

Mainstreet Equity Achieves Year-Over-Year and 12th Consecutive Quarter of Double-Digit Growth in FY2024

CALGARY, Alberta--(BUSINESS WIRE)--December 5, 2024--In FY 2024, Mainstreet posted double-digit, year-over-year growth across all key operating metrics, with funds from operations (“FFO”) before current income tax increasing 33%, FFO increasing 23%, net operating income (“NOI”) rising 22% and rental revenues increasing 19%. We also achieved our 12th consecutive quarter of double-digit growth in Q4, with major gains in FFO (27%), NOI (24%) and rental revenues (20%). Annual margins increased from 63% to 64%, and from 63% to 66% on a same-asset basis.

Bob Dhillon, Founder and Chief Executive Officer of Mainstreet, said, “Through our unique portfolio of more than 18,000 centrally-located apartment units, Mainstreet has continued to demonstrate the ability to generate non-dilutive growth and create value for shareholders. With an average rent of approximately \$1,200, we remain a critical supplier of affordable, quality housing for middle-income Canadians at a time when the broader rental market is structurally undersupplied.”

Key metrics | FY 2024 Performance Highlights

Rental Revenue	
From Operations	Up 19% to \$249.8M (vs. \$210.0M in FY 2023)
From same asset properties	Up 12% to \$224.2M (vs. \$199.8M in FY 2023)
Net Operating Income (NOI)	
From Operations	Up 22% to \$160.4M (vs. \$131.3M in FY 2023)
From same Asset Properties	Up 18% to \$147.8M (vs. \$125.7M in FY 2023)
Funds from Operations (FFO) ¹	
FFO - before current income tax	Up 33% to \$91.6M (vs. \$68.7M in FY 2023)
FFO - per basic share-before current income tax	Up 33% to \$9.83 (vs. \$7.37 in FY 2023)
FFO - after current income tax	Up 23% to \$84.7M (vs. \$68.7M in FY 2023)
FFO - per basic share-after current income tax	Up 23% to \$9.09 (vs. \$7.37 in FY 2023)
Operating Margin	
From Operations	64% (vs. 63% in FY 2023)
From same asset properties	66% (vs. 63% in FY 2023)
Net Profit	
Net Profit Per Basic Income	\$199.9M (vs. \$109.4M in FY 2023) including changes in fair value of \$144.9M in FY 2024 vs \$69.5M in FY 2023 and future income tax expense of \$31.0M in FY 2024 vs \$28.5M in FY 2023
Total Capital Expenditure	\$31.1M (vs. \$25.5M in FY 2023)
Total Capital Expenditure (unstabilized assets)	\$3.7M (vs. \$3.3M in FY 2023)
Total Capital Expenditure (stabilized assets)	\$27.4M (vs. \$22.2M in FY 2023)
Stabilized units	420 Properties (15,760 units) out of 478 properties (18,345 units)
Vacancy rate	
From operations	3.2% (vs. 4.5% in FY 2023)
From same asset properties	3.1% (vs. 4.2% in FY 2023)

Vacancy rate as of 2nd December 2024	3.9% excluding unrentable units
Total Acquisition	
During FY 2024	\$178M 1,296 units (vs. \$136M 1,145 units in FY 2023)
Subsequent to FY 2024	68 units (\$12M) in Alberta and British Columbia
Total YTD Acquisition 2024	1,364 units (\$190M)
Total units	
As of September 30, 2024	18,398 units ²
As of December 2nd, 2024	18,455 units ²
Fair Market Value	Up 12% to \$3.41B (vs. \$3.05B in 2023)
Liquidity Position	\$400M

Key metrics | Q4 2024 Performance Highlights

Rental Revenue	
From Operations	Up 20% to \$66.9M (vs. \$55.7M in Q4 2023)
From same asset properties	Up 12% to \$58.4M (vs. \$52.0M in Q4 2023)
Net Operating Income (NOI)	
From Operations	Up 24% to \$45.7M (vs. \$36.8M in Q4 2023)
From same Asset Properties	Up 16% to \$40.6M (vs. \$34.9M in Q4 2023)
Funds from Operations (FFO) ¹	
FFO - before current income tax	Up 27% to \$26.8M (vs. \$21.1M in Q4 2023)
FFO - per basic share-before current income tax	Up 27% to \$2.88 (vs. \$2.26 in Q4 2023)
FFO - after current income tax	Up 15% to \$24.2M (vs. \$21.1M in Q4 2023)
FFO - per basic share-after current income tax	Up 15% to \$2.60 (vs. \$2.26 in Q4 2023)
Operating Margin	
From Operations	68% (vs. 66% in Q4 2023)
From same asset properties	70% (vs. 67% in Q4 2023)
Vacancy rate	
From operations	3.4% (vs. 4.3% in Q4 2023)

**1 See "Non-IFRS Measures" and Note (1) in MANAGEMENT'S DISCUSSION AND ANALYSIS to the table titled "Summary of Financial Results" for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.*

**2 Including 53 condo units acquired and held for resale.*

**3 Including: (i) \$49 million cash-on-hand, (ii) estimated \$221 million expected funds to be raised through up-financing of maturing mortgages and financing of clear titled assets after stabilization and, (iii) a \$130 million line of credit.*

The Mainstreet advantage

Mainstreet's financial achievements in FY 2024 illustrate the long-term success of our value-add business model and nimble management style, which has allowed us to generate compounding shareholder returns no matter where we are in the economic cycle. As part of our operating strategy, Mainstreet has continued to aggressively acquire apartment buildings at opportunistic cost while also leveraging low-cost, CMHC-insured mortgages to create liquidity for future organic growth. Once properties are acquired, we derive additional value by improving the life of

middle-class Canadians through renovating apartment buildings to a consistent standard and then putting them back on the rental market at competitive yet highly affordable rental rates.

This emphasis on tangible assets gives Mainstreet a unique position in the real estate market, where we enjoy a geographically diverse portfolio of more than 18,000 apartment units clustered around key urban hubs in Western Canada. Since Mainstreet started trading on the TSX in 2000, we have built up an asset base of \$3.4 billion without creating any significant dilution. Today, Mainstreet shares trade at more than \$200, while our total number of shares outstanding total approximately 9.3 million, hardly more than the 8.9 million shares that were in circulation when we made our stock market debut.

A structurally undersupplied rental market

Adding to Mainstreet's internal advantages, a structural supply-demand imbalance continues to persist across Canada's rental market. In the last 10 years, Canada's population has grown by 5.85 million, according to Statistics Canada. Over that same period, new supply of purpose-built rental apartment units totalled just 390,917, illustrating the magnitude of the rental market's supply shortage. The vast majority of recent population growth came from permanent residents, foreign students and temporary workers, most of whom tend to be renters. As of the end of 2023, there were 2.55 million foreign students and temporary workers living in Canada, according to Government of Canada data. (By comparison, Canada's entire rental universe is currently 2.3 million apartment units, according to CMHC data). That rapid population growth, combined with compounding lack of supply, has thus pushed rental market vacancy rates to a near-record low of 1.5%, according to CMHC data.

The federal government has recently announced plans to curb immigration, reducing the number of new permanent residents by 21% and foreign students by 10%. However, even after the federal government's planned immigration curbs, Canada's total number of foreign students and temporary workers is projected to remain relatively stable at 2.09 million in 2027 according to Statistics Canada, suggesting the supply gap underlying the rental space will persist for years to come. In 2025 alone, for example, the country expects to accept 395,000 new permanent residents and 437,000 foreign students after accounting for the reductions—well higher than previous averages.

Tailwinds continue in 2025

As we enter the next fiscal year, Mainstreet's management team expects that today's positive macroeconomic trends will carry over into 2025, amplifying Mainstreet's inherent strategic advantages. Interest rates are expected to fall, which should provide Mainstreet with additional refinancing opportunities.

Our estimated \$400¹ million liquidity position will offer ample room for further acquisitions following a record year in fiscal 2024. Rental rates in Mainstreet's core markets of Calgary, Edmonton, Vancouver/Lower Mainland, Regina and Saskatoon are projected to climb higher in 2025. Crucially, Mainstreet maintains an average rental rate of just \$1,200, which puts us at a competitive advantage in Western Canada's undersupplied rental market, and offers plenty of

opportunity to further boost NOI while reinforcing Mainstreet's position as a provider of affordable, quality housing for middle-class Canadians.

Another milestone year for Mainstreet

Overall, FY 2024 was a highly successful period for Mainstreet, as evidenced by the following achievements:

- Improved rental revenues (19%) NOI (22%) and same-store NOI (18%) and FFO before income tax (33%) and FFO (23%)
- Drove Mainstreet's share price exceeded \$200 for the first time
- Acquired a record 1,296 units for \$178 million, of which around 50% were in B.C.
- Diversified into a new market: Victoria, British Columbia
- Maintained a sizable runway of \$52 million for future non-dilutive growth, creating potential for substantial same-store NOI catchup
- Implemented a prudent dividend policy for expanding our potential investor basis without affecting growth

Mainstreet believes these achievements and financial performance speak to the inherent stability of the rental market space in Canada. Aided by favourable macroeconomic tailwinds, Mainstreet will continue leveraging the unique nature of our capital structure, Asian supply chain connections and competitive price point to lower costs, improve customer service and create shareholder value into 2025 and beyond.

CHALLENGES

Inflation and cost pressures

Despite an overall favourable operating environment, rising costs continue to pose a challenge to Mainstreet. Additionally, higher interest rates increase the cost of Mainstreet debt, our single-largest expense. (Mainstreet has locked in 99% of our debt into CMHC-insured mortgages at an average interest rate of 2.97%, maturing in 4.8 years, to protect against any further interest rate increases—see Outlook section below.

Inflation also increases major operating expenses like labour, utilities and materials. Carbon taxes increased to \$80 per tonne this year, and are scheduled to rise to \$95 per tonne in April 2025. Municipal property taxes in Vancouver/Lower Mainland, Calgary, Edmonton, Regina and Saskatoon are all set to rise sharply in coming years.

Additionally, Mainstreet is now liable for corporate taxes for one of the first times in our history due to our sustained growth and solid financial performance in recent years. We view our performance as an unmitigated success, and do not expect corporate taxes to have a material impact on Mainstreet's overall growth and performance going forward.

Defending against higher expenses

Mainstreet works constantly and on multiple fronts to counteract rising expenses. By securing longer-term natural gas contracts, we substantially reduced energy costs across a large portion of Mainstreet buildings. We also managed to reduce our insurance costs—a sizable Mainstreet expense—by more than 14% for fiscal 2024 by obtaining improved premium rates and coverage.

Despite our best efforts to control costs where possible, inflationary pressures nonetheless introduce added financial burdens that will, in some cases, be passed onto tenants through soft rent increases over an extended period of time.

OUTLOOK

Putting the S in ESG

We believe that the tight housing market emphasizes Mainstreet’s position as an important provider of affordable housing in Canada. As a corporation dedicated to social responsibility, Mainstreet believes our highly competitive rental options are a crucial service at a time when an inflation-driven affordability crisis has priced many lower income Canadians out of the market.

Hedging our debts

Mainstreet continues to take an adaptive approach to our mortgage positions. When interest rates were lower, Mainstreet locked in its mortgages at longer-term, 10-year maturities to maximize savings. As rates increased, we shifted toward shorter-term debts. As rates once again come down, we will continue to modify our refinancing approach to align with monetary policy trends.

Strong performance across core markets

Mainstreet continues to benefit from an increasingly diversified portfolio, where each of our core markets have contributed solid results. Nearly half (48%) of Mainstreet’s acquisitions in fiscal 2024 were in British Columbia. The region, which accounts for 43% of our estimated net asset value (“NAV”) based on appraised value, is one of our primary candidates for future NOI growth. Due to government-imposed rental rate caps in the province, we have identified a large mark-to-market gap in the BC market (see Runway section below), built on vacancy rates that remain among the lowest in the province.

Alberta’s net migration, meanwhile, hit historic highs with more than 200,000 new residents entering the province in the year ended mid-2024, according to Government of Alberta. Migration into Saskatchewan and Manitoba remains solid, which we expect will keep vacancy rates low while nudging rental rates higher.

Turning intangibles to tangibles

Mainstreet’s portfolio of more than 800 low-density buildings, including buildings with subdividable residual lands, creates substantial opportunity to extract added value out of existing assets and additional lands at little cost. We view this opportunity in the context of the ongoing housing shortage, under which Canadian municipalities increasingly aim to promote density

through rezoning efforts. Management has developed a three-point plan comprised of the following to improve the density of Mainstreet's portfolio:

- Turning unused or residual space within existing buildings into new units
- Exploring zoning and density relaxations to potentially build new capacity within existing land footprints
- Subdividing residual lands for future developments.

We view this strategy as one of the major potential drivers of future growth in the longer-term, and further evidence of Mainstreet's inherent intangible value.

Raising Mainstreet's nominal dividend

Mainstreet started offering a nominal dividend (\$0.11 per share annually) beginning Q1 2024. Given the apparent success of the nominal dividend based on early-stage performance, our management team now plans to raise the dividend by 45% (to \$0.16 per common share annually, or \$0.04 per common share quarterly) beginning Q1 2025. Due to Mainstreet's solid free cash flow, we determined we were well placed to establish a nominal dividend to help widen our shareholder base, increase trading volume and elevate our market capitalization without negatively impacting liquidity for future non-dilutive growth. As always, Mainstreet will continue to derive growth in a way that is 100% organic and non-dilutive, pursuing acquisitions funded by low-cost capital.

RUNWAY ON EXISTING PORTFOLIO

1. Expanding our portfolio: Using our liquidity position, estimated at \$400 million, we believe there is significant opportunity to continue acquiring underperforming assets at attractive valuations.
2. Closing the NOI gap: As of the end of fiscal 2024, 14% of Mainstreet's portfolio was going through the stabilization process due largely to high levels of add-value acquisitions. Our management team believes vacancy rates, NOI and FFO will be meaningfully improved as we continue to stabilize units. In the BC market alone, we estimate that the potential upside based on mark-to-market gaps for NOI growth is approximately \$30 million, based on an estimated average monthly mark-to-market gap of \$650 per suite per month. Alberta and Saskatchewan markets also have substantial room for mark-to-market catch up.
3. Buying back shares: We believe MEQ shares continue to trade below their true NAV, and that ongoing macroeconomic volatility could intensify that trend. Management will continue to buy back shares on an opportunistic basis under the corporation's normal course issuer bid.
4. Creating value from existing footprints: While our efforts to identify opportunities for subdivisions, zoning relaxations, and improved use of residual space remains in the very early stages, Mainstreet has created a ledger detailing excess lands in our potential subdividable properties across our portfolio.

Forward-Looking Information

Certain statements contained herein constitute “forward-looking statements” as such term is used in applicable Canadian securities laws. These statements relate to analysis and other information based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, statements concerning estimates related to future acquisitions, dispositions and capital expenditures, increase or reduction of vacancy rates, increase or decrease of rental rates and rental revenue, future income and profitability, timing of refinancing of debt and completion, timing and costs of renovations, increased or decreased funds from operations and cash flow, the Corporation's liquidity and financial capacity, improved rental conditions, future environmental impact the Corporation's goals and the steps it will take to achieve them the Corporation's anticipated funding sources to meet various operating and capital obligations and other factors and events described in this document should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions of future events or performance (often, but not always, using such words or phrases as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and should be viewed as forward-looking statements.

Such forward-looking statements are not guarantees of future events or performance and by their nature involve known and unknown risks, uncertainties and other factors, including those risks described in this Annual Information Form under the heading “Risk Factors”, that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, costs and timing of the development of existing properties, availability of capital to fund stabilization programs, other issues associated with the real estate industry including availability but without limitation of labour and costs of renovations, fluctuations in vacancy rates, unoccupied units during renovations, rent control, fluctuations in utility and energy costs, credit risks of tenants, fluctuations in interest rates and availability of capital, and other such business risks as discussed herein. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include, among others, the rental environment compared to several years ago, relatively stable interest costs, access to equity and debt capital markets to fund (at acceptable costs) and the availability of purchase opportunities for growth in Canada. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, other factors may cause actions, events or results to be different than anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements contained herein.

Forward-looking statements are based on Management's beliefs, estimates and opinions on the date the statements are made, and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions should change except as required by applicable securities laws or as otherwise described therein.

Certain information set out herein may be considered as “financial outlook” within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding the Corporations reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

¹ Including \$49 million cash-on-hand, \$221 million being management's estimated funds that may be available through up-financing of maturing mortgages and financing of clear titled assets after stabilization and a \$130 million line of credit.

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