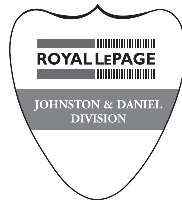
Leading Brands
Leading Performance

Q1



Brookfield Real Estate Services

Interim Report to Unitholders Q1 2009

About the Brookfield Real Estate Services Fund

The Fund is a leading provider of services to residential real estate REALTORS®. The Fund generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and Agents in Canada operating under the Royal LePage, La Capitale Real Estate Network and Johnston & Daniel brand names. At March 31, 2009, the Fund Network was comprised of 14,692 REALTORS®. The Fund Network has an approximate 22% share of the Canadian residential resale real estate market based on transactional dollar volume. The Fund is a TSX listed income trust, which pays monthly distributions and trades under the symbol "BRE.UN". The Fund's website address is www.brookfieldres.com.

Forward-Looking Statements

This quarterly report contains forward-looking information and other "forward-looking statements". The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Fund to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include a change in general economic conditions, interest rates, consumer confidence, the level of residential resale transactions, the average rate of commissions charged, competition from other traditional real estate brokers or from discount and/or internet-based real estate alternatives, the availability of acquisition opportunities and/or the closing of existing real estate offices, other developments in the residential real estate brokerage industry or the Fund that reduce the number of and/or royalty revenue from the Fund's REALTORS®, our ability to maintain brand equity through the use of trademarks, the availability of equity and debt financing, a change in tax provisions, and other risks detailed in the Fund's annual information form which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Brookfield Real Estate Services

Q1 2009 INTERIM REPORT TO UNITHOLDERS
LETTER TO UNITHOLDERS

Financial and Operating Highlights
For the three months ended March 31, 2009 and 2008

	Q1 2009				Q1 2008			
		(thousands)		(per unit)		(thousands)		(per unit)
Royalties	$	6,997	$	0.54	$	8,092	$	0.61
Net earnings	$	358	$	0.04	$	1,281	$	0.13
Distributable cash	$	4,731	$	0.36	$	5,618	$	0.42
Distributions	$	4,591	$	0.35	$	4,155	$	0.31

We are pleased to report results for Brookfield Real Estate Services Fund (the "Fund") for the quarter ended March 31, 2009. Royalties for the quarter were $7.0 million, 13.5% lower than royalties of $8.1 million in the first quarter of 2008. Distributable cash[1] declined 15.8% to $4.7 million ($0.36 per unit), from $5.6 million ($0.42 per unit) in the first quarter of 2008. Net earnings were $358,000 ($0.04 per unit) compared with $1.3 million ($0.13 per unit) in the first quarter of 2008.

The year-over-year decrease in royalties reflected the impact of the slowdown in the Canadian resale real estate market, which decreased 33.3% in the quarter ended March 31, 2009 as compared to the same period in 2008. The Fund's business model mitigates the effect of market cycles on the Fund's cash available for distributions, as approximately 69% of the Fund's royalties are fixed in nature, based on the number of agents rather than transactional dollar volume. The reduction in distributable cash results from the lower royalties which were partially offset by a reduction in management fees, while net earnings reflect these same factors as well as an increase in amortization of intangible assets related to franchise agreements acquired January 1, 2009 partially offset by a decrease in non-controlling interest.

The Canadian residential real estate market's decline during the first quarter was consistent with the state of our overall economy. While home prices fell somewhat in many parts of the country, it was a sharp decline in the number of homes trading hands that had the largest impact on industry revenue, and by extension, our business. In some regions, particularly in British Columbia and Alberta, sales volumes declined precipitously. The best performing markets were in Atlantic Canada, the Prairies and Quebec, where house price changes ranged from small declines to modest growth. As we focus our efforts on mitigating the impact of this recession on our business, which caused overall industry revenues to fall by one third, we can take some comfort that our decline was more modest. Our Fund's royalties in the first quarter fell 13.5%, on lower variable and premium franchise fees, partially offset by a year-over-year increase in the number of REALTORS®[2] in the Fund network.

Fund Growth

During the first quarter of 2009, the Fund experienced a net loss of 218 REALTORS® organically but added 316 REALTORS® through the acquisition of 21 franchise agreements on January 1, 2009, for a net increase of 98 REALTORS®. At March 31, 2009, the Fund Network was comprised of 353 independently owned and operated franchises operating from 660 locations serviced by 14,692 REALTORS® with an approximate 22% share of the Canadian residential real estate market based on transactional dollar volume.

From November 1, 2008 through May 4, 2009, franchise contracts representing 10 locations serviced by an estimated 200 REALTORS® were added to the network. The Fund Manager, Brookfield Real Estate Services Limited, anticipates presenting these franchise contracts to the Fund's Trustees for purchase by the Fund on January 1, 2010. In addition, consistent with the Fund's historical approach to acquisitions, after evaluation, the La Capitale agreements purchased by the Manager and still retained by the Manager for further development, may be presented to the Fund's Trustees for acquisition in January of 2010.

[1] Defined as royalties less administrative expenses, interest expense and management fee. Distributable cash does not have a standardized meaning under Canadian generally accepted accounting principles. Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash for distribution to unitholders. Investors are cautioned that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows.

[2] REALTOR® is a trademark identifying real estate licensees in Canada who are members of the Canadian Real Estate Association.

Monthly Cash Distribution

The Brookfield Real Estate Services Fund today declared a cash distribution of $0.117 per unit for the month of May 2009, payable June 30, 2009, to unitholders of record on May 29, 2009.

Normal Course Issuer Bid

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 units outstanding as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008 to October 6, 2009. During the first quarter of 2009, the Fund acquired 168,400 units at an average price of $8.67 per unit, for a total of 332,120 units purchased and cancelled since the inception of the program.

Fund Structure

The Fund generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional-dollar volume from agent sales commissions, while fixed franchise fees are based on the number of agents and sales representatives in the network. Approximately 69% of the Fund's revenue is based on fees that are fixed in nature from a large number of long-term franchisee contracts, which provide revenue stability and help insulate the Fund from market fluctuations.

Outlook

We are encouraged by the overall resilience of real estate markets to date. We do not expect material improvement until the overall economy begins to stabilize. It is important to note that the quarter ended on a relatively positive note. While industry unit sales volumes in March 2009 were 13.7 per cent below the same period in 2008, this represented the smallest year-over-year decline in six months. A positive trend in unit sales volumes will likely be the first indicator that the market is on the road to recovery. We should begin to see positive year-over-year comparables in the quantity of homes trading hands as early as the second half of 2009.

Our primary focus during these very difficult economic times is to help our franchisees and our Agents adapt to much slower market conditions. With focused training, recruiting and franchise acquisition efforts, we hope to mitigate the impact of lower sales volumes as the real estate industry works through this market correction. From a unitholder perspective, it is the size of our REALTOR® network that is the primary driver of royalties and distributable cash. While the full impact of the recession on our business is not clear, we have strategies in place to mitigate key risk elements, which include accounts receivable collection and franchisee financial hardship, in addition to Agent attrition.

As supply levels have exceeded demand in many regions, we have encouraged our REALTORS® to shift their focus toward buyers, and in particular first-time buyers. As the spring market unfolds, it is obvious that this market segment is the most active group of home purchasers. Our Agents have introduced first-time buyer seminars, web-based education offerings and even seller-driven offers.

While new government programs have encouraged increased participation, new buyers are being drawn into home ownership predominantly by significantly improved housing affordability. The combination of lower home prices in many regions of the country, and historically low mortgage rates, have opened the door for some buyers for the first time in years.

Philip Soper

President and Chief Executive

Kevin Cash

Chief Financial Officer

May 5, 2009

Financial Review

Management's Discussion and Analysis

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Introduction

This section of our interim report includes management's discussion and analysis ("MD&A") of our results and financial condition for the three months ended March 31, 2009, (the "Quarter"). The MD&A is intended to provide you with an assessment of our past performance as well as our financial position, performance objectives and future prospects. The information in this section should be read in conjunction with our audited financial statements for the year ended December 31, 2008, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information relating to the Brookfield Real Estate Services Fund (the "Fund"), including our annual information form, is available on SEDAR at www.sedar.com. All dollar amounts are in Canadian dollars unless otherwise specified.

Statements contained in this MD&A, which are not historical facts, are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are a number of external and industry factors related to the residential resale real estate brokerage industry and the business of the Fund which may affect an investment in the Fund's units. A summary of these risks is outlined in the Fund's annual information form which is filed on SEDAR at www.sedar.com. Although these risks have not changed since the inception of the Fund, what is apparent is that there is an increased likelihood that certain of these risks will impact our future results. These risks are discussed in further detail in this MD&A to the extent they have changed since December 31, 2008.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

Three months ended March 31, ($000's) except Agents, Sales Representatives, units and per unit amounts		2009		2008
Royalties	$	**6,997**	$	8,092
Less:				
Administration expenses		**217**		190
Interest expense		**784**		811
Management fee		**1,265**		1,473
Earnings before undernoted	$	**4,731**	$	5,618
Amortization of intangible assets		**4,141**		3,896
Other loss		**7**		–
Income tax		**51**		(35)
Non-controlling interest		**174**		476
Net and comprehensive earnings	$	**358**	$	1,281
Basic and diluted earnings per unit		**0.04**	$	0.13
Distributions	$	**4,591**	$	4,155
Cash distributions declared per unit	$	**0.35**	$	0.31
Cash distributions declared per 3,327,667 Special Fund units	$	**0.35**	$	0.31
Total assets	$	**128,974**	$	130,302
Total long-term financial liabilities	$	**1,580**	$	37,660
Number of Agents[1] and Sales Representatives[2]		**14,692**		14,590

The table above sets out selected historical information and other data for the Brookfield Real Estate Services Fund (the "Fund") which should be read in conjunction with the attached audited consolidated financial statements for the year ended December 31, 2008.

Overview

This MD&A covers the period from January 1, 2009 to March 31, 2009 and has been prepared as at May 4, 2009.

The Fund was established on August 7, 2003, through an initial public offering. The Fund generates cash flow from the franchise royalties and service fees of a Canadian network of real estate franchisees, Agents and Sales Representatives, operating mainly under the Royal LePage, Johnston & Daniel and La Capitale brand names (collectively the "Fund Network").

Management of the Fund is governed by an Amended and Restated Management Services Agreement ("MSA"). The services under the MSA are provided by Brookfield Real Estate Services Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM"). The senior management team of the Manager developed and managed the Fund Network prior to the inception of the Fund. BAM, through a wholly-owned subsidiary, holds a 25% interest in the Fund (see Transactions with Related Parties).

As at March 31, 2009, the Fund Network was comprised of 14,692 REALTORS®[3] operating from 660 locations. During 2008, the Fund Network had an approximate 22% share of the Canadian residential resale real estate market (the "Market"[4]) based on transactional dollar volume.

[1] Agent is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with a broker.
[2] Sales Representative is defined as an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with an Agent.
[3] REALTOR® is defined as an individual licensed to trade in Real Estate and includes brokers, Agents and Sales Representatives.
[4] The market is defined as the dollar value of residential resale units sold ("Transactional Dollar Volume") over a 12-month period in a particular geographic area.

Structure of the Fund

Royalty Fees

The Fund generates royalties with both fixed and variable fee components. During 2008, approximately 69% of the annual royalties were partially insulated from market fluctuations, as they were not directly driven by transaction volumes. Management believes that the combination of a royalty stream based on the number of REALTORS® in the network, increasing Agent and broker productivity, and an increasing supply of new housing inventory provides the base for a strong and stable cash flow. A summary of these fees is as follows:

Fixed franchise fees are based on the number of Agents and fee paying Sales Representatives, collectively "selling-REALTORS®" in the Fund Network. Fixed franchise fees from Royal LePage franchisees consist of a monthly fixed fee of $100 per selling-REALTOR, a technology fee and web services and other fees while those from La Capitale franchisees consist primarily of a monthly fee of approximately $170 per selling-REALTOR®.

Variable franchise fees are primarily driven by the volume of business transacted by our Agents. Variable franchise fees from Royal LePage franchisees are driven by the transactional dollar volume transacted by the Agents and are comprised of 1% of each Agent's gross commission income, subject to a cap of $1,300 per year. In 2008, 20% of the Agents in the network reached the royalty cap. In addition, 24 of the Fund's larger Royal LePage locations situated in the Greater Toronto Area ("GTA") pay a premium franchise fee ranging from 1% to 5% of the location's gross revenue.

Approximately 87% (88% – 2008) of the Fund's royalties during the Quarter are derived from the combined fixed fee per REALTOR® per month, 1% variable fee and premium fees. The remaining royalty stream is generated from technology fees, the 4.5% variable fee option and web services and other fees. Other fees derived from La Capitale franchisees are comprised primarily of fees driven from a self-insured program called "APEC" which for all participating Agents provides home buyers a warranty on such items as appliances, plumbing, electrical and heating systems.

Monthly Distributions

The targeted annual cash distribution for 2009 is $1.40 per unit, to be paid monthly to public unitholders.

To reduce unitholder risk, under the terms of the offering, BAM as the non-controlling interest was required to hold its 25% interest for five years ending August 7, 2008 after which it may exchange its Subordinated LP units for units of the Fund. In addition, during the initial five-year period, the non-controlling interest's right to receive distributions on a quarterly basis was reduced to the extent that the public unitholders do not receive their initial targeted monthly distributions of $0.0917 per unit, $1.10 per unit per annum. With the completion of the five-year subordination, the non-controlling interest receives its distributions on a monthly basis and continues to hold its LP units.

Management and the Board of Trustees periodically review the Fund's targeted distribution.

Recent Developments

Franchise Agreement Acquisitions

Royal LePage Franchise Agreements

On January 1, 2009, the Fund acquired 18 new Royal LePage franchise agreements serviced by 230 REALTORS®, with an estimated annual royalty stream of $0.5 million. The agreements for these 21 locations were acquired in accordance with the terms of the MSA at an estimated purchase price of $2.5 million, with $2.0 million (80% deposit) due on closing and the balance to be paid in cash or units during the first quarter of 2010, upon meeting certain terms and conditions of the MSA.

Management's Discussion and Analysis of Results and Financial Condition

La Capitale Franchise Agreements

On January 1, 2009, the Fund acquired three franchise agreements operating under the La Capitale brand in the province of Quebec from an affiliate of the Fund Manager for an estimated purchase price of $0.9 million. These agreements are represented by 86 REALTORS® operating from four locations with an estimated annual royalty stream of $0.2 million. As outlined in the Fund's MSA, 80% of the estimated acquisition price ($0.7 million), which is subject to adjustment, was paid in January 2009. Under terms negotiated with the Fund's Trustees, the balance of the purchase price is to be paid in annual installments over the next three years.

Normal Course Issuer Bid (NCIB)

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases will be made at market prices in accordance with the rules and policies of the Toronto Stock Exchange ("TSX"). Daily purchases will be effected through the facilities of the TSX and will be limited to 3,800 units, other than block purchase exceptions. Given current market prices for the Fund units, management believes that the purchase by the Fund of a portion of its outstanding units is an appropriate use of available resources and in the best interests of the Fund and its unitholders. The Fund intends to finance the purchases with available cash on hand. During 2008, 163,720 units were acquired at an average cost of $7.51 per unit. During the Quarter, a further 168,400 units at an average price of $8.67 per unit have been acquired. Units purchased are cancelled at the end of each month.

Operations Overview

The key drivers of the Fund's business and cash distributions to unitholders are:

1. the number of REALTORS® in the Fund;
2. transaction volumes;
3. the stability of the Fund's royalty stream; and
4. the Fund's growth opportunities.

A summary of our performance against these drivers is as follows:

Number of REALTORS® in the Fund

As at March 31, 2009, the Fund Network was comprised of 353 independently owned and operated franchises operating from 660 locations serviced by 14,692 REALTORS®, with an approximate 22% share of the Canadian residential resale real estate market based on transactional dollar volume.

During the Quarter, the Fund experienced a net organic loss of 218 Realtors. With the addition of 316 REALTORS® from the 21 franchise agreements acquired by the Fund on January 1, 2009, the Fund has a total increase of 98 REALTORS®, up 0.7% from December 31, 2008.

Transaction Volumes

The performance of the Fund is dependent upon the receipt of royalty revenue which, in turn, is partially dependent upon the level of residential resale real estate transactions. The residential real estate industry is affected by all of the factors affecting the economy in general, including changes in interest rates, unemployment and inflation.

During the Quarter, the Canadian Market experienced declines in unit sales and average selling price as compared to the same period in 2008 although the rates of decline moderated relative to the fourth quarter of 2008 as well as in each successive month in the Quarter.

A summary of the key market and related activity which illustrates the decline in the Market as reported by Canada Mortgage and Housing Corporation ("CMHC"), CREA and the Toronto Real Estate Board ("TREB"), follows:

- Canada's annual rate of housing starts, the market's future inventory, totalled 191,218 as of March 31, 2009, a decrease of 17.3% from the same period in 2008.
- The Canadian Market totalled $121.0 billion for the 12 months ended March 31, 2009, a decrease of 23.2% from the same period ending in 2008, consisting of a 4.0% decrease in average selling price of a home to $297,928 and a 19.9% decrease in residential unit sales to 406,171 units. When compared to the three months ended March 31, 2008 the Canadian Market declined 33.3%.
- The GTA Market, from which the Fund earns its premium franchise fees, reached a transactional dollar volume of $26.9 billion for the 12 months ended March 31, 2009, a 23.4% decrease from the same period ending in 2008. This market activity is comprised of the sale of 71,500 homes at an average selling price of $376,109, a 22.5% and 1.1% decrease, respectively, from the same period in 2008. When compared to the three months ended March 31, 2008 the GTA real estate resale market declined 30.9%.

Stability of the Fund's Royalty Stream

The Fund's network as at March 31, 2009 is comprised of the Royal LePage and the La Capitale networks. The Royal LePage network is characterized as follows:

- Royalties are derived from a diverse national network of independently owned and operated franchises, the majority of which operate with fewer than 50 Agents.
- A significant portion of the Royalties are fixed in nature based on the number of Agents and their productivity, which through the combination of the $100 per agent per month fee and the 1% variable fee generated by Agents earning in excess of the $1,300 per annum cap, contributed approximately 69% of the Fund's revenue for the year ended December 31, 2008.
- The geographic distribution of the Royal LePage Network is similar to the distribution of the overall Canadian REALTOR® population.
- Royalty agreements are 10, 15 and 20 years in duration, significantly exceeding the industry norm of five-years.
- During the Quarter, 13 agreements representing 536 REALTORS® were renewed and three agreements representing 4 REALTORS® were terminated.

The La Capitale royalties are characterized as follows:

- The La Capitale network is situated in the province of Quebec.
- La Capitale agreements typically have five-year terms.
- Approximately 74% of the royalties are fixed in nature.
- The fixed element of the royalties is comprised primarily of a fixed fee of approximately $170 per agent per month while the other fees are driven primarily from a self-insured program called "APEC" under which participating Agents provide a warranty on such items as appliances, plumbing, electrical and heating systems.
- During the Quarter, there were no renewals or terminations.

Overall approximately 69% of the Fund's revenue is fixed in nature.

Fund Growth Opportunities

Our growth objective for 2009 is to offset an anticipated increase in REALTORS® attrition with focused recruiting and franchise acquisition efforts.

Growth through acquisition is achieved through the purchase of franchise agreements acquired by the Manager's dedicated network development team. While it will be a difficult year for real estate practitioners, we believe that a strong company such as ours may uncover new acquisition opportunities as weaker firms seek affiliation with an organization that is able to provide differentiating services to their agents.

Growth in overall royalties is achieved by: increasing the number of REALTORS® in the Fund; increasing the productivity of Agents; expanding the range of products and services supporting the franchisees and Agents; increasing adoption of these products and services; and providing sales and marketing programs to the Fund Network. These services are supported by ongoing training programs for franchisees and REALTORS® that assist in leveraging the Fund's competitive advantages to attract and retain potential recruits. A summary of results to the date of this MD&A is as follows:

Management's Discussion and Analysis of Results and Financial Condition

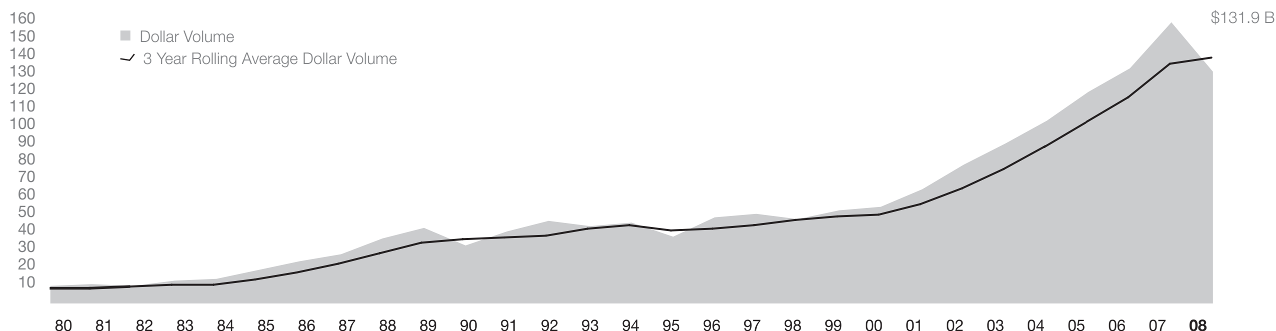
- Organic change for the Quarter reflected a loss of 218 REALTORS®.
- On January 1, 2009, franchise agreements representing 21 locations serviced by an estimated 230 Agents operating under the Royal LePage brand were purchased by the Fund. The estimated purchase price of these agreements is $2.5 million.
- Consistent with the Fund's historical approach to acquisitions made by the Fund Manager, after evaluation, some of the La Capitale contracts were acquired by the Fund on January 1, 2008, and the remainder were retained by the Manager for future development. On January 1, 2009, four La Capitale locations serviced by 86 Agents were purchased by the Fund for an estimated purchase price of $0.9 million.
- From November 1, 2008 to May 4, 2009, franchise contracts representing 10 locations serviced by an estimated 200 REALTORS® were added to the network. The Fund Manager anticipates presenting these franchise contracts to the Fund's Trustees for purchase by the Fund on January 1, 2010.
- The Manager continues to develop, introduce and support new tools, services and programs, which assist franchisees in attracting and retaining REALTORS®, increasing their productivity and driving down administration costs.

The Canadian Residential Resale Real Estate Market

Since 1980, the Canadian Market has grown at a compound annual growth rate ("CAGR") of 9%. The Canadian Market has been very resilient with only two significant downturns occurring prior to 2008, in 1990 and 1995, both of which returned to pre-downturn levels within 24 months. The duration of these Market downturns were 13 months and 14 months, respectively, with decreases of 26% and 21%, respectively. The recent Market downturn which is currently 14 months in duration to the end of the Quarter has resulted in a 21% decline in the Market since the decline commenced in February 2008.

During the 1990 downturn, interest rates were relatively high and there was significant speculation in the form of building and multiple home ownership. Since that time, lenders now require builders to pre-sell a significant portion of their developments before advancing funds. Market activity since 1980 is provided in the chart below.

Market Dollar Volume – Canadian Resale Residential Real Estate
(1980 – 2008) (In $ Billions)

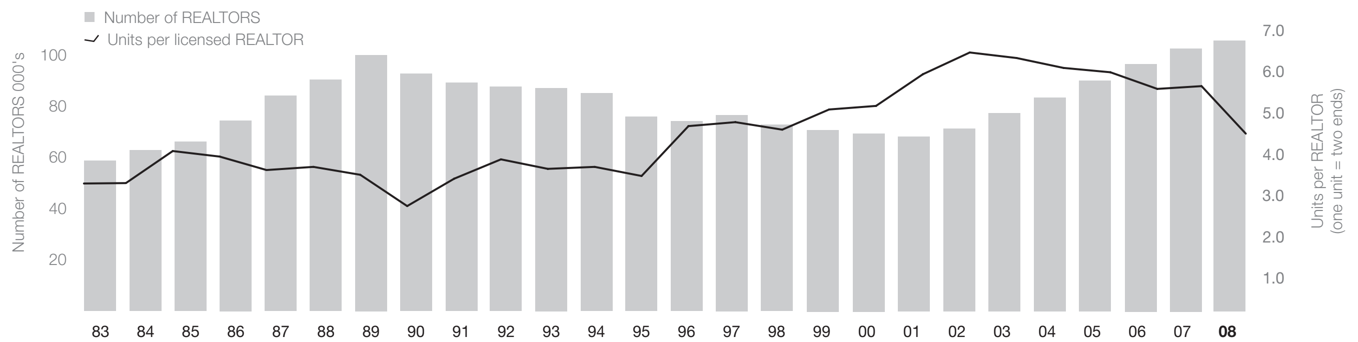


Source: CREA

The Canadian Real Estate REALTOR® Population

The number of REALTORS® in the Fund Network is a key driver of the Fund's results. For the year ended December 31, 2008, the Canadian real estate REALTOR® membership grew by 2.8% to 97,168 members with an average of 4.5 units sold per REALTOR. The number of REALTORS® in the Fund Network grew by 10.8% over the same period. The Canadian REALTOR® population and the average number of units sold per REALTOR® are summarized in the chart below.

Canadian Real Estate REALTORS®
(Year ended December 31)



The Fund Network

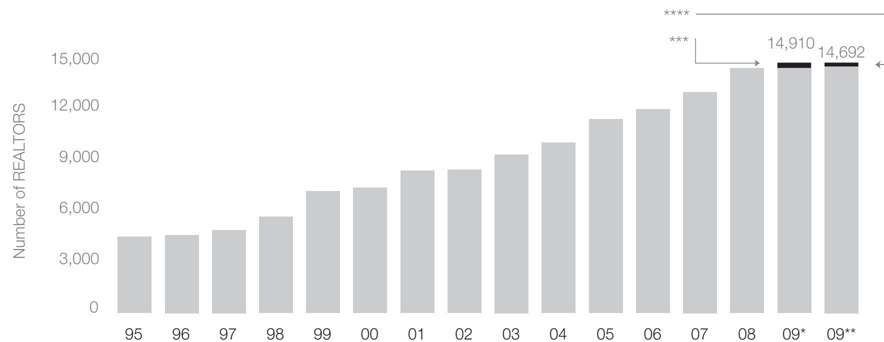
REALTOR® Growth

As at March 31, 2009, the Fund Network was comprised of 353 independently owned and operated franchises operating from 660 locations serviced by 14,692 REALTORS®.

During the Quarter, the Fund Network increased by 98 (0.7%) REALTORS®.

During 2008, the number of REALTORS® in the Fund Network grew by 10.8% or 1,422 REALTORS® to 14,594. This gain in REALTORS® was obtained through the acquisition of agreements on January 1, 2008 representing 1,272 REALTORS® and the addition of 150 through organic growth. Industry wide, by comparison, CREA reported that the number of REALTORS® in Canada grew by 2.8%.

Fund Growth



Year ended December 31, except 2009
* As at January 1, 2009.
** As at March 31, 2009.
*** 316 REALTOR® growth of 2.2% consisting of 230 from the Royal LePage brand and 86 from the La Capitale brand.
**** Loss of 218 REALTORS®.

A summary of the Canadian and Fund's growth in REALTORS® during 2008 and 2009 follows:

	Canada*		The Fund Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**94,506**	**6.3%**	**13,172**	**8.4%**
2008 Q1	1,728	1.8%	1,418	10.8%
2008 Q2	1,838	2.0%	181	1.3%
2008 Q3	387	0.4%	(5)	0.0%
2008 Q4	(1,291)	-1.4%	(172)	-1.3%
Opening	**97,168**	**2.8%**	**14,594**	**10.8%**
2009 Q1	(815)	-0.8%	98	0.7%
Closing	**96,353**	**-0.8%**	**14,692**	**0.7%**

* Source: CREA

Network Diversity

The Fund Network is comprised of diverse operations with approximately 76% of the Fund's franchisees operating with fewer than 50 REALTORS® as at December 31, 2008. As summarized in the table below, the Fund Network of REALTORS® is geographically diverse, with REALTORS® spread throughout Canada with a more pronounced presence in the province of Quebec as a result of the acquisition of the La Capitale franchise network.

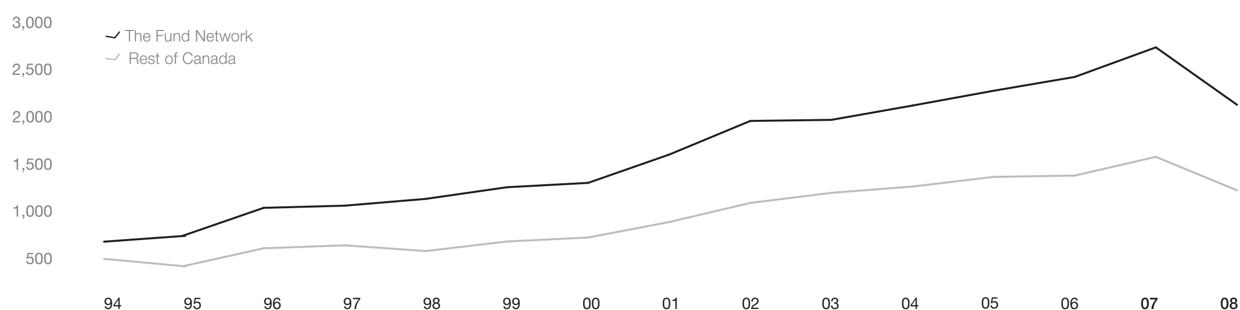
	Canadian[1] REALTOR® Population	Fund[2] Network REALTORS®
Ontario	51%	52%
Prairies	14%	10%
BC	18%	13%
Quebec	14%	21%
Maritimes	3%	4%
Total	100%	100%

[1] As at December 31, 2008, Source: CREA
[2] As at March 31, 2009

REALTOR® Productivity

The average Fund Network REALTOR® generated approximately $2.12 million in transactional dollar volume in 2008, down 22% from $2.70 million in 2007. This productivity was 69% greater than the estimated average of $1.25 million for all other Canadian REALTORS®, down 21% from 2007. Management believes the higher productivity of Fund Network REALTORS® makes the Fund less prone than the industry at large to losing its REALTORS® during a period of reduced transaction dollar volume. A summary of average transaction dollar volume per agent for the year ended December 31, 1994 through 2008 is as follows:

Canadian Residential Real Estate Resale Market
(Average Transaction Dollar Volume Per REALTOR®, $ thousands)



Source: CREA and Fund Management

Operating Results

Three months ended March 31, ($000's) except Agents, unit and per unit amounts	2009	2008
Royalties		
Fixed franchise fees	$ 4,467	$ 4,336
Variable franchise fees	1,194	1,921
Premium franchise fees	420	893
Other fee revenue and services	916	942
	6,997	8,092
Less:		
Administration expenses	217	190
Interest expense	784	811
Management fee	1,265	1,473
Earnings before undernoted	4,731	5,618
Amortization of intangible assets	4,141	3,896
Other loss	7	–
Income tax	51	(35)
Net and comprehensive earnings before non-controlling interest	532	1,757
Non-controlling interest	174	476
Net and comprehensive earnings	$ 358	$ 1,281
Basic and diluted earnings per unit	$ 0.04	$ 0.13
Number of Agents	13,696	13,551
Number of fixed fee paying Sales Representatives	699	728

As summarized in the table above, during the Quarter, the Fund generated net and comprehensive earnings before non-controlling interest of $0.5 million, down $1.2 million from the same period in 2008. The year-over-year results included a $1.1 million (13.5%) decrease in royalties attributed to a decline in variable and premium franchise fees in relation to the market slowdown. A more detailed discussion of these results is provided below.

The Fund Network as at March 31, 2009, was comprised of 13,696 Agents and 996 Sales Representatives (699 Sales Representatives operating under the $100 per month fixed fee plan and 297 Sales Representatives who are primarily brokers and managers who do not pay fees), with 13,510 of the Agents operating under the combined flat fee of $100 per month and 1% of gross earnings option (the "$100/1% option") or the approximate $170 per month flat fee, and 186 Agents operating under the 4.5% variable fee option (the "4.5% option").

Royalties for the year Quarter totalled $7.0 million, down 13.5% from the same period in 2008.

The Fund generates royalties from both fixed and variable fee components as described earlier in Structure of the Fund.

Fixed, variable and premium franchise fees together represented 87% of royalties for the Quarter, compared with the 88% during the same period in 2008.

Fixed franchise fees for the Quarter increased 3.0% over the same period in 2008 as a result of the net increase in REALTORS®.

Variable franchise fees for the Quarter decreased by 37.8% from the same period in 2008 while the Canadian Market activity decreased 33.3%. These unfavourable results relative to the Market can be attributed to the lag between home sales and closings.

A lag between variable fees recorded by the Fund and Market activity occurs as Market activity is reported when a home is sold, while the Fund does not record variable fees associated with the home sales until it closes, which is typically 45 to 60-days later. This lag created a spillover effect in the first quarter as some of the 40.5% year-over-year decline in Market activity during the quarter ended December 31, 2008, adversely impacted variable fees during the Quarter. Conversely, some of the 33.3% year-over-year decline in Market activity during the Quarter is expected to adversely impact variable fees during the second quarter of 2009.

Premium franchise fees are derived from the 24 franchise locations servicing the GTA market that pay premium fees ranging from 1% to 5% of the location's gross revenue. Premium franchise fees for the Quarter decreased 53.0% from the same period in 2008, while the GTA market activity for the same period experienced a 30.9% decrease. The unfavourable results relative to the GTA market for the Quarter can be attributed to the Market in the fourth quarter of 2008 which was down 47.8% year-over-year and materializing as lower premium fees in the Quarter. As well, the percentage decrease in year-over-year premium fees is not entirely comparable to the overall GTA market decrease, as the change in the market activity experienced by the individual market areas serviced by the premium-fee-paying franchise locations differs from the overall GTA market activity. As mentioned earlier, the lag effect and the decreased market activity during the Quarter are expected to result in lower premium fees in the second quarter of 2009 due to the timing associated with the reported home sale market activity and the recording of actual variable premium fee by the Fund.

Other fees and services comprised of the APEC fee, technology fees, 4.5% option, web service plus other fees and revenue accounted for approximately 13% (12% – 2008) of Fund royalties for the Quarter, decreased 2.8% from the same period in 2008. This decline was due primarily to the decrease in the 4.5% variable fee, resulting from slowing market activity and the conversion of some offices to the $100/1% fee option and reduction in interest revenue resulting from the decrease in cash used for the NCIB.

Administration expenses of $0.2 million for the Quarter were in line with management's expectations.

Interest expense is comprised primarily of interest on the Fund's $38 million private debt placement from 2005 and the $14 million draw on the $15 million credit facility. During the year ended December 31, 2008, the Fund's interest expense totalled $3.2 million up $0.8 million over the same period in 2007 due to the $14 million draw on the credit facility. Total interest expense included $0.3 million in non-cash charges as a result of the amortization of the financing charges incurred and $0.2 million in interest paid in respect of the purchase obligation. The $2 million operating line has remained undrawn since the inception of the Fund.

Management Fee Expense

Management fees of $1.3 million for the Quarter were down 14.1% from the same period of 2008. In accordance with the MSA, management fees are calculated as 30% of net royalty fees earned (defined as Distributable Cash in the MSA) from the La Capitale franchise agreements and 20% of the balance of royalties less administrative and interest costs.

Amortization of Intangible Assets

Intangible assets relate to the values attributed to the franchise agreements and relationships and trademarks acquired by the Fund since August 7, 2003. Trademarks are amortized on a straight-line basis over the term of the license agreement plus one renewal period for the Royal LePage trademark and over the license agreement for the La Capitale contract. Franchise agreements are amortized over the term of the agreements. Relationships represent the value attributed to franchise renewals and are amortized over the renewal period, at the commencement of that period. See Acquisitions and Deposit on Acquisitions for further discussion regarding intangible assets arising on acquisitions.

Income Tax

In accordance with new tax legislation, during the Quarter, the Fund has recorded an income tax expense of $51,000 arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rate of 30.5%, applicable to the Fund in 2011 and 29% applicable thereafter (see Impact on Taxation of Income Trusts).

Non-controlling interest ("NCI") of $0.2 million represents the NCI's approximate 25% interest in the Fund's underlying operations.

Distributable Cash

Distributable cash to unitholders represents net and comprehensive earnings, adjusted for the non-controlling interest's share of net and comprehensive earnings, amortization and reasonable working capital and other reserves as defined by the Fund's Amended and Restated Declaration of Trust.

Distributable cash does not have a standardized meaning under GAAP and accordingly may not be comparable to similar measures used by other issuers. Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows. (See the following chart for a reconciliation of distributable cash to the comparable GAAP measure in the Fund's financial statements).

Management's Discussion and Analysis of Results and Financial Condition

Distributable cash and its utilization since Fund inception ($000's)	Total	Three months ended March 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	Aug. 7, 2003 to Dec. 31, 2003
Royalties	**$163,768**	$ 6,997	$ 34,883	$ 32,491	$ 29,659	$ 27,196	$ 23,740	$ 8,802
Less/(add):								
Administration expenses	**3,743**	217	817	725	645	595	513	231
Interest expense	**13,014**	784	3,174	2,419	2,401	2,289	1,327	620
Management fee	**29,744**	1,265	6,455	5,869	7,285	3,660	3,660	1,550
Distributable cash	**117,267**	4,731	24,437	23,478	19,328	20,652	18,240	6,401
Less:								
Distributions to public unitholders	**66,466**	3,423	13,083	11,980	11,477	10,985	10,985	4,533
Distributions to non-controlling interest	**22,190**	1,168	4,369	3,992	3,826	3,662	3,662	1,511
Total distributions	**88,656**	4,591	17,452	15,972	15,303	14,647	14,647	6,044
Distributable cash less total distributions	**28,611**	141	6,985	7,506	4,025	6,005	3,593	357
Less funding of acquisitions	**26,116**	5,799	5,564	6,333	7,886	414	120	–
Less purchase of units under NCIB	**2,692**	2,401	291	–	–	–	–	–
Net change in the period	**$ (197)**	$ (8,059)	$ 1,130	$ 1,173	$ (3,861)	$ 5,591	$ 3,473	$ 357
Cumulative change		$ (197)	$ 7,863	$ 6,733	$ 5,560	$ 9,421	$ 3,830	$ 357
Distribution percentage payout[1]	**76%**	97%	71%	68%	79%	71%	80%	94%

[1] This represents the Total distributions paid as a percentage of Distributable cash.

Distributable cash Reconciled to cash flow from operating activities ($000's)	Total	Three months ended March 31, 2009	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004	Aug. 7, 2003 to Dec. 31, 2003
Cash flows from operating activities	**$116,101**	$ 5,022	$ 24,174	$ 22,871	$ 20,199	$ 20,607	$ 17,772	$ 5,456
Add (deduct):								
Changes in non-cash working capital items	**1,999**	(209)	546	769	(703)	183	468	945
Non-cash interest expense	**(833)**	(82)	(283)	(162)	(168)	(138)	–	–
Distributable cash	**$117,267**	$ 4,731	$ 24,437	$ 23,478	$ 19,328	$ 20,652	$ 18,240	$ 6,401

For the Quarter, the Fund generated distributable cash of $4.7 million, down $0.9 million (15.8%) from the same period in 2008. This decrease in distributable cash was primarily due to decreased royalties from variable and premium franchise fees, partially offset by a decreased in management fees.

From inception of the Fund, to December 31, 2005, the Fund had accumulated and retained undistributed cash of $9.4 million, which in the event of the release of this cash would result in a 20% management fee payable to the Manager of $1.9 million. During 2006, the Fund released the $9.4 million cash, a portion of which was used to fund the 2005 and 2006 franchise agreements purchase obligations. In addition, the Board of Trustees removed the requirement to retain distributable cash for purposes of the management fee calculation due to the Fund's demonstrated track record of generating distributable cash in excess of its targeted annual distributions. As a result of these two events, the $1.9 million management fee described above was earned and paid during the first quarter of 2006. The management fee continues to be recorded on a "total" basis (see Summary of Quarterly Results for discussion of "total" basis). The Board of Trustees reserves the right to retain cash for working capital requirements.

From inception to March 31, 2009 the Fund has utilized distributable cash in excess of distributions to fund acquisitions and the normal course issuer bid obligations.

A summary of the main elements of the Fund's performance that assist in the assessment of the sustainability of the Fund's cash distributions is presented in the table below:

Three months ended March 31, ($000's)	2009	2008
Cash flows from operating activities	$ 5,022	$ 5,268
Net income for the period	358	1,281
Actual cash distributions paid	3,423	3,115
Excess of cash flows from operating activities over cash distributions paid	1,599	2,153
Shortfall of net income over cash distributions paid	$ (3,065)	$ (1,834)

The Fund's cash distributions to unitholders are fully funded by cash flow generated from operations. The Fund has consistently distributed cash in excess of net income to unitholders as a significant portion of the Fund's operating expenses are comprised of the non cash amortization of intangible assets consisting of franchise agreements, relationships and trademarks. The distribution of this excess is not viewed by management as an economic return of capital as these intangible assets are not expected to require a further cash outlay in the future, rather, the value of these assets to the Fund lie in part with management's ability to retain and renew the underlying franchise agreements and ensure the ongoing integrity of the trademarks. The Fund has not distributed all of the cash flow generated from operations to unitholders as cash distributions, as the cash generated in excess of these amounts as summarized in the table above (see table – Distributable cash and its utilization since Fund inception) has been utilized to fund the acquisition of franchise agreements, pay distributions to the non-controlling interest and fund the purchase of units under the NCIB. It is management's expectation, at the discretion of the Board of Trustees, that for the foreseeable future cash distributions to unitholders will continue and the remaining cash flow will be utilized to fund acquisitions, pay distributions to the non-controlling interest and fund the purchase of units under the NCIB.

Management's Discussion and Analysis of Results and Financial Condition

Acquisitions and Deposit on Acquisitions

Under the terms of the MSA, the Fund is permitted to acquire franchise agreements approved by independent trustees of the Fund from the Manager on January 1 of each year. The purchase price is determined in line with the terms of the MSA. The actual purchase price for these agreements is not determined until after October 31 of each year when an audit of the actual royalties generated under these agreements is completed and the purchase price is recalculated as detailed in the MSA. As a result, the initial payment representing up to 80% of the estimated purchase price is recorded as a deposit on acquisition. At each quarter end, the purchase price obligation is recalculated based on the actual royalties generated from these agreements and the resultant amount is removed from the deposit on acquisition and reclassified to intangible assets. The increase in intangible assets is amortized in accordance with the Fund's intangible assets policy. Recalculated purchase price obligations in excess of the deposit on acquisitions are classified as purchase obligations and the corresponding amount transferred to intangible assets and amortization, as previously described, is recorded.

During 2008, the January 1, 2008 franchise agreement purchase price was audited and determined to be $23.20 million, $2.06 million greater than the estimated obligation due to a combination of a greater number of Agents and higher that planned revenues. A summary of the franchise agreements acquired by the Fund since inception is as follows:

Date acquired by the Fund, January 1, ($ millions unless stated otherwise)	2009	2008	2007	2006	2005
Purchase price					
Estimated	3.40	21.14	7.18	6.22	9.26
Actual (a) (b)	(b)	23.20	8.04	5.55	9.94
Payments					
Initial	2.72	16.91	5.74	4.98	7.05
Final (b) (c) (d)	(a)	2.67	2.30	0.57	2.89
Estimated					
Annual royalty stream	0.70	2.99	0.82	0.74	1.15
Number of REALTORS®	316	1,272	390	346	558
Number of locations	25	60	22	21	47
Number of contracts	21	60	22	16	38
Actual					
Annual royalty stream (c)	(b)	3.21	0.92	0.66	1.24
Number of REALTORS®	(b)	1,502	534	345	666
Number of locations	25	60	22	21	46
Number of contracts	21	60	22	16	37

(a) To be determined at the end of the year in accordance with the appropriate purchase agreement.
(b) Purchase price obligation and actual values for La Capitale are calculated over three years.
(c) Audited.
(d) Purchase price obligation as at December 31.

Royal LePage Franchise Agreements

On January 1, 2009, the Fund acquired 18 new Royal LePage franchise agreements serviced by 230 REALTORS®, with an estimated annual royalty stream of $0.5 million. The agreements for these 21 locations were acquired in accordance with the terms of the MSA at an estimated purchase price of $2.5 million, with $2.0 million (80% deposit) due on closing and the balance to be paid in cash or units during the first quarter of 2010, upon meeting certain terms and conditions of the MSA.

La Capitale Franchise Agreements

On January 1, 2009, the Fund acquired three franchise agreements operating under the La Capitale brand in the province of Quebec from an affiliate of the Fund Manager for an estimated purchase price of $0.9 million. These agreements are represented by 86 REALTORS® operating from four locations with an estimated annual royalty stream of $0.2 million. As outlined in the Fund's MSA, 80% of the estimated acquisition price ($0.7 million), which is subject to adjustment, was paid in January 2009. Under terms negotiated with the Fund's Trustees, the balance of the purchase price is to be paid in annual installments over the next three years.

During the first quarter of 2008, $16.9 million was paid and recorded as a deposit on acquisition in respect of the Royal LePage and La Capitale acquisitions. At each quarter end, the realized portion of the estimated asset value was recalculated based on the actual royalties generated from these agreements. Based on these quarterly calculations, $16.9 million was transferred from deposit on acquisition to intangible assets. During 2008, the realized portion of the estimated asset value exceeded the deposit on acquisition by $5.8 million which has been recorded as a purchase price obligation and added to intangible assets. The $16.9 million transfer from deposit on acquisition to intangible assets consisted of $14.0 million related to the acquisition of La Capitale and $2.9 million from the acquisition of Royal LePage franchise contracts.

In addition, for the year ended December 31, 2008, intangible assets were further increased by $3.1 million due to future income tax liabilities arising from the La Capitale acquisition as described below. The increase attributable to future income tax liabilities arises as the assets of La Capitale were acquired on a tax deferred basis through a partnership with the underlying tax value attributed to the partnership units. As a result, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund have a zero tax basis. The temporary difference between the carrying value of these agreements and trademarks and zero tax basis results in a future income tax liability. Under GAAP the Fund is required to adjust the carrying value of the agreements by an amount equal to the income tax liability.

Debt Financing

In 2005, the Fund increased its debt to meet its franchise agreement purchase obligations and moved from a floating interest rate position to a fixed interest rate position. Accordingly, on February 18, 2005, the Fund completed a $38 million private debt placement with a number of Canadian institutional investors for a five-year term with interest fixed at 5.882%, payable quarterly in arrears. The full amount of the debt is due upon maturity on February 17, 2010.

The Fund has a $2 million operating line provided by a single Canadian financial institution. As of the date of this MD&A, this operating line remains undrawn and in force. On March 6, 2009, the operating line was renewed to February 17, 2010.

On April 4, 2008, the Fund completed a $15 million term facility with a Canadian financial institution and with effect from April 7, 2008 entered into an interest rate swap agreement which fixed the variable portion of the term facility's interest at 3.29% for a total annual interest rate of 4.29% over the term of the facility (before legal and associated costs). On closing, the Fund drew down $14 million, and on April 2, 2009 the Fund drew down the remaining $1 million of the term facility to fund the obligations arising from the January 1, 2008 acquisitions. This term facility matures on February 17, 2010, the same date as the $38 million private debt placement. Management has initiated the process for the refinancing of the Fund's debt obligations.

The interest rate swap is a financial derivative valued separately from the term facility. The Fund values the swap agreement at its market value. Changes in the value of the swap agreement are recorded as other income or loss.

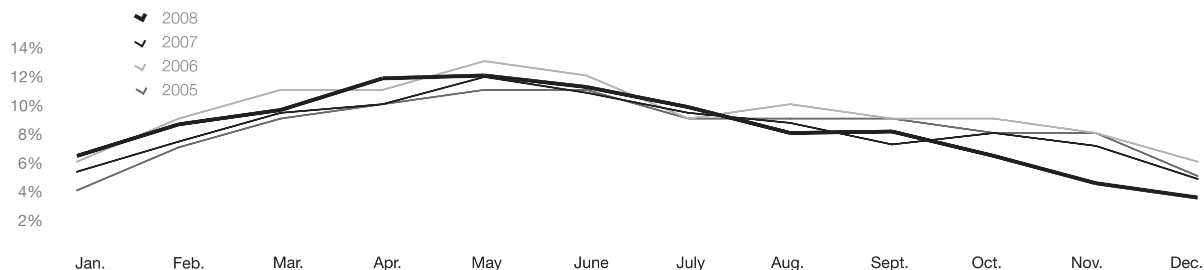
Management's Discussion and Analysis of Results and Financial Condition

Summary of Quarterly Results

Three months ended	2009	2008				2007		
($000's) except Agents, unit and per unit amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties								
Fixed franchise fees	**$ 4,467**	$ 4,491	$ 4,431	$ 4,440	$ 4,336	$ 3,788	$ 3,749	$ 3,714
Variable franchise fees	**1,194**	1,243	2,499	2,628	1,921	1,315	2,661	2,870
Premium franchise fees	**420**	937	1,514	1,106	893	1,348	1,899	1,306
Other fee revenue and services	**916**	1,069	1,203	1,230	942	997	986	948
	6,997	7,740	9,647	9,404	8,092	7,448	9,295	8,838
Less:								
Administration expenses	**217**	224	188	215	190	192	184	175
Interest expense	**784**	794	803	766	811	606	606	615
Management fee	**1,265**	1,412	1,805	1,765	1,473	1,330	1,700	1,610
Earnings before undernoted	**4,731**	5,310	6,851	6,658	5,618	5,320	6,805	6,438
Amortization of intangible assets	**4,141**	4,658	4,297	4,035	3,896	3,746	3,723	3,683
Other loss (income)	**7**	335	92	(62)	–	–	–	–
Future income tax expense/(recovery)	**51**	(1)	(1)	(11)	(35)	293	(11)	(2,101)
Net and comprehensive earnings before non-controlling interest	**532**	318	2,463	2,696	1,757	1,281	3,093	4,856
Non-controlling interest	**174**	118	652	718	476	364	811	1,249
Net and comprehensive earnings	**$ 358**	$ 200	$ 1,811	$ 1,978	$ 1,281	$ 917	$ 2,282	$ 3,607
Basic and diluted earnings per unit	**$ 0.04**	$ 0.02	$ 0.18	$ 0.20	$ 0.13	$ 0.09	$ 0.23	$ 0.36
Number of Agents	**13,696**	13,600	13,732	13,715	13,551	12,201	12,117	12,038
Number of fixed fee paying Sales Representatives	**699**	699	729	740	728	735	716	673

With the exception of the results for the Quarter as previously discussed, revenues increased in each quarter, year over year due to a number of factors such as organic Agent count growth, Agent productivity, and the acquisition of franchise agreements on January 1 of each year. An income tax recovery of $1.8 million was recorded during 2007, in line with new tax legislation effecting income trusts (see Impact of Taxation on Income Trusts).

The Fund's royalty revenues are affected by the seasonality of the Canadian Market which typically has stronger second and third quarters as summarized in the chart below. The seasonality of this market is mitigated by the timing of certain factors such as: the factors noted above, the significant fixed element of the Fund's agent count-based fees and the fixed element of variable Royal LePage franchise fees resulting from the $1,300 per annum capping feature described earlier.



Source: CREA and Fund Management

A key statistic management utilizes to monitor Fund performance is the rolling 12-month distributable cash per unit, adjusted for management fees on a "total" basis. As noted in the table below, distributable cash calculated on this basis had been steadily increasing each quarter until leveling off in the third quarter and declining 3% in the Quarter.

Adjusted[1] rolling twelve-month distributable cash

Twelve months ended	2009	2008				2007		
($000's) except per unit amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties	**$ 33,788**	$ 34,883	$ 34,591	$ 34,239	$ 33,673	$ 32,491	$ 31,808	$ 30,983
Less:								
Administration expenses	**844**	817	785	781	741	725	665	644
Interest expense	**3,147**	3,174	2,986	2,789	2,638	2,419	2,419	2,418
Adjusted Management fee[1]	**6,247**	6,455	6,373	6,268	6,113	5,869	5,745	5,584
	23,550	24,437	24,447	24,401	24,181	23,478	22,979	22,337
Adjusted Distributable cash per unit – total basis	**$ 1.78**	$ 1.84	$ 1.84	$ 1.83	$ 1.82	$ 1.76	$ 1.73	$ 1.68

Adjusted[1] rolling twelve-month distributable cash Reconciled to cash flows from operating activities

Twelve months ended	2009	2008				2007		
($000's) except per unit amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Cash flows from operating activities	**$ 23,928**	$ 24,174	$ 23,539	$ 24,744	$ 24,335	$ 22,871	$ 23,998	$ 22,054
Add (deduct):								
Changes in non-cash working capital items	**(56)**	546	1,149	(149)	12	769	(856)	446
Non-cash interest expense	**(322)**	(283)	(241)	(194)	(166)	(162)	(162)	(163)
	23,550	24,437	24,447	24,401	24,181	23,478	22,979	22,337
Adjusted Distributable cash per unit – total basis	**$ 1.78**	$ 1.84	$ 1.84	$ 1.83	$ 1.82	$ 1.76	$ 1.73	$ 1.68

[1] Above adjusted for management fees calculated before Reserve requirements.
A "total" basis refers to the calculation of the management fee as per the MSA before Reserves for working capital requirements.
Prior to 2005, a Reserve was deducted for the purposes of the management fee calculation.
This Reserve requirement was removed and the accumulated management fee was paid in the first quarter of 2006.

Liquidity

The Fund utilized cash flow generated from operating activities for the Quarter of $5.0 million to meet acquisition and distribution requirements as well as the purchasing of Fund units under the NCIB. A summary of the Fund's working capital position is as follows:

Working Capital

($000's)		As at March 31, 2009		As at December 31, 2008
Current assets				
Cash and cash equivalents	$	155	$	7,924
Accounts receivable and other		3,530		3,369
Deposit on acquisition		1,572		–
	$	5,257	$	11,293
Current liabilities				
Accounts payable and accrued liabilities	$	1,979	$	2,551
Purchase obligation		1,615		3,031
Distribution payable to unitholders		1,129		1,148
Financial derivative		372		–
		5,095		6,730
Net working capital before debt	$	162	$	4,563
Debt		51,697		–
Net working capital	$	(51,535)	$	4,563

Changes in the Fund's working capital is primarily driven by cash flow generated from operations, the recording of obligations arising from the purchase of franchise agreements and the settlement of these obligations.

During the Quarter, the Fund's working capital before debt decreased to $0.2 million primarily due to the use of cash to fund: $3.1 million obligation arising from the January 1, 2008 purchase of franchise agreements; $1.6 million for the deposit on acquisition arising from the January 1, 2009 purchase of franchise agreements; $1.2 million for the purchase of intangible assets and $2.4 million for the purchase of units under the NCIB.

The debt matures on February 17, 2010 and accordingly has been reclassified as current liabilities in the Quarter. Management has initiated the process for the refinancing of this debt.

On April 2, 2009, the Fund drew down the remaining $1 million of the $15 million term facility to meet purchase obligations, arising from the purchase of La Capitale franchise agreements in 2008.

Capital Resources

The existing capital resources that the Fund can draw on consist of a $2 million operating line, which has been unutilized since the inception of the Fund.

Other capital resources include: funds generated from operations and $0.7 million in unutilized distributable cash held for future distributions in anticipation of the seasonality of the Canadian Market; debt servicing; distribution requirements; and financing for the acquisition of franchise agreements.

The Fund's debt is comprised of a $38 million Private Placement and a $15 million term facility, which both mature on February 17, 2010. During 2009 the Fund will continue to benefit from the stability of fixed interest costs associated with the Fund's debt and will be focused on refinancing this debt as it matures in February 2010.

Off-Balance Sheet Arrangements

The Fund has no off-balance sheet arrangements.

Transactions With Related Parties

The Fund's interests are ultimately controlled approximately 75% by the public and approximately 25% by BAM, which sold its interest in certain assets to the Fund. These assets included the relationships, trademarks and franchise agreements related to the business of its Royal LePage residential resale real estate brokerage franchise operations. Under the terms of the offering, the non-controlling interest was required to hold its 25% interest for five years ending August 7, 2008 after which it may exchange its Subordinated LP units for units of the Fund. In addition, during the initial five-year period, the non-controlling interest's right to receive distributions on a quarterly basis was reduced to the extent that the public unitholders do not receive their initial targeted monthly distributions of $0.0917 per unit. With the completion of the five-year subordination, the non-controlling interest receives its distributions on a monthly basis and continues to hold its LP units.

BAM continues to operate 16 corporately-owned residential resale real estate brokerage locations in the GTA serviced by over 1,000 Agents. Of these operations, 14 entered into a single franchise agreement with the Fund on the inception of the Fund and two additional franchise agreements were added on January 1, 2007 and 2008. The original single franchise agreement for the 14 locations provides for a 20-year term for these locations under the $100/1% option and an additional Premium franchise fee ranging from 1% to 5% of the location's gross commission income for a 15-year term after which time the Premium franchise fees cease. The two new locations each have a new franchise agreement with the expiry date and cessation of premium fees consistent with the original agreement for the 14 locations.

The management of the Fund and its underlying structure is provided under an MSA by the Manager, which is a company controlled by the non-controlling interest. The MSA provides for an initial term expiring August 6, 2013 and is automatically renewable for successive 10-year terms subject to certain performance criteria and/or other notification requirements. The MSA details the Manager's responsibilities and provides for a monthly fee, payable in arrears, of 20% of cash otherwise distributable for Royal LePage agreements and 30% in respect of cash otherwise distributable from the La Capitale franchise agreements.

On January 1 of each year the Fund may, upon the Board of Trustees' approval and criteria detailed in the MSA, purchase Royal LePage franchises acquired by the Manager up to or on or about October 31 of the previous year. The acquisition amount is determined in accordance with a formula detailed in the MSA. The acquisition costs may be satisfied by way of cash or units of the Fund and are paid 80% on acquisition and the remaining 20% a year later when the actual franchise fees are reviewed and the acquisition calculations are adjusted accordingly.

On January 1 of each year, the Fund may, upon the Independent Trustees' approval and criteria established by the Board of Trustees, purchase La Capitale franchises acquired by the Manager or its affiliates up to or on or about October 31 of the previous year. The acquisition costs may be satisfied by way of cash or units of the Fund. Modifications of the MSA relating to the La Capitale acquisition costs and management fees are as follows:

(a) the discount factor of 92.5%, which is applied to the Royalties upon which the purchase price is based, was increased to 90%, thereby reducing the purchase price;

(b) the final purchase price is to be calculated based on the average annual Royalties earned from La Capitale Franchise Agreements over three years (instead of one year);

(c) the Partnership will pay a management fee equal to 30% of net royalties (defined as Distributable Cash in the MSA), received from the La Capitale franchise agreements, instead of 20%. The increase in the management fee resulted in a direct and proportional decrease in the purchase price paid by the Partnership, as the purchase price is calculated based on Royalties earned from the La Capitale franchise agreements net of the management fee.

The related party transactions entered into by the Fund were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts in thousands of dollars follows:

Three months ended March 31, ($000's)		**2009**		2008
a) Royalties				
Fixed, variable and other franchise fees	**$**	**520**	$	603
Premium franchise fees	**$**	**358**	$	774
b) Expenses				
Management fees	**$**	**1,232**	$	1,473
Insurance and other	**$**	**27**	$	25
Interest on initial purchase obligation	**$**	**13**	$	210
c) Distributions				
Distribution paid to non-controlling interest	**$**	**1,168**	$	998

As at ($000's)		**March 31, 2009**		December 31, 2008
d) Accounts receivable				
Franchise fees receivable and other	**$**	**310**	$	394
e) Accounts payable and accrued liabilities				
Distributions payable to non-controlling interest	**$**	**389**	$	389
Management fees	**$**	**791**	$	417
NCIB settlement payable	**$**	**–**	$	942
f) Purchase obligation	**$**	**3,195**	$	6,211

Effective January 1, 2009, the Fund acquired 18 Royal LePage franchise agreements and three La Capitale franchise agreements for an estimated purchase price of $2.5 million and $0.9 million, respectively with 80% ($2.7 million) of the purchase price due during the first quarter (see Franchise Acquisition Agreements for further information). During the Quarter the Fund paid the initial $2.7 purchase obligation from cash on hand.

Critical Accounting Estimates

Substantially all of the Fund's activities are based on cash transactions with revenue and expenditures based on contracted terms. The only operating activities not based on contractual terms include: the Fund's administration costs, allocation of the intangible assets between franchise agreements and relationships, and trademarks and their related amortization periods. The Fund's administration costs of approximately $0.8 million per annum relate to the Fund's public reporting, regulatory and insurance costs.

The allocation of the Fund's intangible assets between their various classifications is subject to management estimates. The Fund's intangible assets are continuously monitored to ensure that there is no impairment in the carrying value of these assets. A change in the carrying value would affect the net earnings of the Fund but would have no direct cash flow implications.

Financial Instruments

The Fund's financial instruments consist of cash, accounts receivable, financial derivative liability, accounts payable and accrued liabilities, purchase obligation, distributions payable to unitholders, a $38 million private debt placement, a $15 million term facility and a $2 million credit facility.

The Fund is exposed to credit risk with respect to accounts receivable to the extent any franchisees are unable to pay their fees. The Fund's credit risk is limited to the recorded amount of accounts receivable. Management reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis.

The Fund's $38 million private debt is fixed at 5.882% for a five-year term commencing February 18, 2005 and as such is not subject to interest rate fluctuations.

On April 4, 2008, the Fund completed a $15 million term facility with a Canadian financial institution and with effect from April 7, 2008 entered into an interest rate swap agreement which fixed the variable portion of the term facility's interest at 3.29% for a total effective annual interest rate of 4.29% over the term of the facility. The interest rate swap is a financial derivative valued separately from the term facility. The Fund values the swap agreement at its market value. Changes in the value of the swap agreement are recorded as other income or loss.

Management estimates the fair value of the Fund's financial instruments to approximate their carrying values.

Disclosure Controls and Internal Controls

The Fund has designed and maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms.

The Fund has also designed and maintains a set of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Fund's internal controls over financial reporting during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Management's Discussion and Analysis of Results and Financial Condition

Outstanding Units

The Fund's capital structure remains unchanged from its launch on August 7, 2003, with the Fund authorized to issue an unlimited number of units of the same class with equal rights and privileges. As at March 31, 2009, 9,650,880 units remained outstanding. In addition to these units, the Fund has 3,327,667 Special Fund Units outstanding, which entitles the holder to vote in all votes of Fund units as if they had converted their Subordinated LP Units into Fund units.

On October 3, 2008, the Toronto Stock Exchange approved the Fund's notice of intention to make a normal course issuer bid for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases will be made at market prices in accordance with the rules and policies of the Toronto Stock Exchange. Daily purchases will be effected through the facilities of the TSX and will be limited to 3,800 units, other than block purchase exceptions.

During 2008, 163,720 units were purchased at an average price of $7.51 per unit. During the Quarter, a further 168,400 units at an average price of $8.67 per unit were acquired.

Given current market prices for the Fund units, management believes that the purchase by the Fund of a portion of its outstanding units is an appropriate use of available resources and in the best interests of the Fund and its unitholders. The Fund has been and intends to continue to finance these purchases with available cash on hand.

Fund Structure

The Fund is governed by a Board of Trustees and is comprised of a Trust (Fund) on Trust (Holding Trust) structure, that controls a general partner and Limited Partnership. The Trust on Trust structure qualifies the Fund for Canadian RRSPs, RRIFs, RESPs, DPSPs and similar plans.

Substantially, all Fund activity is transacted through the Limited Partnership ("LP"), which in turn flows distributions to public unitholders and the non-controlling interest through the Fund structure. The Fund has a 75% interest in the LP by way of Ordinary LP units held by the Holding Trust while the subordinated unitholder has a 25% interest in the Partnership by way of Subordinated LP units. The Fund and the subordinated unitholder have a 75% and 25% respective ownership in the General Partner, which mirrors their LP interests.

As part of the Fund's purchase of the La Capitale Assets on January 1, 2008, the LP acquired two companies, a Limited Partnership ("LCLP") which held the La Capitale Assets and the General Partner ("LCGP"). For a more detailed explanation of the Fund Structure please see the 2008 Annual Information Circular.

Under the terms of the Offering, the subordinated unitholder had to retain its full interest for five years from the commencement of the Fund. Fund distributions of all available cash were made on a monthly basis to public unitholders and on a quarterly basis to the subordinated unitholder. During the initial five-year period, the subordinated unitholder's distributions were subordinated to the public unitholders' distributions to the extent the public unitholders had not received the initial targeted monthly distribution of $0.0917 per unit, $1.10 per unit per annum. The initial five-year term ended August 7, 2008 after which the subordinated unitholder may exchange its units for units of the Fund and receives distributions on a monthly basis.

The LP manages the Fund's operations and underlying structure by way of the MSA, as discussed in detail earlier.

Taxation of Fund Distributions

Under the Fund's Amended and Restated Declaration of Trust, the maximum tax deductions available to the Fund shall be claimed to the extent it brings the taxable income of the Trust to nil. The deductions available to the Trust are comprised of the costs of the offering and intangible assets. The estimated deductions available to the Trust as at December 31, 2008 are comprised of the costs of the initial public offering, intangible assets of the LP, acquisitions of franchise agreements subsequent to inception, costs associated with the $38 million private debt placement, and costs associated with the $15 million credit facility, which have the following deductibility profile and amounts:

Taxation of Fund Distributions
($ millions)

Future Deduction Basis	Remaining balance December 31, 2008	Estimated addition for 2009	Estimated deduction for 2009	Estimated balance December 31, 2009
7% of balance	78.6	2.5	5.6[1]	74.9
Five-year straight-line	0.4		0.2	0.2
	79.0	2.5	5.8	75.1

[1] This estimated deduction for 2009 is calculated as 7% of the sum of the remaining balance as of December 31, 2008 and 75% of the estimated addition for 2009.

For the year ended December 31, 2008, the Fund had a return of capital per unit of approximately 0% (3% – 2007) and a taxable amount per unit of approximately 100% (97% – 2007). These calculations are summarized in the table below.

($ millions)	2003	2004	2005	2006	2007	**2008**
Fund net earnings	2.0	3.3	4.8	3.5	7.7	**5.3**
Add:						
Non-controlling interest	0.7	1.2	1.7	1.3	2.8	**2.0**
Amortization	3.8	13.7	14.2	14.6	14.8	**16.9**
Income tax	–	–	–	–	(1.8)	**–**
Other	(0.1)				0.1	**0.5**
Taxable earnings	6.4	18.2	20.7	19.4	23.6	**24.7**
Less:						
Tax deduction	3.4	8.0	8.2	8.1	8.1	**7.2**
Taxable income	3.0	10.2	12.5	11.3	15.5	**17.5**
Distributions	(6.0)	(14.6)	(14.6)	(15.3)	(16.0)	**(17.5)**
Return of capital	(3.0)	(4.4)	(2.1)	(4.0)	(0.5)	**–**
Return of capital	50%	30%	14%	26%	3%	**0%**
Taxable	50%	70%	86%	74%	97%	**100%**
Distributions						
Unitholders	4.5	11.0	11.0	11.5	12.0	**13.1**
Non-controlling interest	1.5	3.6	3.6	3.8	4.0	**4.4**
	6.0	14.6	14.6	15.3	16.0	**17.5**

Impact of Taxation on Income Trusts

On October 31, 2006, the Minister of Finance announced proposed tax legislation ("trust legislation") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. This trust legislation was substantially enacted into law on June 12, 2007. Accordingly, during the second quarter of 2007, the Fund began to recognize future income taxes or recoveries arising from those temporary tax differences expected to reverse after January 1, 2011.

Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the unitholders and, accordingly, no provisions for income taxes were recorded by the Fund.

In 2011 when the Fund expects to become a taxable entity, income taxes payable will reduce net earnings and will affect distributable cash by an equal amount.

In accordance with new tax legislation, as at March 31, 2009 the Fund has recorded a non-cash future tax liability of $1.2 million, arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rate of 30.5%, applicable to the Fund in 2011 and 29% applicable thereafter. The future tax liability is comprised of a $3.2 million tax liability less a non-cash future tax asset of $2.0 million. The $3.2 million future income tax liability arises from the assets of La Capitale which were acquired on a tax deferred basis through a partnership with the underlying tax value attributed to the partnership units. As a result, the individual agreements and trademarks of the partnership at the time of acquisition by the Fund do not have a tax basis. The temporary difference between the carrying value of these agreements and trademarks and zero tax basis results in a future income tax liability of $3.2 million.

Management of the Fund reviews the value of the Fund's future income tax assets and liabilities on a quarterly basis and records adjustments, as necessary, to reflect the realizable amounts of the Fund's future income tax assets and liabilities.

This trust legislation, and the related impact and proposed limits on equity issued by income Funds to fund acquisitions, may affect the Fund's ability to make future acquisitions, accordingly, management and the Trustees have been monitoring the changes in the income trust environment and are continuing to review potential impacts on the Fund's current strategy and the alternatives available to the Fund, to protect and enhance unitholder value.

Change in Accounting Policies

Accounting Changes

a) On January 1, 2009, the Fund adopted CICA Handbook Section 3064, Goodwill and Intangible Assets. Section 3064 replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Fund has evaluated this standard and determined that there is no impact to the consolidated financial statements.

Accounting Changes – Future

a) International Financial Reporting Standards ("IFRS")

Management has been assessing the impact of IFRS on the financial statements of the Fund and aside from prescribed changes in financial statement presentation and related disclosure the most significant impacts are on the accounting for the acquisition of franchise contracts, valuation of Intangibles and impairment of intangibles.

Acquisition of Franchise Contracts

Currently under GAAP the Fund records the initial franchise contract obligations as deposits on acquisition with subsequent adjustments to the deposit obligation or purchase obligation as royalties are earned from the contracts. Under IFRS the Fund would record the estimated purchase price as an asset and the related purchase obligation.

Valuation of Intangibles

Under IFRS, intangible assets under certain conditions are to be revalued at the end of each reporting period with any changes in value going through the Fund's statement of earnings. A prerequisite for the application of this accounting treatment is there must be an active market for these assets and the assets must be held for trading. The Fund's intangibles are comprised of contracts, relationships and trademarks. The Fund does not trade these assets nor is there an active market for these assets and as such the Fund will not be required to revalue its intangibles under these IFRS requirements.

Impairment of Intangibles

Under current GAAP the impairment of intangible assets is reviewed at the end of each reporting period by comparing the expected future undiscounted cash flows to be generated from the Fund's intangibles assets against the carrying value of the assets. Under IFRS the Fund is required to assess its intangibles for impairment in value using a discounted cash flow ("DCF") whereby the DCF expected to be derived from the Fund's Intangible assets is compared to their carrying value in the financial statements at the end of each reporting period. Where the value of the DCF is less than the carrying value, the carrying value of the intangible is to be recorded at the DCF value with the difference or impairment being written off as a current period charge to the statement of earnings. IFRS does not permit a write up of intangibles should the DCF exceed the carrying value regardless of whether or not the intangible was subject to an earlier impairment charge.

The primary drivers of the DCF as they relate to franchise contracts and relationships are the expected future cash flows from these assets over the remaining initial term of the contracts and the first renewal term, respectively, and the discount rate utilized. Management has determined that the yield on the Fund's units would be an appropriate rate to utilize for this purpose as this is the inherent rate of return for the Fund and was used in part to determine the purchase price for the Fund's franchise contract acquisitions.

The DCF approach to the valuation of intangibles does not recognize the future value of the contracts and relationships derived from the period occurring after the remaining initial and first renewal term of the underlying contracts. With the decreasing yield of the Fund due in part to the overall economic turmoil it is conceivable that an impairment charge in respect of the Fund's Intangibles could arise as result of the application of this accounting requirement.

b) Business Combinations

In January 2009, the CICA issued new accounting standards concerning Business Combinations ("Section 1582"), Non-controlling Interests ("Section 1602") and Consolidated Financial Statements ("Section 1601"), which is based on the IASB's International Financial Reporting Standard 3, "Business Combinations". The new standards replace the existing guidance on business combinations and consolidated financial statements. The objective of the new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards shall not be adjusted upon application of these new standards. The Non-controlling Interests standard should be applied retrospectively except for certain items.

The Company is assessing whether it will apply the new accounting standards at the beginning of its 2011 fiscal year or elect to adopt the new accounting standards at the beginning of its 2010 fiscal year in order to minimize the amount of restatement when the Company adopts International Financial Reporting Standards ("IFRS"). The impact of the new standards on the Company's results of operations, financial position and disclosures will be assessed as part of the Company's IFRS transition project.

Risk Factors

Risks related to the residential resale real estate brokerage industry and the business of the Partnership and the Fund are outlined in the Fund's Annual Information Form which is available at www.sedar.com and on the Fund's website www.brookfieldres.com under Investor Relations/Financial Reports.

Management's Discussion and Analysis of Results and Financial Condition

Outlook

Following record housing prices and units sold in Canada during 2007, the Market declined by 17.6% in 2008 to $131.9 billion. This was followed by a 33.3% decline in the Market in the Quarter compared to the same quarter in 2008, although the rate of decline moderated relative to the fourth quarter of 2008 as well as in each successive month in the Quarter. This slowdown in housing markets reflects the end of an expansionary period for Canadian housing that goes back to the start of the decade. We anticipate a further retreat in the Market in the midst of the current Canadian recession and global economic uncertainty. CREA has projected a 6.4% weighted average drop in average MLS home prices and a 16.9% drop in national MLS unit sales activity in 2009, followed by steady prices and a 9.9% rebound in unit sales in 2010 with most of the increased activity in the second half of that year.

Real estate resale markets in Canada are being affected by a drop in consumer confidence resulting from widespread economic concerns, originating largely from the U.S. credit market crisis that has spread globally and has diminished the value of a range of asset classes. The sharp drop in commodity prices has affected Canada's resource-based regional economies, as have layoffs in manufacturing-based regions. We anticipate a further decline in Canadian real estate markets until consumer confidence improves.

The reduction in unit sales from record levels and decline in transaction dollar volume in Canada in recent quarters may reduce the number of Agents entering the industry and cause less productive Agents to seek other employment opportunities. When markets slow, established brands can gain market share as their reputation and support services make them a destination of choice. The Fund's three leading brands are well positioned for a market slowdown.

The variable and fixed elements of the Fund's royalty stream drive distributable cash. From a variable fee perspective the impact of a further market decline is mitigated by the composition of the royalty stream which for the twelve months ended December 31, 2008 is approximately 69% fixed and 31% variable resulting in an approximate 31% change in royalty fees for changes in overall Market activity. For example, all other factors being held constant, a 10% decrease in market activity would result in an approximate 3.1% decline in royalties. A more substantive change in the Fund's variable royalty fees revenue however could result if Market activity in the GTA were to differ significantly from the overall Market, as the Fund earned 13% of its fees revenue in the form of a premium royalty fee from this Market. In addition the Fund's variable fees may differ from the overall Market activity as a result of the Fund's over representation in the province of Quebec and under representation in the western provinces.

From a fixed fee perspective a loss of Agents could result in a $1,500 to $2,000 fixed fee per Agent reduction and up to $1,300 per Agent of variable fees for Agents who have reached the related variable fee cap. In the Quarter the Fund experienced Agent loss and this Agent loss may continue to occur with less productive Agents who are unable to generate sufficient income to meet their needs during a market correction. During 2008, the Fund's Agents were on average 69% more productive than the rest of the industry; therefore, management believes they are better able to withstand a significant reduction in the market over the long term.

Another factor affecting REALTORS® of the Fund is the number of new Agents who have joined over the past two years, a significant number of whom have joined the Fund network. Typically these agents need two years to build a sufficient book of business and as such are more vulnerable to exiting the market.

During 2009 the Fund will continue to benefit from the stability of fixed interest costs associated with the Fund's debt and will be focused on refinancing this debt prior to maturity in February 2010.

In the first quarter of 2009, the Fund experienced a year-over-year decline in distributable cash; however, this decline is significantly less than the decline in the Market. Our high proportion of fixed revenue and growth through acquisitions mitigates some of the impact of a potential flat or declining Market. These strategies have positioned the Fund to maintain performance stability throughout the Market cycle. Our objective is to offset an anticipated increase in REALTOR® attrition with focused recruiting and franchise acquisition efforts.

We maintain confidence in the long-term growth potential of the real estate services industry and of the Fund as we implement our multi-brand growth strategy. During this downturn we anticipate consolidation within the industry as the better capitalized, technologically advanced and service-oriented brands gain market share organically and through acquisitions. With leading brands and leading performance, we are a consolidator in the industry in Canada, and we continue to have our sights set on expansion into the U.S. at the appropriate time.

Forward-Looking Statements

This MD&A and other content of this Financial Review contains forward-looking information and other “forward-looking statements”. The words such as “should”, “will”, “continue”, “plan”, “believe”, “expect”, “anticipate”, “intend”, “estimate” and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Fund to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include a change in general economic conditions; interest rates; consumer confidence; the level of residential resale transaction; the average rate of commissions charged; competition from other traditional real estate brokers or from discount and/or internet-based real estate alternatives; the availability of acquisition opportunities and/or the closing of existing real estate offices; other developments in the residential real estate brokerage industry or the Fund that reduce the number of and/or royalty revenue from the Fund’s REALTORS®; our ability to maintain brand equity through the use of trademarks; the availability of equity and debt financing; a change in tax provisions; and other risks detailed in the Fund’s annual information form which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Supplemental Information – Net Earnings and Distributable Cash by Period

Three months ended ($000's except per unit amounts, unaudited)	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	**March 31, 2009**
Royalties	$ 8,838	$ 9,295	$ 7,448	$ 8,092	$ 9,404	$ 9,647	$ 7,740	**$ 6,997**
Less:								
Administration expenses	175	184	192	190	215	188	224	**217**
Management fee	1,610	1,700	1,330	1,473	1,765	1,805	1,412	**1,265**
Interest expense	615	606	606	811	766	803	794	**784**
Other (income)/loss	–	–	–	–	(62)	92	335	**7**
Amortization of intangible assets	3,683	3,723	3,746	3,896	4,035	4,297	4,658	**4,141**
Earnings before undernoted	2,755	3,082	1,574	1,722	2,685	2,462	317	**583**
Future income tax recovery/(expense)	2,101	11	(293)	35	11	1	1	**(51)**
Non-controlling interest	(1,249)	(811)	(364)	(476)	(718)	(652)	(118)	**(174)**
Net and comprehensive earnings for the period	3,607	2,282	917	1,281	1,978	1,811	200	**358**
Add:								
Amortization of intangible assets	3,683	3,723	3,746	3,896	4,035	4,297	4,658	**4,141**
Non-cash other (income)/loss	–	–	–	–	(62)	92	335	**7**
Future income tax (recovery) expense	(2,101)	(11)	293	(35)	(11)	(1)	(1)	**51**
Non-controlling interest	1,249	811	364	476	718	652	118	**174**
Distributable cash	6,438	6,805	5,320	5,618	6,658	6,851	5,310	**4,731**
Less change in:								
Unutilized cash	(2,445)	(2,812)	(1,244)	(1,463)	(2,508)	(2,351)	(663)	**(140)**
Cash required for distributions	$ 3,993	$ 3,993	$ 4,076	$ 4,155	$ 4,150	$ 4,500	$ 4,647	**$ 4,591**
Distributable cash available to:								
Public unitholders	$ 2,995	$ 2,995	$ 3,037	$ 3,115	$ 3,114	$ 3,375	$ 3,479	**$ 3,423**
Non-controlling interest	998	998	1,039	1,040	1,036	1,125	1,168	**1,168**
	$ 3,993	$ 3,993	$ 4,076	$ 4,155	$ 4,150	$ 4,500	$ 4,647	**$ 4,591**
Distributions to public unitholders	$ 2,995	$ 2,995	$ 3,037	$ 3,115	$ 3,114	$ 3,375	$ 3,479	**$ 3,423**
Per unit (9,983,000 units less retired):								
Basic and diluted earnings	$ 0.36	$ 0.23	$ 0.09	$ 0.13	$ 0.20	$ 0.18	$ 0.02	**$ 0.04**
Basic and diluted distributable cash before working capital and other reserves	$ 0.48	$ 0.51	$ 0.40	$ 0.42	$ 0.50	$ 0.51	$ 0.40	**$ 0.36**
Basic and diluted distributions	$ 0.30	$ 0.30	$ 0.30	$ 0.31	$ 0.31	$ 0.34	$ 0.35	**$ 0.35**

Tax Allocation of Distributions

For the year ended December 31, (Unaudited)	2003[1]	2004	2005	2006	2007	**2008**
	(actual)	(actual)	(actual)	(actual)	(actual)	**(actual)**
Other taxable income	50%	70%	86%	74%	97%	**100%**
Return of capital	50%	30%	14%	26%	3%	**0%**
Total distributions of the period	100%	100%	100%	100%	100%	**100%**

[1] Inception (August 7) to December 31, 2003.

Supplemental Information – Selected Financial and Operating Information

Three months ended ($000's, unaudited)	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	**March 31, 2009**
Revenue								
Fixed franchise fees	$ 3,714	$ 3,749	$ 3,788	$ 4,336	$ 4,440	$ 4,431	$ 4,491	**$ 4,467**
Variable franchise fees	2,870	2,661	1,315	1,921	2,628	2,499	1,243	**1,194**
Premium franchise fees	1,306	1,899	1,348	893	1,106	1,514	937	**420**
Other fee revenue and services	948	986	997	942	1,230	1,203	1,069	**916**
	$ 8,838	$ 9,295	$ 7,448	$ 8,092	$ 9,404	$ 9,647	$ 7,740	**$ 6,997**
% Revenue by region								
British Columbia	15	13	13	14	13	11	11	**13**
Prairies	11	9	9	10	10	9	10	**10**
Ontario	59	63	63	55	54	59	53	**53**
Quebec	12	11	11	18	20	18	22	**21**
Maritimes	3	4	4	3	3	3	4	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	**March 31, 2009**
Number of REALTORS®	178	125	87	1,418	181	(5)	(172)	**98**
Number of Agents	170	79	84	1,350	164	17	(132)	**96**
Number of fixed fee paying Sales Representatives	30	43	19	(7)	12	(11)	(30)	**–**
Number of locations	(6)	–	(3)	55	(2)	–	(1)	**17**
Number of franchise agreements	(6)	–	(4)	54	(1)	–	–	**15**
At end of period								
Number of REALTORS®	12,960	13,085	13,172	14,590	14,771	14,766	14,594	**14,692**
Number of Agents	12,038	12,117	12,201	13,551	13,715	13,732	13,600	**13,696**
Number of fixed fee paying Sales Representatives	673	716	735	728	740	729	699	**699**
Number of locations	594	594	591	646	644	644	643	**660**
Number of franchise agreements	289	289	285	339	338	338	338	**353**

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Fund Unit Performance

Three months ended	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	**March 31, 2009**
Trading price range of units (TSX: "RSF.UN")								
High	$ 14.26	$ 14.14	$ 13.89	$ 13.88	$ 12.00	$ 10.87	$ 10.47	**$ 9.62**
Low	$ 12.10	$ 12.26	$ 11.50	$ 11.01	$ 10.00	$ 8.04	$ 6.15	**$ 7.00**
Close	$ 13.75	$ 12.87	$ 13.88	$ 11.75	$ 10.00	$ 9.84	$ 7.74	**$ 7.77**
Average daily volume	6,497	3,618	8,266	4,385	5,110	10,901	11,121	**5,230**
Number of units outstanding at period end	9,983,000	9,983,000	9,983,000	9,983,000	9,983,000	9,983,000	9,819,280	**9,650,880**
Net enterprise value at period end (thousands)								
Market capitalization[1]	$ 183,022	$ 171,308	$ 184,752	$ 156,400	$ 133,107	$ 130,977	$ 101,757	**$ 100,843**
Long-term debt	37,535	37,576	37,617	37,660	51,511	51,532	51,615	**51,697**
Less:								
Cash on hand	2,434	6,652	7,516	2,365	5,307	7,746	7,924	**155**
	$ 218,123	$ 202,232	$ 214,853	$ 191,695	$ 179,311	$ 174,763	$ 145,448	**$ 152,385**

[1] Comprised of the number of units outstanding at period end and 3,327,667 subordinated units, multiplied by the closing unit price.

Distribution History

	Distributions Declared per Unit						
Month	2003	2004	2005	2006	2007	2008	**2009**
January		$ 0.0917	$ 0.0917	$ 0.0958	$ 0.1000	$ 0.1040	**$ 0.1170**
February		0.0917	0.0917	0.0958	0.1000	0.1040	**0.1170**
March		0.0917	0.0917	0.0958	0.1000	0.1040	**0.1170**
April		0.0917	0.0917	0.0958	0.1000	0.1040	
May		0.0917	0.0917	0.0958	0.1000	0.1040	
June		0.0917	0.0917	0.0958	0.1000	0.1040	
July		0.0917	0.0917	0.0958	0.1000	0.1040	
August		0.0917	0.0917	0.0958	0.1000	0.1170	
September	$ 0.1789*	0.0917	0.0917	0.0958	0.1000	0.1170	
October	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	
November	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	
December	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	
	$ 0.45	$ 1.10	$ 1.10	$ 1.15	$ 1.20	$ 1.31	**$ 0.35**

* Based on a 55-day period.

Supplemental Information – Condensed Balanced Sheet

As at ($000's, unaudited)	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	**March 31, 2009**
Cash and cash equivalents	$ 2,434	$ 6,652	$ 7,516	$ 2,365	$ 5,307	$ 7,746	$ 7,924	**$ 155**
Accounts receivable	3,854	3,054	2,752	3,272	3,801	3,322	3,224	**3,428**
Prepaid expenses	62	23	84	101	62	23	145	**102**
Deposit on acquisition	1,512	–	–	1,908	5,545	–	–	**1,572**
Financial derivatives	–	–	–	–	62	–	–	**–**
Future income tax asset	2,101	2,112	1,819	799	333	–	–	**–**
Intangible assets	120,941	119,593	117,279	121,857	122,317	125,921	126,647	**123,717**
	$ 130,904	$ 131,434	$ 129,450	$ 130,302	$ 137,427	$ 137,012	$ 137,940	**$128,974**
Accounts payable and accrued liabilities	$ 2,450	$ 2,978	$ 2,232	$ 2,336	$ 2,422	$ 1,842	$ 2,551	**$ 1,979**
Purchase obligations – short-term	–	862	2,295	5,358	–	1,386	3,031	**1,615**
Distributions payable to unitholders	998	998	998	1,038	1,038	1,168	1,148	**1,129**
Long-term debt	37,535	37,576	37,617	37,660	51,511	51,532	51,615	**51,697**
Purchase obligations – long-term	–	–	–	–	–	–	3,180	**1,580**
Financial derivatives	–	–	–	–	–	30	365	**372**
Future income tax liability	–	–	–	–	–	635	1,193	**1,244**
Non-controlling interest	22,928	22,740	22,106	21,542	21,224	20,751	19,701	**18,707**
Unitholders' equity	66,993	66,280	64,202	62,368	61,232	59,668	55,156	**50,651**
	$ 130,904	$ 131,434	$ 129,450	$ 130,302	$ 137,427	$ 137,012	$ 137,940	**$128,974**

Supplemental Information – Condensed Cash Flow by Period

Three months ended ($000's, unaudited)	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	**March 31, 2009**
Cash provided by (used for):								
Operating activities								
Net earnings for the period	$ 3,607	$ 2,282	$ 917	$ 1,281	$ 1,978	$ 1,811	$ 200	**$ 358**
Add (deduct):								
Non-controlling interest	1,249	811	364	476	718	652	118	**174**
Future income tax (recovery) expense	(2,101)	(11)	293	(35)	(11)	(1)	(1)	**51**
Non-cash interest expense	41	41	41	43	69	88	83	**82**
Non-cash other (income)/loss	–	–	–	–	(62)	92	335	**7**
Amortization of intangible assets	3,683	3,723	3,746	3,896	4,035	4,297	4,658	**4,141**
Changes in non-cash working capital	(564)	1,365	(420)	(393)	(403)	68	183	**209**
	5,915	8,211	4,941	5,268	6,324	7,007	5,576	**5,022**
Investing activities								
Deposit on acquisition	–	–	–	(3,949)	(12,965)	–	(70)	**(1,572)**
Payment of purchase price obligation	–	–	–	(2,295)	–	–	–	**(3,051)**
Repurchase of fund units	–	–	–	–	–	–	(291)	**(2,401)**
Purchase of intangible assets	–	–	–	(20)	(49)	(1)	70	**(1,176)**
	–	–	–	(6,264)	(13,014)	(1)	(292)	**(8,200)**
Financing activities								
Proceeds from term facility	–	–	–	–	13,782	(67)	–	**–**
Distributions paid to unitholders	(2,995)	(2,995)	(3,037)	(3,115)	(3,114)	(3,375)	(3,329)	**(3,423)**
Distributions paid to non-controlling interest	(998)	(998)	(1,040)	(1,040)	(1,036)	(1,125)	(1,777)	**(1,168)**
	(3,993)	(3,993)	(4,077)	(4,155)	9,632	(4,567)	(5,106)	**(4,591)**
Increase (decrease) in cash and cash equivalents during the period	1,922	4,218	864	(5,151)	2,942	2,439	178	**(7,769)**
Cash and cash equivalents, beginning of period	512	2,434	6,652	7,516	2,365	5,307	7,746	**7,924**
Cash and cash equivalents, end of period	$ 2,434	$ 6,652	$ 7,516	$ 2,365	$ 5,307	$ 7,746	$ 7,924	**$ 155**

Supplemental Information – Canadian Real Estate Market

Three months ended	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	**March 31, 2009**
Canada								
Transaction dollar volume[1]	$ 52,385	$ 40,546	$ 31,875	$ 32,697	$ 46,258	$ 34,091	$ 18,977	**$ 21,802**
Average selling price	$309,165	$308,542	$314,591	$310,797	$314,517	$294,657	$281,220	**$283,520**
Number of units sold	169,441	131,412	101,323	105,202	147,078	115,699	67,481	**76,896**
Number of REALTORS® at period end	92,396	93,709	94,538	96,266	98,072	98,459	97,168	**96,353**
Housing starts	64,615	67,838	55,174	43,610	62,087	58,292	47,067	**23,772**
Greater Toronto Area								
Transaction dollar volume[1]	$ 11,841	$ 8,788	$ 7,838	$ 6,641	$ 10,645	$ 7,572	$ 4,093	**$ 4,589**
Average selling price	$381,364	$368,685	$394,382	$379,006	$397,591	$368,516	$359,883	**$357,817**
Number of units sold	31,049	23,837	19,874	17,521	26,773	20,548	11,372	**12,824**
Housing starts	9,386	9,723	8,599	8,945	11,684	11,736	9,847	**5,904**

Twelve months ended	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	March 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	**March 31, 2009**
Canada								
Transaction dollar volume[1]	$148,310	$155,507	$160,093	$157,503	$151,376	$144,922	$131,905	**$121,010**
Average selling price	$292,292	$300,141	$306,539	$310,425	$312,106	$308,803	$303,594	**$297,928**
Number of units sold	507,403	518,113	522,260	507,378	485,015	469,302	434,477	**406,171**
Housing starts	223,580	231,221	228,343	231,237	228,709	219,163	211,056	**191,218**
Seasonally adjusted housing starts	225,500	278,200	187,500	254,700	217,800	217,600	177,300	**154,700**
Greater Toronto Area								
Transaction dollar volume[1]	$ 32,535	$ 34,248	$ 35,905	$ 35,108	$ 33,912	$ 32,695	$ 28,950	**$ 26,898**
Average selling price	$362,321	$368,444	$377,066	$380,447	$385,337	$385,942	$379,853	**$376,109**
Number of units sold	89,796	92,953	95,223	92,281	88,005	84,716	76,214	**71,517**
Housing starts	33,299	34,272	33,293	36,653	38,951	40,964	42,212	**39,171**

Source: CMHC, CREA and TREB

[1] Millions of dollars.

Brookfield Real Estate Services Fund

Interim Consolidated Balance Sheets

As at (in thousands of dollars)		March 31, 2009		December 31, 2008
		(unaudited)		
Assets				
Current assets				
Cash	$	**155**	$	7,924
Accounts receivable		**3,428**		3,224
Prepaid expenses		**102**		145
Deposit on acquisition (note 4)		**1,572**		–
		5,257		11,293
Intangible assets (note 5)		**123,717**		126,647
	$	**128,974**	$	137,940
Liabilities and Unitholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	**1,979**	$	2,551
Purchase obligation (note 4)		**1,615**		3,031
Distribution payable to unitholders		**1,129**		1,148
Long-term debt – current portion (note 7)		**51,697**		–
Financial derivative (note 7)		**372**		–
		56,792		6,730
Long-term debt (note 7)		**–**		51,615
Purchase obligation (note 4)		**1,580**		3,180
Financial derivative (note 7)		**–**		365
Future income tax liability (note 3)		**1,244**		1,193
Non-controlling interest		**18,707**		19,701
		78,323		82,784
Unitholders' equity		**50,651**		55,156
	$	**128,974**	$	137,940

See accompanying notes to the interim consolidated financial statements.

On behalf of the board

Simon Dean
TRUSTEE

Lorraine Bell
TRUSTEE

Interim Consolidated Statements of Earnings and Comprehensive Earnings

(unaudited) (in thousands of dollars, except unit and per unit amounts)	Three months ended March 31, 2009	Three months ended March 31, 2008
Royalties		
Fixed franchise fees	$ 4,467	$ 4,336
Variable franchise fees	1,194	1,921
Premium franchise fees	420	893
Other fees and services	916	942
	6,997	8,092
Expenses		
Administration	217	190
Management fee	1,265	1,473
Interest expense	784	811
Other loss	7	–
Amortization of intangible assets (note 5)	4,141	3,896
	6,414	6,370
Earnings before the undernoted	583	1,722
Income tax (note 3)	(51)	35
Earnings before non-controlling interest	532	1,757
Non-controlling interest	(174)	(476)
Net and comprehensive earnings	$ 358	$ 1,281
Basic and diluted earnings per unit (9,726,024 weighted average units) (2008 – 9,983,000 units) (note 9)	$ 0.04	$ 0.13

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Unitholders' Equity

(unaudited)	Unitholders' Contribution	Contributed Surplus	Net Earnings	Distributions	Deficit	Total
Balance, January 1, 2008	$ 92,938	$ –	$ 21,224	$ (49,960)	$ (28,736)	$ 64,202
Changes during the period:						
Net income	–	–	1,281	–	1,281	1,281
Unit distributions	–	–	–	(3,115)	(3,115)	(3,115)
Balance, March 31, 2008	$ 92,938	$ –	$ 22,505	$ (53,075)	$ (30,570)	$ 62,368
Balance, January 1, 2009	$ 91,301	$ 404	$ 26,494	$ (63,043)	$ (36,549)	$ 55,156
Changes during the period:						
Issuer repurchases (note 8)	(1,684)	225	–	–	–	(1,459)
Net income	–	–	358	–	358	358
Unit distributions	–	–	–	(3,404)	(3,404)	(3,404)
Balance, March 31, 2009	**$ 89,617**	**$ 629**	**$ 26,852**	**$ (66,447)**	**$ (39,595)**	**$ 50,651**

See accompanying notes to the interim consolidated financial statements.

The Fund has no accumulated other comprehensive income at March 31, 2009 (March 31, 2008 – $Nil).

Brookfield Real Estate Services Fund

Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of dollars)	Three months ended March 31, 2009	Three months ended March 31, 2008
Cash provided by (used for):		
Operating activities		
Net earnings for the period	$ 358	$ 1,281
Items not affecting cash		
Non-controlling interest	174	476
Future income tax expense (recovery)	51	(35)
Non-cash interest expense (note 7)	82	43
Change in value of financial derivative	7	–
Amortization of intangible assets	4,141	3,896
	4,813	5,661
Changes in non-cash operating working capital	209	(393)
	5,022	5,268
Investing activities		
Deposit on acquisition (note 4)	(1,572)	(1,908)
Purchase of intangible assets (note 4)	(1,176)	(2,061)
Payment of purchase price obligation (note 4)	(3,051)	(2,295)
Repurchase of Fund units (note 8)	(2,401)	–
	(8,200)	(6,264)
Financing activities		
Distributions paid to unitholders	(3,423)	(3,115)
Distributions paid to non-controlling interest	(1,168)	(1,040)
	(4,591)	(4,155)
Decrease in cash during the period	(7,769)	(5,151)
Cash, beginning of period	7,924	7,516
Cash, end of period	$ 155	$ 2,365
Supplementary Cash Flow Information		
Interest paid	$ 653	$ 559

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

March 31, 2009 and 2008 (unaudited) (in thousands of dollars)

1. Organization

Brookfield Real Estate Services Fund (the "Fund") is a limited purpose trust established under the laws of the Province of Ontario and pursuant to an Amended and Restated Declaration of Trust. On August 7, 2003, the Fund raised $99,830 (before issue costs) by issuing units on the Toronto Stock Exchange. These proceeds together with the proceeds of a term loan were utilized to acquire franchise agreements, relationships and trademark rights.

These consolidated financial statements include the accounts of Brookfield Real Estate Services Fund, its wholly-owned subsidiary RL RES Holding Trust ("RLHT"), and its 75% owned subsidiaries, Residential Income Fund General Partner Limited ("RIFGP"), Residential Income Fund L.P. (the "Partnership"), 9120 Real Estate Network, L.P. ("LCLP"), a wholly owned subsidiary of the Partnership, and 9188-5517 Quebec Inc., the "General Partner of LCLP". RIFGP is the managing general partner of the Partnership. Trilon Bancorp Inc. (the "non-controlling interest") owns the remaining 25% interest in the Partnership and RIFGP. The Fund receives certain management, administrative and support services from Brookfield Real Estate Services Ltd. ("BRESL"), a party related to the non-controlling interest via common control.

Seasonality

The Fund's business follows a seasonal pattern, with revenue traditionally being lower in the first and fourth quarters. Due to this seasonality, the interim earnings statements are not necessarily indicative of annual earnings.

2. Summary of Accounting Policies

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements except as noted below. They do not include all the information and disclosure required by GAAP for annual audited financial statements, and should be read in conjunction with the December 31, 2008 annual consolidated financial statements.

On January 1, 2009, the Fund adopted CICA Handbook Section 3064 – *Goodwill and Intangible Assets*. Section 3064 replaces Section 3062 – *Goodwill and Other Intangible Assets* and Section 3450 – *Research and Development Costs*. Section 3064 established standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Fund has evaluated this standard and determined that there is no impact to the consolidated financial statements.

3. Future Income Taxes

On October 31, 2006, the Minister of Finance announced proposed tax legislation ("trust legislation") that will change the income tax rules applicable to publicly traded trusts rendering income trusts taxable in 2011. This trust legislation was substantively enacted into law on June 12, 2007, at which time the Fund gave accounting recognition to these new tax rules.

Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the unitholders and, accordingly, no provisions for income taxes were recorded by the Fund.

Due to the enactment of trust legislation, while the Fund is expected to not be liable for current taxes until January 1, 2011, beginning June 12, 2007, the Fund recognized future income taxes arising from temporary tax differences expected to reverse after January 1, 2011 at the tax rates of 30.5% applicable to the Fund in 2011 and 29% applicable after January 1, 2012.

The Fund had a future income tax asset of $1,867 at December 31, 2008. During the three months ended March 31, 2009, the Fund recorded an additional non-cash future tax asset of $102. The resulting total future income tax asset was $1,969 at March 31, 2009.

The assets of LCLP acquired by the Partnership as described in Note 4 were obtained on a tax-deferred basis with the related tax value attributed to the partnership units of LCLP held by the Partnership. Accordingly, the individual franchise agreements and trademarks of the partnership at the time of acquisition by the Fund did not have a tax basis. The temporary difference between the carrying value of these agreements and zero tax basis results in a future income tax liability. Under GAAP the Fund is required to adjust the carrying value of the acquired assets by an amount equal to the income tax liability.

The Fund had future income tax liabilities of $3,060 at December 31, 2008. During the three months ended March 31, 2009, the Fund recorded an additional income tax liability of $153 in response to a 1% increase in the Ontario corporate taxation rate enacted on March 12, 2009. The total income tax liability at March 31, 2009 was $3,213. When the future income tax liability are net against the future income tax assets described above, the results are a net future income tax liability of $1,244 and $1,193 at March 31, 2009 and December 31, 2008, respectively.

In 2011, when the Fund becomes a taxable entity, income taxes payable may reduce net earnings and may affect distributable cash by an equal amount.

4. Asset Acquisitions

On January 1, 2009, the Partnership acquired 18 new Royal LePage franchise agreements from BRESL. The estimated purchase price of $2,532 is based on an estimated annual royalty stream of $481 and has been calculated in accordance with a formula set out in the Amended and Restated Management Services Agreement (the "MSA"). A deposit of $2,025, equal to 80% of the estimated purchase price, was paid from cash on hand on January 2, 2009 and the remainder is to be paid a year later, when the final purchase price is determined in accordance with the terms set out in the MSA. The Partnership used cash reserves to acquire these agreements.

On January 1, 2009, LCLP acquired three new La Capitale franchise agreements from BRESL. The estimated purchase price of $903 is based on an estimated annual royalty stream of $201 and has been calculated in accordance with a formula set out in the Amended and Restated Management Services Agreement (the "MSA"). A deposit of $723, equal to 80% of the estimated purchase price, was paid from cash on hand on January 6, 2009. The estimated price is to be revised at the end of each of the next three years based on the average annual royalty stream earned over the three-year period from November 1, 2008 to October 31, 2011. The Partnership used cash reserves to acquire these agreements.

Until the final purchase price is determined, each quarter the purchase price obligation is recalculated based on the actual royalties received. Correspondingly, the deposit on acquisition is reduced by the calculated amount and transferred to intangible assets. The intangible assets are then amortized in accordance with the Fund's policy on a prospective basis. The recalculated purchase price obligation in excess of the deposit on acquisition is recorded as a purchase obligation and the corresponding amount added to the intangible assets and amortized as described above.

During the three months ended March 31, 2009, $2,748 was paid and recorded as deposit on acquisition in respect of the Royal LePage and La Capitale acquisitions of which $802 and $374, respectively, was transferred from deposit on acquisition to intangible assets.

On January 1, 2008, the Partnership acquired 16 new Royal LePage franchise agreements from BRESL at a purchase price of $3,984 and $303 of related legal and other acquisition costs, in accordance with the terms set out in the MSA.

On January 1, 2008, the Partnership acquired 100% of the partnership units of LCLP, which holds franchise agreements operating under the La Capitale brand in Quebec and associated trademarks, and 100% of the shares of the General Partner of LCLP for an estimated purchase price of $18,907, including $151 of related legal and other acquisition costs, from Trilon Bancorp Inc., the parent company of BRESL. The estimated purchase price is calculated in accordance with the terms of the Fund's MSA and the Unit and Share Purchase Agreement negotiated by the Fund's Trustees and is based on an estimated annual royalty stream of $2,718. The estimated price is to be revised at the end of each of the next two years based on the average annual royalty stream earned over the three-year period from November 1, 2007 to October 31, 2010.

The purchase obligations consist of the following:

	March 31, 2009			December 31, 2008
	Royal LePage	LCLP	Total	Total
Obligation at beginning of year	$ 1,319	$ 4,892	$ 6,211	$ 2,295
Payment of current obligations	(1,319)	(1,732)	(3,051)	(2,295)
	–	3,160	3,160	–
Legal and other acquisition costs for the current year	24	11	35	454
Payment of acquisition costs	–	–	–	(69)
Purchase obligation at the end of the period	$ 24	$ 3,171	$ 3,195	$ 385
80% deposit paid on current year's additions	$ (2,025)	$ (723)	$ (2,748)	$ (16,914)
Earned asset value during the quarter	802	374	1,176	22,740
Deposit on acquisition at the end of the period	$ (1,223)	$ (349)	$ (1,572)	$ 5,826
Net purchase obligation (deposit on acquisition)	$ (1,199)	$ 2,822	$ 1,623	$ 6,211
Deposit on acquisition	$ (1,223)	$ (349)	$ (1,572)	$ –
Purchase obligation, short-term	24	1,591	1,615	3,031
Purchase obligation, long-term	–	1,580	1,580	3,180
Net purchase obligation (deposit on acquisition)	$ (1,199)	$ 2,822	$ 1,623	$ 6,211

5. Intangible Assets

A summary of intangible assets is provided in the chart below.

		March 31, 2009	
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 147,982	$ 80,065	$ 67,917
Relationships and trademarks	57,704	1,904	55,800
	$ 205,686	$ 81,969	$ 123,717

		December 31, 2008	
	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	$ 147,176	$ 76,279	$ 70,897
Relationships and trademarks	57,299	1,549	55,750
	$ 204,475	$ 77,828	$ 126,647

The additions to intangible assets during the three months ended March 31, 2009 and 2008 are summarized as follows:

	Royal LePage	LCLP	Three months ended March 31, 2009	Three months ended March 31, 2008
Franchise agreements	$ 632	$ 174	$ 806	$ 4,436
Relationships and trademarks	194	211	405	4,038
	$ 826	$ 385	$ 1,211	$ 8,474

Notes to the Interim Consolidated Financial Statements

6. Operating Credit Facility

On February 16, 2005, the Partnership obtained a credit facility (the "revolver") of up to $2,000 from a Canadian financial institution. This revolver may be used to provide working capital to the Partnership from time to time. The revolver is subject to annual renewal with outstanding principal under the revolver subject to interest at the lender's prime rate plus 1% to 1.5% or the Bankers' Acceptance rate plus 2% to 2.5%, based on the ratio of total debt to Adjusted EBITDA of the Partnership as defined in the credit agreement. As at March 31, 2009, the operating credit facility had not been drawn upon.

On March 6, 2009, the operating line was renewed until February 17, 2010.

7. Long-Term Debt

A summary of the Fund's long-term debt is comprised of the following debt facilities, both of which mature on February 17, 2010:

As at	March 31, 2009	December 31, 2008
Private debt placement	$ 37,835	$ 37,791
Term Facility	13,862	13,824
	$ 51,697	$ 51,615

a) Private Placement

On February 18, 2005, the Partnership completed the issuance of a $38,000 private debt placement, net of $822 in issue costs (the "private placement") provided by Canadian institutional investors. The private placement is for a five-year term with interest fixed at 5.882%, and interest payable quarterly in arrears.

The private placement had a fair value of $37,798 at March 31, 2009 (2008 – $37,406).

During the three months ended March 31, 2009, $45 of amortization of the issue costs was recorded as interest expense (2008 – $43).

b) Term Facility

On April 4, 2008, in connection with the LCLP acquisition, the Partnership completed a $15,000 Term Facility with a single Canadian financial institution from which the Fund drew down $14,000 on closing. Interest on the Term Facility is available in the form of floating prime rate payable quarterly, or a Bankers' Acceptance rates plus 1% with terms of up to six months. The Fund paid $285 in issue costs for the Term Facility.

On April 7, 2008, the Partnership entered into an interest rate swap agreement, which fixed the variable portion of the Term Facility's interest at 3.29%, which when added to the 1% stamp fee results in an annual interest rate of 4.29%, excluding legal and associated costs, over the term of the facility. The Term Facility and interest rate swap mature on February 17, 2010.

The Term Facility had a fair value of $14,000 on March 31, 2009. During the three months ended March 31, 2009, $37 of amortization of issue costs was recorded as interest expense.

The interest rate swap is a financial derivative valued separately from the Term Facility. The Fund values the swap agreement at its market value, which as at March 31, 2009 was in an unrealized loss position of $372. Changes in the value of the swap agreement are recorded as other income or loss. During the three months ended March 31, 2009, $7 was recorded as other loss.

8. Fund Units

On October 3, 2008, the Toronto Stock Exchange ("TSX") approved the Fund's notice of intention to make a normal course issuer bid ("NCIB") for up to 499,150 of its units, representing 5% of its 9,983,000 outstanding units as of September 30, 2008. The Fund may purchase units at prevailing market prices during the period from October 7, 2008, to October 6, 2009. Purchases are made at market prices in accordance with the rules and policies of the TSX. Daily purchases are affected through the facilities of the TSX and limited to 3,800 units, other than block purchase exceptions.

The Fund believes that the purchase by the Fund of a portion of its outstanding units may from time to time be an appropriate use of available resources and in the best interests of the Fund and its unitholders.

The Fund finances these purchases with a special distribution from the Partnership. Units purchased are cancelled at the end of each month.

During the three months ended March 31, 2009, the Fund purchased and cancelled 168,400 units at a total cost of $1,459. The repurchased units had an issued value of $1,684, resulting in a contributed surplus of $225. On January 8, the Fund paid the $942 NCIB settlement payable at December 31, 2008.

Fund Units	March 31, 2009			March 31, 2008		
	Units		**Amount**	Units		Amount
Beginning of period	**9,819,280**	**$**	**91,301**	9,983,000	$	92,938
NCIB purchases	**(168,400)**		**(1,684)**	–		–
End of period	**9,650,880**	**$**	**89,617**	9,983,000	$	92,938

9. Earnings per Unit

The Special Fund Units were not included in the diluted per unit calculations as the effect would have been anti-dilutive.

10. Related Party Transactions

Unless disclosed elsewhere, the Fund had the following transactions with parties related to the non-controlling interest during the three months ended March 31, 2009 and 2008. These transactions have been recorded at the exchange amount agreed to between the parties.

For the three months ended		**March 31, 2009**		March 31, 2008
a) Royalties				
Fixed, variable and other franchise fees	**$**	**520**	$	603
Premium franchise fees	**$**	**358**	$	774
b) Expenses				
Management fees	**$**	**1,232**	$	1,473
Insurance and other	**$**	**27**	$	25
Interest on Purchase Obligation	**$**	**13**	$	210
c) Distributions				
Distributions paid to non-controlling interest	**$**	**1,168**	$	998

The following amounts due to/from related parties are included in the account balance as described:

As at		**March 31, 2009**		December 31, 2008
d) Accounts receivable				
Franchise fees receivable and other	**$**	**310**	$	394
e) Accounts payable and accrued liabilities				
Distributions payable to non-controlling interest	**$**	**389**	$	389
Management fees	**$**	**791**	$	417
NCIB settlement payable	**$**	**–**	$	942
f) Purchase obligation payable	**$**	**3,195**	$	6,211

Notes to the Interim Consolidated Financial Statements

11. Financial Instruments

In the normal course of business the Fund is exposed to a number of financial risks that can affect its operating performance. These risks are outlined below:

a) Credit Risk

Credit risk arises from the possibility that the franchisees may experience financial difficulty and be unable to pay outstanding franchise fees. The Fund's credit risk is limited to the recorded amount of accounts receivable. Management reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis.

b) Liquidity Risk

The Fund is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs including paying ongoing future distributions to unitholders. There is a risk that the lenders will not refinance maturing debts on terms and conditions acceptable to the Fund or on any terms at all. Management reduces liquidity risk by maintaining more conservative debt covenant ratios compared with those required by the covenants associated with the long-term debt. Also, the Fund has $3,000 unutilized credit under the Operating Credit Facility and Term Facility described in notes 6 and 7 respectively. Subsequent to March 31, 2009, the Fund drew down on the balance of the Term Facility as described in note 13.

Estimated maturities of the Fund's financial liabilities are as follows:

	2009	2010	2011	Total
Accounts payable and accrued liabilities	$ 1,979	$ –	$ –	**$ 1,979**
Purchase obligations	35	1,580	1,580	**3,195**
Distributions payable to unitholders	1,129	–	–	**1,129**
Private debt placement	–	38,000	–	**38,000**
Term Facility	–	14,000	–	**14,000**
Total	**$ 3,143**	**$ 53,580**	**$ 1,580**	**$ 58,303**

c) Interest Rate Risk

The Fund has chosen to mitigate the interest rate associated with the Term Facility by entering into an interest rate swap agreement to effectively fix the interest rate associated with the Term Facility.

d) Fair Value

The fair value of the Fund's financial instruments, which consist of cash, accounts receivable, accounts payable and accrued liabilities, purchase obligation, distributions payable to unitholders are estimated by management to approximate their carrying values due to their short-term nature. The fair market value of the Fund's long-term debt and derivative liability are disclosed in note 7.

12. Management of Capital

The Fund's capital is comprised of its cash reserves, long-term debt, unitholders' equity and non-controlling interest.

The Fund's objectives when managing capital are to maintain a capital structure that provides financing options to the Fund while remaining compliant with the covenants associated with the long-term debt; maintain financial flexibility to preserve its ability to meet financial obligations, including debt servicing and distributions to unitholders; and deploy capital to provide an appropriate investment return to its unitholders.

The Fund's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions.

The covenants of the long-term debt prescribe that the Fund must maintain a ratio of adjusted EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Adjusted EBITDA at a maximum 2.25 to 1. The Fund is compliant with all financial covenants.

There were no changes in the Fund's approach to capital management during the period.

13. Subsequent Events

On April 2, 2009 the Fund drew down the remaining $1,000 of the Term Facility described in note 7.

Unitholder Information

Officers

Philip Soper,
President and Chief Executive

Kevin Cash,
Chief Financial Officer

Board of Trustees

George Myhal,
Chairman
Lorraine Bell
Simon Dean
Allen Karp
Gail Kilgour

We regularly provide unitholders with information about the Fund through our annual report, quarterly reports, and new releases. Information is available online at **www.brookfieldres.com**. On the website you will find information about the Fund, the industry, news releases, statutory fillings, units and distribution information.

Head Office

Brookfield Real Estate Services Fund
39 Wynford Drive
Don Mills, ON
M3C 3K5

Telephone: (416) 510 5800
Facsimile: (416) 510 5856
info@brookfieldres.com
www. brookfieldres.com

Transfer Agent and Registrar

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, ON
M5C 2W9

Telephone: 1-800-387-0825 or (416) 653-5500
Facsimile: (416) 643-5501
inquiries@cibcmellon.com
www.cibcmellon.com/Investor

Auditors

Deloitte & Touche LLP

Corporate Counsel

Goodmans LLP

TSX symbol: BRE.UN

Fund units are eligible investments for DPSPs, RRSPs, RRIFs and RESPs

Please Direct Inquiries to:

Jane Watson
Investor Relations
jwatson@brookfieldres.com

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www.brookfieldres.com

Brookfield Real Estate Services