

Brookfield Real Estate Services Inc. Reports Annual Results and Monthly Dividend

(TORONTO) March 9, 2017 – Brookfield Real Estate Services Inc. (TSX: BRE), a leading provider of services to residential real estate brokers and their REALTORS® (the “Company”), today announced its 2016 annual financial results and the approval of a monthly dividend to holders of the Company’s restricted voting shares.

HIGHLIGHTS

- Cash flow from operations (“CFFO”) for the year reached a record \$31.0 million or \$2.42 per fully diluted restricted voting share (“Share”) compared to \$28.9 million or \$2.26 per Share in 2015.
- The Company’s network of REALTORS® (the “Network”) increased to 17,580, up from 16,794 as at December 31, 2015. The increase was driven by 459 REALTORS® acquired by way of acquisition of Franchise Agreements, and 327 REALTORS® recruited in the year.
- Canadian housing market transactional dollar volume and national average house price continued to increase, driven primarily by the ongoing strength of the Greater Toronto Area market.
- The Board of Directors of the Company approved a dividend to shareholders of \$0.1083 per restricted voting share payable April 28, 2017 to shareholders of record March 31, 2017, representing a target annual dividend of \$1.30 per restricted voting share.
- Subsequent to December 31, 2016, the Company acquired 55 Franchise Agreements in January 2017 representing 568 REALTORS® and an estimated annual royalty stream of \$1.2 million.

OPERATING RESULTS

For the year ended December 31, 2016, CFFO was \$31.0 million or \$2.42 per Share, an increase of 7.3% as compared to \$28.9 million or \$2.26 per Share in 2015. For the fourth quarter of 2016, CFFO was \$6.9 million or \$0.54 per share, unchanged from 2015 as continued strength in the Ontario market was offset by a 41% quarterly drop in transactional dollar volume in Vancouver compared to the fourth quarter of 2015.

Royalty revenues for the year ended December 31, 2016, were \$42.4 million compared to \$39.9 million in 2015. For the quarter, royalty revenues amounted to \$9.6 million, up marginally from \$9.5 million in 2015. The benefit of higher fixed franchise fees (due to the increased number of REALTORS® in the Network) and higher premium fees (due to the strong GTA markets) was partly offset by lower variable franchise fees resulting from the weaker markets in Vancouver in the second half of the year.

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

The increased royalties and improvement in annual CFFO were driven primarily by an increase in the number of REALTORS® in the Network and strong Canadian real estate market, particularly in the GTA.

“We are pleased to report that 2016 was another banner year for the Company. Our annual cash flow from operations was the highest ever generated by the Company,” said Phil Soper, President and Chief Executive Officer, Brookfield Real Estate Services Inc. “This improvement in CFFO was driven by a \$2.6 million increase in royalty revenue this year as compared to 2015, as a result of a strong Canadian real estate market, a significant increase in the number of REALTORS® in the Company from acquisition and strong recruiting growth, and lower cash operating expenses.”

THE COMPANY NETWORK

As at December 31, 2016, the Network was comprised of 17,580 REALTORS®, operating under 297 franchise agreements (providing services from 667 locations), with approximately one fifth share of the Canadian residential real estate market based on 2016 transactional dollar volume. In 2016, the Company purchased 33 Franchise Agreements representing an annual revenue stream of approximately \$1.0 million from 459 REALTORS®. The Company experienced net recruitment growth of 327 REALTORS®, compared to net attrition of 160 REALTORS® in 2015. The improvement in net recruitment growth is due, in part, to specific programs designed to support Brokerages in the Network in their recruiting performance as well as their efforts to reduce attrition.

Effective January 1, 2017, the Company acquired an additional 55 Franchise Agreements representing 568 REALTORS®, bringing the total Network to 18, 148 REALTORS® across Canada.

REAL ESTATE MARKET

According to the Canadian Real Estate Association (“CREA”)², for the year ended December 31, 2016, the Canadian Residential Real Estate Market (the “Canadian Market”), as defined by total transactional dollar volume, increased 17%, to \$262.9 billion, compared to 2015, driven by an increase of 11% in national average selling price and a 6% increase in units sold. For the three month period ended December 31, 2016, the Canadian Market was up 4%, at \$49.8 billion, over the same period in 2015, driven by a 6% increase in national average selling price and a 2% decrease in units sold.

The most notable increase was in the greater Toronto area (“GTA”), according to the Toronto Real Estate Board (“TREB”)³ and CREA. In 2016, the housing market in the GTA experienced a year-over-year transactional dollar volume increase of 31% driven by a 17% increase in average selling price, and a 12% increase in number of units sold. In the fourth quarter of 2016, the GTA market experienced a 36% transactional dollar volume increase based on a 19% increase in average selling price and a 14% increase in number of units sold over the same period in 2015.

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

OUTLOOK

“There was notable disparity in home price appreciation between Canadian regions in 2016, with rates ranging from double-digit extremes in some cities to negative growth in others,” said Soper. “Looking ahead, we expect the house price appreciation gap between regions to narrow in 2017 with a trend toward historical norms as some overheated markets slow, while activity levels in a number of cool markets begin to pick up. This trend is anticipated to be driven primarily by a modest price correction in the Greater Vancouver housing market, strong but moderating price appreciation in the GTA, and welcomed upward price trends in Quebec, Atlantic Canada and Alberta.”

“Unlike Vancouver where a price correction is underway, there is no relief in sight for the GTA – forward momentum and supporting fundamentals in the region remain strong,” continued Soper. “And, while we don’t anticipate a strong housing rebound for Alberta, we are calling 2016 as the bottom for this correctional phase of the cycle. We base our outlook not on a sharp increase in the value of oil, but upon maintaining a \$50/barrel floor, allowing the energy industry to move into modest growth mode.”

CASH DIVIDEND

The Company declared a cash dividend of \$0.1083 per restricted voting share payable on April 28, 2017, to shareholders of record on March 31, 2017. This represents a targeted annual dividend of \$1.30 per restricted voting share.

CONFERENCE CALL

Brookfield Real Estate Services Inc. will host a conference call on Thursday, March 9, 2017 at 10 a.m. ET to discuss its annual and fourth quarter financial results for 2016.

To access the call by telephone, please dial 1-888-231-8191 or 647-427-7450. Please connect approximately ten minutes prior to the beginning of the call to ensure participation. A recording of the conference call will be available in the Investor Centre section of the Company’s website by Wednesday, March 15, 2017.

CFFO

This news release and accompanying financial statements make reference to CFFO on a total and per Share basis. CFFO is defined as operating income prior to deducting impairment and amortization of intangible assets. CFFO is used by the Company to measure the amount of cash generated from operations which is available to the Company’s shareholders on a diluted basis where such dilution represents the total number of Shares of the Company that would be outstanding if Exchangeable Unitholders converted Class B LP units into Shares of the Company. The Company uses CFFO to assess its operating results and the financial position of its business and believes that many of its shareholders and analysts also find this measure useful. CFFO does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking information and other “forward-looking statements”. Words such as “continue”, “ongoing”, “target”, “estimate”, “outlook”, “ahead”, “expect”, “trend”, “anticipate”, “forward”, “calling”, “believes” 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: changes in the supply or demand of houses for sale in Canada or in any particular region within Canada, changes in the selling price for houses in Canada or any particular region within Canada, changes in the Company’s strategy with respect to dividends, changes in the productivity of the Company’s REALTORS® or the commissions they charge their customers, changes in government policy, laws or regulations which could reasonably affect the housing markets in Canada, consumer response to any changes in the housing markets in Canada or any changes in government policy, laws or regulations, changes in general economic conditions (including interest rates, consumer confidence and other general economic factors or indicators), changes in global and regional economic growth, the demand for and prices of natural resources on local and international markets, the level of residential real estate transactions, 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, our 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, changes in tax laws or regulations, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to management. Material factors or assumptions that were applied in drawing conclusions or making estimates set out in the forward-looking statements include, but are not limited to: anticipated economic conditions, anticipated impact of government policies, anticipated financial performance, anticipated market conditions, business prospects, the successful execution of the Company's business strategies and recent regulatory developments. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The 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.

About Brookfield Real Estate Services Inc.

Brookfield Real Estate Services Inc. ("BRESI") is a leading provider of services to residential real estate brokers and a network of more than 18,000 REALTORS®¹. BRESI operates in Canada under the Royal LePage, Via Capitale and Johnston & Daniel brands. Further information is available at www.brookfieldresinc.com.

Brookfield Real Estate Services Inc. is an affiliate of Brookfield Asset Management, a leading global alternative asset manager with over \$250 billion of assets under management. For more information, go to www.brookfield.com.

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

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

³ Source: Toronto Real Estate Board Market Watch as of January 5, 2017.

Brookfield Real Estate Services Inc.

Balance Sheet Highlights

As at (Unaudited, in thousands of Canadian dollars)	December 31, 2016	December 31, 2015
Cash	\$ 3,102	\$ 5,645
Other current assets	4,114	4,245
Total current assets	7,216	9,890
Non-current assets	85,187	88,224
Total assets	\$ 92,403	\$ 98,114

Accounts payable and accrued liabilities	\$ 893	\$ 1,181
Current portion of purchase obligation	3,559	2,824
Interest payable on Exchangeable Units	435	476
Dividends payable	476	1,027
Other current liabilities	1,027	640
Total current liabilities	6,390	6,148
Debt facilities	63,720	64,662
Other non-current liabilities	1,114	3,890
Exchangeable Units	52,477	48,784
Total Liabilities	123,701	123,484
Shareholders' deficit	(31,298)	(25,370)
Total Liabilities and Shareholders' deficit	\$ 92,403	\$ 98,114

Earnings (Loss) Highlights

(Unaudited, in thousands of Canadian dollars)	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Royalties	\$ 9,602	\$ 9,539	\$ 42,436	\$ 39,859
Administration Expense	(308)	(252)	(1,058)	(1,286)
Management Fee	(1,734)	(1,734)	(7,754)	(7,229)
Interest Expense	(627)	(619)	(2,606)	(2,428)
Cash Flow from Operations	6,933	6,934	31,018	28,916
Impairment, write-off and amortization of intangible assets	(2,155)	(3,199)	(9,694)	(10,939)
Interest on Exchangeable Units	(1,428)	(1,408)	(5,710)	(5,434)
Gain / (loss) on fair value of Exchangeable Units	2,762	(4,027)	(3,694)	(5,524)
Gain / (loss) on interest rate swap	621	84	822	(1,454)
Gain / (loss) on fair value of purchase obligation	(167)	(454)	(1,568)	(633)
Income tax expense	(1,239)	(931)	(4,777)	(3,608)
Net and comprehensive earnings / (loss)	\$ 5,327	\$ (3,001)	\$ 6,397	\$ 1,324
Basic earnings / (loss) per Restricted Voting Share	\$ 0.56	\$ (0.32)	\$ 0.67	\$ 0.14
Diluted earnings / (loss) per Share	\$ 0.31	\$ (0.32)	\$ 0.67	\$ 0.14
Cash Flow from Operations per Share on a diluted basis	\$ 0.54	\$ 0.54	\$ 2.42	\$ 2.26

Cash Flow Highlights

(Unaudited, in thousands of Canadian dollars)	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Cash provided by Operating activities:	\$ 4,728	\$ 5,426	\$ 20,148	\$ 20,433
Cash provided used for Investing activities:	(1,344)	29	(9,366)	(18,121)
Cash provided / (used) by/for Financing activities:	(5,081)	(4,964)	(13,325)	281
Change in cash for the period	(1,697)	491	(2,543)	2,593
Cash, beginning of the period	4,799	5,154	5,645	3,052
Cash, end of the period	\$ 3,102	\$ 5,645	\$ 3,102	\$ 5,645