FINAL TRANSCRIPT

Brookfield Real Estate Services Inc.

Annual General Meeting

Event Date/Time: May 8, 2018 — 10:00 a.m. E.T.

Length: 63 minutes

CORPORATE PARTICIPANTS

Spencer Enright
Brookfield Real Estate Services Inc. — Chairman of the Board

Phil Soper
Brookfield Real Estate Services Inc. — President and Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Glen McMillan
Brookfield Real Estate Services Inc. — Chief Financial Officer

Lorraine Bell
Brookfield Real Estate Services Inc. — Director

Simon Dean
Brookfield Real Estate Services Inc. — Director

Gail Kilgour
Brookfield Real Estate Services Inc. — Director

PRESENTATION

Spencer Enright — Chairman of the Board, Brookfield Real Estate Services Inc.

Well, good morning, ladies and gentlemen. It's now 10:00 a.m. and time for our Annual Meeting of Brookfield Real Estate Services Inc. I am Spencer Enright, Chair of the corporation, and I will be chairing the meeting today. I will now call the meeting to order.

I will ask AST Trust Company, through its representative, to act as scrutineer to report on the restricted voting shareholders present in person and the numbers of restricted voting shares represented in person or by proxy at this meeting, to compute the votes on any polls taken or ballots cast at this meeting or any adjournment, and in each case to report to me as Chairman.

I would like to introduce Phil Soper, the corporation's President and Chief Executive. Also with us today is Glen McMillan, Chief Financial Officer and Secretary of the Corporation. And Glen will act as Secretary of today's meeting.

First, I will deal with the formal business of the meeting as outlined in the management proxy circular that you received in April. Phil Soper will then make a presentation on the corporation's performance. And finally, we will be happy to take any questions you may have.

In order to expedite the formal part of the meeting, I've asked certain individuals to nominate and second various resolutions. Although this procedure will assist in the handling of the formal matters, it is not intended to discourage anyone from speaking in reference to any resolution after it has been proposed and seconded.

If you wish to speak, you are requested to give your name, state whether or not you are a shareholder or a proxy holder, and if not, in what capacity you appear.

I have been advised by the Secretary that he has received the declaration from AST Trust Company that on April 4, 2018, the notice of access calling this meeting and the accompanying management information circular, form of proxy, and 2017 annual report, including the corporation's audited financial statements for the year ended December 31, 2017, and related auditor's report, were all mailed to shareholders of record at the close of business on March 26, 2018. Therefore, we will dispense with the reading of the notice of the meeting.

I have also received the scrutineer's preliminary report on attendance, and I can confirm that we have the required quorum for the meeting. A copy of the scrutineer's final report on attendance will be filed with the records at the meeting—of the meeting.

I will now declare the meeting to be properly constituted for the transaction of the business for which it has been called. In connection with the business to be dealt with today, unless a shareholder or proxy holder demands a ballot, all voting will be conducted by a show of hands.

I trust that everyone has had an opportunity to read our 2017 annual report. Copies of this report were made available to all shareholders and are available to everyone present at the meeting today. Should anyone have any questions relating to the annual report or questions of a more general nature, we will be pleased to respond to them following the formal presentation.

I will now ask the Chief Financial Officer to table the annual report, including the consolidated financial statements of the corporation for the year ended December 31, 2017, together with the auditor's report.

Glen McMillan — Chief Financial Officer, Brookfield Real Estate Services Inc.

[off mic]

Spencer Enright

Thank you, Glen. The next item of business is the appointment of auditors and the authorization to fix their remuneration. It is the intention of the persons named in the management proxy, sent to all shareholders, to vote in favour of a resolution reappointing Deloitte LLP as external auditor of the corporation until the next annual general meeting and authorizing the Board of Directors to fix the remuneration to be paid to the auditors.

As stated in the management information circular, the audit committee of your Board of Directors has recommended to shareholders that Deloitte LLP be reappointed as the corporation's external auditor. Will someone please move a resolution for the appointment of auditors?

Lorraine Bell — Director, Brookfield Real Estate Services Inc.

[off mic]

Spencer Enright

Thank you, Lorraine. Would someone please second the motion?

Simon Dean — Director, Brookfield Real Estate Services Inc.

[off mic]

Spencer Enright

Thank you, Simon.

Adoption of this motion requires a favourable vote of a majority of the votes cast at the meeting by the shareholders. Management has received proxies representing approximately 2.2 million shares or 23.81 percent of the corporation's restricted voting shares. These proxies direct me to vote over 97.2 percent of the restricted voting shares in favour of the resolution.

All those in favour of the motion? Contrary, if any?

That's carried.

I declare Deloitte LLP to be reappointed auditors of the corporation.

The next item of business is the election of directors. The corporation's board is comprised of five persons. Brookfield BBP Canada Holdings LP is entitled to designate up to two-fifths of the members of the board and has chosen to designate myself, Spencer Enright, as their sole representative of Board of Directors.

With that designation, there are four directors to be elected at this meeting who will hold office until the earlier of the end of the next annual meeting or their successors are elected or appointed.

The proposed nominees for election as directors are: Lorraine Bell, Simon Dean, the Honourable Trevor Eyton, and Gail Kilgour. All of the proposed nominees were elected at our last annual meeting in May 2017 and are standing for re-election today. Additional information on all of the proposed director nominees is set out in our management information circular.

I now declare the meeting open for nominations.

Phil Soper — President and Chief Executive Officer, Brookfield Real Estate Services Inc.

[off mic]

Spencer Enright

Thank you, Phil. Would someone please second the motion?

Glen McMillan

[off mic]

Spencer Enright

Thank you, Glen. Are there are any further nominations? Okay. Thank you, ladies and gentlemen.

I now declare the nominations closed. As there are four directors to be elected and the same number of nominees, I now declare that these nominated have been duly elected as directors of the corporation until the next annual meeting or until their successors are elected or appointed.

Ladies and gentlemen, that brings us to the conclusion of the formal agenda of the meeting. And as such, may I please call for a motion to terminate the meeting?

Gail Kilgour — Director, Brookfield Real Estate Services Inc.

[off mic]

Spencer Enright

Thank you, Gail. Would someone please second the motion?

Simon Dean

[off mic]

Spencer Enright

Thank you, Simon.

All those in favour? Contrary, if any?

That's carried.

I declare the meeting terminated.

Before proceeding with the management presentation, I should caution that in responding to questions and in talking about our new initiatives and our financial and operating performance, we may make forward-looking statements. These statements are subject to known and unknown risks, and future results may differ materially from those implied or imputed from those forward-looking statements. For further information on known risk factors, I would encourage you to review the Risk Factor section in our Annual Information Form, which is posted on the corporation's website and on SEDAR.

We will now proceed with the presentation by Phil Soper on the corporation's 2017 and first quarter 2018 performance and a real estate market update, after which we will be please to entertain any questions.

Thank you.

Phil Soper

Thank you very much, Mr. Chairman, and good to see everybody here this morning, and those who are joining us online.

First of all, I would like, right at the beginning, to thank the Board of Directors for their guidance over the past year and my colleagues at Brookfield Real Estate Services and Brookfield Business Services, who have provided such valuable guidance for the Company.

So to get rolling. We are a retail real estate brokerage company and therefore, we drive business through brands. We have the oldest and arguably the most recognizable Canadian real estate brand in Royal LePage, and we have two other brands.

We have Johnston & Daniel, which forms the base of our luxury services division. Happy to say in just a couple of weeks, I'll be cutting a ribbon at the opening of a new Johnston & Daniel—the official opening of a new Johnston & Daniel location in Port Carling in the Muskoka region north of Toronto. And the manager in its funnel has acquired Tremblant (phon) Real Estate, north of Montreal, which is a similar luxury-focused brokerage and part of the expansion of our luxury brands.

And then finally, we have Via Capitale, the only real estate company based in Quebec. It's a Quebecois company. It's been part of our firm for many years now, and it offers a unique set of services to Quebec real estate consumers.

Let's go over, quickly, the financial results. I know most of you had a chance to look at them in our filings, but I'd like to just highlight a few things. First thing is, of course, we are an income-focused investment, and cash flow from operations drives our ability to pay dividends. And I'm happy to say we've grown again.

And I'll touch later on in the presentation about growth through all kinds of markets and why the structure of our business is uniquely positioned as a Canadian investment to provide stable returns to investors through markets up and down. You look at our dividends over time, you can see that it has been a steady period of growth, and the board approved a hearty (phon) distribution of $1.35 per share recently.

If you look at our financial performance in the first quarter, you'll see a very slight growth in cash flow from operations. We are going through a correction in the largest real estate markets in Canada, and I'll touch upon later when we talk about the structure of the business, how the business is designed and has proven, through a series of recessions, to be able to perform well through markets up and down.

In terms of company growth, we went over the magic 18,000 realtor number. We're by far the largest real estate company in Canada and the oldest at 105 years old now. It's a public entity. We're younger, but the base business dates back to 1913. And that growth included the addition of 38 franchise agreements representing 563 realtors on January 1st of this year.

All right. What drives the business of Brookfield Real Estate Services? It really—our strategy is fairly simple, which makes it an attractive investment. People understand what drives our results and what drives our ability to pay dividends. We have stability in our structure through long-term franchise agreements with predominantly fixed fees. And you'll see later in my presentation that the business is moving to even more of a fixed-fee basis, which should take even more of the variability, the cyclicality, the ups and downs of the actual real estate market out of our operating results.

We leverage economies to scale. While our competitors operate locally or with much smaller numbers, they still need the kind of people we need. They need a Vice President of Marketing. They need a Vice President of IT. And yet we're able to take these key leadership positions and spread them over thousands of realtors, and it really does show in our operating results. We recruit and train the best practitioners in the industry. Our belief has always been if you start with the best people, you'll offer the best service and ultimately, you drive the best financial [gap].

We maintain an appropriate capital structure. We are [gap] a Brookfield company. Have very sophisticated advice and council when it comes to structuring our business, and we're pleased to say we think we're optimally structured for the era, the financial era, the regulatory era in which we operate.

And we lead the industry with innovative new business services, leveraging advanced technologies. We were the very first company to have an internet way back in 1995, right, Simon?

And we continue to break new ground. And I'll just give you a little snapshot of some of the technology and business awards we've won for our recent tech [gap].

Business drivers. Four key business drivers in our industry: ability of revenue stream; the number of realtors in our network; growth opportunities, the ability to continuously grow through market slow and expand; and lastly, the transaction volumes, the actual value of the commission fees that are earned by our agents. And I say lastly, not because it's not important, but because we've taken that out of our investment as the key driver of what drives our top line of our business.

If you look at the current composition of our business—this is how it breaks down, but the two key numbers I'll ask you to look at are the 73 and 27. Those are the fees that are fixed in nature and those that are variable. What I mean by variable is they rise and fall with house prices and with house sales volumes. And as we all know, unless you've been living under a rock, there's been a lot of fluctuation in house prices, both up and down, and house sales volumes. So a smaller number there means less volatility in our revenues.

In the coming year—and I'm going to talk about it in a little more detail coming up—something called the premium fee contract, which we acquired at IPO 15 years ago, expires. So that one piece of paper expires, and that revenue stream falls away towards the end of this year, and it was a variable-fee contract. So it rose and fall with home prices, call it, and volumes. With it taken out of the mix, we move to an 86/14, where even more of our revenues are fixed in nature.

All right. If you look at our agent count, which is our primary driver of growth in our business, you can see that we've grown. We're double the size we were back at inception and continuous steady growth. You can also see, if you look at our major competitors in the country, we're not just the biggest company in Canada, we're also the fastest growing of our national competitors, which is a nice thing to have as any company.

You look at how we're laid out across Canada, and there's some areas we're slightly overrepresented, relative to the number of registered realtors in that province, and some areas where we still have opportunities to [gap] we look at it.

So we're slightly overrepresented in Ontario, for example. Sixty-one percent of our realtors are in Ontario, and 57 percent of the realtors in Canada are in Ontario. So if there's anybody here from outside of Ontario? So you're all comfortable with calling this the centre of the universe? As someone who came from Western Canada, I know you get a little bit annoyed sometimes when everybody always talks about Toronto, Toronto, Toronto. But if you look at the real estate industry, which really is a reflection of Canada's GDP, it is the most population and the economic driver of our country. You can see that in our numbers.

British Columbia. If you were to go back just a little bit in time, that number would have been much, much lower. And BC has emerged in recent years as the second most important real estate market in Quebec, even though—or in Canada. Even though the population is lower than

Quebec by quite a bit, the value of real estate and the number of transactions—call it the bigger of the market—made it move ahead of Quebec in terms of the size of the market, so we invested.

We invested in Quebec—or British Columbia. We pilot some of our new recruiting programs. We pilot some of the new services in Quebec. We've even invested—the manager has invested in owned corporate brokerage which then signs long-term franchise agreements with the company in the province. So we've seen excellent growth in Quebec.

The other provinces across the country. The only one that—or I guess two stand out. Quebec stands out because we're slightly overrepresented, because we do run both Royal LePage and Via Capitale, and Alberta remains an opportunity. It's a smaller market but a growth market for us. And I will say, if you look market by market by market across the country, we've grown quicker than our major national competitor in every province in the country over the last three years. So we're very, very proud of that.

You look at another driver of stability in our business model, it's the nature of our franchise agreement. So they're very long term. The strong companies in any industry are capable of committing entrepreneurs to longer term franchise agreements. So our Royal LePage contracts are 10 years in length, and as long as you continue to grow, as long as you continue to renew them, what you end up with is a nicely spread-out set of expiries over time.

And you can see there's a little bit of a bump there in 2023. As we get closer to that date, it will normalize. Because the other thing we do is, when a franchisee comes to us and says, we'd like to grow, we'd like to expand into a new region of Canada, a new region of the GTA. If it makes sense for consumer clients, if it makes sense in the scope of our network overall, we'll grant them that permission, and we'll renew their agreement for another 10 years. We'll freshen the agreement. So most of our agreements renew well before their 10-year [gap]. And people come into the industry, and they typically stay with us for the lifetime of their careers as an owner-operator in the [gap].

The other thing that provides stability in our business is the actual sales volume we drive per agent. We call this productivity. It's the number of homes they sell and the price of those homes, and the fee they charge for those homes. So the fees we collectively gather as an industry are a combination of those three things.

And if you sell more homes, if you sell homes that are more valuable, and you charge a—you're able to charge a higher fee—think of a beginning lawyer and an experienced lawyer. The experienced lawyer charges more than the beginning lawyer. We're no different than any other professional services industry. You drive more productivity. And our agents, on average, across those 18,000-plus, drive $600,000 more in sales volume per person.

So what does that mean, really? Because we're a fixed-fee business, we're only participating in a small amount of that. But what it does is it drives stability in our business. Because when industries, when they slump—and I'll show you the drop in sales volume, for example, in the GTA now—it's not the people with the high sales volume, the high productivity that lead the industry. It's the people that are marginal, that sell one or two homes a year, or that are just getting started.

So if you have a sales force that are in the upper echelons of productivity in an industry, you're the ones that survive downturns, and that's what we've seen over time. Because we've gone through three significant market downturns or real estate recessions—probably four if you look regionally since inception in Canada in 2008–09, 2012, and then recently in '16 and '17, whether in your West Coast or in [gap].

All right. If you look at transactional volume, this is looking at the industry itself—essentially flat year over year. And that is almost purely in Ontario. If you look at the country overall, one of the interesting things, our chair, Spencer Enright, hosted a banking conference recently with a number of economists from big banks.

And one of the senior economists said, if you talk to people outside of Toronto or Vancouver, and you say, man, there's been a real estate boom, and now it's such a bust, they look at you like you're from Mars. Because in almost all over the country, the market's been expanding nicely, steadily, low single-digits to high single-digit price increases, low single-digit volume increases. So whether it be the Prairies or Quebec or Atlantic Canada, it's been a steady and really solid real estate market. It's really only in the two big cities that have been very volatile.

If you look at transactional dollar volume specifically in our two largest cities, Vancouver and Toronto, you can see the transactional dollar volume did peak in 2016. It dropped in 2017, stayed essentially flat in Vancouver, and dropped further to the 2015 level in the GTA. So there has been some peaking and some spiking in transactional dollar volume.

And I'd remind you that transactional dollar volume is the number of homes sold, times the value of those homes. So if you look across these markets, you can see they have been peaky, or they have been volatile, but you don't see that in our results because of the nature of our company.

All right. 2018, what are we focusing on? Continued focus on western Canada and Quebec and ethnically diverse regions. We've had some great success in selling to specific ethnic communities. I cut the ribbon at a new office in the eastern GTA late in 2017. The office opened in September with two agents—a young man from Sri Lanka—and he just impressed us so much. Usually, we'd want a bigger group of agents together before we'll grant a new office opening. So it has two agents, but he'd fitted out or had the promise to fit out this beautiful, brand-new building in a new mall in the eastern GTA.

By the time we cut the ribbon, it was up to 55 agents. Probably 90 percent of them were from the Sri Lankan [gap]. So it was a fabulous opening with a combination of traditional Sri Lankan saris and food, and very hip, modern sort of Toronto stuff because he's a young guy. And it's that kind of growth that we're very excited about—tuning into ethnic communities and finding salespeople that reflect the consumers in those [gap]. That's really the magic.

We want to communicate to potential acquisitions across the country. A significant part of our growth comes from people who want to move up. So they're operating, say a—to pick on one of our competitors that offers what we call a narrow fee—lower fee, narrow service offering, HomeLife, a big company across Canada.

Those people, sometimes, that own those businesses reach a point where they want to move up. They want to trade up from a Kia to a Mercedes, and so they come, and they talk to us, and our franchising people talk to them. We have certain standards, and if we believe in them, and they're willing to make the appropriate investments, they can become Royal LePage. So it's very important for us to keep our finger on the pulse of what's happening in our competitors across the country.

And in fact, for, well, at least a decade, we have been capitalizing on a general trend towards consolidation in this industry. So larger brokers, if you go back to the early 2000s, the 1990s, real estate offices tended to have 20 people. We've got one real estate office in the Royal LePage network that has 520 (phon). One office, big office. A Toronto-based office but it's very, very different than the past. So consolidation is a [gap].

All right. Let's move to the market itself. Nationally, as I mentioned earlier, the real estate market reflects the economy. Unemployment in Canada is at a 42-year low. The economies across the country, even in the oil-producing regions, are expanding again; Alberta's expanding. Probably the only place in the country that has the vestiges of economic hardship is Newfoundland, and it's improved, but it's still down from where it was in 2014 when oil prices plummeted.

I'll say this little side note, oil moved over $70 a barrel yesterday. So it bears well for the Canadian economy. It bears well for our energy-producing regions, including British Columbia, Alberta, Saskatchewan, Newfoundland, and Nova Scotia. So it's not just in Alberta.

If you look across the country, probably the most pleasing part of the economy is Quebec. Quebec has been a real shining star in the Canadian economic picture. It has run budget surpluses. For those of us in Ontario, this is kind of mind-boggling. It's run a series of budget surpluses, unemployment is below the national average, and it was below—I'm not sure quite where it is now, but they're very close. It is firing on all cylinders. Exports are up, domestic production is up, and the housing industry is really strong. So we're really pleased with Quebec overall, and Montreal specifically.

So let's dive into a look at our big regions to give you a little bit of an idea of what's been happening. So if we move across the chart, you can see sales volume in the—and by the way, this is a look at the first quarter of 2018. These are the most recent numbers versus the first quarter of last year. So the big thing in Toronto, the sales volume's way down, 35 percent. These are the number of homes. It has nothing to do with home prices; I'll get to that in a second. Sales volume in Vancouver down 13 percent, up in Montreal by 10 percent, and down by 11 percent in Calgary.

So why this wide-swept drop in the number of homes trading hands? Stress. Typically, the stress test. So in January, the national regulator of our financial—our chartered banks, the Office of the Superintendent of Financial Institutions, implemented a stress test that essentially requires people, whether they own a home today or not, whether they have mortgage insurance or not, to pass what they call a stress test. Which for someone on a five-year fixed mortgage almost doubles the mortgage they're actually going to pay for.

So remember, it doesn't increase the cost of that home or that mortgage; it's just it reduces their borrowing capability. By our analysis, for a first-time home buyer, it reduces their buying power by 16.5 percent, and that's significant. So does that mean 16.5 percent of all the first-time home buyers are out of the market? Absolutely not.

Some of them will buy a cheaper house. They'll say, okay, if I can't borrow that much, I'll buy a less expensive home. Some will go to a different neighbourhood, same thing. Some will find other sources of financing. The bank of mom and dad is a big one for first-time home buyers in Canada right now. And there are lenders who are outside of the regulated industry who will lend at a higher interest rate, of course, but they will lend to people without have to go through the stress test, so. But it has driven sales volumes down everywhere except in Quebec, for the reasons I just talked about. Quebec is really doing well now, and they've sort of pushed right through the stress test.

So let's have a look at price. The big thing about price is mix. The mix of homes, particularly in our big cities, has moved from '16 and '17, where we were selling a lot of expensive detached homes. If you look at our most expensive city in Canada, the Royal LePage House Price Composite nationally, which gets published every quarter, follows house prices from coast to coast in 60-some key cities, metropolitan areas.

The most expensive city in that Royal LePage House Price Composite? The city of West Vancouver, which is like Oakville to Toronto. Medium price, $3.5 million, so. And we were selling a lot of those houses in '16, then they started to dry up in '17 with regulatory measures, including foreign buyer taxes, new land transfer taxes, vacant property taxes, taxes, taxes, taxes. A lot of regulatory intervention in Vancouver and Toronto which have resulted in the mix changing.

Condominiums, however, have really been on fire. So what you're seeing, when you look at average prices, is they're not going up at the same rate as you'd expect, like in Toronto, down 12 percent. Does that mean the value of homes overall in Toronto is down by 12 percent? Not at all. It just means if you look at the bundle of homes in Toronto, and you compare it to the first quarter of 2017, there were a lot more expensive homes in the mix last year, and this year there's more condominiums. So that bundle of homes, you look at the average of that bundle, it's down by 12 percent.

If you look at the Royal LePage numbers in the Royal LePage House Price Composite, which adjusts for change in mix, you see the prices in Toronto were actually up 3 percent. And if you go across the country, you can see—and these are all published on a quarterly basis on royallepage.ca and widely covered in the media—and this is a better indication of what's actually happening in the marketplace.

It slowed down dramatically from the 20 and 30 percent-style increases we're seeing, so in fact, the regulatory measures that governments have taken to slow the market have slowed the onslaught of house price increases, but it won't stay that way. In our estimation, the demand for housing in, particularly, the Golden Horseshoe is far outstripping demand.

We've got this huge cohort of people we call the Millennials, and specifically a group that Royal LePage has called the peak Millennials, which are 25 to 31 now—the peak of this group of people in their 20s up to 35. And it's the largest population cohort in Canadian [gap]. They're just rolling into home-buying age, starting to buy homes. Our research shows that 87 percent of them believe in the value of real estate and would like to buy it—87 percent. The home ownership rate's about 68 percent. So you can see there's more people that want to buy a house than own a house today. So there's upward pull in this vast group of young people, more of them than Baby Boomers, that are rolling into home-ownership ages.

We've also got immigration at levels considerably above what it has been traditionally. If you look at the 300,000-plus new Canadians we invite into this country every year, most of them end up in the Golden Horseshoe or the Lower Mainland of British Columbia. Now those are the two primary places they end up putting pressure on our housing supply.

And the last one, which doesn't get a lot of attention in discussions, is interprovincial migration, so the migration of Canadians to places with higher levels of economic activity, better jobs. We had 25,000 people move to the Golden Horseshoe area last year alone from other parts of Canada because the salaries are better, the work's better, and it's all putting pressure on housing.

So the focus that the governments have been putting on the demand side of the equation, trying to cool demand, won't actually work in anything but the short term because people need a place to live. And there's an article in the paper this morning showing that we've got more demand for rental housing than we've had in years, and our vacancy rates in our cities are very low.

What does this all mean for our company? It means we're in a pretty good industry. We're in an industry that's helping people find homes, and there is more demand than we have supply for those homes. So we're very grateful for the strength of the Canadian economy.

All right. Let's look a little bit about the business itself as I wrap up today. We have a branded term—the voice of Canadian real estate—and it's well-earned. We put a tremendous amount of effort into our research and the advice and counsel that we provide Canadians on housing-related issues. And we report on all sorts of things, whether it be trends in recreational property, trends in single women buying property, and then our basic, broad-based house price tracking, which we've been doing for decades.

And as a result, we dominate Canadian industry. Third parties watch the industry, and they actually count the number of impressions that a brand makes on consumers, and our Royal LePage brand alone made 2.6 billion impressions on consumers in 2017. The nearest competitor was 1.2 billion, so we dominate in this space.

We also win a lot of work. I said this at the outset. We invest a lot in leading-edge technologies. We leverage those technologies for the benefit, first, of Canadian consumers, and then of course, our real estate agents and managers across the country, some of them. The Canadian

Marketing Association gave us a couple of awards for Your Perfect Life. Your Perfect Life—this is last year that we won this. Your Perfect Life was real estate dating.

So you come onto our website, and you tell us a little bit about yourself. So are you single? Are you in a couple? How many kids do you have? What kind of income do you have? And then we match you to neighbourhoods. Or you can look at neighbourhoods, and you can say, I like this neighbourhood but say it's too expensive. I often use the beach in Toronto. A real cute neighbourhood but very expensive homes.

They'll say I really like the personality of the beach, and this is why I like it, and it'll actually bring up neighbourhoods across the GTA that have similar personalities—as if a neighbourhood was a person—to the beach. And it's been wildly popular. We get all sorts of consumers playing with it. And of course, it's a house search tool. So you use this, and it drives down, and it actually gives you homes to look at and invites you to talk to one of our realtors. But people get engaged because they enjoy the experience. It's an experiential tool that was recognized nationally for its excellence.

So out of polled 200, I was recognized again as the leading real estate influencer in Canada, fifth year in a row. The Ovation—yay, my team. The Ovation Awards winners, we won that for our work with peak Millennials and our understanding and insight into what's driving the Millennial. And if you look back in time, we introduced this topic last year, and we've done several releases on it. Number of other organizations are jumping on the bandwagon. So we really started something with this focus on the peak Millennial. And in fact, we also won awards from the Canadian Public Relations Society for educating Canadians [gap].

We're community leaders. We give back to the communities in which we live and work, both because it's the right thing to do and because today's consumers demand it. If you're earning a good living from a community and you're not giving back, your business will suffer. So if you look at our big initiatives, the largest one is, in fact, the largest foundation in Canada, focused on eradicating domestic violence in our society and supporting the women and children who fall victim to it, through a national network of shelters. It's called the Royal LePage Shelter Foundation, and it has raised over $27 million.

Via Capitale focuses on foodbanks throughout the province of Quebec. And the Brookfield Real Estate Services Charitable Foundation is our internal employee foundation that supports, in addition to the Royal LePage shelters, in other words, it also supports the United Way. So we've covered the bases, and we're very proud of our work in the community.

In terms of our operating platform. We drive our business results through four pillars: recruiting and retention services, innovative technology, training and coaching, and marketing services and programs. So you need to bring the people in the door. You need to give them the tools that make a difference. You have to train them on how to use those tools, and then you have to tell the world about it.

And if you follow that same pattern again and again and again with new technologies, with new training, constantly changing, constantly on the road, you move the ball forward. Your people sell more, you attract more people, because good people in a professional services industry want to associate with good people. It’s a formula that simply works.

Recruiting and retention services have really been a big plus for us in recent years. We have campaigns leveraging social media tools such as Facebook. We have career transition packages and a brand-new launch last year, a brand-new recruiting website, which essentially is a careers website that lets people understand the nature of their career and how we can help them achieve their career goals.

We have put specific focus in recent years on coaching and accountability. One of the things we’ve found is that our managers across the country really want to do a better job with recruiting and bringing people in, but they’re so busy. Our offices typically have 100 people in them now; our urban offices, they’re just so busy. And this is an important thing for them to do, but it’s easy to get it pushed to the side.

So we put together a framework where we essentially call them up and ask them how they’re doing. It’s really simple. The Tuesday morning calls, for example. And everybody gets on the call in every region, and the coach says, Gail, so I know you were going to call that senior practitioner from such and such a firm. Or you had the call, and you were going to get out for a coffee. How was the coffee? Gail goes, I got too busy. And everybody goes, ooh, Gail.

And so this sort of peer group pressure, the next week—Gail would never do that, by the way. She's our most reliable person7 on the entire board. The next week, Gail comes, and she's had that coffee with that person. And what we've found is it actually drives results, this simple bit of accountability. A manager I had many, many years ago said to me, when I first moved into management, people respect what you inspect. So if you don't look at it, they won't respect it, and they won't care as much. So this is an inspection thing.

And then finally, agent satisfaction tool. So this is a new area for us. We've done it sporadically. We've now moved into a national agent SAT management process where our brokerages are surveyed, the work is taken, it's analyzed, and we have a third party—one of the best professional services SAT companies in North America—that works with us. And then we look for what correlates with higher profitability in a business.

And one of the things we discovered, for example, was highly efficient cheque processing or electronic payment processing. So wow, I thought everybody did that well. Well, as it turns out, if you dive into the results, some people take a few days to pay, some people take a few hours to pay. And if you pay the corresponding firm when the deal closes, faster, your agent satisfaction goes up. So what do we do? We put in programs to improve that process across the country.

All right. In technologies. So two things I wanted to talk about today. One's Smart Studio; the other one's Smart Leads. They're both unique in Canadian real estate. I know they won't be forever. We probably have a two-year, maybe three- or four-year lead. But they're designed with third-party advisors and our own in-house development team for Canadian real estate and Canadian realtors, and specifically integrated into our operating platform.

So what it is, is it's a completely virtual marketing and client management system, including a CRM, a client relationship management system, that allows them to keep in touch with prospects, to march them through the transaction, and then keep in touch with past clients for when they want to do another transaction.

Because one of the things we've found is that consumers rate our realtors very high on the transaction, typically call it in the 90 percent range. But a surprising number don't use the same realtor when they go to the next transaction, say five, seven years down the road, because they've lost touch, they've moved on and such, and all that realtor needs to do is to keep touch.

But a good realtor could have 1,500, 2,500 people in their database, and to keep in touch takes a lot of sophistication, and it takes automation. And this provides automated ways to reach out and keep in touch using things that the consumers want to see, so information on the real estate market. We also distribute recipes and reminders about time change when the clocks jump ahead and back, so it's little things like that. But we realize other people do that. Our expertise is real estate, and that's what we've found that people really want to hear from our realtors. And this system allows them to push it out.

What SmartLeads does is it takes this framework, and it turns it into business opportunities. So it pushes consumers coming into our web properties. They look at our leads, they go to My Perfect

Life and all this. They interact with our listings, but they're not involved in a person [gap. I'd like more information.

And this pushes it out to a realtor—if they're looking on one of our realtor's listings, it pushes out to them. If not, it pushes out to one of our realtors who's gone through the training to accept leads from SmartLeads. And it goes to them, and if they don't respond, then the manager has the ability to turn it from 5 minutes to 30 minutes. If they don't respond within that time frame that the local manager has turned the dial, it's automatically kicked to another person in the office.

Because one of the things we found is if you don't get back to people in a very short period of time, they move on. They just—they phone someone else. The internet is—it knows no loyalties. But if you respond very quickly, say within 15 minutes, the very first person to respond to a client, the very first real estate agent, overwhelmingly gets that person to [gap].

It's not a very complicated issue. But when there's 127,000 registrants, realtors in Canada, and thousands, tens and tens of thousands of homes for sale, it's really easy to get lost in the noise. But this allows us to methodically, and using technology, manage the flow from interest to a signed contract.

Brand and marketing, to wrap up. The Canada's Real Estate Company brand was launched in association with Canada's 150th anniversary, and it proved incredibly popular. So it is a trademark of ours, and we're using it more and more across the country, Canada's Real Estate Company. There's a lot of pride in Canada as a company, and strangely, there's even pride in the Company from our competitors. It’s sort of like, yeah, I know, I work for an American real estate company and yeah, I’m going to fight for the business, but I’m really proud of that Royal LePage company, the homegrown hero.

So Canada’s Real Estate Company has been very successful for us. We’ve used it in lots of different ways, both physical and electronic, and we continue to refresh, obviously, and push out new ways for our agents to do that.

We also are increasingly using social media in a good way, not an evil way like some of those people out there, to reach out and connect with Canadian consumers. Increasingly, especially for Millennials, social media is the place where they want to read about things—housing. And even if they’re only 25, and they’re still three or four or five years away from owning their first condominium, they start to get engaged. We want to form a relationship with them prior to them pulling the trigger with their first real estate transactions.

So to sum up, we had a very strong year. Record financial performance and strong positive momentum. The industry dynamics have worked for us through cycles, positive and negative, with a 7 percent compound growth rate in dollar volume since 2004 inception (phon).

Our long-term contracts support stability, and this multi-brand strategy we have, reaching into different markets, whether it be luxury markets, or broad upper market, mass market brand of Royal LePage, or our specific Quebecois brand, allows us to get stability and diversity in our channels.

We have superior services [gap] training and technology, and this is all focused on providing sustainable, growing distributable cash to support those dividends that our investors love so much.

Q&A

Phil Soper

And that is it. So with that, I'll turn things over. And for those of you who are following things online, if you have a question, you can mail it to info@brookfieldres.com, as you see on your screens, and we have someone monitoring to that, and we'll take those online questions if there are any. But first, I'll turn to the audience.

Yes, sir?

Audience Member

[off mic]

Phil Soper

Yeah. Good question. So I don't have the actual numbers for the first one. We sell about—well, I'll give you a few stats, and maybe it'll fill in some blanks. We sell about, I think it's 12 ends per realtor in Toronto. Does anybody know that actual number? Anyway, it's something like that. So that's about the number of homes they sell. And there are big real estate companies that might do 1.5, something like that. So this leads to the higher productivity.

In terms of the actual properties and multiple bidding situations, it really depends on the price. If you go back to ‘16 or ‘17, we had situations where literally there were 40 or 50 bids on a single detached home. And part of the training we were doing for our management team was essentially how to manage an auction process because that’s what, essentially, the multi-offer situation in Toronto and Vancouver—and we saw it in some other cities—were.

So you had to do it with great transparency and fairness. That was really key, and some people slipped up on that. They didn’t have the management support. They had one of their buyers who would somehow, out of 15 people, end up getting the listing that they had. And so we have processes in place that make sure [gaps] steps in, and there’s transparency, and everything’s open and shared. And by the way, the industry has rules, and we’re strict followers of rules, and we do audits to make sure they follow rules. But of course, rules, some people break rules.

It has moved—the market has moved. In ‘18, the spring of ‘18, we’re still seeing multiple offers in the GTA on, call it homes under $2 million, detached homes that are priced to market, and not so much in the luxury sector. It’s gradually turning into a buyer’s market in Toronto in the luxury market.

In the condominium space, still lots of multiple [gap]. And there’s such demand for rental housing that we’ve got a lot of entrepreneurial landlords that are buying properties, they become landlords, so their replacement for an RRSP in terms of holding these properties over time. So multiple offers really depend on the marketplace. There’s less today than there was in ‘16 and ‘17.

Moving to your question on funnel management, and how do you move something to an agent. The first thing is not all agents are cut out to be what we—we call them EAs, electronic agents. You've got to be married to your phone. You've got to be willing to respond in five minutes. Some of our more senior and seasoned realtors have such great relationships, they're so intertwined into the industry, they take virtually no online leads. It's all about referral and people talking to people, and it's all conversations.

And that's a wonderful place to get to, and they tend to have more business than they can handle it. But the—and I won't say young agents, because it's not just age-based, but it's a willingness to work on leads. Where the close rate—we have close rates of up to approaching 10 percent—call it 8 percent at peak. We build our models around 4 percent close rate. A lot of online leads are well below 2 percent.

Now what does that really mean? For every 100 that come in through the funnel, 100 e-mails or texts that you have to respond to, you might close two, you might close four. That takes a special kind of agent. It takes a special kind of training. It takes a special kind of mentality, immense patience, and you can't get frustrated, and it's just got to be part of what you do.

So that naturally takes that 18,000 down to a much smaller number. And you don't need 18,000 people to manage the lead stream that comes out of the internet; you need a much smaller number. But it's significant, and it's material, and it's marginal growth, and I believe it's an area that will continue to grow over time. So it's one we're focused on doing better than anybody.

Audience Member

[off mic]

Phil Soper

You might have—yeah, you might have 650.

Audience Member

[off mic]

Phil Soper

Typically, you'd use a round-robin model, so you'd spin around the 50. Sometimes it's geography-based, though. So if you look at a—if you've got 500 agents, you're covered in a wide, wide geography. You're probably—like we have businesses that stretch from Lake Simcoe to Lake Ontario, so you wouldn't give that lead to someone who works downtown, if it was a north of the GTA. So geography and round-robin would be the two big ones.

The other thing is that we're not to this stage yet, but in our future design, we're going to marry success in closing to the handoff. So if you close more, you get more leads, and it's sort of success begets success. And if in fact you close very few, you'll be asked to use a different form of [gap].

Any other questions? Anybody? Anything? Well, listen. Thank you all for coming out—oh, got one from [gap]. My dad. I said, Dad, be sure you send me a question in case there's none.

Webcast Participant

[off mic]

Phil Sopel

So it's a question essentially—it's about variable rates and fixed rates. And in an earlier slide, I indicated that the business model, the mix of revenue, was moving from one of, I think it was 73 percent to—86? Thank you. You guys paid attention. Very, very impressive. Eight-six percent. And the question is, what is driving that?

And it's the expiry of that onetime premium fee contract. So back at inception, 15 years ago, there was a contract signed with the initial brokerages. And in fact, it was predominantly the manager-owned brokerages, that said in addition to franchise fees of X, we'll pay a special onetime premium fee, and it was, call it, for the ability to get a start-up.

So the company paid, bought that onetime piece of paper, paid those companies, and they used it to invest it, to get up and running. So that was an IPO 15 years ago, but it was a onetime piece of paper, and it ran for 15 years. It expires in August of this year. And that, when it's no longer in the mix, the remaining fees will make an extra point. So it's not like there's a new fixed contract that's coming in to replace a variable; it's that old variable contract, 15-year-old contract that's disappeared.

It's important to realize, though, that the coverage or the percentage of cash flow from operations, distributable cash that's available, is still there. So it moves to 83 percent coverage, so 83 percent of free cash is being distributed through the dividend, which for an income-producing firm is quite reasonable.

So one of the things we worked on—I mean, we've known for 15 years that, that contract would eventually expire—was to build up other sources of revenue so that the dividend was covered. And when the board looks at potentially increasing dividends, as they have done over time, that was always in mind, that when that onetime contract expired in August 2018, that the dividend wouldn't be at risk.

Anything you want to add to that, Glen? Or is that—

Glen McMillan

No.

Phil Soper

—that's reasonable? Okay.

So listen. Thank you, everybody, for coming. And thank you, Christine (phon) and Sara-Louise (phon), Megan (phon), and all the people that helped put together the AGM and all the work that goes into the documentation and the presentation, that sort of thing. I really, really appreciate it.

Thank you.

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