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Brookfield
Real Estate Services Inc.

INTERIM REPORT TO SHAREHOLDERS
Q1 2012

Profile

The Company is a leading provider of services to residential real estate brokers and their REALTORS®. The Company 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, Via Capitale and Johnston & Daniel brand names. At March 31, 2012, the Company network consisted of 15,250 REALTORS®. The Company Network has an approximate 22% share of the Canadian residential resale real estate market based on transactional dollar volume. The Company pays monthly dividends and trades on the Toronto Stock Exchange under the symbol "BRE". The Company's website address is www.brookfieldresinc.com.

Forward-Looking Statements

This management's discussion and analysis ("MD&A") and other content of this Financial Review report contain 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 Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set out 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 Company that reduce the number of and/or royalty revenue from the Company'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 Company's Annual Information Form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Company 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.

Q1 2012 Interim Report to Shareholders
Financial and Operating Highlights
March 31, 2012 and 2011

Unaudited (In thousands of Canadian dollars)		**Three months ended March 31, 2012**		Three months ended March 31, 2011
Royalties	**$**	**8,220**	$	8,195
CFFO	**$**	**5,561**	$	5,680
Dividends	**$**	**2,618**	$	2,618
Interest on Exchangeable units	**$**	**1,168**	$	1,168
Current income tax expense	**$**	**837**	$	937
Per Share basis				
Royalties	**$**	**0.64**	$	0.64
CFFO	**$**	**0.43**	$	0.44
Dividends	**$**	**0.28**	$	0.28
Interest on Exchangeable units	**$**	**0.35**	$	0.35
Current income tax expense	**$**	**0.09**	$	0.10

For the three months ended March 31, 2012 (the “Quarter”), the Company generated cash flow from operations (“CFFO”) of $5.6 million, or $0.43 per share, as compared to $5.7 million, or $0.44 per share, for the same period in 2011. Royalties were $8.2 million, consistent with the same period in 2011. Net losses were $3.2 million, or $0.34 per share, compared to a net loss of $1.8 million, or $0.19 per share, for the same period in 2011.

Market transactional dollar volume for the rolling twelve months ended March 31, 2012 was $168 billion, up 11% from March 31, 2011, driven by a 6% and 5% increase in selling price and home sale activity, respectively. The steady increase in selling price is largely driven by the consistent shortage of listings, resulting in competition among home buyers, and low interest rates, which continue to draw home buyers into the Market.

The Company generated CFFO of $0.43 per restricted voting share (“share”) during the Quarter, close to the same level as 2011.

“Price appreciation and strong unit sales reflect Canadians taking advantage of a highly competitive banking environment and borrowing rates that for the first time fell below 3.0 per cent for a five-year fixed mortgage,” said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. “In the first quarter, buyers were attracted into the market by historically low mortgage rates, and sellers brought listing inventory to market earlier than normal, encouraged by unseasonably warm weather.”

THE COMPANY NETWORK

As at March 31, 2012, the Company Network consisted of 15,250 REALTORS® operating under 414 franchise agreements, providing services from 668 locations, with an approximate 22% share of the Market based on 2011 transactional dollar volume. The Company experienced an increase of 189 Agents during the Quarter, as a result of the January 1, 2012 acquisition of 25 franchise agreements, with 217 REALTORS® operating under the Royal LePage and Via Capitale brands, which was partially offset by the net organic attrition of 28 Agents.

MONTHLY CASH DIVIDEND

The Company declared a cash dividend of $0.092 per share for the month of May 2012, payable on June 29, 2012, to shareholders of record on May 31, 2012.

CFFO

This overview and accompanying financial statements make reference to cash flow from operations ("CFFO") on a total and per restricted voting share basis. CFFO is defined as net income prior to fair value changes, amortization, interest on Exchangeable units, income taxes, and items related to other income. CFFO is used by the Company to measure the amount of cash generated from operations, which is available to the Company's shareholders on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if Exchangeable unitholders converted Class B LP units into shares of the Company. The Company uses CFFO to assess its operating results and the value of its business, and it believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

OUTLOOK

On a year-over-year basis, price appreciation and housing sales are expected to modestly increase in 2012. While the pace of appreciation is slowing in some regions across Canada, the positive impact of a gradually improving domestic and US economy, and a gentle upward pressure on wages and salaries, should help buoy housing market conditions that typically follow periods of prolonged house price appreciation. Our 2012 outlook is based partially on a continued low interest rate environment and its ability to encourage market activity amongst a diverse group of home buyers.

Philip Soper
President and Chief Executive Officer

Kevin Cash
Chief Financial Officer

April 30, 2012

2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Highlights 4
Business Strategy 4
Structure of Company Royalties 5
Monthly Dividends 6
Overview of First-Quarter 2012 Operating Results 6
Recent Developments 7
Key Performance Drivers 7
The Canadian Residential Resale Real Estate Market 10
The Canadian Real Estate REALTOR® Population 11
The Company Network REALTOR® Growth 11
Network Diversity 12
REALTOR® Productivity 13
Operating Results for the Quarter 14
Acquisition of Franchise Agreements 18
Debt Financing 18
Summary of Quarterly Review 20
Liquidity 21
Capital Resources 21
Off–Balance Sheet Arrangements 21
Transactions With Related Parties 21
Critical Accounting Estimates 23
Financial Instruments 23
Disclosure Controls and Internal Controls 24
Outstanding Restricted Voting Shares 24
Company Structure 24
Risk Factors 24
Market Outlook 25
Forward-Looking Statements 25
Supplemental Information 26
Interim Condensed Consolidated Financial Statements 32

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, 2012 (the "Quarter") and has been prepared as at April 30, 2012. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") for interim financial statements and is expressed in Canadian dollars.

On December 31, 2010, the Brookfield Real Estate Services Fund (the "Fund") was converted to a corporate structure (the "Conversion") and carried on as Brookfield Real Estate Services Inc. (the "Company"). This 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 consolidated financial statements for the year ended December 31, 2011, prepared in accordance with IFRS. Additional information relating to our Company, 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 that are not historical facts are forward-looking statements that involve risks, uncertainties and other factors, which 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 Company that may affect an investment in the Company's shares. A summary of these risks is outlined in the Company's Annual Information Form, which is filed on SEDAR at www.sedar.com. To the extent that these risks have changed during 2012, they are discussed in further detail in this MD&A.

Highlights

Three months ended March 31,
($ 000's) except Agents, Sales Representatives, shares and per share amounts

		2012		2011
Royalties	$	8,220	$	8,195
Less:				
Administration		452		268
Management fee		1,482		1,519
Interest expense		725		728
Cash flow from operations[1]	$	5,561	$	5,680
Amortization of intangible assets		(3,350)		(3,462)
Interest on Exchangeable units		(1,168)		(1,168)
Gain (loss) on fair value of Exchangeable units		(3,527)		(2,030)
Current income tax expense		(837)		(937)
Deferred income tax recovery		141		140
Net and comprehensive loss	$	(3,180)	$	(1,777)
Basic and diluted loss per share	$	(0.34)	$	(0.19)
Cash flow from operations per share	$	0.43	$	0.44
Total assets	$	107,375	$	118,989
Total financial liabilities	$	103,577	$	112,237
Number of Agents[2] and Sales Representatives[3]		15,250		15,449

The table above sets out selected historical information and other data for the Company, which should be read in conjunction with the audited consolidated financial statements of the Company for the twelve months ended December 31, 2011.

Business Strategy

We are a long-established, Canadian-based real estate services firm, originally structured as an Income Trust and subsequently converted to a corporate structure on December 31, 2010. We focus on the provision of services to real estate brokers and their Agents, who practise predominantly in the residential brokerage segment of the market, in order to assist them with the profitable, efficient and effective delivery of real estate sales services in the communities they serve. Through a portfolio of highly regarded real estate franchise brands, each of which offers differing value propositions, we cater to the diverse service requirements of regional real estate professionals, in virtually all significant population centres, right across Canada.

Our objective is to provide our stakeholders with an investment vehicle that pays stable and growing dividends. Our revenue is driven primarily by royalties derived from long-term franchise contracts. These royalties are weighted toward fees that are fixed in nature; this has proven to be effective in moderating the variations in overall industry activity that can occur in the Canadian residential real estate market (the "Market"[4]). We manage our operating costs and associated risks by delivering our services and management of the Company through an Amended and Restated Management Services Agreement ("MSA"), which is provided by Brookfield Real Estate Services Manager Limited (the "Manager"), a subsidiary of Brookfield Asset Management Inc. ("BAM").

BAM, through a wholly owned subsidiary, holds an approximate 26% interest (the "Exchangeable units", formerly "non-controlling interest", or "NCI") in the Company. As a result of this arrangement, the underlying costs of the Company are not complex as they are limited to management fees paid under the MSA, public operating costs and carrying costs associated with our debt.

[1] Cash flow from operations ("CFFO") is defined as net income prior to fair value changes, amortization, interest on Exchangeable units, income taxes and items related to other income. CFFO is used by the Company to measure the amount of cash generated from operations, which is available to the Company's shareholders on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if Exchangeable unitholders converted Class B LP units into shares of the Company. The Company uses CFFO to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

[2] 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.

[3] 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.

[4] The Market is defined as the dollar value of residential resale units sold ("transactional dollar volume") over a twelve-month period in a particular geographic area.

The number of REALTORS®[5] and transaction volumes generated in the markets we serve, the manner in which we structure our contracted revenue streams and our success in attracting Agents and brokers to our brands through our value proposition and track record are all key drivers of the Company's performance. These drivers, in combination with other uncontrollable risk factors, including the economy at large, government and regulatory activity (see Recent Developments), all impact the Company's performance and are discussed in greater detail throughout this MD&A.

Through the Manager, we seek to further increase dividends by increasing our Agent count through the acquisition of franchise contracts and attracting and retaining brokers and their Agents through the provision of additional fee for service offerings and the provision of services, which increases our brokers' and their Agents' productivity.

As at March 31, 2012, the Network consisted of 15,250 Canadian REALTORS®, operating from 668 locations, providing services under the Royal LePage, Johnston & Daniel and Via Capitale brand names (collectively the "Company Network"). The associated franchise contract stream (see Structure of Company Royalties) was approximately 68% fixed and 32% variable in 2011, which after operating costs delivered $1.97 of CFFO per share for the twelve months ended December 31, 2011 ($1.97 – 2010, see Cash Flow From Operations), against which the Company distributed $1.10 per share in 2011 to shareholders, down from $1.60 per share in 2010, as a result of converting from an Income Trust to a taxable corporate structure.

Structure of Company Royalties

ROYALTY FEES

The Company generates royalties with both fixed and variable fee components. During 2011, approximately 68% 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 royalty fees are based on the number of Agents and fee-paying Sales Representatives, collectively "selling-REALTORS®", in the Company Network. Fixed franchise fees from Royal LePage franchisees consist of a monthly fixed fee of $100 per selling-REALTOR®, a technology fee and other fees, while those from Via Capitale franchisees consist primarily of a monthly fee of approximately $170 per selling-REALTOR®.

Variable royalty 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 derived as 1% of each Agent's gross commission income, subject to a cap of $1,300 per year. In 2011, 19% (2010 – 18%) of the Agents in the Company Network reached the royalty cap.

In addition to these fees, 23 of the Company'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. Of these locations, 16 are operated by the Manager and are contractually obligated to pay the premium franchise fee to August 2018.

Approximately 89% (88% – 2010) of the Company's royalties during the Quarter were derived from the combined fixed fee per REALTOR® per month, 1% variable royalty fee and premium franchise fees. The remaining royalty stream is made up of other fees and services generated from APEC fees, technology fees and other fees.

NETWORK ROYALTY PROFILE

The Royal LePage Network: The fees generated from the Royal LePage Network accounted for 91% of the Company's fees in 2011 (91% – 2010) and are primarily made up of a fixed monthly fee per Agent of $100 plus a $20 technology fee per participating franchisee (representing 96% of Agents in 2011, 95% in 2010), a variable fee equal to 1% of the fees generated by the Agent (capped at $1,300 per Agent), learning services fees and a premium variable fee, as described above. Under this structure, exclusive of ancillary fees, an Agent earning in excess of the $1,300 per annum fee cap will contribute $2,740 per annum to the Company. In 2011, 19% (2010 – 18%) of the Royal LePage Agents capped on the $1,300 variable fee.

Due to the variable fee-capping feature, approximately 67% (68% – 2010) of the Royal LePage Network fees were fixed in nature.

[5] REALTOR® is defined as an individual licensed to trade in real estate and includes brokers, Agents and Sales Representatives.

The Via Capitale Network: The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 9% of the Company's fees in 2011 and 2010. These fees are primarily made up of a fixed monthly fee per Agent of $170 ($2,040 per annum) and fees generated from APEC fees. In 2011, approximately 78% (76% – 2010) of Via Capitale's royalties were fixed in nature.

Monthly Dividends

The targeted annual cash dividend payable to public shareholders for 2012 is $1.10 per share, to be paid monthly. Management and the Board of Directors periodically review the Company's targeted dividends and distributions.

Overview of First-Quarter 2012 Operating Results

For the rolling twelve months ended March 31, 2012, the Company generated CFFO of $1.96 per share which was slightly less than the $1.97 recorded in the fourth quarter of 2011 and first quarter of 2011 due to flat Quarter-over-same-2011-quarter royalties and a $0.1 million provision for franchisees experiencing financial difficulties.

During the Quarter, the Company generated CFFO of $5.6 million as compared to $5.7 million for the same period in 2011. The Company had an increase in variable franchise fees due to increased market activity, offset by a decrease in fixed royalty fees as a result of net attrition experienced in the underlying agent network during 2011 and the decrease in other revenue and services. Other revenue and services decreased by 10% quarter over quarter (1.2% of overall revenue) as the Company discontinued an agent website program that was no longer relevant.

On a rolling twelve-month basis, the Canadian Market transactional dollar volume of $168 billion increased by 11% from March 31, 2011, driven by a 6% and 5% increase in selling price and home sale activity, respectively. For the three months ended March 31, 2012, the Canadian Market transactional dollar volume was up 5% over the same period in 2011, driven by a 1% and 4% increase in selling price and home sale activity, respectively.

On a rolling twelve-month basis, the GTA Market experienced a quarter-over-same-quarter increase of 19%, driven by a 9% increase in selling price and 10% increase in home sale activity. For the three months ended March 31, 2012, the GTA Market experienced an 18% increase on a 10% and 8% increase in selling price and home sale activity, respectively, over the same period in 2011. The higher than anticipated rise in home prices is largely driven by the consistent shortage of listings, resulting in competition among home buyers for the Quarter, and low interest rates, which continue to draw home buyers into the Market.

The Company's revenue is primarily fixed in nature, based on the number of REALTORS® in the Network, which was essentially flat, period over period. This structure provides revenue protection from the impact of revenue dips when the market cools, but also reduces the degree to which the Company participates in periods of rapid market expansion.

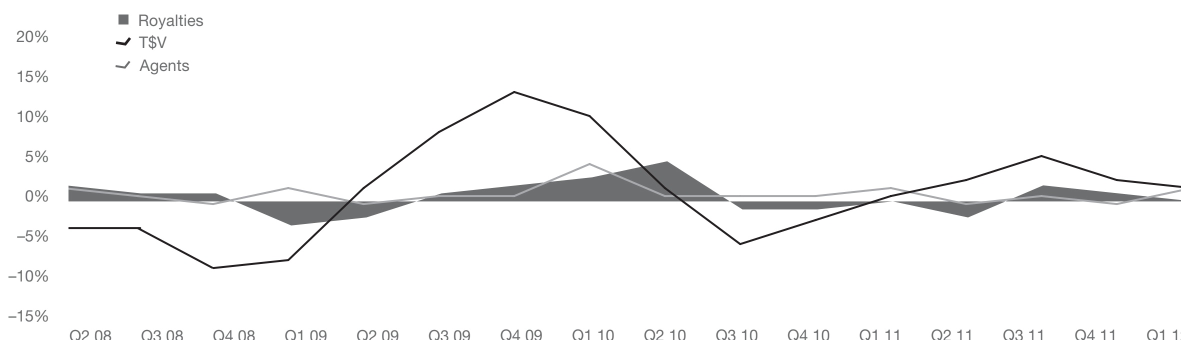
REVIEW OF YEAR-OVER-YEAR MARKET ACTIVITY

Market transactional dollar volume for the rolling twelve months ended March 31, 2012 was $168 billion, up 11% from the same period in 2011, driven by a 6% and 5% increase in selling price and home sale activity, respectively. The steady increase in selling price is largely driven by the consistent shortage of listings, resulting in competition among home buyers, and low interest rates, which continue to draw home buyers into the Market.

ROYALTIES

The most significant drivers of the Company's royalties are Market activity, the number of Agents in the Company and competition. The chart below summarizes the percentage change in transactional dollar volume in Canada, the Company's royalties and number of Agents on a rolling twelve-month quarter-over-quarter basis since 2008. As noted from the chart, the vend-in of franchise agreements in the first quarter of each year and the organic growth of Agents, combined with the fixed-fee nature of our royalties, mitigate the impact of Market fluctuations. In addition, the lag effect of the Company's policy of recording variable and premium franchise fee royalties when a home sale transaction closes, which occurs after the home sale has been reported by the Market, is quite evident.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



As at March 31, 2012, the Company Network consisted of 15,250 REALTORS® operating under 414 franchise agreements, providing services from 668 locations, with an approximate 22% share of the Market based on 2011 transactional dollar volume. The Company experienced a net increase of 189 Agents during the Quarter as a result of the January 1, 2012 acquisition of 217 Agents, partially offset by a net attrition of 28 Agents during the Quarter.

Recent Developments

COMPETITION BUREAU

There have been no developments during the Quarter with respect to the Competition Bureau's application with the Competition Tribunal by which the Bureau is seeking to prohibit potentially anti-competitive practices by the Toronto Real Estate Board ("TREB"), which may be restricting consumer choices and the ability of the real estate business to introduce innovative real estate brokerage services through the Internet.

DISCOUNT BROKERAGE ACTIVITY AND IMPACT

At present, discount brokerages continue to compete within the low-fee, narrow service segment of the Canadian real estate market. This activity has not had a substantive impact on the Company's financial performance to date. It is expected that the impact of discount brokerage models will be largely contained to this market segment, as opposed to the full-service brokerage segment in which Company businesses operate. Longer-term, it is anticipated that consumers will continue to look to professionals to guide them through the home-buying and -selling process.

Key Performance Drivers

The key drivers of the Company's business and dividends payable to shareholders are:

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

A summary of our performance against these drivers and a discussion of the underlying Market and REALTOR® population follows, along with a review of Company Network growth, diversity and productivity against these variables.

NUMBER OF REALTORS® IN THE COMPANY

As at March 31, 2012, the Company Network consisted of 15,250 REALTORS® operating under 414 franchise agreements, providing services from 668 locations, with an approximate 22% share of the Market based on 2011 transactional dollar volume.

For the three months ended March 31, 2012, the Company Network increased by 189 Agents, or 1.3%, consisting of 217 Agents acquired through the acquisition of franchise agreements at the beginning of the year, less a net attrition of 28 Agents in the Quarter.

During the Quarter, franchise agreements representing 19 Agents were up for renewal, with a 95% renewal rate, while other franchisees representing 131 Agents renewed ahead of their contracted renewal dates.

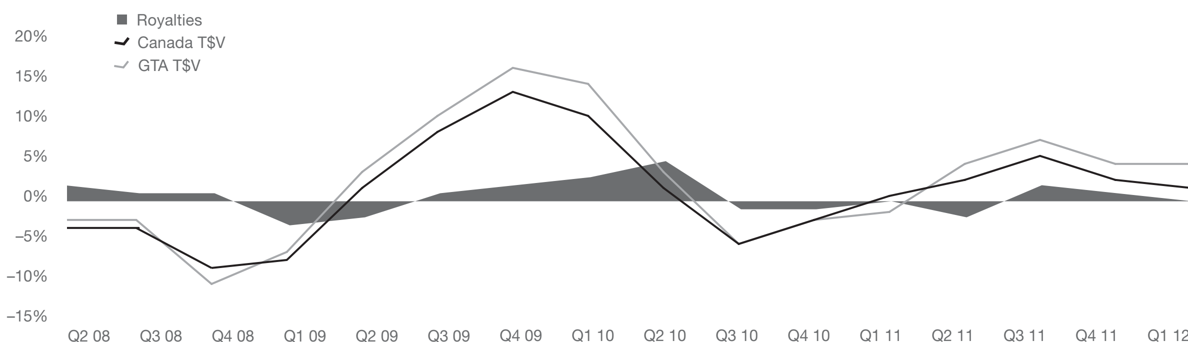
TRANSACTION VOLUMES

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

Market transactional dollar volume for the rolling twelve months ended March 31, 2012 was $168 billion, up 11% from March 31, 2011, driven by a 6% and 5% increase in selling price and home sale activity, respectively. For the three months ended March 31, 2012, transactional dollar volume was up 5% over the same period in 2011, driven by a 1% and 4% increase in selling price and home sale activity, respectively. The steady increase in selling price is largely driven by the consistent shortage of listings, resulting in competition among home buyers in the Quarter, and low interest rates, which continue to draw home buyers into the Market.

On a rolling twelve-month basis, the GTA Market experienced a quarter-over-same-quarter increase of 19% on a 9% and 10% increase in selling price and home sale activity, respectively. For the three months ended March 31, 2012, the GTA Market experienced an 18% increase on a 10% and 8% increase in selling price and home sale activity, respectively, from March 31, 2011, for reasons described earlier.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



A summary of the key Market and related activity, as reported by the Canada Mortgage and Housing Corporation (the "CMHC"), CREA and TREB, follows:

From CMHC[1]: Sales of existing homes are expected to stay close to levels in 2011 at 457,300 units, while selling prices are expected to remain fairly constant at $368,900 for 2012.

From CREA[2]: National sales activity is forecast to reach 458,800 units in 2012, up less than 1% from 2011, while average home prices are forecast to decline by 1% in 2012 to $359,100.

From TREB[3]: GTA home sales activity during the first three months of 2012 amounted to 21,289 units, representing an 11% increase compared to the same period in 2011. A shortage of listings resulted in more competition among home buyers, accelerating the growth in average selling price to close to 10% in comparison to March 2011.

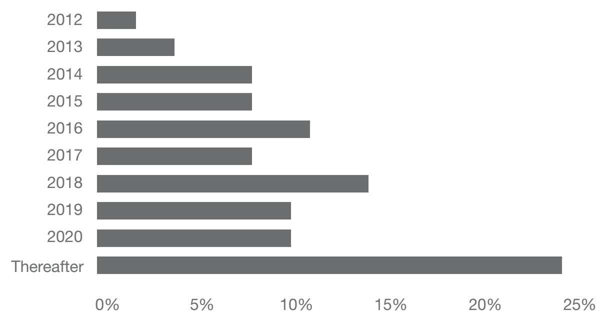
[1] Source: CMHC Housing Market Outlook – First Quarter 2012, published February 13, 2012.
[2] Source: CREA Updates Resale Housing Forecast, published March 5, 2012.
[3] Source: TREB Market Watch January, February, March 2012, published February 3, 2012, March 5, 2012 and April 4, 2012.

STABILITY OF THE COMPANY'S ROYALTY STREAM

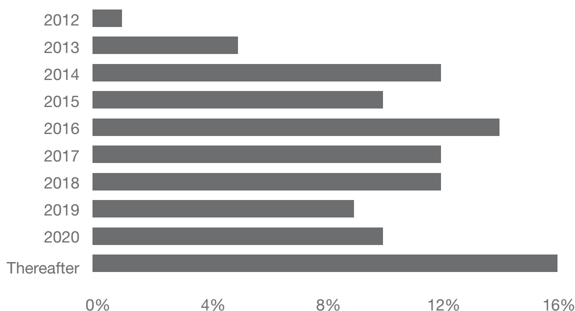
The stability of the Company's royalty stream is derived from the following factors:

- The fixed nature of the Company Network agreements (see Structure of Company Royalties) is primarily driven by the number of REALTORS® in the Company Network, which results in an approximate 68% fixed and 32% variable royalty stream and partially insulates the Company from fluctuations in the Market.
- The Company's royalties are derived from a diverse Network of independently owned and operated franchisees, the majority of which operate with fewer than 50 Agents (72% – 2011, 71% – 2010), thereby mitigating the impact of any one franchisee's results.
- The geographic distribution of the Company Network of REALTORS® is similar to the distribution of the overall Canadian REALTORS® population, with over-representation in the province of Ontario and Quebec and an under-representation in western Canada. This distribution of REALTORS® mitigates the impact of a single Market on the Company's results.
- The Royal LePage agreements, which make up 91% of the Company's REALTORS®, are 10 to 20 years in duration, significantly exceeding the industry norm of five years and thereby reducing agreement renewal risk. At the time of the initial public offering ("IPO"), the Company's Royal LePage franchise agreements were largely subject to five-year renewal terms. Contracts entered into subsequent to the IPO typically have 10-year renewal terms, and the Company takes the opportunities as they present themselves to extend the renewal terms of contracts at the time of the IPO to 10 years. The Company's overall agreement renewal profile by year is not overly skewed to any one year and, as such, is very manageable. A summary of our agreement renewal profiles as at December 31, 2011 for our combined Royal LePage and Via Capitale networks is as follows:

% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of Agents)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of Contracts)



The Company has historically enjoyed 99%-plus renewal success of franchise agreements as they come due, expressed as a percentage of the number of REALTORS® at year-end. Due to the ongoing success of our franchisees, a number of opportunities such as increasing franchisee locations provide an opportunity to renew franchise agreements before they come due, and 2012 is no exception.

During 2012, the Company renewed one franchise agreement representing five Agents in the Via Capitale Network and four franchise agreements representing 145 Agents in the Royal LePage Network. The Company terminated one franchise agreement representing one Agent during the Quarter.

COMPANY'S GROWTH OPPORTUNITIES

Our growth objective for 2012 in light of the economy and Market conditions is to modestly increase the year-over-year Company Network of REALTORS®.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 65% (6,012 REALTORS®), of which approximately 70% has been through acquisitions and 30% through organic growth.

Growth through acquisition is achieved through the purchase of franchise agreements acquired by the Manager's dedicated network development team.

Growth in overall royalties is achieved by increasing the number of REALTORS® in the Company, increasing the productivity of Agents, expanding the range of products and services supporting franchisees and their Agents, increasing the adoption of these products and

services, and providing sales and marketing programs to the Company Network. These services are supported by ongoing training programs for franchisees and REALTORS®, which assist in leveraging the Company's competitive advantage to attract and retain potential recruits.

On January 1, 2012, franchise agreements representing 25 locations, serviced by an estimated 217 Agents operating under the Royal LePage and Via Capitale brands, were purchased by the Company. The estimated purchase price of these agreements is $2.9 million, with an estimated annual royalty stream of $0.5 million.

The average Company Network REALTOR® generated $2.38 million in transactional dollar volume in 2011, which was 61% greater than all other Canadian REALTORS® and down 0.2% from 2010 (see REALTOR® Productivity).

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 reducing administration costs.

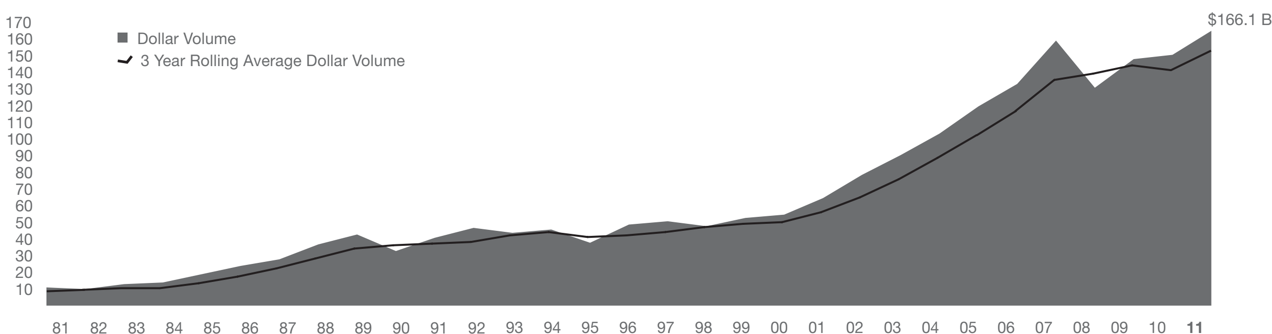
The Canadian Residential Resale Real Estate Market

Since 1980, the Market has grown at a compound annual growth rate ("CAGR") of 9.4%. The Canadian Market has been very resilient, with three significant downturns occurring in 1990, 1995 and 2008, all of which returned to pre-downturn levels within 24 months. The duration of these Market downturns was 13, 14 and 16 months, respectively, with decreases of 26%, 21% and 19%, respectively.

During the most recent downturn, the Market declined 19% during the 16-month period February 2008 through May 2009, with the most significant decline occurring during the fourth quarter of 2008, when the Market decreased 40% when compared to the fourth quarter of 2007. The Market improvement in 2009 began with the rate of decline moderating steadily from January to May, followed by four months of increasing Market growth and subsequently ending the year with very strong growth of 90% in the quarter over the same period in 2008. The strong Market continued into the first half of 2010 due in part to consumers seeking to close home sales ahead of government-mandated changes to mortgage rules, anticipated increases in mortgage rates and the introduction of the HST on July 1, 2010. These Market factors pulled 57% of the 2010 Market activity into the first half of 2010, compared to 46% in 2009, resulting in a year-over-year decline in the second half of 2010, which when combined with the first half of 2010, saw the overall Market up by 1.7% for the twelve-month period ended December 31, 2010, compared to the same period in 2009.

During the 1990 downturn, interest rates were relatively high, and there was significant speculation in the form of building and multiple home ownerships. Since that time, lenders now require builders to pre-sell a significant portion of their developments before advancing funds, and under the new mortgage-lending rules (see Recent Developments), non-owner-occupied property purchases that qualify for mortgage insurance have increased down payment requirements.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET
(1981–2011) (in $ billions)

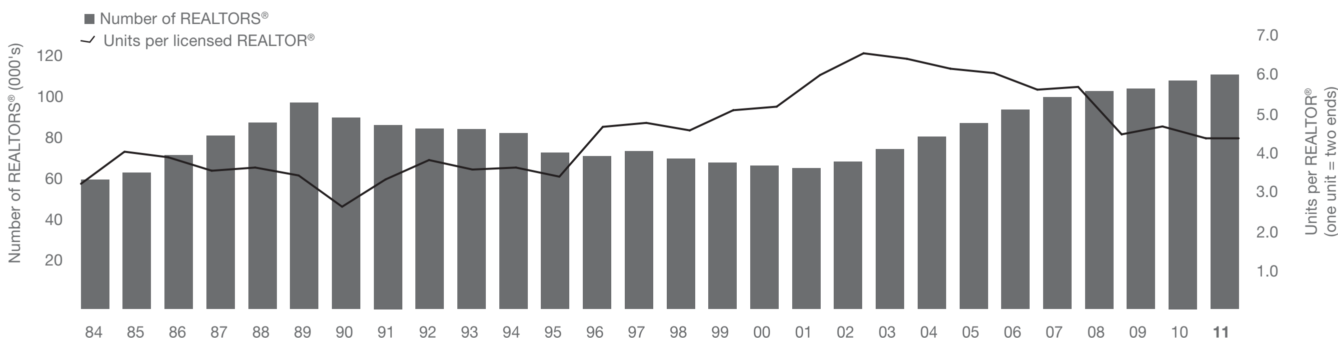


The Canadian Real Estate REALTOR® Population

The number of REALTORS® in the Company Network is a key driver of the Company's results. For the year ended December 31, 2011, the Canadian real estate REALTOR® membership grew by 2.4% to 104,407 members, with an average of 4.4 units sold per REALTOR®, compared to 3.8%, 101,916 and 4.4 units sold per REALTOR®, respectively, in 2010. The number of REALTORS® in the Company Network decreased by 1.6% over the same period (increase of 4.6% – 2010). 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)



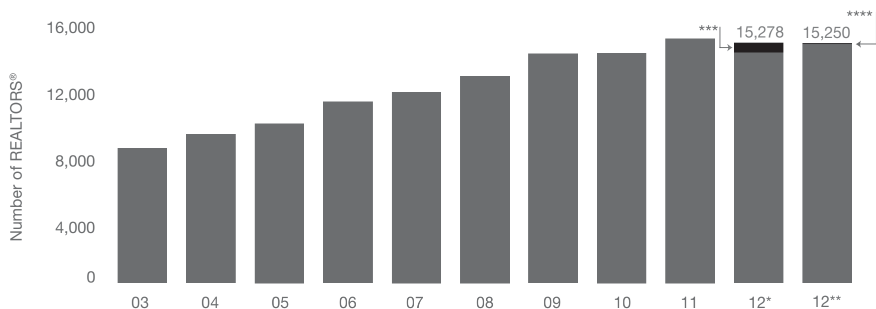
The Company Network REALTOR® Growth

REALTOR® GROWTH

As at March 31, 2012, the Company Network consisted of independently owned and operated franchisees operating under 414 franchise agreements, operating from 668 locations, serviced by 15,250 REALTORS®.

During the Quarter, the Company Network had a net increase of 189 REALTORS® as a result of the January 1, 2012 acquisition of 217 Agents, partially offset by a net attrition of 28 Agents.

COMPANY GROWTH



Year ended December 31, except 2012
* As at January 1, 2012
** As at March 31, 2012
*** 217 REALTOR® growth of 1.4% consisting of 145 from the Royal LePage brand and 72 from the Via Capitale brand
**** Decrease of 28 REALTORS®

SUMMARY OF CANADIAN AND COMPANY GROWTH IN REALTORS®

	Canada*		The Company Network	
	Number of Licensed Members	% Change	Number of Licensed Members	% Change
Opening	**101,916**	**3.8**	**15,308**	**4.6**
2011 Q1	1,291	1.3	141	0.9
2011 Q2	522	0.5	(88)	(0.6)
2011 Q3	474	0.5	(66)	(0.4)
2011 Q4	204	0.2	(234)	(1.5)
Opening	**104,407**	**2.4**	**15,061**	**(1.6)**
2012 Q1	N/A	–	189	1.3
Closing	**104,407**	**–**	**15,250**	**(0.3)**

* Source: CREA
N/A: Not available at time of MD&A

Network Diversity

The Company Network consists of diverse operations, with approximately 72% of the Company's franchisees operating with fewer than 50 REALTORS® as at December 31, 2011. As summarized in the table below, the Company 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 Via Capitale franchise network.

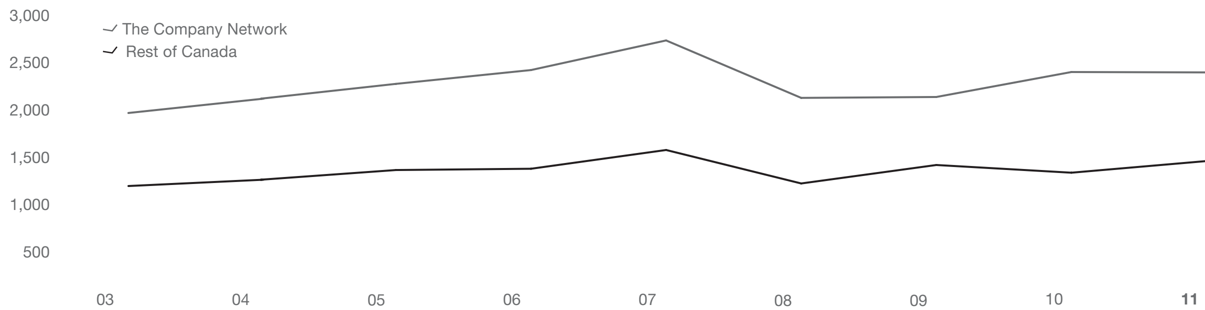
	Canadian[1] REALTOR® Population	Company[2] Network REALTORS®
Ontario	51%	55%
Prairies	13%	10%
BC	18%	12%
Quebec	15%	20%
Maritimes	3%	3%
Total	100%	100%

Source: CREA
[1] As at December 31, 2011.
[2] As at March 31, 2012.

REALTOR® Productivity

The average Company Network REALTOR® generated approximately $2.38 million in transactional dollar volume in 2011, down 0.2% from 2010. This productivity was 61% greater than the estimated average of $1.48 million for all other Canadian REALTORS®, down 13.7% from 2010. Management believes that the higher productivity of Company Network REALTORS® makes the Company less prone than the industry at large to a loss of REALTORS® during a period of reduced transactional dollar volume. A summary of average transactional dollar volume per REALTOR® for the year ended December 31, 1994 through 2011 is as follows:

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET
(Average Transactional Dollar Volume per REALTOR®, $ thousands)



Source: CREA and Company Management

Operating Results for the Quarter

Three months ended March 31, ($ 000's) except Agents, Sales Representatives and per share amounts		**2012**		2011
Royalties				
Fixed franchise fees	**$**	**4,719**	$	4,758
Variable franchise fees		**1,814**		1,697
Premium franchise fees		**821**		778
Other revenue and services		**866**		962
		8,220		8,195
Less:				
Administration		**452**		268
Management fee		**1,482**		1,519
Interest expense		**725**		728
		2,659		2,515
Cash flow from operations		**5,561**		5,680
Amortization of intangible assets		**3,350**		3,462
Interest on Exchangeable units		**1,168**		1,168
Loss on fair value of Exchangeable units		**3,527**		2,030
Loss before income tax		**(2,484)**		(980)
Current income tax expense		**(837)**		(937)
Deferred income tax recovery		**141**		140
Net and comprehensive loss	**$**	**(3,180)**	$	(1,777)
Basic and diluted loss per share	**$**	**(0.34)**	$	(0.19)
Number of Agents		**14,280**		14,425
Number of fixed-fee-paying Sales Representatives		**675**		724

As summarized in the table above, during the Quarter, the Company generated CFFO of $5.6 million as well as a net and comprehensive loss of $3.2 million, as compared to CFFO of $5.7 million as well as net and comprehensive loss of $1.8 million for the same period in 2011.

The Company Network as at March 31, 2012, consisted of 14,280 Agents and 970 Sales Representatives, 675 of whom operate under the $100 per month fixed-fee plan and 295 of whom are primarily brokers and managers who do not pay fees. Primarily all of our franchisees operate under the per Agent 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.

Royalties for the Quarter totalled $8.2 million, consistent with the same period in 2011. Fixed, variable and premium franchise fees together represented 89% of royalties (2011 – 88%). The 0.3% increase in royalties was primarily attributed to higher variable and premium franchise fees resulting from the growth in the GTA market.

Fixed franchise fees for the Quarter decreased by 0.8% over the same period in 2011; this was in line with the underlying Company Network of Agents, which decreased by 1.3% during the same period.

Variable franchise fees for the Quarter increased by 7% over the same period in 2011; this was in line with a 5% increase in the Canadian Market and 18% increase in the GTA Market.

Premium franchise fees are derived from the 23 franchise locations servicing the GTA Market, which pay premium franchise fees ranging from 1% to 5% of the location's gross revenue. Premium franchise fees for the Quarter increased by 6% over the same period in 2011 due to the continued strength of the GTA Market.

Other fees and services include APEC fees, technology fees and other fees, which accounted for approximately 11% of total royalties for the Quarter. Other fees decreased 10% compared to the same period in 2011 as a result of the discontinuation of Internet portal services provided to Royal LePage Agents in November 2011, which were no longer relevant.

Administration expenses of $0.5 million for the Quarter were up $0.3 million from 2011. In 2012, the Company recognized $0.1 million in provisions against accounts receivable relating to a limited number of franchisees that experienced market and financial difficulties.

Management fee expense of $1.5 million for the Quarter was flat to 2011, which was in line with the underlying royalty fees. Management fees are determined in accordance with the amended and restated MSA, and they are calculated as 30% of net royalty fees earned (defined as distributable cash in the MSA) from the Via Capitale franchise agreements and 20% of the balance of royalties less administration and interest expenses.

Interest expense consists of interest on the Company's fixed rate $32.7 million private debt placement, variable rate $20.3 million credit facility and interest on the Company's purchase obligation. During the Quarter, the Company's interest expense totalled $0.7 million, consistent with the same period in 2011.

Amortization of Intangible Assets

Intangible assets relate to the values attributed to the franchise agreements and trademarks acquired by the Company since August 7, 2003. Franchise agreements and trademarks are amortized on a straight-line basis over the expected useful life. Amortization during the Quarter totalled $3.4 million, which is consistent with $3.5 million in 2011.

Interest on Exchangeable units represents the targeted pre-tax distribution of $1.40 per annum, $0.35 per quarter paid to the Exchangeable unitholders.

Loss on fair value of Exchangeable units represents the change in fair value during the period of the underlying 26% interest of the Exchangeable units in the Company. As the Company's share price increased in value during the Quarter, the Company recorded a loss of $3.6 million for the resultant increase in the fair value of the underlying obligations.

Current Income Tax

Prior to 2011, the Company in its Fund format was not subject to income tax. The expected tax rate for 2012 is 26.25%, with anticipated effective cash taxes of 22.5% once the Company's available tax shield and estimated taxable income for the Quarter are taken into account. During the Quarter, the Company recorded a current income tax expense of $0.8 million, reflecting a 26.25% tax rate on taxable income.

Deferred Income Tax

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of intangible assets and their tax basis, and they are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. As at March 31, 2012, the Company's deferred tax asset was $3.5 million (December 31, 2011 – $3.4 million) and was calculated using an effective tax rate of 25% (2011 – 25%). During the Quarter, the Company recorded a $0.1 million deferred income tax recovery (2011 – $0.1 million) related to differences in the relative amounts of amortization deducted for tax and accounting purposes. The Company is subject to a variety of Canadian federal and provincial tax laws and regulations. Changes to these laws or regulations may affect our tax asset, current tax liability, return on investments and business operations.

Management reviews the value of the Company's deferred income tax assets and liabilities on a quarterly basis and records adjustments, as necessary, to reflect the realizable amounts of the Company's deferred income tax assets and liabilities. A summary of the tax pools available to the Company for the reduction of taxable income in the future and the past taxation of the Company's dividends is provided in the following table:

Company Tax Pools

Future Deduction Basis	Balance December 31, 2011	Estimated Addition for 2012	Estimated Deduction for 2012	Estimated Balance December 31, 2012
7% of balance	$ 71.4	$ 2.9	$ 5.2[1]	$ 69.1
Five-year straight-line	$ 0.6	$ –	$ 0.2	$ 0.4
	$ 72.0	$ 2.9	$ 5.4	$ 69.5

[1] This estimated deduction for 2012 is calculated as 7% of the sum of the remaining balance as of December 31, 2011 and 75% of the estimated addition for 2012.

CASH FLOW FROM OPERATIONS

On a rolling twelve-month basis, the Company generated CFFO of $1.96 per restricted voting share, which was virtually unchanged from 2011. A summary of the Company's CFFO per share is presented in the following table:

Rolling Twelve-Month Cash Flow From Operations

Twelve months ended	2012	2011				2010	
($ 000's) except per share amounts	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Royalties	**$ 36,745**	$ 36,720	$ 36,498	$ 35,954	$ 36,660	$ 36,630	$ 36,967
Less:							
Administration	**1,851**	1,667	1,944	1,990	1,834	1,771	978
Interest expense	**3,039**	3,042	3,025	2,972	2,880	2,900	2,990
Management fee	**6,710**	6,747	6,632	6,527	6,719	6,713	6,924
	25,145	25,264	24,897	24,465	25,227	25,246	26,075
Cash flow from operations per share	**$ 1.96**	$ 1.97	$ 1.94	$ 1.91	$ 1.97	$ 1.97	$ 2.04

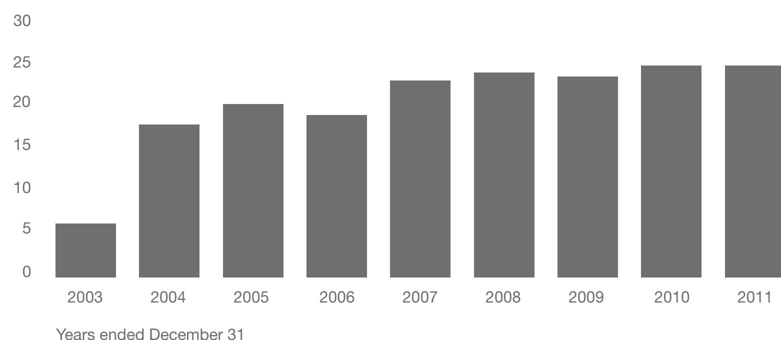
The Company's operations have been a significant source of capital, with $192.5 million of CFFO generated since inception, of which $142.2 million has been paid to the public unit/shareholders and Exchangeable unitholders. Of the remaining $50.4 million retained by the Company, $39.8 million has been invested in franchise contracts that earn attractive returns, and $4.1 million was used to purchase units of the Company in 2008 and 2009. (Also see Supplemental Information – Cash Flow From Operations.)

CFFO to restricted voting shareholders represents net and comprehensive earnings adjusted for interest on Exchangeable units, fair value of Exchangeable units, other income, amortization of intangible assets, current and deferred income taxes and purchase obligation adjustment.

CFFO does not have a standardized meaning under IFRS and accordingly may not be comparable to similar measures used by other issuers. Management believes that CFFO is a useful supplemental measure of performance as it provides investors with an indication of the amount of pre-tax cash generated from operations and available to restricted voting shareholders and Exchangeable unitholders and to meet tax cash payments. Investors are cautioned, however, that CFFO should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows. (See the table below for a reconciliation of CFFO to the comparable IFRS measure in the Company's consolidated financial statements.) A summary of the CFFO generated by the Company since its inception in August 2003 is as follows:

CASH FLOW FROM OPERATIONS

(in $ millions)



Cash Flow From Operations and Its Utilization

Three months ended March 31, ($ 000's)		2012		2011
Royalties	$	8,220	$	8,195
Administration		452		268
Management fee		1,482		1,519
Interest expense		725		728
Cash flow from operations		5,561		5,680
Less:				
Dividends to shareholders		2,618		2,618
Interest on Exchangeable units		1,168		1,168
Total dividends and interest		3,786		3,786
Cash flow from operations less total dividends		1,775		1,894
Less: funding of acquisitions		1,359		2,000
Net change in the period	$	416	$	(106)

Cash Flow From Operations Reconciled to Cash Flow From Operating Activities

Three months ended March 31, ($ 000's)		2012		2011
Cash flow from operating activities	$	(464)	$	2,652
Add (deduct):				
Interest on Exchangeable units		1,168		1,168
Current non-cash income tax expense		837		937
Changes in non-cash working capital items		4,066		294
Interest expense		(1,893)		(1,896)
Interest paid		1,847		2,525
Cash flow from operations	$	5,561	$	5,680

From inception to date, the Company has used CFFO in excess of distributions/dividends to fund acquisitions and Exchangeable unit obligations.

A summary of the main elements of the Company's performance, which assist in the assessment of the sustainability of the Company's cash distributions, is presented in the table above.

The Company's payment of dividends to shareholders is fully funded by CFFO. The Company has consistently paid out cash in excess of net income to shareholders as a significant portion of the Company's operating expenses is made up of the non-cash amortization of intangible assets, consisting of franchise agreements and trademarks. Management does not view the excess payment 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 Company lies in part with management's ability to retain and renew the underlying franchise agreements and to ensure the ongoing integrity of the trademarks. The Company has not paid out all of the CFFO to shareholders as the cash generated in excess of these amounts, as summarized in the table below (see Supplemental Information – Cash Flow From Operations), has been used to fund the acquisition of franchise agreements, pay distributions to the Exchangeable unitholders/servicing of the Trust unit liability, fund the purchase of units under the normal course issuer bid ("NCIB") and meet future tax liabilities. It is management's expectation, at the discretion of the Board of Directors, that for the foreseeable future, cash distributions to shareholders in the form of dividends will continue, and the remaining cash flow will be used to fund acquisitions and pay distributions to the Exchangeable unitholders.

Acquisition of Franchise Agreements

Under the terms of the MSA, the Company is permitted to acquire franchise agreements, approved by independent directors of the Company, from the Manager on January 1 of each year. The purchase price is estimated at the time of purchase and finalized at a future date, in accordance with the terms of the MSA.

For Royal LePage acquisitions, the purchase price is based on the actual royalties generated under the agreements during the twelve-month period ending on October 31 of the year of acquisition. Via Capitale acquisitions are subject to a three-year price determination period. In the first year, the initial estimate is adjusted in the manner described for Royal LePage acquisitions. In each of the subsequent two years, the purchase price is adjusted based on the average annual royalties generated under the agreements.

An initial payment representing 80% of the estimated purchase price is due upon acquisition of the franchise contracts, with the final obligation determined through an audit conducted annually to verify the royalty amounts used in all purchase price calculations. The final purchase obligation for Royal LePage contracts is determined and payable within one year of acquisition, while Via Capitale acquisitions are determined and payable two years after acquisition. Any changes to the original estimated obligation are recorded in the Company's consolidated statement of earnings and comprehensive earnings.

ROYAL LEPAGE FRANCHISE AGREEMENTS

On January 1, 2012, the Company acquired 20 new Royal LePage franchise agreements serviced by 145 REALTORS®, with an estimated annual royalty stream of $0.3 million. The agreements for these 12 locations were acquired in accordance with the terms of the MSA at an estimated purchase price of $1.9 million, with $1.5 million, representing 80% of the estimated obligation, to be paid from cash on hand in 2012 and the remainder to be paid a year later.

VIA CAPITALE FRANCHISE AGREEMENTS

On January 1, 2012, the Company acquired five franchise agreements operating under the Via Capitale brand in the province of Quebec from the Company Manager for an estimated purchase price of $1.0 million. These agreements are represented by 72 REALTORS® operating from existing locations, with an estimated annual royalty stream of $0.2 million. For a summary of the Company's acquisitions of franchise agreements, see Supplemental Information – Acquisitions.

Debt Financing

The Company's long-term debt consists of a $32.7 million private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20.3 million term facility with a Canadian financial institution, with interest available at a floating rate of prime plus 1.5%, payable quarterly, or at Banker's Acceptance rates plus 3% with terms of up to six months.

The Company 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.

The covenants of the long-term debt prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.25 to 1. Consolidated

EBITDA is defined as earnings (loss) before tax, interest, interest on Exchangeable units, gain (loss) on fair value of Exchangeable units and gain (loss) on purchase obligation adjustment. As at March 31, 2012, the Company is compliant with its financial covenants.

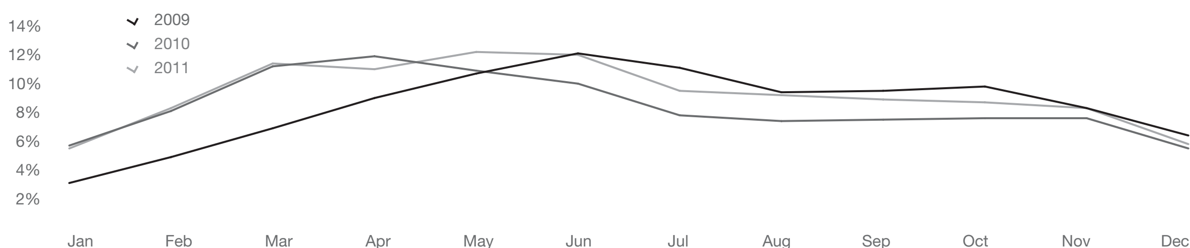
Senior Indebtedness is defined as the Company's long-term debt, disclosed under Note 9 of the interim condensed consolidated financial statements, which is made up of $32,700 in private debt placement and $20,300 in term facilities. Senior Interest Expense includes interest expenses generated on the Company's Senior Indebtedness.

SEASONALITY OF CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

The Company's royalty revenues are affected by the seasonality of the Market, which typically has stronger second and third quarters, as summarized in the chart below. The seasonality of the Market is in turn mitigated throughout the year by the fixed-fee nature of the Company's royalties and by the acquisition of franchise contracts at the beginning of the year and in the latter part of the year by the 19% – 2011 (18% – 2010) of our Royal LePage Agents who have capped out under the 1%/$1,300 per annum variable fee.

CANADIAN RESIDENTIAL RESALE REAL ESTATE MARKET

(% transactional dollar volume by month)



Source: CREA and Company Management

On a rolling twelve-month basis, Market transactional dollar volume of $168 billion closed up 11% from March 31, 2011, driven by a 6% and 5% increase in selling price and home sale activity, respectively. For the three months ended March 31, 2012, transactional dollar volume was up 5% over the same period in 2011, driven by a 1% and 4% increase in selling price and home sale activity, respectively. The steady increase in selling price is largely driven by the consistent shortage of listings, resulting in competition among home buyers, and low interest rates, which continue to draw home buyers into the Market.

A key performance indicator used by management to monitor Company performance is the rolling twelve-month CFFO per restricted voting share. As previously discussed, the CFFO per restricted voting share for the rolling twelve months ended March 31, 2012 was $1.96, which was consistent with 2011.

Summary of Quarterly Review

Three months ended	2012		2011				2010	
($ 000's) except Agents, Sales Representatives and per share amounts	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Royalties								
Fixed franchise fees	**$ 4,719**	$ 4,700	$ 4,736	$ 4,761	$ 4,758	$ 4,710	$ 4,700	$ 4,695
Variable franchise fees	**1,814**	1,430	2,531	2,560	1,697	1,269	2,203	2,990
Premium franchise fees	**821**	1,275	1,910	1,279	778	1,126	1,692	1,556
Other fee revenue and services	**866**	975	1,147	1,221	962	1,053	1,185	1,286
	8,220	8,380	10,324	9,821	8,195	8,158	9,780	10,527
Less:								
Administration	**452**	768	270	361	268	1,045	316	205
Management fee	**1,482**	1,464	1,941	1,823	1,519	1,349	1,836	2,015
Interest expense	**725**	737	766	811	728	720	713	719
Cash flow from operations	**5,561**	5,411	7,347	6,826	5,680	5,044	6,915	7,588
Interest on Exchangeable units	**1,168**	1,168	1,168	1,168	1,168	1,833	1,168	1,168
Interest on Trust units	**–**	–	–	–	–	5,226	3,327	3,330
(Gain) loss on fair value of Exchangeable units	**3,527**	1,131	(6,655)	(3,761)	2,030	5,724	2,895	(2,429)
(Gain) loss on fair value of Trust unit liability	**–**	–	–	–	–	16,312	8,251	(6,924)
(Gain) loss on purchase obligation adjustment	**–**	(31)	(113)	–	–	590	–	21
Amortization of intangible assets	**3,350**	3,426	3,421	3,461	3,462	3,414	3,414	3,414
Impairment of intangible assets	**–**	2,435	383	–	–	–	–	–
Earnings (loss) before income taxes	**(2,484)**	(2,718)	9,143	5,958	(980)	(28,055)	(12,140)	9,008
Current income tax expense	**837**	856	1,212	1,178	937	–	–	–
Deferred income tax (recovery) expense	**(141)**	(368)	(151)	(137)	(140)	1,113	–	–
Net and comprehensive earnings (loss)	**$ (3,180)**	$ (3,206)	$ 8,082	$ 4,917	$ (1,777)	$ (29,168)	$ (12,140)	$ 9,008
Basic earnings (loss) per share	**$ (0.34)**	$ (0.33)	$ 0.85	$ 0.52	$ (0.19)	$ –	$ –	$ –
Diluted earnings (loss) per share	**$ (0.34)**	$ (0.33)	$ 0.20	$ 0.18	$ (0.19)	$ –	$ –	$ –
Cash flow from operations per share	**$ 0.43**	$ 0.43	$ 0.57	$ 0.53	$ 0.44	$ 0.39	$ 0.54	$ 0.59
Number of Agents	**14,280**	14,079	14,273	14,342	14,425	14,255	14,270	14,236
Number of fixed-fee-paying Sales Representatives	**675**	682	719	718	724	752	748	762

As summarized in the table above, during the Quarter, the Company generated CFFO of $5.6 million as compared to CFFO of $5.7 million for the same period in 2011.

Liquidity

Changes in the Company's net working capital are 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 and payment of dividends and interest.

During the Quarter, the Company used cash on hand and cash generated from operations to meet $1.4 million of acquisition obligations, $2.6 million of dividend requirements and the Company's $4.2 million income tax liability in respect of 2011, which was the first year the Company was subject to corporate income tax. A summary of the Company's working capital position is as follows:

Working Capital

Year ended ($ 000's)	March 31, 2012	Dec. 31, 2011	Change in quarter
Current assets			
Cash and cash equivalents	$ 1,152	$ 5,593	$ (4,441)
Accounts receivable and other	4,714	4,043	671
Prepaid expenses	239	261	(22)
	$ 6,105	$ 9,897	$ (3,792)
Current liabilities			
Accounts payable and accrued liabilities	$ 1,445	$ 1,299	$ 146
Purchase obligation – current portion	2,181	663	1,518
Current income tax liability	619	4,183	(3,564)
Interest payable to Exchangeable unitholders	389	389	–
Dividends payable to shareholders	872	872	–
	5,506	7,406	(1,900)
Net working capital	$ 599	$ 2,491	$ (1,892)

Capital Resources

The existing capital resources that the Company can draw upon consist of a $2 million operating line, which is undrawn as at the date of this MD&A. Other capital resources include funds generated from operations, debt servicing, dividend and Exchangeable units requirements and financing for the acquisition of franchise contracts.

Off–Balance Sheet Arrangements

The Company has no off–balance sheet arrangements.

Transactions With Related Parties

As at the date of this MD&A, the Company's interests are ultimately controlled approximately 74% by the public and 26% by BAM. BAM derived its ownership interest in the Company through the sale of its interest in certain assets to the Company at its inception. These assets included the relationships, trademarks and franchise agreements related to the business of its Royal LePage residential resale real estate brokerage franchise operations.

BAM operates 17 corporately owned residential resale real estate brokerage locations in the GTA, serviced by over 1,000 Agents. Of these operations, 16 operate under three franchise agreements under the $100/1% option to August 2023, with an additional premium franchise fee ranging from 1% to 5% of the location's gross commission income to August 2018. The remaining location, which was opened during the third quarter of 2009, was included in the Company's acquisition of franchise contracts on January 1, 2010.

The management of the Company and its underlying structure are provided under an MSA by the Manager, which is a company controlled by the Exchangeable unitholders. The MSA provides for an initial term, expiring on August 6, 2013 and 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 from Royal LePage agreements and 30% in respect of cash otherwise distributable from Via Capitale franchise agreements.

On January 1 of each year, the Company may, upon approval by the Board of Directors 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 shares of the Company and are paid 80% on acquisition and the remaining 20% a year later, when the actual franchise fees are audited and the acquisition calculations are adjusted accordingly.

On January 1 of each year, the Company may, upon approval by the Independent Directors' and criteria established by the Board of Directors, purchase Via 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 shares of the Company. Modifications to the MSA relating to the Via Capitale acquisition costs and management fees are as follows:

(a) the discount factor of 7.5%, which is applied to the royalties upon which the purchase price is based, was increased to 10%, thereby reducing the purchase price;
(b) the final purchase price is to be calculated based on the average annual royalties earned from Via 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 Via 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 Via Capitale franchise agreements net of the management fee.

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

For the three months ended	**March 31, 2012**	March 31, 2011
a) Royalties		
Fixed, variable and other franchise fees	**$ 631**	$ 630
Premium franchise fees	**$ 698**	$ 668
b) Expenses		
Management fees	**$ 1,482**	$ 1,519
Insurance and other	**$ 27**	$ 27
Interest on purchase obligations	**$ –**	$ 14
c) Interest paid		
Interest paid to Exchangeable unitholders	**$ 1,168**	$ 1,834

As at		March 31, 2012		March 31, 2011
d) Accounts receivable				
Franchise fees receivable and other	$	1,137	$	1,142
e) Accounts payable and accrued liabilities				
Management fees	$	530	$	491
Interest on purchase obligations	$	–	$	26
Administrative shared service liability	$	76	$	120
Sales tax payable on 2011 purchase obligation	$	61	$	3
Other	$	18	$	–
f) Interest expense payable to Exchangeable unitholders	$	389	$	389
g) Purchase obligation payable	$	2,354	$	832

Effective January 1, 2012, the Company acquired 20 Royal LePage franchise agreements and five Via Capitale franchise agreements for an estimated purchase price of $1.9 million and $1.0 million, respectively, with 80%, or $2.3 million, of the purchase price due in the first quarter (see Acquisition of Franchise Agreements for further information). The Company expects to utilize cash generated from operations later in 2012 to satisfy these obligations. In the interim, the Company accrues interest on the remaining purchase obligation at a rate of prime.

Critical Accounting Estimates

Substantially all of the Company's activities are based on cash transactions, with revenue and expenditures based on contracted terms. The operating activities not based on contractual terms include the Company's administration expenses, allocation of the intangible assets between franchise agreements and trademarks and their related amortization periods. The Company's administration expenses of approximately $1.1 million per annum relate to the Company's public reporting, regulatory and insurance costs.

The allocation of the Company's intangible assets among their various classifications is subject to management estimates. The Company'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 Company but would have no direct cash flow implications.

In assessing the fair value of franchise agreements upon acquisition, impairment of intangible assets and measurement of deferred taxes, management estimates future cash flows by relying on external information and observable conditions where possible, supplemented by internal analysis.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, purchase obligation, current income tax liability, interest payable to Exchangeable unitholders, dividends payable to shareholders, a $32.7 million private debt placement, a $20.3 million term facility, Exchangeable units liability and a $2 million operating credit facility.

The Company is exposed to credit risk with respect to accounts receivable to the extent that any franchisees are unable to pay their fees. The Company'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 Company's debt is comprised of a $32.7 million private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20.3 million term facility with a Canadian financial institution, with interest available at a floating rate of prime plus 1.5%, payable quarterly, or at Banker's Acceptance rates plus 3%, with terms of up to six months.

Disclosure Controls and Internal Controls

As a public entity, we take every step necessary to ensure that material information regarding our reports filed or submitted under securities legislation fairly presents the financial information of the Company. Responsibility for this resides with management, including the President and Chief Executive and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures, as well as internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The evaluation of the effectiveness of DC&P, as defined in National Instrument 52-109 *Certification of Disclosures in Issuers' Annual and Interim Filings,* was performed under the supervision of the President and Chief Executive and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at March 31, 2012. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that our financial reporting is reliable and that our consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR were evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at March 31, 2012.

Outstanding Restricted Voting Shares

The Company is authorized to issue an unlimited number of restricted voting shares, an unlimited number of preferred shares and one special voting share. Effective December 31, 2010, 9,483,850 restricted voting shares were issued in exchange for 9,483,850 Fund units outstanding, and one special voting share was issued in exchange for all special Fund units outstanding prior to the Company's conversion from an Income Trust (the "Conversion"). These restricted voting shares and special voting shares remain unchanged at March 31, 2012.

The restricted voting shares were issued to replace the Fund units outstanding prior to the Conversion. Each restricted voting share represents a proportionate voting right in the Company, and holders of the Company's restricted voting shares are entitled to dividends declared and distributed by the Company.

The special voting share was issued to replace all of the special Fund units outstanding prior to the Conversion, which represent the proportionate voting rights of Exchangeable units in the Company and are redeemable by the holder at $0.01 per share; they are not entitled to dividends declared by the Company. No additional restricted voting shares were issued during the Quarter.

Company Structure

The Company is governed by a Board of Directors (the "Board") and consists of a Corporation on a Trust-on-Trust (Holding Trust) structure that controls a general partner and Limited Partnership ("LP"). The Trust-on-Trust structure is a holdover from the Company's initial Income Trust structure, and it is the Board's and management's intention to simplify the Trust structure in 2012.

Substantially all Company activity is transacted through the LP, which in turn flows distributions to public shareholders through the Trust structure to the Corporation and to the Exchangeable units through the LP structure. Through this structure, public shareholders hold a 74% interest in the economics of the Company's underlying assets, and the remaining non-controlling interests are held by subsidiaries of BAM.

Risk Factors

Risks related to the residential resale real estate brokerage industry and the business of the Partnership and the Company are outlined in the Company's Annual Information Form, which is available at www.sedar.com and on the Company's website at www.brookfieldresinc.com under Investor Relations/Financial Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

Market Outlook

On a year-over-year basis, price appreciation and housing sales are expected to modestly increase in 2012. While the pace of appreciation is slowing in some regions across Canada, the positive impact of a gradually improving domestic and US economy, and a gentle upward pressure on wages and salaries, should help buoy housing market conditions that typically follow periods of prolonged house price appreciation. Our 2012 outlook is based partially on a continued low interest rate environment and its ability to encourage market activity amongst a diverse group of home buyers.

Forward-Looking Statements

This MD&A and other content of this Financial Review report contain 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 Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set out 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 Company that reduce the number of and/or royalty revenue from the Company’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 Company’s Annual Information Form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Company 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 Cash Flow From Operations for the Period

Three months ended ($ 000's, unaudited)	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	**March 31, 2012**
Royalties	$ 10,527	$ 9,780	$ 8,158	$ 8,195	9,821	$ 10,324	$ 8,380	**$ 8,220**
Less:								
Administration expenses	205	316	1,045	268	361	270	768	**452**
Management fee	2,015	1,836	1,349	1,519	1,823	1,941	1,464	**1,482**
Interest expense	719	713	720	728	811	766	737	**725**
Cash flow from operations	7,588	6,915	5,044	5,680	6,826	7,347	5,411	**5,561**
Interest on Exchangeable units	1,168	1,168	1,833	1,168	1,168	1,168	1,168	**1,168**
Interest on Trust units	3,330	3,327	5,226	–	–	–	–	**–**
(Gain) loss on fair value of Exchangeable units	(2,429)	2,895	5,724	2,030	(3,761)	(6,655)	1,131	**3,527**
(Gain) loss on fair value of Trust unit liability	(6,924)	8,251	16,312	–	–	–	–	**–**
(Gain) loss on purchase obligation adjustment	21	–	590	–	–	(113)	(31)	**–**
Amortization of intangible assets	3,414	3,414	3,414	3,462	3,461	3,421	3,426	**3,350**
Impairment of intangible assets	–	–	–	–	–	383	2,435	**–**
Earnings (loss) before taxes	9,008	(12,140)	(28,055)	(980)	5,958	9,143	(2,718)	**(2,484)**
Current income tax expense	–	–	–	(937)	(1,178)	(1,212)	(856)	**(837)**
Deferred income tax recovery (expense)	–	–	(1,113)	140	137	151	368	**141**
Net and comprehensive earnings (loss) for the period	9,008	(12,140)	(29,168)	(1,777)	4,917	8,082	(3,206)	**(3,180)**
Add:								
Amortization of intangible assets	3,414	3,414	3,414	3,462	3,461	3,421	3,426	**3,350**
Impairment of intangible assets	–	–	–	–	–	383	2,435	**–**
Current income tax expense	–	–	–	937	1,178	1,212	856	**837**
Deferred income tax (recovery) expense	–	–	1,113	(140)	(137)	(151)	(368)	**(141)**
Interest on Exchangeable units	1,168	1,168	1,833	1,168	1,168	1,168	1,168	**1,168**
Interest on Trust units	3,330	3,327	5,226	–	–	–	–	**–**
(Gain) loss on fair value of Exchangeable units	(2,429)	2,895	5,724	2,030	(3,761)	(6,655)	1,131	**3,527**
(Gain) loss on fair value of Trust unit liability	(6,924)	8,251	16,312	–	–	–	–	**–**
(Gain) loss on purchase obligation adjustment	21	–	590	–	–	(113)	(31)	**–**
Cash flow from operations	7,588	6,915	5,044	5,680	6,826	7,347	5,411	**5,561**
Less change in:								
Unutilized cash	(3,090)	(2,418)	2,013	(1,894)	(3,040)	(3,561)	(1,625)	**(1,775)**
Cash required for dividends	$ 4,498	$ 4,497	$ 7,057	$ 3,786	$ 3,786	$ 3,786	$ 3,786	**$ 3,786**
Cash flow from operations available to:								
Public shareholders	$ 3,330	$ 3,329	$ 5,224	$ 2,618	$ 2,618	$ 2,618	$ 2,618	**$ 2,618**
Non-controlling interest	1,168	1,168	1,833	1,168	1,168	1,168	1,168	**1,168**
	$ 4,498	$ 4,497	$ 7,057	$ 3,786	$ 3,786	$ 3,786	$ 3,786	**$ 3,786**
Dividends to public shareholders	$ 3,330	$ 3,329	$ 5,224	$ 2,618	$ 2,618	$ 2,618	$ 2,618	**$ 2,618**

Supplemental Information – Selected Financial and Operating Information

Three months ended ($000's, unaudited)	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	**March 31, 2012**
Revenue								
Fixed franchise fees	$ 4,695	$ 4,700	$ 4,710	$ 4,758	$ 4,761	$ 4,736	$ 4,700	**$ 4,719**
Variable franchise fees	2,990	2,203	1,269	1,697	2,560	2,531	1,430	**1,814**
Premium franchise fees	1,556	1,692	1,126	778	1,279	1,910	1,275	**821**
Other fee revenue and services	1,286	1,185	1,053	962	1,221	1,147	975	**866**
	$ 10,527	$ 9,780	$ 8,158	$ 8,195	$ 9,821	$ 10,324	$ 8,380	**$ 8,220**
% Revenue by region								
British Columbia	11	11	11	11	11	10	10	**10**
Prairies	9	9	9	9	9	9	9	**9**
Ontario	57	58	57	57	57	59	59	**59**
Quebec	20	19	20	20	20	19	19	**19**
Maritimes	3	3	3	3	3	3	3	**3**
	100	100	100	100	100	100	100	**100**

Three months ended **Changes during the period**	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	**March 31, 2012**
Number of REALTORS®	25	27	(14)	141	(88)	(66)	(234)	**189**
Number of Agents	37	34	(15)	170	(83)	(69)	(194)	**201**
Number of fixed-fee-paying Sales Representatives	(9)	(14)	4	(28)	(6)	1	(37)	**(7)**
Number of locations	1	(3)	(5)	7	(2)	(7)	(2)	**14**
Number of franchise agreements	(1)	(1)	0	27	(2)	(2)	(1)	**25**
At end of period								
Number of REALTORS®	15,295	15,322	15,308	15,449	15,361	15,295	15,061	**15,250**
Number of Agents	14,236	14,270	14,255	14,425	14,342	14,273	14,079	**14,280**
Number of fixed-fee-paying Sales Representatives	762	748	752	724	718	719	682	**675**
Number of locations	666	663	658	665	663	656	654	**668**
Number of franchise agreements	368	367	367	394	392	390	389	**414**

Supplemental Information – Distributions/Dividends History

	Dividends Declared per Unit/Share									
Month	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
January		$ 0.0917	$ 0.0917	$ 0.0958	$ 0.1000	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	**$ 0.0920**
February		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	**0.0920**
March		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	**0.0920**
April		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	
May		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	
June		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	
July		0.0917	0.0917	0.0958	0.1000	0.1040	0.1170	0.1170	0.0920	
August		0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	
September	$ 0.1789[1]	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	
October	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	
November	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1170	0.1170	0.0920	
December	0.0917	0.0917	0.0917	0.0958	0.1000	0.1170	0.1570	0.3170	0.0920	
	$ 0.45	$ 1.10	$ 1.10	$ 1.15	$ 1.20	$ 1.31	$ 1.44	$ 1.60	$ 1.10	**$ 0.28**

[1] Based on a 55-day period.

Supplemental Information – Share and Exchangeable Unit Performance

Three months ended	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	**March 31, 2012**
Trading price range of units (TSX: "BRE")								
High	$ 13.90	$ 13.40	$ 15.50	$ 16.49	$ 15.67	$ 14.50	$ 13.87	**$ 14.25**
Low	$ 11.99	$ 11.67	$ 12.72	$ 14.40	$ 12.85	$ 12.00	$ 11.40	**$ 12.35**
Close	$ 12.18	$ 13.05	$ 14.77	$ 15.38	$ 14.25	$ 12.25	$ 12.59	**$ 13.65**
Average daily volume	11,022	7,186	13,564	12,816	8,748	7,987	10,215	**9,003**
Number of units outstanding at period end	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	**9,483,850**
Net enterprise value at period end (thousands)								
Market capitalization	$ 156,044	$ 167,190	$ 189,226	$ 197,041	$ 182,564	$ 156,941	$ 161,297	**$ 174,877**
Long-term debt	52,218	52,256	52,277	52,314	52,352	52,390	52,428	**52,475**
Less:								
Cash on hand	1,063	4,552	5,672	1,573	1,469	3,396	5,593	**1,152**
	$ 207,199	$ 214,894	$ 235,831	$ 247,782	$ 233,447	$ 205,935	$ 208,132	**$ 226,200**

Supplemental Information – Canadian Residential Real Estate Market

Three months ended	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	**March 31, 2012**
Canada								
Transactional dollar volume[1]	$ 49,352	$ 33,962	$ 30,857	$ 37,694	$ 52,880	$ 41,388	$ 34,093	**$ 39,649**
Average selling price	$ 345,015	$ 328,925	$ 344,349	$ 363,258	$ 374,269	$ 354,070	$ 357,528	**$ 365,858**
Number of units sold	143,042	103,252	89,610	103,767	141,288	116,892	95,358	**108,373**
Number of REALTORS® at period end	101,068	101,606	101,916	103,207	103,729	104,203	104,407	**N/A**
Housing starts	55,287	52,671	46,958	33,553	52,625	55,615	52,157	**39,603**
Greater Toronto Area								
Transactional dollar volume[1]	$ 12,666	$ 8,021	$ 7,724	$ 8,926	$ 14,068	$ 10,607	$ 9,191	**$ 10,535**
Average selling price	$ 439,802	$ 419,619	$ 439,113	$ 449,286	$ 479,830	$ 458,758	$ 472,494	**$ 494,879**
Number of units sold	28,799	19,115	17,589	19,867	29,319	23,122	19,452	**21,289**
Housing starts	7,962	7,845	7,719	8,374	11,245	$ 10,147	$ 9,979	**$ 10,682**

Twelve months ended	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010	March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	**March 31, 2012**
Canada								
Transactional dollar volume[1]	$ 167,011	$ 156,692	$ 151,526	$ 151,865	$ 155,393	$ 162,819	$ 166,055	**$ 168,010**
Average selling price	$ 337,101	$ 338,000	$ 339,049	$ 345,406	$ 354,846	$ 360,572	$ 363,116	**$ 363,728**
Number of units sold	495,432	463,586	446,915	439,671	437,917	451,557	457,305	**461,911**
Housing starts	179,812	189,549	189,930	188,469	185,807	188,751	193,950	**200,000**
Seasonally adjusted housing starts	199,800	190,700	180,000	174,600	194,700	205,000	200,200	**215,600**
Greater Toronto Area								
Transactional dollar volume[1]	$ 41,764	$ 39,389	$ 38,132	$ 37,336	$ 38,739	$ 41,325	$ 42,792	**$ 44,401**
Average selling price	$ 421,169	$ 427,814	$ 432,264	$ 437,348	$ 451,027	$ 459,693	$ 466,352	**$ 476,503**
Number of units sold	99,161	92,071	88,214	85,370	85,890	89,897	91,760	**93,182**
Housing starts	28,037	29,170	29,195	31,900	35,183	37,485	39,745	**42,053**

Source: CREA
[1] ($ million)
N/A: Not Available

Supplemental Information – Cash Flow From Operations

Cash flow from operations and its utilization since Fund inception ($ 000's)	Total	Three months ended March 31, 2012 (IFRS)	Year ended Dec. 31, 2011 (IFRS)	Year ended Dec. 31, 2010 (IFRS)	Aug. 7, 2003 to Dec. 31, 2009 (Canadian GAAP)
Royalties	$ 272,700	$ 8,220	$ 36,720	$ 36,630	$ 191,130
Less:					
Administration	8,282	452	1,667	1,771	4,392
Interest expense	22,099	725	3,042	2,900	15,432
Management fee	49,786	1,482	6,747	6,713	34,844
Cash flow from operations	192,533	5,561	25,264	25,246	136,462
Less:					
Dividends to shareholders	105,172	2,618	10,471	15,212	76,871
Interests to Exchangeable unitholders/ distributions to non-controlling interest	37,004	1,168	4,672	5,337	25,827
Total dividends	142,176	3,786	15,143	20,549	102,698
Cash flow from operations less total dividends	50,357	1,775	10,121	4,697	33,764
Less Funding of acquisitions	39,835	1,359	6,062	7,270	25,144
Less Purchase of units under NCIB	4,096	–	–	–	4,096
Net change in the period	$ 6,426	$ 416	$ 4,059	$ (2,573)	$ 4,524
Cumulative change	$ 6,426	$ 6,426	$ 6,010	$ 1,951	$ 12,386
Dividends percentage payout[1]	74%	68%	60%	81%	75%

[1] This represents the total dividends paid as a percentage of cash flow.

Cash flow from operations reconciled to cash flow from operating activities ($ 000's)	Total	Three months ended March 31, 2012 (IFRS)	Year ended Dec. 31, 2011 (IFRS)	Year ended Dec. 31, 2010 (IFRS)	Aug. 7, 2003 to Dec. 31, 2009 (Canadian GAAP)
Cash flow from operating activities	$ 161,013	$ (464)	$ 18,588	$ 6,100	$ 136,789
Add (deduct):					
Changes in non-cash working capital items	917	4,066	(2,693)	(1,224)	768
Interest on Exchangeable units	11,177	1,168	4,672	5,337	–
Current non-cash income tax expense	5,020	837	4,183	–	–
Interest on Trust units	15,212	–	–	15,212	–
Non-cash interest expense	(806)	(46)	514	(179)	(1,095)
Cash flow from operations	$ 192,533	$ 5,561	$ 25,264	$ 25,246	$ 136,462

Supplemental Information – Acquisitions

Date acquired by the Company/Fund, January 1, ($ millions unless stated otherwise)	2012	2011	2010	2009	2008
Purchase price					
Estimated	2.88	3.48	5.24	3.44	21.14
Actual (a) (d)	(a)	3.34	5.70	3.31	23.50
Payments					
Initial	2.30	2.78	4.20	2.75	16.91
Final (b) (c) (d)	(a)	0.56	1.50	0.56	6.59
Estimated					
Annual royalty stream	0.49	0.55	0.89	0.70	2.99
Number of REALTORS®	217	247	417	316	1,272
Number of locations	12	8	17	25	60
Number of agreements	25	23	21	21	60
Actual					
Annual royalty stream (b)	(d)	0.52	0.95	0.66	3.32
Number of REALTORS®	(d)	231	417	316	1,502
Number of locations	12	8	17	25	60
Number of agreements	25	23	21	21	60

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

Brookfield Real Estate Services Inc.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited As at (In thousands of Canadian dollars)	Note	March 31, 2012	December 31, 2011
Assets			
Current assets			
Cash		$ 1,152	$ 5,593
Accounts receivable	4	4,714	4,043
Prepaid expenses		239	261
		6,105	9,897
Non-current assets			
Deferred tax asset	7	3,539	3,398
Intangible assets	5, 6	97,731	98,200
		$ 107,375	$ 111,495
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,445	$ 1,299
Purchase obligation – current portion	5	2,181	663
Current income tax liability		619	4,183
Interest payable to Exchangeable unitholders		389	389
Dividends payable to shareholders		872	872
		5,506	7,406
Non-current liabilities			
Long-term debt	9	52,475	52,429
Purchase obligation	5	173	169
Exchangeable units	10	45,423	41,895
		103,577	101,899
Shareholders' equity			
Restricted voting shares	11	140,076	140,076
Deficit		(136,278)	(130,480)
		3,798	9,596
		$ 107,375	$ 111,495

See accompanying notes to the interim condensed consolidated financial statements.

Approved on behalf of the board

Simon Dean
Director

Lorraine Bell
Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Unaudited (In thousands of Canadian dollars, except per share amounts)	Note	Three months ended March 31, 2012	Three months ended March 31, 2011
Royalties			
Fixed franchise fees		$ 4,719	$ 4,758
Variable franchise fees		1,814	1,697
Premium franchise fees		821	778
Other revenue and services		866	962
		8,220	8,195
Expenses			
Administration		452	268
Management fee	3	1,482	1,519
Interest expense		725	728
Amortization of intangible assets	6	3,350	3,462
		6,009	5,977
Operating income		2,211	2,218
Interest on Exchangeable units		(1,168)	(1,168)
Loss on fair value of Exchangeable units	10	(3,527)	(2,030)
Loss before income tax		(2,484)	(980)
Current income tax expense	7	(837)	(937)
Deferred income tax recovery	7	141	140
Income tax expense		(696)	(797)
Net and comprehensive loss		$ (3,180)	$ (1,777)
Basic and diluted loss per share	12	$ (0.34)	$ (0.19)

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited (In thousands of Canadian dollars)	Common Equity	Deficit	Total Equity
Balance, December 31, 2011	$ 140,076	$ (130,480)	$ 9,596
Net loss	–	(3,180)	(3,180)
Dividends declared	–	(2,618)	(2,618)
Balance, March 31, 2012	**$ 140,076**	**$ (136,278)**	**$ 3,798**

Unaudited (In thousands of Canadian dollars)	Common Equity	Deficit	Total Equity
Balance, December 31, 2010	$ 140,076	$ (128,929)	$ 11,147
Net loss	–	(1,777)	(1,777)
Dividends declared	–	(2,618)	(2,618)
Balance, March 31, 2011	**$ 140,076**	**$ (133,324)**	**$ 6,752**

See accompanying notes to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (In thousands of Canadian dollars)	Note	Three months ended March 31, 2012	Three months ended March 31, 2011
Cash provided by (used for):			
Operating activities			
Loss for the period		$ (3,180)	$ (1,777)
Items not affecting cash			
Fair value loss on Exchangeable units	10	3,527	2,030
Interest expense		1,893	1,896
Interest paid		(1,847)	(2,525)
Deferred income tax recovery	7	(141)	(140)
Amortization of intangible assets		3,350	3,462
Changes in non-cash working capital		(4,066)	(294)
		(464)	2,652
Investing activity			
Payment of purchase price obligation	5	(1,359)	(2,000)
Financing activity			
Dividends paid to shareholders		(2,618)	(4,751)
Decrease in cash during the period		(4,441)	(4,099)
Cash, beginning of the period		5,593	5,672
Cash, end of the period		$ 1,152	$ 1,573

See accompanying notes to the interim condensed consolidated financial statements.

1. Organization

Brookfield Real Estate Services Inc. (the "Company"), is incorporated under the *Ontario Business Corporations Act*. The Company's registered office is located at 39 Wynford Drive, Toronto, Canada, M3C 3K5, and is listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". The Company directly owns Brookfield Real Estate Services Fund and its subsidiaries, which own and operate the businesses of Residential Income Fund L.P. and 9120 Real Estate Network, L.P., which own the assets from which the Company derives its sole source of revenue. Through its limited partnership holdings, the Company owns certain franchise agreements and trademark rights of residential real estate brands in Canada.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on April 30, 2012.

2. Significant Accounting Policies

BASIS OF PRESENTATION

These interim condensed financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Financial Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2011. These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2011.

These interim condensed consolidated financial statements have been prepared on a going concern basis and include the accounts of the Company, its wholly owned subsidiary RL RES Holding Trust ("RLHT"), and its 74% owned subsidiaries, Residential Income Fund General Partner Limited ("RIFGP"), Residential Income Fund L.P. (the "Partnership"), 9120 Real Estate Network, L.P. ("VCLP"), a wholly owned subsidiary of the Partnership, and 4541219 Canada Inc., the "General Partner of VCLP". RIFGP is the managing general partner of the Partnership. Brookfield Holdings Corporation ("BHC"), formerly Trilon Bancorp Inc., owns the remaining 26% interest in the Partnership and RIFGP. The Company receives certain management, administrative and support services from Brookfield Real Estate Services Manager Ltd. ("BRESML"), a party related to BHC via common control. Royal LePage Real Estate Services Limited ("RES"), a wholly owned subsidiary of BRESML, pays royalties to the Company under a franchise agreement.

3. Management Services Agreement

On January 1, 2011, the Company entered into the Amended and Restated Master Services Agreement ("MSA") dated January 1, 2011 with BRESML, a party related to the Exchangeable unitholders via common control. The MSA has an initial term of 10 years and automatic renewal for successive 10-year periods subject to approval of the Company and BRESML. Under the MSA, BRESML is to provide certain management, administrative and support services to the Company and its subsidiaries and in return is paid a monthly fee equal to 20% and 30% of the distributable cash of the Partnership and VCLP, respectively. For the three months ended March 31, 2012, the Company paid $1,482 (2011 – $1,519) for these services. The MSA also prescribes the conditions under which the Company purchases contracts from BRESML and the formula for calculating the purchase price.

4. Accounts Receivable

Accounts receivable are related to fees due from the Company's franchise network and are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at March 31, 2012, the Company had accounts receivable of $4,714 (December 31, 2011 – $4,043) net of $721 (December 31, 2011 – $579) allowance for doubtful accounts. During the three months ended March 31, 2012, $142 of net bad debt expense was included in Administration expense (2011 – $10).

The table below summarizes the aging of accounts receivables. Management considers amounts owed for greater than 90 days as overdue.

	90+ Days	60 Days	30 Days	Current	Total
Accounts receivable	$ 1,181	$ 258	$ 456	$ 2,819	$ 4,714

5. Asset Acquisitions

The Company's purchase of franchise agreements is governed by terms set out in the MSA.

On January 1, 2012, the Partnership acquired 20 new Royal LePage franchise agreements from BRESML at an estimated purchase price of $1,863. A payment of $1,491, equal to 80% of the estimated purchase price, was due on January 1, 2012, and the remainder is to be paid a year later, when the final purchase price is determined. Any subsequent changes to the value of the estimated purchase price are recognized in the consolidated statements of earnings and comprehensive earnings and are classified as other income or loss in the period the change occurs. The unpaid balance due as of January 1, 2013 is subject to interest at the rate prescribed in the MSA.

On January 1, 2012, VCLP acquired five new Via Capitale (formerly known as La Capitale) franchise agreements from BRESML and a subsidiary of BRESML at an estimated purchase price of $1,018. A payment of $814, equal to 80% of the estimated purchase price, was due on January 1, 2012, and the remainder is to be paid over the next three years. Until the final purchase price is determined, the estimated price is to be revised over a three-year period from November 1, 2011 to October 31, 2014, based on the average annual royalty stream earned. Any subsequent changes to the value of the estimated purchase obligation are recognized in the consolidated statements of earnings and comprehensive earnings and are classified as other income or loss in the period the change occurs. The unpaid balance due as of January 1, 2013 is subject to interest at the rate prescribed in the MSA.

For the three months ended March 31, 2012, the Company did not incur interest expense related to outstanding purchase obligation payments (2011 – $14).

On January 1, 2011, the Partnership acquired 21 new Royal LePage franchise agreements from BRESML at an estimated purchase price of $2,524. A payment of $2,019, equal to 80% of the estimated purchase price, was paid from cash on hand in 2011, and the remainder was paid by February 27, 2012.

On January 1, 2011, VCLP acquired two new Via Capitale franchise agreements from BRESML for an estimated purchase price of $951. A payment of $761, equal to 80% of the estimated purchase price, was paid from cash on hand in 2011, and the remainder will be paid by 2014.

The additions to intangible assets during the three months ended March 31, 2012 and 2011 are summarized as follows:

	Royal LePage	VCLP	Three months ended March 31, 2012	Three months ended March 31, 2011
Franchise agreements	$ 1,863	$ 1,018	$ 2,881	$ 3,475

The purchase obligations consist of the following:

	Royal LePage	VCLP	March 31, 2012	December 31, 2011
Purchase obligation at beginning of period	$ 447	$ 385	$ 832	$ 3,563
Current period purchase	1,863	1,018	2,881	3,475
Price adjustment on current period purchases	–	–	–	(144)
Payment on current period purchases	(696)	–	(696)	(2,780)
Payment of obligations on prior years' purchases	(446)	(217)	(663)	(3,282)
Purchase obligation at end of period	$ 1,168	$ 1,186	$ 2,354	$ 832
Current portion of purchase obligation	$ 1,168	$ 1,013	$ 2,181	$ 663
Long-term portion of purchase obligation	–	173	173	169
Purchase obligation at end of period	$ 1,168	$ 1,186	$ 2,354	$ 832

6. Intangible Assets

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

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2011	$ 193,339	$ 5,427	$ 198,766
Purchases	2,881	–	2,881
At March 31, 2012	**$ 196,220**	**$ 5,427**	**$ 201,647**
Accumulated Amortization			
At December 31, 2011	99,014	1,552	100,566
Amortization expense	3,304	46	3,350
At March 31, 2012	**$ 102,318**	**$ 1,598**	**$ 103,916**
Carrying value			
At December 31, 2011	$ 94,325	$ 3,875	$ 98,200
At March 31, 2012	**$ 93,902**	**$ 3,829**	**$ 97,731**

7. Income Taxes

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, temporary differences between the carrying amount of balance sheet items and their corresponding tax basis result in either deferred income tax assets or liabilities, except to the extent a temporary difference was present on the initial recognition of the asset outside of a business combination. Deferred income taxes are computed using substantively enacted tax rates applicable to the years in which the temporary differences are expected to reverse.

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

Income tax expense is calculated as follows:	2012	2011
Loss before income taxes for the period:	$ (2,484)	$ (980)
Expected income tax recovery at statutory rate of 26.25% (2011 – 28.25%)	(652)	(277)
Increase (decrease) in income tax expense (recovery) due to the following:		
Non-deductible amortization	395	447
Non-deductible loss on fair value of Exchangeable units	926	573
Non-deductible interest on Exchangeable units	307	330
Income allocated to Exchangeable unitholders	(279)	(312)
Other	–	36
Total	$ 696	$ 797

8. Operating Credit Facility

The Partnership has 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 2.5% to 3% or the Banker’s Acceptance rate plus 3.5% to 4%, based on the ratio of total debt to Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (“Consolidated EBITDA”) of the Partnership, as defined in the amended credit agreement. EBITDA is defined as earnings (loss) before tax, before interest on Exchangeable units, interest on Trust units, gain (loss) on fair value of Exchangeable units, gain (loss) on purchase obligation adjustment and gain (loss) on fair value of Trust unit liability. As at March 31, 2012, the Company is compliant with its financial covenants. As at March 31, 2012 and December 31, 2011, the Revolver had not been drawn upon.

9. Long-Term Debt

The Company's long-term debt consists of the following debt facilities:

As at	March 31, 2012	December 31, 2011
Private debt placement	$ 32,377	$ 32,348
Term facility	20,099	20,081
	$ 52,475	$ 52,429

Long-term debt includes a $32,700 private debt placement with a number of Canadian institutional investors, with fixed interest of 5.809%, and a $20,300 term facility provided by a Canadian financial institution, with interest available in the form of a floating rate at prime plus 1.5% payable quarterly or at Banker's Acceptance rates plus 3% with terms of up to six months. Both facilities have a five-year term maturing on February 17, 2015.

The Company incurred $855 in issue costs associated with the debt obligations, resulting in net proceeds of $52,145.

The private placement and term facility had fair values of $34,930 and $20,300, respectively, at March 31, 2012 (December 31, 2011 – $34,971 and $20,300).

During the three months ended March 31, 2012, $46 of amortization of the issue costs was recorded as interest expense (2011 – $37).

10. Exchangeable Units

BHC owns 25 common shares in RIFGP, 3,327,667 Exchangeable units of the Partnership and one special voting share of the Company, which accompanies the Exchangeable units; this reflects an effective 26% interest in the Partnership. The special voting share entitles the holder to a number of votes at any meeting of the restricted voting shareholders equal to the number of restricted voting shares that may be obtained upon the exchange of all the Exchangeable units held by the holder and/or its affiliates. The Company indirectly holds the remaining 74% interest in the Partnership through Class A limited partnership units of the Partnership. The Exchangeable unitholders are entitled to indirectly exchange, on a one-for-one basis, subject to adjustment, the Exchangeable units for restricted voting shares of the Company.

During the three months ended March 31, 2012, the Company recorded a loss of $3,527, related to the fair value of the Exchangeable units (2011 – loss of $2,030).

11. Share Capital

The Company is authorized to issue an unlimited number of restricted voting shares, an unlimited number of preferred shares and one special voting share.

Each restricted voting share represents a proportionate voting right in the Company and holders of the Company's restricted voting shares are entitled to dividends declared and distributed by the Company.

The special voting share represents the proportionate voting rights of the Exchangeable unitholders of the Partnership. The special voting share is redeemable by the holder at $0.01 per share, and the holder is not entitled to dividends declared by the Company.

No additional restricted voting shares were issued during the three months ended March 31, 2012.

No preferred shares were issued or outstanding as at March 31, 2012.

The following table summarizes the shares of the Company outstanding:

As at	March 31, 2012	December 31, 2011
Restricted voting shares	9,483,850	9,483,850
Special voting share	1	1

12. Earnings per Share

Basic and diluted earnings per share have been determined as follows:

Three months ended March 31, (In thousands of Canadian dollars, except per share amounts)		2012		2011
Net loss available to restricted voting shareholders – basic	$	(3,180)	$	(1,777)
Interest on Exchangeable units		1,168		1,168
Loss on fair value of Exchangeable units		3,527		2,030
Net income available to restricted voting shareholders – diluted	$	1,515	$	1,421
Weighted average number of shares outstanding used in computing basic earnings per share		9,483,850		9,483,850
Total outstanding Exchangeable units		3,327,667		3,327,667
Weighted average number of shares outstanding used in computing diluted earnings per share		12,811,517		12,811,517
Basic and diluted loss per share	$	(0.34)	$	(0.19)

13. Related Party Transactions

Unless disclosed elsewhere, the Company had the following transactions with parties related to the Exchangeable unitholders for the three months ended March 31, 2012 and 2011. These transactions have been recorded at the exchange amount agreed to between the parties.

For the three months ended		March 31, 2012		March 31, 2011
a) Royalties				
Fixed, variable and other franchise fees	$	631	$	630
Premium franchise fees	$	698	$	668
b) Expenses				
Management fees	$	1,482	$	1,519
Insurance and other	$	27	$	27
Interest on purchase obligations	$	–	$	14
c) Interest paid				
Interest paid to Exchangeable unitholders	$	1,168	$	1,834

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

As at		March 31, 2012		December 31, 2011
d) Accounts receivable				
Franchise fees receivable and other	$	1,137	$	1,142
e) Accounts payable and accrued liabilities				
Management fees	$	530	$	491
Interest on purchase obligations	$	–	$	26
Administrative shared service liability	$	76	$	120
Sales tax payable on purchase obligation	$	61	$	3
Other	$	18	$	–
f) Interest expense payable to Exchangeable unitholders	$	389	$	389
g) Purchase obligation payable	$	2,354	$	832

14. Financial Instruments

In the normal course of business, the Company 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 Company'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. As at March 31, 2012, the Company has an allowance for doubtful accounts of $721 (December 31, 2011 – $579). The increase in allowance for the doubtful accounts reflects deterioration in financial position for certain franchisees identified by the Company's review of its accounts receivable balance.

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying ongoing future dividends to shareholders and interest to Exchangeable unitholders. 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 Company has a $2,000 unutilized credit under the Revolver, as described in Note 8.

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

		2012		2013		2014		Beyond 2014		Total
Accounts payable and accrued liabilities	$	1,445	$	–	$	–	$	–	$	1,445
Purchase obligations		2,181		105		68		–		2,354
Current income tax liability		619		–		–		–		619
Interest payable to Exchangeable unitholders		389		–		–		–		389
Dividends payable to shareholders		872		–		–		–		872
Interest expense on long-term debt		2,317		3,042		3,042		761		9,162
Private debt placement		–		–		–		32,700		32,700
Term facility		–		–		–		20,300		20,300
Exchangeable units		–		–		–		45,423		45,423
Total	$	7,823	$	3,147	$	3,110	$	99,184	$	113,264

C) INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations on its Revolver and term facilities as the interest rates on these facilities are tied to the prime and Banker's Acceptance rates. Management has elected to continue with a floating rate position on these facilities and monitors this position on an ongoing basis. The Company's $32,700 private debt placement is fixed and accordingly does not have cash flow risk of interest rate fluctuations or short-term refinancing risk. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an interest expense increase of approximately $203 (2011 – $203).

D) FAIR VALUE

The fair values of the Company's financial instruments, which consist of cash, accounts receivable, accounts payable and accrued liabilities, purchase obligation, interest payable to Exchangeable unitholders and dividends payable to shareholders are estimated by management to approximate their carrying values due to their short-term nature. Similarly, the Company's floating rate debt has a fair value that approximates its face value. The Company determines the fair value of the fixed rate debt through the use of a discounted cash flow analysis using relevant risk-free bond rates plus an applicable risk premium. The fair value of the Company's long-term debt is disclosed in Note 9.

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at March 31, 2012 and December 31, 2011, classified using the fair value hierarchy:

	Level 1	Level 2	Level 3	As at March 31, 2012 Total
Financial asset or liability				
Purchase obligations	$ –	$ –	$ 2,354	$ 2,354
Exchangeable units	45,423	–	–	45,423
Total	**$ 45,423**	**$ –**	**$ 2,354**	**$ 47,777**

	Level 1	Level 2	Level 3	As at December 31, 2011 Total
Financial asset or liability				
Purchase obligations	$ –	$ –	$ 832	$ 832
Exchangeable units	41,895	–	–	41,895
Total	$ 41,895	$ –	$ 832	$ 42,727

See Note 5 for a reconciliation of the Level 3 fair values. There were no transfers between fair value hierarchy levels during the period.

15. Management of Capital

The Company's capital is made up of its cash on hand, long-term debt, Exchangeable units and shareholders' equity.

The Company's objectives when managing capital are to maintain a capital structure that provides financing options to the Company 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 dividends to shareholders; and deploy capital to provide an appropriate investment return to its shareholders.

The Company'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 Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.25 to 1.

Senior Indebtedness is defined as the Company's long-term debt disclosed under Note 9, which is made up of $32,700 in private debt placement and $20,300 in a term facility. Senior Interest Expense includes interest expenses generated on the Company's Senior Indebtedness.

The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

16. Segmented Information

The Company has only one business segment, which is the ownership and generation of residential brokerage franchise agreements.

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