Brookfield
Real Estate Services Inc.

Profile

Brookfield Real Estate Services Inc. (the "Company" or "we") through its relationship with Brookfield Real Estate Services Manager Limited (the "Manager"), is a leading provider of services to residential real estate brokers and REALTORS®[1] across Canada. The Company generates cash flow from fixed and variable fees that are received from real estate brokers and REALTORS® operating under the Royal LePage, Via Capitale and Johnston & Daniel brands. Approximately 72 per cent of the Company's revenue is based on fees that are fixed in nature; this provides revenue stability and helps insulate cash flows from market fluctuation. Revenue streams are protected through long-term franchise agreements, with royalties predominantly driven by fixed fees based on the number of REALTORS® in the Company's network. As at December 31, 2016, the Company network consisted of 17,580 REALTORS®. In addition, on January 1, 2017, the Company acquired contracts representing an additional 568 REALTORS® from the Manager for a year beginning total of 18,148.

The Company network has an approximate one fifth share of the Canadian residential real estate market based on 2016 transactional dollar volume. The Company is listed on the TSX and trades under the symbol "BRE". For further information about the Company, please visit **www.brookfieldresinc.com.**

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

CONTENTS

1. Business Strategy **2.** Financial Highlights **3.** Letter to Shareholders
8. Financial Review **63.** Corporate Information

Business Strategy

The Company's primary objective is to provide superior services to real estate brokers and agents and through them, to consumer-clients, producing an attractive return on investment to shareholders through equity appreciation and growing dividends. We plan to continue to grow our REALTOR® network both organically and through acquisition, and to enhance and evolve the leadership position of our brands.

Royal LePage

Serving Canadians since 1913, Royal LePage is the country's leading provider of services to real estate brokerages, with a network of over 17,000 real estate professionals in more than 600 locations nationwide. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force. It offers its network of brokers and agents strong support with state-of-the-art marketing and lead generation tools, sophisticated business services, timely market data and analysis, as well as professional development and in-person training. Royal LePage is the only national real estate company in Canada to have its own charitable foundation, the Royal LePage Shelter Foundation, dedicated to supporting women's and children's shelters and educational programs aimed at ending domestic violence. It is the largest such foundation in the country.

Johnston & Daniel

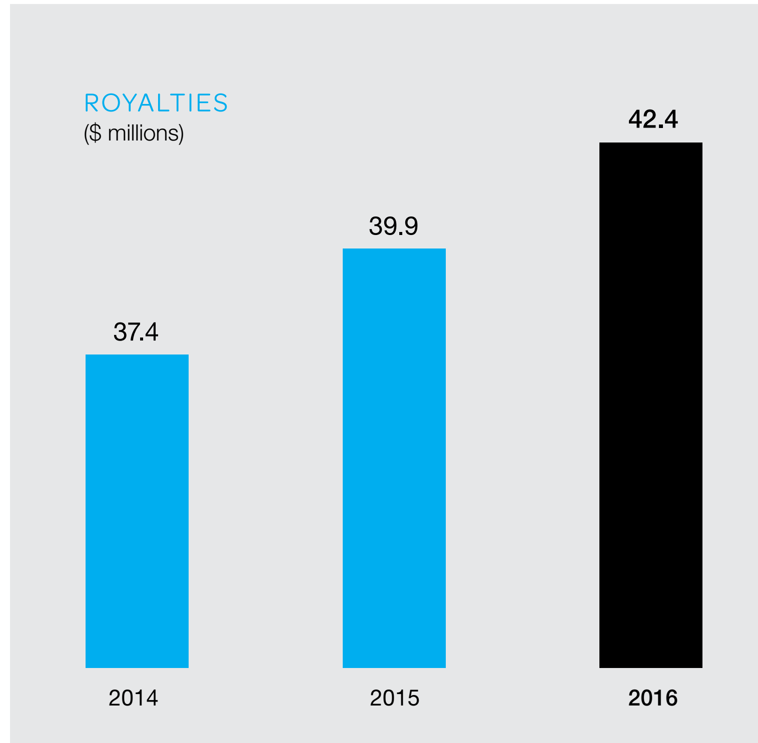
Founded in 1950, Johnston & Daniel is a leading residential real estate boutique firm with approximately 250 real estate professionals selling distinctive homes in southern Ontario. Johnston & Daniel maintains its market leadership through a combination of rich training and development opportunities, strategic partnerships, in-house marketing services and powerful brand awareness.
Johnston & Daniel is a premier Canadian representative of Who's Who in Luxury Real Estate, a compendium of the finest residential real estate firms from around the world. This international luxury network affiliation provides Johnston & Daniel agents and their clients with global exposure for their luxury home listings.

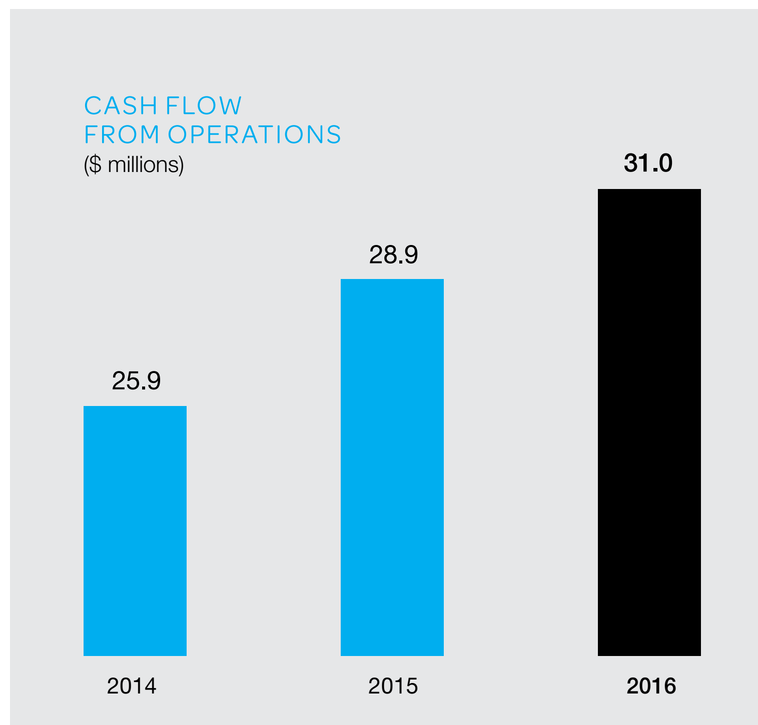
Via Capitale

Since 1991, Via Capitale has been a leader in real estate in Quebec. Its mission is to deliver the best possible service by focusing on the human aspect of the transaction, professionalism and innovation. Via Capitale has more than 1,000 brokers and agents in more than 60 locations across the province. It has launched numerous innovative, client-centric programs into the Quebec market through specialized web platforms, and has been developing real estate protection programs for more than 20 years – making it the pioneer in this field and keeping the company at the forefront of the industry. Today, the Via Capitale name is synonymous with protection and innovation in the province of Quebec.

JOHNSTON & DANIEL

Financial Highlights





Letter to Shareholders

We're pleased to report that 2016 was another year of strong performance for Brookfield Real Estate Services Inc. Leveraging the strength of our brands and proprietary operating platform, the Company heads into 2017 poised to lead the industry in growth once again.

Reflecting upon the Canadian real estate market, where in 2016 we saw a wide disparity in regional markets, we are reminded of the strength and durability of our Company's business model. The Company does not trade directly in real estate, but rather, provides business, marketing and technology services to the real estate brokerage industry. These services produce primarily fixed, recurring revenue streams that are insulated from rises and falls in both transaction volumes and home prices, and provide the foundation for reliable, growing dividends.

STRONG GROWTH AND MOMENTUM

The Company continues to enhance the reach and impact of our brands through our carefully considered cross-Canada expansion strategy. Our roster of sales professionals grew by almost 800 REALTORS® during 2016. As at December 31, 2016, the Company's network was comprised of 17,580 REALTORS®, up from 16,794 at the end of 2015. The increase was driven by the Company's purchase of 33 franchise agreements representing an annual revenue stream of approximately $1.0 million from 459 REALTORS® and net recruitment growth of 327 REALTORS®.

This recruiting strength is particularly satisfying as the 2016 growth, compared to attrition of 160 REALTORS® in 2015, was a net positive improvement year-over-year of approximately 500 salespeople. The improvement in net recruitment growth was driven by newly introduced programs designed to support brokerages in the network in their recruiting performance.

Another factor in net agent growth was the introduction of programs to improve retention. An agent retained is equivalent to an agent recruited. Diving even deeper, we have improved training aimed at increasing the success rate for rookie REALTORS® in their first year.

At the end of 2016, the Company's network was operating under 297 franchise agreements providing services from 667 locations, with approximately a one fifth share of the Canadian residential real estate market based on transactional dollar volume.

2017 Off to a Solid Start

In January of 2017, the Company acquired an additional 55 franchise agreements representing 568 REALTORS® and an estimated annual royalty stream of $1.2 million. This acquisition brings the total network to 18,148 REALTORS® across Canada.

We continue to be on a strong growth trajectory. From inception to the beginning of 2017, the Company has effectively doubled the size of its sales force, growing by 97 per cent through acquisitions and organic growth.

National Coverage; Regional Focus

The Company has also grown across all regions in Canada. This broad representation helps mitigate risk as regional markets do not typically expand at the same time or same rate. Recently we have implemented special growth initiatives focused on the British Columbia and Quebec provinces as well as ethnic markets nationally.

In the all-important British Columbia market, the second largest in Canada by transactional dollar volume, the Company expanded both in the Vancouver Lower Mainland and on Vancouver Island. A full 61 per cent of the 459 REALTORS® acquired at the beginning of 2016 work in our nation's westernmost province.

After an extended period of tepid economic and housing industry growth, the Quebec market began to show promise in 2015. We invested additional resources in the province at that time and the focus is paying dividends. Beginning in 2016, we have realized our largest net REALTOR® growth in seven years in the region, growing faster than any national firm, and significantly improving our market share.

Our momentum in the Quebec market continues in 2017. A large brokerage operating as a competitor recently announced it would join the network under our Royal LePage brand this spring. This real estate agency will become our largest in the province, adding approximately 250 agents to our roster.

Ethnic Markets

Immigration is an important source of economic strength for Canada's economy, and the nation's real estate industry. The Company targets the growing needs of new Canadians and foreign investors from diverse cultural backgrounds. 2016 saw a number of competitive wins in the important ethnic market. Of note, during the second quarter of 2016, two companies focused on ethnic markets in the Greater Toronto Area were added to the network: Royal LePage United, with 138 REALTORS® serving the Mississauga and Brampton south-asian community, and Royal LePage Vision, with 67 REALTORS® working throughout the ethnically-diverse downtown and north-east Toronto communities.

Recruiting & Retention Programs

The improvement in recruitment and retention performance was driven by the Company's ongoing investment in game-changing programs and management tools designed to help our brokerages efficiently attract and retain the best talent in Canadian real estate.

The Company launched a number of recruiting-focused marketing initiatives in 2016, including new automated email 'drip' campaigns and an experienced REALTOR® transition program. In addition, two new broker training, coaching and accountability programs were launched to support continuous improvement in recruiting and retention results.

Letter to Shareholders

Measuring Agents' Satisfaction with Their Brokerage

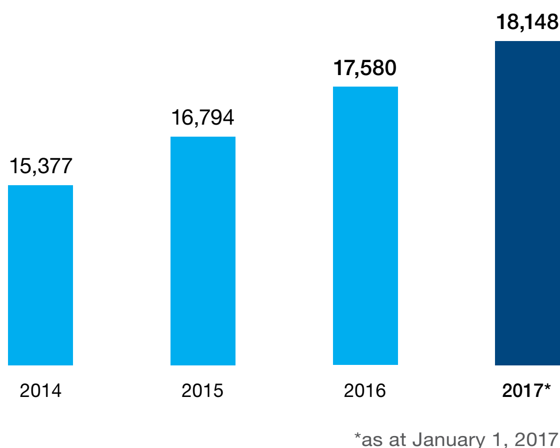
2016 saw the Company expand the use of agent satisfaction surveys nationwide. These surveys are an important tool that will help us improve service levels at our front-line offices. As we better understand agents' satisfaction with their brokerages, we believe we can impact their likelihood to stay with the firm and to refer others. Local broker-managers are provided diagnostic tools and given coaching on how to act on findings from the surveys.

A Growth Milestone

Our growth through acquisition and strong net recruitment performance in 2016 allowed us to hit an important milestone, as the Company's network surpassed the eighteen thousand agent mark: The Brookfield Real Estate Services network is home to 18,148 REALTORS® across Canada.

These results confirm the strength of our value proposition to brokerages and REALTORS®, who continue to see value in our brands. Ongoing investments ensure our network is among the most informed, supported and successful in the Canadian market.

COMPANY GROWTH
(Number of REALTORS® as at December 31)



*as at January 1, 2017

RECORD FINANCIAL PERFORMANCE

Again in 2016, the Company generated impressive financial results. Cash flow from operations, which drives our ability to pay stable and growing dividends, once more outperformed previous years' results, reaching a record cash flow from operations of $31.0 million or $2.42 per share – an increase of 7.3 per cent as compared to $28.9 million or $2.26 per share in 2015. This improvement in cash flow from operations was driven by a $2.6 million increase in royalty revenue in 2016 as compared to 2015, as a result of a strong Canadian real estate market, lower cash operating expenses, and a significant increase in the number of REALTORS® in the Company from acquisition and strong recruiting growth.

For the year, royalty revenue totaled $42.4 million, an increase of $2.6 million over the previous year, realized primarily through higher fixed franchise fees (due to the increased number of REALTORS® in the network), higher variable fees (due in part to strong Canadian real estate markets, particularly in the Greater Toronto Area and Greater Vancouver), and higher premium fees (due to continued growth in the Greater Toronto Area market).

Net earnings in 2016 were $6.4 million or $0.67 per restricted voting share, as compared to the $1.3 million, or $0.14 per restricted voting share in 2015.

Cash Dividend

One of the Company's objectives is to provide its stakeholders with an investment vehicle that pays stable and growing dividends. On March 8, 2017, the Board of Directors of the Company approved a dividend to shareholders of $0.1083 per restricted voting share payable April 28, 2017 to shareholders of record on March 31, 2017. This represents a target annual dividend of $1.30 per restricted voting share, as compared to $1.23 in 2015 and $1.20 in 2014.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

Canada's residential real estate market closed up 17 per cent, at $262.9 billion in total transactional dollar volume, for the year ended December 31, 2016, compared to 2015, according to the Canadian Real Estate Association ("CREA")[2]. This gain was driven by an increase of 11 per cent in national average selling price and a 6 per cent increase in unit sales.

With that said, the disparity in home price appreciation between Canadian regions was extreme in 2016, with rates ranging from double-digit increases in some cities to negative growth in others.

The most notable increase was in the Greater Toronto Area ("GTA"). For the year, the housing market in the GTA experienced a year-over-year increase of 31 per cent driven by a 17 per cent increase in average selling price, and a 12 per cent increase in units sold.

Despite a significant drop in the market in the second half of the year, the Greater Vancouver housing market saw healthy annual growth in 2016. While second half activity was 32 per cent below 2015 levels, according to CREA, transactional dollar volume for the full twelve months increased by 7 per cent driven by a 13 per cent increase in average selling price, and a 5 per cent decrease in number of units sold year-over-year.

Toronto and Vancouver, while often grouped together in describing Canada's booming real estate market, are on divergent paths in 2017. Eroding affordability in B.C.'s Lower Mainland reached unsustainable levels in 2016. This, coupled with public policy measures introduced during the year to cool the market, put downward pressure on home prices in the region as 2016 drew to a close. While the cost of a home in Greater Vancouver will remain the highest in the country, a modest price reset will provide much needed relief in the Lower Mainland and help reignite overall buyer activity in the region.

[2] Source: National MLS® Report: The Canadian Real Estate Association News Release as of January 16, 2017.

Unlike Vancouver where a price correction is underway, there is no relief in sight for the GTA, as forward momentum and supporting fundamentals in the region remain strong. And it is worth noting, Toronto area home prices are much lower than those on the west coast.

The number of homes trading hands in Alberta has been sharply lower than long-term norms since the sharp 2014 drop in oil prices. However, Albertans have lost very little equity in their homes, as the supply of homes available for sale fell, more or less matching the lower demand. Equity preservation should allow the market to recover more rapidly as consumer confidence returns in the region. While we don't anticipate a strong 2017 housing rebound for Alberta, we are calling 2016 as the bottom for this correctional cycle. We base our outlook not on a sharp increase in the value of oil, but upon maintaining a $50/barrel floor, allowing the energy industry to move into modest growth mode.

Price appreciation disparities between regions have created a quandary for policymakers who have tried to tame overheated housing markets, while supporting slower ones. As such, 2016 was marked by a slew of new public policy initiatives at national, provincial and municipal levels including the introduction of federal measures to tighten mortgage insurance rules, and a number of new housing industry-related tax initiatives.

Looking ahead, the Company expects the Canadian market to continue to appreciate in 2017 and the house price appreciation gap between regions to narrow with a trend toward historical norms as some overheated markets slow, while activity levels in a number of cool markets begin to pick up. This trend is anticipated to be driven primarily by a modest price correction in the Greater Vancouver housing market, strong but moderating price appreciation in the GTA, and welcomed upward price trends in Quebec, Atlantic Canada and Alberta.

Finally, it is important to reiterate that the Company, as a franchisor, derives revenue that is primarily fixed in nature. This serves to insulate the firm from real estate market fluctuations.

LEADERSHIP

The quality of our REALTORS® and field management, coupled with our team of experienced leaders, has helped to make the Company's brands some of the most respected and trusted in residential real estate in North America. By taking an active approach and staying abreast of trends and opportunities across the ever-changing real estate landscape, our people play important leadership roles, acting as spokespeople for the media, and serving on regional boards, councils, provincial and national associations. This reflects well on them, and on the Company.

In the Swanepoel Power 200 (SP200) – the industry's definitive ranking of residential real estate leadership across North America – I was honoured to be ranked number one in Canada for the fourth year running, and number 16 internationally. This is a testament to the Company's commitment to the industry and our collective accomplishments.

The Voice of Canadian Real Estate

Our Royal LePage brand continues to be widely known as Canada's most sought after voice for real estate expertise and opinion. With a powerhouse publicity program that generates leading reports and surveys, in 2016 we materially strengthened our consumer reach. During the year we earned an incredible 2.3 billion media impressions, nearly doubling our record results in 2015 and sustaining our position as the most quoted real estate services company in Canada. And, in doing so, we continued to dominate the space, achieving 60 per cent more media impressions than our closest competitor.

In 2016, we launched the inaugural issue of the Royal LePage Carriage Trade Luxury Properties Report, extending our reach into this important market segment, through an analysis of, and commentary on, current and long-term trends in sales activity, luxury buyer profiles and preferences, and foreign buyer activity.

The quarterly-released Royal LePage House Price Survey including its National House Price Composite – which, by reporting on 53 regions across Canada, provides one of the most comprehensive views of the Canadian residential real estate market available – continues to be cited extensively by top-tier national and local media. It is highly regarded throughout Canada, by businesses, government agencies and the industry alike.

The success of our media relations program was recognized again this year, when we earned two prestigious awards: the International Association of Business Communicators (IABC) Ovation Award of Excellence for our House Price Survey program – the most prestigious award given by the organization; and the Canadian Public Relations Society (CPRS) Ace Award, for overall excellence in media relations.

As we head into another positive year of press mentions, through a variety of published material and commentary, influential reporters from across all media channels turn to Royal LePage as the go-to resource for analysis and opinion. This in turn, continues to build broad brand awareness, credibility and trust with Canadian consumers nationwide.

Community Champions

The Company, together with our agents, brokers and managers, are active contributors to the communities where we conduct business. The Royal LePage Shelter Foundation, established in 1998, has raised $24 million since inception, and helps over 30,000 women and children each year. In 2016, the Shelter Foundation was the recipient of Canada's Volunteer Award (formerly the Prime Minister's Award) from the Government of Canada, in recognition of the volunteer efforts of Royal LePage and Johnston & Daniel supporters under the Business Leader category.

Letter to Shareholders

In Quebec, our Via Capitale brand dedicated significant time and effort into raising over $100,000 for food banks across the province.

Lastly, the Brookfield Real Estate Services Charitable Foundation has a long history of matching employee donations to the United Way, which is an incorporated not-for-profit charity focused on improving the long-term health of the community.

OPERATING PLATFORM

The Company's commitment to delivering powerful productivity tools, innovative technology and marketing systems, and the industry's best training and coaching programs, is second to none. Our ongoing investment in this operating platform is key to the value we deliver to our brokers and agents, helping them be more productive, maximize profitability and successfully grow their businesses.

Innovative Technology

Technology serves as a differentiator for the Company's real estate brands, helping to attract the best and the brightest, and arming them with the support and tools they need to work efficiently and productively, and deliver best-in-class service to their clients.

In 2016, we launched a series of new applications and significant enhancements to a number of our existing technology products and services. During the year, our Royal LePage brand launched an innovative new neighbourhood matching tool on its consumer website, royallepage.ca. A first in Canada, the "*Your Perfect Life*" feature uses industry-leading demographic data and analytics to help consumers discover homes in communities across the nation that fit their current or desired lifestyles. Additionally, a new travel time search function was added to the web site, as a primary consideration for many home buyers is their daily commute time.

As well, our Via Capitale brand made numerous enhancements to its web site, including the addition of new agent and team web pages, and new property listing sheets. It also developed a new web site focused on helping its brokers with their recruiting efforts, and launched Maisons-vedette Plus, increasing visibility on its web site and social media platforms, and driving more traffic.

The Industry's Best Training

Year after year, the Company's brands remain leaders in real estate services training and coaching. Our robust learning services platform ranges from in-market workshops to online video tutorials and webinars.

In 2016, our team of learning consultants went coast-to-coast to deliver our newest REALTOR® Marketing Workshop – *Social Media Mastery: Nurturing Your Next Transaction.* This highly relevant workshop saw our best ever agent participation, with a 29 per cent increase in attendance levels, year-over-year. Agent feedback was excellent at a 94 per cent satisfaction rating.

In Quebec, Via Capitale launched a province-wide training program that was formally recognized by the provincial real estate regulator – a testament to the strength and effectiveness of the offering.

Marketing

Again in 2016, the Company made significant investments in marketing and branding initiatives to support growth across the diverse market segments it services, build brand awareness and broaden our market reach. These included: the ongoing development of ready-made marketing tools for agents and brokers; print and digital publications; advertising; and a strong national media program. As well, in the fall, our Via Capitale brand launched a new TV ad campaign that has been well received in the industry.

Of special note, in the first quarter of 2017, our Royal LePage brand launched *Smart Studio*, a new marketing and customer relationship management (CRM) tool for use by its agents and brokers. The platform uses automation to improve agent productivity and provides everything needed to market agents and their listings.

2016 was a banner year for our Johnston & Daniel brand, a leader in the luxury real estate market. During the year it launched an enhanced visual identity, including a sophisticated new logo. A comprehensive marketing plan was executed to introduce the new branding into the market that, coupled with the development of a new management structure to better align the brand's business priorities, contributed to a record year, with volume hitting an all-time high of almost $2 billion.

SUMMARY

Our leadership takes great pride in what we were able to accomplish in 2016. It was, and is, an exciting time for the Company and the industry. Opportunities abound and we intend to reap the financial rewards of well-executed growth plans.

Our primary objective remains the same: to deliver superior services to the real estate industry, attracting the best agents and brokers, and through them, offering superior service to our consumer-clients. From this we intend to continue to produce an attractive return on investment to shareholders through both equity appreciation and growing dividends.

On behalf of the Board,

PHILIP SOPER
President and Chief Executive Officer

2016 Financials

Management's Discussion and Analysis

Highlights 8
Organization 8
Business Strategy 10
Structure of Company Royalties 10
Network Royalty Profile 11
Overview of 2016 Operating Results 12
Key Performance Drivers 14
Stability of the Company's Royalty Stream 15
Number of REALTORS® in the Company Network 17
Transactional Dollar Volumes 18
Company's Growth Opportunity 19
REALTOR® Productivity 21
The Canadian Residential Real Estate Market 22
Canadian Market Outlook 23
Annual Operating Results 25
Fourth Quarter Operating Results 27
Summary of Quarterly Results and Cash Flow from Operations 29
Debt Facilities 31
Liquidity 32
Capital Resources 33
Commitments 34
Off-Balance Sheet Arrangements 34
Transactions with Related Parties 34
Critical Accounting Estimates and Assumptions 35
Financial Instruments 36
Disclosure Controls and Internal Controls over Financial Reporting 36
Outstanding Restricted Voting Shares 37
Risk Factors 37
Forward-Looking Statements 37
Supplemental Information 38
Glossary of Terms 42
Consolidated Financial Statements 46

Introduction

This section of Brookfield Real Estate Services Inc.'s annual report includes management's discussion and analysis ("MD&A") of the financial results and financial condition of the Company for the three months ended and the year ended December 31, 2016, and has been prepared as at March 9, 2017. The three months ended December 31, 2016 shall be referred to in this MD&A as the "Quarter" and the year ended December 31, 2016 shall be referred to in this MD&A as the "Year". The comparative period of the three months ended December 31, 2015 shall be referred to in this MD&A as the "Prior Year Quarter" and the comparative annual period for the year ended December 31, 2015 shall be referred to in this MD&A as the "Prior Year". The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") and is expressed in Canadian dollars unless otherwise stated.

The definitions of terms capitalized in this MD&A are provided in the Glossary of Terms commencing on page 42.

This MD&A is intended to provide the reader with an assessment of the Company's past performance as well as its financial position, performance objectives and future outlook. The information in this section should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016, prepared in accordance with IFRS. Additional information relating to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

Highlights

(in 000's) except REALTOR® count	**Three months ended December 31, 2016**	Three months ended December 31, 2015	Three months ended December 31, 2014	**Year ended December 31, 2016**	Year ended December 31, 2015	Year ended December 31, 2014
Royalties	**$ 9,602**	$ 9,539	$ 8,584	**$ 42,436**	$ 39,859	$ 37,392
Administration expenses	**(308)**	(252)	(339)	**(1,058)**	(1,286)	(1,626)
Management fee	**(1,734)**	(1,734)	(1,431)	**(7,754)**	(7,229)	(6,469)
Interest expense	**(627)**	(619)	(1,089)	**(2,606)**	(2,428)	(3,419)
CFFO	**$ 6,933**	$ 6,934	$ 5,725	**$ 31,018**	$ 28,916	$ 25,878
Dividends paid	**$ 3,081**	$ 2,964	$ 2,845	**$ 12,325**	$ 11,619	$ 11,305
Interest on Exchangeable Units paid	**$ 1,428**	$ 1,373	$ 1,318	**$ 5,710**	$ 5,381	$ 5,822
Net earnings and comprehensive income (loss)	**$ 5,327**	$ (3,001)	$ 2,449	**$ 6,397**	$ 1,324	$ 3,871
Number of REALTORS®				**17,580**	16,794	15,377

	Three months ended December 31, 2016	Three months ended December 31, 2015	Three months ended December 31, 2014	**Year ended December 31, 2016**	Year ended December 31, 2015	Year ended December 31, 2014
CFFO per Share	**$ 0.54**	$ 0.54	$ 0.45	**$ 2.42**	$ 2.26	$ 2.02
Dividends paid per Restricted Voting Share	**$ 0.32**	$ 0.31	$ 0.30	**$ 1.30**	$ 1.23	$ 1.19
Interest paid on Exchangeable Units paid per Exchangeable Unit	**$ 0.43**	$ 0.41	$ 0.40	**$ 1.72**	$ 1.62	$ 1.75
Net earnings and comprehensive income (loss) per Share	**$ 0.31**	$ (0.32)	$ 0.26	**$ 0.67**	$ 0.14	$ 0.41

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 year ended December 31, 2016.

- Cash flow from operations ("CFFO") for the Year improved to $31.0 million or $2.42 per share on a diluted basis ("Share"), an increase of 7.3% as compared to $28.9 million or $2.26 per Share in 2015 and an increase of 19.9% as compared to $25.9 million or $2.02 per Share in 2014.
- CFFO of $2.42 per Share for the Year represents the highest annual CFFO per Share ever generated by the Company. The improvement in CFFO for the Year was driven by an increase in royalties as a result of an increase in the number of REALTORS® in the Company Network and lower cash operating expenses due to lower bad debt and other administration expenses as compared to 2015 and 2014.
- The board of directors (the "Board") of BRESI increased dividends declared on Restricted Voting Shares in 2016, resulting in a dividend payment of $1.30 per Restricted Voting Share in 2016 as compared to $1.23 in 2015 and $1.19 in 2014.

Organization

BRESI's Restricted Voting Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, BRESI owns certain Franchise Agreements and Trademarks of real estate services Brands in Canada.

BRESI directly owns a 75% interest in the Partnership which, in turn, owns VCLP. In addition, BRESI directly owns a 75% interest in the General Partner. The Partnership and VCLP own and operate the assets from which BRESI derives its revenue.

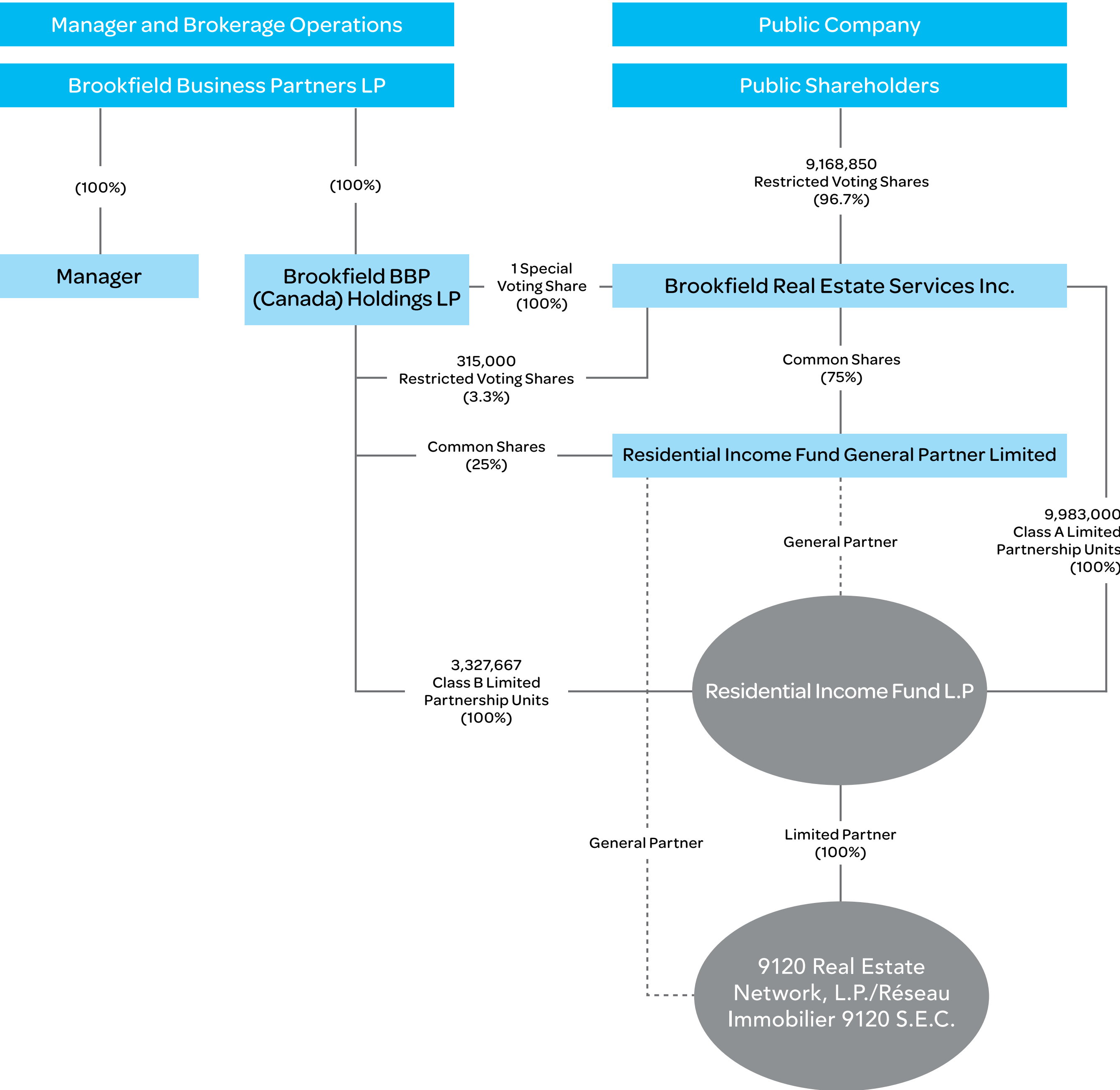
Brookfield BBP (Canada) Holdings L.P ("BBP"), a subsidiary of Brookfield Business Partners L.P, owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the "Exchangeable Units") and the remaining 25% interest in the General Partner through its ownership of 25 common shares in the General Partner. In addition to its ownership of the Exchangeable Units, BBP indirectly owns 315,000 restricted voting shares and one special voting share of BRESI. The Special Voting Share entitles BBP 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.

Management's Discussion and Analysis of Results and Financial Condition

Prior to June 1, 2016, all of BBP's interests in the Company were owned by Brookfield Private Equity Direct Investments L.P., a wholly-owned subsidiary of Brookfield Asset Management Inc.

The Company receives certain management, administrative and support services from the Manager. BRESI derives 100% of its revenue from royalties it receives under certain Franchise Agreements it purchases from the Manager.

The ownership structure of the Company and the Manager is set out below:



Management's Discussion and Analysis of Results and Financial Condition

Business Strategy

The Company is a Canadian-based real estate services firm that supplies REALTORS® with information, tools and services to assist them in providing efficient and effective delivery of real estate sales services in the communities they serve. Through a portfolio of highly regarded real estate services Brands, each of which offers a unique value proposition, the Company caters to the diverse service requirements of regional real estate professionals, in virtually all significant population centres across Canada.

BRESI's objective is to provide its stakeholders with an investment vehicle that pays stable and growing dividends. The Company's revenue is driven primarily by royalties derived from long-term Franchise Agreements. These royalties are weighted toward fees that are fixed in nature. The Company believes that this has proven to be effective in moderating the variations in overall industry activity that can occur in the Canadian residential real estate market ("Canadian Market"). The Company is party to the Management Services Agreement which governs the management of the Company and the delivery of services to Brokers and REALTORS® by the Manager.

The number of REALTORS® in the Company Network, the transaction volumes generated in the markets the Company serves, the manner in which the Company structures the contracted revenue streams, and the success in attracting REALTORS® to the Brands through their value propositions and the track record of the Company's Brands are all important factors in the Company's financial and operating performance. These factors, including, among others, general economic conditions and government and regulatory activity impact the Company's performance and are discussed in greater detail throughout this MD&A and in the Company's Annual Information Form which is available at www.sedar.com.

BRESI seeks to increase its Cash Flow from Operations by increasing the number of REALTORS® in the Company Network through the acquisition of Franchise Agreements and by attracting and retaining REALTORS® through the provision of services and additional fee for service offerings, which increases the productivity of the REALTORS®.

Structure of Company Royalties

ROYALTY FEES

The Company generates revenue from royalties with both fixed and variable components. Approximately 90% (2015 – 89%) of the Company's royalties during the Year were derived from the combined fixed franchise fee per REALTOR® per month, 1% variable franchise fee and premium franchise fees. The remaining royalty stream is made up of franchise fees generated from warranty fees, technology fees and other fees. Approximately 72% of the Company's annual royalties were partly insulated from the fluctuations in the Canadian Market as they were not directly driven by transaction volumes. The Company believes that the combination of a royalty stream based on the number of REALTORS® in the Network, increasing REALTOR® productivity and an increasing supply of new housing inventory provides the base for strong and stable cash flows. A description of each type of royalty fee follows:

Fixed Franchise Fees are paid based on the number of REALTORS® in the Franchise Network. Fixed franchise fees from Royal LePage Franchisees consist of a monthly fixed fee of $105 per REALTOR® ($102 in 2015), while fixed fees from Via Capitale Franchisees consist primarily of a monthly fee of approximately $170 per REALTOR®.

On January 1, 2016, the Company increased the Royal LePage fixed fee to $105 per REALTOR® for approximately 85% of the Franchise Network with the increase taking effect for the balance of the Franchise Network on January 1, 2017.

Variable Franchise Fees are calculated as a percentage of Gross Revenues earned by the Franchisee's REALTORS®. Variable franchise fees from Royal LePage Franchisees are driven by the transactional dollar volume transacted by the REALTORS® and are derived as 1% of each REALTORS® Gross Revenues, subject to a cap of $1,325 per year ($1,300 per year prior to 2016). Certain REALTORS® in the Royal LePage Network work as part of a Team. All REALTORS® who are members of a Team pay fixed franchise fees. However, for the purposes of the $1,325 variable fee cap, the Gross Revenues of all Team members are aggregated to one cap.

On January 1, 2016, the Company implemented an increase in the cap for the variable franchise fee to $1,325 per year for approximately 85% of the Franchise Network with the increase taking effect for the balance of the Franchise Network on January 1, 2017.

The amount of variable franchise fee paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices. However, variable franchise fees are subject to a cap of $1,325 ($1,300 prior to 2016). For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® will not change based on changes in the Canadian Market. In 2016, approximately 2,400 REALTORS® and 1,200 Teams (representing more than 3,000 REALTORS®) exceeded the $1,325 cap and accounted for approximately 12% of the Gross Revenue (2015 – 11%) earned from Royal LePage Franchisees.

Premium Franchise Fees are paid by 29 of the Company's larger Royal LePage locations in the Greater Toronto Area (the "GTA"). Each of these Franchisees is obligated to pay Premium Franchise Fees until August 2018 ranging from 1% to 5% of the location's Gross Revenue. Of these locations, 14 are operated by the Manager.

Premium Franchise Fees represented 15% of royalties in the Year (2015 – 15%).The Company does not expect the obligation of those locations paying Premium Franchise Fees to continue beyond August 2018.

Other Franchise Fees include primarily a fixed technology fee of $20 per month for REALTORS® in the Royal LePage Network, and fees for other ancillary services performed for REALTOR® in the Via Capitale and Royal LePage Networks.

Network Royalty Profile

As at December 31, 2016, the Company received royalties from 17,580 REALTORS® contracted with 328 Broker-Owners operating under 297 Franchise Agreements from 667 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel brand names collectively as the Company Network, with an approximate one fifth share of the Canadian Market based on 2016 transactional dollar volume.

The Royal LePage Network:
The fees generated from the Royal LePage Network accounted for 95% of the Company's fees for the Year (2015 – 93%). Fees charged to the Royal LePage Network for the Year include:

- a fixed monthly franchise fee per REALTOR® of $105;
- a variable franchise fee equal to 1% of Gross Revenue up to a maximum annual variable franchise fee of $1,325 per REALTOR® or Team;
- a premium monthly franchise fee per applicable location, as described above; and
- a fixed monthly technology fee per REALTOR® of $20.

The Via Capitale Network:
The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 5% of the Company's fees for the Year (2015 – 7%). These fees are primarily made up of a fixed monthly fee per REALTOR® of $170 ($2,040 per year) and other fees for warranties and other ancillary services.

The table below summarizes the franchise fees received by each respective brand:

Year ended December 31, 2016 (in 000's)	Royal LePage	Via Capitale	Total
Fixed franchise fees	47%	4%	51%
Variable franchise fees	24%	0%	24%
Premium franchise fees	15%	0%	15%
Other revenue	9%	1%	10%
Total Brand Percentage	95%	5%	100%

Year ended December 31, 2015 (in 000's)	Royal LePage	Via Capitale	Total
Fixed franchise fees	46%	5%	51%
Variable franchise fees	23%	–	23%
Premium franchise fees	15%	–	15%
Other revenue	9%	2%	11%
Total Brand Percentage	93%	7%	100%

Management's Discussion and Analysis of Results and Financial Condition

Overview of 2016 Operating Results

Years ended December 31, (in 000's) except per Share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS®	2016	2015	2014
Royalties	**$ 42,436**	$ 39,859	$ 37,392
Less:			
Administration expenses	**1,058**	1,286	1,626
Management fee	**7,754**	7,229	6,469
Interest expense	**2,606**	2,428	3,419
Cash flow from operations	**$ 31,018**	$ 28,916	$ 25,878
Impairment of intangible assets	**(111)**	(1,047)	(2,384)
Amortization of intangible assets	**(9,583)**	(9,892)	(10,828)
Interest on Exchangeable Units	**(5,710)**	(5,434)	(5,856)
Gain / (loss) on fair value of Exchangeable Units	**(3,694)**	(5,524)	1,164
Gain / (loss) on interest rate swap	**822**	(1,454)	(482)
Loss on fair value of purchase obligation	**(1,568)**	(633)	(955)
Current income tax expense	**(4,893)**	(4,469)	(3,657)
Deferred income tax recovery	**116**	861	991
Net Earnings and Comprehensive Income	**$ 6,397**	$ 1,324	$ 3,871
Basic earnings per Share	**$ 0.67**	$ 0.14	$ 0.41
Diluted earnings per Share	**$ 0.67**	$ 0.14	$ 0.41
Cash flow from operations per Share	**$ 2.42**	$ 2.26	$ 2.02
Dividends paid per Restricted Voting Share	**$ 1.30**	$ 1.23	$ 1.19
Interest paid per Exchangeable Unit	**$ 1.72**	$ 1.62	$ 1.75
Restricted Voting Shares outstanding	**9,483,850**	9,483,850	9,483,850
Exchangeable Units outstanding	**3,327,667**	3,327,667	3,327,667
Number of REALTORS®	**17,580**	16,794	15,377

(in 000's) As at	December 31, 2016	December 31, 2015	December 31, 2014
Total assets	**$ 92,403**	$ 98,114	$ 86,562
Total liabilities	**$ 123,701**	$ 123,484	$ 101,558

VARIATION OF OPERATING RESULTS FOR 2016 COMPARED TO 2015

Royalties:

The strong Canadian Market, combined with a significant increase in the number of REALTORS® in the Company Network, contributed to a $2.6 million increase in royalty revenues in 2016, compared to 2015. The total value of real estate bought and sold in Canada increased by 17% to $263 billion, contributing to increased variable franchise fees and Premium Franchise Fees. The Company's Network of REALTORS® increased by 786 REALTORS® in 2016, driven by 459 REALTORS® acquired by way of acquisition of Franchise Agreements, and 327 REALTORS® recruited in the Year.

Net Earnings:

For the Year, the Company generated net earnings of $6.4 million or $0.67 per Share, compared to $1.3 million or $0.14 per Share in 2015.

The primary drivers for the increase in net earnings compared to 2015 were:

- A $2.0 million increase in royalty revenues as discussed above, net of the associated increase in management fees;
- A $1.2 million decrease in amortization and impairment of intangible assets;
- A $1.8 million decrease in the loss on the determination of the fair value on the Exchangeable Units from a loss of $5.5 million in 2015, to a loss of $3.7 million in 2016;
- A gain of $0.8 million in 2016 in the fair value of the interest rate swap as compared to a loss of $1.5 million in 2015. See further discussion under *Annual Operating Results – Gain on interest rate swap*; partly offset by
- A $1.2 million increase in income tax expense driven by an increase in taxable income.

Total Assets:

Total assets decreased by $5.7 million in 2016 compared to 2015, primarily as a result of the decrease in the carrying value of intangible assets of $3.1 million, driven by an increase in amortization of intangible assets offset by the Company's acquisition of Franchise Agreements on January 1, 2016, and a $2.5 million decrease in cash as a result of net repayment of debt during the Year and payment of purchase obligations associated with the acquisition of Franchise Agreements in 2016 and 2015.

Total Liabilities:

Total liabilities increased by $0.2 million in 2016 compared to 2015. The main drivers of the increase are as follows:

- An increase of $3.7 million in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under *Annual Operating Results – Loss on fair value of Exchangeable Units*); primarily offset by
- A decrease in debt facilities of $0.9 million to reflect the net repayments on the acquisition line;
- A $1.2 million reduction in current and non-current portions of purchase obligation as a result of payments made during the Year;
- A decrease of $0.8 million in the Company's Interest Rate Swap liability; and
- Other reductions in Accounts Payable and Accrued Liabilities and the Company's current income tax liability.

Dividends and distributions:

Dividends approved by the Board on Restricted Voting Shares increased to $1.30 per share in 2016, compared to $1.23 in 2015.

Interest on Exchangeable Units increased by $0.3 million compared to 2015. This increase is consistent with the increase in dividends on the Restricted Voting Shares.

VARIATION OF OPERATING RESULTS FOR 2015 COMPARED TO 2014

Royalties:

The strong Canadian Market, combined with a significant increase in the number of REALTORS® in the Company Network, contributed to a $2.5 million increase in royalty revenues in 2015 compared to 2014. The total value of real estate bought and sold in Canada increased by 14% to $224 billion contributing to increased variable franchise fees and Premium Franchise Fees. The Company's Network of REALTORS® increased by 1,417 REALTORS® in 2015, driven by 1,577 REALTORS® acquired by way of acquisition of Franchise Agreements, partly offset by attrition of 160 REALTORS®.

Net Earnings:
For the Prior Year, the Company generated net earnings of $1.3 million or $0.14 per Share, compared to $3.9 million or $0.41 per Share in 2014.

The primary drivers for the decrease in net earnings compared to 2014 were:

- A loss on the determination of the fair value on the Exchangeable Units of $5.5 million in 2015, compared to a gain of $1.2 million in 2014;
- An increase in the loss resulting from the revaluation of an Interest Rate Swap of $1.5 million compared to $0.5 million in 2014;
- Higher income tax expense resulting from higher taxable income; partly offset by
- Increased royalty revenues as discussed above, net of the associated increase in management fees;
- Reduced administration expenses, including bad debt expense;
- Lower interest costs, despite increased borrowing levels, as a result of the Company renegotiating its debt facilities late in 2014 to take advantage of lower rates (refer to further discussion under Debt Facilities); and
- Lower expenses associated with amortization and impairment of intangible assets of $2.3 million.

Total Assets:
Total assets increased by $11.6 million in 2015 over 2014 primarily as a result of the Company's acquisition of Franchise Agreements totaling $20.0 million in 2015 as well as higher cash balances at year end. These increases were partly offset by a $1.0 million reduction in accounts receivable and notes receivable due to better working capital management and amortization and impairment of intangible assets totaling $10.9 million.

Total Liabilities:
Total liabilities increased by $21.9 million in 2015 compared to 2014. The main drivers of the increase are as follows:

- An increase in debt facilities of $11.9 million and current and non-current portions of the purchase obligation of $2.7 million to reflect financing to acquire Franchise Agreements during the year;
- An increase in the Company's Interest Rate Swap liability, as discussed above;
- An increase in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares; and
- An increase in the Company's current income tax liability as a result of higher current income tax expense, as discussed above.

Dividends and distributions:
Dividends approved by the Board on Restricted Voting Shares increased to $1.23 per share in 2015, compared to $1.20 in 2014. During 2015, the Board approved two increases in the monthly dividends declared on Restricted Voting Shares. On June 17, 2015, the Board approved an increase from $0.10 per share ($1.20 on an annualized basis) to $0.1042 ($1.25 annualized) effective with the dividend paid on July 31, 2015. On December 7, 2015, the Board approved an additional increase to $0.1083 per share ($1.30 annualized), effective with the dividend paid January 29, 2016.

Interest on Exchangeable Units was lower in 2015 compared to 2014. Generally, the determination of interest on Exchangeable Units is calculated with reference to the dividends paid on the Restricted Voting Shares. However, the interest on Exchangeable Units in 2014 reflects an additional distribution in respect of the undistributed proportionate share of the Partnership's 2013 earnings.

Key Performance Drivers

Key performance drivers of the Company's business include:

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

Management's Discussion and Analysis of Results and Financial Condition

Stability of the Company's Royalty Stream

The stability of the Company's royalty stream is derived from a number of factors, including the fixed-fee structure of the Company's royalties, the ability to increase franchise fees under the terms of the Franchise Agreements, the geographic distribution of the Company Network, and the length and renewal of the Franchise Agreements owned by the Company.

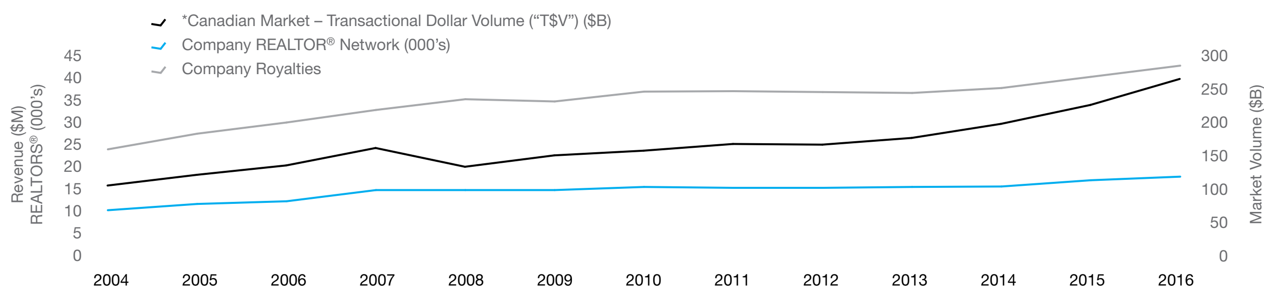
FIXED – FEE STRUCTURE

The Company estimates that approximately 72% of its royalties are fixed in nature. In addition to its fixed and other franchise fees, a substantial portion of the Company's variable franchise fees are effectively fixed in nature.

The amount of variable franchise fee paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices across Canada. However, variable franchise fees are subject to a cap of $1,325 ($1,300 prior to 2016). For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® or Team will not change based on changes in the Canadian Market.

The chart below compares the Company's royalties to the Canadian Market and the underlying number of REALTORS® in the Company Network.

ROYALTIES, MARKET AND REALTOR® TRENDS



*Source: Canadian Real Estate Association ("CREA")

INCREASE IN FEES

Under the terms of the Franchise Agreements, the Company is permitted to increase the franchise fees it charges based on changes in the underlying consumer price index.

On February 11, 2015, the Company announced that the Royal LePage Network monthly fixed franchise fee of $102 per REALTOR® would increase to $105 per REALTOR® and the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue would increase from $1,300 annually to $1,325.

The increase in royalty fees was implemented to 85% of the Royal LePage Network on January 1, 2016 and to the other 15% on January 1, 2017. The Company estimates this fee increase will result in approximately $0.6 million of incremental franchise fees when fully implemented.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at December 31, 2016, the Company Network of 17,580 REALTORS® operated through 281 Franchisees, contracted with 328 Broker-Owners, providing services across the country through 667 locations operating under 297 Franchise Agreements. Of the Company's Brokerages, approximately 69% operate with fewer than 50 REALTORS® and represent 17% of the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has approximately 1,900 REALTORS®.

The Company Network is geographically dispersed across Canada. As compared to the distribution of REALTORS® across Canada, the Company Network is under-represented in British Columbia and Alberta. The Company has a relatively strong presence in Ontario (as a result of a historical base there) and Quebec (due in part to operating under two separate brands).

As at December 31, 2016	Canadian[1] REALTOR® Population	Company REALTOR® Population
Ontario	57%	61%
British Columbia	18%	11%
Quebec	11%	14%
Alberta	9%	7%
Maritimes	2%	3%
Prairies	3%	4%
Total	100%	100%

[1]Source: CREA as at December 31, 2016

FRANCHISE AGREEMENTS

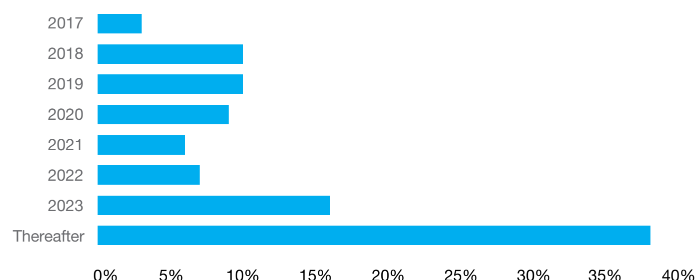
Franchise Agreements are contracts between the Company and Franchisees which govern matters such as use of the Trademarks, rights and obligations of Franchisees and the Company, renewal terms, services to be provided and franchise fees. Over the term of the Franchise Agreement, the Franchisee may undertake activities which require an amendment to the standard contract such as the opening of a new location. These changes are documented by way of an addendum to the standard contract and form part of the Franchise Agreement.

The Royal LePage Franchise Agreements, which represent 95% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry norm of five years and thereby reduce agreement renewal risk. In addition, the Company regularly attempts to extend contract terms a further ten years in advance of renewal dates when opportunities allow.

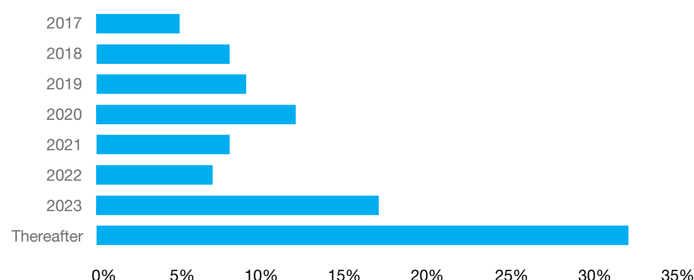
The Via Capitale Franchise Agreements, which are represented by 5% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

A summary of the Company's agreement renewal profiles as at December 31, 2016 for the Company Network is shown below.

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



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



RENEWALS

The Company has historically been able to achieve renewal success in more than 95% of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® associated with these agreements. Due to the ongoing success of the Company's franchisees, a number of opportunities, such as increasing franchisee locations, present themselves to renew Franchise Agreements before they come due.

During the Quarter, four Franchise Agreements, representing 159 REALTORS® of the Company Network extended their term or renewed and nine Franchise Agreements, representing 292 REALTORS® for the Company Network renewed early.

During the Quarter, three Franchise Agreements were terminated, of which two were as a result of Franchisees merging operations and one resulted in the loss of 7 REALTORS®.

During the Year, 13 Franchise Agreements, representing 714 REALTORS® of the Company Network renewed, and 26 Franchise Agreements, representing 1,065 REALTORS® of the Company Network extended their term or renewed early.

During the Year, 13 Franchise Agreements were terminated, of which seven were as a result of Franchisees merging operations and six resulted in the loss of 87 REALTORS®.

Number of REALTORS® in the Company Network

For the Year, the Company Network of 17,580 REALTORS® increased by 786 REALTORS®, compared to a net increase of 1,417 REALTORS® in 2015. After taking into account the 459 REALTORS® added through the acquisition of Franchise Agreements and addendums on January 1, 2016, the Company experienced net recruitment growth of 327 REALTORS®, compared to net attrition of 160 REALTORS® in 2015. The improvement in net recruitment growth is due, in part, to specific programs designed to support Brokerages in the Franchise Network in their recruiting performance as well as their efforts to reduce attrition. Subsequent to the end of 2016, the Company acquired an additional 55 Franchise Agreements representing 568 REALTORS®.

As at December 31,	2003–2009	2010	2011	2012	2013	2014	2015	**2016[2]**
Company Network								
Opening REALTOR® Count[1]	9,238	14,631	15,308	15,061	15,086	15,310	15,377	**16,794**
Acquisition	2,882	417	247	217	516	493	1,577	**459**
Net Recruiting Growth (Attrition)	2,511	260	(494)	(192)	(292)	(426)	(160)	**327**
Closing REALTOR® Count	14,631	15,308	15,061	15,086	15,310	15,377	16,794	**17,580**
% Change in the Year	58%	5%	(2%)	0%	1%	0%	9%	**5%**

Canadian REALTOR® Population[3]	2003 – 2009	2010	2011	2012	2013	2014	2015	**2016[2]**
CREA REALTOR® Membership[4]	98,161	101,916	104,407	106,944	109,032	110,821	114,664	**121,212**
% Change in the Year	38%	4%	2%	2%	2%	2%	3%	**6%**

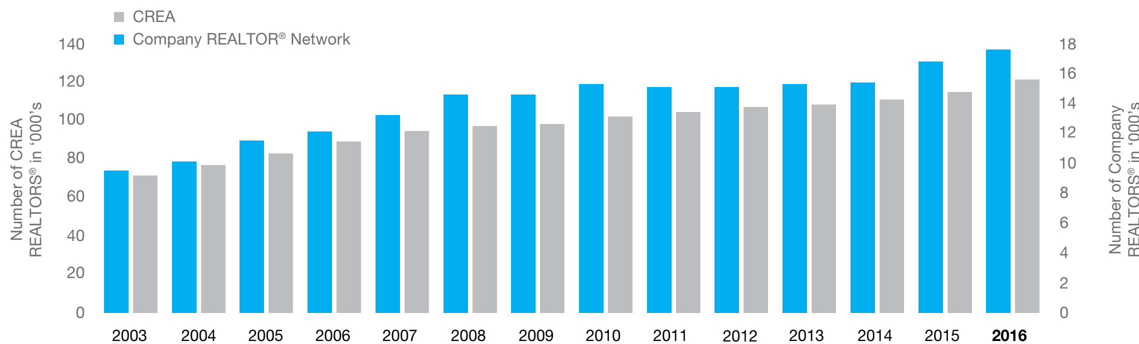
[1] Opening Count as at August 2003
[2] As at December 31, 2016
[3] Source: CREA, Membership Data
[4] CREA Membership as of December 31, 2003: 71,267

Management's Discussion and Analysis of Results and Financial Condition

The increase in the number of Canadian REALTORS® since 2003 has in part been driven by strong Canadian Markets, increases in discount brokerage offerings which have attracted new entrants to the industry, and an apparent increase in market activity serviced by REALTORS® operating as Teams. Since 2003, the Company's Network has grown at a 5% compound annual growth rate ("CAGR"), outperforming the 4% growth in the industry, despite the addition of competitive offerings over the same time period.

CANADIAN REAL ESTATE REALTORS®

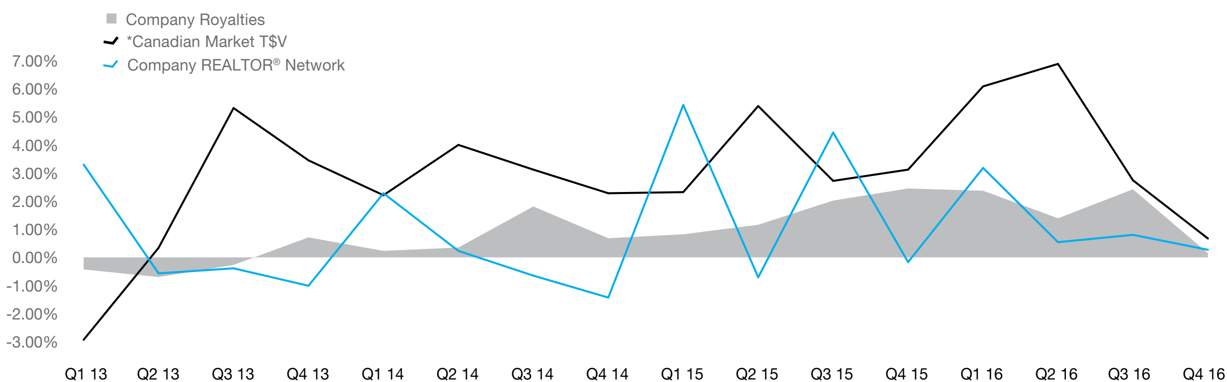
(Years ended December 31)



Transactional Dollar Volumes

The chart below shows the quarter-over-quarter percentage change in transactional dollar volume in Canada as compared to the percentage change in the Company's royalty revenues and the percentage change in the number of REALTORS® on a rolling twelve-month basis since the first quarter of 2013. The number of REALTORS® in the Company network increases when the Company purchases Franchise Agreements from the Manager. This generally occurs on January 1 of each year. In 2015, an additional purchase of Franchise Agreements was approved on July 1. During those quarters where no Franchise Agreements are purchased, REALTOR® growth tends to be more modest, and can be negative, indicating periods of net attrition.

ROLLING TWELVE MONTH % CHANGE FROM PRIOR QUARTER



*Source: CREA

Transactional dollar volume of real estate in Canada has been growing since the second quarter of 2013 as real estate values and volumes have been strong, particularly in the major metropolitan centers of Toronto and Vancouver. Royalty revenues have also continued to grow, albeit at a slower rate than transactional dollar volumes of the Canadian Market, due in part to the fixed nature of the Company's royalty fees.

Management's Discussion and Analysis of Results and Financial Condition

For the Year, the Canadian Market closed up 17%, at $263 billion, as compared to 2015, driven by a 11% increase in price and 6% increase in units sold. The increase in average selling price of a home was buoyed by low interest rates and robust activity in the GTA throughout 2016 and the metropolitan Vancouver market in the early part of the Year.

During the Quarter, the Canadian Market closed up 4%, at $50 billion, as compared to the same period in 2015, driven by a 6% increase in price, offset by a 2% decrease in units sold. The greater Vancouver area ("GVA") market encountered the largest loss with an approximately 39% decrease in number of units sold in comparison to Prior Year Quarter.

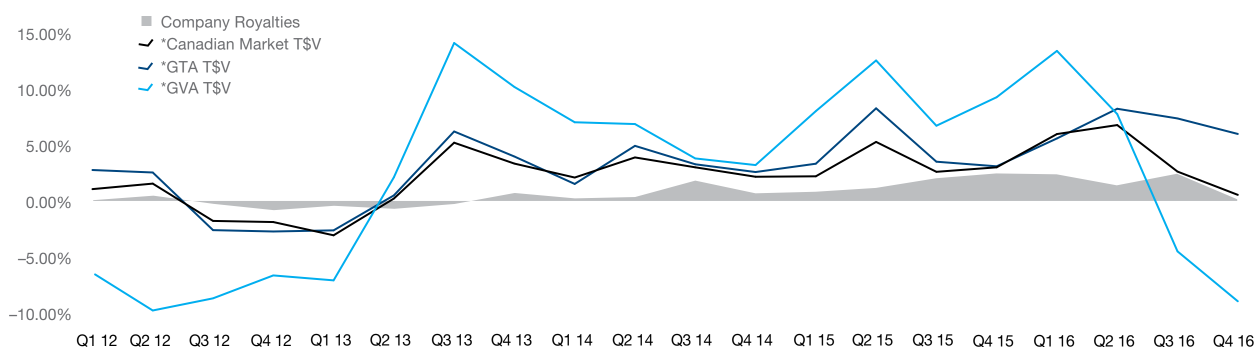
For the Year, the GTA market closed up 31%, at $83 billion, as compared to 2015, driven by a 17% increase in price and a 12% increase in units sold.

During the Quarter, the GTA market closed up 36%, at $18 billion, as compared to the same period in 2015, driven by a 19% increase in price and a 14% increase in units sold.

For the Year, the GVA market closed up 7%, at $42 billion, as compared to 2015, driven by a 13% increase in price and 5% decrease in units sold. This year over year improvement was despite a significant drop in the GVA market in the second half of the year due in part to the impact of recently-introduced government policies designed to moderate the significant increases in selling prices in that market.

During the Quarter, the GVA market closed down 41%, at $6 billion, as compared to the same period in 2015, driven by a 4% and 39% decrease in price and units sold, respectively.

ROLLING TWELVE-MONTH % CHANGE FROM PRIOR QUARTER



*Source: CREA

Company's Growth Opportunities

Growth in the Company's royalties is achieved through:

- Increasing the number of REALTORS® in the Company Network through recruitment growth;
- Acquiring Franchise Agreements from the Manager;
- Increasing the productivity of REALTORS®;
- Expanding the range of products and services supporting Franchisees and their REALTORS®; and
- Increasing the adoption of the Company's products and services.

The products and services offered by the Company are supported by ongoing training programs for Brokers and REALTORS®, which assist in leveraging the Company's competitive advantages to attract and retain REALTORS®.

GROWTH IN NUMBER OF REALTORS®

The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competing brokerages and REALTORS® to the Company's Brands and developing programs to increase REALTOR® growth. This is generally achieved through acquisition of Franchise Agreements from the Manager.

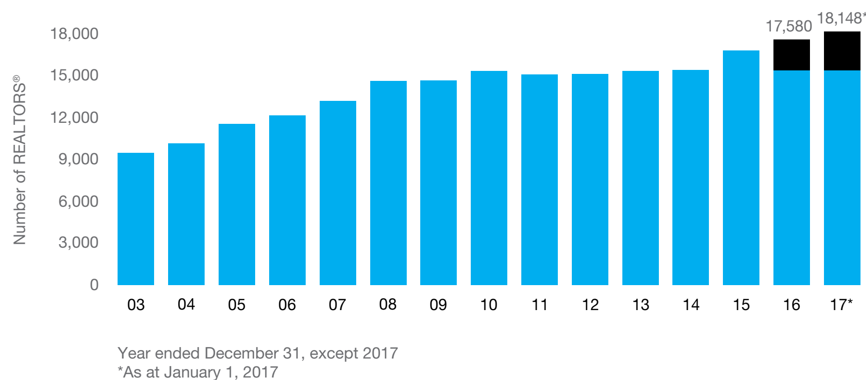
Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 90% (8,342 REALTORS®), of which 82% has been through acquisitions and 18% through recruitment growth. This represents a the CAGR of 5% in the Company Network.

On January 1, 2016, the Company acquired 33 Franchise Agreements comprised of 459 REALTORS® operating under the Royal LePage and Via Capitale Brands. The estimated purchase price of these agreements was $6.6 million, with an estimated annual royalty stream of $1.0 million.

During 2015, the Company acquired 52 Franchise Agreements comprised of 1,577 REALTORS® operating under the Royal LePage and Via Capitale Brands. The estimated purchase price of these agreements was $20.0 million, with an estimated annual royalty stream of $2.9 million.

A summary of Company Network growth since inception is summarized in the chart below.

COMPANY GROWTH



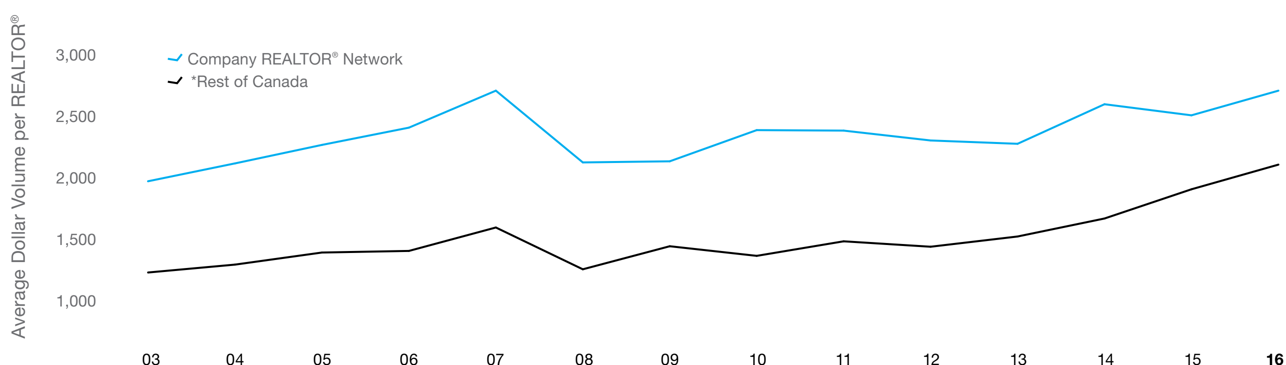
Year ended December 31, except 2017
*As at January 1, 2017

REALTOR® Productivity

The average Company Network REALTOR® generated approximately $2.7 million in transactional dollar volume for the twelve months ended December 31, 2016, compared to an estimated $2.1 million in transactional dollar volume generated by an average Canadian REALTOR®, outside the Company Network. Management believes that the higher productivity of the Company's Network of REALTORS®, makes the Company less prone to a loss of REALTORS® during a period of reduced transactional dollar volume. The average transactional dollar volume per REALTOR® for the years ended December 31, 2003, through 2016, is summarized in the chart below.

CANADIAN RESIDENTIAL REAL ESTATE MARKET REALTOR® PRODUCTIVITY

(Average T$V per REALTOR®, in '000 of Canadian dollars)



*Source: CREA

The products and services offered by the Company are supported by ongoing training programs for Brokers and REALTORS®, which assist in leveraging the Company's competitive advantages to attract and retain REALTORS®.

PRODUCTS AND SERVICES

The Manager, on behalf of the Company, has continued to develop new tools to assist REALTORS® in managing their businesses and has invested in recruitment and retention programs to help Franchisees efficiently attract and retain the best talent in the real estate industry. During the Year, the Manager launched a number of new marketing materials to help Franchisees with their recruiting efforts, including new email drip campaigns and an experienced REALTOR® transition presentation. In addition, two new Broker training and accountability programs were launched to support continuous improvement in recruiting and retention results.

The Manager also launched a new partnership with a leading luxury real estate services organization, which will provide the Royal LePage Network of REALTORS® and their luxury listings with international exposure on one of the world's leading luxury real estate portals.

The Manager continued its investment in meaningful technology, including the launch of *Your Perfect Life*, a neighbourhood matching tool, and travel time search functionality on the Royal LePage website. The travel time search allows consumers to calculate commute times as part of their considerations when deciding where to buy a home. *Your Perfect Life* uses industry-leading demographic data and analytics to help homebuyers select communities across the nation that match their current or desired lifestyle.

The Via Capitale brand launched a Quebec-wide training program that was recognized by the provincial real estate regulator – a testament to the strength and effectiveness of the training's offering. To better align its recruiting efforts, in addition, Via Capitale launched a new brochure and a new website, which was well-received across the French network. The brand also improved the broker and REALTOR® website, creating more interactive and visually-pleasing pages and links. Furthermore, Via Capitale launched Maisons-vedette Plus for increased visibility on its website and social media platforms, driving traffic and an added source of resources for brokers and REALTORS®. Lastly, in the fall, Via Capitale launched a new TV ad campaign that has been recognized with top marks in the industry.

Management's Discussion and Analysis of Results and Financial Condition

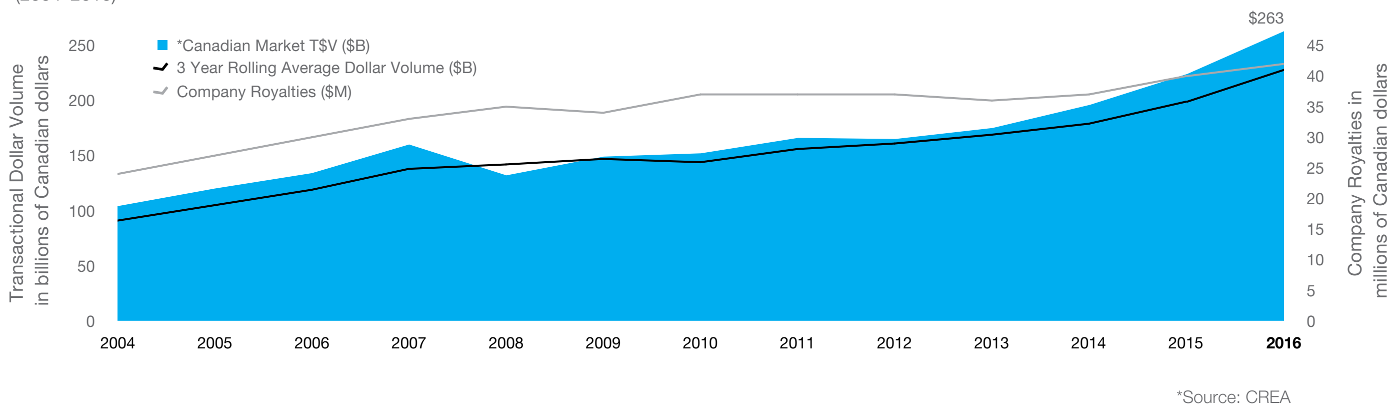
The Canadian Residential Real Estate Market

Since 2004, the Canadian Market has grown at a CAGR of 8% compared to our royalty revenues, which have grown at a rate of 5%.

Over the last three years, the Canadian Market has grown at rates well above historical averages with a CAGR of 16% driven by a 10% increase in units and a 6% increase in selling price. A low interest rate environment, government policies to encourage immigration and constrained inventories over the three-year period have contributed to the more robust activity, despite government-mandated mortgage tightening rules, new public policy tax initiatives and increased down payment requirements.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2004–2016)

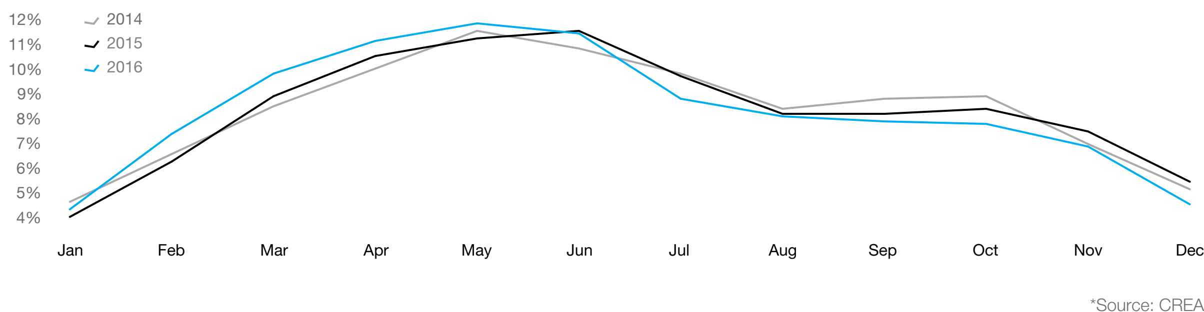


*Source: CREA

The Company's royalty revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transactional dollar volumes in the second and third quarters of each year, as summarized in the chart below. The impact of the seasonality of the Canadian Market is somewhat mitigated by the fixed-fee nature of the Company's royalties and the acquisition of Franchise Agreements at the beginning of the Year. In the latter part of the year, variable franchise fees can be negatively impacted by the Royal LePage REALTORS® and Teams who have capped with respect to variable franchise fees.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

(*% Canadian Market T$V by month)



*Source: CREA

Canadian Market Outlook

A summary of key commentary on the Canadian Market, as reported by the Canadian Real Estate Association ("CREA"), the Toronto Real Estate Board ("TREB"), the Canada Mortgage and Housing Corporation ("CMHC") and the Bank of Canada ("BoC") follows:

From CREA[1]: In 2017, national sales are forecast to number 518,900 units, representing a decline of 3.3% compared to projected activity in 2016. Transactions in British Columbia and Ontario are anticipated to remain strong but fall short of 2016's record levels due to deteriorating affordability, an ongoing shortage of affordably priced listings for single family homes and tightened mortgage regulations. British Columbia home sales are forecast to decline by 12.2%, while annual sales in Ontario are forecast to retreat by 2.7%.

Sales in 2017 are forecast to rise by 3.5% in Alberta and by 1.2% in Quebec. The forecast rise in Alberta's sales in 2017 mostly reflects slow sales activity in the first quarter of 2016, a repeat of which is not expected. Sales are also forecast to improve modestly in Manitoba (+0.8%) and New Brunswick (+1.6%).

Sales are also forecast to ease slightly in 2017 in Saskatchewan (-1.2%), Nova Scotia (-2.1%), Prince Edward Island (-2.2%) and Newfoundland and Labrador (-1.4%) relative to 2016.

The national average price is forecast to decline by 2.8% to $475,900 in 2017, with modest price gains near or below inflation in Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia, together with small declines of a similar magnitude in Alberta, Saskatchewan, Prince Edward Island and Newfoundland and Labrador.

While the average sale price in British Columbia is expected to decline by 7.8% in 2017, this largely reflects an anticipated decline in single family home sales activity at the higher end of the market – particularly in the Lower Mainland.

From CMHC[2]: Housing construction is expected to decline slightly in 2017 to levels more consistent with economic and demographic fundamentals, before stabilizing in 2018. MLS® sales will decline in 2017 before levelling off in 2018 to more sustainable levels. The pace of MLS® price increases is expected to slow in 2017 and 2018.

Over the forecast period, overvaluation in the existing home market, as reported by the latest edition of Housing Market Assessment Canada, is contributing to limited house price increases. Overall, regional disparities remain. Starting in 2017, these will reduce gradually since, firstly, starts in British Columbia and Ontario will edge down after a strong start to 2016 and, secondly, effects from the oil price shock on Alberta, Saskatchewan and Newfoundland & Labrador start to dissipate.

Resales should decline to levels warranted by demographic fundamentals in 2017 and 2018, with respective ranges of 489,500 to 509,700 units and 488,100 to 511,100 units. The average MLS® home price is forecast to be between $483,600 and $507,800 in 2017, and between $497,700 and $525,100 in 2018.

From TREB[3]: 2016 saw both record home sales and accelerated annual sales growth. Key drivers of record home sales included population growth, low mortgage rates, low unemployment, and above-inflation economic growth, while strong demand and very low inventory resulted in robust price growth. It's important to note that record home sales in 2016 were heavily based on domestic demand. Foreign buying activity in the GTA represented a minimal 4.9%of transactions.

Strong rates of price growth and a short supply of listings will continue to make headlines in 2017. TREB MLS® System sales are expected to range between 104,500 and 115,500, with a point forecast of 110,000. The results of a TREB-commissioned Ipsos survey on intending buyers found less respondents planning to purchase a home in 2017 than compared to 2016. Despite the possibility of a decline in sales, first-time buyers will continue to account for more than half of the home sales in the GTA. Strong first-time buyer activity points to confidence in home ownership as a quality investment. A likely range for the average selling price in 2017 is between $800,000 and $850,000, with a point forecast of $825,000. This suggests an approximate calendar year growth rate ranging between 10% and 16%.

From the BoC[4]: Uncertainty about the global outlook is undiminished, particularly with respect to policies in the United States. The Bank has made initial assumptions about prospective tax policies only, resulting in a modest upward revision to its U.S. growth outlook. Overall, the global economy is strengthening largely as expected and prices of some commodities, including oil, have risen. The rapid back-up in global bond yields, partly reflecting market anticipation of U.S. fiscal expansion, has pulled up Canadian yields.

[1] Source: CREA Updates Resale Housing Forecast, published December 15, 2016
[2] Source: CMHC Housing Market Outlook, Canada Edition, Fourth Quarter 2016
[3] Source: TREB Market Year in Review & Outlook Report, published January, 2017
[4] Source: BoC press release published January 18, 2017

In contrast to the United States, Canada's economy continues to operate with material excess capacity. While employment growth has remained firm, indicators still point to significant slack in the labour market. The resource sector's adjustment to past commodity price declines appears to be largely complete, but negative wealth and income effects will persist. Meanwhile, the Canadian dollar has strengthened along with the U.S. dollar against other currencies, exacerbating ongoing competitiveness challenges and muting the outlook for exports. Consumption is expected to remain solid, while residential investment will be tempered by previously announced changes to housing finance rules and by mortgage rates that have risen in response to higher bond yields. Federal and provincial fiscal measures are still expected to support growth in 2017.

The Bank projects that Canada's real GDP will grow by 2.1% in both 2017 and 2018. This implies a return to full capacity around mid-2018.

Inflation in Canada has been lower than anticipated since October, mainly because of declines in food prices. Measures of core inflation are below 2.0%, reflecting material excess capacity in the economy. As consumer energy prices rise and the impact of lower food prices dissipates, inflation is expected to move close to the 2.0% target in the months ahead and remain there throughout the projection horizon while excess capacity is being absorbed.

COMPANY MARKET OUTLOOK

The Canadian Market saw significant price appreciation in the Year, supported by considerable gains in the GTA and Greater Vancouver markets. There was notable disparity in home price appreciation between Canadian regions in 2016, with rates ranging from double-digit extremes in some cities to negative growth in others. Homes across Ontario experienced significant growth during the Year, with the GTA leading the country in terms of robust sales activity and demand. On the other hand, Greater Vancouver, Canada's most expensive market, began to show signs of cyclical cooling. Despite recording impressive year-over-year price appreciation, the number of homes trading hands has been slowing on eroding affordability, which may ultimately lead to moderating prices in the future.

Quebec and Alberta continued to impress this Year as both provinces outperformed expectations. Montreal has surpassed its 2016 economic targets and Calgary has withstood what many believe to be the worst of the downturn, leading to better-than-expected results within these regions' housing markets.

Looking ahead, the Company expects the house price appreciation gap between regions to narrow in 2017 with a trend toward historical norms as some overheated markets slow, while activity levels in a number of cool markets begin to pick up. This trend is anticipated to be driven primarily by a modest price correction in the Greater Vancouver housing market, strong but moderating price appreciation in the GTA, and welcomed upward price trends in Quebec, Atlantic Canada and Alberta.

While recent government intervention within the Canadian Market has been significant, it appears that Canadian homebuyers are adjusting quickly, and fears of a hard correction may be unwarranted. Looking ahead, the Company expects the Canadian Market to continue to appreciate into 2017, albeit at a more gradual pace, as Vancouver begins to transition to a more balanced market.

Annual Operating Results

Years ended December 31, (in 000's) except per Share amounts; Number of REALTORS®;	2016	2015
Royalties		
Fixed franchise fees	$ 21,751	$ 20,376
Variable franchise fees	10,229	9,196
Premium franchise fees	6,363	5,892
Other revenue	4,093	4,395
	42,436	39,859
Less:		
Administration	1,058	1,286
Management fee	7,754	7,229
Interest expense	2,606	2,428
	11,418	10,943
Cash flow from operations	31,018	28,916
Impairment of intangible assets	(111)	(1,047)
Amortization of intangible assets	(9,583)	(9,892)
Interest on Exchangeable Units	(5,710)	(5,434)
Loss on fair value of Exchangeable Units	(3,694)	(5,524)
Gain / (loss) on interest rate swap	822	(1,454)
Loss on fair value of purchase obligation	(1,568)	(633)
Earnings before income taxes	11,174	4,932
Current income tax expense	4,893	4,469
Deferred income tax recovery	(116)	(861)
Net earnings and comprehensive income	$ 6,397	$ 1,324
Basic earnings per share	$ 0.67	$ 0.14
Diluted earnings per share	$ 0.67	$ 0.14
Number of REALTORS®	17,580	16,794

During the Year, the Company generated net earnings of $6.4 million and CFFO of $31.0 million, as compared to net earnings of $1.3 million and CFFO of $28.9 million in 2015.

Royalties for the Year totaled $42.4 million, compared to $39.9 million for the Prior Year. Fixed, variable and premium franchise fees together represented 90% of royalties (2015 – 89%). Royalties increased due primarily to the larger REALTOR® base and a strong Canadian Market, particularly in Toronto and Vancouver.

Fixed franchise fees for the Year increased by 7% as compared to the Prior Year, due to the increase in the REALTOR® base resulting from the acquisition of Franchise Agreements and addendums representing 459 REALTORS® and net recruitment growth of 327 REALTORS® during the Year. In 2015, the Company acquired Franchise Agreements representing 1,577 REALTORS® and experienced net attrition of 160 REALTORS®.

Variable franchise fees for the Year increased by 11%, which relates to the increase in the REALTOR® base and an increase in transactional dollar value of the Canadian Market driven by the strong Toronto and Vancouver markets compared to 2015.

Premium franchise fees are derived from the 29 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 Year have increased by 8%, compared to 2015, consistent with the increase in the segments of the underlying GTA market serviced by those locations.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 10% (2015 – 11%) of total royalties for the Year. Other fees decreased by 7% in the Year as compared to 2015 due to lower margin earned on warranty programs offered to the Via Capitale Network partly offset by higher technology fees earned from Franchise Agreements acquired on July 1, 2015 and January 1, 2016.

Administration expenses of $1.0 million for the Year were lower than the Prior Year primarily due to the reduction in bad debt expense and third-party administrative costs.

Management fee expense of $7.8 million for the Year, calculated in accordance with the MSA, increased by 7% in the Year as compared to 2015, due to the increase in royalties.

Interest expense increased by $0.2 million as compared to the same period in 2015 as a result of higher average borrowings to finance the purchase of Franchise Agreements under the terms of the MSA. The Company's debt facilities are more fully described under *Debt Facilities.*

Amortization of Intangible Assets for the Year totaled $9.6 million, a decrease of 3% as a result of certain Franchise Agreements being fully amortized, as compared to the Prior Year.

Impairment of Intangible Assets for the Year totaled $0.1 million. Lower impairment charges were reflective of the fact that there were fewer underperforming Franchise Agreements in 2016 as compared to 2015.

Interest on Exchangeable Units represents the distributions to holders of Exchangeable Unitholders ("Exchangeable Unitholders"). For the Year, total distributions amounted to $1.72 per Exchangeable Unit compared to $1.62 per Exchangeable Unit in 2015. The interest paid to Exchangeable Unitholders was higher in the Year as a result of the Board approving two increases to the distribution per Exchangeable Unit in 2015, which is calculated in reference to the two dividend increases on the Restricted Voting Share approved by the Board in 2015.

Loss on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units during the Year. The Exchangeable Units are valued based on the value of the Company's Restricted Voting Shares. At December 31, 2016, the Company's Restricted Voting Shares were valued at $15.77 per share compared to $14.66 at December 31, 2015, resulting in a loss of $3.7 million. This loss represents an increase in obligation associated with the conversion features of the Exchangeable Units. In 2015, the change in fair value of Exchangeable Units were valued based on a $14.66 price for the Company's Restricted Voting Shares compared to $13.00 at the beginning of the 2015, resulting in a loss of $5.5 million.

Gain on interest rate swap of $0.8 million is a non-cash item which represents the change in fair value of the Interest Rate Swap entered into on October 27, 2014 by the Company. The interest rate swap fixes the annual interest rate on the Company's Term Facility at 3.64%.

Loss on fair value of purchase obligation of $1.6 million represents an increase in the liability to the Manager related to Franchise Agreements purchased on July 1, 2015 and January 1, 2016. The increase in the liability is as a result of certain of those Franchise Agreements generating higher cash flows than those estimated on the date the Franchise Agreements were acquired.

Income Tax Expense The effective income tax rate paid by the Company for the Year was 42.7% (2015 –73.2%). The Company's effective income tax rate in the statement of earnings and comprehensive income is significantly different than the Company's enacted income tax rate of 26.5% (2015 – 26.5%). The difference in the effective income tax rate is driven by a number of items that are included in the determination of net income but excluded from the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, gain or loss on interest rate swap, loss on purchase obligation, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

Fourth Quarter Operating Results

(Unaudited)
For three months ended,
(in 000's) except per Share amounts;
Number of REALTORS®;

		2016 Dec. 31		2015 Dec. 31
Royalties				
Fixed franchise fees	$	5,470	$	5,311
Variable franchise fees		1,484		1,606
Premium franchise fees		1,639		1,431
Other revenue		1,009		1,191
		9,602		9,539
Less:				
Administration		308		252
Management fee		1,734		1,734
Interest expense		627		619
		2,669		2,605
Cash flow from operations		6,933		6,934
Impairment of intangible assets		–		(697)
Amortization of intangible assets		(2,155)		(2,502)
Interest on Exchangeable units		(1,428)		(1,408)
Gain / (loss) on fair value of Exchangeable Units		2,762		(4,027)
Gain on interest rate swap		621		84
Loss on fair value of purchase obligation		(167)		(454)
Earnings (loss) before income taxes		6,566		(2,070)
Current income tax expense		1,063		1,136
Deferred income tax expense (recovery)		176		(205)
Net earnings and comprehensive income (loss)	$	5,327	$	(3,001)
Basic earnings (loss) per share	$	0.56	$	(0.32)
Diluted earnings (loss) per share	$	0.31	$	(0.32)
Cash flow from operations per share on a diluted basis	$	0.54	$	0.54
Number of REALTORS®		17,580		16,794

During the Quarter, the Company generated net earnings of $5.3 million and CFFO of $6.9 million, compared to a net loss of $3.0 million and CFFO of $9.3 million for the Prior Year Quarter.

Royalties for the Quarter totaled $9.6 million, compared to $9.5 million for the Prior Year Quarter. Fixed, variable and Premium Franchise Fees together represented 89% of royalties (2015 – 88%). Royalties increased primarily due to the larger REALTOR® base and continued strong Canadian Market, particularly in Toronto.

Fixed franchise fees for the Quarter increased by 3% as compared to the Prior Year Quarter, due to the increase in the REALTOR® base driven primarily by the acquisition of Franchise Agreements on January 1, 2016 representing 459 REALTORS® and net recruitment growth of 327 REALTORS® during the Year.

Variable franchise fees for the Quarter decreased by 7% compared to the Prior Year Quarter as a result of significant weakness in the GVA market (which suffered a 41% reduction in market activity in the Quarter) and a higher proportion of REALTORS® and Teams in Ontario reaching the variable franchise fee cap earlier in the Year as compared to the Prior Year.

Premium franchise fees are derived from 29 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 14.5% compared to Prior Year Quarter, consistent with the increase in the segments of the underlying GTA market serviced by those locations.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 10.5% (2015 – 12%) of total royalties for the Quarter. Other fees decreased 15.3% in the Quarter over the Prior Year Quarter due to lower margin earned on warranty programs offered to the Via Capitale Network partly offset by higher technology fees earned from Franchise Agreements acquired on January 1, 2016.

Administration expenses for the Quarter were substantially unchanged compared to the Prior Year Quarter.

Management fee expense of $1.7 million for the Quarter, calculated in accordance with the MSA, was unchanged compared to the Prior Year Quarter.

Interest expense increased by less than $0.1 million compared to the Prior Year Quarter as a result of higher average borrowings to finance the purchase of Franchise Agreements under the terms of the MSA. The Company's debt facilities are more fully described under *Debt Facilities.*

Amortization of Intangible Assets for the Quarter totaled $2.2 million, a decrease of 14% compared to the Prior Year Quarter as a result of certain Franchise Agreements being fully amortized as compared to the Prior Year Quarter.

Impairment of Intangible Assets for the Quarter was nil in comparison to the Prior Year Quarter. Lower impairment charges compared to the fourth quarter of 2015 were reflective of the fact that there were fewer underperforming Franchise Agreements in 2016 compared to 2015.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Quarter, total distributions amounted to $0.43 per Exchangeable Unit compared to $0.41 per Exchangeable Unit for the Prior Year Quarter. The interest paid to Exchangeable Unitholders was higher in the Quarter as a result of the Board approving two increases to the distribution per Exchangeable Unit in 2015, which is calculated in reference to the two dividend increases on the Restricted Voting Share approved by the Board in 2015.

Gain on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units during the Quarter. The Exchangeable Units are valued based on the value of the Company's Restricted Voting Shares. At December 31, 2016, the Company's Restricted Voting Shares were valued at $15.77 per share compared to $16.60 at the beginning of the Quarter, resulting in a gain of $2.8 million. This gain represents a decrease in obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the change in fair value of Exchangeable Units was valued based on a $14.66 price for the Company's Restricted Voting Shares at December 31, 2015, compared to $13.45 at the beginning of the Prior Year Quarter, resulting in a loss of $4.0 million.

Gain on interest rate swap of $0.6 million is a non-cash item which represents the change in fair value of the Interest Rate Swap entered into on October 27, 2014 by the Company. The interest rate swap fixes the annual interest rate on the Company's Term Facility at 3.64%.

Loss on fair value of purchase obligation of $0.2 million represents an increase in liability to the Manager related to Franchise Agreements purchased on July 1, 2015, and January 1, 2016. The increase in the liability is as a result of certain of those Franchise Agreements generating higher cash flows than those estimated on the date the Franchise Agreements were acquired.

Income Tax Expense The effective income tax rate paid by the Company for the Quarter was 18.8% (2015 – 45%). The Company's effective income tax rate in the consolidated statement of earnings and comprehensive income is significantly different than the Company's enacted income tax rate of 26.5% (2015 – 26.5%). The difference in the effective income tax rate is driven by a number of items that are included in the determination of net loss but excluded from the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, gain on interest rate swap, loss on purchase obligation, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

Summary of Quarterly Results and Cash Flow from Operations

(Unaudited)

For three months ended,	2016				2015			
(in 000's) except per Share amounts; Number of REALTORS®;	**Dec. 31**	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Royalties								
Fixed franchise fees	**$ 5,470**	$ 5,456	$ 5,440	$ 5,385	$ 5,311	$ 5,109	$ 5,025	$ 4,931
Variable franchise fees	**1,484**	3,670	2,912	2,163	1,606	3,115	2,716	1,759
Premium franchise fees	**1,639**	2,417	1,463	843	1,431	2,270	1,362	829
Other revenue	**1,009**	1,024	1,054	1,006	1,191	1,071	1,198	935
	9,602	12,567	10,869	9,397	9,539	11,565	10,301	8,454
Less:								
Administration	**308**	252	203	295	252	348	334	352
Management fee	**1,734**	2,331	2,003	1,687	1,734	2,115	1,876	1,504
Interest expense	**627**	662	653	665	619	640	589	580
Cash flow from operations	**6,933**	9,322	8,010	6,750	6,934	8,462	7,502	6,018
Impairment of intangible assets	**–**	(77)	(34)	–	(697)	(135)	(169)	(46)
Amortization of intangible assets	**(2,155)**	(2,318)	(2,505)	(2,605)	(2,502)	(2,524)	(2,401)	(2,465)
Interest on Exchangeable units	**(1,428)**	(1,428)	(1,427)	(1,428)	(1,408)	(1,372)	(1,336)	(1,318)
Gain / (loss) on fair value of Exchangeable Units	**2,762**	(5,391)	(1,531)	466	(4,027)	5,258	(2,928)	(3,827)
Gain / (loss) on interest rate swap	**621**	177	136	(112)	84	(257)	280	(1,561)
Gain / (loss) on fair value of purchase obligation	**(167)**	311	(248)	(1,464)	(454)	(481)	319	(17)
Earnings (loss) before income taxes	**6,566**	596	2,401	1,607	(2,070)	8,951	1,267	(3,216)
Current income tax expense	**1,063**	1,524	1,270	1,036	1,136	1,309	1,130	894
Deferred income tax expense (recovery)	**176**	110	(31)	(371)	(205)	(169)	97	(584)
Net earnings and comprehensive income (loss)	**$ 5,327**	$ (1,038)	$ 1,162	$ 942	$ (3,001)	$ 7,811	$ 40	$ (3,526)
Basic earnings (loss) per Share	**$ 0.56**	$ (0.11)	$ 0.12	$ 0.10	$ (0.32)	$ 0.82	$ –	$ (0.37)
Diluted earnings (loss) per Share	**$ 0.31**	$ (0.11)	$ 0.12	$ 0.10	$ (0.32)	$ 0.31	$ –	$ (0.37)
Cash flow from operations per share on a diluted basis	**$ 0.54**	$ 0.73	$ 0.63	$ 0.53	$ 0.54	$ 0.66	$ 0.59	$ 0.47
Number of REALTORS®	**17,580**	17,538	17,405	17,320	16,794	16,826	16,105	16,206

For the twelve months ended December 31, 2016, the Company generated CFFO of $2.42 per Share, as compared to $2.26 per Share generated during the Prior Year. A summary of the Company's CFFO generated over the last eight quarters on a rolling 12 months' basis is presented in the table below.

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

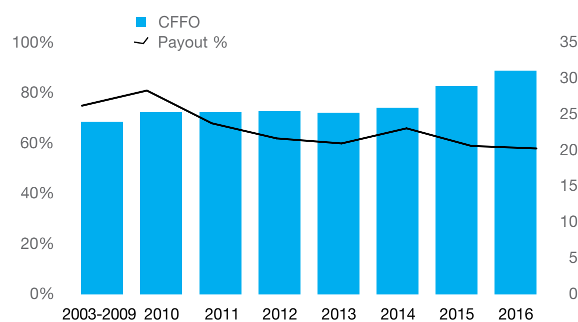
For twelve months ended,	2016				2015			
(in 000's) except per Share amounts	**Dec. 31**	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Royalties	**$ 42,436**	$ 42,372	$ 41,370	$ 40,802	$ 39,859	$ 38,904	$ 38,134	$ 37,698
Less:								
Administration	**1,058**	1,002	1,098	1,229	1,286	1,373	1,627	1,724
Management fee	**7,754**	7,755	7,539	7,412	7,229	6,926	6,694	6,548
Interest expense	**2,606**	2,599	2,577	2,513	2,428	2,898	3,035	3,228
	31,018	31,016	30,156	29,648	28,916	27,707	26,778	26,198
Cash Flow from Operations per Share	**$ 2.42**	$ 2.42	$ 2.35	$ 2.31	$ 2.26	$ 2.16	$ 2.09	$ 2.04

The Company's operations have generated significant cash flows with $323.5 million of CFFO generated since inception, of which $223.7 million has been distributed to shareholders and Exchangeable Unitholders. Of the remaining $99.8 million retained by the Company, $80 million has been invested in Franchise Agreements, $4.1 million was used to purchase shares of the Company in 2008 and 2009 and the balance was used to pay income taxes and fund net working capital requirements.

The chart below presents a summary of the CFFO generated by the Company since inception and the percentage payout of these amounts to shareholders and the Exchangeable Unitholders of the Company in the form of dividends to shareholders and interest to the Exchangeable Unitholders.

CASH FLOW FROM OPERATIONS

(Years ended December 31, in $ millions)



The table below presents a reconciliation of cash flow from operating activities, as presented in the consolidated statements of cash flows, to cash flows from operations, a measure used by the management of the Company to assess performance.

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO CASH FLOW FROM OPERATIONS

($ 000's) Years ended December 31,	2016	2015
Cash flow from operating activities	$ 20,148	$ 20,433
Add (deduct):		
Interest on Exchangeable Units	5,710	5,434
Income taxes paid	5,098	4,137
Changes in non-cash working capital items	111	(1,045)
Interest expense	(8,106)	(7,703)
Interest paid	8,057	7,660
CFFO	$ 31,018	$ 28,916

CFFO represents operating income before deducting amortization and impairment of intangible assets.

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 shareholders of Restricted Voting Shares and Exchangeable Unitholders, and to meet cash tax payments. Investors are cautioned, however, that CFFO should not be interpreted as an alternative to using net earnings (as a measure of profitability) or cash provided by operating activities (as a measure for cash flows) to evaluate the Company's financial performance.

The Company has paid out in the past, and could pay out in any given period, cash in excess of net income to shareholders as a significant portion of the Company's operating expenses is made up of non-cash amortization of intangible assets and other non-cash charges to net earnings. Management does not view the payment of cash in excess of net income as an economic return of capital as these intangible assets and other non-cash charges are not expected to require a further cash outlay in the future. The value of intangible assets is dependent upon the Company'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 has been used to fund the acquisition of Franchise Agreements, pay distributions to the Exchangeable Unitholders, fund the purchase of shares under normal course issuer bids and pay liabilities as they come due. It is management's expectation, at the discretion of the Board, 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.

Debt Facilities

As at December 31, 2016, the Company's $78.0 million financing is comprised of the following three arrangements, maturing February 17, 2020

- A $53.0 million term facility (the "Term Facility"). The Term Facility bears interest at a variable rate of Banker's Acceptances ("BAs") +1.70% or Prime + 0.5%, which the Company has swapped to a fixed rate of 3.64%. The swap contract matures on October 28, 2019;
- A $20.0 million acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company, bearing interest at a variable rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility; and
- A $5.0 million revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements, bearing interest at a variable rate of BAs +1.70% or Prime + 0.5%.

The covenants of this financing 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 2.5 to 1. Consolidated EBITDA is defined as operating income before deducting amortization and impairment of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities. Senior Interest Expense is defined as interest on Senior Indebtedness. As at December 31, 2016 the Company is compliant with these covenants.

Liquidity

Cash Flow from Operations is the largest source of liquidity for the Company. CFFO is derived substantially from royalties received under Franchise Agreements. Given that Franchisees are contractually obligated to pay royalties for up to ten years under the Franchise Agreements and given the high degree of success the Company has had in renewing its Franchise Agreements in the past when they come due, the Company believes that the existing portfolio of Franchise Agreements, will generate sufficient cash flow, along with its non-cash working capital and capital resources, for the Company to meet its operating commitments.

The Company's ability to grow its CFFO is dependent upon the ability of the Manager to increase the size of the Network, which it can do by, a) supporting Franchisees in their efforts to recruit REALTORS® to their Brokerages, b) assisting Franchisees to acquire Brokerages from outside the Network and, c) entering into new Franchise Agreements which can then be purchased by the Company under the terms of the MSA. Under the terms of the MSA, the Company purchases new Franchise Agreements subject to a) the Franchise Agreements meeting specific criteria as outlined in the MSA, and b) the Company having sufficient liquidity to complete any purchase of Franchise Agreements. The Company has entered into the Acquisition Facility specifically to provide capital resources to purchase Franchise Agreements from the Manager. The Company meets regularly with the Manager during the year to determine the Manager's progress in entering into new Franchise Agreements.

In 2016, the Company funded the purchase of Franchise Agreements through $6.0 million in borrowings under its available debt facilities. The Company generated sufficient CFFO during the Year (after payment of dividends, distributions and its operating obligations) to repay $7.0 million of those borrowings and to pay $4.1 million to settle the purchase obligation outstanding for the Franchise Agreements acquired on January 1, 2016, under the Royal LePage brand and Franchise Agreements acquired on January 1, 2015, under the Royal LePage and Via Capitale brands, and Franchise Agreements acquired on January 1, 2013, under the Via Capitale brand that are subject to a three-year purchase price determination period. The Company anticipates using its debt facilities to fund the purchase of Franchise Agreements in the future with repayments of any borrowings to be funded through CFFO.

WORKING CAPITAL

Changes in the Company's net working capital are primarily driven by Cash Flow 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.

Overall the non-cash working capital deficit increased by $0.4 million from $1.9 million as at December 31, 2015, to $2.3 million as at December 31, 2016. The increase in the non-cash working capital deficit resulted primarily from:

- A total of $0.1 million decrease in prepaid expense and accounts receivable and current portion of notes receivable as a result of improved collection effort as compared to 2015;
- A $0.7 million increase in the current portion of purchase obligation, resulting from an increase in amounts owing for Franchisee Agreements for which the Company has not yet fully paid; offset by,
- A $0.2 million decrease in current income tax liability; and
- A $0.3 million decrease in accounts payables due to timing of payments for operating expenses.

A summary of the Company's non-cash working capital is presented below:

($ 000's) As at	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Change in Quarter	Change in Year
Current assets										
Accounts receivable and current portion of notes receivable	**$ 3,967**	$ 4,692	$ 4,773	$ 4,521	$ 4,043	$ 5,011	$ 5,903	$ 5,345	$ (725)	$ (76)
Prepaid expenses	**147**	142	167	172	202	126	164	179	5	(55)
	$ 4,114	$ 4,834	$ 4,940	$ 4,693	$ 4,245	$ 5,137	$ 6,067	$ 5,524	$ (720)	$ (131)
Current liabilities										
Accounts payable and accrued liabilities	**$ 893**	$ 1,247	$ 1,112	$ 1,203	$ 1,181	$ 1,240	$ 1,213	$ 1,231	$ (354)	$ (288)
Debt facilities	**–**	–	–	–	–	–	–	–	–	–
Current portion of Purchase obligation	**3,559**	4,787	5,098	7,571	2,824	2,371	1,887	4,404	(1,228)	735
Current income tax liability	**435**	494	72	67	640	474	86	894	(59)	(205)
Interest payable to Exchangeable Unitholders	**476**	476	476	476	476	441	441	423	–	–
Dividends payable to Restricted Voting Shareholders	**1,027**	1,027	1,027	1,027	1,027	988	988	948	–	–
	6,390	8,031	7,785	10,344	6,148	5,514	4,615	7,900	(1,641)	242
Net working capital (deficit)	**$ (2,276)**	$ (3,197)	$ (2,845)	$ (5,651)	$ (1,903)	$ (377)	$ 1,452	$ (2,376)	$ 921	$ (373)

Capital Resources

A summary of capital resources available to the Company as at December 31, 2016 and December 31, 2015 is presented below:

(in 000's) As at	2016	2015
Cash	**$ 3,102**	$ 5,645
Term Facility	**–**	–
Acquisition Facility	**9,100**	8,100
Operating Facility	**5,000**	5,000
Net borrowing capacity	**$ 14,100**	$ 13,100
Capital resources	**$ 17,202**	$ 18,745

As at December 31, 2016, $10.9 million of the Acquisition Facility has been drawn by the Company, leaving $14.1 million available under the debt facilities. This represents an increase of $1.0 million in net borrowing capacity as a result of the Company borrowing $6.0 million on the Acquisition Facility on January 1, 2016 to fund the acquisition of certain Franchise Agreements from the Manager and repaying $7.0 million during the Year.

In addition to the capital resources included in the table above, the Company generates substantial CFFO which can be used to fund dividend payments and interest on Exchangeable Units, to acquire Franchise Agreements and to repay amounts owing under the debt facilities.

Commitments

The estimated contractual liabilities and their dates of maturity are summarized in the chart below.

		2017		2018		2019		Beyond 2019		Total
Accounts payable and accrued liabilities	$	893	$	–	$	–	$	–	$	893
Purchase obligation		3,559		–		–		–		3,559
Interest payable to Exchangeable Unitholders		476		–		–		–		476
Dividends payable to shareholders		1,027		–		–		–		1,027
Interest on debt facilities		2,179		2,179		2,179		363		6,900
Interest rate swap liability		–		–		–		1,114		1,114
Term facility		–		–		–		53,000		53,000
Acquisition facility								10,900		10,900
Exchangeable Units		–		–		–		52,477		52,477
Total	$	8,134	$	2,179	$	2,179	$	117,854	$	130,346

As at December 31, 2016, the Board had approved the acquisition of 51 Franchise Agreements under the Royal LePage brand and four Franchise Agreements under the Via Capitale brand from the Manager for an estimated purchase price of $8.2 million. A payment of $6.6 (approximating 80% of the estimated purchase price plus applicable taxes) was paid on January 4, 2017 through a draw on the Company's Acquisition Facility. The remaining obligation is to be paid in 2017 when the final purchase price is determined in accordance with the terms of the MSA.

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 71.6% by the public and 28.4% by BBP, primarily through its ownership of the Exchangeable Units of the Partnership and Restricted Voting Shares. The Exchangeable Units were issued by the Company at its inception to affiliates of BBP as consideration for certain assets purchased from those affiliates. These assets included the Trademarks and Franchise Agreements related to the business of its Royal LePage residential real estate brokerage franchise operations.

The Manager operates 24 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,909 REALTORS® with 1,298 REALTORS® operating out of 14 locations in the GTA market and 611 REALTORS® operating from 9 locations in the GVA market. All of these Franchise Agreements associated with the Brokerages have been purchased by the Company.

All of these corporately owned operations operate under Franchise Agreements with the standard fixed and variable franchise fees. The GTA based locations are up for renewal in 2023, while the GVA operations are up for renewal between 2023-2024. Included in the GTA based Franchise Agreement is an obligation to pay Premium Franchise Fees ranging from 1% to 5% for 11 of the 14 location's Gross Revenue to August 2018. The Company does not expect the premium fee revenues to continue beyond August 2018.

The management of the Company is provided by the Manager under the terms of the MSA. The Manager is a company controlled by the Exchangeable Unitholders. The MSA was effective January 1, 2014, with an initial five-year term and a provision for the automatic renewal of successive five-year terms. Under the MSA, the Manager provides certain management, administrative and support services to the Company and its subsidiaries and in return is paid a monthly fee equal to 20% of the distributable cash flow of the Company. The Manager can earn an additional fee for net organic recruitment growth, which closely aligns the Manager and the Company's goals with growing the underlying network of REALTORS®. The MSA also provides the Manager with the ability to sell other branded Canadian franchises that it may acquire to the Company, based on a pre-determined formula.

The MSA prescribes the conditions under which the Company purchases Franchise Agreements from the Manager and the formula for calculating the purchase price. The final purchase price for existing Brands is based on, among other things, the average annual royalties earned over a specified one-year period, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment.

On January 1 of each year (or such other time as the Board may deem appropriate), the Company may, subject to approval by the Board and meeting certain criteria detailed in the MSA, purchase Royal LePage and Via Capitale Franchise Agreements entered into by the Manager prior to 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 issuance of Exchangeable Units shares of the Company, at the option of the Company.

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 can be found in Note 13 of the consolidated financial statements.

On January 1, 2016, the Company acquired 33 Franchise Agreements for $6.6 million comprising 459 REALTORS® generating approximately $1.0 million in annual royalties. A payment of $5.3 million, approximating 80% of the estimated purchase price, plus applicable taxes was paid on January 8, 2016 through a draw on the Company's Acquisition Facility. The remainder of the purchase price related to the 27 Franchise Agreements acquired under the Royal LePage Brand was paid on December 28, 2016, while the remaining obligation for the six Franchise Agreements acquired under the Via Capitale Brand is to be paid after the final purchase price is determined in 2017.

On July 1, 2015, the Company acquired 12 Franchise Agreements for $9.8 million comprising 719 REALTORS®generating approximately $1.4 million in annual royalties. A payment of $7.8 million, approximating 80% of the estimated purchase, plus applicable taxes was paid on July 3, 2015 through a draw on the Company's Acquisition Facility. The remaining obligation is to be paid after the final purchase price is determined in 2017.

On January 1, 2015, the Company acquired 40 Franchise Agreements for $10.2 million comprising 848 REALTORS® generating approximately $1.5 million in annual royalties. A payment of $8.1 million, approximating 80% of the estimated purchase price, plus applicable taxes was paid on January 2, 2015 using cash on hand and a draw of $8.0 million on the Company's then $10.0 million Acquisition Facility. The remainder of the purchase price was paid on June 29, 2016.

Critical Accounting Estimates and Assumptions

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 bad debt expense (which is included in the Company's administration costs), and the amortization period of intangible assets.

The Company's intangible assets are regularly monitored for indications of impairment in the carrying value of these assets.

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing the fair value and related impairment of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measuring deferred income taxes, measuring the fair value of purchase obligations and Exchangeable Units and fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been prepared in a manner consistent with prior periods, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates, which are highly uncertain. The interrelated nature of these factors prevents management from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the financial statements.

Accounting for Franchise Agreements

The critical judgment made in accounting for the acquisition of Franchise Agreements is determining whether the acquisition is considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company must evaluate whether the acquisition includes both inputs and processes and, as well, whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company has evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements is an acquisition of assets as no processes are acquired in respect of the Franchise Agreements. In addition, the Company must apply judgment with respect to the accounting for the purchase obligation in connection with the purchase of Franchise Agreements. The Company has determined that the purchase obligation is an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to changes in the estimated royalty expected to be earned under the Franchise Agreement and the actual royalty earned during the determination period. The Company records any change in the fair value of this financial liability in the consolidated statement of earnings and comprehensive income.

Impairment of Intangible Assets

Under IAS 36, Impairment of Assets, the Company ensures that the carrying value of intangible assets are not more than their recoverable amount (i.e. the higher of; a) fair value less costs of disposal, and b) value-in-use). The Company regularly reviews intangible assets to determine whether indicators of impairment exist on individual Franchise Agreements and Trademarks. When reviewing indicators of impairment for Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical REALTOR® count, collectability of receivables and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement exceeds its recoverable amount or when the recovery of the carrying amount is no longer reasonably assured.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, purchase obligation, current income tax liability, interest payable to Exchangeable Unitholders, dividends payable to shareholders of Restricted Voting Shares, debt facilities, interest rate swap liability and Exchangeable Unit liability.

The Company is exposed to credit risk with respect to accounts and notes 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 and notes receivable. Management reviews the financial position of all Franchisees during the application process and closely monitors outstanding amounts receivable on an ongoing basis.

On October 27, 2014, the Company entered into an interest rate swap arrangement to fix the interest rate on the Company's $53.0 million Term Facility at 3.64% to October 28, 2019. The Company's Term Facility matures on February 17, 2020.

The Company is exposed to the risk of interest rate fluctuations on its $20.0 million Acquisition Facility and $5.0 million Operating Facility as the interest rates on these facilities are based on Prime or Banker Acceptance interest rates. As at December 31, 2016, the Company has drawn $10.9 million on the Acquisition Facility, and nil on the Operating Facility.

Disclosure Controls and Internal Controls over Financial Reporting

The Company takes all necessary steps to ensure that material information regarding the Company's 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 Officer 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 Officer and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at December 31, 2016. 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 the Company's financial reporting is reliable and that the Company's consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR was 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 December 31, 2016. The design of ICFR is undertaken in accordance with the 1992 COSO framework.

Outstanding Restricted Voting Shares

BRESI is authorized to issue an unlimited number of Restricted Voting Shares, an unlimited number of preferred shares and one Special Voting Share. As of December 31, 2016 BRESI has issued 9,483,850 Restricted Voting Shares, no preferred shares and one Special Voting Share.

Each Restricted Voting Share represents a proportionate voting right in BRESI, and holders of BRESI's Restricted Voting Shares are entitled to dividends declared and distributed by BRESI.

The Special Voting Share is owned by BBP and represents the proportionate voting rights of Exchangeable Unitholders in the Company. The Special Voting Share is not eligible to receive dividends and can be redeemed at $0.01 per share.

Risk Factors

Risks related to the residential real estate brokerage industry and the business of 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 Centre/Other Disclosure Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

Forward-Looking Statements

This MD&A contains forward-looking information and other "forward-looking statements" within the meaning of applicable securities legislation. Words such as "outlook", "believe(s)", "further", "growth", "will", "forecast", "objective", "continue", "determine", "ongoing", "foreseeable", "maintain", "seeks", "strive", "momentum", "expects", "anticipates", "increase", "near-term", "signs", "experiencing", "uncertainty", "extended" and other expressions that are predictions of or could indicate future events and trends and that 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 that may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward looking statements include, but are not limited to: a change in general economic conditions (including interest rates, consumer confidence, commodity prices and other general economic factors or indicators), the level of residential real estate transactions, the availability of attractive investment opportunities, the average rate of commissions charged, competition from other real estate brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or royalty revenue from the Company's Network, availability to generate sufficient cash flows in the future to pay dividends to shareholders of Restricted Voting Shares and interest to Exchangeable Unitholders, ability to renew and/or extend Franchise Agreements, the ability to maintain brand equity through the use of trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, the availability of equity and debt financing, a change in tax law or regulations, 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. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to management. Material factors or assumptions that were applied in drawing conclusions or making estimates set out in the forward-looking statements include, but are not limited to: anticipated economic conditions, anticipated impact of government policies, anticipated financial performance, anticipated market conditions, business prospects, the successful execution of the Company's business strategies, regulatory developments and the ability to obtain financing on acceptable terms. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A and 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 – DIVIDENDS DECLARED HISTORY

(per Restricted Voting Share*)

Month Declared	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
January	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
February	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
March	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
April	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
May	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1000	**$ 0.1083**
June	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	**$ 0.1083**
July	$ 0.1040	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	**$ 0.1083**
August	$ 0.1170	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	**$ 0.1083**
September	$ 0.1170	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	**$ 0.1083**
October	$ 0.1170	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	**$ 0.1083**
November	$ 0.1170	$ 0.1170	$ 0.1170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1042	**$ 0.1083**
December	$ 0.1170	$ 0.1570	$ 0.3170	$ 0.0920	$ 0.0920	$ 0.0920	$ 0.1000	$ 0.1083	**$ 0.1083**
	$ 1.3126	$ 1.4436	$ 1.6036	$ 1.1040	$ 1.1040	$ 1.1040	$ 1.2000	$ 1.2335	**$ 1.2996**

*Amounts declared prior to 2011 represent distributions declared to unitholders, prior to the Company's re-organization from an income trust to a corporate structure on December 31, 2010.

Supplemental Information – Share Performance

(in Canadian dollars) except shares outstanding and average daily volume For three months ended,	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	**Dec. 31, 2016**
Trading price range of units (TSX: "BRE")								
Close	$ 14.15	$ 15.03	$ 13.45	$ 14.66	$ 14.52	$ 14.98	$ 16.60	**$ 15.77**
High	$ 14.68	$ 15.25	$ 15.25	$ 15.08	$ 15.00	$ 15.70	$ 16.98	**$ 16.72**
Low	$ 14.02	$ 13.82	$ 13.25	$ 13.26	$ 13.21	$ 14.30	$ 14.92	**$ 14.90**
Average daily volume	20,818	13,070	5,318	4,304	5,319	7,030	9,733	**7,623**
Number of Restricted Voting Shares 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**
Market capitalization	$ 181,283	$ 192,557	$ 172,315	$ 187,817	$ 186,023	$ 191,917	$ 212,671	**$ 202,076**

Supplemental Information – Canadian Residential Real Estate Market

For three months ended	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	**Dec. 31, 2016**
Canada								
Transaction dollar volume[1]	$ 43,233	$ 74,202	$ 58,668	$ 48,130	$ 56,860	$ 90,569	$ 65,643	**$ 49,891**
Average selling price	$ 428,177	$ 451,666	$ 433,884	$ 454,644	$ 498,261	$ 506,921	$ 470,259	**$ 480,891**
Number of units sold	100,970	164,285	135,216	105,863	114,117	178,664	139,590	**103,747**
Number of REALTORS® at period end[2]	111,424	112,498	113,499	114,664	115,835	117,839	119,514	**121,212**
Housing starts	33,599	48,355	52,738	46,906	35,602	49,222	49,573	**46,250**
Greater Toronto Area								
Transaction dollar volume[1]	$ 11,673	$ 22,457	$ 15,984	$ 13,238	$ 15,277	$ 28,032	$ 21,403	**$ 17,990**
Average selling price	$ 594,560	$ 641,610	$ 612,930	$ 626,384	$ 675,406	$ 746,505	$ 725,771	**$ 747,559**
Number of units sold	19,633	35,001	26,078	21,134	22,619	37,551	29,490	**24,065**
Housing starts	8,236	10,987	12,500	10,564	9,412	10,069	9,614	**13,192**
Greater Vancouver Area								
Transaction dollar volume[1]	$ 8,028	$ 11,678	$ 9,524	$ 9,721	$ 13,280	$ 15,150	$ 7,446	**$ 5,708**
Average selling price	$ 873,748	$ 909,289	$ 874,403	$ 950,988	$1,094,897	$1,058,700	$ 912,612	**$ 908,628**
Number of units sold	9,188	12,843	10,892	10,222	12,129	14,310	8,159	**6,282**
Housing starts	4,283	5,655	5,298	5,627	7,081	7,759	7,358	**5,716**
Greater Montreal Area								
Transaction dollar volume[1]	$ 3,158	$ 4,246	$ 2,640	$ 2,780	$ 3,523	$ 4,413	$ 2,918	**$ 2,224**
Average selling price	$ 326,004	$ 337,815	$ 345,053	$ 346,288	$ 332,327	$ 346,743	$ 360,648	**$ 360,778**
Number of units sold	9,687	12,569	7,651	8,028	10,601	12,727	8,091	**6,091**
Housing starts	2,148	4,526	6,588	5,482	2,791	4,719	5,748	**4,576**

[1] (in millions Canadian dollars)
[2] CREA Membership data as of December 31, 2016
Source: CREA, CMHC, TREB

For twelve months ended	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	**Dec. 31, 2016**
Canada								
Transaction dollar volume[1]	$ 200,898	$ 211,704	$ 217,459	$ 224,233	$ 237,860	$ 254,227	$ 261,202	**$ 262,963**
Average selling price	$ 413,875	$ 426,533	$ 434,610	$ 442,856	$ 457,880	$ 476,205	$ 485,295	**$ 490,495**
Number of units sold	485,407	496,337	500,354	506,334	519,481	533,860	538,234	**536,118**
Housing starts	173,472	173,043	178,128	181,598	183,601	184,468	181,303	**180,647**
Greater Toronto Area								
Transaction dollar volume[1]	$ 54,660	$ 59,233	$ 61,381	$ 63,352	$ 66,956	$ 72,531	$ 77,950	**$ 82,702**
Average selling price	$ 575,587	$ 598,313	$ 612,408	$ 622,037	$ 638,698	$ 675,448	$ 703,558	**$ 727,210**
Number of units sold	94,964	99,000	100,229	101,846	104,832	107,382	110,794	**113,725**
Housing starts	34,693	37,122	43,001	42,287	43,463	42,545	39,659	**42,287**
Greater Vancouver Area								
Transaction dollar volume[1]	29,604	33,343	35,618	$ 38,951	$ 44,203	$ 47,675	$ 45,597	**$ 41,584**
Average selling price	$ 826,696	$ 859,799	$ 873,504	$ 902,793	$ 959,142	$1,002,566	$1,017,336	**$1,017,221**
Number of units sold	35,810	38,780	40,776	43,145	46,0z86	47,553	44,820	**40,880**
Housing starts	19,122	20,040	19,807	20,863	23,661	25,765	27,825	**27,914**
Greater Montreal Area								
Transaction dollar volume[1]	$ 11,884	$ 12,402	$ 12,609	$ 12,824	$ 13,189	$ 13,356	$ 13,634	**$ 13,078**
Average selling price	$ 331,696	$ 335,443	$ 338,097	$ 338,052	$ 339,494	$ 342,400	$ 345,628	**$ 348,654**
Number of units sold	35,828	36,972	37,294	37,935	38,849	39,007	39,447	**37,510**
Housing starts	17,435	16,573	18,906	18,744	19,387	19,580	18,740	**17,834**

[1] (in millions Canadian dollars)
Source: CREA, CMHC, TREB

Supplemental Information – Cash Flow from Operations

CASH FLOW FROM OPERATIONS AND ITS UTILIZATION SINCE COMPANY INCEPTION

			IFRS			Canadian GAAP
($ 000's)	**Total**	**Year ended Dec. 31, 2016**	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014	Jan. 1, 2010 to Dec. 31, 2013	Aug.7, 2003 to Dec. 31, 2009
Royalties	**$ 456,954**	**$ 42,436**	$ 39,859	$ 37,392	$ 146,137	$ 191,130
Less:						
Administration	**14,503**	**1,058**	1,286	1,626	6,141	4,392
Management fee	**83,205**	**7,754**	7,229	6,469	26,909	34,844
Interest Expense	**35,828**	**2,606**	2,428	3,419	11,943	15,432
Cash flow from operations	**323,418**	**31,018**	28,916	25,878	101,144	136,462
Less:						
Dividends to shareholders	**160,879**	**12,325**	11,619	11,305	48,759	76,871
Interest to Exchangeable Unitholders	**62,780**	**5,710**	5,434	5,856	19,953	25,827
Total equity distributions	**223,659**	**18,035**	17,053	17,161	68,712	102,698
Cash flow from operations less total dividends	**99,758**	**12,983**	11,863	8,717	32,432	33,764
Less: Funding of acquisitions	**80,017**	**9,429**	18,150	5,998	21,296	25,144
Less: Purchase of units under NCIB	**4,096**	**–**	–	–	–	4,096
Net change in the Period	**$ 15,645**	**$ 3,554**	$ (6,287)	$ 2,719	$ 11,136	$ 4,524
Taxes and working capital	**(12,543)**	**(6,097)**	8,880	(3,300)	(14,345)	2,318
Change in period	**$ 3,102**	**$ (2,543)**	$ 2,593	$ (581)	$ (3,209)	$ 6,842
Cash balance, beginning of the Year	**$ –**	**$ 5,645**	$ 3,052	$ 3,633	$ 6,842	$ –
Cash balance, end of the Year	**$ 3,102**	**$ 3,102**	$ 5,645	$ 3,052	$ 3,633	$ 6,842
Equity Distributions payment rate [1]	**69%**	**58%**	59%	66%	68%	75%

[1] This represents the total equity distributions paid as a percentage of Cash Flow from Operations.

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO CASH FLOW FROM OPERATIONS

			IFRS			Canadian GAAP
($ 000's)	**Total**	**Year ended Dec. 31, 2016**	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014	Jan. 1, 2010 to Dec. 31, 2013	Aug.7, 2003 to Dec. 31, 2009
Cash flow from operating activities	**$ 246,816**	**$ 20,148**	$ 20,433	$ 16,957	$ 52,489	$ 136,789
Add (deduct):						
Changes in non-cash working capital items	**1,394**	**111**	(1,045)	127	1,433	768
Interest on Exchangeable Units	**36,953**	**5,710**	5,434	5,856	19,953	–
Income taxes paid	**24,511**	**5,098**	4,137	3,201	12,075	–
Interest on Trust units	**15,212**	**–**	–	–	15,212	–
Non-cash interest expense	**(1,468)**	**(49)**	(43)	(263)	(18)	(1,095)
Cash Flow from Opeartions	**$ 323,418**	**$ 31,018**	$ 28,916	$ 25,878	$ 101,144	$ 136,462

Supplemental Information –Selected Operating Information

As at	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	**Dec 31, 2016**
Number of REALTORS®	16,206	16,105	16,826	16,794	17,320	17,405	17,538	**17,580**
Number of locations	668	660	670	662	670	670	668	**667**
Number of franchise agreements	312	301	322	305	308	303	302	**297**

Supplemental Information – Acquisitions

Year acquired by the Company ($ millions) except number of REALTORS®	2016	2015	2014	2013	2012	2011	2010
Estimate purchase price							
Royal LePage	$ 6.0	$ 19.3	$ 6.1	$ 6.0	$ 1.9	$ 2.5	$ 4.2
Via Capitale	0.6	0.7	0.2	0.7	1.0	1.0	1.0
	$ 6.6	$ 20.0	$ 6.3	$ 6.7	$ 2.9	$ 3.5	$ 5.2
Actual purchase price							
Royal LePage	$ 6.2	(a)	$ 7.1	$ 5.8	$ 1.9	$ 2.5	$ 4.2
Via Capitale	(a)	0.6	(a),(b)	0.9	0.8	0.8	1.1
	(a)	(a)	$ 7.1	$ 6.7	$ 2.7	$ 3.3	$ 5.3
Acquired REALTORS®							
Royal LePage	419	1,530	484	462	145	188	343
Via Capitale	40	47	9	54	72	59	74
	459	1,577	493	516	217	247	417

(a) Actual purchase price determined is subject to audit of incremental cash flows earned.
(b) Actual purchase price for Via Capitale is determined over a three year period for acquisitions made prior to January 1, 2015.

Management's Discussion and Analysis of Results and Financial Condition

GLOSSARY OF TERMS

"BBP" means Brookfield BBP (Canada) Holdings LP, a limited partnership governed by the laws of Ontario and a subsidiary of Brookfield Business Partners LP, together with its affiliates but excluding the Manager and the subsidiaries of the Manager.

"Brands" means the real estate services brands owned or controlled by BRESI namely, Royal LePage, Johnston & Daniel and Via Capitale.

"BRESI" means Brookfield Real Estate Services Inc., a corporation incorporated under the laws of the Province of Ontario.

"Broker" means a REALTOR® who is licensed with the relevant regulatory body to manage a Brokerage.

"Broker-Owner" means the individual or a controlling group of individuals who have entered into Franchise Agreements to provide services under the Royal LePage, Johnston & Daniel or Via Capitale brands and are licensed with the relevant regulatory body to manage a Brokerage.

"Brokerage" means a real estate brokerage company, usually owned or controlled by a Broker, which may operate one or more offices or divisions.

"Cash Flow from Operations" or **"CFFO"** means operating income before deducting amortization and impairment of intangible assets. 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 Restricted Voting Shares. 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.

"Company" means BRESI, together with its subsidiaries.

"Company Network" means collectively the Royal LePage Network and the Via Capitale Network.

"Exchangeable Units" means the 3,327,667 Class B LP Units the Partnership issued at the inception of the Company to an affiliate of BBP in partial consideration for the Partnership's acquisition of the assets of the Partnership from that affiliate. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units. The Class B LP Units are indirectly exchangeable, on a one-for-one basis, subject to adjustment, for Restricted Voting Shares.

"Franchise" means a residential real estate Brokerage franchise operated pursuant to a Franchise Agreement with the Manager's comprehensive systems consisting of proprietary technological, marketing, promotional, communication and support systems.

"Franchise Agreements" means the franchise agreements and addendums thereto pursuant to which Brokerage offices offer residential brokerage services to their REALTORS®, including use of the Trademarks.

"Franchisees" means Brokerages which pay franchise fees under the Franchise Agreements.

"Franchise Network" means the Royal LePage Network and the Via Capitale Network.

"General Partner" means Residential Income Fund General Partner Limited, a corporation incorporated under the laws of the Province of Ontario to be the general partner of the Partnership and a subsidiary of the Company.

"Gross Revenue" means, in respect of a Franchisee, the gross commission income (net of payments to cooperating Brokerages) paid in respect of the closings of residential resale real estate transactions through REALTORS® associated with such Franchisee.

"International Financial Reporting Standards" or **"IFRS"** means a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB). IFRS is a global framework that provides general guidance for the preparation of financial statements and its disclosure to the public to convey measurable and comparable financial information.

"Interest Rate Swap" means the financial arrangement entered into with a Canadian Chartered Bank on October 27, 2014 to fix the interest rate on the Company's $53.0 million Term Facility at 3.64% to October 28, 2019. The fluctuation of the fair value of the Interest Rate Swap is primarily driven by the change in the expected variable interest rate yield curve from the expected variable interest rate yield curve at the inception of the financial arrangement.

"Management Services Agreement" or **"MSA"** means the third amended and restated management services agreement, made effective January 1, 2014 between the Company and the Manager, together with any amendments thereto, pursuant to which, among other things, the Manager provides management and administrative services to the Company, including management of the assets of the Company.

"Manager" means Brookfield Real Estate Services Manager Limited, a corporation incorporated under the laws of the Province of Ontario and an indirectly, wholly-owned subsidiary of BBP, together with its subsidiaries. The Manager provides management and administrative services to the Company, including management of the assets of the Company.

"Network" means the collection of Brokerages which operate under one of the Brands controlled by the Company.

"Partnership" means Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario, and a subsidiary of BRESI.

"Premium Franchise Fees" means franchise fees that are collected on certain Franchise locations to reflect the premium locations (principally the Greater Toronto Area) in which such Franchises operate. The premium fee payable is in addition to the basic fixed fee and the basic variable fee as an uncapped amount ranging from 1% to 5% (based on location) of the REALTORS'® Gross Revenue.

"REALTOR®" and **"REALTORS®"** are the exclusive designation for a member/members of The Canadian Real Estate Association and are defined as an individual/group of individuals licensed to trade in real estate.

"Restricted Voting Share(s)" means the restricted voting shares in the capital of BRESI.

"Royal LePage" means a nationally recognized real estate Brand controlled by the Company.

"Royal LePage Network" means the network of Franchisees operating under the Royal LePage & Johnston and Daniel Brands.

"Special Voting Share" means the share of BRESI issued to the holder of the Exchangeable Units to represent voting rights in BRESI proportionate to the number of votes the Exchangeable Unitholders would obtain if they converted their Exchangeable Units to Restricted Voting Shares.

"System for Electronic Document Analysis and Retrieval" or **"SEDAR"** means a Canadian mandatory document filing and retrieval system for all Canadian public companies where documents such as prospectuses, financial statements and material change reports are filed and are accessible by the public to further the goal of transparency and full disclosure.

"Team" means as a group of REALTORS® who work together and market themselves as part of a team rather than as individual REALTORS®.

"Trademarks" means the trade-mark rights related to BRESI's business.

"Via Capitale" means a real estate Brand controlled by the Company which operates primarily in the province of Quebec.

"Via Capitale Network" means the network of Franchisees operating under the Via Capitale Brand.

"VCLP" means 9120 Real Estate Network, L.P./Réseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec, and a subsidiary of the Corporation.

Management's Responsibility for the Financial Statements

The consolidated financial statements and management's discussion and analysis contained in this annual report are the responsibility of the management of the Company. To fulfill this responsibility, the Company maintains a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information presented throughout this annual report is consistent with the information contained in the consolidated financial statements.

Deloitte LLP, the independent auditors appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report as Independent Registered Public Accounting Firm is set out on the following page.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management's responsibilities and is responsible for reviewing and approving the consolidated financial statements.

TORONTO, CANADA, March 9, 2017

Philip Soper
President and Chief Executive Officer

Glen McMillan
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Brookfield Real Estate Services Inc.

We have audited the accompanying consolidated financial statements of Brookfield Real Estate Services Inc. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, and the consolidated statements of earnings and comprehensive income, consolidated statements of changes in shareholders' deficit and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brookfield Real Estate Services Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 9, 2017

Consolidated Balance Sheets

As at December 31, (In thousands of Canadian dollars)	Note		2016		2015
Assets					
Current assets					
Cash		$	3,102	$	5,645
Accounts receivable	4		3,900		3,911
Current portion of notes receivable	5		67		132
Prepaid expenses			147		202
			7,216		9,890
Non-current assets					
Notes receivable	5		57		157
Deferred income tax asset	8		6,891		6,776
Intangible assets	6, 7		78,239		81,291
		$	92,403	$	98,114
Liabilities and shareholders' deficit					
Current liabilities					
Accounts payable and accrued liabilities		$	893	$	1,181
Current portion of purchase obligation	6, 13		3,559		2,824
Current income tax liability	8		435		640
Interest payable to Exchangeable Unitholders	10, 13		476		476
Dividends payable to shareholders			1,027		1,027
			6,390		6,148
Non-current liabilities					
Debt facilities	9		63,720		64,662
Purchase obligation	6, 13		–		1,954
Interest rate swap liability	9		1,114		1,936
Exchangeable Units	10		52,477		48,784
			123,701		123,484
Shareholders' deficit					
Restricted voting shares	11		140,076		140,076
Deficit			(171,374)		(165,446)
			(31,298)		(25,370)
		$	92,403	$	98,114

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

Simon Dean
Director

Lorraine Bell
Director

Consolidated Statements of Earnings and Comprehensive Income

Years ended December 31, (In thousands of Canadian dollars, except share and per share amounts)	Note	2016	2015
Royalties			
Fixed franchise fees		$ 21,751	$ 20,376
Variable franchise fees		10,229	9,196
Premium franchise fees		6,363	5,892
Other revenue		4,093	4,395
		42,436	39,859
Expenses			
Administration		1,058	1,286
Management fee	3, 13	7,754	7,229
Interest expense	9	2,606	2,428
Impairment and write-off of intangible assets	7	111	1,047
Amortization of intangible assets	7	9,583	9,892
		21,112	21,882
Operating income		21,324	17,977
Interest on Exchangeable Units	10, 13	(5,710)	(5,434)
Loss on fair value of Exchangeable Units	10	(3,694)	(5,524)
Gain / (loss) on interest rate swap	9	822	(1,454)
Loss on fair value of purchase obligation	6	(1,568)	(633)
Earnings before income tax		11,174	4,932
Current income tax expense		4,893	4,469
Deferred income tax recovery		(116)	(861)
Income tax expense	8	4,777	3,608
Net Earnings and Comprehensive Income		$ 6,397	$ 1,324
Basic earnings per share	12	$ 0.67	$ 0.14
Weighted average number of shares outstanding used in computing basic earnings per share		9,483,850	9,483,850
Diluted earnings per share	12	$ 0.67	$ 0.14
Weighted average number of shares outstanding used in computing diluted earnings per share		12,811,517	12,811,517

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Deficit

(In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2015	$ 140,076	$ (165,446)	$ (25,370)
Net earnings	–	6,397	6,397
Dividends declared	–	(12,325)	(12,325)
Balance, December 31, 2016	**$ 140,076**	**$ (171,374)**	**$ (31,298)**

(In thousands of Canadian dollars)	Common Equity	Deficit	Total Deficit
Balance, December 31, 2014	$ 140,076	$ (155,072)	$ (14,996)
Net earnings	–	1,324	1,324
Dividends declared	–	(11,698)	(11,698)
Balance, December 31, 2015	**$ 140,076**	**$ (165,446)**	**$ (25,370)**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, (In thousands of Canadian dollars)	Note	2016	2015
Cash provided by (used for):			
Operating activities			
Net earnings for the year		$ 6,397	$ 1,324
Adjusted for			
Loss on fair value of Exchangeable Units	10	3,694	5,524
Loss on fair value of purchase obligation	6	1,568	633
Loss (gain) on interest rate swap	9	(822)	1,454
Interest expense		8,106	7,703
Interest paid		(8,057)	(7,660)
Current income tax expense	8	4,893	4,469
Income taxes paid		(5,098)	(4,137)
Deferred income tax recovery	8	(116)	(861)
Impairment and write-off of intangible assets	7	111	1,047
Amortization of intangible assets	7	9,583	9,892
Changes in non-cash working capital		(111)	1,045
		20,148	20,433
Investing activity			
Purchase of intangible assets	6	(9,429)	(18,150)
Interest expense on purchase obligation	6,13	210	159
Interest paid on purchase obligation		(147)	(130)
		(9,366)	(18,121)
Financing activity			
Borrowings under debt facilities	9	6,000	16,900
Repayment under debt facilities	9	(7,000)	(5,000)
Dividends paid to shareholders		(12,325)	(11,619)
		(13,325)	281
Increase / (decrease) in cash during the year		(2,543)	2,593
Cash, beginning of the year		5,645	3,052
Cash, end of the year		$ 3,102	$ 5,645

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2016 and 2015
(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. Organization

Brookfield Real Estate Services Inc. ("BRESI" and, together with its Subsidiaries the "Company"), is incorporated under the Ontario Business Corporations Act. BRESI is listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its ownership interest in Residential Income Fund L.P. (the "Partnership"), BRESI owns certain Franchise Agreements ("Franchise Agreements") and Trademark Rights ("Trademarks") of residential real estate brands in Canada.

BRESI directly owns a 75% interest in the Partnership which, in turn, owns 9120 Real Estate Network, L.P. ("VCLP"). In addition, BRESI directly owns a 75% interest in the general partner of the Partnership, Residential Income Fund General Partner Limited ("RIFGP") (Collectively, the Partnership, VCLP and RIFGP represent the Company's "Subsidiaries" and each of them is a "Subsidiary"). The Partnership and VCLP (together the "Operating Subsidiaries") own and operate the assets from which the Company derives its revenue.

Brookfield BBP (Canada) Holdings L.P ("BBP"), a subsidiary of Brookfield Business Partners L.P, owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the "Exchangeable Units") and the remaining 25% interest in RIFGP through its ownership of 25 common shares in RIFGP. In addition to its ownership of the Exchangeable Units, BBP indirectly owns 315,000 restricted voting shares and one special voting share of BRESI. The special voting share entitles BBP 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.

Prior to June 1, 2016 all of BBP's interests in BRESI were owned by Brookfield Private Equity Direct Investments Holdings L.P, a wholly-owned subsidiary of Brookfield Asset Management Inc.

The Company receives certain management, administrative and support services from Brookfield Real Estate Services Manager Ltd. ("BRESML", and together with its subsidiaries, the "Manager"), an indirect wholly owned subsidiary of BBP. The Company is party to a Management Services Agreement ("MSA") with the Manager. The MSA governs the relationship between the Manager and the Company including the management services provided by the Manager and the acquisition of Franchise Agreements by the Company. The Company derives 100% of its revenue from royalties it receives under the Franchise Agreements.

2. Significant Accounting Policies

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been authorized for issuance by the Board of Directors of the Company on March 8, 2017.

The consolidated financial statements have been prepared on a going concern basis and include the accounts of the Company.

The financial results of the Subsidiaries are consolidated with the results of BRESI from the date that control is acquired through to the date that control ceases. Control of an investee is deemed to exist when BRESI has the power to direct relevant activities of the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The Company's significant accounting policies are as follows:

ACCOUNTS RECEIVABLE

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for uncollectable amounts.

INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements and Trademarks, are accounted for using the cost method. Intangible assets are recorded at initial cost less accumulated amortization and accumulated impairment losses.

Franchise Agreements are amortized over the term of the agreements plus one renewal period using the straight-line method on an agreement-by-agreement basis. Trademarks are amortized on a straight-line basis over their expected useful life.

The Company acquires Franchise Agreements periodically based on the terms of the MSA and recognizes the purchase on the date of acquisition (an “Acquisition Date”) at cost. The calculation of the purchase price is prescribed in the MSA with reference to a) the estimated cash flows to be earned during the twelve month period (the “Determination Period”) prior to the determination date (the “Determination Date”) net of management fees paid to the Manager, b) the yield on the Company’s shares prior to the start of the Determination Period; and c) income taxes. Under the terms of the MSA, 80% of the estimated purchase price is payable to the Manager on the Acquisition Date, and the remainder is deferred until after the final purchase price is determined on the Determination Date. The deferred 20% of the estimated purchase price represents the outstanding purchase obligation liability. The purchase obligation liability is updated each reporting period to reflect revisions to the estimated cash flows expected to be earned for each Franchise Agreement during the Determination Period. Subsequent changes to the value of the estimated purchase price and purchase obligation prior to the Determination Date are considered an earn–out provision representing a derivative instrument and are recognized as a fair value change in the consolidated statements of earnings and comprehensive income in the period they arise.

The Company reviews intangible assets each reporting period to determine whether indicators of impairment exist on individual Franchise Agreements and Trademarks. When reviewing indicators for impairment of Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical REALTOR® count, collectability of receivables and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement (or cash-generating unit) exceeds its recoverable amount (recoverable amount is determined as the higher of a) estimated fair value less costs of disposal and b) value-in-use).

If the carrying value of the intangible asset exceeds the recoverable amount, the intangible asset is written down to the recoverable amount and an impairment loss is charged to income in the period. When an intangible asset has been previously written down to its recoverable amount as a result of recording an impairment loss and the conditions causing such an impairment loss have become more favourable, the previously recorded impairment loss may be reversed. Where an impairment loss is reversed, the carrying value of the intangible asset is increased to its revised recoverable amount, (the lesser of the revised estimate of its recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously). Impairment reversals are recognized as income in the period of reversal.

Franchise Agreements subject to early termination or non-renewal, are written off in the period of termination or when non-renewal becomes reasonably assured.

INCOME TAXES

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases and the carrying amounts of assets and liabilities, except to the extent that there was a temporary difference present on the initial recognition of an asset or liability outside of a business combination. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses will be utilized to reduce taxes owing in future periods. The carrying amount of deferred income tax assets is reviewed periodically and reduced to the extent it is no longer probable that the income tax asset will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

REVENUE RECOGNITION

Franchise fees are generally based on a fixed dollar amount per REALTOR® ("fixed franchise fee") plus a percentage of an REALTORS® gross revenue ("variable franchise fees") to a specified maximum. A REALTORS® gross revenue is the gross commission income earned in respect of the closed and finalized residential real estate transaction. Fixed franchise fees are recognized as income as earned, and when the collection of fixed franchise fee from the brokerage is reasonably assured. Variable franchise fees are recognized as income at the time a residential real estate transaction is closed and finalized by the REALTOR® and or a lease is signed by the vendor or lessor, and when collection of variable franchise fees from the brokerage are reasonably assured.

Premium franchise fees are calculated as a percentage of a REALTORS® gross commission income (ranging from 1% to 5%) for a select number of franchise locations. These fees are recognized as income at the time a residential real estate transaction is closed and finalized or a lease is signed by the vendor or lessor, and collection of premium franchise fees from the brokerage is reasonably assured.

Other revenue is generally recognized as income when the related services have been provided, the amount is determinable and the collection of other revenue from the brokerage is reasonably assured.

EXCHANGEABLE UNITS

Exchangeable Units represent the future distribution obligation of the Company in respect of Class B LP units of the Partnership, and are convertible, on a one-for-one basis, subject to adjustment, into restricted voting shares of BRESI. These financial instruments are classified as a financial liability as the holder can "put" these instruments to the Company as well as by virtue of the Partnership agreement, whereby the Partnership is required to distribute all of its income to the partners. The Company records any changes in the fair value of the Exchangeable Units through income in the period the change occurs. The fair value of these financial liabilities is based on the market price of the Company's restricted voting shares and the number of Exchangeable Units outstanding at the reporting date.

EARNINGS PER SHARE

Earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect, if any, of the Exchangeable Unitholders exercising their right to exchange Class B LP units of the Partnership into restricted voting shares of BRESI.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

Financial Statement Item:	Classification:	Measurement:
Cash	Loans and receivables	Amortized Cost
Accounts receivable	Loans and receivables	Amortized Cost
Notes receivable	Loans and receivables	Amortized Cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost
Purchase obligation	FVTPL	Fair Value
Interest payable to Exchangeable Unitholders	Other financial liabilities	Amortized Cost
Long-term debt	Other financial liabilities	Amortized Cost
Interest rate swap liability	FVTPL	Fair Value
Exchangeable Units	FVTPL	Fair Value
Dividends payable to shareholders	Other financial liabilities	Amortized Cost

The Company does not have any held-to-maturity investments or available-for sale financial assets.

The Company's financial liabilities classified as fair value through profit or loss ("FVTPL") are not financial liabilities that are held for trading.

There were no changes made in the year in the classification of financial instruments.

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs that are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.

Transaction costs for other financial liabilities are applied against these liabilities and amortized using the effective interest method, the resulting amortization being recorded as interest expense. Gains and losses on financial instruments classified as FVTPL are included in net earnings in the period in which they arise.

PURCHASE OBLIGATION

The Company's purchase obligation arises from the purchase of Franchise Agreements as discussed above under *Intangible Assets*. The earn-out provisions of the purchase obligation represent a derivative instrument embedded in a non-financial contract which is not closely related to the host contract. Purchase obligations are recorded in the consolidated balance sheet at fair value with changes in the fair value recognized in consolidated statements of earnings and comprehensive income in the period they arise.

CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing the impairment of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable and notes receivable, measurement of deferred income taxes, and the measurement of the fair values of financial instruments. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with that in the prior periods, and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates, which are highly uncertain. The interrelated nature of these factors prevents the Company from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

The following are the critical judgments that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the financial statements:

ACCOUNTING FOR FRANCHISE AGREEMENTS

The critical judgment made in accounting for the acquisition of Franchise Agreements is determining whether the acquisition is considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company must evaluate whether the acquisition includes both inputs and processes and, as well, whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements is an acquisition of assets as no "processes" are acquired in respect of the Franchise Agreements. In addition, the Company must apply judgment with respect to the accounting for the earn-out provisions as set out in the MSA, in connection with the purchase of Franchise Agreements. The Company has determined that the purchase obligation is an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to an underlying contract, which is the actual earned franchise revenues. The Company has elected to designate the entire purchase obligation as a financial liability at fair value through profit or loss.

IMPAIRMENT CHARGES FOR INTANGIBLE ASSETS

Under IAS 36, Impairment of Assets, the Company needs to ensure that the intangible assets are not carried at more than their recoverable amount. The Company regularly reviews intangible assets to determine whether indicators of impairment exist on individual Franchise Agreements and Trademarks. Determining whether the value of a Franchise Agreement is impaired requires considerable judgment. When reviewing indicators for impairment of Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical REALTOR® count, collectability of receivables and underlying market conditions.

FUTURE CHANGES IN ACCOUNTING STANDARDS

REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard will supersede IAS 18 – Revenue, IAS 11 – Construction Contracts and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to substantially all contracts with customers: except for, among others, leases, financial instruments and insurance contracts. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. Management is in the process of assessing the impact of adopting IFRS 15, if any.

FINANCIAL INSTRUMENTS

IFRS 9, *Financial Instruments* ("IFRS 9"), establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statement for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard will supersede IAS 39 – Financial Instruments: Recognition and Measurement. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is in the process of assessing the impact of adopting IFRS 9, if any.

3. Management Services Agreement

The MSA has an initial five-year term expiring on December 31, 2018 and a provision for the automatic renewal of successive five year terms.

The MSA, among other things, prescribes the conditions under which the Company purchases Franchise Agreements from the Manager and the formula for calculating the purchase price. The purchase price for existing brands is based on the average annual royalties earned over a twelve month period, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment, if any, to the actual royalties earned over a twelve month period. Further, an incentive fee is to be paid to the Manager for net REALTOR® growth, with the fee being calculated on similar terms. The MSA also provides the Manager with the ability to sell other Canadian branded franchises to the Company based on a predetermined formula and payment structure.

Under the MSA, the Manager provides certain management, administrative and support services to the Company and in return is paid a monthly fee equal to 20% of the distributable cash of the Company.

For the twelve months ended December 31, 2016, the Company incurred management fees of $7,754 (2015 – $7,229) for these services.

4. Accounts Receivable

Accounts receivable represent royalties due from the Company's franchise network pursuant to Franchise Agreements and are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at December 31, 2016, the Company had accounts receivable of $3,900 (2015 – $3,911) net of an allowance for doubtful accounts of $765 (2015 – $738). During the year ended December 31, 2016, administration expenses included $198 of net bad debt expense (2015 – $304).

Management conducts an analysis to determine the allowance for doubtful accounts by assessing the collectability of receivables under each individual Franchise Agreement. This assessment takes into consideration certain factors including the aging of outstanding fees, franchisee operating performance, historical payment patterns, current collection efforts and the Company's security interests, if any.

The table below summarizes the aging of accounts receivable as at December 31, 2016 and 2015.

As at December 31,	**2016**	2015
Current	**$ 3,206**	$ 3,047
30 Days	**441**	412
60 Days	**251**	183
90+ Days	**767**	1,007
Subtotal	**4,665**	4,649
Allowance for Doubtful Accounts	**(765)**	(738)
Accounts Receivable	**$ 3,900**	$ 3,911

The Company recognizes royalty revenues in income to the extent that collection is reasonably assured at the time the royalty revenue is earned. During the year, the Company identified $163 (2015 – $304) of royalty revenues that were not recognized as income as collection was not reasonably assured at the time the revenue was earned. As at December 31, 2016 the Company had a cumulative amount of $551 of royalty income that was not recognized as collectability was not reasonably assured at the time the revenue was earned (2015 – $714).

5. Notes Receivable

The Company has certain franchisees, with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest based on a spread above prime interest rate ("Prime"). As at December 31, 2016, the Company had notes receivable of $124 (2015 – $289), of which $67 was due within 12 months (2015 – $132) and $57 was considered non-current (2015 – $157).

Scheduled contractual receipts under the terms of the notes receivable are as follows:

As at December 31,	**2016**	2015
Receivable in 2016	**$ –**	$ 132
Receivable in 2017	**67**	85
Receivable in 2018	**45**	60
Receivable in 2019	**12**	12
Notes Receivable	**$ 124**	$ 289

6. Asset Acquisitions

On January 1, 2016, (an "Acquisition Date") the Company acquired 27 Franchise Agreements under the Royal LePage brand and six Franchise Agreements under the Via Capitale brand from the Manager for an estimated purchase price of $6,642. A payment of $5,314 (approximating 80% of the estimated purchase price) plus applicable taxes, was paid on January 8, 2016. The remainder of the purchase price related to the 27 Franchise Agreements acquired under the Royal LePage brand was paid on December 28, 2016, while the remainder owing for the six Franchise Agreements acquired under the Via Capitale brand is to be paid after the final purchase price is determined in 2017.

On July 1, 2015 (an "Acquisition Date") the Company acquired 12 Franchise Agreements under the Royal LePage brand from the Manager for an estimated purchase price of $9,755. A payment of $7,804, (approximating 80% of the estimated purchase price) plus applicable taxes, was paid on July 3, 2015. The remainder is to be paid when the final purchase price is determined in 2017.

On January 1, 2015, (an "Acquisition Date") the Company acquired 35 Franchise Agreements under the Royal LePage brand and five Franchise Agreements under the Via Capitale brand from the Manager for an estimated purchase price of $10,263. A payment of $8,145 (approximating 80% of the estimated purchase price) plus applicable taxes, was paid on January 2, 2015. The remainder was paid on June 29, 2016 based on the final purchase price determined as at October 31, 2015 (a "Determination Date").

The unpaid balance due as of an Acquisition Date is subject to interest at the rate prescribed in the MSA of Prime plus 1%.

For the twelve months ended December 31, 2016, the Company recorded a loss of $1,568 on the fair value of the purchase obligation (2015 – $633).

For the twelve months ended December 31, 2016, the Company incurred $210 of interest expense related to the outstanding purchase obligations (2015 – $159).

The purchase obligation by brand consists of the following:

Years ended December 31,	Royal LePage	Via Capitale	2016	2015
Purchase obligation at beginning of year	$ 4,484	$ 294	$ 4,778	$ 2,277
Current year's purchases	6,066	576	6,642	20,018
Adjustment to purchase obligation in the current year	1,623	(55)	1,568	633
Payments made during year	(8,699)	(730)	(9,429)	(18,150)
Purchase obligation at end of year	$ 3,474	$ 85	$ 3,559	$ 4,778
Current portion of purchase obligation	$ 3,474	$ 85	3,559	$ 2,824
Long-term portion of purchase obligation	–	–	–	1,954
Purchase obligation at end of year	$ 3,474	$ 85	$ 3,559	$ 4,778

7. Intangible Assets

During the year ended December 31, 2016, there were no Franchise Agreements identified with a carrying amount in excess of their recoverable amount . In 2016, the Company recognized write offs of $111 related to two Franchise Agreement that were subject to early termination or non-renewal.

In 2015, the Company recognized net impairment charges and write offs of $1,047 which included $541 related to nine franchisees that had impaired Franchise Agreements and $506 related to seven franchisees whose contracts were written off as a result of early termination or non-renewal.

For the twelve months ended December 31, 2016, the Company recorded an expense of $9,583 (2015 – $9,892) related to the amortization of intangible assets.

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

	Franchise Agreements	Trademarks	Total
Cost			
At December 31, 2015	$ 214,094	$ 5,427	$ 219,521
Purchases	6,642	–	6,642
Amounts written-off	(327)	–	(327)
At December 31, 2016	**$ 220,409**	**$ 5,427**	**$ 225,836**
Accumulated amortization			
At December 31, 2015	$ (135,948)	$ (2,282)	$ (138,230)
Amortization expense	(9,399)	(184)	(9,583)
Amounts written-off	216	–	216
At December 31, 2016	**$ (145,131)**	**$ (2,466)**	**$ (147,597)**
Carrying value			
At December 31, 2015	$ 78,146	$ 3,145	$ 81,291
At December 31, 2016	**$ 75,278**	**$ 2,961**	**$ 78,239**

8. 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. 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:

Years ended December 31,	2016	2015
Earnings before income tax for the year:	$ 11,174	$ 4,932
Expected income tax expense at statutory rate of 26.5% (2015 – 26.5%)	2,961	1,307
Increase (decrease) in income tax expense due to the following:		
Non-deductible amortization	971	1,065
Non-deductible loss on fair value of Exchangeable Units	979	1,464
Non-deductible interest on Exchangeable Units	1,513	1,440
Non-deductible impairment and write-off on intangible assets	7	40
Non-deductible adjustments to purchase obligation	104	42
Income allocated to Exchangeable Unitholders	(1,735)	(1,583)
Recognition of deferred tax assets and other	(23)	(167)
Total income tax expense	$ 4,777	$ 3,608

The major components of income tax expense include the following:

Years ended December 31,	2016	2015
Current income tax expense	$ 4,893	$ 4,469
Deferred income tax recovery	(116)	(861)
Total income tax expense	$ 4,777	$ 3,608

Deferred income tax assets arise substantially from temporary differences between the income tax values of intangible assets and the interest rate swap liability as compared to their respective carrying values.

9. Debt Facilities

The Company's debt is comprised of the following debt facilities:

As at	December 31, 2016	December 31, 2015
Term facility	$ 53,000	$ 53,000
Acquisition facility	10,900	11,900
	$ 63,900	$ 64,900
Financing fees	(180)	(238)
Debt facilities	**$ 63,720**	$ 64,662

The Company has $78,000 in financing available under a borrowing agreement with a Canadian Chartered Bank. The debt facilities under this agreement are comprised of the following, which mature February 17, 2020 ("Maturity"):

A $53,000 non-revolving term variable rate facility (the "Term Facility"). Repayment of principal outstanding is due on Maturity.

A $20,000 revolving acquisition facility (the "Acquisition Facility") is available to support acquisitions pursued by the Company. A standby fee of 0.15% applies on undrawn amounts under the Acquisition Facility. Repayment of principal outstanding is due on Maturity. The Company made a draw on the facility of $6,000 in January to finance the purchase of Franchise Agreements on January 1, 2016. During the year, the Company made repayments on the facility totaling $7,000. As of December 31, 2016 $9,100 is available to the Company to support acquisitions.

A $5,000 revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements. No amounts have been drawn on this facility at December 31, 2016.

Borrowings under each of these arrangements bear interest at a variable rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, at the option of the Company.

The Company's ability to borrow under these arrangements is subject to certain covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.5 to 1. Consolidated EBITDA is defined as operating income before impairment and amortization of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At December 31, 2016 and December 31, 2015, the Company complied with all covenants under the debt facilities.

In October, 2014 the Company entered into a five year interest rate swap agreement to swap the variable interest obligation on the Term Facility to a fixed rate obligation of 3.64%. The interest rate swap is a financial instrument and is disclosed at its fair value with any change in that fair value record as a gain or loss in the Company's consolidated statements of earnings and comprehensive income. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spreads at a credit adjusted rate. At December 31, 2016 the Company determined that the fair value of the interest rate swap represents a liability of $1,114 (2015 – $1,936). For the twelve months ended December 31, 2016, the Company recognized a fair value gain of $822 (2015 – loss of $1,454).

10. Exchangeable Units

The Exchangeable Units are exchangeable on a one-for-one basis for restricted voting shares of the Company at the option of the holder.

The Company measures the Exchangeable Units at their fair value using the closing price of the Company's restricted voting shares listed on the TSX. At December 31, 2016, the Company used the closing market price of the Company's shares of $15.77 (2015 – $14.66). During the twelve months ended December 31, 2016, the Company recorded a loss of $3,694 related to the fair value of the Exchangeable Units (2015 – $5,524).

The Exchangeable Unitholders are entitled to cash distributions from the Partnership in respect of their economic interest in the Partnership as and when declared by the Board of Directors of RIFGP. Such distributions are made on a before tax basis and are directly taxable in the hands of the Exchangeable Unitholders. For the twelve months ended December 31, 2016 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $5,710 (2015 – $5,434).

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 2016 or 2015.

No preferred shares were issued or outstanding as at December 31, 2016 or December 31, 2015.

The following table summarizes the outstanding shares of the Company:

As at	**December 31, 2016**	December 31, 2015
Restricted voting shares	**9,483,850**	9,483,850
Special voting share	**1**	1

12. Earnings Per Share

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

Years ended December 31, (In thousands of Canadian dollars, except share and per share amounts)	**2016**	2015
Net earnings available to restricted voting shareholders – basic	**$ 6,397**	$ 1,324
Interest on Exchangeable Units	**5,710**	5,434
Loss on fair value of Exchangeable Units	**3,694**	5,524
Net income available to restricted voting shareholders – diluted	**$ 15,801**	$ 12,282
Weighted average number of shares outstanding used in computing basic loss 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 loss per share	**12,811,517**	12,811,517
Basic earnings per share	**$ 0.67**	$ 0.14
Diluted earnings per share	**$ 0.67**	$ 0.14
Dividends declared	**$ 12,325**	$ 11,698
Restricted voting shares	**9,483,850**	9,483,850
Dividends per restricted voting share	**$ 1.30**	$ 1.23

13. Related Party Transactions

In addition to transactions disclosed elsewhere in the consolidated financial statements, the Company had the following transactions with parties related to the Manager or the Exchangeable Unitholders during 2016 and 2015. These transactions have been recorded at the exchange amount as agreed between the parties.

Years ended December 31,		**2016**		2015
a) Royalties				
Fixed, variable and other franchise fees	**$**	**3,849**	$	3,472
Premium franchise fees	**$**	**5,380**	$	5,024
b) Expenses				
Management fees	**$**	**7,754**	$	7,229
Insurance premiums and other	**$**	**77**	$	97
Interest on purchase obligations	**$**	**210**	$	159
c) Interest				
Interest to Exchangeable Unitholders	**$**	**5,710**	$	5,434

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

As at December 31,		**2016**		2015
d) Accounts receivable				
Franchise fees receivable and other	**$**	**804**	$	782
e) Accounts payable and accrued liabilities				
Management fees	**$**	**628**	$	646
Interest on purchase obligations	**$**	**63**	$	49
f) Interest payable to Exchangeable Unitholders	**$**	**476**	$	476
g) Purchase obligation	**$**	**3,559**	$	4,778

The members of the Company's board of directors are compensated for their services. During the twelve months ended December 31, 2016, the Company incurred $253 (2015 – $211) in directors' fees. These directors' fees are included in administration expense.

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 not pay amounts owing to the Company. The Company's credit risk is limited to the recorded amount of accounts receivable and notes receivable. The Manager reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis. As at December 31, 2016, the Company has an allowance for doubtful accounts of $765 (2015 – $738). In addition, as at December 31, the Company had a cumulative amount of $551 royalty income that was not recognized as collectability was not reasonably assured at the time the revenue was earned (2015 – $714).

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 dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities. Also, the Company has a $20,000 Acquisition Facility (of which $10,900 is drawn) and a $5,000 unutilized Operating Facility (see Note 9-Debt Facilities).

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

	2017	2018	2019	Beyond 2019	Total
Accounts payable and accrued liabilities	$ 893	$ –	$ –	$ –	$ 893
Purchase obligation	3,559	–	–	–	3,559
Interest payable to Exchangeable Unitholders	476	–	–	–	476
Dividends payable to shareholders	1,027	–	–	–	1,027
Interest on long-term debt	2,179	2,179	2,179	363	6,900
Interest rate swap liability	–	–	–	1,114	1,114
Debt facilities	–	–	–	63,900	63,900
Exchangeable Units	–	–	–	52,477	52,477
Total	$ 8,134	$ 2,179	$ 2,179	$ 117,854	$ 130,346

C) INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations on its debt facilities as the interest rates on these facilities are based on the Prime rate and Banker's Acceptance rates.

As described in Note 9, the Company has entered into a five year interest rate swap to fix the interest on the Company's $53,000 Term Facility at 3.64% until October 28, 2019.

The Company has drawn $10,900 on its $20,000 Acquisition Facility. The Acquisition Facility bears variable interest at a rate of BAs + 1.70% or Prime + 0.5%. Management has elected to pay interest at variable interest rates on the Acquisition Facility and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate Acquisition Facility would result in an increase in its annual interest expense of approximately $109.

D) FAIR VALUE

The fair value of certain of the Company's financial instruments, including cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature. The fair value of the Company's outstanding borrowings of $63,900 approximate their carrying value of $63,720 as a result of their floating rate terms.

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheets as at December 31, 2016 and December 31, 2015, classified using the fair value hierarchy:

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset or liability:				
Purchase obligation	$ –	$ –	$ 3,559	$ 3,559
Interest rate swap liability	–	1,114	–	1,114
Exchangeable Units	52,477	–	–	52,477
Total	**$ 52,477**	**$ 1,114**	**$ 3,559**	**$ 57,150**

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Financial asset or liability:				
Purchase obligation	$ –	$ –	$ 4,778	$ 4,778
Interest rate swap liability	–	1,936	–	1,936
Exchangeable Units	48,784	–	–	48,784
Total	$ 48,784	$ 1,936	$ 4,778	$ 55,498

See Note 6 for disclosures related to Level 3 fair values, Note 9 for disclosures related to Level 2 fair values and Note 10 for disclosures related to the Level 1 fair values. There were no transfers between fair value hierarchy levels during the period. The Level 3 fair values are calculated in accordance with the terms prescribed by the MSA as discussed in Note 2 under Intangible Assets and Purchase Obligation. The fair value of the purchase obligation is sensitive to the changes in the estimated cash flows to be earned during the Determination Period. All other inputs are observable and do not change after the Acquisition Date. A change in the estimated cash flows during the Determination Period causes a change in the fair value of the purchase obligation, determined in accordance with the formula for calculating the purchase price prescribed by the MSA.

15. Management of Capital

The Company's capital is made up of its cash on hand, debt facilities, Exchangeable Units and shareholders' deficit.

The Company's objectives in managing its capital include; a) maintaining a capital structure that provides financing options to the Company while remaining compliant with the covenants associated with the debt facilities; b) maintaining financial flexibility to preserve its ability to meet financial obligations, including debt servicing and dividends to shareholders; and c) deploying 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 these objectives and to be in a position to respond to changes in economic conditions.

The covenants of the debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense on Senior Indebtedness at a minimum of 5.00 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 2.50 to 1.

Senior Indebtedness is defined as borrowings under the Company's debt facilities, as disclosed in Note 9 as at December 31, 2016 and 2015. 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 providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's royalty revenues 95% (2015 – 93%) are generated from the network of franchisees operating under the Royal LePage and Johnston and Daniel brands and 5% (2015 – 7%) are generated from the network of franchisees operating under the Via Capitale brand.

17. Subsequent Events

On January 1, 2017, (an "Acquisition Date") the Company acquired 51 Franchise Agreements under the Royal LePage brand and four Franchise Agreements under the Via Capitale brand from the Manager for an estimated purchase price of $8,222. A payment of $6,578 (approximating 80% of the estimated purchase price) plus applicable taxes was paid on January 4, 2017. The remainder is to be paid after the final purchase price is determined on October 31, 2017, (a "Determination Date").

Board of Directors

The Company is governed by a Board of Directors with five members, four of whom are independent of the Company and its Manager.

The Board oversees the business and affairs of the Company. The independent Directors also monitor the performance of the Manager, Brookfield Real Estate Services Manager Limited, a subsidiary of Brookfield Asset Management Inc., on behalf of the Company to ensure compliance with the terms of the Management Services Agreement.

The Directors have adopted formal terms of reference regarding their responsibilities and all matters of governance. They have agreed to formal distribution and disclosure policies, which are reviewed on an ongoing basis. The Company has two committees: the Audit Committee and Governance Committee.

Spencer Enright, CPA, CA
Director and Chairman of the Board of Directors

Lorraine Bell, CPA, CA
Director and Chair of Audit Committee[1, 2]

Simon Dean
Director[1, 2]

Hon. J. Trevor Eyton, O.C., Q.C.
Director[2]

Gail Kilgour, ICD.D
Director and Chair of Governance Committee[1, 2]

[1] Member of the Audit Committee
[2] Member of the Governance Committee

Management Team

THE COMPANY

Philip Soper
President and Chief Executive Officer

Glen McMillan
Chief Financial Officer

THE COMPANY MANAGER

Spencer Enright
President and Chief Executive Officer

Philip Soper
President and Chief Executive Officer, Royal LePage

David Martin
President, Via Capitale

Glen McMillan
Chief Financial Officer

Mark Houghton
Senior Vice President, Information Technology

Carolyn Cheng
Chief Operating Officer, Royal LePage

George Heos
Senior Vice President, Network Development, Royal LePage

Sandra Webb
Senior Vice President, Marketing & Communications, Royal LePage

Yvonne Ratigan
Vice President, Network Service, Royal LePage

Helping our Community

A home should be a place of safety, security and comfort. Sadly, for thousands of Canadian women and children, this is not the case. The Royal LePage Shelter Foundation helps local shelters provide safe haven and new beginnings for more than 30,000 women and children every year. More information about the Royal LePage Shelter Foundation can be found at: **www.royallepage.ca/shelter**.

ABOUT THE FOUNDATION:

- Royal LePage is the only major Canadian real estate company with its own charity. The foundation is the largest public foundation in Canada dedicated exclusively to supporting women's and children's shelters and violence prevention and education;
- Many Royal LePage offices across Canada partner with a local shelter providing much-needed financial support and essential goods and services. Funds raised by the local Royal LePage offices remain in their local communities;
- Royal LePage (the Manager) pays all the administrative costs of the charity so that 100 per cent of funds raised go directly towards the cause;
- The Royal LePage Shelter Foundation provided the financial support used to create and launch the Fourth R, a curriculum based education program teaching grade 8 and 9 students about healthy relationships and dating violence; and
- Since the Royal LePage Shelter Foundation's inception in 1998, more than $24 million has been raised.

Shareholder Information

We regularly provide shareholders with information about the Company through our annual report, quarterly reports, and news releases. Information is available online at **www.brookfieldresinc.com.** On the site you will find summary information about the Company including annual and quarterly reports, press releases, webcasts, slide presentations, and dividend information.

HEAD OFFICE
Brookfield Real Estate Services Inc.
39 Wynford Drive
Toronto, ON
M3C 3K5

Tel: 416-510-5800
Fax: 416-510-5856
info@brookfieldres.com
www.brookfieldresinc.com

TRANSFER AGENT AND REGISTRAR
CST Trust Company
P.O. Box 1
320 Bay Street
Toronto, ON
M5H 4A6

Tel: 416-682-3860 or 1-800-387-0825
Fax: 1-888-249-6189
Inquiries@canstockta.com
www.canstockta.com

AUDITORS
Deloitte & Touche LLP

CORPORATE COUNSEL
Goodmans LLP

TSX SYMBOL: BRE
Shares are eligible investments for DPSPs, RRSPs, RRIFs and RESPs.

ANNUAL GENERAL MEETING
The Annual General Meeting will be held on Tuesday, May 9, 2017 at 10:00 AM EST, at the Estates of Sunnybrook, Vaughan Estate, Courtyard Ballroom, 2075 Bayview Avenue, Toronto, Ontario, M4N 3M5.

DIRECT INQUIRIES TO:
Sandra Webb
SVP, Marketing & Communications
Brookfield Real Estate Services Inc.
info@brookfieldres.com
Tel: 416-510-5845

Brookfield
Real Estate Services Inc.

www.brookfieldresinc.com