

Q1 2016

Management's Discussion and Analysis

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Introduction

This section of Brookfield Real Estate Services Inc.'s interim report includes management's discussion and analysis ("MD&A") of the financial results and financial condition of the Company for the three months ended March 31, 2016, and has been prepared as at May 3, 2016. The three months ended March 31, 2016 shall be referred to in this MD&A as the "Quarter". The three months ended March 31, 2015 shall be referred to in this MD&A as "Prior Year Quarter". 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 32.

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 outlook. The information in this MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2016 and the Company's audited financial statements for the year ended December 31, 2015, both of which have been prepared in accordance with IFRS. Additional information relating to the Company, including its 2015 Annual Information Form, is available on SEDAR at www.sedar.com.

This MD&A contains forward-looking information and other "forward-looking statements". Please see disclosure regarding Forward-Looking Statements on page 27. Reliance should not be placed on such 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 statements.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

(Unaudited)
(in 000's) except REALTOR® count
For three months ended March 31,

	2016	2015
Royalties	\$ 9,397	\$ 8,454
Administration expenses	(295)	(352)
Management fee	(1,687)	(1,504)
Interest expense	(665)	(580)
CFFO	\$ 6,750	\$ 6,018
Dividends paid	\$ 3,081	\$ 2,845
Interest on Exchangeable Units paid	\$ 1,428	\$ 1,318
Net and comprehensive earnings (loss)	\$ 942	\$ (3,526)
Number of REALTORS®	17,320	16,206

(Unaudited)
For three months ended March 31, (except where otherwise noted)

	2016	2015
CFFO per Share	\$ 0.53	\$ 0.47
CFFO per Share, rolling twelve-month period ended March 31,	\$ 2.31	\$ 2.04
Dividends paid per Restricted Voting Share	\$ 0.32	\$ 0.30
Interest on Exchangeable Units paid per Exchangeable Unit	\$ 0.43	\$ 0.40
Net and comprehensive earnings (loss) per Share	\$ 0.10	\$ (0.37)

The table above sets out selected historical information and other data for the Company, which should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the Quarter and the audited consolidated financial statements of the Company for the year ended December 31, 2015.

- Cash Flow from Operations ("CFFO") for the Quarter improved to \$6.8 million or \$0.53 per share on a diluted basis ("Share"), an increase of 12% as compared to \$6.0 million or \$0.47 per Share for the Prior Year Quarter.
- CFFO for the rolling twelve-month period ended March 31, 2016 was \$2.31 per Share as compared to \$2.04 per Share for the rolling twelve-month period ended March 31, 2015. The improvement in CFFO 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 expenses as compared to the rolling twelve-month period ended March 31, 2015.
- The board of directors of BRESI (the "Board") declared a cash dividend of \$0.1083 per Restricted Voting Share payable on June 30, 2016, to shareholders of record on May 31, 2016. This represents a targeted annual dividend of \$1.30 per Restricted Voting Share.

Organization

BRESI is 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. (Collectively, the Partnership, VCLP and the General Partner 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 BRESI derives its revenue.

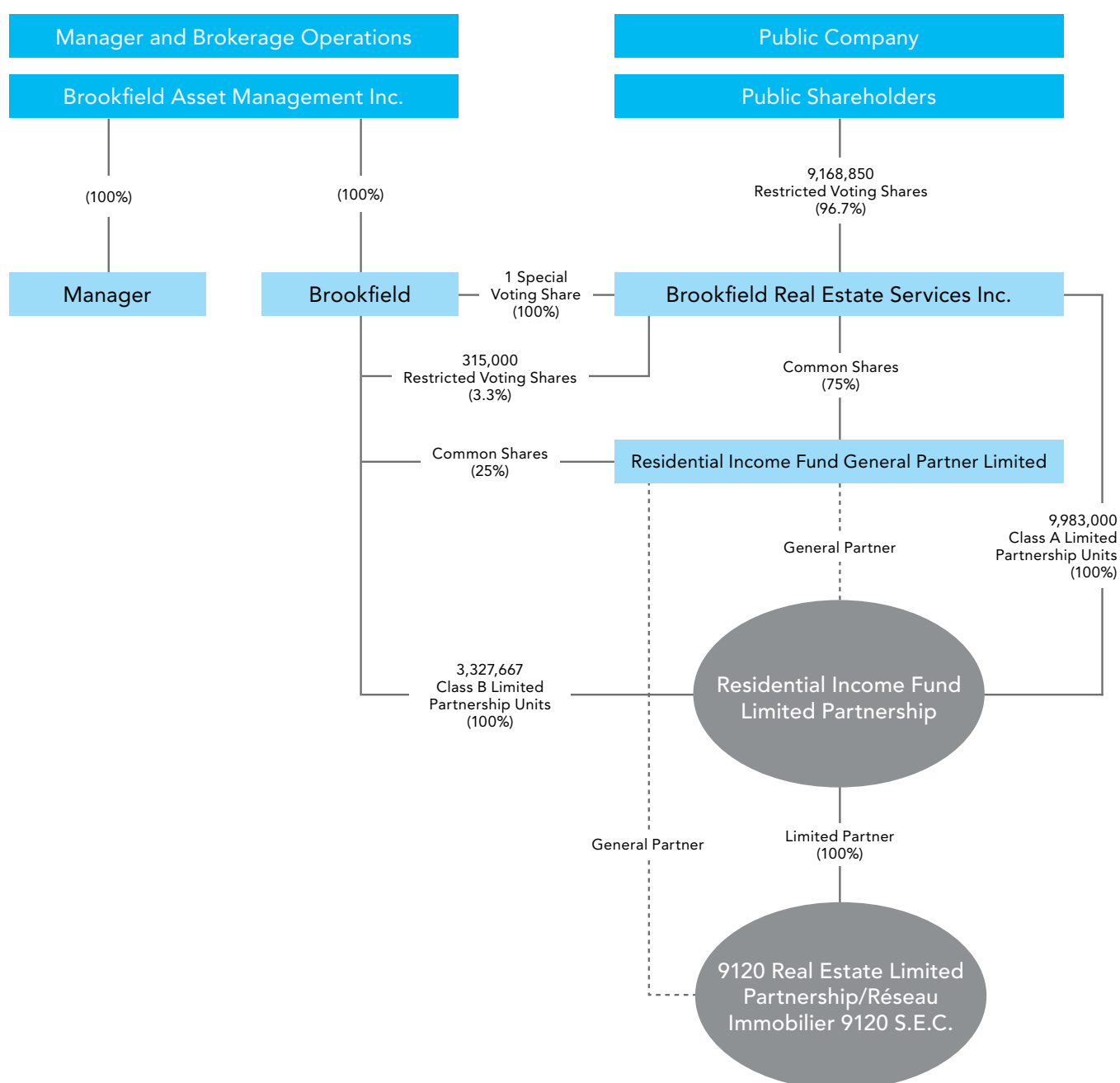
Brookfield owns the remaining 25% interest in the Partnership through its ownership of the Exchangeable Units and the remaining 25% interest in the General Partner through its ownership of 25 common shares in the General Partner. In addition to its ownership of the Exchangeable Units, Brookfield indirectly owns 315,000 Restricted Voting Shares (representing approximately 2.4% of Restricted Voting

Management's Discussion and Analysis of Results and Financial Condition

Shares outstanding on a fully diluted basis) and one special voting share of BRESI. The special voting share entitles Brookfield to a number of votes at any meeting of the restricted voting shareholders equal to the number of Restricted Voting Shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates.

The Company receives certain management, administrative and support services from the Manager. BRESI derives 100% of its revenue from royalties and other fees 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 the value proposition 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 2015 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

The Company generates revenue from royalties with both fixed and variable components. Approximately 89% of the Company's royalties during the Quarter and Prior Year Quarter 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 have been partly insulated from the fluctuations in the Canadian Market as they are 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 REALTORS® 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 2014 and 2015, and \$100 prior to 2014), while fixed fees from Via Capitale Franchisees consist primarily of a monthly fee of \$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 and the balance of the increase will take effect 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 REALTOR®'s 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 Network and the balance of the increase will take effect 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® 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 2015, over 3,000 REALTORS® and Teams exceeded the \$1,300 cap.

Management's Discussion and Analysis of Results and Financial Condition

Premium Franchise Fees are paid by 21 of the Company's larger Royal LePage locations in the greater Toronto area. 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, 11 are operated by the Manager.

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 REALTORS® in the Via Capitale and Royal LePage Networks.

Network Royalty Profile

As at March 31, 2016, the Company receives royalties from 17,320 REALTORS® contracted with 343 Broker-Owners operating under 308 Franchise Agreements from 670 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 2015 transactional dollar volume.

The Royal LePage Network: The fees generated from the Royal LePage Network accounted for 94% of the Company's fees for the Quarter (Prior Year Quarter – 93%). Fees charged to the Royal LePage Network for the Quarter 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 6% of the Company's fees for the Quarter (Prior Year Quarter – 7%). These fees are primarily made up of a fixed monthly fee per REALTOR® of \$170 (\$2,040 per annum) and other Franchise fees generated from warranties.

The table below summarizes the Franchise fees received by each respective brand;

(Unaudited)
Three months ended March 31, 2016
(in 000's)

	Royal LePage	Via Capitale	Total
Fixed Franchise Fees	52%	5%	57%
Variable Franchise Fees	23%	–	23%
Premium Franchise Fees	9%	–	9%
Other revenue	10%	1%	11%
Total Brand Percentage	94%	6%	100%

(Unaudited)
Three months ended March 31, 2015
(in 000's)

	Royal LePage	Via Capitale	Total
Fixed Franchise Fees	52%	6%	58%
Variable Franchise Fees	21%	–	21%
Premium Franchise Fees	10%	–	10%
Other revenue	10%	1%	11%
Total Brand Percentage	93%	7%	100%

Management's Discussion and Analysis of Results and Financial Condition

Overview of First Quarter 2016 Operating Results

(Unaudited)
(in 000's) except per Share amounts;
Restricted Voting Shares outstanding;
Exchangeable Units outstanding;
Number of REALTORS®;
For three months ended March 31,

	2016	2015
Royalties	\$ 9,397	\$ 8,454
Less:		
Administration expenses	295	352
Management fee	1,687	1,504
Interest expense	665	580
Cash Flow from Operations	\$ 6,750	\$ 6,018
Impairment of intangible assets	-	(46)
Amortization of intangible assets	(2,605)	(2,465)
Interest on Exchangeable Units	(1,428)	(1,318)
Gain (loss) on fair value of Exchangeable Units	466	(3,827)
Loss on Interest Rate Swap	(112)	(1,561)
Loss on fair value of purchase obligation	(1,464)	(17)
Current income tax expense	(1,036)	(894)
Deferred income tax recovery	371	584
Net and comprehensive earnings / (loss)	\$ 942	\$ (3,526)
Basic earnings / (loss) per Restricted Voting Share	\$ 0.10	\$ (0.37)
Diluted earnings / (loss) per Share	\$ 0.10	\$ (0.37)
Cash Flow from Operations per Share	\$ 0.53	\$ 0.47
Dividends paid per Restricted Voting Share	\$ 0.32	\$ 0.30
Interest paid per Exchangeable Unit	\$ 0.43	\$ 0.40
Restricted Voting Shares outstanding	9,483,850	9,483,850
Exchangeable Units outstanding	3,327,667	3,327,667
Number of REALTORS®	17,320	16,206

(Unaudited)
(in 000's)
As at

	March 31, 2016	December 31, 2015
Total assets	\$ 101,877	\$ 98,114
Total liabilities	\$ 129,386	\$ 123,484

Royalties:

The strong Canadian Market and an increase in the number of REALTORS® in the Company Network contributed to a \$0.9 million increase in royalty revenues for the Quarter compared to Prior Year Quarter. The total value of real estate bought and sold in Canada increased by 32% to \$56.8 billion for the Quarter compared to Prior Year Quarter, contributing to increased variable Franchise fees and Premium Franchise Fees. The Company's Network of REALTORS® increased by 526 REALTORS® in the Quarter, driven by 459 REALTORS® by way of acquisition of Franchise Agreements and 67 REALTORS® added through net organic recruitment.

Management's Discussion and Analysis of Results and Financial Condition

Net Earnings:

For the Quarter, the Company generated net earnings of \$0.9 million or \$0.10 per Share, compared to net loss of \$3.5 million or a loss of \$0.37 per Share for the Prior Year Quarter.

The primary drivers for the increase to net earnings for the Quarter compared to the net loss generated for the Prior Year Quarter were:

- A gain on the determination of the fair value on the Exchangeable Units of \$0.5 million in the Quarter, compared to a loss of \$3.8 million during the Prior Year Quarter;
- A decrease in the loss resulting from the revaluation of an Interest Rate Swap of \$0.1 million compared to \$1.6 million for the same period in 2015, refer to further discussion under *First Quarter Operating Results – Loss on Interest Rate Swap*;
- Increased royalty revenues as discussed above, net of associated increase in management fees;
- Reduced administration expenses, including bad debt expense; partly offset by
- An increase in the loss on the fair value of the purchase obligation from the revaluation of the estimated purchase price of Franchise Agreements, refer to further discussion under *First Quarter Operating Results – Loss on fair value of purchase obligation*.

Total Assets:

Total assets increased by \$3.8 million since December 31, 2015 primarily as a result of the Company's acquisition of Franchise Agreements totaling \$6.6 million on January 1, 2016 and an increase in accounts receivable of \$0.5 million. These increases were partly offset by a \$1.0 million reduction in cash and amortization of intangible assets totaling \$2.6 million.

Total Liabilities:

Total liabilities increased by \$5.9 million since December 31, 2015. The main drivers of the increase are as follows:

- An increase in Debt facilities of \$4.0 million to reflect financing to acquire Franchise Agreements during the Quarter and increase in net current and non-current portion of purchase obligation of \$2.8 million representing the unpaid purchase price;
- An increase in the Company's Interest Rate Swap liability, as discussed above; partly offset by
- A decrease in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares, refer to further discussion under *First Quarter Operating Results – Gain on fair value of Exchangeable Units*; and
- A decrease in the Company's current income tax liability as a result of incremental income tax installments paid in the Quarter.

Dividends and Distributions:

For the Quarter, the Company declared dividends of \$0.32 per Restricted Voting Share, representing an annualized target dividend of \$1.30 per Restricted Voting Share, an increase of \$0.10 per Restricted Voting Share compared to the annualized target dividend for the Prior Year Quarter.

For the Quarter, interest on Exchangeable Units increased by \$0.1 million compared to the Prior Year Quarter. This increase is consistent with increase in dividends on the Restricted Voting Shares noted above.

Management's Discussion and Analysis of Results and Financial Condition

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.

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.

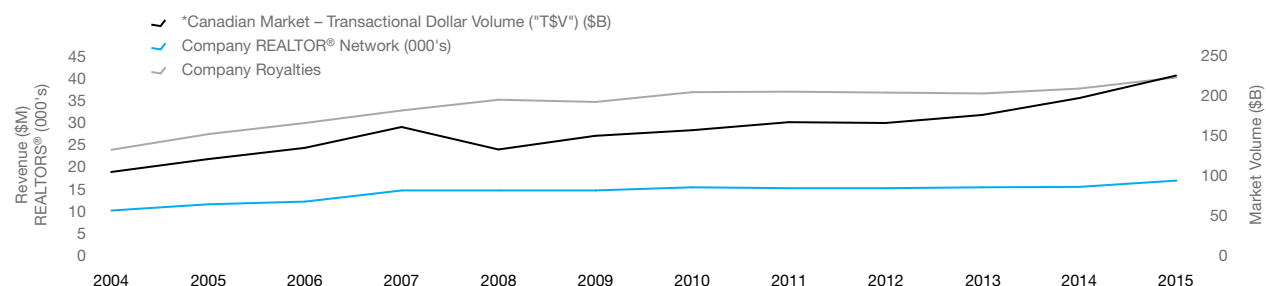
FIXED-FEE STRUCTURE

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® will be increased to \$105 per REALTOR® and the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue will 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 \$600,000 of incremental franchise fees when fully implemented.

Management's Discussion and Analysis of Results and Financial Condition

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at March 31, 2016, the Company Network of 17,320 REALTORS® operates through Franchisees, contracted with 343 Broker-Owners, providing services across the country through 670 locations operating under 308 Franchise Agreements. Of the Company's Brokerages, approximately 74% operate with fewer than 50 REALTORS® and represent 19% of the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has almost 1,900 REALTORS®.

The Company Network of REALTORS® is geographically dispersed across Canada. As compared to the distribution of REALTORS® across Canada as at December 31, 2015, 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 March 31, 2016	Canadian ¹ REALTOR® Population	Company REALTOR® Population
Ontario	56%	60%
British Columbia	18%	13%
Quebec	11%	14%
Alberta	9%	6%
Maritimes	3%	3%
Prairies	3%	4%
Total	100%	100%

¹ Source: CREA, as at December 31, 2015

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.

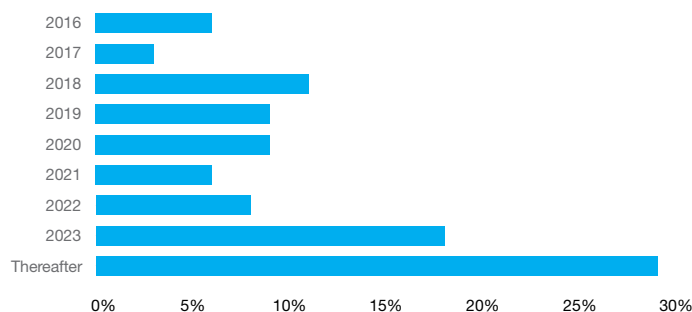
The Royal LePage Franchise Agreements, which are represented by 94% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry norm of five years and thereby reduce agreement renewal risk. In addition, the Company regularly attempts to extend contract terms by a further ten years in advance of the renewal dates when opportunities allow.

The Via Capitale Franchise Agreements, which are represented by 6% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

The Company's overall agreement renewal profile by year is not biased to any one year. A summary of the Company's agreement renewal profiles as at December 31, 2015 for the Company Network is shown below.

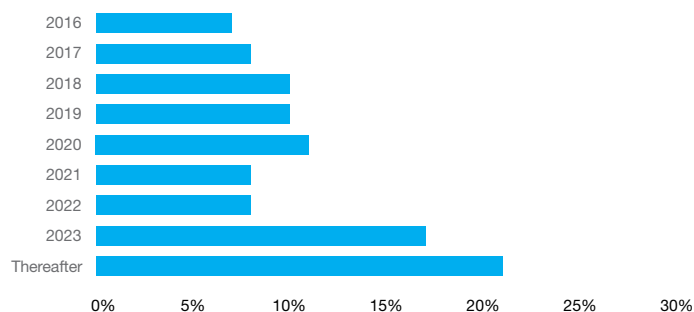
% OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of REALTORS®)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of Agreements)



Management's Discussion and Analysis of Results and Financial Condition

RENEWALS

The Company has historically enjoyed in excess of 95% renewal success 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, three Franchise Agreements, representing 66 REALTORS® of the Company Network renewed, and two Franchise Agreements, representing 52 REALTORS® of the Company Network renewed early.

During the Quarter, five Franchise Agreements were terminated, of which three were as a result of Franchisees merging operations and two resulted in the attrition of 46 REALTORS®.

Number of REALTORS® in the Company Network

For the Quarter, the Company Network of 17,320 REALTORS® increased by 526 REALTORS®, compared to a net increase of 829 REALTORS® during the Prior Year Quarter. After taking into account the 459 REALTORS® added through the acquisition of Franchise Agreements on January 1, 2016, the Company experienced net organic recruitment growth of 67 REALTORS®.

As at December 31,	2003 ² –2009	2010	2011	2012	2013	2014	2015	2016 ³
Company Network								
Opening REALTOR® Count	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 Organic Recruitment (Attrition)	2,511	260	(494)	(192)	(292)	(426)	(160)	67
Closing REALTOR® Count	14,631	15,308	15,061	15,086	15,310	15,377	16,794	17,320
% Change in the period	58%	5%	-2%	0%	1%	0%	9%	3%
As at December 31,	2003–2009	2010	2011	2012	2013	2014	2015	2016 ³
Canadian REALTOR® Population¹								
CREA REALTOR® Membership	98,161	101,916	104,407	106,944	109,032	110,821	114,664	–
% Change in the period	38%	4%	2%	2%	2%	2%	3%	–

¹ Source: CREA, CREA Membership data as of March 31, 2016 not available as of MDA date.

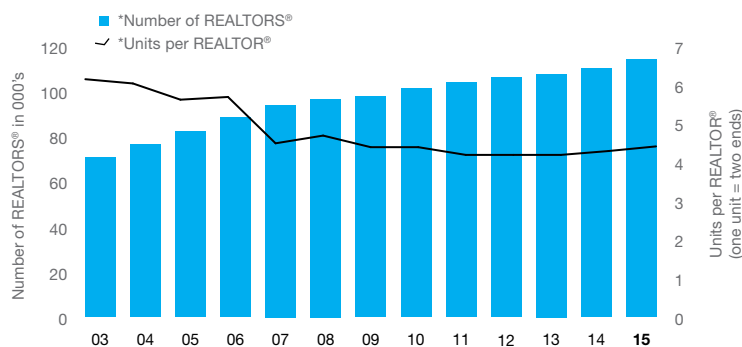
² Opening Count as at August 2003

³ As at March 31, 2016

The increase in the number of Canadian REALTORS® has in part been driven by the 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. This increase in REALTORS® and change in mix has resulted in a modest 2% year-over-year increase in the number of homes sold per REALTOR®.

CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)



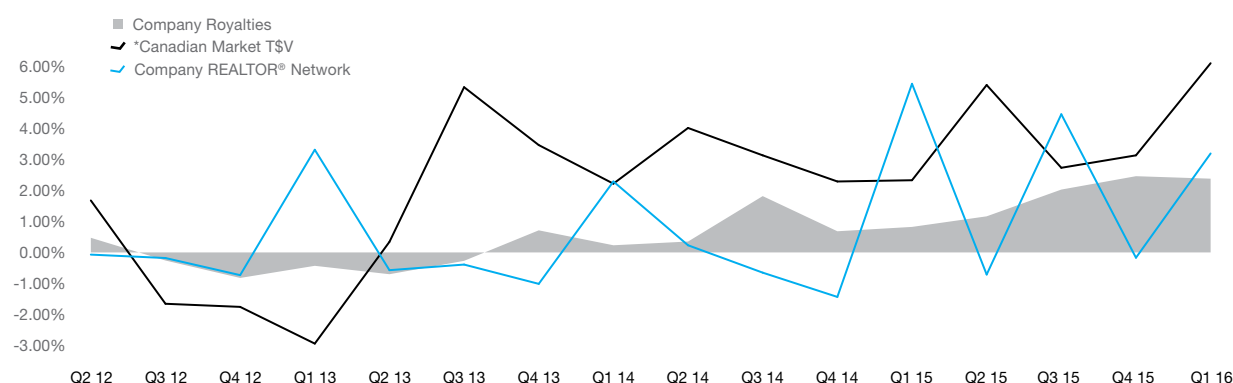
*Source: CREA

Management's Discussion and Analysis of Results and Financial Condition

Transaction 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 2012. The number of REALTORS® in the Company Network increases when the Company purchases Franchise Agreements from the Manager. This tends to occur on January 1 of each year. In 2015, an additional purchase of Franchise Agreements was approved July 1. During those quarters where no Franchise Agreements are purchased, REALTOR® growth tends to be more modest, and can sometimes be slightly 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.

For the Quarter, the Canadian Market closed up 32%, at \$56.8 billion, as compared to the Prior Year Quarter, driven by a 16% and 13% increase in price and units sold, respectively. The increase in average selling price of a home was buoyed by robust activity in the Greater Toronto and metropolitan Vancouver markets and the low interest rate environment.

For the rolling twelve-month period ended March 31, 2016, the Canadian Market closed up 18%, at \$237.8 billion, as compared to the rolling twelve-month period ended March 31, 2015, driven by a 11% increase in price and 7% increase in units sold.

For the Quarter, the greater Toronto area ("GTA") market closed up 31%, at \$15.2 billion, as compared to the Prior Year Quarter, driven by a 14% and 15% increase in price and units sold, respectively.

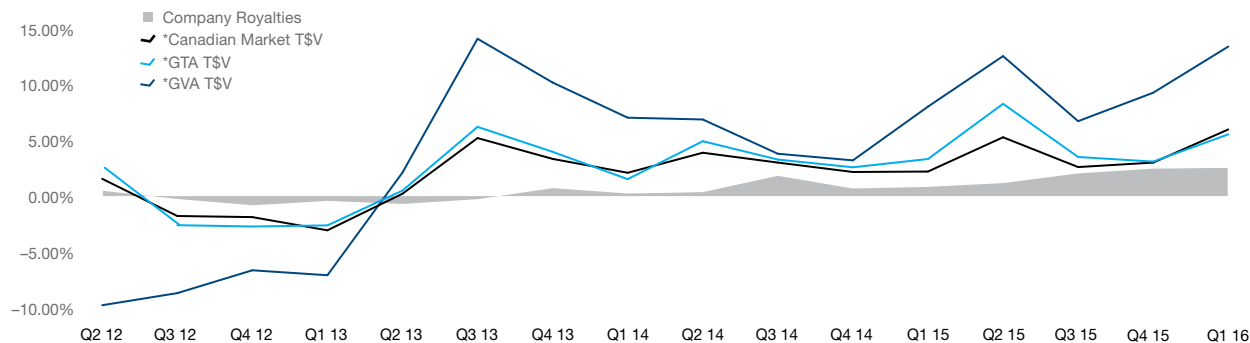
For the rolling twelve-month period ended March 31, 2016, the GTA market closed up 22%, at \$66.9 billion, as compared to the rolling twelve-month period ended March 31, 2015, driven by a 11% increase in price and 10% increase in units sold.

For the Quarter, the greater Vancouver area ("GVA") market closed up 65%, at \$13.3 billion, as compared to the Prior Year Quarter, driven by an 25% and an 32% increase in price and units sold, respectively.

For the rolling twelve-month period ended March 31, 2016, the GVA market closed up 49%, at \$44.2 billion, as compared to the rolling twelve-month period ended March 31, 2015, driven by a 16% and 29% increase in price and units sold, respectively.

Management's Discussion and Analysis of Results and Financial Condition

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 organic 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 these 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 potential recruits.

PRODUCTS AND SERVICES

The Manager, on behalf of the Company, continues to develop new tools, programs and services to support the profitable growth of its Franchisees. In 2015, the Manager launched programing and services that include recruiting-oriented coaching and accountability programs, new online lead generation services to help recruit REALTORS® as well as a series of new videos and e-marketing campaigns to support recruiting activities. In addition to growth services, the Manager launched a benchmarking program to help Brokers assess their profitability levels relative to their peers. The success of any Brokerage is dependent upon the satisfaction and success of its REALTORS® which Brokers can measure using the Manager's program to help Brokers understand REALTOR® satisfaction to support REALTOR® retention efforts.

GROWTH IN NUMBER OF REALTORS®

The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competitive offerings to the Company's Brands and development of programs to increase REALTOR® growth.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 87% (8,082 REALTORS®), of which 84% has been through acquisitions and 16% through growth. This represents a cumulative annual growth rate of 5% in the Company Network.

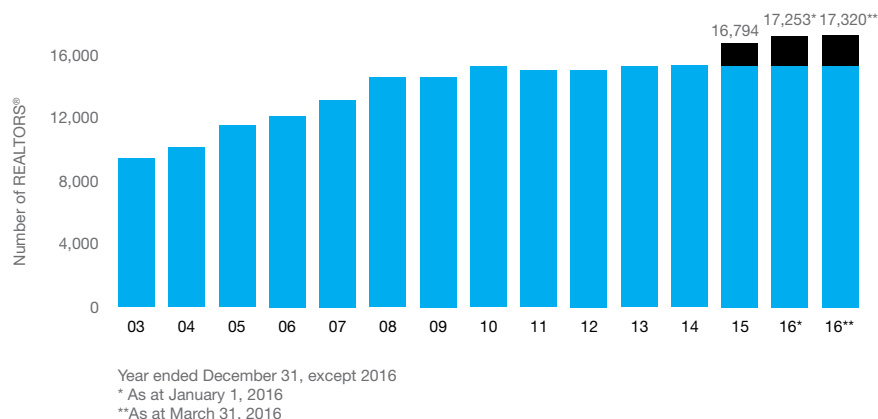
Growth through acquisition is achieved by purchasing Franchise Agreements acquired by the Manager.

On January 1, 2016, the Company purchased Franchise Agreements representing 33 real estate operations, serviced by an estimated 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.

A summary of Company Network growth since inception is summarized in the chart on the next page.

Management's Discussion and Analysis of Results and Financial Condition

COMPANY GROWTH

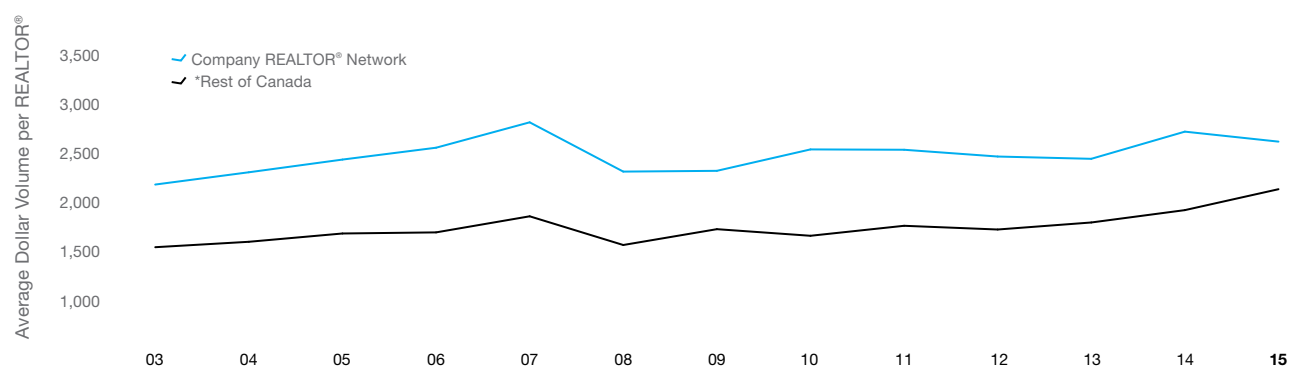


REALTOR® Productivity

The average Company Network REALTOR® generated approximately \$2.5 million in transactional dollar volume for the twelve months ended December 31, 2015, compared to an estimated \$1.9 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 to 2015 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

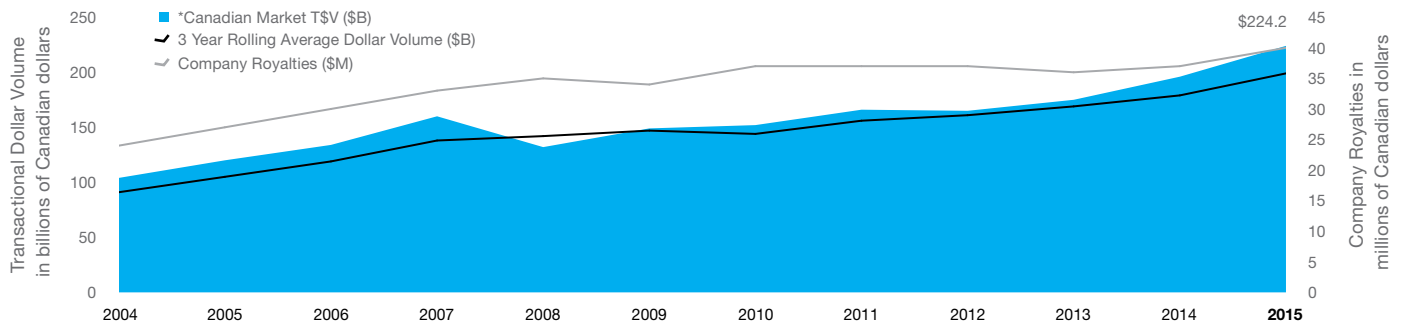
The Canadian Residential Real Estate Market

Since 2004, the Canadian Market has grown at a compound annual growth rate ("CAGR") of 7% compared to our royalty revenues, which have grown at a rate of 5%.

Over the last three years the Canadian Market has grown at a slightly stronger pace with a CAGR of 13% driven by a 5% increase in units and an 8% increase in selling price. A low interest rate environment, government policies to encourage immigration and a reduction in listings over that three-year period has contributed to the more robust activity, despite government-mandated mortgage tightening rules and increased down payment requirements.

Management's Discussion and Analysis of Results and Financial Condition

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET (2004–2015)

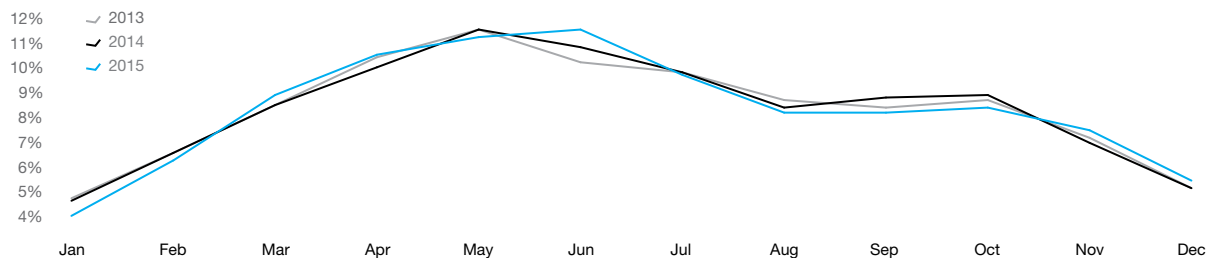


*Source: CREA

The Company's royalty revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transaction 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, the acquisition of Franchise Agreements at the beginning of the year and in the latter part of the year 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

Management's Discussion and Analysis of Results and Financial Condition

Canadian Market Outlook

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

From CMHC¹: The trend measure of housing starts in Canada was 196,783 units in March compared to 201,618 in February, according to Canada Mortgage and Housing Corporation (CMHC). The trend is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR) of housing starts.

Overall, starts were trending lower in March due to a slowdown in multi-unit construction. This was the case across the country, except in British Columbia where declining inventories of new and unsold units as well as low levels of new listings in the resale market spurred builders to start new projects.

In March, the seasonally adjusted annual rate of urban starts decreased in British Columbia, Québec, Atlantic Canada and the Prairies, but increased in Ontario.

From CREA²: Canadian resale housing market trends this year are expected to resemble those apparent in 2015, with very tight supply leading to strong price gains in British Columbia and Ontario – particularly in the Lower Mainland and in and around the Greater Toronto Area. Price gains in these regions are expected to continue to stand in sharp contrast to moderate price declines among housing markets whose prospects are closely tied to oil and other natural resource prices. In line with the prevailing forecast for stronger Canadian economic growth beginning in the second half of 2016, Canadian home sales activity is now expected to rebalance in 2017.

Nationally, sales activity is forecast to rise by one per cent to 511,400 units in 2016.

British Columbia is again forecast to post the largest annual increase in activity (+11.8 %), with Alberta expected the record the largest annual sales decline (-18.7%). A lack of supply is expected to hold activity in check in Ontario in 2016 (+0.3%) despite the continuation of very strong demand.

Elsewhere, modest sales gains in Manitoba (+3.4%), Quebec (+3.4%), New Brunswick (+1.2%), Nova Scotia (+1.1%) and Prince Edward Island (+3.3%) are forecast for 2016, reflecting expected improvements in these province's economic prospects.

By contrast, sales activity in 2016 is forecast to ease in Saskatchewan Newfoundland and Labrador, two of Canada's major oil producing provinces, by 3.7% and 4.5% respectively.

With prices continuing to push higher in British Columbia and Ontario and sales in these expensive real estate markets hitting record highs, CREA's forecast for national average price has been revised upward to \$478,100 in 2016, representing an annual increase of eight per cent.

British Columbia is forecast to be the only province where average home prices rise materially faster (+10.0%) than the national average, reflecting an increasing proportion of sales above \$1 million. The rise in Ontario's average price (+8.2%) is forecast to be roughly in line with the national increase.

Elsewhere, average prices in 2016 are forecast to rise by 2.1% in Manitoba, 1.6% in Quebec, and 1.1% in both Nova Scotia and Prince Edward Island.

Average prices are forecast recede in Alberta (-2.5%), Saskatchewan (-2.4%), New Brunswick (-0.4%) and Newfoundland and Labrador (-1.4%).

From TREB³: At the beginning of 2016, TREB's outlook for the year pointed to a strong possibility of a second consecutive record year for home sales. This outlook based, in part, on upbeat consumer survey results pointing to robust home buying intentions. It is clear that these upbeat intentions have translated into record first quarter results.

¹ Source: CMHC News Release, published April 8, 2016

² Source: CREA Updates Resale Housing Forecast, published March 15, 2016

³ Source: TREB Market Watch, published April 5, 2016

Management's Discussion and Analysis of Results and Financial Condition

Demand was not an issue in the first three months of 2016, regardless of the housing market segment being considered. The resulting strong competition between buyers has underpinned the double-digit rates of price growth experienced so far this year.

From the BoC⁴: The target for the overnight lending rate is maintained at 0.5%. Growth in the global economy is expected to strengthen gradually from about 3% in 2016 to 3.5% in 2017–18, a weaker outlook than the Bank had projected in its January Monetary Policy Report (MPR). After a slow start to 2016, the US economy is expected to regain momentum, but with a lower profile and a composition that is less favourable for Canadian exports. Financial conditions have improved, partly in response to expectations of more accommodative monetary policy in some major economies.

Prices of oil and other commodities are off their earlier lows and slightly above levels assumed by the Bank in January, but remain well below historical averages. Nonetheless, the Bank expects deeper cuts to investment in Canada's energy sector than were forecast in January. Meanwhile, the Canadian dollar has firmed, reflecting shifting expectations for monetary policy in Canada and the United States, as well as recent increases in commodity prices.

The Canadian economy's complex structural adjustment to the oil price shock is ongoing and will dampen growth throughout the Bank's projection horizon. First-quarter GDP growth appears to have been unexpectedly strong, but some of that strength is due to temporary factors and is likely to reverse in the second quarter. Still, it does appear that the positive forces at work in the economy are starting to outweigh those that are negative. Non-resource exports are expected to strengthen, but their profile is weaker than previously projected, in part because of slower foreign demand growth and the higher Canadian dollar. The economy continues to create net new employment, especially in services, despite job losses in resource-intensive regions. In this context, household spending continues to expand moderately. While business investment is still shrinking due to sizeable declines in the energy sector, it is expected to turn positive later this year. The complex adjustment figures importantly in the Bank's annual review of the economy's potential, which has resulted in a lower estimated range for potential output growth.

The combined effect of all of these global and domestic developments would have been a modest downgrade of the Bank's outlook. However, the fiscal measures announced in the March federal budget will have a notable positive impact on GDP. The Bank now projects real GDP growth of 1.7% in 2016, 2.3% in 2017 and 2.0% in 2018. This new growth profile, combined with the revised estimate for potential, suggests the output gap could close somewhat earlier than the Bank had anticipated in January, likely in the second half of 2017.

Inflation in Canada continues to track largely as the Bank anticipated. Total CPI inflation is below the 2% target and will likely ease further before returning to 2% as the effects of exchange rate pass-through and lower consumer energy prices unwind and the economy's excess capacity diminishes. Measures of core inflation are close to 2% and continue to reflect the offsetting influences of past exchange rate depreciation and excess capacity.

Overall, the risks to the profile for inflation are roughly balanced. Meanwhile, financial vulnerabilities continue to edge higher, in part due to regional shifts in activity associated with the structural adjustment underway in Canada's economy. The Bank's Governing Council judges that the overall balance of risks remains within the zone for which the current stance of monetary policy is appropriate, and the target for the overnight rate remains at 0.5%.

⁴ Source: BoC press release published April 13, 2016

Management's Discussion and Analysis of Results and Financial Condition

First Quarter Operating Results

(Unaudited)
(in 000's) except per Share amounts and
number of REALTORS®;
For three months ended March 31,

	2016	2015
Royalties		
Fixed Franchise fees	\$ 5,385	\$ 4,931
Variable Franchise fees	2,163	1,759
Premium Franchise fees	843	829
Other revenue	1,006	935
	9,397	8,454
Less:		
Administration	295	352
Management fee	1,687	1,504
Interest expense	665	580
	2,647	2,436
Cash Flow from Operations	6,750	6,018
Impairment of intangible assets	–	(46)
Amortization of intangible assets	(2,605)	(2,465)
Interest on Exchangeable Units	(1,428)	(1,318)
Gain / (loss) on fair value of Exchangeable Units	466	(3,827)
Loss on Interest Rate Swap	(112)	(1,561)
Loss on fair value of purchase obligation	(1,464)	(17)
Earnings / (loss) before income taxes	1,607	(3,216)
Current income tax expense	1,036	894
Deferred income tax recovery	(371)	(584)
Net and comprehensive earnings / (loss)	\$ 942	\$ (3,526)
Basic earnings / (loss) per Restricted Voting Share	\$ 0.10	\$ (0.37)
Diluted earnings / (loss) per Share	\$ 0.10	\$ (0.37)
Number of REALTORS®	17,320	16,206

During the Quarter, the Company generated net earnings of \$0.9 million and CFFO of \$6.8 million, as compared to net loss of \$3.5 million and CFFO of \$6.0 million for the Prior Year Quarter.

Royalties for the Quarter totaled \$9.4 million, compared to \$8.5 million for the Prior Year Quarter. Fixed, variable and Premium Franchise Fees together represented 89% of royalties for the Quarter and Prior Year Quarter. Royalties increased due primarily to the larger REALTOR® base and continued strong Canadian Market, particularly in Toronto and Vancouver.

Fixed Franchise fees for the Quarter increased by 9% as compared to the Prior Year Quarter, due to the increase in the REALTOR® base driven primarily by the acquisition of Franchise Agreements on July 1, 2015 and January 1, 2016 representing 719 and 459 REALTORS®, respectively, and net organic recruitment growth of 67 REALTORS® for the Quarter.

Variable Franchise fees for the Quarter increased by 23%, which relates to the increase in the REALTOR® base and an increase in transaction dollar value of the Canadian Market driven by the continued strong Toronto and Vancouver markets.

Premium Franchise fees are derived from 21 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 have increased by 2% compared to Prior Year Quarter.

Management's Discussion and Analysis of Results and Financial Condition

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 11% of total royalties for the Quarter. Other fees increased 8% in the Quarter as compared to the Prior Year Quarter due to higher warranty fees earned and technology fees earned from Franchise Agreements acquired in July 2015 and January 1, 2016.

Administration expenses of \$0.3 million for the Quarter were lower than for the Prior Year Quarter primarily due to lower bad debt expense.

Management fee expense of \$1.7 million for the Quarter, calculated in accordance with the MSA, increased 12% in the Quarter as compared to the Prior Year Quarter, due primarily to the increase in royalties.

Interest expense increased by \$0.1 million as compared to the same period in 2015 as a result of the increase in total 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 \$2.6 million, an increase of 6% compared to the Prior Year Quarter as a result of Franchise Agreements acquired on July 1, 2015 and January 1, 2016 being amortized.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Quarter, total distributions amounted to \$0.43 per Exchangeable Unit compared to \$0.40 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 increase to the distribution per Exchangeable Unit in 2015, which is calculated in reference to the two dividend increases per Restricted Voting Share approved by the Board in 2015.

Gain on fair value of Exchangeable Units represents the change in fair value during the Quarter of the Exchangeable Units. The Exchangeable Units are valued based on a \$14.66 price for the Company's Restricted Voting Shares at the beginning of the Quarter compared to \$14.52 at March 31, 2016 resulting in a gain of \$0.5 million as a result of the decrease in obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the price of the Company's Restricted Voting Shares increased by \$1.15 to \$14.15, resulting in a loss of \$3.8 million.

Loss on Interest Rate Swap of \$0.1 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 purchase obligation increased by \$1.5 million as a result of an increase in the estimated cash flows from Franchise Agreements purchased on July 1, 2015 and January 1, 2016. The increase in the estimated cash flows results in a higher value ascribed to Franchise Agreements purchased. The purchase obligation will be paid on or about October 31, 2016, the determination date of the final purchase price of such purchased Franchise Agreements.

Income Tax Expense The effective income tax rate paid by the Company for the Quarter was 41.4% (Prior Year Quarter – negative 9.6%). The Company's effective income tax rate in the interim condensed consolidated statement of earnings (loss) and comprehensive earnings (loss) 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 earnings (loss) but excluded from the determination of taxable income. Items deducted from net earnings (loss) that are not deductible in determining taxable income include, among other things, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

Management's Discussion and Analysis of Results and Financial Condition

Summary of Quarterly Results and Cash Flow from Operations

(Unaudited)

For three months ended,

	2016	2015				2014			
(in 000's) except per Share amounts and number of REALTORS®;	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	
Royalties									
Fixed Franchise fees	\$ 5,385	\$ 5,311	\$ 5,109	\$ 5,025	\$ 4,931	\$ 4,814	\$ 4,813	\$ 4,913	
Variable Franchise fees	2,163	1,606	3,115	2,716	1,759	1,457	2,793	2,582	
Premium Franchise fees	843	1,431	2,270	1,362	829	1,364	2,153	1,268	
Other revenue	1,006	1,191	1,071	1,198	935	949	1,036	1,102	
	9,397	9,539	11,565	10,301	8,454	8,584	10,795	9,865	
Less:									
Administration	295	252	348	334	352	339	602	431	
Management fee	1,687	1,734	2,115	1,876	1,504	1,431	1,883	1,730	
Interest expense	665	619	640	589	580	1,089	777	782	
Cash Flow from Operations	6,750	6,934	8,462	7,502	6,018	5,725	7,533	6,922	
Impairment of intangible assets	–	(697)	(135)	(169)	(46)	(1,096)	(538)	(681)	
Amortization of intangible assets	(2,605)	(2,502)	(2,524)	(2,401)	(2,465)	(2,510)	(2,633)	(2,743)	
Interest on Exchangeable Units	(1,428)	(1,408)	(1,372)	(1,336)	(1,318)	(1,318)	(1,318)	(1,950)	
Gain / (loss) on fair value of Exchangeable Units	466	(4,027)	5,258	(2,928)	(3,827)	2,928	399	2,629	
(Loss) / gain on Interest Rate Swap	(112)	84	(257)	280	(1,561)	(482)	–	–	
(Loss) / gain on fair value of purchase obligation	(1,464)	(454)	(481)	319	(17)	(260)	(218)	420	
Earnings (loss) before income taxes	1,607	(2,070)	8,951	1,267	(3,216)	2,987	3,225	4,597	
Current income tax expense	1,036	1,136	1,309	1,130	894	836	1,198	794	
Deferred income tax (recovery) / expense	(371)	(205)	(169)	97	(584)	(298)	(190)	(210)	
Net and comprehensive earnings (loss)	\$ 942	\$ (3,001)	\$ 7,811	\$ 40	\$ (3,526)	\$ 2,449	\$ 2,217	\$ 4,013	
Basic earnings / (loss) per Restricted Voting Share	\$ 0.10	\$ (0.32)	\$ 0.82	\$ –	\$ (0.37)	\$ 0.26	\$ 0.23	\$ 0.42	
Diluted earnings / (loss) per Share	\$ 0.10	\$ (0.32)	\$ 0.31	\$ –	\$ (0.37)	\$ 0.26	\$ 0.23	\$ 0.26	
Cash Flow from Operations per Share	\$ 0.53	\$ 0.54	\$ 0.66	\$ 0.59	\$ 0.47	\$ 0.45	\$ 0.59	\$ 0.54	
Number of REALTORS®	17,320	16,794	16,826	16,105	16,206	15,377	15,593	15,697	

For the 12 months ended March 31, 2016, the Company generated CFFO of \$2.31 per Share, as compared to \$2.04 CFFO generated for the 12 months ended March 31, 2015. A summary of the Company's CFFO generated over the last eight quarters on a rolling 12 months basis is presented in the table on the next page.

Management's Discussion and Analysis of Results and Financial Condition

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

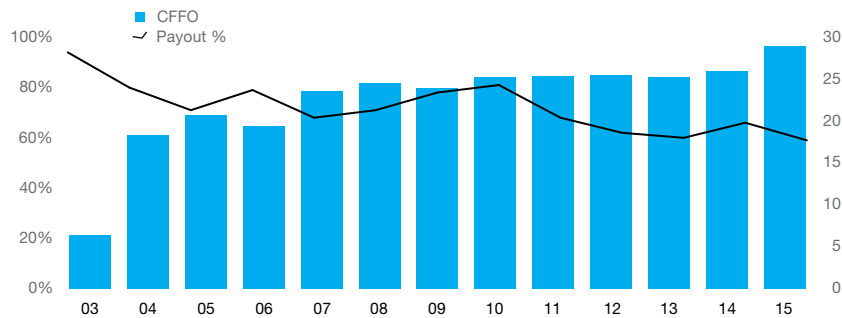
(Unaudited) For twelve months ended,								
	2016	2015				2014		
(in 000's) except per Share amounts	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30
Royalties	\$ 40,802	\$ 39,859	\$ 38,904	\$ 38,134	\$ 37,698	\$ 37,392	\$ 37,140	\$ 36,478
Less:								
Administration	1,229	1,286	1,373	1,627	1,724	1,626	1,327	1,118
Management fee	7,412	7,229	6,926	6,694	6,548	6,469	6,624	6,609
Interest expense	2,513	2,428	2,898	3,035	3,228	3,419	3,080	3,067
	29,648	28,916	27,707	26,778	26,198	25,878	26,109	25,684
Cash Flow from Operations per Share	\$ 2.31	\$ 2.26	\$ 2.16	\$ 2.09	\$ 2.04	\$ 2.02	\$ 2.04	\$ 2.00

The Company's operations have generated significant cash flows with \$299.1 million of CFFO generated since inception, of which \$210.1 million has been distributed to shareholders of Restricted Voting Shares and Exchangeable Unitholders. Of the remaining \$89.0 million retained by the Company, \$75.9 million has been invested in Franchise Agreements, \$4.1 million was used to purchase units 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)



Management's Discussion and Analysis of Results and Financial Condition

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

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO CASH FLOW FROM OPERATIONS

(Unaudited)

(in 000's)

For three months ended March 31,

	2016	2015
Cash flow from operating activities	\$ 3,334	\$ 4,143
Add (deduct):		
Interest on Exchangeable Units	1,428	1,318
Income taxes paid	1,609	308
Changes in non-cash working capital items	389	286
Interest expense	(2,032)	(1,855)
Interest paid	2,022	1,818
CFFO	\$ 6,750	\$ 6,018

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 March 31, 2016 the Company's \$78.0 million financing comprised of the following three arrangements, maturing February 17, 2020.

- A \$53.0 million term facility (the "Term Facility"). The Term Facility bears a variable interest 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 acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company, bearing a variable interest rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility.
- A \$5.0 million revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements, bearing a variable interest 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 March 31, 2016 the Company is compliant with these covenants.

Management's Discussion and Analysis of Results and Financial Condition

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 Cash Flow from Operations 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.

For the Quarter, the Company funded the purchase of Franchise Agreements primarily through \$6.0 million in borrowings under its available debt facilities. Offsetting this, the Company generated sufficient CFFO during the Quarter (after payment of dividends, interest on Exchangeable Units and its operating obligations) to repay \$2.0 million of those borrowings. 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 generated from operations, the recording of obligations arising from the purchase of Franchise Agreements and the settlement of these obligations and payment of dividends and interest.

Overall non-cash working capital decreased by \$3.7 million from negative non-cash working capital of \$1.9 million as at December 31, 2015 to negative non-cash working capital of \$5.6 million as at March 31, 2016. The decrease in non-cash working capital resulted from:

- A \$4.7 million increase in the current portion of the purchase obligation, driven by the acquisition of Franchise Agreements on January 1, 2016, resulting in an increase in amounts owing as a result of the purchase of Franchise Agreements for which the Company has not yet fully paid; partly offset by
- A \$0.5 million increase in accounts receivable and current portion of notes receivable as a result of higher revenues earned from the increase in REALTORS® in the Company Network; and
- A \$0.6 million decrease in current income tax liability.

Management's Discussion and Analysis of Results and Financial Condition

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

(Unaudited) (in 000's) As at	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	Change in quarter	Change from prior year same period
Current assets										
Accounts receivable and current portion of notes receivable	\$ 4,521	\$ 4,043	\$ 5,011	\$ 5,903	\$ 5,345	\$ 5,034	\$ 5,371	\$ 7,358	\$ 478	\$ (824)
Income tax receivable	–	–	–	–	–	–	–	332	–	–
Prepaid expenses	172	202	126	164	179	119	142	62	(30)	(7)
	\$ 4,693	\$ 4,245	\$ 5,137	\$ 6,067	\$ 5,524	\$ 5,153	\$ 5,513	\$ 7,752	\$ 448	\$ (831)
Current liabilities										
Accounts payable and accrued liabilities	\$ 1,203	\$ 1,181	\$ 1,240	\$ 1,213	\$ 1,231	\$ 1,100	\$ 1,120	\$ 1,752	\$ 22	\$ (28)
Debt facilities	–	–	–	–	–	–	52,925	52,877	–	–
Current portion of Purchase obligation	7,571	2,824	2,371	1,887	4,404	2,150	1,882	4,180	4,747	3,167
Current income tax liability	67	640	474	86	894	308	375	–	(573)	(827)
Interest payable to Exchangeable Unitholders	476	476	441	441	423	423	423	423	–	53
Dividends payable to Restricted Voting shareholders	1,027	1,027	988	988	948	948	948	948	–	79
	10,344	6,148	5,514	4,615	7,900	4,929	57,673	60,180	4,196	2,444
Net working capital	\$ (5,651)	\$ (1,903)	\$ (377)	\$ 1,452	\$ (2,376)	\$ 224	\$ (52,160)	\$ (52,428)	\$ (3,748)	\$ (3,275)

Capital Resources

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

(Unaudited) (in 000's) As at	March 31, 2016	December 31, 2015
Cash	\$ 4,607	\$ 5,645
Term Facility	–	–
Acquisition Facility	4,100	8,100
Operating Facility	5,000	5,000
Net borrowing capacity	\$ 9,100	\$ 13,100
Capital resources	\$ 13,707	\$ 18,745

As at March 31, 2016, \$15.9 million of the Acquisition Facility has been drawn by the Company, leaving \$9.1 million available under the debt facilities. This represents a decrease of \$4.0 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 repayment of \$2.0 million on March 29, 2016.

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 as well as the acquisition of Franchise Agreements.

Management's Discussion and Analysis of Results and Financial Condition

Commitments

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

(Unaudited) (in 000's)	2016	2017	2018	2019	Beyond 2019	Total
Accounts payable and accrued liabilities	\$ 1,203	\$ –	\$ –	\$ –	\$ –	\$ 1,203
Purchase obligation	7,571	–	–	–	–	7,571
Interest payable to Exchangeable Unitholders	476	–	–	–	–	476
Dividends payable to Restricted Voting shareholders	1,027	–	–	–	–	1,027
Interest on Debt facilities	1,731	2,308	2,308	2,308	385	9,040
Interest rate swap liability	–	–	–	2,048	–	2,048
Term facility	–	–	–	–	53,000	53,000
Acquisition facility	–	–	–	–	15,900	15,900
Exchangeable Units	–	–	–	–	48,318	48,318
Total	\$ 12,008	\$ 2,308	\$ 2,308	\$ 4,356	\$ 117,603	\$ 138,583

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 Brookfield, primarily through its ownership of the Exchangeable Units of the Partnership and Restricted Voting Shares. Brookfield obtained its ownership interest in the Company through the sale of its interest in certain assets to the Company at its inception. These assets included the 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 1,881 REALTORS® with 1,289 REALTORS® operating out of 14 locations situated in the GTA Market and 592 REALTORS® operating from 10 locations situated 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 Vancouver mainland based operations are up for renewal between 2023–2024. Included in the GTA based Franchise Agreement is an additional premium fee ranging from 1% to 5% for 11 of the 14 location's gross commission income to 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 percent 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 the average annual royalties earned over one year, 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 franchises acquired 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 shares of the Company, at the option of the Company.

Management's Discussion and Analysis of Results and Financial Condition

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 interim condensed consolidated financial statements.

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 \$9.2 million, approximating 80% of the estimated purchase price and applicable taxes was paid on January 2, 2015 using cash on hand and a drawdown of \$8.0 million on the Company's then \$10.0 million Acquisition Facility. The remaining obligation is payable as at March 31, 2016, based on the final price determined in accordance with the MSA.

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 \$8.8 million, approximating 80% of the estimated purchase price and applicable taxes was paid on July 3, 2015 through a draw on the Company's Acquisition Facility. The remaining obligation is to be paid in 2016 when the final purchase price is determined in accordance with the MSA.

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 \$6.0 million, approximating 80% of the estimated purchase price and applicable taxes was paid on January 8, 2016 through a draw on the Company's Acquisition Facility. The remaining obligation is to be paid in 2016 when the final purchase price is determined in accordance with the MSA.

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 the Company's administration costs, and the amortization period of intangible assets. The Company's administration costs of approximately \$1.3 million per annum relate to the Company's public reporting, regulatory and insurance costs.

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 judgements, 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 interim condensed 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, measurement of deferred taxes, measurement of the fair values of purchase obligation (receivable) 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 interim condensed 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 us from quantifying the overall impact of these movements on the Company's interim condensed 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.

Management's Discussion and Analysis of Results and Financial Condition

Accounting for Franchise Agreements

The critical judgement 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 interim condensed consolidated statement of earnings (loss) and comprehensive earnings (loss).

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 an individual Franchise Agreement and Trademarks. When reviewing indicators of impairment for Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical REALTORS® count, collectability of receivables from the Brokerage 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 rate on these facilities are based on Prime and Banker Acceptance rates. As at March 31, 2016 the Company has drawn \$15.9 million on the Acquisition Facility, and the \$5.0 million operating facility has remained undrawn.

Disclosure Controls and Internal Controls over Financial Reporting

As a publicly traded entity, 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 March 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.

Management's Discussion and Analysis of Results and Financial Condition

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 interim condensed consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR were evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at March 31, 2016. The design of ICFR is undertaken in accordance with the 1992 COSO framework.

Outstanding Restricted Voting Shares

The Company is authorized to issue an unlimited number of Restricted Voting Shares, an unlimited number of preferred shares and one Special Voting Share. As of March 31, 2016 the Company 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 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 is owned by Brookfield 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". Words such as "outlook", "believe(s)", "further", "grow", "will", "forecast", "objective", "continue", "determine", "ongoing", "foreseeable", "maintain", "intention", "seeks", "strive", "momentum", "expects", "likely", "increase" 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: 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 resale 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. 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.

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Distributions/Dividend History

(per Restricted Voting Share*)

Month	2009	2010	2011	2012	2013	2014	2015	2016
January	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1000	\$ 0.1083
February	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1000	\$ 0.1083
March	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1000	\$ 0.1083
April	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1000	
May	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1000	
June	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	
July	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	
August	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	
September	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	
October	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	
November	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	
December	\$ 0.1570	\$ 0.3170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1083	
	\$ 1.4436	\$ 1.6036	\$ 1.1040	\$ 1.1040	\$ 1.1040	\$ 1.2000	\$ 1.2335	\$ 0.3249

* Amounts declared prior to 2011 represent distributions declared to income trust Unitholders, prior to the Company's re-organization 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,

	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016
Trading price range of units (TSX: "BRE")								
Close	\$ 14.00	\$ 13.88	\$ 13.00	\$ 14.15	\$ 15.03	\$ 13.45	\$ 14.66	\$ 14.52
High	\$ 14.95	\$ 14.26	\$ 14.08	\$ 14.68	\$ 15.25	\$ 15.25	\$ 15.05	\$ 15.00
Low	\$ 13.95	\$ 13.65	\$ 12.90	\$ 14.02	\$ 13.82	\$ 13.25	\$ 13.26	\$ 13.21
Average daily volume	7,735	13,254	14,139	20,818	13,070	5,318	4,304	5,319
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	\$ 179,361	\$ 177,824	\$ 166,550	\$ 181,283	\$ 192,557	\$ 172,315	\$ 187,817	\$ 186,023

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Canadian Residential Real Estate Market

For three months ended,	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016
Canada								
Transaction dollar volume ¹	\$ 63,396	\$ 52,913	\$ 41,356	\$ 43,233	\$ 74,202	\$ 58,668	\$ 48,130	\$ 56,860
Average selling price	\$ 413,394	\$ 403,303	\$ 414,044	\$ 428,177	\$ 451,666	\$ 433,884	\$ 454,644	\$ 498,261
Number of units sold	153,355	131,199	99,883	100,970	164,285	135,216	105,863	114,117
Number of REALTORS® at period end ²	109,378	109,965	110,821	111,424	112,498	113,499	114,664	–
Housing starts	48,784	47,653	43,436	33,599	48,355	52,738	46,906	35,602
Greater Toronto Area								
Transaction dollar volume ¹	\$ 17,884	\$ 13,836	\$ 11,267	\$ 11,673	\$ 22,457	\$ 15,984	\$ 13,238	\$ 15,277
Average selling price	\$ 577,555	\$ 556,803	\$ 577,292	\$ 594,560	\$ 641,610	\$ 612,930	\$ 626,384	\$ 675,406
Number of units sold	30,965	24,849	19,517	19,633	35,001	26,078	21,134	22,619
Housing starts	8,558	6,621	11,278	8,236	10,987	12,500	10,564	9,412
Greater Vancouver Area								
Transaction dollar volume ¹	\$ 7,939	\$ 7,249	\$ 6,388	\$ 8,028	\$ 11,678	\$ 9,524	\$ 9,721	\$ 13,280
Average selling price	\$ 804,112	\$ 814,861	\$ 813,447	\$ 873,748	\$ 909,289	\$ 874,403	\$ 950,988	\$1,094,897
Number of units sold	9,873	8,896	7,853	9,188	12,843	10,892	10,222	12,129
Housing starts	4,737	5,531	4,571	4,283	5,655	5,298	5,627	7,081
Greater Montreal Area								
Transaction dollar volume ¹	\$ 3,728	\$ 2,433	\$ 2,565	\$ 3,158	\$ 4,246	\$ 2,640	\$ 2,780	\$ 3,523
Average selling price	\$ 326,302	\$ 331,969	\$ 347,232	\$ 326,004	\$ 337,815	\$ 345,053	\$ 346,288	\$ 332,327
Number of units sold	11,425	7,329	7,387	9,687	12,569	7,651	8,028	10,601
Housing starts	5,388	4,255	5,644	2,148	4,526	6,588	5,482	2,791

¹ (in millions Canadian dollars)

² CREA Membership data as of March 31, 2016 not available as of MDA date.

Source: CREA, CMHC

For twelve months ended,	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016
Canada								
Transaction dollar volume ¹	\$ 186,169	\$ 191,979	\$ 196,347	\$ 200,898	\$ 211,704	\$ 217,459	\$ 224,233	\$ 237,860
Average selling price	\$ 397,878	\$ 403,419	\$ 408,068	\$ 413,875	\$ 426,533	\$ 434,610	\$ 442,856	\$ 457,880
Number of units sold	467,905	475,880	481,162	485,407	496,337	500,354	506,334	519,481
Housing starts	173,457	174,211	171,915	173,472	173,043	178,128	181,598	183,601
Greater Toronto Area								
Transaction dollar volume ¹	\$ 49,766	\$ 51,452	\$ 52,841	\$ 54,660	\$ 59,233	\$ 61,381	\$ 63,352	\$ 66,956
Average selling price	\$ 547,451	\$ 557,866	\$ 566,489	\$ 575,587	\$ 598,313	\$ 612,408	\$ 622,037	\$ 638,698
Number of units sold	90,905	92,230	93,278	94,964	99,000	100,229	101,846	104,832
Housing starts	33,917	32,305	33,547	34,693	37,122	43,001	42,287	43,463
Greater Vancouver Area								
Transaction dollar volume ¹	\$ 25,503	\$ 26,500	\$ 27,380	\$ 29,604	\$ 33,343	\$ 35,618	\$ 38,951	\$ 44,203
Average selling price	\$ 794,758	\$ 805,031	\$ 812,632	\$ 826,696	\$ 859,799	\$ 873,504	\$ 902,793	\$ 959,142
Number of units sold	32,089	32,918	33,693	35,810	38,780	40,776	43,145	46,086
Housing starts	19,134	19,395	19,212	19,122	20,040	19,807	20,863	23,661
Greater Montreal Area								
Transaction dollar volume ¹	\$ 11,521	\$ 11,587	\$ 11,760	\$ 11,884	\$ 12,402	\$ 12,609	\$ 12,824	\$ 13,189
Average selling price	\$ 323,705	\$ 325,185	\$ 328,822	\$ 331,696	\$ 335,443	\$ 338,097	\$ 338,052	\$ 339,494
Number of units sold	35,591	35,632	35,764	35,828	36,972	37,294	37,935	38,849
Housing starts	17,388	17,591	18,672	17,435	16,573	18,906	18,744	19,387

¹ (in millions Canadian dollars)

Source: CREA, CMHC

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Cash Flow from Operations

CASH FLOW FROM OPERATIONS AND ITS UTILIZATION SINCE COMPANY INCEPTION

(Unaudited) (in 000's)	IFRS						Canadian GAAP
	Total	Three months ended March 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	\$ 423,915	\$ 9,397	\$ 39,859	\$ 37,392	\$ 146,137	\$ 191,130	
Less:							
Administration	13,740	295	1,286	1,626	6,141	4,392	
Interest expense	39,710	1,687	7,229	3,419	11,943	15,432	
Management fee	71,315	665	2,428	6,469	26,909	34,844	
Cash Flow from Operations	299,150	6,750	28,916	25,878	101,144	136,462	
Less:							
Dividends to Restricted Voting shareholders	151,635	3,081	11,619	11,305	48,759	76,871	
Interest to Exchangeable Unitholders	58,498	1,428	5,434	5,856	19,953	25,827	
Total equity distributions	210,133	4,509	17,053	17,161	68,712	102,698	
Cash Flow from Operations less total dividends	89,017	2,241	11,863	8,717	32,432	33,764	
Less: Funding of acquisitions	75,901	5,313	18,150	5,998	21,296	25,144	
Less: Purchase of units under NCIB	4,096	–	–	–	–	4,096	
Net change in the Period	\$ 9,020	\$ (3,072)	\$ (6,287)	\$ 2,719	\$ 11,136	\$ 4,524	
Taxes and working capital	(4,413)	2,034	8,880	(3,300)	(14,345)	2,318	
Change in period	\$ 4,607	\$ (1,038)	\$ 2,593	\$ (581)	\$ (3,209)	\$ 6,842	
Cash balance, beginning of Period	–	\$ 5,645	\$ 3,052	\$ 3,633	\$ 6,842	–	
Cash balance, end of Period	\$ 4,607	\$ 4,607	\$ 5,645	\$ 3,052	\$ 3,633	\$ 6,842	
Equity Distributions payment rate ¹	70%	67%	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

(Unaudited) (in 000's)	IFRS						Canadian GAAP
	Total	Three months ended March 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	\$ 230,002	\$ 3,334	\$ 20,433	\$ 16,957	52,489	\$ 136,789	
Add (deduct):							
Changes in non-cash working capital items	1,672	389	(1,045)	127	1,433	768	
Interest on Exchangeable Units	32,671	1,428	5,434	5,856	19,953	–	
Income taxes paid	21,022	1,609	4,137	3,201	12,075	–	
Interest on Trust units	15,212	–	–	–	15,212	–	
Non-cash interest expense	(1,429)	(10)	(43)	(263)	(18)	(1,095)	
Cash Flow from Operations	\$ 299,150	\$ 6,750	\$ 28,916	\$ 25,878	\$ 101,144	\$ 136,462	

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Selected Operating Information

As at	June 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016
Number of REALTORS®	15,697	15,593	15,377	16,206	16,105	16,826	16,794	17,320
Number of locations	636	634	637	668	660	670	662	670
Number of Franchise Agreements	308	306	302	312	301	322	305	308

Supplemental Information – Acquisitions

Year acquired by the Company (in millions) except number of REALTORS®	2016	2015	2014	2013	2012	2011
Estimate purchase price						
Royal LePage	\$ 6.0	\$ 19.3	\$ 6.1	\$ 6.0	\$ 1.9	\$ 2.5
Via Capitale	0.6	0.7	0.2	0.7	1.0	1.0
	\$ 6.6	\$ 20.0	\$ 6.3	\$ 6.7	\$ 2.9	\$ 3.5
Actual purchase price						
Royal LePage	(a), (b)	(a), (b)	\$ 7.1	\$ 5.8	\$ 1.9	\$ 2.4
Via Capitale	(a), (b)	(a), (b)	(a), (c)	(b),(c)	(b),(c)	0.8
	(a)	(a)	\$ 7.1	\$ 5.8	\$ 1.9	\$ 3.2
Acquired REALTORS®						
Royal LePage	419	1,530	484	462	145	188
Via Capitale	40	47	9	54	72	59
	459	1,577	493	516	217	247

(a) Actual purchase price to be determined at the end of the purchase price determination period in accordance with the MSA and applicable asset purchase agreement

(b) Actual purchase price determined is subject to audit of incremental cash flows earned

(c) Actual purchase price for Via Capitale is determined over a three year period for acquisitions made prior to January 1, 2015

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Glossary of Terms

"Agent" means an individual who is licensed to buy or sell real estate and is actively doing so through an affiliation with a Broker.

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

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

"Broker" means an individual licensed with the relevant regulatory body to manage a real estate Brokerage company.

"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 and Daniel or Via Capitale Brands and are licensed with the relevant regulatory body to manage a real estate brokerage office.

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

"Brookfield" means Brookfield Private Equity Direct Investments Holdings LP, a limited Partnership governed by the laws of Manitoba and a subsidiary of Brookfield Asset Management Inc., together with its affiliates but excluding the Manager and the subsidiaries of the Manager.

"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 shares of the Company. The Company uses CFFO to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

"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 to TBI (a predecessor of Brookfield Holdings) in partial consideration for the Partnership's acquisition of the Partnership Assets from TBI. 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 of the Company.

"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 using the Trademarks.

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

"Franchise Network" means the Royal LePage Network, Johnston & Daniel 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 Corporation.

"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's Discussion and Analysis of Results and Financial Condition

"Management Services Agreement" or **"MSA"** means the third amended and restated Management Services Agreement, made effective June 28, 2013 between the Company and the Manager, 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, together with its subsidiaries. The Manager provides management and administrative services to the Company.

"Network" means the collection of Brokerages which operate under one of the Brands owned by BRESI.

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

"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 is payable in addition to the basic fixed fee and the basic variable fee as an uncapped amount ranging from 1% to 5% (based on location, with an average of 3%) of the REALTORS® Gross Revenue.

"REALTOR®" is the exclusive designation for a member of The Canadian Real Estate Association and is defined as an individual licensed to trade in real estate and includes Brokers and Agents.

"REALTOR®(s) Gross Revenues" or **"Gross Revenue"** means, in respect of a Franchisee, the gross commission income (net of outside Broker payments) paid in respect of the closings of residential resale real estate transactions through REALTOR® associated with such Franchisee.

"Restricted Voting Shares" 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 and Johnston and Daniel Brands.

"Special Voting Shares" means the share of the Company issued to represent voting rights in the Company that accompany securities convertible into or exchangeable for Restricted Voting Shares, including the Subordinated LP Units and Ordinary LP Units held by Brookfield Holdings or an affiliated entity of Brookfield Holdings or the Manager or an affiliated entity of the Manager.

"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 REALTOR®.

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

"TSX" means the Toronto Stock Exchange.

"Unitholders" means the holders of Units and a "Unitholder" means any one of them.

"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.