

COVER Calgary and Winnipeg developers spot potential in buying and improving old downtown buildings

Money in makeovers

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Scattered among the towering steel and glass structures in cities across Western Canada are buildings of a bygone era, ranging from the merely old to derelict and dilapidated. While many view these as proverbial downtown eyesores, others see opportunity in a commercial real estate niche that is becoming more prevalent in inner-city Alberta and Manitoba.

Calgary's **Mainstreet Equities** (www.mainstreetequities.com) is a good example.

The company specializes in the acquisition, renovation and management of mid-range multifamily buildings, primarily in downtown Calgary and Edmonton.

Mainstreet targets what it calls "undervalued and underperforming properties," adding value to them by renovating and modernizing the buildings, then either reselling or managing the properties itself. The strategy has paid off.

Mainstreet Equities was incorporated in the summer of 1997 and went public on the **Alberta Stock Exchange** the following year with 271 units in 10 buildings in Calgary. Today, the company is fast approaching 2,000 units in its asset base and last year ascended to the **Toronto Stock Exchange** (MEQ:TSE). The *Financial Post* recently tabbed Mainstreet as one of Canada's fastest-growing companies and last July the *Globe and Mail's Report on Business Magazine* named Mainstreet Canada's top ranking company in terms of profit gains.

The most recent purchase for Mainstreet was

two Calgary apartment buildings totalling 57 two- and three-bedroom suites, for \$3.3 million. This translates to \$55,000 per suite, or \$73 per square foot of rentable space. In Calgary, the rental vacancy rate is 2.8 per cent and the typical two-bedroom apartment rents for \$739 per month. Do the math.

Bob Dhillon, president and CEO of Mainstreet Equities, said that Calgary and Edmonton provide the right variables to make money in real estate redevelopment.

"Downtown Calgary is a much more dynamic place compared to 10 years ago. People want to move there — and the same can be said for Edmonton," said Dhillon. "The key drivers in our business are supply, interest rates and the state of the general economy. With no new significant apartment construction in either city since the early '80s, the favourable interest rates of the last few years and the good economy throughout Alberta, this has led to unbelievable growth in our business."

Despite rising rents in Calgary, the factors are still not in place to spur new rental construction. Dhillon believes the market may not be ready for new rental construction for another 10 years.

Mainstreet is not alone in Alberta's fix-up and profit business. **Boardwalk Equities** (www.bwalk.com), which Dhillon credits with opening the door of the industry in Calgary, is another successful multifamily redeveloper.

Boardwalk, founded in 1984 with the pur-



Left: Bob Dhillon, president and CEO of Mainstreet Equities, has purchased and improved nearly 2,000 older Calgary rental apartments. Below: Smed Int'l has transformed the 1913-era Pinkerton building in Calgary into a high-end, high-tech office complex

Photos: Kevin Udah; Smed Int'l



chase of one old Calgary apartment block, now owns more than 250 properties. The company buys and restores apartment buildings, focusing on such high-tech amenities as fibreoptic cable and e-shopping kiosks. Some properties are sold in their entirety or converted into condos and sold to individuals. The company, controlled by CEO and president **Sam Koliass** and his brother **Van Koliass**, vice-president, recently expanded into the Ontario market and is listed on the TSE and **New York Stock Exchange** (BEI).♦

