FINAL TRANSCRIPT

Brookfield Real Estate Services Inc.

Fourth Quarter 2015 Conference Call

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CORPORATE PARTICIPANTS

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

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

PRESENTATION

Operator

Good morning. My name is Steve (phon), and I would like to welcome everyone to the Brookfield Real Estate Services Inc. Fourth Quarter 2015 Conference Call. All lines have been placed on mute to prevent any background noise.

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

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

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

Yes. Good afternoon, everyone, and my apologies for the delay. I am in Italy hosting our annual top performers special event (phon). We're having some technical difficulties with the bad connection.

With me today is our Chief Financial Officer, Glen McMillan. We'll begin with a brief look at our quarterly highlights. Glen and I will discuss our financial results, and I'll conclude by providing some remarks on recent operational and market developments.

I want to remind you that some of the remarks expressed during this call may contain forward-looking statements. You should not place any reliance on these forward-looking statements because they involve known and unknown risks. The Company provides a full statement of this disclosure on SEDAR.

Our fourth quarter results closed out the year on a strong note, with cash flow from operations growing at over 20 percent year over year. These results continue to confirm the strength of our value proposition to realtors, as well as our focus on efficiently managing operating costs.

On an annual basis, our cash flow from operations were the highest we have ever achieved. Glen will provide details in a few moments.

During 2015, the Company announced two increases in the monthly dividends paid to holders of our restricted voting shares. The most recent announcement was in December when the Board of Directors approved an increase to $1.30 a share on an annualized basis. This increase was affirmed by a Board meeting yesterday when the Board approved a dividend of 0.1083 per share payable April 29, 2016, to shareholders of record as of March 31st.

We're very pleased with the progress we made on acquisitions during the year. Building on the success of 2014, 2015 saw us continue to grow our agent count. As at December 31st, we had 16,794 realtors operating under 305 franchise agreements with approximately one-fifth share of the Canadian market.

In the calendar year the Company purchased 52 franchise agreements, representing an annual revenue stream of approximately $2.9 million and 1,577 realtors. This was partly offset by a small attrition of 160 agents on an organic basis.

Rather than a single annual acquisition event at the 1st of January as had been our past practice, during 2015 we added a midyear vend-in on July 1st. If the pipeline of potential acquisition candidates is material enough to warrant it, we will consider midyear contract acquisitions in the future.

Turning to this calendar year. On January 1, 2016, the Company purchased franchise agreements representing 33 real estate operations servicing an estimated 459 agents at an estimated annual royalty stream of $1 million. We continue to be on a strong growth trajectory. Since inception, the Company has increased in size by 82 percent through acquisitions and organic growth. This represents a cumulative annual agent growth rate of 5 percent.

With that, I'd like to turn the call over to Glen for a closer look at our fourth quarter and annual financial performance.

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

Thank you, Phil, and good afternoon, everyone. As Phil mentioned, during the fourth quarter of 2015 Brookfield Real Estate Services generated strong operating results. Our royalty revenues and cash flow from operations continued to exceed previous result on a quarterly and an annual basis.

For the quarter, our royalty revenues totalled $9.5 million compared to $8.6 million for the same period in 2014. For the year, royalty revenues increased by 7 percent, or $2.5 million, to reach almost $40 million. The Company generated cash flow from operations of $6.9 million in the quarter, or $0.54 a share, which represents an increase of 21 percent versus the same period in 2014.

For the full year, our cash flow from operations amounted to $2.26 per share, which is the highest we have achieved since the inception of the Company, and represents a 12 percent improvement over 2014. These strong operating results are due primarily to our larger agent base and the strength of the Canadian real estate market.

During the fourth quarter, the Canadian residential real estate market increased by 16 percent compared to the same period in 2014 to a total of $48.1 billion, driven by a 10 percent increase in national average selling price and a 6 percent increase in units sold. The most notable increases continued to come from the Greater Toronto Area and Greater Vancouver.

In the fourth quarter, the GTA market increased by 18 percent, which was 9 percent based on selling price and 8 percent based on volume, compared to the same period in 2014. Greater Vancouver once again experienced even larger increases, with transactional dollar volumes increasing by 52 percent for the quarter over 2014, driven by a 17 percent increase in price and a 30 percent increase in volume. Phil will provide further insights into the market in a few minutes.

The Company generated net earnings of $1.3 million in 2015 compared to net earnings of $3.9 million in 2014. The primary driver of the decrease in net earnings was due to noncash losses on the determination of the fair value of the exchangeable units and the revaluation of the Company's interest rate swap, partly offset by lower noncash charges related to our franchise contracts. However, as previously noted, the Company generated record cash flows during the year despite the lower earnings.

And with that, I'd now like to turn it over to Phil for some additional commentary and his views on the industry.

Phil Soper

Thanks, Glen. As demonstrated by our 2015 results, realtors do see value in our brands and the ongoing investments that the Company makes to ensure that they are among the most informed, supported, and successful in the Canadian market.

As I mentioned earlier, the Company had two strong acquisition periods in 2015, and moving forward we have begun 2016 with the purchase of additional agreements representing almost 500 realtors. We have a solid pipeline in place that we expect will contribute to our status as Canada's growth leaders. The team is excited to be approaching an important 17,000-agent milestone.

Enhancements to our programs and services include the further development of the renowned Royal LePage House Price Survey program, building upon the 2015 introduction of what is now known as the Royal LePage National House Price Composite. The composite provides one of the most comprehensive views of the Canadian national residential real estate sector.

The response to the new program was excellent, and positive exposure for our leading brand from the media across Canada was the highest we've ever experienced. We have led the industry in media exposure for years, and the support that it provides to our brand is tremendous.

2015 saw us reach the 1 billion consumer impression mark for the very first time, more than double our next competitor.

Investments in our operating platform, including mobile technologies and lead-generation programs, will continue throughout 2016 as we work to enhance the value of our offering to our brokers and agents.

As Glen noted earlier, in the fourth quarter of 2015 home prices showed moderate to strong year-over-year price increases in most markets across Canada. As expected, the most significant price increases were seen in Toronto and Vancouver.

The sheer size of these metropolitan markets, combined with the high value of homes in these regions, does skew the overall national average upward. It is our belief that this trend of price appreciation will continue through 2016, but as we move through the year it will be at a more moderate pace in the currently overheated markets, driven simply by eroding affordability.

In July 2015, the federal government introduced a policy change in the minimum down payment required to secure mortgage insurance. The minimum down payment required for the portion of a mortgage over $0.5 million will increased to 10 percent. Note that the down payment required on the first $500,000 will remain at 5 percent.

For the first time, policy was tuned to address specific regional concern. Put another way: the policy shift was aimed directly at the Toronto and Vancouver markets.

While some market watchers expected a rush of buyers prior to the introduction of the program, we did not see this move akin to a slight tap on the brake for our two mostly costly cities, a slight tap, and even in Toronto and Vancouver most first-time homebuyers will purchase properties worth less than $0.5 million. On a nationwide basis, we expect the number of transactions impacted by the rule to be minimum.

In Quebec, home prices were relatively flat during 2015, but Montreal's slower-growing real estate market is expected to be more vigorous in the coming year. A recent economic opportunities study pointed to Montreal as Canada’s third city to watch in 2016, just behind Vancouver and Toronto in growth potential.

While the effects of the crude oil shock began to level in the first quarter, the country's non-energy sector continued to pick up momentum as the lower Canadian dollar stimulates higher exports, supporting overall consumer confidence in the strength of Canadian real estate markets.

It should be noted that throughout the recent period of depressed oil prices, property prices in Canada’s energy-centric regions, particularly Alberta, Saskatchewan, Newfoundland, were more resilient than most onlookers expected.

Consumers reluctant to sell their homes at what they perceive to be a discount to the true value simply withdrew from the market, resulting in a relatively small drop in home prices on a more significant drop in unit sales.

Also it is important to note that the risk to the Company is minimal, as the total revenue from these regions—that's Alberta, Saskatchewan, and Newfoundland all put together—amounts to only 8 percent of our company revenue.

Looking at the other parts of Canada, Regina and St. John's both saw a softening in prices for the year. Other regions in Atlanta Canada continued to show mixed results, with Halifax remaining a buoyant exception.

Recent press around assignment clause has once again raised questions about the potential impact of foreign buyers equitable (phon) prices, more specifically as it relates to continued steep increases in our two larger markets.

While we believe the impact on the Canadian market as a whole will be minimum, we support the efforts of the government and other agencies to gather data, and we hope we will provide a definitive measure of the level of foreign real estate investment in Canada in the future.

Overall, however, we do believe the impact of these buyers to be limited to specific markets and specific price categories in only our largest cities.

We are optimistic about the state of our business and the growth opportunities that exist for us. Our business performed very well once again in the fourth quarter, completing 2015 on a strong note.

I'd like to talk this opportunity in closing to inform you that our Annual General Meeting will be held on May 4th at 10:00 a.m. in the Westin Prince at 900 York Mills in Toronto. That's May 4th at 10:00 a.m. at the Westin Prince.

With that, I'll turn the call to the Operator and open up the line for questions.

Q&A

Operator

Thank you. And at this time, I would like to remind everyone in order to ask a question, please press *, then the number 1 on your telephone keypads. We'll pause for just a moment to compile the Q&A roster.

Again, that was *, and the number 1 on your telephone keypad.

There are no questions at this time. Mr. Soper, I turn the call back to you for closing remarks.

Phil Soper

Thanks, Steve. And thank you, everybody, for your patience and your support. We look forward to talking to you at the Annual General Meeting.

Operator

And this concludes today's conference call. You may now disconnect.

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