

Realty renewal formula succeeds

Mainstreet mogul seeks out, fixes up 'distressed' assets

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Bob Dhillon wants to become the first Sikh billionaire in the world and is well on his way to achieving that goal.

In just seven years, his Mainstreet Equity Corp., which is listed on the Toronto Stock Exchange, has reached a market cap of \$350-million and \$600-million in assets. He started with \$17-million in personal assets and has expanded the company without equity dilution. Its stock has been a star performer for two years and some investment analysts say it is headed higher.



CREDIT: Lorraine Hjalte, CanWest News Service File Photo

"We focus on markets that have been neglected, places that are under the radar screen of pension funds," says Bob Dhillon.

Mainstreet's annual general meeting was held this week.

"I started out of the trunk of my car with a cellphone," Mr. Dhillon said in an interview recently over lunch in Calgary. "Now I have 120 employees."

His formula has worked very well. Mainstreet is a mid-market consolidator, buying small and tired apartment buildings across Canada, mostly in the western provinces. It now has 5,000 units in 100 locations, mostly in Western Canada.

New appliances, fresh paint and other improved fixtures, better services and good management translate into rent increases. But the secret is to buy cheaply and then wait for the market to turn around values.

"We focus on markets that have been neglected; places that are under the radar screen of pension funds. Distressed properties, we call them," he said.

The firm was early into Calgary, before the real estate boom took root, and also Edmonton, Surrey and Abbotsford, B.C., Saskatchewan and parts of Central Canada.

He's a hard-driving, high-energy individual who has always been entrepreneurial.

"I have been flipping real estate for 19 years, even when I was in university," he said.

The chairman of his company is Larry Tapp, former dean of the Ivey School at the University of Western Ontario, who taught Mr. Dhillon. The two have become friends.

"I'm an entrepreneur and we are people who just don't sleep at night," Mr. Dhillon said. "We are deal junkies and need our fix all the time. I love it and that's what I'm all about."

Mr. Dhillon came by his smarts honestly. He was born in Japan and his father was a savvy businessman. But in the early 1970s, his wealthy father lost everything as a result of a civil war in Liberia.

"They pulled me out of boarding school because my father couldn't afford to pay the bills," he said. "We came to Canada. It was traumatic. My mother worked in the post office and my dad did this and that, but it was very hard. He was a trader, as was his father before him, and he spoke Japanese, Cantonese, was a philosopher and a fascinating businessman."

Mr. Dhillon's younger brother went to university in the United States and is now an investment banker in San Francisco. Mr. Dhillon went east to the University of Western Ontario and is settled in Calgary. The two brothers are close and are about to launch an "India Fund" that hopes to raise US\$1-billion for real-estate investments. His brother is also on Mainstreet's board of directors.

"The next level of outsourcing to India is medical, financial analysts, tax and accounting services. We will invest and develop B centres in B cities, the Calgarys of India, and there are 100 of them," he said.

India has turned the corner and, like China, is gung-ho for growth to provide jobs for its demographically young population. Roughly 50% of Indians are under 20 years of age.

"And they are saying 'I want a cellphone, a Benz and Levis, and my religion is capitalism,'" he said. "They are influenced by CNN and the BBC. The Calcutta Communist Party recently banned strikes. Imagine, a Marxist party doing that? They want call centres. They want jobs."

Property values recently dropped in parts of India -- which, to Mr. Dhillon, is a buying signal.

But most of his time will be concentrated on growing Mainstreet. The potential in mid-market real estate is huge, he said.

Mr. Dhillon, in his early 40s, also has sizable real-estate interests in Belize and is consul-general in Canada for that country.

He became interested in the tiny Central American country and owns a 2,300-acre island off its coast. His island has hundreds of miles of first-class beaches and he hopes to develop it into a jetset destination and resort.

Clearly, Mr. Dhillon is a comer and one to watch. He is a man in a hurry who likens his life to a car race.

"I'm a Ferrari and my life's an autobahn," he said. "Every morning I tune up and go on in overdrive."

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