

DHILLON DOLLAR STRATEGY

A Calgary real estate mogul with daring ideas for recovery



PETER C. NEWMAN

In this time of cholera few CEOs have the nerve to express confidence in the future, even about their own companies. A dramatic exception is Navjeet "Bob" Dhillon, the Calgary real estate mogul who, on Jan. 23, spent \$25 million buying what he decided was the best bargain on the stock exchanges: shares in his own company, Mainstreet Equity Corp. His buyback wasn't altogether successful because the owners of 700,000 shares—just over 17 per cent of the four-million-stock offer—agreed with his assessment and decided to hold on to their investment, even though he was offering a premium over the trading price.

Determined to become Canada's first Sikh billionaire (he's about halfway there), Dhillon meets none of the preconceptions of his religion. He doesn't wear a turban, is a professional-level salsa dancer, expert spear fisherman and master scuba diver, and owns a cigarette racing boat in Belize in which he sweeps across the Gulf into Cuban harbours.

He started out buying and flipping Calgary bungalows in 1984 using his cellphone and the trunk of his car as an office. Later, he started to buy rundown apartment buildings in western Canadian cities, fixing them up and increasing the rents. After graduating as an adult student from the Richard Ivey School of Business in London, Ont., he took his firm public. "We were in Calgary before it was the centre of the universe, and oil was less than US\$20 a barrel," he recalls, "[and we] went to Edmonton before the tar sands were abuzz. We arrived in British Columbia the day before the new Liberal government came in and the economy began to revive. More recently, we went into Saskatoon before it became Saskaboom."

At 43, Dhillon is equally active in developing his properties in the Central American nation of Belize—which include a 1,200-hectare island off its coast that touches the northern hemisphere's biggest barrier reef—as he is in the Canadian West, where he now owns 130 apartment buildings.

About a year ago, before the current downturn, Dhillon decided to gear up for the next



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cycle, and was one of the few Canadian CEOs who planned for a downturn, though he could not know how serious it would turn out to be. His assets in 2008 were worth \$710 million, compared with \$625 million at the end of this year's first quarter. At the same time, he built up a war chest of more than \$50 million in cash to take advantage of unexpected investment opportunities.

One future location for his real estate adventures could be Obamaland—despite the still severe recession south of the border. "Why did the pendulum swing the other way so fast—was there a flaw in the whole system, or was it just truly free enterprise exercising its sway?" he asked me rhetorically during an interview in Calgary recently. "One positive aspect of the American financial system compared to Canada's is the speed with which

they do things," he went on. "They take direct action. They'll flush their bonds, their distressed real estate, their foreclosures out of the system so quickly that the outcome will be to create a new generation of millionaires. Americans are really good at discounting and cutting their losses, creating new balance sheets, placing new valuations on real estate, new valuations on securities, new valuations on everything."

He is convinced that 2009 is going to be the year when the real estate and equity markets are going to bottom, though the nature and timing of the comeback will depend on how far the markets drop. "A big threat," he contends, "is all the earnings that are going to come out of the retail sector. We've got auto, we've got all those retail segments that are going to get wiped out." Dhillon predicts the birth of a new chapter in finance and believes that the way to determine the bottom will be when the banks are offering zero interest rates and some of the revived companies start to produce higher returns through dividends and bond yields. "Lots of the money is going to shift back into these companies," he says. "But you've gotta prepare yourself. One thing that's unique about this recession is how quickly it came. How rapidly oil prices went from US\$145 to US\$35. The markets will come back equally as fast."

Dhillon champions one specific step that he believes could go a long way to curing the current recession because it would jump-start investments. What he advocates with the passion of a true believer is elimination of the capital gains tax (half of a capital profit is subject to income tax). "The elimination of capital gains taxes as opposed to lowering the general income tax rate would be much more effective because we are in a serious cash crunch and need a capital infusion," he maintains. "Trillions of dollars are now on the sidelines, including the fortunes of foreign-based financiers who would have an incentive for investing here in a more favourable tax climate. In my view, elimination of the capital gains tax is the only way out of this recession." M



KID TRAUMATIZED, TEACHER KEEPS JOB

A Florida school board has decided not to take away teacher Wendy Portillo's tenure. Portillo has been on suspension after holding a reality-TV-style exercise in which Alex Barton, who has Asperger's syndrome, had to stand in front of his kindergarten class while other students criticized him. He was then "voted off" and sent to the nurse's office for the day. Alex hasn't been back to school since and his parents say he is completely traumatized.