

Q3 2016

Management's Discussion and Analysis

Highlights	2	Debt Facilities	24
Organization	2	Liquidity	24
Business Strategy	4	Capital Resources	26
Structure of Company Royalties	4	Commitments	26
Network Royalty Profile	5	Off-Balance Sheet Arrangements	27
Overview of Third Quarter and Year to Date 2016 Operating Results	6	Transactions with Related Parties	27
Key Performance Drivers	8	Critical Accounting Estimates and Assumptions	28
Stability of the Company's Royalty Stream	8	Financial Instruments	29
Number of REALTORS® in the Company Network	11	Disclosure Controls and Internal Controls over Financial Reporting	30
Transactional Dollar Volumes	12	Outstanding Restricted Voting Shares	30
Company's Growth Opportunity	13	Risk Factors	31
REALTOR® Productivity	14	Forward-Looking Statements	31
The Canadian Residential Real Estate Market	15	Supplemental Information	32
Canadian Market Outlook	16	Glossary of Terms	36
Third Quarter and Year to Date Operating Results	18	Interim Condensed Consolidated Financial Statements	38
Summary of Quarterly Results and Cash Flow from Operations	21		

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 and nine months ended September 30, 2016, and has been prepared as at November 10, 2016. The three months ended September 30, 2016 shall be referred to in this MD&A as the "Quarter" and the nine months ended September 30, 2016 shall be referred to in this MD&A as the "YTD". The three months ended September 30, 2015 shall be referred to in this MD&A as "Prior Year Quarter" and the nine months ended September 30, 2015 shall be referred to in this MD&A as "Prior Year Period". 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 36.

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 and nine months ended September 30, 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 31. 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	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Royalties	\$ 12,567	\$ 11,565	\$ 32,833	\$ 30,320
Administration expenses	(252)	(348)	(750)	(1,034)
Management fee	(2,331)	(2,115)	(6,021)	(5,495)
Interest expense	(662)	(640)	(1,980)	(1,809)
CFFO	\$ 9,322	\$ 8,462	\$ 24,082	\$ 21,982
Dividends paid	\$ 3,081	\$ 2,965	\$ 9,244	\$ 8,655
Interest on Exchangeable Units paid	\$ 1,428	\$ 1,372	\$ 4,283	\$ 4,008
Net and comprehensive earnings (loss)	\$ (1,038)	\$ 7,811	\$ 1,066	\$ 4,325
Number of REALTORS®	17,538	16,826	17,538	16,826

(Unaudited)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
CFFO per Share	\$ 0.73	\$ 0.66	\$ 1.88	\$ 1.72
CFFO per Share, rolling twelve-month period ended September 30,			\$ 2.42	\$ 2.16
Dividends paid per Restricted Voting Share	\$ 0.32	\$ 0.31	\$ 0.97	\$ 0.91
Interest paid on Exchangeable Units paid per Exchangeable Unit	\$ 0.43	\$ 0.41	\$ 1.29	\$ 1.20
Net and comprehensive earnings (loss) per Share	\$ (0.11)	\$ 0.31	\$ 0.11	\$ 0.46

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 YTD 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 \$9.3 million or \$0.73 per share on a diluted basis ("Share"), an increase of 10% as compared to \$8.5 million or \$0.66 per Share for the Prior Year Quarter.
- CFFO for the rolling twelve-month period ended September 30, 2016 was \$2.42 per Share as compared to \$2.16 per Share for the rolling twelve-month period ended September 30, 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 as compared to the rolling twelve-month period ended September 30, 2015.
- The board of directors of BRESI (the "Board") declared a cash dividend of \$0.1083 per Restricted Voting Share payable on December 30, 2016, to shareholders of record on November 30, 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.

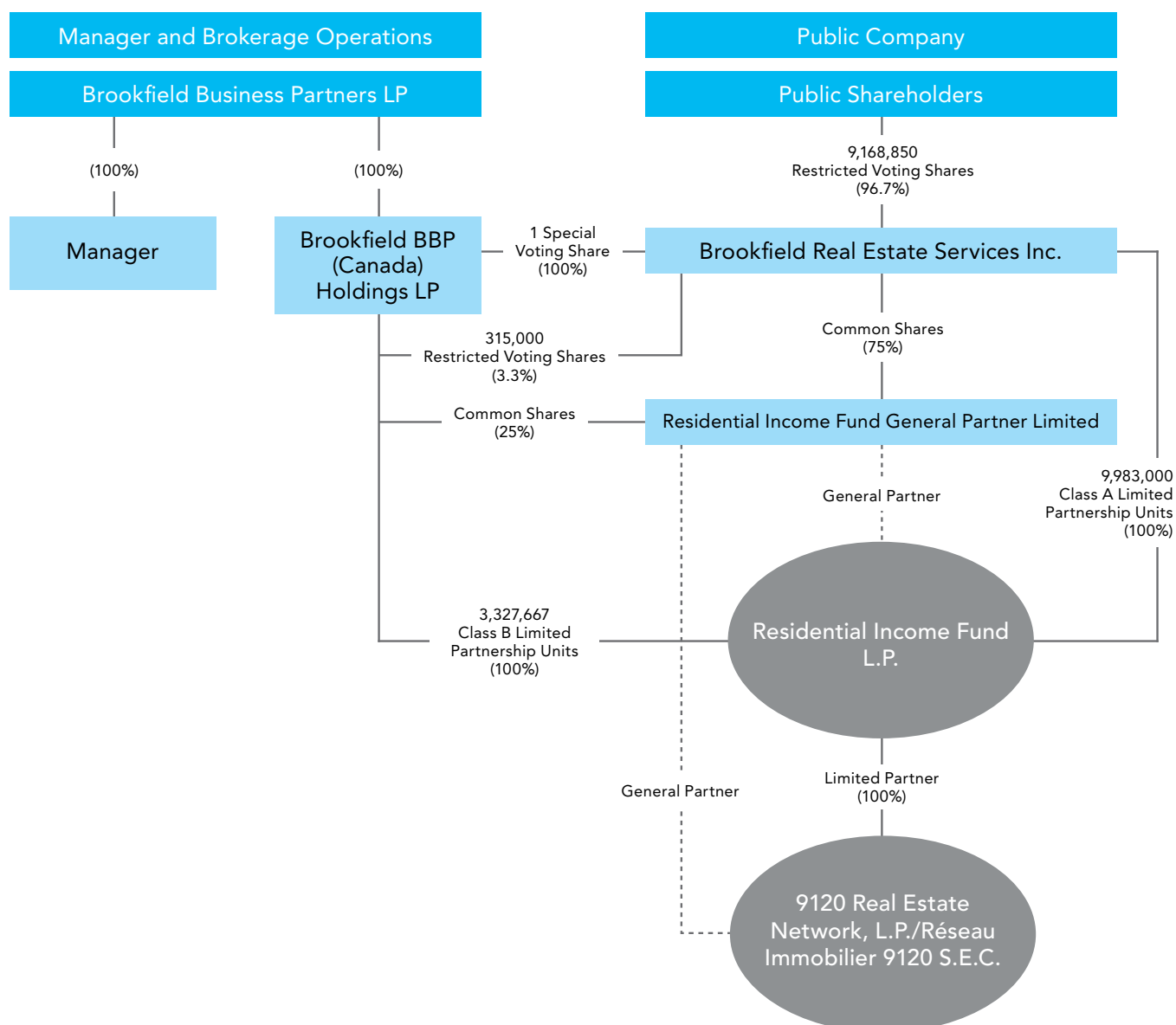
Management's Discussion and Analysis of Results and Financial Condition

Brookfield BBP (Canada) Holdings LP ("BBP"), a subsidiary of Brookfield Business Partners LP, 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 addition to its ownership of the Exchangeable Units, BBP indirectly owns 315,000 Restricted Voting Shares and the Special Voting Share of BRESI. The Special Voting Share entitles BBP to a number of votes at any meeting of the Restricted Voting shareholders equal to the number of Restricted Voting Shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates.

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

The Company receives certain management, administrative and support services from the Manager. BRESI derives 100% of its revenue from royalties 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 90% (Prior Year Quarter – 88%) of the Company's royalties during the 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 September 30, 2016, the Company receives royalties from 17,538 REALTORS® contracted with 347 Broker-Owners operating under 302 Franchise Agreements from 668 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 96% of the Company's fees for the Quarter (Prior Year Quarter – 94%). 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 4% of the Company's fees for the Quarter (Prior Year Quarter – 6%). These fees are primarily made up of a fixed monthly fee per REALTOR® of \$170 (\$2,040 per annum) and other fees for warranties and other ancillary services.

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

(Unaudited)
Three months ended September 30, 2016
(in 000's)

	Royal LePage	Via Capitale	Total
Fixed franchise fees	40%	4%	44%
Variable franchise fees	29%	–	29%
Premium franchise fees	19%	–	19%
Other revenue	8%	–	8%
Total Brand Percentage	96%	4%	100%

(Unaudited)
Three months ended September 30, 2015
(in 000's)

	Royal LePage	Via Capitale	Total
Fixed franchise fees	39%	4%	43%
Variable franchise fees	27%	–	27%
Premium franchise fees	20%	–	20%
Other revenue	8%	2%	10%
Total Brand Percentage	94%	6%	100%

Management's Discussion and Analysis of Results and Financial Condition

Overview of Third Quarter and Year to Date 2016 Operating Results

(Unaudited) (in 000's) except per Share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS®;	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Royalties	\$ 12,567	\$ 11,565	\$ 32,833	\$ 30,320
Less:				
Administration expenses	252	348	750	1,034
Management fee	2,331	2,115	6,021	5,495
Interest expense	662	640	1,980	1,809
Cash flow from operations	\$ 9,322	\$ 8,462	\$ 24,082	\$ 21,982
Impairment of intangible assets	(77)	(135)	(111)	(350)
Amortization of intangible assets	(2,318)	(2,524)	(7,428)	(7,390)
Interest on Exchangeable Units	(1,428)	(1,372)	(4,283)	(4,026)
Gain / (loss) on fair value of Exchangeable Units	(5,391)	5,258	(6,456)	(1,497)
Gain / (loss) on interest rate swap	177	(257)	201	(1,538)
Gain / (loss) on fair value of purchase obligation	311	(481)	(1,401)	(179)
Current income tax expense	(1,524)	(1,309)	(3,830)	(3,333)
Deferred income tax (expense) / recovery	(110)	169	292	656
Net and comprehensive earnings / (loss)	\$ (1,038)	\$ 7,811	\$ 1,066	\$ 4,325
Basic earnings / (loss) per Restricted Voting Share	\$ (0.11)	\$ 0.82	\$ 0.11	\$ 0.46
Diluted earnings / (loss) per Share	\$ (0.11)	\$ 0.31	\$ 0.11	\$ 0.46
Cash flow from operations per Share	\$ 0.73	\$ 0.66	\$ 1.88	\$ 1.72
Dividends paid per Restricted Voting Share	\$ 3,081	\$ 2,965	\$ 9,244	\$ 8,655
Interest paid per Exchangeable Unit	\$ 1,428	\$ 1,372	\$ 4,283	\$ 4,008
Restricted Voting Shares outstanding	9,483,850	9,483,850	9,483,850	9,483,850
Exchangeable Units outstanding	3,327,667	3,327,667	3,327,667	3,327,667
Number of REALTORS®	17,538	16,826	17,538	16,826

(Unaudited) (in 000's) As at	September 30, 2016	December 31, 2015
Total assets	\$ 97,163	\$ 98,114
Total liabilities	\$ 130,711	\$ 123,484

VARIATION OF OPERATING RESULTS FOR THE QUARTER COMPARED TO PRIOR YEAR QUARTER

Royalties:

The strong Canadian Market and an increase in the number of REALTORS® in the Company Network contributed to a \$1.0 million increase in royalty revenues for the Quarter compared to the Prior Year Quarter. The total value of real estate bought and sold in Canada increased by 12% to \$65.6 billion for the Quarter compared to the Prior Year Quarter, contributing to increased variable franchise fees and Premium Franchise Fees. The Company's Network of REALTORS® increased by 133 REALTORS® in the Quarter.

Net Earnings:

For the Quarter, the Company generated a net loss of \$1.0 million, \$0.11 per Share, compared to net earnings of \$7.8 million or \$0.31 per Share for the Prior Year Quarter.

Management's Discussion and Analysis of Results and Financial Condition

The primary drivers for the decrease in earnings to a net loss for the Quarter compared to net earnings for the Prior Year Quarter were:

- A \$10.6 million decrease on the determination of the fair value on the Exchangeable Units from a gain of \$5.3 million for the Prior Year Quarter, to a loss of \$5.4 million during the Quarter. See further discussion under *Third Quarter and Year to Date Operating Results – Loss on fair value of Exchangeable Units*;
- A \$0.5 million increase in income tax expense driven by an increase in taxable income; partly offset by
- Increased royalty revenues as discussed above, net of associated increase in management fees, and reduced administrative expenses;
- A \$0.8 million decrease in the loss on fair value of the purchase obligation from a loss of \$0.5 million for the Prior Year Quarter, to a gain of \$0.3 million during the Quarter from the revaluation of the estimated purchase price of Franchise Agreements. See further discussion under *Third Quarter and Year to Date Operating Results – Gain / (loss) on fair value of purchase obligation*; and
- A \$0.5 million decrease in the loss on fair value of Interest Rate Swap from a loss of \$0.3 for the Prior Year Quarter, to a gain of \$0.2 during the Quarter. See further discussion under *Third Quarter Operating Results – Gain on Interest Rate Swap*.

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 \$0.05 per Restricted Voting Share compared to the annualized target dividend for the Prior Year Quarter.

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

VARIATION OF OPERATING RESULTS YEAR TO DATE COMPARED TO PRIOR YEAR PERIOD

Royalties:

From September 30, 2015 through September 30, 2016, the Company added 712 REALTORS® to the Company Network of REALTORS® through the addition of 459 REALTORS® from the acquisition of Franchise Agreements on January 1, 2016 and 253 REALTORS® from recruiting growth. This REALTOR® growth coupled with continued growth experienced by the Canadian Market drove the \$2.5 million increase in royalty revenues for the YTD compared to the Prior Year Period.

Net Earnings:

For the YTD, the Company generated net earnings of \$1.0 million or \$0.11 per Share, compared to net earnings of \$4.3 million or \$0.46 per Share for the Prior Year Period.

The primary drivers for the decrease in the net earnings for the YTD compared to the net earnings generated for the Prior Year Period were:

- A \$5.0 million increase in the loss on the determination of the fair value on the Exchangeable Units from a loss of \$1.5 million for the Prior Year Period, to a loss of \$6.5 million during the YTD. See further discussion under *Year to Date Operating Results – Loss on fair value of Exchangeable Units*;
- A \$1.2 million increase in the loss on the fair value of the purchase obligation from the revaluation of the estimated purchase price of Franchise Agreements. See further discussion under *Year to Date Operating Results – Loss on fair value of purchase obligation*;
- A \$0.9 million increase in income tax expense driven by an increase in taxable income; partly offset by
- Increased royalty revenues as discussed above, net of associated increase in management fees, and reduced administration expenses; and
- A \$1.7 million decrease in the loss on fair value of Interest Rate Swap from a loss of \$1.5 for the Prior Year Period, to a gain of \$0.2. during the YTD. See further discussion under *Year to Date Operating Results – Gain on Interest Rate Swap*.

Dividends and distributions:

For the YTD, the Company declared dividends of \$0.97 per Restricted Voting Share, representing an annualized target dividend of \$1.30 per Restricted Voting Share, an increase of \$0.05 per Restricted Voting Share compared to the annualized target dividend for the Prior Year Period.

For the YTD, interest on Exchangeable Units increased by \$0.2 million compared to the Prior Year Period. This increase is consistent with the increase in dividends on the Restricted Voting Shares noted above.

Management's Discussion and Analysis of Results and Financial Condition

Total Assets:

Total assets decreased by \$0.9 million since December 31, 2015 primarily as a result of a decrease in the carrying value of intangible assets of \$0.9 million, driven by an increase in amortization and write-offs on intangible assets offset by the Company's acquisition of Franchise Agreements on January 1, 2016, and a \$0.9 million decrease in cash (as a result of debt repayments in the first and third quarter of 2016). These decreases were partly offset by an increase in accounts receivable of \$0.7 million due to seasonality of the Canadian Market and deferred income tax of \$0.3 million.

Total Liabilities:

Total liabilities increased by \$7.2 million since December 31, 2015. The main drivers of the increase are as follows:

- An increase of \$6.5 million in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under *Year to Date Operating Results – Loss on fair value of Exchangeable Units*);
- A net increase in Debt facilities of \$1.0 million to reflect financing to acquire Franchise Agreements during the YTD; partly offset by
- A decrease in the Company's current income tax liability as a result of income tax installments paid in the YTD.

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.

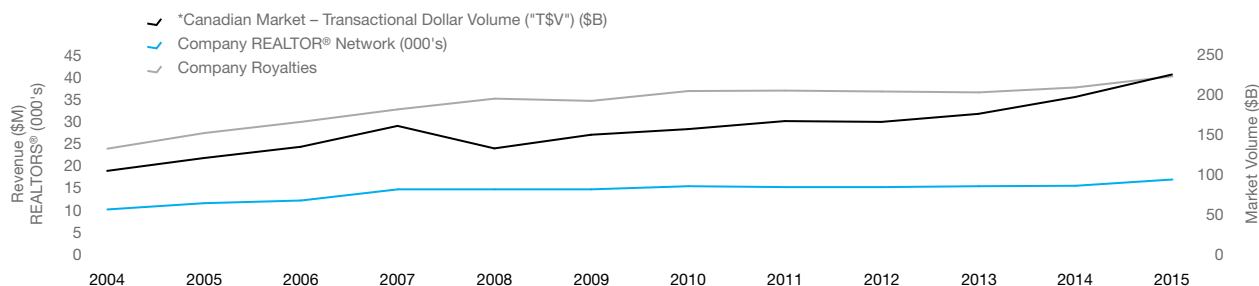
FIXED – FEE STRUCTURE

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")

Management's Discussion and Analysis of Results and Financial Condition

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 \$0.6 million of incremental franchise fees when fully implemented.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at September 30, 2016, the Company Network of 17,538 REALTORS® operates through 283 Franchisees, contracted with 347 Broker-Owners, providing services across the country through 668 locations operating under 302 Franchise Agreements. Of the Company's Brokerages, approximately 68% operate with fewer than 50 REALTORS® and represent 16% of the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has almost 1,900 REALTORS®.

The Company Network is geographically dispersed across Canada. As compared to the distribution of REALTORS® across Canada as at June 30, 2016, 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 September 30, 2016	Canadian ¹ REALTOR® Population	Company REALTOR® Population
Ontario	56%	61%
British Columbia	18%	13%
Quebec	11%	13%
Alberta	9%	6%
Maritimes	3%	3%
Prairies	3%	4%
Total	100%	100%

¹Source: CREA, as at June 30, 2016

FRANCHISE AGREEMENTS

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

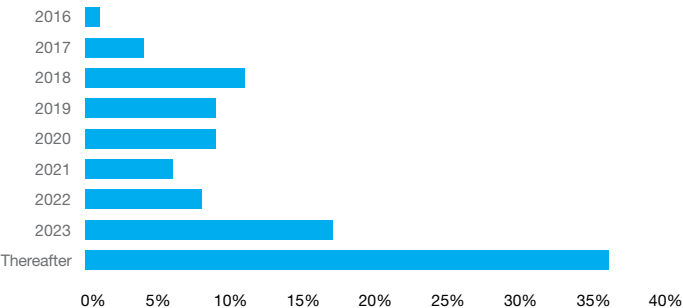
The Royal LePage Franchise Agreements, which represent 94% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry norm of five years and thereby reduce agreement renewal risk. In addition, the Company regularly 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 represent 6% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

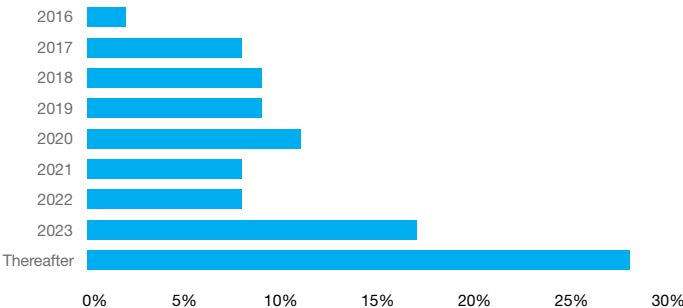
Management’s Discussion and Analysis of Results and Financial Condition

A summary of the Company’s agreement renewal profile as at September 30, 2016 for the Company Network is shown below

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



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



RENEWALS

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

During the Quarter, three Franchise Agreements, representing 169 REALTORS® of the Company Network renewed, and ten Franchise Agreements, representing 593 REALTORS® of the Company Network extended their term or renewed early.

During the Quarter, two Franchise Agreements were terminated, representing 33 REALTOR®.

For the YTD, nine Franchise Agreements, representing 555 REALTORS® of the Company Network renewed, and 17 Franchise Agreements, representing 773 REALTORS® of the Company Network extended their term or renewed early.

For the YTD, ten Franchise Agreements were terminated, of which five were as a result of Franchisees merging operations and five resulted in the loss of 80 REALTORS®.

Management's Discussion and Analysis of Results and Financial Condition

Number of REALTORS® in the Company Network

For the Quarter, the Company Network of 17,538 REALTORS® increased by 133 REALTORS® added through net recruiting, compared to a net growth of 721 REALTORS® during the Prior Year Quarter comprised of 719 REALTORS® added through the acquisition of Franchise Agreements on July 1, 2015 and 2 REALTORS® added through net recruiting.

For the YTD, the Company Network increased by 744 REALTORS®, compared to a net increase of 1,449 during the Prior Year Period. After taking into account the 459 REALTORS® (January 1, 2015 – 858 REALTORS® and July 1, 2015 – 719 REALTORS®) added through the acquisition of Franchise Agreements on January 1, 2016, the Company experienced net recruitment growth of 285 REALTORS®, compared to net attrition of 128 REALTORS® for the Prior Year Period.

As at December 31	2003 – 2009	2010	2011	2012	2013	2014	2015	2016 ²
Company Network								
Opening REALTOR® Count ¹	9,238	14,631	15,308	15,061	15,086	15,310	15,377	16,794
Acquisition	2,882	417	247	217	516	493	1,577	459
Net Recruiting Growth (Attrition)	2,511	260	(494)	(192)	(292)	(426)	(160)	285
Closing REALTOR® Count	14,631	15,308	15,061	15,086	15,310	15,377	16,794	17,538
% Change in the period	58%	5%	-2%	0%	1%	0%	9%	4%
Canadian REALTOR® Population³								
CREA REALTOR® Membership ⁴	98,161	101,916	104,407	106,944	109,032	110,821	114,664	117,888
% Change in the period	38%	4%	2%	2%	2%	2%	3%	3%

¹ Opening Count as at August 2003

² As at September 30, 2016

³ Source: CREA, Membership Data

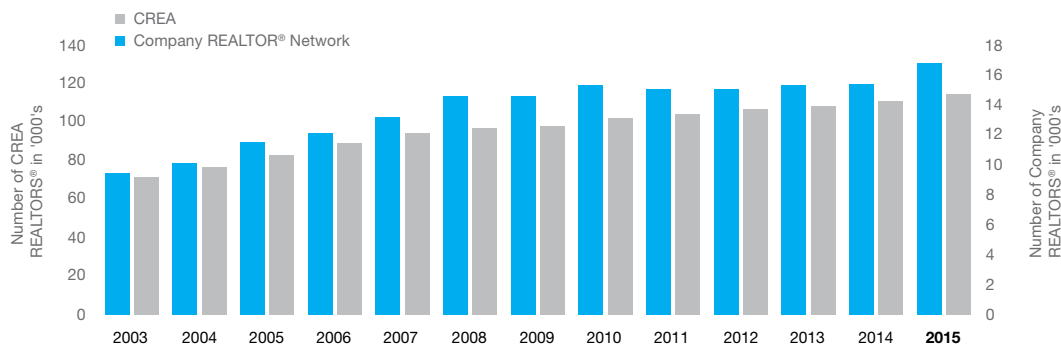
⁴ CREA Membership as of December 31, 2003: 71,267

⁵ As at June 30, 2016, CREA Membership as of September 30, 2016 not available as of November 10, 2016

The increase in the number of Canadian REALTORS® since 2003 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. Since 2003, the Company's Network has grown at a 5% compound annual growth rate ("CAGR"), outperforming the 4% growth in the industry despite the addition of competitive offerings over the same time period.

CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)

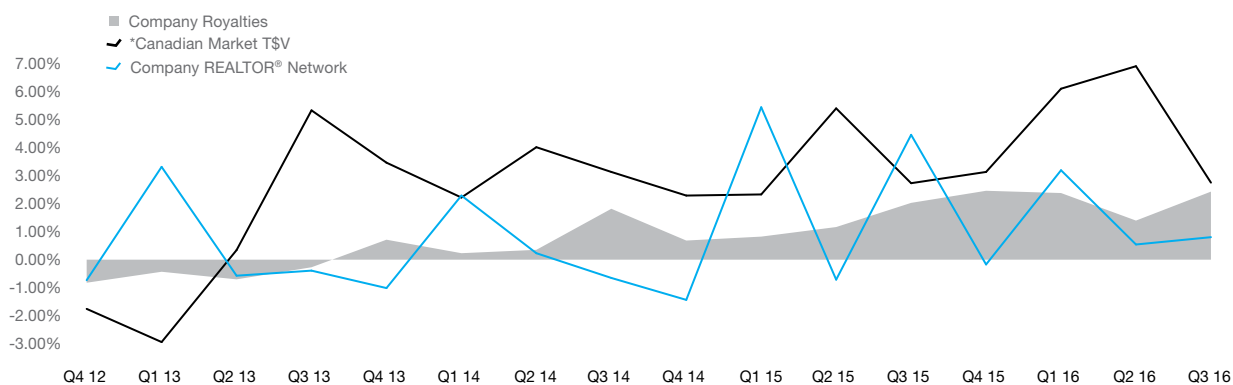


Management's Discussion and Analysis of Results and Financial Condition

Transactional Dollar Volumes

The chart below shows the quarter-over-quarter percentage change in transactional dollar volume in Canada as compared to the percentage change in the Company's royalty revenues and the percentage change in the number of REALTORS® on a rolling twelve-month basis since the second quarter of 2012. The number of REALTORS® in the Company Network increases when the Company purchases Franchise Agreements from the Manager. This generally occurs on January 1 of each year. In 2015, an additional purchase of Franchise Agreements was approved July 1. During those quarters where no Franchise Agreements are purchased, REALTOR® growth tends to be more modest, and can sometimes be negative, indicating periods of net attrition.

ROLLING TWELVE MONTH % CHANGE FROM PRIOR QUARTER



*Source: CREA

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

For the Quarter, the Canadian Market closed up 12%, at \$65.6 billion, as compared to the Prior Year Quarter, driven by an 8% and a 3% 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 market and the low interest rate environment.

For the twelve-month period ended September 30, 2016, the Canadian Market closed up 20%, at \$261.2 billion, as compared to the twelve-month period ended September 30, 2015, driven by a 12% increase in price and an 8% increase in units sold.

For the Quarter, the greater Toronto area ("GTA") market closed up 34%, at \$21.4 billion, as compared to the Prior Year Quarter, driven by an 18% and a 13% increase in price and units sold, respectively.

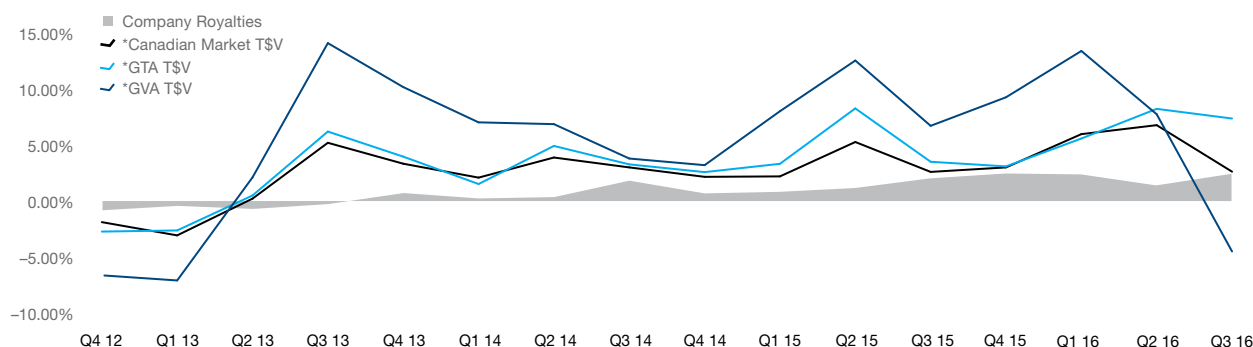
For the rolling twelve-month period ended September 30, 2016, the GTA market closed up 27%, at \$77.9 billion, as compared to the rolling twelve-month period ended September 30, 2015, driven by a 15% increase in price and an 11% increase in units sold.

For the Quarter, the greater Vancouver area ("GVA") market closed down 22%, at \$7.4 billion, as compared to the Prior Year Quarter, driven by an 25% decrease in number of units sold offset partly by a 4% increase in price.

For the rolling twelve-month period ended September 30, 2016, the GVA market closed up 28%, at \$45.6 billion, as compared to the rolling twelve-month period ended September 30, 2015, driven by a 16% and a 10% 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 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.

GROWTH IN NUMBER OF REALTORS®

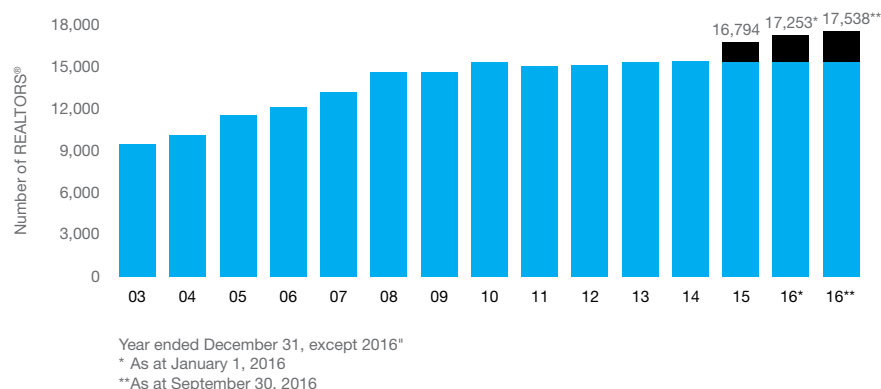
The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competitive offerings to the Company's Brands and development of programs to increase REALTOR® growth. This is generally achieved through acquisition of Franchise Agreements from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

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 90% (8,300 REALTORS®), of which 82% has been through acquisitions and 18% through recruitment growth. This represents 5% CAGR in the Company Network. This compares favorably with the 4% growth in the number of REALTORS® across Canada over the same period.

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 below.

COMPANY GROWTH



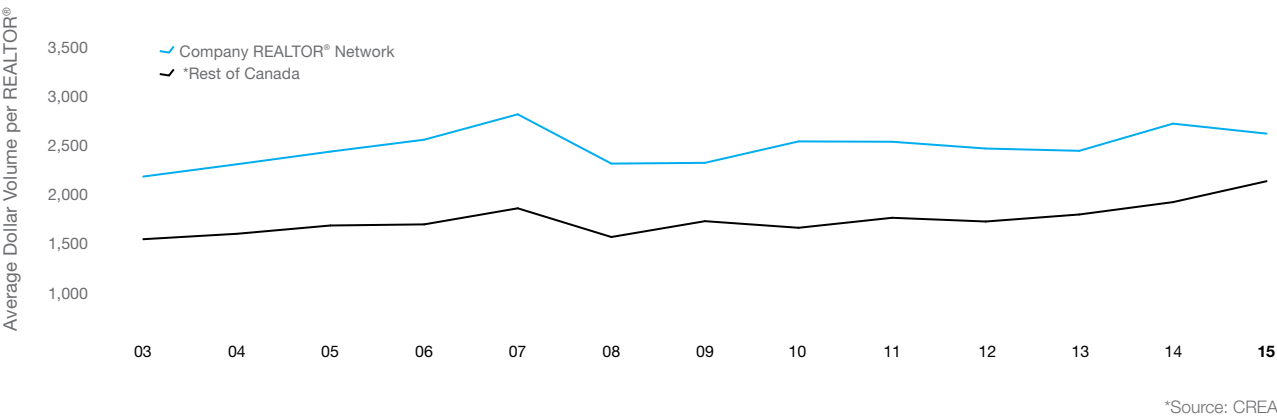
Management’s Discussion and Analysis of Results and Financial Condition

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)



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, invests in recruitment and retention programs to help Franchisees efficiently attract and retain the best talent in the real estate business. During the Quarter, the Manager launched a number of new marketing materials to help Franchisees with their recruiting efforts, including new email drip campaigns and an experienced REALTOR® transition presentation. In addition, two new Broker training and accountability programs were launched to support continuous improvement in recruiting and retention results.

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

The Manager continued its investment in meaningful technology, including the launch of travel time search functionality on the Royal LePage website. This feature allows consumers to calculate commute times as part of their considerations when deciding where to buy a home.

Management's Discussion and Analysis of Results and Financial Condition

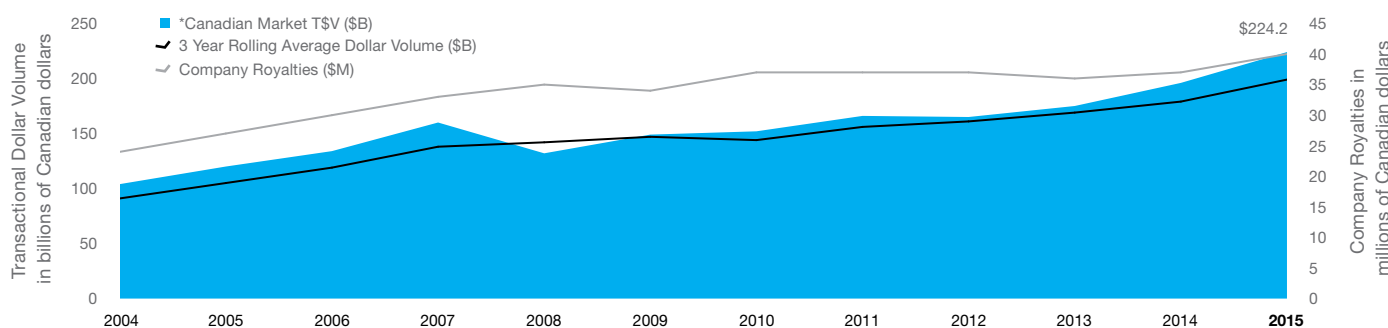
The Canadian Residential Real Estate Market

Since 2004, the Canadian Market has grown at a CAGR of 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 much 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.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2004–2015)

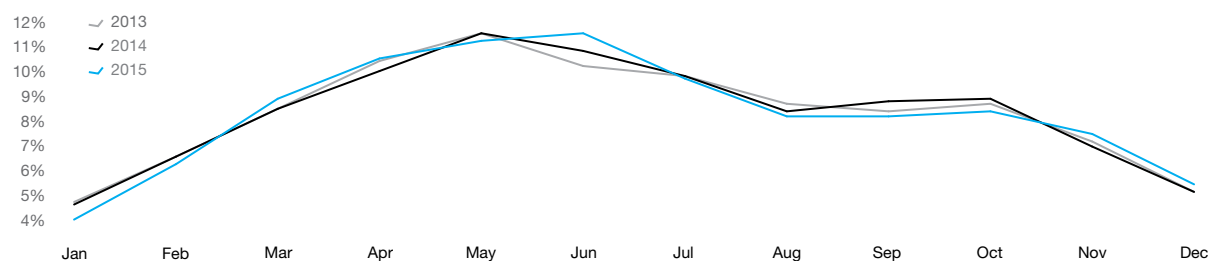


*Source: CREA

The Company's royalty revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transactional dollar volumes in the second and third quarters of each year, as summarized in the chart below. The impact of the seasonality of the Canadian Market is somewhat mitigated by the fixed-fee nature of the Company's royalties, 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 Canadian Real Estate Association ("CREA"), the Toronto Real Estate Board ("TREB"), the Canada Mortgage and Housing Corporation ("CMHC") and the Bank of Canada ("BoC") as follows:

From CREA¹ :

Canadian housing market trends have largely evolved in line with previous expectations over the second quarter of 2016, with the exception of sales activity in British Columbia and Ontario.

Sales in the Lower Mainland of British Columbia have braked more abruptly than anticipated, reflecting buyer uncertainty following the introduction of the new property transfer tax on Metro Vancouver home purchases by foreign buyers. By comparison, transactions in Ontario have held steady in recent months near record levels and have yet to show signs of cooling. Taking these factors into consideration, sales forecasts have been revised upward for Ontario and downward for British Columbia. These revisions largely offset each other at the national level. In addition, Alberta's sales forecast has been revised upward, reflecting better than expected activity during the second quarter and decent sales momentum entering the third quarter. Even so, the current economic climate suggests Alberta sales may struggle to maintain traction over the remainder of 2016 and into 2017.

Nationally, sales activity is forecast to rise by 6.0% cent to 535,900 units in 2016, which is little changed from CREA's previously predicted sales increase of 6.1% to 536,400 units this year. This represents a new record for annual sales. However, after adjusting for population growth, sales are still expected to remain below the peak reached in 2007.

Year-over-year average price gains have continued to mount in Ontario and British Columbia. While having accelerated in the former, price growth showed tentative signs of moderating in the latter. As a result, the average home price forecast for Ontario has been raised further but revised lower for B.C., reflecting a bigger than anticipated decline in higher-priced single detached home sales in the Lower Mainland region. In provinces where economic and housing market prospects are closely tied to the outlook for the oil patch and other natural resource industries, average prices appear to be stabilizing in Alberta and Saskatchewan while softening further in Newfoundland and Labrador. Average prices in other provinces are either rising modestly or remain stable, reflecting well balanced supply and demand.

The national average price is now forecast to rise by 10.1% to \$487,800 in 2016, with a slightly smaller gain in British Columbia (\$695,000; +9.2%) and a slightly larger gain in Ontario (\$524,600; +12.7%). Elsewhere, average prices are forecast to rise by 1.6% in Manitoba, and by 2.1% in both Quebec and New Brunswick. Annual average prices in Alberta, Saskatchewan and Nova Scotia are projected to remain largely stable.

From CMHC² : Housing construction is expected to decline slightly in 2016 and 2017 to levels more consistent with economic and demographic fundamentals, before stabilizing in 2018. MLS® sales will be strong in 2016 compared to 2015, but will decline in 2017 before levelling off in 2018 to more sustainable levels. Resale prices will increase in 2016 compared to 2015, but the pace of MLS® price increases is expected to slow in 2017 and 2018.

Overall, regional disparities remain. Starting in 2017, these will reduce gradually since, firstly, starts in British Columbia and Ontario will edge down after a strong start to 2016 and, secondly, effects from the oil price shock on Alberta, Saskatchewan and Newfoundland & Labrador start to dissipate.

¹Source: CREA Updates Resale Housing Forecast, published September 15, 2016

²Source: CMHC Housing Market Outlook, Canada Edition, Fourth Quarter 2016

Management's Discussion and Analysis of Results and Financial Condition

Multiple Listing Service® (MLS®) sales are expected to increase from their 2015 levels, ranging from 517,000 units to 533,400 units in 2016. Resales should decline to levels warranted by demographic fundamentals in 2017 and 2018, with respective ranges of 489,500 to 509,700 units and 488,100 to 511,100 units.

The average MLS® price is forecast to be between \$473,400 and \$495,000 in 2016, between \$483,600 and \$507,800 in 2017, and between \$497,700 and \$ 525,100 in 2018. These ranges point to higher levels than the 2015 average price of \$443,046, but represent a considerable deceleration in 2017 and 2018, as existing overvaluation in most major housing markets are resolved in an orderly manner.

From the BoC³ : The target for the overnight lending rate is maintained at 0.5%.

The global economy is expected to regain momentum in the second half of this year and through 2017 and 2018. After a weak first half, the US economy in particular is strengthening: solid consumption is being underpinned by strong employment growth and robust consumer confidence. However, because of elevated uncertainty, US business investment is on a lower track than expected.

Looking through the choppiness of recent data, the profile for growth in Canada is now lower than projected in July's *Monetary Policy Report* (MPR). This is due in large part to slower near-term housing resale activity and a lower trajectory for exports. The federal government's new measures to promote stability in Canada's housing market are likely to restrain residential investment while dampening household vulnerabilities. Recent export data are improving but are not strong enough to make up for ground lost during the first half of 2016, despite the effects of the Canadian dollar's past depreciation. Growth in exports over 2017 and 2018 are projected to be slower than previously forecast, due to lower estimates of global demand, a composition of US growth that appears less favourable to Canadian exports, and ongoing competitiveness challenges for Canadian firms.

After incorporating these weaker elements, Canada's economy is still expected to grow at a rate above potential starting in the second half of 2016, supported by accommodative monetary and financial conditions and federal fiscal measures. As the economy continues to adjust to the oil price shock, investment in the energy sector appears to be bottoming out. Non-resource activity is growing solidly, particularly in the services sector. Household spending continues to rise, along with employment and incomes outside of energy-intensive regions. The Bank expects Canada's real GDP to grow by 1.1% in 2016 and about 2% in both 2017 and 2018. This projection implies that the economy returns to full capacity around mid-2018, materially later than the Bank had anticipated in July.

Measures of core inflation remain close to 2% as the effects of past exchange rate depreciation and excess capacity continue to offset each other. Total CPI inflation is tracking slightly below expectations because of temporary weakness in prices for gasoline, food, and telecommunications. The Bank expects total CPI inflation to be close to 2% from early 2017 onwards, when these temporary factors will have dissipated, but downward pressure on inflation will continue while economic slack persists.

Given the downward revision to the growth profile and the later closing of the output gap, the Bank considers the risks around its updated inflation outlook to be roughly balanced, albeit in a context of heightened uncertainty. Meanwhile, the new housing measures should mitigate risks to the financial system over time.

COMPANY MARKET OUTLOOK

The Canadian Market continued to grow in the Quarter, with home values showing modest to strong price appreciation in almost every Canadian city. Homes across Ontario experienced significant growth during the Quarter, with the GTA leading the country in terms of robust sales activity and demand. On the other hand, Vancouver, Canada's most expensive market, began to show signs of cyclical cooling. Despite recording impressive year-over-year price appreciation, the number of homes trading hands has been slowing on eroding affordability, which may ultimately lead to moderating prices in the future.

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

While recent government intervention within the Canadian Market has been significant, it appears that Canadian homebuyers are adjusting quickly, and fears of a hard correction may be unwarranted. Looking ahead, the Company expects the Canadian Market to continue to appreciate for the remainder of 2016, albeit at a more gradual pace, as Vancouver begins to transition to a more balanced market.

³Source: BoC press release published October 19, 2016

Management's Discussion and Analysis of Results and Financial Condition

Third Quarter and Year to Date Operating Results

(Unaudited) "(in 000's) except per Share amounts and number of REALTORS®;"	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Royalties				
Fixed franchise fees	\$ 5,456	\$ 5,109	\$ 16,281	\$ 15,065
Variable franchise fees	3,670	3,115	8,745	7,590
Premium franchise fees	2,417	2,270	4,723	4,461
Other revenue	1,024	1,071	3,084	3,204
	12,567	11,565	32,833	30,320
Less:				
Administration	252	348	750	1,034
Management fee	2,331	2,115	6,021	5,495
Interest expense	662	640	1,980	1,809
	3,245	3,103	8,751	8,338
Cash Flow from Operations	9,322	8,462	24,082	21,982
Impairment of intangible assets	(77)	(135)	(111)	(350)
Amortization of intangible assets	(2,318)	(2,524)	(7,428)	(7,390)
Interest on Exchangeable Units	(1,428)	(1,372)	(4,283)	(4,026)
Gain / (loss) on fair value of Exchangeable Units	(5,391)	5,258	(6,456)	(1,497)
Gain / (loss) on interest rate swap	177	(257)	201	(1,538)
Gain / (loss) on fair value of purchase obligation	311	(481)	(1,401)	(179)
Earnings / (loss) before income taxes	596	8,951	4,604	7,002
Current income tax expense	1,524	1,309	3,830	3,333
Deferred income tax expense / (recovery)	110	(169)	(292)	(656)
Net and comprehensive earnings / (loss)	\$ (1,038)	\$ 7,811	\$ 1,066	\$ 4,325
Basic earnings / (loss) per Restricted Voting Share	\$ (0.11)	\$ 0.82	\$ 0.11	\$ 0.46
Diluted earnings / (loss) per Share	\$ (0.11)	\$ 0.31	\$ 0.11	\$ 0.46
Number of REALTORS®	17,538	16,826	17,538	16,826

THIRD QUARTER OPERATING RESULTS

During the Quarter, the Company experienced a net loss of \$1.0 million and generated CFFO of \$9.3 million, as compared to net earnings of \$7.8 million and CFFO of \$8.5 million for the Prior Year Quarter.

Royalties for the Quarter totaled \$12.6 million, compared to \$11.6 million for the Prior Year Quarter. Fixed, variable and premium franchise fees together represented 92% of royalties for the Quarter (Prior Year Quarter – 91%). 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 7% as compared to the Prior Year Quarter, due to the increase in the REALTOR® base driven primarily by the acquisition of Franchise Agreements on January 1, 2016 representing 459 REALTORS® and net recruitment growth of 133 REALTORS® during the Quarter compared to net recruitment growth of 2 REALTORS® during the Prior Year Quarter.

Variable franchise fees for the Quarter increased by 18%, which relates to the increase in the REALTOR® base and an increase in transactional dollar value of the Canadian Market driven by the strong Toronto and Vancouver markets compared to the Prior Year Quarter.

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 6% compared to the 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 8% (Prior Year Quarter – 9%) of total royalties for the Quarter. Other fees decreased 4% in the Quarter as compared to the Prior Year Quarter due to lower margin earned on warranty programs offered to the Via Capitale Network partly offset by higher technology fees earned from Franchise Agreements acquired on July 1, 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 reduction in third-party administrative costs.

Management fee expense of \$2.3 million for the Quarter, calculated in accordance with the MSA, increased 10% in the Quarter as compared to the Prior Year Quarter, due to the increase in royalties.

Interest expense increased by less than \$0.1 million as compared to the same period in 2015 as a result of higher average borrowings to finance the purchase of Franchise Agreements under the terms of the MSA. The Company's debt facilities are more fully described under *Debt Facilities*.

Amortization of Intangible Assets for the Quarter totaled \$2.3 million, a decrease of 8% compared to the Prior Year Quarter as a result of certain Franchise Agreements being fully amortized as compared to the Prior Year Quarter.

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

Loss 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 \$14.98 price for the Company's Restricted Voting Shares at the beginning of the Quarter compared to \$16.60 at September 30, 2016 resulting in a loss of \$5.4 million as a result of the increase in obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the change in fair value of Exchangeable Units were valued based on a \$15.03 price for the Company's Restricted Voting Shares at the beginning of the Prior Year Quarter compared to \$13.45 at September 30, 2015, resulting in a gain of \$5.3 million.

Gain on interest rate swap of \$0.2 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%.

Gain on purchase obligation of \$0.3 million represents a decrease in the estimated cash flows from Franchise Agreements purchased on July 1, 2015 and January 1, 2016. The decrease in the estimated cash flows results in a lower 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 in excess of 100% (Prior Year Quarter – 12.74%). The Company's effective income tax rate in the interim condensed consolidated statement of net 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 loss but excluded from the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, gain or loss on interest rate swap, gain or loss on purchase obligation, interest on Exchangeable Units and fair valuation adjustments on Exchangeable Units.

YEAR TO DATE OPERATING RESULTS

For the YTD, the Company generated net earnings of \$1.0 million and CFFO of \$24.1 million, as compared to net earnings of \$4.3 million and CFFO of \$22.0 million for the Prior Year Period.

Royalties for the YTD totaled \$32.8 million, compared to \$30.3 million for the Prior Year Period. Fixed, variable and premium franchise fees together represented 91% of royalties for the YTD (Prior Year Period – 89%). Royalties increased due primarily to the larger REALTOR® base and stronger Canadian Market, particularly in Toronto and Vancouver when compared Prior Year Period.

Fixed franchise fees for the YTD increased by 8% as compared to the Prior Year Period, due to the increase in the REALTOR® base driven primarily by the acquisitions of Franchise Agreements on July 1, 2015 (representing 719 REALTORS®) and January 1, 2016 (representing 459 REALTORS®) as well as net recruitment growth of 253 REALTORS® since September 30, 2015.

Management's Discussion and Analysis of Results and Financial Condition

Variable franchise fees for the YTD increased by 15%, which relates to the increase in the REALTOR® base and an increase in transactional dollar value of the Canadian Market driven by the stronger Toronto and Vancouver markets when compared to Prior Year Period.

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 YTD have increased by 6% compared to Prior Year Period.

Other fees and services include home warranty fees, technology fees and other fees, which accounted for approximately 9% of total royalties for the YTD (Prior Year Period – 11%). Other fees decreased 4% for the YTD as compared to the Prior Year Period due to lower margin earned on warranty programs offered to the Via Capitale Network partly offset by higher technology fees earned from Franchise Agreements acquired on July 1, 2015 and January 1, 2016.

Administration expenses of \$0.8 million for the YTD were lower than for the Prior Year Period due to lower bad debt expense and a reduction in third-party administrative costs.

Management fee expense of \$6.0 million for the YTD, calculated in accordance with the MSA, increased 10% for the YTD as compared to the Prior Year Period, due primarily to the increase in royalties and lower administrative costs.

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

Amortization of Intangible Assets for the YTD totaled \$7.4 million, an increase of 1% compared to the Prior Year Period 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 YTD, total distributions amounted to \$1.29 per Exchangeable Unit compared to \$1.20 per Exchangeable Unit for the Prior Year Period. The interest paid to Exchangeable Unitholders was higher for the YTD 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.

Loss on fair value of Exchangeable Units represents the change in fair value 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 year compared to \$16.60 at September 30, 2016 resulting in a loss of \$6.5 million as a result of the increase in obligation associated with the conversion features of the Exchangeable Units for the YTD. For the Prior Year Period, the change in fair value of Exchangeable Units were valued based on a \$13.00 price for the Company's Restricted Voting Shares at the beginning of the Prior Year Period compared to \$13.45 at September 30, 2015, resulting in a loss of \$1.5 million.

Gain on interest rate swap of \$0.2 million for the YTD 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 \$1.4 million as a result of an increase in the estimated cash flows from Franchise Agreements purchase 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 Year to Date was 76.8% (Prior Year Period – negative 38.2%). The Company's effective income tax rate in the interim condensed consolidated statement of net 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 but excluded from the determination of taxable income. Items included in determining net earnings (loss) that are not included in determining taxable income include, among other things, gain or loss on interest rate swap, gain or loss on purchase obligation, 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			
	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
(in 000's) except per Share amounts and number of REALTORS®;								
Royalties								
Fixed franchise fees	\$ 5,456	\$ 5,440	\$ 5,385	\$ 5,311	\$ 5,109	\$ 5,025	\$ 4,931	\$ 4,814
Variable franchise fees	3,670	2,912	2,163	1,606	3,115	2,716	1,759	1,457
Premium franchise fees	2,417	1,463	843	1,431	2,270	1,362	829	1,364
Other revenue	1,024	1,054	1,006	1,191	1,071	1,198	935	949
	12,567	10,869	9,397	9,539	11,565	10,301	8,454	8,584
Less:								
Administration	252	203	295	252	348	334	352	339
Management fee	2,331	2,003	1,687	1,734	2,115	1,876	1,504	1,431
Interest expense	662	653	665	619	640	589	580	1,089
Cash flow from operations	9,322	8,010	6,750	6,934	8,462	7,502	6,018	5,725
Impairment of intangible assets	(77)	(34)	–	(697)	(135)	(169)	(46)	(1,096)
Amortization of intangible assets	(2,318)	(2,505)	(2,605)	(2,502)	(2,524)	(2,401)	(2,465)	(2,510)
Interest on Exchangeable Units	(1,428)	(1,427)	(1,428)	(1,408)	(1,372)	(1,336)	(1,318)	(1,318)
Gain / (loss) on fair value of Exchangeable Units	(5,391)	(1,531)	466	(4,027)	5,258	(2,928)	(3,827)	2,928
Gain / (loss) on interest rate swap	177	136	(112)	84	(257)	280	(1,561)	(482)
Gain / (loss) on fair value of purchase obligation	311	(248)	(1,464)	(454)	(481)	319	(17)	(260)
Earnings (loss) before income taxes	596	2,401	1,607	(2,070)	8,951	1,267	(3,216)	2,987
Current income tax expense	1,524	1,270	1,036	1,136	1,309	1,130	894	836
Deferred income tax expense / (recovery)	110	(31)	(371)	(205)	(169)	97	(584)	(298)
Net and comprehensive earnings (loss)	\$ (1,038)	\$ 1,162	\$ 942	\$ (3,001)	\$ 7,811	\$ 40	\$ (3,526)	\$ 2,449
Basic earnings / (loss) per Restricted Voting Share	\$ (0.11)	\$ 0.12	\$ 0.10	\$ (0.32)	\$ 0.82	\$ –	\$ (0.37)	\$ 0.26
Diluted earnings / (loss) per Share	\$ (0.11)	\$ 0.12	\$ 0.10	\$ (0.32)	\$ 0.31	\$ –	\$ (0.37)	\$ 0.26
Cash flow from operations per Share	\$ 0.73	\$ 0.63	\$ 0.53	\$ 0.54	\$ 0.66	\$ 0.59	\$ 0.47	\$ 0.45
Number of REALTORS®	17,538	17,405	17,320	16,794	16,826	16,105	16,206	15,377

Management's Discussion and Analysis of Results and Financial Condition

For the 12 months ended September 30, 2016, the Company generated CFFO of \$2.42 per Share, as compared to \$2.16 CFFO generated for the 12 months ended September 30, 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 below.

ROLLING TWELVE-MONTH CASH FLOW FROM OPERATIONS

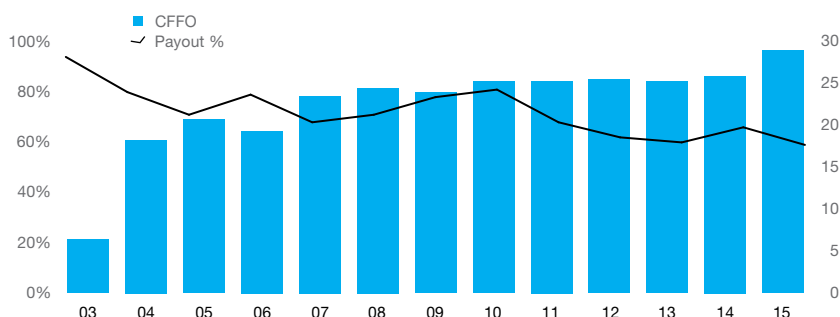
(Unaudited) For twelve months ended,		2016				2015			2014
(in 000's) except per Share amounts	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	
Royalties	\$ 42,372	\$ 41,370	\$ 40,802	\$ 39,859	\$ 38,904	\$ 38,134	\$ 37,698	\$ 37,392	
Less:									
Administration	1,002	1,098	1,229	1,286	1,373	1,627	1,724	1,626	
Management fee	7,755	7,539	7,412	7,229	6,926	6,694	6,548	6,469	
Interest expense	2,599	2,577	2,513	2,428	2,898	3,035	3,228	3,419	
	31,016	30,156	29,648	28,916	27,707	26,778	26,198	25,878	
Cash Flow from Operations per Share	\$ 2.42	\$ 2.35	\$ 2.31	\$ 2.26	\$ 2.16	\$ 2.09	\$ 2.04	\$ 2.02	

The Company's operations have generated significant cash flows with \$316.5 million of CFFO generated since inception, of which \$219.2 million has been distributed to shareholders and Exchangeable Unitholders. Of the remaining \$97.3 million retained by the Company, \$78.6 million has been invested in Franchise Agreements, \$4.1 million was used to purchase shares of the Company in 2008 and 2009 and the balance was used to pay income taxes and fund net working capital requirements.

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

CASH FLOW FROM OPERATIONS

(Years ended December 31, in \$ millions)



Management's Discussion and Analysis of Results and Financial Condition

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

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO CASH FLOW FROM OPERATIONS

(Unaudited) (in 000's)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Cash flow from operating activities	\$ 7,077	\$ 7,143	\$ 15,416	\$ 14,984
Add (deduct):				
Interest on Exchangeable Units	1,428	1,372	4,283	4,026
Income taxes paid	1,102	921	3,976	3,167
Changes in non-cash working capital items	(275)	(1,031)	446	(273)
Interest expense	(2,043)	(1,973)	(6,098)	(5,716)
Interest paid	2,033	2,030	6,059	5,794
CFFO	\$ 9,322	\$ 8,462	\$ 24,082	\$ 21,982

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.

Management's Discussion and Analysis of Results and Financial Condition

Debt Facilities

As at September 30, 2016 the Company's \$78.0 million financing is comprised of the following three arrangements, maturing February 17, 2020.

- A \$53.0 million term facility (the "Term Facility"). The Term Facility bears 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 million 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 September 30, 2016 the company is compliant with these covenants.

Liquidity

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

The Company's ability to grow its 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 YTD, the Company funded the purchase of Franchise Agreements through \$6.0 million in borrowings under its available debt facilities. The Company generated sufficient CFFO during the nine months ended September 30, 2016 (after payment of dividends, interest on Exchangeable Units and its operating obligations) to repay \$5.0 million of those borrowings and to pay \$2.7 million to settle the purchase obligation outstanding for the Franchise Agreements acquired on January 1, 2015 under the Royal LePage and Via Capitale brands and Franchise Agreements acquired on January 1, 2013 under the Via Capitale brand that are subject to a three-year purchase price determination period. The Company anticipates using its debt facilities to fund the purchase of Franchise Agreements in the future with repayments of any borrowings to be funded through CFFO.

Management's Discussion and Analysis of Results and Financial Condition

WORKING CAPITAL

Changes in the Company's net working capital are primarily driven by Cash Flow from Operations, the recording of obligations arising from the purchase of Franchise Agreements and the settlement of these obligations and payment of dividends and interest.

Overall non-cash working capital decreased during the Quarter by less than \$0.3 million from negative non-cash working capital of \$2.8 million as at June 30, 2016 to negative non-cash working capital of \$3.2 million as at September 30, 2016. The decrease in non-cash working capital resulted primarily from:

- A \$0.4 million increase in current income tax liability;
- A \$0.1 million decrease in accounts receivables as a result of timing of collections;
- A \$0.1 increase in accounts payables; partly offset by
- A \$0.3 million decrease in the current portion of the purchase obligation as a result of revaluation of the estimated purchase price, reducing the amounts owing for the purchase of Franchise Agreements on July 1, 2015 and January 1, 2016 for which the Company has not yet fully paid.

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

(Unaudited) (in 000's) As at	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Change in quarter	Change from prior year same period
Current assets										
Accounts receivable and current portion of notes receivable	\$ 4,692	\$ 4,773	\$ 4,521	\$ 4,043	\$ 5,011	\$ 5,903	\$ 5,345	\$ 5,034	\$ (81)	\$ (319)
Prepaid expenses	142	167	172	202	126	164	179	119	(25)	16
	\$ 4,834	\$ 4,940	\$ 4,693	\$ 4,245	\$ 5,137	\$ 6,067	\$ 5,524	\$ 5,153	\$ (106)	\$ (303)
Current liabilities										
Accounts payable and accrued liabilities	\$ 1,247	\$ 1,112	\$ 1,203	\$ 1,181	\$ 1,240	\$ 1,213	\$ 1,231	\$ 1,100	\$ 135	\$ 7
Debt facilities	—	—	—	—	—	—	—	—	—	—
Current portion of Purchase obligation	4,787	5,098	7,571	2,824	2,371	1,887	4,404	2,150	(311)	2,416
Current income tax liability	494	72	67	640	474	86	894	308	422	20
Interest payable to Exchangeable Unitholders	476	476	476	476	441	441	423	423	—	35
Dividends payable to Restricted Voting shareholders	1,027	1,027	1,027	1,027	988	988	948	948	—	39
	8,031	7,785	10,344	6,148	5,514	4,615	7,900	4,929	246	2,517
Net working capital	\$ (3,197)	\$ (2,845)	\$ (5,651)	\$ (1,903)	\$ (377)	\$ 1,452	\$ (2,376)	\$ 224	\$ (352)	\$ (2,820)

Management's Discussion and Analysis of Results and Financial Condition

Capital Resources

A summary of capital resources available to the Company as at September 30, 2016 and December 31, 2015 is presented below.

(Unaudited) (in 000's) As at	September 30, 2016	December 31, 2015
Cash	\$ 4,799	\$ 5,645
Term Facility	–	–
Acquisition Facility	7,100	8,100
Operating Facility	5,000	5,000
Net borrowing capacity	\$ 12,100	\$ 13,100
Capital resources	\$ 16,899	\$ 18,745

As at September 30, 2016, \$12.9 million of the Acquisition Facility has been drawn by the Company, leaving \$12.1 million available under the debt facilities. This represents a decrease of \$1.0 million in net borrowing capacity as a result of the Company borrowing \$6.0 million on the Acquisition Facility on January 1, 2016 to fund the acquisition of certain Franchise Agreements from the Manager and repayment of \$5.0 million for the YTD.

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 and repayment of purchase obligation on Franchise Agreements.

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	\$ 1,247	\$ –	\$ –	\$ –	\$ –	\$ 1,247
Purchase obligation	4,787	–	–	–	–	4,787
Interest payable to Exchangeable Unitholders	476	–	–	–	–	476
Dividends payable to restricted voting shareholders	1,027	–	–	–	–	1,027
Interest on debt facilities	565	2,260	2,260	2,260	377	7,722
Term facility	–	–	–	–	53,000	53,000
Acquisition facility	–	–	–	–	12,900	12,900
Exchangeable Units	–	–	–	–	55,240	55,240
Total	\$ 8,102	\$ 2,260	\$ 2,260	\$ 2,260	\$ 121,517	\$ 136,399

Management's Discussion and Analysis of Results and Financial Condition

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

The Manager operates 24 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,886 REALTORS® with 1,279 REALTORS® operating out of 14 locations in the GTA Market and 607 REALTORS® operating from 10 locations in the GVA market. All of these Franchise Agreements associated with the Brokerages have been purchased by the Company.

All of these corporately owned operations operate under Franchise Agreements with the standard fixed and variable franchise fees. The GTA based locations are up for renewal in 2023, while the Vancouver mainland based operations are up for renewal between 2023-2024. Included in the GTA based Franchise Agreement is an obligation to pay Premium Franchise Fees ranging from 1% to 5% for 11 of the 14 location's gross 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, among other things, the average annual royalties earned over a specified one-year period, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment.

On January 1 of each year, (or such other time as the Board may deem appropriate), the Company may, subject to approval by the Board and meeting certain criteria detailed in the MSA, purchase Royal LePage and Via Capitale Franchise Agreements entered into by the Manager prior to October 31 of the previous year. The acquisition amount is determined in accordance with a formula detailed in the MSA. The acquisition costs may be satisfied by way of cash or shares of the Company, at the option of the Company.

The related party transactions entered into by the Company were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts can be found in Note 13 of the interim condensed consolidated financial statements.

Management's Discussion and Analysis of Results and Financial Condition

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.

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 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, 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 draw of \$8.0 million on the Company's then \$10.0 million Acquisition Facility. The remaining obligation of \$2.5 million, based on the final price determined in accordance with the MSA, was paid during the YTD using cash on hand.

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 \$0.8 million in the YTD include costs related to the Company's public reporting, directors fees, bad debt expense and 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 judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's 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 income taxes, measurement of the fair value of purchase obligations and Exchangeable Units and fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been prepared in a manner consistent with prior periods, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these 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 management 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.

Management's Discussion and Analysis of Results and Financial Condition

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

Accounting for Franchise Agreements

The critical judgment made in accounting for the acquisition of Franchise Agreements is determining whether the acquisition is considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company must evaluate whether the acquisition includes both inputs and processes and, as well, whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company has evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements is an acquisition of assets as no processes are acquired in respect of the Franchise Agreements. In addition, the Company must apply judgment with respect to the accounting for the purchase obligation in connection with the purchase of Franchise Agreements. The Company has determined that the purchase obligation is an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to changes in the estimated royalty expected to be earned under the Franchise Agreement and the actual royalty earned during the determination period. The Company records any change in the fair value of this financial liability in the interim condensed consolidated statement of net 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 individual Franchise Agreements and Trademarks. When reviewing indicators of impairment for Franchise Agreements, the Company considers certain factors including, royalties earned, term to maturity, historical REALTOR® count, collectability of receivables 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 or Banker Acceptance interest rates. As at September 30, 2016 the Company has drawn \$12.9 million on the Acquisition Facility, and nil on the Operating Facility.

Management's Discussion and Analysis of Results and Financial Condition

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 September 30, 2016. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that the Company's financial reporting is reliable and that the Company's interim condensed consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR was evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at September 30, 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 September 30, 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 BBP and represents the proportionate voting rights of Exchangeable Unitholders in the Company. The Special Voting Share is not eligible to receive dividends and can be redeemed at \$0.01 per share.

Management's Discussion and Analysis of Results and Financial Condition

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", "growth", "will", "forecast", "objective", "continue(s)", "determine", "ongoing", "foreseeable", "maintain", "seeks", "strive", "momentum", "expects", "anticipates", "increase", "near-term", "signs", "experiencing", "uncertainty", "extended", "expectation(s)", "remainder", "grow", "lead" 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 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 Declared	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	\$ 0.1083
May	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1000	\$ 0.1083
June	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	\$ 0.1083
July	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	\$ 0.1083
August	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	\$ 0.1083
September	\$ 0.1170	\$ 0.1170	\$ 0.0920	\$ 0.0920	\$ 0.0920	\$ 0.1000	\$ 0.1042	\$ 0.1083
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	\$ 0.9747

*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,

	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016
Trading price range of units (TSX: "BRE")								
Close	\$ 13.00	\$ 14.15	\$ 15.03	\$ 13.45	\$ 14.66	\$ 14.52	\$ 14.98	\$ 16.60
High	\$ 14.08	\$ 14.68	\$ 15.25	\$ 15.25	\$ 15.08	\$ 15.00	\$ 15.70	\$ 16.98
Low	\$ 12.90	\$ 14.02	\$ 13.82	\$ 13.25	\$ 13.26	\$ 13.21	\$ 14.30	\$ 14.92
Average daily volume	14,139	20,818	13,070	5,318	4,304	5,319	7,030	9,733
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	\$ 166,550	\$ 181,283	\$ 192,557	\$ 172,315	\$ 187,817	\$ 186,023	\$ 191,917	\$ 212,671

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Canadian Residential Real Estate Market

For three months ended,	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016
Canada								
Transaction dollar volume ¹	\$ 41,356	\$ 43,233	\$ 74,202	\$ 58,668	\$ 48,130	\$ 56,860	\$ 90,569	\$ 65,643
Average selling price	\$ 414,044	\$ 428,177	\$ 451,666	\$ 433,884	\$ 454,644	\$ 498,261	\$ 506,921	\$ 470,259
Number of units sold	99,883	100,970	164,285	135,216	105,863	114,117	178,664	139,590
Number of REALTORS® at period end ²	110,821	111,424	112,498	113,499	114,664	115,835	117,839	–
Housing starts	43,436	33,599	48,355	52,738	46,906	35,602	49,222	49,573
Greater Toronto Area								
Transaction dollar volume ¹	\$ 11,267	\$ 11,673	\$ 22,457	\$ 15,984	\$ 13,238	\$ 15,277	\$ 28,032	\$ 21,403
Average selling price	\$ 577,292	\$ 594,560	\$ 641,610	\$ 612,930	\$ 626,384	\$ 675,406	\$ 746,505	\$ 725,771
Number of units sold	19,517	19,633	35,001	26,078	21,134	22,619	37,551	29,490
Housing starts	11,278	8,236	10,987	12,500	10,564	9,412	10,069	9,614
Greater Vancouver Area								
Transaction dollar volume ¹	\$ 6,388	\$ 8,028	\$ 11,678	\$ 9,524	\$ 9,721	\$ 13,280	\$ 15,150	\$ 7,446
Average selling price	\$ 813,447	\$ 873,748	\$ 909,289	\$ 874,403	\$ 950,988	\$ 1,094,897	\$ 1,058,700	\$ 912,612
Number of units sold	7,853	9,188	12,843	10,892	10,222	12,129	14,310	8,159
Housing starts	4,571	4,283	5,655	5,298	5,627	7,081	7,759	7,358
Greater Montreal Area								
Transaction dollar volume ¹	\$ 2,565	\$ 3,158	\$ 4,246	\$ 2,640	\$ 2,780	\$ 3,523	\$ 4,413	\$ 2,918
Average selling price	\$ 347,232	\$ 326,004	\$ 337,815	\$ 345,053	\$ 346,288	\$ 332,327	\$ 346,743	\$ 360,648
Number of units sold	7,387	9,687	12,569	7,651	8,028	10,601	12,727	8,091
Housing starts	5,644	2,148	4,526	6,588	5,482	2,791	4,719	5,748

¹ (in millions Canadian dollars)

² CREA Membership data as of September 30, 2016 not available as of November 10, 2016.

Source: CREA, CMHC, TREB

For twelve months ended,	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016
Canada								
Transaction dollar volume ¹	\$ 196,347	\$ 200,898	\$ 211,704	\$ 217,459	\$ 224,233	\$ 237,860	\$ 254,227	\$ 261,202
Average selling price	\$ 408,068	\$ 413,875	\$ 426,533	\$ 434,610	\$ 442,856	\$ 457,880	\$ 476,205	\$ 485,295
Number of units sold	481,162	485,407	496,337	500,354	506,334	519,481	533,860	538,234
Housing starts	171,915	173,472	173,043	178,128	181,598	183,601	184,468	181,303
Greater Toronto Area								
Transaction dollar volume ¹	\$ 52,841	\$ 54,660	\$ 59,233	\$ 61,381	\$ 63,352	\$ 66,956	\$ 72,531	\$ 77,950
Average selling price	\$ 566,489	\$ 575,587	\$ 598,313	\$ 612,408	\$ 622,037	\$ 638,698	\$ 675,448	\$ 703,558
Number of units sold	93,278	94,964	99,000	100,229	101,846	104,832	107,382	110,794
Housing starts	33,547	34,693	37,122	43,001	42,287	43,463	42,545	39,659
Greater Vancouver Area								
Transaction dollar volume ¹	\$ 27,380	\$ 29,604	\$ 33,343	\$ 35,618	\$ 38,951	\$ 44,203	\$ 47,675	\$ 45,597
Average selling price	\$ 812,632	\$ 826,696	\$ 859,799	\$ 873,504	\$ 902,793	\$ 959,142	\$ 1,002,566	\$ 1,017,336
Number of units sold	33,693	35,810	38,780	40,776	43,145	46,086	47,553	44,820
Housing starts	19,212	19,122	20,040	19,807	20,863	23,661	25,765	27,825
Greater Montreal Area								
Transaction dollar volume ¹	\$ 11,760	\$ 11,884	\$ 12,402	\$ 12,609	\$ 12,824	\$ 13,189	\$ 13,356	\$ 13,634
Average selling price	\$ 328,822	\$ 331,696	\$ 335,443	\$ 338,097	\$ 338,052	\$ 339,494	\$ 342,400	\$ 345,628
Number of units sold	35,764	35,828	36,972	37,294	37,935	38,849	39,007	39,447
Housing starts	18,672	17,435	16,573	18,906	18,744	19,387	19,580	18,740

¹ (in millions Canadian dollars)

Source: CREA, CMHC, TREB

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	Nine months ended September 30, 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	\$ 447,351	\$ 32,833	\$ 39,859	\$ 37,392	\$ 146,137	\$ 191,130
Less:						
Administration	14,195	750	1,286	1,626	6,141	4,392
Management fee	81,472	6,021	7,229	6,469	26,909	34,844
Interest expense	35,202	1,980	2,428	3,419	11,943	15,432
Cash Flow from Operations	316,482	24,082	28,916	25,878	101,144	136,462
Less:						
Dividends to Restricted Voting shareholders	157,798	9,244	11,619	11,305	48,759	76,871
Interest to Exchangeable Unitholders	61,353	4,283	5,434	5,856	19,953	25,827
Total equity distributions	219,151	13,527	17,053	17,161	68,712	102,698
Cash flow from operations less total dividends	97,331	10,555	11,863	8,717	32,432	33,764
Less: Funding of acquisitions	78,622	8,034	18,150	5,998	21,296	25,144
Less: Purchase of units under NCIB	4,096	–	–	–	–	4,096
Net change in the Period	\$ 14,613	\$ 2,521	\$ (6,287)	\$ 2,719	\$ 11,136	\$ 4,524
Taxes and working capital	(9,814)	(3,367)	8,880	(3,300)	(14,345)	2,318
Change in period	\$ 4,799	\$ (846)	\$ 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	\$ 4,799	\$ 4,799	\$ 5,645	\$ 3,052	\$ 3,633	\$ 6,842
Equity Distributions payment rate ¹	69%	56%	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	Nine months ended September 30, 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	\$ 242,084	\$ 15,416	\$ 20,433	\$ 16,957	\$ 52,489	\$ 136,789
Add (deduct):						
Changes in non-cash working capital items	1,729	446	(1,045)	127	1,433	768
Interest on Exchangeable Units	35,526	4,283	5,434	5,856	19,953	–
Income taxes paid	23,389	3,976	4,137	3,201	12,075	–
Interest on Trust units	15,212	–	–	–	15,212	–
Non-cash interest expense	(1,458)	(39)	(43)	(263)	(18)	(1,095)
Cash Flow from Operations	\$ 316,482	\$ 24,082	\$ 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	Dec. 31, 2014	Mar. 31 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016
Number of REALTORS®	15,377	16,206	16,105	16,826	16,794	17,320	17,405	17,538
Number of locations	637	668	660	670	662	670	670	668
Number of franchise agreements	302	312	301	322	305	308	303	302

Supplemental Information – Acquisitions

Year acquired by the Company (in millions) except number of REALTORS®	2016	2015	2014	2013	2012	2011
Estimated 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)	0.6	(a), (c)	0.9	0.8	0.8
	(a)	(a)	\$ 7.1	\$ 6.7	\$ 2.7	\$ 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

Management's Discussion and Analysis of Results and Financial Condition

GLOSSARY OF TERMS

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

"Brands" means the real estate services brands owned or controlled by BRESI namely, Royal LePage, Johnston 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 a REALTOR® who is licensed with the relevant regulatory body to manage a Brokerage.

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

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

"Cash Flow from Operations" or **"CFFO"** means operating income before deducting amortization and impairment of intangible assets. CFFO is used by the Company to measure the amount of cash generated from operations, which is available to the Company's shareholders on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if Exchangeable Unitholders converted Class B LP units into Restricted Voting Shares. The Company uses CFFO to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure of value to them. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

"Company" means BRESI, together with its subsidiaries.

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

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

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

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

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

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

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

"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 January 1, 2014 between the Company and the Manager, together with any amendments thereto, pursuant to which, among other things, the Manager provides management and administrative services to the Company, including management of the assets of the Company.

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

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

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

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

"REALTOR®" 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.

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

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

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

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

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

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

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

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

"TSX" means the Toronto Stock Exchange.

"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.