



NEWS RELEASE

BPO PROPERTIES REPORTS SECOND QUARTER 2006 RESULTS

All dollar references are in Canadian dollars.

TORONTO, August 3, 2006 – BPO Properties Ltd. (TSX: BPP) today announced net income of \$24.9 million or \$0.73 per share and funds from operations (“FFO”) of \$33.5 million or \$1.03 per share for the quarter ended June 30, 2006.

After leasing 656,000 square feet during the second quarter, BPO Properties’ year-to-date leasing totalled 1,149,000 square feet, excluding leasing of 481,000 square feet for new developments.

FINANCIAL RESULTS

Net income for the three months ended June 30, 2006 totalled \$24.9 million, or \$0.73 per share, compared to \$25.2 million, or \$0.78 per share during the same period in 2005.

For the three months ended June 30, 2006, funds from operations totalled \$33.5 million, or \$1.03 per share, up from \$25.3 million, or \$0.78 per share during the same period in 2005. Funds from operations and gains for the three months ended June 30, 2006 was \$49.4 million or \$1.58 per share, as the second quarter of 2006 included a \$15.9 million gain, representing the company’s portion of a \$63.6 million total gain on the disposition of eight properties acquired with the O&Y portfolio in the fourth quarter of 2005.

Net income for the six months ended June 30, 2006 totalled \$39.1 million, or \$1.11 per share, compared to \$46.5 million, or \$1.43 per share during the same period in 2005.

For the six months ended June 30, 2006, funds from operations totalled \$71.4 million, or \$2.24 per share, up from \$51.5 million, or \$1.60 per share, during the same period in 2005. Funds from operations and gains for the six months ended June 30, 2006 was \$87.3 million or \$2.79 per share.

Commercial property net operating income for the second quarter of 2006 was \$47.1 million, up from \$28.3 million for the second quarter of 2005. Commercial property net operating income for the first six months of 2006 was \$92.3 million, up from \$57.3 million for the first six months of 2005.

MAJOR TRANSACTIONS

Launched the three-phase, 2.6 million square foot Bay Adelaide Centre development in Toronto with the signing of a long-term lease with KPMG to anchor Bay Adelaide West, the 1.1 million square foot, 50-story office tower located on the northeast corner of Bay and Adelaide Streets. Occupancy of Bay Adelaide Centre West is expected in 2009. Floor plates vary from 23,850 to 25,270 square feet. Hard and soft construction costs are estimated at C\$300 million. Phases Two and Three of Bay Adelaide Centre will likely be a mix of office and hotel/residential. BPO Properties is commencing development approximately nine months after acquiring full ownership and control of the Bay Adelaide Centre site. BPO Properties initially acquired a 50% interest in the site in 2001 with existing infrastructure in place. Bay Adelaide Centre is the first new development in Toronto's financial core since Brookfield Properties Corporation completed BCE Place in 1992.

Launched the Bankers Court development project in Calgary with 87% pre-leasing commitments in place. Bankers Court is a 265,000 square foot, 15-story building adjacent to the company's 2.7 million square foot Bankers Hall complex. Compton Petroleum Corp has signed a lease for 130,000 square feet and the law firm Fraser Milner has signed a 101,000 square foot lease. Bankers Court is scheduled for completion in 2008. Total costs are estimated to be C\$110 million. BPO Properties and British Columbia Investment Management Corporation (bcIMC) each own 50 percent of Bankers Hall and will co-own the Bankers Court development.

Completed the acquisition of the remaining 75% interest in Hudson's Bay Centre, Toronto, for C\$112.5 million. The 1.1 million square foot mixed-use complex is located in the heart of the Yorkville shopping and entertainment district.

Completed the sale of eight non-core assets in Calgary and Winnipeg. The company's office fund, which includes CPP Investment Board, sold eight office properties, totaling approximately one million square feet, which were acquired in 2005 with the O&Y portfolio. Proceeds for these transactions totaled approximately C\$245 million prior to selling costs and repayment of debt. The office fund also completed the sale of O&Y Enterprise, a third-party management business acquired with the O&Y portfolio.

OPERATIONS REVIEW

The BPO Properties portfolio was 96.1% occupied at the end of the second quarter of 2006, compared to a Canadian national average of 92.9%.

Transactional highlights from the second quarter include:

- **422,000 square feet in Calgary**
 - An eight-year renewal and expansion with Nabors Drilling for 52,000 square feet at Altius Centre

- A new ten-year lease with Crescent Point Resources for 40,000 square feet in Petro Canada Centre
 - A six-year renewal with Parlee McLaws for 31,500 square feet in Petro Canada Centre
 - A new seven-year lease with Petro Canada for 23,000 square feet at Petro Canada Centre
 - A seven-year renewal with Fountain Park Fitness Centre for 23,000 square feet at Gulf Canada Square
- ***165,000 square feet in Toronto***
 - A new 10-year lease with the Bank of Nova Scotia for 25,000 square feet at Exchange Tower
 - A new three-year lease with State Street Trust for 26,000 square feet at 18 King Street East
 - A five-year renewal with Investor Bank & Trust for 18,000 square feet at First Canadian Place
- ***69,000 square feet in other markets***

OUTLOOK

“We are pleased to have launched construction at our Bay Adelaide Centre development in Toronto and our Bankers Court development in Calgary, by securing strong anchor tenants at both sites,” said Tom Farley, President & CEO of BPO Properties, Ltd. “We are taking advantage of the positive economic conditions in these supply-constrained markets through the advancement of new office developments, as well as through non-strategic office disposition opportunities.”

Net Operating Income and FFO

This press release and accompanying financial information make reference to net operating income and funds from operations ("FFO") on a total and per share basis. Net operating income is defined as income from property operations after operating expenses have been deducted, but prior to deducting financing, administrative and income tax expenses. FFO is defined as net income prior to extraordinary items, non-cash items and depreciation and amortization. The company uses net operating income and FFO to assess its operating results. Net operating income is important in assessing operating performance and FFO is a relevant measure to analyze real estate, as commercial properties generally appreciate rather than depreciate. The company provides the components of net operating income and a full reconciliation from net income to FFO with the financial statements accompanying this press release. Net operating income and FFO are both non-GAAP measures which do not have any standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies.

Forward-Looking Statements

This press release, particularly the “Outlook” section, contains forward-looking statements and information within the meaning of applicable securities legislation. Although BPO Properties 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 known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement 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 general economic conditions; local real estate conditions, including the development of properties in close proximity to the company’s properties; timely leasing of newly-developed properties and re-leasing of occupied square footage upon expiration; dependence on tenants’ financial condition; the uncertainties of real estate development and acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; the impact of newly-adopted accounting principles on the company’s accounting policies and on period-to-period comparisons of financial results; and other risks and factors described from time to time in the documents filed by the company with the securities regulators in Canada including in the [Annual Information Form](#) under the heading “[Business of BPO Properties – Company and Real Estate Industry Risks](#).” The company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Dividend Declaration

The Board of Directors of BPO Properties declared a quarterly common share dividend of \$0.15 per share, payable on the last business day of September, 2006 to shareholders of record at the close of business on September 1, 2006.

The Board of Directors also declared dividends on series G, J and M preferred shares, payable November 14, 2006 to shareholders of record at the close of business on October 31, 2006, for the period August 14, 2006 to November 13, 2006. The dividend per preferred share is to be computed in accordance with the terms of the shares.

Conference Call

BPO Properties’ second quarter 2006 conference call can be accessed by teleconference on Thursday, August 3, 2006 at 2:00 p.m. E.T. at 888-789-9572, passcode 9627150, five minutes prior to the scheduled start of the call. A replay of this call can be accessed through August 18th, 2006 by dialing 888-509-0081, passcode 9627150. The conference

call can also be accessed by Web cast on the BPO Properties Web site at www.bpoproperties.com.

Supplemental Information

Investors, analysts and other interested parties can access BPO Properties' Supplemental Information Package on BPO Properties' Web site under the Investor Relations/Financial Reports section. This additional financial information should be read in conjunction with this press release.

BPO Properties Profile

BPO Properties Ltd., 89% owned by Brookfield Properties Corp., is a Canadian company that invests in real estate, focusing on the ownership and value enhancement of premier office properties. The current property portfolio is comprised of interests in 35 commercial properties totalling 22 million square feet and four development projects totalling four million square feet. Landmark properties include First Canadian Place in Toronto and Bankers Hall in Calgary. BPO Properties' common shares trade on the TSX under the symbol BPP. For more information, visit www.bpoproperties.com.

Contact

Investor relations and media inquiries should be directed to Melissa Coley, Vice President, Investor Relations and Communications at (416) 359-8593. Inquiries regarding financial results should be directed to Craig Laurie, Senior Vice President and Chief Financial Officer, at (416) 956-5170.

CONSOLIDATED BALANCE SHEET

(Millions)	June 30, 2006	December 31, 2005 ⁽¹⁾
Assets		
Commercial properties	\$ 1,546.0	\$ 1,471.7
Development properties	211.3	189.7
Loans receivable	95.3	100.1
Cash and cash equivalents	62.5	21.5
Tenant receivables and other assets	69.2	56.5
Intangible assets	70.1	60.0
Future income taxes	0.5	16.5
Marketable securities and other investments	—	66.7
Assets related to discontinued operations	—	43.6
	\$ 2,054.9	\$ 2,026.3
Liabilities		
Commercial property debt	\$ 957.5	\$ 912.4
Intangible liabilities	105.0	111.9
Accounts payable and other liabilities	70.0	65.4
Liabilities related to discontinued operations	—	37.2
Shareholders' equity		
Preferred shares	381.7	381.7
Common shares	78.9	78.9
Retained earnings	461.8	438.8
	\$ 2,054.9	\$ 2,026.3

(1) Certain comparative information has been reclassified to conform with current year presentation.

CONSOLIDATED STATEMENT OF INCOME

(Millions, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Commercial properties				
Revenue	\$ 84.2	\$ 54.1	\$ 165.5	\$ 108.8
Expenses	37.1	25.8	73.2	51.5
Net operating income	47.1	28.3	92.3	57.3
Loans and investment income	3.2	9.6	10.8	19.6
	50.3	37.9	103.1	76.9
Expenses				
Interest	11.8	10.7	23.6	21.5
Administrative and large corporation tax	5.3	1.9	9.1	3.9
	33.2	25.3	70.4	51.5
Depreciation and amortization	16.4	7.4	31.5	15.2
Future income taxes	5.2	(7.3)	13.1	(10.2)
Net income from continuing operations	11.6	25.2	25.8	46.5
Discontinued operations	13.3	—	13.3	—
Net income	\$ 24.9	\$ 25.2	\$ 39.1	\$ 46.5
Net income per common share				
Continuing operations	\$ 0.26	\$ 0.78	\$ 0.64	\$ 1.43
Discontinued operations	0.47	—	0.47	—
	\$ 0.73	\$ 0.78	\$ 1.11	\$ 1.43

RECONCILIATION OF NET INCOME TO FUNDS FROM OPERATIONS

(Millions)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Net income	\$ 24.9	\$ 25.2	\$ 39.1	\$ 46.5
Depreciation and amortization ⁽ⁱ⁾	16.4	7.4	32.2	15.2
Future income taxes ⁽ⁱⁱ⁾	8.1	(7.3)	16.0	(10.2)
Funds from operations and gains	49.4	25.3	87.3	51.5
Property disposition gains	(15.9)	—	(15.9)	—
Funds from operations	\$ 33.5	\$ 25.3	\$ 71.4	\$ 51.5

(i) Includes depreciation and amortization from discontinued operations of \$nil and \$0.7 million for the three and six months ended June 30, 2006, respectively.

(ii) Includes future income taxes from discontinued operations of \$2.9 million and \$2.9 million for the three and six months ended June 30, 2006, respectively.

COMMERCIAL PROPERTY NET OPERATING INCOME

(Millions)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Commercial property operations and fee income	\$ 84.2	\$ 54.1	\$ 165.5	\$ 108.8
Operating expenses	37.1	25.8	73.2	51.5
Net operating income	\$ 47.1	\$ 28.3	\$ 92.3	\$ 57.3

FUNDS FROM OPERATIONS PER COMMON SHARE

(Millions except per share amounts)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Funds from operations	\$ 33.5	\$ 25.3	\$ 71.4	\$ 51.5
Preferred share dividends	(4.2)	(2.9)	(7.5)	(5.8)
Funds available to common shareholders	\$ 29.3	\$ 22.4	\$ 63.9	\$ 45.7
Weighted average shares outstanding	28.5	28.5	28.5	28.5
Funds from operations per common share	\$ 1.03	\$ 0.78	\$ 2.24	\$ 1.60

DISCONTINUED OPERATIONS

(Millions)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Property disposition gains	\$ 15.9	\$ —	\$ 15.9	\$ —
Revenue from properties sold	1.4	—	3.3	—
Operating expenses	(0.5)	—	(1.2)	—
	16.8	—	18.0	—
Interest expense	(0.6)	—	(1.1)	—
Funds from discontinued operations and gains	16.2	—	16.9	—
Depreciation and amortization	—	—	(0.7)	—
Future income taxes	(2.9)	—	(2.9)	—
Discontinued operations	\$ 13.3	\$ —	\$ 13.3	\$ —