

# Brookfield

Real Estate Services Inc.

## Momentum you can build on

Leading provider of services to  
residential real estate brokers and  
their REALTORS®



**2015 Annual General Meeting**

# Forward-Looking Statements

This presentation contains forward-looking information and other “forward-looking statements.” Words such as “should”, “will”, “continue”, “plan”, “believe”, “expect”, “anticipate”, “intend”, “estimate” and other expressions, which are predictions of or indicate future events and trends and which 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, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements.

Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks detailed in the Company’s annual information form filed with securities commissions. 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.



# Spencer Enright

Director and Chairman of the Board of Directors

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## Board of Directors

### **Spencer Enright, CPA, CA**

Director and Chairman of the Board of Directors

### **Lorraine Bell, CPA, CA**

Director and Chair of Audit Committee

### **Simon Dean**

Director

### **Hon. J. Trevor Eyton, O.C., Q.C.**

Director

### **Gail Kilgour, ICD.D**

Director and Chair of Governance Committee



# Philip Soper

President and Chief Executive Officer

# Overview of Presentation

- **Our Brands**
- **Overview of 2014 Operating Results**
- **Market Outlook**
- **Business Strategy**
- **Key Business Drivers**
- **Leadership**
- **Operating Platform**
- **Q&A**

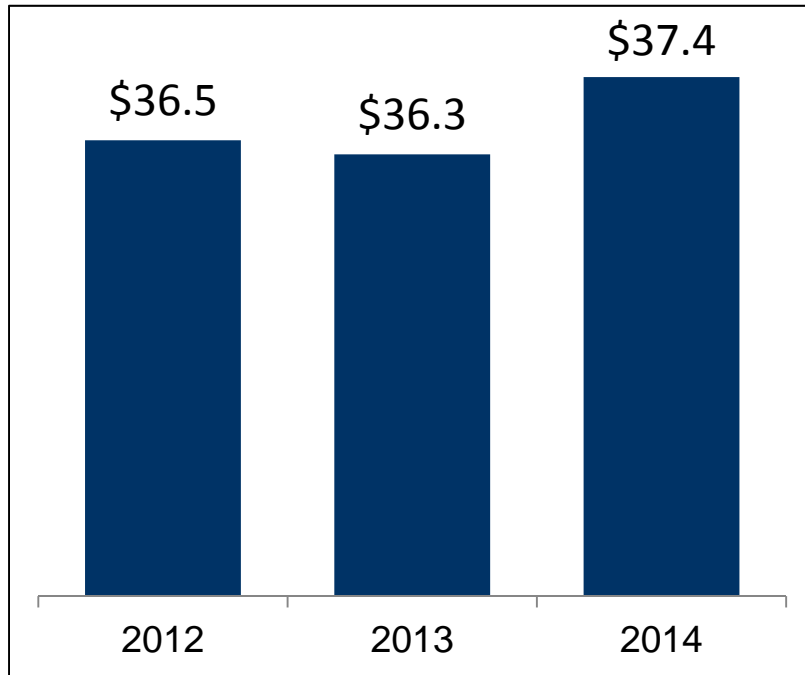
## Our Brands



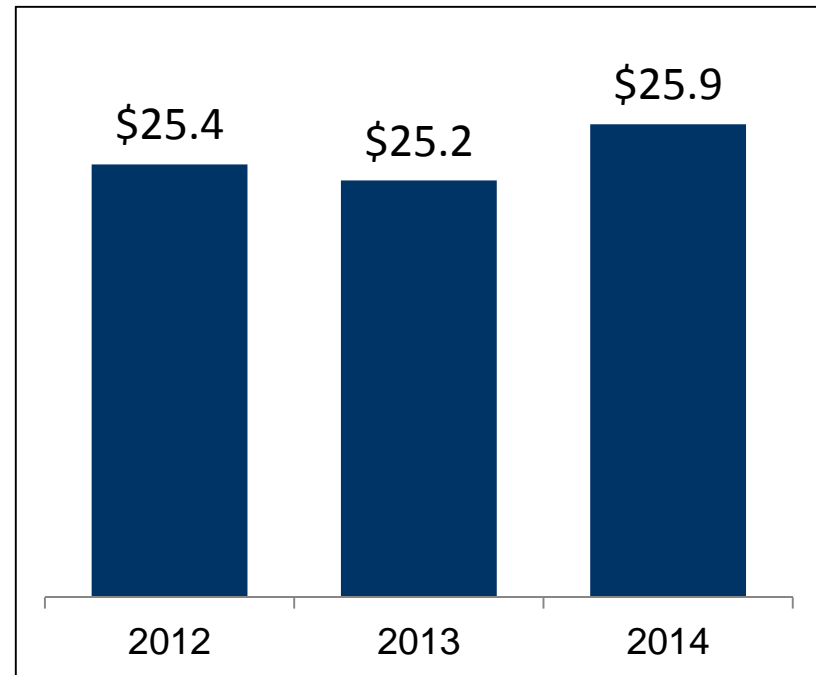
- Leader in Canadian real estate since 1913
- A network of over 16,000 agents in more than 600 locations
- Leading residential real estate boutique firm selling distinctive homes in southern Ontario
- The fourth largest real estate business in Quebec
- More than 1,000 brokers and agents in more than 65 locations

# Overview of 2014 Operating Results

## Royalties



## Cash Flow from Operations





## First Quarter 2015 Results

- CFFO +5.6% to March 31<sup>st</sup>, 2015:
  - \$6.0m (\$.47/sh) vs \$5.7m (\$.44/sh) in the previous year
  - rolling 12 months to March 31<sup>st</sup>, 2015: (\$2.04/sh) vs (\$2.02/sh) in the previous year
- Strong start to year, building on the momentum from a successful 2014 campaign
- 500+ new agents in growth pipeline

Company structure provides downside protection when markets cool and mitigates participation in hot markets

## A Growing Dividend

- Dividend increased 9.1% in 2014
- Conservative payout ratio of 66%
- \$1.20 / share target annual distribution

The Company has maintained or grown the dividend through all markets

## Implemented first royalty fee increases at Royal LePage

- 2014
  - fixed fee increased 2% to \$102/agent/month
- 2016
  - fixed fee increases to \$105/agent/month
  - cap on variable fee to increase from \$1,300 to \$1,325
- Increases supported by COLA clause introduced in mid-2000's
- Older franchise agreements will be updated as they renew
- Increases on newest contracts in 2017

**\$900,000 in incremental annual royalties  
when fully implemented**

## New Financing Package with CIBC

- Five-year \$68 million
- Attractive fixed interest rate
- This package includes a new \$10 million acquisition line



# Market Outlook



BANK OF CANADA  
BANQUE DU CANADA

- Mixed economic picture
  - Surprise rate cut by the Bank of Canada
  - Stalled growth in U.S. supports low for longer policy
  - Real GDP forecast
    - Canada: 1.9% in 2015; 2.5% in 2016
    - U.S.: 3.0% in 2015; 2.8% in 2016
  - Stable unemployment rates: Canada – 6.8%; U.S. – 5.5%

"While the impact of the oil price shock is happening faster than initially expected, it does not appear to be larger than we anticipated in January," BOC Governor Poloz. Apr.2015

## Market Outlook: a Tale of Three Markets

- Mega-cities of Toronto and Vancouver experiencing strong growth in both unit sales and home prices
  - Export benefits from lower Canadian dollar
  - Majority of Canada's immigrants
  - Geographic and political restrictions on supply
- Lower consumer confidence in AB, SK and NL expected to hinder the growth
  - Alberta units sales down significantly; price declines expected mid-year
  - Impact mitigated in Saskatchewan & Newfoundland
- Flat home prices and low single digit growth 'soft landing' in rest of nation

## Business Strategy

- Pay strong, stable and growing dividends
- Grow by adding long-term franchise agreements
  - derive majority of revenue from contracted, fixed fees
  - portfolio of highly regarded real estate franchise brands
  - lead industry with effective, innovative services
  - recruit premium practitioners
- Maximize margins with economies of scale
- Maintain appropriate capital structure

Canadian real estate's leading consolidator and growth story since inception

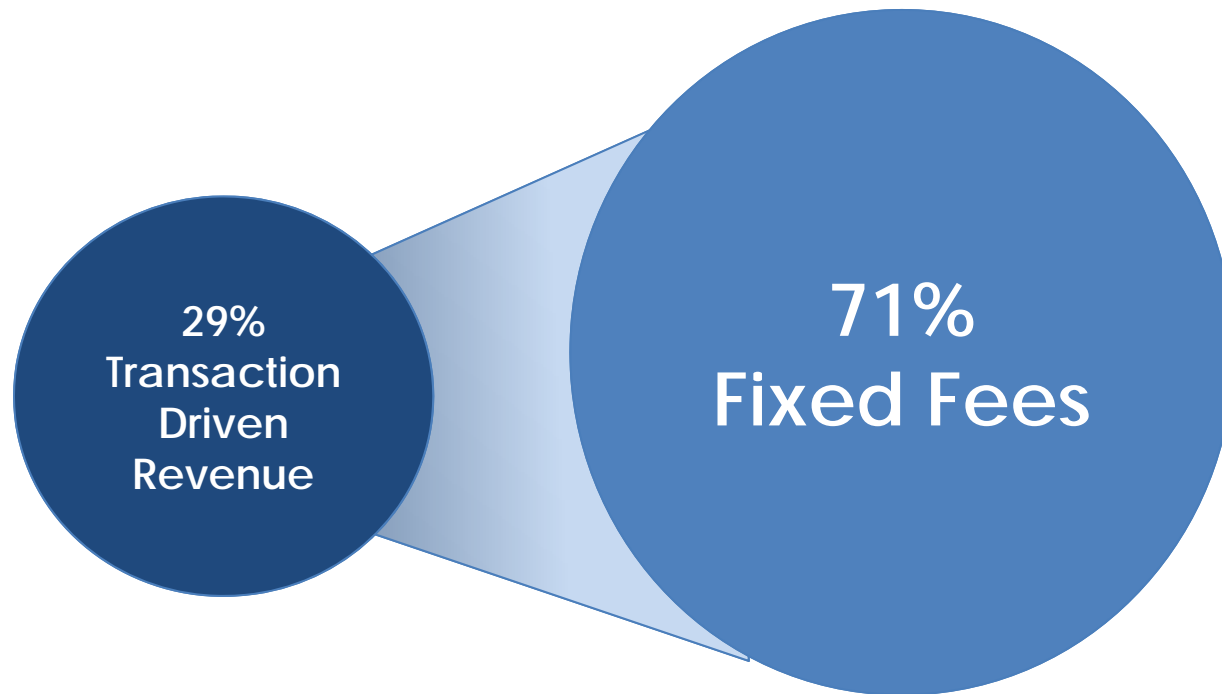
## Key Business Drivers

1. Stability of royalty stream
2. Number of Realtors®
3. Transaction dollar volumes
4. Growth opportunities



## Stability: Primarily Fixed Fees

- Both fixed and variable fees
- Fixed fees based on agent count
- Variable fees driven by transactional dollar volume



## Stability: Geographic Diversification

- Broad Canadian representation
- One-fifth of residential resale real estate market
- Investments in British Columbia paying dividends
- Less than 10% of revenue from regions likely to be impacted by oil shock

Region	Company's Network of REALTORS® <sup>1</sup>	Canadian REALTOR® Population <sup>2</sup>
Ontario	59%	55%
Prairies	11%	13%
British Columbia	10%	17%
Quebec	16%	12%
Maritimes	4%	3%

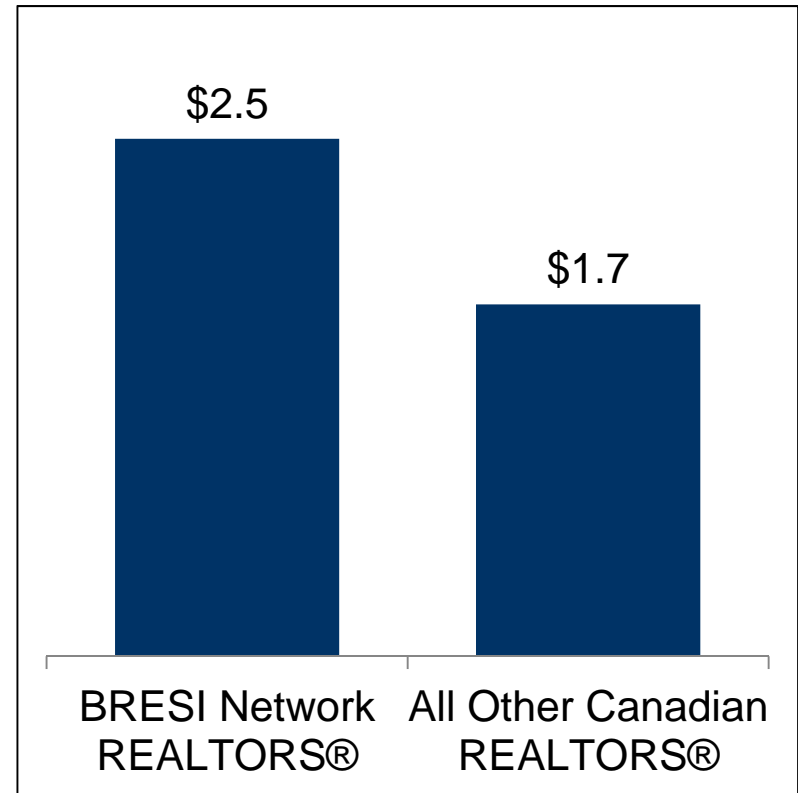
<sup>1</sup> As at December 31, 2014

<sup>2</sup> Source: CREA. As at December 31, 2014

# Stability: Superior Productivity

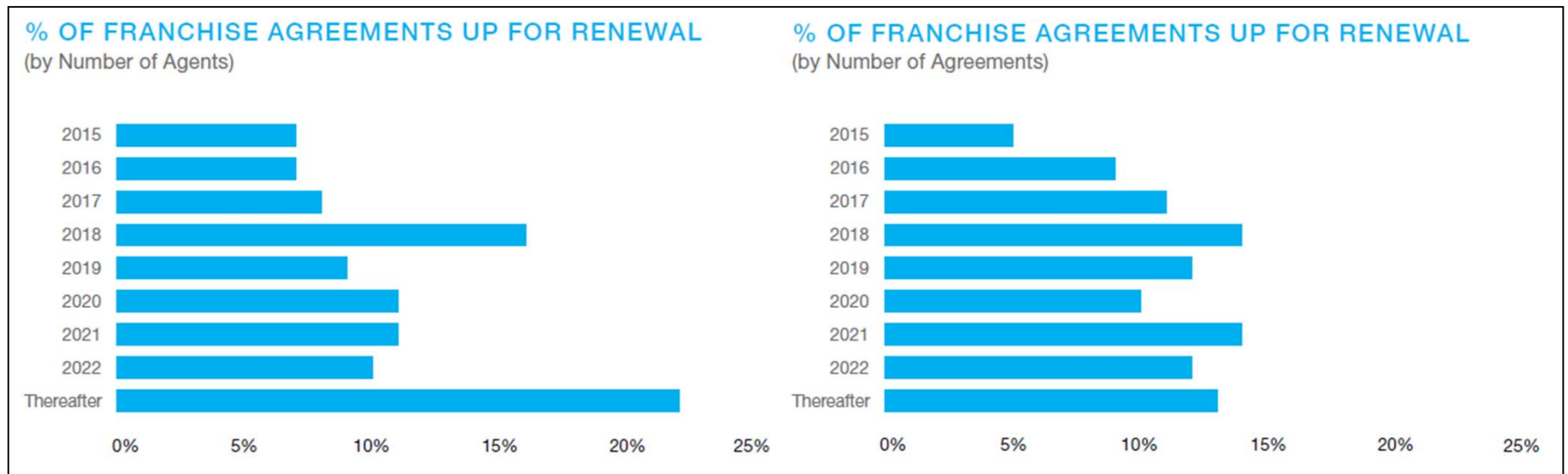
- Average BRESI REALTOR® generated approx. \$2.5 million transactional dollar volume
  - Avg. 51% greater than avg. in rest of the industry
- More productive REALTORS®:
  - Reduce attrition
  - Produce higher variable royalties
  - Contribute to the profitability of broker-owners

## Average Agent Productivity (\$M)



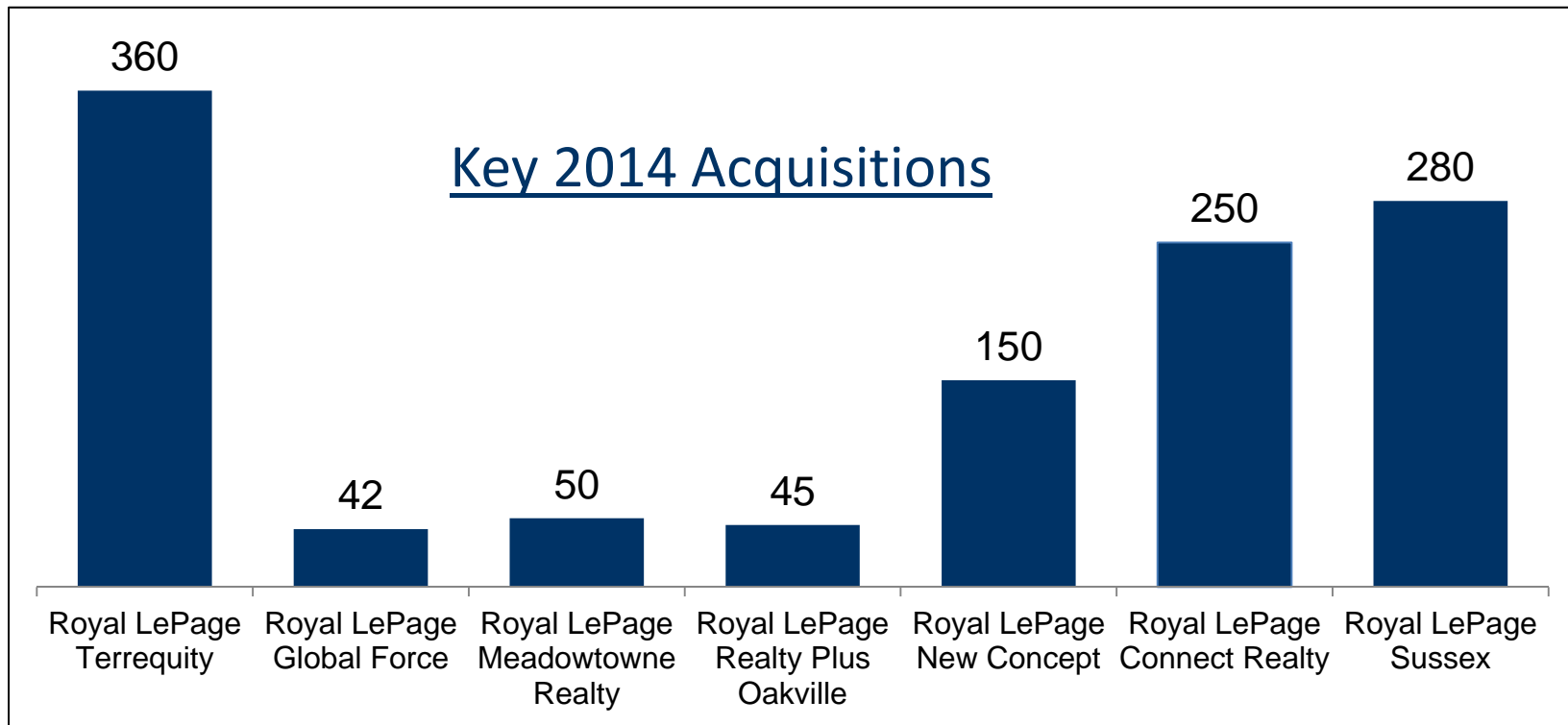
## Stability: Balanced, Lower Risk Contract Portfolio

- 17 Franchise Agreements representing 851 REALTORS® that were subject to renewal, renewed (**success rate >98%**)
- One FA representing 199 REALTORS® renewed early
- Renewal profile by year is not overly skewed to any one year



# Exceptional Growth

2014 saw the most agents added to the Network in 7 years



quality  
ender



gents  
ading



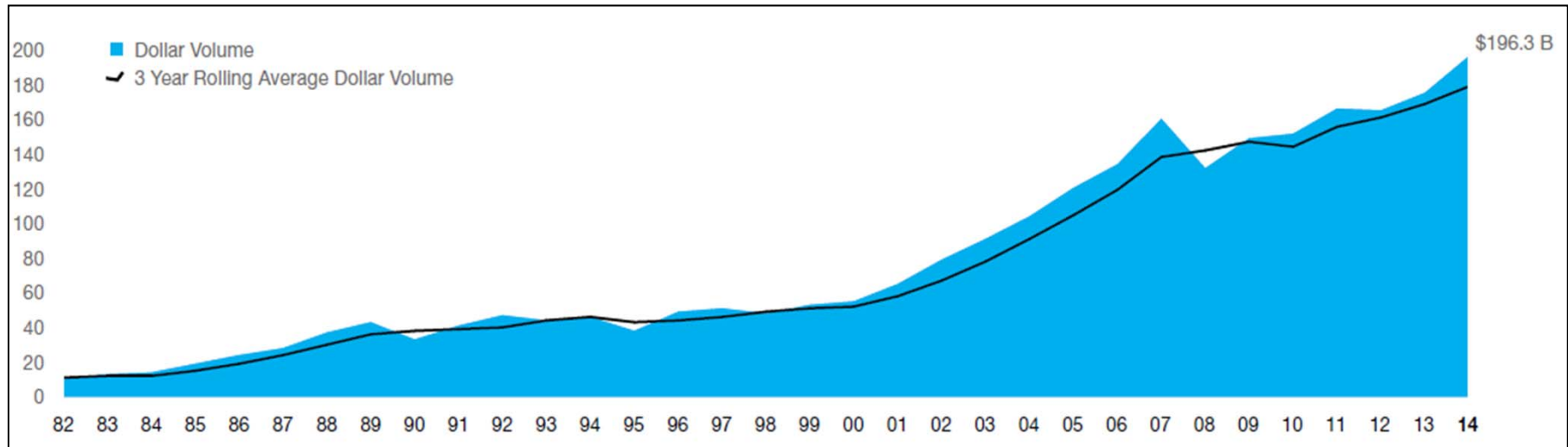
## Passing the 16,000 agent Threshold

- In January 2015, the Company acquired Franchise Agreements representing:
  - 35 real estate brokerages and 811 REALTORS® to operate under the Royal LePage brand
  - 5 real estate brokerages and 47 REALTORS® to operate under the Via Capitale brand

The company grew to **16,235** on January 1<sup>st</sup> with the addition of **858** agents

# Transaction Dollar Volumes

## Market Dollar Volume – Cdn Residential Resale Real Estate Market



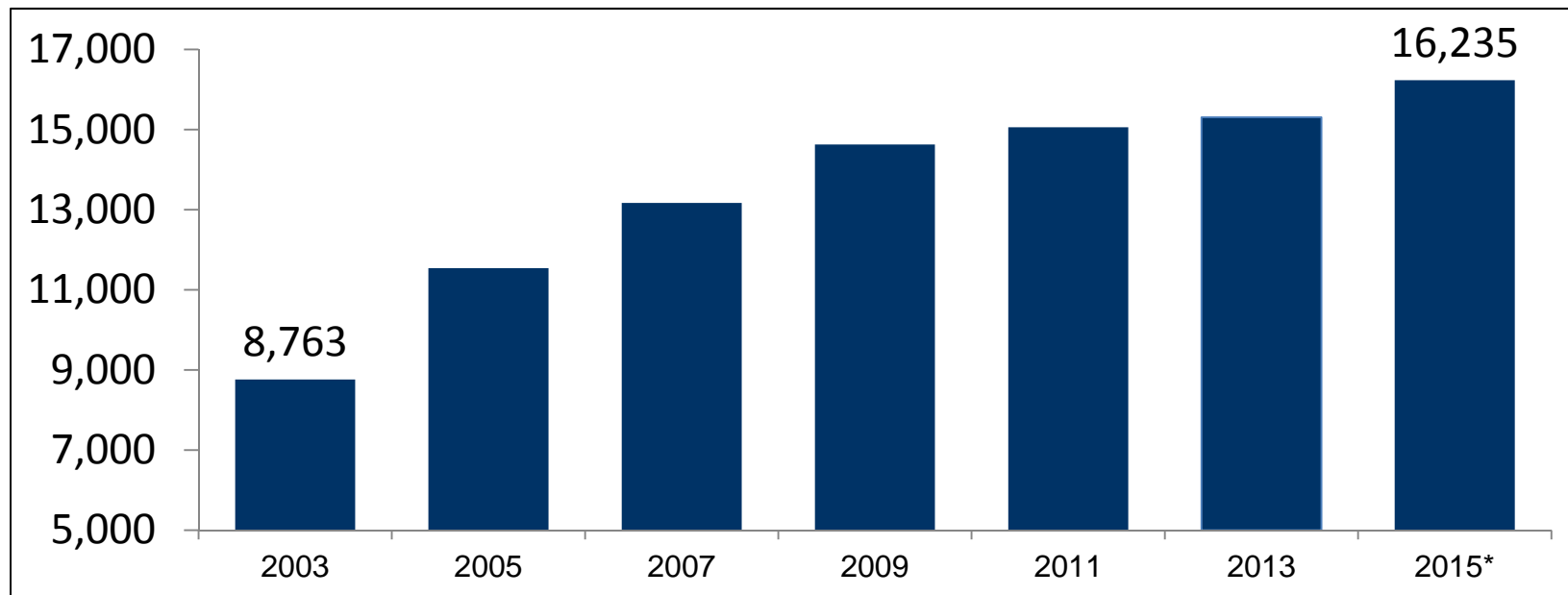
- The Canadian Market closed up 12.1% at \$196.3 billion
- The GTA Market closed up 13.3% at \$52.8 billion

Company structure provides downside protection when markets cool and mitigates participation in hot markets

## Further Growth Prospects

Grow our network through the conversion of qualifying competitive brokerages and organic agent recruiting

### Company Network Growth Since Inception



<sup>1</sup> As at January 1, 2015

**Brookfield**  
Real Estate Services Inc.



## 2015 Pipeline

- Signed contracts representing **over 500 new REALTORS®** secured in ON, SK, QC and BC
- Very promising list of prospective acquisitions
- Brokerages and agents from competing brands attracted to our strong brands and value proposition
- Long-term consolidation trend should benefit established brands

Particularly in a sales-services industry, momentum is contagious. Leading agents choose a winner.

# Targeting Growth Markets

## Focus on British Columbia

- Significant investments over past three years
- Major expansion in British Columbia's Lower Mainland and Sunshine Coast, brought approximately 300 agents into network

## Growing in Ethnic Markets

- Success in Chinese, South Asian and Korean communities
  - Royal LePage Golden Ridge
  - Royal LePage Global Force
  - Royal LePage Flower City
  - Royal LePage New Concept
  - and last month, Royal LePage Peaceland Realty

# Selling to the Luxury Focused Consumer

## Carriage Trade

- Substantially enhanced Royal LePage Carriage Trade luxury property program
  - new marketing tools & resources
  - luxury marketing training & certification
  - global referral opportunities
- Listing volumes on our [www.carriagetradeproperties.ca](http://www.carriagetradeproperties.ca) site increased by more than **400%**



## Industry Leadership

- Canadian Public Relations Society, Award of Excellence
- Most Influential in Canadian Real Estate – Swanpoel Trends Report
- Corporate Citizen of the Year

The most influential in Canadian real estate

# Leadership

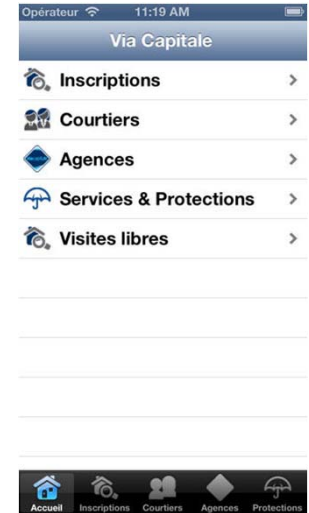
## Via Capitale

- David Martin appointed as President and CEO of Via Capitale in 2014
- Joined Via Capitale as Vice-President Business Development in 2012
- Twenty years industry experience, including real estate brokerage owner/operator
- Prior to joining VC, led the re-introduction of Century 21 to the Quebec marketplace

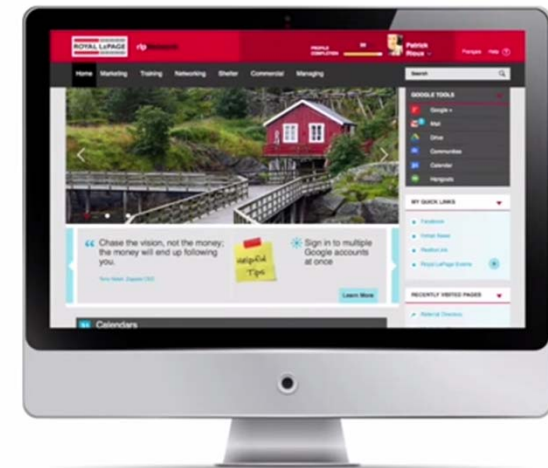


# Operating Platform

- Canada's best operating platform
- Technology enhancements
  - Mobile app
  - Royallepage.ca and viacapitalevenu.com
  - rlpNetwork
  - Google Apps enterprise solutions
- New marketing initiatives
- Global referral networks
- Team sales training
- Recruitment programs



rlpNetwork



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# Corporate Social Responsibility

- Canada's largest public foundation dedicated exclusively to funding women's shelters and violence prevention programs
- Agents donate portion of commissions and support community based fund raising
- Royal LePage covers the administrative costs of the Foundation



**More than \$20 million raised**



# Q & A