for further discussion.

FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

IFRS 9, “Financial instruments” was issued by the IASB on November 12, 2009 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 9 on its financial statements.

Related Party Disclosures – revised definition of related parties

On November 4, 2009 the IASB issued a revised version of IAS 24, “Related Party Disclosures”. IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party and removed certain of the disclosures required by the predecessor standard. The revised standard is effective for annual periods beginning on or after January 1, 2011. The Trust is currently evaluating the impact of the change to IAS 24 on its financial statements.

CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are those that we believe are the most important in portraying our financial condition and results, and require the most subjective judgment and estimates on the part of management.

Investment properties

Investment properties include commercial properties held to earn rental income. Commercial properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. We determine the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future cash flows in respect of such leases. Fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

Tax

The Trust is a “mutual fund trust” pursuant to the *Income Tax Act* (Canada). The Trust distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation to pay tax rests with each unitholder and no current and deferred tax provisions are required on the Trust’s income.

Revenue Recognition

We account for our leases with tenants as operating leases as we have retained substantially all of the risks and benefits of ownership of our investment properties. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease commencement date or, where we are required to make additions to the property in the form of tenant improvements which enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent or free-rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received. An allowance for doubtful accounts is recorded, if necessary, for estimated losses resulting from the inability of tenants to make required rent payments. The computation of this allowance is based on the tenants’ payment history and current credit status as well as certain industry or geographic specific credit considerations.

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including property taxes. Percentage participating rents are recognized when tenants’ specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Financial Instruments

We classify our financial instruments into categories based on the purpose for which the instrument was acquired or issued, its characteristics and our designation of the instrument. The category into which we classify a financial instrument determines its measurement basis (e.g., fair value, amortized cost) subsequent to initial recognition. We hold financial instruments that represent secured debt and equity interests in commercial properties that are measured at fair value. Estimation of the fair value of these instruments is subject to the estimates and assumptions associated with valuation of investment properties.

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

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, the Trust enters into various transactions on market terms with related parties which have been measured at exchange value and are recognized in the consolidated interim financial statements.

The Trust has entered into two service-support agreements with Brookfield Properties Management Corporation (“BPMC”), a subsidiary of BPP, dated May 1, 2010, for the provision of property management, leasing, construction and asset management services. The purpose of the agreements is to provide the services of certain personnel and consultants as are necessary to help the Trust operate and manage its assets and tenant base and also includes a cost-recovery for administrative and regulatory compliance services provided. The fees paid to BPMC are calculated in accordance with the terms of the agreements. Included in operating expenses during the three and nine months ended September 30, 2010, are amounts paid to BPMC for property management services of \$3.0 million and \$8.6 million, respectively (compared to \$2.5 million and \$7.5 million during the same periods in 2009). Included in commercial properties during the three months and nine months ended September 30, 2010, are amounts paid to BPMC for leasing and construction services of \$1.5 million and \$3.1 million, respectively (compared to \$0.8 million and \$2.8 million during the same periods in 2009). Included in general and administrative expenses during the three months and nine months ended September 30, 2010, are amounts paid to BPMC for asset management and administrative and regulatory compliance services of \$2.8 million and \$8.6 million, respectively, which is consistent with the amounts during the same periods in 2009.

Included in rental revenues during the three and nine months ended September 30, 2010, are amounts received from Brookfield Asset Management Inc. (“BAM”) and its affiliates of \$0.6 million and \$1.8 million, respectively, which is consistent with the amounts during the same periods in 2009. In addition, the Trust has certain arrangements with BAM and its affiliates to acquire insurance in the normal course and at market rates or at cost. These fees are based on a percentage of the annual premiums paid.

DISTRIBUTIONS

Trust distributions declared for the three and nine months ended September 30, 2010 are as follows⁽¹⁾:

(Millions)	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2010
Paid in cash	\$ 3.2	\$ 6.4
Payable at September 30, 2010	1.6	1.6
Total	\$ 4.8	\$ 8.0

⁽¹⁾ Represents five months of distributions in the year as the Trust was formed on May 1, 2010 – See Note 2 of the consolidated financial statements



Bryan K. Davis
Senior Vice President and Chief Financial Officer
November 2, 2010

Consolidated Balance Sheets

(Unaudited) (Millions) (CDN\$)	Note	Sept. 30, 2010	Dec. 31, 2009 ⁽¹⁾	Jan. 1, 2009 ⁽¹⁾
Assets				
Non-current assets				
Investment properties				
Commercial properties	5	\$ 3,732.1	\$ 3,673.4	\$ 3,208.5
Commercial developments	5	—	—	665.0
		3,732.1	3,673.4	3,873.5
Current assets				
Loan receivable	7	—	—	65.6
Tenant receivables and other assets	8	25.8	29.4	41.1
Cash and cash equivalents	9	41.1	37.9	44.3
		66.9	67.3	151.0
Total assets		\$ 3,799.0	\$ 3,740.7	\$ 4,024.5
Liabilities				
Non-current liabilities				
Commercial property debt	10	\$ 1,025.9	\$ 1,135.7	\$ 1,261.6
Current liabilities				
Commercial property debt	10	570.8	460.5	165.7
Accounts payable and other liabilities	11	65.3	74.5	109.4
		636.1	535.0	275.1
Total liabilities		1,662.0	1,670.7	1,536.7
Equity				
	13			
Trust units		422.6	422.6	422.6
Retained earnings		188.0	173.4	264.4
Unitholders' equity		610.6	596.0	687.0
Non-controlling interest		1,526.4	1,474.0	1,800.8
Total equity		2,137.0	2,070.0	2,487.8
Total liabilities and equity		\$ 3,799.0	\$ 3,740.7	\$ 4,024.5

⁽¹⁾ Comparative based on organization and arrangement of BOX – refer to Note 2 and 3(b)

See accompanying notes to the consolidated interim financial statements

Consolidated Statements of Income and Comprehensive Income

(Unaudited) (Millions, except per unit amounts) (CDN\$)	Note	Three months ended Sept. 30		Nine months ended Sept. 30	
		2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾
Commercial property operations					
Revenue	14	\$ 111.1	\$ 86.8	\$ 317.0	\$ 259.2
Operating expenses		50.8	38.0	150.2	120.4
		60.3	48.8	166.8	138.8
Investment and other income	14	0.1	(0.3)	1.0	1.6
		60.4	48.5	167.8	140.4
Expenses					
Interest	10	21.7	17.7	64.2	48.1
General and administrative	17	3.8	3.8	11.4	11.4
Transaction costs		—	0.4	4.9	0.4
Income before fair value gains (losses)		34.9	26.6	87.3	80.5
Fair value gains (losses)		4.1	(146.7)	7.3	(257.7)
Net income (loss) and comprehensive income (loss)		\$ 39.0	\$ (120.1)	\$ 94.6	\$ (177.2)
Net income (loss) and comprehensive income (loss) attributable to:					
Unitholders		\$ 8.5	\$ (26.2)	\$ 20.6	\$ (38.6)
Non-controlling interest		30.5	(93.9)	74.0	(138.6)
		\$ 39.0	\$ (120.1)	\$ 94.6	\$ (177.2)
Net income (loss) per Trust unit		\$ 0.42	\$ (1.29)	\$ 1.02	\$ (1.90)

⁽¹⁾ Comparative based on organization and arrangement of BOX – refer to Note 2 and 3(b)
See accompanying notes to the consolidated interim financial statements

Consolidated Statements of Changes in Equity

Nine months ended September 30, 2010 (Unaudited)		Trust	Retained	Unitholders'	Non-	Total	Number of	Number of
(Millions, except number of units) (CDN\$)	Note	units	earnings	equity	controlling	equity	Trust	Class B LP
					interest		Units	Units
Balance as at January 1, 2010		\$ 422.6	\$ 173.4	\$ 596.0	\$ 1,474.0	\$ 2,070.0	20,297,801	72,883,405
Net income		—	20.6	20.6	74.0	94.6	—	—
Distributions	12	—	(8.0)	(8.0)	(29.2)	(37.2)	—	—
Other contributions	12	—	2.0	2.0	7.6	9.6	—	—
Issuance of Trust units under Distribution Reinvestment Plan ("DRIP")	12	—	—	—	—	—	824	—
Balance as at September 30, 2010		\$ 422.6	\$ 188.0	\$ 610.6	\$ 1,526.4	\$ 2,137.0	20,298,625	72,883,405

Nine months ended September 30, 2009 ⁽¹⁾ (Unaudited)		Trust	Retained	Unitholders'	Non-	Total	Number of	Number of
(Millions, except number of units) (CDN\$)	Note	units	earnings	equity	controlling	equity	Trust	Class B LP
					interest		Units	Units
Balance as at January 1, 2009		\$ 422.6	\$ 264.4	\$ 687.0	\$ 1,800.8	\$ 2,487.8	20,297,801	72,883,405
Net loss		—	(38.6)	(38.6)	(138.6)	(177.2)	—	—
Distributions	12	—	—	—	—	—	—	—
Other distributions	12	—	(39.4)	(39.4)	(141.7)	(181.1)	—	—
Balance as at September 30, 2009		\$ 422.6	\$ 186.4	\$ 609.0	\$ 1,520.5	\$ 2,129.5	20,297,801	72,883,405

⁽¹⁾ Comparative based on organization and arrangement of BOX – refer to Note 2 and 3(b)
See accompanying notes to the consolidated interim financial statements

Consolidated Statements of Cash Flows

(Unaudited) (Millions)(CDN\$)	Notes	Three months ended Sept. 30		Nine months ended Sept. 30	
		2010	2009 ⁽²⁾	2010	2009 ⁽²⁾
Operating activities					
Net income (loss) for the period		\$ 39.0	\$ (120.1)	\$ 94.6	\$ (177.2)
Add (deduct):					
Straight-line rental income		(3.6)	(0.8)	(15.5)	(0.1)
Amortization of deferred financing costs		0.6	0.6	2.1	3.6
Initial direct leasing costs		(6.0)	—	(12.4)	(2.3)
Fair value (gains) losses		(4.1)	146.7	(7.3)	257.7
Loan receivable – foreign exchange		—	—	—	2.2
Working capital and other		(14.7)	(4.6)	(11.7)	(1.2)
Cash flows provided by operating activities		11.2	21.8	49.8	82.7
Investing activities					
Development expenditures		—	(18.8)	—	(89.1)
Capital expenditures		(10.9)	(8.7)	(25.1)	(18.7)
Loan receivable collections		—	—	—	63.2
Cash flows used in investing activities		(10.9)	(27.5)	(25.1)	(44.6)
Financing activities					
Commercial property debt amortization		(3.2)	(2.6)	(15.3)	(11.8)
Commercial property debt repayments		—	—	—	(150.0)
Commercial property debt arranged		5.9	45.2	14.0	317.7
Trust unit distributions paid	12	(3.2)	—	(6.4)	—
Class B LP unit distributions paid	12	(11.7)	—	(23.4)	—
Other (distributions) contributions ⁽¹⁾	12	—	(15.8)	9.6	(181.1)
Cash flows (used in) provided by financing activities		(12.2)	26.8	(21.5)	(25.2)
(Decrease) increase in cash and cash equivalents		(11.9)	21.1	3.2	12.9
Cash and cash equivalents, beginning of period		53.0	36.1	37.9	44.3
Cash and cash equivalents, end of period	9,19	\$ 41.1	\$ 57.2	\$ 41.1	\$ 57.2

⁽¹⁾ Represents (distributions) contributions made by BPP prior to the formation of BOX, primarily consisting of working capital settlement as part of the Arrangement described in Note 2, common share dividends and preferred share dividends

⁽²⁾ Comparative based on organization and arrangement of BOX – refer to Note 2 and 3(b)

See accompanying notes to the consolidated interim financial statements

Notes to the Consolidated Financial Statements

NOTE 1: NATURE AND DESCRIPTION OF THE TRUST

Brookfield Office Properties Canada (the “Trust” or “BOX”) is an unincorporated, closed-end, real estate investment trust (“REIT”) established under and governed by the laws of the Province of Ontario and created pursuant to a declaration of trust dated March 19, 2010. Although it is intended that BOX qualifies as a “mutual fund trust” pursuant to the *Income Tax Act* (Canada), BOX is not a mutual fund under applicable securities laws.

The Trust is a subsidiary of BPO Properties Ltd. (“BPP”) which owns an aggregate equity interest in the Trust of 90.6% consisting of 57.1% of the issued and outstanding units of BOX (“Trust Units”) and 100% of the issued and outstanding Class B limited partnership units (“Class B LP Units”) of Brookfield Office Properties Canada LP (“BOPC LP”), a subsidiary of BOX which owns direct interests in the Trust’s commercial properties. BOX primarily invests and operates commercial office properties in Toronto, Calgary and Vancouver. The registered and operating office of the Trust is Brookfield Place, 181 Bay Street, Suite 330, Toronto, Ontario, M5J 2T3.

NOTE 2: REIT CONVERSION

The formation of the Trust involved the reorganization of certain of BPP’s commercial office assets under BOX. In addition, BOX acquired from Brookfield Office Properties (“BPO”) its interest in Brookfield Place, BPO’s flagship office complex in Toronto which consists of Bay Wellington Tower and a partial interest in the associated retail concourse and parking operations (the “Brookfield Place Interest”). The transactions were effected pursuant to a plan of arrangement under section 192 of the *Canada Business Corporations Act* (the “Arrangement”). Prior to the Arrangement becoming effective, BPP and various other wholly-owned subsidiary entities of BPP transferred directly owned office assets (the “Contributed Assets”) to BOPC LP in exchange for the assumption of debt, and the issuance of Trust Units and Class B LP Units. The purchase price for the Brookfield Place Interest was satisfied by the payment of approximately \$15.0 million in cash, the forgiveness of \$85.0 million in loans receivable from BPO, the assumption of debt and the issuance of Class B LP Units. Select assets of BPP, including the Canadian Office Fund and certain development properties, as well as certain other assets that are not permitted to be owned by BOX under rules governing real estate investment trusts, were retained by BPP for consideration satisfied through equity in BOX.

Pursuant to the Arrangement, holders of BPP’s common shares other than BPO received one Trust Unit for each common share held, following which, the former common shareholders of BPP other than BPO own 42.9% of the Trust Units and an effective equity interest in BOX of 9.4%.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

International Financial Reporting Standards (“IFRS”) requires an entity to adopt IFRS in its first annual financial statements under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Trust will make this statement when it issues its 2010 annual financial statements.

These financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Trust expects to adopt in its consolidated financial statements for the year ending December 31, 2010.

(b) Basis of presentation

The financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest million. The transfer of the Contributed Assets and the Brookfield Place Interest into the Trust is considered a transaction between entities under common control. As such, the Trust has presented its financial results on a “continuity-of-interest” basis whereby the carrying amounts of the Contributed Assets and the Brookfield Place Interest reflect those previously reported in the financial statements of BPP and BPO, and the comparative balances have been presented as if the Trust had always been in existence. The accounting policies set out below have been applied consistently in all material respects. Standards and guidelines not effective for the current accounting period were:

(i) Financial instruments

IFRS 9, “Financial Instruments” was issued by the IASB on November 12, 2009 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Trust is currently evaluating the impact of IFRS 9 on its financial statements.

(ii) Related party disclosures – revised definition of related parties

On November 4, 2009, the IASB issued a revised version of IAS 24, “Related Party Disclosures”. IAS 24 requires entities to disclose in their consolidated financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party and removed certain of the disclosures required by the predecessor standard. The revised standard is effective for annual periods beginning on or after January 1, 2011. The Trust is currently evaluating the impact of the change to IAS 24 on its financial statements.

(c) Basis of consolidation

The consolidated financial statements include the accounts of the Trust and its consolidated subsidiaries consisting of BOPC GP Inc. and BOPC LP, which are the entities over which the Trust has control. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The Trust holds all of the Class A Limited Partnership Units of BOPC LP (“Class A LP Units”). The holders of the Class A LP Units are entitled to vote at all meetings of the partners of BOPC LP. In addition, BOX is the sole shareholder of BOPC GP Inc., the general partner of BOPC LP, which has full power and exclusive authority to administer, manage, control and operate the business and affairs of BOPC LP. Non-controlling interest in the equity and results of the Trust are shown separately in equity on the consolidated balance sheet.

(d) Interests in joint ventures

A joint venture is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The Trust undertakes its activities under joint venture arrangements through direct interests in the joint venture’s assets, rather than through the establishment of a separate entity. Accordingly, the Trust’s proportionate share of jointly controlled assets, liabilities, revenues and expenses is recognized in the consolidated financial statements and classified according to their nature.

(e) Investment properties

Investment properties include commercial properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Commercial properties and developments are recorded at fair value, determined based on available market evidence, at the consolidated balance sheet date. Related fair value gains and losses are recorded in net income in the period in which they arise.

Initial direct leasing costs incurred by the Trust in negotiating and arranging tenant leases are added to the carrying amount of investment properties.

Investment properties are reclassified to Assets held for sale when criteria set out in IFRS 5, “Non-current assets held for sale and discontinued operations”, are met.

(f) Assets held for sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are categorized as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification, and; it is unlikely there will be changes to the plan. Where an asset or disposal group is acquired with a view to resale, it is classified as a non-current asset held for sale if the disposal is expected to take place within one year of the acquisition, and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. The profit or loss arising on sale of a disposal group will be recognized as discontinued operations.

(g) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

(h) Revenue recognition

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the Trust is required to make additions to the property in the form of tenant improvements which enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including property and capital taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

(i) Financial instruments and derivatives

Derivative instruments are recorded on the consolidated balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts and which are not closely related to the host contract.

The following summarizes the Trust's classification and measurement of financial instruments:

Financial assets and liabilities	Classification	Measurement
Tenant receivables	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Commercial property debt	Other liabilities	Amortized cost
Accounts payable and other liabilities	Other liabilities	Amortized cost

(j) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

(k) Non-controlling interest

Class B LP Units are classified as non-controlling interest and are presented as a component of equity as they represent equity interests in BOPC LP not attributable, directly or indirectly, to the Trust.

(l) Income taxes

The Trust is a "mutual fund trust" pursuant to the *Income Tax Act* (Canada). The Trust intends to distribute or designate all taxable earnings to unitholders and, under current legislation, the obligation to pay tax rests with each unitholder and no current or deferred tax provision is recognized in the Trust's financial statements on the Trust's income.

(m) Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the Trust's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Leases

The Trust's policy for revenue recognition on commercial properties is described in Note 3(h). In applying this policy, the Trust makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as additions to commercial property as well as the point in time at which revenue recognition under the lease commences.

The Trust also makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

(ii) Investment property

The Trust's accounting policies relating to investment property are described in Note 3(e). In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property.

(iii) Income taxes

Deferred income taxes are not recognized in the Trust's financial statements on the basis that the Trust can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year, and the Trust intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future.

(n) Critical Accounting Estimates and Assumptions

The Trust makes estimates and assumptions that affect carried amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

Investment property

The critical estimates and assumptions underlying the valuation of commercial properties are set out in Note 5.

Prior period general and administrative expenses and property management fees

Financial results of the Trust are presented on a continuity-of-interest basis as discussed in Note 3(b). Comparative amounts represent a carve-out from the historical consolidated financial statements of BPP combined with the acquired interest in the Brookfield Place Interest. As such, the amounts included as general and administrative expenses and property management fees are estimates and do not necessarily approximate the expenses and fees that the Trust would have incurred had the Trust been a stand-alone entity during the prior periods presented.

NOTE 4: FIRST-TIME ADOPTION OF IFRS

The Trust has adopted IFRS effective January 1, 2009 ("the transition date") and has prepared its opening IFRS balance sheet as at that date. The Trust's consolidated financial statements for the year ending December 31, 2010 will be the first annual financial statements that comply with IFRS. The Trust will ultimately prepare its opening IFRS balance sheet by applying existing IFRS with an effective date of December 31, 2010 or prior. Accordingly, the opening IFRS balance sheet and the December 31, 2009 comparative balance sheet presented in the consolidated financial statements for the year ending December 31, 2010 may differ from those presented at this time.

(a) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", the Trust has applied one of the optional exemptions from full retrospective application of IFRS. The optional exemption applied is described below.

Business combinations

The Trust has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. Accordingly, the Trust has not restated business combinations that took place prior to the transition date.

(b) Mandatory exceptions to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1 the Trust has applied a mandatory exception from full retrospective application of IFRS. The mandatory exception applied from full retrospective application of IFRS is described below.

Estimates

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Trust under Canadian GAAP are consistent with their application under IFRS.

(c) Reconciliation of equity, net income and comprehensive income as reported under Canadian GAAP to IFRS

Reconciliations have not been prepared as the Trust did not present financial statements for previous periods.

(d) Upon the adoption of IFRS, all previously recognized financial assets and financial liabilities have been designated consistent with the designations under Canadian GAAP.

NOTE 5: INVESTMENT PROPERTIES

(Millions)	Nine months ended Sept. 30, 2010		Year ended Dec. 31, 2009	
	Commercial properties	Commercial developments	Commercial properties	Commercial developments
Balance at beginning of period	\$ 3,673.4	\$ —	\$ 3,208.5	\$ 665.0
Additions:				
Capital expenditures	19.3	—	31.7	80.9
Leasing commissions	9.5	—	8.3	0.8
Reclassification of commercial developments	—	—	746.7	(746.7)
Fair value gains (losses)	7.3	—	(332.7)	—
Other changes	22.6	—	10.9	—
Balance at end of period	\$ 3,732.1	\$ —	\$ 3,673.4	\$ —

Commercial properties with an aggregate fair value of \$nil (compared to \$2,017.0 million, at December 31, 2009) were valued by qualified external valuation professionals. All properties were valued by the Trust based on available market evidence. The Trust determined the fair value of each commercial property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflow in respect of such leases. Fair values were primarily determined by discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The key valuation metrics for the Trust's commercial properties are set out in the following tables:

(Millions)	September 30, 2010			December 31, 2009			January 1, 2009		
	Discount Rate	Terminal Rate	Hold Period (yrs)	Discount Rate	Terminal Rate	Hold Period (yrs)	Discount Rate	Terminal Rate	Hold Period (yrs)
Eastern region	7.2%	6.5%	10	7.2%	6.5%	10	6.9%	6.4%	11
Western region	7.6%	6.8%	11	7.6%	6.8%	10	7.5%	6.6%	10
Average	7.3%	6.6%	10	7.3%	6.6%	10	7.2%	6.5%	11

Values are most sensitive to changes in discount rates.

Included in commercial properties is \$23.5 million (compared to \$21.9 million on December 31, 2009) of net straight line rent receivables arising from the recognition of rental revenue on a straight line basis over the lease term in accordance with IAS 17, "Leases."

Commercial properties with a fair value of approximately \$487.0 million (compared to \$491.5 million on December 31, 2009) are situated on land held under leases or other agreements largely expiring after the year 2115. Investment properties do not include any properties held under operating leases.

During the period, the Trust capitalized a total of \$nil (compared to \$81.7 million during the year ended December 31, 2009) of costs related to commercial developments. Included in this amount is \$nil (compared to \$67.4 million during the year ended December 31, 2009) of construction and related costs and \$nil (compared to \$14.3 million during the year ended December 31, 2009) of borrowing costs capitalized to the Trust's commercial development sites.

Investment properties with a carrying value of \$2,771.2 million (compared to \$2,755.9 million at December 31, 2009) are pledged as security for commercial property debt.

NOTE 6: INVESTMENT IN JOINTLY CONTROLLED ASSETS

The Trust's interests in the following properties are subject to joint control and, accordingly, the Trust has recorded its share of the related assets, liabilities, revenue and expenses of the properties:

Jointly controlled assets	Proportionate Ownership Interest		
	Sept. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Exchange Tower	50%	50%	50%
Fifth Avenue Place	50%	50%	50%
Bankers Hall	50%	50%	50%
Bankers Court	50%	50%	50%
Suncor Energy Centre	50%	50%	50%
Brookfield Place Retail	50%	50%	50%
Brookfield Place Parking	56%	56%	56%

Summarized financial information in respect of the Trust's interest in jointly controlled assets is set out below:

(Millions)	Sept. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Non-current assets	\$ 1,624.7	\$ 1,623.2	\$ 1,823.0
Current assets	18.1	22.0	29.2
Total assets	1,642.8	1,645.2	1,852.2
Non-current liabilities	394.7	468.4	332.5
Current liabilities	148.3	81.7	178.3
Total liabilities	543.0	550.1	510.8
Net assets	\$ 1,099.8	\$ 1,095.1	\$ 1,341.4

(Millions)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2010	2009	2010	2009
Revenue	\$ 49.3	\$ 40.1	\$ 136.2	\$ 120.6
Expenses	26.9	24.1	80.8	73.7
	22.4	16.0	55.4	46.9
Fair value losses	(4.2)	(131.5)	(16.3)	(156.4)
Net income (loss)	\$ 18.2	\$ (115.5)	\$ 39.1	\$ (109.5)

NOTE 7: LOAN RECEIVABLE

(Millions)	Sept. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
On-demand deposit	\$ —	\$ —	\$ 40.0
Loan receivable	—	—	25.6
Total	\$ —	\$ —	\$ 65.6

During the first quarter of 2009, the on-demand deposit of \$40.0 million from the Trust's ultimate parent, BPO, was repaid in full.

During the second quarter of 2009, a loan receivable (at par value plus accrued interest) of \$23.2 million (January 1, 2009 – \$25.6 million) was repaid in U.S. dollars of US\$20.9 million. For the three and nine months ended September 30, 2009, interest income of \$nil and \$1.2 million, respectively, was recorded.

NOTE 8: TENANT RECEIVABLES AND OTHER ASSETS

A breakdown of tenant receivables and other assets is as follows:

(Millions)	Sept. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Tenant and other receivables	\$ 16.5	\$ 23.4	\$ 34.5
Prepaid expenses and other assets	8.5	5.2	5.6
Restricted cash	0.8	0.8	1.0
Total	\$ 25.8	\$ 29.4	\$ 41.1

These receivables are generally short-term receivables of a trade nature. The carrying value of tenant and other receivables approximates fair value due to their short-term nature.

As of September 30, 2010, the Trust recorded \$nil (compared to \$nil on December 31, 2009) as a reserve against uncollectible tenant receivables.

As of September 30, 2010, approximately \$0.5 million of the Trust's balance of accounts receivables is over 90 days past due (compared to approximately \$0.3 million at December 31, 2009).

Credit risk related to tenant and other receivables arises from the possibility that tenants may be unable to fulfill their lease commitments. The Trust mitigates this risk by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Currently no single tenant represents more than 8.7% of total leasable area and 4.5% of commercial property revenue. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings. Over the next few years, the Trust has a lease expiry profile of 0.5% for the remainder of this year, 4.9% in 2011 and 7.6% in 2012.

Cash and deposits are considered restricted when they are subject to contingent rights of third parties. As of September 30, 2010, restricted cash was \$0.8 million (compared with \$0.8 million on December 31, 2009).

NOTE 9: CASH AND CASH EQUIVALENTS

At September 30, 2010, the Trust had \$nil of cash placed in term deposits (compared to \$2.7 million at December 31, 2009). For the three and nine months ended September 30, 2010, interest income of \$0.1 and \$0.2 million, respectively, was recorded on cash and cash equivalents, compared with \$0.1 million and \$0.6 million during the same periods in 2009.

NOTE 10: COMMERCIAL PROPERTY DEBT

(Millions)	Sept. 30, 2010		Dec. 31, 2009		Jan. 1, 2009	
	Weighted Average Rate	Debt Balance	Weighted Average Rate	Debt Balance	Weighted Average Rate	Debt Balance
Commercial Property Debt						
Fixed Rate	6.4%	\$ 1,151.5	6.4%	\$ 1,165.9	6.4%	\$ 966.9
Floating Rate	2.6%	445.2	1.8%	430.3	4.0%	460.4
	5.3%	\$ 1,596.7	5.2%	\$ 1,596.2	5.6%	\$ 1,427.3
Current		\$ 570.8		\$ 460.5		\$ 165.7
Non-current		1,025.9		1,135.7		1,261.6
Total debt		\$ 1,596.7		\$ 1,596.2		\$ 1,427.3

The Trust's secured commercial property debt is non-recourse to the Trust other than \$505.7 million (compared to \$495.0 million at December 31, 2009) which has limited recourse to the Trust's parent, BPP.

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

(Millions, except interest data)	Scheduled		Total	Weighted-Average Interest Rate (%) at Sept. 30, 2010
	Amortization	Maturities		
Remainder of 2010	\$ 9.6	\$ 48.1	\$ 57.7	2.5%
2011 ⁽¹⁾	24.6	494.7	519.3	3.6%
2012	21.7	185.7	207.4	5.9%
2013	9.6	584.0	593.6	6.4%
2014	2.7	198.6	201.3	6.4%
2015 and thereafter	3.4	14.0	17.4	6.2%
Total	\$ 71.6	\$ 1,525.1	\$ 1,596.7	5.3%

⁽¹⁾ Includes maturity of \$397.4 million related to Bay Adelaide Centre West Tower which has a one-year extension option available at maturity in July 2011. The criteria has been met to extend the maturity to 2012 as at September 30, 2010.

For the three and nine months ended September 30, 2010, interest of \$21.7 million and \$64.2 million, respectively (compared to \$20.4 million and \$59.6 million during the same periods in 2009) was recorded on commercial property debt, of which \$nil and \$nil, respectively (compared to \$2.7 million and \$11.5 million during the same periods in 2009) was capitalized to commercial developments.

Approximately 27.9% of the Trust's outstanding commercial property debt at September 30, 2010 is floating rate debt (compared to 27.0% on December 31, 2009). The effect of a 100 basis-point increase in interest rates on interest expense relating to floating rate debt, all else being equal, is an increase in interest expense of \$4.5 million on an annual basis.

The fair value of commercial and development property debt is determined by discounting contractual principal and interest payments at estimated current market interest rates for the instrument. Current market interest rates are determined with reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risks. As of September 30, 2010, the fair value of commercial and development property debt exceeds the principal loan value of these obligations by \$80.8 million (compared to an excess of \$46.5 million on December 31, 2009).

Interest rate risk arises when the fair value or future cash flows of commercial property debt fluctuate because of changes in market interest rates. Financing risk arises when lenders will not refinance maturing debt on terms and conditions acceptable to the Trust, or on any terms at all. The Trust attempts to stagger the maturities of its borrowings, as well as obtain fixed-rate debt as the means of managing interest rate risk. The Trust has an ongoing need to access debt markets to refinance maturing debt as it comes due. The Trust's strategy to stagger its borrowing maturities attempts to mitigate the Trust's exposure to excessive amounts of debt maturing in any one year. The Trust has debt totaling \$48.1 million maturing in 2010, representing 3.0% of the Trust's total debt outstanding at September 30, 2010, of which the entire amount matures in the fourth quarter of 2010. Refer to Note 20 for details relating to the refinancing that occurred subsequent to the quarter-end.

NOTE 11: ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

(Millions)	Sept. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Accounts payable and accrued liabilities	\$ 47.4	\$ 65.4	\$ 94.5
Accrued interest	17.9	9.1	14.9
Total	\$ 65.3	\$ 74.5	\$ 109.4

These payables are generally short-term payables of a trade nature. The carrying value of accounts payable and other liabilities approximates fair value due to their short-term nature.

NOTE 12: DISTRIBUTIONS

The following table presents distributions declared for the three and nine months ended September 30, 2010:

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30 ⁽¹⁾	
	Trust Units	Class B LP Units	Trust Units	Class B LP Units
Paid in cash	\$ 3.2	\$ 11.7	\$ 6.4	\$ 23.4
Payable as of September 30	1.6	5.8	1.6	5.8
Total	\$ 4.8	\$ 17.5	\$ 8.0	\$ 29.2

⁽¹⁾ Represents five months of distributions in the year as the Trust was formed on May 1, 2010

The Trust has implemented a distribution reinvestment plan ("DRIP") which allows certain Canadian resident unitholders to elect to have their distributions reinvested in additional Trust Units. No brokerage commissions or service charges are payable in connection with the purchase of Trust Units under the DRIP and the Trust will pay all administrative costs. The automatic reinvestment of distributions under the DRIP does not relieve holders of Trust Units of any income tax applicable to such distributions. For the three and nine months ended September 30, 2010, \$23,954 (dollars), or 812 Trust Units, and \$24,247 (dollars), or 824 Trust Units, respectively, were paid through the DRIP.

Other contributions for the nine months ended September 30, 2010 of \$9.6 million, compared to other distributions of \$181.1 million during the same period in 2009, represent contributions and distributions made by BPP prior to the formation of BOX, primarily consisting of working capital settlement as part of the Arrangement as described in Note 2, common share dividends and preferred share dividends.

NOTE 13: EQUITY

The components of equity are as follows:

(Millions)	Sept. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Trust units	\$ 422.6	\$ 422.6	\$ 422.6
Retained earnings	188.0	173.4	264.4
Unitholders' equity	610.6	596.0	687.0
Non-controlling interest	1,526.4	1,474.0	1,800.8
Total equity	\$ 2,137.0	\$ 2,070.0	\$ 2,487.8

Authorized Capital and Outstanding Securities

The Trust is authorized to issue an unlimited number of two classes of units: Trust Units and Special Voting Units. Special Voting Units are only issued in tandem with the issuance of Class B LP Units. As of September 30, 2010, The Trust had a total of 20,298,625 Trust Units outstanding and 72,883,405 Class B LP Units outstanding (and a corresponding number of Special Voting Units).

The following table summarizes the changes in the units outstanding during the three and nine months ended September 30, 2010:

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30 ⁽¹⁾	
	Trust Units	Class B LP Units	Trust Units	Class B LP Units
Units issued and outstanding at beginning of period	20,297,813	72,883,405	20,297,801	72,883,405
Units issued pursuant to DRIP	812	—	824	—
Total units outstanding on September 30, 2010	20,298,625	72,883,405	20,298,625	72,883,405

⁽¹⁾ Actual units were issued on May 1, 2010 as part of the formation of BOX

Trust Units

Each Trust Unit is transferable and represents an equal, undivided beneficial interest in BOX and any distributions, whether of net income, net realized capital gains or other amounts, and, in the event of the termination or winding-up of the Trust, in the Trust's net assets remaining after satisfaction of all liabilities. All Trust Units rank among themselves equally and rateably without discrimination, preference or priority. Each Trust Unit entitles the holder thereof to one vote at all meetings of unitholders or in respect of any written resolution of unitholders. The Trust Units have no conversion, retraction or redemption rights.

Special Voting Units

Special Voting Units are only issued in tandem with Class B LP Units and are not transferable separately from the Class B LP Units to which they relate and upon any transfer of Class B LP Units, such Special Voting Units will automatically be transferred to the transferee of the Class B LP Units. As Class B LP Units are exchanged for Trust Units or purchased for cancellation, the corresponding Special Voting Units will be cancelled for no consideration.

Each Special Voting Unit entitles the holder thereof to one vote at all meetings of unitholders or in respect of any resolution in writing of unitholders. Except for the right to attend and vote at meetings of the unitholders or in respect of written resolutions of the unitholders, special voting units do not confer upon the holders thereof any other rights. A Special Voting Unit does not entitle its holder to any economic interest in BOX, or to any interest or share in BOX, or any distributions (whether of net income, net realized capital gains or other amounts) or in any net assets in the event of termination or winding-up.

Non-controlling interest

The Trust classifies the outstanding Class B LP Units as non-controlling interest for financial statement purposes in accordance with IFRS. The Class B LP Units are exchangeable on a one-for-one basis (subject to customary anti-dilution provisions) for Trust Units at the option of the holder. Each Class B LP Unit is accompanied by a Special Voting Unit which entitles the holder thereof to receive notice of, to attend and to vote at all meetings of unitholders of BOX. The holders of Class B LP Units are entitled to receive distributions when declared by BOPC LP equal to the per unit amount of distributions payable to each holder of Trust Units. However, the Class B LP Units have limited voting rights over BOPC LP.

NOTE 14: COMMERCIAL PROPERTY OPERATIONS

(a) Revenue

The components of revenue are as follows:

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Revenue from commercial property operations	\$ 111.1	\$ 86.8	\$ 317.0	\$ 259.2
Investment and other income	0.1	(0.3)	1.0	1.6
Total	\$ 111.2	\$ 86.5	\$ 318.0	\$ 260.8

(b) Commercial property operations

The Trust generally leases commercial properties under operating leases with lease terms between 5 and 10 years, with options to extend up to a further 5 years.

Future minimum rental commitments on non-cancellable tenant operating leases are as follows:

(Millions)	Sept. 30, 2010	Dec. 31, 2009
Not later than 1 year	\$ 194.6	\$ 183.6
Later than 1 year and not longer than 5 years	645.3	567.1
Later than 5 years	841.3	748.6
	\$ 1,681.2	\$ 1,499.3

Operating expenses include ground rent expenses for the three and nine months ended September 30, 2010 of \$0.9 million and \$3.3 million, respectively (compared to \$0.7 million and \$2.8 million during the same periods in 2009) representing rent expense associated with operating leases for land on which certain of the Trust's commercial properties are situated. These leases have remaining terms of between 33 and 105 years. The Trust does not have an option to purchase the leased land at the expiry of the lease periods.

Future minimum lease payments under these arrangements are as follows:

(Millions)	Sept. 30, 2010	Dec. 31, 2009
Not later than 1 year	\$ 3.7	\$ 3.7
Later than 1 year and not longer than 5 years	14.9	14.9
Later than 5 years	322.4	325.2
	\$ 341.0	\$ 343.8

(c) Investment and other income

Investment and other income was \$0.1 million and \$1.0 million, respectively, for the three and nine months ended September 30, 2010 (compared to a loss of \$0.3 million and income of \$1.6 million, during the same periods of 2009). These amounts represent interest income and other income earned during the period.

NOTE 15: GUARANTEES, CONTINGENCIES AND OTHER

(a) In the normal course of operations, the Trust and its consolidated subsidiaries execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, lease-up of development properties, sales of assets and sales of services.

(b) The Trust and its operating subsidiaries are contingently liable with respect to litigation and claims that arise from time to time in the normal course of business or otherwise. A specific litigation is being pursued against one of the Trust's subsidiaries related to security on a defaulted loan. At this time, the estimated contingent liability related to litigation and claims currently being pursued against the Trust is not determinable.

(c) The Trust maintains insurance on its properties. The Trust maintains all risk property insurance and rental value coverage (including coverage for the perils of flood and earthquake). The Trust's all risk policy limit is \$1.5 billion per occurrence. The Trust's earthquake limit is \$500.0 million per occurrence and in the annual aggregate, and is subject to a \$100,000 deductible for all locations except British Columbia where the deductible is 3% of the values for all locations where the physical loss, damage or destruction occurred. The flood limit is \$500.0 million per occurrence and in the annual aggregate, and is subject to a deductible of \$25,000 combined for all losses arising from the same occurrence. Windstorm is included under the all risk coverage and has \$1.5 billion limits per occurrence with a \$10,000 deductible.

The Trust has insurance covering certain acts of terrorism for up to \$1.0 billion of damage and resulting business interruption costs. The Trust continues to seek additional coverage equal to the full replacement cost of its assets; however, until this type of coverage becomes commercially available on an economically reasonable basis, any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to the Trust.

NOTE 16: SEGMENTED INFORMATION

The Trust has only one business segment: the ownership and operation of commercial properties in Canada.

NOTE 17: RELATED-PARTY TRANSACTIONS

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

The Trust has entered into two service-support agreements with Brookfield Properties Management Corporation ("BPMC"), a subsidiary of BPP, dated May 1, 2010, for the provision of property management, leasing, construction and asset management services. The purpose of the agreements is to provide the services of certain personnel and consultants as are necessary to help the Trust operate and manage its assets and tenant base and also includes a cost-recovery for administrative and regulatory compliance services provided. The fees paid to BPMC are calculated in accordance with the terms of the agreements. Included in operating expenses during the three and nine months ended September 30, 2010, are amounts paid to BPMC for property management services of \$3.0 million and \$8.6 million, respectively (compared to \$2.5 million and \$7.5 million during the same periods in 2009). Included in commercial properties during the three months and nine months ended September 30, 2010, are amounts paid to BPMC for leasing and construction services of \$1.5 million and \$3.1 million, respectively (compared to \$0.8 million and \$2.8 million during the same periods in 2009). Included in general and administrative expenses during the three months and nine months ended September 30, 2010, are amounts paid to BPMC for asset management and administrative and regulatory compliance services of \$2.8 million and \$8.6 million, respectively, which is consistent with the amounts during the same periods in 2009.

Included in rental revenues during the three and nine months ended September 30, 2010, are amounts received from Brookfield Asset Management Inc. (“BAM”) and its affiliates of \$0.6 million and \$1.8 million, respectively, which is consistent with the amounts during the same periods in 2009. In addition, the Trust has certain arrangements with BAM and its affiliates to acquire insurance in the normal course and at market rates or at cost. These fees are based on a percentage of the annual premiums paid.

NOTE 18: CAPITAL MANAGEMENT AND LIQUIDITY

The Trust employs a broad range of financing strategies to facilitate growth and manage financial risk.

The Trust continually strives to reduce its weighted-average cost of capital and improve unitholders’ equity returns through value-enhancement initiatives and the consistent monitoring of the balance between debt and equity financing. As of September 30, 2010, the weighted-average cost of capital, assuming a 9.0% return on equity, was 7.3%, compared to 7.3% on December 31, 2009.

The following schedule details the capitalization of the Trust and the related costs thereof:

(Millions, except cost of capital data)	Cost of Capital ⁽¹⁾		Underlying Value ⁽²⁾	
	Sept. 30, 2010	Dec. 31, 2009 ⁽⁴⁾	Sept. 30, 2010	Dec. 31, 2009 ⁽⁴⁾
Liabilities				
Commercial property debt	5.3%	5.2%	\$ 1,596.7	\$ 1,596.2
Unitholders’ equity				
Trust units ⁽³⁾	9.0%	9.0%	426.9	411.1
Other Equity				
Non-controlling interest ⁽³⁾	9.0%	9.0%	1,533.1	1,476.2
Total	7.3%	7.3%	\$ 3,556.7	\$ 3,483.5

⁽¹⁾ Total weighted-average cost of capital is calculated on the weighted-average of underlying value.

⁽²⁾ Underlying value of liabilities presents the cost to retire debt on maturity. Underlying value of unitholders’ equity and other equity is based on the closing unit price of BOX as at September 30, 2010.

⁽³⁾ Assumes a 9.0% return on equity

⁽⁴⁾ Cost of capital and underlying value of liabilities as at December 31, 2009, presented as if the Trust had always been in existence. It represents a carve-out from the consolidated financial statements of BPP combined with the acquired interest in the Brookfield Place Interest. Underlying value of unitholders’ equity and other equity is based on the closing unit price of BOX on its first trading day.

Commercial property debt

The Trust’s commercial property debt is primarily fixed-rate and non-recourse to the Trust, thereby reducing the overall financial risk to the Trust. These financings are typically structured on a loan-to-appraised value basis of between 55% and 65% when the market permits. 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.

The Trust is subject to certain covenants on its borrowings, including debt service coverage and loan to value thresholds. As of September 30, 2010, the Trust was in compliance with all of its covenants.

The Trust’s strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and provided by financing activities. Rental revenue, recoveries from tenants, interest and other income, available cash balances, draws on credit facilities and refinancings, including upward refinancings, of maturing indebtedness are the Trust’s principal sources of capital used to pay operating expenses, distributions, debt service and recurring capital and leasing costs in its commercial property portfolio.

The principal liquidity needs for periods beyond the next twelve months are for unit distributions, scheduled debt maturities, and recurring and non-recurring capital expenditures. The Trust’s strategy is to meet these needs with one or more of the following:

- cash flow from operations; and
- refinancing opportunities.

The Trust attempts to match the maturity of its commercial property debt portfolio with the average lease terms of its properties. At September 30, 2010, the average term to maturity of the Trust’s commercial property debt portfolio was three years and the Trust’s average lease term of its properties was approximately 8.5 years. The lower average term to maturity on our debt is largely a result of short-term construction financings on Bay Adelaide Centre West Tower and Bankers Court. The Trust will continue to make efforts to match the maturity of the commercial property debt portfolio with the average lease term of its properties.

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

(Millions)	Total	Payments Due By Period			
		1 year	2-3 years	4 – 5 Years	After 5 Years
Commercial property debt ⁽¹⁾	\$ 1,787.0	\$ 635.9	\$ 907.7	\$ 221.5	\$ 21.9
Accounts payable and other liabilities	65.3	65.3	—	—	—

⁽¹⁾ Includes repayment of principal and interest

NOTE 19: OTHER INFORMATION

Supplemental cash flow information:

(Millions)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2010	2009	2010	2009
Cash interest paid	\$ 11.4	\$ 10.8	\$ 52.7	\$ 48.4

NOTE 20: SUBSEQUENT EVENTS

Subsequent to the third quarter, the Trust refinanced the debt on Bankers Court. The construction financing was repaid and replaced with permanent financing totalling \$48.0 million. The new loan has a 10-year term maturing November 1, 2020, bearing interest at 4.96% per annum.

NOTE 21: APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trust's Board of Trustees and authorized for issue on November 2, 2010.

Unitholder Information

DISTRIBUTION PAYMENT DATES

(Dollars)	October 15 ⁽¹⁾ 2010	September 15 2010	August 15 2010	July 15 2010	June 15 2010
Trust Units	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
Class B LP Units	0.08	0.08	0.08	0.08	0.08

⁽¹⁾ Distributions payable of \$0.08 per unit at September 30, 2010, were paid on October 15, 2010.

Information

PROFILE

Brookfield Office Properties Canada is a Canadian real estate investment trust, focusing on the ownership and value enhancement of premier office properties. The current property portfolio is comprised of interests in 19 commercial properties totaling 14.4 million square feet. Landmark properties include Bay Wellington Tower in Toronto and Bankers Hall in Calgary.

BROOKFIELD OFFICE PROPERTIES CANADA

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UNITHOLDER INQUIRIES

Brookfield Office Properties Canada welcomes inquiries from unitholders, analysts, media representatives and other interested parties. Questions relating to investor relations or media inquiries can be directed to Matthew Cherry, Director, Investor Relations at 416.359.8593 or via e-mail at matthew.cherry@brookfield.com. Inquiries regarding financial results should be directed to Bryan Davis, Senior Vice President and Chief Financial Officer at 416.956.5170 or via e-mail at byran.davis@brookfield.com.

Unitholder questions relating to distributions, address changes and trust certificates should be directed to the Trust'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: 416.643.5500 / 800.387.0825
Fax: 416.643.5501
Web site: www.cibcmellon.com
E-mail: inquiries@cibcmellon.com

COMMUNICATIONS

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

Brookfield Office Properties Canada maintains a Web site, www.brookfieldofficepropertiescanada.com, which provides access to our published reports, press releases, statutory filings, supplementary information and trust and distribution information as well as summary information on the Trust.

Brookfield
Office Properties Canada

www.brookfieldofficepropertiescanada.com