

Mainstreet makes its move into the U.S. real estate market

Barry Critchley Jun 19, 2012 – 10:30 AM ET | Last Updated: Jun 19, 2012 10:31 AM ET



Initially the Trust will purchase multi-family residential properties largely in Arizona, Florida, Georgia, Texas and Nevada. Scott Eels/Bloomberg files

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Calgary-based Mainstreet Equity Corp., which until now has focused on the acquisition, redevelopment, repositioning, and asset and property management of mid-market apartment buildings in Canada, has made its long awaited move into the U.S. housing market. The company plans to take a 10% stake in a \$75-million fund that it is setting up.

The fund is known as Mainstreet US Multi-Family Residential Fund. It will acquire, renovate, upgrade and reposition real estate properties in the U.S. in order to generate income and investigate the possibility of capital appreciation for Trust unitholders. Initially the Trust will purchase multi-family residential properties largely in Arizona, Florida, Georgia, Texas and Nevada.

The offering is what's known as a blind pool given that the specific properties and assets in which the Trust intends to invest have not yet been identified. The offering is being made to accredited investors under a private placement. Pennant Capital Partners Inc. MEQ will have at least three roles: it will be an investor; its directors will also be the trustees of the trust; and a wholly-owned subsidiary will be the general partner. As for returns, the goal is to generate 8% a year for the unitholders; the general partner will share in the profits once certain hurdle rates are achieved.

"We believe that the Trust, and MEQ's investment in the Trust, provides an excellent opportunity to acquire distressed properties and non-performing debt in circumstances where liquidity is improving, with increased lending participation by banks and CMBS and a positive trend for net absorption and vacancy rate decrease and thereby allowing us through the Trust to capitalize on the tremendous potential value existing today in the added-value apartment space in certain key areas in the United States," said Bob Dhillon, MEQ's president.

Frank Mayer, a portfolio manager with Vision Capital Corp., a firm that invests largely in publicly listed real estate companies including MEQ, said MEQ "has entered the U.S. on its own terms. Investors are getting Bob's considerable talent in acquiring and redeveloping mid-tier apartment buildings."

MEQ has been a star performer over the past year gaining 62.1% on a total return basis. (It doesn't pay a dividend.) Over the same period the S&P/TSX composite is down 6.64%.