Bridgemarq Real Estate Services Reports Annual Results and Monthly Dividend

(TORONTO, ON) March 6, 2019 – Brookfield Real Estate Services Inc. (dba Bridgemarq Real Estate Services) ("Bridgemarq" or the "Company") (TSX: BRE), a leading provider of services to residential real estate brokers and their REALTORS®[1], today announced its 2018 annual financial results and the approval of a monthly dividend to holders of the Company's restricted voting shares.

HIGHLIGHTS

- The Company generated net earnings of $17.4 million, or $1.30 per restricted voting share on a diluted basis ("Share"), as compared to $12.4 million, or $1.31 per Share in 2017.
- The Company generated cash flow from operations ("CFFO") of $30.5 million or $2.38 per Share, compared to $32.7 million or $2.55 per Share in 2017.
- The Company's network of REALTORS® (the "Network") increased to 19,220 on January 3, 2019, up 6.0% from 18,135 at December 31, 2017.
- The Board of Directors of the Company approved a dividend to shareholders of $0.1125 per restricted voting share payable April 30, 2019 to shareholders of record March 29, 2019, representing a target annual dividend of $1.35 per restricted voting share, consistent with 2018.

OPERATING RESULTS

Royalty revenues for the year ended December 31, 2018, were $42.0 million compared to $44.2 million in 2017. The decrease in royalty revenues was primarily as a result of a decrease in the premium franchise fees due to the expiry of those agreements during the year. For the fourth quarter, royalty revenues amounted to $8.9 million, down from $9.5 million in 2017 due to lower premium fees partly offset by increases in variable and fixed fees.

Net earnings in 2018 were $17.4 million or $1.30 per Share as compared to $12.4 million, or $1.31 per Share in 2017. The higher net earnings were due in part to a gain of $6.5 million on the determination of the fair value of the Exchangeable Units issued by the Company. Diluted earnings per share were unchanged despite the higher earnings as a result of the dilutive impact of that gain.

For the year ended December 31, 2018, CFFO was $30.5 million or $2.38 per Share as compared to $2.55 per Share in 2017. The decrease in CFFO was mainly driven by the decrease in premium fees and higher administrative expenses due to one-time costs associated with the review and negotiation of amendments to the Management Services Agreement. For the fourth quarter of 2018, CFFO was $6.2 million or $0.48 per Share compared to $7.0 million or $0.55 per Share in the fourth quarter of 2017, reflective of the lower royalty revenues year-over-year.

"Bridgemarq's ability to grow the number of REALTORS® in our network through all market cycles shows the strength of the company's underlying business model. Our structure is well suited for an income focused investment that offers strong, stable dividends," said Phil Soper, President and Chief Executive Officer, Bridgemarq Real Estate Services. "While we remain focused on driving core network growth, the newly amended management services agreement opens the door to developing new, diversified revenue streams."

THE COMPANY NETWORK

As at December 31, 2018, the Network was comprised of 18,725 REALTORS®, operating under 291 franchise agreements (providing services from 673 locations), with an approximate 20% share of the Canadian residential real estate market based on 2018 transactional dollar volume. On January 3, 2019, the Company was assigned franchise agreements comprised of 495 REALTORS® operating under the Royal LePage and Via Capitale Brands, for nominal consideration. The estimated annual royalty stream related to these Franchise Agreements is $0.9 million.

REAL ESTATE MARKET OUTLOOK

In addition to regular cyclical activity in local housing market activity, a number of regulatory policy changes were put in place that have had a dampening effect on demand for real estate across Canada. While many cities with affordable real estate and healthy economies, such as the Greater Montreal Area or Ottawa, continued to see price appreciation and healthy sales in 2018, Greater Vancouver and the Greater Toronto Area saw a significant year-over-year decline in unit sales, decreasing 32%[2] and 16%[3] for the full year, respectively.

Despite the decline in sales in Greater Vancouver, listings were down 2%[4] in 2018 compared to the previous year. The MLS® HPI composite benchmark price for all residential homes in the region saw a modest decrease of 3% in December 2018 compared to December 2017[5]. In addition to the mortgage stress test, new tax policies within British Columbia's 2018 provincial budget were a significant factor affecting sales and home values.

While sales activity in the Greater Toronto Area was down year-over-year, the MLS® HPI composite benchmark price for all homes in the region saw a 3% increase in December 2018 compared to December 2017[6].

The Canadian economy is performing well overall, with pockets of uncertainty. Canada's unemployment rate hit a 40-year low in November 2018. In January, 2019, the Bank of Canada continued to maintain its current target for the overnight rate, which is supportive of real estate markets. However, persistently weak oil prices driven by domestic market access bottlenecks and global supply gluts have hit Western Canada hard, and trade tensions between China and the U.S. in particular are impacting consumer confidence across the continent.

CASH DIVIDEND

The Company declared a cash dividend of $0.1125 per restricted voting share payable on April 30, 2019, to shareholders of record on March 29, 2019. This represents a targeted annual dividend of $1.35 per restricted voting share.

CONFERENCE CALL

Brookfield Real Estate Services Inc. will host a conference call on Wednesday, March 6, 2019 at 10 a.m. ET to discuss its annual and fourth quarter financial results for 2018.

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 13, 2019.

CFFO

This news release and accompanying financial statements make reference to cash flow from operations or “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 pay income taxes and payments 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 “ability”, “believes”, “continued”, “driven”, “have”, “grow”, “through”, “impacting”, “offers”, “outlook”, “performing”, “persistently”, “remain”, “target” 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 Bridgemarq Real Estate Services

Bridgemarq is a leading provider of services to residential real estate brokers and a network of over 18,000 REALTORS®1. We operate in Canada under the Royal LePage, Via Capitale and Johnston & Daniel brands. Bridgemarq Real Estate Services is the registered trade name of Brookfield Real Estate Services Inc. For more information, go to bridgemarq.com.

Bridgemarq is an affiliate of Brookfield Business Partners, a business services and industrials company focused on owning and operating high-quality businesses that benefit from barriers to entry and/or low production costs. Brookfield Business Partners is listed on the New York and Toronto stock exchanges. Further information is available at bbu.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: December 2018, REBGV, Monthly Market Report

3 Source: January 4, 2019, TREB releases monthly market figures as reporter by GTA REALTORS®

4 Source: December 2018, REBGV, Monthly Market Report

5 Source: December 2018, REBGV, Monthly Market Report

6 Source: January 4, 2019 Toronto Real Estate Board MLS® Home Price Index – December 2018

Bridgemarq Real Estate Services

Balance Sheet Highlights

As at (in thousands of Canadian dollars)		**December 31, 2018**		December 31, 2017
Cash	$	4,339	$	3,458
Other current assets		4,954		4,645
Total current assets		9,293		8,103
Non-current assets		86,366		85,420
Total assets	**$**	**95,659**	$	93,523
Accounts payable and accrued liabilities	$	1,003	$	803
Purchase obligation		-		1,497
Interest payable on Exchangeable Units		484		484
Dividends payable to shareholders		1,067		1,067
Other current liabilities		-		400
Total current liabilities		2,554		4,251
Debt facilities		71,297		65,677
Exchangeable Units		48,484		54,973
Total Liabilities		122,335		124,901
Shareholders' deficit		(26,676)		(31,378)
Total Liabilities and Shareholders' deficit	**$**	**95,659**	$	93,523

Earnings Highlights

(in thousands of Canadian dollars, except per Share amounts)		**Three months ended December 31, 2018**		Three months ended December 31, 2017		**Year ended December 31, 2018**		Year ended December 31, 2017
Royalties	$	8,945	$	9,466	$	42,027	$	44,238
Administration Expense		(543)		(110)		(1,259)		(816)
Management Fee		(1,547)		(1,750)		(7,616)		(8,178)
Interest Expense		(666)		(609)		(2,686)		(2,532)
Cash Flow from Operations		6,189		6,997		30,466		32,712
Impairment, write-off and amortization of intangible assets		(2,116)		(2,020)		(8,401)		(7,593)
Interest on Exchangeable Units		(1,452)		(1,451)		(5,806)		(5,750)
Gain / (loss) on fair value of Exchangeable Units		7,254		266		6,489		(2,496)
Gain / (loss) on interest rate swap		(97)		142		74		1,159
Gain / (loss) on fair value of purchase obligation		77		113		(465)		147
Income tax expense		(980)		(1,169)		(4,966)		(5,735)
Net and comprehensive earnings	**$**	**8,875**	$	2,878	**$**	**17,391**	$	12,444
Basic earnings per Restricted Voting Share	**$**	**0.94**	$	0.30	**$**	**1.83**	$	1.31
Diluted earnings per Share	**$**	**0.24**	$	0.30	**$**	**1.30**	$	1.31
Cash Flow from Operations per Share on a diluted basis	**$**	**0.48**	$	0.55	**$**	**2.38**	$	2.55

Cash Flow Highlights

(in thousands of Canadian dollars)		**Three months ended December 31, 2018**		Three months ended December 31, 2017		**Year ended December 31, 2018**		Year ended December 31, 2017
Cash provided by Operating activities:	$	2,964	$	4,415	$	18,971	$	21,060
Cash provided by / (used) for Investing activities:		(2,052)		60		(10,849)		(10,119)
Cash provided used for Financing activities:		(840)		(3,661)		(7,241)		(10,585)
Change in cash for the period		**72**		814		**881**		356
Cash, beginning of the period		**4,267**		2,644		**3,458**		3,102
Cash, end of the period	**$**	**4,339**	$	3,458	**$**	**4,339**	$	3,458