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Brookfield Real Estate Services Inc. Reports Second Quarter 2013 Results and Monthly Dividend

(TORONTO, ON) August 7, 2013 – Brookfield Real Estate Services Inc. (the Company) (TSX: BRE), a leading provider of services to residential real estate brokers and their REALTORS[®] signed a renewed Management Services Agreement during the quarter, and today announced that cash flow from operations (“CFFO”) for the three and six months ended June 30, 2013 was \$6.6 million or \$0.51 per Restricting Voting Share (“Share”) and \$12.1 million or \$0.95 per Share, respectively, as compared to \$7.4 million or \$0.57 per Share and \$12.9 million or \$1.01 per Share, respectively, for the same period in 2012.

Management Services Agreement

Since 2003, the Company has been managed pursuant to a ten-year Management Services Agreement (the “MSA”) with the Brookfield Real Estate Services Manager Limited (the “Manager”), a subsidiary of Brookfield Asset Management Inc. This agreement had recently been extended to December 31, 2013, allowing a Special Committee of the Board of Directors of the Company along with external advisors to conduct a thorough review and assessment of alternatives in advance the expiry of the term of the current agreement. Entering into a renewed MSA with the Manager was determined to be the best possible option at this time, as it builds upon the strong existing relationship between the Company and Brookfield and maintains consistency in a vital part of the infrastructure to the Company.

On June 28, 2013, the Company announced that it will be continuing its relationship with the Manager under an amended and restated MSA effective January 1, 2014. The agreement provides new growth opportunities for the Company and enhances the value of Canada’s premier real estate services brands, including Royal LePage, Johnston & Daniel and the Via Capitale Real Estate Network.

“The changes to the agreement all provide significant benefit to shareholders,” said Spencer Enright, President and Chief Executive Officer of Brookfield Real Estate Services Manager Limited. “With the new MSA in place, we will see a close alignment of the Manager and Company goals, reduced management fees, a new incentive arrangement emphasizing organic agent growth, and the ability to grow market share while safeguarding the existing return on investment.”

Under the new MSA : (1) the management fee has been standardized to 20% across all brands as compared to 20% for Royal LePage and 30% for Via Capitale under the existing MSA; (2) the Manager can earn a new incentive fee for organic growth which closely aligns the Manager and the Company’s goals with growing the underlying network of Agents, with the fee being calculated in accordance with the formula for incremental franchises based on the average annual royalty fees per Agent; (3) the Manager has the ability to sell other branded Canadian franchises to the Company; and (4) the following three changes were made to the manner in which amounts paid to the Manager for incremental franchisee contracts are determined : (i) the discount factor was standardized to 7.5% , (ii) the final purchase price is based on the average annual royalties earned over two years, and (iii) the 20% holdback on the initial purchase price for the incremental franchise contracts is paid over two years.

All other provisions under the new MSA remain substantially unchanged from the previous MSA.

OVERVIEW OF SECOND QUARTER OPERATING RESULTS

CFFO for the rolling 12 month period ended June 30, 2013 was \$1.92 per Share as compared to \$1.98 for the 12 months ended December 31, 2012. Royalties for the three and six months ended June 30, 2013 were \$9.7 million and \$17.8 million, respectively, compared to \$10.0 million and \$18.2 million, respectively for the same period in 2012. Net earnings for the three and six months ended June 30, 2012 was \$3.4 million and \$2.8 million, or \$0.36 and \$0.30 earnings per Share, respectively, as compared to net income of \$7.9 million and \$4.7 million or \$0.83 and \$0.49 per Share, respectively, for the same period in 2012.

During the Quarter, the Company generated CFFO of \$6.6 million as compared to \$7.4 million for the same period in 2012 as a result of \$0.2 million decrease in royalties from lower market activity, and \$0.6 million increase in administrative expenses that was mainly attributed to \$0.3 million of one-time legal, consulting and special committee fees incurred in completing the revised MSA and the recovery of \$0.2 million of previously written off receivables in the comparative period.

Related Links

-  [Q2 2013 CFFO](#)
-  [Q2 2013 Selected Financial and Operating Info](#)
-  [Q2 Financial Statements and Notes](#)
-  [Q2 2013 Webcast](#)
-  [Q2 2013 Quarterly Report](#)

2013 Press Releases

[Brookfield Real Estate Services Inc. Announces Acquisitions](#)

[Brookfield Real Estate Services Inc. Announces Increase in Targeted Annual Cash Dividend](#)

[Brookfield Real Estate Services Inc. Reports Third Quarter 2013 Results and Monthly Dividend](#)

[Brookfield Real Estate Services Inc. To Host Conference Call Wednesday, November 6, 2013 At 10:00 A.M.](#)

[Brookfield Real Estate Services Inc. Declares Monthly Dividend](#)

[Brookfield Real Estate Services Inc. Declares Monthly Dividend](#)

On a rolling twelve-month basis, the Canadian market transactional dollar volume of \$160.8 billion decreased by 5.9% from June 30, 2012, driven by a 1.3% increase in selling price and a 7.1% decrease in home sale activity. For the three months ended June 30, 2013, the Canadian market transactional dollar volume was up 1.0% over the same period in 2012, driven by a 3.1% increase in selling price and a 2.1% decrease in home sale activity.

On a rolling twelve-month basis, the Greater Toronto Area ("GTA") Market experienced a quarter-over-same-quarter decrease of 6.8% driven by a 4.6% increase in selling price and 10.9% decrease in home sale activity. For the three months ended June 30, 2013, the GTA Market experienced a 1.7% increase on a 3.7% increase in selling price and a 2.2% decrease in home sale activity over the same period in 2012. The lower market volume is mainly driven by tighter mortgage lending restrictions introduced in the second half of 2012. Prices remain stable given a balanced supply and demand amid a low interest rate environment.

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

"We witnessed the continuation of a normal cyclical market correction in the second quarter of 2013. The economy improved in Canada and in the United States, but monetary policymakers on both sides of the border are being patient to ensure the sustainability of the rebound," said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. "While we have seen modest price appreciation recently, homebuyers have been taking a slightly cautious stance as evidenced by lower sales volumes in many regions across the country for the quarter."

"While record low interest rates offer significant appeal to would-be buyers, consumer confidence levels have not completely rebounded," continued Soper. "Nevertheless, indicators point to a steadily improving economy that will help the market return to historical sales volume and house price appreciation averages."

The Company Network

As at June 30, 2013, the Company Network was comprised of 15,499 REALTORS®, operating under 438 franchise agreements providing services from 673 locations, with an approximate 24% share of the Market based on 2012 transactional dollar volume.

Outlook

"We are in the late stages of a cyclical market correction that has seen fewer houses trading hands and below average price appreciation for the last four quarters," said Soper. "It is the view of management that we will see sales volumes start to trend upward on a year-over-year basis in late 2013, and as we work our way through 2014 we also expect to see house price appreciation return to long-term historical averages."

"The condominium sector may see some softness for the near term as the market absorbs new supply," said Soper. "In the longer-term, however, we believe that changes to demography, city planning and customer preferences all presage positive growth for this category."

Monthly Cash Dividend

The Company declared a cash dividend of \$0.092 per share for the month of August 2013, payable on September 30, 2013, to shareholders of record on August 30, 2013.

CFFO

This news release and accompanying financial statements make reference to cash flow from operations ("CFFO") on a total and per restricted voting share basis. CFFO is defined as net income prior to fair value changes, amortization, interest on Exchangeable Units, income taxes, items related to other income and interests of Exchangeable Unitholders. CFFO is used by the Company to measure the amount of cash generated from operations which is available to the Company's shareholders on a diluted basis where such dilution represents the total number of shares of the Company that would be outstanding if Exchangeable Unitholders converted Class B LP units into shares of the Company. The Company uses CFFO to assess its operating results, 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.

Forward-Looking Statements

This news release contains forward-looking information and other "forward-looking statements". The words such as "should", "will", "continue", "plan", "believe", "expect", "anticipate", "intend", "estimate", "approximate", "expected" and other expressions that are predictions of or 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 Corporation to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward looking statements include a change in general economic conditions, interest rates, consumer confidence, the level of residential real estate resale transactions, the average rate of commissions charged, competition from other traditional real estate brokers or from discount and/or Internet-based real estate alternatives, the availability of acquisition opportunities and/or the closing of existing real estate brokerage offices, other developments in the residential real estate brokerage industry or the Corporation that reduce the number of and/or royalty revenue from the Company's network of 15,499 REALTORS®, our ability to maintain brand equity through the use of trademarks, the availability of equity and debt financing, a change in tax provisions, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. The Corporation 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.

Conference Call

Brookfield Real Estate Services Inc. will host a conference call on Wednesday, August 7, 2013 at 10 a.m. ET to discuss its financial results for the second quarter of 2013.

To access the call by telephone, please dial (888) 231-8191 or (647) 427-7450. Please connect approximately ten minutes prior to the beginning of the call to ensure participation. A recording of the conference call will be available on the Company's website by August 9, 2013 at http://www.brookfieldresinc.com/content/investor_centre-25063.html.

Supplemental Information

The Company's Interim Condensed Consolidated Financial Statements, Supplemental Information and IFRS overview for the three and months ended June 30, 2013 contain further information on the company's strategy, operations and financial results and can be found on our website at www.brookfieldresinc.com. The Company's Management Discussion and Analysis, Financial Statements and associated regulatory filings will follow within prescribed timelines. Shareholders are encouraged to read these documents.

Brookfield Real Estate Services Inc. Profile

The Company is a leading provider of services to residential real estate brokers and their REALTORS[®]. The Company generates cash flow from franchise royalties and service fees derived from a national network of real estate brokers and agents in Canada operating under the Royal LePage, Via Capitale Real Estate Network and Johnston & Daniel brand names. At June 30, 2013, the Company network consisted of 15,499 REALTORS[®]. The Company network has an approximate 24% share of the Canadian residential resale real estate market based on 2012 transactional dollar volume. The Company generates both fixed and variable fee components. Variable fees are primarily driven by the total transactional dollar volume from the sales commissions of REALTORS[®], while fixed fees are based on the number of agents and sales representatives in the network. Approximately 73% of the Company's revenue is based on fees that are fixed in nature; this provides revenue stability and helps insulate the Company's cash flows from market fluctuations. 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 REALTOR[®] is a trademark identifying real estate licensees in Canada who are members of the Canadian Real Estate Association.

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