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FINAL TRANSCRIPT

Brookfield Real Estate Services Inc.

Third Quarter of 2016 Conference Call

Event Date/Time: November 11, 2016 — 9:30 a.m. E.T.

Length: 24 minutes

CORPORATE PARTICIPANTS

Phil Soper
Brookfield Real Estate Services Inc. — President and Chief Executive Officer

Glen McMillan
Brookfield Real Estate Services Inc. — Chief Financial Officer

PRESENTATION

Operator

Good morning. My name is Sally, and I would like to welcome everyone to the Brookfield Real Estate Services Inc. Third Quarter of 2016 Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question and answer session. If you would like to ask a question, simply press *, then the number 1, on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

I would like to introduce you to Mr. Phil Soper, President and CEO of Brookfield Real Estate Services Inc. Mr. Soper, you may begin your conference call.

Phil Soper — President and Chief Executive Officer, Brookfield Real Estate Services Inc.

Thank you, Sally, and good morning, everyone. Thanks for joining us. With me today is our Chief Financial Officer, Glen McMillan.

On this call I will begin with a brief look at our quarterly highlights. Glen will then discuss our financial results for the quarter, and I'll conclude with some remarks on recent business and market developments. After that, Glen and I will be happy to take your questions.

I want to remind you that some of the remarks expressed during this call may contain forward-looking statements. You should not place any reliance on these forward-looking statements because they involve known and unknown risks and uncertainties that may cause the actual results and performance of the Company to differ materially from the anticipated future results expressed or implied by such statements. I encourage everyone to review the cautionary language found in our news release and on SEDAR.

The Company has had a successful third quarter. Cash flow from operations drives our ability to pay a regular dividend, and again this year we are outperforming the previous year's results.

On a rolling 12-month basis, cash flow from operations saw an increase of 12 per cent to $2.42 per share compared to the previous year.

Contributing to this strong performance is an increase in royalties supported by strong real estate markets, particularly in Ontario and British Columbia, and underpinned by the continued growth of our REALTOR® network both through acquisitions and through higher retention.

As at September 30, 2016, the Company's network of REALTORS® grew to 17,538, up from 17,405 in the second quarter, operating under 302 franchise agreements, providing services from 668 locations, with approximately a one-fifth share of the Canadian residential real estate market based on 2015 transactional dollar volume.

Yesterday our Board of Directors approved a dividend to shareholders of $0.1083 per restricted voting share payable December 30, 2016 to shareholders of record on November 30, 2016. This represents a targeted annual distribution of $1.30 per restricted voting share.

With that I'd like to turn the call over to Glen for a look at our third quarter financial performance.

Glen McMillan — Chief Financial Officer, Brookfield Real Estate Services Inc.

Thank you, Phil, and good morning, everyone. As Phil mentioned, during the third quarter, Brookfield Real Estate Services Inc. generated strong financial results. Our royalties and cash flow from operations continued to exceed previous results on a quarterly and on a rolling 12-month basis.

In the third quarter of 2016, the Company generated cash flow from operations of $9.3 million or $0.73 a share, which represents an increase of 9 per cent compared to $0.66 per share for the same period in 2015.

For the rolling 12-month period ended September 30, 2016, cash flow from operations was $2.42 per share, up 12 per cent compared to $2.16 at September 30, 2015.

Royalty revenue totalled $12.6 million for the quarter, up from $11.6 million for the same period last year. And for the nine months ended September 30th, royalty revenue totalled $32.8 million compared to $30.3 million in 2015, representing an improvement of 8 per cent.

In the quarter, the Company experienced a net loss of $1 million or $0.11 per share compared to 2015 when the Company generated net earnings of $7.8 million or $0.82 per share. The net loss for the quarter results from the change in the fair value of exchangeable units issued by the Company.

These units are treated as a debt obligation under generally accepted accounting standards. This means that an increase in our share price results in us recording an unrealized loss in our financial statements. During the third quarter of 2016, the share price of the Company's restricted voting shares increased from $14.98 at June 30th to $16.60 at September 30th, resulting in an unrealized loss on the fair value of exchangeable units of $5.4 million.

Over the same period in 2015, the share price of the Company's restricted voting shares decreased from $15.03 to $13.45, resulting in an unrealized gain of $5.3 million. For the nine months ended 2016, the Company recognized an unrealized loss on the fair value of exchangeable units of $6.5 million versus a loss of $1.5 million for the same period in 2015. And for the first nine months of the year, net earnings were $1.1 million or $0.11 per share compared to $4.3 million or $0.46 per share last year.

In the third quarter, the Canadian residential real estate market grew by 12 per cent to $65.6 billion in total transactional dollar volume compared to the third quarter of 2015, driven by an 8 per cent increase in national average selling price and a 3 per cent increase in units sold.

For the 12-month period ended September 30, 2016, the Canadian market closed up 20 per cent at $261.2 billion compared to 2015, driven by an increase of 12 per cent in average selling price and an 8 per cent increase in units.

The most marked annual increases continue to occur in the Greater Toronto Area and in Greater Vancouver, although we did start to see some cooling in the Vancouver markets during the third quarter.

In the quarter, the GTA market experienced a 34 per cent increase in transactional dollar volume, driven by an 18 per cent increase in prices and a 13 per cent increase in units sold. On a rolling 12-month basis, the GTA market grew by 27 per cent, driven by a 15 per cent increase in average selling price and an 11 per cent increase in units sold.

The Greater Vancouver market saw its first year-over-year quarterly drop since the second quarter of 2013, as the market decreased by 22 per cent compared to the third quarter of 2015. The lower transactional dollar volume was driven by a 25 per cent decrease in units sold, partly offset by a 4 pe rcent increase in average selling price.

And on a rolling 12-month basis the Greater Vancouver market continued to grow, increasing by 28 per cent, driven by a 17 per cent increase in average selling price and a 10 per cent increase in the number of units sold compared to 2015.

If we consider the Canadian market excluding Toronto and Vancouver, the growth remains significant at 14 per cent for the 12-month period ended September 30th.

Given the overall strength of the real estate market and recent volatility in home price appreciation, particularly in Greater Vancouver, it’s important to understand the profile of the Company’s revenue. As a franchisor, our revenue is primarily fixed in nature, which serves to insulate our cash flows from the fluctuations of the Canadian real estate market.

And with that, I’d now like to turn the call back over to Phil for some additional insight and commentary. Phil?

Phil Soper

Thanks, Glen. Canada’s residential real estate market continued to grow in the third quarter of 2016, with home values showing modest to strong price appreciation in almost every Canadian city. Even the hardest hit oil patch regions have seen better than expected results within their housing markets with essentially flat prices period to period.

In the third quarter, Canadians have been witness to the introduction of a number of new policies specifically designed to cool the country's housing market in overheated markets like Vancouver and Toronto, and in the case of Vancouver, curtail foreign buying activity.

While consumer confidence did suffer a direct hit with these new, more restrictive regulations, particularly in the affordability-strained Vancouver market, Canadian home buyers are adjusting quickly, and we believe the fears of a hard correction are unwarranted.

British Columbia is leading the country in economic growth in 2016 as it did in 2015, which has supported impressive year-over-year house price appreciation in the region. However, from four months, since the spring of 2016 in fact, the number of homes trading hands in the region has been slowing on eroding affordability, which we believe will lead to additional moderating in price increases in the Great Vancouver area.

Eroding affordability triggers a cooling in a cyclical industry like residential real estate. As prices rise, demand slackens. After a period of lower demand, price increases start to cool too. I'd be happy to speak to that if anyone has any questions after the formal part of this call.

Speaking to the BC provincial government's introduction of a large new property tax on foreign nationals in the Lower Mainland, particularly the Greater Vancouver area, we believe the actual transactions lost, directly related to the tax, are small but, as I mentioned earlier, that the hit to consumer confidence in the region as a whole is material, especially when combined with the federal government's new restrictions on insured mortgages.

Two further points on foreign investment. Greater Vancouver will continue to attract foreign interest, and we do not expect to see an automatic migration of capital to Toronto in the wake of the new tax. Most people, including foreign buyers, buy houses for the location, lifestyle, and family or business needs, and not simply upon financial investment criteria.

Second only to British Columbia, Ontario continues to be one of the fastest growing economies in Canada. As a result, the province's real estate market has continued to experience robust sales activity and significant price growth during the third quarter, with no near-term signs of slowing down. Interest rates and the relatively low Canadian dollar have been particularly kind to the

Province of Ontario, creating the expansionary conditions for both services exports and the manufacturing sector.

Québec continues to maintain a steady economy, and recent reports indicate that the province is ahead in its annual fiscal targets. The province has recently announced an unexpected budget surplus, and its unemployment rate in September sat below the national average, which is not a common occurrence in contemporary Quebec. These factors remain supportive of Quebec's healthy residential housing sector in the third quarter. Those regular listeners on the call will recall, at the beginning of 2016, we had suggested that Quebec may be a surprise on the positive side during the year and outperform expectations, and that is in fact what we are seeing.

The negative impact of the downturn in the resource sector in the west remains concentrated in Alberta, Saskatchewan, and Newfoundland and Labrador. The majority of economic forecasters watching Alberta have predicted that the province's economy will contract by approximately 2 percentage points in 2016, which is one the most significant downturns in the province's contemporary history. The economic drop has materially impacted housing activity in the region, but prices have not declined to nearly the extent that many observers had anticipated. Some speculate that the province has withstood the worst of the economic decline, and the relatively low cost of housing compared to other major centres is anticipated to be a supportive factor in 2017.

For a detailed look at house prices across the country, including in Alberta, please turn to royallepage.ca's media centre, where you can see our reports on Canadian house prices.

Looking ahead, we expect the national real estate market to continue to appreciate for the remainder of 2016, albeit at a more gradual pace, as the Vancouver market begins to a transition to a more balanced state of affairs.

As demonstrated by our third quarter results and our growing REALTOR® count, the Company continues to provide value through ongoing investments in technology and services that ensure our brokers and agents are among the most informed, supported, and successful in the Canadian market. This includes a continued investment in recruitment and retention programs to help our franchisees effectively attract and retain the best talent in the real estate business.

Our strong organic recruiting and retention efforts, coupled with our focused market strategy that supports ongoing acquisitions and a healthy pipeline, positions us for continued growth and success through the remainder of the year and into 2017.

In-line with our focus on providing innovative and differentiated technologies that drive business to our REALTORS®, at the beginning of October, the Company's Royal LePage brand launched "Your Perfect Life." It is a neighbourhood matching tool available on royallepage.ca.

A first in the nation, this new feature allows consumers to discover homes in communities across the country that fit their current or desired lifestyles. It is yet another way that we continue to provide consumers with the best available insight to make informed buying decisions.

During the third quarter, the Company also continued to deliver a robust, industry-leading public relations program that generated significant brand awareness across Canada. The Company's third quarter Royal LePage House Price Survey and National House Price Composite, providing one of the most comprehensive views of Canada's national residential real estate sector, garnered 238 million consumer impressions from over 792 media stories nationwide; the most media impressions of any Royal LePage survey published in its 43-year history.

At the end of October 2016, the Company had already secured almost 2 billion media impressions with the expectation that, by the end of the year, it will be more than double the year-end totals achieved in 2015.

In the third quarter, the Company completed the rebranding of Johnston & Daniel, providing the luxury division with a more modern and relatable look, while enhancing its image as one of Canada's premier real estate brands. This change provides us with the opportunity to continue to expand the Johnston & Daniel footprint and market share within the Canadian real estate market, both within in existing markets and in the strategic premium markets, where it has an opportunity to become the leader in the luxury segment.

These are only a few of our many ongoing initiatives, as we continuously look for ways to grow and enhance our business. Details of additional projects in the works will be shared with you as the year progresses.

In conclusion, in a quarter where some Canadian real estate markets continue to expand rapidly, while others experience the ongoing drag of lower energy and commodity prices, our business expanded at a steady, profitable pace, which we believe reflects the health of the Company and the value of the business model that emphasizes fixed and recurring revenue streams. As always, we strive for consistency and reliability in up and in down markets.

We are optimistic about the state of our business and the growth opportunities that exist for us throughout the country. We continue to expand our network, while providing our shareholders an investment vehicle that pays stable and growing dividends.

With that, I will turn the call back to our Operator and open up the call to questions for Glen and I.

Operator

At this time, I would like to remind everyone, if you would like to ask a question, please press *, then the number 1, on your telephone keypad. Again, that's *, 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Again, if you would like to ask a question, please press *, 1 on your telephone keypad.

There are no further questions at this time. Mr. Soper, I'll turn the call back over to you.

Phil Soper

Thank you, everyone, for participating in today's call. Look forward to getting together again in three months' time to view our results then. Thank you very much.

Operator

Thank you, ladies and gentlemen, for your time and participation. This concludes today's conference call. You may now disconnect.

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