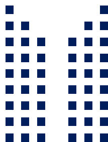
Positive Trends & Value Creation Continue

2012 First Quarter Report

For the three months ended
Dec. 31, 2011 and 2010

Q1



MAINSTREET
EQUITY CORP.

MAINSTREET EQUITY CORP. is a Canadian real estate company focused on acquiring and managing mid-market rental apartment buildings in major markets across Canada. Founded in 1997, Mainstreet creates value by purchasing under-performing properties, renovating them to a branded standard, improving operating efficiencies and repositioning them in the market for greater returns.

For additional information about Mainstreet Equity Corp., see the Corporation's profile at SEDAR (www.sedar.com).

Q1 2012 Performance Highlights 1

Message from the President & CEO 1

Management's Discussion and Analysis 4

Condensed Statements of Financial Position 30

Condensed Statements of Change in Equity 31

Condensed Statements of Comprehensive Income 32

Condensed Statements of Change in Cash Flow 33

Notes to the Condensed Financial Statements 34

Corporate Information 56

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 and capital expenditures, reduction of vacancy rate, future profitability, timing of refinancing of debt and completion of renovations, increased cash flow, the Corporation's liquidity and financial capacity, the Corporation's funding sources to meet various obligations, expansion into the United States, 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 involve known and unknown risks, uncertainties and other 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, but without limitation, fluctuations in vacancy rates, unoccupied units during renovations, 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. 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 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.

Management closely monitors factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and will update those forward-looking statements where appropriate in its quarterly financial reports.

KEY METRICS | **Q1 PERFORMANCE HIGHLIGHTS**

Rental Revenue	Up 14% to $17.1 million (vs. $15.0 million in Q1 2011)
Rental Revenue – Same Assets Properties	Up 1% to o $15.0 million (vs. $14.8 million in Q1 2011)
Net Operating Income (NOI)	
From operations	Up 10% to $11.1 million (vs. $10.1 million in Q1 2011)
Same Assets Properties	Down 1% to $9.6 million (vs. $9.7 million in Q1 2011)
Funds from operations	Up 14% to $3.4 million (vs. $3.0 million in Q1 2011)
Operating Margin	
From operations	64% (vs. 65% in Q1 2011)
Same Assets Properties	64% (vs. 66% in Q1 2011)
Total Acquisition & Capital Expenditures	$45 million in Q1 2012 (vs. $50 million in Q1 2011)
Stabilized Units	131 properties (6,190 units) out of 169 properties (7,797 units)
Acquisitions	435 units for $42 million ($97,000 per unit) representing a 6% increase in portfolio
Financing	$16.5 million
Financing – subsequent to Q1 2012	$19 million
Lowest interest rate on financing	2.96% (ten years term)
Vacancy rate	8.7% (vs. 11.2% in Q1 2011)
Same Asset Vacancy rate	7.0% (vs. 9.9% in Q1 2011)
Vacancy rate – stabilized properties	6.6%
Overall vacancy rate as of March 1, 2012	5.0%

MESSAGE FROM THE PRESIDENT & CEO

First quarter ended December 31, 2011

The first quarter of 2012 saw Mainstreet Equity Corp. adopt a new accounting standard which allowed the Corporation to report its investment properties at fair market value in our financial statements.

The welcome introduction of International Financial Reporting Standards ("IFRS") now reveals the true value Mainstreet has created for our shareholders since the Corporation's inception.

As a result, Mainstreet reported a fair market value of $956 million for our investment properties instead of the historical book value of $505 million that would previously have been reported. The net asset value (NAV) is $437 million which equates to $42 per share basic and $39 per share fully diluted and a debt to fair market value ratio of 54% instead of 102%.

Mainstreet continues to target mid-market, add-value properties in Western Canada as the region appears poised to continue its strong economic performance due to positive in-migration and strong commodity prices. Recent CMHC data predicts the region to outperform the rest of Canada in terms of GDP growth.

In addition, 80 per cent of the available rental supply in Western Canada is in the mid-market space, and higher margins are available making this region our primary focus.

RESULTS

Funds from operations ("FFO") grew by 14% to $3.4 million while net operating income ("NOI") grew by 10% to $11.1 million. This improvement was aided by an across the board drop in vacancy rates which fell to 8.7% in the quarter from 11.2% in Q1 2011.

Meanwhile the same-asset vacancy rate in the portfolio fell to 7.0% in Q1 2012 from 9.9% in Q1 2011. This welcome trend is continuing. **As of March 1, 2012, two months after quarter's end, the overall vacancy dropped further to 5.0%.**

These improved results in FFO, NOI and vacancy rate were achieved despite the recent acquisition of additional unstabilized properties.

GROWTH

Mainstreet acquired 435 additional unstabilized units in Q1 2012 at a cost of $42 million. These recent acquisitions resulted in a growth in the Corporation's portfolio of 6% in the last three months. We are pleased to note that, once again, this growth was achieved organically without any equity dilution.

CAPITAL IMPROVEMENTS AND SUPPLY CHAIN MANAGEMENT

In Q1 2012,Mainstreet spent $3.1 million on capital improvements and is budgeted to spend close to $12 million in this fiscal year. This is part of our on-going commitment to continue improving and upgrading our properties to increase their value to renters and shareholders. In fact since inception the Corporation has invested over $100 million on capital improvements.

It is important to note that many rental apartment buildings in Canada were built 30 to 40 years ago. Aging of those buildings inevitably increases renovation, operating, repair and maintenance costs each year. In light of this Mainstreet is taking proactive measures to protect its bottom line by securing a pipeline of high-quality, low-cost materials and supplies direct from manufacturers in China.

The Corporation recently received its first shipment from a manufacturer and the quality and cost of those materials reaffirmed its view that this will produce considerable long-term savings. As an example, this shipment, which consisted of kitchen cabinets, saved Mainstreet over 80 per cent on the cost of materials compared to alternatives available locally.

Mainstreet believes this development will prove to be a significant competitive advantage in years to come, and that the Corporation will introduce a wider variety of renovation items into its supply chain from such low-cost, high-quality manufacturers as it sees fit.

CHALLENGES

Mainstreet's pursuit of distressed assets means the Corporation must contend with higher vacancy rates, rental concessions and stabilization cycle time, all of which are a short term drag on FFO and NOI. However all three of these issues are being addressed and improved upon as our number of unstabilized properties continues to decrease.

As noted, Mainstreet's vacancy rate continues to drop. In addition the Corporation has reduced the value of rental concessions being offered to new and re-leasing tenants and shortened the cycle time on stabilization. These three significant drags on FFO and NOI are trending in the right direction.

Mainstreet's most recent mortgage financing featured a 2.96% rate on a ten-year long-term, CMHC insured loan. This reflects its ongoing commitment and efforts in lowering interest expense, which is the number one expense item in the Corporation's business.

In Q1, 2012, Mainstreet refinanced $5.9 million matured mortgages into $16.5 million long-term (five to ten-year) CMHC-insured loans at an average rate of 2.85%. Approximately $173 million of mortgage loans are maturing in 2012 through to 2014. Mainstreet is working to refinance those mortgages with long-term CMHC-insured mortgages in order to mitigate interest risk exposure across its portfolio.

OUTLOOK

The Management believes that macro fundamentals are trending in the right direction. In-migration to our key Western Canadian markets continues to be positive, according to CMHC data, while the broader economy in Western Canada is outperforming the rest of the country. These factors should support lower vacancy rates and higher rents.

The Corporation's acquisitions and strong NOI and FFO growth have been achieved in spite of the fact there is room for improvement in terms of concessions, cycle time for stabilization and the vacancy rate across our portfolio of properties. All three are improving incrementally, and as they do, the gains will flow directly to our bottom line.

Meanwhile the Corporation continues to look for strategic acquisitions to utilize the financial and human resources available for its undiluted, organic growth. Mainstreet plans to raise approximately $34 million through refinancing of the matured loans and financing its stabilized properties in 2012.

At this time we are also building a strategy to examine how we may capitalize on the tremendous potential value existing today in the mid-market, add-value apartment space in certain key areas of the United States. Management firmly believes the Corporation cannot ignore the upside potential these markets offer.

Finally, as President of the Corporation I am pleased to report that Mainstreet's stock was among the top ten gainers on the TSX in 2011 and look forward to another year of promising results for our shareholders in 2012.

[Signed]

"Bob Dhillon"
President & CEO

March 5, 2012
Calgary, Alberta

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") provides an explanation of the financial position, operating results, performance and outlook of Mainstreet Equity Corp. ("Mainstreet" or the "Corporation") as at and for the three month financial period ended December 31, 2011 and 2010. The results from the fiscal year 2012 are directly comparable with those from the fiscal year 2011. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic and political conditions. Additionally, other events may occur that could affect the Corporation in the future. This MD&A should be read in conjunction with the Corporation's unaudited condensed financial statements and accompanying notes for the three months ended December 31, 2011 and 2010. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A has been reviewed and approved by the Audit Committee and Board of Directors of the Corporation and is effective as of March 5, 2012. All amounts are expressed in Canadian dollars. Additional information regarding the Corporation is available under the Corporation's profile at SEDAR (www.sedar.com).

Unless indicate otherwise, reference herein to 2011 and 2010 refers to the three month financial periods ended December 31, 2011 and December 31, 2010, respectively.

BUSINESS OVERVIEW

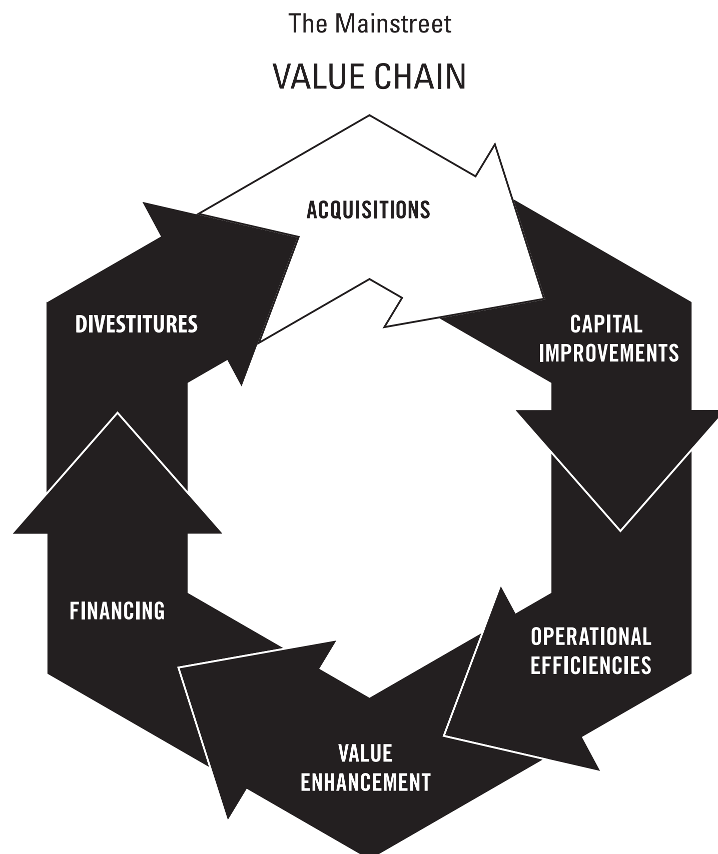
Based in Calgary, Alberta, Mainstreet is a Canadian real estate corporation focused on the acquisition, redevelopment, repositioning and management of mid-market rental apartment buildings in five major Canadian markets: Vancouver/ Lower Mainland, Calgary, Edmonton, Saskatoon and the Greater Toronto Area.

Mainstreet is listed on the Toronto Stock Exchange ("TSX") under the symbol "MEQ".

BUSINESS STRATEGY

Mainstreet's goal is to become Canada's leading provider of affordable mid-sized, mid-market rental accommodations – typically properties with fewer than 100 units. In pursuit of this goal, the Corporation adheres to its six-step "Value Chain" business model:

- Acquisitions: Identify and purchase underperforming rental units at prices well below replacement costs.
- Capital improvements: Increase the asset value of Mainstreet's portfolio by renovating acquired properties.
- Operational efficiencies: Minimize operating costs through professional management, efficient technology and energy-saving equipment.
- Value enhancement: Reposition renovated properties in the market as Mainstreet branded products for higher rents, and build and sustain customer loyalty through high levels of service.
- Financing: Maintain a sound capital structure with access to low-cost, long-term Canada Mortgage and Housing Corporation ("CMHC") insured mortgage loans.
- Divestitures: Occasionally sell mature real estate properties to redirect capital into newer, higher potential properties.



INTERNATIONAL FINANCIAL REPORTING STANDARDS

These interim condensed financial statements of the Corporation have been prepared in accordance with the IFRS. This is the first reporting period that the Corporation adopted the IFRS for its financial reporting.

The impact of the adoption of IFRS for the Corporation's financial reporting as compared the Canadian General Acceptable Accounting Principles ("GAAP") are summarized as follows:

a) Impact of IFRS on the Condensed Statement of Financial Position

The table below summarized the impact of significant differences between Canadian GAAP and IFRS on the Corporation's condensed statement of financial position. All other financial assets and liabilities not specifically addressed were consistent with the Canadian GAAP and are not significantly impacted by the Corporation's adoption of IFRS.

Condensed Statement of Financial Position items	Applicable IFRS Standards	Impact
Presentation of Condensed Statement of Financial Position	IAS 1	The Corporation now presents current and non-current assets and liabilities as separate classifications in its condensed statement of financial position. These were previously presented using reverse liquidity under Canadian GAAP.
Investment Properties	IAS 40	Measured initially at cost and then using fair value model. Gains or losses arising from changes in fair value of investment properties are recognized in profit or loss. Previously used cost model, cost is depreciated over the useful life of the investment properties. (Canadian GAAP). Certain assets previously classified as Revenue Producing Property under Canadian GAAP are re-classified under Property, Plant and Equipment under IFRS.
Property, Plant and Equipment (PP&E)	IAS 16	Similar to Canadian GAAP
Business Combinations	IFRS 3	The acquisition of an asset or group of assets is recorded as a business combination if the assets acquired constitute a business. A business combination must be accounted for by applying the acquisition method. The Corporation has applied the business combination exemption in IFRS1 which allows the Corporation not to apply IFRS 3 retrospectively to any business combination prior to October 1, 2010.
Deferred tax	IAS 12	As a result of using the fair value model to value investment properties under IAS 40, deferred tax liabilities balance has increased.
Mortgages payable	IAS 39	With adoption of IFRS, transactions costs incurred are included and form part of the fair value of mortgage payables in their initial recognition and subsequent measurement of carrying value at amortized cost using effective interest rate method.

b) Impact of IFRS on the Condensed Statement of Profit and Comprehensive Income

The table below summarized the impact of significant differences between Canadian GAAP and IFRSs on the Corporation's Condensed Statement of Profit and Comprehensive Income. All other income statement items not specifically addressed was consistent with the Canadian GAAP and or not significantly impacted by the Corporation's adoption of IFRS:

Condensed Statement of Profit and Comprehensive income items	Applicable IFRS Standards	Impact
Rental income	IAS 1	No significant changes in recognized and recorded rental income. Certain income not directly related to leasing of rental apartments (laundry machines, income from telephone and cable providers and other miscellaneous income) was reported as ancillary rental income.
Financing cost	IAS 39	The Corporation had elected to account for all transaction costs incurred in mortgages in net income as financing costs under Canadian GAAP. With adoption of IFRS, all transactions costs form part of the fair value of mortgage payables in their initial recognition and subsequent measurement of carrying value at amortized cost using effective interest rate method.
Depreciation	IAS 16, IAS 40	The Corporation adopted the fair value model to account for its investment properties under which, the depreciation is not recorded. There is no difference between the Canadian GAAP and IFRS in the depreciation of the assets classified as Property, Plant and Equipment.
Deferred tax	IAS 12	As a result of using the fair value model to value investment properties under IAS 40, deferred tax expense has increased.
Analysis of expenses	IAS 1	An analysis of expenses is required either by nature or by function on the face of the condensed statement of comprehensive income. There is no requirement under Canadian GAAP for expenses to be classified according to their nature or function. The Corporation currently classified its major expenses under "Property Operating Expenses" and "General and Administrative Expenses". The Corporation considers that the current expenses classification can provide more useful information to the users of its condensed financial statements in the real estate.

c) Impact of IFRS on the Statement of Cash Flow

There were no material adjustments to the statement of cash flow as a result of the conversion to IFRS except that fair value gain and deferred tax were included as items not affecting cash in the cash flow statement.

Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's equity as of October 1, 2010, December 31, 2010 and September 30, 2011:

	Share Capital	Retained earnings	Contributed reserves	Total Shareholders Equity (deficit)
Balance as reported under Canadian GAAP, October 1, 2010	$ 26,214	$ (37,924)	$ 3,187	$ (8,523)
Fair value adjustments represent the cumulative unrealized gain in respect of the fair value of investment properties		$ 357,005		$ 357,005
Adjustments on financing cost as a result of incorporating transaction cost to mortgage loan in its initial recognition and using amortized cost as subsequent measurement		$ 6,113		$ 6,113
Adjustments to taxes reflecting the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP		$ (99,753)		$ (99,753)
Balance as reported under IFRS, October 1, 2010	$ 26,214	$ 225,441	$ 3,187	$ 254,842
Balance as reported under Canadian GAAP, December 31, 2010	$ 26,258	$ (38,461)	$ 3,187	$ (9,016)
Fair value adjustments represent the cumulative unrealized gain in respect of the fair value of investment properties		$ 381,001		$ 381,001
Adjustments on financing cost as a result incorporating transaction cost to mortgage loan in its initial recognition and using amortized cost as subsequent measurement		$ 6,494		$ 6,494
Adjustments to taxes reflecting the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP		$ (106,336)		$ (106,336)
Balance as reported under IFRS, December 31, 2010	$ 26,258	$ 242,698	$ 3,187	$ 272,143
Balance, as reported under Canadian GAAP September 30, 2011	$ 26,762	$ (40,984)	$ 3,096	$ (11,126)
Fair value adjustments represent the cumulative unrealized gain in respect of the fair value of investment properties		$ 448,318		$ 448,318
Adjustments on financing cost as a result incorporating transaction cost to mortgage loan in its initial recognition and using amortized cost as subsequent measurement		$ 7,216		$ 7,216
Adjustments in taxes reflecting the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP		$ (115,960)		$ (115,960)
Balance as reported under IFRS, September 30, 2011	$ 26,762	$ 298,590	$ 3,096	$ 328,448

Reconciliation of profit and comprehensive income as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's profit and comprehensive income for the year ended September 30, 2011 and three months ended December 31, 2010.

	Year ended Sep. 30, 2011	3 months ended Dec. 31, 2010
Net loss and comprehensive loss under GAAP	$ (3,048)	$ (525)
Depreciation expense taken out as a result of applying the fair value model for investment properties	$ 14,328	$ 3,335
Fair value adjustments on investment properties for the period	$ 76,985	$ 20,661
Adjustments on financing cost as a result of incorporating transaction cost to mortgage loan in its initial recognition and using amortized cost as subsequent measurement	$ 1,103	$ 381
Adjustments reflecting the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP	$ (16,207)	$ (6,583)
Net profit and comprehensive income under IFRS	$ 73,161	$ 17,269

Investment properties

Investment properties are properties held to earn rental income and are initially measured at costs. Costs include price and any direct attributable expenditure related to the acquisition and improvement of the properties. All costs associated with upgrading the quality and extending the economic life of the investment properties are capitalized as additional cost of investment properties.

After initial recognition, the Corporation adopts the fair value model to account for the carrying value of investment properties in accordance with IAS 40.

Method used in determining the Fair Value of investment properties

The fair value of investment properties are determined by independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in relevant locations or based on the purchase cost which, Management believes is a close estimate of the fair value of an investment property at the time of acquisition.

The fair value of investment properties is re-assessed annually by independent third party qualified appraisers for the Corporation's annual financial reporting. In addition, the Corporation has established an internal valuation model which is based on the estimated changes in market conditions of the underlying assumptions used since the last annual appraisal to determine the fair value of investment properties for its interim reporting. Estimated changes in market conditions of the underlying assumptions for interim periods are assessed by the independent third party qualified appraisers who performed the annual fair value assessments.

The direct capitalization method was used to convert an estimate of a single year's income expectancy into an indication of value in one direct step by dividing the income estimate by an appropriate capitalization rate.

The fair values are most sensitive in net operating income and capitalization rates. The average capitalization rates used in determining the fair value of investment properties are set out below:

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
Surrey, BC	**5.81%**	5.81%	5.80%
Abbotsford, BC	**5.63%**	5.63%	5.73%
Calgary, AB	**5.43%**	5.43%	5.42%
Edmonton, AB	**6.15%**	6.15%	6.21%
Saskatoon, SK	**7.51%**	7.51%	7.96%
Greater Toronto Area, ON	**6.00%**	6.00%	6.51%
Overall	**5.93%**	5.93%	6.04%

Acquisitions & Growth

(000s of dollars)

Three months ended December 31,	2011	2010
	Calgary, Edmonton, and Saskatoon	Calgary, Edmonton and Surrey
Number of rental units	435	510
Total costs	$ 42,076	$ 43,392
Average price per unit	$ 97	$ 85
Office building – Calgary		$ 3,800

Following a strict set of criteria, Mainstreet identifies and acquires underperforming rental properties that offer the potential to enhance the Corporation's asset value and its long-term revenues through increased rental rates. In Q1 2012, Mainstreet purchased 435 apartment units in Calgary, Edmonton and Saskatoon for $42.1 million – an average purchase price of $97,000 per unit. Since Mainstreet's previous financial year-end (September 30, 2011), the Corporation has grown its portfolio of properties by 6%. Mainstreet's portfolio now includes 7,797 residential units, which include townhouses, garden-style apartments and concrete mid-rise and high-rise apartments.

As of December 31, 2011, 91% of these residential units were rented, while 6% were being renovated and the remainder left vacant because of current market conditions.

Since 1997, the Corporation's portfolio has increased from 10 to 169 buildings (including one office building), while the fair value of the properties within this portfolio has grown from approximately $17 million to $956 million as of December 31, 2011.

The following table sets forth the growth of the Corporation by region since the end of the previous financial year ended September 30, 2011.

	Number of units as of Oct. 1, 2011	Acquisition during the three month period ended Dec. 31, 2011	Number of units as of Dec. 31, 2011	% Growth
Surrey, BC	1,360	–	1,360	0%
Abbotsford, BC	731	–	731	0%
Calgary, AB	1,468	69	1,537	5%
Edmonton, AB	2,314	348	2,662	15%
Saskatoon, SK	825	18	843	2%
Mississauga and Toronto, ON	664	–	664	–
Total units	7,362	435	7,797	6%

As of December 31, 2011, Mainstreet owned and managed a total of 7,797 residential units. Details of Mainstreet's properties are set forth in the tables below.

Surrey, BC	Address	# of Units	Apartment Type
Pacific Park Apartments	9450 – 128 Street	288	Garden style
Cedartree Village	7155/7185 Hall Road & 13485 – 71 Ave.	228	Garden style
Imperial Park Apartment	9555 – 126 Street	204	Garden style
Greenwood Apartments	14831/14881 104 Ave. & 14840 – 105 Ave.	183	Garden style
Ashley Court	14921 – 104 Street	150	Garden style
Gateway Apartments	11022 – 136 Street	133	Garden style
Regent Place Apartments	14918 – 108 Street	102	Garden style
Hillside Apartments	10320/66 – 127A Street	72	Garden style
Surrey, BC – Total		**1,360**	

Abbotsford, BC	Address	# of Units	Apartment Type
Chelsea	33710 Marshall Road	114	Garden style
Hill-Tout	2485 Hill-Tout Street	92	Garden style
Pinetree	2525/2585 Hill-Tout Street	89	Condo complex
Mount View	33136 George Ferguson Way	84	Garden style
Sunshine	33184 George Ferguson Way	69	Condo complex
Dahlstrom	32030 George Ferguson Way	60	Garden style
Bridgeport	33405 Bourquin Place	60	Garden style
Villa Vista	33292 Robertson Ave.	48	Garden style
Villa Monaco	33263 Bourquin Crescent East	44	Garden style
Hillside Terrace	2814 Pratt Crescent	37	Garden style
Royal	33298 Robertson Road	34	Garden style
Abbotsford, BC – Total		731	

Calgary, AB	Address	# of Units	Apartment Type
Trevella Park	1300 – 42 Street SE	218	Townhouse complex
Bonaventure	205 Heritage Drive SE	195	Garden style
Falconcrest Village	360 Falshire Drive NE	176	Garden style
Doverglen Estates	216 Doverglen Crescent. SE	98	Garden style
Avenue Towers	333 – 17 Avenue SW	89	Concrete hi-rise
Windsor Green	4610 Hubalta Rd. SE	88	Garden style
Haddon	50 Haddon Road SW	69	Concrete mid-rise
Glenbow Manor	4646 – 73 Street NW	50	Garden style
Mainstreet Place	1122 – 8 Avenue SW	50	Concrete hi-rise
Delburn House	1419 – 17 Avenue NW	47	Garden style
Cochrane House	205 Ross Avenue (Cochrane, AB)	42	Garden style
White Plains	2620 – 16 Street SW	34	Concrete mid-rise
Vintage	528 & 530 – 15 Ave SW	32	Concrete mid-rise
The Westwinds	211 – 14 Avenue SW	31	Concrete mid-rise
Anna Court	4508 – 8 Avenue SE	30	Garden style
The Wilmax	1212 – 13 Avenue SW	30	Concrete hi-rise
Maggie Manor	1439 – 37 Street SW	27	Garden style
1612	1612 – 24 Avenue SW	24	Concrete hi-rise
Bankview Place	1715 – 24 Avenue SW	24	Garden style
Chinook Winds	707 – 57 Avenue SW	24	Garden style
Westview Terrace	1611 – 23 Avenue SW	24	Concrete hi-rise
Lincoln	2107/2111 – 54 Avenue SW	23	Garden style
North Hill Manor	305 – 13 Avenue NE	23	Concrete mid-rise
Floyd	1607 – 4 Street NW	22	Garden style
Spring Garden Terrace	1723 – 26 Avenue SW	21	Garden style
Grace Apartments	1639 – 26 Avenue SW	18	Garden style
Westbrook Manor	937 – 37 Street SW	18	Concrete mid-rise
2501	2501 – 15 Street SW	10	Garden style
Calgary, AB –Total		1,537	

Edmonton, AB	Address	# of Units	Apartment Type
Hampton Court	16404/16424 – 105 St NW	150	Garden style
Wedgewood Homes	12269 – 131 Street	132	Townhouse complex
Clareview Court	3830 – 134 Avenue	86	Townhouse complex
Oakmount	10710/10720/10730 – 110 Street NW	72	Garden style
Hartford	11819 – 106 Street	71	Garden style
Riverside Estates	9209/9315 Jasper Avenue	66	Garden style
McCam 2	10325 – 123 Street	66	Garden style
Bannerman	2604 to 2608 – 139 Avenue	64	Townhouse complex
Trinity A & B	10720/30 – 104 Street	62	Garden style
Cornerstone	10040 – 152 Street	48	Concrete mid-rise
Ross	103220 – 113 A ST	48	Garden style
Granville	10605 – 112 Street	43	Garden style
Lauderdale Manor	10504 Lauder Avenue	39	Townhouse complex
Second Street Manor	10620 – 102 Street	38	Garden style
Seventh Street Manor	10716 – 107 Street	38	Garden style
Whitehouse	10136 – 153 Street	36	Garden style
Gilford	10638 – 106 Street	35	Garden style
Majestic	11416 – 124 Street	33	Garden style
Wellington	10730 – 111 Street	33	Garden style
McCam 1	10330 – 123 Street	33	Garden style
McCam 4	10235 – 123 Street	33	Garden style
Hilton Manor	10633 – 111 ST NW	33	Garden style
Hudson	10625 – 117 ST	33	Garden style
Waselenak	10720 – 108 Street	33	Garden style
Nova Manor	15628 – 100 Ave	32	Garden style
Marc	8215 – 144 Avenue	31	Garden style
Oliver 3 Apartments	10330 – 115 St NW	31	Garden style
Eileen	10735 – 104 Street	30	Garden style
Virginian	10615 – 107 Street	29	Garden style
Deluca	10128 – 161 Street	27	Garden style
McQueen Place	14224 McQueen Road	27	Garden style
Queen Mary	10835 – 115 Street	26	Garden style
Elizabeth Manor	11334 – 124 Street	25	Concrete mid-rise
Twilight	10723 – 102 Street	24	Garden style
Tiffany	10721 – 117 Street	24	Garden style
Argyll A	7109 – 79 Street	24	Garden style
Argyll B	7108 – 78 Avenue	24	Garden style
Priya	10711 – 103 Street	24	Garden style
Leamington	10125 – 114 Street	24	Garden style
Washington	10715 – 104 Street	24	Garden style
Oasis	10155 – 153 Street	24	Garden style
Malibu	10717 – 107 Street	24	Garden style
Vista Green	10610 – 115 Street	23	Garden style
Karen Hall	9451 – 94 Avenue, Ft. Sask	23	Garden style

Edmonton, AB (con't)	Address	# of Units	Apartment Type
Oliver 1 Apartments	10320 – 115 St NW	23	Garden style
Oliver 4 Apartments	10315 – 116 St NW	23	Garden style
Byron	10650 – 103 Street	23	Garden style
Cypress	10745 – 110 Street	22	Garden style
Lorraine	10727 – 110 Street	22	Garden style
Villa	11217 – 124 Street	22	Garden style
Amera Manor	11615 – 124 Street	22	Garden style
Somerset	10710 – 111 Street	22	Garden style
McLaren	10720 – 111 Street	22	Garden style
Dickens	10325 – 117 Street	22	Garden style
Kane	10316 – 119 Street	22	Garden style
Carina Court	10610 – 106 Street	22	Garden style
McCam 3	10320 – 123 Street	22	Garden style
Oliver 2 Apartments	10325 – 115 St NW	22	Garden style
Norland	10630 – 115 Street	22	Garden style
Hansen	10630 – 112 Street	22	Garden style
Murray	11906 – 104 Street	21	Garden style
Taurus	11937 – 105 Street	21	Garden style
Grand	11919 – 105 Street	21	Garden style
King Edward	7108 – 79 Avenue	21	Garden style
Prairie	11820 – 101 Street	21	Garden style
Chelsey	10730 – 109 Street	20	Garden style
Dorset	11708 – 124 Street	20	Garden style
Rockhill	11930 – 104 Street	18	Garden style
Alexandra	12220 – 82 Street	18	Garden style
Pine	10741 – 112 Street	18	Garden style
Erin Place	11828 – 105 Street	17	Garden style
Ariel	10729 – 104 Street	17	Garden style
Grace Manor	10634 – 113 Street	17	Garden style
Pride	13608 – 109A Avenue	17	Garden style
Plaza	11841 – 105 Street	17	Garden style
Shardan	10224 – 122 Street	17	Garden style
Aspen	12207 – 82 Street	15	Garden style
Westmore	10820 – 114 Street	15	Garden style
Massimo	11717 – 48 Street	15	Garden style
Serenity	10416 – 119 Street	15	Garden style
Berkley Manor	10810 – 114 Street	15	Garden style
Willow	10303 – 120 Avenue	15	Garden style
Capital	10125 – 152 Street	15	Garden style
Salem	10819 – 115 Street	15	Garden style
Cedarwood Arms	10614 – 122 Street	14	Garden style
Madison	11807 – 102 Street	14	Garden style
Eastwood	11920 – 82 Street	13	Garden style
Edmonton, AB – Total		2,662	

Saskatoon, SK	Address	# of Units	Apartment Type
Fairhaven	365 Pendygrasse Road	165	Garden style
Meadow Green	517/521 Avenue X	72	Garden style
Coronation	444 – 5 Avenue North	35	Garden style
Kewanee	502 – 5 Avenue N	35	Garden style
Belmae	445 – 3 Avenue N	33	Garden style
Park Manor	102 Avenue O. S.	31	Garden style
Camino	115 Avenue O. S.	31	Garden style
Montrose	305 – 26 Street E	30	Garden style
Parkview	445 – 5 Avenue N	26	Garden style
Booth	106 – 111 Street	24	Garden style
Diane	541 Avenue W	24	Garden style
Key West	135 Avenue W South	24	Garden style
Peat	3701 – 8 Street E	24	Garden style
Pisces	1622 – 22 Street	24	Garden style
Libra	202 Avenue N South	19	Garden style
Diane 2	2310 – 17 Street	18	Garden style
Preston	909 Preston Avenue	18	Garden style
Linde	1101 Avenue W North	18	Garden style
Aquarius Place	2014 – 20th Street West	18	Garden style
Scorpio	114 Avenue T South	18	Garden style
Preston 2	905 Preston Ave	18	Garden style
Laurentein	2513 – 7 Street	17	Garden style
St. Paul	1701 – 20 Street West	17	Garden style
Leo Manor	355 Avenue T S	16	Garden style
Victoria Park	612 Spadina Cres. W	15	Garden style
Gemini Court	403 Avenue P South	15	Garden style
Duchess	901 – 5 Avenue	12	Garden style
Raydel	339 Avenue Q south	12	Garden style
Kerpel	131 Avenue P south	12	Garden style
Pleasant	1628 – 22 Street West	11	Garden style
Capricorn	128 Avenue O S	11	Garden style
Saskatoon, SK – Total		843	

Greater Toronto Area, ON	Address	# of Units	Apartment Type
Woolner Apartments	220/230 Woolner Avenue	260	Concrete hi-rise
Caravelle Apartments	5 Dufresne Court	218	Concrete hi-rise
Westdale Apartments	1175 West Dundas	104	Concrete hi-rise
North Service	275 North Service Road	82	Concrete hi-rise
Greater Toronto Area – Total		664	

Total Mainstreet Portfolio	7,797

CAPITAL IMPROVEMENTS

Mainstreet's "Value Chain" business philosophy focuses on creating value in its capital assets by renovating newly acquired properties and enhancing operating efficiencies. Every property and rental unit is upgraded to meet Mainstreet's branded standard, which creates an attractive product while reducing operating costs and enhancing long-term asset value. Capital investment also includes expenses incurred on turnover units.

In Q1 2012, the Corporation spent $3.1 million on property improvements – specifically for exterior upgrades such as new roofs, new siding and insulation and for interior upgrades such as new flooring and paint, new appliances and energy-efficiency measures. To address the balance of non-renovated units in the current portfolio, Mainstreet plans to spend an estimated $12.0 million on renovations for 2012, of which approximately $8.0 million is budgeted for stabilization of unstabilized properties. These improvements are expected to be financed through existing cash balances, funds from operations and on-going refinancing of existing properties. Mainstreet expects to complete most of these renovations within the next 6 to 24 months. Revenue and income are expected to increase over time as more units are renovated and reintroduced to the market at higher rental rates.

Uncertainties affecting future revenue and income include the rate of turnover of existing tenants, availability of renovation workers, and increases in labour and material costs, all of which will have material impact on the timing and cost of completing these renovations.

Financing

Debt financing after property stabilization and maturity of initial loans is a cornerstone of Mainstreet's business strategy. Management believes this unlocks the value added through stabilization and liberates capital for future growth. It also mitigates the risk of anticipated interest rate hikes and minimizes the costs of borrowing. Mainstreet continually refinances as much floating and maturing debt as possible into long-term, primarily CMHC-insured mortgages at lower interest rates.

In Q1 2012, Mainstreet refinanced $5.9 million matured mortgages for $16.5 million in long-term (5 to 10-years), CMHC-insured mortgages at an average interest rate of 2.85%.

Subsequent to December 31, 2011, Mainstreet has raised $19 million through financing of 10 stabilized investment properties in 10 years CMHC insured mortgages at an average interest rate of 3.10%.

Vacancy Rates

Mainstreet reduced its overall average vacancy rate to 8.7% in Q1 2012 from 11.2% in Q1 2011. As of March 1, 2012, the average vacancy rate dropped to 5.0%. Excluding 132 un-rentable units currently undergoing complete re-development, the average vacancy rate was 3.3%.

REVIEW OF FINANCIAL & OPERATING RESULTS

Summary of Financial Results

(000s of dollars except per share amounts)

Three months ended December 31		2011		2010	% change from 2010
Gross revenue	$	17,296	$	15,332	13%
Profit	$	4,772	$	17,269	(72%)
Funds from operations [1]	$	3,447	$	3,033	14%
Net Operating income [2]	$	11,096	$	10,064	10%
Operating margin		64%		65%	(2%)
EBITDA [3]	$	9,501	$	8,491	12%
Earnings per share					
– basic	$	0.46	$	1.66	(72%)
– fully diluted	$	0.43	$	1.58	(73%)
Funds from operations per share					
– basic	$	0.33	$	0.29	14%
– fully diluted	$	0.31	$	0.28	11%
Weighted average number of shares					
– basic		10,401,281		10,376,281	0%
– fully diluted		11,102,371		10,907,724	2%
Total assets	$	969,449	$	822,307	18%
Total long term liabilities	$	575,337	$	476,705	21%

1. Funds from operations ("FFO") are calculated as profit before fair value gain (loss), depreciation of property, plant and equipment and deferred income taxes. FFO is a widely accepted supplemental measure of a Canadian real estate company's performance but is not a recognized measure under IFRS. The IFRS measurement most directly comparable to FFO is profit (for which reconciliation is provided below). FFO should not be construed as an alternative to profit or cash flow from operating activities, determined in accordance with IFRS, as an indicator of Mainstreet's performance. Readers are cautioned that FFO may differ from similar calculations used by other comparable entities.

2. Net operating income ("NOI") is rental revenue minus property operating expenses. While Mainstreet uses NOI to measure its operational performance, it is not a recognized measure under IFRS. The IFRS measure most directly comparable to NOI is profit. NOI should not be construed as an alternative to profit determined in accordance with GAAP. Readers are cautioned that NOI may differ from similar calculations used by other comparable entities. A reconciliation of profit to net operating income for the period is as follows:

(000s of dollars)

Three months ended December 31		2011		2010	% change
Profit and comprehensive income	$	4,772	$	17,269	(72%)
Interest income	$	(4)	$	(14)	(71%)
Gain on settlement on debt	$	–	$	(40)	(100%)
Fair value gain	$	(2,977)	$	(20,661)	(86%)
General and administrative expenses	$	1,599	$	1,627	(2%)
Mortgage interest	$	5,617	$	4,991	13%
Financing cost	$	437	$	467	(6%)
Depreciation	$	52	$	27	93%
Deferred tax	$	1,600	$	6,398	(75%)
Net operating income	$	11,096	$	10,064	10%

3. EBITDA is earnings before fair value gain (loss), interest, financing cost, taxes, depreciation and amortization and is used by Mainstreet to measure financial performance. EBITDA is not, however, a recognized measure under IFRS. Management believes EBITDA is a useful supplemental measure to profit, providing investors with an indicator of cash available for distribution, future growth and capital expenditure. The IFRS measure most directly comparable to EBITDA is profit. EBITDA should not be construed as an alternative to profit determined in accordance with IFRS. Readers are cautioned that EBITDA may differ from similar calculations used by other comparable entities. A reconciliation of profit to EBITDA for the period is as follows:

(000s of dollars)

Three months ended December 31		2011		2010	% change
Profit and comprehensive income	$	4,772	$	17,269	(72%)
Mortgage interest	$	5,617	$	4,991	13%
Financing cost	$	437	$	467	(6%)
Fair value gain	$	(2,977)	$	(20,661)	(86%)
Depreciation	$	52	$	27	93%
Income taxes	$	1,600	$	6,398	(75%)
EBITDA from continuing operations	$	9,501	$	8,491	12%

FUNDS FROM OPERATIONS

Management believes that FFO, as defined in the preceding footnote, is a key measure of a real estate company's performance. Mainstreet generates FFO from three sources: rental revenue and ancillary rental income from investment properties, sale of properties acquired for resale purposes and the periodic sale of investment properties. Mainstreet generally reinvests the proceeds from the latter into investment properties with greater potential for long-term returns.

(000s of dollars)

Three months ended December 31		2011		2010	% change
Profit and comprehensive income	$	4,772	$	17,269	(72%)
Fair value gain	$	(2,977)	$	(20,661)	(86%)
Depreciation	$	52	$	27	93%
Deferred income tax	$	1,600	$	6,398	(75%)
Funds from operations	$	3,447	$	3,033	14%
Funds from operations per common share					
– basic	$	0.33	$	0.29	
– diluted	$	0.31	$	0.28	

In Q1 2012, Mainstreet's FFO increased to $3.4 million – up 14% from $3.0 million in Q1 2011 – as a result of increased rental revenues and a decline in the average vacancy rate.

Mainstreet reported a profit of $4.8 million ($0.46 per basic share) in Q1 2012, compared with $17.3 million ($1.66 per share) in Q1 2011. The profit in Q1 2012 and Q1 2011 included fair value gain of $3.0 million and $20.7 million, respectively.

REVENUES

(000s of dollars)

Three months ended December 31		2011		2010	% change
Rental revenue	$	17,075	$	15,005	14%
Ancillary rental income	$	221	$	327	(32%)
Gain on settlement on debt	$	–	$	40	–
Interest income	$	4	$	14	(71%)
Gross revenues	$	17,300	$	15,386	12%

Rental revenue increased by 14% (to 17.1 million in Q1 2012 from $15.0 million in Q1 2011) due mainly to growth in the Corporation's portfolio and a decrease in the average vacancy rate.

RENTAL OPERATIONS

(000s of dollars except per unit data)

Three months ended December 31	2011	2010	% change
Same assets rental revenue and ancillary rental income	$ 15,028	$ 14,844	1%
Acquisition rental revenue and ancillary rental income	$ 2,268	$ 488	365%
Total rental revenue	$ 17,296	$ 15,332	13%
Average vacancy rate	8.7%	11.2%	(22%)
Weighted average number of units	7,623	6,759	13%
Average rental rate per unit per month	$ 756	$ 756	–

Rental revenues and ancillary rental income from "same assets" properties (properties owned during the twelve month periods ending December 31, 2011 and 2010) increased by 1% to $15.0 million in Q1 2012 from $14.8 million in Q1 2011. The average vacancy rate has reduced to 8.7% in Q1 2012 from 11.2% in Q1 2011. The rental income gain as a result of reduction in vacancy rate was partially offset by increase in rental incentive and bad debt and reduction in other ancillary rental income such as laundry income.

In Q1 2012, rental revenues from newly acquired properties were $2.3 million – a substantial increase of 365% over Q1 2011. This increase is a result of Mainstreet's acquisition of 1,378 units since October 1, 2010.

RENTAL RATES INFORMATION

The following table set forth a comparison of the current in place rental rates with the market rental rates of Mainstreet's portfolio as of December 31, 2011.

(Per unit per month)

			Avg. Q1 2012 Current Rent		Overall Avg. 2011
Province	Market rent rate	Current rent Rate	Stabilized	Unstabilized	Net rent rate
British Columbia	$ 838	$ 797	$ 812	$ 761	$ 708
Alberta	$ 998	$ 953	$ 983	$ 832	$ 757
Saskatchewan	$ 859	$ 849	$ 851	$ 806	$ 705
Ontario	$ 1,021	$ 990	$ 990	N/A	$ 904
Overall	$ 941	$ 902	$ 927	$ 842	$ 750

OPERATING COSTS

(000s of dollars)

Three months ended December 31	2011	2010	% change
Same assets operating expenses	$ 5,386	$ 5,099	6%
Acquisition operating expenses	$ 814	$ 169	382%
Total operating costs	$ 6,200	$ 5,268	18%
Operating cost per unit	$ 271	$ 260	4%

Overall, operating costs increased 18% to $6.2 million in Q1 2012 compared to $5.3 million in Q1 2011, due mainly to growth in the Corporation's portfolio of properties. Operating costs for "same assets" increased by 6% in Q1 2012 as compared with Q1 2011 mainly due to increased property tax, electricity and repair and maintenance expenses.

RENTAL OPERATIONS BY PROVINCE

Mainstreet manages and tracks the performance of rental properties in each of its geographic markets.

British Columbia

Mainstreet continues to expand its British Columbia operations. The average number of rental units has grown 16% to 2,091 units in Q1 2012 compared to 1,809 units in Q1 2011. As a result, rental revenue increased by 16% to $4.4 million in Q1 2012 compared to $3.8 million in Q1 2011. Rental revenue per unit increased only marginally to $708 per month in Q1 2012 from $706 per month in Q1 2011, while the vacancy rate decreased to 6.7% in Q1 2012 from 11.1% in the same period last year. This was mainly because of acquisition of properties in Abbotsford of which the average rental rate was much lower than the existing portfolio in BC before stabilization.

The operating cost per unit increased by 5% from $240 in Q1 2011 to $253 in Q1 2012 which was mainly due to increase in property tax, repairs and maintenance expenses. As a net result, the operating margin in Q1 2012 decreased to 64% from 66% in Q1 2011.

(000s of dollars except per unit data)

Three months ended December 31		2011		2010	% change
Rental revenue and ancillary rental income	$	4,443	$	3,832	16%
Operating expenses	$	1,585	$	1,303	22%
Net operating income	$	2,858	$	2,529	13%
Weighted average number of units		2,091		1,809	16%
Average rent per unit per month	$	708	$	706	0%
Operating cost per unit per month	$	253	$	240	5%
Average vacancy rate		6.7%		11.1%	
Operating margin		64%		66%	

Alberta

Rental revenue increased by 17% to $9.2 million in Q1 2012 from $7.9 million in Q1 2011, due mainly to a substantial increase in the Corporation's Alberta portfolio to an average of 4,037 units in Q1 2012 from 3,479 units in Q1 2011. Furthermore, the vacancy rate dropped to 9.4% in Q1 2012 from 12.0% in Q1 2011. Rental revenue per unit increased only marginally to $763 per month in Q1 2012 from $759 per month in Q1 2011 mainly due to increase in rent concessions and reduction in ancillary rental income. Operating costs per unit per month increased only slightly by 1% to $252 in Q1 2012 from $249 in Q1 2011. As a net result, the operating margin remained at 67% as compared to Q1 2011.

(000s of dollars except per unit data)

Three months ended December 31		2011		2010	% change
Rental revenue and ancillary rental income	$	9,242	$	7,924	17%
Operating expenses	$	3,048	$	2,596	17%
Net operating income	$	6,194	$	5,328	16%
Weighted average number of units		4,037		3,479	16%
Average rent per unit per month	$	763	$	759	1%
Operating cost per unit per month	$	252	$	249	1%
Average vacancy rate		9.4%		12.0%	
Operating margin		67%		67%	

Saskatchewan

The Corporation's Saskatchewan portfolio grew slightly in Q1 2012. The average number of units in Q1 2012 was 831 – a 3% increase over 807 units in Q1 2011. Rental revenue decreased 3% to $1.8 million in Q1 2012 due mainly to increase in vacancy rate to 12.3% in Q1 2012 from 12.1% in Q1 2011 and reduction in ancillary rental income. Operating expenses increased 17% to $0.6 million in Q1 2012 from $0.5 million in Q1 2011 – primarily the result of increased repair and maintenance expenses. As a result, the overall operating margin decreased to 68% in Q1 2012 compared to 74% in Q1 2011.

(000s of dollars except per unit data)

Three months ended December 31		2011		2010	% change
Rental revenue and ancillary rental income	$	1,778	$	1,825	(3%)
Operating expenses	$	565	$	481	17%
Net operating income	$	1,213	$	1,344	(10%)
Weighted average number of units		831		807	3%
Average rent per unit per month	$	713	$	754	(5%)
Operating cost per unit per month	$	264	$	213	24%
Average vacancy rate		12.3%		12.1%	
Operating margin		68%		74%	

Ontario

Rental revenue increased by 5% to $1.8 million in Q1 2012 from $1.7 million in Q1 2011. Operating costs per unit per month increased to $503 from $446 in Q1 2011 due mainly to increased electricity and repair and maintenance expenses. The overall operating margin decreased to 45% in Q1 2012 from 49% in Q1 2011.

(000s of dollars except per unit data)

Three months ended December 31		2011		2010	% change
Rental revenue and ancillary rental income	$	1,833	$	1,751	5%
Operating expenses	$	1,002	$	888	13%
Net operating income	$	831	$	863	(4%)
Weighted average number of units		664		664	0%
Average rent per unit per month	$	920	$	879	5%
Operating cost per unit per month	$	503	$	446	13%
Average vacancy rate		5.6%		6.6%	
Operating margin		45%		49%	

GENERAL & ADMINISTRATIVE (G&A) EXPENSES

(000s of dollars except per unit data)

Three months ended December 31		2011		2010	% change
Total	$	1,599	$	1,627	(2%)
Per unit per month	$	70	$	80	(13%)

G&A expenses include corporate costs such as salaries and professional fees. The average G&A expense per unit per month over the fiscal year ended December 31, 2011 decreased by 13% to $70 as compared to $80 per unit per month last year.

FINANCING COSTS

(000s of dollars)

Three months ended December 31		2011		2010	% change
Same assets mortgage interest	$	**4,880**	$	4,678	4%
Acquisition mortgage interest [1]	$	**737**	$	313	135%
Total interest expenses	$	**5,617**	$	4,991	13%
Financing charges	$	**437**	$	467	6%

1. Mortgage interest for properties acquired after the financial year ended October 1, 2010.

Mainstreet's "same assets" mortgage interest increased by 4% to $4.9 million in Q1 2012 as compared to $4.7 million in Q1 2011, mainly as a result of refinancing matured debts and floating debts following the stabilization of properties.

During the 3 months ended December 31, 2011, Mainstreet refinanced $5.9 million matured mortgages for $16.5 million mostly in long-term (5 to 10 years), CMHC-insured mortgages at an average interest rate of 2.85%.

SUMMARY OF QUARTERLY RESULTS

(000s of dollars except per share amounts)

	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sep. 30, 2010	Jun. 30, 2010	Mar. 31, 2010
Reporting under:	IFRS	IFRS	IFRS	IFRS	IFRS	GAAP	GAAP	GAAP
Rental revenue	**$ 17,075**	$ 16,549	$ 16,169	$ 15,318	$ 15,005	$ 14,326	$ 13,130	$ 13,060
Interest income	**4**	11	5	25	14	2	15	69
Gain on insurance	**–**	–	35	22	–	–	–	–
Ancillary rental income	**221**	329	246	289	327	–	–	–
Gain on settlement on debt	**–**	–	–	–	$ 40	$ 210	–	–
Total revenue from continuing operations	**$ 17,300**	$ 16,889	$ 16,455	$ 15,654	$ 15,386	$ 14,328	$ 13,145	$ 13,129
Fair value gains	**$ 2,977**	$ 17,587	$ 25,152	$ 13,585	$ 20,661	–	–	–
Profit (loss) for the period	**$ 4,772**	$ 23,851	$ 20,711	$ 11,330	$ 17,269	$ 22	$ (1,556)	$ (1,294)
Per share results								
– basic	**$ 0.46**	$ 2.29	$ 1.99	$ 1.09	$ 1.66	–	$ (0.15)	$ (0.12)
– diluted	**$ 0.43**	$ 2.16	$ 1.88	$ 1.03	$ 1.58	–	–	–

Highlights of the Corporation's financial results for the first quarter ended December 31, 2011:

- During Q1 2012, Mainstreet acquired 435 residential apartment units at an average cost of $97,000 per unit.
- In Q1 2012, the average vacancy rate for the quarter was 8.7% compared to 10.7% in Q4 2011 and 11.2% in Q1 2011.

SAME ASSETS PROPERTIES

"Same assets" properties are properties owned by the Corporation for the entire three month periods ended December 31, 2011 and Q1 2011. As of December 31, 2011, 134 properties (6,419 units) out of Mainstreet's 169 properties (7,797 units) constituted same assets properties.

(000s of dollars)

Three month ended December 31		2011		2010	% change
Same assets – rental and ancillary rental income	$	**15,028**	$	14,844	1%
Same assets – operating costs	$	**5,386**	$	5,099	6%
Same assets – net operating income	$	**9,642**	$	9,745	(1%)
Operating margin		**64%**		66%	

Rental revenues from "same assets" properties (properties owned during the entire three month periods ending December 31, 2011 and 2010) increased by 1% to $15.0 million in Q1 2012 from $14.8 million in Q1 2011. The average vacancy rate has reduced substantially to 7.2% in Q1 2012 from 9.9% in Q1 2011. The rental income gain as a result of reduction in vacancy rate was partially offset by increase in rental incentive and bad debt and reduction in other tenant related income such as laundry, move out charges, etc.

Operating costs for same assets properties increased by 6% mainly due to increased property tax, electricity and repair and maintenance expenses. As a net result, the operating margin in Q1 2012 decreased to 64% from 66% in Q1 2011.

STABILIZED PROPERTIES

Properties acquired over three years ago in Ontario and British Columbia and over two years ago in Alberta and Saskatchewan are classified as stabilized properties, except for those properties acquired for resale and complete redevelopment purposes. As of December 31, 2011, 131 properties (6,190 units) out of 169 properties (7,797 units) were stabilized.

FUNDS FROM OPERATIONS OF STABILIZED PROPERTIES

For Q1 2012, FFO of Mainstreet's stabilized property portfolio amounted to $3.1 million ($0.30 per basic share and $0.28 per fully diluted share).

(000s of dollars except per share amounts)

Three months ended December 31, 2011		Stabilized properties		Non-stabilized properties		Total
Rental and ancillary rental income	$	14,559	$	2,737	$	17,296
Property operating expenses	$	5,167	$	1,033	$	6,200
Net operating income	$	9,392	$	1,704	$	11,096
Operating margin		65%		62%		64%
Vacancy rate		7.1%		15.8%		8.7%
Interest income	$	3	$	1	$	4
Gain on insurance		–		–		–
Gain on early repayment of debt		–		–		–
General & administrative expenses	$	1,215	$	384	$	1,599
Mortgage interest	$	4,701	$	916	$	5,617
Financing cost	$	346	$	91	$	437
Funds from operations	$	3,133	$	314	$	3,447
Funds from operations per common share						
– basic	$	0.30	$	0.03	$	0.33
– diluted	$	0.28	$	0.03	$	0.31

Comparing to Q1 2011, FFO of the stabilized property portfolio increased by 7% to $3.1 million, while the number of stabilized units increased by 9% to 6,190 units as of December 31, 2011 compared to 5,700 units as of December 31, 2010.

(in 000s)

Three months ended December 31		2011		2010	% change
Stabilized FFO	$	3,133	$	2,923	7%
Number of stabilized units		6,190		5,700	9%

LIQUIDITY & CAPITAL RESOURCES

Working Capital Requirement

Mainstreet requires sufficient working capital to cover day-to-day operating and mortgage expenses as well as income tax payments. In the three month period ended December 31, 2011, after payments of all required expenses, the Corporation generated funds from operations of $3.4 million. The Corporation has an operating line of credit of $15 million from which $11 million has been drawn. The Corporation expects that funds generated from operations and the existing operating line of credit will be sufficient to meet its working capital requirements in 2012.

Management expects that funds generated from operations will continue to grow when more units are renovated and re-introduced to the market at higher rental rates and that these funds should be sufficient to meet the Corporation's working capital requirements on a year-to-year basis going forward.

Other Capital Requirements

Mainstreet also needs sufficient capital to finance continued growth and capital improvement. As of December 31, 2011, the Corporation had an acquisition line of credit in an amount of $15 million, from which $10 million has been drawn. In addition to approximately $5 million still available on this acquisition line of credit, Mainstreet expects to raise approximately $34 million in the fiscal year 2012 by refinancing existing mortgages on maturity and obtaining mortgage loans on some of the clear titled assets after stabilization to long-term, CMHC-insured mortgages. The Corporation's policy for capital risk management is to maintain a debt-to-fair value of investment properties ratio of 70%. The current ratio is approximately 54%, which Management believe will leave considerable room for raising additional funds from refinancing.

As of December 31, 2011, the Corporation owned the following 21 clear title properties with fair value of approximately $75 million:

(000s of dollars except unit information)

Property	Number of units	Cost of Acquisition		Fair Value	
33710 Marshall Road, Abbotsford, BC	114	$	7,580	$	13,100
528 & 530 – 15th Avenue SW, Calgary, AB	32	$	3,600	$	4,910
33136 George Ferguson Way, Abbotsford, BC	84	$	8,300	$	9,850
33405 Bourquin Place, Abbotsford, BC	60	$	5,400	$	7,350
103220 – 113A Street, Edmonton, AB	48	$	4,207	$	5,100
33292 Robertson Avenue, Abbotsford, BC	48	$	3,436	$	5,000
33263 Bourquin Cr. East, Abbotsford, BC	44	$	3,178	$	4,600
10625 – 117 Street, Edmonton, AB	33	$	2,893	$	3,150
3701 – 8 Street E, Saskatoon, SK	24	$	1,824	$	2,675
1622 – 22 Street, Saskatoon, SK	24	$	921	$	2,340
10125 – 114 Street, Edmonton, AB	24	$	1,103	$	830
7108 – 79 Avenue, Edmonton, AB	21	$	1,911	$	2,400
202 Avenue N South, Saskatoon, SK	19	$	830	$	1,550
2014 – 20 Street West, Saskatoon, SK	18	$	494	$	1,550
114 Avenue T South, Saskatoon, SK (Note 1)	18	$	342	$	1,685
355 Avenue T South, Saskatoon, SK	16	$	422	$	1,440
11717 – 48 Street, Edmonton, AB	15	$	645	$	1,700
403 Avenue P South, Saskatoon, SK	15	$	398	$	1,290
11920 – 82 Street, Edmonton, AB	13	$	800	$	1,330
128 Avenue O, Saskatoon, SK	11	$	455	$	910
905 Preston Avenue East, Saskatoon, SK	18	$	1,530	$	1,650
Multi-family developing lot, 33283 Bourquin Cr. E, Abbotsford, BC	–	$	306	$	450
Total as of December 31, 2011	699	$	50,575	$	74,860

Properties pledged as securities of line of credit

(000s of dollars except unit information)

Property	Number of units	Cost of Acquisition		Fair Value	
205 Ross Avenue, Calgary, AB	42	$	3,607	$	5,800
326 & 328 – 18 Avenue SW, Calgary, AB	7		–	$	1,020
305 – 10 Avenue SE, Calgary, AB (Mainstreet Head Office)	–	$	3,800	$	5,000
Total as of December 31, 2011	49	$	7,407	$	11,820

If required, Mainstreet believes it could easily raise additional capital funds through mortgage financing at competitive rates under which these clear title properties would be pledged as collateral. Management believes these resources will be sufficient to meet other on-going capital requirements in the near and medium terms.

CONTRACTUAL OBLIGATIONS

As of December 31, 2011, the Corporation had the following contractual obligations, which are anticipated to be met using the existing line of credit, funds from operations and proceeds from the refinancing of maturing and floating mortgage loans.

PAYMENTS DUE BY PERIOD

Estimated principal payments required to retire the mortgage obligations as of December 31, 2011 are as follows:

(000s of dollars)

Year		Amount
2013	$	32,296
2014	$	100,330
2015	$	64,930
2016	$	53,496
2017	$	68,602
Subsequent	$	184,397
Deferred financing cost	$	(7,592)
	$	496,459

LONG-TERM DEBT

(000s of dollars)

	Amount	% of debt	Avg. interest rate
Fixed rate debt			
– CMHC-insured	412,840	82%	4.45%
– non-CMHC-insured	76,082	15%	4.63%
Total fixed rate debt	488,922	97%	4.48%
Floating rate debt	15,129	3%	4.25%
– non-CMHC-insured	504,051	100%	4.47%
Deferred financing cost	(7,592)		
	496,459		

Mainstreet's long-term debt consists primarily of low-rate, fixed-term mortgage financing. All individual mortgages are secured with their respective real estate assets. Based largely on the fair value of properties, Management believes this financing reflects the strength of its property portfolio. The maturity dates for this debt are staggered to mitigate overall interest rate risk.

As of December 31, 2011, mortgages payable were $496 million compared to $470 million on December 31, 2010 – an increase of 6% due to additional mortgages assumed and raised for acquisitions and refinancing during the twelve-month period ended December 31, 2011.

At December 31, 2011, Management believes the Corporation's financial position to be stable, with overall mortgage levels reported at 54% of fair value of investment properties. About 82% of the Corporation's mortgage portfolio was CMHC-insured, providing Mainstreet with interest rates lower than those available through conventional financing.

To maintain cost-effectiveness and flexibility of capital, Mainstreet continually monitors short-term and long-term interest rates. When doing so is expected to provide a benefit, the Corporation intends to convert short-term floating-rate debt to long-term, CMHC-insured fixed-rate debt.

MORTGAGE MATURITY SCHEDULE

(000s of dollars)

Maturing during the following financial year end		Balance maturing	% of debt maturing	Weighted average rate on expiry (%)
2012	$	25,616	5%	4.64%
2013	$	66,283	13%	4.36%
2014	$	81,428	16%	3.96%
2015	$	47,409	9%	4.57%
2016	$	52,622	10%	4.70%
Subsequent	$	230,693	46%	4.60%
	$	504,051	100%	4.47%

Approximately 5% of Mainstreet's mortgage loans will mature within the next 12 months due mainly to the acquisition of undervalued properties, all of which require renovation. Upon acquisition, these properties are financed through short-term, floating-rate loans. When the properties are stabilized, Mainstreet seeks to refinance these short-term loans under long-term, CMHC-insured mortgages.

INTERNAL CONTROL

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed an internal control framework to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Corporation's Internal Control over Financial Reporting (ICFR) is Risk Management and Governance – Guidance on Control, published by the Canadian Institute of Chartered Accountants. The CEO and CFO have concluded that the design and operation of the Corporation's disclosure controls and procedures were not effective as of December 31, 2011 due to the deficiencies noted in the following paragraph.

The Corporation identified internal control deficiencies that are not atypical for a Corporation of this size including lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters. However, management believes that at this time, the potential benefits of adding employees to clearly segregate duties do not justify the costs associated with such increase. The risk of material misstatement is mitigated by the direct involvement of senior management in the day-to-day operations of the Corporation and review of the financial statements and disclosures by senior management, the members of Audit Committee and the Board of Directors. These mitigating procedures are not considered sufficient to reduce the likelihood that a material misstatement would not be prevented or detected. There were no changes during the Q1 2012 to material weaknesses in internal controls over financial reporting.

FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Fair Value of Financial Assets & Liabilities

The Corporation's financial assets and liabilities comprise restricted cash, cash and cash equivalents, accounts receivable, other receivables and prepaid assets, mortgages, accounts payable, and refundable security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of restricted cash, cash and cash equivalents, accounts receivable, other receivables and prepaid assets, accounts payable, and refundable security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair values of mortgages are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages. In identifying the appropriate level of fair value, the Corporation performs a detailed analysis of the financial assets and liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy categorized as follow:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities were as follows:

(000s of dollars)

		December 31, 2011		September 30, 2011		October 1, 2010	
	Fair Value Hierarchy	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:							
Restricted cash	NA	**$ 2,152**	**$ 2,152**	$ 1,818	$ 1,818	$ 1,608	$ 1,608
Cash and cash equivalents	NA	**2,075**	**2,075**	1,166	1,166	1,419	1,419
Trade and other receivables	NA	**2,587**	**2,587**	2,655	2,655	1,323	1,323
Pre-paid assets	NA	**2,108**	**2,108**	1,351	1,351	1,200	1,200
Financial liabilities:							
Bank indebtedness	NA	**22,723**	**22,723**	5,177	5,177	–	–
Mortgages payable	NA	**496,459**	**548,800**	470,314	489,005	394,565	411,568
Trade and other payables	NA	**4,659**	**4,659**	4,646	4,646	5,022	5,022
Refundable security deposits	NA	**$ 2,791**	**$ 2,791**	$ 2,604	$ 2,604	$ 2,263	$ 2,263

RISK ASSOCIATED WITH FINANCIAL ASSETS & LIABILITIES

The Corporation is exposed to risks arising from its financial assets and liabilities. These include market risk related to interest rates, credit risk and liquidity risk. For detailed explanations of these risks, refer to the section entitled "Risk Assessment and Management" on page 27.

SHARE CAPITAL

Authorized:

Unlimited number of common voting shares with no par value
Unlimited number of preferred shares with no par value
Issued, outstanding and fully paid:

	December 31, 2011		September 30, 2011		October 1, 2010	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding, beginning of the period	**10,401,281**	**$ 26,762**	10,377,615	$ 26,214	10,355,827	$ 25,422
Shares purchase loan reduction	–	**26**	–	322	–	406
Purchase and cancellation of shares	–	–	(1,334)	(3)	(28,212)	(71)
Exercise of stock options	–	–	25,000	138	50,000	275
Transfer from contributed surplus	–	–	–	91	–	182
Issued and outstanding, end of the period	**10,401,281**	**$ 26,788**	10,401,281	$ 26,762	10,377,615	$ 26,214

A summary of the Corporation's stock option plan as of December 31, 2011, September 30, 2011 and October 1, 2010 and changes during the years ended on those dates are presented below:

	December 31, 2011		September 30, 2011		October 1, 2010	
	Number of of shares	Weighted avg. exercise price	Number of of shares	Weighted avg. exercise price	Number of shares	Weighted avg. exercise price
Outstanding and exercisable, beginning of period	**1,168,700**	**$ 8.11**	1,193,700	$ 8.05	1,243,700	$ 7.95
Exercised	–	–	25,000	$ 5.51	50,000	$ 5.51
Outstanding and exercisable, end of period	**1,168,700**	**$ 8.11**	1,168,700	$ 8.11	1,193,700	$ 8.05
Weighted average contractual life-year	**5.28**		5.53		6.57	
The range of exercise prices	**$5.51 to $15.06**		$5.51 to $15.06		$5.51 to $15.06	

Under the stock option plan adopted by the shareholders on April 24, 2007 and renewed on March 26, 2010, the Corporation may grant options to its directors, officers, employees and consultants of the Corporation, subsidiary and affiliated company for up to 20% of the issued and outstanding common shares. The exercise price of the option shall equal the market trading price of the Corporation's common share on the date of grant. The stock options are fully vested at the time of issue. The fair value of the stock options is determined at the date of grant using the Black-Scholes Model. The assumptions used in determining the fair value of the stock options included estimated risk free interest rate; expected life of the stock options; expected volatility rate of and expected dividend rate. The fair value is recognized as stock compensation expense over the vesting period of the options with a corresponding increase to contributed surplus. Any consideration received by the Corporation on exercise of stock options is credited to share capital as well as the amounts previously credited to contributed surplus for services rendered that were charged to compensation cost.

KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The following are the key accounting estimate and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Significant estimates used in determining the fair value of investment properties includes capitalization rates and net operating income. A change to any one of these input could significantly alter the fair value of an investment property. Please refer to Note 5 for sensitivity analysis;

ii) Allocation of purchase cost in the acquisition of property, plant and equipment into difference components, estimation of their useful life and impairment on property, plant and equipment; and

iii) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future tax rate at which the differences will be realized.

Actual results could differ from estimates.

TRANSACTIONS WITH RELATED PARTIES

a) The President and Chief Executive Officer receives commissions at commercial rates in his capacity as a licensed broker for the property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. These commissions are not incurred or paid by the Corporation but rather by the other selling party or parties to the transaction. The commissions received during the 3 month period ended December 31, 2011 amounted to $191,000 (2011 – $142,000).

b) The Corporation paid legal and professional fees and reimbursements for the three months ended December 31, 2011 amounting to $71,000 (2011 – $108,000) to a law firm of which a director and officer of the Corporation is a partner. Professional fees and reimbursements are determined on an exchange value basis. As of December 31, 2011 the amounts payable to the law firm were $9,000 (September 30, 2011 – $5,000).

c) The Corporation has established a plan to assist its directors, officers and employees in purchasing common shares of the Corporation. Total loans – $219,382 as at December 31, 2011 (September 30, 2011 – $245,632) – were advanced on October 31, 2005. The loans are determined on an exchange value basis and are interest-free and secured against 100,000 (September 30, 2011 – 100,000) common shares of the Corporation purchased by the participants. The market value of the common shares at December 31, 2011 was $23.99 per share. The original payment term of the loan was on October 31, 2009. The payment terms have been revised to 20 quarterly payments effective January 1, 2010. As such, the loan amounts have been treated as a reduction of share capital in the financial statements.

SUBSEQUENT EVENTS

Subsequent to December 31, 2011, the Corporation raised $19 million through financing of 10 (CMHC-insured mortgages) stabilized investment properties. The term is 10 years and the debt was financed at an average interest rate of 3.10%.

Subsequent to December 31, 2011, the Corporation acquired 1 property consisting of 20 units of residential apartments in Calgary, Alberta for consideration of $2.1 million.

As of February 13, 2012, an officer and director of the Corporation exercised an option to purchase 318,700 common shares of the Corporation at an exercise price of $15.06, consisting of the purchase of 61,000 common shares on a regular exercise basis and 257,700 common shares on a cash settlement alternative basis whereby the Corporation paid to the officer and director an amount of $ 1.8 million representing the in- the- money- value of the option on the date of exercise (being the difference between the weighted average closing price of the common shares of the Corporation on the date of exercise and the exercise price of the option multiplied by the number of common shares exercised on such basis).

OFF BALANCE SHEET ARRANGEMENTS

No off balance sheet arrangements were made by the Corporation for the three month financial period ended December 31, 2011.

RISK ASSESSMENT & MANAGEMENT

Management defines risk as the evaluation of the probability that an event that could negatively affect the financial condition or result of the Corporation may happen in the future. The following section describes specific and general risks that could affect the Corporation. As it is difficult to predict whether any risk will occur or what its related consequences might be, the actual effect of any risk on the business of the Corporation could be materially different than anticipated. The following discussion of risk does not include all possible risks as there may be other risks of which management is currently unaware.

Vacancy Risk

The Corporation is subject to tenant vacancy risk when, in some markets and under certain economic conditions, housing/condominiums are affordable, financing is readily available and interest rates are low, making it easier for renters to become homebuyers. This increases vacancy rates and decreases rental revenue cash flow.

Vacancy rates can also be affected negatively by increased supply of condominium units in major market areas.

The Corporation manages this risk by enhancing customer satisfaction, diversifying its portfolio in different geographic markets in Canada, maintaining its focus on affordable mid-market, multi-family accommodation and advertising and offering competitive market pricing to attract new tenants.

Financial Risk

The Corporation is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Mainstreet addresses this risk by acquiring financing to fund renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis.

Interest Risk

Mainstreet is exposed to interest rate risk to the extent of any upward revision in prime lending rates. Mortgages totalling approximately $26 million are subject to renewal in the next 12 months. Increases in the interest rate have the potential to adversely affect the profitability of the Corporation. However, the Corporation attempts to mitigate this risk by staggering the maturity dates of its mortgages. The majority of Mainstreet's mortgages are insured by Canada Mortgage and Housing Corporation (CMHC) under the National Housing Association (NHA) mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates, significantly reducing the possibility of a lender calling a loan prematurely.

Utilities Risk

Mainstreet's business is also exposed to fluctuating utility and energy costs such as electricity and natural gas (heating) prices. Currently, utility and energy costs are fairly stable and management is monitoring the market very closely.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants. The Corporation's tenants are numerous, which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of December 31, 2011, the possibility of not receiving payment of rent due from current tenants was covered by security deposits of $2.8 million and provisions for bad debts of $100,000.

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation places its cash, cash equivalents and restricted cash only with reputable Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages its liquidity risk through cash and debt management.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

(000s of dollars)	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	$ 32,296	$ 100,330	$ 64,930	$ 53,496	$ 252,999	$ 504,051
Bank indebtedness	$ 22,723	–	–	–	–	$ 22,723
Trade and other payables	$ 4,659	–	–	–	–	$ 4,659
Refundable security deposits	$ 2,791	–	–	–	–	$ 2,791

Financing Risk

Mainstreet anticipates that it will make substantial capital expenditures for the acquisition of properties in the future. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Mainstreet. Moreover, future activities may require Mainstreet to alter its capitalization significantly. The inability of Mainstreet to access sufficient capital for its operations could have a material adverse effect on Mainstreet's financial condition, the result of its operations or its overall prospects.

Reliance on Key Employees

Mainstreet's success depends in large measure on certain key executive personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. Mainstreet does not have key person insurance

in effect for management. The contributions of these individuals to the immediate operations are likely to be of central importance. In addition, competition for qualified personnel in the industry is intense, and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Mainstreet.

Income Tax Risk

Mainstreet intends to file all required income tax returns and believes that it will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of Mainstreet, whether by re-characterization and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Economic Uncertainty

The continuing worldwide economic slowdown, stock market uncertainty and international credit crisis could adversely impact the business and the future profitability of the Corporation. During the current period of economic uncertainty tenants may experience financial difficulty and may default in payment of rent or possibly look for less expensive accommodations. In addition, Mainstreet's ability to obtain financing or renegotiate line of credit financing may be negatively affected by the international credit crisis. The Corporation can predict neither the impact current economic conditions will have on future financial results nor when the general economy will show meaningful improvement.

CHALLENGES

Mainstreet's pursuit of distressed assets means the Corporation must contend with higher vacancy rates, rental concessions and stabilization cycle time, all of which are a short term drag on FFO and NOI. However all three of these issues are being addressed and improved upon as the number of unstabilized properties continues to decrease.

As noted, Mainstreet's vacancy rate continues to drop. In addition the Corporation has reduced the value of rental concessions being offered to new and re-leasing tenants and shortened the cycle time on stabilization. These three significant drags on FFO and NOI are trending in the right direction.

Mainstreet's most recent mortgage financing featured a 2.96% rate on a ten-year long-term, CMHC insured loan. This reflects Management's ongoing commitment and efforts in lowering interest expense, which is the number one expense item in the Corporation's business.

In Q1, 2012, Mainstreet refinanced $5.9 million matured mortgages into $16.5 million long-term (five to ten-year) CMHC-insured loans at an average rate of 2.85%. Approximately $173 million of mortgage loans are maturing in 2012 through to 2014. Mainstreet is working to refinance those mortgages with long-term CMHC-insured mortgages in order to mitigate interest risk exposure across its portfolio.

OUTLOOK

The Management believes that the macro fundamentals are trending in the right direction. In-migration to its key Western Canadian markets continues to be positive, according to CMHC data, while the broader economy in Western Canada is outperforming the rest of the country. These factors should support lower vacancy rates and higher rents.

The Corporation's acquisitions and strong NOI and FFO growth have been achieved in spite of the fact there is room for improvement in terms of concessions, cycle time for stabilization and the vacancy rate across its portfolio of properties. All three are improving incrementally, and as they do, the gains will flow directly to the bottom line.

Meanwhile the Corporation continues to look for strategic acquisitions to utilize the financial and human resources available for its undiluted, organic growth. Mainstreet plans to raise approximately $34 million through refinancing of the matured loans and financing its stabilized properties in 2012.

At this time Management is also building a strategy to examine how it may capitalize on the tremendous potential value existing today in the mid-market, add-value apartment space in certain key areas of the United States. Management firmly believes the Corporation cannot ignore the upside potential these markets offer.

ADDITIONAL INFORMATION

Additional information about Mainstreet is available at mainst.biz and www.sedar.com. The annual information form of the Corporation for the year ended September 30, 2011, was filed on SEDAR on December 16, 2011.

CONDENSED STATEMENTS OF FINANCIAL POSITION

(000s of dollars)	Unaudited December 31, 2011	Audited September 30, 2011	Audited October 1, 2010
		[Note 3]	[Note 3]
Assets			
Non-current assets			
Investment properties [Note 5]	$ 956,119	$ 907,835	$ 743,255
Property, plant and equipment [Note 6]	4,408	4,335	201
	960,527	912,170	743,456
Current assets			
Pre-paid assets [Note 7]	2,108	1,351	1,200
Trade and other receivables [Note 8]	2,587	2,655	1,323
Restricted Cash	2,152	1,818	1,608
Cash and cash equivalents	2,075	1,166	1,419
	8,922	6,990	5,550
Total Assets	$ 969,449	$ 919,160	$ 749,006
Liabilities			
Non-current liabilities			
Mortgage payable [Note 9]	465,766	431,617	362,628
Deferred tax liabilities [Note 10]	109,571	107,971	92,314
	575,337	539,588	454,942
Current liabilities			
Mortgage payable [Note 9]	30,693	38,697	31,937
Trade and other payables [Note 11]	4,659	4,646	5,022
Refundable security deposits [Note 12]	2,791	2,604	2,263
Bank indebtedness [Note 13]	22,723	5,177	–
	60,866	51,124	39,222
Total Liabilities	$ 636,203	$ 590,712	$ 494,164
Equity			
Share capital [Note 14]	26,788	26,762	26,214
Contributed surplus	3,096	3,096	3,187
Retained earnings	303,362	298,590	225,441
Total equity	333,246	328,448	254,842
Total liabilities and equity	$ 969,449	$ 919,160	$ 749,006

See accompanying notes to these condensed financial statements.

[Signed]

"Bob Dhillon"
Director

[Signed]

"Joe Amantea"
Director

March 5, 2012

CONDENSED STATEMENTS OF CHANGE IN EQUITY

Unaudited

(000s of dollars)

	Share Capital	Retained earnings	Contributed reserves	Total Shareholders Equity
Balance, October 1, 2010	$ 26,214	$ 225,441	$ 3,187	$ 254,842
Share purchase loan	47	–	–	47
Share purchased and cancelled	(3)	–	–	(3)
Excess over the average value of the share purchased for cancellation	–	(12)	–	(12)
Profit for the period	–	17,269	–	17,269
Balance, December 31, 2010	26,258	242,698	3,187	272,143
Balance, October 1, 2011	26,762	298,590	3,096	328,448
Share purchase loan	26	–	–	26
Profit for the period	–	4,772	–	4,772
Balance, December 31, 2011	$ 26,788	$ 303,362	$ 3,096	$ 333,246

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(000s of dollars, except per share amounts)

Three months ended December 31,		2011		2010
Rental revenue	$	17,075	$	15,005
Ancillary rental income		221		327
		17,296		15,332
Property operating expenses		6,200		5,268
Net operating income		11,096		10,064
Gain on settlement of debt		–		40
Interest income		4		14
		11,100		10,118
Mortgage interest		5,617		4,991
Amortization of financing cost		437		467
General and administrative expenses		1,599		1,627
Depreciation		52		27
		7,705		7,112
Profit from continuing operations before fair value gains and income tax expense		3,395		3,006
Fair value gains		2,977		20,661
Profit before income tax expense		6,372		23,667
Income tax expense [Note 10]		1,600		6,398
Profit and comprehensive income	$	4,772	$	17,269
Earnings per share [Note 15]				
– basic	$	0.46	$	1.66
– diluted	$	0.43	$	1.58

See accompanying notes to these condensed financial statements.

CONDENSED STATEMENTS OF CHANGE IN CASHFLOW

Unaudited
(000s of dollars)

Three months ended December 31,	2011	2010
Cash obtained from (used in) operating activities		
Net profit	$ 4,772	$ 17,269
Items not affecting cash		
Amortization of finance cost	437	467
Depreciation	52	27
Fair value gain	(2,977)	(20,661)
Deferred tax	1,600	6,398
	3,884	3,500
Change in working capital		
Prepaid assets	(757)	(720)
Trade and other receivables	68	(474)
Restricted cash	(334)	(62)
Trade and other payables	12	(911)
Refundable security deposits	187	129
Cash from operating activities of continuing operations	3,060	1,462
Financing activities		
Bank indebtedness	17,546	6,637
Financing of investment properties	22,597	53,532
Repayment of mortgage payables	(7,701)	(2,767)
Deferred financing cost incurred	–	(848)
Repayment of shares purchase loan	26	47
Shares purchased for cancellation	–	(15)
	32,468	56,586
Investing activities		
Purchase of and additions to investment properties [Note 5]	(34,493)	(46,169)
Purchase of and additions to property, plant and equipment [Note 6]	(126)	(3,869)
	(34,619)	(50,038)
Net increase in cash and cash equivalents	909	8,010
Cash and cash equivalents, beginning of period	1,166	1,419
Cash and cash equivalents, end of period	2,075	9,429
Cash and cash equivalents are comprised:		
Cash	2,042	1,920
Short-term deposits	33	7,509
	$ 2,075	$ 9,429
Income taxes paid	–	–
Interest paid	$ 5,637	$ 5,022

See accompanying notes to these condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Unaudited

(Thousands of dollars, except share and per share amounts and amounts within narrative)

For the three months ended December 31, 2011 and 2010

1. GENERAL

Mainstreet Equity Corp. (the "Corporation") is a Canadian real estate corporation focused on acquiring and managing mid-market residential rental apartment buildings in major markets across Canada. The registered office and head office operations of the Corporation are located at 1413 – 2nd Street SW, Calgary, Alberta T2R 0W7 and 305 – 10th Avenue SE, Calgary, Alberta T2G 0W2 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

International Financial Reporting Standards ("IFRS") requires an entity to adopt IFRS in its first annual financial statements by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Corporation will make this statement when it issues its 2012 annual financial statement for the year ending September 30, 2012. These interim financial statements have been prepared by management in accordance with International Accounting Standard, IAS 34 – Interim Financial Reporting and using the accounting policies that the Corporation expects to adopt in its financial statements for the year ending September 30, 2012. The Corporation adopted IFRS in accordance with IFRS 1 – First time Adoption of International Financial Reporting Standards "IFRS 1" as disclosed in Note 3.

b) Basis of presentation

These unaudited interim condensed financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair value. The condensed financial statements are prepared on a going concern basis and have been prepared in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects. Standards and guidelines not effective for the current accounting period are described in Note 4.

Due to seasonal variations in utility costs and other factors, the operating results for the three months ended December 31, 2011 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2012. Historically, the Corporation has experienced higher utility and maintenance expenses in the first and second quarters as a result of the winter months, resulting in variations in the quarterly results.

c) Revenue recognition

Revenue from an investment property is recognized when a tenant begins occupancy of a rental unit and rent is due. Any rental incentive offered is amortized over term of the tenancy lease. All residential leases are for one-year terms or less and the Corporation retains all of the benefits and risks of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases.

Gain or loss on assets held for sale is recognized when the title passes to the purchaser and all or substantially of sale proceeds are receivable.

Ancillary rental income comprises revenue from laundry machines, income from telephone and cable providers and other miscellaneous income and is recognized as earned.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable.

d) Investment properties

Investment properties include multi-family residential properties held to earn rental income and are initially measured at cost. Cost includes purchase price, any direct attributable expenditure related to the acquisition (excluding

transaction costs related to a business combination) and improvement of the properties. All costs associated with upgrading the quality and extending the economic life of the investment properties are capitalized as additional cost of investment properties.

Subsequent to initial recognition, investment properties are recorded at fair value, determined based on valuations performed by independent third party qualified appraisers or available market evidence, in accordance with IAS 40 – Investment Property "IAS 40". Fair value is determined based on a combination of internal and external processes. Gains and losses arising from differences between current period fair value and the sum of previous measured fair value and capitalized costs as described above are recorded in profit and loss in the period in which they arise.

The fair values of investment properties are re-assessed annually by independent third party qualified appraisers for the Corporation's annual financial reporting. In addition, the Corporation has established an internal valuation model which is based on the estimated changes in market conditions of the underlying assumptions used since the last annual appraisal to determine the fair value of investment properties for its interim reporting periods. Estimated changes in market conditions of the underlying assumptions for interim periods are assessed by the independent third party qualified appraisers who performed the annual fair value assessments.

Investment properties are reclassified to 'Non-Current Assets held for sale' when the criteria set out in IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations are met.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value is adjusted to reflect the fair value as outlined in the purchase and sale agreement. This adjustment shall be recorded as a fair value gain (loss). Any remaining gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Excess land

Excess land represents land owned by the Corporation located contiguous to land included as investment property. The Corporation has the ability to develop additional multi-family residential buildings on this land or sell it separately from the investment property at a later date. Excess land is held for capital appreciation, therefore treated as Investment Property and recorded in accordance with IAS 40 as outline above.

e) Business combination

In accordance with IFRS 3 – Business Combinations ("IFRS 3"), the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit. Building and other asset acquisition, which met the above definition, are recorded as business combinations and the acquisition method of accounting for these transactions is applied. Building and other asset acquisitions, which do not meet the above definition, are recorded as an asset addition based on the purchase price.

The acquisition method required that an acquirer be identified, a specific acquisition date be determined, all identifiable assets and liabilities assumed, as well as any non-controlling interest in the acquiree, be recognized and measured, and any goodwill or gains from a bargain purchase price are recognized and measured at fair value. All acquisition costs associated with a transaction, identified as a business combination, are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amount of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interests in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain price gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity 's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by – transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other IFRS.

When the consideration transferred by the Corporation in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred on a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurements period adjustments that arise from additional information obtained during the 'measurement period' (which cannot excess one year from the acquisition date and is shortened than one year if all information is received) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liabilities is remeasured at subsequent reporting dates in accordance with IAS 39 – Finanical Instruments: Recognition and Measurement, or IAS 37 – Provision, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Corporation 's previously held equity interest is the equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Corporation obtained control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized on other comprehensive income are reclassified to profit and loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports provisional amounts for the items for which the accounting is incomplete. Those provision amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known would have affected the amounts recognized at that date.

f) Non-current assets held for sale

Non-current assets held for sale include assets or groups of assets and liabilities ("disposal groups") that are available for sale in their present condition and the sale is highly probable and expected to be completed within one year from the date of classification. The Corporation also purchases properties with the intention of selling the property within a pre-determined period of time. The property is classified as an asset held for sale if the disposal is expected to take place within one year of the acquisition.

g) Discontinued operations

The operating results of an asset or group of assets will be classified as a discontinued operation when it is a component of an entity that has either been disposed of or it is classified as non-current assets held for sale and represents a separate major line of business. It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Profit and gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell or on the disposal of the asset (or disposal groups) and are presented in the financial statements on an after tax basis in accordance with IFRS 5. In addition, retrospective application is required; therefore comparative figures will be changed to reflect discounted operations. As an individual building does not constitute a major line of business, individual building sales are not treated as discontinued operations.

h) Property, plant and equipment

Tangible items that are held for use in the production or supply of goods and services, for rent to others,or for administrative purposes and are expected to be used during more than one period. Except when other accounting standards requires or permits a different accounting treatment, these are recorded using the cost model in accordance with IAS 16 which requires, after initial recognition that the tangible item be carried at its costs less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized in a manner that reflects the pattern in which the future economic benefits of the assets are expected to be realized and consumed by the Corporation. IAS 16 also requires that the cost and useful economic life of each significant component of a depreciable real estate property be determined based on the circumstances of each property.

Property, plant and equipment are amortized at rates designed to amortize the cost of the properties over their estimated useful lives as follows:

Buildings	over the estimated useful lives, not exceeding 40 years – straight line
Building improvements	20%-40% – declining balance
Equipment	4%-30% – declining balances
Appliances, furniture and fixtures	20% – declining balance
Vehicle	40% – declining balance

The method of depreciation and estimated useful lives of property, plant and equipment are periodically evaluated by management and any changes are accounted for as a change in accounting estimates in accordance with IAS 8.

i) Impairment of assets

All assets, except for those identified as not within the scope of IAS 36 – Impairment of Assets are assessed for indications of impairment at the end of each financial reporting period. Should an indication of impairment exist, the recoverable amount of the asset is estimated. Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the statement of comprehensive income and the remaining useful life of the assets will be re-assessed. Should this impairment loss be determined to have reversed in a future period, a reversal of the impairment loss is recorded in profit or loss. However, in accordance with IAS 36, the reversal of an impairment loss will not increase the carrying value of the assets to a value greater than its original carrying value (net of amortization).

The recoverable amount is defined in IAS 36 as the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

j) Income taxes

Income taxes include current and deferred taxes.

Current tax is the expected tax payable or receivable in the taxable profit or loss for the current reporting period and any adjustment in respect of previous periods. Taxable profit differs from profit as reported in the condensed statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates used in calculating current tax have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognized for all taxable temporary differences between the carrying amounts of assets and liabilities and the amount used for income tax purposes, carry forward unused tax credits and unused tax losses to the extent that it is probable that deduction, tax credits and tax losses can be utilized and at the tax rates that are estimated to be applied to temporary differences when they reverse. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

k) Provision

Provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a discounted rate that reflects current market assessment of the time value of money and the risks and uncertainties specific to the obligation. Provisions are re-measured at each reporting date using a current discount and relevant rate. The increase in the provision due to the passage of time is recognized as a financing cost.

l) Financial instruments

Financial instruments are initially recognized at fair values. Transactions costs that directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, which are recognized immediately in profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories which are defined and measured as follows:

Classification	Definition	Measurement
Financial assets at fair value through profit or loss ("FVTPL")	Either held for trading or designated as at FVTPL as discussed below: – Classified as held for trading if it has been acquired principally for the purpose of selling it in the near future term, or on initial recognition it is part of portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	– Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise: or the financial asset forms part of a group which is managed and its performance is evaluated on a fair value basis: or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Held-to-maturity	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest rate method less impairment (see footnote 1 and 2).
Available for sale	Non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivable, (b) held-to-maturity investments or (c) financial assets at FVTPL.	Measures at fair value through profit and loss.
Loans and receivable	Non-derivative financial assets with fixed determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest rate method less any impairment (see footnote 1 and 2).

(1) The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(2) Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

The Corporation's financial assets are as follows:

Financial assets	Classification	Measurement
Trade and other receivable and prepaid assets	Loans and receivable	Amortized cost
Restricted cash	Loans and receivable	Amortized cost
Cash and equivalents	Loans and receivable	Amortized cost

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the assets to another entity or when the carrying value is reduced by impairment loss.

Financial liabilities

Financial liabilities are classified into the following specified categories which are defined and measured as follows:

FVTPL	Either held for trading or designated as at FVTPL as discussed below:	Fair value
	– Classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near future term, or on initial recognition, it is part of portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
	– Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liabilities form part of a group which is managed and its performance is evaluated on a fair value basis: or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising in measurement recognized in profit or loss.
Other financial liabilities	All other liabilities	Measured at amortized cost using the effective interest rate method (see footnote 1).

(1) The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimates future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Corporation's financial liabilities are as follows:

Financial liabilities	Classification	Measurement
Mortgage payable	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Trade and other payable	Other financial liabilities	Amortized cost
Refundable security deposits	Other financial liabilities	Amortized cost

The Corporation derecognizes a financial liability when the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short term interest bearing deposits.

n) Stock option plan

The Corporation has stock option plan, which is described in Note 16.

The fair value of the stock options is determined at the date of grant using the Black-Scholes Model. The assumptions used in determining the fair value of the stock options include estimated risk free interest rate; expected life of the stock options; expected volatility rate and expected dividend rate .The fair value is recognized as stock compensation expense over the vesting period of the options with a corresponding increase to contributed surplus. Any consideration received by the Corporation on exercise of stock options is credited to share capital as well as the amounts previously credited to contributed surplus for services rendered that were charged to compensation cost.

o) Earnings per share

Basic earnings per share is calculated based on the weighted average number of shares outstanding. Diluted earnings per share reflects the possible dilutive effect of the exercise of the options outstanding as at the balance sheet date. The dilutive effect of outstanding share purchase options is computed using the "treasury stock" method whereby the proceeds that would be received from the exercise of options are assumed to be used to repurchase outstanding shares of the Corporation.

p) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 2(q) below) that has been made in applying the Corporation's accounting policies that have the most significant effect on the reported amounts in the condensed financial statements:

i) Determining the extent and frequency of engaging independent, third party appraisals and establishing an internal valuation model to measure fair value of investment properties;

ii) Determining a classification between investment properties and property, plant and equipment for the administrative building; and

iii) Determining the tax rate applicable to the Corporation's current and deferred income taxes and identifying the temporary differences in respect of which deferred income taxes are recognized.

q) Key accounting estimates and assumptions

The following are the key accounting estimate and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Significant estimates used in determining the fair value of investment properties includes capitalization rates and net operating income. A change to any one of these input could significantly alter the fair value of an investment property. Please refer to Note 5 for sensitivity analysis;

ii) Allocation of purchase cost in the acquisition of property, plant and equipment into difference components, estimation of their useful life and impairment on property, plant and equipment; and

iii) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future tax rate at which the differences will be realized.

Actual results could differ from estimates.

3. TRANSITION TO IFRS

The Corporation has adopted IFRS, effective October 1, 2011 with comparative figures for the prior year commencing October 1, 2010 and has prepared its opening balance sheets as of October 1, 2010 and September 30, 2011 for comparison purpose.

a) Elected exemptions from full retrospective application

In preparing these condensed financial statements in accordance with IFRS 1, the Corporation applied the following optional exemptions from full retrospective application of IFRS.

i) The Corporation applied the business combination exemption in IFRS 1 which allows the Corporation not to apply IFRS 3 retrospectively to any past business combination prior to October 1, 2010.

b) Mandatory exceptions to retrospective application

In preparing these condensed financial statements in accordance with IFRS 1, the Corporation has applied the following mandatory exception from full retrospective application of IFRS:

i) Estimates – Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with the application under IFRS.

ii) Derecognition of financial assets and liabilities.

   The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the assets to other entity, or when the carrying value is reduced by impairment loss.

The Corporation derecognizes a financial liability when the Corporation's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial asset or liability derecognized and the consideration received and receivable or paid and payable is recognized in profit and loss at the time of derecognition.

c) Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's equity as of October 1, 2010 December 31, 2010 and September 30, 2011:

	Share Capital	Retained earnings	Contributed reserves	Total Shareholders Equity (deficit)
Balance as reported under Canadian GAAP, October 1, 2010	$ 26,214	$ (37,924)	$ 3,187	$ (8,523)
Fair value adjustments represent the cumulative unrealized gain in respect of the fair value of investment properties		$ 357,005		$ 357,005
Adjustments on financing cost as a result of incorporating transaction cost to mortgage loan in its initial recognition and using amortized cost as subsequent measurement		$ 6,113		$ 6,113
Adjustments to taxes reflecting the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP		$ (99,753)		$ (99,753)
Balance as reported under IFRS, October 1, 2010	$ 26,214	$ 225,441	$ 3,187	$ 254,842
Balance as reported under Canadian GAAP, December 31, 2010	$ 26,258	$ (38,461)	$ 3,187	$ (9,016)
Fair value adjustments represent the cumulative unrealized gain in respect of the fair value of investment properties		$ 381,001		$ 381,001
Adjustments on financing cost as a result incorporating transaction cost to mortgage loan in its initial recognition and using amortized cost as subsequent measurement		$ 6,494		$ 6,494
Adjustments to taxes reflecting the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP		$ (106,336)		$ (106,336)
Balance as reported under IFRS, December 31, 2010	$ 26,258	$ 242,698	$ 3,187	$ 272,143
Balance, as reported under Canadian GAAP September 30, 2011	$ 26,762	$ (40,984)	$ 3,096	$ (11,126)
Fair value adjustments represent the cumulative unrealized gain in respect of the fair value of investment properties		$ 448,318		$ 448,318
Adjustments on financing cost as a result incorporating transaction cost to mortgage loan in its initial recognition and using amortized cost as subsequent measurement		$ 7,216		$ 7,216
Adjustments to taxes reflecting the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP		$ (115,960)		$ (115,960)
Balance as reported under IFRS, September 30, 2011	$ 26,762	$ 298,590	$ 3,096	$ 328,448

d) Reconciliation of profit and comprehensive income as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's profit and comprehensive income for the year ended September 30, 2011 and three months ended December 31, 2010.

	Year ended Sep. 30, 2011	3 months ended Dec. 31, 2010
Net loss and comprehensive loss under GAAP	$ (3,048)	$ (525)
Depreciation expense taken out as a result of applying the fair value model for investment properties	$ 14,328	$ 3,335
Fair value adjustments on investment properties for the period, representing gains from differences between the current period fair value and the sum of previoulsly measured fair value and capitalized costs	$ 76,985	$ 20,661
Adjustments on financing cost as a result of incorporating transaction cost to mortgage loan in its initial recognition and using amortized cost as subsequent measurement	$ 1,103	$ 381
Adjustments to taxes reflecting the change in temporary differences resulting from the carrying value differences between IFRS and Canadian GAAP	$ (16,207)	$ (6,583)
Net profit and comprehensive income under IFRS	$ 73,161	$ 17,269

e) Impact of IFRS on the condensed Statement of Financial Position

The table below summarized the impact of significant differences between Canadian GAAP and IFRS on the Corporation's condensed statement of financial position. All other financial assets and liabilities not specifically addressed were consistent with the Canadian GAAP and are not significantly impacted by the Corporation's adoption of IFRS:

Condensed Statement of Financial Position Items	Applicable IFRS Standards	Impact
Presentation of condensed Statement of Financial Position	IAS 1	The Corporation now presents current and non-current assets and liabilities as separate classifications in its condensed statement of financial position. These were previously presented using reverse liquidity under Canadian GAAP.
Investment Properties	IAS 40	Measured initially at cost and then using fair value model. Gains or losses arising from changes in fair value of investment properties are recognized in profit or loss. Previously used cost model, cost is depreciated over the useful life of the investment properties. (Canadian GAAP). Certain assets previously classified as Revenue Producing Property under Canadian GAAP are re-classified under Property, Plant and Equipment under IFRS.
Property, Plant and Equipment (PP&E)	IAS 16	Similar to Canadian GAAP.
Business Combinations	IFRS 3	The acquisition of an asset or group of assets is recorded as a business combination if the assets acquired constitute a business. A business combination must be accounted for by applying the acquisition method. The Corporation has applied the business combination exemption in IRFS1 which allows the Corporation not to apply IFRS 3 retrospectively to any business combination prior to October 1, 2010.
Deferred tax	IAS 12	As a result of using the fair value model to value investment properties under IAS 40, deferred tax liabilities balance has increased.
Mortgages payable	IAS 39	With adoption of IFRS, transactions costs incurred are included and form part of the fair value of mortgage payables in their initial recognition and subsequent measurement of carrying value at amortized cost using effective interest rate method.

f) Impact of IFRS on the Condensed Statement of Profit and Comprehensive Income

The table below summarized the impact of significant differences between Canadian GAAP and IFRSs on the Corporation's Condensed Statement of Profit and Comprehensive Income. All other income statement items not specifically addressed was consistent and or not significantly impacted by the Corporation's adoption of IFRS:

Condensed Statement of Profit and Comprehensive Income Items	Applicable IFRS Standards	Impact
Rental income	IAS 1	No significant changes in recognized and recorded rental income. Certain income not directly related to leasing of rental apartments (laundry machines, income from telephone and cable providers and other miscellaneous income was reported as ancillary rental income).
Financing cost	IAS 39	The Corporation had elected to account for all transaction costs incurred in mortgages in net income as financing costs under Canadian GAAP. With adoption of IFRS, all transactions costs form part of the fair value of mortgage payables in their initial recognition and subsequent measurement of carrying value at amortized cost using effective interest rate method.
Depreciation	IAS 16, IAS 40	The Corporation adopted the fair value model to account for its investment properties under which, the depreciation is not recorded. There is no difference between the Canadian GAAP and IFRS in the depreciation of the assets classified as Property, Plant and Equipment.
Deferred tax	IAS 12	As a result of using the fair value model to value investment properties under IAS 40, deferred tax liabilities balance has increased.
Analysis of expenses	IAS 1	An analysis of expenses is required either by nature or by function on the face of the condensed statement of comprehensive income. There is no requirement under Canadian GAAP for expenses to be classified according to their nature or function. The Corporation currently classified its major expenses under "Property Operating Expenses" and "General and Administrative Expenses". The Corporation considers that the current expenses classification can provide more useful information to the users of its financial statements in the real estate.

g) Impact of IFRS on the Condensed Statement of Cash Flow

There were no material adjustments to the Condensed Statement of Cash Flow as a result of the conversion to IFRS except that fair value gain and deferred tax were included as items not affecting cash in the condensed cash flow statement.

4. FUTURE ACCOUNTING POLICIES

The following IFRSs which are related to the Corporation's financial reporting have been issued and revised, however are not yet effective and as such have not been applied to these condensed financial statements:

IAS 1 – Presentation of Other Comprehensive Income – effective July 1, 2012

The amendments require Items of other comprehensive income to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis. The amendments are required to be applied on a full retrospective basis. The Corporation does not expect the amendments to have a significant impact on its condensed financial statements.

IAS 12 – Income Taxes – effective January 1, 2012

The amendments provide an exception for investment property measured using the fair value model in accordance with IAS 40 by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The Corporation does not expect the amendments to have a significant impact on its condensed financial statements.

IFRS 9 – Financial Instruments – effective January 1, 2015

The amendments require all recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The Corporation is currently evaluating the impact of the amendments on its financial statements.

IFRS 13 – Fair Value Measurement – effective 1 January 2013

The amendments provide a single framework for measuring fair value and are applicable for both financial and non-financial items and also require enhanced disclosure on fair value measurements. The standard requires retrospective application from the beginning of the annual period in which it is adopted. The Corporation is currently evaluating the impact of the amendments on its financial statements.

5. INVESTMENT PROPERTIES

	Dec. 31, 2011	Sep. 30, 2011
Balance, beginning of period	$ 907,835	$ 743,255
Additions	$ 42,243	$ 81,965
Building improvements	$ 3,064	$ 5,733
Disposition	–	$ (103)
Fair value gains	$ 2,977	$ 76,985
Balance, end of period	$ 956,119	$ 907,835

The fair value of investment properties held by the Corporation as of September 30, 2011 wasdetermined by independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in relevant locations. The direct capitalization method was used to convert an estimate of a single year's income (net operating income) expectancy into an indication of value in one direct step by dividing the income (net operating income) estimated by an appropriate capitalization rate. The fair value assessments of individual investment properties were carried out in the months of October and November 2011. The appraisers also assessed the market conditions of the underlying assumptions used for the fair value assessments and determined that the fair value assessed during the period wasareasonable estimate of the fair value of the investment properties at December 31, 2011.

The fair value of investment properties acquired during the 3 month period ended December 31, 2011 was determined by the same independent appraisers on the same basis with the exception of one property acquired in December, 2011 of which the cost of acquisition of $ 2million was used as a reasonable estimate of the fair value of the property as of December 31, 2011.

The average capitalization rates used in determining the fair value of investment properties are set out below:

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
Surrey, BC	5.81%	5.81%	5.80%
Abbotsford, BC	5.63%	5.63%	5.73%
Calgary, AB	5.43%	5.43%	5.42%
Edmonton, AB	6.15%	6.15%	6.21%
Saskatoon, SK	7.51%	7.51%	7.96%
Greater Toronto Area, ON	6.00%	6.00%	6.51%
Overall	5.93%	5.93%	6.04%

The direct capitalization method requires that an estimated fair value net operating income ("NOI") be divided by a capitalization rate ("Cap Rate") to determine a fair value. As such changes in both NOI and Cap Rate would significantly alter the fair value. The tables below set out the impact of each % change in both NOI and each quarter % change in Cap Rate on the Corporation's fair values.

As at December 30, 2011						
Net operating income		-3%	-1%	As estimated	+1%	3%
		$ 54,997	$ 56,131	$ 56,698	$ 57,265	$ 58,399
Capitalization rate						
-0.25%	5.68%	$ 12,137	$ 32,101	$ 42,083	$ 52,065	$ 72,029
Cap rate used	5.93%	$ (28,684)	$ (9,561)	$ 956,119	$ 9,561	$ 28,684
+0.25%	6.18%	$ (66,201)	$ (47,852)	$ (38,678)	$ (29,504)	$ (11,155)

As at September 30, 2011						
Net operating income		-3%	-1%	As estimated	+1%	-3%
		$ 52,220	$ 53,296	$ 53,835	$ 54,373	$ 55,450
Capitalization rate						
-0.25%	5.68%	$ 11,524	$ 30,480	$ 39,958	$ 49,435	$ 68,391
Cap rate used	5.93%	$ (27,235)	$ (9,078)	$ 907,835	$ 9,078	$ 27,235
+0.25%	6.18%	$ (62,858)	$ (45,436)	$ (36,725)	$ (28,014)	$ (10,591)

As at October 1, 2010						
Net operating income		-3%	-1%	As estimated	+1%	-3%
		$ 43,546	$ 44,444	$ 44,893	$ 45,342	$ 46,239
Capitalization rate						
-0.25%	5.79%	$ 8,832	$ 24,339	$ 32,092	$ 39,846	$ 55,353
Cap rate used	6.04%	$ (22,298)	$ (7,433)	$ 743,255	$ 7,433	$ 22,298
+0.25%	6.29%	$ (50,953)	$ (36,678)	$ (29,541)	$ (22,404)	$ (8,130)

Investment properties with a fair value of $846 million ($830 million – September 30, 2011, $715 million – October 1, 2010) are pledged as security against the Corporation's mortgage payable.

Investment properties with a fair value of $57 million ($57 – September 30, 2011, $46 million – October 1, 2010) are pledged as security against the Corporation's operation line of credit to the extent of $15 million.

For the three months ended December 31, 2011 and 2010, investment properties earned rental income (excluding ancillary rental income) of $17.1 million and $15.0 million respectively.

For the three months ended December 31, 2011 and 2010, Operating expenses in relation to investment properties were $5.6 million and $5.0 million respectively.

6. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of Property, Plant and Equipment were as follows:

	December 31, 2011			September 30, 2011			October 1, 2010		
	Cost	Accum. deprec.	Net book value	Cost	Accum. deprec.	Net book value	Cost	Accum. deprec.	Net book value
Admin. building	$ 4,078	$ 78	$ 4,000	$ 4,006	$ 57	$ 3,949	–	–	–
Equipment	$ 42	$ 6	$ 36	$ 41	$ 4	$ 37	–	–	–
Furniture	$ 93	$ 13	$ 80	$ 93	$ 8	$ 85	–	–	–
Vehicles	$ 26	$ 5	$ 21	$ 26	$ 1	$ 25	–	–	–
Computer	$ 945	$ 674	$ 271	$ 893	$ 654	$ 239	$ 779	$ 578	$ 201
	$ 5,184	$ 776	$ 4,408	$ 5,059	$ 724	$ 4,335	$ 779	$ 578	$ 201

The change of the carrying amount of the Property, Plant and Equipment for the 3 months ended December 31, 2011 was as follows:

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Administrative building	$ 3,949	$ 73	–	$ (22)	$ 4,000
Equipment	$ 37	–	–	$ (1)	$ 36
Furniture	$ 85	–	–	$ (5)	$ 80
Vehicles	$ 25	–	–	$ (4)	$ 21
Computer	$ 239	$ 52	–	$ (20)	$ 271
	$ 4,335	$ 125	–	$ (52)	$ 4,408

The change of the carrying amount of the Property, Plant and Equipment for the year ended September 30, 2011 was as follows:

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Administrative building	–	$ 4,006	–	$ (57)	$ 3,949
Equipment	–	$ 41	–	$ (4)	$ 37
Furniture	–	$ 93	–	$ (8)	$ 85
Vehicles	–	$ 26	–	$ (1)	$ 25
Computer	$ 201	$ 114	–	$ (76)	$ 239
	$ 201	$ 4,280	–	$ (146)	$ 4,335

The administration building was pledged as security against the Corporation's operation line of credit to the extent of $15 million.

7. PRE-PAID ASSETS

Pre-paid assets comprise pre-paid expenses and utility deposits:

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
Pre-paid insurance and utilities	**$ 1,985**	$ 1,228	$ 1,077
Deposits	**$ 123**	$ 123	$ 123
	$ 2,108	$ 1,351	$ 1,200

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise amounts due from tenants, mortgage hold back and refundable mortgage commitment fees:

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
Trade receivables	**$ 2,178**	$ 527	$ 331
Other receivables	**$ 409**	$ 2,128	$ 992
	$ 2,587	$ 2,655	$ 1,323

9. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 4.47% (2011 – 4.55%) per annum and are payable in monthly principal and interest installments totaling $2.6 million (2011 – $2.5 million), maturing from 2011 to 2022 and are secured by specific charges against specific investment properties, having a fair value of $846 million ($830 million – September 30, 2011, $715 million – October 1, 2010).

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
Non-current	**$ 465,766**	$ 431,617	$ 362,628
Current	**$ 30,693**	$ 38,697	$ 31,937
	$ 496,459	$ 470,314	$ 394,565

Estimated principal payments required to retire the mortgage obligations as of December 31, 2011 are as follows:

Year		Amount
2013	$	32,296
2014	$	100,330
2015	$	64,930
2016	$	53,496
2017	$	68,602
Subsequent	$	184,397
Deferred financing cost	$	(7,592)
	$	496,459

10. INCOME TAX EXPENSE

Income tax expense comprise:

		3 months ended December 31, 2011		3 months ended December 31, 2010
Current		–		–
Deferred	$	1,600	$	6,398
	$	1,600	$	6,398

No current or deferred income taxes were recognized in equity for the 3 month period ended December 31, 2011 and 2010. The income tax recovery differs from the results that would be obtained by applying the combined federal and provincial income tax rate to income before income taxes. This difference results from the following:

		3 months ended December 31, 2011		3 months ended December 31, 2010
Profit before income tax	$	6,372	$	23,667
Non taxable income/(expenses)	$	(21)	$	(8)
	$	6,351	$	23,659
Statutory tax rate		27.32%		29.33%
Computed expected tax	$	1,735	$	6,939
Reduction in deferred tax liabilities for change in future tax rate	$	(25)	$	(87)
Changes in deferred tax liabilities	$	(110)	$	(454)
	$	1,600	$	6,398

As of December 31, 2011, September 30, 2011 and October 1, 2010, the Corporation does not have any unrecognized deductible temporary differences.

The deferred tax liabilities components and their changes were as follows:

		Sep. 30, 2011		Recognized in profit		Dec. 31, 2011
Deferred tax liabilities						
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	$	107,326	$	1,533	$	108,859
Differences in tax and book carrying amounts of deferred financing cost	$	645	$	67	$	712
	$	107,971	$	1,600	$	109,571

	Oct. 1, 2010	Recognized in profit	Sep. 30, 2011
Deferred tax liabilities			
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	$ 91,890	$ 15,436	**$ 107,326**
Differences in tax and book carrying amounts of deferred financing cost	$ 424	$ 221	**$ 645**
	$ 92,314	$ 15,657	**$ 107,971**

11. TRADE AND OTHER PAYABLES

Trade and other payable comprise trade payable, accrued liabilities and deferred income:

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
Trade payables and accrued liabilities	**$ 4,583**	$ 4,560	$ 4,942
Deferred income	**$ 76**	$ 86	$ 80
	$ 4,659	$ 4,646	$ 5,022

12. REFUNDABLE SECURITY DEPOSITS

Refundable security deposits are considered as restricted cash as they are held in trust bank account and subject to the contingent rights of third parties.

13. BANK INDEBTEDNESS

The Corporation had a revolving line of credit of $15 million and a revolving acquisition line of credit of $15 million with a chartered financial institution. The revolving line of credit is secured by a first and second mortgage charge on specific investment properties. The revolving acquisition line of credit is to be used for acquisition of investment properties up to the lesser of 65% of the acquisition price or the appraised value and was secured by a first charge against the acquired investment properties. As at December 31, 2011, the Corporation has drawn $23 million against these credit facilities. The facilities carried an interest rate of prime plus 2.25%, interest payment only and are renewable on an annual basis.

The Corporation's credit facilities contain financial covenant to maintain an overall debt service coverage ratio of 1.20. As at December 31, 2011, the Corporation's overall debt service coverage ratio was 1.29 which is in compliance with the covenants.

14. SHARE CAPITAL

Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	December 31, 2011		September 30, 2011		October 1, 2010	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding, beginning of the period	**10,401,281**	**$ 26,762**	10,377,615	$ 26,214	10,355,827	$ 25,422
Shares purchase loan reduction	**–**	**26**	–	322	–	406
Purchase and cancellation of shares	**–**	**–**	(1,334)	(3)	(28,212)	(71)
Exercise of stock options	**–**	**–**	25,000	138	50,000	275
Transfer from contributed surplus	**–**	**–**	–	91	–	182
Issued and outstanding, end of the period	**10,401,281**	**$ 26,788**	10,401,281	$ 26,762	10,377,615	$ 26,214

All common shares share an equal right to dividends.

The Corporation has obtained approval from the TSX to continue to repurchase under a Normal Course Issuer Bid commencing February 23, 2012. During the fiscal year ended September 30, 2011, a total of 1,334 common shares were repurchased and cancelled at an average price of $11.33 per common share.

15. EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted average number of shares outstanding during the year.

The treasury stock method of calculating the diluted earnings per share is used. There is no anti-dilutive stock option outstanding as of December 31, 2011.

The following table sets forth the computation of basic and diluted earnings per share:

(In 000s, except share and per share amounts)

Three months ended December 31,	2011	2010
Numerator		
Profit	$ 4,772	$ 17,269
Denominator		
For basic earnings per share		
Weighted average shares	10,401,281	10,376,281
Dilutive effect	701,090	531,443
For diluted earnings per share	11,102,371	10,907,724
Earnings per share		
– basic	$ 0.46	$ 1.66
– diluted	$ 0.43	$ 1.58

16. STOCK OPTION PLAN

A summary of the Corporation's stock option plan as of December 31, 2011, September 30, 2011 and October 1, 2010 and changes during the years ended on those dates are presented below:

	December 31, 2011		September 30, 2011		October 1, 2010	
Stock option	Number of shares	Weighted avg. exercise price	Number of shares	Weighted avg. exercise price	Number of shares	Weighted avg. exercise price
Outstanding and exercisable, beginning of period	1,168,700	$ 8.11	1,193,700	$ 8.05	1,243,700	$ 7.95
Exercised	–	–	25,000	$ 5.51	50,000	$ 5.51
Outstanding and exercisable, end of period	1,168,700	$ 8.11	1,168,700	$ 8.11	1,193,700	$ 8.05
Weighted average contractual life-year	5.28		5.53		6.57	
The range of exercise prices	$5.51 to $15.06		$5.51 to $15.06		$5.51 to $15.06	

Under the stock option plan adopted by the shareholders on April 24, 2007 and renewed on March 26, 2010, the Corporation may grant options to its directors, officers, employees and consultants of the Corporation, subsidiary and affiliated company for up to 20% of the issued and outstanding common shares. The exercise price of the option shall equal the market trading price of the Corporation's common share on the date of grant. The stock options are fully vested at the time of issue. The fair value of the stock options is determined at the date of grant using the Black-Scholes Model. The assumptions used in determining the fair value of the stock options included estimated risk free interest rate; expected life of the stock options; expected volatility rate of and expected dividend rate. The fair value is recognized as stock compensation expense over the vesting period of the options with a corresponding increase to contributed surplus. Any consideration received by the Corporation on exercise of stock options is credited to share capital as well as the amounts previously credited to contributed surplus for services rendered that were charged to compensation cost.

The weighted average share price at the dates of 25,000 share options exercised during the financial year ended September 30, 2011 was $17.29 per share.

17. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Fair value of financial assets and liabilities

The Corporation's financial assets and liabilities comprise restricted cash, bank indebtedness, cash and cash equivalents, trade and other receivables, pre-paid assets, mortgages payable, trade and other payables, and refundable security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions,and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of restricted cash, cash and cash equivalents, trade and other receivable, pre-paid assets, bank indebtedness, trade and other payables, and refundable security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair values of mortgages are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages. In identifying the appropriate level of fair value, the Corporation performs a detailed analysis of the financial assets and liabilities. The inputs used to measure fair value determine different levels of the fair value hierarchy categorized as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities were as follows:

		December 31, 2011		September 30, 2011		October 1, 2010	
	Fair Value Hierarchy	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:							
Restricted cash	NA	**$ 2,152**	**$ 2,152**	$ 1,818	$ 1,818	$ 1,608	$ 1,608
Cash and cash equivalents	NA	**2,075**	**2,075**	1,166	1,166	1,419	1,419
Trade and other receivables	NA	**2,587**	**2,587**	2,655	2,655	1,323	1,323
Pre-paid assets	NA	**2,108**	**2,108**	1,351	1,351	1,200	1,200
Financial liabilities:							
Bank indebtedness	NA	**22,723**	**22,723**	5,177	5,177	–	–
Mortgages payable	NA	**496,459**	**548,800**	470,314	489,005	394,565	411,568
Trade and other payables	NA	**4,659**	**4,659**	4,646	4,646	5,022	5,022
Refundable security deposits	NA	**$ 2,791**	**$ 2,791**	$ 2,604	$ 2,604	$ 2,263	$ 2,263

18. RISK ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices.

Interest risk

The Corporation is exposed to interest rate risk to the extent of any upward revision in prime lending rates. Mortgages totaling $32 million are subject to renewal in the next 12 month period. Increases in the interest rate have the potential to adversely affect the profitability of the Corporation. However, the Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of the Corporation's mortgages are insured by CMHC under the National Housing Association "NHA" mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely. A 1% change in the prime lending rate would have resulted in a change of $151,000 in interest expense for the financial year ending September 30, 2012.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of December 31, 2011, the possibility of not receiving payment of rent due from current tenants was covered by security deposits of $2.8 million and provisions for bad debts of $100,000.

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation places its cash, cash equivalents, and restricted cash only with reputable Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages its liquidity risk through cash and debt management.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	$ 32,296	$ 100,330	$ 64,930	$ 53,496	$ 252,999	$ 504,051
Bank indebtedness	$ 22,723	–	–	–	–	$ 22,723
Trade and other payables	$ 4,658	–	–	–	–	$ 4,659
Refundable security deposits	$ 2,791	–	–	–	–	$ 2,791

19. GUARANTEES, CONTINGENCIES, COMMITMENTS

In the normal course of business, the Corporation may enter into various agreements that may contain features that meet the definition of Guarantees, contingencies, commitments in accordance with IAS 37 that contingently requires the Corporation to make payments to the guaranteed party based on: (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

In the ordinary course of business, the Corporation provides indemnification commitments to counterparties in transactions such as credit facilities, leasing transactions, service arrangements, director and officer indemnification agreements and sales of assets. These indemnification agreements require the Corporation to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by a counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Corporation has not made any significant payments under such indemnifications and no amount has been accrued in these financial statements with respect to these indemnification commitments.

In the normal course of operations, the Corporation will become subject to a variety of legal and other claims against the Corporation. Management and the Corporation's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Corporation will not be material.

As of December 31, 2011, no amounts have been recorded and none are required to be disclosed in the financial statements with respect to guarantees, contingencies and commitments.

20. RELATED PARTY TRANSACTIONS

a) The President and Chief Executive Officer receives commissions at commercial rates in his capacity as a licensed broker for the property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. These commissions are not incurred or paid by the Corporation but rather by the other selling party or parties to the transaction. The commissions received during the 3 month period ended December 31, 2011 amounted to $191,000 (2011 – $142,000).

b) The Corporation paid legal and professional fees and reimbursements for the 3 months ended December 31, 2011 amounting to $71,000 (2011 – $108,000) to a law firm of which a director and officer of the Corporation is a partner. Professional fees and reimbursements are determined on an exchange value basis. As of December 31, 2011 the amounts payable to the law firm were $9,000 (September 30, 2011 – $5,000, October 1, 2010 – $13,600).

c) The Corporation has established a plan to assist its directors, officers and employees in purchasing common shares of the Corporation. Total loans – $219,382 as at December 31, 2011 (September 30, 2011 – $245,632, October 1, 2010 – $567,650) – were advanced on October 31, 2005. The loans are determined on an exchange value basis and are interest-free and secured against 100,000 (September 30, 2011 – 100,000, October 1, 2010 – 192,200) common shares of the Corporation purchased by the participants. The market value of the common shares at December 31, 2011 was $23.99 per share. The original payment term of the loan was on October 31, 2009. The payment terms have been revised to 20 quarterly payments effective January 1, 2010. As such, the loan amounts have been treated as a reduction of share capital in the financial statements.

21. KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Corporation during the 3 months ended December 31, 2011 and up to the date of this report:

Bob Dhillon	President and Chief Executive Officer
Johnny Lam	Chief Financial and Operating Officer
Lizaine Wheeler	Senior VP, Operations

The remuneration of the Corporation' key management personnel were as follows:

	3 months ended Dec. 31, 2011	3 months ended Dec. 31, 2010
Short-term benefits	$ 496,000	$ 784,000

22. SEGMENTED INFORMATION

The Corporation specializes in multi-family residential housing and operates primarily within one business segment in four provinces located in Canada. The following summary presents segmented financial information for the Corporation's operations by geographic location:

Rental Operations

(in 000s)

Three months ended December 31

		2011		2010
BRITISH COLUMBIA				
Rental revenue	$	4,406	$	3,770
Ancillary rental income		37		62
Fair value gains/(losses)		(1,107)		6,731
Property operating expenses	$	1,585	$	1,303
ALBERTA				
Rental revenue	$	9,135	$	7,749
Ancillary rental income		107		175
Fair value gains/(losses)		4,891		12,747
Property operating expenses	$	3,048	$	2,596
SASKATCHEWAN				
Rental revenue	$	1,753	$	1,787
Ancillary rental income		25		38
Fair value gains/(losses)		(336)		1,699
Property operating expenses	$	565	$	481
ONTARIO				
Rental revenue	$	1,781	$	1,699
Ancillary rental income		52		52
Fair value gains/(losses)		(471)		(516)
Property operating expenses	$	1,002	$	888
TOTAL				
Rental revenue	$	17,075	$	15,005
Ancillary rental income		221		327
Fair value gains/(losses)		2,977		20,661
Property operating expenses		6,200		5,268
Unallocated revenue*		4		54
Unallocated expenses**	$	9,305	$	13,510
Profit for the year	$	4,772	$	17,269

* Unallocated revenue includes interest income, net gain on insurance, and gain on settlement of debt.

** Unallocated expenses include general and administrative expenses, mortgage interest, financing cost, depreciation and income taxes.

Identifiable Assets and Liabilities

(in 000s)

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
BRITISH COLUMBIA			
Investment properties	$ 240,425	$ 240,425	$ 188,450
Property, plant and equipment	$ 22	$ 24	$ 16
Mortgage payable	$ 118,975	$ 119,310	$ 96,811
Refundable security deposits	$ 862	$ 834	$ 655
ALBERTA			
Investment properties	$ 574,702	$ 527,960	$ 428,995
Property, plant and equipment	$ 4,368	$ 4,294	$ 172
Mortgage payable	$ 300,302	$ 283,722	$ 234,519
Refundable security deposits	$ 1,609	$ 1,454	$ 1,279
SASKATCHEWAN			
Investment properties	$ 80,192	$ 78,650	$ 69,310
Property, plant and equipment	$ 9	$ 7	$ 5
Mortgage payable	$ 36,422	$ 31,795	$ 27,990
Refundable security deposits	$ 320	$ 316	$ 329
ONTARIO			
Investment properties	$ 60,800	$ 60,800	$ 56,500
Property, plant and equipment	$ 9	$ 10	$ 8
Mortgage payable	$ 40,760	$ 35,487	$ 35,245
Refundable security deposits	$ –	$ –	$ –
TOTAL			
Investment properties	$ 956,119	$ 907,835	$ 743,255
Property, plant and equipment	$ 4,408	$ 4,335	$ 201
Mortgage payable	$ 496,459	$ 470,314	$ 394,565
Refundable security deposits	$ 2,791	$ 2,604	$ 2,263

Identifiable Capital Expenditures

(in 000s)

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
BRITISH COLUMBIA	$ 1,108	$ 34,355	$ 35,527
ALBERTA	$ 41,971	$ 54,340	$ 16,272
SASKATCHEWAN	$ 1,881	$ 1,559	$ 679
ONTARIO	$ 471	$ 1,724	$ 2,776
TOTAL – Identifiable capital expenditures	$ 45,431	$ 91,978	$ 55,254

23. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as the aggregate of its shareholders' equity (deficit) and mortgages payable and on occasion, bank loan or lines of credit when drawn on. The Corporation's total capital resources amounted to $855 million as at December 31, 2011.

The Corporation aims to manage its capital resources to maintain financial strength and to maximize its financial flexibility by maintaining strong liquidity and by utilizing alternative sources of capital including equity and mortgages.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Corporation as at December 31, 2011, is summarized below:

(in 000s)

	Dec. 31, 2011	Sep. 30, 2011	Oct. 1, 2010
Mortgages payable	$ **496,459**	$ 470,314	$ 394,565
Bank indebtedness	$ **22,723**	$ 5,177	$ –
Total equity	$ **333,246**	$ 328,448	$ 254,842
Total capital	$ **852,428**	$ 803,939	$ 649,407

The Corporation's policy for capital risk management is to maintain a debt to fair value of investment properties ratio, as defined below, of no greater than 70%. The ratio as at December 31, 2011 is approximately 54% which leaves a sufficient additional capacity to raise additional funds from refinancing before it reaches its internal target ratio of 70%.

The debt to market value ratios at December 31, 2011 was as follows:

(in 000s)

	2011	2011	2010
Mortgages payable	$ **496,459**	$ 470,314	$ 394,565
Bank indebtedness	$ **22,723**	$ 5,177	–
Total debts	$ **519,182**	$ 475,491	$ 394,565
Investment properties	$ **956,119**	$ 907,835	$ 743,255
Debt to fair value ratio	**54%**	52%	53%

In managing the capital requirements of the Corporation, the management makes assessments of the capital and liquid resources required to ensure the going concern of the Corporation. Management believes that the existing liquid resources, funds to be generated from operations, and funds to be raised through the refinancing of debt will be sufficient to support the Corporation's operations on the going concern basis.

24. SUBSEQUENT EVENTS

Subsequent to December 31, 2011, the Corporation raised $19 million through financing of 10 (CMHC-insured mortgages) stabilized investment properties. The term is 10 years and the debt was financed at an average interest rate of 3.10%.

Subsequent to December 31, 2011, the Corporation acquired 1 property consisting of 20 units of residential apartments in Calgary, Alberta for consideration of $2.1 million.

As of February 13, 2012, an officer and director of the Corporation exercised an option to purchase 318,700 common shares of the Corporation at an exercise price of $15.06, consisting of the purchase of 61,000 common shares on a regular exercise basis and 257,700 common shares on a cash settlement alternative basis whereby the Corporation paid to the officer and director an amount of $ 1.8 million representing the in- the- money- value of the option on the date of exercise (being the difference between the weighted average closing price of the common shares of the Corporation on the date of exercise and the exercise price of the option multiplied by the number of common shares exercised on such basis).

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on March 5, 2012.

CORPORATE INFORMATION

OFFICERS

President & CEO
Bob Dhillon
Calgary, AB

Chief Financial Officer & Chief Operating Officer
Johnny Lam
Calgary, AB

Secretary
Joe Amantea
Calgary, AB

BOARD OF DIRECTORS

Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

Bob Dhillon
Calgary, AB

Karanveer Dhillon
San Francisco, CA

Rich Grimaldi
Westport, CT

John Irwin
London, ON

DIRECTORS' COMMITTEES

Executive Committee

Bob Dhillon
Calgary, AB

Joe Amantea
Calgary, AB

Audit Committee

Chair
John Irwin
London, ON

Rich Grimaldi
Westport, CT

Ron B. Anderson
Vancouver, BC

Human Resource Committee

Chair
Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

REGISTRAR & TRANSFER AGENT

REGISTRAR & TRANSFER AGENT

Computershare o/a
Montreal Trust Company of Canada
#600, 530 – 8 Ave SW
Calgary, AB

AUDITORS

Deloitte & Touche LLP
3000 Scotia Centre
700 – 2 St SW
Calgary, AB

SOLICITORS

Warren Tettensor Amantea LLP
1413 – 2 St SW
Calgary, AB

Borden, Ladner & Gervais
1000 Canterra Tower
400 Third Ave SW
Calgary, AB

BANKERS

TD Canada Trust
335 – 4 Ave SW
Calgary, AB

Alberta Treasury Branch
Suite 600, 444 –7 Ave SW
Calgary, AB

INVESTOR RELATIONS

Bob Dhillon
Tel: 403 215-6063
Fax: 403 264-8870
bdhillon@mainst.biz

Financial Inquiries

Johnny Lam
Tel: 403 215-6067
Fax: 403 266-8867
jlam@mainst.biz

HEAD OFFICE

Mainstreet Equity Corp.

305 – 10 Avenue SE
Calgary, AB T2G 0W2

Tel: 403 215-6060
Fax: 403 266-8867

E-mail:
mainstreet@mainst.biz
Web site: www.mainst.biz

STOCK EXCHANGE

Toronto Stock Exchange
(trading symbol: MEQ)

WHY APARTMENTS?

BELOW REPLACEMENT COST

Below replacement cost. The whole multi-family rental investment market trades below replacement costs.

NEED

There will always be a need for comfortable, affordable rental housing.

LOW INTEREST RATES

Mortgage interest rates remain near current low levels and insured mortgage loans at attractive rates are available to multi-family investors through the Canada Mortgage and Housing Corporation (CMHC).

POSITIVE DEMOGRAPHICS

People who prefer rental housing – including singles, the 50–65 age group and the 20–29 year old "echo boomers" – are increasing in numbers. The number of echo boomers alone is projected to rise by about 200,000 (Stats Canada). As well, strong rental demand across Canada's metropolitan centres is expected to continue in 2012, due to high immigration into Canada, especially Ontario and B.C., and inter-provincial migration into Alberta and B.C. (CMHC).

CLASSIFIED AS A "SAFE ASSET"

In 2011 Moody's Investors Service ranked the multi-family rental market at 99 points out of 100. The score is the strongest amongst all property types measured by Moody's.

WHY MAINSTREET?

TRACK RECORD OF GROWTH

Since 1998, Mainstreet has achieved a 33% average compound annual growth rate in the value of its portfolio.

SHARES TRADING BELOW NAV

Mainstreet shares currently trade below its estimated net asset value.

NON-DILUTIVE GROWTH

The company has achieved substantial growth with minimal equity dilution, financing acquisitions with internally generated cash flow.

STRONG MANAGEMENT ALIGNMENT

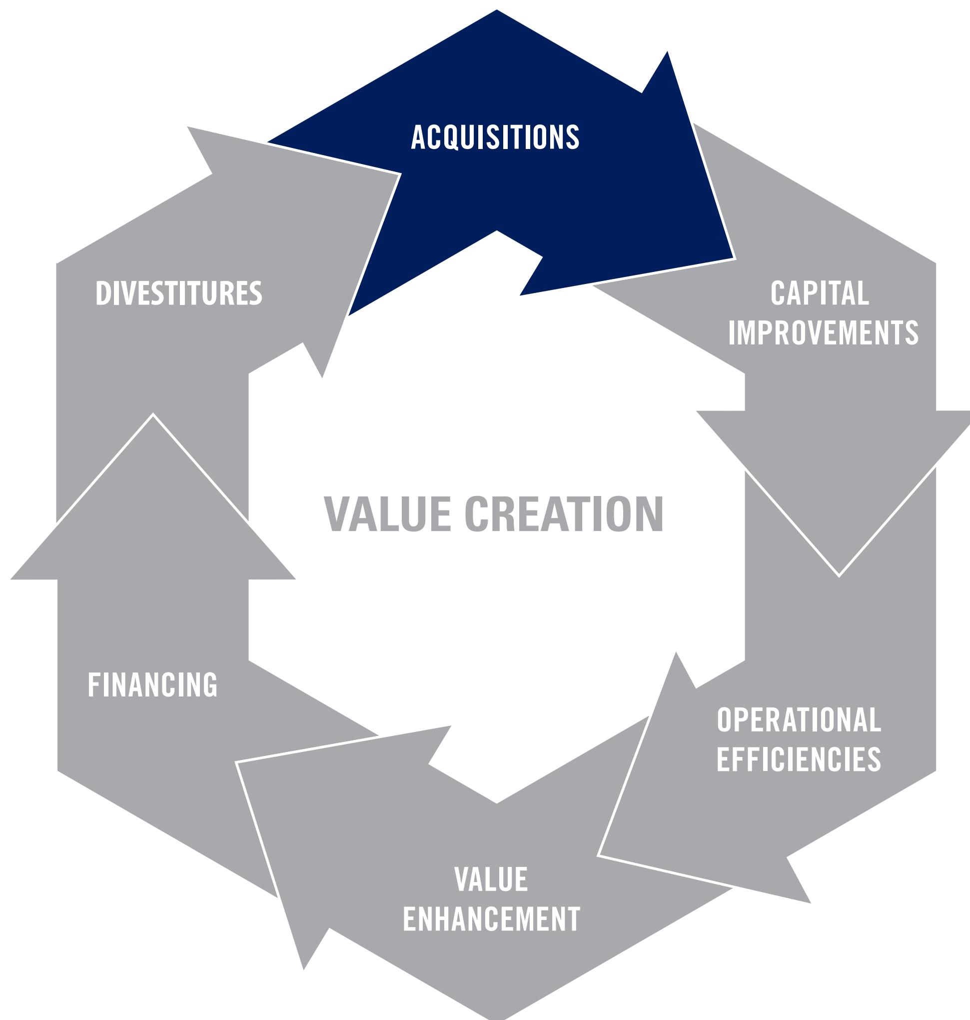
The CEO is highly vested in the success of the company.

COMPETITIVE ADVANTAGE

In addition to the reasons above, Mainstreet has the necessary elements for success – infrastructure, software systems, capital, and proven experience acquiring high-potential properties, renovating them and managing them cost-effectively.

The Mainstreet

VALUE CHAIN



How do we create value? By relying on the business model that Mainstreet pioneered in the mid-market rental apartment space, the "Mainstreet Value Chain". It focuses on value creation by acquiring underperforming assets, renovating them to our higher standard and repositioning them in the market at a higher rent. As a result, the value of the property increases substantially due to the improved conditions of buildings and the higher rents that they can attract. This enables Mainstreet to unlock the value created by financing the stabilized property using long-term, low-interest CMHC insured mortgages. The capital that is unlocked by that process can then be used to fund additional growth. **Since the day of incorporation in May 1997, we have grown our portfolio from 272 units with appraised values of $17 million to 7,797 units with appraised values of over $956 million with minimal equity dilution.**