TRIZEC PROPERTIES INC
Form 10-Q
August 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2002
or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________.

Commission File Number: 001-16765

TRIZEC PROPERTIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	33-0387846
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1114 Avenue of the Americas, 31st Floor New York, NY	10036
(Address of principal executive offices)	(Zip Code)

212-382-9300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes [X] No [ ]

As of August 13, 2002, 150,033,310 shares of common stock, par value $0.01 per share, were issued and outstanding.

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Forward-Looking Statements

This Form 10-Q, including the discussion in "Part I - Financial Information - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements relating to our business and financial outlook, which are based on our current expectations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any such statement to reflect new information, the occurrence of future events or circumstances or otherwise. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements. Included among these factors are changes in general economic conditions, including changes in the economic conditions affecting industries in which our principal tenants compete, our ability to timely lease or re-lease space at current or anticipated rents, our ability to achieve economies of scale over time, the demand for tenant services beyond those traditionally provided by landlords, changes in interest rates, changes in operating costs, changes in environmental laws and regulations and contamination events, the occurrence of uninsured or underinsured events, our ability to attract and retain high quality personnel at a reasonable cost in a highly competitive labor environment, future demand for our debt and equity securities, our ability to refinance our debt on reasonable terms at maturity, our ability to complete current and future development projects on time and on schedule, the possibility that income tax treaties may be renegotiated, with a resulting increase in the withholding taxes applicable to us, market conditions in existence at the time we sell assets, the possibility of change in law adverse to us and joint venture and partnership risks. Such factors include those set forth in more detail in the Risk Factors section in our Form 10-K for the year ended December 31, 2001 filed with the U.S. Securities and Exchange Commission.

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PART I - Financial Information

Item 1. Financial Statements

Combined Consolida

($ thousands)	Jun
Assets	
Real estate	$ 5,584,
Less: accumulated depreciation	(503,
Real estate, net	5,080,
Cash and cash equivalents	106,
Escrows and restricted cash	52,
Investment in unconsolidated real estate joint ventures	283,
Investment in Sears Tower	70,
Investments, other	90,
Office tenant receivables, net	29,
Other receivables, net	32,
Deferred rent receivables, net	116,
Deferred charges, net	150,
Prepaid expenses and other assets	74,
Advances to parent and affiliated companies	
Total Assets	$ 6,087,
Liabilities and Owners' Equity	
Liabilities	
Mortgage debt and other loans	$ 3,571,
Trade, construction and tenant improvements payables	53,
Accrued interest expense	16,
Accrued operating expenses and property taxes	79,
Other accrued liabilities	71,
Taxes payable	52,
Deferred income taxes	60,
Advances from parent and affiliated companies	
Total Liabilities	3,905,

Minority Interest	4,
Redeemable Stock	
Commitments and Contingencies	
Owners' Equity	
Owners' capital	2,182,
Retained earnings	11,
Unearned compensation	(8,
Accumulated other comprehensive loss	(8,
Total Owners' Equity	2,177,
Total Liabilities and Owners' Equity	$ 6,087,

See accompanying notes to the combined consolidated financial statements

Combined Consolidated Statem
and Co

($ thousands, except share and per share amounts)	For the three months ended June 30		For th
	2002	2001	2002
Revenues			
Rentals	$ 178,945	$ 169,056	$ 354,071
Recoveries from tenants	29,224	29,528	58,886
Parking and other	25,420	26,301	52,425
Fee income	2,377	3,854	4,988
Interest	2,090	3,885	4,797
Total Revenues	238,056	232,624	475,167
Expenses			
Operating	76,607	70,224	151,967
Property taxes	25,185	22,889	51,060
General and administrative	12,169	5,578	18,684
Interest	49,313	38,406	94,727
Depreciation and amortization	41,086	41,165	81,559
Reorganization costs	2,002	11,184	2,002
Loss from securities investments	-	5,279	-
Derivative losses	-	456	-
Total Expenses	206,362	195,181	399,999

Income before Income Taxes, allocation to Minority Interest, Income from Unconsolidated Real Estate Joint Ventures, Gain on Sales of Real Estate, Extraordinary Items and Cumulative Effect of a Change in Accounting Principle.....................	31,694	37,443	75,168
Provision for income and other corporate taxes	(1,522)	(1,490)	(2,766)
Minority interest............................	(288)	(568)	(324)
Income from unconsolidated real estate joint ventures................................	3,277	7,653	6,665
Gain (loss) on sales of real estate..........	3,816	(3,937)	3,816
Income before Extraordinary Items and Cumulative Effect of a Change in Accounting Principle...............................	36,977	39,101	82,559
Loss on early debt retirement................	-	(17,966)	-
Income before Cumulative Effect of a Change in Accounting Principle.....................	36,977	21,135	82,559
Cumulative effect of a change in accounting principle...............................	-	-	-
Net Income..................................	36,977	21,135	82,559
Dividends paid to special voting stockholders.	304	-	304
Net income available to common stockholders...........................	$ 36,673	$ 21,135	$ 82,255

See accompanying notes to the combined consolidated financial statements

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Combined Consolidated Statem
and Comprehensive

($ thousands, except share and per share amounts)	For the three months ended June 30		For th
	2002	2001	2002
Per Share Amounts			
Income per share available to common			

stockholders before extraordinary items and cumulative effect of a change in accounting principle			
Basic	$ 0.25	$ 0.26	$ 0.55
Diluted	$ 0.24	$ 0.26	$ 0.55
Income per share available to common stockholders before cumulative effect of a change in accounting principle			
Basic	$ 0.25	$ 0.14	$ 0.55
Diluted	$ 0.24	$ 0.14	$ 0.55
Net income per share available to common stockholders			
Basic	$ 0.25	$ 0.14	$ 0.55
Diluted	$ 0.24	$ 0.14	$ 0.55
Weighted average shares outstanding			
Basic	149,517,295	149,453,913	149,485,778
Diluted	150,258,406	151,039,550	149,873,885
Statements of Comprehensive Income			
Net Income	$ 36,977	$ 21,135	$ 82,559
Other comprehensive (loss) income, before taxes:			
Unrealized gains on investments in securities:			
Unrealized holding losses arising during the period	(8,455)	-	(8,455)
Unrealized foreign currency exchange gains arising during the period	5,365	-	5,365
Reclassification adjustment for the cumulative effect of a change in accounting principle included in income	-	-	-
Unrealized foreign currency exchange gain on foreign operations	1,380	-	1,380
Unrealized derivative gains (losses):			
Effective portion of interest rate contracts	(6,309)	6,985	(5,129)
Total other comprehensive (loss) income	(8,019)	6,985	(6,839)
Comprehensive income	$ 28,958	$ 28,120	$ 75,720

See accompanying notes to the combined consolidated financial statements

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Combined Cons
of Changes

($ thousands)

Series B Convertible Preferred Stock, no shares authorized (December 31, 2001 - 1,100,000), $1.00 par value, no shares issued and outstanding at June 30, 2002 (December 31, 2001 - 1,100,000)	
Balance, beginning of period..	$
Conversion to Common Stock	-
Balance, end of period..	$ =
Class C Convertible Preferred Stock, no shares authorized (December 31, 2001 - 750,000), $1.00 par value, no shares issued and outstanding at June 30, 2002 (December 31, 2001 - 376,504)	
Balance, beginning of period..	$
Issuance of 269,661 shares as consideration for net Trizec R & E Holding, Inc. (TREHI) assets received..	
Issuance of 49,330 shares as consideration for Chelsfield plc stock received............	
Issuance of 3,909 shares as consideration for investment in Borealis received...........	
Conversion to Common Stock..	-
Balance, end of period..	$ =
Common Stock, 500,000,000 shares authorized (December 31, 2001 - 200,000,000), $0.01 par value, 150,020,309 shares issued and outstanding at June 30, 2002 (December 31, 2001 - 38,220,000)	
Balance, beginning shares of period..	$
Issuance of 30,317 shares as consideration for net TREHI assets received	
Issuance of 57,788,546 shares for conversion of Series B Convertible Preferred Stock....	
Issuance of 42,194,010 shares for conversion of Class C Convertible Preferred Stock.....	
Issuance of 11,616,636 shares under recapitalization plan stock split...................	
Issuance of 170,800 shares upon exercise of warrant and stock options..................	-
Balance, end of period..	$ =
Additional Paid-in Capital	
Balance, beginning of period..	$
TREHI settlement of Advance from Parent..	
Issuance of 30,317 shares of Common Stock and 269,661 shares of Class C Convertible Preferred Stock for TREHI contribution..	
Issuance of 57,788,546 shares of Common Stock for conversion of Series B Convertible Preferred Stock..	
Issuance of 42,194,010 shares of Common Stock for conversion of Class C Convertible Preferred Stock..	
Preferred and Common Stock dividends in excess of available retained earnings...........	

Issuance of 11,616,636 shares of Common Stock under recapitalization plan stock split....	
Intrinsic value of stock option grant..	
Deemed distribution on acquisition of 151 Front Street.................................	
Issuance of 170,800 shares of Common Stock upon exercise of options and warrants.........	
Deemed equity contribution on repayment of Advances to parent...........................	
	-
Balance, end of period...	$
	=
Total Owners' Capital, end of year..	$
	=

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Combined Cons
of Changes in Owners'

($ thousands)

Retained Earnings	
Balance, beginning of period..	$
Net income..	
Dividends..	
	-
Balance, end of period...	$
	=
Unearned Compensation	
Balance, beginning of period..	$
Options granted...	
Reorganization expense for vested options..	
Amortization of escrowed share grants..	
	-
Balance, end of period...	$
	=
Accumulated Other Comprehensive Loss	
Balance, beginning of period..	$
Other comprehensive income	
	-
Balance, end of period...	$
	=

See accompanying notes to the combined consolidated financial statements

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Combined Consolidated Statem

	For the
($ thousands)	2002
Cash Flows from Operating Activities	
Net Income	$ 82,559
Adjustments to reconcile net income to net cash provided by operating activities:	
Income from unconsolidated real estate joint ventures	(6,665)
Depreciation and amortization expense	81,559
Amortization of financing costs	3,051
(Gain) loss on sales of real estate	(3,816)
Minority interest	324
Derivative losses	-
Deferred compensation	2,124
Loss from securities investments	-
Deferred income tax expense	-
Loss on early debt retirement	-
Cumulative effect of a change in accounting principle	-
Reorganization costs	2,002
Changes in assets and liabilities:	
Escrows and restricted cash	(24,588)
Office tenant receivables, net	4,235
Other receivables, net	(2,331)
Deferred rent receivables, net	(15,405)
Prepaid expenses and other assets	(18,451)
Accounts payable, accrued liabilities and other liabilities	(30,409)
Net cash provided by operating activities	74,189
Cash Flows from Investing Activities	
Properties:	
Acquisitions	(72,211)
Development expenditures	(45,830)
Tenant improvements and capital expenditures	(42,737)
Tenant leasing costs	(13,549)
Dispositions	82,053
Unconsolidated real estate joint ventures:	
Investments	(7,709)
Distributions	6,644
Net cash used in investing activities	(93,339)

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Combined Consolidated Statements of Cash

	For the
($ thousands)	2002
Cash Flows from Financing Activities	
Long-term debt:	
Acquisition..	4,000
Development financing..................................	61,174
Refinancing expenditures...............................	(2,495)
Principal repayments...................................	(32,725)
Repaid on dispositions.................................	-
Draw on credit line....................................	335,000
Property financings....................................	41,083
Net advance to parent company and affiliates...............	77,746
Issuance of common stock.................................	1,774
Distribution of Additional paid-in capital.................	(486)
Dividends..	(656,639)
Net cash (used in) provided by financing activities.........	(171,568)
Net (Decrease) Increase in Cash and Cash Equivalents...........	(190,718)
Cash and Cash Equivalents, beginning of period.................	297,434
Cash and Cash Equivalents, end of period.......................	$ 106,716

Supplemental Cash Flow Disclosures:

Cash paid during the six months for:

Interest..	$ 88,718
Interest capitalized to properties under development..........	$ 1,559
Other corporate taxes...	$ 3,150

Non-cash investing and financing activities:

Mortgage debt assumed upon obtaining control of joint venture investment..	$ 105,555

Transfer of joint venture interest to real estate upon obtaining control	$ 13,514	$
Issuance of Class C Convertible Preferred Stock in exchange for other assets	$ 355,190	$
Retirement of Advance from parent in exchange for common stock of TREHI	$ 236,619	$
Retirement of Advance to parent in exchange for other assets	$ 35,000	$
Other non-cash financings	$ -	$

See accompanying notes to the combined consolidated financial statements

Notes to the Combined Consolidated Financial Statements
($ thousands, except share and per share amounts)

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1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

The organization presented in these interim financial statements is not a legal entity for the entire periods presented. It is a combination of all the United States ("U.S.") assets that TrizecHahn Corporation ("TrizecHahn"), our former parent company and currently an indirect, wholly owned subsidiary of Trizec Canada Inc., owned directly or indirectly. Trizec Properties is a corporation organized under the laws of the State of Delaware and was ultimately a substantially wholly-owned subsidiary of TrizecHahn. Trizec Properties is a 40% owned subsidiary of Emerald Blue Kft ("direct parent"), which is an indirect wholly-owned subsidiary of Trizec Canada Inc. A plan of arrangement (the "Reorganization") was approved by the TrizecHahn shareholders on April 23, 2002. On February 14, 2002, the amended registration statement on Form 10 of Trizec Properties, Inc. was declared effective by the Securities and Exchange Commission and, accordingly, Trizec Properties, Inc. became subject to the reporting requirements of a public U.S. registrant. On May 8, 2002, the effective date of the Reorganization, the common stock of Trizec Properties, Inc. commenced trading on the New York Stock Exchange.

The accompanying interim financial statements present, on a combined consolidated basis, all of the U.S. assets of TrizecHahn, substantially all of which are owned and operated by Trizec Properties, Inc. ("Trizec Properties", formerly known as TrizecHahn (USA) Corporation) and Trizec R & E Holdings, Inc. (("TREHI") formerly known as TrizecHahn Developments Inc.), TrizecHahn's two primary U.S. operating and development companies. On March 14, 2002, TREHI was contributed to Trizec Properties as described in Note 6. All of the combined entities were substantially wholly-owned subsidiaries of the common parent TrizecHahn. Collectively the combination of all these assets is referred to as the "Corporation".

The Corporation operated as separate stand alone entities for the periods presented and, as such, no additional expenses incurred by TrizecHahn or its related entities were, in management's view, necessary to be allocated to the Corporation for the periods presented. However, the historical financial results are not necessarily indicative of future operating results and no adjustments have been made to reflect possible incremental changes to the cost structure as a result of the Reorganization. The incremental charges will include, but are not limited to, additional senior management compensation expense to supplement the existing senior management team and internal and external public company corporate compliance costs.

The Corporation operates primarily in the U.S. where it owns, manages and develops office buildings and mixed-use properties. At June 30, 2002, it had ownership interests in and managed a high-quality portfolio of 74 U.S. office properties concentrated in the central business districts of seven major U.S. cities. In addition, the Corporation through TREHI has completed the development of and is stabilizing the three retail/entertainment projects, which are being held for disposition in an orderly fashion. At the end of 2000, Trizec Properties decided that it would elect to be taxed as a real estate investment trust ("REIT") pursuant to Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing in 2001.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The interim financial statements include the combined accounts of Trizec Properties and TREHI and of all subsidiaries in which they have a controlling interest. Prior to the contribution of TREHI to Trizec Properties, both Trizec Properties and TREHI were indirect wholly-owned subsidiaries under the common control of TrizecHahn. The accompanying interim financial statements have been presented using TrizecHahn's historical cost basis. All significant intercompany balances and transactions have been eliminated.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a. Basis of Presentation (Cont'd)

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results may differ from those estimates.

Certain prior period figures have been reclassified to conform to current year presentation.

b. Interim Financial Statements

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for other interim periods or for the full fiscal year. These financial statements should be read in conjunction with the Corporation's financial statements and notes thereto contained in the Corporation's annual report on Form 10-K for its fiscal year ended December 31, 2001.

c. Income Per Share

In connection with the Reorganization, the Corporation modified the number of its issued and outstanding shares of Common Stock as described in Note 7 and issued 8,368,932 options and 8,772,418 warrants to purchase shares of Common Stock. This resulted in 149,849,246 shares of Common Stock and 17,141,350 options or warrants being outstanding on May 8, 2002.

At June 30, 2002, the Corporation had 150,020,309 shares of common stock issued and outstanding. The weighted average number shares outstanding for the three months ended June 30, 2002 for determining basic earnings per share was 149,517,295 (six months ended June 30, 2002 - 149,485,778). For the three months ended June 30, 2002, dilutive shares outstanding were increased by 741,111 in respect of stock options, warrants and escrow share grants that had a dilutive effect (six months ended June 30, 2002 - 388,107). For the three months and six months ended June 30, 2002, 4,617,702 stock options and 3,776,701 warrants were not included in the computation of diluted income per share as they would have had an anti-dilutive effect. The dilutive shares were calculated based on $16.73 per share, which represents the average trading price from May 8, 2002, the date the Corporation's Common Stock began trading, to June 30, 2002.

For the periods ended June 30, 2001, dilutive shares outstanding were increased by 1,585,637 in respect of stock options and warrants respectively that had a dilutive effect. For the prior periods presented, 4,839,952 stock options and 2,959,858 warrants were not included in the computation of diluted income per share as they would have had an anti-dilutive effect. Basic and diluted net income per share of common stock have been computed by dividing the net income for each period presented by the number of outstanding shares of common stock issued on May 8, 2002. All Trizec Properties common stock equivalents at May 8, 2002 were considered for the purpose of determining dilutive shares outstanding. The Corporation used the price of its Common Stock on May 8, 2002 to determine the dilutive effect.

For the three months ended June 30, 2001, the Corporation recorded a loss on early debt retirement of $17,966 or $0.12 per share.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d. Change in Accounting Principle

The Corporation adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, ("SFAS No. 133") as of January 1, 2001. The cumulative effect of this accounting change reduced net income for the six months ended June 30, 2001 by $4,631 or $0.03 per share.

e. Recent Accounting Pronouncements

On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". SFAS No. 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business". SFAS 144 requires long-lived assets that are to be disposed of by sale to be measured at the lower of book value or fair value less cost to sell. Under SFAS No. 144, certain conditions are required to be met for a property to be classified as held for disposition. Under the transitional rules of the standard, properties held for disposition as at the date of adoption are required to satisfy these conditions within one year of adoption. For the current year, pursuant to the transition rules, the results of operations for these properties will be reported in continuing operations. Properties currently held for disposition that do not meet such conditions by December 31, 2002 will be required to be reclassified from held for disposition to held for the long term at that date. Reclassification, if any, is measured at the lower of the asset's carrying amount before it was classified as held for disposition, adjusting for any depreciation that would have been recognized had the asset been continuously classified as held for the long term, and fair value at the date of reclassification. The Corporation has adopted this standard on January 1, 2002 and it has had no impact on the financial statements presented.

On April 30, 2002, the FASB issued Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("FAS No. 145"). FAS No. 145 rescinds both Statement of Financial Accounting Standards No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (FAS No. 4"), and the amendment to FAS No. 4, Statement of Financial Accounting Standards No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". FAS No. 145 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect, unless the criteria in Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" are met. FAS No. 145 is effective for transactions occurring subsequent to May 15, 2002. The Corporation does not expect FAS No. 145 to have any impact on the Corporation beyond classification of costs related to early extinguishments of debt, which were previously shown as extraordinary items.

($ thousands, except share and per share amounts)

3. REAL ESTATE

The Corporation's investment in real estate is comprised of:

	June 30 2002	Dece
Properties		
Held for the long term..	$ 4,425,408	$ 4,32
Held for disposition..	655,128	63
	$ 5,080,536	$ 4,96

3. REAL ESTATE (CONT'D)

Properties held for disposition include certain properties that the Corporation has decided to dispose of in an orderly manner over a reasonable sales period. At June 30, 2002, properties held for disposition included three retail/entertainment projects, a technology center development property, two office properties and certain remnant retail land sites.

a. Properties - Held for the Long Term

	June 30 2002	Dece
Rental properties		
Land	$ 523,677	$
Buildings and improvements..................................	4,004,947	3,
Tenant improvements..	264,301	
Furniture, fixtures and equipment............................	12,599	

($ thousands, except share and per share amounts)

	4,805,524	4,
Less: accumulated depreciation	(494,407)	(
	4,311,117	4,
Properties under development	86,271	
Properties held for future development	28,020	
	$ 4,425,408	$ 4,

b. Properties - Held for Disposition

	June 30 2002	De
Rental properties	$ 294,575	$
Properties under development	349,475	
Properties held for development	11,078	
	$ 655,128	$

These properties are carried at the lower of depreciated cost less estimated impairment losses where appropriate, or estimated fair value less costs to sell. Implicit in management's assessment of fair values are estimates of future rental and other income levels for the properties and their estimated disposal dates. Due to the significant measurement uncertainty of determining fair value, actual proceeds to be realized on the ultimate sale of these properties could vary materially from their carrying value.

The results of operations of properties held for disposition are included in the revenue and expenses of the Corporation. The following summarizes the condensed results of operations of the properties held for disposition.

3. REAL ESTATE (CONT'D)

	For the three months ended June 30	For t

	2002	2001	2002
Total Revenue........................	$ 26,042	$ 13,816	$ 49,604
Less: operating expenses and property taxes............................	(12,309)	(6,403)	(23,500
Property operating income............	$ 13,733	$ 7,413	$ 26,104

c. Dispositions

Date Sold	Property	Location	Rentable Sq. Ft.	Sal Pri
January 31	Hanover Office Park	Greenbelt, MD	16,000	$
February 20	Valley Industrial Park	Seattle, WA	-	2
April 24	Perimeter Woods	Charlotte, NC	313,000	2
June 11	Clybourne Technology	Chicago, IL	-	1
June 24	Warner Center, Panavision Building	Los Angeles, CA	148,000	1
Various	Residual lands and refusal rights	Various	-	
				$ 8

Hanover Office Park, Valley Industrial Park, Perimeter Woods and Clybourne Technology were classified as held for disposition at December 31, 2001.

d. Acquisitions

Date Acquired	Property	Location	Rentable Sq. Ft.
April 12, 2002	151 Front Street	Toronto, ON	227,000
June 3, 2002	10 and 120 Riverside - acquisition of ground lease and other obligations	Chicago, IL	
June 4, 2002	Ernst & Young Plaza	Los Angeles, CA	1,252,000

($ thousands, except share and per share amounts)

On June 4, 2002, the Corporation obtained control of the Ernst & Young Plaza by acquiring the remaining 75% interest it did not own. The Corporation paid $35,946 in cash and assumed $79,166 in debt related to the 75% interest acquired. In addition, the Corporation transferred $26,389 in debt related to its pro rata share of the joint venture debt, $1,386 in net working capital and $13,514 from investment in unconsolidated real estate joint ventures. The Corporation has consolidated the results of operations from June 4, 2002.

3. REAL ESTATE (CONT'D)

The Corporation acquired 151 Front Street from TrizecHahn and, accordingly, the acquisition has been recorded using TrizecHahn's historic values (see Note 6 (a)). The Corporation has classified this property as held for disposition.

4. UNCONSOLIDATED REAL ESTATE JOINT VENTURES

The Corporation participates in incorporated and unincorporated joint ventures and partnerships with other ventures in various operating properties which are accounted for using the equity method. In most instances, these projects are managed by the Corporation.

a. Unconsolidated Real Estate Joint Venture Financial Information

On June 4, 2002, the Corporation acquired the remaining 75% interest in the Ernst & Young Plaza which it did not already own. As a result of this acquisition, the Corporation now consolidates this property.

The following represents combined summarized financial information of the unconsolidated real estate joint ventures.

Balance Sheets	June 30 2002	D
Assets		
Real estate, net	$ 977,564	$
Other assets	161,366	
Total Assets	$ 1,138,930	$
Liabilities		
Mortgage debt	$ 585,977	$
Other liabilities	35,928	
Partners' equity	517,025	

Total Liabilities and Equity	$ 1,138,930	$
Corporation's Share of Equity	$ 283,458	$
Corporation's Share of Mortgage Debt	$ 334,974	$

Statements of Operations	For the three months ended June 30		For the	
	2002	2001	2002	
Total Revenues	$ 53,455	$ 52,954	$ 106,827	$
Expenses				
Operating and other	25,921	23,046	51,946	
Interest	11,523	15,713	22,528	
Depreciation and amortization	9,190	2,246	18,242	
Total Expenses	46,634	41,005	92,716	
Net Income	$ 6,821	$ 11,949	$ 14,111	$
Corporation's Share of Net Income	$ 3,277	$ 7,653	$ 6,665	$

Notes to the Combined Consolidated Financial Statements
($ thousands, except share and per share amounts)

4. UNCONSOLIDATED REAL ESTATE JOINT VENTURES (CONT'D)

b. Liability for Obligations of Partners

The Corporation is contingently liable for certain obligations of its partners in such ventures. In each case, all of the assets of the venture are available for the purpose of satisfying such obligations. The Corporation had guaranteed or was otherwise contingently liable for approximately $14,401 at June 30, 2002 (December 31, 2001 - $12,968) of its partners' share of recourse property debt.

5. MORTGAGE DEBT AND OTHER LOANS

	Properties Held for the Long Term		Properties Held for Disposition		Total D	
	Weighted average interest rates at Jun. 30 2002	Jun. 30 2002	Weighted average interest rates at Jun. 30 2002	Jun. 30 2002	Weighted average interest rates at Jun. 30 2002	Jun. 30 2002
Collateralized property loans:						
At fixed rates	6.88%	$2,079,709	-%	$ -	6.88%	$2,079,709
At variable rates	2.94%	660,634	3.59%	433,193	3.20%	1,093,827
Other loans	3.44%	341,683	5.67%	56,153	3.76%	397,836
	5.66%	$3,082,026	3.83%	$ 489,346	5.40%	$3,571,372

In the table above, mortgage debt and other loans have been presented on a basis consistent with the classification of the underlying collateralized properties, by properties held for the long term or held for disposition.

a. Collateralized Property Loans

Property loans are collateralized by deeds of trust or mortgages on properties, and mature at various dates between August 1, 2002 and May 15, 2011.

At June 30, 2002, the Corporation had fixed the interest rates on $150 million (December 31, 2001 - $150 million) of the debt classified as fixed, in the above table, by way of interest rate swap contracts with a weighted average interest rate of 6.01% and maturing on March 15, 2008. The cost to unwind these interest swap contracts was approximately $7.9 million at June 30, 2002 (December 31, 2001 - $3.6 million).

b. Line of Credit

The Corporation has a three-year, $350 million unsecured revolving credit facility with a group of banks. The amount of the credit facility available to be borrowed at any time is determined by the unencumbered properties that the Corporation owns and that satisfy certain conditions of eligible properties. The amount eligible to be borrowed at June 30, 2002 was $350 million and $335 million was outstanding under this facility (December 31, 2001 - nil).

5. MORTGAGE DEBT AND OTHER LOANS (CONT'D)

b. Line of Credit (cont'd)

The financial covenants defined in the revolving credit agreement include tests of total debt as a percentage of total asset value (maximum 60%) and total secured debt as a percentage of total asset value (maximum 55%). At June 30, 2002, the Corporation's total debt to total asset value percentage was 59.3% and the percentage of total secured debt to total asset value was 53.9%. As these covenants are sensitive to quarterly fluctuations in property operations, debt levels and other factors, there can be no assurance that the Corporation will be able to continue to satisfy these requirements over the next several quarters.

Accordingly, the Corporation is in discussions with its lead bank concerning modifying these covenants and other terms of the revolving credit facility. While the Corporation believes that it will be successful in these discussions, there can be no assurance that the required number of participating banks will agree to such modifications. In that event, the Corporation intends to refinance the facility and believes it will be able to do so on commercially reasonable terms.

c. Guarantees of Indebtedness

At December 31, 2001, $241,616 of guarantees in connection with mortgage debt and other loans, including the Corporation's pro rata share of certain unconsolidated joint venture debt, had been provided by certain subsidiaries of TrizecHahn. As a consequence of the Reorganization, these guarantees have been assumed by the Corporation.

6. RELATED PARTY INFORMATION

a. Transactions During 2002

i. TREHI

On January 1, 2002, TREHI settled its existing advance from parent of $236,619 in exchange for issuing 237 shares of TREHI common stock to TrizecHahn. As a result of this transaction, Advance from Parent was reduced by $236,619 with a corresponding increase to Additional paid-in capital.

On March 14, 2002, TrizecHahn contributed its investment in TREHI to Trizec Properties in exchange for 30,317 shares of Trizec Properties Common Stock and 269,661 shares of Trizec Properties Class C Convertible Preferred Stock. As a result of this transaction, Trizec Properties Class C Convertible Preferred Stock was increased by $296,627 with a corresponding decrease to Additional paid-in capital.

ii. Acquisition of 151 Front Street

On April 12, 2002, TrizecHahn transferred its interest in 151 Front Street, Toronto, Ontario, to the Corporation for approximately $29.6 million in cash. As a result of this related party transaction, the Corporation has recorded property value of approximately $29.1 million which is TrizecHahn's historical cost basis. The difference between cash paid and the historic book value has been recorded as a distribution of Additional paid-in capital. 151 Front Street has been classified as a property held for disposition.

($ thousands, except share and per share amounts)

6. RELATED PARTY INFORMATION (CONT'D)

a. Transactions During 2002 (cont'd)

iii. Contribution of Chelsfield plc

On April 19, 2002, in connection with the Reorganization, TrizecHahn contributed its investment in Chelsfield plc, a UK real estate company whose shares are listed on the London Stock Exchange, to the Corporation at TrizecHahn's value of approximately $89 million. The Corporation owns approximately 19.5 million ordinary shares or approximately 6.9% of the outstanding ordinary shares of Chelsfield plc. In consideration for the ordinary shares of Chelsfield plc received, TrizecHahn was issued 49,330 shares of Trizec Properties Class C Convertible Preferred Stock at a value of approximately $54 million and retired a $35 million non-interest bearing advance from the Corporation.

The Corporation's investment in Chelsfield plc has been designated as an equity investment available for sale. The investment is carried at fair value with the resulting unrealized gain or loss, including any unrealized foreign currency exchange gain or loss, being recorded in other comprehensive income.

iv. Contribution of Borealis

TrizecHahn had investments in private equity and venture capital funds managed by Borealis Capital Corporation and in Borealis Capital Corporation (collectively referred to as "Borealis"). On April 30, 2002, TrizecHahn contributed its investment in Borealis to the Corporation in exchange for 3,909 shares of Trizec Properties Class C Convertible Preferred Stock valued at approximately $4.3 million.

b. Other Related Party Information

	June 30 2002	De
Non-interest bearing advances from Trizec Properties to the parent and affiliated companies	$ -	$
Non-interest bearing advances from the parent and affiliated companies to TREHI	$ -	$

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As part of the Reorganization, TrizecHahn repaid its remaining advances from the Corporation.

At December 31, 2001, the non-interest bearing advances from and to the parent and affiliated companies were unsecured and due on demand.

7. OWNERS' EQUITY

a. Reorganization

On May 7, 2002, all issued and outstanding shares of Series B Convertible Preferred Stock and all outstanding Class C Convertible Preferred Stock (except 4 shares held by a charity which were converted on May 21, 2002) were converted into Common Stock and the outstanding shares of Common Stock were split on a 1.0840374367693 for 1 basis resulting in 149,805,946 shares being owned indirectly by TrizecHahn and 43,300 shares being owned by third party charities. On May 8, 2002, TrizecHahn completed the Reorganization with the result that, as of May 8, 2002, 59,922,379 shares of Common Stock were owned directly or indirectly by Trizec Canada Inc. and 89,926,867 shares were owned by former TrizecHahn shareholders and by third party charities. Additionally, the Corporation issued 8,368,932 options and 8,772,418 warrants to purchase shares of Common Stock in connection with the Reorganization.

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7. OWNERS' EQUITY (CONT'D)

a. Reorganization (cont'd)

The 8,368,932 options granted on May 8, 2002 as part of the Reorganization were granted to replace existing TrizecHahn options. The vesting period, expiry date and exercise price (which has been restated to United States dollars at the conversion rate on May 8, 2002) of the newly issued options are the same as the options which they replaced. The exercise price of certain of these options was less than the Corporation's share price on May 8, 2002. The Corporation recognized $6,011 as unearned compensation which represents the intrinsic value of the options on the grant date. The Corporation immediately recorded a reorganization expense of $2,002, which represents the options that were already vested on the grant date. The remaining $4,009 of unearned compensation will be recognized into earnings over the vesting period of the options.

b. Dividends

On March 29, 2002, the Corporation paid $12,405 of cumulative dividends on its Class C Convertible Preferred Stock.

In connection with the Reorganization, the Corporation paid cash dividends of $630,803, of which $51,425 has been charged to Retained earnings and the remainder has been charged against Additional paid-in capital. The 8,772,418 warrants issued in connection with the Reorganization were recognized as a non-cash dividend of $24,208, the fair value of the warrants.

On June 27, 2002, the Corporation paid $13,127 as a dividend to the holders of the common stock. Pursuant to the terms of the special voting shares, on June 27, 2002, the Corporation paid $304 as a special dividend which represented the withholding taxes on the common stock dividend paid June 27, 2002 to TrizecHahn.

8. SEGMENTED INFORMATION

The Corporation has determined that its reportable segments are those that are based on the Corporation's method of internal reporting, which classifies its office operations by regional geographic area. This reflects a management structure with dedicated regional leasing and property management teams. The Corporation's reportable segments by geographic region for office operations in the United States are: Atlanta, Chicago, Dallas, Houston, Los Angeles area, New York area, Washington D.C. area and secondary markets. A separate management group heads the retail/entertainment development segment. The Corporation primarily evaluates operating performance based on property operating income which is defined as total revenue including tenant recoveries, parking, fee and other income less operating expenses and property taxes. This excludes property related depreciation and amortization expense. The accounting policies for purposes of internal reporting are the same as those described for the Corporation in Note 2 - Significant Accounting Policies of the Corporation's Form 10-K, except that real estate operations conducted through joint ventures are consolidated on a proportionate line-by-line basis, as opposed to the equity method of accounting. All key financing, investing, capital allocation and human resource decisions are managed at the corporate level. Asset information by reportable segment is not reported since the Corporation does not use this measure to assess performance therefore, the depreciation and amortization expenses are not allocated among segments.

The following presents internal property operating income by reportable segment for the three months ended June 30, 2002 and 2001 and the six months ended June 30, 2002 and 2001.

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8. SEGMENTED INFORMATION (CONT'D)

For the three months ended June 30, 2002 and 2001

	Office Pro					
	Atlanta		Chicago		Dall	
	2002	2001	2002	2001	2002	
Property operations						
Total property revenue......	$ 20,486	$ 18,762	$ 17,062	$ 14,333	$ 24,703	$
Total property expense......	(7,701)	(7,267)	(7,689)	(8,004)	(13,624)	
Internal property operating income......................	$ 12,785	$ 11,495	$ 9,373	$ 6,329	$ 11,079	$

	Los Angeles	
	2002	2001
Property operations		
Total property revenue......	$ 12,857	$ 10,395
Total property expense......	(5,072)	(4,380)
Internal property operating income......................	$ 7,785	$ 6,015

	Office Properties (Cont'					
	New York		Washington D.C.		Seconda	
	2002	2001	2002	2001	2002	
Property operations						
Total property revenue......	$ 48,652	$ 48,389	$ 31,461	$ 32,419	$ 51,823	$
Total property expense......	(19,328)	(18,228)	(11,772)	(10,457)	(20,488)	
Internal property operating income......................	$ 29,324	$ 30,161	$ 19,689	$ 21,962	$ 31,335	$

	Retail		Total	
	2002	2001	2002	2001
Property operations				
Total property revenue......	$ 26,911	$ 11,118	$ 263,035	$ 252,975
Total property expense......	(16,548)	(3,727)	(115,462)	(104,061)
Internal property operating				

income......................	$ 10,363	$ 7,391	$ 147,573	$ 148,914

Notes to the Combined Consolidated Financial Statements
($ thousands, except share and per share amounts)

8. Segmented Information (CONT'D)

For the six months ended June 30, 2002 and 2001

	Office Pro					
	Atlanta		Chicago		Dallas	
	2002	2001	2002	2001	2002	
Property operations						
Total property revenue......	$ 41,293	$ 37,325	$ 33,959	$ 26,592	$ 49,216	$
Total property expense......	(15,721)	(14,479)	(15,115)	(15,749)	(26,770)	
Internal property operating income......................	$ 25,572	$ 22,846	$ 18,844	$ 10,843	$ 22,446	$

	Los Angeles	
	2002	2001
Property operations		
Total property revenue......	$ 24,179	$ 20,493
Total property expense......	(9,739)	(8,211)
Internal property operating income......................	$ 14,440	$ 12,282

Office Properties (Cont'd)		
New York	Washington D.C.	Secondary M

	2002	2001	2002	2001	2002
Property operations					
Total property revenue......	$ 97,872	$ 95,454	$ 64,279	$ 63,727	$ 102,345
Total property expense......	(38,305)	(35,957)	(23,638)	(20,251)	(43,683)
Internal property operating income.....................	$ 59,567	$ 59,497	$ 40,641	$ 43,476	$ 58,662

	Retail		Total	
	2002	2001	2002	2001
Property operations				
Total property revenue......	$ 51,227	$ 17,080	$ 524,125	$ 491,998
Total property expense......	(30,560)	(6,164)	(230,035)	(204,151)
Internal property operating income.....................	$ 20,667	$ 10,916	$ 294,090	$ 287,847

Notes to the Combined Consolidated Financial Statements
($ thousands, except share and per share amounts)

8. SEGMENTED INFORMATION (CONT'D)

The following is a reconciliation of internal property operating income to income before extraordinary items and cumulative effect of a change in accounting principle.

	For the three months ended June 30		For th
	2002	2001	2002
Internal property revenue............	$ 263,035	$ 252,975	524,125
Less: real estate joint venture property revenue..................	(27,069)	(24,236)	(53,755
Interest income......................	2,090	3,885	4,797
Total revenues......................	238,056	232,624	475,167

($ thousands, except share and per share amounts)

Internal property operating expenses.	(115,462)	(104,061)	(230,035
Less: real estate joint venture operating expenses...............	13,670	10,948	27,008
Total operating expenses and property taxes............................	(101,792)	(93,113)	(203,027
General and administrative expenses..	(12,169)	(5,578)	(18,684
Interest expense.....................	(49,313)	(38,406)	(94,727
Depreciation and amortization expense	(41,086)	(41,165)	(81,559
Reorganization costs.................	(2,002)	(11,184)	(2,002
Loss from securities investments.....	-	(5,279)	-
Derivative losses....................	-	(456)	-
Provision for income and other corporate taxes...................	(1,522)	(1,490)	(2,766
Minority interest....................	(288)	(568)	(324
Income from unconsolidated real estate joint ventures....................	3,277	7,653	6,665
Gain (loss) on sales of real estate..	3,816	(3,937)	3,816
Income before Extraordinary items and Cumulative Effect of a Change in Accounting Principle.............	$ 36,977	$ 39,101	$ 82,559

9. CONTINGENCIES

a. Litigation

The Corporation is contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. While the final outcome with respect to claims and litigation pending at June 30, 2002, cannot be predicted with certainty, in the opinion of management, any liability which may arise from such contingencies would not have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Corporation.

9. CONTINGENCIES (CONT'D)

b. Concentration of Credit Risk

The Corporation maintains its cash and cash equivalents at financial institutions. The combined account balances at each institution typically exceed Federal Deposit Insurance Corporation insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. Management believes that this risk is not significant.

The Corporation performs ongoing credit evaluations of tenants and may require tenants to provide some form of credit support such as corporate guarantees and/or other financial guarantees. Although the Corporation's properties are geographically diverse and tenants operate in a variety of industries, to the extent the Corporation has a significant concentration of rental revenue from any single tenant, the inability of that tenant to make its lease payment could have an adverse effect on the Corporation.

c. Environmental

The Corporation, as an owner of real estate, is subject to various environmental laws of federal and local governments. Compliance by the Corporation with existing laws has not had a material adverse effect on the Corporation's financial condition and results of operations, and management does not believe it will have such an impact in the future. However, the Corporation cannot predict the impact of new or changed laws or regulations on its current properties or on properties that it may acquire in the future.

d. Insurance

The Corporation carries with third party insurers, comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) which are either uninsurable or not economically insurable.

The Corporation currently has insurance for earthquake risks, subject to certain policy limits and deductibles, and will continue to carry such insurance if it is economical to do so. There can be no assurance that earthquakes may not seriously damage the Corporation's properties (several of which are located in California, historically an earthquake-prone area) and that the recoverable amount of insurance proceeds will be sufficient to fully cover reconstruction costs and other losses suffered. The Corporation currently has insurance against acts of terrorism, subject to policy limits and deductibles, and subject to exemption for terrorist acts that constitute acts of war. There can be no assurance that insurance coverage for acts of terrorism will be available on commercially acceptable terms in the future. In addition, there can be no assurance that third-party insurers will be able to maintain reinsurance sufficient to cover any losses that may be incurred as a result of terrorist acts. Should an uninsured or underinsured loss occur, the Corporation could lose its investment in, and anticipated income and cash flows from, one or more of its properties, but the Corporation would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Additionally, although the Corporation generally obtains Owners' title insurance policies with respect to its properties, the amount of coverage under such policies may be less than the full value of such properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, the Corporation could lose all or part of its investment in, and anticipated income and cash flows from, such property.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In the remainder of this Form 10-Q, the terms "we", "us", "our" and "our company" refer to the combined operations of all of the former U.S. holdings of our former parent company, TrizecHahn Corporation (currently an indirect, wholly owned subsidiary of Trizec Canada Inc.), substantially all of which are owned and operated by Trizec Properties, Inc., Trizec R & E Holdings, Inc. (formerly known as TrizecHahn Developments Inc.) and their respective consolidated subsidiaries. On March 14, 2002, Trizec R & E Holdings, Inc. was contributed to Trizec Properties, Inc.

The following discussion should be read in conjunction with "Forward-Looking Statements" and the combined consolidated interim financial statements and the notes thereto that appear elsewhere in this Form 10-Q. The following discussion may contain forward-looking statements within the meaning of the securities laws. Actual results could differ materially from those projected in such statements as a result of certain factors set forth in this Form 10-Q, and in our Form 10-K for the year ended December 31, 2001.

Overview

We are the second largest fully integrated, self-managed, publicly traded office company in the United States based on the square footage of our owned and managed properties as of July 24, 2002, according to our internal estimates based on publicly available information about our competitors as of June 30, 2002. We are principally engaged in owning and managing office properties in the United States. At June 30, 2002, we had total assets of $6.1 billion and owned interests in or managed 74 office properties containing approximately 49 million square feet, with our pro rata ownership interest totaling approximately 42 million square feet. Based on square footage, approximately 78% of our buildings are located in central business districts, or CBDs, of major U.S. cities, including Atlanta, Chicago, Dallas and Houston and the Los Angeles, New York and Washington, D.C. areas, and approximately 76% of our buildings are Class A. We consider Class A office buildings to be buildings that are professionally managed and maintained, that attract high-quality tenants and command upper-tier rental rates and that are modern structures or have been modernized to compete with newer buildings.

We are also completing the stabilization of three destination-oriented retail and entertainment centers, all of which are in operation. We intend to complete the leasing of these projects to achieve stable operating cash flows and then to dispose of these assets in an orderly fashion.

At the end of 2000, we decided to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing in 2001. As a REIT, we generally will not be subject to U.S. federal income tax if we distribute 100% of our taxable income and comply with a number of organizational and operational requirements.

Our goal is to increase stockholder value through sustained growth in operating cash flows, thereby increasing the value of our portfolio. In the near term, we believe we can accomplish our goal through the following strategies:

- intensively managing our properties and our portfolio;
- improving the efficiency and productivity of our operations; and

- maintaining a prudent and flexible capital plan.

Our portfolio strategy is to invest in office properties in the CBDs of major metropolitan areas demonstrating high job growth, allowing us to achieve economies of scale across a diverse base of tenants that provide for sustainable property cash flows.

Results of Operations

The following discussion is based on our combined consolidated interim financial statements for the three months ended June 30, 2002 and 2001, and for the six months ended June 30, 2002 and 2001.

The combined consolidated interim financial statements present all of TrizecHahn Corporation's former U.S. holdings, all of which are now owned and operated by us. Prior to TrizecHahn Corporation's corporate reorganization, we, along with our subsidiary Trizec R & E Holding Inc. (formerly known as TrizecHahn Developments Inc., which became our subsidiary on March 14, 2002) were TrizecHahn Corporation's two primary U.S. operating and development companies. The combined entities and their subsidiaries were under the common control of TrizecHahn Corporation and have been presented utilizing the historical cost basis of TrizecHahn Corporation. For additional information about TrizecHahn Corporation's corporate reorganization, see "Part II - Other Information - Item 5. Other Information" in this Form 10-Q.

We have had acquisition, disposition and development activity in our property portfolio in the periods presented. The table that follows is a summary of our acquisition and disposition activity from January 1, 2001 to June 30, 2002 and reflects our total portfolio at June 30, 2002. The buildings and total square feet shown include properties that we own in joint ventures with other partners and reflect the total square footage of the properties and the square footage owned by us based on our pro rata economic ownership in the respective joint venture or managed property.

	U.S. Office			Reta
Properties as of:	Properties	Total Sq.Ft.	Pro rata Owned Sq.Ft.	Properties
		(in thousands)		
December 31, 2000......................	77	49,831	41,516	1
Acquisitions......................	3	818	818	-
Dispositions......................	(4)	(1,937)	(1,161)	-
Additional space placed on-stream..	-	150	150	3
December 31, 2001......................	76	48,862	41,323	4
Dispositions......................	(2)	(477)	(477)	-
Acquisitions	-	-	933	-
Re-measurements...................	-	137	135	-

June 30, 2002..........................	74	48,522	41,914	4

In addition, during the second quarter of 2002, we acquired 151 Front Street, Toronto, ON, with 227,000 square feet of total and owned space.

As a result of the acquisition, disposition and development activity, the financial information presented shows changes in revenues and expenses from period to period, and we do not believe our period-to-period financial data in isolation are necessarily comparable. Accordingly, the analysis that follows focuses on changes resulting from properties that we owned for the entire time during both periods, which we refer to as our "comparable portfolio", in addition to the changes attributable to our total portfolio.

In the financial information that follows, property revenue includes rental revenue, recoveries from tenants for certain expenses, fee income and parking and other revenue. Property operating expenses include property operating expenses and property taxes and excludes depreciation and amortization expense. Property operating income is defined as property revenues less property operating expenses, before general and administrative expense, depreciation and amortization, interest expense and income taxes.

Comparison of Three Months Ended June 30, 2002 to Three Months Ended June 30, 2001

The following is a table comparing our summarized operating results for the periods, including other selected information.

	Three Months Ended June 30		Inc
	2002	2001	(De
	(dollars in thous		
Property revenues...	$ 235,966	$228,739	$
Interest income...	2,090	3,885	
Total revenues..	238,056	232,624	
Property operating expenses...................................	101,792	93,113	
General and administrative....................................	12,169	5,578	
Interest expense..	49,313	38,406	
Depreciation and amortization.................................	41,086	41,165	
Reorganization costs..	2,002	11,184	
Loss from securities investments..............................	-	5,279	
Derivative losses...	-	456	
Total expenses..	206,362	195,181	

Income before income taxes, allocation to minority interest, income from unconsolidated real estate joint ventures, gain (loss) on sales of real estate and extraordinary items.....	31,694	37,443	
Provision for income and other corporate taxes..............	(1,522)	(1,490)	
Minority interest...	(288)	(568)	
Income from unconsolidated real estate joint ventures........	3,277	7,653	
Gain (loss) on sales of real estate.........................	3,816	(3,937)	
Loss on early debt retirement...............................	-	(17,966)	
Net income..	36,977	21,135	
Dividends paid to special voting stockholders...............	304	-	
Net income available to common stockholders.................	$ 36,673	$ 21,135	$
Straight line adjustment....................................	$ 7,872	$ 4,564	$
Lease termination fees......................................	$ 1,399	$ 2,599	$

The table below presents selected operating information for our total portfolio and for our comparable portfolio of 61 office properties, which we owned both at June 30, 2002 and 2001, and in each case for the full three months.

	Three Months Ended June 30		
	2002	2001	Incre (Decr
		(dollars in thousa	
Total Portfolio			
Office			
Property revenues..................................	$ 212,488	$ 217,618	$
Property operating expenses........................	87,885	89,416	
Property operating income..........................	$ 124,603	$ 128,202	$
Retail			
Property revenues..................................	$ 23,478	$ 11,121	$
Property operating expenses........................	13,907	3,697	
Property operating income..........................	$ 9,571	$ 7,424	$
Comparable Portfolio			
Office			
Property revenues..................................	$ 198,229	$ 210,007	$

Property operating expenses...........................	82,815	86,690	
Property operating income.............................	$ 115,414	$ 123,317	$

The supply of, and demand for, office space affects the performance of our office property portfolio. Macroeconomic conditions, such as current and expected trends in the economy, business and consumer confidence and employment levels, drive this demand.

During the second quarter of 2002, the U.S. economy continued to show signs of a tentative recovery. However, according to Cushman and Wakefield, the national CBD vacancy rate was 14.1% at June 30, 2002, up from 12.0% at year-end 2001. The overall national suburban vacancy rate was 19.4% at June 30, 2002.

Our portfolio is currently insured against acts of terrorism, subject to policy limits and deductibles and subject to exceptions for terrorist attacks that constitute acts of war. The term of this insurance policy extends through the end of 2002. We cannot ensure that insurance coverage for acts of terrorism will continue to be available on commercially acceptable terms beyond 2002. Insurance costs are expected to increase significantly beyond 2002. There can be no assurance that third party insurers will be able to maintain reinsurance sufficient to cover any losses that may be incurred as a result of terrorist acts. In addition, the level of security has been increased at certain properties in response to the terrorist attacks. We expect to be able to pass on a significant portion of these cost increases to tenants in the form of increased rents.

On December 3, 2001, a group of Enron Corporation companies filed for Chapter 11 reorganization. Enron was our fourth largest tenant contributing 2% of 2001 NOI and occupying 793,000 square feet, primarily at the Allen Center in Houston, Texas. As of January 31, 2002, Enron terminated all its leased space at the average in-place net rent of approximately $9.30 per square foot. At June 30, 2002, approximately 314,000 square feet of this space had been leased and occupied at an average net rent of approximately $15 per square foot. We have executed leases on a further 132,000 square feet that are not in occupancy statistics at an average net rent of approximately $16 per square foot.

Our management believes our portfolio is well positioned to continue to perform through these more uncertain economic times due to its diversified tenant and geographic asset base, primarily located in CBD high job-growth markets in the United States.

Property Operating Income - Property Revenue Less Property Operating Expense

The $7.2 million total increase in property revenues for the comparable period is the result of completion of all retail development properties by the end of 2001, the acquisition in 2001 of three office properties, 151 Front Street in Toronto, ON, and the remaining 75% interest in Ernst & Young Plaza in Los Angeles, CA, and the partial lease-up of Alliance Center in Atlanta, GA in 2002, partially offset by lower average occupancy as a result of some significant lease terminations. These include Enron, as noted above; a tenant occupying all 184,000 square feet at One Reston Place in Reston, Virginia, that terminated in December 2001; and, a 484,000 square foot tenant at the Gallerias in Dallas, that terminated in October 2001.

For our total portfolio of 74 office properties for the three months ended June 30, 2002, we leased 1,638,000 square feet (1,539,000 square feet on a pro rata basis), and occupancy decreased to 89.4% compared with 93.0% at June 30, 2001, primarily due to the lease terminations noted above.

For the comparable portfolio of 70 office properties including our joint ventures, occupancy decreased from 92.9% at June 30, 2001 to 89.4% at June 30, 2002. The average monthly occupancy for these 70 properties was 89.4% for the three months ended June 30, 2002 compared with 93.1% for the three months ended June 30, 2001. For our 100% owned comparable portfolio of 61 properties, property revenue decreased $11.8 million or 5.6%. Excluding termination fees from both periods, property revenue decreased $9.9 million or 4.8%.

The acquisition of three Class A office buildings (550 West Washington in Chicago, 1225 Connecticut in Washington D.C. and Two Ballston in Arlington, Virginia) during the second quarter of 2001 and the acquisition of the remaining 75% interest in Ernst & Young Plaza that we did not previously own and 151 Front Street increased property revenue by $8.4 million. We had previously included 25% of the operating results from the Ernst & Young Plaza in Income from unconsolidated real estate joint ventures. Additionally, current period revenue benefited by $2.5 million from the initial lease-up of One Alliance Center in Atlanta which was completed in October 2001.

We disposed of three properties last year and two properties during the current year which decreased revenues by $4.3 million for the three months ended June 30, 2002.

Included in the above property revenue analysis are lease termination fees. Lease termination fees are an element of ongoing real estate ownership, and for the three months ended June 30, 2002, we recorded $1.0 million of termination fees (for the three months ended June 30, 2001 - $2.6 million) for our office portfolio.

Retail property revenue increased $12.4 million and retail property operating expenses increased by $10.2 million primarily due to the completion of all three development projects. The retail/entertainment component of Hollywood & Highland in Los Angeles opened on November 8, 2001 and at June 30, 2002, it was 81% leased with occupancy at 81%. The hotel component opened at the end of December 2001. Paseo Colorado opened September 28, 2001 and at June 30, 2002, it was 91% leased with occupancy at 88%.

Office property operating expenses, which include real estate taxes, utilities, repairs and maintenance, cleaning and other property-related expenses and exclude depreciation and amortization expense, increased due to the portfolio composition changes described above. For our comparable portfolio, operating expenses decreased due to lower utility expense which were partially offset by higher security costs. Excluding the impact on revenues of lease termination fees, our comparable office portfolio gross margin decreased to 58.0% for the three months ended June 30, 2002 from 58.2% for the three months ended June 30, 2001 reflecting the lower average occupancy for the period.

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Interest Income

The $1.8 million decrease in interest income for the three months ended June 30, 2002 compared with the prior year period was primarily due to lower cash balances and lower interest rates.

General and Administrative Expense and Reorganization Costs

General and administrative expense included expenses for corporate and portfolio asset management functions. Expenses for property management and fee-based services are recorded as property operating expenses.

General and administrative expense increased by approximately $6.6 million for the three months ended June 30, 2002, compared with the prior year period, due primarily to additional senior management costs, severance costs and increased internal and external public company corporate compliance costs as a result of the corporate reorganization of TrizecHahn Corporation.

During the three months ended June 30, 2002, we recorded reorganization costs of $2.0 million. These non-cash costs relate to the intrinsic value at the date of grant of the stock options we granted upon the completion of TrizecHahn Corporation's corporate reorganization. Such options were granted on identical financial terms to those of the TrizecHahn Corporation options which they replaced. We recorded $11.2 million as a reorganization expense in the second quarter of 2001 representing costs associated with severance, benefits and other costs associated with announced job redundancies.

Interest Expense

Interest expense increased by $10.9 million for the three months ended June 30, 2002, compared with the same prior year period. Cessation of interest capitalization for the three retail development properties and One Alliance Center which were completed in late 2001 increased interest expense by $10.1 million. The impact of acquisitions resulted in an increase of $1.0 million. The $335 million draw on our revolving line of credit which was primarily used to fund dividends in connection with TrizecHahn Corporation's corporate reorganization added $2.1 million of interest expense. Incremental borrowings related to the issuance of commercial mortgage backed securities increased interest expense by $1.7 million and other incremental borrowings increased interest expense by $1.5 million. Average variable rates have decreased by 302 basis points compared to the prior year which resulted in a decrease in interest expense of $5.5 million.

Depreciation and Amortization

For the three months ended June 30, 2002, depreciation expense was substantially unchanged compared with the same prior year period. Our acquisition of office properties and writeoff of tenant improvements increased depreciation expense which was offset by property dispositions in 2002 and 2001.

Loss from Securities Investments

During the second quarter of 2002, we had no losses from securities investments. During the second quarter of 2001, the $5.3 million loss from securities investments resulted from a writedown of our securities investment in building telecommunication and service providers.

Derivative Losses

During the second quarter of 2002, we had no derivative losses. As a result of the adoption of Statement of Financial Accounting Standard No. 133, "Accounting and Derivative Instruments and Hedging Activities," we recorded derivative losses of $0.5 million during the prior year period, which represents the ineffective portion of all cash flow hedges.

Income and Other Taxes

Income and other taxes for the current period and prior year period included franchise, capital and alternative minimum taxes related to ongoing real estate operations. We had a $1.5 million expense for the current year quarter which was substantially unchanged from the prior year.

Income from Unconsolidated Real Estate Joint Ventures

Income from unconsolidated real estate joint ventures decreased $4.4 million related to a net loss from the Hollywood & Highland Hotel operations and a decrease in operating results for our office property joint ventures.

Gain (Loss) on Sales of Real Estate

During the second quarter of 2002, we recorded a gain of $3.8 million related to the disposition of Perimeter Woods, Charlotte, NC; a building in the Warner Center complex, Los Angeles, CA; a technology center and first refusal rights on an investment. For the prior year period we recorded a net loss of $3.9 million related to the sale of an office property and land.

Loss on Early Debt Retirement

During the second quarter of 2002, we had no losses on early debt retirement. In the three months ended June 30, 2001, we recorded a cost of $18.0 million related to the retirement of $1.2 billion of debt, which was funded by the issuance of $1.4 billion in commercial mortgage backed securities. Of this cost, $4.2 million relates to the writeoff of deferred finance costs.

Comparison of Six Months Ended June 30, 2002 to Six Months Ended June 30, 2001

The following is a table comparing our summarized operating results for the periods, including other selected information.

	Six Months Ended June 30		Inc
	2002	2001	(De
	(dollars in thous		
Property revenues	$ 470,370	$ 438,490	$
Interest income	4,797	7,450	
Total revenues	475,167	445,940	
Property operating expenses	203,027	180,348	
General and administrative	18,684	10,562	
Interest expense	94,727	77,929	
Depreciation and amortization	81,559	80,713	
Reorganization costs	2,002	13,922	

Loss from securities investments	-	4,193	
Derivative loss	-	456	
Total expenses	399,999	368,123	
Income before income taxes, allocation to minority interest, income from unconsolidated real estate joint ventures, gain (loss) on sales of real estate, extraordinary items and cumulative effect of a change in accounting principle	75,168	77,817	
Provision for income and other corporate taxes	(2,766)	(4,539)	
Minority interest	(324)	(357)	
Income from unconsolidated real estate joint ventures	6,665	10,698	
Gain (loss) on sales of real estate	3,816	(2,456)	
Loss on early debt retirement	-	(17,966)	
Cumulative effect of a change in accounting principle	-	(4,631)	
Net income	$ 82,559	$ 58,566	$
Dividends payable to special voting stockholders	304	-	
Net income available to common stockholders	$ 82,255	$ 58,566	$
Straight line adjustment	$ 17,323	$ 10,585	$
Lease termination fees	$ 3,336	$ 4,102	$

The table below presents selected operating information for our total portfolio and for our comparable portfolio of 61 office properties, which we owned both at June 30, 2002 and 2001, and in each case for the full six months.

	Six Months Ended June 30		Incre
	2002	2001	(Decr
	(dollars in thousa		
Total Portfolio			
Office			
Property revenues	$ 424,914	$ 426,679	$
Property operating expenses	177,358	176,525	
Property operating income	$ 247,556	$ 250,154	$
Retail			
Property revenues	$ 45,456	$ 11,811	$
Property operating expenses	25,669	3,823	
Property operating income	$ 19,787	$ 7,988	$

Comparable Portfolio			
Office			
Property revenues	$ 400,285	$ 414,638	$
Property operating expenses	168,477	171,100	
Property operating income	$ 231,808	$ 243,538	$

Property Operating Income - Property Revenue Less Property Operating Expense

The $31.9 million total increase in property revenues for the comparable period is the result of completion of all retail development properties by the end of 2001, the acquisition of four office properties and the partial lease up of Alliance Center in 2002, partially offset by lower average occupancy as a result of some significant lease terminations. These include Enron, as noted above; a tenant occupying all 184,000 square feet at One Reston Place in Reston, Virginia, that terminated in December 2001; and, a 484,000 square foot tenant at the Gallerias in Dallas, that terminated in October 2001.

For our total portfolio of 74 office properties for the six months ended June 30, 2002, we leased 2,582,000 square feet (2,411,000 square feet on a pro rata basis) and occupancy decreased to 89.4% compared with 93.0% at June 30, 2001, primarily due to the lease terminations noted above. We also achieved a $2.21 per square foot ($2.01 per square foot on a pro rata basis) increase in net rental rates on new and renewal leasing, reflecting the impact of space rolling over at properties with in-place rents below current market levels.

For the comparable portfolio of 70 office properties including our joint ventures, occupancy decreased from 92.9% at June 30, 2001 to 89.4% at June 30, 2002. The average monthly occupancy for these 70 properties was 90.3% for the six months ended June 30, 2002 compared with 93.4% for the six months ended June 30, 2001. For our 100% owned comparable portfolio of 61 properties, property revenue decreased $14.4 million or 3.5%. Excluding termination fees from both periods, property revenue decreased $12.7 million or 3.1%.

The acquisition of three Class A office buildings (550 West Washington in Chicago, 1225 Connecticut in Washington D.C. and Two Ballston in Arlington, Virginia) during the second quarter of 2001 and the acquisition of the remaining 75% of Ernst & Young Plaza that we did not already own and 151 Front Street during the second quarter of 2002 increased property revenue by $15.4 million. In addition, current period revenue benefited by $4.7 million from the partial lease-up of One Alliance Center in Atlanta, which was completed in October 2001.

We disposed of two properties during the six months ended June 30, 2002 and three properties during 2001, which decreased revenues by $7.5 million.

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Included in the above property revenue analysis are lease termination fees. Lease termination fees are an element of ongoing real estate ownership, and for the six months ended June 30, 2002, we recorded $2.9 million of termination fees (for the six months ended June 30, 2001 - $4.1 million) for our office portfolio.

Retail property revenue increased $33.6 million and retail property operating expenses increased by $21.8 million due to the completion of all three development projects and our gaining control of the Desert Passage retail/entertainment joint venture project on March 31, 2001 and, as of April 1, 2001, consolidating 100% of its operating results. Previously, as a jointly controlled partnership, 65% of the operating results from Desert Passage were included in income from unconsolidated real estate joint ventures. The retail/entertainment component of Hollywood & Highland in Los Angeles opened on November 8, 2001 and at June 30, 2002, it was 81% leased with occupancy at 81%. The hotel component opened at the end of December 2001. Paseo Colorado opened September 28, 2001 and at June 30, 2002, it was 91% leased with occupancy at 88%.

Office property operating expenses, which include real estate taxes, utilities, repairs and maintenance, cleaning and other property-related expenses and exclude depreciation and amortization expense, increased by $3.4 million due to the portfolio composition changes described above. For our comparable portfolio, operating expenses decreased by $2.6 million primarily due to lower utility expense which were offset by increased security costs. Excluding the impact on revenues of lease termination fees, our comparable office portfolio gross margin decreased to 57.6% for the six months ended June 30, 2002 from 58.3% for the six months ended June 30, 2001 reflecting our lower average occupancy.

Interest Income

The $2.7 million decrease in interest income for the six months ended June 30, 2002 compared with the prior year period was primarily due to lower cash balances and lower interest rates.

General and Administrative Expense and Reorganization Costs

General and administrative expense included expenses for corporate and portfolio asset management functions. Expenses for property management and fee-based services are recorded as property operating expenses.

General and administrative expense increased by approximately $8.1 million for the six months ended June 30, 2002, compared with the prior year period, due primarily to additional senior management costs, current year severance costs and increased internal and external public company corporate compliance costs as a result of the corporate reorganization of TrizecHahn Corporation.

During the six months ended June 30, 2002, we recorded reorganization costs of $2.0 million. This non-cash cost relates to the intrinsic value at the date of grant of stock options granted upon the completion of TrizecHahn Corporation's corporate reorganization. These options were granted on identical financial terms to the TrizecHahn Corporation options, which they replaced. We recorded a reorganization expense of $13.9 million for the six months ended June 30, 2001 representing costs associated with severance, benefits and other costs associated with announced job redundancies.

Interest Expense

Interest expense increased by $16.8 million for the six months ended June 30, 2002, compared with the same prior year period. Cessation of interest capitalization for the three retail development properties and One Alliance Center, which were completed in late 2001, increased interest expense by $14.9 million. The impact of office acquisitions and the consolidation of Desert Passage resulted in an increase of $1.7 million. The $335 million draw on our revolving line of credit which was primarily used to fund dividends in connection with TrizecHahn Corporation's corporate reorganization, added $2.1 million of interest expense. Incremental borrowings related to the issuance of commercial mortgage backed securities in May 2001 increased interest expense by $5.1 million while other incremental borrowings increased interest expense by $7.3 million. Average variable rates decreased by 376 basis points compared to the prior year which resulted in a decrease of $14.3 million.

Depreciation and Amortization

For the six months ended June 30, 2002, depreciation expense was $0.8 million higher than in the same prior year period. Acquisition of three office properties and the write-off of unamortized tenant inducement costs for Enron and other early lease terminations increased depreciation expense by $2.7 million. This was offset primarily by $1.6 million related to our dispositions in 2002 and 2001.

Loss from Securities Investments

During the six months ended June 30, 2002, we had no losses from securities investments. During the six months ended June 30, 2001, the $4.2 million loss from securities investments resulted from a writedown of our securities investment in building telecommunications and services providers.

Derivative Losses

During the six months ended June 30, 2002, we had no derivative losses. As a result of the adoption of Statement of Financial Accounting Standard No. 133, " Accounting for Derivative Instruments and Hedging Activities," we recorded derivative losses of $0.5 million during the prior year period, which represents the ineffective portion of all cash flow hedges.

Income and Other Taxes

Income and other taxes for the current period included franchise, capital and alternative minimum taxes related to ongoing real estate operations. Income and other taxes decreased by $1.8 million for the six months ended June 30, 2002, compared with the prior year period principally because Trizec R & E Holdings, Inc. was subject to federal income taxes prior to its inclusion in Trizec Properties.

Income from Unconsolidated Real Estate Joint Ventures

Income from unconsolidated real estate joint ventures decreased $4.0 million due to Desert Passage being consolidated commencing April 1, 2001, a net loss on operations at the Hollywood & Highland Hotel and a decrease in operating results for our office property joint ventures.

Gain (Loss) on Sales of Real Estate

During the past six months, we sold two office properties, a building within an office property complex, two technology centers, refusal rights and some residual lands which resulted in a gain of $3.8 million. During the same period last year, we disposed of three office properties and some residual land for which we recorded a loss of $2.5 million.

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Loss on Early Debt Retirement

During the six months ended June 30, 2002, we had no losses on early debt retirement. During the prior year six month period, we recorded a cost of $18.0 million related to the retirement of $1.2 billion of debt which was funded by the issuance of approximately $1.4 billion in commercial mortgage backed securities. Of this cost, $4.2 million relates to the writeoff of the then existing deferred finance costs.

Cumulative Effect of Change in Accounting Principle

As a consequence of implementing SFAS 133, in the six months ended June 30, 2001 we wrote off deferred financing charges of $0.3 million and reclassified an unrealized $4.4 million loss related to certain telecommunication securities from accumulated other comprehensive loss, a component of equity, to cumulative effect of a change in accounting principle.

Liquidity and Capital Resources

Our objective is to ensure, in advance, that there are ample resources to fund ongoing operating expenses, capital expenditures, debt service requirements, current development costs not covered by construction loans and the distributions required to maintain REIT status.

We expect to meet liquidity requirements for scheduled debt maturities, non-recurring capital improvements and future property acquisitions or developments through the refinancing of mortgage debt and cash flows from operations. In addition, dispositions of properties, in particular the planned sale of the three retail/entertainment centers once lease-up and stabilization is complete, should provide additional liquidity.

We have a three-year, $350 million senior unsecured revolving credit facility. The interest rate applicable to borrowing under the credit facility is equal to the LIBOR rate or the base rate in effect from time-to-time plus a spread, which will be dependent on our total leverage, or, if we have achieved an investment grade credit-rating from two rating agencies, on our credit rating.

The amount of the credit facility available at any time is determined by the unencumbered properties that we, or our subsidiaries that guarantee the credit facility, own and that satisfy certain conditions of eligible properties. The amount eligible to be borrowed was $350 million at June 30, 2002. The outstanding balance at June 30, 2002 was $335 million. We are subject to covenants customary for credit facilities of this nature, including financial covenants, restriction on other indebtedness, restriction on encumbrances of properties that we use in determining our borrowing capacity and certain customary investment restrictions. The credit facility is available for general corporate purposes, including dividends and distributions to our stockholders.

The financial covenants defined in the revolving credit agreement include tests of total debt as a percentage of total asset value (maximum 60%) and total secured debt as a percentage of total asset value (maximum 55%). At June 30, 2002, our total debt to total asset value percentage was 59.3% and the percentage of secured debt to total asset value was 53.9%. As these covenants are sensitive to quarterly fluctuations in property operations, debt levels and other factors, there can be no assurance that we will be able to continue to satisfy these requirements over the next several quarters. Accordingly, we are in discussions with our lead bank concerning modifying these covenants and other terms of the revolving credit facility. While we believe we will be successful in these discussions, there can be no assurance that the required number of participating banks will agree to such modifications. In that event, we intend to refinance the facility and believe we will be able to do so on commercially reasonable terms.

For REIT qualification purposes and to provide sufficient funding required by TrizecHahn Corporation to complete its corporate reorganization, during the period from January 1, 2002 to May 6, 2002, we made net distributions to TrizecHahn Corporation of $530 million after deducting repayment of advances due from our parent and affiliates. These distributions and repayments were funded from a combination of $240 million cash on hand and borrowings under our revolving credit facility. During the remainder of 2002, we expect to reduce the amount borrowed under our revolving credit facility through near term asset sales; by increased borrowings secured by properties and investments; and through operating cash flow. Subsequent to June 30, 2002 we have repaid

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approximately $80 million on our revolving credit line. In addition, in connection with TrizecHahn Corporation's corporate reorganization, during the six months ended June 30, 2002, advances due to our parent and affiliates in respect of Trizec R & E Holdings, Inc. in the amount of approximately $237 million were settled in exchange for newly-issued shares when Trizec R & E Holdings, Inc. was contributed back to us. We will not rely on advances from our parent and affiliated companies subsequent to the corporate reorganization.

Now that the corporate reorganization has been completed, we expect to make quarterly dividend distributions of $0.0875 per share to the holders of our common stock for the remainder of 2002. We made the first such dividend payment of $0.0875 per share on June 27, 2002. Commencing in 2003 and thereafter, we intend to make distributions to the holders of our common stock and special voting stock at least equal to the minimum amount required to maintain REIT status each year through regular quarterly dividends.

After dividend distributions, our remaining cash from operations will not be sufficient to allow us to retire all of our debt as it comes due. Accordingly, we will be required to refinance maturing debt or repay it utilizing proceeds from property dispositions or the issuance of equity securities. There can be no assurance that such financing or proceeds will be available or be available on economical terms when necessary in the future.

At June 30, 2002, we had $107 million in cash and cash equivalents. The decrease since December 31, 2001 of $190.7 million is a result of the following cash flows:

	Six Months En	
	2002	
Cash provided by operating activities................................	$ 74,189	$
Cash used in investing activities....................................	(93,339)	
Cash (used in)/provided by financing activities......................	(171,568)	
	$ (190,718)	$

Operating Activities

Cash provided by operating activities decreased from $257.8 million for the six months ended June 30, 2001 to $74.2 million for the same period this year. During the prior year period, we received the benefit of a release in escrow and restricted cash of $101.1 million, which we used primarily to fund the three office property acquisitions through a like-kind exchange. In the current period, we funded $24.6 million into escrow and restricted cash accounts primarily due to the consolidation of the Ernst and Young Plaza . In the current year, we used $48.9 million of cash related to prepaid expense and other assets and accounts payable, accrued liabilities and other liabilities as compared to $18.2 million provided in the prior period. This difference is primarily related to the timing of payments for property tax, insurance, reorganization and restructuring charges and expenditures that will be recovered from tenants in future periods.

Investing Activities

Net cash used for investing activities reflects the ongoing impact of expenditures on recurring and non-recurring tenant installation costs, capital expenditures and the impact of acquisitions, developments and dispositions. In the six months ended June 30, 2002, we used $93.3 million of cash in our investing activities as compared to $306.1 million for the prior year period. As described below, this reduction in the use of cash for investing activities relates primarily to a decrease in acquisition costs of $109.5 million, lower levels of development activities resulting in $132.3 million of less cash being used offset by a lower level of disposition which generated $22.6 million less in cash.

Tenant Installation Costs

Our office properties require periodic investments of capital for tenant installation costs related to new and renewal leasing. For comparative purposes, the absolute total dollar amount of tenant installation costs in any given period is less relevant than the cost on a per square foot basis. This is because the total is impacted by the square

footage both leased and occupied in any given period. Tenant installation costs consist of tenant allowances and leasing costs. Leasing costs include leasing commissions paid to third-party brokers representing tenants and costs associated with dedicated regional leasing teams who represent us and deal with tenant representatives. The following table reflects tenant installation costs for the total portfolio, including our share of such costs incurred by non-consolidated joint ventures, for both new and renewal office leases that commenced during the respective periods, regardless of when such costs were actually paid. The square feet leased data in the table represents the pro rata owned share of square feet leased.

	Six Months End		
	2002		
	(in millions, except per squ amounts)		
Square feet leased			
- new leasing		1.2	
- renewal leasing....................................		1.2	
Tenant installation costs..	$	35.7	$
Tenant installation costs per square foot.....................	$	14.81	$
Tenant allowance costs per square foot........................	$	8.76	$

For the six months ended June 30, 2002, of the $35.7 million office tenant installation costs, approximately $11.5 million or $9.70 per square foot (six months ended June 30, 2001 - $6.0 million or $5.00 per square foot) was incurred to renew existing tenants.

Consistent with our leasing in 2001, a significant amount of our leasing will occur later during the year and, as such, tenant installation costs on a per square foot basis are anticipated to rise.

Capital Expenditures

To maintain the quality of our properties and preserve competitiveness and long-term value, we pursue an ongoing program of capital expenditures, certain of which are not recoverable from tenants. For the six months ended June 30, 2002, capital expenditures for the total office portfolio, including our share of such expenditures incurred by non-consolidated joint ventures, was $15.4 million, compared with $9.8 million for the six months ended June 30, 2001. Recurring capital expenditures include, for example, the cost of roof replacement and the cost of replacing heating, ventilation, air conditioning and other building systems. In addition to recurring capital expenditures, expenditures are made in connection with non-recurring events such as code-required enhancements and major upgrades to common areas and lobbies. Furthermore, as part of our office acquisitions, we have routinely acquired and repositioned properties, many of which have required significant capital improvements due to deferred maintenance and the existence of shell space requiring initial tenant build-out at the time of acquisition. Some of these properties required substantial renovation to enable them to compete effectively. We take these capital improvement and new leasing tenant inducement costs into consideration at the time of acquisition when negotiating our purchase price.

Late in 2001 and during 2002, we have been replacing a chiller that was damaged in 2001. We expect total remediation and improvement costs will be approximately $19 million. Of this amount we expect to recover approximately $14 million from insurance proceeds. To date, we have spent approximately $14 million and recovered approximately $1 million.

Reconciliation to Combined Consolidated Statements of Cash Flows

The above information includes tenant installation costs, including leasing costs, and capital expenditures for the total portfolio, including our share of such costs and expenditures incurred by non-consolidated joint ventures, for leases that commenced during the periods presented. The amounts included in the combined consolidated statements of cash flows represent the actual cash spent during the periods excluding our share of such costs and expenditures incurred by non-consolidated joint ventures. The reconciliation between the above amounts and the combined consolidated statements of cash flows is as follows:

2002
(dollars in t

Tenant installation costs, including leasing costs	$ 35,754
Capital expenditures	15,352
Pro rata joint venture activity	(8,908)
Timing differences	12,103
Retail activity	1,985
Total tenant improvements, leasing costs and capital expenditures per combined consolidated statement of cash flows	$ 56,286

Developments

Development expenditures were incurred for the completion of One Alliance Center. The project, located in Buckhead, Georgia, a strong sub-market in Atlanta, opened in early October 2001. This $100 million, 560,000-square-foot building is the first phase of a four-building complex and is currently 77% leased and 55% occupied. Major tenants include Security First, Towers Perrin and BBDO South. The remaining three phases, totaling a potential 1.2 million square feet of office space, will only be developed once substantially pre-leased.

Consistent with our strategy to focus on the core U.S. office business, we have decided to divest our non-core retail/entertainment assets. The following table sets forth key information as of June 30, 2002 with respect to the retail/entertainment properties. Our economic interest is 100% unless otherwise noted. Total costs shown in the table are net of proceeds from the sale of land and tenant acquired space and include all direct costs, including initial costs to rent, interest expense on general and specific debt and other direct costs considered applicable. The pro rata book value at June 30, 2002, shown in the following table represents our economic share and costs. The data for Paseo Colorado includes 153,000 square feet owned directly by a department store anchor, and the leasing status excludes this space. Our economic ownership interest for the Hollywood & Highland Hotel at June 30, 2002 was 84.5%. We expect that our economic ownership interest will increase to 91% as a consequence of our joint venture partner's conversion of $5 million of equity into debt.

Project Name (Ownership)	Location	Year of Completion/ Acquisition	Total Area (sq. ft.)	Owned Area (sq. ft.)	Pro rata Book Value June 30, 2002 ($ mil.)
Desert Passage	Las Vegas, NV	Aug. 2000	475,000	475,000	$ 262.4
Paseo Colorado	Pasadena, CA	Sept. 2001	565,000	410,000	85.4
Hollywood & Highland					
Retail	Los Angeles, CA	Nov. 2001	645,000	645,000	
Hotel (91%)	Los Angeles, CA	Dec. 2001	600,000	546,000	
			1,245,000	1,191,000	355.6

2,285,000	2,076,000	$ 703.4

Dispositions

In 2002, we sold two office properties, a building within an office complex, two technology centers, refusal rights and remnant lands generating net proceeds of $82.1 million. During the first six months of 2001, we sold three office properties and a land site which generated net proceeds, after debt repayment, of $102.9 million.

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Our plan calls for an orderly disposition of the three retail/entertainment projects optimizing value over reasonable sales periods. Planned disposition timelines will allow us to achieve stabilized income in order to optimize realized values. Net proceeds will be redeployed into our core office portfolio or used to repay mortgage debt. Our ability to execute the disposition plan for these assets, as currently contemplated, is dependent upon the future economic environment, joint venture considerations and local property market conditions.

Acquisitions

On April 19, 2002, in connection with its corporate reorganization, TrizecHahn Corporation contributed its investment in Chelsfield plc, a UK real estate company whose shares are listed on the London Stock Exchange, to us at TrizecHahn Corporation's value of approximately $89 million. We own approximately 19.5 million or 6.9% of the outstanding ordinary shares of Chelsfield plc. In consideration for the ordinary shares of Chelsfield plc received, TrizecHahn Corporation was issued 49,330 shares of our Class C Convertible Preferred Stock at a value of approximately $54 million and retired a $35 million non-interest bearing advance from the corporation. We have designated our investment as an equity investment available for sale. The investment is carried at fair value with the resulting unrealized gain or loss, including any unrealized foreign currency exchange gain or loss, being recorded in other comprehensive income.

On April 12, 2002, TrizecHahn Corporation transferred its interest in 151 Front Street, Toronto, Ontario, to us for approximately $29.6 million in cash. We have recorded the property at approximately $29.1 million which is TrizecHahn Corporation's historical cost basis. Consistent with TrizecHahn Corporation's classification at December 31, 2001, we have classified 151 Front Street as held for disposition.

TrizecHahn Corporation had investments in private equity and venture capital funds managed by Borealis Capital Corporation and in Borealis Capital Corporation, which we collectively refer to as Borealis. On April 30, 2002, TrizecHahn Corporation contributed its investment in Borealis to us in exchange for 3,909 shares of our Class C Convertible Preferred Stock valued at approximately $4.3 million.

During the second quarter of 2002, we acquired the remaining 75% interest in Ernst & Young Plaza in Los Angeles for $115.1 million of which, after the assumption of debt and other net liabilities, we paid $35.9 million. Additionally, we acquired the remaining ground leases related to two of our Chicago office properties for $7.2 million of which $4.0 million was financed by new debt. In May 2001, we acquired three office properties within our core markets for $181.7 million with financing of $27.5 million.

Financing Activities

During the six months ended June 30, 2002, we used $171.6 million in our financing activities. For the same period last year, we generated $357.1 million of cash related to our financing activities. During the current year, property refinancing generated net proceeds of $8.4 million compared to $270.2 million in the prior year primarily when we issued $1.4 billion of commercial mortgage-back securities and retired $1.2 billion of existing debt. Reflecting the completion of development activities this year we had development financing of $61.2 million for the current period as compared to $105.0 million for the same period last year. During the six months ended June 30, 2002, we drew $335.0 million on our revolving line of credit and collected $112.7 million on our advances to parent which, when combined with existing cash, was used primarily to fund dividend payments to our parent of $643.2 million for a net distribution of $530.5 million in connection with TrizecHahn Corporation's corporate reorganization. Additionally, we paid $13.4 million of dividends to our shareholders subsequent to the reorganization and advanced $35 million to our parent during the first quarter of 2002. For the comparable period last year, we had no draws on our revolving line of credit nor did we pay any cash dividends but did advance $24.4 million to our parent.

At June 30, 2002 our combined consolidated debt was approximately $3.57 billion. The weighted average interest rate on our debt was 5.4% and the weighted average maturity was approximately 4.7 years. The table that follows summarizes the mortgage and other loan debt at June 30, 2002 and December 31, 2001:

Debt Summary	June 30 2002	
	(dollars in t	
Balance:		
Fixed rate	$ 2,140,097	$
Variable rate	1,431,275	
Total	$ 3,571,372	$
Collateralized property	$ 3,173,536	$
Other loans	397,836	
Total	$ 3,571,372	$
Percent of total debt:		
Fixed rate	59.9%	
Variable rate	40.1%	
Total	100.0%	

Weighted average interest rate at period end:	
Fixed rate	6.83%
Variable rate	3.24%
Total	5.40%
Leverage ratio:	
Net debt to net debt plus book equity	61.4%

At June 30, 2002 we had fixed the interest rates on $150 million (December 31, 2001 - $150 million) of the debt classified, as fixed in the above table, by way of interest rate swap contracts with a weighted average interest rate of 6.01% and maturing on March 15, 2008.

The variable rate debt shown above bears interest based primarily on various spreads over LIBOR. The leverage ratio is the ratio of mortgage and other debt less cash and cash equivalents, or "net debt", to the sum of net debt and the book value of owners' equity.

The increase in our leverage ratio from December 31, 2001 to June 30, 2002 resulted primarily from an increased amount of net debt combined with a reduction of our book equity related to distributions required by TrizecHahn Corporation's corporate reorganization.

The table below segregates long-term debt repayments between our office group and retail properties that are held for disposition.

	Mortgage Debt		Other
	Office	Retail	Loans
		(dollars in thousands)	
Principal repayments due in			
Balance of 2002	$ 57,590	$ -	$ 1,254
2003	181,073	250,927	2,818
2004	481,242	146,924	336,907
2005	111,019	-	1,567
2006	731,443	-	8,795
Subsequent to 2006	1,213,318	-	46,495
Total	$ 2,775,685	$ 397,851	$ 397,836
Weighted average interest rate at June 30, 2002	5.9%	3.5%	3.8

Weighted average term to maturity............	4.8	1.3	7.1
Percentage of fixed rate debt................	74.9%	-	15.2

Due to our intention to dispose of the three retail/entertainment centers, the mortgage debt relating to these properties is all on a floating rate basis.

The combined consolidated mortgage and other debt information presented above does not reflect indebtedness secured by property owned in joint venture partnerships as they are accounted for under the equity method. At June 30, 2002, our pro rata share of this debt amounted to approximately $335.0 million (December 31, 2001 - $351.1 million).

Market Risk - Quantitative and Qualitative Information

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. The primary market risk facing us is long-term indebtedness, which bears interest at fixed and variable rates. The fair value of our long-term debt obligations is affected by changes in market interest rates. We manage our market risk by matching long-term leases on our properties with long-term fixed rate non-recourse debt of similar durations. At June 30, 2002, approximately 59.9% or $2,140.1 million of our outstanding debt had fixed interest rates, which minimizes the interest rate risk until the maturity of such outstanding debt. The percentage of fixed rate debt has decreased since December 31, 2001, primarily due to the draw on the revolving line of credit which is variable rate debt.

We utilize certain derivative financial instruments at times to limit interest rate risk. Interest rate protection agreements are used to convert variable rate debt to a fixed rate basis or to hedge anticipated financing transactions. Derivatives are used for hedging purposes rather than speculation. We do not enter into financial instruments for trading purposes. We have entered into hedging arrangements with financial institutions we believe to be creditworthy counterparties. Our primary objective when undertaking hedging transactions and derivative positions is to reduce our floating rate exposure, which, in turn, reduces the risks that variable rate debt imposes on our cash flows. Our strategy partially protects us against future increases in interest rates. At June 30, 2002, we had hedge contracts totaling $150 million. The hedging agreements convert variable rate debt at LIBOR + 0.37% to a fixed rate of 6.01% and mature on March 15, 2008. We will consider entering into additional hedging agreements with respect to all or a portion of our variable rate debt. We may borrow additional money with variable rates in the future. Increases in interest rates could increase interest expense, which, in turn, could affect cash flows and our ability to service our debt. As a result of the hedging agreements, decreases in interest rates could increase interest expense as compared to the underlying variable rate debt and could result in us making payments to unwind such agreements.

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At June 30, 2002, our total outstanding debt was approximately $3,571.4 million, of which approximately $1,431.3 million was variable rate debt after the impact of the hedge agreements. At June 30, 2002, the average interest rate on variable rate debt was approximately 3.24%. Taking the hedging agreements into consideration, if market interest rates on our variable rate debt were to increase by ten percent (or approximately 32 basis points), the increase in interest expense on the variable rate debt would decrease future earnings and cash flows by approximately $4.6 million annually. If market rates of interest increased by 10%, the fair value of the total debt outstanding would decrease by approximately $40.2 million.

If market rates of interest on the variable rate debt decrease by 10% (or approximately 32 basis points), the decrease in interest expense on the variable rate debt would increase future earnings and cash flows by approximately $4.6 million annually. If market rates of interest decrease by 10%, the fair value of the total outstanding debt would increase by approximately $68.3 million.

These amounts were determined solely by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management would likely take such actions to further mitigate its exposure to the change. Due to the uncertainty of specific actions we may undertake to minimize possible effects of market interest rate increases, this analysis assumes no changes in our financial structure.

Competition

The leasing of real estate is highly competitive. We compete for tenants with lessors and developers of similar properties located in our respective markets primarily on the basis of location, rent charged, services provided, and the design and condition of our buildings. We also experience competition when attempting to acquire real estate, including competition from domestic and foreign financial institutions, other REITs, life insurance companies, pension trusts, trust funds, partnerships and individual investors.

Environmental Matters

We believe, based on our internal reviews and other factors, that the future costs relating to environmental remediation and compliance will not have a material adverse effect on our financial position, results of operations or liquidity. For a discussion of environmental matters, see "Item 1. Business - Risk Factors - Environmental problems at our properties are possible, may be costly and may adversely affect our operating results or financial condition" in our 2001 Form 10-K.

Newly Issued Accounting Standards

On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". SFAS No. 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30 ("APB 30"), "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business". SFAS No. 144 requires long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Under SFAS No. 144, certain conditions are required to be met for a property to be classified as held for disposition. Under the transitional rules of the standard, properties held for disposition as at the date of adoption are required to satisfy these conditions within one year of adoption. Properties currently held for disposition that do not meet such conditions by December 31, 2002 will be required to be reclassified from held for disposition to held for the long term at that date.

Reclassification, if any, is measured at the lower of the asset's carrying amount before it was classified as held for disposition, adjusting for any depreciation that would have been recognized had the asset been continuously classified as held and used, and fair value at the date of reclassification. We have adopted this standard on January 1, 2002 and it has had no impact on the financial statements presented.

On April 30, 2002, the FASB issued Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("FAS No.

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145"). FAS No. 145 rescinds both Statement of Financial Accounting Standards No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (FAS No. 4"), and the amendment to FAS No. 4, Statement of Financial Accounting Standards No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". FAS No. 145 eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect, unless the criteria in Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" are met. FAS No. 145 is effective for transactions occurring subsequent to May 15, 2002. We do not expect FAS No. 145 to have any impact on us beyond classification of costs related to early extinguishments of debt, which were previously shown as extraordinary items.

Inflation

Substantially all of our leases provide for separate property tax and operating expense escalations over a base amount. In addition, many of our leases provide for fixed base rent increases or indexed increases. We believe that inflationary increases may be at least partially offset by these contractual rent increases.

Funds from Operations

Management believes that funds from operations, as defined by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, to be an appropriate measure of performance for an equity REIT. While funds from operations is a relevant and widely used measure of operating performance of equity REITs, it does not represent cash flows from operations or net income as defined by GAAP, and it should not be considered as an alternative to these indicators in evaluating our liquidity or operating performance.

The following table reflects the calculation of funds from operations for the three months ended June 30, 2002 and 2001 and the six months ended June 30, 2002 and 2001:

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	For the three months ended June 30		For t
	2002	2001	200
Income before income taxes, allocation to			

minority interest, income from unconsolidated real estate joint ventures, gain (loss) on sale of real estate, extraordinary items and cumulative effect of a change in accounting principle	$ 31,694	$ 37,443	$ 75,168
Add/(deduct):			
Income from unconsolidated real estate joint ventures	3,277	7,653	6,665
Depreciation and amortization (real estate related) including share of unconsolidated real estate joint ventures	45,150	42,319	88,410
Current operating taxes	(1,522)	(270)	(2,766
Funds from operations (1)	78,599	87,145	167,477
Less straight-line rent adjustments	(8,484)	(5,190)	(19,144
Add straight-line ground rent adjustments	608	626	1,211
Adjusted funds from operations	$ 70,723	$ 82,581	$ 149,544
Dividends paid to holders of special voting stock	$ (304)	$ -	$ (304
Funds from operations available to common stockholders	$ 78,295	$ 87,145	$ 167,173
Adjusted funds from operations available to common stockholders	$ 70,419	$ 82,581	$ 149,240

(1) The White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, in April 2002 defines funds from operations as net income (loss), computed in accordance with GAAP, excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We believe that funds from operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an indication of our ability to incur and service debt, to make capital expenditures and to fund other cash needs. We compute funds from operations in accordance with standards established by NAREIT, which may not be comparable to funds from operations reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do. Funds from operations does not represent cash generated from operating activities in accordance with GAAP, nor does it represent cash available to pay distributions and should not be considered as an alternative to net income, determined in accordance with GAAP, as an indication of our financial performance or to cash flows from operating activities, determined in accordance with GAAP, as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about quantitative and qualitative disclosure about market risk is incorporated herein by reference from "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk - Quantitative and Qualitative Information".

PART II - Other Information

Item 1. Legal Proceedings

We are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. While we cannot predict with certainty the final outcome with respect to pending claims and litigation, in our opinion any liability that may arise from such contingencies would not have a material adverse effect on our combined consolidated financial position, results of operations or liquidity.

Item 2. Changes in Securities and Use of Proceeds

Recent Sales of Unregistered Securities

Except as described below, there were no securities sold by the registrant in the second quarter of 2002 that were not registered under the Securities Act.

On April 19, 2002, Trizec Properties, Inc. issued 49,330 shares of its Class C convertible preferred stock to TrizecHahn Office Properties Ltd. for the contribution to Trizec Properties, Inc. of 19,512,194 ordinary shares of Chelsfield plc. The exemption from registration was pursuant to Section 4(2) of the Securities Act and the rules and regulations promulgated under the Securities Act on the basis that the transactions did not involve a public offering.

On April 30, 2002, Trizec Properties, Inc. issued 3,909 shares of its Class C convertible preferred stock to TrizecHahn Office Properties Ltd. for the contribution to Trizec Properties, Inc. of investments in private equity and venture capital funds managed by Borealis Capital Corporation and in Borealis Capital Corporation. The exemption from registration was pursuant to Section 4(2) of the Securities Act and the rules and regulations promulgated under the Securities Act on the basis that the transactions did not involve a public offering.

Terms of Conversion of Recently Issued Unregistered Convertible Securities

Holders of shares of Class C convertible preferred stock were able, at their option, to convert all or part of their shares of Class C convertible preferred stock into common stock at any time after April 1, 2002. Each share of Class C convertible preferred stock was convertible into such number of shares of our common stock equal to $1,100 divided by the fair market value of one share of our common stock at the time of conversion, which was determined by our board of directors.

Use of Proceeds

On May 8, 2002, we commenced an offering of up to 8,700,000 shares of our common stock that holders of our warrants may acquire upon exercise thereof. The warrants were issued in connection with the corporate reorganization of TrizecHahn Corporation to (1) certain holders of then outstanding TrizecHahn Corporation stock options in replacement of such options and (2) TrizecHahn Office Properties Ltd., an indirect, wholly owned subsidiary of Trizec Canada Inc., in an amount sufficient to allow TrizecHahn Office Properties Ltd. to purchase one share of our common stock for each Trizec Canada Inc. stock option granted in the corporate reorganization.

The shares of common stock to be sold in the offering were registered under the Securities Act of 1933, as amended, on a Registration Statement on Form S-11 (Registration No. 333-84878) that was declared effective by the Securities and Exchange Commission on May 2, 2002. The shares of common stock are being offered on a continuing basis pursuant to Rule 415 under the Securities Act of 1933, as amended. We have not engaged an underwriter for the offering and the aggregate price of the offering amount registered is $143,115,000.

During the period from May 8, 2002 to June 30, 2002, 50,400 shares of our common stock registered under the Registration Statement were acquired pursuant to the exercise of warrants. All of the shares of common stock were issued or sold by us and there were no selling stockholders in the offering.

During the period from May 8, 2002 to June 30, 2002, the aggregate net proceeds from the shares of common stock issued or sold by us pursuant to the offering were $834,649. There have been no expenses incurred in connection with the offering to date. These proceeds were used for general corporate purposes.

None of the proceeds from the offering were paid, directly or indirectly, to any of our officers or directors or any of their associates, or to any persons owning ten percent or more of our outstanding common stock or to any of our affiliates.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

During the second quarter of 2002, matters were submitted to a vote of our security holders on one occasion. On April 5, 2002, our majority stockholder, TrizecHahn Corporation's Hungarian subsidiary, approved by written consent an amendment to our Fourth Amended and Restated Certificate of Incorporation that reflected an adjustment to the number of issued and outstanding shares of our common stock. On April 5, 2002, TrizecHahn Corporation's Hungarian subsidiary held 38,030,317 shares of our common stock. We did not solicit consents with respect to this matter from holders of the remaining 220,000 shares of our common stock outstanding at such time.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description

2.1 Arrangement Agreement dated as of March 8, 2002 by and among TrizecHahn Corporation, Trizec Canada Inc., 4007069 Canada Inc. and Trizec Properties, Inc. (incorporated herein by reference to exhibit 2.1 to Trizec Properties, Inc.'s registration statement on Form S-11, File No. 333-84878).

2.2 Arrangement Agreement Amending Agreement dated as of April 23, 2002 by and among TrizecHahn Corporation, Trizec Canada Inc., 4007069 Canada Inc. and Trizec Properties, Inc.

3.1 Fourth Amended and Restated Certificate of Incorporation of Trizec Properties, Inc., filed on February 11, 2002 (incorporated herein by reference to exhibit 3.1 to Trizec Properties, Inc.'s registration statement on Form 10, File No. 001-16765).

3.2 Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation of Trizec Properties, Inc., filed on April 29, 2002 (incorporated herein by reference to exhibit 4.4 to Trizec Properties, Inc.'s registration statement on Form S-8, File No. 333-87548).

3.3 Amended and Restated Bylaws of Trizec Properties, Inc. (incorporated herein by reference to exhibit 3.3 to Trizec Properties, Inc.'s quarterly report on Form 10-Q, File No. 001-16765).

10.1 Trizec Properties, Inc. 2002 Stock Option Plan (incorporated herein by reference to exhibit 4.3 to Trizec Properties, Inc.'s registration statement on Form S-8, File No. 333-87548).

10.2 Employment Agreement for Christopher Mackenzie (incorporated herein by reference to exhibit 10.1 to Trizec Properties, Inc.'s registration statement on Form 10, File No. 001-16765).

10.3 Employment Agreement for Gregory Hanson (incorporated herein by reference to exhibit 10.2 to Trizec Properties, Inc.'s registration statement on Form 10, File No. 001-16765).

10.4 Employment Agreement for Lee Wagman (incorporated herein by reference to exhibit 10.3 to Trizec Properties, Inc.'s registration statement on Form 10, File No. 001-16765).

10.5 Letter Agreement for Casey Wold (incorporated herein by reference to exhibit 10.4 to Trizec Properties, Inc.'s registration statement on Form 10, File No. 001-16765).

(b) Reports on Form 8-K

We filed a current report on Form 8-K on April 4, 2002 in which we filed under Item 5 an arrangement agreement dated as of March 8, 2002 among TrizecHahn Corporation, Trizec Canada Inc., 4007069 Canada Inc. and Trizec Properties, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRIZEC PROPERTIES, INC.

Dated: August 14, 2002

By: /s/ Gregory Hanson

Name: Gregory Hanson
Title: Executive Vice President and Chief Financial Officer

INDEX OF EXHIBITS

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