

Mainstreet Equity reports 18th consecutive strong quarter of growth



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SECTIONS

Bob Dhillon, president and chief executive of Mainstreet Equity Corp., at his office in Calgary.

Ted Rhodes Ted Rhodes / Calgary Herald

Calgary-based Mainstreet Equity Corp. has recorded its 18th consecutive quarter of year-over-year double-digit growth in pre-tax funds from operations and net operating income, the company reported on Tuesday.

In its second quarter for fiscal year 2015, pre-tax funds from operations were up 39 per cent to \$6.9 million and FFO per basic share increased 26 per cent to 66 cents. Net operating income from continuing operations increased 20 per cent to \$16.2 million, while growing 13 per cent to \$15.2 million on a same asset basis.

Mainstreet's revenue from continuing operations rose 13 per cent to \$25 million. During the quarter, it acquired 331 units for \$33.7 million. Of its 8,873 units based in Western Canada, 1,614 are in Calgary and 3,693 are in Edmonton.

“It’s very rare that you’re going to get in real estate investment a 39 per cent year-over-year increase in FFO,” said Bob Dhillon, founder and chief executive of Mainstreet.

“Even though there are uncertain times... Western Canada, per capita, has the lowest supply of apartment buildings for the size of population. Calgary’s got the least amount of apartments for population base compared to Montreal, Toronto, Halifax or whatever.”

With 59 per cent of the Mainstreet portfolio in Alberta, Dhillon — like many other landlords in the province — will be closely watching upcoming moves of the province’s new NDP government.

Dhillon, who said rent increases haven’t gone beyond inflation in the last few years, opposes rent controls.

In a Herald interview last fall, Rachel Notley, an NDP MLA at the time and now premier-elect, said it is time for the government to implement a form of rent control, at least temporarily, with a cap on how much rent can be increased annually.

Dhillon said he doesn’t believe the NDP will bring in rent controls and right now landlords can’t increase rent more than once a year on existing tenants.

“The housing minister of Vietnam said B-52 bombers did less damage than rent controls in Saigon,” said Dhillon. “If it happens, it is going to devastate the same people they’re trying to protect.”

When asked if the NDP has an official position on rent controls, Cheryl Oates, press secretary for Notley, replied in an email: “Affordable housing is one of the many factors that contribute to the overall quality of life of Albertans and the

attractiveness of our province to do business in. The premier-designate is committed to working with municipalities to ensure that every Albertan has a place to call home.”

Sam Koliass, chair and chief executive of Calgary-based Boardwalk Real Estate Investment Trust, said Notley in a recent media report said she wants to maintain the province’s long history of being a very healthy place for investment.

“We’re happy to hear the newly-elected premier say she wants to continue to encourage investment in Alberta,” said Koliass. “We have seen a great deal of investment in our industry over the last several years. That new investment has created a lot of new housing . . . and helped to re-balance the market. We’re seeing a rising vacancy now and an increase in choices to our housing consumer.

“There are many studies that economists have completed that show the free market is the best way to maximize investment in the housing industry.”

Koliass said community and government initiatives in affordable housing are also important. He said Boardwalk, which at the end of 2014 had 34,517 rental units in its portfolio, has been self-regulated since 1999 and if there is a resident that can show rental increases induce financial hardship, the real estate trust will waive the hike.

At the end of 2014, Boardwalk had 5,310 rental units in Calgary, 12,396 in Edmonton, 362 in Fort McMurray and 645 in Grande Prairie.

Koliass said it’s important to take a long-term approach to any price adjustments.

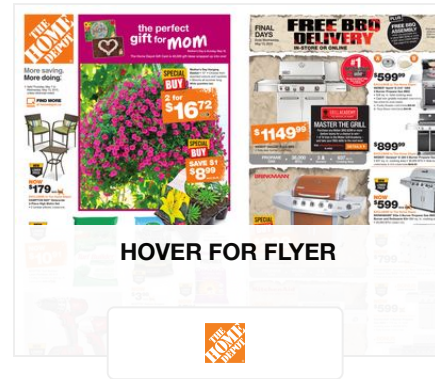
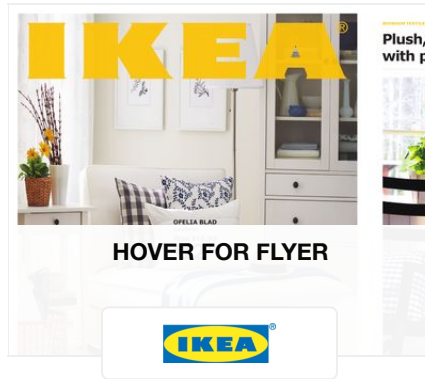
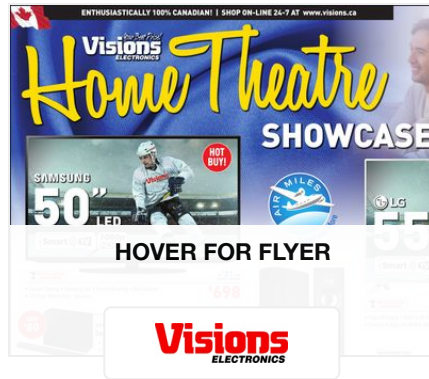
According to a fall report by Canada Mortgage and Housing Corp., the rental vacancy rate in the Calgary region rose from one per cent in October 2013 to 1.4 per cent in October 2014 and the average monthly rent for a two-bedroom unit

was up by 5.9 per cent to \$1,322.

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